

KOOKMIN BANK
Form 6-K
March 04, 2004

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 March 2004

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):

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

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

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

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

Yes " No x

Kookmin Bank s 2003 Audit Report

On March 3, 2004, Kookmin Bank released audit report for the fiscal year of 2003, which includes comparative non-consolidated financial statements for the years ended December 31, 2003 and 2002 and related notes to the statements.

Exhibit 99.1_ Kookmin Bank s 2003 Audit Report

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: March 3, 2004

By: /s/ Ki-Sup Shin

(Signature)

Name: Ki-Sup Shin

Title: Executive Vice President & Chief Financial Officer

Kookmin Bank

Non-Consolidated Financial Statements

December 31, 2003 and 2002

Kookmin Bank

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December 31, 2003 and 2002

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Report of Independent Auditors

To the Board of Directors and Shareholders of

Kookmin Bank

We have audited the accompanying non-consolidated balance sheet of Kookmin Bank (the Bank) as of December 31, 2003 and 2002, and the related non-consolidated statements of operations, appropriations of retained earnings (dispositions of accumulated deficit) and cash flows for the year then ended, expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kookmin Bank as of December 31, 2003 and 2002, and the results of its operations, the changes in its retained earnings (accumulated deficit), and its cash flows for the year then ended in conformity with accounting principles generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw your attention to the following matters.

As discussed in Note 33 to the financial statements, on May 30, 2003, the Bank obtained approval from the Board of Directors to enter into a merger agreement with Kookmin Credit Card Co., Ltd. (the Subsidiary), its majority-owned subsidiary. According to the resolution of the Board of Directors, the Bank merged with the Subsidiary on September 30, 2003. The merger was effected through an exchange of shares with the minority shareholders of the Subsidiary as of July 24, 2003, who received 0.442983 share of the Bank's common stock for each share of the Subsidiary. The total assets and liabilities of the Subsidiary as of September 30, 2003 were (Won)10,595,409 million and (Won)9,391,897 million, respectively.

As discussed in Note 2 to the financial statements, as of December 2002, the Bank changed the rates for determining the allowances for losses from consumer loans and credit card loans, in anticipation of the increasing risk of loan losses due to the increase in consumer loans and credit card loans, as follows:

<u>Credit Risk Classification</u>	<u>Allowance Rates</u>	<u>Allowance Rates after Changes</u>	
	<u>before Changes</u>	<u>Consumer</u>	<u>Credit Cards</u>
Normal	0.50%	0.75%	1.00%
Precautionary	2.00%	8.00%	12.00%
Sub-standard	20.00%	20.00%	20.00%
Doubtful	50.00%	55.00%	60.00%
Estimated loss	100.00%	100.00%	100.00%

As a result of the above change, the Bank's allowances for loan losses as of December 31, 2003 are greater by (Won)336,265 million for consumer loans and (Won)314,701 million for credit card loans compared to the amounts that which would have been recorded under the previous rates.

As discussed in Note 20 to the financial statements, in accordance with the resolution made by the Board of Directors on December 26, 2003, the Bank acquired 27,423,761 of its own shares previously owned by the Korean government at (Won)43,700 per share through public bidding and intends to sell these shares of treasury stock depending on certain market conditions. As a result of the acquisition, the Bank holds 8.92 percent of the total common stock issued as treasury stock.

As discussed in Note 16 to the financial statements, the Bank's total exposure (including debt securities, beneficiary certificates, and loans) related to domestic credit card companies and capital companies amounts to (Won)2,055,663 million as of December 31, 2003. Currently, securities issued by credit card companies and capital companies, which are experiencing liquidity problems, are not widely traded in the bond market. The ultimate effect of these circumstances on the financial position of the Bank as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying financial statements.

As discussed in Note 16 to the financial statements, in accordance with the agreement with the creditors' committee of LG Card Co., Ltd. on November 24, 2003, the Bank provided additional loans of (Won)437.0 billion to LG Card Co., Ltd., which is currently experiencing a liquidity crisis. Also, on January 9, 2004, the Bank has agreed to a debt-equity swap of (Won)312.7 billion, to provide additional loans of (Won)205.9 billion (to be included in the debt-equity swap), and to extend the maturity of loans that will mature in 2004. The ability of LG Card Co., Ltd. to continue as a going concern depends on the effective execution of its restructuring plan and debt restructuring as well as the availability of financial aid from its financial institutional creditors. The ultimate effect of these circumstances on the financial position of the Bank as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying financial statements.

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

Seoul, Korea

March 3, 2004

This report is effective as of March 3, 2004, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Kookmin Bank**Non-Consolidated Statements of Operations**

Years ended December 31, 2003 and 2002

(in millions of Won except per share amounts)

	<u>2003</u>	<u>2002</u>
Interest income		
Interest on due from banks	(Won) 10,433	(Won) 51,580
Interest on trading securities	116,142	95,576
Interest on available-for-sale securities	958,665	652,423
Interest on held-to-maturity securities	626,552	834,895
Interest on loans	9,814,835	9,251,849
Other interest income	98,923	102,735
	<u>11,625,550</u>	<u>10,989,058</u>
Interest expenses		
Interest on deposits	4,280,290	4,770,967
Interest on borrowings	410,746	415,938
Interest on debentures	1,143,228	830,219
Other interest expenses	68,570	58,068
	<u>5,902,834</u>	<u>6,075,192</u>
Net interest income	5,722,716	4,913,866
Provision for loan losses (Note 6)	4,040,536	1,593,479
Net interest income after provision for loan losses	<u>1,682,180</u>	<u>3,320,387</u>
Non-interest income		
Fees & commission income	1,636,171	1,345,669
Dividends on trading securities	1,633	1,123
Dividends on available-for-sale securities	5,580	12,186
Gain on foreign currency transactions	287,501	202,367
Gain on derivatives transactions (Note 15)	1,131,711	1,760,743
Others (Note 22)	868,840	1,273,355
	<u>3,931,436</u>	<u>4,595,443</u>
Non-interest expenses		
Fees and commission expenses	270,405	330,385
General and administrative expenses (Note 23)	2,704,148	2,551,426
Loss on foreign currency transactions	200,109	245,232
Loss on derivatives transactions (Note 15)	1,053,990	1,594,025
Others (Note 22)	1,308,880	928,997
	<u>5,537,532</u>	<u>5,650,065</u>
Operating income	76,084	2,265,765
Non-operating expenses, net (Note 24)	(1,222,528)	(372,147)

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Net (loss) income before income tax expense	(1,146,444)	1,893,618
Income tax (benefit) expense (Note 25)	(393,096)	583,327
Net (loss) income	(Won) (753,348)	(Won) 1,310,291
Basic (loss) earnings per share (In Korean Won) (Note 26)	(Won) (2,311)	(Won) 4,123

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

Kookmin Bank**Non-Consolidated Statements of Appropriations of Retained Earnings****(Dispositions of Accumulated Deficit)**

Years ended December 31, 2003 and 2002

(Date of Disposition : March 23, 2004 for the year ended December 31, 2003

Date of Appropriation : March 21, 2003 for the year ended December 31, 2002)

(in millions of Won)

	<u>2003</u>	<u>2002</u>
Retained earnings (accumulated deficit) before appropriations (dispositions)		
Unappropriated retained earnings carried over from prior year	(Won) 410	(Won) 5,117
Adjustment on investment in associates (Note 19)	(1,917)	4,562
Net income (loss)	(753,348)	1,310,291
	<u>(754,855)</u>	<u>1,319,970</u>
Transferred from prior years reserve (Note 19)		
Reserves for overseas investment losses		5,417
		<u>5,417</u>
Dispositions (appropriations) (Note 19)		
Transfer from (appropriations for) voluntary reserves	754,900	(867,000)
Other reserves		(744)
Legal reserves		(132,000)
Cash dividends (20.0% for common stock in 2002)		(325,233)
	<u>754,900</u>	<u>(1,324,977)</u>
Unappropriated retained earnings carried over to the subsequent year	<u>(Won) 45</u>	<u>(Won) 410</u>

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

Kookmin Bank**Non-Consolidated Statements of Cash Flows**

Years ended December 31, 2003 and 2002

(in millions of Won)

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities		
Net (loss) income	(Won) (753,348)	(Won) 1,310,291
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Realized gain on trading securities, net	(71,899)	(87,802)
Unrealized gain on trading securities, net	(70,976)	(167,366)
Provision for loan losses due to merger	1,652,264	
Gain (loss) on foreign currency transactions, net	(87,392)	42,865
Provision for loan losses	4,040,536	1,593,479
Reversal of losses from guarantees and acceptances	(1,209)	(37,436)
Gain on derivatives transactions, net	(77,721)	(166,718)
Loss (gain) on valuation of derivatives, net	18,788	(41,884)
Gain (loss) on fair value hedged items	(10,715)	9,213
Retirement benefits	109,766	100,198
Depreciation and amortization	466,856	389,931
Loss on disposal of fixed assets, net	33,058	6,288
Impairment loss on fixed assets	22,228	
Realized gain on available-for-sale securities, net	(493,993)	(210,112)
Impairment loss on available-for-sale securities, net	133,754	272,393
Realized gain on held-to-maturity securities	(2,771)	(733)
Unrealized gain (loss) on investment in associates, net	(267,870)	273,620
Loss (gain) on sale of loans, net	31,340	(6,475)
Stock compensation expense	12,130	11,333
Others, net	22,755	(33,116)
Changes in assets and liabilities resulting from operations		
Accrued income	118,796	3,238
Prepaid expenses	(255,957)	14,037
Deferred tax assets	(399,310)	(51,181)
Other assets	(166)	5,639
Accrued expenses	(593,967)	(90,475)
Unearned income	(28,019)	(1,070)
Withholding taxes	36,095	(54,343)
Other liabilities	587,179	45,215
Retirement benefits	(18,637)	(19,130)
Accounts payable	(66,349)	(60,268)
Account for agency business		33
Deferred tax liabilities	(35,111)	141,532
Net cash provided by operating activities	<u>4,050,135</u>	<u>3,191,196</u>

Kookmin Bank**Non-Consolidated Statements of Cash Flows**

Years ended December 31, 2003 and 2002

(in millions of Won)

	<u>2003</u>	<u>2002</u>
Cash flows from investing activities		
Increase (decrease) in due from banks	(Won) (1,247,467)	(Won) 2,839,245
Decrease in trading securities	1,336,940	992,343
Increase (decrease) in available-for-sale securities	(1,198,423)	1,606,941
Decrease in held-to-maturity securities	5,119,423	
Acquisition of investment in associates	(71,295)	
Dividend from investment in associates	11,392	
Increase in loans granted, net	(12,580,451)	(20,439,846)
Proceeds from disposal of fixed assets	101,599	14,049
Acquisition of fixed assets	(316,890)	(578,828)
Acquisition of intangible assets	(705)	(502)
Proceeds from disposal of foreclosed assets	162	978
Acquisition of foreclosed assets	(166)	
Increase in guarantee deposits	(8,865)	(56,619)
Decrease (increase) in other accounts receivable	166,101	(338,569)
Increase (decrease) in payments in advance	(28,328)	55,723
Decrease in derivative assets, net	145,924	67,591
Collection of domestic exchange receivables	474,995	403,014
Collection of loans to trust accounts	37,882	229,452
	<u>(8,058,172)</u>	<u>(15,205,028)</u>
Cash flows from financing activities		
Increase in deposits, net	9,076,415	7,948,349
Decrease in borrowings, net	(2,248,706)	(2,846,629)
Decrease (increase) in debentures, net	(3,278,588)	8,697,080
Increase (decrease) in borrowings from trust accounts	3,248,649	(931,874)
Decrease in dividend payable	(325,188)	(29,967)
Decrease (increase) in other accounts payable	(273,080)	499,769
Increase (decrease) in advances received from customers	19,325	(57,825)
Decrease in guarantee deposits received	(623)	(41,516)
Decrease in domestic exchange payables	(173,865)	(901,723)
Decrease in liabilities incurred by agency relationships	(171,172)	(219,313)
Stock options exercised	(35)	(26,741)
Acquisition of treasury stock	(1,227,876)	(149,704)
Sale of treasury stock	826	1,928
Increase in stock issuance cost	(212)	(737)
	<u>4,645,870</u>	<u>11,941,097</u>
Net cash provided by financing activities	4,645,870	11,941,097
Net increase (decrease) in cash and cash equivalents	637,833	(72,735)
Increase due to merger	33,343	
Cash and cash equivalents, Beginning of year	<u>3,100,581</u>	<u>3,173,316</u>
End of year (Note 34)	<u>(Won) 3,771,757</u>	<u>(Won) 3,100,581</u>

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

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

1. The Bank

Kookmin Bank (the Bank) was established in 1963 under the Citizens National Bank Act to provide and administer funds for financing 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 (KLB) 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 as of June 29, 1998. Also, the Bank completed the legal consolidation with H&CB as of October 31, 2001 (Note 32) and merged with Kookmin Credit Card Co., Ltd. (the Subsidiary), its majority-owned subsidiary, on September 30, 2003 (Note 33).

The Bank had its shares 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 relisted on the Korea Stock Exchange as of November 9, 2001. As of December 31, 2003, the Bank's paid-in capital amounts to (Won)1,681,896 million and 35,000,566 shares of the Bank are listed on the New York Stock Exchange as American Depositary Shares (ADSs).

The Bank engages in the banking and trust businesses according to the provisions of the General Banking Act and the Trust Business Act, and operates through 1,136 domestic branches and offices (excluding ATMs) and three overseas branches as of December 31, 2003.

2. Summary of Significant Accounting Policies

The Bank has adopted Statements of Korean Financial Accounting Standards (SKFAS) No. 1 as of January 1, 2001 and No. 2 to No. 9 as of January 1, 2002 to present its financial statements. Except for the adoption of these SKFAS, the same accounting policies are applied for the fiscal years 2002 and 2003. The significant accounting policies followed by the Bank in the preparation of its non-consolidated financial statements are summarized below.

Basis of Financial Statement Presentation

The Bank maintains its accounting records in Korean Won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Bank that conform with

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financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, or cash flows, is not presented in the accompanying non-consolidated financial statements.

Accounting Estimates

The preparation of the non-consolidated financial statements requires management to make estimates and assumptions that affect amounts reported therein. Although these estimates are based on management's best knowledge of current events and actions that the Bank may undertake in the future, actual results may be different from those estimates.

Application of the Statements of Korean Financial Accounting Standards

The Bank's non-consolidated financial statements were prepared in accordance with financial accounting standards generally accepted in the Republic of Korea and Statements of Korean Financial Accounting Standards No. 2 through No. 9, in effect for the fiscal periods beginning after December 31, 2002.

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

Recognition of Interest Income

The Bank recognizes interest income on loans and debt securities on an accrual basis. However, interest income on delinquent and dishonoured loans and debt securities, other than those collateralized with security deposits or guaranteed by financial institutions, is recognized on a cash basis. As of December 31, 2003, the Bank has non-accrual loans and securities of (Won)10,677,822 million and (Won)620,929 million, respectively, with related foregone interest of (Won)638,079 million and (Won)150,492 million, respectively.

Securities

Securities that are bought and held principally for the purpose of generating profits on short-term differences in price, and which are actively and frequently bought and sold, are classified as trading securities. Debt securities with fixed or determinable payments and fixed maturity, and which the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity securities. Investments classified as neither trading securities nor held-to-maturity securities are classified as available-for-sale securities.

Securities are recognized initially at their fair value plus transaction costs that are directly attributable to the acquisition and the Bank uses the moving average method and specific identification method for determining the carrying value of equity securities and debt securities, respectively.

Trading and available-for-sale debt securities are carried at fair value using the average of quoted prices provided by bond pricing service institutions. Held-to-maturity debt securities are carried at amortized cost.

Marketable equity securities are carried at market prices and beneficiary certificates are carried at quoted prices provided by the beneficiary certificate dealers. However, non-marketable equity securities are carried at fair value only if the fair value is reasonably measurable and if otherwise, are carried at cost.

Unrealized holding gains or losses on trading securities are charged to current operations and those resulting from available-for-sale securities are recorded as capital adjustments. Premiums and discounts on debt securities are amortized over the maturity period using the effective interest method. Impairment losses are recognized in current operations when there is evidence of impairment and recoverable amounts of available-for-sale securities or held-to-maturity securities are less than the acquisition cost of equity securities or the amortized cost of debt securities. Unrealized holding gains or losses on available-for-sale or held-to-maturity securities that had not been recognized through income are realized when the related securities are disposed.

Investments in Associates

Investments in associate, over which the Bank exercises significant control or influence, are accounted for under the equity method. Under the equity method, the Bank records changes in its proportionate ownership of the associate in current operations, as capital adjustments or as adjustments to retained earnings, depending on the nature of the underlying change in the book value of the investment in associate.

The Bank discontinues the equity method of accounting for investments in associates when the Bank's share of accumulated losses of the associates equals the costs of the investments and until the subsequent cumulative changes in its proportionate net income of the associate equal its cumulative proportionate net losses not recognized during the periods when the equity method was suspended.

Differences between the initial purchase price and the Bank's initial proportionate ownership of the net book value of the associate are amortized or accreted using an appropriate method and the resulting amortization is charged to current operations.

Gains and losses recorded by the Bank from inter-company transactions with associates are fully eliminated. Gains and losses recorded by the associates from these transactions are proportionately eliminated, based on the Bank's percentage of ownership.

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, and the deferred loan origination fees and costs are amortized using the effective interest method with the amortization recognized as adjustments to other interest income.

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002****Allowances for Loan Losses**

The Bank applies its internal credit rating system, the Forward Looking Criteria (FLC), to corporate loans in order to classify the borrowers and to determine the allowances for loan losses. According to the credit rating criteria, the allowance is determined according to the credit risk of corporate borrowers, which is evaluated based on financial and non-financial risks. The credit rating criteria is categorized into 12 categories (AAA, AA, A, BBB, BB, BB-, B, B-, CCC, CC, C, D) with additional consideration of the loan type, collateral and/or guarantees.

Allowances are determined by applying at minimum the following rates to the outstanding balances under each credit risk classification:

<u>Credit Risk Classification</u>	<u>Credit Ratings</u>	<u>Allowance Rates</u>
Normal	AAA~B	0.5%
Precautionary	B-~CCC	2%
Sub-standard	CC	20%
Doubtful	C	50%
Estimated loss	D	100%

However, the Bank does not apply the FLC to small-sized corporate loans, consumer loans, and credit card loans. Alternatively, the bank classifies such loans by considering the current financial status of borrowers including delinquencies, bankruptcies and collateral value. As of December 2002, the rates used for determining the allowances for losses from corporate loans, consumer loans and credit card loans were changed as follows:

<u>Credit Risk Classification</u>	<u>Allowance Rates</u>	<u>Allowance Rates after Changes</u>	
	<u>before Changes</u>	<u>Consumer</u>	<u>Credit Card</u>
Normal	0.50%	0.75%	1.00%
Precautionary	2.00%	8.00%	12.00%
Sub-standard	20.00%	20.00%	20.00%
Doubtful	50.00%	55.00%	60.00%
Estimated loss	100.00%	100.00%	100.00%

As a result of the above change, the Bank's allowances for loan losses as of December 31, 2003 are greater by (Won)336,265 million for consumer loans and (Won)314,701 million for credit card loans compared to the amounts which would have been recorded under the previous rates.

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The Bank applies the credit risk classification used for loans to outstanding guarantees and acceptances, and provides allowances for losses of 20 percent, 50 percent and 100 percent of the outstanding guarantees and acceptances classified as sub-standard, doubtful, and estimated loss, respectively. In addition, the Bank provides allowances for losses of 19 percent of certain outstanding guarantees and acceptances classified as precautionary.

Present Value Discounts

Troubled debt restructuring loans, which are modified as to outstanding principal, interest rate, and/or maturity under programs such as workout, court receivership, court mediation, or debt restructuring agreements of parties concerned, are carried at present value if the difference between the nominal value and the present value of the restructured loan is significant. The present value discounts are recorded by reclassifying allowances for loan losses and if additional allowances need to be provided for, the additional allowances are provided and recognized as provision for loan losses of the current period. The difference between the nominal value and the present value is recorded as present value discount, which is shown as a deduction from the loan nominal value. These present value discounts are amortized using the effective interest method and are recognized as interest income. Allowances for loan losses on the restructured loans are provided for based on the loan balances, net of present value discounts.

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

Receivables and payables arising from long-term installment transactions, long-term cash loans or borrowings and other similar transactions shall be stated at present value, if the difference between nominal value and present value is material. The difference is accounted for as a present value discount and is deducted from the nominal value of the related receivable or payable. Present value discounts are amortized or reversed using the effective interest method, and the amortization is included in interest income or expense.

Fixed Assets and Related Depreciation

Tangible assets are recorded at cost, except for upward revaluation of certain assets in accordance with the Korean Asset Revaluation Law. Depreciation is calculated based on the estimated average useful lives of the assets and is presented as accumulated depreciation, which is a contra account of tangible assets in the financial statements.

The estimated useful lives and depreciation methods of the tangible assets are as follows:

<u>Tangible assets</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and structures	Straight-line method	40 years
Leasehold improvements	Declining balance method	4-5 years
Equipment and vehicles	Declining balance method	4-5 years

Expenditures that enhance the value or extend the useful life of the related assets are capitalized as additions to tangible assets. Routine maintenance and repairs are recognized as expenses when incurred.

Foreclosed assets acquired through, or in lieu of, loan redemption are stated at cost and are not depreciated. A valuation allowance is recorded where the latest bidding price at a public auction is below the book value, and is presented as a contra account of foreclosed assets in the financial statements

Intangible assets are amortized based on the following estimated average useful lives and are presented in the financial statements, net of accumulated amortization:

<u>Intangible assets</u>	<u>Amortization Method</u>	<u>Estimated Useful Life</u>
Goodwill	Straight-line method	9 years
Development costs	Straight-line method	5 years
Trademarks	Straight-line method	1-10 years

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Others

Straight-line method

5-30 years

The Bank estimated the useful life of endowment assets that are beneficial upon usage, classified under other intangible assets, to be 30 years based on the term of the contract. The Bank recorded goodwill as a result of the merger with H&CB for the cost of the merger exceeding the fair value of the net assets acquired.

Development costs directly related to new technology or new products (including costs related to software development) are capitalized as intangible assets to the extent that the estimated future benefits are probable.

The Bank adjusts the book value of a fixed asset to its recoverable amount and recognizes the difference as an impairment loss when the recoverable amount is significantly below the book value due to obsolescence or decline in market value. The subsequent increase in recoverable amount in excess of the impaired book value is recognized, to the extent of the original book value before impairment, as a reversal of fixed asset impairment losses. For the year ended December 31, 2003, the Bank recognized an impairment loss of (Won)22,228 million for the difference between the book value of (Won)48,388 million and net realizable value of (Won)26,160 million of assets related to the expected closures of certain branch offices.

Stock Issuance Costs and Debenture Issuance Costs

Stock issuance costs are deducted from paid-in capital in excess of par value. Debenture issuance costs are recorded as discounts on debentures and amortized over the maturity period of the debentures using the effective interest method.

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

Accrued Retirement Benefits

Employees and directors with more than one year of service and temporary employees with a one-year contract, as of December 31, 2003, 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.

Additionally, the Bank records the contributions to pension funds, which grant the payment rights to its employees, as contra accounts of accrued retirement benefits.

Deferred Income Taxes

The Bank records the future tax effects of temporary differences between the financial and tax bases of assets and liabilities as deferred income tax assets or liabilities. The tax effects of temporary differences arising from the cumulative effects of accounting changes are adjusted in retained earnings.

Bonds under Repurchase/Resale Agreements

Securities bought under resale agreements are recorded in loans as bonds purchased under resale agreements. Securities sold under repurchase agreements are recorded in borrowings as bonds sold under repurchase agreements. Interest from bonds purchased under resale agreements and bonds sold under repurchase agreements are recognized as interest income on loans and interest expense on borrowings, respectively.

Derivative Instruments

Derivative instruments for trading or hedging purpose are recorded at fair value and resulting unrealized gains and losses are recognized in current operations, except for the effective portion of derivative transactions entered into for the purpose of cash-flow hedges, which is recorded as an adjustment to shareholders' equity.

Fair value hedge accounting is applied to a derivative instrument with the purpose of hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment that is attributable to a particular risk. The gain or loss, both on the hedging derivative instrument 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 with the purpose of 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 the gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recognized in current operations. The effective portion of the gain or loss recorded as a capital adjustment is reclassified to current operations 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 recognized as a capital adjustment is added to or deducted from the asset or the liability.

Stock Options

Compensation costs for stock options granted to employees and executives are recognized using the fair value method. Under the fair value method, compensation costs for stock option plans are determined using an option-pricing model and are recognized over the vesting period (Note 21).

National Housing Fund

The Bank, as designated by the Korean Government under the 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, which is computed by multiplying the average balance of the NHF account by the passbook deposit interest rate, to the NHF.

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

Gains and Losses on Trust Management

The Bank's trust accounts (the Trust Accounts) recognize as an expense the trust commissions paid to the banking accounts, which is equivalent to the total trust revenue less total trust expenses and trustee benefits (including the guaranteed principal and minimum rate of return). The Bank recognizes these trust commissions as a gain on trust management in other operating income. The trust fees on money trusts consist of base fees of 0.5 ~ 2.0 percent (depending on trust fund types) and special fees applied to the invested capital.

Under the Trust Business Act, reserves for future losses are set up in the trust accounts for losses related to those trust funds with a guarantee of the principal or of a certain minimum rate of return. The reserves are used to provide for the losses on such trust funds and, if the losses incurred are in excess of the reserves for future losses, the excess losses are compensated by the Bank. Accordingly, the banking accounts recognize the compensation paid as a loss on trust management in other operating expenses and the trust accounts recognize the corresponding compensation as compensation from banking accounts. There were no compensations paid for the years ended December 31, 2003 and 2002.

Foreign Currency Translation

All assets and liabilities denominated in foreign currencies are translated into Korean Won at the rates in effect at the balance sheet date (2003: (Won)1,197.8:US\$1, 2002: (Won)1,200.4:US\$1), and resulting translation gains and losses are recognized in the current period.

Accounting records of the overseas branches are maintained in the foreign currency prevailing in their respective countries. For the purpose of presentation in the accompanying financial statements, the financial statements of the branches have been translated into Korean Won, using exchange rates published by Seoul Money Brokerage Services, Ltd. as of the balance sheet dates.

Statement of Cash Flows

In the preparation of the statement of cash flows, the Bank has presented net amounts of cash inflows and cash outflows for items where the turnover is quick and the amounts are large.

Application of Korean Financial Accounting Standard No. 6

The Bank has adopted Statements of Korean Financial Accounting Standards (SKFAS) No. 6 Subsequent Events , for the fiscal year 2003 and presented retained earnings (accumulated deficit) as before appropriations (disposition) on the balance sheet. Accordingly, retained earnings as

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of December 31, 2002 were restated to amounts before appropriations, and the restatement resulted in a decrease in liabilities and an increase in net assets of (Won)325,233 million.

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

3. Cash and Due from Banks

Cash and due from banks as of December 31, 2003 and 2002 are summarized as follows:

<i>(in millions of Won)</i>		<u>2003</u>	<u>2002</u>
Cash on hand			
Cash in Won		(Won) 2,945,921	(Won) 2,392,346
Cash in foreign currencies		228,153	186,780
		<u>3,174,074</u>	<u>2,579,126</u>
Due from banks in Won			
Bank of Korea	Reserve deposits in the Bank of Korea	2,612,248	1,340,482
Other banks	Time deposits	810	41,192
	Passbook deposits	8,185	392
		<u>8,995</u>	<u>41,584</u>
Other financial institutions	Deposits at Mutual Savings	140,000	140,000
Others	Futures margin accounts	1,560	1,336
	Market participation margin	454	458
	KOSPI futures margin accounts	200	
	Other deposits		8,319
		<u>2,214</u>	<u>10,113</u>
		<u>2,763,457</u>	<u>1,532,179</u>
	Present value discounts ^{1*}	(12,810)	(21,156)
		<u>2,750,647</u>	<u>1,511,023</u>
Due from banks in foreign currencies			
Bank of Korea	Demand deposits	12,415	25,677
Other banks	Demand deposits	71,879	104,073
	Time deposits		15,193
		<u>71,879</u>	<u>119,266</u>

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Off-shore	Demand deposits	3,354	5,064
Others	Other deposits	513,976	359,200
		601,624	509,207
		(Won) 6,526,345	(Won) 4,599,356

¹* Present value discounts are related to the (Won)140,000 million of time deposits (1% interest, five-year maturity at the point of deposit, uncallable for five years) placed with Hansol Mutual Savings & Finance Co., Ltd. (previously, Bukook Mutual Savings & Finance Co., Ltd.).

The maturities of the due from banks as of December 31, 2003 are as follows:

<i>(in millions of Won)</i>	Due from Banks	Due from Banks in Foreign	Total
	in Won	Currencies	
Due in 3 months or less	(Won) 2,622,647	(Won) 523,767	(Won) 3,146,414
Due after 3 months through 6 months		77,857	77,857
Due after 6 months through 1 year	50,154		50,154
Due after 1 year through 2 years	90,000		90,000
Due after 2 years through 3 years			
Due after 5 years	656		656
	(Won) 2,763,457	(Won) 601,624	(Won) 3,365,081

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Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

Included in cash and due from banks as of December 31, 2003 and 2002 are the following restricted deposits:

<i>(in millions of Won)</i>	<u>2003</u>	<u>2002</u>	<u>Restrictions</u>
Reserve deposits in the Bank of Korea	(Won) 2,612,248	(Won) 1,340,482	General Banking Act
Deposits at Hansol Mutual Savings & Finance Co., Ltd.	140,000	140,000	Withdrawal at maturity
Due from banks in foreign currency	12,415	37,409	General Banking Act
Other deposits	2,735	2,040	Futures guarantee deposits
	<u>2,767,398</u>	<u>1,519,931</u>	
Present value discounts	(12,810)	(21,156)	
	<u>(Won) 2,754,588</u>	<u>(Won) 1,498,775</u>	

4. Securities

Securities as of December 31, 2003 and 2002 are as follows:

<i>(in millions of Won)</i>	<u>2003</u>	<u>2002</u>
Trading	(Won) 4,482,948	(Won) 5,676,973
Available-for-sale	17,088,357	13,173,700
Held-to-maturity	5,979,341	10,986,915
Investment in associates	551,199	1,103,162
	<u>(Won) 28,101,845</u>	<u>(Won) 30,940,750</u>

Trading, available-for-sale, and held-to-maturity securities as of December 31, 2003 are as follows:

<i>(in millions of Won)</i>	<u>Unrealized</u>		<u>Book Value</u>	<u>Fair value</u>
	<u>Gain</u>	<u>Loss</u>		

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Trading				
Equity securities	(Won) 12,760	(Won) 767	(Won) 113,171	(Won) 113,171
Beneficiary certificates	69,554	240	1,686,754	1,686,754
Government and municipal bonds	1,164	3,621	1,076,427	1,076,427
Corporate bonds	929	7,953	1,365,060	1,365,060
Asset-backed securities	197	1,047	241,536	241,536
	<u>(Won) 84,604</u>	<u>(Won) 13,628</u>	<u>(Won) 4,482,948</u>	<u>(Won) 4,482,948</u>

(in millions of Won)

	Impairment		Capital Adjustments		Book Value	Fair value^{1*}
	Reversal of	Loss	Gain	Loss		
Available-for-Sale						
Equity securities	(Won)	(Won) 45,214	(Won) 25,292	(Won) 14,873	(Won) 439,791	(Won) 439,791
Investment in funds		3	3,513		30,872	30,872
Beneficiary certificates	47,730	271,019	67,839	43	5,569,200	5,569,200
Government and municipal bonds			7,532	22,906	2,322,889	2,322,889
Foreign government bonds			2,402		28,153	28,153
Corporate bonds	5,364	42,267	90,629	21,768	8,228,640	8,228,640
Asset-backed securities	22,459	56,006	370		468,669	468,669
Other debt securities					143	143
	<u>(Won) 75,553</u>	<u>(Won) 414,509</u>	<u>(Won) 197,577</u>	<u>(Won) 59,590</u>	<u>(Won) 17,088,357</u>	<u>(Won) 17,088,357</u>

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002***(in millions of Won)*

	Impairment		Unrealized Holding		Book Value	Fair value
	Reversal of	Loss	Gain	Loss		
Held-to-Maturity						
Government and municipal bonds	(Won)	(Won)	(Won) 87,993	(Won) 4,061	(Won) 2,489,998	(Won) 2,573,930
Corporate bonds			76,464	3,510	3,163,020	3,235,974
Asset-backed securities			3,307	90	326,323	329,540
	(Won)	(Won)	(Won) 167,764	(Won) 7,661	(Won) 5,979,341	(Won) 6,139,444

¹* Non-marketable equity securities and investment in funds are included at book value.

Due to the merger with Kookmin Credit Card Co., Ltd. on September 30, 2003, the above impairment loss on available-for-sale securities includes (Won)2,178 million of impairment loss recognized before the merger date as part of net unrealized gain on investments in associates, and (Won)203,024 million of impairment loss recognized as provision for loan losses due to merger as of the merger date.

Beneficiary certificates classified as available-for-sale include (Won)2,402 million of beneficiary certificates that have been reclassified from trading securities due to restrictions on redemption. (Won)413 million of unrealized gain on these beneficiary certificates that has been recognized as of the reclassification date is included in the unrealized gain on trading beneficiary certificates.

Trading, available-for-sale, and held-to-maturity securities as of December 31, 2002 are as follows:

(in millions of Won)

	Unrealized		Book Value	Fair value
	Gain	Loss		
Equity securities	(Won) 545	(Won) 4,002	(Won) 55,674	(Won) 55,674
Beneficiary certificates	166,078	5,429	3,844,380	3,844,380
Government and municipal bonds	5,600		644,435	644,435
Corporate bonds	5,136	562	1,092,674	1,092,674
Asset-backed securities			39,810	39,810
	(Won) 177,359	(Won) 9,993	(Won) 5,676,973	(Won) 5,676,973

*(in millions of Won)***Impairment****Capital Adjustments**

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	Reversal of	Loss	Gain	Loss	Book Value	Fair value ^{1*}
Available-for-Sale						
Equity securities	(Won) 15,318	(Won) 222,309	(Won) 20,317	(Won) 34,416	(Won) 646,114	(Won) 646,114
Investment in funds					36,152	36,152
Beneficiary certificates			62,246	5,662	3,231,853	3,231,853
Government and municipal bonds			40,609	184	2,278,144	2,278,144
Foreign government bonds			2,864	374	20,007	20,007
Corporate bonds		68,468	103,710	10,325	6,441,979	6,441,979
Asset-backed securities	12,380	9,314	1,664		519,371	519,371
Other debt securities					80	80
	(Won) 27,698	(Won) 300,091	(Won) 231,410	(Won) 50,961	(Won) 13,173,700	(Won) 13,173,700

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

(in millions of Won)

	Impairment		Unrealized Holding		Book Value	Fair value
	Reversal of	Loss	Gain	Loss		
Held-to-Maturity						
Government and municipal bonds	(Won)	(Won)	(Won) 108,236	(Won) 92	(Won) 2,381,372	(Won) 2,489,516
Foreign government bonds					19,143	19,143
Corporate bonds			176,778	2,082	7,461,864	7,636,560
Asset-backed securities			14,693		1,124,536	1,139,229
	(Won)	(Won)	(Won) 299,707	(Won) 2,174	(Won) 10,986,915	(Won) 11,284,448

¹* Non-marketable equity securities and investment in funds are included at book value.

As of December 31, 2003 and 2002, investments in associates are as follows:

(in millions of Won)	Owner-ship (%)	Acquisition Cost	Beginning Balance ¹ *	Equity Method ² *			Book Value	
				N/I	R/E	C/A	2003	2002
Domestic Associates								
Kookmin Credit Card ³ *	74.27	(Won) 272,274	(Won) 681,960	(Won) 211,202	(Won)	(Won)	(Won)	(Won) 681,960
KB Investment	99.89	155,311	67,289	5,295	(2,334)	7,023	77,273	67,289
Kookmin Data System	99.98	7,998	13,616	1,031			14,647	14,416
Kookmin Futures	99.98	19,996	24,093	1,428			25,521	25,092
KLB Securities	36.41	10,316						
KB Investment Trust Mgt.	80.00	39,015	36,667	8,336		48	45,051	45,868
Joeun Industrial	99.99	23,994						
KB Real Estate Trust	99.99	76,103	87,727	10,402	(336)	336	98,129	87,727
KB Credit Information	66.34	8,444	9,106	2,746		11	11,863	8,991
ING Life Korea	20.00	21,769	21,613	22,278		(46)	43,845	21,613
Korea Mortgage	26.67	30,629	33,566	2,475	(57)	(196)	35,788	33,566
		665,849	975,637	265,193	(2,727)	7,176	352,117	986,522

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Foreign Associates								
KB Int'l Ltd. (London)	100.00	42,585	52,803	3,264	688	56,755	47,739	
KB Luxembourg S.A	100.00	26,295	6,102	(1,275)	1,123	5,950	5,106	
Kookmin Singapore Ltd.	100.00	14,096	2,080			2,080	2,084	
Kookmin Finance Asia Ltd.	100.00	8,385	279	7		286	279	
Kookmin Finance HK Ltd.	100.00	23,956	61,299	681	736	62,716	61,432	
Sorak Financial Holdings	25.00	71,295	71,295			71,295		
		186,612	193,858	2,677	2,547	199,082	116,640	
		(Won) 852,461	(Won) 1,169,495	(Won) 267,870	(Won) (2,727)	(Won) 9,723	(Won) 551,199	(Won) 1,103,162

^{1*} The beginning balance is the prior year's book value adjusted by dividends, changes in foreign exchange rates, and acquisition during current year.

^{2*} The investment in associates are accounted for under the equity method and changes in net assets of the associates are recognized in net income (N/I), retained earnings (R/E), and/or in capital adjustment (C/A) according to the source of the changes in net assets.

^{3*} As a result of the merger with Kookmin Credit Card Co., Ltd. on September 30, 2003, there is no balance for investments in associates related to Kookmin Credit Card Co., Ltd as of December 31, 2003.

The Bank sold to Sun Capital Inc., 70.46 percent of its 85.43 percent investment in, and (Won)172,024 million of its loans to, Alpha Capital Corp., for (Won)145,000 million on August 30, 2002. The Bank also sold an additional 5.03 percent of its investment in Alpha Capital Corp. to Sun Capital Inc. for (Won)900 million on October 28, 2002. The Bank sold its 87.00 percent investment in Kookmin Investment Trust Management Co., Ltd. to Morgan Stanley Private Equity (the M&A private funds led by Morgan Stanley Global Emerging Markets Inc. and affiliated funds) on May 29, 2002 and sold its 88.66 percent investment in Kookmin Leasing Co., Ltd. to Sun Capital Inc. on December 27, 2002.

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

KB Investment Co., Ltd. merged with Frontier Investment Corp. and Kookmin Investment Co., Ltd., on December 31, 2001 and June 27, 2002, respectively. KB Credit Information Co., Ltd. merged with KM Credit Information Co., Ltd., effective as of May 2, 2002.

KLB Securities Co., Ltd., Jooeun Industrial Co., Ltd., Kookmin Singapore (Merchant Bank), Ltd. and Kookmin Finance Asia, Ltd. (HK) are in the process of liquidation. Consequently, accounting under the equity method is no longer applied to investments in KLB Securities Co., Ltd. and Jooeun Industrial Co., Ltd. due to accumulated deficits resulting to a decrease of the investment value below zero. Accordingly, the total accumulative estimated loss that has not been recognized by the Bank amounts to (Won)43,695 million.

The Bank applies the equity method accounting to a subsidiary based on its adjusted financial statements that are, in turn, based on most recent available audited or reviewed financial statements adjusted for changes in net assets using the unaudited financial statements as of December 31, 2003. In the case of ING Life Korea Co., Ltd., adjustment for income tax expenses of (Won)37,609 million has been additionally made to the adjusted financial statements.

As a means to create a Pan-Asian strategic management, in accordance with the resolution of the Board of Directors on October 24, 2003, the Bank invested (Won)71,295 million for a 25 percent ownership of Sorak Financial Holdings in connection with the acquisition of Bank Internasional Indonesia (BII). Sorak Financial Holdings entered into a contract to purchase 51 percent equity interest in BII from Indonesian Bank Restructuring Agency (IBRA). BII's total assets and total liabilities reported under Indonesian GAAP as of September 30, 2003 translated into Korean Won at year-end rates, amounts to (Won)4,910,369 million and (Won)4,439,624 million, respectively.

Due to its determination to maximize efficient asset management, certain assets, comprising mostly of securities and loans, held by overseas subsidiaries with a total book value of (Won)118,720 million were purchased by the Bank for a total acquisition cost of (Won)115,046 million.

The maturities of the available-for-sale and held-to-maturity debt securities except for equity securities and investment in funds as of December 31, 2003 are summarized as follows:

(in millions of Won)

	Available-for-sale		Held-to-maturity	
	Book Value	Fair value	Book Value	Fair value
Maturities				
Due in 1 year or less	(Won) 9,622,944	(Won) 9,622,944	(Won) 1,815,377	(Won) 1,827,931
Due after 1 year through 5 years	6,534,806	6,534,806	3,911,985	4,043,934
Due after 5 years through 10 years	445,043	445,043	251,979	267,579
Thereafter	14,901	14,901		
	(Won) 16,617,694	(Won) 16,617,694	(Won) 5,979,341	(Won) 6,139,444

Investment securities risk concentrations as of December 31, 2003 and 2002 are as follows:

(in millions of Won)

	2003		2002	
	Book Value	Ratio(%)	Book Value	Ratio(%)
By Country				
Korea	(Won) 27,784,440	98.87	(Won) 30,684,000	99.17
Singapore	79,309	0.28	9,892	0.03
USA	63,920	0.23	66,826	0.22
Philippines	45,921	0.16	63,323	0.20
Germany	29,961	0.11	30,010	0.10
Others	98,294	0.35	86,699	0.28
	(Won) 28,101,845	100.00	(Won) 30,940,750	100.00

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

(in millions of Won)

	2003		2002	
	Book Value	Ratio(%)	Book Value	Ratio(%)
By Type				
Fixed rate bonds	(Won) 16,114,291	57.34	(Won) 15,860,479	51.26
Floating rate bonds	2,397,728	8.53	5,443,478	17.59
Subordinated bonds	767,418	2.73	574,727	1.86
Convertible bonds	422,278	1.51	142,817	0.46
Beneficiary certificates	7,255,954	25.82	7,076,233	22.87
Equity securities	1,104,161	3.93	1,804,950	5.84
Others	40,015	0.14	38,066	0.12
	(Won) 28,101,845	100.00	(Won) 30,940,750	100.00

(in millions of Won)

	2003		2002	
	Book Value	Ratio(%)	Book Value	Ratio(%)
By Industry				
Government and municipalities	(Won) 9,870,850	35.13	(Won) 13,582,679	43.90
Financial institutions	16,670,041	59.32	13,465,699	43.52
Manufacturing industries	583,986	2.08	245,255	0.79
Others	976,968	3.47	3,647,117	11.79
	(Won) 28,101,845	100.00	(Won) 30,940,750	100.00

Available-for-sale equity securities of which the fair value cannot reasonably be measured as of December 31, 2003 are as follows:

(in millions of Won)

	Acquisition Cost	Net Asset Value ^{1*}	Book Value
Korea Housing Guarantee Co., Ltd.	(Won) 68,648	(Won) 119,991	(Won) 68,648
Dongbu Electronics Co., Ltd.	30,000	22,059	22,059
Mastercard, Inc.	11,118	6,524	11,118
The Korea Securities Finance Corp.	8,160	11,003	8,160
Asia Credit	11,978	8,014	8,014
Korea Asset Management Corp.	7,827	12,436	7,827
Samsung Life Insurance Co., Ltd.	7,479	9,062	7,479
Daewoo Electronics Corp.	9,862	7,293	7,109
Korea Highway Corp.	6,248	5,892	6,248
BC Card Co., Ltd.	5,738	7,630	5,738

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Daewoo Motor Co., Ltd.	5,633	11,768	5,633
E Mirae Asset Securities Co., Ltd.	5,000	8,302	5,000
Hanwha Investment Trust Management Co., Ltd.	3,487	3,503	3,487
Korea Vilene Co., Ltd.	3,000	3,662	3,000
Hyundai Home Shopping Network Corp.	2,680	915	2,680
National Information & Credit Evaluation, Inc.	2,668	4,209	2,668
Nanjing Kumho Tire Co., Ltd.	2,548	2,678	2,548
Baring Communication	5,588	2,282	2,282
Korea Digital Satellite Broadcasting Co., Ltd.	2,157	550	2,157
Kyobo Investment Trust Management Co., Ltd.	2,100	3,417	2,100
Others	90,866	67,123	38,235
	(Won) 292,785	(Won) 318,313	(Won) 222,190

¹* Net asset values are calculated using the unaudited financial statements of the investees as of December 31, 2003 when available, otherwise, the most recent financial information is used.

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

As of December 31, 2003, the following investment securities are pledged at various institutions:

Related Transactions	Restrictions		Restricted securities	
	Placed with	Amount	Book Value	Pledge Value
Bonds sold under REPO agreements	Customers	(Won) 3,623,156	(Won) 4,224,282	(Won) 4,188,660
Leased securities	KCFC		4,626	4,500
Borrowings from the Bank of Korea	Bank of Korea	992,433	1,229,621	1,214,400
Bank of Korea settlements	Bank of Korea	(balance limits)	170,200	170,200
Derivatives transactions	Samsung Futures, etc.	(balance limits)	112,069	120,500
Securities Finance Funds	Korea Securities Finance Corp.		998	1,000
ADB collateral	KDB		1,894	1,900
			<u>(Won) 5,743,690</u>	<u>(Won) 5,701,160</u>

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

5. Loans

Loans as of December 31, 2003 and 2002 are summarized as follows:

(in millions of Won)

	<u>2003</u>	<u>2002</u>
Loans in Won		
Corporate loans		
Operation loans		
General operation loans	(Won) 28,884,554	(Won) 28,904,621
Notes discounted	1,415,445	1,851,133
Overdraft accounts	447,992	568,702
Trading notes	809,921	814,759
Other operation loans	3,793,594	3,229,851
	<u>35,351,506</u>	<u>35,369,066</u>
Facility loans		
General facility loans	5,413,333	4,676,506
Other facility loans	1,218,370	1,287,125
	<u>6,631,703</u>	<u>5,963,631</u>
	<u>41,983,209</u>	<u>41,332,697</u>
Consumer loans		
General consumer loans	41,951,219	39,713,543
Consumer housing loans	38,199,290	33,731,435
Remunerations on mutual installment savings	297,868	131,768
Other consumer loans	635,218	632,172
	<u>81,083,595</u>	<u>74,208,918</u>
Public loans		
Public operation loans	526,227	738,632
Public facility loans	42,473	39,414
	<u>568,700</u>	<u>778,046</u>
Other loans		
Property formation loans	62,963	95,252
Inter-bank loans	12,815	20,941
Others	3,962	5,449
	<u>79,740</u>	<u>121,642</u>

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		123,715,244	116,441,303
Loans in foreign currencies	Domestic funding loans	1,165,988	1,052,800
	Overseas funding loans	887,018	933,010
	Inter-bank loans	767,884	1,094,119
	Domestic usance bills	1,197,563	1,334,006
	Government funding loans	1,477	3,241
		<u>4,019,930</u>	<u>4,417,176</u>
Call loans	In Won	1,640,000	33,600
	In foreign currencies	5,351	248,857
	Inter-bank reconciliation funds		89,287
		<u>1,645,351</u>	<u>371,744</u>
Privately placed debentures		<u>1,787,131</u>	<u>1,276,080</u>
Other loans		<u>12,457,419</u>	<u>6,633,396</u>
Allowances for loan losses (Note 6)		<u>(3,690,341)</u>	<u>(2,378,696)</u>
Present value discounts		<u>(22,780)</u>	<u>(30,442)</u>
Net deferred loan origination fees and costs		<u>8,567</u>	
		<u>(Won) 139,920,521</u>	<u>(Won) 126,730,561</u>

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

As of December 31, 2003, restructured loans due to workout plans or other similar restructuring programs are as follows:

<i>(in millions of Won)</i>	Period (years)	Balances Before		Equity Conversion	CB Conversion	Restructured Amount	Present Value Discounts
		Restructuring	Exemption				
Workout	1 - 6	(Won) 696,945	(Won)	(Won)	(Won) 581,075	(Won) 115,870	(Won) 6,229
Court receivership	5 - 10	41,426	154		27,009	14,263	3,502
Court mediation	5 - 6	40,750				40,750	2,391
Others ^{1*}	2 - 7	520,873	326,456	134	3,668	190,615	10,658
		<u>(Won) 1,299,994</u>	<u>(Won) 326,610</u>	<u>(Won) 134</u>	<u>(Won) 611,752</u>	<u>(Won) 361,498</u>	<u>(Won) 22,780</u>

^{1*} The Bank wrote off (Won)237,316 million of loans to SK Networks, (formerly, SK Global) in expectation of a cash buy out restructuring. The resulting SK Networks loan balances as of December 31, 2003 amounts to (Won)88,960 million.

The loans, or portions thereof, that are approved for debt restructuring by issuance or grant of equity are separately classified as loans due for equity conversion as of the agreement date. The loans due for equity conversion are stated at the lower of nominal amount or the fair value of the to-be-converted equity interest. The difference between the nominal amount and the fair value of the equity interest is adjusted in the related allowance for loan losses.

The movements in present value discounts and net deferred loan origination fees and costs for the year ended December 31, 2003 are as follows :

<i>(in millions of Won)</i>	WACC(%)	Beginning Balance	Increase	Decrease	Ending Balance
Present value discounts	6.10 - 17.00	(Won) (30,442)	(Won) (11,767)	(Won) (19,429)	(Won) (22,780)
Deferred loan incidental income			9,161	594	8,567
		<u>(Won) (30,442)</u>	<u>(Won) (2,606)</u>	<u>(Won) (18,835)</u>	<u>(Won) (14,213)</u>

The maturities of loans as of December 31, 2003 are as follows:

<i>(in millions)</i>	Loans in Won	Loans in Foreign	Bills Bought	Credit Card	Call Loans	Privately placed	Others	Total
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<i>of Won)</i>	<u>Currencies</u>				<u>Debentures</u>			
Due in 3 months or less	(Won) 16,278,866	(Won) 1,123,619	(Won) 496,406	(Won) 6,549,874	(Won) 1,645,351	(Won) 561,682	(Won) 1,600,828	(Won) 28,256,626
Due after 3 months through 6 months	15,567,961	905,409	53,382	1,098,040		166,238	37	17,791,067
Due after 6 months through 1 year	30,819,742	432,113	7,589	1,280,289		295,587	606	32,835,926
Due after 1 year through 2 years	26,540,976	178,374	7,153	615,736		502,979	4,594	27,849,812
Due after 2 years through 3 years	19,012,065	332,104	6,191	334,413		259,995		19,944,768
Due after 3 years through 4 years	2,758,133	116,051		15,051		650	30,802	2,920,687
Due after 4 years through 5 years	2,533,010	103,718		318,037				2,954,765
Thereafter	10,204,491	828,542		38,391				11,071,424
	<u>(Won) 123,715,244</u>	<u>(Won) 4,019,930</u>	<u>(Won) 570,721</u>	<u>(Won) 10,249,831</u>	<u>(Won) 1,645,351</u>	<u>(Won) 1,787,131</u>	<u>(Won) 1,636,867</u>	<u>(Won) 143,625,075</u>

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

Loan risk concentrations by country as of December 31, 2003 are as follows:

<i>(in millions of Won)</i>	Loans in Won	Loans in Foreign Currencies	Others	Total	Percentage(%)
Korea	(Won) 123,715,244	(Won) 2,770,237	(Won) 15,847,217	(Won) 142,332,698	99.10
Southeast Asia		636,560	304	636,864	0.45
Russia		131,758		131,758	0.09
China		29,466	1	29,467	0.02
Japan		278,109	42	278,151	0.19
Others		173,800	42,337	216,137	0.15
	<u>(Won) 123,715,244</u>	<u>(Won) 4,019,930</u>	<u>(Won) 15,889,901</u>	<u>(Won) 143,625,075</u>	<u>100.00</u>

Loan risk concentrations by industry as of December 31, 2003 are as follows:

<i>(in millions of Won)</i>	Loans in Won	Loans in Foreign Currencies	Others	Total	Percentage(%)
Industrial loans					
Financial institutions	(Won) 620,339	(Won) 817,750	(Won) 2,355,417	(Won) 3,793,506	2.64
Manufacturing companies	13,900,021	1,575,108	1,177,859	16,652,988	11.59
Service companies	23,068,546	568,034	557,602	24,194,182	16.85
Others	4,850,951	124,443	1,397,943	6,373,337	4.44
	<u>42,439,857</u>	<u>3,085,335</u>	<u>5,488,821</u>	<u>51,014,013</u>	<u>35.52</u>
Household loans	<u>81,150,520</u>	<u>914,545</u>	<u>8,897,467</u>	<u>90,962,532</u>	<u>63.33</u>
Public and other loans	<u>124,867</u>	<u>20,050</u>	<u>1,503,613</u>	<u>1,648,530</u>	<u>1.15</u>
	<u>(Won) 123,715,244</u>	<u>(Won) 4,019,930</u>	<u>(Won) 15,889,901</u>	<u>(Won) 143,625,075</u>	<u>100.00</u>

6. Allowances for Loan Losses

As of December 31, 2003 and 2002, allowances for loan losses are as follows:

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(in millions of Won)

	2003	2002
	<u> </u>	<u> </u>
Loans in Won	(Won) 2,271,198	(Won) 1,905,065
Loans in foreign currencies	68,045	103,838
Bills bought in Won and foreign currencies	16,928	20,213
Payments on guarantees	19,967	18,382
Factoring receivable	16,486	143
Credit card accounts	1,187,616	284,491
Privately placed debentures	87,513	28,210
Loans due for equity conversion		5,373
Suspense receivables	17,186	11,022
Others	5,402	1,959
	<u> </u>	<u> </u>
	(Won) 3,690,341	(Won) 2,378,696
	<u> </u>	<u> </u>

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

As of December 31, 2003, allowances for loan losses by credit risk classification are as follows:

<i>(in millions of Won)</i>		Normal	Pre-cautionary	Substandard	Doubtful	Estimated Loss	Total
Loans in Won	Balance	(Won) 114,948,955	(Won) 5,342,015	(Won) 2,264,071	(Won) 935,330	(Won) 206,411	(Won) 123,696,782
	Allowances	773,958	297,883	491,148	501,798	206,411	2,271,198
	Ratio (%)	0.67	5.58	21.69	53.65	100.00	1.84
Loans in foreign currencies	Balance	3,681,484	263,168	40,037	31,500	803	4,016,992
	Allowances	14,568	17,072	16,252	19,350	803	68,045
	Ratio (%)	0.40	6.49	40.59	61.43	100.00	1.69
Bills bought	Balance	507,729	54,354	1,850	3,030	3,757	570,720
	Allowances	2,539	8,687	430	1,515	3,757	16,928
	Ratio (%)	0.50	15.98	23.24	50.00	100.00	2.97
Payments on guarantees	Balance	42,754	6,347	19,539	10,903	9,896	89,439
	Allowances	214	498	3,908	5,451	9,896	19,967
	Ratio (%)	0.50	7.85	20.00	50.00	100.00	22.32
Credit card accounts	Balance	7,239,554	1,626,508	400	1,158,525	224,844	10,249,831
	Allowances	72,396	195,181	80	695,115	224,844	1,187,616
	Ratio (%)	1.00	12.00	20.00	60.00	100.00	11.59
Bonds purchased under resale agreements	Balance	1,500,000					1,500,000
	Allowances						
	Ratio (%)	0.00	0.00	0.00	0.00	0.00	0.00
Call loans	Balance	1,645,351					1,645,351
	Allowances						
	Ratio (%)	0.00	0.00	0.00	0.00	0.00	0.00

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Privately placed debentures	Balance	1,363,209	409,352	7,555	6,811	168	1,787,095
	Allowances	6,816	75,048	2,064	3,417	168	87,513
	Ratio (%)	0.50	18.33	27.32	50.17	100.00	4.90
Factoring receivables	Balance	29,685			125	16,275	46,085
	Allowances	148			63	16,275	16,486
	Ratio (%)	0.50	0.00	0.00	50.40	100.00	35.77
Total	Balance ^{1*}	(Won) 130,958,721	(Won) 7,701,744	(Won) 2,333,452	(Won) 2,146,224	(Won) 462,154	(Won) 143,602,295
	Allowances ^{2*}	870,639	594,369	513,882	1,226,709	462,154	3,667,753
	Ratio (%)	0.66	7.72	22.02	57.16	100.00	2.55

^{1*} The above amounts of loan balances are net of present value discounts.

^{2*} The above amounts of allowances for loan losses do not include the allowances for suspense receivables and other allowances

For the years ended December 31, 2003 and 2002, the movements in allowances for loan losses are as follows:

<i>(in millions of Won)</i>	2003	2002
Beginning balance	(Won) 2,378,696	(Won) 2,271,179
Provision for loan losses	4,040,536	1,593,479
Increase due to merger with Kookmin Credit Card Co., Ltd. (Note 33)	1,388,854	
Collection of written-off loans	767,718	269,533
Repurchase of loans sold	327,921	6,424
Sale of loans	(388,322)	(65,174)
Write-off of loans	(4,509,979)	(1,527,311)
Conversion of loans into equity securities	(43,996)	(136,185)
Exemption of loans	(263,233)	(8,364)
Offset with present value discounts from troubled debt restructuring	(7,482)	(165)
Changes in exchange rates and others	(372)	(24,720)
Ending balance	(Won) 3,690,341	(Won) 2,378,696

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

As of December 31, 2003, 2002 and 2001, the ratios of allowances for loan losses to loans are as follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Loans ^{1*}	(Won) 143,602,295	(Won) 129,109,257	(Won) 109,301,138
Allowances for loan losses ^{2*}	3,667,753	2,365,715	2,235,801
Ratio (%)	2.55	1.83	2.05

^{1*} The above amounts of loans are net of present value discounts.

^{2*} The above amounts of allowances for loan losses do not include the allowances for suspense receivables and other allowances.

7. Fixed Assets

Fixed assets as of December 31, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Tangible assets	(Won) 2,469,353	(Won) 2,477,147
Intangible assets	549,427	614,457
Foreclosed and other properties	776	1,012
	<u>(Won) 3,019,556</u>	<u>(Won) 3,092,616</u>

Movements in tangible assets for the year ended December 31, 2003 are as follows:

<i>(in millions of Won)</i>	<u>Land</u>	<u>Buildings and structures</u>	<u>Leasehold improvement</u>	<u>Equipment and vehicle</u>	<u>Construction in-progress</u>	<u>Total</u>
Acquisition cost						
Beginning balances	(Won) 1,175,682	(Won) 848,746	(Won) 98,117	(Won) 1,043,969	(Won) 1,195	(Won) 3,167,709
Acquisition	3,350	8,898	6,898	201,254	97,112	317,512
Transfer		37,466	48,517		(85,983)	

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Increase due to merger	55,529	71,024	4,805	263,897		395,255
Disposal	(128,692)	(2,838)	(1,106)	(60,058)		(192,694)
Ending balances	1,105,869	963,296	157,231	1,449,062	12,324	3,687,782
Accumulated depreciation						
Beginning balances		108,723	48,164	533,675		690,562
Depreciation expense		20,583	40,594	326,248		387,425
Increase due to merger		12,976	2,786	160,380		176,142
Disposal		(179)	(736)	(57,013)		(57,928)
Ending balances		142,103	90,808	963,290		1,196,201
Impairment		22,228				22,228
Book Value	(Won) 1,105,869	(Won) 798,965	(Won) 66,423	(Won) 485,772	(Won) 12,324	(Won) 2,469,353

Tangible assets covered by insurance policies as of December 31, 2003 are as follows:

<i>(in millions of Won)</i>	Amount Insured	Insurance Company	Type of Insurance
Buildings and structures	(Won) 655,890	Samsung Fire & Marine Insurance Co., Ltd	General property insurance
Leasehold improvement	52,612	Samsung Fire & Marine Insurance Co., Ltd	General property insurance
Equipment and vehicles	274,671	Samsung Fire & Marine Insurance Co., Ltd	General property insurance
Construction in-progress	9,860	Samsung Fire & Marine Insurance Co., Ltd	General property insurance
	(Won) 993,033		

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

Movements in intangible assets for the year ended December 31, 2003 are as follows:

<i>(in millions of Won)</i>	Rights to						Total
	Goodwill	Development Costs	Income on Donated Asset	Store Possessory Right	Trademarks	Others	
Beginning balances	(Won) 613,705	(Won)	(Won) 110	(Won) 161	(Won) 11	(Won) 470	(Won) 614,457
Acquisition					96	609	705
Increase due to merger		13,634			62		13,696
Amortization	78,345	872	8	22	19	165	79,431
Ending balances	(Won) 535,360	(Won) 12,762	(Won) 102	(Won) 139	(Won) 150	(Won) 914	(Won) 549,427

The Bank recorded (Won)106,844 million and (Won)158,895 million of current development costs under general and administrative expenses for the years ended December 31, 2003 and 2002.

The total government-posted prices of land, used for tax imposition and compensation for confiscation, as of December 31, 2003 and 2002 are as follows:

<i>(in millions of Won)</i>	2003		2002	
	Book Value	Appraisal Value	Book Value	Appraisal Value
Lands included in tangible assets	(Won) 1,105,869	(Won) 986,382	(Won) 1,175,681	(Won) 986,885
Lands included in foreclosed assets	1,315	591	1,923	931
	(Won) 1,107,184	(Won) 986,973	(Won) 1,177,604	(Won) 987,816

8. Other Assets

Other assets as of December 31, 2003 and 2002 are as follows:

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(in millions of Won)

	<u>2003</u>	<u>2002</u>
Guarantee deposits paid	(Won) 1,336,639	(Won) 1,235,362
Accounts receivable	1,715,100	1,877,645
Accrued income	1,080,057	981,141
Payments in advance	92,217	48,390
Prepaid expenses	307,154	12,646
Deferred tax assets (Note 25)	552,133	170,624
Derivative assets (Note 15)	751,252	660,791
Unsettled domestic exchange assets	612,592	1,087,587
Loans to trust accounts		37,882
Others	36,592	23,490
	<u>(Won) 6,483,736</u>	<u>(Won) 6,135,558</u>

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

9. Deposits

Deposits as of December 31, 2003 and 2002 are as follows:

<i>(in millions of Won)</i>	Annual interest (%) December 31, 2003	2003	2002
Deposits in Won			
Demand deposits			
- Checking deposits		(Won) 125,533	(Won) 134,222
- Household checking deposits	0.10	476,132	469,866
- Passbook deposits	0.10	10,001,043	8,586,219
- Temporary deposits		3,292,770	3,577,243
- Public fund deposits	0.10	190,593	207,695
- Others	0.10	24,218	12,497
		<u>14,110,289</u>	<u>12,987,742</u>
Time deposits and savings deposits			
- Time deposits	2.90 - 4.40	62,247,870	58,187,286
- Installment savings deposits	3.60 - 4.30	1,306,793	1,422,532
- Property formation savings	8.50	1,870	2,221
- Time and savings deposits of non-residents in Won	2.90 - 4.40	340,388	151,124
- General savings deposits	0.10 - 3.30	21,644,066	21,346,223
- Corporate free savings deposits	0.10 - 3.20	7,800,122	6,556,979
- Long-term savings deposits for workers	8.79	69,031	297,272
- Long-term housing savings deposits	5.00	983,684	538,782
- Long-term savings for households	4.89	494,606	2,250,457
- Worker s preferential savings deposits	5.35	2,728,236	2,877,467
- Worker s savings for housing	2.50	81	79
- Mutual installment deposits	3.20 - 4.50	7,054,752	7,491,115
- Mutual installment for housing	2.95 - 4.30	5,423,853	4,872,637
		<u>110,095,352</u>	<u>105,994,174</u>
		<u>124,205,641</u>	<u>118,981,916</u>
Deposits in foreign currencies			
Demand deposits			
- Checking deposits	0.00 - 1.32	40,778	29,629
- Passbook deposits	0.08 - 0.11	787,798	549,646
- Notice deposits	0.00 - 0.22	410	2,725
- Temporary deposits		1,049	3,796
		<u>830,035</u>	<u>585,796</u>

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Time deposits and savings deposits			
- Time deposits	0.16 - 1.57	642,039	496,359
- Others	0.00 - 4.45	3,299	1,493
		645,338	497,852
		1,475,373	1,083,648
Certificates of deposit	3.45 - 3.95	6,499,258	3,044,089
		(Won) 132,180,272	(Won) 123,109,653

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

The maturities of deposits as of December 31, 2003 are as follows:

<i>(in millions of Won)</i>	Deposits in		Certificates of	Total
	Deposits in Won	foreign currencies	deposit	
Due in 3 months or less	(Won) 68,329,205	(Won) 1,241,166	(Won) 4,011,260	(Won) 73,581,631
Due after 3 months through 6 months	13,002,110	123,327	1,634,701	14,760,138
Due after 6 months through 1 year	31,128,277	61,249	853,297	32,042,823
Due after 1 year through 2 years	7,566,819	47,095		7,613,914
Due after 2 years through 3 years	2,832,771	2,463		2,835,234
Due after 3 years through 4 years	483,407	73		483,480
Due after 4 years through 5 years	298,259			298,259
Thereafter	564,793			564,793
	<u>(Won) 124,205,641</u>	<u>(Won) 1,475,373</u>	<u>(Won) 6,499,258</u>	<u>(Won) 132,180,272</u>

10. Borrowings

Borrowings as of December 31, 2003 and 2002 are as follows:

<i>(in millions of Won)</i>	Annual Interest (%)	2003	2002
	December 31, 2003		
Borrowings in Won			
Borrowings from the Bank of Korea	2.50	(Won) 992,433	(Won) 671,854
Borrowings from the government	0.00 - 8.00	920,589	1,056,480
Borrowings from banking institutions	3.54 - 8.55	253,822	318,702
Borrowings from National Housing Fund	8.00	8,553	9,192
Borrowings from other financial institutions	2.00 - 5.00	5,688	6,211
Other borrowings	2.00 - 7.00	1,173,284	1,129,305
		<u>3,354,369</u>	<u>3,191,744</u>
Borrowings in foreign currencies			
Due to banks		189,976	528,991
Borrowings from domestic banks	0.09 - 7.40	2,360,652	1,875,119
Borrowings from other financial institutions	5.13	19,486	23,092
Borrowings from foreign banks		752,803	981,328

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		3,322,917	3,408,530
Bonds sold under repurchase agreements			
In Won	2.50 - 4.10	3,613,505	3,050,179
In foreign currencies	1.54	9,651	23,982
		3,623,156	3,074,161
Bills sold	3.40 - 3.85	44,239	72,860
Due to the Bank of Korea in foreign currencies		12,608	37,493
Call money			
In Won	3.25 - 3.40	55,800	829,300
In foreign currencies	0.88 - 5.15	193,700	76,666
Inter-bank borrowings		296,011	
		545,511	905,966
		(Won) 10,902,800	(Won) 10,690,754

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

The maturities of borrowings as of December 31, 2003 are as follows:

<i>(in millions of Won)</i>	Borrowings in			Total
	Borrowings in Won	Foreign Currencies	Others	
Due in 3 months or less	(Won) 1,178,738	(Won) 429,162	(Won) 2,372,717	(Won) 3,980,617
Due after 3 months through 6 months	149,891	1,264,287	762,272	2,176,450
Due after 6 months through 1 year	203,153	861,126	1,080,874	2,145,153
Due after 1 year through 2 years	409,384	417,546	9,651	836,581
Due after 2 years through 3 years	372,400	256,541		628,941
Due after 3 years through 4 years	304,801			304,801
Due after 3 years through 4 years	254,063	50,773		304,836
Thereafter	481,939	43,482		525,421
	<u>(Won) 3,354,369</u>	<u>(Won) 3,322,917</u>	<u>(Won) 4,225,514</u>	<u>(Won) 10,902,800</u>

11. Debentures

Debentures as of December 31, 2003 and 2002 are as follows:

<i>(in millions of Won)</i>		Annual Interest (%)	December 31,	
			2003	2002
In Won	Hybrid debentures	6.00 - 7.00	(Won) 903,668	(Won)
	Subordinated fixed rate debentures	6.07 - 15.66	4,896,072	4,753,285
	Fixed rate debentures	2.25 - 8.15	3,970,000	
	Floating rates debentures	3.92 - 8.71	8,609,663	12,269,023
			<u>18,379,403</u>	<u>17,022,308</u>
	Discounts on debentures		(83,443)	(270,924)
			<u>18,295,960</u>	<u>16,751,384</u>
In foreign currencies	Floating rates debentures	0.60 - 1.99	196,211	350,589
	Fixed rates debentures	1.08 - 4.63	613,549	438,538
		1.82 - 1.92	78,695	

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	888,455	789,127
Premiums on debentures	9,639	
Discounts on debentures	(1,473)	(1,504)
	896,621	787,623
	(Won) 19,192,581	(Won) 17,539,007

^{1*} The hybrid debenture are perpetual type debts in which the Bank retains the early redemption option after 5 years from issuance date and the term extending option on maturity date. Hybrid debentures are senior to common stock but subordinated to other subordinated debentures.

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

As of December 31, 2003, subordinated debentures and hybrid debentures comprise the following:

(In hundred millions of Won)

Type	Issue date	Amount	Annual interest (%)	Maturity
Subordinated fixed rate debentures	97.12.29 - 98.8.27	(Won) 2,653	15.02 - 16.00	03.01.27 - 09.11.15
	2000.03.27	2,000	9.65	2005.03.27
	2000.06.28	2,540	9.04 - 9.10	2006.01.28
	2000.09.27	3,000	8.99	2006.01.27
	2000.09.28	1,500	8.79 - 8.85	2006.01.28
	2000.11.28	1,000	8.65 - 8.71	2006.02.28
	2000.11.28	1,620	9.57 - 9.65	2010.11.28
	2000.12.27	2,000	8.71	2006.01.27
	2001.05.28	2,000	7.60 - 7.65	2007.02.28
	2001.06.27	1,600	7.68	2008.03.27
	2001.06.27	2,175	7.86	2009.03.27
	2001.08.28	1,000	6.69 - 6.73	2007.08.28
	2001.09.28	1,500	6.69 - 6.73	2008.03.28
	2002.03.27	2,417	7.06 - 7.10	2008.01.27
	2002.07.27	3,024	6.96 - 7.00	2008.01.27
	2002.09.27	2,574	6.27 - 6.30	2008.03.27
	2002.09.27	1,500	6.51 - 6.55	2010.03.27
	2002.09.27	926	6.66 - 6.70	2013.03.27
	2002.11.27	4,007	6.07 - 6.10	2008.05.27
	2002.11.27	578	6.27 - 6.30	2010.05.27
	2002.11.27	1,003	6.51 - 6.55	2013.05.27
	2002.12.18	1,100	8.00	2008.01.18
	2002.12.27	304	6.55	2014.12.27
	2002.12.27	100	6.20	2008.06.27
	2002.12.27	900	6.40	2010.06.27
	2002.12.27	500	6.65	2013.06.27
	2003.01.21	500	7.65	2008.02.21
	2003.03.10	450	7.10	2008.04.10
	2003.10.27	3,565	5.18 - 5.20	2009.01.27
	2003.10.27	888	5.33 - 5.35	2011.01.27
	2003.10.27	37	5.58 - 5.60	2014.01.27
		<u>48,961</u>		
Hybrid debentures	2003.06.27	1,051	6.00	2033.06.27
	2003.08.27	5,334	7.00	2033.08.27
	2003.10.27	2,652	6.80	2033.10.27
		<u>9,037</u>		
		<u>(Won) 57,998</u>		

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

The maturities of debentures as of December 31, 2003 are as follows:

(in millions of Won)

	Won	Foreign currencies	Total
Due in 3 months or less	(Won) 4,441,531	(Won)	(Won) 4,441,531
Due after 3 months through 6 months	1,825,241	85,044	1,910,285
Due after 6 months through 1 year	3,956,555	80,566	4,037,121
Due after 1 year through 2 years	2,078,640	87,627	2,166,267
Due after 2 years through 3 years	1,327,851		1,327,851
Due after 3 years through 4 years	374,712	597,377	972,089
Due after 4 years through 5 years	2,049,213	37,841	2,087,054
Thereafter	2,325,660		2,325,660
	<u>(Won) 18,379,403</u>	<u>(Won) 888,455</u>	<u>(Won) 19,267,858</u>

12. Accrued Retirement Benefits

The movements in accrued retirement benefits for the year ended December 31, 2003 are as follows:

	Beginning Balance	Amounts Provided	Amounts Paid Out	Increase Due to Merger	Ending Balance
(in millions of Won)					
Accrued retirement benefits	(Won) 42,773	(Won) 43,417	(Won) 18,637	(Won) 3,530	(Won) 71,083
Contributed retirement benefits	88,682	66,349		8,318	163,349
Total accrued retirement benefits	<u>131,455</u>	<u>109,766</u>	<u>18,637</u>	<u>11,848</u>	<u>234,432</u>
Contribution to pension funds	(88,682)	(66,349)		(8,318)	(163,349)
	<u>(Won) 42,773</u>	<u>(Won) 43,417</u>	<u>(Won) 18,637</u>	<u>(Won) 3,530</u>	<u>(Won) 71,083</u>

As of December 31, 2003, approximately 69.68 percent of total accrued retirement benefits are contributed to pension funds, to which the Bank's employees hold the right of payment, placed at two insurance companies, including Korea Life Insurance Co., Ltd.

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002****13. Other Liabilities**

Other liabilities as of December 31, 2003 and 2002 are as follows:

(in millions of Won)

Account	2003	2002
Accrued retirement benefits (Note 12)	(Won) 71,083	(Won) 42,773
Allowance for losses on guarantees and acceptances (Note 14)	1,074	2,287
Due to trust accounts	3,983,295	734,646
Accounts payable	1,886,446	1,868,692
Accrued expenses	4,418,940	4,656,225
Advances from customers	109,675	48,745
Unearned income	130,778	147,623
Withholding taxes	123,455	85,841
Guarantee deposits received	120,437	112,732
Derivative liabilities (Note 15)	686,271	522,286
Unsettled domestic exchange liabilities	400,445	541,757
Accounts for agency business	337,624	395,678
Other allowances ¹	647,393	48,876
Liabilities incurred by agency relationship	315,241	486,413
Others	130,182	90,224
	<u>(Won) 13,362,339</u>	<u>(Won) 9,784,798</u>

¹* Other allowances are as follows:*(in millions of Won)*

Allowances for	Amounts	Remarks
Suspense receivables	(Won) 7,249	Allowances for frauds/accidents and litigation fee
Loss on branch closure	287	Allowances for closure of the Buenos Aires branch
Uncollected leasehold deposits	8,854	Allowances for uncollected leasehold deposits
Credit card receivables	33,105	Allowances for unused cash advance credit lines
Mileage rewards	37,938	Allowances for mileage on credit cards and currency exchange rates
Claimed assets	27,291	Allowances for credit card claimed assets
Credit commitments to SPC	141,175	Allowances for the credit line commitment to SPC (Note 16)
Securitization allowances	19,284	Allowances for repurchase obligations from asset securitization (Note 16)
KAMCO loans sold	589	Allowances for loans under repurchase agreements to KAMCO (Note 16)
Supplementary payments for income taxes	142,021	Allowances for supplementary payments for income taxes (Note 16)
Others	229,600	

(Won) 647,393

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002****14. Guarantees and Acceptances**

Guarantees and acceptances as of December 31, 2003 and 2002 are summarized as follows:

(in millions of Won)

	<u>2003</u>	<u>2002</u>
Guarantees and acceptances outstanding in		
Won		
Guarantees on debentures	(Won) 541	(Won) 571
Guarantees on loan collateral	34,112	39,234
Guarantees on commercial bills		646
Others	235,843	248,457
	<u>270,496</u>	<u>288,908</u>
Foreign Currencies		
Acceptances on letters of credit	134,888	190,775
Acceptances for letters of guarantee for importers	88,743	111,016
Guarantees for performance of contracts	16,689	71,577
Guarantees for bids	1,067	1,077
Guarantees for borrowings	37,843	31,055
Guarantees for repayment of advances	10,004	25,707
Others	240,567	311,583
	<u>529,801</u>	<u>742,790</u>
	<u>800,297</u>	<u>1,031,698</u>
Contingent guarantees and acceptances		
Letters of credit	1,200,228	1,243,354
Others	81,290	63,524
	<u>1,281,518</u>	<u>1,306,878</u>
	<u>(Won) 2,081,815</u>	<u>(Won) 2,338,576</u>

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

As of December 31, 2003, the allowances for losses on guarantees and acceptances outstanding according to credit risk classifications are as follows:

(in millions of Won)

		Normal	Precautionary	Sub-standard	Doubtful	Estimated loss	Total
Guarantees and Acceptances Outstanding in							
Won	Balance	(Won) 252,130	(Won) 18,106	(Won) 80	(Won)	(Won) 180	(Won) 270,496
	Allowance			16		180	196
	Ratio (%)			20.00		100.00	0.07
Foreign currencies	Balance	462,396	66,333	300	654	118	529,801
	Allowance		314	119	327	118	878
	Ratio (%)		0.47	39.67	50.00	100.00	0.17
Total	Balance	(Won) 714,526	(Won) 84,439	(Won) 380	(Won) 654	(Won) 298	(Won) 800,297
	Allowance		314	135	327	298	1,074
	Ratio (%)		0.37	35.53	50.00	100.00	0.13

For the years ended December 31, 2003 and 2002, the changes in allowances for losses on guarantees and acceptances outstanding are as follows:

(in millions of Won)

	2003	2002
Beginning balance	(Won) 2,287	(Won) 43,823
Reversal of losses from guarantees and acceptances	(1,209)	(37,436)
Changes in foreign exchange rates	(4)	(4,100)
Ending balance	(Won) 1,074	(Won) 2,287

The allowance ratios for guarantees and acceptances outstanding as of December 31, 2003, 2002 and 2001 are as follows:

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(in millions of Won)

	2003	2002	2001
Guarantees and acceptances outstanding	(Won) 800,297	(Won) 1,031,698	(Won) 3,521,970
Allowance	1,074	2,287	43,823
Ratio (%)	0.13	0.22	1.24

The guarantees and acceptances risk concentration by country as of December 31, 2003 are as follows:

(in millions of Won)	Contingent					
	Guarantees and Acceptances Outstanding		Guarantees and Acceptances		Total	
	Balance	Percentage (%)	Balance	Percentage (%)	Balance	Percentage (%)
Korea	(Won) 739,249	92.37	(Won) 1,280,941	99.95	(Won) 2,020,190	97.04
USA	61,048	7.63	577	0.05	61,625	2.96
	(Won) 800,297	100.00	(Won) 1,281,518	100.00	(Won) 2,081,815	100.00

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

The guarantees and acceptances risk concentration by industry and customer as of December 31, 2003 are as follows:

<i>(in millions of Won)</i>	Guarantees and Acceptances Outstanding		Contingent Guarantees and Acceptances		Total	
	Balance	Percentage (%)	Balance	Percentage (%)	Balance	Percentage (%)
	Manufacturing	(Won) 279,431	34.92	(Won) 726,023	56.65	(Won) 1,005,454
Service	436,908	54.59	477,938	37.29	914,846	43.94
Finance	56,912	7.11	472	0.04	57,384	2.76
Others	27,046	3.38	77,085	6.02	104,131	5.00
	(Won) 800,297	100.00	(Won) 1,281,518	100.00	(Won) 2,081,815	100.00

15. Derivatives

The Bank's derivative instruments are divided between hedge derivatives and trading derivatives based on the purpose of the transaction. The Bank enters into hedge transactions mainly for purposes of hedging fair value risks related to its assets and liabilities.

Trading derivatives include future contracts, forward contracts, swaps, and options entered into by the Bank to meet the financing needs of its customers and to gain profit from arbitrage transactions between customers and other banks. The Bank also uses derivative instruments in managing its own trading and asset-liability management exposures to fluctuations in interest rates and foreign exchange risks.

Hedge derivatives mainly comprise of interest rate swaps to hedge the fair value changes of debentures arising from the interest rate fluctuations. Some hedging transactions do not qualify for hedge accounting and are thus accounted for as trading derivatives. These transactions include the hedge relationships where the hedged item is an asset or liability that is re-measured with the changes in fair value attributable to the hedged risk reported in current operations or where the hedged item cannot be specifically identified.

The notional amounts outstanding for derivative contracts as of December 31, 2003 as follows:

*(in millions of Won)***2003****2002**

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	Trading	Hedge	Total	Trading	Hedge	Total
Interest related						
-Future	(Won) 519,665	(Won)	(Won) 519,665	(Won) 365,513	(Won)	(Won) 365,513
-Swap	26,773,100	598,900	27,372,000	15,944,472	360,120	16,304,592
-Option	2,340,000		2,340,000	310,700		310,700
	29,632,765	598,900	30,231,665	16,620,685	360,120	16,980,805
Currency related						
-Forward	25,870,850		25,870,850	13,186,586		13,186,586
-Future	967,823		967,823	739,386		739,386
-Swap	4,136,776		4,136,776	3,254,755		3,254,755
-Option bought	28,148		28,148	48,616		48,616
-Option sold	81,450		81,450	127,863		127,863
	31,085,047		31,085,047	17,357,206		17,357,206
Stock related						
-Option bought	1,964,870		1,964,870	137,147		137,147
-Option sold	1,954,093		1,954,093	100,000		100,000
	3,918,963		3,918,963	237,147		237,147
	(Won) 64,636,775	(Won) 598,900	(Won) 65,235,675	(Won) 34,215,038	(Won) 360,120	(Won) 34,575,158

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

Gains and losses on derivatives as of and for the year ended December 31, 2003 are as follows:

(in millions of Won)

	Amount
Gain on derivatives	
Gain on derivatives transactions	(Won) 1,131,711
Gain on valuation of derivatives	400,397
Gain on fair value hedged items	10,715
	(Won) 1,542,823
Loss on derivatives	
Loss on derivatives transactions	(Won) 1,053,990
Loss on valuation of derivatives	419,185
Loss on fair value hedged items	
	(Won) 1,473,175

Gains and losses on derivatives as of and for the year ended December 31, 2003 are as follows:

	Valuation Gains (P/L)			Valuation Losses (P/L)			Fair Value (B/S)	
	Trading	Hedge	Total	Trading	Hedge	Total	Asset	Liability
Interest related								
-Option	(Won) 2,982	(Won)	(Won) 2,982	(Won) 10,178	(Won)	(Won) 10,178	(Won) 6,487	(Won) 13,942
-Swap	97,875		97,875	81,785	10,715	92,500	142,201	228,885
	100,857		100,857	91,963	10,715	102,678	148,688	242,827
Currency related								
-Forward	149,056		149,056	156,773		156,773	152,104	178,064
-Option bought	94		94				94	
-Option sold	358		358	581		581	130	615
-Swap	31,005		31,005	50,423		50,423	258,136	82,827
	180,513		180,513	207,777		207,777	410,464	261,506
Stock related								

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-Option bought	105,536		105,536	15,184		15,184	192,100	
-Option sold	13,491		13,491	93,546		93,546		181,938
	<u>119,027</u>		<u>119,027</u>	<u>108,730</u>		<u>108,730</u>	<u>192,100</u>	<u>181,938</u>
	(Won) 400,397	(Won)	(Won) 400,397	(Won) 408,470	(Won) 10,715	(Won) 419,185	(Won) 751,252	(Won) 686,271

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002****16. Commitments and Contingencies**

As of December 31, 2003, 235 pending legal actions with an aggregate amount of damages of (Won)138,367 million are charged against the Bank and the Bank had also filed 176 lawsuits, which are still pending with an aggregate amount of claims of (Won)203,760 million. Management believes that the actions against the Bank are without merit and that the ultimate liability, if any, will not materially affect the Bank's financial position.

Details of the material legal actions charged against the Bank are as follows:

	Exposure to possible loss	Results		
		1 st trial	2 nd trial	3 rd trial
Details				
Cancellation of a registered mortgage (3 cases)	(Won) 30,822	in progress		
Claim for return of trust accounts	11,474	in progress		
Confirmation of obligations	7,148	closed ^{1*}	closed ^{1*}	in progress
Transfer of Kookmin Mutual Savings & Finance Co., Ltd	5,000	in progress		
Claim related to deposits	4,026	in progress		
Claim for return of unfair gains	3,912	closed ^{1*}	in progress	
Claim related to loans	2,883	closed ^{2*}	in progress	

^{1*} The Bank (partially) won the case.

^{2*} The Bank partially lost the case.

The Bank, under the Mutual Savings & Finance Company Act, is liable for the payment of the deposits of Orange Mutual Savings & Finance Co., Ltd. (previously, Kookmin Mutual Savings & Finance Co., Ltd.) and Hansol Mutual Savings & Finance Co., Ltd. (previously, Bukook Mutual Savings & Finance Co., Ltd.), previously the Bank's subsidiaries but were sold during 1999, if they enter into bankruptcy within three years of sale. Orange Mutual Savings & Finance Co., Ltd. is currently undergoing bankruptcy procedures due to the disapproval of its business by the Financial Supervisory Commission. Korea Deposit Insurance Corporation (KDIC) has paid for the deposit money subject to the Depositor Protection Act. As of December 31, 2003, despite the fact that Resolution and Finance Corp. (a subsidiary of KDIC) has filed a lawsuit against the Bank for the recovery of the repayment, such lawsuit is not expected to cause losses that would materially affect the Bank's financial position.

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The Bank has entered into commitments to provide a credit line of (Won)5,628,000 million, and to purchase commercial paper amounting to (Won)1,334,000 million, with asset securitization companies. Under these commitments, the Bank provides money, in case of a temporary fund shortage, for the principal and interest repayment of these companies' senior bonds and subordinated bonds within the contracted term and amounts. Commitments to provide a credit line and to purchase commercial paper with a 1-year term amounted to (Won)123,500 million, (Won)1,000,000 million, respectively.

As of December 31, 2003, loans outstanding under the credit line commitment amounted to (Won)38,898 million, and the balance for commercial papers purchased under the purchase commitment amounted to (Won)10,600 million. The Bank has arranged various methods to compensate for losses on these credit line commitments including payment guarantees, repurchase contracts, surety certificate guarantees, and cash reserves. As of December 31, 2003, the Bank provided (Won)141,175 million in other allowances for its expected losses related to these commitments.

Pursuant to its asset securitization plans, the Bank has an outstanding obligation to repurchase and/or indemnify for losses on the loans sold to Jooeun 2nd-ABS Specialty Co., Ltd. and Kookmin Credit Card 14th-ABS Specialty Co., Ltd. (collectively, the SPEs) with a ceiling of (Won)36,957 million and (Won)20,163 million, respectively. As of December 31, 2003, the Bank provided (Won)19,284 million in other allowances for its expected losses related to these commitments.

As of December 31, 2003, post settlements on the loan sales transaction with Korea Asset Management Corporation (KAMCO) have been completed and the Bank has provided allowances of (Won)589 million for losses from possible future repurchase of loans from KAMCO under the repurchase agreement on loans amounting (Won)3,192 million.

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

The Bank has an off-shore loan commitment, limited to USD 23,385 thousand, and the loan balance under the commitment as of December 31, 2003 is USD 12,195 thousand.

Tax investigations of the Bank by the National Tax Administration for the fiscal years 1998, 1999, 2000 and 2001 are in process, but as of March 3, 2004, the results have not been notified. Based on estimations, the Bank provided (Won)142,021 million as allowance for supplementary payments for income taxes.

As of December 31, 2003, the Bank holds the unexpired rights to claim from borrowers or guarantors for loans, in accordance with the relevant law, which have already been written off, amounting to (Won)4,446,110 million. Also, as of December 31, 2003, the Bank holds endorsed bills amounting to (Won)6,385 million.

As of December 31, 2003, the Bank recorded receivables amounting to (Won)1,588,996 million and payables amounting to (Won)1,558,798 million for unsettled foreign currency spot transactions.

The Bank entered into an alliance with Koram Bank, Woori Credit Card, Citibank, The Fisheries Cooperative Union and Nonghyup for the operation of a credit card business. Accordingly, the Bank shares the related revenue from such operation.

As of December 31, 2003, the Bank has provided three blank notes to financial institutions including Korea Securities Finance Corporation as collateral for borrowings and etc.

In accordance with the agreement with the creditors' committee of LG Card Co., Ltd. on November 24, 2003, the Bank provided additional loans of (Won)437.0 billion to LG Card Co., Ltd., which is currently experiencing liquidity crisis. Also, on January 9, 2004, the Bank has agreed to a debt-equity swap of (Won)312.7 billion, to provide additional loans of (Won)205.9 billion (to be included in the debt-equity swap), and to extend the maturity of loans that will mature in 2004. As of December 31, 2003, the Bank's total exposure related to LG Card Co., Ltd. includes loans, debt securities and customer financing amounting to (Won)487.0 billion, (Won)26.8 billion and (Won)75.3 billion, respectively. The ultimate effect of these circumstances on the financial position of the Bank as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying financial statements.

In common with certain other Asian countries, the economic environment in the Republic of Korea continues to be volatile. In addition, the Korean government and the private sector continue to implement structural reforms to historical business practices including corporate governance. The Bank may be either directly or indirectly affected by these volatile economic conditions and the reform program described above. The accompanying financial statements reflect management's assessment of the impact to date of the economic environment on the financial position and results of operations of the Bank. Actual results may differ materially from management's current assessment.

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As of December 31, 2003, the Bank's total exposure (including debt securities, beneficiary certificates, and loans) related to domestic credit card companies and capital companies amounts to (Won)2,055,663 million. Currently, securities related to credit card companies and capital companies, which are experiencing liquidity problems, are not widely traded in the bond market. The ultimate effect of these circumstances on the financial position of the Bank as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying financial statements.

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002****17. Capital**

As of December 31, 2003, the Bank has 1,000,000,000 common shares (par value per share: (Won)5,000) authorized and 336,379,116 shares issued. ING Insurance International B.V. own 3.78 percent of the total issued shares. As of December 31, 2003, 35,000,566 common shares, equivalent to 10.40 percent of the total issued shares, are listed on the New York Stock Exchange as ADSs and are managed by the Bank of New York, the trustee of the Bank.

As a result of the legal consolidation with H&CB, the shareholders of the Bank and H&CB, listed on the Register of Shareholders at October 31, 2001, received 179,775,233 new shares and 119,922,229 new shares of the Bank, respectively, at the exchange ratio of one new common share of the Bank for 1.688346 old shares of the Bank and 1 share of H&CB, respectively. The new shares of the Bank were relisted on the Korea Stock Exchange as of November 9, 2001. In addition, the Bank issued 8,120,431 shares as a result of the merger with Kookmin Credit Card Co., Ltd.

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, the entity's voting rights are limited to those of 4 percent shareholders.

The Bank is authorized to issue to non-shareholders convertible bonds and bonds with stock purchase warrants up to total par value amounts of (Won)2,500 billion and (Won)500 billion, respectively.

18. Capital Surplus

The movements in capital surplus for the year ended December 31, 2003 are as follows:

<i>(in millions of Won)</i>	Beginning Balance	Changes	Ending Balance
Paid-in capital in excess of par value	(Won) 5,287,708	(Won) 368,132	(Won) 5,655,840
Gain on business combination	397,669		397,669
Revaluation increment	177,229		177,229
Others	2,146	(2,146)	
	(Won) 5,864,752	(Won) 365,986	(Won) 6,230,738

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The increase in paid-in capital in excess of par value is the difference between the net asset value of Kookmin Credit Card Co., Ltd. and the total par value of the shares issued by the Bank for the merger with Kookmin Credit Card Co., Ltd.

The gain on business combination is due to the difference between the business combination consideration and the net asset value acquired from the merger with KLB on December 31, 1998, and the current period change in other capital surplus is due to the loss on disposal of treasury stock.

19. Retained Earnings

The General Banking Act requires the Bank to appropriate as a legal reserve a minimum of 10 percent of annual net income until the legal reserve equals paid in capital. This reserve is not available for payment of cash dividends but may be transferred to capital stock by an appropriate resolution by the Bank's Board of Directors or used to reduce accumulated deficit, if any, by an appropriate resolution of the Bank's shareholders.

Under the guidance provided by Financial Supervisory Services, the Company is required to appropriate, as a reserve for improvement of financial structure, a minimum of 10 percent of its annual income less carried over accumulated deficits, until its capital adequacy ratio equals 5.5 percent. As of December 31, 2003, the Bank has no reserve for improvement of financial structure.

Pursuant to the Tax Exemption and Reduction Control Law, the Bank was previously required to appropriate, as a reserve for business rationalization, amounts equal to tax reductions arising from tax exemptions and tax credits up to December 31, 2001. However, as of January 1, 2002, the requirement is no longer effective.

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

The Bank, at its own options, also appropriated a portion of retained earnings as other reserves for the operations of overseas branches.

There were no dividends declared for the year ended December 31, 2003, while for the year ended December 31, 2002, cash dividends were declared as follows:

	2002
Shares outstanding	328,258,685
Treasury stock	3,026,089
Shares entitled to dividends	325,232,596
Dividend rate(%)	20.00
Dividend amount (unit:millions of Won)	325,233
Dividend payout ratio(%)	24.82
Dividend profit ratio(%)	2.38

A deduction amounting to (Won)1,917 million has been made from the beginning balance of retained earnings in connection with the accounting for investments under the equity method,

20. Capital Adjustments

The movements in capital adjustments for the year ended December 31, 2003 are as follows:

<i>(in millions of Won)</i>	Beginning			Ending
	Balance	Increase	Decrease	Balance
Treasury stock	(Won) (148,973)	(Won) (1,227,876)	(Won) (48,537)	(Won) (1,328,312)
Unrealized gain on available-for-sale securities	180,449	87,488	129,950	137,987
Unrealized gain on investment in associates	94,773	9,723	99,872	4,624
Stock options		26,211		26,211
Loss on disposal of treasury stock		(749)		(749)

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(Won) 126,249	(Won) (1,105,203)	(Won) 181,285	(Won) (1,160,239)
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The Bank, with the approval of the Board of Directors on July 26, 2002, established an employee stock option plan for the welfare of the employees and purchased 3,000,000 shares of treasury stock under the plan. During the year ended December 31, 2003, the Bank contributed 1,000,000 shares to the Employee Stock Ownership Association.

In accordance with the resolution made by the Board of Directors on December 26, 2003, the Bank acquired 27,423,761 of its own shares previously owned by the Korean government at (Won)43,700 per share through public bidding and intends to sell these shares depending on certain market conditions. As a result of the acquisition, the Bank holds 8.92 percent of the total common stock issued as treasury stock.

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

21. Employee Stock Options

As of December 31, 2003, the stock options granted to the Bank's executives and chief executive officer are as follows:

Series	Grant Date	Shares Granted	Shares Expired to Date	Shares Exercised	Shares Outstanding	Exercise Price	Exercise Period
Series 1	00.03.18	233,940	121,411	10,183	102,346	(Won) 23,469	03.03.19 - 05.03.18
Series 2	01.03.15	214,975	16,882		198,093	28,027	04.03.16 - 09.03.15
Series 3	98.10.31	400,000		390,000	10,000	5,000	01.11.01 - 04.10.31
Series 4	99.02.27	280,000	59,892	220,108		13,900	02.02.28 - 05.02.27
Series 5	00.02.28	267,000	65,218	11,100	190,682	27,600	03.03.01 - 06.02.28
Series 6	01.03.24	111,000	38,624		72,376	25,100	04.03.25 - 07.03.24
Series 7 ^{1*2*}	01.11.16	850,000			850,000	51,200	04.11.17 - 09.11.16
Series 8-1 ^{2*}	02.03.22	132,000	89,753		42,247	57,100	05.03.23 - 10.03.22
Series 8-1 ^{3*}	02.03.22	490,000	119,326		370,674	57,100	05.03.23 - 10.03.22
Series 9 ^{3*}	02.07.26	30,000			30,000	58,800	05.07.27 - 10.07.26
Series 10-1 ^{2*}	03.03.21	140,000			140,000	41,200	06.03.22 - 11.03.21
Series 10-1 ^{3*}	03.03.21	180,000			180,000	35,500	06.03.22 - 11.03.21
Series 11 ^{3*}	03.08.27	30,000			30,000	40,500	06.08.28 - 11.08.27
Increase due to merger-1 ^{4*}	01.03.22	22,146			22,146	71,538	04.03.23 - 11.03.22
Increase due to merger-2 ^{2*4*}	02.03.29	9,990			9,990	129,100	04.03.30 - 11.03.29

^{1*} The stock options include the 200,000 shares which are to be additionally granted if the three-month weighted average stock price of the Bank prior to the beginning of the exercise date is higher than that of any other listed banks and the Bank achieves total market value and ROE target.

^{2*} The exercise price may be affected by the fluctuations in the stock price index of the banking industry.

^{3*} The number of shares to be granted will be determined by the results of the evaluation of the grantees after 3 years from grant date. Shares granted are calculated under the assumption that the grantees performed well on their evaluation.

^{4*} The Bank took over stock options which Kookmin Credit Card Co., Ltd. granted to its employees in proportion to the share exchange rate.

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

Compensation costs for stock options granted to employees and executives are recognized on the basis of fair value. Assumptions used under the fair value basis method are summarized as follows:

Series	Stock price as of grant date (Won)	Risk free interest rate ^{1*} (%)	Expected exercise period (years) ^{2*}	Volatility of underlying stock price ^{3*} (%)	Expected dividend rate ^{4*} (%)	Compensation cost (Won)
Series 1	(Won) 21,441	9.32	4.00	71.14	2.25	(Won) 12,638
Series 2	25,156	6.06	5.50	70.30	2.47	15,987
Series 3	5,430	9.74	3.00	59.06	1.14	1,395
Series 4 ^{5*}	33,750	4.74	0.33	73.30	1.93	19,850
Series 5 ^{5*}	33,750	4.74	1.33	73.30	1.93	13,320
Series 6 ^{5*}	33,750	4.74	2.42	73.30	1.93	17,117
Series 7	45,800	4.91	3.00	58.90		18,364
Series 8-1	58,000	6.14	3.00	53.56		24,496
Series 8-2	58,000	6.14	3.00	53.56		24,496
Series 9	53,900	5.73	3.00	43.09		17,333
Series 10-1	36,500	4.74	3.00	48.77		12,204
Series 10-2	36,500	4.74	3.00	48.77		14,073
Series 11	41,100	5.75	3.00	44.48		15,098
Increase due to merger-1	27,200	5.17	3.00	46.02		8,447
Increase due to merger-2	55,900	6.39	2.00	49.24	20	6,536

^{1*} Interest rate of government bond as of grant date.

^{2*} The average of vesting period and exercise period was applied for series 1 and 2. Vesting period was applied for series 3-11 and stock options succeeded from Kookmin Credit Card Co., Ltd.

^{3*} Annualized stock volatility for the past one-year period before the grant date was applied for series 1-2, and the average of stock volatility of banking industries and the Bank were applied for series 3-11 and stock options succeeded from Kookmin Credit Card Co., Ltd

^{4*} Average historical dividend rate for the past period from grant date that equals the expected exercise period, were assumed.

^{5*} Compensation costs were recalculated to reflect the effects of merger with H&CB.

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

The compensation costs to be recognized in the future as of December 31, 2003, are as follows:

Series	Compensation cost recognized			Compensation cost to be recognized				Total compensation cost
	Prior period compensation cost	Current period compensation cost	Accumulated compensation cost	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	Total	
Series 1	(Won) 1,184	(Won) 109	(Won) 1,293	(Won)	(Won)	(Won)	(Won)	(Won) 1,293
Series 2	1,847	1,056	2,903	264			264	3,167
Series 3	14		14					14
Series 5	2,399	141	2,540					2,540
Series 6	722	414	1,136	103			103	1,239
Series 7	5,637	5,203	10,840	4,769			4,769	15,609
Series 8-1	2,270	3,027	5,297	3,027	756		3,783	9,080
Series 8-2	259	345	604	345	86		431	1,035
Series 9	72	173	245	174	101		275	520
Series 10-1		633	633	844	844	212	1,900	2,533
Series 10-2		427	427	570	570	142	1,282	1,709
Series 11		50	50	151	151	101	403	453
Increase due to merger-1		172	172	15			15	187
Increase due to merger-2		57	57	8			8	65
	(Won) 14,404	(Won) 11,807	(Won) 26,211	(Won) 10,270	(Won) 2,508	(Won) 455	(Won) 13,233	(Won) 39,444

As of December 31, 2003, the weighted average exercise price per stock option granted is (Won)43,020 and weighted average compensation cost per stock option granted is (Won)16,887.

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002****22. Other Non-Interest Income (Expenses)**

Other non-interest income (expenses) for the year ended December 31, 2003 are as follows:

(in millions of Won)

	Amount
Other non-interest income	
- Realized gain on trading securities	(Won) 119,168
- Unrealized gain on trading securities	70,976
- Gain on trust management	247,639
- Reversal of losses from guarantees and acceptances	1,209
- Gain on valuation of derivatives	400,397
- Others	29,451
	(Won) 868,840
Other non-interest expenses	
- Realized loss on trading securities	(Won) 47,269
- Contributions to special funds	178,094
- Provision for allowance	
- Loss on valuation of derivatives	419,185
- Loss on fair value hedged items	
- Others	664,332
	(Won) 1,308,880

23. General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2003 are as follows:

(in millions of Won)

	Amount
Salaries and wages	(Won) 1,149,816
Retirement benefits (Note 12)	109,766
Other employee benefits	317,550
Rent	65,046
Depreciation	387,425
Amortization	79,431

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Taxes and dues	125,717
Advertising	67,317
Ordinary R&D	106,844
Fees and commissions	87,690
Others	207,546
	<hr/>
	(Won) 2,704,148
	<hr/>

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002****24. Non-Operating Income (Expenses)**

Non-operating income (expenses) for the year ended December 31, 2003 are as follows:

(in millions of Won)

	<u>Amount</u>
Non-operating income	
- Gain on disposal of fixed assets	(Won) 2,229
- Rent income	2,692
- Unrealized gain on investment in associates	267,870
- Realized gain on available-for-sale securities	554,203
- Realized gain on held-to-maturity securities	2,771
- Reversal of impairment loss on available-for-sale securities	75,553
- Gain on sale of loans	60,957
- Others	122,828
	<u>1,089,103</u>
Non-operating expenses	
- Loss on disposal of fixed assets	35,287
- Impairment loss on fixed assets	22,228
- Loss on investment in associates	
- Realized loss on available-for-sale securities	60,210
- Realized loss on held-to-maturity securities	
- Impairment loss on available-for-sale securities	209,307
- Loss on sale of loans	92,297
- Provision for loan losses due to merger	1,652,264
- Others	240,038
	<u>2,311,631</u>
	<u>(Won) (1,222,528)</u>

25. Income Tax Expense

Income tax expense for the years ended December 31, 2003 and 2002 is as follows:

*(in millions of Won)***2003****2002**

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Income tax payable	(Won) 23	(Won) 652,583
Deferred income taxes from temporary differences	(226,212)	(96,258)
Deferred income taxes from accumulated deficit ^{1*}	(168,645)	28,929
Deferred tax credit ^{1*}	(3,951)	
Change in temporary differences due to tax adjustments	3,656	
Retained earnings and other capital surplus adjustments ^{2*}	2,033	(1,927)
	<hr/>	<hr/>
Income tax (benefit) expense	(Won) (393,096)	(Won) 583,327
	<hr/>	<hr/>

^{1*} The Bank recognized a deferred income tax asset because it has incurred a gain before extraordinary gains/losses and income tax since the merger with H&CB.

^{2*} Income tax effect from the change in retained earnings from the application of equity method on investments and loss on disposal of treasury stock.

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

The statutory income tax rate applicable to the Bank, including resident tax surcharges, is 29.7 percent for the years ended December 31, 2002 and 2003. However, due to tax adjustments, the effective tax rate for the years ended December 31, 2002 and 2003 are 39.12 percent and 30.8 percent, respectively. The statutory income tax rate of 29.7 percent is applied for deferred income tax assets (liabilities) that will be realized before 2005 and statutory income tax rate of 27.5 percent is applied for deferred income tax assets (liabilities) that will be realized after 2005 reflecting the 2percent corporate tax rate cut from 2005. The basis for calculating the effective tax rate is as follows:

(in millions of Won)

	<u>2003</u>	<u>2002</u>
Net income (loss) before income taxes	(Won) (1,146,444)	(Won) 1,893,618
Income tax expense based on the effective tax rate	(340,493)	562,405
Tax effects on adjustments		
Adjustments to increase taxable income	97,458	39,625
Adjustments to decrease taxable income	(166,668)	(18,703)
Discount effect	16,607	
Income tax benefit per statements of operations	(Won) (393,096)	(Won) 583,327

The significant changes in accumulated temporary differences and deferred income taxes for the year ended December 31, 2003 are as follows:

<i>(in millions of Won)</i>	<u>Beginning balance</u>	<u>Increase due to merger</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending balance</u>	<u>Deferred tax asset (liability)</u>
Allowance for loan losses	(Won) 314,081	(Won)	(Won) 221,016	(Won) 236,074	(Won) 299,023	(Won) 87,094
Accrued interest	(350,798)	(60,931)	(349,915)	(412,209)	(349,435)	(96,095)
Unrealized loss on securities	602,646	4,456	(175,092)	(330,256)	762,266	212,255
Unrealized loss on derivatives	(100,086)	(3,530)	(35,045)	(103,616)	(35,045)	(9,637)
Present value discounts	28,001		14,691	27,918	14,774	4,270
Allowance for losses on guarantees and acceptances	5,278		1,074	5,278	1,074	295
Accrued severance benefits			(14,500)	(14,500)		
Stock options	10,116	552	26,211	10,668	26,211	7,208
Loss on fair value hedges			(10,715)	(9,213)	(1,502)	(413)
Accumulated depreciation	820		16,406	8,913	8,313	2,286
Other allowances	48,876		505,372	48,876	505,372	144,029

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Others	15,559	1,209	99,847	12,144	104,471	28,748
Net operating loss carry-forward			567,825		567,825	168,645
	<u>(Won) 574,493</u>	<u>(Won) (58,244)</u>	<u>(Won) 867,175</u>	<u>(Won) (519,923)</u>	<u>(Won) 1,903,347</u>	<u>(Won) 548,685</u>
Deferred tax credit						3,951
						<u>(Won) 552,636</u>

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

26. Earnings (Loss) Per Share

The weighted average number of common shares outstanding for the years ended December 31, 2003 and 2002 are calculated as follows:

	<u>2003</u>	<u>2002</u>
Number of common shares outstanding-beginning balance	330,327,726	318,750,038
Weighted average number of treasury common shares	(4,327,815)	(963,166)
Weighted average number of common shares outstanding	<u>325,999,911</u>	<u>317,786,872</u>

Details of the computation of the basic earnings (loss) per share (EPS) and basic ordinary income (loss) per share for the years ended December 31, 2003, and 2002 are shown below.

	<u>2003</u>	<u>2002</u>
Net income (loss) (in millions of Won)	(Won) (753,348)	(Won) 1,310,291
Weighted average number of common shares outstanding	<u>325,999,911</u>	<u>317,786,872</u>
Basic earnings (loss) per share and basic ordinary income (loss) per share (in Won)	<u>(2,311)</u>	<u>4,123</u>

Since there are no dilutive potential common shares, diluted EPS and diluted basic income per share are the same as basic EPS and basic ordinary income per share.

Potential common shares as of December 31, 2003 are as follows:

	<u>Exercise Period</u>	<u>Shares Outstanding</u>	<u>Exercise Price</u>	
Stock options	2001.11.01 - 2011.08.27	2,248,554	(Won) 5,000	(Won)129,100

27. Assets and Liabilities Denominated in Foreign Currencies:

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Significant assets and liabilities denominated in foreign currencies as of December 31, 2003 comprise the following :

	Total Balances		Major Denomination Currencies		
	Millions of	Thousands of	Thousands of	Thousands of	Thousands of
	Won	US Dollars ^{1*}	US Dollars	EC Euro	Japanese Yen
Assets					
Cash	(Won) 228,153	\$ 190,476	\$ 76,612	22,070	¥ 7,223,564
Due from banks	601,624	502,275	478,539	3,015	1,798,015
Securities	1,350,145	1,127,187	969,825	3,960	3,674,314
Loans in foreign currencies	4,019,930	3,356,094	2,464,055	37,850	79,081,632
Bills bought	533,294	445,228	415,863	15,003	817,496
Advances to customers	4,593	3,835	3,835		
Call loans	5,351	4,467	4,000		50,000
Liabilities					
Deposits	1,475,373	1,231,736	843,970	14,493	27,863,430
Borrowings	3,322,917	2,774,184	2,138,815	39,595	60,834,504
Due to BOK	12,608	10,526	10,526		
Call money	193,700	161,713	157,600		300,000
Debentures	896,621	748,557	741,129		
Unsettled foreign exchange liabilities	22,600	18,868	11,569	161	89,793

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

Significant assets and liabilities denominated in foreign currencies as of December 31, 2002 comprise the following :

	Total Balances		Major Denomination Currencies		
	Millions of	Thousands of	Thousands of	Thousands of	Thousands of
	Won	US Dollars ^{1*}	US Dollars	EC Euro	Japanese Yen
Assets					
Cash	(Won) 186,780	\$ 155,598	\$ 63,914	15,676	¥ 7,450,032
Due from bank	509,207	424,197	348,007	2,567	6,062,350
Securities	1,216,627	1,013,518	922,604	4,061	4,427,023
Loans in foreign currencies	4,417,176	3,679,753	2,827,489	68,754	65,532,564
Bills bought	756,300	630,040	588,877	25,336	840,286
Advances to customers	2,223	1,852	1,852		
Call loans	248,857	207,312	202,700	4,000	50,000
Liabilities					
Deposits	1,083,648	902,738	654,567	12,012	17,863,339
Borrowings	3,408,530	2,839,494	2,407,624	58,893	46,007,284
Due to BOK	37,493	31,234	31,234		
Call money	76,666	63,867	14,500		5,679,100
Debentures	789,127	657,387	495,962		
Unsettled foreign exchange liabilities	20,895	17,407	12,772	939	138,208

^{1*} Foreign currencies other than US dollars are converted into US dollar amounts using the exchange rates provided by Seoul Money Brokerage Services, Ltd. at the balance sheet date.

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

28. Related Party Transactions

Significant transactions with related parties for the years ended December 31, 2003 and 2002 are as follows:

(in millions of Won)

Account	2003		2002	
	Balances	Transactions	Balances	Transactions
KB Investment Co., Ltd.				4,115
				(1,025)
Kookmin Data System Corp.				(187)
Kookmin Futures Co., Ltd.				5
				(567)
KB Luxembourg S.A.				148
				4,789
				3,131
				(80)
				(922)
KB International Ltd. (London)				70
				3,576
				359
				(308)
				(2,691)
Kookmin Finance H.K. Ltd.				22
				4,721
				(161)
				(232)
Kookmin Investment Trust Mgt.				(802)
KB Real Estate Co., Ltd.				3,005
				(4)
Joeun Industrial Co., Ltd.				
KB Credit Information Co., Ltd.				(444)
				176

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Commissions expenses	(38,481)	(26,894)
Rent		

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Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

29. Transactions with Financial Institutions

The assets and liabilities related to transactions with financial institutions for the year ended December 31, 2003 are as follows:

<i>(in millions of Won)</i>		Bank of Korea	Other banks	Other financial institutions	Total
Description					
Cash and due from banks	In Won	(Won) 2,612,248	(Won) 8,994	(Won) 140,200	(Won) 2,761,442
	In foreign currencies	12,415	585,855	3,355	601,625
		<u>2,624,663</u>	<u>594,849</u>	<u>143,555</u>	<u>3,363,067</u>
Loans	In Won		12,815	607,524	620,339
	In foreign currencies		767,884	49,866	817,750
	Others	1,500,000	1,560,702	794,715	3,855,417
		<u>1,500,000</u>	<u>2,341,401</u>	<u>1,452,105</u>	<u>5,293,506</u>
Deposits	In Won		975,372	4,342,075	5,317,447
	In foreign currencies			2,400,000	2,400,000
			<u>975,372</u>	<u>6,742,075</u>	<u>7,717,447</u>
Borrowings	In Won	992,433	253,822	5,688	1,251,943
	In foreign currencies		2,360,652	19,486	2,380,138
	Others	12,608	499,362	55,800	567,770
		<u>1,005,041</u>	<u>3,113,836</u>	<u>80,974</u>	<u>4,199,851</u>
Debentures	In Won			260,900	260,900
	In foreign currencies		888,455		888,455
			<u>888,455</u>	<u>260,900</u>	<u>1,149,355</u>

30. Interest Bearing Assets and Liabilities

Interest bearing assets and liabilities and related interest income and interest expenses for the year ended December 31, 2003 are as follows:

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<i>(in millions of Won)</i>	<u>Average Balance</u>	<u>Interest Income</u>	<u>Average Yield (%)</u>
Assets			
Due from banks	(Won) 799,353	(Won) 10,433	1.31
Securities	29,812,029	1,701,359	5.71
Loans	135,541,332	9,814,835	7.24
	<u>(Won) 166,152,714</u>	<u>(Won) 11,526,627</u>	
Liabilities			
Deposits	(Won) 126,320,535	(Won) 4,280,290	3.39
Borrowings	12,547,750	410,746	3.27
Debentures	18,617,620	1,143,228	6.14
	<u>(Won) 157,485,905</u>	<u>(Won) 5,834,264</u>	

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002****31. Operations of the Trust Accounts**

The summarized statement of assets and liabilities of the trust accounts as of December 31, 2003 are categorized into principal or dividend guaranteed money trusts, performance money trusts and property trusts, as follows:

<i>(in millions of Won)</i>	Guaranteed	Performance	Property	Total
	Money Trusts	Money Trusts	Trusts	
Securities	(Won) 2,797,148	(Won) 5,943,898	(Won) 936,128	(Won) 9,677,174
Loans	134,984	354,804		489,788
Receivables			20,228,649	20,228,649
Due from banking accounts	470,647	913,624	183,672	1,567,943
Present value discounts	(771)			(771)
Allowance for loan losses	(69,839)	(69,930)		(139,769)
Other assets	73,048	179,211	262,054	514,313
Total assets	(Won) 3,405,217	(Won) 7,321,607	(Won) 21,610,503	(Won) 32,337,327
Trusts	(Won) 3,190,062	(Won) 7,088,295	(Won) 21,453,761	(Won) 31,732,118
Reserves for future losses	56,128			56,128
Borrowings				
Other liabilities	159,027	233,312	156,742	549,081
Total liabilities	(Won) 3,405,217	(Won) 7,321,607	(Won) 21,610,503	(Won) 32,337,327

The Bank is liable as of December 31, 2003 for the following portion of the difference between the book value and fair value of principal and/or dividend guaranteed money trusts:

<i>(in millions of Won)</i>	Book Value	Fair Value	Liability
Principal guaranteed money trusts	(Won) 3,298,269	(Won) 3,374,990	(Won)
Principal and dividend guaranteed money trusts	106,948	114,835	
	(Won) 3,405,217	(Won) 3,489,825	(Won)

The key results of operations from transactions between bank accounts and trust accounts (excluding securities investment trust) for the year ended December 31, 2003 are as follows:

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

32. Business Combination with H&CB

The Bank entered into a business combination contract (the Contract) with H&CB on April 23, 2001 and obtained approval from the shareholders for such combination on September 29, 2001. In accordance with the Contract, the Bank completed the legal consolidation with H&CB as of October 31, 2001. Under the Contract, the shareholders of the Bank and H&CB received 1 new common share of the Bank for 1.688346 old shares of the Bank and 1 share of H&CB, respectively. The new common shares of the Bank were listed on the Korea Stock Exchange on November 9, 2001. Despite the legal form of consolidation, the business combination was accounted for as an acquisition with the Bank as acquirer of H&CB's total assets of (Won)67,742,958 million and liabilities of (Won)64,381,185 million.

The Bank's registration statement with the Securities and Exchange Commission of the United States of America was declared effective on September 10, 2001, and the new shares of the Bank are listed on the New York Stock Exchange as ADSs since November 1, 2001.

33. Merger with Kookmin Credit Card Co., Ltd.

The Bank obtained approval from its Board of Directors on May 30, 2003 to merge with Kookmin Credit Card Co., Ltd., (the Subsidiary) of which the Bank previously owned 74.27 percent, and merged with the Subsidiary on September 30, 2003.

The merger was effected through the issuance of common shares of 8,120,431 by the Bank to the shareholders of Subsidiary as of July 24, 2003, besides the Bank, at a ratio of 0.442983 share of the Bank's common stock for each share of the Subsidiary. The newly issued common share due the transaction constituted 2.4 percent of total out standing shares of the Bank as of September 30, 2003.

The merger was accounted for as a transaction between entities under common control and therefore the Bank recognized the assets and liabilities transferred at their carrying amounts in the accounts of Kookmin Credit Card Co., Ltd. at the date of transfer. In addition, the accounting method for loans and securities of the Subsidiary were conformed to that of the Bank and consequently, a provision for losses due to the merger amounting (Won)1,652,264 million, comprised of a provision for loan losses of (Won)1,437,961 million and loss on valuation of securities of (Won)214,303 million, was recorded in non-operating expenses.

Kookmin Credit Card Co., Ltd. was established on September 25, 1987, separating its operations from the Bank, and has been conducting its operations including credit card operations, factoring, and consumer financing, under the Credit Card Act. Kookmin Credit Card Co., Ltd. had merged with Kookmin Mutual Savings & Finance Co., Ltd. on August 22, 1998 and with Jang-Eun Credit Card Co., Ltd. on December 30, 1998, and had extended its operations to installment financing and rental business. As of September 30, 2003, Kookmin Credit Card has 12.33 million cardholders, 1.55 million merchants and 45 branches. Kookmin Credit Card Co. Ltd. had its shares registered with KOSDAQ since July 4, 2000.

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As of September 30, 2003, the shareholders of Kookmin Credit Card Co. were as follows:

	<u>Number of Shares</u>	<u>Percentage of Ownership</u>
Kookmin Bank	54,365,028	74.27
Others	18,331,248	25.04
	<u>72,696,276</u>	<u>99.31</u>
Treasury stock	503,724	0.69
	<u>73,200,000</u>	<u>100.00</u>

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

The summary balance sheets of the Bank and Kookmin Credit Card Co., Ltd. as of December 31, 2002 and the related statements of operations for the year then ended are as follows:

<i>(in millions of won)</i>	Kookmin Bank	Kookmin Credit Card	Total^{1*}
Cash and due from banks	(Won) 4,599,356	(Won) 103,505	(Won) 4,702,861
Securities ^{2*}	30,940,750	3,112,127	34,052,877
Loans	126,730,561	9,256,060	135,986,621
Fixed assets	3,092,616	260,600	3,353,216
Other assets	6,135,558	648,956	6,784,514
Total assets	(Won) 171,498,841	(Won) 13,381,248	(Won) 184,880,089
Deposits	(Won) 123,109,653	(Won)	(Won) 123,109,653
Borrowings	10,690,754	5,629,389	16,320,143
Debentures	17,539,007	5,934,298	23,473,305
Other liabilities	10,110,031	899,334	11,009,365
Total liabilities	161,449,445	12,463,021	173,912,466
Capital stock	1,641,293	366,000	2,007,293
Capital surplus	5,864,752	146,591	6,011,343
Retained earnings	2,417,102	407,596	2,824,698
Capital adjustments	126,249	(1,960)	124,289
Total shareholders equity	10,049,396	918,227	10,967,623
Total liabilities and shareholders equity	(Won) 171,498,841	(Won) 13,381,248	(Won) 184,880,089
	Kookmin Bank	Kookmin Credit Card	Total^{1*}
Operating income (loss)	(Won) 2,265,765	(306,146)	(Won) 1,959,619
Non-operating income	525,280	67,017	592,297
Non-operating expenses ^{2*}	(897,427)	(21,759)	(919,186)
Net income (loss) before income tax expense	1,893,618	(260,888)	1,632,730
Income tax expense	(583,327)		(583,327)
Net income (loss)	(Won) 1,310,291	(Won) (260,888)	(Won) 1,049,403

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

The summary balance sheets of the Bank and Kookmin Credit Card Co., Ltd. as of September 30, 2003, the merger date, and the related statements of operations for the nine-month period then ended are as follows:

<i>(in millions of won)</i>	Kookmin Bank	Kookmin Credit Card^{3*}	Total^{1*}
Cash and due from banks	(Won) 7,543,522	(Won) 39,139	(Won) 7,582,661
Securities ^{2*}	29,062,866	2,969,080	32,031,946
Loans	133,299,297	6,854,723	140,154,020
Fixed assets	2,836,450	325,220	3,161,670
Other assets	8,895,431	407,247	9,302,678
Total assets	(Won) 181,637,566	(Won) 10,595,409	(Won) 192,232,975
Deposits	(Won) 128,106,542	(Won)	(Won) 128,106,542
Borrowings	11,691,597	3,240,752	14,932,349
Debentures	17,181,146	4,951,891	22,133,037
Other liabilities	14,858,438	1,199,254	16,057,692
Total liabilities	171,837,723	9,391,897	181,229,620
Capital stock	1,641,293	366,000	2,007,293
Capital surplus	5,864,679	146,591	6,011,270
Retained earnings	2,033,157	691,969	2,725,126
Capital adjustments	260,714	(1,048)	259,666
Total shareholders equity	9,799,843	1,203,512	11,003,355
Total liabilities and shareholders equity	(Won) 181,637,566	(Won) 10,595,409	(Won) 192,232,975
	Kookmin Bank	Kookmin Credit Card^{3*}	Total
Operating income (loss)	(Won) 478,392	(Won) 301,213	(Won) 779,605
Non-operating income	670,656	27,656	698,312
Non-operating expenses ^{2*}	(1,885,784)	(18,646)	(1,904,430)
Net income (loss) before income tax	(736,736)	310,223	(426,513)
Income tax expense	354,627	(25,850)	328,777
Net income (loss)	(Won) (382,109)	(Won) 284,373	(Won) (97,736)

^{1*} Inter-company transactions have not been eliminated in the above summary balance sheets and statements of operations.

^{2*} The amount of investments accounted for under the equity method of accounting of Kookmin Credit Card Co., Ltd has been recognized by the Bank under securities and non-operating expenses.

^{3*} Balance sheet of Kookmin Credit Card Co., Ltd and its statements of operations is unaudited.

34. Statement of Cash Flows

Cash and cash equivalents as of December 31, 2003 and 2002 as presented in the statements of cash flows are as follows:

(in millions of Won)

	<u>2003</u>	<u>2002</u>
Cash on hand	(Won) 2,945,921	(Won) 2,392,346
Cash in foreign currencies	228,153	186,780
Due from banks in Won	2,763,457	1,532,179
Due from banks in foreign currencies	601,624	509,207
	<u>6,539,155</u>	<u>4,620,512</u>
Restricted deposits	(2,767,398)	(1,519,931)
	<u>(Won) 3,771,757</u>	<u>(Won) 3,100,581</u>

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

Major transactions that do not involve cash inflows and cash outflows for the year ended December 31, 2003, and 2002 are presented as follows:

(in millions of Won)

	2003	2002
Change due to the merger with KB Credit Card Co., Ltd.	(Won) 10,595,409	(Won)
Unrealized gains on investment securities	(122,888)	86,164
Capital increase due to debt-equity swap		234,100
Capital increase due to stock dividend		89,900
Change due to accounting under equity method	6,996	4,562
Write-off of loans	4,773,212	1,527,311
Decrease in loan from restructuring	(7,483)	122,043
Decrease in loan loss provision due to sales of non-performing loans	60,401	65,174
Conversion of loans into equity securities	33,415	109,931

35. Business Segments

The following table shows the distribution of the Bank's operations by business segment as of and for the year ended December 31, 2003:

(in millions of Won)

Account	Retail	Corporate	Capital	Credit Card	Others	Total
	Banking	Banking	Markets Activities	Operations		
Loans	(Won) 79,284,676	(Won) 45,208,573	(Won) 4,823,406	(Won) 9,056,594	(Won) 1,557,803	(Won) 139,931,052
Securities	27,636	4,626	27,380,911		688,672	28,101,845
Fixed assets	1,678,217	498,068	170,695	364,654	307,922	3,019,556
Other assets	1,076,083	271,644	11,286,066	126,565	239,695	13,000,053
Total assets	(Won) 82,066,612	(Won) 45,982,911	(Won) 43,661,078	(Won) 9,547,813	(Won) 2,794,092	(Won) 184,052,506
Operating revenue	(Won) 6,066,594	(Won) 3,314,310	(Won) 3,670,257	(Won) 1,458,464	(Won) 1,047,361	(Won) 15,556,986

The following table shows the distribution of the Bank's operations by geographical market as of and for the year ended December 31, 2003:

(in millions of Won)

Domestic	Overseas	Total
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Loans	(Won) 139,313,903	(Won) 617,149	(Won) 139,931,052
Securities	28,076,373	25,472	28,101,845
Fixed assets	3,016,549	3,007	3,019,556
Other assets	12,529,873	470,180	13,000,053
Total assets	(Won) 182,936,698	(Won) 1,115,808	(Won) 184,052,506
Operating revenue	(Won) 15,494,187	(Won) 62,799	(Won) 15,556,986

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002****36. Final interim period performance**

Final interim performance for the three-month periods ended December 31, 2003 and 2002, are as follows:

(in millions of Won)

	<u>2003</u>	<u>2002</u>
Operating income	(Won) 3,100,554	(Won) 3,982,692
Operating expense	3,502,862	3,711,358
Operating (loss) income	(402,308)	271,334
Net loss	(371,239)	(202,577)
Loss per share (in Won)	(1,131)	(635)

37. Reclassification of Prior Financial Statement Presentation

Certain accounts of prior period financial statements have been reclassified to conform to the current year presentation. These reclassifications have no effect on previously reported net income or shareholders' equity.

38. Subsequent Event

On February 9, 2004, the Board of Directors approved the purchase of the assets and liabilities of Hanil Life Insurance Co. by the Bank through a Purchase and Acquisition (P&A) transaction. The terms and conditions of the P&A is to be determined in the future.

39. Approval of Financial Statements

The financial statements of the Bank, as of and for the year ended December 31, 2003, were approved by the board of directors on March 3, 2004.