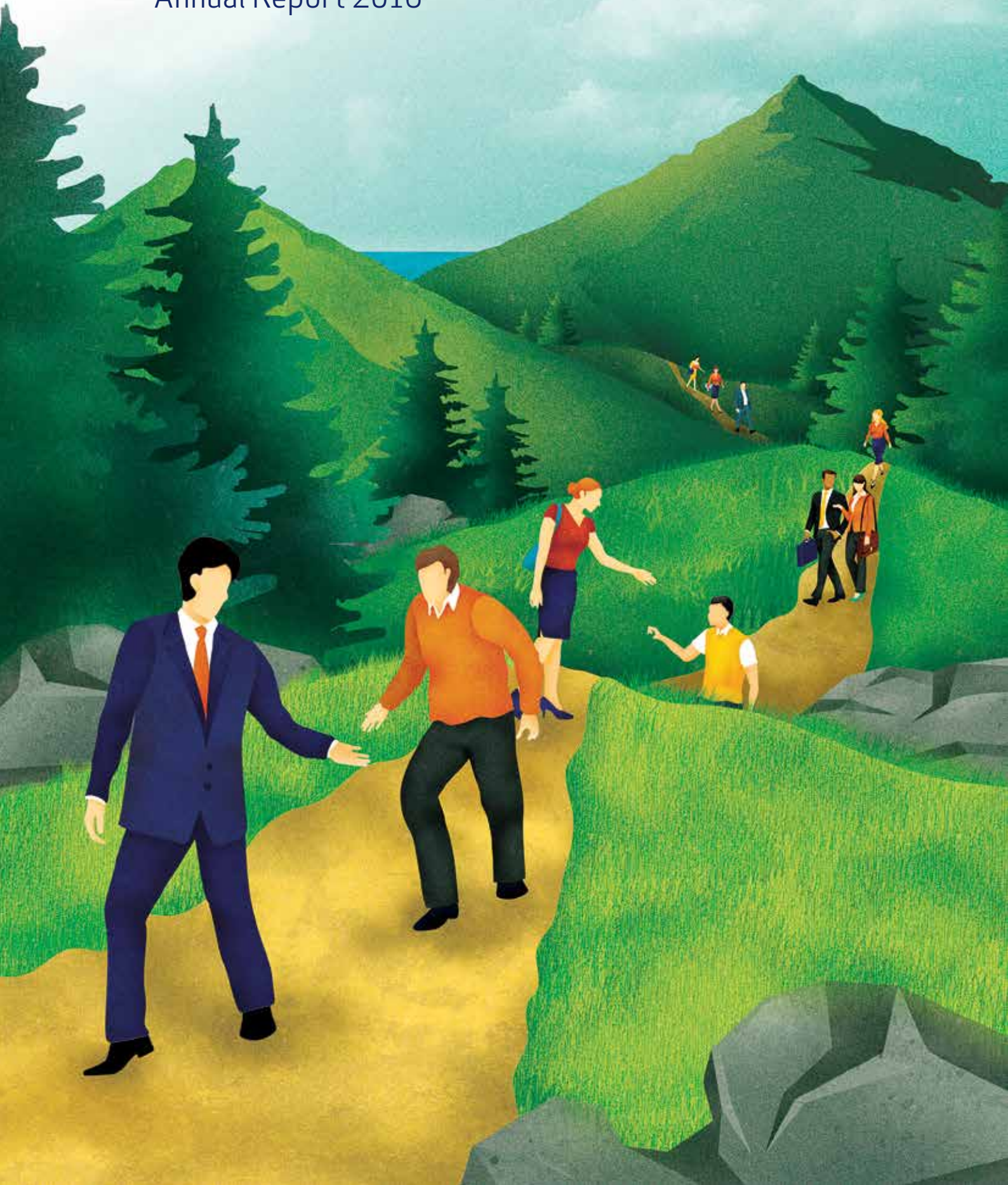


PeakRe >

Annual Report 2016



About Peak Re

Based at the heart of the Asia Pacific region in Hong Kong and authorised by the Office of the Commissioner of Insurance of Hong Kong (OCI), Peak Reinsurance Company Limited (Peak Re) was licensed in December 2012.

With shareholder funds of US\$841.1 million as of 31 December 2016, Peak Re is committed to providing innovative and visionary reinsurance services for our clients globally. Our services proposition has further expanded as from June 2014, when Peak Re obtained the license for underwriting long-term reinsurance business from the OCI.

Peak Re is now one of the few locally established reinsurance companies in Asia-Pacific, underwriting both life & health and property & casualty reinsurance business. We offer treaty reinsurance services, tailor-make risk transfer and capital management vehicles to best fit clients' needs.

Peak Re's mission is to modernise the reinsurance industry through a fresh perspective on protecting the prosperity and continuing growth of the Asia Pacific region. Peak Re understands that as the world economic system globalises and grows, complex new risks emerge and hence the need for new risk and capital management solutions. We work hand-in-hand with our clients to offer meaningful reinsurance solutions – solutions that address specific market challenges in support of long-term growth.

Because we listen, we make decisions with speed and integrity, we have the commitment and courage to deliver.

Peak Re is backed by Fosun International Limited and the International Finance Corporation, which respectively invested 86.93% and 13.07% in the Company. Peak Re is rated "A-" by A.M. Best.

To learn more about how Peak Re can help you achieve a better financial position and protection, please visit our website www.peak-re.com.

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Insight

While being committed to investing in knowledge and technology, insights shared with our clients help to manage and mitigate the risks faced by the communities our clients seek to protect.

Commitment

It is Peak Re's founding mission to support the development of the global reinsurance industry with special focus on developing markets. Our clear and consistent business strategy is based on this commitment.

Courage

"The courage to deliver" has been developed as part of Peak Re's brand platform since the beginning of our operations, demonstrating our determination to serve our clients and communities. This has been well received by the market.



Courage to Deliver





Profit & Loss Statement

Year ended 31 December 2016

	2016 US\$	2015 US\$
GROSS WRITTEN PREMIUMS	698,226,744	582,680,029
Gross earned premiums	609,890,297	477,979,901
Retrocessionaires' share of gross earned premiums	(52,925,793)	(18,040,709)
Net reinsurance contracts earned premiums revenue	556,964,504	459,939,192
Gross claims paid and payable	(219,721,760)	(131,986,557)
Retrocessionaires' Share of Claims Paid	7,469,970	-
Change in gross reinsurance claim liabilities	(171,025,754)	(238,454,733)
Change in retrocessionaires' share of outstanding claims	5,915,186	25,638,704
Net claims incurred	(377,362,358)	(344,802,586)
Commission expense	(152,854,245)	(84,645,139)
Commission income	10,953,686	298,868
Net commission expense	(141,900,559)	(84,346,271)
Administration expenses	(26,150,970)	(22,098,880)
Underwriting profit for the year	11,550,617	8,691,455
Investment income	15,528,898	50,458,192
Share of profit and losses of associate	2,145,000	-
Other expenses	(1,494,516)	(1,738,670)
Foreign exchange loss	(22,013,279)	(4,999,457)
PROFIT BEFORE TAX	5,716,720	52,411,520
Income tax credit	1,215,726	1,375,805
PROFIT FOR THE YEAR	6,932,446	53,787,325
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Available-for-sale investments		
Changes in fair value	18,429,440	(31,286,237)
Share of other comprehensive income of associate	840,500	-
Reclassification adjustments for disposal	3,598,525	(253,981)
Income tax effect	(5,079,211)	5,742,535
OTHER COMPREHENSIVE INCOME FOR THE YEAR	17,789,254	(25,797,683)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	24,721,700	27,989,642

Asset & Liability Statement

Year ended 31 December 2016

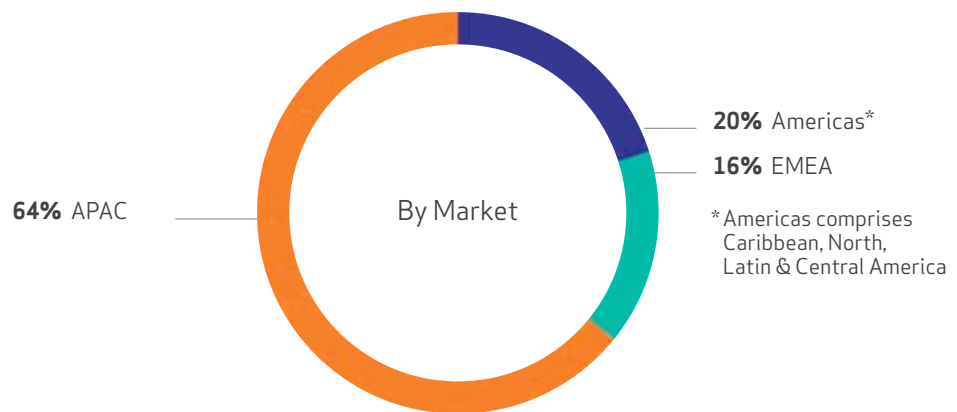
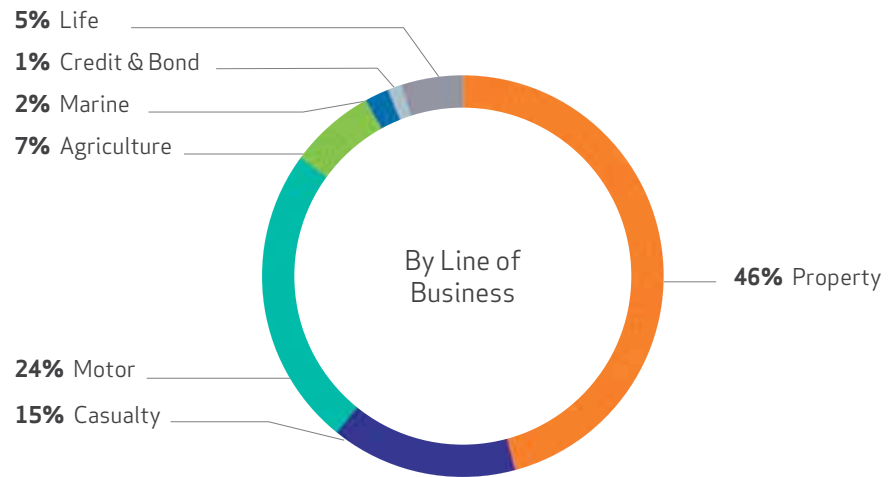
	2016 US\$	2015 US\$
ASSETS		
Intangible assets	444,790	771,037
Property and equipment	114,582	182,444
Investment in associate	54,485,500	-
Held-to-maturity investments	54,344,811	36,335,770
Available-for-sale investments	630,329,372	511,429,330
Investments at fair value through profit or loss	164,252,386	191,279,327
Loans and receivables	32,334,017	-
Deferred acquisition costs	99,126,574	60,032,829
Prepayments, deposits and other receivables	9,096,065	7,986,639
Retrocession assets	56,759,640	26,050,781
Deferred tax assets	8,642,490	10,687,678
Reinsurance receivables	555,456,004	380,877,135
Amount due from holding company	258	-
Cash and bank balances	283,452,818	173,924,552
TOTAL ASSETS	1,948,839,307	1,399,557,522
LIABILITIES		
Reinsurance contracts/policy liabilities	855,361,826	584,959,105
Reinsurance payables	207,278,465	88,615,731
Deferred commission income	6,948,249	46,202
Other payables and accrued liabilities	36,162,497	4,218,006
Deferred tax liabilities	-	-
Current tax payable	1,950,292	5,302,200
TOTAL LIABILITIES	1,107,701,329	683,141,244
NET ASSETS	841,137,978	716,416,278
EQUITY		
Share capital	650,000,000	550,000,000
Reserves	191,137,978	166,416,278
	841,137,978	716,416,278

Cash Flows Statement

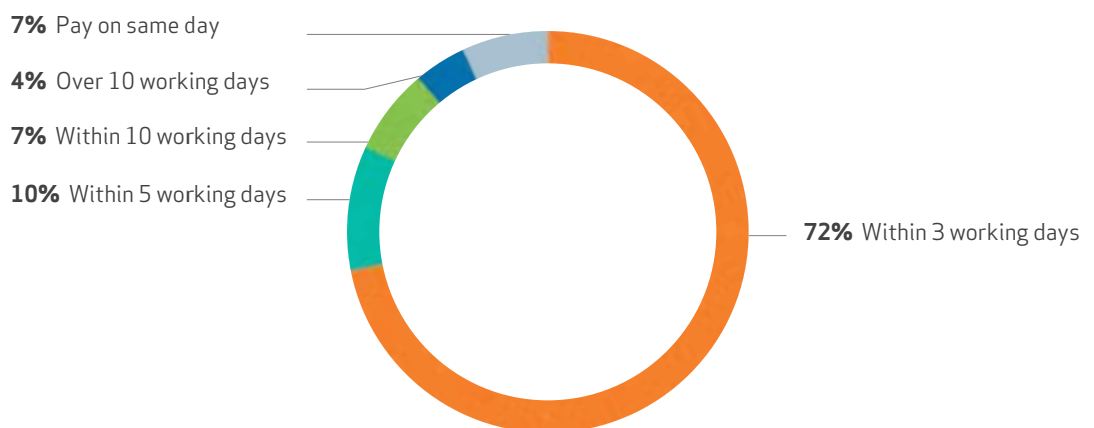
Year ended 31 December 2016

	2016 US\$	2015 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating activities		
Profit before taxation	5,716,720	52,411,520
Depreciation of property and equipment	88,240	150,324
Amortisation of intangible assets	339,621	371,239
Profit share from associate	(2,145,000)	-
Interest income	(24,505,892)	(21,859,388)
Dividend income from investments at fair value through profit or loss	(9,336,904)	(8,538,945)
Fair value loss on fair value through profit or loss investments	16,686,737	12,575,436
Gain on disposal of fair value through profit or loss investments	(811,978)	(61,558,279)
Gain on disposal of available-for-sale investments	(12,458,099)	(10,121,871)
Change in reinsurance contract payables	176,194,344	205,204,157
Change in provision for unearned premiums	63,499,518	104,274,508
Change in reinsurance creditors	118,662,734	31,996,355
Change in prepayments, deposits and other receivables	(2,315,649)	(8,931,710)
Change in deferred acquisition costs, net	(32,191,698)	(31,691,930)
Change in reinsurance receivables	(131,496,154)	(201,758,865)
Change in other payables and accrued liabilities	11,936,951	19,196,236
Net cash flows from operating activities	177,863,491	81,718,787
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property and equipment	(20,378)	(137,828)
Purchase of intangible assets	(13,374)	(859,047)
Interest received	25,265,749	20,726,197
Change in cash collaterals	(13,242,738)	-
Dividends received from investments in securities	9,094,111	8,533,660
Payment for purchase of available-for-sale investments	(540,068,742)	(463,528,308)
Payment for purchase of fair value through profit or loss investments	(14,479,769)	(72,054,000)
Payment for purchase of held-to-maturity investments	(19,880,627)	(37,282,371)
Payment for investment in associate	(51,500,000)	-
Proceeds from maturity of available-for-sale investments	242,126,046	138,715,588
Proceeds from disposal of available-for-sale investments	158,938,066	91,389,621
Proceeds from sale of fair value through profit or loss investments	23,870,654	252,647,421
Net cash flows used in investing activities	(179,911,002)	(61,849,067)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from capital contribution	100,000,000	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		
Cash and bank balances at beginning of year	173,924,552	156,907,643
Effect of foreign exchange rate change	(1,666,961)	(2,852,811)
CASH AND BANK BALANCES AT END OF YEAR	270,210,080	173,924,552

Business Portfolio



Claims Payment Statistics





Agile Minds





➤ Message from Chairman & Chief Executive Officer

We successfully weathered the unabated softening of global and regional reinsurance market conditions. This performance testifies to the quality of our underwriting and the effectiveness of Peak Re's strategic portfolio steering.

Wang Qunbin
Chairman



Peak Re continued to enjoy a solid growth in 2016. Although our net income for the financial year 2016 declined from US\$53.8 million to US\$6.9 million which was driven by a reduction in total investment income, the Company saw a strong and steady growth and our underwriting performance held up well.

Gross Premiums Written grew 20% from US\$582.7 million to US\$698.2 million. We are particularly pleased by the fact that this significant growth was accompanied by a continued stability in our combined ratio, at 97.6%, in an unabated softening of global and regional market conditions.

Resilient and stable technical performance

Maintaining the technical margin over years of continuously deteriorating reinsurance markets is a major achievement for which we commend our underwriting team. Our focus on managing the portfolio to produce low-volatility business continues to serve us well.

Peak Re is committed to a prudent approach to reserving with technical provisions growing faster than premium income.

Peak Re's technical performance continues to profit from a highly competitive administrative expense ratio of 4.7%, an achievement that we attribute to our integrated global platform and the cost discipline characteristic of our entrepreneurial start-up culture.

In 2016, we made further progress towards building a portfolio with a sound diversification by line of business and geography. While we have a portfolio that is diversified, it is still focused on Asia Pacific, with 64% from Asia Pacific and 36% from the rest of the world.

Building a global franchise

In September 2016, based on 2015 premium figures, Peak Re was named a Global Top 50 reinsurance company by A.M. Best, a major achievement after only three full years of operation. We received a further boost and vote of confidence from a US\$100 million capital injection from our major shareholder Fosun. These funds will help us sustain our strong momentum of profitable growth.

In 2016, we also completed the acquisition of a 50% stake at NAGICO, a leading Caribbean insurer which provides us with access to attractive and diversifying insurance risks for our book of business.

Generally speaking, Peak Re further strengthened its recognition with its stakeholders as evidenced by being granted the "Asian Reinsurer of the Year" award from the Asian Banking and Finance Magazine. In addition, we made it to the final three of the Asia Insurance Review's General Reinsurer of the Year award. These accolades fill us with gratitude and pride.



For Peak Re, 2016 was another year of strong and steady growth. Since inception, our technical results have been consistently profitable.

Franz Josef Hahn
Chief Executive Officer

Overall, Peak Re's organisational platform and talent base have further matured in 2016. We conferred more authority to our underwriters, made senior appointments in various functions and established a European subsidiary in Zurich, Switzerland. With just 56 employees from 12 different nationalities as of December 31, 2016, Peak Re continues to run a very lean organisation. One of our particular strengths is gender diversity, with women accounting for 48% of our staff and a good spread across senior positions within the Company.

Challenging investment markets

As a long-term value and total return investor, Peak Re suffered some impairment losses on equity positions in 2016, adversely affecting the income statement. We continue to deliberately tolerate volatility on the asset side while carefully avoiding it on the liabilities side of the balance sheet. As a result, our total investment return declined from an exceptional 5.7% in 2015 to 1.5% in 2016. However, Peak Re's net

investment return slightly improved to 3.0%, from 2.6% in 2015.

Peak Re's total investable assets have grown to US\$1,219.2 million, up 34% compared with 2015. This strong growth momentum will continue to support our total return investment strategy going forward. Overall, our investment mix corresponds to the risk-return profile of our Asian home's high-growth environment. Fixed-income securities and equities account for close to a third each. Almost a quarter of our investable assets is held in cash as making prompt claims payments is at the core of our value proposition to customers.

Positive outlook

Peak Re's outlook remains confident. The year-end renewals have confirmed our continued ability to grow profitably on the back of higher shares and new business with existing clients in particular.

Our new European subsidiary will go a long way in broadening our footprint in this part of the world. The Solvency II equivalency of

Switzerland is a key asset for Peak Re. At the same time, we will continue to diversify into the Americas and selectively capture opportunities in the Middle East and Africa.

Having said this, our geographical expansion will not compromise Peak Re's character as a lean and nimble organisation. We will remain one firmly integrated company with a single operating platform. Cost efficiency will gain in importance as a competitive advantage as global reinsurance markets continue to soften.

We would like to thank our shareholders, Board of Directors, clients, brokers and business partners for their continued support. Our special gratitude goes to our staff for their support and strong commitment to Peak Re.

Wang Qunbin
Chairman

Franz Josef Hahn
Chief Executive Officer

Board of Directors & Senior Management



Board of Directors

Wang Qunbin ¹

Chairman, Non-Executive Director

Mr. Wang Qunbin is the Chairman and Non-Executive Director of Peak Re. Mr. Wang is one of the Co-Founders of the Fosun Group and has been a director of Fosun High Technology since its establishment.

Mr. Wang was listed in the "Hot 100 List in 2016" by the American insurance magazine Insurance Business, awarded "Asia Pacific Outstanding Entrepreneur Awards" issued by Enterprise Asia in 2014 and "Best Asian Corporate Director" at the Asian Excellence Recognition Awards 2014 by Corporate Governance Asia, and was named one of "China's 50 Top-performing Corporate Leaders" by Harvard Business Review.

Mr. Wang received a bachelor's degree in genetic engineering from Fudan University in 1991.

Michael Lee ²

Deputy Chairman, Non-Executive Director

In 2016, Mr. Michael Lee was the Deputy Chairman and Non-Executive Director of Peak Re. He is Senior Assistant to President of Fosun Group, Co-President of Fosun Insurance Group, General Manager of Overseas Insurance Investment and General Manager of Iberian Investment Development. He is also a Global Partner of Fosun Group.

Mr. Lee has over 20 years of insurance experience in the United States and China with extensive knowledge in actuary, underwriting, claims, product development, marketing, finance and investment.

Mr. Lee played an instrumental role in Fosun's investment in Peak Re. He was the deputy chairman of actuarial committee of Shanghai Institute of Insurance, chief representative of Life Insurance Marketing and Research Association (LIMRA) and a member of Shanghai association of insurance.

Mr. Lee holds a bachelor's degree from Fudan University, a master's degree from Purdue University and a master's degree from Western Michigan University in the United States.

(Resigned from Peak Re's Board in February 2017)

Guo Guangchang ³

Non-Executive Director

Mr. Guo Guangchang is a Non-Executive Director of Peak Re. Mr. Guo is one of the

Co-Founders of the Fosun Group and has been chairman of Fosun High Technology since its establishment.

Mr. Guo was awarded, among others, "Lifetime Achievement Award" in the 8th Annual World Chinese Economic Summit in 2016, "2015 Most Influential Corporate Leader in China" issued by China Entrepreneur Summit and Chinese Entrepreneur 30th Award Ceremony, and named, among others, in the "50 Most Influential Individuals of the Portuguese Economy in 2015" by the Portuguese mainstream media Jornal de Negócios, Bloomberg Markets "50 Most Influential List 2014 - Corporate Power Broker" and a famous American business magazine Fast Company (Chinese edition) "China 100 Most Creative People in Business 2014".

Mr. Guo received a bachelor's degree in philosophy in 1989 and a master's degree in business administration in 1999, both from Fudan University.

Franz Josef Hahn ⁴

Executive Director, Chief Executive Officer

Mr. Franz Josef Hahn is the Chief Executive Officer of Peak Re. With 30 years of reinsurance industry experience, Mr. Hahn has successfully helped building and shaping the reinsurance business in the Greater China and Asia Pacific region.

Prior to founding Peak Re, Mr. Hahn was the Managing Partner of FJ Hahn & Associates, offering strategic business advisory services to insurance companies and other financial institutions across the globe.

Mr. Hahn was the Managing Director of Swiss Re's Greater China region between 1997 and 2008, and before that, he spent nine years at Munich Re, six years of which as Head of Casualty in Hong Kong.

Before launching his reinsurance career, he started his earlier years as a lawyer.

Kang Lan ⁵

Non-Executive Director

Ms. Kang Lan is a Non-Executive Director of Peak Re. Ms. Kang is the Executive Director and Senior Vice President of Fosun Group (Vice President in 2016) and Chief Human Resources Officer of Fosun Group, as well as President of Fosun Insurance Group. Ms. Kang is responsible for managing Fosun's insurance business, including such aspects as the development and implementation of strategy, the optimisation of talent allocation, work on mergers and acquisitions and post-investment management of insurance subsidiaries.

Prior to joining Fosun, Ms. Kang was a Senior Client Partner at the Greater China Office of Korn/Ferry International, responsible for senior executive recruitment and consultation. Prior to that, she had worked the field of management consulting for four years at the Greater China office of McKinsey & Company.

Ms. Kang received an MBA with Honors from The Wharton School, University of Pennsylvania. She also holds a bachelor's degree from Zhejiang University in China and a master's degree from Tulane University in the United States.

Zhu Wenxian ⁶

Non-Executive Director

Mr. Zhu Wenxian is a Non-Executive Director of Peak Re. He also serves as Deputy Chief Financial Officer of Fosun Group and Chief Financial Officer of Fosun Insurance Group.

Before joining Fosun, Mr. Zhu served as Chief Financial Officer and Chief Risk Officer of Lloyd's Insurance Company (China) Limited. He also worked for PricewaterhouseCoopers Shanghai as Audit Manager providing audit and advisory services to insurance clients.

Mr. Zhu holds an MBA from Fudan University, a bachelor's degree in International Business Management from Shanghai International Studies University, as well as a bachelor's degree in Accounting from Shanghai University of Finance and Economics. Mr. Zhu is also a member of the Chinese Institution of Certified Public Accountants (CICPA).

Monish Kant Dutt ⁷

Non-Executive Director

Mr. Monish Kant Dutt is a Non-Executive Director of Peak Re. He is a seasoned investment professional and consultant on emerging markets, and serves as a director on four other boards in India, the Caribbean and the USA. Mr. Dutt has spent 25 years with the International Finance Corporation (IFC) until 2011 where he last served as Chief Credit Officer for Global Financial Institutions & Private Equity Funds. He was responsible for over US\$10 billion investments in debt instruments and equity during his service at the IFC. Before joining the IFC, Mr. Dutt worked at Ernst & Young London for four years.

Mr. Dutt holds an MBA in Finance from London Business School, London University and a bachelor's degree in Economics from St. Stephen's College, University of Delhi. He is also a Chartered Accountant accredited as a Fellow by the Institute of Chartered Accountants in England.



Gong Zhiqi⁸
Independent Non-Executive Director

Ou-Yang Hui⁹
Independent Non-Executive Director

Senior Management

Franz Josef Hahn⁴
Chief Executive Officer

Mr. Franz Josef Hahn is the Chief Executive Officer of Peak Re. With 30 years of reinsurance industry experience, Mr. Hahn has successfully helped building and shaping the reinsurance business in the Greater China and Asia Pacific region.

Prior to founding Peak Re, Mr. Hahn was the Managing Partner of FJ Hahn & Associates, offering strategic business advisory services to insurance companies and other financial institutions across the globe.

Mr. Hahn was the Managing Director of Swiss Re's Greater China region between 1997 and 2008, and before that, he spent nine years at Munich Re, six years of which as Head of Casualty in Hong Kong.

Before launching his reinsurance career, he started his earlier years as a lawyer.

Cathy Chen¹⁰
Chief Financial Officer

Ms. Cathy Chen is the Chief Financial Officer for Peak Re, overseeing the financial and operational management of Peak Re.

Ms. Chen has more than 18 years of accounting and financial experience in both the insurance and reinsurance industry and has solid knowledge of the related regulations. She has previously been part of the management teams of various internationally renowned insurance organisations.

Prior to joining Peak Re, Ms. Chen was the Chief Representative for Lloyd's Beijing representation office. Before that, she was the Chief Financial Officer for Swiss Re's China operation and had successfully established and maintained good relationships with various government authorities.

Ms. Chen holds an MBA in Finance and a bachelor's degree in Economics. She is also a member of the Association of Chartered Certified Accountants (ACCA) Fellowship.

Desmond Yu¹¹
Chief Investment Officer

Mr. Desmond Yu is the Chief Investment Officer of Peak Re, designing, strategising and implementing tactical asset allocation of Peak Re's investment portfolio which is more than US\$900 million asset under management (AUM).

Mr. Yu has more than 20 years of financial industry experience, with proven track record of achieving excellent investment returns.

Prior to joining Peak Re, Mr. Yu was Deputy Chief Investment Officer of Bank of China Group Life Assurance, where he managed their US\$5.8 billion portfolio. Before that, he was Chief Investment Officer for Zurich Insurance Hong Kong and Regional Investment Manager for Zurich Insurance Asia.

Mr. Yu holds an EMBA degree and a bachelor's degree in Finance and Accounting. He is also a member of the Association of Chartered Certified Accountants (ACCA).

Eckart Roth¹²
Chief Risk Officer

Mr. Eckart Roth is the Chief Risk Officer of Peak Re. Mr. Roth is a seasoned reinsurance professional with more than 25 years of experience in the regional and international reinsurance markets and a proven track record in building and implementing comprehensive risk management systems during his previous experience with various global reinsurers.

Prior to founding Peak Re with Mr. Hahn, Mr. Roth ran and owned a consultancy which offered tailored reinsurance solutions to financial institutions in Asia Pacific, Europe and the US. Before that Mr. Roth was the Managing Director and Global Risk Officer at White Mountains Re where he successfully built and implemented a risk management platform for the Group covering Europe, Bermuda and US.

Educated in Germany and France, Mr. Roth is a qualified lawyer.

Chris Kershaw¹³
Managing Director – Global Markets

Mr. Chris Kershaw is the Managing Director – Global Markets at Peak Re, responsible for business development and communication.

Mr. Kershaw has over 30 years of experience in the reinsurance industry and has spent the past 20 years in Asia, gaining a wide range of experience working with various stakeholders, including regulators, to

develop relationships and business across the region and multiple lines.

Before joining Peak Re, Mr. Kershaw was most recently Chief Operating Officer of Asia Reinsurance Brokers, an independent professional reinsurance broker based in Singapore. Prior to that, he was with the JLT Group for 25 years in various senior roles, including being a director of JLT Re Japan Inc.

Mr. Kershaw holds a master's degree in Modern History and Economics from Oxford University.

Lawrence Cheng¹⁴
Head of Underwriting

Mr. Lawrence Cheng is the Head of Underwriting for Peak Re, looking after the firm's product underwriting function. He has more than 14 years of experience in the reinsurance industry with exposures from both brokering and reinsurance companies.

Before heading up Peak Re's underwriting team, Mr. Cheng was the Company's Head of Analytics with solid experience in outwards reinsurance purchase, reserving, pricing, catastrophe modelling, capital modelling and enterprise risk management (ERM). Prior to joining Peak Re, Mr. Cheng was the Head of Actuarial at Aon Benfield China. Mr. Cheng started his career in the London Lloyds Insurance Market and has worked at Liberty Syndicates and Markel International.

Mr. Cheng is a fellow of the Institute of Actuaries and has a Bachelor degree in Mathematics from the University of Warwick.

Christopher Lee¹⁵
Head of Life & Health

Mr. Christopher Lee is the Head of Life & Health at Peak Re, overseeing the Company's life, health, and medical, reinsurance business.

Mr. Lee has 27 years of Life & Health insurance & reinsurance. Prior to joining Peak Re, he was the Head of Client Markets for Southeast Asia at Swiss Re.

Mr. Lee acquired extensive experience across the entire insurance operations, specifically in financial reporting, pricing, underwriting, insurance operations (new business & policy servicing), marketing and product development.

Mr. Lee holds a bachelor degree in Actuarial Science & Computer Science from the University of Calgary, Canada. He is also an Associate of the Society of Actuaries, USA.



Milestones 2016

Shareholder funds increases by US\$100 million

Peak Re increased its share capital by US\$100 million in August. The capital increase came from Peak Re's major shareholder, Fosun and serves the dual purpose of strengthening the Company's contribution to reducing the prevailing underinsurance in Asia's emerging insurance markets, and to further diversify and expand its global portfolio.

Completed strategic investment of 50% stake in NAGICO

Peak Re completed its strategic investment of a 50% stake in NAGICO in August. This strategic investment provides Peak Re with attractive growth prospects in the Caribbean region and is in line with the reinsurer's strategy to diversify its portfolio globally. The acquisition also ties in with Peak Re shareholder International Finance Corporation's (IFC) strategy, which is committed to strengthening insurance industry development in emerging and developing countries and regions such as the Caribbean.

"Asian Reinsurer of the Year"

Peak Re has been named "Asian Reinsurer of the Year" at the inaugural Asian Banking and Finance Insurance Asia Awards 2016. The Awards honour companies who rise above the challenges and recognise their initiatives and practices that make the most of the lucrative opportunities in the insurance market. The judging panel saw Peak Re as a deserving winner given the Company's sustained profitability from year one, its ability to pay claims swiftly when needed, and its unique underwriting approach of looking at risk from a different perspective.

Global Top 50 reinsurance group

Peak Re is now one of the Top 50 global reinsurance groups, by gross written premium, ranked by A.M. Best. Peak Re's vision is to become a trusted and client focused reinsurance partner for its clients, and making it to the top 50 in just three years since inception is a strong testimonial that the Company is on the right track.



Setting up a reinsurance subsidiary in Zurich

Peak Re has been granted the approval by the Swiss Financial Market Supervisory Authority (FINMA) to establish a subsidiary, Peak Reinsurance AG ("Peak Re AG"), based in Zurich which is licensed to accept reinsurance business from 1 January 2017. Peak Re AG is capitalised on the basis of the Swiss Solvency Test and will show a 200% coverage ratio of the solvency requirement. Hence it will have full Solvency II equivalence and will be able to provide speedy and attentive reinsurance solutions on a multi-line and long-term basis to clients in European markets.

Launch of Peak Insights

Peak Re published its first edition of in-house research report *Peak Insights* in October. The report offers an authoritative analysis of reasons for underinsurance in Asia which are within the insurance industry's control – a lack of trust on the part of customers in what insurers offer, and a corresponding lack of focus by insurers to build that increased confidence level from (and in) their customers and potential customers.

Launch of online TCAT platform

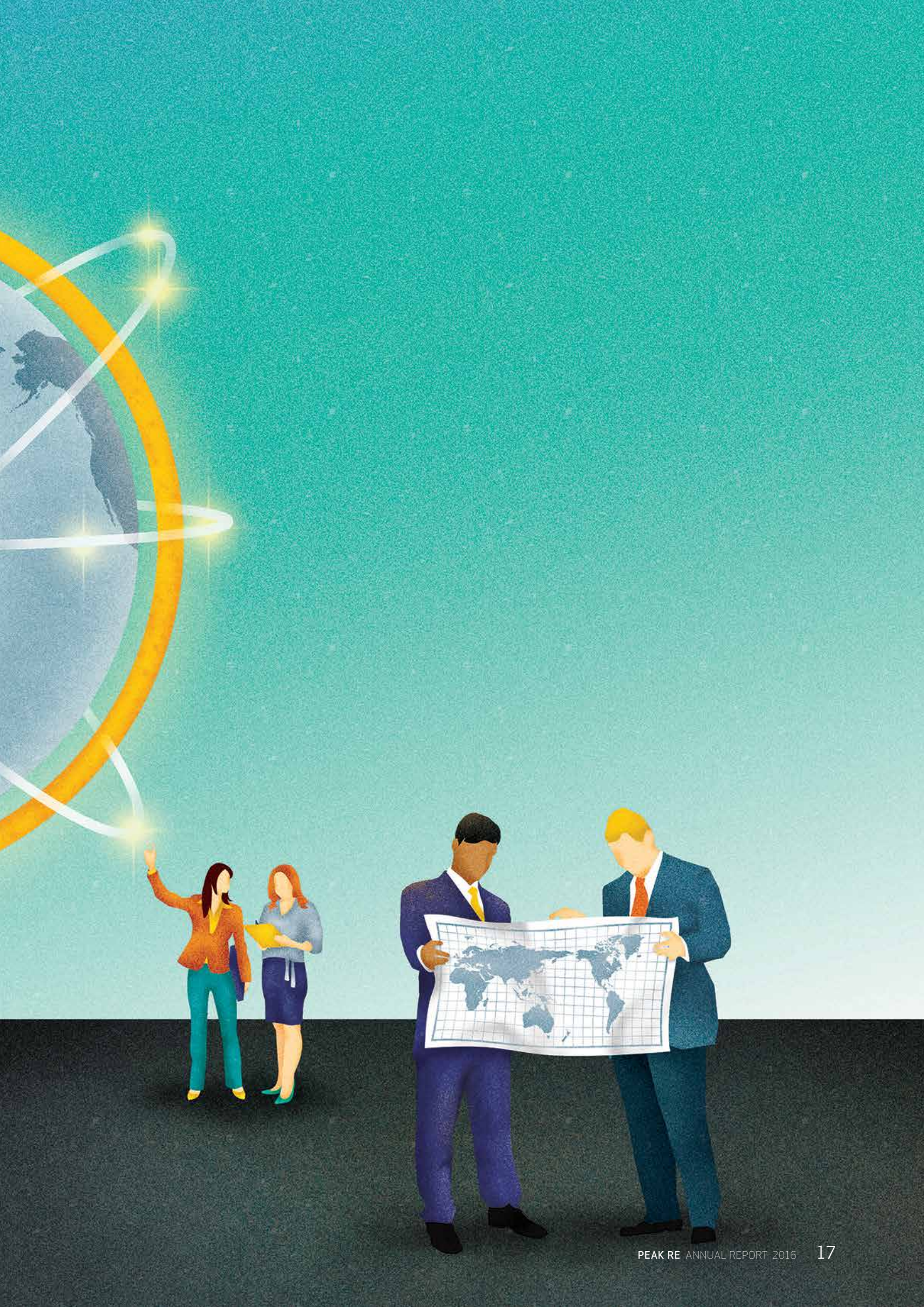
In October, Peak Re launched a new online platform which provides live tracking and data on tropical typhoon in the North West Pacific basin in a uniquely user-friendly platform. The online platform, which can be accessed from a computer, tablet or smartphone at www.peak-re.com/tcat/, was created with tropical typhoon data provided by the Shanghai Typhoon Institute. The interactive map tracks present tropical typhoon events in the North West Pacific basin and forecasts landfall locations. It also includes information of previous tropical typhoons.





Globalisation





Balanced and profitable growth

Balanced and profitable growth is the defining feature of Peak Re's performance in 2016. The Company has benefited from expanding its global footprint to identify and capture attractive business in its chosen markets. Peak Re's decision not to be a "market underwriter" has provided the Company with the flexibility to achieve this objective in a protracted soft market.

Peak Re successfully grew its business in many of our Asia-Pacific core markets, for example in Australia and New Zealand, Japan and Southeast Asia. The Company exercised caution in the Chinese market given continuing pricing conditions it felt were unsustainable and unjustified. Once again in China, Peak Re deliberately sacrificed top line in order to protect its underwriting performance. In the Company's view, the market currently suffers from a lack of leadership – many major international reinsurers with a strong onshore presence, appear to be unable or unwilling to guide or steer the market towards a more consistent level of profitability.

In 2016, Peak Re did not fear to decline business if it failed to meet its requirements of adequate returns. However, the Company remains

committed to working hard to ensure that it get its long-term client selection right, and where it have to exit business it does this constructively, for example by offering an alternative to the structure or terms offered.

In addition, the Company achieved strong growth in Europe and the Americas, once again bearing out the virtue of its globalisation strategy which was introduced in 2014.

Peak Re's balanced approach to expansion applied not only in terms of geography, but also in terms of lines of business. Property accounted for 46% of the portfolio, motor was 24%, casualty was 15%, and agriculture was 7%. Credit & bond, marine and life took up the remaining 8% of Peak Re's total book.

Stable underwriting profitability

In 2016 Peak Re delivered an underwriting profit consistent with 2014 and 2015 – which it considers a major achievement in light of the deteriorating market conditions, the Company's short operating history and rapid growth. Its technical combined ratio came in at an almost unchanged 92.9%, reflecting Peak Re's business mix and our focus on low volatility business on the one hand and a clear and consistent underwriting strategy around the three dimensions of clients, markets and products, on the other.

Proven catastrophe management

In 2016, Peak Re suffered no major catastrophe losses. Even major events, such as typhoon Meranti, caused the Company actual losses of just a fraction of the modelled losses. Staying away from underpriced programmes and practising a state-of-the-art accumulation control have paid off. Overall, the Company considers the outcome of the 2016 typhoon season a vindication of its catastrophe management approach.

Industry-leading claims settlement performance

In 2016 Peak Re continued to improve on what is already widely perceived as one of its core strengths: the swift payment of legitimate claims. The Company settled about 90% of all claims within five working days – an industry-beating performance which testifies to the quality of its people, systems and processes. And it reflects the Company's belief that the willingness to pay claims is as important as the ability to do so.

Strategic portfolio steering

Peak Re's commitment to applying leading edge tools and techniques to its business continues. The Company could take a big step forward in 2016 as it saw the benefits of the application of a new set of measures to help it to steer the portfolio –

particularly useful in a market which in so many ways continues to present challenging conditions. These measures were developed in house and allow Peak Re to look at both pricing components by line of business and across multiple lines at a client level, thus helping the Company to optimise its portfolio while providing broad, multi-line support to its clients.

Empowering the underwriting team

In 2016, Peak Re has taken further steps to empower its underwriting team, in line with the development and consistency underwriting process and personnel. More authority was delegated to its underwriters at all levels, using its unique underwriting engine. The team has grown in stature and has the confidence to exercise its authority trying to fully utilise capacity and capital.

Establishment of a Swiss subsidiary

In December 2016, Peak Re was granted the approval by the Swiss Financial Market Supervisory Authority (FINMA) to establish a subsidiary, based in Zurich. This was a major milestone for Peak Re. With the new Peak Re AG, the Company has further emphasised its commitment to its clients in Europe, whilst enjoying the advantages associated with operating from a fully Solvency II equivalent

jurisdiction. Peak Re maintains a single underwriting platform, using market professionals in Zurich in combination with product and analytics specialists in Hong Kong.

Launch of the “Peak Insights” economic research series

The first edition of Peak Re’s new economic research publication “Peak Insights” offers an authoritative analysis of reasons for underinsurance in Asia which are within the insurance industry’s control: A lack of trust on the part of customers in what insurers offer, and a corresponding lack of focus by insurers to build that increased confidence level from (and in) their customers and potential customers. The report discusses various responses to these shortcomings, also from the perspective of Generation Y and its assumptions around perceived preferences for doing business digitally.

In combination with many public speeches and targeted partnerships, Peak Re as a reinsurer of a still relatively small stature, has made a disproportionately large contribution to industry debate in 2016.



Finding new routes to narrowing insurance protection gaps

Four years ago Peak Re was founded with the mandate to modernise the reinsurance industry through a fresh approach to protecting prosperity and the continued growth in the Asia Pacific region. Ever since then, Peak Re has engaged in a number of initiatives which share the aim to improve the understanding of the emerging and increasing risks in the region and provide new solutions to mitigating and protecting against their impact.

I) UNEP PSI – Peak Re contributes to enhancing climate and disaster resilience in Asia Pacific

Early 2014 Peak Re became a signatory of the Principles of Sustainable Insurance (PSI) of the Finance Initiative of the United Nations Environmental Agency (UNEP FI), which serve to better understand, prevent and reduce environmental, social and governance risks and to provide reliable protection.

In 2016 Peak Re participated in two events on climate change and disaster resilience. The 2016 Forum of the Standing Committee of Finance (SCF) of the UN Framework Convention on Climate Change (UNFCCC) focused on financial instruments, such as insurance, risk pools, catastrophe and resilience bonds, contingency finance, and social protection mechanisms, to address the risks from the adverse effects of climate change.

The other event which UNEP FI PSI organised together with the Philippine Insurers & Reinsurers Association (PIRA) aimed to strengthen the contribution from insurers in building climate and disaster-resilient communities and economies. The event also highlighted solutions and partnerships across the insurance risk management continuum – from risk assessment and quantification, to risk prevention and reduction, and risk transfer. Peak Re shared its expertise in risk modelling and management as one of the panellists.

II) CARMA – Catastrophe and Risk Management in the ASEAN countries

Peak Re became a sponsor and contributor of CARMA, an online platform to share information on Catastrophes and Risk Management in the ASEAN countries, in 2016. The platform is run under the auspices of the ASEAN Insurance Council (AIC) with the aim to strengthen the ties between AIC members. CARMA promotes preventive risk management and serves to spread knowledge, awareness and data to model and mitigate natural catastrophe risk while enhancing the collaboration among the insurers in the ASEAN region.

(<http://www.carma-asean.com/>)



III) Natural Disaster Insurance Scheme - Sri Lanka

The Government of Sri Lanka seeks natural disaster protection through its National Insurance Trust Fund (NITF), covering physical damage, accidental death for human life and emergency relief expenses. Through this initiative, the Sri Lanka government is able to provide a safety net to people who previously had no access to insurance. Peak Re supports this initiative, helping the government achieve greater financial certainty and stability, and hence extend its insurance scheme to an even wider population in Sri Lanka.

IV) Sponsorship of Himalayan Consensus Summit

Peak Re has been an active contributor and adviser to the Himalayan Consensus, which was created to enhance the region's resilience against natural disasters through community empowerment. The Consensus aims to encourage grass root solutions and efforts to improve economic sustainability while protecting ethnic diversity and local identity. An annual summit is held in Kathmandu, Nepal to explore and debate the region's readiness to respond to natural and human induced disasters. Peak Re shared its expertise on how an effective financial architecture can mitigate exogenous shocks through private funding and become a growth engine for economic development.

(<http://www.himalayanconsensus.org/>)

V) Partnership with Shanghai Typhoon Institute

Since 2015 Peak Re partners with the Shanghai Typhoon Institute (STI) on research projects related to North West Pacific basin and South China Sea tropical cyclone activities.

Protection against typhoons, a major peril in China, is compulsory on all insurance policies. The research allows insurers to better understand these cyclones and mitigate the risks. STI and Peak Re issue two reports yearly, one in May on pre-cyclone season predictions, and one in August providing a mid-season review and corrections for the remaining season. Peak Re reviews and provides suggestions for the reports prepared by STI.

(<http://www.peak-re.com/tcat/>)

(<http://www.peak-re.com/our-publications/sti-report/>)



Our philosophy

Peak Re pursues a total investment return strategy aimed at providing the Company with a sustainable and satisfactory performance over time. As a reinsurer with 65% of its premiums originating from Asia Pacific – including liability and catastrophe risks – the Company is committed to a conservative investment strategy that is commensurate with its credit rating and the region’s growth potential. As a matter of overall prudence and principle, Peak Re’s assets match the profile of its actual and expected liabilities in terms of currency and duration. In addition, Peak Re always maintains sufficient cash and short term deposits to meet its liquidity requirements, even under adverse economic conditions.

Peak Re researches and selects long-term investment opportunities which are based on solid business fundamentals, sound business strategies and match our risk-return appetite. The Company prefers to invest in industries with a promising earnings outlook and a long-term growth horizon. Typically, it selects market leaders with strong brands that target mid-to-high end corporates or retail consumers and are led by a highly qualified and entrepreneurial management team that has a strong track record in successful execution.

The investment portfolio managed by Peak Re consists of high quality securities able to withstand market volatility.

Results in 2016

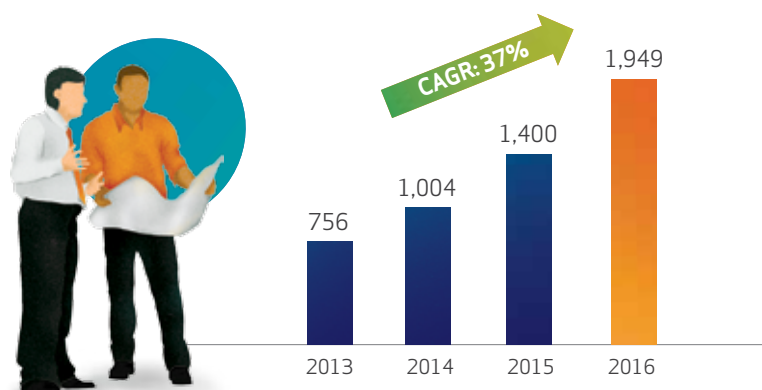
The year 2016 will go down in history as a year of political uncertainties, fuelled by a number of surprises and controversies. As a consequence of the Brexit vote the British pound shed 20% of its value compared to the US dollar, while the election of Donald Trump to be US President kicked off a year-end stock market rally on the hope of increased infrastructure spending, reduced taxation and deregulation. At the same time, the yield curve shifted sharply upwards, causing turbulence in fixed-income markets. Also by year-end, the US Federal Reserve raised interest rates for only the second time in a decade, citing higher US property prices, lower unemployment and improved confidence in the economy as reasons for its move. In Peak Re’s Asian home markets, the fears about a hard landing of China’s economy,

its depreciating currency, coupled with the crash in commodity prices were tail risks that contributed to low returns and increased volatility.

Peak Re’s investment performance was affected by some impairment losses on its equity positions, resulting in a total investment return of 1.5% for 2016, after an exceptional return of 5.7% in 2015. However, Peak Re’s investable assets grew by more than 30% to US\$1.2 billion in 2016, from US\$0.9 billion in 2015. This increase is a reflection of Peak Re’s strong premium growth in 2016, contributing to its investment float and achieving attractive total investment returns.

In 2016 Peak Re held close to two thirds of its investable assets in fixed-income and equity positions. To further diversify its portfolio, the Company decreased the share of fixed-income securities and equities from 39% to 31% and 34% to 32%, respectively, while expanding its cash and bank balance position from 19% to 23%.

Scale & Solidity: Growing Total Assets
Total Assets (US\$M)



Peak Re is exposed to uncertainties resulting from insurance and investment risks. The Company manages these risks with the aim to fulfil its promise towards its cedants, their policyholders and to honour the trust and interests of its shareholders.

Peak Re operates worldwide. However, its core region are Asia's dynamic high-growth markets. The momentum of the region's socio-economic and insurance market development challenges risk management based on historic data. In predicting the future Peak Re takes a forward looking approach and gathers its information based on distinct market knowledge. Peak Re leverages its Hong Kong domicile to remain in constant dialogue with its business partners in the region.

Corporate governance

Good corporate governance generates value over time and serves as the basis for the Company's management and risk management approach, fostering the confidence of our investors, regulators, clients and employees. The seamless collaboration of shareholders with senior management, open communication and transparent decision processes build confidence among employees and form the foundations of the Company's strong risk culture.

Peak Re adheres to the laws and regulations of Hong Kong and other applicable jurisdictions. The Company's shareholder agreement aligns its governance standards with the best practice of the IFC. As mentioned

earlier, the Company is a signatory of the Principles for Sustainable Insurance (PSI) of the United Nations Environment Programme, Finance Initiative (UNEP FI). The Chief Risk Officer, the Legal Counsel and the Social and Environmental Officers assure the compliance of these principles.

The ultimate responsibility for Peak Re's corporate governance rests with the Board of Directors and its committees – the Audit Committee, Investment Committee, Risk Management Committee and the Nomination and Remuneration Committee. The roles and responsibilities of each committee are defined and approved by the Board. Peak Re has defined a Code of Conduct, Social and Environmental Responsibility Guidelines and an Anti-Money Laundering Policy to support and guide management and staff in the daily execution of the corporate governance.

Enterprise risk management

Peak Re considers its risk management a crucial element in steering the firm. The company uses Economic Capital Modelling to aggregate risks across lines of business and its balance sheet. Strong proprietary analytical skills are combined with a modern IT platform and road map to establish a performance management information system optimising the portfolio on a risk/return basis. The platform allows Peak Re to perform scenario stress testing, assess its risks and determine its current and future capital requirements. Furthermore, it provides Board and management with prospective solvency assessments for its

mid-term business planning and longer-term strategy development.

Peak Re risk management approach incorporates the outcome from the 21st session of the Conferences of Parties (COP21) to the UN Framework Convention on Climate Change (UNFCCC), which took place in Paris in December 2015. According to the agreement (re)insurance has to contribute to making societies more resilient with respect to the adverse effects of climate change. Comprehensive risk assessment, early warning systems, preventive measure and risk financing mechanisms are required to address the complexities and uncertainties related to climate change and the interconnectivity within the global economy.

Within its **Property & Casualty** portfolio, natural catastrophes present the Peak Re's single largest risk. The Company has defined risk scenarios for flood, earthquake, typhoon, severe windstorm and wildfire to manage these exposures in its underwriting regions. An aggregate capacity has been defined for each risk and interdependencies are taken into consideration.

Peak Re licenses vendor models to analyse its natural catastrophe exposure. In addition, the Company's strong analytical team enables the Company to evaluate its risks based to its own assessments. A state-of-the-art IT platform supports real time accumulation tracking and allows to integrate exposures from the marine or agro books. To manage the overall limits retrocession is bought. Peak Re also tracks the accumulation of its other lines of

business such as fire, personal accident, credit & bond and agriculture.

Peak Re also tracks its risk of premium deficiencies – i.e. the risk of not earning sufficient premiums to pay future losses. Peak Re uses its own pricing tools to highlight the difference between the “technical” price – the price for the risk based on actuarial analysis – and the “market” price – the price at which the risk is placed. The movement of these prices over time is incorporated in Peak Re’s incurred but not reported (IBNR) reserves.

Adverse reserve developments are another major risk, which may result from inadequate reporting, changes in law, interest rate fluctuations or severe (medical) inflation. Peak Re calculates its reserves in accordance with actuarial best practice, including benchmark data and independent third party review to guarantee reserve adequacy at all time. Reserves are reviewed on a quarterly basis and constantly monitored to recognise a change in time.

In Peak Re’s **Life & Health** book insured benefits may turn out higher than anticipated. Biometric risks and changes in customer behaviour can affect the actuarial assumptions of the value of the portfolio. Exceptional one-off events, such as a pandemic, may cause a short-term decline in the value of the portfolio. Changes in morbidity or in cost of treatment have a greater impact on the health portfolio whereas mortality,

longevity and disability changes affect the life book.

Peak Re has defined limits for each loss per life and for the numbers of lives in case of a catastrophic event. In excess of these event limits, reinsurance is bought to assure sufficient capacity. The underlying actuarial assumptions and rating rules are defined by the appointed actuary and reviewed over time.

Peak Re’s **asset portfolio** is exposed to market risks, change in capital markets which may result in variation of equity, interest rate, property or currency valuations, as well as credit risks, i.e. the risk of a change in the financial strength of a counterparty.

Volatility in its equity portfolio presents Peak Re’s largest investment risk. The Company pursues an alpha investment strategy, whereby it aims to enhance the long-term valuation of its portfolio through stock selection. The Company accepts some short-term volatility and monitors with a traffic light tracking system positive and negative stock movements on a weekly basis.

Peak Re fixed-income portfolio is exposed to interest rate movements and changes in spreads, reflecting counterparty risks. The Company tracks risks on a name, country and industry basis and considers cross balance sheet exposures from its credit and bond portfolio. In case of a potential overexposure to a single country, name or industry, the portfolio must be rebalanced or hedged.

Peak Re is exposed to foreign exchange risk too. A rigorous Asset-Liability Management (ALM) framework matches assets and liabilities. However, Peak Re is constrained by the immaturity of the financial markets in some of its frontier and emerging economies. Where appropriate, Peak Re deploys hedging strategies to mitigate foreign exchange risks.

Peak Re holds liquidity to pay claims in a timely manner. The Company monitors its liquidity position and constantly improves its cash-flow planning capabilities. As a precaution Peak Re holds 5% of its shareholder and of its policyholder funds in cash. A repo facility was put in place to cater for unexpected events. Equities and fixed income assets are mostly traded in public exchanges in Hong Kong or New York and are easily liquidated.

Peak Re’s is exposed to **operational risks** arising from the loss of people, the disruption of processes and systems and from external events. Peak Re tracks these risks with risk registers that define the risk owner, describe the risk, define mitigating actions and quantify the residual risk.

At least once a year Peak Re runs a Disaster Recovery Process to test the resilience of its IT systems and to assure access to critical business information in case of an external event. It also trains its staff on how to act in case of such an event.



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