

Financial Highlights &lt;&lt;

# Message from the CEO

Vision &amp; Strategy &gt;&gt;

To Our Customers and Shareholders:

The Korean economy has been mired in a protracted slump and domestic demand has remained at an all-time low. However, our commitment to constant innovation and improvement at Dongbu Insurance has enabled us to build the foundation needed for steady growth and advancement under all economic circumstances.

Several years ago, we launched a management innovation campaign that has stressed high efficiency, total employee participation and decentralized operation. In 2003, this effort has begun to show some tangible results, while at the same time an array of new challenges have emerged.

Specifically, our overall product mix has gained a competitive edge after we restructured our long-term insurance portfolio to focus more heavily on the lucrative protection-type policies. We have also implemented an advanced underwriting system for our automobile insurance line, which has improved performance while stabilizing the loss ratio downward.

Importantly, we have responded quickly and appropriately to changing sales channels. Our bancassurance business was fully established in 2003, and we led the domestic industry in new policies written for long-term insurance. We earned ₩45.3 billion in net income on direct premiums written of about ₩2.77 trillion. Our solvency margin ratio, which is an important indicator of stability for an insurance company, now stands at a solid 225%, among the highest in the industry.

Our standing in the industry has received strong endorsements both at home and abroad. A.M. Best, the world's most authoritative insurance credit and information agency, has conferred its "A-, Excellent" rating on Dongbu Insurance each of the past three years. Moreover, we were ranked first on the 2003 National Customer Satisfaction Index in the Non-life Insurance category by Korea Productivity Center.

The next 2-3 years will be a crucial time for all non-life insurers in Korea. We will increasingly have to compete with direct insurance sales channels as well as cross sales channels handling both life and non-life insurance. Banks are also entering the non-life insurance sector.

However, we can turn the impending crisis into opportunities by creating new financial services and breaking into new business areas of our own. The key survival is being first to change and take on the never ending challenges.

Therefore, I am initiating an ambitious new campaign under the name "C&C No. 1" (for "Change" and "Challenge") in the coming year. Our goal is to put Dongbu Insurance at the top of the industry by adapting bold innovations to business ahead of the competition. Our vision is to become a total financial services provider that best satisfies the customer while leading in the application of digital technology to the financial sector. To this end, we will (1) strengthen our human resources through new training approaches, (2) secure the highest sales channel competitiveness in the industry, (3) vastly improve customer satisfaction, and (4) create tangible results by adhering to a performance-based management policy.

The people working for Dongbu Insurance are fundamentally changing the way they perceive and perform their jobs. Regular employees and agents are building upon their collective experience and potential to make Dongbu Insurance the most efficient player in the industry. At the same time, I would like to ask for your continued support in our ongoing effort to make new breakthroughs for the benefit of all concerned.

# 동부회재



Kim Soon-Hwan  
President & CEO