

Seoul Guarantee Insurance

Vision 2012



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Highlighting 40 years of history, SGI has taken another step closer to a better and brighter future in assisting Korea's economic development by offering credit to companies and individuals.

Seoul Guarantee Insurance (SGI) is proud to celebrate its 40 years of history with experience and knowledge, henceforth, it will play as a compass to create its own path to the future.

As a comprehensive guarantee service provider, SGI is currently the domestic market leader in the surety and credit insurance industry and is enjoying an unsurpassed reputation for its financial strength in the global market. SGI has reinforced its position in the market by receiving a credit rating of "A" and "A-" from Fitch and S&P, respectively.

For the future, SGI will strive to reach its vision of becoming "World Top-Class Financial Institution" that leads the global guarantee market. Highlighting 40 years of history, SGI has taken another step closer to a better and brighter future in assisting Korea's economic development by offering credit to companies and individuals.

For Seoul Guarantee Insurance, 2008 was another outstanding year to be highlighted in the 40 years of history.

Dear our clients,

This is Young-Min Baang, the President & CEO of Seoul Guarantee Insurance (SGI).

First of all, I would like to express my sincere appreciation for your continuous support and kind attention to SGI over the past 40 years.

Since 1969, when SGI was established, SGI has played a major role to assist with a high degree of achievement in development of Korean economy by offering guarantees to the corporates and individuals in need of credit.

Especially, last year, SGI has attained a number of admirable operating results with consistent and cooperative efforts from both management and the employees despite the global economic recession.

First, SGI realized a net income of USD 183 million, and a written premium of USD 731 million which is the most pleasing result since the company's establishment in 1969. It is very meaningful in that this result has been realized despite the global financial crisis in last year and some banks required public funds and some financial institutions resulted in deficit. In this prevailing economic recession, SGI had already been ready to cope with this credit crunch by its Contingency Plan in advance with a strengthened risk management.

Second, the progress and expansion of overseas business have accelerated since 2007 with opening representative office in Hanoi Vietnam in October 2007, followed by another office in Beijing China in June, 2008. Furthermore, by having business agreements with the local banks in U.A.E. and Kuwait, SGI has built the foundation to help Korean companies in abroad with service to provide guarantee exposure of USD 268 million. As a result, SGI has supported companies with overseas business, and expanded new driving forces in Korean economy.



Also, in order to strengthen our global network, SGI successfully hosted 67th ICISA General & Associated Meetings of 2009 and attended important international conferences such as the China Guaranty Forum, SFAA (Surety Fidelity Association of America), and PASA (Pan-American Surety Association). And this enabled to build up business relationship with surety & credit insurers and reinsurers for us to reach higher global standards.

Third, SGI has consecutively obtained credit ratings A- from S&P and A from Fitch. SGI has maintained the top rating among the Korean guarantee institutions reflecting the SGI's overall superior financial soundness. In addition, the Korea Information Service has assigned AAA, which is the highest rating in the Korea non-life insurance companies. With these credit ratings, SGI gained public trust in international business, and has built the foundation to develop and expand global business opportunities.

"Our corporate vision is to become the world top-class financial institution, by providing diverse international services in a broadened network."

Fourth, SGI was broadly acknowledged by receiving many prestigious awards. That is, 「The Excellent Service Quality Enterprise Award」 from the Ministry of Knowledge Economy, 「Da-San Finance Award, insurance section」 presented by The Korea Economic Daily, 「MK Financial Products Awards」 from Maeil Business Newspaper Daily, and many others. These achievements convey the company's sound performance and solid reputation in the Korean financial market.

Fifth, SGI has successfully introduced the management accounting system to enhance cost-benefit analysis of every divisions of the company and distinguished the sources of profit and losses to apply the criteria of profitability. By performing profit evaluation on each branch and regional headquarter level, we have been able to prepare a rewarding system according to the profit contributions of each unit. Along with this, it was an innovation for us to have saved operating expenses of USD 13.6 million compared to the organized annual budget by introducing open competition system to contracts and by improving payment process for regular expenditures.

Also, we have put our special efforts in building up mutual trust between the management and the employees. Reforming the personnel policies into a performance and ability based method, and training global professionals were also an important part we have progressively worked for.







All these fruitful achievements have been obtained with your attentive support, and with the devotions of all members of SGI. We would like to deliver our sincere gratitude again to all of you.

Dear our esteemed clients,

The business environment of the year 2009 appears to be considerably challenging that it'll become more difficult to predict the future.

Accordingly, SGI will gather its capacities and take challenging steps to realize the vision of becoming the "World Top-Class Financial Institution." To this end, in 2009 we'll thoroughly pursue our management policies to prepare for the crisis, to strengthen core competence, and to correspond to the future market changes.

We ask for your constant attention and cooperation. The people of Seoul Guarantee Insurance and myself will not let ourselves be self-satisfied with the recent years results, and will use our utmost efforts to fully attain our goals.

We recommend you to believe in Seoul Guarantee Insurance on its dynamic change and challenge to become the world top-class financial institution in near future.

Thank you.

Dr. Young-Min Baang

Joungskin BAANG

President & CEO

Seoul Guarantee Insurance is grateful for the long trust and attention which has been the key for company growth.



Yeon-Gil Jung
Standing Auditor



In-Kyun Hyeon Executive Director



Uk-Gi Kim
Executive Director



In-Seung Ryu Managing Director



Ki-Hwan Kim Managing Director



Dae-Han Kim Managing Director



Dong-Hwa Bae Managing Director



Kwang-Suk Chae Director



Myung-Geun Lee



Sang-Taek Kim Director

The history of Seoul Guarantee Insurance in the past 40 years is considered as a notable achievement in the evolution of the Korean economic development.

1969

Establishment of Korea Fidelity & Surety Company



1970

1974

Joined the International Credit Insurance Association (Currently changed to International Credit Insurance & Surety Association) 1980

Host for 45th Associated General Meeting (ICIA)



Establishment of Hankuk Fidelity & Surety Company



1990

1995

1998

Declared

"NEW START" of SGI

Attained a written premium of 500 billion won

2000

2007

Reached a written premium of 1 trillion won

2007

Opened Representative Office in Hanoi, Vietnam



2008

Received S&P's credit rating of A-

1969

The first branch office opened in Busan



1978

Joined Pan-American Surety Association (PASA) 2008

The launch of "InSurance Innovation System" (ISIS)





2008
Opened Representative
Office in Beijing,
China



2009 SGI's 40th Anniversary



2009 Host for 67th Associated General Meeting (ICISA)

O



The history of Seoul Guarantee Insurance in the past 40 years is considered as a notable achievement in the evolution of the Korean economic development. SGI has been the consistent partner by being involved in the various types of business opportunities since the beginning of the Korea's industrialization. Korea Fidelity & Surety Company (KFSC) was introduced in 1969 when industrial growth and production of infrastructure was the key economic issue. As the industry began to increase volume, more players entered into the market and meanwhile new legislations and customs were introduced including such statements that indicated the bonds or guarantees are necessary contracting conditions.

As Korean economy rapidly grew during the 1980s, in addition to KFSC, Hankuk Fidelity & Surety Company (HFSC) was newly established in 1989 to respond to the high demands for bonds and guarantees. The two companies shared the function to provide guarantees and increased the market volume. After ten years of co-existence, The two merged into one company having undergone the Asian Financial Crisis in 1998, which had largely impacted on the firms in Korea. The new Seoul Guarantee Insurance, as the sole professional guarantee insurer, exerted to restore the company, and with a new business strategy and underwriting guideline, SGI changed into a competent guarantee institution to attain its aim to support clients and to assist in the development of economy.

SGI's operation continuously grew, by reaching the total exposure of 500 billion won on 1995 and 1 trillion won on 2007. In average, SGI is providing bond and credit insurance capacity of over 100 trillion won in terms of newly issued policies per annum. By attaining an A and A- from Fitch and S&P respectively, along with an AAA from Korean Information Service which is the highest ratings among the domestic companies, SGI is recognized as a credible guarantee institution that is enabling more international business advances available. The company's pursuit to expand overseas business has accelerated since 2007 with opening representative office in Hanoi Vietnam in October 2007, followed by another office in Beijing China in June 2008, which has resulted in a wider business network and a better understanding on the local market.

Looking back on the past 40 years of history, the present times of global economic recession is an unfavourable condition compared to the previous ones we had overcome. Because SGI has experiences in the up and downturn in the past economic changes, the company was able to minimize negative impacts from the crisis in 2008 by effecting a preemptive counterplan to face the future contingencies. As a result SGI has instead accomplished the largest written premium in 2009 with over 1 trillion won and made a net income of 250 billion won. For the past 40 years, SGI have successfully functioned its role as the number one guarantee insurance company leading the market. With a sound financial management and underwriting expertise, SGI will move forward into the global market to become a "World Top-Class Financial Institution."

COMPANY OVERVIEW

Seoul Guarantee Insurance has been the successful partner for many individuals and corporations in their economic activities.

SGI's Milestones

2009	Jun.	Hosted 67th ICISA General and Associated Meetings in Jeju, Korea
	Apr.	Reaffirmed an A- for insurer's financial strength by Standard & Poor
	Apr.	Reaffirmed an A for insurer's financial strength by Fitch Ratings
	Feb.	SGI's 40th Anniversary
2008	Jun.	China Beijing representative office opened
2007	Oct.	Vietnam Hanoi representative office opened
	Jun.	Dr. Young Min Baang inaugurated as the CEO
	Jun.	Written premiums passed 1 trillion won in 2007
2004	Nov.	Bond Exposure surpassed 100 trillion won
	Mar.	Established Credit Information Company: SG Credit Information Co.
1998	Nov.	Seoul Guarantee Insurance Company incorporated
1989	Nov.	Hankuk Fidelity & Surety Company ("HFSC") incorporated
1969	Feb.	Korea Fidelity & Surety Company ("KFSC") incorporated

Foundation & Growth ©

Ownership Structure

(In number of stocks, %)

KDIC: 189,072,140 (98.88%)



Life Insurers: 1,675,597 (0.88%)

Non-Life Insurers: 470,749 (0.24%)

Organization

Seoul Guarantee Insurance has been the unique provider of surety bonds and credit insurance in Korea for 40 years.

- Organization: 23 Departments, 5 Regional headquarters,
 13 Claim & Recovery service centers, 63 Branch offices,
 2 Overseas Representative offices, 2 Subsidiaries
- Number of Employees: 1,122
- Number of Agencies: 871
- Subsidiaries

Company	Business Area	Established	Shares
SG Credit Information Company	Debt Collection	Jan. 8, 2004	85.0%
SG ABS Company	Assignment & Management of ABS	Nov. 16, 2001	50.0%

^{*} Information of "Organization" are as of July 31st, 2009.

^{*} The state-owned Korea Deposit Insurance Corporation (KDIC) holds 98.88% of SGI's issued stocks.

Ensuring Reliability [©]

Solvency Margin

Year	FY2008	FY2007	FY2006	
Solvency Margin Ratio (%)	1,291.4	1,737.3	1,127.9	

The solvency margin ratio is an important indicator that helps to judge whether an insurer is strong enough to pay claims to policyholders as scheduled. The base ratio is 100% and the figure shows the financial status of insurance companies.

Credit Ratings



S&P: A- Standard and Poor's reaffirmed an A- to Seoul Guarantee Insurance on April 2, 2009 for insurer's financial strength and the long-term counterparty credit ratings.

"The ratings on Korea-based Seoul Guarantee Insurance Co. reflect its strong position in the domestic market, good operating performance, and the likelihood of support from the government of Korea. SGI's overall operating performance is good, backed by the company's improved risk management system, reduced exposure to riskier business lines, and strong pricing power given its leading market position. The ratings on SGI reflect the likelihood of support from the Korean government based on its systematic importance to the stability of korea's financial system, as the company is the only guarantee company providing fidelity, credit, and financial guarantee insurance in Korea." (Excerpts from S&P's Insurer Profile dated July 9, 2009)



Fitch: A Fitch Ratings reaffirmed an A to Seoul Guarantee Insurance for insurer's financial strength on April 2, 2009.

"Fitch continues to recognize the company's maintenance of a strong regulatory capital position, with manageable near term liquidity needs. As at end January 2009, the company's regulatory solvency margin ratio was above 1000%. It also has an established market positioning in the local guarantee and credit insurance market by virtue of its unique status as a state-owned guarantee and credit insurer." (Excerpts from Fitch Ratings: Fitch Places Seoul Guarantee Insurance's IFS of 'A' RWN)

Korea Information Service: AAA Korea Investors Service assigned AAA to Seoul Guarantee Insurance for insurer's financial strength and for issuers credit rating on November 18, 2008.



"The company is the only guarantee insurer in Korea and belongs to the top four companies in the world in terms of surety bond premium. SGI has an advantage over the market and takes a dominant portion in the market share. After it went through the Asian Financial Crisis, the company has implemented a systematical credit evaluating method which has affected SGI to realize a stable loss ratio and a large amount of net income." (Translated excerpts from KIS analysis dated November 18, 2008.)

Building Performance [©]

(KRW billion)

(USD million)

	(Titti bittion)			, , , , , , , , , , , , , , , , , , , ,
	FY2008	FY2007	FY2008	FY2007
Invested Assets	3,827.8	4,185.0	2,794.0	3,054.7
Non operating Assets	652.1	550.6	476.0	402.0
Total Assets	4,479.9	4,735.6	3,270.0	3,456.7
Technical Reserve	1,753.8	1,487.9	1,280.1	1,086.1
Other Liabilities	737.3	1,019.3	538.2	744.0
Total Liabilities	2,491.1	2,507.2	1,818.3	1,830.1
Paid-in capital	1,354.0	1,354.0	988.3	988.3
Retained Earnings	567.0	714.8	413.9	521.8
Accumulated Other Comprehensive Income	67.8	159.6	49.5	116.5
Total Shareholders' Equity	1,988.8	2,228.4	1,451.7	1,626.6
Premium Income	1,064.6	863.4	777.1	630.2
Premium Earned	884.1	788.0	645.3	575.2
Incurred Losses	444.3	170.6	324.3	124.5
Net Operating Expenses	190.5	121.4	139.1	88.6
Net increase in Contingency Reserve	55.7	46.1	40.7	33.6
Net Underwriting Profit	193.6	449.9	141.3	328.4
Investment Revenue	257.9	358.6	188.2	261.8
Investment Operating Expenses	127.0	79.9	92.7	58.3
Net Investment Income	130.9	278.7	95.5	203.5
Pre-Tax Profit (Loss)	343.8	740.5	250.9	540.5
After-Tax Profit (Loss)	250.2	530.6	182.6	387.3
ROA [%]	5.4	11.4	5.4	11.4
ROE (%)	11.9	24.9	11.9	24.9
Investment assets to total assets ratio (%)	85.4	88.4	85.4	88.4
Loss ratio (%)	50.3	21.6	50.3	21.6
Expense ratio (%)	21.5	15.4	21.5	15.4
Combined ratio (%)	71.8	37.0	71.8	37.0
Solvency ratio (%)	1,291.4	1,737.3	1,291.4	1,737.3

^{*} The fiscal year begins on April 1 and ends on March 31 of the following year. Applicable exchange rate: USD 1=KRW 1,370 (Basic F/X rate provided by the Korea Exchange Bank on March 31, 2009)

Total Assets		Total Liabilities		Total Shareholder	s' Equity
	(USD million)		(USD million)		(USD million)
FY2006	3,343.6	FY2006	1,861.5	FY2006	1,482.1
FY2007	3,456.7	FY2007	1,830.1	FY2007	1,626.6
FY2008	3,270.0	FY2008	1,818.3	FY2008	1,451.7

Clients / Market Share

Clients

Principals

(As of June 30, 2009)

SMEs and individuals took 98.6% of the total number of accounts, representing the company's service being focused to assist those groups in need of credit.

	Large Corp.	SMEs	Individuals	Total
No. of Contracts (million)	0.2	2.1	14.2	16.5
Percent (%)	1.4	12.5	86.1	100.0
Exposure (USD billion)	20.2	46.3	62.4	128.9
Percent (%)	15.7	35.9	48.4	100.0

Beneficiaries

(As of June 30, 2009)

The beneficiaries vary in type and scale including: the government, public owned companies, large corporations, small and medium companies, and individuals.

·	Government	Financial	Large Corp.	SMEs	Individuals	Total
	& Public Co.	Institutions				
No. of Contracts (million)	1.4	1.5	8.1	4.1	1.4	16.5
Percent (%)	8.4	9.2	48.8	24.9	8.7	100.0
Exposure (USD billion)	36.2	22.3	26.6	28.8	15.0	128.9
Percent (%)	28.1	17.3	20.7	22.3	11.6	100.0

Status in the Korean Guarantee Market

(As of June 30, 2009)

	SGI	KHGC	Banks	Financial	Guarantee	Others	Total
				Соор.	Funds		
Exposure (USD billion)	128.9	99.1	90.7	85.7	35.8	31.5	471.7
Percent (%)	27.3	21.0	19.2	18.2	7.6	6.7	100.0

(Note) 1. The figure for guarantee funds is based on the combined amount of two companies:
Korea Credit Guarantee Fund and Korea Technology Credit Guarantee Fund

SGI is the market leader in the domestic surety and credit insurance industry.
As of March 31, 2009, SGI's exposure amounted to USD 128.9 billion accounting for 27.3% of the Korean guarantee market (USD 471.7 billion).

Since its inception in 1969, the Company has firmly established itself as the largest guarantee institution in Korea on the strength of improved customer service and effective risk management.

Refusing to rest on its laurels,

SGI has grown into a comprehensive surety service provider.

^{2.} The figure for financial cooperatives is based on the combined amount of five cooperatives including Korea Construction Financial Cooperative and Korea Specialty Contractor Financial Cooperative



http://www.icisa.org

- International Credit Insurance and Surety Association (ICISA)
- A member since 1974



http://www.apfpasa.ch

- Pan-American Surety Association (PASA)
- A member since 1978



http://www.surety.org

- Surety & Fidelity Association of America (SFAA)
- A member since 1979



http://www.eaic-network.org

- East Asian Insurance Congress (EAIC)
- A regular member since 1969

Affiliated Institutions

SGI is ranked among the top largest surety bond and credit insurance companies in the globe in terms of premium volume.

(in thousand EURs)

Country	Member	Credit Insurance	Surety Bonds	Total
Netherlands	Atradius	1,557,621	84,960	1,642,581
France	Coface	995,204	61,524	1,056,728
Korea	SGI	107,869	431,366	539,235
Spain	CESCE	138,539	7,570	146,109
Spain	Mapfre	124,257	21,280	145,537

^{*} Above are written premium figures of the surety and credit insurance companies. 31 member companies from 24 countries participated in the 2008 ICISA annual report.

International Events Calendar

SGI participates in the global industrial conferences relevant to bonds, credit insurance, and other insurances. Below are the major meetings SGI has presented in 2008.

(Apr. 2008 ~ Mar. 2009)

Schedule	Meetings
Apr. 2008	Risk and Insurance Management Society Annual Conference 2008
May 2008	Surety & Fidelity Association of America 100th Annual Meeting 2008
May 2008	International Credit Insurance and Surety Association 66th AGM
June 2008	Pan-American Surety Association General Assembly 2008
July 2008	International Insurance Society 44th Annual Seminar 2008
Sept. 2008	Monte-Carlo Rendez Vous 52nd International Conference 2008
Oct. 2008	5th China Guarantee Forum 2008
Nov. 2008	24th East Asia Insurance Congress 2008



SGI successfully hosted the International Credit Insurance and Surety Association(ICISA) 67th General and Associated Meetings of 2009

Seoul Guarantee Insurance hosted the 67th annual International Credit Insurance and Surety Association (ICISA) meeting in Jeju Island, Korea.

Delegates from 29 ICISA member companies took part in the event, joined by a number of guests from ALASECE, Berne Union, PASA, SAC, and SFAA. Mr. Clemens von Weichs (Allianz SE) and Mr. Joaquin de la Herran (CESCE) are the re-elected President and Vice President of ICISA for 2009 through 2010.

Having successfully hosted the ICIA (formerly ICISA) General & Associated meeting back in 1987, this was the second time for SGI to proudly host the annual meeting again.

Backed by the comprehensive efforts from ICISA members, lead by Mr. Clemens Von Weichs the president, and Mr. Rob Nijhout, the executive director of ICISA, in spite of the global financial crisis, 2009 AGM was already a successful event with a total of 85 delegates & accompanying persons participating from diverse parts of the world.









During the meetings, delegates and guest speakers mainly discussed on the topic of finding the directions to overcome the global financial crisis of today. The proposed topics comprised of subjects such as "the Asian bond market effect due to the financial turbulence," "economy of U.S. & Mexico," and "Market risk and government supporting strategy on credit insurers."

And many have agreed to the importance of the risk management and thorough understanding of current economy. Dr. Young-Min Baang, the CEO of SGI, shared his address with the topic of "Surety and Credit Insurance market in Korea" which included an examination on the current status of the financial crisis and his prospects on the future bond market conditions and SGI's counterplans against the crisis. In his presentation, he stressed that "We hope it will be an opportunity to strengthen global business, and we will actively support Korean business abroad."

This annual meeting concluded successfully from the sincere support and contribution by the delegates and accompanying persons. This meeting has produced new opportunities to connect the attendees to deepen a closer relationship.

The 68th ICISA General & Associated meetings will take place at France in June 2010.









The ground-breaking ceremony for building SGI Training Center in Chung-Ju city

On November 5, 2008, Seoul Guarantee Insurance held its ground-breaking ceremony for building a training center in Chung-Ju. This construction project is expected to be completed in October 2009.

The SGI Chung-Ju training center will function as the main educational intermediary to train employees with variety of programs to bring satisfying results in raising specialists.

There were about 120 people participating in this ceremony including Dr. Young-Min Baang, CEO of SGI. Dr. Baang addressed, "Once this center is built, we will put in our greatest efforts to promote global specialists to give higher satisfaction to our customers, and it will be the foundation to becoming the world top financial institution." and also stressed that "This training center will contribute to stimulating the local economy of Chung-Ju."



Society for Worldwide Inter-bank Financial Telecommunication (SWIFT)

To establish an enhanced systematical environment for overseas bonding services, Seoul Guarantee Insurance has undergone its preparation closely throughout 2008 to launch SWIFT in August 2009.

"Society for Worldwide Inter-bank Financial Telecommunication(SWIFT)," operates a worldwide financial exchanging network connecting between banks and other financial institutions. This network is currently linked to 8,300 financial institutions, in 208 countries. SWIFT is a cooperative society under Belgian law, and it has offices around the world with its headquarters located in Belgium.

One of the main functions of SWIFT services include message transmission called "FIN." SGI has applied for SWIFT to adopt FIN service in the company's process for issuing guarantees. SWIFT transports financial messages in a highly secure way, and is used widely to transfer the certificate of guarantees. It will raise overall efficiency in company's daily operations, and also will enhance business transactions with financial institutions worldwide. And further, it will improve the transparency and validity of the bonds which need to be issued to the foreign beneficiaries and banks. It is considered that SWIFT system will build a foundation to elevate international guarantee issuing standards to a higher level.



Joint workshop with China I&G

To strengthen its business network and to understand the surety market in China in connection to having opened a Representative Office in Beijing, Seoul Guarantee Insurance held joint workshop at the Seoul headquarter office with China I&G.

During the workshop, Ms. Yan Hongli, Executive President of China I&G with other delegates participated to involve in every sessions prepared by SGI. During the session, SGI has mainly addressed on current surety market in Korea, performance bond, e-bond system, and fronting business.

China I&G showed much of their interest in the technical process on overseas business of SGI as a guarantee service provider to help construction companies to advance overseas, since the number has increased drastically. And plus, both SGI and China I&G have actively involved in discussion to address plans to assist Korean companies advancing to China in terms of Fronting. At the end, members from China I&G were satisfied with the whole process of this workshop, and opened the door for business opportunities.

At the end of the workshop, President & CEO, Young-Min Baang pointed out that this workshop would pave the way to continue our amicable relationship, and further extend our business opportunities to maximize mutual profit.



SGI Guarantee Workshop in Korea for cooperations with Vietnam

Seoul Guarantee Insurance held the second SGI Guarantee Workshop with participants from Vietnamese government and financial institutions.

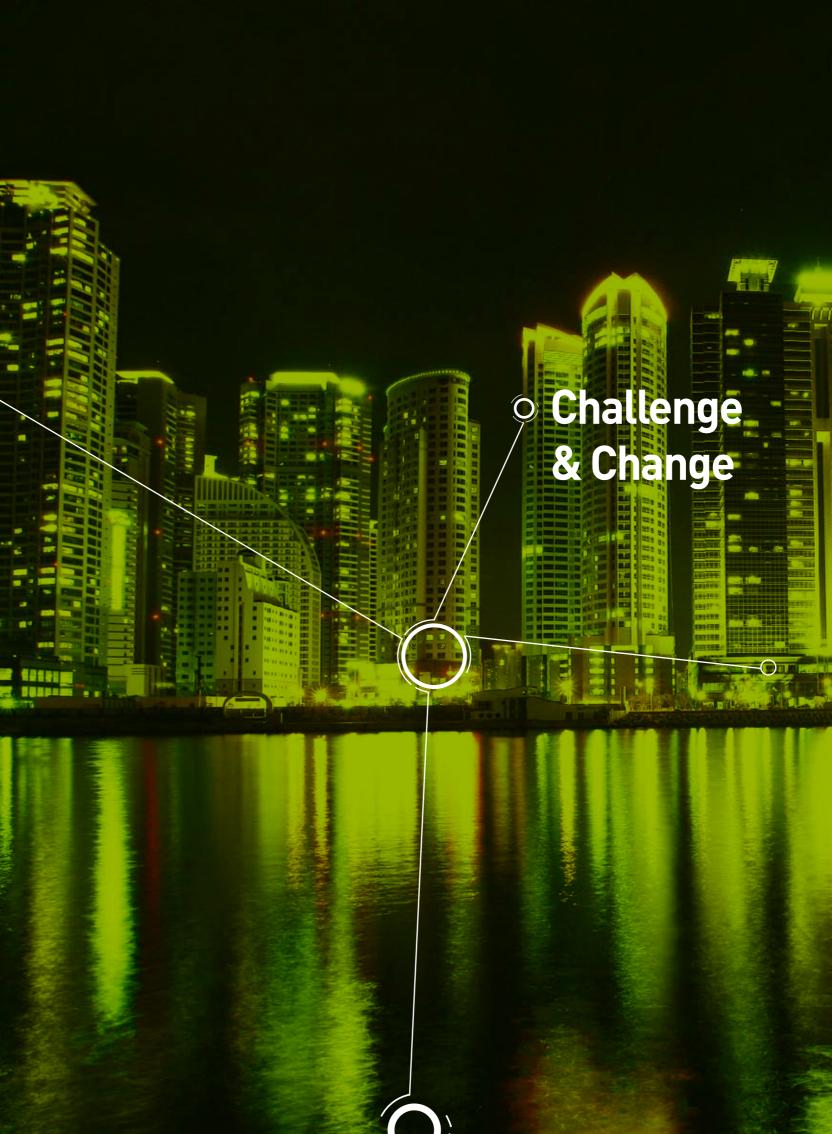
This workshop was mainly intended to introduce SGI's process of issuing surety bonds to Vietnam, and to promote industrial exchange in surety business since the first workshop held in 2006.

At this workshop, Ministry of Finance, Ministry of Transport, Project Management, Vietnam Electricity, Bach Dang Shipyard, BIDV Insurance, Baoviet, PJICO participated to exchange ideas introducing company products, credit insurances, and guarantee policies in Korea.

This workshop was successful one for both SGI and Vietnam representatives for their business cooperations and mutual understandings.

BUSINESS REVIEW

SGI offers a wide range of comprehensive bond and credit insurance services for individuals and companies to create an optimum business solution.





Contract Bonds

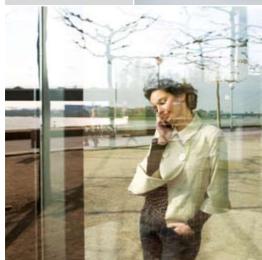
Non-Contract Bonds





Financial Guarantee



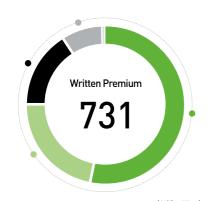




International Business

Concentrating on its core business of bonds, guarantees and credit insurance, SGI has written over 1 trillion Korean Won in the gross premium in FY2008. By issuing bonds and credit insurance policies for a wide variety of business transactions, Seoul Guarantee Insurance aims to create value to the clients and assist them in their economic activities.

Premium Portfolio



		(USD million)
Contract Bond	ds	389
Credit Insuran	nces	163
 Non-Contract 	Bonds	115
 Financial Guar 	rantees	62
Others		2

Operating Results

(USD million)

94,900
731
657
371
49%
_

The primary insurance book of SGI includes mainly the surety bond and credit insurance and other products such as the fidelity bonds, where the surety bonds are mostly for the purpose of securing a contract and the credit insurance protects a seller or merchandiser for its sold goods.

In 2008, SGI's product mix consisted of 73% of surety bonds, 22% of credit insurance products and others by 5%. The written premium was USD 731 million reflecting a 21% increase from 2007 which accounts for the extended premium volume in credit insurance and in the contract bonds. In contrast, Financial Guarantees decreased 16% from 2007 which was a composite result of a strengthened underwriting guideline to control loss for certain principals, and an influence coming from our large client that chose to reduce the bond amount according to their changed corporate policy.

The increase in the contract bonds are influenced by the Korea government's expenditure that concentrated earlier in the 1st quarter of 2009 and the increased public projects to boost the economy. As for the credit insurance increase in 2008, it was due to the telecommunication companies marketing strategy to make the buyers use the cell phones for a given contracted period. By contracting a certain period of use, the buyers can acquire a cell phone for a lower price. Therefore the demands for new cell phones increased. These effects along with the fact that the installment credit insurance policies are not easily cancelled due to the new contracting policy, the premium level of the installment credit insurance increased in 2008.

In 2008, over 12 million policies were issued which are about USD 95 billion in terms of total bond amount for the new policies. Regarding the loss ratios, SGI has enjoyed a previous fiscal result of 21.6% and 23.4% in FY2007 and FY2006. Because of the unfavorable economic impact in 2008 spread globally, SGI's loss ratio has also increased to 49.4% for the primary insurance book, and in overall considering in and outward reinsurance, the loss ratio became 50.3%. As the global economy regains strength in 2009, it is expected the loss ratios will also restore its stability and return to its normal level.



Contract Bonds ©

Since bonds are a commonly required facility in the most types of contracts and agreements between parties, SGI is widely known to all kinds of business owners, from a personal individual to a large corporate client. Contract Bonds are especially the useful security in business, where the performance of the principal has to be guaranteed.

Product Mix

- Bid Bond
- Performance Bond
- Advance Payment Bond
- Maintenance Bond
- Payment Bond
- Credit Sales Bond
- Others

Marketing Distribution

- Branch Offices
- Insurance Agent
- Internet

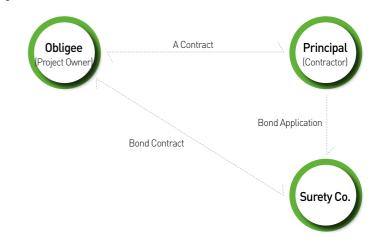
Operating Results

(USD million)

	FY2008
Bond Amount	39,337
Premium	389
Claim	434
Recovery	167
Loss Ratio	84%

Contract bonds are the Company's core products, the majority of which are the traditional contract surety bonds, accounting for 53% of total written premium.

• The Bonding Structure



Contract bonds include bid bond, performance bond, advance-payment bond, maintenance bond, payment bond for purchase or construction contracts with the government or a private company.

SGI provides guarantees to companies who need credit support or a better security to enter into a contract. SGI helps to uplift the clients' credit standing for a enhanced economic performance of theirs and to further foster the economy in a broader sense. New and improved products are consistently being launched to satisfy the customers varying needs.

• Contract Bonds required by Project Stage



Contract Bonds

• Premium Portfolio (Contract Bonds)



	(USD million)
 Performance 	96
Advance Payment	85
 Credit Sales 	39
 Maintenance 	49
Payment	114
● Bid	2
Sale on Lots	1
Etc.	3

Bid Bond

A Bid Bond covers the loss occurring when the successful bidder does not enter into the contract, or if there are reasons for the bidder to withdraw the bid during the period of bid validity specified in the bidding documents.

The bond commences on the day before the bidding date, and the expiry date shall be more than 30 days after the bidding date. The bond amount shall be 5% or a certain percentage of the bid amount.

Performance Bond

A Performance Bond protects the project owner from the loss occurring when the contractor has not fully performed his duty as to the contract.

The bond commences on the date of the contract and expires on the date performance is completed as prescribed in the written contract. The bond amount shall be 10% or a certain percentage of the relevant contract as referred to thereon.

Maintenance Bond

Maintenance Bonds are guarantees that oblige contractors to perform maintenance or do corrective work during a specified guarantee period.

The bond commences on the date the inspection is done after the completion of the work or supply, and expires on the date the maintenance period is finished. The bond amount shall be $5\sim10\%$ or a certain percentage of the relevant contract as referred to thereon.



Necessary Documents for Bond issue

- Bond Application Form
- Indemnity Agreement (in SGI format)
- A Copy of the Contract
- Financial Statements of the Applicant (incl. Auditor's Report)
- A Certificate of Corporate Registry
- Other Documents Necessary for Assessment

Advance Payment Bond

Advance Payment Bond covers the loss occurring in case the Principal fails to repay the advance payment or pay for or return the advanced materials when the Principal fails to perform the obligation(s) stipulated in the contract.

The bond commences on the date the advance payment is made, and expires on the date the performance is completed. In the case that a homestead period is stated in the relevant law or main contract, the expiry date will be extended to the end of the homestead period. The bond amount shall be 5~10% or a certain percentage of the relevant contract as referred to thereon.

Payment Bond

Payment Bond covers the loss occurring in case the Principal fails to fulfill the payment obligation(s) stipulated in the contract (i.e., contract for work, sales, rent, mandate, etc.).

There are about 160 official guarantee obligations covered by the product, labor and material bond, etc. The bond period is generally the given contract period and the amount is the required sum of the contract.

Sale on Lots Bond

The Sale on Lots Bond secures the beneficiary from the loss occurring when the principal has failed to fulfill his obligations to parcel out the objective building or apartment as stated in the Sale on Lots Contract.

It covers the losses arising out of the Principal's failure to fulfill obligations as stipulated in the contract for sale on lots. The bond commences upon the start of sale on lots construction and expires on the expected move-in date of the Beneficiary, and the amount is the contract sum of sale on lots.





Non-Contract Bonds ©

For certain cases when it is a custom or rule to submit a security to an employer, a court office, customs or tax office, SGI's bonds work as an effective facility and have been recognized as a reliable security to the beneficiaries.

Product Mix

- Fidelity Bond
- Judicial (Court) Bond
- Taxation Bond
- License and Permit Bond
- Others

Marketing Distribution

- Branch Offices
- Insurance Agent
- Internet

Operating Results

(USD million)

	FY2008
Bond Amount	38,726
Premium	115
Claim	34
Recovery	34
Loss Ratio	-

Non-contract bonds refer to the bonds other than contract bond or financial guarantees which include fidelity bond, judicial (court) bond, taxation bond, license and permit bond etc.

In 2008 non-contract bonds took 16% of the total premium written.

Including fidelity bond which secures an employer for his employees dishonest acts, non-contract bonds are basically designed to indemnify a default or non-fulfillment of an individual, or a firm where his promised duty is legally or customarily required.

Fidelity Bond

A Fidelity Bond indemnifies the Employer for the losses from employee's fraudulent and dishonest acts.

SGI has been the exclusive provider of fidelity bonds, and has assisted job applicants to find new occupations. As for year 2008, 1.9 million fidelity bonds, which worth USD 25 billion, has been provided.

The bond reimburses financial losses to the Beneficiary (employer) when the Principal (employee) abused his job position to commit a crime designated as a major crime under the Criminal Act (larceny, robbery, fraud, embezzlement, and misappropriation) during the insurance period.

• Premium Portfolio (Non-Contract Bonds)



	(USD million)
License & Permit	45
Fidelity	32
Court	32
Taxation	6

Fidelity Credit Insurance

Basically, Fidelity Credit Insurance (FCI) has been developed to satisfy the needs of beneficiaries of SGI fidelity bonds for a larger bond amount. Thus FCI is a product designed to offer coverage on the excess amount which is not indemnified under fidelity bonds. FCI and fidelity bonds are available to all types of corporations, including financial institutions.

FCI indemnifies the Insured for any direct damages including financial losses caused by fraud, embezzlement, theft, robbery, or breach of trust committed by an employee, who has an employment or other relationship with the Insured, in the execution of his duties for the benefit of the Insured.

The bond period is basically given as 1 year with a retroactive period. And the amount shall be the sum which the beneficiary has requested, where exist a limit of liability per types of coverage and per any one occurrence. In addition, for FCIs, the premium is quoted by a reinsurer.

Judicial (Court) Bond

The Court Bond covers the loss that the Principal should compensate to the Obligee when the Obligee receives a title of debt relating to the right of claim for damages due to the case as stipulated in the bond.

As to court bond, there is no set bond period. The obligations stated under the bond shall commence and be in effect until the deposit made to a Justice Office has been released. The bond amount shall be the sum that an applicant for civil case has to provide as a security in accordance with court order.



Taxation Bond

A Taxation Bond is a bond used to protect the National Government/Local Government against due taxes that are not received.

It covers financial losses to the beneficiary (tax authority) when the Principal fails to pay his tax duties or customs. Taxation Bonds offer about 50 different official coverage schemes. The main examples are Deferred Payment (ex: National Tax, Customs, etc.) and Re-export Customs Exemption.

In the case of guarantees for national tax or local tax, to calculate the bond period, 30 days must be added to the original period required by the tax office or city. As for guarantees for customs, 30 days are not necessarily added to the period required by the customs office.

For guarantees for National tax or local tax, the bond amount shall be more than 110% of the amount required by the tax office or city, whereas for Guarantees for Customs, the bond amount shall be more than the amount required by the customs office.

License & Permit Bond

License & Permit Bonds cover the loss caused by the failure of the Principal to perform the conditions which grant a special privilege, a restricted business, or other right for a special facility or act, regardless of the name of the license, permit, patent, approval, registration, or other designations to the Obligee and/or 3rd parties of property.

If an article stipulating an extension period exists in the relevant law, it shall be added to the License & Permit Period. The bond amount shall be the sum which the principal has deposited to the obligee.

Foreign Investment Insurance

Foreign Investment Insurance (FII) was reported to the financial supervisory service on April 10th 2008. The product in the name of "FII" is a political risk insurance policy. To issue an FII policy, reinsurance is a necessary condition according to SGI's underwriting guideline.

The product covers the creditor's loss that incurred by the debtor's failure to perform its obligations under a contract, as a result of a political incident that happened in the debtor's country. "Expropriatory Act, Currency Inconvertibility & Non-Transfer, Political Violence, War & Civil War" are the covered risks under the policy.



Financial Guarantee ©

SGI offers a portfolio of some financial guarantees for individuals and firms, but owing to the unique risk and feature of the products, sales are performed in limited, conservative ways.

Product Mix

- ABS Bond
- E-biz Bond
- Employee's Loan Bond
- Small Loan Bond

Marketing Distribution

- Branch Offices
- Insurance Agent
- Internet

Operating Results

(USD million)

	FY2008
Bond Amount	5,157
Premium	62
Claim	66
Recovery	59
Loss Ratio	6%

"A financial guarantee is understood as comprising any bond, guarantee, indemnity or insurance, covering financial obligations in respect of any type of loan, personal loan and leasing facility, granted by a bank/credit institution, financial institution or financier, or issued or executed in favour of any person or legal entity in respect of the payment or repayment of borrowed money or any contract transaction or arrangement the primary purpose of which is to raise finance or secure sums due in respect of borrowed money."

(Definition adopted by the Executive Committee of the Panamerican Surety Association in May, 1996)

SGI offers a portfolio of some financial guarantees for individuals and firms, but owing to the unique risk and feature of the products, sales are performed in limited, conservative ways, and personal bonds such as Employee's loan bonds (indemnifying the employer against the loan it had given to its employee for their welfare) take a large portion of the whole premium portfolio than corporate financial guarantees. Financial guarantees constituted 8% of SGI's total premiums written with a USD 62 million in 2008.

Financial Guarantee

• Premium Portfolio (Financial Guarantee)



(USD million)

Employee's Loan	51
• ABS	5
Small Loan	2
● E-Biz	1
 Individual Housing Loan 	1
Corporate Finance	1
Others	1

ABS Bond

ABS Bond indemnifies a loss against the beneficiary from the Principal's non-fulfillment of his duty under a credit offering agreement linked to the issuance of Asset-Backed Securities (ABS). The demand for ABS Bond is mainly from real-estate project finance. The bond period will adhere to the period stated in credit offering agreement.

And the amount shall be the sum which beneficiary requested or an increased amount in percentage of the agreed amount set forth in the credit offering agreement.

E-Biz Bond

E-Biz Bond covers the loss against a beneficiary, which may incur from the principal's non-fulfillment of his obligations set forth in the contract as to the settlement of payment for online commercial transactions such as purchase or supply of goods/services.

The bond is valid for the period granted to the principal which is referred to in the contract, which the base period is 1 year. The bond amount is the granted credit limit to the principal, where the limit of liability is generally up to 80% of the beneficiary's receivables.

To issue a bond, the application is made at online SGI branch and the bond is issued electronically through a link connected between SGI and the beneficiary.



Employee's Loan Bond

Employee's Loan Bond covers the loss incurred to a beneficiary (employer) when its employee listed in the agreement for insurance cover failed to reimburse the loan the beneficiary had approved for mortgage payment or other use to enhance welfare.

In 2008, the written premium was USD 51 million, 7% of the total premium. An agreement (including the list of employees of the beneficiary company) is necessary between the beneficiary and SGI, and the underwriting terms and charged premium rate is adjusted upon the results of the principal's previous accounts.

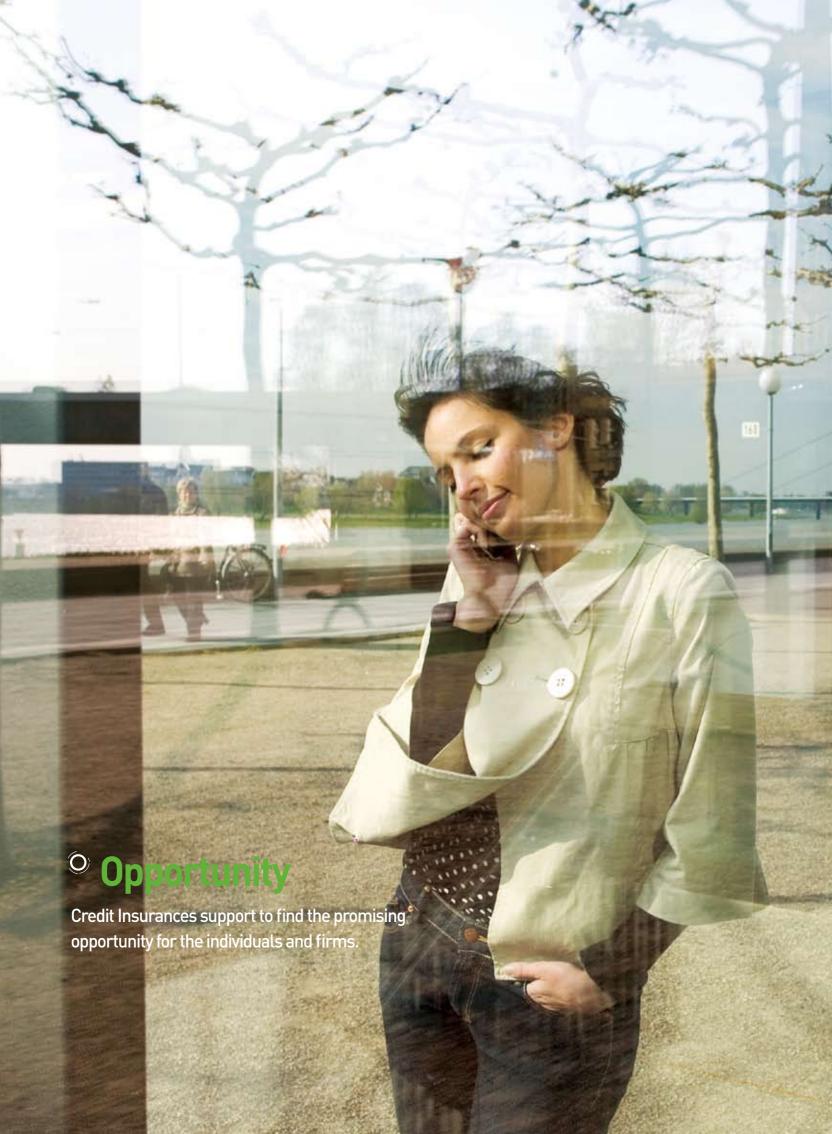
The bond is valid through the period of the Loan Agreement between the principal and beneficiary and is extendible. The bond amount shall be the principal of the loan or the principal added with an interest.

Individual Housing Loan Bond

In Korea, there is a unique house renting system, a custom, called "Junse" which is a type of lease. The difference with "rent" in the U.S. is that in Korean Junse, the lessee make a deposit, a certain portion (60%~70% in average, differs by the location and the type of the house) of the market price of the house, without any monthly rental fees incurred for the rental period.

As to this particular "Junse" contracts which is the prevalent, the most widespread house rental system in Korea, the bond protects the loan approved by a financial institution to a lessee of a Junse contract, where the Junse Contract has been assigned over to the financial institution as a security of the loan.





Credit Insurance ©

The largest portion of SGI's credit insurance account for consumer credit insurance covers; the covers of which are for mortgage, mobile phones, and credit card receivables.

Product Mix

- Commercial Credit Insurance
- Installment Credit Insurance
- Mortgage Credit Insurance
- Mortgage Insurance
- Small loan Credit Insurance
- Credit card Credit Insurance

Marketing Distribution

- Consumer Business Dept.
- Corporate Business Dept.
- Strategic Business Dept.
- Internet

Operating Results

(USD million)

	FY2008
Bond Amount	11,601
Premium	163
Claim	122
Recovery	81
Loss Ratio	31%

In general, Credit Insurance provides coverage against non-payment by a buyer for goods or services he purchased. It indemnifies the unpaid account receivables of the seller in various purchase agreements.

The largest portion of SGI's credit insurance account for consumer credit insurance covers; the covers of which are for mortgage, mobile phones, and credit card receivables.

SGI was authorized by the Korean government on May 27, 1997 to launch credit insurance products to indemnify the insured of the unpaid receivables. SGI currently manages 14 credit insurance products, including commercial credit insurance and mortgage credit insurance.

Compared to the general surety bonds or guarantee insurance, the securities provided to support credit insurance contracts are more or less unique and different, that a specialized claims and recovery division is in operation, and owing to the accumulated know-how and the systemized recovery process, the recovery ratio is over 66%.

Credit Insurance

• Premium Portfolio (Credit Insurance)



	(USD million)
 Installment Credit 	112
 Mortgage Credit Insurance 	31
Mortgage Insurance	3
Other Consumer Credit	5
Commercial Credit	5
Credit Card	7

Commercial Credit Insurance

Commercial Credit Insurance guarantees the payment of the obligor for the credit sales and services. SGI offers credit insurance for credit sales and mobile phone service fees and others.

Domestic sales contracts are the main portfolio of the total, where global credit insurers such as Coface, Euler Hermes, AIG is in cooperation with SGI in credit evaluation and reinsurance.

Policyholder	Companies who provides goods/services on credit
Debtor	Individuals who have an obligation to the Policyholder for
	the goods/services purchased on credit
Coverage	The loss occurring in case the Policyholder fails to receive
	payment from the Debtor for the credit sales stipulated
	in the credit sales contract
Policy Period	Contract Period (1 year in general)
Policy Amount	Total amount of credit limit approved to Debtor

Credit Insurance for Mobile Phone Service Fee

Policyholder	Telecommunications Company
Debtor	Mobile phone user
Coverage	The loss occurring in case the Policyholder fails to receive payment from the Debtor for the mobile phone service

Installment Credit Insurance

Installment Credit Insurance guarantees the installments of a sales amount as specified in the installment sales contract. SGI offers credit insurance for mobile phone installment sales and others.



Mortgage Credit Insurance

Mortgage Credit Insurance (MCI) insures the "small rental key money" portion of a loan provided for a mortgage up to LTV 60% by a financial institution.

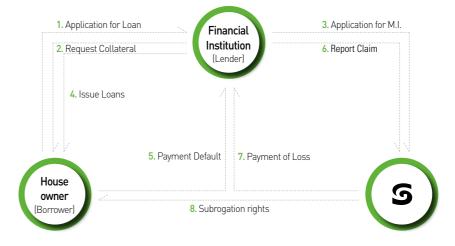
MCI guarantees the loss a financial institution may incur from issuing the additional loan (MCI portion) in the event the debtor fails to perform its obligations according to the loan contract.

Mortgage Insurance

Mortgage insurance is a cover for a bank for its issued mortgage loans from LTV 60% up to 80%, for cases when the borrower of the loan has failed to repay the debts, resulting in a loss to the bank.

SGI and AIG United Guaranty Asia have jointly cooperated in developing mortgage insurance in Korea. Since the launch of SGI mortgage insurance, the product has been reinsured by AIG United Guarantee through a reinsurance treaty.

Mortgage Insurance Contract Flow







International Business ©

With a qualifying credit rating and a stable financial record, SGI will consistently support its esteemed clients' future activities and build new business models to cope with the changing market needs.

Product Mix

 Bid, Performance, Advance payment, Maintenance

Marketing Distribution

- International Business & Reinsurance Dept.
- Branch Offices

2008 was a memorable year for Seoul Guarantee Insurance's international business to develop a step further. In spite of the global financial recession that began in 2008, SGI expanded its international network and diversified its risk portfolio by increasing business opportunities with foreign companies. The hardened guarantee and credit insurance market as a result of the economic downturn, instead made a more preferable underwriting condition for Seoul Guarantee Insurance.

The increased needs for bonds and growth in the public and private contracts in 2008 had both an impact for Seoul Guarantee Insurance to reach a greater volume in premium. Especially in 2008, the Korean contractors found favorable chance of receiving new overseas contracts with their technical superiority and long experience in the past. These increased overseas transactions made SGI to choose more chances to offer guarantees and capacity to the Koreans working abroad and helped more clients to take business opportunities.

While strengthening its core business of surety bond and credit insurance, SGI put effort in participating in the global conferences and developing new business relationships. Including the assembly meetings of SFAA, ICISA and PASA, SGI delegates were involved in the major events of IIS, IIA, RIMS and RVS Monte Carlo. In addition to the large yearly events, SGI pursued a progressive mutual cooperation with the industry partners by hosting in-house workshops for foreign clients by introducing guarantee insurance of Korea.

With a qualifying credit rating and a stable financial record, SGI will consistently support its esteemed clients' future activities and build new business models to cope with the changing market needs. In the way of providing direct capacity, issuing bonds or credit insurances, or by reinsuring the risk, Seoul Guarantee Insurance proposes to help the Korean and the global customers who need SGI's assistance in their business activities.

Providing international bond capacity for the Korean interests abroad

Amid the global economic recession which affected the whole industry, Seoul Guarantee Insurance has been building results in the overseas market by developing new business model and by driving forward a progressive marketing strategy.

Being an A rated company both by S&P and Fitch, SGI prepared the platform as a credible international bond underwriter and is promoting its advance to the overseas market.

Using its network within the PASA members, SGI has cooperated with the local surety company in the South America and helped the required bond to be issued on behalf of a Korean client. The bond was issued for a contract where a Korean company has been ordered by a South American national oil refining company, the required bond sum of which was approximately USD 61 million including the performance and advance payment bond. The bond issue was possible by the local company and SGI's cooperation, the local company issued the policy and SGI reinsured the risk. This case is considered as a good example for similar cooperation in the future that can be introduced in South American region.

Seoul Guarantee Insurance in alliance with the local banks in UAE, has initiated cooperative business in 2007 and as of today have enabled a total of 35 guarantees to be issued which is an exposure of USD 112 million. In addition to UAE, SGI will expand more business relationships with the local financial institutions of Kuwait, Saudi Arabia, Libya, Iran, India and other countries that are active in developing construction and plants that are placing orders to Korean companies. In Singapore, where recently new large construction contracts are consecutively being awarded, SGI has provided a support of USD 58 million to the Korean contractor's construction deals including the national works of building expressway, subway lines and stations.

Guarantee Issuing Process by SWIFT



SGI's guarantee exposure for the Middle East and Asian local projects totaled USD 1.1 billion for the past 3 years since 2006.

To establish an enhanced systematical environment for overseas bonding services, Seoul Guarantee Insurance is scheduled to launch SWIFT which is widely used between the banks in the international transactions. The system in operation from August 2009, and it is expected it will improve the transparency and validity of the bonds which needs to be issued to the foreign beneficiaries and banks. It is considered SWIFT system will elevate SGI's international guarantee issuing standards to a higher level.



Reinsurance Business

SGI has a reinsurance cover for its primary insurance and also has an underwriting team for reinsuring inward contracts including bonds, credit insurance and property and casualty insurance.



The cessions of SGI's business are done mostly through the treaty covers which are renewed in the beginning of the fiscal year. In terms of ceded premium compared to the written premium of SGI's primary insurance, the ratio is about 10.5%. The ceded portfolio includes various products of surety bonds and credit insurance of SGI's book. The ceded premium in Korean Won increased in 2008 by 35% compared to 2007, mainly due to the growth in the written premium by 20.8% of the last year and also from the new treaty relationship effected in 2008.

As a way of diversifying business portfolio, SGI has underwritten treaty and facultative reinsurance consisting of generally non-marine property and casualty insurance and some bond and credit insurance. The reinsurance business volume is consistently increasing as SGI is accumulating experience and promoting business exchange.

Overseas Representative Offices

SGI has representative offices to create local network and perform market research. Dubai representative office is under preparation and is to open on the second half of 2009.

Location	Established	Chief Representative	Remark
Hanoi, Vietnam	Oct. 2007	Mr. Beom-Soon Jung	
Beijing, China	Jun. 2008	Mr. Il-Gon Kim	
Dubai, U.A.E.	In 2009	Mr. Hwa-Tae Choi	

Upcoming International Events

Meetings	Schedule	Location		
Monte-Carlo Rendez Vous 53rd International Conference	Sept. 2009	Monte Carlo, Monaco		
PASA XXI General Assembly 2009	Oct. 2009	Acapulco, Mexico		
10th Singapore International Reinsurance Conference	Nov. 2009	Singapore		
RIMS Annual Conference 2010	Apr. 2010	Boston, USA		
SFAA 102nd Annual Meeting	May 2010	Washington D.C, USA		
International Insurance Society 46th Annual Seminar	Jun. 2010	Madrid, Spain		
The Institute of Internal Auditors International Conference	Jun. 2010	Atlanta, USA		
ICISA 68th General and Associated Meetings	Jun. 2010	France		

International Business

Required Documents for Application

- Application form & Indemnity Agreement
- A copy of the Underlying Contract
- Financial Statements
 (Balance Sheet, Income Statement and etc.)
- Other documents for underwriting

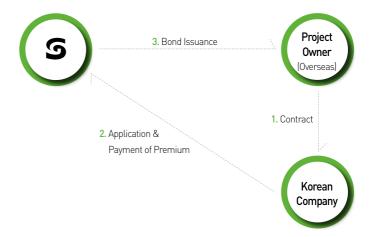
Direct Guarantees

As the frontrunner of Korea guarantee Industry, SGI has been directly issuing guarantee to local project owners for diverse international contracts such as performance guarantee for construction contracts.

The major clients are the Korean companies or their overseas branch offices performing construction or are building plants in the Middle East, Asia and other regions. The beneficiaries also range in different types from an overseas local firm to a government authority.

The demands for overseas direct guarantees is increasing by the growth of international contracts. And since SGI have earned global ratings from Fitch and S&P respectively, the bond issues for foreign contracts are increasing as well.

Bond Issuing Process





Counter-Guarantees

In case when an overseas local bank guarantee is needed for the contract which a Korean company received orders abroad, the local bank may demand a security for its issuance of the first-tied guarantee. As a security support to those guarantees, SGI issues counter-guarantees to the local banks.

As more Korean firms are advancing into the overseas market and asking for counterguarantees, SGI has been actively working to build network with the local banks.

In alliance with the banks, SGI look forward to exchanging more business and create new opportunity.

• Counter-Guarantee Bond Issuance





International Business

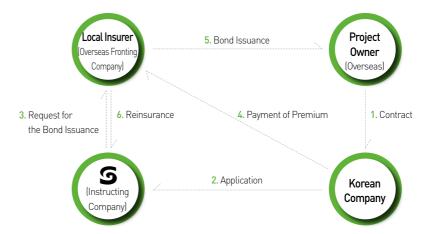
Fronting Business

An overseas Project Owner can request a contractor that a bond needs to be provided by a local insurer located in his area. But it is quite rare for those insurers to issue bonds, as it is difficult for them to assess the contractor's credit standing and perform underwriting.

In such cases, an insurer at the contractor's country ("instructing company") may request its counterparty ("fronting company") based in the other country in question to issue a bond on behalf of itself, for the contractor to obtain a foreign bond easily and promptly. This cooperative activity is called "fronting."

After bond issuance, the fronting company cedes the risk to the instructing company that requested the bond issuance, which is called a "reinsurance." Therefore, it is the instructing company that actually assumes the risk.

• Fronting-based Surety Bond Issuance





Business Network

Asia China People's Insurance Company of China www.picc.com.cn Ping An Insurance www.pingan.com.cn China Continent P&C Insurance Company www.ccic-net.com.cn China National Investment & Guaranty Co.,Ltd. www.guaranty.com.cn Singapore **ECICS Limited** www.ecics.com.sg Asia Capital Reinsurance Group www.asiacapitalre.com China Insurance Co. Pte. Ltd. www.chinainsurance.com.sg First Capital Insurance Limited www.first-insurance.com.sg Lonpac Insurance Bhd www.lonpac.com Japan Aioi Insurance Co., Ltd. www.ioi-sonpo.co.jp Fuji Fire & Marine Insurance www.fujikasai.co.jp Sompo Japan Insurance Inc. www.sompo-japan.co.jp Vietnam Baominh Insurance Corp. www.baominh.com.vn Baoviet Insurance www.baoviet.com.vn BIDV Insurance Company (BIC) www.bic.vn Indonesia Askrindo www.askrindo.co.id

Germany	Euler Hermes	www.eulerhermes.com
France	SCOR	www.scor.com
	Coface	www.coface.fr
Netherland	Atradius	www.atradius.com
Switzerland	Swiss Re	www.swissre.com

Middle East & North Africa (MENA)

UAE	First Gulf Bank	www.fgb.ae
Kuwait	National Bank of Kuwait	www.nbk.com
Libya	First Gulf Libyan Bank	www.fglb.ly

America

U.S.A Travelers
Chubb
Liberty Mutual Group
AIG

www.travelers.com www.chubb.com www.libertymutual.com www.aig.com Ecuador

South America

Confianza Compania de Seguros y Reaseguros. S.A. www.confianza.com.ec



Underwriting

Underwriting Process

Application for a Bond

The principal submits an application form to SGI, for a certain bond (product), with other basic information such as the copy of underlying contract and the financial sheets.

Risk Analysis & Credit Evaluation

The underwriter reviews the submitted application, and analyzes the underlying contract to check the risk. • Credit evaluation on the principal who is obliged to perform the contract is done to confirm if the contractor in question is eligible enough to fulfill the said contract.

• Combining all the conditions and results of the analysis, SGI determines the final issuing terms and the applicable rate.

Bond Issuance

As soon as the premium is paid, the bond is issued and forwarded to the beneficiary as a form of written policy or an electronic file.

Features

Specific Local Underwriting in the national network

Experienced underwriters are located at the 63 branches nationwide, to determine a risk to be assumed or rejected or to place a proposal to the headquarters for a higher review.

Systematic Underwriting

- Internal referential databases such as, individual & corporate credit evaluation system is used in daily underwriting.
- The general underwriting terms and conditions are systematically determined to prohibit arbitral decision making.
- Cyber branch service is available on-line, enabling bond service through internet.

• The professional underwriters in the Headquarters

The large, new or long-tailed risks are brought up to the underwriters at headquarters, the team of which consist of the most experienced underwriters in SGI.

Contract Default (A Loss) A loss is triggered when the principal failed to fulfill his obligations under a contract. Report a Claim The Beneficiary reports a claim to the branch office which issued the bond by submitting a claim notice along with the relevant documents required to verify the incurred loss. * The Claim Right under the bond contract will lapse if not exercised in 2 years. Claim Assessment SGI calculates the amount of payment regarding the loss considering the bond terms and conditions. Claim Payment SGI pays the claim to the beneficiary within 10 days after the payment has been determined.

Features

• Local claim service in the national network

5 Regional Claim Service Centers are located in the large cities in Korea, whereas a department specializing in large claim is in service at the headquarters.

Claim Payment & Recovery

If a loss had incurred to the beneficiary as a result of non-fulfillment or default of the principal, and SGI has paid a claim, then SGI holds a subrogation right upon the principal.

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Independent Auditors' Report

ERNST&YOUNGQuality In Everything We Do

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Fax: +82-2-783-5890 www.ev.com/kr

The Board of Directors and Stockholders Seoul Guarantee Insurance Company

We have audited the accompanying balance sheets of Seoul Guarantee Insurance Company (the "Company") as of March 31, 2009 and 2008, and the related statements of income, appropriations of retained earnings, changes in equity and cash flows for the years 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 audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2009 and 2008, and the results of its operations, its changes in retained earnings and equity and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the Republic of Korea.

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

Ernot Young Han Young

May 28, 2009

			1	(In Korean wor
		FY2008		FY2007
Assets				
Cash and deposits (Notes 3 and 13)	₩	337,578,965,338	₩	108,330,829,19
Trading securities (Note 4)		497,305,821,401		758,550,602,44
Available-for-sale securities (Notes 4 and 5)		2,829,512,335,094		3,157,485,899,95
Held-to-maturity securities [Notes 4 and 6]		1,054,565,000		1,193,697,00
Equity method investments [Note 7]		18,057,855,166		17,384,257,26
Loans, less allowance for loan losses of ₩51,484,357 in 2009				
(₩44,569,746 in 2008) ^(Note 8)		6,813,096,657		5,547,182,64
Property and equipment, net (Note 9)		141,859,489,950		142,675,409,93
Intangible assets, net [Note 12]		32,746,639,362		23,455,119,33
Deferred income tax assets [Note 27]		19,290,254,021		
Other assets, less allowance for doubtful accounts of ₩96,971,849,500 in 2009				
(₩79,611,228,433 in 2008) ^(Note 8, 10, 11, 13 and 31)		595,762,486,578		520,955,623,33
Total assets	₩	4,479,981,508,567	₩	4,735,578,621,09
Liabilities and stockholder's equity				
Policy reserves (Notes 14 and 18)	₩	1,466,431,454,847	₩	1 ,256,195,912,04
Catastrophe reserve (Note 14)		287,399,758,404		231,715,585,75
Borrowings (Note 17)		465,064,749,316		597,438,289,79
Deferred income tax liabilities (Note 27)		-		41,391,434,06
Other liabilities:				
Insurance claims payable (Notes 13 and 15)		93,207,699,233		70,854,372,87
Severance and retirement benefits (Note 16)		28,401,361,370		21,087,166,18
Others (Notes 9, 19 and 31)		150,658,693,001		288,504,994,19
		272,267,753,604		380,446,533,24
Total liabilities		2,491,163,716,171		2,507,187,754,90
Commitments and contingencies (Note 18)				
Stockholders' equity				
Capital stock (Notes 1 and 20):				
Common stock		174,553,995,000		174,553,995,00
Preferred stock		1,179,520,350,000		1,179,520,350,00
		1,354,074,345,000		1,354,074,345,00
Capital adjustments:				
Discount on stock issuance		-		
Accumulated other comprehensive income:				
Gain on valuation of available-for-sale securities (Notes 5 and 29)		68,109,945,699		159,710,147,67
Equity adjustment arising from equity method investments (Notes 7 and 29)		(277,951,602)		(132,606,094
		67,831,994,097		159,577,541,57
Retained earnings:				
Legal reserve (Note 20)		316,757,064,617		184,096,425,08
Unappropriated		250,154,388,682		530,642,554,53
• •		566,911,453,299		714,738,979,61
Total stockholders' equity		1,988,817,792,396		2,228,390,866,19
Total liabilities and stockholders' equity	₩	4,479,981,508,567	₩	4,735,578,621,09

Statements of Income

Years ended March 31, 2009 and 2008

			1	(In Korean won
		FY2008		FY2007
Operating revenues:				
Premium income (Note 21)	₩	1,064,683,231,384	₩	863,422,810,368
Reinsurance income (Notes 18 and 22)		42,144,699,311		11,282,214,997
Interest income (Note 4)		151,898,158,706		144,903,068,011
Gain on disposal of trading securities		2,236,728,839		19,200,509,605
Gain on valuation of trading securities		9,420,717,098		14,752,695,024
Gain on disposal of available-for-sale securities		56,830,201,451		116,774,719,047
Compensation income [Note 11]		63,296,977,647		-
Gain on foreign currency transactions and translation (Note 13)		4,423,784,876		1,654,074,154
Dividend income (Note 31)		27,713,988,637		56,158,250,042
Rental income ^(Note 31)		2,990,644,486		2,764,667,974
Expenses recovered		103,625,840,249		141,952,924,590
Miscellaneous investment income		5,447,932,418		439,971
		1,534,712,905,102		1,372,866,373,783
Operating expenses:				
Provision for policy reserves (Note 14)		210,235,542,804		77,793,556,626
Provision for catastrophe reserve (Note 14)		55,684,172,645		46,120,695,292
Claims paid		414,179,675,416		54,697,281,980
Reinsurance expenses [Notes 18 and 22]		105,859,276,329		78,217,335,700
Operating and administrative expenses (Notes 23, 24, 30 and 31)		294,203,698,577		263,323,093,723
Compensation loss [Note 11]		-		46,595,167,706
Amortization of intangible assets (Note 12)		8,246,448,065		2,978,923,711
Interest expense (Note 17)		36,844,442,096		45,424,603,770
Loss on disposal of trading securities		15,404,481,633		12,017,418,840
Loss on valuation of trading securities		10,717,793,520		9,383,741,331
Loss on disposal of available-for-sale securities		54,965,379,736		4,972,030,181
Loss on foreign currency translation and transactions (Note 13)		2,455,391,120		1,788,325,601
Investment administrative expenses (Notes 25 and 30)		6,920,527,314		5,846,296,806
Maintenance expenses on investments in real estates (Note 30)		1,486,388,888		1,579,762,416
Depreciation expense of investments in real estates [Note 30]		663,966,798		663,015,627
Miscellaneous investment expenses		-		3,204,702
		1,217,867,184,941		651,404,454,012
Operating income		316,845,720,161		721,461,919,771
Non-operating income (expenses):				
Equity in earnings of equity method investments (Note 7)		1,357,041,155		3,339,974,842
Gains on disposal of property and equipment, net		196,563,256		783,400,784
Gains (losses) on error correction (Note 32)		(155,173,361)		4,171,803,911
Donations		(2,085,408,402)		(1,566,400,000)
Miscellaneous income, net [Notes 18, 26 and 31]		27,700,279,324		12,259,543,782
		27,013,301,972		18,988,323,319
Income before income taxes		343,859,022,133		740,450,243,090
Provisions for income taxes [Note 27]		93,704,633,451		209,807,688,558
Net income	₩	250,154,388,682	₩	530,642,554,532
Basic earnings per share (Note 28)	₩	1,308	₩	1,959

Statements of Appropriations of Retained Earnings Years ended March 31, 2009 and 2008

				(In Korean won)
		FY2008		FY2007
Retained earnings before appropriations:				
Unappropriated retained earnings carried forward from the prior year	₩	-	₩	-
Net income for the year		250,154,388,682		530,642,554,532
		250,154,388,682		530,642,554,532
Appropriations:				
Legal reserve (Note 20)		-		132,660,639,532
Reserve for redemption of preferred stock (Note 20)		187,615,790,000		397,981,915,000
Other voluntary reserve		62,538,598,682		-
		250,154,388,682		530,642,554,532
Unappropriated retained earnings to be carried forward to the next year	₩	-	₩	-

See accompanying notes.

Statements of Changes in Equity Years ended March 31, 2009 and 2008

								(In Korean won)
				A	ccumulated other			
			Capital		comprehensive		Retained	
	Capital stock		adjustments		income		earnings	Total
As of April 1, 2007	₩ 1,354,074,345,000	₩	(9,747,061,840)	₩	137,436,136,415	₩	548,761,129,448	₩2,030,524,549,023
Amortization of discount								
on stock issuance	-		9,747,061,840		-		(9,747,061,840)	-
Dividends	-		-		-		(354,917,642,523)	(354,917,642,523)
Gain on valuation of								
available-for-sale								
securities (Note 29)	-		-		22,274,011,255		-	22,274,011,255
Equity adjustment arising								
from equity method								
investments (Note 29)	-		-		(132,606,094)		-	[132,606,094]
Net income for the year	-		-		-		530,642,554,532	530,642,554,532
As of March 31, 2008	₩ 1,354,074,345,000	₩	-	₩	159,577,541,576	₩	714,738,979,617	₩2,228,390,866,193
As of April 1, 2008	₩ 1,354,074,345,000	₩	-	₩	159,577,541,576	₩	714,738,979,617	₩2,228,390,866,193
Redemption of								
preferred stock	-		-		-		(397,981,915,000)	(397,981,915,000)
Gain on valuation of								
available-for-sale								
securities (Note 29)	-		-		(91,600,201,971)		-	(91,600,201,971)
Equity adjustment arising								
from equity method								
investments (Note 29)	-		-		(145,345,508)		-	(145,345,508)
Net income for the year	-		-		-		250,154,388,682	250,154,388,682
As of March 31, 2009	₩ 1,354,074,345,000	₩	-	₩	67,831,994,097	₩	566,911,453,299	₩1,988,817,792,396

See accompanying notes.

Statements of Cash Flows

Years ended March 31, 2009 and 2008

			(In Korean won
		FY2008	FY2007
Cash flows from operating activities:			
Net income	₩	250,154,388,682	₩ 530,642,554,532
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for policy reserves		210,235,542,804	77,793,556,626
Provision for catastrophe reserve		55,684,172,645	46,120,695,292
Depreciation of real estate		5,446,560,474	5,308,520,35
Provision for severance and retirement benefits		8,264,567,630	6,969,827,750
Bad debt expenses		18,965,106,444	5,973,005,27
Compensation loss (income)		(63,296,977,647)	46,595,167,70
Amortization of intangible assets		8,246,448,065	2,978,923,71
Interest expense, net		14,933,242,566	16,892,907,26
Gain on valuation of trading securities, net		1,297,076,422	(5,368,953,693
Loss on foreign currency translation, net		(1,917,409,283)	144,487,43
Equity in earnings of equity method investments		(1,357,041,155)	(3,339,974,842
Gain on disposal of property and equipment, net		(196,563,256)	(783,400,784
Losses (gains) on error correction, net		155,173,361	(4,171,803,911
Miscellaneous income, net		(5,301,861,312)	
Changes in operating assets and liabilities:			
Deposits (cash and deposits)		(24,000,000,000)	(11,994,500,000
Trading securities		259,947,704,619	(42,198,995,577
Available-for-sale securities		188,151,456,716	(23,075,638,709
Held-to-maturity securities		139,132,000	40,517,00
Loans		(1,275,480,112)	(2,424,693,230
Insurance receivable (other assets)		(19,540,526,968)	(6,604,394,583
Other accounts receivable (other assets)		3,437,952,647	(41,877,990,600
Accrued income (other assets)		(5,310,593,491)	(4,840,320,554
Prepaid expenses (other assets)		(7,233,212)	(321,304,800
Deferred income tax assets (other assets)		(19,262,156,279)	
Advance payments (other assets)		(2,015,260,000)	2,612,725,38
Insurance claims payable (other liabilities)		20,869,659,672	3,732,747,43
Other claims payable (other liabilities)		(42,362,644,403)	(3,605,037,209
Accrued expenses (other liabilities)		(3,187,241,619)	7,138,368,29
Deferred income tax liabilities (other liabilities)		19,680,025	(39,488,857,246
Premiums received but not identified (other liabilities)		3,972,854,356	796,439,34
Advances received (other liabilities)		6,879,744,971	7,368,004,70
Withholdings (other liabilities)		547,076,197	(61,254,860
Unearned income (other liabilities)		(340,027,251)	(364,499,482
Income taxes payable (other liabilities)		(104,458,944,085)	(18,832,345,649
Value added tax payable, net (other liabilities)		9,846,973	(2,853,120
Payment of severance and retirement benefits		(967,392,940)	(5,802,469,400
Other assets and liabilities, net		16,018,946,855	3,316,106,74
Total adjustments		277,266,554,671	(176,490,246,107
Net cash provided by operating activities	₩	778,578,981,111	₩ 549,265,266,60
Con accompanying notes			

Statements of Cash Flows

Years ended March 31, 2009 and 2008

				(In Korean won)
		FY2008		FY2007
Cash flows from investing activities:				
Acquisition of property and equipment, net	₩	(4,466,987,643)	₩	(4,904,296,405)
Acquisition of intangible assets		(14,905,309,067)		(21,626,654,600)
Increase in guarantee deposits, net		(1,284,601,886)		(723,876,885)
Increase in security deposits, net		(3,672,256,817)		(439,960,326)
Increase (decrease) in leasehold deposits received, net		312,720,460		(70,092,000)
Net cash used in investing activities		(24,016,434,953)		(27,764,880,216)
Cash flows from financing activities:				
Receipt of dividends		510,000,000		-
Payment of dividends		-		[354,917,642,523]
Repayment of borrowings		(151,842,495,016)		(153,109,196,101)
Redemption of preferred stock		(397,981,915,000)		-
Net cash used in financing activities		(549,314,410,016)		(508,026,838,624)
Net increase in cash and cash equivalents		205,248,136,142		13,473,547,767
Cash and cash equivalents at the beginning of the year		51,330,829,196		37,857,281,429
Cash and cash equivalents at the end of the year (Note 33)	₩	256,578,965,338	₩	51,330,829,196
See accompanying notes				

See accompanying notes.

1. Corporate information

Seoul Guarantee Insurance Company (the "Company") was incorporated on February 19, 1969 under the laws of the Republic of Korea to engage in Renon-life insurance business and other related operations such as surety insurance, credit insurance, reinsurance and related asset management, etc. under the name of Korea Fidelity & Surety Co., Ltd. On November 25, 1998, the Company merged with Hankuk Fidelity & Surety Co., Ltd. as part of its business rationalization and changed its name to Seoul Guarantee Insurance Company.

In April 1999, the Financial Supervisory Service ("FSS") performed a valuation due diligence of the Company's assets and liabilities. As a result, the Company was determined to be an insolvent insurance company. As such, public funds of \$\pmu_9,000\$ billion provided by the Korean government through Korea Deposit Insurance Corporation were injected into the Company as preferred stock during the period from June 1999 to July 2001 for the Company's business normalization. Thereafter, the Company's consistent efforts for the business normalization resulted in the termination of the insolvent status in December 2004 in accordance with the decision of the Financial Supervisory Committee in December 2004. In order to repay such public funds earlier than the predetermined payment schedule, the Company executed a reverse stock split of 9.18 shares to 1 share of its common shares and preferred shares, and paid out \$\pmu_550\$ billion in cash to its shareholders in accordance with a resolution of the Company's extraordinary stockholders' meeting held on January 18, 2006. In addition, in accordance with a resolution of directors held on December 21, 2006, the Company transferred \$\pmu_229.2\$ billion of gain on capital reduction to capital stock accounts. As of March 31, 2009, the Company's paid in capital for common stock and preferred stock amounted to \$\pmu_174,554\$ million and \$\pmu_1,179,520\$ million, respectively.

2. Summary of significant accounting policies

Basis of financial statement preparation

The Company maintains its official accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea ("Korean GAAP"). Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. In the event of any differences in interpreting the financial statements or the independent auditors' report thereon, the Korean version, which is used for regulatory reporting purposes, shall prevail. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements.

Certain supplementary information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, cash flows and changes in equity is not presented in the accompanying financial statements.

Adoption of new and revised Statements of Korea Accounting Standards ("SKAS"), Korea Financial Accounting Standards ("KFAS"), Korea Financial Accounting Standards Interpretation ("KFAS Interpretation") and Korea Accounting Institute Opinion ("KAI Opinion")

The Company has adopted the following new and revised SKAS, KFAS and KAI Opinion for the current financial year.

Notes to Financial Statements

March 31, 2009 and 2008

- SKAS 8 Amendments Investment in Securities
- SKAS 15 Amendments Investment in Associates
- SKAS 16 Amendments Income Taxes
- SKAS 14 Amendments Exceptions to Accounting for Small and Medium-Sized Entities
- KFAS Article 70-2 Special Exemption to Derivatives Accounting
- Regulation on Supervision of Insurance Business *Amendments*

Adoption of the above revised standards and opinion had no impact on the Company's financial statements, except as follows:

SKAS 16 Amendments - Income Taxes

The revised standard requires an entity to apply the revised disclosures which enable users of the financial statements to better understand the components of income taxes reported in the financial statements. These revised disclosures are presented in Note 27.

Fiscal year _

The Company's fiscal year end is March 31. References in the accompanying financial statements to 2009 and 2008 represent the years ended March 31, 2009 and 2008, respectively.

Revenues

Revenue from premium income is recognized at the time when such premium payments become due and are realized. In addition, premiums that are paid before the payment due date are accounted for as unearned insurance premiums. Interest income on deposits, securities and loans, and other investments is recognized as income in the period in which it is earned. Interest income on defaulted and delinquent loans and loans where payment schedule of principal or interest payments have been extended is recognized as income in the period in which payments are received.

Investments in securities _

Investments in securities within the scope of SKAS 8 *Investments in Securities* are classified as either trading, held-to-maturity or available-for-sale securities, as appropriate, and are initially measured at cost, including incidental expenses, with cost being determined using the moving average method. The Company determines the classification of its investments after initial recognition, and, where allowed and appropriate, re-evaluates this designation at each fiscal year end.

Securities that are acquired and held principally for the purpose of selling them in the near term are classified as trading securities. Debt securities which carry fixed or determinable principal payments and fixed maturity are classified as held-to-maturity if the Company has the positive intention and ability to hold to maturity. Securities that are not classified as either trading or held-to-maturity are classified as available-for-sale securities.

After initial measurement, available-for-sale securities are measured at fair value with unrealized gains or losses being recognized directly in equity as other comprehensive income. Likewise, trading securities are also measured at fair value after initial measurement, but with unrealized gains or losses reported as part of net income. Held-to-maturity securities are measured at amortized cost after initial measurement. The cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initially recognized amount and the maturity amount.

The fair value of trading and available-for-sale securities that are traded actively in the open market (marketable securities) is measured at the closing price of those securities at the balance sheet date, except for non-marketable equity securities which are measured at cost subsequent to initial measurement if their fair values cannot be reliably estimated. Non-marketable debt securities are carried at a value using the present value of future cash flows discounted using an appropriate interest rate which reflects the issuer's credit rating announced by a public independent credit rating agency. If the application of such measurement method is not feasible, estimates of fair values may be made using a reasonable valuation model or quoted market prices of similar debt securities issued by entities conducting business in similar industries.

The Company recognizes an impairment loss on its investments in securities if there is objective evidence that the securities are impaired. The impairment loss is charged to statement of income.

Equity method investments _

Investments in entities over which the Company has control or significant influence are accounted for using the equity method.

Under the equity method of accounting, the Company's initial investment in an investee is recorded at acquisition cost. Subsequently, the carrying amount of the investment is adjusted to reflect the Company's share of income or loss of the investee in the statement of income and share of changes in equity that have been recognized directly in the equity of the investee in the related equity account of the Company on the balance sheet.

Allowance for doubtful accounts _

The allowance for doubtful accounts is provided in compliance with the Regulation on Insurance Supervision ("RIS"), which require the application of minimum loss ratios based on the degree of collectibility of all receivables including loans. Loans are classified as normal, special mention, substandard, doubtful and estimated loss, and the related allowance is calculated at a minimum of 0.5% (0.75% for household loans), 2% (5% for household loans), 20%, 50% and 100%, respectively, of the outstanding amount in each classification.

Property and equipment _

Property and equipment are recorded at cost less accumulated depreciation.

Maintenance and repairs are expensed in the period in which they are incurred. Expenditures that enhance the value or extend the useful life of the related assets are capitalized.

Depreciation of property and equipment is provided using the declining balance method except buildings and structures, which are depreciated using the straight-line method, without retaining a residual value in its accounts, over the estimated useful life of the assets as follows:

	Years
Buildings	25 ~ 50
Structures	15 ~ 50
Furniture and equipment	5
Vehicles	5

Notes to Financial Statements

March 31, 2009 and 2008

Intangible assets

Intangible assets of the Company consist of software, development costs, and industrial rights, etc. and are stated at cost less accumulated amortization. Amortization is recognized as an operating expense based on the declining balance method, except development costs which is amortized using the straight-line method, over the estimated useful life of five years.

Compensation receivable _

Of the amounts paid for claims during the year, amounts recoverable by exercising compensation and other rights or through disposal of secured assets acquired in the resolution of accidents are accounted for as compensation receivables included in other assets, which are calculated by considering the individual current status of compensation rights or using the statistical method. If the Company acquires the restricted securities or non-listed securities by exercising compensation rights, etc., those securities are stated at fair value at the time of acquisition and are accounted for as available-for-sale securities and advances received at the same time in the accompanying balance sheet. The amounts recoverable from those securities in the balance sheet date are credited (debited) to compensation income in the statement of income (compensation receivable in the balance sheet). In case of calculating compensation receivable by considering individual current status of those rights, those compensation receivable is offset against the advances received.

Foreign currency transactions and translation _

Transactions involving foreign currencies are recorded at the exchange rates prevailing at the time the transactions are made. Assets and liabilities denominated in foreign currencies are translated into Korean won at the prevailing exchange rates of \$1,377.1 to US\$1 (\$1,816.4 to EUR\$1) at March 31, 2009 and \$991.7 to US\$1 (\$1,565.0 to EUR\$1) at March 31, 2008. The resulting unrealized foreign currency translation gains (losses) are credited (charged) to current operations.

Policy reserves

In accordance with the Insurance Business Act ("IBA") and the Regulation on Insurance Supervision ("RIS"), the Company is required to maintain policy reserves, which consist of, reserve for outstanding claims, unearned premium reserve, and reinsurance reserve as a liability at amounts determined in the manual for calculation of premium and policy reserves which was approved by the FSC and reviewed by an appointed actuary of the Company. Details are as follows:

- (1) Reserve for outstanding claims Reserve for outstanding claims refers to a provision for claims fixed but not settled, for claims not fixed and therefore not yet settled on the insurance policies and not reported (IBNR) where the cause of payment of claims, etc. has been incurred at the balance sheet date. The amounts recoverable in future by exercising compensation and other rights or through disposal of secured assets acquired in the resolution of accidents are directly deducted from the reserve for outstanding claims when the Company provides such reserve.
- (2) **Unearned premium reserve -** The Company is required to maintain an unearned premium reserve, which is the premium whose payment date belongs to the current year and whose applicable period has not yet arrived at the balance sheet date.
- (3) **Reinsurance reserve -** In the event of ceding insurance, the Company maintains reinsurance reserves at amounts which are expected to be collected and notified from the ceded reinsurance companies pursuant to relevant laws.

Catastrophe reserve _

In order to prepare for and recover from exceptionally large claims which may be incurred in the future, the Company is required to maintain a catastrophe reserve as a liability with reserve rates determined by the IBA and the RIS. The Company provides a catastrophe reserve by multiplying predetermined ratios to net retained premiums received during a fiscal year by line of insurance, up to certain limit, as calculated by multiplying predetermined ratios to the total insurance premiums received during a fiscal year by line of insurance in accordance with the RIS requirements.

This reserve can be reversed up to the limit of the net loss for the year in the event that the ratio of net insurance expenses claimed to net earned insurance premiums at risk, by line of insurance, for the year is in excess of the ratio by line of insurance which are regulated by the RIS.

Severance and retirement benefits

In accordance with the Korean Law on Guarantee of Employees' Severance and Retirement Benefits and the Company's regulations, employees and directors terminating their employment with at least one year of service are entitled to severance and retirement benefits, based on the rates of pay in effect at the time of termination, years of service and certain other factors. The provision for the years ended March 31, 2009 and 2008 is sufficient to state the liability at the estimated obligation arising from services performed to and at rates of pay in effect as of March 31, 2009 and 2008. Funding of this liability is not required by Korean law.

In accordance with the Korean National Pension Law prior to revision, the Company had prepaid a portion of its severance and retirement benefits obligation to the National Pension Service ("NPS") at the rate of 3% of payroll expense up through March 31, 1999. Such prepayments have been offset against the Company's liability for severance and retirement benefits. In accordance with a revision in the Korean National Pension Law, additions to these prepayments are no longer required effective from April 1, 1999.

Restructuring of debts _

A debt, whose contractual terms are modified in a debt restructuring due to mutual agreements such as commencement of reorganization, court composition and workout program, is recorded at present value of expected future cash flows, if the book value of the debt differs from the present value. The difference between book value and present value is credited to gain on exemption of the debts. At the same time, such difference is directly deducted from the debt and amortized over the remaining maturity using the effective interest rate method. The amortization amount is recorded in interest expense.

Income taxes _

Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the tax authorities, respectively. Deferred income taxes are provided using the liability method for the tax effect of temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. In addition, current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged directly to equity.

Per share amounts

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the year.

Derivative financial instruments _

The Company records its rights or obligations arising from derivative contracts such as put options as derivative assets or liabilities, respectively, which are stated at fair value.

Significant judgment and accounting estimates _

The preparation of financial statements in accordance with Korean GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Notes to Financial Statements

March 31, 2009 and 2008

3. Restricted deposits

In connection with disposal of insurance claims receivable, restricted deposits amounting to \\ 6,577,144 \text{ thousand as of March 31, 2009 and 2008 have been provided to Hanmaum Financing as collateral.}

4. Trading securities

Trading securities as of March 31, 2009 and 2008 consist of the following:

(Korean won in thousands)

FY2008	Ad	cquisition cost		Fair value		Book value
Beneficiary certificates	₩	399,244,822	₩	408,690,179	₩	408,690,179
Other securities		93,000,000		88,615,642		88,615,642
	₩	492,244,822	₩	497,305,821	₩	497,305,821

(Korean won in thousands)

FY2007	Acq	uisition cost		Fair value	Е	Book value
Equity securities	₩	28,966,156	₩	26,365,800	₩	26,365,800
Beneficiary certificates		560,000,000		563,852,856		563,852,856
Other securities		163,000,000		168,331,946		168,331,946
	₩	751,966,156	₩	758,550,602	₩	758,550,602

As of March 31, 2009 the Company has entered into investment trust agreements of \(\pmu43,092\) million (\(\pmu123,092\) million as of March 31, 2008) with Cosmo Investment Management Co., Ltd. and other investment companies for the short-term management of the trust funds. As of March 31, 2009 and 2008 the Company's investments in securities managed by those companies are composed of shares of common stock and accounted for as other securities in trading securities. Details are as follows:

(Korean won in thousands)

FY2008	Acqui	sition cost		Fair value
Cosmo Investment Management	₩	43,091,670	₩	39,521,347

FY2007	Acqu	isition cost	Fair value	
Cosmo Investment Management	₩	43,091,670	₩	51,178,092
Delta Investment Management		10,000,000		9,834,767
Sky Investment Advisors		10,000,000		9,727,607
Shinyoung Investment Management		10,000,000		8,784,407
E-Star Asset Management		20,000,000		16,758,192
Tube Asset Management		10,000,000		12,036,436
Total Solution for Investment		10,000,000		10,809,182
Hangaram Investment		10,000,000		9,468,483
	₩	123,091,670	₩	128,597,166

Interest income earned from investments in securities for the years ended March 31, 2009 and 2008 is summarized as follows:

(Korean won in thousands)

FY2008				Available-for-	Hel	d-to-maturity		
	Trading s	securities		sale securities		securities		Total
Government and public bonds	₩	-	₩	12,952,771	₩	13,669	₩	12,966,440
Special bonds		-		65,980,970		-		65,980,970
Corporate bonds		-		38,985,623		25,496		39,011,119
Beneficiary certificates		18,883,205		-		-		18,883,205
Other securities		-		3,043,664		-		3,043,664
	₩	18,883,205	₩	120,963,028	₩	39,165	₩	139,885,398

(Korean won in thousands)

FY2007				Available-for-		d-to-maturity		
	Trading s		Trading securities		securities			Total
Government and public bonds	₩	-	₩	16,715,303	₩	12,863	₩	16,728,166
Special bonds		-		36,436,782		-		36,436,782
Corporate bonds		1,553,680		63,316,121		156,108		65,025,909
Beneficiary certificates		21,272,905		-		-		21,272,905
Other securities		86,037		407,497		-		493,534
	₩	22,912,622	₩	116,875,703	₩	168,971	₩	139,957,296

5. Available-for-sale securities

Available-for-sale securities as of March 31, 2009 and 2008 consist of the following:

		FY2008		FY2007
Equity securities	₩	538,929,015	₩	678,354,769
Investments in partnerships		6,902,586		5,214,459
Government and public bonds		196,505,400		285,249,702
Special bonds		713,838,776		755,668,793
Financial bonds		387,366,033		511,018,927
Corporate bonds		778,811,756		701,036,787
Beneficiary certificates		55,612,825		80,543,090
Other securities		151,545,944		140,399,373
	₩	2,829,512,335	₩	3,157,485,900

Notes to Financial Statements

March 31, 2009 and 2008

Details of investments in equity securities among available-for-sale securities as of March 31, 2009 and 2008 consist of the following:

				FY2008						FY2007
	Number	Ownership	Δ	cquisition	Ne	t book value				
	of shares	(%)		cost	01	r fair value		Book value	В	ook value
Non-restricted listed shares or	n KRX:									
The Korea Express	1,609,135	4.01	₩	60,257,138	₩	163,327,203	₩	163,327,203	₩	177,809,41
Ssangyong Cement Co.	8,460,950	11.33		83,942,962		57,534,460		57,534,460		108,300,16
S&T Daewoo	714,508	6.14		14,897,492		8,038,215		8,038,215		22,649,90
KP Chemical	1,168,089	1.19		7,721,068		7,207,109		7,207,109		8,445,28
Woongjin Chemical										
(formerly, Seahan)	882,956	0.19		4,097,144		6,904,716		6,904,716		5,315,39
SK Energy	30,802	0.03		3,834,849		2,725,977		2,725,977		3,141,80
SK Networks	275,149	0.11		1,177,050		2,162,671		2,162,671		5,626,79
Samsung Electronics	3,685	0.00		2,171,030		2,093,080		2,093,080		1,386,79
POSCO	4,342	0.00		2,219,242		1,582,659		1,582,659		852,04
LG Electronics	15,759	0.01		1,662,009		1,440,373		1,440,373		1,074,16
In the F (formerly, Nasan)	1,292,523	2.19		291,464		1,421,775		1,421,775		4,359,62
Sgwicus Corp.	730,113	3.61		2,490,079		1,383,564		1,383,564		2,131,93
Hyundai Motor	20,573	0.01		1,469,618		1,141,802		1,141,802		811,72
Hanmi Pharm. Co., Ltd.	7,495	0.08		992,825		1,120,503		1,120,503		558,32
LG Life Science Ltd.	19,805	0.12		1,077,087		1,085,314		1,085,314		554,67
Shinsegae	2,410	0.01		1,429,278		1,037,505		1,037,505		678,91
Yungjin Pharm. Co., Ltd.	800,000	0.68		807,575		1,036,000		1,036,000		1,057,50
SK	9,407	0.02		1,362,312		1,011,253		1,011,253		539,88
Hyundai Engineering &										
Construction Co., Ltd.	16,668	0.02		1,259,155		983,412		983,412		740,63
Hankook Tire Co., Ltd.	67,990	0.04		1,053,430		897,468		897,468		567,39
Daewoo Securities Co., Ltd.	48,280	0.03		1,040,451		885,938		885,938		435,81
LG Chem Ltd.	9,325	0.01		867,915		839,250		839,250		213,71
CJ Cheiljedang Corp.	5,402	0.05		1,353,330		777,888		777,888		509,96
Samsung Fire & Marine										
Insurance Co., Ltd.	4,642	0.01		981,213		742,720		742,720		506,13
Korea Gas Corporation	17,393	0.02		1,235,519		702,677		702,677		617,84
Hyundai Steel Company	15,802	0.02		1,084,764		677,116		677,116		476,23
Samsung Corporation	5,886	0.01		997,648		631,469		631,469		652,29
NHN	5,408	0.01		1,046,093		816,608		816,608		622,58
Others				7,319,793		4,103,009		4,103,009		43,986,36
				210,139,533		274,311,734		274,311,734		394,623,29
Restricted listed shares on KR	×(*1).									
Daewoo International	1,701,326	1.79		4,736,913		38,504,410		38,504,410		53,522,01
Seahan Media	2,565,973	18.34		16,028,241		3,363,991		3,363,991		5,090,89
	, ,		₩	20,765,154	₩	41,868,401	₩	41,868,401	₩	58,612,90

(Korean won in thousands) FY2008 FY2007 Number **Ownership** Acquisition Net book value of shares (%) cost or fair value Book value Book value Non-restricted listed shares on KOSDAQ: CAPE Industries LTD. ₩ 15,216 Non-listed shares: Samsung Life Insurance (*2 715,823 3.58 501,076,100 208,304,493 208,304,493 208,304,493 Daewoo Electronics [*1] 5,566,120 5.23 27,830,600 3,901,850 3,901,850 3,473,259 Korea Credit Bureau [*2] 4,500,000 180,000 9.00 4,500,000 4,500,000 4,500,000 Hanmaum Financing (preferred stock) [*3] 1,936 0.07 1,930,558 1,930,558 1,930,558 2,359,825 Shinyoung Investment Trust Management [*1] 300,000 4.69 1,500,000 3,023,100 3,023,100 2,511,000 Muju Resort [*4] 71,183 0.43 1,595,140 694,817 694,817 694,817 3,259,958 Others 394,062 394,062 827,807 539,260,205 222,748,880 222,748,880 225,103,352 ₩ 770,164,892 538,929,015 538,929,015 678,354,769

- [*1] Represents available-for-sale securities acquired by exercising compensation rights. These securities are stated at fair value which is calculated using reasonable valuation models and estimates by independent valuation institutes.
- [*2] Represents available-for-sale securities acquired by exercising compensation rights. These are stated at cost as their fair values cannot be reliably estimated
- [*3] Preferred stock which was acquired from the sale of uncollected receivables to Hanmaum Financing. These are valued at cost as their fair value cannot be reliably estimated.
- [*4] Represents non-marketable stocks acquired by exercising compensation rights. These are stated at amounts equivalent to the Company's share in the net asset value of the investee.

Details of investments in partnerships among available-for-sale securities as of March 31, 2009 and 2008 are as follows:

				FY2007				
	Aco	quisition						
		cost	Fa	ir value	Во	ok value		Book value
Korea Securities Depository	₩	3,555	₩	66,585	₩	3,555	₩	3,555
SG ABS Special Purpose Company		1,518,931		(12,398,670)		1,518,931		5,210,804
SG Management		5,380,000		27,019,522		5,380,000		-
Himangmoa Special Purpose Company		100		100		100		100
	₩	6,902,586	₩	14,687,537	₩	6,902,586	₩	5,214,459

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March 31, 2009 and 2008

Debt securities among available-for-sale securities as of March 31, 2009 and 2008 consist of the following:

(Korean won in thousands)

FY2008		Par value		Acquisition cost		Fair value
Government and public bonds	₩	200,000,000	₩	183,115,021	₩	196,505,400
Special bonds ^(*)		700,000,000		699,613,303		713,838,776
Financial bonds ^(*)		380,000,000		380,076,291		387,366,033
Corporate bonds		770,000,000		765,375,180		778,811,756
	₩	2,050,000,000	₩	2,028,179,795	₩	2,076,521,965

(Korean won in thousands)

FY2007		Par value		Acquisition cost		Fair value
Government and public bonds	₩	300,000,000	₩	288,156,722	₩	285,249,702
Special bonds ^(*)		790,000,000		570,353,552		755,668,793
Financial bonds (*)		480,000,000		699,540,137		511,018,927
Corporate bonds		710,000,000		705,877,170		701,036,787
	₩	2,280,000,000	₩	2,263,927,581	₩	2,252,974,209

(*) Special bonds presented as of March 31, 2008 were separately reclassified as special bonds and financial bonds in accordance with a revision in the enforcement rules of the supervision of insurance business.

The maturities of the above debt securities as of March 31, 2009 and 2008 are summarized as follows:

(Korean won in thousands)

FY2008	G	overnment &		Special		Financial		Corporate		
	F	oublic bonds		bonds		bonds		bonds		Total
Within 1 year	₩	10,024,071	₩	273,074,974	₩	131,554,672	₩	291,246,947	₩	705,900,664
1 ~ 3 years		176,967,866		430,565,272		245,213,470		457,244,389		1,309,990,997
3 ~ 6 years		9,513,463		10,198,530		10,597,891		30,320,420		60,630,304
	₩	196,505,400	₩	713,838,776	₩	387,366,033	₩	778,811,756	₩	2,076,521,965

(Korean won in thousands)

FY2007	Go	vernment &		Special		Financial		Corporate		
	р	ublic bonds		bonds		bonds		bonds		Total
Within 1 year	₩	9,964,807	₩	130,096,602	₩	269,641,624	₩	189,773,781	₩	599,476,814
1~3 years		136,548,822		337,944,558		410,242,765		423,180,894		1,307,917,039
3 ~ 6 years		138,736,073		98,507,682		20,254,489		88,082,112		345,580,356
	₩	285,249,702	₩	566,548,842	₩	700,138,878	₩	701,036,787	₩	2,252,974,209

Beneficiary certificates and other securities other than the above investments in equity securities, partnerships and debt securities as of March 31, 2009 and 2008 are summarized as follows:

					(Kore	an won in thousands)
FY2008	Ac	quisition				
		cost		Fair value		Book value
Beneficiary certificates	₩	61,964,013	₩	55,612,825	₩	55,612,825
Other securities		160,066,100		151,545,944		151,545,944
	₩	222,030,113	₩	207,158,769	₩	207,158,769

(Korean won in thousands)

FY2007	A	Acquisition						
		cost		Fair value	E	Book value		
Beneficiary certificates	₩	72,881,435	₩	80,543,090	₩	80,543,090		
Other securities		110,000,000		140,399,373		140,399,373		
	₩	182,881,435	₩	220,942,463	₩	220,942,463		

Changes in unrealized gain (loss) of available-for-sale securities, which is accounted for as accumulated other comprehensive income in the stockholders' equity, for the years ended March 31, 2009 and 2008 are as follows:

(Korean won in thousands)

FY2008	В	eginning		Gain on		Loss on		Realized		Ending
	b	alance		valuation	٧	aluation		gain (loss)		balance
Equity securities	₩	194,748,932	₩	2,367,026	₩	(95,023,310)	₩	(36,299,907)	₩	65,792,741
Government & public bonds		(2,107,570)		5,902,110		-		668,740		4,463,280
Special bonds		(3,733,822)		17,219,576		-		315,230		13,800,984
Financial bonds		975,552		6,556,347		(456,953)		266,897		7,341,843
Corporate bonds		(7,654,261)		17,995,820		(167,880)		573,555		10,747,234
Beneficiary certificates		7,661,655		259,931		(8,646,172)		(5,626,602)		(6,351,188)
Other securities		30,399,373		3,825,835		(13,152,972)		(29,588,587)		(8,516,351)
		220,289,859	₩	54,126,645	₩	(117,447,287)	₩	(69,690,674)		87,278,543
Income tax effect		(60,579,711)								(19,168,597)
	₩	159,710,148							₩	68,109,946

FY2007	В	eginning		Gain on		Loss on		Realized		Ending
	ŀ	palance		valuation	٧	aluation		gain (loss)		balance
Equity securities	₩	167,041,419	₩	79,534,333	₩	(3,340,910)	₩	(48,485,910)	₩	194,748,932
Government & public bonds		792,540		59,070		(2,966,090)		6,910		(2,107,570)
Special bonds		227,266		3,004,350		(6,210,319)		220,433		(2,758,270)
Corporate bonds		(3,203,789)		856,583		(5,696,965)		389,910		(7,654,261)
Beneficiary certificates		17,730,076		3,635,919		(2,710,978)		(10,993,362)		7,661,655
Other securities		6,979,572		24,714,529		[1,294,728]		-		30,399,373
		189,567,084	₩	111,804,784	₩	(22,219,990)	₩	(58,862,019)		220,289,859
Income tax effect		(52,130,948)								(60,579,711)
	₩	137,436,136							₩	159,710,148

Notes to Financial Statements

March 31, 2009 and 2008

Other securities among the available-for-sale securities as of March 31, 2009 and 2008 include investment trust agreements. As of March 31, 2009 and 2008, the Company's investments in those trust agreements are composed of the shares of common stock and details are as follows:

(Korean won in thousands)

		FY2008		FY2007
IMM Investment Management	₩	17,182,998	₩	80,202,196
Assetplus Investment Management		-		9,386,391
Cosmo Investment Management		17,379,544		21,180,481
Tube Investment Management		16,416,108		9,318,881
TSI Investment Management		8,154,809		-
Welfare Investment Management		8,276,658		
	₩	67,410,117	₩	120,087,949

6. Held-to-maturity securities

Held-to-maturity securities as of March 31, 2009 and 2008 are summarized as follows:

(Korean won in thousands)

FY2008		Par value	Ac	quisition cost		Book value
Government and public bonds	₩	493,565	₩	493,565	₩	493,565
Corporate bonds		1,356,000		1,356,000		561,000
	₩	1,849,565	₩	1,849,565	₩	1,054,565

(Korean won in thousands)

FY2007		Par value	Þ	Acquisition cost		Book value
Government and public bonds	₩	437,697	₩	437,697	₩	437,697
Corporate bonds		1,551,000		1,551,000		756,000
	₩	1,988,697	₩	1,988,697	₩	1,193,697

The maturities of held-to-maturity securities as of March 31, 2009 and 2008 are summarized as follows:

(Korean won in thousands)

FY2008		Government &				
		public bonds Corporate bonds			Total	
Within 1 year	₩	55,010	₩	561,000	₩	616,010
1 ~ 5 years		379,620		-		379,620
5 ~ 10 years		58,935		-		58,935
	₩	493,565	₩	561,000	₩	1,054,565

FY2007		Government &				
	public bonds		Corporate bonds		Total	
Within 1 year	₩	20,182	₩	756,000	₩	776,182
1 ~ 5 years		298,645		-		298,645
5 ~ 10 years		118,870		-		118,870
	₩	437,697	₩	756,000	₩	1,193,697

7. Equity method investments

Equity method investments as of March 31, 2009 and 2008 are summarized as follows:

(Korean won in thousands)

		FY2008									
	Number	Ownership	Δ	cquisition		Net asset		Book		Book	
	of shares	(%)		cost		value		value		value	
SG Credit Investment Co. [*]	1,020,000	85.00	₩	5,100,000	₩	18,057,855	₩	18,057,855	₩	17,384,257	

(*) The cost of the investment equaled the Company's share of the net fair value of the investee's identifiable assets and liabilities at the date of acquisition because the Company invested at the date of the investee's incorporation without recognizing any goodwill. The Company applied equity method of accounting based on the audited financial statements as of December 31, 2008 of the investee.

Details of the equity method investments as of March 31, 2009 and 2008 are summarized as follows:

[Korean won in thousands]

		FY2008		FY2007
Acquisition cost	₩	5,100,000	₩	5,100,000
Retained earnings		12,467,162		9,127,187
Other comprehensive income ^(*)		(356,348)		(182,905)
Equity in earnings of equity method investments		1,357,041		3,339,975
Cash dividends		(510,000)		<u>-</u>
	₩	18,057,855	₩	17,384,257

(*) The above other comprehensive income is recorded as accumulated other comprehensive income in the amount of ₩277,952 thousand, net of tax amounting to ₩78,396 thousand, in the stockholders' equity as of March 31, 2009.

8. Loans

Loans for the Company's employees as of March 31, 2009 and 2008 consist of the following:

	Annual interest				
	rates (%)		FY2008		FY2007
Loans secured by real-estate	2.0 and 7.0	₩	651,420	₩	647,578
Unsecured loans	2.0, 5.0 and 7.0		6,120,400		4,725,700
Loans on acceptance and guarantee	2.0 and 7.0		92,761		215,823
		₩	6,864,581	₩	5,589,101

March 31, 2009 and 2008

The maturities of loans as of March 31, 2009 and 2008 are summarized as follows:

(Korean won in thousands)

FY2008					L	oans				
	Loans	secured		Unsecured	on ac	ceptance				
	by real	-estate		loans	and g	uarantee	Other	loans		Total
Within 1 year	₩	-	₩	856,000	₩	-	₩	-	₩	856,000
1 ~ 2 years		-		707,000		680		-		707,680
2~3 years		-		-		38,728		-		38,728
3 years and more		651,420		4,557,400		53,353		-		5,262,173
	₩	651,420	₩	6,120,400	₩	92,761	₩	-	₩	6,864,581

(Korean won in thousands)

FY2007					L	oans				
	Loans	secured		Unsecured	on ac	ceptance				
	by rea	al-estate		loans	and g	uarantee	Othe	er loans		Total
Within 1 year	₩	-	₩	928,000	₩	2,072	₩	-	₩	930,072
1 ~ 2 years		-		578,000		3,441		-		581,441
2~3 years		-		-		1,040		-		1,040
3 years and more		647,578		3,219,700		209,270		2,651		4,079,199
	₩	647,578	₩	4,725,700	₩	215,823	₩	2,651	₩	5,591,752

Allowance for losses on loans and other receivables as of March 31, 2009 and 2008 are as follows:

(Korean won in thousands)

		,		
		FY2008		FY2007
Loans:				
Loans secured by real-estate	₩	4,886	₩	4,857
Unsecured loans		45,903		35,443
Loans on acceptance and guarantee		696		1,619
Other loans		-		2,651
		51,485		44,570
Other receivables:				
Insurance receivable		2,369,831		1,805,019
Other accounts receivable		94,601,974		77,806,175
Accrued income		44		34
		96,971,849		79,611,228
	₩	97,023,334	₩	79,655,798

Historical ratios of allowance for doubtful receivables to total receivables as of March 31, 2009, 2008 and 2007 are as follows:

(Korean won in thousands)

		FY2008		FY2007		FY2006
Loans and other receivables	₩	192,352,518	₩	188,682,155	₩	144,190,656
Allowance for doubtful accounts		97,023,334		79,655,798		75,547,205
Ratio (%)		50.44		42.22		52.39

Pursuant to the RIS and the FLC, loans and other receivables and allowance for doubtful receivables as of March 31, 2009 and 2008 are classified as follows:

					(Kore	ean won in thousands
FY2008		Special			Estimated	
	Normal	mention	Substandard	Doubtful	loss ^(*3)	Total
Loans:						
Loans secured						
by real-estate	₩ 651,420	₩ -	₩ -	₩ -	₩ -	₩ 651,420
Unsecured loans	6,120,400	-	-	-	-	6,120,400
Loans on acceptance						
and guarantee	92,761	-	-	-	-	92,761
Other loans	-	-	-	-	-	-
	6,864,581	-	-	-	-	6,864,581
Other receivables:						
Insurance						
receivables [*1]	12,447,393	125,546	15,533	336,792	2,133,581	15,058,845
Other accounts						
receivable	10,549,488	40,014,412	9,003,261	37,809,616	73,043,478	170,420,255
Accrued income (*2)	8,837	-	-	-	-	8,837
	23,005,718	40,139,958	9,018,794	38,146,408	75,177,059	185,487,937
	29,870,299	40,139,958	9,018,794	38,146,408	75,177,059	192,352,518
Allowance for						
doubtful receivables	₩ 166,513	₩ 802,799	₩ 1,803,759	₩ 19,073,204	₩ 75,177,059	₩ 97,023,334

FY2007			S	pecial					Estima	ated		
	N	ormal	m	ention	Sub	standard	D	oubtful	loss	(*3)		Total
Loans:												
Loans secured												
by real-estate	₩	647,578	₩	-	₩	-	₩	-	₩	-	₩	647,578
Unsecured loans		4,725,700		-		-		-		-		4,725,700
Loans on acceptance												
and guarantee		215,823		-		-		-		-		215,823
Other loans		-		-		-		-		2,651		2,651
		5,589,101		-		-		-		2,651		5,591,752
Other receivables:												
Insurance												
receivables [*1]		5,840,483		6,016		136		21,617	1,	764,861		7,633,113
Other accounts												
receivable	3	2,645,297	4	44,967,685		9,305,000		27,299,858	61,	232,665		175,450,505
Accrued income [*2]		6,785		-		-		-		-		6,785
	3	8,492,565		44,973,701		9,305,136		27,321,475	62,	997,526		183,090,403
	4	4,081,666		44,973,701		9,305,136		27,321,475	63,	000,177		188,682,155
Allowance for												
doubtful receivables	₩	234,381	₩	899,474	₩	1,861,028	₩	13,660,738	₩ 63,	000,177	₩	79,655,798

^[*1] An allowance for insurance receivables, net of insurance claims payable by customer and account code, was provided pursuant to the RIS.

^(*2) Accrued income includes only accrued income earned from the above loans.

^[*3] The loans and other receivables which the Company classified as estimated loss still have legal claim rights.

March 31, 2009 and 2008

9. Property and equipment

Changes in property and equipment for the years ended March 31, 2009 and 2008 are as follows:

(Korean won in thousands)

FY2008	Е	Beginning								Ending
		balance		Acquisition		Disposal	De	Depreciation		balance
Land	₩	53,831,703	₩	50,844	₩	-	₩	-	₩	53,882,547
Buildings		81,820,856		163,181		-		(2,050,417)		79,933,620
Structures		868,690		-		-		(15,288)		853,402
Furniture and equipment		5,107,565		1,409,810		(124,618)		^(*) (2,852,552)		3,540,205
Vehicles		1,046,596		286,872		(11,923)		(556,136)		765,409
Construction in-progress		-		2,884,307		-		-		2,884,307
	₩	142,675,410	₩	4,795,014	₩	(136,541)	₩	(5,474,393)	₩	141,859,490

(Korean won in thousands)

FY2007	В	eginning								Ending
	ŀ	palance Acquisition		Acquisition	Disposal			preciation	balance	
Land	₩	53,651,408	₩	270,058	₩	(89,763)	₩	-	₩	53,831,703
Buildings		82,705,639		1,300,732		(154,578)		(2,030,937)		81,820,856
Structures		884,127		-		-		(15,437)		868,690
Furniture and equipment		4,106,521		3,680,763		(2)		(2,679,717)		5,107,565
Vehicles		973,271		710,723		(30,236)		(607,162)		1,046,596
	₩	142,320,966	₩	5,962,276	₩	(274,579)	₩	(5,333,253)	₩	142,675,410

(*) Losses on error correction amounting to $\upsigma 27,832$ thousand are included.

The value of the Company's land, as determined by the Government of the Republic of Korea for the tax administration purposes was \$79,765,721 thousand and \$75,482,922 thousand as of March 31, 2009 and 2008, respectively.

Property and equipment are insured against fire and other casualty losses for up to \$65,897,176 thousand and \$70,031,528 thousand as of March 31, 2009 and 2008, respectively.

Property and equipment have been provided as collateral to the extent of \\ \Psi\18,854,096\) thousand and \\ \\ \Psi\3,134,057\) thousand as of March 31, 2009 and 2008, respectively, in connection with leasehold deposits received from tenants of the Company's office building.

10. Insurance receivables

Insurance receivables included in other assets as of March 31, 2009 and 2008 are as follows:

(Korean won in thousands)

		Guarantee	Au	tomobile	Special /			
		insurance	in	surance	othe	r insurance		Total
Due from agents	₩	169,474	₩	-	₩	-	₩	169,474
Co-insurance receivable		-		-		1,575,306		1,575,306
Reinsurance receivable		38,841,780		1,910		12,523,757		51,367,447
Overseas reinsurance accounts receivable		7,564,739		6,309		13,757,266		21,328,314
Deposits on reinsurance treaty assumed		-		-		12,882,705		12,882,705
	₩	46,575,993	₩	8,219	₩	40,739,034	₩	87,323,246

(Korean won in thousands)

FY2007	Guarantee		Automobile		S	special /		
		insurance	in	surance	othe	r insurance		Total
Due from agents	₩	158,781	₩	-	₩	-	₩	158,781
Co-insurance receivable		-		-		1,442,105		1,442,105
Reinsurance receivable		38,228,367		3,653		8,562,617		46,794,637
Overseas reinsurance accounts receivable		3,643,747		4,764		4,054,696		7,703,207
Deposits on reinsurance treaty assumed		-		-		8,285,674		8,285,674
	₩	42,030,895	₩	8,417	₩	22,345,092	₩	64,384,404

11. Compensation receivables

Changes in compensation receivables included in other assets for the years ended March 31, 2009 and 2008 are as follows:

(Korean won in thousands)

FY2008		Guarantee		Credit		
	in	surance	in	surance		Total
Beginning balance	₩	202,337,541	₩	64,709,144	₩	267,046,685
Net decrease ^(*)		83,276,227		(3,252,745)		80,023,482
Ending balance	₩	285,613,768	₩	61,456,399	₩	347,070,167

FY2007		uarantee		Credit		
	in	surance	ir	nsurance		Total
Beginning balance	₩	214,847,622	₩	76,916,894	₩	291,764,516
Net decrease ^(*)		(12,510,081)		(12,207,750)		(24,717,831)
Ending balance	₩	202,337,541	₩	64,709,144	₩	267,046,685

March 31, 2009 and 2008

Details of changes in compensation receivables for the years ended March 31, 2009 and 2008 are as follows:

(Korean won in thousands)

FY2008		Beginning		ncrease		Ending
	ŀ	balances	(d	ecrease)		balances
Gross compensation receivables (*)	₩	537,608,761	₩	63,296,978	₩	600,905,739
Advances received related to compensation receivables [**]		(270,562,076)		16,726,504		(253,835,572)
Net compensation receivables	₩	267,046,685	₩	80,023,482	₩	347,070,167

(Korean won in thousands)

FY2007		eginning	l	Increase		Ending		
	balances			decrease)	balances			
Gross compensation receivables (*)	₩	584,203,929	₩	(46,595,168)	₩	537,608,761		
Advances received related to compensation receivables [**]		(292,439,413)		21,877,337		(270,562,076)		
Net compensation receivables	₩	291,764,516	₩	(24,717,831)	₩	267,046,685		

- [*] Changes in gross compensation receivables represent compensation income (loss) reflected in the statements of income.
- [**] Changes in advances received related to compensation receivables between each balance sheet date represent net increase or decrease in securities and other assets which were acquired by exercising compensation rights, etc. and calculated by considering individual current status of those rights.

12. Intangible assets

Changes in intangible assets for the years ended March 31, 2009 and 2008 are as follows:

(Korean won in thousands)

								,		
FY2008	Ве	eginning								Ending
	b	alance		Increase	An	nortization	1	Transfer		balance
Software	₩	1,842,474	₩	967,300	₩	^(*) (1,267,225)	₩	-	₩	1,542,549
Industrial rights		1,006		2,068		(920)		-		2,154
Development costs		21,493,623		13,935,941		(7,052,419)		^[**] 2,760,000		31,137,145
Others		118,016		-		(53,225)		-		64,791
	₩	23,455,119	₩	14,905,309	₩	(8,373,789)	₩	2,760,000	₩	32,746,639

- (*) Losses on error correction amounting to ₩127,341 thousand are included.
- (**) Advanced payments amounting to \(\psi 2,760,000\) thousand were transferred to intangible assets in 2009.

FY2007	Be	ginning								Ending
	b	alance		Increase	Am	ortization	T	ransfer		balance
Software	₩	2,972,724	₩	301,232	₩	(1,431,482)	₩	-	₩	1,842,474
Industrial rights		1,832		-		(826)		-		1,006
Development costs		-		21,325,422		(1,449,666)		^[*] 1,617,867		21,493,623
Others		214,966		-		(96,950)		-		118,016
	₩	3,189,522	₩	21,626,654	₩	(2,978,924)	₩	1,617,867	₩	23,455,119

13. Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in foreign currencies as of March 31, 2009 and 2008 are as follows:

(US dollars and Euros in units and Korean won in thousands)

		Foreign	currencie	S	Korean won equivalent				
	F	Y2008	FY2007			FY2008		FY2007	
Deposits in foreign currency	US\$	1,140,588		-	₩	1,570,704		-	
Insurance receivables	US\$	7,116,794	US\$	4,467,001		9,800,537		4,429,925	
	€	1,550,912	€	1,358,748		2,817,061		2,126,440	
	Others					3,396,798		2,715,706	
					₩	16,014,396	₩	9,272,071	
Insurance claims payable	US\$	3,997,269	US\$	2,066,209	₩	5,504,639	₩	2,049,060	
	€	1,196,776	€	1,132,805		2,173,812		1,772,840	
	Others					2,276,849		2,643,831	
					₩	9,955,300	₩	6,465,731	

14. Policy reserves

Policy reserves as of March 31, 2009 and 2008 consist of the following:

(Korean won in thousands)

		FY2008		FY2007
Reserve for outstanding claims	₩	376,961,137	₩	229,044,158
Unearned premium reserve		1,225,153,856		1,134,711,246
Reinsurance reserve		(135,683,538)		(107,559,492)
	₩	1,466,431,455	₩	1,256,195,912

Changes in reserve for outstanding claims for the years ended March 31, 2009 and 2008 are as follows:

(Korean won in thousands)

FY2008		Guarantee		Credit		Other		
		insurance	in	surance	in	surance		Total
Beginning balance	₩	203,629,094	₩	16,172,285	₩	9,242,779	₩	229,044,158
Net increase		132,354,664		7,227,356		8,334,959		147,916,979
Ending balance	₩	335,983,758	₩	23,399,641	₩	17,577,738	₩	376,961,137

FY2007	Guarantee		tee Credit		(Other		
		insurance	ins	surance	ins	surance		Total
Beginning balance	₩	125,171,097	₩	9,563,668	₩	5,193,657	₩	139,928,422
Net increase		78,457,997		6,608,617		4,049,122		89,115,736
Ending balance	₩	203,629,094	₩	16,172,285	₩	9,242,779	₩	229,044,158

March 31, 2009 and 2008

Changes in unearned premium reserve for the years ended March 31, 2009 and 2008 are as follows:

(Korean won in thousands)

FY2008		Guarantee		Credit		Other		
		insurance		insurance		insurance		Total
Beginning balance	₩	741,685,371	₩	374,770,695	₩	18,255,180	₩	1,134,711,246
Net increase		66,713,172		13,531,579		10,197,859		90,442,610
Ending balance	₩	808,398,543	₩	388,302,274	₩	28,453,039	₩	1,225,153,856

(Korean won in thousands)

FY2007		Guarantee		Credit		Other		
		insurance		insurance		insurance		Total
Beginning balance	₩	659,706,076	₩	470,157,567	₩	7,377,326	₩	1,137,240,969
Net increase (decrease)		81,979,295		(95,386,872)		10,877,854		(2,529,723)
Ending balance	₩	741,685,371	₩	374,770,695	₩	18,255,180	₩	1,134,711,246

Changes in reinsurance reserve for the years ended March 31, 2009 and 2008 are as follows:

(Korean won in thousands)

FY2008		Guarantee		Credit		Other		
		insurance		insurance	i	nsurance		Total
Beginning balance	₩	74,076,973	₩	32,463,716	₩	1,018,803	₩	107,559,492
Net increase (decrease)		16,874,065		11,484,012		(234,031)		28,124,046
Ending balance	₩	90,951,038	₩	43,947,728	₩	784,772	₩	135,683,538

(Korean won in thousands)

FY2007	G	Guarantee		Credit		Other		
	i	nsurance		insurance	i	nsurance		Total
Beginning balance	₩	54,703,140	₩	43,055,754	₩	1,008,142	₩	98,767,036
Net increase (decrease)		19,373,833		(10,592,038)		10,661		8,792,456
Ending balance	₩	74,076,973	₩	32,463,716	₩	1,018,803	₩	107,559,492

Changes in catastrophe reserve for the years ended March 31, 2009 and 2008 are as follows:

(Korean won in thousands)

FY2008		Guarantee		Credit		Other		
		insurance		insurance	i	nsurance		Total
Beginning balance	₩	152,904,222	₩	76,879,738	₩	1,931,626	₩	231,715,586
Net increase		43,078,956		10,745,762		1,859,454		55,684,172
Ending balance	₩	195,983,178	₩	87,625,500	₩	3,791,080	₩	287,399,758

FY2007	Guarantee		Credit		Other			
		insurance		insurance	i	nsurance		Total
Beginning balance	₩	114,803,507	₩	69,865,193	₩	926,190	₩	185,594,890
Net increase		38,100,715		7,014,545		1,005,436		46,120,696
Ending balance	₩	152,904,222	₩	76,879,738	₩	1,931,626	₩	231,715,586

March 31, 2009 and 2008

15. Insurance claims payable

Insurance claims payable as of March 31, 2009 and 2008 consist of the following:

(Korean won in thousands)

FY2008		Guarantee insurance		Automobile insurance		Special / er insurance		Total
Due to agents	₩	57,547	₩	-	₩	-	₩	57,547
Coinsurance payable		-		-		719,142		719,142
Premiums refund payable		328,276		-		-		328,276
Reinsurance payable		38,513,115		5,296		10,294,698		48,813,109
Overseas reinsurance premiums receivables		14,440,731		96		10,753,638		25,194,465
Deposits on reinsurance treaties ceded		18,078,201		-		16,959		18,095,160
	₩	71,417,870	₩	5,392	₩	21,784,437	₩	93,207,699

(Korean won in thousands)

FY2007		Guarantee insurance		Automobile insurance		Special / er insurance		Total
Due to agents	₩	59,092	₩	-	₩	-	₩	59,092
Coinsurance payable		-		-		438,802		438,802
Premiums refund payable		333,833		-		-		333,833
Reinsurance payable		39,263,125		16,752		6,085,472		45,365,349
Overseas reinsurance premiums receivables		3,363,886		67		3,721,551		7,085,504
Deposits on reinsurance treaties ceded		17,559,305		-		12,488		17,571,793
	₩	60,579,241	₩	16,819	₩	10,258,313	₩	70,854,373

16. Severance and retirement benefits

Changes in severance and retirement benefits for the years ended March 31, 2009 and 2008 are as follows:

		FY2008	F	-Y2007
Beginning balance	₩	21,104,187	₩	19,444,056
Provision during the year		8,264,567		7,463,591
Payments during the year		(967,393)		(5,803,460)
		28,401,361		21,104,187
Prepayments to the NPS		-		(17,021)
Ending balance	₩	28,401,361	₩	21,087,166

March 31, 2009 and 2008

17. Borrowings

Borrowings as of March 31, 2009 and 2008 are as follows:

(Korean won in thousands)

		Annual					
		interest	Maturity				
	Creditors	rates (%)	dates		FY2008		FY2007
Long term operating							
borrowings [*1]	Hyundai Motor, etc.	8.00	Jun. 24, 2009	₩	3,250,000	₩	16,250,000
	Samsung Life Insurance, etc.	(*3)	Jun. 24, 2009		11,703,700		58,518,500
					14,953,700		74,768,500
CP ^[*2]	Daehan Investment						
	Trust Management, etc.	5.00	Aug. 31, 2009		62,717,844		125,435,687
	Samsung Investment						
	Trust Management, etc.	0.54	Aug. 31, 2009		103,104,233		103,104,233
		2.00	Aug. 31, 2018		293,098,513		322,408,364
	Woori Investment						
	Trust Management, etc.	4.00	Aug. 31, 2051		77,579,819		77,579,819
					536,500,409		628,528,103
	Present value discount				(86,389,360)		(105,858,313)
					450,141,049		522,669,790
				₩	465,064,749	₩	597,438,290

^[*1] Long-term operating borrowings represent the subordinated debts which were converted from the insurance claims payable to the Company's policyholders and accordingly, cannot be redeemed prior to the maturity date.

The repayment schedules of the above borrowings are as follows:

(Korean won in billions)

	Long term o	perating				
	borrow	ings	CP b	orrowings		Total
Within 2009 year	₩	15.0	₩	195.1	₩	210.1
2009 ~ 2010 year		-		29.3		29.3
2010 ~ 2011 year		-		29.3		29.3
2011 ~ 2012 year		-		31.2		31.2
2013 year and after		-		251.6		251.6
	₩	15.0	₩	536.5	₩	551.5

^[*2] The CP, which were issued in lieu of payments for insurance claims payable to the Company's policyholders, continued to be rolled over every 3 month. These cannot be redeemed prior to the maturity date.

^(*3) Average rate of return of national housing bonds.

18. Commitments and contingencies

Guarantees issued and outstanding - Guarantees issued and outstanding under guarantee insurance policies in effect as of March 31, 2009 and 2008 are as follows:

(Korean won in millions)

		Total gu issued and			0	issued and by the Company		
		FY2008		FY2007		FY2008		FY2007
Performance	₩	54,331,153	₩	49,813,393	₩	51,616,585	₩	48,035,508
Personal reference		33,143,735		31,056,321		33,123,992		31,023,002
Credit insurance		29,585,114		29,044,780		21,770,368		20,914,549
Security deposits		18,445,865		14,977,991		18,445,865		14,977,991
Stabilization of livelihood		11,624,156		11,218,440		9,407,363		9,137,488
Petty loan		97,881		130,190		78,329		104,194
Bonds		114,873		114,838		114,873		114,838
Installment sales		42,964		64,064		42,952		63,961
Others		22,735,814		16,626,424		22,091,062		16,054,025
	₩	170,121,555	₩	153,046,441	₩	156,691,389	₩	140,425,556

Reinsurance agreements - The Company into agreements for the reinsurance ceded and assumed with KoreanRe Co., Ltd. to transfer a certain portion of insurance risk as of March 31, 2009. According to those reinsurance agreements, the Company paid the reinsurance premiums ceded to KoreanRe Co., Ltd. and has received the reinsurance premiums assumed and reinsurance commission recovered from the reinsurance company.

Lawsuits with respect to insurance claims benefits - As of March 31, 2009 and 2008, lawsuits of 4,944 cases with claims totaling \$45,331,475 thousand and 9,728 cases with claims totaling \$45,478,662 thousand with respect to insurance claims filed against the Company are still pending. Accordingly, the Company has provided estimated losses for the above lawsuits as a reserve for outstanding claims under the policy reserve section.

Lawsuits against Samsung Motors Co., Ltd. - In September 1999, the Company and other creditors of Samsung Motors Co., Ltd. ("SMCL") entered into an agreement ("Agreement I") with the chairman of the Samsung group of companies, Mr. Kun-Hee Lee, and the Samsung group affiliates in connection with collection of SMCL's debts. According to the Agreement I, Mr. Kun-Hee Lee transferred his 3,500,000 common shares of Samsung Life Insurance Co., Ltd., ("SLI") to the Company and the other creditors to satisfy SMCL's liability prior to December 31, 2000. According to the Agreement I, such common shares shall be sold by December 31, 2000 for collection of SMCL's debts. However, if the total proceeds from the sale of common shares by the Company and other creditors do not exceed \(\psi_2,450\) billion (or \(\psi_700,000\) per share in units), Mr. Kun-Hee Lee and the Samsung group affiliates shall purchase subordinated debt or new common shares issued by the Company and the other creditors for any shortfall amount.

As of March 31, 2008, the Company and the other creditors could not sell their shares in SLI. On December 9, 2005, the Company and the other creditors filed a lawsuit against Mr. Kun-Hee Lee and the Samsung group affiliates to pay the principal and interest amount. On January 31, 2008, the Company and the other creditors won the lawsuit from the Seoul District Court who authorized an effectiveness of Agreement I. On January 31, 2008, both parties brought intermediate appeals regarding whether the total liability amounted to \text{\$\scrthfty}5,203.5\$ billion. The lawsuit is still pending at the Seoul High Court as of March 31, 2009 and the outcome of the lawsuit and its impact on the Company's financial statements cannot be reasonably determined as of March 31, 2009.

In September 1999, the Company securitized 1,165,955 shares out of the total 1,881,778 shares of common shares of SLI it owned. In accordance with the asset-backed securization agreement ("Agreement II") between the Company, a special purpose company ("SPC") and SLI, SLI and the Company purchased \\ \psi 747.9 \\
billion and \\ \psi 6.3 billion of senior debt and subordinated debt issued by the SPC, respectively. However, if the ultimate sales price of the securitized SLI common shares is below \\ \psi 816.5 billion, the Company shall pay the SPC the shortfall amount and at the same time the Company shall be reimbursed by Mr. Kun-Hee Lee and Samsung group companies.

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Derivative assets - The Company owned 2,851,000 shares of common shares with restriction on sales of Woongjin Chemical Co., Ltd. acquired by exercising compensation rights as of March 31, 2007 and disposed 2,068,044 shares for \\ \psi_8,893\) million in accordance with the stock subscription and transfer contract with Woongjin Coway Co., Ltd. and Woongjin Consortium (the "Contract") in 2008. Further, in accordance with the Contract, the restriction on sales related to the residual 782,956 shares was released and the Company was granted the following put-option at the same time:

(shares, Korean won in thousands)

		Option		Value of options		Derivative	
	Shares	price p	er share	per	per share		ssets
Woongjin Chemical Co., Ltd.	782,956	₩	5,560	₩	442.16	₩	346,192

The Company is committed to being able to exercise the option within five working days after one year from January 30, 2008. The option expired without being exercised during the current year because the stock price was higher than the exercise price. The losses involved were recorded as miscellaneous losses.

19. Deposits for security

The Company received time deposits and government bonds from its policyholders to secure the legally incurred compensation receivables from third parties arising from the fulfillment of its obligations on the insurance policies and accounted for those deposits and bonds in suspense accounts, which are not recorded in the accompanying financial statements. However, it is no longer allowed for the Company to receive those time deposits and bonds in accordance with a revision in the related law effective from January 1, 2007 and therefore the Company started to let its policyholders provide their own name registered time deposits for the Company as collateral starting from January 1, 2007. As of March 31, 2009 and 2008, the remaining time deposits and government bonds which the Company holds amounted to \\\\ 362.3\) billion and \\\\\ 362.\) billion, respectively. Those deposits and bonds may be debited to current operations in the event that the insurance claims benefits would be paid to the beneficiaries, if any, in the future.

Cash deposits which the Company had received from its policyholders under the same purpose up to 1997 have been accounted for as other liabilities and the related interest to be paid to the policyholders has been calculated by applying the annual interest rate which is disclosed on a monthly basis by Korea Insurance Development Institute and charged to current operations. As of March 31, 2009 and 2008, the remaining cash deposits which the Company holds as an off-balance sheet item amounted to \$974 million and \$1,038 million, respectively.

20. Stockholders' equity

In accordance with the Articles of Incorporation, the Company is authorized to issue 3,000 million shares of capital stock, consisting of common and preferred stock, with a par value of \\$5,000 per share. Changes in common and preferred stock issued by the Company for the latest two years are as follows:

(shares, Korean won in thousands)

	Commo	Common stock				*1)	
	Number of	Number of					
	shares issued	A	Amounts	shares issued	Amounts		
March 31, 2006	29,001,859	₩	145,009,295	195,975,333	₩	979,876,665	
Stock increases [*2]	5,908,940		29,544,700	39,928,737		199,643,685	
March 31, 2007 and 2008	34,910,799		174,553,995	235,904,070		1,179,520,350	
Redemption of Preferred stock ^(*3)	-		-	(79,596,383)		-	
March 31, 2009	34,910,799	₩	174,553,995	156,307,687	₩	1,179,520,350	

[*1] The preferred stock is participating, non-voting and non-cumulative but is entitled to receive a minimum cash dividend at 1% of par value. In addition, the preferred stock is committed to being redeemed only if the Company records retained earnings available for future dividend after five years from the date of preferred stock issuance.

- [*2] In accordance with a resolution of the Company's ordinary stockholders' meeting held on June 20, 2006, the Company utilized the gain on capital reduction of \(\psi\)8,427,812 million to offset the accumulated deficit and the remaining gain on capital reduction of \(\psi\)229,188 million was transferred to capital stock in accordance with a resolution of the Company's board of directors held on December 21, 2006.
- [*3] In accordance with a resolution of the Company's ordinary stockholders' meeting held on June 19 2008, the company extinguished 79,596,383 shares of convertible preferred stock resulting in reduction of retained earnings of \(\pi\)397,982 million. As a result, preferred stock capital is not equal to the total amount of shares issued. Reserve for redemption of preferred stock amounting to \(\pi\)187,616 million is proposed for a resolution in the Company's ordinary stockholders' meeting scheduled for June 19, 2009.

As of March 31, 2009 and 2008, the stockholders of the Company and their shareholdings are as follows:

(shares)

	FY2008		FY20	07	Equity
	Common	Preferred	Common	Preferred	ownership (%)
	stock	stock	stock	stock	(common stock)
Korea Deposit					
Insurance Corp.	32,764,453	156,307,687	32,764,453	235,904,070	93.85
Life insurance					
companies (3)	1,675,597	-	1,675,597	-	4.80
Non-life insurance					
companies (9)	470,749	-	470,749	-	1.35
	34,910,799	156,307,687	34,910,799	235,904,070	100.00

In accordance with the Korean Commercial Code, an amount equal to at least 10% of cash dividends is required to be appropriated as a legal reserve until the reserve equals 50% of paid-in capital. The legal reserve may not be utilized for cash dividends but may only be used to offset a deficit, if any, or be transferred to capital.

21. Premium income

Premium income for the years ended March 31, 2009 and 2008 is as follows:

(Korean won in thousands)

FY2008	Guarantee		Credit		Other			
		insurance	ir	nsurance	in	surance		Total
Primary premium	₩	875,083,338	₩	277,785,762	₩	1,578,492	₩	1,154,447,592
Surrender value		(92,090,802)		(59,128,264)		(2,282,058)		(153,501,124)
Assumed reinsurance premium		41,194,058		482,657		59,060,048		63,736,763
	₩	787,186,594	₩	219,140,155	₩	58,356,482	₩	1,064,683,231

FY2007	Guarantee		Credit		Other			
		insurance	ir	surance	in	surance		Total
Primary premium	₩	785,769,878	₩	208,156,170	₩	1,378,963	₩	995,305,011
Surrender value		(96,454,008)		(68,371,013)		(514,219)		(165,339,240)
Assumed reinsurance premium		-		-		33,457,039		33,457,039
	₩	689,315,870	₩	139,785,157	₩	34,321,783	₩	863,422,810

March 31, 2009 and 2008

22. Reinsurance transactions

Reinsurance transactions for the years ended March 31, 2009 and 2008 are as follows:

(Korean won in thousands)

						,	. 101 0011 11	on in thousands ,
FY2008		Guarantee		Credit		Other		
		insurance	ır	nsurance	ın	surance		Total
Reinsurance income:								
Reinsurance claims benefits	₩	64,418,215	₩	32,816,364	₩	-	₩	97,234,579
Refund of reinsurance claims benefits		(38,369,225)		(16,720,655)		-		(55,089,880)
	₩	26,048,990	₩	16,095,709	₩	-	₩	42,144,699
Reinsurance expense:								
Reinsurance premiums paid	₩	74,399,132	₩	46,140,958	₩	1,287,911	₩	121,828,001
Refund of surrender value		(13,261,729)		(2,706,996)		-		(15,968,725)
	₩	61,137,403	₩	43,433,962	₩	1,287,911	₩	105,859,276
Reinsurance commission received							₩	32,047,154
Reinsurance profit commission received							₩	7,531,031

(Korean won in thousands)

FY2007		Guarantee insurance		Credit		Other		
				insurance		surance	Total	
Reinsurance income:								
Reinsurance claims benefits	₩	29,622,569	₩	33,749,024	₩	-	₩	63,371,593
Refund of reinsurance claims benefits		(33,405,895)		(18,683,483)		-		(52,089,378)
	₩	(3,783,326)	₩	15,065,541	₩	-	₩	11,282,215
Reinsurance expense:								
Reinsurance premiums paid	₩	66,719,825	₩	28,041,762	₩	1,037,308	₩	95,798,895
Refund of surrender value		(12,415,866)		(5,165,693)		-		(17,581,559)
	₩	54,303,959	₩	22,876,069	₩	1,037,308	₩	78,217,336
Reinsurance commission received							₩	28,677,943
Reinsurance profit commission received							₩	7,989,153

23. Operating and administrative expenses

Operating and administrative expenses for the years ended March 31, 2009 and 2008 are as follows:

		FY2008	-	FY2007
Salaries	₩	73,190,710	₩	68,022,850
Provision for severance and retirement benefit		8,008,441		6,876,936
Employee benefits		15,389,703		13,603,410
General administrative expenses (Note 24)		61,881,036		48,510,875
Acquisition & collection expenses		3,406,504		3,352,485
Agent commission paid		69,138,287		63,021,824
Coinsurance commission paid		98,280		83,015
Claim survey fee paid		38,202,456		40,641,847

		[Korean w	on in thousands)
		FY2008		FY2007
Reinsurance commission paid	₩	17,130,938	₩	9,552,820
Reinsurance profit commission paid		60,318		(52,575)
Interest on outward reinsurance reserve deposit		(66)		6
Miscellaneous operating losses		7,697,092		9,709,601
	₩	294,203,699	₩	263,323,094

24. General administrative expenses

General administrative expenses included in operating and administrative expenses for the years ended March 31, 2009 and 2008 are as follows:

		FY2008	ŀ	-Y2007
Travel expenses	₩	345,800	₩	335,749
Communication expenses		2,735,385		2,541,807
Utility expenses		5,243,197		5,108,333
Taxes and dues		9,967,172		10,273,251
Supplies expenses		775,475		921,846
Subscription		353,446		214,491
Meeting expenses		917,667		777,078
Rental expenses		5,080,023		4,421,813
Bad debt expenses		18,955,540		6,204,295
Depreciation expenses		3,380,857		3,262,145
Repair expenses		744,347		1,473,615
Vehicles maintenance expenses		1,508,803		1,429,545
Insurance premium		220,615		279,717
Commissions		2,670,095		2,423,165
Entertainment expenses		374,626		357,041
Publication expenses		267,143		281,054
Advertising expenses		832,339		925,933
Research and study expenses		1,783,643		1,675,222
Physical training		228,166		55,425
Training expenses		695,302		1,181,858
Computer processing		1,461,116		1,499,300
Association fees		614,423		616,710
Miscellaneous expenses		788,186		705,515
Miscellaneous salaries		1,495,392		1,086,613
Event expenses		442,278		459,354
	₩	61,881,036	₩	48,510,875

March 31, 2009 and 2008

25. Investment administrative expenses

Investment administrative expenses for the years ended March 31, 2009 and 2008 are as follows:

(Korean won in thousands)

		FY2008		FY2007
Salaries	+	₩ 1,516,137	₩	1,137,251
Provision for severance and retirement benefit		223,172	''	81,192
Employee benefits		204,627		164,925
Travel expenses		4,469		7,995
Communication expenses		130,088		95,029
Taxes and dues		483,542		583,476
Meeting expenses		17,630		18,822
Commissions		2,830,734		2,296,430
Entertainment expenses		14,503		12,817
Research and study expenses		-		11,550
Event expenses		4,200		3,600
Training expenses		741		624
Depreciation expenses		1,401,737		1,383,361
Others		88,947		49,225
	+	₩ 6,920,527	₩	5,846,297

26. Non-operating miscellaneous income

27. Income taxes

The Company is subject to corporate income taxes, including resident surtax, at the aggregate rates of 12.1% on taxable income up to \$200,000 thousand (2007: 14.3% on taxable income of up to \$100,000 thousand) and 27.5% on taxable income in excess of \$200,000 thousand (2007: 25.5% on taxable income in excess of \$100,000 thousand). The aggregate tax rate will be reduced to 24.2% in 2009 and 22% in 2010 and thereafter on taxable income in excess of \$200,000 thousand.

The major components of provision for income taxes for the years ended March 31, 2009 and 2008 are as follows:

		FY2008		FY2007	
Current income taxes	₩	112,947,110	₩	249,296,546	
Changes in deferred income taxes		(60,681,688)		(31,090,393)	
Current and deferred income taxes recognized directly to equity		41,439,211		(8,398,464)	
Provision for income taxes	₩	93,704,633	₩	209,807,689	

Reconciliations of income before income taxes for financial reporting purposes and taxable income for corporate income tax reporting purposes are summarized as follows:

(Korean won in thousands)

		FY2008		FY2007
Income before income taxes	₩	343,859,022	₩	740,450,243
Tax at the statutory income tax rate of 27.5%		94,530,431		203,610,617
Adjustments:				
Income not subject to tax		(7,913,725)		(112,260)
Expenses not deductible for tax purposes		453,548		490,028
Tax credit		(500,878)		(679,258)
Income tax paid (returned)		(20,426)		6,430,701
Others		7,155,683		67,861
Income tax expense at the effective income tax rate of 27.3% [2008: 28.3%]	₩	93,704,633	₩	209,807,689

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax reporting purposes. Significant changes in cumulative temporary differences and deferred income tax assets and liabilities for the years ended March 31, 2009 and 2008 are as follows:

FY2008		As of Apr. 1,	Ne	et increase	As	of Mar. 31,	- 1	Deferred	
		2008	(d	ecrease)		2009	inc	ome taxes	
Deductible temporary differences:									
Available-for-sale securities	₩	(3,967,793)	₩	108,860,448	₩	104,892,655	₩	25,789,985	
Available-for-sale securities		344,668,019		16,315,193		360,983,212		79,416,307	
Allowance for doubtful accounts		696,064		(114,514)		581,550		138,575	
Conversion of investments in Ssangyong Cement		61,236,083		7,293,017		68,529,100		15,076,402	
Preliminary claim for compensation		12,813,538		9,894,779		22,708,317		4,995,830	
Severance and retirement benefits		16,099,896		4,149,770		20,249,666		4,454,927	
Stock dividend without consideration		2,163,377		(65)		2,163,312	475,929		
Dividend income		30,156,740		921,446		31,078,186		6,837,201	
Depreciation		4,676,708		(856,471)		3,820,237		840,452	
Amortization on intangible assets		1,341,175		507,622		1,848,797		406,735	
Commission paid		94,600		36,950		131,550		31,835	
Others		2,956,228		73,060		3,029,288		666,443	
	₩	472,934,635	₩	147,081,235	₩	620,015,870	₩	139,130,621	
Taxable temporary differences:									
Trading securities	₩	(6,584,446)	₩	1,523,447	₩	(5,060,999)	₩	(1,224,762)	
Gains on valuation of put-option		(346,192)		346,192		-		-	
Compensation income		(267,046,684)		(80,023,481)		(347,070,166)		(76,355,437)	
Present value discount		(105,858,316)		19,468,955		(86,389,360)		(19,316,447)	
Interest receivable		(23,650,837)		9,425,935		(14,224,902)		(3,442,426)	
Gains on foreign currency translation		144,487		(2,013,102)		(1,868,615)	(411,09		
	₩	(403,341,988)	₩	(51,272,054)	₩	(454,614,042)	₩	(100,750,167)	

March 31, 2009 and 2008

						(Korean w	on in thousands)	
FY2008		As of Apr. 1,		t increase	As	of Mar. 31,	Deferred		
		2008	(d	ecrease)	2009		inc	ome taxes	
Temporary differences deducted									
from and added to capital:									
Gain on valuation of available-for-sale securities	₩	(220,289,859)	₩	133,011,316	₩	(87,278,543)	₩	(19,168,597)	
Equity adjustment loss arising									
from equity method investment		182,905		173,443		356,348		78,397	
	₩	(220,106,954)	₩	133,184,759	₩	(86,922,195)	₩	(19,090,200)	
Deferred income tax assets		130,057,024				139,130,621			
Deferred income tax liabilities		(171,448,458)				[119,840,367]			
	₩	(41,391,434)			₩	19,290,254			

The company recognized fully the deferred income tax assets for all the deductible temporary differences as the aggregate amount of the total taxable temporary differences and the expected future taxable income before reflecting tax adjustment items exceed the total of all the deductible temporary differences.

As of March 31, 2009 and 2008, accrued income tax and refunded corporate income tax are \$112,967,536 thousand and \$45,171,463 thousand and \$497,678,340 thousand, respectively.

FY2007		As of Apr. 1,	Net increase		As	of Mar. 31,	Deferred		
		2007	(d	ecrease)		2008	inc	ome taxes	
Deductible temporary differences:									
Available-for-sale securities	₩	337,837,929	₩	6,830,090	₩	344,668,019	₩	94,783,705	
Allowance for doubtful accounts		606,014		90,050		696,064		191,417	
Conversion of investments in Ssangyong Cement		18,564,155		42,671,928		61,236,083		16,839,923	
Preliminary claim for compensation		12,143,135		670,403		12,813,538		3,523,723	
Compensation income		(370,683,450)		103,636,765		(267,046,685)		(73,437,838)	
Stock dividend without consideration		2,164,212		(835)		2,163,377		594,929	
Dividend income		40,560,177		(10,403,437)		30,156,740 8		8,293,104	
Depreciation		5,067,570		(390,862)		4,676,708		1,286,095	
Amortization on intangible assets		711,474		629,701		1,341,175		368,823	
Commission Paid		190,093		(95,493)		94,600		26,015	
Others		2,846,467		254,248		3,100,715		852,696	
	₩	50,007,776	₩	143,892,558	₩	193,900,334	₩	53,322,592	
Taxable temporary differences:									
Trading securities	₩	(9,533,707)	₩	2,949,261	₩	(6,584,446)	₩	(1,810,723)	
Gains on valuation of put-option		13,628,384		(17,596,177)		(3,967,793)		(1,091,143)	
Compensation income		-		(346,192)		(346,192)		(95,203)	
Present value discount		12,620,624		3,479,272		16,099,896		4,427,471	
Interest receivable		(122,616,125)		16,757,810		(105,858,315)		(29,111,037)	
Gains on foreign currency translation		(18,110,149)		(5,540,688)		(23,650,837)		(6,503,980)	
	₩	(124,010,973)	₩	(296,714)	₩	(124,307,687)	₩	(34,184,615)	

March 31, 2009 and 2008

EVOCOT		A				· 	Korean won in thousands)		
FY2007		As of Apr. 1,		t increase	As	of Mar. 31,	Deferred		
	2007		(decrease)			2008	income taxes		
Temporary differences deducted									
from and added to capital:									
Gain on valuation of available-for-sale securities	₩	(189,567,085)	₩	(30,722,774)	₩	(220,289,859)	₩	(60,579,711)	
Equity adjustment loss arising									
from equity method investment		-		182,905		182,905		50,300	
	₩	(189,567,085)	₩	(30,539,869)	₩	(220,106,954)	₩	(60,529,411)	
Deferred income tax assets	₩	13,752,138			₩	53,322,592			
Deferred income tax liabilities		(86,233,965)				(94,714,026)			
	₩	(72,481,827)			₩	(41,391,434)			

28. Per share amounts

The Company's per share amounts for the years ended March 31, 2009 and 2008 are calculated as follows:

Basic earnings per share		FY2008		FY2007
Net income	₩	250,154,388,682	₩	530,642,554,532
Preferred stock income ^(*1)		(204,483,649,597)		(462,237,316,553)
Net income attributable to common stock		45,670,739,085		68,405,237,979
Weighted-average number of outstanding common shares (*2)		34,910,799 shares		34,910,799 shares
Basic earnings per share	₩	1,308	₩	1,959

[*1] Income attributable to preferred stock

 $250,154,388,682 \times 156,307,687 \text{ shares} \div (34,910,799 \text{ shares} + 156,307,687 \text{ shares}) = 204,483,649,597 \\ 530,642,554,532 \times 235,904,070 \text{ shares} \div (34,910,799 \text{ shares} + 235,904,070 \text{ shares}) = 462,237,316,553$

[*2] Weighted-average number of outstanding common shares

Weighted-average numbers of outstanding common shares for the years ended March 31, 2009 and 2008 are the same as shares issued.

29. Comprehensive income

The details of comprehensive income for the years ended March 31, 2009 and 2008 are as follows:

		FY2008		FY2007
Net income	₩	250,154,389	₩	530,642,555
Other comprehensive income, net of tax:				
Gain (loss) on valuation of available-for-sale securities		(91,600,202)		22,274,011
Equity adjustment arising from equity method investments		(145,346)		(132,606)
Comprehensive income	₩	158,408,841	₩	552,783,960

March 31, 2009 and 2008

30. Value-added information

In accordance with SKAS 21 *Preparation and Presentation of Financial Statements*, the "value added" items as defined by the standard, which are required to be disclosed by the Company for the years ended March 31, 2009 and 2008, are as follows:

(Korean won in thousands)

FY2008	admi	rating and inistrative penses	ad	nvestment ministrative expenses	De	velopment costs	Other expenses			Total
Salaries	₩	73,190,710	₩	1,516,137	₩	-	₩	141,313	₩	74,848,160
Provision for severance and										
retirement benefits		8,008,441		223,172		-		32,955		8,264,568
Employee benefits		15,389,703		204,627		-		17,989		15,612,319
Rental expenses		5,080,023		-		-		-		5,080,023
Depreciation		3,380,857		1,401,737		-		-		4,782,594
Depreciation of investment										
in real estate		-		-		-		663,966		663,966
Taxes and dues		9,967,172		483,542		-		-		10,450,714
Miscellaneous salaries		1,495,392		44,677		-		151,469		1,691,538
Acquisition &										
collection expenses		3,406,504		-		-		-		3,406,504
Agent commission paid		69,138,287		-		-		-		69,138,287
	₩	189,057,089	₩	3,873,892	₩	-	₩	1,007,692	₩	193,938,673

FY2007		erating and		Investment		D 1 1		OIL		
	adı	ministrative	ć	administrative		Development		Other		
	(expenses		expenses		costs		expenses		Total
Salaries	₩	68,022,850	₩	1,137,251	₩	3,850,861	₩	115,985	₩	73,126,947
Provision for severance										
and retirement benefits		6,876,936		81,192		401,012		104,451		7,463,591
Employee benefits		13,603,410		164,925		-		-		13,768,335
Rental expenses		4,421,813		-		-		-		4,421,813
Depreciation		3,262,145		1,383,361		18,549		6,183		4,670,238
Depreciation of investment										
in real estate		-		-		-		663,016		663,016
Taxes and dues		10,273,251		583,476		-		-		10,856,727
Miscellaneous salaries		1,086,613		-		-		-		1,086,613
Acquisition & collection										
expenses		3,352,485		-		-		-		3,352,485
Agent commission paid		63,021,824		-		-		-		63,021,824
	₩	173,921,327	₩	3,350,205	₩	4,270,422	₩	889,635	₩	182,431,589

31. Related party disclosures

The related parties of the Company and nature of their relationship with the Company as of March 31, 2009 are as follows:

Company name	Parent company	Relationship with the Company
SG Credit Information Co., Ltd.	The Company	Subsidiary
SG ABS Special Purpose Company	The Company	Subsidiary
National Information & Credit Evaluation, Inc.	The Company	Subsidiary
SG Assets Management	The Company	Subsidiary

Compensation for key management personnel for the years ended March 31, 2009 and 2008 is as follows:

(Korean won in thousands)

		FY2008		FY2007
Salaries	₩	2,011,244	₩	1,996,312
Provision for severance and retirement benefit		279,230		256,124
	₩	2,290,474	₩	2,252,436

Outstanding balances with related parties as of March 31, 2009 and 2008 are as follows:

(Korean won in thousands)

Company name	Account name	Description		FY2008		FY2007
SG Credit Information Co., Ltd.	Leasehold deposits received	Office lease	₩	2,737,438	₩	2,588,032
	Accrued expenses	Claim survey fee		1,906,358		1,751,430
	Accrued income	Dividend income		255,000		-

(Korean won in thousands)

Company name	Account name	Description		FY2008		FY2007
SG ABS Special Purpose Company	Accrued income	Dividend income	₩	23,174	₩	56,003
National Information & Credit Evaluation, Inc.	Leasehold deposits received	Office lease		4,848,288		4,574,276

(Korean won in thousands)

Company name	Account name	Description		FY2008		FY2007
SG Assets Management	Leasehold deposits received	Office lease	₩	40,354	₩	38,000

Significant transactions with related parties for the years ended March 31, 2009 and 2008 are as follows:

Company name	Account name	Description	FY2008	FY2007
SG Credit Information Co., Ltd.	Other miscellaneous income	Supplies lease	₩ 11,172	₩ 11,172
	Rental income	Utilities	263,338	234,158
	Claim survey fee paid	Commission	21,426,230	21,408,743
SG Assets Management	Rental income	Utilities	4,054	3,600
SG ABS Special Purpose Company	Dividend income	Contributions	11,075,620	52,395,902
	Other miscellaneous income	Supplies lease	359,035	300,353
National Information & Credit Evaluation, Inc.	Rental income	Utilities	651,148	642,837
	Rental income	Office lease	169,948	149,602

March 31, 2009 and 2008

32. Gains on error correction

Gains (losses) on error correction for the years ended March 31, 2009 and 2008 are as follows:

(Korean won in thousands)

		FY2008	FY2007	
Depreciation	₩	∀ (27,832)	₩	-
Amortization of intangible assets		(127,341)		-
Amortization of present value discount		-		4,171,804
	₩	∀ (155,173)	₩	4,171,804

Depreciation of furniture and equipment and amortization of software incurred but not recorded in the prior period amounts to \$27,832 thousand and \$127,341 thousand, respectively. Amortization of present value discount miscalculated in the prior period amounts to \$4,171,804 which is recognized as gains on error correction for the year ended March 31, 2008.

33. Cash flow information

Cash and cash equivalents as of March 31, 2009 and 2008 consist of the following:

(Korean won in thousands)

		FY2008 FY2007		FY2007
Cash	₩	26,880	₩	32,408
Checking account		41,121		105,580
Passbook accounts		453,117		1,315,697
CMA		37,910,000		23,300,000
MMF		160,000,000		20,000,000
Other deposits		58,147,848		6,577,144
	₩	256,578,966	₩	51,330,829

Major non-cash transactions for the years ended March 31, 2009 and 2008 are summarized as follows:

(Korean won in thousands)

		FY2008		FY2007
Transfer of available-for-sale securities to compensation receivables	₩	16,726,504	₩	21,877,337
Net increase in valuation gain on available-for-sale securities		(91,600,202)		22,274,011
Increase in equity adjustment arising from equity method investments		145,346		132,606
Write-off of loans		2,651		-
Other accounts receivable, net of allowance for doubtful receivable		1,595,058		1,864,412
Amortization of discount on stock issued		-		9,747,062
Transfer of provision for severance and retirement benefits to development costs, etc.		-		493,764
Transfer of advance payments to development costs		2,760,000		1,198,305
Transfer of depreciation to development costs		-		24,732
	₩	(70,370,643)	₩	57,612,229

34. Approval of financial statements for the year ended March 31, 2009

The Company's financial statements for the year ended March 31, 2009 will be approved in the stockholders' meeting to be held on June 19, 2009.



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The Representative Director
Seoul Guarantee Insurance Company

We have reviewed the accompanying management's report on the operations of the internal accounting control system ("ICFR") of Seoul Guarantee Insurance Company (the "Company") as of March 31, 2009. The Company's management is responsible for the design and operations of its ICFR, including the reporting of its operations. Our responsibility is to review management's ICFR report and issue a report based on our review. Management's report on the operations of the ICFR of the Company states that "based on its assessment of the operations of the ICFR as of March 31, 2009, the Company's ICFR has been effectively designed and has operated as of March 31, 2009, in all material respects, in accordance with the ICFR standards established by the ICFR Operations Committee."

We conducted our review in accordance with the ICFR review standards established by the Korean Institute of Certified Public Accountants. These standards require that we plan and perform our review to obtain less assurance than an audit as to management's report on the operations of the ICFR. A review includes the procedures of obtaining an understanding of the ICFR, inquiring as to management's report on the operations of the ICFR and performing a review of related documentation within limited scope, if necessary.

A company's ICFR consists of an establishment of related policies and organization to ensure that it is designed to provide reasonable assurance on the reliability of financial reporting and the preparation of financial statements for external financial reporting purposes in accordance with accounting principles generally accepted in the Republic of Korea. However, because of its inherent limitations, the ICFR may not prevent or detect material misstatements of the financial statements. Also, projections of any assessment of the ICFR on future periods are subject to the risk that ICFR may become inadequate due to the changes in conditions, or that the degree of compliance with the policies or procedures may be significantly reduced.

Based on our review of the management's report on the operations of the ICFR, nothing has come to our attention that causes us to believe that the management's report referred to above is not presented fairly, in all material respects, in accordance with the ICFR standards.

We conducted our review of the ICFR in existence as of March 31, 2009, and we did not review the ICFR subsequent to March 31, 2009. This report has been prepared for Korean regulatory purposes pursuant to the Act on External Audit for Joint-Stock Companies, and may not be appropriate for other purposes or for other users.

Ernst Young Han Young

May 28, 2009

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