

PeakRe >

An Asian Original



ANNUAL REPORT 2014

About Peak Re

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

With an initial capital of US\$ 550 million, Peak Re is committed to providing innovative and forward looking reinsurance services for our clients in the Asia Pacific region. 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. This makes our company 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 across the region and globally, tailor-making risk transfer and capital management solutions to best fit clients’ needs. As at December 31st 2014, Peak Re is already working with 175 clients in 30 markets globally.

Peak Re’s mission is to modernize the reinsurance industry through a fresh perspective on protecting the prosperity and continuing growth of the Asia Pacific region. We have an unrivalled understanding of this dynamic economic region that increasingly drives the global economy. Our team consists of reinsurance professionals from various cultural backgrounds who have extensive knowledge and expertise in the global and regional markets. On that basis, we effectively blend our local expertise with international experience to benefit our clients. Because we listen, we make decisions with speed and integrity, and we have the commitment and courage to deliver.

The Company is backed by Fosun International Limited (“Fosun”), a leading investment group taking roots in China with a global foothold, and the International Finance Corporation (“IFC”), a member of the World Bank Group focusing on private sector development. The two shareholders have respectively invested 85.1% and 14.9% in the Company. Peak Re is rated “A-” by A.M. Best, a leading international insurance industry credit rating agency.

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.

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FINANCIAL HIGHLIGHTS >

Profit & Loss Statement

	US\$ 2014	US\$ 2013
REVENUE	288,143,992	103,193,585
Gross earned premiums	199,991,256	50,926,466
Retrocessionaires' share of gross earned premiums	(8,403,350)	(6,206,400)
Net reinsurance contracts earned premiums revenue	191,587,906	44,720,066
Gross claims paid and payable	(61,273,347)	(6,296,906)
Change in gross reinsurance claim liabilities	(80,621,855)	(34,021,693)
Net claims incurred	(141,895,202)	(40,318,599)
Commission expense	(34,726,224)	(8,358,304)
Net commission	(34,726,224)	(8,358,304)
Administration expenses	(17,248,932)	(13,174,640)
Underwriting loss for the year	(2,282,452)	(17,131,477)
Investment income	55,601,091	123,842,353
Other expenses	(1,626,858)	(2,275,680)
Foreign exchange loss	(4,995,531)	-
PROFIT BEFORE TAX	46,696,250	104,435,196
Income tax expense	(5,062,442)	(1,448,761)
PROFIT FOR THE YEAR	41,633,808	102,986,435
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Available-for-sale investments		
Changes in fair value	(6,958,854)	3,353,771
Reclassification adjustments for disposal	(128,718)	-
Income tax effect	1,105,689	(553,372)
OTHER COMPREHENSIVE INCOME FOR THE YEAR	(5,981,883)	2,800,399
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	35,651,925	105,786,834

Asset & Liability Statement

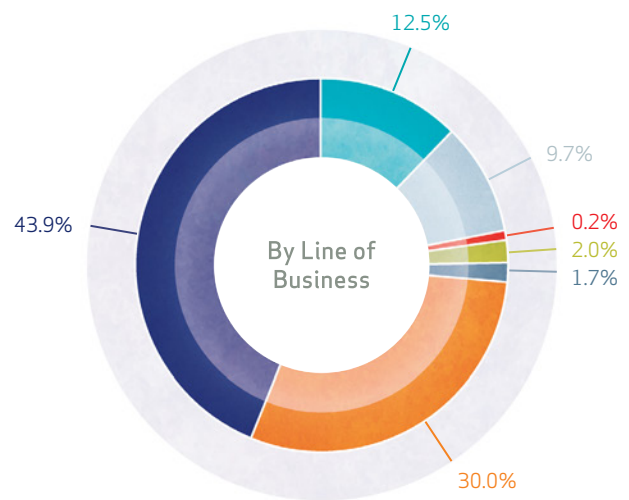
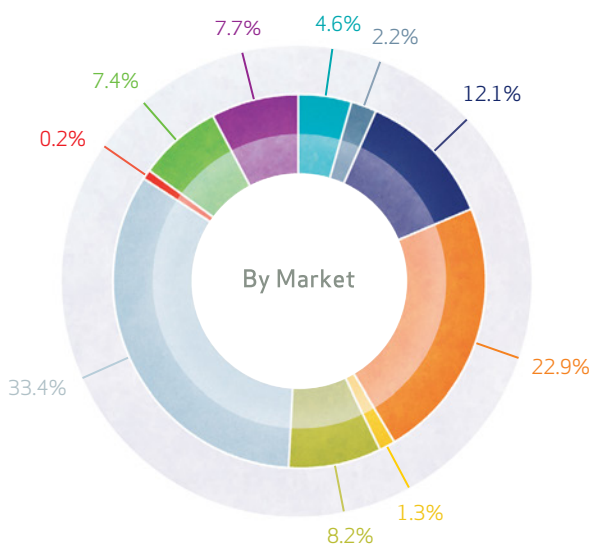
	US\$ 2014	US\$ 2013
ASSETS		
Intangible assets	283,229	402,628
Property and equipment	194,940	332,069
Available-for-sale investments	301,592,472	239,567,364
Investments at fair value through profit or loss	323,045,038	289,118,520
Deferred acquisition costs	28,294,697	9,567,818
Prepayments, deposits and other receivables	11,489,882	6,318,734
Reinsurance receivables	182,685,886	55,984,699
Cash and bank balances	156,907,643	154,577,470
TOTAL ASSETS	1,004,493,787	755,869,302
LIABILITIES		
Reinsurance contracts liabilities	249,429,659	86,288,812
Reinsurance payables	56,619,376	11,136,069
Other payables and accrued liabilities	4,087,928	3,696,275
Deferred tax liabilities	3,021,998	2,002,133
Current tax payable	2,936,888	-
TOTAL LIABILITIES	316,095,849	103,123,289
NET ASSETS	688,397,938	652,746,013
EQUITY		
Share capital	550,000,000	550,000,000
Reserves	138,397,938	102,746,013
	688,397,938	652,746,013

Cash Flows Statement

	US\$ 2014	US\$ 2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating activities		
Profit before taxation	46,696,250	104,435,196
Depreciation of property and equipment	192,133	171,474
Amortisation of intangible assets	264,688	239,207
Interest income	(15,925,281)	(8,829,956)
Dividend income from investments at fair value through profit or loss	(5,691,498)	(1,621,372)
Fair value gain: Fair value through profit or loss investments	(6,619,681)	(74,932,011)
Gain on disposal of fair value through profit or loss investments	(23,855,701)	(38,459,014)
Gain on disposal of available-for-sale investments	(2,998,306)	-
Change in amount due from intercompany	-	(2,378,853)
Change in reinsurance contract payables	74,988,111	34,021,693
Change in provision for unearned premiums	88,152,736	52,267,119
Change in reinsurance creditors	45,483,307	11,136,069
Change in prepayments, deposits and other receivables	(5,843,196)	(1,772,419)
Change in deferred acquisition costs	(18,726,879)	(9,567,818)
Change in reinsurance receivables	(126,701,187)	(55,984,699)
Change in other payables and accrued liabilities	391,653	1,944,482
Net cash flows from operating activities	49,807,149	10,669,098
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of items of property and equipment	(55,004)	(57,863)
Purchase of intangible assets	(145,289)	(7,708)
Interest received	16,452,100	6,515,745
Dividends received from investments at fair value through profit or loss	5,687,768	1,532,399
Payment for purchase of available-for-sale investments	(162,395,010)	(237,759,316)
Payment for purchase of fair value through profit or loss investments	(268,598,767)	(263,538,190)
Proceeds from disposal of available-for-sale investments	96,434,473	-
Proceeds from sale of fair value through profit or loss investments	265,142,753	87,213,287
Net cash flows used in investing activities	(47,476,976)	(406,101,646)

	US\$ 2014	US\$ 2013
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	2,330,173	(395,432,548)
Cash and bank balances at beginning of year	154,577,470	550,010,018
CASH AND BANK BALANCES AT END OF YEAR	156,907,643	154,577,470
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	156,907,643	154,577,470

Business Portfolio UY 2014



- | | |
|---------------------|-----------------|
| ANZ | Japan |
| Asia | Korea |
| Europe | Middle East |
| Greater China | North America |
| Indian Subcontinent | South East Asia |

- | | |
|-------------|----------|
| Agriculture | Marine |
| Casualty | Motor |
| Credit | Property |
| Engineering | |



Wang Qunbin, Chairman

We are pleased to report on Peak Re's second year of operations. 2014 saw significant progress in establishing our company as a leading Asian and recognized global reinsurance franchise.

Business Performance

Gross written premiums expanded to US\$ 288.1 million, an almost three-fold increase year-over-year. After-tax profit amounted to US\$ 41.6 million and will be fully retained, further boosting our shareholders' equity, which stood at US\$ 688.4 million by the end of 2014. Investment income in 2014 came in at a strong US\$ 55.6 million, compared with an exceptional US\$ 123.8 million in the previous year. The total return on investment was an excellent 7.6% on investable assets of US\$ 781.5 million. Peak Re's investment portfolio is managed in-house and comprises cash and publicly listed bonds and equities.

We are particularly proud to report that in 2014 our technical combined ratio has improved substantially to 92.2%. This achievement is testament to our commitment to technical excellence and profitability.

Our book of business has not only grown in size but also in diversification. In addition to further broadening our footprint in our Asian home markets, we have successfully built a sizeable and profitable book of international business during the course of the reporting year, with the EMEA and Americas regions now accounting for about 20% of our premium income.

Besides enhancing the geographical balance of our business, we have also laid the foundation for an improved diversification by line of business: In June 2014, Peak Re obtained the license for underwriting long-term reinsurance business from the Office of the Commissioner of Insurance of Hong Kong. This makes our company one of the few locally established reinsurance companies in Asia Pacific, underwriting both life and property & casualty reinsurance business. In addition, during the reporting period, we have started to underwrite credit & surety business which offers significant potential as our markets continue to post strong economic growth, strengthen trading ties and embark on significant infrastructure projects.

Peak Re's rapid development did not and will not go at the expense of our lean and nimble corporate structure, with our staff being concentrated in Hong Kong. As Peak Re's business volume expanded at a significantly faster rate and with an efficient cost control approach, our company's administrative expense ratio came down from 28.5% to 9%. We will continue to aim for a further reduction on the ratio and therefore, we are confident that in 2015 Peak Re will post an even lower total combined ratio, barring any unforeseen natural catastrophe and capital markets events.

Market Environment

From Peak Re's point of view, 2014 was characterised by a both dynamic and benign business environment. We benefitted from the fact that we primarily operate in Asia's high-growth markets which contribute almost 40% to global economic growth. China has continued to expand

robustly whilst making progress towards a rebalancing and soft landing of its buoyant economy. Other emerging markets in the region have also proven resilient, compared with their counterparts in Latin America, for example.

The reinsurance market environment continues to be a mixed bag. On the one hand, demand in our home markets continues to grow briskly, even in excess of economic growth. On the other hand, Asia is not immune from the global capacity glut, exacerbated by the rise of non-traditional sources of capital. A growing number of reinsurers from advanced economies are venturing into Asia, driven by the region's growth dynamics and market saturation and evaporating margins at home. An erosion of rates and a loosening of terms and conditions are natural consequences. Against this backdrop, we are pleased to report that we have managed to substantially grow premium income at improving technical results.

Outlook

Going forward, we will further expand our book of business in both our Asia Pacific core and attractive international markets. This is also true for life business which offers tremendous opportunities in Northeast and Southeast Asia. Medium-term, we are determined to develop this segment into a strong second pillar of Peak Re, also leveraging the fact that our home base Hong Kong is the undisputed life reinsurance centre for Asia.

As we continue to build our regional and global franchise we will also be looking at opportunities in merger and acquisition and further invest into our proprietary risk management capabilities.

Our investors Fosun and IFC both actively support Peak Re's growth strategy, by facilitating access to potential business opportunities and sharing specific market expertise. As far as Fosun, our major investor, is concerned we also benefit from their increasing recognition in global insurance markets as well as strong analytical capabilities in asset management.



Franz Josef Hahn, Chief Executive Officer

We would like to take this opportunity to thank our shareholders, Board of Directors, clients, brokers and business partners for their continued support. Our special gratitude goes to all of our staff whose relentless efforts and strong commitment to our vision and values have ultimately enabled our success to date.

Wang Qunbin,
Chairman

Franz Josef Hahn,
Chief Executive Officer



Wang Qunbin

Chairman,
Non-Executive Director

Mr. Wang Qunbin is the Chairman and Non-Executive Director of Peak Re. Mr. Wang was one of the founders of Fosun and has been a director of Fosun Group since its establishment. Prior to joining Fosun, Mr. Wang was a lecturer at the Genetic Research Institute of Fudan University.

Mr. Wang was named among others one of “The Best-Performing CEOs in the World” by Harvard Business Review, “Asia Pacific Outstanding Entrepreneur Awards” by Enterprise Asia, “Young Global Leader Honoree 2009” of World Economic Forum, “Best Asian Corporate Director”, Chinese Pharmaceutical “60 Years, 60 People”, “Top Ten Professional Managers in China Pharmaceutical Industry in 2004”, “The Fourth Session Technology Innovation Prize of China Outstanding Youth” and “Outstanding Technical Experts Allowance by State Council”.

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



Michael Lee

Deputy Chairman,
Non-Executive Director

Mr. Michael Lee is the Deputy Chairman and Non-Executive Director of Peak Re. He is Senior Assistant to President, General Manager of Overseas Insurance Investment and Vice President of Insurance Group 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.



Guo Guangchang

Non-Executive Director

Mr. Guo Guangchang is a Non-Executive Director of Peak Re. Mr. Guo was one of the founders of Fosun and has been chairman of Fosun Group since its establishment.

Mr. Guo was awarded among others, “Top Ten Leaders in Future Economy of China”, the nationwide “Outstanding Entrepreneur in Private Sector on Staff Caring”, “Industry & Commerce Category Winner” of “Ernst & Young Entrepreneur of the Year”, “Top 25 Most Influential Enterprise Leaders” at “China Entrepreneur Summit” for seven consecutive years, “25 Chinese to Watch” issued by Financial Times and was named in Bloomberg Markets’ “50 Most Influential List 2014”.

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



Franz Josef Hahn

Executive Director,
Chief Executive Officer

Mr. Franz Josef Hahn is the Chief Executive Officer of Peak Re. With more than 29 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 9 years at Munich Re, 6 years of which as Head of Casualty in Hong Kong.

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



Duan Qiuping

Non-Executive Director

Mr. Duan Qiuping is a Non-Executive Director of Peak Re. He also serves as Senior Assistant to President and Vice President of Insurance Group of Fosun Group.

Before joining Fosun in 2010, Mr. Duan served as senior officials in government units including the Price Bureau of Jiangxi Province, the Price Bureau of People's Republic of China, as well as various insurance companies such as PICC, GuoHua Life Insurance, Bank of China Insurance and Automobile Research Institute.

Mr. Duan has been conferred the qualification of Senior Economic Manager by the Appraisal and Approval Committee for Technical Qualification from PICC and the Doctor Degree of Economics by Renmin University of China. With over 30 years of industry experience, Mr. Duan has accumulated rich expertise in insurance investment and management.



Kang Lan

Non-Executive Director

Ms. Kang Lan is a Non-Executive Director of Peak Re. Ms. Kang is the Vice President and Chief Human Resources Officer of Fosun Group.

Prior to joining Fosun, Ms. Kang was a Senior Client Partner focusing on executive search and leadership development at Korn/Ferry International's Greater China Office. She also worked on management consulting at McKinsey & Company's Greater China office. Before that, Ms. Kang spent 9 years in the United States, working in scientific research and drug discovery at Memorial Sloan Kettering Cancer Center and American Home Product (currently part of Pfizer).

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



Monish Kant Dutt

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 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 4 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 Zhiqi

Independent Non-Executive Director



Ou-Yang Hui

Independent Non-Executive Director



Franz Josef Hahn
Chief Executive Officer

Mr. Franz Josef Hahn is the Chief Executive Officer of Peak Re. With more than 29 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.

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



Cathy Chen
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 10 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 CFO 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).



Desmond Yu
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\$600 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 Roth

Chief Underwriting Officer

Mr. Eckart Roth is the Chief Underwriting Officer of Peak Re, responsible for the management of the Company's underwriting, claims and analytics operations. With more than 23 years working for the reinsurance industry, he has extensive experience in developing reinsurance solutions and a proven track record of delivering consistently profitable underwriting.

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 Kershaw

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 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.

Angela Koechli

Head of Life & Health

Ms. Angela Koechli is the Head of Life & Health for Peak Re. With more than 30 years of experience in the life insurance and reinsurance industry, Ms. Koechli has built up extensive knowledge of the global life and health market.

Prior to joining Peak Re, Ms. Koechli was Aon Benfield's Head of Life Reinsurance, Asia, where she consulted life insurers in modelling, structuring and placing of traditional and non-traditional reinsurance solutions.

Ms. Koechli joined Union Re in 1987 responsible for actuarial, underwriting, claims and business development for Life & Health, Accident & Health and Special Risks business in Europe and North America. After the Union Re/Swiss Re merger in 1998, she relocated to Hong Kong as Life Manager for Swiss Re.



Enhanced market presence

The Company continued to enjoy an encouraging reception from various markets in the Asia Pacific region in 2014. To boost our presence in Australia and New Zealand, Peak Re partnered with MacquarRe who will help us enhance our relationships with existing and potential clients in these two priority markets. Furthermore, Peak Re has successfully ventured into non-Asian markets (EMEA and the Americas) during the year. For example, Peak Re joined hands with Pioneer Cat in London to develop our client relationships and business portfolio in North America and the Caribbean.

Expanded product offering

Peak Re expanded its product offering by adding underwriting capabilities in life and credit & surety reinsurance. The Company obtained the licence for underwriting long-term reinsurance business in June, which makes us one of the few locally established global composite reinsurers.



International rating agency A.M. Best reaffirmed Peak Re's financial strength rating

Recognising Peak Re's steady and positive progress in both underwriting and investment management, as well as the successful expansion into the EMEA and Americas markets, the agency has once again reaffirmed the Company's "A- (Excellent)" rating with stable outlook in December 2014.



Business Performance

In 2014 Peak Re made significant progress in building a global, multiline reinsurance franchise with a strong foundation in Asia Pacific. Only in its second business year, Peak Re already turned in its first technical underwriting profit of US\$ 14.9 million, tripled its gross written premiums (GWP) to US\$ 288.1 million, while reducing its expense ratio by almost 20 percentage points to 9%. After-tax profit amounted to US\$ 41.6 million. One of the drivers for Peak Re's positive underwriting performance in 2014 was the Company's geographic expansion into the EMEA region and the Americas. In addition, in 2014 Peak Re also paved the way for further diversifying its portfolio, which will start to take effect in 2015, by adding capabilities in credit & surety and life reinsurance.

Market Environment

The global reinsurance markets are still characterized by an abundance of capital, which well exceeds current demand. According to Aon Benfield global reinsurance capital had risen by another 6% to a record of US\$ 575 billion by the end of 2014, which includes a 11% share of alternative capital or US\$ 64 billion, also an all time high. Primary insurers' capital grew in tandem, increasing by 6% to US\$ 4.2 trillion.

Cedants continued to rationalize their reinsurance purchasing in order to increase net income. This is particularly true for mature markets where insurers are under pressure to reduce cost or to compensate for anaemic demand for insurance cover. In addition, 2014 was another benign catastrophe year, with insured losses reaching the lowest level since 2009, according to Guy Carpenter. As a consequence reinsurance rates are on the decline, while terms and conditions soften.



Gross Written Premium
US\$ 288.1 million

Asia Pacific, where Peak Re writes 80% of its business, was no exception. However, in stark contrast to the mature economies, the region still enjoys some healthy economic growth. In addition, low levels of insurance penetration in emerging insurance markets suggest a major catch-up potential. Examples include China and Indonesia where premiums as a share of GDP amount to 3.0% and 2.1%, respectively, less than half of the global average. Therefore, Asia Pacific continues to attract rising levels of global capacity and experiences indirect effects from the emergence of alternative capital as global reinsurers divert capacity from, for example, US property catastrophe business, to Asian markets.

Strong Results

Peak Re posted GWP of US\$ 288.1 million in 2014, an increase of 180% over the prior year's US\$ 103.2 million. Net written premiums (NWP) expanded even faster at 188%, from US\$ 97.0 million in 2013 to US\$ 279.7 million in 2014. Business growth was driven by both Peak Re's growing footprint in its home markets in Asia Pacific and its successful diversification into the reinsurance markets of EMEA and the Americas.



After-Tax Profit
FY2014 US\$ 41.6 million

Only two years after inception, Peak Re achieved a positive technical underwriting result of US\$ 14.9 million, compared with a small underwriting loss in 2013. In 2014, the technical combined ratio improved substantially to 92.2%.

The benign loss experience in 2014 - not only from a global, but also a regional perspective - was one of the factors, which contributed to the favourable underwriting result. Peak Re registered only two large natural catastrophe events, Typhoon Rammason, which hit South China and the Philippines in July 2014 and a Japanese snowstorm earlier in the year. The impact on Peak Re's underwriting results was minor though. However, a number of major storms which did not cause major damage, for instance two windstorms a week apart heading for Japan, gave a timely reminder of the severe loss potential which Asia Pacific as a region faces.

Along with greater scale and its continued positioning as a lean and nimble reinsurer, in 2014, Peak Re substantially reduced its expense ratio by around 20 percentage points to 9%. The Company aims to bring the ratio further down on par with the most competitive players in the reinsurance sector. In absolute terms, Peak Re's administrative expenses rose by 30% from US\$ 13.2 million to US\$ 17.2 million. As Peak Re is committed to further building its expertise and know-how in markets, lines of business and also client segments, part of the increase in costs was due to an expansion in our staff to 47 employees by the end of 2014, all of them based in Hong Kong.

As premiums grew, so did Peak Re's portfolio of investable assets, increasing by 15% from US\$ 679 million in 2013 to US\$ 781.5 million in 2014. In 2014, Peak Re's investment result amounted to US\$ 55.6 million, tantamount to an excellent total return on investment of 7.6%. Managing its assets in-house according to a long-term and value-driven investment strategy, Peak Re runs a slightly above-average equity exposure in its current start-up phase.

Over time Peak Re expects its fixed-income securities and publicly listed bond portfolio to steadily assume a larger share. Those assets backing Peak Re's liabilities are invested strictly according to the requirements of an effective Asset-Liability-Management. In 2014, Peak Re undertook its first property investment in Japan, in line with its growing underwriting footprint in the country.

Peak Re's after-tax profit amounted to US\$ 41.6 million in 2014, down from the prior year's US\$ 102.9 million, which was driven by an exceptional investment result. In line with its shareholders' long-term growth and development

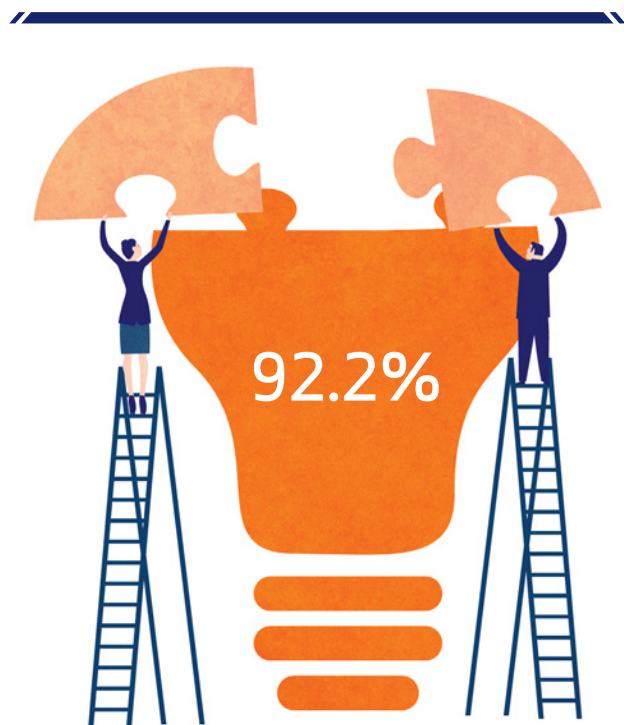
strategy, Peak Re will retain its earnings for its first five business years and only later start paying dividends. As a result its net income will be allocated to its shareholders' equity, which at the end of 2014 amounted to US\$ 688.4 million, up from US \$652.7 million in 2013.

Expanded Market Reach

In 2014 Peak Re's client base increased from 87 to 175 clients, while the number of countries in which we do business grew from 17 to 30 by the end of the reporting year. The larger client franchise is both a reflection of Peak Re's diversification strategy and its rapidly growing recognition and appreciation as a long-term oriented provider of multiline solutions. The bulk of Peak Re's additional business in 2014 was written with existing clients who allocated larger shares to the Company, demonstrating their faith and confidence in Peak Re future progress.

In terms of business portfolio mix, Greater China, the second largest single market in Peak Re's portfolio, recorded a slight increase in premium written in underwriting year 2014 from 21.6% to 22.9%. South Korea continues to take up the largest share of Peak Re's business during the reporting period. However, as we have successfully expanded our market reach to EMEA and the Americas, the share of Korean business dropped from 48.1% to 33.4%. Similarly, the share of business originated from Japan reduced from 13.6% to 8.2%, Australia and New Zealand decreased from 7.2% to 4.6% and South East Asia from 9.2% to 7.7%. Within the first year of its geographic diversification into non-Asian markets, Peak Re already wrote 12.3% of its overall GWP in EMEA and another 7.4% in the Americas.

In 2014, Peak Re also drove forward its product diversification by building underwriting capabilities in credit & surety and life reinsurance. At the end of 2014



Technical Combined Ratio



property reinsurance still accounted for 43.9% of the total portfolio, followed by the motor line of business the share of which has declined by more than 10 percentage points to 30.0% during the reporting period. Agriculture business increased its share from 5.4% to 12.5% while casualty grew from less than 3% to almost 10% in 2014.

Outlook

Peak Re started well in 2015. In the January renewals, the Company was able to increase its shares across the board in Asia Pacific, EMEA and the Americas. As a consequence the firm expects a further expansion of its book of business in 2015 and a commensurate reduction of the expense ratio. Having said that Peak Re noticed that additional excess capital is pouring into the Asian

markets, in particular into China, ahead of the upcoming implementation of the new regulatory framework China Risk-Oriented Solvency System (C-ROSS) in 2016. China continues to attract reinsurance capacity due to its insurance penetration gap, sustained economic growth and the government's resolve to further grow the insurance sector. With a Hong Kong domicile background and Chinese investor base, Peak Re sees itself well positioned. We also believe that our established capabilities in life & health reinsurance will cater to the needs of China's rapidly growing middle class.

For the remainder of 2015 Peak Re will continue to expand its global footprint both in terms of geographies served and products offered. The opening of a branch office in Europe over the course of this year is one option for accelerating these ambitions. Other opportunities include inorganic growth through acquisitions, as in the current environment of overcapacity and declining rates, many reinsurers are looking for partners to build scale, reduce cost and increase efficiency.

Risk Management

For a rapidly growing reinsurer such as Peak Re an effective and robust risk management framework is of utmost importance and a prerequisite to a sustainable and sound development of the franchise. The continued diversification of Peak Re's business portfolio by line of business and geography requires a state-of-the-art risk management approach which not only identifies, manages and controls risk but also informs strategic decisions such as pricing and capital allocation.

Peak Re's risk management starts at the board room table. The Company's Board of Directors defines Peak Re's overall risk appetite and tolerance. On that basis, the Board's Risk Committee comments on management guidelines and strategies and reviews the dedicated reports on underwriting, investment and operational risk.

Peak Re's risk management approach is based on the Company's risk map and its three key components: asset risk, liability risk and business risk as well as the respective sub-categories of credit, market, underwriting, reserving, operational and strategic risk. These risks are managed holistically, i.e. based on a balance-sheet view, with equal attention to the assets and liabilities side.

Natural catastrophes continue to be Peak Re's largest single risk. For the main perils such as flood, earthquake and typhoon, the Company, based on licensed vendor models and in-house research, has developed scenarios and defined risk baskets. Casualty risk, so far of limited relevance to Peak Re, is growing in importance as the Company is diversifying internationally and prudently increases its exposure to attractively priced long-tail

casualty risk. As such, more emphasis is placed on monitoring relevant risk factors such as legal changes, trends in litigation and (medical) inflation.

Other major risk control measures at Peak Re include:

- > **an accumulation tracking tool covering property, agriculture, marine, personal accident, credit and life & health business;**
- > **a comprehensive retrocession programme to mitigate peak risks and**
- > **a three-pronged approach to writing business consisting of client selection, product knowledge and risk quantification, with all elements taken into consideration and made transparent.**

Very importantly, Peak Re considers risk management as a crucial business steering and facilitation tool. For example, the Company's sophisticated internal economic capital model enables Peak Re to take better capital allocation, pricing and product development decisions. Strong proprietary analytical skills, in combination with a modern IT platform, allow Peak Re to perform scenario testing, a core element of future regulatory environments, not just under the upcoming Solvency II regime in the European Union but also Peak Re's Asia Pacific core markets. Under the scenario testing, Peak Re develops its own view of the risks it is facing now and will face in the future, and the capital required to underpin those risks. For Peak Re, the scenario testing is not supposed to be a document prepared for regulatory compliance only but a key reporting element underlying the Company's internal decision-making processes and reporting to the Board of Directors. It describes how risk is quantified and managed under stressed conditions. In addition, the scenario testing provides management and the Board with prospective solvency assessments, a key input for medium-term business planning and longer-term strategy development.

Corporate Governance

Peak Re's Board of Directors consists of six non-executive directors, two independent non-executive directors and one executive director. While the responsibility for corporate governance ultimately lies with the Board and its committees – Audit Committee, Investment Committee, Risk Management Committee, Nomination and Remuneration Committee – the daily practice lives by the management and employees. Hence, the Company has developed a Code of Conduct, a Social and Environmental Responsibility Guideline and an Anti-Money Laundering Policy to provide the necessary guidance to all employees.

➤ Code of Conduct

A Code of Conduct is put in place to reflect the legal and ethical compliance standards Peak Re applies in our daily operations. The Code applies to all employees including members of management bodies, contingent workers and representatives acting on Peak Re's behalf. Every employee is mandated to comply with this Code to uphold Peak Re's reputation.

Peak Re is dedicated in providing a work environment with equal opportunities with zero tolerance to any form of discrimination and harassment. The Company also expects from all employees honest and transparent business conduct and prohibits all forms of bribery and corruption.

➤ Social and Environmental (S&E) Responsibility

Peak Re is committed to sustainable development and has established various strategies and guidelines to contribute to S&E development. Our business decisions are taken in accordance with international environmental and ethical codes, standards and regulations.

With International Finance Corporation (IFC) as one of our shareholders, Peak Re has developed our own S&E policies based on IFC's respective framework.

Each permanent staff is required to complete the IFC E-learning course "Managing Environmental and Social Performance" to ensure a common understanding and

application of the S&E standards in the Company's daily-to-daily operations.

Peak Re has successfully established underwriting and investment guidelines and procedures in line with the IFC Exclusion List to screen and track S&E exclusions on the Company's underwriting and investments operations, and to ensure we do not provide any reinsurance support to businesses that violate S&E standards.

Based on the criteria laid down in our S&E framework, we carefully review each and every treaty business prior to making an underwriting decision. Peak Re also closely monitors our investment portfolio to ensure that the Company's investments are in compliance with the IFC Exclusion List.

Testifying to our commitment to S&E development, in January 2014, Peak Re has become a signatory company under the Principles for Sustainable Insurance (PSI) of the United Nations Environment Programme, Finance Initiative (UNEP FI).

➤ Anti-Money Laundering Policy

An anti-money laundering policy has been established which sets out the key principles of the internal procedures of Peak Re and all our employees are expected to comply with the international and Hong Kong's statutory and regulatory requirements of anti-money laundering and counter terrorist financing.

The policy clearly outlines Peak Re's internal customer due diligence process to comply with anti-money laundering and counter terrorist financing guidelines on country, ceding company and broker levels. The Company maintains a timely database of UN Security Council sanction lists as published by the United Nations, Office of the Commissioner of Insurance of Hong Kong and other competent authorities. Peak Re adopts a risk-based approach to customer due diligence and undertakes ongoing monitoring.

Each staff member is required to complete training on the anti-money laundering policy to ensure a common level of understanding of the subject matter.

PeakRe >

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