

KOOKMIN BANK
Form 6-K
March 09, 2005

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 2005

Kookmin Bank

(Translation of registrant's name into English)

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

(Address of principal executive office)

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

Form 20-F Form 40-F

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

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

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

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

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

Yes _____ No X

Kookmin Bank's 2004 Audit Report and Consolidated Operating Results for the Fiscal year 2004

On March 9, 2005, Kookmin Bank released audit report for the fiscal year of 2004, which includes comparative non-consolidated financial statements for the years ended December 31, 2004 and 2003 and related notes to the statements.

On March 9, 2005, Kookmin Bank also disclosed summary of consolidated operating results prepared in accordance with Korean GAAP for the fiscal year 2004.

Kookmin Bank will disclose *Kookmin Bank and Its Subsidiaries Consolidated Audit Report* with full financial statements and relevant notes in English as of and for the years ended 2004 and 2003 latest by the end of March 2005.

Exhibit 99.1_ Kookmin Bank's 2004 Audit Report

Exhibit 99.2_Consolidated Operating Results for the Fiscal year 2004

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 9, 2005

By: /s/ Kap Shin

(Signature)

Name: Kap Shin

Title: Senior Executive Vice President &

Chief Financial Officer

Kookmin Bank

Non-Consolidated Financial Statements

December 31, 2004 and 2003

Kookmin Bank

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December 31, 2004 and 2003

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Samil PricewaterhouseCoopers

Kukje Center Building

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Seoul 140-702, KOREA

(Yongsan P.O. Box 266, 140-600)

Report of Independent Auditors

To the Board of Directors and Shareholders of

Kookmin Bank

We have audited the accompanying non-consolidated balance sheets of Kookmin Bank (the Bank) as of December 31, 2004 and 2003, and the related non-consolidated statements of operations, appropriations of retained earnings (dispositions of accumulated deficit) and cash flows for the years then ended, expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kookmin Bank as of December 31, 2004 and 2003, and the results of its operations, the changes in its retained earnings (accumulated deficit), and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

As discussed in Note 38 to the non-consolidated financial statements, the Bank restated its non-consolidated financial statements as of and for the year ended December 31, 2003 to correct, as instructed by the Securities and Futures Commission, the overstatement of unrealized loss on investment in associates amounting to (Won)27,159 million, the understatement of provision for other allowances amounting to (Won)213,157 million and the overstatement of income tax expenses amounting to (Won)63,308 million. Accordingly, the financial statements as of and for the year ended December 31, 2003 included in the audit report dated March 3, 2004, are no longer effective, as they do not reflect the above restatements.

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Samil PricewaterhouseCoopers is the Korean member firm of the PricewaterhouseCoopers. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers international Limited, each of which is a separate and independent legal entity.

As discussed in Note 33 to the non-consolidated financial statements, on May 30, 2003, the Bank obtained approval from the Board of Directors to enter into a merger agreement with Kookmin Credit Card Co., Ltd. (the Subsidiary), its majority-owned subsidiary. According to the resolution of the Board of Directors, the Bank merged with the Subsidiary on September 30, 2003. The merger was effected through an exchange of shares with the minority shareholders of the Subsidiary as of July 24, 2003 receiving 0.442983 share of the Bank's common stock for each share of the Subsidiary.

As discussed in Note 20 to the non-consolidated financial statements, in accordance with the resolution made by the Board of Directors on December 17, 2003, the Bank acquired 27,423,761 of its own shares previously owned by the Korean government at (Won)43,700 per share through public bidding and intends to sell these shares of treasury stock depending on certain market conditions.

As discussed in Note 4 and Note 38 to the non-consolidated financial statements, on April 29, 2004, as a means to venture into the insurance business for diversification of revenues, the Bank invested (Won)30,246 million (including acquisition costs) to acquire a 100% ownership of KB Life Insurance Co., Ltd., which was founded to acquire the assets and the liabilities of Hanil Life Insurance Co., Ltd. On January 25, 2005, the Bank sold 49% of its ownership of KB Life Insurance Co., Ltd. to ING Insurance International B.V. at (Won)14,821 million.

As discussed in Note 2 to the non-consolidated financial statements, the Bank changed its accounting on its sale of loans. Previously, the sale proceed of written-off loans was recorded as an adjustment to related allowances and the gain or loss on sale of loans was recognized for non written-off loans for the difference of the book value at the date of sale and the proceeds of the sale. Currently, the sale proceed of written-off loans is not recorded as an adjustment to related allowances but is recorded as the gain or loss on sale of loans and the all gain or loss on sale of loans is calculated by comparing the sale proceeds against its book value on the year end immediately preceding the date of sale. Due to this change, loss on sale of loans increased by (Won)1,183,119 million and gain on sale of loans and allowance for loan losses decreased by (Won)142,531 million and (Won)1,325,650 million, respectively, for the year ended December 31, 2004. The financial statements as of and for the year ended December 31, 2003, presented herein for comparative purposes, were restated to reflect the above changes resulting in an increase in loss on sale of loans by (Won)2,586,725 million, a decrease in gain on sale of loans by (Won)55,216 million and a decrease in allowance for loans losses by (Won)2,641,941 million. Such restatement has no effect on the net assets and the net income (loss) as of and for the year ended December 31, 2003.

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

Seoul, Korea

February 4, 2005

This report is effective as of February 4, 2005, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Kookmin Bank**Non-Consolidated Balance Sheets****December 31, 2004 and 2003***(in millions of Won)*

	<u>2004</u>	<u>2003</u>
Assets		
Cash and due from banks (Note 3)	(Won) 5,177,758	(Won) 6,526,345
Securities, net (Note 4)	27,598,737	26,908,462
Loans, net (Notes 5 and 6)	136,034,323	141,138,972
Fixed assets, net (Note 7)	2,633,218	3,019,556
Other assets (Note 8)	8,283,148	6,508,855
Total assets	(Won) 179,727,184	(Won) 184,102,190
Liabilities and Shareholders Equity		
Deposits (Note 9)	127,010,534	132,180,272
Borrowings (Note 10)	9,634,296	10,902,800
Debentures (Note 11)	21,867,820	19,192,581
Other liabilities (Note 13)	12,109,893	13,589,031
Total liabilities	(Won) 170,622,543	(Won) 175,864,684
Commitments and contingencies (Notes 14 and 16)		
Common stock (5,000 Won par value per share, authorized 1 billion shares and 336,379,116 shares outstanding in 2004) (Notes 1 and 17)	1,681,896	1,681,896
Capital surplus (Note 18)	6,230,738	6,230,738
Retained earnings (Note 19)	2,041,691	1,485,111
Capital adjustments (Note 20)	(849,684)	(1,160,239)
Total shareholders equity	9,104,641	8,237,506
Total liabilities and shareholders equity	(Won) 179,727,184	(Won) 184,102,190

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

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

Years ended December 31, 2004 and 2003

(in millions of Won except per share amounts)

	<u>2004</u>	<u>2003</u>
Interest income		
Interest on due from banks	(Won) 9,995	(Won) 10,433
Interest on trading securities	151,349	116,142
Interest on available-for-sale securities	534,410	754,605
Interest on held-to-maturity securities	360,188	626,552
Interest on loans	10,279,924	10,018,895
Other interest income	104,967	98,923
	<u>11,440,833</u>	<u>11,625,550</u>
Interest expenses		
Interest on deposits	3,909,204	4,280,290
Interest on borrowings	326,586	410,746
Interest on debentures	1,116,110	1,143,228
Other interest expenses	59,202	68,570
	<u>5,411,102</u>	<u>5,902,834</u>
Net interest income	6,029,731	5,722,716
Provision for loan losses (Note 6)	3,068,248	1,431,181
Net interest income after provision for loan losses	<u>2,961,483</u>	<u>4,291,535</u>
Non-interest income		
Fees & commission income	2,186,741	1,636,171
Dividends on trading securities	3,289	1,633
Dividends on available-for-sale securities	13,452	5,580
Gain on foreign currency transactions	257,039	287,501
Gain on derivatives transactions	4,057,392	1,131,711
Others (Note 22)	2,921,114	882,459
	<u>9,439,027</u>	<u>3,945,055</u>
Non-interest expenses		
Fees and commission expenses	452,174	270,405
General and administrative expenses (Note 23)	2,758,514	2,704,148
Loss on foreign currency transactions	305,448	200,109
Loss on derivatives transactions	3,990,483	1,053,990
Others (Note 22)	2,804,723	1,522,037
	<u>10,311,342</u>	<u>5,750,689</u>
Operating income	2,089,168	2,485,901
Non-operating expenses, net (Note 24)	(1,190,570)	(3,872,661)

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Net (loss) income before income tax expense	898,598	(1,386,760)
Income tax (benefit) expense (Note 25)	343,348	(456,404)
Net (loss) income	(Won) 555,250	(Won) (930,356)
Basic (loss) earnings per share (In Korean Won) (Note 26)	(Won) 1,812	(Won) (2,854)
Diluted (loss) earnings per share (In Korean Won) (Note 26)	(Won) 1,811	(Won) (2,854)

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

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

Years ended December 31, 2004 and 2003

(Date of Appropriation : March 18, 2005 for the year ended December 31, 2004)

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

(in millions of Won)

	<u>2004</u>	<u>2003</u>
Retained earnings (accumulated deficit) before appropriations (dispositions)		
Unappropriated retained earnings carried over from prior year	(Won) (176,963)	(Won) 410
Adjustment on investment in associates (Note 19)	1,614	(1,917)
Net income (loss)	555,250	(930,356)
	<u>379,901</u>	<u>(931,863)</u>
Transfers from voluntary reserve (Note 19)		
Discretionary appropriated retained earnings	220,100	754,900
Appropriated retained earnings for business stabilization	40,760	
	<u>260,860</u>	<u>754,900</u>
Appropriations (Note 19)		
Legal appropriated retained earnings	55,600	
Appropriated retained earnings for financial structure improvement	55,600	
Reserve for losses on sale of treasury stock	359,525	
Other reserves	1,438	
Cash dividends (11.0% for common stock in 2004)	168,574	
	<u>640,737</u>	
Unappropriated retained earnings carried over to the subsequent year	<u>(Won) 24</u>	<u>(Won) (176,963)</u>

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

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

Years ended December 31, 2004 and 2003

(in millions of Won)

	2004	2003
Cash flows from operating activities		
Net (loss) income	(Won) 555,250	(Won) (930,356)
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Realized gain on trading securities, net	(78,417)	(71,899)
Unrealized gain on trading securities, net	(26,745)	(70,976)
Gain (loss) on foreign currency transactions, net	48,409	(87,392)
Provision for loan losses	3,068,248	1,431,181
Reversal of losses from guarantees and acceptances		(1,209)
Gain on derivatives transactions, net	(66,909)	(77,721)
Gain (loss) on valuation of derivatives, net	(145,561)	18,788
Gain on fair value hedged items, net	(2,175)	(10,715)
Retirement benefits	124,608	109,766
Stock compensation expense	5,101	12,130
Depreciation and amortization	415,289	466,856
Gain (loss) on disposal of fixed assets, net	(12,810)	33,058
Impairment loss on fixed assets, net	19,384	22,228
Realized gain on available-for-sale securities, net	(53,473)	(493,993)
Impairment loss on available-for-sale securities, net	82,272	114,787
Realized gain on held-to-maturity securities, net	(1,514)	(2,771)
Unrealized gain (loss) on investment in associates, net	5,014	(240,711)
Gain on disposal of investment in associates	(1,146)	
Loss on sale of loans, net	1,159,561	2,673,281
Provision for guarantee allowance	206	
Provision for other allowance	235,911	213,157
Reversal of loan losses due to merger		1,652,264
Gain on operation of beneficiary certificates, net	(384,747)	
Others, net	(11,886)	22,755
Changes in assets and liabilities resulting from operations		
Accrued income	60,340	118,796
Prepaid expenses	96,625	(255,957)
Deferred tax assets	186,286	(462,618)
Other assets	(2,810)	(166)
Accrued expenses	(138,302)	(593,967)
Unearned income	(33,509)	(28,019)
Withholding taxes	(116,164)	36,095
Other liabilities	(135,243)	587,179
Payment of retirement benefits	(39,107)	(18,637)
Retirement pension funds	(29,975)	(66,349)
Account for agency business	(131,093)	(35,111)
Net cash provided by operating activities	4,650,918	4,063,754

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

Years ended December 31, 2004 and 2003

(in millions of Won)

	2004	2003
Cash flows from investing activities		
Decrease (increase) in due from banks	(Won) 947,422	(Won) (1,247,467)
Decrease in trading securities	1,337,347	1,336,940
Increase in available-for-sale securities	(841,048)	(1,179,456)
Increase (decrease) in held-to-maturity securities	(248,579)	5,119,423
Acquisition of investment in associates	5,894	(71,295)
Dividend from investment in associates		11,392
Decrease (increase) in loans granted, net	337,617	(12,613,037)
Proceeds from disposal of fixed assets	184,885	101,599
Acquisition of fixed assets	(216,150)	(316,890)
Acquisition of intangible assets	(1,801)	(705)
Proceeds from disposal of foreclosed assets	545	162
Acquisition of foreclosed assets	(128)	(166)
Decrease (increase) in guarantee deposits	45,748	(8,865)
Increase (decrease) in other accounts receivable	(636,240)	166,101
Increase in payments in advance	(4,731)	(28,328)
Decrease in derivative assets, net	107,270	145,924
Collection of domestic exchange receivables	91,980	474,995
Collection of loans to trust accounts		37,882
Increase in provision for other allowances	28,627	
Net cash provided by (used in) investing activities	1,138,658	(8,071,791)
Cash flows from financing activities		
Decrease (increase) in deposits, net	(5,169,738)	9,076,415
Decrease in borrowings, net	(1,268,504)	(2,248,706)
Increase (decrease) in debentures, net	2,675,238	(3,278,588)
Decrease (increase) in borrowings from trust accounts	(3,184,632)	3,248,649
Decrease in dividend payable		(325,188)
Increase (decrease) in other accounts payable	848,452	(273,080)
Increase in advances received from customers	81,956	19,325
Decrease in guarantee deposits received	(8,714)	(623)
Decrease in domestic exchange payables	(142,425)	(173,865)
Decrease in liabilities incurred by agency relationships	(34,672)	(171,172)
Acquisition of treasury stock		(1,227,876)
Sale of treasury stock		826
Stock options exercised	3,238	(35)
Increase in stock issuance cost		(212)
Net cash (used in) provided by financing activities	(6,199,801)	4,645,870
Net (decrease) increase in cash and cash equivalents	(410,225)	637,833
Increase due to merger		33,343
Cash and cash equivalents, Beginning of year	3,771,757	3,100,581
End of year (Note 34)	(Won) 3,361,532	(Won) 3,771,757

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

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

1. The Bank

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

The Bank merged with Korea Long Term Credit Bank (KLB) on December 31, 1998 and with Daegu, Busan, Jeonnam Kookmin Mutual Savings & Finance Co., Ltd. on August 22, 1999. Also, under the decision of the Financial Supervisory Commission in accordance with the Structural Improvement of the Financial Industry Act, the Bank purchased certain assets, including loans classified as normal or precautionary, and assumed most of the liabilities of Daedong Bank as of June 29, 1998. Also, the Bank completed the legal consolidation with Housing and Commercial Bank (H&CB) as of October 31, 2001 (Note 32) and merged with Kookmin Credit Card Co., Ltd. (the Subsidiary), its majority-owned subsidiary, on September 30, 2003 (Note 33).

The Bank has its shares listed on the Korea Stock Exchange since September 1994. As a result of the business combination with H&CB, the former shareholders of the Bank and H&CB received new common shares of the Bank on the basis of a pre-determined ratio. The new common shares of the Bank were relisted on the Korea Stock Exchange on November 9, 2001. As of December 31, 2004, the Bank's paid-in capital amounts to (Won)1,681,896 million and its 47,503,730 shares are listed on the New York Stock Exchange as American Depositary Shares (ADSs).

The Bank engages in the banking and trust businesses according to the provisions of the General Banking Act and the Trust Business Act, and operates through 1,124 domestic branches and offices (excluding automated teller machines of 204) and three overseas branches as of December 31, 2004.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Bank in the preparation of its non-consolidated financial statements are summarized below.

Basis of Financial Statement Presentation

The Bank maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Bank that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting

principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, or cash flows, is not presented in the accompanying non-consolidated financial statements.

Application of the Statements of Korean Financial Accounting Standards

The Bank has adopted Statements of Korean Financial Accounting Standards (SKFAS) Nos. 1~10, 12 and 13 (SKFAS Nos.10, 12 and 13 have been effective as of January 1, 2004) in the preparation of its financial statements. Except for the adoption of these SKFAS, the same accounting policies are applied for the financial statements as of and for the year ended December 31, 2004 and as of and for the year ended December 31, 2003.

Recognition of Interest Income

The Bank recognizes interest income on loans and debt securities on an accrual basis. However, interest income on delinquent and dishonored loans and debt securities, other than those collateralized with security deposits or guaranteed by financial institutions, is recognized on a cash basis. As of December 31, 2004, the Bank has non-accrual loans and securities of (Won)8,067,271 million and (Won)532,904 million, respectively, with related foregone interest of (Won)469,089 million and (Won)82,594 million, respectively.

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

Securities

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

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

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

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

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

The assets of the wholly owned beneficiary certificates are classified based on the Bank's intention on the balance sheet. The fund assets of these wholly owned beneficiary certificates are comprised of deposits, call loans and securities, and the fund income is comprised of interest income, realized gains and losses, and valuation gains and losses. The Bank recorded all gains and losses from these wholly owned beneficiary certificates as income from beneficiary certificates.

Investments in Associates

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

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

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

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

Deferred Loan Origination Fees and Costs

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

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

Allowances for Loan Losses

The Bank provides allowance for loan losses based on the minimum reserve level provided by Financial Supervisory Service Guidelines if the amounts are larger than allowances for loan losses based on historical loss rate of the Bank's lending portfolios.

As of December 31, 2004, the Bank provided allowance for loan losses based on the minimum reserve level provided by Financial Supervisory Service Guidelines.

- Allowance for loan losses based on the minimum reserve level provided by Financial Supervisory Service Guidelines

The Bank determines the credit risk classification of corporate loans using a certain scale based on the Bank's internal credit rating system, the Forward Looking Criteria (FLC), and other factors such as days in arrears, insolvency and result of financial transactions. Allowances are determined by applying the rates of each credit risk classification. The FLC credit rating criteria are divided into 12 categories (AAA, AA, A, BBB, BB, BB-, B, B-, CCC, CC, C, D) and credit risk classification are as follows:

<u>Credit Risk Classification</u>	<u>Credit Ratings</u>
Normal	AAA ~ B
Precautionary	B- ~ CCC
Sub-standard	CC
Doubtful	C
Estimated loss	D

However, the Bank classifies corporate loans, consumer loans, and credit card loans by considering the recoverable amounts of loans including delinquencies, bankruptcies. The rates used for determining the allowances for losses from corporate loans, consumer loans and credit card loans are as follows:

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

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Estimated loss	100.00%	100.00%	100.00%
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Also, the Bank provides additional allowance for relatively high-risk borrowers and their assets based on estimated recovery amount, liquidation amount, within the maximum allowance rate for each classification.

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003**

-Allowance for loan losses based historical loss rate

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

Lending Portfolios	Methodology	Period of Historical	Period of Recovery
		Loss Rate	Ratio
Impaired corporate loans	Discounted Cash Flows	N/A	N/A
Non-impaired corporate loans	Migration Analysis	1-year	5-year
Consumer loans	Migration Analysis	2-year	5-year
Credit card loans	Roll-rate Analysis	1-year	5-year

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

Guarantees and Acceptances

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

Troubled Debt Structuring

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, are recorded at their 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 the book value against allowances for loans first and then recognizes provisions for loans. Impairment losses for loans, that were restructured in a troubled debt restructuring involving a modification of terms, are computed by getting the difference between the present value of future cash flows under debt restructuring agreements discounted at effective interest rates at the time when loans are originated, and the book value before allowances for loans. If the amount of allowances already established is less than the impairment losses under the workout plans, the Bank establishes additional allowances for the difference. Otherwise, the Bank reverses the allowances for loan losses.

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After the above adjustments to loans from troubled debt structuring, the Bank separately establishes additional allowances for its loans on related present value, based on the credit status of the borrower.

Before the adoption of SKFAS No. 13, *Troubled Debt Structuring*, the difference between the nominal value and the present value of loan under troubled debt structuring agreements was recorded as present value discounts and was presented separately as a deduction from the loan nominal value. However, in accordance with the Bank's adoption of SKFAS No. 13, unamortized present value discounts as of the beginning of the current period are classified as allowances for loan losses.

Fixed Assets and Related Depreciation

Tangible assets are recorded at cost, except for upward revaluation of certain assets in accordance with the Korean Asset Revaluation Law. Depreciation is calculated based on the estimated average useful lives of the assets and the accumulated depreciation is presented as a contra account of tangible assets in the financial statements. In addition, impairment loss is recognized based on the difference between the recoverable amount and the book value. The accumulated impairment loss is presented as a contra account of tangible assets in the financial statements.

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

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

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

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

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

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

<u>Intangible assets</u>	<u>Amortization Method</u>	<u>Estimated Useful Life</u>
Goodwill	Straight-line	9 years
Development costs	Straight-line	5 years
Trademarks	Straight-line	1-10 years
Others	Straight-line	5-30 years

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

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

The Bank adjusts the book value of a fixed asset to its recoverable amount and recognizes the difference as an impairment loss when the recoverable amount is significantly below the book value due to obsolescence or decline in market value. The subsequent increase in recoverable amount in excess of the impaired book value is recognized, to the extent of the original book value before impairment, as a reversal of fixed asset impairment losses.

Stock Issuance Costs and Debenture Issuance Costs

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

Accrued Retirement Benefits

Employees and directors with at least one year of service and temporary employees with at least a one-year contract, as of December 31, 2004, are entitled to receive a lump-sum payment upon termination of their employment with the Bank, based on their length of service and rate of pay at the time of termination.

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

Deferred Income Taxes

The Bank recognizes deferred income taxes for anticipated future tax consequences resulting from temporary differences between amounts reported for financial reporting and income tax purposes. By directly adjusting of retained earnings, the Bank records the tax effects of temporary differences arising from the cumulative effects of accounting changes or that arising from adjusting losses and profits on prior period to prior year's unappropriated retained earnings. Deferred tax assets are recognized when it is more likely that such deferred tax assets will be realized.

Bonds under Repurchase/Resale Agreements

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

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

Derivative Instruments

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

Fair value hedge accounting is applied to a derivative instrument with the purpose of hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment that is attributable to a particular risk. The gain or loss, both on the hedging derivative instrument and on the hedged item attributable to the hedged risk, is reflected in the current operations.

Cash flow hedge accounting is applied to a derivative instrument with the purpose of hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of the gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recognized in the current operations. The effective portion of the gain or loss recorded as a capital adjustment is reclassified to current operations in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss recognized as a capital adjustment is added to or deducted from the asset or the liability.

Stock Options

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

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 NHF the interest, which is computed by multiplying the average balance of the NHF account by the passbook deposit interest rate.

Transactions with the Trust Accounts

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Under the Trust Business Act, the Bank recognize trust accounts (the Trust Accounts) as a separate one. The borrowings from trust accounts represent transfer of funds in trust accounts into banking accounts. Such borrowings from trust accounts are recorded as receivables from the banking accounts in the trust accounts and as borrowings from trust accounts in the banking accounts. The Bank s banking accounts receive trust fees from the trust accounts for its management of trust assets and operations.

The reserves for future losses are set up in the trust accounts for losses related to those trust funds with a guarantee of the principal or of a certain minimum rate of return in accordance with the relevant laws and regulations applicable to trust operations. The reserves are used to provide for the losses on such trust funds and, if the losses incurred are in excess of the reserves for future losses, the excess losses are compensated by the Bank. Accordingly, the banking accounts recognize the compensation paid as a loss on trust management in other operating expenses and the trust accounts recognize the corresponding compensation as compensation from banking accounts. No compensation was recorded for the years ended December 31, 2004 and 2003.

Foreign Currency Translation

All assets and liabilities denominated in foreign currencies are translated into Korean Won at the rates in effect at the balance sheet date (2004: (Won)1,043.8:US\$1, 2003: (Won)1,197.8:US\$1), and resulting translation gains and losses are recognized in the current period.

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

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

Statement of Cash Flows

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

Restatement of Prior Period Financial Statements

During the year ended December 31, 2004, the Bank changed its accounting on its sale of loans. Previously, the gain or loss on sale of written-off loans is computed by adjusting the loan's related allowance. The gain or loss on sale of loans other than written-off loans is computed by comparing the book value at the date of sale against the proceeds of the sale. Currently, the gain or loss on sale of both kinds of loans is now computed by comparing the sale proceeds against its book value on the year end immediately preceding the date of sale. Due to this change, loss on sale of loans increased by (Won)1,183,119 million and gain on sale of loans and allowance for loan losses decreased by (Won)142,531 million and (Won)1,325,650 million, respectively, for the year ended December 31, 2004. The income statement for the year December 31, 2003, presented herein for comparative purposes, were restated to reflect the changes in calculation of gain or loss on sales of loans loss resulting in an increase in loss on sale of loans (Won)2,586,725 million and decrease in gain on sale of loans and allowance for loans losses by (Won)55,216 million and (Won)2,641,941 million, respectively. Such restatement has no effect on the current period's net income (loss) and net assets.

The Bank reclassified the subordinated retained interests received from securitization transactions from available-for-sale securities to loans. Such reclassification has no effect on prior year's net loss and net assets. The prior year financial statements presented herein for comparative purposes were also reclassified to conform to the current year financial statement presentation.

As explained in Note 38, the Bank restated its financial statements as of and for the year ended December 31, 2003 to comply with Securities and Futures Commission's instructions.

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

3. Cash and Due from Banks

Cash and due from banks as of December 31, 2004 and 2003 consist of:

(in millions of Korean won)

	2004	2003
Cash on hand		
Cash in won	(Won) 2,380,578	(Won) 2,945,921
Cash in foreign currencies	124,735	228,153
	<u>2,505,313</u>	<u>3,174,074</u>
Due from banks in Won		
Bank of Korea	Reserve deposits in the Bank of Korea	1,685,105
		<u>2,612,248</u>
Other banks	Time deposits	810
	Passbook deposits	13,277
	Certificate of deposit	262,905
	<u>276,182</u>	<u>8,995</u>
Other financial institutions	Deposits at Hansol Mutual Savings & Finance Co., Ltd	90,000
	Time deposits at Ministry of Information and Communication	14,700
	<u>104,700</u>	<u>140,000</u>
Others	Futures margin accounts	3
	Market participation margin	463
	Due from Banking accounts	1,806
	KOSPI futures margin accounts	490
	<u>2,762</u>	<u>1,560</u>
	<u>2,068,749</u>	<u>2,763,457</u>
	Present value discounts ¹	(3,751)
	<u>2,064,998</u>	<u>(12,810)</u>
	<u>2,064,998</u>	<u>2,750,647</u>
Due from banks in foreign currencies		
Bank of Korea	Demand deposits	43,631
		<u>12,415</u>
Other banks	Demand deposits	54,048
	Time deposits	15,181
	<u>69,229</u>	<u>71,879</u>

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Others	Other deposits	5,045	3,354
Off-shore	Demand deposits	489,542	513,976
		607,447	601,624
		(Won) 5,177,758	(Won) 6,526,345

1 Present value discounts are related to the (Won)90,000 million of time deposits (1% interest, scheduled in installments by the end of 2005) placed with Hansol Mutual Savings & Finance Co., Ltd. (previously, Bukook Mutual Savings & Finance Co., Ltd.) during 1999.

The maturities of the due from banks as of December 31, 2004 are as follows:

<i>(in millions of Korean won)</i>	Due from Banks	Due from Banks in	Total
	in Won	Foreign Currencies	
Due in 3 months or less	(Won) 1,732,359	(Won) 484,754	(Won) 2,217,113
Due after 3 months through 6 months	280,261	122,693	402,954
Due after 6 months through 1 year	52,100		52,100
Due after 1 year through 2 years			
Due after 2 years through 3 years	4,029		4,029
	(Won) 2,068,749	(Won) 607,447	(Won) 2,676,196

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

Included in cash and due from banks as of December 31, 2004 and 2003 are the following restricted deposits:

(in millions of Korean won)

	Place of Deposit	2004	2003	Restrictions
Reserve deposits	Bank of Korea	(Won) 1,685,105	(Won) 2,612,248	General Banking Act
Time deposits	Hansol Mutual Savings & Finance Co., Ltd.	90,000	140,000	Withdrawal at maturity
Due from banks in foreign currency	Bank of Korea	43,631	12,415	General Banking Act
Other deposits	JP MORGAN, etc.	1,241	2,735	Futures guarantee deposits
		<u>(Won) 1,819,977</u>	<u>(Won) 2,767,398</u>	

4. Securities

Securities as of December 31, 2004 and 2003 consist of:

(in millions of Won)

	2004	2003
Trading	(Won) 3,635,510	(Won) 4,482,948
Available-for-sale	17,189,060	15,894,974
Held-to-maturity	6,229,435	5,979,341
Investment in associates	544,732	551,199
	<u>(Won) 27,598,737</u>	<u>(Won) 26,908,462</u>

Trading, available-for-sale, and held-to-maturity securities as of December 31, 2004 consist of:

<i>(in millions of Won)</i>	Unrealized		Book Value	
	Gain	Loss	2004	2003
Trading				
Equity securities	(Won) 9,304	(Won) 950	(Won) 184,544	(Won) 113,171
Beneficiary certificates	2	1	10,884	1,686,754

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Government and municipal bonds	4,790	27	756,658	1,076,427
Corporate bonds	14,081	569	2,539,819	1,365,060
Asset-backed securities	103		44,963	241,536
Other debt securities	12		98,642	
	<u>(Won) 28,292</u>	<u>(Won) 1,547</u>	<u>(Won) 3,635,510</u>	<u>(Won) 4,482,948</u>

<i>(in millions of Won)</i>	Impairment		Capital Adjustments		Book Value	
	Reversal of	Loss	Gain	Loss	2004	2003 ^{1*}
Available-for-Sale						
Equity securities	(Won)	(Won) 14,912	(Won) 280,412	(Won) 2,429	(Won) 805,799	(Won) 439,791
Investment in funds		3	3,203		3,711	30,872
Beneficiary certificates			160	14	157,277	4,375,817
Government and municipal bonds			18,995		2,222,531	2,322,889
Foreign government bonds			1,318	104	32,639	28,153
Corporate bonds		2,317	68,906	3,744	12,918,924	8,228,640
Asset-backed securities		65,040	72,054		852,659	468,669
Other debt securities			33		195,520	143
	<u>(Won)</u>	<u>(Won) 82,272</u>	<u>(Won) 445,081</u>	<u>(Won) 6,291</u>	<u>(Won) 17,189,060</u>	<u>(Won) 15,894,974</u>

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003**

<i>(in millions of Won)</i>	Impairment		Unrealized		Book Value	
	Reversal of	Loss	Gain	Loss	2004	2003
Held-to-Maturity						
Government and municipal bonds	(Won)	(Won)	(Won) 133,510	(Won) 18	(Won) 3,080,549	(Won) 2,489,998
Corporate bonds			78,371	39	2,949,730	3,163,020
Asset-backed securities			9,936		180,000	326,323
Other debt securities					19,156	
	(Won)	(Won)	(Won) 221,817	(Won) 57	(Won) 6,229,435	(Won) 5,979,341

1 Subordinated retained interest received from securitization transaction amounting to (Won)1,193,383 million as of December 31, 2003 has been reclassified from beneficiary certificates in securities to credit card receivables in loans (Note 2).

Available-for-sale securities include structured securities related to stocks, such as convertible bonds, exchangeable bonds, bonds with stock warrants, and bonds linked with stock index amounting to (Won)15,321 million, (Won)153,525 million, (Won)762 million, and (Won)49,721 million, respectively. In addition, available-for-Sale securities include structured securities related to interest rates such as dual index variable interest rate bonds, and reverse variable interest rate bonds amounting to (Won)50,140 million, and (Won)22,533 million, respectively. Moreover, available-for-sale securities include credit risk related securities, such as credit risk linked bonds amounting to (Won)41,544 million.

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

As December 31, 2004 and 2003, investments in associates include:

(in millions of Korean won)	Owner- ship (%)	Acquisition Cost	Beginning balance ¹	Equity Method			Book Value	
				Net Income	Retained Earnings	Capital Adjustments	2004	2003
Domestic Associates								
KB Investment Co., Ltd. ^{3*}	99.89	(Won) 155,311	(Won) 75,932	(Won) 1,707	(Won)	(Won) 1,056	(Won) 78,695	(Won) 77,273
KB Data Systems Co., Ltd. ^{4*}	99.98	7,998	14,247	1,583		(3)	15,827	14,647
KB Futures Co., Ltd. ^{5*}	99.98	19,996	25,121	889			26,010	25,521
KLB Securities	36.41	10,316						
KB Asset Management ^{6*}	80.00	39,015	38,918	8,609		(239)	47,288	45,051
Jooeun Industrial	99.99	23,994						
KB Real Estate Trust	99.99	76,103	98,129	(40,058)	(336)	336	58,071	98,129
KB Credit Information	93.71	12,553	15,556	1,770		1,344	18,670	11,863
ING Life Korea	20.00	21,769	41,845	23,576		3,724	69,145	43,845
Korea Mortgage ^{8*}	26.67	30,629						35,788
KICO No. 2 Venture Investment Partnership ^{2*}	55.56			213			213	
KICO No. 3 Venture Investment Partnership ^{2*}	69.23			149			149	
Pacific IT Investment Partnership ²	50.00	7,000	7,000	(41)			6,959	
NPC02-4 Kookmin Venture Fund ^{2*}	33.33	10,000	10,000	179			10,179	
KB Life Insurance Co., Ltd.	100.00	30,246	30,246	(22,455)		781	8,572	
		444,930	356,994	(23,879)	(336)	6,999	339,778	352,117

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Foreign Associates								
Kookmin Bank Int'l Ltd. (London)	100.00	40,180	53,550	2,012		145	55,707	56,755
Kookmin Bank Luxembourg S.A. ^{9*}	100.00	24,679	5,257	(1,206)				5,950
Kookmin Singapore Ltd.	100.00	20,926	1,812				1,812	2,080
Kookmin Finance Asia Ltd.(HK)	100.00	7,307	249	5			254	286
Kookmin Bank HongKong Ltd. ^{7*}	100.00	20,876	54,653	8,236	2,563	(424)	65,028	62,716
Sorak Financial Holdings PTE Ltd.	25.00	76,928	76,928	9,818		(4,593)	82,153	71,295
		<u>190,896</u>	<u>192,449</u>	<u>18,865</u>	<u>2,563</u>	<u>(4,872)</u>	<u>204,954</u>	<u>199,082</u>
		<u>(Won) 635,826</u>	<u>(Won) 549,443</u>	<u>(Won) (5,014)</u>	<u>(Won) 2,227</u>	<u>(Won) 2,127</u>	<u>(Won) 544,732</u>	<u>(Won) 551,199</u>

- 1 The beginning balance is the prior year's book value adjusted by dividends, changes in foreign exchange rates, and all the transactions during current year.
- 2 The investments in funds which had been classified as available-for-sale for the prior years are reclassified as investments in associates as of January 1, 2004.
- 3 Kookmin Investment Co., Ltd. has changed its name to KB Investment Co., Ltd. on April 30, 2004.
- 4 Kookmin Data Systems Corp. has changed its name to KB Data Systems Co., Ltd., on April 30, 2004.
- 5 Kookmin Futures Co., Ltd. has changed its name to KB Futures Co., Ltd., on April 30, 2004.
- 6 KB Investment Trust Management has changed its name to KB Asset Management, on April 29, 2004.
- 7 Kookmin Finance HK Ltd. has changed its name to Kookmin Bank HongKong Ltd., on January 2, 2004.
- 8 All equity securities of Korea Mortgage have been sold on June 4, 2004.
- 9 The Bank collected capitals from Kookmin Bank Luxembourg S.A. which completed liquidation process on November 30, 2004.

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003**

KLB Securities Co., Ltd., Joeeun Industrial Co., Ltd., KICO No. 2 Venture Investment Partnership, KICO No.3 Venture Investment Partnership, Kookmin Singapore, Ltd. and Kookmin Finance Asia, Ltd. (HK) are all in the process of liquidation. Consequently, accounting under the equity method is no longer applied to investments in KLB Securities Co., Ltd. and Joeeun Industrial Co., Ltd. due to accumulated deficits resulting to a decrease of the investment value below zero . Accordingly, the total accumulated estimated loss that has not been recognized by the Bank arising from the securities amounts to (Won)58,875 million.

Differences between the initial purchase price and the Bank's initial proportionate ownership of the net book value of KB Credit Information amounting to (Won)1,128 million, for the 342,844 shares which the Bank acquired on October 22, 2004, are accreted for 5 years to unrealized gain or loss on investment in associates.

The Bank applies the equity method accounting to subsidiaries based on unaudited financial statements as of December 31, 2004. In the case of Sorak Financial Holdings PTE Ltd. and ING Life Korea Co., Ltd., the Bank applies the equity method based on the most recent available unaudited financial statements that are adjusted for changes in net assets for the period ended December 31, 2004.

On April 29, 2004, as a means to venture into the insurance business for diversification of revenues, the Bank invested (Won)30,246 million (including acquisition costs) to acquire a 100% ownership of KB Life Insurance Co., Ltd., which was founded to acquire the assets and the liabilities of Hanil Life Insurance Co., Ltd. The Bank eliminated unrealized gain for inter-company transactions with KB Life Insurance Co., Ltd amounting to (Won)15,816 million.

The maturities of the available-for-sale and held-to-maturity debt securities, excluding equity investments, as of December 31, 2004 are summarized as follows:

<i>(in millions of Korean won)</i>	Available-for-sale		Held-to-maturity	
	Book Value	Fair value	Book Value	Fair value
Maturities				
Due in 1 year or less	(Won) 7,735,564	(Won) 7,735,564	(Won) 1,966,856	(Won) 2,001,180
Due after 1 year through 5 years	7,968,047	7,968,047	3,874,386	4,019,397
Due after 5 years through 10 years	675,422	675,422	388,193	430,617
After 10 years	517	517		
	<u>(Won) 16,379,550</u>	<u>(Won) 16,379,550</u>	<u>(Won) 6,229,435</u>	<u>(Won) 6,451,194</u>

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003**

Investment securities risk concentrations as of December 31, 2004 are as follows:

(in millions of Korean won, except ratio)

	<u>Book Value</u>	<u>Ratio (%)</u>
By Country		
Korea	(Won) 27,381,913	99.21
Singapore	82,178	0.30
USA	50,284	0.18
Philippines	25,703	0.09
Indonesia	13,516	0.05
Mexico	11,693	0.04
Others	33,450	0.13
	<u>(Won) 27,598,737</u>	<u>100.00</u>

(in millions of Korean won, except ratio)

	<u>Book Value</u>	<u>Ratio (%)</u>
By Type		
Fixed rate bonds	(Won) 23,393,496	84.76
Floating rate bonds	1,485,279	5.38
Subordinated bonds	981,947	3.56
Convertible bonds	30,976	0.11
Beneficiary certificates	168,161	0.61
Equity securities	1,517,575	5.50
Others	21,303	0.08
	<u>(Won) 27,598,737</u>	<u>100.00</u>

(in millions of Korean won, except ratio)

	<u>Book Value</u>	<u>Ratio (%)</u>
By Type		
Government and government-invested Public companies	(Won) 9,349,587	33.88
Financial institutions	17,119,674	62.03
Manufacturing industries	444,310	1.61
Others	685,166	2.48
	<u>(Won) 27,598,737</u>	<u>100.00</u>

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003**

Available-for-sale equity securities of which the fair value cannot be reasonably measured as of December 31, 2004 are as follows:

(in millions of Korean won)

	Book Value
Arirang Restructuring Fund	(Won) 18,163
Mugunghwa Restructuring Fund	14,606
Seoul Restructuring Fund	12,540
Bad Bank Harmony	12,267
Mastercard, Inc. Korea	7,900
Korea Asset Management Corp.	7,827
Samsung Life Insurance Co., Ltd.	7,479
Korea Highway Corp.	6,248
Continuous Linked Settlement System	6,211
Kyobo Investment Trust Management Co., Ltd.	2,100
Baring Communications Equity	1,957
Pan Asia Paper	1,642
Korea Smart Card	1,628
Korea Money Broker Corp.	1,291
Mercury	1,088
Tianjin Samsung Opto Electronics	1,020
Others	17,019
	<u>(Won) 120,986</u>

As of December 31, 2004, the following investment securities are pledged at various institutions:

(in millions of Korean won)

Related Transactions	Restrictions	Restricted securities	
		Book Value	Pledge Value
	Placed with		
Bonds sold under REPO agreements	Customers	(Won) 3,791,977	(Won) 3,795,600
Borrowings from the Bank of Korea	Bank of Korea	1,024,167	1,015,000
Bank of Korea settlements	Bank of Korea	170,535	170,200
Derivative transactions	Samsung Futures, others	175,447	184,000
Other	Standard Chartered Bank, others	80,538	84,000
		<u>(Won) 5,242,664</u>	<u>(Won) 5,248,800</u>

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

5. Loans

Loans as of December 31, 2004 and 2003 are summarized as follows:

(in millions of Korean won)

		<u>2004</u>	<u>2003</u>
Loans in Won			
Corporate loans	Operation loans		
	General operation loans	(Won) 25,475,710	(Won) 28,884,554
	Notes discounted	1,197,606	1,415,445
	Overdraft accounts	401,369	447,992
	Trading notes	740,580	809,921
	Other operation loans	3,862,852	3,793,594
		<u>31,678,117</u>	<u>35,351,506</u>
	Facility loans		
	General facility loans	5,139,091	5,413,333
	Other facility loans	1,147,656	1,218,370
		<u>6,286,747</u>	<u>6,631,703</u>
		<u>37,964,864</u>	<u>41,983,209</u>
Consumer loans	General consumer loans	41,957,690	41,951,219
	Consumer housing loans	41,234,086	38,199,290
	Remunerations on mutual installment savings	300,032	297,868
	Other consumer loans	532,615	635,218
		<u>84,024,423</u>	<u>81,083,595</u>
Public loans	Public operation loans	673,456	526,227
	Public facility loans	40,383	42,473
		<u>713,839</u>	<u>568,700</u>
Other loans	Property formation loans	9,719	62,963
	Inter-bank loans	6,114	12,815
	Others	2,939	3,962
		<u>18,772</u>	<u>79,740</u>

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		122,721,898	123,715,244
Loans in foreign currencies	Domestic funding loans	1,000,004	1,165,988
	Overseas funding loans	489,437	887,018
	Inter-bank loans	1,092,174	767,884
	Domestic usance bills	1,278,793	1,197,563
	Government funding loans	420	1,477
		<u>3,860,828</u>	<u>4,019,930</u>
Call loans	In Won	2,814,996	1,640,000
	In foreign currencies	191,784	5,351
		<u>3,006,780</u>	<u>1,645,351</u>
Privately placed debentures		<u>1,203,631</u>	<u>1,787,131</u>
Other loans		<u>8,311,072</u>	<u>13,872,793</u>
Allowances for loan losses (Note 6)		<u>(3,118,775)</u>	<u>(3,910,044)</u>
Net deferred loan origination fees and costs		<u>48,889</u>	<u>8,567</u>
		<u>(Won) 136,034,323</u>	<u>(Won) 141,138,972</u>

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003**

As of December 31, 2004, restructured loans due to workout plans or other similar restructuring programs are as follows:

(in millions of Korean won)

	<u>Workout</u>		<u>Court Receivership</u>		<u>Court Mediation</u>		<u>Others</u>		<u>Total</u>	
Period (in years)	1~9		6~10		4~10		4~7			
Adjusted interest rate (%)	5.96~22.22		5.93~14.80		4.90~17.00		9.50			
Balances before restructuring	(Won)	120,177	(Won)	26,026	(Won)	43,526	(Won)	612,235	(Won)	801,964
Loans swapped to equity	3,700		4,090				494,314		502,104	
Loans due for equity conversion			746						746	
Loans to be restructured	116,477		21,190		43,526		117,921		299,114	
Balances after restructuring	109,916		15,064		40,326		111,698		277,004	
Allowances for loan losses (present value discounts)	(Won)	6,561	(Won)	6,126	(Won)	3,200	(Won)	6,223	(Won)	22,110

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

The movements in allowance for loan losses(present value discounts) related restructured loans and deferred loan origination fees and costs to for the year ended December 31, 2004 are as follows :

(in millions of Korean won)

	<u>Beginning Balance</u>		<u>Increase</u>		<u>Decrease</u>		<u>Ending Balance</u>	
Allowance for loan losses (present value discounts)	(Won)	22,780	(Won)	12,283	(Won)	12,953	(Won)	22,110
Deferred loan origination fees and costs	8,567		44,766		4,444		48,889	

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

The maturities of loans as of December, 2004 are as follows:

<i>(in millions of Korean won)</i>	Loans in		Loans in	Bills	Credit	Call	Privately	Others	Total
	Won	Foreign Currencies	Bought	Card	Loans	placed Debentures			
in 3 months or less	(Won) 19,085,485	(Won) 874,100	(Won) 505,391	(Won) 5,329,240	3,006,780	(Won) 38,168	(Won) 33,653	(Won) 28,872	
after 3 months									
through 6 months	17,430,180	1,047,044	82,255	623,768		110,500	746	19,294	
after 6 months									
through 1 year	35,029,206	906,882	8,839	835,722		622,982		37,403	
after 1 year through	19,972,984	181,903	5,396	386,655		237,900		20,784	
after 2 years through	11,900,101	190,361		386,614		94,081		12,571	
after 3 years through	2,637,763	85,984		63,633				2,787	
after 4 years through	3,956,310	67,973		18,358			30,802	4,073	
thereafter	12,709,869	506,581				100,000		13,316	
	<u>(Won) 122,721,898</u>	<u>(Won) 3,860,828</u>	<u>(Won) 601,881</u>	<u>(Won) 7,643,990</u>	<u>(Won) 3,006,780</u>	<u>(Won) 1,203,631</u>	<u>(Won) 65,201</u>	<u>(Won) 139,104</u>	

Loan risk concentrations by country as of December 31, 2004 are as follows:

<i>(in millions of Korean won)</i>	Loans in Foreign		Others	Total	Percentage (%)
	Loans in Won	Currencies			
Korea	(Won) 122,721,898	(Won) 2,622,653	(Won) 12,325,575	(Won) 137,670,126	98.97
Southeast Asia		700,600	186,753	887,353	0.64
Central and South America		53,452	45	53,497	0.04
China		135,118		135,118	0.09
Japan		278,971		278,971	0.20
Others		70,034	9,110	79,144	0.06
	<u>(Won) 122,721,898</u>	<u>(Won) 3,860,828</u>	<u>(Won) 12,521,483</u>	<u>(Won) 139,104,209</u>	<u>100.00%</u>

Loan risk concentrations by industry as of December 30, 2004 are as follows:

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(in millions of Korean won)

	Loans in Foreign				
	Loans in Won	Currencies	Others	Total	Percentage (%)
Industrial loans					
Financial institutions	(Won) 689,007	(Won) 1,150,426	(Won) 4,102,497	(Won) 5,941,930	4.27
Manufacturing companies	12,315,767	1,146,217	1,721,775	15,183,759	10.92
Service companies	21,240,715	1,422,823	487,968	23,151,506	16.64
Others	4,114,249	71,921	94,863	4,281,033	3.08
	38,359,738	3,791,387	6,407,103	48,558,228	34.91
Household loans					
	84,037,082	69,441	6,114,380	90,220,903	64.86
Public and other loans					
	325,078			325,078	0.23
	(Won) 122,721,898	(Won) 3,860,828	(Won) 12,521,483	(Won) 139,104,209	100.00%

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003**

As of March 30, 2004, the Bank recognized loss on sale of loans of (Won)186,666 million for loans sold to KB Star Card 3rd Securitization Specialty Company, Limited that amounts to (Won)1,032,297 million. As of June 17, 2004, the Bank recognized gain on sale of loans of (Won)21,450 million for loans sold to KB 2nd Securitization Specialty Company, Limited that amounts to (Won)606,850 million. As of June 30, 2004, the Bank recognized loss on sale of loans of (Won)324,445 million for loans sold to Jinheung Savings Bank, Solomon Mutual Saving Bank and Solomon AMC that amounts to (Won)1,074,110 million. As of September 30, 2004, the Bank recognized loss on sale of loans of (Won)353,333 million for loans sold to Hyundai Swiss Savings Bank, Solomon Mutual Saving Bank and Solomon AMC that amounts to (Won)430,240 million. As of December 7, 2004, the Bank recognized loss on sale of loans of (Won)12,866 million for loans sold to Solomon Mutual Saving Bank that amounts to (Won)625,767 million. As of December 17, 2004, the Bank recognized loss on sale of loans of (Won)64,807 million for loans sold to KB 3rd Securitization Specialty Company, Limited that amounts to (Won)532,600 million. As of December 31, 2004, the Bank recognized loss on sale of loans of (Won)256,249 million for loans sold to Jinheung Savings Bank, that amounts to (Won)317,234 million. As of December 31, 2004, the credit card accounts amounting to (Won)713,792 million (before allowance) are provided as collateral for asset-backed securities transactions.

6. Allowances for Loan Losses

As of December 31, 2004 and 2003, allowances for loan losses are as follows:

(in millions of Korean won)

	2004	2003
Loans in Won	(Won) 2,622,509	(Won) 2,289,661
Loans in foreign currencies	55,111	70,983
Bills bought in Won and foreign currencies	8,480	16,928
Payments on guarantees	26,301	20,193
Factoring receivable	1,695	17,603
Credit card accounts	392,722	1,407,127
Privately placed debentures	11,211	87,549
Loans due for equity conversion	746	
Total allowance for loan losses	3,118,775	3,910,044
Others ^{1*}	67,320	38,692
Total allowance	(Won) 3,186,095	(Won) 3,948,736

1* Other allowances as of December 31, 2004 include:

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

(in millions of Korean won)

	<u>2004</u>	<u>2003</u>
Suspense receivables as credit	(Won) 38,952	(Won) 17,186
Kookmin Card s other loans	274	3,749
Derivative instruments	3,209	1,654
Suspense receivables ^{2*}	15,495	7,249
Uncollected leasehold deposits	9,295	8,854
Other receivables	95	
Total	(Won) 67,320	(Won) 38,692

^{2*} Suspense receivables includes allowances for frauds/accidents by directors and employees which 73 events took place as of December 31, 2004 amounting to (Won)12,455 million which the Bank provides allowances for the whole amount.

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

As of December 31, 2004, allowances for loan losses by credit risk classification are as follows:

(in millions
of Korean won)

		Normal	Pre-cautionary	Substandard	Doubtful	Estimated Loss	Total
Loans in won	Balance	(Won) 114,439,619	(Won) 5,222,736	(Won) 1,710,889	(Won) 1,019,763	(Won) 328,891	(Won) 122,721,898
	Allowances	781,650	476,391	357,321	678,256	328,891	2,622,509
	Ratio (%)	0.68	9.12	20.89	66.51	100.00	2.14
Loans in foreign currencies	Balance	3,645,049	158,672	25,015	30,199	1,893	3,860,828
	Allowances	13,061	13,316	8,428	18,413	1,893	55,111
	Ratio (%)	0.36	8.39	33.69	60.97	100.00	1.43
Bills bought	Balance	585,927	9,569	650	2,698	3,037	601,881
	Allowances	2,930	393	130	1,990	3,037	8,480
	Ratio (%)	0.50	4.11	20.00	73.75	100.00	1.41
Payments on guarantees	Balance	964	2,978	883	6,669	20,626	32,120
	Allowances	5	621	176	4,873	20,626	26,301
	Ratio (%)	0.50	20.85	20.00	73.08	100.00	81.88
Credit card accounts	Balance	6,609,976	686,457	539	298,093	48,925	7,643,990
	Allowances	66,100	82,375	108	195,214	48,925	392,722
	Ratio (%)	1.00	12.00	20.00	65.49	100.00	5.14
Call loans	Balance	3,006,780					3,006,780
	Allowances						
Ratio (%)							
Privately placed debentures	Balance	1,195,825	826	3,076	3,836	68	1,203,631
	Allowances	5,979	189	1,159	3,816	68	11,211
	Ratio (%)	0.50	22.95	37.66	99.46	100.00	0.93

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Factoring receivables	Balance	30,802		516	992	25	32,335
	Allowances	585		103	982	25	1,695
	Ratio (%)	1.90		20.00	99.00	100.00	5.24
Loans due for equity conversion	Balance				746		746
	Allowances				746		746
	Ratio (%)				100.00		100.00
Total	Balance	(Won) 129,514,942	(Won) 6,081,238	(Won) 1,741,568	(Won) 1,362,996	(Won) 403,465	(Won) 139,104,209
	Allowances	870,310	573,285	367,425	904,290	403,465	3,118,775
	Ratio (%)	0.67	9.43	21.10	66.35	100.00	2.24

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003**

For the years ended December 31, 2004 and 2003, the movements in allowances for loan losses are as follows:

(in millions of Korean won)

	2004	2003
Beginning balance ¹	(Won) 3,948,736	(Won) 2,420,410
Provision for loan losses ²	3,080,256	1,436,013
Increase due to merger with Kookmin Credit Card Co., Ltd.		1,388,854
Reclassification of ABS 2 nd beneficiary certificate		159,635
Reclassification from other allowances ³	289,919	27,291
Collection of written-off loans	286,464	270,422
Repurchase of loans sold	40,571	327,921
Sale of loans	(685,161)	(597,207)
Write-off of loans	(5,260,962)	(4,509,979)
Reversal of write-off due to loan sale of loans	1,878,832	3,348,122
Conversion of loans into equity securities	(327,816)	(43,996)
Exemption of loans	(32,847)	(263,233)
Changes in exchange rates and others	(31,897)	(15,517)
Ending balance	(Won) 3,186,095	(Won) 3,948,736

- 1 Includes present value discounts on allowances for loans, allowances for ABS 2nd beneficiary certificate reclassified into credit card receivables, allowances related to credit card claimed assets and allowance for other assets amounting to (Won)22,780 million, (Won)192,221 million, (Won)27,291 million and (Won)16,103 million, respectively, that had been recorded as of December 31, 2003
- 2 Includes other allowances for other asset amounting to (Won)12,008 million as of December 31, 2004 ((Won)4,832 million: December 31, 2003)
- 3 Other allowances for loans receivable from LG Card Company, Limited, credit lines to Kookmin Credit Card 16th ABS Specialty Company, Limited and commercial papers from Joeeun 2nd ABS Specialty Company, Limited amounting to (Won)221,377 million, (Won)68,505 million and (Won)37 million, respectively, that had been recorded as of December 31, 2003 were transferred to allowances for loan losses..

As of December 31, 2004, 2003 and 2002, the ratios of allowances for loan losses to loans are as follows:

	2004	2003	2002
Loans	(Won) 139,104,209	(Won) 145,040,449	(Won) 129,139,699
Allowances for loan losses ¹	3,118,775	3,910,044	2,396,157
Ratio (%)	2.24	2.70	1.86

- 1 The above amounts of allowances for loan losses include present value discounts.

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003****7. Fixed Assets**

Fixed assets as of December 31, 2004 and 2003 are as follows:

(in millions of Korean won)

	<u>2004</u>	<u>2003</u>
Tangible assets	(Won) 2,164,021	(Won) 2,469,353
Intangible assets	468,958	549,427
Foreclosed and other properties	239	776
	<u>(Won) 2,633,218</u>	<u>(Won) 3,019,556</u>

Movements in tangible assets for the year ended December 31, 2004 are as follows:

(in millions of Korean won)

	<u>Land</u>	<u>Buildings and structures</u>	<u>Leasehold improvements</u>	<u>Equipment and vehicles</u>	<u>Construction- in-progress</u>	<u>Total</u>
Acquisition cost						
Beginning balances	(Won) 1,105,869	(Won) 963,296	(Won) 157,231	(Won) 1,449,062	(Won) 12,324	(Won) 3,687,782
Acquisition		20	3	130,046	86,081	216,150
Transfer		69,637	27,526		(97,163)	
Disposal	(106,848)	(117,985)	(10,335)	(73,861)		(309,029)
Ending balances	<u>999,021</u>	<u>914,968</u>	<u>174,425</u>	<u>1,505,247</u>	<u>1,242</u>	<u>3,594,903</u>
Accumulated depreciation						
Beginning balances		142,103	90,808	963,290		1,196,201
Depreciation expense		20,916	41,185	270,918		333,019
Disposal						