

## CEO Message

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## To Our Customers and Shareholders:

### ( Review of FY2004 )

• I am pleased to report on the business performance of Dongbu Insurance for the fiscal year ended March 31, 2005. Of particular note, the company built positive momentum in several regards despite a challenging market environment. Indeed, FY2004 was a critically important year for the long-term development of Dongbu Insurance.

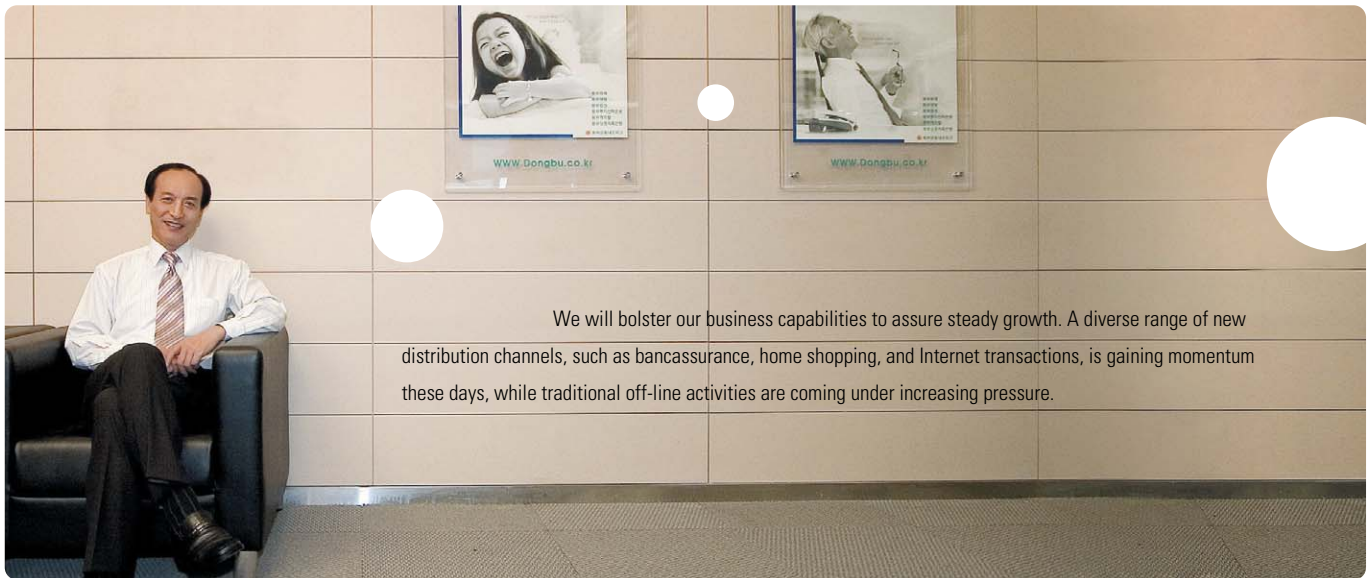
• Above all, we aggressively pursued our “Change & Challenge No. 1” management innovation program to the fullest extent possible. We implemented innovative initiatives including the adoption of a new corporate vision as well as a future-oriented human resources development strategy, along with a stronger focus on accelerating the innovation of all business processes.

• Furthermore, a total support system is now in place, enabling the company to reinforce its competitive edge in marketing, restructure its call centers, and resolve the top 10 complaints of customers in the field. All this has resulted in significant progress in upgrading our customer services. In addition, we have undertaken a diversity of activities, including CEO messages and company personnel meetings to promote the ideals of a progressive corporate culture, such as a customer-first policy, spirit of challenge, and renewed emphasis on field activities.

### ( Financial Results )

• These concerted efforts have paid off handsomely. In FY2004, Dongbu Insurance posted a robust 11.4% growth in direct premiums written, from a year ago, amounting to KRW3,090 billion. With a 14.4% market share for the year under review, we again ranked third in overall industry operations. But it was noteworthy that the company gained considerable ground on the second-ranked firm just ahead of us, thereby laying a solid platform for our vault into second place.

• Of particular significance, the company dramatically strengthened its profitability. Net income reached KRW114 billion, a remarkable 152.5% increase, the most significant improvement among domestic non-life insurers. This strong earnings growth was driven by sharp increases in both operating and investment incomes. We also continued to strengthen our balance sheet. Total assets posted a sharp 17.9% year-on-year growth, to KRW4.8 trillion, enabling the company to achieve added stability in asset management.



We will bolster our business capabilities to assure steady growth. A diverse range of new distribution channels, such as bancassurance, home shopping, and Internet transactions, is gaining momentum these days, while traditional off-line activities are coming under increasing pressure.

- The company's solvency margin ratio, a basic indicator of an insurer's financial soundness, narrowed somewhat to 218.2% in FY2004, but was still the second-best result for the industry. Meanwhile, the loss ratio edged up to 80.5% from 80.1%, while investment income recorded a sharp 47.5% surge to KRW267 billion.

- However, the most encouraging development is that the company's share price has reached a record-high level since the listing of our shares on the Korea Stock Exchange. The company's growth potential is now regarded as among the highest of all listed firms. We take great satisfaction in the significant improvement of our key performance indicators, such as direct premiums, profitability results, and share price level. Today, with our company being in excellent financial health, we are well positioned to grow our business and to deliver on management's pledges to our shareholders.

- In FY2005, the non-life insurance industry will undoubtedly face a new series of daunting challenges. For example, the earnings structure of the auto insurance sector is expected to weaken, while competition among leading players will continue to intensify. As a consequence, uncompetitive companies and distribution channels are destined to fail as ever more new distribution channels emerge. Indeed, FY2005 will represent a crucial test for the company. Our primary goal for the year is to capture second place in the market-share standings and post net income of KRW120 billion. Moreover, we continue to aspire to be No.1 in customer satisfaction.

### **{ Looking Ahead }**

- To secure our competitive advantages in today's evolving market environment, we need to strengthen our organization and enhance our financial performance. To this end, we will vigorously pursue the following initiatives.

- First, we will bolster our business capabilities to assure steady growth.

- A diverse range of new distribution channels, such as bancassurance, home shopping, and Internet transactions, is gaining momentum these days, while traditional off-line activities are coming under increasing pressure. In response to this situation, the company is committing all available resources to fortifying its sales and field activities.

We will extend maximum support for new distribution channels, which are taking on growing significance, thus laying the groundwork for development of next-generation of products.

– Second, a self-reliant approach to innovation will be enthusiastically encouraged.

• With the market and business environments becoming increasingly volatile, it will be ever more critical to introduce the most competitive products and services to the market ahead of the competition. In particular, we will be quick to eliminate any shortcomings of our business operations and attain maximum efficiency, while stepping up the adoption of innovative measures. We will also focus on further upgrading customer services so that we can secure No. 1 ranking in customer satisfaction.

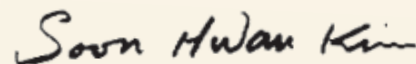
– Third, the innovation of management fundamentals will be accelerated.

• The principal components of management are people and systems. Therefore, we need to foster high-quality personnel to spearhead innovation and implement the most advanced systems. The quality of our people and their performance over the long term are what will distinguish us from our competitors. We also intend to invest heavily in building a comprehensive management infrastructure, including ERP (enterprise resources planning). All employees will become specialists in their respective fields under our new human resources development strategy and be required to acquire the specialized knowledge to advance their career development.

• Dongbu Insurance will never rest on its laurels. Indeed, we are prepared to face up to any and all challenges or difficulties. Moreover, we will be relentless in our pursuit of innovation under our “Change and Challenge No. 1” management innovation program.

• In closing, I would like to express my sincere gratitude for the unwavering support and encouragement of all our stakeholders. Above all, we intend to do our utmost to reward this staunch loyalty with further gains in our corporate and shareholder values.

Thank you.



**Kim Soon-Hwan**  
PRESIDENT & CEO