DB Insurance

The New Name of Dongbu Insurance
DB Insurance

INTEGRATED REPORT 2018

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About This Report

Reporting Period and Cycle

This report is DB Insurance's 3rd Integrated Report and 8th Sustainability Report. We transparently disclose our financial and non-financial performances in our annual sustainability reports, and wish to reflect the same in our future sustainable management by collecting feedback and opinions from various stakeholders. This report covers the period from January 1, 2017 to December 31, 2017, and some of the more important contents detail our activities and performances of 2018.

Reporting Principle

This report was prepared by reflecting the International <Integrated Reporting> Framework ("<IR> Framework") guidelines prepared by the International Integrated Reporting Council (IIRC). Also, it complies with the guidelines of the Global Reporting Initiative (GRI) Standards and the reporting principles of the Financial Service Sector Supplement, and is in accordance with all the core requirements. In addition, as a UN Global Compact member corporation, we actively report on our activities and performances in line with the ten principles of the Communication on Progress in accordance with the Communication on Progress reporting principles. Financial performances were prepared based on the K-IFRS, and any modifications from previous reports were specially indicated in this report.

Reporting Scope

The scope of this report covers DB Insurance's domestic business sites (excluding affiliated companies) such as the headquarters, regional headquarters, and claims adjustment departments, and some performances of the company's overseas branches and liaison offices are also included. Non-financial data correspond to 100% of the company's sales, and environmental data are primarily based on the company's nine buildings and leased offices.

CONTACT

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Contents

CEO Message

Dear Valued Stakeholders,
I would like to extend my deepest gratitude for your unwavering support and interest in DB Insurance.

June 2018
DB Insurance Co., Ltd.

President & CEO **Jeongnam Kim**

Jeongnam Kim

Looking back, the year 2017 was a new milestone for us. Succeeding once again to uphold our enterprising spirit and value of the past 55 years of growing with our stakeholders, we were standing at the turning point of a renewal as 'DB Insurance,' a name representing our lofty dreams of growing into a world-class financial company with the vision of 'A Global Insurance Financial Group which Pursues a Happy Society with Customers.'

Regarding the business environment, 2017 was a strenuous year. There were drastic changes in government policy directions after the inauguration of the new administration, and economic growth was limited to industries such as semiconductors, with consumer sentiment still declining. Business issues, such as greater volatility in the market, the onset of an aging society and intensifying channel competition, continued to expand.

Despite such changes in the environment both inside and outside the company, we accomplished outstanding performances such as the biggest operating profit in our history, thanks to our industry-leading operational efficiency and stable loss ratio in the 1st half of 2017.

In 2018, we also expect to face business challenges that we will have to solve. Geopolitical uncertainties surrounding the Korean Peninsula are growing, and due to growing interest rates in the US, volatility in the global financial market is also on the rise. In particular, given the financial authorities' policy directions of protecting consumers' rights and strengthening financial soundness, demographic and industry-structural changes, etc., it is expected that the insurance industry will face tougher challenges than ever before.

Nevertheless, DB Insurance will secure customer value-based decision-making structure with the goal of 'accelerated growth based on solid management.' By strengthening our strategic flexibility and improving its field organizations, we will proactively respond to the tough market environment and systemic changes, and will continue our best efforts to continue 'efficiency-based, qualitative growth.'

In addition, to be positioned as a global, sustainably-managed insurance company, we support and diligently comply with the 17 'Sustainable Development Goals (SDGs)' of the United Nations (UN), 4 'Principles for Sustainable Insurance (PSI)' of the 'UN Environment Programme Finance Initiative (UNEP FI),' and 10 principles of the 'UN Global Compact,' and actively respond to environmental, social, and economic issues in Korea and overseas.

Dear Valued Stakeholders,

In addition to our new mission, we want to continue our valuable relationship of the past 55 years of growing based on the interest and support of our stakeholders. We hope you will continue to offer the same interest and support as we steadily move toward the future with youthful ambition.

It is our steadfast pledge that the company will always endeavor to go beyond Korea to establish itself as a leading global company in sustainable management.

Thank you.

About DB Insurance

A Global Insurance Financial Group Which Pursues a Happy Society with Customers

Pursuant to its management philosophy of placing customer satisfaction as a top priority and its solid financial soundness, DB Insurance has grown into a leading general insurance company in Korea. We are endeavoring to become a corporation that will ultimately transcend its enterprise value and foster shared growth with its stakeholders by implementing strategies and policies that meet and exceed the expectations of its stakeholders based on its three initiatives: globalization, specialization, and high-added value.

Company Information

Company name	DB Insurance Co., Ltd.
CEO	Jeongnam Kim
Date of incorporation	March 1962
Field of business	General insurance
Headquarters	DB Financial Center, 432 Teheran-ro, Gangnam-gu, Seoul, South Korea
Paid-in Capital	35,400 million (KRW)

No. of retained customers ······ **8.65million** (As of the end of 2017)

Sustainability assessment ··· **DJSI World** (Listed for five consecutive years)

No. of employees and sales partners ········ **26,980** (Including 22,496 sales partners)

Credit rating ········ **S&P A** (Stable) **A.M.Best A** (Excellent)

Corporate History

1962 - 2010

1962
- Established as Korea Public Automobile Insurance Company

1968
- Re-established as Public Automobile Insurance Co.

1976
- Introduced, for the first time in Korea, unlimited-coverage liability insurance for car owner indemnity

1984
- Opened a branch in Guam

1995
- Name changed to Dongbu Insurance Co., Ltd.

2006
- Opened a branch in Hawaii

2009
- Opened a branch in California

2010
- Declare new management principles of 'Pursuit of essence (facts),' 'Mutual communications,' and 'Autonomous management,' in order to create a corporate culture of creative thinking and dynamic execution and achieve active performance

2011 - 2017

2011
- Established three claim adjustment subsidiaries (CNS, CAS, and CSI), and built a stable loss control system
- Opened a branch in New York
- Acquired equities in a Chinese insurance brokerage firm

2013
- Established 'DB MnS,' a sales-specialized subsidiary
- Acquired equities in a Chinese insurance company

2015
- Presidential Award in the National Quality Management Competition in 2015, for the first time as a Korean financial company
- Acquired PTI, a Vietnamese general insurer, for the first time as a Korean insurer

2016
- Surpassed 8 million retained customers, and inducted into the Hall of Fame by the Korea Service Grand Prix 2016

2017
- Enlisted in DJSI World for 5 consecutive years, for the first time as a Korean general insurer
- Name changed to "DB Insurance Co., Ltd." as a contemporary succession to the Group's tradition and spirit, and achieved our record pre-tax profit of 827.3 billion KRW

Corporate Vision & Mission

Corporate Vision System

The goal of DB Insurance is to grow into a global insurance financial group by providing excellent products and services to the customers, performance-based compensation and a pleasant working environment for the employees, and highest profitability (profit ratio) to the shareholders, thereby increasing its stakeholders' benefits and contributing to national and social development, based on its founding philosophy of becoming a 'good company.'

A Global Insurance Financial Group which Pursues a Happy Society with Customers

Core philosophy

Pursuing a Happy Society with Customers

A concept to realize the company's core mission - 'people's happy life and the company's sustainable growth (perpetual development)'

Future direction

Global Insurance Financial Group

- Territory of business: A global, not domestic, company
- Field of business: Has grown from a general insurance company to an insurance financial group

Core mid-to-long term strategic tasks

Strengthen business competitiveness

- Strengthen business competitiveness, by sales channel
- Strengthen integrated customer management system (customer experience management, etc.)
- Secure product leadership in the market by strengthening product development infrastructure
- Strengthen U/W and claim adjustment by securing damage analysis capacity

Secure the engine for sustainable growth

- Innovate digital information asset infrastructure
- Cultivate outstanding professionals
- Activate synergy among the company's financial affiliates
- Upgrade overseas business exploration and operation

Advance the risk management system

- Upgrade IFRS17-based business administration system
- Establish ALM-based asset management model
- Strengthen global-level capacity for asset portfolio management

Mission System

DB Insurance's mission system, representing fundamental principles of achieving its visions, consists of "missions" which contain the perspective towards business and the management philosophy being pursued, "management principles" which are standards for management decision-making and direction-setting, and "core values" which are shared and implemented by the company's constituents.

Mission

Provide the best value to make people's lives happy and to enjoy company's sustainable development by preparing people and companies for human and material risks in advance

Management Principles

Pursuit of essence
Mutual communications
Autonomous management

Core Values

Sense of ownership
Enthusiasm
Commitment
Trust

DB Insurance's New CI

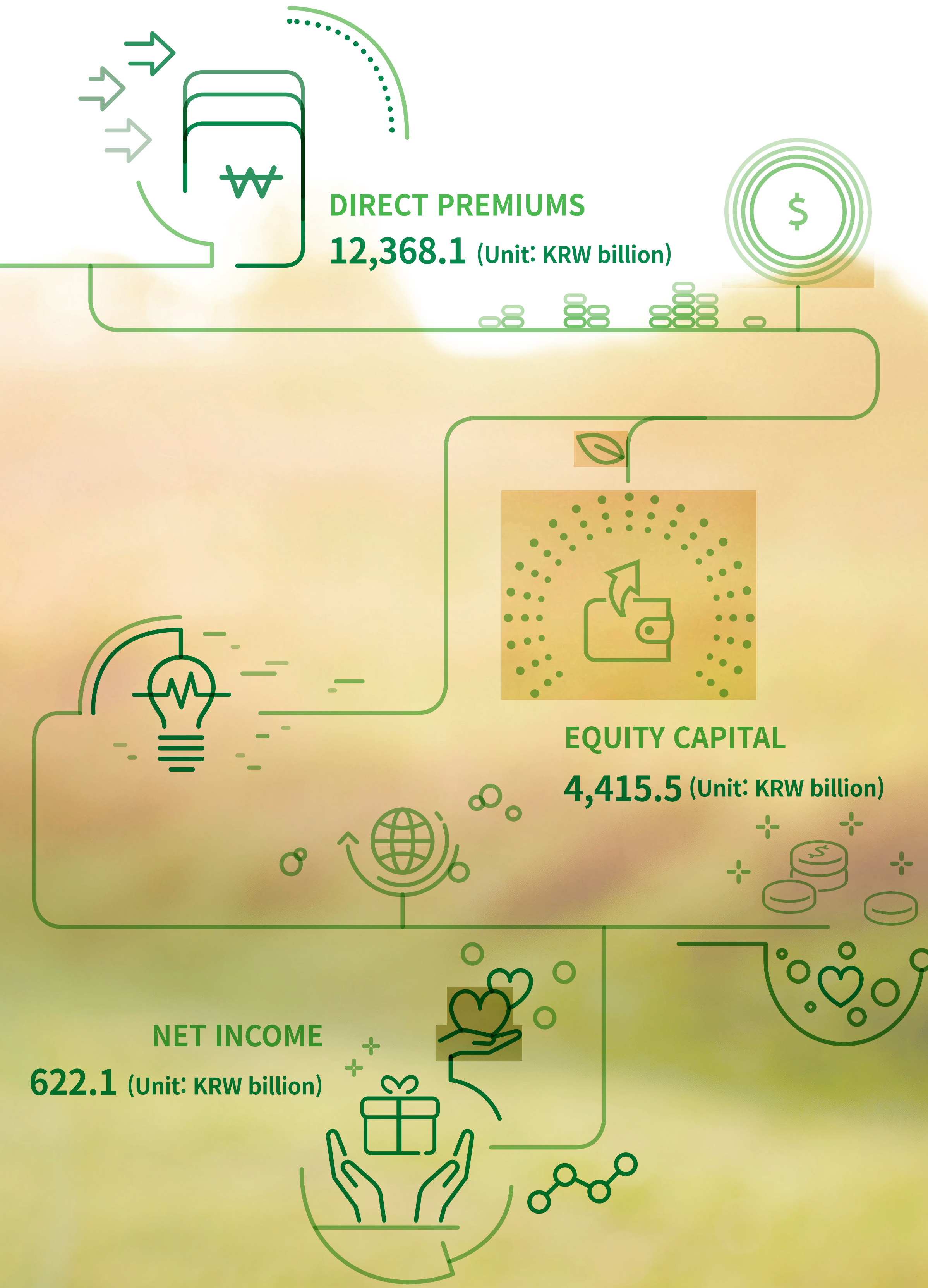
Symbol

The new symbol's image embodies 'DB' as a figure/diagram, and reflective of the times, reinterprets and applies traditional values of 'Dongbu.' Applying orange and green, colors of the existing CI, and thereby succeeding to the history and traditions of 'Dongbu,' it also expresses the will and hope towards the future with "blue," the color which represents 'East' and 'youth.'

Logo

The new logo applies a greenish color representing a succession to the identity of the existing CI. It does not interrupt the inner figure/diagram (white area) of the letter "B" but unites the whole, expressing our flexible corporate culture towards the inside and the outside and our resolve of launching a new start.

Business Section



Business Model

Create differentiated values with the development of in-demand products and services

Product/Service Development

Products

Long-term insurance

Car insurance

General insurance

Services

Emergency dispatch service
On-site dispatch service

Auto-care service
Promy car service
Car care service

Promy health care service
Funeral partnership service
Will management service

Risk management service
Legal support service
Retirement planning consulting

Product/Service Delivery

Deliver optimal customer experience through operating various sales channels that meet different customers' needs

Exclusive Channels

PA (Prime Agent)
Insurance planners who can only sell DB Insurance's products

Insurance agencies
Insurance agencies who can only sell DB Insurance's products under an exclusive contract with DB Insurance

Non-exclusive Channels

GA (General Agency)
Non-exclusive insurance agencies that can sell insurance products from any insurance company

Cross Planner
Life insurance planners who are entitled to sell both life and non-life insurance products

Product/Service Sharing

Share customer values with specialized support systems and by operating the nation-wide claim adjustment network to increase customers' assets

Asset Management

Domestic/overseas investments and loans
Establish a responsible asset management team with mid-to-long term perspectives

Claim Adjustment

Damage investigation

Damage adjustment

Damage claim (long-term, car, general)

Six Capitals

Financial capital

Profits garnered from the insurance premiums through insurance product sales are used to cover various finances including insurance claims, business operation costs, operating assets, etc. As a result, DB Insurance makes strategic investments to manage customers' assets securely and to generate higher profits, while identifying investments in relation to corporate social responsibility (CSR).

Manufacturing capital

The business of DB Insurance relies on manufacturing capital such as computer system and data center. The company has established a response system to disasters and emergencies to be thoroughly prepared to provide customers with stable and reliable services.

Intellectual capital

There is a growing trend in the transformation of insurance products and services due to the changes in external environments such as low birth rates, aging society and prolonged low economic growth and so forth. DB Insurance carries out customer segmentation based on customer research and big data analyses and offers differentiated values by developing customer-oriented products according to the needs of different customer groups.

Human capital

Owing to the nature of the insurance business, talented individuals are the central, foremost important asset that determines a company's competitive power over product development to sales. In the context of fierce competition, DB Insurance fosters top-level professionals in the industry based on new training systems designed to maximize management performance by improving individual performances.

Social-relation capital

DB Insurance seeks to achieve a happy society with customers and strives to ensure higher customer satisfaction by offering products and services they need. Also, as non-life insurers are subject to strong regulation by government agencies and supervisory authorities, the company actively observes and participates in government policies.

Environmental capital

The company's nine office buildings and 556 leased offices in Korea are the source of GHG emissions for consuming power and cooling/heating systems and power used by data centers and others. Its efforts to manage environmental capital revolves around the establishment of environmental guidelines, its Environmental Management System (ISO 14001) and Green Management System (KSI 7001/7002) certifications, etc.

Digital Insurance

Maximize Customer Value through InsurTech Innovation

InsurTech Innovation Strategy

DB Insurance is leading the insurance industry through the transformation to 'digital insurance' based on convergence between new InsurTech technology and business. We have established our "2020 mid-to long-term strategy for digital insurance and InsurTech innovation" and will continuously explore new products and services and improve our work process by utilizing new InsurTech technologies such as big data-based strategic decision-making support system and artificial intelligence-based (AI-based) system automation. In addition, we plan to establish ourselves as an industry-leading digital insurer by not only securing customer trust but achieving efficiency through our entire operation based on InsurTech innovation which utilizes blockchain, cloud, and Internet of things (IoT), etc.

Pursue Digital Insurance through Convergence of New Technology Elements and Biz.

Secure user-oriented, industry-leading mobile competitiveness	Build a big data-based strategic decision-making support system
Business innovation through system automation such as AI	Create efficient IT assets by utilizing cloud
Develop IoT-based and customer-tailored products	Advance IT infrastructure by utilizing blockchain

Build InsurTech Innovation Governance

DB Insurance has formed "Smart IT TFT" to promote InsurTech business based on new digital technologies such as big data, AI, blockchain, and insurance platform, and has built and operates its decision-making governance system, such as holding "2020 IT strategy meetings" every month for company-wide InsurTech business adjustment and greater departmental cooperation.
The Smart IT TFT, composed of big data, AI, InsurTech, and mobile specialists, is playing the role of our InsurTech control tower, such as establishing the direction of our InsurTech strategy, implementing individual tasks, and exploring mid-to long-term future growth businesses. In addition, to strengthen the function of company-wide InsurTech business strategy adjustment and consultation, we report important matters to the CEO and the BOD, and depending on the nature of those matters, provide opportunities for our general stakeholders (consumers, research institutions, etc.) to participate and state opinions.

Mid-to long-term Roadmap for InsurTech Innovation

In order to implement the mid-to long-term InsurTech innovation strategy, DB Insurance has established a mid-to long-term roadmap for 2020. In 2018, our focus tasks include not only advancing a company-wide mobile system but achieving innovation and efficiency in big data-based business processes, building an AI utilization system and strengthening stage-1 internal capability, expanding new InsurTech technology-based digital transformation, strengthening IT convergence capability, and raising a digital workforce. After 2020, as an InsurTech leading insurer, we plan to explore more customer-tailored products and services by digitizing all areas of the insurance business, and secure global-level digital business competitiveness by achieving improvement and efficiency in our internal work process.

Stage 1 ~ December 2016

Based Deployment

- Establish mid-to long-term information strategy
- Launch UBI insurance product
- Hold "2020 IT strategy meetings"
- Mobile system for claim adjustment
- Introduce chatbot service
- Form "Smart IT TFT"

Stage 2 2017 ~ 2020

Digital Transformation

- Introduce biometric services
- Build a mobile system for sales
- Develop IoT-based new services
- Optimize customer service channels
- Build big-data work support system
- AI-based work automation
- Build InsurTech development system

Stage 3 After 2020

Hyper Convergence

- Expand the use of cloud service
- Introduce blockchain authentication system
- Expand application of AI to entire operations
- Develop common services of DB Finance Group
- Expand InsurTech development program
- Expand InsurTech innovation organization

Launch 'DB Smart Portal,' a Customer- and User-oriented Mobile System for Sales

In order to secure its industry-leading mobile business competitiveness and enhance customer value, DB Insurance has opened the 'DB Smart Portal,' which was designed to allow anyone including planners and insurance agencies to conduct sales easily and conveniently based on improvement in user-friendly UI·UX. The portal strengthened operational support for corporate insurance sales for the first time in the Korean insurance industry, and greatly enhanced customer convenience by simplifying processes (e.g., automatic inquiry response and insurance premium calculation) and improving electronic signature speed and handwriting recognition. In addition, it will enable a one-stop contracting process for offers, inquiries, contract amendments, and policy issuances in long-term insurance and car insurance, and reinforce marketing contents such as video training and activity support, which is expected to contribute to the capability improvement of planners and branches.

Key Improvements	Description
Simplify login and contents	• Enhance convenience by simplifying the authentication method (ID·PW) • Integrate and standardize contents, improve their quality, and build learning rooms (self-learning)
Create efficient contracting process	• Remove virtualization system and apply full-screen mobile optimization (UI·UX) • Develop a field-completed, one-stop contracting process
New electronic signature	• Develop an electronic signature process: Simplify work and increase convenience (signature button, integrated name and signature)

Conduct Activities to Build a Big Data System

DB Insurance has established a mid-to long-term roadmap, for building a big data system, to strengthen its InsurTech service competitiveness by utilizing existing unused data and new market analysis technologies. In 2017, as stage 1 of the roadmap for the 2nd half of that year, we conducted a pilot task to gather actual experiences for big data analysis. In order to provide information, when receiving car accident reports, on our "excellent" claim adjustment partners, who provide lower repair prices and higher customer satisfaction, and to improve partners' case handling ratio, we analyzed customer and vehicle information in advance and mapped our optimum "excellent" claim adjustment partners, thus enabling our agents to give information on "excellent" claim adjustment partners, more effectively.
In addition, as for prime agents (PAs), recognizing that warning signs of churn begin to occur three months in advance, we developed an early churn prediction model based on the service access history and system logs of all business systems. A pilot test conducted in 2017 showed that the existing partners' case handling ratio of 29.2% rose to 33.5%, showing a 4.3% improvement, and we developed a model capable of predicting 65.5% (about 91 PAs) of the PAs ultimately leaving by managing 9.7% of all PAs (about 1,400) with abnormal signs. In the future, we will internalize big data platform-building and -analyzing personnel (through stages 2 and 3 of the roadmap), and utilize it for speedy, accurate, data-based decision-making.

Improve Operational Efficiency by Utilizing AI

DB Insurance improves customer satisfaction and operational efficiency by utilizing AI. First, we introduced a chatbot service for customer contact, to quickly respond to customers' inquiries, through which we expect to reduce the number of such responses by as much as 400,000 and save about KRW 860 million in business expenses. In addition, we have built an automatic complete sales review system and are providing customers with more accurate information on insurance contracts via telemarketers, thereby streamlining entry into contracts. A pilot test not only shows that we can accurately check whether correct product information was given to customers, but also shows an expected reduction in reviewers' workload and operating expenses of KRW 700 million a year. In addition, we have expanded the availability of loans, which used to be limited to customers with credit ratings 1 through 5, and conducted a pilot project to build an AI-based credit evaluation model for stability in approval review. This will increase the approval rate by 3.2% and lower the default rate by 0.7%, thus projecting additional annual revenue of KRW 980 million and confirming that the same can be expanded to other areas.

Expand Introduction of New InsurTech Technology and Establish a Promotion System

DB Insurance preemptively responds to the insurance market which is rapidly changing due to the 4th Industrial Revolution, and continues to make various efforts for customer value innovation, such as exploring InsurTech technology-based new products and services and improving its insurance business process. In addition, in terms of open innovation, we are expanding alliances with innovative third-party companies specializing in InsurTech, with a focus on four major areas (AI, big data, blockchain, and insurance platform), and focus on strengthening our business capability and exploring new products through government-operated national projects in the field of big data.
Furthermore, we will introduce InsurTech solutions such as Robotic Process Automation (RPA), chatbots, Kakao login authentication, smart coverage analysis, and biometric authentication, thereby expecting greater customer convenience and cost saving. In addition, we have formed our in-house Digital Secretariat to continuously explore and perform company-wide InsurTech innovation tasks, and have established our new 'InsurTech Business Process' to support systematic implementation of InsurTech business and promote organic collaboration between IT and our field operations.

Innovation Management

DB Insurance's continued drive to achieve profitability comes from innovative efforts to pursue 'something new' and 'something different.' Since 2002, we were the first Korean insurer to establish a scientific innovation system that utilizes Six Sigma and Process Innovation (PI), and since 2010, we have been innovating our business structure through radical reform or revamping. Additionally, we are implementing mid-to long-term strategic tasks for 2016 through 2018, and in 2018, we are also conducting digital innovation in order to apply new technologies related to the 4th Industrial Revolution such as AI, big data, and IoT.

Innovation Management System

Establishment of Innovation Strategy and Integrated Management of Performance

DB Insurance promotes company-wide innovation management to improve management efficiency. Through operation of our Innovation Committee led by the CEO, we have secured executive abilities such as company-wide innovation strategies, management of tasks, and fostering an innovative workforce. We have established an organizational system that integrates innovation and strategic functions to create an innovation culture. In particular, the tasks implemented as innovation projects are systematically integrated and managed, and the improvement plan's effectiveness is being enhanced through continuous monitoring and feedback.

Innovation Management Roadmap

Scientific innovation (~ 2009)	• Introduce "Six Sigma" • Remove inefficient factors
Strategic innovation (2010 ~ 2016)	• Business structure innovation • Expand new growth engines
Digital innovation (2017 ~ present)	• Apply new technology to work • Voluntary innovation in the field

Innovation Plan for 2018

Direction of Innovation	Business Structure Innovation	Digital Innovation	Field Innovation
	Transform to high-efficiency business structure befitting the low-growth era	Radical improvement in work productivity through greater application of new digital technologies	Create an innovate field environment by introducing voluntary participation activities
Scope of Innovation	Biz Model·Process innovation	Unit task innovation	Fieldwork improvement·Remove hidden costs
Type of Tasks	Company-wide·Major strategic tasks	Company-wide tasks	Task distribution·On-site tasks and proposals
Selection of Tasks	Top-down·Bottom-up	Top-down	Bottom-up

Transform to High-efficiency Business Structure Befitting the Low-growth Era

In order to enhance focus on the 2020 mid-to long-term strategy and strengthen execution of it, DB Insurance has been implementing mid-to long-term strategic tasks since 2016, and in 2017, expanded the scope of innovation tasks to its subsidiaries in order to strengthen innovation competency on-site, in terms of sales and claim adjustment. In 2018, we have diagnosed key results in 3 major business performance areas (sales, loss ratio, and business ratio), have identified and are promoting top-down strategic tasks and tasks selected by division and office-selected through feedback review for revenue structure innovation tasks (mid-to long-term strategy).

Major Strategic Tasks for 2018

Fields	Tasks
Customers ·products	① Expand core e-service, to secure contact-point competitiveness ② Secure price competitiveness and advance U/W, to increase high-quality customers ③ Secure customer-satisfaction competiveness by re-designing the consumer-oriented information system ④ Conduct proactive product response and build a customer convenience system, to secure channel competiveness
Channels	⑤ Build optimum channel for advanced management of transferred customers ⑥ Innovate GA channel strategy and strengthen competitiveness ⑦ Expand car insurance M/S in CM-channel and balanced growth across insurance types ⑧ Build infrastructure for sale of pet insurance
U/W· claim adjustment	⑨ Optimize long-term claim adjustment process ⑩ Secure competency for loss ratio management, by building smart U/W system ⑪ Build a high-efficiency, high-performance, field-oriented claim adjustment system ⑫ Optimize unsettled claim system by reducing current long-term unsettled claims ⑬ Advance company-wide MR response system
Asset management	⑭ Formulate accounting policy and build a system to introduce IFRS9
Overseas business	⑮ Reduce cost of claim investigation through efficient claim adjustment

Innovation Management Performances

Radical Increase in Work Productivity through Greater Application of New Digital Technology

In preparation of the prolonged low-growth era and in consideration of digital transformation based on new technologies such as AI, big data, and IoT, DB Insurance implements not only business structure innovation but digital innovation tasks to secure industry's leading operational excellence.
We have defined our implementation tasks by analyzing cases of digital innovation in the insurance and financial market and established a digital innovation roadmap by stage, and as a result, we achieved performances such as acquiring exclusive rights for UBI car insurance and patents for mobile securities and processing about 400,000 responses, by chatbot service, in 2017.

Establishing an "Innovation Culture"

DB Insurance is working to internalize innovation management as its corporate culture. Each year, we hold an in-house presentation competition to award outstanding projects, the CEO himself reviews company-wide innovation projects, and all executives carry out innovation projects, leading to execution of innovation management.
Departmental suggestion activities conducted in 2016 were modified and developed into site-improving team activities in 2017, and in 2018, all departments are required to participate. In particular, as for team activities, where employees of DB Insurance and its subsidiaries voluntarily conduct work improvement activities, 101 teams have registered and performed improvement activities in the 1st half of 2018.

Build the Best Quality Management System in the Domestic Financial Industry

In 2017, we were awarded the Superior 'Quality Circle' Award in the superior quality circle section of the National Quality Management Convention, which boasts the highest authority in the field of quality management, and became the first Korean insurer to be awarded as National Quality Masters for 2 consecutive years (2016 and 2017), securing our status as the leader in the insurance industry. In particular, our improvement in loss ratio, through the development of Korea's first UBI (usage-based insurance) car insurance based on big-data analysis of customers' driving habits, is being recognized as an outstanding case in the field of creativity improvement by the quality team (circle).

Advance Quality Management System

- 2017 • Superior 'Quality Circle' Award • National Quality Master
- 2016 National Quality Master
- 2015 National Quality Grand Prize
- 2008 National Quality Innovation Prize
- 2005 National Quality Management Prize

Managing Innovative Achievements

Since 2004, we began measuring performances of innovation projects and we have implemented 2,536 projects (175 in 2017). The cumulative financial performance has reached KRW 1.7307 trillion (KRW 91.1 billion in 2017). In terms of innovation capacity, we contribute to the development of employee competency and the creation of a company-wide innovation culture by achieving 203 (49.2%) BB (Black Belt) and 413 (95.6%) GB (Green Belt) holders among our employees at our headquarters.

F · O · C · U · S

Innovation Cases

Develop the First UBI (Usage-Based Insurance) Car Insurance in Korea through Big-data Analysis

(Superior 'Quality Circle' Award in the National Quality Competition in 2017)

Concept	Characteristics	Performance
Korean-style UBI car insurance calculates the safe driving score through driving data accumulated by smartphone navigation and insurance premium is discounted when the given requirement is met	Using the world's first smartphone navigation link, enhancing customer convenience Insurance premium discount (not "discount + penalty"), increasing customer benefit Remove personal information concerns through encrypted communications, achieving security	Number of subscribers reaching 150,000 in 2017 (No. 1 M/S in Korea), achieving virtuous cycle of "accident reduction → stable loss ratio → insurance premium saving"

Asset Management

Respond to Changes in Investment Environment and Secure Stable Secondary Margins

In the field of asset management, DB Insurance not only reinforces its ALM-based asset management system in response to rapid changes in policies/systems and economic cycles but also strengthens its asset management capability and diversifies the locations and targets of investment, which aims to secure stable secondary margins as well as minimizing risks.

Strengthen the System of Operating Asset Management Experts

In 2017, DB Insurance has identified core competencies in the 13 fields (in 6 job categories) necessary for its mid-to long-term asset management, and is working to strengthen its system of operating asset management professionals (recruiting, training, management, etc.). To achieve this, we have established a new sectoral, asset management-specialized training system, in which we train specialist instructors and train hybrid-style talents who understand both insurance and investment, and hold weekly study seminars on various investment themes in order to share investment ideas. We are also implementing incorporation of overseas investment bases and recruitment of personnel to strengthen overseas investment competency, and have expanded practical training, for our outstanding employees, in leading insurers and asset management firms overseas, to provide them with opportunities for learning advanced investment expertise.

Strengthen Response to Changes in Mid-to long-term Investment Environment

As it is expected that changes in accounting standards (IFR S17, IFR S9) and the supervisory system (K-ICS), scheduled for 2021, will greatly increase 'capital and profit/loss volatility' of insurers, and we are enhancing preparation for them. We will divide assets into 'liabilities-matching asset group' and 'additional-income asset group' and manage them according to the fund's attributes in order to strengthen ALM, and will continue to expand asset duration in response to insurance liabilities' maturity structure. We will also reduce the portion of investment types which increase net income/loss volatility (revenue-bearing securities, structured securities, etc.) and adjust, by stage, the portion of marketable assets with relatively bigger risks. In order to supplement the resulting lower investment return, we will actively look for domestic/overseas substitute investments and high-quality corporate bonds and improve the efficiency of risk capitals.

Maintain the Highest Investment Return among Big 4 in General Insurance Industry

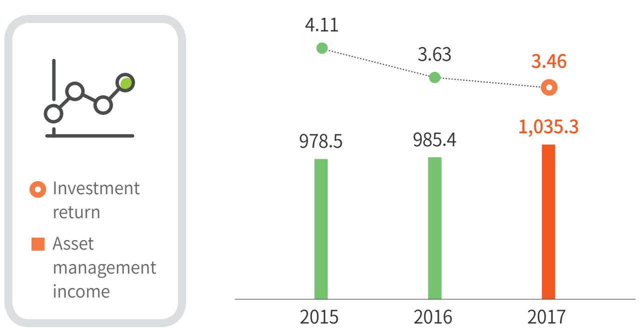
DB Insurance not only strengthens its ALM-based asset management system, such as maintaining the portion of interest-bearing assets with stable interest or dividend secured, at 90% or higher but also realizes additional, market-utilizing additional income (e.g., stock trades). Through these efforts, we have achieved asset management income of KRW 1.353 trillion and an investment return of 3.46%, showing higher investment return than our competitors.[1)]

1) No. 1 among Big 4 general insurers

Amount of Total Assets Managed

KRW 31.6 trillion
(As of December 2017)

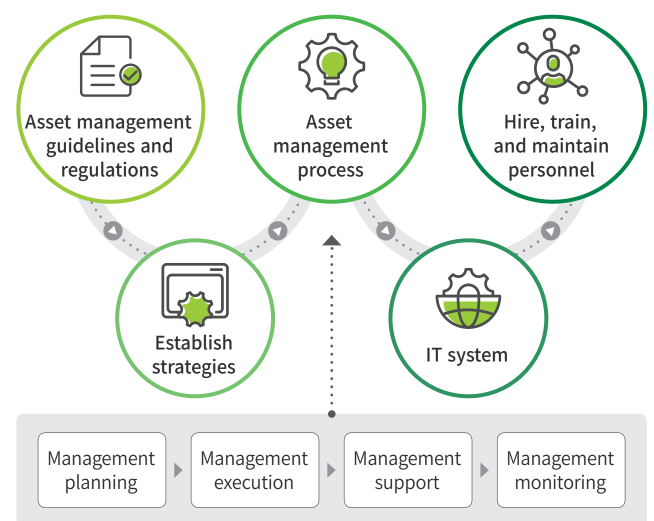
Asset Management Performance (Unit: %, KRW billion)



Establish ALM-based Asset Management System

Classifying its long-term insurance liabilities into 4 categories according to product characteristics, DB Insurance has developed an Asset Liability Management (ALM) model which matches assets befitting the categories' characteristics, and based on them, has established a mid-to long-term asset management strategy gearing toward the IFRS to be introduced in 2021, and has built an 'asset management system based on ALM' in response to the diversifying asset management and insurance industry environments. Thus, we plan to earnestly protect customers trust by securing sufficient solvency margins.

Asset Management Inspection Framework



Expand Global Network

Through an investment MOU signed with the No.1 insurer in North America, DB Insurance has strengthened its strategic alliance with leading overseas insurers and asset management firms by expanding joint investment in global real estate and infrastructure assets and overseas corporate bonds, through which it is expanding quality overseas investment deal sourcing channels and learning advanced investment expertise.
In addition, by expanding and reinforcing our investment office in Manhattan, New York and thereby lifting spatial, time restrictions on overseas investment, we plan to build a close network with local financial institutions and improve access to high-quality global investment information and the latest investment trends. Our overseas investment office has enabled for us immediate, precise due diligence on local assets, strengthening follow-up management of invested assets and contributed to identifying blue-chip assets and asset management firms. In the future, we plan to continuously expand overseas sites, thereby strengthening access to global networks and investment assets.

Socially Responsible Investment (SRI)

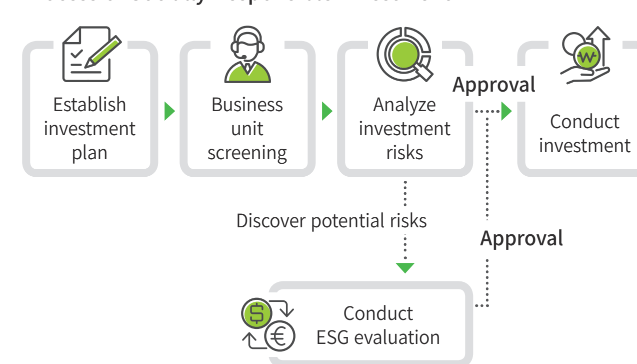
In its asset management, DB Insurance considers environmental and social impacts from a sustainable perspective as well as short-term profitability. In accordance with our own internal review criteria, we invest in moral, transparent corporations and eco-friendly corporations and exclude corrupt and unethical corporations and corporations that offer gambling, tobacco, and alcoholic beverages, thus implementing "negative screening."
In addition, we contribute to infrastructure development, such as strengthening investment in new and renewable energy and SOC businesses which can create eco-friendly value as well as generate stable profitability. In 2017, we reviewed and invested in sustainable power generation, such as solar funds related to new and renewable energy, loans to wind farms and combined heat and power plants, waste-based power generation, and domestic wood pellet and biomass power plants. The rate of return from senior funds and DB Insurance's socially responsible investment was 4.8%, 1.3%p higher than the 2017 investment return of 3.5%, showing outstanding performance.

Status of Socially Responsible Investment[1)] (Unit: KRW billion, %)

Category	Scale of Operation	Revenue	Rate of Return
New and renewable energy	164.3	7.9	4.8
Eco-friendly power generation	572.1	24.4	4.3
SOC	979.5	49.3	5.0
Total	**1,715.8**	**81.5**	**4.8**

1) As of December 2017

Process of Socially Responsible Investment



Global Business

China and Vietnam

DB Insurance conducts joint business with its subsidiaries in China and Vietnam, to transfer its business know-how and lay the foundation for differentiated competitiveness in the local market, by transplanting its corporate culture.

Joint Business with Subsidiaries

Year	China	Vietnam	
2014	1 round Improved claim adjustment system		
2015	2 round Built TM channels		
2016	3 round Formulated channel strategy		
2017	4 round Built exclusive sales channels	• Enhance competitiveness of TM business • Upgrade car insurance payment system • Enhance competitiveness of treaty reinsurance	1 round
2018	5 round Strengthen competitiveness of general insurance, and stabilize exclusive channels		2 round (newly) Upgrade banca channel management system

China

DB Insurance entered the Chinese market via joint venture with local partners by acquiring equities, not through independent, solo entry, in consideration of high barriers in an early stage of market entry and uncertainty in the Chinese market. The company entered the Chinese market gradually through the opening of its Beijing office in 2006, the acquisition of equities of insurance brokerage firm in Qingdao in 2011, and the acquisition of shares of a local Chinese insurance company in 2013. In particular, we are laying the foundation to effectively take on the Chinese market such as securing local business capabilities and know-how for market entry through participation in the management of a local Chinese insurance company with a right to cover all of China and joint insurance business, etc.

Vietnam

DB Insurance intends to become a market leader in emerging markets by leveraging the high market potential and opportunities in Southeast Asia. Through the acquisition of Vietnam PTI in 2015, we have established a local business base and secured a foundation for entry into the Indochina Peninsula market. Since then, we have introduced differentiated services in the local market including Vietnam's first advanced Korean-type bancassurance.

Promoting joint business with overseas subsidiaries

U.S.

Our business in the U.S. is focused on local consumers. Unlike our competitors, which sell corporate insurance products mainly for their affiliated companies, we are working on car insurance and housing fire insurance for locals, pursuing differentiated strategies from our competitors.
Also, we established a local control tower (U.S. Business Support Division), securing competitiveness for continued business growth in the U.S., thereby upgrading expertise such as enhancing local strategic functions and improving operational efficiency. In addition, in order to build a system capable of competing with local insurance companies, we make efforts to secure sustainable business capabilities such as training local professionals.

Expansion of Business Focuses for U.S. Branches

To develop a profitability-oriented and sustainable overseas business foundation, DB Insurance seeks to expand its business in the U.S. We are in the process of establishing product composition and operation/management plans for stable market expansion based on regional differences in system and regulation, and intend to secure stable operational bases in the U.S. with a goal of entering a total of three new markets (states) in the next three years.

Market Expansion for U.S. Branches (Plan)

2018 (2nd half) ~ 2019 Ohio → 2020 Indiana → 2021 Pennsylvania

Guam

Since the establishment of our Guam branch in 1984, we have grown into a dominant insurance company there (M/S[1] 23.9%, No. 1), thanks to close ties with local dealers for over more than 33 years based on community trust. We are seeking to provide insurance for the construction of alternative energy and U.S. military base facilities, and are endeavoring to maintain market dominance and increase profitability.

1) Excluding group injuries

Hawaii

We have grown rapidly as a dominant insurance company after ten years of localization efforts through rapid service and work processes and differentiated products, and continue to expand profitability based on close ties with the top 7 channels in the market share. We also improve customer service and expand our market dominance by improving the IT system in 2017, and are developing new markets for continued growth in the future.

California

Because of our thorough localization strategy, we have secured various sales channels not only for ethnic Koreans but also for all residents in the region, and provide customer-oriented IT systems and products that meet customer needs. In addition, we are preparing ourselves to sell commercial car insurance in other states by finding strategic partners to secure a continuous base for growth.

New York

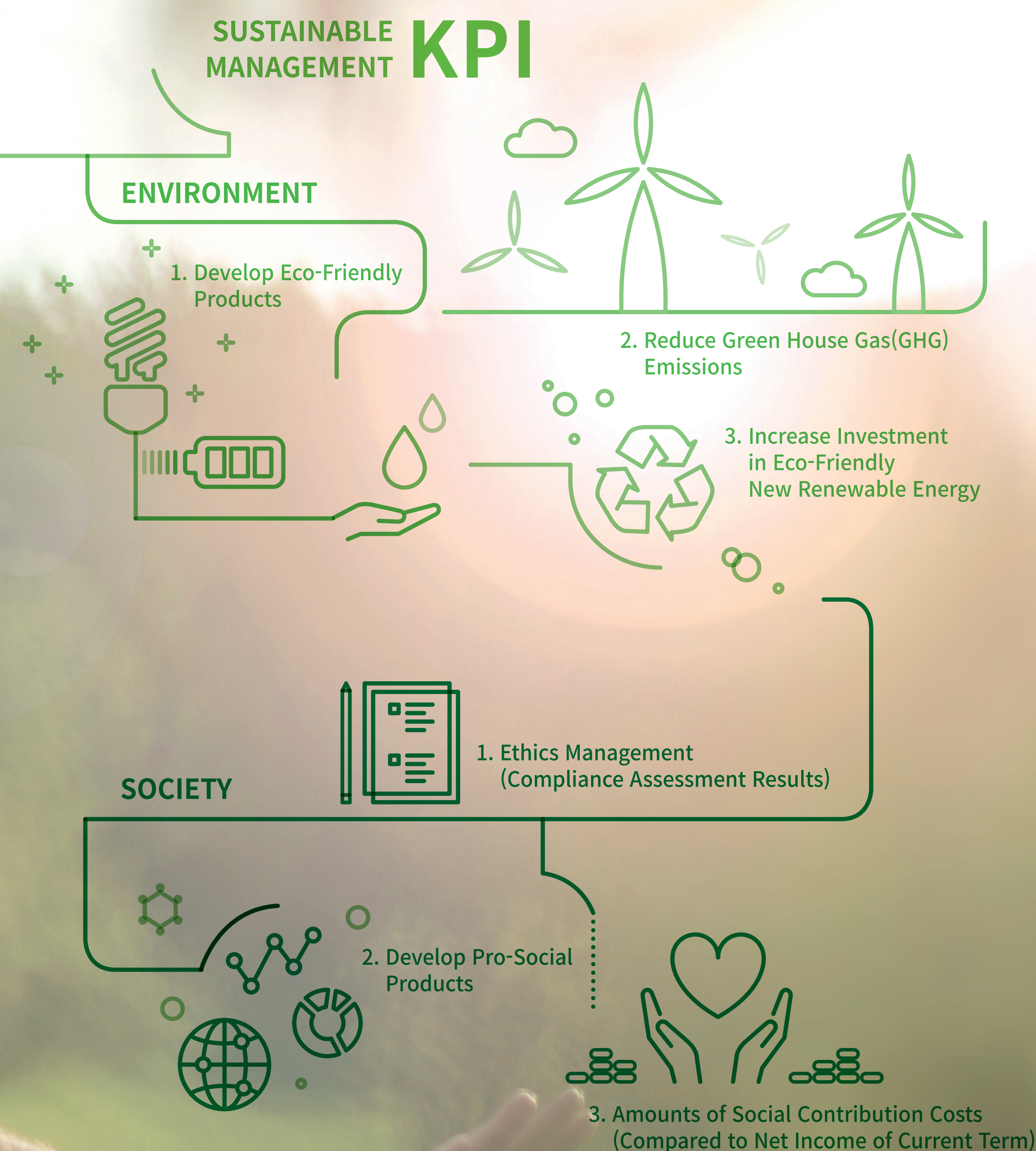
With package products which provide property/liability coverage for easily accessible small business owners and with comprehensive homeowners insurance products targeting general residents, we are channeling our focus on the local market. Recently, for greater stability of the overall business, we are promoting channels for profitability-based growth and portfolio diversification.

Branches in the U.S.[1]

Category	Unit	Guam	Hawaii	California	New York	U.S. Business Support Division
Commencement of business	Year	1984	2006	2009	2011	2018
No. of employees (local recruits)	Persons	6(3)	23(18)	12(10)	11(8)	19(13)
Revenue	USD million	39.6	67.3	49.0	33.8	-

1) End of 2017. Based on the Korea Financial Supervisory Service's data on the business performances of overseas branches

Sustainability Section



MATERIAL ISSUE

Responsible Insurance

Significance of Issue

Efforts are being made globally, to explore social solutions for various issues such as environmental, geopolitical issues. Hence, the insurance industry is also required to create eco-friendly and pro-social value through its business instead of simply pursuing profit, and in the insurance industry in particular, there is an increasing interest in product and service development based on social and environmental responsibilities.

DB Insurance's Approach Strategy

In order to actively participate in solving global social and environmental issues, DB Insurance continues to develop pro-social and eco-friendly products and services which utilize characteristics of the insurance industry. Through customer-oriented product development, we not only meet various needs for insurance but make efforts such as expanding insurance services to the financially-disadvantaged and launching pro-social and eco-friendly products, and we have further enhanced customers' convenience through digital insurance that corresponds to the 4th Industrial Revolution.

2017 Key Performance

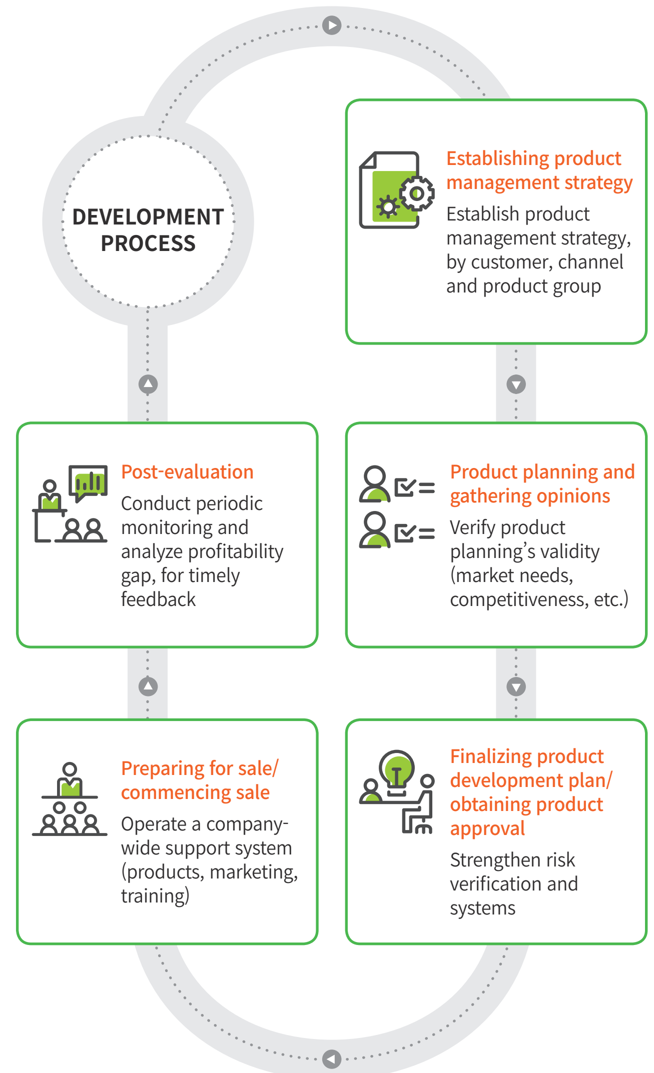
No. of UBI car insurance subscribers
151 thousand subscribers

No. of subscribers for insurance for electric vehicles
5,167 subscribers

No. of insurance products with exclusive rights
9 cases (the most in the industry)

Product & Service Development Process

DB Insurance operates a product and service development process founded on establishing a product management strategy, conducting product planning and gathering opinions, finalizing development plans, and getting product approval, thereby flexibly responding to internal/external environmental changes which can affect product composition.
In long-term and car insurance in particular, the Product Development Committee and Product Strategy Council systematically examine the social and environmental impact of our new products and develop products and services that can bring new value to our stakeholders, customers, and community.



Strengthening Competitiveness through Insurance Products with Exclusive Rights[1)]

Insurance product differentiation not only provides special value to customers but is a main factor in strengthening an insurance company's business competitiveness. Through continuous product diversification efforts, DB Insurance acquired exclusive rights for 'Health Insurance with Progressively Greater Benefits' and 'Excellent Health Insurance for Family' in 2016, 'Excellent Comprehensive Insurance' and 'Excellent Motorcycle Driver's Insurance' in 2017, and 'Excellent Driver's Insurance' in 2018 (9 cases in total). This set a record for the most exclusive rights in the non-life insurance industry, which is the result of the company's product development capability being recognized by third parties.

1) A system whereby the Korean Non-Life Insurance Association grants exclusive rights to the insurer for up to one year after an independent review when products with new and creative features are introduced

Developing the First Motorcycle Insurance Product in the Industry and Acquiring Exclusive Rights

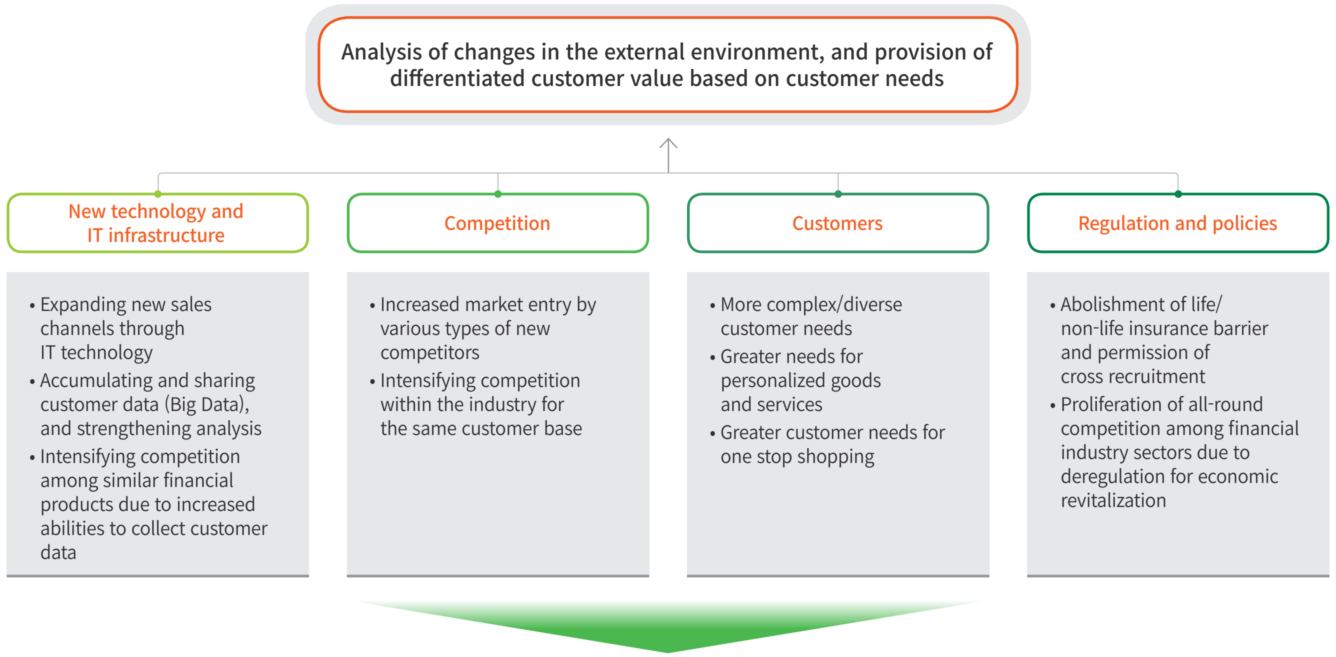
DB Insurance acquired exclusive rights for six months, from the Korean Non-Life Insurance Association for "Excellent Motorcycle Driver's Insurance," the first and only two-wheeled vehicle driver's insurance in the industry. While the insurance industry has been passive about developing insurance products covering motorcycle driving accidents due to concern for high accident rates, DB Insurance, from the initial stage of product planning, went ahead with product development with a focus on exploring coverage areas for motorcycle drivers who are unprotected and exposed to the risks of injuries and monetary damages from two-wheeled vehicle driving.
By developing differentiated products which protect those deprived of insurance benefits, we diligently performed the social roles of insurance and contributed to improving the image of insurance industry.

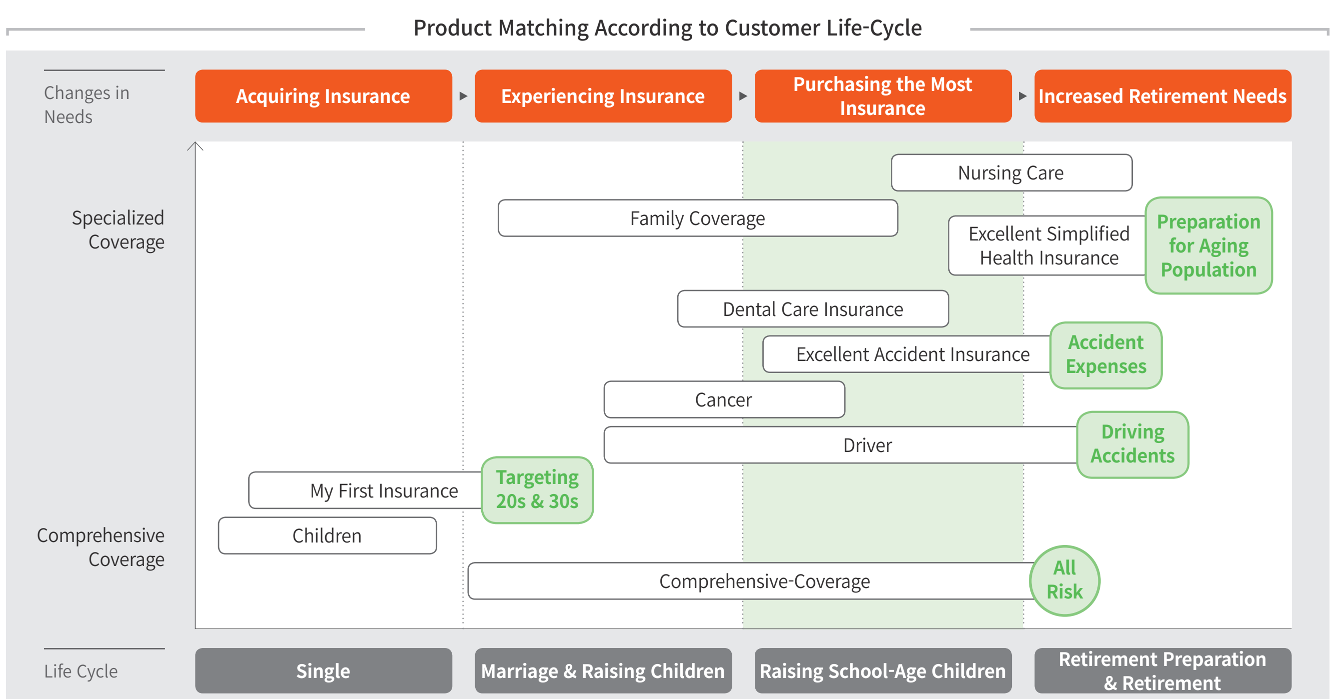
Excellent Motorcycle Driver's Insurance's Key Features

① Coverage by stage for driver's injury, treatment charges (medical expenses), and after-effects arising from motorcycle driving accidents (with purchase of special offers)
② Criminal liability coverage for driver's unexpected gross negligence (with purchase of special offers)
③ Insurance premium applied according to the purpose of driving two-wheeled vehicles
④ 1% insurance premium discount for group subscription by 10 or more persons

Developing Customized Products for Customers' Needs

DB Insurance develops customized products and services for customers through a thorough, big data- and research-based analysis of customer needs and continuous monitoring of the trends in the external environment such as market trends and demographic changes. We strengthened our customer contact management by establishing a system for integrated monitoring of customer experience and a customer value assessment model, and also by developing customer value-based management process differentiated per value chain. We are also expanding our customer value-oriented product portfolio through product matching according to customer life cycle and time of application and special-coverage products.





Expanding Pro-social and Eco-friendly Products

Expanding Insurance Products for the Insurance-disadvantaged

DB Insurance offers a range of insurance products for those having difficulties in obtaining insurance such as ill persons or seniors. In particular, the company simplified the notification obligation of questionnaires and developed the 'Excellent Simplified Health Insurance' to help the disadvantaged, who used to have difficulties in obtaining insurance due to chronic disease or age restrictions, to obtain insurance easily.

Simplified Notification	Health insurance that can be purchased by seniors and ill persons through simplification of questionnaires notice obligations **Target demographic** Seniors, Ill persons **Product name** Excellent Simplified Health Insurance
Accidents	Injury insurance that covers daily life risks such as injury/monetary damage/liability **Target demographic** Seniors **Product name** Excellent Accident Insurance
Nursing Care	Nursing care insurance to cover nursing care funding in the event of conditions requiring nursing **Target demographic** Seniors **Product name** Family Love Nursing Care Insurance
Medical Indemnity	• Medical indemnity insurance for seniors • Medical indemnity insurance with simplified duty of notification **Target demographic** Seniors, Ill persons **Product name** Retirement Indemnity Insurance, Simplified Medical Indemnity Insurance

Offering Insurance for Electric Vehicles

DB Insurance offers the 'Electric Vehicle Exclusive Car Insurance,' which consists of guarantees and premium discounts according to the characteristics of electric vehicles, in support of the policy for the expanding the eco-friendly vehicle supply, which aims to reach about 200,000 units by 2020.
In particular, we cover the risk of electrocution for electric vehicle drivers and the economic burden of battery replacement, and given that there are not many electric vehicle-charging facilities nationwide, and even offer an emergency towing service up to 60km. We will continue to lead the revitalization of the eco-friendly electric vehicle market, focusing on the needs of drivers.

Developing an Insurance Product for LNG Power Plant to Reduce Environmental Impact

DB Insurance has developed an insurance product for items in an Australian LNG power plant in which KOGAS has invested in. The items insured include upstream, downstream (LNG power plant and pipelines), and inland hub. The fact that a domestic insurance company, not a foreign one, providing coverage for the items overseas not only prevented the drain of national wealth but realized the value of eco-friendly finance through LNG power generation which contributes to reducing environmental impacts.

Other Eco-friendly Insurance Products

Insurance product	Description
Bicycle Insurance	This insurance product, which protects bicycle riders against unexpected accidents, is developed to encourage the use of bicycles by ensuring citizens' safety, and to strengthen environmental protection by helping to increase the number of bicycle riders.
Car Insurance	DB Insurance provides various insurance products that reduce greenhouse gas emissions, such as returning part of the repair cost or offering premium discounts with the purchase of special offers, such as using recycled parts for vehicle repair, participating in the Carless Day campaign, driving within agreed mileage, and receiving car insurance documentation by email.

Launching 'Promy Life Excellent Happiness Plus Comprehensive Insurance' for Seniors

In November 2017, commemorating a new start as "DB Insurance Co., Ltd.," name changed from "Dongbu Insurance Co., Ltd.," we launched 'Promy Life Excellent Happiness Plus Comprehensive Insurance' which covers death, after-effects, diagnosis, operation charges, medical indemnity, and even daily life liability from illness and injuries. Due to the social environment where a rapid increase in the elderly population is turning seniors' health and economic problems into major risks, this product sufficiently covers the elderly's major illnesses including dementia, chronic disease, and spinal disease and even provides oriental medicine coverage, for preparation of a happy, healthy retirement. As a product commemorating change in the company name, it was developed to fully meet various needs of customers, and is deemed as the most competitive product in the industry as well as in the company.

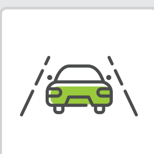
Launching Digital Insurance

Launching an Advanced Safety Device-related Insurance Product in Response to Development in Self-Driving Technology

With the development in advanced safety device technology and expansion in its use, DB Insurance launched an insurance product offering insurance premium discounts for vehicles equipped with such technology.

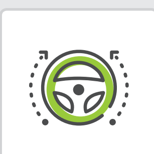
Most notably, for vehicles equipped with Lane Departure Warning System (LDWS), Lane Keep Assist System (LKAS), Forward Collision Warning (FCW), and Autonomous Emergency Braking (AEB), we offer 2% to 4% insurance premium discounts. Thus, drivers can enjoy benefits such as insurance premium savings as well as driving cars more safely to prevent accidents.

Applicability



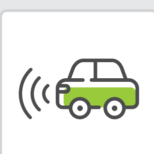
Lane Departure Warning System (LDWS)

Device which issues a warning when the vehicle veers off the driving lane irrespective of the driver's intention



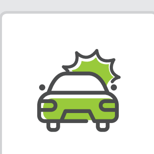
Lane Keep Assist System (LKAS)

Device which automatically controls the vehicle and supports it to stay in the lane



Forward Collision Warning (FCW)

Device which senses the distance between the vehicle in the front and the driver's vehicle and informs the driver of the risk



Autonomous Emergency Braking (AEB)

Device which recognizes pedestrians or objects in the front, and applies brakes so that the vehicle can automatically reduce speed or stop

Launching Sales of SmarT-UBI Car Insurance

DB Insurance launched the smart navigation-based "smarT-UBI" (Usage Based Insurance) for the first time in Korea in 2016, in view of smartphones' high penetration rate in Korea. It is a differentiated InsurTech product that combines information and communications technology (ICT) and car insurance. There is a 10% premium discount when a driver receives a safe driving score of a certain level or higher while driving 500km or more with the smartphone navigation turned on. Through this, the driver can prevent traffic accidents by safe driving, and at the same time can enjoy the economic benefit of insurance premium savings, and this product can also reduce social costs by encouraging safe and eco-friendly driving.

In addition, we adopted a post-settlement process where the insurance premium will be refunded when the aforementioned driving score condition is met after the smarT-UBI car insurance contract, even if the driver did not agree to such conditions at the time of insurance contract signing, and as of December 2017, we have sold as many as 151,000 products.

Fintech-based, Reasonable Car Insurance for Designated Driver Service

In 2016, DB Insurance developed the "Kakao Designated Driver's Insurance," a new insurance product for Kakao designated drivers. This Fintech-based insurance product calculates insurance premiums based on real-time, accumulated designated driving data, differentiating itself from existing insurance products. In particular, by accurately recording the driving data through the app, this product helps prevent unreasonable insurance premiums and is said to resolve customer concern of purchasing the designated driver insurance. In 2017, in partnership with LOGiSOFT Co., Ltd., a developer of designated driving programs, we developed a Fintech-based, LOGiDIRECT designated driver's insurance product. This product is a mobile-only designated driver's insurance which a designated driver can only purchase via mobile by linking with the LOGiSOFT-provided smartphone app and DB Insurance's direct insurance website, and actively reflects the needs of the designated driving market (by allowing an insurance period of 1 month).

MATERIAL ISSUE

Customers

Significance of Issue

Customers are not only key stakeholders forming the core of a corporation's business activities but a consideration of top-priority for enhanced corporate sustainability. In particular, with instability in the global business environment recently on the rise and competition among corporations intensifying, there is a requirement for efforts to secure growth engine through the realization of customer-oriented value.

DB Insurance's Approach Strategy

DB Insurance pursues a happy society with the customers on the basis of systematic, consumer-oriented management strategies. Also, we maximize customer satisfaction by differentiating service quality and developing various products, and continuously engaging in communication with our customers through a variety of channels, to actively reflect their needs and opinions.

2017 Key Performance

Complete sales ratio

99.3%

KS-SQI Car insurance Customer Satisfaction

1st prize

Amount of reported MR (Moral Risk)

KRW**131.1**billion

Customer-Centric Management

Directions of Strategy

DB Insurance, a company pursuing a happy society with the customers, has established a customer-centric management strategy, and operates various consumer opinion-collecting channels to plan and provide all its products and services from the customers' perspectives. Also, in order to prevent any infringement on consumers' rights in the stages of product sales, claim adjustment, etc., we have built and are operating, a strict consumer protection system.

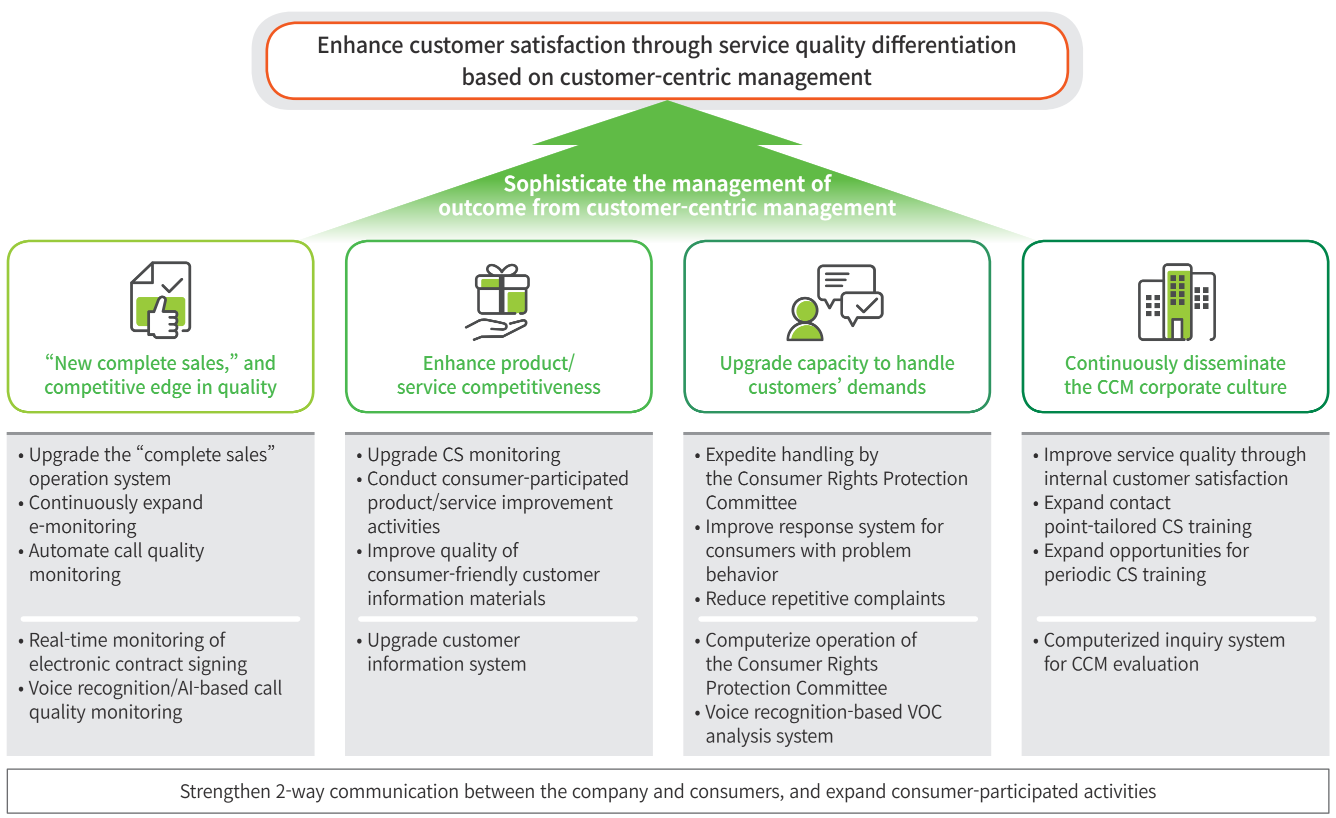
Consumer Protection and Service Management System

DB Insurance has placed the CCO and CCO-overseen departments under direct supervision by the CEO, thus securing independent conduct of job and structurally enabling speedy decision-making. The CCO and CCO-overseen departments have authorities to participate in the early stages of the product, service, and marketing planning, to review the possibilities of customer satisfaction impairment, and when any abnormalities are detected, to request suspension of new product launching and marketing, improvement thereof, etc.

Also, we operate the Consumer Policy Committee composed of the CCO and executives, and provide related departments with monthly feedback on consumer-related indicators such as customer complaints, VOC, and complete sales ratio, thereby improving our service quality and conducting review of important consumer-related policies and improvement of the system.

Operation of the Consumer Rights Protection Committee

In January 2017, we changed the name of the previous Dispute Mediation Committee to the Consumer Rights Protection Committee, with the intention of realizing stronger protection of consumers' rights. In 2017, we reviewed 1,596 consumer disputes and complaints, and the rate of customers accepting deliberations again rose to 99.3%. In addition, as for frequent disputes arising from violations of the notification obligation, we conduct detailed reviews along with medical professionals, thus striving for consumer-centered, objective dispute resolution.



Service Management to Increase Customer Satisfaction

Service Identity 'Promise for Happiness 365'

'Promise for Happiness 365' is DB Insurance's commitment that "it will do its best for customers' happiness 365 days a year." To achieve the goal, we are improving the quality of our services by selecting six promises with customers - customer handling (consultation), insurance purchase, customer management, claim adjustment, emergency dispatch, and complaints handling - and preparing 36 detailed guidelines thereof.

Emblem of 'Promise for Happiness 365'

행복약속 365

Improving Customer Satisfaction by Strengthening Healthcare Service

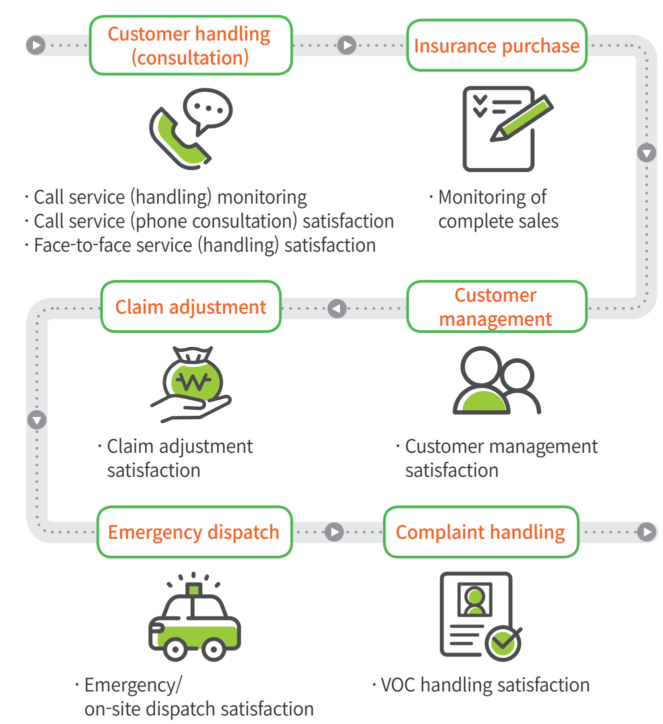
Since 2010, DB Insurance has been the leader in the provision of online (official website) and offline (phone consultation, medical appointment, health consultation) healthcare services. In particular, in August 2016, we launched the smart healthcare service utilizing wearable devices for the first time as a Korean general insurer, providing insurance premium discounts on the condition that the annual "number of steps" goal is reached, and will accumulate customer behavioral data from the service and use the same for product and marketing strategies.

Online/offline information materials

Given the Korea Financial Services Commission's (FSC) guideline on health-improvement insurance products in 2017, it is expected that there will be an increase in the scope and monetary value of services in the healthcare market. Thus, by benchmarking overseas best practices, conducting customer research/surveys, and implementing strategic tasks, we will formulate market strategies and establish and implement mid-term response strategies in the customer-product-channel aspects.

Strengthened Service Satisfaction Monitoring

DB Insurance conducts service satisfaction survey for each customer experience/contact point to manage and improve customers' service satisfaction. The satisfaction survey covers a total of six customer contact areas - customer handling, insurance purchase, customer management, claim adjustment, emergency dispatch, and complaint handling - defined in the 'Promise with Customers' of "Promise for Happiness 365." In partnership with an external survey provider, the company carefully sets up and carries out satisfaction surveys of all potential customer contact points, along with online surveys via mobile applications and LMS. In addition, it operates a real-time based monitoring feedback system such as telephone surveys through a monitoring office of the customer service center.



Strengthening CS Implementation

Development of Customer-centric CS Mind

In order to secure competitiveness of CS quality so that 'customer-centric management (CCM)' will take root, DB Insurance seeks to internalize a CS mindset in its employees. And for that, we continue to conduct CS training for employees and PAs and field organization-led CS activities to improve customer-contacting employees' CS capacity. Also, in pursuit of realizing meaningful improvements in our consumer-centric corporate culture, we made a CCM glossary to make difficult insurance terms easier, conducted a 'CCM Campaign' to look for differentiated services from customer's perspective, and in order to improve customer value, we are now carrying out 'Know Your Customers Campaign' wherein headquarters employees (including CEO) themselves visit the customers and listen to their opinions. In addition, for company-wide internalization of the meaning and importance of customer-centric management, we grant the annual "CCM Award," monthly and quarterly CS excellence awards, and comprehensively reflect consumer-related indicators in the evaluation process.

Operation of Consumer Evaluator (Review) Group to Improve Service

DB Insurance operates a customer participation program of consumer-perspective, service improvement suggestions through the Consumer Evaluator (Review) Group which functions as the communication bridge between the company and customers. In 2017, with the theme of 'service experiences for special financial consumers (senior customers, disabled customers, and foreign customers),' we derived improvements such as having senior/disabled customer-dedicated provisions ready in the customer service spaces, simplifying ARS menu, and creating and educating about job manual for the disabled person-dedicated personnel. Also, through Fin-tech experiential activities in preparation for the 4th Industrial Revolution, we attained notable achievements such as developing mobile apps and website biometrics service and introducing means of online payments. A total of 214 customers joined the Consumer Evaluator (Review) Group by the end of the 14th term (2nd half of 2017), among whom 150, as DB Insurance Century Club members, submitted customer opinions in various surveys, etc. As of 2017, out of the 812 improvement suggestions derived as above, 633 were adopted.

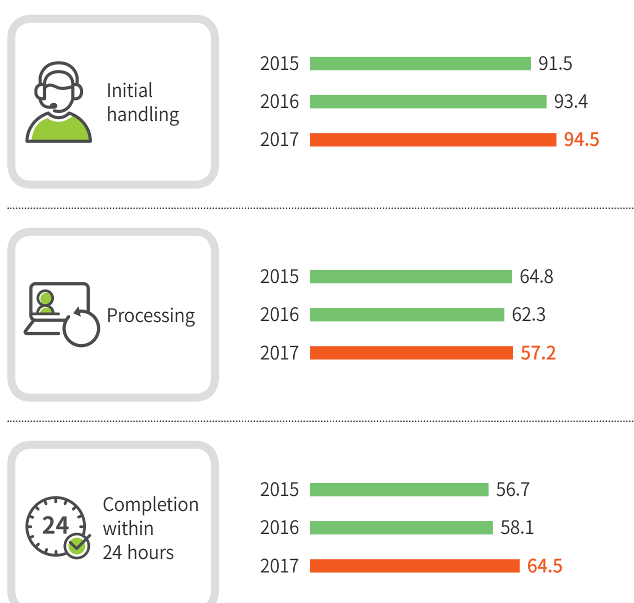
Adoption Rate for Consumer Evaluator (Review) Group's Improvement Suggestions

78%

Operation of the VOC (Voice of Customer) Handling System

DB Insurance operates its VOC handling system, 'Happy Promise Plaza,' by collecting voices of customers (VOC) from various online/offline channels and with the goal of responding to customers within an hour and complete inquiry handling within 24 hours. Voices of customers are systematically managed within the VOC system from reception to completion, such as categorization of the VOCs, analysis of the propensity (type) of customer and the nature of complaint, forecasting of the chance of grievance being filed, and building of a system to expediently complete the handling of customers' complaints. Also, in order to enhance employees' interest in VOC and prevent customer complaints, we conducted 'VOC Sharing' (in-house online system) activities for sharing of problems, lessons, and solutions out of the VOC handling process. In 2017, 95.1% of all employees participated in 'VOC Sharing.'
In addition, for the first time as a Korean insurer, in order to implement customer-centric management, we opened the CCM Training Center, launched VOC experience and complaint prevention courses targeting all employees including the CEO, subsidiaries' employees, and "incomplete sales" units, and have been running the same each month since 2016, thereby contributing to the enhancement in complete sales' importance, speedy and accurate claim adjustment, and customer-centric work attitude.

Status of VOC Management (Unit: %)



Provide Consultation Service Optimized for Customer Needs

Promy ChatBot Service

In April 2017, DB Insurance launched the 'Promy ChatBot Service, a chatbot service, for the first time as a Korean general insurer, thus providing a chat-based consultation service using artificial intelligence (AI), through which we expect we will be able to improve access to insurance-related consultation and provide precise, diverse services based on continuous learning.

Visible-on-Screen ARS Service

"Visible-on-Screen ARS" is a service which additionally provides a voice ARS-synchronized web screen for the greater convenience of customers using the customer service centers. Allowing ARS service users to watch the screen while simultaneously listening to the voice message in all stages of the ARS, it not only solves the inconvenience of existing voice ARS wherein users had to listen to multiple stages of voice messages when using the service but also provides easier, speedier customer service.
In particular, where phone connection to the service representative is delayed due to heavy call volumes or during scheduled periods when customer service is unavailable such as holidays or night time, it becomes possible to link to mobile and use the ARS service, making it possible to expect that various customer needs will be satisfied.

Visible-on-Screen ARS – screen

4-stage Launching of Mobile App for Customers

In August 2017, we launched our flagship mobile app, optimized for customers' use, by overhauling the existing mobile app. We newly introduced, through mobile app renewal, "flicking" technology which makes it possible to flip the screen horizontally and use the desired service menu as the main screen, and added 'My All-in-One Page' where one can view various contents on a single page.
Also, we introduced various services such as 'big-font service' for senior customers for the first time as a Korean insurer. Our goal is to continuously expand our areas of service such as biometrics service and thereby build a cutting-edge IT environment and provide advanced services.

In addition, so that insurance subscribers can safely, conveniently use the service, we are restructuring our website with the goal of launching the new version in early 2019. We plan to not only strengthen the security system for safer use of online service but also provide dramatically improved personalized service by integrating retirement pension, corporate insurance, etc. provided by DB Insurance. Also, we will provide online services reflecting the latest trends, such as providing convenient services through various authentication methods that link mobile and our website, thereby maximizing customer satisfaction.

MATERIAL ISSUE

Our People

Significance of Issue

In 2017, DB Insurance ushered in the new era, with a change in its name. Accordingly, the need for a more innovative and differentiated new corporate culture is being stressed within the company, and strict monitoring efforts are being called for regarding human rights issues which are recognized as the key issues of modern society. Also, with the global market competition intensifying, we have to identify continuous growth engines by strengthening the employees' professional financial competency.

DB Insurance's Approach Strategy

DB Insurance has introduced its new "Dream Big" corporate culture along with a change in its name, creating a more flexible and energetic new corporate culture. In addition, we are continuing our human rights protecting activities covering not only our employees but also subsidiaries, respecting dignity and diversity of all our constituents, and are endeavoring for human resources management such as nurturing outstanding workers who are capable of conducting their job through our new training system.

2017 Key Performance

Employee Satisfaction Index (ESI)	Training hours per person	No. of employees who made self-diagnosis and self-development plans
82.8points	72.8hours	2,450persons

"Dream Big" Corporate Culture

In order to introduce and establish a new corporate culture after undergoing its name change, DB Insurance adopted the initiatives of 'trust,' 'challenge,' and 'implementation,' and is operating various systems and programs to spread the 'energetic DB culture that challenges and implements on the basis of trust.'

Create a Good Corporate Culture

Improvement of Working Culture

For our energetic DB culture to take root, we run various programs which can improve WLB (Work-Life Balance). They include "PC-OFF" to improve work hour efficiency, "hours of concentrated work," and "family day," and we help the employees to recharge energy through annual leave, 369 refresh vacation, etc. In addition, to check whether such programs are being implemented in the field and improvements are being reflected, we conduct a WLB survey at the end of each month, and employees' suggestions are reflected in actual policies.

Process of Improvement Activity through WLB Survey

Monthly WLB survey → Report results → Deliver to each division's planning part → Establish improvement plan → Improvement activities

Operation of the Corporate Culture Association Council

We have selected opinion leaders from all divisions, listening to field employees' difficulties and reflect their opinions in our policies through semi-annual (1st half and 2nd half of the year) workshops. In 2018, the opinion leaders have visited the field without interrupting operation by taking the employee awareness training schedules into consideration, and collected field opinions in order to create a culture which enables employees to make work more enjoyable.

Promote Communication

We operate intra-departmental (vertical and horizontal) and inter-departmental communication channels, thus strengthening work efficiency and synergy through flexible and active communication. In addition, to find speedy solutions and support for problems through inter-departmental communications, all members of the departments collaborate, enabling rapid decision-making based on company-wide communication.

Communication Activation Channels

Category	Programs	Description
Between the Company and Employees	Open Communication (Tong-tong-tong) with CEO	A communication platform between the CEO and employees that has been operated monthly since 2010
	Corporate Culture Council	Selection of opinion leaders for each division to collect opinions on, and improve, the company's work culture and corporate system
	Promy TV	Weekly sharing of the company's operational direction and key issues with the employees
	Business Performance Briefing	Monthly executive briefing on company management status and issues through in-house broadcasting
	E-Promy Plaza	In-house magazine, for employees, which covers the company's key issues, good news, etc.
Among Employees	Dream Big Day	Share and remind core values, CS guidelines, and employee best practices in each department every morning
	Dream Big Plaza	Employee-only site for sharing GWP activities by department, FUN events, core values, and corporate culture improvement activities
	Field Learning Group	Weekly employee discussions to share key issues and strategic directions in each department
	Study Group	Self-development and socializing activities among employees with common interests
Among Departments	DB Council	Organization for opinion leaders to improve company-wide work culture and inter-division collaboration
	Participation Platform	Anonymous question bulletin board to obtain opinions of employees when deciding major systems and policies
	Employee Satisfaction Survey	Internal Customer Satisfaction Index Survey (ICSI Survey) to improve staff department service satisfaction and Employee Satisfaction Index Survey (ESI Survey) for improvement suggestions by employees
	Dream Big Times.	Monthly company newspaper where we identify and share key issues that we want to share with other divisions so that all employees can understand the company's strategic direction

"Dream Big"

Culture of Trust
- Diversity: Diverse
- Respect: Respectful

Culture of Implementation
- Engagement: Commitment
- Respect: Implementation
- Motivation: Motivational

Culture of Challenge
- Background: Teamwork
- Innovation: Pursue something new
- Growth: Grow together

2018 DB (Dream Big) Corporate Culture: Energetic DB Culture of Challenging and Implementing based on Trust

For its new corporate culture to take root, DB Insurance has identified eight implementation keywords based on the initials of "Dream Big" its slogan, and is leading all employees to implement them through company-wide education and training. All employees are striving together to achieve performances differentiated from the past through recognition and respect for generational diversity, company and employee mutual growth through cooperation, and commitment and implementation through motivation.

Respecting Human Rights

DB Insurance implements various programs to protect the employee human rights, and operates a 24/7 social media reporting (whistle-blowing) system so that speedy responses can be made for human rights violations.

Human Rights Improvement System

Human Rights Due Diligence

DB Insurance conducts due diligence on the status of human rights in the company and its subsidiaries in order to proactively respond to potential impacts and risks related to human rights. We monitor human rights issues through the Compliance Part's on-site inspections of compliance with the Code of Ethics, the Human Resources (HR) Part, and the Corporate Culture Council. We are also operating a channel for whistle-blowing and collecting information on human rights issues at all times.

Human Rights Due Diligence Process

STEP. 1 Analyze Potential Risks and Impacts

- Identify potential risk factors in terms of DB Insurance's management and the insurance industry
- Carry out impact analysis based on financial factors, non-financial factors, and incidence frequencies.

STEP. 2 Identify Assessment Factors and Subjects

- Identify human right assessment factors in view of internal/external environments and vulnerable groups in terms of human rights
- Identify the subjects of human rights assessment over its entire value chain including subsidiaries, etc.

STEP. 3 Legal Review and Self-Inspection

- Conduct internal legal review
- Conduct self-inspection (fact-finding survey, etc.) based on public disclosure materials including business reports, media analyses, etc.

STEP. 4 Implement Feedback and Improvement Activities

- Share self-inspection results and improvements
- Recommend improvement activities in view of priority of findings, and check for required support

Human Rights Assessment

We check our compliance with human rights policy and have expanded the scope thereof to our subsidiaries and business partners, thus endeavoring to remove possibilities of human rights issues in value chain.

Deduction of Improvement Issues

Based on employee awareness and needs which identified through employee satisfaction surveys and questionnaires, we have carried out due diligence and improvement activities on our employees who work in customer contact organizations.

Result of Due Diligence

Call Center	The call center counselor is a representative emotional worker, and it has been found that the intensity and frequency of human rights abuses such as profanity and sexual harassment from malicious customers (black listed consumers) are gradually increasing.
Sales and Claim-adjustment	It has been found that it is difficult for employees to manage the working environment in a proactive way due to excessive work which occurred through customer-oriented working processes and role fulfillment.

Improvement Activities

1. Establishment of black listed consumers response system and operation of dedicated department	Through the analysis of big data for call center customers, we improved the existing countermeasures centered on preventive education to build a response system in the call working system and set up a dedicated response team. In addition, we are improving the human rights protection system of our employees, such as operate of the psychological counseling room and the dedicated masseur.
2. Implementation of PC-off system and Development of annual leave entry system to activate free annual leave	We have implemented a PC-off system that prevents employees from accessing the intranet except working time, thereby increasing work commitment and resolving human rights issues that may arise from excessive work. In addition, we have set up a system that can set up and operate an annual vacation plan for 10 days or more at the beginning of the year in advance to improve the efficiency of our employees' work.

Countermeasures

We will continue to promote human rights improvement activities through periodic investigation and due diligence on issues related to human rights and, work and life balance.

Category	Contents
Build an anonymous survey system based on mobile	Conduct random anonymous questionnaire about working conditions, vacation use, meeting and meeting culture, unfair treatment (abuse, sexual harassment)
Field Department Monitoring	Obtain feedback through monthly selection of inspection departments and random visits

Prevent Rudeness and Inhumane Treatment in the Workplace

24/7 Social Media Reporting (Whistle-Blowing) System

We operate a mobile social media reporting (whistle-blowing) system where an individual can report to the HR department about human rights violations such as sexual harassment, verbal abuse, and unreasonable treatment occurring at work, at any time. We prevent whistle-blowers' possible secondary damages by guarantee of anonymity, and create an environment wherein employees can concentrate on work via immediate counseling and problem-solving.

In addition, we have a HR grievance hot line and a psychological & legal counseling corner in our HR information system, making it possible to freely make suggestions and resolve personal grievances, and have appointed a female attorney dedicated to the matter, effectively contributing to resolving difficulties unique to female employees. In addition, we operate a reporting (whistle-blowing) channel via our official website so that any employee or customer treated disrespectfully by our employees can immediately request resolution, and we immediately notify the reports or complaints to the Compliance Part, thus quickly resolving inconveniences of the employees and customers.

Prevent Sexual Harassment and Sexual Violence

We conduct annual cyber education and training for all employees and share the education and training materials over our intranet to create an equal and healthy workplace culture to prevent sexual harassment and sexual violence in the company. Also, each year, we require the relevant executive to conduct sexual harassment education and training for each team and division, thereby continuously raising awareness about sexual issues.

Respect for Diversity

In order to respect diversity of its employees and avoid unreasonable discrimination, DB Insurance stipulates in Article 6 (Employment Opportunity) of its Rules of Employment that "when the Company recruits and hires individuals, it shall not unreasonably discriminate on the basis of gender, age, religion, social status, hometown, educational background, status of marriage, pregnancy, childbirth, or history of illness" and also provides fair opportunities for compensation. At the end of 2017, DB Insurance's female employee ratio was 55.0% (2,465 female employees out of 4,483).

HR Development

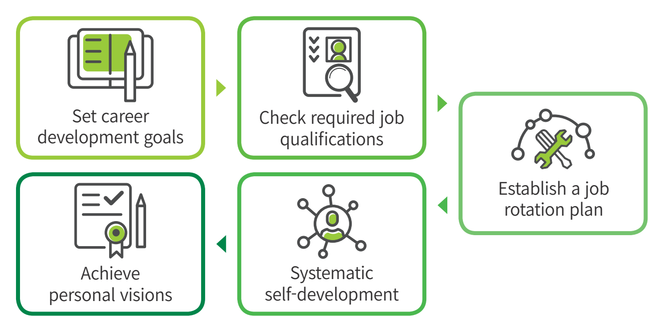
Reinforce Job Competency through Our New Training System

DB Insurance has established and implements its new training system to raise the best professionals in the industry. In that system, each year, a learner self-diagnoses the competency they lack and chooses courses to develop it, and the head of department helps to develop competency more effectively through comparison and analysis of the learner's diagnosis and their own diagnosis.

In addition, in connection with basic job competency, we are operating an in-house professional qualification system, the only one in the industry, available to all employees, and provide learning materials, lectures, etc. so that employees can acquire mandatory qualifications related to their job. Trained employees are then offered higher-level, advanced courses and are trained as the best in the industry, making it possible to provide customers with more professional services.

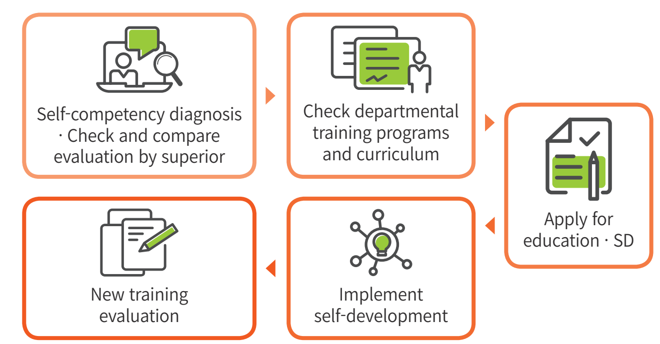
Career Development Program (CDP)

In the long term, set the team leader's position and check job requirements and necessary job experience. However, to become the team or department head of HQ, one must have fieldwork experience.



Self-Development Program (SDP)

At the beginning of each year, employees shall establish a self-development plan and implement new training activities.



Operation of Job Expert Academy

DB Insurance operates four job expert academies tailored for each job category - Innovation Academy, Marketing Academy, Claim Academy, and Actuarial Academy. Through various curriculum including change skills and leader communication, the Innovation Academy enhances management innovation spirit and IT capability, thereby raising innovation experts who can play leading roles in carrying out projects. The Marketing Academy improves marketing capabilities of the field sales managers and helps them quickly adapt to the sales and organizational culture when deployed as branch manager. The Claim Academy contributes to learning the roles of claim adjustment managers and their necessary job competencies and the early job adaptation for those with changes in their job. In addition, the Actuarial Academy operates with the goal of strengthening competencies of the product development and actuarial personnel so that DB insurance can provide customers with necessary products and actively contribute to society.

Operation of Training System by Level

DB Insurance operates a training system by level that will enable all employees to develop as leaders, thus contributing to internalization of core competencies. This training system consists of an introductory course, a course for employees eligible for promotion, post-promotion leadership course by rank, and common-competency improvement course.

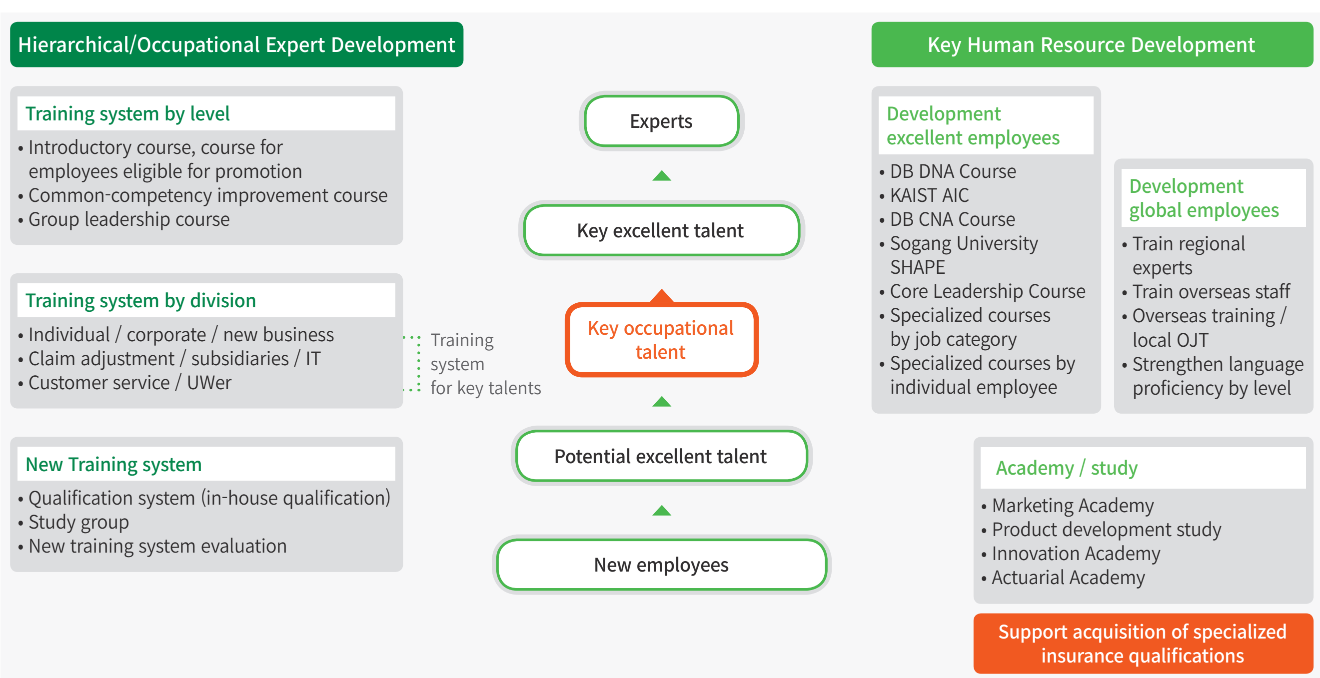
Secure Organizational Competency for Leadership

DB Insurance recognizes organizational leadership as an important factor in its sustainability, and conducts the Core Leadership I to IV courses to develop employees' leadership qualities. We define a leader's basic qualities as performance oriented motivation, steady management of changes, performance oriented work, and sophisticated organization management, and endeavor to develop organizational leadership competency, such as subdividing leadership areas into job, innovation, CS, and leadership.

Build an Organizational Culture of Learning

Through diagnosis and evaluation of the employee competency, we systematically manage three areas - basic, task behavior, and professional skills competencies - and based thereon, establish our long-term career development and self-development programs. Also, in order to respond to uncertainties of a rapidly-changing business environment, we promote the 'organizational culture of voluntary learning,' such as operating various learning organizations including on-site study groups and proposal activities.

Training System by Level



MATERIAL ISSUE

Community

Significance of issue

Recently, the governmental policy urging corporations to create social value was strengthened and the national consensus on corporate social responsibility (CSR) is gaining force. Hence, corporations are being required to strengthen not only economic performances but social contribution activities for various stakeholders and to keep making more strategic efforts to realize the 'value of co-growth.'

DB Insurance's approach strategy

In order to promote effective social contribution activities at the company level, DB Insurance has established the direction of its social contribution activities such as systemizing its social contribution and building a life cycle-based portfolio. In addition, we are strengthening efficiency of the social contribution activities by launching the department-level Promy Corps (employees) and the sales department-level Promy PA Corps (insurance planners). In addition, since 2016, we have been identifying new programs to address social issues, and with expansion in our global business, we actively promote global social contribution activities together with local subsidiaries in our major overseas market.

2017 Key Performance

Amount of social contribution investment
KRW**5,049**million

No. of employees participating in social contribution activities
7,807persons

No. of participants in financial education for youths (32 sessions in total)
1,614persons

Social Contribution System

As 'A Global Insurance Financial Group which Pursues a Happy Society with Customers,' DB Insurance spreads its spirit of warm sharing to society in three fields: business-based social contribution; sharing with local communities, and participation of employees and sales partners.
Also, it launched its Promy Volunteer Corps in 2006, forming 29 local volunteer corps nationwide under the leadership of the CEO (head of Promy Volunteer Corps), and since 2015 has been implementing systematic social contribution activities, such as conducting various volunteer programs through the sales department-level Promy PA Volunteer Corps.

Vision A Global Insurance Financial Group which Pursues a Happy Society with Customers

Slogan Promise to Protect Love of Family

Business-based Social Contribution

Carrying out social responsibility activities related to main business such as children, safety, and finance

- Installing yellow carpets for children's traffic safety
- Holding global finance exploration program
- 'One company one school' Financial Education for Youth

Sharing with Local Communities

Expanding customized social contribution activities to create value for local stakeholders

- Promy 'Love of Family' Safety Education Festival
- School-sponsored activities for the hearing impaired
- Activating local social contribution activities in the Promy Basketball Team's hometown (Wonju)

Participation of Employees and Sales Partners

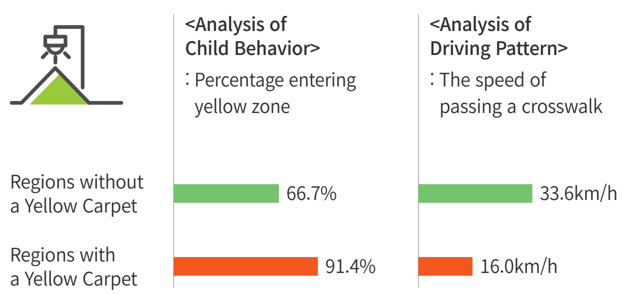
Disseminating awareness of the fulfillment of social responsibilities and conducting activities to promote social contribution

- Employees' volunteer activities through 'Promy Volunteer Corps'
- Love-sharing volunteering activity centered on sales family
- Global social contribution activities

Business-based Social Contribution

Installing Yellow Carpets for Children's Traffic Safety

To prevent children from getting into traffic-related accidents, DB Insurance has been installing yellow carpets since 2016 which designate pedestrian crossing areas near elementary schools (children protection zone) with yellow signs. Installation of yellow carpets is a priority for Promy PA Volunteer Corps, and in some areas, employees get involved as well. To confirm the effect of traffic accident reduction for children through yellow carpets, we requested for the Korea Road Traffic Authority to conduct surveys and actual assessments, where a behavioral experiment for areas with yellow carpets and those without them showed an increase in the percentage of children entering the yellow zones. Also, actual assessment of drivers demonstrated the effect of yellow carpets, such as the finding that drivers reduce speed in the yellow-carpet areas.
Until the end of 2017, we installed a total of 201 yellow carpets, and in 2018, we plan to install more than 100 of them.




Installation of a Yellow Carpets

Financial Education for Youth

To improve financial knowledge and insurance understanding among today's youth, the future handlers of finance, and to promote healthy financial awareness, DB Insurance conducts financial education for youth by leveraging its internal infrastructure. We are building a systematic education infrastructure, such as financial education for local elementary and middle school students and 1:1 matching with schools by our branches.

Holding Global Finance Exploration Program

In order to cultivate global financial talents, DB Insurance has been holding the 'DB Financial Essay Competition' whereby college and graduate students have been competing based on their creative and practical ideas over the past 9 years. Winners are given a wide range of benefits such as scholarships, global finance tour program, and exemption of documentary review in DB group's open recruitment process. In 2017, winners visited leading financial institutions in New York and Boston, and visited prestigious universities such as Yale, Harvard, and Massachusetts Institute of Technology (MIT).

Sharing with Local Communities

School-sponsored Activities for the Hearing Impaired

Since 2013, DB Insurance has been sponsoring the baseball team of Chungju Sungsim School for the hearing-impaired and endeavoring to enhance social interest in the disabled and improve their treatment. Also, we have engaged in exchange activities with the baseball team (e.g., friendly matches between the team and our employees' baseball club.)

Social Contribution Activities of Pro Basketball Team in Hometown

Established in 2005 with the support of DB Insurance, the DB Promy Professional Basketball Team has been receiving a lot of love from basketball fans for its thrilling performances and upright sportsmanship, and is carrying out various social contribution activities to support the underprivileged in Wonju, its hometown.
The team auctioned the military-look uniform it created and donated the profits to charities, and in particular, its program 'With Green Angels,' wherein team cheerleaders visit local nursery schools and secondary schools and conduct physical education classes for one day has proven to be hugely popular with local youth.
In addition, we conduct various activities to promote affinity among local communities, such as Basketball Camp with children of DB Insurance's MVP customers and local underprivileged youth, Support of Love Rice, Support of Love Basketball Hoops to Local Schools, domestic travel sponsoring for underprivileged children, and inviting patients with rare, hard-to-cure diseases to basketball games.


Basketball game invitation for patient with rare diseases

BUSINESS CASE

Promy 'Love of Family' Safety Education Festival

DB Insurance provides an opportunity/platform wherein children in the local community, when faced with various risk situations such as traffic accidents, fire, swimming accidents, elevator accidents, and kidnapping, can learn to keep their cool and handle the situations.
In its initial event in August 2017, we conducted experiential activities where children, exposed to various risks around them, can receive a range of pleasant safety education programs with their family, and we plan to expand the event in the future.

1 Sharing of “love briquettes”
2 Clean-up activities in local child-care center
3-5 Social contribution activities in Vietnam

Participation of Employees and Sales Partners

Employees’ Volunteer Activities through ‘Promy Volunteer Corps’

Promy Volunteer Corps, consisting of DB Insurance employees, operates various volunteer programs such as environmental clean-up activities for the low-income class, sharing of “love briquettes,” support for children’s reading, and preparing “love lunches” for alienated neighbors. In 2017 and onwards, we will continue on a yearly basis to deliver ‘Promise Boxes’ with gifts of school supplies and ‘Promise Boxes’ with gifts of food to underprivileged children and seniors respectively. Doing so allows us to implement our conviction that ‘Customer happiness equates to the company happiness, and will ensuing spread as society’s happiness.’

Love-sharing Volunteering

Led by its nationwide Promy PA Volunteer Corps, DB Insurance is conducting its Love-sharing Volunteering activities for underprivileged children in local children’s centers and nurseries and for seniors living alone. Love-sharing Volunteering consists of programs such as facility renovations, living environment improvement, and cultural experiences. This is an annual event that allows us to convey true love and sharing.

Global Social Contribution Activities

Since 2017, DB Insurance has been conducting, in its key overseas business bases, global social contribution activities contributing to the development of local communities. In Vietnam, we launched social contribution activities in Lao Chai Village in February 2017 together with students from Foreign Trade University in Hanoi, and also in Ninh Bình Province in January 2018 together with students from National Economics University in Hanoi. We received a great deal of attention from local media by carrying out programs such as bicycle safety education and CPR training in addition to classroom construction and mural drawings, and we are planning to engage in volunteer activities in Indochina countries such as Laos from 2019.

Corporate Governance

Corporate Governance

Board of Directors (BOD)

The BOD is the highest decision-making body in the company. It makes important managerial decisions, and audits the management of the company. In order to establish a responsible management system from mid- to long-term perspectives and to enhance fairness and transparency of the BOD, the CEO serves as chairman of the BOD, and for the BOD's soundness through its independence and checks and balances, a senior outside director representing outside directors is elected separately. In addition, we are building a sound and independent corporate governance structure through continuous improvement of corporate governance, including the formation of outside director-centered subcommittees.

Composition of the BOD

As per its Articles of Incorporation, DB Insurance operates its BOD consisting of three to ten directors. There should be at least three outside directors to form a majority. Through the resolution of the annual general meeting of shareholders (AGM) in 2017, Outside Director Sangyoung Park was reappointed through a separate election of outside directors who are also Audit Committee members, under the Act on Corporate Governance of Financial Companies. In addition, outside director Seungwoo Lee and inside director Yeongmann Kim were newly elected, and outside director Seongkook Kim was reappointed. Also, in the AGM of March 2018, outside director Sangyoung Park was reappointed through a "separate election," and inside director Jeongnam Kim and outside directors Seongkook Kim and Seungwoo Lee were reappointed.

The BOD meetings consist of regular meetings held quarterly and special meetings held when there are management issues. The BOD resolves important management issues prescribed by applicable laws, its Articles of Incorporation, and its BOD Regulation. In the decision-making process, the BOD makes deliberations and resolutions by considering social and environmental impacts and corporate governance issues.

Operation of the BOD

Category	Unit	2015	2016	2017
No. of meetings held	Session	13	8	9
No. of agendas submitted	Agenda item	26	16	17
Attendance rate[1]	%	95.4	97.4	97.8

1) Attendance rate of all registered directors (2 inside directors / 3 outside directors), Minimum attendance rate by directors: 70%

Profiles of the BOD Members (As of June 2018)

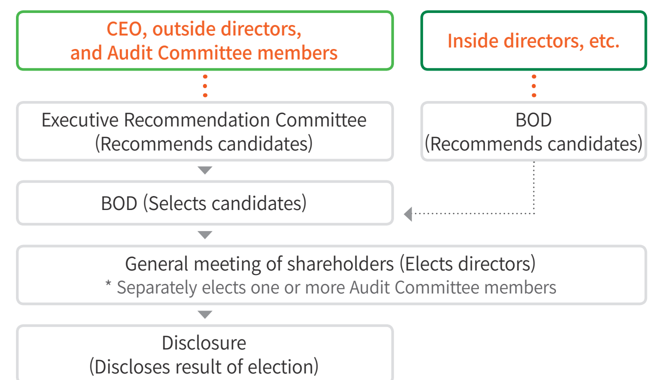
Name	Title	Birth year	Gender	Term	First appointment (Most recent appointment)	Incum bency	Field of expertise	Major background	Industry experience[1] (Finance/ Insurance)	No. of shares held[2]
Jeongnam Kim	CEO - BOD Chairman	1952	Male	3years	June 12, 2009 (Mar 16, 2018)	9years	Financial services (Non-life insurance)	• Head of Individual Business Division, DB Insurance • Head of New Business Division, DB Insurance • Head of Management Support Division, DB Insurance • (Present) President of DB Insurance	39years	73,000 (0.1%)
Sangyoung Park	Outside director - Senior outside director, Audit Committee member	1954	Male	1year	June 14, 2013 (Mar 16, 2018)	5years	Financial administration, fair trade	• Economy Planning Board • Senior Secretary to the President for Economic Affairs • Fair Trade Commission • (Present) Advisor of Yulchon Law Firm • (Present) Outside director of Korea Airport Service	30years	-
Seongkook Kim	Outside director - Audit Committee member	1950	Male	1year	Mar 18, 2016 (Mar 16, 2018)	2years	Financial business, financial administration	• Insurance Bureau at the Ministry of Finance • Financial Services Commission • Korea Securities Finance Corp. • President of IBK Credit Information	33years	-
Seungwoo Lee	Outside director - Audit Committee member	1952	Male	1year	Mar 17, 2017 (Mar 16, 2018)	1year	Financial business, Financial administration	• Ministry of Finance and Economy • Presidential Secretariat (Economic Policy Secretary) • Vice Chairman of the Financial Supervisory Commission • President of Deposit Insurance Corporation	28years	-
Yeongmann Kim	Inside director	1954	Male	3years	Mar 17, 2017 (Mar 17, 2017)	1year	Financial services (Non-life insurance)	• Head of Product Development Team, DB Insurance • Head of Management Planning Team, DB Insurance • (Present) Management Support Chief/CFO, DB Insurance	38years	1,500 (0.0%)

1) Career experience in financial corporations and financial institutions
2) There is no obligation to hold shares for registered directors

Director Election Process

DB Insurance recommends candidates for CEO, outside directors, and Audit Committee members through the Executive Recommendation Committee under the Act on Corporate Governance of Financial Companies. The Executive Recommendation Committee forms and operates candidate pools for outside directors and CEO, and reports on the status of operating the pools at least once a year to the BOD. Those from the candidate pools who have passed the screening process covering their expertise, fairness in job, ethics, and responsibility are recommended as candidates, and then are elected as CEO or outside directors by resolutions of the BOD and the general meeting of shareholders. The appointment of CEO is carried out in accordance with the CEO Succession Regulation setting forth the CEO succession procedure and emergency measures to prevent a managerial vacancy caused by replacement or vacancy of the CEO. Details on the transparent election of directors are disclosed (Annual Report on Corporate Governance) once a year on the company's website.

Director Election Process



Operation of the Candidate Pool (Unit: Persons)

Category	No. of members
CEO candidate pool	8
Outside Director candidate pool	20

Independence of the BOD

In accordance with Article 25-2 of the Articles of Incorporation, DB Insurance prohibits election, as outside directors, of the largest shareholder, related parties thereof, major shareholders, the spouses and lineal ascendants/descendants thereof, etc., and complies with Articles 5 and 6 of the Act on Corporate Governance of Financial Companies and Article 382 (Qualifications of Outside Directors) and Article 542-8 (Method of Appointing Outside Directors) of the Commercial Act. In addition, we appointed all members (three) respectively of the Audit Committee and the Compensation Committee out of outside directors and appointed a majority of members and chairpersons of all subcommittees (except the Management Committee) out of outside directors, thereby improving the independence of the BOD.

Major Disqualification Factors for Outside Directors

1. The largest shareholder or a specially related person of the largest shareholder
2. A major shareholder or the spouse or a lineal ascendant or descendant of a major shareholder
3. A person who serves as a full-time executive officer or employee or a non-standing director of the relevant financial company or its subsidiary or who served as a full-time executive officer or employee or a non-standing director during the preceding three years
4. The spouse or a lineal ascendant or descendant of an executive officer of the relevant financial company
5. A full-time executive officer or employee of the company for which an executive officer or employee of the relevant financial company serves as a non-standing director
6. A person who serves as a full-time executive officer or employee of a corporation that has an important business relationship defined by Presidential Decree or a competitive or cooperative business relationship with the relevant financial company or who served as a full-time executive officer or employee of such corporation during the preceding two years
7. A person who has served as an outside director of the relevant financial company for at least six years or who has served as an outside director of the relevant financial company or its subsidiaries for at least nine years in total
8. A person specified by Presidential Decree, on any other ground, as a person who has difficulties in performing his/her duties faithfully as an outside director of the financial company or who is likely to influence the management of the relevant financial company

Expertise of the BOD

Outside director candidates are recommended after fair verification in accordance with the Executive Recommendation Committee Regulation and applicable laws. The company identifies and recommends, as director candidates, experts with a broad understanding and practical experiences on not only the financial industry but also relevant fields including economy, law, accounting, and the media.

Diversity of the BOD

The BOD promotes diversity of its composition by appointing directors with extensive experiences and professional knowledge of the financial industry based on competitiveness in sectors such as non-life insurance, financial industry regulation, fair trade, and personnel/labor management. In addition, director candidates are not discriminated for reasons of race, disability, gender, etc.

Diversity Policy of DB Insurance

The diversity of workforce in terms of age, gender and race is an asset to the company. We are committed to leveraging the diverse backgrounds, experiences and perspectives of our people to provide excellent, equal customer service to the communities we serve. We therefore pursue diversity at all job levels and at all workplaces including subsidiaries. The company's diversity is reinforced by establishing policies to correctly recognize the importance of diversity covering all areas of insurance business such as recruitment, human resources development, competency enhancement, retention of employees, assignment of jobs, and mentoring/training programs.

Activities of the BOD

Prevent Conflicts of Interest

The BOD receives periodic reports on the results of prior reviews and audits on potential conflicts of interest (e.g., internal transactions) conducted by the Internal Transaction Committee and the Audit Committee under applicable regulations. For matters that are likely to cause conflicts of interest according to the reviews and audits, the subcommittees supports the BOD's decision-making by submitting their opinions. When the approval requirements for the relevant matters as prescribed by the BOD and applicable laws are not met, the BOD can restrict such matters from proceeding.
Under Article 34 of the Enforcement Decree of the Commercial Act, our BOD (Board of Directors) does not recommend or elect, as director, anyone serving as director, officer (executive), or auditor of two or more companies other than us (DB Insurance).

Subcommittees within the BOD

In accordance with applicable laws and the Articles of Incorporation, the BOD delegates its authority to its six subcommittees. Each subcommittee deliberates and resolves matters as delegated by the BOD.

Enhance Fairness of Performance Compensation for Senior Management

The compensation for senior management is paid on a deferred basis of at least three years in accordance with the 'Executive Performance Compensation Regulation' and the Compensation Committee is entirely composed of outside directors (three) to ensure objectivity and fairness of performance evaluation for senior management including the CEO and CFO. In addition, the company has stipulated the method of recovering compensation from the management and discloses details of the compensation system once a year on its official website.

Compensation Ratio[1)]

Total compensation for CEO	798	KRW million
Annual compensation of employees, except CEO		
Median	65	KRW million
Mean	64	KRW million
Ratio of employee compensation and CEO's total annual compensation		
Ratio of the median compensation	12.3	times
Ratio of the mean compensation	12.4	times

1) Compensation includes bonuses (performance compensation).

Composition and Roles of the BOD's Subcommittees

Category	Duties	Composition	Chairperson	Requirement
BOD	Convene general meeting of shareholders; approve financial statements, business plans, and decide other important management issues	2 outside directors & 3 inside directors	Jeongnam Kim (Inside director)	When the chairperson is not an outside director, appoint a senior outside director (current senior outside director: Sangyoung Park, an outside director); A majority shall be outside directors.
Audit Committee	Conduct independent audit of the company's operations and accounting, analyze the status of sales and assets, evaluate the external auditor, etc.	3 outside directors	Sangyoung Park (Outside director)	Shall consist of 3 or more directors, with at least 2/3 or more and the chairperson being outside directors.
Executive Recommendation Committee	Recommend candidates for CEO, outside directors, and Audit Committee members, and manage and review candidate pools for CEO and outside directors	2 outside directors & 1 inside director	Seongkook Kim (Outside director)	Shall consist of 3 or more directors, with at least majority or more and the chairperson being outside directors
Risk Management Committee	Supervise business risks (management risks) efficiently, establish policies and risk limits	2 outside directors & 1 inside director	Seungwoo Lee (Outside director)	Shall consist of 2 or more directors, with at least majority or more and the chairperson being outside directors
Compensation Committee	Operate and review performance compensation system for executives and employees	3 outside directors	Seongkook Kim (Outside director)	Shall consist of 3 or more directors, with at least majority or more and the chairperson being outside directors
Internal Transaction Committee	Review, in advance, matters related to internal transactions such as transactions with a subsidiary	2 outside directors & 1 inside director	Sangyoung Park (Outside director)	Shall consist of 3 or more directors, with at least 2/3 or more being outside directors
Management Committee	Make resolutions on urgent or frequent general management issues, and otherwise support the BOD	2 inside directors	Jeongnam Kim (Inside director)	Shall consist of 2 or more directors, with the chairperson being the CEO

Participation of the BOD in Sustainable Management

DB Insurance operates its Sustainable Management Committee (Chairman: CEO), which consists of key management personnel. The committee, in its quarterly meetings, decides major sustainability issues such as company-wide sustainable management strategies, and its activities and major decisions are reported to the BOD once a year. In 2017, results of the DJSI evaluation and adequacy of the contributions to its affiliated non-profit corporations were reported to the BOD.
In addition, we have the Sustainable Management Working Committee, a subcommittee, under the Sustainable Management Committee to ensure its smooth operation. This subcommittee has three divisions: Economy, Environment, and Society. Each division identifies key issues such as analyzing internal/external environmental issues related to sustainable management and identifying stakeholder issues, and carries out detailed improvement tasks. Issues and improvement tasks identified by the subcommittee are reflected in our corporate strategies through the Sustainable Management Committee's resolutions.

Tasks of the Sustainable Management Working Committee

Overall sustainable management
- Advancing sustainable management strategies, and establishing a working-level organization and operational system for sustainable management

Environmental areas
- Establishing environmental management policies, strengthening environmental KPI management, and developing eco-friendly products and services
- Creating carbon-neutral plans, and building an environmental risk recognition system

Economic areas
- Strengthening independence and transparency of the BOD, and enhancing responsibility for sustainable management
- Reinforcing operational transparency of the Code of Ethics, and improving consumer protection
- Increasing brand value assessment, and establishing an integrated stakeholder management system
- Strengthening stakeholder issue analysis and the sharing system

Social areas
- Advancing social contribution strategies, advocating human rights and diversity, and enhancing safety and health management
- Bolstering external cooperation and networks, and improving social contribution performance management
- Introducing supplier guidelines, and furthering business partner management
- Strengthening responsibility for the underprivileged, and responding to the issue of population aging
- Asset management in consideration of CSR

Performance Evaluation of the BOD

DB Insurance evaluates operation of the BOD and its subcommittees and also evaluates all its registered directors. The method and main contents of the evaluation are disclosed once a year in the Annual Report on Corporate Governance.

Homepage Disclosure URL

https://ir.idbins.com/english/invest/EnFactSheetList.jsp

Composition of Shareholders

DB Insurance has a total of 70,800,000 issued shares of common stock. Under applicable laws, listed companies in Korea may issue classes of shares with restricted voting rights, but may not issue shares with unequal voting rights (e.g., poison pill, golden share).

Major Shareholders[1)]

Category	Share (%)	Remarks
Kim, Nam-ho	9.01	Largest shareholder
Korean National Pension Service	8.21	Government agency
Kim, Jun-ki	5.94	Affiliated person
Matthews International Funds	5.02	Foreign investor
DB Cultural Foundation	5.00	Affiliated non-profit corporation
Kim, Ju-won	3.15	Affiliated person

1) As of December 31, 2017

Ethics Management

Establishing a Foundation for Ethics Management

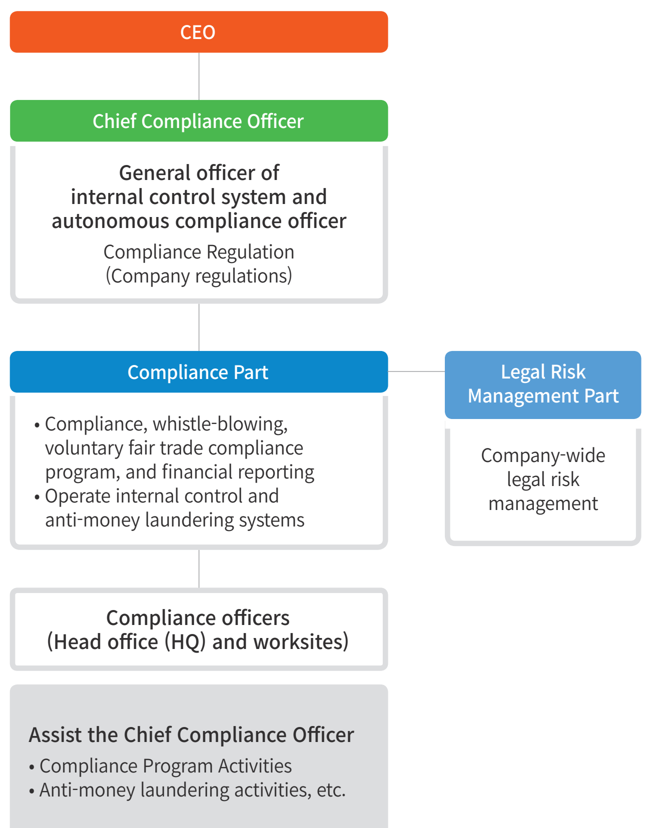
Ethics Management System

As a corporate citizen, DB Insurance spreads ethical awareness among all aspects of its business in order to become a company that is trusted by society at large. In 2016, we established a rigorous ethics management implementing system by revising our Code of Ethics and the Code of Ethics Practice Guideline to reflect applicable laws including the Anti-Graft Law.

Ethics Management Governance

DB Insurance is operating its Internal Control Committee, chaired by the CEO, to discuss matters related to internal control such as inspecting and responding to vulnerable areas regarding financial accidents and internal controls, and reporting on the inspection results by branch office. We have appointed the Chief Compliance Officer under the CEO to ensure the independence of compliance management. We are improving efficiency and professionalism by clearly separating roles and responsibilities among the Compliance Part, Legal Risk Management Part, and compliance officers.

Organization for Ethics Management



Internalizing Employees' Ethical Awareness

In order to enhance its company-wide implementation of ethics management, DB Insurance identifies and implements improvement tasks each year in accordance with its internal control standards, etc. Also, for early establishment of ethical awareness in all employees, it has designated ethics education as being mandatory in the introductory program for new general-duty and administrative recruits and diversified channels of disseminating ethical awareness (in-house broadcasting, VOD, etc.). Further, we conduct mandatory compliance training at the department level, reporting the results to the Compliance Part, and in 2018, have further strengthened ethics practice education, such as conducting offline education/training for 177 departmental compliance officers.
In addition, we include courses on the basics of ethics management in their basic education program in the basic curriculum of subsidiaries such as DB Car Claim Adjustment, DBCAS, DBCSI, DBCNS, and DBMnS and have their employees submit an online pledge of compliance that matches the characteristics of each company, thus spreading the ethics management philosophy of DB Insurance and expanding internalization of ethics management to subsidiaries.

2017 Improvement Tasks (Unit: cases)

Category	No. of improvement tasks	Remarks
Value chain activity inspection	11	Improvement of on-site inspections for insurance business practices such as sales, claim adjustments, etc.
Internal control inspection of financial reporting	17	Internal Control Over Financial Reporting (ICFR)
Compliance inspection	8	Anti-money laundering, dispatched supervisor inspection, etc.
Total	36	

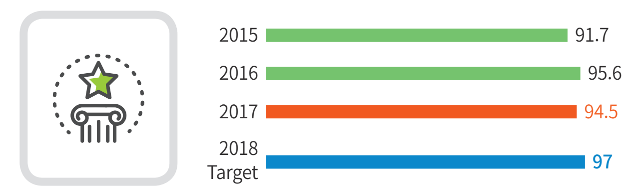
Participation Rate of Signing the Pledge of Compliance (Unit: %)

Fulfilling Ethics Management

Compliance System

We operate a compliance assessment system that measures the level of ethics of each division (HQ, Claim Adjustments, Sales) for systematic management of standard items of corporate ethics such as job ethics, compliance reporting, and ethics and compliance practices, and continue to improve and supplement the ethics index assessment items. In addition, the guidelines for product sales were reviewed by the Korean Non-Life Insurance Association (KNIA) in advance, and in January 2017, an in-house advertising review system was developed to further enhance the pre-control process for exaggerated and false advertising.

Compliance Score (Unit: points)



Implementation of Compliance

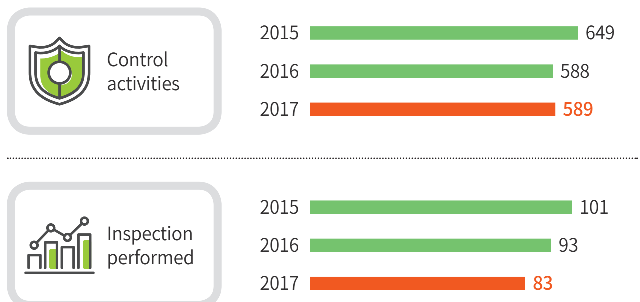
In 2003, DB Insurance enacted its "Regulation on Voluntary Compliance with Fair Trade" in order to encourage transparent competition and fair transactions. In addition, we introduced the voluntary fair trade compliance program to ensure that the fair-trade culture can be internalized in our employees' work, and we are currently conducting related education for all employees at least once a year.
In 2017, we sent out notices asking for cooperation to establish a culture of ethics for suppliers as a means to monitor the status of compliance with fair trade regulations and Code of Ethics Practice, and selected eleven suppliers such as product suppliers and loan recruitment companies to implement on-site inspections by unfair trade practices and company characteristics. We are actively improving the requirements gathered through VOCs of our suppliers. In 2018, we plan to strengthen our activities through target suppliers, the due diligence period and regional expansion.

Internal Monitoring System

Internal Control System for Financial Reporting

In accordance with the Act on External Audit of Stock Companies (hereafter, "External Audit Law"), DB Insurance operates its internal control system for financial reporting to systematically manage the design and operation of the internal accounting management system. By collecting feedback from senior management, the company makes continuous improvements on issues identified by the annual inspection. In 2017, we revised and supplemented control activities in the 83 sub-processes out of the 589 control items influencing the financial statements.

Status of Internal Control (Unit: cases)



Legal Risk Response System

The Legal Risk Management Part, which is comprised of in-house lawyers and legal specialists, provides education and information for prevention of legal risks and provides legal advice on managerial litigation, non-insurance litigation, and business affairs. In addition, we established an effective legal risk management system of actively responding to legal issues throughout our business, such as issues related to our articles of incorporation, revisions and amendments of internal regulations and guidelines, labor management, and personnel affairs, etc.

Legal Risk Review (Unit: cases)

Category	2015	2016	2017
HQ inquiries	733	837	610
Sales Dept.	230	323	998
Claims Dept.	96	73	71
Total	1,059	1,233	1,679

Eliminating Unethical Conduct within the Company

DB Insurance operates a variety of systems to prevent employees' unethical conduct and to raise awareness within the company. Through our internal whistle-blowing system, we create an atmosphere in which employees can freely report unethical practices. In the event of disciplinary action, we disclose those disciplined and the grounds of such discipline, and conduct education to prevent recurrence. As an external channel, the Financial Irregularities Report Center is available on our official website so that anyone can report financial incidents and internal control violations. Such reports are consistently followed up by the Chief Compliance Officer.
In addition, employees having received gifts or valuables which are difficult to return as their senders are unknown can report the cases to the Chief Compliance Officer through the 'gifts & valuables reporting system' in our internal ethics and compliance site. The reported valuables are auctioned, and a total of KRW 2,749,571 was donated to social welfare organizations such as the Korean Disabled People's Association and the company's 'Heart Fund' (in-house fund) in 2017. As a result, in the last four years, there has been not a single case of violation of applicable laws or imposition of fine or penalty in relation to corruption, bribery, antitrust or anti-competitive practices.

Operation of Anti-money Laundering System

DB Insurance designated a supervisor in charge of money laundering oversight in the compliance team to provide the expertise of anti-money laundering duties. Also, over 200 compliance officers composed of practitioners in each organization monitor and report suspicious transactions and to the compliance team to eradicate money laundering on a monthly basis.
In addition, we regularly report to the Korea Financial Intelligence Unit every month through our Anti-Money Laundering (AML) system. In 2016, we have consulted on the status of our company to comply with the strengthened requirements for the establishment of the prevention system by the Financial Action Task Force (FATF) and supervisory authority and, we are building a new RBA system since 2017.

Management of Public Disclosure Violations

In accordance with the relevant laws and regulations, we have established the company's disclosure guidelines, such as disclosure procedures and management, so that employees can conduct their duties based on the correct code of conduct. In addition, the disclosure officers regularly check the disclosure and immediately notify the relevant departments when problems arise.

Contributions to Political Parties and Sponsor Groups

DB Insurance is a Korean corporation restricted from making contributions, under Article 31 (1) of Political Fund Law and consequently has not made any contributions to political parties or their sponsor groups during the reporting period and, in principle, it stipulates prohibition of political activities in its Code of Ethics. Moreover, while the employees may disclose their personal political views, they are advised to ensure that their personal political views are not mistaken as representing that of the company.

Taxation Policy

DB Insurance is transparent and strictly compliant with the tax laws and regulations of all countries in which it operates, as well as domestic and overseas operations, and fulfills the reporting and reporting obligations required by the related regulations. We established and began to operate a global tax policy targeting domestic and overseas business sites, and related information can be found on page 92 of this report. Reviewed by outside auditors at the end of every quarter, corporation tax, deferred corporate taxes, effective tax rate, etc. are disclosed in our financial statements which are available at the Data Analysis, Retrieval and Transfer System (dart.fss.or.kr).
In addition, we actively respond to various tax investigations and requirements of taxation authorities to thoroughly fulfill the obligation of tax payment cooperation.

Effective Tax Rate (Unit: KRW million)

Category	2016	2017
Earning before tax	620,456	827,304
Reported Taxes	150,285	205,253
Reported Tax Rate	24.22%	24.81%
Cash taxes paid	140,739	193,492
Cash tax Rate	22.68%	23.39%

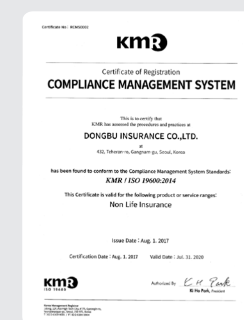
Current Status of Corporate Tax Payment[1)] (Unit: KRW million)

Category	Direct premiums	Pre-tax profit	Tax payment	Foreign tax credit
Domestic	12,368,118	827,304	205,253	410
U.S. Branch	202,606	-7,133	1,761	

1) Applied exchange rate: KRW 1,068.50 /1USD(based on 2017.12.29)

Receiving ISO19600 (CMS) Certification, for the First Time among Korean Insurers

On August 1, 2017, DB Insurance received the ISO 1900 certification, a standard international compliance management system from Korea Management Register Inc. (KMR) for the first time among Korean insurers.
The compliance management system, is an organic system which establishes compliance goals and plans through analysis of compliance issues and potential risks to perform, evaluate, maintain, and improve them. It is a constant system that also encourages employees to surely comply to with guidelines (including corporate ethics) to minimize non-compliance, achieve compliance goals and protect the company and organizations.
To operate the compliance management system, the company continuously performs risk management, monitors and conducts internal review, and for its dissemination and establishment, makes postings in its ethics compliance system, prepares and distributes compliance manuals, conducts in-house broadcasting and offline education/training, etc.



ISO19600 (CMS) Certificate

Risk Management

Company-Wide Risk Management

Risk Policies and Strategies

DB Insurance is actively responding to the diversifying global insurance market environment and strengthening business regulations. To this end, we are laying the groundwork for strategic risk management, thereby creating a stable foundation for profit.

We undertake rigorous monitoring and control activities in accordance with the risk management strategy limits and guidelines newly established in 2017. Each year, we are approved by the Risk Management Committee for risk management strategies linked to mid- to long-term management strategies and business plans. In addition, risk capital is allocated to each risk category so that the overall risk level can be maintained at an appropriate level relative to the available capital. Risk burdens are minimized by ascertaining in advance what the risk factors, size, and adequacy are.

Detailed Strategies for Risk Management

Risk appetites including the company's total risk amount and target RBC ratio

Allocating each risk capital by utilizing RBC (Risk-based Capital)

Limits in risk in consideration of optimal asset portfolios (Var/Exposure/Loss/Loss cut/Concentration limits) and guidelines

ALM strategy for interest rate risk management (guidelines on average collection periods and guidelines on expected interest rates)

Optimal reinsurance operation strategy including limits in possession of insurance risk

Risk Management Organization

DB Insurance has established a risk management committee under the Board of Directors, which is the overseeing organization for risk management, in accordance with the Act on Corporate Governance of Financial Companies. Also, due to the need to respond flexibly to the rapidly-changing financial market environment, we are operating the Risk Management Working Committee. In addition, we have separate departments for insurance risk and asset risk within the aforesaid working committee, thereby enhancing expertise of our operations.

In January 2016, our Risk Management Team was reorganized into an independent organization. And with the Act on Corporate Governance of Financial Companies entering into enforcement in August 2016, we upheld our internal regulations related to risk and strengthened independence in the appointment of the Chief Risk Officer (CRO), thus reinforcing our risk governance.

BOD (Board of Directors)

1 Risk Management Committee

2 Risk Management Working Committee

Insurance and ALM Division
3 Insurance Risk Management Department (Insurance RM Dept.)
Insurance risk | Interest rate risk | Subsidiary risk | Operational risk

Investment Division
3 Asset Risk Management Division (Asset RM Dept.)
Market risk | Credit risk

1
- Supervise risks and establish policies
- General risk management (Oversee entire risk management)
  - Set allowed limits in risk, efficiently supervise risks that can occur in the company's business, establish policies, etc.

2
- All risk management work such as measuring, managing, controlling and reporting risks
- Support the Risk Management Committee

3
- Manage details of risk
- Manage allowed limits in risk and report the results
- Implement resolutions of the committee and report the results

Establishing Risk Management System

DB Insurance conducted an ERM (Enterprise Risk Management) project to support risk management tasks such as risk volume calculation, stress tests and the formulation of risk-based management plans. This project resulted in the building of company-wide risk management governance, individual risk management system, and RDW[1], enabling more efficient risk management. In addition, we plan to rebuild the risk management information system to preemptively respond to the new solvency system based on the market valuation of assets/liabilities to be introduced in the future.

1) RDW: Risk Data Warehouse

Types of Risk Management

Category	Risk	Description
Financial risk	Insurance risk	• Premiums and reserves risk caused by the difference between expected and actual figures of premiums and reserves
	Interest rate risk	• Risk of loss caused by decreases in the Company's net asset value in the event of changes in interests rates, triggered by discordance between assets' and liabilities' maturity and interest rate structures
	Market risk	• Risk of price volatility caused by changes in interest rates, stock prices, exchange rates, etc.
	Credit risk	• Risks arising from transaction counterparty's default • Risks of changes in asset value due to changes in default and credit rating change of borrowers • Reinsurance credit risk: Risk of reinsurer's bankruptcy
	Subsidiary risk	• Risks arising as the risks exposed to the subsidiaries are reflected in the parent company's financial statements
Non-financial risk	Operational risk	• Risks of injury/property damage arising from disasters, etc. • Risks arising from suspension in the company's operation due to emergencies such as computer/IT failure • Risk from new/additional regulation over the financial industry requiring company changes in organization/management strategy and further management of capital adequacy, for the purpose of complying with the regulation

Asset Soundness Management and Limit Establishment

In order to maintain stable capital adequacy, DB Insurance assesses the soundness of its owner's equity relative to risks based on the RBC system stipulated by the supervisory authorities in 2009. Our RBC ratio stood at 202% as of December 2017. In addition, we allocate the required capital by risk based on the RBC standard, and set the risk tolerance limit after approval by the Risk Management Committee. We regularly report this to the Risk Management Committee and senior management, and strictly manage related matters through continuous monitoring.

Analyzing Risk Factor Sensitivity

We conduct asset sensitivity analysis as a means of preemptively responding to any negative impact on the capital values and profit associated with various risk factors in the market. Pursuant to the crisis analysis criteria suggested by the financial authorities, we conduct by-risk factor crisis analyses according to changes in interest rate, stock price, exchange rate, default rate and loss ratio, and also conduct an integrated crisis analysis. As a result of these efforts, the RBC ratio has not fallen below 100% even in emergencies.

Process of Risk Management

Emerging Risk

DB Insurance continuously monitors and analyzes the newly rising risks due to changes in the insurance industry environment and implements strategic risk management to proactively respond to them.

Major risks	Background and definitions	Major changes and potential risks (Risk impact)	Response efforts	Pages in the report
Cyber Security	• Potential risk of data leakage associated with the collection, management, and use of personal information of customers and employees. • Security risk arising from hacking and damage of key IT systems • Legal/regulatory risks associated with reinforcement of laws and regulations concerning cyber security • Increased chance of exposure to new IT security-related risks due to new technologies such as blockchain and InsurTech	• Leakage of customer data in financial companies leads to serious reputational risk, which in turn spills over to management risk such as penalties imposed by supervisory authorities - Personal information leakage incident in 2014 (the relevant credit card company was suspended for three months), WannaCry attack in 2017, etc. - Increased IT expenses for cyber security system, etc. • The company manages the data of 8.65 million customers, about 16.7% of the total population (51.78 million at the end of 2017), and the resulting regulatory and management risks are expected to keep increasing - The company plans to review internal procedures and data protection measures regarding related issues • As the only divided nation in the world, South Korea is exposed to active online attacks (DDos, etc.) from North Korea. Since the company handles mandatory statutory insurances such as car insurance and environmental impairment liability (EIL) insurance, there is an increasing need to take measures against network attacks such as malicious hacking and DDos from overseas (domestic sales account for 98% of the company's total sales in 2017)	• Established a responsible team for cyber data protection and appoint the Chief Information Security Officer (CISO) • Introduced a network separation system that separates between intranet and the Internet • Re-organized the dedicated personnel so that IT security personnel will account for 5% or more of all employees • Upgraded the company-wide cyber security and data protection management system - Establish a risk management system through reinforcement of IT system, securing of experts, and training of employees **The company has no record of customer data leakage**	61-62p
Demographic Changes	• A demographic change is in progress due to the aging population due to aging of baby-boomers and low birth rate caused by economic slowdown - Demographic cliff (expected in 2018) and decreased working-age population, precipitated by the increased number of elderly, and low birth rate could lead to consumption cliff	• Due to low birth rate and aging population, potential insurance purchasers will decrease in number, whereas an increase in the number of elderly beneficiaries will lead to greater loss in insurance sales • Protracted economic downturn due to consumption cliff may lead to decrease in insurance sales and investment returns, resulting in industry restructuring as seen in the Japanese insurance market in the past	• Developed insurance products and services targeting the elderly and patients • Executed social contribution activities that link the company's business with low-birth rate themes such as children's traffic safety (Yellow Carpet) • Bolstered family-friendly management efforts such as in-house child-care center and encouraged maternity leave • Supported re-employment of aged retirees into subsidiaries and introduced retirement pension system for stable retirement	27p, 40p, 64-66p
Strengthened soundness regulation at financial group level	• Strengthening business risk management, in response to adoption of financial group-level capital soundness regulation (integrated supervision of financial group) and strengthening of existing soundness management regulation (consolidated RBC, etc.) - As the flagship company of DB Group's financial affiliates, DB Insurance will be held responsible for integrated management of financial risks and related transactions among affiliates (Will be pilot-run in 2018 (2nd half), and enacted in 2019) - Enforcement of Korean Insurance Capital Standard (K-ICS) based on mark-to-market of assets/ liabilities (Expected in 2021) - Greater capital volatility based on interest rates, due to expanded insurance liability duration	• More stringent regulation of financial soundness due to new integrated supervision, reinforced consolidated RBC, etc., leading to contraction in asset management and business activities • Aggravated financial soundness due to reflection of subsidiaries' risks • Increased uncertainty of net asset value and declining profitability of asset management from interest rate changes, due to mismatching of assets/liabilities duration	• Prepared an integrated risk management system in conjunction with affiliated financial companies - Formed a risk management council consisting of CROs of the affiliates - Established a risk management system and standard from the perspective of integrated supervision - Set up the required capital, related transaction limits, etc. for subsidiaries • Fortified a soundness management system by establishing a risk management information system, etc. • Established an asset management system based on ALM which considers liability structure - Reduced the proportion of high risk assets, and optimize profits relative to risks	52-53p
Accelerated Climate Change	• Greater social/environmental losses caused by climate change - Greater frequency and severity of extreme weather - More stringent regulation on climate change in accordance with the Paris Agreement, etc.	• Increased difficulty in forecasting loss ratio of existing insurance products due to more frequent and extreme weather (torrential rain, heavy snow, cold snaps, fine dust, etc.) • Growing demand for financial products and services related to climate change • Increase in operating expenses and legal risks caused by reinforced environmental regulation	• Established preemptive response strategies against climate change - Offered products/services suitable for environmental/ social demands - Strengthen response to the more stringent climate change-related regulation such as GHG emission regulation	27p, 75p

Korean Insurance Capital Standard (K-ICS)

With the International Financial Reporting Standards based on mark-to-market of insurance liabilities (IFRS 17) to be enforced in 2021, supervisory authorities are working to introduce K-ICS, a new financial soundness system based on mark-to-market-of assets/ liabilities. Hence, DB Insurance is building a risk management system (IFRS 17 integrated system containing the K-ICS standard model and internal model) on the basis of K-ICS' 5 sub-items (available capital, long-term non-life insurance risk, general non-life insurance risk, market risk, and credit risk), and seeks to expand interest rate-linked assets for duration/cash flow matching, adjust its insurance liability portfolio, and increase capital through subordinated notes issuance (May 2017, KRW 499 billion).

K-ICS (key contents)

① Expand volatility of available capital/ required capital, based on mark-to-market of assets/liabilities
② Enhance reliability of required capital measurement (99% → 99.5%)
③ Expand the scope of, and classify, those subject to risk measurement
④ Introduce cash flow projections for assets/liabilities

Integrated Supervision of Financial Group

Due to a business group's financial affiliates becoming insolvent simultaneously (cases seen in the past), financial companies becoming even bigger and being allowed to engage in different lines of businesses, and development of non-regulated financial sectors such as hedge funds, there have been heated discussions on methods of financial group-level, integrated soundness management. Thus, the Korea Financial Services Commission (FSC) has formulated the 'Model Practices on Supervision of Financial Groups' to manage large financial groups' soundness, and from the 2nd half of 2018, will operate it on a pilot basis for 7 financial groups including DB Group, with plans to pursue legislation in the future in cooperation with legislature. As the flagship company of DB Financial Group, we have to establish an integrated risk management system, manage the group's capital adequacy ratio in view of business capital soundness system by sector and of related transactions among the affiliates, and disclose essential matters. (Applicable financial groups: DB Insurance, Samsung, Hyundai Motor, Lotte, Hanwha, Mirae Asset, and Kyobo)

Integrated supervision of financial group (key contents)

• Check group-level capital adequacy
• Periodically evaluate the status of group risks
• Perform reporting & disclosure of essential matters

Financial & Non-Financial Statements

Financial Performance

Key Management Performances

There are increasing uncertainties in the global financial market such as an increase in interest rate volatility and the threat of protectionism, and the domestic insurance market also faces domestic/overseas business environment changes such as IT renovation represented by the 4th Industrial Revolution and the adoption of International Financial Reporting Standards (IFRS).
Despite such a harsh business environment, DB Insurance has achieved KRW 12,368,118 million of direct premiums, a 2.3% increase from the previous year and KRW 622.1 billion of net income which is the largest ever since it's foundation. In the future, the company will continue to achieve sustainable growth through preemptive responses to market changes and continued management innovation.

Summary of Income Statement

(Unit: KRW million)

Category	2017	2016	YoY
Direct Premiums Written	12,368,118	12,092,412	2.3%
Net Premiums Written	11,564,719	11,312,026	2.2%
Net Premiums Earned	11,440,719	11,102,999	3.0%
Loss Amount	9,421,372	9,391,466	0.3%
(loss ratio)	82.3	84.6	-2.2%p
- Incurred losses	4,740,492	4,332,501	9.4%
- Maturity & Cancellation refunds	2,927,711	2,887,953	1.4%
- Increase in reserve amt. for long-term savings	1,746,826	2,162,893	-19.2%
- Increase in dividend reserve	6,343	8,118	-21.9%
Net Operating expenses	2,195,667	2,021,645	8.6%
(Expense ratio)	19.2	18.2	1.0%p
Underwriting Income	-176,320	-310,113	-43.1%
Investment Income	1,035,330	985,437	5.1%
Operating Income	859,010	675,325	27.2%
Non operating/Extraordinary income & loss(Expense)	-31,706	-54,869	-42.2%
Net Income	622,051	470,171	32.3%

Summary of Balance Sheet

(Unit: KRW million)

Category	2017	2016	YoY
Invested Assets	31,609,329	29,228,480	8.1%
(Invested Ratio)	85	85	-0.9%p
Non-invested Assets	3,404,588	3,323,454	2.4%
Separate account Assets	2,389,908	1,656,661	44.3%
TOTAL ASSETS	37,403,825	34,208,595	9.3%
Policy Reserves	28,928,947	26,991,956	7.2%
Other Liabilities	1,566,399	1,212,165	29.2%
Separate account Liabilities	2,492,969	2,040,550	22.2%
TOTAL LIABILITIES	32,988,314	30,244,671	9.1%
Paid-in Capital	35,400	35,400	0.0%
Capital Surplus	37,913	37,913	0.0%
Retained Earnings	3,920,424	3,402,815	15.2%
- Catastrophe Reserve	851,326	771,361	10.4%
Capital Adjustment	421,774	487,796	-13.5%
TOTAL SHAREHOLDER'S EQUITY	4,415,511	3,963,924	11.4%

Customers

Fulfillment of Product Responsibilities

Roadmap for Complete Sales

Beginning (2007~2011)
- Create complete sales organization
- Establish monitoring process
- Amend sanction criteria for incomplete sales

Expansion (2011~2013)
- Expand year-round inspection by Korea General Insurance Association
- Strengthen sanction criteria for incomplete sales
- Reflect incomplete sales ratio of on-site inspection in sales manager's MBO

Stabilization (2013~2016)
- Change monitoring process
- Develop TM speech analysis system
- On-site inspection of complete sales via GA channels

Rebounding (2016~Present)
- Build real-time system for complete sales monitoring
- Control new contract planning by incomplete sales recruiters
- Improve accuracy of complete sales monitoring, through open-ended inquiries

Establish the "New Complete Sales Monitoring System"

DB Insurance has established its "new complete sales monitoring system" wherein right after contract signing, a 'complete sales monitoring,' which checks whether an insurance contract can be deemed as a complete sale, is performed on a real-time basis, and if the sales contract is incomplete, the relevant insurance recruiter can immediately be sanctioned. This improved consumers' convenience concerning complete sales monitoring, and strengthened protection of consumer rights by establishing an efficient system of managing sales organizations with incomplete sales.

Change Complete Sales Monitoring Method in order to Strengthen Consumer Protection Function

In order to prevent consumer damages arising from incomplete sales contracts through complete sales monitoring, DB Insurance made changes for inquiry methods to be differentiated according to insurance types. In addition, we greatly improved inquiry formats, such as adopting 'open-ended inquiries' instead of 'simple-answer inquiries,' significantly reducing the possibility of consumer damages arising from incomplete sales contracts.

BUSINESS CASE

Strengthen Monitoring of TM Channel's Calls

In order to protect customers purchasing insurance via the TM channel who have a potentially lower understanding of the products, we performed a monitoring process wherein call monitoring of the TM caller's product explanation is conducted before the contract is finalized (the contract being finalized once confirmed as a complete sale), thus preventing incomplete sales contracts.
In addition, as for marketing calls conducted to remind customers of their needs, we raised the call monitoring rate from 20% to 50%, significantly reducing the possibility of consumer damages.

Diversify Customer Communication

DB Insurance has identified customer contact management via communication as an important issue and continuously it. As a part of that, we actively operate online communication channels such as our official blogs, Love for My Car blog, Love for My Child blog, Kakao Story, and Facebook, with a particular focus on the blogs. Each blog provides information of interest for those in their 20s and 30s, drivers, pregnant women, and child-raising mothers respectively and insurance product information befitting customer life cycle in an easy manner.
As a result of such active efforts, in 2017, there were about 12 million visitors on our social media sites, a considerable increase from the previous year (7.63 million), and we received the Grand Prize in the field of general insurance at the '10th Korea Social Media Awards.'

"Customer Touch" Activities

By expanding its customer contact points, DB Insurance continues to conduct marketing linked to its flagship products and promotion of its brands. We carry out children insurance PR and customer consulting activities for those in their 20s and 30s at the Children's Exposition, and have been providing medical information and holding "pregnancy classes" providing information on how to stay healthy during early-stage pregnancy.

Offline "Customer Touch" activities

Additionally, in 2017, we strengthened public-interest marketing activities for women and children through our "female driver classes" providing information on how to handle traffic accidents and drive properly for novice female drivers and our "children's traffic safety classes" helping children to understand traffic safety laws through experiential programs.
In the future, we will continue to run offline events for customers, thereby expanding our communications with them.

Online Marketing Communicating

Beginning with its 'Excellent Driver's Insurance' campaign in 2016, DB Insurance conducts an annual campaign to communicate with customers by combining insurance products with a story. In 2017, around the time of Family Month, we had the 'The Warmest Meal in the World' campaign with the theme of children's insurance. We held one-day "Make baby food" classes for expectant mothers, and used candid cameras to deliver their mothers' genuine, heartfelt messages, touching the hearts of the participants. That campaign video attained 1.2 million views in one week, and received a positive response from customers.

Public-interest Marketing to Create Social Value

By continuing our sponsoring activities linked with sales of our flagship products, our sales channels feel proud of the company and their work and gave an opportunity for customers share their kind hearts with society. In 2016, by linking with driver's insurance products in agreement with the Korea Transportation Safety Authority, we spent 2% of sales (up to KRW 20 million) to sponsor children of traffic accident victims, and in 2017, we conducted our "Children's Insurance" campaign, donating 2% of sales (up to KRW 20 million) as a scholarship for children of low-income families through ChildFund Korea. In the future, we plan to continue public-interest marketing activities wherein sales channels, customers, and the company can all be satisfied.

"Dreamers" College Student Activities

In order to strengthen communications with those in their 20s and 30s and improve their awareness of insurance, DB Insurance runs 'Dreamer,' a college student supporter group. Dreamer is a think tank which grapples with DB Insurance's marketing issues from the perspectives of those in their 20s and suggests ideas, and is given an opportunity to analyze DB Insurance's pending issues and plan social media promotions with marketing practitioners. The supporters' candid opinions are delivered to relevant personnel and executives in monthly meetings, and in the first half of 2018, they planned a campaign to improve awareness on cancer insurance targeting those in their 20s and 30s.

Prevent Insurance Fraud

Establish Insurance Fraud Prevention Policy

DB Insurance's 'Insurance Crime Prevention Committee' manages its insurance crime prevention regulations setting forth basic policies on insurance crimes and sanctions for those involved, and through "regional MR control councils between claim adjustment and sales," shares regional MR information and strengthens joint responses. In addition, from the stage of insurance product development, we evaluate the impact of insurance fraud on new products/collaterals, and reinforce advance control of insurance fraud by utilizing information on insurance fraud detection.

In addition, we make insurance fraud-deterring efforts such as developing and operating an MR detection information system and a hospital management system which conducts specialized management of insurance fraud-suspected hospitals.

Insurance Fraud Management Process

01 Prevent

Strengthen the system
- Re-establish system of utilizing insurance fraud information
- Build a year-round system of high-loss claim management

02 Investigate / detect

Facilitate whistle-blowing
- Enhance MR investigation capabilities
- Facilitate operation of insurance crime prevention unit
- Strengthen company-wide collaboration for MR control

03 Follow-up management / prevent recurrence

Operate recurrence prevention system
- Forecasting system
- Follow-up analysis system
- Insurance fraud prevention system by use of detection information

Advance Company-wide MR Prevention System

In addition, we have introduced "verification of novice PAs' MR history," thus assuring that inflow of those with past MR can be systemically be blocked from the initial stage of selecting candidates, and plan to expand control over the inflow of those with past MR when hiring emergency dispatch/on-site dispatch organizations and employees. Further, to build a system of continuously identifying and managing high MR groups, we have established and operate an analysis planning team responsible for theme planning and investigation through data analysis. In the regional MR control councils, sales and claim adjustments have been regionally matched, resulting in sharing of and joint response to regional loss ratio and MR issues, and in 2018, we began to expand the operation into 9 zones, including corporations and new channels.

Reorganize and Build Inter-organizational Collaboration System

In order to strengthen organic collaboration among organizations performing MR response activities in the claim adjustment organizations, the Special Investigation Unit (SIU), which plays the role of a company-wide MR control tower, has launched periodic joint meetings and conducts advance control of MR and sharing of and response to key issues. In addition, to shift from a focus on detecting false accidents prior to a claim adjustment organization's insurance payment to a system of strengthening comprehensive MR response, we have significantly improved the standard of MR performance evaluation, and in order to reinforce support for claim adjustment organizations, we select those organizations with poor MR detection records per insurance type, and provide on-site claim adjustment consulting, such as analyzing causes and formulating solutions.

Organize Response System toward Clients such as Hospitals and Car Repair Shops

In order to effectively respond to ever-increasing insurance fraud by clients such as hospitals and car repair shops, we have strengthened claim adjustment workers' effective evidence gathering activities against clients committing illegalities, and based thereon, have re-established the SIU's process of active investigations. To support claim adjustment workers' effective evidence gathering activities against clients' illegalities, SIU selects clients to be subjected to evidence gathering by analyzing data and collecting claim adjusters' opinions and provides evidence gathering points to the claim adjustment organization, thus enabling collaboration so that focused gathering of valuable evidence is conducted within a short period of time.

In addition, we have formulated a plan of specialized management for hospitals suspected of insurance fraud, and not only assign a professional investigation team to insurance claims involving such hospitals but conduct intense investigations. Furthermore, in strengthening claim adjustment organizations' ability to respond to clients committing illegalities, we are the only Korean insurer which reflects a gathering of evidence from such clients and performance of detection thereof, in the evaluation of claim adjustment organizations' MR performance.

Protect Customer Information

Management System for Information Protection

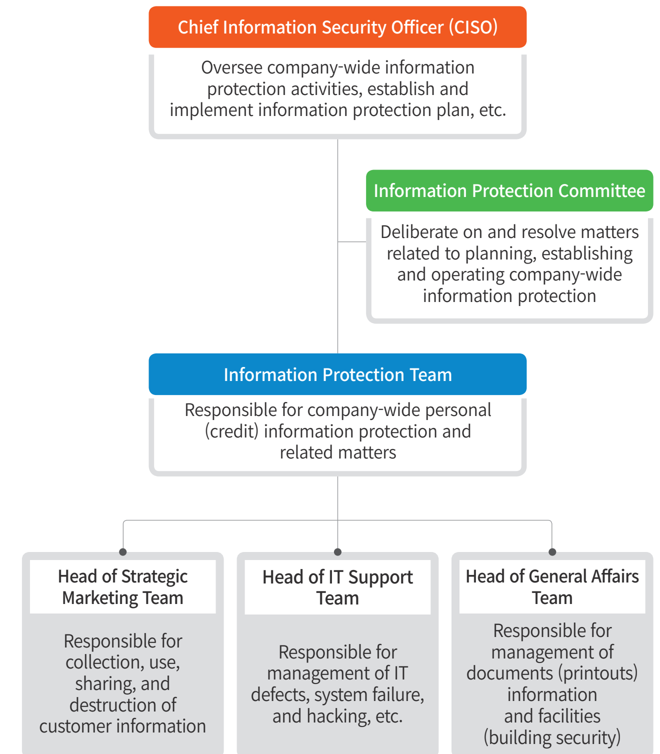
DB Insurance understands that information protection issues are part of company-wide business risks, and holds quarterly Information Protection Committee meetings attended by the CISO (Chief Information Security Officer) and upper management. The Information Protection Committee discusses important matters related to information protection and reports the results to the CEO, actively endeavoring to protect customers' and the company's important information.

In addition, we have established a strict monitoring process, such as 24x365 integrated security control, voluntary information protection audit concerning IT environment, and website assessment at least quarterly by outside experts, periodically verify whether our customer information protection is sufficient, such as inspection of personal (credit) of trustees, inspection of insurance subscriber recruiting trustees, on-site inspection of collected consent forms to insurance plans, and monitoring of excessive inquiries on customer information, and then annually reporting the result of inspection to the BOD.

Furthermore, we have purchased 'Private Information Liability Insurance[1]', and 'E-financial Transaction Liability Insurance' to cover our third-party liabilities related to company-wide information protection, minimizing our information protection risk.

1) Limit of KRW 20 billion with LOTTE INSURANCE

Governance of Information Protection Management



Strengthen Monitoring of Signs for Information Leakage

In order to protect customer information, DB Insurance has various internal control devices in place and has built and operates its year-round monitoring system. In 2017, we developed scenarios for signs of internal leakage, focused on monitoring of login from another person's seat, abnormal inquiries on customer information, and printout of electronic documents, and made certain that any abnormality detected led to questioning of those committing the abnormality and on-site inspection so that more substantial and effective internal control can be made. After classifying the personal (credit) information processing trustees, we conducted direct on-site inspections of higher-tier contractors and took measures to improve deficiencies.

In 2018, we plan to further sophisticate the abnormality detection system in operation, and expand the scope of on-site inspection for insurance agencies and contractors attempting abnormal access to customer information, thereby strengthening our inspection activities.

Strengthen Information Leakage Prevention System

In order to block external cyber-attacks and prevent leakage of internal information, DB Insurance has separated the Internet and its operation intranet. By analyzing all activities originating from the outside and immediately blocking any attack such as hacking, we protect our internal system and require that any information (documents) created within the company must obtain prior approval before being transmitted outside, thereby preventing leakage of important information to external parties.
In addition, we detect and block, in advance, abnormal signs such as external attacks and information leakage by using real-time collection and analysis of events occurring in the IT system, and continuously strengthen the information leakage prevention system by repeating a series of processes of evaluating and supplementing adequacy of our information protection and control tools. In particular, to prevent leakage, misuse, or abuse of customer information, we strengthen the response system to information leakage and abnormal signs and expand our on-site inspections. Due to these efforts, there was not a single violation related to customer information leakage between 2013 and 2017.

Status of Information Protection Certification

ISO27001
2013 International Standards Certificate
(British Standard Institution, Feb.2009 - Feb.2021)

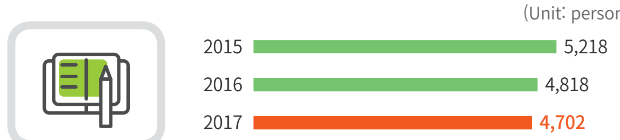
ISMS
Korea ISMS (Information Security Management System) Certificate
(Ministry of Science, ICT and Future Planning, Jul.2014 - Jul.2020)

Internalize Awareness of Information Protection

In consideration of the characteristics of the insurance industry handling sensitive information such as customers' personal information, credit information, medical records, and accident history, we have established information protection guidelines for employees and periodically conduct training to strengthen awareness on information protection. Additionally, in cases of emergencies such as infringements and disabilities/disasters/calamities we conduct adequacy verification to secure business continuity, information infringement response training to enhance employees' awareness (responses & recovery for server hacking, DDoS attacks, and malicious code emails), disaster recovery training, and business continuity plan (BCP) mock training each year.
In 2017, we launched 16 courses including protection of personal (credit) information, enhanced awareness on information protection, and financial IT internal control, and all 4,702 employees completed the training.

No. of Participants in Information Protection Training

(Unit: persons)



Participate in Joint Industry Initiatives

DB Insurance acts as a representative member and non-permanent director of the Financial Security Institute, an institution responsible for responding to information infringements at financial companies, and through a system of collaboration with the Financial Information Protection Council, Korea General Insurance Association, Korea Credit Information Services, etc., participates in decision-making for important matters related to personal (credit) information and information protection.

Performance

Indicators			Unit	2015	2016	2017	Remarks
Complete sales ratio			%	99.2	99.2	99.3[1]	
Sanctions made through internal inspection of incomplete sales	On-site inspection (individuals)	Sales suspension	Persons	659	1,113	535	
		Warning	Persons	739	2,858	1,302	
	On-site inspection (TM)	Sales suspension	Persons	705	285	228	
		Warning	Persons	3,614	265	1,176	
CS monitoring score			Points	92.5	94.6	95.7	In-house customer satisfaction survey for all sales channels
Customer satisfaction survey DCSI[2]			Points	73.5	74.3	75.1	Based on the Korean Service Quality Index by the Korea Management Association

1) Data based on performance between July and December of 2017. Due to changes in "complete sales monitoring system" by the Financial Supervisory Service, only pilot operation indicators are available between July and December of 2017.
2) DB Insurance Customer Satisfaction Survey

Employees

HR Management

HR Management System

Through its systematic HR management system and the CEO's management principles – pursuit of facts, mutual communications, and autonomous management - DB Insurance is realizing its corporate HR vision, 'Best workplace where the talented want to work.'

HR Vision System

Vision
A Global Insurance Financial Group which Pursues a Happy Society with Customers

Core value system
3 Mindsets & 3 Attitudes · CEO's management principles · Key driver

HR vision
Best workplace where the talented want to work

Strategic directions	Globalization	Specialization	Adding high value	
Mid/long-term HR strategic tasks	Advancing directions of overseas business	Securing core key talent	Further developing meritocracy	
Basic policies	Training system	Performance-based compensation	Acceptance of HR	Work environment
	New training system	Performance-based (meritocratic) HR system	Field-centered personnel management	GWP
Operating principles	SDP	CDP	Individual evaluation, Promotion	Hiring (recruitment), Transfer of positions (assignment)	Wages, Benefits
HR directions	Autonomous personnel management at worksites (field)	Respect employees' opinions		

Employees' Job Security

For stability in our employees' labor activities, we continue to improve our work environment to create a good workplace. Additionally, even before enforcement of the legislation on non-regular employees, we converted 1,660 TM workers into regular employees in 2012, and thereafter have been reducing the ratio of non-regular employees, which reached 2.83% in 2017 (127 out of 4,484).

Performance Evaluation and Compensation

Performance Evaluation System

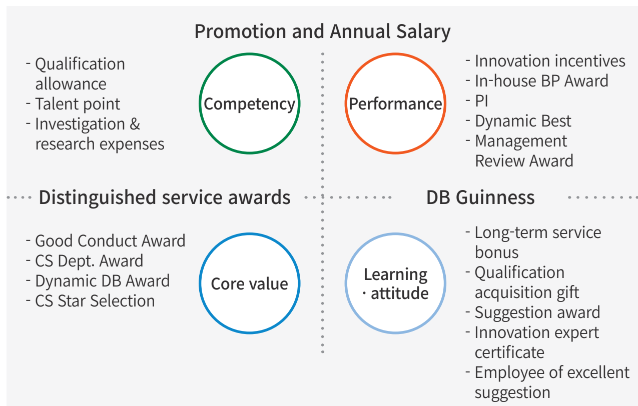
To promote clear goals and the will to achieve in employees, we have established a performance-based system based on the high compensation for high performance principle, and are running the goal agreement system allowing employees to set goals and conduct evaluation themselves, monthly evaluation agreement system, self-development & career-development plan system, etc. In addition, we sub-classify performance measurement perspectives by utilizing the Balance Score Card (BSC), and allocate the company's goals into organizational and individual KPIs. In the final performance evaluation, we allow the systemic filing of appeals, and reflect performance feedback in establishing future goals and improving HR systems.

Guarantee Fair Opportunity

To guarantee fair opportunities for employees, DB Insurance runs its MA program, a program to raise professional sales managers. In this program, sales partners (PA: Prime Agent) including female workers and employees in other divisions of the company are given opportunities to acquire branch management capabilities, and after completion of the program, they work as chief of branch development and branch manager and receive support to develop into sales management specialists. In 2017, we opened Claim Academy (CA), providing support to grow into claim specialists.
Furthermore, since 2010, male and female employees have been separately evaluated so that female workers are not at a disadvantage in the evaluation, thus eradicating gender discrimination.

Reasonable Compensation System

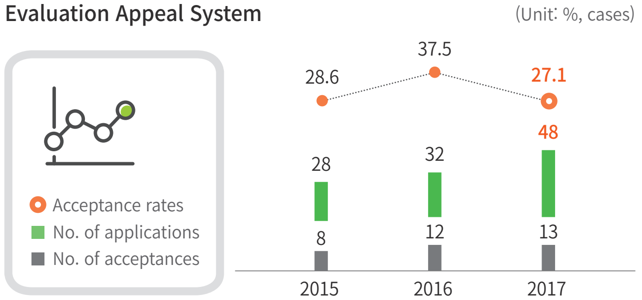
Annual salary primarily consists of basic salary and performance compensation. We operate our salary system based on job and rank, and by applying different rates for different jobs, we make certain that performance-based compensation is adequate and reasonable. Employee evaluation consists of competency evaluation and performance evaluation so that personal competency (qualitative aspect) and job performance (quantitative aspect) can be considered, and based thereon, annual wage and promotion are decided. Additionally, by operating a performance-based compensation plan to allow for "high compensation for high performance" based on performance, we allow differentiated compensation based on performance. Furthermore, motivation is provided through a variety of recognition and awards so that employees can continuously generate performance on the job.



Build Evaluation Appeal System

Our 'Evaluation Appeal System' allows an employee to appeal the result of performance evaluation and competency evaluation. The HR Committee decides whether or not to accept the appeal by deliberating on the appeal filed, and through fair deliberations and decisions, enhances employee understanding and satisfaction. In 2017, out of a total of 48 appeals, evaluations were adjusted in 13 cases.

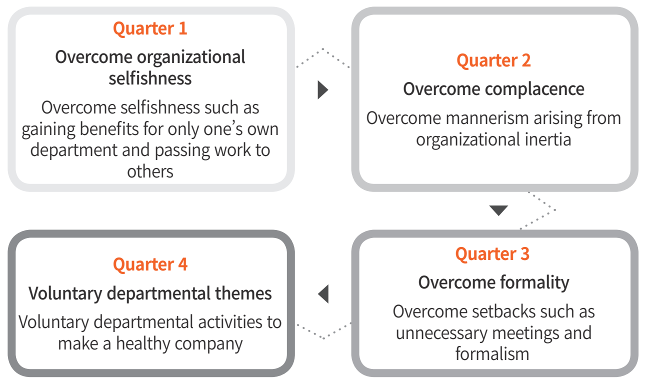
Evaluation Appeal System (Unit: %, cases)



Employee-centered Work Environment

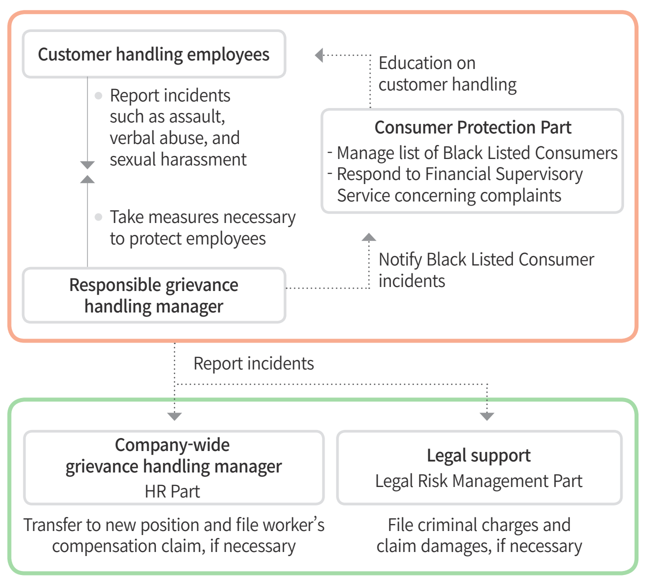
Make a Healthy Company

In its activities to make a healthy company, DB Insurance conducted improvement activities, participated by all employees, against elements impeding enthusiasm and commitment. In addition, to create synergy out of healthy corporate culture from a long-term perspective, we conduct our new corporate culture programs, for all employees, under the themes of trust, challenge, and implementation, whose main contents include education and activities to reduce possible conflicts arising from ever-diversifying generational differences, method of thinking, and values of our constituents.



Measures to Protect Customer Service Employees

In order to prevent disadvantages of employees contacting customers and suffering from them, DB Insurance has appointed a responsible grievance handling manager in each division to actively respond to problems.



Monitoring for Better Work Environment

DB Insurance conducts an annual Employee Satisfaction Index (ESI) to discover and address any issues regarding work environments and to establish systematic, company-wide measures to resolve the issues. As the ESI is carried out with an emphasis on diverse groups of employees by their ranks, sectors, departments, occupational groups (by gender) and reflects their opinions, it makes it possible to increase the satisfaction of employees as internal customers with rigorous improvements of the system based on their feedback. Also, their voices form a type of guideline for the company to determine what kinds of health promotion and cultural event programs should be implemented, resulting in a climb in relevant indicators, which demonstrates the company's assiduous efforts to elevate the level of employee satisfaction and welfare and benefits.

Indicators	Performance	Target level	Unit
Industry hazard rate	0.00	0.02	%
Employee welfare and benefit expenses per person	16.0	-	KRW million
Employee satisfaction	82.8	85.0	Points

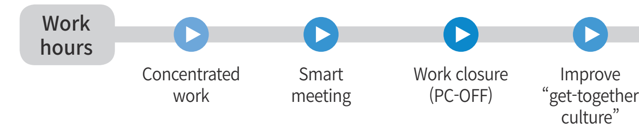
Work Environment Improvement Programs

Classification	program
Health Promotion Program	- Medical check-up for employees and their families - Health Fund(Stop Smoking, Fitness Fund) - Psychological Counseling for employees and their families - Continued illness response system (Prevention/treatment/leave, etc.) - Group accident insurance for employees and their families - Health information seminars - In-house Promy basketball game and clubs
Healthy Working Environment	Improvement of working conditions (illumination, noise, indoor air quality, humidity, temperature) for ergonomic workplace
Creation, Communication, and Empathy (CCE) Program	- Invitation to Humanities and Arts (Guest lectures) - Cultural events and performances - Volunteer activities for social contribution

Family-friendly Management

Pursue Work and life Balance

DB Insurance implements various programs to help its employees not to become lost in work but strike a balance between work and life. In particular, in 2018 we began to implement the "PC-OFF" program, securing employees' time to enjoy with their family or to invest in self-development, and improving employee satisfaction. Also, to achieve work efficiency with the given time, we have put in place systemic supplementation devices such as concentrated work, smart meeting, and improvement in "get-together culture," operating them so as to have "teeth," not just declaratory.



Implementation of Systems for the Protection of Mothers

In an effort to encourage childbirth for employees, DB Insurance adopts a wide array of systems. For instance, the company helps pregnant and postpartum female workers to increase psychological and physical well being by offering 90-days' maternity leave, while supporting them with medical costs for childbirth or abortion to mitigate their economic burdens. In 2017, the return to work rates of female workers who were on maternity leave has been 72.3%. Other organizational support for mothers includes prenatal diagnosis leave, paternity leave, child-care leave, etc. In addition, the company provides the workers with child-care services and opened the Promy Loving Child Kindergarten to foster a safe and pleasant child-care environment in the company's Dongja building in 2014. The kindergarten is operated by the Puruni Child Care Foundation on a commission basis whose expertise and experience has been proven. As of December 2017, a total of 30 children attend the kindergarten.

Also, the telecommuting system adopted by DB Insurance facilitates female workers to smoothly carry out consultation and services at home. As of December 2017, 36 female employees work from home.

Family-friendly Management Program

Program	Details
Childbirth congratulatory system	Provides congratulatory bonus (KRW 0.2 million) to promote birthrate, and KRW 1 million of congratulatory bonus for the birth of a third
Sponsoring program for surviving dependents	Provides all school expenses and preferential hiring to surviving children of employees who worked for the company for three or more years
Day-off for spouse birthday	Offers employees a paid half-day off on his/her spouse's birthday
Gift for matriculating child	Presents admission gifts for workers whose children enter elementary, middle-school, high school or university
Prenatal diagnosis leave	A paid half-day leave system for prenatal checkups for healthy female workers and their babies
Shortened working hours during parenting period	A system allowing parenting employees to apply for shortened working hours for a year
Family support leave	Offered max.90 days for employees whose parents, partners, children or parents in law are in need of care due to an illness or accident

Welfare & Benefits

Implementation of a Health Maintenance Program for Employees

To create a healthy work environment for everyone, DB Insurance has developed and operates a variety of health maintenance policies and programs. The company provides its staff and their partners with an annual medical check-up opportunity. The company's up-grade check-up program is tailor-made to the different needs of employees, their ages and service years: for instance, consulting desk workers receive a massage care program along with physical examination in musculoskeletal disorders. These coherent efforts are geared towards preventive measures against company-wide health risks.

In addition, the company helps to lift the burden of medical fees from its employees with a collective insurance program for injury and diseases encompassing not just the workers themselves but also lineal ascendants and descendants. Also, to be included are various health service programs including psychological counseling by specialists and health fund programs, etc.

Organization of Industrial Safety Committee

DB Insurance set up the Industrial Safety Committee in 2014 so as to maintain and increase occupational safety and health for its executives and workers and to consequently improve production efficiency.

In so doing, the company conducts a wide range of activities including workers' occupational safety and health education programs and work environment inspections, investigations into the cause of major disasters and the preparation of measures to prevent the recurrence and more. The company also appoints safety and health management managers and runs the Industrial Safety Committee composed of three representatives from labor and management to arrange systematic activities for occupational safety and disaster prevention.

Selective Welfare & Benefit System

Under the vision of 'a great corporation where the talented gather and work together,' DB Insurance offers a range of welfare and benefits systems to motivate all members to take pride in the company and maintain a high level of workplace engagement in a pleasant work environment based on trust of the company. To attain this goal, the company sets up and implements core strategic values including 'internalizing core corporate values and six shared values,' 'Actualizing a global level GWP,' 'Operating custom-made welfare & benefit system,' 'establishing win-win labor management culture' etc. From 2016 onwards, the company has actively reflected the government's policies including the introduction of a salary peak system, retirement extension, etc., while continuing to uncover practically necessary welfare and benefit systems for workers by identifying their diverse needs via surveys, Opinions & Suggestions various meetings, external consulting and academic research, among others.

Classification	program
Secure Business Continuity	Retirement Pension
	Various leave system including annual leave and sick day
	Maternity leave
	Holiday home support
	In-house kindergarten
	Commute cost support
Improve Business Prowess	Long/short-term study abroad
	Commissioned training for talented workers
	Various allowances and language training expense support
	Award system
Increase Productivity	Selective welfare & benefit system
	In-house clubs
	Summer camp for DB families
Welfare & Benefits	Loans for purchasing/renting houses
	Condolence money support
	Small credit loan
	School expenses and admission gift for employee's children
	Sponsoring program for surviving dependents
	Fitness facilities or contributions to external fitness programs
	Health/nutrition provisions
	Gift for pregnant/childbirth

Support for Re-employment and Secure Elderly Life

DB Insurance helps retirees to have a smooth transition to a secure and contented elderly life by assisting them with re-employment. Retired or resigned employees with excellent performance records will be offered an opportunity to be rehired to organizations of the relevant occupations or subsidiaries. It is increasingly proven to be an effective welfare and benefit system to allow both employees and the company to enjoy mutual benefits: it enables such employees to continue on the payroll whereas the company can take advantage of their know-how and expertise. On the other hand, the company operates two types of pension plans, the defined benefits (DB) pension plan and defined contribution (DC) pension plan for the purpose of secure management of retirement pensions. Operation of the pension fund is commissioned to multiple financial institutions, including DB Life Insurance, Korea Investment & Securities, Hyundai Marine and Fire Insurance, Kyobo Life Insurance, Samsung Life Insurance, Hana Bank, Shinhan Bank, and Lotte Insurance in a bid to minimize any associated risks. Besides, it assiduously abides by the relevant legal standards on severance pay to be provided in proportion to individuals' service years.

Performance

Indicators			Unit	2015	2016	2017	Remarks
Status of employees	Executives		Persons	38	32	57	
	Employees		Persons	4,684	4,509	4,426	
	Total		Persons	4,722	4,541	4,483	
Status by rank and gender	Senior managers/ junior managers	Male	Persons	475	538	527	Male/Female Rate: Male 98.3%, Female 1.7%
		Female	Persons	6	7	9	
	Assistant managers	Male	Persons	457	523	557	Male/Female Rate: Male 87.2%, Female 12.8%
		Female	Persons	44	77	82	
	Junior assistant managers/staff members	Male	Persons	746	674	632	Male/Female Rate: Male 34.4%, Female 65.6%
		Female	Persons	1,217	1,207	1,207	
	Specialists/consultants	Male	Persons	307	248	245	Male/Female Rate: Male 17.4%, Female 82.6%
		Female	Persons	1,432	1,235	1,167	
	Total		Persons	4,684	4,509	4,426	
Recruitment status	College graduates		Persons	73	64	81	
	Experienced workers		Persons	163	126	175	including direct counsel
	Female office workers		Persons	58	-	54	
	Total		Persons	294	190	210	
Recruitment status of female workers	Total employees		Persons	295	284	314	
	Female employees		Persons	178	181	19	
	Female high school graduates		Persons	59	88	60	
Locally-hired employees overseas			Persons	45	50	52	Current employed total
Conversion into regular workers			Persons	52	38	16	
Training hours	Total training hours		Hours	370,246	347,728	326,215	
	Training per person		Hours	77.9	76.6	72.8	
Training expenses	Total training expenses		KRW million	5,478	4,903	4,130	
	Per-capita training expenses		KRW million	1.15	1.08	0.92	
Major Training outcomes	No. of employees obtained qualification certificates		Persons	3,280	2,604	2,666	
	Employees with insurance qualification certificates		Persons	931	985	1,082	
	Insurance qualification ratio		%	30.1	31.8	35.0	Based on full-time workers
Employees participating in study groups			Persons	1,438	1,220	872	Including employees at affiliates
ESI satisfaction for employee education and training			Points	82.5	83.3	82.8	Change evaluation details of 2017
No. of employees engaged in self-diagnosis & devising self-development plan			Persons	2,488	2,450	2,450	
Per-capita productivity			KRW billion	3.59	3.78	3.88	
Welfare & benefit expenses	Total welfare & benefit expenses		KRW billion	48.3	45.4	51.1	Based on full-time workers
	Per-capita welfare & benefit expenses		KRW million	15.2	14.3	16.0	
Status of maternity leave use	No. of leave users before and after childbirth		Persons	141	108	107	
	No. of childcare leave users		Persons	118	157	114	
	No. of employees who returned	Male	%	-	100	200	Based on those who returned to work in the same year
		Female	%	70.3	89.9	72.3	
Retirement rate			%	4.7	4.4	4.3	Based on full-time workers
Rate of performance evaluation			%	93.3	93.0	93.1	Based on performance evaluation

Partners

Status of Partner

DB Insurance recognizes that sales partners selling its products and services and claim adjustment partners dealing with claims for insurance accidents are an important backbone of its business activities and also of its core stakeholders, and endeavors to create the value of win-win cooperation. Sales partners consist of "exclusive channels" such as exclusive planners, called Prime Agents (PAs), and insurance agencies and "non-exclusive channels" such as corporate agents, called General Agencies (GAs), and cross planners entitled to sell life and general (non-life) insurance products, and in particular, we strategically diversify channels based on characteristics, such as complex models including Total Consulting (TC) and Life Design (LD) channels as well as traditional face-to-face sales and TM (telemarketing) channels. Claim adjustment partners are service providers, including hospitals, car repair shops, and damage appraisal firms, who ensure smooth claim adjustment for customers.

Sales Partners

Exclusive channels	Prime Agent	Exclusive planner who can only sell DB Insurance's insurance products
	Insurance agency	Insurance agency who can only sell DB Insurance's insurance products through exclusive contract with DB Insurance
Non-exclusive channels	General Agency	Non-exclusive insurance agency and financial institution who can sell all insurers' insurance products
	Cross planner	Life insurance exclusive planner whose main job is a life insurance planner but can handle general insurance products

Claim Adjustment Partners

Accident investigators/ Damage appraisers	Firm which conducts accident investigation for car, long-term, and general insurance and insurance damage appraisal
Hospitals	Institution which provides insurance accident-related medical service and conducts diagnosis of medical issues
On-site/emergency dispatch service providers	Service provider which is dispatched to traffic accident sites, and service provider which is dispatched in emergencies such as vehicle failure
Promy car service centers	Domestic car repair partner that has passed DB Insurance's review

Promote Communication with Partners

Reflect PAs' Needs and Opinions through Communication

DB Insurance lets PAs with outstanding sales capacity join its Product Leaders Club which decides the direction of its product policies, thereby making it possible to reflect more candid voices from the field, and broadly utilizes the PA Opinions & Suggestions system in its policies and systems.

Our PA Opinions & Suggestions System is a communication channel where our PAs can deliver real-time opinions in the field on matters necessary for smoother sales activities, and the opinions and suggestions registered are directly transmitted to our headquarters and relevant departments, and those adopted are reflected in our policies and systems.

In addition, DB Insurance operates various communications channels with the sales partners, such as DB Round Table (DBRT) seminar, "cross sales team leader" course, "GA manager" course, "mentor" course, "training coach" course, "sales team leader" course, and "TC Center leader" course. Additionally, each year, we select excellent PAs based on evaluation of performance, customer satisfaction and retention ratio, hold an annual award ceremony, and induct PAs contributing to advancement of DB Insurance into the 'DBRT Hall of Fame,' promoting sales partners' loyalty and pride.

Strengthen Partnerships with Claim Adjustment Partners

DB Insurance continuously selects and manages excellent claim adjustment and repair partners, strengthening partnership with them, and runs various communication programs to strengthen partnership and collect opinions for customer-oriented, differentiated services. Also, to enhance repair partners' business understanding and satisfaction, we hold an annual partnership conference. In 2017, a total of 86 repair partners including seven foreign car-specializing ones participated, sharing oversight on the car industry's present and future, strategies for the partnership and conducting ethics training.

Strengthen Partners' Competency

Support Differentiated Field Training

DB Insurance conducts a multi-dimensional training program to improve its planners' and business managers' expertise in the insurance industry. In particular, we intend to improve activity competency and strengthen expertise through various forms of training support according to job characteristics. For planners, we run various curriculums such as activation training according to seniority and income tier and customer handling training based on disease information, and support improvement in GA-specializing trainers' competency for promoting specialized organizations and systemization of novice education for TC organizations showing continuous growth. In addition, we are strengthening educational infrastructure, such as tailored education to enhance job competency of training personnel and business managers directly or indirectly supporting planners and M-learning (mobile platform-based learning contents) which enables to secure expertise through continuous self-directed learning.

Insurance planner	Training personnel	Business manager
• Core competency-oriented training for novice PAs • Activation training for high-age/ career PAs • Strengthen specialized training according to organizational characteristics	• Standardize work and strengthen competency for training personnel • Strengthen training coaches' competency, based on their career and characteristics • Strengthen branch mentors' competency for activity coaching	• Core competency-oriented manager training course • Business manager training to strengthen execution • Expand foundation for business manager's self-directed learning

Systematic Training for Novice Planners

Recognizing that its novice planners will be directly linked to the company's growth, DB Insurance provides novice planners with training each month for their stable activity and fostering and makes certain that they will receive systematic training up to their 2nd year. In particular, we have selected core competencies for each program, and do our best to secure expertise for the sales organization so that right after completing the program, novice PAs can utilize knowledge in actual work. Also, we introduced the '5th through 8th month customer development program' in order to strengthen business branch-centered novice training, and provide semiannually coaching to strengthen novice planners' competency by conducting semi-annual competency education for training coaches and branch mentors.

Business Division-managed Programs

M (month) 0: Basic Training Course
Understanding of insurance industry and products, acquisition of general insurance licenses, etc.
Basic Training Course

M1 - M4: Field Training Course
Learn core products, customer management, 10 speech terms, etc.
Field Training Course

M5 – M8: Customer Development Program Course
Secure new customers, customer contacting skills
Preparing the foundation of activities, etc.

M5 – M24: Step-Up Course
Provide continuous activity management and various activity issues

HQ-managed Programs

M (month) 3: Dream Big Course
- Inspire novice planners' sense of belonging
- Suggest general insurance activities

M5: Auto Claim Adjustment Course
- Outstanding cases of finding customers
- Sales points by product

M7: Consulting Course
- PT for core products
- Strengthen consulting competency
- How to find new markets

M12: Success Course
- Share cases of outstanding activities
- Regular system for existing PAs
- Establish PA vision

M18: Increase Retained Customers' Value Course
- Analyze retained customers
- How to classify customer types

M24: Renewing Resolution Course
- Inspire SHIP
- Present visions

Strengthen Insurance Planners' Competency

For insurance planners' effective customer service, DB Insurance provides various tools and contents. We provide learning booklets and proposals which collect and summarize information on major diseases set forth in the terms of service, and using the same, insurance planners can provide the customers with an understanding of diseases and a variety of information. Also, we launched the integrated retained customer management system, thereby helping insurance planners to effectively manage and consult their own retained customers.

In addition, for PAs' improved professional knowledge and their learning activities, we continuously operate the 'PA Knowledge (PK) qualification system.' insurance planners can learn anytime, anywhere through the mobile platform, and the detailed qualification system, based on competency required, thus enhancing the spirit of challenge and continuity of learning.

The PA Knowledge (PK) qualification system is conducted monthly for novice planners and semi-annually for all planners. In 2017, a total of 1,806 insurance planners newly acquired qualifications. Due to these efforts, 2,582 excellence-certified and 41 blue-ribbon DB Insurance PAs were selected for the Korea General Insurance Association operated excellence certification[1] and blue ribbon[2] systems respectively, in 2017.

1) Excellence certification: This qualification is granted after comprehensive evaluation of the length of continuous service for the same insurer, new contract retention ratio, recruitment of new customers, number of incomplete sales, etc.

2) Blue ribbon: Highest honor granted to PAs selected as excellence-certified planners (insurance agencies) for four consecutive years and setting examples to others

Support insurance planners' on-site activities

Support TOOLs for customer relation activities

- Provide a learning booklet 'Understanding of Major Diseases in DB insurance Terms of Service'
- Support customer service proposals
- Launch "Integrated customer management system"

Strengthen customer handling and consulting capabilities

- Conduct education/training specialized for each business division/branch

Operate PA Knowledge (PK) qualification system

Content of operation

- Year-round learning system using smartpads
- 4 courses (Product/Activity/Coaching/Competency)
- Targets divided into staff, novice planners, and existing planners, and qualification system based on necessary competencies

Results (2017)

- Conducted monthly for novice planners and semi-annually (1st and 2nd half of year) for all planners
- 1,935 planners (2,494 in 2016) newly acquired qualifications.

Secure Partners' Competitiveness

Support Sales Partners' Sales Efforts

Commissions refer not only to a performance reward system for insurance soliciting activities but also reflects our policies, and we periodically share with sales partners, their significance and directions via in-house broadcasting and periodic training contents, enabling effective execution of strategies. We have increased our long-term activity support fee to encourage novice planners to keep up with sales efforts, and laid the foundation for continuous growth through our new planner incentive system. Furthermore, we are strengthening a range of support to motivate insurance planners, such as changing screening criteria for annual awards from relative evaluation based on sales to absolute evaluation selecting all planners, achieving a certain target for the purpose of presenting long-term visions to insurance planners with less than five years of experience.

Efficient Operation Support, by Channel

In order to stimulate efficient growth for our sales partners, in 2015, we reorganized the branches into standard, Total Consulting (TC), general, and specialized branches, and redefined the responsibilities and roles of staff organizations. After the reorganization, in order to maximize branch productivity, we took measures such as revamping staff organizations' operational system, differentiating operation cost based on branch characteristics, and enhancing operational efficiency of outskirt base branches, and in 2017, we expanded customer response service to members of all business divisions, thus improving customer satisfaction.

Standard branch
Foster talented PAs specialized in consulting

General branch
Strengthen support for aged PAs' customer retention and work

TC branch
Reinforce TC (total consulting)
Foster future PA leaders

Specialized branch
Discover new channels and sharpen channels' competitiveness
Provide work support for staff organizations

Support Career-interrupted Female Workers in LD Center

Our Life Design (LD) Center, composed of career-interrupted female workers between 25 and 45 and having at least a junior college degree, has steadily grown since its beginning in 2014, thus establishing itself as the only successful sales channel of its kind in the Korean insurance industry. In the background of such success are various work- and family-balancing efforts which consider characteristics of the organization composed of mostly working mothers. Notably, the LD Center utilizes tailored work hours in view of the working mothers' child-raising activities and household chores, and in cases of work gap due to child-raising, we support substitute staff. Also, it provides a pleasant environment where work and child-raising can co-exist, such as installing children's play space in the back of the branch's education room so that the mothers can bring their children to work, and mitigating the economic burden of child-raising through child-birth allowance, infant support allowance for 18 months, and prenatal income succession to minimize the gap during the postnatal childcare period. Furthermore, in order to enhance working mothers' loyalty, we celebrate Family Day on which children are invited, and conduct personal finance classes, basketball game nights, drawing competitions, etc. Furthermore, we conduct Myers-Briggs Type Indicator (MBTI) tests for all novices, providing coaching on work adaptation and colleague relations, and periodically provide image-making and lectures by show hosts and well-known lecturers, thus making differentiated efforts to develop young female workers' competency.

Through a variety of such support, the number of available long-term personnel has reached 88 as of March 2017, and in the 2017 annual awards, they received the 1st prize in the field of TC center head and a bronze award for efforts in introducing the same, demonstrating their solid performance.

Enhance Customer Satisfaction by Providing Real-time Information on Dispatch Personnel Location

In December 2017, DB Insurance launched its dispatch personnel location information system wherein customers having requested emergency dispatch due to vehicle malfunction are given visual, real-time information on dispatch personnel's location and expected time of arrival. We expect that this system will relieve customer anxiety to a certain extent and provide speedy dispatch service, helping to enhance customer satisfaction.

Performance

Indicators		Unit	2015	2016	2017	Remarks
Sales Partners	Exclusive planner (PA)	Persons	13,694	13,462	13,245	
	Cross planner	Persons	9,702	9,512	9,251	
	Individual (non-corporate) agency	Agencies	3,325	3,097	2,827	
	Corporate agency	Agencies	1,776	1,701	1,639	
	Financial institution	Agencies	39	38	40	
Claim adjustment partners	Emergency dispatch network for vehicle failure	Agencies	459	453	457	
	On-side dispatch network for car accidents	Agencies	505	517	512	
	Specialized repair network	Agencies	400	390	377	
	Accident investigator & damage appraiser	Agencies	11	17	15	
Franchisee satisfaction index (FSI)		Points	70.3	71.8	70.6	
13th month customer retention rate of long-term insurance		%	84.6	84.7	82.8	
Emergency dispatch service satisfaction		Points	93.7	97.1	97.8	
Number of new PK certificate holders		Persons	35,199	37,693	39,499	Annual cumulative
Smartpad penetration rate		%	44.3	52.5	55.2	Smartpad penetration ratio among sales partners
Number of cases handled per claim adjustment partner		Cases	360	358	294	
Amount of reported insurance fraud		KRW billion	118.6	115.4	131.1	

Environment

Environmental Management System

Mid-to Long-term Strategies of Environmental Management

DB Insurance establish and operates environmental management strategies based on three principles of the environmental management including specialization of environmental risk management, minimization of environmental footprint, and the expansion of green finance and environmental project. The company is committed to ensure more sustainable recycling of resources by establishing and operating environmental management guidelines, thereby minimizing environmental impact of its management activities.

Become the leading company in the field of the environmental management by 2020

Lower CO_2 emissions by 5% by 2020

Specialize environmental risk management

1. Strengthen R&Ds on environmental risks
2. Forge international ties for joint efforts and establish cooperative systems
3. Provide more opportunities for stakeholder participation

Minimize environmental footprints

4. Minimize business impacts on the environment
5. Encourage business partners to engage in environmental management
6. GHG reduction activities
7. Expand the areas under the control of environmental index

Widen the green finance and environmental businesses

8. Provide eco-friendly and pro-social products
9. Operate and invest in green industry assets
10. Support client's green management

Certifications of Environmental Management

To establish a systematic environmental management system, the company introduced the certifications of environmental management system constituted by International Standardization Organization (ISO) and a green management system (KSI 7001/7002).

Certifications of Environmental Management

Environmental Management System (ISO 14001)	To practice environmentally friendly management at society level, the company implemented innovation projects to tackle climate change risk such as training ISO 14001 Environment Management System Auditors and the management of heavy rains.
Green Management System (KSI 7001/ 7002)	The company won the first green management system, 'KSI 7001/7002' in the non-life insurance industry in 2013 in recognition of its environmental efforts encompassing the attempts to ensure effective resource and energy use and to minimize GHG emissions and the generation of environmental pollutants.

Certificate of environmental management

Providing Information through Environmental Management Research and Consultations

DB insurance is committed to guide its management activities through preemptive risk management with continuous R&D activities on natural disasters such as heavy rains and typhoons, and improves the effective environmental management by providing customers with consultations on the external effects of leaks of hazardous chemicals at customers' worksites.

MOU with UNEP FI's Sustainable Insurance (PSI)

For the first time as a Korean insurer, DB Insurance has signed a 3-year sponsorship MOU with UNEP FI, thereby supporting UNEP FI's Principles for Sustainable Insurance (PSI). This sponsorship was intended to specify key issues and roles in the international insurance industry and support identifying such agendas that are related to UN SDGs, and UNEP FI plans to invest part of the sponsorship funds in preparing a report to identify potential challenges and opportunities concerning sustainability within the insurance industry.

This task mainly targets environmental/financial government agencies, the insurance industry, and supervisory authorities, and the report will focus on SDG12 'Responsible Consumption and Production,' SDG13 'Climate Action,' etc., through which we will seek how the insurance industry can contribute to the utilization of sustainable natural resources, eco-friendly management in relation to chemical waste, and minimization of air, water, and soil pollution.

Energy Use

Though the absolute energy consumption is increasing from the increased areas of its office buildings and increased data center utilization due to expansion of IT-based business capabilities, DB Insurance strives to ensure effective energy consumption. To this end, the company sets specific energy consumption targets by different items and measures the performance of the nine domestic corporate buildings and leased offices in the country. In calculating the amounts of GHG emissions, the company applies coefficients set forth in the IPCC GL 2006; GHG emissions from sales branches and overseas offices are excluded.

DB Insurance relies on bulk electrical supply by the Korea Electric Power Corporation (KEPCO) as its main energy source along with fossil fuels (LNG, diesel and petroleum) for heating and emergency power generators. Energy consumption was calculated in accordance with energy calorie conversion standards in the attached table of the Domestic Energy Act revised on December 30, 2011.

Although the Company acknowledges the significance of using renewable energy including bio fuels, solar energy and fuel cells, it has not yet implemented the relevant generating facilities in consideration of the domestic new and renewable market environment. The company intends to make a strategic introduction of new and renewable power generating facilities in its major buildings considering market maturity and the declining price trend of power-generating facilities.

Direct Greenhouse Gas Emissions (Scope1) – Gas and Fuel

DB Insurance defines air-conditioners and heating boilers, absorption-type water coolers and heaters, emergency generators and corporate vehicles as direct GHG emission sources and endeavors to reduce direct GHG emissions by continuously placing limits on cooling and heating temperatures and more.

Indirect Greenhouse Gas Emission (Scope2) – Electricity

For the effective reduction of indirect GHG emissions as the byproduct of electricity utilization, the company is replacing its lighting, the major source of electric power load, with LED lamps. Also, what underpins the company's drive to lower its indirect GHG emissions is the engaged participation of employees, as they enable the continued adoption of relevant campaigns such as turning off lights during non-business hours, and setting a limit on cooling/heating temperatures, among others.

Others Indirect Greenhouse Gas Emission (Scope3) - Travel Distance, Paper Consumption

DB Insurance has in place an integrated control system of paper consumption and a cross-country business trip management system for employees for indirect GHG emission management in a bid to explore opportunity factors and to control associated risks in respect of indirect impact on climate change due to its business operations.

Waste Management

To assure on-going improvement of waste discharge, DB Insurance strictly separates between recyclable and land-fill wastes and manages accordingly. Taking account of the fact that most wastes from the company's office buildings are shredded paper and aged office supplies, the company encourages employees to avoid producing unnecessary print outs and to use and recycle reusable papers and office supplies, etc., while introducing an IT-based business system to make a substantial advance in reducing waste from the work environment.

Strengthen Internal/External Activities for Disaster Response

Develop Disaster Response Insurance Product

Launch the Insurance Product of Special Contract for Earthquake Risk, Covering Blind Spots for Insurance

Damages from earthquake, as force majeure, are not covered by insurance, but with an increase in customers' coverage needs for vehicle damages arising from earthquakes in Gyeongju and Pohang, we launched a new special contract for earthquake risk in 2017. In particular, we emphasize the social functions of insurance such as covering not only vehicular damages from earthquakes but also rental car fees during vehicle repair and vehicle acquisition tax to be paid for new cars in cases of total loss (vehicle registration abolishment, etc.), thus further strengthening coverage for blind spots for insurance.

Develop Disaster Liability Insurance Product (Mandatory Insurance for Disaster-prone Facilities)

With the Framework Act on the Management of Disasters and Safety mandating or obligating 19 types of facilities with a high risk of disasters to be covered by insurance, we developed a new disaster liability insurance product, which, based on a "no-negligence liability principle," compensates the victim's damages even when the insurance purchaser (subscriber) is not negligent and enables speedy, substantial relief for the victim.

Key Features of the Product

• Applicability: 19 types of facilities with high risk of disasters

Category	Facilities	No.
Reference rate	Museum, gallery, science museum, library, funeral home, restaurant, apartment house, lodgings	8
Reinsurer-negotiated rate	Race track, off-track betting site, passenger vehicle terminal, gas station, warehouse, bicycle race track, regatta, display facility, underground shopping center, international conference facility	11

• Covered risk: Damage to a third party's life, body and property due to fire, explosion, or collapse occurring in disaster-prone facilities (Article 76 of the Framework Act on the Management of Disasters and Safety)

Establish Company-wide Disaster Response System

DB Insurance periodically conducts disaster recovery and IT malfunction response drills (simulation training), etc. and has built a next-generation disaster recovery system, thereby securing uninterrupted customer service in cases of emergencies. Also, we expand the scope of businesses and branches/IT systems covered and continuously maintain and check the system, thereby strengthening our internal response capability.

Category	Contents	Cycle
Mock BCP drill	• Review the feasibility of initial and emergency responses, work resumption, and disaster recovery plans and identify areas for improvement (IT sector, 2016)	Annual
Drill to cope with open web server hacking	• Detect and block mock attacks on open servers such as web and email servers after scanning the servers to reveal their weaknesses	
Drill to cope with malicious code and emails	• Detect, block and remove malicious codes after spreading emails with pseudo-malicious codes to email accounts of employees	
Anti-DDoS drill	• Emergency responses to electronic infiltration such as hacking and DoS(denial of service) attacks	
Disaster/accident restoration drill	• Establish a business continuity plan for emergency events such as disasters, in order to prevent interruption of operation • Verify the feasibility of recovery system operation/recovery process as well as system transition, for emergency events • Check the maintenance of emergency contact systems via surprise drills	Semi-annual
Backup outcome simulation	• Test the pertinence of backup system operation and backup recovery plan • Verify the recovery time and integrity of backup data	
Mock simulation against IT failures	• Verify business (operation) availability, after mock failure situation	Quarterly

Other Disaster-related Insurance Products

Fire insurance

The special contract for earthquake risk provides indemnity for fire caused by earthquake or eruption or losses incurred by burn damage, collapse, destruction, being buried, loss prevention, and emergency evacuation. The special contract for storm and flood damage provides compensation in case of typhoons, tornados, storms, tempests, floods, tsunamis, inundation, and similar damage.

Storm and flood damage insurance

This insurance product is developed to quickly, substantially recover from damage when property loss occurs due to storm and flood damage, such as typhoons, floods, torrential rain, tsunamis, strong winds, storms, and heavy snowfalls.

Crop insurance

This insurance product is developed to address management uncertainties of farmers and help stabilize their income. The contract mainly covers hurricanes, hail, and localized torrential rain, and special contracts, which can be selected by farmers, cover damage from various causes, such as frost in spring and autumn and unusually cold temperatures.

Environmental Impairment Liability ("EIL") Insurance

DB Insurance has developed and is selling an 'EIL insurance' product which is mandatory for environmental impairment liability under the "Act on Liability for Environmental Damage and Relief Thereof," the first such legislation in the world, and collects and manages information on environmental pollutants handled by business sites subject to the mandatory insurance (about 13,000 sites nationwide) by nurturing regional experts on EIL insurance.

Also, in order to reduce the social risk of environmental impairment, we have developed a product covering damages in excess of the coverage limit of the mandatory insurance, and in order to improve awareness on voluntary insurance covering the excess damages and expand participation therein, we conduct professional consulting and education, etc. on an ongoing basis.

Facilities that must be insured

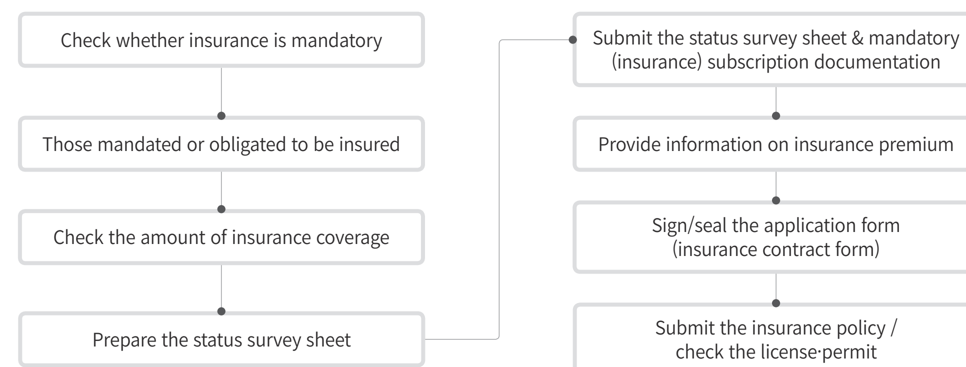
1. Air	Class 1 & specific air pollutant emission facilities
2. Water	Class 1 & specific water pollutant discharge facilities
3. Wastes	Designated waste disposal facilities
4. Soil	[Facilities designated by Presidential Decree] Oil pipeline, petroleum manufacturing & storage facility with 1,000 kℓ or more storage capacity, and facilities required to file the risk management plan
5. Hazardous Chemicals	[Facilities designated by the Presidential Decree] Facilities required to file the risk management plan
6. Marine	Same as facilities subject to the statute

Coverage of EIL insurance

Covered damages	Environmental pollution arising from installment/operation of the facility stated in the insurance policy, which the insurance purchaser has to compensate the victim under the law during the period of insurance 1) Legal damages 2) Cost of damage prevention (excluding cost of pollution clean-up within the business site) 3) Cost of litigation, attorneys' fees, and cost of arbitration, settlement, or mediation 4) Deposit guarantee insurance premium

Procedure of subscribing to EIL insurance

Applications for the subscription or purchase can be made 24 hours a day, 365 days a year through the online subscription system (www.eilkorea.or.kr), and there are call centers and regional personnels dedicated for the job.



Presenting our best practices at the 2017 UNEP FI Regional Roundtable

DB Insurance attended the 2017 UNEP FI Regional Roundtable held in Tokyo as a member of UNEP FI's Principles for Sustainable Insurance (PSI) and presented a case of developing an EIL insurance product.

Our EIL insurance product is the world's first mandatory insurance covering third-party liability for environmental impairment, and we conducted presentations on the EIL insurance being mandated or forced by the law, our roles, obligations, and difficulties as a private insurance company during product development and sales, etc. In the following Q&A's among the PSI member companies, there were discussions on the possibility of the company's EIL insurance model being applied in the global insurance market, etc. We will continuously endeavor to develop additional environmental impairment-related insurance products and create a new market via cooperation with the government and global initiatives.

Performance

Energy Consumption Objectives for 2020:
5% reduction in energy consumption compared to 2015

Amount of GHG Emissions Objectives for 2020:
5% reduction in GHG emissions compared to 2015

Indicators		Unit	2015	2016	2017	Remarks
Energy consumption	Electric power	MWh	51,833	54,264	53,069	
	Gas	m^3	1,172,983	1,301,531	1,307,991	
	Fuel	m^3	103,204	95,859	90,973	
	Tap water	m^3	384,771	413,761	388,386	
GHG emission intensity	Direct CO_2 emissions (gas and fuel)	$tonCO_2eq$	3,034	3,339	3,335	
	Indirect CO_2 emissions (electricity)	$tonCO_2eq$	21,375	22,221	21,664	All business sites (9 corporate buildings and leased offices in Korea)
	Other indirect CO_2 emissions (travel distance, paper consumption)	$tonCO_2eq$	-	492	460	
Waste management	Discharge of landfill wastes	ton	927	913	876	
	Discharge of recycling wastes	ton	1,077	983	911	
Water	Water usage[1)]	Mio.m^3	384,771	413,761	388,386	
Promotion of efficient business trips	Domestic business trips	Km	2,927,952	2,644,389	2,468,937	

1) The company annually carries out the 3rd party assurance, which was assumed by the Korea Productivity Center in 2017.

Interview with Stakeholder

Mr. Dae-Woong Lim (Korea Representative of UNEP Finance Initiative and Principal Partner of Eco&Partners Inc.)

As stated in the Principles of Sustainable Insurance (PSI), an insurer's role is to integrate ESG to all areas of business including risk management and investment. ESG-considering underwriting, product development, low-carbon investment and de-carbonization are key trends, and EIL (environmental impairment liability) insurance is a representative insurance product which not only protects citizens and their properties against environmental pollution arising from the business sites covered but also helps with the sustainability of the business. It can prevent economic and social problems caused by environmental pollution, and even in cases where damage does occur, can minimize social problems through speedy compensation and recovery.
DB Insurance has been implementing sustainable management for a long time, and has been well received by various global institutions, and has recently launched the first mandatory EIL insurance product in the world and is promoting the same globally through UNEP FI. Based on such success, DB Insurance aims to internalize 'sustainable insurance service,' above and beyond 'social responsibility' and, further, in order to upgrade sustainability management, will make efforts to integrate ESG with not only corporate strategies but all areas of business including risk management, underwriting, product/service development, claim management, and investment management.

Appendix

Stakeholder Engagement

DB Insurance defines its key stakeholders as customers, shareholders, investors, employees, sales partners, and communities. We actively collect their opinions through various communication channels according to stakeholder characteristics, and reflect the same in the key decision-making of our management activities. Also, we conduct monitoring through direct indexes such as an internal/external customer satisfaction index (CSI), employee satisfaction index, franchisee satisfaction index (FSI), and an online reputation survey system and indirect indexes governing aspects such as sales of new products and stock price movements, and the results are reflected in the management's decision-making.

Stakeholder Communication Process

Follow-up monitoring
Collect and reflect stakeholders' opinions, and improve monitoring
- Customer satisfaction, employee satisfaction, and sales partner (franchisee) satisfaction indexes, stock price, sales of new products, reputation survey, etc.

Define stakeholders
Customers, employees, sales partners, shareholders, communities, financial authorities, etc.

Stakeholder communications
Check stakeholders' key demands
- VOC, Consumer Evaluator (Review) Group, employee councils and surveys, opinions & suggestions, conferences, IR (investor relations), General Insurance Association of Korea, social contribution activities, etc.

Decision-making by the management
Conduct decision-making by reflecting, in the strategies, stakeholders' demands
- BOD, management conference bodies, etc.

Communication of the decision-making outcomes
Communicate with stakeholders on corporate visions, core values, management goals, strategies, etc.
- New products, customer notification, broadcasting media, official website, financial statements, general meeting of shareholders, etc.

Survey of Stakeholders (Results)

Internal stakeholders		External stakeholders	
2016	2017	2016	2017
Comply with environmental laws and regulations	Promote labor- and human rights-related grievance handling system	Comply with environmental laws and regulations	Advance environmental management strategies, policies, and system
Advance environmental management strategies, policies, and system	Build and strengthen the framework of sustainable management strategies	Develop eco-friendly products for environmental protection	Build and strengthen the framework of sustainable management strategies
Build and strengthen the framework of sustainable management strategies	Advance environmental management strategies, policies, and system	Expand investment for environmental protection	Comply with environmental laws and regulations
Strengthen employee benefit system	Enhance brand and corporate images	Strengthen risk management in consideration of ESG factors	Promote labor- and human rights-related grievance handling system
Promote labor- and human rights-related grievance handling system	Strengthen employee benefit system	No employee discrimination based on gender, age, minority status, race, etc.	Develop products and services for a stable consumer economy

Management's Decision-making System

DB Insurance makes decisions on important management issues through its BOD, committees in different sectors, management conference bodies, etc., and continuously improves its operating system in line with changes in its management environment and strategies. A speedy, smooth decision-making process is facilitated by our electronic document-approval (decision-making) system, and important items of decision-making are transparently shared with all employees through our work portal system.

Creating Values for Stakeholders

Stakeholders

Sales partners
Communication channels for individuals or groups who rapidly, accurately deliver DB Insurance's products and services

Communication Channels
On-site PA communication channel / Sales Partner TV / DBRT (DB Round Table) seminar / Car repair agents' partnership conference / DP (DB Partner) meetings / Medical consulting (medical specialists) network

Employees
Communication channels for a group of people who receive wages in exchange for their labor or service as employees of DB Insurance

Communication Channels
Dream Big Plaza / Opinions & Suggestions / Participation Platform / Employee Satisfaction Index (ESI) / Dynamic Leaders Conference / Open Communication with CEO / Monthly management briefings (Promy TV)

Shareholders
Communication channels for individuals or groups who supply capital to DB Insurance with a view to gaining specific benefits.

Communication Channels
IR (investor relations) activities / Disclosure (DART "Data Analysis, Retrieval and Transfer System," an electronic disclosure system & website)

Community
Communication channels for individuals or groups of individuals or groups that exchange direct/indirect influences in the areas of the company's business

Communication Channels
Social contribution activities / Sports sponsorships / Public service

Customers
Communication channels for individuals or groups who are present customers or potential customers of DB Insurance's financial products.

Communication Channels
Consumer Evaluator (Review) Group / Customer VOC / Know Your Customers Campaign / External Customer Satisfaction Indexes (KCSI, KS-SQI, NCSI) / DB Insurance's Customer Satisfaction Index (DCSI)

Stakeholder Value Created (2017)

Stakeholders	Value creation categories	Value creation performance	Unit
Sales partners	Commissions paid for insurance sales	371.8	KRW billion
Employees	Labor costs	345.6	KRW billion
Shareholders	Dividends paid	145.6	KRW billion
Customers	Claims paid	4,713.7	KRW billion
Communities	Total investment in social contribution	5,049	KRW million
	Participation hours (employees, planners)	47,570	Hours

Materiality Test

In order to identify key issues of sustainable management, DB Insurance conducted internal/external environment analysis on global sustainable management trends, key industry issues, internal management issues, etc., and identified stakeholders' opinions and needs through a survey of key stakeholders.

In this Sustainability Report, we will transparently disclose our sustainable management activities and performances related to the key issues and ascertain stakeholders' various opinions, thereby laying the foundation for development of sustainable management.

Step 1. Create an issue pool via multi-faceted analysis

External environment analysis	Reflection of competitor issues Media research/analysis Reviews of international standards Survey of stakeholders	• Conduct multi-faceted analysis of DB Insurance's sustainable management • Reflection of industrial issues: A total of 10 leading global enterprises • Media research/analysis: A total of 1,915 items (Jan 1, 2017–Dec 31, 2017) • Review of international standards: GRI Standards, DJSI, ISO26000, industry indicators • Survey of stakeholders: Customers, shareholders, investors, communities, sales partners, and sustainability management experts
Internal environment analysis	Survey of employees Review of internal materials Key issues of sustainable management	• Survey of employees: Employees of DB Insurance and its affiliates (including subsidiaries) • Review of internal materials: CEO's key announcements or presentations and other management materials • Key issues of sustainable management: Key issues of DB Insurance's sustainable management and key directions thereof

Step 2 Materiality mapping and key issue identification

• Materiality test in terms of stakeholder impact ('Impact') and business relevance ('Relevance')

Evidence of 'Impact'

Analysis of stakeholders' interest
- Issues of interest by stakeholders
- Trend in social issues
- Compliance with legal regulation

Evidence of 'Relevance'

Review of business relevance
- Link with financial/insurance industry
- Consistency with short/long-term visions

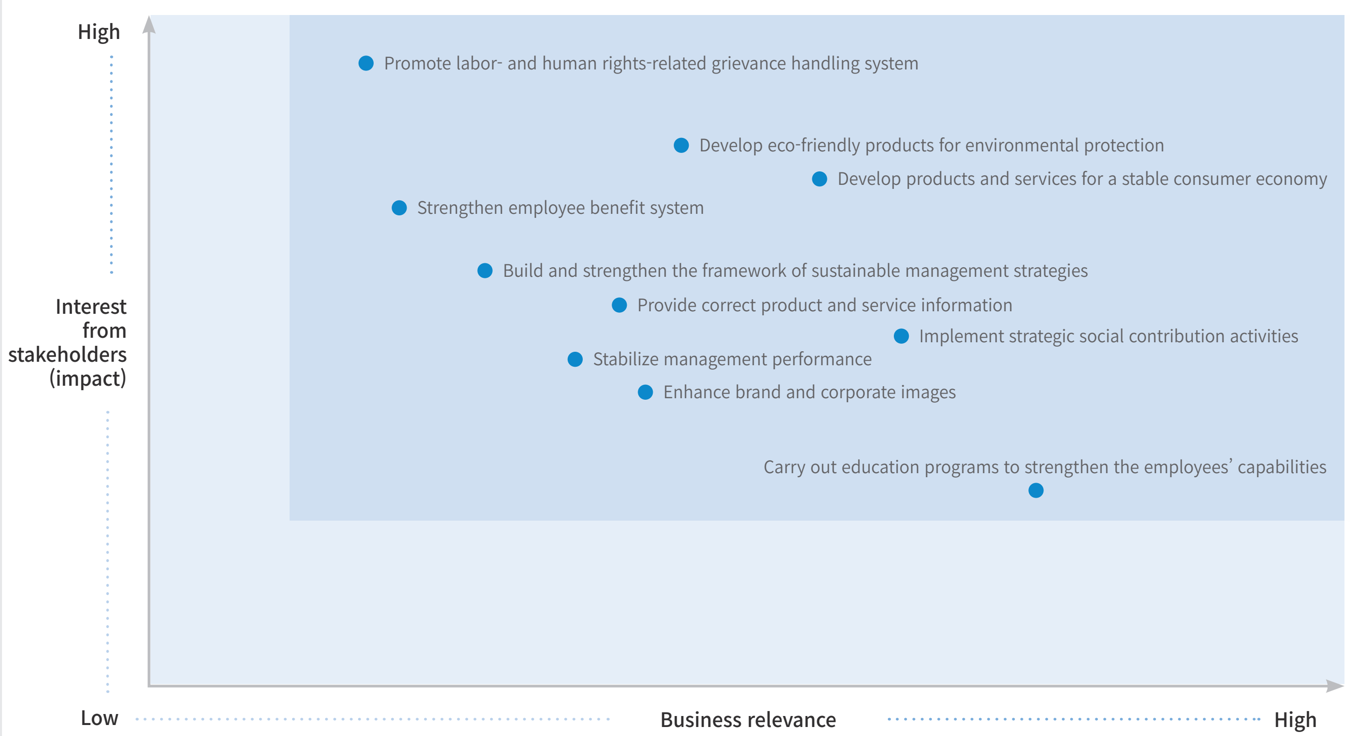
Step 3 Validity review and reporting

• Reflecting internal opinions
- Consultations with sustainable management TF team
- Review by the Sustainable Management Committee

• Reporting on key issues
- Detailed reporting, with an emphasis on activities and performances for the derived issues

• Reporting on potential issues
- Reporting on issues specifically managed by the company on an ongoing basis

Materiality Test Matrix



Material Issues Reporting

Category	GRI Standards aspects	Issues	Stakeholder impact assessment: Finance	Operation	Risk management	Pages in the report
Material issues	Product portfolio	Develop products and services for a stable consumer economy		V		24-28
	Product portfolio	Develop eco-friendly products for environmental protection		V		27
	Community	Implement strategic social contribution activities		V		39-42
	Marketing & labeling	Provide correct product & service information		V		29-33
	Training & education	Carry out education programs to strengthen the employees' capabilities		V		37-38
General issues	Indirect economic impact	Build and strengthen the framework of sustainable management strategies		V		22-23
	Human rights impact assessment	Promote labor- and human rights-related grievance handling system	V			36-37
	Employment	Strengthen employee benefit system	V			65-66
	Economic performance	Enhance brand and corporate images		V		6-7
	Economic performance	Stabilize management performance		V		57

GRI Index

Universal Standards(GRI 100)

Classification	Disclosure	Indicators	Page	Note
Organizational Profile	102-1	Name of the organization	2	
	102-2	Activities, brands, products, and services	12-13	
	102-3	Location of headquarters	2	
	102-4	Location of operations	2, 20-21	
	102-5	Ownership and legal form	2	
	102-6	Markets served	12-13, 20-21	
	102-7	Scale of the organization	57, 67	
	102-8	Information on employees and other workers	63, 67	
	102-9	Supply chain	12-13	
	102-10	Significant changes to the organization and its supply chain	-	None significant changes
	102-11	Precautionary Principle or approach	52-55	
	102-12	External initiatives	93-94	
	102-13	Membership of associations	94	
Strategy	102-14	Statement from senior decision-maker	4-5	
	102-15	Key impacts, risks, and opportunities	52-55	
Ethics and Integrity	102-16	Values, principles, standards, and norms of behavior	48-51	
	102-17	Mechanisms for advice and concerns about ethics	48-51	
Governance	102-18	Governance structure	44-47	
	102-19	Delegating authority	44-47	
	102-20	Executive-level responsibility for economic, environmental, and social topics	44-47	
	102-22	Composition of the highest governance body and its committees	46	
	102-23	Chair of the highest governance body	44	
	102-24	Nominating and selecting the highest governance body	44-45	
	102-25	Conflicts of interest	46	
	102-26	Role of the highest governance body in setting purpose, values, and strategy	44-47	
	102-27	Collective knowledge of the highest governance body	45	
	102-28	Evaluating the highest governance body's performance	47	
	102-29	Identifying and managing economic, environmental, and social impacts	44-47	
	102-31	Review of economic, environmental, and social topics	47	
	102-35	Remuneration policies	46	
	102-36	Process for determining remuneration	46	
	102-38	Annual total compensation ratio	46	
	102-39	Percentage increase in annual total compensation ratio	46	
Stakeholder Engagement	102-40	List of stakeholder groups	78-79	
	102-41	Collective bargaining agreements	-	All employees except for registered directors according to employment regulations
	102-42	Identifying and selecting stakeholders	78-79	
	102-43	Approach to stakeholder engagement	78-79	
	102-44	Key topics and concerns raised	78-79	
Reporting Practice	102-45	Entities included in the consolidated financial statements	-	Annual report
	102-46	Defining report content and topic Boundaries	2	
	102-47	List of material topics	81	
	102-48	Restatements of information	-	Included relevant page
	102-49	Changes in reporting	-	None significant changes
	102-50	Reporting period	2	
	102-51	Date of most recent report	2	
	102-52	Reporting cycle	2	
	102-53	Contact point for questions regarding the report	2	
	102-54	Claims of reporting in accordance with the GRI Standards	82-83	
	102-55	GRI content index	82-83	
	102-56	External assurance	90-91	

Topic-specific Standards

Economic Performance(GRI 200)

Classification	Disclosure	Indicators	Page	Note
Economic Performance	201-1	Direct economic value generated and distributed	57	
	201-2	Financial implications and other risks and opportunities due to climate change	54-55	
	201-3	Defined benefit plan obligations and other retirement plans	66	
Indirect Economic Impacts	203-1	Infrastructure investments and services supported	39-42	
	203-2	Significant indirect economic impacts	79	
Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	49	
	205-3	Confirmed incidents of corruption and actions taken	50	
Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	50	

Environmental Performance(GRI 300)

Classification	Disclosure	Indicators	Page	Note
Energy	302-1	Energy consumption within the organization	73, 76	
	302-2	Energy consumption outside of the organization	73, 76	
	302-4	Reduction of energy consumption	73, 76	
Water	303-1	Water withdrawal by source	76	
Emissions	305-1	Direct (Scope 1) GHG emissions	76	
	305-2	Energy indirect (Scope 2) GHG emissions	76	
	305-3	Other indirect (Scope 3) GHG emissions	76	
	305-4	GHG emissions intensity	76	
	305-5	Reduction of GHG emissions	73	
Effluents and Waste	306-2	Waste by type and disposal method	76	

Social Performance(GRI 400)

Classification	Disclosure	Indicators	Page	Note
Employment	401-1	New employee hires and employee turnover	67	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	65-66	
	401-3	Parental leave	67	
Labor/Management Relations	402-1	Minimum notice periods regarding operational changes	35	
Occupational Health and Safety	403-4	Health and safety topics covered in formal agreements with trade unions	66	
Training and Education	103-1	Explanation of the material topic and its Boundary	34	
	103-2	The management approach and its components	34	
	103-3	Evaluation of the management approach	34	
	404-2	Programs for upgrading employee skills and transition assistance programs	37-38, 66	
Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	67	
Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	63	
Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	36	
	412-2	Employee training on human rights policies or procedures	36-37	
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	36	
Local Communities	103-1	Explanation of the material topic and its Boundary	39	
	103-2	The management approach and its components	39	
	103-3	Evaluation of the management approach	39	
	413-1	Operations with local community engagement, impact assessments, and development programs	39-42	
	413-2	Operations with significant actual and potential negative impacts on local communities	-	Not applicable
Public Policy	415-1	Political contributions	51	
Marketing and Labeling	103-1	Explanation of the material topic and its Boundary	29	
	103-2	The management approach and its components	29	
	103-3	Evaluation of the management approach	29	
	417-1	Requirements for product and service information and labeling	-	Not applicable
Customer Privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	Not applicable
Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	-	Not applicable

Financial Services Sector

Classification	Disclosure	Indicators	Page	Note
Product Portfolio	103-1	Explanation of the material topic and its Boundary	24	
	103-2	The management approach and its components	24	
	103-3	Evaluation of the management approach	24	
	FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	25-28	
	FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	27, 74-75	

Independent Auditor's Report

To the shareholders and Board of Directors of DB Insurance Co., Ltd. (formerly Dongbu Insurance Co., Ltd.)

We have audited the attached consolidated financial statements of DB Insurance Co., Ltd. (formerly Dongbu Insurance Co., Ltd.), which comprise the consolidated statements of financial position as of December 31, 2016 and December 31, 2017, the related consolidated statements of income, changes in equity, and cash flow for the years ending on the aforementioned dates, summary of significant accounting policies, and other explanatory information.

Senior Management's Responsibility for the Consolidated Financial Statements

Upper management is responsible for preparing these consolidated financial statements and presenting them fairly according to the Korean International Financial Reporting Standards (K-IFRS). It is also responsible for internal control necessary to prepare the consolidated financial statements with no material misstatements resulting from irregularities or errors.

Auditor's Responsibility

Our responsibility is to express our opinions on the consolidated financial statements based on our audit. We conducted our audit in conformity with K-IFRS, which is a standard that requires us to comply with ethical requirements and to plan and implement the audit to gain reasonable confidence on the presence of material misstatements in the consolidated financial statements.
The audit includes the implementation of a procedure to collect evidence for auditing on the amounts and disclosure of the consolidated financial statements. The procedure might vary depending on the judgments of auditors including assessment of the risk of material misstatements in the consolidated financial statements resulting from irregularities or errors. We consider the company's internal control related to preparation and fair presentation of the consolidated financial statements to design an adequate auditing procedure in assessing such risk. However, this is not to indicate an opinion on the effectiveness of internal control. Our audit includes not only the assessment of overall indication in the consolidated financial statements but also the adequacy of the accounting policy adopted by, and the reasonableness of accounting estimates devised by, senior management in preparing the consolidated financial statements.

We believe that the auditing evidence we collected is sufficient for the auditing opinion.

Auditor's Opinion

In our opinions, the company's consolidated financial statements fairly indicate financial performance and cash flow under the materiality concept of K-IFRS during the reporting periods ending on December 31, 2016 and December 31, 2017 respectively, as well as the current financial status for DB Insurance Co., Ltd. (formerly Dongbu Insurance Co., Ltd.) as of the same dates.

111 Yeoidogongwon-ro, Youngdeungpo-gu, Seoul
Han-young Accounting Firm
President Seo, Jin-Seok
March 8, 2018

This report is effective as of the date hereof. Certain subsequent events or circumstances that could significantly affect the accompanying consolidated financial statements may have occurred between the date hereof and the time this report is read. This may result in modifications of this report.

Financial Statements

Statement of Financial Position

The 51st as of December 31, 2017
The 50th as of December 31, 2016
The 49th as of December 31, 2015

(Unit: KRW)

Account	The 51st, December 31, 2017	The 50th, December 31, 2016	The 49th, December 31, 2015
Assets			
1. Cash and deposits	414,175,922,124	628,960,583,532	1,333,205,572,076
2. Financial assets at fair value through profit or loss	750,414,820,481	694,496,955,972	913,500,220,892
3. Available-for-sale financial assets	19,097,966,226,125	17,828,683,270,050	12,683,119,871,988
4. Held-to-maturity financial assets	-	-	2,068,688,708,560
5. Loans and receivables	10,355,123,650,777	9,008,406,073,587	7,914,282,187,960
6. Derivative financial assets designated as hedges	257,398,928,052	4,202,881,993	5,780,295,553
7. Investments in subsidiaries and associates	644,924,141,155	644,385,675,785	609,139,722,115
8. Property, plant and equipment	344,141,770,351	330,719,707,656	334,405,820,235
9. Investment real estate	811,579,333,205	831,144,645,722	837,257,201,348
10. Intangible assets	79,651,108,719	113,172,634,891	146,984,025,924
11. Reinsurance assets	633,571,090,784	725,485,965,261	752,773,714,192
12. Other assets	1,624,969,635,897	1,742,275,279,937	1,843,390,930,057
13. Separate account assets	2,389,908,386,084	1,656,661,233,286	1,120,269,587,306
Total assets	37,403,825,013,754	34,208,594,907,672	30,562,797,858,206
Liabilities			
1. Insurance contract liability	28,928,946,882,278	26,991,955,706,759	24,460,478,362,649
2. Financial liabilities at fair value through profit or loss	944,471,000	-	3,948,120,000
3. Derivative financial liabilities designated as hedges	534,919,494	265,672,853,304	133,297,476,302
4. Retirement benefits	2,724,243,460	6,743,660,702	14,988,728,443
5. Other liabilities	1,182,045,232,549	588,125,110,383	597,928,436,503
6. Deferred tax liabilities	286,154,659,953	288,543,314,265	290,412,172,385
7. Current tax liabilities	93,995,230,827	63,080,322,804	34,446,401,731
8. Separate account liabilities	2,492,968,581,758	2,040,549,833,879	1,344,647,214,919
Total liabilities	32,988,314,221,319	30,244,670,802,096	26,880,146,912,932
Equity			
1. Capital stock	35,400,000,000	35,400,000,000	35,400,000,000
2. Capital surplus	37,912,781,518	37,912,781,518	37,912,781,518
3. Capital adjustments	(29,655,475,800)	(29,655,475,800)	(29,655,475,800)
4. Accumulated other comprehensive income (loss)	451,429,560,544	517,451,766,470	608,237,132,466
5. Retained earnings	3,920,423,926,173	3,402,815,033,388	3,030,756,507,090
(Additional bad debt reserve)	(45,017,908,280)	(40,783,351,779)	(33,643,566,068)
(Additional contingency reserve)	(771,360,661,096)	(702,064,321,767)	(642,073,297,158)
(Planned bad debt reserve)	(9,915,496,604)	(4,234,556,501)	(7,139,785,711)
(Planned contingency reserve)	(79,965,510,587)	(69,296,339,329)	(59,991,024,609)
Total equity	4,415,510,792,435	3,963,924,105,576	3,682,650,945,274
Total liabilities and equity	37,403,825,013,754	34,208,594,907,672	30,562,797,858,206

Statement of Profit or Loss and Other Comprehensive Income

The 51st period from January 1, 2017 to December 31, 2017
The 50th period from January 1, 2016 to December 31, 2016
The 49th period from January 1, 2015 to December 31, 2015

(Unit: KRW)

Account	The 51st, December 31, 2017	The 50th, December 31, 2016	The 49th, December 31, 2015
Operating revenue	15,074,341,903,146	14,381,346,305,591	13,690,360,509,893
1. Premium income	12,255,603,492,465	12,006,370,419,464	11,447,416,033,232
2. Net reinsurance income	464,232,630,887	473,967,623,792	439,251,882,144
3. Compensation income	9,679,233,956	-	-
4. Interest income	801,868,879,212	722,444,227,307	686,330,786,167
5. Investment income from financial instruments	1,032,552,625,935	430,300,859,506	394,535,745,074
6. Gain on foreign currency transaction	26,758,981,189	259,376,564,270	254,849,768,855
7. Commission received	8,524,474,794	11,667,551,740	9,988,075,544
8. Dividend income	221,992,769,203	235,221,143,206	244,307,661,037
9. Other operating revenues	160,786,924,543	170,201,476,248	171,887,641,820
10. Separate accounts income	92,341,890,962	71,796,440,058	41,792,916,020
Operating expenses	14,261,120,598,346	13,750,137,000,557	13,130,192,150,051
1. Provision for insurance contract liability	2,068,045,279,740	2,552,108,927,685	2,661,439,847,362
2. Insurance claims expenses	4,713,670,098,404	4,334,255,006,834	3,934,753,175,339
3. Refund paid	2,924,263,001,897	2,884,471,415,242	2,818,302,805,945
4. Dividend paid	3,448,064,866	3,481,766,830	3,210,947,941
5. Claim handling expenses	309,857,514,892	297,692,371,073	260,110,997,197
6. Reinsurance expenses	690,884,614,952	694,344,523,018	722,252,871,320
7. Operating and administrative expenses	1,310,598,636,598	1,232,312,562,761	1,144,776,656,000
8. Amortization of deferred acquisition costs	969,648,417,873	914,567,278,155	835,325,688,707
9. Compensation expenses	-	2,451,301,079	2,171,833,626
10. Interest expenses	12,290,238,244	1,277,322,760	1,719,999,614
11. Investment expense from financial instruments	261,842,280,469	543,919,810,698	517,379,185,218
12. Allowances for possible loss	16,809,578,137	16,407,163,048	14,664,038,420
13. Loss on foreign currency transaction	717,863,391,557	65,913,304,194	30,543,513,752
14. Property management expenses	77,660,769,856	69,372,418,707	59,484,918,944
15. Real estate management expenses	8,088,778,862	8,656,523,891	14,203,350,208
16. Other operating expenses	83,808,041,037	57,108,864,524	68,059,404,438
17. Separate accounts expenses	92,341,890,962	71,796,440,058	41,792,916,020
Operating profit	813,221,304,800	631,209,305,034	560,168,359,842
Other non-operating income	18,000,477,992	8,484,872,398	3,298,130,022
Other non-operating expenses	3,917,998,195	3,917,998,195	3,917,998,195
Net income before income tax expense	827,303,784,597	620,456,070,408	538,668,048,538
Income tax expense	205,252,630,812	150,285,117,110	125,996,172,553
Net income	622,051,153,785	470,170,953,298	412,671,875,985
Other comprehensive loss	(66,022,205,926)	(90,785,365,996)	(1,262,838,179)
1. Other comprehensive items to be reclassified as profit or loss in subsequent periods			
Gain (loss) on valuation of available-for-sale financial assets	(34,600,846,223)	(34,600,846,223)	(15,322,379,267)
Gain (loss) on valuation of derivative instruments designated as hedges	10,341,783,303	3,252,218,804	(451,434,015)
Gain (loss) on overseas operations translation credit	(21,490,071,242)	3,324,864,833	18,862,530,371
Other comprehensive income on separate accounts	(17,023,519,857)	(13,700,076,608)	963,605,678
2. Other comprehensive items not to be reclassified as profit or loss in subsequent periods			
Re-measurement on defined benefit plans	649,515,423	(6,210,607,991)	(5,315,160,946)
Revaluation surplus of tangible assets	(3,899,067,330)	-	-
Total comprehensive income	556,028,947,859	379,385,587,302	411,409,037,806
Basic and diluted earnings per share	9,827	7,428	6,519

Statement of Changes in Equity

The 51st period from January 1, 2017 to December 31, 2017
The 50th period from January 1, 2016 to December 31, 2016
The 49th period from January 1, 2015 to December 31, 2015

(Unit: KRW)

Account	Capital stock	Capital surplus	Capital Adjustments	Accumulated other comprehensive income	Retained earnings	Total
As of January 1, 2015	35,400,000,000	37,912,781,518	(29,655,475,800)	609,499,970,645	2,709,867,224,105	3,363,024,500,468
Total comprehensive income (loss):						
Net income	-	-	-	-	412,671,875,985	412,671,875,985
Gain on valuation of available-for-sale financial assets	-	-	-	(15,322,379,267)	-	(15,322,379,267)
Loss on valuation of derivative instruments designated as hedges	-	-	-	(451,434,015)	-	(451,434,015)
Exchange differences on translations of foreign operations	-	-	-	18,862,530,371	-	18,862,530,371
Other comprehensive income on separate accounts	-	-	-	963,605,678	-	963,605,678
Re-measurement on defined benefit plans	-	-	-	(5,315,160,946)	-	(5,315,160,946)
Subtotal	-	-	-	(1,262,838,179)	412,671,875,985	411,409,037,806
Deals with shareholder directly reflected to capital:						
Dividend	-	-	-	-	(91,782,593,000)	(91,782,593,000)
As of December 31, 2015	35,400,000,000	37,912,781,518	-29,655,475,800	608,237,132,466	3,030,756,507,090	3,682,650,945,274
As of January 1, 2016	35,400,000,000	37,912,781,518	-29,655,475,800	608,237,132,466	3,030,756,507,090	3,682,650,945,274
Total comprehensive income (loss):						
Net income	-	-	-	-	470,170,953,298	470,170,953,298
Loss on valuation of available-for-sale financial assets	-	-	-	(77,451,765,034)	-	(77,451,765,034)
Loss on valuation of derivative instruments designated as hedges	-	-	-	3,252,218,804	-	3,252,218,804
Exchange differences on translations of foreign operations	-	-	-	3,324,864,833	-	3,324,864,833
Other comprehensive loss on separate accounts	-	-	-	(13,700,076,608)	-	(13,700,076,608)
Re-measurement on defined benefit plans	-	-	-	(6,210,607,991)	-	(6,210,607,991)
Subtotal	-	-	-	(90,785,365,996)	470,170,953,298	379,385,587,302
Deals with shareholder directly reflected to capital:						
Dividend	-	-	-	-	(98,112,427,000)	(98,112,427,000)
As of December 31, 2016	35,400,000,000	37,912,781,518	(29,655,475,800)	517,451,766,470	3,402,815,033,388	3,963,924,105,576
As of January 1, 2017	35,400,000,000	37,912,781,518	(29,655,475,800)	517,451,766,470	3,402,815,033,388	3,963,924,105,576
Total comprehensive income (loss):						
Net income	-	-	-	-	622,051,153,785	622,051,153,785
Loss on valuation of available-for-sale financial assets	-	-	-	(34,600,846,223)	-	(34,600,846,223)
Gain on valuation of derivative instruments designated as hedges	-	-	-	10,341,783,303	-	10,341,783,303
Exchange differences on translations of foreign operations	-	-	-	(21,490,071,242)	-	(21,490,071,242)
Other comprehensive loss on separate accounts	-	-	-	(17,023,519,857)	-	(17,023,519,857)
Re-measurement on defined benefit plans	-	-	-	649,515,423	-	649,515,423
Revaluation surplus of tangible assets	-	-	-	(3,899,067,330)	-	(3,899,067,330)
Subtotal				(66,022,205,926)	622,051,153,785	556,028,947,859
Deals with shareholder directly reflected to capital						
Dividend					(104,442,261,000)	(104,442,261,000)
As of December 31, 2017	35,400,000,000	37,912,781,518	(29,655,475,800)	451,429,560,544	3,920,423,926,173	4,415,510,792,435

Statement of Cash Flow

The 51st period from January 1, 2017 to December 31, 2017
The 50th period from January 1, 2016 to December 31, 2016
The 49th period from January 1, 2015 to December 31, 2015

(Unit: KRW)

Account	The 51st, December 31, 2017		The 50th, December 31, 2016		The 49th, December 31, 2015	
Cash flow from operating activities		1,085,674,415,002		3,092,347,560,212		2,423,994,082,147
Net income before income tax expense	827,303,784,597		620,456,070,408		538,668,048,538	
Adjustment of income and cost	1,924,797,122,578		2,555,204,817,660		2,624,007,393,387	
Changes in operating assets and liabilities	(2,486,143,998,779)		(949,120,940,944)		(1,597,214,202,689)	
Receipt of interest income	772,932,232,435		727,271,851,926		704,680,626,073	
Payment of interest expense	(11,187,894,827)		(155,798,307)		-116,402,272	
Receipt of dividends	221,920,582,905		233,227,367,489		247,697,383,347	
Payment of income tax	(163,947,413,907)		(94,535,808,020)		-93,728,764,237	
Cash flow from investing activities		-1,662,329,348,136		(3,044,836,407,188)		(2,079,272,575,492)
Acquisition of available-for-sale financial assets	(6,955,388,981,762)		(8,481,628,987,333)		(5,949,002,611,597)	
Proceeds from available-for-sale financial assets	5,201,464,285,805		5,555,349,240,307		4,481,760,605,625	
Acquisition of held-to-maturity financial assets	-		(13,632,001,850)		(361,782,584,377)	
Redemption of held-to-maturity financial assets	-		-		13,820,077,690	
Settlement of derivative financial assets designated as hedges	126,430,287,369		(37,334,729,175)		(138,496,631,444)	
Acquisition of investments in subsidiaries and associates	(8,426,096,870)		(42,040,308,270)		(66,948,519,780)	
Acquisition of tangible assets	(14,491,168,490)		(13,429,848,271)		(49,769,921,017)	
Proceeds of tangible assets	251,028,000		1,036,776,834		-	
Acquisition of intangible assets	(18,369,924,104)		(13,083,850,341)		(4,898,702,981)	
Proceeds of intangible assets	90,000,000		77,500,000		93,500,000	
Increase in guarantee deposits on leases	14,426,285,916		(8,647,003,958)		(14,093,287,382)	
Decrease in guarantee deposits on leases	8,824,774,169		8,824,774,169		10,268,271,371	
Outflow of cash due to restoration work	(321,395,900)		(327,969,300)		(222,771,600)	
Cash flow from financing activities		385,622,286,501		(96,876,667,231)		(85,640,206,852)
Net decrease in debt loan	497,525,040,000		-		-	
Increase in security deposit	2,085,467,840		18,826,605,605		10,022,475,908	
Decrease in security deposit	(9,545,960,339)		(17,590,845,836)		(3,880,089,760)	
Dividends paid	(104,442,261,000)		(98,112,427,000)		(91,782,593,000)	
Net increase in cash and cash equivalents		(191,032,646,633)		(49,365,514,207)		259,081,299,803
Net foreign exchange difference		(1,962,703,967)		10,733,810,369		4,557,665,664
Cash and cash equivalents at the beginning of the year		385,664,630,994		424,296,334,832		160,657,369,365
Cash and cash equivalents at the end of the year		192,669,280,394		385,664,630,994		424,296,334,832

Operations Evaluation Report by Internal Accounting Control Officer

To the Board of Directors and the Audit Committee of DB Insurance Co., Ltd.

I, as the Internal Accounting Control Officer (IACO) of DB Insurance Co., Ltd. (the "Company"), have assessed, as of December 31, 2017, the status of the design and operation of the Company's internal accounting control system (IACS) for the fiscal year ending on December 31, 2017.

The Company's senior management, including IACO, is responsible for the design and operation of its IACS. I, as the IACO, have assessed whether the IACS has been effectively designed and is operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of establishing the reliability of the financial statement preparation and disclosure.

I, as the IACO, applied the IACS Standards issued by the IACS Operations Committee for the assessment of the design and operation of the IACS. Based on this assessment, the Company's IACS has been designed and is operating effectively as of December 31, 2017, in all material respects, in accordance with IACS Standards.

February 20, 2018

President & CEO **Jeongnam Kim**
Internal Accounting Control Officer **Yeongmann Kim**

Independent Assurance Statement

Introduction

DB Insurance Co., Ltd. ("DB Insurance") commissioned DNV GL Business Assurance Korea, Ltd. ("DNV GL"), part of DNV GL Group, to undertake independent assurance of the DB Insurance's 'Integrated Report 2018' (the "Report"). The directors of DB Insurance have sole responsibility for the preparation of the Report. The responsibility of DNV GL in performing the assurance work is to the management of DB Insurance in accordance with the terms of reference. DNV GL's assurance engagements are based on the assumption that the data and information provided by the client to us as part of our review have been prepared in good faith.

Scope of Assurance

The scope of assurance includes a review of non-financial data and sustainability activities and performance data over the reporting period from 1st January to 31st December 2017. This also includes:

- Evaluation of the Report on the adherence to the reporting principles for defining report content and the reporting principles for defining report quality set for in the Global Reporting Initiative (GRI) Sustainability Reporting Standards.
- Evaluation of the process for determining material topics for reporting and the management approach to material topics and the process for generating, gathering and managing the quantitative and qualitative data in the Report.

Basis of Our Opinion

We've performed our work using DNV GL's assurance methodology VeriSustain™[1], which is based on our professional experience, international assurance best practice including International Standard on Assurance Engagements 3000 (ISAE 3000). We applied the limited level of assurance. The audit was carried out in May and June 2018. The site visits were made to the headquarters of DB Insurance in Seoul. We undertook the following activities as part of the assurance process:

- challenged the sustainability-related statements and claims made in the Report and assessed the robustness of the underlying data management system, information flow and controls;
- interviewed representatives from the various departments and reporting subsidiaries;
- conducted document reviews, data sampling and interrogation of supporting databases and associated reporting systems as they relate to selected content and performance data;
- reviewed the materiality assessment report.

Limitations

The engagement excludes the sustainability management, performance and reporting practices of DB Insurance's subsidiaries, associated companies, suppliers, contractors and any third-parties. DNV GL did not interview external stakeholders as part of this Assurance Engagement. The audited consolidated financial statements, the announcement disclosed at the website of Korea Financial Supervisory Service (http://dart.fss.or.kr) and disclosures in DB Insurance's website (https://www.idbins.com) are not included in the assurance scope. Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organization were applied. Economic performance based on the financial data is cross-checked with internal documents and the audited consolidated financial statements. The baseline data for Environmental and Social performance are not verified, while the aggregated data at the corporate level are used for the verification. DNV GL expressly disclaims any liability or co-responsibility for any decision a person or an entity may make based on this Assurance Statement.

Conclusion

On the basis of the work undertaken, nothing comes to our attention to suggest that the Report does not properly address the adherence to the Principles for defining report content in GRI Standards nor is prepared 'in accordance' with GRI Standards - Core option. Further opinions with regards to the adherence to the Principles are made below;

1) The VeriSustain protocol is available upon request at DNV GL Website (www.dnvgl.com)
2) DNV GL Code of Conduct is available from DNV GL website (www.dnvgl.com)

Stakeholder Inclusiveness
DB Insurance has identified internal and external stakeholder groups such as Customers, Shareholders/Investors, Employees, Business partners and Local communities. DB Insurance engages with the stakeholders at the company level and/or business unit level through various channels. The examples of approaches to engage with the selected stakeholders and communication system are described in the Report. In addition, DB Insurance describes the key issues raised by internal/external stakeholders in 2017 and values created by DB Insurance in the Report.

Sustainability Context
The Report addresses DB Insurance's vision, 'A Global Insurance Financial Group which Pursues a Happy Society with Customers' and its mid- and long-term strategies. 'Business Model' section provides in infographic the value chain model of DB Insurance in which 6 capitals (Financial, Manufactured, Intellectual, Human, Social and relationship, Natural capitals) input are stated and the values created at each process are explained. In management approach pages, the importance of respective material topics, DB Insurance's tactics on the material topics and the key achievements in 2017 are described which help the stakeholder understand the sustainability management of DB Insurance.

Materiality
DB Insurance has conducted the materiality assessment to prepare the Report. The issue pool is formed by analysing the material topics from the global sustainability initiatives and standards, the topics which industry peer group considers material and the subjects covered by mass media. The issues in the pool are rated by combining the level of impact on DB Insurance's business and the level of stakeholders' interest in the issue. DB Insurance selected 10 issues through materiality assessment, reviewed the validity of these issues and ended up with the final 5 material topics. In additional, DB Insurance has explained the relevance of the selected material topics with DB Insurance's financial, operational and risk management aspects. The assurance team reviewed the materiality assessment process and confirmed that the material topics prioritized from the process are addressed in the Report.

Completeness
The Report has covered the sustainability management approach and sustainability performances of DB Insurance for the reporting period. The reporting boundary is set to include DB Insurance's domestic business sites such as headquarters, nationwide divisions and the claims adjustment department. DB Insurance's subsidiaries are excluded from the reporting boundary. The assurance team has not noted any intentional omission of the performance results on material topics within the reporting boundary.

Balance, Comparability, Accuracy, Timeliness, Clarity and Reliability
The assurance team has sampled data and tested accuracy and reliability. The assurance team interviewed the data owners and reviewed the data gathering process with the supporting documents and records. The depth of data verification is limited to the aggregated data level. Based on the test, the intentional error or misstatement is not noted. The data owners were able to demonstrate to trace the origin of the data and to interpret the processed data in a reliable manner. The data was identifiable and traceable. In addition, the Report provides the latest three-year performance on material topics, helping stakeholders understand the changes over years in organizational performance. The Report describes the follow-up actions and corrective actions on consumer disputes and complaints and the efforts to prevent recurrence.

Competence and Independence

DNV GL applies its own management standards and compliance policies for quality control, in accordance with ISO/IEC 17021:2011 - Conformity Assessment Requirements for bodies providing audit and certification of management systems, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We have complied with the DNV GL Code of Conduct™[2] during the assurance engagement and maintain independence where required by relevant ethical requirements. This engagement work was carried out by an independent team of sustainability assurance professionals. DNV GL was not involved in the preparation of statements or data included in the Report except for this Assurance Statement. DNV GL maintains complete impartiality toward stakeholders interviewed during the assurance process. DNV GL have no other contract with DB Insurance and did not provide any services to DB Insurance that could compromise the independence or impartiality of our work.

June 2018
Seoul, Korea

In Kyoon Ahn
Country Representative
DNV GL Business Assurance Korea, Ltd.

Verification of GHG Emissions Data Reports by DB Insurance Corporation

Introduction

Korea Productivity Center was required to verify '2017 Greenhouse Gas (GHG) emissions Statements (hereinafter 'Statement'),' of which reporting years was defined as January 1, 2017 to December 31, 2017, by DB Insurance Corporation.

Levels of Assurance

A reasonable level of assurance was agreed.

Verification Scope

The verification team verified GHG emissions at workplaces of DB Insurance Corporation in 2017.

Verification Criteria

- GHG Energy Target Management Guideline
- IPCC Guideline, WRI GHG Protocol
- ISO14064-3 : 2006 Standard

Limitation

Having investigated by sampling method, the Statement might have errors and uncertainties. Final GHG estimates may contain uncertainty for the reasons such as unspecified standard and method, although no exceptional factors has been reported.

Conclusion

- The verification team confirmed that the 'Statements (2017)' was being reported in accordance with self-inspection guideline based on GHG Energy Target Management Guideline and IPCC Guideline.
- Appropriate corrective action was taken by DB Insurance Corporation in accordance with investigation results from the verification team.
- The verification team confirms that the 'Statements (2017)' was being reporting 'appropriately' in accordance with relevant standards.

Category	Greenhouse Gas (GHG) Emissions
Direct Emissions(Scope 1)	3,335 ton CO_{2e}
Indirect Emissions(Scope 2)	21,664 ton CO_{2e}
Other Indirect Emissions(Scope 3)	460 ton CO_{2e}
Total Emissions	25,459 ton CO_{2e}

4th June 2018

Korea Productivity Center, Sustainability Management Center Director Dong-Soo, Kim

D. S. Kim

Memberships and Initiatives

UN Global Compact

DB Insurance supports the UN Global Compact, the global sustainability management initiative, and is faithfully observing the ten principles of human rights, labor, environment and anti-corruption. We will continue to fulfill our social responsibilities as a corporate citizen through our sustainability management activities.

Classification	Principle	Activities
Human Rights	1. Businesses should support and respect the protection of internationally proclaimed human rights.	• Championing human rights protection by joining UNGC
	2. Businesses should make sure they are not complicit in human rights abuses.	• Internal control activities • Human rights and ethical education for employees • Reinforcement of customer data safeguard
Labour	3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	• Host Dynamic Leader Conference • Hold "Open Communication with CEO" events
	4. The elimination of all forms of forced and compulsory labour.	• Prohibit forced labour
	5. The effective abolition of child labour.	• Prohibit child labour
	6. The elimination of discrimination in respect of employment and occupation.	• Operation of grievance process • Operation of fair evaluation system
Environment	7. Businesses should support a precautionary approach to environmental challenges.	• Establish CO_2 Emission Reduction Target
	8. Businesses should undertake initiatives to promote greater environmental responsibility.	• Spearheading energy-saving campaign • Participation in green sports movement • Use of recycled toners and goods
	9. Businesses should encourage the development and diffusion of environment friendly technologies.	• Develop eco-friendly car insurance rider (UBI rider, etc.) • Develop Environmental Impairment Liability(EIL) Insurance
Anti-corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	• All employees sign pledges of ethical & legal conduct • Operate an open auction system • Operation of whistle-blowing system

UN SDGs(Sustainable Development Goals)

DB Insurance is deeply sympathized with the goal consciousness of UN SDGs, and we are strengthening related activities by selecting the key goals linked to our sustainability management among the 17 sustainable development goals.

DB Insurance's major goals	Activities	Business benefit KPI	Social/Environmental benefit KPI
Goal 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Financial education session for elementary schools (1 school per company), expanded scholarship program, etc.	- Enhance corporate image - Increase brand impact	- Ensure educational opportunities for vulnerable groups and expand social returns
Goal 11. Make cities inclusive, safe, resilient and sustainable	Social contribution activities, i.e. Yellow Carpet	- Control car accident loss rate	- Increase children's traffic safety
Goal 13. Take urgent action to combat climate change and its impacts	Investment in the eco-friendly industry	- Reduce climate change risk - Increase asset management yield	- Expanding response to climate change, including environmental pollution

DB Insurance's other goals	Activities
Goal 1. End poverty in all its forms everywhere	• 'Rice donation' and 'Happy Lunch Box' activities for the underprivileged
Goal 3. Ensure healthy lives and promote well-being for all at all ages	• Expand products designed for the less privileged in terms of insurance policies
Goal 10. Reduce inequality within and among countries	• Global social contribution activities for the less fortunate regions

UNEP FI - PSI

On December 2016, DB Insurance joined the “Principles for Sustainable Insurance (PSI)” promulgated by the United Nations Environment Program Financial Initiative (UNEP FI) in 2012, and is actively participating in the related activities. As a global financial group, we will take the lead in fostering eco-friendly finance.

Classification	Principle
Principle 1	• We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.
Principle 2	• We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.
Principle 3	• We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.
Principle 4	• We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

Memberships in Associations and Organizations

National Quality Award (NQA) Winners
Establish a network of companies which won the world-class national quality prizes that meet global standards

Korea Personnel Improvement Associate
Build networks to share information on the latest information on personnel and education and training

Korea Management Association
Exchange opinions on innovative managements and enhancing corporate competency

Korea Non-Life Insurance Association
Respond to common issues in the industry and pursue joint social contribution projects

Korea Listed Companies Association
Exchange opinions and protect rights and interests of the listed firms

Korea Employers Federation
Exchange opinions on major issues including labor-management relations from the perspective of employers

Korean Fire Protection Association
Responsible for fire prevention, safety check of fire extinguishing facilities, and research and education on fire-related issues

The Korea Academy of Business Ethics
Share and apply the examples of excellent ethical management

Financial Security Agency
Exchange various information protection activities such as the prevention and counter measure of financial security failures.

CFO Association (Forum)
A platform for establishing a global CFO community, networking, expressing CFO's opinions on corporate management and capital market, and practicing ethics management.

Korean Insurance Academic Society
Research the theories, laws and regulations, and business practices of insurance studies, insurance industry and apply the research data and resources.

Korea Financial Information Protection Council
Exchange opinions with financial institutions and supervisory authorities to protect information

Contributions to Policy Institutes

(Unit: KRW million)

Classification	Name of institution	Funds
1	Korea Insurance Development Institute	3,470
2	Korean Fire Protection Association	3,342
3	Korea Insurance Research Institute	800
4	Korea Credit Information Services	451
5	Chamber of Commerce and Industry	91
6	Other institutions	236
	Total	8,390

Major Accolades

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

Enlisted in the Dow Jones Sustainability Indices (DJSI) for five consecutive years, for the first time as a Korean Non-Life insurer

S&P Dow Jones & RobecoSAM

ROBECOSAM
We are Sustainability Investing.

RobecoSAM Sustainability Leader 2017 Bronze Class (Insurance Category) for five consecutive years

RobecoSAM

- Inducted into Hall of Fame in the Korea Service Grand Prix 2017 (Korea Standards Association (KSA))
- Presidential Award by the Government in Celebration of the 22nd Environment Day in 2017
- Consumer-Centric Management (CCM) certificate in 2016
- Presidential Award in the National Quality Management Competition in 2015 (first time in financial industry)
- 1st Place in Long-Term Insurance Category of 2015 Korea Service Quality Index in 2015
- Korea’s Best Call Center Chosen by KSQI in 2015 1st Place in Car Insurance Customer Satisfaction
- Best Company in the Category of Customer Complaints Chosen by FSC in 2014
- Minister of Employment and Labor’s Excellent Company for Gender Equality Employment Prize in 2014

Human Rights Policy

All of DB Insurance's stakeholders including its executives, employees and customers have inalienable rights to dignity and happiness as human beings. DB Insurance joined the United Nations Global Compact (UNGC) in 2011 and has been abiding by the 10 principles presented by the UNGC ever since. It also advocates labor standards presented by the International Labor Organization (ILO), including the Universal Declaration of Human Rights adopted by the UN General Assembly.

Scope

Korea in which DB Insurance is headquartered ratified 27 ILO Conventions including four core Conventions. We sincerely abide by the ratified Conventions as they are in force on equal terms with domestic laws. We comply with labor, human rights and working conditions standards not only in Korea but in all nations and regions where we do business. In addition, our human rights policy is applicable to not only our executives and employees but also all stakeholders on equal terms, including our customers, partners, local communities, etc.

Stakeholder Engagement

DB Insurance acknowledges that its business activities have influence on its shareholders and investors, customers, employees, and local communities. Accordingly, we identify stakeholders' interest and anticipations including human rights matters through steady communications and do our utmost to incorporate them in our business activities.

Communication & Training

With its Sustainability Reports, DB Insurance discloses its activities related to stakeholders' human rights and their outcomes. In addition, it is dedicated to continuously increasing awareness of human rights among its executives and employees, as well as partners' employees. If an issue regarding human rights arises, relevant departments (HR management department and legal compliance department) conduct human rights due diligence.

Principles of Human Rights

- (Respect for humanity) DB Insurance's executives and employees are inherently free, dignified, and equal beings, and therefore are endowed with rights to humane treatment.
- (Prohibition of discrimination) They are entitled to enjoy all of their rights and freedom without any discrimination over their race, skin color, gender, language, religion, nationality and ethnicity, disability, pregnancy and marital status, political preference, educational backgrounds and age, among others.
- (Freedom of assembly and association) Employees have the right to the freedom of assembly and association without fear of retaliation and intimidation. The company sincerely negotiates with the elected representatives of workers.
- (Protection of privacy and honor) Others may not interfere in employees' privacy, family matters, housing and telecommunication, among others, and any infringement on individuals' reputation and honor is prohibited.
- (Labor and compensation) Employees are given equal opportunities for self-development under fair working conditions. The company implements fair employee evaluations and compensations in accordance with their performances.
- (Working hours and environment) The company observes national and local regulations on working hours and paid vacations and continues putting forth efforts to provide safe and pleasant working environments.
- (Prohibition of forced and child labor) Forced labor against employees' free will and the employment of those that are under the minimum working age provided by the state are prohibited.
- (Protection of personal information) DB Insurance recognizes customers' personal information as their valuable assets and therefore, demands a minimum amount of such information. At the same time, the company takes the best measures to safeguard customers' personal information.
- (Fair trade) DB Insurance regards outsourcing firms and suppliers as its equal partners and does not take advantage of its superior position during business with partners. We are working hard for win-win growth on an equal footing with partners.
- (Development of local communities) DB Insurance keeps in mind its responsibilities for the development of local communities as a corporate citizen. Hence, the company makes a great contribution to society and investment after taking into account social and environmental impacts.

Tax Strategy

DB Insurance strictly abides by tax laws of the nation, and various duties of declarations, reports and tax-related cooperation are completely carried out as required by related regulations. The company also sincerely cooperates with tax authorities in connection with tax audits and various requests by the authorities, and all tax-related matters are transparently published.

Accounting related to corporate taxes are carried out in compliance with international accounting standards, and reflected in the financial statement through review at the end of every quarter and accounting audit at the end of every year by external auditors. Also, corporate related matters such as corporate tax costs and deferred corporate taxes and effective tax rates are recorded in the financial statement and its note, and published through electronic publication system (http://dart.fss.or.kr/).

For establishing a transparent tax management system under the robust Tax Strategy, we have disclosed the following:
1. Principle of Tax Assignment
2. and Tax Compliance Standard.
DB Insurance's businesses comply with applicable tax regimes and respect the regulations from each tax territories.

Principle of Tax Assignment

- Observe all applicable laws, rules, regulations and disclosure requirements
- Apply diligent professional care and judgment to arrive at well-reasoned conclusions
- Ensure all decisions are taken at an appropriate level and supported with documentation that evidences the facts, conclusions and risks involved
- Undertake all dealings with tax authorities, government officials, ministers and other third parties in a professional, courteous and timely manner
- Follow Internal Compliance and Anti-Money Laundering System

Tax Compliance

- The Company should submit all returns by their due dates in line with local tax law
- In line with the code of conduct and with due consideration of the risk scale, all material positions taken in the tax returns must be supported in terms of documentation and legal interpretation. It is strongly recommended that clear documentation of facts and circumstances be recorded at the time of any transaction
- The tax function will robustly defend tax positions taken in the Company's tax returns
- The tax function will proactively pursue any tax timing benefits within the context of the tax risk strategy
- The tax function should monitor changes in relevant tax laws and practices, and undertake regular training in order to assess any consequences for the Company, with the minimum aim of mitigating any adverse impact
- The tax function will manage its compliance affairs to minimize the risk of any adverse public comment

Tax Reporting (Reporting by Country)

- DB Insurance publicly reports on the following contents for our major countries, and Revenue, Operating Profits, Taxes paid and Effective tax rates from different tax regimes.
- Tax reporting status by country is reported separately in the Tax Reporting report.

Tax Risks

DB Insurance identifies and evaluates the risks of taxation in the long-term. In order to manage taxation risks, the company identifies the risks as financial risks and business risks. Business risks are categorized as follows:
- Legal & Political Risks
- Tax related Reputational Risks
- Accounting Risks
- Agency Risks

DB Insurance