

# Letter to our Shareholders



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*The stable and consistent profits we have recorded over the past seven years provide firm foundations for launching new growth businesses. Our efforts to grow will be supported by enhancements to efficiency through digital management systems and by improvements in price and service competitiveness.*

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## “ Our commitment will always be to generate sustainable growth ”

The 2000 business year proved a challenging one for the insurance industry in Korea due to the combined effects of widespread corporate restructuring, instability in the financial markets and the general slowdown in the economy. However, as a result of the hard efforts of our employees, Dongbu Insurance achieved its seventh consecutive year of profit, recording net income of 4.1 billion won. Even more significantly, Dongbu achieved the second highest solvency ratio in the domestic insurance industry, even after the tightening of solvency margin requirements by the Financial Supervisory Commission. These results are testimony to the strength of Dongbu and to the capability of its employees.

In the area of gross sales, the company also improved its performance, recording 2.2 trillion in total sales. Through these achievements Dongbu has prepared the foundations for its growth into a comprehensive financial services company that receives the trust of both customer and shareholder alike.

The year 2001 is expected to become a landmark year for the company. It is also set to become a turning point as the thorough reshuffling and restructuring of the entire industry continues. The

very nature of competition in the non-life insurance market is expected to change as a result of the total deregulation of auto insurance premium rates, the withdrawal of some companies, and the emergence of new competitors in the industry. Moreover, as we enter the first stages of the total deregulation of premium pricing, downward pressure on premiums is expected to increase. Amidst such circumstances, it is clear what direction we must take. We must calmly and squarely face reality and nurture the independent skills needed to succeed and grow.

In order to achieve this aim, we will put into practice the following management plans and strive to make Dongbu a comprehensive financial services provider that is a leader in the digital era and that can provide maximum customer satisfaction.

First, we will place the utmost importance on customer value. We plan to follow a mutual survival marketing strategy that can benefit both customer and the Company. We will construct an advanced Customer Relationship Management (CRM) system to increase value for the customer and at the same time further enhance the



***Dongbu Insurance is set to join forces with other companies in the Dongbu Group to become Korea's premier comprehensive financial services provider.***

customer service capability of the Company.

As part of this plan we will seek to understand our customers' needs. We plan to introduce a mobile computing system at an early stage to strengthen customer support by allowing us to serve our customer's needs instantaneously. Through these efforts we can discard the existing rule-of-thumb customer service methods and introduce cutting-edge digital marketing methods that are in keeping with the information age. By building such infrastructure and encouraging a change in awareness we will strive to become a brand that embodies the ideas of customer service and that customers will continue to trust and seek out.

**Second, we will introduce a digital management system.** IT innovations are changing the very nature of the financial business. Dongbu is ready to take the lead in digital management to become a superior comprehensive financial company that provides ultimate customer satisfaction. Dongbu Insurance has been diligently building and introducing advanced IT systems and infrastructure. We also recognize the enormous potential of the Internet and are bravely leaping forward to bring our services online through the active promotion and construction of an eBusiness operation. In 2001, we will strive to ensure that such innovations and improvements become firmly established within the organization.

In addition, through the construction of our delivery channel management system we will maximize the synergy effects of new sales channels built on the basis of our powerful operations organization. Through continuous business reform, such as the automation of business processes, we aim to reduce unnecessary resources and reduce time wastage, thereby enhancing profitability and competitiveness.

**Third, we will strengthen our core competencies.** In this age of deregulation one must identify and then concentrate on core competencies in order to enhance business competitiveness. Among our core competencies, we plan to focus first on securing superiority in product and price competitiveness. By remaining aware of changes in customer preference we will develop products that match their requirements. We will also secure superiority in price competitiveness through the use of scientific underwriting methods and by enhancing the overall efficiency of the operations. Through productivity improvements in each area of the organization we will maximize profitability and reduce expenses. The responsible management system is also ensuring that we remain alert and flexible to changes in the market environment. In particular, we will continue efforts to enhance the organization and system to ensure that asset management, which is an important pivot in the Company's profitability, continues to bring stable

**Shareholders' Equity***In Billions of Won*

profits even amidst instability in the financial markets.

With the completion of the Dongbu Financial Center, Dongbu insurance is set to merge its insurance services with the diverse financial services offered by other Dongbu Financial Group companies. The Group's insurance, securities, depository, capital, investment and credit management services will be joined into a powerful portal site that offers one-stop financial services. The synergy effects from uniting these different units of Dongbu are expected to help the company take a leap ahead in the new, increasingly competitive market environment in Korea.

With the deregulation and restructuring of the insurance industry in Korea, the Financial Supervisory Commission has been promoting the adoption of international standards for the industry. Dongbu has been working hard to introduce advanced practices to the business, and in 2000 the company successfully constructed a general risk management system for asset liability management. Through such measures to improve the organization and employee structure we anticipate a reduction in operating expenses in the future.

The constantly changing management environment permits no one rest and demands constant adaption to change. The employees and management of Dongu Insurance will use their skills and experience to turn present challenges into future opportunities. We will actively and voluntarily use the opportunities provided to us to build on the esteemed position of our company.

I thank you for your support and encouragement and look forward to its continuation in the future.

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President & Chief Executive Officer