

KOOKMIN BANK  
Form 6-K  
November 14, 2005  
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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## Form 6-K

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**REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER  
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of November 2005

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## Kookmin Bank

(Translation of registrant's name into English)

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9-1, 2-Ga, Namdaemun-Ro, Jung-Gu, Seoul, Korea 100-703

(Address of principal executive office)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

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Form 20-F  X  Form 40-F \_\_\_\_\_

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): \_\_\_\_\_

*Note:* Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): \_\_\_\_\_

*Note:* Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submission to furnish a report or other document that the registration foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes \_\_\_\_\_ No  X

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**2. Exhibit 99.1\_Kookmin Bank Review Report for the 3<sup>rd</sup> quarter of 2005**

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**Summary of Business Report for the 3rd quarter of 2005**

On November 14, 2005, Kookmin Bank filed its business report for the third quarter of 2005 (the Business Report ) with the Financial Supervisory Commission of Korea pursuant to the Securities and Exchange Act of Korea. This is the summary of the Business Report translated into English.

All references to Kookmin Bank mean Kookmin Bank on a non-consolidated basis, and all references to we , us or the Bank mean Kookmin Bank and, as the context may require, its subsidiaries. In addition, all references to Won or W in this document are to the currency of the Republic of Korea.

Accounting policy with respect to the private funds in which we hold interest in the form of wholly owned beneficiary certificates, or WOBCs, was changed in April 2005. Before the change, unrealized Gain or Loss on WOBCs was recognized as non-interest income from beneficiary certificates in the income statement. However, it should be recognized as a capital adjustment in owner s equity section of balance sheet after the change. The financial statements for the years 2002 and 2003, respectively, do not require adjustment because unrealized gain or loss on WOBCs was already reflected as a capital adjustment for those periods.

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### **1. Introduction to the Bank**

#### **1.1. Business Purposes**

The business purpose of the Bank is to engage in the following business activities:

- n The banking business as prescribed by the Bank Act,
- n The trust business as prescribed by the Banking Trust Act,
- n The credit card business as prescribed by the Non-Banking Financing Act, and
- n Other businesses permitted by the Bank Act or other relevant Korea laws and regulations

#### **1.2. History**

- n November 1, 2001  
Incorporated and listed on the New York Stock Exchange

- n November 9, 2001  
Listed on the Korea Stock Exchange

- n September 23, 2002  
Integrated IT platforms of old Kookmin Bank and H&CB

- n December 4, 2002  
Entered into a strategic alliance agreement with ING Bank N.V., which replaced the prior investment agreement with H&CB

- n May 30, 2003  
Entered into a merger agreement with Kookmin Credit Card, one of our major subsidiaries, and officially submitted Merger Statement to Financial Supervisory Commission

- n September 30, 2003

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Completed small-scale merger with Kookmin Credit Card

on December 16, 2003

Completed strategic investment in Bank International Indonesia (BII) by investing in 25% stake of the Consortium of Sorak Financial Holdings

on December 19, 2003

Fully privatized through the entire disposition of Korean government's stake in Kookmin Bank

on April 29, 2004

Established a subsidiary, KB Life Co. Ltd., to engage in insurance business

on July 22, 2004

Made an alliance with China Construction Bank for the foreign currency business

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n August 31, 2004  
ING made a contract with KB for the strategic investment in KB Life

n October 29, 2004  
Appointed Mr. Chung Won Kang as the President & CEO in Extraordinary General Shareholders Meeting

n November 09, 2004  
Declared Integration of three labor unions (former Kookmin Bank, former H&CB, former Kookmin Credit Card) into a single KB labor union

n December 31, 2004  
The largest shareholder of Kookmin Bank changed from ING Bank N.V. Amsterdam to Euro-Pacific Growth Fund

n March 02, 2005  
Open KB Satellite Broad Casting System for the first time in the world

n March 21, 2005  
The largest shareholder of Kookmin Bank changed from Euro-Pacific Growth Fund to ING Bank N.V. Amsterdam

n June 16, 2005  
Disposed 27,423,761 shares of treasury stock by means of the combination of domestic over-the-counter-sales and an international issuance of depository receipts

n July 26, 2005  
Obtained an approval from FSS to use Market Risk Internal Model for the first time among domestic financial institutions

n October 14, 2005  
The largest shareholder of Kookmin Bank changed from ING Bank N.V. Amsterdam to Euro-Pacific Growth Fund



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**1.3. Capital Structure**

***1.3.1. Common Shares***

Kookmin Bank has authority to issue a total of 1,000,000,000 shares of capital stock according to its Articles of Incorporation. Kookmin Bank's Articles of Incorporation also provide that it is authorized to issue shares of preferred stock up to one-half of all of the issued and outstanding shares of common stock. On completion of the merger between Former Kookmin Bank and H&CB, Kookmin Bank issued 299,697,462 common shares.

Upon the resolution of shareholders' meeting held on March 22, 2002, Kookmin Bank issued additional 17,979,954 common shares in connection with stock dividend of 6 percent.

On November 25, 2002 Goldman Sachs Capital Koryo, L.P. converted all of its convertible bonds into common shares. According to this conversion on November 30, 2002, Kookmin Bank issued 10,581,269 common shares and distributed them to Goldman Sachs Capital Koryo, L.P.

With regard to the merger between Kookmin Bank and Kookmin Credit Card on September 30, 2003, Kookmin Bank issued additional 8,120,431 shares on October 1, 2003. Accordingly, as of September 30, 2005, total 336,379,116 shares were issued with 1,681,896 million Won of paid-in capital.

**Table of Contents****1.3.2. Treasury Stock**

The following table shows the acquisition and disposition of our treasury stock as of September 30, 2005.

(Units: in thousand of Won unless indicated otherwise)

Date	Transaction	Number of share	Acquisition/ Disposition amount	Average cost per one share (Won)
November 15, 2001	Acquisition of fractional shares in the course of the merger	41,548	1,794,885	43,200
December 24, 2001	Disposition due to exercise of stock option by a grantee	10,000	432,003	43,200
April 3, 2002	Acquisition of fractional shares due to stock dividend	36,089	2,071,557	57,400
May 14, 2002	Disposition pursuant to the Bank Act of Korea	31,548	1,601,944	50,788
July 30 ~				
October 23, 2002	Acquisition pursuant to the Securities and Exchange Act of Korea	3,000,000	147,632,489	49,210
December 24, 2002	Disposition due to exercise of stock option by a grantee	10,000	492,294	49,229
January 15, 2003	Disposition due to exercise of stock option by a grantee	10,000	492,294	49,229
September 4 ~				
9, 2003	Acquisition pursuant to the Securities and Exchange Act of Korea	650,000	29,094,064	44,760
October 16, 2003	Acquisition of fractional shares due to the Merger with Kookmin Credit Card	5,095	214,254	42,050
4 <sup>th</sup> quarter, 2003	Disposition due to exercise of stock option by grantees	78,322	3,792,977	48,428
December 17, 2003	Acquisition from the sale of Korean government shares of the Bank	27,423,761	1,198,568,158	43,700
December 26, 2003	Disposition due to contribution to ESOP account	1,000,000	44,252,000	44,252
1 <sup>st</sup> quarter, 2004	Disposition due to exercise of stock option by grantees	30,855	1,365,396	44,252
2 <sup>nd</sup> quarter, 2004	Disposition due to exercise of stock option by grantees	55,593	2,460,101	44,252
3 <sup>rd</sup> quarter, 2004	Disposition due to exercise of stock option by grantees	592	26,197	44,252
4 <sup>th</sup> quarter, 2004	Disposition due to exercise of stock option by grantees	48,374	2,140,646	44,252
1 <sup>st</sup> quarter, 2005 <sup>1</sup>	Disposition due to contribution to ESOP account and exercise of stock option by grantees	1,095,038	48,457,622	44,252
2 <sup>nd</sup> quarter, 2005 <sup>2</sup>	Disposition due to domestic over the counter sales and an international issuance of depository receipts and exercise of stock option by grantees	28,473,662	1,260,016,491	44,252
3 <sup>rd</sup> quarter, 2005	Disposition due to exercise of stock option by grantees	42,771	1,892,702	44,252
<b>Total</b>	<b>-</b>	<b>269,738</b>	<b>11,952,740</b>	

<sup>1</sup> Disposed 2,000,000 shares of Treasury stock for the purpose of contribution to ESOP on February 23, 2005 and April 12, 2005.

<sup>2</sup> On June 16, 2005, KB disposed 27,423,761 shares of Treasury Stock pursuant to the decision of BOD on April 27, 2005 for the purpose of the improvement of capital structure.

**Table of Contents****1.3.3. Stock Option<sup>1</sup>**

The following table is the breakdown of stock options Kookmin Bank has granted to the directors and employees as of September 30, 2005.

(Units: in Won, shares)

Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options <sup>2</sup>	Number of exercised options	Number of exercisable options
			From	To				
28-Feb-00	Jan Op de Beeck	Director&Executive Vice President	01-Mar-03	28-Feb-06	27,600	22,490	0	22,490
28-Feb-00	Sung Chul Kim	Executive Vice President	01-Mar-03	28-Feb-06	27,600	30,000	30,000	0
28-Feb-00	Woo Jung Lee	Executive Vice President	01-Mar-03	28-Feb-06	27,600	30,000	30,000	0
28-Feb-00	Kuk Ju Kwon	Non Executive Director	01-Mar-03	28-Feb-06	27,600	4,800	0	4,800
28-Feb-00	Sun Jin Kim	Non Executive Director	01-Mar-03	28-Feb-06	27,600	7,000	4,100	2,900
28-Feb-00	Joon Park	Non Executive Director	01-Mar-03	28-Feb-06	27,600	4,800	0	4,800
28-Feb-00	Moon Soul Chung	Non Executive Director	01-Mar-03	28-Feb-06	27,600	7,000	0	7,000
28-Feb-00	Heung Soon Chang	Non Executive Director	01-Mar-03	28-Feb-06	27,600	2,486	0	2,486
28-Feb-00	In Joon Kang	Non Executive Director	01-Mar-03	28-Feb-06	27,600	2,486	2,486	0
28-Feb-00	Sung Hee Jwa	Non Executive Director	01-Mar-03	28-Feb-06	27,600	4,800	1,093	3,707
28-Feb-00	Seung Woo Nam	Non Executive Director	01-Mar-03	28-Feb-06	27,600	1,928	0	1,928
28-Feb-00	Kyung Hee Yoon	Non Executive Director	01-Mar-03	28-Feb-06	27,600	7,000	7,000	0
28-Feb-00	Sung Cheon Hong & 9 others	Employees	01-Mar-03	28-Feb-06	27,600	67,283	49,141	18,142
24-Mar-01	Young Il Kim	Executive Vice President	25-Mar-04	24-Mar-07	25,100	30,000	13,000	17,000
24-Mar-01	Jong In Park	Executive Vice President	25-Mar-04	24-Mar-07	25,100	19,333	0	19,333
24-Mar-01	Won Bae Yoon	Non Executive Director	25-Mar-04	24-Mar-07	25,100	2,318	2,318	0
24-Mar-01	Jae Kyu Lee	Non Executive Director	25-Mar-04	24-Mar-07	25,100	2,318	0	2,318
24-Mar-01	Chul Soo Ahn	Non Executive Director	25-Mar-04	24-Mar-07	25,100	1,916	0	1,916
24-Mar-01	Jae Han Kim & 2 others	Employees	25-Mar-04	24-Mar-07	25,100	16,491	13,216	3,275
18-Mar-00	Sang Hoon Kim	Chairman&CEO	19-Mar-03	18-Mar-05	23,469	41,460	41,460	0
18-Mar-00	In Kie Kim	Non Executive Director	19-Mar-03	18-Mar-05	23,469	2,961	2,961	0
18-Mar-00	Jin Ho Hwang	Non Executive Director	19-Mar-03	18-Mar-05	23,469	2,961	2,961	0
18-Mar-00	Bong Ho Paick	Non Executive Director	19-Mar-03	18-Mar-05	23,469	2,961	2,961	0
18-Mar-00	Yoo Hwan Kim	Executive Vice President	19-Mar-03	18-Mar-05	23,469	11,845	11,845	0
18-Mar-00	Duk Hyun Kim	Executive Vice President	19-Mar-03	18-Mar-05	23,469	11,845	11,845	0
15-Mar-01	Sang Hoon Kim	Chairman&CEO	16-Mar-04	15-Mar-09	28,027	29,614	1,000	28,614
15-Mar-01	Jong Min Lee	Auditor&Executive Director	16-Mar-04	15-Mar-09	28,027	14,807	0	14,807
15-Mar-01	In Kie Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Ji Hong Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Bong Ho Paick	Non Executive Director	16-Mar-04	15-Mar-09	28,027	1,870	1,870	0
15-Mar-01	Ik Rae Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	2,961	0
15-Mar-01	Seung Heon Han	Non Executive Director	16-Mar-04	15-Mar-09	28,027	1,870	0	1,870

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Total exercisable amount of stock options for CEOs depends on performance evaluation scores, tenure of office and KOSPI Banking Industry Index. Performance evaluation scores and tenure of office determine the number of exercisable options and Banking Industry Index determines the exercise prices.

Total exercisable amount of stock options for the Auditor & Executive Director and Non-Executive Directors depends on their tenure of office and Banking Industry Index. Their tenure of office determines the number of exercisable options and Banking Industry Index determines the exercise prices.

Total exercisable amount of stock options for the SEVPs and other employees depends on performance evaluation scores and tenure of office. Their performance evaluation scores and tenure of office determine the number of exercisable options and the exercise prices are fixed as of the dates they granted stock options.

<sup>2</sup> Some numbers of the granted options have been adjusted due to the merger and the early retirement of the grantees.

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options <sup>2</sup>	Number of exercised options	Number of exercisable options
			From	To				
15-Mar-01	Young Seok Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	1,870	0	1,870
15-Mar-01	Se Woong Lee	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Bock Woan Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	0	11,845
15-Mar-01	Yoo Hwan Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	0	11,845
15-Mar-01	Duk Hyun Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	2,845	9,000
15-Mar-01	Ok Hyun Yoon	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	2,845	9,000
15-Mar-01	Tai Gon Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	11,845	0
15-Mar-01	Byung Sang Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	5,845	6,000
15-Mar-01	Byung Jin Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	3,845	8,000
15-Mar-01	Han Koo Ji & 36 others	Employees	16-Mar-04	15-Mar-09	28,027	39,092	12,548	26,544
16-Nov-01	Jung Tae Kim	President & CEO	17-Nov-04	16-Nov-09	X <sup>1</sup>	500,000	0	500,000
16-Nov-01	Sang Hoon Kim	Chairman	17-Nov-04	16-Nov-09		150,000	0	150,000
22-Mar-02	Choul Ju Lee	Auditor&Executive Director	23-Mar-05	22-Mar-10		9,963	0	9,963
22-Mar-02	Henry Cornell	Non Executive Director	23-Mar-05	22-Mar-10		3,321	0	3,321
22-Mar-02	Keun Shik Oh	Non Executive Director	23-Mar-05	22-Mar-10		3,321	0	3,321
22-Mar-02	Dong Soo Chung	Non Executive Director	23-Mar-05	22-Mar-10		10,000	0	10,000
22-Mar-02	Ji Hong Kim	Non Executive Director	23-Mar-05	22-Mar-10	Y <sup>2</sup>	3,321	0	3,321
22-Mar-02	Timothy Hartman	Non Executive Director	23-Mar-05	22-Mar-10		3,321	0	3,321
22-Mar-02	Sun Jin Kim	Non Executive Director	23-Mar-05	22-Mar-10		3,000	0	3,000
22-Mar-02	Moon Soul Chung	Non Executive Director	23-Mar-05	22-Mar-10		3,000	0	3,000
22-Mar-02	Kyung Hee Yoon	Non Executive Director	23-Mar-05	22-Mar-10		3,000	0	3,000
22-Mar-02	Jong Kyoo Yoon	Executive Vice President	23-Mar-05	22-Mar-10	57,100	20,522	0	20,522
22-Mar-02	Bong Hwan Cho	Executive Vice President	23-Mar-05	22-Mar-10	57,100	9,498	0	9,498
22-Mar-02	Bum Soo Choi	Executive Vice President	23-Mar-05	22-Mar-10	57,100	13,339	0	13,339
22-Mar-02	Bock Woan Kim	Executive Vice President	23-Mar-05	22-Mar-10	57,100	13,339	0	13,339

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22-Mar-02	Ki Taek Hong	Executive Vice President	23-Mar-05	22-Mar-10	57,100	19,525	0	19,525
22-Mar-02	Sung Hyun Chung	Executive Vice President	23-Mar-05	22-Mar-10	57,100	19,525	0	19,525
22-Mar-02	Ki Sup Shin	Executive Vice President	23-Mar-05	22-Mar-10	57,100	26,405	0	26,405
22-Mar-02	Seong Kyu Lee	Executive Vice President	23-Mar-05	22-Mar-10	57,100	30,000	0	30,000
22-Mar-02	Byung Sang Kim	Executive Vice President	23-Mar-05	22-Mar-10	57,100	9,498	0	9,498
22-Mar-02	Jong Young Yoon & 15 others	Employees	23-Mar-05	22-Mar-10	57,100	147,658	0	147,658
26-Jul-02	Donald H. MacKenzie	Executive Vice President	27-Jul-05	26-Jul-10	58,800	23,899	0	23,899
21-Mar-03	Moon Soul Chung	Non Executive director	22-Mar-06	21-Mar-11		6,678	0	6,678
21-Mar-03	Sun Jin Kim	Non Executive director	22-Mar-06	21-Mar-11		6,678	0	6,678
21-Mar-03	Richard Elliott Lint	Non Executive director	22-Mar-06	21-Mar-11		6,678	0	6,678
21-Mar-03	Kyung Hee Yoon	Non Executive director	22-Mar-06	21-Mar-11	Y <sup>3</sup>	6,678	0	6,678
21-Mar-03	Suk Yong Cha	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Bernard S. Black	Non Executive director	22-Mar-06	21-Mar-11		6,678	0	6,678
21-Mar-03	Ki Hong Kim	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Eun Joo Park	Non Executive director	22-Mar-06	21-Mar-11		3,351	0	3,351

- <sup>1</sup>. Exercise price = 51,200 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - 207.25) / 207.25 x 100.
- <sup>2</sup>. Exercise price = 57,100 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.
- <sup>3</sup>. Exercise price = 35,500 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options <sup>2</sup>	Number of exercised options	Number of exercisable options
			From	To				
21-Mar-03	Cheol Soo Ahn	Non Executive director	22-Mar-06	21-Mar-11		3,351	0	3,351
21-Mar-03	Kyung Bae Suh	Non Executive director	22-Mar-06	21-Mar-11		3,351	0	3,351
21-Mar-03	Sung Chul Kim	Executive Vice President	22-Mar-06	21-Mar-11	35,500	9,443	0	9,443
21-Mar-03	Woo Jung Lee	Executive Vice President	22-Mar-06	21-Mar-11	35,500	9,443	0	9,443
21-Mar-03	See Young Lee	Executive Vice President	22-Mar-06	21-Mar-11	35,000	7,024	0	7,024
21-Mar-03	Won Suk Oh & 5 others	Employees	22-Mar-06	21-Mar-11	35,500	63,650	0	63,650
27-Aug-03	Jin Baek Cheong	Executive Vice President	28-Aug-03	27-Aug-11	40,500	5,091	0	5,091
22-Mar-01	Han Kyoung Lee	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	6,644	0	6,644
22-Mar-01	Jun Chae Song	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	6,644	0	6,644
22-Mar-01	Cheol Ho Kim	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	4,429	0	4,429
22-Mar-01	Myoung Woo Lee	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	4,429	0	4,429
29-Mar-02	Boung Hak Kim	Former KCC Officer	30-Mar-04	29-Mar-11		3,330	0	3,330
29-Mar-02	Sun Lee	Former KCC Officer	30-Mar-04	29-Mar-11	Y <sup>4</sup>	3,330	0	3,330
29-Mar-02	Jang Ok Kim	Former KCC Officer	30-Mar-04	29-Mar-11		3,330	0	3,330
09-Feb-04	Young Il Kim	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	7,125	0	7,125
09-Feb-04	Jeung Lak Lee	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	7,452	0	7,452
09-Feb-04	Sang Jin Lee	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	7,125	0	7,125
09-Feb-04	Yun Keun Jung	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Kuk Shin Kang & 9 others	Employees	10-Feb-07	09-Feb-12	46,100	48,837	0	48,837
23-Mar-04	Dong Soo Chung	Non Executive Director	24-Mar-07	23-Mar-12		5,000	0	5,000
23-Mar-04	Woon Youl Choi	Non Executive Director	24-Mar-07	23-Mar-12		5,000	0	5,000
23-Mar-04	Wang Ha Cho	Non Executive Director	24-Mar-07	23-Mar-12	Y <sup>5</sup>	5,000	0	5,000
23-Mar-04	Young Soon Cheon	Non Executive Director	24-Mar-07	23-Mar-12		5,000	0	5,000

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23-Mar-04	Jung Young Kang	Senior Executive Vice President	24-Mar-07	23-Mar-12	47,200	10,000	0	10,000
01-Nov-04	Chung Won Kang	President & CEO	02-Nov-07	01-Nov-12	X <sup>6</sup>	700,000	0	700,000
18-Mar-05	Hyung Duk Chang	Auditor & Executive Director	19-Mar-08	18-Mar-13	X <sup>7</sup>	30,000	0	30,000
18-Mar-05	Kap Shin	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Dong Won Kim	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000

<sup>4</sup> Exercise price = 129,100 Won x (1 + the increase rate of Comparative Industry Index x 0.4).  
If negative index produced, the factor is not to be considered.

The increase rate of Comparative Industry Index = (B-A)/A

A : KOSPI as of the grant date x 0.5 + KOSPI Banking Industry Index as of the grant date x 0.5

B : KOSPI as of the exercise date x 0.5 + KOSPI Banking Industry Index as of the exercise date x 0.5

<sup>5</sup> Exercise price = 47,200 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.

<sup>6</sup> Exercise price = 37,600 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.

<sup>7</sup> Exercise price = 46,800 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.



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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options <sup>2</sup>	Number of exercised options	Number of exercisable options
			From	To				
18-Mar-05	Yun Keun Jung	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Nam Sik Yang	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Hyo Sung Won	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Yong Kook Oh	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Sang Jin Lee	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Ahn Sook Koo	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Jung Young Kang	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Young Han Choi	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Dong Soo Choe	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Seong Kyu Lee	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Jun Bo Cho	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Jung Min Kim	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Sung Soo Jung & 21 others	Employees	19-Mar-08	18-Mar-13	46,800	345,000	0	345,000
18-Mar-05	Suk Yong Cha	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
18-Mar-05	Ki Hong Kim	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
18-Mar-05	Young Soon Cheon	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
18-Mar-05	Dong Soo Chung	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
18-Mar-05	Chang Kyu Lee	Non Executive director	19-Mar-08	18-Mar-13	X <sup>8</sup>	15,000	0	15,000
18-Mar-05	Hun Namkoong	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
18-Mar-05	Doo Hwan Song	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
18-Mar-05	Dam Cho	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
18-Mar-05	Nobuya Takasugi	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
27-Apr-05	Kyung Wook Kang	Employee	28-Apr-08	27-Apr-13	45,700	15,000	0	15,000
22-Jul-05	Donald H. MacKenzie	Senior Executive Vice President	23-Jul-08	22-Jul-13	49,200	30,000	0	30,000
23-Aug-05	Youn Soo Kim	Executive Vice President	24-Aug-08	23-Aug-13	53,000	15,000	0	15,000

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<u>Total</u>	<u>3,533,588</u>	<u>271,991</u>	<u>3,261,597</u>
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- <sup>8</sup> Exercise price = 46,800 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.
- \* Stock options for some of grantees are not determined those number of exercisable options or those exercise prices yet.

**Table of Contents****1.4. Employee Stock Ownership Association<sup>1</sup>**

	Beginning			Ending	Remarks
	balance			Balance	
	(January 1, 2005)	Increase	Decrease	(September 30, 2005)	
<b>Registered common stock</b>	<b>1,944,211</b>	<b>1,562,906</b>	<b>581,378</b>	<b>2,925,739</b>	
<b>Total</b>	<b>1,944,211</b>	<b>1,562,906</b>	<b>581,378</b>	<b>2,925,739</b>	

**1.5. Dividend**

The following table shows dividend policy and the related information for the last three years. The Board of Directors of Kookmin Bank made a resolution to pay dividend for the fiscal year of 2004, and shareholders of Kookmin Bank approved of the dividend payout for the year at the general shareholders meeting held on March 18, 2005

(Units: in millions of Won unless indicated otherwise)

	2004 <sup>2</sup>	2003	2002
<b>Net (loss) income for the period</b>	<b>360,454</b>	<b>(930,356)</b>	<b>1,310,291</b>
<b>Diluted (loss) earnings per share (Won)</b>	<b>1,176<sup>3</sup></b>	<b>(2,854)</b>	<b>4,123</b>
<b>Total dividend amount</b>	<b>168,574</b>		<b>325,232</b>
<b>Dividend payout ratio (%)</b>	<b>46.77<sup>4</sup></b>		<b>24.82</b>
<b>Cash dividend per common share (Won)</b>	<b>550</b>		<b>1,000</b>
<b>Stock dividend per common share (%)</b>			
<b>Dividend per preferred share (Won)</b>			
<b>Dividend yield ratio (%)</b>	<b>1.42<sup>5</sup></b>		<b>2.19</b>

<sup>1</sup> Disposed 2,000,000 shares of Treasury stock for the purpose of contribution to ESOP on February 23, 2005 and April 12, 2005.

<sup>2</sup> Due to the accounting treatment change with respect to WOBCs, net income, EPS, and dividend payout ratio have changed and these amounts differ from those in Business Report for the fiscal year of 2004.

<sup>3</sup> Earnings per share = net income (360,454,000,000 Won) / weighted average number of shares (306,529,707 shares).

<sup>4</sup> Dividend payout ratio = total dividend amount for common shares (168,574,000,000 Won) / net income (360,454,000,000 Won).

<sup>5</sup> Dividend yield ratio = dividend per share (550 Won) / average closing price for a week based on business day prior to market closing date of December 31, 2004 (38,720 Won).

**Table of Contents****2. Business****2.1. Sources and Uses of Fund***2.1.1. Sources of Fund*

(Unit: in millions of Won)	September 30, 2005		December 31, 2004		December 31, 2003	
	Average balance	Interest rate (%)	Average balance	Interest rate (%)	Average balance	Interest rate (%)
<b>Won currency</b>						
Deposits	114,621,438	2.84	118,017,849	3.29	117,045,837	3.69
Certificate of deposit	4,936,451	3.63	6,108,179	4.06	4,068,327	4.45
Borrowings	2,723,026	2.96	3,053,890	3.43	3,625,926	3.89
Call money	801,235	3.12	1,117,576	3.55	1,315,639	3.93
Other	24,698,107	5.06	23,376,439	5.61	23,311,299	5.91
<b>Subtotal</b>	<b>147,780,257</b>	<b>3.24</b>	<b>151,673,933</b>	<b>3.68</b>	<b>149,367,028</b>	<b>4.06</b>
<b>Foreign currency</b>						
Deposits	1,473,799	1.51	1,777,402	0.61	1,276,952	0.84
Borrowings	3,069,886	1.88	2,796,300	0.94	3,462,883	1.01
Call money	254,443	3.17	145,809	1.43	150,609	1.07
Finance debentures issued	723,230	3.89	824,745	2.28	773,840	2.11
Other	50,187		40,383		26,491	
<b>Subtotal</b>	<b>5,571,545</b>	<b>2.08</b>	<b>5,584,639</b>	<b>1.04</b>	<b>5,690,775</b>	<b>1.12</b>
<b>Other</b>						
Total Shareholders Equity	10,725,885		9,284,477		12,053,112	
Allowances	685,092		459,124		98,422	
Other	12,434,582		12,773,040		9,509,283	
<b>Subtotal</b>	<b>23,845,559</b>		<b>22,516,641</b>		<b>21,660,817</b>	
<b>Total</b>	<b>177,197,361</b>	<b>2.77</b>	<b>179,775,213</b>	<b>3.14</b>	<b>176,718,620</b>	<b>3.47</b>

**Table of Contents****2.1.2. Uses of Fund**

(Unit: in millions of Won)	September 30, 2005		December 31, 2004		December 31, 2003	
	Average balance	Interest rate (%)	Average balance	Interest rate (%)	Average balance	Interest rate (%)
<b>Won currency</b>						
Due from banks	259,139	2.65	184,593	0.83	165,358	1.37
Securities	27,300,727	4.69	23,930,678	5.14	30,069,922	7.26
Loans	120,920,793	6.24	125,504,672	6.64	121,725,298	7.10
Advances for customers	26,095	1.56	71,213	2.01	96,547	5.79
Call loan	1,637,697	3.38	1,661,772	3.78	685,953	3.92
Private placement corporate bonds	1,611,228	6.98	1,322,470	6.58	1,287,623	10.26
Credit card accounts	7,314,057	13.88	9,581,330	15.04	6,698,954	10.44
Other	264,159		172,783		298,858	
Allowance for credit losses ( - )	3,041,746		3,844,941		1,823,976	
<b>Subtotal</b>	<b>156,292,149</b>	<b>6.46</b>	<b>158,584,570</b>	<b>7.10</b>	<b>159,204,537</b>	<b>7.41</b>
<b>Foreign currency</b>						
Due from banks	633,059	2.80	632,526	1.34	612,862	1.33
Securities	867,135	5.78	1,208,124	3.88	1,269,538	5.23
Loans	3,174,772	3.51	2,675,293	3.61	2,785,091	3.11
Call loan	136,494	3.00	114,606	1.63	84,803	1.28
Bills bought	2,340,797	2.59	1,904,560	1.88	1,983,368	1.83
Other	2,186		4,812		12,391	
Allowance for credit losses ( - )	66,310		94,501		132,105	
<b>Subtotal</b>	<b>7,088,133</b>	<b>3.46</b>	<b>6,445,420</b>	<b>2.97</b>	<b>6,615,948</b>	<b>3.03</b>
<b>Other</b>						
Cash	959,993		965,852		968,815	
Fixed assets held for business	2,542,855		3,084,589		3,210,463	
Other	10,314,231		10,694,782		6,718,857	
<b>Subtotal</b>	<b>13,817,079</b>		<b>14,745,223</b>		<b>10,898,135</b>	
<b>Total</b>	<b>177,197,361</b>	<b>5.84</b>	<b>179,775,213</b>	<b>6.37</b>	<b>176,718,620</b>	<b>6.79</b>

**Table of Contents****2.1.3. Fee Transactions<sup>1</sup>**

(Unit: in millions of Won)

	September 30, 2005	September 30, 2004	December 31, 2004
<b>Fee Revenue (A)</b>			
<b>Won currency</b>			
Guarantees	3,975	3,600	4,957
Commissions received	590,669	565,103	776,852
Credit card	799,057	910,716	1,196,083
NHF	128,703	116,233	160,874
<b>Foreign currency</b>			
Guarantees	3,005	1,825	2,592
Others	57,790	54,668	75,015
<b>Subtotal</b>	<b>1,583,199</b>	<b>1,652,145</b>	<b>2,216,373</b>
<b>Fee Expense (B)</b>			
<b>Won &amp; foreign currency</b>			
Commissions paid in Won	77,934	73,909	98,392
Credit card	152,885	286,504	352,194
Others	16,281	13,839	20,169
<b>Subtotal</b>	<b>247,100</b>	<b>374,252</b>	<b>470,755</b>
<b>Fee Income (A-B)</b>	<b>1,336,099</b>	<b>1,277,893</b>	<b>1,745,618</b>

<sup>1</sup> Reflected the effect caused by re-classification of credit card ABS in Seller Interest Trust Certificate and excluded early payment fee in trust account

**Table of Contents****2.2. Principal Banking Activities****2.2.1. Deposits**

The following table shows the average balances of our deposits for the periods ended and ending balances as of the dates indicated.

(Unit: in millions of Won)

	September 30, 2005		December 31, 2004		December 31, 2003	
	Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
<b>Deposits in Won</b>						
Demand deposits	14,736,875	16,263,265	12,994,946	14,338,784	12,192,971	14,110,288
Time & savings deposits	92,713,659	91,187,249	96,637,551	94,723,601	96,668,084	97,616,747
Mutual installment deposits	5,802,306	5,445,696	6,682,928	6,306,923	6,958,043	7,054,753
Mutual installment for housing	5,030,226	4,772,060	5,453,713	5,295,274	5,161,535	5,423,853
Certificates of deposits	4,936,451	5,360,040	6,108,179	4,911,891	4,068,327	6,499,258
<b>Subtotal</b>	<b>123,219,517</b>	<b>123,028,310</b>	<b>127,877,317</b>	<b>125,576,473</b>	<b>125,048,960</b>	<b>130,704,899</b>
<b>Deposits in foreign currency</b>	<b>1,473,799</b>	<b>1,447,412</b>	<b>1,769,828</b>	<b>1,434,061</b>	<b>1,276,952</b>	<b>1,475,373</b>
Trust deposits						
Money trust	6,972,815	7,381,224	7,701,447	7,028,835	13,064,749	10,278,357
Property trust	11,158,403	10,838,914	16,297,382	12,534,329	24,512,746	21,453,761
<b>Subtotal</b>	<b>18,131,218</b>	<b>18,220,138</b>	<b>23,998,829</b>	<b>19,563,164</b>	<b>37,577,495</b>	<b>31,732,118</b>
<b>Total</b>	<b>142,824,534</b>	<b>142,695,860</b>	<b>153,645,974</b>	<b>146,573,698</b>	<b>163,903,407</b>	<b>163,912,390</b>

**2.2.2. Average Deposit per Domestic Branch**

The following table shows the average balances of our deposits per domestic branch as of the dates indicated.

(Unit: in millions of Won)

	September 30,	December 31,	December 31,
	2005	2004	2003

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<b>Deposits</b>	<b>122,942</b>	<b>123,945</b>	<b>119,593</b>
<b>Deposits in Won</b>	<b>121,789</b>	<b>122,585</b>	<b>118,756</b>



**Table of Contents****2.2.3. Average Deposit per Employee**

The following table shows the average balances of our deposits per employee as of the dates indicated.

(Unit: in millions of Won)

	<u>September 30, 2005</u>	<u>December 31, 2004</u>	<u>December 31, 2003</u>
<b>Deposits</b>	7,708	7,232	7,487
<b>Deposits in Won</b>	7,636	7,152	7,434

**2.2.4. Loan Balances**

The following table shows the average balances of our loans for the periods ended and ending balances as of the dates indicated.

(Unit: in millions of Won)

	<u>September 30, 2005</u>		<u>December 31, 2004</u>		<u>December 31, 2003</u>	
	Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
<b>Loans in Won</b>	120,913,488	118,936,662	125,496,237	122,721,898	121,705,493	123,715,244
<b>Loans in foreign currency</b>	4,558,950	5,117,304	4,011,351	3,860,828	4,160,185	4,019,930
<b>Advances to customers</b>	26,095	15,513	73,801	32,120	107,091	89,665
<b>Subtotal</b>	125,498,533	124,069,478	129,581,389	126,614,846	125,972,769	127,824,839
<b>Trust account loans</b>	336,556	325,002	429,054	361,906	531,500	489,788
<b>Total</b>	125,835,089	124,394,480	130,010,443	126,976,752	126,504,269	128,314,627

**2.2.5. Loan Balances as of September 30, 2005 by Maturity**

(Unit: in millions of Won)

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	1 year & Less	More than 1 year ~ 3 years	More than 3 years ~ 5 years	More than 5 years	Total
<b>Loans in Won</b>	<b>66,927,100</b>	<b>26,464,400</b>	<b>8,788,598</b>	<b>16,756,564</b>	<b>118,936,662</b>
<b>Loans in foreign currencies</b>	<b>4,063,378</b>	<b>554,659</b>	<b>211,865</b>	<b>287,401</b>	<b>5,117,303</b>

**Table of Contents****2.2.6. Loan Balances by Types**

The following table shows the banking account balances of our loans in Won by uses as of the dates indicated.

(Unit: in millions of Won)

	September 30, 2005	December 31, 2004	December 31, 2003
<b>Loans to enterprise</b>			
Loans for operations	30,231,855	31,678,117	35,351,506
Loans for facility	5,379,454	6,286,747	6,631,703
Loans to households	42,568,166	42,790,337	42,884,305
<b>Loans to public sector &amp; others</b>			
Loans for operations	469,381	673,456	526,227
Loans for facility	34,573	40,383	42,473
Loans on property formation savings	7,094	9,719	62,963
Loans for housing	40,241,805	41,234,086	38,199,290
Inter-bank loans	2,098	6,114	12,815
Others	2,236	2,939	3,962
<b>Total</b>	<b>118,936,662</b>	<b>122,721,898</b>	<b>123,715,244</b>

**2.2.7. Loan to Deposit Ratio<sup>1</sup>**

The following table shows loan to deposit ratio as of indicated dates.

(Units: in millions of Won, %)

	September 30, 2005	December 31, 2004	December 31, 2003
<b>Loans (A)</b>	<b>120,913,488</b>	<b>125,496,237</b>	<b>121,705,493</b>
<b>Deposits (B)</b>	<b>123,219,517</b>	<b>127,877,317</b>	<b>125,048,960</b>
<b>Loan to deposit ratio (A/B)</b>	<b>98.13</b>	<b>98.14</b>	<b>97.33</b>

**2.2.8. Acceptances and Guarantees**

(Unit: in millions of Won)

	September 30, 2005	December 31, 2004	December 31, 2003
<b>Determined</b>	1,545,720	975,788	800,297
<b>Contingent</b>	1,999,559	1,311,774	1,281,518
<b>Total</b>	3,545,279	2,287,562	2,081,815

<sup>1</sup> Average balance of loans in won / (average balance of deposits in won + average balance of certificate of deposits)

**Table of Contents****2.2.9. Breakdown of Securities Investment**

The following table shows the average balances of our securities for the periods ended and ending balances as of the indicated dates.

(Unit: in millions of Won)

	September 30, 2005		December 31, 2004 <sup>1</sup>		December 31, 2003	
	Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
<b>Securities in Won (Banking account)</b>						
Monetary stabilization bonds	10,486,797	10,993,502	7,150,535	10,524,835	4,343,978	5,540,598
Government and public bonds	6,411,801	8,604,647	4,753,135	4,675,093	5,630,422	5,885,595
Debentures	6,916,380	7,806,642	7,013,765	6,152,749	12,315,840	8,936,220
Stocks	1,268,682	1,316,847	1,003,131	1,282,050	1,380,254	877,013
Others	3,828,294	1,756,143	5,332,582	5,583,539	7,687,051	7,299,404
<b>Subtotal</b>	<b>28,911,954</b>	<b>30,477,781</b>	<b>25,253,148</b>	<b>28,218,266</b>	<b>31,357,545</b>	<b>28,538,830</b>
<b>Securities in Won (Trust account)</b>						
Monetary stabilization bonds	1,007,749	1,011,638	1,222,004	1,152,621	984,380	878,077
Government and public bonds	987,530	874,422	922,790	837,080	1,182,165	1,252,419
Debentures	2,054,753	2,040,033	2,363,630	2,312,459	5,876,064	4,080,362
Stocks	504,551	533,166	564,538	510,650	763,277	592,379
Others	2,601,934	3,136,116	2,101,832	2,324,393	3,208,160	2,106,262
Securities in foreign currency (Trust Account)	317,646	221,849	662,549	449,415	868,819	767,675
<b>Subtotal</b>	<b>7,474,163</b>	<b>7,817,224</b>	<b>7,837,343</b>	<b>7,586,618</b>	<b>12,882,865</b>	<b>9,677,174</b>
<b>Securities in foreign currency (Banking account)</b>						
Foreign securities	579,645	601,364	894,722	745,352	999,806	1,072,483
Off-shore foreign securities	287,489	261,956	313,402	205,455	269,732	277,663
<b>Subtotal</b>	<b>867,134</b>	<b>863,320</b>	<b>1,208,124</b>	<b>950,807</b>	<b>1,269,538</b>	<b>1,350,146</b>
<b>Total</b>	<b>37,253,251</b>	<b>39,158,325</b>	<b>34,298,615</b>	<b>36,755,691</b>	<b>45,509,948</b>	<b>39,566,150</b>

**2.2.10. Trust Account**

(Unit: in millions of Won)

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	September 30, 2005		December 31, 2004		December 31, 2003	
	Total amount trusted	Trust fees	Total amount trusted	Trust fees	Total amount trusted	Trust fees
<b>Return-guaranteed trust</b>	336	33,676	369	8,365	559	45,682
<b>Performance trust</b>	18,130,882	56,932	23,998,460	93,856	37,576,936	186,851
<b>Total</b>	<b>18,131,218</b>	<b>90,608</b>	<b>23,998,829</b>	<b>102,221</b>	<b>37,577,495</b>	<b>232,533</b>

<sup>1</sup> Restated due to the change in accounting treatment for Wholly Owned Beneficiary Certificates by FSS

**Table of Contents****2.2.11. Credit Card**

(Unit: in millions of Won unless indicated otherwise)

	As of or for the years ended of indicated dates		
	September 30, 2005	December 31, 2004	December 31, 2003
<b>Number of card holders (Person)</b>			
Corporate	162,438	182,109	147,813
Individual	9,678,364	11,362,173	10,990,703
<b>Number of merchants</b>	1,496,831	1,491,730	1,528,872
<b>Sales volume<sup>1</sup></b>	45,179,122	66,348,465	92,535,500
<b>Fee revenue</b>	1,699,315	2,800,901	4,012,017

**2.3. Branch Networks**

As of September 30, 2005, we have 1,040 branches and 45 sub-branches in Korea, the largest number of branches among Korean commercial banks. Approximately 41% of our branches and sub-branches are located in Seoul.

We also have three overseas branches in Tokyo, New York and Auckland, and 1 overseas office in Guangzhou in China

1. Includes lump-sum & installment purchase and cash advances

**Table of Contents****2.4. Other Information for Investment Decision****2.4.1. BIS Risk-adjusted Capital Ratios**

(Units: in millions of Won, %)

	September 30, 2005 <sup>1</sup>	December 31, 2004	December 31, 2003
<b>Risk-adjusted capital (A)</b>	<b>15,216,746</b>	<b>13,334,531</b>	<b>12,499,543</b>
<b>Risk-weighted assets (B)</b>	<b>120,213,907</b>	<b>121,081,735</b>	<b>127,370,180</b>
<b>BIS ratios (A/B)</b>	<b>12.66</b>	<b>11.01</b>	<b>9.81</b>

**2.4.2. Non-Performing Loans<sup>2</sup>**

(Units: in millions of Won unless indicated otherwise)

September 30, 2005		December 31, 2004		Change	
Amount	NPL to total loans	Amount	NPL to total loans	Amount	NPL to total loans
2,356,998	1.75%	3,207,190	2.35%	-850,192	-0.6% p

**2.4.3. Loan Loss Allowances**

The following table shows the balance of our loan loss allowances as of the dates indicated.

(Units: in millions of Won)

	September 30, 2005	December 31, 2004	December 31, 2003
<b>Loan losses allowance</b>			



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<b>Loans in Won</b>	<b>2,804,526</b>	<b>3,181,433</b>	<b>3,946,059</b>
<b>Loans in foreign currencies</b>	<b>3,940</b>	<b>4,662</b>	<b>2,677</b>
	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>2,808,466</b>	<b>3,186,095</b>	<b>3,948,736</b>
	<hr/>	<hr/>	<hr/>
<b>Provision for loan losses</b>	<b>967,867</b>	<b>3,068,248</b>	<b>1,431,181</b>
	<hr/>	<hr/>	<hr/>

<sup>1</sup> Tentative ratio

2. Non-performing loans are defined as those loans that are past due more than 90 days or that are placed non-accrual status according to the Financial Supervisory Service's guidelines.

**Table of Contents****2.4.4. Changes of Loan Loss Allowances for Recent Three Years**

(Unit: in millions of Won)

	September 30, 2005 <sup>1</sup>	December 31, 2004 <sup>2</sup>	December 31, 2003 <sup>3</sup>
<b>Beginning balance</b>	3,186,095	3,948,736	2,420,410
<b>Net Write-Off</b>	(1,345,496)	(3,830,889)	97,145
<b>Write-Off</b>	(1,511,058)	(5,260,962)	(4,509,979)
<b>Recovery</b>	339,756	286,464	270,422
<b>Other</b>	(174,194)	1,143,609	4,336,702
<b>Provision for loan losses</b>	967,867	3,068,248	1,431,181
<b>Ending balance</b>	2,808,466	3,186,095	3,948,736

<sup>1</sup> Includes present value discounts and allowance for other assets amounting to 18,781 million won and 53,884 million won, respectively as of September 30, 2005

<sup>2</sup> Includes present value discounts and allowances for other assets amounting to 22,110 million won, 67,320 million won, respectively that had been recorded as of December 31, 2004

<sup>3</sup> Includes present value discounts and allowance for other assets amounting to 22,780 million won and 38,692 million won, respectively, that had been recorded as of December 31, 2003 and includes present discounts and allowance for other assets amounting to 30,442 million won and 24,252 million won, respectively that had been recorded as of January 1, 2003

**Table of Contents****3. Financial Information****3.1. Non-Consolidated Condensed Financial Statements**

(Unit: in millions of Won)

	As of or for the years ended of indicated dates	
	September 30, 2005	December 31, 2004 <sup>1</sup>
Cash and due from banks	6,497,051	5,139,604
Securities	29,326,198	27,965,441
Loans	134,189,935	135,769,326
Fixed assets	2,457,452	2,633,218
Other assets	8,492,563	8,296,164
Total assets	180,963,199	179,803,753
Deposits	124,475,722	127,010,534
Borrowings	14,233,309	9,634,296
Debentures	16,521,447	21,874,695
Other liabilities	13,947,080	12,105,686
Total liabilities	169,177,558	170,625,211
Capital stocks	1,681,896	1,681,896
Capital surplus	6,254,958	6,230,738
Retained earnings	3,506,458	1,846,895
Capital adjustments	342,329	(580,987)
Total shareholders equity	11,785,641	9,178,542
Liabilities and Shareholders Equity	180,963,199	179,803,753
Operating revenue	13,471,117	20,532,036
Operating income	2,375,103	1,740,380
Continuing (loss) income before income taxes	2,602,894	629,911
Net (loss) income	1,828,519	360,454

**3.2. Other Financial Information**

See the Exhibit 99.1 Kookmin Bank Review Report by our independent auditors for our full- financial statements and relevant notes. The Report is also available at our website [www.kbstar.com](http://www.kbstar.com).

<sup>1</sup> Restated due to the change in accounting treatment for Wholly Owned Beneficiary Certificates by FSS

**Table of Contents****4. Independent Accountant Fees and Services****4.1. Audit & Review Fees**

Deloitte Anjin LLC has reviewed our financial statements for the third quarter of 2005. The aggregate contract fee for the audit and review fees for the fiscal year 2005 is 1,350 million Won.

**4.2. Non-Audit Services**

The following is a description of non-audit services rendered by our independent auditor for the recent three years.

(Units: in millions of Won unless indicated otherwise)

Year	Service description	Amount of payment
<b>2005</b>	- LOC (Letter of Comfort)	30
	- Refinancing	230
<b>2004</b>	- Due Diligence regarding the possible acquisition of DITC/ KITC	300
	- US GAAP calculation of provision for the third quarter of 2004	100
	- US GAAP conversion for 2004	USD 3,600 thousand
	- US GAAP conversion for 2003	USD 3,950 thousand
<b>2003</b>	- Refinancing	275
	- Due Diligence on Bank International Indonesia	SGD 313 thousand
	- US GAAP conversion for 2002	USD 3,800 thousand
	- Due Diligence on Kookmin Credit Card	250
	- SEC Filing regarding the proposed merger with Kookmin Credit Card	USD 30 thousand

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**5. Corporate Governance and Affiliated Companies**

**5.1. Board of Directors & Committees under the Board**

The board of directors holds regular meetings every quarter. The board of directors consists of directors and resolves each following matter:

- n Matters relating to business objectives and performance evaluation;
- n Matters relating to amendments of the Articles of Incorporation;
- n Matters relating to budget and accounting including salaries of directors and employees;
- n Matters relating to major organizational changes such as dissolution, business transfer and merger;
- n Matters relating to internal control standards; or
- n Other matters determined by law and the board of directors regulations.

We currently have six management committees that serve under the board:

- n The Board Steering Committee;
- n The Management Strategy Committee;
- n The Risk Management Committee;
- n The Audit Committee;
- n The Compensation Committee; and
- n The Non Executive Director Nominating Committee.

Each committee member is appointed by the board of directors, except for members of the Audit Committee, who are elected at the general shareholders meeting. For list of our directors, see 6. Directors, Senior Management and Employees / 6.1. Executive Directors and 6.2. Non-Executive Directors.

**5.2. Audit Committee**

Audit Committee oversees our financial reporting and approves the appointment of and interaction with our independent auditors, compliance officers, management personnel and other committee advisors. The committee also reviews our financial information, auditor's examinations, key financial statement issues and the administration of our financial affairs by the board of directors. In connection with the general shareholders' meeting, the committee examines the agenda for, and financial statements and other reports to be submitted by, the board of directors to each general shareholders' meeting. The committee holds regular meetings every quarter and as-needed basis.

**Table of Contents****5.3. Compensation to Directors**

For the 9 months period ended September 30, 2005, the aggregate of the remuneration paid to the directors is 1,539 million Won.

(Units: in millions of Won)

	<u>The aggregate remuneration paid</u>	<u>Limit for the remuneration resolved by shareholders meeting</u>	<u>Average amount of the payment per person</u>
<b>1) Executive Directors</b>			
(Except auditor & executive director and non-executive directors)	1,424		475
<b>2) Non Executive Directors</b>			
(Except members of audit committee)	282	8,000	46
<b>3) Members of Audit Committee</b>	401		76
<b>Total</b>	<u>2,107</u>	<u>8,000</u>	<u>148</u>

As part of remuneration, Kookmin Bank also granted stock options to directors. See 1.3.3. Stock Option.

**5.4. Voting Rights of Shareholders**

Each outstanding share of our common stock is entitled to one vote per share. If the method of written resolution at the general shareholders meeting is adopted by resolution of the board of directors, at which the convening of the general shareholders meeting is determined, the shareholders may exercise their voting rights in writing without participating the meeting in person. In this case, the Bank is required to send the documents and references necessary for exercise of voting rights, together with the convening notice. If a shareholder intends to exercise his/her voting rights in writing, the shareholder is required to fill in a certain form and submit it to the Bank one day before the date set for the general shareholders meeting.

**5.5. Share Ownership<sup>1</sup>**

The following table presents information regarding the selected major ownership of our shares as of September 30, 2005.

(Unit: Shares, %)

<u>Name</u>	<u>Number of Shares of Common Stock</u>	<u>Percentage of Total Issued Shares</u>
<b>The Bank of New York<sup>2</sup></b>	<b>47,503,730</b>	<b>14.12</b>
<b>ING Bank N.V Amsterdam<sup>3</sup></b>	<b>13,650,001</b>	<b>4.06</b>

<sup>1</sup> Information based on December 31, 2004

<sup>2</sup> Depository of ADRs

<sup>3</sup> Changed the largest shareholder of Kookmin Bank from ING Bank N.V Amsterdam to Euro-Pacific Growth Fund (4.79%) on October 14, 2005



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**5.6. Affiliated Companies**

***5.6.1. List of Affiliates<sup>1</sup>***

As of September 30, 2005, we have following affiliates.

- n KB Investment Co., Ltd.
- n KB Asset Management Co., Ltd.
- n KB Real Estate Trust Co., Ltd.
- n KB Credit Information Co., Ltd.
- n KB Data Systems Corporation
- n KB Futures Co., Ltd.
- n KB Life Co., Ltd.
- n ING Life Korea Ltd.
- n Kookmin Bank International (London) Ltd.
- n Kookmin Hong Kong Ltd.
- n Sorak Financial Holdings

***5.6.2. Operating Results of Affiliates***

(Unit: in millions of Won)

**Operating results**

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		Total Assets	Total Liabilities	Total Equities	Sales	Net Income
<b>KB Investment<sup>2</sup></b>	<b>December 31, 2004</b>	<b>87,307</b>	<b>8,523</b>	<b>78,784</b>	<b>21,002</b>	<b>1,709</b>
<b>KB Asset Management<sup>3</sup></b>	<b>March 31, 2005</b>	<b>69,929</b>	<b>6,372</b>	<b>63,557</b>	<b>31,948</b>	<b>13,881</b>
<b>KB Real Estate Trust<sup>2</sup></b>	<b>December 31, 2004</b>	<b>201,221</b>	<b>143,150</b>	<b>58,071</b>	<b>51,693</b>	<b>(40,058)</b>
<b>KB Credit Information<sup>2</sup></b>	<b>December 31, 2004</b>	<b>27,847</b>	<b>6,760</b>	<b>21,087</b>	<b>37,793</b>	<b>2,425</b>
<b>KB Data Systems Corp.<sup>2</sup></b>	<b>December 31, 2004</b>	<b>22,257</b>	<b>6,426</b>	<b>15,831</b>	<b>40,076</b>	<b>1,579</b>
<b>KB Futures<sup>3</sup></b>	<b>March 31, 2005</b>	<b>37,358</b>	<b>10,740</b>	<b>26,618</b>	<b>8,638</b>	<b>1,199</b>
<b>ING Life Korea<sup>3</sup></b>	<b>March 31, 2005</b>	<b>5,624,538</b>	<b>5,174,566</b>	<b>449,972</b>	<b>2,637,377</b>	<b>145,773</b>
<b>KB Life Co., Ltd.<sup>3</sup></b>	<b>March 31, 2005</b>	<b>183,793</b>	<b>157,843</b>	<b>25,950</b>	<b>94,267</b>	<b>(4,245)</b>
<b>Kookmin Bank International (London)<sup>4</sup></b>	<b>December 31, 2004</b>	<b>294,734</b>	<b>242,738</b>	<b>51,996</b>	<b>10,652</b>	<b>1,534</b>
<b>Kookmin HK Ltd.<sup>4</sup></b>	<b>December 31, 2004</b>	<b>406,880</b>	<b>337,111</b>	<b>69,769</b>	<b>13,940</b>	<b>5,622</b>
<b>Sorak Financial Holdings<sup>4</sup></b>	<b>December 31, 2004</b>	<b>305,520</b>	<b>241</b>	<b>305,279</b>	<b>14,779</b>	<b>13,258</b>

<sup>1</sup> Excluding Joeeun Industry and Jangeun Securities which have been under liquidation procedures. Also excluded as follows; Kookmin Bank Luxembourg.S.A has been completed liquidation procedures on November. Kookmin Singapore Ltd. and Kookmin Finance Asia Limited have been under liquidation procedures.

<sup>2</sup> Operating results based on December 31, 2004

<sup>3</sup> Operating results based on March 31, 2005

<sup>4</sup> Operating results based on September 30, 2005

**Table of Contents****6. Directors, Senior Management and Employees**

As of September 30, 2005, our board of directors, which consists of 4 executive directors and 9 non-executive directors, has the ultimate responsibility for the management of our affairs.

**6.1. Executive Directors**

Our 4 executive directors consist of the President & CEO, Auditor and two Senior Executive Vice Presidents.

The names and positions of our directors with Kookmin Bank's common stocks owned are set forth below.

<u>Name</u>	<u>Date of Birth</u>	<u>Position</u>	<u>Common Stocks Owned</u>
Chung Won Kang	12/19/1950	President & CEO	
Hyung Duk Chang	08/13/1950	Auditor & Executive Director	
Kap Shin	09/04/1955	Executive Director & SEVP	
Donald H. MacKenzie	12/20/1948	Executive Director & SEVP	

**6.2. Non-Executive Directors**

Our non-executive directors are selected based on the candidates' talents and skills in diverse areas, such as law, finance, economy, management and accounting. As of September 30, 2005, 9 non-executive directors are in office.

Our current non-executive directors with Kookmin Bank's shares owned are as follows.

<u>Name</u>	<u>Date of Birth</u>	<u>Position</u>	<u>Common Stocks Owned</u>
Nobuya Takasugi	09/03/1942	Non-Executive Director	
Dong Soo Chung	09/24/1945	Non-Executive Director	1,660
Hoon Namkoong	06/26/1947	Non-Executive Director	
Suk Yong Cha	06/09/1953	Non-Executive Director	2,490
Doo Hwan Song	05/29/1949	Non-Executive Director	
Ki Hong Kim	01/10/1957	Non-Executive Director	2,600
Chang Kyu Lee	05/20/1951	Non-Executive Director	
Dam Cho	08/01/1952	Non-Executive Director	
Young Soon Cheon	02/01/1961	Non-Executive Director	1,590



**Table of Contents****6.3. Senior Management**

In addition to the executive directors who are also our executive officers, we currently have the following 13 executive officers as of September 30, 2005.

<u>Name</u>	<u>Date of Birth</u>	<u>Position</u>	<u>Common Shares Owned</u>
Dong Won Kim	03/01/1953	Senior Executive Vice President	
Yun Keun Jung	07/01/1951	Senior Executive Vice President	2,416
Nam Sik Yang	05/08/1954	Senior Executive Vice President	582
Hyo Sung Won	07/29/1960	Senior Executive Vice President	
Yong Kook Oh	09/30/1949	Senior Executive Vice President	
Sang Jin Lee	05/21/1955	Senior Executive Vice President	1,078
Ahn Sook Koo	03/16/1955	Senior Executive Vice President	
Jung Young Kang	01/29/1951	Senior Executive Vice President	
Young Han Choi	09/24/1958	Senior Executive Vice President	
Dong Soo Choe	03/10/1955	Senior Executive Vice President	
Seung Kyo Lee	10/25/1959	Senior Executive Vice President	
Jun Bo Cho	09/15/1951	Senior Executive Vice President	906
Jung Min Kim	05/08/1951	Senior Executive Vice President	94

**6.4. Employees**

The following table shows the breakdown of our employees as of September 30, 2005.

(Unit: in millions of Won)

	<u>Number of Employees<sup>1</sup></u>			<u>Average Tenure of the Full-time Employees<sup>2</sup></u>	<u>Total Payment for the 3<sup>rd</sup> quarter of 2005<sup>3</sup></u>	<u>Average Monthly Payment per Person</u>
	<u>Full-time</u>	<u>Contractual</u>	<u>Total</u>			
<b>Male</b>	<b>12,845</b>	<b>1,227</b>	<b>14,072</b>	<b>16.6</b>	<b>701,006</b>	<b>5.5</b>
<b>Female</b>	<b>4,232</b>	<b>6,503</b>	<b>10,735</b>	<b>13.9</b>	<b>330,680</b>	<b>3.4</b>
<b>Total</b>	<b>17,077</b>	<b>7,730</b>	<b>24,807</b>	<b>15.9</b>	<b>1,031,686</b>	<b>4.6</b>

<sup>1</sup> Number of employees are calculated based on an arithmetic mean from January 31, 2005 to September 30, 2005 and local employees in overseas branches are excluded

<sup>2</sup> Only based on full-time employees as of September 30, 2005

<sup>3</sup> Based on personnel expense and welfare cost as of September 30, 2005



**Table of Contents****7. Related Party Transactions**

A number of banking transactions are entered into with related parties in the ordinary course of business. Generally, these transactions include loans, deposits, debt securities and other arms-length transactions relating to our banking business. These transactions are carried out on commercial terms and conditions and at market rates.

**7.1. Transactions with the Largest Shareholders or Affiliates****7.1.1. Investments in Affiliates<sup>1</sup>**

(Unit: in millions of Won)

Name	Relation with the Bank	Account	Beginning Balance (January 1, 2005)	Increase	Decrease	Ending Balance (September 30, 2005)
KB Real Estate Trust	Affiliate	Equity Securities of Affiliate	79,999			79,999
KB Investment	Affiliate	Equity Securities of Affiliate	44,708	48		44,756
KB Asset Management	Affiliate	Equity Securities of Affiliate	30,670			30,670
KB Futures	Affiliate	Equity Securities of Affiliate	19,996			19,996
KB Data Systems Corp.	Affiliate	Equity Securities of Affiliate	7,998	2		8,000
KB Credit Information	Affiliate	Equity Securities of Affiliate	5,868	377		6,245
KB Life <sup>2</sup>	Affiliate	Equity Securities of Affiliate	30,000		14,700	15,300
ING Life Korea	Affiliate	Equity Securities of Affiliate	14,000			14,000
Kookmin Hong Kong Ltd.	Affiliate	Equity Securities of Affiliate	20,876		116	20,760
Kookmin Bank International (London) Ltd.	Affiliate	Equity Securities of Affiliate	40,180		3,688	36,492
<b>Total</b>			<b>294,295</b>	<b>427</b>	<b>18,504</b>	<b>276,218</b>

<sup>1</sup> Excluding Joeeun Industry and Jangeun Securities which have been under liquidation procedures

<sup>2</sup> Established on 29 April, 2004

**Table of Contents****7.2. Transactions with Other than the Largest Shareholders or Affiliates****7.2.1. Loans and Guarantees**

(Unit: in millions of Won)

Name	Relation with the Bank	Account	Beginning Balance (January 1, 2005)	Ending Balance (September 30, 2005)	Increase / (Decrease) for the period
Ki Hong Kim	Non executive director	Housing loans	18	18	0
Kyung Namkoong	Related party of Non executive director, Hoon Namkoong	Housing loans	170	213	43
Samsung Electro-Mechanics	Related party of Non executive director, Hoon Namkoong	Loans for working capital	0	50,000	50,000
Hyun Duk Shin	Related party of Executive director and Senior executive Vice President, Kap Shin	Household loans	50	50	0
Young Sin Yoon	Related party of Executive director and Senior executive Vice President, Kap Shin	Household loans	2	0	(2)
Chan Jung Lee	Related party of Non executive director, Dong Soo Chung	Household loans	93	0	(93)
Yong Jin Kim	Related Party of Auditor & Executive Director, Hyung Duk Chang	Household loans	0	140	140
Seo Young Chung	Related Party of Non-executive director, Dong Soo Chung	Household loans	0	1	1
<b>Total</b>			<b>333</b>	<b>50,422</b>	<b>50,089</b>



**Table of Contents****7.2.2. Securities Transactions**

(Units: in millions of Won unless indicated otherwise)

Name	Relation with the Bank	Transactions				Gains /Losses
		Account	Purchase	Disposal	Volume	
DSME Co.	Related party of Non executive director, Dong Soo Chung	Equity securities	6,587	9,667	16,254	925
Samsung Electro-Mechanics	Related party of Non executive director, Hoon Namkoong	Equity securities	5,199	3,160	8,359	22
<b>Total</b>			<b>11,786</b>	<b>12,827</b>	<b>24,613</b>	<b>947</b>

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Kookmin Bank  
(Registrant)

Date: November 14, 2005

By: /s/ Kap Shin

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(Signature)

Name: Kap Shin

Title: Executive Director /  
Senior Executive Vice President &  
Chief Financial Officer

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**Exhibit 99.1**

KOOKMIN BANK

NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005

AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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**Independent Accountants Review Report**

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of

Kookmin Bank:

We have reviewed the accompanying non-consolidated balance sheet of the Bank accounts of Kookmin Bank (the Bank ) as of September 30, 2005 and the related non-consolidated statements of income and cash flows for the nine months ended September 30, 2005, all expressed in Korean Won. These financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these financial statements based on our review. The accompanying non-consolidated statements of income and cash flows for the nine months ended September 30, 2004, which are presented for comparative purposes, were reviewed by other accountants, whose report dated October 14, 2004 stated that nothing came to their attention that caused them to believe that these financial statements were not presented fairly, in all material respects, in accordance with financial accounting standards in the Republic of Korea.

We conducted our review in accordance with standards for review of interim financial statements in the Republic of Korea. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with financial accounting standards in the Republic of Korea.

The accompanying non-consolidated balance sheet as of December 31, 2004 and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended (not presented herein) were audited in accordance with auditing standards generally accepted in the Republic of Korea by other auditors, and in their report dated February 4, 2005, they expressed an unqualified opinion on those financial statements. As explained in Note 2, their reports for the year ended December 31, 2004 were prepared before reflecting the changes in accounting principles, and the accompanying balance sheet as of December 31, 2004, which is comparatively presented, was restated to reflect the changes in accounting principles.

As explained in Note 2 to the non-consolidated financial statements, the Bank recorded all assets and liabilities comprising of private beneficiary certificates as their original accounts, and all gains and losses from all private beneficiary certificates as income from beneficiary certificates as of and for the year ended December 31, 2004. However, in accordance with the new interpretation by the Financial Supervisory Service, a private beneficiary certificate on which management, as an investor, agrees to have no interference and is not managing, is regarded as an ordinary beneficiary certificate and recorded as securities. Due to this change, the Bank restated the accompanying financial statements as of December 31, 2004, which increased total assets, total liabilities and capital adjustments by (Won)76,568 million, (Won)2,668 million and (Won)268,696 million, respectively, and decreased retained earnings before appropriations by (Won)194,796 million. In addition, total assets, total liabilities and capital adjustments as of September 30, 2005 decreased by (Won)62,749 million, (Won)62,749 million and (Won)113,220 million, respectively, and net income for the nine months then ended increased by (Won)113,220 million due to the above accounting change.

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Accounting principles and review standards and their application in practice vary among countries. 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 other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting procedures and review standards and their application in practice.

October 31, 2005

/s/ Deloitte Anjin LLC

Notice to Readers

This report is effective as of October 31, 2005, the accountants' review report date. Certain subsequent events or circumstances may have occurred between the accountants' review report date and the time the accountants' review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the accountants' review report.

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## KOOKMIN BANK

## NON-CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 30, 2005 AND DECEMBER 31, 2004

	Korean Won	
	(Restated)	
	2005	2004
(In millions)		
<b>ASSETS</b>		
Cash and due from banks (Notes 3, 20 and 21)	(Won) 6,497,051	(Won) 5,139,604
Securities (Notes 4, 20 and 21)	29,326,198	27,965,441
Loans (Notes 5, 6, 7, 20 and 21)	134,189,935	135,769,326
Fixed assets (Note 8)	2,457,452	2,633,218
Other assets (Note 9)	8,492,563	8,296,164
	<u>(Won) 180,963,199</u>	<u>(Won) 179,803,753</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Deposits (Notes 10, 20 and 21)	(Won) 124,475,722	(Won) 127,010,534
Borrowings (Notes 11, 20 and 21)	14,233,309	9,634,296
Debentures (Notes 12, 20 and 21)	16,521,447	21,874,695
Other liabilities (Notes 13, 14, 15 and 16)	13,947,080	12,105,686
	<u>169,177,558</u>	<u>170,625,211</u>
<b>SHAREHOLDERS' EQUITY (Notes 17 and 18):</b>		
Common stock	1,681,896	1,681,896
Capital surplus	6,254,958	6,230,738
Retained earnings before appropriations (Net income of (Won)1,828,519 million for the nine months ended September 30, 2005 and (Won)360,454 million for the year ended December 31, 2004)	3,506,458	1,846,895
Capital adjustments	342,329	(580,987)
	<u>11,785,641</u>	<u>9,178,542</u>
	<u>(Won) 180,963,199</u>	<u>(Won) 179,803,753</u>

See accompanying notes to non-consolidated financial statements.

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## KOOKMIN BANK

## NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

	Korean Won	
	2005	2004 (Restated)
(In millions except per share amounts)		
<b>OPERATING REVENUE:</b>		
Interest income:		
Interest on due from banks (Note 21)	(Won) 18,432	(Won) 7,038
Interest on securities (Note 21)	808,414	766,457
Interest on loans (Note 21)	6,812,797	7,803,562
Other interest income	55,887	71,452
	<u>7,695,530</u>	<u>8,648,509</u>
Commission income	1,583,210	1,652,208
Other operating income:		
Gain on disposal of trading securities	75,779	148,292
Gain on valuation of trading securities (Note 4)		42,442
Dividends on trading securities	4,821	3,289
Dividends on available-for-sale securities	3,259	7,709
Foreign exchange trading income	203,246	203,995
Fees and commissions from trust accounts (Note 26)	103,113	92,119
Gain on financial derivatives trading	2,822,447	2,049,392
Gain on valuation of financial derivatives (Note 19)	891,765	786,141
Gain on valuation of fair value hedged items (Note 19)	43,449	2,838
Other operating income	44,498	42,188
	<u>4,192,377</u>	<u>3,378,405</u>
Total operating revenues	<u>13,471,117</u>	<u>13,679,122</u>
<b>OPERATING EXPENSES:</b>		
Interest expenses:		
Interest on deposits (Note 21)	2,422,243	2,986,152
Interest on borrowings (Note 21)	260,151	254,163
Interest on debentures (Note 21)	801,698	818,822
Other interest expenses	25,001	50,009
	<u>3,509,093</u>	<u>4,109,146</u>

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Commission expense	247,100	374,252
<b>Other operating expenses:</b>		
Loss on disposal of trading securities	54,457	61,490
Loss on valuation of trading securities (Note 4)	13,258	
Provision for possible loan losses (Note 7)	967,867	2,245,698
Provision for acceptance and guarantee losses (Note 14)	1,415	
Foreign exchange trading losses	175,267	124,779
Loss on financial derivatives trading	2,708,392	2,008,046
Loss on valuation of financial derivatives (Note 19)	922,694	761,926
Other operating expenses	406,128	371,156
	5,249,478	5,573,095
General and administrative expenses (Note 22)	2,090,343	1,951,849
<b>Total operating expenses</b>	<b>11,096,014</b>	<b>12,008,342</b>

(Continued)



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## KOOKMIN BANK

## NON-CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

	Korean Won	
	2005	(Restated) 2004
	(In millions except per share amounts)	
OPERATING INCOME	(Won) 2,375,103	(Won) 1,670,780
NON-OPERATING INCOME (Note 23)	617,247	303,019
NON-OPERATING EXPENSES (Note 23)	389,456	1,137,056
ORDINARY INCOME	2,602,894	836,743
EXTRAORDINARY ITEM		
INCOME BEFORE INCOME TAX	2,602,894	836,743
INCOME TAX EXPENSE (Note 24)	774,375	273,834
NET INCOME	(Won) 1,828,519	(Won) 562,909
ORDINARY INCOME PER SHARE (In currency units) (Note 25)	(Won) 5,745	(Won) 1,837
NET INCOME PER SHARE (In currency units) (Note 25)	(Won) 5,745	(Won) 1,837
DILUTED ORDINARY INCOME PER SHARE (In currency units) (Note 25)	(Won) 5,741	(Won) 1,837
DILUTED NET INCOME PER SHARE (In currency units) (Note 25)	(Won) 5,741	(Won) 1,837

See accompanying notes to non-consolidated financial statements.

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## KOOKMIN BANK

## NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

	Korean Won	
	(Restated)	
	2005	2004
	(In millions)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	(Won) 1,828,519	(Won) 562,909
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of trading securities	54,457	61,490
Provision for possible loan losses	967,867	2,245,698
Loss on financial derivatives trading	2,708,392	2,008,046
Loss on valuation of financial derivatives	922,694	761,926
Loss on valuation of securities accounted for using the equity method	8,466	28,841
Provision for severance benefits	89,090	81,200
Depreciation and amortization	244,280	304,041
Loss on disposal of available-for-sale securities	17,210	22,875
Loss on impairment of available-for-sale securities	26,144	55,058
Loss on disposal of tangible assets	3,764	2,368
Loss on sale of loans	2,096	864,609
Gain on disposal of trading securities	(75,779)	(148,292)
Gain on valuation of trading securities		(42,442)
Gain on financial derivatives trading	(2,822,447)	(2,049,392)
Gain on valuation of financial derivatives	(891,765)	(786,141)
Gain on valuation of fair value hedged items	(43,449)	(2,838)
Gain on valuation of securities accounted for using the equity method	(71,700)	(38,930)
Gain on disposal of available-for-sale securities	(282,431)	(121,598)
Gain on disposal of tangible assets	(9,475)	(1,861)
Gain on sale of loans	(79,935)	(23,770)
Others, net	321,676	(59,336)
	<u>1,089,155</u>	<u>3,161,552</u>

(Continued)

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## KOOKMIN BANK

## NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

	Korean Won	
	(Restated)	
	2005	2004
	(In millions)	
Changes in assets and liabilities resulting from operations:		
Net increase in other receivables	(Won) (1,900,734)	(Won) (2,063,443)
Net decrease in accrued income	13,869	27,782
Net decrease in prepaid expenses	160,132	132,056
Net (increase) decrease in deferred income tax assets	(87,652)	197,525
Net increase in other payables	1,338,980	2,659,765
Net increase (decrease) in accrued expenses	505,420	(110,868)
Net increase in advances from customers	307,114	320,692
Payment of severance benefits	(58,379)	(34,466)
Decrease in severance insurance deposits	23,726	14,759
Others, net	490,914	1,485,768
	<u>793,390</u>	<u>2,629,570</u>
Net cash provided by operating activities	<u>3,711,064</u>	<u>6,354,031</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase in restricted due from banks	(1,061,711)	(1,891,166)
Net decrease in available-for-sale securities	3,669,749	891,513
Net increase in held-to-maturity securities	(4,881,838)	
Net decrease in securities accounted for using the equity method	24,047	
Net decrease in loans	671,960	
Disposal of fixed assets	22,304	4,942
Purchase of fixed assets	(85,449)	(134,022)
Net decrease (increase) in other assets	1,598,108	(3,156,652)
	<u>(42,830)</u>	<u>(4,285,385)</u>
Net cash used in investing activities	<u>(42,830)</u>	<u>(4,285,385)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in deposits	(2,534,016)	(2,073,242)
Net (decrease) increase in debentures	(5,463,311)	2,243,564
Net increase (decrease) in borrowings	4,600,693	(239,208)
Net increase (decrease) in other liabilities	20,777	(1,916,611)
	<u>(3,375,857)</u>	<u>(1,985,497)</u>
Net cash used in financing activities	<u>(3,375,857)</u>	<u>(1,985,497)</u>

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NET INCREASE IN CASH AND DUE FROM BANKS	292,377	83,149
CASH AND DUE FROM BANKS, BEGINNING OF PERIOD	3,319,349	3,771,757
CASH AND DUE FROM BANKS, END OF PERIOD (Note 30)	(Won) 3,611,726	(Won) 3,854,906

See accompanying notes to non-consolidated financial statements.

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KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

1. GENERAL:

Kookmin Bank ( the Bank ) was established in 1963 under the Citizens National Bank Act to provide and administer funds for financing to the general public and small businesses. Pursuant to the repeal of the Citizens National Bank Act, effective January 5, 1995, the Bank has conducted its operations in accordance with the provisions of the General Banking Act.

The Bank merged with Korea Long Term Credit Bank on December 31, 1998 and with Daegu, Busan, Jeonnam Kookmin Mutual Savings & Finance Co., Ltd. on August 22, 1999. Also, under the decision of the Financial Supervisory Commission in accordance with the Structural Improvement of the Financial Industry Act, the Bank purchased certain assets, including loans classified as normal or precautionary, and assumed most of the liabilities of Daedong Bank on June 29, 1998. Also, the Bank completed the legal consolidation with Housing and Commercial Bank ( H&CB ) on October 31, 2001 and merged with Kookmin Credit Card Co., Ltd., a majority-owned subsidiary, on September 30, 2003.

The Bank's shares have been listed on the Korea Stock Exchange since September 1994. As a result of the business combination with H&CB, the former shareholders of the Bank and H&CB received new common shares of the Bank on the basis of a pre-determined ratio. The new common shares of the Bank were listed on the Korea Stock Exchange on November 9, 2001. As of September 30, 2005, the Bank's paid-in capital amounts to (Won) 1,681,896 million and its 50,871,519 shares are listed on the New York Stock Exchange as American Depositary Shares ( ADS ).

The Bank is engaged in the banking and trust businesses according to the provisions of the General Banking Act and the Trust Business Act, and operates through 1,063 domestic branches and offices (excluding 196 automated teller machine stations) and three overseas branches (excluding 2 subsidiaries and 1 office) as of September 30, 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Non-consolidated Financial Statement Presentation

The Bank maintains its official accounting records in Korean Won and prepares statutory non-consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles and banking accounting standards generally accepted in the Republic of Korea.

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Certain accounting principles and banking accounting standards applied by the Bank that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles and banking accounting practices in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Bank's financial position, results of operations or cash flows, is not presented in the accompanying financial statements.

The significant accounting policies followed by the Bank in preparing the accompanying non-consolidated financial statements are summarized below.

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### Interest Income Recognition

The Bank applies the accrual basis in recognizing interest income related to deposits, loans and securities, except for non-secured uncollectible receivables. Interest on loans, whose principal or interest is past due at the balance sheet date, is generally not accrued, with the exception of interest on certain loans secured by guarantee of governments or government agencies, or collateralized by bank deposits. When a loan is placed on non-accrual status, previously accrued interest is generally reversed and deducted from current interest income; and future interest income is recognized on cash basis in accordance with the accounting standards of the banking industry. As of September 30, 2005 and December 31, 2004, the principal amount of loans and securities of which the accrued interest income was not recorded in the accompanying financial statements based on the above criteria amounted to (Won)7,117,983 million and (Won)8,600,175 million, respectively, and the related accrued interest income not recognized amounted to (Won)510,491 million and (Won)551,683 million, respectively.

### Classification of Securities

At acquisition, the Bank classifies securities into one of the following categories: trading, available-for-sale, held-to-maturity and securities accounted for using the equity method, depending on marketability, purpose of acquisition and ability to hold. Debt and equity securities that are bought and held for the purpose of selling them in the near term and actively traded are classified as trading securities. Debt securities with fixed and determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity securities. Securities that should be accounted for under the equity method are classified as securities accounted for using the equity method. Debt and equity securities not classified as the above are categorized as available-for-sale securities.

If the objective and ability to hold securities of the Bank change, available-for-sale securities can be reclassified to held-to-maturity securities and held-to-maturity securities can be reclassified to available-for-sale securities. Whereas, if the Bank sells held-to-maturity securities or exercises early redemption right of securities to issuer in the current year or the proceeding two years, and if it reclassifies held-to-maturity securities to available-for-sale securities, all debt securities that are owned or purchased cannot be classified as held-to-maturity securities. On the other hand, trading securities cannot be recategorized to available-for-sale securities or held-to-maturity securities and vice versa. Nevertheless, trading securities are reclassified to available-for-sale securities only when the trading securities lose their marketability.

### Valuation of Securities

#### (1) Valuation of Trading Securities

Trading equity and debt securities are initially recognized at acquisition cost plus incidental expenses determined by the individual moving average method (the specified identification method for debt securities). When the face value of trading debt securities differs from their acquisition cost, the effective interest method is applied to amortize the difference over the remaining term of the securities. After initial recognition, if the fair value of trading securities differs from the book value, trading securities are stated at fair value and the resulting valuation gain or loss is included in current operations.

#### (2) Valuation of Available-for-sale Securities

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Available-for-sale securities are initially recognized at acquisition cost plus incidental expenses, determined by the individual moving average method (the specified identification method for debt securities). The effective interest method is applied to amortize the difference between the face value and the acquisition cost over the remaining term of the debt security. After initial recognition, available-for-sale securities are stated at fair value, with the net unrealized gain or loss presented as gain or loss on valuation of available-for-sale securities in capital adjustments. Accumulated capital adjustments of securities are charged to current operations in a lump sum at the time of disposal or impairment recognition. Non-marketable equity securities are stated at acquisition cost on the financial statements if the fair value of the securities is not reliably determinable.

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If the fair value of equity securities (net asset fair value in case of non-marketable equity securities stated at acquisition cost) is below the acquisition cost and the pervasive evidence of impairment exists, the carrying value is adjusted to fair value and the resulting valuation loss is charged to current operations. If the collectible value of debt securities is below the amortized cost and the pervasive evidence of impairment exists, the carrying value is adjusted to collectible value and the resulting valuation loss is charged to current operations. With respect to impaired securities, any unrealized valuation gain or loss of securities previously included in the capital adjustment account is reversed.

### (3) Valuation of Held-to-maturity Securities

Held-to-maturity securities are stated at acquisition cost plus incidental expenses, determined by the specific identification method. When the face value of held-to-maturity securities differs from its acquisition cost, the effective interest method is applied to amortize the difference over the remaining term of the securities. If collectible value is below the amortized cost and the pervasive evidence of impairment exists, the carrying value is adjusted to collectible value and the resulting valuation loss is charged to current operations.

### (4) Valuation of Securities Accounted for using the Equity Method

Equity securities held for investment in companies in which the Bank is able to exercise significant influence over the investees (in accordance with the Banking Act, if the Bank holds 15 percent or more of the issued shares, the Bank is considered being able to exercise significant influence) are accounted for using the equity method. The Bank's share in net income or net loss of investees is included in current operations. Changes in the retained earnings of investee are reflected in the retained earnings. Changes in the capital surplus or other capital accounts of investee are reflected as gain or loss on valuation of securities accounted for using the equity method in capital adjustments.

### (5) Reversal of Loss on Impairment of Available-for-sale Securities and Held-to-maturity Securities

If the reasons for impairment losses of available-for-sale securities no longer exist, the recovery is recorded in current operations under non-operating income up to amount of the previously recognized impairment loss as reversal of loss on impairment of available-for-sale securities and any excess is included in capital adjustments as gain on valuation of available-for-sale securities. However, if the increases in the fair value of the impaired securities are not regarded as the recovery of the impairment, the increases in the fair value are recorded as gain on valuation of available-for-sale securities in capital adjustments. For non-marketable equity securities, which were impaired based on the net asset fair value, the recovery is recorded up to their acquisition cost.

For held-to-maturity securities, the recovery is recorded in current operations under non-operating income within the amount of amortized cost that would have been recorded according to the original schedule if the impairment losses had not been recognized as reversal of loss on impairment of held-to-maturity securities.

### (6) Reclassification of Securities

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When held-to-maturity securities are reclassified to available-for-sale securities, those securities are accounted for at fair value on the reclassification date and the difference between the fair value and book value is reported in capital adjustment as gain or loss on valuation of available-for-sale securities. When available-for-sale securities are reclassified to held-to-maturity securities, gain or loss on valuation of available-for-sale securities, which had been recorded until the reclassification date, continue to be included in capital adjustments and be amortized using the effective interest rate method and the amortized amount is charged to interest income or expense until maturity. The difference between the fair value at the reclassification date and face value of the reclassified securities to held-to-maturity securities is amortized using effective interest rate method and the amortized amount is charged to interest income or expense.

### Transfer of Securities

When the realization, expiration or sale of the right to obtain the economic benefits arises and the control of securities is lost from the sale of the securities, the unrealized valuation gain or loss of securities included in the capital adjustment account is added to or deducted from the gain or loss on disposal of securities. The gain or loss is the difference between the net proceeds receivable or received and its carrying value. When securities are transferred without losing the control, the transaction is recorded as secured borrowing transaction.

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**Allowance for Possible Losses on Credits**

The Supervisory Regulation of Banking Business (the Supervisory Regulation ) legislated by the Financial Supervisory Commission (FSC) requires the Bank to classify all credits into five categories as normal, precautionary, substandard, doubtful, or estimated loss based on borrowers repayment capability and historical financial transaction records. The Supervisory Regulation also requires the Bank to provide the minimum rate of loss provision for each category balance using the prescribed minimum percentages as described below.

As required by the Supervisory Regulation, the Bank classifies corporate credits (loans, confirmed acceptances and guarantees) based on borrowers capability to repay in consideration of borrowers business operation, financial position and future cash flows (Forward Looking Criteria) as well as past due period and status of any bankruptcy proceedings (Historical Repayment Criteria). However, credits to small companies and to households are classified not by evaluating the debt repayment capability of a borrower or customer but by past due period and status of bankruptcy proceedings. The Bank generally classifies all credits to a single borrower in the same category of classification but credits guaranteed or credits collateralized by bank deposits, real estate and other assets may be classified differently based on the guarantor s capability to service such guarantee or based on the value of collateral securing such credits.

Based on the Bank s corporate credit evaluation model, credits to a borrower are classified into 12 grades from AAA to D (AAA, AA, A, A-, BBB, BB, B, B-, CCC, CC, C and D). Credits of grades of AAA to B are classified as normal, credits of grade B- to CCC as precautionary, credits of grade CC as substandard, credits of grade C as doubtful and credits of grade D as estimated loss. Credits are finally classified reflecting past due period and bankruptcy considerations. An allowance is then calculated on the category balances using the prescribed percentages of 0.5 ~ 1.9 percent for normal, 2 ~ 19.9 percent for precautionary, 20 ~ 49.9 percent for substandard, 50 ~ 99.9 percent for doubtful and 100 percent for estimated loss. However, the Bank does not provide allowances for call loans, bonds bought under resale agreements and inter-bank loans that are classified as normal, as it is not required by the Accounting Standards for the Banking Industry.

In addition, as required by the Supervisory Regulation, based on the classification of household loans and credit card receivables by past due period and status of bankruptcy proceedings, allowance for household loans and credit card receivables are calculated on the category balances using the prescribed minimum percentages of 0.75 percent and 1 percent for normal, 8 percent and 12 percent for precautionary, 20 percent for substandard, 55 percent and 60 percent for doubtful, and 100 percent for estimated loss. Furthermore, as required by the Financial Supervisory Service, for the secured household loans newly placed after September 9, 2002, if the ratio of loans to collateral value (loan to value; LTV) exceeds 70 percent, the Bank provides an allowance for possible loan losses of 1 percent for normal and 10 percent for precautionary, instead of providing 0.75 percent for normal and 8 percent for precautionary.

The Bank partially changed the accounting estimation in providing allowance for household loans in accordance with the Supervisory Regulation during the current year. The Bank extended the scope of borrowers classified as normal and precautionary for the secured household loans and applied the same overdue principal for general consumer loans to the secured household loans. Additionally, the Bank newly applied the economic recovery value method in estimating the expected recovery value of the collateral assets pledged as secured loans. The change in accounting estimate above is to reflect economic substantiality based on historical experience, and the effect of changes has been applied prospectively.

In addition, when an allowance for possible loan losses materially differs from the expected loss, which is calculated through objective and reasonable method in accordance with the accounting principle in the Republic of Korea, expected loss is reflected in the provision for possible loan losses since 2004.

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The rates used for determining the allowances for losses based on historical loss rate by the Bank's lending portfolios are determined as follows:

<u>Lending portfolios</u>	<u>Methodology</u>	<u>Period of historical loss rate</u>	<u>Period of recovery ratio</u>
Impaired corporate loans	Discounted cash flows	N/A	N/A
Non-impaired corporate loans	Migration analysis	1 year	5 years
Consumer loans	Migration analysis	2 years	5 years
Credit card loans	Roll-rate analysis	1 year	5 years

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Based on the loan portfolios' nature, lending period, recovery period and other economic factors, the Bank determines the appropriate data period used in assessing its historical loss rate and recovery ratio.

The Bank also provides an allowance for possible losses on confirmed acceptances and guarantees. The confirmed acceptances and guarantees are classified in accordance with the same loan classification criteria as of the balance sheet date, and an allowance is then estimated by applying 20 to 49.9 percent for substandard, 50 to 99.9 percent for doubtful and 100 percent for loss, and is recorded in other liabilities. No allowance is provided for the confirmed acceptances and guarantees classified as normal and precautionary.

In addition, as required by the Financial Supervisory Service, the Bank provides an additional 1 percent of other allowance for certain portions of the unused cash advance facility (75 percent of the facility less used balance) of active credit card accounts with transaction records during the recent one year.

### Restructuring of Loans

The equity interest in the debtors, net of real estates and/or other assets received as full or partial satisfaction of the Bank's loans, collected through reorganization proceedings, court mediation or debt restructuring agreements of parties concerned, is recorded at fair value at the time of the restructuring. In cases where the fair value of the assets received are less than the book value of the loan (book value before allowances), the Bank offsets first the book value against allowances for loans and then recognizes provisions for loans. Impairment losses for loans that were restructured in a troubled debt restructuring involving a modification of terms are computed by the difference between the present value of future cash flows under debt restructuring agreements discounted at effective interest rates at the time when loans are originated and the book value before allowances for loans. If the amount of allowances already established is less than the impairment losses under the workout plans, the Bank establishes additional allowances for the difference. Otherwise, the Bank reverses the allowances for loan losses.

### Deferred Loan Origination Fees and Costs

The Bank defers loan origination fees associated with originating loans and loan origination costs that have future economic benefits. Loan balances are reported net of these loan origination fees and costs. The deferred loan origination fees and costs are amortized using the effective interest method with the amortization recognized as adjustments to other interest income.

### Valuation of Receivables and Payables at Present Value

Receivables and payables incurred through long-term installment transactions, long-term borrowing and lending transactions, and other similar transactions are stated at the present value of expected future cash flows, and the gain or loss on valuation of related receivables and payables is reflected in current operations, unless the difference between nominal value and present value is immaterial. Present value discount or premium is amortized using the effective interest rate method and credited or charged to interest income or interest expense.

### Tangible Assets and Related Depreciation

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Tangible assets included in fixed assets are recorded at cost or production cost including the incidental expenses. Routine maintenance and repairs are expensed as incurred. Expenditures that result in the enhancement of the value or the extension of the useful lives of the facilities involved are capitalized as additions to tangible assets.

Depreciation is computed by using the declining-balance method (Straight-line method for building and structures) based on the estimated useful lives of the assets as follows:

<b>Tangible assets</b>	<b>Depreciation method</b>	<b>Estimated useful life</b>
Buildings and structures	Straight-line	40 years
Leasehold improvements	Declining balance	4-5 years
Equipment and vehicles	Declining balance	4-5 years

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**Table of Contents****Intangible Assets and Related Amortization**

Intangible assets included in fixed assets are recorded at the production costs or purchase costs plus incidental expenses less accumulated amortization. Intangible assets are amortized using the straight-line method over the estimated economic useful lives of the related assets or the activity method as follows:

<b><u>Intangible assets</u></b>	<b><u>Estimated useful life</u></b>
Goodwill	9 years
Development costs	5 years
Trademarks	5-20 years
Others	5-30 years

The Bank records goodwill as a result of the merger with H&CB, as the cost of the merger exceeded the fair value of the net assets acquired. Expenditures incurred in conjunction with the development of new products or technology and others, in which the elements of costs can be individually identified and future economic benefits are probably exerted, are capitalized as development costs. The Bank estimates the useful lives of endowment assets that are beneficial upon usage based on the term of the contract and are classified under other intangible assets.

**Valuation Allowance for Non-Business Use Property**

Non-business use property included in fixed assets is recorded when the Bank acquires collateral by foreclosure on the mortgage for loans. If the latest auction price is lower than book value, the difference is provided as a valuation allowance and the valuation loss is charged to current operations. In addition, the difference between the selling price and book value is recorded as a disposition gain or loss.

**Recognition of Impairment of Assets**

When the book value of assets (other than securities and assets valued at present value) exceeds the recoverable value of the assets due to obsolescence, physical damage or a sharp decrease in market value and the difference is material, the book value are adjusted to recoverable value in the balance sheet and the resulting impairment loss is charged to current operations. If the recoverable value of the assets increases in subsequent years, the increase in value is credited to operations as gain until the recoverable value equals the book value of assets that would have been determined had no impairment loss been recognized. The Bank assessed the recoverable value based on expected selling price or appraisal value.

**Amortization of Discounts (Premiums) on Debentures**

Discounts or premiums on debentures issued are amortized over the period from issuance to maturity using the effective interest rate method. Amortization of discounts or premiums is recognized as interest expense or interest income on the debentures.

Bonds under Resale or Repurchase Agreements

Bonds purchased under resale agreements are recorded as loans and bonds sold under repurchase agreements are recorded as borrowings when the Bank purchases or sells securities under resale or repurchase agreements.

Contingent Liabilities

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank is recognized as contingent liabilities when it is probable that an outflow of resources embodying economic benefits required and the amount of the obligation can be measured with sufficient reliability. Where the effect of the time value of money is material, the amount of the liabilities is the present value of the expenditures expected to be required to settle the obligation. In addition, as some or all expenditures required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as separate assets in the balance sheet and related income may be offset against expense in the income statement.



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### Accrued Severance Benefits

Employees and directors and temporary employees with at least one year of service as of September 30, 2005 are entitled to receive a lump-sum payment upon termination of their employment with the Bank, based on their length of service and rate of pay at the time of termination. The accrued severance benefits that would be payable assuming all eligible employees and directors were to resign are included in other liabilities.

The Bank has purchased severance benefits insurance, which meets the funding requirement for tax purposes, and made deposits with Kyobo Life Insurance Co., Ltd and others. Withdrawal of these deposits is restricted to the payment of severance benefits. These are presented as a deduction from the accrued severance benefits.

### Accounting for Derivative Instruments

The Bank accounts for derivative instruments pursuant to the Interpretations on Financial Accounting Standards 53-70 on accounting for derivative instruments. Derivative instruments are classified as used for trading activities or for hedging activities according to their transaction purpose. All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations.

The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustment is added to or deducted from the asset or the liability.

### Accounting for Stock Options

Stock options are valued at fair value pursuant to the Interpretations on Financial Accounting Standards 39-35 on accounting for stock options. The fair value of stock options is charged to operating expense in the statement of income and credited to capital adjustments as stock option cost over the contractual term of the services provided.

### National Housing Fund

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The Bank, as designated by the Korean Government under the Housing Law (former Housing Construction Promotion Law), manages the sources and uses of funds of the National Housing Fund (the NHF ) and records the related NHF account in other liabilities. In addition, the Bank pays interest to NHF, which is computed by multiplying the average balance of the NHF account by the passbook deposit interest rate.

### Accounting for Trust Accounts

The Bank separately maintains the books of accounts and financial statements in connection with the trust operations (the trust accounts) from those of the bank accounts in accordance with the Trust Business Act. When surplus funds are generated through the management of trust assets, such funds are deposited with the Bank and are recorded as due to trust accounts of the bank accounts. Also, the borrowings from the bank account are recorded as due from trust accounts of the bank accounts. The Bank receives fees for operation and management of the trust business and accounts for them as fees and commissions from trust accounts.

With respect to certain trust account products, the Bank guarantees the repayment of the principal of the trust accounts and, in certain cases, a fixed rate of return. If income from such trust accounts is insufficient to pay the guaranteed amount, such a deficiency is satisfied by using special reserves maintained in the trust accounts,

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offsetting trust fee payable to the bank accounts and receiving compensation contributions from the bank accounts of the Bank. If the Bank pays compensating contributions to the guaranteed return trusts to cover such deficiencies, these contributions are reflected as other operating expense of the bank accounts and as other income of the trust accounts.

## Income Tax Expense

Income tax expense is the amount currently payable for the period added to or deducted from the changes in deferred income taxes. However, deferred income tax assets are recognized only if the future tax benefits from accumulated temporary differences and any tax loss carryforwards are realizable. The difference between the amount currently payable for the period and income tax expense is accounted for as deferred income tax assets or liabilities, which will be charged or credited to income tax expense in the period each temporary difference reverses in the future. Deferred income tax assets or liabilities are calculated based on the expected tax rate to be applied at the reversal period of the related assets or liabilities. Tax payable and deferred income tax assets or liabilities regarding to certain items are charged or credited directly to related components of shareholders' equity.

## Accounting for Foreign Currency Transactions and Translation

The Bank maintains its accounts in Korean Won. Transactions in foreign currencies are recorded in Korean Won based on the prevailing rate of exchange on the transaction date. The Korean Won equivalent of assets and liabilities denominated in foreign currencies are translated in these financial statements based on the basic rate ((Won)1,038.00 and (Won)1,043.80 to US\$ 1.00 at September 30, 2005 and December 31, 2004, respectively) announced by Seoul Money Brokerage Service, Ltd. or cross rates for other currencies other than U.S. Dollars at the balance sheet dates. Translation gains and losses are credited or charged to operations. Financial statements of overseas branches are translated based on the basic rate at balance sheet dates.

## Application of the Statement of Korea Accounting Standards

The Korea Accounting Standard Board (KASB) under the Korea Accounting Institute (KAI) issued the Statements of Korea Accounting Standards (SKAS) for achieving a set of Korean accounting standards that should be internationally acceptable and comparable. The Statements supersede the relative articles of existing accounting standards and constitute generally accepted accounting standards of the Republic of Korea. The Bank has implemented SKAS No.1 (Accounting Changes and Correction of Errors) since January 1, 2002 and adopted SKAS from No.2 (Interim Financial Statements) through No.9 (Convertible Securities), since January 1, 2003. Also, the Bank has implemented SKAS No.13 (Troubled Debt Restructurings), since January 1, 2004 and adopted SKAS No.15 (Investment in Associates), No. 16 (Income Taxes) and No. 17 (Provisions, Contingent Liabilities and Contingent Assets), since January 1, 2005.

## Restatement of Prior Period Financial Statements

The Bank recorded all assets and liabilities comprising of private beneficiary certificates as their original accounts, and all gains and losses from all private beneficiary certificates as income from beneficiary certificates as of and for the year ended December 31, 2004. However, in accordance with the new interpretation by the Financial Supervisory Service, a private beneficiary certificate on which management, as an investor, agrees to have no interference and is not managing, is regarded as an ordinary beneficiary certificate and recorded as securities. Due to this change, the Bank restated the accompanying financial statements as of December 31, 2004, which increased total assets, total liabilities and

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capital adjustments by (Won)76,568 million, (Won)2,668 million and (Won)268,696 million, respectively, and decreased retained earnings before appropriations by (Won)194,796 million. In addition, total assets, total liabilities and capital adjustments as of September 30, 2005 decreased by (Won)62,749 million, (Won)62,749 million and (Won)113,220 million, respectively, and net income for the nine months then ended increased by (Won)113,220 million due to the accounting change.

### Reclassification

Certain accounts of the prior period were reclassified to conform to the current period's presentation for comparative purposes; however, reclassifications had no effect on the previously reported prior period net income or shareholders' equity of the Bank.

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**Table of Contents**3. CASH AND DUE FROM BANKS:

(1) Cash and due from banks in local currency and foreign currencies as of September 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Cash and checks	(Won) 2,347,767	(Won) 2,380,578
Foreign currencies	147,800	124,735
Due from banks in local currency	3,428,826	2,030,595
Due from banks in foreign currencies	573,050	607,447
Present value discount	(392)	(3,751)
	<u>(Won) 6,497,051</u>	<u>(Won) 5,139,604</u>

Due from banks as of September 30, 2005 and December 31, 2004 included (Unit: In millions):

<u>Financial institution</u>	<u>Interest (%)</u>	<u>2005</u>	<u>2004</u>
Due from banks in local currency			
BOK		(Won) 2,796,835	(Won) 1,685,105
Woori Bank and others	3.46~4.06	600,496	254,537
Hansol Mutual Savings	1.00	22,500	90,000
Korea Stock Exchange and others	2.00	8,995	953
Present value discount		(392)	(3,751)
		<u>3,428,434</u>	<u>2,026,844</u>
Due from banks in foreign currencies			
BOK		52,664	43,631
Korea Exchange Bank and others		66,780	74,274
Woori Bank and others	3.8~4.41	453,606	489,542
		<u>(Won) 573,050</u>	<u>(Won) 607,447</u>

(2) Restricted due from banks in local currency and foreign currencies as of September 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

<u>Financial institution</u>	<u>2005</u>	<u>2004</u>	<u>Reason for restriction</u>
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Due from banks in local currency			
BOK	(Won) 2,796,835	(Won) 1,685,105	BOK Act
Hansol Mutual Savings	22,500	90,000	Withdrawal at maturity
Woori Bank and others	4,029	4,029	Escrow account
Korea Stock Exchange and others	1,595	953	Futures margin accounts/ others
Due from banks in foreign currencies			
BOK	52,664	43,631	BOK Act
J.P.Morgan Chase & Co.	8,094	288	Futures margin accounts
	<u>(Won) 2,885,717</u>	<u>(Won) 1,824,006</u>	

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(3) Due from banks by financial institution as of September 30, 2005 and December 31, 2004 included (Unit: In millions):

Financial institution	2005	2004
Due from banks in local currency		
BOK	(Won) 2,796,835	(Won) 1,685,105
Banks	600,496	254,537
Others	31,495	90,953
	3,428,826	2,030,595
Due from banks in foreign currencies		
BOK	52,664	43,631
Banks	515,574	558,771
Others	4,812	5,045
	573,050	607,447
	(Won) 4,001,876	(Won) 2,638,042

(4) Term structure of due from banks as of September 30, 2005 were as follows (Unit: In millions):

	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 years	More than 3 years	Total
Due from banks in local currency	(Won) 3,128,064	(Won) 296,733	(Won)	(Won) 4,029	(Won)	(Won) 3,428,826
Due from banks in foreign currencies	541,910	31,140				573,050
	(Won) 3,669,974	(Won) 327,873	(Won)	(Won) 4,029	(Won)	(Won) 4,001,876

**4. SECURITIES:**

(1) Securities as of September 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	2005	2004
Trading securities	(Won) 3,807,312	(Won) 3,635,510
Available-for-sale securities	13,764,013	17,555,764
Held-to-maturity securities	11,171,318	6,229,435

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Securities accounted for using the equity method	583,555	544,732
	<u>583,555</u>	<u>544,732</u>
	(Won) 29,326,198	(Won) 27,965,441
	<u>(Won) 29,326,198</u>	<u>(Won) 27,965,441</u>

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(2) The valuation of securities excluding securities accounted for using the equity method as of September 30, 2005 consisted of (Unit: In millions):

<b>Classification</b>	<b>Face value</b>	<b>Acquisition cost (*)</b>	<b>Adjusted by effective interest rate method</b>	<b>Fair value (Net asset value)</b>	<b>Book value</b>
<b>Trading securities</b>					
Equity securities	(Won)	(Won) 84,844	(Won)	(Won) 98,491	(Won) 98,491
Beneficiary certificates	6,147	6,305		6,308	6,308
Government and public bonds	1,970,000	1,951,827	1,951,723	1,935,205	1,935,205
Finance bonds	1,650,000	1,644,508	1,645,607	1,634,358	1,634,358
Corporate bonds	127,266	126,805	127,085	127,950	127,950
Asset-backed securities	5,000	5,000	5,006	5,000	5,000
	<b>(Won) 3,758,413</b>	<b>(Won) 3,819,289</b>	<b>(Won) 3,729,421</b>	<b>(Won) 3,807,312</b>	<b>(Won) 3,807,312</b>
<b>Available-for-sale</b>					
Equity securities	(Won)	(Won) 799,649	(Won)	(Won) 950,288	(Won) 873,585
Equity investments		3,711		3,757	3,764
Beneficiary certificates	1,553,356	1,553,234		1,560,547	1,560,547
Government and public bonds	2,135,370	2,123,718	2,122,983	2,123,455	2,123,455
Finance bonds	7,084,479	7,003,531	6,992,932	7,010,554	7,010,554
Foreign government bonds	10,121	11,031	10,494	10,435	10,435
Corporate bonds	1,480,277	1,419,117	1,411,204	1,416,252	1,416,252
Asset-backed securities	885,942	822,510	747,129	746,164	746,164
Other debt securities	20,000	19,270	19,302	19,257	19,257
	<b>(Won) 13,169,545</b>	<b>(Won) 13,755,771</b>	<b>(Won) 11,304,044</b>	<b>(Won) 13,840,709</b>	<b>(Won) 13,764,013</b>
<b>Held-to-maturity</b>					
Government and public bonds	(Won) 4,554,876	(Won) 4,542,222	(Won) 4,545,986	(Won) 4,502,944	(Won) 4,545,986
Finance bonds	4,143,495	4,105,326	4,129,710	4,094,874	4,129,710
Corporate bonds	2,023,730	2,011,729	2,027,378	2,027,361	2,027,378
Asset-backed securities	320,000	319,906	319,925	321,052	319,925
Other debt securities	150,000	148,328	148,319	149,495	148,319
	<b>(Won) 11,192,101</b>	<b>(Won) 11,127,511</b>	<b>(Won) 11,171,318</b>	<b>(Won) 11,095,726</b>	<b>(Won) 11,171,318</b>

(\*) Acquisition cost of equity securities in available-for-sale is the book value before valuation.

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The valuation of securities excluding securities accounted for using the equity method as of December 31, 2004 consisted of (Unit: In millions):

<b>Classification</b>	<b>Face value</b>	<b>Acquisition cost (*)</b>	<b>Adjusted by effective interest rate method</b>	<b>Fair value (Net asset value)</b>	<b>Book value</b>
<b>Trading securities</b>					
Equity securities	(Won) 10,663	(Won) 176,191	(Won) 10,883	(Won) 184,545	(Won) 184,545
Beneficiary certificates	740,000	752,941	751,894	756,658	756,658
Government and public bonds	2,380,000	2,368,468	2,356,576	2,370,577	2,370,577
Finance bonds	170,000	169,470	169,731	169,242	169,242
Corporate bonds	45,000	44,909	44,860	44,963	44,963
Asset-backed securities	100,000	98,632	98,630	98,641	98,641
Other debt securities					
	<b>(Won) 3,445,663</b>	<b>(Won) 3,621,494</b>	<b>(Won) 3,421,691</b>	<b>(Won) 3,635,510</b>	<b>(Won) 3,635,510</b>
<b>Available-for-sale</b>					
Equity securities	(Won) 5,302,303	(Won) 5,145,408	(Won) 5,414,250	(Won) 5,414,250	(Won) 5,414,250
Equity investment	809,670	820,371	818,892	837,886	837,886
Beneficiary certificates	6,186,665	6,121,244	6,112,439	6,144,095	6,144,095
Government and public bonds	30,736	33,381	31,424	32,638	32,638
Finance bonds	3,634,994	3,550,118	3,507,631	3,538,819	3,538,819
Foreign government bonds	881,800	881,903	758,217	765,231	765,231
Corporate bonds	20,093	19,363	19,363	19,397	19,397
Asset-backed securities					
Other debt securities					
	<b>(Won) 16,866,261</b>	<b>(Won) 17,151,317</b>	<b>(Won) 11,247,966</b>	<b>(Won) 17,643,800</b>	<b>(Won) 17,555,764</b>
<b>Held-to-maturity</b>					
Government and public bonds	(Won) 3,071,424	(Won) 3,090,636	(Won) 3,080,549	(Won) 3,214,041	(Won) 3,080,549
Finance bonds	1,226,073	1,213,768	1,215,034	1,219,712	1,215,034
Corporate bonds	1,734,727	1,733,922	1,734,696	1,808,349	1,734,696
Asset-backed securities	180,000	180,000	180,000	189,936	180,000
Other debt securities	20,000	19,157	19,156	19,156	19,156
	<b>(Won) 6,232,224</b>	<b>(Won) 6,237,483</b>	<b>(Won) 6,229,435</b>	<b>(Won) 6,451,194</b>	<b>(Won) 6,229,435</b>

(\*) Acquisition cost of equity securities in available-for-sale is the book value before valuation.

As a result of the fair valuation of trading securities, the Bank recognized (Won)13,258 million of valuation loss and (Won)42,442 million of valuation gain for the nine months ended September 30, 2005 and 2004, respectively.

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(3) Available-for-sale securities, which were not valued at fair value as of September 30, 2005, were as follows (Unit: In millions, shares in thousands) :

<u>Company</u>	<u>No. of shares</u>	<u>Percentage of ownership (%)</u>	<u>Net asset value</u>	<u>Book value</u>
Bad Bank Harmony (preferred stock)	13	0.46	(Won) 37,441	(Won) 12,279
Korea Asset Management Corp.	1,506	5.38	11,221	7,827
Samsung Life Insurance Co., Ltd.	23	0.11	8,231	7,479
Korea Highway Corp.	573	0.03	5,897	6,248
Kyobo Investment Trust Management Co., Ltd.	420	7.00	3,324	2,100
Korea Smart Card Co., Ltd.	326	4.44	1,268	1,628
Korea Enterprise Data Co., Ltd.	300	2.09	1,500	1,500
Korea Money Broker Corp.	119	5.97	2,746	1,291
Baring Communications Equity	4,417	6.38	2,896	1,214
Mercury	1,632	12.13	2,392	1,088
Tianjin Samsung Opto Electronics	1,000	10.00	1,313	1,014
Others			76,639	34,504
			<u>(Won) 154,868</u>	<u>(Won) 78,172</u>

Available-for-sale securities, which were not valued at fair value as of December 31, 2004, were as follows (Unit: In millions, shares in thousands):

<u>Company</u>	<u>No. of shares</u>	<u>Percentage of ownership (%)</u>	<u>Net asset value</u>	<u>Book value</u>
Arirang Restructuring Fund	7,920	11.88	(Won) 16,407	(Won) 18,163
Mukoongwha Restructuring Fund	7,920	11.88	14,606	14,606
Seoul Fund	14,240	11.87	13,563	12,540
Bad Bank Harmony (preferred stock)	13	0.46	37,327	12,267
Korea Asset Management Corp.	1,506	5.38	12,783	7,827
Samsung Life Insurance Co., Ltd.	23	0.11	8,993	7,479
Korea Highway Corp.	573	0.03	5,897	6,248
Kyobo Investment Trust Management Co., Ltd.	420	7.00	3,574	2,100
Baring Communications Equity	4,665	6.73	1,957	1,957
Pan Asia Paper	1,275	2.94	1,642	1,642
Korea Smart Card Co., Ltd.	326	4.44	1,268	1,628
Korea Money Broker Corp.	119	5.97	2,514	1,291
Mercury	1,632	12.13	1,088	1,088
Tianjin Samsung Opto Electronics	1,000	10.00	1,241	1,020
Others			86,162	31,130
			<u>(Won) 209,022</u>	<u>(Won) 120,986</u>

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The impairment loss and the reversal of impairment loss on available-for-sale securities recognized for the nine months ended September 30, 2005 and 2004 are shown below (Unit: In millions).

	2005		2004	
	Impairment	Reversal	Impairment	Reversal
Equity securities	(Won) 4,215	(Won) 7,422	(Won) 17,154	(Won)
Equity investments	1		3	
Corporate bonds	468		2,451	
Asset-backed securities	21,460		35,450	
	(Won) 26,144	(Won) 7,422	(Won) 55,058	(Won)

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(4) Structured notes relating to stock, interest rate and credit linked notes ( CLN ) as of September 30, 2005 were as follows (Unit: In millions):

	<u>Local currency</u>	<u>Foreign currencies</u>	<u>Total</u>
Structured notes relating to stock			
Convertible bonds	(Won)	(Won) 59	(Won) 59
Structured notes relating to interest rate			
Long-term government bond floating rates notes ( FRN )	572,976		572,976
Dual indexed FRN	19,854		19,854
Inverse FRN	21,064		21,064
Others	50,224		50,224
	<u>664,118</u>		<u>664,118</u>
CLN		41,732	41,732
Bonds with call option	20,000		20,000
	<u>(Won) 684,118</u>	<u>(Won) 41,791</u>	<u>(Won) 725,909</u>

Structured notes relating to stock, interest rate and CLN as of December 31, 2004 were as follows (Unit: In millions):

	<u>Local currency</u>	<u>Foreign currencies</u>	<u>Total</u>
Structured notes relating to stock			
Convertible bonds	(Won)	(Won) 15,321	(Won) 15,321
Exchangeable bonds	137,871	15,654	153,525
Bonds with stock purchase warrants		762	762
Equity linked securities	49,721		49,721
	<u>187,592</u>	<u>31,737</u>	<u>219,329</u>
Structured notes relating to interest rate			
Long-term government bond floating rates notes ( FRN )	837,744		837,744
Dual indexed FRN	50,140		50,140
Inverse FRN	22,533		22,533
Others	90,367		90,367
	<u>1,000,784</u>		<u>1,000,784</u>
CLN		41,544	41,544
Bonds with call option	20,000		20,000
	<u>(Won) 1,208,376</u>	<u>(Won) 73,281</u>	<u>(Won) 1,281,657</u>



(5) Assets of private beneficiary certificates included in beneficiary certificates of available-for-sale securities as of September 30, 2005 and December 31, 2004 were composed of (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Securities	(Won) 7,121	(Won) 6,062
Government and public bonds	29,611	1,384,645
Finance bonds	896,868	2,464,128
Corporate bonds in local currency	48,718	794,397
Asset-backed debt securities	35,092	87,428
Call loans	451,054	264,997
Others	196,017	276,936
	<u>1,664,481</u>	<u>5,278,593</u>
Assets		
Liabilities	105,695	16,884
	<u>(Won) 1,558,786</u>	<u>(Won) 5,261,709</u>

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(6) The portfolio of securities excluding securities accounted for using the equity method, by industry, as of September 30, 2005 and December 31, 2004 was as follows (Unit: In millions):

By industry	2005		2004	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Trading securities</b>				
Government and government-invested public companies	(Won) 2,055,211	53.98	(Won) 916,323	25.20
Financial institutions	1,659,654	43.59	2,556,558	70.32
Others	92,447	2.43	162,629	4.48
	<u>(Won) 3,807,312</u>	<u>100.00</u>	<u>(Won) 3,635,510</u>	<u>100.00</u>
<b>Available-for-sale securities</b>				
Government and government-invested public companies	(Won) 2,958,811	21.50	(Won) 1,732,924	9.87
Financial institutions	9,910,481	72.00	14,969,783	85.27
Others	894,721	6.50	853,057	4.86
	<u>(Won) 13,764,013</u>	<u>100.00</u>	<u>(Won) 17,555,764</u>	<u>100.00</u>
<b>Held-to-maturity securities</b>				
Government and government-invested public companies	(Won) 6,523,811	58.40	(Won) 4,748,398	76.23
Financial institutions	4,597,955	41.16	1,426,591	22.90
Others	49,552	0.44	54,446	0.87
	<u>(Won) 11,171,318</u>	<u>100.00</u>	<u>(Won) 6,229,435</u>	<u>100.00</u>

(7) The portfolio of securities excluding securities accounted for using the equity method, by security type, as of September 30, 2005 and December 31, 2004 was as follows (Unit: In millions):

By type	2005		2004	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Trading securities</b>				
Stocks	(Won) 98,491	2.59	(Won) 184,545	5.08
Fixed rate bonds	3,576,857	93.95	3,260,607	89.69
Floating rate bonds	125,656	3.30	179,474	4.94
Beneficiary certificates	6,308	0.16	10,884	0.29

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	(Won) 3,807,312	100.00	(Won) 3,635,510	100.00
<b>Available-for-sale securities</b>				
Stocks	(Won) 873,585	6.35	(Won) 799,737	4.56
Fixed rate bonds	9,677,170	70.31	9,554,010	54.42
Floating rate bonds	932,602	6.78	901,040	5.13
Subordinated bonds	715,908	5.20	851,947	4.85
Convertible bonds	59	0.00	30,976	0.18
Beneficiary certificates	1,560,547	11.34	5,414,250	30.84
Others	4,142	0.03	3,804	0.02
	(Won) 13,764,013	100.00	(Won) 17,555,764	100.00
<b>Held-to-maturity securities</b>				
Fixed rate bonds	(Won) 11,041,318	98.84	(Won) 5,869,731	94.23
Floating rate bonds		0.00	229,704	3.69
Subordinated bonds	130,000	1.16	130,000	2.08
	(Won) 11,171,318	100.00	(Won) 6,229,435	100.00



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(8) The portfolio of securities excluding securities accounted for using the equity method, by country, as of September 30, 2005 and December 31, 2004 was as follows (Unit: In millions):

	2005		2004	
	Percentage		Percentage	
	Amount	(%)	Amount	(%)
<b>Trading securities</b>				
Korea	(Won) 3,807,312	100.00	(Won) 3,635,510	100.00
<b>Available-for-sale securities</b>				
Korea	(Won) 13,640,640	99.10	(Won) 17,421,092	99.23
USA	60,294	0.44	50,284	0.29
Russia	20,997	0.15		0.00
Philippines	9,876	0.07	25,703	0.15
Indonesia	9,667	0.07	13,516	0.08
The Republic of South Africa	6,465	0.05	6,742	0.04
Others	16,074	0.12	38,427	0.21
	(Won) 13,764,013	100.00	(Won) 17,555,764	100.00
<b>Held-to-maturity securities</b>				
Korea	(Won) 11,171,318	100.00	(Won) 6,229,435	100.00

(9) Term structure of securities (except for stocks and equity investments) in available-for-sale and held-to-maturity securities as of September 30, 2005 was as follows (Unit: In millions):

	Less than 1 year	Less than 5 years	Less than 10 years	More than 10 years	Total
<b>Available-for-sale securities</b>					
Fair value	(Won) 6,055,164	(Won) 6,685,491	(Won) 145,548	(Won) 461	(Won) 12,886,664
<b>Held-to-maturity securities</b>					
Book value	2,790,940	7,110,838	1,269,540		11,171,318
Fair value	2,800,300	7,135,843	1,159,583		11,095,726

(10) Pursuant to the management's operating plan of investment assets, the Bank disposed of certain held-to maturity securities of which the maturity dates were within three months from the disposal date. Under the Statement of Korean Accounting Standard No. 8 "Investments in Securities", the disposal of held-to maturity securities, which have maturities less than 3 months from the disposal date, does not affect the status of held-to maturity of the other held-to maturity securities. The face value and the book value of the disposed securities were (Won)120,000 million and 120,006 million, respectively, and the Bank recognized (Won)216 million of gain on disposal of securities for the nine months ended September 30, 2005.



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(11) Stocks and equity investments accounted for using the equity method as of September 30, 2005 are summarized as follows (Unit: In millions):

	No. of shares	Ownership (%)	Acquisition cost	Net asset value	Book value
<b>Domestic stocks</b>					
KB Investment Co., Ltd. (*1)	8,951,293	99.99	(Won) 156,748	(Won) 83,174	(Won) 83,174
KB Futures Co., Ltd. (*1)	3,999,200	99.98	19,996	26,950	26,950
KB Data System Co., Ltd. (*1)	799,960	99.99	8,001	16,905	12,974
KB Real Estate Trust	15,999,930	99.99	76,103	73,953	73,979
KB Asset Management (*1)	6,134,040	80.00	39,015	50,168	50,168
KB Credit Information	1,249,040	99.73	13,952	26,479	25,530
KB Life Insurance Co., Ltd. (*2)	3,060,000	51.00	15,426	13,501	
KLB Securities Co., Ltd. (*3)	4,854,713	36.41	10,316		
Joeun Industrial Co., Ltd. (*3)	1,999,910	99.99	23,994		
ING Life Insurance Korea	1,400,000	20.00	21,769	91,992	91,992
			<u>385,320</u>	<u>383,122</u>	<u>364,767</u>
<b>Foreign stocks</b>					
Kookmin Bank Singapore Ltd. (*3)	30,000,000	100.00	20,808		1,802
Kookmin Finance Asia Ltd. (HK) (*3)	700,000	100.00	8,177		252
Kookmin Bank Int'l Ltd. (London)	20,000,000	100.00	39,539	51,996	51,996
Kookmin Bank Hong Kong Ltd. (*1)	2,000,000	100.00	55,385	69,769	69,821
Sorak Financial Holdings PTE Ltd.	1,422,216	25.00	74,529	76,967	76,967
			<u>198,438</u>	<u>198,732</u>	<u>200,838</u>
<b>Equity investments</b>					
KICO No. 2 Venture Investment Partnership (*3)	5,000	55.56		185	185
KICO No. 3 Venture Investment Partnership (*3)	9,000	69.23		155	155
Pacific IT Investment Partnership	700	50.00	7,000	5,112	5,112
NPC02-4 Kookmin Venture Fund	100	33.33	10,000	12,498	12,498
			<u>17,000</u>	<u>17,950</u>	<u>17,950</u>
			<u>(Won) 600,758</u>	<u>(Won) 599,804</u>	<u>(Won) 583,555</u>

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Stock and equity investments accounted for using the equity method as of December 31, 2004 are summarized as follows (Unit: In millions):

	No. of shares	Ownership (%)	Acquisition cost	Net asset value	Book value
<b>Domestic stocks</b>					
KB Investment Co., Ltd. (*1)	8,941,587	99.89	(Won) 155,311	(Won) 78,695	(Won) 78,695
KB Futures Co., Ltd. (*1)	3,999,200	99.98	19,996	26,010	26,010
KB Data System Co., Ltd. (*1)	799,800	99.98	7,998	15,827	15,827
KB Real Estate Trust	15,999,930	99.99	76,103	58,071	58,071
KB Asset Management (*1)	6,134,040	80.00	39,015	47,288	47,288
KB Credit Information	1,173,640	93.71	12,553	19,742	18,670
KB Life Insurance Co., Ltd. (*2)	6,000,000	100.00	30,246	24,389	8,572
KLB Securities Co., Ltd. (*3)	4,854,713	36.41	10,316		
Joeeun Industrial Co., Ltd. (*3)	1,999,910	99.99	23,994		
ING Life Insurance Korea	1,400,000	20.00	21,769	69,145	69,145
			<u>397,301</u>	<u>339,167</u>	<u>322,278</u>
<b>Foreign stocks</b>					
Kookmin Bank Singapore Ltd. (*3)	30,000,000	100.00	21,204		1,812
Kookmin Finance Asia Ltd. (HK) (*3)	700,000	100.00	8,332		254
Kookmin Bank Int 1 Ltd. (London)	20,000,000	100.00	39,539	55,707	55,707
Kookmin Bank Hong Kong Ltd. (*1)	2,000,000	100.00	55,385	65,028	65,028
Sorak Financial Holdings PTE Ltd.	1,422,216	25.00	77,810	82,153	82,153
			<u>202,270</u>	<u>202,888</u>	<u>204,954</u>
<b>Equity investments</b>					
KICO No. 2 Venture Investment Partnership (*3)	5,000	55.56		213	213
KICO No. 3 Venture Investment Partnership (*3)	9,000	69.23		149	149
Pacific IT Investment Partnership	700	50.00	7,000	3,479	6,959
NPC02-4 Kookmin Venture Fund	100	33.33	10,000	10,179	10,179
			<u>17,000</u>	<u>14,020</u>	<u>17,500</u>
			<u>(Won) 616,571</u>	<u>(Won) 556,075</u>	<u>(Won) 544,732</u>

(\*1) Kookmin Investment Co., Ltd., Kookmin Futures Co., Ltd., Kookmin Data System Co., Ltd., Kookmin Assent Management and Kookmin Finance HK Ltd. changed their names into KB Investment Co., Ltd., KB Futures Co., Ltd., KB Data System Co., Ltd., KB Asset Management and Kookmin Bank Hong Kong Ltd., respectively, during 2004.

(\*2) On April 29, 2004, in order to establish the insurance business for diversification of revenues, the Bank invested (Won)30,246 million (including acquisition costs) to acquire ownership of KB Life Insurance Co., Ltd., which acquired the assets and the liabilities of Hanil Life Insurance Co., Ltd. The Bank disposed of 49% shares of KB Life Insurance Co., Ltd. to ING Insurance International B.V. for (Won)14,782 million. The difference between the disposal amount and the book value of (Won)10,583 million was reflected in the accumulative effect of equity method.

(\*3) KLB Securities Co., Ltd., Joeeun Industrial Co., Ltd., Kookmin Bank Singapore Ltd., Kookmin Finance Asia Ltd., KICO No. 2 Venture Investment Partnership and KICO No. 3 Venture Investment Partnership are all in the process of liquidation.

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(12) The valuation of securities accounted for using the equity method as of September 30, 2005 was as follows (Unit: In millions):

	Book value before valuation	Acquisition (disposal)	Dividend	Foreign currency translation gain (loss)	Equity gain (loss) on investment	Capital adjustments	Book value after valuation
<b>Domestic stocks</b>							
KB Investment Co., Ltd.	(Won) 78,695	(Won) 1,437	(Won) (447)	(Won)	(Won) 3,704	(Won) (215)	(Won) 83,174
KB Futures Co., Ltd.	26,010		(400)		1,340		26,950
KB Data System Co., Ltd. (*3)	15,827	3	(640)		(2,219)	3	12,974
KB Real Estate Trust	58,071				15,908		73,979
KB Asset Management	47,288		(6,134)		8,839	175	50,168
KB Credit Information (*1)	18,670	1,399	(587)		5,905	143	25,530
KB Life Insurance Co., Ltd. (*2, 3 and 4)	8,572	(4,200)			(4,372)		
KLB Securities Co., Ltd. (*2)							
Joeun Industrial Co., Ltd. (*2)							
ING Life Insurance Korea	69,145		(7,000)		17,176	12,671	91,992
	<u>322,278</u>	<u>(1,361)</u>	<u>(15,208)</u>		<u>46,281</u>	<u>12,777</u>	<u>364,767</u>
<b>Foreign stocks</b>							
Kookmin Bank Singapore Ltd.	1,812			(10)			1,802
Kookmin Finance Asia Ltd. (HK)	254			(2)			252
Kookmin Bank Int 1 Ltd. (London)	55,707			(5,113)	1,534	(132)	51,996
Kookmin Bank Hong Kong Ltd.	65,028			(398)	5,710	(519)	69,821
Sorak Financial Holdings PTE Ltd.	82,153			(2,932)	9,060	(11,314)	76,967
	<u>204,954</u>			<u>(8,455)</u>	<u>16,304</u>	<u>(11,965)</u>	<u>200,838</u>
<b>Equity Securities</b>							
KICO No. 2 Venture Investment Partnership	213				(28)		185
KICO No. 3 Venture Investment Partnership	149				6		155
Pacific IT Investment Partnership	6,959				(1,847)		5,112
NPC02-4 Kookmin Venture Fund	10,179		(199)		2,518		12,498
	<u>17,500</u>		<u>(199)</u>		<u>649</u>		<u>17,950</u>
	<u>(Won) 544,732</u>	<u>(Won) (1,361)</u>	<u>(Won) (15,407)</u>	<u>(Won) (8,455)</u>	<u>(Won) 63,234</u>	<u>(Won) 812</u>	<u>(Won) 583,555</u>

(\*1) Differences of ((Won)1,128 million) between the purchase price and the Bank's proportionate ownership of the net book value of KB Credit Information resulting from an additional purchase of 342,844 shares in October 2004 are credited to gain on valuation of securities accounted for using the equity method for five years. The Bank credited (Won)169 million to current operation for the nine months ended September 30, 2005 and the balance was (Won)902 million as of September 30, 2005.

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(\*2) The equity method is no longer applied to securities of KLB Securities Co., Ltd., KB Life Insurance Co., Ltd and Jooeun Industrial Co., Ltd. due to accumulated deficit resulting to the decrease of their book values below zero. The accumulated deficit, which was not recorded, is as follows (Unit: In millions):

	<u>Amount</u>
KLB Securities Co., Ltd.	(Won) 4,148
Jooeun Industrial Co., Ltd.	56,688
KB Life Insurance Co., Ltd.	7,378
	<u>(Won) 68,214</u>

(\*3) The unrealized income eliminated for the nine months ended September 30, 2005 as follows (Unit: In millions)

	<u>Related accounts</u>	<u>Amount</u>
KB Data System Co., Ltd.	Tangible assets (sales)	(Won) 3,968
KB Life Insurance Co., Ltd.	Commissions (deferred acquisition cost)	8,185
		<u>(Won) 12,153</u>

(13) Significant financial data of companies of which stocks were accounted for using the equity method as of and for the nine months ended September 30, 2005 were as follows (Unit: In millions):

	<u>Assets</u>		<u>Liabilities</u>		<u>Sales</u>		<u>Net income (loss)</u>
KB Investment Co., Ltd.	(Won)	86,274	(Won)	3,096	(Won)	13,935	(Won) 3,706
KB Futures Co., Ltd.		40,601		13,645		7,885	1,343
KB Data System Co., Ltd.		24,201		7,295		31,544	1,712
KB Real Estate Trust		176,193		102,239		41,849	15,883
KB Asset Management		67,610		4,900		24,906	11,410
KB Credit Information		36,969		10,419		54,844	6,090
KB Life Insurance Co., Ltd.		306,720		280,246		178,698	7,477
ING Life Insurance Korea		6,405,346		5,945,385		2,135,162	85,879
Kookmin Bank Int 1 Ltd. (London)		294,734		242,738		10,612	1,534
Kookmin Bank Hong Kong Ltd.		406,880		337,111		13,942	5,622
Sorak Financial Holdings PTE Ltd.		4,486,151		4,178,285		359,331	32,047
KICO No. 2 Venture Investment Partnership		332				4	(51)
KICO No. 3 Venture Investment Partnership		223				8	8
Pacific IT Investment Partnership		5,122		10		84	(127)
NPC02-4 Kookmin Venture Fund		37,495				7,760	7,495

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Unaudited financial statements as of September 30, 2005 were used for the equity method valuation. There was no material exception as a result of analytical review, such as analysis of major accounts to assess reliability of those financial statements. However, for ING Life Insurance Korea and Sorak Financial Holdings PTE Ltd., unaudited financial statements as of August 31, 2005 and December 31, 2004, respectively, were used for the equity method valuation. The significant events from the closing dates of investees to that of the Bank were properly reflected in applying the equity method.

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(14) Changes in the gain (loss) on valuation of available-for-sale securities, held-to-maturity securities and securities accounted for using the equity method reflected in capital adjustments for the nine months ended September 30, 2005 were as follows (Unit: In millions):

	2004	Increase (Decrease)	Disposal	Deferred income tax	2005
<b>Gain (loss) on valuation of available-for-sale securities</b>					
Equity securities	(Won) 277,984	(Won) 76,940	(Won) (30,566)	(Won) (89,198)	(Won) 235,160
Debt securities in local currency	140,767	9,096	(68,503)	3,519	84,879
Debt securities in foreign currencies	16,658	997	(6,644)	(3,028)	7,983
Beneficiary certificates	268,842	5,199	(266,728)	(2,011)	5,302
Others	3,236	10		(893)	2,353
	<u>707,487</u>	<u>92,242</u>	<u>(372,441)</u>	<u>(91,611)</u>	<u>335,677</u>
<b>Gain (loss) on valuation of held-to-maturity securities</b>					
Debt securities in local currency	(Won)	(Won) 952	(Won) (356)	(Won)	(Won) 596
<b>Gain (loss) on valuation of securities accounted for using the equity method</b>					
	(Won) 5,692	(Won) 812	(Won) 10,672	(Won) (3,393)	(Won) 13,783

During the nine months ended September 30, 2005, the Bank received cash and government securities in connection with the liquidation of certain private beneficiary certificates, which were classified as available-for-sale securities. With respect to the classification of the government securities received amounting to (Won)60,091 million, the Bank initially classified the securities into available-for-sale securities; however, the Bank's management determined to hold the securities up to the maturity date. In accordance with the change of management intention for the securities, the Bank reclassified the securities into held-to-maturity securities along with the fair market valuation at the classification date. As part of this reclassification, the Bank also reclassified unrealized gains and losses recognized from the acquisition date to the reclassification date in the capital adjustments into unrealized gain and losses of held-to-maturity securities, and amortized that amount using the effective interest rate method. The amortized amount is charged to interest income or expense for the remaining period until maturity.

(15) Securities provided as collateral as of September 30, 2005 were as follows (Unit: In millions):

<u>Provided to</u>	<u>Book value</u>	<u>Collateral amount</u>	<u>Provided for</u>
Korea Securities Depository & others	(Won) 5,999,237	(Won) 6,000,000	Bonds sold under repurchase agreements
BOK	1,125,239	1,120,000	Borrowings from BOK
BOK	332,892	332,000	Overdrafts and settlement risk
Samsung Futures & others	225,093	232,500	Derivative settlement
Korea Securities Depository	285,385	289,000	Others
	<u>(Won) 7,967,846</u>	<u>(Won) 7,973,500</u>	



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## 5. LOANS:

(1) Loans as of September 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Loans in local currency	(Won) 118,936,662	(Won) 122,721,898
Loans in foreign currencies	5,117,303	3,860,828
Bills bought in local currency	19,479	27,096
Bills bought in foreign currencies	1,282,382	574,785
Advances for customers	15,513	32,120
Factoring receivables	32,167	32,335
Credit card receivables	7,077,780	7,643,990
Private placed bonds	2,014,903	1,203,631
Call loans	2,397,094	2,741,783
Loans to be swapped to equity	313	746
	<u>136,893,596</u>	<u>138,839,212</u>
Allowance for possible loan losses	(2,754,582)	(3,118,775)
Deferred loan origination fees and costs	50,921	48,889
	<u>(Won) 134,189,935</u>	<u>(Won) 135,769,326</u>

(2) Loans in local currency and loans in foreign currencies as of September 30, 2005 and December 31, 2004 were follows (Unit: In millions):

## Loans in local currency

	<u>2005</u>	<u>2004</u>
<b>Commercial</b>		
Working capital loans		
General purpose loans	(Won) 24,141,447	(Won) 25,475,710
Notes discounted	894,769	1,197,606
Overdraft accounts	485,410	401,369
Trading notes	742,213	740,580
Others	3,968,016	3,862,852
	<u>30,231,855</u>	<u>31,678,117</u>
<b>Facilities loans</b>		
General facilities loans	4,267,505	5,139,091
Others	1,111,949	1,147,656

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	5,379,454	6,286,747
	<u>35,611,309</u>	<u>37,964,864</u>
<b>Households</b>		
General purpose loans	41,839,136	41,957,690
Housing loans	40,241,805	41,234,086
Remunerations on mutual installment savings	241,216	300,032
Others	487,814	532,615
	<u>82,809,971</u>	<u>84,024,423</u>
<b>Public sector loans</b>		
Public operation loans	469,381	673,456
Public facilities loans	34,573	40,383
	<u>503,954</u>	<u>713,839</u>
<b>Other loans</b>		
Property formation loans	7,094	9,719
Inter-bank loans	2,098	6,114
Others	2,236	2,939
	<u>11,428</u>	<u>18,772</u>
	<u>(Won) 118,936,662</u>	<u>(Won) 122,721,898</u>

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Loans in foreign currencies

	<b>2005</b>	<b>2004</b>
Domestic funding loans	(Won) 1,733,355	(Won) 1,000,004
Overseas funding loans	509,908	489,437
Inter-bank loans	(Won) 1,479,979	(Won) 1,092,174
Domestic usance bills	1,393,871	1,278,793
Government funding loans	190	420
	<b>(Won) 5,117,303</b>	<b>(Won) 3,860,828</b>

(3) Loans in local currency and loans in foreign currencies, classified by borrower type, as of September 30, 2005 were as follows (Unit: In millions):

	<b>Loans in local currency</b>	<b>Loans in foreign currencies</b>	<b>Total</b>	<b>Percentage (%)</b>
Large corporations	(Won) 3,143,038	(Won) 3,248,255	(Won) 6,391,293	5.1
Small and medium corporations	32,470,368	1,372,242	33,842,610	27.3
Households	82,819,302		82,819,302	66.8
Public sector and other	503,954	30,102	534,056	0.4
Overseas branches		466,704	466,704	0.4
	<b>(Won) 118,936,662</b>	<b>(Won) 5,117,303</b>	<b>(Won) 124,053,965</b>	<b>100.0</b>

Loans in local currency and loans in foreign currencies, classified by borrower type, as of December 31, 2004 were as follows (Unit: In millions):

	<b>Loans in local currency</b>	<b>Loans in foreign currencies</b>	<b>Total</b>	<b>Percentage (%)</b>
Large corporations	(Won) 2,842,731	(Won) 2,299,149	(Won) 5,141,880	4.1
Small and medium corporations	35,128,246	1,115,049	36,243,295	28.6
Households	84,037,082		84,037,082	66.4
Public sector and other	713,839	17,833	731,672	0.6
Overseas branches		428,797	428,797	0.3
	<b>(Won) 122,721,898</b>	<b>(Won) 3,860,828</b>	<b>(Won) 126,582,726</b>	<b>100.0</b>

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(4) Loans in local currency, loans in foreign currencies and others, classified by borrower's country, as September 30, 2005 were as follows (Unit: In millions):

	Loans in local currency	Loans in foreign currencies	Others	Total	Percentage (%)
Korea	(Won) 118,936,662	(Won) 3,923,066	(Won) 12,719,591	(Won) 135,579,319	99.0
China		370,915	45,195	416,110	0.3
Southeast Asia		38,888		38,888	0.0
Japan		262,138	87	262,225	0.2
Central and South America		241,835	23	241,858	0.2
Others		280,461	74,735	355,196	0.3
	<u>(Won) 118,936,662</u>	<u>(Won) 5,117,303</u>	<u>(Won) 12,839,631</u>	<u>(Won) 136,893,596</u>	<u>100.0</u>

Loans in local currency, loans in foreign currencies and others, classified by borrower's country, as December 31, 2004 were as follows (Unit: In millions):

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	<u>Loans in local currency</u>	<u>Loans in foreign currencies</u>	<u>Others</u>	<u>Total</u>	<u>Percentage (%)</u>
Korea	(Won) 122,721,898	(Won) 2,622,653	(Won) 12,060,578	(Won) 137,405,129	99.0
Southeast Asia		700,600	186,753	887,353	0.6
China		135,118		135,118	0.1
Japan		278,971		278,971	0.2
Central and South America		53,452	45	53,497	0.0
Others		70,034	9,110	79,144	0.1
	<u>(Won) 122,721,898</u>	<u>(Won) 3,860,828</u>	<u>(Won) 12,256,486</u>	<u>(Won) 138,839,212</u>	<u>100.0</u>

(5) Loans in local currency, loans in foreign currencies and others, classified by industry, as of September 30, 2005 were as follows (Unit: In millions):

	<u>Loans in local currency</u>	<u>Loans in foreign currencies</u>	<u>Others</u>	<u>Total</u>	<u>Percentage (%)</u>
Corporations					
Finance and insurance	(Won) 913,193	(Won) 1,571,279	(Won) 2,804,526	(Won) 5,288,998	3.8
Manufacturing	12,061,199	1,844,401	2,201,880	16,107,480	11.8
Services	18,601,288	768,698	1,004,436	20,374,422	14.9
Others	4,228,389	835,789	497,014	5,561,192	4.0
Households	82,819,302	60,825	6,328,679	89,208,806	65.2
Public sector	313,291	36,311	3,096	352,698	0.3
	<u>(Won) 118,936,662</u>	<u>(Won) 5,117,303</u>	<u>(Won) 12,839,631</u>	<u>(Won) 136,893,596</u>	<u>100.0</u>

Loans in local currency, loans in foreign currencies and others, classified by industry, as of December 31, 2004 were as follows (Unit: In millions):

	<u>Loans in local currency</u>	<u>Loans in foreign currencies</u>	<u>Others</u>	<u>Total</u>	<u>Percentage (%)</u>
Corporations					
Finance and insurance	(Won) 689,007	(Won) 1,150,426	(Won) 3,837,500	(Won) 5,676,933	4.1
Manufacturing	12,315,767	1,146,217	1,721,775	15,183,759	10.9
Services	21,240,715	1,422,823	487,968	23,151,506	16.7
Others	4,114,249	71,921	94,863	4,281,033	3.1
Households	84,037,082	69,441	6,114,380	90,220,903	65.0
public sector	325,078			325,078	0.2
	<u>(Won) 122,721,898</u>	<u>(Won) 3,860,828</u>	<u>(Won) 12,256,486</u>	<u>(Won) 138,839,212</u>	<u>100.0</u>

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(6) Loans to financial institutions as of September 30, 2005 were as follows (Unit: In millions):

	<u>Bank</u>	<u>Other financial institutions</u>	<u>Total</u>
Loans in local currency	(Won) 2,098	(Won) 911,095	(Won) 913,193
Loans in foreign currencies	1,505,929	65,350	1,571,279
Others	2,452,580	351,946	2,804,526
	<u>(Won) 3,960,607</u>	<u>(Won) 1,328,391</u>	<u>(Won) 5,288,998</u>

Loans to financial institutions as of December 31, 2004 were as follows (Unit: In millions):

	<u>Bank</u>	<u>Other financial institutions</u>	<u>Total</u>
Loans in local currency	(Won) 6,114	(Won) 682,893	(Won) 689,007
Loans in foreign currencies	1,092,174	58,252	1,150,426
Others	2,806,712	1,030,788	3,837,500
	<u>(Won) 3,905,000</u>	<u>(Won) 1,771,933</u>	<u>(Won) 5,676,933</u>



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## (7) Loans to LG Card Co., Ltd.

LG Card Co., Ltd. has been supported with (Won)437,000 million by the Bank in accordance with the agreement of the Financial Institution Creditors ( FIC ) on November 24, 2003 due to its significant financial difficulties in liquidity. Also, in accordance with FIC 's agreement, the Bank agreed to support new loan of (Won)205,900 million and exercise debt-equity swap of (Won)518,600 million. The Bank exercised the first debt-equity swap of (Won)156,350 million (loans of (Won)145,950 million and corporate bonds of (Won)10,400 million) on February 13, 2004, and exercised another debt-equity swap of (Won)362,250 million (loans of (Won)348,364 million and corporate bonds of (Won)13,886 million) after the capital reduction of 43.4:1 in May 2004. In addition, the Bank invested (Won)75,800 million of cash on the common shares of LG Card Co., Ltd. based on FIC 's agreement in January 2005, and LG Card Co., Ltd. reduced capital stock at the rate of 5.5:1 in March 2005. As a result of the transactions above, the Bank has loans of (Won)237,900 million and securities of (Won)311,086 million to LG Card Co., Ltd. as of September 30, 2005. The Bank has provided an allowance for loan losses of (Won)45,201 million and valuation gain on the securities of (Won)108,677 million is included in capital adjustments as of September 30, 2005.

The expected losses from loans to LG Card Co., Ltd. are fully dependent on the rehabilitation plan and an effective funding support from the FIC. Therefore, actual credit losses from this credit exposure may differ from management 's current assessment. The accompanying financial statements do not include any possible adjustments that may result from this uncertainty.

## (8) Loans applicable to the Corporate Restructuring Promotion Act

As of September 30, 2005, the Bank has loans of (Won)148,890 million to companies under the Corporate Restructuring Promotion Act, including Hyundai Engineering & Construction Co., Ltd., and has provided an allowance of (Won)31,579 million for possible loan losses. The actual collection amounts from those loans may differ from management 's current estimation.

(9) The classification of asset quality for loans, net of present value discount as of September 30, 2005 is summarized as follows (Unit: In millions):

	Normal	Precautionary	Substandard	Doubtful	Loss	Total
Loans in local currency	(Won) 113,004,287	(Won) 3,598,544	(Won) 1,025,449	(Won) 854,630	(Won) 453,752	(Won) 118,936,662
Loans in foreign currencies	4,995,199	68,745	21,091	31,053	1,215	5,117,303
Bills bought in local or foreign currencies	1,289,760	10,679	25	420	977	1,301,861
Advances for customers	1,616	1,877	400	3,650	7,970	15,513
Credit card receivables	6,474,524	392,103	535	155,485	55,133	7,077,780
Call loans	2,397,094					2,397,094
Privately placed bonds	1,991,080	16,790	1,874	5,091	68	2,014,903
Factoring receivables	31,002		1,165			32,167
Loans to be swapped to equity securities				313		313
	(Won) 130,184,562	(Won) 4,088,738	(Won) 1,050,539	(Won) 1,050,642	(Won) 519,115	(Won) 136,893,596



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The classification of asset quality for loans, net of present value discount as of December 31, 2004 is summarized as follows (Unit: In millions):

	Normal	Precautionary	Substandard	Doubtful	Loss	Total
Loans in local currency	(Won) 114,439,619	(Won) 5,222,736	(Won) 1,710,889	(Won) 1,019,763	(Won) 328,891	(Won) 122,721,898
Loans in foreign currencies	3,645,049	158,672	25,015	30,199	1,893	3,860,828
Bills bought in local or foreign currencies	585,927	9,569	650	2,698	3,037	601,881
Advances for customers	964	2,978	883	6,669	20,626	32,120
Credit card receivables	6,609,976	686,457	539	298,093	48,925	7,643,990
Call loans	2,741,783					2,741,783
Privately placed bonds	1,195,825	826	3,076	3,836	68	1,203,631
Factoring receivables	30,802		516	992	25	32,335
Loans to be swapped to equity securities				746		746
	(Won) 129,249,945	(Won) 6,081,238	(Won) 1,741,568	(Won) 1,362,996	(Won) 403,465	(Won) 138,839,212

(10) The term structure of loans as of September 30, 2005 was as follows (Unit: In millions):

	Loans in local currency	Loans in foreign currencies	Others	Total
Less than 3 months	(Won) 20,540,507	(Won) 2,352,037	(Won) 9,201,682	(Won) 32,094,226
Less than 6 months	14,202,872	767,938	653,430	15,624,240
Less than 1 year	32,183,721	943,403	876,321	34,003,445
Less than 2 years	16,211,444	282,055	539,767	17,033,266
Less than 3 years	10,252,956	272,604	686,181	11,211,741
Less than 4 years	3,825,514	91,543	46,479	3,963,536
Less than 5 years	4,963,084	120,322	83,923	5,167,329
More than 5 years	16,756,564	287,401	751,848	17,795,813
	(Won) 118,936,662	(Won) 5,117,303	(Won) 12,839,631	(Won) 136,893,596

The term structure of loans as of December 31, 2004 was as follows (Unit: In millions):

	Loans in local currency	Loans in foreign currencies	Others	Total
Less than 3 months	(Won) 19,085,485	(Won) 874,100	(Won) 8,648,235	(Won) 28,607,820
Less than 6 months	17,430,180	1,047,044	817,269	19,294,493
Less than 1 year	35,029,206	906,882	1,467,543	37,403,631

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Less than 2 years	19,972,984	181,903	629,951	20,784,838
Less than 3 years	11,900,101	190,361	480,695	12,571,157
Less than 4 years	2,637,763	85,984	63,633	2,787,380
Less than 5 years	3,956,310	67,973	49,160	4,073,443
More than 5 years	12,709,869	506,581	100,000	13,316,450
	<u>(Won) 122,721,898</u>	<u>(Won) 3,860,828</u>	<u>(Won) 12,256,486</u>	<u>(Won) 138,839,212</u>

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## (11) Sales of loans

Under the joint collection program of financial institutions, the Bank has sold (Won)189,473 million of certain loans to Hee Mang Moa Special Purpose Company and has recognized gain and loss of (Won)7,254 million and (Won)396 million, respectively. The Bank has also sold (Won)31,508 million of loans to KAMCO under the credit support program for lower income people and recognized gain and loss of (Won)259 million and (Won)1,675 million, respectively. In addition, the Bank has sold (Won)399,864 million of loans to KB 4<sup>th</sup> SPC and (Won)512,348 million of loans to KB 5<sup>th</sup> SPC and recognized (Won)63,797 million and (Won)8,361 million of gain on sale of loans, respectively. Other than these transactions discussed above, the Bank had 2 more loan sale transactions by which the Bank has recorded (Won)264 million of gain on sale of loans and (Won)25 million of loss on sale of loans. The loan amounts presented in the above are the original principal amount without any deduction of allowance or write-offs.

In connection with the sale of loans, the Bank has changed the accounting policy regarding the recognition of gain or loss from the sale of loans. Previously, for the sale of loans previously written off, the Bank offset the proceeds from the sale of the loans directly against allowance for possible loan losses, and for the sale of non-written off loans, the Bank recognized the proceeds in excess or less than the book value of the loans as gain or loss from the sale of loans. From the third quarter of 2004, the Bank adopted the same accounting policy for the sale of written off loans as that for the sale of non-written loans.

## (12) Credit card receivables as collateral

The Bank offers the credit card receivables amounting to (Won)757,513 million (before deducting the allowance) as collateral for the transaction of credit card receivables to SPC as of September 30, 2005.

## (13) The changes in loan origination costs for the nine months ended September 30, 2005 were as follows (Unit: In millions):

	<u>2004</u>	<u>Increase</u>	<u>Decrease</u>	<u>2005</u>
Loan origination costs	(Won) 48,889	10,209	8,177	(Won) 50,921

6. RESTRUCTURING LOANS:

(1) The loans that were restructured by means of principal reduction, debt-equity swap, interest reduction because of court receiverships, compositions and workouts for the nine months ended September 30, 2005 were as follows (Unit: In millions):

	<u>Amount before restructuring</u>	<u>Principal exemption</u>	<u>Conversion to equity securities</u>	<u>Interest reduction</u>	<u>Extension of maturity</u>
Court receivership	(Won) 1,778	172	313		(Won) 1,293

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Composition	902				902
Workout plan	81,385			20	81,365
	(Won) 84,065	172	313	20	(Won) 83,560

(2) Changes in the present value discounts relating to the outstanding restructured loans for the nine months ended September 30, 2005 were as follows (Unit: In millions):

	Present value discounts					
	Discount		Beginning balance	Addition	Deduction	Ending balance
	rates (%)	Amount				
Workout plan	6.0 ~ 23.3	(Won) 111,658	(Won) 6,562	(Won) 9,394	(Won) (7,104)	(Won) 8,852
Composition	4.9 ~ 19.9	14,981	3,200	812	(3,094)	918
Court receivership	5.9 ~ 21.0	48,956	6,126	534	(2,399)	4,261
Others	9.5	30,802	6,223	15	(1,488)	4,750
		(Won) 206,397	(Won) 22,111	(Won) 10,755	(Won) (14,085)	(Won) 18,781

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If the loans are restructured by means of reduction of interest rates, cash flows of fixed rate loans are discounted by effective interest rates originally agreed upon and cash flows of floating rate loans are discounted by interest rates determined by adding a credit risk premium, which is calculated at the restructuring date, assuming that debtors' credit at the origination date is effective to the restructuring date, to a benchmark interest rate. The difference between the book value and the present value is presented as an allowance for possible loan losses.

**7. ALLOWANCE FOR POSSIBLE LOAN LOSSES:**

(1) The allowance for possible loan losses as of September 30, 2005 is summarized as follows (Unit: In millions):

	<u>Normal</u>	<u>Precautionary</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Estimated loss</u>	<u>Total</u>
Loans in local currency	(Won) 776,622	(Won) 391,246	(Won) 212,706	(Won) 561,974	(Won) 453,752	(Won) 2,396,300
Loans in foreign currencies	17,677	3,892	7,515	19,644	1,215	49,943
Bills bought in local currency / Bills bought in foreign currencies	6,449	703	5	293	977	8,427
Advances for customers	8	311	80	2,013	7,970	10,382
Credit card receivables	64,745	47,052	107	100,783	55,133	267,820
Privately placed bonds	9,955	542	918	5,031	68	16,514
Factoring receivables	4,650		233			4,883
Loans to be swapped to equity securities				313		313
	<u>(Won) 880,106</u>	<u>(Won) 443,746</u>	<u>(Won) 221,564</u>	<u>(Won) 690,051</u>	<u>(Won) 519,115</u>	<u>(Won) 2,754,582</u>

The allowance for possible loan losses as of December 31, 2004 is summarized as follows (Unit: In millions):

	<u>Normal</u>	<u>Precautionary</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Estimated loss</u>	<u>Total</u>
Loans in local currency	(Won) 781,650	(Won) 476,391	(Won) 357,321	(Won) 678,256	(Won) 328,891	(Won) 2,622,509
Loans in foreign currencies	13,061	13,316	8,428	18,413	1,893	55,111
Bills bought in local currencies / Bills bought in foreign currencies	2,930	393	130	1,990	3,037	8,480
Advances for customers	5	621	176	4,873	20,626	26,301
Credit card receivables	66,100	82,375	108	195,214	48,925	392,722
Privately placed bonds	5,979	189	1,159	3,816	68	11,211
Factoring receivables	585		103	982	25	1,695
Loans to be swapped to equity securities				746		746
	<u>(Won) 870,310</u>	<u>(Won) 573,285</u>	<u>(Won) 367,425</u>	<u>(Won) 904,290</u>	<u>(Won) 403,465</u>	<u>(Won) 3,118,775</u>





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(2) The changes in allowance for possible loan losses for the nine months ended September 30, 2005 and for the year ended December 31, 2004 were as follows (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Beginning balance	(Won) 3,186,095	(Won) 3,948,736
Provision for possible loan losses	967,867	3,068,248
Reclassification from other allowances (*1)	6,450	289,919
Collection of previously written-off loans	339,756	286,464
Repurchase of NPLs sold	15,910	40,571
Sales of loans	(173,667)	(685,161)
Loans written-off	(1,511,058)	(5,260,962)
Reversal of write-off due to sale of loans		1,878,832
Conversion to equity securities	(11,131)	(327,816)
Exemption of loans	(8,768)	(32,847)
Changes in exchange rates and others	(2,988)	(19,889)
	<u>                    </u>	<u>                    </u>
Ending balance (*2)	(Won) 2,808,466	(Won) 3,186,095

(\*1) Other allowances for credit lines to Kookmin Credit Card 16th ABS Specialty Company amounting to (Won)6,450 million were transferred to allowances for loan losses.

(\*2) Allowance for possible loan losses includes present value discounts amounting to (Won)18,781 million and (Won)22,111 million as of September 30, 2005 and December 31, 2004, respectively, and allowances for other assets amounting to (Won)53,884 million and (Won) 67,320 million, respectively.

(3) The allowance for possible losses on other assets as of September 30, 2005 is summarized as follows (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Account receivables	(Won) 421	(Won) 95
Suspense receivables	26,571	38,952
Uncollected guarantee deposits for rent	7,774	9,295
Settlement costs for financial accident (*)	16,797	15,495
Derivative instruments	2,231	3,209
Other loans of Kookmin Credit Card	90	274
	<u>                    </u>	<u>                    </u>
	(Won) 53,884	(Won) 67,320

(\*) The allowance for possible losses for the settlement cost for financial accident includes the provision for possible losses resulting from the misappropriation by the Bank's employees. As of September 30, 2005, the total cost resulting from the employees' misappropriation was (Won)13,231 million (80 cases) and the Bank entirely provided allowance for losses for the total costs.

(4) The allowance for possible loan losses compared to total loans, net of present value discounts, is summarized as follows (Unit: In millions):

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	<u>Loans</u>	<u>Allowance for possible loan losses</u>	<u>Percentage (%)</u>
September 30, 2005	(Won) 136,893,596	(Won) 2,754,582	2.01
December 31, 2004	138,839,212	3,118,775	2.25
September 30, 2004	145,614,649	3,565,052	2.45
December 31, 2003	145,040,449	3,910,044	2.70
December 31, 2002	129,139,699	2,396,157	1.86

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**Table of Contents**8. FIXED ASSETS:

(1) Fixed assets as of September 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Tangible assets	(Won) 3,598,059	(Won) 3,594,903
Less: accumulated depreciation	(1,557,486)	(1,428,586)
Accumulated impairment loss	(1,267)	(2,296)
Intangible assets	418,021	468,958
Non-business use property	273	492
Less: valuation allowance	(148)	(253)
	<u>(Won) 2,457,452</u>	<u>(Won) 2,633,218</u>

(2) Tangible assets as of September 30, 2005 consisted of (Unit: In millions):

	<u>Acquisition cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment losses</u>	<u>Book value</u>
Land	(Won) 989,316	(Won)	(Won) 488	(Won) 988,828
Buildings	922,539	154,899	779	766,861
Leasehold improvements	178,146	137,092		41,054
Equipment and vehicles	1,503,923	1,265,495		238,428
Construction in progress	4,135			4,135
	<u>(Won) 3,598,059</u>	<u>(Won) 1,557,486</u>	<u>(Won) 1,267</u>	<u>(Won) 2,039,306</u>

Tangible assets as of December 31, 2004 consisted of (Unit: In millions):

	<u>Acquisition cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment losses</u>	<u>Book value</u>
Land	(Won) 999,021	(Won)	(Won) 1,306	(Won) 997,715
Buildings	914,968	140,114	990	773,864
Leasehold improvements	174,425	123,907		50,518
Equipment and vehicles	1,505,247	1,164,565		340,682
Construction in progress	1,242			1,242
	<u>(Won) 3,594,903</u>	<u>(Won) 1,428,586</u>	<u>(Won) 2,296</u>	<u>(Won) 2,164,021</u>

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(3) The changes in book value of tangible assets for the nine months ended September 30, 2005 consisted of (Unit: In millions):

	<u>Beginning</u>	<u>Acquisition</u>	<u>Replacement</u>	<u>Disposal</u>	<u>Deprecia- tion</u>	<u>Others</u>	<u>Change in foreign currencies</u>	<u>Ending</u>
Land	(Won) 997,715	(Won)	(Won)	(Won) 8,837	(Won)	(Won)	(Won) (50)	(Won) 988,828
Buildings	773,864		11,470	3,214	15,313		54	766,861
Leasehold improvements	50,518		14,704	1,950	22,197		(21)	41,054
Equipment and vehicles	340,682	45,127		2,481	144,578		(322)	238,428
Construction in progress	1,242	29,067	(26,174)					4,135
	<u>(Won) 2,164,021</u>	<u>(Won) 74,194</u>	<u>(Won)</u>	<u>(Won) 16,482</u>	<u>(Won) 182,088</u>	<u>(Won)</u>	<u>(Won) (339)</u>	<u>(Won) 2,039,306</u>

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(4) The published value of land was (Won)1,063,366 million and (Won)832,294 million as of September 30, 2005 and December 31, 2004, respectively, based on the Laws on Disclosure of Land Price and Valuation of Land.

(5) Tangible assets, which have been insured as of September 30, 2005, are as follows (Unit: In millions):

<u>Type of insurance</u>	<u>Asset insured</u>	<u>Book value</u>	<u>Insured amount</u>	<u>Insurance company</u>
Property composite	Buildings	(Won) 766,861	(Won) 620,826	Samsung Fire & Marine Insurance Co., Ltd. & others
	Leasehold improvements	41,054	47,603	
	Equipment and vehicles	242,563	187,701	
		<u>(Won) 1,050,478</u>	<u>(Won) 856,130</u>	

(6) Intangible assets as of September 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<u>Acquisition cost</u>	<u>Accumulated amortization</u>	<u>Book value</u>
Goodwill	(Won) 705,108	(Won) 306,852	(Won) 398,256
Development costs	17,438	10,780	6,658
others	16,328	3,221	13,107
	<u>(Won) 738,874</u>	<u>(Won) 320,853</u>	<u>(Won) 418,021</u>

(7) The changes in intangible assets for the nine months ended September 30, 2005 were as follows (Unit: In millions):

	<u>Beginning</u>	<u>Increase</u>	<u>Amortization</u>	<u>Ending</u>
Goodwill	(Won) 457,015	(Won)	(Won) 58,759	(Won) 398,256
Development costs	9,274		2,616	6,658
Others	2,669	11,255	817	13,107
	<u>(Won) 468,958</u>	<u>(Won) 11,255</u>	<u>(Won) 62,192</u>	<u>(Won) 418,021</u>

9. OTHER ASSETS:

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(1) Other assets as of September 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<b>2005</b>	<b>2004</b>
Guarantee deposits paid	(Won) 1,197,179	(Won) 1,290,891
Accounts receivable	4,249,968	2,343,617
Accrued income	951,684	971,170
Advanced payments	72,284	96,949
Prepaid expenses	45,791	205,923
Deferred income tax assets (Note 24)	498,978	502,937
Derivatives assets	1,141,440	2,391,984
Receivables from inter-bank fund transfer	353,003	520,612
Sundry assets	36,120	39,401
Allowances	(53,884)	(67,320)
	(Won) 8,492,563	(Won) 8,296,164

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(2) Sundry assets as of September 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Receivables on cash sent to other banks	(Won) 680	(Won) 680
Supplies	14,281	16,036
Deposit money to court(*)	21,445	22,354
Asset disposal receivables	361	299
others	33	32
	<u>(Won) 36,120</u>	<u>(Won) 39,401</u>

(\*) Securities is included in deposit money to court of which book value, face value and fair value are (Won)9,036 million, (Won) 9,910 million and (Won)11,066 million, respectively.

10. DEPOSITS:

(1) Deposits as of September 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Deposits in local currency	(Won) 117,668,270	(Won) 120,664,582
Deposits in foreign currencies	1,447,412	1,434,061
Certificates of deposits	5,360,040	4,911,891
	<u>(Won) 124,475,722</u>	<u>(Won) 127,010,534</u>

(2) Deposits in local currency and deposits in foreign currencies as of September 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<u>Interest rate</u>	<u>2005</u>	<u>2004</u>
	(%)		
Demand deposits in local currency			
Checking deposits		(Won) 107,789	(Won) 110,967
Household checking deposits	0.10	415,865	417,443
Temporary deposits		3,482,247	2,858,688
Passbook deposits	0.10	11,856,204	10,767,705
Public fund deposits	0.10	362,968	157,840
National Treasury deposits		18,350	1,840
Nonresident s deposit in local currency	0.10	19,841	24,301

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		16,263,264	14,338,784
<b>Time deposits and savings deposits in local currency</b>			
Time deposits	2.20 ~ 3.70	59,717,039	62,835,217
Installment savings deposits	2.95 ~ 3.50	1,201,601	1,249,939
Property formation savings	8.50	1,373	1,516
Workers' savings for housing	8.50 ~ 11.50	27	49
Time and savings deposits of non residents in local currency	2.20 ~ 3.70	225,825	263,671
General savings deposits	0.10 ~ 2.70	19,275,482	19,120,739
Corporate savings deposits	0.10 ~ 2.60	7,058,854	7,358,107
Long-term savings deposits for workers	11.50 ~ 12.00	14,967	39,104
Long-term housing savings deposits	4.10	2,190,561	1,663,366
Long-term savings for households	11.00	10,139	20,108
Workers' preferential savings deposits	5.35	1,492,178	2,171,785
Mutual installment deposits	2.65 ~ 3.50	5,445,696	6,306,923
Mutual installment for housing	2.20 ~ 3.40	4,772,060	5,295,274

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	<b>Interest rate</b>		
	(%)	<b>2005</b>	<b>2004</b>
		101,405,802	106,325,798
Gain on derivatives of fair value hedge		(796)	
		(Won) 117,668,270	(Won) 120,664,582
<b>Demand deposits in foreign currencies</b>			
Checking deposits		(Won) 47,480	(Won) 37,137
Passbook deposits	0.5	659,051	663,261
Notice deposits	0.87~5.74	247	276
Temporary deposits		5,629	1,315
		712,407	701,989
<b>Time deposits and savings deposits in foreign currencies</b>			
Time deposits	0.10~7.20	731,511	729,950
Installment savings deposits	5.00~6.50	608	662
Others		2,886	1,460
		735,005	732,072
		(Won) 1,447,412	(Won) 1,434,061

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(3) Deposits with financial institutions as of September 30, 2005 and December 31, 2004 were as follows (Unit: In millions):

	<u>Financial institutions</u>	<u>2005</u>	<u>2004</u>
Deposits in local currency	Banks	(Won) 823,961	(Won) 1,683,255
	Others	7,613,519	5,240,889
		8,437,480	6,924,144
Negotiable certificates of deposits	Others	170,000	110,000
		(Won) 8,607,480	(Won) 7,034,144

(4) Term structure of deposits in local currency and deposits in foreign currencies was as follows (Unit: In millions):

	<u>Less than</u> <u>3 months</u>	<u>Less than</u> <u>6 months</u>	<u>Less than</u> <u>1 year</u>	<u>Less than</u> <u>3 years</u>	<u>More than</u> <u>3 years</u>	<u>Total</u>
Deposits in local currency	(Won) 69,191,303	(Won) 12,372,629	(Won) 25,836,327	(Won) 7,837,714	(Won) 2,430,297	(Won) 117,668,270
Deposits in foreign currencies	1,266,828	101,638	73,898	5,048		1,447,412
Certificate of deposits	2,803,450	1,305,043	1,251,178	369		5,360,040
	(Won) 73,261,581	(Won) 13,779,310	(Won) 27,161,403	(Won) 7,843,131	(Won) 2,430,297	(Won) 124,475,722

#### 11. BORROWINGS:

(1) Borrowings as of September 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Borrowings in local currency	(Won) 2,642,879	(Won) 2,945,237
Borrowings in foreign currencies	3,736,722	2,540,260
Bonds sold under repurchase agreements	5,679,089	3,449,445
Bills sold	579,572	41,988
Due to BOK in foreign currencies	873	2,007
Call money	1,594,174	655,359
	(Won) 14,233,309	(Won) 9,634,296

(2) Borrowings in local currency as of September 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

<u>Account</u>	<u>Financial institution</u>	<u>Annual interest</u>		
		<u>rate (%)</u>	<u>2005</u>	<u>2004</u>
Borrowings from the Bank of Korea	BOK	2.00	(Won) 664,448	(Won) 920,144
Borrowings from the Korean government	Ministry of Finance and Economy, and others	0.00 ~ 8.00	650,480	697,772
Borrowings from banking institutions	Industrial Bank of Korea	2.95 ~ 6.00	127,233	158,245
Borrowings from National Housing Fund	National housing fund	8.00	2,279	2,986
Borrowings from other financial institutions	Korea Development Bank	2.00 ~ 4.00	4,445	5,227
Other borrowings	Small Business Corporation and others	1.25 ~ 7.00	1,193,994	1,160,863
			<u>(Won) 2,642,879</u>	<u>(Won) 2,945,237</u>

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(3) Borrowings in foreign currencies as of September 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

Account	Financial institution	Annual interest		
		rates (%)	2005	2004
Due to banks	First Union National Bank and others	0.00 ~ 3.79	(Won) 55,121	(Won) 27,463
Borrowings from banking institutions	Sumitomo Mitsui Banking Co., Ltd. and others	0.07 ~ 5.07	2,080,964	991,363
Off-shore borrowings in foreign currencies	ABN AMRO and others	0.31 ~ 4.08	659,648	663,993
Other borrowings from banking institutions	IBRD	4.32	10,724	13,882
Other borrowings in foreign currencies	Person, organization & corporations	0.00 ~ 6.12	930,265	843,559
			(Won) 3,736,722	(Won) 2,540,260

(4) Bonds sold under repurchase agreements, bills sold and due to BOK in foreign currencies as of September 30, 2005 and December 31, 2004 consisted of the following (Unit: In millions):

Account	Financial institution	Annual interest		
		rates (%)	2005	2004
Bonds sold under repurchase agreements in local currency	Person, Group, Corporations	2.50 ~ 3.50	(Won) 5,679,089	(Won) 3,449,445
Bills sold	Tellers Sales	2.90 ~ 3.35	579,572	41,988
Due to the Bank of Korea in foreign currencies	BOK	3.41 ~ 4.02	873	2,007
			(Won) 6,259,534	(Won) 3,493,440

(5) Call money as of September 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

Account	Financial institution	Annual interest		
		rates (%)	2005	2004
Local currency	Samsung Life Insurance Co., Ltd. and others	2.75 ~ 3.15	(Won) 1,400,500	(Won) 638,500
Foreign currencies	Bank of New Zealand and others	3.73 ~ 7.25	193,674	13,685
Inter-bank borrowings				3,174
			(Won) 1,594,174	(Won) 655,359

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(6) Borrowings in local currency, borrowings in foreign currencies and others with financial institutions as of September 30, 2005 and December 31, 2004 were as follows (Unit: In millions):

	2005				2004			
	Due to			Total	Due to			Total
	Local currency	Foreign currencies	BOK & Call Money		Local currency	Foreign currencies	BOK & Call Money	
BOK	(Won) 664,448	(Won)	(Won) 873	(Won) 665,321	(Won) 920,144	(Won)	(Won) 2,007	(Won) 922,151
Banks	127,233	2,136,085	193,674	2,456,992	158,245	1,684,978	13,685	1,856,908
Others	4,445	10,724	1,400,500	1,415,669	5,227	13,882	638,500	657,609
	(Won) 796,126	(Won) 2,146,809	(Won) 1,595,047	(Won) 4,537,982	(Won) 1,083,616	(Won) 1,698,860	(Won) 654,192	(Won) 3,436,668

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(7) Term structure of borrowings as of September 30, 2005 were as follows (Unit: In millions):

	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 years	More than 3 years	Total
Borrowings in local currency	(Won) 733,918	(Won) 65,115	(Won) 151,839	(Won) 714,706	(Won) 977,301	(Won) 2,642,879
Borrowings in foreign currencies	1,881,439	836,322	555,692	415,517	47,752	3,736,722
Bonds sold under repurchase agreements in local currency	2,896,688	1,242,321	1,522,212	17,868		5,679,089
Bills sold	368,878	17,933	192,761			579,572
Due to the Bank of Korea in foreign currencies	413	460				873
Call money	1,594,174					1,594,174
	<u>(Won) 7,475,510</u>	<u>(Won) 2,162,151</u>	<u>(Won) 2,422,504</u>	<u>(Won) 1,148,091</u>	<u>(Won) 1,025,053</u>	<u>(Won) 14,233,309</u>

12. DEBENTURES:

(1) Debentures as of September 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	2005	2004
Debentures in local currency	(Won) 15,770,344	(Won) 21,293,079
Less: Discount on debentures	(55,766)	(120,396)
Debentures in foreign currency	802,755	696,522
Addition: Premiums on debentures	4,114	5,490
	<u>(Won) 16,521,447</u>	<u>(Won) 21,874,695</u>

(2) Debentures in local currency as of September 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	Annual interest rate (%)	2005	2004
Hybrid debentures	6.00 ~ 7.00	(Won) 903,668	(Won) 903,668
Structured debentures	0.00 ~ 6.60	170,890	80,000
Subordinated fixed rate debentures	4.19 ~ 15.66	5,808,278	6,017,095
KCC subordinated fixed rate debentures	7.10 ~ 8.00	205,000	205,000
KCC fixed rate debentures	5.43 ~ 7.80	490,000	930,000

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KCC floating rate debentures		610,000
Fixed rate debentures	3.28 ~ 7.77	12,543,566
		<u>15,802,518</u>
		<u>21,289,329</u>
Loss (gain) on valuation of fair value hedged items (current year portion)		3,750
		(35,924)
Loss on valuation of fair value hedged items (prior year portion)		3,750
		<u>15,770,344</u>
		<u>21,293,079</u>
Discounts on debentures		(120,396)
		(55,766)
		<u>(Won) 15,714,578</u>
		<u>(Won) 21,172,683</u>

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(3) Hybrid debentures and subordinated debentures as of September 30, 2005 and December 31, 2004 were as follows (Unit: In millions):

	<u>Issued date</u>	<u>Expiration date</u>	<u>Annual interest rate (%)</u>	<u>2005</u>	<u>2004</u>
Subordinated fixed rate debentures in local currency	Feb-98 ~ Nov-98	Feb -03 ~ Nov-09	14.67 ~ 15.66	(Won) 119,001	(Won) 133,477
	Mar-00	Mar-05	9.65	5,659	200,000
	Jun-00	Jan-06	9.04 ~ 9.10	253,975	253,975
	Sep-00	Jan-06	8.99	300,000	300,000
	Sep-00	Jan-06	8.79 ~ 8.85	150,000	150,000
	Nov-00	Feb-06 ~ Dec-10	8.65 ~ 9.65	262,051	262,051
	Dec-00	Jan-06	8.71	200,000	200,000
	May-01	Feb-07	7.60 ~ 7.65	200,000	200,000
	Jun-01	Mar-08 ~ Mar-09	7.68 ~ 7.86	377,529	377,529
	Aug-01	Aug-07	6.69 ~ 6.73	100,000	100,000
	Sep-01	Mar-08	6.69 ~ 6.73	150,000	150,000
	Mar-02	Jan-08	7.06 ~ 7.10	241,684	241,684
	Jul-02	Jan-08	6.96 ~ 7.00	302,399	302,399
	Sep-02	Mar-08 ~ Mar-13	6.27 ~ 6.70	500,000	500,000
	Nov-02	May-08 ~ May-13	6.07 ~ 6.55	558,775	558,775
	Dec-02	Jan-08	8.00	110,000	110,000
	Dec-02	Jun-08 ~ Dec-14	6.20 ~ 6.65	180,370	180,370
	Jan-03	Feb-08	7.65	50,000	50,000
	Mar-03	Apr-08	7.10	45,000	45,000
	Oct-03	Jan-09 ~ Jan-14	5.18 ~ 5.60	449,051	449,051
	Feb-04	Aug-09 ~ Aug-14	5.65 ~ 6.16	700,000	700,000
	Sep-04	Dec-18	5.12	57,784	57,784
	Dec-04	Jun-10	4.19 ~ 4.20	700,000	700,000
				<u>6,013,278</u>	<u>6,222,095</u>
Hybrid debentures	Jun-03	Jun-33	6.00	105,145	105,145
	Aug-03	Aug-33	7.00	533,355	533,355
	Oct-03	Oct-33	6.80	265,168	265,168
				<u>903,668</u>	<u>903,668</u>
				<u>(Won) 6,916,946</u>	<u>(Won) 7,125,763</u>

(4) Debentures in foreign currencies as of September 30, 2005 and December 31, 2004 were as follows (Unit: In millions):

	<u>Annual interest rate (%)</u>	<u>2005</u>	<u>2004</u>
Floating rates debentures	0.19 ~ 4.60	(Won) 227,353	(Won) 110,810
Fixed rates debentures	2.37 ~ 4.63	529,666	532,913
KCC floating rate debentures	4.36	59,893	60,227



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	816,912	703,950
Gain on valuation of fair value hedged items (current year portion)	(6,729)	(5,925)
Gain on valuation of fair value hedged items (prior year portion)	(7,428)	(1,503)
	<u>802,755</u>	<u>696,522</u>
Premiums on debentures	4,720	6,336
Discounts on debentures	(606)	(846)
	<u>(Won) 806,869</u>	<u>(Won) 702,012</u>

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(5) Term structure of debentures as of September 30, 2005 were as follows (Unit: In millions):

	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 years	More than 3 years	Total
Debentures in local currency	(Won) 624,192	(Won) 1,793,148	(Won) 5,158,530	(Won) 4,180,870	(Won) 4,013,604	(Won) 15,770,344
Debentures in foreign currencies	59,892	20,870	68,485	589,088	64,420	802,755
	(Won) 684,084	(Won) 1,814,018	(Won) 5,227,015	(Won) 4,769,958	(Won) 4,078,024	(Won) 16,573,099

13. OTHER LIABILITIES:

Other liabilities as of September 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	2005	2004
Accrued severance benefits (Note 15)	(Won) 350,644	(Won) 319,947
Less: Severance insurance deposits (Note 15)	(169,599)	(193,325)
Allowance for possible losses on acceptances and guarantees	2,562	1,150
Due to trust accounts	890,141	811,339
Accounts payable	4,062,018	2,723,038
Accrued expenses	4,808,752	4,279,216
Advances from customers	498,756	191,642
Unearned revenues	94,130	97,269
Withholding taxes	50,097	3,687
Guarantees deposits received	117,331	111,723
Derivatives liabilities	1,068,495	2,219,630
Accounts for agency business	233,531	233,690
Domestic exchange settlement loans	260,447	258,020
Agency	748,304	280,569
Sundry liabilities (Note 16)	931,471	768,091
	(Won) 13,947,080	(Won) 12,105,686

14. ACCEPTANCES AND GUARANTEES AND ALLOWANCES FOR POSSIBLE LOSSES:

(1) Acceptances and guarantees as of September 30, 2005 and December 31, 2004 were as follows (Unit: In millions):

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Types	2005	2004
<b>Confirmed acceptances and guarantees in local currency</b>		
Payment guarantee for issuance of debentures	(Won) 432	(Won) 472
Payment guarantee for loans	37,277	30,852
Others	352,296	260,497
	390,005	291,821
<b>Confirmed acceptances and guarantees in foreign currencies</b>		
Acceptances on letters of credit	106,169	101,180
Acceptances for letters of guarantee for importers	62,736	62,829
Guarantees for performance of contracts	48,098	32,039
Guarantees for bids	3,674	2,606
Guarantees for borrowings	37,031	26,728
Guarantees for repayment of advances	43,469	23,213
Others	854,538	435,372
	1,155,715	683,967
	1,545,720	975,788
<b>Unconfirmed acceptances and guarantees</b>		
Letters of credit	1,012,916	1,016,414
Others	986,643	295,360
	1,999,559	1,311,774
	(Won) 3,545,279	(Won) 2,287,562

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(2) Acceptances and guarantees, by customer, as of September 30, 2005 were as follows (Unit: In millions):

	<u>Confirmed</u>	<u>Unconfirmed</u>	<u>Total</u>	<u>Percentage (%)</u>
Large corporations	(Won) 1,071,187	(Won) 1,356,890	(Won) 2,428,077	68.48
Small and medium corporations	456,393	615,601	1,071,994	30.24
Public sector and others	15,662	27,068	42,730	1.21
Foreign customer	2,478		2,478	0.07
	<u>(Won) 1,545,720</u>	<u>(Won) 1,999,559</u>	<u>(Won) 3,545,279</u>	<u>100.00</u>

Acceptances and guarantees, by customer, as of December 31, 2004 were as follows (Unit: In millions):

	<u>Confirmed</u>	<u>Unconfirmed</u>	<u>Total</u>	<u>Percentage (%)</u>
Large corporations	(Won) 356,397	(Won) 438,394	(Won) 794,791	34.74
Small and medium corporations	616,849	844,951	1,461,800	63.90
Public sector and others		25,514	25,514	1.12
Foreign customer	2,542	2,915	5,457	0.24
	<u>(Won) 975,788</u>	<u>(Won) 1,311,774</u>	<u>(Won) 2,287,562</u>	<u>100.00</u>

(3) Acceptances and guarantees, by industry, as of September 30, 2005 were as follows (Unit: In millions):

	<u>Confirmed</u>	<u>Unconfirmed</u>	<u>Total</u>	<u>Percentage (%)</u>
Public sector	(Won) 2,719	(Won) 53,789	(Won) 56,508	1.59
Finance	287,132	11,795	298,927	8.43
Service	291,638	367,994	659,632	18.61
Manufacturing	848,352	1,502,920	2,351,272	66.32
Others	115,879	63,061	178,940	5.05
	<u>(Won) 1,545,720</u>	<u>(Won) 1,999,559</u>	<u>(Won) 3,545,279</u>	<u>100.00</u>

Acceptances and guarantees, by industry, as of December 31, 2004 were as follows (Unit: In millions):

	<u>Confirmed</u>	<u>Unconfirmed</u>	<u>Total</u>	<u>Percentage (%)</u>
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Finance	(Won) 242,520	(Won) 911	(Won) 243,431	10.64
Service	265,714	346,398	612,112	26.76
Manufacturing	373,205	863,085	1,236,290	54.04
Others	94,349	101,380	195,729	8.56
	<u>(Won) 975,788</u>	<u>(Won) 1,311,774</u>	<u>(Won) 2,287,562</u>	<u>100.00</u>

(4) Acceptances and guarantees, by country, as of September 30, 2005 were as follows (Unit: In millions):

	<u>Confirmed</u>	<u>Unconfirmed</u>	<u>Total</u>	<u>Percentage (%)</u>
Korea	(Won) 1,306,980	(Won) 1,999,478	(Won) 3,306,458	93.27
France	197,220		197,220	5.56
USA	41,520		41,520	1.17
Others		81	81	0.00
	<u>(Won) 1,545,720</u>	<u>(Won) 1,999,559</u>	<u>(Won) 3,545,279</u>	<u>100.00</u>

Acceptances and guarantees, by country, as of December 31, 2004 were as follows (Unit: In millions):

	<u>Confirmed</u>	<u>Unconfirmed</u>	<u>Total</u>	<u>Percentage (%)</u>
Korea	(Won) 934,036	(Won) 1,311,073	(Won) 2,245,109	98.14
USA	41,752	701	42,453	1.86
	<u>(Won) 975,788</u>	<u>(Won) 1,311,774</u>	<u>(Won) 2,287,562</u>	<u>100.00</u>

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(5) Allowance for possible losses on confirmed acceptances and guarantees as of September 30, 2005 and December 31, 2004 were as follows (Unit: In millions):

	2005		2004	
	Local currency	Foreign currencies	Local currency	Foreign currencies
Normal	(Won) 383,501	(Won) 1,142,983	(Won) 280,910	(Won) 672,484
Precautionary	4,344	10,665	8,614	10,312
Substandard	220	1,827	2,042	1,024
Doubtful	1,791	234	225	142
Estimated loss	149	7	30	5
	(Won) 390,005	(Won) 1,155,716	(Won) 291,821	(Won) 683,967
Allowance for possible losses	1,958	604	551	599
Ratio (%)	0.50	0.05	0.19	0.09

(6) The percentage of allowance for possible losses on confirmed acceptances and guarantees to outstanding guarantees and acceptances as of September 30, 2005 and 2004, and December 31, 2004, 2003 and 2002 were as follows (Unit: In millions):

	Guarantees and acceptances outstanding	Allowance	Percentage (%)
September 30, 2005	(Won) 1,545,720	(Won) 2,562	0.17
December 31, 2004	975,788	1,150	0.12
September 30, 2004	808,213	908	0.11
December 31, 2003	800,297	1,074	0.13
December 31, 2002	1,031,698	2,287	0.22

15. ACCRUED SEVERANCE BENEFITS:

The changes in accrued severance benefits for the nine months ended September 30, 2005 were as follows (Unit: In millions):

	2004	Provision	Payment	Additional increase (decrease)	2005
Accrued severance benefits	(Won) 319,947	(Won) 89,090	(Won) 58,379	(Won) (14)	(Won) 350,644
Severance insurance deposits	(193,325)	(4,866)	(28,592)		(169,599)

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(Won) 126,622	(Won) 84,224	(Won) 29,787	(Won) (14)	(Won) 181,045
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As of September 30, 2005 and December 31, 2004, part of severance benefits was contributed to pension funds of Korea Life Insurance Co., Ltd. and Kyobo Life Insurance Co., Ltd, in which the beneficiary is a respective employee. The total severance benefits paid for the nine months ended September 30, 2005 amounted to (Won)313,959 million, including the additional severance benefits of (Won)255,581 million relating to early retirements paid in March 2005.

**Table of Contents**16. SUNDRY LIABILITIES:

(1) Sundry liabilities as of September 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Borrowings for others business	(Won) 100,542	(Won) 87,685
Unsettled domestic exchange liabilities	170,007	21,395
Prepaid card and debit card liabilities	9,864	4,714
Subscription deposits	27,167	40,085
Other allowances	622,035	611,120
Others	1,856	3,092
	<u>(Won) 931,471</u>	<u>(Won) 768,091</u>

(2) Other allowances as of September 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Loss on branch closure	(Won) 150	(Won) 237
Limit of unused cash advance service	46,274	45,234
Mileage rewards	75,744	80,676
Claimed assets		3
Credit commitments to SPC (Note 19)	404,195	438,343
KAMCO loans sold (Note 19)	238	217
Master Card share agreement	3,490	3,135
Allowances for additional tax payments		458
Dormant accounts	13,760	14,976
LG Card		23,812
KP Chemical loans sold	4,029	4,029
Subordinate bond	44,710	
Others	29,445	
	<u>(Won) 622,035</u>	<u>(Won) 611,120</u>

17. SHAREHOLDERS EQUITY:

(1) Capital stock



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As of September 30, 2005 and December 31, 2004, the Bank has 1 billion common shares authorized with a par value per share of (Won)5,000 and 336,379,116 shares issued. ING Bank N.V. Amsterdam and Euro-Pacific Growth Fund own 13,650,001 shares and 13,376,220 shares (ownership rate: 4.06% and 3.98%, respectively). As of September 30, 2005, 50,871,519 common shares, equivalent to 15.12% of the total issued shares, are listed on the New York Stock Exchange as ADS and are managed by the Bank of New York, the trustee of the Bank.

As a result of the legal consolidation with H&CB, the registered shareholders of both the Bank and H&CB, as of October 31, 2001, received 179,775,233 shares and 119,922,229 shares, respectively. The new shares were distributed based on an exchange ratio of one new Bank share each for 1.688346 old Bank shares and one new Bank share for one H&CB share. The new shares were listed on the Korea Stock Exchange on November 9, 2001. Furthermore, as a result of the merger with Kookmin Credit Co., Ltd., the Bank issued 8,120,431 shares.

Under the General Banking Act, if a single entity, other than the government or a foreign investor, owns more than 4% of total outstanding voting shares, that entity's voting rights are limited to 4% shareholding.

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(2) Capital surplus

The other capital surplus as of September 30, 2005 and December 31, 2004 were as follows (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Gain on business combination	397,669	397,669
Revaluation increment	177,229	177,229
Gain on disposal of treasury stock	24,220	
	<u>(Won) 599,118</u>	<u>(Won) 574,898</u>

The gain on business combination is due to the difference between the business combination consideration and the net asset value acquired from the merger with KLB on December 31, 1998.

(3) Retained earnings

1) Appropriations of retained earnings

Appropriations of retained earnings for 2004 as resolved at the general meeting of shareholders on March 18, 2005 are summarized as follows (Unit: In millions):

	<u>Amount</u>
Retained earnings before appropriations:	
Accumulated deficits carried over from prior years	(Won) (176,963)
Valuation of securities accounted for using the equity method	1,614
Net income	555,250
	<u>379,901</u>
Transfers from voluntary reserve:	
Discretionary appropriated retained earnings	220,100
Business rationalization reserve	40,760
	<u>260,860</u>
Appropriations:	
Legal reserve	55,600

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Reserve for financial structure improvement	55,600
Reserve for losses on sale of treasury stock	359,525
Other reserves	1,438
Cash dividends	168,574
	<hr/>
	640,737
	<hr/>
Unappropriated retained earnings carried forward to the subsequent year	(Won) 24
	<hr/>

2) Legal reserve

The Korean Banking Law requires a bank to appropriate at least 10 percent of net income after income tax to legal reserve, until such reserve equals 100 percent of its paid-in capital. This reserve is not available for payment of cash dividends; however, it can be used to reduce deficit or be transferred to capital.

3) Reserve for financial structure improvement (voluntary reserve)

In 2002, the Finance Supervisory Service recommended banks to appropriate at least 10 percent of net income after accumulated deficit to reserve for financial structure improvement, until simple capital ratio equals 5.5 percent. This reserve is not available for payment of cash dividends; however, it can be used to reduce deficit or be transferred to capital.

4) Business rationalization reserve

Pursuant to the Tax Exemption and Reduction Control Law, the Bank was previously required to appropriate, as a reserve for business rationalization, amounts equal to tax reductions arising from tax exemptions and tax credits up to December 31, 2001. Since the requirement was no longer effective from 2002, business rationalization reserve was transferred to retained earnings, pursuant to the approval at the shareholders meeting on March 18, 2005.

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## 5) Retained earnings appropriated for accumulated deficit

The Bank appropriated voluntary reserve amounting to (Won)754,900 million to offset accumulated deficit, pursuant to the approval at the shareholders meeting on March 23, 2004.

## (4) Capital adjustments

Capital adjustments as of September 30, 2005 and December 31, 2004 were as follows (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Treasury stock	(Won) (11,953)	(Won) (1,322,320)
Gain on valuation of available-for-sale securities	335,677	707,487
Gain on valuation of held-to-maturity securities	596	
Increase due to the equity method	25,500	10,443
Decrease due to the equity method	(11,717)	(4,751)
Stock option cost	4,226	29,613
Loss on sales of treasury stock		(1,459)
	<u>(Won) 342,329</u>	<u>(Won) (580,987)</u>

The changes of capital adjustments for the nine months ended September 30, 2005 were as follows (Unit: In millions):

	<u>Beginning balance</u>	<u>Changes</u>	<u>Disposal or realized</u>	<u>Deferred tax income</u>	<u>Ending balance</u>
Treasury stock	(Won) (1,322,320)	(Won)	(Won) 1,310,367	(Won)	(Won) (11,953)
Gain on valuation of available-for-sale securities	707,487	92,242	(372,441)	(91,611)	335,677
Gain on valuation of held-to-maturity securities		952	(356)		596
Change due to the equity method	5,692	812	10,672	(3,393)	13,783
Stock options	29,613	(22,749)	(2,638)		4,226
Loss on sales of treasury stock	(1,459)	1,459			
	<u>(Won) (580,987)</u>	<u>(Won) 72,716</u>	<u>(Won) 945,604</u>	<u>(Won) (95,004)</u>	<u>(Won) 342,329</u>

## 1) Treasury stock

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The Bank, with the approval of the Board of Directors on July 26, 2002, established an Employee Stock Option Plan (ESOP) as part of employee benefits and purchased three million shares of treasury stock under the plan. In 2003, the Bank contributed one million shares to the Employee Stock Ownership Association (ESOA). Pursuant to the approval of the Board of Directors on February 3, 2005, the Board of Directors decided to contribute additional two million shares to the ESOA. One million shares were given on February 23, 2005 and another million shares were given on April 12, 2005. As a result of the contribution, the Bank recognized (Won)996 million of gain on sales of treasury stock as of September 30, 2005.

In accordance with the resolution of the Board of Directors on December 17, 2003, the Bank acquired 27,423,761 out of 30,623,761 shares previously owned by the Korean government through public bidding at (Won)43,700 per share. For the nine months ended September 30, 2005, the Bank has sold 26,680,772 shares of treasury stock for (Won)1,248,664 million at the domestic over-the-counter market and issued 742,989 shares of global depository receipts on June 16, 2005 for the purpose of increasing net capital and enhancing the quality of the financial structure pursuant to the resolution of the Board of Directors on April 27, 2005. As a result of the sale of treasury stock, the Bank has recognized (Won)35,106 million of gain before tax for the nine months ended September 30, 2005. As of September 30, 2005, the Bank holds 0.08 percent (269,738 shares) of the total common stock issued as treasury stock.

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## 2) Loss on sales of treasury stock

For nine months ended September 30, 2005, due to the exercise of stock options, loss on sales of treasury stock increased by (Won)683 million (before income tax).

18. STOCK OPTIONS:

- (1) The Bank granted stock options to all executives. When the stock options are exercised, the Bank has the option to settle either through issuance of new shares or treasury stock, or through payment of the difference between the market price and the exercise price in cash. At the meeting held on August 23, 2005, the Board of Directors has concluded that the Bank would settle the stock option through payment of the difference between the market price and the exercise price only in cash after the remaining treasury stock is exhausted. Accordingly, stock options against 269,738 shares of treasury stock, which the Bank currently owns, were recorded using the fair value method accounting, and other stock options were recorded using intrinsic value method of accounting. Due to the change, stock compensation expense (payroll) amounting to (Won)14,429 million decreased, and (Won)14,376 million of stock options (capital adjustment) were transferred to accrued expenses. The stock options, which will be exercised through treasury stock, are options from Series 2, 5, 6 and 7, and the respective number of shares is 138,278 shares, 68,253 shares, 43,842 shares and 19,365 shares. The stock options as of September 31, 2005 were as follows:

	Grant date	Granted shares				Exercise price	Exercise period
		Granted	Forfeited	Exercised	Outstanding		
Series 2	01.03.15	214,975	16,882	59,815	138,278	28,027	04.03.16 ~ 09.03.15
Series 5	00.02.28	267,000	65,218	133,529	68,253	27,600	03.03.01 ~ 06.02.28
Series 6	01.03.24	111,000	38,624	28,534	43,842	25,100	04.03.25 ~ 07.03.24
Series 7	01.11.16	850,000	200,000		650,000	51,200	04.11.17 ~ 09.11.16
Series 8-1 (*1)	02.03.22	132,000	89,753		42,247	57,100	05.03.23 ~ 10.03.22
Series 8-2 (*2)	02.03.22	490,000	180,691		309,309	57,100	05.03.23 ~ 10.03.22
Series 9 (*2)	02.07.26	30,000	6,101		23,899	58,800	05.07.27 ~ 10.07.26
Series 10-1(*1)	03.03.21	140,000	76,557		63,443	46,352	06.03.22 ~ 11.03.21
Series 10-2 (*2)	03.03.21	180,000	90,440		89,560	35,500	06.03.22 ~ 11.03.21
Series 11(*1)	03.08.27	30,000	24,909		5,091	40,500	06.08.28 ~ 11.08.27
Series 12 (*1)	04.02.09	85,000	9,461		75,539	46,100	07.02.10 ~ 12.02.09
Series 13-1(*1)	04.03.23	20,000			20,000	48,650	07.03.24 ~ 12.03.23
Series 13-2 (*2)	04.03.23	10,000			10,000	47,200	07.03.24 ~ 12.03.23
Series 14 (*1 & 2)	04.11.01	700,000			700,000	46,500	07.11.02 ~ 12.11.01
Series 15-1(*1)	05.03.18	165,000			165,000	54,200	08.03.19 ~ 13.03.18
Series 15-2 (*2)	05.03.18	765,000			765,000	46,800	08.03.19 ~ 13.03.18
Series 16 (*2)	05.04.27	15,000			15,000	45,700	08.04.28 ~ 13.04.27
Series 17 (*2)	05.07.22	30,000			30,000	49,200	08.07.23 ~ 13.07.22
Series 18 (*2)	05.08.23	15,000			15,000	53,000	08.08.24 ~ 13.08.23
Kookmin Credit Card-1 (*3)	01.03.22	22,146			22,146	71,538	04.03.23 ~ 11.03.22
Kookmin Credit Card -2 (*1 & 3)	02.03.29	9,990			9,990	129,100	04.03.30 ~ 11.03.29
		4,282,111	798,636	221,878	3,261,597		

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(\*1) The exercise price is adjusted by reflecting the increase in average stock price index of banking industry as of September 31, 2005.

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- (\*2) As the number of shares granted is determined according to the certainty of exercise of stock options and performance record for the contract period of service provided after the grant date, the number of shares granted is computed based on the assumption that the performance evaluation result falls into the highest level in the bracket.
- (\*3) In addition, the Bank took over the stock options granted by Kookmin Credit Card Co., Ltd. of which the exercise price and number of shares were adjusted in proportion to the merger ratio.

(2) The compensation cost of the stock option through granting treasury stock is calculated based on the fair value basis method. The main assumptions used under the fair value basis method were as follows:

	<u>Stock price at grant date</u>	<u>Risk free interest rate (%)</u>	<u>Expected exercise Period(years)</u>	<u>Volatility (%)</u>	<u>Expected dividend s rate of return (%)</u>	<u>Compensation cost per share</u>
Series 2	25,156	6.06	5.5	70.30	2.47	15,987
Series 5	33,750	4.74	1.33	73.30	1.93	13,320
Series 6	33,750	4.74	2.42	73.30	1.93	17,117
Series 7	45,800	4.91	3	58.90		18,364

(3) The compensation costs based on the settlement of stock options are as follows (Unit: In millions):

	<u>By payment of differences</u>		<u>By exercising stocks</u>	
Total compensation cost of stock option	(Won)	29,943	(Won)	4,226
Reflected compensation cost		14,376		4,226
Compensation cost to be reflected	(Won)	15,567	(Won)	

(4) The weighted average exercise cost is (Won)29,107 and the weighted average fair value is (Won)15,666 as of September 30, 2005.

**19. CONTINGENCIES AND COMMITMENTS:**

- (1) As of September 30, 2005 and December 31, 2004, the Bank has (Won)9,011 million and (Won)9,396 million, respectively, of endorsed notes relating to the repurchase bills bought in foreign currencies.
- (2) The Bank holds written-off loans, of which the claim for borrowers and guarantors have not been terminated, amounting to (Won)7,404,871 million and (Won)6,629,858 million as of September 30, 2005 and December 31, 2004, respectively.
- (3) As of September 30, 2005, the Bank has entered into commitments to provide credit line of (Won)4,230,591 million and to purchase commercial papers amounting to (Won)1,229,100 million with several special purpose companies. Commitments to provide credit line and to purchase commercial paper with a one year term amount to (Won)1,000 million and (Won)450,000 million, respectively. Under these



commitments, the Bank

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extended (Won)156,117 million of loans to the companies and recognized (Won)404,195 million of expected loss as other allowance. As of September 30, 2005, the Bank has (Won)41,412 million of outstanding commitments to provide foreign currency loans, and the amount of commitments within one year term is nil.

- (4) The Bank entered into the business cooperation agreements with Woori Credit Card, Citibank and Nonghyup for the credit card business. Accordingly, the Bank shares the related revenue from such business operation.
- (5) As of September 30, 2005, the Bank has provided allowances of (Won)238 million for losses from possible future repurchase of loans, which the Bank sold to Korea Asset Management Corporation ( KAMCO ) for (Won)691 million.
- (6) As of September 30, 2005 and December 31, 2004, the Bank recorded receivables amounting to (Won)3,643,461 million and (Won)2,286,066 million, and payables amounting to (Won)3,642,948 million and (Won)2,283,394 million for unsettled foreign currency spot transactions.
- (7) As of September 30, 2005, the Bank faces 166 pending legal actions involving aggregate damages of (Won)368,736 million. On the other hand, the Bank also has filed 230 lawsuits, which are still pending, with aggregate claims of (Won)182,194 million. Management believes that the actions against the Bank are without merit and that the ultimate liability, if any, will not materially affect the Bank's financial position.
- (8) The notional amounts outstanding for derivative contracts as of September 30, 2005 and December 31, 2004 were as follows (Unit: In millions):

Type	2005 (*)			2004		
	Trading	Hedge	Total	Trading	Hedge	Total
<b>Interest rate:</b>						
Interest rate forwards	(Won) 207,600	(Won)	(Won) 207,600	(Won)	(Won)	(Won)
Interest rate futures	1,025,575		1,025,575	605,224		605,224
Interest rate swaps	31,426,351	1,557,550	32,983,901	31,951,803	1,007,900	32,959,703
Interest rate options purchased	351,900		351,900	354,190		354,190
Interest rate options sold	741,900		741,900	854,190		854,190
	<u>33,753,326</u>	<u>1,557,550</u>	<u>35,310,876</u>	<u>33,765,407</u>	<u>1,007,900</u>	<u>34,773,307</u>
<b>Currency:</b>						
Currency forwards	66,840,538		66,840,538	53,943,197		53,943,197
Currency futures	2,773,899		2,773,899	2,537,269		2,537,269
Currency swaps	4,814,025		4,814,025	4,184,152		4,184,152
Currency options purchased	112,176		112,176	245,387		245,387
Currency options sold	74,736		74,736	270,247		270,247
	<u>74,615,374</u>		<u>74,615,374</u>	<u>61,180,252</u>		<u>61,180,252</u>

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<b>Stock:</b>					
Stock index futures	7,968		7,968	3,406	3,406
Stock options purchased	2,462,305		2,462,305	1,743,480	1,743,480
Stock options sold	2,462,305		2,462,305	1,729,630	1,729,630
	<u>4,932,578</u>		<u>4,932,578</u>	<u>3,476,516</u>	<u>3,476,516</u>
<b>Other:</b>					
Gold index purchased	146,268		146,268		
Gold index sold	146,268		146,268		
	<u>292,536</u>		<u>292,536</u>		
	<u>(Won) 113,593,814</u>	<u>(Won) 1,557,550</u>	<u>(Won) 115,151,364</u>	<u>(Won) 98,422,175</u>	<u>(Won) 1,007,900</u>
				<u>(Won) 1,007,900</u>	<u>(Won) 99,430,075</u>

(\*) For transaction between local currency and foreign currencies, unsettled amount of transaction is presented using the basic foreign exchange rate based on the contract amount in foreign currencies. For transaction between foreign currencies and foreign currencies, unsettled amount is presented using the basic foreign exchange rate based on foreign currencies purchased.

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September 30, 2005

Type	Gain (loss) valuation (I/S)			Gain (loss) on valuation (B/S) (*)
	Trading	Hedge	Total	
<b>Interest rate:</b>				
Interest rate forwards	(Won) 9		(Won) 9	(Won) 9
	(3)		(3)	(3)
Interest rate options purchased	348		348	3,815
	(2,732)		(2,732)	
Interest rate options sold	3,087		3,087	
	(545)		(545)	(2,611)
Interest rate swaps	326,664		326,664	169,439
	(275,462)	(43,449)	(318,911)	(209,607)
	<u>330,108</u>	<u>(43,449)</u>	<u>330,108</u>	<u>173,263</u>
	<u>(278,742)</u>	<u>(43,449)</u>	<u>(322,191)</u>	<u>(212,221)</u>
<b>Currency:</b>				
Currency forwards	471,104		471,104	567,926
	(469,226)		(469,226)	(610,976)
Currency swaps	59,349		59,349	343,692
	(102,247)		(102,247)	(189,060)
Currency options purchased	1,242		1,242	1,240
	(550)		(550)	(550)
Currency options sold	389		389	389
	(760)		(760)	(760)
	<u>532,084</u>	<u>(572,783)</u>	<u>532,084</u>	<u>913,247</u>
	<u>(572,783)</u>	<u>(572,783)</u>	<u>(572,783)</u>	<u>(801,346)</u>
<b>Stock:</b>				
Stock option purchased	13,458		13,458	52,991
	(13,507)		(13,507)	
Stock option sold	14,647		14,647	
	(12,834)		(12,834)	(52,988)
	<u>28,105</u>	<u>(26,341)</u>	<u>28,105</u>	<u>52,991</u>
	<u>(26,341)</u>	<u>(26,341)</u>	<u>(26,341)</u>	<u>(52,988)</u>
<b>Other:</b>				
Gold index purchased	712		712	1,939
	(672)		(672)	
Gold index sold	756		756	
	(707)		(707)	(1,940)
	<u>1,468</u>	<u>(1,379)</u>	<u>1,468</u>	<u>1,939</u>
	<u>(1,379)</u>	<u>(1,379)</u>	<u>(1,379)</u>	<u>(1,940)</u>

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	<u>891,765</u>	<u>(Won) (43,449)</u>	<u>891,765</u>	<u>1,141,440</u>
	(Won) (879,245)	(Won) (43,449)	(Won) (922,694)	(Won) (1,068,495)

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December 31, 2004

Type	Gain (loss) valuation (I/S)			Fair value
	Trading	Hedge	Total	(B/S)(*)
<b>Interest rate:</b>				
Interest rate options purchased	(Won) 3,786 (3,030)	(Won)	(Won) 3,786 (3,030)	(Won) 6,202
Interest rate options sold	3,604 (6,562)		3,604 (6,562)	(17,757)
Interest rate swaps	254,638 (236,126)	691 (2,838)	255,329 (238,964)	316,333 (354,023)
	262,028 (245,718)	691 (2,838)	262,719 (248,556)	322,535 (371,780)
<b>Currency:</b>				
Currency forwards	358,291 (385,338)		358,291 (385,338)	1,519,636 (1,486,626)
Currency swaps	142,469 (102,044)		142,469 (102,044)	476,703 (287,203)
Currency options purchased	151 (1,282)		151 (1,282)	281 (887)
Currency options sold	777 (225)		777 (225)	827 (379)
	501,688 (488,889)		501,688 (488,889)	1,997,447 (1,775,095)
<b>Stock:</b>				
Stock option purchased	2,833 (21,261)		2,833 (21,261)	72,002
Stock option sold	18,901 (3,220)		18,901 (3,220)	(72,755)
	21,734 (24,481)		21,734 (24,481)	72,002 (72,755)
	785,450 (Won) (759,088)	691 (Won) (2,838)	786,141 (Won) (761,926)	2,391,984 (Won) (2,219,630)

(\*) Fair value as of December 31, 2004.

The Bank uses various derivative instruments for its trading activities, including interest rate and foreign exchange swaps, futures, forwards and options, to manage the interest rate characteristics of certain assets or liabilities and to economically hedge against the effects of fluctuations in interest rates or foreign exchange rates.

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The Bank holds derivative instruments accounted for as fair value hedges applied to debentures, subordinated bonds and structured bonds. As of September 30, 2005, the Bank recognized the gain on valuation of fair value hedged items amounting (Won)43,449 million. In addition, the interest rate swap covers the fair value changes of the hedged items resulted from the fluctuation in interest rate and foreign exchange rate.

(9) The Bank has credit linked notes issued by Morgan Stanley for the commission gain as of September 30, 2005 as follows. (Unit: In thousands)

<u>Contract date</u>	<u>Expired date</u>	<u>2005</u>	<u>2004</u>	<u>Reference entity</u>
2003.3.24	2006.3.24	\$ 40,000	\$ 40,000	KDB, KEPCO, POSCO, KT

If there are certain credit events in the reference entities, the CLN is early redeemed. The Bank will receive the debt securities of the reference entities or the same amount of money as the securities.

**Table of Contents****20. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:**

(1) Assets and liabilities denominated in foreign currencies as of September 30, 2005 and December 31, 2004 were as follows:

	2005		2004	
	USD equivalent (In thousands)	KRW equivalent (In millions)	USD equivalent (In thousands)	KRW equivalent (In millions)
<b>Assets:</b>				
Foreign currencies	US\$ 142,390	(Won) 147,800	US\$ 119,501	(Won) 124,735
Due from banks-foreign currencies	552,072	573,050	581,957	607,447
Securities-foreign currencies	831,715	863,320	910,909	950,807
Loans in foreign currencies	4,929,964	5,117,303	3,698,819	3,860,828
Bills bought in foreign currencies	1,235,435	1,282,382	550,665	574,785
Call loans	93,540	97,095	183,736	191,784
<b>Liabilities:</b>				
Deposits-foreign currencies	1,394,424	1,447,412	1,373,885	1,434,061
Borrowings-foreign currencies	3,599,925	3,763,722	2,433,665	2,540,260
Due to BOK	841	873	1,923	2,007
Call money in foreign currencies	186,584	193,674	13,111	13,685
Debentures-foreign currencies	773,367	802,755	667,294	696,522
Foreign exchange remittance pending	US\$ 163,783	(Won) 170,007	US\$ 20,497	(Won) 21,395

(\* ) Foreign currencies other than U.S. dollars were translated into U.S. dollars at the appropriate exchange rates at balance sheet dates.

**21. INTEREST REVENUE AND EXPENSES:**

(1) The average balance of the interest bearing assets and liabilities, and the related interest revenue and expenses as of and for the nine months ended September 30, 2005 and 2004 were as follows (Unit: In millions):

	2005			2004		
	Average balance	Interest revenue /expense	Interest rate (%)	Average balance	Interest revenue /expense	Interest rate (%)
<b>Assets</b>						
Due from banks(*1)	(Won) 895,950	(Won) 18,432	2.75	(Won) 825,681	(Won) 7,038	1.14
Securities	22,957,375	808,414	4.71	18,128,503	766,457	5.65
Loans	133,989,909	6,812,797	6.80	139,646,295	7,803,562	7.47



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	(Won) 157,843,234	(Won) 7,639,643	6.47	(Won) 158,600,479	(Won) 8,577,057	7.23
<b>Liabilities</b>						
Deposits	(Won) 124,693,317	(Won) 2,422,243	2.60	(Won) 130,225,666	(Won) 2,986,152	3.07
Borrowings	11,656,272	260,151	2.98	11,205,673	254,163	3.03
Debentures	19,655,937	801,698	5.45	18,274,273	818,822	5.99
	(Won) 156,005,526	(Won) 3,484,092	2.99	(Won) 159,705,612	(Won) 4,059,137	3.40

(\*1) Excluding the average balance of reserve deposits with BOK

**Table of Contents****22. GENERAL AND ADMINISTRATIVE EXPENSES:**

(1) Selling and administrative expenses for the nine months ended September 30, 2005 and 2004 were as follows (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Salaries	(Won) 975,155	(Won) 858,949
Provision for severance benefits	89,090	81,200
Other employee benefits	288,601	237,491
Rent	64,505	57,000
Depreciation and amortization	244,280	304,041
Taxes and dues	88,654	89,019
Advertising	34,696	26,638
Development expenses	99,001	94,139
Servicing fee	50,259	52,012
Other selling and administrative expenses	156,102	151,360
	<u>(Won) 2,090,343</u>	<u>(Won) 1,951,849</u>

(2) Other selling and administrative expenses for the nine months ended September 30, 2005 and 2004 were as follows (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Communication	(Won) 24,952	(Won) 27,277
Electricity and utilities	12,774	13,510
Publication	14,545	16,388
Repairs maintenance	12,045	12,532
Vehicle	20,318	20,612
Travel	2,595	3,313
Training	12,993	14,883
Other	55,880	42,845
	<u>(Won) 156,102</u>	<u>(Won) 151,360</u>

**23. NON-OPERATING INCOME AND EXPENSES:**

(1) Non-operating income and expenses for the nine months ended September 30, 2005 and 2004 consisted of (In millions):

<u>2005</u>	<u>2004</u>
-------------	-------------

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Non-operating income:			
Gain on disposal of tangible assets	(Won)	9,475	(Won) 1,861
Reversal of tangible assets impairment loss			3,281
Rental income		2,463	2,264
Gain on valuation of securities accounted for using the equity method		71,700	38,930
Gain on disposal of available-for-sale securities		282,431	121,598
Gain on redemption of held-to-maturity securities		216	1,509
Gain on disposal of securities accounted for using the equity method			79
Gain on sale of loans		79,935	23,770
Others		171,027	109,727
	(Won)	617,247	(Won) 303,019
Non-operating expenses:			
Loss on disposal of tangible assets	(Won)	3,764	(Won) 2,368
Loss on valuation of securities accounted for using the equity method		8,466	28,841
Loss on disposal of available-for-sale securities		17,210	22,875
Impairment loss on available-for-sale securities		26,144	55,058
Loss on sale of loans		2,096	864,609
Severance benefits		255,581	50,029
Others		76,195	113,276
	(Won)	389,456	(Won) 1,137,056

**Table of Contents**24. INCOME TAX EXPENSE:

(1) The differences between pretax accounting income and taxable income pursuant to Korean Corporate Income Tax Law for the nine months ended September 30, 2005 and 2004 are summarized as follows (Unit: In millions):

	<u>2005</u>		<u>2004(*)</u>	
Income before income tax		(Won) 2,602,894		(Won) 1,001,708
Taxable and non-deductible items				
Temporary difference	3,119,600		1,521,323	
Permanent difference	408,716	3,528,316	161,001	1,682,324
Deductible and non-taxable items				
Temporary difference	(2,103,782)		(1,835,881)	
Permanent difference	(743,308)	(2,847,090)	(228,704)	(2,064,585)
Accumulated deficit				(276,496)
Taxable income		(Won) 3,284,120		(Won) 342,951

(\*) Adjustment in relation to the private beneficiary certificates are not reflected on the income for the nine months ended September 30, 2004.

(2) The tax effects on temporary differences and tax loss carryforwards that gave rise to significant portions of the deferred income tax assets for the nine months ended September 30, 2005 were as follows (Unit: In millions):

<b>Korean Won</b>								
	<u>Beginning</u>		<u>Deduction</u>		<u>Addition</u>		<u>Ending</u>	
	balance (*)						balance	
Loss on fair value hedges	(Won)	(3,502)	(Won)	(3,502)	(Won)	(37,324)	(Won)	(37,324)
Allowance for loan losses		116,934		88,580		27,275		55,629
Accrued interest		(309,506)		(309,506)		(84,836)		(84,836)
Tangible asset impairment losses		2,296		2,296		1,267		1,267
Deferred loan organization fee and cost		(48,889)		(48,889)		(50,921)		(50,921)
Interest on ELD		41,937		41,937		80,229		80,229
Stock options		29,613		29,613		18,602		18,602
Allowance for possible losses of confirmed acceptances and guarantees		1,150		1,150		2,562		2,562
Valuation loss on derivatives financial instruments		(137,573)		(137,573)		(35,244)		(35,244)
Goodwill		(457,014)		(58,759)				(398,255)
Discount present value		4,279		4,279		823		823
Dividends from SPC		131,186				129,022		260,208
Others		1,576,989		1,204,968		1,510,262		1,882,283

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	947,900	814,594	1,561,717	1,695,023
The exclusion of deferred income tax				
Goodwill	(457,014)			(398,255)
Valuation of securities (Capital adjustments)	(444,481)			

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	Korean Won			Ending balance
	Beginning balance (*)	Deduction	Addition	
Dividends from SPC	(Won) 131,186			(Won) 260,208
Other	458			18,602
	1,717,751			1,814,468
Statutory tax rate	27.5%			27.5%
Deferred income tax assets	(Won) 472,382			(Won) 498,978

(\*) The final tax return and adjustments in relation to the private beneficiary certificates are reflected in the beginning deferred income tax assets.

(3) Income tax expense for the nine months ended September 30, 2005 and 2004 is summarized as follows (Unit: In millions):

	2005	2004
Income tax currently payable	(Won) 902,291	(Won) 100,446
Changes in deferred tax assets	(26,597)	110,621
Retained earnings and other capital surplus adjustments	(104,745)	62,767
Income tax expense of overseas branch	3,426	
Income tax expense	(Won) 774,375	(Won) 273,834

(4) The statutory income tax rates applicable to the Bank, including resident tax surcharges, are 27.5% and 29.7% for the nine months ended September 30, 2005 and 2004, respectively. However, due to tax adjustments, the effective tax rates for the nine months ended September 30, 2005 and 2004 are 29.75% and 32.73%, respectively.

## 25. EARNINGS PER SHARE:

(1) Ordinary income per share and net income per share

Ordinary income per share and net income per share were calculated for common stock by dividing ordinary income and net income available to common shareholders by the weighted average number of outstanding common stock. In case the stock options are exercised during the nine months ended September 30, 2005, the outstanding common shares are calculated on the assumption that the treasury stock are disposed of on the exercised date.

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Net income per share for common stock for the nine months ended September 30, 2005 was computed as follows:

### 1) Outstanding capital stock

	<b>Number of shares</b>	<b>Number of dates</b>
Number of common shares outstanding-beginning balance	336,379,116	91,831,498,668
Number of treasury stock outstanding-beginning balance	(29,881,209)	(8,157,570,057)
Sale of treasury stock	29,611,471	3,219,897,918
	336,109,378	86,893,826,529

Weighted average number of common shares outstanding :  $86,893,826,529 \div 273 \text{ days} = 318,292,405$  shares

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2) The basic net income per share for the nine months ended September 30, 2005 is as follows (Unit: In won)

	<u>Common shares</u>
Net income (= ordinary income)	(Won) 1,828,518,771,839
Weighted average number of common shares outstanding	318,292,405
Net income per share	(Won) 5,745
Ordinary income per share	(Won) 5,745

The ordinary income for the nine months ended September 30, 2005 equals to net income because there are no extraordinary item.

Basic net income (ordinary income) per share for the year ended December 31, 2004 was (Won) 1,176.

(2) Diluted ordinary income per share and diluted net income per share

Diluted net income and ordinary income per share for the nine months ended September 30, 2005 represent diluted net income and diluted ordinary income divided by the number of common shares and diluted securities. Stock options and treasury stock contributed to Employee Stock Ownership Plan in April 2005 were considered for the computation of diluted earnings per share due to their dilutive effects.

Diluted net income (ordinary income) per share for the nine months ended September 30, 2005 was computed as follows:

- 1) Diluted net income (ordinary income) (\*1) : (Won)1,828,246,561,654
- 2) Number of common shares and diluted securities: 318,292,405 + 146,148 (\*2) = 318,438,553 (shares)
- 3) Diluted net income (ordinary income) per share : (Won)1,828,561,654 ÷ 318,438,553 (shares) = (Won)5,741

(\*1) The stock options, which were included in the diluted shares, have no effect on net income because the contracted service period has expired as of September 30, 2005, and for the period ended September 30, 2005, (Won)272 million of compensation cost of certain stock options, which was recorded prior to 2004 was reversed because the exercise right has expired.

(\*2) The 146,148 shares of treasury stock in stock options are included in diluted shares.

Diluted net income (ordinary income) per share for the year ended December 31, 2004 was (Won) 1,176.

(3) Dilutive securities



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As of September 30, 2005, dilutive securities are summarized as follows (Unit: won, shares):

	<u>Exercise period</u>	<u>Common stock to be issued</u>	<u>Condition for conversion</u>
Stock options	Mar. 1, 2003 ~ Nov. 16, 2009	269,738	(Won)25,100 ~ 51,200 per share

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26. TRUST ACCOUNTS:

(1) As of September 30, 2005 and 2004, major financial information related to the trust accounts were as follows (Unit : In millions)

	<u>2005</u>	<u>2004</u>
<b>Operating revenue of trust operation:</b>		
Trust fees and commissions from trust accounts	(Won) 103,113	(Won) 92,119
Commissions from early redemption in trust accounts	11	65
	<u>(Won) 103,124</u>	<u>(Won) 92,184</u>
<b>Operating expenses of trust operation:</b>		
Interest expense on borrowings from trust accounts	(Won) 21,828	(Won) 41,975

(2) As of September 30, 2005 and December 31, 2004, significant balances related to the trust accounts were as follows (Unit : In millions)

	<u>2005</u>	<u>2004</u>
<b>Assets:</b>		
Accrued receivable trust fees	(Won) 154,412	(Won) 86,472
<b>Liabilities:</b>		
Borrowings from trust accounts	(Won) 890,141	(Won) 811,339

(3) Trust accounts for which the Bank provided the guarantees for a fixed rate of return and the repayment of principal consisted of following (Unit: In millions):

	<u>Name of fund</u>	<u>Book value</u>	<u>Fair value</u>	<u>Charge to bank account</u>
Trust accounts guaranteeing the repayment of principal:	Old age pension (*1)(*2)	(Won) 26,494	(Won) 26,295	
	Personal pension (*1)(*2)	2,254,122	2,218,666	
	Pension trust	309,257	309,257	
	Retirement trust	254,601	254,601	
	New personal pension	65,131	65,131	
	New old age pension	284,318	284,318	
		<u>3,193,923</u>	<u>3,158,268</u>	

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Trust accounts guaranteeing a fixed rate of return and the repayment of principal:	Development money trust (*1)	98,903	101,972
	Unspecified monetary trust (*1)	163	163
		99,066	102,135
		(Won) 3,292,989	(Won) 3,260,403

(\*1) These funds were not stated at fair value but at book value.

(\*2) For the old age pension and the personal pension trust, even though the fair value was less than book value, the difference was not charged to the Bank operation because these are based on performance and the Bank is not responsible for the losses of the trusts.

**Table of Contents**27. SEGMENT INFORMATION:

(1) As of September 30, 2005, the Bank's operating segments are consumer banking, corporate banking, credit card operation, treasury operation of investment in securities (including derivatives) and funding, and other operations of general administration and trust. Geographical segment are segregated into two segments: domestic and overseas operations.

As of and for the nine months ended September 30, 2005, financial information on the Bank's operating segments was as follows (Unit: In millions):

	<u>Consumer</u>	<u>Corporate</u>	<u>Credit card</u>	<u>Capital market</u>	<u>Other</u>	<u>Total</u>
Cash and due from bank	(Won) 1,898,281	(Won) 61,094	(Won) 2,584	(Won) 3,964,250	(Won) 570,842	(Won) 6,497,051
Securities		206,238	144,612	26,803,311	2,172,037	29,326,198
Loans	81,435,211	41,962,638	6,870,656	3,889,290	32,140	134,189,935
Fixed assets	952,138	67,574	27,863	12,033	1,397,844	2,457,452
Other assets	1,375,096	151,048	50,684	5,531,555	1,384,180	8,492,563
	<u>(Won) 85,660,726</u>	<u>(Won) 42,448,592</u>	<u>(Won) 7,096,399</u>	<u>(Won) 40,200,439</u>	<u>(Won) 5,557,043</u>	<u>(Won) 180,963,199</u>
Operating revenue	(Won) 4,428,007	(Won) 2,007,496	(Won) 1,649,005	(Won) 4,716,095	(Won) 670,514	(Won) 13,471,117

(2) Financial information on the Bank's geographical segments as of and for the nine months ended September 30, 2005 was as follows (Unit: In millions):

	<u>Domestic</u>	<u>Overseas</u>	<u>Total</u>
Cash and due from bank	(Won) 6,486,898	(Won) 10,153	(Won) 6,497,051
Securities	29,326,198		29,326,198
Loans	133,727,091	426,844	134,189,935
Fixed assets	2,454,865	2,587	2,457,452
Other assets	8,478,691	13,872	8,492,563
	<u>180,473,743</u>	<u>489,456</u>	<u>180,963,199</u>
Operating revenue	(Won) 13,434,352	(Won) 36,765	(Won) 13,471,117

**Table of Contents**28. RELATED PARTY TRANSACTIONS:

(1) Significant balances with related parties as of September 30, 2005 and December 31, 2004 were as follows (Unit: In millions):

	2005		2004	
	Assets	Liabilities	Assets	Liabilities
Trust accounts (trust accounts guaranteeing a fixed rate of return and the repayment of principal)	(Won) 126,009	(Won) 146,690	(Won) 79,968	(Won) 117,237
KB Investment Co., Ltd.		17,247		17,739
KB Futures Co., Ltd.		14,084	22	11,024
KB Data System Co., Ltd.	188	11,782	98	18,743
KB Asset Management	74	26,608		26,253
KB Real Estate Trust	5,031	401	33,975	1,916
KB Credit Information		17,659		22,363
KB Life Insurance Co., Ltd.	1,867	4,582	3,037	7,203
Pacific IT Investment Partnership		334		
NPC 02-4 Kookmin Venture Fund		17,589		
Joeeun Industrial Co., Ltd.	71,353		70,808	
Kookmin Bank International Ltd. (London)	195,305	48,058	245,772	101,812
Kookmin Bank Hong Kong Ltd.	174,436	5,474	171,820	12,145
	(Won) 574,263	(Won) 310,508	(Won) 605,500	(Won) 336,435

(2) Significant transactions with related parties for nine months ended September 30, 2005 and 2004 were as follows (Unit: In millions):

	2005		2004	
	Revenue	Expenses	Revenue	Expenses
Trust accounts (trust accounts guaranteeing fixed rate of return and the repayment of principal)	(Won) 62,546	(Won) 3,137	(Won) 40,561	(Won) 9,485
KB Investment Co., Ltd.		442		300
KB Futures Co., Ltd.	18	1,023	70	748
KB Data System Co., Ltd.	68	14,085		13,320
KB Asset Management	694	836		858
KB Real Estate Trust	1,476		1,659	47
KB Credit Information	141	50,111		23,573
KB Life Insurance Co., Ltd.	25,286	22	8,825	21
Pacific IT Investment Partnership		5		
NPC02-4 Kookmin Venture Fund		239		
Kookmin Bank International Ltd. (London)	5,134	3,855	2,695	3,498
Kookmin Bank Hong Kong Ltd.	4,550	1,505	3,130	1,556
	(Won) 99,913	(Won) 75,260	(Won) 56,940	(Won) 53,406

29. EMPLOYEE BENEFITS:

The Bank has employee benefits programs, such as support for rent of houses, scholarship, medical insurance, accident compensation, compensated leave, gym facilities and other benefits.

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**Table of Contents**30. CASH FLOWS:

(1) Cash flows from operating activities are presented by the indirect method.

(2) The cash and due from banks in the statements of cash flows for the nine months ended September 30, 2005 and 2004 were as follows (Unit : In millions)

	<u>2005</u>	<u>2004</u>
Cash on hand	(Won) 2,347,767	(Won) 3,023,458
Foreign currencies	147,800	139,945
Due from banks in local currency	3,428,826	4,718,122
Due from banks in foreign currency	573,050	631,945
	<u>6,497,443</u>	<u>8,513,470</u>
Restricted due from banks	(2,885,717)	(4,658,564)
	<u>(Won) 3,611,726</u>	<u>(Won) 3,854,906</u>

(3) Significant transactions not involving cash inflows and outflows for the nine months ended September 30, 2005 and 2004 were as follows (Unit : In millions)

	<u>2005</u>	<u>2004</u>
Write-offs of loans and decrease of loans from principal reduction	(Won) 1,512,153	(Won) 2,016,336
Increase (decrease) in allowance resulting from sale of non-performing loans and repurchase	(157,757)	628,661
Increase in available-for-sale securities resulting from the debt to equity swap		179,046
Changes in capital adjustments from valuation of securities	(363,123)	317,869
Reclassification of available-for-sale securities to held-to-maturity securities	60,091	