





# ● Financial Section

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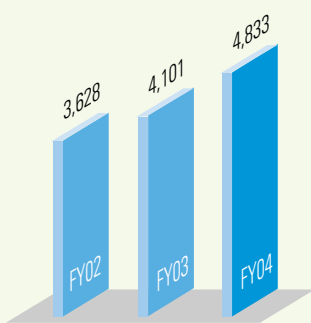
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## Management's Discussion & Analysis

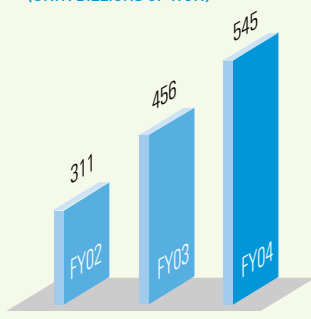
### • TOTAL ASSETS

(UNIT: BILLIONS OF WON)



### • TOTAL SHAREHOLDERS' EQUITY

(UNIT: BILLIONS OF WON)



• Management's discussion and analysis may contain forward-looking statements provided to assist in the understanding of anticipated future financial performance. However, such performance involves risks and uncertainties that may cause actual results to differ materially from those expressed in forward-looking statements. The term 'the Company' and 'Dongbu' used here without any other qualifying description will refer to 'Dongbu Insurance Co., Ltd.'

### Summary Balance Sheet

(KRW in billions)

	FY2002	FY2003	FY2004	Change	
				Amount	%
Invested assets	3,134	3,500	4,072	573	16.4
Insurance accounts receivable	76	84	76	(9)	(10.2)
Other assets	246	319	466	147	46.2
Separate account assets	172	198	219	21	10.6
<b>Total assets</b>	<b>3,628</b>	<b>4,101</b>	<b>4,833</b>	<b>732</b>	<b>17.9</b>
Policy reserves	2,644	2,917	3,495	578	19.8
Catastrophe reserves	198	216	236	19	9.0
Insurance accounts payable	163	185	169	(16)	(8.7)
Other liabilities	140	128	169	41	32.0
Separate account liabilities	172	198	219	21	10.6
<b>Total liabilities</b>	<b>3,317</b>	<b>3,644</b>	<b>4,288</b>	<b>644</b>	<b>17.7</b>
Common stock	35	35	35	-	-
Capital surplus	38	38	38	-	-
Retained earnings	274	317	414	97	30.7
Capital adjustments	(36)	66	57	(9)	(14.0)
<b>Total shareholders' equity</b>	<b>311</b>	<b>456</b>	<b>545</b>	<b>88</b>	<b>19.3</b>

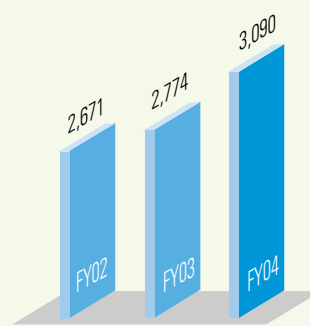
Summary Income Statement (KRW in billions)	FY2002	FY2003	FY2004	Change	
				Amount	%
Direct premiums written	2,671	2,774	3,090	316	11.4
Net premiums written	2,405	2,492	2,794	302	12.1
Net premiums earned	2,378	2,489	2,718	229	9.2
Incurred losses	1,797	1,993	2,188	195	9.8
Loss ratio	75.6%	80.1%	80.5%	0.4%p	
Net expenses	558	566	576	10	1.8
Expense ratio	23.5%	22.7%	21.2%	(1.5%p)	
Underwriting income	5	(87)	(65)	22	na
Investment income	111	181	267	86	47.5
Net increase in catastrophe reserves	18	18	19	2	9.3
<b>Net income</b>	<b>79</b>	<b>45</b>	<b>114</b>	<b>69</b>	<b>152.5</b>

**( EXECUTIVE SUMMARY )**

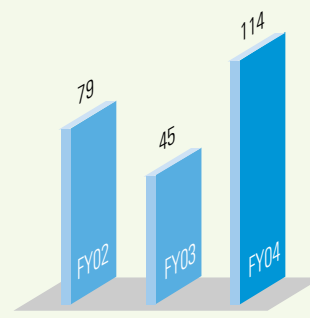
- Despite booming exports, the domestic economy in 2004 saw a slowdown in domestic demand as a result of the contraction in consumer confidence due to excessive growth in household debts and the rise in international oil prices. In particular, concerns over deteriorating profitability in the insurance industry caused by sluggish growth and negative spread ran high as the underlying conditions of low interest rates became prolonged.

- However, amidst continued competition in the auto insurance sector, the non-life insurance industry expanded by 8.8% YoY with direct premiums written recording KRW21,493 billion in FY2004, on the back of the steady growth in new demand for long-term insurances generated from an active bancassurance market. By insurance type, auto and commercial lines grew by 7.1% and 5.7% YoY, respectively, while long-term lines recorded an increase of 11.1% YoY to lead the overall growth in the non-life insurance market. In particular, the non-life insurance industry achieved a significant improvement in terms of both sales growth and profitability. This can be attributed to (1) the fall in the loss

**• DIRECT PREMIUMS WRITTEN**  
(UNIT: BILLIONS OF WON)

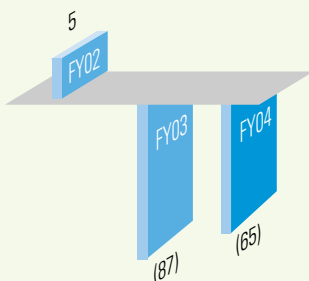


**• NET INCOME**  
(UNIT: BILLIONS OF WON)

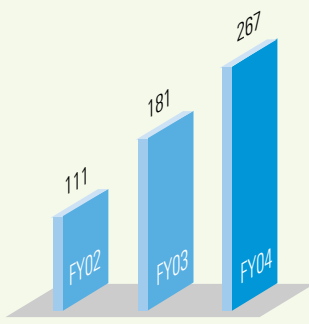


## Management's Discussion & Analysis

### • UNDERWRITING INCOME (UNIT: BILLIONS OF WON)



### • INVESTMENT INCOME (UNIT: BILLIONS OF WON)



ratio of auto lines by 4.4%p due to a decrease in the frequency of vehicle operations caused by high oil prices and sluggish economy, and the absence of large-scale natural disasters; and (2) solid growth in the investment income as a result of efficient asset management.

- Dongbu recorded a 11.4% YoY growth in direct premiums written to KRW3,090 billion in FY2004, and its respective market share in auto, long-term and commercial lines advanced consistently. In addition, as the combined ratio dropped by 1.1%p in tandem with the falling expense ratio, underwriting losses decreased to KRW65 billion in FY2004, compared to KRW87 billion in FY2003. Separately, the Company achieved a 47.5% YoY increase in investment income to KRW267 billion in FY2004. Overall, on the back of improvement in both underwriting and investment performances, net income more than doubled to KRW114 billion in FY2004.

(KRW in billions)	FY2002	FY2003	FY2004	Change	
				Amount	%
Underwriting income	5	(87)	(65)	22	na
Investment income	111	181	267	86	47.5
Net income	79	45	114	69	152.5

### ( UNDERWRITING PERFORMANCE )

- Until FY2003, the domestic non-life insurance industry experienced a slowdown in growth due to sluggish recovery of the domestic economy and intensifying competition within the industry. In terms of direct premiums written, the annual growth rate of domestic non-life insurance industry decelerated from 11.2% in FY2001 to 8.5% in FY2002 and 3.5% in FY2003.

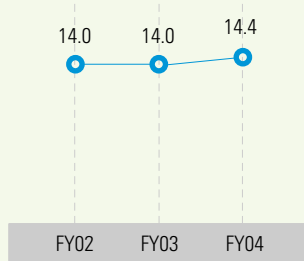
- In FY2004, direct premiums written of the non-life insurance industry increased by 8.8% YoY with the recovery in the growth of long-term and auto lines. In case of Dongbu, direct premiums written exceeded KRW 3,000 billion in FY2004 to achieve a growth of 11.4% despite intensifying competition in the non-life insurance industry. In particular, the Company showed a remarkable growth in its traditionally strong long-term lines, while also realizing steady growth across the auto, long-term and commercial lines at 8.2%, 14.3% and 8.1% YoY, respectively, in FY2004.

• As a result, Dongbu's market share within the non-life insurance industry in FY2004 improved by 0.4%p to 14.4%, solidifying its position as the No.3 non-life insurer in Korea. By type of insurances, Dongbu's market shares of auto, long-term and commercial lines all increased by 0.2%p to 13.4%, 0.4%p to 16.0% and 0.2%p to 11.2%, respectively. In particular, Dongbu was the only company among the top auto insurers in Korea to expand its market share amidst continued expansion of online auto insurance and intensifying price competition.

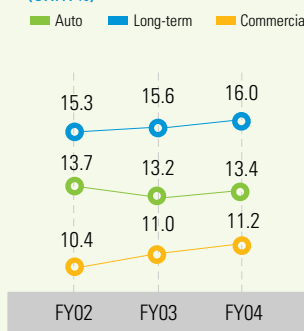
Direct premiums written by line (KRW in billions)	FY2002	FY2003	FY2004	Change	
				Amount	%
<b>Auto lines</b>					
Direct premiums written	1,080	1,052	1,138	86	8.2
Market share	13.7	13.2	13.4	0.2%p	
<b>Long-term lines</b>					
Direct premiums written	1,329	1,441	1,648	207	14.3
Market share	15.3	15.6	16.0	0.4%p	
<b>Commercial lines</b>					
Direct premiums written	262	281	304	23	8.1
Market share	10.4	11.0	11.2	0.2%p	
<b>Total Direct premiums written</b>	<b>2,671</b>	<b>2,774</b>	<b>3,090</b>	<b>316</b>	<b>11.4</b>
<b>Combined Market share</b>	<b>14.0</b>	<b>14.0</b>	<b>14.4</b>	<b>0.4%p</b>	

• In FY2004, Dongbu's net premiums earned rose 9.2% YoY to KRW2,718 billion compared to KRW2,489 billion in FY2003. On the other hand, incurred losses jumped 9.8% YoY to KRW2,188 billion, and as a result, loss ratio edged up 0.4%p to 80.5% in FY2004 from 80.1% in FY2003. Despite stable loss ratios of auto and commercial lines, total loss ratio in FY2004 remained at the previous year's level due to deferrals of new insurance contract expenses and provisions of 'incurred but not reported' (IBNR) losses in long-term lines.

• **COMBINED MARKET SHARE**  
(UNIT: %)



• **MARKET SHARE BY LINE**  
(UNIT: %)

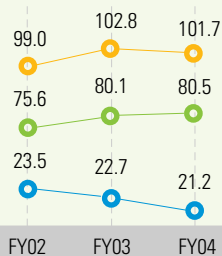


## Management's Discussion & Analysis

### • COMBINED RATIO

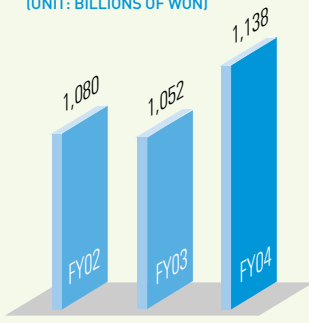
(UNIT: %)

Loss Expense Combined



### • DIRECT PREMIUMS WRITTEN AUTO

(UNIT: BILLIONS OF WON)



• On the other hand, the Company's net operating expenses increased marginally by 1.8% YoY from KRW566 billion in FY2003 to KRW576 billion in FY2004 because new insurance contract expenses were deferred. Accordingly, expense ratio fell by 1.5%p to 21.2%, allowing Dongbu to maintain its solid advantage over competitors in terms of cost efficiency. As a result, the Company's underwriting performance improved overall as combine ratio recorded 101.7%, an increase of 1.1%p, owing to a substantial improvement of expense ratio.

	FY2002	FY2003	FY2004	Change
Net premiums earned (KRW in billions)	2,378	2,489	2,718	9.2%
Incurred losses (KRW in billions)	1,797	1,993	2,188	9.8%
Loss ratio (%)	75.6	80.1	80.5	0.4%p
Net expenses (KRW in billions)	558	566	576	1.8%
Expense ratio (%)	23.5	22.7	21.2	(1.5%p)
Combined ratio (%)	99.0	102.8	101.7	(1.1%p)

### • Auto Lines

• Despite continued expansion of online auto insurances and intensifying price competition, direct premiums written for auto lines in the non-life insurance industry increased 7.1% YoY to KRW8,506 billion in FY2004, due to increases in the number of automobiles registered and premium rate adjustments. Dongbu's direct premiums written for auto lines recorded KRW1,138 billion in FY2004, revealing a growth of 8.2% YoY. As a result, the Company's market share in the auto line segment improved by 0.2%p to reach 13.4% compared to fall-offs in the market shares of top non-life insurers from deepening competition in the auto line market.

• The industry's auto line loss ratio in FY2004 dropped 3.9%p to 72.8% due to a decrease in the frequency of vehicle operations caused by high oil prices and sluggish economy, and absence of major catastrophes. The fall in loss ratio became the driving force behind the recovery of profitability in the non-life insurance industry. On its part, Dongbu improved its auto line loss ratio by 6.1%p to 71.7%, 1.1%p lower than the industry average, through risk segmentation strategies. In turn, while auto line expense ratio showed a slight increase, the combine ratio improved by 5.1%p, recording 101.9% in FY2004.

**Auto Lines**

(%)	FY2002	FY2003	FY2004	Change
Combined ratio	96.9	107.0	101.9	(5.1%p)
Expense ratio	29.0	29.2	30.2	1.0%p
Loss ratio	67.9	77.8	71.7	(6.1%P)

◦ **Long-term Lines**

• Direct premiums written for long-term lines led the overall growth of the non-life insurance industry in FY2004, increasing 11.1% YoY to KRW10,275 billion, as a result of the continued expansion in new contacts and the introduction of bancassurance service. In case of Dongbu, direct premiums written for long-term lines reached KRW1,648 billion in FY2004, realizing a growth of 14.3% that exceeds the industry average by 3.2%p. Accordingly, Dongbu’s market share in the long-term line segment, where it has traditionally been competitive, reached 16.0%, expanding 0.4%p. In particular, the Company seized the No.1 position in the non-life insurance industry’s bancassurance business with a 30.6% market share, on the back of development of superior products that satisfy customer needs and effective marketing activities through the introduction of BAM (Bancassurance Area Manager) program.

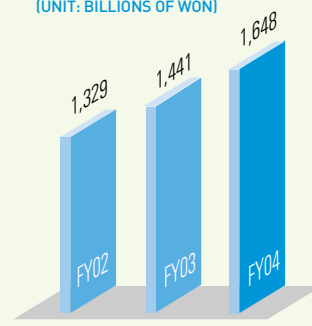
• Meanwhile, the loss ratio for long-term lines in FY2004 hiked by 4.8%p, reaching 88.3%, due to deferrals of new insurance contract expenses and provisions of IBNR losses. However, actual loss ratio rather fell when excluding such deferrals and provisions. The Company’s expense ratio in FY2004 decreased by 3.0%p to 14.2%, but the combined ratio recorded 102.5%, an 1.8%p increase, owing to the rise in loss ratio.

**Long-term Lines**

(%)	FY2002	FY2003	FY2004	Change
Combined ratio	101.6	100.7	102.5	1.8%p
Expense ratio	18.4	17.2	14.2	(3.0%p)
Loss ratio	83.2	83.5	88.3	4.8%P

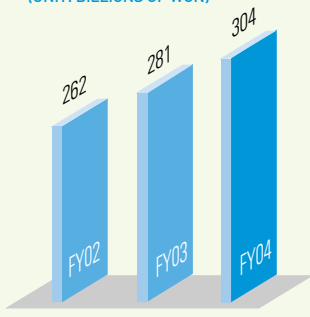
• **DIRECT PREMIUMS WRITTEN LONG-TERM**

(UNIT: BILLIONS OF WON)



## Management's Discussion & Analysis

### • DIRECT PREMIUMS WRITTEN COMMERCIAL (UNIT: BILLIONS OF WON)



### ◦ Commercial Lines

• The growth of commercial lines was relatively slow in FY2004 compared to long-term and auto lines due to the delay in economic recovery and slowdown in corporate facilities investments with direct premiums written recording KRW2,712 billion, an increase of 5.7% YoY. However, Dongbu steadily expanded its market share by reinforcing its sales activities to strategic business partners and developing new products. As a result, Dongbu's direct premiums written for commercial lines in FY2004 grew by 8.1% YoY, outperforming the industry average of 5.7%, to total KRW304 billion. In addition, the Company's market share also expanded 0.2%p to reach 11.2%.

• The loss ratio of commercial lines for Dongbu remained below the expected loss ratio for three consecutive years, falling by 6.3%p in FY2004 to 49.5%. In turn, combine ratio also improved by 1.2%p to 88.8% despite a 5.1%p increase in expense ratio.

#### Commercial Lines

(%)	FY2002	FY2003	FY2004	Change
Combined ratio	87.3	90.0	88.8	(1.2%p)
Expense ratio	32.1	34.2	39.3	5.1%p
Loss ratio	55.2	55.8	49.5	(6.3%p)

### { INVESTMENT PERFORMANCE }

• Dongbu's investment policy aims to reduce and control market risks by maintaining a diversified investment portfolio with high credit-rating debt securities. The Company's total assets amounted to KRW4,832 billion at the end of FY2004, a 17.9% increase from KRW4,100 billion a year ago. Of total assets, invested assets accounted for 84.3%, and non-operating and other assets for 15.7%. Invested assets grew 16.3% YoY as a result of substantial increase in interest-bearing assets.

• Invested assets of the Company as of March 31, 2005 reached KRW4,072 billion, an increase of 16.3% or KRW572 billion over March 31, 2004, as a result of increases in fixed-income assets and equity investments. In addition, Dongbu was able to improve the quality of its investment portfolio, investment yield in FY2004 increased by 1.1%p to 6.1%, while adjusted investment income surged 37.4% to reach KRW224 billion.

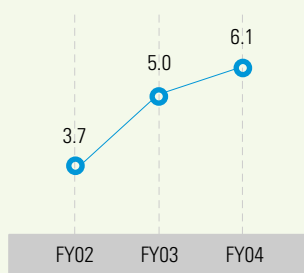
(KRW in billions)	FY2002	FY2003	FY2004	Change	
				Amount	%
Invested assets	3,134	3,500	4,072	572	16.3

• This outstanding performance was due to a significant increase in income from interest-bearing assets. Interest-bearing assets, which account for 81.1% of total invested assets, generated investment income of KRW180 billion, an explosive growth of 47.9% YoY, as its yield improved drastically. Meanwhile, Dongbu’s equity investments yielded 12.9% in FY2004 owing to the recovery of the Korean stock market. However, investment yield of risk assets, which comprise 18.9% of total invested assets, fell in FY2004 as investment yield from real estate stagnated. Nevertheless, investment income from risk assets increased 6.2% YoY to KRW45 billion, fueled by a 10.2% growth in risk assets.

Investment income by source (KRW in billions, %)	FY2002		FY2003		FY2004	
	Income	Yield	Income	Yield	Income	Yield
Deposits	10	4.0	8	3.9	5	3.3
Loans	26	7.9	29	6.3	46	7.3
Bonds	104	6.8	76	4.5	108	5.8
Overseas investment <sup>1)</sup>	13	8.8	8	3.5	20	6.5
<b>Fixed-income assets</b>	152	-	121	-	180	-
Equities	(45)	(14.8)	40	15.2	44	12.9
Real estate	1	0.3	3	1.3	1	0.2
<b>Risk assets</b>	(44)	-	42	-	45	-
<b>Total</b>	108	3.7	163	5.0	224	6.1

1) Losses on foreign exchange transactions and translations are reflected in the calculation of yield on overseas investment.

• INVESTMENT YIELD  
(UNIT: %)



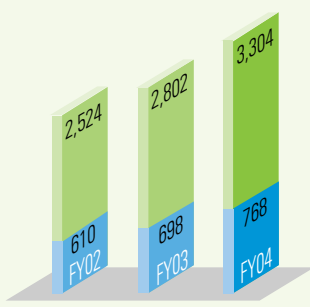
\* Forex losses are included.

# Management's Discussion & Analysis

## • INVESTED ASSETS PORTFOLIO

(UNIT: BILLIONS OF WON)

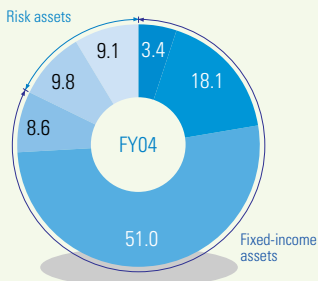
■ Risk assets ■ Fixed-income assets



## • INVESTED ASSETS PORTFOLIO

(UNIT: %)

■ Cash & Deposits ■ Loan  
■ Bonds ■ Overseas investments  
■ Equities ■ Real estate



• Invested assets in the fixed income category (interest-bearing assets) include cash and deposits, loans, bonds, and overseas investments, while the non-fixed income category (risk assets or non-interest-bearing assets) includes equities and real estate investments. As part of an asset management strategy centered on interest-bearing assets, loans surged 28.9% YoY to KRW738 billion and bonds jumped 18.9% YoY to KRW2,077 billion as of the end of FY2004. Loans and bonds accounted for 68.1% of invested assets. To stabilize investment return and tighten risk management, Dongbu has increased fixed-income assets such as loans and bonds to slightly over 80% of total invested assets.

## Invested assets portfolio

(KRW in billions)

	FY2002	FY2003	FY2004	Change	
				Amount	%
Cash & deposits	242	196	140	(56)	(28.8)
Loans <sup>1)</sup>	378	572	738	165	28.9
Bonds	1,716	1,746	2,077	331	18.9
Overseas investments	188	288	350	62	21.6
<b>Fixed-income assets</b>	<b>2,524</b>	<b>2,802</b>	<b>3,304</b>	<b>502</b>	<b>17.9</b>
Equities	234	324	398	74	22.8
Real estate	376	373	370	(3)	(0.8)
<b>Risk assets</b>	<b>610</b>	<b>698</b>	<b>768</b>	<b>71</b>	<b>10.2</b>

1) Balance of loans after provisioning

(%)	FY2002	FY2003	FY2004	Change
Cash & Deposits	7.7	5.6	3.4	(2.2%p)
Loans	12.0	16.4	18.1	1.8%p
Bonds	54.8	49.9	51.0	1.1%p
Overseas investments	6.0	8.2	8.6	0.4%p
<b>Fixed-income assets</b>	<b>80.5</b>	<b>80.1</b>	<b>81.1</b>	<b>1.1%p</b>
Equities	7.5	9.3	9.8	0.5%p
Real estate	12.0	10.7	9.1	(1.6%p)
<b>Risk assets</b>	<b>19.5</b>	<b>19.9</b>	<b>18.9</b>	<b>(1.1%p)</b>

**( ASSET SOUNDNESS )**

• Dongbu’s asset management has been managed around bonds and loans so as to simultaneously maximize both profitability and stability of invested assets. In FY2004, total loans before provisioning increased 27.9% YoY, reaching KRW751 billion. Meanwhile, NPL ratio improved by 1.6%p to 2.2% as precautionary and below substandard loans in FY2004 dropped. Dongbu’s asset soundness has also continued to improve with coverage ratio of 79.9% as of the end of FY2004, an increase of 9.9%p.

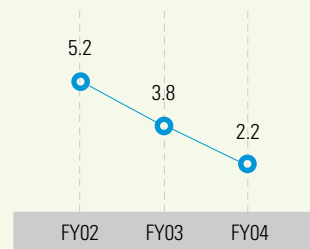
NPL & Coverage ratio <small>(KRW in billions)</small>	FY2002	FY2003	FY2004	Change	
				Amount	%
Loans <sup>1)</sup>	386	588	751	164	27.9
Normal	348	550	725	175	31.8
Precautionary	23	15	9	(6)	(40.0)
Below substandard	15	22	17	(5)	(22.7)
Provisions	7	16	13	(3)	(18.8)
NPL ratio (%)	5.2	3.8	2.2	(1.6%P)	
Coverage ratio (%)	51.0	69.8	79.7	9.9%P	

1) Balance of loans before provisioning

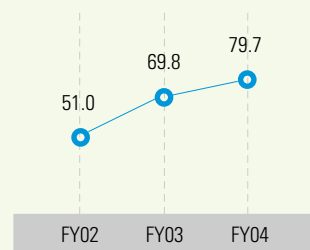
• With respect to bonds, Dongbu seeks stable income through portfolio balancing around high quality bonds with credit ratings of A- or above. As of the end of FY2004, bonds with credit ratings of A- or above account for 97.4% of Dongbu’s bond portfolio, extremely limiting its exposure to default risk.

Portfolio of bonds in rating <small>(%)</small>	FY2002	FY2003	FY2004	Change
A- or above	98.0	97.7	97.4	(0.3%p)
BBB+ or below	2.0	2.3	2.6	0.3%p

**• NPL RATIO**  
(UNIT: %)



**• COVERAGE RATIO**  
(UNIT: %)



## Management's Discussion & Analysis

### ( CAPITAL SOURCES AND LIQUIDITY )

• In tandem with buoyant net income and resulting increase in retained earnings, Dongbu's total shareholders' equity jumped 19.3% YoY to KRW545 billion as of March 31, 2005. In addition, catastrophe reserves increased by KRW19 billion or 9.0% YoY to KRW236 billion at the end of FY2004 compared to KRW216 billion a year ago. As a result, the Company posted adjusted shareholders' equity of KRW780 billion as of the end of FY2004, boasting competitive edges over competitors.

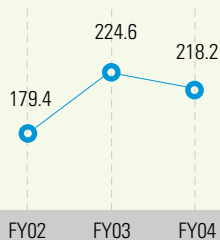
(KRW in billions)	FY2002	FY2003	FY2004	Change	
				Amount	%
Total shareholders' equity	327	456	545	88	19.3
Catastrophe reserves	198	216	236	19	9.0
Adjusted shareholders' equity	525	673	780	108	16.0

• Solvency margin requirements of Dongbu in FY2004 rose by 11.9% YoY. However, solvency ratio dropped 6.4%p to 218.2% as solvency margin only increased by 8.8% YoY due to the new additions of "cash dividends expected to be paid to shareholders" and "book value of equity-method investments in excess of fair value" as deduction items of solvency margin. Despite such fall in solvency ratio, the Company's solvency ratio remains the second highest level in the industry. When applying the former standards, Dongbu's solvency ratio would have reached 233.3% in FY2004, an increase of 8.7%p.

	FY2002	FY2003	FY2004	Change	
				Amount	%
Solvency margin (KRW in billions)	536	697	758	61	8.8
Solvency margin requirements (KRW in billions)	299	310	347	37	11.9
Solvency ratio	179.4%	224.6%	218.2%	(6.4%p)	

### • SOLVENCY RATIO

(UNIT: %)



## ( FY2005 BUSINESS OUTLOOK AND KEY INITIATIVES )

- In FY2005, positive changes are expected in the insurance industry including slowdown in interest rate falls and introduction of retirement pension insurances. At the same time, strong winds of change and competition within the insurance industry are anticipated to blow. In this respect, competition among top insurers is expected to intensify further as the profit structure of the auto insurance market deteriorates, while uncompetitive companies will be left behind as new channel markets mature and diversify.

- Under the rapidly changing business environment, Dongbu plans to establish a solid market dominating position in terms of both quantity and quality through expansion policies that are based on efficiency and profitability so as to secure sustainable growth.

- First, business capacities for growth will be significantly reinforced.

- In line with the emergence of diverse sales channels including bancassurance, home shopping and online, the company's capacities will be focused on sales and business fronts, while solidifying responsibility-centered management. In the area of new channels, engines of growth for the mid to long-term will be secured by generating the highest level of performance.

- Second, voluntary innovation activities will be promoted.

- In response to the rapidly changing business environment, business innovation activities will be elevated. At the same time, Dongbu plans to eradicate unjust customary business practices through its business efficiency enhancement project. In addition, customer satisfaction activities will be conducted in a more practical and active manner in order to achieve the industry's highest record in the various customer satisfaction index surveys.

- Third, innovation in business fundamentals will be deepened.

- People and systems are the center of business innovations. In this respect, Dongbu plans to foster human resources with capacities to lead such innovation and enhance its business management systems. As such, investments in IT infrastructures such as ERP systems will be expanded, while securing the expertise and capacities for Dongbu's employees to become the leading figures in the industry.

## Non-Consolidated Balance Sheets

● ● As of March 31, 2005 and 2004

(Accounts Won in millions, US\$ in thousands)	FY2004	FY2003	FY2004
<b>ASSETS</b>			
Cash and deposits	₩ 139,541	₩ 195,894	\$ 124,114
Cash & deposits (Note 3,9,17,29)	139,541	195,315	124,114
Deposits for future trading	-	579	-
Securities	2,824,659	2,357,965	2,512,371
Trading securities	398,877	414,147	354,778
Available-for-sale securities)	2,302,882	1,847,236	2,048,281
Held-to-maturity securities (Note 6)	7,937	7,901	7,059
Equity securities using equity method (Note 6,9,26)	114,963	88,681	102,253
Loans (Note 4,5,26)	737,705	572,416	656,146
Fixed Assets	393,194	394,197	349,723
Investment assets (Note 7)	117,715	100,215	104,701
Tangible assets (Note 7,9)	265,569	286,824	236,208
Intangible assets (Note 8)	9,910	7,158	8,814
Other assets	737,359	580,027	655,838
<b>TOTAL ASSETS</b>	<b>4,832,458</b>	<b>4,100,499</b>	<b>4,298,193</b>
<b>LIABILITIES</b>			
Policy reserve (Note 12)	3,494,826	2,916,621	3,108,446
Catastrophe reserve (Note 13)	235,572	216,115	209,528
Other liabilities (Note 12,17, 19, 21, 22, 26)	557,452	511,332	495,821
<b>TOTAL LIABILITIES</b>	<b>4,287,850</b>	<b>3,644,068</b>	<b>3,813,795</b>
<b>SHAREHOLDERS' EQUITY</b>			
Common stock	35,400	35,400	31,486
Capital surplus	37,913	37,913	33,721
Retained earnings	414,406	316,958	368,590
(Net income of ₩114,375 million in FY2004 and ₩45,304 million in FY2003)			
Capital adjustments (Note 6, 16, 22)	56,889	66,160	50,599
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>544,608</b>	<b>456,431</b>	<b>484,397</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>₩ 4,832,458</b>	<b>₩ 4,100,499</b>	<b>\$ 4,298,193</b>

Korean Won amounts for FY2004 are translated into U.S.dollars based on the basic exchange rate of ₩1,124.30 per US\$ 1.00 as of March 31, 2005.

## Non-Consolidated Statements of Income

● For the years ended March 31, 2005 and 2004

(Accounts Won in millions, US\$ in thousands)	FY2004	FY2003	FY2004
<b>OPERATING REVENUES</b>	₩ 3,432,174	₩ 3,170,857	\$ 3,052,720
Premium income (Note 23)	3,045,367	2,736,422	2,708,678
Reinsurance income	128,219	158,768	114,043
Interest income	166,048	160,431	147,690
Others	92,540	115,236	82,309
<b>OPERATING EXPENSES</b>	3,339,255	3,087,856	2,970,075
Net provision for policy reserves	578,206	272,506	514,281
Net provision for catastrophe reserves	19,458	17,798	17,307
Claims expenses	1,059,850	1,109,857	942,675
Refund claims at surrender value	758,959	774,764	675,050
Reinsurance premiums paid	251,329	244,571	223,543
Operating and administrative expense (Note 24)	585,304	617,447	520,594
Others	86,149	50,913	76,625
<b>OPERATING INCOME</b>	92,919	83,001	82,646
<b>NON-OPERATING INCOME</b>	160,846	90,537	143,063
Gain on disposal of available-for-sale securities	46,462	42,011	41,325
Gain on disposal of held-to-maturity securities	-	13	-
Gain on disposal of derivatives	31,825	19,895	28,307
Gain on evaluation of derivatives (Note 22)	37,917	11,243	33,725
Gain on valuation of equity securities using equity method	23,127	11,260	20,570
Others	21,515	6,115	19,136
<b>NON-OPERATING EXPENSES</b>	102,163	114,395	90,868
Loss on disposal of available-for-sale securities	6,958	36,723	6,189
Loss on impairments of available-for-sale securities (Note 6)	13,769	18,450	12,247
Loss on disposal of derivatives	20,188	18,272	17,956
Loss on disposal of tangible assets	64	23	57
Loss on foreign currency transactions	7,241	4,336	6,440
Loss on foreign exchange translations (Note 17)	42,204	17,905	37,538
Others	11,739	18,686	10,441
<b>ORDINARY INCOME</b>	151,601	59,143	134,840
<b>INCOME BEFORE INCOME TAX EXPENSE</b>	151,601	59,143	134,840
Income tax expense (Note 19)	37,226	13,839	33,110
<b>NET INCOME</b>	₩ 114,375	₩ 45,304	\$ 101,730
(ORDINARY INCOME PER SHARE (WON/US\$))	1,890	891	1.68
NET INCOME PER SHARE (WON/US\$) (NOTE 20)	1,890	891	1.68

Korean Won amounts for FY2004 are translated into U.S.dollars based on the basic exchange rate of ₩1,124.30 per US\$ 1.00 as of March 31, 2005.

## Non-Consolidated Statements of Appropriations of Retained Earnings

● ● For the years ended March 31, 2005 and 2004

(Accounts Won in millions, US\$ in thousands)	FY2004	FY2003	FY2004
<b>RETAINED EARNINGS BEFORE APPROPRIATIONS</b>	₩ 113,184	₩ 43,269	\$ 100,671
Retained earnings carried forward from prior year	81,379	37,980	72,382
Changes in retained earnings of equity securities using equity method (Note 6)	(1,272)	(2,073)	(1,131)
Net income	114,375	45,304	101,730
<b>TRANSFER FROM VOLUNTARY RESERVE</b>	14,798	3,333	13,162
<b>APPROPRIATIONS</b>	127,902	46,521	113,761
Legal reserve	2,505	1,566	2,228
Cash dividend (Note 27)	25,047	15,655	22,278
Voluntary reserve	100,350	29,300	89,256
<b>UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED OVER TO SUBSEQUENT YEAR</b>	₩ 79	₩ 81	\$ 70

Korean Won amounts for FY2004 are translated into U.S.dollars based on the basic exchange rate of ₩1,124.30 per US\$ 1.00 as of March 31, 2005.

## Non-Consolidated Statements of Cash Flows

● ● For the years ended March 31, 2005 and 2004

(Accounts Won in millions, US\$ in thousands)	FY2004	FY2003	FY2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b> (Note 29)	₩ 582,569	₩ 303,733	\$ 518,162
Net income	114,375	45,304	101,730
Expenses not involving cash outflows	779,670	443,510	693,471
Provision for severance benefits	11,108	9,113	9,880
Depreciation	13,470	15,768	11,981
Provision for doubtful accounts	8,160	8,091	7,258
Loss on foreign currency translation	38,619	15,125	34,349
Loss on disposal of trading securities	12,802	12,323	11,387
Loss on valuation of trading securities	178	2,198	158
Loss on disposal of available-for-sale securities	6,958	36,723	6,189
Loss on impairment of available-for-sale securities	13,769	18,450	12,247
Increase in policy reserve	578,206	272,506	514,281
Increase in catastrophe reserve	19,458	17,798	17,307
Others, net	₩ 76,942	₩ 35,415	\$ 68,435

Korean Won amounts for FY2004 are translated into U.S.dollars based on the basic exchange rate of ₩1,124.30 per US\$ 1.00 as of March 31, 2005. (continued)

(Accounts Won in millions, US\$ in thousands)	FY2004	FY2003	FY2004
Incomes not involving cash inflows	₩ 170,069	₩ 126,596	\$ 151,267
Gain on disposal of trading securities	12,148	31,804	10,805
Gain on valuation of trading securities	4,650	4,915	4,136
Gain on disposal of available-for-sale securities	46,462	41,946	41,325
Gain on valuation of equity securities using equity method	23,127	11,260	20,570
Others, net	83,682	36,671	74,430
Changes in assets and liabilities related to operating activities	(141,407)	(58,485)	(125,773)
Decrease (increase) in insurance accounts receivables	3,065	(8,157)	2,726
Decrease (increase) in other receivables	4,538	(19,129)	4,036
Decrease (increase) in accrued revenues	6,571	3,997	5,845
Decrease (increase) in prepaid expense)	77	(106)	68
Decrease (increase) in compensation receivables	(5,306)	(3,504)	(4,719)
Decrease (increase) in separate accounts receivables	(20,950)	(25,860)	(18,634)
Decrease (increase) in deferred acquisition cost	(164,488)	(47,627)	(146,303)
Increase (decrease) in unpaid claims	(16,059)	22,144	(14,284)
Increase (decrease) in separate accounting debits	(6,127)	7,000	(5,450)
Others, net	57,272	71,242	46,779
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b> (Note 29)	622,688	333,707	553,845
Cash inflows from investing activities	7,810,266	12,709,847	6,946,781
Proceeds from disposal of trading securities	5,841,887	6,076,956	5,196,022
Proceeds from disposal of available-for-sale securities	965,296	714,150	858,575
Decrease in policyholder loans	221,553	195,789	197,059
Decrease in real estate loans	72,260	36,894	64,271
Decrease in unsecured loans	80,156	35,102	71,294
Decrease in derivatives deposits	133,922	164,176	119,116
Decrease in derivatives	20,590	3,069	18,314
Others	474,602	5,483,711	422,131
Cash outflows from investing activities	8,432,954	13,043,554	7,500,626
Acquisition of trading securities	5,825,871	5,872,060	5,181,776
Acquisition of available-for-sale securities	1,438,627	1,041,094	1,279,576
Acquisition of held to maturity securities	37	1,645	33
Increase in call loans	419,000	5,465,600	372,676
Increase in policyholder loans	268,527	266,324	238,839
Increase in derivatives deposits	133,343	164,401	118,601
Others, net	347,549	232,430	309,125
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	15,655	16,062	13,924
Cash outflows from financing activities	15,655	16,062	13,924
Payment of cash dividend	15,655	15,673	13,924
Acquisition of treasury stocks	-	389	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(55,774)	(46,037)	(49,608)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	195,315	241,352	173,721
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	₩ 139,541	₩ 195,315	\$ 124,114

Korean Won amounts for FY2004 are translated into U.S.dollars based on the basic exchange rate of ₩1,124.30 per US\$ 1.00 as of March 31, 2005.