

Capitalizing on our Proven Ability

A.M. Best awarded Dongbu Insurance the A- (Excellent) rating for its outstanding performance in 2002. This rating, which we have won for the second year in a row, proves that our sound management, operational excellence, and excellent market profile have met the global standard.

Our competitive edge begins with having a vision and strategy that is centered on creating more value for customers and shareholders. In 2002, we consolidated our vision, and demonstrated our aptitude in delivering value by generating strong earnings through our high-growth, customer-centered operations. Below are the highlights of our proven track-record:

A- Excellent Ratings from A.M. Best

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One of the "10 Best Companies in Korea"

Dongbu Insurance was named by Bain & Company as one of 10 best companies in Korea. The selection was based on an annual growth in revenue and profitability of 5.5% or higher, and the return on investment in equities above the average rate of return (which would have been earned from investments in alternative products, like real estate, between 1991 and 2001.) This recognition testifies to our status of being a truly world-class insurance company. It is but an important step towards our

becoming an international, comprehensive financial service provider.

Ninth Consecutive Year of Profit

Dongbu Insurance celebrated its ninth consecutive year of profit with an adjusted net income of ₩97 billion in 2002. This is indicative of our continued excellence in generating sustained earnings and in providing security for our customers' future. In fiscal 2002, our dividend payout ratio was 50% to par value of common stock. As our goal is to achieve unmatched business advantage and sustainable growth, we will continue to maintain our dividend policy in delivering superior returns to shareholders.

The First Korean Insurance Company to Achieve Insurance Underwriting Profit

Dongbu Insurance was the first Korean non-life insurer to gain an underwriting profit of ₩5.4 billion, while the industry recorded losses amounting to ₩409 billion. We were also the first Korean insurer to achieve a combined ratio below 100%, when we recorded 99.1% for the year. These are but proof of our continued effort in advanced management practices: a performance-based compensation system, a successful allocation of product portfolio, and using cutting edge technology in improving operations.



Certification of A.M. Best



A.M. Best Assigns Rating to Dongbu Insurance

OLDWICK, NEW JERSEY, U.S.A, Sept. 25, 2002-A.M. Best Co. has affirmed the financial strength rating of A- (Excellent) of Dongbu Insurance Co. Ltd., Korea, and assigned it a stable outlook.

The rating reflects the company's stable market position, consistently strong financial performance and gradual improvement in capitalization.

Dongbu Insurance has a market share of 14% (in terms of gross premium written) of Korea's non-life insurance sector. It is currently the third-largest company in the country, trailing Samsung Fire & Marine and Hyundai Marine & Fire Insurance. Since the Asian Crisis, the company has been able to steadily expand its market presence as a result of policyholders' flight to quality.

The company has achieved consistent growth in its net profits with the exception of fiscal year 2000 when the equity market adversely affected its investment income. A prudent investment strategy has been adopted; the company employs a liability

matched investment strategy and invests mainly in assets with similar or matched maturity.

Dongbu Insurance's financial position has remained solid, as measured by the Best's Capital Adequacy Ratio (BCAR). The Korean statutory solvency ratio, which currently stands at 188%, also reflects the company's strong solvency position. Going forward, positive developments in the insurance business are expected to strengthen its capital and surplus further.

Offsetting factors include the low interest rate environment and the liberalization of the insurance market.

In light of today's low interest rate environment, Dongbu faces significant margin pressures in its long-term savings products. To cope with this problem, the company is shifting its business portfolio towards variable interest products as well as protection type products with fewer savings features.

Following insurance industry liberalization, new entrants such as mono-line insurers with strong capitalization and differentiated distribution channels would pose threats to some existing insurers in the market, whereby strong emphasis would be more on market share rather than profitability. In A.M. Best's opinion, Dongbu Insurance is well positioned to take on such foreseeable challenges.

A.M. Best Co., established in 1899, is the world's oldest and most authoritative insurance rating and information source. For more information, visit A.M. Best's Web site at www.ambest.com.