

KOOKMIN BANK  
Form 6-K  
March 31, 2006

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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 March 2006

**Kookmin Bank**

(Translation of registrant's name into English)

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

(Address of principal executive office)

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

Form 20-F  Form 40-F

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

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

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

*Note:* Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submission to furnish a report or other document that the registration foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's 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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TABLE OF CONTENTS

<i>Summary of Business Report for the fiscal year 2005</i>	4
1. <u>Introduction to the Bank</u>	5
1.1. <u>Business Purposes</u>	5
1.2. <u>History</u>	5
1.3. <u>Capital Structure</u>	7
1.4. <u>Employee Stock Ownership Association</u>	13
1.5. <u>Dividend</u>	13
2. <u>Business</u>	14
2.1. <u>Sources and Uses of Fund</u>	14
2.2. <u>Principal Banking Activities</u>	17
2.3. <u>Branch Networks</u>	21
2.4. <u>Other Information for Investment Decision</u>	22
3. <u>Financial Information</u>	24
3.1. <u>Non-Consolidated Condensed Financial Statements</u>	24
3.2. <u>Other Financial Information</u>	24
4. <u>Independent Accountant Fees and Services</u>	25
4.1. <u>Audit &amp; Review Fees</u>	25
4.2. <u>Non-Audit Services</u>	25
5. <u>Corporate Governance and Affiliated Companies</u>	26
5.1. <u>Board of Directors &amp; Committees under the Board</u>	26
5.2. <u>Audit Committee</u>	26
5.3. <u>Compensation to Directors</u>	27
5.4. <u>Voting Rights of Shareholders</u>	27
5.5. <u>Share Ownership</u>	27
5.6. <u>Affiliated Companies</u>	28
6. <u>Directors, Senior Management and Employees</u>	29
6.1. <u>Executive Directors</u>	29
6.2. <u>Non-Executive Directors</u>	29
6.3. <u>Senior Management</u>	30
6.4. <u>Employees</u>	30
7. <u>Related Party Transactions</u>	31
7.1. <u>Transactions with the Largest Shareholders or Affiliates</u>	31
7.2. <u>Transactions with related parties other than the Largest Shareholders or Affiliates</u>	32

**Index**

- 1. Summary of Business Report for the fiscal year 2005**
- 2. Exhibit 99.1\_Kookmin Bank Audit Report for the fiscal year 2005**

**Summary of Business Report for the fiscal year 2005**

On March 31, 2006, pursuant to the Securities and Exchange Act of Korea, Kookmin Bank filed its business report for the fiscal year 2005 (the Business Report ) to the Financial Supervisory Commission of Korea and the Korea Exchange. 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.

**1. Introduction to the Bank**

**1.1. Business Purposes**

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

The banking business as prescribed by the Bank Act,

The trust business as prescribed by the Banking Trust Act,

The credit card business as prescribed by the Non-Banking Financing Act, and

Other businesses permitted by the Bank Act or other relevant Korea laws and regulations

**1.2. History**

November 1, 2001

Incorporated and listed on the New York Stock Exchange

November 9, 2001

Listed on the Korea Stock Exchange

September 23, 2002

Integrated IT platforms of old Kookmin Bank and H&CB

December 4, 2002

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

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

September 30, 2003

Completed small-scale merger with Kookmin Credit Card

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December 16, 2003

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

December 19, 2003

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

April 29, 2004

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

July 22, 2004

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

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August 31, 2004

ING Bank N.V. made a contract with KB for the strategic investment in KB Life

October 29, 2004

Appointed Mr. Chung Won Kang as the President & CEO in Extraordinary General Shareholders Meeting

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

December 31, 2004

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

March 02, 2005

Open KB Satellite Broad Casting System for the first time in the world

March 21, 2005

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

June 16, 2005

Disposed 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

July 26, 2005

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

October 14, 2005

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

February 2, 2006

Established Basel II system to calculate credit risk weighted asset and New BIS Capital adequacy ratio for the first time in Korea



### 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.

**1.3.2. Treasury Stock**

The following table shows the acquisition and disposition of our treasury stock as of January 13, 2006. (Units: in thousand of Won unless indicated otherwise)

Date	Transaction	Number of share	Acquisition/ Disposition amount		Average cost per one share (Won)
November 15, 2001	Acquisition of fractional shares in the course of the merger	41,548	1,794,885		43,200
December 24, 2001	Disposition due to exercise of stock option by a grantee	10,000	432,003		43,200
April 3, 2002	Acquisition of fractional shares due to stock dividend	36,089	2,071,557		57,400
May 14, 2002	Disposition pursuant to the Bank Act of Korea	31,548	1,601,944		50,788
July 30 - October 23, 2002	Acquisition pursuant to the Securities and Exchange Act of Korea	3,000,000	147,632,489		49,210
December 24, 2002	Disposition due to exercise of stock option by a grantee	10,000	492,294		49,229
January 15, 2003	Disposition due to exercise of stock option by a grantee	10,000	492,294		49,229
September 4 - 9, 2003	Acquisition pursuant to the Securities and Exchange Act of Korea	650,000	29,094,064		44,760
October 16, 2003	Acquisition of fractional shares due to the Merger with Kookmin Credit Card	5,095	214,254		42,050
4 <sup>th</sup> quarter, 2003	Disposition due to exercise of stock option by grantees	78,322	3,792,977		48,428
December 17, 2003	Acquisition from the sale of Korean government shares of the Bank	27,423,761	1,198,568,158		43,700
December 26, 2003	Disposition due to contribution to ESOP account	1,000,000	44,252,000		44,252
1 <sup>st</sup> quarter, 2004	Disposition due to exercise of stock option by grantees	30,855	1,365,396		44,252
2 <sup>nd</sup> quarter, 2004	Disposition due to exercise of stock option by grantees	55,593	2,460,101		44,252
3 <sup>rd</sup> quarter, 2004	Disposition due to exercise of stock option by grantees	592	26,197		44,252
4 <sup>th</sup> quarter, 2004	Disposition due to exercise of stock option by grantees	48,374	2,140,646		44,252
1 <sup>st</sup> quarter, 2005 <sup>1</sup>	Disposition due to contribution to ESOP account and exercise of stock option by grantees	1,095,038	48,457,622		44,252
2 <sup>nd</sup> quarter, 2005 <sup>2</sup>	Disposition due to domestic over the counter sales and an international issuance of depository receipts and exercise of stock option by grantees	28,473,662	1,260,016,491		44,252
3 <sup>rd</sup> quarter, 2005	Disposition due to exercise of stock option by grantees	42,771	1,892,702		44,252
4 <sup>th</sup> quarter, 2005	Disposition due to exercise of stock option by grantees	51,803	2,292,386		44,252
January 13, 2006	Disposition due to exercise of stock option by grantees	217,935	9,644,060		44,252
<b>Total</b>		-	0	0	

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

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

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1.3.3. Stock Option

The following table is the breakdown of stock options Kookmin Bank has granted to the directors and employees as of December 31, 2005.

(Units: in Won, shares)

Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options <sup>1</sup>	Number of exercised options	Number of exercisable options
			From	To				
28-Feb-00	Jan Op de Beeck	Director&Executive Vice President	01-Mar-03	28-Feb-06	27,600	22,490	0	22,490
28-Feb-00	Sung Chul Kim	Executive Vice President	01-Mar-03	28-Feb-06	27,600	30,000	30,000	0
28-Feb-00	Woo Jung Lee	Executive Vice President	01-Mar-03	28-Feb-06	27,600	30,000	30,000	0
28-Feb-00	Kuk Ju Kwon	Non Executive Director	01-Mar-03	28-Feb-06	27,600	4,800	0	4,800
28-Feb-00	Sun Jin Kim	Non Executive Director	01-Mar-03	28-Feb-06	27,600	7,000	7,000	0
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	1,928	0
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	51,812	15,471
24-Mar-01	Young II 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	3,500	15,833
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	1,916	0
24-Mar-01	Jae Han Kim & 2 others	Employees	25-Mar-04	24-Mar-07	25,100	16,491	14,916	1,575
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	Chief Audit Executive	16-Mar-04	15-Mar-09	28,027	14,807	2,807	12,000
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
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

<sup>1</sup> Some numbers of the granted options have been adjusted due to the merger and the early retirement of the grantees.

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options <sup>1</sup>	Number of exercised options	Number of exercisable options
			From	To				
15-Mar-01	Han Koo Ji & 36 others	Employees	16-Mar-04	15-Mar-09	28,027	39,092	14,324	24,768
16-Nov-01	Jung Tae Kim	President & CEO	17-Nov-04	16-Nov-09	51,200	500,000	0	500,000
16-Nov-01	Sang Hoon Kim	Chairman	17-Nov-04	16-Nov-09	51,200	150,000	0	150,000
22-Mar-02	Choul Ju Lee	Chief Audit Executive	23-Mar-05	22-Mar-10	57,100	9,963	0	9,963
22-Mar-02	Henry Cornell	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,321	0	3,321
22-Mar-02	Keun Shik Oh	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,321	200	3,121
22-Mar-02	Dong Soo Chung	Non Executive Director	23-Mar-05	22-Mar-10	57,100	10,000	0	10,000
22-Mar-02	Ji Hong Kim	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,321	0	3,321
22-Mar-02	Timothy Hartman	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,321	0	3,321
22-Mar-02	Sun Jin Kim	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,000	0	3,000
22-Mar-02	Moon Soul Chung	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,000	0	3,000
22-Mar-02	Kyung Hee Yoon	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,000	0	3,000
22-Mar-02	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
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	2,405	24,000
22-Mar-02	Seong Kyu Lee	Executive Vice President	23-Mar-05	22-Mar-10	57,100	30,000	30,000	0
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	Suk Yong Cha	Non Executive director	22-Mar-06	21-Mar-11	Y <sup>2</sup>	10,000	0	10,000
21-Mar-03	Ki Hong Kim	Non Executive director	22-Mar-06	21-Mar-11	Y <sup>2</sup>	10,000	0	10,000
21-Mar-03	Moon Soul Chung	Non Executive director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Sun Jin Kim	Non Executive director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Richard Elliott Lint	Non Executive director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Kyung Hee Yoon	Non Executive director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Bernard S. Black	Non Executive director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Eun Joo Park	Non Executive director	22-Mar-06	21-Mar-11	42,200	3,351	0	3,351
21-Mar-03	Cheol Soo Ahn	Non Executive director	22-Mar-06	21-Mar-11	42,200	3,351	0	3,351
21-Mar-03	Kyung Bae Suh	Non Executive director	22-Mar-06	21-Mar-11	42,200	3,351	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	129,100	3,330	0	3,330
29-Mar-02	Sun Lee	Former KCC Officer	30-Mar-04	29-Mar-11	129,100	3,330	0	3,330
29-Mar-02	Jang Ok Kim	Former KCC Officer	30-Mar-04	29-Mar-11	129,100	3,330	0	3,330

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

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options <sup>1</sup>	Number of exercised options	Number of exercisable options
			From	To				
09-Feb-04	Young II 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	48,500	5,000	0	5,000
23-Mar-04	Woon Youl Choi	Non Executive Director	24-Mar-07	23-Mar-12	48,800	5,000	0	5,000
23-Mar-04	Wang Ha Cho	Non Executive Director	24-Mar-07	23-Mar-12	48,800	5,000	0	5,000
23-Mar-04	Young Soon Cheon	Non Executive Director	24-Mar-07	23-Mar-12	48,500	5,000	0	5,000
23-Mar-04	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 <sub>3</sub>	700,000	0	700,000
18-Mar-05	Hyung Duk Chang	Chief Audit Executive	19-Mar-08	18-Mar-13	X <sub>4</sub>	30,000	0	30,000
18-Mar-05	Kap Shin	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Dong Won Kim	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Yun Keun Jung	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	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	Jeong Min Kim	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000

<sup>3</sup> Exercise price = 37,600 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.

<sup>4</sup> Exercise price = 46,800 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.

date) / KOSPI Banking Industry Index as of the grant date.

Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number	Number	Number of exercisable options
			From	To		of granted options <sup>1</sup>	of exercised options	
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 <sub>5</sub>	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
<b>Total</b>						<b>3,533,588</b>	<b>271,991</b>	<b>3,261,597</b>

<sup>5</sup> Exercise price = 46,800 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.

The number of stock options granted on February 9, 2004 and March 23, 2004 are the stock options granted over 1 year.

The number of stock options granted on November 11, 2004, March 18, 2005, July 22, 2005 and August 23, 2005 are the stock options granted over 3 years.

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

	Beginning balance (January 1, 2005)	Increase	Decrease	Ending Balance (December 31, 2005)	Remarks
<b>Registered common stock</b>	1,944,211	1,562,906	638,611	2,868,506	
<b>Total</b>	1,944,211	1,562,906	638,611	2,868,506	

**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 2005, and shareholders of Kookmin Bank approved of the dividend payout for the year at the general shareholders meeting held on March 24, 2006.

(Units: in millions of Won unless indicated otherwise)

	2005	2004	2003
<b>Net (loss) income for the period</b>	2,252,218	360,454	(930,356)
<b>Diluted (loss) earnings per share (Won)</b>	6,977 <sup>2</sup>	1,176	(2,854)
<b>Total dividend amount</b>	184,889	168,574	
<b>Dividend payout ratio (%)</b>	8.21 <sup>3</sup>	46.77	
<b>Cash dividend per common share (Won)</b>	550	550	
<b>Stock dividend per common share (%)</b>			
<b>Dividend per preferred share (Won)</b>			
<b>Dividend yield ratio (%)</b>	0.72 <sup>4</sup>	1.42	

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

<sup>2</sup> Earnings per share = net income (2,252,218,097,725 Won) / weighted average number of shares (322,785,751 shares).

<sup>3</sup> Dividend payout ratio = total dividend amount for common shares (184,888,649,550 Won) / net income (2,252,218,097,725 Won).

<sup>4</sup> Dividend yield ratio = dividend per share (550 Won) / average closing price for a week based on business day prior to market closing date of December 31, 2005 (76,000 Won).



## 2. Business

## 2.1. Sources and Uses of Fund

## 2.1.1. Sources of Fund

		December 31, 2005		December 31, 2004		December 31, 2003	
		Interest		Interest			
(Unit: in millions of Won)		Average	rate	Average	rate	Average	Interest
		balance	(%)	balance	(%)	balance	rate (%)
<b>Won currency</b>	<b>Deposits</b>	<b>114,394,983</b>	<b>2.82</b>	<b>118,017,849</b>	<b>3.29</b>	<b>117,045,837</b>	<b>3.69</b>
	Certificate of deposit	5,008,378	3.69	6,108,179	4.06	4,068,327	4.45
	<b>Borrowings</b>	<b>2,674,268</b>	<b>3.02</b>	<b>3,053,890</b>	<b>3.43</b>	<b>3,625,926</b>	<b>3.89</b>
	Call money	931,968	3.24	1,117,576	3.55	1,315,639	3.93
	Other	24,315,388	5.08	23,376,439	5.61	23,311,299	5.91
<b>Subtotal</b>	<b>147,324,985</b>	<b>3.23</b>	<b>151,673,933</b>	<b>3.68</b>	<b>149,367,028</b>	<b>4.06</b>	
<b>Foreign currency</b>	<b>Deposits</b>	<b>1,473,811</b>	<b>1.61</b>	<b>1,777,402</b>	<b>0.61</b>	<b>1,276,952</b>	<b>0.84</b>
	Borrowings	3,231,480	2.06	2,796,300	0.94	3,462,883	1.01
	Call money	285,573	3.48	145,809	1.43	150,609	1.07
	Finance debentures issued	765,723	4.09	824,745	2.28	773,840	2.11
	Other	52,592		40,383		26,491	
<b>Subtotal</b>	<b>5,809,179</b>	<b>2.26</b>	<b>5,584,639</b>	<b>1.04</b>	<b>5,690,775</b>	<b>1.12</b>	
<b>Other</b>	<b>Total Shareholders Equity</b>	<b>11,369,246</b>		<b>9,284,477</b>		<b>12,053,112</b>	
	Allowances	677,036		459,124		98,422	
	Other	12,041,392		12,773,040		9,509,287	
<b>Subtotal</b>	<b>24,087,674</b>		<b>22,516,641</b>		<b>21,660,821</b>		
<b>Total</b>	<b>177,221,838</b>	<b>2.76</b>	<b>179,775,213</b>	<b>3.14</b>	<b>176,718,624</b>	<b>3.47</b>	

## 2.1.2. Uses of Fund

		December 31, 2005		December 31, 2004		December 31, 2003	
		Average	Interest	Average	Interest	Average	Interest
(Unit: in millions of Won)		balance	rate	balance	rate	balance	rate
			(%)		(%)		(%)
<b>Won</b>	<b>Due from banks</b>	<b>304,662</b>	<b>2.97</b>	<b>184,593</b>	<b>0.83</b>	<b>165,358</b>	<b>1.37</b>
<b>currency</b>	<b>Securities</b>	<b>27,676,964</b>	<b>4.58</b>	<b>23,930,678</b>	<b>5.14</b>	<b>30,069,922</b>	<b>6.58</b>
	<b>Loans</b>	<b>120,539,476</b>	<b>6.24</b>	<b>125,504,672</b>	<b>6.64</b>	<b>121,725,298</b>	<b>7.10</b>
	<b>Advances for customers</b>	<b>23,947</b>	<b>8.64</b>	<b>71,213</b>	<b>2.01</b>	<b>96,547</b>	<b>5.79</b>
	<b>Call loan</b>	<b>1,473,725</b>	<b>3.43</b>	<b>1,661,772</b>	<b>3.78</b>	<b>685,953</b>	<b>3.92</b>
	<b>Private placement corporate bonds</b>	<b>1,887,514</b>	<b>6.95</b>	<b>1,322,470</b>	<b>6.58</b>	<b>1,287,623</b>	<b>10.26</b>
	<b>Credit card accounts</b>	<b>7,321,906</b>	<b>27.46</b>	<b>9,581,330</b>	<b>26.80</b>	<b>6,698,954</b>	<b>22.73</b>
	<b>Other</b>	<b>267,061</b>		<b>172,783</b>		<b>298,858</b>	
	<b>Allowance for credit losses ( - )</b>	<b>3,034,841</b>		<b>3,844,940</b>		<b>1,823,976</b>	
<b>Subtotal</b>		<b>156,460,414</b>	<b>7.08</b>	<b>158,584,571</b>	<b>7.81</b>	<b>159,204,537</b>	<b>7.79</b>
<b>Foreign</b>	<b>Due from banks</b>	<b>598,015</b>	<b>2.88</b>	<b>632,526</b>	<b>1.34</b>	<b>612,862</b>	<b>1.33</b>
<b>currency</b>	<b>Securities</b>	<b>858,565</b>	<b>6.15</b>	<b>1,208,124</b>	<b>3.88</b>	<b>1,269,538</b>	<b>5.23</b>
	<b>Loans</b>	<b>4,745,013</b>	<b>2.97</b>	<b>4,011,351</b>	<b>2.73</b>	<b>4,160,185</b>	<b>2.35</b>
	<b>Call loan</b>	<b>132,210</b>	<b>3.24</b>	<b>114,606</b>	<b>1.63</b>	<b>84,803</b>	<b>1.28</b>
	<b>Bills bought</b>	<b>1,037,144</b>	<b>4.64</b>	<b>568,502</b>	<b>4.07</b>	<b>608,274</b>	<b>4.14</b>
	<b>Other</b>	<b>2,209</b>		<b>4,812</b>		<b>12,391</b>	<b>26.32</b>
	<b>Allowance for credit losses ( - )</b>	<b>64,209</b>		<b>94,501</b>		<b>132,105</b>	
<b>Subtotal</b>		<b>7,308,866</b>	<b>3.68</b>	<b>6,445,420</b>	<b>3.03</b>	<b>6,615,948</b>	<b>3.05</b>
<b>Other</b>	<b>Cash</b>	<b>956,471</b>		<b>965,852</b>		<b>968,815</b>	
	<b>Fixed assets held for business</b>	<b>2,508,879</b>		<b>3,084,589</b>		<b>3,210,463</b>	
	<b>Other</b>	<b>9,987,209</b>		<b>10,694,781</b>		<b>6,718,861</b>	
<b>Subtotal</b>		<b>13,452,558</b>		<b>14,745,222</b>		<b>10,898,139</b>	
<b>Total</b>		<b>177,221,838</b>	<b>6.40</b>	<b>179,775,213</b>	<b>7.00</b>	<b>176,718,624</b>	<b>7.14</b>

## 2.1.3. Fee Transactions

(Unit: in millions of Won)

		December 31, 2005	December 31, 2004	December 31, 2003
<b>Fee Revenue (A)</b>				
<b>Won currency</b>	<b>Guarantees</b>	5,336	4,957	4,727
	<b>Commissions received</b>	804,934	776,852	638,380
	<b>Credit card</b>	66,484	64,724	128,270
	<b>NHF</b>	179,540	160,874	174,910
<b>Foreign currency</b>	<b>Guarantees</b>	4,227	2,593	3,310
	<b>Others</b>	78,715	75,016	65,010
<b>Subtotal</b>		<b>1,139,236</b>	<b>1,085,016</b>	<b>1,014,607</b>
<b>Fee Expense (B)</b>				
<b>Won &amp; foreign currency</b>	<b>Commissions paid in Won</b>	119,539	98,392	80,499
	<b>Credit card</b>	210,315	352,194	181,622
	<b>Others</b>	22,692	20,169	24,383
<b>Subtotal</b>		<b>352,546</b>	<b>470,755</b>	<b>286,504</b>
<b>Fee Income (A-B)</b>		<b>786,690</b>	<b>614,261</b>	<b>728,103</b>

## 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)

		December 31, 2005		December 31, 2004		December 31, 2003	
		Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
<b>Deposits in Won</b>	<b>Demand deposits</b>	14,985,812	17,946,067	12,994,946	14,338,784	12,192,971	14,110,288
	<b>Time &amp; savings deposits</b>	92,463,027	91,863,790	96,637,551	94,723,601	96,668,084	97,616,747
	<b>Mutual installment deposits</b>	5,674,807	5,120,668	6,682,928	6,306,923	6,958,043	7,054,753
	<b>Mutual installment for housing</b>	4,942,334	4,582,031	5,453,713	5,295,274	5,161,535	5,423,853
	<b>Certificates of deposits</b>	5,008,378	5,389,543	6,108,179	4,911,891	4,068,327	6,499,258
<b>Subtotal</b>		<b>123,074,358</b>	<b>124,902,099</b>	<b>127,877,317</b>	<b>125,576,473</b>	<b>125,048,960</b>	<b>130,704,899</b>
<b>Deposits in foreign currency</b>		<b>1,473,811</b>	<b>1,379,133</b>	<b>1,769,828</b>	<b>1,434,061</b>	<b>1,276,952</b>	<b>1,475,373</b>
<b>Trust deposits</b>	<b>Money trust</b>	7,114,352	7,405,675	7,701,447	7,028,835	13,064,749	10,278,357
	<b>Property trust</b>	11,032,320	9,854,012	16,297,382	12,534,329	24,512,746	21,453,761
<b>Subtotal</b>		<b>18,146,672</b>	<b>17,259,687</b>	<b>23,998,829</b>	<b>19,563,164</b>	<b>37,577,495</b>	<b>31,732,118</b>
<b>Total</b>		<b>142,694,841</b>	<b>143,540,919</b>	<b>153,645,974</b>	<b>146,573,698</b>	<b>163,903,407</b>	<b>163,912,390</b>

### 2.2.2. Average Deposit per Domestic Branch

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

(Unit: in millions of Won)

	December 31, 2005	December 31, 2004	December 31, 2003
<b>Deposits</b>	<b>123,532</b>	<b>123,945</b>	<b>119,593</b>
<b>Deposits in Won</b>	<b>122,358</b>	<b>122,585</b>	<b>118,756</b>

**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)

	December 31, 2005	December 31, 2004	December 31, 2003
Deposits	7,725	7,232	7,487
Deposits in Won	7,652	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)

	December 31, 2005		December 31, 2004		December 31, 2003	
	Average	Ending	Average	Ending	Average	Ending
	balance	balance	balance	balance	balance	balance
Loans in Won	120,532,216	118,565,341	125,496,237	122,721,898	121,705,493	123,715,244
Loans in foreign currency	4,745,013	5,314,883	4,011,351	3,860,828	4,160,185	4,019,929
Advances to customers	23,947	11,321	73,801	32,120	107,091	89,665
Subtotal	125,301,176	123,891,545	129,581,389	126,614,846	125,972,769	127,824,838
Trust account loans	334,404	328,127	429,054	361,906	531,500	489,788
Total	125,635,580	124,219,672	130,010,443	126,976,752	126,504,269	128,314,626

**2.2.5. Loan Balances as of December 31, 2005 by Maturity**

(Unit: in millions of Won)

	1 year & Less	More than 1 year- 3 years	More than 3 years- 5 years	More than 5 years	Total
Loans in Won	65,815,706	23,920,419	9,568,859	19,260,357	118,565,341
Loans in foreign currency	4,144,673	564,587	311,578	294,045	5,314,883

**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)

		December 31, 2005	December 31, 2004	December 31, 2003
<b>Loans to enterprise</b>	<b>Loans for operations</b>	30,498,328	31,678,117	35,351,506
	<b>Loans for facility</b>	5,073,050	6,286,747	6,631,703
<b>Loans to households</b>		42,771,264	42,790,337	42,884,305
<b>Loans to public sector &amp; others</b>	<b>Loans for operations</b>	643,141	673,456	526,227
	<b>Loans for facility</b>	34,157	40,383	42,473
<b>Loans on property formation savings</b>		6,748	9,719	62,963
<b>Loans for housing</b>		39,535,441	41,234,086	38,199,290
<b>Inter-bank loans</b>		1,274	6,114	12,815
<b>Others</b>		1,938	2,939	3,962
<b>Total</b>		118,565,341	122,721,898	123,715,244

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

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

(Units: in millions of Won, %)

	December 31, 2005	December 31, 2004	December 31, 2003
<b>Loans (A)</b>	120,532,216	125,496,237	121,705,493
<b>Deposits (B)</b>	123,074,358	127,877,317	125,048,960
<b>Loan to deposit ratio (A/B)</b>	97.93	98.14	97.33

**2.2.8. Acceptances and Guarantees**

(Unit: in millions of Won)

	December 31, 2005	December 31, 2004	December 31, 2003
<b>Determined</b>	1,789,560	975,788	800,297
<b>Contingent</b>	1,972,192	1,311,774	1,281,518
<b>Total</b>	3,761,752	2,287,562	2,081,815

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

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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 Won)

	December 31, 2005		December 31, 2004		December 31, 2003	
	Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
<b>Securities in Won (Banking account)</b>						
Monetary stabilization bonds	10,667,229	11,570,306	7,150,535	10,524,835	4,343,978	5,540,598
Government and public bonds	6,950,886	8,933,401	4,753,135	4,675,093	5,630,422	5,885,595
Debentures	7,334,555	9,184,403	7,013,765	6,152,749	12,315,840	8,936,220
Stocks	1,243,781	1,707,816	1,003,131	1,282,050	1,380,254	877,013
Others	3,368,027	2,105,353	5,332,583	5,583,539	7,687,052	6,106,021
<b>Subtotal</b>	<b>29,564,478</b>	<b>33,501,279</b>	<b>25,253,149</b>	<b>28,218,266</b>	<b>31,357,546</b>	<b>27,345,447</b>
<b>Securities in Won (Trust account)</b>						
Monetary stabilization bonds	999,522	981,949	1,222,004	1,152,621	984,380	878,077
Government and public bonds	993,450	1,013,355	922,790	837,080	1,182,165	1,252,419
Debentures	1,979,588	2,017,298	2,363,630	2,312,459	5,876,064	4,080,362
Stocks	514,568	542,731	564,538	510,650	763,277	592,379
Others	2,745,143	3,311,235	2,101,832	2,324,393	3,208,160	2,106,262
<b>Securities in foreign currency (Trust Account)</b>	<b>289,665</b>	<b>184,115</b>	<b>662,549</b>	<b>449,415</b>	<b>868,819</b>	<b>767,675</b>
<b>Subtotal</b>	<b>7,521,936</b>	<b>8,050,683</b>	<b>7,837,343</b>	<b>7,586,618</b>	<b>12,882,865</b>	<b>9,677,174</b>
<b>Securities in foreign currency (Banking account)</b>						
Foreign securities	579,561	525,892	894,722	745,352	999,806	1,072,483
Off-shore foreign securities	279,003	252,994	313,402	205,455	269,732	277,663
<b>Subtotal</b>	<b>858,564</b>	<b>778,886</b>	<b>1,208,124</b>	<b>950,807</b>	<b>1,269,538</b>	<b>1,350,146</b>
<b>Total</b>	<b>37,944,978</b>	<b>42,546,746</b>	<b>34,298,616</b>	<b>36,755,691</b>	<b>45,509,949</b>	<b>38,372,767</b>

2.2.10. Trust Account

(Unit: in millions of Won)

	December 31, 2005		December 31, 2004		December 31, 2003	
	Average amount trusted	Trust fees	Average amount trusted	Trust fees	Average amount trusted	Trust fees
<b>Return-guaranteed trust</b>	<b>335</b>	<b>43,088</b>	<b>369</b>	<b>8,365</b>	<b>559</b>	<b>45,682</b>
<b>Performance trust</b>	<b>18,146,337</b>	<b>77,756</b>	<b>23,998,460</b>	<b>93,856</b>	<b>37,576,936</b>	<b>186,851</b>
<b>Total</b>	<b>18,146,672</b>	<b>120,844</b>	<b>23,998,829</b>	<b>102,221</b>	<b>37,577,495</b>	<b>232,533</b>





**2.2.11. Credit Card**

(Unit: in millions of Won unless indicated otherwise)

		As of or for the years ended of indicated dates		
		December 31, 2005	December 31, 2004	December 31, 2003
Number of card holders (Person)	Corporate	159,047	182,109	147,813
	Individual	9,342,552	11,362,173	10,990,703
Number of merchants		1,506,979	1,491,730	1,528,872
Sales volume <sup>1</sup>		62,475,085	66,918,805	92,643,700
Fee revenue		2,085,866	2,807,557	4,013,938

**2.3. Branch Networks**

As of December 31, 2005, we have 1,051 branches and 47 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.

<sup>1</sup> Includes lump-sum & installment purchase, cash advances & check card

2.4. Other Information for Investment Decision

2.4.1. BIS Risk-adjusted Capital Ratios

(Units: in millions of Won, %)

	December 31, 2005	December 31, 2004	December 31, 2003
Risk-adjusted capital (A)	15,682,535	13,334,531	12,499,543
Risk-weighted assets (B)	121,072,676	121,081,735	127,370,180
BIS ratios (A/B)	12.95	11.01	9.81

2.4.2. Non-Performing Loans<sup>1</sup>

(Units: in millions of Won unless indicated otherwise)

December 31, 2005		December 31, 2004		Change	
Amount	NPL to total loans	Amount	NPL to total loans	Amount	NPL to total loans
1,946,362	1.42%	3,207,190	2.35%	-1,260,828	-0.93%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)

	December 31, 2005	December 31, 2004	December 31, 2003	
<b>Loan losses allowance</b>	<b>Loans in Won</b>	<b>2,496,655</b>	<b>3,181,433</b>	<b>3,946,059</b>
	<b>Loans in foreign currencies</b>	<b>4,122</b>	<b>4,662</b>	<b>2,677</b>
	<b>Total</b>	<b>2,500,777</b>	<b>3,186,095</b>	<b>3,948,736</b>
<b>Provision for loan losses</b>	<b>2,014,834</b>	<b>3,382,130</b>	<b>1,161,857</b>	

<sup>1</sup> 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.

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

(Unit: in millions of Won)

	December 31, 2005 <sup>1</sup>	December 31, 2004 <sup>2</sup>	December 31, 2003 <sup>3</sup>
<b>Beginning balance</b>	<b>3,186,095</b>	<b>3,948,736</b>	<b>2,420,410</b>
<b>Net Write-Off</b>	<b>(1,738,406)</b>	<b>(3,830,889)</b>	<b>92,314</b>
<b>Write-Off</b>	<b>(2,014,834)</b>	<b>(3,382,130)</b>	<b>(1,161,857)</b>
<b>Recovery</b>	<b>452,959</b>	<b>286,464</b>	<b>270,422</b>
<b>Other</b>	<b>(176,531)</b>	<b>(725,223)</b>	<b>983,749</b>
<b>Provision for loan losses</b>	<b>1,053,088</b>	<b>3,068,248</b>	<b>1,436,012</b>
<b>Ending balance</b>	<b>2,500,777</b>	<b>3,186,095</b>	<b>3,948,736</b>

<sup>1</sup> Includes present value discounts and allowance for other assets amounting to 20,015 million Won and 47,502 million Won, respectively as of December 31, 2005

<sup>2</sup> Includes present value discounts and allowances for other assets amounting to 22,111 million Won and 67,320 million Won, respectively that had been recorded as of December 31, 2004

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

### 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	
	December 31, 2005	December 31, 2004 <sup>1</sup>
Cash and due from banks	5,867,417	5,139,604
Securities	30,550,229	27,965,441
Loans	135,738,407	135,769,326
Fixed assets	2,436,702	2,633,218
Other assets	5,000,824	8,133,541
Total assets	179,593,649	179,641,130
Deposits	126,281,232	127,010,534
Borrowings	13,737,336	9,634,296
Debentures	16,547,987	21,874,695
Other liabilities	10,653,494	11,943,063
Total liabilities	167,220,049	170,462,588
Capital stocks	1,681,896	1,681,896
Capital surplus	6,254,786	6,230,738
Retained earnings	3,929,948	1,846,895
Capital adjustments	506,970	(580,987)
Total shareholders equity	12,373,600	9,178,542
Liabilities and Shareholders Equity	179,593,649	179,641,130
Operating revenue	17,855,258	20,518,018
Operating income	3,015,822	1,726,218
Continuing (loss) income before income taxes	3,228,253	629,911
Net (loss) income	2,252,218	360,454

#### 3.2. Other Financial Information

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

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

**4. Independent Accountant Fees and Services**

**4.1. Audit & Review Fees**

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

**4.2. Non-Audit Services**

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

(Units: in millions of Won unless indicated otherwise)

Year	Service description	Amount of payment
<b>2005</b>	- LOC (Letter of Comfort)	30
<b>2004</b>	- Refinancing	230
	- 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
<b>2003</b>	- US GAAP conversion for 2003	USD 3,950 thousand
	- 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

## 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:

Matters relating to business objectives and performance evaluation;

Matters relating to amendments of the Articles of Incorporation;

Matters relating to budget and accounting including salaries of directors and employees;

Matters relating to major organizational changes such as dissolution, business transfer and merger;

Matters relating to internal control standards; or

Other matters determined by law and the board of directors regulations.

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

The Board Steering Committee;

The Management Strategy Committee;

The Risk Management Committee;

The Audit Committee;

The Evaluation & Compensation Committee; and

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 the list of our directors, see 6. Directors, Senior Management and Employees / 6.1. Executive Directors and 6.2. Non-Executive Directors.

### 5.2. Audit Committee

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

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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.

**5.3. Compensation to Directors**

The following table shows information regarding the remuneration paid to the Directors in 2005.

(Units: in millions of Won)

	The aggregate remuneration paid (From Jan to Dec)	Limit for the remuneration resolved by shareholders meeting	Average amount of the payment per person (From Jan to Dec)
<b>1) Executive Directors (Except chief audit executive and non-executive directors)</b>	1,772		590
<b>2) Non Executive Directors (Except members of audit committee)</b>	363	8,000	62
<b>3) Members of Audit Committee</b>	552		106
<b>Total</b>	<b>2,687</b>	<b>8,000</b>	<b>192</b>

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

**5.4. Voting Rights of Shareholders**

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

**5.5. Share Ownership**

The following table presents information regarding the selected major ownership of our shares as of December 31, 2005.

(Unit: Shares, %)

Name	Number of Shares of Common Stock	Percentage of Total Issued Shares
<b>The Bank of New York<sup>1</sup></b>	<b>51,175,814</b>	<b>15.21</b>
<b>Euro-Pacific Growth Fund</b>	<b>16,659,610</b>	<b>4.95</b>

<sup>1</sup> Depository of ADRs



**5.6. Affiliated Companies****5.6.1. List of Affiliates<sup>1</sup>**

As of December 31, 2005, we have following affiliates.

KB Investment Co., Ltd.

KB Asset Management Co., Ltd.

KB Real Estate Trust Co., Ltd.

KB Credit Information Co., Ltd.

KB Data Systems Corporation

KB Futures Co., Ltd.

KB Life Co., Ltd.

ING Life Korea Ltd.

Kookmin Bank International (London) Ltd.

Kookmin Hong Kong Ltd.

Sorak Financial Holdings

**5.6.2. Operating Results of Affiliates**

(Unit: in millions of Won)

Company name	Closing date	Operating results				
		Total Assets	Total Liabilities	Total Equities	Sales	Net Income
KB Investment	December 31, 2005	88,090	2,639	85,451	19,724	7,649
KB Asset Management <sup>2</sup>	March 31, 2006	69,929	6,372	63,557	31,948	13,881
KB Real Estate Trust	December 31, 2005	188,998	108,022	80,976	56,444	22,905
KB Credit Information	December 31, 2005	39,966	11,260	28,706	77,723	8,246

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<b>KB Data Systems Corp.</b>	<b>December 31, 2005</b>	<b>24,615</b>	<b>6,888</b>	<b>17,727</b>	<b>46,817</b>	<b>2,533</b>
<b>KB Futures<sup>2</sup></b>	<b>March 31, 2006</b>	<b>37,358</b>	<b>10,740</b>	<b>26,618</b>	<b>8,638</b>	<b>1,199</b>
<b>ING Life Korea<sup>2</sup></b>	<b>March 31, 2006</b>	<b>5,624,538</b>	<b>5,174,566</b>	<b>449,972</b>	<b>2,637,377</b>	<b>145,773</b>
<b>KB Life Co.,Ltd.<sup>2</sup></b>	<b>March 31, 2006</b>	<b>183,793</b>	<b>157,843</b>	<b>25,950</b>	<b>94,267</b>	<b>(4,245)</b>
<b>Kookmin Bank International (London)</b>	<b>December 31, 2005</b>	<b>345,126</b>	<b>294,604</b>	<b>50,522</b>	<b>14,322</b>	<b>2,213</b>
<b>Kookmin Hong Kong Ltd.</b>	<b>December 31, 2005</b>	<b>380,132</b>	<b>310,225</b>	<b>69,907</b>	<b>19,598</b>	<b>7,339</b>
<b>Sorak Financial Holdings</b>	<b>December 31, 2005</b>	<b>302,508</b>	<b>11,575</b>	<b>290,933</b>	<b>14,949</b>	<b>1,805</b>

<sup>1</sup> Excluding Jooeun 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 2004. Kookmin Singapore Ltd. and Kookmin Finance Asia Limited have been under liquidation procedures.

<sup>2</sup> Operating results based on March 31, 2005

**6. Directors, Senior Management and Employees**

As of March 31, 2006, 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<sup>1</sup>**

Our 4 executive directors consist of the President & CEO, Chief Audit Executive, Chief Executive Vice President and Senior Executive Vice President.

The names and positions of our directors with Kookmin Bank's common stocks owned are set forth below as of March 31, 2006.

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

**6.2. Non-Executive Directors<sup>2</sup>**

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 March 31, 2005, 9 non-executive directors are in office.

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

Name	Date of Birth	Position	Common Stocks Owned
Dong Soo Chung	09/24/1945	Non-Executive Director	1,750
Nobuya Takasugi	09/03/1942	Non-Executive Director	
Kee Young Chung	09/07/1948	Non-Executive Director	
Doo Hwan Song	05/29/1949	Non-Executive Director	
Chang Kyu Lee	05/20/1950	Non-Executive Director	
Dam Cho	08/01/1952	Non-Executive Director	
Bo Kyung Byun	08/09/1953	Non-Executive Director	
Baek In Cha	05/20/1950	Non-Executive Director	
Young Soon Cheon	02/01/1961	Non-Executive Director	1,730

<sup>1</sup> On March 24, 2006, Ki Hong Kim was newly appointed as an executive director at the general shareholders' meeting. Also, Donald H. MacKenzie resigned due to the completion of his term of office.

<sup>2</sup> On March 24, 2006, Hoon Namkoong & Suk Yong Cha resigned due to the completion of their terms of office and Baek In Cha, Kee Young Chung & Bo Kyung Byun were newly appointed as non-executive directors.

**6.3. Senior Management<sup>1</sup>**

In addition to the executive directors who are also our executive officers, we currently have the following 13 executive officers as of March 31, 2006.

Name	Date of Birth	Position	Common Shares Owned
Nam Sik Yang	05/08/1954	Senior Executive Vice President	582
Won Sik Yeo	01/30/1953	Senior Executive Vice President	
Dal Soo Lee	02/15/1952	Senior Executive Vice President	
Yong Kook Oh	09/30/1949	Senior Executive Vice President	
Hyo Sung Won	07/29/1960	Senior Executive Vice President	
De Oak Shin	01/09/1951	Senior Executive Vice President	8,618
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	
Jeong Min Kim	05/08/1951	Senior Executive Vice President	94
Donald H. MacKenzie	12/20/1948	Senior Executive Vice President	
Kap Joe Song	07/20/1947	Senior Executive Vice President	
Dong Won Kim	03/01/1953	Senior Executive Vice President	

**6.4. Employees**

The following table shows the breakdown of our employees as of December 31, 2005.

(Unit: in millions of Won)

	Number of Employees <sup>2</sup>			Average Tenure of the Full-time Employees (years) <sup>3</sup>	Total Payment for the fiscal year 2005 <sup>4</sup>	Average Monthly Payment per Person
	Full-time	Contractual	Total			
Male	12,809	1,236	14,045	16.9	1,082,146	6.4
Female	4,232	6,310	10,542	14.1	512,143	4.0
<b>Total</b>	<b>17,041</b>	<b>7,546</b>	<b>24,587</b>	<b>16.1</b>	<b>1,594,289</b>	<b>5.4</b>

<sup>1</sup> On January 31, 2006, Yun Keun Jung, Sang Jin Lee, Ahn Sook Koo, Jun Bo Cho resigned due to the completion of their terms of office.

<sup>2</sup> Number of employees are calculated based on an arithmetic mean from January 31, 2005 to December 31, 2005 and local employees in overseas branches are excluded

<sup>3</sup> Only based on full-time employees as of December 31, 2005

<sup>4</sup> Based on personnel expense and welfare cost as of December 31, 2005

**7. Related Party Transactions**

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

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

(Unit: in millions of Won)

Name	Relation with the Bank	Account	Beginning Balance (January 1, 2005)	Increase	Decrease	Ending Balance (December 31, 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	Affiliate	Equity Securities of Affiliate	30,000		14,700	15,300
ING Life Korea	Affiliate	Equity Securities of Affiliate	14,000			14,000
Kookmin Hong Kong Ltd.	Affiliate	Equity Securities of Affiliate	20,876		116	20,760
Kookmin Bank International (London) Ltd.	Affiliate	Equity Securities of Affiliate	40,180		3,688	36,492
<b>Total</b>			<b>294,295</b>	<b>427</b>	<b>18,504</b>	<b>276,218</b>

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

## 7.2. Transactions with related parties 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 (December 31, 2005)	Increase / (Decrease) for the period
Kyung Namkoong	Related party of Non-executive director, Hoon Namkoong	Housing loans	170	255	85
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 Chief 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	30	30

**Total** **315** **50,475** **50,160**

**7.2.2. Securities Transactions**

(Units: in millions of Won unless indicated otherwise)

Name	Relation	Bank	Account	Transactions			Gains / Losses
				Purchase	Disposal	Volume	
DSME Co.	Related party of		Equity securities	6,587	9,667	16,254	925
	Non-executive director, Dong Soo Chung						
Samsung Electro-Mechanics	Related party of		Equity securities	7,332	5,199	12,531	(32)
	Non-executive director,						
	Hoon Namkoong						
<b>Total</b>				<b>13,919</b>	<b>14,866</b>	<b>28,785</b>	<b>893</b>

KOOKMIN BANK AND ITS SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
AND INDEPENDENT AUDITORS' REPORT



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**Independent Auditors Report**

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of

Kookmin Bank:

We have audited the accompanying consolidated balance sheet of Kookmin Bank(the Bank ) and its subsidiaries as of December 31, 2005, and the related consolidated statements of income, changes in shareholders equity and cash flows for the year ended December 31, 2005, all expressed in Korean Won. These consolidated financial statements are the responsibility of the Bank s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of certain trust accounts whose principal or fixed rate of return is guaranteed by the Bank, KB Investment Co., Ltd., KB Data System Co., Ltd., KB Credit Information, NPC02-4 Kookmin Venture Fund and Kookmin Bank Int l Ltd., which statements reflect total assets constituting 2.11 percent of consolidated total assets as of December 31, 2005 and total revenues constituting 1.63 percent of consolidated total revenues for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of such other auditors. The consolidated financial statements as of December 31, 2004, which are presented for comparative purposes, were audited by other auditors, and in their report dated February 18, 2005, they expressed an unqualified opinion on those consolidated financial statements. As explained in Note 3, the consolidated financial statements for the year ended December 31, 2004 presented for comparative purpose were restated to reflect the changes in accounting principles made in 2005.

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

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank and its subsidiaries as of December 31, 2005 and the results of their operations, changes in their shareholders equity and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw attention to the following:

As explained in Note 3 to the consolidated financial statements, the Bank recorded individual assets and liabilities comprised in private beneficiary certificates in their respective bank accounts, and net operating results from the private beneficiary certificates were recorded as one line item of income or loss from beneficiary certificates in the income statements by the end of 2004. However, in accordance with the new interpretation on the accounting of private beneficiary certificates 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. As a result of the change of accounting principle, 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. Moreover, total assets and total liabilities increased by (Won)27,486 million, capital adjustments decreased by (Won)101,676 million as of December 31, 2005, and net income for the year then ended increased by (Won)101,676 million due to the above accounting change.

As explained in Notes 3, 14, and 16 to the consolidated financial statements, until 2004, the Bank provided allowance for possible losses on confirmed acceptances and guarantees, which were classified as substandard or less than substandard. However, pursuant to the amended Supervisory Regulation of Banking Business, the Bank has extended the scope of allowance for possible losses on acceptances and guarantees to note endorsed, unconfirmed acceptances and guarantees, and confirmed acceptances and guarantees classified as normal and precautionary, and provided allowance for possible losses based on the credit classification and minimum rate of loss provision prescribed by Financial Supervisory Service and the cash conversion factor of the respective exposures as of December 31, 2005. In connection with the amendment of Supervisory Regulation of Banking Business, the Bank has also extended the scope of other allowance for the unused line of credit from the unused cash advance facility of active credit card accounts with transaction records during the recent one year to the unused credit limit for purchase of credit card and unused credit line of consumer and corporate loans, and provided other allowance based on the cash conversion factor and minimum rate of loss provision prescribed by Financial Supervisory Service as of December 31, 2005. Due to these changes, allowance for acceptances and guarantees and other allowances increased by (Won)7,645 million and (Won)296,469 million as of December 31, 2005, respectively, and net income for the year then ended decreased by (Won)220,483 million.

As explained in Note 2 to the consolidated financial statements, the Pacific IT Investment Partnership was deconsolidated since it went into the process of liquidation during the current year.

Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in 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 audit 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 auditing standards and their application in practice.

February 24, 2006

/s/ Deloitte Anjin LLC

Notice to Readers

This report is effective as of February 24, 2006, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

## KOOKMIN BANK AND ITS SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2005 AND 2004

	Korean Won (Restated)	
	2005	2004
	(In millions)	
<b>ASSETS</b>		
Cash and due from banks (Notes 4 and 20)	(Won) 5,942,996	(Won) 5,213,063
Securities (Notes 5 and 20)	33,479,132	30,669,919
Loans (Notes 6, 7 and 20)	135,821,846	135,837,704
Fixed assets (Note 8)	2,441,612	2,637,118
Other assets (Note 9)	5,217,136	8,331,123
	(Won) 182,902,722	(Won) 182,688,927
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Deposits (Notes 10 and 20)	(Won) 129,615,589	(Won) 130,133,873
Borrowings (Notes 11 and 20)	13,328,397	9,359,595
Debentures (Notes 12 and 20)	16,547,987	21,874,695
Other liabilities (Notes 13, 14, 15 and 16)	10,960,517	12,059,563
	170,452,490	173,427,726
<b>SHAREHOLDERS' EQUITY (Notes 17 and 18):</b>		
Common stock	1,681,896	1,681,896
Capital surplus	6,269,599	6,238,284
Retained earnings		
(Net income of (Won)2,241,055 million for the year ended December 31, 2005 and (Won)355,936 million for the year ended December 31, 2004)	3,967,535	1,897,164
Capital adjustments	492,589	(583,783)
Minority interests	38,613	27,640
	12,450,232	9,261,201
	(Won) 182,902,722	(Won) 182,688,927

See accompanying notes to consolidated financial statements.

KOOKMIN BANK AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	Korean Won (Restated)	
	2005 (In millions except per share amounts)	2004
<b>OPERATING REVENUE:</b>		
Interest income:		
Interest on due from banks	(Won) 28,977	(Won) 12,693
Interest on securities	1,260,527	1,194,445
Interest on loans	10,160,065	11,020,057
Other interest income	41,641	56,555
	11,491,210	12,283,750
Commission income	1,163,695	1,549,478
Other operating income:		
Gain on disposal of trading securities	103,953	237,688
Gain on valuation of trading securities		23,543
Dividends on trading securities	4,998	3,378
Dividends on available-for-sale securities	3,431	1,266
Gain on foreign exchange trading	253,907	245,694
Fees and commissions from trust accounts	110,507	119,908
Gain on financial derivatives trading	3,655,079	4,060,338
Gain on valuation of financial derivatives (Note 19)	1,153,294	2,196,112
Gain on valuation of fair value hedged items (Note 19)	56,144	6,065
Other operating income	46,739	45,787
	5,388,052	6,939,779
Insurance revenue	244,001	58,385
Total operating revenue	18,286,958	20,831,392
<b>OPERATING EXPENSES:</b>		
Interest expenses:		
Interest on deposits	3,281,112	4,044,051
Interest on borrowings	384,892	330,690
Interest on debentures	1,034,472	1,116,557
Other interest expenses	30,650	49,680
	4,731,126	5,540,978
Commission expense	349,379	460,930
Other operating expenses:		
Loss on disposal of trading securities	99,142	89,315
Loss on valuation of trading securities	13,536	

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Provision for possible loan losses (Note 6)	1,029,445	3,064,528
Provision for acceptance and guarantee losses	9,008	206
Loss on foreign exchange trading	237,443	294,135
Loss on financial derivatives trading	3,577,462	3,991,366
Loss on valuation of financial derivatives (Note 19)	1,096,714	2,050,630
Other operating expenses	801,676	790,398
	6,864,426	10,280,578
General and administrative expenses (Note 21)	3,031,958	2,825,527
Insurance expense	221,483	43,672
Total operating expenses	15,198,372	19,151,685

(Continued)

KOOKMIN BANK AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	Korean Won (Restated)	
	2005	2004
	(In millions except per share amounts)	
OPERATING INCOME	(Won) 3,088,586	(Won) 1,679,707
NON-OPERATING INCOME (Note 22)	697,038	459,499
NON-OPERATING EXPENSES (Note 22)	526,598	1,515,925
ORDINARY INCOME	3,259,026	623,281
EXTRAORDINARY ITEM		
INCOME BEFORE INCOME TAX	3,259,026	623,281
INCOME TAX EXPENSE (Note 23)	1,006,052	264,213
NET INCOME BEFORE MINORITY INTERESTS	2,252,974	359,068
MINORITY INTERESTS, GAIN	11,919	3,132
NET INCOME	(Won) 2,241,055	(Won) 355,936
ORDINARY INCOME PER SHARE (In currency units) (Note 24)	(Won) 6,943	(Won) 1,162
NET INCOME PER SHARE (In currency units) (Note 24)	(Won) 6,943	(Won) 1,162
DILUTED ORDINARY INCOME PER SHARE (In currency units) (Note 24)	(Won) 6,938	(Won) 1,161
DILUTED NET INCOME PER SHARE (In currency units) (Note 24)	(Won) 6,938	(Won) 1,161

See accompanying notes to consolidated financial statements.

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KOOKMIN BANK AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	Capital stock	Capital surplus	Retained earnings	Capital adjustments	Minority interests	Total
January 1, 2004	(Won) 1,681,896	(Won) 6,237,528	(Won) 1,535,656	(Won) (1,160,814)	(Won) 16,770	(Won) 8,311,036
Net income			355,936			355,936
Dividends					(1,929)	(1,929)
Change in treasury stock				5,282		5,282
Loss on valuation of available-for-sale securities				570,142		570,142
Change due to the equity method				(1,795)		(1,795)
Stock options				3,402		3,402
Minority interests, gain					3,132	3,132
Change in subsidiaries		756			9,667	10,423
Change in the scope of consolidation			5,856			5,856
Others			(284)			(284)
December 31, 2004	(Won) 1,681,896	(Won) 6,238,284	(Won) 1,897,164	(Won) (583,783)	(Won) 27,640	(Won) 9,261,201
January 1, 2005	(Won) 1,681,896	(Won) 6,238,284	(Won) 1,897,164	(Won) (583,783)	(Won) 27,640	(Won) 9,261,201
Net income			2,241,055			2,241,055
Dividends			(168,574)		(1,872)	(170,446)
Change in treasury stock		25,075		1,314,119		1,339,194
Loss on valuation of available-for-sale securities				(201,484)		(201,484)
Loss on valuation of held-to-maturity securities				426		426
Change due to the equity method				(10,964)		(10,964)
Stock options				(25,725)		(25,725)
Minority interests, gain					11,919	11,919
Sales of subsidiaries equity securities		10,966			4,200	15,166
Change in retained earnings of subsidiaries			(88)			(88)
Change in retained earnings of the trust account			(2,024)			(2,024)
Change in subsidiaries		10			(3,296)	(3,286)
Others		(4,736)	2		22	(4,712)
December 31, 2005	(Won) 1,681,896	(Won) 6,269,599	(Won) 3,967,535	(Won) 492,589	(Won) 38,613	(Won) 12,450,232

See accompanying notes to consolidated financial statements

KOOKMIN BANK AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	Korean Won (Restated)	
	2005	2004
	(In millions)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	(Won) 2,241,055	(Won) 355,936
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of trading securities	99,142	89,315
Provision for possible loan losses	1,029,445	3,064,528
Loss on financial derivatives trading	3,577,462	3,991,366
Loss on valuation of financial derivatives	1,096,714	2,050,630
Loss on valuation of securities accounted for using the equity method	2,674	1,475
Provision for severance benefits	133,325	127,676
Depreciation and amortization	351,641	438,184
Loss on disposal of available-for-sale securities	20,240	29,451
Loss on impairment of available-for-sale securities	103,305	91,312
Loss on disposal of tangible assets	4,293	16,753
Loss on sale of loans	16,397	1,183,332
Minority interests, gain	11,919	3,132
Gain on disposal of trading securities	(103,953)	(237,688)
Loss (gain) on valuation of trading securities	13,536	(23,543)
Gain on financial derivatives trading	(3,655,079)	(4,060,338)
Gain on valuation of financial derivatives	(1,153,294)	(2,196,112)
Gain on valuation of fair value hedged items	(56,144)	(6,065)
Gain on valuation of securities accounted for using the equity method	(35,858)	(33,982)
Gain on disposal of available-for-sale securities	(342,549)	(175,981)
Gain on disposal of tangible assets	(11,433)	(29,562)
Gain on sale of loans	(81,866)	(24,428)
Others, net	602,166	310,885
	1,622,083	4,610,340

(Continued)



## KOOKMIN BANK AND ITS SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	Korean Won (Restated)	
	2005	2004
	(In millions)	
Changes in assets and liabilities resulting from operations:		
Net decrease in trading securities	(Won) 51,676	(Won) 1,211,581
Net decrease (increase) in accounts receivable	1,884,330	(568,365)
Net decrease (increase) in accrued income	(32,607)	112,205
Net decrease (increase) in prepaid expenses	(3,058)	97,610
Net decrease (increase) in deferred income tax assets	(2,637)	95,688
Net increase (decrease) in other payables	(1,883,649)	838,154
Net increase (decrease) in accrued expenses	669,744	(126,123)
Net increase in advances from customers	167,836	83,458
Payment of severance benefits	(65,002)	(41,525)
Increase in severance insurance deposits	(43,251)	(30,097)
Others, net	(12,496)	(366,644)
	730,886	1,305,942
Net cash provided by operating activities	4,594,024	6,272,218
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease (increase) in restricted due from banks	(429,288)	952,804
Net decrease (increase) in available-for-sale securities	1,314,010	(1,300,128)
Net increase in held-to-maturity securities	(3,939,145)	(246,271)
Net decrease (increase) in securities accounted for using the equity method	(714)	33,315
Net decrease (increase) in loans	(1,176,240)	564,809
Disposal of fixed assets	28,525	188,418
Purchase of fixed assets	(172,000)	(218,990)
Net decrease in other assets	1,338,376	263,893
Net cash provided by (used in) investing activities	(3,036,476)	237,850
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in deposits	(515,019)	(5,239,412)
Net increase (decrease) in debentures	(5,304,797)	2,692,119
Net increase (decrease) in borrowings	4,079,434	(1,391,226)
Net increase (decrease) in other liabilities	480,300	(2,969,286)
Net cash used in financing activities	(1,260,082)	(6,907,805)
DECREASE IN CASH DUE TO CHANGE IN SCOPE OF CONSOLIDATION	(572)	(6,107)
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	296,894	(403,844)
CASH AND DUE FROM BANKS, BEGINNING OF YEAR	3,386,921	3,790,765
CASH AND DUE FROM BANKS, END OF YEAR (Note 27)	(Won) 3,683,815	(Won) 3,386,921

See accompanying notes to consolidated financial statements.

KOOKMIN BANK AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 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 December 31, 2005, the Bank's paid-in capital amounts to (Won)1,681,896 million. The Bank's 51,175,814 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 1,097 domestic branches and offices (excluding 200 automated teller machines) and three overseas branches (excluding 2 subsidiaries and 1 office) as of December 31, 2005.

2. SCOPE OF CONSOLIDATION AND EQUITY METHOD ACCOUNTING:

The consolidated financial statements include the bank accounts and the trust accounts whose principal or fixed of return is guaranteed by the Bank and its wholly or partially owned subsidiaries.

Subsidiaries included in the consolidation and accounted for using the equity method as of December 31, 2005 were as follows:

Subsidiaries	Closing date	No. of shares	Percentage		Business
				of ownership (%)	
<b>Consolidated:</b>					
KB Investment Co., Ltd.	December 31	8,951,293	99.99		Investing and financing to small and medium-sized enterprises
KB Futures Co., Ltd.	March 31	3,999,200	99.98		Deals with and brokerage services for futures transactions
KB Data System Co., Ltd.	December 31	799,960	99.99		Software services for the Bank and other companies
KB Real Estate Trust Co., Ltd.	December 31	15,999,930	99.99		Development, management and brokerage services with regards to real estate and trust
KB Asset Management Co., Ltd.	March 31	6,134,040	80.00		Providing security investment trust services and investment consulting services

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Subsidiaries	Closing date	No. of shares	Percentage of ownership		Business
			(%)		
KB Credit Information Co., Ltd.	December 31	1,249,040	99.73		Delinquent loan collection service and credit checking services
KB Life Insurance Co., Ltd.	March 31	3,060,000	51.00		Insurance service
Kookmin Bank Int'l Ltd. (London)	December 31	20,000,000	100.00		Commercial banking business and foreign exchange operation
Kookmin Bank Hong Kong Ltd.	December 31	2,000,000	100.00		Commercial banking business and foreign exchange operation
NPC 02-4 Kookmin Venture Fund	December 31	150	50.00		Investing and financing to small and medium-sized enterprises
Accounted for using the equity method:					
ING Life Insurance Korea	March 31	1,400,000	20.00		Insurance service
KLB Securities Co., Ltd. (*1)	December 31	4,854,713	36.41		Securities related business
Jooeun Industrial Co., Ltd. (*1)	December 31	1,999,910	99.99		House construction
Jeio Co., Ltd. (*3)	December 31	88,572	21.14		Inspection of materials & manufacturing of measuring instruments
Kookmin Singapore Ltd. (*1)	December 31	30,000,000	100.00		Commercial banking business and foreign exchange operation
Kookmin Finance Asia Ltd. (HK) (*1)	December 31	700,000	100.00		Commercial banking business and foreign exchange operation
Sorak Financial Holdings PTE Ltd. (*1)	December 31	1,422,216	25.00		Investment
Pacific IT Investment Partnership (*1)	December 31	840	60.00		Investing and financing to small and medium-sized enterprises
KIKO No.2 Venture Investment (*1)	June 30	6,200	68.89		Investment in venture business
KIKO No.3 Venture Investment (*1)	June 30	10,450	80.38		Investment in venture business
Kookmin China Fund No.1 (*2 & *4)	December 31	300	50.00		Investment in venture business
KTTC Kookmin Venture Fund (*4)	December 31	200	20.00		Investment in venture business
Kookmin Investment Partnership No.15 (*2 & *4)	June 30	17	34.00		Investment in venture business
Kookmin Investment Partnership No.16 (*4)	July 31	400	20.00		Investment in venture business
KB 03-1 Venture Investment Fund (*4)	December 31	250	16.67		Investment in venture business
KB 03-1 Corporate Restructuring Fund (*4)	December 31	116	29.00		Investment in venture business
NPC 05-6 Kookmin Venture Fund (*4)	December 31	125	20.00		Investment in venture business

(\*1) Excluded from consolidation since it is in the process of liquidation

(\*2) Excluded from consolidation because total assets were less than (Won) 7 billion as of December 31, 2004

(\*3) Investment held by KB Investment Co., Ltd., a subsidiary of the Bank

(\*4) Investment funds held by KB Investment Co., Ltd., a subsidiary of the Bank

The Bank disposed of 49 percent shares of KB Life Insurance Co., Ltd. to ING Insurance International B.V. In addition, the Pacific IT Investment Partnership was deconsolidated since it went into the process of liquidation during the current year.

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Subsidiaries included in the consolidation and accounted for using the equity method as of December 31, 2004 were as follows:

Subsidiaries	Closing date	No. of shares	Percentage		Business
				of ownership (%)	
<b>Consolidated:</b>					
KB Investment Co., Ltd.	December 31	8,941,587	99.89		Investing and financing to small and medium-sized enterprises
KB Futures Co., Ltd.	March 31	3,999,200	99.98		Deals with and brokerage services for futures transactions
KB Data System Co., Ltd.	December 31	799,800	99.98		Software services for the Bank and other companies
KB Real Estate Trust Co., Ltd.	December 31	15,999,930	99.99		Development, management and brokerage services with regards to real estate and trust
KB Asset Management Co., Ltd.	March 31	6,134,040	80.00		Providing security investment trust services and investment consulting services
KB Credit Information Co., Ltd.	December 31	1,249,040	99.73		Delinquent loan collection service and credit checking services
KB Life Insurance Co., Ltd.	March 31	6,000,000	100.00		Insurance service
Kookmin Bank Int'l Ltd. (London)	December 31	20,000,000	100.00		Commercial banking business and foreign exchange operation
Kookmin Bank Hong Kong Ltd.	December 31	2,000,000	100.00		Commercial banking business and foreign exchange operation
Pacific IT Investment Partnership	December 31	840	60.00		Investing and financing to small and medium-sized enterprises
NPC 02-4 Kookmin Venture Fund	December 31	150	50.00		Investing and financing to small and medium-sized enterprises
<b>Accounted for using the equity method:</b>					
ING Life Insurance Korea	March 31	1,400,000	20.00		Insurance service
KLB Securities Co., Ltd. (*1)	December 31	4,854,713	36.41		Securities related business
Jooeun Industrial Co., Ltd. (*1)	December 31	1,999,910	99.99		House construction
Jeio Co., Ltd. (*3)	December 31	88,572	21.14		Inspection of materials & manufacturing of measuring instruments
Kookmin Singapore Ltd. (*1)	December 31	30,000,000	100.00		Commercial banking business and foreign exchange operation
Kookmin Finance Asia Ltd. (HK) (*1)	December 31	700,000	100.00		Commercial banking business and foreign exchange operation
Sorak Financial Holdings PTE Ltd.	December 31	1,422,216	25.00		Investment
KIKO No.2 Venture Investment (*1)	June 30	6,200	68.89		Investment in venture business
KIKO No.3 Venture Investment (*1)	June 30	10,450	80.38		Investment in venture business
Kookmin China Fund No.1 (*2 & *4)	December 31	300	50.00		Investment in venture business
KTTC Kookmin Venture Fund (*4)	December 31	200	20.00		Investment in venture business
Kookmin Investment Partnership No.15 (*2 & *4)	June 30	17	34.00		Investment in venture business
Kookmin Investment Partnership No.16 (*4)	July 31	400	20.00		Investment in venture business
KB 03-1 Venture Investment Fund (*4)	December 31	250	16.67		Investment in venture business
KB 03-1 Corporate Restructuring Fund (*4)	December 31	58	29.00		Investment in venture business

(\*1) Excluded from consolidation since it is in the process of liquidation

(\*2) Excluded from consolidation because total assets were less than (Won) 7 billion as of December 31, 2003

(\*3) Investment held by KB Investment Co., Ltd., a subsidiary of the Bank

(\*4) Investment funds held by KB Investment Co., Ltd., a subsidiary of the Bank

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Certain trust accounts whose principal or fixed rate of return is guaranteed by the Bank are included in the consolidated financial statements in accordance with the accounting guidelines of the Financial Supervisory Commission in the Republic of Korea. The trust accounts as of December 31, 2005 and 2004 are as follows (Unit: In millions):

	2005		2004	
	Total assets	Operating revenue	Total assets	Operating revenue
Consolidation	(Won) 3,358,976	(Won) 193,398	(Won) 3,315,294	(Won) 236,586
Non-consolidation	14,718,793	1,047,214	16,850,751	2,188,132
	(Won) 18,077,769	(Won) 1,240,612	(Won) 20,166,045	(Won) 2,424,718

A summary of significant financial data of the Bank's subsidiaries, included in the consolidated financial statements, is as follows (Unit: In millions):

	Total assets	Capital	Shareholders equity	Operating revenue	Net income
Trust accounts	(Won) 3,358,976	(Won)	(Won) 55,829	(Won) 194,793	(Won)
KB Investment Co., Ltd.	88,105	44,759	85,466	19,206	7,665
KB Futures Co., Ltd.	43,207	20,000	27,318	10,231	1,646
KB Data System Co., Ltd.	24,615	8,000	17,727	46,817	2,533
KB Real Estate Trust Co., Ltd.	188,998	80,000	80,976	56,444	22,905
KB Asset Management Co., Ltd.	70,377	38,338	65,607	32,196	13,931
KB Credit Information Co., Ltd.	39,966	6,262	28,706	77,723	8,246
KB Life Insurance Co., Ltd.	361,811	30,000	24,590	253,269	6,939
Kookmin Bank Int'l Ltd. (London)	345,126	34,935	50,523	14,284	2,213
Kookmin Bank Hong Kong Ltd.	380,132	20,260	69,907	19,600	7,339
NPC 02-4 Kookmin Venture Fund	36,690	30,000	36,386	9,553	6,387

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### Basis of Consolidated Financial Statement Presentation

The Bank and its subsidiaries maintain its official accounting records in Korean Won (only domestic subsidiaries) and prepare statutory consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles and banking accounting standards generally accepted in the Republic of Korea. Certain accounting principles and banking accounting standards applied by the Bank and its subsidiaries 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 consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English (with certain expanded descriptions) from the Korean language consolidated financial statements. Certain information included in the Korean language consolidated financial statements, but not required for a fair presentation of the Bank and its subsidiaries' financial position, results of operations or cash flows, is not presented in the accompanying consolidated financial statements.

The significant accounting policies followed by the Bank and its subsidiaries in preparing the accompanying consolidated financial statements are summarized below.

#### Basis of Consolidated Financial Statements Preparation

##### (1) Offset of Investments and Equity Accounts of Subsidiaries

Investments in subsidiaries and equity accounts of subsidiaries were eliminated at the date when the Bank obtained control over the subsidiaries. The differences between the amounts of investment and the equity accounts are recorded as goodwill or negative goodwill, which is amortized

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or reversed using the straight-line method over 5 years. If additional shares are purchased after acquiring control, the difference between

- 4 -

the additional acquisition cost and the portion of net assets acquired is credited or charged to capital surplus. If the acquisition date does not agree with the year-end balance sheet date of the subsidiary, the closest closing date to the acquisition date is regarded as the acquisition date.

(2) Inter-company Transactions and Balances

All inter-company transactions are eliminated in the consolidated financial statements.

(3) Disposition of Subsidiaries Shares

If a subsidiary of the Bank is still subject to the scope of consolidation even after certain portions of shares are disposed to minority interests, gain/loss on disposal of investment securities is recognized as capital surplus. If a subsidiary of the Bank is subject to the equity method due to the disposition of securities, the investment account is recorded at net assets of subsidiaries at the time of disposition, net of unamortized goodwill or negative goodwill in the consolidated financial statements.

(4) Equity Method

For investments in affiliates accounted for using the equity method, the difference between acquisition cost and net assets acquired at the acquisition date is added to or deducted from the carrying amount of investments and is amortized in equal annual amounts for five years from the year incurred. Changes in the Bank's portion of net assets of affiliates accounted for using the equity method are added to or deducted from the carrying amount of investments.

(5) Balance Sheet Date for the Consolidated Financial Statements

Balance sheet date for the consolidated financial statements is the closing date of the Bank, the parent company. The accounts of consolidated subsidiaries whose fiscal years are different from that of the Bank have been adjusted to reflect balances as of the closing date of the Bank.

(6) Special Reserve in Trust Accounts

A special reserve provided for possible future losses on certain trust accounts under the arrangement of guaranteed fixed rate of return and/or repayment of the principal each year is included in retained earnings in the consolidated financial statements.

(7) Minority Interests

Non-controlling, outside ownership interests in a subsidiary's shareholders' equity are presented as minority interests. Gain (loss) attributable to minority interests is presented as deduction from (addition to) consolidated net income.

Accounting Policies of Consolidated Entities

The relevant laws and regulations applied to the consolidated entities are as follows:

	<b>Relevant laws and regulations</b>
The Bank	Accounting standards of banking industry, general banking act and trust business act
Trust accounts	Trust business act
KB Investment Co., Ltd.	Act on support for foundation of small and medium-sized companies & loan specialization financial business act
KB Futures Co., Ltd.	Supervisory guidelines on futures trading

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KB Real Estate Trust Co., Ltd.	Trust business act
KB Asset Management Co., Ltd.	Act on business of operating indirect investments and assets
KB Credit Information Co., Ltd.	Act on the use and protection of credit information
KB Life Insurance Co., Ltd.	Accounting standards of the insurance business & general insurance business act
Kookmin Bank Int'l Ltd. (London)	Financial accounting standards in UK
Kookmin Bank Hong Kong Ltd.	Financial accounting standards in Hong Kong

- 5 -



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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 December 31, 2005 and 2004, the principal amount of loans and securities of which the accrued interest income was not recorded in the accompanying consolidated financial statements based on the above criteria amounted to (Won)7,875,123 million and (Won)8,600,175 million, respectively, and the related accrued interest income not recognized amounted to (Won)462,799 million and (Won)551,683 million, respectively.

Classification of Securities

At acquisition, the Bank and its subsidiaries classify 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 and its subsidiaries have 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 and its subsidiaries 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 and its subsidiaries sell held-to-maturity securities or exercise early redemption right of securities to issuer in the current year or the preceding two years, and if it reclassify held-to-maturity securities to available-for-sale securities, all debt securities that are owned or purchased cannot be classified as held-to-maturity securities. On the other hand, trading securities cannot be recategorized to available-for-sale securities or held-to-maturity securities and vice versa. Nevertheless, trading securities are reclassified to available-for-sale securities only when the trading securities lose their marketability.

Valuation of Securities

(1) Valuation of Trading Securities

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

(2) Valuation of Available-for-sale Securities

Available-for-sale securities are initially recognized at acquisition cost plus incidental expenses, determined by the individual moving average method (the specified identification method for debt securities). The effective interest method is applied to amortize the difference between the face value and the acquisition cost over the remaining term of the debt security. After initial recognition, available-for-sale securities are stated at fair value, with the net unrealized gain or loss presented as gain or loss on valuation of available-for-sale securities in 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.

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 and its subsidiaries are 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 and its subsidiaries are considered being able to exercise significant influence) are accounted for using the equity method. The Bank and its subsidiaries share in net income or net loss of investees are 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.

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

(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

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. In addition, when certain trading securities lose their marketability, such securities are reclassified as available-for-sale securities at fair market value as of reclassification date.



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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.

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 percentages of 0.75 ~ 7.9 percent and 1 ~ 11.9 percent for normal, 8 ~19.9 percent and 12 ~ 19.9 percent for precautionary, 20 ~ 54.9 and 20 ~ 59.9 percent for substandard, 55 ~ 99.9 percent and 60 ~99.9 percent for doubtful, and 100 percent for estimated loss. 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 principle 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 required by the Supervisory Regulation is less than the amount calculated based on the historical loss rate, which is estimated through objective and reasonable method in accordance with the accounting principle in the Republic of Korea, historical loss rate is reflected in the provision for possible loan losses since 2004.

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

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

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

Until 2004, the Bank provided allowance for possible losses on confirmed acceptances and guarantees, which were classified as substandard or less than substandard. However, pursuant to the amended Supervisory Regulation of Banking Business, the Bank has extended the scope of allowance for possible losses on acceptances and guarantees to note endorsed, unconfirmed acceptances and guarantees, and confirmed acceptances and guarantees classified as normal and precautionary, and provided allowance for possible losses based on the credit classification and minimum rate of loss provision prescribed by Financial Supervisory Service and the cash conversion factor of the respective exposures as of December 31, 2005. In connection with the amendment of Supervisory Regulation of Banking Business, the Bank has also extended the scope of other allowance for the unused line of credit from the unused cash advance facility of active credit card accounts with transaction records during the recent one year to the unused credit limit for purchase of credit card and unused credit line of consumer and corporate loans, and provided other allowance based on the cash conversion factor and minimum rate of loss provision prescribed by Financial Supervisory Service as of December 31, 2005. Due to these changes, allowance for acceptances and guarantees and other allowances increased by (Won)7,645 million and (Won)296,469 million as of December 31, 2005, respectively, and net income for the year then ended decreased by (Won)220,483 million. Since it is impractical to determine the accumulated effect of applying the changes in accounting policies to any prior periods, the new accounting principles were applied prospectively during the current year and the effect of the changes is recognized in the current year operations.

### Restructuring of Loans

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

### Deferred Loan Origination Fees and Costs

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

### Valuation of Receivables and Payables at Present Value

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

Tangible Assets and Related Depreciation

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

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

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

Intangible Assets and Related Amortization

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

<b>Intangible assets</b>	<b>Estimated useful life</b>
Goodwill	9 years
Negative goodwill	5 years
Trademarks	5-20 years
Others	3-30 years

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

Valuation Allowance for Non-Business Use Property

Non-business use property included in 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 and its subsidiaries assess 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 and its subsidiaries 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.

Accrued Severance Benefits

Employees and directors and temporary employees with at least one year of service as of December 31, 2005 are entitled to receive a lump-sum payment upon termination of their employment with the Bank and its subsidiaries, 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 and its subsidiaries have 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 and its subsidiaries account 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

In accordance with the Interpretations on Financial Accounting Standards 39-35 on the accounting for the stock option, the Bank records stock compensation costs as a capital adjustment in case that the Bank can choose to settle the vested stock option by issuing new shares or treasury stock, or payment of cash equivalent to the difference between the market price and the exercise price at the exercise date. However, the compensation cost of certain options that is certain to be settled by cash payment is recorded in other liabilities (accrued expenses).

National Housing Fund

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

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 and its domestic subsidiaries maintain their 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)1,013.00 and (Won)1,043.80 to US\$ 1.00 at December 31, 2005 and 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.

Summary of Accounting Policies for the Bank's Trust Accounts

(1) Valuation of Debt Securities

Debt securities included in performance-based trust accounts are generally recorded at acquisition costs, which include additional costs and deduct accrued interest income for the period before acquisition, and are classified into five categories to provide allowance for possible credit losses in accordance with the credit rates of bonds issued by each company. Debt securities included in base price-based trust accounts are estimated by applying the average of base prices per bond closing on recent trading day announced by Korea Bond Pricing Co., Ltd. and KIS Pricing, Inc.

(2) Allowance for Possible Credit Losses

An allowance for possible credit losses is provided for the assets, which were not marked to market, pursuant to the asset classification criteria promulgated by the FSC. Loans are classified as of the balance sheet date into normal, precautionary, substandard, doubtful or estimated loss. Allowance rate is as follows:

	Household loans (%)	Corporate loans (%)
Normal	0.75	0.50
Precautionary	8.00	2.00
Substandard	20.00	20.00
Doubtful	55.00	50.00
Loss	100.00	100.00

(3) Special Reserve

Special reserve refers to the reserve accumulated upon acquisition of trust fee at 25 percent or more until the





balance of special reserve reaches 5 percent of the trust accounts for the purpose of reserving unspecific trust accounts whose principle or income should be guaranteed. In cases where the principle of trust accounts needs to recover or the special reserve exceeds the limit, reversal of special reserve is recognized as income. When the purpose of special reserve no longer exists, it is recorded as trust fee.

#### Insurance Reserve of KB Life Insurance

KB Life Insurance provides various insurance reserves for payments, refunds, participating policyholders' dividends and related cost in the future as follows:

- (1) Premium reserve is a net level premium reserve using interest and mortality assumptions used in computing cash surrender values.
- (2) Reserve for outstanding claims represents refunds, dividends and claims reported and unpaid as of the balance sheet date.
- (3) Unearned premium reserve represents the unearned portion of quarterly, semi-annual and annual premiums as of the balance sheet date.
- (4) Dividends held on deposit for policyholders represent amounts payable to policyholders due to interest rate difference guarantee, mortality gains, excess interest, expense gains and long-term contracts in accordance with the regulations or agreements.

#### Application of the Statements 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 and its subsidiaries have 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 and its subsidiaries have 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 individual assets and liabilities comprised in private beneficiary certificates in their respective bank accounts, and net operating results from the private beneficiary certificates were recorded as one line item of income or loss from beneficiary certificates in the income statements by the end of 2004. However, in accordance with the new interpretation on the accounting of private beneficiary certificates 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. As a result of the change of accounting principle, 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. Moreover, total assets and total liabilities increased by (Won)27,486 million, capital adjustments decreased by (Won)101,676 million as of December 31, 2005, and net income for the year then ended increased by (Won)101,676 million due to the above accounting change.

In addition, the Bank recorded the commission and fees from credit card receivables from lump sum payment and installment payment and other credit card commission and fees as commission income until 2004. However, pursuant to the amended Supervisory Regulation of Banking Business, those commission and fees from credit card receivables have been reclassified as interest income during the current year. Due to this change, interest income increased by (Won)1,015,115 million and (Won)1,131,358 million, and commission and fee income decreased by the same amount for the years ended December 31, 2005 and 2004, respectively. However, the reclassification has no effect on net income or shareholders' equity for the years ended and as of December 31, 2005 and 2004.

Reclassification

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

4. CASH AND DUE FROM BANKS:

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

	2005	2004
Cash and checks	(Won) 2,683,480	(Won) 2,380,580
Foreign currencies	150,403	124,736
Due from banks in Won	2,519,991	2,063,971
Less: Present value discount		(3,751)
Due from banks in foreign currencies	589,122	647,527
	(Won) 5,942,996	(Won) 5,213,063

(2) Due from banks as of December 31, 2005 and 2004 consisted of (Unit: In millions):

Financial institution	Annual Interest rate (%)	2005	2004
		2005	2004
Due from banks in Won:			
BOK		(Won) 2,189,339	(Won) 1,685,105
Woori Bank and others	0.10~4.06	312,128	254,864
Hansol Mutual Savings			90,005
Korea Exchange and others	0.10~3.15	18,524	33,997
		2,519,991	2,063,971
Present value discounts			(3,751)
		(Won) 2,519,991	(Won) 2,060,220
Due from banks in foreign currencies:			
BOK		(Won) 46,501	(Won) 43,631
Korea Exchange Bank and others	0.00~4.87	129,318	114,354
Woori Bank and others	4.05~4.86	413,303	489,542
		(Won) 589,122	(Won) 647,527

(3) Restricted due from banks in Won and foreign currencies as of December 31, 2005 and 2004 consisted of (Unit: In millions):

Financial institution	2005	2004	Reason for restriction
Due from banks in Won:			
BOK	(Won) 2,189,339	(Won) 1,685,105	BOK Act

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Hansol Mutual Savings		90,000	Withdrawal at maturity
Woori Bank and others	4,337	4,029	Escrow account/others
Korea Exchange and others	18,524	6,840	Futures margin accounts/others
Due from banks in foreign currencies:			
BOK	46,501	43,631	BOK Act
J.P. Morgan Chase & Co. and others	480	288	Futures margin accounts/others
	(Won) 2,259,181	(Won) 1,829,893	

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(4) Due from banks by financial institution as of December 31, 2005 and 2004 consisted of (Unit: In millions):

Financial institution	2005	2004
Due from banks in Won		
BOK	(Won) 2,189,339	(Won) 1,685,105
Banks	312,128	254,864
Others	18,524	124,002
	2,519,991	2,063,971
Due from banks in foreign currencies		
BOK	(Won) 46,501	(Won) 43,631
Banks	542,141	603,573
Others	480	323
	589,122	647,527
	(Won) 3,109,113	(Won) 2,711,498

(5) Term structure of due from banks as of December 31, 2005 was as follows (Unit: In millions):

	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	More than 3 years	Total
Due from banks in Won	(Won) 2,515,962	(Won)	(Won)	(Won) 4,029	(Won)	(Won) 2,519,991
Due from banks in foreign currencies	463,032	107,378	18,712			589,122
	(Won) 2,978,994	(Won) 107,378	(Won) 18,712	(Won) 4,029	(Won)	(Won) 3,109,113

5. SECURITIES:

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

	2005	2004
Trading securities	(Won) 6,462,928	(Won) 6,523,329
Available-for-sale securities	16,590,377	17,740,080
Held-to-maturity securities	10,238,682	6,239,716
Securities accounted for using the equity method	187,145	166,794
	(Won) 33,479,132	(Won) 30,669,919

(2) The valuation of securities excluding securities accounted for using the equity method as of December 31, 2005 and 2004 consisted of (Unit: In millions):

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Classification	2005	2004
Trading securities:		
Equity securities	(Won) 222,283	(Won) 206,432
Beneficiary certificates	12,420	53,444
Government and public bonds	2,223,525	1,127,308
Finance debentures	2,621,036	3,882,165
Corporate bonds	1,178,968	920,902
Asset-backed securities	153,370	233,921
Other debt securities	51,326	99,157
	(Won) 6,462,928	(Won) 6,523,329

- 15 -

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Classification	2005	2004
<b>Available-for-sale securities:</b>		
Equity securities	(Won) 1,204,586	(Won) 858,843
Equity investments	5,468	7,774
Beneficiary certificates	2,077,992	5,414,250
Government and public bonds	2,766,824	858,211
Finance debentures	8,296,721	8,095,828
Foreign government bonds	9,328	32,638
Corporate bonds	1,321,391	1,682,091
Asset-backed securities	899,990	770,341
Other debt securities	8,087	20,104
	(Won) 16,590,377	(Won) 17,740,080
<b>Held-to-maturity securities:</b>		
Government and public bonds	(Won) 4,609,874	(Won) 3,080,601
Finance debentures	3,569,990	1,213,971
Corporate bonds	1,723,884	1,745,988
Asset-backed securities	334,934	180,000
Other debt securities		19,156
	(Won) 10,238,682	(Won) 6,239,716

- (3) Available-for-sale securities, which were not valued at fair value as of December 31, 2005, were as follows (Unit: In millions, shares in thousands) :

Company	No. of shares	Percentage of ownership	
		(%)	Book value
Korea Asset Management Corp.	3,074	5.91	(Won) 15,667
Bad Bank Harmony (preferred stock)	13	0.46	12,279
Samsung Life Insurance Co., Ltd.	23	0.11	7,479
Korea Highway Corp.	573	0.03	6,248
Korea Exchange	80	0.40	3,000
Kyobo Investment Trust Management Co., Ltd.	420	7.00	2,100
S&S Tech	694	5.80	2,000
Digital & Optics Co., Ltd.	510	15.11	1,785
KJ Pretech Co., Ltd.	534	13.02	1,650
Korea Smart Card Co., Ltd.	326	4.44	1,628
BHflex Co., Ltd.	533	11.85	1,600
Mir System Co., Ltd.	47	16.36	1,530
MICO C&C Co., Ltd.	714	10.98	1,500
IntroMobile Co., Ltd.	300	12.50	1,500
Windysoft Co., Ltd.	240	5.66	1,350
Korea Money Broker Corp.	119	5.97	1,291
Intekplus Co., Ltd.	74	9.93	1,258
FCI Inc.	460	4.06	1,210
Mercury	1,632	12.13	1,088
KM Culture Co., Ltd.	54	9.82	1,008
Smart Card Laboratory Inc.	320	9.15	1,005
Honest Technology Corp.	58	14.53	1,000
APTC	1,373	13.73	1,000

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Gamevil Inc.	20	10.00	1,000
Tianjin Samsung Opto Electronics	1,000	10.00	989
Others			52,997
			(Won) 125,162



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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):

Company	No. of shares	Percentage of ownership		Book value
		(%)		
Bad Bank Harmony (preferred stock)	13	0.46	(Won)	12,267
Korea Asset Management Corp.	1,506	5.38		7,827
Samsung Life Insurance Co., Ltd.	23	0.11		7,479
Korea Highway Corp.	573	0.03		6,248
Kyobo Investment Trust Management Co., Ltd.	420	7.00		2,100
Doum Co., Ltd.	442	10.77		1,987
Baring Communications Equity	4,665	6.73		1,957
Itswell Co., Ltd.	514	11.57		1,800
Innowireless Inc.	100	3.57		1,650
Pan Asia Paper	1,275	2.94		1,642
Korea Smart Card Co., Ltd.	326	4.44		1,628
BHflex Co., Ltd.	533	13.33		1,600
Mobilink Telecom Co., Ltd.	336	9.08		1,400
Korea Money Broker Corp.	119	5.97		1,291
Miraetelecom Co., Ltd.	480	1.94		1,272
FCI Inc	46	5.48		1,210
Digital & Optics Co., Ltd.	340	10.07		1,190
IntroMobile Co., Ltd.	220	9.17		1,100
Mercury	1,632	12.13		1,088
Tianjin Samsung Opto Electronics	1,000	10.00		1,020
Smart Card Laboratory Inc.	320	9.15		1,005
Others				120,915
				(Won) 179,676

The impairment loss and the reversal of impairment loss on available-for-sale securities recognized for the years ended December 31, 2005 and 2004 were shown below (Unit: In millions).

	2005		2004	
	Impairment	Reversal	Impairment	Reversal
Equity securities	(Won) 7,974	(Won) 7,422	(Won) 23,952	(Won)
Equity investments	3		3	
Corporate bonds	448		2,317	
Asset-backed securities	94,880		65,040	
	(Won) 103,305	(Won) 7,422	(Won) 91,312	(Won)

(4) Structured notes relating to stock, interest rate and credit linked notes ( CLN ) as of December 31, 2005 and 2004 were as follows (Unit: In millions):

	2005	2004
Structured notes relating to stock		

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Convertible bonds	(Won) 66	(Won) 17,838
Exchangeable bonds		164,087
Bonds with stock purchase warrants		762
Equity linked securities		49,721
	66	232,407
Structured notes relating to interest rate		
Long-term government bond FRN	564,456	957,537
Dual indexed FRN	29,874	50,140
Inverse FRN	40,753	73,727
Others	110,225	97,364
	745,308	1,178,768
CLN	40,559	41,544
Bonds with call option	20,000	30,000
	(Won) 805,933	(Won) 1,482,719

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

	2005		2004	
	(Won)		(Won)	
Stocks	7,353		6,062	
Government and public bonds	38,018		1,384,645	
Finance bonds	1,340,390		2,464,128	
Corporate bonds in Won	32,622		794,397	
Asset-backed debt securities			87,428	
Call loans	203,892		264,997	
Others	412,962		276,936	
Assets	2,035,237		5,278,593	
Liabilities	11,081		16,884	
	(Won) 2,024,156		(Won) 5,261,709	

For the year ended December 31, 2005, the Bank received cash and 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 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 reclassification 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.

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

By industry	2005		2004	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Trading securities</b>				
Government and government-invested public companies	(Won) 3,303,018	51.11	(Won) 1,390,254	21.31
Financial institutions	2,372,811	36.71	4,372,973	67.04
Others	787,099	12.18	760,102	11.65
	(Won) 6,462,928	100.00	(Won) 6,523,329	100.00
<b>Available-for-sale securities</b>				
Government and government-invested public companies	(Won) 3,549,345	21.39	(Won) 1,787,795	10.08
Financial institutions	12,098,698	72.93	15,011,243	84.62
Others	942,334	5.68	941,042	5.30
	(Won) 16,590,377	100.00	(Won) 17,740,080	100.00
<b>Held-to-maturity securities</b>				
Government and government-invested public companies	(Won) 6,303,760	61.57	(Won) 4,748,450	76.10
Financial institutions	3,899,922	38.09	1,431,601	22.94
Others	35,000	0.34	59,665	0.96
	(Won) 10,238,682	100.00	(Won) 6,239,716	100.00



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

By type	2005		2004	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Trading securities</b>				
Stocks	(Won) 222,283	3.44	(Won) 206,432	3.16
Fixed rate bonds	6,000,899	92.85	5,906,032	90.54
Floating rate bonds	227,326	3.52	357,421	5.48
Beneficiary certificates	12,420	0.19	53,444	0.82
	(Won) 6,462,928	100.00	(Won) 6,523,329	100.00
<b>Available-for-sale securities</b>				
Stocks	(Won) 1,204,586	7.26	(Won) 858,843	4.84
Fixed rate bonds	11,530,670	69.50	9,672,515	54.52
Floating rate bonds	888,375	5.35	916,821	5.17
Subordinated bonds	872,813	5.26	851,947	4.80
Convertible bonds	66	0.00	17,838	0.10
Beneficiary certificates	2,077,992	12.53	5,414,250	30.52
Others	15,875	0.10	7,866	0.05
	(Won) 16,590,377	100.00	(Won) 17,740,080	100.00
<b>Held-to-maturity securities</b>				
Fixed rate bonds	(Won) 10,048,668	98.14	(Won) 5,879,997	94.24
Floating rate bonds	60,014	0.59	229,719	3.68
Subordinated bonds	130,000	1.27	130,000	2.08
	(Won) 10,238,682	100.00	(Won) 6,239,716	100.00

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

	2005		2004	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Trading securities</b>				
Korea	(Won) 6,462,928	100.00	(Won) 6,523,329	100.00
<b>Available-for-sale securities</b>				
Korea	(Won) 16,474,585	99.30	(Won) 17,598,580	99.20
USA	47,106	0.28	50,514	0.28
Russia	28,527	0.17		0.00
Philippines	9,675	0.06	25,703	0.14
Indonesia	4,363	0.03	13,516	0.08
The Republic of South Africa	6,240	0.04	6,742	0.04
Others	19,881	0.12	45,025	0.26
	(Won) 16,590,377	100.00	(Won) 17,740,080	100.00
<b>Held-to-maturity securities</b>				
Korea	(Won) 10,238,682	100.00	(Won) 6,239,716	100.00

- (9) Term structure of securities (except for stocks and equity investments) in available-for-sale and held-to-maturity securities as of December 31, 2005 was as follows (Unit: In millions):

	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	More than 10 years	Total
<b>Available-for-sale securities</b>					
Fair value	(Won) 7,907,430	(Won) 7,218,913	(Won) 245,451	(Won) 8,539	(Won) 15,380,333
<b>Held-to-maturity securities</b>					
Book value	2,273,148	6,706,498	1,259,036		10,238,682
Fair value	2,269,042	6,594,898	1,195,982		10,059,922

- (10) Pursuant to the management's operating plan of investment assets, the Bank disposed of held-to maturity securities with the maturity date of October 23, 2005 on September 12 and 14, 2005. 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 (Won)120,006 million, respectively, and the Bank recognized (Won)216 million of gain on disposal of held-to-maturity securities for the year ended December 31, 2005.

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(11) The valuation of securities accounted for using the equity method as of December 31, 2005 was as follows (Unit: In millions):

	Book value before valuation	Acquisition (disposal)	Dividend	Foreign currency translation gain (loss)	Equity gain (loss) on investment	Capital adjustments	Book value after valuation
<b>Domestic stocks</b>							
ING Life Insurance Korea	(Won) 69,145	(Won)	(Won) (7,000)	(Won)	(Won) 23,252	(Won) (7,868)	(Won) 77,529
KLB Securities Co., Ltd. (*1)(*2)							
Joeun Industrial Co., Ltd. (*1)(*2)							
Jeio Co., Ltd.	636				125		761
	69,781		(7,000)		23,377	(7,868)	78,290
<b>Foreign stocks</b>							
Kookmin Bank Singapore Ltd. (*1)	1,812			(53)			1,759
Kookmin Finance Asia Ltd. (HK) (*1)	254			(8)			246
Sorak Financial Holdings PTE Ltd.	82,153			(3,730)	11,909	(7,931)	82,401
	84,219			(3,791)	11,909	(7,931)	84,406
<b>Equity Securities</b>							
KICO No. 2 Venture Investment Partnership (*1)	273				(83)		190
KICO No. 3 Venture Investment Partnership (*1)	149				(2)		147
Pacific IT Investment Partnership (*1)	6,959				(2,009)		4,950
Kookmin China Fund No.1	2,356				(282)		2,074
KTTC Kookmin Venture Fund No.1	1,425				(177)		1,248
Kookmin Investment Partnership No.15	(Won) 363	(Won)	(Won)	(Won)	(Won)	(Won)	(Won) 363
Kookmin Investment Partnership No.16					49		49
KB03-1 Venture Investment Fund	2,409				120	89	2,618
KB03-1 Corporate Restructuring Fund	5,819	5,459			403		11,681
NPC02-4 KB Venture Fund		1,250			(121)		1,129
	19,753	6,709			(2,102)	89	24,449
	(Won) 173,753	(Won) 6,709	(Won) (7,000)	(Won) (3,791)	(Won) 33,184	(Won) (15,710)	(Won) 187,145

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- (\*1) KLB Securities Co., Ltd., Jooeun Industrial Co., Ltd., Kookmin Bank Singapore Ltd., Kookmin Finance Asia, Ltd., KICO No. 2 Venture Investment Partnership, KICO No. 3 Venture Investment Partnership and Pacific IT Investment Partnership are all in the process of liquidation.
- (\*2) The equity method is no longer applied to securities of KLB Securities 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):

	<b>Amount</b>
KLB Securities Co., Ltd.	(Won) 4,148
Jooeun Industrial Co., Ltd.	56,688
	(Won) 60,836

The audited or reviewed financial statements of the investees as of December 31, 2005 except the financials for the ING Life Insurance Korea, Sorak Financial Holdings PTE Ltd, KICO No. 2 Venture Investment



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Partnership and KICO No. 3 Venture Investment Partnership were used for applying the equity method. The subsequent events from the closing dates of investees' financial statements to the Bank's balance sheet date were properly reflected in applying the equity method.

(12) Securities provided as collateral as of December 31, 2005 were as follows (Unit: In millions):

Provided to	Book value	Collateral amount	Provided for
Korea Securities Depository & others	(Won) 6,571,036	(Won) 6,570,000	Bonds sold under repurchase agreements
BOK	953,153	950,000	Borrowings from BOK
BOK	183,994	183,200	Overdrafts and settlement risk
Samsung Futures & others	265,582	274,511	Derivative settlement
Korea Securities Depository	134,118	137,252	Others
	(Won) 8,107,883	(Won) 8,114,963	

6. LOANS AND ALLOWANCE FOR POSSIBLE LOAN LOSSES:

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

	2005	2004
Loans in Won	(Won) 118,833,268	(Won) 122,913,992
Loans in foreign currencies	5,114,780	3,659,753
Bills bought in Won	18,563	27,096
Bills bought in foreign currencies	1,377,574	574,818
Advances for customers	11,321	32,120
Factoring receivables	32,044	32,335
Credit card receivables	7,571,344	7,643,990
Private placed bonds	3,735,217	1,210,585
Call loans	1,535,088	2,824,479
Loans to be swapped to equity		746
	138,229,199	138,919,914
Allowance for possible loan losses	(2,459,378)	(3,131,099)
Deferred loan origination fees and costs	52,025	48,889
	(Won) 135,821,846	(Won) 135,837,704

(2) Loans in Won and in foreign currencies classified by borrower type as of December 31, 2005 were as follows (Unit: In millions):

	Loans in Won	Loans in foreign currencies	Total	Percentage (%)
Large corporations	(Won) 3,492,586	(Won) 2,861,491	(Won) 6,354,077	5.13
Small and medium corporations	32,073,976	1,743,277	33,817,253	27.28
Households	82,589,408	60,131	82,649,539	66.68
Others	677,298	449,881	1,127,179	0.91

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(Won) 118,833,268	(Won) 5,114,780	(Won) 123,948,048	100.00
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- 22 -

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

	Loans in Won	Loans in foreign currencies	Total	Percentage (%)
Large corporations	(Won) 2,809,514	(Won) 1,658,140	(Won) 4,467,654	3.53
Small and medium corporations	35,140,393	1,115,049	36,255,442	28.64
Households	84,250,246	69,447	84,319,693	66.62
Others	713,839	817,117	1,530,956	1.21
	(Won) 122,913,992	(Won) 3,659,753	(Won) 126,573,745	100.00

(3) Loans classified by borrower's country/region as of December 31, 2005 were as follows (Unit: In millions):

	Loans in Won	Loans in foreign currencies	Others	Total	Percentage (%)
Korea	(Won) 118,833,268	(Won) 4,130,696	(Won) 14,140,361	(Won) 137,104,325	99.19
Southeast Asia		89,578	161	89,739	0.06
China		362,468	5,394	367,862	0.27
Japan		270,131	72	270,203	0.19
Central and South America		7,524	19	7,543	0.01
Others		254,383	135,144	389,527	0.28
	(Won) 118,833,268	(Won) 5,114,780	(Won) 14,281,151	(Won) 138,229,199	100.00

Loans classified by borrower's country/region as of December 31, 2004 were as follows (Unit: In millions):

	Loans in Won	Loans in foreign currencies	Others	Total	Percentage (%)
Korea	(Won) 122,913,992	(Won) 2,245,059	(Won) 12,128,460	(Won) 137,287,511	98.82
Southeast Asia		700,600	186,753	887,353	0.64
China		236,554	14,301	250,855	0.18
Japan		278,971		278,971	0.20
Central and South America		53,452	45	53,497	0.04
Others		145,117	16,610	161,727	0.12
	(Won) 122,913,992	(Won) 3,659,753	(Won) 12,346,169	(Won) 138,919,914	100.00

(4) Loans classified by industry as of December 31, 2005 were as follows (Unit: In millions):

	Loans in Won	Loans in foreign currencies	Others	Total	Percentage (%)
Corporations					

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Finance and insurance	(Won) 1,053,608	(Won) 1,030,854	(Won) 2,171,125	(Won) 4,255,587	3.08
Manufacturing	11,468,816	1,826,707	2,471,966	15,767,489	11.40
Services	19,171,675	1,103,640	1,631,518	21,906,833	15.85
Others	4,131,424	1,075,111	981,194	6,187,729	4.48
Households	82,589,408	60,131	6,525,160	89,174,699	64.51
Public sector	418,337	18,337	500,188	936,862	0.68
	(Won) 118,833,268	(Won) 5,114,780	(Won) 14,281,151	(Won) 138,229,199	100.00

- 23 -

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Loans classified by industry as of December 31, 2004 were as follows (Unit: In millions):

	Loans in foreign currencies			Others	Total	Percentage (%)
	Loans in Won					
Corporations						
Finance and insurance	(Won) 655,472	(Won) 935,433	(Won) 3,920,196	(Won) 5,511,101	3.97	
Manufacturing	12,320,461	1,159,040	1,725,419	15,204,920	10.94	
Services	21,240,786	1,423,752	487,968	23,152,506	16.67	
Others	4,121,949	72,081	98,206	4,292,236	3.09	
Households	84,250,246	69,447	6,114,380	90,434,073	65.10	
Public sector	325,078			325,078	0.23	
	(Won) 122,913,992	(Won) 3,659,753	(Won) 12,346,169	(Won) 138,919,914	100.00	

(5) Loans to financial institutions as of December 31, 2005 were as follows (Unit: In millions):

	Bank	Other financial institutions	Total
Loans in Won	(Won) 1,274	(Won) 1,052,334	(Won) 1,053,608
Loans in foreign currencies	965,456	65,398	1,030,854
Others	1,608,258	562,867	2,171,125
	(Won) 2,574,988	(Won) 1,680,599	(Won) 4,255,587

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

	Bank	Other financial institutions	Total
Loans in Won	(Won) 6,623	(Won) 648,849	(Won) 655,472
Loans in foreign currencies	594,985	340,448	935,433
Others	2,793,409	1,126,787	3,920,196
	(Won) 3,395,017	(Won) 2,116,084	(Won) 5,511,101

(6) The term structure of loans as of December 31, 2005 was as follows (Unit: In millions):

	Loans in foreign currencies			Total
	Loans in Won		Others	
Due in 3 months or less	(Won) 16,906,160	(Won) 1,951,163	(Won) 8,193,509	(Won) 27,050,832
Due after 3 months through 6 months	16,040,966	990,574	731,458	17,762,998
Due after 6 months through 1 year	33,020,434	973,081	1,379,070	35,372,585
Due after 1 year through 2 years	13,694,750	236,686	1,042,520	14,973,956
Due after 2 years through 3 years	10,245,651	327,997	1,499,811	12,073,459
Due after 3 years through 4 years	4,320,143	77,561	42,542	4,440,246

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Due after 4 years through 5 years	5,269,801	250,403	191,646	5,711,850
More than 5 years	19,335,363	307,315	1,200,595	20,843,273
	(Won) 118,833,268	(Won) 5,114,780	(Won) 14,281,151	(Won) 138,229,199

(7) Sales of loans

In 2005, under the joint collection program of financial institutions, the Bank and its subsidiaries have sold (Won)189,473 million of certain loans to Hee Mang Moe Special Purpose Company and has recognized gain

and loss of (Won)7,233 million and (Won)391 million, respectively. The Bank has also sold (Won)42,097 million of loans to KAMCO under the credit support program for lower income people and recognized gain and loss of (Won)277 million and (Won)2,055 million, respectively. Moreover, the Bank has sold (Won)3,050 million of loans (Auto loans) to Daewoo Motors Sales and recognized (Won)1,709 million of gain on sale of loans. In addition, the Bank has sold (Won)399,864 million of loans to KB 4<sup>th</sup> SPC, (Won)512,348 million of loans to KB 5<sup>th</sup> SPC and (Won)242,483 million of loans to KB 6<sup>th</sup> SPC and recognized (Won)63,797 million and (Won)8,360 million of gain on sale of loans and (Won)13,924 million of loss on sale of loans, respectively. Furthermore, the Bank has recorded (Won)490 million of gain on sale of loans and (Won)27 million of loss on sale of loans with respect to the other loan sale transactions. 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 written-off loans, 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 at sales date as gain or loss from the sale of loans. From the third quarter of 2004, the Bank has recognized the proceeds in excess or less than the book value as of prior year end date as gain or loss on sale of loans.

(8) Credit card receivables as collateral

The Bank offers the credit card receivables amounting to (Won)859,271 million (before deducting the allowance) as collateral for the transaction of credit card receivables to SPC as of December 31, 2005.

(9) The changes in loan origination costs for the year ended December 31, 2005 were as follows (Unit: In millions):

	Beginning	Increase	Decrease	Ending
Loan origination costs	(Won) 48,889	(Won) 20,939	(Won) 17,803	(Won) 52,025

(10) The allowance for possible loan losses as of December 31, 2005 is summarized as follows (Unit: In millions):

	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Loans in Won	(Won) 777,020	(Won) 293,630	(Won) 198,120	(Won) 494,607	(Won) 367,848	(Won) 2,131,225
Loans in foreign currencies	23,303	2,504	5,891	19,044	437	51,179
Bills bought	6,943	228	27	180	1,677	9,055
Advances for customers	6	9	279	1,469	6,238	8,001
Credit card receivables	77,680	40,515	179	73,419	42,715	234,508
Privately placed bonds	19,765	217	918			20,900
Factoring receivables	4,299		211			4,510
	(Won) 909,016	(Won) 337,103	(Won) 205,625	(Won) 588,719	(Won) 418,915	(Won) 2,459,378

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

	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Loans in Won	(Won) 781,412	(Won) 476,678	(Won) 358,603	(Won) 679,149	(Won) 335,361	(Won) 2,631,203
Loans in foreign currencies	13,776	13,316	8,428	18,860	1,893	56,273
Bills bought	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	3,982	2,370	13,679
Factoring receivables	585		103	982	25	1,695
Loans to be swapped to equity securities				746		746
	(Won) 870,787	(Won) 573,572	(Won) 368,707	(Won) 905,796	(Won) 412,237	(Won) 3,131,099

(11) The changes in allowance for possible loan losses for the years ended December 31, 2005 and 2004 were as follows (Unit: In millions):

	2005	2004
Beginning balance	(Won) 3,357,804	(Won) 4,063,847
Provision for possible loan losses	1,029,445	3,064,528
Reclassification from other allowances (*1)	17,501	289,919
Collection of previously written-off loans	454,280	290,283
Repurchase of NPLs sold	15,863	40,571
Sales of loans	(183,306)	(685,268)
Loans written-off	(2,141,773)	(3,415,144)
Conversion to equity securities	(11,444)	(327,816)
Exemption of loans	(9,570)	(32,847)
Changes in exchange rates and others	15,262	69,731
Ending balance (*2)	(Won) 2,544,062	(Won) 3,357,804

(\*1) Other allowances for credit lines to Kookmin Credit Card 16th ABS Specialty Company amounting to (Won)17,501 million were transferred to allowances for loan losses.

(\*2) Allowance for possible loan losses includes present value discounts amounting to (Won)20,015 million and (Won)22,111 million as of December 31, 2005 and 2004, respectively, and allowances for other assets amounting to (Won)84,684 million and (Won) 226,705 million, respectively.

(12) The allowance for possible losses on other assets as of December 31, 2005 and 2004 is summarized as follows (Unit: In millions):

	2005	2004
Account receivables	(Won) 4,108	(Won) 2,573
Suspense receivables	20,447	39,231
Uncollected guarantee deposits for rent	8,269	9,326
Settlement costs for financial accident	15,844	15,495
Derivative instruments	2,283	3,209
Other loans of Kookmin Credit Card		274
Due from trust accounts	33,733	156,597



(Won) 84,684

(Won) 226,705

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(13) The allowance for possible loan losses compared to total loans is summarized as follows (Unit: In millions):

	Loans	Allowance for possible loan losses	Percentage (%)
December 31, 2005	(Won) 138,229,199	(Won) 2,459,378	1.78
December 31, 2004	138,919,914	3,131,099	2.25
December 31, 2003	145,058,496	3,922,214	2.70

7. 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 year ended December 31, 2005 were as follows (Unit: In millions):

	Amount before restructuring	Principal exemption	Conversion to equity securities	Interest reduction	Extension of maturity
Court receivership	(Won) 1,778	(Won) 172	(Won) 313	(Won)	(Won) 1,293
Composition	7,167				7,167
Workout plan	148,823			8,504	140,319
	(Won) 157,768	(Won) 172	(Won) 313	(Won) 8,504	(Won) 148,779

(2) Changes in the present value discounts relating to the outstanding restructured loans for the year ended December 31, 2005 were as follows (Unit: In millions):

	Discount rates (%)	Amount	Beginning balance	Present value discounts		Ending balance
				Addition	Deduction	
Court receivership	5.90~20.98	(Won) 11,661	(Won) 6,126	(Won) 535	(Won) (4,626)	(Won) 2,035
Composition	4.90~19.90	12,397	3,200	2,495	(3,457)	2,238
Workout plan	6.00~28.89	185,038	6,562	13,946	(9,137)	11,371
Others	9.50	30,802	6,223	16	(1,868)	4,371
		(Won) 239,898	(Won) 22,111	(Won) 16,992	(Won) (19,088)	(Won) 20,015

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.

8. FIXED ASSETS:

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

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	<b>2005</b>	<b>2004</b>
Tangible assets	(Won) 3,683,286	(Won) 3,607,196
Less: accumulated depreciation	(1,631,480)	(1,439,359)
accumulated impairment loss	(11,466)	(2,296)
Intangible assets	400,919	471,338
Non-business use property	583	492
Less: valuation allowance	(230)	(253)
	(Won) 2,441,612	(Won) 2,637,118

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(2) Tangible assets as of December 31, 2005 consisted of (Unit: In millions):

	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	(Won) 986,569	(Won)	(Won) 7,109	(Won) 979,460
Buildings	939,293	160,337	4,357	774,599
Leasehold improvements	191,799	146,703		45,096
Equipment and vehicles	1,565,470	1,324,440		241,030
Construction in progress	155			155
	(Won) 3,683,286	(Won) 1,631,480	(Won) 11,466	(Won) 2,040,340

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

	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	(Won) 999,068	(Won)	(Won) 1,306	(Won) 997,762
Buildings	915,058	140,121	990	773,947
Leasehold improvements	175,189	124,571		50,618
Equipment and vehicles	1,516,639	1,174,667		341,972
Construction in progress	1,242			1,242
	(Won) 3,607,196	(Won) 1,439,359	(Won) 2,296	(Won) 2,165,541

(3) The changes in book value of tangible assets for the year ended December 31, 2005 were as follows (Unit: In millions):

	Beginning	Acquisition	Replacement	Disposal	Depreciation	Impairment	Change in foreign currencies	Ending
Land	(Won) 997,762	(Won) 439	(Won) 27,804	(Won) 12,041	(Won)	(Won) (6,621)	(Won) (79)	(Won) 979,460
Buildings	773,947	1,551	27,804	4,284	20,832	(3,577)	(10)	774,599
Leasehold improvements	50,618	1,166	28,938	2,286	33,304		(36)	45,096
Equipment and vehicles	341,972	113,189		2,858	210,791		(482)	241,030
Construction in progress	1,242	55,655	(56,742)					155
	(Won) 2,165,541	(Won) 172,000	(Won)	(Won) 21,469	(Won) 264,927	(Won) (10,198)	(Won) (607)	(Won) 2,040,340

(4) The published value of land was (Won)1,059,403 million and (Won) 832,319 million as of December 31, 2005 and 2004, respectively, based on the Laws on Disclosure of Land Price and Valuation of Land.

(5) Tangible assets, which have been insured as of December 31, 2005, were as follows (Unit: In millions):

Type of insurance	Asset insured	Insured amount	Insurance company
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Property composite	Buildings	(Won) 623,480	Samsung Fire & Marine Insurance Co., Ltd. & others
	Leasehold improvements	36,700	
	Equipment and vehicles	109,654	
		(Won) 769,834	

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

	Acquisition cost	Accumulated amortization	Book value
Goodwill	(Won) 705,108	(Won) 326,439	(Won) 378,669
Negative goodwill	(346)	(254)	(92)
Others	42,468	20,126	22,342
	(Won) 747,230	(Won) 346,311	(Won) 400,919

(7) The changes in intangible assets for the year ended December 31, 2005 were as follows (Unit: In millions):

	Beginning	Increase	Amortization	Ending
Goodwill	(Won) 457,015	(Won)	(Won) 78,346	(Won) 378,669
Negative goodwill	(161)		(69)	(92)
Others	14,484	16,226	8,368	22,342
	(Won) 471,338	(Won) 16,226	(Won) 86,645	(Won) 400,919

9. OTHER ASSETS:

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

	2005	2004
Guarantee deposits paid	(Won) 1,199,101	(Won) 1,300,643
Accounts receivable	477,474	2,361,843
Accrued income	978,089	945,482
Prepaid accounts	66,730	97,487
Prepaid expenses	46,449	43,391
Deferred income tax assets (see Note 23)	374,667	530,644
Derivatives assets (see Note 19)	1,202,129	2,392,086
Domestic exchange settlement debits	720,433	520,612
Due from trust accounts	195,033	319,003
Sundry assets	41,715	46,637
Less : allowances for possible losses	(84,684)	(226,705)
	(Won) 5,217,136	(Won) 8,331,123

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

	2005	2004
Receivables on cash sent to other banks	(Won) 350	(Won) 680
Supplies	14,468	16,036
Deposit money to court (*)	24,233	25,826
Asset disposal receivables	995	1,657

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Others	1,669	2,438
	(Won) 41,715	(Won) 46,637

(\*) Securities is included in deposit money to court of which book value, face value and fair value are (Won)13,422 million, (Won) 14,460 million and (Won)15,380 million, respectively.

10. DEPOSITS:

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

	2005	2004
Deposits in Won	(Won) 122,632,202	(Won) 123,708,792
Deposits in foreign currencies	1,593,844	1,516,132
Negotiable certificates of deposits	5,389,543	4,908,949
	(Won) 129,615,589	(Won) 130,133,873

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(2) Details of deposits as of December 31, 2005 and 2004 were as follows (Unit: In millions):

	Interest rate (%)	2005	2004
<b>Demand deposits in Won</b>			
Checking deposits		(Won) 190,629	(Won) 110,945
Household checking deposits	0.10	478,851	417,443
Temporary deposits		3,668,420	2,858,688
Passbook deposits	0.10	13,403,993	10,763,563
Public fund deposits	0.10	176,397	157,840
Non-residents deposit	0.10	24,898	24,301
Others	0.00 ~ 2.00	5,862	13,197
		17,949,050	14,345,977
<b>Time deposits and savings deposits in Won</b>			
Time deposits	2.40 ~ 3.80	57,387,089	62,785,398
Installment savings deposits	3.25 ~ 3.85	1,218,956	1,249,939
Property formation savings	8.50	955	1,516
Workers' savings for housing	8.50 ~ 11.50	27	49
Time and savings deposits of non-residents	2.40 ~ 3.80	213,436	263,671
General savings deposits	0.10 ~ 3.10	20,151,013	19,120,739
Corporate savings deposits	0.10 ~ 3.00	9,391,238	7,338,760
Long-term savings deposits for workers	11.50 ~ 12.00	7,388	39,104
Long-term housing savings deposits	4.30	2,390,596	1,663,366
Long-term savings for households	11.00	7,377	20,108
Workers' preferential savings deposits	5.35	1,097,848	2,171,785
Mutual installment deposits	3.00 ~ 3.85	5,119,223	6,304,494
Mutual installment for housing	2.20 ~ 3.60	4,582,031	5,295,274
Others	1.83 ~ 4.78	3,118,108	3,108,612
		104,685,285	109,362,815
		122,634,335	123,708,792
Gain on valuation of fair value hedged item		(2,133)	
		(Won) 122,632,202	(Won) 123,708,792
<b>Demand deposits in foreign currencies</b>			
Checking deposits	0.00 ~ 3.50	(Won) 51,185	(Won) 37,137
Passbook deposits	0.05	701,514	663,261
Notice deposits	1.12 ~ 6.20	241	276
Temporary deposits		1,300	1,315
		754,240	701,989
<b>Time deposits and savings deposits in foreign currencies</b>			
Time deposits	0.10 ~ 7.55	837,598	812,021
Installment savings deposits	5.00 ~ 6.50	643	662
Others		1,363	1,460
		839,604	814,143
		(Won) 1,593,844	(Won) 1,516,132
Negotiable certificates of deposits	3.35 ~ 4.05	(Won) 5,389,543	(Won) 4,908,949



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

	<b>Financial institutions</b>	<b>2005</b>	<b>2004</b>
Deposits in Won	Banks	(Won) 985,328	(Won) 1,683,255
	Others	5,218,874	5,240,889
		6,204,202	6,924,144
Deposits in foreign currencies	Banks	179,692	52,614
	Others	60,586	39,242
		240,278	91,856
		(Won) 6,444,480	(Won) 7,016,000

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

	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	More than 3 years	Total
Deposits in Won	(Won) 72,990,487	(Won) 11,124,751	(Won) 25,392,988	(Won) 8,027,303	(Won) 5,096,673	(Won) 122,632,202
Deposits in foreign currencies	1,367,898	173,388	46,463	6,095		1,593,844
Negotiable certificate of deposits	2,346,463	2,351,554	690,927	599		5,389,543
	(Won) 76,704,848	(Won) 13,649,693	(Won) 26,130,378	(Won) 8,033,997	(Won) 5,096,673	(Won) 129,615,589

11. BORROWINGS:

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

	2005	2004
Borrowings in Won	(Won) 2,686,718	(Won) 3,052,049
Borrowings in foreign currencies	2,717,595	2,164,848
Bonds sold under repurchase agreements	6,373,308	3,443,344
Bills sold	296,722	41,988
Due to BOK in foreign currencies	542	2,007
Call money	1,253,512	655,359
	(Won) 13,328,397	(Won) 9,359,595

(2) Borrowings in Won as of December 31, 2005 and 2004 consisted of (Unit: In millions):

Account	Financial institution	Annual interest rate (%)	2005	2004
Borrowings from the Bank of Korea	BOK	2.00	(Won) 646,308	(Won) 920,144
Borrowings from the Korean government	Ministry of Finance and Economy, and others	0.00 ~ 6.50	638,268	701,680
Borrowings from banking institutions	Industrial Bank of Korea	3.40 ~ 4.50	115,437	158,245
Borrowings from National Housing Fund	National Housing Fund	0.00 ~ 8.00	77,856	104,784
Borrowings from other financial institutions	Korea Development Bank	2.00 ~ 4.00	4,353	5,227
Other borrowings	Small Business Corporation and others	1.92 ~ 7.00	1,204,496	1,161,969
			(Won) 2,686,718	(Won) 3,052,049



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

Account	Financial institution	Annual interest rates (%)	Annual interest	
			2005	2004
Due to banks	Citibank N. A. and others		(Won) 27,250	(Won) 22,456
Borrowings from banking institutions	Sumitomo Mitsui Banking Co., Ltd. and others	0.06 ~ 4.70	1,806,525	882,414
Off-shore borrowings in foreign currencies	ABN AMRO and others	0.32 ~ 5.16	401,197	663,993
Other borrowings from banking institutions	IBRD	4.32	10,466	13,882
Other borrowings in foreign currencies	Person, organization & corporations	0.00 ~ 4.77	472,157	582,103
			(Won) 2,717,595	(Won) 2,164,848

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

Account	Financial institution	Annual interest rates (%)	Annual interest	
			2005	2004
Bonds sold under repurchase agreements in Won	Person, Group Corporations	3.15 ~ 4.25	(Won) 6,373,308	(Won) 3,443,344
Bills sold	Teller s Sales	3.25 ~ 4.00	296,722	41,988
Due to the Bank of Korea in foreign currencies	BOK	3.82 ~ 4.67	542	2,007
			(Won) 6,670,572	(Won) 3,487,339

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

Account	Financial institution	Annual interest rates (%)	Annual interest	
			2005	2004
Won	Samsung Life Insurance Co., Ltd. and others	3.40 ~ 3.65	(Won) 984,100	(Won) 638,500
Foreign currencies	Korea Exchange Bank and others	4.08 ~ 4.45	269,412	13,685
Inter-bank borrowings				3,174
			(Won) 1,253,512	(Won) 655,359

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

Borrowing	Borrowing in foreign	Due to BOK & call money	Total
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	In Won		currencies	
BOK	(Won) 646,308	(Won)	(Won) 542	(Won) 646,850
Banks	115,437	2,234,972	269,412	2,619,821
Others	4,353	10,466	984,100	998,919
	(Won) 766,098	(Won) 2,245,438	(Won) 1,254,054	(Won) 4,265,590

- 32 -

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Borrowings in Won, borrowings in foreign currencies and others with financial institutions as of December 31, 2004 were as follows (Unit: In millions):

	Borrowing		Borrowing in	Due to BOK &	Total
	In Won		foreign currencies	call money	
BOK	(Won) 920,144	(Won)		(Won) 2,007	(Won) 922,151
Banks	158,245		1,568,863	16,859	1,743,967
Others	5,227		13,882	638,500	657,609
	(Won) 1,083,616	(Won)	1,582,745	(Won) 657,366	(Won) 3,323,727

(7) Term structure of borrowings as of December 31, 2005 was as follows (Unit: In millions):

	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	More than 3 years	Total
	(Won)	(Won)	(Won)	(Won)	(Won)	
Borrowings in Won	712,012	71,724	152,692	714,538	1,035,752	2,686,718
Borrowings in foreign currencies	1,227,112	737,006	409,936	315,085	28,456	2,717,595
Bonds sold under repurchase agreements	3,391,564	1,415,535	1,551,596	14,613		6,373,308
Bills sold	89,094	207,482	146			296,722
Due to the BOK in foreign currencies	426	116				542
Call money	1,253,512					1,253,512
	(Won) 6,673,720	(Won) 2,431,863	(Won) 2,114,370	(Won) 1,044,236	(Won) 1,064,208	(Won) 13,328,397

12. DEBENTURES:

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

	2005	2004
Debentures in Won	(Won) 15,528,273	(Won) 21,293,079
Less: Discount on debentures	(35,368)	(120,396)
Debentures in foreign currencies	1,051,990	696,522
Addition: Premiums on debentures	3,092	5,490
	(Won) 16,547,987	(Won) 21,874,695

(2) Debentures in Won as of December 31, 2005 and 2004 consisted of (Unit: In millions):

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Annual interest

	rate (%)	2005	2004
Hybrid debentures	6.00 ~ 7.00	(Won) 903,668	(Won) 903,668
Structured debentures	5.90 ~ 6.60	208,131	80,000
Subordinated fixed rate debentures in Won	4.18 ~ 15.66	5,794,072	6,017,095
KCC subordinated fixed rate debentures	7.10 ~ 8.00	205,000	205,000
KCC fixed rate debentures	5.43 ~ 7.80	390,000	930,000
KCC floating rate debentures			610,000
Fixed rate debentures	3.32 ~ 7.49	8,068,146	12,543,566
		15,569,017	21,289,329
Loss (gain) on valuation of fair value hedged items (current year portion)		(44,494)	3,750
Loss on valuation of fair value hedged items (prior year portion)		3,750	
		15,528,273	21,293,079
Discounts on debentures		(35,368)	(120,396)
		(Won) 15,492,905	(Won) 21,172,683

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

	Issued date	Expiration date	Annual interest rate (%)	2005	2004
Subordinated fixed rate debentures in Won	Jan-98 ~ Jul-98	Jul -03 ~ Nov-09	11.04 ~ 15.66	(Won) 104,985	(Won) 133,477
	Mar-00	Mar-05	9.65	5,469	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 ~ Nov-10	8.65 ~ 9.65	262,051	262,051
	Dec-00	Jan-06	8.71	200,000	200,000
	May-01	Feb-07	7.6 ~ 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	5.84 ~ 5.87	57,784	57,784
	Dec-04	Jun-10	4.18 ~ 4.20	700,000	700,000
				5,999,072	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) 6,902,740	(Won) 7,125,763

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

	Annual interest rate (%)	2005	2004
Floating rates debentures	0.17 ~ 5.36	(Won) 550,365	(Won) 110,810
Fixed rates debentures	2.37 ~ 4.63	517,234	532,913
KCC floating rate debentures			60,227
		1,067,599	703,950
Gain on valuation of fair value hedged items (current year portion)		(8,181)	(5,925)
Gain on valuation of fair value hedged items (prior year portion)		(7,428)	(1,503)
		1,051,990	696,522
Premiums on debentures		4,076	6,336
Discounts on debentures		(984)	(846)



(Won) 1,055,082

(Won) 702,012

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(5) Term structure of debentures as of December 31, 2005 was as follows (Unit: In millions):

	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	More than 3 years	Total
Debentures in Won	(Won) 1,825,117	(Won) 2,924,111	(Won) 3,532,030	(Won) 3,215,630	(Won) 4,031,385	(Won) 15,528,273
Debentures in foreign currencies	20,381	48,994	42,995	593,743	345,877	1,051,990
	(Won) 1,845,498	(Won) 2,973,105	(Won) 3,575,025	(Won) 3,809,373	(Won) 4,377,262	(Won) 16,580,263

13. OTHER LIABILITIES:

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

	2005	2004
Accrued severance benefits (see Note 15)	(Won) 395,309	(Won) 327,008
Less: severance insurance deposits transfer to National Pension	(241,038) (82)	(197,787) (83)
Allowance for possible losses on acceptances and guarantees	10,141	1,150
Due to trust accounts	931,826	690,011
Guarantees deposits received	102,237	98,917
Accounts payable	863,383	2,747,032
Accrued expenses	4,925,912	4,190,954
Advanced from customer	362,273	194,437
Unearned revenues	86,079	102,719
Withholding taxes	83,412	3,915
Accounts for agency business	112,919	234,890
Domestic exchange settlement loans (see Note 19)	538,799	258,020
Derivatives liabilities	1,070,652	2,219,630
Agency	272,838	280,569
Insurance reserve	329,106	126,995
Sundry liabilities (see Note 16)	1,116,751	781,186
	(Won) 10,960,517	(Won) 12,059,563

14. ACCEPTANCES AND GUARANTEES AND ALLOWANCES FOR POSSIBLE LOSSES:

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

Types	2005	2004
Confirmed acceptances and guarantees in Won:		
Payment guarantee for issuance of debentures	(Won) 768	(Won) 472
Payment guarantee for loans	34,527	30,852
Others	352,946	260,497
	388,241	291,821

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Confirmed acceptances and guarantees in foreign currencies:		
Acceptances on letters of credit	86,170	101,222
Acceptances for letters of guarantee for importers	68,381	62,844
Guarantees for performance of contracts	68,692	32,039
Guarantees for bids	4,004	2,606
Guarantees for borrowings	48,091	26,728
Guarantees for repayment of advances	761,489	23,213
Others	364,666	435,439
	1,401,493	684,091
	1,789,734	975,912
Unconfirmed acceptances and guarantees:		
Letters of credit	1,101,386	1,017,379
Others	879,367	295,360
	1,980,753	1,312,739
Bills endorsed	10,910	9,396
	(Won) 3,781,397	(Won) 2,298,047

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(2) Acceptances and guarantees, by customer, as of December 31, 2005 were as follows (Unit: In millions):

	<b>Confirmed</b>	<b>Unconfirmed</b>	<b>Total</b>	<b>Percentage</b>
	(Won)	(Won)	(Won)	(%)
Large corporations	1,383,240	1,361,814	2,745,054	72.80
Small and medium corporations	401,629	613,772	1,015,401	26.93
Public sector and others	2,652	5,088	7,740	0.21
Foreign customer	2,213	79	2,292	0.06
	(Won) 1,789,734	(Won) 1,980,753	(Won) 3,770,487	100.00

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

	<b>Confirmed</b>	<b>Unconfirmed</b>	<b>Total</b>	<b>Percentage</b>
	(Won)	(Won)	(Won)	(%)
Large corporations	356,397	438,394	794,791	34.73
Small and medium corporations	616,973	845,916	1,462,889	63.92
Public sector and others		25,514	25,514	1.11
Foreign customer	2,542	2,915	5,457	0.24
	(Won) 975,912	(Won) 1,312,739	(Won) 2,288,651	100.00

(3) Acceptances and guarantees, by industry, as of December 31, 2005 were as follows (Unit: In millions):

	<b>Confirmed</b>	<b>Unconfirmed</b>	<b>Total</b>	<b>Percentage</b>
	(Won)	(Won)	(Won)	(%)
Public sector	707,759	867,544	1,575,303	41.78
Finance	389,019	10,311	399,330	10.59
Service	277,690	404,234	681,924	18.08
Manufacturing	298,596	670,291	968,887	25.70
Others	116,670	28,373	145,043	3.85
	(Won) 1,789,734	(Won) 1,980,753	(Won) 3,770,487	100.00

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

	<b>Confirmed</b>	<b>Unconfirmed</b>	<b>Total</b>	<b>Percentage</b>
	(Won)	(Won)	(Won)	(%)
Finance	242,520	911	243,431	10.64
Service	265,781	347,148	612,929	26.78
Manufacturing	373,262	862,648	1,235,910	54.00
Others	94,349	102,032	196,381	8.58
	(Won) 975,912	(Won) 1,312,739	(Won) 2,288,651	100.00

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(4) Acceptances and guarantees, by country, as of December 31, 2005 were as follows (Unit: In millions):

	<b>Confirmed</b>	<b>Unconfirmed</b>	<b>Total</b>	<b>Percentage (%)</b>
Korea	(Won) 1,455,270	(Won) 1,979,204	(Won) 3,434,474	91.09
France	293,770		293,770	7.79
USA	40,520		40,520	1.07
Others	174	1,549	1,723	0.05
	(Won) 1,789,734	(Won) 1,980,753	(Won) 3,770,487	100.00

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

	<b>Confirmed</b>	<b>Unconfirmed</b>	<b>Total</b>	<b>Percentage (%)</b>
Korea	(Won) 934,036	(Won) 1,311,073	(Won) 2,245,109	98.10
USA	41,752	701	42,453	1.85
Others	124	965	1,089	0.05
	(Won) 975,912	(Won) 1,312,739	(Won) 2,288,651	100.00

- (5) Until 2004, the Bank provided allowance for possible losses on confirmed acceptances and guarantees, which were classified as substandard or less than substandard. However, pursuant to the amended Supervisory Regulation of Banking Business, the Bank has extended the scope of allowance for possible losses on acceptances and guarantees to note endorsed, unconfirmed acceptances and guarantees and confirmed acceptances and guarantees classified as normal and precautionary, and provided allowance for possible losses based on the credit classification, minimum rate of loss provision prescribed by Financial Supervisory Service and the cash conversion factor of the respective exposures since 2005.

Allowance for possible losses on acceptances and guarantees as of December 31, 2005 was as follows (Unit: In millions):

	Confirmed acceptances and guarantees		Unconfirmed	Bills endorsed	Total
	Won	Foreign currencies			
Normal	(Won) 382,574	(Won) 1,387,749	(Won) 1,951,604	(Won) 10,572	(Won) 3,732,499
Precautionary	3,658	11,335	12,573	299	27,865
Substandard	50	2,194	8,445		10,689
Doubtful	1,888	209	1,198	39	3,334
Estimated loss	71	6	6,933		7,010
	(Won) 388,241	(Won) 1,401,493	(Won) 1,980,753	(Won) 10,910	(Won) 3,781,397
Allowance for possible losses	1,395	3,640	5,028	78	10,141
Ratio (%)	0.36	0.26	0.25	0.71	0.27

Allowance for possible losses on confirmed acceptances and guarantees as of December 31, 2004 was as follows (Unit: In millions):

	Confirmed acceptances and guarantees		Total
	Won	Foreign currencies	
Normal	(Won) 280,910	(Won) 672,608	(Won) 953,518
Precautionary	8,614	10,312	18,926
Substandard	2,042	1,024	3,066
Doubtful	225	142	367
Estimated loss	30	5	35
	(Won) 291,821	(Won) 684,091	(Won) 975,912
Allowance for possible losses	551	599	1,150
Ratio (%)	0.19	0.09	0.12

- (6) The percentage of allowance for possible losses on acceptances and guarantees and others as of December 31, 2005, 2004 and 2003 was as follows (Unit: In millions):

	Guarantees and acceptances and others	Allowance	Percentage (%)
December 31, 2005 (*)	(Won) 3,781,397	(Won) 10,141	0.27
December 31, 2004	975,912	1,150	0.12
December 31, 2003	811,163	1,074	0.13

- (\*) Pursuant to the amended Supervisory Regulation of Banking Business, the Bank extended the scope of allowance for possible losses.



15. ACCRUED SEVERANCE BENEFITS:

(1) The changes in accrued severance benefits for the year ended December 31, 2005 were as follows (Unit: In millions):

	2004	Provision	Payment	Additional increase (decrease)	2005
Accrued severance benefits	(Won) 327,008	(Won) 133,325	(Won) 65,002	(Won) (22)	(Won) 395,309
Severance insurance deposits	(197,787)	(72,385)	(29,134)		(241,038)
Transfer to National Pension	(83)		(1)		(82)
	(Won) 129,138	(Won) 60,940	(Won) 35,867	(Won) (22)	(Won) 154,189

As of December 31, 2005 and 2004, part of severance benefits was contributed to pension funds of Kyobo Life Insurance Co., Ltd., and others in which the beneficiary is a respective employee. The total severance benefits paid for year ended December 31, 2005 amounted to (Won)320,702 million, including the additional severance benefits of (Won)255,700 million relating to early retirements paid in February 2005.

16. SUNDRY LIABILITIES:

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

	2005	2004
Borrowings for others business	(Won) 128,567	(Won) 87,685
Foreign currency bills payable	38,645	21,395
Prepaid card and debit card liabilities	8,540	4,714
Subscription deposits	45,904	40,085
Other allowances	883,106	613,631
Others	11,989	13,676
	(Won) 1,116,751	(Won) 781,186

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

	2005	2004
Loss on branch closure	(Won) 167	(Won) 237
Unused credit limit	342,281	45,234
Mileage rewards	85,876	80,676
Credit commitments to SPC (Note 19)	384,724	438,343
KAMCO loans sold (Note 19)	241	217
Dormant accounts	27,035	14,976
KP Chemical loans sold	4,029	4,029
Preparation for damages	1,759	1,754
Trust risk	5,425	670
Others	31,569	27,495
	(Won) 883,106	(Won) 613,631



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The Bank provided other allowance for certain portions of the unused cash advance facility of active credit card accounts with transaction records during the recent one year until 2004. In connection with the amendment of Supervisory Regulation of Banking Business, the Bank has extended the scope of other allowance for the unused line of credit to the unused credit limit for purchase of credit card and unused credit line of consumer and corporate loans, and provided other allowance based on the cash conversion factor and minimum rate of loss provision prescribed by Financial Supervisory Service since 2005. The unused credit limit for other allowances amounts to (Won)72,422,182 million as of December 31, 2005.

- 38 -

17. SHAREHOLDERS EQUITY:

(1) Capital stock

As of December 31, 2005 and 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. The Bank's major shareholders were Euro-Pacific Growth Fund (4.95 percent) and ING Bank N.V. Amsterdam (4.06 percent) as of December 31, 2005. As of December 31, 2005, 51,175,814 common shares, equivalent to 15.21 percent 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 percent of total outstanding voting shares, that entity's voting rights are limited to 4 percent shareholding.

(2) Capital surplus

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

	2004	Increase	2005
Paid-in capital in excess of par value	(Won) 5,655,840	(Won)	(Won) 5,655,840
Gain on business combination	397,669		397,669
Revaluation increment	177,229		177,229
Others	7,546	31,315	38,861
	(Won) 6,238,284	(Won) 31,315	(Won) 6,269,599

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) Retained earnings as of December 31, 2005 and 2004 are summarized as follows (Unit: In millions):

	2005	2004
Legal reserve	(Won) 601,340	(Won) 545,740
Business rationalization reserve		40,760
Reserve for financial structure improvement	55,600	
Voluntary reserve	852,700	1,072,800
Other reserve	362,862	2,490
Retained earnings before appropriations	2,095,033	235,374
	(Won) 3,967,535	(Won) 1,897,164

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.

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

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

	2005	2004
Treasury stock	(Won) (9,660)	(Won) (1,322,320)
Gain on valuation of available-for-sale securities	509,813	711,297
Gain on valuation of held-to-maturity securities	426	
Gain on gain on valuation of securities using the equity method	88	3,679
Loss on gain on valuation of securities using the equity method	(11,966)	(4,593)
Stock option	3,888	29,613
Loss on sales of treasury stock		(1,459)
	(Won) 492,589	(Won) (583,783)

2) The changes of capital adjustments for the year ended December 31, 2005 were as follows (Unit: In millions):

	Beginning balance	Changes	Disposal or realized	Deferred tax income	Ending balance
Treasury stock	(Won) (1,322,320)	(Won)	(Won) 1,312,660	(Won)	(Won) (9,660)
Gain on valuation of available-for-sale securities	711,297	418,164	(426,721)	(193,377)	509,813
		952	(526)		426

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Gain on valuation of held-to-maturity securities					
Change due to the equity method	(914)	(15,710)	207	4,539	(11,878)
Stock options	29,613	(21,992)	(3,733)		3,888
Loss on sales of treasury stock	(1,459)	1,459			
	(Won) (583,783)	(Won) 383,323	(Won) 881,887	(Won) (188,838)	(Won) 492,589

- 40 -

3) Treasury stock

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 before tax on sales of treasury stock as of December 31, 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 year ended December 31, 2005, the Bank has sold 26,680,772 shares of treasury stock for (Won)1,248,663 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 year ended December 31, 2005.

In addition, as a result of the exercise of stock options, the Bank recognized gain on disposal of treasury stock amounting to (Won)494 million (not reflecting income tax effect) for the year ended December 31, 2005. Also, the Bank holds 0.06 percent (217,935 shares) of the total common stock issued as treasury stock as of December 31, 2005.

(5) Dividends

The calculation of dividends for the years ended December 31, 2005 and 2004 was as follows:

	2005	2004
Issued stocks (shares)	336,379,116	336,379,116
Treasury stock (shares)	217,935	29,881,209
Dividend stocks (shares)	336,161,181	306,497,907
Dividend rate (%)	11.00	11.00
The amount of dividend (Won in million)	184,889	168,574
Dividend propensity (%) (*)	8.25	30.36
Dividend yield ratio (%)	0.72	1.36

(\*) The change in net income due to the accounting changes of the private beneficiary certificates was not reflected in the dividend propensity as of December 31, 2004.

18. STOCK OPTIONS:

(1) The Bank granted stock options to 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 cash equivalent to the difference between the market price and the exercise price. In accordance with the resolution of the Board of Directors on August 23, 2005, the Bank has changed the settlement method from granting the treasury stock to paying cash equivalent to the difference between the market price and the exercise price only after the remaining treasury stock is exhausted. Accordingly, stock options against 217,935 shares of treasury stock, which the Bank currently owns as of December 31, 2005, were recorded using the fair value method accounting, and the other stock options were recorded using intrinsic value method accounting. Due to the change of accounting estimation, additional stock compensation expense amounting to (Won)13,483 million was recognized for the year ended December 31, 2005 and (Won)43,016 million of stock options (capital adjustment) were transferred to accrued expenses. The stock options, which will



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be exercised through treasury stock, are options from Series 2, 5, 7 and 8, and the respective number of shares is 592 shares, 22,490 shares, 194,632 shares and 221 shares, respectively.

	Granted shares					Exercise	
	Grant date	Granted	Forfeited	Exercised	Outstanding	price	Exercise period
Series 2	01.03.15	214,975	16,882	64,398	133,695	(Won) 28,027	04.03.16 ~ 09.03.15
Series 5	00.02.28	267,000	65,218	141,028	60,754	27,600	03.03.01 ~ 06.02.28
Series 6	01.03.24	111,000	38,624	35,650	36,726	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	200	42,047	57,100	05.03.23 ~ 10.03.22
Series 8-2 (*2)	02.03.22	490,000	180,691	32,405	276,904	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	48,685	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	52,100	07.11.02 ~ 12.11.01
Series 15-1(*1)	05.03.18	165,000			165,000	60,300	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	273,681	3,209,794		

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

(\*2) As the actual number of exercisable granted shares is determined in accordance with the management performance for the contract period of service, the number of granted shares used for the calculation of compensation cost is computed based on the assumption that the performance result falls into the highest level in the bracket.

(\*3) 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 options to be exercised through issuance of 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	(Won) 25,156	6.06	5.50	70.3	2.47	(Won) 15,987
Series 5	33,750	4.74	1.33	73.3	1.93	13,320
Series 7	45,800	4.91	3.00	58.9		18,364
Series 8	58,000	6.14	3.00	53.6		24,494

- (3) The compensation costs, by the settlement method, as of December 31, 2005 are as follows (Unit: In millions):

	Cash settlement	Stock settlement
Total compensation cost of stock options	(Won) 69,394	(Won) 3,888
Reflected compensation cost	43,016	3,888
Compensation cost to be reflected	(Won) 26,378	(Won)

The Bank recognized (Won)21,024 million of compensation cost for the year ended December 31, 2005.

- (4) The weighted average exercise price and the weighted average fair value of the stock options through issuance of treasury stock as of December 31, 2005 are (Won)48,708 and (Won)17,843, respectively.

19. CONTINGENCIES AND COMMITMENTS:

- (1) The Bank and its subsidiaries hold written-off loans, of which the claim for borrowers and guarantors have not been terminated , amounting to (Won)7,790,835 million and (Won)6,682,403 million as of December 31, 2005 and 2004, respectively.
- (2) As of December 31, 2005, the Bank has entered into commitments to provide credit line of (Won)3,302,896 million and to purchase commercial papers amounting to (Won)1,507,900 million with several special purpose companies. Under these commitments, the Bank extended (Won)174,970 million of loans to the companies and recognized (Won)384,724 million of expected loss as other allowance. The Bank has no balance of commitment to purchase commercial papers as of December 31, 2005. In addition, the Bank has (Won)93,710 million of outstanding commitments to provide foreign currency loans as of December 31, 2005.

The Bank and its subsidiaries make commercial papers discount contract with Korea Exchange Bank and Tong Yang Investment Bank amounting to (Won)15,000 million and (Won)30,000 million, respectively, as of December 31, 2005. There is no balance of commercial papers discount for both Korea Exchange Bank and Tong Yang Investment Bank as of December 31, 2005.

- (3) As of December 31, 2005, the Bank and its subsidiaries have provided two promissory notes with face value of (Won)119,169 million to Korea Housing Guarantee Corporation as guarantee for land trust business.
- (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.





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- (5) As of December 31, 2005, the Bank has provided allowances of (Won)241 million for losses from possible future repurchase of loans, which the Bank sold to Korea Asset Management Corporation ( KAMCO ) for (Won)685 million.
- (6) As of December 31, 2005 and 2004, the Bank recorded receivables amounting to (Won)383,838 million and (Won)2,286,066 million, and payables amounting to (Won)383,550 million and (Won)2,283,394 million for unsettled foreign currency spot transactions.
- (7) The Bank and its subsidiaries received performance bonds of (Won)1,361 million from Seoul Guarantee Insurance Company in relation to service contracts with third parties, which provides performance guarantee and subsequent service warranty for one year.
- (8) As of December 31, 2005, the Bank and its subsidiaries face 136 pending legal actions involving aggregate damages of (Won)299,165 million. On the other hand, the Bank and its subsidiaries have filed 244 lawsuits, which are still pending, with aggregate claims of (Won)267,151 million. Management believes that the actions against the Bank and its subsidiaries are without merit and that the ultimate liability, if any, will not materially affect the Bank and its subsidiaries' financial position.
- (9) During the current year, the Fair Trade Commission has initiated an investigation into the inter-company transactions of the Bank, but the ultimate result of the investigation is not certain as of December 31, 2005.
- (10) The notional amounts outstanding for derivative contracts as of December 31, 2005 and 2004 were as follows (Unit: In millions):

Type	2005(*)		2004			
	Trading	Hedge	Total	Trading	Hedge	Total
<b>Interest rate:</b>						
Interest rate forwards						
	(Won) 303,250	(Won) 303,250	(Won) 303,250	(Won) 605,224	(Won) 605,224	(Won) 605,224
Interest rate futures	695,443	695,443	695,443	31,957,000	1,007,900	32,964,900
Interest rate swaps	33,486,729	1,581,097	35,067,826	31,957,000	1,007,900	32,964,900
<b>Interest rate options</b>						
Interest rate options purchased						
	300,650	300,650	300,650	354,190	354,190	354,190
Interest rate options sold						
	640,650	640,650	640,650	854,190	854,190	854,190
	35,426,722	1,581,097	37,007,819	33,770,604	1,007,900	34,778,504
<b>Currency:</b>						
Currency forwards						
	58,354,822	58,354,822	58,354,822	53,943,197	53,943,197	53,943,197
Currency futures	2,419,652	2,419,652	2,419,652	2,537,269	2,537,269	2,537,269
Currency swaps	4,796,740	4,796,740	4,796,740	4,184,152	4,184,152	4,184,152
<b>Currency options</b>						
Currency options purchased						
	119,345	119,345	119,345	245,387	245,387	245,387
Currency options sold						
	73,056	73,056	73,056	270,247	270,247	270,247
	65,763,615	65,763,615	65,763,615	61,180,252	61,180,252	61,180,252
<b>Stock:</b>						
Stock index futures						
	13,567	13,567	13,567	3,406	3,406	3,406
<b>Stock options</b>						
Stock options purchased						
	2,746,364	2,746,364	2,746,364	1,743,480	1,743,480	1,743,480
Stock options sold						
	2,754,603	2,754,603	2,754,603	1,729,630	1,729,630	1,729,630
	5,514,534	5,514,534	5,514,534	3,476,516	3,476,516	3,476,516

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Others:

Gold index purchased	146,268	146,268
Gold index sold	146,268	146,268
	292,536	292,536

(Won) 106,997,407 (Won) 1,581,097 (Won) 108,578,504 (Won) 98,427,372 (Won) 1,007,900 (Won) 99,435,272

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For transaction between Won and foreign currencies, unsettled amount of transaction is presented using the basic foreign exchange rate based on the contract amount in foreign currencies. For transaction between foreign currencies and foreign currencies, unsettled amount is presented using the basic foreign exchange rate based on foreign currencies purchased.

December 31, 2005

Type	Gain (loss) on valuation (I/S)			Total	Gain (loss) on valuation (B/S)		
	Trading		Hedge				
<b>Interest rate:</b>							
Interest rate options purchased	(Won)	694	(Won)	(Won)	694	(Won)	2,778
		(4,115)			(4,115)		
Interest rate options sold		3,867			3,867		
		(1,109)			(1,109)		(2,179)
Interest rate swaps (*1)		445,081	1,336		446,417		231,341
		(366,865)	(56,144)		(423,009)		(242,414)
Interest rate forwards		6			6		6
		(3)			(3)		(3)
		449,648			450,984		234,125
		(372,092)	(56,144)		(428,236)		(244,596)
<b>Currency:</b>							
Currency forwards (*1)		593,383			593,383		607,398
		(531,381)			(531,381)		(584,142)
Currency swaps (*1)		66,458			66,458		298,431
		(96,686)			(96,686)		(179,250)
Currency options purchased		118			118		117
		(1,011)			(1,011)		(1,011)
Currency options sold	(Won)	620	(Won)	(Won)	620	(Won)	618
		(41)			(41)		(42)
		660,579			660,579		906,564
		(629,119)			(629,119)		(764,445)
<b>Stock:</b>							
Stock option purchased		20,002			20,002		61,345
		(18,244)			(18,244)		
Stock option sold		19,765			19,765		
		(19,240)			(19,240)		(61,516)
		39,767			39,767		61,345
		(37,484)			(37,484)		(61,516)
<b>Others:</b>							
Gold index purchased		36			36		95
		(1,841)			(1,841)		
Gold index sold		1,928			1,928		
		(34)			(34)		(95)
		1,964			1,964		95
		(1,875)			(1,875)		(95)
		1,151,958	1,336		1,153,294		1,202,129
	(Won)	(1,040,570)	(Won)	(Won)	(1,096,714)	(Won)	(1,070,652)



December 31, 2004

Type	Gain (loss) on valuation (I/S)		Total	Gain (loss) on valuation (B/S)
	Trading	Hedge		
<b>Interest rate:</b>				
Interest rate options purchased	4,234		4,234	6,202
	(3,192)		(3,192)	
Interest rate options sold	4,052		4,052	
	(9,865)		(9,865)	(17,757)
Interest rate swaps (*1)	319,044	3,890	322,934	316,435
	(279,910)	(6,065)	(285,975)	(354,023)
	327,330	3,890	331,220	322,637
	(292,967)	(6,065)	(299,032)	(371,780)
<b>Currency:</b>				
Currency forwards (*1)	1,519,740		1,519,740	1,519,636
	(1,480,920)		(1,480,920)	(1,486,626)
Currency swaps (*1)	321,802		321,802	476,703
	(250,158)		(250,158)	(287,203)
Currency options purchased	323		323	281
	(1,792)		(1,792)	(887)
Currency options sold	2,683		2,683	827
	(379)		(379)	(379)
	1,844,548		1,844,548	1,997,447
	(1,733,249)		(1,733,249)	(1,775,095)
<b>Stock:</b>				
Stock option purchased	10,554		10,554	72,002
	(8,718)		(8,718)	
Stock option sold	9,790		9,790	
	(9,631)		(9,631)	(72,755)
	20,344		20,344	72,002
	(18,349)		(18,349)	(72,755)
	2,192,222	3,890	2,196,112	2,392,086
	(Won) (2,044,565)	(Won) (6,065)	(Won) (2,050,630)	(Won) (2,219,630)

The Bank and its subsidiaries use 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.

The Bank holds derivative instruments accounted for as fair value hedges applied to debentures, subordinated bonds, structured bonds and structured deposits. As of December 31, 2005, the Bank recognized (Won)56,144 million of gains and (Won)1,336 million of losses on valuation of fair value hedged items. In addition, the interest rate swap covers the fair value changes of the hedged items that resulted from the fluctuation in interest rate and foreign exchange rate.

(11) The Bank has credit linked notes issued by Morgan Stanley for the commission gain as of December 31, 2005 as follows (Unit: In thousands):

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

In accordance with the agreements of the credit linked notes, when the credit events, such as default, occurs in the reference entities during the contract period, the credit linked notes are returned to Morgan Stanley and the Bank will receive the debt securities issued by the reference entities for the consideration of the credit linked notes or cash equivalents to the debt securities issued by the reference entities.

20. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:

Assets and liabilities denominated in foreign currencies as of December 31, 2005 and 2004 were as follows:

	2005		2004	
	USD	KRW	USD	KRW
	equivalent	equivalent	equivalent	equivalent
	(In thousands)	(In millions)	(In thousands)	(In millions)
<b>Assets:</b>				
Foreign currencies	US\$ 148,473	(Won) 150,403	US\$ 119,502	(Won) 124,736
Due from banks-foreign currencies	581,562	589,122	620,355	647,527
Securities-foreign currencies	689,724	698,691	816,900	852,680
Loans in foreign currencies	5,049,141	5,114,780	3,506,182	3,659,753
Bills bought in foreign currencies	1,359,896	1,377,574	550,697	574,818
Call loans in foreign currencies	39,574	40,088	170,990	178,480
	US\$ 7,868,370	(Won) 7,970,658	US\$ 5,784,626	(Won) 6,037,994
<b>Liabilities:</b>				
Deposits-foreign currencies	US\$ 1,573,390	(Won) 1,593,844	US\$ 1,452,512	(Won) 1,516,132
Borrowings-foreign currencies	2,682,719	2,717,595	2,074,006	2,164,848
Due to BOK	535	542	1,923	2,007
Call money in foreign currencies	265,954	269,412	13,111	13,685
Debentures-foreign currencies	1,038,490	1,051,990	667,294	696,522
Foreign exchange remittance pending	38,149	38,645	20,497	21,395
	US\$ 5,599,237	(Won) 5,672,028	US\$ 4,229,343	(Won) 4,414,589

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

21. GENERAL AND ADMINISTRATIVE EXPENSES:

(1) General and administrative expenses for the years ended December 31, 2005 and 2004 were as follows (Unit: In millions):

	2005	2004
Salaries	(Won) 1,469,562	(Won) 1,233,320
Provision for severance benefits	133,325	127,676
Other employee benefits	370,731	339,896
Rent	90,168	82,273
Depreciation & amortization	351,641	438,184
Tax and dues	124,506	125,416
Advertising	67,068	44,119
Development expenses	110,951	115,407
Other	314,006	319,236
	(Won) 3,031,958	(Won) 2,825,527





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(2) Other general and administrative expenses for the years ended December 31, 2005 and 2004 were as follows (Unit: In millions):

	2005	2004
Communication	(Won) 40,097	(Won) 39,925
Electricity and utilities	16,934	17,797
Publication	20,813	22,210
Repairs maintenance	18,838	18,461
Vehicle	27,935	28,455
Travel	4,239	5,198
Training	18,596	21,248
Other	166,554	165,942
	(Won) 314,006	(Won) 319,236

22. NON-OPERATING INCOME AND EXPENSES:

Non-operating income and expenses for the years ended December 31, 2005 and 2004 consisted of (Unit: In millions):

	2005	2004
Non-operating income:		
Gain on disposal of tangible assets	(Won) 11,433	(Won) 29,562
Rental income	3,078	2,883
Gain on valuation of securities accounted for using the equity method	35,858	33,982
Gain on disposal of available-for-sale securities	342,549	175,981
Gain on redemption of held-to-maturity securities	216	1,517
Gain on disposal of securities accounted for using the equity method		1,146
Reversal of impairment losses on available-for-sale securities	7,422	
Gain on sales of loans	81,866	24,428
Others	214,616	190,000
	(Won) 697,038	(Won) 459,499
Non-operating expenses:		
Loss on disposal of tangible assets	(Won) 4,293	(Won) 16,753
Loss on disposal of available-for-sale securities	20,240	29,451
Loss on impairment of available-for-sale securities	103,305	91,312
Loss on valuation of securities accounted for using the equity method	2,674	1,475
Loss on sales of loans	16,397	1,183,332
Severance benefits	255,700	50,029
Others	123,989	143,573
	(Won) 526,598	(Won) 1,515,925

23. INCOME TAX EXPENSE:

(1) Income tax expense for the years ended December 31, 2005 and 2004 is summarized as follows (Unit: In millions):

	2005	2004
<b>Bank:</b>		
Income tax currently payable	(Won) 1,032,011	(Won) 178,871
Changes in deferred income tax assets (*)	45,277	90,898
Retained earnings and other capital surplus adjustments	(107,785)	(312)
Income tax expense of overseas branch	6,532	
	976,035	269,457
<b>Subsidiaries:</b>		
Income tax currently payable	12,267	5,602
Changes in deferred income tax assets	15,478	(10,846)
Retained earnings and other capital surplus adjustments	2,272	
	30,017	(5,244)
	(Won) 1,006,052	(Won) 264,213

(\*) Adjustment in relation to the private beneficiary certificates is not reflected on the income for the year ended December 31, 2004.

(2) Deferred income tax assets in the consolidated financial statements as of December 31, 2005 and 2004 were as follows (Unit: In millions):

	2005	2004
<b>Bank</b>	(Won) 353,214	(Won) 502,937
KB Data System Co., Ltd.	(51)	
KB Futures Co., Ltd.	37	67
KB Investment Co., Ltd.	2,004	3,189
KB Asset Management Co., Ltd.	279	(88)
KB Real Estate Trust Co., Ltd.	12,074	20,777
KB Credit Information Co., Ltd.	597	524
Kookmin Bank Hong Kong Ltd.	40	2,563
Kookmin Bank Int'l Ltd. (London)	2,487	(19)
KB Life Insurance Co., Ltd.	2,464	
	373,145	529,950
Consolidated adjustment	1,522	694
	(Won) 374,667	(Won) 530,644

(3) The statutory income tax rates applicable to the Bank and its subsidiaries, including resident tax surcharges, are 27.5 percent and 29.7 percent for the years ended December 31, 2005 and 2004, respectively. However, due to tax adjustments, the effective tax rates for the years ended December 31, 2005 and 2004 are 30.87 percent and 42.39 percent, respectively.

24. 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 year ended December 31, 2005, the outstanding common shares are calculated on the assumption that the treasury stock is disposed of on the exercised date.

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Net income per share for common stock for the year ended December 31, 2005 was computed as follows:

1) Outstanding capital stock

	Number of shares	Number of shares x
	<b>Number of shares</b>	<b>Number of dates</b>
Number of common shares outstanding-beginning balance	336,379,116	122,778,377,340
Number of treasury stock outstanding-beginning balance	(29,881,209)	(10,906,641,285)
Sale of treasury stock	29,663,274	5,945,063,364
	336,161,181	117,816,799,419

Weighted average number of common shares outstanding :  $117,816,799,419 \div 365 \text{ days} = 322,785,752 \text{ shares}$

2) The basic net income per share for the year ended December 31, 2005 is as follows (Unit: In won)

	Common shares	
Net income (=ordinary income)	(Won) 2,241,054,520,374	
Weighted average number of common shares outstanding		322,785,752
Net income per share	(Won)	6,943
Ordinary income per share	(Won)	6,943

The ordinary income for the year ended December 31, 2005 equals to net income because there is no extraordinary item.

Basic net income (ordinary income) per share for the year ended December 31, 2004 was (Won) 1,162.

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

Diluted net income and ordinary income per share for the year ended December 31, 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 year ended December 31, 2005 was computed as follows:

1) Diluted net income (ordinary income) (\*1) : (Won)2,240,782,310,189

2) Number of common shares and diluted securities:  $322,785,752 + 170,831 \text{ (*2)} = 322,956,583 \text{ (shares)}$

3) Diluted net income (ordinary income) per share :  $(\text{Won})2,240,782,310,189 \div 322,956,583 \text{ (shares)} = (\text{Won})6,938$

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- (\*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 December 31, 2005, and for the year ended December 31, 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 170,831 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) 1,161.

(3) Dilutive securities

As of December 31, 2005, dilutive securities are summarized as follows (Unit: won, shares):

	Exercise period	Common stock to be issued	Condition for conversion
Stock options	Mar. 1, 2003 ~ Mar. 22, 2010	217,935	(Won) 27,600 ~ 57,100 per share

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25. SEGMENT INFORMATION:

(1) Balance sheets per business segment as of December 31, 2005 were as follows (Unit: In millions):

	Financial & insurance business	Non-financial business	Consolidation adjustment	Total
Cash and due from banks	(Won) 6,074,380	(Won) 10,930	(Won) (142,314)	(Won) 5,942,996
Securities	33,907,640		(428,508)	33,479,132
Loans	136,630,845	468	(809,467)	135,821,846
Fixed assets	2,443,906	536	(2,830)	2,441,612
Other assets	5,450,265	12,681	(245,810)	5,217,136
	(Won) 184,507,036	(Won) 24,615	(Won) (1,628,929)	(Won) 182,902,722
Deposits	(Won) 129,951,153	(Won)	(Won) (335,564)	(Won) 129,615,589
Borrowings	13,962,168		(633,771)	13,328,397
Debentures	16,547,987			16,547,987
Other liabilities	11,146,822	6,888	(193,193)	10,960,517
	171,608,130	6,888	(1,162,528)	170,452,490
Common stock	1,986,450	8,000	(312,554)	1,681,896
Capital surplus	6,275,094		(5,495)	6,269,599
Retained earnings	4,136,027	9,727	(178,219)	3,967,535
Capital adjustments	501,335		(8,746)	492,589
Minority interests			38,613	38,613
	12,898,906	17,727	(466,401)	12,450,232
	(Won) 184,507,036	(Won) 24,615	(Won) (1,628,929)	(Won) 182,902,722

Balance sheets per business segment as of December 31, 2004 were as follows (Unit: In millions):

	Financial & insurance business	Non-financial business	Consolidation adjustment	Total
Cash and due from banks	(Won) 5,384,608	(Won) 12,071	(Won) (183,616)	(Won) 5,213,063
Securities	31,067,437	1	(397,519)	30,669,919
Loans	136,551,909	1,660	(715,865)	135,837,704
Fixed assets	2,639,284	358	(2,524)	2,637,118
Other assets	8,561,591	8,168	(238,636)	8,331,123
	(Won) 184,204,829	(Won) 22,258	(Won) (1,538,160)	(Won) 182,688,927
Deposits	(Won) 130,453,034	(Won)	(Won) (319,161)	(Won) 130,133,873
Borrowings	9,958,105		(598,510)	9,359,595
Debentures	21,874,695			21,874,695
Other liabilities	12,262,641	6,426	(209,534)	12,059,563
	174,548,475	6,426	(1,127,175)	173,427,726
Common stock	2,006,311	8,000	(332,415)	1,681,896

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Capital surplus	6,250,028		(11,744)	6,238,284
Retained earnings	1,977,828	7,835	(88,499)	1,897,164
Capital adjustments	(577,813)	(3)	(5,967)	(583,783)
Minority interests			27,640	27,640
	9,656,354	15,832	(410,985)	9,261,201
	(Won) 184,204,829	(Won) 22,258	(Won) (1,538,160)	(Won) 182,688,927



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(2) Statements of income per business segment for the year ended December 31, 2005 were as follows (Unit: In millions):

	Financial & insurance business	Non-financial business	Consolidation adjustment	Total
Operating revenues	(Won) 18,481,354	(Won) 47,329	(Won) (241,725)	(Won) 18,286,958
Operating expenses	15,363,479	43,772	(208,879)	15,198,372
Operating income	3,117,875	3,557	(32,846)	3,088,586
Non-operating income	761,975	24	(64,961)	697,038
Non-operating expenses	531,045	56	(4,503)	526,598
Net income before income tax	3,348,805	3,525	(93,304)	3,259,026
Income tax expense	1,005,236	991	(175)	1,006,052
Net income before minority interests	2,343,569	2,534	(93,129)	2,252,974
Minority interests			(11,919)	(11,919)
Net income	(Won) 2,343,569	(Won) 2,534	(Won) (105,048)	(Won) 2,241,055

Statements of income per business segment for the year ended December 31, 2004 were as follows (Unit: In millions):

	Financial & insurance business	Non-financial business	Consolidation adjustment	Total
Operating revenues	(Won) 21,010,393	(Won) 40,672	(Won) (219,673)	(Won) 20,831,392
Operating expenses	19,313,267	38,688	(200,270)	19,151,685
Operating income	1,697,126	1,984	(19,403)	1,679,707
Non-operating income	462,343	5	(2,849)	459,499
Non-operating expenses	1,556,028		(40,103)	1,515,925
Net income before income tax	603,441	1,989	17,851	623,281
Income tax expense	264,503	405	(695)	264,213
Net income before minority interests	338,938	1,584	18,546	359,068
Minority interests			(3,132)	(3,132)
Net income	(Won) 338,938	(Won) 1,584	(Won) 15,414	(Won) 355,936

(3) Financial information per business segment as of and for year ended December 31, 2005 was as follows (Unit: In millions):

	Consolidation				Total
	Banking	Trust account	Others	adjustment	Total
Operating revenues	(Won) 17,888,434	(Won) 158,512	(Won) 481,737	(Won) (241,725)	(Won) 18,286,958
Less: inter-company transaction	(137,124)	(4,439)	(100,162)	241,725	
Net operating revenues	17,751,310	154,073	381,575		18,286,958

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Operating income		3,027,003		1,353		93,076		(32,846)		3,088,586
Cash and due from banks	(Won)	5,975,604	(Won)	6,933	(Won)	102,773	(Won)	(142,314)	(Won)	5,942,996
Securities		30,589,221		2,899,339		419,080		(428,508)		33,479,132
Loans		136,308,296		294,583		28,434		(809,467)		135,821,846
Fixed assets		2,437,052				7,390		(2,830)		2,441,612
Other assets		5,008,734		158,122		296,090		(245,810)		5,217,136
	(Won)	180,318,907	(Won)	3,358,977	(Won)	853,767	(Won)	(1,628,929)	(Won)	182,902,722

- 52 -

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Financial information per business segment as of and for year ended December 31, 2004 was as follows (Unit: In millions):

	Consolidation				
	Banking	Trust account	Others	adjustment	Total
Operating revenues	(Won) 20,548,683	(Won) 266,488	(Won) 235,894	(Won) (219,673)	(Won) 20,831,392
Less: inter-company transaction	(89,261)	(19,728)	(110,684)	219,673	
<b>Net operating revenues</b>	<b>20,459,422</b>	<b>246,760</b>	<b>125,210</b>		<b>20,831,392</b>
<b>Operating income</b>	<b>1,738,899</b>	<b>(655)</b>	<b>(39,134)</b>	<b>(19,403)</b>	<b>1,679,707</b>
Cash and due from banks	(Won) 5,284,577	(Won)	(Won) 112,102	(Won) (183,616)	(Won) 5,213,063
Securities	27,986,462	2,845,946	235,030	(397,519)	30,669,919
Loans	136,230,177	302,309	21,083	(715,865)	135,837,704
Fixed assets	2,633,731		5,911	(2,524)	2,637,118
Other assets	8,139,035	167,039	263,685	(238,636)	8,331,123
	(Won) 180,273,982	(Won) 3,315,294	(Won) 637,811	(Won) (1,538,160)	(Won) 182,688,927

(4) Financial information per geographical area as of and for the year ended December 31, 2005 was as follows (Unit: In millions):

	Consolidation			
	Domestic	Overseas	adjustment	Total
Operating revenues	(Won) 18,495,507	(Won) 33,176	(Won) (241,725)	(Won) 18,286,958
Less: inter-company transaction	(235,242)	(6,483)	241,725	
<b>Net operating revenues</b>	<b>18,260,265</b>	<b>26,693</b>		<b>18,286,958</b>
<b>Operating income</b>	<b>3,110,251</b>	<b>11,181</b>	<b>(32,846)</b>	<b>3,088,586</b>
Cash and due from banks	(Won) 5,977,123	(Won) 108,187	(Won) (142,314)	(Won) 5,942,996
Securities	33,868,719	38,921	(428,508)	33,479,132
Loans	136,061,424	569,889	(809,467)	135,821,846
Fixed assets	2,444,092	350	(2,830)	2,441,612
Other assets	5,455,036	7,910	(245,810)	5,217,136
	(Won) 183,806,394	(Won) 725,257	(Won) (1,628,929)	(Won) 182,902,722

Financial information per geographical area as of and for the year ended December 31, 2004 was as follows (Unit: In millions):

	Consolidation			
	Domestic	Overseas	adjustment	Total
Operating revenues	(Won) 20,969,995	(Won) 81,070	(Won) (219,673)	(Won) 20,831,392
Less: inter-company transaction	(200,995)	(18,678)	219,673	

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Net operating revenues	20,769,000	62,392		20,831,392
Operating income	1,667,902	31,208	(19,403)	1,679,707
Cash and due from banks	(Won) 5,251,707	(Won) 144,972	(Won) (183,616)	(Won) 5,213,063
Securities	31,044,015	23,423	(397,519)	30,669,919
Loans	135,658,393	895,176	(715,865)	135,837,704
Fixed assets	2,636,061	3,581	(2,524)	2,637,118
Other assets	8,006,685	563,074	(238,636)	8,331,123
	(Won) 182,596,861	(Won) 1,630,226	(Won) (1,538,160)	(Won) 182,688,927

26. RELATED PARTY TRANSACTIONS:

(1) Significant balances with related parties as of December 31, 2005 and 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) 57,658	(Won) 128,147	(Won) 79,968	(Won) 117,237
KB Investment Co., Ltd.		20,096		17,739
KB Futures Co., Ltd.	1,874	13,899	22	11,024
KB Data System Co., Ltd.	50	14,021	98	18,743
KB Credit Information Co., Ltd.	191	22,405		22,363
KB Asset Management Co., Ltd.	114	21,861		26,253
KB Real Estate Trust Co., Ltd.	18,532	1,418	33,975	1,196
KB Life Insurance Co., Ltd.	1,620	793	3,037	7,203
Pacific IT Investment Partnership		1,639		
NPC 02-4 Kookmin Venture Fund		19,327		
Jooeun Industrial Co., Ltd.	65,927		70,808	
Kookmin Bank International Ltd. (London)	247,919	54,436	245,772	101,812
Kookmin Bank Hong Kong Ltd.	123,460	24,641	171,820	12,145
	(Won) 517,345	(Won) 322,683	(Won) 605,500	(Won) 336,435

(2) Significant transactions with related parties for the years ended December 31, 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) 83,019	(Won) 4,440	(Won) 40,567	(Won) 10,763
KB Investment Co., Ltd.		623		432
KB Futures Co., Ltd.	25	1,370	93	952
KB Data System Co., Ltd.	93	22,752		20,131
KB Asset Management Co., Ltd.	907	1,030		866
KB Real Estate Trust Co., Ltd.	1,743		2,187	43
KB Credit Information Co., Ltd.	197	70,708		33,324
KB Life Insurance Co., Ltd.	30,167	22	17,855	51
Pacific IT Investment Partnership		5		
NPC02-4 Kookmin Venture Fund	7	518		
Kookmin Bank International Ltd. (London)	7,294	4,901	3,808	5,115
Kookmin Bank Hong Kong Ltd.	6,309	2,092	4,441	1,824
	(Won) 129,761	(Won) 108,461	(Won) 68,951	(Won) 73,501

27. CONSOLIDATED STATEMENTS OF 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 years ended December 31, 2005 and 2004 were as follows (Unit: In millions)

	<b>2005</b>	<b>2004</b>
Cash on hand	(Won) 2,683,480	(Won) 2,380,580
Foreign currencies	150,403	124,736
Due from banks in Won	2,519,991	2,063,971
Due from banks in foreign currencies	589,122	647,527
	5,942,996	5,216,814
Restricted due from banks	(2,259,181)	(1,829,893)
	(Won) 3,683,815	(Won) 3,386,921

- (3) Significant transactions not involving cash inflows and outflows for the years ended December 31, 2005 and 2004 were as follows (Unit: In millions)

	<b>2005</b>	<b>2004</b>
Write-offs of loans and decrease of loans from principal reduction	(Won) 2,151,343	(Won) 5,326,823
Increase (Decrease) in allowance resulting from sale of non-performing loans and repurchase	(167,443)	644,697
Increase in available-for-sale securities resulting from the debt to equity swap	35,762	181,034
Changes in capital adjustments from valuation of securities	(212,022)	568,347
Reclassification of available-for-sale securities to held-to-maturity securities	60,091	

**SIGNATURES**

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

Kookmin Bank  
(Registrant)

Date: March 31, 2006

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