



People to People, Companies to Companies!

Whenever Guarantee is needed, **Seoul Guarantee Insurance** is there!

2002

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PRESIDENTS LETTER

As we send out our deepest gratitude to you, who have always supported and encouraged our company's prosperity, we would like to present the 2002 Annual Report for the 36th year of Seoul Guarantee Insurance Company.



Our Company has risen above the difficulties of the domestic economy this past year, as all employees united together to exceed management's goal, recording 317.1 billion Korean Won in operating income. The profitability and financial stability of the Company has taken a favorable turn.

Particularly, a Memorandum of Understanding (MOU) has been formed between the President and Directors for a more effective system of management responsibility. The MOU directs responsibility upon directors achieving the stated goals under their management. Also, the entire company has focused on efficiently and continuously promoting the company's campaign for reformation awareness, "Dash 2."

In the underwriting sector, the Company has introduced a new rate system, which allows substitution of a premium instead of a co-signer. Also, an additional discount rate system has been created for specialized cases for particular companies in order to remain competitive in an ever-changing business environment. We also, sharply reduced the amount of guarantees to individuals to undertake the deterioration of individual credit risk. Also, through strategic cooperation with multinational insurance companies, we were able to prepare for the magnification and opening of the credit insurance market.

In the recovery sector, as a leading corporation in the restructuring of insolvent enterprises, the Company achieved an increase in recovery ratio. The Company strengthened management's efficiency of claim resources and the recovery of core quality through the improvement of debt reduction and exemption, specialization of auction business, and development of our Collection System (CLS).

RESULTS BY SECTORS

In the Premium sector, written premiums increased by 31.9%, from 665 billion Korean Won in 2001 to

877.3 billion Korean Won in 2002. By business line, credit insurance increased 97.3%; products relating to housing increased 48.7%; low loss ratio products including License and Permit bond increased 26.3%, Fidelity Bonds 12.6%, Court Bonds 17.3%; while high loss ratio products including Debenture Bonds, Taxation Bonds, Lease Bonds, and Small Loan Bonds experienced a large slump in their results.

In the Claims sector, claims paid decreased an outstanding 6 trillion 609.6 billion Korean Won, from 7 trillion 546.3 billion Korean Won in 2001 to 936.7 billion Korean Won this year, due to the completion of claim payment from the public funds received last year. This year, the loss ratio for Small Loan Bonds and Credit Insurance significantly increased due to the deterioration of individual credit risk. And by reason of the aged credit receivables, recovery diminished 238 billion from 970.1 billion the year prior to 732.1 billion in 2002.

In the Reinsurance sector, our reinsurance operations showed a loss of 7.6 billion Korean Won, down from 22.9 billion won in income in the year prior, with a profit of 0.4 billion Korean Won in inward retrocession insurance and a loss of 8 billion in outward retrocession insurance.

In the investment division, investment earnings decreased 73 billion Korean Won from 171.9 billion Korean Won in the year prior to 98.9 billion Korean Won this year due to the fall in interest rates and stagnation in the stock market, thus, resulting 4.2% in investment earning ratio.

However, with disregard to the large progress in operating income, a net loss of 161.5 billion Korean Won was reflected in the Company's results. Due to the 5th year of depreciation in goodwill that occurred during the merger of the Company in 1998, which amounts to 152.1 billion Korean Won and the appraisal loss of 192.5 billion Korean Won for convertible bonds of a Workout Company, Ssangyong Cement, as well as, the change in evaluation methodology for "Goosang Chaekwon", our results reflected a loss of 146.5 billion Korean Won from the difference in valuation, and a total amount of 491.1 billion Korean Won in non-operating loss.

A LOOK FORWARD

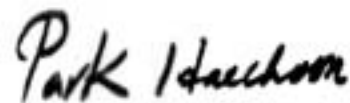
Even with the Iraq War at an end, there are still distinct uncertainties in the world economy. The national economy faces continued uncertainty and uneasiness in the financial industry. The stagnation of domestic demand and the lack of investment due to the recovery delay of investment mentality have become major obstacles in the recovery of the economy. Further more, issues including market competition all the more deepening and the expectation of an increase in corporation and individual insolvencies are prospected to be the primary obstacles for the Company's management normality.

The entire Company has distinctly recognized these types of domestic crisis conditions and is prepared to face these challenges, as well as, continue the persistent growth of the Company. In the underwriting sector, to magnify our grip on the market, we will develop new and substitution products and will raise price competition. In addition, we will expand the underwriting infrastructure and strengthen risk management. In the recovery sector, to increase recovery productivity, we will develop new recovery techniques confronting the changes in recovery surroundings, and will efficiently manage recovery resources. Further more, in the credit insurance sector, we have stabilized the loss ratio and developed substitution products.

In addition, we are focused on customer satisfaction, so we are constantly striving to improve our customer services department and concentrating on improving the development of manpower needed for the Company's future growth and prosperity.

We have decided that our working principles for fiscal year 2003 will be to first; fix the profitability of management, second; construct a new leaping foundation, third; strengthen the ability to cope with any given situation, and lastly; continue and strengthen internal management reform. Through these, we hope to promote management normalization and strengthen the growth of being an advanced and prominent 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.



Park, Hae-Choon
President

BOARD OF DIRECTORS



Hae-Choon Park
President
November 25, 1998 ~ Present

Birth Date: May 25, 1948

Education:

- Daejeon High School (1968)
- Yonsei University – B.A. Mathematics (1976)
- Korea University – Advanced Management Program (1992)

Experience:

- 1975 ~ 1977: Green F&M Insurance Co. Long-Term Insurance Department.
- 1977 ~ 1998: Samsung F&M Insurance Co. Planning Dept, Product Development Team, Actuarial Dept.
- 1993: Samsung F&M Insurance Co. Director of Planning & Marketing
- 1998: Samsung F&M Insurance Co. Managing Director of Marketing
- 1998 ~ Present: Seoul Guarantee Insurance Co. President
- 2003 ~ Present: 8th President of the Korea Insurance Actuary Association

Awards

- 1982: Award from the Ministry of Finance, Korea
- 1991: Award from the Governor of the Insurance Supervisory Board



Hak-Tae Jung
Auditor
Auditing Department



Jae-Woong Park
Executive Director
*Planning & Management Division
Finance & Investment Department*



Lack-Moon Kim
Executive Director
Credit Insurance Division



Yong-Deog Kim
Executive Director
Claim & Recovery Division



Hyung-Joon Ahn
Managing Director
Seoul Regional Office



Sung-Pyo Hong
Managing Director
*General Affairs Dept.
Information System Dept.*



Su-Ryong Lee
Managing Director
*Underwriting Support Department
Special Underwriting Department*



Jun-Ki Ahn
Managing Director
*Underwriting Management Department
Credit Evaluation Department*



Si-Ul Kim
Managing Director
Planning & Coordination Office
Strategic Business Team



Byung-Hee Lee
Director
Choongbu Regional Office



Woo-dong Jung
Director
Kyoung In Regional Office



Yang-Gun Suk
Director
Compliance Office

COMPANY PROFILE

For 36 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 need 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, SGI is once again, standing strong with pride with 1,200 experienced employees to serve the needs of the esteemed customers.

SHAREHOLDERS

(Figures in Billion Won)

SHAREHOLDERS		Contribution	Share (%)
KOREA DEPOSIT INSURANCE CORPORATION		10,250.0	99.20
Life Insurance Companies	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
	Sub-Total	63.9	0.62
Non-Life Insurance Companies	Hyundai Marine & Fire 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
	Sub-Total	18.0	0.17
TOTAL		10,331.9	100.00

COMPANY HISTORY

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 headquarters 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***

<i>Increase in capital to 10 trillion 331.9 billion won</i>	<i>November 9, 2001</i>
<i>Increase in capital to 8 trillion 231.9 billion won</i>	<i>October 11, 2001</i>
<i>Increase in capital to 7 trillion 31.9 billion won</i>	<i>September 9, 2001</i>
<i>Increase in capital to 5 trillion 731.9 billion won</i>	<i>July 13, 2001</i>
<i>Increase in capital to 4 trillion 731.9 billion won</i>	<i>December 23, 2000</i>
<i>Increase in capital to 3 trillion 731.9 billion won</i>	<i>September 28, 2000</i>
<i>Increase in capital to 2 trillion 731.9 billion won</i>	<i>August 16, 2000</i>
<i>Increase in capital to 1 trillion 731.9 billion won</i>	<i>March 15, 2000</i>

A LOOK AT SGI SINCE THE MERGER

After the Asian economic crisis in Korea in 1997, two guarantee insurance companies, Korea Guarantee Insurance Company and Hankuk Fidelity and Surety Company, experienced unprecedented difficulties and merged together to continue business under one name, **Seoul Guarantee Insurance Company (SGI)** on **November 25, 1998**.

From the time of the merger, SGI has shown exceptional performance in its underwriting results and have taken various measures for recovery from the crisis. With strong restructuring strategies, the newly formed management has rebuilt SGI into a sturdy company making its way to the top.

The transformation of SGI since November 25, 1998:

1. Complete Cleanup of Past Weaknesses

- 18.45 trillion won in total claims for bonds issued before underwriting year 1997 was cleared up (10.25 trillion won with capital injection, 8.2 trillion won by SGI)
- Daewoo, Samsung Motors, Workout Companies' debenture bonds claim: clean up amounting to 14.2 trillion won

2. Additional Claim Prevention

- There has been a major reduction in claims and decrease in loss ratio. Since the beginning of SGI (from December 1998 ~ March 2003), for underwritten bonds, the loss ratio amounted to 43.5%, and underwriting profit [(premium + recovery) - (claim + outstanding loss)] totaled 1.6 trillion won.
- An improvement in SGI's product portfolio has taken place with a reduction in risk. A limitation has been put on underwriting large risk bonds, which has stabilized risk exposure and eliminated large claims significantly, reducing financial guarantee from 63.1% to 2.6%.

3. Strong Restructuring Force

- Branch offices have declined by 50%, with staff cut down by 55.6%, as well as a salary decrease of 30.8%. All factors considered have reduced operating expense by 29.6%.
- As productivity improved, written premium per person has increased to 133.1% and recovery amount per person rose to 68.7%

4. Maximum Recovery From Receivables

- A recovery of 7 trillion won since the start of Seoul Guarantee Insurance Company
- Established an Asset Management Company (AMC), SG MANAGEMENT, with GE Capital and Merrill Lynch and sold receivables amounting 151 billion won to AMC, which expanded liquidity

5. Strengthening of the Risk Management System

- Effectively managing and controlling risks through the procedure of constantly monitoring risk factors through the risk management committee, risk evaluation committee, risk management team
- Strengthening credit evaluation: Expansion of the Credit Evaluation Department, which has developed the credit evaluation system (Expected Default Frequency)

6. Strengthening of Product Development

- Guarantee Bond Line: Construction Performance Bond, Design and Supervision Bond, Overseas Return Bond, E-Commerce Bond and Material Quality Bond
- Credit Insurance Line: Guarantor Loss Guarantee Credit Insurance, Credit Card Credit Insurance, Small Loan Credit Insurance, Mortgage Credit Insurance

COMPARISON OF UNDERWRITING RESULTS

(Trillion Won)

Content	Korea Guarantee and Hankuk Fidelity & Surety ('94.8' ~ '98.11')	Seoul Guarantee Insurance Company ('98.12' ~ '03.12')	Change
Loss Ratio	182.80%	43.50%	-139.30%
Underwriting Profit	-3.0	1.6	4.60%

 1. Loss Ratio: $(\text{Claim} + \text{Outstanding Loss} - \text{Recovery}) / \text{Premium}$

 2. Underwriting Profit: $(\text{Premium} + \text{Recovery}) - (\text{Claim} + \text{Outstanding Loss})$

DASH 2 PROMOTIONAL CAMPAIGN

Double Achievement of Strategy & Humanity 2

***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 is a company campaign created to enhance the company environment. As our company becomes stable 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 situations and maximize working performance, a new paradigm of consciousness and action is 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 5pm 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 will participate in morning exercise for the improvement of physical health.

“Dash 2” Corporate Volunteerism & Responsibility



Dash 2 Volunteers



Underwriting Dept. at Nanta “Cooking Beats” performance



SGI Environmental Cleanup Volunteers



SGI employee donating blood

ACHIEVEMENTS & HIGHLIGHTS FY2002

KEY FIGURES

(Figures in Thousand Korean Won)

ITEM	FY 2002	FY 2001	Change
Premium Income	885,692	676,951	30.8%
Net Premium Earned	743,931	525,650	41.5%
Incurred Losses	323,491	1,176,114	-72.5%
Net Underwriting Expense	34,487	41,514	-16.9%
Net Underwriting Profit (Loss)	385,953	-691,978	155.8%
Net Investment Income	-282,865	109,883	-357.4%
Extraordinary Gains	-97,299	236,696	-141.1%
Non-Operating Income	-167,316	-255,230	34.4%
Net Profit (Loss)	-161,527	-600,629	73.1%
Loss Ratio *	43.5%	223.7%	-180.2%P
Expense Ratio **	4.6%	7.9%	-3.3%P
Total Assets	3,256,004	3,962,319	-17.8%
Paid in Capital	10,331,886	10,331,886	
Shareholder's Equity	415,641	501,662	-17.1%

1. (*) *Loss Ratio: Ratio of incurred losses to earned premiums*

2. (***) *Expense Ratio: Ratio of net underwriting expenses to earned premiums*

REPORT ON FY 2002 PERFORMANCE

The global economy is still recovering from the events of fiscal year 2001 with world markets struggling to recover from the aftershocks of September 11th, the Japanese economy still in a recession and the possibility of the U.S.- Iraq War. However, Korea was less impacted by these events than almost any other industrialized nation. Korea experienced a 6.3% growth rate in 2002, with the Consumer Price Index increasing 3.7% from last year. In relation to the boost of the Korean economy, SGI performed with growing results in 2002.

In the Premium sector, written premiums increased by 31.9%, from 665 billion Korean Won in 2001 to 877.3 billion Korean Won in 2002. By business line, credit insurance increased 97.3%; products relating to housing increased 48.7%; low loss ratio products including License and Permit bond increased 26.3%, Fidelity Bonds 12.6%, Court Bonds 17.3%; while high loss ratio products including Debenture Bonds, Taxation Bonds, Lease Bonds, and Small Loan Bonds experienced a large slump in their results.

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However, with disregard to the large progress in operating income, a net loss of 161.5 billion Korean Won was reflected in the Company's results. This was due to the 5th year of depreciation in goodwill that occurred during the merger of the Company in 1998, which amounts to 152.1 billion Korean Won and the appraisal loss of 192.5 billion Korean Won for convertible bonds of a Workout Company, Ssangyong Cement, as well as, the change in evaluation methodology for "Goosang Chaekwon", our results reflected

a loss of 146.5 billion Korean Won from the difference in valuation, and a total amount of 491.1 billion Korean Won in non-operating loss.

Looking towards FY2003, the world economy is expected to show about a 3% growth rate due to slow recovering business phases, which is little higher than the 2% growth rate of 2002. There also exists some uncertainty for the international finance world due to the possibility of the U.S.- Iraq War.

The outlook of the Korean economy in FY2003 appears negative, as the progress in financial and corporate restructuring has slowed down. In comparison with the 6.3% growth rate in FY2002, the Korean economic growth rate in the 1st half of 2003 is expected to lower to 3.7% because of low domestic demand and suppression policy for individual loans. On the whole, the annual growth rate for 2003 is expected to be 3.5%. In the midst of this outlook, SGI will pursue a company strategy of constructing a new leaping foundation, strengthening the ability to cope with any critical situation, strengthening internal management reform and revising the focus of underwriting to quality to increase the cash balance.

PRODUCTS

GUARANTEE INSURANCE	Contract Bonds	Bid Bond	
		Performance Bond	
		Maintenance Bond	
		Cost Difference Bond	
		Advance Payment Bond	
		Credit Bond	
		Credit Sales Bond	
		Design and Supervision Bond	
		Material Qualification Bond	
		Construction Performance Bond	
		Sale on Lots Bond	
		Fidelity	Fidelity Bond
			Education/Training Expense Bond
			Personal Guarantor Bond
		Others	Bail Bond
			Taxation Bond
			License and Permit Bond
			Court Bond
			Credit Card Insurance
		Pre-Paid Ticket Bond	
		Overseas Return Bond	
		E-Commerce Bond	
CREDIT INSURANCE	Commercial Credit	Commercial Credit Insurance	
	Consumer Credit	Credit Card Credit Insurance	
		House Rental Credit Insurance	
		Guarantor Loss Guarantee	
		Credit Insurance	
		Installment Credit Insurance	
		Small Loan Credit Insurance	
Mortgage Credit	Mortgage Credit Insurance		
FINANCIAL GUARANTEE	Financial Guarantee	Lease Bond	
		Small Loan Bond	
		Individual Housing Loan Bond	
		Contractor's Housing Loan Bond	
		Employee's Loan Bond	
		Installment Sales Bond	
		Debenture Bond	

RESULTS BY LINE (OPERATIONAL SECTORS)

A. Original Insurance

(1) Premiums

(Figures in thousand won,%)

Type of Bonds	FY 2002		FY 2001		Change	
	Amount (A)	Distribution (%)	Amount (B)	Distribution (%)	Variation (A-B)	Percentage (%)
Fidelity Contract ⁽¹⁾	39,842	4.5	35,394	5.3	4,448	12.6
Taxation	270,739	30.9	274,488	41.3	3,749	-1.4
Lease	3,133	0.4	4,936	0.7	1,803	-36.5
Small Loan	80	0.0	263	0.0	343	-130.4
Housing ⁽²⁾	21,143	2.4	26,579	4.0	5,436	-20.5
License & Permit	38,235	4.4	25,717	3.9	12,518	48.7
Installment Sales	31,520	3.6	24,953	3.8	6,567	26.3
Debenture Bond	1,233	0.1	2,365	0.4	1,132	-47.9
Court	3,254	0.4	18,847	2.8	15,593	-82.7
Credit Insurance ⁽³⁾	24,889	2.8	21,220	3.2	3,669	17.3
Nuclear	421,449	48.1	213,643	32.1	207,806	97.3
Other ⁽⁴⁾	1,179	0.1	870	0.1	309	35.5
Total	877,267	100.0	665,014	100.0	212,253	31.9

1. Bid Bond, Performance Bond, Maintenance Bond, Cost Difference Bond, Advance Payment Bond, Credit Bond, Credit Sales Bond
2. Individual Housing Loan Bond, Contractor's Housing Loan, Bond
3. Commercial Credit Insurance, Installment Credit Insurance, Credit Card Credit Insurance, Guarantor Loss Guarantee Credit Insurance, Small Loan Credit Insurance, Mortgage Credit Insurance, House Rental Credit Insurance
4. Education/Training Expense Bond, Bail Bond, Design and Supervision Bond, Pre-Paid Ticket Bond, Personal Guarantor Bond, Overseas Return Bond, Sale on Lots Bond, E-Commerce Bond, Construction Performance Bond

(2) Claims

(Figures in thousands,%)

Type of Bonds	Premiums	Loss Paid	Loss Recovered	Net Losses	Loss Ratio Before Recovery	Recovery Ratio	Loss Ratio After Recovery
	A	B	C	B-C=D	B/A	C/B	D/A
Fidelity Contract ⁽¹⁾	39,842	9,931	2,154	7,777	24.9	21.7	19.5
Tax	270,739	184,840	166,072	18,768	68.3	89.8	6.9
Lease	3,133	3,544	2,882	662	113.1	81.3	21.1
Small Loan	80	2,600	6,752	4,152	3,250.0	259.7	5,190.0
Housing ⁽²⁾	21,143	162,447	118,042	44,405	768.3	72.7	210.0
License & Permit	38,235	36,032	40,080	4,048	94.2	111.2	10.6
Installment	31,520	10,822	6,919	3,903	34.3	63.9	12.4
Debenture	1,233	14,296	48,868	34,572	1,159.4	341.8	2,803.9
Court	3,254	76,196	271,822	195,626	2,341.6	356.7	6,011.9
Credit ⁽³⁾	24,889	1,492	286	1,206	6.0	19.2	4.8
Nuclear	421,449	433,135	67,990	365,145	102.8	15.7	86.6
Other ⁽⁴⁾	1,179	430	0	430	36.5	0.0	36.5
Total	20,731	944	230	714	4.6	24.4	3.4
	877,267	936,709	732,097	204,612	106.8	78.2	23.3

1. Bid Bond, Performance Bond, Maintenance Bond, Cost Difference Bond, Advance Payment Bond, Credit Bond, Credit Sales Bond
2. Individual Housing Loan Bond, Contractor's Housing Loan, Bond
3. Commercial Credit Insurance, Installment Credit Insurance, Credit Card Credit Insurance, Guarantor Loss Guarantee Credit Insurance, Small Loan Credit Insurance, Mortgage Credit Insurance, House Rental Credit Insurance
4. Education/Training Expense Bond, Bail Bond, Design and Supervision Bond, Pre-Paid Ticket Bond, Personal Guarantor Bond, Overseas Return Bond, Sale on Lots Bond, E-Commerce Bond, Construction Performance Bond

B. Reinsurance

(Figures in thousands,%)

TYPE		FY 2002	FY 2001	Difference	
				Variation	Percentage
Premiums (A)		877,267	665,013	212,253	31.9
Out-Ward Reinsurance	Premiums (B)	54,734	80,086	25,352	31.7
	Ceding Ratio (B/A)	6.2	12.0		
	Net Loss (After Recovery) (C)	30,352	74,995	44,643	59.5
	Loss Ratio (C/B)	47.4	93.6		
	Commission (D)	25,936	34,633	8,697	25.1
	Commission Ratio (D/B)	47.4	43.2		
	Deferred Interest on Recovery (E)	9,531	6,078	3,453	56.8
	Total Balance (C+D-B-E)	7,977	23,464	31,441	134.0
	In-Ward Reinsurance				
Premiums (G)	8,424	11,938	3,514	29.4	
Net Loss (H)	5,385	8,835	3,450	39.0	
Loss Ratio (H/G)	63.9	74.0			
Commission (I)	2,646	3,694	1,048	28.4	
Commission Ratio (I/G)	31.4	30.9			
Balance (G-H-I)	393	591	984	166.5	
Total Balance		7,584	22,873	30,457	133.2

C. Investment Management

(Figures in thousands,%)

TYPE	FY 2002				FY 2001				Difference	
	Amount (A)	Ratio	Investment Profit	Ratio	Amount (B)	Ratio	Investment Profit	Ratio	Variation (A-B)	Percentage
Cash	51,564	2.3	4,494	5.1	127,676	5.0	19,070	17.5	76,112	59.6
Credit	188,903	8.5	2,140	1.1	187,701	7.3	2,257	2.0	1,202	0.6
Marketable Securities	1,832,057	82.8	88,123	4.6	2,096,744	82.0	146,969	8.2	264,687	12.6
Property	140,488	6.3	4,105	2.9	144,650	5.7	3,660	2.4	4,162	2.9
Operating Assets	2,213,012	100.0	98,862	4.2	2,556,771	100.0	171,957	7.9	343,759	13.4
Total Asset	3,256,004				3,962,319					

SUMMARY OF RESULTS (RESULTS BY LINE)

Contract Bonds

Premiums for Contract Bonds reached 270.7 billion won this year, a decrease of 1.4% compared to that of last year. The overall slow down in premium growth is a result of intense competition among Korea Construction Financial Corporative, Korea Credit Guarantee Fund and banks in the construction performance market. However, total claims decreased to 184.8 billion won, down 9.3% resulting in a loss ratio of 6.9%.

Taxation Bonds

Premiums for Taxation Bonds reached 3.1 billion won, while claims decreased from 32 billion won to 3.5 billion won, resulting in a loss ratio of 21.1%.

Installment Sales Bonds

Premiums for Installment Sales Bonds declined 47.9% to 1.2 billion won this year, compared to that of last year, due to dominant market share of creditor finance companies (related to the car manufacturers). However, total claims declined 70.4% to 14.3 billion won, while recovery amounted to 48.7 billion won.

Small Loan Bonds

Premiums for Small Loan Bonds amounted to 21.1 billion won this year, a decrease of 20.5% compared to that of last year, due to banks reducing the amount of small loans, resulting from an increase in the default rate of credit card holders and lack of individual credit. Also, there has been a decrease in the amount of higher rate Small Loan Bonds issued due to the default rate of borrowers. As a result of an increase in the default rate of credit card holders and lack of individual credit, claims increased 30% to 162.4 billion won, while, recovery recorded 118 billion won, resulting in a loss ratio increase of 210%.

Debenture Bonds

Due to the issuing of renewal bonds for workout companies, a premium amount of 3.2 billion won was earned. Additionally, SGI paid 76.2 billion won in outstanding loss for Samsung Motors default, while also receiving 271.8 billion won through recovery from other sources. This made it possible for SGI to achieve sound performance in the Debenture Bond market.

Credit Insurance

Premiums for Credit Insurance reached 421.4 billion won this year, an increase of 97.3% compared to that of last year, due to the credit card insurance market experiencing rapid growth. However, total

claims increased to 433.1 billion won, up 189.5% and recovery increased to 68 billion won, up 19.3% resulting in a loss ratio of 86.6%.

The increase in claims is a result of claims for Credit Card Insurance, as well as, the increase in the default level of credit card settlements. With the expansion of the recovery department, the total recovery level is gradually increasing. However, for the short-term with no unexpected shocks to recovery, the loss ratio is expected to be higher than average.

Overall, the written premiums amount increased 31.9% to 877.3 billion won, compared to that of last year. While claims paid decreased 87.6% to 936.7 billion won and recovery totaled 732.1 billion won. There was also an increase in cash flow balance for the year, which totaled 672.6 billion won in profit.

YEAR HIGHLIGHTS

New Products

E-Commerce Bond: 11-4-2002

The E-Commerce Bond shall be liable for the loss caused by the non-performance of its obligation under the law regulated by the consumer protection act on electronic transactions by the settlement agency (hereinafter called the "Principal") who is the issuer of an electronic settlement method, prescribed in the general conditions of the original contract. The purpose for the bond is to indemnify the Obligee (Prepaid Consumer/Seller/Supplier) for any loss caused in the case of the Principal in failing to perform the repayment obligations as stipulated in the contract.

The electronic communication settlement methods prescribed above is meant for the purpose of prepaid electronic monetary settlement between the Principal and the Obligee. This method allows for the purchase or use of a non-monetary value system for the purchase of goods by the consumer instead of cash. An example of a non-monetary value system is, mileage service system, points system, and incentive package system.

Material Qualification Bond: 8-21-2002

The Material Qualification Bond shall be liable for the loss caused by lack of quality of the materials and components supplied by the supplier (Principal) to the user (Obligee) under which, the user rejects the standard of quality that is stipulated in the underlying contract with the supplier. Additionally, the government issues certificates of quality assurance to companies in order to achieve international recognition of quality, making it possible for domestic companies to remain competitive and achieve financial growth.

Management

Debt Payback: 2-20-2002

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

SGI received a total of 1.67 trillion Korean Won in capital injections since 1998 and have repaid 97% (principal of 1.62 trillion/ 1.9 trillion including interest) of the public funds to KAMCO. SGI is

anticipating repaying the remaining 4.8 billion Korean in August.

The basis of the high repayment rate is due to SGI's advanced debt collection system and unshakeable loyalty, unsurpassed work ethic and constant success rate of the SGI employees.

Since 1997, SGI has systemized debt collecting and all related businesses to maximum efficiencies. Due to this, Seoul Guarantee Insurance has a recovery ratio of 150%. (2-20-2002)

Process Innovation Insuring Customer's Satisfaction Project (PINICS): 12-9-2002

The new PINICS system was created to revamp the old operating server used by SGI since 1997. It is capable of achieving rapid recovery from overloaded errors and defaults and the system was designed to be available 24 hours a day, 7 days a week.

Under the new PINICS system the Surety and Credit insurance departments, as well as, in-house and external business contacts were unified under one operating system to create a more effective and efficient business operating network with continuous information sharing allowing for a better business environment. (12-9-2002)

New Recovery Tools

Corporate Restructuring Companies (CRC):

The CRC system of corporate restructuring allows creditors to periodically evaluate the credit risk of debtor companies. The CRC method was created in order to quickly restructure debtor companies and to achieve a faster method of recovery of bad debts. Examples of debtor companies are ones would are either in court receivable ship, owner composition or are in a restructure workout program.

Collection Systems (CLS):

The CLS system is a recovery tool that locates concealed property or collateral with a partnership with a financial institution that requires payment from a debtor. This recovery tool is capable of quickly finding and recovering debt from the debtor on an urgent basis.

FINANCIALS

FY 2002

- BALANCE SHEET
- INCOME STATEMENT
- STATEMENT OF LOSS DISPOSTION
- STATEMENT OF CASH FLOW

BALANCE SHEET

Balance Sheet
For the year ended 3-31-2003

(Unit: Korean Won)

Description	Current Period		Previous Period	
	Amount		Amount	
Assets				
I. Cash & Deposits		51,563,559,609		127,676,026,293
1. Cash & Deposits	51,563,559,609		127,676,026,293	
(1) Cash	117,793,750		55,886,735	
(2) Deposits	51,445,765,859		127,620,139,558	
2. Money In Trust	0		0	
. Marketable Securities		1,148,227,096,537		1,425,621,214,855
Discount Account on Present Value				
1. Stocks	24,223,857,500		49,641,707,300	
2. Special Bonds	240,760,885,743		343,489,517,187	
3. Corporate Bonds	10,005,572,581		9,721,584,270	
4. Investment Funds	683,803,267,758		893,785,533,288	
5. Other Securities	189,433,512,955		128,982,872,810	
. Investment Securities		683,829,678,828		671,122,743,790
Discount Account on Present Value				
1. Stocks	458,187,789,339		488,261,286,976	
2. Money Invested	24,144,354,531		25,273,321,400	
3. Government & Public Bonds	364,108,000		308,730,000	
4. Special Bonds	38,740,342,575		0	
5. Corporate Bonds	147,394,930,639		138,538,078,304	
6. Investment Funds	14,998,153,744		18,741,327,110	
. Loans		188,903,130,139		187,700,531,009
Reserve for Doubtful Account	(22,660,770,815)		(2,535,688,192)	

Discount Account on Present Value	(874,534,185)		(2,258,878,206)	
1. Call Loan	80,000,000,000		0	
2. Loans Secured by Real Estate	414,539,800		248,000,000	
3. Unsecured Loans	5,018,023,914		5,261,701,504	
4. Loans Secured by 3rd Party Guarantee	1,951,388,654		2,680,826,183	
5. Other Loans	125,054,482,771		184,304,569,720	
. Fixed Assets		149,483,556,795		300,252,798,203
1. Tangible Assets		149,483,556,795		148,158,186,316
(1) Land		53,371,472,906		53,388,254,386
(2) Buildings	96,641,838,140	86,185,711,045	96,831,001,970	88,255,292,388
Accumulated Depreciation	(10,456,127,095)		(8,575,709,582)	
(3) Structures	1,032,656,317	931,132,268	1,032,656,317	946,571,068
Accumulated Depreciation	(101,524,049)		(86,085,249)	
(4) Construction in Progress		0		2,060,105,867
(5) Furniture & Equipment	24,165,322,314	8,739,409,444	26,025,352,861	3,314,468,085
Accumulated Depreciation	(15,425,912,870)		(22,710,884,776)	
(6) Vehicles	747,484,750	255,831,132	723,199,442	193,494,522
Accumulated Depreciation	(491,653,618)		(529,704,920)	
2. Intangible Assets		0		152,094,611,887
(1) Goodwill	0		152,094,611,887	
(2) Development Costs	0		0	
. Other Assets		1,033,996,846,293		1,249,945,217,785
1. Insurance Receivable	51,207,708,905	50,130,458,592	87,613,942,563	85,016,108,743
Reserve for Bad Debts	(1,077,250,313)		(2,597,833,820)	
2. Other Account Receivable	109,802,319,388	76,831,584,035	103,319,470,725	74,230,372,468
Reserve for Doubtful Account	(32,970,735,353)		(29,089,098,257)	
3. Leasehold & other Deposits		22,679,695,639		23,576,625,369
(1) Leasehold Deposits Received	20,479,425,905		21,328,937,435	
(2) Guarantee Deposit	2,050,715,734		2,043,681,934	
(3) Telex & Telephone Subscription Rights	149,554,000		204,006,000	
4. Accrued Income	3,941,621,544	3,941,502,756	1,927,220,664	1,924,162,794

Reserve for Doubtful Account	(118,788)		(3,057,870)	
5. Prepaid Expense		192,933,931		191,223,452
6. Compensation Receivable		811,954,719,551		993,810,496,768
7. Advanced Payments		31,896,830		31,896,830
8. Prepaid Income Taxes		6,336,626,151		5,780,044,155
9. Prepaid VAT		26,211,688		29,241,496
10. Security Deposit		22,976,670,000		21,792,360,000
11. Other Assets		38,894,547,120		43,562,685,710
Total Assets		3,256,003,868,201		3,962,318,531,935
Liabilities				
. Policy Reserve		1,020,357,890,956		971,057,239,288
Reserve Adjustment Account for R/I ceded		(117,616,111,939)		(160,534,683,619)
(1) Reserve for Outstanding Claims	444,912,526,125		509,360,216,560	
(2) Unearned Premium Reserve	693,061,476,770		622,231,706,347	
II. Other Liabilities		1,820,005,363,793		2,489,599,009,129
1. Unpaid Payable	54,528,289,536		66,455,652,408	
2. Other Accounts Payable	196,912,356,571		504,215,439,624	
3. Accrued Expenses	40,938,411,404		311,752,236,390	
4. Reserve for Severance Benefits	5,378,891,560	5,352,088,160	2,326,431,150	2,295,828,250
National Pension Fund Benefits	(26,803,400)		(30,602,900)	
5. Premiums Received in Suspense	270,415,680		98,342,603	
6. Borrowings	1,109,010,226,791		1,151,587,367,033	
7. Advances from Customers	379,358,861,089		402,583,510,749	
8. Withholdings	18,037,009,330		32,000,717,378	
9. Unearned Income	1,394,591,535		14,712,359	
10. Accrued VAT	87,214,575		318,702,649	
11. Leasehold Deposits Received	12,624,447,300		14,340,610,900	
12. Other Liabilities	1,491,451,822		3,935,888,786	
Total Liabilities		2,840,363,254,749		3,460,656,248,417

Stockholder's Equity				
I. Capital Stock		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	
II. Retained Earnings		(9,848,022,000,916)		(9,686,495,090,739)
Unappropriated Retained Earnings		(9,848,022,000,916)		(9,686,495,090,739)
Carried over to Subsequent Year				
Net Income (Loss) for the Year	(161,526,910,177)		(600,629,005,926)	
III. Capital Adjustment		(68,223,385,632)		(143,728,625,743)
1. Discounts on Stock Issuance	(8,642,957,600)		(8,642,957,600)	
2. Gains on Valuation of Investment Securities (Losses on Valuation of Investment Securities)	(59,580,428,032)		(135,085,668,143)	
Total		415,640,613,452		501,662,283,518
Shareholders' Equity				
Total Liabilities		3,256,003,868,201		3,962,318,531,935
and				
Shareholder's Equity				

INCOME STATEMENT

Income Statement For the year ended 3-31-2003

(Unit: Korean Won)

Description	Current Period		Previous Period	
	Amount		Amount	
I. Operating Revenue		956,576,429,350		784,272,989,962
1. Premium Income	885,692,117,199		676,950,705,314	
Direct Premium Written	937,392,141,739		716,484,794,508	
Assumed R/I Premium	8,748,063,311		12,443,078,105	
Cancellation Refund	60,448,087,851		51,977,167,299	
2. Reinsurance Income	30,352,115,924		74,994,858,017	
R/I Claims Recovered	81,802,932,828		154,006,370,451	
Refund of R/I	51,450,816,904		79,011,512,434	
Claims Recovered				
3. Interest Income	72,024,860,487		90,342,621,127	
4. Dividend Income	6,334,991,331		3,261,341,609	
5. Rent	4,024,410,252		3,659,498,625	
6. Gain on Disposition of Trading Securities	4,333,462,546		41,183,696,273	
7. Gain on Valuation of Trading Securities	9,864,395,568		33,508,335,644	
8. Compensation Income	(181,855,777,217)		(245,278,108,910)	
9. Miscellaneous Income	6,756		205,811	
10. Expenses Recovered	125,805,846,504		105,649,836,452	

II. Operating Expenses		639,525,986,993		1,366,368,481,336
1. Increase in Policy Reserve	49,300,651,668		(5,507,982,324,198)	
(1) Increase in Outstanding Claims	(37,725,764,777)		(5,579,197,582,530)	
(2) Increase in Unearned Premium Reserve	87,026,416,445		71,215,258,332	
2. Increase in Catastrophe Reserve	0		0	
3. Claims Paid Expenses	209,713,077,720		6,585,028,351,256	
Direct Claims Paid	936,708,821,440		7,546,286,196,495	
R/I Claims Paid	5,384,833,242		9,217,198,454	
Refund of Claims Paid	732,097,143,645		970,093,309,626	
Refund of R/I Claims Paid	283,433,317		381,734,067	
4. R/I Expenses	54,734,256,804		80,085,961,967	
R/I Premium	62,076,621,456		87,184,788,455	
Refund of Return Premium	7,342,364,652		7,098,826,488	
5. Interest Expense	76,645,327,561		49,193,512,909	
6. Losses on Disposition of Marketable Securities	34,689,204,630		4,395,152,109	
7. Loss on Valuation of Marketable Securities	28,079,554,617		2,074,020,708	
8. Operating Expenses	160,293,291,883		147,163,808,892	
9. Investment Administration Expenses	23,813,417,664		3,666,627,162	
10. Maintenance Expenses on Investment in Real Estates	1,447,149,683		1,873,139,337	
11. Depreciation Expenses on Investment in Real Estates	810,054,763		870,231,194	

. Operating Income		317,050,442,357		(582,095,491,374)
(Operating Loss)				
. Income from other than Operations		15,767,612,043		16,751,826,763
1. Gain on Disposition of Investment Securities	1,703,412,820		902,772,154	
2. Gain on Valuation of Equity Method	495,887,297		0	
3. Gain on Valuation of Stock Market Stabilization Fund	0		1,775,427,880	
4. Gain on Disposition of Tangible Assets	184,913,232		9,754,822	
5. Gain on Foreign Currency Transactions	163,617,605		125,538,713	
6. Gain on Foreign Exchange Translations	595,551,146		81,364,401	
7. Reversal of Allowance for Bad Debts	1,523,522,589		150,000,000	
8. Miscellaneous Income	11,100,707,354		13,706,968,793	
V. Non-Operating Expenses		397,045,903,334		271,981,783,466
1. Losses on Disposition of Investment Securities	7,966,642,395		27,726,961,672	
2. Loss on Investment Stocks	15,227,330,000		0	
3. Loss on Abatement of Investment Bonds	192,500,000,000		0	

4. Losses on Valuation of Stock Market Stabilization Fund	500,301,758		0	
5. Loss on Disposition of Tangible Assets	56,727,775		3,754,585,373	
6. Losses on Foreign Currency Transactions	24,533,170		20,602,022	
7. Loss on Foreign Exchange Translations	691,323,973		113,073,881	
8. Donations	55,154,000		22,250,000	
9. Amortization of Intangible Assets	152,094,611,887		152,649,011,883	
10. Miscellaneous Losses	27,929,278,376		87,695,298,635	
. Ordinary Income		(64,227,848,934)		(837,325,448,077)
. Extra-ordinary Income		1,847,780,280		236,696,442,151
1. Gains on Exemption of Debts	0		236,386,869,211	
2. Other Extra-ordinary Income	1,847,780,280		309,572,940	
. Extra-ordinary Losses		99,146,841,523		
1. Other Extra-ordinary Losses	99,146,841,523		0	
. Net Income (Loss) before Income Taxes		(161,526,910,177)		(600,629,005,926)
. Income Tax Expense			0	0

I. Net Income or (Net Loss)		(161,526,910,177)		(600,629,005,926)
Ordinary Income per Share				
Current:(241)				
Previous :(3,143)				
Earning per share				
Current:(606)				
Previous:(2,255)				

STATEMENT OF LOSS DISPOSITION

Statement of Loss Disposition
 For the year ended 3-31-2003

(Unit: Korean Won)

Description	Current period		Previous period	
	Amount		Amount	
. Accumulated Deficit before Disposition		(9,848,022,000,916)		(9,686,495,090,739)
1. Undisposed Accumulated Deficit Carried over from Prior Years	(9,686,495,090,739)		(9,085,866,084,813)	
2. Cumulative effect of Accounting changes				
3. Net loss For the Year	(161,526,910,177)		(600,629,005,926)	
. Disposition				
1. Transfer from Capital Surplus				
III. Undisposed Accumulated		(9,848,022,000,916)		(9,686,495,090,739)
Deficit to be Carried over to Subsequent Year				

STATEMENT OF CASH FLOW

Statement of Cash Flow
For the year ended 3-31-2003

(Unit: Korean Won)

Description	Current period		Previous period	
	Amount		Amount	
I. Cash flow from		(36,806,749,460)		(6,177,582,612,260)
Operating Activities				
1. Net Loss for the Year	161,526,910,177		600,629,005,926	
2. Additions to Net-Income of Non-Cash Expense	723,069,603,099		461,517,053,400	
Net Increase in Policy Reserve	49,300,651,668		0	
Bad Debts	24,244,527,345		4,718,522,636	
Depreciation Expense	4,101,860,269		4,144,142,726	
Depreciation Expense on Investment in Real Estates	810,054,763		870,231,194	
Amortization of Intangible Assets	152,094,611,887		152,649,011,883	
Amortization of Discount on Present Value	20,381,265,006		5,960,452,303	
Interest Expense	2,528,904,089		0	
Retirement & Severance Benefits	5,980,759,840		3,371,236,470	
Loss on Foreign Exchange Translations	691,323,973		113,073,881	
Loss on Disposition of Marketable Securities	34,689,204,630		4,395,152,109	
Loss on Valuation of	28,079,554,617		2,074,020,708	

Marketable Securities		
Loss on Disposition of	7,966,642,395	27,726,961,672
Investment Stocks		
Loss on Investment Stocks	15,227,330,000	0
Loss on Abatement of	192,500,000,000	0
Investment Bonds		
Loss on Valuation of Stock	500,301,758	0
Market Stabilization Fund		
Loss on Disposition of	56,727,775	3,754,585,373
Tangible Assets		
Compensation Loss	181,855,777,217	245,278,108,910
Miscellaneous Losses	2,060,105,867	6,461,553,535
3. Deductions from Net-Income		
of Non-Cash Reserves	20,549,954,401	5,822,298,787,029
Net Decrease in Policy	0	5,507,982,324,198
Reserve		
Reversal of Allowance for	1,523,522,589	150,000,000
Bad Debts		
Amortization of Discount	0	8,669,506
on Present Value		
Gain on Foreign Exchange	595,542,533	81,364,401
Translations		
Gain on Disposition of	4,333,462,546	41,183,696,273
Marketable Securities		
Gain on Valuation of	9,864,395,568	33,508,335,644
Marketable Securities		
Gain on Disposition of	1,703,412,820	902,772,154
Investment Stocks		

Loss on abatement of Investment Stocks Released		
Gain on Valuation of Stock	0	1,775,427,880
Market Stabilization Fund		
Gain on Disposition of Tangible Assets	184,913,232	9,754,822
Gain on Valuation of Equity Method	495,887,297	0
Miscellaneous Income	1,037,536	0
Gains on Cancellation of Debts	0	236,386,869,211
Other Extra-ordinary Income	1,847,780,280	309,572,940
4. Changes in Assets & Liabilities Resulting from Operations	(577,799,487,981)	(216,171,872,705)
Decrease in Insurance Receivable	36,286,320,073	25,636,575,925
Increase in Other Accounts Receivable	(6,776,043,086)	(1,673,982,369)
Increase in Accrued Income	(2,014,400,880)	(299,249,314)
Decrease in Prepaid Expense	(1,710,479)	5,011,617
Decrease in Advanced Payments	0	942,109,932
Decrease in Prepaid Income Taxes	(556,581,996)	1,821,248,857
Decrease in Prepaid VAT	3,029,808	5,800,823
Increase in Other Liabilities	4,668,138,590	(2,887,705,169)

Decrease in Unpaid Payable	(11,903,230,727)		(39,596,561,298)
Decrease in Other	(307,303,083,053)		(173,411,349,801)
Accounts Payable			
Increase in Accrued Expenses	(271,562,567,876)		78,161,772,704
Decrease in Premiums	172,073,077		(9,718,249)
received in Suspense			
Increase in Advance	(1,375,920,482)		181,577,934,790
from Customers			
Decrease in Withholdings	(13,963,708,048)		(283,560,663,733)
Increase in Unearned Income	1,379,879,176		8,132,683
Increase in Accrued VAT	(231,488,074)		224,721,819
Decrease in Other Liabilities	(2,444,436,964)		(849,207,842)
Payment of	(2,179,556,540)		(2,282,185,080)
Severance Indemnities			
Decrease in National	3,799,500		15,441,000
Pension Fund Benefits			
II. Cash flow from		26,181,592,113	(452,209,034,465)
Investing Activities			
1. Cash inflows from			
Investing Activities	4,276,365,766,227		7,137,475,802,013
Disposal of Marketable	3,687,703,423,214		7,075,715,563,182
Securities			
Disposal of Investment	70,862,395,593		19,371,412,814
Securities			

Decrease in Loans	516,431,574,921	32,972,968,187
Disposal of Land	68,285,576	4,156,310,086
Disposal of Buildings	210,351,424	4,845,609,914
Disposal of Furniture & Equipment	134,384,469	95,279,235
Disposal of Vehicles	58,421,300	9,691,000
Decrease in Leasehold Deposit	896,929,730	308,967,595
2. Cash outflows from	4,250,184,174,114	7,589,684,836,478
Investing Activities		
Acquisition of Marketable Securities	3,585,676,363,403	7,123,396,869,295
Acquisition of Investment Securities	96,260,005,386	288,398,903,638
Increase in Loans	556,706,683,035	152,932,076,750
Acquisition of Land	44,835,377	76,218,598
Acquisition of Buildings	48,825,323	85,380,052
Acquisition of Furniture & Equipment	8,308,052,260	2,644,434,125
Acquisition of vehicles	238,935,730	149,679,020
Increase in Security Deposit	1,184,310,000	19,268,460,000
Decrease in Leasehold Deposit Received	1,716,163,600	2,732,815,000

III. Cash flow from		(65,487,309,337)		6,648,443,783,941
Financing Activities				
1. Cash inflows	0		6,652,939,783,941	
from Financing				
Preferred Stock Issue	0		5,600,000,000,000	
Commercial Paper Issue	0		1,052,939,783,941	
2. Cash outflows from Financing	65,487,309,337		4,496,000,000	
Borrowings	65,487,309,337		0	
Stock Issue Costs	0		4,496,000,000	
IV. Net Increase in		(76,112,466,684)		18,652,137,216
Cash & Cash Equivalents				
V. Beginning Cash &		127,676,026,293		109,023,889,077
Cash Equivalents				
VI. Ending Cash &		51,563,559,609		127,676,026,293
Cash Equivalents				

INDEPENDENT AUDITORS REPORT

**Deloitte
& Touche**

21st & 22nd floor, Chaeil Bank Building
100-702, KongPung Dong
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, 2003, 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.

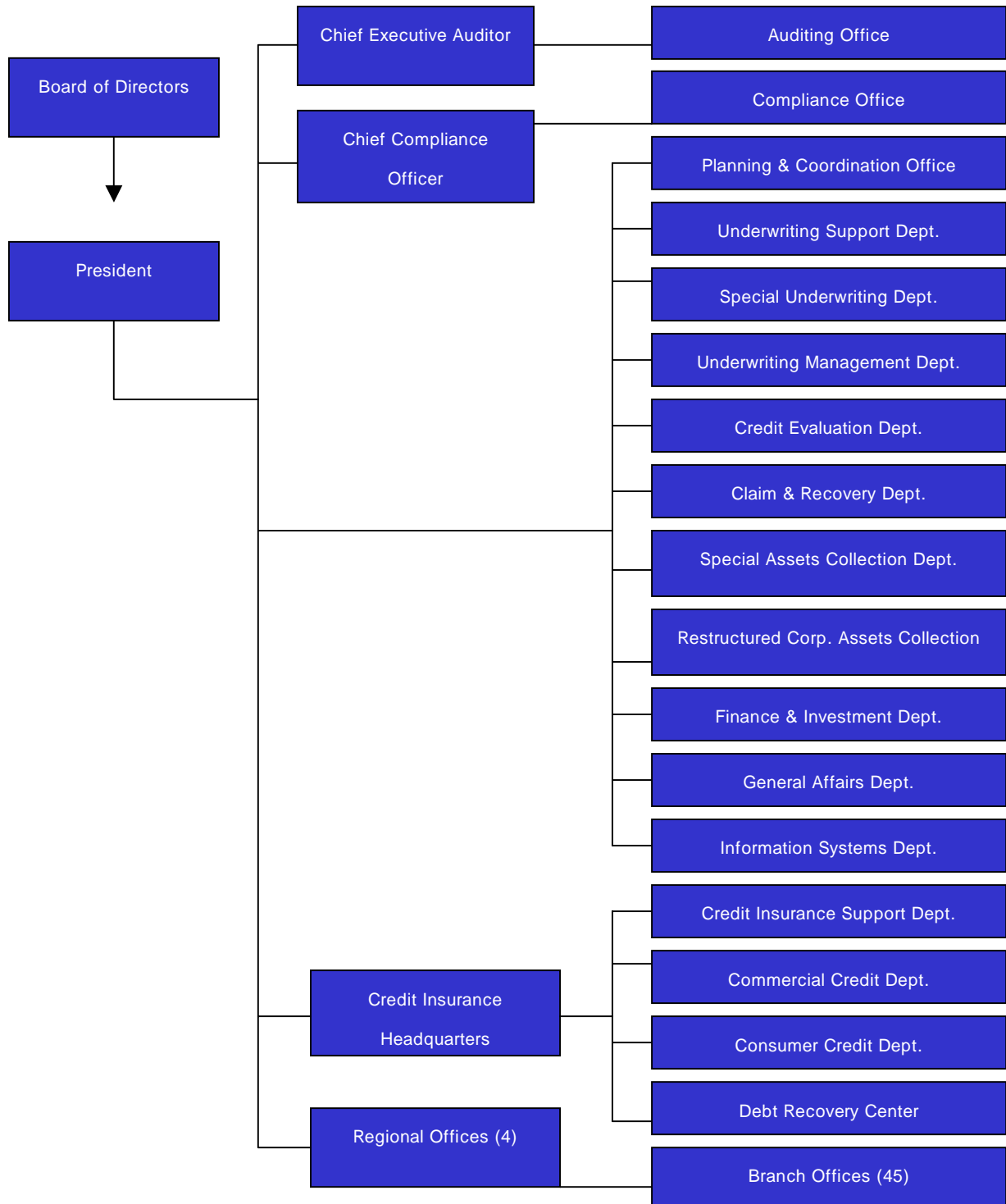
In our opinion, the financial statements referred to above; expressed in Korean Won, present fairly the financial position of Seoul Guarantee Insurance Company as of March 31, 2003. The results of operations and deficits and its cash flows for the year then ended, is in compliance with the insurance-related laws and accounting regulations of non-life insurance companies and the general accepted principles of business accounting.

The financial statements for fiscal year 2002 beginning on April 1, 2002 and ending on March 31, 2003 were presented for comparative purposes and audited by Deloitte & Touche, with which express an unqualified opinion thereon.

**Deloitte
Touche
Tohmatsu**

하 나 회 계 법 인
대표이사 공인회계사 이 재 슬
2003년 5월 12일 

ORGANIZATIONAL CHART



REGIONAL & BRANCH OFFICES

	Address	Telephone	Fax
Regional Offices			
Seoul	70 Seolin-Dong, Jongno-Gu, Seoul	82-2-722-4292	82-2-722-4293
Kyung-In	4-15 Nonheun-Dong, Kangnam-Gu, Seoul	82-2-3445-2458	82-2-3445-3093
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	02-051-466-7721	02-051-465-8710
Branch Offices			
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	Donghwa Bldg, Seosomun-Dong, 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	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 Taepyong 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	82-063-275-0021	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 Kyungsang	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

**NEW BRANCH OFFICES