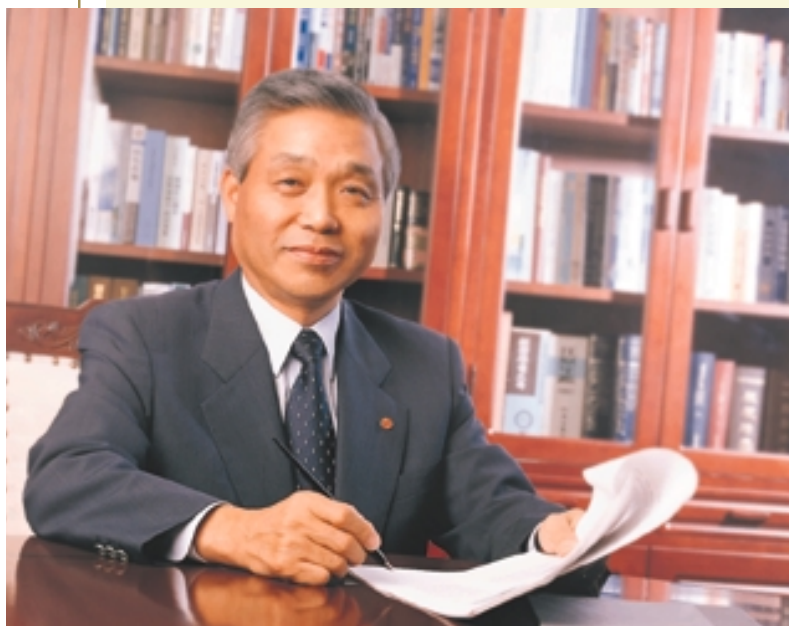


To Our Shareholders



First of all, I'd like to express my sincere appreciation to our customers and shareholders whose invaluable support and encouragement have contributed much to the solid growth of Dongbu Insurance Co., Ltd. Being the first Korean insurer to develop and market auto insurance, Dongbu has fully committed to enhancing the safety and quality of life of our clients.

In retrospect, the Korean economy staged a rapid rebound in 1999, pulling itself out of a serious financial crisis. Dongbu also recorded remarkable performance thanks to numerous initiatives on the part of its

employees, while striving to satisfy the diverse needs of its customers. For instance, direct premiums written recorded a solid growth rate of 5.9%, amounting to W1,921.8 billion. The Company's income before taxes, including catastrophe reserves, reached W126.9 billion. The profit margin over total sales, standing at 7.4%, represented the highest level in the non-life sector. Dongbu's solvency ratio, a key measure of financial soundness of insurance firms, surged by 20.5% points over fiscal 1998 to 191%. As a consequence, Dongbu has solidified its standing as a leading insurer in the non-life insurance sector in all regards.

However, the rapid-changing domestic financial industry demands ceaseless efforts and a spirit of challenge on the part of all Dongbu staff. The year 2000, the first year of the new millennium, may also be regarded as the starting point for an epoch-making transformation of the non-life insurance industry, as a result of the elimination of barriers among financial service companies, among other things.

Although the lifting of controls on premiums was limited to loadings, it is expected to provide greater momentum for full-fledged rate liberalization and to bring about profound impacts on the non-life insurance market. In line with the current digital era, e-Business is also certain to become a key factor in determining corporate competitiveness. Furthermore, the former business barriers between the financial service sectors are being steadily broken down, while allowing the entry into the domestic insurance market of overseas-based financial firms.

In order to effectively adjust to this fast-changing business environment, Dongbu Insurance has come up with a corporate vision, “A premier comprehensive financial service institution that strives to satisfy the needs of its clients while pursuing digital management.” In the first year of the new millennium, the Company has adopted a new management catchphrase for this year: “Another leap forward in the new millennium that brings us closer to our customers.” To this end, the Company will push ahead with the following efforts:

First, Dongbu will endeavor to lay the groundwork for a digital management paradigm. Dongbu will build its network based on standardized and computerized business operations, which will enable the Company to better integrate its information flow and ensure greater efficiency in its decision-making process. Dongbu is fully committed to fostering as many professional staff members as possible in an effort to place its digital management on a solid footing. In addition, the Company will pursue productivity gains by rationalizing its organizational structure and systems. Extensive efforts will also be exerted to efficiently utilize the Company’s integrated call center, data warehouse and other state-of-the-art information technology to sharpen its competitive edge.

Second, Dongbu will pursue a new-concept marketing strategy that emphasizes steady and qualitative growth. The Company intends to bring about a profound transformation in our mindset and work ethics under a new management paradigm that will enable us to pursue profit-oriented management, develop market-leading products and build an advanced market structure.

Third, we pledge to be No.1 company in terms of customer satisfaction. We will allocate all available resources for maximizing customer satisfaction while adapting to the demands of the times and constantly improving ourselves. Moreover, the Company seeks to bolster its brand power by reinforcing its service quality assurance system, which has been launched ahead of the competition. Furthermore, Dongbu intends to build a customer-oriented management system by tailoring its operations to the particular needs of its customers, while striving to maximize customer satisfaction. Thus, the Company will remain dedicated to establishing a permanent customer-management relationship capable of providing lifelong services to its customers.

Our indomitable spirit has enabled us to overcome an extensive restructuring as well as the IMF measures designed to remedy the shortcomings of the Korean economy. In particular, we are proud of the fact that we now have the confidence and ability to turn any unfavorable situation into our advantage. While capitalizing on our strengths, all executives and employees are fully committed to transforming Dongbu into a “premier comprehensive financial service institution with advanced digital management.” We look forward to your continued support and encouragement in the years ahead.



Song, In-Ki
President & Chief Executive Officer