



# 2003 Annual Report



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(In Thousand USD)	<b>2004.3.31</b>	<b>2003.3.31</b>	<b>2002.3.31</b>
Net Premium Written	772,692	656,832	471,793
Net Premium Earned	667,383	588,042	415,500
Incurred Losses	299,507	255,704	929,661
Net Underwriting Expenses	117,020	27,261	32,815
Underwriting Profit (Loss)	215,283	305,077	-546,975
Net Investment Income	-5,733	-223,591	86,857
<b>Net Profit (Loss)</b>	<b>211,068</b>	<b>-127,679</b>	<b>-474,768</b>
Loss Ratio	44.88%	43.48%	223.74%
Expense Ratio	17.53%	4.64%	7.90%
Total Assets	2,669,921	2,573,713	3,132,020
Paid-in-Capital	8,956,195	8,956,195	8,956,195
Shareholder's Equity	676,481	328,544	396,540
(1153.60 KWN=1USD as at 2004.03.31)			

# CONSOLIDATED BALANCE SHEET



Unit: Korean Won

Description	As of 31st March 2004	As of 31st March 2003
<b>I. Working Assets</b>	2,455,262,399,991	2,213,011,781,332
1. Cash, Deposits & Trusts	76,597,501,148	51,563,559,609
Cash	36,361,667	117,793,750
Deposits	76,561,139,481	51,445,765,859
2. Securities	2,234,691,023,582	1,832,056,775,365
Marketable Securities	1,423,870,141,255	1,148,227,096,537
Investment Securities	810,820,882,327	683,829,678,828
3. Loans Receivable	6,391,854,168	188,903,130,139
4. Real Estate	137,582,021,093	140,488,316,219
Land	52,204,119,591	53,371,472,906
Buildings	96,827,312,915	96,641,838,140
Others	1,041,098,555	1,032,656,317
Accumulated Depreciation	(12,490,509,968)	(10,557,651,144)
<b>II. Accounts Receivable</b>	39,481,470,387	50,130,458,592
1. Domestic R/I Accounts	23,187,061,470	27,991,683,103
2. Oversease R/I Accounts	12,091,047,892	18,984,465,659
3. Inward R/I Reserve Retained	3,453,877,224	2,831,717,072
4. Others	749,483,801	322,592,758
<b>III. Other Assets</b>	585,276,600,936	626,738,920,623
<b>Total Assets</b>	3,080,020,471,314	2,889,881,160,547
<b>Liabilities</b>		
<b>I. Underwriting Reserves</b>	1,050,325,106,968	1,020,357,890,956
1. Technical Reserves	1,009,287,465,367	1,020,357,890,956
Reserve for Outstanding Claims	320,305,809,835	387,768,103,568
Unearned Premium Reserve	688,981,655,532	632,589,787,388
2. Catastrophe Reserve	41,037,641,601	
<b>II. Accounts Payable</b>	45,143,334,933	54,528,289,536
1. Domestic R/I Accounts	14,012,687,269	17,688,938,898
2. Oversease R/I Accounts	9,637,573,121	16,233,881,973
3. Outward R/I Accounts	20,940,815,043	19,749,246,139
4. Others	552,259,500	856,222,526
<b>III. Other Liabilities</b>	1,204,163,250,268	1,399,354,366,603
1. Reserve for Severance Pay	6,355,113,450	5,352,088,160
2. Reserve for under Article 97		
3. Others	1,197,808,136,818	1,394,002,278,443
<b>Total Liabilities</b>	2,299,631,692,169	2,474,240,547,095
<b>Stockholder's Equity</b>		
<b>IV. Capital Stock</b>	10,331,886,000,000	10,331,886,000,000
1. Common Stock	1,331,886,000,000	1,331,886,000,000
2. Preferred Stock	9,000,000,000,000	9,000,000,000,000
<b>V. Capital Surplus</b>		
<b>VI. Retained Earnings</b>	(9,604,533,530,113)	(9,848,022,000,916)
<b>VII. Capital Adjustments</b>	53,036,309,258	(68,223,385,632)
1. Discounts on Stock Issuance	(8,642,957,600)	(8,642,957,600)
2. Gains on Valuation of Investment Sec.	61,679,266,858	(59,580,428,032)
<b>Total Shareholder's Equity</b>	780,388,779,145	415,640,613,452
<b>Total Liabilities &amp; Shareholder's Equity</b>	3,080,020,471,314	2,889,881,160,547

# CONSOLIDATED INCOME STATEMENT



Unit: Korean Won

Description	As of 31st March 2004	As of 31st March 2003
<b>I. Operating Revenue</b>	2,248,353,773,473	2,153,058,063,331
1. Premium Income	891,377,004,156	885,692,117,199
Direct Premium Written	943,017,705,283	937,392,141,739
Assumed R/I Premium	9,168,426,110	8,748,063,311
Cancellation Refund	60,809,127,237	60,448,087,851
2. Reinsurance Income	28,125,662,236	30,352,115,924
R/I Claims Recovered	77,924,892,936	81,802,932,828
Refund of R/I Claims Recovered	49,799,230,700	51,450,816,904
3. Decrease in Policy Reserve	1,020,357,890,956	1,012,346,038,902
4. Others	308,493,216,125	224,667,791,306
<b>II. Operating Expenses</b>	2,006,616,788,411	2,049,970,253,400
1. Increase in Policy Reserve	1,050,325,106,968	1,061,646,690,570
2. Claims Paid Expenses	395,691,404,097	209,713,077,720
Direct Claims Paid	1,170,225,025,502	936,708,821,440
R/I Claims Paid	5,686,079,320	5,384,833,242
Refund of Claims Paid	779,170,808,574	732,097,143,645
Refund of R/I Claims Paid	1,048,892,151	283,433,317
3. R/I Expenses	65,092,601,877	54,734,256,804
R/I Premium	71,074,561,635	62,076,621,456
Refund of Return Premium	5,981,959,758	7,342,364,652
4. Others	495,507,675,469	723,876,228,306
<b>III. Operating Income (Operating Loss)</b>	241,736,985,062	103,087,809,931
<b>IV. Income from other than operation</b>	13,931,992,242	13,487,794,181
<b>V. Non-operating Expenses</b>	11,064,360,595	180,803,453,046
<b>VI. Ordinary Income</b>	244,604,616,709	(64,227,848,934)
<b>VII. Extra-ordinary Income</b>	55,802,000	1,847,780,280
<b>VIII. Extra-ordinary Losses</b>	1,171,947,906	99,146,841,523
<b>IX. Net Income (Loss) before Income Taxes</b>	243,488,470,803	(161,526,910,177)
<b>X. Income Tax Expenses</b>	0	0
<b>XI. Net Income (or Net Loss)</b>	243,488,470,803	(161,526,910,177)



SGIC CEO  
Ki Hong Jung

To our Respected Shareholders,

I would first like to begin by offering our deepest gratitude to our shareholders who have provided their trust and support to our company's advancement and would like to present the 2003 Annual Report for the 37<sup>th</sup> year of Seoul Guarantee Insurance Company.

Our company despite increasing difficulties has come together to form a collective strength and have greatly exceeded our expectations and target goals, which resulted in a net profit of 243.5 billion Won. Also, we have created a solid foundation for our company by achieving management normalization through improved profitability and financial strength.

In addition, we have realized our long time desire to establish the Credit Information Company (SGCIC) in which has successfully been launched, following in line with our other subsidiaries; Corporate Restructuring Company (CRC) and Asset Management Company (AMC), these partnerships have enabled us to become a superior guarantee institution that operates on a complete platform of guarantee and credit insurance business network synergy. Also, we have focused on strengthening employee reformation with our "Dash 2 Campaign" and improving customer service by putting forth all efforts on a continuous basis.

In the Underwriting sector, in spite of increasing open market demands from financial corporations, Non-Life Insurance companies and International corporations, we have created new products such as Performance Bond for Residence Redevelopment Projects, as well as, increased market share through the launching of new coverage and product improvements for contract bonds. We also effectively coped with the increasing personal credit risk by strengthening risk management, such as; decreasing the sale of Financial guarantees.

In the Recovery sector, as we led in the restructuring of debt-ridden companies, our company was able to increase our recovery ratio. Also, in order to achieve effective debt management, we outsourced long-term receivables to our subsidiary company, SG Credit Information Company. We also strengthened our recovery action, which is focused on quality.

#### Result by Sector

In the Premium sector, written premiums increased by 0.6% to 882.4 billion Won from 877.3 billion Won last year. By business line, products related to housing such as Employees Loan bonds increased 60.1%, Court bonds with a lower loss ratio increased 40.0%, License & Permit bonds increased 31.1%, while credit insurance, debenture, small loan and taxation bonds showed a slight decrease in their premium income.

In the Claims sector, claims paid increased to 1,170.2 billion Won from 936.7 billion Won due to unstable economic conditions and a surge in individual credit defaulters which has caused an increase in claims in comparison to last year. In the recovery sector, we were able to increase our recovery results with our endless effort from 732.1 billion Won in 2002 to 779.2 billion Won in 2003, an increase of 47.1 billion Won.

In the Reinsurance sector, our inward reinsurance posted a profit of 1.9 billion Won while our outward reinsurance showed a loss of 32.8 billion Won, which has resulted in an overall loss of 30.9 billion Won. The results show a decrease in reinsurance claims, which resulted from a decrease in the number of losses, while reinsurance claim returns increased due to an increase in recovery.

In the investment division, due to the improvement of the investment market, earnings increased to 187.0 billion Won from 98.9 billion Won an increase of 88.1 billion Won resulting in an investment earnings ratio of 8.3%.

As exemplified above, during year 2003 our company has shown an underwriting profit of 248.3 billion Won. Overall, for the first time since the incorporation of Seoul Guarantee Insurance Company we were able to successfully show a net profit of 243.5 billion Won.

To our Respected Shareholders!

Looking ahead to year 2004, it appears there is substantial economic uncertainty surrounding our company. The world economy has been affected by the war in Iraq, high gasoline prices and the China effect. Domestically, the lack of domestic consumption, individual credit delinquencies, unemployment and labor-management disputes have greatly interfered with the domestic economy. Also, in the Guarantee market, we have faced increasing competition from Guarantee Institutions as well as a decrease in the demand for guarantees, while the possibility of claims are on the rise; therefore attention is needed for management.

Our Company's entire organization recognizes the internal and external circumstances and is prepared to do our best to break through. In the Sales department, we are benchmarking advanced products of international companies and all personnel are taking an active role in developing new products while improving upon existing products to maintain competitiveness. In the recovery sector, we must improve our management of debtors who have many debt obligations to differing financial institutions and our recovery process. Also, by utilizing AMC, CRC and SGCIC we must create new recovery methods as well as an IT recovery system that creates a network of recovery information and complete recovery infrastructure, which will enable us to increase and improve our recovery possibilities. Also, in order to create an efficient and superior risk management, we have revamped our risk management process and reorganized our risk management system.

In addition, we will put forth our best efforts to construct an efficient management foundation by improving customer service, establishing our company's vision for future advancement and business process restructuring.

Therefore, for year 2004, our management strategy are as follows: First: new growth source, Second: crisis management enhancement, Third: creation of an efficient management foundation, Fourth: maintaining profit conditions. Through these initiatives, we hope to promote management normalization and to leap towards being an advanced and superior guarantee institution.

On behalf of our executive board, management, and employees of Seoul Guarantee Insurance Company, I ask for your unsparing support and encouragement and wish you the very best of health and prosperity for you and your family.

  
Ki Hong Jung  
President



**Date of Birth:** November 17<sup>th</sup>, 1945

**Education:**

- Ø 1964 - Kwangju Jaeil High school
- Ø 1969 - Seoul National University – B.A. Management
- Ø 1981 - Vanderbilt University – M.B.A. Economics, GPED
- Ø 1994 - Seoul National University – Advanced Management Program

**Experience:**

- Ø 1969 ~ 1983 – Bank of Korea (Research Department, Incheon Branch)
- Ø 1983 – Financial Supervisory Service (Supervision Department)
- Ø 1989 – Financial Supervisory Service (London Office)
- Ø 1992 – Financial Supervisory Service (Supervision Planning Department)
- Ø 1996 – Financial Supervisory Service (Bank Examination Department)
- Ø 1997 – Financial Supervisory Service (Secretary’s Office)
- Ø 1998 – Financial Supervisory Service (Planning & Coordination Department)
- Ø 1999 – Financial Supervisory Service (Assistant Governor)
- Ø 2000 – Financial Supervisory Service (Deputy Governor)
- Ø 2004 – Seoul Guarantee Insurance Company (President & Chairman)

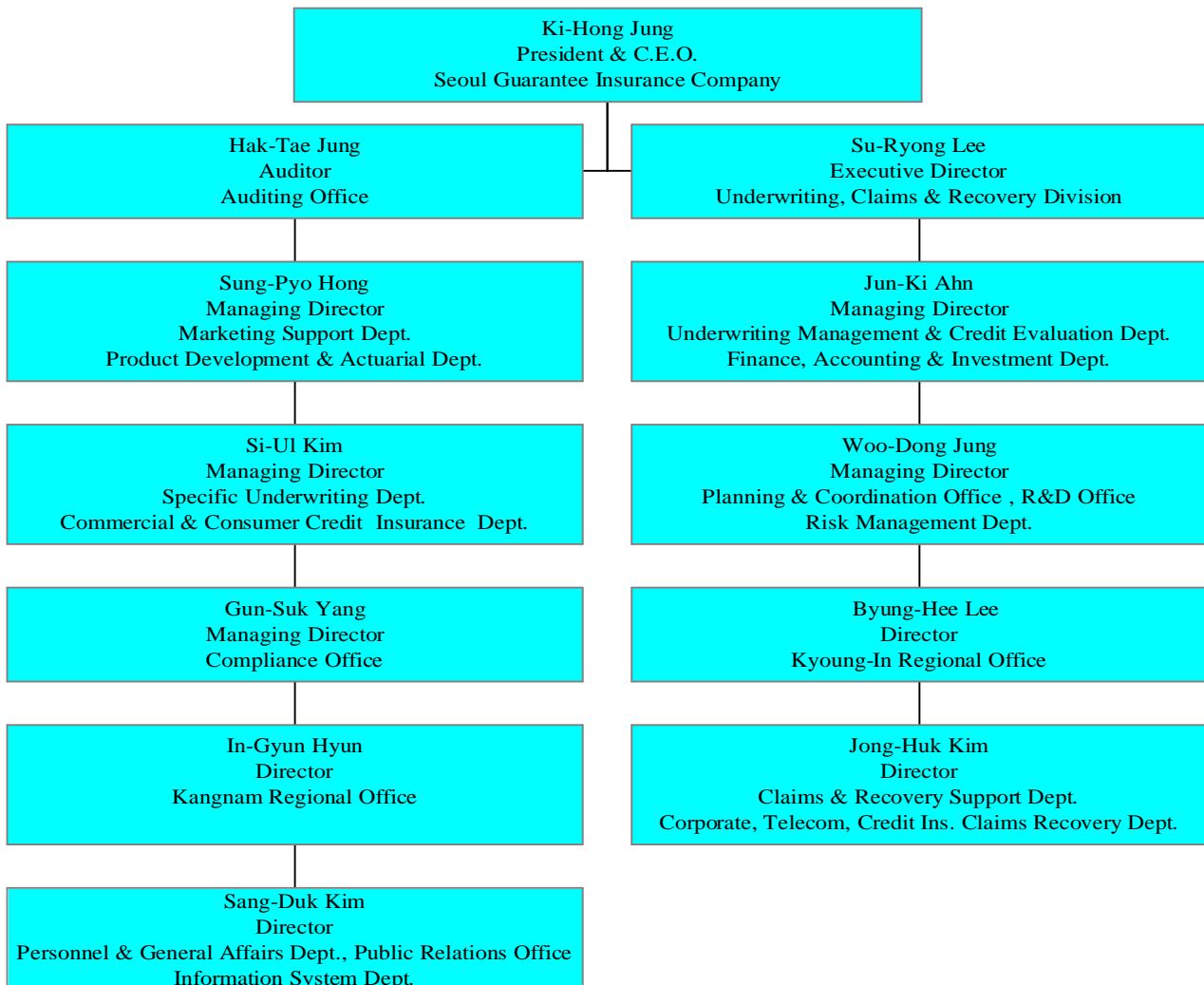




Front Row: Center: Ki-Hong Jung, Left: Hak-Tae Jung, Right: Su-Ryong Lee

Back Row (Left to Right): Jong-Huk Kim, Woo-Dong Jung, Si-Ui Kim, Sung-Pyo Hong, Jun-Ki Ahn, Gun-Suk Yang, Sang-Duk Kim

(Not Pictured): Byung-Hee Lee & In-Gyun Hyun



For 37 years, the Company's major commitment has been to help Korea's economic development by offering the highest quality guarantees to entrepreneurs and individuals who are in need of credit.

Seoul Guarantee Insurance Company was originally established in 1969 under the name of Korea Fidelity and Surety Company, with which the name was changed to Korea Guarantee Insurance Company in 1995.

Early in 1970, KGI became the exclusive insurance company authorized to handle the bond business by the order of the Ministry of Finance. The guarantee industry began to grow remarkably with the Korean economy's rapid growth. In the 1980s, KGI continued to expand at a rate of around 17% per year, along with the Korean economy's booming growth rate of more than 6% per year.

In 1989, Hankuk Fidelity and Surety Company was established as a manifestation of the government's policy to increase financial support for individuals and small business owners. The two guarantee insurance companies offered a competitive environment to the market.

From the beginning of the 1990's, the guarantee industry in Korea began to suffer low growth and large losses due to fierce competition between the two guarantee insurance companies and the downturn of the Korean economy.

After the economic crisis, which originated at the end of 1997, the two guarantee insurance companies experienced unprecedented difficulties and were merged together to continue business under the new name, Seoul Guarantee Insurance Company (SGI) from November 25, 1998.

Seoul Guarantee Insurance Company's lines of business include guarantee bonds, credit insurance, and financial guarantees. It covers every type of business, ranging from large corporations to small and medium size companies, as well as, individual clients.

As management renewed after the economic crisis, the company took upon a new innovative strategy for restructuring. Its main focus was to cleanup past enormous outstanding loss, take upon a strict underwriting regulation, and diversify the enormous risk exposure that the Company faced in the past by completely removing high-risk bonds.

A severe restructuring plan was executed to enhance the effectiveness and competence of the company. After many years of intense restructuring, SGIC was able to post its first profit since its merger of 243.5 billion Won and is once again, standing strong with pride with 1,027 experienced employees to serve the needs of our esteemed customers.

SHAREHOLDERS	(Billion WON, %)	
	Contribution	Share (%)
<b>KOREA DEPOSIT INSURANCE CORPORATION</b>	<b>10,250.0</b>	<b>99.21</b>
<b>LIFE INSURANCE COMPANIES</b>		
Samsung Life Insurance Co.	47.4	0.46
Kybo Life Insurance Co.	12.4	0.12
Han-Kuk Life Insurance Co.	4.1	0.04
<b>Sub-Total</b>	<b>63.9</b>	<b>0.62</b>
<b>NON-LIFE INSURANCE COMPANIES</b>		
Hyundai Fire & Marine Insurance Co.	3.9	0.04
Dongbu Fire & Marine Insurance Co.	3.7	0.04
LG Insurance Co.	3.3	0.03
Ssangyong Fire & Marine Insurance Co.	2.1	0.02
Oriental Fire & Marine Insurance Co.	1.9	0.02
Daehan Fire & Marine Insurance Co.	1.4	0.01
First Fire & Marine Insurance Co.	1.0	0.01
Shindongah Fire & Marine Insurance Co.	0.5	0.00
Green Fire & Marine Insurance Co.	0.2	0.00
<b>Sub-Total</b>	<b>18.0</b>	<b>0.17</b>
<b>TOTAL</b>	<b>10,331.9</b>	<b>100.00</b>

**April 28, 2004**

Ki-Hong Jung is inaugurated as President.

**April 22, 2004**

Participated in a consortium for the creation of an individual credit bureau (CB).

**March 2, 2004**

Launch of a new subsidiary company, SG Credit Information Company (SGCIC).

**June 4, 2003**

Launch of a joint-operations company between Seoul Guarantee Insurance Company and GE Capital, Corporate Restructuring Company (CRC).

**March 5, 2003**

Annual premium income surpasses 800 billion won

**December 9, 2002**

New PINICS system launched

**November 4, 2002**

Launch of E-Commerce Bond

**August 1, 2002**

Launch of Product Quality Guarantee Bond

**February 20, 2002**

Seoul Guarantee Insurance repaid 25 billion Korean Won in public funds to Korea Asset Management Corporation (KAMCO), totaling the repayment amount to 1.9 trillion Korean Won.

**January 2, 2002**

Launch of Mortgage Credit Insurance

**November 2001**

Total payoff of debenture bond claim payment of Daewoo Group of 67 billion dollars and Samsung Motors of 15 billion dollars

**November 16, 2001**

Joined in a Joint Venture with GE Capital and Merrill Lynch to establish an asset management company, SG Management

**November 9, 2001**

Total increase in capital of 10 trillion 331.9 billion won since the start of the Seoul Guarantee Insurance Company

*\*Details provided*

**September 27, 2001**

Launch of Sale on Lots Bond

**March 31, 2001**

Launch of Construction Performance Bond

**March 2, 2001**

Launch of Credit Card Credit Insurance

**December 27, 2000**

Launch of Overseas Return Bond

**October 2, 2000**

Launch of Guarantor Loss Guarantee Credit Insurance

**February 7, 2000**

Launch of Design and Supervision Bond

**November 25, 1998**

Merger of Korea and Hankuk Fidelity & Surety Company launching Seoul Guarantee Insurance Company

## **July 8, 1997**

Start of Credit Insurance Division

## **February 16, 1997**

Tape-cutting ceremony held for the opening of the Company's 19-story, 5-basement floor HQ building.

## **January 13, 1997**

Company's new computerized system, PINCS Project (Process Innovation Insuring Customer's Satisfaction Project), successfully developed and launched

## **March 18, 1995**

Annual premium income surpasses 500 billion won

## **February 18, 1995**

The name of Korea Guarantee Insurance Co. adopted as the Company's new name.

## **May 23, 1994**

Named the best non-life insurance company for FY 1993 by the Insurance Supervisory Board

## **November 15, 1989**

Establishment of Hankuk Fidelity & Surety Company.

## **June 3, 1987**

Paid-in capital increased to 5 billion won

Authorized capital increased to 20 billion won

## **January 10, 1984**

Opening of national online network

## **June 27, 1978**

Joined Pan-American Surety Association

## **June 17, 1974**

Joined the International Credit Insurance Association (recently changed to International Credit Insurance & Surety Association)

## **February 19, 1969**

Establishment of Korea Fidelity & Surety Company

### *\*Details of Capital Injection*

*Increase in capital to 10 trillion 331.9 billion won*      *November 9, 2001*

*Increase in capital to 8 trillion 231.9 billion won*      *October 11, 2001*

*Increase in capital to 7 trillion 31.9 billion won*      *September 9, 2001*

*Increase in capital to 5 trillion 731.9 billion won*      *July 13, 2001*

*Increase in capital to 4 trillion 731.9 billion won*      *December 23, 2000*

*Increase in capital to 3 trillion 731.9 billion won*      *September 28, 2000*

*Increase in capital to 2 trillion 731.9 billion won*      *August 16, 2000*

*Increase in capital to 1 trillion 731.9 billion won*      *March 15, 2000*

*\*Double Achievement: Simultaneous Achievement of Strategy & Humanity*

*\*Strategy: Strategic Thought & Action*

*\*Humanity: An Ecstatic Company*

*\*2: Increasing Two Times the Capability of the Employee and Company*

DASH 2 has effectively managed to become a weekly program that has improved employee moral as well as increased the work efficiency of all employees. This program has achieved its intended goals of unifying all employees to work as one and in making decisions strategically, which has enabled Seoul Guarantee Insurance Company to turn a profit for the first time since its merger of 243.5 billion Won.

DASH 2 is a company campaign created to enhance the company environment. As our company moves forward as a stable guarantee institution with the gradual recovery of the domestic economy and the completion of government-injected funds, there are still negative factors, both external and internal uncertainties, affecting the company. Therefore, in order to positively cope with all surrounding circumstances and to maximize work performance, a new paradigm of consciousness and action was needed.

The goals of this campaign include reforming the consciousness and action of all employees so that they will be able to think, act and make decisions strategically; improving the capability and result of both the company and employees; as well as leading the change of the company's culture toward an ecstatic workplace, ultimately becoming a strong and sturdy company.

## DASH 2 EVENTS

**DASH DAY** – Every Wednesday, the Company allows employees to leave the office by 5 p.m. to spend time with their family and refresh, so that they may be able to work at their 100% capacity.

**Lectures by Department Managers** – Department Managers rotate and present their lectures to different departments on the last Wednesday of each month.

**“Break Out of the Shell” Experience** – Once a quarter, each department carries out on a special event, something new and extraordinary, to motivate the employees.

**Man Power** – Every employee must recommend at least 2 promotion programs for the development of the company.

**Good-Morning Dash** – Every morning, employees participate in morning exercise for the improvement of physical health.



SGIC employees volunteering at an Orphanage.



SGIC employees donating food to the elderly.



## REPORT ON FY 2003 PERFORMANCE

Year 2003 has presented a variety of economic and political challenges to the world economy. There have been extended periods of uncertainty ranging from the instability in the Middle East with the U.S.-led coalition struggling to contain unrest in Iraq, worldwide terrorism, and SARS. However, despite these obstacles, the U.S. economy has shown earlier signs of a recovery with Europe and Japan still in a stagnant state but with a positive outlook. The Korean economy on the other hand has shown moderate growth led by its exports with a growth in GDP of 3.1% and CPI growth of 1.0%.

Seoul Guarantee Insurance Company has benefited from Korea's economic growth and stability by posting a profit of approximately 243.5 billion Won, the first profit since its merger in 1998.

In the Premium sector, written premiums increased 0.6% to reach 882.4 billion Won. By business line, credit insurance premiums decrease by 12.0% to reach 376.2 billion Won. Low loss ratio products such as License and Permit bonds increased 31.1%, Fidelity bonds 0.1% and Court bonds 40.0%. High loss ratio products, which include Debenture bonds, Taxation bonds, Lease bonds and Small Loan Bonds, experienced a relative decrease in premium results.

In the Claims sector, claims paid increased 24.9% to reach 1,170.2 billion Won due to unstable economic conditions and an increase in individual credit defaulters, which has caused an increase in claims in comparison to last year.

In the Reinsurance sector, our reinsurance operations showed a loss of 30.9 billion Won, an increase of 323.6% from the year prior, with a profit of 1.9 billion Won in our inward retrocession reinsurance and a loss of 32.8 billion Won in our outward reinsurance.

In the Investment sector, investment earnings increased 88.1 billion Won from 98.9 billion Won in 2002 to 187.0 billion Won in 2003, resulting in an investment earnings ratio of 8.3%.

Now as we look towards FY2004, there still remain vast amounts of uncertainty concerning the world economy due to continuing unstable situations around the world. The outlook for the Korean economy remains relatively positive, which has been assisted by default trends for companies in Korea dropping significantly from the past. However, due to the lack of corporate investment and a low level of private consumption, the economic recovery is forecasted to be delayed in the 1<sup>st</sup> half of 2004 and is expected to begin in the 2<sup>nd</sup> half of the year with an overall growth rate forecasted to be at 5.0%.

In line with the forecasted outlook, SGIC will pursue a strategy that maintains profit conditions by strengthening our risk management system, creating a base for effective management and finding new growth engines.



(1) PREMIUMS						
(Figures in Million won, %)						
TYPE OF BONDS	FY 2003		FY 2002		CHANGE	
	Amount (A)	Distribution (%)	Amount (B)	Distribution (%)	Variation (A-B)	Percentage (%)
Contract (1)	196,465	22.3%	194,785	22.2%	1,680	0.86%
Fidelity	39,893	4.5%	39,842	4.5%	51	0.13%
Others (Major)						
1. Credit	83,060	9.4%	70,223	8.0%	12,837	18.3%
2. Credit Sales	26,997	3.1%	24,411	2.8%	2,586	10.6%
3. License & Permit	41,330	4.7%	31,520	3.6%	9,810	31.1%
4. Taxation	2,205	0.2%	3,133	0.4%	-928	-29.6%
5. Court	34,850	3.9%	24,889	2.8%	9,961	40.0%
Others (Minor) (2)	4,647	0.5%	4,463	0.5%	184	4.12%
Financial Guarantee						
1. Employee's Loan	61,134	6.9%	38,074	4.3%	23,060	60.6%
2. Small Loan	13,050	1.5%	21,143	2.4%	-8,093	-38.3%
3. Debenture	2,568	0.3%	3,254	0.4%	-686	-21.1%
Others (3)	67	0.0%	80	0.0%	-13	-16.3%
Credit Insurance						
1. Consumer (4)	336,482	38.1%	368,362	42.0%	-31,880	-8.65%
2. Commercial	40,099	4.5%	50,672	5.8%	-10,573	-20.9%
3. Mortgage	-440	0.0%	2,416	0.3%	-2,856	-118.2%
<b>TOTAL</b>	<b>882,407</b>	<b>100.0%</b>	<b>877,267</b>	<b>100.0%</b>	<b>5,140</b>	<b>0.6%</b>
(1) Bonds: Bid, Performance, Cost Difference, Maintenance, Advance Payment, Design & Supervision, Construction Performance, Sale on Lots, Material Qualification						
(2) Bonds: Bail, Overseas Return, E-Commerce, Education/Training, Installment Sales, Personal Guarantor, Nuclear						
(3) Bonds: Contractor's Housing, Individual Housing, Pre-Paid Ticket, Lease, Bank Promissory Note						
(4) Credit Insurance: Installment, House Rental, Credit Card, Small Loan, Guarantor Loss						





(2) CLAIMS							
(Figures in Million won, %)							
TYPE OF BONDS	Premiums A	Loss Paid B	Loss Recovered C	Net Losses (B-C)=D	Loss Ratio Before Recovery (B/A)	Recovery Ratio (C/B)	Loss Ratio After Recovery (D/A)
Contract (1)	196,465	150,466	140,115	10,351	0.77	0.93	0.05
Fidelity	39,893	12,819	1,773	11,046	0.32	0.14	0.28
Others (Major)							
1. Credit	83,060	41,334	64,332	-22,998	0.50	1.56	-0.28
2. Credit Sales	26,997	51,919	47,273	4,646	1.92	0.91	0.17
3. License & Permit	41,330	14,529	8,864	5,665	0.35	0.61	0.14
4. Taxation	2,205	18,197	8,427	9,770	8.25	0.46	4.43
5. Court	34,850	1,283	195	1,088	0.04	0.15	0.03
Others (Minor) (2)	4,647	6,320	52,565	-46,245	1.36	8.32	-9.95
Financial Guarantee							
1. Employee's Loan	61,134	37,283	10,571	26,712	0.61	0.28	0.44
2. Small Loan	13,050	189,901	149,009	40,892	14.55	0.78	3.13
3. Debenture	2,568	77,755	180,828	-103,073	30.28	2.33	-40.14
Others (3)	67	6,203	17,729	-11,526	92.58	2.86	-172.03
Credit Insurance							
1. Consumer (4)	336,482	428,254	71,461	356,793	1.27	0.17	1.06
2. Commercial	40,099	133,414	20,140	113,274	3.33	0.15	2.82
3. Mortgage	-440	548	0	548	-1.25	0.00	-1.25
<b>TOTAL</b>	<b>882,407</b>	<b>1,170,225</b>	<b>773,282</b>	<b>396,943</b>	<b>1.33</b>	<b>0.66</b>	<b>0.45</b>
(1) Bonds: Bid, Performance, Cost Difference, Maintenance, Advance Payment, Design & Supervision, Construction Performance, Sale on Lots, Material Qualification							
(2) Bonds: Bail, Overseas Return, E-Commerce, Education/Training, Installment Sales, Personal Guarantor, Nuclear							
(3) Bonds: Contractor's Housing, Individual Housing, Pre-Paid Ticket, Lease, Promissory Note							
(4) Credit Insurance: Installment, House Rental, Credit Card, Small Loan, Guarantor Loss							



(3) REINSURANCE					
(Figures in Millions, %)					
TYPE	FY 2003	FY 2002	Difference		
			Variation	Percentage	
Premiums (A)	882,408	877,267	5,141	0.6	
Out-Ward Reinsurance	Premiums (B)	65,093	54,734	10,359	18.9
	Ceding Ratio (B/A)	7	6		
	Net Loss (After Recovery) ( C )	28,126	30,352	△2,226	△7.3
	Loss Ratio (C/B)	4,302	56		
	Commission (D)	17,966	25,936	△7,970	△30.7
	Commission Ratio (D/B)	28	47		
	Deferred Interest on Recovery (E)	13,832	9,531	4,301	45.1
	Balance (C+D-B-E)	△32,833	△7,977	△24,856	△311.6
In-Ward Reinsurance	Premiums (G)	8,969	8,424	545	6.5
	Net Loss (H)	4,637	5,101	△464	△9.1
	Loss Ratio (H/G)	52	61		
	Commission (I)	2,420	2,646	△226	△8.5
	Commission Ratio (I/G)	27	31		
	Balance (G-H-I)	1,912	677	1,235	182.4
<b>TOTAL BALANCE</b>	<b>△30,921</b>	<b>△7,300</b>	<b>△23,621</b>	<b>△323.6</b>	

(4) INVESTMENT MANAGEMENT									
(Figures in Millions, %)									
TYPE	FY 2003				FY 2002				CHANGE
	Amount	Ratio	Investment Profit	Ratio (A)	Amount	Ratio	Investment Profit	Ratio (B)	Ratio (A-B)
Cash	76,598	3.1	3,001	4.8	51,564	2.3	4,494	5.1	0.3
Credit	6,392	0.3	450	0.5	188,903	8.5	2,140	1.1	0.6
Marketable Securities	2,234,691	91	178,923	9.2	1,832,057	82.8	88,123	4.6	4.6
Property	137,582	5.6	4,633	3.4	140,488	6.3	4,105	2.9	0.5
Operating Assets	2,455,263	100	187,007	8.3	2,213,012	100	98,862	4.2	4.1
Total Assets	3,080,020				2,889,881				

## Contract Bonds

Premiums for Contract Bonds reached 196.4 billion Won this year, an increase of 0.9% compared to that of last year. Premiums remained stable due to the recovery of the construction market, which has grown at a remarkable pace. However, the growth was minimized by the increase in competition from the Korea Construction Financial Corporation for construction performance bonds. Claims, however, increased 75.6% due to an increase in the issuance of Maintenance Bonds with collateral attached. The collateral has allowed recovery to virtually offset any claims, resulting in an overall loss ratio of only 5.0%.

## Fidelity Bonds

Premiums for Fidelity Bonds reached 39.9 billion Won this year, an increase of 0.1% compared to that of last year. Claims also increased to 12.8 billion Won, an increase of 29.8%, which has resulted in a total loss ratio after recovery of 28.0%.

## Credit Bonds

Premiums for Credit Bonds increased due to bonds for payment to sub-contractor and an increase in installment sales for credit card machines and beverage dispensers, which resulted in premiums reaching 83.0 billion Won, an increase of 18.3% compared to that of last year, while claims decreased 35.86% to 41.3 billion Won, resulting in a total loss ratio after recovery of negative 28.0%.

## Credit Sales

Premiums for Credit Sale Bonds reached 26.9 billion Won, an increase of 10.6% compared to that of last year. Claims also increased 49.5% to reach 51.9 billion Won, which has resulted in a loss ratio after recovery of 17.0%.

## License & Permit

Premiums for License & Permit Bonds reached 41.3 billion Won, an increase of 31.1% compared to that of last year due to an increase in bonds for construction unit per price restoration, while claims increased 34.2% to reach 14.5 billion Won, which resulted in a loss ratio after recovery of 14.0%.

## Taxation

Premiums for Taxation Bonds decreased 29.6% to reach 2.2 billion Won compared to that of last year due to strict underwriting procedures. Claims, however, increased 413.5% to reach 18.2 billion Won due to large claims from Orex in 2002 and Petaco in 2003, which resulted in a loss ratio after recovery of 443%.

## Court

Premiums for Court Bonds increased 40.0% to reach 34.9 billion Won compared to that of last year due to a government mandate requiring all financial institutions possess a court bond. Claims, however, decreased 13.9% to reach 1.3 billion Won, which has resulted in a loss ratio after recovery of 3.0%.

## Other Bonds

The total premium for bonds such as Bail, Overseas Return, E-Commerce, Education/Training, Installment Sales, Personal Guarantor and Nuclear increased 4.1% to reach 4.6 billion Won compared to that of last year. However, claims decreased 59.8% to reach 6.3 billion Won, resulting in a total loss ratio after recovery of negative 9.9%.

## Commercial Credit

Premiums for Commercial credit decreased 20.9% to 40.0 billion Won compared to that of last year. However, claims increased 101.8% to reach 133.4 billion Won, resulting in a total loss ratio after recovery of 282%.

## Consumer Credit

Premiums for Consumer credit decreased 8.6% to reach 336.5 billion Won compared to that of last year. However, claims increased 16.7% to 428.3 billion Won, resulting in a total loss ratio after recovery of 106.0%.

## Mortgage

Premiums for Mortgage bonds decreased 118.2% to reach negative 440.1 million Won due to a stoppage in underwriting. Claims, however, amounted to 548.2 million Won. Resulting in the total loss ratio after recovery of negative 125.0%.

## Debenture

Premiums for Debenture bonds decreased 21.1% to 2.6 billion Won due to no new bonds being issued, but rather, a renewal of bonds only. Claims, however, increased 2.0% to reach 77.8 billion Won compared to that of last year. Resulting in a total loss ratio after recovery of negative 40.1%.

## Small Loan

Premiums for Small Loan bonds decreased 38.3% to 13.0 billion Won compared to that of last year due to a stoppage in underwriting which was caused by a high loss ratio. Claims, however, increased 16.9% to reach 189.9 billion Won. Resulting in a loss ratio after recovery of 313.0%.

## Employee's Loan

Premiums for Employee's Loan bonds increased 60.6% to reach 61.1 billion Won due to an increase in loans for public officers. Claims, however, increased 64.8% to 37.3 billion Won compared to that of last year. Resulting in a loss ratio after recovery of 44.0%.

## A. LAUNCH OF SG CIC

Currently, SGIC and GE Capital operate a debt recovery company called, SG Management. The purpose of SG Management is to restructure companies in order to efficiently recover debt. SG Management has exceeded all expectations with its superior recovery and restructuring performance in the corporate recovery sector.

Therefore, Seoul Guarantee Insurance Company has launched a new subsidiary company called, SG Credit Information Company (SGCIC). The major shareholders of SGCIC consist of Seoul Guarantee Insurance Company and Samsung Card as well as G.E. Capital expected to join as a partner in the near future.

The purpose of SGCIC is to recover outstanding debt with the primary focus on corporate recovery as well as individual debtors who have failed to meet their financial obligations. The sharing of information consisting of individual debtor and corporate data among SGIC, Samsung Card and GE Capital as well as SG Management enables SGCIC to create a synergy effect. This synergy effect creates a highly efficient and effective recovery collection system.

## B. CHANGE IN LEADERSHIP

On April 28<sup>th</sup> 2004, Ki-Hong Jung was inaugurated as the new President & C.E.O. of Seoul Guarantee Insurance Company. Mr. Ki-Hong Jung brings to Seoul Guarantee Insurance Company extensive years of experience in the financial industries sector while working at the Bank of Korea as well as Korea's Financial Supervisory Service.

## C. NEW UNDERWRITING PROCEDURE AND SYSTEM

In order to adapt to the ever-changing risk environment faced in the underwriting of a variety of bonds, SGIC has implemented a new underwriting system and procedures. The following are the implemented changes to the new underwriting procedure and system.

### a. Strengthening Risk Management

Companies with credit ratings in the lower bracket of the credit rating system will have to undergo extensive underwriting analysis. This procedure minimizes any possible losses and alerts the underwriter of principals that must be analyzed in greater detail.

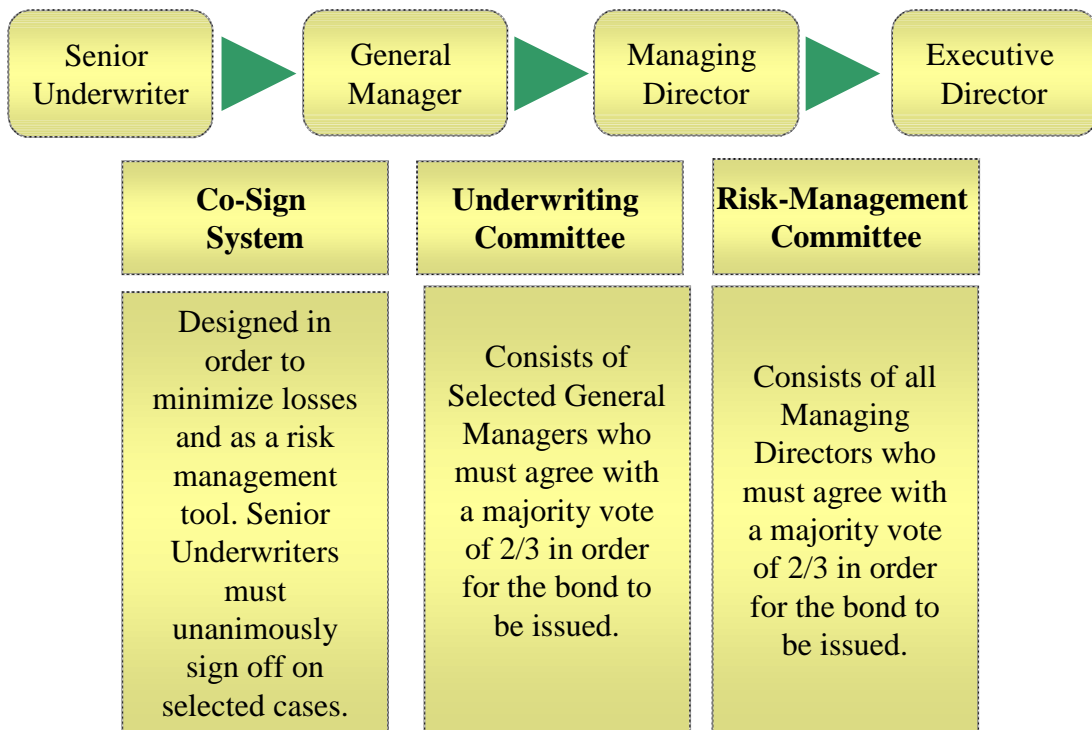
### b. Broaden Branch Authority

Branch office underwriters will be delegated more underwriting authority for companies with credit ratings in the upper bracket of the credit rating system. This procedure was enacted to increase the sales level for companies that have relatively no or very minimal risk.

## NEW UNDERWRITING PROCEDURE

### UNDERWRITING PROCEDURE

The steps in the underwriting procedure vary upon the risk category the bond is classified. Depending on the risk category the bond is placed in, the steps in underwriting procedure will differ. A bond does not have to proceed through all steps in order for the bond to be issued.





<b>GUARANTEE INSURANCE</b>	<b>CONTRACT BONDS</b>	Bid Bond
		Performance Bond
		Maintenance Bond
		Cost Difference Bond
		Advance Payment Bond
		Design and Supervision Bond
		Material Qualification Bond
		Construction Performance Bond
		Sale on Lots Bond
	<b>FIDELITY</b>	Fidelity Bond
	<b>OTHERS</b>	Credit Bond
		Credit Sales Bond
		Education/Training Expense Bond
		Personal Guarantor Bond
		Bail Bond
		Taxation Bond
		License & Permit Bond
		Court Bond
		Credit Card Insurance
		Pre-Paid Ticket Bond
		Overseas Return Bond
		E-Commerce Bond
<b>CREDIT INSURANCE</b>	<b>COMMERCIAL CREDIT</b>	Commercial Credit Insurance
	<b>CONSUMER CREDIT</b>	Credit Card Credit Insurance
		House Rental Credit Insurance
		Guarantor Loss Guarantee Credit
		Installment Credit Insurance
		Small Loan Credit Insurance
	<b>MORTGAGE CREDIT</b>	Mortgage Credit Insurance
<b>FINANCIAL GUARANTEE</b>	<b>FINANCIAL GUARANTEE</b>	Lease Bond
		Small Loan Bond
		Individual Housing Loan Bond
		Contractor's Housing Loan Bond
		Employee's Loan Bond
		Installment Sales Bond
		Debenture Bond



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Current Period: March 31, 2004

Previous Period: March 31, 2004

Unit: Korean Won

Description	Current Period		Previous Period	
	Amount		Amount	
<b>Assets</b>				
<b>I. Cash &amp; Deposits</b>		<b>76,597,501,148</b>		<b>51,563,559,609</b>
1. Cash & Deposits	76,597,501,148		51,563,559,609	
(1) Cash	36,361,667		117,793,750	
(2) Deposits	76,561,139,481		51,445,765,859	
<b>II. Securities</b>		<b>2,234,691,023,582</b>		<b>1,832,056,775,365</b>
1. Trading Securities	1,423,870,141,255		1,148,227,096,537	
(1) Stocks	36,513,736,200		24,223,857,500	
(2) Government Bonds	79,900,998,282		0	
(3) Special Purpose Bonds	139,508,633,949		240,760,885,743	
(4) Corporate Bonds	140,400,797,492		10,005,572,581	
(5) Investment Funds	835,661,232,913		683,803,267,758	
(6) Equity Linked Securities	56,484,354,665		0	
(7) Other Securities	135,400,387,754		189,433,512,955	
2. Available For Sale Securities	803,740,263,327		647,046,535,725	
(1) Stocks	502,911,001,395		423,607,754,236	
(2) Equity Investments	23,167,420,000		24,144,354,531	
(3) Government Bonds	60,206,371,479		0	
(4) Special Purpose Bonds	59,767,747,594		38,740,342,575	
(5) Corporate Bonds	105,520,511,765		145,555,930,639	
(6) Investment Funds	16,933,818,649		14,998,153,744	
(7) Equity Linked Securities	30,233,392,445		0	
(8) Other Securities	5,000,000,000		0	
3. Held to Maturity Bonds	1,980,619,000		2,203,108,000	
(1) Government Bonds	354,619,000		364,108,000	
(2) Corporate Bonds	1,626,000,000		1,839,000,000	
4. Applicable to Equity Method Securities	5,100,000,000		34,580,035,103	
(1) Stocks	5,100,000,000		34,580,035,103	
(2) Equity Investments	0		0	



Description	Current Period		Previous Period	
	Amount		Amount	
<b>III. Loans</b>		<b>6,391,854,168</b>		<b>188,903,130,139</b>
Allowance for Doubtful Accounts	(42,024,376,867)		(22,660,770,815)	
Present Value Discount	0		(874,534,185)	
1. Call Loans	0		80,000,000,000	
2. Loans Secured by Real Estate	540,447,800		414,539,800	
3. Unsecured Loans	3,972,153,938		5,018,023,914	
4. Advance Payments on Acceptances & Guarantees	1,249,439,347		1,951,388,654	
5. Other Loans	42,654,189,950		125,054,482,771	
<b>IV. Non-Current Assets</b>		<b>149,216,195,409</b>		<b>149,483,556,795</b>
1. Tangible Assets	149,216,195,409		149,483,556,795	
(1) Land	52,204,119,591		53,371,472,906	
(2) Buildings	96,827,312,915		96,641,838,140	
Accumulated Depreciation	(12,379,854,005)		(10,456,127,095)	
(3) Structures	1,041,098,555		1,032,656,317	
Accumulated Depreciation	(110,655,963)		(101,524,049)	
(4) Furniture & Equipment	28,848,662,623		24,165,322,314	
Accumulated Depreciation	(17,540,290,521)		(15,425,912,870)	
(5) Vehicles	890,501,140		747,484,750	
Accumulated Depreciation	(564,698,926)		(491,653,618)	
<b>V. Other Assets</b>		<b>613,123,897,007</b>		<b>667,874,138,639</b>
1. Insurance Receivable	39,975,151,658		51,207,708,905	
Reserve for Bad Debts	(493,681,271)		(1,077,250,313)	
2. Other Account Rec	123,670,891,711		109,802,319,388	
Reserve for Doubtful Account	(37,159,866,630)		(32,970,735,353)	
3. Leasehold & Other Deposits	23,745,409,029		22,679,695,639	
4. Accrued Income	12,375,057,619		3,941,621,544	
Reserve for Doubtful Account	(39,679)		(118,788)	
5. Prepaid Expense	207,002,764		192,933,931	
6. Compensation Receivable	411,491,098,898		445,832,011,897	
7. Advanced Payments	19,281,080		31,896,830	
8. Prepaid Income Taxes	4,210,355,226		6,336,626,151	
9. Prepaid VAT	21,322,877		26,211,688	
10. Security Deposit	25,916,334,000		22,976,670,000	
11. Other Assets	9,145,579,725		38,894,547,120	
<b>Total Assets</b>		<b>3,080,020,471,314</b>		<b>2,889,881,160,547</b>

Description	Current Period		Previous Period	
	Amount		Amount	
<b>Liabilities</b>				
<b>I. Insurance Reserve</b>		<b>1,009,287,465,367</b>		<b>1,020,357,890,956</b>
Reserve Adjustment Account for R/I ceded	(122,410,985,712)		(117,616,111,939)	
(1) Reserve for Outstanding Claims	381,395,265,262		444,912,526,125	
(2) Unearned Premium Reserve	750,303,185,817		693,061,476,770	
<b>II. Reserve for Contingency</b>		<b>41,037,641,601</b>		<b>0</b>
<b>III. Other Liabilities</b>		<b>1,249,306,585,201</b>		<b>1,453,882,656,139</b>
1. Unpaid Payable	45,143,334,933		54,528,289,536	
2. Other Accounts Payable	80,244,246,315		196,912,356,571	
3. Accrued Expenses	16,480,515,413		40,938,411,404	
4. Reserve for Severance Benefits	6,374,977,350		5,378,891,560	
National Pension Fund Benefits	(19,863,900)		(26,803,400)	
5. Premiums Received in Suspense	333,841,412		270,415,680	
6. Borrowings	1,055,632,694,732		1,109,010,226,791	
7. Advances from Customers	20,994,038,370		13,236,153,435	
8. Withholdings	8,885,888,094		18,037,009,330	
9. Unearned Income	429,903,970		1,394,591,535	
10. Accrued VAT	80,054,908		87,214,575	
11. Leasehold Deposits Received	13,386,580,700		12,624,447,300	
12. Other Liabilities	1,340,372,904		1,491,451,822	
<b>Total Liabilities</b>		<b>2,299,631,692,169</b>		<b>2,474,240,547,095</b>
<b>Stockholder's Equity</b>				
<b>I. Capital Stock</b>		<b>10,331,886,000,000</b>		<b>10,331,886,000,000</b>
1. Common Stock	1,331,886,000,000		1,331,886,000,000	
2. Preferred Stock	9,000,000,000,000		9,000,000,000,000	
<b>II. Retained Earnings</b>		<b>(9,604,533,530,113)</b>		<b>(9,848,022,000,916)</b>
1. Retained Earnings	(9,604,533,530,113)		(9,848,022,000,916)	
(Accumulated Deficit)				
Before Disposition				
Net Income (Loss) for the Year	243,488,470,803		(161,526,910,177)	
<b>III. Capital Adjustment</b>		<b>53,036,309,258</b>		<b>(68,223,385,632)</b>
1. Discounts on Stock Issuance	(8,642,957,600)		(8,642,957,600)	
2. Gains on Valuation of Available for Sale Securities	61,679,266,858		(59,580,428,032)	
(Losses on Valuation of Available for Sale Securities)				
<b>Total Shareholder's Equity</b>		<b>780,388,779,145</b>		<b>415,640,613,452</b>
<b>Total Liabilities and Shareholder's Equity</b>		<b>3,080,020,471,314</b>		<b>2,889,881,160,547</b>

For the Years Ended March 31, 2004 and 2003

Unit: Korean Won

Description	Current Period		Previous Period	
		Amount		Amount
<b>I. Operating Revenues</b>		<b>1,157,655,954,366</b>		<b>956,576,429,350</b>
1. Premium Revenues	891,377,004,156		885,692,117,199	
① Primary Premium Revenues	943,017,705,283		937,392,141,739	
② Assumed R/I Premium Revenues	9,168,426,110		8,748,063,311	
③ Cancellation Refund	60,809,127,237		60,448,087,851	
2. Reinsurance Revenues	28,125,662,236		30,352,115,924	
① R/I Benefits Received	77,924,892,936		81,802,932,828	
② Refund of R/I Claims Recovered	49,799,230,700		51,450,816,904	
3. Interest Revenues	60,014,544,832		72,024,860,487	
4. Dividend Income	35,267,784,794		6,334,991,331	
5. Rental Revenues	3,556,275,238		4,024,410,252	
6. Gains on Sale of Trading Securities	35,543,153,590		4,333,462,546	
7. Gain on Valuation of Trading Securities	27,681,489,844		9,864,395,568	
8. Indemnity Gains	(45,407,741,218)		(181,855,777,217)	
9. Fees Revenues	11,276,712		0	
10. Miscellaneous Gains	22,627		6,756	
11. Expenses Recovered	121,486,481,555		125,805,846,504	
<b>II. Operating Expenses</b>		<b>849,978,524,146</b>		<b>639,525,986,993</b>
1. Contribution to Insurance Reserve	(11,070,425,589)		49,300,651,668	
① Contribution to Reserve for Outstanding Claims	(67,462,293,733)		(37,725,764,777)	
② Contribution To Unearned Premium Reserve	56,391,868,144		87,026,416,445	
2. Contribution to Reserve for Contingency	41,037,641,601		0	
3. Claims Paid	395,691,404,097		209,713,077,720	
① Primary Claims	1,170,225,025,502		936,708,821,440	
② R/I Claims Paid	5,686,079,320		5,384,833,242	
③ Refund of Claims Paid	779,170,808,574		732,097,143,645	
④ Refund of R/I Claims Paid	1,048,892,151		283,433,317	
4. R/I Premium	65,092,601,877		54,734,256,804	
① R/I Premium	71,074,561,635		62,076,621,456	
② Return of Cancellation Refund Received	5,981,959,758		7,342,364,652	
5. Interest Expenses	69,586,223,210		76,645,327,561	
6. Losses on Sale of Trading Securities	5,360,408,555		34,689,204,630	
7. Loss on Valuation of Trading Securities	75,087,430		28,079,554,617	
8. Operating Expenses	256,480,235,941		160,293,291,883	
9. Property Maintenance Expenses	25,677,247,654		23,813,417,664	
10. Maintenance Expenses on Real-Estate Investments	1,304,236,687		1,447,149,683	
11. Depreciation Expenses on Property	743,862,683		810,054,763	



Description	Current Period		Previous Period	
		Amount		Amount
<b>III. Operating Income (Operating Loss)</b>		<b>307,677,430,220</b>		<b>317,050,442,357</b>
<b>IV. Non-Operating Revenues</b>		<b>38,864,179,175</b>		<b>15,767,612,043</b>
1. Gains on Sale of Available For Sale Securities	23,301,705,229		1,703,412,820	
2. Gains on Sale of Applicable to Equity Method Security	546,551,240		0	
3. Equity Income on Investments	0		495,887,297	
4. Gains on Derivatives Transactions	7,000,000		0	
5. Gains on Disposition of Property & Equipment	1,106,081,290		184,913,232	
6. Gains on Foreign Currency Transactions	106,952,504		163,617,605	
7. Gain on Foreign Currency Transactions	494,410,647		595,551,146	
8. Reversal of Allowance for Doubtful Accounts	594,086,584		1,523,522,589	
9. Miscellaneous Non Operating Gains	12,707,391,681		11,100,707,354	
<b>V. Non-Operating Expenses</b>		<b>101,936,992,686</b>		<b>397,045,903,334</b>
1. Loss on Sale of Available for Sale Securities	22,727,255,267		7,966,642,395	
2. Impairment Losses on Available for Sale Stocks	60,444,302,104		15,227,330,000	
3. Impairment Losses on Available for Sale Bonds	7,701,074,720		192,500,000,000	
4. Losses on Disposition of Property & Equipment	1,895,816		56,727,775	
5. Losses on Foreign Currency Transaction	111,239,915		24,533,170	
6. Losses on Foreign Currency Transaction	366,988,245		691,323,973	
7. Donations	46,300,000		55,154,000	
8. Amortization of Intangible Assets	0		152,094,611,887	
9. Miscellaneous	10,537,936,619		28,429,580,134	
Non-operating Losses				
<b>VI. Gains(Losses) Before Extraordinary Gains/Loss and Income Taxes</b>		<b>(63,072,813,511)</b>		<b>(381,278,291,291)</b>
<b>VII. Extraordinary Gains</b>		<b>55,802,000</b>		<b>1,847,780,280</b>
1. Gains from Liabilities Exempted	0		0	
2. Other Extraordinary Gains	55,802,000		1,847,780,280	
<b>VII. Extraordinary Losses</b>		<b>1,171,947,906</b>		<b>99,146,841,523</b>
1. Other Extraordinary Losses	1,171,947,906		99,146,841,523	
<b>IX. Income (Loss) Before Income Tax Expenses</b>		<b>(64,188,959,417)</b>		<b>(478,577,352,534)</b>
<b>X. Income Tax Expenses</b>		<b>0</b>		<b>0</b>
<b>XI. Net Income (or Net Loss)</b>		<b>(64,188,959,417)</b>		<b>(478,577,352,534)</b>
Ordinary Income per Share				
Current: 918				
Previous: (241)				
Earning per share				
Current: 914				
Previous: (606)				

# STATEMENT OF LOSS DISPOSITION



For the Years Ended March 31, 2004 and 2003  
 Dates of Appropriation June 14, 2004 and May 30, 2003  
 Unit: Korean Won

Description	Current period		Previous period	
	Amount		Amount	
<b>I. Accumulated Deficit before Disposition</b>		(9,604,533,530,113)		(9,848,022,000,916)
1. Undisposed Accumulated Deficit Carried Over from Prior Years	(9,848,022,000,916)		(9,686,495,090,739)	
2. Net Income For the Year	243,488,470,803		(161,526,910,177)	
<b>II. Disposition</b>				
1. Transfer from Capital Surplus				
<b>III. Undisposed Accumulated Deficit to be Carried over to Subsequent Year</b>		(9,604,533,530,113)		(9,848,022,000,916)

For the Years Ended March 31, 2004 and 2003

Unit: Korean Won

Description	Current period		Previous period	
	Amount		Amount	
<b>I. Cash flows from Operating Activities</b>		294,303,225,735		(36,806,749,460)
1. Net Income For the Year	243,488,470,803		(161,526,910,177)	
2. Additions to Net Income of Non-Cash Expenses	247,099,832,004		723,069,603,099	
Net Increase in Policy Reserve	0		49,300,651,668	
Contribution to Reserve for Contingency	41,037,641,601		0	
Bad Debts	24,917,431,582		24,244,527,345	
Depreciation Expense	6,193,661,442		4,101,860,269	
Depreciation Expense on Investment in Real Estates	743,862,683		810,054,763	
Amortization of Intangible Assets	0		152,094,611,887	
Interest Expense	25,630,760,426		22,910,169,095	
Retirement & Severance Benefits	5,903,952,720		5,980,759,840	
Loss on Foreign Exchange Translations	366,988,245		691,323,973	
Losses on Sale of Trading Securities	5,360,408,555		34,689,204,630	
Losses on Valuation of Trading Securities	75,087,430		28,079,554,617	
Losses on Sale of Available For Sale Securities	22,727,255,267		7,966,642,395	
Impairment Losses on Available For Sale Stocks	60,444,302,104		15,227,330,000	
Impairment Losses on Available For Sale Bonds	7,701,074,720		192,500,000,000	
Loss on Valuation of Stock Market Stabilization Fund	0		500,301,758	
Loss on Disposition of Tangible Assets	1,895,816		56,727,775	
Compensation Loss	45,407,741,218		181,855,777,217	
Miscellaneous Losses	587,768,195		2,060,105,867	
3. Deductions from Net Income of Non-cash Revenues	102,147,208,674		20,549,954,401	
Net Decrease in Policy Reserve	11,070,425,589		0	
Reversal of Allowance for Bad Debts	594,086,584		1,523,522,589	
Gain on Foreign Exchange Translations	494,410,647		595,542,533	
Gains on Sale of Trading Securities	35,543,153,590		4,333,462,546	
Gain on Valuation of Trading Securities	27,681,489,844		9,864,395,568	
Gains on Sale of Available For Sale Securities	23,301,705,229		1,703,412,820	
Gains on Sale of Applicable to Equity Method Security	546,551,240		0	
Equity Income on Investments	0		495,887,297	
Gain on Disposition of Tangible Assets	1,106,081,290		184,913,232	
Miscellaneous Income	1,753,502,661		1,037,536	
Other Extra-ordinary Income	55,802,000		1,847,780,280	
Decrease in Insurance Receivable	11,725,241,992		36,286,320,073	
Increase in Other Accounts Receivable	(14,014,030,172)		(6,776,043,086)	
Increase in Accrued Income	(8,433,436,075)		(2,014,400,880)	
Decrease in Prepaid Expense	(14,068,833)		(1,710,479)	
Decrease in Advanced Payments	12,615,750		0	
Decrease in Prepaid Income Taxes	2,126,270,925		(556,581,996)	
Decrease in Prepaid VAT	4,888,811		3,029,808	



Description	Current period		Previous period	
	Amount		Amount	
Decrease in Unpaid Payable	(9,751,942,848)		(11,903,230,727)	
Decrease in Other Accounts Payable	(116,668,110,256)		(307,303,083,053)	
Increase in Accrued Expenses	(24,457,895,991)		(271,562,567,876)	
Increase in Premiums Received in Suspense	63,425,732		172,073,077	
Increase in Advance from Customers	50,695,179,988		(1,375,920,482)	
Decrease in Withholdings	(9,151,121,236)		(13,963,708,048)	
Increase in Unearned Income	(964,687,565)		1,379,879,176	
Decrease in Accrued VAT	(7,159,667)		(231,488,074)	
Decrease in Other Liabilities	(151,078,918)		(2,444,436,964)	
Payment of Severance Indemnities	(4,907,866,930)		(2,179,556,540)	
Decrease in National Pension Fund Benefits	6,939,500		3,799,500	
<b>II. Cash flows from investing activities</b>		<b>(192,014,494,372)</b>		<b>26,181,592,113</b>
1. Cash inflows from Investing Activities	<b>4,211,008,211,929</b>		<b>4,276,365,766,227</b>	
Sale of Trading Securities	3,921,286,452,491		3,687,703,423,214	
Sale of Available for sale Securities	178,651,230,106		70,862,395,593	
Sale of Held To Maturity Bonds	263,674,000		0	
Sale of Applicable to Equity Method Securities	23,492,700,504		0	
Decrease in Loans	84,166,041,853		516,431,574,921	
Disposal of Land	2,222,697,660		68,285,576	
Disposal of Buildings	111,501,545		210,351,424	
Disposal of Structures	8,177,270		0	
Disposal of Furniture & Equipment	13,340,000		134,384,469	
Disposal of Vehicles	30,263,100		58,421,300	
Decrease in Leasehold Depoist	0		896,929,730	
Increase in Leasehold Depoist	762,133,400		0	
2. Cash outflows from Investing Activities	<b>4,403,022,706,301</b>		<b>4,250,184,174,114</b>	
Acquisition of Trading Securities	4,139,140,349,760		3,585,676,363,403	
Acquisition of Available for sale Securities	244,239,706,741		63,113,419,546	
Acquisition of Held to Maturity Bonds	41,185,000		0	
Acquisition of Applicable to Equity Method Sec.	5,100,000,000		33,146,585,840	
Increase in Loans	2,544,130,570		556,706,683,035	
Acquisition of Land	50,226,685		44,835,377	
Acquisition of Buildings	234,112,935		48,825,323	
Acquisition of Structures	22,550,000		0	
Acquisition of Furniture & Equipment	7,367,501,170		8,308,052,260	
Acquisition of vehicles	277,566,050		238,935,730	
Increase in Leasehold Depoist	1,065,713,390		0	
Increase in Security Deposit	2,939,664,000		1,184,310,000	
Decrease in Leasehold Deposit Received	0		1,716,163,600	
<b>III. Cash flows from Financing Activities</b>		<b>(77,254,789,824)</b>		<b>(65,487,309,337)</b>
1. Commercial Paper Issue	<b>0</b>		<b>0</b>	
2. Cash outflows from Financing Activities	<b>77,254,789,824</b>		<b>65,487,309,337</b>	
Borrowings	77,254,789,824		65,487,309,337	
<b>IV. Net Increase in cash &amp; equivalents (I+ II+III)</b>		<b>25,033,941,539</b>		<b>(76,112,466,684)</b>
<b>V. Beginning Cash &amp; equivalents</b>		<b>51,563,559,609</b>		<b>127,676,026,293</b>
<b>VI. Ending Cash &amp; equivalents</b>		<b>76,597,501,148</b>		<b>51,563,559,609</b>



## Deloitte & Touché

21<sup>st</sup> & 22<sup>nd</sup> floor, Chaeil Bank Building  
Chongno-Gu, Seoul, South Korea

### To the Shareholders and Board of Directors of Seoul Guarantee Insurance Company

We have audited the accompanying balance sheet of Seoul Guarantee Insurance Company as of March 31, 2004, and the related statements of income, proposed disposition of deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. For this purpose, we conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea, which requested us to plan and execute audits to reasonably ensure that the financial statements are not distorted in any such manner.

In our opinion, the financial statements referred to above; expressed in Korean Won, present fairly the financial position of Seoul Guarantee Insurance Company as of March 31, 2004. The results of operations and deficits and its cash flows for the year then ended, is in compliance with the insurance-related laws and accounting regulations of non-life insurance companies and the general accepted principles of business accounting.


The financial statements for fiscal year 2003 beginning on April 1, 2003 and ending on March 31, 2004 were presented for comparative purposes and audited by Deloitte & Touché, with which express an unqualified opinion thereon.

Deloitte

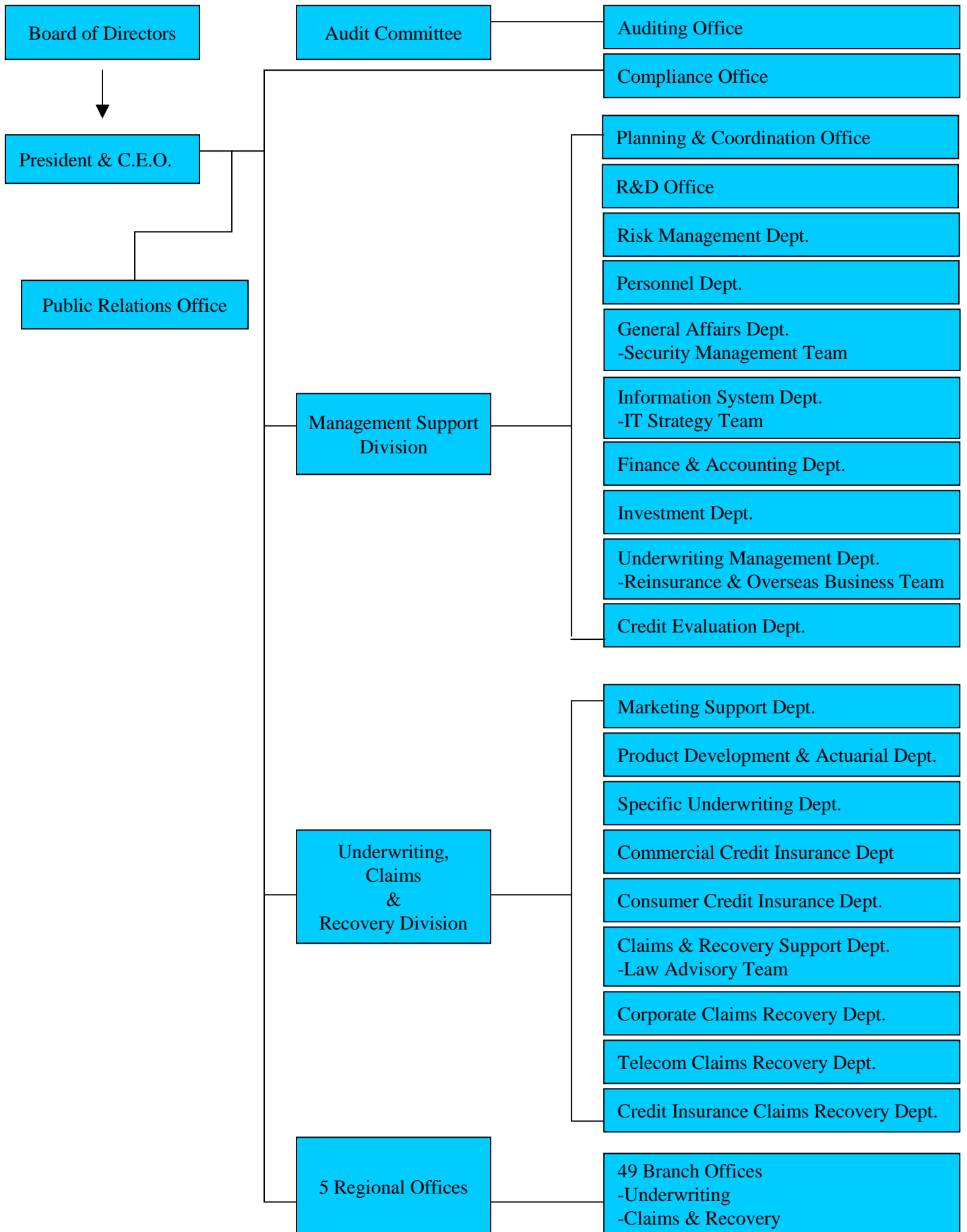
Touché

Tohmatsu

하나회계법인  
대표이사 공인회계사 이재술  
2004년 5월 14일



# ORGANIZATIONAL CHART



# REGIONAL & BRANCH OFFICES



City	Address	Telephone	Fax
<b>Regional Offices</b>			
Head Quarters	136-74 Yeunji-dong, Chongro-gu, Seoul	82-2-3671-7000	82-2-3671-7400
Kyung-In	1023-3 Gwonseon-dong, Gwonseon-gu, Suwon-City	82-031-267-0031	82-031-267-0749
Choongbu	79-14 Seonhwa 2-Dong, Jung-Gu, Dae-Jeon	82-042-242-0033	82-042-222-0086
Youngnam	3 Ga 1Beonji, Jung-ang-Dong, Jung-Gu, Busan	82-051-466-7721	02-051-465-8710
Kangnam	4-15 Nonheun-dong, Kangnam-gu, Seoul	82-2-3445-2458	82-2-3445-3093
Kyung-Buk	70 Seorin-dong, Chongro-gu, Seoul	82-2-722-4292	82-2-722-4293
<b>Branch Offices</b>			
Youngdeungpo	442-21 4Ga, Youngdeungpo-Dong, Youngdeungpo-G, Seoul	82-2-2679-0021	82-2-2671-5143
Dongdaemun	101-2 Shinsul-Dong, Dongdaemun-G, Seoul	82-2-924-0031	82-2-923-6873
Kwanghwamun	136 Seo-Lin-Dong, Jongno-Gu, Seoul	82-2-734-0021	82-2-734-1158
Kwangkyo	88 Da-Dong, Jung-Gu, Seoul	82-2-774-2101	82-2-774-2109
Namdaemun	58-7 Seosomun-dong, Donghwa Bldg, Jung-Gu, Seoul	82-2-756-4151	82-2-777-6557
Kangnam	648-23 Yeoksam-Dong, Kangnam-Gu, Seoul	82-2-567-0021	82-2-569-6457
Chamsil	7-25 Shincheon, Songpa-Gu, Seoul	82-2-3434-0021	82-2-3434-0808
Chongno	136-74 Yeonji-Dong, Jongno-Gu, Seoul	82-2-3671-7100	82-2-3671-7130
Yoido	35-4 Yoido-Dong, Youndeungpo-Gu, Seoul	82-2-782-5021	82-2-782-5026
Samsung	944-11 Daechi-Dong, Kangnam-Gu, Seoul	82-2-562-0021	82-2-566-0011
Shinsa	1 Nonheun-Dong, Kangnam-Gu, Seoul	82-2-543-0021	82-2-543-0032
Seocho	1319-5 Seocho-Dong, Seocho-Gu, Seoul	82-2-3474-0021	82-2-3474-6838
Seodaemun	368 Chungjeogno 3-Ga, Seodaemun-Gu, Seoul	82-2-363-0021	82-2-364-0021
Incheon	1144-13 Kuweol-Dong, Nam-Gu, Incheon	82-032-428-0021	82-032-424-9400
Suwon	1023-3 Kwonsun-Dong, Kwonsun-Gu, Suwon, Kyung-gi	82-031-236-0021	82-031-239-6364
Anyang	627-1 Anyang 5 Dong, Man-an-Gu, Anyang, Kyung-gi	82-031-447-0021	82-031-443-0933
Sungnam	3440 Taepyeong 2-Dong, Sujung-Gu, Sungnam, Kyung-gi	82-031-756-0021	82-031-755-1257
Ansan	523 Kojan-Dong, Ansan, Kyung-gi	82-031-484-0021	82-031-486-3921
Bucheon	355-1 Shimgok 1-Dong, Wonmi-Gu, Bucheon, Kyung-gi	82-032-651-0021	82-032-652-0021
Ouijungbu	370-9 Oui-jung-bu 3-Dong, Oui-jung-bu, Kyung-gi	82-031-877-0021	82-031-877-7005
Pyungtek	34-1 Pyungtek-Dong, Pyungtek, Kyung-gi	82-031-651-0031	82-031-651-0039
Chuncheon	18-8 Yoseon-Dong, Chuncheon, Kangwon	82-033-257-0021	82-033-253-7261
Kangleung	159 Okcheon-Dong, Kangleung, Kangwon	82-033-641-0021	82-033-641-4871
Wonju	862 Dange-Dong, Wonju, Kangwon	82-033-745-0012	82-033-743-8211
Daejeon	926 Dunsan-Dong, Seo-Gu, Dae-Jeon	82-042-257-0031	82-042-257-0032
Cheongju	1508-1, Gakyung-Dong, Heungdeuk, Cheongju, North Chungchung	82-043-223-0021	82-043-236-2442
Cheon-an	467-1 Shinbu-Dong, Cheon-an, South Chungchung	82-041-561-0031	82-041-562-0688
Jeonju	636-1 Seo-no-song-Dong, Deukjin-Gu, Cheon, Cheonju	82-063-276-0021	82-063-278-0405
Kunsan	10-35 Jangmi-Dong, Kunsan, Chjeonbuk	82-063-445-0021	82-063-443-0747
Kwangju	9-2 3Ga Kumnamro, Dong-Gu, Kwangju	82-062-225-0021	82-062-225-8016
Suncheon	1317-1 Yeon hyang-Dong, Suncheon, South Jeonla	82-061-742-0021	82-061-745-5746
Mokpo	1 Myoung-run-Dong Mokpo South Jeonla	82-061-245-0021	82-061-243-7721
Jeju	1690-8 1 Dong, iido, Jeju	82-064-755-0021	82-064-753-8586
Daegu	110 Deuksan-Dong, Chung-Gu, DaeGu	82-053-253-6611	82-053-253-2453
Pohang	203-10 2 Dong, Jukdo, Buk-Gu, Pohang, North Kyungsang	82-054-283-0021	82-054-277-8564
Andong	333-3 Dangbuk-Dong, AnDong, North Kyungsang	82-054-857-0021	82-054-857-4359
Gumi	274-9 Songjung-Dong Saehan Building 1st Floor, Gumi, North	82-054-453-0025	82-054-453-0028
Seodae-gu	87-36 Duru-Dong, Dalseo-Gu, DaeGu	82-053-624-0021	82-053-621-6502
Busan	1 Bunji 3Ga Jung-ang-Dong, Jung-Gu, Busan	82-051-465-0021	82-051-463-8191
Donglae	150-6 GeoJe 1-Dong, Yoenje-Gu, Busan	82-051-503-0021	82-051-503-0035
Bujeon-dong	163-1 Bujeon 2- Dong, Busanjin-Gu, Busan	82-051-806-0321	82-051-806-0721
Ulsan	1367-10 Dal-Dong, NamGu, Ulsan	82-052-274-0021	82-052-268-8650
Jinju	5-7 Dongsung-Dong, Jinju, South Kyungsang	82-055-745-7021	82-055-745-3943
Changwon	75-4 Sangnam-Dong, Changwon, South Kyungsang	82-055-279-0021	82-055-279-6261
Gimhae	626-16 Buwon-Dong, Gimhae, South	82-055-328-0141	82-055-328-0061
**Guro	222-7 Guro-dong, Guro-ku, Seoul	82-2-846-0021	82-2-836-2630
**Ilsan	896-1 Janghang-Dong, Ilsan-Ku, Goyang, Kyung-gi	82-031-905-0031	82-031-904-1438
**Bupyeong	387-4 Bupyeong-Dong, Bupyeong-Ku, Incheon-City	82-032-521-0021	82-032-521-0041
**Seosan	985-1 Dongmun-Dong, Seosan, Chungnam	82-041-669-0031	82-041-669-9170
**New Branches			