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KOREA NATIONAL INSURANCE CORPORATION

EXTRACT OF THE ANNUAL REPORT 2010

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31st DECEMBER 2010

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KOREA NATIONAL INSURANCE CORPORATION

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KOREA NATIONAL INSURANCE CORPORATION**CONSOLIDATED BALANCE SHEET**as at 31st December 2010

Assets (KPW million)	2010	2009	2008
1 Intangible Assets	591 2	597 4	593 7
2 Tangible Assets	6,328 8	5,654 0	4,806 2
3 Investments -	36,155 0	42,814 4	42,122 3
Real Estate	1,012 8	3,416 9	3,389 6
Investments in Affiliated Enterprises	607 7	4,699 1	4,602 0
Loans	5,891 2	5,806 3	4,986 7
Securities	28,643 4	28,892 2	29,143 9
4 Ceded share of underwriting provisions	4,555 8	1,805 4	3,771 1
5 Receivables	1,974 8	1,959 8	2,652 0
6 Cash with Bank and in Hand, Cheques	50,103 6	48,217 7	43,386 8
7 Other Assets	814 4	779 2	638 0
Total Assets	100,523 6	101,827 9	97,970 1

KOREA NATIONAL INSURANCE CORPORATION**CONSOLIDATED BALANCE SHEET**as at 31st December 2010

Net worth and Liabilities (KPW million)		2010	2009	2008
1	Net worth	50,154 6	40,903 6	32,610 0
2	Paid-up Capital	4,750 0	4,750 0	4,750 0
	Retained earnings	34,054 4	25,481 1	17,440 2
	Other Reserves	2,162 2	2,099 2	2,379 0
	Consolidated Profits	9,188 0	8,573 4	8,040 9
3	Gross Underwriting Provisions	47,094 8	43,648 0	51,320 9
	Unearned Premiums	42,263 1	40,483 9	47,528 3
	Provision for Future Benefits	1,427 8	1,291 2	1,643 1
	Provision for Outstanding Claims	2,727 6	1,229 9	1,553 5
	Other Underwriting Provisions	676 3	642 9	596 0
4	Gross Banking Provisions	0 0	14,016 2	10,322 1
5	Long-term Debt	901 7	930 5	959 3
6	Other Accrued Liabilities	1,203 7	1,165 7	1,324 7
7	Other Liabilities	969 4	939 4	1,039 4
8	Other Deferred Items	199 4	224 4	393 6
	Total Net worth and Liabilities	100,523 6	101,827 9	97,970 1

KOREA NATIONAL INSURANCE CORPORATION**CONSOLIDATED INCOME STATEMENT**
for AY 2010

Items (KPW million)	2010	2009	2008
1 Net earned premiums	38,924 8	37,485 4	36,027 9
2 Investment result	1,880 9	1,662 8	1,596 6
3 Other income	1,020 2	202 8	662 7
Total income (1+2+3)	41,825 9	39,351 0	38,287 2
4 Net expenses for claims and benefits	21,763 3	19,724 4	19,547 7
5 Net operating expenses	5,913 6	6,354 7	6,563 1
6 Other expenses	537 2	570 6	264 0
Total expenses (4+5+6)	28,214 1	26,649 7	26,374 8
7 Operating result before payment to the State	13,611 8	12,701 3	11,912 4
8 Payment to the State	4,423 8	4,127 9	3,871 5
9 Profit for the Year	9,188 0	8,573 4	8,040 9

KOREA NATIONAL INSURANCE CORPORATION**CONSOLIDATED CASH FLOW STATEMENT**
for AY 2010

Items (KPW million)	2010	2009	2008
1 Operating Activities			
Cash from operating activities	14,907 6	11,214 2	16,200 7
Payment to the State	4,423 8	4,127 9	3,871 5
Net cash from operating activities	10,483 7	7,086 2	12,329 2
2 Investing activities			
Net cash from investing activities	(8,597 8)	(2,255 3)	(6,011 4)
3 Increase/decrease in cash	1,885 9	4,830 9	6,317 8
4 Movement in cash			
At beginning of year	48,217 7	43,386 8	37,069 0
Net cash inflow/outflow	1,885 9	4,830 9	6,317 8
At end of year	50,103 6	48,217 7	43,386 8

ACCOUNTING BASIS

Consolidated financial statements have been prepared in accordance with the requirements of Insurance Law and its relevant regulation of DPR Korea and in accordance with the accounting principles generally accepted in the country. They have been prepared in Korean Won under historical cost convention and on an accrual and a going-concern basis.

An accounting year for Korea National Insurance Corporation and its subsidiary undertakings is from 1 January to 31 December each year. The consolidated financial statements show their assets, liabilities and results for the accounting term. All intercompany transactions under the Corporation are not reflected in the consolidated financial statements. The Corporation follows a principle that a method once chosen should be applied consistently in applying methods of recognition, measurement and disclosure.

The subsidiary undertakings are those which directly belong to and are directed and controlled by the Corporation over their operations. The subsidiaries are consolidated from the date on which the effective control thereon is transferred to the Corporation and are no longer consolidated from the date of them being handed over to other institution.

When a subsidiary enterprise is transferred to the Corporation, all its assets and liabilities that exist at the date of its attachment are recorded at their net book values of the date. Profits earned by the subsidiaries are included in the Corporation's consolidated profits of the Corporation for the year. Annual financial statements of the consolidated subsidiaries are based on uniform accounting and valuation principles.

Income accounts in foreign currency are translated into the reporting currency of the Corporation at the average exchange rate for the year, whilst balance sheets are translated at the exchange rate ruling on 31st December. The Corporation settles its business transactions with foreign partners including insurance business mostly in Euro upon the exchange rate of KPW 160 to EUR 1.

KOREA NATIONAL INSURANCE CORPORATION

AUDITOR'S REPORT

We have audited the consolidated financial statements which comprise the Balance Sheet, the Income Statement, and the Cash Flow statement prepared by Korea National Insurance Corporation for the accounting term from 1 January to 31 December 2010

The Executive Committee of Management of KNIC is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the DPR of Korea

Our responsibility as independent auditors is to express an opinion on these financial statements based on our audit. We conducted our audit in conformity with the auditing standards set out by the Ministry of Finance, DPR Korea. These standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatements.

Our audit included examining, on a test basis, evidence supporting the amounts and disclosure in consolidated financial statements. Our audit included assessing the accounting principles used and significant estimates, as well as evaluating the overall consolidated financial statements presentation. We therefore believe that our audit provides a reasonable basis for our opinion.

In our opinion, the audited consolidated financial statements give a true and fair view of the Corporation's state of affairs as at Dec 31st 2010 and its profits and cash flow for the year then ended in accordance with accounting principles generally accepted in the DPR Korea.

Pyongyang, 15th March 2011

Kim Myong Chol, Director, Auditing Office, DPR Korea

Ri Sun Hui, Manager, Auditing Office, DPR Korea