

# { Notes to Financial Statements :

*Fiscal Years Ending March 31, 2002 and 2001*

## 1. DESCRIPTION OF THE COMPANY:

The Company was incorporated in October 1968 with the initial capital of ₩500 million under the name of Korea Automobile Insurance Co. to operate non-life insurance business, and changed the Company name to Dongbu Insurance Co., Ltd. In October 1995, following the acquisition of the management rights of the Company by the Dongbu Group. The Company was listed on Korea Stock Exchange in June 1973, and, as of March 31, 2002, after a series of issuance of capital stocks, the Company's contributed capital was ₩35.4 billion. On June 11, 1999, upon the authorization of the board of directors, the Company reduced ₩5,000 par common stock to a ₩500 par common stock. The Company's capital structure as of March 31, 2002 is as follows:

Number of shares authorized	Number of Shares issued	Par value of common share (KRW)	Capital Stock (in millions of KRW)
200,000,000 shares	70,800,000 shares	₩500	₩ 35,400

## 2. SIGNIFICANT ACCOUNTING POLICIES:

### A. Basis of presentation

The Company's financial statements have been prepared on the basis of Generally Accepted Accounting Principles for corporations and insurance companies as defined in the Republic of Korea ("Korean GAAP"). Korean GAAP for insurance companies may differ from accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. Certain reclassifications have been made to the FY2000 financial information to conform to the FY2001 presentation.

### B. Balance sheets

The balance sheet accounts include the Company's assets and liabilities and presented in conformity with the accounting principles for insurance companies generally accepted in the Republic of Korea.

### C. Recognition of revenues

Revenues are recorded as earned premiums for the portion of premiums that have been earned during the current period.

### D. Allowance for doubtful accounts

The Company provides the allowance for doubtful accounts on loans, insurance receivables, accounts receivables, notes receivables, dishonored bills, and accrued income, based on the forward looking criteria provided by the revised Regulation on Insurance Supervision.

Receivables classified by the Company are as follows (in millions of Korean won):

Type	Applicable provision rate	Loans	Insurance receivables(*)	Notes receivables	Accounts receivables	Accrued income(*)	Total
Normal	0.50%	273,516	20,327	1,108	41,342	1,303	337,595
Precautionary	2%	13,999	1,195	-	231	39	15,461
Substandard	20%	13,112	1,848	-	351	108	15,420
Doubtful	50%	1,217	123	-	784	-	2,125
Estimated loss	100%	1,413	694	-	824	-	2,931
Others		-	40,639	-	-	52,717	93,356
<b>Total</b>		<b>303,257</b>	<b>64,826</b>	<b>1,108</b>	<b>43,533</b>	<b>54,165</b>	<b>466,888</b>

(\*) The Company reserves allowance for doubtful accounts on insurance receivables for the balance after deducting unpaid payables and does not reserve for accrued income from financial institutions.

Allowance for doubtful accounts for the above loans are as follows (in millions of Korean won):

Type	Applicable provision rate	Loans	Insurance receivables(*)	Notes receivables	Accounts receivables	Accrued income(*)	Total
Normal	0.50%	1,368	102	6	207	7	1,688
Precautionary	2%	280	24	-	5	735	309
Substandard	20%	2,622	370	-	70	21,583	3,084
Doubtful	50%	609	62	-	392	-	1,063
Estimated loss	100%	1,413	694	-	928	-	3,035
<b>Total</b>		<b>6,292</b>	<b>1,251</b>	<b>6</b>	<b>1,602</b>	<b>28,832</b>	<b>9,179</b>

Allowance for loan losses in a percent of total receivables for the recent three years are as follows (in millions of Korean won):

Type	03/31/1999	03/31/2000	03/31/2001	03/31/2002
Loans	256,277	207,436	295,153	303,257
Insurance receivables	54,934	58,353	75,749	64,826
Notes receivables	3,307	3,046	1,464	1,108
Accounts receivables	34,335	68,272	47,584	43,533
Dishonored bills	34	39	2	-
Accrued income	81,681	70,429	48,786	54,165
<b>Total</b>	<b>430,567</b>	<b>407,576</b>	<b>468,738</b>	<b>466,888</b>
Allowance for loan losses	22,856	22,025	11,880	9,179
Allowance rate	5.31%	5.40%	2.53%	1.97%

Adjustments made to receivables during the year are as follows (in millions of Korean won):

Types of restructured receivables	Pre-adjustment balance	Reduction of principals	Debt to Equity Swap	Conversion into CB	Estimated value after adjustment	Loss from adjustment	Effective date of adjustment
Statutory Supervision (Korea Express)	7,500	-	1,289	566	5,646	1,854	06/12/2001
Statutory Supervision (Samho Co.)	254	170	54	-	31	224	03/06/2002
Statutory Supervision (Kukje Eng.)	295	-	236	-	64	232	03/26/2002
Total	8,049	170	1,579	566	5,740	2,310	

## E. Classification and valuation of trading and investment securities

### 1) Classification of securities

Trading securities include stocks held for short-term investment purposes and those held over a year are classified as investment securities. In conformity with Korean GAAP, loans are classified in the following based on their purpose of acquisition, term of holding, and type of transactions.

Classification	Trading securities	Investment securities	
		Held-to-maturity	Available-for-sale
Purpose of acquisition	For short-term profit	Held until maturity	To adjust for liquidity on short-term trading gain and loss
Term of holding	Short-term	Long and short-term	Long and short-term
Transaction type	Traded frequently	Redeemed at maturity	Redeemed at maturity or sell before maturity

### 2) Valuation of trading securities

Trading securities are valued at fair market value at the balance sheet date and unrealized valuation gains or losses are included the current period income or loss.

### 3) Valuation of investments in equity securities using the equity method of accounting

The Company uses the equity method on the stocks that allows the Company to exercise significant influence over the investee companies. Any differences derived from the investee company's reported net income or loss are recorded as gain or loss from using the equity method, and differences derived from changes in the investees retained earnings, capital surplus or adjustments are recorded as an increase or decrease in the investors beginning retained earnings and gains or losses on valuation of investments, respectively.

#### | Amortization of goodwill |

Any differences between the acquisition price and book value of the investee company's net assets are treated as goodwill and amortized over the period of 20 years or reasonable period of time by using the straight-line method.

Amortization of goodwill derived from investment stocks using the equity method is as follows:

Investee companies	Years of amortization
Dongbu Corporation	20 years
Dongbu Steel Co., Ltd.	19.75 ~20 years
Dongbu Life Insurance Co., Ltd.	5.82 years
Dongbu Securities Co., Ltd.	2.71 ~2.83 years

#### 4) Trading securities

Trading securities (excluding those subject to the equity method of accounting) are stated at the acquisition cost computed using the weighted average method and carried at the fair market value of the balance sheet date. Any unrealized gains or losses are treated as valuation gains or losses and accounted for as a capital adjustment.

#### 5) Held-to-maturity securities

Held-to-maturity securities (excluding those subject to the equity method of accounting) are stated at the acquisition cost computed using the weighted average method. If the underlying net worth of securities falls significantly below the book value or acquisition cost and becomes irrecoverable, the difference is recognized as an impairment loss and charged to current operations after adjusting the acquisition cost to net worth of assets.

#### 6) Investment bonds

Investment securities are stated at the acquisition cost computed using the weighted average method, and the difference between the acquisition cost and face value of held-to-maturities securities is amortized by using the effective interest rate method over the period remaining to the date of maturity.

### F. Property and equipment

Property and equipment are carried at amortized cost by using the declining balance method (buildings and structures are based on straight-line method of depreciation). The Company capitalizes expenditures incurred to repair and maintain property and equipment that result in extending the useful lives or increase the value of the underlying assets. Otherwise such expenditures are recognized as expenses in the current period. As a result of reassessment of assets, the useful lives of land, buildings and structures are changed as follows:

Asset type	Estimated useful life
Buildings	40 year
Structures	20 years
Vehicles	4 years
Furniture and Fixtures	4 years

### G. Leases

The Company accounts for lease based on the economic substance of the lease agreement. If the risks and rewards of ownership are transferred to the Company, the lease transaction is accounted for as capital leases. All other lease transactions are accounted for as operating leases.

### H. Intangible assets

Intangible assets are recorded at the cost of acquisition and amortized over 4 years using the straight-line method.

### I. Compensation receivables

Of the amounts paid for claims during the year, amounts by exercising compensation and other rights or through disposal of secured assets acquired in the resolution of accidents are accounted for as compensation receivables or income. Computation formula for compensation receivables is as follows:

| **Computation of compensation rate (applies 3-year results immediately before the current period)** |

(Refund from direct claims paid + refund from R/I claims paid - refund on reinsurance ceded)/(direct premiums written + assumed R/I premiums - reinsurance premiums)

| **Compensation receivables** | = net premiums (direct premiums written + assumed R/I premiums - reinsurance premiums ) × Compensation rate

### J. Acquisition cost

Deferred acquisition costs are amortized on a straight-line basis over the terms of insurance contract or over 7 years for insurance contract where term exceeds 7 years. Remaining balance as a result of early cancellation of the contract is charged to the period of in which the cancellation occurred.

According to the guideline of Korean accounting principles and practices for insurance companies, the Company sets aside certain amount of premium reserves. At the end of fiscal 2001, the assumed interest rate on some of the fixed interest rate individual pension insurance products exceeded the time deposit interest rate because the Company needed to amortize additionally the acquisition cost to cover the possible deficit in premium reserves as a 1-year time deposit interest rate exceeded the assumed interest rate applied to the reserves during the year and such a condition is expected to continue in subsequent periods. However, the Company did not amortize additionally as it cannot be certain that the above assumed interest rate will continue to exceed the 1-year time deposit interest rate in future periods.

*Expenditures, expenses, deferred expenses, and amortization expenses on acquisition costs are summarized as follows (in millions of Korean won):*

Insurance type	Expenditures	Expenses	Deferred expenses	Amortization expenses
Current period total	19,575	13,850	5,725	6,921
Prior period total	16,476	10,238	6,239	4,064

### K. Translation of assets and liabilities dominated in foreign currency

Assets and liabilities dominated in foreign currencies are recorded in Korean won at the exchange rate prevailing at the date of balance sheets, and unrealized gains or losses from foreign exchange translation are recognized in the current period. However, assets and liabilities that are non-monetary in nature are translated into Korean won at the exchange rate prevailing at the time when the transaction has occurred.

### L. Insurance reserves

#### 1) Policy reserves

| **Reserve for outstanding claims** |

Reserves for outstanding claims are based on the accumulation of estimated losses reported (estimated losses for claims, cash surrender values or policyholders dividends which are in dispute or in litigation and estimated losses for claims fixed but not settled, etc.) and incurred but not reported prior to the balance sheet date incurred from the direct business written by the Company and estimated losses received from ceding companies.

**| Long-term savings-type insurance premium reserves |**

The Company reserves the portion of premiums which are refundable to policyholders upon maturity and amounts refundable for policy cancellation under the long-term savings-type insurance.

**| Unearned premium reserves |**

The Company maintains an unearned premium reserves at amounts determined based on lines of insurance and types of policy.

**| Reserve for participating policyholders dividends |**

The Company maintains a reserve for participating policyholders dividends for individual annuities.

**| Reserve for participating policyholders dividends on profit |**

Pursuant to relevant laws and contracts with policyholders, the Company provides the excess participating policyholders dividend reserves in accordance with the operating results of related insurance products. The reserve may be used pay participating policyholder dividends or additional dividends.

**2) Catastrophe reserves**

Non-life insurance companies provide a catastrophe reserve in proportion to the ratio of net premiums written to expected underwriting profit by line of insurance, except long-term savings-type insurance, up to 50% of the current year earned premiums. Within the limit of net loss for the year, the reserve can be used to offset against net insurance expenses in excess of 100% of the current year earned premiums, and a deficit in excess of retained earnings.

*Changes in catastrophe reserve for FY2001 and FY 2000 are as follows (in millions of Korean won):*

	FY 2001	FY2000
<b>Beginning of year</b>	<b>164,064</b>	<b>156,973</b>
<b>Increase in the reserve</b>	<b>16,280</b>	<b>7,090</b>
Fire	1,021	405
Marine	708	292
Auto	12,425	5,581
Casualty	1,747	639
Overseas	183	80
Reinsurance	196	93
<b>End of year</b>	<b>180,344</b>	<b>164,064</b>

**M. Severance and retirement benefit**

In accordance with Korean Labor Standards Law and the Company regulations, employees with at least one year of service are entitled to severance and retirement benefits upon the termination of their employment, based on the rates of pay in effect at the time of termination, years of service and certain factors. The Company had prepaid a portion of its severance and retirement benefit obligations to the Korean National Pension Corporation (KNPC), which have been offset against severance and retirement benefits in the accompanying balance sheets. The Company had deposited a portion of its severance and retirement benefits obligation with life insurance companies. Since the Company's employees are individually nominated as the vested beneficiaries of the deposit in respect of what is due to them as March 31, 2002, this amount has been offset against the Company's liabilities for severance and retirement benefits at March 31, 2002.

**O. Deferred income tax assets and liabilities**

Taxes are based on income for financial reporting purposes and include deferred taxes applicable to temporary

differences between the financial statement carrying amount and the tax basis of certain of the Company's assets and liabilities.

#### P. Derivatives

The Company records the fair value of rights or obligations associated with derivatives as assets and liabilities, and realized gains and losses from derivative transactions are recognized in the current period.

### 3. DEPOSITS

Deposits as of March 31, 2002 and 2001 are as follows:

Account type	Interest rate at 03/31/2002 (%)	Balance (in millions of KRW)	
		2002	2001
Checking account	-	471	721
Ordinary deposit	1	21,231	29,375
Time deposit	4.1 - 7.5	184,183	206,329
Time installment savings	4.7 - 10.5	9,550	9,055
Savings in foreign currency	1	789	1,784
Other savings	4.02 - 5.0	22,319	21,674
Total		238,543	268,938

Checking account security deposit of ₩14.5 million and foreign currency savings of ₩331.6 million are restricted.

### 4. TRADING SECURITIES

Trading securities as of March 31, 2002 and 2001 are summarized as follows (in millions of Korean won):

	Interest rates as of 03/31/2002 (%)	Acquisition cost		Fair value		Book value	
		2002	2001	2002	2001	2002	2001
Listed stocks		126,975	76,333	150,480	59,365	150,480	59,365
Government and public bonds	3 - 6.71	6,068	114,859	6,218	116,933	6,218	116,933
Special bonds	4.32 - 14.45	201,654	165,335	201,106	162,546	201,106	162,546
Corporate bonds	2 - 8.84	54,316	253,031	54,391	257,954	54,391	257,954
Beneficiary certificates		270,951	263,320	277,716	251,922	277,716	251,922
Securities dominated in foreign currencies	0 - 2.25 (CB)	9,324	97,165	12,177	81,647	12,177	81,647
Other securities		73,761	10,181	73,747	10,181	73,747	10,181
Total		743,050	980,223	775,835	940,549	775,835	940,549

Adjusted amount and gain (loss) for trading securities at year end are as follows (in millions of Korean won):

	Face value	Acquisition cost	Adjustment	Gain (loss)	Fair value
Stocks	25,605	126,981	23,500	33,420	150,480
Government and public bonds	6,291	6,068	150	1,697	6,218
Special bonds	203,071	201,654	(548)	(2,880)	201,106
Corporate bonds	54,239	54,316	75	212	54,391
Beneficiary certificates	274,185	270,951	6,765	6,836	277,716
Other securities	73,808	72,657	1,089	(1,072)	73,747
Securities dominated in foreign currencies	9,324	9,324	2,853	6,726	12,177
Total	646,524	741,951	33,884	44,939	775,835

## 5. INVESTMENT SECURITIES

Investment securities as of March 31, 2002 and 2001 are as follows (in millions of Korean won):

		Number of shares	Ownership (%)	Acquisition cost		Fair value or net asset value (equity method)		Carrying book value	
				FY2001	FY2000	FY2001	FY2000	FY2001	FY2000
Listed stocks	Hana Bank	3,775	2.66	21,962	22,143	75,504	22,143	75,504	22,143
Stocks subject to equity method	Dongbu Steel Co., Ltd.	1,748	6.92	6,463	5,818	11,432	8,470	11,432	8,470
	Dongbu Co.	2,992	11.9	8,979	8,979	25,207	16,632	25,207	16,632
	Dongbu Securities Co., Ltd.	1,666	11.33	12,325	11,522	16,799	11,273	16,799	11,273
	Dongbu Life Insurance Co., Ltd.	5,319	31.21	16,393	16,393	18,865	16,193	18,865	16,193
	Dongbu Auto Insurance Claim Adjustments Co., Ltd.	200	100	1,000	1,000	1,000	965	1,000	1,000
Subtotal		11,924		45,161	43,712	73,303	53,534	73,303	53,569
Other Securities		1,520		3,248	6,764	(9,666)	1,726	3,248	3,038
Total		17,220	-	70,370	72,619	139,142	77,403	152,055	78,750

	Acquisition cost		Fair value or net asset value (equity method)		Carrying book value	
	FY2001	FY2000	FY2001	FY2000	FY2001	FY2000
Invested fund	5,134	3,342	5,518	2,592	5,696	2,592
Government and public bonds	162,217	67,942	164,034	69,479	164,034	69,479
Special bonds	296,454	91,338	295,776	91,109	295,776	91,109
Corporate bonds	372,192	180,052	372,474	181,612	372,474	181,612
Beneficiary certificates	33,713	70,211	31,540	72,999	31,540	72,999
Securities dominated in foreign currencies	98,598	-	103,073	-	103,073	-
Other securities	863	-	925	-	925	-
<b>Total</b>	<b>1,039,542</b>	<b>485,504</b>	<b>1,112,482</b>	<b>495,194</b>	<b>1,125,574</b>	<b>496,542</b>

Beneficiary certificates includes treasury stock fund of ₩3 billion, which is carried at fair market value, and the valuation gain of ₩403 million was accounted for as gain on valuation of investments in securities. 579,610 shares or ₩1.6 billion of treasury stocks included in the treasury stock fund were accounted for as capital adjustment.

*Adjusted amount and gain (loss) for trading securities at fiscal year- end 2001 are as follows (in millions of Korean won):*

		Face value	Acquisition cost	Adjustment	Gain (loss)	Capital adjustment	Fair value
Stocks	Available-for-sale	18,876	21,962	0	-	53,543	75,504
	Held-to-maturity	8,601	4,248	-	-	-	4,248
	Subject to equity method	58,621	52,569	-	23,823	(1,434)	72,303
	Subtotal	86,098	78,779	-	23,823	52,108	152,055
Bonds	Government & public	178,102	162,217	2,131	-	(314)	164,034
	Special	295,445	296,454	(706)	-	29	295,776
	Corporate	364,057	372,192	(706)	-	2,085	372,474
	Subtotal	837,603	830,863	719	-	1,800	832,284
Beneficiary certificates		29,900	30,713	-	-	142	31,540
Others		5,934	5,997	-	-	62	6,621
Securities dominated in foreign currencies		98,598	98,598	-	-	(3)	103,073
<b>Total</b>		<b>1,058,132</b>	<b>1,044,950</b>	<b>719</b>	<b>23,823</b>	<b>54,110</b>	<b>1,125,574</b>

*The Company used equity method of accounting for investments in Dongbu Corporation and 3 other investee companies as it has significant influence over their operating and financial policies. The investments using the equity method are summarized as follows (in millions of Korean won):*

	Beginning carrying book value	Acquisition cost	Retained earnings	Capital adjustment	Equity method income (loss)	Amortization of differences in eliminating investment account	Dividends received	Ending carrying book value
Dongbu Co.	16,632	-	(1,025)	(526)	2,656	8,075	(606)	25,206
Dongbu Steel Co., Ltd.	8,470	645	(237)	(1,717)	(299)	4,933	(363)	11,432
Dongbu Securities Co., Ltd.	11,273	804	(239)	338	1,242	3,737	(355)	16,800
Dongbu Life Insurance Co., Ltd.	16,194		(167)	(641)	6,489	(3,010)	-	18,865
Total	52,569	1,449	(1,668)	(2,546)	10,088	13,735	(1,324)	72,303

According to Korean GAAP translation No. 42-59, the Company did not apply the equity method of accounting for Dongbu Auto Insurance Claim Adjustments Co., Ltd. as the total assets of the investee company was insignificant under ₩7 billion won. In applying the equity method accounting, the Company used audited financial statements of period ending December 31, 2001 for Dongbu Co. and Dongbu Steel Co., Ltd. and unaudited financial statements of period ending December 31, 2001 for Dongbu Securities Co., Ltd. and Dongbu Life Insurance Co., Ltd. Trading and investment securities by security and industry types are summarized as follows (in millions of Korean won):

| **By types of securities** |

	Trading securities				Total	
	Korean won		Foreign currency			
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Stocks	150,480	19.71%	-	-	150,480	19.40%
Fixed rate bonds	237,105	31.05%	-	-	237,105	30.56%
Variable rate bonds	20,066	2.63%	-	-	20,066	2.59%
Convertible bonds	4,544	0.59%	12,177	100%	16,720	2.16%
Beneficiary certificates	277,716	36.37%	-	-	277,716	35.80%
Others	73,747	9.66%	-	-	73,747	9.51%
Total	763,658	100%	12,177	100%	775,835	100%

	Investment securities				Total	
	Korean won		Foreign currency			
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Stocks	152,055	14.87%	-	-	152,055	13.51%
Fixed rate bonds	762,758	74.60%	20,496	19.88%	783,254	69.59%
Variable rate bonds	58,981	5.77%	31,259	30.33%	90,240	8.02%
Convertible bonds	10,545	1.03%	5,071	4.92%	15,616	1.39%
Beneficiary certificates	31,540	3.08%	33,083	32.10%	64,623	5.74%
Others	6,621	0.65%	13,165	12.77%	19,786	1.76%
Total	1,022,500	100%	103,073	100%	1,125,574	100%

| By types of industry |

		Trading securities				Total	
		Korean won		Foreign currency			
		Amount	Ratio	Amount	Ratio	Amount	Ratio
Stocks	Manufacturing	125,753	83.57%	-	-	125,753	83.57%
	Construction	2,546	1.69%	-	-	2,546	1.69%
	Wholesalers/retailers	-	-	-	-	-	-
	Financial/Insurance	20,091	13.35%	-	-	20,091	13.35%
	Others	2,090	1.39%	-	-	2,090	1.39%
	Subtotal	150,480	100%	-	-	150,480	100%
Bonds	Government and public entities	17,601	6.73%	-	-	17,601	6.43%
	Financial inst.	189,723	72.49%	4,696	38.56%	194,419	70.98%
	General corporations	54,391	20.78%	7,481	61.44%	61,872	22.59%
	Subtotal	261,715	100%	12,177	100%	273,892	100%
Beneficiary certificates		277,716	100%	-	-	277,716	100%
Others		73,747	100%	-	-	73,747	100%
Total		763,658	100%	12,177	100%	775,835	100%

		Investment securities				Total	
		Korean won		Foreign currency			
		Amount	Ratio	Amount	Ratio	Amount	Ratio
Stocks	Manufacturing	11,432	7.52%	-	-	11,432	7.52%
	Construction	25,207	16.58%	-	-	25,207	16.58%
	Wholesalers/retailers	-	-	-	-	-	-
	Financial/Insurance	112,169	73.77%	-	-	112,169	73.77%
	Others	3,248	2.14%	-	-	3,248	2.14%
	Subtotal	152,055	100%	-	-	152,055	100%
Bonds	Government and public entities	253,654	30.48%	5,071	7.25%	258,725	28.67%
	Financial inst.	206,156	24.77%	55,429	79.19%	261,585	28.99%
	General corporations	372,474	44.75%	9,491	13.56%	381,965	42.33%
	Subtotal	832,284	100%	69,990	100%	902,275	100%
Beneficiary certificates		31,540	100%	33,083	100%	64,623	100%
Others		6,621	100%	-	-	6,621	100%
Total		1,022,500	100%	103,073	100%	1,125,574	100%

## 6. LOANS

Annual interest rates on loans as of March 31, 2002 range from 2% through 11.5%. As of March 31, 2002, loans to employees include ₩2.8 billion for purchasing and leasing home and ₩1.1 billion unsecured loans.

Loans receivables as of March 31, 2002 are as summarized as follows (in millions of Korean won):

Maturity	FY2001	FY2000
Within 3 month	23,687	38,863
Within 6 month	14,611	23,731
Within 1 year	30,582	23,457
Within 2 years	5,794	67,195
Within 3 years	29,319	7,559
Within 4 years	40,954	218
Within 5 years	23,341	26,938
Over 5 years	37,752	27,993
Policy loans	97,217	79,199
Total	303,257	295,153

Loans by industry and clients are summarized as follows (in millions of Korean won):

| **By industry** |

	Korean won	
	Amount	Ratio
Manufacturing	68,285	22.52%
Construction	6,282	2.07%
Whole / retailers	11,940	3.94%
Financial / insurance	19,304	6.37%
Lodging / restaurants	3,024	1.00%
Transportation / storage	12,406	4.09%
Real estate lease	23,239	7.66%
Other public services	110	0.04%
House-keeping	158,668	52.32%
Total	303,257	100%

| **By Client** |

	Korean won	
	Amount	Ratio
Corporate	144,589	47.68%
Individual	158,668	52.32%
Total	303,257	100%

Changes in allowance for loan losses (in millions of Korean won):

	Beginning balance	Transfer from prior period	Bad debt expenses	Amount recovered during the period	Ending balance
Korean won	6,892	2,795	3,455	-	6,292
Foreign currencies	-	-	-	-	-
Total	6,892	2,795	3,455	-	6,292

Average Interest-bearing assets and liabilities (in millions of Korean won):

	Average assets and liabilities with interest income (*)	Interest income (**)
Loan receivables	299,205	30,568

(\*) Average balance of loans receivables = (beginning balance + ending balance)/2

(\*\*) Interest income from 04/01/2001 through 03/31/2002

## 7. REAL ESTATE

According to laws and regulations related to revaluating real estates effective October 1, 2000, the Company revaluated assets by December 30, 2000 and the result of the reassessment is as follows (in millions of Korean won):

Reassessed assets	Book value	Revaluation amount	Net revaluation amount
Land	88,899	91,780	2,881
Buildings	37,082	46,070	8,988
Structures	674,541	739,549	65,008
	126,655	138,590	11,935

Difference of ₩11.9 billion was accounted for as reserve for asset revaluation

Fair market value of Company owned land as March 31, 2002 is as follows (in millions of Korean won):

	Book value	Official declared value
Land	234,758	157,625

## 8. ASSETS INSURED

Insured assets of the Company as of March 31, 2002 are summarized as follows:

Assets Insured	Insurance type	Amount Insured (in millions of KRW)		Insurer
		03/31/02	03/31/01	
		Cash and securities	Theft loss	
Buildings	Fire	32,962	41,547	Daehan
Furniture and fixtures	Fire	1,361	1,896	Daehan
	Comprehensive insurance for real estates / financial institutions	6,824	11,151	Daehan
	Corporate officers liability insurance	15,000	15,000	Tongyang
Total		58,097	72,013	

The Company is insured for comprehensive and liability coverage for the corporate vehicles

## 9. INSURANCE RECEIVABLES AND CLAIMS PAYABLES

Insurance receivables and unpaid payables as of March 31, 2002 and 2001 are summarized as follows (in millions of Korean won):

Insurance receivables			Insurance payables		
	FY2001	FY2000		FY2001	FY2000
Premium receivables	6,224	3,988	Claims payables	82,208	100,990
Due from agents	5,414	5,060	Due to agents	5,681	5,334
Co-insurance accounts receivables	2,210	1,436	Premiums refund payables	2,536	1,766
Agency service receivables	8,083	18,506	Co-insurance accounts payables	-	-
Reinsurance accounts receivables	30,987	33,837	Agency service payables	4,913	14,259
Overseas reinsurance accounts receivables	8,266	11,015	Reinsurance payables	32,381	27,621
Deposits on reinsurance treaty assumed	3,643	1,906	Overseas reinsurance premiums payables	8,438	7,426
Subtotal	64,826	75,749	Deposits on reinsurance treaty ceded	22,385	13,709
Less allowance for doubtful accounts	1,251	2,181			
Total	63,575	73,568	Total	158,541	171,104

## 10. ASSETS AND LIABILITIES DOMINATED IN FOREIGN CURRENCIES

Assets and liabilities dominated in foreign currencies as of March 31, 2002 and 2001 are summarized as follows (in thousands of U.S. dollars and millions of Korean won):

	FY2001		FY2000	
	Foreign currencies (USD*)	Korean won equivalent	Foreign currencies (USD)	Korean won equivalent
<b>Assets</b>				
1. Cash	0.04	0.05	0.15	0.20
2. Deposits	8,588	11,391	2,537	3,370
3. Securities dominated in foreign currencies	86,889	115,250	61,481	81,647
4. Leasehold deposits	5	7	5	7
5. Due from agents	2,759	3,659	2,819	3,743
6. Reinsurance accounts receivables	1,114	1,478	686	911
7. Overseas reinsurance accounts receivables	3,458	4,587	5,104	6,778
8. Deposits on reinsurance treaty assumed	966	1,281	634	842
	103,780	137,654	73,267	97,298
<b>Liabilities</b>				
1. Due to agents	201	267	150	200
2. Reinsurance payables	2,770	3,674	3,781	5,021
3. Overseas reinsurance premiums payables	3,970	5,266	3,639	4,832
4. Deposits on reinsurance treaty ceded	723	959	731	970
	7,664	10,166	8,301	11,024

(\*) Foreign currencies other than U.S. dollars are converted into U.S. dollars at the exchange rate effective as of March 31, 2002.

## 11. POLICY RESERVES

In pursuant to the Regulation on Insurance Supervision (RIS), the Company maintains policy reserves and changes during FY2001 and FY2000 are summarized as follows (in millions of Korean won):

		Fire	Marine	Auto	Casualty (*)	Long-term	Individual pension	FY2001 total	FY2000 total
Reserve for outstanding claims	Beginning	7,025	11,534	251,467	45,854	28,937	4,417	349,234	359,652
	Increases	2,293	(749)	1,536	8,939	5,899	1,009	18,927	(10,418)
	Ending	9,318	10,785	253,003	54,793	34,836	5,426	368,161	349,234
Long-term insurance premium reserves	Beginning	-	-	-	-	1,071,092	289,282	1,360,374	1,261,061
	Increases	-	-	-	-	158,880	53,515	212,395	99,313
	Ending	-	-	-	-	1,229,972	342,797	1,572,769	1,360,374
Unearned premium reserves	Beginning	20,937	6,815	383,076	46,672	6,298	77	463,875	385,368
	Increases	5,151	2,386	40,182	17,404	(1,585)	(36)	63,502	78,507
	Ending	26,088	9,201	423,258	64,076	4,713	41	527,377	463,875
Reserve for participating policyholders dividends	Beginning	-	-	-	-	-	1,852	1,852	925
	Increases	-	-	-	-	-	1,656	1,656	927
	Ending	-	-	-	-	-	3,508	3,508	852
Reserve for participating policyholders dividends on profit	Beginning	-	-	-	-	-	3,501	3,501	4,507
	Increases	-	-	-	-	222	135	357	(1,006)
	Ending	-	-	-	-	222	3,636	3,858	3,501
Reserve for Reinsurance	Beginning	3,978	8,694	3,685	24,341	6,310	423	47,431	49,542
	Increases	2,733	(1,144)	232	6,426	880	138	9,265	(2,111)
	Ending	6,711	7,550	3,917	30,767	7,190	561	56,696	47,431
Reserve for unearned reinsurance premiums	Beginning	11,141	3,672	2,510	27,958	2,093	44	47,418	39,123
	Increases	2,662	1,991	333	10,838	(2,093)	(44)	13,687	8,295
	Ending	13,803	5,663	2,843	38,796	-	-	61,105	47,418

(\*) Casualty insurance includes guarantee and overseas reinsurance. The Company accounts for ₩72.2 billion refund payables before and at the maturity and ₩829.9 million pension payables as claims payables.

## 12. SEVERANCE AND RETIREMENT BENEFITS

Severance and retirement benefits during FY2001 and FY200 are as follows (in millions of Korean won):

	FY2001	FY2000
Beginning balance	17,006	10,187
Decrease	2,624	1,809
Increase	8,132	8,628
Ending balance	22,514	17,006
Transfer to national pension fund	1,076	1,214
Retirement insurance deposits	12,514	9,407
Total	8,924	6,385

### 13. COMMITMENTS AND CONTINGENCIES

Notes used as security as of March 31, 2002 are summarized as follows:

		Number of notes	Amount (in million of KRW)	Purpose
Note	Kookmin Bank Jungbu Branch and others	3	3,846	Security on refund for lease deposit

#### | Reinsurance agreements |

The Company assumes and cedes a portion of total insurance premiums with Korea Reinsurance Co., Ltd. and the remaining portion is covered by foreign reinsurers. The Company utilizes reinsurance arrangements to limit its maximum losses in order to provide greater diversification of risks and to minimize exposures on large risks.

Reinsurance transactions by insurance types are summarized as follows (in millions of Korean won):

	Fire	Marine	Auto	Casualty (*)	Long-term	Individual annuities	FY2001 total	FY2000 total
Reinsurance ceded	30,187	27,761	9,443	84,642	44,045	1,004	197,081	151,171
Refund on Reinsurance premiums	359	1,659	300	1,275	-	-	3,594	2,515
Reinsurance premiums	17,985	16,586	6,315	24,249	37,975	655	103,764	93,587
Refund on Reinsurance premiums	126	169	226	225	-	-	746	713
Claims survey income	569	356	-	1,664	866	2	3,456	2,863
Commissions on reinsurance	8,643	3,689	2,403	22,064	-	-	36,800	28,242
Commissions on reinsurance profit	13	227	176	(103)	4,665	106	5,084	11,951

Litigations on the Company and lawsuits by the Company as of March 31, 2002 are as follows:

Legal status	Description	Amount (in millions of KRW)
Defendant	Compensation for damage	86,114
	Collection of insurance claims	5,552
	Collection of claims paid	5,492
	Others	2,340
Plaintiff	Collection of claims paid	17,149

The outcomes of the lawsuits are not certain and accordingly, the Company reserves a significant amount of estimated loss for the related lawsuits for outstanding claims.

Since the 1997 economic crisis in Asia, Korea and other countries in the Asian region experienced a severe economic downturn. But through the efforts of restructuring on financial system as well as economy as a whole, the Korean economy started to recover. However, with the delays in restructuring process and unstable financial conditions in the financial industry, Korea is going through another difficult time. Such an economic condition may adversely affect the Company's performance and financial condition. The Company's financial statements do not reflect such a probability of possible influence that may present due to economic uncertainties.

#### 14. CAPITAL SURPLUS

##### A. Legal reserve

Under the Korean Commercial Code, an amount equal to at least 10% of cash dividends declared at the annual general meeting of stockholders is required to be appointed as a legal reserve until such reserve equals 50% of paid-in capital.

##### B. Reserve for business rationalization

The Korean Tax Incentives Limitation Law requires the amount of investment tax credit benefits to be appropriated as a reserve for business rationalization and the amount can only be used to offset a deficit or transferred to capital.

##### C. Reserve for technical development

Under the Korean Tax Incentives Limitation Law, a certain amount for tax deductible technical development is separately reserved, and the amount can not be used as dividends.

##### D. Unappropriated retained earnings carried over from prior period

*Changes in retained earnings related to investee companies subject to the equity method accounting for FY2001 and FY2000 are as follows (in millions of Korean won):*

	FY2001		FY2000	
<b>Unappropriated retained earnings carried over from prior period</b>		(49,369)		78
<b>Adjustments:</b>		(1,667)		(52,352)
Changes in retained earnings of investee companies	(1,667)		(3,920)	
Corrections on prior period equity method accounting	-		(45,432)	
Corrections on KDIC insurance premiums	-		(3,002)	
Loss on disposition of treasury stocks	-		1	
<b>Balance after adjustment</b>		(51,036)		(52,273)

## 15. TREASURY STOCKS

Information on treasury stocks for FY2001 and FY2000 are as follows:

	No. of Shares		In millions of KRW	
	FY2001	FY2000	FY2001	FY2000
Repurchased treasury stocks	7,501,640	7,501,640	29,655	29,655
Treasury stocks in the Company's treasury stock fund	<b>579,610</b>	<b>733,840</b>	1,574	799
Total	<b>8,081,250</b>	<b>8,235,480</b>	31,229	30,455

## 16. DIVIDENDS

Computation of dividends, propensity to dividend, and dividend yield ratio are as follows:

### A. Dividend computation

#### 1) Shares issued and outstanding

FY2001 : 62,718,750 common shares

FY2000 : 62,564,520 common shares

#### 2) Cash dividends

FY2001 : 62,718,750 shares × 30% × ₩500 = ₩9,407,812,500

FY2000 : 62,564,520 shares × 10% × ₩500 = ₩3,128,226,000

### B. Propensity to dividend

$$\text{FY2001 : } \frac{\text{Cash dividends}}{\text{Net income}} = \frac{₩9,407,812,500}{₩149,468,407,116} \times 100 = 6.29\%$$

$$\text{FY2000 : } \frac{\text{Cash dividends}}{\text{Net income}} = \frac{₩3,128,226,000}{₩3,124,037,835} \times 100 = 100.13\%$$

### C. Dividend yield ratio

$$\text{FY2001 : } \frac{\text{Cash dividends}}{\text{Market price at year-end}} = \frac{₩150}{₩4,860} \times 100 = 3.09\%$$

$$\text{FY2000 : } \frac{\text{Cash dividends}}{\text{Market price at year-end}} = \frac{₩50}{₩1,430} \times 100 = 3.50\%$$

## 17. PREMIUM REVENUE

Premium revenues by insurance types for FY2001 and FY2000 are summarized as follows (in millions of Korean won):

	Fire	Marine	Auto	Casualty (*)	Long-term	Individual pension	FY2001 total	FY2000 total
Direct premiums written	50,932	41,208	1,035,948	129,333	1,097,865	87,739	2,443,025	2,195,669
Assumed R/I premiums	55	711	-	10,271	5	-	11,043	9,405
Cancellation refund on direct premiums written	679	784	47,496	1,881	-	-	50,839	47,631
Cancellation refund on R/I premiums	6	15	-	48	-	-	70	118
Income from insurance operation	50,302	41,120	988,453	137,675	1,097,870	87,739	2,403,159	2,157,326

(\*) Casualty insurance includes guarantee and overseas reinsurance

## 18. OPERATING AND ADMINISTRATIVE EXPENSES

Other operating expenses for FY2001 and FY2000 are summarized as follows (in millions of Korean won):

	FY2001	FY2000
Wages and salaries	86,149	79,267
Provision for severance and retirement benefits	7,971	8,479
Other employee benefits	17,660	16,909
Maintenance and repairs	133,539	130,220
Acquisition and collection expenses	141,792	145,329
Agent commissions paid	144,763	120,414
Co-insurance commission	1,828	2,199
Agency service commission	2,539	1,659
Claims survey fees	25,603	24,260
Reinsurance commission	3,011	2,436
Reinsurance profit commission	16	179
Interest on outward reinsurance reserve deposit	879	913
Total	565,751	532,264

## 19. INCOME TAX EXPENSE AND DEFERRED INCOME TAXES

### A. Adjustments between financial and tax basis income (in million of Korean won):

	Temporary differences		Permanent differences	
	FY2001	FY2000	FY2001	FY2000
<b>Taxable Income and non-deductibles</b>				
1. Accrued income - prior period	19,708	40,685	-	-
2. Valuation loss on trading securities - current period	9,755	69,477	-	-
3. Valuation gain on trading securities - prior period	27,096	40,771	-	-
4. Gains from using equity method	7,667	-	-	-
5. Amortization expenses on acquisition cost	6,921	4,064	-	-
6. Reserve for research and development of human resources	5,628	5,628	-	-
7. Valuation loss on invested fund - current period	-	728	-	-
8. Surplus	-	3,920	-	-
9. Dividend income (stocks)	741	-	-	-
10. Additional income taxes	-	-	2	3,729
11. Excess of allowed entertainment expenses	-	-	9	43
12. Net revaluation amount	-	-	627	2,871
13. Suspenses	-	-	53	-
14. Interest expense	-	-	17	-
15. Insurance premiums paid on premiums	-	-	-	2,143
Subtotal	77,517	165,274	708	8,787

	Temporary differences		Permanent differences	
	FY2001	FY2000	FY2001	FY2000
<b>Deductibles and non-taxable income</b>				
1. Accrued income - current period	(29,362)	(19,708)	-	-
2. Valuation loss on trading securities - prior period	(55,295)	(36,902)	-	-
3. Valuation gain on trading securities - current period	(55,229)	(12,856)	-	-
4. Gain on using equity method	-	(11,170)	-	-
5. Acquisition cost (recognized as asset)	(5,725)	(6,239)	-	-
6. Valuation loss on stock market stabilization fund - prior period	(285)	(2)	-	-
7. Valuation loss on stock market stabilization fund - current period	(1,311)	-	-	-
8. Bad debt expense	(133)	-	-	-
9. Compensation receivables	(20,719)	-	-	-
10. Reserve for research and development of human resources	(7,000)	-	-	-
11. Dividend income	-	-	(3,932)	(4,200)
12. Gain on compensation receivables	-	-	-	(3,026)
13. Surplus	-	-	-	(3,920)
14. Miscellaneous non-operating income	-	-	-	(1,192)
15. Special allowance for land valuation	-	-	-	(2,871)
16. Gain from using equity method	-	-	(23,823)	-
17. Prior period surplus (deposit insurance premiums)	-	-	(5,144)	-
Subtotal	(175,060)	(86,877)	(32,900)	(15,210)
Total	(97,543)	78,397	(32,192)	(6,423)

**B. Significant changes in cumulative temporary differences (in millions of Korean won):**

	Beginning balance	Incurred	Extinguished	Ending balance
Accrued interest income	(19,708)	(29,362)	19,708	(29,362)
Valuation loss on trading securities	75,743	9,755	(55,295)	30,203
Valuation gain on trading securities	(35,647)	(55,229)	27,096	(63,780)
Loss from par value reduction on investment stocks	3,726	-	-	3,726
Bad debt expense	133	-	(133)	-
Reserve for research and development of human resources	(15,628)	(7,000)	5,628	(17,000)
Reserve for catastrophe	50,793	-	-	50,793
Amortization expenses - Deferred acquisition cost	(12,732)	(5,725)	6,921	(11,537)
Gain from using equity method	(7,667)	-	7,667	-
Valuation loss on stock market stabilization fund - prior period	-	(1,311)	-	(1,311)
Valuation loss on stock market stabilization fund - current period	747	-	(285)	462
Compensation receivables	-	(20,719)	-	(20,719)
Dividend income(stocks)	-	741	-	741
<b>Total</b>	<b>39,759</b>	<b>(108,851)</b>	<b>11,308</b>	<b>(57,785)</b>

**C. Deferred income tax liabilities**

According to the Regulation on Insurance Supervision, liquidity of deferred income tax liabilities are not classified. The ending balance was ₩17.2 billion, which was computed by applying the year-end effective tax rate of 29.7%.

**D. Income tax expenses are summarized as follows (in millions of Korean won):**

	FY2001	FY2000
Current period income taxes	21,212	22,153
Changes in deferred income tax arising from temporary differences	29,408	(24,146)
<b>Income tax expense</b>	<b>50,619</b>	<b>(19,929)</b>
	<b>FY2001</b>	<b>FY2000</b>
Ending net deferred income tax liabilities (assets)	17,162	(12,246)
Beginning net deferred income tax liabilities (assets)	(12,246)	(11,901)
Increases in deferred income taxes arising from temporary differences	29,408	(24,146)

**E. Effective tax rate (in millions of Korean won):**

	FY2001	FY2000
Income tax expense	50,619	(1,993)
Income before income taxes	200,088	1,131
Effective tax rate	25.3%	

**20. ORDINARY INCOME PER SHARE AND NET INCOME PER SHARE**

Per share data computed based on the weighted average number of outstanding common shares are as follows:

	FY2001	FY2000
Ordinary income	149.5 billion won	3.1 billion won
Net income	149.5 billion won	3.1 billion won
Weighted average number of common shares outstanding	62,713,750 shares(*)	63,372,201 shares
Ordinary earnings per share	2,383 won / share	49 won/ share
Earnings per share (EPS)	2,383 won / share	49 won / share

	Period	Days outstanding	Number of shares	Total
Basis	04/01/01 03/30/02	365	70,800,000	25,842,000,000
Treasury stocks	Acquired during the year	365	(7,501,640)	(2,738,098,600)
Treasury stocks in the Treasury Stock Fund	Acquired during the year	365	(579,610)	(211,557,650)
			62,718,750	22,892,343,750

(\*) Weighted number of common shares outstanding:  $22,892,343,750 / 365 = 62,718,750$  shares

**21. SEPARATE ACCOUNT ASSETS AND LIABILITIES**

The Company maintain corporate pension account separate from general accounts. Details of separate assets and liability accounts are summarized as follows:

**A. Balance sheet items (in millions of Korean won) :**

	Assets			Liabilities	
	FY2001	FY2000		FY2001	FY2000
<b>Cash and deposits</b>	6,278	5,363	<b>Other liabilities</b>	252	211
1. Ordinary savings	78	163	1. Accrued expenses	252	211
2. Regular savings	4,000	4,700	2. Withholdings	-	-
3. Other savings	1,700	-			
4. Money in trust	500	500			
<b>Securities</b>	100,813	61,889	<b>General account assets</b>	1,140	126
1. Government and public bonds	1,423	2,312	Total liabilities	1,392	338
2. Special bonds	61,435	9,426	<b>Policyholders reserve</b>	113,323	81,782
3. Corporate bonds	15,548	22,438	1. Premium reserve	111,770	80,812
4. Beneficiary certificates	22,406	27,713	2. Reserve for participating policyholders' dividend	477	374
5. Adjustments to valuation gain (loss)	-	-	3. Reserve for participating policyholders' dividend on profit	1,075	596
<b>Other assets</b>	4,465	3,613			
1. Interest receivables	3,813	3,613			
2. Prepaid withholdings	652	-			
<b>General account liabilities</b>	3,159	11,254			
Total assets	114,715	82,119	Total liabilities and reserves	114,715	82,119

**B. Income statement item (in millions of Korean won):**

	FY2001	FY2000
<b>Operating revenue</b>	54,002	50,365
1. Premium income	54,002	50,365
<b>Operating expenses</b>	59,617	54,591
1. Increase in policyholders' reserve	31,542	43,163
2. Claims paid	28,075	11,428
<b>Operating loss</b>	(5,615)	(4,226)
<b>Non-operating revenue</b>	6,871	4,803
1. Interest income	4,524	3,941
2. Gain on disposal of trading securities	1,409	473
3. Gain on valuation of trading securities	938	389
<b>Non-operating expenses</b>	1,295	615
1. Interest expenses	9	3
2. Loss on disposal of trading securities	216	-
3. Loss on valuation of trading securities	402	181
4. Commissions on separate account management	668	431
5. Commissions paid	0.30	3,600 won
<b>Ordinary loss</b>	(39)	(38)
<b>Other income</b>	39	38
<b>Net income</b>	-	-

## 22. FORWARD EXCHANGE TRANSACTIONS

Gain or loss on valuation of unsettled derivatives as of March 31, 2002 is as follows (in millions of Korean won):

Derivatives	Unsettled contracts	Valuation gain (loss) on exchange risk
Currency forward	115,128	(388)
Interest rate currency swap	13,165	
KOSPI Call option	45	
KOSIP Put option	17	
Total	28,355	(388)

## 23. RELATED PARTY TRANSACTIONS

Related parties	Total shares issued	Shares owned	Ownership(%)
Dongbu Automobile Insurance Claim Adjustments Co., Ltd.	200,000	200,000	100.00
Dongbu Life Insurance Co., Ltd.	17,040,000	5,318,572	31.21
Dongbu Securities Co., Ltd.	14,700,000	1,666,164	11.33
Dongbu Steel Co., Ltd.	36,271,578	1,747,851	6.92
Dongbu Co.	25,132,710	2,991,606	11.90

Related party transactions for FY2001 and FY2000 are summarized as follows (in millions of Korean won):

Company	Transaction	FY2001	FY2000
Dongbu Automobile Insurance Claim Adjustments Co., Ltd.	Claims survey fees	14,565	10,850
Dongbu Co.	Premium income	2,748	12,018
Dongbu Co.	Rent expenses	446	-
Dongbu Co.	Loan	-	20,000
Dongbu Life Insurance Co., Ltd.	Premium income	14	99
Dongbu Life Insurance Co., Ltd.	Rent expenses	23	-
Dongbu Life Insurance Co., Ltd.	Leasehold deposit	341	-
Dongbu Steel Co., Ltd.	Rent expenses	679	17
Dongbu Steel Co., Ltd.	Leasehold deposit	781	9
Dongbu Steel Co., Ltd.	Insurance premiums	1,295	256
Dongbu Steel Co., Ltd.	Unsecured loan	10,000	10,000
Dongbu Securities Co., Ltd.	Rent expenses	387	406
Dongbu Securities Co., Ltd.	Leasehold deposit	-	5,695
Dongbu Securities Co., Ltd.	Premium income	294	258

Related party loan transactions are summarized as follows (in millions of Korean won):

Company	Account	Beg. Bal.	Increase	Decrease	End. Bal.
Dongbu Electronic Co., Ltd.	Project financing	-	24,600	-	24,600
Dongbu Co.	Discounted CP loan	20,000	20,000	40,000	-
Dongbu Steel Co., Ltd.	Corporate unsecured loan	10,000	-	-	10,000
Total		30,000	44,600	40,000	34,600

Related party real estate transactions are summarized as follows (in millions of Korean won):

Company	Type	Transaction	Amount	Remark
Dongbu Securities Co., Ltd.	Land	Sale of company building	19,147	(Note 1)
		Additional acquisition of the Dongbu Financial Center shares	5,332	(Note 2)
	Construction in progress	Additional acquisition of the Dongbu Financial Center shares	7,436	(Note 2)
Dongbu Steel Co., Ltd.	Land	Acquired for investment	87,675	(Note 3)
	Land	Additional acquisition of land	4,640	(Note 4)

(Note 1) Transaction closed on June 20, 2001 the amount of ₩19.1 billion (excluding VAT). Payment completed

(Note 2) Transaction closed on June 1, 2001 the amount of ₩12.8 billion (excluding VAT). Payment completed

(Note 2) Transaction closed on June 29, 2001 the amount of ₩12.8 billion (excluding VAT). Payment completed

(Note 2) Transaction closed on December 14, 2001 the amount of ₩12.8 billion (excluding VAT). Payment completed

#### 24. ACCOUNTS RELATED TO VALUE-ADDED TAXES (in millions of Korean won):

	Operating and administrative Expenses	Property management fees	Real estate management fees	Depreciation expenses - real estate	FY2001 Total	FY2000 Total
Wages and salaries	86,149	1,479	131	-	87,759	80,650
Severance and retirement benefits	7,971	155	6	-	8,132	8,628
Employee welfare benefits	17,660	145	17	-	17,822	17,055
Rent expense	18,923	-	0	-	18,923	17,777
Depreciation expenses	11,516	2,203	0	333	14,052	15,549
Taxes and dues	19,903	717	89	-	20,709	15,442
Total	162,122	4,698	243	333	167,397	155,100

#### 25. CASH FLOWS

Additions or deductions to net income of non-cash revenues or expenses are summarized as follows:

	In millions KRW
Valuation gain on investment stocks	50,700
Replacement of construction-in-progress assets	106,209
Replacement of dividend payables	9,407

## 26. EMPLOYEE WELFARE BENEFITS

The Company provides loans and scholarships for employee welfare and they include small loans between ₩4 to ₩5 million, housing loans ranging from ₩40 to ₩50 million, financial assistance for higher education (graduate or higher), medical and individual pension payments.

## 27. RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

On March 14, 2002, the Company was directed by the Security and Future Committee to amortize the goodwill that was recognized as expenses for the financial statements issued in FY1999 and FY2000, and accordingly the Company reissued the financial statement for FY1999 and FY2000. As a result the Company's net income for FY1999 and FY2000 decreased ₩45.8 billion and 1 billion, respectively, and FY2000 financial statements have been restated reflecting the above adjustments.

*Adjustments reflected in financial statement for FY2000, 1999 and 1998 are summarized as follows (in millions of Korean won):*

	FY2000	FY1999	FY1998
Net income before adjustments	4,138	82,016	43,741
<b>Adjustments :</b>	(1,014)	(45,764)	(697)
Valuation gain (loss) from using the equity method	(19,037)	(65,653)	-
Insurance premiums to KDIC	(2,143)	(332)	(697)
Loss on disposition of investment securities	20,668	-	-
Income tax expense	(503)	20,221	-
<b>Net income after adjustments</b>	<b>3,124</b>	<b>36,252</b>	<b>43,044</b>

*Per share data on ordinary income and earnings after the adjustment are as follows (in Korean won):*

		FY2000	FY1999	FY1998
Before adjustment:	Ordinary income	1,642,361	115,172,528	65,475,932
	Net income	4,137,840	82,015,920	43,741,145
	Ordinary income per share	65	1,234	7,857
		FY2000	FY1999	FY1998
After adjustment:	Net income per share	65	1,234	7,290
	Ordinary income	1,131,092	49,187,915	64,779,084
	Net income	3,124,038	36,252,320	43,044,297
	Ordinary income per share	49	545	7,741
	Net income per share	49	545	7,174