

Notes to Financial Statements

(1. GENERAL)

Dongbu Insurance Co., Ltd. ("the Company") was incorporated in November 1, 1968 with an initial capital of ₩500 million to engage primarily in non-life insurance-related businesses under the Commercial Code of the Republic of Korea. In June 1973, the Company's common stocks were listed on the Korea Stock Exchange. In October 1995, the Company changed its name to Dongbu Insurance Co., Ltd. Pursuant to the resolution of the Board of Directors on June 11, 1999, the par value of the Company's common stock was split to ₩500 from ₩5,000 won. As of March 31, 2005, the amounts of issued common stock capital are ₩35.4 billion and Kim Jun-Ki and Kim Nam-Ho own 12.10% and 14.06% of the Company's stock, respectively. The Company and other Dongbu Group subsidiaries own 21.38%, while the remaining shares are owned by the public. The Company is headquartered 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 its statutory financial statements in Korean language (hangul) in conformity with the generally accepted accounting practices of the Republic of Korea ("Korean GAAP" No.1 and No.13) and Accounting Standards of the Insurance Industry. The significant accounting policies followed by the Company in preparing the accompanying financial statements are as summarized:

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.

Allowance for Possible Loan Losses

The Company provides an allowance for possible loan losses based on forwarding looking criteria (FLC), pursuant to the Supervisory Regulations for the Insurance Industry (the "Supervisory Regulation") legislated by the Korean Financial Supervisory Service (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 transactions record. The Supervisory Regulation also requires the Company to provide the minimum rate of loss provision for each category balance: 0.5% (0.75% for household loans) or more for normal loans; 2.0% or more (5% for household loans) for precautionary loans; 20% or more for substandard loans; 50% or more for doubtful loans; and 100% for estimated loss.

If the loan loss provision (based on the roll-rate method), which is computed by the past loan loss rate, exceeds the guideline set forth in the relevant Supervisory Regulations, the Company is required to allocate additional provision amounts, as determined by the roll-rate method.

However, this requirement is not applicable to the government of the Republic of Korea and local self-governing governments as well as certain regular assets, excluding unrealized assets or prepayments.

If the book value of a loan differs from the value of its future cash flow due to the start of liquidation procedures or other reasons, the difference is stated as a loan loss provision (previously, discounted present value). It is reflected as a book value discount of the subject loan. The discounted present value, based on an effective interest rate method, is stated as interest income (Note 4, 5).

Valuation of Securities

Upon acquisition, the Company classifies securities into the following categories: trading, available-for-sale, held-to-maturity and securities, which are subject to the application of the equity method, depending on marketability, purpose of acquisition and ability to hold. For equity securities held for investments that are in companies over which the Company is positioned to exercise significant influence, the investees are accounted for using the equity method. (Note 6)

(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 the 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

Securities not classified as trading securities or held-to-maturity securities, are classified as available-for-sale securities. If the fair value of available-for-sale securities differs from the book value determined, these securities are stated at fair value as of the balance sheet date. Gain or loss on valuation of these securities is stated as capital adjustments.

The fair value of marketable securities is stated at market prices. The fair value of non-marketable securities are stated at the credibly determined 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 operations.

(3) Valuation of Held-to-Maturity Securities

Held-to-maturity securities are stated at acquisition cost plus incidental expenses. However, in case the face value of the securities differs from acquisition costs, the difference is amortized using the effective interest rate method over the remaining maturity period. However, government and public bonds are stated at acquisition cost as of the balance sheet date.

(4) Valuation of Securities Using Equity Method

For equity securities held for investments 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. Change in the capital surplus or other capital accounts of the investee are reflected as an increase or decrease of policyholders' equity adjustment and capital adjustments based on the allocation ratio of the retained earnings before participating policyholders' dividends in the current period.

Notes to Financial Statements

[Valuation of Tangible Assets](#)

Tangible assets are stated at cost or appraised value as determined by independent appraisers. Expenditures that extend the useful lives or enhance the value of assets are capitalized as capital expenditures. 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 depreciated using the straight-line method.)

Description	Useful lives
Buildings	40 years
Structures	20 years
Furniture	4 years
Vehicles	4 years

[Valuation of Intangible Assets](#)

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

[Compensation Receivables](#)

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

Compensation receivables are calculated by multiplying the average recovery rate for the prior three years from the prior balance sheet date to the amounts of net claims for the prior 1 year from the prior year balance. The formula of average recovery ratio is calculated as follows: (Refund from direct claims recovered + refund from reinsurance claim paid-refund on reinsurance) + (direct premiums written + reinsurance claim-reinsurance ceded).

[Deferred Acquisition Costs](#)

Acquisition costs derived 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 and Surplus](#)

The Company amortizes policy acquisition costs in line with the Accounting Standards for the Insurance Industry. This deficiency is calculated by the following factors.

(1) Insurance Contracts for Reviewing Premium Deficiency

The Company reviewed individual annuity, fixed-interest and interest- dependent contracts with or without dividends in premium deficiency as of March 31, 2005. General non-life contracts and group severance plans whose insurance period is less than one year have been excluded.

(2) Summary of Calculation on Premium Deficiency

Description	Rate of experience		Basis of calculation
Discount	Without dividends	5.69%	Average yield from asset management from April 1, 2002 to March 31, 2005
	With dividends	5.69%	
	Individual annuity	5.69%	
Expense ratio	Without dividends	86.0%	Actual expense ratio per expected expense rate on rescission of insurance contracts for this year
	With dividends	95.9%	
	Individual annuity	80.6%	
Rescission rate	Without dividends	2.14%	Average number of terminated contracts per new contract with sensitivity of interest
	With dividends	2.24%	
	Individual annuity	1.49%	
Payment rate	Without dividends	73.3%	Payment rate per risk premium for last three years
	With dividends	33.3%	
	Individual annuity	90.9%	

(3) Summary of Premium Surplus

Description	Expected interest	(Won in billions , %)
		Premium surplus
Without dividends	4.0-8.0%	293.2
With dividends	4.0-8.0%	0.1
Individual annuity	4.0-8.0%	61.2
Total		354.5

[Separate Account Assets \(Liabilities\)](#)

In line with Article 108 of the Insurance Business Act and Article of the Labor Standard Act, the Financial Supervisory Commission requires that the Company separate balance sheet accounts for assets and liabilities related to corporate pension policies from the other insurance plans. Assets and liabilities separately administered from the general accounts in asset management and income distribution are deemed assets and liabilities in segment reporting. (Note 21)

[Insurance Reserves](#)

The Insurance Business Act mandates that the Company maintain the policy reserves determined as follows:

(1) Policy Reserves (Note 12)

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 fixed value cannot be determined in estimating the reserve for claims.

Notes to Financial Statements

② Long-term savings type premium reserve

The Company maintains a reserve for the portion of premium (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 semiannual.

④ Reserve for participating policyholders' dividends

The company is required to maintain a reserve for participating policyholders' dividends based on regulations enacted 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, which is based on the regulations and contract terms.

(2) Catastrophe Reserves

Under related regulations, the non-life insurance company provides a catastrophe reserve based on net premiums written 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 offer 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 policy type, if any is in excess of 100 percent of the current-year earned premiums. (Note 13)

Accrued Severance Benefits: Officers and staff with more than one year of service are entitled to receive severance benefits, upon termination of their service, based on their length of service and rate of pay at the time of termination. The Company has purchased severance benefit insurance and established deposits with Kyobo Life Insurance Co., Ltd. and other insurance company. These deposits are presented as a deduction from the accrued severance indemnities. In addition, the Company and its employees are required to transfer a certain portion of monthly pay to the National Pension Fund in accordance with the National Pension Act. Individual severance insurance deposits to the National Pension Fund are presented as deduction from accrued severance indemnities (Note 14).

[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 assets and liabilities denominated in foreign currency are translated in these financial statements based on the basic rate at the balance sheet date. Translation gains or losses are reflected in current operations. (Note 17)

[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 or rights or obligations associated with derivative financial instruments as assets and liabilities as of the balance sheet date. The realized gains (losses) incurred from valuation are reflected in current operations. (Note 22)

[Reclassification of Prior Year Financial Statements](#)

Some accounts of the prior-year financial statements were reclassified in line with the method of presenting accounts of the financial statements. However, this reclassification does not affect the net income or net assets which were reported in the prior fiscal year.

(3. CASH AND BANK DEPOSITS)

(1) Cash and bank deposits as of March 31, 2005 and 2004 are as follows:

Description	Annual interest rate(%)	(Won in millions / US\$ in thousands)		
		Korean Won		U.S. Dollar
		FY2004	FY2003	FY2004
Checking accounts	-	₩ 233	₩ 775	\$ 208
Passbook accounts	1	24,838	28,257	23,971
Time deposit	3.7~6.37	76,258	125,173	68,154
Deposits in foreign countries	-	2,621	19,155	2,331
Others*	0.22 ~ 3.58	35,586	21,977	31,652
Total		₩ 139,535	₩ 195,306	\$ 124,108

* Other deposits of ₩15.0 million and deposits in foreign countries of ₩256,075 thousands and time deposits of US\$3,930,000 are restricted for maintenance of checking accounts and for overseas branch offices and payment guarantees, respectively.

Notes to Financial Statements

4. ALLOWANCE FOR POSSIBLE LOSSES ON CREDITS

(1) The classification of asset quality for the assets required for asset classification as of March 31, 2005 is as follows:

(Won in millions)

	Rate	Loans	Insurance receivable (note 1)	Notes receivables	Other accounts receivable	Dishonored notes receivable	Accrued income	Others (note 2)	Total
Normal	0.5%~0.75%	₩ 725,482	₩ 25,286	₩ 4,079	₩ 42,606	₩ -	₩ 4,124	₩ -	₩ 801,576
Precautionary	2%~5%	8,865	5,369	-	653	-	39	-	14,925
Substandard	20%	6,826	1,466	-	5,925	-	54	-	14,270
Doubtful	50%~70%	8,890	1,452	-	1,188	-	-	-	11,530
Estimated loss	100%	1,217	5,180	-	2,163	9	-	1,111	9,680
Others		-	43,339	-	-	-	56,816	1,111	100,155
Total		₩ 751,280	₩ 82,092	₩ 4,079	₩ 52,534	₩ 9	₩ 61,033	₩ 1,111	₩ 952,138

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

** Allowance for prepaid loans and rental deposits

(2) The details of allowance for the loan losses and ratio of allowance for doubtful loans to total loans as of March 31, 2005 are as follows:

(Won in millions)

	Rate	Loans	Insurance receivable (note 1)	Notes receivables	Other accounts receivable	Dishonored notes receivable	Accrued income	Others (note 2)	Total
Normal	0.5%~0.75%	₩ 5,145	₩ 127	₩ 20	₩ 213	₩ -	₩ 31	₩ -	₩ 5,536
Precautionary	2%~5%	269	107	-	13	-	2	-	391
Substandard	20%	1,365	293	-	1,185	-	11	-	2,854
Doubtful	50%~70%	5,186	726	-	594	-	-	-	6,505
Estimated loss	100%	1,217	5,180	-	2,163	9	-	1,111	9,680
Total		₩ 13,182	₩ 6,433	₩ 20	₩ 4,168	₩ 9	₩ 44	₩ 1,111	₩ 24,967

* The allowance for prepaid loans and rental deposits is included in others.

(3) The details of allowance for loan losses and ratio of allowance for doubtful loans to total loans for the recent three years and the current fiscal year are as follows:

	(Won in millions, %)			
	March 31, 2002	March 31, 2003	March 31, 2004	March 31, 2005
Loans	₩ 303,257	₩ 386,085	₩ 588,517	₩ 751,280
Insurance receivable	64,826	77,001	85,157	82,092
Notes receivable	1,108	1,989	3,349	4,079
Other accounts receivable	43,533	36,539	55,668	52,534
Dishonored notes receivable	-	-	10	9
Accrued income	54,164	71,601	67,604	61,033
Others	-	47	34	1,111
Total (a)	₩ 466,888	₩ 573,262	₩ 800,339	₩ 952,138
Allowance (b)	₩ 9,179	₩ 9,260	₩ 16,807	₩ 24,967
Ratio (b/a) %	1.97	1.62	2.10	2.62

(5. LOANS)

(1) The Company provides a diversity of loans in accordance with Article 106 of the Insurance Business Industry. The annual interest rates of the Company's loans as of March 31, 2005 range from 5.0% to 11.5%. As of March 31, 2005, ₩135 million (₩360 million as of March 31, 2004) of unsecured loans are related to the Company's employees. Remaining maturities of Korean Won-denominated loans of March 31, 2005 and 2004 are as follows:

	(Won in millions)						
	Total	Policy loans	Within 6 months	Within 1 years	Within 3 years	Within 5 years	Over 5 years
As of March 31, 2005	751,280	260,544	26,172	49,565	41,705	123,532	249,762
As of March 31, 2004	588,517	213,570	52,288	17,550	116,994	92,662	95,453

(2) The composition of loans by country, industry and borrower as of March 31, 2005 are as follows:

By country	(Won in millions, %)	
	Won-denominated loans	
Description	Amount	Share (%)
Republic of Korea	751,280	100.00

Notes to Financial Statements

By Industry	(Won in millions, %)	
	Won-denominated loans	
Classification	Amount	Share (%)
Manufacturing	82,018	10.92
Fisheries	2,994	0.40
Construction	2,503	0.33
Wholesale & retail	8,821	1.17
Financial & insurance	14,039	1.87
Lodging & restaurants	10,000	1.33
Logistics	7,476	1.00
Other public & private services	6,000	0.80
Real estate lease	7,307	0.97
Services run by households	610,122	81.21
Total	751,280	100.00

By Borrower		(Won in millions, %)	
		Won-denominated loans	
Classification	Use of fund	Amount	Share (%)
Corporations	Operation, others	141,158	18.79
Households	Operation, others	610,122	81.21
Total		751,280	100.00

The change in allowance for possible loan losses as of March 31, 2005 is as follows:

	(Won in millions)				
	Beginning balance	Provision	Write-off	Recovery	Ending balance
Won-denominated loans	15,466	1,267	3,699	148	13,182

(3) The details of allowance for possible loan losses based on asset classification as of March 31, 2005 are as follows:

(Won in millions, %)				
Asset classification	Coverage ratio (%)	Won-denominated loans		Share (%)
		Balance of loans	Provision	
Normal	0.5-0.75	725,482	5,145	0.7
Precautionary	2-5	8,865	269	3.0
Substandard	20	6,826	1,365	20.0
Doubtful	50	8,890	5,186	58.3
Estimated loss	100	1,217	1,217	100.0
Total	-	751,280	13,182	1.8

(4) Average amount of interest-bearing assets

(Won in millions)		
Account	Average amount of interest-bearing assets	Interest income during the current term
Loan	657,160	50,508

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

*Below substandard loans in beginning balance and ending balance are excluded. However, interest-bearing substandard loans are included.

As the workout plans of Mercury Co., Ltd. was approved during FY2004, ₩3,328 million won of loans of ₩12,067 million were converted into stocks. The remaining ₩8,739 million won were classified into restructuring of loans.

The Change in Present Value Discount Accounts

(Won in millions)				
Description	Beginning balance	Increase	Decrease	Ending balance
Korea Express	421	-	53	368
Daerim Corp.	214	-	188	26
Mercury Co., Ltd.	-	2,943	182	2,761
Total	635	2,943	423	3,155

* The discounted present value of Mercury Co., Ltd. was translated into allowance for possible loan losses, according to the revised corporate accounting regulations.

Notes to Financial Statements

Evaluation of allowance for possible loan losses

The roll-rate method based on deferred rates for the past one year (April 1, 2004 to March 31, 2005) was applied to the unsecured private loan portfolio. As the estimated loan loss allowance is larger than the allowance for possible loss loan losses, which is required under the Supervision Regulation of the Insurance Industry, allowance for possible loan losses was set in line with the roll-rate method.

(Won in millions)

Classification	Allowance for possible loan loss	
	Evaluation by loss ratio	Required by regulations
Normal	20	32
Precautionary	17	6
Doubtful	123	76
Estimated loss	203	202
Total	363	316

6. EVALUATION OF SECURITIES

(1) The Company holds securities as a way of asset management in accordance with Article 106 of the Insurance Business Act, and the details of the securities are summarized as follows:

Details of securities

(Won in millions)

Account	Item	Annual interest rate (%)	Acquisition value		Fair value		Book value	
			FY2004	FY2003	FY2004	FY2003	FY2004	FY2003
Trading securities								
Equity securities	Marketable equity securities		-	35,739	-	36,843	-	36,843
Government and public bonds	Government bonds, etc.		-	29,706	-	29,713	-	29,713
Special bonds	Monetary stabilization bonds	3.195 ~						
		3.49	78,500	-	78,392	-	78,392	-
	Small & medium industry finance debentures	3.25	9,675	-	9,647	-	9,647	-
	Credit card receivables		-	1,961	-	2,002	-	2,002
	Other special bonds		-	20,303	-	20,082	-	20,082
	Subtotal		88,175	22,263	88,040	22,085	88,040	22,085
Corporate bonds	KT and other 152 companies	3.0	6,778	6,749	6,790	6,778	6,790	6,778
Beneficiary certificates	Public & corporate bond-type		50,223	218	51,851	223	51,851	223
	Stock-type		-	10,454	-	10,757	-	10,757
	Others		224,586	259,883	227,323	262,029	227,323	262,029
	Subtotal		274,808	270,555	279,173	273,009	279,173	273,009

(continued)

		(Won in millions)						
Account	Item	Annual interest	Acquisition value		Fair value		Book value	
		rate (%)	FY2004	FY2003	FY2004	FY2003	FY2004	FY2003
Securities denominated in foreign currencies	CB	-	-	-	6,177	-	6,177	
	Bonds, etc.	-	19,878	-	19,583	-	19,583	
	Beneficiary certificates		27,676	-	24,874	-	24,874	
	Subtotal		27,676	27,169	24,874	25,760	24,874	25,760
Other securities	CP	-	19,959	-	19,959	-	19,959	
Total			397,437	412,141	398,877	414,147	398,877	414,147
US dollars in thousands			353,497	357,265	354,778	359,004	354,778	359,004
Available-for-sale securities								
Marketable equity securities	Hana Bank		45,228	45,353	110,600	109,233	110,600	109,233
	Anam Semiconductor		30,900	30,900	14,832	26,543	14,832	26,543
	Hynix Semiconductor		232	232	740	695	740	695
	Daerim Corp.		2,385	739	2,129	3,320	2,129	3,320
	LG Card		30,541	6,030	23,603	232	11,230	232
	Subtotal		109,287	83,255	151,904	140,023	139,530	140,023
Equity securities of parties of special interest								
Unlisted equity securities	Dongbu World		0.02	0.02	0.02	0.02	0.02	0.02
	T-One Tech. Inc.		300	300	-	-	-	-
	Korea Info. & Com. Inc.		300	300	40	37	37	37
	Bioneer Inc.		1,200	1,200	79	89	79	89
	Uniasset. Com		370	370	166	150	150	150
	Korea 21 Venture Inc.		490	490	244	348	244	490
	Shinhan Machinery Inc.		500	500	414	247	247	247
	Shiltron Inc.		16,144	16,144	13,270	11,863	16,144	16,144
	Pyongan Fiber Inc.		85	85	2,724	2,030	85	85
	Korea Fisheries		-	-	-	-	-	-
	Korea Securities Depository		3	3	20	34	3	3
	Seoul Guaranteed Insurance		-	-	-	-	-	-
	Inchon Int'l Airport Corp.		27,431	27,431	24,215	37,588	27,431	27,431
	Daerim Corp. (Preferred Stocks)		465	465	-	-	465	465
	Mercury		-	-	-	-	-	-
	Apolo Private M&A Fund		-	10,000	-	10,000	-	10,000
	Subtotal			47,288	57,288	41,173	62,386	44,884
Securities total			156,575	140,543	193,076	202,409	184,415	195,163

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		(Won in millions)						
Account	Item	Annual interest rate (%)	Acquisition value		Fair value		Book value	
			FY2004	FY2003	FY2004	FY2003	FY2004	FY2003
Available-for-sale securities								
Government and public bonds	Government bonds, etc.	3 ~ 10.17	372,559	253,028	373,801	254,904	373,801	254,904
Special bonds	Monetary stabilization bonds	3.69	10,000	69,030	9,975	68,995	9,975	68,995
	Industrial finance debentures	3.05 ~ 5.5	10,579	19,468	10,558	19,480	10,558	19,480
	Small & medium industry finance debentures		-	18,671	-	18,649	-	18,649
	Credit card receivables	4.95 ~ 11.10	49,853	97,406	51,132	88,968	51,132	88,968
	Lease bonds		-	19,503	-	20,175	-	20,175
	Other finance debentures	4.20 ~ 10.6	245,878	143,028	251,009	142,836	251,009	142,836
	Other special bonds	4.1 ~ 8.71	285,649	212,808	286,532	212,176	286,532	212,176
	Subtotal		601,958	579,915	609,207	571,279	609,207	571,279
Corporate bonds	Hite and 129 other companies	3.5 ~ 10.6	368,590	275,994	369,685	277,995	369,685	277,995
Beneficiary certificate	Treasury stock fund		3,000	3,000	-	-	-	-
	Stock-type		96,650	-	95,543	-	95,543	-
	Others		-	11,683	-	12,020	-	12,020
	Subtotal		99,650	14,683	95,543	12,020	95,543	12,020
Securities denominated in foreign currencies	Export-Import Bk, etc.	2.5 ~ 8.74	296,587	197,605	259,573	193,705	259,573	193,705
	Dragontech, etc.		2,756	10,367	2,450	10,037	2,450	10,037
	Subtotal		299,343	207,973	262,023	203,742	262,023	203,742
New securities	Asset-backed securities	4.06 ~ 10.2	346,322	234,961	349,110	231,967	349,110	231,967
	Credit-linked notes	6.6 ~ 9.1	58,268	61,235	52,997	58,268	52,997	58,268
	Subtotal		404,589	296,196	402,107	290,235	402,107	290,235
Other securities	CP		2,968	38,362	2,968	38,362	2,968	38,362
Investment in partnerships	Goldmoon Bio		490	490	30	30	30	30
	Next Venture		601	1,000	1,000	871	601	871
	MOST 6		2,500	2,500	2,500	2,633	2,500	2,633
	Subtotal		3,591	3,990	3,530	3,535	3,132	3,535
Total			2,309,822	1,810,682	2,311,942	1,854,481	2,302,882	1,847,236
U.S. dollars in thousands			2,054,453	1,569,593	2,056,339	1,607,560	2,048,281	1,601,279
Held-to-maturity securities								
Government & public bonds		3.0 ~ 5.0	7,937	7,901	7,937	7,901	7,937	7,901
Total			7,937	7,901	7,937	7,901	7,937	7,901
U.S. dollars in thousands			7,060	6,849	7,060	6,849	7,060	6,849

(continued)

		(Won in millions)						
Account	Item	Annual interest rate (%)	Acquisition value		Fair value		Book value	
			FY2004	FY2003	FY2004	FY2003	FY2004	FY2003
Equity securities using the equity method								
Equity method-based equity securities								
	Dongbu Steel		6,463	6,463	55,270	49,389	26,104	18,161
	Dongbu Construction		8,979	8,979	62,835	51,608	48,284	35,209
	Dongbu Securities		12,325	12,325	16,371	16,289	15,708	15,423
	Dongbu Life Insurance		16,393	16,393	23,037	16,087	23,867	18,888
	Dongbu Claims Adjustment		1,000	1,000	1,506	1,056	1,000	1,000
Total			45,161	45,161	159,019	134,429	114,963	88,681
U.S. dollars in thousands			40,168	40,168	141,438	116,530	102,253	76,873
Grand Total			2,760,356	2,275,884	2,877,775	2,410,958	2,824,659	2,357,965
U.S. dollars in thousands			2,455,177	1,972,854	2,559,615	2,089,943	2,512,371	2,044,006

* As of March 31, 2005, government & public bonds in the held-to-maturity securities category aggregating ₩5.5 billion and government & public bonds and special bonds in the available-for-sale securities group totaling ₩35.3 billion were pledged as collateral for trading derivatives and opening LOCs.

** For the year ended on March 31, 2005, impaired losses on available-for-sale securities for LG Card bonds, worth ₩13.8 billion were recognized as non-operating expenses.

*** With regard to the repurchase of the beneficiary certificates denominated in foreign currencies (PGUF-D Fund, face value of US\$3,100,000) as of March 31, 2005, though a lawsuit was filed against the consignee of the fund (Bank of Bermuda), only the claim for repurchase funds of the beneficiary certificate remained, and accordingly, they were recognized as accounts receivable and allowances for possible losses on credits were appropriated.

**** For the year ended on March 31, 2005, stock-type beneficiary certificates in the trading securities category worth ₩716,822,000 were reclassified as available-for-sale securities due to restriction of trading.

Notes to Financial Statements

(2) Gains or losses on valuation of securities recognized in capital adjustment are summarized as follows:

			(Won in millions)					
Classification	Types	Face value	Acquisition cost	Discount (premium) write-off	Gain or loss on valuation	Capital adjustment	Fair value	
Trading securities	Securities							
	denominated in Korean Won							
	Equity securities	-	-	-	(6,564)	-	-	
	Government & public bonds	-	-	-	302	-	-	
	Special bonds	90,000	88,175	-	1,819	-	88,040	
	Corporate bonds	6,782	6,778	-	351	-	6,790	
	Beneficiary certificates	275,031	274,808	-	14,488	-	279,173	
Other securities								
Securities denominated in foreign currencies								
		27,676	27,676	-	(2,254)	-	24,874	
	Subtotal	399,490	397,437	-	8,273	-	398,877	
Available-for-sale securities	Equity securities							
	denominated in Korean Won							
	Marketable equity securities	58,058	109,287	-	10,987	(13,011)	139,530	
	Non-listed equity securities	36,297	47,288	-	204	-	44,884	
	Subtotal	94,355	156,575	-	11,191	(13,011)	184,415	
	Bonds denominated in Korean Won							
	Government & public bonds	380,229	372,559	2,820	22,676	(3,414)	373,801	
	Special bonds	592,285	601,958	(244)	48,630	6,675	609,207	
	Corporate bonds	357,535	368,590	(1,321)	20,931	20	369,685	
	Subtotal	1,330,049	1,343,106	1,255	92,237	3,282	1,352,693	
	Beneficiary certificates denominated in Korean won							
			99,642	99,650	-	9,126	(1,020)	95,543
	New types of securities denominated in Korean Won							
	Asset-backed securities	341,274	346,322	(49)	18,432	3,563	349,110	
Equity-lined notes	-	-	-	670	-	-		
Credit-linked notes	58,268	58,268	-	4,394	1,419	52,997		
Subtotal	399,541	404,589	(49)	23,557	4,982	402,107		
Other securities denominated in Korean Won								
		3,005	2,968	-	467	-	2,968	
Securities denominated in foreign currencies								
		299,343	299,343	(2,185)	9,707	(8,895)	262,023	
Investment in partnerships								
		3,591	3,591	-	-	(5)	3,132	
Total		2,229,525	2,309,822	(979)	146,285	(14,667)	2,302,882	
Held-to-maturity securities	Bonds denominated in Korean Won							
	Gov't & public bonds denominated in Korean Won	7,937	7,937	-	255	-	7,937	
Total		7,937	7,937	-	255	-	7,937	
Equity securities using the equity method	Equity securities denominated in Korean Won	59,621	45,161	-	23,127	7,450	114,963	
	Total (securities using equity method)	59,621	45,161	-	23,127	7,450	114,963	
Grand total		2,696,573	2,760,356	(979)	177,939	(7,217)	2,824,659	
U.S. dollars in thousands		2,398,446	2,455,177	(871)	158,266	(6,419)	2,512,371	

(3) The details of structured securities as of March 31, 2005 are as follows:

		(Won in millions)
	Classification	Amount
Equity securities-related	Exchangeable bonds	26,645
Interest rate-related	Long-term government-bond rate (CMT) floating rate notes	20,114
	Double-index floating rate notes	10,422
	Inverse floating rate notes	40,413
	QUANTO	21,412
	RANGE NOTE	20,113
	CMS Spread Note	20,016
Credit risk-related	Credit-linked notes	52,997

(4) Analysis of held-to-maturity securities by remaining contractual maturities:

		(Won in millions)				
Account		Within one year	One to five years	Five to ten years	Over ten years	Total
Trading securities	Special bonds	88,040	-	-	-	88,040
	Corporate bonds	6,790	-	-	-	6,790
	Subtotal	94,829	-	-	-	94,829
Available-for-sale securities	Government & public bonds	12,003	149,828	211,971	-	373,801
	Special bonds	49,774	258,402	301,031	-	609,207
	Corporate bonds	70,339	153,884	145,463	-	369,685
	Securities denominated in foreign currencies	25,947	88,842	134,426	10,358	259,573
	Asset backed	20,112	113,374	215,624	-	349,110
	Credit-linked	-	52,997	-	-	52,997
	CP	2,968	-	-	-	2,968
	Subtotal	181,142	817,326	1,008,515	10,358	2,017,341
Held-to-maturity securities	Government & public bonds	1	7,936	-	-	7,937
	Subtotal	1	7,936	-	-	7,937
Total		275,973	825,262	1,008,515	10,358	2,120,107
U.S. dollars in thousands		245,462	734,023	897,016	9,213	1,885,713

* Beneficiary certificates are not included in the above securities

Notes to Financial Statements

(5) Valuation gains or losses on available-for-sale securities recognized in capital adjustment are as follows:

Classification	(Won in millions)			
	Beginning balance	Increase	Decrease	Ending balance
Marketable equity securities	62,566	(1,044)	11,968	49,554
Government & public bonds	11,929	1,563	4,976	8,516
Special bonds	10,326	10,892	4,216	17,002
Corporate bonds	6,388	1,952	1,931	6,409
Beneficiary certificates	(749)	(636)	384	(1,768)
Securities denominated in foreign currencies	5,750	(1,776)	7,119	(3,145)
Asset-backed securities	4,235	4,557	994	7,798
Credit-linked notes	621	1,419	-	2,040
Investment in partnerships	5	(133)	(129)	-
Total	101,072	16,794	31,461	86,405
U.S. dollars in thousands	89,898	14,937	27,983	76,852

(6) Valuation gains or losses on equity securities using the equity method recognized in capital adjustment are as follows:

Classification	(Won in millions)			
	Beginning balance	Increase	Decrease	Ending balance
Equity securities of related parties	(3,750)	7,450	-	3,700

(7) Interest incomes from securities for the years ended on March 31, 2004 and 2005 are as follows:

Classification		(Won in millions)	
		FY2004	FY2003
Trading securities	Government & public bonds	727	2,047
	Special bonds	1,652	11,995
	Corporate bonds	303	362
	Securities denominated in foreign currencies	33	67
	Other securities	130	400
	Subtotal	2,845	14,871
Available-for-sale securities	Government & public bonds	16,520	14,509
	Special bonds	36,207	39,495
	Corporate bonds	20,098	11,037
	Beneficiary certificates	148	58
	Securities denominated in foreign currencies	9,998	6,469
	New types of securities	23,198	23,817
	Other securities	467	435
Subtotal	106,637	95,820	
Held-to-maturity securities	Government & public bonds	255	239
	Subtotal	255	239
Total		109,736	110,929
U.S. dollars in thousands		97,604	96,159

Notes to Financial Statements

(8) Composition of securities by country, securities type, and industry

(8-1) By country

(Won in millions)

Classification		Korean Won		Foreign currencies		Total	
		Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Trading securities	Republic of Korea (ROK)	374,003	100.00	-	-	374,003	93.76
	USA	-	-	24,874	100.00	24,874	6.24
	Subtotal	374,003	100.00	24,874	100.00	398,877	100.00
Available-for-sale securities	ROK	1,977,647	100.00	58,814	18.08	2,036,461	88.43
	USA	-	-	154,187	47.41	154,187	6.70
	Germany	-	-	11,566	3.56	11,566	0.50
	U.K.	-	-	7,367	2.27	7,367	0.32
	Others	-	-	93,300	28.69	93,300	4.05
	Subtotal	1,977,647	100.00	325,234	100.00	2,302,882	100.00
Held-to-maturity securities	ROK	7,937	100.00	-	-	7,937	100.00
Equity securities using the equity method	ROK	114,963	100.00	-	-	114,963	100.00
Total	ROK	2,474,550	100.00	58,814	16.80	2,533,364	89.69
	USA	-	-	154,187	44.04	154,187	5.46
	Germany	-	-	11,566	3.30	11,566	0.41
	Great Britain	-	-	32,241	9.21	32,241	1.14
	Others	-	-	93,300	26.65	93,300	3.30
	Total	2,474,550	100.00	350,109	100.00	2,824,659	100.00
	U.S. dollars in thousands	2,200,969		311,402		2,512,371	

(8-2) By securities type

(Won in millions)

Classification		Korean Won		Foreign currencies		Total	
		Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Trading securities	Fixed income bonds	88,040	23.54	-	-	88,040	22.07
	Exchangeable bonds	6,790	1.82	-	-	6,790	1.70
	Beneficiary certificates	279,173	74.64	24,874	100.00	304,048	76.23
	Subtotal	374,003	100.00	24,874	100.00	398,877	100.00
Available-for-sale securities	Equity securities	184,415	9.32	-	-	184,415	8.01
	Fixed income bonds	1,587,033	80.25	192,929	59.32	1,779,962	77.29
	Floating rate notes	102,519	5.18	115,006	35.36	217,524	9.45
	Exchangeable bonds	5,005	0.25	14,850	4.57	19,855	0.86
	Beneficiary certificates	95,543	4.83	2,450	0.75	97,994	4.26
	Others	3,132	0.16	-	-	3,132	0.14
Subtotal	1,977,647	100.00	325,234	100.00	2,302,882	100.00	

(continued)

(Won in millions)

Classification		Korean Won		Foreign currencies		Total	
		Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Held-to-maturity securities	Fixed income bonds	7,937	100.00	-	-	7,937	100.00
Equity securities using equity method	Equity securities	114,963	100.00	-	-	114,963	100.00
Total	Equity securities	299,378	12.10	-	-	299,378	10.60
	Fixed income bonds	1,683,010	68.01	192,929	55.11	1,875,938	66.41
	Floating rate notes	102,519	4.14	115,006	32.85	217,524	7.70
	Exchangeable bonds	11,795	0.48	14,850	4.24	26,645	0.94
	Beneficiary certificates	374,717	15.14	27,324	7.80	402,041	14.23
	Others	3,132	0.13	-	-	3,132	0.11
	Total	2,474,550	100.00	350,109	100.00	2,824,659	100.00

(8-3) By industry

(Won in millions)

Classification		Korean Won		Foreign currencies		Total	
		Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
<Trading securities>							
Debt securities	Government & public organizations	78,392	82.67	-	-	78,392	82.67
	Financial institutions	9,647	10.17	-	-	9,647	10.17
	General companies	6,790	7.16	-	-	6,790	7.16
	Subtotal	94,829	100.00	-	-	94,829	100.00
	Beneficiary certificates	279,173	100.00	24,874	100.00	304,048	100.00
Total		374,003	100.00	24,874	100.00	398,877	100.00
<Available-for-sale securities>							
Equity securities	Manufacturing	17,701	9.60	-	-	17,701	9.60
	Financial and insurance	121,830	66.06	-	-	121,830	66.06
	Others	44,884	24.34	-	-	44,884	24.34
	Subtotal	184,415	100.00	-	-	184,415	100.00
Debt securities	Government & public organizations	668,474	39.52	63,112	19.55	731,586	36.32
	Financial institutions	314,534	18.59	187,053	57.95	501,587	24.90
	General companies	708,581	41.89	72,618	22.50	781,200	38.78
	Subtotal	1,691,589	100.00	322,784	100.00	2,014,373	100.00
	Beneficiary certificates	95,543	100.00	2,450	100.00	97,994	100.00
	Others	6,100	100.00	-	-	6,100	100.00
Total		1,977,647	100.00	325,234	100.00	2,302,882	100.00

(continued)

Notes to Financial Statements

		(Won in millions)					
Classification		Korean Won		Foreign currencies		Total	
		Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
<Held-to-maturity securities>							
Debt securities	Government & public organizations	7,937	100.00	-	-	7,937	100.00
<Equity securities using equity method>							
Equity securities	Manufacturing	26,104	22.71	-	-	26,104	22.71
	Construction	48,284	42.00	-	-	48,284	42.00
	Financial and insurance	40,575	35.29	-	-	40,575	35.29
Total		114,963	100.00	-	-	114,963	100.00
<Grand Total>							
Equity securities	Manufacturing	43,805	14.63	-	-	43,805	14.63
	Construction	48,284	16.13	-	-	48,284	16.13
	Financial and insurance	162,405	54.25	-	-	162,405	54.25
	Others	44,884	14.99	-	-	44,884	14.99
	Subtotal	299,378	100.00	-	-	299,378	100.00
Debt securities	Government & public organizations	754,804	42.07	63,112	19.55	817,916	38.63
	Financial institutions	324,181	18.07	187,053	57.95	511,235	24.15
	General companies	715,371	39.87	72,618	22.50	787,989	37.22
	Subtotal	1,794,356	100.00	322,784	100.00	2,117,140	100.00
Beneficiary certificates		374,717	100.00	27,324	100.00	402,041	100.00
Others		6,100	100.00	-	-	6,100	100.00
Total of securities		2,474,550	100.00	350,109	100.00	2,824,659	100.00

(9) Equity securities using equity method

The Company evaluated using the equity method the equity securities of Dongbu Construction and three other companies over which it can exercise substantial influence and the results are as follows:

(Won in millions)							
Classification	Beginning book value	Retained earnings	Capital adjustment	Gain or loss on valuation	Investment	Dividend received	Ending book value
					account to be eliminated		
Dongbu Construction	35,209	(930)	7,608	6,793	1,848	(2,244)	48,284
Dongbu Steel	18,161	(43)	(1,547)	8,083	2,062	(612)	26,104
Dongbu Securities	15,423	(18)	(18)	271	217	(167)	15,708
Dongbu Life Insurance	18,888	(281)	1,407	5,824	(1,972)	-	23,867
Total	87,681	(1,272)	7,450	20,971	2,155	(3,022)	113,963

(9-1) Selection criteria for equity securities to which equity method is to be applied

They are selected by the level of control or influence the Company exerts on the investees such as participation in the investees' BOD meetings, exchange of management staff, disposals and acquisitions of the investees' main assets.

(9-2) Calculation method, write-off or amortization criteria for investments to be eliminated

Investments to be eliminated is allocated to amortizable assets and non-amortizable assets (inventories, land, construction in process, investment stocks). The amount allocated to amortizable assets was amortized for the weighted average useful lives of these assets while that allocated to non-amortizable assets was amortized at the time of the disposal of the appropriate assets.

(9-3) Equity securities using equity method

(Won in millions)

Company name	FY2004				
	No. of shares	Ownership (%)	Acquisition value	Market value (net asset value)	Ending book value
Dongbu Construction	2,991,606	11.90	8,979	62,835	48,284
Dongbu Steel	1,747,851	6.51	6,463	55,270	26,104
Dongbu Securities	1,666,164	11.26	12,325	16,371	15,708
Dongbu Life Insurance	5,318,572	31.21	16,393	23,037	23,867
Total	11,724,193		44,161	157,513	113,963

Company name	FY2003				
	No. of shares	Ownership (%)	Acquisition value	Market value (net asset value)	Ending book value
Dongbu Construction	2,991,606	11.90	8,979	51,608	35,209
Dongbu Steel	1,747,851	6.70	6,463	49,389	18,161
Dongbu Securities	1,666,164	11.33	12,325	16,289	15,423
Dongbu Life Insurance	5,318,572	31.21	16,393	16,087	18,888
Total	11,724,193		44,161	133,373	87,681

Notes to Financial Statements

(9-4) Amortization of investments to be eliminated

(Won in millions)

Company name	FY2004			
	Beginning balance	Increase/decrease	Amortization	Ending balance
Dongbu Construction	16,399	-	1,848	14,551
Dongbu Steel	31,228	-	2,062	29,166
Dongbu Securities	866	-	217	649
Dongbu Life Insurance	(2,802)	-	(1,972)	(830)
Total	45,692	-	2,155	43,536

Company name	FY2003			
	Beginning balance	Increase/decrease	Amortization	Ending balance
Dongbu Construction	17,966	-	1,567	16,399
Dongbu Steel	32,768	-	1,540	31,228
Dongbu Securities	977	-	111	866
Dongbu Life Insurance	(5,195)	-	(2,394)	(2,801)
Total	46,516	-	825	45,692

(9-5) Valuation of equity securities using equity method

(Won in millions)

Company name	FY2004			
	Beginning balance	Gain or loss on valuation	Other increase/decrease	Ending balance
Dongbu Construction	35,209	8,641	4,434	48,284
Dongbu Steel	18,161	10,145	(2,202)	26,104
Dongbu Securities	15,423	488	(203)	15,708
Dongbu Life Insurance	18,888	3,852	1,126	23,867
Total	87,681	23,127	3,156	113,963
U.S. dollars in thousands	77,987	20,570	2,807	101,364

Company name	FY2003			
	Beginning balance	Gain or loss on valuation	Other increase/decrease	Ending balance
Dongbu Construction	27,848	7,761	(400)	35,209
Dongbu Steel	15,381	4,387	(1,607)	18,161
Dongbu Securities	14,991	420	12	15,423
Dongbu Life Insurance	19,156	(1,308)	1,040	18,888
Total	77,376	11,260	(955)	87,681
U.S. dollars in thousands	67,074	9,761	(828)	76,006

(9-6) Adjustments of net asset values of the investees by applying equity method due to different closing dates of the fiscal years

(Won in millions)

Company name	Closing dates	Reason	FY2004		
			Before adjustment	Adjustment	After adjustment
Dongbu Construction	Dec. 31, 2004	Different closing date	62,835	-	62,835
Dongbu Steel	Dec. 31, 2004	Different closing date	55,270	-	55,270
Total			118,106	-	118,106

Company name	Closing dates	Reason	FY2003		
			Before adjustment	Adjustment	After adjustment
Dongbu Construction	Dec. 31, 2003	Different closing date	51,608	-	51,608
Dongbu Steel	Dec. 31, 2003	Different closing date	49,389	-	49,389
Total			100,997	-	100,997

(9-7) Adjustments of net asset values of the investees by applying equity method due to reflecting pre-adjusted financial statements

(Won in millions)

Company name	Closing date	Reason	FY2004		
			Before adjustment	Adjustment	After adjustment
Dongbu Life Insurance	Mar. 31, 2005	Pre-adjusted financial statement	23,037	-	23,037

Company name	Closing date	Reason	FY2003		
			Before adjustment	Adjustment	After adjustment
Dongbu Life Insurance	Mar. 31, 2004	Pre-adjusted financial statement	16,087	-	16,087

(9-8) Affiliate to which the Company did not apply equity method in spite of the ownership higher than 20%.

(Won in millions)

Company name	No. of shares	Ownership (%)	Acquisition cost	FY2004		FY2003	
				Market value (net asset value)	Ending book value	Market value (net asset value)	Ending book value
Dong Claims							
Adjustment	200,000	100	1,000	1,131	1,000	1,056	1,000

* As the total asset of the investee was less than ₩7.0 billion, the equity method was not applied.

Notes to Financial Statements

(7. CHANGES IN TANGIBLE ASSETS)

(1) Publicly disclosed values of land held by the Company as of March 31, 2005

Account	(Won in millions)		
	Book value	Publicly announced value	Difference
Tangible asset (land)	119,515	93,302	(26,213)
Investment asset (land)	116,592	160,000	43,408
Total	236,107	253,302	17,195

(2) Increases and decreases in tangible assets for the current and previous years

(2-1) Current year

Classification	Beginning balance	Acquisition cost			Ending balance
		(capital expenditure included)	Disposal	Depreciation	
Land	136,709	12	17,205	-	119,515
Buildings	133,790	640	-	3,632	130,798
Structures	2,183	-	-	131	2,052
Construction in process	403	377	659	-	121
Furniture	13,730	9,066	86	9,661	13,049
Vehicles	9	51	0.001	27	33
Total	286,824	10,146	17,950	13,451	265,569

(2-2) Previous year

Classification	Beginning balance	Acquisition cost			Ending balance
		(capital expenditure included)	Disposal	Depreciation	
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	0.004	18	9
Total	291,169	14,544	3,138	15,750	286,824

(8. CHANGES IN INTANGIBLE ASSETS)

Increases and decreases in intangible assets for the current and previous years are as follows:

Classification	(Won in millions)	
	FY2004	FY2003
Beginning balance	7,158	7,552
Increase	7,945	3,158
Amortization	5,193	3,552
Ending balance	9,910	7,158

(9. INSURED ASSETS)

Insured assets as of March 31, 2005 and 2004 are as follows:

Insured assets	Insurance types	Insurance coverage		Insurance company
		FY2004	FY2003	
Cash and securities	Theft insurance	1,450	1,450	Daehan Fire & Marine Insurance
Buildings	Fire insurance	30,155	39,778	Daehan Fire & Marine Insurance, etc.
Furniture	Fire insurance	2,249	2,167	Daehan Fire & Marine Insurance
	Comprehensive insurance for movables, Comprehensive insurance for financial institutions, etc.	7,165	8,009	Daehan Fire & Marine Insurance, etc.
	Liability insurance for company executives	30,000	20,000	Oriental Fire & Marine Insurance
Total		71,019	71,405	

* In addition, the Company carries general and liability insurance for vehicles, which are provided by Shindongah Fire & Marine Insurance and other insurers.

Notes to Financial Statements

10. INSURANCE ACCOUNTS RECEIVABLE AND INSURANCE ACCOUNTS PAYABLE

Insurance accounts receivable and insurance accounts payable as of March 31, 2005 and 2004 are as follows:

Details	Insurance accounts receivable		Details	Insurance accounts payable	
	FY2004	FY2003		FY2004	FY2003
Insurance receivables	14,335	10,067	Claims payable	64,241	76,504
Due from agents	3,814	3,777	Due to agents	19,565	15,990
Co-insurance receivables	3,844	1,117	Premium refunds payable	4,383	3,685
Receivables related to agency business	14,007	15,089	Payables related to agency business	5,762	8,283
Reinsurance accounts receivable	35,288	37,504	Reinsurance accounts payable	51,634	49,170
Overseas reinsurance premiums receivable	9,171	14,929	Overseas reinsurance premiums payable	7,051	6,975
Deposits provided on reinsurance treaties ceded	1,633	2,674	Refundable deposits on reinsurance treaties ceded	16,465	24,554
Subtotal	82,092	85,157			
Allowances for bad debts	6,433	878			
Total	75,659	84,278	Total	169,101	185,160
U.S. dollars in thousands	67,294	73,056	U.S. dollars in thousands	150,406	160,506

11. RECOGNITION OF ACQUISITION COSTS

The details of acquisition costs by insurance type are as follows:

Classification	Acquisition cost	(Won in millions)		
		Acquisition cost during the current period	Deferred acquisition cost	Amortization of deferred acquisition cost
Long-term insurance without dividends	267,136	104,315	162,820	42,575
Long-term insurance with dividends	141	68	74	30
Individual annuity	8,462	6,868	1,594	4,549
Total in 2005	275,739	111,251	164,488	47,154
Total in 2004	194,834	147,208	47,627	8,292

For the years ended on March 31, 2005 and 2004, changes in deferred acquisition costs are as follows;

(Won in millions)				
Classification	Beginning balance	Deferred acquisition cost during the period	Amortization of deferred acquisition cost	Ending balance
FY2003	51,987	164,488	47,154	169,320
FY2004	12,652	47,627	8,292	51,987

(12. 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 year ended on March 31, 2005 are summarized as follows:

Classification	FY2004							FY2003	
	Fire	Marine	Automobile	Casualty	Long-term	Individual annuity	U.S. dollars Total	in thousands	Total
Reserve for outstanding claims									
Beginning balance	20,116	16,564	254,609	79,822	51,792	6,211	429,114	381,672	385,151
Transfer-in	4,094	5,001	(10,757)	(13,439)	22,150	(19)	7,030	6,253	43,962
Ending balance	24,210	21,564	243,852	66,383	73,943	6,192	436,144	387,898	429,114
Long-term insurance premium reserve									
Beginning balance	-	-	-	-	1,602,065	462,981	2,065,045	1,836,738	1,820,941
Transfer-in	-	-	-	-	444,019	39,478	483,497	430,043	244,105
Ending balance	-	-	-	-	2,046,084	502,459	2,548,543	2,266,782	2,065,045
Unearned premium reserve									
Beginning balance	27,042	10,837	450,153	94,512	3,683	34	586,261	521,445	576,882
Prior period adjustment	-	2	-	-	-	-	2	1,533	-
Transfer-in	(2,536)	(140)	68,138	14,409	1,560	(6)	81,425	72,423	9,378
Ending balance	24,506	10,695	518,291	108,921	5,243	28	667,684	593,866	586,261
Reserve for participating policyholders' dividends									
Beginning balance	-	-	-	-	336	7,170	7,507	6,677	5,615
Transfer-in	-	-	-	-	256	1,911	2,167	1,927	1,891
Ending balance	-	-	-	-	592	9,081	9,673	8,604	7,507
Excess participating policyholder dividend reserve									
Beginning balance	-	-	-	-	640	3,252	3,893	3,463	3,200
Prior period adjustment	-	-	-	-	-	-	-	-	180
Transfer-in	-	-	-	-	(38)	(836)	(874)	(777)	512
Ending balance	-	-	-	-	603	2,417	3,019	2,685	3,893

(continued)

Notes to Financial Statements

Classification	FY2004							(Won in millions)	
	Fire	Marine	Automobile	Casualty	Long-term	Individual annuity	U.S. dollars		
							Total	in thousands	Total
Reinsurance reserve									
Beginning balance	13,912	13,066	4,878	52,316	8,678	509	93,359	83,037	72,944
Transfer-in	499	3,589	(2,474)	(14,480)	2,667	(70)	(10,270)	(91,346)	20,415
Ending balance	14,411	16,655	2,404	37,836	11,345	439	83,089	73,903	93,359
Reserve for unearned reinsurance									
Beginning balance	14,899	7,498	863	58,579	-	-	81,839	72,791	74,910
Transfer-in	(2,693)	(1,199)	1,018	8,183	-	-	5,310	4,723	6,928
Ending balance	12,207	6,299	1,881	66,762	-	-	87,148	77,513	81,839

* Casualty insurance includes surety insurance and overseas accepted reinsurance.

** 53,722,690,000 in interim or maturity refunds payable and ₩1,343,055,000 in annuities payable are accounted for claims payable.

(13. CATASTROPHE RESERVES)

Changes in catastrophe reserves for the years ended on March 31, 2005 and 2004 are as follows:

Classification	(Won in millions)	
	FY2004	FY2003
Beginning balance	216,115	198,316
Increase :	19,458	17,798
Fire	1,092	971
Marine	860	716
Automobile	14,132	13,154
Casualty	3,060	2,610
Overseas premium insurance	200	168
Accepted reinsurance	112	179
Ending balance	235,572	216,115
U.S. dollars in thousands	209,528	187,340

(14. ACCRUED SEVERANCE INDEMNITIES)

Changes in accrued severance indemnities for the years ended on March 31, 2005 and 2004 are as follows:

Account	(Won in millions)	
	FY2004	FY2003
Beginning balance	32,765	27,571
Severance payments	3,815	3,920
Provisions	11,108	9,113
Ending balance	40,059	32,765
Deductions : Contribution to the National Pensions Fund	733	811
Severance insurance deposits	22,699	19,039
Total	16,627	12,916

(15. COMMON STOCKS)

Common stocks as of March 31, 2005 and 2004 are as follows:

Classification	FY2004	FY2003
No. of authorized common stocks	200,000,000 shares	200,000,000 shares
Per value of common stock	₩ 500	₩ 500
No. of issued common stocks	70,800,000 shares	70,800,000 sharers
Common stocks of capital	₩ 35.4 billion	₩ 35.4 billion

(16. TREASURY STOCKS)

Treasury stocks as of March 31, 2005 and 2004 are as follows:

Classification	(Shares, Won in millions)			
	FY2004		FY2003	
	No. of shares	Amount	No. of shares	Amount
Company stocks purchased	7,501,650	29,655	7,501,640	29,655
Company stocks of treasury stock funds	679,610	2,464	679,610	1,522
Total	8,181,260	32,120	8,181,250	31,177

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

Notes to Financial Statements

17. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCY

Assets and liabilities denominated in foreign currency and gains and losses on translation of foreign currency as of March 31, 2005 and 2004 are as follows:

Account	(Won in millions / U.S. dollars in thousands)					
	FY2004			FY2003		
	US\$	Korean Won in equivalents	Gains on translation	Losses on translation	US\$	Korean Won in equivalents
Assets :						
Cash	USD 0.11708	₩ 0.120	-	0.005	USD 0.03508	₩ 0.040
Deposits	11,310	11,584	418	1,590	26,819	30,939
Securities	343,173	351,512	71	38,820	249,453	287,770
Leasehold deposits	6	6	-	0.726	5	6
Due from agents	3,723	3,814	-	158	3,274	3,777
Reinsurance accounts receivable	7,220	7,396	47	387	1,324	1,528
Overseas reinsurance premiums receivable	3,270	3,349	64	320	3,807	4,392
Deposits provided on reinsurance treaties ceded	657	673	188	267	810	935
Subtotal	USD 369,359	₩ 378,335	788	41,542	USD 285,494	₩ 329,346
Liabilities:						
Due to agents	USD 93	95	9	-	USD 245	282
Reinsurance accounts payable	7,879	8,071	524	52	5,474	6,314
Overseas reinsurance premiums payable	3,680	3,769	950	596	4,006	4,622
Refundable deposit on reinsurance treaties ceded	1,333	1,366	135	13	1,419	1,637
Subtotal	USD 12,985	₩ 13,301	1,618	661	USD 11,144	₩ 12,856
Totals of gains (losses) on translation			2,405	42,204		

* Currencies other than the U.S. dollar are converted into U.S. dollars using the exchange rate as of the end of the current fiscal year.

(18. CONTINGENCIES AND COMMITMENTS)

(1) The details of notes provided as collaterals as of March 31, 2005 are as follows:

(Won in millions)

Classification	Issuer	No. of issues	Amount	Purpose
Note	LG Electronics, etc.	3	3,599	To secure the refund of leasehold deposits

(2) Reinsurance treaty

The Company assumes and cedes a portion of total insurance premiums with Korean Reinsurance Co., Ltd. and the remaining portion is covered by foreign reinsurers such as Lloyd of Great Britain. The Company gives and receives fees with Korean Reinsurance and foreign reinsurers for insurance policies assumed and ceded under these reinsurance treaties.

Ceded reinsurance transactions by insurance type for the year ended on March 31, 2005 are summarized as follows:

(Won in millions / US\$ in thousands)

Classification	FY2004						FY2003		
	Fire	Marine	Automobile	Casualty	Long-term	Individual annuity	Total	U.S. dollars	Total
Reinsurance premiums	26,186	31,320	6,108	138,133	53,417	740	255,905	227,613	247,965
Refund of surrender value	286	1,983	125	2,183	-	-	4,577	4,071	3,394
Reinsurance claims	16,588	9,026	6,879	54,424	41,749	682	129,346	115,046	159,994
Refund of reinsurance claims	67	671	115	240	35	-	1,127	1,002	1,226
Claims survey fee received	498	275	-	3,568	634	3	4,977	4,000	4,475
Reinsurance commissions	7,205	4,349	(195)	29,350	-	-	40,709	36,208	41,020
Reinsurance profit commissions	-	189	154	(487)	8,332	118	8,306	7,388	10,785

(3) Pending litigations as of March 31, 2005 are as follows:

(Won in millions)

Classification	Type	Claims amount	Counterpart
Company as a defendant	Compensation claims	50,235	519 including Sung-yong Hong
	Insurance claims	2,670	50 including Woo-hyun Yun
	Indemnity claims	6,611	144 including the Korea Labor Welfare Corporation
	Other claims	21,114	252 including Ilsong Academy
Total		80,630	
Company as a plaintiff	Indemnity claims	20,327	444 including Samsung Fire and Marine Insurance

* For the above pending litigations as a dependent, the Company has reserved estimated losses as a reserve for outstanding claims under the policy reserve account and the results of the above lawsuits cannot presently be determined as of March 31, 2005.

Notes to Financial Statements

19. CALCULATION BASIS FOR AND DETAILS OF INCOME TAX EXPENSES AND DEFERRED INCOME TAX

(1) The differences between income before income tax and taxable income are as follows:

Classification	(Won in millions)			
	Temporary differences		Permanent differences	
	FY2004	FY2003	FY2004	FY2003
I. Taxable income and non-deductible expense				
1. Accrued revenue for prior period	40,165	37,464	-	-
2. Losses on valuation of trading securities in current period	359	8,715	-	-
3. Gains on valuation of trading securities in prior period	20,975	5,124	-	-
4. Losses on valuation of derivatives	-	1,413	-	-
5. Realized gains on valuation of derivatives	8,779	2,885	-	-
6. Gains on valuation of stock market stabilization fund in prior period	-	727	-	-
7. Amortization of deferred acquisition cost	3,661	6,119	-	-
8. Reserve for R&D	14,798	3,333	-	-
9. Deposit insurance	8,087	8,048	-	-
10. Accrued severance indemnities	436	-	-	-
11. Impairment losses on available-for-sale securities	15,812	18,450	-	-
12. Impairment losses on condominium memberships (ROK, Muju)	1,123	-	-	-
13. Depreciation	1,064	250	-	-
14. Fictitious dividend (stock dividend)	-	4	-	-
15. Payment for additional income tax	-	-	0.062	3,505
16. Entertainment expense excess	-	-	493	535
17. Retained earnings (dividend)	-	-	2,299	1,999
18. Non-operating miscellaneous losses	-	-	0.223	38
19. Dues, etc.	-	-	-	-
Subtotal	115,258	92,532	2,792	6,077

(continued)

Classification	(Won in millions)			
	Temporary differences		Permanent differences	
	FY2004	FY2003	FY2004	FY2003
II. Deductible expense and non-taxable income				
1. Accrued revenue for current period	40,397	40,165	-	-
2. Losses on valuation of trading securities in prior period	13,261	23,615	-	-
3. Gains on valuation of trading securities in current period	4,725	5,689	-	-
4. Gains on valuation of derivatives	37,917	11,243	-	-
5. Realized losses on valuation of derivatives	-	1,622	-	-
6. Losses on valuation of stock market stabilization fund in prior year	-	375	-	-
7. Indemnity gains	5,306	3,504	-	-
8. Deposit insurance in prior year	8,048	7,874	-	-
9. Fictitious dividend (stock dividend)	4	794	-	-
10. Reserve for R&D	6,000	-	-	-
11. Impairment losses on condominium memberships (ROK, Muju)	-	7	-	-
12. Accrued severance indemnities	-	0.390	-	-
13. Depreciation	290	67	-	-
14. Impairment losses on available-for-sale securities	12,568	-	-	-
15. Gains on valuation of securities using the equity method	-	-	23,127	11,260
16. Dividend income	-	-	4,511	4,308
17. Refund of income tax	-	-	0.748	29
18. Non-operating miscellaneous gains	-	-	1,213	194
19. Gains on prior period adjustment	-	-	-	-
Subtotal	128,516	94,956	28,851	15,791
Total	(13,258)	(2,424)	(26,059)	(9,714)

Notes to Financial Statements

(2) Changes in significant cumulative temporary differences are as follows:

Account	(Won in millions)			
	Beginning balance	Increase	Decrease	Ending balance
Accrued interest income	(40,165)	(40,397)	(40,165)	(40,397)
Losses on valuation of securities	16,187	359	13,261	3,285
Gains on valuation of securities	(24,620)	(4,725)	(20,976)	(8,369)
Gains on valuation of derivatives	(15,321)	(37,917)	(9,486)	(43,753)
Losses on valuation of derivatives	1,590	-	706	883
Deferred acquisition cost including amortization	(6,533)	-	(3,661)	(2,872)
Indemnity receivables (indemnity gains)	(26,324)	(5,452)	-	(31,776)
Dividend (stock dividend)	4	-	4	-
Reserve for R&D	(18,333)	(6,000)	(14,798)	(9,536)
Deposit insurance	8,048	8,087	8,048	8,087
Impairment losses on condominium memberships	341	1,123	-	1,465
Depreciation	339	1,064	290	1,113
Reserve for contingency	50,793	-	-	50,793
Impairment losses on investment securities	22,1761	15,812	12,568	25,420
Acquisition tax, etc.	0,005	-	-	5
Accrued severance indemnities	-	436	-	436
Overdue insurance accounts payable	154	-	-	154
Total	(31,664)	(67,610)	(54,206)	(45,068)

(3) The major components of income tax expenses are as follows:

Classification	(Won in millions)	
	FY2004	FY2003
Income tax to be paid in current period	33,725	13,631
Tax effects on changes in cumulative temporary differences	3,501	162
Additional payment for income tax	-	46
Income tax expense	37,226	13,839

(4) In accordance with the supervisory regulations for the insurance industry, the Company does not classify the liquidity and non-liquidity for deferred income tax to be posted on the balance sheet as of the end of the current period. In addition, marginal tax rates are applied to the period-end balance of accumulative temporary differences.

Classification	(Won in millions)	
	FY2004	FY2003
Ending balance	12,394	8,892
Beginning balance	8,892	8,730
Tax effects on changes in cumulative temporary differences	3,501	162

(5) Effective tax rates are as follows:

Classification	(Won in millions)	
	FY2004	FY2003
Income tax expense	37,226	13,839
Income before taxes	151,601	59,143
Effective tax rates	24.6%	23.4%

(20. ORDINARY INCOME PER SHARE AND NET INCOME PER SHARE)

(1) Ordinary income per share and net income per share

Classification	(Won)	
	FY2004	FY2003
Ordinary income per common stock	1,827	723
Net income per common stock	1,827	723

(2) Calculation basis

Classification	(Won in millions, shares)	
	FY2004	FY2003
Adjusted ordinary income of common stocks	114,375	45,304
Net income of common stocks	114,375	45,304
Weighted average number of outstanding common stocks	62,618,740	62,695,572

Notes to Financial Statements

(21. SEPARATE ACCOUNTS)

The Company maintains separate accounts on the balance sheet for the assets and liabilities related to retirement insurance from those of other insurance policies. The followings are the corresponding balance sheet and income statement;

Balance sheets

(Won in millions)

Account	Assets		Account	Liabilities	
	FY2004	FY2003		FY2004	FY2003
I. Cash and bank deposits	373	2,539	I. Other liabilities	474	447
1. Passbook accounts	173	139	1. Unpaid expenses	468	431
2. Time deposits	-	1,000	2. Unearned revenues	-	1
3. Other deposits	200	1,400	3. Deposits	6	15
II. Securities	211,538	171,872	II. General account credits	1,005	263
1. Equity securities	1,114	39	Total liabilities	1,479	710
2. Government & public bonds	9,992	30	I. Policyholder reserve	217,478	197,297
3. Special bonds	108,580	92,542	1. Insurance premium reserve	215,187	196,593
4. Corporate bonds	39,568	35,202	2. Reserve for participating policyholders' dividend	2,027	541
5. Beneficiary certificates	42,176	24,160	3. Excess participating policyholder dividend reserve	264	164
6. Structured securities	10,107	10,087	Total policyholder reserve	217,478	197,297
7. Other securities	-	9,813			
III. Other assets	886	12,050			
1. Other accounts receivable	-	10,084			
2. Accrued interest	886	724			
3. Prepaid withholding tax	-	1,242			
IV. General account debits	6,160	11,545			
Total assets	218,957	198,007	Total liabilities and policyholder reserve	218,957	198,007

Income statements

Account	(Won in millions)	
	FY2004	FY2003
I. Operating revenues	67,988	63,814
1. Premium income	67,988	63,814
II. Operating expenses	76,733	71,364
1. Increases in policyholders' reserve	20,181	25,865
2. Insurance claims paid	56,552	45,498
III. Operating losses	(8,746)	(7,550)
IV. Non-operating incomes	13,699	9,767
1. Interest income	7,923	7,698
2. Gains on disposal of securities	4,192	1,296
3. gains on valuation of securities	1,585	774
V. Non-operating expenses	5,371	6,693
1. Interest expenses	15	13
2. Losses on disposal of securities	1,700	2,621
3. Losses on valuation of securities	2,224	2,926
4. Commissions on separate account management	1,407	1,127
5. Commission expenses	24	5
VI. Ordinary losses	(417)	(4,475)
VII. Other incomes	420	4,478
VIII. Other expenses	3	2
IX. Net profit for the current period	-	-

(22. DERIVATIVES)

(1) The outstanding contract amounts and resulting gains/losses on valuation by financial derivative as of March 31, 2005 are as follows:

Derivatives	(Won in millions)		
	Outstanding contract amounts	Risk hedging	
		Current net income / loss	Capital adjustments
Currency forward	272,578	20,234	-
Currency swap	137,200	17,683	-
Interest rate swap	-	-	(1,096)
Total	409,779	37,917	(1,096)

Notes to Financial Statements

(2) The details of several financial derivative contracts for hedging against foreign exchange rate and interest rate fluctuations of foreign securities as of March 31, 2005 are as follows:

Type	Bank	Contract date	Contract due date	Selling rate	Currency	Contract amount
Currency	Korea Development					
forward	Bank(KDB)	05-01-21	05-04-21	1,032.30	USD	3,200,000.00
contracts	KDB	05-01-21	05-04-21	1,032.30	USD	3,300,000.00
	Kookmin Bank	04-08-12	05-08-12	1,172.20	USD	12,400,000.00
	KDB	04-06-11	05-06-13	1,170.00	USD	4,300,000.00
	KDB	04-04-01	05-04-01	1,179.40	USD	800,000.00
	Kookmin Bank	04-08-06	05-08-08	1,181.20	USD	4,100,000.00
	Kookmin Bank	04-08-09	05-08-09	1,180.00	USD	3,075,000.00
	Kookmin Bank	04-08-11	05-08-11	1,173.40	USD	1,100,000.00
	Kookmin Bank	04-08-11	05-08-11	1,173.40	USD	2,050,000.00
	KDB	04-12-13	05-06-13	1,059.30	USD	2,000,000.00
	KDB	04-06-18	05-06-20	1,171.30	USD	20,820,000.00
	KDB	05-03-17	05-09-20	1,003.60	USD	20,680,000.00
	Kookmin Bank	04-07-26	05-07-26	1,180.00	USD	11,500,000.00
	KDB	05-03-22	05-06-22	1,003.50	USD	23,000,000.00
	KDB	04-11-08	05-11-08	1,119.60	USD	104,000,000.00
	Kookmin Bank	04-11-01	05-11-03	1,124.50	USD	6,000,000.00
	Kookmin Bank	04-11-15	05-11-17	1,097.80	USD	16,000,000.00
	KDB	05-01-18	05-04-18	1,036.30	USD	3,000,000.00
	KDB	04-06-30	05-06-30	1,167.50	USD	1,000,000.00
	KDB	04-06-11	05-06-13	1,170.00	USD	750,000.00
	KDB	04-06-15	05-06-15	1,172.80	USD	613,636.36
	LGT Bank	05-03-18	05-06-15	0.8294	CAD	3,300,000.00
	LGT Bank	05-03-18	05-06-15	0.7837	AUD	2,750,000.00
	LGT Bank	05-03-18	05-06-15	1.3341	EUR	3,400,000.00

Type	Bank	Contract date	Contract due date	Selling rate	Currency	Contract amount
Currency swaps	Woori Bank	03-06-18	08-06-18	1194.00	USD	5,000,000.00
	KDB	02-03-26	07-03-26	1316.50	USD	10,000,000.00
	KDB	03-02-27	08-03-12	1185.00	USD	20,000,000.00
	Woori Bank	03-07-14	08-07-14	1182.40	USD	20,000,000.00
	KDB	02-09-26	07-09-26	1225.00	USD	10,000,000.00
	KDB	02-12-17	07-12-17	1209.00	USD	3,000,000.00
	Woori Bank	04-09-16	12-06-24	1131.78	USD	10,116,831.00
	Woori Bank	04-08-18	09-10-25	1239.14	USD	10,228,924.00
	Woori Bank	04-08-24	11-10-01	1152.62	USD	15,031,000.00
	Woori Bank	04-11-05	14-11-12	1110.00	USD	3,000,000.00
	KDB	04-10-28	08-11-08	1130.50	USD	8,899,000.00
					USD	358,964,391.36
					CAD	3,300,000.00
				AUD	2,750,000.00	
				EUR	3,400,000.00	

* ₩43,630,597,000 and ₩920,807,000 in the gains and losses on valuation with regard to the above contracts are reflected in the gains/losses on valuation of derivatives. Each of them is accounted for as derivative assets and liabilities.

(3) The details of interest rate swap contract are as follows as of March 31, 2005:

Type	Bank	Contract date	Contract due date	Selling rate	Currency	Contract amount
Interest rate swap	KDB	Sept. 30, 2003	Sept. 26, 2010	5.2%	KRW	20,000

* ₩1,096,275,000 in the losses on valuation with regard to the above contract are reflected in the gains/losses on valuation of derivatives(capital adjustment), and are accounted for as derivative liabilities.

Notes to Financial Statements

(23. PREMIUM INCOME)

Premium incomes of the current year by insurance type are as follows:

Classification	(Won in millions)							FY2003 Total
	FY2004						Individual annuity	
	Fire	Marine	Automobile	Casualty	Long-term	Total		
Direct premiums written	48,201	47,338	1,137,902	208,351	1,562,903	85,158	3,089,853	2,774,267
Assumed reinsurance premiums	(0.009)	622	-	8,806	-	-	9,428	12,077
Refund of surrender value on direct premiums written	453	407	49,297	3,643	-	-	53,801	49,840
Refund of surrender value on assumed reinsurance premiums	-	28	-	85	-	-	113	82
Premium income	47,749	47,525	1,088,604	213,428	1,562,903	85,158	3,045,367	2,736,422

(24. OPERATING AND ADMINISTRATIVE EXPENSES)

Operating and administrative expenses for the years ended on March 31, 2005 and 2004 are summarized as follows:

Classification	(Won in millions / US\$ in thousands)		
	FY2004	FY2003	FY2004
Wages and salaries	₩ 91,882	₩ 83,135	\$ 81,724
Provisions for severance and retirement benefits	11,053	8,892	9,831
Welfare benefits	19,087	16,468	16,977
General and administrative expenses	158,125	156,818	140,643
Acquisition and collection costs	100,401	153,491	89,301
Agency business commissions	153,486	151,399	136,517
Co-insurance commissions	2,433	2,270	2,164
Agency service commissions	1,017	1,575	905
Claims survey fee received	43,827	38,866	38,982
Reinsurance commissions	2,736	3,225	2,434
Reinsurance profit commissions	287	111	255
Interest on reinsurance deposits	969	1,198	862
Total	₩ 585,304	₩ 617,447	\$ 520,594

(25. PRIOR PERIOD ADJUSTMENTS)

Gains(losses) on prior period adjustments of FY2004 and FY2003 are summarized as follows:

			(Won in millions)
Classification	Account	Description	Amount
FY2004	Gains on prior period adjustments	Unearned premiums of accepted marine reinsurance	2
		Subordinated convertible bonds issued by KEB	1,361
		Total	1,363
FY2003	Gains on prior period adjustments	Depreciation due to the refund of registration and acquisition taxes for the training complex	72
		Loss on disposal of investment securities related to Hynix	210
		Loss on translation of pre-matured foreign securities	99
		Total	381
	Losses on prior period adjustments	Reserve for excess participating policyholders' dividends	180
		Commission related to agency valuations	3,697
		Valuation of derivatives	1,413
		Loss on redemption of pre-matured securities	404
		Gain on disposal of pre-matured securities	187
		Gain on redemption of securities for installment repayments	323
	Depreciation related to the acquisition of the Dongbu Financial Center	102	
	Total	6,306	

(26. TRANSACTION WITH PARTIES OF SPECIAL INTEREST)

(1) The no. of shares and ownership held by the parties of special interest as of March 31, 2005 are as follows:

Company name	No. of common stocks issued	No. of common stocks held by the Company	Ownership (%)
Dongbu Claims Adjustment	200,000	200,000	100.00
Dongbu Life Insurance	17,040,000	5,318,572	31.21
Dongbu Securities	14,799,280	1,666,164	11.26
Dongbu Steel	26,847,456	1,747,851	6.51
Dongbu Construction	25,132,710	2,991,606	11.90

Notes to Financial Statements

(2) Significant transactions carried out with the parties of special interest in 2004 and 2005 are as follows:

			(Won in millions)	
			Amount	
Company name	Account	Transaction	FY2004	FY2003
Dongbu Claims Adjustment	Claims investigation fee	Property investigation fee	26,825	22,529
Dongbu Life Insurance	Premiums received	Premium income	114	8
	Rent expense	Rent	200	167
Dongbu Securities	Premiums received	Premium income	320	284
	Rent expense	Rent	6	187
Dongbu Steel	Premiums received	Premium income	3,203	2,323
	Rent expense	Rent	36	37
Dongbu Construction	Premiums received	Premium income	7,906	3,171
	Rent expense	Rent	243	68

(3) The claims and debts related to the parties of special interest as of March 31, 2005 are as follow;

			(Won in millions)	
			Amount	
Company name	Account	Transaction	FY2004	FY2003
Dongbu Construction	Rent deposit	Rent	2,505	2,163
Dongbu Life Insurance	Rent deposit	Rent	5,331	4,540
Dongbu Steel	Rent deposit	Rent	1,671	1,672
Dongbu Securities	Rent deposit	Rent	-	156

(4) The loan transactions conducted with the parties of special interest during the current year are as follow:

					(Won in millions)
Name of parties	Account	Beginning balance	Increase	Decrease	Ending balance
Dongbu Anam Semiconductor	Project financing	50,000	65,000	50,000	65,000
Dongbu Capital	CP discounts	5,000	-	-	5,000
Total		55,000	65,000	50,000	70,000

(27. CALCULATION OF SHAREHOLDER DIVIDENDS, PAYOUT RATIO, AND DIVIDEND YIELD RATIO)

(1) Calculation of dividends

					(Won in millions, shares)
Type of stocks	No. of shares issued	Capital in common stocks	Dividend ratio	Dividend amount*	Initial date in reckoning
Common stocks	70,800,000	35,400	80%	25,047	April 1st, 2004

* The dividend amount is calculated except for the treasury stocks (8,181,260 shares) held by the company.

(2) Payout ratio and dividend yield ratio

						(Won in millions, %)
Payout ratio			Dividend yield ratio			
Dividend amount	Current net income	Payout ratio	Dividend amount	Stock price	Dividend yield ratio	
25,047	114,375	21.9%	400 won	8,300 won	4.8%	

Notes to Financial Statements

(28. ACCOUNTS AND AMOUNTS REQUIRED IN CALCULATING ADDED VALUES)

The accounts and amounts necessary to calculate added values for the current and previous periods are as follows:

Classification	FY2004				(Won in millions)	
	Operating and administrative expense	Asset management expense	Real estate management expense	Real estate depreciation expense	Total	FY2003 Total
Pay	91,882	1,950	313	-	94,146	85,074
Severance pay	11,036	72	-	-	11,108	9,113
Welfare and benefit expenses	19,087	172	35	-	19,295	16,708
Rent	21,264	-	-	-	21,264	21,629
Depreciation	9,688	2,355	-	1,427	13,470	15,768
Taxes and dues	25,860	1,371	1,676	-	28,907	27,924
Total	178,818	5,920	2,025	1,427	188,190	176,217

(29. CASH FLOW STATEMENT)

(1) Cash and cash equivalents on the cash flow statement correspond to cash and bank deposits on the balance sheet. Significant transactions, which do not involve cash inflows and outflows for 2005 and 2004, are as follows:

Classification	(Won in millions)	
	FY2004	FY2003
Transfer of land from tangible to investment assets	17,205	-
Transfer of construction in process to tangible assets	278	983
Gains on valuation of available-for-sale securities	14,667	98,831
Changes in retained earnings of equity securities using the equity method	(1,272)	(2,073)

(2) Reclassification of accounts on the previous period's cash flow statement

The accounts on the previous period's cash flow statement are reclassified as follows to facilitate comparison with the current year's financial statements:

Account	(Won in millions)	
	Before reclassification	After reclassification
I. Cash flows from operating activities	101,321	303,733
2. Expense non involving cash outflows	424,532	443,510
Loss on prior period adjustments	102	808
Loss on disposal of derivatives	-	18,272
3. Incomes not involving cash inflows	95,458	126,596
Gain on disposal of derivatives	-	19,895
Gain on valuation of derivatives	-	11,243
4. Changes in assets and liabilities related to operating activities	(273,056)	(58,485)
Decrease (increase) in deposits for futures trading	(225)	-
Decrease (increase) in call loans	(21,500)	-
Decrease (increase) in policy loans	(70,535)	-
Decrease (increase) in real estate-backed loans	(112,448)	-
Decrease (increase) in credit loans	(7,682)	-
Decrease (increase) in payment guarantee loans	776	-
Decrease (increase) in other loans	8,958	-
Decrease (increase) in derivative assets	(7,848)	-
Decrease (increase) in derivative liabilities	(1,386)	-
Equity method-applied investment security dividend income	-	2,681

(continued)

Notes to Financial Statements

Account	(Won in millions)	
	Before reclassification	After reclassification
II. Cash flows from investing activities	(131,296)	(333,707)
1. Cash inflows from investing activities	6,823,658	12,709,847
Decrease in deposits for futures trading	-	164,176
Decrease in call loans	-	5,444,100
Decrease in policy loans	-	195,789
Decrease in real estate-backed loans	-	36,894
Decrease in credit loans	-	35,102
Decrease in payment guarantee loans	-	781
Decrease in other loans	-	8,958
Decrease in derivative assets	-	3,069
Equity method-applied investment security dividend income	2,681	-
2. Cash outflows from investing activities	6,954,953	13,043,554
Increase in deposits for futures trading	-	164,401
Increase in call loans	-	5,465,600
Increase in policy loans	-	266,324
Increase in real estate-backed loans	-	149,342
Increase in credit loans	-	42,784
Increase in payment guarantee loans	-	4
Decrease in derivative liabilities	-	144

(30. FINANCIAL INFORMATION OF THE LAST INTERIM PERIOD)

The main financial information of the final interim periods (fourth quarter) which end on March 31, 2005 and 2004 are as follows:

Classification	(Won in millions)	
	4 th quarter in 2005	4 th quarter in 2004
Revenues	868,817	816,262
Operating income (loss)	(12,860)	20,926
Current net income	13,093	13,760
Net income and ordinary income per share (Won)	209	220

(31. EMPLOYEE WELFARE AND OTHER BENEFITS)

Welfare fund	Amount	₩5 million (severance benefit limit)
small amount loan	Interest rate	Annual rate of 5%
Welfare fund	Amount	₩30 million
key money loan	Interest rate	Annual rate of 2% (5% for the amount which exceeds ₩20 million)
Welfare fund	Amount	₩40 million
house purchase loan	Interest rate	Annual rate of 2% (5% for the amount which exceeds ₩20 million)
Loans for various events	Amount	₩3 million (severance benefit limit)
	Interest rate	Annual rate of 5%
School grants for children (No limit to the no. of children)	Qualification	Children of the employees who are currently employed as of the payment date
	Payment limit	Kindergarten : Payment throughout a year within the monthly limit of 100,000 won Middle and high schools : Entire amount Universities : Amount which corresponds to 80% of the payment limit
School grants for employees (for graduate course)	Qualification	Employees who have worked for three years and more
	Payment limit	Admission fee: 70%, Tuition, school supporting fee, etc.: 50%, other expenses:100%
Leave for long service	No. of years in long service	10 years : 3-day leave, a reward of ₩200,000 15 years : 3-day leave, a reward of ₩300,000 20 years : 5-day leave, a reward of ₩300,000 25 years : 5-day leave, a reward of ₩400,000 30 years : 7-day leave, a reward of ₩500,000
Medical expense support	Employee	Paying the amount that exceeds ₩100,000 to be paid by the employee
	Spouse	Limit of ₩1 million per employee
	Children	Limited to children aged less than 20 years
Subscription to accident insurance	All employees	Coverage : Death, disability and disease Subscription amount : ₩100 million per person (₩50 million for disease)
Individual pension support	Qualification	All employees
	Payment limit	J3 and higher : 50% of the subscription premium within the limit of ₩70,000 J2 and lower : 50% of the subscription premium within the limit of ₩50,000