

KOOKMIN BANK
Form 6-K
November 14, 2007
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

**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 2007

Kookmin Bank

(Translation of registrant's name into English)

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

(Address of principal executive office)

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

Form 20-F 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

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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

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- 1. Summary of 2007 Third Quarter Business Report**
- 2. Exhibit 99.1-Kookmin Bank Review Report for the Third Quarter of 2007**

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Summary of 2007 Third Quarter Business Report

On November 14, 2007, Kookmin Bank filed its business report for the third quarter of 2007 (the Business Report) with the Financial Supervisory Commission of Korea and the Korea Exchange. This is a summary of the Business Report translated into English.

In effect from January 1, 2007, we have adopted SKAS¹ No. 21 (Preparation and Presentation of Financial Statements I) and SKAS No. 24 (Preparation and Presentation of Financial Statements II (Financial Industry)), pursuant to which the presentation and order of certain line items, including gain/loss on disposal of available-for-sale securities, have been reclassified from non-operating income to operating income. We have revised our financial statements for prior periods to reflect this change.

Financial information contained in this summary (and in the attached review report) have been prepared in accordance with generally accepted accounting principles in Korea, which differ in certain important respects from generally accepted accounting principles in the United States.

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 in this document are to the currency of the Republic of Korea.

¹ SKAS: Statement of Korean Accounting Standards

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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:

The banking business as prescribed by the Banking Act,

The trust business as prescribed by the Trust Business Act,

The credit card business as prescribed by the Specialized Credit Financial Business Act, and

Other businesses permitted by other relevant Korean laws and regulations

1.2. History

November 1, 2001

Incorporated and listed on the New York Stock Exchange

November 9, 2001

Listed on the Korea Stock Exchange

September 23, 2002

Integrated IT platforms of former Kookmin Bank and H&CB

December 4, 2002

Entered into a strategic alliance agreement with ING Bank N.V. Amsterdam

September 30, 2003

Completed the merger with Kookmin Credit Card

December 16, 2003

Completed a strategic investment in Bank Internasional Indonesia (BII) by investing in a 25% stake in Sorak Financial Holdings, a consortium with other investors

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December 19, 2003

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

April 29, 2004

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

July 22, 2004

Entered into an alliance with China Construction Bank in connection with the foreign currency business

August 31, 2004

ING Bank N.V. Amsterdam entered into a contract with Kookmin Bank for a strategic investment in KB Life Insurance Co., Ltd.

October 29, 2004

Appointed Mr. Chung Won Kang as the President & CEO in an extraordinary general meeting of shareholders

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December 31, 2004

The largest shareholder of Kookmin Bank changed from ING Bank N.V. Amsterdam to Euro-Pacific Growth Fund

January 01, 2005

Integrated three labor unions (former Kookmin Bank, former H&CB, former Kookmin Credit Card) into a single Kookmin Bank labor union

March 02, 2005

Opened KB Satellite Broadcasting System, the first combined broadcasting system in Korea

March 21, 2005

The largest shareholder of Kookmin Bank changed from Euro-Pacific Growth Fund to ING Bank N.V. Amsterdam

June 16, 2005

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

July 26, 2005

Obtained an approval from FSS to use the Market Risk Internal Model for the first time among domestic financial institutions

October 14, 2005

The largest shareholder of Kookmin Bank changed from ING Bank N.V. Amsterdam to Euro-Pacific Growth Fund

February 2, 2006

Established the Basel II system to calculate credit risk weighted asset and new BIS capital adequacy ratio for the first time among domestic financial institutions

April 3, 2006

Established 100% computerization of bank accounts for the first time among domestic financial institutions

September 8, 2006

Implemented SOD (Segregation of Duties)

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December 11, 2006

Ranked Number 1 among banks in the National Customer Satisfaction Index(NCSI) by Korea Productivity Center

April 27, 2007

Commenced principal stage of the Next Generation System development and new IT center construction

October 31, 2007

Reappointed Mr. Chung Won Kang as the President & CEO in an extraordinary general meeting of shareholders

Table of Contents**1.3. Capital Structure****1.3.1. Common Shares**

Kookmin Bank has the 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 Kookmin Bank is authorized to issue shares of preferred stock up to one-half of all of Kookmin Bank's issued and outstanding shares of common stock. Upon completion of the merger between the former Kookmin Bank and H&CB, Kookmin Bank issued 299,697,462 common shares.

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

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 respect to the merger between Kookmin Bank and Kookmin Credit Card on September 30, 2003, Kookmin Bank issued an additional 8,120,431 common shares on October 1, 2003. Accordingly, as of September 30, 2007, a total of 336,379,116 common shares were issued.

Number of Shares

(Unit: shares)

	Type	
	Common Stock	Total
Share Issued (A)	336,379,116	336,379,116
Treasury Stock (B)		
Share Outstanding (A-B)	336,379,116	336,379,116

Capital Increase

(Unit: Won, shares)

Issue Date	Type	Number	Face Value	Issue Price	Remarks
2001.10.31	Common Stock	299,697,462	5,000		M&A into a new entity
2002.3.22	Common Stock	17,979,954	5,000	5,000	Stock dividend
2002.11.30	Common Stock	10,581,269	5,000	22,124	CB conversion
2003.10.01	Common Stock	8,120,431	5,000	38,100	M&A with KCC

1.3.2. Treasury Stock

(Unit: shares)

Date	Details	Number of shares
December 31, 2005	Outstanding Treasury Shares	217,935
January 13, 2006	Disposition due to exercise of stock option by grantees	(217,935)
September 30, 2007	Outstanding Treasury Shares	0

Table of Contents**1.3.3. Employee Stock Ownership Association**

(Unit: shares)

Type	Beginning Balance (January 1, 2007)	Increase	Decrease	Ending Balance (September 30, 2007)	Remarks
Registered common stock	2,790,281		52,270	2,738,011	
Total	2,790,281		52,270	2,738,011	

1.4. Dividend

The following table shows our dividend related information for the last three years. The Board of Directors of Kookmin Bank passed a resolution to pay a dividend for fiscal year of 2006, and shareholders of Kookmin Bank approved of the dividend payout for that year at the general meeting of shareholders held on March 23, 2007.

(Unit: in millions of Won unless indicated otherwise)

	September 30, 2007	2006	2005
Net (loss) income for the period		2,472,111	2,252,218
Diluted (loss) earnings per share (Won)		7,349 ₁	6,977
Total dividend amount		1,227,784	184,889
Dividend payout ratio (%)		49.67 ₂	8.21
Cash dividend per common share (Won)		3,650	550
Stock dividend per common share (%)			
Dividend per preferred share (Won)			
Dividend yield ratio (%)		4.90 ₃	0.72

¹ Earnings per share = net income (2,472,111 million Won) / weighted average number of shares (336,373,095 shares).

² Dividend payout ratio = total dividend amount for common shares (1,227,784 million Won) / net income (2,472,111 million Won).

³ Dividend yield ratio = dividend per share (3,650 Won) / average closing price for a week based on business day prior to market closing date of December 31, 2006 (74,525 Won).

Table of Contents**2. Business****2.1. Source and Use of Funds****2.1.1. Source of Funds**
[Bank Account]

(Unit: in millions of Won)

		September 30, 2007		December 31, 2006		December 31, 2005	
		Average balance	Interest rate (%)	Average balance	Interest rate (%)	Average balance	Interest rate (%)
Won currency	Deposits	109,973,397	3.17	111,324,234	2.91	114,394,983	2.82
	Certificate of deposit	13,631,284	5.06	8,408,753	4.53	5,008,378	3.69
	Borrowings	2,465,427	3.58	2,533,547	3.36	2,674,268	3.02
	Call money	1,253,962	4.69	2,300,768	4.09	931,968	3.24
	Other	35,543,819	5.42	28,332,243	5.13	24,315,388	5.08
Subtotal		162,867,889	3.83	152,899,545	3.43	147,324,985	3.23
Foreign currency	Deposits	1,709,399	2.80	1,489,895	2.37	1,473,811	1.61
	Borrowings	4,190,787	3.77	3,635,918	3.41	3,231,480	2.06
	Call money	482,459	5.19	527,600	4.74	285,573	3.48
	Debentures	2,753,528	5.25	1,530,941	4.49	765,723	4.09
	Other	89,765		59,296		52,592	
Subtotal		9,225,938	4.07	7,243,650	3.50	5,809,179	2.26
Other	Total Shareholders Equity	15,676,201		14,251,498		11,369,246	
	Allowances	942,307		1,004,895		677,036	
	Other	10,889,516		11,935,765		12,041,392	
Subtotal		27,508,024		27,192,158		24,087,674	
Total		199,601,851	3.32	187,335,353	2.94	177,221,838	2.76

Table of Contents**2.1.2. Use of Funds
[Bank Account]**

(Unit: in millions of Won)

		September 30, 2007		December 31, 2006		December 31, 2005	
		Average balance	Interest rate (%)	Average balance	Interest rate (%)	Average balance	Interest rate (%)
Won currency	Due from banks	30,113	1.15	190,902	3.66	304,662	2.97
	Securities	29,620,982	4.53	31,437,266	4.25	27,676,964	4.58
	Loans	131,352,934	6.55	120,688,857	6.44	120,539,476	6.24
	Advances for customers	28,275	1.31	13,122	2.27	23,947	8.64
	Call loan	670,285	4.74	823,293	4.25	1,473,725	3.43
	Private placement corporate bonds	7,802,705	5.38	5,702,726	5.43	1,887,514	6.95
	Credit card accounts	9,020,566	22.36	7,855,415	24.46	7,321,906	26.93
	Other	372,593		328,681		267,061	
	Allowance for credit losses (-)	-2,329,399		-2,377,086		-3,034,841	
Subtotal		176,569,054	7.08	164,663,176	6.96	156,460,414	7.06
Foreign currency	Due from banks	360,246	4.11	486,764	4.31	598,015	2.88
	Securities	938,396	4.47	793,181	6.78	858,565	6.15
	Loans	7,652,813	4.45	6,561,903	4.06	4,745,013	2.97
	Call loan	470,195	4.87	261,483	4.77	132,210	3.24
	Bills bought	1,386,227	5.95	1,326,578	5.51	1,037,144	4.64
	Other	1,965		1,798		2,209	
	Allowance for credit losses (-)	-84,148		-65,952		-64,290	
Subtotal		10,725,694	4.73	9,365,755	4.61	7,308,866	3.68
Other	Cash	1,061,924		966,002		956,471	
	Fixed assets held for business	2,520,327		2,397,111		2,508,879	
	Other	8,724,852		9,943,309		9,987,208	
Subtotal		12,307,103		13,306,422		13,452,558	
Total		199,601,851	6.52	187,335,353	6.35	177,221,838	6.38

Table of Contents**2.1.3. Fee Transactions**

(Unit: in millions of Won)

		September 30, 2007	September 30, 2006	December 31, 2006
Fee Revenue (A)				
Won currency	Guarantees	5,255	4,382	6,245
	Commissions received	815,784	688,929	950,789
	Credit card	110,604	94,564	129,615
	National Housing Fund Mgt.	119,642	123,756	171,811
Foreign currency	Guarantees	5,602	4,093	5,662
	Others	58,538	59,384	77,673
Subtotal		1,115,425	975,108	1,341,795
Fee Expense (B)				
Won & foreign currency	Commissions paid in Won	144,310	120,826	178,499
	Credit card	250,165	176,163	254,041
	Others	28,420	21,823	31,860
Subtotal		422,895	318,812	464,400
Fee Income (A-B)		692,530	656,296	877,395

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, 2007		December 31, 2006		December 31, 2005	
	Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
Deposits in Won						
Demand deposits	17,973,008	19,044,177	16,896,730	20,179,569	14,985,812	17,946,067
Time & savings deposits	89,316,580	88,435,340	89,613,715	91,155,183	92,463,027	91,863,790
Mutual installment deposits	3,566,697	3,329,720	4,302,015	3,833,573	5,674,807	5,120,668
Mutual installment for housing	3,542,815	3,195,318	4,221,249	3,842,727	4,942,334	4,582,031
Certificate of deposit	13,631,284	17,538,589	8,408,753	9,579,701	5,008,378	5,389,543
Subtotal	128,030,384	131,543,144	123,442,462	128,590,753	123,074,358	124,902,099
Deposits in foreign currency	1,709,399	1,920,045	1,489,895	1,427,557	1,473,811	1,379,133
Trust deposits						
Money trust	9,115,990	8,410,299	9,047,669	9,627,037	7,114,352	7,405,675
Property trust	5,577,247	5,723,628	8,491,099	6,631,376	11,032,320	9,854,012
Subtotal	14,693,237	14,133,927	17,538,768	16,258,413	18,146,672	17,259,687
Total	144,433,020	147,597,116	142,471,125	146,276,723	142,694,841	143,540,919

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, 2007	December 31, 2006	December 31, 2005
Deposits	130,235	124,123	123,532
Deposits in Won	128,833	122,904	122,358

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)

	September 30, 2007	December 31, 2006	December 31, 2005
Deposits	8,237	7,799	7,725
Deposits in Won	8,149	7,722	7,652

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)

	September 30, 2007		December 31, 2006		December 31, 2005	
	Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
Loans in Won	131,343,091	139,561,638	120,680,825	125,574,817	120,532,216	118,565,341
Loans in foreign currency	7,652,813	7,478,641	6,561,903	7,261,811	4,745,013	5,314,883
Advances for customers	28,275	29,412	13,122	19,209	23,947	11,321
Subtotal	139,024,179	147,069,691	127,255,850	132,855,837	125,301,176	123,891,545
Trust account loans	401,449	417,794	351,880	403,552	334,404	328,127
Total	139,425,628	147,487,485	127,607,730	133,259,389	125,635,580	124,219,672

2.2.5. Loan Balances as of September 30, 2007 by Maturity

(Unit: in millions of Won)

	1 year or less	More than 1 year to 3 years	More than 3 years to 5 years	More than 5 years	Total
	Loans in Won	62,716,952	28,658,721	5,477,669	42,708,296
Loans in foreign currency	4,398,155	1,746,688	859,019	474,779	7,478,641

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

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

(Unit: in millions of Won)

		September 30, 2007	December 31, 2006	December 31, 2005
Loans to enterprise	Loans for operations	41,279,587	33,054,421	30,498,328
	Loans for facility	10,516,722	6,103,249	5,073,050
Loans to households		46,836,174	46,509,920	42,771,264
Loans to public sector & others	Loans for operations	1,115,574	894,178	643,141
	Loans for facility	14,287	3,687	34,157
Loans on property formation savings		752	1,013	6,748
Loans for housing		39,797,747	39,007,176	39,535,441
Inter-bank loans				1,274
Others		795	1,173	1,938
Total		139,561,638	125,574,817	118,565,341

2.2.7. Loan to Deposit Ratio¹

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

(Unit: in millions of Won, %)

	September 30, 2007	December 31, 2006	December 31, 2005
Loans (A)	131,343,091	120,680,825	120,532,216
Deposits (B)	128,030,383	123,442,462	123,074,358
Loan to deposit ratio (A/B)	102.59	97.76	97.93

2.2.8. Guarantees

(Unit: in millions of Won)

	September 30, 2007	December 31, 2006	December 31, 2005
Determined	4,748,842	2,704,307	1,789,560
Contingent	3,129,913	2,304,434	1,972,192
Total	7,878,755	5,008,741	3,761,752

¹ Average balance of loans in Won / average balance of (deposits in Won + certificate of deposits)

Table of Contents**2.2.9. 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, 2007		December 31, 2006		December 31, 2005	
		Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
Securities in Won (Bank account)	Monetary stabilization bonds	7,849,757	7,726,994	11,803,683	8,534,765	10,667,229	11,570,306
	Government and public bonds	11,130,221	11,434,070	10,035,180	10,117,416	6,950,886	8,933,401
	Debentures	16,280,884	16,784,000	11,847,016	14,140,083	7,334,555	9,184,403
	Stocks	1,825,731	1,707,561	1,575,806	2,515,385	1,243,781	1,707,816
	Others	337,094	436,927	1,878,308	744,895	3,368,027	2,105,353
Subtotal		37,423,687	38,089,552	37,139,993	36,052,544	29,564,478	33,501,279
Securities in Won (Trust account)	Monetary stabilization bonds	1,287,874	1,083,930	1,247,444	1,524,511	999,522	981,949
	Government and public bonds	1,286,904	1,175,821	1,090,228	1,216,613	993,450	1,013,355
	Debentures	1,772,670	1,620,410	1,937,309	1,815,093	1,979,588	2,017,298
	Stocks	595,933	502,350	756,900	769,212	514,568	542,731
	Others	2,640,168	2,416,044	3,837,714	2,873,202	2,745,143	3,311,235
Subtotal		7,583,549	6,798,555	8,869,595	8,198,631	7,232,271	7,866,568
Securities in foreign currency (Trust account)		25,424	12,450	110,472	32,661	289,665	184,115
Securities in foreign currency (Bank account)	Foreign securities	667,556	788,288	559,343	613,078	579,561	525,892
	Off-shore foreign securities	269,439	286,140	233,838	216,066	279,003	252,994
Subtotal		936,995	1,074,428	793,181	829,144	858,565	778,886
Total		45,969,655	45,974,985	46,913,241	45,112,980	37,944,979	42,330,848

2.2.10. Trust Account

(Unit: in millions of Won)

		September 30, 2007		December 31, 2006		December 31, 2005	
		Average amount trusted	Trust fees	Average amount trusted	Trust fees	Average amount trusted	Trust fees
Return-guaranteed trust		301	10,803	325	11,295	335	43,088
Performance trust		14,692,936	42,361	17,538,443	67,209	18,146,337	77,756

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Total	14,693,237	53,164	17,538,768	78,504	18,146,672	120,844
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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, 2007	December 31, 2006	December 31, 2005
Number of card holders	Corporate	171,500	173,190	159,047
	Individual	8,498,358	8,883,738	9,342,552
Number of merchants		1,714,204	1,610,446	1,506,979
Sales volume¹		49,877,104	63,929,192	62,475,085
Fee revenue		1,621,652	2,189,014	2,090,253

2.3. Branch Networks

As of September 30, 2007, we had 1,088 branches (including the head office) and 85 sub-branches in Korea. 447 of our branches are located in Seoul.

Also as of November 13, 2007, we had four overseas branches in Tokyo, New York, Auckland and Guangzhou, and two overseas offices in Almaty, Kazakhstan and Ho Chi Minh City, Vietnam.

¹ Includes lump-sum and installment purchases, cash advances, and check card and purchasing card transactions.

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

(Unit: in millions of Won, %)

	September 30, 2007 ¹	December 31, 2006	December 31, 2005
Risk-adjusted capital (A)	19,811,470	18,751,151	15,682,535
Risk-weighted assets (B)	147,599,074	132,373,478	121,072,676
BIS ratios (A/B)	13.42	14.17	12.95

2.4.2. Non-Performing Loans

(Unit: in millions of Won unless indicated otherwise)

September 30, 2007		December 31, 2006		Change	
Amount	NPL to total loans	Amount	NPL to total loans	Amount	NPL to total loans
1,092,591	0.64%	1,295,915	0.85%	-203,324	-0.21%p

2.4.3. Loan Loss Allowances

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

(Unit: in millions of Won)

	September 30, 2007	December 31, 2006	December 31, 2005
Loan losses allowance	Domestic	2,358,815	2,458,307
	Foreign	46,276	4,772
	Total	2,405,091	2,463,079
Write-Off	659,474	1,693,468	1,978,875

¹ The figures for the third quarter of 2007 are preliminary estimates and are subject to change.

Table of Contents**2.4.4. Changes in Loan Loss Allowances for Recent Three Years¹**

(Unit: in millions of Won)

	September 30, 2007	December 31, 2006	December 31, 2005
Beginning balance	2,360,867	2,453,275	3,118,775
Net Write-Off	(352,532)	(1,034,059)	(1,726,632)
Write-Off	(659,474)	(1,680,331)	(2,002,336)
Recovery	373,358	474,278	452,235
Other	(66,416)	171,994	(176,531)
Provision for loan losses	276,033	941,651	1,061,132
Ending balance	2,284,368	2,360,867	2,453,275

¹ Loan loss allowance includes present value discounts and excludes allowance for other assets.

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

(Unit: in millions of Won)

	As of or for the year ended	
	September 30, 2007	December 31, 2006
Cash and due from banks	6,755,638	6,568,306
Securities	31,648,717	29,382,480
Loans	164,056,306	149,867,182
Tangible assets	2,231,108	2,137,732
Other assets	8,351,632	7,250,781
Total assets	213,043,401	195,206,481
Deposits	133,463,188	130,019,916
Borrowings	48,701,555	39,042,684
Other liabilities	15,313,489	11,088,924
Total liabilities	197,478,232	180,151,524
Capital stocks	1,681,896	1,681,896
Capital surplus	6,258,297	6,258,297
Capital Adjustment	0	0
Accumulated other comprehensive income	451,329	899,542
Retained earnings	7,173,647	6,215,222
Total shareholders equity	15,565,169	15,054,957
Liabilities and Shareholders Equity	213,043,401	195,206,481
Operating revenue	15,368,794	19,618,874
Operating income	3,457,286	3,204,982
Continuing (loss) income before income taxes	3,237,847	3,424,086
Net (loss) income	2,193,779	2,472,111

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 Review Report will also be available at our website www.kbstar.com.

Table of Contents**4. Independent Public Accountants****4.1. Audit & Audit related Fees**

Deloitte Anjin LLC has reviewed our financial statements for the third quarter 2007. The aggregate contract fee for the audit and review fees for the year 2007 is 1,420 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.

(Unit: in millions of Won unless indicated otherwise)

Year	Service description	Amount of payment
3Q 2007	- Issuance of comfort letter	70
	- Agreement for Issuance of comfort letter with respect to RMBS ¹	50
2006	- Issuance of comfort letter	40
	- Confirmation of BIS ratio and confirmation affirming that Kookmin Bank is not a Non-Financial Operator	10
2005	- Issuance of comfort letter	30

¹ The execution of the letter has been deferred as the RMBS issuance has been delayed.

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5. Corporate Governance and Affiliated Companies

5.1. Board of Directors & Committees under the Board

The board of directors, currently consisting of executive directors and non-executive directors, holds regular meetings quarterly. Additional extraordinary meetings may also be convened at the request of any director or any committee that serves under the board of directors.

The board of directors resolves following matters:

Matters relating to general meeting of shareholders

Matters relating to general management

Matters relating to organization and directors of the company

Matters relating to funding and capital

Other related matters

The following committees currently serve under our board of directors:

The Board Steering Committee

The Management Strategy Committee

The Risk Management Committee

The Evaluation & Compensation Committee

The Audit Committee

The Non-Executive Director Nominating Committee

For the 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

The audit committee oversees our financial reporting and approves the appointment of and interaction among 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. The committee also

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examines the agenda for, and financial statements and other reports to be submitted by, the board of directors to each general meeting of shareholders. The committee holds regular meetings every quarter and on an as-needed basis.

Table of Contents**5.3. Compensation to Directors****5.3.1. Compensation to Directors**

The following table shows information regarding the remuneration paid to the Directors in the third quarter of 2007.

(Unit: in millions of Won)

	The aggregate remuneration paid (From January to September 2007)	Limit for the remuneration resolved by shareholders meeting (For the year 2007)	Average amount of the payment per person (From January to September 2007)
1) Executive Directors (Except Chief Audit Executive and Non-executive Directors)	3,155		1,052
2) Non-executive Directors (Except members of Audit Committee)	238	8,000	55¹
3) Members of Audit Committee (Including Chief Audit Executive)	866		173
Total	4,259	8,000	335¹

¹ Reflects the change in March in the number of non-executive directors.

Table of Contents**5.3.2. Stock Option**

The following table is the breakdown of stock options Kookmin Bank has granted to the directors and employees as of September 30, 2007.

(Unit: in Won, shares)

Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options ¹	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	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	Se Woong Lee	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Jong Min Lee	Chief Audit Executive	16-Mar-04	15-Mar-09	28,027	14,807	2,807	12,000
15-Mar-01	Seung Heon Han	Non Executive Director	16-Mar-04	15-Mar-09	28,027	1,870	0	1,870
15-Mar-01	Duk Hyun Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	4,845	7,000
15-Mar-01	Byung Sang Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	11,845	0
15-Mar-01	Byung Jin Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	11,845	0
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	Ok Hyun Yoon	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	7,845	4,000
15-Mar-01	Hoo Sang Jang	Employee	16-Mar-04	15-Mar-09	28,027	2,961	961	2,000
15-Mar-01	Sang Hoon Lee	Employee	16-Mar-04	15-Mar-09	28,027	2,961	2,461	500
15-Mar-01	Jae In Suh	Employee	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Sung Hyun Chung	Employee	16-Mar-04	15-Mar-09	28,027	2,961	2961	0
15-Mar-01	Jong Hwa Lee	Employee	16-Mar-04	15-Mar-09	28,027	2,961	2,461	500
15-Mar-01	Sang Won Lee	Employee	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Joon Ho Park	Employee	16-Mar-04	15-Mar-09	28,027	592	0	592
15-Mar-01	Sung Wan Choi	Employee	16-Mar-04	15-Mar-09	28,027	370	370	0
15-Mar-01	Jeong Haing Lee	Employee	16-Mar-04	15-Mar-09	28,027	592	0	592
15-Mar-01	Tae Joo Yoon	Employee	16-Mar-04	15-Mar-09	28,027	10	0	10
15-Mar-01	Si An Her	Employee	16-Mar-04	15-Mar-09	28,027	370	0	370
15-Mar-01	Seok Won Choi	Employee	16-Mar-04	15-Mar-09	28,027	592	0	592
15-Mar-01	Yong Soo Shin	Employee	16-Mar-04	15-Mar-09	28,027	370	0	370
15-Mar-01	Sung Shin Cho	Employee	16-Mar-04	15-Mar-09	28,027	592	592	0
15-Mar-01	Young Mo Lee	Employee	16-Mar-04	15-Mar-09	28,027	592	0	592
15-Mar-01	Sung Gil Lee	Employee	16-Mar-04	15-Mar-09	28,027	370	0	370
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	Jun Chae Song	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	6,644	0	6,644
22-Mar-01	Myoung Woo Lee	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	4,429	0	4,429
22-Mar-01	Han Kyoung Lee	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	6,644	0	6,644
24-Mar-01	Jae Kyu Lee	Non Executive Director	25-Mar-04	24-Mar-07	25,100	2,318	2,318	0
24-Mar-01	Jong In Park	Executive Vice President	25-Mar-04	24-Mar-07	25,100	19,333	19,333	0
16-Nov-01	Sang Hoon Kim	Chairman	17-Nov-04	16-Nov-09	51,200	150,000	50,000	100,000
22-Mar-02	Sun Jin Kim	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,000	0	3,000
22-Mar-02	Ji Hong Kim	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,321	0	3,321
22-Mar-02	Keun Shik Oh	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,321	1,021	2,300
22-Mar-02	Kyung Hee Yoon	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,000	0	3,000
22-Mar-02	Dong Soo Chung	Non Executive Director	23-Mar-05	22-Mar-10	57,100	10,000	0	10,000
22-Mar-02	Henry Cornell	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,321	0	3,321
22-Mar-02	Timothy Hartman	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,321	0	3,321

¹ 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 ¹	Number of exercised options	Number of exercisable options
			From	To				
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	Bock Woan Kim	Executive Vice President	23-Mar-05	22-Mar-10	57,100	13,339	0	13,339
22-Mar-02	Ki Sup Shin	Executive Vice President	23-Mar-05	22-Mar-10	57,100	26,405	16,405	10,000
22-Mar-02	Jong Kyoo Yoon	Executive Vice President	23-Mar-05	22-Mar-10	57,100	20,522	20,522	0
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	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	13,339	0
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	Jong Young Yoon	Employee	23-Mar-05	22-Mar-10	57,100	14,712	5,000	9,712
22-Mar-02	Jae Il Song	Employee	23-Mar-05	22-Mar-10	57,100	9,762	0	9,762
22-Mar-02	Hyung Goo Sim	Employee	23-Mar-05	22-Mar-10	57,100	14,712	0	14,712
22-Mar-02	Jeong Haing Lee	Employee	23-Mar-05	22-Mar-10	57,100	9,762	0	9,762
22-Mar-02	Joon Sup Chang	Employee	23-Mar-05	22-Mar-10	57,100	9,762	0	9,762
22-Mar-02	Young No Lee	Employee	23-Mar-05	22-Mar-10	57,100	14,712	14,712	0
22-Mar-02	Sung Bin Kim	Employee	23-Mar-05	22-Mar-10	57,100	9,762	0	9,762
22-Mar-02	Sung Bok Park	Employee	23-Mar-05	22-Mar-10	57,100	14,712	0	14,712
22-Mar-02	Yun Keun Jung	Employee	23-Mar-05	22-Mar-10	57,100	15,000	0	15,000
22-Mar-02	Man Soo Song	Employee	23-Mar-05	22-Mar-10	57,100	9,762	0	9,762
22-Mar-02	Jeong Young Kim	Employee	23-Mar-05	22-Mar-10	57,100	5,000	5,000	0
22-Mar-02	Hack Yeon Jeong	Employee	23-Mar-05	22-Mar-10	57,100	5,000	0	5,000
22-Mar-02	Jong Hwan Byun	Employee	23-Mar-05	22-Mar-10	57,100	5,000	0	5,000
22-Mar-02	Jae Han Kim	Employee	23-Mar-05	22-Mar-10	57,100	2,500	0	2,500
22-Mar-02	Jong Ok Na	Employee	23-Mar-05	22-Mar-10	57,100	2,500	2,500	0
29-Mar-02	Byoung Hak Kim	Former KCC Officer	30-Mar-04	29-Mar-11	129,100	3,330	0	3,330
29-Mar-02	Jang Ok Kim	Former KCC Officer	30-Mar-04	29-Mar-11	129,100	3,330	0	3,330
29-Mar-02	Sun Lee	Former KCC Officer	30-Mar-04	29-Mar-11	129,100	3,330	0	3,330
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	Ki Hong Kim	Non Executive Director	22-Mar-06	21-Mar-11	58,600	10,000	0	10,000
21-Mar-03	Sun Jin Kim	Non Executive Director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Eun Joo Park	Non Executive Director	22-Mar-06	21-Mar-11	42,200	3,351	0	3,351
21-Mar-03	Kyung Bae Suh	Non Executive Director	22-Mar-06	21-Mar-11	42,200	3,351	3,351	0
21-Mar-03	Kyung Hee Yoon	Non Executive Director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Bernard S. Black	Non Executive Director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Richard Elliott Lint	Non Executive Director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Sung Chul Kim	Executive Vice President	22-Mar-06	21-Mar-11	35,500	9,443	4,443	5,000
21-Mar-03	See Young Lee	Executive Vice President	22-Mar-06	21-Mar-11	35,500	7,024	4,024	3,000
21-Mar-03	Won Suk Oh	Employee	22-Mar-06	21-Mar-11	35,500	9,730	0	9,730
21-Mar-03	Sung Dae Min	Employee	22-Mar-06	21-Mar-11	35,500	9,730	0	9,730
21-Mar-03	Kyong Jae Jeong	Employee	22-Mar-06	21-Mar-11	35,500	9,730	0	9,730
21-Mar-03	Chul Hee Kim	Employee	22-Mar-06	21-Mar-11	35,500	14,343	0	14,343
21-Mar-03	In Do Lee	Employee	22-Mar-06	21-Mar-11	35,500	9,730	0	9,730
21-Mar-03	Maeng Soo Ryang	Employee	22-Mar-06	21-Mar-11	35,500	9,730	0	9,730
27-Aug-03	Jin Baek Cheong	Executive Vice President	28-Aug-06	27-Aug-11	40,500	5,091	0	5,091
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	Sang Jin Lee	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	7,452	0
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	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Kyung Soo Kang	Employee	10-Feb-07	09-Feb-12	46,100	3,837	3,837	0
09-Feb-04	Yang Jin Kim	Employee	10-Feb-07	09-Feb-12	46,100	5,000	5,000	0

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options ¹	Number of exercised options	Number of exercisable options
			From	To				
09-Feb-04	Dong Hwan Cho	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Dong Sook Kang	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Young Han Kim	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	De Oak Shin	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Chang Ho Kim	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Dal Soo Lee	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Byong Doo Ahn	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
23-Mar-04	Young Soon Cheon	Non Executive Director	24-Mar-07	23-Mar-12	48,500	5,000	0	5,000
23-Mar-04	Dong Soo Chung	Non Executive Director	24-Mar-07	23-Mar-12	48,500	5,000	0	5,000
23-Mar-04	Wang Ha Cho	Non Executive Director	24-Mar-07	23-Mar-12	48,800	5,000	0	5,000
23-Mar-04	Woon Youl Choi	Non Executive Director	24-Mar-07	23-Mar-12	48,800	5,000	0	5,000
23-Mar-04	Jung Young Kang	Senior Executive Vice President	24-Mar-07	23-Mar-12	47,200	10,000	10,000	0
01-Nov-04	Chung Won Kang	President & CEO	02-Nov-07	01-Nov-12	X ²	700,000	0	700,000
18-Mar-05	Hyung Duk Chang	Chief Audit Executive	19-Mar-08	18-Mar-13	X ²	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
18-Mar-05	Yun Keun Jung	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	8,759	0	8,759
18-Mar-05	Nam Sik Yang	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	18,750	0	18,750
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	8,759	0	8,759
18-Mar-05	Ahn Sook Koo	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	8,759	0	8,759
18-Mar-05	Jung Young Kang	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	18,750	0	18,750
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	18,750	0	18,750
18-Mar-05	Seong Kyu Lee	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	8,759	0	8,759
18-Mar-05	Jun Bo Cho	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	8,759	0	8,759
18-Mar-05	Jeong 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	Employee	19-Mar-08	18-Mar-13	46,800	4,379	0	4,379

² Exercise price = (Base Price) Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4).

(Base Price) Won is the arithmetic mean of the following three numbers: the sum of the daily closing price multiplied by the daily trading volume divided by the daily trading volume for the common shares during each of the following periods: (i) two months prior to, but excluding, the grant date; (ii) one month prior to, but excluding, the grant date; and (iii) one week prior to, but excluding, the grant date.

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	Number	Number of
			From	To		granted options ¹	of exercised options	exercisable options
18-Mar-05	Hye Young Kim	Employee	19-Mar-08	18-Mar-13	46,800	4,379	0	4,379
18-Mar-05	Ki Hyun Kim	Employee	19-Mar-08	18-Mar-13	46,800	4,379	0	4,379
18-Mar-05	Jae Sam Jung	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Chang Ho Kim	Employee	19-Mar-08	18-Mar-13	46,800	4,379	0	4,379
18-Mar-05	Dong Sook Kang	Employee	19-Mar-08	18-Mar-13	46,800	4,379	0	4,379
18-Mar-05	De Oak Shin	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Dal Soo Lee	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Byong Doo Ahn	Employee	19-Mar-08	18-Mar-13	46,800	4,379	0	4,379
18-Mar-05	Byung Kun Oh	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Won Sik Yeo	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Dong Su Ryo	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Kyoung Ho Lee	Employee	19-Mar-08	18-Mar-13	46,800	9,375	0	9,375
18-Mar-05	Jeung Ho Lee	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Kwang Suk Lee	Employee	19-Mar-08	18-Mar-13	46,800	9,375	0	9,375
18-Mar-05	Tae Gon Kim	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Hyeog Kwan Kwon	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Kyu Hyung Jung	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Dong Hwan Cho	Employee	19-Mar-08	18-Mar-13	46,800	9,375	0	9,375
18-Mar-05	Man Hee Lee	Employee	19-Mar-08	18-Mar-13	46,800	9,375	0	9,375
18-Mar-05	Il Soo Moon	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Yong Seung Lee	Employee	19-Mar-08	18-Mar-13	46,800	9,375	0	9,375
18-Mar-05	Suk Yong Cha	Non Executive Director	19-Mar-08	18-Mar-13	61,000	5,091	0	5,091
18-Mar-05	Ki Hong Kim	Non Executive Director	19-Mar-08	18-Mar-13	60,300	5,077	0	5,077
18-Mar-05	Young Soon Cheon	Non Executive Director	19-Mar-08	18-Mar-13	63,600	10,072	0	10,072
18-Mar-05	Dong Soo Chung	Non Executive Director	19-Mar-08	18-Mar-13	X ²	15,000	0	15,000
18-Mar-05	Chang Kyu Lee	Non Executive Director	19-Mar-08	18-Mar-13	X ²	15,000	0	15,000
18-Mar-05	Hun Namkoong	Non Executive Director	19-Mar-08	18-Mar-13	61,000	5,091	0	5,091
18-Mar-05	Doo Hwan Song	Non Executive Director	19-Mar-08	18-Mar-13	63,800	10,031	0	10,031
18-Mar-05	Dam Cho	Non Executive Director	19-Mar-08	18-Mar-13	X ²	15,000	0	15,000
18-Mar-05	Nobuya Takasugi	Non Executive Director	19-Mar-08	18-Mar-13	X ²	15,000	0	15,000
27-Apr-05	Kyung Wook Kang	Employee	28-Apr-08	27-Apr-13	45,700	8,827	0	8,827
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	Employee	24-Aug-08	23-Aug-13	53,000	7,212	0	7,212
24-Mar-06	Dong Soo Chung	Non Executive Director	25-Mar-09	24-Mar-14	X ³	20,000	0	20,000
24-Mar-06	Doo Hwan Song	Non Executive Director	25-Mar-09	24-Mar-14		0	0	0
24-Mar-06	Chang Kyu Lee	Non Executive Director	25-Mar-09	24-Mar-14	X ³	10,000	0	10,000
24-Mar-06	Dam Cho	Non Executive Director	25-Mar-09	24-Mar-14	X ³	10,000	0	10,000

³ Exercise price = (Base Price) Won x (1 + TRS of the three major competitors x 0.4)

(Base Price) Won is the arithmetic mean of the following three numbers: the sum of the daily closing price multiplied by the daily trading volume divided by the daily trading volume for the common shares during each of the following periods: (i) two months prior to, but excluding, the grant date; (ii) one month prior to, but excluding, the grant date; and (iii) one week prior to, but excluding, the grant date.

TRS of the three major competitors shall mean (the sum of each of the three major competitor's Total Market Cap at the expected exercise price confirmation date less the sum of each of the three major competitor's Total Market Cap at the grant date) divided by the sum of each of the three major competitor's Total Market Cap at the grant date.

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of	Number	Number of
			From	To		granted options ¹	of exercised options	exercisable options
24-Mar-06	Nobuya Takasugi	Non Executive Director	25-Mar-09	24-Mar-14	X ³	10,000	0	10,000
24-Mar-06	Young Soon Cheon	Non Executive Director	25-Mar-09	24-Mar-14	85,100	5,000	0	5,000
24-Mar-06	Kee Young Chung	Non Executive Director	25-Mar-09	24-Mar-14	X ³	30,000	0	30,000
24-Mar-06	Bo Kyung Byun	Non Executive Director	25-Mar-09	24-Mar-14	X ³	30,000	0	30,000
24-Mar-06	Bae Kin Cha	Non Executive Director	25-Mar-09	24-Mar-14	X ³	30,000	0	30,000
24-Mar-06	Hyung Duk Chang	Chief Audit Executive	25-Mar-09	24-Mar-14	X ³	20,000	0	20,000
24-Mar-06	Ki Hong Kim	Chief Executive Vice President	25-Mar-09	24-Mar-14	X ³	210,000	0	210,000
24-Mar-06	Kap Joe Song	Senior Executive Vice President	25-Mar-09	24-Mar-14	X ³	45,000	0	45,000
24-Mar-06	Dal Soo Lee	Senior Executive Vice President	25-Mar-09	24-Mar-14	X ³	20,000	0	20,000
24-Mar-06	Won Sik Yeo	Senior Executive Vice President	25-Mar-09	24-Mar-14	X ³	20,000	0	20,000
24-Mar-06	De Oak Shin	Senior Executive Vice President	25-Mar-09	24-Mar-14	X ³	20,000	0	20,000
24-Mar-06	Choong Won Cho	Employee	25-Mar-09	24-Mar-14	X ³	30,000	0	30,000
24-Mar-06	Yook Sang Kwon	Employee	25-Mar-09	24-Mar-14	X ³	30,000	0	30,000
24-Mar-06	Haing Hyun Choi	Employee	25-Mar-09	24-Mar-14	X ³	30,000	0	30,000
24-Mar-06	In Gyu Choi	Employee	25-Mar-09	24-Mar-14	X ³	30,000	0	30,000
24-Mar-06	Kwang Chun Shon	Employee	25-Mar-09	24-Mar-14	X ³	30,000	0	30,000
24-Mar-06	Han Mok Cho	Employee	25-Mar-09	24-Mar-14	X ³	30,000	0	30,000
24-Mar-06	Soon Hyun Kim	Employee	25-Mar-09	24-Mar-14	X ³	30,000	0	30,000
24-Mar-06	Seung Joo Baik	Employee	25-Mar-09	24-Mar-14	X ³	30,000	0	30,000
24-Mar-06	Kwang Mook Park	Employee	25-Mar-09	24-Mar-14	X ³	30,000	0	30,000
24-Mar-06	Se Yoon Hong	Employee	25-Mar-09	24-Mar-14	X ³	30,000	0	30,000
24-Mar-06	Sang Rak Jang	Employee	25-Mar-09	24-Mar-14	X ³	30,000	0	30,000
24-Mar-06	Jin Sun Paeng	Employee	25-Mar-09	24-Mar-14	X ³	30,000	0	30,000
24-Mar-06	Shin Og Joo	Employee	25-Mar-09	24-Mar-14	X ³	30,000	0	30,000
24-Mar-06	Young Hee Jeon	Employee	25-Mar-09	24-Mar-14	X ³	30,000	0	30,000
24-Mar-06	Bae Young Lee	Employee	25-Mar-09	24-Mar-14	X ³	30,000	0	30,000
28-Apr-06	Young Mo Lee	Employee	29-Apr-09	28-Apr-14	X ³	30,000	0	30,000
27-Oct-06	Dong Hyun Ji	Employee	28-Oct-09	27-Oct-14	X ³	20,000	0	20,000
08-Feb-07	Dong Su Yeo	Senior Executive Vice President	09-Feb-10	08-Feb-15	X ³	10,000	0	10,000
08-Feb-07	Hyeog Kwan Kwon	Senior Executive Vice President	09-Feb-10	08-Feb-15	X ³	10,000	0	10,000
08-Feb-07	Jeung Ho Lee	Senior Executive Vice President	09-Feb-10	08-Feb-15	X ³	10,000	0	10,000
08-Feb-07	Kyoung Woo Nam	Senior Executive Vice President	09-Feb-10	08-Feb-15	X ³	45,000	0	45,000
08-Feb-07	Gi Eui Choi	Employee	09-Feb-10	08-Feb-15	X ³	30,000	0	30,000
08-Feb-07	Chung Wook Kim	Employee	09-Feb-10	08-Feb-15	X ³	30,000	0	30,000
08-Feb-07	Kyung Hak Lee	Employee	09-Feb-10	08-Feb-15	X ³	30,000	0	30,000
08-Feb-07	Jae Gon Kim	Employee	09-Feb-10	08-Feb-15	X ³	30,000	0	30,000
08-Feb-07	Heung Un Kim	Employee	09-Feb-10	08-Feb-15	X ³	30,000	0	30,000
08-Feb-07	Woo Shick Lee	Employee	09-Feb-10	08-Feb-15	X ³	30,000	0	30,000
08-Feb-07	Young Hwan Sohn	Employee	09-Feb-10	08-Feb-15	X ³	30,000	0	30,000
08-Feb-07	Young Gu Joo	Employee	09-Feb-10	08-Feb-15	X ³	30,000	0	30,000
08-Feb-07	Han Ok Kim	Employee	09-Feb-10	08-Feb-15	X ³	30,000	0	30,000

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options ¹	Number of exercised options	Number of exercisable options
			From	To				
08-Feb-07	Yong Shin Kim	Employee	09-Feb-10	08-Feb-15	X ₃	30,000	0	30,000
08-Feb-07	Kyung Gu Lee	Employee	09-Feb-10	08-Feb-15	X ₃	30,000	0	30,000
08-Feb-07	Kyun Shin	Employee	09-Feb-10	08-Feb-15	X ₃	30,000	0	30,000
08-Feb-07	Hwa Jung Kim	Employee	09-Feb-10	08-Feb-15	X ₃	30,000	0	30,000
08-Feb-07	Tae Sung Hwang	Employee	09-Feb-10	08-Feb-15	X ₃	30,000	0	30,000
08-Feb-07	Myung Heun You	Employee	09-Feb-10	08-Feb-15	X ₃	30,000	0	30,000
08-Feb-07	Nam Cheol Shin	Employee	09-Feb-10	08-Feb-15	X ₃	30,000	0	30,000
08-Feb-07	In Byung Park	Employee	09-Feb-10	08-Feb-15	X ₃	30,000	0	30,000
08-Feb-07	Kun Soo Kang	Employee	09-Feb-10	08-Feb-15	X ₃	30,000	0	30,000
08-Feb-07	Kwang Won Jee	Employee	09-Feb-10	08-Feb-15	X ₃	30,000	0	30,000
08-Feb-07	Youn Dong Kim	Employee	09-Feb-10	08-Feb-15	X ₃	30,000	0	30,000
08-Feb-07	Chan Bon Park	Employee	09-Feb-10	08-Feb-15	X ₃	30,000	0	30,000
08-Feb-07	Jong Bum Kim	Employee	09-Feb-10	08-Feb-15	X ₃	30,000	0	30,000
08-Feb-07	Byong Duk Min	Employee	09-Feb-10	08-Feb-15	X ₃	30,000	0	30,000
08-Feb-07	Hye Seok Seo	Employee	09-Feb-10	08-Feb-15	X ₃	30,000	0	30,000
08-Feb-07	Bou Hwan Sim	Employee	09-Feb-10	08-Feb-15	X ₃	30,000	0	30,000
08-Feb-07	Yong Soo Seok	Employee	09-Feb-10	08-Feb-15	X ₃	30,000	0	30,000
08-Feb-07	Sang Hun Choi	Employee	09-Feb-10	08-Feb-15	X ₃	30,000	0	30,000
23-Mar-07	Jacques P.M. Kemp	Non Executive Director	24-Mar-10	23-Mar-15	X ³	30,000	0	30,000
		Total				4,170,094	237,250	3,932,844

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5.4 Affiliated Companies

5.4.1. List of Affiliates¹

Affiliated companies of Kookmin Bank and its ownership as of September 30, 2007 are as follows.

KB Investment Co., Ltd. (99.99%)

KB Asset Management Co., Ltd. (80.00%)

KB Real Estate Trust Co., Ltd. (99.99%)

KB Credit Information Co., Ltd. (99.73%)

KB Data Systems Corporation (99.99%)

KB Futures Co., Ltd. (99.98%)

KB Life Insurance Co., Ltd. (51.00%)

Kookmin Bank International (London) Ltd. (100.00%)

Kookmin Bank Hong Kong Ltd. (100.00%)

Sorak Financial Holdings Pte. Ltd. (25.00%)

⁽¹⁾ Excludes Joeeun Industrial and KLB Securities, which are under liquidation procedures. Kookmin Singapore Ltd. and Kookmin Finance Asia Limited are also under liquidation procedures.

Table of Contents**6. Directors, Senior Management and Employees****6.1. Executive Directors**

Our four executive directors consist of the President & CEO, Chief Audit Executive, Chief Executive Vice President and Senior Executive Vice President as of September 30, 2007.

The names and positions of our directors, and the number of shares of Kookmin Bank's common stock they own are set forth below as of September 30, 2007.

Name	Date of Birth	Position	Common Shares Owned
Chung Won Kang ¹	12/19/1950	President & CEO	
Hyung Duk Chang	08/13/1950	Chief Audit Executive	
Ki Hong Kim	01/10/1957	Chief Executive Vice President ²	
Kap Shin	09/04/1955	CFO & Senior EVP	

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.

Our current non-executive directors and the number of shares of Kookmin Bank's common stock they own as of September 30, 2007 are as follows.

Name	Date of Birth	Position	Common Shares Owned
Dong Soo Chung	09/24/1945	Non-Executive Director	2,830
Nobuya Takasugi	09/03/1942	Non-Executive Director	
Kee Young Chung	09/07/1948	Non-Executive Director	
Jacques P.M. Kemp	05/15/1949	Non-Executive Director	
Chang Kyu Lee	05/20/1951	Non-Executive Director	500
Dam Cho	08/01/1952	Non-Executive Director	
Bo Kyung Byun	08/09/1953	Non-Executive Director	
Baek In Cha	07/23/1958	Non-Executive Director	

On October 31, 2007, a new non-executive director was appointed.

Name	Date of Birth	Position	Common Shares Owned
Chee Joong Kim	12/11/1955	Non-Executive Director	

¹ Mr. Chung Won Kang was reappointed as the President & CEO in the extraordinary general meeting of shareholders held on October 31, 2007.

² On October 12, 2007 the position of Mr. Ki Hong Kim changed to Senior EVP.

Table of Contents**6.3. Senior Management**

In addition to the executive directors who are also our executive officers, we currently have the following 14 executive officers as of September 30, 2007.

Name	Date of Birth	Position	Common Shares Owned
Dal Soo Lee	02/15/1952	Senior Executive Vice President	152
Won Sik Yeo	01/30/1953	Senior Executive Vice President	
Dong Su Yeo	02/17/1956	Senior Executive Vice President	
Hyeog Kwan Kwon	12/10/1953	Senior Executive Vice president	40
Yong Kook Oh	09/30/1949	Senior Executive Vice President	
Hyo Sung Won	07/29/1960	Senior Executive Vice President	
De Oak Shin	01/09/1951	Senior Executive Vice President	8,963
Kyoung Woo Nam	04/01/1951	Senior Executive Vice President	
Young Han Choi	09/24/1958	Senior Executive Vice President	
Jeung Ho Lee	08/15/1952	Senior Executive Vice President	38
Jeong Min Kim	05/08/1951	Senior Executive Vice President	130
Donald H. MacKenzie	12/20/1948	Senior Executive Vice President	
Kap Joe Song	07/20/1947	Senior Executive Vice President	
Dong Won Kim	03/01/1953	Senior Executive Vice President	

6.4. Employees

The following table shows the breakdown of our employees as of September 30, 2007.

(Unit: in millions of Won)

	Number of Employees ¹			Average Tenure of	Total Payment for the third quarter of 2007 ³	Average Payment per Person
	Full-time	Contractual	Total	the Full-time Employees (years) ²		
Male	12,928	1,505	14,433	17 years and 10 months	751,111	52.0
Female	4,666	6,801	11,467	13 years and 8 months	396,938	34.6
Total	17,594	8,306	25,900	16 years and 8 months	1,148,049	44.3

¹ Number of employees is calculated as the arithmetic mean of the number of employees as of the end of each month from January 31, 2007 to September 30, 2007, and does not include executive vice presidents, local employees in overseas branches and persons engaged in outsourced services.

² Based on only full-time employees as of September 30, 2007

³ Based on labor expenses and employee benefit/welfare costs paid as of September 30, 2007

Table of Contents**7. Major Stockholders and Related Party Transactions****7.1. Major Stockholders¹**

The following table presents information regarding the selected major ownership of our shares.

(Unit: Shares, %)

Name	Number of Shares of Common Stock	Percentage of Total Issued Shares
Citibank, N. A.²	53,592,732	15.93
Euro-Pacific Growth Fund	18,377,910	5.46

¹ As of September 30, 2007

² Depositary under our ADR and GDR programs

Table of Contents**7.2. Investments in Affiliates¹**

(Unit: in millions of Won)

Name	Relation with the Bank	Account	Beginning			Ending
			Balance (Jan 1, 2007)	Increase	Decrease	Balance (Sept 30, 2007)
KB Real Estate Trust	Affiliate	Equity Securities of Affiliate	79,999			79,999
KB Investment	Affiliate	Equity Securities of Affiliate	44,756			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	7,999			7,999
KB Credit Information	Affiliate	Equity Securities of Affiliate	6,245			6,245
KB Life Insurance	Affiliate	Equity Securities of Affiliate	15,300	7,650		22,950
Jooeun Industrial¹	Affiliate	Equity Securities of Affiliate	9,999			9,999
KLB Securities¹	Affiliate	Equity Securities of Affiliate	24,274			24,274
ING Life Korea²		Equity Securities	14,000		3,570	10,430
Kookmin Bank Hong Kong Ltd.	Affiliate	Equity Securities of Affiliate	18,592		178	18,414
Kookmin Bank International (London) Ltd.	Affiliate	Equity Securities of Affiliate	36,482	827		37,309

Based on par value

¹ Jooeun Industrial and KLB Securities are under liquidation procedures.

² Due to Kookmin Bank's disposition of a 5.1% stake in ING Life Korea on September 27, 2007, ING Life Korea is no longer a subsidiary of Kookmin Bank.

Table of Contents**7.3. Related Party Transactions**

(Unit: in millions of Won unless indicated otherwise)

Name	Relation with the Bank	Account	Transactions			Gains /Losses
			Purchase	Disposal	Volume	
LG International	Related party of Non-executive director, Kee Young Chung	Equity securities	6,106	6,150	12,256	416
DSME Co.	Related party of Non-executive director, Dong Soo Chung	Equity securities	9,913	9,913	19,826	386
Total			16,019	16,063	32,082	802

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8. Other Important Information for Investors

8.1. Progress Relating to Regulatory Filing

1. On July 13, 2007, we submitted a current report on Form 6-K relating to a second notice of additional tax assessment from the Seoul Regional Tax Office in respect of the periodic tax audit for the years 2002 to 2005. This second assessment was in the amount of KRW 268,791,041,795, and in addition to an earlier assessment in the amount of KRW 173,189,962,460. The amount payable in respect of the second assessment was subsequently reduced by KRW 3,006,280,175, in part due to early payment of the assessed amounts. We paid such reduced amount on August 13, 2007.
2. On August 6, 2007 and August 13, 2007, we appealed the tax assessments in two separate proceedings, distinguished in part by type of tax. The amount of assessment being appealed is KRW 438,862,802,150.

8.2. Future Planned Business

1. Plan for entering into the securities business through the acquisition of Hannuri Investment & Securities Co., Ltd.

Implementation schedule:

Board resolution passed on November 14, 2007

Expected benefits:

Secure competitiveness in the capital markets area following the enactment of the Financial Investment Services and Capital Market Act

Recognize synergies between the banking and securities business

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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, 2007

By: /s/ Kap Shin
(Signature)
Name: Kap Shin
Title: CFO / Senior EVP

Executive Director

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KOOKMIN BANK

NON-CONSOLIDATED FINANCIAL STATEMENTS FOR

THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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Exhibit 99.1

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, 2007, and the related non-consolidated statements of income, cash flows and changes in shareholders' equity for the nine months ended September 30, 2007 and 2006, 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 reviews.

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 the Bank's 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 accounting principles generally accepted in the Republic of Korea.

We have previously audited, in accordance with auditing standards generally accepted in the Republic of Korea, the non-consolidated balance sheet of the Bank as of December 31, 2006, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended (not presented herein) and in our report dated March 2, 2007, we expressed an unqualified opinion on those non-consolidated financial statements. The accompanying non-consolidated balance sheet as of December 31, 2006, which is comparatively presented, does not differ in material respects from such audited non-consolidated balance sheet.

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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, cash flows and changes in shareholders' equity 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.

November 2, 2007

Notice to Readers

This report is effective as of November 2, 2007, 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, 2007 AND DECEMBER 31, 2006

	2007	Korean Won (In millions)	2006
ASSETS			
Cash and due from banks (Notes 3 and 20)	(Won) 6,755,638		(Won) 6,568,306
Securities (Notes 4 and 20)	31,648,717		29,382,480
Loans (Notes 5, 6, 7 and 20)	164,056,306		149,867,182
Tangible assets (Note 8)	2,231,108		2,137,732
Other assets (Note 9)	8,351,632		7,250,781
	(Won) 213,043,401		(Won) 195,206,481
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES:			
Deposits (Notes 10 and 20)	(Won) 133,463,188		(Won) 130,019,916
Borrowings (Notes 11 and 20)	48,701,555		39,042,684
Other liabilities (Notes 12, 13, 14, 15 and 16)	15,313,489		11,088,924
	197,478,232		180,151,524
SHAREHOLDERS' EQUITY (Note 17):			
Common stock	1,681,896		1,681,896
Capital surplus	6,258,297		6,258,297
Accumulated other comprehensive income	451,329		899,542
Retained earnings	7,173,647		6,215,222
	15,565,169		15,054,957
	(Won) 213,043,401		(Won) 195,206,481

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, 2007 AND 2006

	Korean Won	
	2007	2006
	(In millions except per share amounts)	
OPERATING REVENUE:		
Interest income:		
Interest on due from banks (Note 21)	(Won) 11,339	(Won) 22,420
Interest on securities (Note 21)	1,042,582	1,011,653
Interest on loans (Note 21)	8,845,489	7,826,252
Other interest income	26,642	22,460
	9,926,052	8,882,785
Gain on valuation and disposal of securities:		
Gain on valuation of trading securities	5,145	33,894
Gain on disposal of trading securities	68,716	39,320
Gain on disposal of available-for-sale securities	752,321	136,165
Reversal of impairment loss on available-for-sale securities (Note 4)	23,726	83,725
	849,908	293,104
Gain on disposal of loans	27,112	36,311
Foreign exchange trading income	375,925	179,200
Commission income	1,115,443	975,126
Fees and commissions from trust accounts (Note 27)	69,123	71,707
Dividends income	10,892	7,444
Other operating income:		
Gain on derivatives trading	1,971,459	3,154,456
Gain on valuation of derivatives (Note 19)	802,045	1,140,527
Gain on valuation of fair value hedged items (Notes 10, 11 and 19)	141,205	8,510
Other operating income	79,630	76,519
	2,994,339	4,380,012
Total operating revenues	15,368,794	14,825,689
OPERATING EXPENSES:		
Interest expenses:		
Interest on deposits (Note 21)	2,993,511	2,497,749
Interest on borrowings (Note 21)	1,736,730	1,291,113
Other interest expenses	58,738	37,590
	4,788,979	3,826,452

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Loss on valuation and disposal of securities:		
Loss on valuation of trading securities	26,516	834
Loss on disposal of trading securities	49,561	40,633
Loss on disposal of available-for-sale securities	16,065	13,220
Impairment loss on available-for-sale securities (Note 4)	60,745	53,463
	152,887	108,150
Provision for possible loan losses (Note 7)	298,854	423,739
Foreign exchange trading losses	199,938	252,540
Commission expenses	422,895	318,812
General and administrative expenses (Note 22)	2,680,397	2,417,600
Other operating expenses:		
Provision for acceptances and guarantees losses	10,682	4,089
Loss on derivatives trading	1,932,186	2,975,852
Loss on valuation of derivatives (Note 19)	979,146	1,039,575
Loss on valuation of fair value hedged items (Notes 10, 11 and 19)	10,409	77,193
Other operating expenses	435,135	436,737
	3,367,558	4,533,446
Total operating expenses	11,911,508	11,880,739

(Continued)

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KOOKMIN BANK

NON-CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

	Korean Won	
	2007	2006
	(In millions except per share amounts)	
OPERATING INCOME	(Won) 3,457,286	(Won) 2,944,950
NON-OPERATING REVENUE (Note 23)	343,323	258,603
NON-OPERATING EXPENSES (Note 23)	562,762	89,763
INCOME BEFORE INCOME TAX	3,237,847	3,113,790
INCOME TAX EXPENSE (Note 24)	1,044,068	855,689
NET INCOME (Note 26)	(Won) 2,193,779	(Won) 2,258,101
BASIC NET INCOME PER SHARE (In currency units) (Note 25)	(Won) 6,522	(Won) 6,713
DILUTED NET INCOME PER SHARE (In currency units) (Note 25)	(Won) 6,507	(Won) 6,713

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, 2007 AND 2006

	2007	Korean Won (In millions)	2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	(Won) 2,193,779		(Won) 2,258,101
Adjustments to reconcile net income to net cash used in operating activities:			
Loss on valuation of trading securities	26,516		834
Impairment loss on available-for-sale securities	60,745		53,463
Loss on valuation of securities accounted for using the equity method	289		1,612
Provision for possible loan losses	298,854		423,739
Depreciation and amortization	296,910		224,615
Loss on disposal of tangible assets	1,086		1,629
Loss on valuation of derivatives	979,146		1,039,575
Loss on valuation of fair value hedged items	10,409		77,193
Provision for severance benefits	123,996		103,864
Gain on valuation of trading securities	(5,145)		(33,894)
Reversal of impairment loss on available-for-sale securities	(23,726)		(83,725)
Gain on valuation of securities accounted for using the equity method	(74,397)		(76,077)
Gain on disposal of tangible assets	(10,128)		(2,339)
Gain on valuation of derivatives	(802,045)		(1,140,527)
Gain on valuation of fair value hedged items	(141,205)		(8,510)
Others, net	83,270		55,557
	824,575		637,009
Changes in assets and liabilities resulting from operations:			
Net decrease (increase) in trading securities	(2,879,245)		407,268
Net increase in available-for-sale securities	(90,796)		(2,866,249)
Net decrease (increase) in held-to-maturity securities	279,557		(957,793)
Net increase in loans	(14,492,564)		(10,119,066)
Net increase in accounts receivable	(1,361,324)		(4,951,270)
Net increase in accrued income	(182,041)		(212,004)
Net increase in prepaid expenses	(38,631)		(37,123)
Net decrease (increase) in deferred income tax assets	(204,289)		105,778
Net increase in accounts payable	1,667,235		4,676,614
Net increase (decrease) in accrued expenses	701,118		(400,142)
Net increase in unearned revenues	13,755		10,405
Payment of severance benefits	(19,801)		(13,187)
Net increase in severance insurance deposits	(6,304)		(35,780)
Others, net	360,426		(220,071)
	(16,252,904)		(14,612,620)
Net cash used in operating activities	(13,234,550)		(11,717,510)

(Continued)

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KOOKMIN BANK

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

	2007	Korean Won (In millions)	2006
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net increase in restricted due from banks	(Won) (638,449)		(Won) (81,914)
Net decrease in securities accounted for using the equity method	211,393		14,914
Disposal of tangible assets	19,408		10,619
Purchase of tangible assets	(320,690)		(151,863)
Disposal of intangible assets	76		
Disposal of non-business use properties	308		27
Purchase of intangible assets	(35,295)		(23,911)
Net increase in guarantee deposits paid	(109,699)		(11,294)
Net decrease (increase) in domestic exchange settlement debits	691,392		(432,889)
Net cash used in investing activities	(181,556)		(676,311)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in deposits	3,445,179		2,208,755
Net increase in borrowings	9,566,556		10,056,073
Net increase (decrease) in other liabilities	1,181,038		(201,683)
Exercise of stock options			10,620
Dividend	(1,227,784)		(184,889)
Net cash provided by financing activities	12,964,989		11,888,876
NET DECREASE IN CASH AND DUE FROM BANKS	(451,117)		(504,945)
CASH AND DUE FROM BANKS, BEGINNING OF PERIOD	3,287,819		3,624,831
CASH AND DUE FROM BANKS, END OF PERIOD (Note 31)	(Won) 2,836,702		(Won) 3,119,886

See accompanying notes to non-consolidated financial statements.

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KOOKMIN BANK

NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income (In millions)	Retained earnings	Total
January 1, 2006	(Won) 1,681,896	(Won) 6,254,786	(Won) (5,772)	(Won) 512,742	(Won) 3,929,948	(Won) 12,373,600
Dividend					(184,889)	(184,889)
Retained earnings after appropriations					3,745,059	12,188,711
Net income					2,258,101	2,258,101
Valuation of available-for-sale securities				163,923		163,923
Valuation of held-to-maturity securities				(273)		(273)
Valuation of securities using the equity method				9,233		9,233
Exercise of stock option			(3,888)			(3,888)
Disposal of treasury stock		3,511	9,660			13,171
Others					(270)	(270)
September 30, 2006	(Won) 1,681,896	(Won) 6,258,297	(Won)	(Won) 685,625	(Won) 6,002,890	(Won) 14,628,708
January 1, 2007	(Won) 1,681,896	(Won) 6,258,297	(Won)	(Won) 899,542	(Won) 6,215,222	(Won) 15,054,957
Dividend					(1,227,784)	(1,227,784)
Retained earnings after appropriations					4,987,438	13,827,173
Net income					2,193,779	2,193,779
Valuation of available-for-sale securities				(433,205)		(433,205)
Valuation of held-to-maturity securities				(53)		(53)
Valuation of securities using the equity method				(14,955)	(7,650)	(22,605)
Others					80	80
September 30, 2007	(Won) 1,681,896	(Won) 6,258,297	(Won)	(Won) 451,329	(Won) 7,173,647	(Won) 15,565,169

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, 2007 AND 2006

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. In addition, the Bank listed its American Depository Shares ("ADS") on the New York Stock Exchange ("NYSE") as of November 1, 2001 following the consolidation with H&CB. H&CB listed its ADS on the NYSE as of October 3, 2000 prior to the business combination. As of September 30, 2007, the Bank's paid-in capital is (Won)1,681,896 million.

The Bank is engaged in the banking, trust, credit card and other relevant businesses according to the provisions of the General Banking Act, Trust Business Act, and Specialized Credit Financial Business Act, respectively. The Bank operates through 1,172 domestic branches and offices (excluding 242 automated teller machine stations) and four overseas branches (excluding two subsidiaries and two offices) as of September 30, 2007.

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. 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 the cash basis in accordance with the banking industry accounting standards. As of September 30, 2007 and December 31, 2006, 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)5,158,795 million and (Won)6,031,676 million, respectively, and the related accrued interest income not recognized amounted to (Won)599,979 million and (Won)525,475 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 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

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 accumulated other comprehensive income, which is 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 accumulated other comprehensive income 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 more than 15 percent of the total 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, capital adjustments or accumulated other comprehensive income of investee are reflected as gain or loss on valuation of securities accounted for using the equity method in accumulated other comprehensive income.

When the book value of equity securities accounted for using the equity method is less than zero due to the cumulative losses of the investees, the Bank discontinues applying the equity method and does not provide for additional losses. If the investee subsequently reports net income, the Bank resumes applying the equity method only after its share of that net income equals the share of net losses not recognized during the period that the equity method was suspended.

In addition, any gain or loss from the disposal of equity securities of certain consolidated subsidiaries is accounted for as accumulated other comprehensive income resulting from applying the equity method in the balance sheets if the subsidiaries are still consolidated even after the Bank disposes of a portion of equity securities.

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

If the reasons for impairment losses on available-for-sale securities no longer exist, the recovery is recorded in current operations under operating revenue up to amount of the previously recognized impairment loss as reversal of impairment loss on available-for-sale securities and any excess is included in accumulated other comprehensive income 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 accumulated other comprehensive income. 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 operating revenue 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 impairment loss on held-to-maturity securities.

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(6) Reclassification of Securities

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 accumulated other comprehensive income 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 accumulated other comprehensive income and be amortized using the effective interest rate method and the amortized amount is charged to interest income 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. In addition, when certain trading securities lose their marketability, such securities are reclassified as available-for-sale securities at fair market value as of reclassification date.

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 accumulated other comprehensive income 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 control of the securities, the transaction is recorded as secured borrowing transaction.

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 collateralized by bank deposits, real estate or 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 17 grades from AAA to D (AAA, AA+, AA, A, BBB+, BBB, BBB-, BB+, BB, BB-, B+, 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 0.7 ~ 6.9 percent for normal, 7 ~ 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 percentages of 1 ~ 9.9 percent and 1.5 ~ 14.9 percent for normal, 10 ~ 19.9 percent and 15 ~ 19.9 percent for precautionary, 20 ~ 54.9 and 20 ~ 59.9 percent for substandard, 55 ~ 99.9 percent and 60 ~ 99.9 percent for doubtful, and 100 percent for estimated loss.

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Pursuant to the Supervisory Regulation of Banking Business, the Bank provides allowance for possible losses on confirmed acceptances and guarantees, unconfirmed acceptances and guarantees, and notes endorsed based on the credit classification, minimum rate of loss provision prescribed by the Financial Supervisory Service and the cash conversion factor. In addition, the Bank provides other allowances for the unused credit limit of credit card and unused credit line of consumer and corporate loans based on the cash conversion factor and minimum rate of loss provision prescribed by the Financial Supervisory Service.

In addition, when an allowance for possible loan losses required by the Supervisory Regulation is less than the amount calculated based on the historical loss rate, which is estimated through objective and reasonable method in accordance with the accounting principle in the Republic of Korea, historical loss rate is reflected in the provision for possible loan losses.

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

Lending portfolios	Methodology	Period of historical loss rate	Period of recovery ratio
Impaired corporate loans	DCF & Migration	N/A	N/A
Non-impaired corporate loans	Migration analysis	1 year	5 years
Consumer loans	Migration analysis	1 year	5 years
Credit card loans	Roll-rate analysis	1 year	5 years

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

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 loan losses and then recognizes provisions for loan losses. 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 loan losses. If the amount of allowances already established is less than the impairment losses, 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.

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 such agreements.

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Tangible Assets and Related Depreciation

Tangible assets are recorded at cost or production cost including 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:

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

Intangible Assets and Related Amortization

Intangible assets included in other 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:

Intangible assets	Depreciation method	Estimated useful life
Goodwill	Straight-line	9 years
Trademarks	Straight-line	5-20 years
Others	Straight-line	3-30 years

The Bank recorded 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 other 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 collective value of the assets due to obsolescence, physical damage or a sharp decrease in market value and the difference is material, the book value is adjusted to collective value in the balance sheet and the resulting impairment loss is charged to current operations. If the collective value of the assets increases in subsequent years, the increase in value is credited to operations as gain until the collective value equals the book value of assets that would have been determined had no impairment loss been recognized. The Bank assessed the collective 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 on the debentures.

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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 are 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.

Accrued Severance Benefits

Employees and directors and temporary employees with at least one year of service as of September 30, 2007 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 accumulated other comprehensive income and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as accumulated other comprehensive income 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 accumulated other comprehensive income is added to or deducted from the asset or the liability.

Accounting for Share-based Payment

The terms of the arrangement for share-based payment transactions provide the Bank with a choice of whether the transaction is settled in cash or by issuing equity instruments. In accordance with the resolution of the Board of Directors on August 23, 2005 to settle the transaction in cash, the compensation cost is recorded in other liabilities (accrued expense). The compensation cost of stock options granted before and after the effective date of the Statements of Korea Accounting Standards No. 22 (Share-based Payment) was measured using the intrinsic value method in accordance with the Interpretations on Financial Accounting Standards 39-35 Accounting for Stock Options, and the fair value method, respectively.

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National Housing Fund

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, 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 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 the related 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 basic 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)920.70 and (Won)929.60 to US\$ 1.00 at September 30, 2007 and December 31, 2006, 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.

Discontinued Operation

A discontinued operation refers to a component of the Bank that is capable of being distinguished operationally for financial reporting purposes and is capable of being identified as a major line of business or geographical area of operations, and that the Bank, pursuant to a single plan of discontinuance, substantially disposes in its entirety, such as by selling it in a single transaction; sells off its assets and settles its liabilities individually or in small groups; or terminates it through abandonment. The income (loss) from continuing operation and discontinued operation was not distinguished and separately presented as there was no discontinued operation in the prior year and current period.

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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 based on SKAS Act 92. The Bank adopted SKAS No.1 (Accounting Changes and Error Corrections) through SKAS No. 20 (Related Party Disclosures) (excluding SKAS No. 11 and No. 14) as of or before December 31, 2006, and SKAS No. 11 (Discontinued Operation) and SKAS No. 21 (Preparation and Presentation of Financial Statements) through SKAS No. 25 (Consolidated Financial Statements) have been adopted since January 1, 2007.

With the adoption of SKAS No. 21 (Preparation and Presentation of Financial Statements) and SKAS No. 24 (Preparation and Presentation of Financial Statements [Financial Industry]), the Bank included the statement of changes in shareholders' equity in the financial statements, and reclassified the components of the balance sheets as follows:

Classification	Before	After
Assets	- Cash and due from banks	- Cash and due from banks
	- Securities	- Securities
	- Loans	- Loans
	- Fixed assets	- Tangible assets
	- Other assets	- Other assets
Liabilities	- Deposits	- Deposits
	- Borrowings	- Borrowings
	- Debentures	- Other liabilities
	- Other liabilities	
Shareholders' Equity	- Common stock	- Common stock
	- Capital surplus	- Capital surplus
	- Retained earnings	- Capital adjustments
	- Capital adjustments	- Accumulated other comprehensive income
		- Retained earnings

In addition, a discontinued operation is separately presented in the income statements and extraordinary items are no longer reported separately. The Bank has reclassified the components of the income statements; such as, gains or losses relating to available-for-sale securities and sale of loans that were presented under non-operating revenue (expenses) are currently presented under operating revenue (expenses). The effect of the changes in the classification of the income statement for the nine months ended September 30, 2007 is as follows (Unit: In millions):

Classification	Before	After	Effect
Operating Revenue	(Won) 14,559,975	(Won) 15,368,794	(Won) 808,819
Operating Expenses	11,829,038	11,911,508	82,470
Operating Income	2,730,937	3,457,286	726,349
Non-operating Revenue	1,146,483	343,323	(803,160)

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Non-operating Expenses	639,573	562,762	(76,811)
Income before Income Tax	3,237,847	3,237,847	
Income Tax Expense	1,044,068	1,044,068	
Net Income	(Won) 2,193,779	(Won) 2,193,779	(Won)
Basic Net Income per Share (In currency units)	(Won) 6,522	(Won) 6,522	(Won)
Diluted Net Income per Share (In currency units)	(Won) 6,507	(Won) 6,507	(Won)

(*) Income from continuing operation was not separately presented as there was no gain (loss) from discontinued operation.

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The financial statements for the prior period were restated for comparative purposes due to the application of SKAS No. 21 and No. 24. The restatement did not affect the previously reported prior period's net income or shareholders' equity. The effect of the restatement on the income statement for the nine months ended September 30, 2006 is as follows (Unit: In millions):

Classification	Before	After	Effect
Operating Revenue	(Won) 14,568,653	(Won) 14,825,689	(Won) 257,036
Operating Expenses	11,809,415	11,880,739	71,324
Operating Income	2,759,238	2,944,950	185,712
Non-operating Revenue	514,804	258,603	(256,201)
Non-operating Expenses	160,252	89,763	(70,489)
Income before Income Tax	3,113,790	3,113,790	
Income Tax Expense	855,689	855,689	
Net Income	(Won) 2,258,101	(Won) 2,258,101	(Won)
Basic Net Income per Share (In currency units)	(Won) 6,713	(Won) 6,713	(Won)
Diluted Net Income per Share (In currency units)	(Won) 6,713	(Won) 6,713	(Won)

(*) Income from continuing operation was not separately presented as there was no gain (loss) from discontinued operation. In addition, the Bank has reclassified the components of the cash flows; such as, changes in available-for-sale securities, held-to-maturity securities and loans that were presented under cash flows from investing activities are currently presented under cash flows from operating activities. The accompanying non-consolidated statement of cash flows for the nine months ended September 30, 2006, which is presented for comparative purposes, was restated due to the application of SKAS No. 21 and No. 24.

The prior period financial statements were neither restated nor the earnings per share adjusted to reflect the effect of the application of SKAS No. 22 (Share-based Payment) and No. 23 (Earnings per Share), which is in accordance with the transition provision.

3. CASH AND DUE FROM BANKS:

(1) Cash and due from banks as of September 30, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Cash and checks	(Won) 2,453,296	(Won) 2,725,644
Foreign currencies	184,095	151,406
Due from banks	4,118,247	3,691,256
	(Won) 6,755,638	(Won) 6,568,306

(2) Due from banks as of September 30, 2007 and December 31, 2006 consisted of (Unit: In millions):

Financial institution	Interest (%)	2007	2006
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Due from banks in Won:			
BOK		(Won) 3,819,923	(Won) 3,195,224
Woori Bank and others	0.00~0.10	7,897	9,377
Good Morning Shinhan Securities Co., Ltd. and others		7,705	6,006
		3,835,525	3,210,607

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Financial institution	Interest (%)	2007	2006
Due from banks in foreign currencies:			
BOK		(Won) 85,970	(Won) 75,026
ABN AMRO Bank N.V. and others	0.00~5.43	102,380	87,235
Qingdao International Bank and others	5.18~5.78	94,372	318,388
		282,722	480,649
		(Won) 4,118,247	(Won) 3,691,256

(3) Restricted due from banks as of September 30, 2007 and December 31, 2006 consisted of (Unit: In millions):

Financial institution	2007	2006	Reason for restriction
Due from banks in Won:			
BOK	(Won) 3,819,923	(Won) 3,195,224	BOK Act
Woori Bank	576	4,605	Escrow account
KB Futures Co., Ltd. and others	4,297	4,492	Futures margin accounts
Korea Exchange	250	250	Market entry due
Due from banks in foreign currencies:			
BOK	85,970	75,026	BOK Act
J.P. Morgan Futures Inc. and others	742	890	Futures margin accounts
ICBC NANFANG SUB-BR and others	7,178		China's New Foreign Bank Regulations
	(Won) 3,918,936	(Won) 3,280,487	

(4) Due from banks by financial institution as of September 30, 2007 and December 31, 2006 consisted of (Unit: In millions):

Financial institution	2007	2006
Due from banks in Won:		
BOK	(Won) 3,819,923	(Won) 3,195,224
Other banks	7,897	9,377
Other financial institution	7,705	6,006
	3,835,525	3,210,607
Due from banks in foreign currencies:		
BOK	85,970	75,026
Other banks	196,010	404,733
Other financial institution	742	890
	282,722	480,649
	(Won) 4,118,247	(Won) 3,691,256

(5) Term structure of due from banks as of September 30, 2007 was as follows (Unit: In millions):

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	Due in	Due after	Due after	Due after		
	3 months or	3 months	6 months	1 year	More than	
	less	through	through	through	3 years	Total
		6 months	1 year	3 years	3 years	
Due from banks in Won	(Won) 3,835,424	(Won)	(Won)	(Won) 101	(Won)	(Won) 3,835,525
Due from banks in foreign currencies	275,544	7,178				282,722
	(Won) 4,110,968	(Won) 7,178	(Won)	(Won) 101	(Won)	(Won) 4,118,247

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Term structure of due from banks as of December 31, 2006 was as follows (Unit: In millions):

	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	Due after More than 3 years	Total
Due from banks in Won	(Won) 3,206,002	(Won) 4,029	(Won) 475	(Won) 101	(Won)	(Won) 3,210,607
Due from banks in foreign currencies	429,521	51,128				480,649
	(Won) 3,635,523	(Won) 55,157	(Won) 475	(Won) 101	(Won)	(Won) 3,691,256

4. SECURITIES:

(1) Securities as of September 30, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Trading securities	(Won) 5,455,522	(Won) 2,589,719
Available-for-sale securities	14,784,341	15,113,898
Held-to-maturity securities	10,671,836	10,939,331
Securities accounted for using the equity method	737,018	739,532
	(Won) 31,648,717	(Won) 29,382,480

(2) The valuation of securities excluding securities accounted for using the equity method as of September 30, 2007 consisted of (Unit: In millions):

Classification	Face value	Acquisition cost (*)	Adjusted by	
			effective interest rate method	Book value
Trading securities:				
Equity securities	(Won) 217,940	(Won) 71,612	(Won)	(Won) 75,514
Beneficiary certificates	217,940	223,619		223,740
Government and public bonds	799,858	782,992	784,954	780,973
Finance bonds	4,247,312	4,229,498	4,236,105	4,215,090
Corporate bonds	160,124	160,137	159,647	159,249
Asset-backed securities	964	953	956	956
	(Won) 5,426,198	(Won) 5,468,811	(Won) 5,181,662	(Won) 5,455,522

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Available-for-sale securities:					
Equity securities	(Won)	(Won)	949,170	(Won)	(Won) 1,163,745
Equity investments			24,159		27,630
Beneficiary certificates	151,361		151,186		152,343
Government and public bonds	4,096,712		4,020,822	4,032,200	3,984,352
Finance bonds	7,930,919		7,913,111	7,916,052	7,864,886
Corporate bonds	1,185,535		1,146,089	1,128,160	1,122,540
Asset-backed securities	796,112		732,454	373,486	442,941
Other debt securities	25,242		15,866		25,904
	(Won) 14,185,881	(Won) 14,952,857		(Won) 13,449,898	(Won) 14,784,341

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Classification	Face value	Acquisition cost (*)	Adjusted by		Book value
			effective interest rate	method	
Held-to-maturity securities:					
Government and public bonds	(Won) 6,819,832	(Won) 6,646,251	(Won) 6,677,909		(Won) 6,677,909
Finance bonds	1,217,621	1,216,824	1,216,658		1,216,658
Corporate bonds	2,519,773	2,522,570	2,514,288		2,514,288
Asset-backed securities	263,000	262,942	262,981		262,981
	(Won) 10,820,226	(Won) 10,648,587	(Won) 10,671,836		(Won) 10,671,836

(*) The book value before valuation has been recognized for equity securities classified as available-for-sale.

The valuation of securities excluding securities accounted for using the equity method as of December 31, 2006 consisted of (Unit: In millions):

Classification	Face value	Acquisition cost (*)	Adjusted by		Book value
			effective interest rate	method	
Trading securities:					
Equity securities	(Won)	(Won) 55,871	(Won)		(Won) 57,196
Beneficiary certificates	100,285	100,737			103,488
Government and public bonds	387,598	375,518	369,206		376,597
Finance bonds	1,961,888	1,953,158	1,955,278		1,951,106
Corporate bonds	101,311	100,947	101,705		101,332
	(Won) 2,551,082	(Won) 2,586,231	(Won) 2,426,189		(Won) 2,589,719
Available-for-sale securities:					
Equity securities	(Won)	(Won) 1,337,214	(Won)		(Won) 1,975,847
Equity investments		510			3,840
Beneficiary certificates	601,394	601,194			608,242
Government and public bonds	3,130,037	3,117,853	3,120,855		3,105,038
Finance bonds	7,830,928	7,767,030	7,793,953		7,782,194
Corporate bonds	1,000,411	965,657	950,345		950,200
Asset-backed securities	991,092	927,660	672,357		671,827
Other debt securities	18,412	8,843			16,710
	(Won) 13,572,274	(Won) 14,725,961	(Won) 12,537,510		(Won) 15,113,898
Held-to-maturity securities:					
Government and public bonds	(Won) 6,708,303	(Won) 6,633,496	(Won) 6,644,907		(Won) 6,644,907
Finance bonds	2,208,000	2,208,271	2,208,185		2,208,185
Corporate bonds	1,879,779	1,887,352	1,881,270		1,881,270
Asset-backed securities	205,000	204,906	204,969		204,969

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(Won) 11,001,082 (Won) 10,934,025 (Won) 10,939,331 (Won) 10,939,331

(*) The book value before valuation has been recognized for equity securities classified as available-for-sale.

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The fair values of trading and available-for sale debt securities in Won were assessed by applying the average of base prices as of balance sheet dates, provided by the bond pricing service institutions.

The fair value of the available-for-sale non-marketable equity securities such as Korea Housing Guarantee Co., Ltd. and 21 others, and the restricted available-for-sale marketable equity securities such as Hyundai Engineering and Construction Co., Ltd. and 4 others were reliably measured by an independent appraisal institute using reasonable judgment. The fair value was determined based on more than one valuation models such as Discounted Cash Flow (DCF) Model, Imputed Market Value (IMV) Model, Discounted Free Cash Flow to Equity (FCFE) Model, Dividend Discount (DD) Model and Risk Adjusted Discounted Cash Flow (RADCF) Model depending on the equity securities.

- (3) Available-for-sale securities, which were not valued at fair value as of September 30, 2007 and December 31, 2006, were as follows (Unit: In millions):

Company	2007	2006
Bad Bank Harmony (preferred stock)	(Won) 33,896	(Won) 58,848
Non-performing Asset Management Fund	23,650	
Korea Asset Management Corp.	15,667	15,667
Samsung Life Insurance Co., Ltd.	7,479	7,479
Korea Highway Corp.	6,248	6,248
Tianjin Samsung Opto_Electronics	899	908
CMB Hankang Cable TV Co., Ltd.	835	835
CLS	821	5,128
Solomon Credit Information Co., Ltd.	791	791
Others	6,928	15,549
	(Won) 97,214	(Won) 111,453

- (4) The impairment loss and the reversal of impairment loss on available-for-sale securities for the nine months ended September 30, 2007 and 2006 were as follows (Unit: In millions):

	2007		2006	
	Impairment	Reversal	Impairment	Reversal
Equity securities	(Won) 9,268	(Won)	(Won) 10,980	(Won) 81,408
Equity investments	1	23,650	1	
Corporate bonds		76		2,317
Asset-backed securities	51,476		42,482	
	(Won) 60,745	(Won) 23,726	(Won) 53,463	(Won) 83,725

- (5) Structured notes relating to stock and interest rate and credit risk as of September 30, 2007 were as follows (Unit: In millions):

	Won	Foreign currencies	Total
Structured notes relating to stock:			
Convertible bonds	(Won)	(Won) 7,444	(Won) 7,444

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Structured notes relating to interest rate:			
Long-term government bond floating rates notes (FRN)	177,261		177,261
Others	110,102		110,102
	287,363		287,363
Structured notes relating to Credit:			
Synthetic CDO		18,153	18,153
Bonds with call option	18,000		18,000
	(Won) 305,363	(Won) 25,597	(Won) 330,960

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Structured notes relating to stock, interest rate and credit risk as of December 31, 2006 were as follows (Unit: In millions):

	Won	Foreign currencies	Total
Structured notes relating to stock:			
Convertible bonds	(Won)	(Won) 24,121	(Won) 24,121
Structured notes relating to interest rate:			
Long-term government bond FRN	378,840		378,840
Dual indexed FRN	19,931		19,931
Inverse FRN	20,115		20,115
Others	110,236		110,236
	529,122		529,122
Structured notes relating to Credit:			
Synthetic CDO		9,290	9,290
Bonds with call option	20,000		20,000
	(Won) 549,122	(Won) 33,411	(Won) 582,533

- (6) Private beneficiary certificates included in beneficiary certificates of available-for-sale securities as of September 30, 2007 and December 31, 2006 were composed of (Unit: In millions):

	2007	2006
Stocks	(Won) 41,849	(Won) 90,874
Government and public bonds		115,929
Finance bonds	89,478	359,282
Corporate bonds	49,816	27,943
Asset-backed securities		10,000
Call loans	37,820	48,091
Others	9,105	59,878
Assets	228,068	711,997
Liabilities	26,221	2,504
	(Won) 201,847	(Won) 709,493

- (7) The portfolio of securities excluding securities accounted for using the equity method, by industry, as of September 30, 2007 and December 31, 2006 was as follows (Unit: In millions):

By industry type	2007		2006	
	Amount	Percentage (%)	Amount	Percentage (%)

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Trading securities:						
Government and government-invested public companies	(Won)	931,554	17.08	(Won)	479,367	18.51
Financial and insurance		4,451,273	81.59		2,063,151	79.67
Others		72,695	1.33		47,201	1.82
	(Won)	5,455,522	100.00	(Won)	2,589,719	100.00
Available-for-sale securities:						
Government and government-invested public companies	(Won)	4,496,126	30.41	(Won)	3,662,749	24.24
Financial institutions		9,077,981	61.40		10,413,843	68.90
Others		1,210,234	8.19		1,037,306	6.86
	(Won)	14,784,341	100.00	(Won)	15,113,898	100.00
Held-to-maturity securities:						
Government and government-invested public companies	(Won)	8,942,512	83.80	(Won)	8,406,232	76.84
Financial institutions		1,659,638	15.55		2,503,154	22.88
Others		69,686	0.65		29,945	0.28
	(Won)	10,671,836	100.00	(Won)	10,939,331	100.00

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- (8) The portfolio of securities excluding securities accounted for using the equity method, by security type, as of September 30, 2007 and December 31, 2006 was as follows (Unit: In millions):

By security type	2007		2006	
	Amount	Percentage (%)	Amount	Percentage (%)
Trading securities:				
Stocks	(Won) 75,514	1.38	(Won) 57,196	2.21
Fixed rate bonds	5,118,708	93.83	2,328,953	89.93
Floating rate bonds	37,560	0.69	100,082	3.86
Beneficiary certificates	223,740	4.10	103,488	4.00
	(Won) 5,455,522	100.00	(Won) 2,589,719	100.00
Available-for-sale securities:				
Stocks	(Won) 1,163,745	7.87	(Won) 1,975,847	13.07
Fixed rate bonds	12,303,727	83.22	11,215,054	74.20
Floating rate bonds	568,282	3.85	579,663	3.84
Subordinated bonds	535,266	3.62	690,028	4.57
Convertible bonds	7,444	0.05	24,121	0.16
Beneficiary certificates	152,343	1.03	608,242	4.02
Others	53,534	0.36	20,943	0.14
	(Won) 14,784,341	100.00	(Won) 15,113,898	100.00
Held-to-maturity securities:				
Fixed rate bonds	(Won) 10,584,281	99.18	(Won) 10,879,331	99.45
Floating rate bonds	87,555	0.82	60,000	0.55
	(Won) 10,671,836	100.00	(Won) 10,939,331	100.00

- (9) The portfolio of securities excluding securities accounted for using the equity method, by country, as of September 30, 2007 and December 31, 2006 was as follows (Unit: In millions):

By country type	2007		2006	
	Amount	Percentage (%)	Amount	Percentage (%)
Trading securities:				
Korea	(Won) 5,455,522	100.00	(Won) 2,589,719	100.00
Available-for-sale securities:				
Korea	(Won) 14,616,286	98.87	(Won) 15,019,533	99.39
USA	59,877	0.41	27,794	0.18
India	26,951	0.18	9,685	0.06
UK	21,896	0.15	4,605	0.03
Kazakhstan	17,927	0.12		
Russia	16,602	0.11	33,573	0.22

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Ireland	8,946	0.06	9,290	0.06
Japan	8,726	0.06		
Bangladesh	3,548	0.02	1,583	0.01
China	1,876	0.01	1,894	0.01
Others	1,706	0.01	5,941	0.04

	(Won) 14,784,341	100.00	(Won) 15,113,898	100.00
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Held-to-maturity securities:

Korea	(Won) 10,644,280	99.74	(Won) 10,939,331	100.00
USA	27,556	0.26		

	(Won) 10,671,836	100.00	(Won) 10,939,331	100.00
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- (10) Term structure of securities except for stocks and equity investments in available-for-sale and held-to-maturity securities as of September 30, 2007 was as follows (Unit: In millions):

	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	More than 10 years	Total
Available-for-sale securities:					
Fair value	(Won) 4,097,137	(Won) 9,198,884	(Won) 206,165	(Won) 90,780	(Won) 13,592,966
Held-to-maturity securities:					
Book value	1,829,394	6,068,405	2,745,688	28,349	10,671,836
Fair value	1,821,633	5,961,526	2,636,051	27,559	10,446,769

- Term structure of securities except for stocks and equity investments in available-for-sale and held-to-maturity securities as of December 31, 2006 was as follows (Unit: In millions):

	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	More than 10 years	Total
Available-for-sale securities:					
Fair value	(Won) 5,150,081	(Won) 7,685,231	(Won) 261,419	(Won) 37,480	(Won) 13,134,211
Held-to-maturity securities:					
Book value	3,211,790	5,276,939	2,450,602		10,939,331
Fair value	3,207,704	5,229,016	2,440,235		10,876,955

- (11) Securities accounted for using the equity method as of September 30, 2007 were summarized as follows (Unit: In millions):

	No. of shares	Owner- ship (%)	Acquisition cost	Net asset value	Book value
Domestic stocks:					
KB Investment Co., Ltd.	8,951,293	99.99	(Won) 155,384	(Won) 95,839	(Won) 95,839
KB Futures Co., Ltd.	3,999,200	99.98	19,996	28,922	28,922
KB Data System Co., Ltd.	799,960	99.99	8,001	18,542	15,076
KB Real Estate Trust	15,999,930	99.99	76,103	109,336	109,572
KB Asset Management	6,134,040	80.00	39,015	72,481	72,481
KB Credit Information	1,249,040	99.73	14,291	39,049	38,625
KB Life Insurance Co., Ltd.	4,590,000	51.00	23,076	18,183	
KLB Securities Co., Ltd. (*1)	4,854,713	36.41	10,316		
Joeeun Industrial Co., Ltd. (*1)	1,999,910	99.99	23,994		
ING Life Insurance Korea Co., Ltd.	1,043,000	14.90	16,218	89,310	89,310
Balhae Infrastructure Fund (*2)	5,258,597	12.61	53,029	53,689	53,689
Korea Credit Bureau Co., Ltd. (*3)	180,000	9.00	4,500	2,879	2,879
			443,923	528,230	506,393
Foreign stocks:					
Kookmin Bank Singapore Ltd. (*1)	30,000,000	100.00	18,535		1,599
Kookmin Finance Asia Ltd. (HK) (*1)	700,000	100.00	7,349		224
Kookmin Bank Int 1 Ltd. (London)	20,000,000	100.00	36,713	60,282	60,282
Kookmin Bank Hong Kong Ltd.	2,000,000	100.00	48,853	76,511	76,511
Sorak Financial Holdings PTE Ltd.	1,422,216	25.00	75,422	84,698	84,698

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			186,872	221,491	223,314
Equity investments:					
KB06-1 Venture Investment Partnership	150	50.00	7,500	7,311	7,311
			(Won) 638,295	(Won) 757,032	(Won) 737,018

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Securities accounted for using the equity method as of December 31, 2006 were summarized as follows (Unit: In millions):

	No. of shares	Owner- ship (%)	Acquisition cost	Net asset value	Book value
Domestic stocks:					
KB Investment Co., Ltd.	8,951,293	99.99	(Won) 155,384	(Won) 94,443	(Won) 94,443
KB Futures Co., Ltd.	3,999,200	99.98	19,996	28,077	28,077
KB Data System Co., Ltd.	799,960	99.99	8,001	17,603	14,609
KB Real Estate Trust	15,999,930	99.99	76,103	99,539	99,544
KB Asset Management	6,134,040	80.00	39,015	65,271	65,271
KB Credit Information	1,249,040	99.73	14,291	35,314	34,735
KB Life Insurance Co., Ltd.	3,060,000	51.00	15,426	16,271	
KLB Securities Co., Ltd. (*1)	4,854,713	36.41	10,316		
Joeeun Industrial Co., Ltd. (*1)	1,999,910	99.99	23,994		
ING Life Insurance Korea Co., Ltd.	1,400,000	20.00	21,769	123,587	123,587
Balhae Infrastructure Fund (*2)	4,486,305	12.61	45,126	45,589	45,589
Korea Credit Bureau Co., Ltd. (*3)	180,000	9.00	4,500	3,297	3,297
			433,921	528,991	509,152
Foreign stocks:					
Kookmin Bank Singapore Ltd. (*1)	30,000,000	100.00	18,173		1,614
Kookmin Finance Asia Ltd. (HK) (*1)	700,000	100.00	7,420		226
Kookmin Bank Int 1 Ltd. (London)	20,000,000	100.00	35,900	56,496	56,496
Kookmin Bank Hong Kong Ltd.	2,000,000	100.00	49,326	72,130	72,130
Sorak Financial Holdings PTE Ltd.	1,422,216	25.00	73,947	87,299	87,299
			184,766	215,925	217,765
Equity investments:					
Pacific IT Investment Partnership (*4)	700	50.00	6,252	1,958	1,958
NPC02-4 Kookmin Venture Fund (*4)	70	33.33	7,000	8,204	8,204
KB06-1 Venture Investment Partnership	50	50.00	2,500	2,453	2,453
			15,752	12,615	12,615
			(Won) 634,439	(Won) 757,531	(Won) 739,532

(*1) KLB Securities Co., Ltd., Joeeun Industrial Co., Ltd., Kookmin Bank Singapore Ltd. and Kookmin Finance Asia, Ltd. are all in the process of liquidation as of September 30, 2007.

(*2) The Bank may exercise its voting right at the board meeting or at an equally significant decision making body of the investee.

(*3) The Bank has significant influence in electing the board member who may participate in the decision making process relating to the financial and business policy of the investee.

(*4) The liquidation of Pacific IT Investment Partnership and NPC02-4 Kookmin Venture Fund has been finalized in 2007.

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(12) The valuation of securities accounted for using the equity method for the nine months ended September 30, 2007 was as follows (Unit: In millions):

	Book value before valuation	Acquisition (disposition)	Dividend	Foreign exchange trading income (loss)	Equity gain (loss) on investment	Other compre- hensive income (loss)	Retained earnings	Book value after valuation
Domestic stocks:								
KB Investment Co., Ltd.	(Won) 94,443	(Won)	(Won) (2,238)	(Won)	(Won) 4,020	(Won) (386)	(Won)	(Won) 95,839
KB Futures Co., Ltd.	28,077		(1,200)		2,045			28,922
KB Data System Co., Ltd. (*1)	14,609		(800)		1,267			15,076
KB Real Estate Trust	99,544		(12,000)		22,028			109,572
KB Asset Management	65,271		(6,134)		13,330	14		72,481
KB Credit Information (*2)	34,735		(187)		4,077			38,625
KB Life Insurance Co., Ltd. (*1 and 3)		7,650					(7,650)	
KLB Securities Co., Ltd. (*3)								
Jooeun Industrial Co., Ltd. (*3)								
ING Life Insurance Korea Co., Ltd.	123,587	(31,686)			10,581	(13,172)		89,310
Balhae Infrastructure Fund	45,589	7,903	(1,603)		1,800			53,689
Korea Credit Bureau Co., Ltd.	3,297				(147)	(271)		2,879
	509,152	(16,133)	(24,162)		59,001	(13,815)	(7,650)	506,393
Foreign stocks:								
Kookmin Bank Singapore Ltd.	1,614			(15)				1,599
Kookmin Finance Asia Ltd. (HK)	226			(2)				224
	56,496			1,279	2,431	76		60,282

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Kookmin Bank Int'l Ltd. (London)							
Kookmin Bank Hong Kong Ltd.	72,130		(691)	5,456	(384)		76,511
Sorak Financial Holdings PTE Ltd.	87,299		(3,251)	1,741	5,099	(6,190)	84,698
	217,765		(3,251)	2,312	12,986	(6,498)	223,314
Equity investments:							
Pacific IT Investment Partnership	1,958	(1,958)					
NPC02-4 Kookmin Venture Fund	8,204	(7,083)	(3,443)		2,263	59	
KB06-1 Venture Investment Partnership	2,453	5,000			(142)		7,311
	12,615	(4,041)	(3,443)		2,121	59	7,311
	(Won) 739,532	(Won) (20,174)	(Won) (30,856)	(Won) 2,312	(Won) 74,108	(Won) (20,254)	(Won) (7,650)
							(Won) 737,018

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The valuation of securities accounted for using the equity method for the year ended December 31, 2006 was as follows (Unit: In millions):

	Book value before valuation	Acquisition (disposition)	Dividend	Foreign currency translation gain (loss)	Equity gain (loss) on investment	Other compre- hensive income (loss)	Retained earnings	Book value after valuation
Domestic stocks:								
KB Investment Co., Ltd.	(Won) 85,462	(Won)	(Won) (2,238)	(Won)	(Won) 10,974	(Won) 245	(Won)	(Won) 94,443
KB Futures Co., Ltd.	27,312		(1,000)		1,823	(58)		28,077
KB Data System Co., Ltd. (*1)	15,582		(2,399)		1,426			14,609
KB Real Estate Trust	81,068				18,337	139		99,544
KB Asset Management	52,485		(6,134)		18,909	11		65,271
KB Credit Information (*2)	27,837		(624)		7,522			34,735
KB Life Insurance Co., Ltd. (*1 and 3)						1,582	(1,582)	
KLB Securities Co., Ltd. (*3)								
Joeun Industrial Co., Ltd. (*3)								
ING Life Insurance Korea Co., Ltd.	77,529				31,308	14,750		123,587
Balhae Infrastructure Fund		45,126	(11)		474			45,589
Korea Credit Bureau Co., Ltd.		4,500			(1,203)			3,297
	367,275	49,626	(12,406)		89,570	16,669	(1,582)	509,152
Foreign stocks:								
Kookmin Bank Singapore Ltd.	1,759			(145)				1,614
Kookmin Finance Asia Ltd. (HK)	246			(20)				226

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Kookmin Bank Int 1 Ltd. (London)	50,523		2,237	4,262	(526)		56,496
Kookmin Bank Hong Kong Ltd.	69,958		(5,760)	8,044	(112)		72,130
Sorak Financial Holdings PTE Ltd.	82,401	(6,009)	(438)	7,065	4,280		87,299
	204,887	(6,009)	(4,126)	19,371	3,642		217,765
Equity investments:							
KICO No. 2 Venture Investment Partnership	130	(93)		(37)			
KICO No. 3 Venture Investment Partnership	147	(117)		(30)			
Pacific IT Investment Partnership	4,950	(1,496)		(1,496)			1,958
NPC02-4 Kookmin Venture Fund	12,128	(3,000)	(2,129)	1,263	(58)		8,204
KB06-1 Venture Investment Partnership		2,500		(47)			2,453
	17,355	(2,206)	(2,129)	(347)	(58)		12,615
	(Won) 589,517	(Won) 47,420	(Won) (20,544)	(Won) (4,126)	(Won) 108,594	(Won) 20,253	(Won) (1,582)
							(Won) 739,532

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- (*1) The significant unrealized income eliminated for the nine months ended September 30, 2007 and for the year ended December 31, 2006 was as follows (Unit: In millions):

	Related accounts	2007	2006
KB Data System Co., Ltd.	Tangible assets (sales)	(Won) 439	(Won) 914
KB Life Insurance Co., Ltd.	Commissions (deferred acquisition cost)	7,945	3,730
		(Won) 8,384	(Won) 4,644

- (*2) The difference between the cost of the investment and the amount of the underlying equity in the net assets of KB Credit Information amounting to (Won)1,128 million, which resulted from the additional purchase of shares in October 2004, is amortized over 5 years using the straight-line method and credited to the gain on valuation of securities accounted for using the equity method. As a result, (Won)169 million and (Won)226 million were credited to current operation for the nine months ended September 30, 2007 and for the year ended December 31, 2006, respectively, and the balance of the difference amounts to (Won)451 million and (Won)620 million as of September 30, 2007 and December 31, 2006, respectively.
- (*3) The equity method is no longer applied to securities of KLB Securities Co., Ltd. and Jooeun Industrial Co., Ltd. due to accumulated deficit, and to securities of KB Life Insurance Co., Ltd. due to unrealized income elimination, which led to a decrease in the book value below zero.

The unrecognized accumulated deficit and change due to the equity method as of September 30, 2007 was as follows (Unit: In millions):

	Deficit	Change due to equity method	Total
KLB Securities Co., Ltd.	(Won) 4,148	(Won)	(Won) 4,148
Jooeun Industrial Co., Ltd.	60,257		60,257
KB Life Insurance Co., Ltd.	32,163	9,470	41,633
	(Won) 96,568	(Won) 9,470	(Won) 106,038

The unrecognized accumulated deficit and change due to the equity method as of December 31, 2006 was as follows (Unit: In millions):

	Deficit	Change due to equity method	Total
KLB Securities Co., Ltd.	(Won) 4,148	(Won)	(Won) 4,148
Jooeun Industrial Co., Ltd.	72,686		72,686
KB Life Insurance Co., Ltd.	27,217	3,436	30,653
	(Won) 104,051	(Won) 3,436	(Won) 107,487

- (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, 2007 was as follows (Unit: In millions):

	Assets	Liabilities	Sales	Net income (loss)
KB Investment Co., Ltd.	(Won) 97,409	(Won) 1,565	(Won) 10,203	(Won) 4,020
KB Futures Co., Ltd.	90,153	61,225	10,074	2,046

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KB Data System Co., Ltd.	31,787	13,244	40,561	1,739
KB Real Estate Trust	243,445	134,109	49,207	21,797
KB Asset Management	104,978	14,377	37,181	16,661

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	Assets	Liabilities	Sales	Net income (loss)
KB Credit Information	45,887	6,734	43,990	3,933
KB Life Insurance Co., Ltd.	1,070,665	1,035,013	452,445	579
Joeeun Industrial Co., Ltd.	99,173	159,433	107,325	12,842
ING Life Insurance Korea Co., Ltd.	11,412,524	10,813,125	2,614,520	51,793
Balhae Infrastructure Fund	426,878	947	17,042	14,277
Korea Credit Bureau Co., Ltd.	34,895	2,900	15,558	(1,938)
Kookmin Bank Int 1 Ltd. (London)	469,784	409,502	19,478	2,431
Kookmin Bank Hong Kong Ltd.	414,478	337,967	25,084	5,996
Sorak Financial Holdings PTE Ltd.	5,290,697	4,951,903	449,579	20,933
KB06-1 Venture Investment Partnership	14,747	125	108	(284)

Reviewed financial statements as of September 30, 2007 were used for the application of the equity method, except for Joeeun Industrial Co., Ltd., Balhae Infrastructure Fund, Korea Credit Bureau Co., Ltd. and KB06-1 Venture Investment Partnership, of which unaudited financial statements as of September 30, 2007 were used for the application of the equity method, and ING Life Insurance Korea Co., Ltd. and Sorak Financial Holdings PTE Ltd. of which unaudited financial statements as of August 31, 2007 were used for the application of the equity method. The significant events from the closing dates of the investees to that of the Bank were properly reflected in applying the equity method. There was no material exception as a result of analytical review, such as analysis of major accounts to assess reliability of those financial statements.

Significant financial data of companies of which stocks were accounted for using the equity method as of and for the year ended December 31, 2006 was as follows (Unit: In millions):

	Assets	Liabilities	Sales	Net income (loss)
KB Investment Co., Ltd.	(Won) 96,296	(Won) 1,848	(Won) 20,030	(Won) 10,974
KB Futures Co., Ltd.	67,145	39,062	11,487	1,824
KB Data System Co., Ltd.	33,471	15,868	67,588	2,277
KB Real Estate Trust	206,392	106,853	66,122	18,424
KB Asset Management	92,220	10,631	44,826	23,636
KB Credit Information	43,938	8,529	71,532	7,329
KB Life Insurance Co., Ltd.	700,438	668,535	409,302	4,187
Joeeun Industrial Co., Ltd.	110,193	182,882	64,404	2,253
ING Life Insurance Korea Co., Ltd.	9,635,249	9,017,312	3,149,367	156,539
Balhae Infrastructure Fund	362,440	4,410	6,404	3,765
Korea Credit Bureau Co., Ltd.	42,826	6,193	13,963	(5,645)
Kookmin Bank Int 1 Ltd. (London)	315,938	259,442	20,634	3,736
Kookmin Bank Hong Kong Ltd.	395,935	323,805	27,568	7,963
Sorak Financial Holdings PTE Ltd.	5,197,633	4,848,437	680,311	33,189
Pacific IT Investment Partnership	1,986	28		(1,496)
NPC02-4 Kookmin Venture Fund	24,852	240	5,459	3,790
KB06-1 Venture Investment Partnership	5,067	162	67	(95)

Audited or reviewed financial statements as of December 31, 2006 were used for the application of the equity method, except for Pacific IT Investment Partnership, Balhae Infrastructure Fund, Korea Credit Bureau Co., Ltd. and KB06-1 Venture Investment Partnership of which unaudited financial statements as of December 31, 2006 were used for the application of the equity method, and ING Life Insurance Korea Co., Ltd. and Sorak Financial Holdings PTE Ltd., of which unaudited financial statements as of November 30, 2006 were used for the application of the equity method. The significant events from the closing dates of the investees to that of the Bank were properly reflected in applying the equity method. There was no material exception as a result of analytical review, such as analysis of major accounts to assess reliability of those financial statements.

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(14) Changes in accumulated other comprehensive income for the nine months ended September 30, 2007 were as follows (Unit: In millions):

	Beginning	Increase (Decrease)	Disposal (Realization)	Ending
Gain (loss) on valuation of available-for-sale securities:				
Equity securities	(Won) 846,123	(Won) 162,389	(Won) (540,861)	(Won) 467,651
Debt securities in Won	22,669	(57,394)	9,460	(25,265)
Debt securities in foreign currencies	4,010	(3,355)	(747)	(92)
Beneficiary certificates	5,050	537	(4,807)	780
Others	5,704	1,573		7,277
	883,556	103,750	(536,955)	450,351
Gain on valuation of held-to-maturity securities:				
Debt securities in Won	98		(53)	45
Gain on valuation of securities accounted for using the equity method	15,888	(13,794)	(1,161)	933
	(Won) 899,542	(Won) 89,956	(Won) (538,169)	(Won) 451,329

Changes in accumulated other comprehensive income for the year ended December 31, 2006 were as follows (Unit: In millions):

	Beginning	Increase (Decrease)	Disposal (Realization)	Ending
Gain (loss) on valuation of available-for-sale securities:				
Equity securities	(Won) 454,250	(Won) 470,552	(Won) (78,679)	(Won) 846,123
Debt securities in Won	32,614	(3,203)	(6,742)	22,669
Debt securities in foreign currencies	5,867	1,671	(3,528)	4,010
Beneficiary certificates	16,858	4,894	(16,702)	5,050
Others	1,779	3,925		5,704
	511,368	477,839	(105,651)	883,556
Gain on valuation of held-to-maturity securities:				
Debt securities in Won	426		(328)	98
Gain on valuation of securities accounted for using the equity method	948	15,522	(582)	15,888
	(Won) 512,742	(Won) (493,361)	(Won) (106,561)	(Won) 899,542

(15) Securities provided as collateral as of September 30, 2007 were as follows (Unit: In millions):

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Provided to	Book value	Collateral amount	Provided for
Korea Securities Depository & others	(Won) 7,047,518	(Won) 7,100,000	Bonds sold under repurchase agreements
BOK	487,291	490,000	Borrowings from BOK
BOK	319,041	332,200	Overdrafts and settlement risk
Samsung Futures & others	474,146	488,000	Derivative settlement
Others	12	1,628	Other
	(Won) 8,328,008	(Won) 8,411,828	

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Securities provided as collateral as of December 31, 2006 were as follows (Unit: In millions):

Provided to	Book value	Collateral amount	Provided for
Korea Securities Depository & others	(Won) 7,070,657	(Won) 7,100,000	Bonds sold under repurchase agreements
BOK	725,902	725,700	Borrowings from BOK
BOK	330,294	330,600	Overdrafts and settlement risk
Samsung Futures & others	294,760	307,500	Derivative settlement
Others	402	1,628	Other
	(Won) 8,422,015	(Won) 8,465,428	

(16) Securities lent as of September 30, 2007 and December 31, 2006 were as follows (Unit: In millions):

	2007	2006	Provided to
Government and public bonds	(Won) 217,163	(Won) 119,614	Korea Securities Depository and others
Finance bonds	34,499	23,671	Korea Securities Depository
	(Won) 251,662	(Won) 143,285	

5. LOANS:

(1) Loans as of September 30, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Call loans	(Won) 907,926	(Won) 1,247,109
Domestic import usance bill	1,606,805	1,256,747
Credit card receivables	9,276,031	8,667,740
Bills bought in foreign currencies	1,365,099	1,270,314
Bills bought in Won	11,840	16,587
Bonds purchased under repurchase agreements		500,000
Loans	145,433,474	131,579,881
Factoring receivables	20,649	30,948
Advances for customers	29,412	19,209
Private placed bonds	7,515,263	7,499,208
Loans for debt-equity swap	1,968	1,968
	166,168,467	152,089,711
Allowance for possible loan losses	(2,284,368)	(2,360,867)
Deferred loan origination fees and costs	172,207	138,338
	(Won) 164,056,306	(Won) 149,867,182

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(2) Loans in Won and loans in foreign currencies as of September 30, 2007 and December 31, 2006 were as follows (Unit: In millions):

	2007	2006
Loans in Won:		
Commercial		
Working capital loans		
General purpose loans	(Won) 33,510,758	(Won) 27,161,083
Notes discounted	1,185,100	697,235
Overdraft accounts	427,367	286,724
Trading notes	838,356	612,305
Others	5,318,006	4,297,074
	41,279,587	33,054,421
Facilities loans		
General facilities loans	(Won) 9,352,920	(Won) 5,107,519
Others	1,163,802	995,730
	10,516,722	6,103,249
	51,796,309	39,157,670
Households		
General purpose loans	46,304,413	45,946,145
Housing loans	39,797,747	39,007,176
Remunerations on mutual installment savings	115,196	147,672
Others	416,565	416,103
	86,633,921	85,517,096
Public sector		
Public operation loans	1,115,574	894,178
Public facilities loans	14,287	3,687
	1,129,861	897,865
Other		
Property formation loans	752	1,013
Others	795	1,173
	1,547	2,186
	139,561,638	125,574,817
Loans in foreign currencies:		
Domestic funding loans	4,690,524	4,441,975
Overseas funding loans	547,910	429,836
Inter-bank loans	633,402	1,133,253
	5,871,836	6,005,064
	(Won) 145,433,474	(Won) 131,579,881

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(3) Loans in Won and loans in foreign currencies, classified by borrower type, as of September 30, 2007 were as follows (Unit: In millions):

By borrower type	Loans in Won		Loans in foreign currencies		Percentage	
	(Won)		(Won)		(Won)	(%)
Large corporations	5,060,325		3,966,067		9,026,392	6.21
Small and medium corporations	46,735,984		1,738,863		48,474,847	33.33
Households	86,635,468		51,572		86,687,040	59.60
Others	1,129,861		115,334		1,245,195	0.86
	(Won) 139,561,638		(Won) 5,871,836		(Won) 145,433,474	100.00

Loans in Won and loans in foreign currencies, classified by borrower type, as of December 31, 2006 were as follows (Unit: In millions):

By borrower type	Loans in Won		Loans in foreign currencies		Percentage	
	(Won)		(Won)		(Won)	(%)
Large corporations	2,783,921		3,795,539		6,579,460	5.00
Small and medium corporations	36,373,749		758,998		37,132,747	28.22
Households	85,519,282		46,069		85,565,351	65.03
Others	897,865		1,404,458		2,302,323	1.75
	(Won) 125,574,817		(Won) 6,005,064		(Won) 131,579,881	100.00

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(4) Loans classified by borrower's country or region as of September 30, 2007 were as follows (Unit: In millions):

By country	Loans in			Total	Percentage (%)
	Loans in Won	foreign currencies	Others		
Korea	(Won) 139,561,638	(Won) 5,512,903	(Won) 20,317,155	(Won) 165,391,696	99.53
Southeast Asia		27,872	5	27,877	0.02
China		10,709		10,709	0.01
Japan		250,215	65	250,280	0.15
Central and South America		11,143	1	11,144	0.01
USA		62	20,892	20,954	0.01
Others		58,932	396,875	455,807	0.27
	(Won) 139,561,638	(Won) 5,871,836	(Won) 20,734,993	(Won) 166,168,467	100.00

Loans classified by borrower's country or region as of December 31, 2006 were as follows (Unit: In millions):

By country	Loans in			Total	Percentage (%)
	Loans in Won	foreign currencies	Others		
Korea	(Won) 125,574,817	(Won) 5,749,511	(Won) 20,430,801	(Won) 151,755,129	99.79
Southeast Asia		25,525	1	25,526	0.02
China		7,019		7,019	0.00
Japan		172,447	78	172,525	0.11
Central and South America		4,142	1	4,143	0.00
USA		84	2,438	2,522	0.00
Others		46,336	76,511	122,847	0.08
	(Won) 125,574,817	(Won) 6,005,064	(Won) 20,509,830	(Won) 152,089,711	100.00

(5) Loans classified by industry as of September 30, 2007 were as follows (Unit: In millions):

By industry	Loans in			Total	Percentage (%)
	Loans in Won	foreign currencies	Others		
Corporations:					
Finance and insurance	(Won) 1,012,218	(Won) 739,314	(Won) 2,402,402	(Won) 4,153,934	2.50
Manufacturing	14,331,066	2,171,444	4,693,527	21,196,037	12.76
Services	21,667,762	1,779,352	1,698,534	25,145,648	15.13
Others	15,679,249	1,122,482	3,645,212	20,446,943	12.30
Households	86,635,468	51,572	7,943,628	94,630,668	56.95
Public sector	235,875	7,672	351,690	595,237	0.36
	(Won) 139,561,638	(Won) 5,871,836	(Won) 20,734,993	(Won) 166,168,467	100.00

Loans classified by industry as of December 31, 2006 were as follows (Unit: In millions):

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By industry	Loans in Won		Loans in foreign currencies	Others	Total		Percentage (%)
Corporations:							
Finance and insurance	(Won)	622,860	(Won) 1,181,085	(Won) 2,727,468	(Won)	4,531,413	2.98
Manufacturing		11,148,580	1,624,177	4,371,916		17,144,673	11.27
Services		16,337,444	920,649	1,799,334		19,057,427	12.53
Others		11,779,703	2,226,334	3,728,378		17,734,415	11.66
Households		85,519,282	46,069	7,504,999		93,070,350	61.20
Public sector		166,948	6,750	377,735		551,433	0.36
	(Won)	125,574,817	(Won) 6,005,064	(Won) 20,509,830	(Won)	152,089,711	100.00

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(6) Loans to financial institutions as of September 30, 2007 were as follows (Unit: In millions):

	Bank	Other financial institutions	Total
Loans in Won	(Won)	(Won) 1,012,218	(Won) 1,012,218
Loans in foreign currencies	633,402	105,912	739,314
Others	962,512	1,439,890	2,402,402
	(Won) 1,595,914	(Won) 2,558,020	(Won) 4,153,934

Loans to financial institutions as of December 31, 2006 were as follows (Unit: In millions):

	Bank	Other financial institutions	Total
Loans in Won	(Won)	(Won) 622,860	(Won) 622,860
Loans in foreign currencies	1,133,253	47,832	1,181,085
Others	1,780,151	947,317	2,727,468
	(Won) 2,913,404	(Won) 1,618,009	(Won) 4,531,413

(7) The classification of asset quality for loans as of September 30, 2007 is summarized as follows (Unit: In millions):

	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Call loans	(Won) 907,926	(Won)	(Won)	(Won)	(Won)	(Won) 907,926
Domestic import usance bill	1,583,620	14,296	8,668	115	106	1,606,805
Credit card receivables	9,022,643	171,164	1,179	49,193	31,852	9,276,031
Bills bought (*)	1,370,183	4,372	452	527	1,405	1,376,939
Loans	142,872,016	1,408,847	563,290	411,682	177,639	145,433,474
Factoring receivables	20,649					20,649
Advances for customers	867	400	24,490	1,313	2,342	29,412
Privately placed bonds	7,504,347	6,316	2,725		1,875	7,515,263
Loans for debt-equity swap				1,968		1,968
	(Won) 163,282,251	(Won) 1,605,395	(Won) 600,804	(Won) 464,798	(Won) 215,219	(Won) 166,168,467

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The classification of asset quality for loans as of December 31, 2006 is summarized as follows (Unit: In millions):

	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
	(Won)	(Won)	(Won)	(Won)	(Won)	(Won)
Call loans	1,247,109					1,247,109
Domestic import usance bill	1,210,010	16,025	26,497	3,126	1,089	1,256,747
Credit card receivables	8,341,239	215,089	648	71,227	39,537	8,667,740
Bills bought (*)	1,283,897	2,338	283	297	86	1,286,901
Bond purchased under repurchase agreements	500,000					500,000
Loans	128,711,695	1,484,362	667,689	474,730	241,405	131,579,881
Factoring receivables	30,948					30,948
Advances for customers	133	508	8,753	1,833	7,982	19,209
Privately placed bonds	7,498,067		650		491	7,499,208
Loans for debt-equity swap				1,968		1,968
	(Won) 148,823,098	(Won) 1,718,322	(Won) 704,520	(Won) 553,181	(Won) 290,590	(Won) 152,089,711

(*) Bill bought in Won included

(8) The term structure of loans as of September 30, 2007 was as follows (Unit: In millions):

Loans in foreign

	Loans in Won	currencies	Others	Total
	(Won)	(Won)	(Won)	(Won)
Due in 3 months or less	18,582,571	1,123,585	10,301,312	30,007,468
Due after 3 months through 6 months	13,096,726	534,353	1,970,045	15,601,124
Due after 6 months through 1 year	31,037,655	1,137,331	1,774,418	33,949,404
Due after 1 year through 2 years	12,617,375	1,120,762	4,590,411	18,328,548
Due after 2 years through 3 years	16,041,346	622,007	928,808	17,592,161
Due after 3 years through 4 years	3,064,075	640,022	613,776	4,317,873
Due after 4 years through 5 years	2,413,594	218,997	202,947	2,835,538
More than 5 years	42,708,296	474,779	353,276	43,536,351
	(Won) 139,561,638	(Won) 5,871,836	(Won) 20,734,993	(Won) 166,168,467

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The term structure of loans as of December 31, 2006 was as follows (Unit: In millions):

	Loans in Won	Loans in foreign currencies	Others	Total
Due in 3 months or less	(Won) 15,122,967	(Won) 1,471,927	(Won) 10,008,593	(Won) 26,603,487
Due after 3 months through 6 months	14,837,648	997,738	1,537,897	17,373,283
Due after 6 months through 1 year	30,049,634	788,702	2,532,032	33,370,368
Due after 1 year through 2 years	10,138,015	346,373	2,654,949	13,139,337
Due after 2 years through 3 years	11,764,066	1,172,993	2,498,390	15,435,449
Due after 3 years through 4 years	4,847,371	200,535	226,555	5,274,461
Due after 4 years through 5 years	2,399,378	647,661	706,345	3,753,384
More than 5 years	36,415,738	379,135	345,069	37,139,942
	(Won) 125,574,817	(Won) 6,005,064	(Won) 20,509,830	(Won) 152,089,711

(9) Credit card receivables as collateral

The Bank offers the credit card receivables amounting to (Won)392,251 million and (Won)253,591 million (before deducting the allowance) as collateral for the transaction of credit card receivables to SPC as of September 30, 2007 and December 31, 2006, respectively.

(10) The changes in deferred loan origination fees and costs for the nine months ended September 30, 2007 were as follows (Unit: In millions):

	Beginning	Increase	Decrease	Ending
Deferred loan origination fees and costs	(Won) 138,338	(Won) 65,955	(Won) 32,086	(Won) 172,207

6. **RESTRUCTURED LOANS:**

(1) The loans that were restructured by means of principal reduction, debt-equity swap, interest reduction because of workouts for the nine months ended September 30, 2007 were as follows (Unit: In millions):

	Amount before restructuring	Principal exemption	Conversion to equity securities	Interest reduction	Extension of maturity
Court receivership	(Won) 6,600	(Won)	(Won)	(Won)	(Won) 6,600
Workout plan	88,740		12,691	2,784	73,265
Debt restructuring (*)	120				120
	(Won) 95,460	(Won)	(Won) 12,691	(Won) 2,784	(Won) 79,985

The loans that were restructured by means of principal reduction, debt-equity swap, interest reduction because of workouts for the year ended December 31, 2006 were as follows (Unit: In millions):

	Amount before restructuring	Principal exemption	Conversion to equity securities	Interest reduction	Extension
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Composition	(Won) 6,178	(Won)	(Won)	(Won)	of maturity (Won) 6,178
Workout plan	236,287	301	4,083	25,374	206,529
Debt restructuring (*)	894				894
	(Won) 243,359	(Won) 301	(Won) 4,083	(Won) 25,374	(Won) 213,601

(*) In accordance with the Bankruptcy and Debt Restructuring Act

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- (2) Changes in the present value discounts relating to the outstanding restructured loans for the nine months ended September 30, 2007 were as follows (Unit: In millions):

	Amount	Beginning balance	Present value discounts		Ending balance
			Addition	Deduction	
Court receivership	(Won) 9,336	(Won) 1,034	(Won) 558	(Won) 196	(Won) 838
Composition	11,087	1,275	6,444	1,027	806
Workout plan	68,884	6,867	3	10,910	2,401
Others	21,930	2,837		1,175	1,665
	(Won) 111,237	(Won) 12,013	(Won) 7,005	(Won) 13,308	(Won) 5,710

Changes in the present value discounts relating to the outstanding restructured loans for the year ended December 31, 2006 were as follows (Unit: In millions):

	Amount	Beginning balance	Present value discounts		Ending balance
			Addition	Deduction	
Court receivership	(Won) 9,336	(Won) 2,035	(Won) 1,689	(Won) 2,035	(Won) 1,034
Composition	13,143	2,238	11,206	2,652	1,275
Workout plan	111,064	11,371		15,710	6,867
Others	32,470	4,371		1,534	2,837
	(Won) 166,013	(Won) 20,015	(Won) 13,929	(Won) 21,931	(Won) 12,013

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, 2007 is summarized as follows (Unit: In millions):

	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Domestic import usance bill	(Won) 11,085	(Won) 1,362	(Won) 3,982	(Won) 68	(Won) 106	(Won) 16,603
Credit card receivables	136,867	25,674	236	29,515	31,852	224,144
Bills bought (*)	9,591	335	90	336	1,405	11,757
Loans	1,252,118	148,639	114,677	266,266	177,639	1,959,339
Factoring receivables	1,713					1,713
Advances for customers	6	28	10,276	696	2,342	13,348
Privately placed bonds	52,531	545	545		1,875	55,496
Loans for debt-equity swap				1,968		1,968
	(Won) 1,463,911	(Won) 176,583	(Won) 129,806	(Won) 298,849	(Won) 215,219	(Won) 2,284,368

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The allowance for possible loan losses as of December 31, 2006 is summarized as follows (Unit: In millions):

	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Domestic import usance bill	(Won) 8,470	(Won) 1,653	(Won) 12,677	(Won) 2,977	(Won) 1,089	(Won) 26,866
Credit card receivables	129,619	32,263	130	42,736	39,537	244,285
Bills bought (*)	8,987	259	57	182	86	9,571
Loans	1,146,535	169,033	143,955	307,982	241,405	2,008,910
Factoring receivables	2,910					2,910
Advances for customers	1	36	4,096	1,124	7,982	13,239
Privately placed bonds	52,486		161		491	53,138
Loans for debt-equity swap				1,948		1,948
	(Won) 1,349,008	(Won) 203,244	(Won) 161,076	(Won) 356,949	(Won) 290,590	(Won) 2,360,867

(*) Bill bought in Won included

(2) The changes in allowance for possible loan losses for the nine months ended September 30, 2007 and the year ended December 31, 2006 were as follows (Unit: In millions):

	2007	2006
Beginning balance (*1)	(Won) 2,463,079	(Won) 2,500,777
Provision for possible loan losses	298,854	1,009,498
Reclassification from other allowances (*2)	(174)	304,954
Collection of previously written-off loans	373,329	474,278
Repurchase of NPLs sold	802	5,897
Sales of loans	(47,869)	(115,222)
Loans written-off	(663,784)	(1,693,468)
Exemption of loans	(3,459)	(4,582)
Debt-equity swap	(11,037)	
Changes in exchange rates and others	(4,650)	(19,053)
Ending balance (*1)	(Won) 2,405,091	(Won) 2,463,079

(*1) Allowance for possible loan losses includes present value discounts amounting to (Won)5,710 million and (Won)12,013 million as of September 30, 2007 and December 31, 2006, respectively, and allowances for other assets amounting to (Won)120,723 million and (Won)102,212 million, respectively.

(*2) Other allowances for credit lines to Kookmin Card 16th Securitization Specialty Co., Ltd. and FNSTAR 3rd Securitization Special Co., Ltd. amounting to (Won)159,888 million and (Won)145,066 million, respectively, were transferred to allowances for possible loan losses for the year ended December 31, 2006.

(3) The allowance for possible losses on other assets as of September 30, 2007 and December 31, 2006 is summarized as follows (Unit: In millions):

	2007	2006
Suspense receivable	(Won) 8,082	(Won) 7,425

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Uncollected guarantee deposits for rent	1,902	4,847
Settlement costs for financial accident	95,501	87,122
Derivative instruments	2,780	2,597
Others	12,458	221
	(Won) 120,723	(Won) 102,212

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

	Loans	Allowance for possible loan losses	Percentage (%)
September 30, 2007	(Won) 166,168,467	(Won) 2,284,368	1.37
December 31, 2006	152,089,711	2,360,867	1.55
December 31, 2005	138,139,657	2,453,275	1.78
December 31, 2004	138,839,212	3,118,775	2.25

8. **TANGIBLE ASSETS:**

(1) Tangible assets as of September 30, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Tangible assets	(Won) 3,996,827	(Won) 3,855,268
Less: accumulated depreciation	(1,751,978)	(1,702,001)
accumulated impairment loss	(13,741)	(15,535)
	(Won) 2,231,108	(Won) 2,137,732

(2) Tangible assets as of September 30, 2007 consisted of (Unit: In millions):

	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	(Won) 992,498	(Won)	(Won) 5,597	(Won) 986,901
Buildings	1,036,359	198,339	8,144	829,876
Leasehold improvements	267,345	203,365		63,980
Equipment and vehicles	1,693,709	1,350,274		343,435
Construction in progress	6,916			6,916
	(Won) 3,996,827	(Won) 1,751,978	(Won) 13,741	(Won) 2,231,108

Tangible assets as of December 31, 2006 consisted of (Unit: In millions):

	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	(Won) 984,270	(Won)	(Won) 7,115	(Won) 977,155
Buildings	986,420	181,228	8,420	796,772
Leasehold improvements	233,156	177,676		55,480
Equipment and vehicles	1,648,763	1,343,097		305,666
Construction in progress	2,659			2,659
	(Won) 3,855,268	(Won) 1,702,001	(Won) 15,535	(Won) 2,137,732

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(3) The changes in book value of tangible assets for the nine months ended September 30, 2007 were as follows (Unit: In millions):

	Beginning	Acquisition	Replacement	Disposal	Depreciation	Impairment	Change in foreign currencies	Ending
Land	(Won) 977,155	(Won) 15,421	(Won) 1,663	(Won) 7,345	(Won)	(Won)	(Won) 7	(Won) 986,901
Buildings	796,772	10,701	42,026	1,735	17,549	(358)	19	829,876
Leasehold improvements	55,480	230	39,204	273	30,667		6	63,980
Equipment and vehicles	305,666	207,188		1,014	168,437		32	343,435
Construction in progress	2,659	87,150	(82,893)					6,916
	(Won) 2,137,732	(Won) 320,690	(Won)	(Won) 10,367	(Won) 216,653	(Won) (358)	(Won) 64	(Won) 2,231,108

The changes in book value of tangible assets for the year ended December 31, 2006 were as follows (Unit: In millions):

	Beginning	Acquisition	Replacement	Disposal	Depreciation	Impairment	Change in foreign currencies	Ending
Land	(Won) 979,413	(Won) 3,349	(Won) 2,873	(Won) 8,151	(Won)	(Won) (290)	(Won) (39)	(Won) 977,155
Buildings	774,519	5,745	49,422	6,289	22,059	(4,449)	(117)	796,772
Leasehold improvements	44,363	113	45,504	142	34,337		(21)	55,480
Equipment and vehicles	239,795	254,835		22,915	165,986		(63)	305,666
Construction in progress	155	100,303	(97,799)					2,659
	(Won) 2,038,245	(Won) 364,345	(Won)	(Won) 37,497	(Won) 222,382	(Won) (4,739)	(Won) (240)	(Won) 2,137,732

(4) The published value of the land was (Won)1,406,110 million and (Won) 1,307,078 million as of September 30, 2007 and December 31, 2006, 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, 2007 and December 31, 2006, were as follows (Unit: In millions):

Type of insurance	Asset insured	2007	2006	Insurance company
Property composite	Buildings	(Won) 894,965	(Won) 829,507	Samsung Fire & Marine
	Leasehold improvements	141,684	120,043	Insurance Co., Ltd. &
	Equipment and vehicles	308,168	196,152	others
		(Won) 1,344,817	(Won) 1,145,702	

Table of Contents9. OTHER ASSETS:

(1) Other assets as of September 30, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Guarantee deposits paid	(Won) 1,273,916	(Won) 1,166,454
Accounts receivable	3,506,590	2,145,266
Accrued income	1,349,004	1,166,963
Prepaid expenses	124,277	79,594
Deferred income tax assets (Note 24)	194,275	23,886
Derivatives assets (Note 19)	1,246,144	1,260,748
Domestic exchange settlement debits	270,858	962,250
Intangible assets	320,222	371,312
Non-business use assets		499
Less: valuation allowance		(169)
Sundry assets	187,069	176,190
Less: Allowances for other assets losses	(120,723)	(102,212)
	(Won) 8,351,632	(Won) 7,250,781

(2) Intangible assets as of September 30, 2007 consisted of (Unit: In millions):

	Accumulated		
	Acquisition cost	amortization	Book value
Goodwill	(Won) 705,108	(Won) 463,543	(Won) 241,565
Others	149,645	70,988	78,657
	(Won) 854,753	(Won) 534,531	(Won) 320,222

Intangible assets as of December 31, 2006 consisted of (Unit: In millions):

	Accumulated		
	Acquisition cost	amortization	Book value
Goodwill	(Won) 705,108	(Won) 404,784	(Won) 300,324
Others	125,502	54,514	70,988
	(Won) 830,610	(Won) 459,298	(Won) 371,312

(3) The changes in intangible assets for the nine months ended September 30, 2007 were as follows (Unit: In millions):

	Beginning	Increase	Amortization	Ending
Goodwill	(Won) 300,324	(Won)	(Won) 58,759	(Won) 241,565
Others	70,988	35,295	27,626	78,657

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(Won) 371,312 (Won) 35,295 (Won) 86,385 (Won) 320,222

The changes in intangible assets for the year ended December 31, 2006 were as follows (Unit: In millions):

	Beginning	Increase	Amortization	Ending
Goodwill	(Won) 378,669	(Won)	(Won) 78,345	(Won) 300,324
Others	19,435	75,199	23,646	70,988
	(Won) 398,104	(Won) 75,199	(Won) 101,991	(Won) 371,312

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(4) Non-business use properties as of December 31, 2006 consisted of (Unit: In millions):

	Acquisition cost	Valuation allowance	Book value
Non-business use land	(Won) 18	(Won) 12	(Won) 6
Non-business use building	481	157	324
	(Won) 499	(Won) 169	(Won) 330

(5) Sundry assets as of September 30, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Receivables on cash sent to other banks	(Won) 410	(Won) 410
Supplies	25,076	18,608
Deposit money to court (*)	14,746	14,883
Unsettled foreign currency	17,679	27,303
Suspense receivable	128,316	114,684
Others	1,252	302
	(Won) 187,069	(Won) 176,190

(*) Securities are included in deposit money to court of which book value, face value and fair value are (Won)10,220 million, (Won)10,587 million and (Won)12,695 million, respectively.

10. **DEPOSITS:**

(1) Deposits as of September 30, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Demand deposits	(Won) 46,564,153	(Won) 50,113,689
Time deposits	69,360,446	70,326,526
Negotiable certificates of deposits	17,538,589	9,579,701
	(Won) 133,463,188	(Won) 130,019,916

(2) Details of deposits as of September 30, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Demand deposits in Won:		
Checking deposits	(Won) 132,347	(Won) 231,953
Household checking deposits	383,170	477,770
Temporary deposits	3,296,661	4,066,769
Passbook deposits	14,824,978	15,176,852

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Public fund deposits	362,960	199,948
National Treasury deposits	14,084	2,641
General savings deposits	18,137,849	20,826,726
Corporate savings deposits	8,410,527	8,302,353
Nonresident s deposit in Won	61,988	45,343
	45,624,564	49,330,355
Demand deposits in foreign currencies:		
Checking deposits	48,040	43,875
Passbook deposits	885,653	736,034
Temporary deposits	1,400	2,378
Other	4,496	1,047
	939,589	783,334
	(Won) 46,564,153	(Won) 50,113,689

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	2007	2006
Time deposits in Won		
Time deposits	(Won) 57,110,122	(Won) 57,138,595
Installment savings deposits	826,325	1,097,474
Property formation savings	495	541
Workers' savings for housing	2	2
Time and savings deposits of non-residents in Won	194,214	171,636
Long-term savings deposits for workers	3,557	4,334
Long-term housing savings deposits	3,423,567	3,057,236
Long-term savings for households	2,455	3,711
Workers' preferential savings deposits	294,516	530,867
Mutual installment deposits	3,329,720	3,833,573
Mutual installment for housing	3,195,318	3,842,727
	68,380,291	69,680,696
Loss on valuation of fair value hedged item (current period portion)	(1,908)	3,740
Loss (gain) on valuation of fair value hedged item (prior year portion)	1,607	(2,133)
	68,379,990	69,682,303
Time deposits in foreign currencies:		
Time deposits	979,795	643,404
Installment savings deposits	518	620
Others	143	199
	980,456	644,223
	(Won) 69,360,446	(Won) 70,326,526
Negotiable certificates of deposits	(Won) 17,538,589	(Won) 9,579,701

(3) Deposits with financial institutions as of September 30, 2007 and December 31, 2006 were as follows (Unit: In millions):

	Financial institutions	2007	2006
Demand deposits & time deposits	Banks	(Won) 2,018,144	(Won) 630,490
	Others	4,164,507	3,068,235
		6,182,651	3,698,725
Negotiable certificates of deposits	Banks	104,655	3,935
	Others	5,902,662	6,304,672
		6,007,317	6,308,607
		(Won) 12,189,968	(Won) 10,007,332

(4) Term structure of deposits as of September 30, 2007 was as follows (Unit: In millions):

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	Due in	Due after	Due after	Due after		
	3 months or	3 months	6 months	1 year	More than	
	3 months or	through 6	through 1	through 3	3 years	Total
	less	months	year	years	3 years	Total
Demand deposits	(Won) 46,564,153	(Won)	(Won)	(Won)	(Won)	(Won) 46,564,153
Time deposits	26,818,638	11,174,095	22,549,924	5,294,499	3,523,290	69,360,446
Negotiable certificate of deposits	9,327,360	3,707,501	4,180,207	323,521		17,538,589
	(Won) 82,710,151	(Won) 14,881,596	(Won) 26,730,131	(Won) 5,618,020	(Won) 3,523,290	(Won) 133,463,188

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Term structure of deposits as of December 31, 2006 was as follows (Unit: In millions):

	Due in	Due after	Due after	Due after		
	3 months or	3 months	6 months	1 year	1 year	
	less	through 6	through	through	More than	
	3 months or	months	1 year	3 years	3 years	Total
	less	months	1 year	3 years	3 years	Total
Demand deposits	(Won) 50,113,689	(Won)	(Won)	(Won)	(Won)	(Won) 50,113,689
Time deposits	23,902,305	9,177,733	27,069,659	6,958,151	3,218,678	70,326,526
Negotiable certificate of deposits	5,996,076	2,526,968	1,056,503	154		9,579,701
	(Won) 80,012,070	(Won) 11,704,701	(Won) 28,126,162	(Won) 6,958,305	(Won) 3,218,678	(Won) 130,019,916

11. **BORROWINGS:**

(1) Borrowings as of September 30, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Call money	(Won) 1,149,868	(Won) 165,086
Bills sold	305,582	462,479
Bonds sold under repurchase agreements	6,900,261	7,053,755
Borrowings	7,283,665	6,378,858
Debentures	33,138,434	25,140,672
Less: Discount on debentures	(76,255)	(158,166)
	(Won) 48,701,555	(Won) 39,042,684

(2) Call money as of September 30, 2007 and December 31, 2006 consisted of (Unit: In millions):

Account	Lender	Annual interest rates (%)	2007	2006
Call money in Won	Shinhan BNP Paribas	4.65 ~ 4.94	(Won) 554,500	(Won) 117,700
	Investment Trust Management			
Call money in foreign currencies	Bank Mellat Seoul Branch	0.60 ~ 8.65	595,368	47,386
	and others			
			(Won) 1,149,868	(Won) 165,086

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- (3) Bills sold and bonds sold under repurchase agreements as of September 30, 2007 and December 31, 2006 consisted of the following (Unit: In millions):

Account	Lender	Annual interest rates (%)	2007	2006
			(Won)	(Won)
Bills sold	Teller s Sales	3.09 ~ 5.76	305,582	462,479
Bonds sold under repurchase agreements	Person, group & corporations	3.90 ~ 5.92	6,900,261	7,053,755
			(Won) 7,205,843	(Won) 7,516,234

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(4) Borrowings as of September 30, 2007 and December 31, 2006 consisted of (Unit: In millions):

Account	Lender	Annual interest		
		rate (%)	2007	2006
Borrowings in Won:				
Borrowings from the BOK	BOK	3.25	(Won) 437,237	(Won) 681,965
Borrowings from the Korean government	Ministry of Finance and Economy, and others	0.00 ~ 6.50	634,873	557,789
Borrowings from banking institutions	Industrial Bank of Korea	3.75 ~ 4.42	60,421	76,646
Borrowings from National Housing Fund	National Housing Fund	8.00	744	1,222
Borrowings from non-banking financial institutions	Korea Development Bank	2.00 ~ 4.07	16,299	4,380
Other borrowings	Small Business Corporation and others	1.20 ~ 5.40	1,286,119	1,180,477
			2,435,693	2,502,479
Borrowings in foreign currency:				
Due to Banks	Wachovia Bank, N.A	0.00 ~ 5.35	82,606	56,320
	New York and others			
Borrowings from banking institutions	DBS Bank Ltd.,	0.92 ~ 6.97	3,462,687	2,807,267
	Singapore and others			
Off-shore borrowings in foreign currencies	China Trust Commercial Bank and others	5.22 ~ 6.71	251,285	152,308
Other borrowings from banking institutions	IBRD	5.89	4,046	6,845
Other borrowings in foreign currencies	Financial institution and others		1,047,348	853,639
			4,847,972	3,876,379
			(Won) 7,283,665	(Won) 6,378,858

(5) Debentures as of September 30, 2007 and December 31, 2006 consisted of (Unit: In millions):

Debentures in Won:	Annual interest		
	rate (%)	2007	2006

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Hybrid debentures	6.00 ~ 7.00	(Won)	903,668	(Won)	903,668
Structured debentures	1.30 ~ 9.20		3,116,105		1,587,701
Subordinated fixed rate debentures in Won	4.19 ~ 15.02		6,352,491		6,670,799
KCC subordinated fixed rate debentures	7.10 ~ 8.00		205,000		205,000
KCC fixed rate debentures	5.54 ~ 5.87		200,000		200,000
Fixed rate debentures	3.18 ~ 5.19		19,412,373		13,198,004
			30,189,637		22,765,172
Gain on valuation of fair value hedged items (current period portion)			(135,990)		(14,544)
Gain on valuation of fair value hedged items (prior year portion)(*)			(51,903)		(40,790)
			30,001,744		22,709,838
Discounts on debentures			(74,807)		(158,575)
			29,926,937		22,551,263

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	Annual interest rate (%)	2007	2006
Debtures in foreign currency:			
Floating rates debentures	0.97 ~ 6.10	(Won) 2,678,354	(Won) 1,964,851
Fixed rates debentures	4.63	460,350	475,099
		3,138,704	2,439,950
Loss on valuation of fair value hedged items (current period portion)		7,102	6,493
Gain on valuation of fair value hedged items (prior year portion)		(9,116)	(15,609)
		3,136,690	2,430,834
Premiums on debentures		337	1,771
Discounts on debentures		(1,785)	(1,362)
		3,135,242	2,431,243
		(Won) 33,062,179	(Won) 24,982,506

(*) The Bank recognized (Won)3,431 million of gain on prior redemption of fair value hedged items for the nine months ended September 30, 2007.

(6) Hybrid debentures and subordinated debentures as of September 30, 2007 and December 31, 2006 were as follows (Unit: In millions):

	Issued date	Expiration date	Annual interest rate (%)	2007	2006
Subordinated fixed rate debentures in Won	Feb-98 ~ Aug-01	Feb-03 ~ Aug-07		(Won) 9,093	(Won) 313,401
	Nov-98	Nov-09	15.02	62,900	76,900
	Nov-00	Nov-10 ~ Dec-10	9.57 ~ 9.65	162,051	162,051
	Jun-01	Mar-08 ~ Mar-09	7.68 ~ 7.86	377,529	377,529
	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	Jun-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
	Mar-06	Jan-12	5.67 ~ 5.70	1,900,855	1,900,855
				6,557,491	6,875,799
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
				903,668	903,668

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(Won) 7,461,159 (Won) 7,779,467

(7) Call money and borrowings with financial institutions as of September 30, 2007 were as follows (Unit: In millions):

	BOK	Other banks	Others	Total
Call money	(Won)	(Won) 667,868	(Won) 482,000	(Won) 1,149,868
Borrowings	437,237	4,848,576	76,116	5,361,929
	(Won) 437,237	(Won) 5,516,444	(Won) 558,116	(Won) 6,511,797

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Call money and borrowings with financial institutions as of December 31, 2006 were as follows (Unit: In millions):

	BOK	Other banks	Others	Total
Call money	(Won) 681,965	(Won) 57,386	(Won) 107,700	(Won) 165,086
Borrowings	681,965	3,899,270	58,135	4,639,370
	(Won) 681,965	(Won) 3,956,656	(Won) 165,835	(Won) 4,804,456

(8) Term structure of borrowings as of September 30, 2007 was as follows (Unit: In millions):

	Due in	Due after	Due after	Due after	More than	Total
	3 months or	3 months	6 months	1 year through	3 years	
	less	6 months	1 year	3 years	3 years	
Call money	(Won) 1,149,868	(Won)	(Won)	(Won)	(Won)	(Won) 1,149,868
Bills sold	154,409	86,083	65,090			305,582
Bonds sold under repurchase agreements	3,922,821	1,509,091	1,468,349			6,900,261
Borrowings	2,427,410	1,120,794	1,500,825	1,240,668	993,968	7,283,665
Debentures	2,864,690	5,185,180	5,420,645	12,249,321	7,418,598	33,138,434
	(Won) 10,519,198	(Won) 7,901,148	(Won) 8,454,909	(Won) 13,489,989	(Won) 8,412,566	(Won) 48,777,810

Term structure of borrowings as of December 31, 2006 was as follows (Unit: In millions):

	Due in	Due after	Due after	Due after	More than	Total
	3 months or	3 months	6 months	1 year through	3 years	
	less	6 months	1 year	3 years	3 years	
Call money	(Won) 165,086	(Won)	(Won)	(Won)	(Won)	(Won) 165,086
Bills sold	311,187	63,269	88,023			462,479
Bonds sold under repurchase agreements	4,589,657	1,250,944	1,212,944	210		7,053,755
Borrowings	2,155,505	1,432,150	694,982	1,225,467	870,754	6,378,858
Debentures	2,246,140	1,169,430	6,309,297	8,729,425	6,686,380	25,140,672
	(Won) 9,467,575	(Won) 3,915,793	(Won) 8,305,246	(Won) 9,955,102	(Won) 7,557,134	(Won) 39,200,850

12. OTHER LIABILITIES:

Other liabilities as of September 30, 2007 and December 31, 2006 consisted of (Unit: In millions):

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	2007	2006
Accounts payable	(Won) 4,025,076	(Won) 2,357,841
Accrued expenses	4,590,467	3,876,420
Unearned revenues	101,311	87,556
Withholding taxes	63,610	114,630
Guarantees deposits received	97,904	99,325
Accounts for agency business	350,063	151,479
Domestic exchange settlement credits	915,389	141,042
Foreign currency bills payable	173,750	54,515
Agency	178,198	171,024
Derivatives liabilities (Note 19)	1,296,767	1,148,033
Due to trust accounts (Note 27)	1,570,062	1,281,185
Accrued severance benefits (Note 13)	640,545	536,347
Less: Severance insurance deposits	(341,283)	(334,979)
Allowance for possible losses on acceptances and guarantees (Note 14)	28,836	18,772
Other allowances (Note 15)	706,819	776,661
Sundry liabilities (Note 16)	915,975	609,073
	(Won) 15,313,489	(Won) 11,088,924

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The changes in accrued severance benefits for the nine months ended September 30, 2007 were as follows (Unit: In millions):

	Beginning	Provision	Payment	Other changes (*)	Ending
Accrued severance benefits	(Won) 536,347	(Won) 123,996	(Won) 19,801	(Won) (3)	(Won) 640,545
Severance insurance deposits	(334,979)	(10,568)	(4,264)		(341,283)
	(Won) 201,368	(Won) 113,428	(Won) 15,537	(Won) (3)	(Won) 299,262

The changes in accrued severance benefits for the year ended December 31, 2006 were as follows (Unit: In millions):

	Beginning	Provision	Payment	Other changes (*)	Ending
Accrued severance benefits	(Won) 387,491	(Won) 165,533	(Won) 16,664	(Won) (13)	(Won) 536,347
Severance insurance deposits	(236,529)	(100,218)	(1,768)		(334,979)
	(Won) 150,962	(Won) 65,315	(Won) 14,896	(Won) (13)	(Won) 201,368

(*) Loss (gain) on foreign currency translation of the accrued severance benefit of the Tokyo branch office.

As of September 30, 2007, part of severance benefits was contributed to pension funds of Kyobo Life Insurance Co., Ltd. and others in which the beneficiary is a respective employee.

14. ACCEPTANCES AND GUARANTEES AND ALLOWANCES FOR POSSIBLE LOSSES:

(1) Acceptances and guarantees as of September 30, 2007 and December 31, 2006 were as follows (Unit: In millions):

Types	2007	2006
Confirmed acceptances and guarantees in Won:		
Payment guarantee for issuance of debentures	(Won) 1,347	(Won) 1,150
Payment guarantee for loans	61,059	53,237
Others	2,028,890	894,893
	2,091,296	949,280
Confirmed acceptances and guarantees in foreign currencies:		
Acceptances on letters of credit	103,772	93,017
Acceptances for letters of guarantee for importers	56,037	56,089
Guarantees for performance of contracts	136,720	76,385
Guarantees for bids	2,524	4,082
Guarantees for borrowings	36,888	36,128
Guarantees for repayment of advances	1,559,080	1,101,403
Others	762,525	387,923
	2,657,546	1,755,027

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	4,748,842	2,704,307
Unconfirmed acceptances and guarantees:		
Letters of credit	1,911,743	1,266,858
Others	1,218,170	1,037,576
	3,129,913	2,304,434
Bills endorsed	863	4,540
	(Won) 7,879,618	(Won) 5,013,281

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(2) Acceptances and guarantees, by customer, as of September 30, 2007 were as follows (Unit: In millions):

By customer	Confirmed	Unconfirmed	Bills endorsed	Total	Percentage (%)
Large corporations	(Won) 3,548,712	(Won) 1,877,778	(Won) 647	(Won) 5,427,137	68.88
Small and medium corporations	1,107,958	1,215,520	216	2,323,694	29.49
Public sector and others	92,172	36,615		128,787	1.63
	(Won) 4,748,842	(Won) 3,129,913	(Won) 863	(Won) 7,879,618	100.00

Acceptances and guarantees, by customer, as of December 31, 2006 were as follows (Unit: In millions):

By customer	Confirmed	Unconfirmed	Bills endorsed	Total	Percentage (%)
Large corporations	(Won) 1,841,739	(Won) 1,586,005	(Won) 1,213	(Won) 3,428,957	68.40
Small and medium corporations	522,820	676,432	3,247	1,202,499	23.99
Public sector and others	339,748	41,997	80	381,825	7.61
	(Won) 2,704,307	(Won) 2,304,434	(Won) 4,540	(Won) 5,013,281	100.00

(3) Acceptances and guarantees, by industry, as of September 30, 2007 were as follows (Unit: In millions):

By industry	Confirmed	Unconfirmed	Bills endorsed	Total	Percentage (%)
Public sector	(Won) 328	(Won) 103,229	(Won)	(Won) 103,557	1.31
Finance	720,108	16,656		736,764	9.35
Service	627,110	39,848		666,958	8.46
Manufacturing	2,357,821	2,479,880	826	4,838,527	61.41
Others	1,043,475	490,300	37	1,533,812	19.47
	(Won) 4,748,842	(Won) 3,129,913	(Won) 863	(Won) 7,879,618	100.00

Acceptances and guarantees, by industry, as of December 31, 2006 were as follows (Unit: In millions):

By industry	Confirmed	Unconfirmed	Bills endorsed	Total	Percentage (%)
Public sector	(Won) 68	(Won) 78,563	(Won)	(Won) 78,631	1.57
Finance	343,714			343,714	6.86
Service	393,552	39,330		432,882	8.63
Manufacturing	1,593,449	1,723,450	2,623	3,319,522	66.21
Others	373,524	463,091	1,917	838,532	16.73
	(Won) 2,704,307	(Won) 2,304,434	(Won) 4,540	(Won) 5,013,281	100.00

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(4) Acceptances and guarantees, by country, as of September 30, 2007 were as follows (Unit: In millions):

By country	Confirmed	Unconfirmed	Bills endorsed	Total	Percentage(%)
Korea	(Won) 4,219,227	(Won) 3,129,913	(Won) 863	(Won) 7,350,003	93.28
Others	529,615			529,615	6.72
	(Won) 4,748,842	(Won) 3,129,913	(Won) 863	(Won) 7,879,618	100.00

Acceptances and guarantees, by country, as of December 31, 2006 were as follows (Unit: In millions):

By country	Confirmed	Unconfirmed	Bills endorsed	Total	Percentage(%)
Korea	(Won) 2,453,216	(Won) 2,304,434	(Won) 4,540	(Won) 4,762,190	94.99
Others	251,091			251,091	5.01
	(Won) 2,704,307	(Won) 2,304,434	(Won) 4,540	(Won) 5,013,281	100.00

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(5) Allowance for possible losses on acceptances and guarantees and others as of September 30, 2007 was as follows (Unit: In millions):

	Confirmed acceptances and guarantees		Unconfirmed acceptances and guarantees	Bills endorsed	Total
	Won	Foreign currencies			
	Normal	(Won) 2,085,512			
Precautionary	4,044	4,062	6,311		14,417
Substandard	1,123	112	3,125		4,360
Doubtful	616		166		782
Estimated loss	1	1,123	194		1,318
	2,091,296	2,657,546	3,129,913	863	7,879,618
Allowance for possible losses	11,757	9,939	7,134	6	28,836
Ratio (%)	0.56	0.37	0.23	0.70	0.37

Allowance for possible losses on acceptances and guarantees and others as of December 31, 2006 were as follows (Unit: In millions):

	Confirmed acceptances and guarantees		Unconfirmed acceptances and guarantees	Bills endorsed	Total
	Won	Foreign currencies			
Normal	(Won) 946,453	(Won) 1,746,240	(Won) 2,283,303	(Won) 4,295	(Won) 4,980,291
Precautionary	2,446	3,186	7,490		13,122
Substandard	30	5,586	7,244	40	12,900
Doubtful	350		434	205	989
Estimated loss	1	15	5,963		5,979
	949,280	1,755,027	2,304,434	4,540	5,013,281
Allowance for possible losses	(Won) 3,650	(Won) 7,613	(Won) 7,268	(Won) 241	(Won) 18,772
Ratio (%)	0.38	0.43	0.32	5.31	0.37

(6) The percentage of allowance for possible losses on acceptances and guarantees and others as of September 30, 2007 and December 31, 2006, 2005 and 2004 was as follows (Unit: In millions):

	Guarantees and acceptances and others		Allowance	Percentage (%)
	Won	Won		
September 30, 2007 (*)	(Won) 7,879,618	(Won) 28,836		0.37
December 31, 2006 (*)			18,772	0.37
December 31, 2005 (*)			10,141	0.27
December 31, 2004			1,150	0.12

(*) Pursuant to the amended Supervisory Regulation of Banking Business, the Bank has extended the scope of allowance for possible losses since 2005. Furthermore, the minimum rate of loss provision increased for confirmed acceptances and guarantees and others classified as normal and precautionary as of December 31, 2006.

Table of Contents**15. OTHER ALLOWANCES:**

Other allowances as of September 30, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Mileage rewards	(Won) 98,916	(Won) 89,025
KAMCO loans sold (Note 19)		252
Credit commitments to SPC (Note 19)	3,776	3,602
Dormant accounts	26,049	27,689
Unused credit limit	528,821	566,655
Others	49,257	89,438
	(Won) 706,819	(Won) 776,661

The unused credit limit for other allowances amounts to (Won)75,807,240 million and (Won)76,832,125 million as of September 30, 2007 and December 31, 2006, respectively.

16. SUNDRY LIABILITIES:

Sundry liabilities as of September 30, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Suspense payable	(Won) 40,749	(Won) 190,575
Borrowings for others business	104,969	94,769
Prepaid card and debit card liabilities	18,932	20,947
Subscription deposits	41,083	71,665
Income tax payable	709,166	230,184
Others	1,076	933
	(Won) 915,975	(Won) 609,073

17. SHAREHOLDERS EQUITY:**(1) Capital stock**

As of September 30, 2007 and December 31, 2006, the Bank has 1 billion common shares authorized with a par value per share of (Won)5,000 and 336,379,116 shares ((Won)1,681,896 million) issued. The Bank's major shareholders were Euro-Pacific Growth Fund (18,377,910 shares, 5.46 percent) and ING Bank N.V. Amsterdam (13,699,001 shares, 4.07 percent) as of September 30, 2007.

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 percent of total outstanding voting shares, that entity's voting rights are limited to 4 percent shareholding.

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(2) Capital surplus

The capital surplus as of September 30, 2007 and December 31, 2006 were as follows (Unit: In millions):

	2007	2006
Paid-in-capital in excess of par value	(Won) 5,655,840	(Won) 5,655,840
Gain on business combination	397,669	397,669
Revaluation increment	177,229	177,229
Gain on disposal of treasury stock	27,559	27,559
	(Won) 6,258,297	(Won) 6,258,297

The gain on business combination was 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) The detailed summary of the appropriations of retained earnings as a result of the resolution at the general shareholders meeting on March 23, 2007 is as follows (Unit: In millions):

	2006
Retained earnings before appropriations:	
Retained earnings carried forward from prior years	(Won) 59
Effect on valuation of securities using the equity method	(1,582)
Net income	2,472,111
	2,470,588
Appropriations:	
Legal reserve	247,300
Other reserve	509
Voluntary reserve	994,900
Dividend	1,227,784
	2,470,493
Unappropriated retained earnings to be carried forward to subsequent years	(Won) 95

2) Legal reserve

The Korean Banking Law Act 40 requires banks to appropriate at least 10 percent of net income to legal reserve until such reserve equals 100 percent of its paid-in capital. This reserve is not available for cash dividends and can only be transferred to capital or can be used to reduce deficit. The Tokyo branch appropriate 10 percent at most of net income after income tax to legal reserve in accordance with the Japanese Banking Law.

3) Voluntary reserve

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In 2002, the Finance Supervisory Service recommended banks to appropriate at least 10 percent of net income after deducting loss carried forward to reserve for financial structure improvement until simple capital ratio equals 5.5 percent. This reserve can only be used to reduce deficit or be transferred to capital.

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(4) Accumulated other comprehensive income

The changes in accumulated other comprehensive income (loss) for the nine months ended September 30, 2007 and for the year ended December 31, 2006 are as follows (Unit: In millions):

	2007			
	Beginning balance	Changes	Disposal or realization	Ending balance
Gain on valuation of available-for-sale securities	(Won) 883,556	(Won) 103,750	(Won) (536,955)	(Won) 450,351
Gain on valuation of held-to-maturity securities	98		(53)	45
Change due to the equity method	15,888	(13,794)	(1,161)	933
	(Won) 899,542	(Won) 89,956	(Won) (538,169)	(Won) 451,329

	2006			
	Beginning balance	Changes	Disposal or realization	Ending balance
Gain on valuation of available-for-sale securities	(Won) 511,368	(Won) 477,839	(Won) (105,651)	(Won) 883,556
Gain on valuation of held-to-maturity securities	426		(328)	98
Change due to the equity method	948	15,522	(582)	15,888
	(Won) 512,742	(Won) 493,361	(Won) (106,561)	(Won) 899,542

18. SHARE-BASED PAYMENT:

- (1) The Bank granted stock options to employees and executives including the president several times. 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 cash equivalent to the difference between the market price and the exercise price. In accordance with the resolution of the Board of Directors on August 23, 2005, the Bank has changed the settlement method from issuance of treasury stock to payment of cash equivalent to the difference between the market price and the exercise price only after the remaining treasury stock is issued. Accordingly, the compensation cost of stock options granted before and after the effective date of SKAS No. 22 (Share-based Payment) was measured using the intrinsic value method in accordance with the Interpretations on Financial Accounting Standards 39-35 Accounting for Stock Options, and the fair value method, respectively. The details of the stock options as of September 30, 2007 were as follows:

	Grant date	Exercise period (years)	Granted shares	Grant conditions
Series 2	01.03.15	8	214,975	Offer service: 1 year
Series 6	01.03.24	6	111,000	Offer service: 3 years
Series 7	01.11.16	8	850,000	Offer service: 3 years
Series 8-1 (*2)	02.03.22	8	132,000	Offer service: 1 year, 3 years
Series 8-2 (*3)	02.03.22	8	490,000	Offer service: 1 year, 3 years
Series 9 (*3)	02.07.26	8	30,000	Offer service: 3 years
Series 10-1 (*2)	03.03.21	8	140,000	Offer service: 3 years
Series 10-2 (*3)	03.03.21	8	180,000	Offer service: 3 years
Series 11 (*3)	03.08.27	8	30,000	Offer service: 3 years
Series 12 (*3)	04.02.09	8	85,000	Offer service: 1 year
Series 13-1 (*2)	04.03.23	8	20,000	Offer service: 1 year
Series 13-2(*3)	04.03.23	8	10,000	Offer service: 1 year
Series 14 (*2,*3)	04.11.01	8	700,000	Offer service: 3 years

Targets to achieve (*5)

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Series 15-1 (*2)	05.03.18	8	165,000	Offer service: 3 years
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	Grant date	Exercise period (years)	Granted shares	Grant conditions
Series 15-2 (*3)	05.03.18	8	765,000	Offer service: 3 years
Series 16 (*3)	05.04.27	8	15,000	Offer service: 3 years
Series 17 (*3)	05.07.22	8	30,000	Offer service: 3 years
Series 18 (*3)	05.08.23	8	15,000	Offer service: 3 years
Series 19 (*1)	06.03.24	8	940,000	Offer service: 1 year, 2 years, 3 years
Series 20 (*1)	06.04.28	8	30,000	Offer service: 3 years
Series 21 (*1)	06.10.27	8	20,000	Offer service: 2 years
Series 22 (*1)	07.02.08	8	885,000	Offer service: 1 year, 3 years
Series 23 (*1)	07.03.23	8	30,000	Offer service: 3 years
Series Kookmin Credit Card -1 (*4)	01.03.22	10	22,146	Offer service: 1 year
Series Kookmin Credit Card -2 (*2,*4)	02.03.29	9	9,990	Offer service: 2 years
			5,920,111	

- (*1) The exercise price is adjusted by the rate of increase in the market value of the major competitors' stock as of balance sheet dates.
- (*2) The exercise price is adjusted by the rate of increase in the average stock price index of the banking industry as of balance sheet dates.
- (*3) As the actual number of exercisable granted shares is determined in accordance with the management performance for the contract period of service, the number of granted shares used for the calculation of compensation cost is computed based on the assumption that the performance result falls into the highest level in the bracket.
- (*4) 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.
- (*5) 300,000 shares are vested when target ROE is accomplished; 200,000 shares vested when target BIS ratio is achieved; 200,000 shares vested when target return on shareholders' equity is met.

- (2) The changes in granted shares and the weighted average exercise price for the nine months ended September 30, 2007 are follows (Unit: In Won and shares):

	Granted shares					Exercise price (Won)	Remaining period to maturity (year)
	Beginning	Granted	Exercised	Expired	Ending		
Series 2	88,107		16,384		71,723	28,027	1.46
Series 6	8,633		8,633			25,100	
Series 7	150,000		50,000		100,000	51,200	2.13
Series 8-1	28,863		600		28,263	57,100	2.48
Series 8-2	263,565		66,734		196,831	57,100	2.48
Series 9	23,899				23,899	58,800	2.82
Series 10-1	43,414		3,351		40,063	47,360	3.47
Series 10-2	70,993				70,993	35,500	3.47
Series 11	5,091				5,091	40,500	3.91
Series 12	75,539		16,289		59,250	46,100	4.36
Series 13-1	20,000				20,000	48,650	4.48
Series 13-2	10,000		10,000			47,200	
Series 14	700,000				700,000	53,300	5.09
Series 15-1	135,259			9,897	125,362	61,907	5.47
Series 15-2	580,069			61,875	518,194	46,800	5.47
Series 16	15,000			6,173	8,827	45,700	5.58
Series 17	30,000				30,000	49,200	5.81
Series 18	15,000			7,788	7,212	53,000	5.90

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	Granted shares					Exercise price	Remaining period to maturity (year)
	Beginning	Granted	Exercised	Expired	Ending		
Series 19	940,000			10,000	930,000	(Won) 83,310	6.48
Series 20	30,000				30,000	87,100	6.58
Series 21	20,000				20,000	81,300	7.08
Series 22		885,000			885,000	77,500	7.00
Series 23		30,000			30,000	84,500	7.48
Series Kookmin Credit Card -1	22,146				22,146	71,538	3.48
Series Kookmin Credit Card -2	9,990				9,990	129,100	3.50
	3,285,568	915,000	171,991	95,733	3,932,844	(Won) 65,351	5.66

The weighted average stock price of the stock option exercised for the nine months ended September 30, 2007 is (Won)84,230.

The changes in granted shares and the weighted average exercise price for the year ended December 31, 2006 are follows (Unit: In Won and shares):

	Granted shares					Exercise price	Remaining period to maturity (year)
	Beginning	Granted	Exercised	Expired	Ending		
Series 2	133,695		45,588		88,107	(Won) 28,027	2.21
Series 4	60,754		60,754			27,600	
Series 6	36,726		28,093		8,633	25,100	0.23
Series 7	650,000		500,000		150,000	51,200	2.88
Series 8-1	42,047		13,184		28,863	57,100	3.22
Series 8-2	276,904		13,339		263,565	57,100	3.22
Series 9	23,899				23,899	58,800	3.57
Series 10-1	63,443		20,029		43,414	46,962	4.22
Series 10-2	89,560		17,910	657	70,993	35,500	4.22
Series 11	5,091				5,091	40,500	4.66
Series 12	75,539				75,539	46,100	5.11
Series 13-1	20,000				20,000	48,650	5.23
Series 13-2	10,000				10,000	47,200	5.23
Series 14	700,000				700,000	51,000	5.84
Series 15-1	165,000			29,741	135,259	59,288	6.22
Series 15-2	765,000			184,931	580,069	46,800	6.22
Series 16	15,000				15,000	45,700	6.33
Series 17	30,000				30,000	49,200	6.56
Series 18	15,000				15,000	53,000	6.65
Series 19		940,000			940,000	80,900	7.23
Series 20		30,000			30,000	84,600	7.33
Series 21		20,000			20,000	79,000	7.83
Series Kookmin Credit Card -1	22,146				22,146	71,538	4.22
Series Kookmin Credit Card -2	9,990				9,990	129,100	4.24
	3,209,794	990,000	698,897	215,329	3,285,568	(Won) 65,986	5.77

The weighted average stock price of the stock option exercised for the year ended December 31, 2006 is (Won)70,844.

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- (3) Series 22 and Series 23 are measured at fair value based on the Black-Scholes Model, and the factors used in determining the fair value are as follows (Unit: In Won):

Series	Expected		stock price		Risk		Fair value
	Stock price	Exercise price	volatility (%)	Maturity (years)	Expected dividend	free rate (%)	
Series 22-1 (Director)	(Won) 75,100	(Won) 77,500	25.21	4.02	(Won) 6,332	4.17	(Won) 15,057
Series 22-2 (Employee)	75,100	77,500	27.33	5.01	7,740	4.18	17,998
Series 23	75,100	84,500	25.10	4.13	6,502	4.17	12,841

The expected weighted average exercise period was separately estimated for directors and employees in order to reflect the possibility of an early exercise. The historical stock price volatility during the respective expected exercise period was applied to the calculation of the expected stock price volatility and estimated based on the cross volatility of the stock price between the Bank and its competitors in order to adjust the exercise price in proportion to the change of the market value of the competitors.

- (4) As of September 30, 2007 and December 31, 2006, the accrued expenses under the share-based payment amount to (Won)49,641 million and (Won)42,754 million, respectively, and the intrinsic value of the vested share option amount to (Won)22,401 million and (Won)21,694 million, respectively. The compensation cost recorded as selling and administration expense amounts to (Won)12,929 million and (Won)14,532 million for the nine months ended September 30, 2007 and 2006, respectively.

19. CONTINGENCIES AND COMMITMENTS:

- (1) The Bank holds written-off loans, of which the claim for borrowers and guarantors have not been terminated, amounting to (Won)11,656,043 million and (Won)12,005,064 million as of September 30, 2007 and December 31, 2006, respectively.
- (2) As of September 30, 2007, the Bank has reversed allowances of (Won)87 million, for losses in relation to the possible future repurchase of loans, which the Bank sold to Korea Asset Management Corporation (KAMCO). As of December 31, 2006, the Bank has provided allowances of (Won)252 million, for losses in relation to the possible future repurchase of loans, which the Bank sold to Korea Asset Management Corporation (KAMCO) for (Won)666 million.
- (3) As of September 30, 2007 and December 31, 2006, the Bank recorded receivables amounting to (Won)3,280,393 million and (Won)1,900,684 million, respectively, and payables amounting to (Won)3,280,138 million and (Won)1,900,506 million, respectively, for unsettled foreign currency spot transactions, respectively.
- (4) As of September 30, 2007 and December 31, 2006, the Bank has entered into commitments to provide credit line of (Won)605,400 million and (Won)1,158,800 million, respectively, and to purchase commercial papers amounting to (Won)1,035,400 million and (Won)1,224,200 million, respectively, with several special purpose companies. As of September 30, 2007 and December 31, 2006, under these commitments, the Bank extended loans of (Won)6,965 million and (Won)12,497 million, respectively, to the companies and recognized (Won)3,776 million and (Won)3,602 million, respectively, of expected loss as other allowance. The Bank has no balance of commitment to purchase commercial papers.

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- (5) The Bank entered into the business cooperation agreements with Citibank and Nonghyup regarding the credit card business. Accordingly, the Bank shares the related revenue from such business operation.
- (6) The Bank has filed 101 lawsuits involving aggregate claims of (Won)246,820 million and faces 152 lawsuits involving aggregate damages of (Won)520,099 million, which arose in the normal course of the business and are still pending as of September 30, 2007. The management believes that the ultimate liability, if any, will not materially affect the Bank's financial position. Korea Lottery Service Inc. filed a lawsuit against the Bank with aggregate damages of (Won) 465,434 million (2 lawsuits) regarding commitment fee in relation to the lottery fund; however, the Bank's management believes that the lawsuit will not affect the financial position of the Bank as it is related to a lottery fund.
- (7) The face value of the consumer investment securities amounts to (Won)417,394 million and (Won)217,754 million as of September 30, 2007 and December 31, 2006, respectively.
- (8) The Bank has been assessed on income tax and others of (Won)438,975 million as a consequence of the regular tax audit performed by the Seoul Regional Tax Office from February 7, 2007 to April 19, 2007. The Bank has filed an appeal against the assessment above through proper legal procedures.
- (9) Although the Korea Federation of Banks are discussing the issue on transferring dormant deposits ((Won)300,000 and less per account) to operating deposits according to the special act on transfer of dormant deposits established on August 2007, the effect is unpredictable because the time and method of transfer is not settled as for now.
- (10) Derivatives
The notional amounts outstanding for derivative contracts as of September 30, 2007 and December 31, 2006 were as follows (Unit: In millions):

Type	Trading	2007 Hedge	Total	Trading	2006 Hedge	Total
Interest rate:						
Interest rate forwards	(Won)	(Won)	(Won)	(Won)	(Won)	(Won)
				92,960		92,960
Interest rate futures	2,189,734		2,189,734	1,470,054		1,470,054
Interest rate swaps	51,367,221	5,164,643	56,531,864	42,563,389	3,718,967	46,282,356
Interest rate options						
Interest rate options purchased	110,000		110,000	110,000		110,000
Interest rate options sold	100,000		100,000	300,000		300,000
	53,766,955	5,164,643	58,931,598	44,536,403	3,718,967	48,255,370
Currency:						
Currency forwards	76,522,566		76,522,566	80,949,167		80,949,167
Currency futures	4,035,600		4,035,600	3,237,813		3,237,813
Currency swaps	11,129,406		11,129,406	7,888,681		7,888,681

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Currency options purchased	2,796,857	2,796,857	518,421	518,421
Currency options sold	1,859,847	1,859,847	348,144	348,144
	96,344,276	96,344,276	92,942,226	92,942,226
Stock:				
Stock index futures	96,571	96,571	187,454	187,454
Stock options purchased	582,400	582,400	723,790	723,790
Stock options sold	875,547	875,547	987,929	987,929
Stock swaps			8,008	8,008
	1,554,518	1,554,518	1,907,181	1,907,181

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Type	2007			2006		
	Trading	Hedge	Total	Trading	Hedge	Total
Other:						
Gold index options purchased	(Won) 5,109	(Won)	(Won) 5,109	(Won)	(Won)	(Won)
Gold index options sold	5,109		5,109			
Merchandise forwards	78,705		78,705			
Merchandise Swap	460		460			
Other derivatives	140,000		140,000			
	229,383		229,383			
	(Won) 151,895,132	(Won) 5,164,643	(Won) 157,059,775	(Won) 139,385,810	(Won) 3,718,967	(Won) 143,104,777

(*) For transaction between Won 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 at balance sheet dates.

The details of derivatives as of September 30, 2007 and the valuation of derivatives for the nine months ended September 30, 2007 were as follows (Unit: In millions):

Type	Gain on valuation (P/L)			Loss on valuation (P/L)			Gain (loss) on valuation(B/S)	
	Trading	Hedge	Total	Trading	Hedge	Total	Assets	Liabilities
Interest rate:								
Interest rate swaps	(Won) 206,842	(Won) 10,409	(Won) 217,251	(Won) 258,027	(Won) 141,550	(Won) 399,577	(Won) 284,791	(Won) 472,982
Interest rate options purchased	222		222	715		715	1,721	
Interest rate options sold	69		69	257		257		557
	207,133	10,409	217,542	258,999	141,550	400,549	286,512	473,539
Currency:								
Currency forwards	435,092		435,092	437,369		437,369	478,397	530,634
Currency swaps	93,099		93,099	52,856		52,856	360,345	165,865
Currency options purchased	16,347		16,347	9,899		9,899	13,621	24,035
Currency options sold	8,386		8,386	3,855		3,855	4,243	16,971
	552,924		552,924	503,979		503,979	856,606	737,505
Stock:								
Stock options purchased	18,196		18,196	39,364		39,364	96,267	
	6,786		6,786	29,048		29,048		79,328

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Stock
options sold

	24,982	24,982	68,412	68,412	96,267	79,328		
Other:								
Gold index options purchased	25	25	30	30	187			
Gold index options sold			7	7		226		
Merchandise forwards	4,479	4,479	4,418	4,418	4,479	4,418		
Merchandise Swap	74	74	68	68	74	68		
Other derivatives	2,019	2,019	1,683	1,683	2,019	1,683		
	6,597	6,597	6,206	6,206	6,759	6,395		
	(Won) 791,636	(Won) 10,409	(Won) 802,045	(Won) 837,596	(Won) 141,550	(Won) 979,146	(Won) 1,246,144	(Won) 1,296,767

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The details of financial derivatives as of December 31, 2006 and the valuation of financial derivatives for the nine months ended September 30, 2006 were as follows (Unit: In millions):

Type	Gain on valuation (P/L)			Loss on valuation (P/L)			Gain (loss) on valuation(B/S)	
	Trading	Hedge	Total	Trading	Hedge	Total	Assets	Liabilities
Interest rate:								
Interest rate forwards	(Won) 9	(Won) 9	(Won) 9	(Won) 22	(Won) 22	(Won) 22	(Won) 9	(Won) 9
Interest rate swaps	170,254	77,193	247,447	245,550	8,510	254,060	174,514	217,850
Interest rate options purchased	1,704		1,704	952		952	2,261	
Interest rate options sold	1,386		1,386	220		220		675
	173,353	77,193	250,546	246,744	8,510	255,254	176,784	218,525
Currency:								
Currency forwards	631,025		631,025	645,207		645,207	537,474	667,386
Currency swaps	218,896		218,896	123,686		123,686	427,425	210,503
Currency options purchased	349		349	892		892	1,912	3,882
Currency options sold	457		457	13		13	357	1,806
	850,727		850,727	769,798		769,798	967,168	883,577
Stock:								
Stock options purchased	28,793		28,793	5,502		5,502	116,784	
Stock options sold	9,123		9,123	7,786		7,786		45,919
Stock swaps	1,338		1,338	1,235		1,235	12	12
	39,254		39,254	14,523		14,523	116,796	45,931

(Won) 1,063,334 (Won) 77,193 (Won) 1,140,527 (Won) 1,031,065 (Won) 8,510 (Won) 1,039,575 (Won) 1,260,748 (Won) 1,148,033

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, structured bonds and structured deposits. The Bank recognized (Won)141,205 million and (Won)8,510 million of gains and (Won)10,409 million and (Won)77,193 million of losses on valuation of fair value hedged items for the nine months ended September 30, 2007 and 2006, respectively. 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. The difference of the valuation between the interest rate swap designated as the fair value hedging instrument and the structured bond, the hedged item, is (Won)345 million for the nine months ended September 30, 2007.

- (11) The Bank purchased synthetic Collateralized Default Obligation (CDO) with embedded Credit Default Swap (CDS) for the purpose of earning income such as commission income as of September 30, 2007. The details are as follows (Unit: In USD thousands):

	Date of		Amount	Reference entity
	Date of contract	maturity		
BNP Paribas	2006.08.24	2013.12.20	10,000	116 Global Bonds
UBS	2007.07.23	2017.06.20	10,000	125 Global Bonds

The Bank could receive less than par and incur loss in relation to the sale of the CDO in case of credit events such as the default of the reference entity.

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

Significant assets and liabilities denominated in foreign currencies as of September 30, 2007 and December 31, 2006 were as follows:

	2007		2006	
	USD	KRW	USD	KRW
	equivalent	equivalent	equivalent	equivalent
	(In thousands)	(In millions)	(In thousands)	(In millions)
Assets:				
Foreign currencies	US\$ 199,953	(Won) 184,095	US\$ 162,872	(Won) 151,406
Due from banks in foreign currencies	307,072	282,722	517,050	480,649
Securities in foreign currencies	1,166,969	1,074,428	891,936	829,144
Loans in foreign currencies (*)	8,122,777	7,478,641	7,811,759	7,261,811
Bills bought in foreign currencies	1,482,675	1,365,099	1,366,517	1,270,314
Call loans in foreign currencies	573,396	527,926	195,685	181,909
Liabilities:				
Deposits in foreign currencies	US\$ 2,085,419	(Won) 1,920,045	US\$ 1,535,668	(Won) 1,427,557
Borrowings in foreign currencies	5,265,527	4,847,972	4,169,943	3,876,379
Call money in foreign currencies	646,647	595,368	50,975	47,386
Debentures in foreign currencies	3,406,854	3,136,690	2,614,924	2,430,834
Foreign currency bills payable	188,715	173,750	58,643	54,515

(*) Domestic import usance bill included.

Foreign currencies other than U.S. dollars were translated into U.S. dollars at the basic rates of exchange at balance sheet dates.

21. INTEREST REVENUE AND EXPENSES:

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, 2007 and 2006 were as follows (Unit: In millions):

	2007			2006		
	Average	Interest	Interest	Average	Interest	Interest
	balance	revenue	rate	balance	revenue	rate
		/expense	(%)		/expense	(%)
Interest revenue						
Due from banks(*)	(Won) 390,359	(Won) 11,339	3.88	(Won) 732,508	(Won) 22,420	4.09
Securities	28,164,200	1,042,582	4.95	28,815,374	1,011,653	4.69
Loans	158,566,232	8,845,489	7.46	140,895,240	7,826,252	7.43
	187,120,791	9,899,410	7.07	170,443,122	8,860,325	6.95
Interest expense						
Deposits	129,739,783	2,993,511	3.08	123,834,439	2,497,749	2.70
Borrowings	45,107,999	1,736,730	5.15	36,808,475	1,291,113	4.67
	(Won) 174,847,782	(Won) 4,730,241	3.62	(Won) 160,642,914	(Won) 3,788,862	3.15

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

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

(1) General and administrative expenses for the nine months ended September 30, 2007 and 2006 were as follows (Unit: In millions):

	2007	2006
Salaries	(Won) 1,205,450	(Won) 1,160,460
Provision for severance benefits	123,996	103,864
Severance benefits for voluntary resignation		3,806
Other employee benefits	403,826	360,814
Rent expenses	86,052	65,900
Depreciation	216,653	157,435
Amortization	80,257	67,180
Taxes and dues	105,980	96,295
Advertising	64,461	63,282
Development expenses	115,425	102,237
Others	278,297	236,327
	(Won) 2,680,397	(Won) 2,417,600

(2) Other general and administrative expenses for the nine months ended September 30, 2007 and 2006 were as follows (Unit: In millions):

	2007	2006
Communication	(Won) 36,105	(Won) 30,700
Electricity and utilities	13,573	13,047
Publication	17,073	15,950
Repairs maintenance	12,811	10,565
Vehicle	21,213	20,701
Travel	3,915	3,075
Training	26,824	17,224
Service fees	64,378	56,336
Others	82,405	68,729
	(Won) 278,297	(Won) 236,327

23. NON-OPERATING REVENUE AND EXPENSES:

Non-operating revenue and expenses for the nine months ended September 30, 2007 and 2006 consisted of (Unit: In millions):

	2007	2006
Non-operating revenue:		
Gain on valuation of securities accounted for using the equity method	(Won) 74,397	(Won) 76,077
Gain on disposal of securities accounted for using the equity method	161,145	
Gain on disposal of tangible assets	10,128	2,399
Reversal of tangible assets impairment loss		962
Rental income	2,377	2,378
Others	95,276	176,847

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	2007	2006
Non-operating expenses:		
Loss on valuation of securities accounted for using the equity method	(Won) 289	(Won) 1,612
Loss on disposal of securities accounted for using the equity method	783	
Loss on disposal of tangible assets	1,086	1,629
Impairment loss on tangible assets	358	4,685
Others	560,246	81,837
	(Won) 562,762	(Won) 89,763

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, 2007 and 2006 are summarized as follows (Unit: In millions):

	2007		2006	
Income before income tax		(Won) 3,237,847		(Won) 3,113,790
Taxable and non-deductible items:				
Temporary difference	(Won) 2,398,365		(Won) 1,764,847	
Permanent difference	1,132,595	3,530,960	947,200	2,712,047
Deductible and non-taxable items:				
Temporary difference	(1,759,696)		(2,247,898)	
Permanent difference	(Won) (1,245,831)	(3,005,527)	(Won) (640,596)	(2,888,494)
Taxable income		(Won) 3,763,280		(Won) 2,937,343

- (2) Reconciliation items between accounting income and taxable income pursuant to the Corporate Income Tax Law of Korea for the nine months ended September 30, 2007 and 2006 are as follows (Units: In millions):

Accounts	2007		2006	
	Temporary difference	Permanent difference	Temporary difference	Permanent difference
Taxable and non-deductible items:				
Loss (gain) on fair value hedges	(Won) 62,843	(Won)	(Won) 68,294	(Won)
Other allowances	706,819		861,938	
Accrued interest	431,301		349,024	
Tangible asset impairment losses	13,741		14,520	
Deferred loan organization fee and cost	138,338		52,025	
Interest on ELD	12,644		13,966	
Stock options	49,641		44,272	
Allowance for possible losses on acceptances and guarantees	28,836		13,986	
Loss (gain) on valuation of derivatives	186,512		94,654	
Goodwill	58,759		58,759	
Present value discount	1,308		1,422	
Dividends from SPC	9,156		15,993	
Others	698,467	1,132,595	175,994	947,200

(Won) 2,398,365 (Won) 1,132,595 (Won) 1,764,847 (Won) 947,200

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Accounts	2007		2006	
	Temporary difference	Permanent difference	Temporary difference	Permanent difference
Deductible and non-taxable items:				
Loss (gain) on fair value hedges	(Won) 189,606	(Won)	(Won)	(Won)
Other allowances	776,661		875,835	
Allowance for loan losses			37,626	
Accrued interest	440,099		359,772	
Tangible asset impairment losses	15,535		11,466	
Deferred loan organization fee and cost	172,207		96,465	
Interest on ELD	8,565		24,928	
Stock options	42,754		46,905	
Allowance for possible losses on acceptances and guarantees	18,772		10,141	
Loss (gain) on valuation of derivatives	38,403		181,938	
Present value discount	1,370		1,713	
Dividends from SPC	333		78,689	
Others	55,391	1,245,831	522,420	640,596
	(Won) 1,759,696	(Won) 1,245,831	(Won) 2,247,898	(Won) 640,596

- (3) Changes in cumulative temporary differences for the nine months ended September 30, 2007 and 2006, and deferred income tax assets (liabilities) as of September 30, 2007 and 2006 are as follows (Unit: In millions):

	Beginning balance (*1)	2007		Ending balance
		Deduction	Addition	
(Deductible temporary differences)				
Other allowances	(Won) 801,451	(Won) 776,661	(Won) 706,819	(Won) 731,609
Allowance for loan losses	276			276
Tangible asset impairment losses	15,535	15,535	13,741	13,741
Interest on ELD	19,307	8,565	12,644	23,386
Stock options	42,754	42,754	49,641	49,641
Allowance for possible losses on acceptances and guarantees	18,772	18,772	28,836	28,836
Loss (gain) on valuation of derivatives	38,403	38,403	186,512	186,512
Present value discount	1,370	1,370	1,308	1,308
Dividends from SPC	205,255	254	782	205,783
Allowance for repurchase SPC	80,204			80,204
Others	162,287	28,597	693,115	826,805
	1,385,614	930,911	1,693,398	2,148,101
The exclusion of deferred income tax assets (*2):				
Other allowances	7,238			2,492
Dividends from SPC	205,255			205,783
Allowance for repurchase SPC	80,204			80,204
Others	72,556			76,492
	1,020,361			1,783,130
Statutory tax rate	27.5%			27.5%
Deferred income tax assets	280,599			490,361

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	2007			
	Beginning balance (*1)	Deduction	Addition	Ending balance
(Taxable temporary differences)				
Loss (gain) on fair value hedges	(Won) (62,843)	(Won) (62,843)	(Won) (189,606)	(Won) (189,606)
Accrued interest	(431,301)	(431,301)	(440,099)	(440,099)
Deferred loan organization fee and cost	(138,338)	(138,338)	(172,207)	(172,207)
Goodwill	(300,324)	(58,759)		(241,565)
Dividends from SPC	(8,374)	(8,374)	(79)	(79)
Others	(331,364)	(5,352)	(26,794)	(352,806)
	(1,272,544)	(704,967)	(828,785)	(1,396,362)
The exclusion of deferred income tax liabilities:				
Goodwill	(300,324)			(241,565)
Others	(72,406)			(78,120)
	(899,814)			(1,076,677)
Statutory tax rate	27.5%			27.5%
Deferred income tax liabilities	(247,449)			(296,086)
Net deferred income tax assets	(Won) 33,150			(Won) 194,275

(*1) The adjustment based on the final tax return was reflected in the beginning deferred income tax assets.

(*2) As of September 30, 2007, other allowances of (Won)2,492 million, dividends from SPC of (Won)205,783 million, allowances for repurchase SPC of (Won)80,204 million and other (equity method) of (Won)76,492 million in deductible temporary differences are not recoverable in the future; therefore, these were not recognized as deferred tax assets.

	2006			
	Beginning balance (*1)	Deduction	Addition	Ending balance
(Deductible temporary differences)				
Loss (gain) on fair value hedges	(Won) (58,096)	(Won)	(Won) 68,294	(Won) 10,198
Other allowances	900,625	875,835	861,938	886,728
Allowance for loan losses	37,626	37,626		
Tangible asset impairment losses	11,466	11,466	14,520	14,520
Interest on ELD	31,108	24,928	13,966	20,146
Stock options	46,905	46,905	44,272	44,272
Allowance for possible losses on acceptances and guarantees	10,141	10,141	13,986	13,986
Present value discount	1,713	1,713	1,422	1,422
Dividends from SPC	268,685	70,674	15,993	214,004
Allowance for repurchase SPC	80,204			80,204
Others	452,709	107,478	214,963	560,194
	1,783,086	1,186,766	1,249,354	1,845,674
The exclusion of deferred income tax assets(*2):				
Dividends from SPC	268,685			214,004
Allowance for repurchase SPC	80,204			80,204
Others	57,611			67,686
	1,376,586			1,483,780

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Statutory tax rate	27.5%	27.5%
Deferred income tax assets	378,561	408,040

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	2006			Ending balance
	Beginning balance (*1)	Deduction	Addition	
(Taxable temporary differences)				
Accrued interest	(Won) (349,024)	(Won) (349,024)	(Won) (359,772)	(Won) (359,772)
Deferred loan organization fee and cost	(52,025)	(52,025)	(96,465)	(96,465)
Loss (gain) on valuation of derivatives	(94,654)	(94,654)	(181,938)	(181,938)
Goodwill	(378,669)	(58,759)		(319,910)
Dividends from SPC			(8,015)	(8,015)
Others	138,626	369,401	(84,510)	(315,285)
	(735,746)	(185,061)	(730,700)	(1,281,385)
The exclusion of deferred income tax liabilities:				
Goodwill	(378,669)			(319,910)
Others	(44,567)			(60,973)
	(312,510)			(900,502)
Statutory tax rate	27.5%			27.5%
Deferred income tax liabilities	(85,940)			(247,638)
Net deferred income tax assets	(Won) 292,621			(Won) 160,402

(*1) The adjustment based on the final tax return was reflected in the beginning deferred income tax assets.

(*2) As of September 30, 2006, dividends from SPC of (Won)214,004 million, allowances for repurchase SPC of (Won)80,204 million and other (equity method) of (Won)67,686 million in deductible temporary differences are not recoverable in the future; therefore, these were not recognized as deferred tax assets.

(4) Income tax payable and income tax refund receivable as of September 30, 2007 and December 31, 2006 are as follows (Unit: In millions):

	2007	2006
Income tax refund receivable	(Won) 326,459	(Won) 617,690
Income tax payable	1,034,823	845,887
Net income tax payable (Note 16)(*))	(Won) 708,364	(Won) 228,197

(*)) Income tax payable of (Won)802 million and (Won)1,987 million as of September 30, 2007 and December 31, 2006, respectively, are due to overseas branch and others. Therefore, these are not eligible for set-off to income tax refund receivable.

(5) Income tax expense for the nine months ended September 30, 2007 and 2006 is summarized as follows (Unit: In millions):

	2007	2006
Income tax currently payable	(Won) 1,034,823	(Won) 807,369
Changes in deferred tax assets	(161,125)	132,219
Income tax expense or benefit allocated directly to shareholder's equity	168,428	(87,028)
Income tax expense of overseas branch	1,942	3,129

(Won) 1,044,068

(Won) 855,689

- (6) The statutory income tax rates applicable to the Bank, including resident tax surcharges, are 27.5 percent for the nine months ended September 30, 2007 and 2006, respectively. However, due to tax adjustments, the effective tax rates for the nine months ended September 30, 2007 and 2006 are 32.25 percent and 27.48 percent, respectively.

Table of Contents25. EARNINGS PER SHARE:

(1) Basic net income per share

Basic net income per share were calculated for common stock by dividing net income available to common shareholders by the weighted average number of outstanding common stock.

Net income per share for common stock for the nine months ended September 30, 2007 and 2006 was computed as follows:

1) Outstanding capital stock for the nine months ended September 30, 2007 and 2006 were as follows:

	2007		2006	
	Number of shares	Number of shares x number of days	Number of shares	Number of shares x number of days
Number of common shares outstanding-beginning balance	(Won) 336,379,116	(Won) 91,831,498,668	(Won) 336,379,116	(Won) 91,831,498,668
Number of treasury stock outstanding-beginning balance			(217,935)	(59,496,255)
Sale of treasury stock			217,935	57,298,711
	(Won) 336,379,116	(Won) 91,831,498,668	(Won) 336,379,116	(Won) 91,829,301,124

Weighted average number of common shares outstanding for the nine months ended September 30, 2007: $91,831,498,668 \div 273 \text{ days} = 336,379,116$ shares

Weighted average number of common shares outstanding for the nine months ended September 30, 2006: $91,829,301,124 \div 273 \text{ days} = 336,371,066$ shares

2) The basic net income per share for the nine months ended September 30, 2007 and 2006 were as follows (Unit: In Won):

	2007	2006
Net income	(Won) 2,193,778,623,826	(Won) 2,258,100,586,934
Weighted average number of common shares outstanding	336,379,116	336,371,066
Net income per share	(Won) 6,522	(Won) 6,713

The basic net income per share for the year ended December 31, 2006 was (Won) 7,349.

(2) Diluted net income per share

Diluted net income for the nine months ended September 30, 2007 and 2006 represent diluted net income divided by the number of common shares and diluted securities

Diluted net income per share for the nine months ended September 30, 2007 and 2006 was computed as follows (Unit: In Won):

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	2007	2006
Diluted net income	(Won) 2,193,778,623,826	(Won) 2,258,100,586,934
Weighted average number of common shares outstanding and diluted securities (*)	337,139,822	336,374,358
Diluted net income per share	(Won) 6,507	(Won) 6,713

(*) The fair value of the service to be received has been reflected in the exercise price in calculating the diluted shares. The diluted shares included in the outstanding common shares are 760,706 shares and 3,292 shares as of September 30, 2007 and 2006, respectively.

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The diluted net income per share for the year ended December 31, 2006 was (Won) 7,349.

26. COMPREHENSIVE INCOME:

Comprehensive income for the nine months ended September 30, 2007 and 2006 were as follows (Unit: In millions):

	2007	2006
Net income	(Won) 2,193,779	(Won) 2,258,101
Other comprehensive income:		
Gain (loss) on valuation of available-for-sale securities	(433,205)	163,923
Loss on valuation of held-to-maturity securities	(53)	(273)
Gain (loss) on valuation of securities using the equity method	(14,955)	9,233
	(Won) 1,745,566	(Won) 2,430,984

27. TRUST ACCOUNTS:

(1) Major financial information related to the trust accounts as of and for the nine months ended September 30, 2007 and 2006 were as follows (Unit : In millions):

	2007	2006 (*)
Operating revenue of trust operation:		
Trust fees and commissions from trust accounts	(Won) 69,123	(Won) 71,707
Commissions from early redemption in trust accounts	18	18
	(Won) 69,141	(Won) 71,725
Operating expenses of trust operation:		
Accrued interest on trust accounts	(Won) 53,447	32,866
Assets:		
Accrued receivable trust fees	(Won) 119,944	(Won) 81,650
Liabilities:		
Due to trust accounts	(Won) 1,570,062	(Won) 1,281,185
Accrued interest on trust accounts	5,984	3,017
	(Won) 1,576,046	(Won) 1,284,202

(*) The balance of the assets and liabilities is as of December 31, 2006.

(2) As of September 30, 2007 and December 31, 2006, trust accounts for which the Bank provided the guarantees for a fixed rate of return and/or the repayment of principal consisted of following (Unit: In millions):

2007

2006

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	Name of fund	Book value		Fair value		Book value		Fair value	
Trust accounts guaranteeing the repayment of principal:	Old age pension (*1 & 2)	(Won)	11,126	(Won)	11,095	(Won)	13,331	(Won)	13,305
	Personal pension (*1 & 2)		2,253,317		2,212,359		2,256,483		2,230,878
	Pension trust		519,627		519,627		463,785		463,785
	Retirement trust		441,408		441,408		512,951		512,951
	New personal pension		68,084		68,084		68,648		68,648
	New old age pension		63,246		63,246		100,176		100,177
			3,356,808		3,315,819		3,415,374		3,389,744

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Name of fund	2007		2006	
	Book value	Fair value	Book value	Fair value
Trust accounts guaranteeing a fixed rate of return and the repayment of principal:				
Development money trust				
(*1)	(Won) 81,139	(Won) 81,143	(Won) 70,464	(Won) 70,478
Unspecified monetary trust				
(*1)	163	163	153	153
	81,302	81,306	70,617	70,631
	(Won) 3,438,110	(Won) 3,397,125	(Won) 3,485,991	(Won) 3,460,375

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

(*2) The book value is greater than the fair value, but the Bank is not obligated to pay the difference since these are yield-based dividend instruments.

28. SEGMENT INFORMATION:

(1) As of September 30, 2007 and December 31, 2006, 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, 2007, financial information on the Bank's operating segments was as follows (Unit: In millions):

	Consumer	Corporate	Credit card	Capital market	Other	Total
Securities	(Won) 14,575	(Won) 77,204	(Won) 28,812,221	(Won) 2,744,717	(Won) 31,648,717	
Loans	85,403,968	68,852,345	8,116,880	1,516,615	164,056,306	
Operating income before provision	(Won) 1,475,543	(Won) 711,538	(Won) 585,190	(Won) (12,038)	(Won) 1,010,550	(Won) 3,770,783

As of and for the year ended December 31, 2006, financial information on the Bank's operating segments was as follows (Unit: In millions):

	Consumer	Corporate	Credit card	Capital market	Other	Total
Securities	(Won) 222,892	(Won) 84,156	(Won) 25,946,509	(Won) 3,128,923	(Won) 29,382,480	
Loans	84,258,294	55,001,230	7,608,708	2,872,625	149,867,182	
Operating income before provision (*)	(Won) 1,527,496	(Won) 613,763	(Won) 776,224	(Won) 13,908	(Won) 487,584	(Won) 3,418,975

(*) For the nine months ended September 30, 2006

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- (2) Financial information on the Bank's geographical segments as of and for the nine months ended September 30, 2007 was as follows (Unit: In millions):

	Domestic	Overseas	Total
Securities	(Won) 31,634,963	(Won) 13,754	(Won) 31,648,717
Loans	163,580,174	476,132	164,056,306
Operating income before provision	(Won) 3,760,262	(Won) 10,521	(Won) 3,770,783

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Financial information on the Bank's geographical segments as of and for the year ended December 31, 2006 was as follows (Unit: In millions):

	Domestic	Overseas	Total
Securities	(Won) 29,382,480	(Won)	(Won) 29,382,480
Loans	149,481,281	385,901	149,867,182
Operating income before provision (*)	(Won) 3,406,293	(Won) 12,682	(Won) 3,418,975

(*) For the nine months ended September 30, 2006

29. **RELATED PARTY TRANSACTIONS:**

(1) The subsidiaries of the Bank as of September 30, 2007 and December 31, 2006 were as follows:

	2007	2006
Domestic Subsidiaries	KB Investment Co., Ltd. KB Futures Co., Ltd. KB Data System Co., Ltd. KB Asset Management Co., Ltd. KB Real Estate Trust Co., Ltd. KB Credit Information Co., Ltd. KB Life Insurance Co., Ltd.	KB Investment Co., Ltd. KB Futures Co., Ltd. KB Data System Co., Ltd. KB Asset Management Co., Ltd. KB Real Estate Trust Co., Ltd. KB Credit Information Co., Ltd. KB Life Insurance Co., Ltd. NPC 02-4 Kookmin Venture Fund(*)
Overseas Subsidiaries	Kookmin Bank International Ltd. (London) Kookmin Bank Hong Kong Ltd.	Kookmin Bank International Ltd. (London) Kookmin Bank Hong Kong Ltd.

(*) Excluded from consolidated subsidiaries due to the beginning of liquidation on April 1, 2007 and it has been finalized on September 21, 2007.

(2) The various employee benefits for the major directors for the nine months ended September 30, 2007 and 2006 were as follows (Unit: In millions):

	2007		
	Short-term	Stock	
	employee benefits (*)	option	Total
Registered officers (Standing)	(Won) 3,821	(Won) 3,895	(Won) 7,716
Registered officers (Non-Standing)	407	249	656
	(Won) 4,228	(Won) 4,144	(Won) 8,372
	2006		
	Short-term	Stock	
	employee	option	Total
	benefits (*)	option	Total
Registered officers (Standing)	(Won) 3,505	(Won) 6,211	(Won) 9,716
Registered officers (Non-Standing)	428	592	1,020

(Won) 3,933

(Won) 6,803

(Won) 10,736

(*) Short-term employee benefits are based on the actual payment.

(**) The key management includes Registered officers who have authorities and responsibilities for decision-making of the business plan, operations and control over the Bank.

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(4) Significant transactions with related parties for the nine months ended September 30, 2007 and 2006 were as follows (Unit: In millions):

	2007 Bad debt		
	Revenue	expenses	Expenses (*2)
Subsidiaries:			
Trust accounts (trust accounts guaranteed a fixed rate of return and/or the repayment of principal) (*1)	(Won) 27,456	(Won)	(Won) 4,698
KB Investment Co., Ltd.			362
KB Futures Co., Ltd.	18		1,436
KB Data System Co., Ltd.	55		25,240
KB Asset Management Co., Ltd.	649		2,455
KB Real Estate Trust Co., Ltd.	186	(231)	1,937
KB Credit Information Co., Ltd.	124		43,663
KB Life Insurance Co., Ltd.	32,798		3
Kookmin Bank International Ltd. (London)	7,867		2,438
Kookmin Bank Hong Kong Ltd.	8,069		1,188
	77,222	(231)	83,420
Investee under the equity method:			
Joeeun Industrial Co., Ltd.		(10,239)	
NPC 02-4 Kookmin Venture Fund			279
		(10,239)	279
	(Won) 77,222	(Won) (10,470)	(Won) 83,699
2006 Bad debt			
	Revenue	expenses	Expenses(*2)
Subsidiaries:			
Trust accounts (trust accounts guaranteed a fixed rate of return and/or the repayment of principal) (*1)	(Won) 31,478	(Won)	(Won) 2,920
KB Investment Co., Ltd.			278
KB Futures Co., Ltd.	17		1,306
KB Data System Co., Ltd.	337		19,613
KB Asset Management Co., Ltd.	569		1,276
KB Real Estate Trust Co., Ltd.	1,273	(48)	
KB Credit Information Co., Ltd.	129		49,712
KB Life Insurance Co., Ltd.	25,111		1
Kookmin Bank International Ltd. (London)	8,341		3,170
Kookmin Bank Hong Kong Ltd.	7,439		1,571
	74,694	(48)	79,847
Investee under the equity method:			
Pacific IT Investment Partnership			7
Joeeun Industrial Co., Ltd.		364	
NPC 02-4 Kookmin Venture Fund	3		368
	3	364	375

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(Won) 74,697 (Won) 316 (Won) 80,222

(*1) Trust accounts guaranteeing the repayment of principal or a fixed rate of return.

(*2) Bad debt expenses excluded.

In addition, the Bank purchased fixed assets from KB Data System Co., Ltd. amounting to (Won) 8,878 million and (Won) 14,332 million for nine months ended September 30, 2007 and 2006, respectively.

Table of Contents30. 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.

31. 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, 2007 and 2006 were as follows (Unit : In millions)

	2007	2006
Cash and checks	(Won) 2,453,296	(Won) 2,445,798
Foreign currencies	184,095	160,403
Due from banks	4,118,247	2,838,185
	6,755,638	5,444,386
Restricted due from banks	(3,918,936)	(2,343,500)
	(Won) 2,836,702	(Won) 3,119,886

- (3) Significant transactions not involving cash inflows and outflows for the nine months ended September 30, 2007 and 2006 were as follows (Unit : In millions):

	2007	2006
Changes in accumulated other comprehensive income from valuation of available-for-sale securities	(Won) (448,213)	(Won) 172,883
Increase in available-for-sale securities from debt-equity swap	12,691	
Decrease in allowance for bad debt by disposal and repurchase of nonperforming loan	47,067	51,443
Write-offs of loans and decrease of loans from principal exemption	662,933	998,165