

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

Washington, D.C. 20549

Form 6-K

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

For the month of November 2005

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.

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Form 20-F Form 40-F

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

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

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

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

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

Yes No

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1. Summary of Business Report for the 3rd quarter of 2005

2. Exhibit 99.1_Kookmin Bank Review Report for the 3rd quarter of 2005

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Summary of Business Report for the 3rd quarter of 2005

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

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

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

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1. Introduction to the Bank

1.1. Business Purposes

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

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

1.2. History

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

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

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

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

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

- n September 30, 2003

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Completed small-scale merger with Kookmin Credit Card

on December 16, 2003

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

on December 19, 2003

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

on April 29, 2004

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

on July 22, 2004

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

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

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

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

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

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

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

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

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

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

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1.3. Capital Structure

1.3.1. Common Shares

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

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

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

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

Table of Contents**1.3.2. Treasury Stock**

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

(Units: in thousand of Won unless indicated otherwise)

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

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

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

Table of Contents**1.3.3. Stock Option¹**

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

(Units: in Won, shares)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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| | | | |
|--------------|------------------|----------------|------------------|
| <u>Total</u> | <u>3,533,588</u> | <u>271,991</u> | <u>3,261,597</u> |
|--------------|------------------|----------------|------------------|

- ⁸ Exercise price = 46,800 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.
- * Stock options for some of grantees are not determined those number of exercisable options or those exercise prices yet.

Table of Contents**1.4. Employee Stock Ownership Association¹**

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

1.5. Dividend

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

(Units: in millions of Won unless indicated otherwise)

| | 2004 ² | 2003 | 2002 |
|--|--------------------------|------------------|------------------|
| Net (loss) income for the period | 360,454 | (930,356) | 1,310,291 |
| Diluted (loss) earnings per share (Won) | 1,176³ | (2,854) | 4,123 |
| Total dividend amount | 168,574 | | 325,232 |
| Dividend payout ratio (%) | 46.77⁴ | | 24.82 |
| Cash dividend per common share (Won) | 550 | | 1,000 |
| Stock dividend per common share (%) | | | |
| Dividend per preferred share (Won) | | | |
| Dividend yield ratio (%) | 1.42⁵ | | 2.19 |

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

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

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

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

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

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

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

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

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

Table of Contents**2.1.3. Fee Transactions¹**

(Unit: in millions of Won)

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

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

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

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

(Unit: in millions of Won)

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

2.2.2. Average Deposit per Domestic Branch

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

(Unit: in millions of Won)

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

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| | | | |
|------------------------|----------------|----------------|----------------|
| Deposits | 122,942 | 123,945 | 119,593 |
| Deposits in Won | 121,789 | 122,585 | 118,756 |

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

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

(Unit: in millions of Won)

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

2.2.4. Loan Balances

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

(Unit: in millions of Won)

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

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

(Unit: in millions of Won)

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

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

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

(Unit: in millions of Won)

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

2.2.7. Loan to Deposit Ratio¹

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

(Units: in millions of Won, %)

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

2.2.8. Acceptances and Guarantees

(Unit: in millions of Won)

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

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

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

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

(Unit: in millions of Won)

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

2.2.10. Trust Account

(Unit: in millions of Won)

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

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

Table of Contents**2.2.11. Credit Card**

(Unit: in millions of Won unless indicated otherwise)

| | As of or for the years ended of indicated dates | | |
|--|---|-------------------|-------------------|
| | September 30, 2005 | December 31, 2004 | December 31, 2003 |
| Number of card holders (Person) | | | |
| Corporate | 162,438 | 182,109 | 147,813 |
| Individual | 9,678,364 | 11,362,173 | 10,990,703 |
| Number of merchants | 1,496,831 | 1,491,730 | 1,528,872 |
| Sales volume¹ | 45,179,122 | 66,348,465 | 92,535,500 |
| Fee revenue | 1,699,315 | 2,800,901 | 4,012,017 |

2.3. Branch Networks

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

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

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

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2.4. Other Information for Investment Decision

2.4.1. BIS Risk-adjusted Capital Ratios

(Units: in millions of Won, %)

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

2.4.2. Non-Performing Loans²

(Units: in millions of Won unless indicated otherwise)

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

2.4.3. Loan Loss Allowances

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

(Units: in millions of Won)

| | September 30, 2005 | December 31, 2004 | December 31, 2003 |
|------------------------------|-----------------------|----------------------|----------------------|
| Loan losses allowance | | | |

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

- ¹ Tentative ratio
2. Non-performing loans are defined as those loans that are past due more than 90 days or that are placed non-accrual status according to the Financial Supervisory Service's guidelines.

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

(Unit: in millions of Won)

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

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

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

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

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

(Unit: in millions of Won)

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

3.2. Other Financial Information

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

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

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

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

4.2. Non-Audit Services

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

(Units: in millions of Won unless indicated otherwise)

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

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5. Corporate Governance and Affiliated Companies

5.1. Board of Directors & Committees under the Board

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

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

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

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

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

5.2. Audit Committee

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

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

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

(Units: in millions of Won)

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

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

5.4. Voting Rights of Shareholders

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

5.5. Share Ownership¹

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

(Unit: Shares, %)

| <u>Name</u> | <u>Number of Shares of Common Stock</u> | <u>Percentage of Total Issued Shares</u> |
|---|---|--|
| The Bank of New York² | 47,503,730 | 14.12 |
| ING Bank N.V Amsterdam³ | 13,650,001 | 4.06 |

¹ Information based on December 31, 2004

² Depository of ADRs

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

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5.6. Affiliated Companies

5.6.1. List of Affiliates¹

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

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

5.6.2. Operating Results of Affiliates

(Unit: in millions of Won)

Operating results

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| | | Total Assets | Total Liabilities | Total Equities | Sales | Net Income |
|--|--------------------------|------------------|----------------------|-------------------|------------------|-----------------|
| KB Investment² | December 31, 2004 | 87,307 | 8,523 | 78,784 | 21,002 | 1,709 |
| KB Asset Management³ | March 31, 2005 | 69,929 | 6,372 | 63,557 | 31,948 | 13,881 |
| KB Real Estate Trust² | December 31, 2004 | 201,221 | 143,150 | 58,071 | 51,693 | (40,058) |
| KB Credit Information² | December 31, 2004 | 27,847 | 6,760 | 21,087 | 37,793 | 2,425 |
| KB Data Systems Corp.² | December 31, 2004 | 22,257 | 6,426 | 15,831 | 40,076 | 1,579 |
| KB Futures³ | March 31, 2005 | 37,358 | 10,740 | 26,618 | 8,638 | 1,199 |
| ING Life Korea³ | March 31, 2005 | 5,624,538 | 5,174,566 | 449,972 | 2,637,377 | 145,773 |
| KB Life Co., Ltd.³ | March 31, 2005 | 183,793 | 157,843 | 25,950 | 94,267 | (4,245) |
| Kookmin Bank International (London)⁴ | December 31, 2004 | 294,734 | 242,738 | 51,996 | 10,652 | 1,534 |
| Kookmin HK Ltd.⁴ | December 31, 2004 | 406,880 | 337,111 | 69,769 | 13,940 | 5,622 |
| Sorak Financial Holdings⁴ | December 31, 2004 | 305,520 | 241 | 305,279 | 14,779 | 13,258 |

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

² Operating results based on December 31, 2004

³ Operating results based on March 31, 2005

⁴ Operating results based on September 30, 2005

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

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

6.1. Executive Directors

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

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

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

6.2. Non-Executive Directors

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

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

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

Table of Contents**6.3. Senior Management**

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

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

6.4. Employees

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

(Unit: in millions of Won)

| | <u>Number of Employees¹</u> | | | <u>Average Tenure of the Full-time Employees²</u> | <u>Total Payment for the 3rd quarter of 2005³</u> | <u>Average Monthly Payment per Person</u> |
|---------------|--|--------------------|---------------|--|---|---|
| | <u>Full-time</u> | <u>Contractual</u> | <u>Total</u> | | | |
| Male | 12,845 | 1,227 | 14,072 | 16.6 | 701,006 | 5.5 |
| Female | 4,232 | 6,503 | 10,735 | 13.9 | 330,680 | 3.4 |
| Total | 17,077 | 7,730 | 24,807 | 15.9 | 1,031,686 | 4.6 |

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

² Only based on full-time employees as of September 30, 2005

³ Based on personnel expense and welfare cost as of September 30, 2005

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

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

7.1. Transactions with the Largest Shareholders or Affiliates**7.1.1. Investments in Affiliates¹**

(Unit: in millions of Won)

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

¹ Excluding Joeeun Industry and Jangeun Securities which have been under liquidation procedures

² Established on 29 April, 2004

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

(Unit: in millions of Won)

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

Table of Contents**7.2.2. Securities Transactions**

(Units: in millions of Won unless indicated otherwise)

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

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SIGNATURES

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

Kookmin Bank
(Registrant)

Date: November 14, 2005

By: /s/ Kap Shin

(Signature)

Name: Kap Shin

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

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Exhibit 99.1

KOOKMIN BANK

NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005

AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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Independent Accountants Review Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of

Kookmin Bank:

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

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

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

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

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

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

October 31, 2005

/s/ Deloitte Anjin LLC

Notice to Readers

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

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KOOKMIN BANK

NON-CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 30, 2005 AND DECEMBER 31, 2004

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

See accompanying notes to non-consolidated financial statements.

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KOOKMIN BANK

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

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

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

(Continued)

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KOOKMIN BANK

NON-CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

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

See accompanying notes to non-consolidated financial statements.

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KOOKMIN BANK

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

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

(Continued)

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KOOKMIN BANK

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

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

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

See accompanying notes to non-consolidated financial statements.

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KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

1. GENERAL:

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Non-consolidated Financial Statement Presentation

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

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

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

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Interest Income Recognition

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

Classification of Securities

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

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

Valuation of Securities

(1) Valuation of Trading Securities

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

(2) Valuation of Available-for-sale Securities

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

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

(3) Valuation of Held-to-maturity Securities

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

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

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

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

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

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

(6) Reclassification of Securities

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

Transfer of Securities

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

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Allowance for Possible Losses on Credits

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

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

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

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

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

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

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

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

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

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

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

Restructuring of Loans

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

Deferred Loan Origination Fees and Costs

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

Valuation of Receivables and Payables at Present Value

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

Tangible Assets and Related Depreciation

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

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

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

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Intangible Assets and Related Amortization

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

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

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

Valuation Allowance for Non-Business Use Property

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

Recognition of Impairment of Assets

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

Amortization of Discounts (Premiums) on Debentures

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

Bonds under Resale or Repurchase Agreements

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

Contingent Liabilities

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

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Accrued Severance Benefits

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

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

Accounting for Derivative Instruments

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

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

Accounting for Stock Options

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

National Housing Fund

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

Accounting for Trust Accounts

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

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

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

Income Tax Expense

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

Accounting for Foreign Currency Transactions and Translation

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

Application of the Statement of Korea Accounting Standards

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

Restatement of Prior Period Financial Statements

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

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

Reclassification

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

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

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

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

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

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

| <u>Financial institution</u> | <u>2005</u> | <u>2004</u> | <u>Reason for restriction</u> |
|------------------------------|-------------|-------------|-----------------------------------|
|------------------------------|-------------|-------------|-----------------------------------|

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

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

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

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

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

4. **SECURITIES:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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5. LOANS:

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

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

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

Loans in local currency

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

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

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Loans in foreign currencies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(8) Loans applicable to the Corporate Restructuring Promotion Act

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

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

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

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

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

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

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

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

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

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

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(11) Sales of loans

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

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

(12) Credit card receivables as collateral

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

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

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

6. RESTRUCTURING LOANS:

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

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

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

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

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

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

7. ALLOWANCE FOR POSSIBLE LOAN LOSSES:

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

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

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

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

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

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

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

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

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

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

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

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

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

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8. FIXED ASSETS:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9. OTHER ASSETS:

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

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

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

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

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

10. DEPOSITS:

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

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

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

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

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

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

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

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

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

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

11. **BORROWINGS:**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

12. DEBENTURES:

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

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

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

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

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

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

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

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

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

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

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

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

13. OTHER LIABILITIES:

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

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

14. ACCEPTANCES AND GUARANTEES AND ALLOWANCES FOR POSSIBLE LOSSES:

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

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

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

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

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

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

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

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

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

| | <u>Confirmed</u> | <u>Unconfirmed</u> | <u>Total</u> | <u>Percentage (%)</u> |
|--|------------------|--------------------|--------------|-----------------------|
|--|------------------|--------------------|--------------|-----------------------|

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

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

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

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

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

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

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

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

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

15. ACCRUED SEVERANCE BENEFITS:

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

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

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| | | | | |
|---------------|--------------|--------------|------------|---------------|
| (Won) 126,622 | (Won) 84,224 | (Won) 29,787 | (Won) (14) | (Won) 181,045 |
|---------------|--------------|--------------|------------|---------------|

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

Table of Contents16. SUNDRY LIABILITIES:

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

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

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

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

17. SHAREHOLDERS' EQUITY:

(1) Capital stock

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

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

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

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(2) Capital surplus

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

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

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

(3) Retained earnings

1) Appropriations of retained earnings

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

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

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

2) Legal reserve

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

3) Reserve for financial structure improvement (voluntary reserve)

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

4) Business rationalization reserve

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

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5) Retained earnings appropriated for accumulated deficit

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

(4) Capital adjustments

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

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

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

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

1) Treasury stock

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

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

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2) Loss on sales of treasury stock

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

18. STOCK OPTIONS:

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

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

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

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

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

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

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

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

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

19. CONTINGENCIES AND COMMITMENTS:

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

commitments, the Bank

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

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

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

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

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

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September 30, 2005

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

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

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December 31, 2004

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

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

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

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

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

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

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

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

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

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

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

21. INTEREST REVENUE AND EXPENSES:

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

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

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

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

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

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

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

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

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

23. NON-OPERATING INCOME AND EXPENSES:

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

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

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

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24. INCOME TAX EXPENSE:

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

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

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

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

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

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

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

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

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

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

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

25. EARNINGS PER SHARE:

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

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

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

1) Outstanding capital stock

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) Dilutive securities

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

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

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26. TRUST ACCOUNTS:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents28. RELATED PARTY TRANSACTIONS:

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

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

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

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

29. EMPLOYEE BENEFITS:

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

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Table of Contents30. CASH FLOWS:

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

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

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

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

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