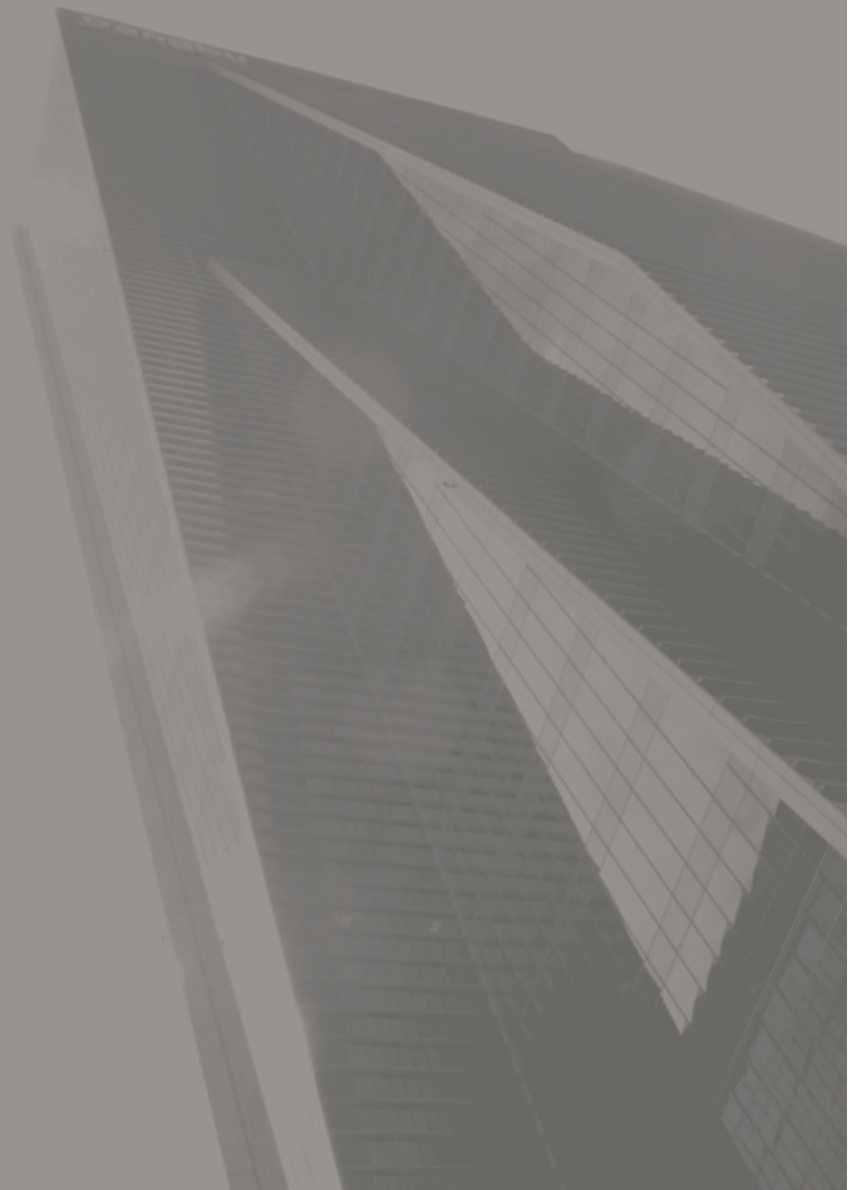


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NON-CONSOLIDATED BALANCE SHEETS

As of March 31, 2004 and 2003

	Won in millions		US\$ in thousands (Note 2)
	2004	2003	2004
ASSETS			
Cash and deposits	₩ 195,894	₩ 241,706	\$ 169,811
Cash and bank deposits (Notes 3, 8, 16 and 28)	195,315	241,352	169,309
Deposits for future trading	579	354	502
Securities	2,357,965	2,132,542	2,044,005
Trading securities (Notes 6 and 16)	414,147	597,693	359,004
Available-for-sale securities (Notes 6 and 16)	1,847,236	1,449,079	1,601,279
Held-to-maturity securities (Note 6)	7,901	7,393	6,849
Equity securities using the equity method (Notes 6, 8 and 25)	88,681	78,376	76,873
Loans (Notes 4, 5 and 25)	572,416	377,580	496,200
Fixed assets	394,197	397,680	341,710
Investment assets (Note 7)	100,215	98,959	86,871
Tangible assets (Notes 7 and 8)	286,824	291,169	248,634
Intangible assets (Note 7)	7,158	7,552	6,205
Other assets (Notes 4, 5, 6, 9, 10, 16, 20 and 21)	580,028	478,834	502,798
TOTAL ASSETS	₩ 4,100,499	₩ 3,628,341	\$ 3,554,524
LIABILITIES			
Policy reserves (Note 11)	₩ 2,916,621	₩ 2,643,935	\$ 2,528,278
Catastrophe reserves (Note 12)	216,115	198,316	187,339
Other liabilities (Notes 11, 13, 16, 18, 20, 21 and 25)	511,332	459,473	443,249
TOTAL LIABILITIES	₩ 3,644,068	₩ 3,301,724	\$ 3,158,866
SHAREHOLDERS' EQUITY			
Common stock	₩ 35,400	₩ 35,400	\$ 30,687
Capital surplus	37,913	37,913	32,865
Retained earnings	316,958	289,401	274,756
(Net income of ₩45,304 millions in 2004 and ₩79,136 millions in 2003)			
Capital adjustments (Notes 6, 15 and 21)	66,160	-36,096	57,351
TOTAL SHAREHOLDERS' EQUITY	₩ 456,431	₩ 326,617	\$ 395,658
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	₩ 4,100,499	₩ 3,628,341	\$ 3,554,524

NON-CONSOLIDATED STATEMENTS OF INCOME

For the years ended of March 31, 2004 and 2003

	Won in millions		US\$ in thousands (Note 2)
	2004	2003	2004
OPERATING REVENUES	₩ 3,170,857	₩ 2,994,944	\$ 2,748,662
Premium income (Note 22)	2,736,422	2,627,337	2,372,072
Reinsurance income	158,768	115,249	137,628
Interest income	160,431	152,558	139,070
Other	115,235	99,800	99,892
OPERATING EXPENSES	₩ 3,087,856	₩ 2,899,361	\$ 2,676,713
Net provision for policy reserves	272,506	245,355	236,222
Net provision for catastrophe reserves	17,798	17,972	15,429
Claims expenses	1,109,857	983,099	962,081
Refund claims at surrender value	774,764	711,879	671,606
Reinsurance premium paid	244,571	222,701	212,007
Operating and administrative expenses (Note 23)	617,447	615,478	535,235
Others (Note 10)	50,912	102,876	44,133
OPERATING INCOME	83,001	95,583	71,950
NON-OPERATING INCOME	₩ 90,537	₩ 59,202	\$ 78,482
Gain on disposal of available-for-sale securities	42,011	5,774	36,417
Gain on disposal of held-to-maturity securities	13	-	11
Gain on transaction of derivatives	19,895	20,593	17,246
Gain on valuation of derivatives (Note 21)	11,243	6,964	9,746
Gain on valuation of equity securities using the equity method	11,260	14,484	9,761
Others (Notes 14 and 24)	6,116	11,387	5,301
NON-OPERATING EXPENSES	₩ 114,395	₩ 49,519	\$ 99,163
Loss on disposal of available-for-sale securities	36,723	3,607	31,834
Loss on impairments of available-for-sale securities (Note 6)	18,450	-	15,993
Loss on transaction of derivatives	18,272	20,831	15,839
Loss on valuation of derivatives (Note 21)	-	1,799	-
Loss on foreign currency transactions	4,336	2,403	3,758
Loss on foreign exchange translation (Note 14)	17,905	10,072	15,521
Others (Note 24)	18,710	10,808	16,218
ORDINARY INCOME	₩ 59,143	₩ 105,266	\$ 51,269
INCOME BEFORE INCOME TAX EXPENSE	₩ 59,143	₩ 105,266	51,269
Income tax expense (Note 18)	13,839	26,130	11,997
NET INCOME (Note 19)	₩ 45,304	₩ 79,136	\$ 39,272
ORDINARY INCOME PER SHARE (Won/US\$)	₩ 723	₩ 1,262	\$ 0.63
NET INCOME PER SHARE (Won/US\$)	₩ 723	₩ 1,262	\$ 0.63

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended of March 31, 2004 and 2003

	Won in millions		US\$ in thousands (Note 2)
	2004	2003	2004
CASHFLOWS FROM OPERATING ACTIVITIES			
Net income	₩ 45,304	₩ 79,136	\$ 39,272
Expenses not involving cash outflows	424,532	448,651	368,006
Provision for severance indemnities	9,113	9,814	7,900
Depreciation	15,768	13,580	13,669
Provision for doubtful accounts	8,091	3,346	7,014
Loss on foreign currency translation	15,125	6,048	13,111
Loss on disposal of trading securities	12,323	83,693	10,682
Loss on valuation of trading securities	2,198	14,259	1,905
Loss on disposal of available-for-sale securities	36,723	3,607	31,834
Loss on impairment of available-for-sale securities	18,450	405	15,993
Increase in policy reserve	272,506	286,063	236,222
Increase in catastrophe reserve	17,798	17,972	15,429
Other, net	16,436	9,864	14,247
Incomes not involving cash inflows	95,458	73,259	82,748
Gain on disposal of trading securities	31,804	37,194	27,570
Gain on valuation of trading securities	4,915	11,040	4,261
Gain on disposal of available-for-sale securities	41,946	5,774	36,361
Gain on valuation of equity securities using the equity method	11,260	14,484	9,761
Other, net	5,533	4,767	4,796
Changes in assets and liabilities related to operating activities	(273,056)	(108,576)	(236,699)
Decrease (Increase) in call loan	(21,500)	-	(18,637)
Decrease (Increase) in loans	(180,931)	(84,695)	(156,841)
Decrease (Increase) in insurance accounts receivable	(8,157)	(12,178)	(7,071)
Decrease (Increase) in other receivables	(19,129)	6,502	(16,582)
Decrease (Increase) in accrued revenues	3,997	(17,437)	3,465
Decrease (Increase) in compensation receivables	(3,504)	(2,247)	(3,037)
Decrease (Increase) in separate accounting assets	(25,860)	(57,431)	(22,417)
Decrease (Increase) in deferred acquisition costs	(47,627)	(7,638)	(41,285)
Decrease (Increase) in the derivatives	(7,848)	(5,897)	(6,803)
Increase (Decrease) in unpaid claims	22,144	4,477	19,195
Increase (Decrease) in other payables	3,647	(8,251)	3,161
Increase (Decrease) in unpaid expenses	4,333	(5,131)	3,756
Increase (Decrease) in separate accounting debits	6,999	2,264	6,068
Increase (Decrease) in separate accounting liabilities	25,860	57,431	22,417
Increase (Decrease) in income tax payables	(12,937)	4,475	(11,215)
Other, net	(12,543)	17,180	(10,873)
Net Cash provided by operating activities	101,321	345,952	87,831
CASHFLOWS FROM INVESTING ACTIVITIES			
Cash inflows from investing activities	6,823,658	8,024,313	5,915,099
Proceeds from sale of trading securities	6,076,956	6,597,053	5,267,819
Proceeds from sale of available-for-sale securities	714,150	1,388,254	619,062
Proceeds from sale of held-to-maturity securities	1,151	-	997
Decrease in equity securities using the equity method	2,681	6,608	2,324
Proceeds from sale of tangible assets	1,411	1,105	1,223
Other, net	27,311	31,293	23,675

Cash outflows from investing activities	6,954,954	8,365,674	6,028,913
Acquisition of trading securities	5,872,060	6,015,035	5,090,204
Acquisition of available-for-sale securities	1,041,094	2,300,039	902,474
Acquisition of held-to-maturity securities	1,645	7,393	1,426
Acquisition of tangible assets	13,582	23,196	11,774
Acquisition of intangible assets	3,158	3,988	2,737
Other, net	23,414	16,022	20,297
Net Cash provided by investing activities	(131,296)	(341,361)	(113,814)
CASHFLOWS FROM FINANCING ACTIVITIES			
Cash inflows from financing activities	-	441	-
Increase in short-term borrowings	-	441	-
Cash outflows from financing activities	16,062	9,522	13,924
Payment of cash dividends	15,673	9,405	13,586
Increase in treasury stocks	389	-	338
Redemption of borrowings	-	117	-
Net Cash provided by financing activities	(16,062)	(9,080)	(13,924)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(46,037)	(4,490)	(39,907)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	241,352	245,842	209,216
CASH AND CASH EQUIVALENTS, END OF THE YEAR	₩ 195,315	₩ 241,352	\$ 169,309

NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

For the years ended of March 31, 2004 and 2003

	Won in millions		US\$ in thousands (Note 2)
	2004	2003	2004
RETAINED EARNINGS BEFORE APPROPRIATIONS	₩ 43,269	₩ 76,345	\$ 37,508
Retained earnings carried forward from prior year	38	12	33
Changes in retained earnings of equity securities using the equity method (Note 6)	(2,073)	(2,803)	(1,797)
Net income	45,304	79,136	39,272
TRANSFER FROM VOLUNTARY RESERVE	3,333	3,333	2,890
APPROPRIATIONS	46,521	79,640	40,327
Legal reserve	1,566	1,567	1,357
Cash Dividend (Note 26)	15,655	15,673	13,570
Voluntary reserve	29,300	62,400	25,399
UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED OVER TO SUBSEQUENT YEAR	₩ 81	₩ 38	\$ 71

NOTES TO FINANCIAL STATEMENTS

1. GENERAL

Dongbu Insurance Co., Ltd. ("the Company") was originally incorporated in October 1968 with an initial capital of ₩500 million to engage primarily in non-life insurance related business under the commercial codes of the Republic of Korea. In June 1973, the Company's common stocks were listed on the Korea Stock Exchange. On October 1995, the Company changed its name to Dongbu Insurance Co., Ltd. Pursuant to the resolution by the board of directors on June 11, 1999, the par value of the Company's common stock was split to ₩500 from ₩5,000. As of March 31, 2004, the amounts of issued common stock capital are ₩35.4 billion and Kim Jun-Kee and Kim Nam-Ho own 12.10 percent and 12.06 percent of the Company's stock, respectively. The public owns the remaining shares. The Company's headquarters is located in Daechi-dong, Gangnam-Gu, Seoul.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation

The Company maintains its official accounting records in Korean Won and prepares statutory financial statements in the Korean language (hangul) in conformity with the accounting principles generally accepted in the Republic of Korea ("Korean GAAP"). Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use only by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded description) from the Korean language financial statements. Certain accounts of the prior year's financial statements were reclassified to conform to the current year's presentation. These reclassifications did not result in any material change to reported net earnings or stockholders' equity.

The Company operates primarily in Korean Won and its official accounting records are maintained in Korean Won. The U.S. Dollar amounts provided herein as supplementary information solely for the convenience of reader. Korean Won amounts are expressed in U.S. Dollars based on a BOK basic rate of ₩1,153.60 to US\$ 1.00 on March 31, 2004. This presentation is not in accordance with accounting principles generally accepted in either the Republic of Korea or the United State, and should not be construed as a representation that the Korean Won amounts shown could be converted, realized or settled in U.S. Dollars at this rate.

The significant accounting policies followed by the Company in preparing the accompanying financial statements are summarized below.

Reclassification of Balance Sheet Accounts

The accounts on the balance sheet have been reclassified in accordance with the Accounting Standards for the Insurance Industry to achieve a set of Korean accounting standards that are internationally acceptable and comparable, rather than presenting assets and liabilities in the order of annual-based liquidity.

Revenue Recognition

Revenues from premium income are recognized when such premium payments become due. However, when the first premium payments or lump-sum premium payment on an insurance policy is uncorrectable as of the first day of the insured period due to a payment extension allowed by the Company, the first premium payment or lump-sum premium payment may be recognized as revenue in the period in which the first day of insured period falls. Interest income on deposits, securities and

loans are recognized as income in the period when they are incurred. Interest income on defaulted and delinquent loans and the loans of which principal or interest payments which have been extended is recognized as income in the period when they are received.

Allowance for Possible Losses on Credit

The Company provides an allowance for doubtful accounts based on forward looking criteria (FLC), pursuant to the Supervisory Regulation for the Insurance Industry (the "Supervisory Regulation") legislated by the Korean Financial Supervisory Services (FSS). In accordance with the FLC, the Company classified all credits into five categories as normal, precautionary, substandard, doubtful and estimated loss based on borrowers' repayment capability and historical financial transaction record. The Supervisory Regulation also requires the Company to provide the minimum rate of loss provision for each category balance using the prescribed minimum percentages of 0.5 percent (0.75 percent for individual loans) or more, 2.0 percent (5 percent for individual loans) or more, 20 percent or more, 50 percent or more and 100 percent, respectively.

Restructuring of Loans

A loan of which the contractual terms have been modified in debt restructuring due to mutual agreement, such as commencement of reorganization and workout plans, is accounted for at the present value of expected future cash flows, if the book value of the loan differs from the present value. The difference between the book value and present value is accounted for a present value discount, which is offset against the nominal value of the related loan in the accompanying balance sheet. The present value discount is amortized over the remaining maturity using the effective interest rate method, and the amortization amount is recorded as interest income.

Valuation of Securities

Upon acquisition, the Company classifies securities into one of the following categories: trading, available for sale, held to maturity and securities using the equity method, depending on marketability, purpose of acquisition and ability to hold. Securities that are bought and held for the purpose of generating profits on short-term differences in price and are actively traded, are classified as trading securities. Debt securities with certain maturity of which the redemption amount is fixed or determinable and the Company has the positive intent and ability to hold maturity are classified as held-to-maturity securities. Securities not categorized as trading securities nor as held-to-maturity securities are classified as available-for-sale securities. For equity securities held for investments that are in companies over which the Company is able to exercise significant influence, the investees are accounted for using the equity method.

(1) Valuation of Trading Securities

Trading securities are stated using the individual moving method, to the extent of the aggregate acquisition costs and incidental expenses incurred at the time of acquisition. If the fair value of trading securities differs from the book value determined, these securities are stated at fair value as of the balance sheet date and the valuation of gain, unrealized gains or losses are reflected in current operations.

(2) Valuation of Available-for-sale Securities

Available-for-sale securities are principally stated at the fair value as of the balance sheet date. The unrealized gains or losses credited (debited) to the capital adjustment accounts as a gain (loss) on valuation of available-for-sale securities under the stockholders' equity section in the accompanying balance sheet. The fair value of marketable securities are stated at the market price and the fair value of non-marketable securities are presented at the credibly determinable value reflected by a reasonable

discount rate provided from an independent credit rating agency or from a generally accepted valuation model. However, non-marketable equity securities of which fair value cannot be reliably estimated are stated at acquisition cost. If the decline in the fair value or book value of equity securities is below the acquisition cost and the pervasive evidence of impairment exists, the carrying value is adjusted to fair value and the resulting valuation loss is charged to current operation. If the decline in the collectable value of debt securities is below the amortized cost and the pervasive evidence of impairment exists, the carrying value is adjusted to collectable value and the resulting valuation loss is charged to current operation. With respect to impaired securities, any unrealized valuation gain or loss of securities previously included in the capital adjustment account is reversed.

(3) Valuation of Held-to-maturity Securities

Investments in securities held to maturity are stated at acquisition cost plus incidental expenses. However, when the face value of the securities differs from acquisition cost, the difference is amortized using the effective interest rate method over the remaining maturity period.

(4) Valuation of Securities Using the Equity Method

For equity securities held for investments that are in companies over which the Company is able to exercise significant influence, the investees are accounted for the equity method. The difference between carrying value and amount after adjusting the Company's interest in net assets of the investee is charged or credited to current operations and the difference derived from changes in the retained earnings of the investee is presented as the increase or decrease in the Company's retained earnings. Changes in the capital surplus or other capital accounts of the investee are reflected as an increase or decrease of policyholders' equity adjustment and capital adjustment based on the allocation ratio of the retained earnings before participating policyholders' dividends in the current period.

Valuation of Tangible Assets and Intangible Assets

Tangible asset are stated at cost or appraised value as determined by independent appraisers in accordance with the Korean Asset Revaluation law. Expenditures that extend the useful lives or enhance the value of assets are capitalized as additions to tangible assets. Routine maintenance and repairs are expensed as incurred. Depreciation is computed using the decline-balance method over the following useful lives of the assets (except buildings and structures which are depreciating using the straight-line method)

	(Useful lives)
Buildings	40 years
Structures	20 years
Equipment	4 years

Intangible assets are stated at acquisition cost plus incidental cost and amortized over 4 years from the time the assets are booked, using the straight-line method.

Compensation Receivables

Of the amounts paid for claims during the year, amounts recoverable by exercising compensation and other rights or through disposal of secured assets acquired in the resolution of accidents are accounted for as compensation receivables and deducted directly from insurance reserves in the accompanying balance sheet. Compensation receivables are calculated by multiplying the average recovery ratio for the prior 3 years from the prior year balance sheet date to the amounts of net claims for the prior 1 year from the prior year balance sheet date. The formula of average recovery ratio is calculated as follows:

(Refund from direct claims recovered + Refund from reinsurance claim paid – Refund on reinsurance ceded)/net claims. Net claims are calculated by deducting reinsurance claims recovered from the summation of direct premium written and Reinsurance claims paid.

Deferred Acquisition Costs

Acquisition costs arising from long-term contracts, including individual annuities, are deferred and amortized on a straight-line basis over the premium period or seven years, whichever is shorter. For cancelled contracts, any unamortized portion of deferred acquisition costs remaining on the cancellation date is amortized as a lump sum in the fiscal years in which such cancellation occurs.

Premium Deficiency

The Accounting Standards for the Insurance Industry require the Company to additionally amortize policy acquisition cost to the extent required to eliminate the premium deficiency. This deficiency is calculated by the following factors:

(1) Insurance Contracts for Reviewing Premium Deficiency

The Company reviewed individual annuity, fixed interest and interest dependant contracts with or without dividends in premium deficiency as of March 31, 2004. Group severance plans and insurance contract of which insurance period is less than one year have been excluded.

(2) Summary of Calculation on Premium Deficiency

	Rate of experience		Description
Discount	With dividends	5.86%	Average yield from asset management from April 1, 2001 to March 31, 2004
	Without dividends	7.34%	
	Individual annuity	7.04%	
Expense ratio	With dividends	78.5%	Actual expense rate per expected expense rate on rescission of insurance contracts for this year
	Without dividends	160.3%	
	Individual annuity	138.2%	
Rescission rate	With dividends	2.01%	Average number of terminated contracts per new contracts with sensitivity of interest.
	Without dividends	1.42%	
	Individual annuity	1.52%	
Payment rate	With dividends	74.0%	Payment rate per risk premium for last three years
	Without dividends	47.3%	
	Individual annuity	87.0%	

(3) Summary of Premium Surplus

(Unit: Won in billions, %)

	Expected interest	Premium surplus
With dividends	4.5 - 8.0%	-
Without dividends	4.0 - 8.0%	285.8
Individual annuity	4.0 - 8.0%	16.8
Total		302.6

Separate Account Assets (Liabilities)

Article 108 of the Insurance Business Act (“IBA”) and Article 34 of the Labor Standard Act, approved by the Financial Supervisory Commission, require the Company to separate balance sheet accounts for assets and liabilities related to corporate pension policies from the other insurance policies. Assets and liabilities separately administered from the general accounts in asset management and income distribution are deemed assets and liabilities in segmented reporting.

Insurance Reserves

The IBA requires the Company to maintain the policy reserves determined as follows

(1) Policy Reserves

① Reserve for outstanding claims

The reserve for outstanding claims is the accumulated estimated losses for the claims that are in dispute or litigation against fixed value that is determined in estimating the reserves for claims as of the balance sheet date and estimated losses for the insured event that have occurred prior to the balance sheet date but for which a fixed value cannot be determined in estimating the reserve for claims.

② Long-term savings type premium reserve

The Company maintains a reserve for the portion of premiums (and investment income on such portion), which is refundable to policyholders upon maturity and amounts refundable for policy cancellation under long-term deposit-type insurance.

③ Unearned premium reserve

Unearned reserve refers to the premium to be charged during a subsequent period, for premiums whose collection date is before the balance sheet date. It is calculated on the basis of day, month, quarter or semi-annual.

④ Reserve for participating policyholders’ dividends

The Company is required to maintain a reserve for participating policyholders’ dividends based on regulations approved by the Financial Supervisory Commission.

⑤ Excess participating policyholder dividend reserve

Excess participating policyholder dividend reserve refers to the amount to be reserved, in lump sum depending on the business performance, for appropriation for future dividends to policyholders or for additional accumulation as part of a policy reserve other than the reserve for policyholders’ dividends that is based on the contract terms and conditions

(2) Catastrophe Reserve

The Company is required to maintain a catastrophe reserve under regulations approved by the Financial Supervisory Commission. Non-life insurance company provides a catastrophe reserve based on net premiums written on and expected underwriting profit by the type of insurance product until it reaches 50 percent of the current year earned premiums. This reserve can be used to offset against (i) a deficit in excess of retained earnings (but limited to net loss for the year) if the deficit incurred in a fiscal year is more than the retained earnings or (ii) net insurance expenses in excess of 100 percent of the current year's earned premiums (but limited to the net loss for the year) when the ratio of net insurance expenses is claimed to net insurance premiums or by the insurance product type, if any is in excess of 100% of the current year earned premiums.

Accrued Severance Benefits: Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their service with the Company, based on their length of service and rate of pay at the time of termination. The Company has purchased severance benefits insurance and established deposits with Kyobo Life Insurance Co, Ltd. and with Heungkook Life Insurance Co., Ltd. These deposits are presented as a deduction from the accrued severance indemnities. In addition, the Company and the employees are required to transfer a certain portion of monthly pay to the National Pension Fund in accordance with the National Pension Law of Korea. Individual severance insurance deposits to National Pension Fund are presented as deduction from accrued severance indemnities. (See Note 13.)

Accounting for Foreign Currency Transactions and Translations

The Company maintains its accounts in Korean Won. Transactions in foreign currencies are recorded in Korean Won based on the prevailing rate of exchange on the transaction date. Transaction gains and losses are credited or charged to operation when these are occurred on the transaction date. The Korean Won equivalent of asset assets and liabilities denominated in foreign currencies are translated in these financial statements based on the basic rate (₩1,153.60 to US\$1.00 on March 31, 2004) or cross rates for other currencies at the balance sheet dates. Translation gains or losses are reflected in current operations.

Income Tax Expenses

Income tax expense is the amount currently payable for the period added to or deducted from the changes in deferred income taxed. However, deferred income tax assets are recognized only the future tax benefits from accumulated temporary differences and any tax loss carry-forwards are realized. The difference between the amount currently payable for the period and income tax expense is accounted for as deferred income tax assets or liabilities and is offset against income tax assets and liabilities in the future period.

Valuation of Derivatives

The Company records the fair value of rights or obligations associated with derivative financial instruments as assets and liabilities. The realized gains (losses) incurred from valuation are reflected in current operations

3. CASH AND BANK DEPOSITS

Cash and bank deposits of March 31, 2003 and 2004 are as follows;

(Won in millions / US\$ in thousands)

	Annual interest rate (%)	Korean Won		U.S. Dollars (Note 2)
		2004	2003	2004
Checking accounts	-	₩ 745	₩ 12,274	\$ 646
Passbook accounts	1	28,257	52,358	24,495
Time deposit	3.7~6.8	125,173	171,793	108,506
Installment savings	-	-	1,130	
Deposits in overseas countries*	-	19,155	269	16,604
Others*	0.22 ~ 3.58	21,977	3,493	19,051
Total		₩ 195,306	₩ 241,316	\$ 169,301

* Other deposits of ₩15.0 million and deposits in overseas countries of ₩288.4 million are restricted for maintenance of checking accounts and for overseas branch offices, respectively.

4. ALLOWANCE FOR POSSIBLE LOSSES ON CREDITS

The classification of asset quality for the assets required for asset classification as of March 31, 2004 are summarized as follows ;

(Won in millions)

	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Others	Total
Rate (%)	0.5%~0.75%	2%~5%	20%	50%~70%	100%		
Policy loans	₩ 528,910	₩ 15,311	₩ 9,519	₩ 12,362	₩ 915	₩ 21,500	₩ 588,517
Insurance receivables*	33,549	1,653	1,584	267	227	47,877	85,157
Notes receivable	3,349	-	-	-	-	-	3,349
Other accounts receivable	55,163	363	90	-	52	-	55,668
Dishonored notes receivable	-	-	-	-	9	-	9
Accrued income*	2,518	393	54	-	64,639	-	67,604
Others (prepaid loans)	-	-	-	-	34	-	34
Total	₩ 623,488	₩ 17,721	₩ 11,247	₩ 12,629	₩ 1,238	₩ 134,016	₩ 800,339

* An allowance for insurance receivables, net of insurance account payables by customers and account codes, is provided and accrued income from financial institutions are excluded in the calculation of the allowance.

The details of the allowance for the above loan losses as of March 31, 2004 are summarized as follows;

(Won in millions)

	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Rate (%)	0.5%~0.75%	2%~5%	20%	50%~70%	100%	
Policy loans	₩ 3,716	₩ 346	₩ 1,904	₩ 8,585	₩ 915	₩ 15,466
Insurance receivables	169	33	317	133	227	879
Notes receivable	17	-	-	-	-	17
Other accounts receivable	276	7	18	-	52	353
Dishonored notes receivable	-	-	-	-	9	9
Accrued income	19	20	10	-	-	49
Others (prepaid loans)*	-	-	-	-	34	34
Total	₩ 4,196	₩ 406	₩ 2,249	₩ 8,718	₩ 1,238	₩ 16,807

* The allowance for prepaid loans is included in the allowance for accrued income on the balance sheet.

The details of allowance for the loan losses and ratio of allowance for doubtful loans to total loans as of March 31, 2001, 2002, 2003, 2004 are summarized as follows;

(Won in millions)

	Mar. 31, 2001	31.Mar.02	31.Mar.03	31.Mar.04
Policy loans	₩ 295,153	₩ 303,257	₩ 386,085	₩ 588,518
Insurance receivables	75,749	64,826	77,000	85,158
Notes receivable	1,464	1,108	1,989	3,349
Other accounts receivable	47,584	43,532	36,539	55,668
Dishonored notes receivable	2	-	-	9
Accrued income	48,786	54,165	71,602	67,604
Others	-	-	47	33
Total (a)	₩ 468,738	₩ 466,888	₩ 573,262	₩ 800,339
Allowance (b)	₩ 11,880	₩ 9,179	₩ 9,259	₩ 16,807
Ratio (b/a)	2.53%	1.97%	1.62%	2.10%

5. LOANS

The Company provides various loans in accordance with the Supervisory Regulation for the Insurance Industry. The annual interest rates of the Company's loans as of March 31, 2004 range from 5.0 through 11.5%. As of March 31, 2004, ₩360 million (₩735 million as of March 31, 2003) of credit loans are related to loans to the Company's employees.

Remaining maturities of Korean Won-denominated loans as of March 31, 2004 and 2003 are as follows;

(Won in millions)

	Total	Policy loans	Within 6 months	With 1 year	Over 1 ~2 years	Over 2~3 years	Over 3~4 years	Over 4~5 years	5 years and more
As of March 31 2004	₩ 588,517	₩ 213,570	₩ 11,046	₩ 17,550	₩ 78,031	₩ 38,963	₩ 2,652	₩ 90,010	₩ 95,453
As of March 31 2003	386,085	143,035	6,697	31,604	24,893	85,462	13,490	3,448	59,189

The compositions of loans by countries, industries and borrower types as of March 31, 2004 are as follows;

(Won in millions and %)

	Amounts	Ratio
By Country		
Republic of Korea	₩ 588,517	100.00 (%)
Total	₩ 588,517	100.00 (%)
By Industries		
Manufacturing	₩ 74,478	12.66 (%)
Construction	8,851	1.50 (%)
Wholesale & retail	7,467	1.27 (%)
Financial & insurance	38,900	6.61 (%)
Lodging & restaurants	10,000	1.70 (%)
Logistics	6,070	1.03 (%)
Real estate lease	11,363	1.93 (%)
Individuals	431,389	73.30 (%)
Total	₩ 588,517	100.00 (%)
By Borrowers		
Corporate	₩ 157,128	26.70 (%)
Individual	431,389	73.30 (%)
Total	₩ 588,517	100.00 (%)

The change in allowance for doubtful loans as of March 31, 2004 is as follows;

(Won in millions)

	Beginning of Period	Provision	Write-off	Recovery	End of Period
Allowance for doubtful loans	₩ 7,442	₩ 9,263	₩ 1,610	₩ 371	₩ 15,466

The details of allowance for doubtful loans based on asset classification as of March 31, 2004 are as follows;

(Won in millions and %)

	Rate	Loans	Allowances	Portio
Normal	0.5%~0.75%	₩ 550,410	₩ 3,716	24.0%
Precautionary	2%~5%	15,311	346	2.2%
Substandard	20%	9,519	1,904	12.3%
Doubtful	50% ~ 70%	12,362	8,585	55.5%
Estimated loss	100%	915	915	5.9%
Total		₩ 588,517	₩ 15,466	100.0%

The amount of average loans* is ₩487,301 millions and the amount of interest income during the period from April 1, 2003 to March 31, 2004 is ₩40,258 millions.

* The average loan figure is computed by adding the beginning balance and ending balance together and dividing by two.

6. SECURITIES

In accordance with the Supervisory Regulation on Insurance Industry, the Company is holding the securities for managing assets and the details of securities as of March 31, 2004 are summarized as follows;

(Won in millions)

	Ownership (%)	Interest Rate (%)	Acquisition Cost		Fair Value		Book Value	
			2004	2003	2004	2003	2004	2003
TRADING SECURITIES								
Trading debt securities								
Government and public bonds		3.93	₩ 29,706	₩ 2,249	₩ 29,713	₩ 2,439	₩ 29,713	₩ 2,439
Special bonds			22,263	428,772	22,085	426,918	22,085	426,918
Corporate bonds		3	6,749	8,912	6,778	8,755	6,778	8,755
Subtotal			₩ 58,718	₩ 439,933	₩ 58,576	₩ 438,112	₩ 58,576	₩ 438,112
A trading securities, except for trading debt securities								
Marketable Securities			₩ 35,739	₩ 17,988	₩ 36,843	₩ 15,425	₩ 36,843	₩ 15,425
Beneficiary certificates			270,555	87,958	273,009	83,582	273,009	83,582
Securities denominated in foreign currencies			27,169	19,269	25,760	19,786	25,760	19,786
Other securities		3.8	19,959	40,787	19,959	40,787	19,959	40,787
Subtotal			₩ 353,422	₩ 166,002	₩ 355,571	₩ 159,580	₩ 355,571	₩ 159,580
Total			₩ 412,140	₩ 605,935	₩ 414,147	₩ 597,692	₩ 414,147	₩ 597,692
U.S. Dollars in thousands(Note 2)			\$ 357,265	\$ 525,256	\$ 359,004	\$ 518,111	\$ 359,004	\$ 518,111
AVAILABLE-FOR-SALE SECURITIES								
Equity securities in available-for-sale securities								
Marketable equity securities								
Hana Bank	2.33%		₩ 45,353	₩ 61,131	₩ 109,233	₩ 50,834	₩ 109,233	₩ 50,834
Anam Semiconductor Co., Ltd	4.99%		30,900	50,000	26,543	31,500	26,543	31,500
Hynix Semiconductor Col., Ltd.	0.01%		232	22	695	22	695	22
Daerim Fisheries Corp.	2.43%		739	739	3,320	631	3,320	631
LG Card Co.Ltd.**	1.16%		6,030	-	232	-	232	-
Subtotal			₩ 83,255	₩ 111,893	₩ 140,023	₩ 82,987	₩ 140,023	₩ 82,987
Unlisted equity securities								
T-One Tech. Inc.	6.36%		₩ 300	₩ 300	₩ -	₩ 168	₩ -	300
Korea Info. & Com. Inc.	0.83%		300	300	37	41	37	300
Bioneer Inc.**	0.34%		1,200	1,200	89	104	89	1,200
Uniasset.Com	6.91%		370	370	150	146	150	370
Korea21 Venture Inc.	4.90%		490	490	348	473	490	490
Shinhan Marchinery Inc.	3.44%		500	500	247	511	247	500
Shiltron Inc.	4.92%		16,144	-	11,863	-	16,144	-
Pyonan Fiber Inc.	7.22%		85	85	2,030	1,495	85	85
Korea Securities Depository	0.01%		3	3	34	31	3	3
Inchon Int'l Airport Corp.	10.23%		27,431	27,431	37,588	27,280	27,431	27,431
Daerim Fisheries Corp. (Preferred Stocks)	0.62%		465	465	-	283	465	465
Apolo private M&A fund			10,000	-	10,000	-	10,000	-
Subtotal			₩ 57,288	₩ 31,144	₩ 62,386	₩ 30,531	₩ 55,140	₩ 31,144

	Ownership (%)	Interest Rate (%)	Acquisition Cost		Fair Value		Book Value	
			2004	2003	2004	2003	2004	2003
Debts securities in available-for-sale securities								
Government and public bonds*	2003.10.17		₩ 253,028	₩ 179,780	₩ 254,904	₩ 197,461	₩ 254,904	₩ 197,461
Special bonds*.*.*.***	3.87-10.2		579,915	474,312	571,279	481,479	571,279	481,479
Corporate bonds	2003.5.11		275,994	448,339	277,995	152,501	277,995	152,501
Debt securities denominated in foreign currencies	1.6-12.75		197,605	147,581	193,705	145,433	193,705	145,433
Structured debt securities	5.15-2.08		296,196	297,207	290,235	308,192	290,235	308,192
Subtotal			₩ 1,602,738	₩ 1,547,219	₩ 1,588,118	₩ 1,285,066	₩ 1,588,118	₩ 1,285,066
Investment in partnerships in available-for-sale securities								
Securities Stabilization Fund			₩ -	₩ 634	₩ -	₩ 791	₩ -	₩ 791
Goldmoon Bio			490	490	30	490	30	490
Next Venture			1,000	1,000	871	1,000	871	1,000
MOST 6			2,500	2,500	2,633	2,500	2,633	2,500
Subtotal			₩ 3,990	₩ 4,624	₩ 3,535	₩ 4,781	₩ 3,535	₩ 4,781
Available-for-sale securities other than the above investment in equity, debt and other securities.								
Beneficiary certificates			₩ 14,683	₩ 29,368	₩ 12,020	₩ 22,006	₩ 12,020	₩ 22,006
Securities denominated in foreign currencies			10,367	26,423	10,037	23,094	10,037	23,094
Other securities			38,362	-	38,362	-	38,362	-
Subtotal			₩ 63,412	₩ 55,791	₩ 60,419	₩ 45,100	₩ 60,419	₩ 45,100
Total			₩ 1,810,682	₩ 1,750,670	₩ 1,854,481	₩ 1,448,466	₩ 1,847,236	₩ 1,449,079
U.S. Dollars in thousands(Note 2)			\$ 1,569,593	\$ 1,517,571	\$ 1,607,560	\$ 1,255,605	\$ 1,601,279	\$ 1,256,137
HELD-TO-MATURITY SECURITIES*								
Government and public bonds			₩ 7,901	₩ 7,356	₩ 7,901	₩ 7,393	₩ 7,901	₩ 7,393
U.S. Dollars in thousands(Note 2)			\$ 6,849	\$ 6,377	\$ 6,849	\$ 6,409	\$ 6,849	\$ 6,409
EQUITY SECURITIES USING THE EQUITY METHOD								
Dongbu Steel Co.,Ltd..	6.70%		₩ 6,463	₩ 6,463	₩ 49,389	₩ 48,149	₩ 18,161	₩ 15,381
Dongbu Construction Co., Ltd.	11.90%		8,979	8,979	51,608	45,814	35,209	27,848
Dongbu Securities Co., Ltd	11.33%		12,325	12,325	16,289	15,968	15,423	14,991
Dongbu Life Insurance Co., Ltd.	31.21%		16,393	16,393	16,087	13,961	18,888	19,156
Dongbu claims adjustment Co., Ltd.	100.00%		1,000	1,000	1,056	843	1,000	1,000
Total			₩ 45,161	₩ 45,161	₩ 134,429	₩ 124,735	₩ 88,681	₩ 78,376
U.S. Dollars in thousands(Note 2)			\$ 39,148	\$ 39,148	\$ 116,530	\$ 108,127	\$ 76,873	\$ 67,940
Grand total			₩ 2,275,884	₩ 2,409,122	₩ 2,410,958	₩ 2,178,288	₩ 2,357,965	₩ 2,132,542
U.S. Dollars in thousands(Note 2)			\$ 1,972,854	\$ 2,088,351	\$ 2,089,943	\$ 1,888,252	\$ 2,044,005	\$ 1,848,597

* As of March 31, 2004, government and public bonds in held-to-maturities securities aggregating ₩3.3 billion and government and public bonds and special bonds in the available-for-sale securities aggregating ₩15 billion were pledged as collateral for trading derivatives and for maintaining checking accounts, respectively.

** For the year ended March 31, 2004, impaired losses on available-for-sale equity securities such as LG Card Co., Ltd. and Bioneers Inc. worth ₩8.4 billion and impaired losses on available-for-sale debt securities for LG Card card bonds totaling ₩10.0 billion were recognized as non-operating expenses. As of March 31, 2004, the accrued income includes the accrued interest receivable on LG Card card bonds, which is recognized as an impaired loss on available-for-sale debt securities of ₩261 million.

*** For the year ended March 31, 2004, LG Card card bonds were reclassified to available-to-sale securities from trading securities due to restriction of trading.

Gains or losses on valuation of securities recognized in capital adjustment as of March 31, 2004 are summarized as follows;

(Won in millions)

	Face Value	Acquisition Cost	Adjustment	Gain or Loss on Valuation	Capital Adjustment	Fair Value
TRADING SECURITIES						
Equity securities	₩ 11,182	₩ 35,739	₩ 1,104	₩ 21,669	₩ -	₩ 36,843
Government and public bonds	30,000	29,706	7	1,053	-	29,713
Special bonds	22,000	22,263	(178)	10,264	-	22,085
Corporate bonds	6,782	6,749	29	532	-	6,778
Beneficiary certificates	266,589	270,555	2,453	5,228	-	273,009
Other securities	20,000	19,959	-	400	-	19,959
Securities denominated in foreign currencies	27,169	27,169	(1,409)	(462)	-	25,760
Subtotal	₩ 383,722	₩ 412,141	₩ 2,006	₩ 38,683	₩ -	₩ 414,147
AVAILABLE-FOR-SALE SECURITIES						
Marketable equity securities	₩ 75,656	₩ 83,255	₩ -	₩ 17,775	₩ 91,471	₩ 140,023
Non-listed equity securities	44,966	57,288	-	-1,598	-	55,140
Government and public bonds	261,909	253,028	2,740	16,166	-2,793	254,904
Special bonds	575,057	579,915	-97	14,173	1,783	571,279
Corporate bonds	266,349	275,994	(1,789)	11,129	-293	277,995
Beneficiary certificates	14,265	14,683	-	1,617	5,404	12,020
Structured Securities	287,460	296,196	(204)	18,332	(5,196)	290,235
Other Securities	38,606	38,362	-	435	-	38,362
Securities denominated in foreign currencies	207,973	207,973	(1,069)	5,000	8,451	203,742
Investment in partnership	3,990	3,990	-	(214)	5	3,535
Subtotal	₩ 1,776,230	₩ 1,810,682	₩ 420	₩ 82,814	₩ 98,831	₩ 1,847,236
HELD-TO-MATURITY SECURITIES						
Government and public bonds	₩ 7,901	₩ 7,901	₩ -	₩ 251	₩ -	₩ 7,901
Subtotal	₩ 7,901	₩ 7,901	₩ -	₩ 251	₩ -	₩ 7,901
EQUITY SECURITIES USING THE EQUITY METHOD						
Equity Securities	₩ 225,803	₩ 45,161	₩ -	₩ 11,260	₩ 3,150,643	₩ 88,681
Subtotal	₩ 225,803	₩ 45,161	₩ -	₩ 11,260	₩ 3,150,643	₩ 88,681
Total	₩ 2,393,656	₩ 2,275,884	₩ 1,586	₩ 133,009	₩ 3,249,474	₩ 2,357,965
U.S. Dollars in thousands(Note 2)	\$ 2,074,944	\$ 1,972,854	\$ 1,375	\$ 115,299	\$ 2,816,812	\$ 2,044,005

Fair values of held-to-maturity debt securities, by remaining contractual maturities, as of March 31, 2004 are as follows;

(Won in millions)

	Within 1 year	Over 1~5 years	Over 5 ~ 10 years	Total
TRADING SECURITIES				
Government and public bonds	₩ 29,713	₩ -	₩ -	₩ 29,713
Special bonds	2,002	20,082	-	22,085
Corporate bonds	-	6,778	-	6,778
Securities denominated in foreign currencies	25,760	-	-	25,760
CPs	19,959	-	-	19,959
Subtotal	₩ 77,435	₩ 26,860	₩ -	₩ 104,295
AVAILABLE-FOR-SALE SECURITIES				
Government and public bonds	₩ 23,722	₩ 128,258	₩ 102,924	₩ 254,904
Special bonds	213,728	198,922	158,630	571,279
Corporate bonds	45,340	110,654	122,001	277,995
Securities denominated in foreign currencies	6,602	156,501	30,602	193,705
Bond secured by assets	50,634	102,982	78,351	231,967
Unsecured bonds	-	-	58,268	58,268
CPs	38,362	-	-	38,362
Subtotal	₩ 378,388	₩ 697,317	₩ 550,776	₩ 1,626,481
HELD-TO-MATURITY SECURITIES				
Government and public bonds	₩ -	₩ 7,900	₩ -	₩ 7,901
Subtotal	₩ -	₩ 7,900	₩ -	₩ 7,901
Total	₩ 455,824	₩ 732,078	₩ 550,776	₩ 1,738,677
U.S. Dollars in thousands(Note 2)	\$ 395,131	\$ 634,603	\$ 477,441	\$1,507,175

Valuation gains or losses on available-for-sale securities recognized in capital adjustment as of March 31, 2004 are as follows;

(Won in millions)

	Beginning Balance	Increase	Decrease	Ending Balance
Marketable equity securities	₩ (28,905)	₩ 66,923	₩ (24,549)	₩ 62,566
Government and public bonds	14,723	(598)	2,195	11,929
Special bonds	8,543	3,716	1,932	10,326
Corporate bonds	6,681	(174)	119	6,388
Bond secured by asset	10,052	(1,882)	3,934	4,235
Beneficiary certificates	(6,152)	347	(5,057)	(749)
Securities denominated in foreign currencies	(2,701)	7,680	(1,391)	6,370
Investment in partnership	-	133	129	5
Total	₩ 2,240	₩ 76,144	₩ (22,687)	₩ 101,072
U.S. Dollars in thousands(Note 2)	\$ 1,942	\$ 66,005	\$ (19,667)	\$ 87,614

Valuation gains or losses on equity securities using the equity method recognized in capital adjustment as of March 31, 2004 are as follows;

(Won in millions)				
	Beginning balance	Increase	Decrease	Ending Balance
Equity Securities of related parties	₩ (7,549)	₩ 3,798	-	₩ (3,750)

Interest incomes from securities for the year ended March 31, 2004 and 2003 are as follows;

(Won in millions)		
	2004	2003
TRADING SECURITIES		
Government and public bonds	₩ (2,047)	₩ (1,183)
Special bonds	11,995	18,970
Corporate bonds	362	3,588
Securities denominated in foreign currencies	67	155
Other Securities	400	2,845
Subtotal	₩ (14,871)	₩ (26,742)
AVAILABLE-FOR-SALE SECURITIES		
Government and public bonds	14,509	14,631
Special bonds	39,495	32,471
Corporate bonds	11,037	32,058
Beneficiary certificates	58	75
Securities denominated in foreign currencies	6,469	5,226
Structured securities	23,817	-
Other securities	435	-
Subtotal	₩ (95,820)	₩ (84,461)
HELD-TO-MATURITY SECURITIES		
Government and public bonds	239	267
Subtotal	₩ (239)	₩ -267
Total	₩ (110,929)	₩ (111,469)
U.S. Dollars in thousands(Note 2)	\$ 96,159	\$ 96,627

The compositions of loans by countries, securities types and industries as of March 31, 2004 are as follows;

(Won in millions)

	Korean Won		Foreign Currencies		Total	
	Amounts	Ratio	Amounts	Ratio	Amounts	Ratio
By Countries						
Trading Securities						
Republic of Korea	₩ 388,388	100.00%	₩ 6,177	23.98%	₩ 394,564	95.27%
USA	-	-	19,583	76.02%	19,583	4.73%
Subtotal	₩ 388,388	100.00%	₩ 25,760	100.00%	₩ 414,147	100.00%
Available-for-sale Securities						
Republic of Korea	₩ 1,585,226	100.00%	₩ 46,369	17.70%	₩ 1,631,594	88.33%
USA	-	-	116,599	44.50%	116,599	6.31%
Germany	-	-	10,715	4.09%	10,715	0.58%
England	-	-	18,862	7.20%	18,862	1.02%
Others	-	-	69,465	26.51%	69,465	3.76%
Subtotal	₩ 1,585,226	100.00%	₩ 262,010	100.00%	₩ 1,847,236	100.00%
Held-to-maturity Securities						
Republic of Korea	₩ 7,901	100.00%	-	-	₩ 7,901	100.00%
Equity Securities using the Equity Method						
Republic of Korea	₩ 88,681	100.00%	-	-	₩ 88,681	100.00%
Totals by country						
Republic of Korea	₩ 2,070,195	100.00%	₩ 52,545	18.26%	₩ 2,122,740	90.02%
USA	-	-	136,182	47.32%	136,182	5.78%
Germany	-	-	10,715	3.72%	10,715	0.45%
England	-	-	18,862	6.55%	18,862	0.80%
Others	-	-	69,465	24.14%	69,465	2.95%
TOTAL	₩ 2,070,195	100.00%	₩ 287,770	100.00%	₩ 2,357,965	100.00%
U.S. Dollars in thousands(Note 2)	\$ 1,794,552		\$ 249,453		\$ 2,044,005	
By Securities Types						
Trading Securities						
Equity securities	₩ 36,843	9.49%	₩ -	-	₩ 36,843	8.90%
Fixed interest bond	77,095	19.85%	19,583	76.02%	96,679	23.34%
CBs	1,440	0.37%	6,177	23.98%	7,617	1.84%
Beneficiary certificates	273,009	70.29%	-	-	273,009	65.92%
Subtotal	₩ 388,388	100.00%	₩ 25,760	100.00%	₩ 414,147	100.00%
Available-for-sale Securities						
Equity securities	₩ 195,163	12.31%	₩ -	-	₩ 195,163	10.57%
Fixed interest bonds	1,373,942	86.67%	239,564	91.43%	1,613,506	87.35%
Interest dependent bonds	-	-	12,409	4.74%	12,409	0.67%
CBs	566	0.04%	-	-	566	0.03%
Beneficiary certificates	12,020	0.76%	10,037	3.83%	22,057	1.19%
Other securities	3,535	0.22%	-	-	3,535	0.19%
Subtotal	₩ 1,585,226	100.00%	₩ 262,010	100.00%	₩ 1,847,236	100.00%

	Korean Won		Foreign Currencies		Total	
	Amounts	Ratio	Amounts	Ratio	Amounts	Ratio
Held-to-maturity Securities						
Fixed interest bonds	7,901	100.00%	-	-	7,901	100.00%
Equity Securities using the Equity Method						
Equity securities	₩ 88,681	100.00%	-	-	₩ 88,681	100.00%
Totals by securities type						
Equity securities	₩ 320,687	15.49%	-	-	₩ 320,687	13.60%
Fixed interest bonds	1,458,938	70.47%	259,147	90.05%	1,718,085	72.86%
Interest dependent bonds	-	-	12,409	4.31%	12,409	0.53%
CBs	2,006	0.10%	6,177	2.15%	8,183	0.35%
Beneficiary certificates	285,029	13.77%	10,037	3.49%	295,066	12.51%
Other securities	3,535	0.17%	-	-	3,535	0.15%
Total	₩ 2,070,195	100.00%	₩ 287,770	100.00%	₩ 2,357,965	100.00%
By Industries						
Trading Securities						
Equity Securities						
Manufacturing	15,609	42.36%	-	-	15,609	42.36%
Construction	2,167	5.88%	-	-	2,167	5.88%
Wholesaling	3,260	8.85%	-	-	3,260	8.85%
Financial & Insurance	6,248	16.96%	-	-	6,248	16.96%
Others	9,559	25.95%	-	-	9,559	25.95%
Subtotal	₩ 36,843	100.00%	₩ -	-	₩ 36,843	100.00%
Debt Securities						
Government and public	49,796	85.01%	19,583	76.02%	69,379	82.27%
Financial institutions	2,002	3.42%	-	-	2,002	2.37%
Corporations	6,778	11.57%	6,177	23.98%	12,955	15.36%
Subtotal	₩ 58,576	100.00%	₩ 25,760	100.00%	₩ 84,336	100.00%
Beneficiary certificates	₩ 273,009	100.00%	₩ -	-	₩ 273,009	100.00%
Others securities	₩ 19,959	100.00%	₩ -	-	₩ 19,959	100.00%
Total	₩ 388,388	100.00%	₩ 25,760	100.00%	₩ 414,147	100.00%
Available-for-sale Securities						
Equity Securities						
Manufacturing	30,558	15.66%	-	-	30,558	15.66%
Financial & insurance	109,465	56.09%	-	-	109,465	56.09%
Others	55,140	28.25%	-	-	55,140	28.25%
Subtotal	₩ 195,163	100.00%	₩ -	-	₩ 195,163	100.00%
Debt Securities						
Government and public	574,205	42.97%	120,897	47.98%	695,102	43.77%
Financial institutions	251,978	18.86%	94,440	37.48%	346,419	21.81%
Corporations	509,962	38.17%	36,636	14.54%	546,598	34.42%
Subtotal	₩ 1,336,146	100.00%	₩ 251,973	100.00%	₩ 1,588,119	100.00%
Beneficiary certificates	₩ 12,020	100.00%	₩ 10,037	100.00%	₩ 22,057	100.00%
Other securities	₩ 41,897	100.00%	₩ -	-	₩ 41,897	100.00%
Total	₩ 1,585,226	100.00%	₩ 262,010	100.00%	₩ 1,847,236	100.00%
Held-to-maturity Securities						
Government and public	7,901	100.00%	-	-	7,901	100.00%
Equity Securities using the Equity Method						
Manufacturing	18,161	20.48%	-	-	18,161	20.48%
Construction	35,209	39.70%	-	-	35,209	39.70%
Financial institutions	35,312	39.82%	-	-	35,312	39.82%
Total	₩ 88,681	100.00%	₩ -	-	₩ 88,681	100.00%

	Korean Won		Foreign Currencies		Total	
	Amounts	Ratio	Amounts	Ratio	Amounts	Ratio
Equity Securities						
Manufacturing	64,327	20.06%	-	-	64,327	20.06%
Construction	37,376	11.65%	-	-	37,376	11.65%
Wholesaling	3,260	1.02%	-	-	3,260	1.02%
Financial & insurance	151,025	47.09%	-	-	151,025	47.09%
Others	64,700	20.18%	-	-	64,700	20.18%
Subtotal	₩ 320,687	100.00%	₩ -	-	₩ 320,687	100.00%
Debt Securities						
Government and public	631,902	45.05%	140,480	50.58%	772,382	45.97%
Financial institutions	253,981	18.11%	94,440	34.00%	348,421	20.73%
Corporations	516,740	36.84%	42,812	15.41%	559,552	33.30%
Subtotal	₩ 1,402,623	100.00%	₩ 277,733	100.00%	₩ 1,680,355	100.00%
Beneficiary certificates	₩ 285,029	100.00%	₩ 10,037	100.00%	₩ 295,066	100.00%
Other securities	₩ 61,856	100.00%	₩ -	-	₩ 61,856	100.00%
Total	₩ 2,070,195	₩ 100.00%	₩ 287,770	100.00%	₩ 2,357,965	100.00%

The Company has the equity securities for investment in companies over which the Company is able to exercise significant influence, including Dongbu Construction Co., Ltd. and three other investees. These equity securities are evaluated by using the equity method and the Company has no new investee in which its securities can be classified as equity securities using the equity method for the year ended March 31, 2004. Equity securities using the equity method as of March 31, 2004 consist of the following;

(Won in millions)

	Dongbu Construction	Dongbu Steel	Dongbu Securities	Dongbu Life Insurance	Total
Beginning book value	₩ 27,848	₩ 15,381	₩ 14,991	₩ 19,156	₩ 77,376
Retained earnings	10	(2,096)	2	11	(2,073)
Capital adjustment	1,834	926	10	1,029	3,798
Gain or loss on valuation	6,194	2,847	309	1,086	10,436
Investment account to be eliminated	1,567	1,540	111	(2,394)	825
Dividend received	(2,244)	(437)	-	-	(2,681)
Ending book value	₩ 35,209	₩ 18,161	₩ 15,423	₩ 18,888	₩ 87,681

The equity securities using the equity method is classified from the equity securities by the level of control or influence exerted by the Company on the investee such as BOD meeting participation, exchange of management staff and transactions of disposal and acquisition of assets or equity securities belonging to the investee.

The investment to be eliminated is allocated to amortizable assets and unamortizable assets such as inventories, land, construction in process and investment stocks. The amount allocated to amortizable assets was amortized for the weighted average useful lives of these assets, and the amount allocated to unamortizable assets was amortized at the time of disposal of underlying assets.

Equity securities using the equity method as of March 31, 2004 and 2003 consist of the following;

(Won in millions)

	No. of Shares	Ownership (%)	Acquisition Cost (Net asset value)	Market Value	Ending Book Value
2004					
Dongbu Construction Co., Ltd.	2,991,606	11.90	₩ 8,979	₩ 51,608	₩ 35,209
Dongbu Steel Co., Ltd.	1,747,851	6.70	6,463	49,389	18,161
Dongbu Securities Co., Ltd.	1,666,164	11.33	12,325	16,287	15,423
Dongbu Life Insurance Co., Ltd.	5,318,572	31.21	16,393	15,427	18,888
Total	11,724,193		₩ 44,161	₩ 132,711	₩ 87,681
2003					
Dongbu Construction Co., Ltd.	2,991,606	11.90	₩ 8,979	₩ 45,814	₩ 27,848
Dongbu Steel Co., Ltd.	1,747,851	6.92	6,463	48,149	15,381
Dongbu Securities Co., Ltd.	1,666,164	11.33	12,325	15,968	14,991
Dongbu Life Insurance Co., Ltd.	5,318,572	31.21	16,393	13,961	19,156
Total	11,724,193		₩ 44,161	₩ 123,892	₩ 77,376

The amortization of the investment to be eliminated as of March 31, 2004 and 2003 are as follows;

(Won in millions)

	2004			2003		
	Beginning Balance	Amortization	Ending Balance	Beginning Balance	Amortization	Ending Balance
Dongbu Construction Co., Ltd.	₩ 17,966	₩ 1,567	₩ 16,399	₩ 20,063	₩ 2,097	₩ 17,966
Dongbu Steel Co., Ltd.	32,768	1,540	31,228	35,271	2,503	32,768
Dongbu Securities Co., Ltd.	977	111	866	1,144	167	977
Dongbu Life Insurance Co., Ltd.	(5,195)	(2,394)	(2,802)	(8,694)	(3,498)	(5,195)
Total	₩ 46,516	₩ 824	₩ 45,691	₩ 47,784	₩ 1,268	₩ 46,516

Valuation of the equity securities using the equity method as of March 31, 2004 and 2003 are as follows;

(Won in millions)

	Beginning Balance	Gain or Loss on Valuation	Other In(de)crease	Ending Balance
2004				
Dongbu Construction Co., Ltd.	₩ 27,848	₩ 7,761	₩ (400)	₩ 35,209
Dongbu Steel Co., Ltd.	15,381	4,387	(1,607)	18,161
Dongbu Securities Co., Ltd.	14,991	420	12	15,423
Dongbu Life Insurance Co., Ltd.	19,156	(1,308)	1,040	18,888
Total	₩ 77,376	₩ 11,260	₩ (955)	₩ 87,681
U.S. Dollars in thousands(Note 2)	\$ 67,074	\$ 9,761	\$ (828)	\$ 76,007
2003				
Dongbu Construction Co., Ltd.	₩ 25,207	₩ 8,358	₩ (5,716)	₩ 27,848
Dongbu Steel Co., Ltd.	11,432	5,282	(1,333)	15,381
Dongbu Securities Co., Ltd.	16,799	(1,120)	(688)	14,991
Dongbu Life Insurance Co., Ltd.	18,865	2,491	(2,200)	19,156
Total	₩ 72,303	₩ 15,011	₩ (9,938)	₩ 77,376
U.S. Dollars in thousands(Note 2)	\$ 62,676	\$ 13,012	\$ -8,615	\$ 67,074

Adjustments of net asset values of investees by applying the equity method due to different closing date of fiscal year, as of March 31, 2004 and 2003, are as follows;

(Won in millions)

	Closing date	2004			2003		
		Pre-adjustment	Adjustment	Post-adjustment	Pre-adjustment	Adjustment	Post-adjustment
Dongbu Construction Co., Ltd.	Dec.31.	₩ 51,608	₩ -	₩ 51,608	₩ 45,814	₩ -	₩ 45,814
Dongbu Steel Co., Ltd.	Dec. 31.	49,389	-	49,389	48,149	-	48,149
Total		₩ 100,997	₩ -	₩ 100,997	₩ 93,963	₩ -	₩ 93,963

Adjustments of net asset values of investees by applying the equity method due to reflecting of pre-audited financial statement, as of March 31, 2004 and 2003, are as follows;

		(Won in millions)					
		2004			2003		
	Closing date	Pre-adjustment	Adjustment	Post-adjustment	Pre-adjustment	Adjustment	Post-adjustment
Dongbu Life Insurance Co., Ltd.	March 31.	₩ 16,087	₩ -	₩ 16,087	₩ 13,961	₩ -	₩ 13,961

In accordance with Interpretation 42-59 of the Financial Accounting Standards, affiliates in which the Company did not apply the equity method since the total asset of the investee was less than ₩7.0 billion as of as of March 31, 2004 and 2003 is as follows;

		(Won in millions)				
	No. of Shares	Ownership (%)	Acquisition Cost (net asset value)	Market Value	Ending Book Value	
2004						
Dongbu Automobile Claims Adjusting Co., Ltd.	200,000	100.00	₩ 1,000	₩ 1,056	₩ 1,000	
2003						
Dongbu Automobile Claims Adjusting Co., Ltd.	200,000	100.00	₩ 1,000	₩ 843	₩ 1,000	

7. TANGIBLE AND INTANGIBLE ASSETS

As of March 31, 2004, the published values of land by the government pursuant according to the Laws of on Disclose of Land Price and Valuation of Land are as follows;

		(Won in millions)		
	Book Value	Published Value	Difference	
Land as tangible asset	₩ 136,709	₩ 100,739	₩ (35,969)	
Land as investment asset	99,386	103,661	4,275	
Total	₩ 236,095	₩ 204,400	₩ (31,694)	

Tangible assets as of March 31, 2004 and 2003 are as follows;

(Won in millions)

	Beginning Balance	Acquisition Cost	Disposal	Depreciation	Ending Balance
2004					
Land	₩ 136,854	₩ -	₩ 146	₩ -	₩ 136,709
Buildings*	137,810	952	1,356	3,616	133,790
Structures*	2,237	317	240	131	2,183
Construction in process	480	1,250	1,326	-	403
Furniture	13,779	12,006	71	11,985	13,730
Vehicles	8	19	-	18	9
Total	₩ 291,169	₩ 14,544	₩ 3,138	₩ 15,750	₩ 286,824
2003					
Land	₩ 136,781	₩ 73	₩ -	₩ -	₩ 136,854
Buildings*	132,962	8,474	-	3,626	137,810
Structures*	2,327	47	9	128	2,237
Construction in process	324	9,245	9,089	-	480
Furniture	11,731	11,977	114	9,815	13,779
Vehicles	31	-	11	11	8
Total	₩ 284,156	₩ 29,816	₩ 9,223	₩ 13,580	₩ 291,169

* ₩41 million and ₩11 million are included in the acquisition costs of buildings and structures for the prior period adjustment, respectively.

Intangible assets as of March 31, 2004 and 2003 are as follows;

(Won in millions)

	2004	2003
Beginning balance	₩ 7,552	₩ 5,013
Increase	3,158	5,855
Amortization	3,552	3,083
Prior period adjustment	-	(233)
Ending balance	7,158	7,552

8. INSURED ASSETS

Insured assets as of March 31, 2004 and 2003 are as follows;

(Won in millions)

	Insurance type	Insurance Coverage	
		2004	2003
Cash and securities	Theft	₩ 1,450	₩ 1,930
Buildings	Fire	39,778	41,485
Furniture	Fire	2,167	2,717
	Comprehensive insurance for movables	8,009	7,890
	Officers liabilities	20,000	20,000
Total		₩ 71,405	₩ 74,022

* In addition, the Company carries general insurance for vehicles.

9. INSURANCE ACCOUNTS RECEIVABLE AND INSURANCE ACCOUNTS PAYABLE

Insurance accounts receivable and insurance accounts payable as of March 31, 2004 and 2003 are as follows;

Insurance Accounts Receivable			Insurance Accounts Payable		
	2004	2003		2004	2003
Insurance receivables	₩ 10,067	₩ 8,282	Claims payable	₩ 76,504	₩ 79,710
Due from agents	3,777	5,379	Due to agents	15,990	6,577
Co-insurance receivables	1,117	3,098	Premiums refund payable	3,685	3,682
Receivables related to agency business	15,089	7,251	Payables related to agency business	8,283	568
Reinsurance accounts receivable	37,504	42,728	Reinsurance accounts payable	49,170	41,358
Overseas reinsurance premiums receivables	14,929	6,908	Overseas reinsurance premiums payables	6,975	5,642
Deposit on reinsurance treaty ceded	2,674	3,354	Refundable deposits on reinsurance treaty ceded	24,554	25,480
Subtotal	85,157	77,000			
Less: Allowance for doubtful accounts	878	1,107			
Total	₩ 84,278	₩ 75,894	Total	₩ 185,160	₩ 163,017
U.S. Dollars in thousands(Note 2)	\$ 73,057	\$ 65,789	U.S. Dollars in thousands(Note 2)	\$ 160,506	\$ 141,311

10. DEFERRED ACQUISITION COSTS

For the year ended March 31, 2004 and 2003, deferred acquisition costs are as follows;

	Acquisition Costs	Acquisition Cost During the Period	Deferred Acquisition Cost	Amortization of Deferred Acquisition Cost
Long term insurance without dividends	₩ 181,494	₩ 136,807	₩ 44,687	₩ 1,890
Long term insurance with dividends	232	195	37	1
Individual annuities	13,108	10,206	2,902	6,401
Total in 2004	₩ 194,834	₩ 147,208	₩ 47,627	₩ 8,292
Total in 2003	₩ 20,816	₩ 13,178	₩ 7,638	₩ 6,523

For the year ended March 31, 2004 and 2003, change in deferred acquisition costs are as follows;

	Beginning Balance	Deferred Acquisition Cost During the Period	Amortization of Deferred Acquisition Cost	Ending Balance
2004	₩ 12,652	₩ 47,627	₩ 8,292	₩ 51,987
2003	11,537	7,638	6,523	12,652

11. POLICY RESERVES

The Company is required to maintain insurance reserves in accordance with the Supervisory Regulations for the Insurance Industry. The changes and compositions of policy reserves for the years ended March 31, 2004 and 2003 are summarized as follows;

(Won in millions / U.S. Dollars in thousands)

	Fire	Marine	Auto- mobile	Casualty*	Long-term	Individual Annuity	Total (2004)	Total (2003)	U.S. Dollars (Note 2)
Reserve for outstanding claims									
Beginning balance	₩ 15,508	₩ 13,689	₩ 245,700	₩ 63,479	₩ 40,403	₩ 6,373	₩ 385,151	₩ 368,161	\$ 333,869
Transfer-in	-	-	-	-	-	-	-	33,866	-
Increase	4,608	2,875	8,909	16,343	11,389	(162)	43,962	(16,876)	38,109
Ending balance	20,116	16,564	254,609	79,822	51,792	6,211	429,114	385,151	371,978
Long-term insurance premium reserve									
Beginning balance	-	-	-	-	1,416,850	404,090	1,820,941	1,572,769	1,578,485
Increase	-	-	-	-	185,214	58,890	244,105	248,172	211,602
Ending balance	-	-	-	-	1,602,065	462,981	2,065,045	1,820,941	1,790,088
Unearned premium reserve									
Beginning balance	28,343	10,759	451,055	83,289	3,401	34	576,882	527,377	500,071
Transfer-in	-	-	-	-	-	-	-	9,815	-
Increase	(1,301)	77	(902)	11,223	282	(1)	9,378	39,691	8,130
Ending balance	27,042	10,837	450,153	94,512	3,683	34	586,261	576,882	508,201
Reserve for participating policyholders' dividends									
Beginning balance	-	-	-	-	283	5,332	5,615	3,508	4,868
Increase	-	-	-	-	53	1,838	1,891	2,107	1,639
Ending balance	-	-	-	-	336	7,170	7,507	5,615	6,507
Excess participating policyholder dividend reserve									
Beginning balance	-	-	-	-	266	2,934	3,200	3,858	2,774
Prior period adjustment	-	-	-	-	156	24	180	-	156
Increase	-	-	-	-	218	295	512	(658)	444
Ending balance	-	-	-	-	640	3,252	3,893	3,200	3,375
Reinsurance reserve									
Beginning balance	9,953	10,721	4,160	41,404	6,137	569	72,944	56,696	63,232
Transfer-in	-	-	-	-	-	-	-	2,264	-
Increase	3,960	2,345	718	10,912	2,541	(60)	20,415	13,984	17,697
Ending balance	13,912	13,066	4,878	52,316	8,678	509	93,359	72,944	80,929
Reserve for unearned reinsurance									
Beginning balance	15,102	7,282	1,354	51,172	-	-	74,910	61,105	64,936
Transfer-in	-	-	-	-	-	-	-	708	-
Increase	(203)	216	(491)	7,406	-	-	6,928	13,097	6,006
Ending balance	₩ 14,899	₩ 7,498	₩ 863	₩ 58,578	₩ -	₩ -	₩ 81,839	₩ 74,910	\$ 70,942

* Casualty insurance includes the surety insurance and overseas assumed reinsurance guarantee.

** ₩61,081 millions in refunds payable upon interim or maturity and ₩1,408 millions in annuities payable are accounted for claims payable.

12. CATASTROPHE RESERVES

Changes in catastrophe reserves for the years ended March 31, 2004 and 2003 are as follows;

(Won in millions)

	2004	2003
Beginning Balance	₩ 198,316	₩ 180,344
Increase	17,798	17,972
Ending balance	₩ 216,115	₩ 198,316
U.S. Dollars in thousands(Note 2)	\$ 187,339	\$ 171,911

13. ACCRUED SERVERANCE INDEMNITIES

Changes in accrued severance indemnities for the years ended March 31, 2004 and 2003 are as follows;

(Won in millions)

	2004	2003
Beginning balance	₩ 27,571	₩ 22,514
Severance payments	3,920	4,757
Provisions	9,113	9,814
Ending balance	32,765	27,571
Contribution to National Pension Fund	811	912
Severance insurance deposits	19,039	15,630
Total	₩ 12,916	₩ 11,029

14. CAPITALS IN COMMON STOCKS

Capitals common stocks as of March 31, 2004 and 2003 are as follows;

(Won and shares)

	2004	2003
No. of authorized common stocks	200,000,000	200,000,000
Par value of common stock	₩ 500	₩ 500
No. of issued common stocks	70,800,000	70,800,000
Capital of common stocks	₩ 35,400 million	₩ 35,400 million

15. TREASURY STOCKS

Treasury stocks as of March 31, 2004 and 2003 are as follows;

	(Won and shares)			
	2004		2003	
	No. of Shares	Amount (millions)	No. of Shares	Amount (millions)
Company stocks purchased	7,501,640	₩ 29,655	7,501,640	₩ 29,655
Treasury fund	679,610	1,522	606,610	1,132
Total	8,181,250	₩ 31,177	8,108,250	₩ 30,787

* The Company purchased its stocks to stabilize stock price and plans to dispose of them when the time is right.

16. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

Assets and liabilities denominated in foreign currency and gains (losses) on translation of foreign currency as of March 31, 2004 and 2003 are as follows;

	(Won in millions/US\$ in thousands)					
	2004			2003		
	U.S.\$	Korean Won in equivalents*	Gains on translation	Losses on translation	U.S.\$	Korean Won in equivalents*
Assets						
Cash	\$ -	₩ -	₩ -	₩ -	\$ -	₩ -
Deposits	26,819	30,939	930	2,025	2,987	3,742
Securities	249,453	287,770	94	15,125	150,302	188,313
Leasehold deposits	6	6			5	7
Due from agents	3,274	3,777	-	97	3,424	4,290
Reinsurance accounts receivable	1,324	1,528	8	89	2,968	3,719
Overseas reinsurance premiums receivable	3,807	4,392	80	194	2,866	3,591
Deposits provided on reinsurance treaty cede	810	935	98	208	1,238	1,551
Subtotal	\$ 285,494	₩ 329,346	₩ 1,209	₩ 17,738	\$ 163,791	₩ 205,213
Liabilities						
Due to agents	245	283	15	-	575	721
Reinsurance accounts payable	5,474	6,314	227	15	5,472	6,856
Overseas reinsurance premiums payable	4,006	4,622	201	136	3,388	4,245
Refundable deposits on reinsurance treaty cede	1,419	1,637	68	17	1,107	1,387
Subtotal	\$ 11,144	₩ 12,856	₩ 511	₩ 167	\$ 10,543	₩ 13,209
Totals of gains (losses) on translation			₩ 1,720	₩ 17,905		

* The Korean Won equivalents are translated in these financial statements based on the basic rate (₩1,153.60 to US\$1.00 on March 31, 2004) announced by the Seoul Money Brokerage Service Ltd. on the balance sheet date.

** Gains and losses on translation of foreign currency against assets and liabilities denominated in foreign currency as of March 31, 2003 are ₩6,075 million and ₩10,072million, respectively.

17. CONTINGENCIES AND COMMITMENTS

The Company is provided the following notes which are secured

Note	Issuers	No. of issues	Amount (millions)	Purpose
	Kookmin Bank and others	3	₩ 3,599	Secure the refund of leasehold deposits

The Company assumes and cedes a portion of total insurance premiums with KoreanRe Insurance Co., Ltd. and the remaining portion is covered by foreign reinsurers. The Company utilizes reinsurance arrangements to limit its maximum losses, diversify risk and minimize exposure to large risk.

Reinsurance transactions for the years ended March 31, 2004 and 2003 are summarized as follows;

(Won in millions/US\$ in thousands)

	2004						Total	U.S. Dollars
	Fire	Marine	Auto	Casualty	Longterm annuity	Individual		
Reinsurance premiums	₩ 34,692	₩ 31,696	₩ 4,363	₩ 121,677	₩ 54,674	₩ 863	₩ 247,965	₩ 227,317
Refund of surrender value	199	2,129	115	950	-	-	3,394	4,616
Reinsurance claims	28,912	12,901	5,777	71,125	40,535	744	159,994	116,333
Refund of reinsurance claims	55	451	179	541	-	-	1,226	1,084
Claims survey income	707	343	-	2,727	697	2	4,475	3,686
Reinsurance commissions	9,256	4,105	526	27,133	-	-	41,020	38,850
Interest on reinsurance commissions	₩ -	₩ 63	₩ 179	₩ 496	₩ 10,047	₩ -	₩ 10,785	₩ 16,496

Pending litigations as of March 31, 2004 are as follows;

(Won in millions)

	Subject	Claim amount
Defendant	Compensation claims	₩ 65,682
	Insurance claims	2,054
	Indemnity claims	5,141
	Other claims	19,353
	Total	₩ 92,230
Plaintiff	Claim for indemnity	₩ 19,134

* For above pending litigations as a defendant, the Company has reserved estimated losses as a reserve for outstanding claims under the policy reserve account and the result of above lawsuits cannot presently be determined as of March 31, 2004.

18. INCOME TAX

For the years ended March 2004 and 2003, the differences between income before income tax on the financial statements and taxable income pursuant to the Corporate Income Tax Law of Korea are as follows

	Temporary differences		Permanent differences	
	2004	2003	2004	2003
(Won in millions)				
I. Taxable income and non-deductible expense				
Accrued revenue for prior period	₩ 37,464	₩ 29,362	₩ -	₩ -
Losses on valuation of trading securities in current period	8,715	14,171	-	-
Gains on valuation of trading securities in prior period	5,124	40,241	-	-
Losses on valuation of derivatives	1,413	1,799	-	-
Realized gains on valuation of derivatives	2,885	-	-	-
Losses on valuation of stock market stabilization fund	-	405	-	-
Gains on valuation of stock market stabilization fund in prior period	727	584	-	-
Amortization of deferred acquisition cost	6,119	6,523	-	-
Reserve for R&D	3,333	3,333	-	-
Deposit insurance	8,048	7,874	-	-
Impairment losses on available-for-sale securities	18,450	-	-	-
Impairment losses on condominium membership	-	348	-	-
Depreciation	250	155	-	-
Fictitious dividend (stock dividend)	4	68	-	-
Payment for additional income tax	-	-	3,505	252
Entertainment expenses	-	-	535	351
Earnings (dividend)	-	-	1,999	-
Miscellaneous losses	-	-	38	-
Dues	-	-	-	672
Subtotal	₩ 92,532	₩ 104,865	₩ 6,077	₩ 1,275
II. Deductible expenses and non-taxable income				
Accrued revenue for current period	₩ 40,165	₩ 37,464	₩ -	₩ -
Losses on valuation of trading securities in prior period	23,615	9,184	-	-
Gains on valuation of trading securities in current period	5,689	4,107	-	-
Gains on valuation of derivatives	11,243	6,964	-	-
Realized losses on valuation of derivatives	1,622	-	-	-
Losses on valuation of stock market stabilization fund in prior year	375	491	-	-
Indemnity gains	3,504	2,101	-	-
Deferred acquisition cost	-	7,638	-	-
Deposit insurance in prior year	7,874	6,295	-	-
Fictitious dividend (stock dividend)	794	15	-	-
Reserve for R&D	-	8,000	-	-
Impairment losses on condominium membership	7	-	-	-
Provision for severance benefits	-	-	-	-
Depreciation	67	-	-	-
Gains on valuation of securities using the equity method	-	-	11,260	11,804
Dividend income	-	-	4,308	5,063
Refund of income tax	-	-	29	482
Miscellaneous gains	-	-	194	-
Gains on prior period adjustment	-	-	-	527
Subtotal	₩ 94,956	₩ 82,258	₩ 15,791	₩ 17,875
Total	₩ (2,424)	₩ 22,607	₩ (9,714)	₩ (16,600)

Changes in significant cumulative temporary differences are as follows;

(Won in millions)

	Beginning balance	Increase	Decrease	Ending balance
Accrued interest income	₩ (37,464)	₩ (40,165)	₩ (37,464)	₩ (40,165)
Losses on valuation of securities	34,679	5,124	23,615	16,187
Gains on valuation of securities	(27,645)	(5,689)	(8,715)	(24,620)
Gains on valuation of derivatives	(6,964)	(11,243)	(2,885)	(15,321)
Losses on valuation of derivatives	1,799	1,413	1,622	1,590
Gains on valuation of stock market stabilization fund	(727)	-	(727)	-
Losses on valuation of stock market stabilization fund	375	-	375	-
Deferred acquisition cost including amortization	(12,652)	-	(6,119)	(6,533)
Indemnity receivables(Indemnity gains)	(22,820)	(3,504)	-	(26,324)
Dividend (stock dividend)	794	4	794	4
Reserve for R&D	(21,667)	-	(3,333)	(18,333)
Deposit insurance	7,874	8,048	7,874	8,048
Impairment losses on condominium membership	348	-	7	341
Depreciation	155	250	67	339
Reserve for contingency	50,793	-	-	50,793
Impairment losses on investment securities	3,726	18,450	-	22,176
Overdue insurance accounts payable	-	154	-	154
Total	₩ (29,394)	₩ (27,157)	₩ (24,887)	₩ (31,664)

Income expense for the years ended March 31, 2004 and 2003 is as follows;

(Won in millions)

	2004	2003
Income tax to be paid	₩ 13,631	₩ 32,844
Tax effects on changes in cumulative temporary differences	162	(6,714)
Payment for additional income tax	46	-
Income tax	₩ 13,839	₩ 26,130

In accordance with the Supervisory Regulations for the Insurance Industry, the Company does not classify the liquidity of deferred income tax and tax effects on changes in cumulative temporary differences for the year ended March 31, 2004 and 2003. These changes are as follows;

(Won in millions)

	2004	2003
Ending balance	₩ 8,892	₩ 8,730
Beginning balance	8,730	15,444
Tax effects on changes in cumulative temporary differences	₩ 162	₩ (6,714)

The effective tax rate are as follows;

(Won in millions)

	2004	2003
Income tax expenses	₩ 13,839	₩ 26,130
Income before taxes	₩ 59,143	₩ 105,269
Effective tax rate	23.4%	24.8%

19. ORDINARY INCOME PER SHARE AND NET INCOME PER SHARE

Ordinary income per share and net income per share are computed by dividing the ordinary income (after deducting the tax effect) and net income, respectively, by the weighted average number of common shares outstanding during the period. Ordinary income per share and net income per share as for the ended March 2004 and 2003 are as follows;

(Won and shares)

	2004	2003
Ordinary income and net income	₩ 45,304 million	₩ 79,136 million
Weighted average number of outstanding common shares	62,695,572	62,716,092
Ordinary income per share and net income per share	₩ 723	₩ 1,262

20. SEPERATE ACCOUNTS

The Company maintains separate accounts on the balance sheet for the assets and liabilities related to corporate pension policies from the other insurance policies. Assets and liabilities separately administered from the general account in the asset management and income distribution are deemed assets and liabilities in segmented reporting. The balance sheet of as of March 31, 2004 and 2003 is as follows;

(Won in millions)

	2004	2003		2004	2003
Assets			Liabilities		
Cash and bank deposits	₩ 2,539	₩ 31,301	Other liabilities	₩ 447	₩ 408
Passbook accounts	139	5,296	Unpaid expenses	431	369
Time deposit	1,000	11,000	Unearned revenues	1	
Other deposit	1,400	15,005	Withholdings	15	40
Securities	171,872	134,192	General accounts credits	263	307
Equity securities	39	-	Total liabilities	₩ 710	₩ 715
Government and public bonds	30	30			
Special bonds	92,542	76,770	Policyholders reserve		
Corporate bonds	35,202	55,317	Insurance premium reserve	₩ 196,593	₩ 171,390
Beneficiary certificates	24,160	2,075	Reserve for participating		
Structured securities	10,087	-	policyholders' dividend	541	-
Other securities	9,813	-			
Other assets	12,050	2,063	Excess participating policyholder		
Other accounts receivable	10,084		dividend reserve	164	41
Accrued interest	724	2,063	Total policyholders reserve	₩ 197,297	₩ 171,431
Prepaid withholdings	1,242	-			
General accounts debits	11,545	4,590	Total liabilities and	₩ 198,007	₩ 172,146
Total assets	₩ 198,007	₩ 172,146	policyholders reserve		

* ₩2,362 million in impairment losses on equity securities and LG Card card bonds during the current period is reflected as losses on valuation of securities, and accrued interest income includes ₩31 million in accrued interest income from these card bonds as of the ended year March 31, 2004.

Revenues and Expenses for the years ended March 31, 2004 and 2003 are as follows;

(Won in millions)

	2004	2003
Revenues		
Operating revenue	₩ 63,814	₩ 84,067
Premium come	63,814	84,067
Non-operating incomes	9,767	5,449
Interest income	7,698	4,373
Gains on disposal of securities	1,296	867
Gains on valuation of securities	774	209
Other income	4,478	10
Total	₩ 78,059	₩ 89,526
Expenses		
Operating expenses	₩ 71,364	₩ 88,300
Increase in policy reserves	25,865	69,283
Insurance claims paid	45,498	19,018
Non-operating expenses	6,693	1,224
Interest expenses	13	6
Losses on disposal of securities	2,621	667
Losses on valuation of securities	2,926	23
Commissions on separate accounts management	1,127	528
Commission expenses	5	-
Other expenses	2	1
Total	₩ 78,059	₩ 89,526

21. DERIVATIVES

Details of financial derivatives for hedging risks as of March 31, 2004 are as follows;

(Won in millions)

	Outstanding contract amounts	Gain (loss) on valuation	Capital adjustments
Currency forward	₩ 259,715	₩ 8,443	₩ -
Currency swap	82,360	2,800	-
Interest rate swap	20,000	-	16
Total	₩ 362,075	₩ 11,243	₩ 16

Details of several financial derivatives contracts for hedging against foreign exchange rates and interest rate fluctuations of foreign securities as of March 31, 2004 are as follows;

	Contract date	Contract due date	Selling rate (Won to currency)	Currency	Amounts (in millions)
Currency Forward Contracts					
Korea Development Bank	2004-03-22	2004-09-22	1,173.50	USD	6,500
Kookmin Bank	2003-08-12	2004-08-12	1,207.80	USD	12,400
Korea Development Bank	2003-11-20	2004-05-17	1,196.00	USD	2,000
Korea Development Bank	2003-06-09	2004-06-11	1,227.50	USD	4,300
Korea Development Bank	2003-09-03	2004-09-03	1,203.00	USD	5,000
Korea Development Bank	2003-09-03	2004-09-03	1,203.00	USD	5,200
Korea Development Bank	2003-04-01	2004-04-01	1,267.50	USD	1,300
Kookmin Bank	2003-04-25	2004-04-26	1,248.50	USD	3,150
Kookmin Bank	2003-08-07	2004-08-06	1,214.10	USD	4,100
Kookmin Bank	2003-08-08	2004-08-09	1,214.30	USD	3,075
Kookmin Bank	2003-08-11	2004-08-11	1,207.80	USD	1,100
Kookmin Bank	2003-08-11	2004-08-11	1,207.80	USD	2,050
Korea Development Bank	2003-10-10	2004-10-12	1,172.00	USD	1,700
Korea Development Bank	2003-12-11	2004-12-13	1,214.50	USD	2,000
Korea Development Bank	2003-05-14	2004-05-14	1,226.30	USD	3,700
Korea Development Bank	2003-05-16	2004-05-19	1,219.50	USD	3,200
Kookmin Bank	2003-07-25	2004-07-26	1,209.50	USD	11,500
Korea Development Bank	2003-11-05	2004-11-08	1,206.50	USD	100,000
Korea Development Bank	2003-11-06	2004-11-08	1,205.10	USD	4,000
Korea Development Bank	2004-03-22	2005-03-22	1,183.80	USD	23,000
Korea Development Bank	2003-04-11	2004-04-14	1,268.50	USD	13,000
Korea Development Bank	2004-01-12	2004-04-14	1,119.00	USD	-10,000
Korea Development Bank	2003-06-30	2004-06-30	1,213.00	USD	1,000
Korea Development Bank	2003-06-09	2004-06-11	1,227.50	USD	750
Kookmin Bank	2001-05-28	2004-06-07	1,315.00	USD	4,000
LGT Bank	2004-03-19	2004-06-18	1.226	EUR	1,200
LGT Bank	2004-03-19	2004-06-18	0.7483	CAD	2,000
LGT Bank	2004-03-19	2004-06-18	1.2324	EUR	820
LGT Bank	2004-03-19	2004-06-18	1.8136	GBP	560
LGT Bank	2004-03-19	2004-06-18	0.7384	AUD	1,350
Currency Swap Contracts					
Woori Bank	2003-06-18	2008-06-18	1194	USD	5,000
Korea Development Bank	2002-03-26	2007-03-26	1316.5	USD	10,000
Korea Development Bank	2003-02-27	2008-03-12	1185	USD	20,000
Woori Bank	2003-07-14	2008-07-14	1182.4	USD	20,000
Korea Development Bank	2002-09-26	2007-09-26	1225	USD	10,000
Korea Development Bank	2002-12-17	2007-12-17	1209	USD	3,000

* ₩11,243 millions in gains on valuation of derivatives related to the above are reflected in currency operating as non-operating income. ₩13,762 millions and ₩413 millions, respectively, are accounted for as derivatives assets and liabilities

Details of interest rate swap contracts for reducing the impact of changes in interest rate, as of March 31, 2004, are as follows;

(Won in millions)

	Contract Date	Contract Due Date	Contract Rate	Currency	Amount (in millions)
Kiup Bank	Sept 9, 2003	Sept. 26, 2010	5.2%	KRW	20,000

* ₩16 millions in gains on valuation of derivatives related to the above is recorded as a capital adjustment.

22. PREMIUM INCOME

Premium income for the years ended March 31, 2004 and 2003 is as follows;

(Won in millions)

	Fire	Marine	Auto	Casualty	Long term	Individual Annuity	Total	2003
Direct premiums written	₩ 54,382	₩ 44,869	₩ 1,051,933	₩ 181,797	₩ 1,344,884	₩ 96,402	₩ 2,774,267	₩ 2,671,045
Assumed reinsurance premiums	-	515	-	11,562	-	-	12,077	11,973
Refund of surrender value on direct premium written	469	574	46,796	1,999	-	-	49,840	55,599
Refund of surrender value on assumed reinsurance premiums	-	10	-	72	-	-	82	82
Total	₩ 53,912	₩ 44,799	₩ 1,005,136	₩ 191,288	₩ 1,344,884	₩ 96,402	₩ 2,736,422	₩ 2,627,337

23. OPERATING AND ADMINISTRATIVE EXPENSES

Operating and administrative expenses for the year ended March 31, 2004 and 2003 are summarized as follows;

(Won in millions / US\$ in thousands)

	2004	2003	U.S Dollars (Note 2)
Wages and salaries	₩ 83,135	₩ 78,910	\$ 72,066
Provisions for severance and retirement benefits	8,892	9,666	7,708
Other employee benefit	16,468	17,063	14,275
General and administrative expenses	156,818	143,986	135,938
Acquisition and collection	153,491	160,447	133,054
Agency business commissions	151,399	166,720	131,240
Co-insurance commissions	2,270	2,029	1,968
Agency service commissions	1,575	2,014	1,365
Claim survey fees	38,866	30,269	33,691
Reinsurance commissions	3,225	3,116	2,796
Reinsurance profit commissions	111	270	96
Interest on outward reinsurance reserve deposit	1,198	988	1,039
Total	₩ 617,447	₩ 615,478	\$ 535,235

24. PRIOR PERIOD ADJUSTMENTS

Gains (Losses) on prior period adjustments as of March 31, 2004 are summarized as follows;

	(Won in millions)
Gains on prior period adjustments	
Deprecations by the refund of taxes on Training complex	₩ 72
Loss on disposal of investment securities related to Hynix	210
Loss on translation of prematured foreign securities	99
Total	₩ 381
Losses on prior period adjustments	
Excess participating policyholder dividend reserve	₩ 180
Commission for valuating of agencies	3,697
Valuation of the derivatives	1,413
Loss on redemption of prematured securities	404
Gain on disposal of prematured securities	187
Gain on redemption of securities for installment repayment	323
Depreciation of Dongbu financial center	102
Total	₩ 6,306

25. RELATED PARTY TRANSACTIONS

Related parties of the Company as of March 31, 2004 are as follows;

	No. of issued common stocks	No. of holding common stocks	Ownership (%)
Dongbu Automobile Claims Adjusting 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	26,091,712	1,747,851	6.70
Dongbu Construction Co., Ltd	25,132,710	2,991,606	11.90

Significant transactions and balances with related parties for the years ended March 31, 2004 and 2003 are as follows;

	Transactions	2004	2003
Dongbu Automobile Claims Adjusting CO.Ltd	Claim survey fee	₩ 22,529	₩ 15,316
Dongbu Construction Co., Ltd	Premium income	3,171	5,263
Dongbu Construction Co., Ltd	Rent expense	68	65
Dongbu Construction Co., Ltd	Leasehold deposit	2,163	2,227
Dongbu Life Insurance Co., Ltd	Premium income	8	10
Dongbu Life Insurance Co., Ltd.	Rent expense	167	78
Dongbu Life Insurance Co., Ltd	Leasehold deposit	4,540	3,214
Dongbu Steel Co., Ltd.	Rent expense	37	449
Dongbu Steel Co., Ltd.	Leasehold deposit	1,672	1,652
Dongbu Steel Co.,Ltd.	Premium income	2,323	2,010
Dongbu Steel Co.,Ltd.	Unsecured loan	-	10,000
Dongbu Securities Co.,Ltd.	Rent expense	187	51
Dongbu Securities Co.,LTd.	Leasehold deposit	156	156
Dongbu Securities Co.,Ltd.	Premium income	₩ 284	₩ 305

Changes of transactions related to loans with related parties for the years ended March 31, 2004 and 2003 are as follows;

(Won in millions)

	Transactions	Beginning Balance	Increase	Decrease	Ending Balance
Dongbu Electronics Co., Ltd.	Project financing	₩ 31,700	₩ 18,300	-	₩ 50,000
Dongbu Steel Co., Ltd.	Unsecured loan	10,000	-	₩ 10,000	-
Dongbu Capitals Co., Ltd.	CP discounts	5,000	-	-	5,000
Dongbu Construction Co., Ltd.	Project financing	-	3,000	-	3,000
Total		₩ 46,700	₩ 21,300	₩ 10,000	₩ 58,000

26. DIVIDENDS

Details of dividends for the year ended March 31, 2004 are as follows;

Dividends

	No. of issued stocks	Capitals in common stocks	Dividend ratio	Total dividend	Initial date in reckoning
Common stock	70,800,000	₩ 35,400 millions	50%	₩ 15,655 millions	Apr. 1, 2003

Payout Ratio and Dividend Yield Ratio

Payout ratio			Dividend yield ratio		
Dividends	Net income	ratio	Dividend per share	Market price	Ratio
₩ 15,655 millions	₩ 45,304 millions	34.6%	₩ 250	₩ 5,500	4.5%

27. CASH FLOW STATEMENTS

Cash and cash equivalents for the end of year on statements of cash flows are cash and bank deposits on balance sheets as of March 31, 2004. Significant transactions not involving cash inflows and outflows for the ended March 31, 2004 are as follows;

(Won in millions)

	2004	2003
Transfer of construction in-process to land and buildings	₩ 983	₩ 9,089
Gains on valuation of available-for-sale securities	98,831	59,418
Changes in retained earnings of equity securities using the equity method.	(₩ 2,073)	(₩ 2,803)

28. MAJOR OPERATING RESULTS

Major operating results for the last quarter of the year ended March 31, 2004 and 2003 are as follows;

(Won in millions, except per share amounts)

	2004	2003
Operating revenues	₩ 816,262	₩ 745,631
Operating income	20,926	31,811
Net income	13,760	21,771
Ordinary income and net income per share	₩ 220	₩ 347

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Dongbu Insurance Co., Ltd.

May. 7. 2004

We have audited the accompanying non-consolidated balance sheet of Dongbu Insurance Co., Ltd. (the "company") as of March 31, 2004 and the related statements of income, appropriations of retained earnings and cash flows for the year then ended, all expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessments on the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2004 and 2003, and the results of its operations, the changes in its retained earnings and its cash flows for the year then ended, in conformity with financial accounting standards generally accepted in the Republic of Korea. (See Note 2)

The translated amounts in the accompanying financial statements have been translated into U.S. Dollars, solely for the convenience of the reader, on the basis set forth Note 2.

As discussed in Note 17, the Company has pending litigations which consist of 446 amounting ₩19,134 million and 1,148 amounting ₩92,230 million as a plaintiff and as a defendant on indemnity and compensation claims, respectively, as of the year ended March 31, 2004. The Company has reserved estimated losses as a reserve for outstanding claims under the policy reserve account.

As discussed in Note 22, the Company has transactions on claims survey fee amounting ₩22,529 million with Dongbu Automobile Claims Adjusting Co., Ltd. and on loan amounting ₩58,000 million to other related parties including Dongbu Steel Co., Ltd. for the year ended March 31, 2004.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial positions and results of operation in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

Notice to Readers : This report is effective as of May 14, 2004, the auditor's report date. Certain subsequent events or circumstances may have occurred between the auditor's report date and the time of reading this report. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

Shinhan Accounting Corp.