



# Daewoo Securities

Annual Report FY2001



History and tradition cannot be created in one day.  
Nor do they happen only because time passes.

For the past 30 years,  
Daewoo Securities has etched a firm footprint in the domestic financial industry  
by nurturing numerous professionals,  
by developing a sustainable competitive edge in marketing and research,  
by introducing advanced financial techniques and new products,  
by internationalizing the domestic capital market  
with experiences in major overseas financial markets,  
and most of all,  
by giving priority to our customers' bottom line.

With clear understanding of how important the "customer first" principle is,  
the Company is now reinventing itself to become,  
not just a market leader,  
but the total financial service shaper in the industry  
with stability, profitability, and productivity.

The future of the Korean financial service industry  
Daewoo Securities will shape.

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Remember the time?

Dabbling water in a stream

Chasing minnows while giggling

Unforgettable and beautiful memories

Recapture happy moments

Together with Daewoo Securities

## Financial Highlights

Unit: KRW bln

	FY2001	FY2000	FY1999
Operating Revenues	814	1,022	1,631
Operating Expenses	867	922	2,902
Operating Income	-52	101	-1,271
Ordinary Income	27	61	-1,237
Net Income for the Year	51	61	-1,232
Total Assets	6,784	3,392	4,861
Bank Deposits	3,103	808	1,423
Trading Securities	672	768	929
Total Liabilities	5,577	2,544	4,129
Deposits from Customers	3,086	899	1,657
Borrowings	2,092	1,327	1,960
Shareholders' Equity	1,021	842	607
Total Shareholders' Equity	1,207	849	732
Market Capitalization	1,889	1,167	703
Total Number of Shares Outstanding	204,176,641	168,464,041	121,467,820
Common Stock	190,100,891	154,388,291	107,392,070
Preferred Stock	14,075,750	14,075,750	14,075,750
Share Price (in KRW) Fiscal Year High (Common Stock)	12,150	11,400	39,000
Year Low (Common Stock)	5,850	2,950	5,610
Adjusted Earnings per Share (in KRW)	271	406	-13,835
Adjusted Book Value per Share (in KRW)	6,352	5,699	8,215
PER (x)	33.2	17.2	-1.4
PBR (x)	1.5	1.3	0.9
ROE (%)	5.09	6.67	-68.0



Daewoo Securities will always be a "top"  
Spun on by your encouragement and support  
We spin on only for your happiness

Dear shareholders, clients, and investors,

During year 2001 we witnessed more fluctuations and changes in the Korean stock markets than ever before. Global economic instability, a continued fall in semiconductor prices, and the September 11th terrorist attack in the United States all overshadowed the first half of 2001 in the domestic stock markets. However, the stock markets rebounded quickly in the second half as the results of ongoing restructuring efforts became clear along with the exceptional performance of Korea's economy. This ignited aggressive buying from overseas investors, propelling the KOSPI to its strongest growth rate ever. In this volatile environment, Daewoo Securities and our employees secured a foothold for a new beginning while coming together to minimize uncertainties and reinforce core competencies.

The major shareholder, Korea Development Bank converted convertible debentures into common stock, which gave our Company a sound inflow of capital and decrease of liabilities and interest expenses. In addition, as ongoing efforts to sell domestic and overseas subsidiaries enters a final stage, the write-offs of most potential non-performing assets laid a basis for a stable FY2002 financial structure. Continuing efforts have been made to enhance our core competency as a securities firm. A new online trading system, BESTez Qway, was successfully launched. And reorganization of the investment banking and marketing divisions strengthened our institutional and retail sales operations. We are well prepared to provide high quality customized services with the help of efficient resource management systems such as ERP and CRM systems.

As a result of these successful initiatives, our Company posted KRW 51.4 billion net income for FY2001. Our credit ratings were also upgraded. Although the net income was short of the original goal, the result was positive considering the unfavorable domestic and international market conditions and write-offs of potential losses.

Korea is expected to witness a fast economic recovery in 2002 as restructuring efforts continue to pay off. Our Company sees the current business environment as a good opportunity to recapture the top position in the industry on the basis of incessant efforts to insure substitutability. Our Company and our employees promise that FY2002 will be a cornerstone year in maximizing the value of both our Company and shareholders.

Now, let me review the FY2001 performance and preview the FY2002 management strategies.



How precious to hold

Dear memories, sweet nostalgia

Filling your hearts with happiness-

Daewoo Securities hope to keep near your heart

## I Minimization of Uncertainties I

### Stable Capital Structure

Korea Development Bank, the major shareholder converted convertible debentures worth KRW 250 billion into common stock in November 2001. The conversion increased our Company's net worth to KRW 1.2 trillion with 190,100,891 shares outstanding, and allowed it to secure a stable capital base and save KRW 20.0 billion in interest expenses.

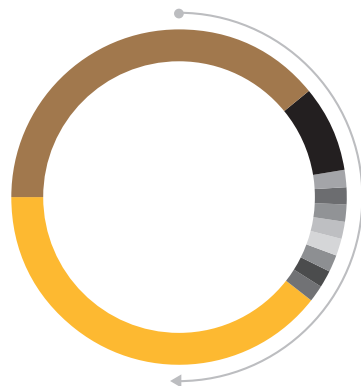
#### ● Shareholders' Equity

	No. of shares	Shareholders' equity
Common Stock	190,100,891	KRW 951 bln
Preferred Stock	14,075,750	KRW 70 bln
Total	204,176,641	KRW 1,021 bln

### Major Shareholders

The conversion lifted Korea Development Bank's ownership percentage from 25.0% to 39.1% and diluted other shareholders'. In the meantime, bank creditors to the Daewoo Group reduced their ownership from 5.3% (8,188,377 shares) to 0.8% (1,526,689 shares) as of March 2002. The equity holdings of foreign investors, once standing at 10.1% of the total, dropped to 6.7% due to Korea Development Bank's conversion. But buying orders from foreign investors increased their ownership back to 8.5% recently.

#### ● Shareholders (common stock)



• Korea Development Bank	39.09%
• Foreigners	8.30%
• Employees	1.67%
• Seoul Bank	1.65%
• Chohung Bank	1.65%
• Hanvit Bank	1.65%
• Koram Bank	1.65%
• Korea Exchange Bank	1.62%
• KAMCO	1.60%
• Kookmin Bank	1.60%
• Others	39.53%



### Domestic Business Restructuring

- Sale of "Zeus" Basketball Team
- Sale of Daewoo Economic Research Institute
- Sale of Daewoo Securities Table Tennis Team
- Liquidation of Daewoo Capital Management Ltd.
- Sale of headquarters and other buildings
- Liquidation of unnecessary fixed assets

### Overseas Business Restructuring

- Liquidation of Singapore branch office
- Sale of Daewoo Leasing Czech
- Sale of the equity in Chohung Vina Bank
- Closure of Tokyo branch office
- Establishment of Shanghai Woosang Investment Management Corporation in China
- Sale of Daewoo Bank (Romania)
- Sale of Daewoo Bank (Hungary) Under Way
- Sale of UzDaewoo Bank Under Way

### Final Stage of Restructuring

The internal restructuring program has entered its final stage. In FY2000, right after the Daewoo Group Crisis, our Company immediately cut payroll and liquidated subsidiaries and needless fixed assets. And in FY2001, profit maximization and financial stabilization were our main goals. Our Company sold Daewoo Bank (Romania) S.A. in April 2002, followed by the sale of Daewoo Leasing Czech and closedown of Tokyo branch office. Our Company further plans to sell Daewoo Bank (Hungary) and UzDaewoo Bank during FY2002, which will complete the internal restructuring program. However, efforts to reinforce our competitive edge will go on. As a part of these efforts, our Company set up "Shanghai Woosang Investment Consulting", separate from Shanghai Office, and started an investment management business in China, whose influence on the global economy has increased after its entry into the World Trade Organization.

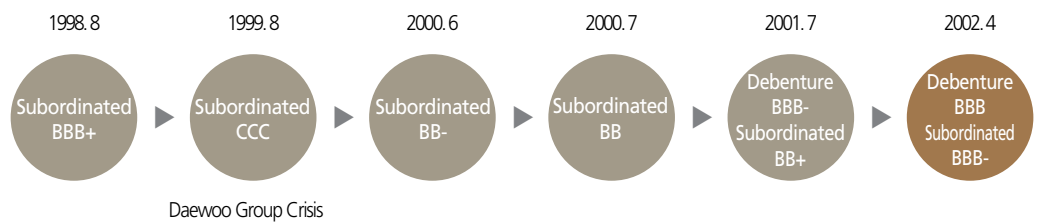
### Minimization of Latent Uncertainties

Our Company posted KRW 51.4 billion in net income during FY2001 after realizing credit loss expense of KRW 171.8 billion, including allowances for payment guarantees to companies under workout programs in addition to contingent liabilities involving the Daehan Investment Trust Securities Co., Ltd. (Daehan ITS) bridged call loans lawsuit. Additional realization of losses on unsold beneficiary certificates worth KRW 49.2 billion has almost completely covered foreseeable risk factors. That makes net amortization KRW 201.7 billion; excluding KRW 19.3 billion of reversal of allowance for guarantees. In other words, exclusion of non-operating losses would have resulted in a KRW 253.1 billion net income. The earlier realization of asset losses is intended to eliminate uncertainties so that our Company can secure financial stability and transparency. Also, the earlier recognition of losses will give our Company a clearer result from restructuring efforts through a better profit structure.

Especially, our Company has not suffered from losses on CBO and High Yield funds, which have plagued our competitors. With valuation losses of Hynix related assets being recognized by up to 75%, our Company has fully prepared itself for additional contingent liabilities.

**Credit Ratings Upgraded to Investment Grade**

In July 2001, the credit ratings on Daewoo Securities bonds were upgraded by the two leading Korean credit ratings companies, Korea Investors Service Incorporation (KIS) and Korea Management Consulting & Credit Rating Corporation (KMCC). They gave the debentures an investment grade of BBB-, and gave the subordinated debentures a BB+ rating in July 2001. Later, in April 2002, they further upgraded the credit ratings on the bonds to BBB and BBB-, respectively. The ratings of our Company have been upgraded 4 times since Daewoo Group Crisis. The upgrades were the results of intensive restructuring by our Company and sincere efforts of employees to improve profitability and stability by minimizing uncertainties. Going forward, our Company pledges do whatever it takes to maintain the highest credit ratings in the industry.



● **Ki-Jae Lee, General Manager, Korea Exchange Bank Credit Service Co., Ltd.**  
 We took great pains to prepare for our December 2001 IPO. Though we are a company in the financial sector, we were not familiar with IPO procedures. However, it was very important for us and we felt much pressure. We chose Daewoo Securities the underwriter for our IPO because of the Company's reputation and creditworthiness. The result was very successful due to the employees' great care for even small matters till the end of the project. This assures us that the reputation and competence of the company was not made in a day.



● **Chol-Ho Kim, Deputy Head, Equity Underwriting Dept.**  
 Our major role is to analyze the needs of customers and investors thoroughly and accurately to provide what they want and to add values to the stock markets. Daewoo Securities' capability to fulfill this goal stems from our own fine-tuned teamwork and know-how.



How priceless to give

Brighter smiles, bigger happiness

Serving your right to be treated as the best-

Daewoo Securities know you are always right

## I Reinforcement of Core Business I

### New Horizon in Online Trading Systems, "BESTez Qway"

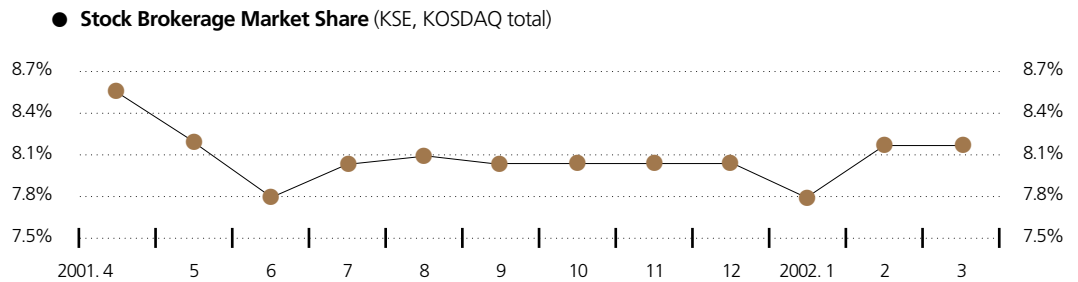
In May 2000 our Company achieved a milestone in online investment history when it launched BESTez.COM, which provides through-the-Internet trading and broadcasting services. "BESTez Qway" contributed more to online trading systems in October 2001. This system boasts convenience and safety with high quality information different from competitive trading systems. BESTez Qway is intended to raise our clients' satisfaction to a new level.

### Stock Brokerage Business

The paradigm that market share is directly linked to profits is changing. As online trading volumes increased and severe competition sparked commission discounts, the positive correlation between market share and profit became invalid. Hence, our Company focused on profitability reinforcement rather than the growth of market share. While our market share fell due to competitors' aggressive commission discount promotions, our Company maintained a stable 8% level from July 2001. Especially in terms of net operating income from the brokerage commissions, our Company belongs to the leading group. Our Company will focus on increase in trust and customer assets and profitability reinforcement rather than on size issues. Through these effects, we will seek for the gradual market share growth.

### Korean Venture Primary CBO; Named as the Asia-Pacific Asset-Backed Deal of 2001

The foreign currency Venture Primary CBO, placed by Korea Technology Credit Guarantee Fund (KOTEC) and co-underwritten by Daewoo Securities and LG Investment & Securities, was chosen as the best asset securitization deal of 2001 in Asia by International Securitisation Report issued by Thomson Financial. The CBO placement enabled excellent venture startups to attract foreign capital, contributing to the national economy. Daewoo Securities has proved that its capability in investment banking business is not far behind that of its global competitors.



● IB Operations	Unit: KRW bln
IPOs	245
Rights Issues	350
Corporate bond sales	3,320
Derivatives sales	2,457

### Futures & Options Business

The September 11th terrorist attack in the United States and sharp fluctuations of Hynix Semiconductor shares attracted explosive trading volumes in the futures & options markets along with improvement in trading regulations. Commissions from futures & options rose by 46% YOY and their proportion in total brokerage commissions increased over 8%. This interest in futures & options is not a temporary phenomenon but rather a part of the overall development of Korea's financial markets. The development is likely to accelerate. Understanding our weak competitiveness in the futures & options business, our Company made changes in sales and marketing. Expansion of futures & options markets is set one of the major goals in FY2002.

### Investment Banking Business

Our Company's investment banking business was daunted for a while by the Daewoo Group Crisis. But having the best professionals in the industry and years of accumulated experiences contributed to a quick recovery resulting in the best performance. The investment banking division garnered a 100% market share of companies listing on the Korea Stock Exchange by acting as a leading underwriter for Korea Exchange Bank Credit Service Co., Ltd., Iljin Diamond Co., Ltd., and LG Petrochemical Co., Ltd. As for the KOSDAQ, our Company also ranked the first by leading 16 registrations. This good performance is expected to continue in 2002 as LG Card made a contract with our Company for listing on the Korea Stock Exchange. Recording a splendid performance by rights issues of KRW 349.9 billion, corporate bond sales of KRW 3,319.8 billion, and derivatives sales of KRW 2.5 billion, our Company showed unmatched figures especially in the non-Chaebol sector. Successful sales of the Governors Fund, the first-ever successful M&A fund in the nation, underlined our Company's excellent competence in investment banking. As our Company focuses its core capability on investment banking, its contribution to operations is expected to be significant.

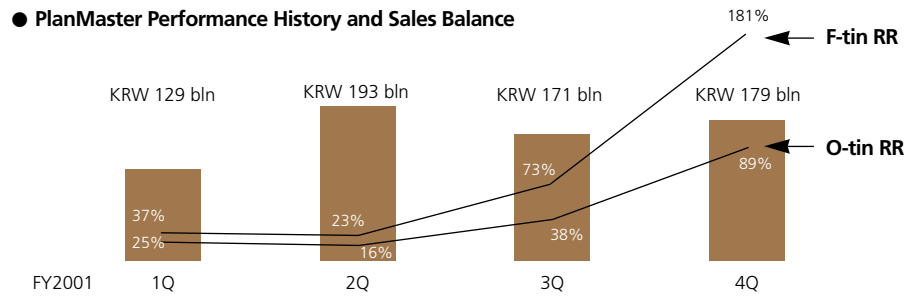
### Asset Management Business

Asset management is a very important business area that a total financial service provider must pursue to achieve its ultimate business model. The domestic market has not yet matured, but it is true that competition is getting hotter among securities companies and banks.

To render better total asset management services, our Company opened "Caesars Class Kangnam", the first private banking branch, in November 2000. Our Company is gaining an early but firm foothold in the private banking market with a differentiated business strategy, investment engineering system, and tailored financial products.

Also, PlanMaster, a wrap account service made from concentrated research capability, showed large potential for growth in the still-amorphous asset management sector in Korea. Especially, PlanMaster F-tin RR Grade posted an accumulated return rate of 181% as of March 2002.

For the past ten years, our Company has carefully laid the groundwork to develop total asset management products that best fit the domestic circumstances. From the year 2002, with exclusive copyrights for newly developed financial products, our Company is expected to lead the asset management market with our own know-how and experience.



### Establishment of Advanced Internal Management System

Sophisticated internal management system has been completed. An ERP system built in April 2001, the first in the industry, made it possible to enhance budget and administration systems, manage resources efficiently, and improve accounting transparency. With advanced Data Warehouse system, e-KM, and CRM, our Company can now analyze internal and external information about customers, develop financial products designed for their tastes, and effectively market these new products. All of this is a part of efforts to build a customer-oriented advanced management system to satisfy the needs of each valuable client.



● Jeong Haeng Lee, “PlanMaster” Client

Being immersed in my work, I hardly find time for my own asset management. However, PlanMaster analyzed my investment style and presented me with the portfolio perfectly suitable for my taste. I think PlanMaster is a service of depth and differentiation.



● Kangsu Kim, Deputy Branch Manager, Sampoong Branch

Because most clients of PlanMaster are involved in professional fields or enjoy affluent life styles, they usually do not afford time to manage their assets. I feel great happiness to see our customers satisfied through tailored asset management services, which best professionals in our Company provide for each client.



How valuable to fulfill

Happier tomorrow, dearest dreams

Valuing your future above all things

Daewoo Securities will not spare itself for you

## I Shaping Korea I

### Management Objective and Management Philosophy

Last year, our Company set a new management objective to become “the Shaper of the Korean total financial service industry.” This means that all employees in our Company attempt not only to lead but also to make and determine market rules by answering four basic management questions: ‘Is this what the customer wants?’ ‘Is this profitable for the Company?’ ‘Is this in line with the Company’s principles?’ and ‘Is this the best alternative?’

Throughout the last year as the introductory stage of our new management objective, our Company first focused on efforts to understand customers to lay the groundwork for a customer-oriented way of thinking, to evoke sympathy for the new management goal, and to create an atmosphere of reciprocal praise. Plus, the creation of a knowledge-based management culture will be pursued through utilization of internal know-how and experiences, and through rectification of inefficient practices and other problems.

FY2002 will be the year that the new management goal reaches its maturity. A good grasp of the changing financial environment, the enhancement of customer loyalty, the improvement of employees’ competence, and the activation of our Company culture will be emphasized. To achieve these, our Company will develop new differentiated customer services on the basis of CRM and strengthen each employee’s competence while setting up a culture to give the organization a priority. This will be developed into the know-how of our Company through efficient Knowledge Management.



● Woong Sup Song, Gold-class Client

“At a securities company... whatever one may say, people matter most! Daewoo Securities people handle swiftly and neatly. On top of it, when they call my name with heartwarming smiles, I feel like I’m home, they feel like my family.”



● Eun Young Lee, Staff, Sanbon Branch

“When I called your name, you came up to me and turned into my flower.’ This is my favorite line of poetry. I found it out that calling regular customers by their names really makes them happy. They feel that our Company treats them specially. Considering this, the practice of “client first” does not seem that difficult. When I come close to clients to understand them, they open the door of their hearts with ease.”



## Management Strategy

Our Company wants to be reborn as a real partner to maximize profits of our Company and our customers. First, all efforts will be directed to increase customer assets in order to create a base to produce profits for both our Company and our clients. To represent both the credit and operational competence of our Company, customer assets seem to be a more critical factor than market share or trading turnover rate. In addition, our Company will secure its position in the futures and options markets, which have showed significant growth potential in recent days. Also, we will establish a stable operational base in asset management market and the over-the-counter derivatives market, which will be open in middle 2002. We will seek to achieve the ROE equivalent of our competitors in advanced countries. And the emphasis will not be on a market share expansion but rather on profitability.

● Management Objective	Unit: KRW bln		
	FY2002	FY2003	FY2004
Estimated Net Income	250	320	400
Estimated Shareholders' Equity	1,250	1,471	1,671
Estimated ROE	20%	22%	24%

Our Company expects that the Korean Economy will show a quick recovery in 2002 as nation-wide restructuring yields improved performance of Korean companies. We think that this year our Company will be reborn as a powerful market leader in this new financial environment on the back of our accumulated experiences.

Cherishing the warm encouragement of our shareholders and investors, our Company and our employees promise to work with dedication until the day that Daewoo Securities stands tall as the best total financial service provider in the nation.

Thank you.

May 2002

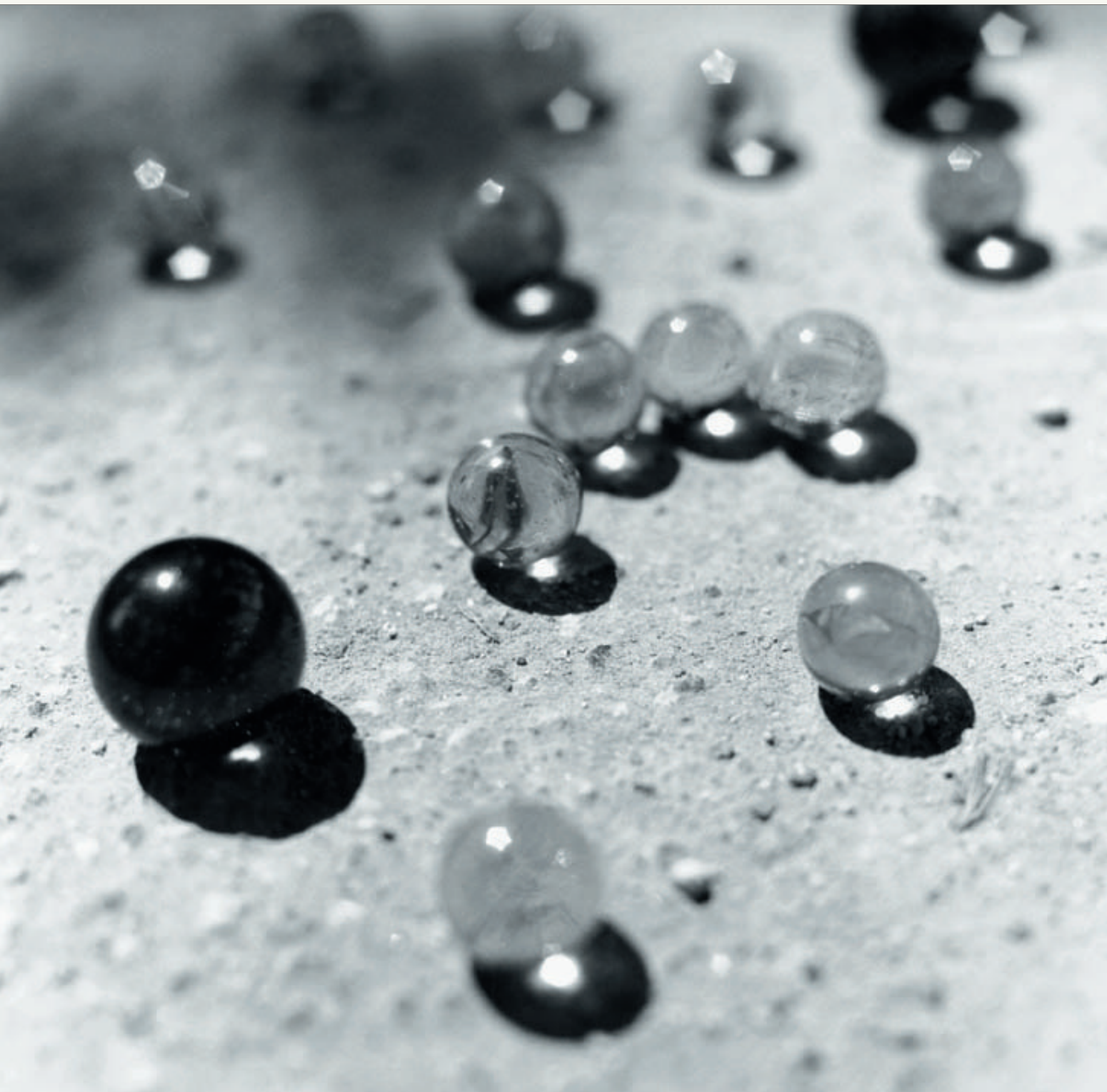
### Successful launch of Daewoo Securities' Governors Fund, the first successful M&A fund in the nation

Governors M&A Private Placement Fund 1, set up and managed by Daewoo Securities, acquired a controlling stake in Joong Ang Textile Finishing (Current name: Joong Ang DigiTech Co., Ltd.) to secure major equity. Daewoo Securities successfully restructured Joong Ang through debt reduction and facility transfer, recording a return of 26% during 9 months. Acquiring ownership through the establishment of an M&A fund has never existed before in Korea. Since its takeover by the Company, Joong Ang showed a performance improvement via business diversification, which boosted its stock prices. The Governors Fund constitutes a new era of M&A business in Korean brokerages.



A handwritten signature in black ink, appearing to read 'Jong-Soo Park' in a cursive style.

Jong-Soo Park  
CEO and President



Want to always see from your eyes  
Always become a shining bead.  
The goal Daewoo Securities wants to produce,  
Is your Happiness.

### I Stock Market Performance I

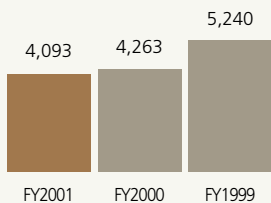
In the first half of 2001 Korea's stock market plummeted due to the overall slump in the global IT industry combined with a sluggish domestic economy. To make matters worse, the September 11 terrorist against the United States sent the KOSPI to a year low of 468.76P. However, by the end of the year the market had returned to a bullish mood, with the Index reaching over 900P due to positive results of restructuring, an upgrade in Korea's sovereign rating, expectation of improved corporate performance, and increased liquidity in the markets. As a result, for FY2001 KOSPI was up by 71%, ending at 895.58P, while KOSDAQ index ended up by 36%, posting 92.73P.

In the meantime, the trading volume-the most influential profitability factor in the industry of brokerage-diminished moderately to record KRW 1,000 trillion from KRW 1,019 trillion, down by 2% YOY. Increased trading days contributed to a drop in daily average trading volume from KRW 4.3 trillion to KRW 4.1 trillion. Trading volume in the Korea Stock Exchange equaled to KRW 602 trillion, up by 13% YOY. Meanwhile, KRW 398 trillion in trades took place in the KOSDAQ market, down by 18%.

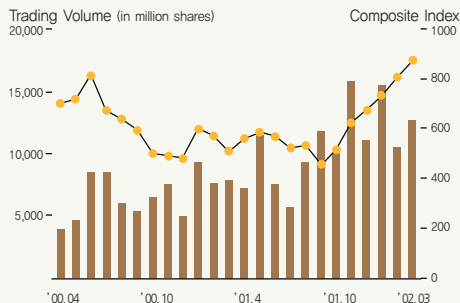
The futures & options market fluctuated frequently due to the September 11th terrorist attack and explosive trading of Hynix Semiconductor shares. Also, improved regulations through reduced initial margin and operation margin contributed to a sharp growth that fueled various indices to new record highs. Trading amount in the futures market posted KRW 1,308 trillion, up by 44% YOY from KRW 908 trillion. Options trading amount recorded KRW 69 trillion, up by 266% YOY from KRW 19 trillion.

Interests in bond markets showed a declining trend up until October due to the sluggish economy in the first half of 2001, reduced redemption of MMF, and the government's policy of low interest rates. At one time the interest rate on government bonds fell to a record low of 4.34%. However, as some economic indices showed signs of fast recovery, the interest soared up to 6.39%.

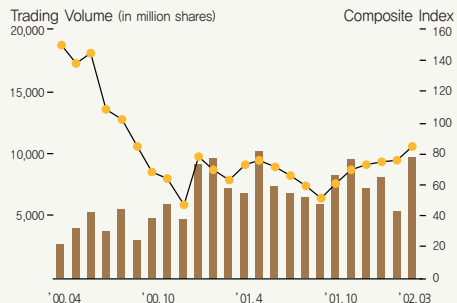
● Daily Market Trading Volume  
Unit: KRW bln



● KOSPI Composite Index



● KOSDAQ Composite Index



## I Balance Sheet Overview I

### Overview

Total assets amount to KRW 6.8 trillion, up 100% from KRW 3.4 trillion in FY2000. With the exclusion of KRW 3.1 trillion of IPO subscription assets, total assets are KRW 3.7 trillion, up by 8% YOY. Current assets amount to total KRW 5.4 trillion with fixed assets reaching KRW 1.4 trillion.

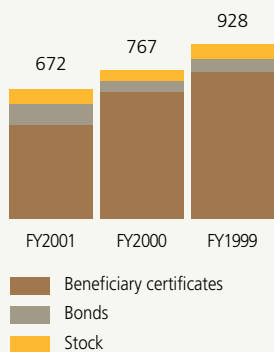
Total liabilities are KRW 5.6 trillion, up 119% YOY from KRW 2.5 trillion in FY2000. With the exclusion of KRW 2.5 trillion of IPO subscription liabilities, total liabilities amount to KRW 2.5 trillion, down by 3% YOY.

Shareholders' equity amounts to KRW 1.2 trillion, up 42% YOY from KRW 848.5 billion in FY2000. Korea Development Bank's CB conversion into equity in November 2001 increased shareholders' equity by KRW 178.6 billion and paid-in capital by KRW 77.4 billion. Valuation of investment securities and securities in affiliated companies increased capital adjustments by KRW 48.6 billion. Retained earnings rose by KRW 54.4 billion in FY2001.

### Current Assets

With the exclusion of IPO subscription deposits of KRW 1.7 trillion and subscription loans of KRW 6.4 trillion from the current assets of KRW 5.4 trillion, the net assets amount to KRW 2.3 trillion, up by 25% from KRW 1.8 trillion in FY2000. In accordance with the bullish market in the second half of 2001, customer deposits and receivables rose by KRW 530.3 billion and KRW 66.4 billion respectively, while beneficiary certificates and foreign currency deposits fell by KRW 206.2 billion and KRW 100.6 billion, respectively.

● Trading Securities Unit: KRW bln



### Non-Current Assets

Non-current assets shrank to KRW 1.4 trillion, down by 11% YOY from KRW 1.5 trillion in FY2000. Despite the disposal of bonds in foreign currency and securities in affiliated companies (including Daewoo Capital Management), gains on valuation of investment securities increased by KRW 41.3 billion. Investment assets decreased by KRW 42.6 billion due to redemption of employee stock options, and depreciation and credit loss expenses decreased tangible assets and other non-current assets by KRW 33.4 billion and KRW 133.3 billion, respectively.

Of non-current assets, investment securities account for 33%, investment assets for 9%, tangible assets for 23%, and other non-current assets for 35%. Our Company plans to reduce investment securities by selling subsidiaries and the Stock Market Stabilization Fund. Also, a plan to securitize other non-current assets through the issuance of ABS will reduce non-current assets significantly.

### Current Liabilities

Total current liabilities amount to KRW 5.3 trillion. Without customer deposits of KRW 1.7 trillion for IPO subscription and short-term borrowings of KRW 1.4 trillion, the net current liabilities is KRW 2.2377 trillion, similar to the previous year's KRW 2.2 trillion. Though customers' deposits increased by KRW 2.5 trillion, short-term borrowings and current portion of long-term debts decreased by KRW 188.3 billion and KRW 271.5 billion, respectively.

### Non-Current Liabilities

Non-current liabilities were reduced to KRW 236.2 billion, down by 24% YOY from KRW 310.0 billion in FY2000. Transfer of long-term bonds to the current liabilities account, debt replacement, and a redemption of lease liabilities contributed to the decrease. Allowances for payment guarantees and reserves for severance and retirement benefits decreased by KRW 19.3 billion and KRW 4.4 billion, respectively, YOY.

### Issuance of Debentures

A total of KRW 644.5 billion in debentures were issued as of March 2001. KRW 444.5 billion of the debentures mature within one year, while subordinated ordinary bonds amounted to KRW 200.0 billion. Our Company plans to improve its profit structure continuously by redeeming debentures using its own liquidity, or by replacing current higher interest bonds with lower interest bonds through raised credit ratings.

### Shareholders' Equity

Shareholders' equity stood at KRW 1.2 trillion, up by KRW 359.0 billion YOY. An increase of KRW 250.0 billion came from CB conversion, and a KRW 48.6 billion capital adjustment increase consisted of gains of KRW 53.3 billion from the valuation of Hanaro Telecom and a loss of KRW 2.8 billion on the overseas operation translation credits following the Tokyo Branch shutdown. Improved performances lifted retained earnings by KRW 54.4 billion. Currently, out of the total shareholders' equity, paid-in capital accounts for 85% with capital surplus of 21%, retained earnings of 10%, and capital adjustment of -16%.



## I Income Statement Overview I

### ● Operations Overview

Unit: KRW bln, bln accounts

	FY2001	FY2000	FY1999
Stock brokerage	161,793	181,951	263,713
Bond brokerage	58,828	63,015	86,508
Corporate bond underwriting	5,730	3,853	3,408
BC sales balance	4,578	4,914	6,150
Assets under management *	22,016	14,327	20,071

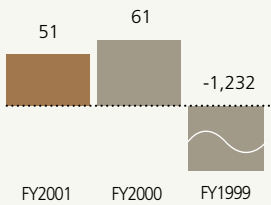
\* Assets under management refers to securities in custody (including beneficiary certificates) and deposits, valued at substitution prices.

### ● Profit and Loss Overview

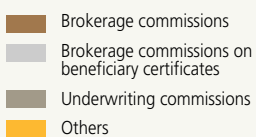
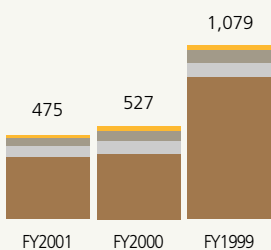
Unit: KRW bln

	FY2001	FY2000	FY1999
<b>Operating Revenues</b>	814 (100.0%)	1,022 (100.0%)	1,631 (100.0%)
Commission received	475 (58.4%)	527 (51.5%)	1,079 (66.1%)
Interest income	134 (16.5%)	178 (17.4%)	199 (12.2%)
Dividends income	5 (0.6%)	3 (0.3%)	3 (0.2%)
Distribution income	17 (2.1%)	9 (0.9%)	20 (1.3%)
Gain on sales of trading securities	58 (7.1%)	158 (15.4%)	227 (14.0%)
Gain on valuation of trading securities	13 (1.6%)	41 (4.0%)	13 (0.8%)
Gain on derivatives transactions	93 (11.4%)	105 (10.2%)	89 (5.4%)
Others	19 (2.4%)	2 (0.3%)	- (0.0%)
<b>Operating Expenses</b>	867 (100.0%)	922 (100.0%)	2,902 (100.0%)
Commission expenses	32 (3.7%)	33 (3.6%)	65 (2.2%)
Interest expenses	140 (16.1%)	164 (17.8%)	180 (6.2%)
Loss on sales of trading securities	51 (5.9%)	164 (17.8%)	774 (26.7%)
Loss on valuation of trading securities	80 (9.2%)	33 (3.6%)	713 (24.6%)
Loss on derivatives transactions	79 (9.1%)	83 (9.0%)	89 (3.1%)
Selling and administrative expenses	486 (56.1%)	444 (48.2%)	1,081 (37.2%)

● Net Income for the Year  
Unit: KRW bln



● Commissions Received  
Unit: KRW bln



### Net Income

Net income for FY2001 amounted to KRW 51.4 billion, down 15% YOY from KRW 60.5 billion in FY2000. Excluding KRW 79.7 billion in gains on investment securities including Stock Market Stabilization Fund, KRW 152.4 billion in allowances for bad debts, and other non-ordinary factors like valuation losses of Hyundai Group debentures, adjusted net income<sup>note)</sup> stood at KRW 124 billion, not much different from KRW 124.4 billion in FY2000. Especially, ROE in terms of the adjusted net income is 12%, an excellent figure in the industry.

*note) adjusted operating income: commission income/expenses + interest income/expenses + sales and administrative expenses excluding credit loss expenses*

### Commissions Received

Total commissions received dropped to KRW 475.2 billion, 10% down YOY from 526.9 billion in FY2000 due to dwindled stock trading volume and contraction of market share after encroachment by foreign and online brokerages. Commission received in FY2001 included brokerage commissions (78%), brokerage commission of beneficiary certificates (15%), underwriting commissions (6%) and other commissions (1%), which are all much the same as those in FY2000.

Stock brokerage commissions fell 9% to KRW 368.3 billion from KRW 404.1 billion in FY2000 due to a slump in the KOSDAQ market. Futures & options brokerage commissions and KSE brokerage commissions rose by KRW 9.2 billion and KRW 1.3 billion, respectively, but commissions from the over-the-counter market fell by KRW 46.6 billion. Commissions are expected to rise with differentiated commission rates based on the size of trading and stabilized online trading portion of 72%.

Brokerage commissions from beneficiary certificates fell by 9% to KRW 72.9 billion from KRW 80.5 billion in FY2000. The decrease stemmed from a 7% fall in the sales of beneficiary certificates and reduced brokerage rates. The improved reliability of the Company due to credit rating upgrades and expected resolution of disputes with investment & trust companies over beneficiary certificates taken into account, commission income is expected to grow in the future.

Underwriting commissions fell by 3% to KRW 27.4 billion from KRW 28.2 billion in FY2000. In spite of a decrease in the number of companies going public, IPO underwriting commissions rose by KRW 1.6 billion to KRW 9.5 billion. However, bonds and foreign securities underwriting commissions stood at KRW 15.8 billion and KRW 2.0 billion, down by KRW 1.5 billion and KRW 1.0 billion, respectively.

### Interest and Dividend Income

Interest income fell by 25% to KRW 134.1 billion from KRW 177.9 billion in FY2000. Reversal interest from present value discount account decreased by KRW 21.5 billion to KRW 19.3 billion. Interests on deposits and bonds stood at KRW 66.6 billion and KRW 13.9 billion, respectively, down by KRW 13.6 billion and 5.5 billion, due to a fall in interest rates.



However, dividend income rose by 81% to KRW 4.8 billion (from KRW 2.6 billion in FY2000) owing to equity such as the Stock Market Stabilization Fund. Distribution income from beneficiary certificates climbed by 85% to KRW 17.3 billion from KRW 9.4 billion in FY2000.

### Income from Trading Securities

Loss from trading securities amounted to KRW 45.8 billion, while FY2000 realized income of KRW 23.0 billion. The bullish stock market in the second half of 2001 helped the Company post a profit of KRW 35.7 billion in stock and derivatives trading and KRW 4.6 billion in bond trading. However, trading of beneficiary certificates, mostly of the Hyundai Group led to a KRW 84.1 billion loss. The Company realized valuation losses up to 75% of Hynix Semiconductor bonds tied to unsold beneficiary certificates.

### Commission Expenses

Commission expenses fell by 5% YOY to KRW 31.6 billion from KRW 33.3 billion in FY2000. Investment consultant fees fell by KRW 4.0 billion to KRW 11.3 billion, but increase in futures & options trading volume increased trading commissions by KRW 1.8 billion to KRW 15.6 billion.

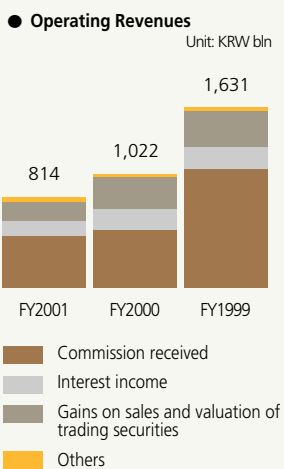
### Interest Expenses

Interest expenses fell by 15% to KRW 139.6 billion from KRW 163.9 billion in FY2000. Although interest expenses on bridged call loans from Daehan ITS added temporary interest expenses of KRW 22.3 billion, total interest expenses fell by KRW 24.3 billion YOY due to a KRW 15.0 billion interest reduction from CB conversion, a decrease of KRW 24.3 billion in short-term borrowings, and KRW 9.7 billion in lower interest payments on customers' margins. Interest expenses are expected to fall continuously due to the improvement the in financial structure.

### Selling and Administrative Expenses (Credit Loss Expenses excluded)

Excluding credit loss expenses, selling and administrative expenses decreased by 8% to KRW 314.2 billion in FY2001 from KRW 340 billion in FY2000. Thanks to ongoing restructuring started in FY2000, labor costs fell by KRW 10.5 billion to KRW 166.1 billion, advertising expenses decline by KRW 10.2 billion to KRW 16.1 billion, and other expenses decreased by KRW 3.3 billion to KRW 31.0 billion.

Sale of the headquarters building raised rental expenses by KRW 5.3 billion to KRW 14.9 billion. Depreciation and amortization of intangible assets went up by KRW 4.5 billion to KRW 40.6 billion due to continuous investment in computing systems.



**Credit Loss Expenses**

Excluding reversal of allowance for guarantees, credit loss expenses rose by 49% to KRW 152.4 billion from KRW 102.1 billion. The Company accumulated allowances equivalent to 94% of its payment guarantees for Kohap Corporation under workout programs. KRW 45.0 billion was accumulated for Kohap Corporation in FY2001 and KRW 50.0 billion for the lawsuit related to Daehan ITS bridged call loans to Daewoo Capital Corporation. Therefore, the Company took a very conservative accounting stance with high reserves and allowances for its contingent liabilities.

**Non-Operating Income and Extraordinary Income**

Reported non-operating income was KRW 39.3 billion in FY2000, the Company posted KRW 78.9 billion of income in FY2001, which are mainly influenced by performances from investment securities. In FY2000, KRW 56.3 billion losses occurred due to disposition loss of debt-equity swap securities and reduction loss of investment securities. However, in FY2001, income from investment securities and valuation gains of Stock Market Stabilization Fund and securities in affiliated companies amounted to KRW 79.7 billion. On the extraordinary gain side, KRW 22.7 billion was recognized as debt exemption regarding a lawsuit against Daehan Investment Trust Management & Securities Co., Ltd.

**Income Tax Expense**

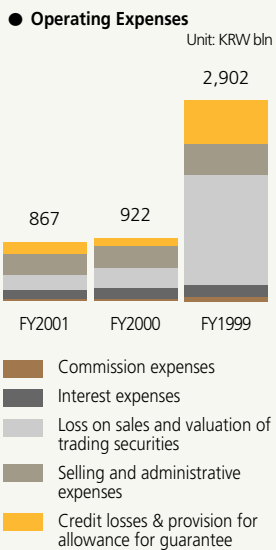
Income tax is not applicable up to FY2004 due to a carryover from massive losses in FY1999.

**I Risk Management Overview I**

Daewoo Securities is putting high priority on improving risk management. Efficient risk analysis will allow proactive response to appropriate opportunities. Daewoo Securities firmly believes that this is the key to ensuring financial viability and in maximizing corporate profits while protecting shareholders and customers. The CEO, Risk Management Committee, the Risk Management Department, and the Risk Manager all take proactive roles in managing risk pertaining to managing the company's assets. The Risk Management Department, which is a separate unit from asset management, analyzes asset management status and monitors compliance to set risk ceiling and makes regular and frequent reports on its findings. To increase the effectiveness of risk estimation and analysis, the Company uses KRM (Kamakura Risk Manager) to prepare various risk indices. KRM is also complemented by various proprietary systems developed to enhance the Company's risk management.

**I Capital Adequacy Ratio I**

As of March 2002, net working capital totaled KRW 954.6 billion, and risk weighted assets amounted to KRW 273.4 billion. Therefore, the capital adequacy ratio rose by 37.2% to 349.1% in FY2001 from 254.4% in FY2000.



## Report of Independent Accountants

To the Board of Directors and Shareholders  
Daewoo Securities Co., Ltd.

We have audited the accompanying balance sheets of Daewoo Securities Co., Ltd.(hereafter, the Company) as of March 31, 2002 and 2001, and the related statements of income, appropriations of retained earnings and cash flows for the years then ended, expressed in Korean Won. 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 Daewoo Securities Co., Ltd. as of March 31, 2002 and 2001, and the result of its operations, the changes in its retained earnings and its cash flows for the years then ended, in accordance with financial accounting standards generally accepted in the Republic of Korea.

As discussed in Note 22 to the accompanying financial statements, during 2002, the 22nd subordinated bondholders exercised their conversion right. Accordingly, 35,712,600 shares of stocks were issued at 7,000 per share, and the amount in excess of par value was recognized as capital surplus.

As discussed in Note 21 to the accompanying financial statements, the Company has been repurchasing the beneficiary certificates, of which funds contain Daewoo Group's bonds based on the measures for repurchasing arranged by the Korean Financial Supervisory Commission after the "Daewoo Group Bankruptcy" in 1999. In repurchasing the beneficiary certificates, the Company has divided the customers into individual customers and financial institutions and then has applied different loss-sharing ratio of the beneficiary certificates and the repurchasing timing. Accordingly, the Company has repurchased most beneficiary certificates related to Daewoo Group's bonds from the individual customers. Then, the Company has been repurchasing beneficiary certificates from financial institutions on the principle that customers should burden the loss from the beneficiary certificates. However, certain financial institutions didn't agree to the principle and have filed suits in several cases including loss-sharing of non-Daewoo corporate bonds, amounting to 609,400 million against the Company. As of the reporting date, since the ultimate outcome and the effect of the litigation is uncertain, these financial statements do not include any possible loss related to such uncertainty.

As described in Note 21, in September 2000 the Company made a contract with a European bank regarding the transfer of rights related to offshore funds. Accordingly, in April 2001 the Company acquired the right of claiming performance of an obligation. On April 4, 2001, the Company filed a suit against Korea Investment Trust Management & Securities Company and Hyundai Investment Trust & Securities Co., Ltd. as a claim for compensation. The ultimate outcome of the case cannot presently be determined.

As discussed in Note 6 to the accompanying financial statements, the Company has sold beneficiary certificates containing bonds of the Daewoo Group. The Company has repurchased such beneficiary certificates from customers after the Daewoo Group's bankruptcy and has retained those repurchased beneficiary certificate amounting to 435,751million as of March 31, 2002. These securities are recorded on the balance sheet date at fair market value.

As such, the final amounts realizable from the beneficiary certificate will vary depending on the future economic condition in Korea, the rate of recovery of the Daewoo Group, the normalization of Seoul Guarantee Insurance and the future difference between the fair value and book value of the other debts securities. The accompanying financial statements do not include any adjustments related to such uncertainties.

As discussed in Note 21 to the accompanying financial statements, the Company is selling and repurchasing beneficiary certificates. The amount of outstanding beneficiary certificates which have been sold by the Company amounts to 4,600,000 million as of March 31, 2002. Meanwhile, some customers including the Korean Federation of Community Credit Cooperative are requesting that the Company indemnify the loss from their beneficiary certificates alleging that the Company should compensate the loss because the beneficiary certificates were bought in return for prior beneficiary certificates issued before Daewoo Group crisis. However, the Company has not accepted the requests on the grounds of brokerage principle that the loss from the customer's funds should be the burden of the customers. As of reporting date, the ultimate outcome of the dispute is uncertain, accordingly accompanying financial statements do not include any adjustments related such uncertainties.

As discussed in Note 32 to the accompanying financial statements, in 1999 the Company accepted 200,000 million note receivables from the Daewoo Group of companies and in turn issued a 200,000 million note to Daehan Investment Trust Management & Securities Co., Ltd. (DITS). The proceeds from the note were passed from DITS to the Daewoo Group of companies through the Company. The Daewoo Group of companies has since defaulted on the note to the Company, and the Company filed lawsuits for provisional arrangement to prohibit DITS from exercising its rights on the note issued by the Company, as the Company intended to serve only as a bridge in relation to call loans from DITS to the Daewoo Group of companies. However, as the Company and DITS accepted arbitration of court in 2001, the Company recognized a gain on debt exemption, consisting of 10% of principal, amounting to 20,000 million and 2,676 million of payable interest as extraordinary gain in the current period.

Without qualifying our opinion, we draw attention to Note 21 of the financial statements, which states that the operations of the Company have been affected, and may continue to be affected for the foreseeable future, by the general unstable economic conditions in the Republic of Korea and in the Asia Pacific region. The ultimate effect of these uncertainties of the financial position of the Company as of the balance sheet date cannot presently be determined.

The amounts expressed in U.S. Dollars, provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3 to the accompanying financial statements.

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

Seoul, Korea  
April 22, 2002



## Balance Sheet

[ as of March 31, 2002 and 2001 ]

	In Thousands of Korean Won		U.S. Dollars (Note 3)	
	2002	2001	2002	2001
<b>ASSETS</b>				
Current assets :				
Cash and bank deposits (Notes 4 and 8)	791,139,589	136,187,310	\$ 596,456,264	\$ 102,674,389
Deposits with KSFC (Note 5)	3,102,761,050	807,817,940	2,339,234,809	609,030,413
Trading securities (Notes 6 and 8)	672,260,863	768,441,869	506,831,169	579,343,991
Loans to customers, less allowance for doubtful accounts of 260,080 thousand in 2002 and 464,051 thousand in 2001 (Note 9)	681,869,590	37,887,579	514,075,384	28,564,218
Accounts receivable from customers, less allowance for doubtful accounts of 2,754,405 thousand in 2002 and 2,381,222 thousand in 2001	107,024,071	45,606,795	80,687,629	34,383,892
Accrued income	29,979,593	28,295,592	22,602,226	21,332,624
Advance payments	10,541,350	13,609,776	7,947,339	10,260,688
Prepaid income tax	2,258,151	3,466,667	1,702,466	2,613,591
Prepaid expenses	1,394,731	1,644,332	1,051,516	1,239,695
Other	6,991,558	3,339,663	5,271,078	2,517,839
<b>Total current assets</b>	<b>5,406,220,546</b>	<b>1,846,297,523</b>	<b>4,075,859,880</b>	<b>1,391,961,340</b>
Investment securities (Notes 8 and 10)	400,959,753	383,382,701	302,291,732	289,040,034
Long-term financial instrument (Note 4)	111,000	4,274,763	83,685	3,222,831
Long-term loans, less allowance for doubtful accounts of 458,993 thousand in 2002 and 440,012 thousand in 2001	34,052,559	75,614,722	25,672,918	57,007,480
Guarantee deposits	86,844,077	89,922,481	65,473,520	67,794,393
Other investment	5,572,695	-	4,201,369	-
Troubled loans, less allowance for doubtful accounts of 94,710,319 thousand in 2002 and 81,402,702 thousand in 2001 and net of discount on present value (Notes 12 and 15)	67,794,807	111,672,328	51,111,887	84,192,044
Collective fund for default loss	10,439,660	8,733,913	7,870,672	6,584,675
Property and equipment, net of accumulated depreciation (Note 11)	320,175,332	353,618,079	241,386,710	266,599,879
Other less allowance for doubtful accounts of 668,441,876 thousand in 2002 and 567,862,198 thousand in 2001 (Note 13)	444,459,736	518,752,559	335,087,256	391,098,130
Intangible assets	7,498,607	-	5,653,353	-
<b>Total assets</b>	<b>6,784,128,772</b>	<b>3,392,269,069</b>	<b>\$ 5,114,692,982</b>	<b>\$ 2,557,500,806</b>

[ as of March 31, 2002 and 2001 ]

	In Thousands of Korean Won		U.S. Dollars (Note 3)	
	2002	2001	2002	2001
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Current liabilities :				
Call money (Note 16)	-	141,000,000	\$ -	\$ 106,302,774
Short-term borrowings (Note 16)	1,647,675,086	267,596,114	1,242,215,837	201,746,166
Securities sold under repurchase agreements	34,148,830	85,302,995	25,745,499	64,311,667
Deposits from customers (Note 17)	3,085,792,099	899,363,179	2,326,441,570	678,048,235
Securities sold	4,126,640	300,300	3,111,158	226,402
Accrued expenses	36,297,512	27,204,028	27,365,434	20,509,671
Guarantee deposits received	8,982,367	6,275,253	6,771,990	4,731,041
Current portion of long term debts (Note 18)	444,524,660	673,460,220	335,136,203	507,735,389
Other	78,933,493	133,324,619	59,509,570	100,516,149
<b>Total current liabilities</b>	<b>5,340,480,687</b>	<b>2,233,826,708</b>	<b>4,026,297,261</b>	<b>1,684,127,494</b>
Subordinated Debenture (Note 18)	200,000,000	244,524,660	150,784,077	184,352,126
Long-term borrowing (Note 18)	-	284,000	-	214,113
Allowance for guarantees (Note 20)	12,544,858	31,878,391	9,457,824	24,033,769
Reserve for severance and retirement benefits (Note 19)	15,571,764	19,259,400	11,739,870	14,520,054
Other	8,088,734	14,041,692	6,098,261	10,586,319
<b>Total liabilities</b>	<b>5,576,686,043</b>	<b>2,543,814,851</b>	<b>4,204,377,293</b>	<b>1,917,833,875</b>
Commitments and contingencies (Note 21)				
Shareholders' equity :				
Capital stock, par value : 5,000, Authorized : 600,000,000 shares, Issued and outstanding (Note 22) :				
Common stock : 190,100,891 shares	950,504,455	771,941,455	716,604,686	581,982,400
Preferred stock : 14,075,750 shares	70,378,750	70,378,750	53,059,974	53,059,974
Capital surplus	250,723,794	173,282,729	189,025,780	130,641,382
Retained earnings (Note 23)	126,473,448	72,040,021	95,350,911	54,312,440
Capital adjustments (Note 26)	(190,637,718)	(239,188,737)	(143,725,662)	(180,329,265)
<b>Total shareholders' equity</b>	<b>1,207,442,729</b>	<b>848,454,218</b>	<b>910,315,689</b>	<b>639,666,931</b>
<b>Total liabilities and shareholders' equity</b>	<b>6,784,128,772</b>	<b>3,392,269,069</b>	<b>\$ 5,114,692,982</b>	<b>\$ 2,557,500,806</b>

The accompanying notes are an integral part of these financial statements.

## Income Statement

[ for the years ended March 31, 2002 and 2001 ]

	In Thousands of Korean Won		U.S. Dollars (Note 3)	
	2002	2001	2002	2001
<b>Operating revenue (Note 28) :</b>				
Commissions received	475,211,063	526,928,485	\$ 358,271,308	\$ 397,262,127
Interest and dividends	138,888,321	180,518,781	104,710,737	136,096,789
Gain on sales of trading securities	57,829,351	157,818,282	43,598,727	118,982,420
Gain on derivatives transactions	92,972,476	104,464,168	70,093,845	78,757,666
Gain on valuation of trading securities	12,739,129	40,843,203	9,604,289	30,792,523
Other	36,638,102	11,774,858	27,622,212	8,877,305
	<b>814,278,442</b>	<b>1,022,347,777</b>	<b>613,901,118</b>	<b>770,768,830</b>
<b>Operating expenses (Note 28) :</b>				
Commission expense	31,633,239	33,256,723	23,848,944	25,072,921
Interest expense	139,591,695	163,897,174	105,241,025	123,565,421
Loss on sales of trading securities	51,036,658	164,264,798	38,477,577	123,842,580
Loss on derivatives transactions	78,734,811	82,806,574	59,359,779	62,429,564
Loss on valuation of trading securities	79,604,921	33,061,544	60,015,773	24,925,772
Loss on valuation of securities sold	111,800	-	84,288	-
Selling and administrative expenses	485,933,581	444,494,032	366,355,233	335,113,112
	<b>866,646,705</b>	<b>921,780,845</b>	<b>653,382,619</b>	<b>694,949,370</b>
<b>Operating income(loss)</b>	<b>(52,368,263)</b>	<b>100,566,932</b>	<b>(39,481,501)</b>	<b>75,819,460</b>
<b>Other income (expenses) :</b>				
Office rental income	6,664,500	7,800,578	5,024,502	5,881,015
Gain on equity method valuation, net (Note 10)	10,543,650	9,453,124	7,949,073	7,126,903
Gain on foreign currency transactions, net	(431,072)	309,212	(324,994)	233,121
Gain on foreign exchanges translation, net	373,619	17,779,269	281,679	13,404,153
Gain on valuation of investment in stock market stabilization fund	59,066,677	-	44,531,572	-
Investment securities valuation loss	(44)	(38,185,352)	(33)	(28,788,715)
Loss on disposition of tangible assets, net	(1,670,713)	(214,280)	(1,259,585)	(161,550)
Gain on disposition of investment securities, net	10,067,958	(27,521,350)	7,590,439	(20,748,907)
Other, net	(5,761,653)	(8,767,289)	(4,343,828)	(6,609,838)
	<b>78,852,922</b>	<b>(39,346,088)</b>	<b>59,448,825</b>	<b>(29,663,818)</b>
<b>Ordinary income</b>	<b>26,484,659</b>	<b>61,220,844</b>	<b>19,967,324</b>	<b>46,155,642</b>
<b>Extraordinary gain</b>	<b>25,112,004</b>	<b>1,218,849</b>	<b>\$ 18,932,452</b>	<b>\$ 918,915</b>
<b>Extraordinary loss</b>	<b>169,605</b>	<b>1,959,048</b>	<b>127,869</b>	<b>1,476,966</b>
<b>Income before income taxes</b>	<b>51,427,058</b>	<b>60,480,645</b>	<b>38,771,907</b>	<b>45,597,591</b>
<b>Income tax expense (Note 27)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net income for the year</b>	<b>51,427,058</b>	<b>60,480,645</b>	<b>\$ 38,771,907</b>	<b>\$ 45,597,591</b>
Income per share (in Korean Won and U.S. Dollar) (Note 29)	271	406	\$ 0.204	\$ 0.306
Ordinary income(loss) per share in Korean Won and U.S. Dollar) (Note 29)	139	411	\$ 0.105	\$ 0.310

## Statements of Appropriations of Retained Earnings

Financial Statements

[ for the years ended March 31, 2002 and 2001 ]

	In Thousands of Korean Won		U.S. Dollars (Note 3)	
	2002	2001	2002	2001
Retained earnings before appropriations				
Unappropriated retained earnings				
carried-forward from prior year	14,742,952	-	\$ 11,115,012	\$ -
Effect of valuation of				
equity-method investments	3,006,370	36,520	2,266,564	27,533
Net income	51,427,058	60,480,645	38,771,907	45,597,591
	69,176,380	60,517,165	52,153,483	45,625,124
Transfers from voluntary reserves				
Transfer from reserve for losses on securities transactions	17,765,689	4,369,888	13,393,915	3,294,548
	17,765,689	4,369,888	13,393,915	3,294,548
Appropriations of retained earnings				
Reserve for losses on securities transactions	13	46,144,101	10	34,788,978
Reserve for business rationalization	-	4,000,000	-	3,015,682
	13	50,144,101	10	37,804,660
<b>Unappropriated retained earnings to be carried over to subsequent year</b>	<b>86,942,056</b>	<b>14,742,952</b>	<b>\$ 65,547,388</b>	<b>\$ 11,115,012</b>

The accompanying notes are an integral part of these financial statements.



## Statement of Cash Flows

[ for the years ended March 31, 2002 and 2001 ]

	In Thousands of Korean Won		U.S. Dollars (Note 3)	
	2002	2001	2002	2001
<b>Cash flows from operating activities :</b>				
Net income	<b>51,427,058</b>	<b>60,480,645</b>	\$ <b>38,771,907</b>	\$ <b>45,597,591</b>
<b>Transactions not involving operating cash flows:</b>				
Provision for severance and retirement benefits	8,490,469	13,353,733	6,401,138	10,067,652
Depreciation	38,310,684	36,117,869	28,883,206	27,229,998
Provision for doubtful accounts	171,754,047	104,556,156	129,488,877	78,827,017
Loss from trading securities valuation	79,604,921	33,061,544	60,015,773	24,925,772
Loss on disposition of investments	10,837,865	34,392,399	8,170,887	25,929,131
Loss on reduction of investments	44	38,185,352	33	28,788,715
Loss on foreign exchanges translation	302,031	9,930,051	227,707	7,486,468
Loss on valuation of investment				
in stock market stabilization fund	-	16,136,423	-	12,165,578
Gain on trading securities valuation	(12,739,129)	(40,843,203)	(9,604,289)	(30,792,523)
Gain on disposition of investments	(20,905,823)	(6,871,049)	(15,761,326)	(5,180,224)
Gain on equity method valuation	(17,782,368)	(9,453,124)	(13,406,490)	(7,126,903)
Gain on valuation of investment				
in stock market stabilization fund	(59,066,677)	-	(44,531,572)	-
Gain on foreign exchanges translation	(601,472)	(12,785,849)	(453,462)	(9,639,512)
Amortization of present value discounts	(19,339,861)	(40,659,871)	(14,580,715)	(30,654,306)
Other	(11,833,425)	(1,824,196)	(8,921,460)	(1,375,299)
	<b>167,031,306</b>	<b>173,296,235</b>	<b>125,928,307</b>	<b>130,651,564</b>
<b>Changes in operating assets and liabilities :</b>				
Decrease in deposits with KSFC	(2,294,943,110)	615,618,828	(1,730,204,395)	464,127,584
Decrease in trading securities	32,175,694	148,288,854	24,257,912	111,797,990
Decrease in other receivables	(61,800,606)	35,140,649	(46,592,737)	26,493,252
Decrease in accrued income	(2,002,048)	11,580,985	(1,509,385)	8,731,141
Decrease in prepaid income tax	1,208,516	72,400,888	911,125	54,584,505
Decrease in advances for customers	(1,572,265)	18,396,574	(1,185,363)	13,869,552
Increase in customers' deposits	2,186,428,921	(757,745,634)	1,648,393,336	(571,279,881)
Decrease in accounts payable	902,523	(1,403,537)	680,430	(1,058,155)
Increase in accrued expenses	16,010,965	(39,307,414)	12,070,993	(29,634,661)
Increase in withholding income taxes	4,716,545	2,711,902	3,555,899	2,044,558
Decrease in deposits for rent	(4,371,062)	(8,096,321)	(3,295,433)	(6,103,981)
Payments of severance and retirement benefits	(12,829,565)	(7,781,629)	(9,672,471)	(5,866,729)
Other	(54,292,156)	(240,901,288)	(40,931,963)	(181,620,392)
	<b>(190,367,648)</b>	<b>(151,097,143)</b>	<b>(143,522,052)</b>	<b>(113,915,217)</b>
	<b>28,090,716</b>	<b>82,679,737</b>	\$ <b>21,178,162</b>	\$ <b>62,333,938</b>

The accompanying notes are an integral part of these financial statements.

# Statement of Cash Flows

Financial Statements

[ for the years ended March 31, 2002 and 2001 ]

	In Thousands of Korean Won		U.S. Dollars (Note 3)	
	2002	2001	2002	2001
<b>Cash flows from investing activities :</b>				
Decrease in call loans	6,258,123,386	11,750,008,760	\$ 4,718,126,799	\$ 8,858,571,140
Decrease in broker's loans	333,342,286	354,412,946	251,313,545	267,199,145
Disposal of investment securities	81,241,407	178,491,794	61,249,553	134,568,602
Decrease in long-term bank deposits	4,163,763	2,297,183	3,139,146	1,731,893
Decrease in long-term loans	43,692,132	45,131,969	32,940,389	34,025,911
Disposal of property and equipment	4,589,959	52,630,978	3,460,464	39,679,567
Increase in call loans	(6,258,123,386)	(11,646,666,760)	(4,718,126,799)	(8,780,659,499)
Increase in broker's loans	(994,216,641)	(322,231,615)	(749,560,194)	(242,936,984)
Acquisition of investment securities	(8,795,470)	(119,007,481)	(6,631,084)	(89,722,166)
Increase in long-term loans	(2,148,950)	(45,074,832)	(1,620,137)	(33,982,835)
Increase in guarantee deposits	(13,799,265)	(27,197,485)	(10,403,547)	(20,504,738)
Acquisition of property and equipment	(10,176,624)	(56,904,973)	(7,672,364)	(42,901,819)
Other	30,334,513	12,978,787	22,869,809	9,784,972
	<b>(531,772,890)</b>	<b>178,869,271</b>	<b>(400,914,420)</b>	<b>134,853,189</b>
<b>Cash flows from financing activities :</b>				
Increase in call money	56,906,400,000	44,145,770,000	42,902,895,054	33,282,395,959
Increase in short-term borrowings	13,328,891,721	25,145,438,154	10,048,923,191	18,957,658,439
Increase in bonds sold under resale agreements	435,563,070	323,474,819	328,379,878	243,874,260
Issuance of common stocks	-	234,983,465	-	177,158,825
Decrease in call money	(57,047,400,000)	(44,147,070,000)	(43,009,197,829)	(33,283,376,055)
Decrease in short-term borrowings	(11,947,492,507)	(26,475,271,289)	(9,007,458,163)	(19,960,246,750)
Decrease in bonds sold under resale agreements	(486,717,235)	(255,040,231)	(366,946,046)	(192,280,029)
Repayment of current portion of long-term debts	-	(8,947,148)	-	(6,745,437)
Repayment of subordinated current portion of long-term debts	(423,472,020)	(220,000,000)	(319,264,189)	(165,862,485)
Other	392,861,424	930,775,306	296,186,237	701,730,479
	<b>1,158,634,453</b>	<b>(325,886,924)</b>	<b>873,518,133</b>	<b>(245,692,794)</b>
Increase (decrease) in cash and cash equivalents	654,952,279	(64,337,916)	493,781,875	(48,505,667)
Cash and cash equivalents at beginning of the year	136,187,310	200,525,226	102,674,389	151,180,056
Cash and cash equivalents at end of the year	<b>791,139,589</b>	<b>136,187,310</b>	<b>\$ 596,456,264</b>	<b>\$ 102,674,389</b>

The accompanying notes are an integral part of these financial statements.

## 1. The Company

Daewoo Securities Co., Ltd. (hereinafter, the Company) was originally incorporated in September 1970 under the name of Dong Yang Securities Co., Ltd. The Company was organized pursuant to the laws of the Republic of Korea to engage in securities trading. In September 1975, the Company's shares were listed on the Korea Stock Exchange and its outstanding capital stock as of March 31, 2002 is 1,020,883 million. The Company changed its name to Daewoo Securities Co., Ltd. and merged with Sambo Securities Co., Ltd. on December 19, 1983, and has 126 branches as of March 31, 2002.

Pursuant to resolutions of the board of directors in the period of 2000, Korea Development Bank became the major shareholder of the Company by acquiring all the unsubscribed common stocks.

At March 31, 2002, the Company's major shareholders are as follows:

	Number of Shares	Percentage of Ownership(%)
Korea Development Bank	74,309,252	39.09
Seoul Bank	3,130,000	1.65
Korea Exchange Bank	3,080,000	1.62
Chohung Bank	3,130,000	1.65
Hanvit Bank	3,130,000	1.65
Koram Bank	3,130,000	1.65
Kookmin Bank	3,040,000	1.60
Employees	3,174,622	1.67
POSTEL	3,932,000	2.07
BBHK-A.P	2,930,000	1.54
Other	87,115,017	45.81
	190,100,891	100%

Under the Articles of Incorporation, the Company is authorized to issue convertible debentures and debentures with stock purchase options up to 1,200,000 million each. Through March 31, 2002, 150,000 million of convertible debentures and 250,000 million of subordinated convertible debentures have been issued. 141,460 million of convertible debentures have been converted into common stocks and convertible debentures amounting 8,540 million have been redeemed. In addition, 250,000 million of subordinated convertible debentures have been converted into common stocks.

Under the Articles of Incorporation, the Company is also authorized to grant stock options to the Company's employees and directors up to 15% of issued common stock. As of March 31, 2002, the number of granted stock option is 438,000 shares.

According to the Supervisory Regulation on Securities Companies prescribed by the Korean Securities and Exchange Law, the Company is restricted in ownership of securities issued by related parties, as well as in providing surety obligations or loans to related parties.

## 2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Company in the preparation of its financial statements in accordance with financial accounting standards of the Republic of Korea, and the supervisory Regulation on Securities Companies prescribed by the Korean Securities and Exchange Law are summarized below.

### Basis of Financial Statement Presentation -

The official accounting records of the Company, on which the Korean language financial statements are based, are maintained in Korean Won in accordance with the laws and regulations of the Republic of Korea.

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. The standards, procedures and

practices utilized to audit such financial statements may differ from those generally accepted and applied in other countries and jurisdictions. Accordingly, this report and the accompanying financial statements are not intended for use by those who are not informed about Korean accounting principles or auditing standards and their application in practice.

The preparation of financial statements requires management to make estimates and assumptions that effect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from those estimates.

**Trading Securities -**

The cost of trading securities is determined by the moving average method and securities sold are stated at sales value. If the costs of trading securities and sales value of securities sold are different from fair value, they are carried at fair value. The difference amount is recognized as current expense.

Trading securities other than bonds and beneficiary certificates are recorded at the closing price of relevant markets on the balance sheet date. If no closing price exists at the balance sheet date, the most recently available closing price is applied. Bonds are stated at fair value determined using the basic earning rate published by the Korea Securities Dealers Association. Beneficiary certificates are stated at fair value published by investment trust management companies.

**Accounting for Derivatives -**

The Company recorded assets and liabilities related to derivatives in the accompanying balance sheet and stated them at market value. Resulting net valuation gains or losses are included in operating revenue or expenses.

Stock index futures are recorded at footnote in balance sheet. Losses or gains on sales or settlement of stock index futures are recorded as operating expenses or revenue.

As of the beginning of contract, stock index options are stated at value of long position or short position. Losses or gains on sales of stock index options or valuation of stock index options are recorded as operating expenses or revenue, respectively.

**Allowance for Valuation and Bad debts -**

Pursuant to supervisory regulations provided by the Korean Financial Supervisory Commission, the Company has classified accounts receivable including margin to customers into the following five categories and provided an allowance for bad debts.

Classification	The ratio of allowance for bad debt
Current	over 0.5%
Special mention	over 2%
Substandard	over 20%
Doubtful	over 75%
Loss	100%

**Present Value Discount Account -**

Pursuant to the Supervisory Regulations for Securities Companies provided by the Korean Financial Supervisory Commission, if the difference between the nominal value and present value is material, as discounted at an appropriate interest rate, troubled loans restructured unfavorably under workout plans or other similar restructuring agreements are recorded at their present value.

Discounts are amortized using the effective interest rate method and recognized as interest income over the term of the related accounts.

**Investment Securities -**

All investments in equity and debt securities are initially carried at cost, including incidental expenses. In the case of debt securities, cost includes the premium paid or discount received at the time of purchase. The following paragraphs describe the subsequent accounting for investment securities by the type of security.

## Notes to Financial Statements

Investments in marketable equity securities of non-controlled investees are carried at fair value. Temporary changes in fair value are accounted for in the capital adjustment account, a component of stockholders' equity. Declines in fair value, which are anticipated to be permanent are recorded in current operations after eliminating any previously recorded capital adjustment for temporary changes. Subsequent recoveries or other future changes in fair value are recorded in the capital adjustment account.

Investment in the stock market stabilization fund are stated at proportionate amount, among the net book value of stock market stabilization fund and the difference between the balance sheet amount and carrying value is shown as gain or loss on valuation of investment in stock market stabilization fund and is reflected in current operations.

Investments in non-marketable equity securities of non-controlled investees are carried at cost, except for declines in the Company's proportionate ownership of the underlying book value of the investee which are anticipated to be permanent, which are recorded in current operations. Subsequent recoveries are also recorded in current operations up to the original cost of the investment.

Investments in equity securities of companies over which the Company exerts significant control or influence (controlled investees) are recorded using the equity method of accounting. Under the equity method, the Company records changes in its proportionate ownership of the book value of the investee as current operations, capital adjustments or adjustments to retained earnings, depending on the nature of the underlying change in book value of the investee.

Premiums and discounts on debt securities are amortized over the life of the debt using the effective interest method. Investments in debt securities, which the Company has the intent and ability to hold to maturity, are generally carried at cost, adjusted for the amortization of discounts or premiums. Declines in the fair value of debt securities which are anticipated to be permanent are recorded in current operations. Subsequent recoveries are also recorded in current operations up to the reduced cost of the investment.

### Property and Equipment -

Property and equipment are recorded at cost except for upward revaluation in accordance with the Korean Asset Revaluation Law. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as described below.

	Estimated Economic Lives
Buildings	40 years
Vehicles	4 years
Furniture and equipment	4 years

### Intangible Assets -

Intangible assets are stated at cost, net of accumulated amortization. Amortization is computed using the straight-line method over the following estimated economic lives.

	Estimated Economic Lives
Development costs	4 years
Softwares	4 years
Others	5 years

### Foreign Currency Translation -

Monetary assets and liabilities denominated in foreign currencies are translated into Korean Won at the exchange rates prevailing at the balance sheet date. Resulting exchange losses and gains are currently recognized.

### Accounting for Bonds Sold under Repurchase Agreements -

Under the repurchase agreements, the Company recorded bonds sold under repurchase agreements at the amount of bonds sold, and such bonds are included in current liabilities. Also the Company recorded the difference between the repurchase price and the bonds sold price as interest from bonds sold under repurchase agreements.

Under the resale agreements, the bonds purchased under resale agreements are stated at acquisition cost and are included in current assets. The Company recorded the difference between the bonds resale price and acquisition cost as interests from bonds purchased under resale agreements.

**Reserve for Severance and Retirement Benefits -**

Employees and directors with more than one year of service are entitled to receive a lump-sum payment upon termination of their employment with the Company, based on their length of service and rate of pay at the time of termination. The accrued severance benefit liability represents the amount which would be payable assuming all eligible employees and directors were to terminate their employment as of the balance sheet date.

Actual payments of severance benefits during the year ended March 31, 2002 and 2001 were 12,830 million and 7,782 million, respectively.

**Translation of Foreign Currency Statements -**

Financial accounts of overseas business locations are maintained in the currencies of the countries in which they operate. In translating the foreign currency financial statements of these overseas business locations into Korean Won, income and expenses are translated at the average rate for the year and assets and liabilities are translated at the rate prevailing at the balance sheet date. Resulting translation gains and losses are offset and the net amount is recorded as overseas business translation gain or loss, which is presented as an addition to or deduction from capital. Overseas business translation gains or losses are offset against those incurred in future periods and treated as extraordinary gain or loss upon closing, disposing or liquidating the foreign entity. During current period, the Company closed down Tokyo branch and recognized 2,436 million of overseas business translation credit as extraordinary gain.

As of March 31, 2001, the condensed financial information of the Tokyo branch is as follows :

	Millions of Korean Won
Current assets	7,472
Non-current assets	598
Current liabilities	6,681
Non-current liabilities	25
Operating revenue	460
Operating expense	2,372

**Deferred Income Taxes -**

The Company has adopted the deferred method of accounting for income taxes. Under this method, the future tax effects of temporary differences between the financial and tax bases of assets and liabilities are reflected in the balance sheet. As the realizability of future tax effects on temporary differences and undisposed accumulated deficits cannot be assured, the Company didn't recognize the deferred income tax asset.

**Stock Option -**

The Company calculates compensation expense as of grant date using the Black-Scholes Model and allocates it to current expense and capital adjustment over service period using straight line method.

**3. United States Dollar Amounts**

The Company operates primarily in Korean Won and its official accounting records are maintained in Korean Won. The U.S. Dollar amounts are provided herein as supplementary information solely for the convenience of the reader. Won amounts are expressed in U.S. Dollars at the rate of 1,326.40:US\$1, the rate in effect on March 31, 2002. This presentation is not in accordance with accounting principles generally accepted in either the Republic of Korea or the United States, and should not be construed as a representation that the Won amounts shown could be converted, realized or settled in U.S. Dollars at this rate.

The 2001 U.S. Dollar amounts, which were previously expressed at 1,328.00:US\$1, the rate prevailing on March 31, 2001, have been restated to reflect the exchange rate in effect on March 31, 2002.

## Notes to Financial Statements

### 4. Cash and Bank Deposits

Cash and bank deposits at March 31, 2002 and 2001 comprise the following :

	Annual Interest Rate (%)	Millions of Korean Won	
		2002	2001
Cash on hand and current accounts	-	286	18
Passbook accounts	1.00	3,318	560
Time deposits	5.10 - 5.50	239	94
Group severance insurance deposits	-	-	4,161
Collective fund for default loss	-	10,440	8,734
Other deposits	4.00 - 8.00	787,357	135,579
		801,640	149,146
Non-current portion		(10,501)	(12,959)
		791,139	136,187

Non-current cash and bank deposits include 10,440 million of collective fund for default loss and 61 million of passbook accounts which represent deposits required to maintain checking accounts in the current year. In the prior period, non-current cash and bank deposits include 4,161 million of group severance insurance deposits, 8,734 million of collective fund for default loss, 61 million of passbook accounts which represent deposits required to maintain checking accounts and 67,747 million of other deposits which designated a European bank with relation to the transfer of rights of the off-shore funds. Withdrawal of these amounts is restricted.

Pursuant to Securities and Exchange Law, collective fund for default loss is funded for compensating loss resulting from breaching securities in stock exchange.

### 5. Deposits

Deposits with Korea Securities Finance Corporation (KSFC) and other financial institutions at March 31, 2002 and 2001, comprise the following :

	Annual Interest Rate (%)	Millions of Korean Won	
		2002	2001
Subscription deposits	0.00 ~ 2.00	1,727,300	-
Reserve for claims of customers' deposits	Floating rate	1,375,400	799,300
Other deposits	-	61	8,518
		3,102,761	807,818

### 6. Trading Securities

Trading securities at March 31, 2002 and 2001, comprise the following :

	Millions of Korean Won	
	2002	2001
Stocks	86,463	52,996
Government & public bonds	134,227	64,069
Corporate bonds	15,277	3,667
Beneficiary certificates	435,751	641,930
Long position stock index options	543	1,466
Other	-	4,314
	672,261	768,442

These beneficiary certificates are valued at the price, which were announced by the investment trust management companies. And then the Company amortized additionally beneficiary certificates by 49,153 million due to the cooperate bonds, which were issued by ailing companies including the Hynix Semiconductor Inc.

## 7. Derivatives -

Derivatives at March 31, 2002 and 2001 comprise the following :

	Millions of Korean Won	
	2002	2001
Stock index futures (Long position)	-	20,586
Stock index futures (Short position)	27,570	20,750
Stock index option (Long position)	543	1,466
Stock index option (Short position)	1,136	300
Interest rate futures (Short position)	1,032	1,023
Currency forward (Long position)	-	3,355
Currency forward (Short position)	1,990	-

## 8. Assets Denominated in Foreign Currency

Assets denominated in foreign currency at March 31, 2002 and 2001 comprise the following :

	2002		2001	
	Thousands of U. S. Dollars	Millions of Korean Won	Thousands of U. S. Dollars	Millions of Korean Won
Asset :				
Bank Deposits	\$ 1,526	2,024	\$ 77,254	102,593
Stocks (Trading securities)	2,302	3,053	4,887	6,490
Bonds (Trading securities)	1,620	2,149	2,880	3,825
Bonds (Investment securities)	-	-	10,000	13,280
Other non-current asset	54,240	71,928	53,000	70,384
	\$ 59,688	79,154	\$ 148,021	196,572
Liabilities :				
Other current Liabilities	\$ -	-	\$ 53,000	70,384

Above assets are composed of multiple currencies and converted into U.S. Dollars using basic rate of exchange at March 31, 2002 and 2001.

## 9. Loans

Loans at March 31, 2002 and 2001 comprise the following :

	Millions of Korean Won	
	2002	2001
Loans to customer:		
Broker's loans	682,069	21,194
Short-term loans	61	15
Other loans	-	17,142
	682,130	38,351
Allowance for doubtful accounts	(260)	(464)
	681,870	37,887



## Notes to Financial Statements

### 10. Investment Securities

Investment securities at March 31, 2002 and 2001, comprise the following :

Investments	Number of Shares	Ownership Percentage(%)	2002		2001		
			Acquisition Cost	Fair Value	Book Value	Book Value	
<b>(1) Non-marketable equity securities</b>							
Korea Securities Finance Corp.	2,753,687	4.05%	13,788	16,976	13,788	13,788	
Korea ENC Securities Co., Ltd.	160,000	3.13%	800	734	800	-	
Yuongheung Iron and Steel Co., Ltd.	333,750	19.58%	3,338	3,414	3,338	3,338	
1 <sup>st</sup> Governors fund	289,860	19.94%	1,450	1,737	1,450	-	
Korea Securities Depository	83,214	2.31%	1,217	6,384	1,217	1,217	
Korea Securities Computer Corp.	217,563	4.07%	1,097	3,938	1,097	1,097	
Cellbiotech Co., Ltd	6,000	1.05%	720	86	720	720	
Other	-	-	4,588	5,998	4,588	27,131	
			26,998	39,267	26,998	47,291	
<b>(2) Marketable equity securities</b>							
Hanaro Telecom Inc.	12,000,000	4.30%	243,352	89,400	89,400	36,120	
Keangnam enterprises Co., Ltd.	1,057,969	4.02%	8,078	3,280	3,280	2,175	
Shin Won Development	1,464,836	0.81%	6,744	1,868	1,868	1,306	
Other	-	-	466	537	537	1,032	
			258,640	95,085	95,085	40,633	
<b>(3) Beneficiary certificates</b>							
C.E.D.F	1,120,448	-	1,471	2,678	1,471	1,471	
<b>(4) Investment in partnerships</b>							
Korea Stock Exchange	1	3.30%	1,784	19,652	1,784	1,784	
Stock Market Stabilization Fund	8	13.95%	56,741	87,370	87,370	50,044	
Other	-	10.0%	886	886	886	1,542	
			59,411	107,908	90,040	53,370	
<b>(5) Securities in affiliated companies</b>							
Seoul Investment Trust Co., Ltd.	2,274,596	81.85%	17,350	16,052	16,052	9,903	
Daewoo Bank(Hungary)	468,680	100.00%	39,768	34,224	34,224	35,448	
Daewoo Sec.(Europe) Ltd.	18,364,700	100.00%	18,628	27,531	27,531	27,712	
Daewoo Sec.(America) Inc.	12,000	100.00%	9,621	14,820	14,820	15,919	
Daewoo Sec. (Hong Kong) Ltd.	10,000,000	100.00%	7,775	21,117	21,117	18,953	
Uz Daewoo Bank	5,500	55.00%	4,747	6,197	6,197	6,586	
Daewoo Bank (Romania) S.A.	5,657,868	100.00%	10,230	21,266	21,266	32,578	
Shanghai HongDa CPA Co., Ltd.	-	100.00%	1,338	1,326	1,326	-	
Optimal Access Inv.	2,075,000	69.98%	3,845	3,717	3,717	-	
Daewoo Capital Management Co., Ltd.	-	-	-	-	-	10,572	
			113,302	146,250	146,250	157,671	
<b>(6) Corporate bonds</b>							
	-	-	86,493	38,046	38,046	69,167	
<b>(7) Bonds in foreign currency</b>							
	-	-	-	-	-	13,280	
<b>(8) Other investments</b>							
	-	-	3,070	2,424	3,070	500	
			549,385	431,658	400,960	383,383	

Investment in marketable equity securities are valued by fair value, and the resulting unrealized valuation losses of 163,555 million are recorded as a separate component of shareholders' equity ("capital adjustment").

As of March 31, 2001, the Company recognized 38,185 million as loss on impairment of investment for the equity securities of Daehan Investment Trust Co., Ltd., Korean Investment Trust Co., Ltd., and Hyundai Investment Trust & Securities Co., Ltd.

Among marketable equity securities, 6,000,000 shares of Hanaro Telecom Inc. are loaned in relation to investment security lending transaction and 750,000 shares of Hanaro Telecom Inc. are pledged as collateral for investment security borrowing transaction to Korea Securities Depository.

Investments in equity securities of companies over which the Company exerts significant control or influence (controlled investees) are recorded using the equity method of accounting. Differences between acquisition cost and the Company's proportionate net asset value of the investee are amortized as incurred.

As of March 31, 2002, the investment securities in affiliated companies valued using the equity method are as follows (Millions of Korean Won) :

	Beginning Balance	Acquisition	Retained Earnings	Adjustments			Book Value
				Capital Adjustment	Valuation Gain(Loss)	Dividends	
Seoul Investment Trust Co., Ltd.	9,903	-	-	-	6,149	-	16,052
Daewoo Bank(Hungary)	35,448	-	-	(2,037)	4,264	(3,451)	34,224
Daewoo Securities(Europe) Ltd.	27,712	-	-	(326)	145	-	27,531
Daewoo Securities(America) Inc.	15,919	-	-	(39)	(1,060)	-	14,820
Daewoo Securities(Hong Kong)	18,953	-	-	(20)	2,184	-	21,117
Uz Daewoo Bank	6,586	-	(37)	(2,567)	2,215	-	6,197
Daewoo Bank(Rumania) S.A	32,578	-	-	(483)	2,825	(13,654)	21,266
Shanghai HongDa CPA Co., Ltd.	-	1,338	-	(12)	-	-	1,326
Optimal Access Inv.	-	5,952	3,043	901	(6,179)	-	3,717
Daewoo Capital Management Co., Ltd	10,572	-	-	-	-	(10,572)	-
	157,671	7,290	3,006	(4,583)	10,543	(27,677)	146,250

During 2002, the above investment in Optimal Access Inv. is recorded using the equity-method of accounting for the first time. The changes in the net book value, which occurred in the prior period were adjusted to retained earnings.

As of March 31, 2002 and 2001, corporate bonds included in investment securities comprise the following (Millions of Korean Won) :

	2002			2001	
	Book Value	Present Value Discount Account	Allowance for Bad Debts	Net Book Value	Net Book Value
Private placement bonds	16,348	-	6,375	9,973	12,089
Private placement convertible bonds	17,400	-	16,357	1,043	2,561
Bonds with guarantees	43,745	-	17,255	26,490	47,287
Convertible bonds	9,000	-	8,460	540	7,230
	86,493	-	48,447	38,046	69,167

## Notes to Financial Statements

As of March 31, 2002 and 2001, the bonds denominated in foreign currency comprise the following (Millions of Korean Won) :

	2002				2001
	Par Value	Acquisition Cost	Fair Value	Book Value	Book Value
Emerging port investment	-	-	-	-	6,640
Optimal assess investment	-	-	-	-	6,640
	-	-	-	-	13,280

### 11. Property and Equipment

Property and equipment at March 31, 2002 and 2001, comprise the following :

	Millions of Korean Won	
	2002	2001
Buildings	143,602	146,705
Vehicles	89	134
Furniture and equipments	157,875	151,379
	301,566	298,218
Less : Accumulated depreciation	(122,528)	(86,888)
	179,038	211,330
Land	140,961	135,836
Construction-in-progress	-	6,452
Others	176	-
	320,175	353,618

As of March 31, 2002, the Company's land and buildings are pledged up to a maximum value of 240,000 million as collateral for short-term borrowings to financial institutions including Korea Development Bank. However, at March 31, 2002, the balance of short-term borrowings is cleared. At March 31, 2002, buildings are insured against fire and other casualty losses up to approximately 143,389 million. In accordance with the Asset Revaluation Law, the Company revalued a substantial portion of its property and equipment on July 1, 1998. The asset revaluation surplus amounting to 101,623 million was recognized and offset against accumulated deficits.

At March 31, 2002 and 2001, the values of the Company's land, as announced by the Korean local government for property tax assessment purposes, approximate 104,961 and 112,515 million, respectively.

### 12. Troubled Loans

Troubled loans at March 31, 2002 and 2001 comprise the following :

	Millions of Korean Won	
	2002	2001
Advances for customers:		
Advances for payment on bonds guarantee	147,540	198,189
Advances for payment on loss compensation	3,564	2,415
Advances for payment for others	11,926	13,244
Dishonored bonds:	20,997	25,333
Dishonored bills receivable:	122	1,122
	184,149	240,303
Less : Present value discount account	(21,644)	(47,229)
Allowance for doubtful accounts	(94,710)	(81,402)
	67,795	111,672

### 13. Other Non-Current Assets

Details of other non-current assets are as follows at March 31, 2002.

	Companies	Millions of Korean Won
Private Placement Bonds	Daewoo Capital Corporation	774,400
Call Loan	Daewoo Capital Corporation	180,000
Debt-to-equity swap credit	KOHAP Corporation, etc.	83,990
Others		74,511
		1,112,901

In the prior year, the Company made a call loan amounting to 774,400 million to Daewoo Capital Co. After bankruptcy of the Daewoo Group of companies, the Daewoo Capital Co. defaulted on the call loan. Accordingly, the Company classified the call loan from current asset to non-current asset and accumulated 464,640 million as an allowance for doubtful accounts. In addition, the Company is planning to dispose of the call loan in various ways. In this regard, on May 6, 2000, the Company agreed with Daewoo Capital Co. that the Company underwrote the unwarranted private placement bonds (annual rate of interest is 2.24%-modifiable upon agreement) amounting to 774,400 issued by Daewoo Capital Co. for offsetting the loan.

Meanwhile, the Company filed a lawsuit for provisional arrangement to prohibit Daehan Investment Trust Management & Securities Co., Ltd. ("DITS") from exercising its right on the notes issued by the Company in 2000. However, DITS and the Company accepted the arbitration of the court in the current year. According to the arbitration, the Company fixed the credit of 180,000 million to DAEWOO Capital Co. (Note 32).

### 14. Allowances for bad debts

Pursuant to supervisory regulations provided by the Korean Financial Supervisory Commission, the Company has classified accounts receivable including margin to customers into the following five categories and provided an allowance for bad debts.

For this purpose, the Company classified accounts receivable as of March 31, 2002 and 2001 as follows (Unit : Millions of Korean Won) :

#### I Current year I

Accounts	Current	Special Mention	Substandard	Doubtful	Loss	Totals
Loan to customer	44,512	-	-	-	38	44,500
Account receivables	106,402	1,074	-	-	2,302	109,778
Accrued income	30,130	-	-	-	1,500	31,630
Long-term loan	34,205	-	-	307	-	34,512
Corporate bonds & other investments	-	26,376	16,717	43,400	632	87,125
Troubled Loans	2,627	16,037	50,754	52,808	61,961	184,149
Other non-current assets	-	-	1,026,328	62,442	23,850	1,147,132
Totals	217,876	43,487	1,093,799	158,957	90,245	1,604,364

#### I Previous year I

Accounts	Current	Special Mention	Substandard	Doubtful	Loss	Totals
Loan to customer	21,194	17,142	-	-	15	38,351
Account receivables	44,186	1,520	-	-	2,282	47,988
Accrued income	28,438	-	-	-	1,190	29,628
Corporate bonds	-	30,559	45,785	17,577	-	93,921
Long-term loans	75,749	-	306	-	-	76,055
Troubled loans	6,087	82,325	35,104	33,627	83,161	240,304
Other non-current assets	305,760	-	200,000	38,155	465,763	1,009,678
Totals	481,414	131,546	281,195	89,359	552,411	1,535,925

## Notes to Financial Statements

The Company provides an allowance for doubtful accounts based on the aggregate estimated collectibility of accounts receivables. In the last three years, the allowance for doubtful accounts and percentage to total receivables are as follows (Unit : Millions of Korean Won) :

Balance Sheet Date	Receivables Balances	Allowance for Doubtful Accounts(*)	Rates
1999. 3. 31	689,486	227,115	32.94%
2000. 3. 31	1,706,690	747,625	43.81%
2001. 3. 31	1,535,925	726,020	47.27%
2002. 3. 31	1,604,364	839,100	52.30%

(\*) The amount includes present value discount account.

### 15. Present Value Discount Account

As of March 31, 2002 and 2001, troubled debts, which are restructured by reorganization plans, approved by the court or agreed to by creditors comprise the following (Unit : Millions of Korean Won) :

#### I Current year I

Accounts	Period	Discount rate (%)	Nominal value	Present value	Difference
Troubled Loan	1998.06 ~ 2011.12	8.0 ~ 14.0	73,794	52,150	21,644
Investments	2001.12 ~ 2018.9	5.2	2,557	1,925	632
Account Receivables	1999.2 ~ 2003.12	12.35	1,175	1,074	101
			77,526	55,149	22,377

#### I Previous year I

Accounts	Period	Discount rate (%)	Nominal value	Present value	Difference
Troubled	1997.10 ~ 2011.6	7.0 ~ 16.0	143,238	96,009	47,229
Account Receivables	1999.2 ~ 2003.12	12.35	1,675	1,520	155
			144,913	97,529	47,384

### 16. Short-Term Borrowings

Short-term borrowings at March 31, 2002 and 2001, comprise the following :

	Present Annual Interest Rate (%)	Millions of Korean Won	
		2002	2001
Bank borrowings	0.50	150,000	-
Other short-term borrowings	-	886	205,402
Borrowing from KSFC	3.00 - 4.30	1,496,789	62,194
		1,647,675	267,596
Call money	-	-	141,000
		1,647,675	408,596

### 17. Deposits from Customers

Deposits from customers at March 31, 2002 and 2001, comprise the followings :

	Millions of Korean Won	
	2002	2001
Customers' deposits for brokerage	1,111,963	787,608
Customers' deposits for futures and options trading	85,123	38,183
Customers' deposits for subscriptions	1,726,632	-
Customers' deposits for savings	152,360	57,949
Customers' deposits for beneficiary	6,975	5,406
Other	2,739	10,217
	3,085,792	899,363

## 18. Debentures and Long-Term Borrowings

Debentures and long-term borrowings at March 31, 2002 and 2001, comprise the followings :

	Annual Interest Rate (%)	The Terms of Redemption	Millions of Korean Won	
			2002	2001
Unguaranteed public Offering bond	8.00	2003.1.10	200,000	-
Long-term borrowings	-	-	-	284
Subordinate debentures (*1)	8.09 ~ 11.00	2002.5.10 ~ 2003.6.30	444,525	667,997
Subordinate convertible Debentures (*2)	-	-	-	249,988
				918,269
Current portion of long-term debts			(444,525)	(673,460)
			200,000	244,809

(\*1) The redemption of subordinated debentures (including subordinated convertible bond) will be performed only after other indebtednesses are cleared up in case the Company goes into bankruptcy.

(\*2) The Company issued the 22nd subordinated convertible debenture of 250,000 million on June 30, 2000. All of the convertible debentures were converted into common stocks of the Company at the conversion price of 7,000.

The annual maturities of long-term borrowings and debentures outstanding at March 31, 2002 are as follows :

Year	Unguaranteed public offering bond	Subordinate Debentures
2003.4.1-2004.3.31	-	200,000

## 19. Reserve for Severance and Retirement Benefits

Reserve for severance and retirement benefits at March 31, 2002 and 2001 are as follows :

	2002	2001
Beginning balance	20,451	14,877
Provisions	8,490	13,354
Severance payments	(12,830)	(7,782)
Other	(96)	2
	16,015	20,451
National pension fund for severance and retirement benefits	(443)	(1,191)
	15,572	19,260

## 20. Allowance for guarantee

At March 31, 2002 and 2001, the details of the guarantee offered by the Company and the related allowance are as follow (Unit: Million of Korean Won).

Classification	2002		2001	
	Guarantee	Allowance	Guarantee	Allowance
Current	-	-	14,930	75
Special mention	37,426	748	42,449	849
Substandard	8,505	1,701	40,376	8,075
Doubtful	10,740	10,096	31,020	22,879
Loss	-	-	-	-
Other (*)	60,165	-	72,686	-
Total	116,836	12,545	201,461	31,878

(\*) The portion of guarantee on the bonds acquired by the Company.

## Notes to Financial Statements

### 21. Commitments and Contingencies

As of March 31, 2002, the Company has entered into bank overdraft agreements for borrowings up to 84,000 million with 3 banks including Shinhan Bank.

As of March 31, 2002 and 2001, the Company's total contract amounts for derivatives are 32,270 million and 47,481 million respectively. The Company has pledged trading securities amounting to 21,218 million and 4,901 million as collateral for futures and options proprietary trading at March 31, 2002 and 2001.

As of March 31, 2002, the Company has pledged a promissory note to LG Card Co., Ltd (formerly, LG Capital Services Corporation) as collateral for borrowings and repayment of loans.

As of March 31, 2002 and 2001, the Company provides guarantees on bonds of approximately 116,836 million and 186,531 million, respectively, for companies which are in reorganization procedures.

As of March 31, 2002, the Company has been sued in 45 (total claim amount : 635,244 million) cases including claims for compensation loss on the beneficiary certificates and claim for principal and interest of corporate bonds issued by the Company. The ultimate outcome of the cases cannot presently be determined and accordingly, no adjustment has been made in the accompanying financial statements.

In September 2000 the Company made a contract with a European bank regarding the transfer of rights related to offshore funds. Accordingly, in April 2001 the Company acquired the right of claiming performance of an obligation. On April 4, 2001, the Company filed a suit amounting to USD 127 million against Korea Investment Trust Management & Securities Company and Hyundai Investment Trust & Securities Co., Ltd. as a claim for compensation. The ultimate outcome of the case cannot presently be determined.

The Company has been repurchasing the beneficiary certificates, of which funds contain Daewoo Group's bonds based on the measures for repurchasing arranged by the Korean Financial Supervisory Commission after the "Daewoo Group Bankruptcy" in 1999. In repurchasing the beneficiary certificates, the Company has divided the customers into individual customers and financial institutions and then has applied different loss-sharing ratio of the beneficiary certificates and the repurchasing timing. Accordingly, the Company has repurchased most beneficiary certificates related to Daewoo Group's bonds from the individual customers. Then, the Company has been repurchasing beneficiary certificates from financial institutions on the principle that customers should burden the loss from the beneficiary certificates. However, certain financial institutions didn't agree to the principle and have filed suits in several cases including loss-sharing of non-Daewoo corporate bonds, amounting to 609,400 million against the Company. As of March 31, 2002, since the ultimate outcome and the effect of the litigation is uncertain, these financial statements do not include any possible loss related to such uncertainty.

Daewoo Motor Co., Ltd had provided guarantees and collateral to the Company when the Company had loaned call money ( 774,400 million) to Daewoo Capital Corporation. The Company offset the above credit with the subordinated corporate bond( 10,000 million) owned by the Daewoo Motor Co., Ltd. Accordingly, Daewoo Motor Co., Ltd filed a suit against the Company, so called "claim for principal and interest of corporate bonds" claiming return of the money. As of the March 31, 2002, since the ultimate outcome and its effect of the litigation is uncertain, no adjustment has been made in the accompanying financial statements.

The Company is selling and repurchasing beneficiary certificates. The amount of outstanding beneficiary certificates which have been sold by the Company amounts to 4,600,000 million as of March 31, 2002. Meanwhile, some customers including the Korean Federation of Community Credit Cooperative are requesting that the Company indemnify the loss from their beneficiary certificates alleging that the Company should compensate the loss because the beneficiary certificates were bought in return for prior beneficiary certificates issued before Daewoo Group crisis. However, the Company has not accepted the requests on the grounds of brokerage principle that the loss from the customer's funds should be burdened to the customers. As of March 31, 2002, the ultimate outcome of the dispute is uncertain, accordingly accompanying financial statements do not include any adjustments related to such uncertainties.

Beginning in 1997, Korea and other countries in the Asia Pacific region experienced a severe contraction in substantially all aspects of their economies. This situation is commonly referred to as the 1997 Asian financial crisis. In response to this situation, the Korean government and the private sector began implementing structural reforms to historical business practices.

The Korean economy continues to experience difficulties, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The banking industry is currently undergoing consolidation and uncertainty exists with regard to the continued availability of financing. The Company may be either directly or indirectly affected by the situation described above.

## 22. Capital Stock

The changes in capital stock during current year are as follows :

Year	Millions of Korean Won		
	Common Stock	Preferred Stock	Capital Surplus
Beginning of the year	771,941	70,379	173,282
Conversion of convertible debentures (2001.11.16)	178,563	-	77,442
End of the year	950,504	70,379	250,724

Preferred stock is non-participating, non-cumulative and non-voting. The Company can issue preferred stock that can be converted to common stock with time limit.

## 23. Retained Earnings

Retained earnings at March 31, 2002 and 2001 comprise as following :

Appropriated	reference	Millions of Korean Won	
		2002	2001
reserve for loss on securities transaction	(A)	35,531	53,297
reserve for loss on futures trading	(B)	-	-
reserve for financial structural improvement	(C)	4,000	4,000
Unappropriated:		86,942	14,743
		126,473	72,040

(A) In accordance with the Korean Securities and Exchange Law, the Company has provided a reserve for losses on securities transactions until the prior period. However, the accumulated reserve for losses on securities transactions should be carried back during 3 years from current period since related regulations were abolished during this period. If any, the reserve may be transferred to common stock or used to offset accumulated deficit, the above carried back rule is not applicable.

(B) The Korean Futures Trading Act requires the Company to appropriate an amount to available retained earnings as a reserve for losses on futures trading every financial period. If available retained earnings are more than 0.1% of brokerage commissions, reserve for losses on futures trading is equal to 0.1% of brokerage commissions. This reserve may only be utilized for compensating for losses of assigner, which losses are responsible for the Company's directors and employees, if any. Unless this reserve is utilized over 3 financial years after providing, it should be carried back.

(C) The Tax Exemption and Reduction Control Law requires the Company to appropriate, as a reserve for business rationalization, an amount equal to the tax reduction arising in connection with the deduction from taxable income claimed with respect to capital increases. This reserve is not available for the payment of cash dividends, however, it may be transferred to common stock in connection with stock dividends or may be used to reduce the accumulated deficit.



## Notes to Financial Statements

### 24. Offset Deficit

With the approval of general shareholders' meeting at May 27, 2000, the Company's disposition of deficit comprises the following.

	Millions of Korean Won
(1) Undisposed deficit	1,236,184
(2) Disposition of deficit	1,236,184
1. Capital surplus	995,564
2. Retained earnings	240,620
(3) Undisposed accumulated deficit to be carried over to subsequent year	-

### 25. Stock Options

The Company granted stock options to some of its directors and employees as follows:

	Provision 1	Provision 2
Date of provision	2000.6	2001.8
Option type	Stock option or Stock right	Stock option or Stock right
Number of shares granted	340,000 shares	98,000 shares
Number of shares exterminated	35,000 shares	-
Number of shares at balance date	305,000 shares	98,000 shares
Condition	Service until 2002.6	Service until 2003.8
Exercise price	7,000	8,900
Period of exercise	2003.6.4 ~ 2010.6.2	2003.8.24 ~ 2008.8.23

For the current year, the Company recognized 556 million as compensation expense and the Company will recognize 793 million as compensation expense in the following fiscal years.

The fair value model is used to estimate the value of option and compensation expense, which is based on fair value of the option using the Black-Scholes Model, is determined by the assumptions described below :

	Provision 1	Provision 2
Risk free interest rate	8.07 %	5.07 %
Expected term of exercise	10 years	7 years
Expected volatility of the stock option	72.71 %	73.05 %

### 26. Capital Adjustments

At March 31, 2002 and 2001 capital adjustments are as follows :

	Millions of Korean Won	
	2002	2001
Treasury stock	(32,970)	(32,970)
Overseas operation translation credit	-	2,817
Loss on valuation of investment securities (Note 10)	(158,748)	(209,560)
Reserve for stock options (Note 25)	1,080	524
	(190,638)	(239,189)

At March 31, 2002, the Company owned 1,796,320 shares of preferred stock as treasury stocks.

## 27. Income Taxes

Income taxes for the year ending March 31, 2002 and 2001 comprise the following :

	Millions of Korean Won	
	2002	2001
Current income taxes	-	-
Deferred income taxes	-	-
Income Tax benefits	-	-

The following table reconciles the Company's pretax income to the taxable income for the year ending March 31, 2002 and 2001.

	Millions of Korean Won	
	2002	2001
Income before taxes	51,427	60,481
Permanent differences	1,944	1,045
Temporary differences	(88,601)	(699,559)
Loss carry forward	(35,230)	(638,033)

The details of deferred taxes as of March 31, 2002 are as follows (Unit : Millions of Korean Won) :

Account	Beginning Balance	Increases	Decreases	Ending Balance	Deferred Tax Assets
Accrued interest receivables	(1,889)	(1,302)	1,889	(1,302)	-
Gain on valuation of trading securities	(48,088)	(12,739)	16,773	(44,054)	-
Loss on valuation of trading securities	181,989	79,605	(71,706)	189,888	-
Investment securities reduction loss	45,604	-	-	45,604	-
Loss on valuation of investment securities (stock market stabilization fund)	49,236	-	-	49,236	-
Gain on valuation of investment securities (stock market stabilization fund)	(20,799)	(59,067)	-	(79,866)	-
Allowance	288	96	(288)	96	-
Present value discount account	47,384	-	(25,042)	22,342	-
Affiliated company securities	(27,814)	(10,544)	11,485	(26,873)	-
Land revaluation surplus	(47,964)	-	1,052	(46,912)	-
Allowance for payment guarantee	31,878	-	(19,334)	12,544	-
Other	17,950	(1,991)	2,512	18,471	-
Accumulated temporary differences	227,775	(5,942)	(82,659)	139,174	41,335
Operating loss carry forward	895,121	35,230	(126,232)	804,119	238,823
	1,122,896			943,293	280,158
				Valuation allowance	(280,158)
					-

As the realizability of future tax effects on temporary differences and operating loss carry forward cannot be assured, the Company does not recognize the tax benefits from operating loss carry forward and accumulated temporary differences.

The maturities of the future tax effects of temporary differences and operating loss carry forward that were not recognized as deferred tax assets are as follows :

	Millions of Korean Won		
	Temporary Difference, etc.	Deferred Tax Assets	Maturity
Deferred tax assets from temporary difference	139,174	41,335	-
Deferred tax assets from Undisposed accumulated deficit			
- 1998.3.31	3,716	1,104	2002.3.31
- 2000.3.31	303,674	90,191	2005.3.31

## Notes to Financial Statements

- 2001.3.31	461,499	137,065	2006.3.31
- 2002.3.31	35,230	10,463	2007.3.31
	804,119	238,823	
	943,293	280,158	

### 28. Related Party Transactions

Significant transactions with related parties for the year ended 31 March, 2002 and 2001 are summarized as follows :

I Current year I	Millions of Korean Won	
	Commission income	Commission expenses
Daewoo Sec. (America)	-	364
Daewoo Sec. (Hong Kong)	-	352
Uz Daewoo Bank	-	1,140
Daewoo Bank (Romania)	469	-

I Previous Year I	Millions of Korean Won	
	Commission income	Commission expenses
Daewoo Capital Management	79	-
Daewoo Bank Hungary	406	-
Daewoo Sec. (Europe)	-	290
Daewoo Sec. (America)	-	532
Daewoo Sec. (Hong Kong)	-	881
Uz Daewoo Bank	159	-
Daewoo Bank (Romania)	418	-

### 29. Earnings Per Share

Earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the year ended March 31, 2002. Ordinary income per share is computed by dividing ordinary income, after adjustment of extraordinary gains or losses and related income taxes, by the weighted average number of common shares outstanding for the year ended March 31, 2002.

Ordinary income per share and income per share for the year ended March 31, 2002 are calculated as follows :

	Korean Won
Ordinary income as reported on the statement of income	26,484,659,046
Weighted average number of Common shares outstanding(*)	190,100,891
Ordinary income per share	139

	Korean Won
Net income	51,427,058,228
Weighted average number of Common shares outstanding(*)	190,100,891
Income per share	271

(\*) Convertible bonds which were converted into the Company's common stock, were regarded as converted at the beginning of the period.

Stock purchase options, which may be converted into the Company's common stock, have no dilution effect. Accordingly, diluted income per share is not presented.

Ordinary income per share and net income per share of previous year were 411 and 406 respectively. And diluted income per share was not presented because convertible bonds and stock purchase options had no dilution effect.

### 30. Guarantees of Indebtedness

At March 31, 2002 and 2001, guarantees of indebtedness of offshore funds provided by the Company are as follows (Unit: USD) :

	2002			2001	
	Maturity	Guarantee Limit	Guarantee Amount	Guarantee Limit	Guarantee Amount
Pacific Growth Inv.	2001-10-10	US\$ -	US\$ -	US\$52,000,000	US\$52,000,000
Emerging Portfolio Inv.	2001-09-04	-	-	40,000,000	40,000,000

### 31. Offshore Funds

At March 31, 2002 and 2001, offshore funds of the Company are as follows (Unit : USD):

Fund name	Location	Ratio of shareholding	Net asset value At 2002.03.31	Total borrowings At 2002.03.31
Optimal Access Inv.	Malaysia	69.98%	US\$ 4,014,886	US\$ -

2002		2001	
Money invested by the Company	Net asset value (the Company's portion)	Net asset value (the Company's portion)	
US\$ 3,305,755	US\$ 2,809,618	US\$ 7,538,970	

The Optimal Access Inv. has three subsidiary funds including Capital Balanced Fund.

### 32. Gain on Debt Exemption

In 1999 the Company accepted 200,000 million note receivables from the Daewoo Group of companies and in turn issued a 200,000 million note to Daehan Investment Trust Management & Securities Co., Ltd. (DITS). The proceeds from the note were passed from DITS to the Daewoo Group of companies through the Company. The Daewoo Group of companies has since defaulted on the note to the Company, and the Company filed lawsuits for provisional arrangement to prohibit DITS from exercising its rights on the note issued by the Company, as the Company was intended to serve as a only bridge in relation to call loans from DITS to the Daewoo Group of companies. However, as the Company and DITS accepted arbitration of court in 2001, the Company recognized gain on debt exemption, consisting of 10%of principal, amounting to 20,000 million and 2,676 million of payable interest as extraordinary gain in the current period. Additionally, the Company recognized 48,000 million of bad debt expense on note receivables in 2002.

### 33. Securities in Custody

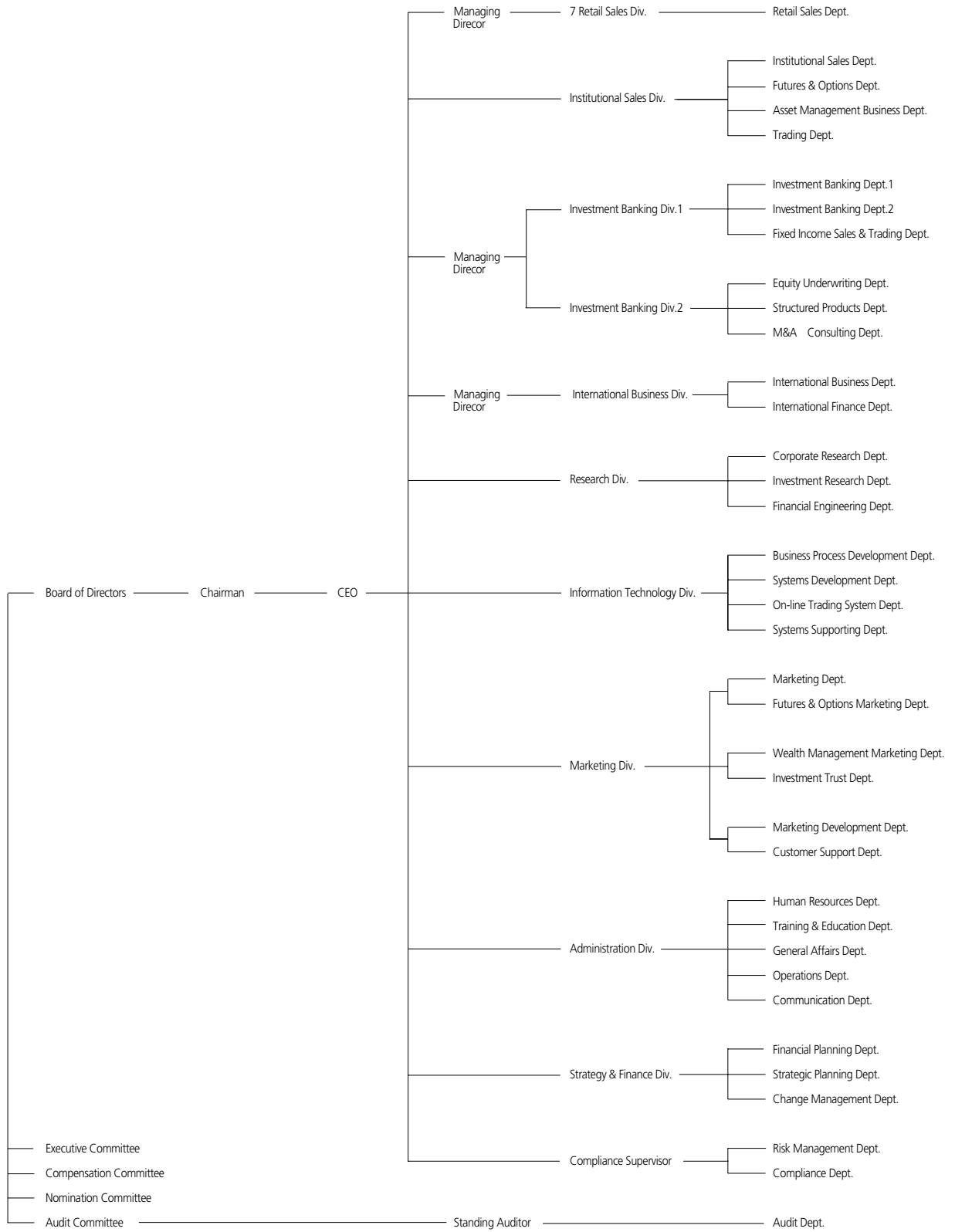
At March 31, 2002 and 2001, the securities in custody which are owned by the customers related are as follow (Unit: Millions of Won):

Accounts	2002	2001
Trustor securities in custody	13,910,503	8,276,742
Saver securities in custody	542,470	232,928
Beneficiary securities in custody	4,577,836	4,914,312
Other securities in custody	44,166	3,143

### 34. Subsequent Events

At April 20, 2002, the Financial Supervisory Commission undertook business suspension acts on all operations performed by the Andong branch of the Company because of the branch's manipulating market price and illegal authorization trading transactions. As of the reporting date, management believe that the ultimate result of the event will not have a material effect on the Company's operations and the effect of that result on the financial position of the Company cannot presently be determined. Accordingly, no adjustments have been made in the accompanying financial statements related to such uncertainties.

# Organization Chart



## Board of Directors



Seated from left

- **Jong-Soo Park** CEO & President
- **Chull-Joe Chung** Chairman
- **Haeng-Min Kim** Outside Director  
Advisor to Haansoft,  
Advisor to Korea Securities Depository

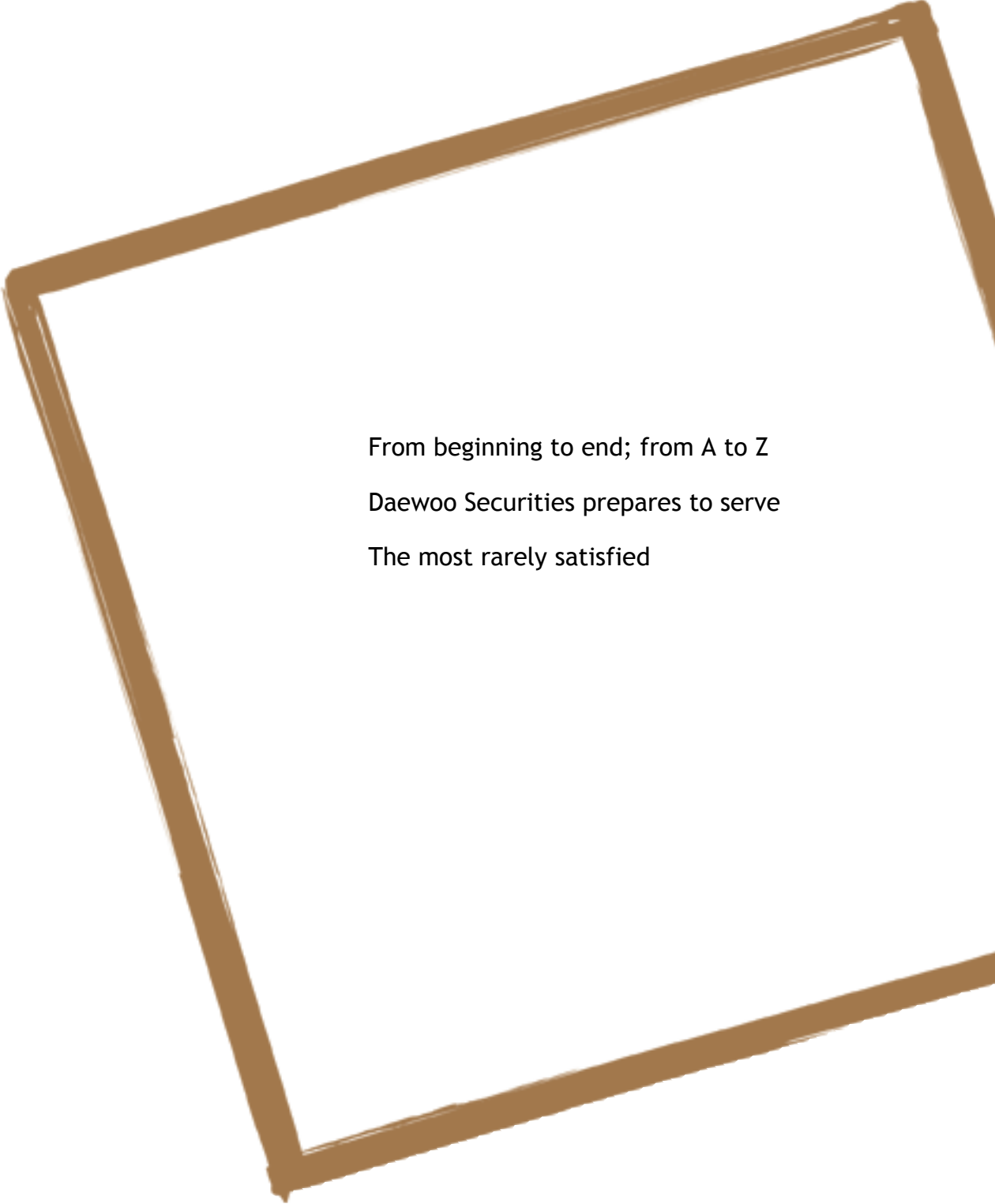
Stood from left

- **Nam-In Kim** Managing Director  
Head of Investment Banking Div.
- **Kyung-Suh Park** Outside Director  
Professor of Business Administration, Korea University
- **Kwan-Ho Song** Outside Director  
Managing Director, Korea Internet Information Center
- **Pyung-Ki Moon** Standing Auditor
- **Hak-Jin Lee** Outside Director  
Former Managing Director of Nam Kwang Construction
- **Shi-Ryong Park** Outside Director  
Editor-in-Chief, Seoul Economic Daily
- **Hyo-Seung Na** Managing Director  
Head of Retail Sales Div.

## International Network



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Daewoo Bank (Hungary) Ltd.	Bajcsy-Zsilnszky ut 42-46 1054 Budapest, Hungary	361-3749-900
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From beginning to end; from A to Z  
Daewoo Securities prepares to serve  
The most rarely satisfied



