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**KOREA NATIONAL INSURANCE CORPORATION**

**EXTRACT OF THE ANNUAL REPORT 2013**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31st DECEMBER 2013**

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## KOREA NATIONAL INSURANCE CORPORATION

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# KOREA NATIONAL INSURANCE CORPORATION

## CONSOLIDATED BALANCE SHEET

as at 31st December 2013

Assets (KPW million)		2013	2012	2011
1	Intangible Assets	868 2	785 5	733 0
2	Tangible Assets	9,804 5	8,301 5	7,433 9
3	Investments -	60,420 9	57,694 9	53,500 8
	Real Estate	4,351 3	3,900 8	3,600 1
	Investments in Affiliated Enterprises	3,558 0	3,152 6	2,598 6
	Loans	10,065 7	7,982 3	7,802 8
	Securities	42,445 9	42,659 2	39,499 3
4	Ceded share of underwriting provisions	2,206 6	2,690 7	1,808 4
5	Receivables	2,990 3	1,531 8	1,674 8
6	Cash with Bank and in Hand, Cheques	44,429 6	41,468 1	41,179 7
7	Other Assets	873 3	808 6	802 1
<b>Total Assets</b>		<b>121,593.4</b>	<b>113,281.1</b>	<b>107,132.7</b>

So Tong Myong



Chairman of the Executive Committee of Management

# KOREA NATIONAL INSURANCE CORPORATION

## CONSOLIDATED BALANCE SHEET

as at 31st December 2013

Net worth and Liabilities (KPW million)		2013	2012	2011
1	Net worth -	68,470.9	61,272.6	55,631.3
	Paid-up Capital	4,750.0	4,750.0	4,750.0
	Retained earnings	54,479.3	48,935.3	43,242.4
	Other Reserves	2,120.9	2,043.2	1,945.9
	Consolidated Profits	7,120.6	5,544.0	5,692.9
2	Gross Underwriting Provisions -	50,149.7	49,121.1	48,434.3
	Unearned Premiums	47,103.5	45,640.4	45,648.8
	Provision for Future Benefits	1,614.3	1,098.4	1,486.4
	Provision for Outstanding Claims	732.1	1,714.2	693.7
	Other Underwriting Provisions	699.8	668.2	605.4
3	Long-term Debt	816.6	859.6	873.0
4	Other Accrued Liabilities	1,092.5	1,040.4	1,107.7
5	Other Liabilities	896.5	827.0	912.1
6	Other Deferred Items	167.4	160.5	174.4
<b>Total Net worth and Liabilities</b>		<b>121,593.4</b>	<b>113,281.1</b>	<b>107,132.7</b>

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**KOREA NATIONAL INSURANCE CORPORATION****CONSOLIDATED INCOME STATEMENT**  
for AY 2013

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<b>Items</b> (KPW million)	<b>2013</b>	<b>2012</b>	<b>2011</b>
1 Net earned premiums	41,467.9	44,660.3	38,984.3
2 Investment result	4,197.4	2,996.4	2,630.4
3 Other income	83.5	35.2	152.0
<b>Total income (1+2+3)</b>	<b>45,748.9</b>	<b>47,691.9</b>	<b>41,766.7</b>
4 Net expenses for claims and benefits	27,194.6	32,225.1	26,222.5
5 Net operating expenses	7,200.7	6,976.1	6,452.3
6 Other expenses	804.5	277.3	658.0
<b>Total expenses (4+5+6)</b>	<b>35,199.8</b>	<b>39,478.5</b>	<b>33,332.8</b>
7 Operating result before payment to the State	10,549.1	8,213.4	8,433.9
8 Payment to the State	3,428.5	2,669.3	2,741.0
9 Profit for the Year	7,120.6	5,544.0	5,692.9

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**KOREA NATIONAL INSURANCE CORPORATION****CONSOLIDATED CASH FLOW STATEMENT**  
for AY 2013

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<b>Items</b> (KPW million)	2013	2012	2011
1 Operating Activities			
Cash from operating activities	11,570 9	8,355 7	13,055 5
Payment to the State	3,428 5	2,669 3	2,741 0
Net cash from operating activities	8,142 5	5,686 4	10,314 5
2 Investing activities			
Net cash from investing activities	(5,181 0)	(5,398 0)	(19,238 4)
3 Increase/decrease in cash	2,961 5	288 4	(8,923 9)
4 Movement in cash			
At beginning of year	41,468 1	41,179 7	50,103 6
Net cash inflow/outflow	2,961 5	288 4	(8,923 9)
At end of year	44,429 6	41,468 1	41,179 7

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## KOREA NATIONAL INSURANCE CORPORATION

### AUDITOR'S REPORT

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Consolidated financial statements of Korea National Insurance Corporation (KNIC) have been prepared in accordance with the requirements of Accounting Law and its relevant regulation of the DPR Korea and the accounting principles generally accepted in the country. They have been prepared in Korea Won under historical cost convention 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 period.

All intercompany transactions under KNIC are not reflected in the consolidated financial statements. KNIC follows a principle that a method once chosen should be applied consistently in applying methods of recognition, measurement and disclosure.

The subsidiary bodies are those that directly belong to and are directed and controlled by KNIC over their operations. The subsidiaries are consolidated from the date on which effective control thereon is transferred to KNIC and are no longer consolidated from the date of them being taken over to other institution. When a subsidiary enterprise is transferred to KNIC, all its assets and liabilities that exist at the date of its attachment are recorded at their book values of the date. Profits earned by the subsidiaries are included in consolidated profits of KNIC 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 KNIC at an average exchange rate for the year, whilst balance sheets are translated at an exchange rate ruling on 31 December.

KNIC settles its business transactions with foreign partners including insurance business mostly in Euro upon the exchange rate of KPW 160 to EUR 1.

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## KOREA NATIONAL INSURANCE CORPORATION

### AUDITOR'S REPORT

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We have audited the consolidated financial statements consisting of Balance Sheet, Income Statement and Cash Flow Statement prepared by Korea National Insurance Corporation (KNIC) for the accounting year from 1 January to 31 December 2013

The preparation and the presentation of these financial statements in accordance with the generally accepted accounting principles in the DPR Korea are in charge of KNIC's Executive Committee of Management

Our responsibility as independent auditors is to express an opinion on these financial statements based on our audit. We have audited the consolidated financial statements in conformity with the auditing standards set out by Ministry of Finance, the 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 misstatement. The evidence documents supporting the amounts in the consolidated financial statements were examined on a test basis within the framework of the audit. Our audit included assessing the accounting principles used and the significant estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provided a reasonable basis for our opinion.

In our opinion, the audited consolidated financial statements give a true and fair view of KNIC's state of affairs as at 31 December 2013 and its profit and cash flows for the year then ended in accordance with the accounting principles generally accepted in the DPR Korea.

Pyongyang, 12<sup>th</sup> March 2014

Pak Yong Jin, Director, Auditing Office, DPR Korea

Jang Un Mi, Manageress, Auditing Office, DPR Korea