

KOOKMIN BANK
Form 6-K
March 31, 2005
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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

For the month of 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.

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Form 20-F X 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 X

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Summary of Business Report for the Fiscal year 2004

On March 31, 2005, Kookmin Bank filed its business report for the fiscal year of 2004 (the Business Report) with the Financial Supervisory Commission of Korea pursuant to the Securities and Exchange Act of Korea. This is the summary of the Business Report translated into English.

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

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1. Introduction to the Bank

1.1. Business Purposes

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

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

1.2. History

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

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

- n September 23, 2002
Integrated two brand operations onto a single information technology platform

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

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

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n September 30, 2003

Completed small-scale merger with Kookmin Credit Card

n December 16, 2003

Completed strategic investment in Bank International Indonesia (BII) through the Consortium of Sorak Financial Holdings, of which we hold 25% stake

n December 19, 2003

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

n April 29, 2004

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

n July 22, 2004

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

n August 31, 2004

Made a contract with ING for the strategic investment on KB Life

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n October 29, 2004

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

n November 09, 2004

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

Table of Contents**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 December 31, 2004, 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 December 31, 2004.

(Units: in millions 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
	Acquisition pursuant to the Securities and Exchange Act of Korea	3,000,000	147,632,489	49,210

July 30 ~ October 23, 2002				
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				
October 16, 2003	Acquisition pursuant to the Securities and Exchange Act of Korea	650,000	29,094,064	44,760
	Acquisition of fractional shares due to the Merger with Kookmin Credit Card	5,095	214,254	42,050
4 th quarter, 2003	Disposition due to exercise of stock option by grantees	78,322	3,792,977	48,428
December 17, 2003	Acquisition from the sale of Korean government shares of the Bank	27,423,761	1,198,568,158	43,700
December 26, 2003	Disposition due to contribution to ESOP account	1,000,000	44,252,000	44,252
1 st quarter, 2004	Disposition due to exercise of stock option by grantees	30,855	1,365,396	44,252
2 nd quarter, 2004	Disposition due to exercise of stock option by grantees	55,593	2,460,101	44,252
3 rd quarter, 2004	Disposition due to exercise of stock option by grantees	592	26,197	44,252
4 th quarter, 2004	Disposition due to exercise of stock option by grantees	48,374	2,140,646	44,252
Total		29,881,209	1,322,319,555	

Table of Contents**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, 2004.

(Units: in Won, shares)

Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options*	Number of exercised options	Number of exercisable options
			From	To				
31-Oct-98	Jung Tae Kim	Chairman, President & CEO	01-Nov-01	31-Oct-04	5,000	400,000	400,000	0
27-Feb-99	Choul Ju Lee	Auditor & Executive Director	28-Feb-02	27-Feb-05	13,900	30,000	30,000	0
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	0	30,000
28-Feb-00	Woo Jung Lee	Executive Vice President	01-Mar-03	28-Feb-06	27,600	30,000	0	30,000
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	1,100	5,900
28-Feb-00	Joon Park	Non Executive Director	01-Mar-03	28-Feb-06	27,600	4,800	0	4,800
28-Feb-00	Moon Soul Chung	Non Executive Director	01-Mar-03	28-Feb-06	27,600	7,000	0	7,000
28-Feb-00	Ju Hyun Yoon	Non Executive Director	01-Mar-03	28-Feb-06	27,600	4,800	4,800	0
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	0	2,486
28-Feb-00	Sung Hee Jwa	Non Executive Director	01-Mar-03	28-Feb-06	27,600	4,800	0	4,800
28-Feb-00	Seung Woo Nam	Non Executive Director	01-Mar-03	28-Feb-06	27,600	1,928	0	1,928
28-Feb-00	Woon Youl Choi	Non Executive Director	01-Mar-03	28-Feb-06	27,600	4,909	4,909	0
28-Feb-00	Kyung Hee Yoon	Non Executive Director	01-Mar-03	28-Feb-06	27,600	7,000	0	7,000
28-Feb-00	Sung Cheon Hong & 9 others	Employees	01-Mar-03	28-Feb-06	27,600	67,283	30,975	36,308
24-Mar-01	Young Il Kim	Executive Vice President	25-Mar-04	24-Mar-07	25,100	30,000	0	30,000
24-Mar-01	Jong In Park	Executive Vice President	25-Mar-04	24-Mar-07	25,100	19,333	0	19,333
24-Mar-01	Won Bae Yoon	Non Executive Director	25-Mar-04	24-Mar-07	25,100	2,318	0	2,318
24-Mar-01	Jae Kyu Lee	Non Executive Director	25-Mar-04	24-Mar-07	25,100	2,318	0	2,318
24-Mar-01	Chul Soo Ahn	Non Executive Director	25-Mar-04	24-Mar-07	25,100	1,916	0	1,916
24-Mar-01	Jae Han Kim & 2 others	Employees	25-Mar-04	24-Mar-07	25,100	16,491	11,216	5,275
18-Mar-00	Sang Hoon Kim	Chairman & CEO	19-Mar-03	18-Mar-05	23,469	41,460	27,300	14,160
18-Mar-00	Jong Min Lee	Auditor & Executive Director	19-Mar-03	18-Mar-05	23,469	14,807	14,807	0
18-Mar-00	Se Jong Oh	Non Executive Director	19-Mar-03	18-Mar-05	23,469	2,961	2,961	0
18-Mar-00	In Kie Kim	Non Executive Director	19-Mar-03	18-Mar-05	23,469	2,961	0	2,961
18-Mar-00	Jin Ho Hwang	Non Executive Director	19-Mar-03	18-Mar-05	23,469	2,961	0	2,961
18-Mar-00	Bong Ho Paick	Non Executive Director	19-Mar-03	18-Mar-05	23,469	2,961	0	2,961
18-Mar-00	Bock Woan Kim	Executive Vice President	19-Mar-03	18-Mar-05	23,469	11,845	11,845	0
18-Mar-00	Yoo Hwan Kim	Executive Vice President	19-Mar-03	18-Mar-05	23,469	11,845	5,845	6,000
18-Mar-00	Duk Hyun Kim	Executive Vice President	19-Mar-03	18-Mar-05	23,469	11,845	0	11,845
15-Mar-01	Sang Hoon Kim	Chairman & CEO	16-Mar-04	15-Mar-09	28,027	29,614	1,000	28,614
15-Mar-01	Jong Min Lee	Auditor & Executive Director	16-Mar-04	15-Mar-09	28,027	14,807	0	14,807
15-Mar-01	In Kie Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Hyung Jin Chang	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	2,961	0
15-Mar-01	Ji Hong Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961

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15-Mar-01	Bong Ho Paick	Non Executive Director	16-Mar-04	15-Mar-09	28,027	1,870	0	1,870
15-Mar-01	Ik Rae Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
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

* 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*	Number of exercised options	Number of exercisable options
			From	To				
15-Mar-01	Chang Ki Min	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	2,961	0
15-Mar-01	Bock Woan Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	0	11,845
15-Mar-01	Yoo Hwan Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	0	11,845
15-Mar-01	Duk Hyun Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	0	11,845
15-Mar-01	Ok Hyun Yoon	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	0	11,845
15-Mar-01	Tai Gon Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	4,845	7,000
15-Mar-01	Byung Sang Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	0	11,845
15-Mar-01	Byung Jin Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	0	11,845
15-Mar-01	Han Koo Ji & 46 others	Employees	16-Mar-04	15-Mar-09	28,027	47,381	10,289	37,092
16-Nov-01	Jung Tae Kim	President & CEO	17-Nov-04	16-Nov-09	X ¹	500,000	0	500,000
16-Nov-01	Sang Hoon Kim	Chairman	17-Nov-04	16-Nov-09	X ¹	150,000	0	150,000
22-Mar-02	Choul Ju Lee	Auditor & Executive Director	23-Mar-05	22-Mar-10		9,963	0	9,963
22-Mar-02	Henry Cornell	Non Executive Director	23-Mar-05	22-Mar-10		3,321	0	3,321
22-Mar-02	Keun Shik Oh	Non Executive Director	23-Mar-05	22-Mar-10		3,321	0	3,321
22-Mar-02	Dong Soo Chung	Non Executive Director	23-Mar-05	22-Mar-10	Y ²	10,000	0	10,000
22-Mar-02	Ji Hong Kim	Non Executive Director	23-Mar-05	22-Mar-10		3,321	0	3,321
22-Mar-02	Timothy Hartman	Non Executive Director	23-Mar-05	22-Mar-10		3,321	0	3,321
22-Mar-02	Sun Jin Kim	Non Executive Director	23-Mar-05	22-Mar-10		3,000	0	3,000
22-Mar-02	Moon Soul Chung	Non Executive Director	23-Mar-05	22-Mar-10		3,000	0	3,000
22-Mar-02	Kyung Hee Yoon	Non Executive Director	23-Mar-05	22-Mar-10		3,000	0	3,000
22-Mar-02	Jong Kyoo Yoon	Executive Vice President	23-Mar-05	22-Mar-10	57,100	30,000	0	30,000
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	30,000	0	30,000
22-Mar-02	Seong Kyu Lee	Executive Vice President	23-Mar-05	22-Mar-10	57,100	30,000	0	30,000
22-Mar-02	Byung Sang Kim	Executive Vice President	23-Mar-05	22-Mar-10	57,100	9,498	0	9,498
22-Mar-02	Jong Young Yoon & 15 others	Employees	23-Mar-05	22-Mar-10	57,100	148,810	0	148,810
26-Jul-02	Donald H. MacKenzie	Executive Vice President	27-Jul-05	26-Jul-10	58,800	30,000	0	30,000
21-Mar-03	Moon Soul Chung	Non Executive director	22-Mar-06	21-Mar-11	Y ³	10,000	0	10,000
21-Mar-03	Sun Jin Kim	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Richard Elliott Lint	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Kyung Hee Yoon	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Suk Yong Cha	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Bernard S. Black	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Ki Hong Kim	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Eun Joo Park	Non Executive director	22-Mar-06	21-Mar-11		3,351	0	3,351
21-Mar-03	Cheol Soo Ahn	Non Executive director	22-Mar-06	21-Mar-11		3,351	0	3,351

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

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options*	Number of exercised options	Number of exercisable options
			From	To				
21-Mar-03	Kyung Bae Suh	Non Executive director	22-Mar-06	21-Mar-11		3,351	0	3,351
21-Mar-03	Sung Chul Kim	Executive Vice President	22-Mar-06	21-Mar-11	35,500	9,443	0	9,443
21-Mar-03	Woo Jung Lee	Executive Vice President	22-Mar-06	21-Mar-11	35,500	9,443	0	9,443
21-Mar-03	See Young Lee	Executive Vice President	22-Mar-06	21-Mar-11	35,000	7,024	0	7,024
21-Mar-03	Won Suk Oh & 6 others	Employees	22-Mar-06	21-Mar-11	35,500	90,000	0	90,000
27-Aug-03	Jin Baek Cheong	Executive Vice President	28-Aug-03	27-Aug-11	40,500	5,091	0	5,091
22-Mar-01	Han Kyoung Lee	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	6,644	0	6,644
22-Mar-01	Jun Chae Song	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	6,644	0	6,644
22-Mar-01	Cheol Ho Kim	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	4,429	0	4,429
22-Mar-01	Myoung Woo Lee	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	4,429	0	4,429
29-Mar-02	Boung Hak Kim	Former KCC Officer	30-Mar-04	29-Mar-11		3,330	0	3,330
29-Mar-02	Sun Lee	Former KCC Officer	30-Mar-04	29-Mar-11	Y ⁴	3,330	0	3,330
29-Mar-02	Jang Ok Kim	Former KCC Officer	30-Mar-04	29-Mar-11		3,330	0	3,330
09-Feb-04	Young Il Kim	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	10,000	0	10,000
09-Feb-04	Jeung Lak Lee	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	10,000	0	10,000
09-Feb-04	Sang Jin Lee	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	10,000	0	10,000
09-Feb-04	Yun Keun Jung	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	50,000	0	50,000
23-Mar-04	Dong Soo Chung	Non Executive Director	24-Mar-07	23-Mar-12		5,000	0	5,000
23-Mar-04	Woon Youl Choi	Non Executive Director	24-Mar-07	23-Mar-12		5,000	0	5,000
23-Mar-04	Wang Ha Cho	Non Executive Director	24-Mar-07	23-Mar-12	Y ⁵	5,000	0	5,000
23-Mar-04	Young Soon Cheon	Non Executive Director	24-Mar-07	23-Mar-12		5,000	0	5,000
23-Mar-04	Jung Young Kang	Senior Executive Vice President	24-Mar-07	23-Mar-12	47,200	10,000	0	10,000
01-Nov-04	Chung Won Kang	President & CEO	02-Nov-07	01-Nov-12	X ⁶	700,000	0	700,000
Total						3,099,868	567,814	2,532,054

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

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

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

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

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

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

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

	Beginning balance	Increase	Decrease	Ending Balance (December 31, 2004)	Remarks
Registered common stock	1,000,000	968,427	24,216	1,944,211	
Total	1,000,000	968,427	24,216	1,944,211	

1.5. Dividend

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

(Units: in millions of Won unless indicated otherwise)

	2004	2003	2002
Net (loss) income for the period	555,250	(930,356)	1,310,291
Diluted (loss) earnings per share (Won)	1,811 ₁	(2,854)	4,123
Maximum amount available for dividend	767,896 ₂		1,192,643
Total dividend amount	168,574		325,232
Dividend payout ratio (%)	30.36 ₃		24.82
Cash dividend per common share (Won)	550		1,000
Stock dividend per common share (%)			
Dividend per preferred share (Won)			
Dividend yield ratio (%)	1.42 ₄		2.19
Book value per common share (Won)	27,067 ₅	25,672	30,614

¹ Earnings per share = net income (555,250,000,000 Won) / weighted average number of shares (306,529,707 shares)

² Maximum amount available for dividend = Total Asset (179,727,184 millions of Won) - total liability (170,622,543 millions of Won) - common stock & transferred from prior years' reserves (8,281,145 millions of Won) - appropriated amount pursuant to the relevant rules and regulations (55,600 millions of Won)

³ Dividend payout ratio = total dividend amount for common shares (168,574,000,000 Won) / net income (555,250,000,000 Won).

⁴ Dividend yield ratio = dividend per share (550 Won) / average closing price for a week based on business day prior to market closing date of December 31, 2004 (38,720 Won)

⁵ Book value per common share = total shareholders' equity (9,104,641 millions of Won) / total issued shares as of December 31, 2004 (336,379,116 shares).

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

	December 31, 2004		December 31, 2003		December 31, 2002	
(Unit: in millions of Won)	Average balance	Interest rate (%)	Average balance	Interest rate (%)	Average balance	Interest rate (%)
Won currency						
Deposits	118,017,849	3.29	117,045,837	3.69	113,157,719	4.21
Certificate of deposit	6,108,179	4.06	4,068,327	4.45	2,119,900	4.82
Borrowings	3,053,890	3.43	3,625,926	3.89	4,568,873	4.45
Call money	1,117,576	3.55	1,315,639	3.93	1,039,249	4.02
Other	23,376,439	5.61	23,311,299	5.91	14,254,281	6.70
Subtotal	151,673,933	3.68	149,367,028	4.06	135,140,022	4.49
Foreign currency						
Deposits	1,777,402	0.61	1,276,952	0.84	1,096,544	1.28
Borrowings	2,796,300	0.94	3,462,883	1.01	2,269,774	2.45
Call money	145,809	1.43	150,609	1.07	293,151	1.65
Finance debentures issued	824,745	2.28	773,840	2.11	1,071,848	3.57
Other	40,383		26,491		23,087	
Subtotal	5,584,639	1.04	5,690,775	1.12	4,754,404	2.67
Other						
Total Shareholders Equity	9,284,477		12,053,112		14,586,550	
Allowances	459,124		98,422		63,039	
Other	12,773,040		9,509,283		3,717,379	
Subtotal	22,516,641		21,660,817		18,366,968	
Total	179,775,213	3.14	176,718,620	3.47	158,261,394	3.92

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

	December 31, 2004		December 31, 2003		December 31, 2002	
(Unit: in millions of Won)	Average balance	Interest rate (%)	Average balance	Interest rate (%)	Average balance	Interest rate (%)
Won currency						
Due from banks	184,593	0.83	165,358	1.37	1,041,865	4.62
Securities	23,930,678	5.17	30,069,922	7.26	30,180,305	6.32
Loans	125,504,672	6.64	121,725,298	7.10	105,188,481	7.79
Advances for customers	71,213	2.01	96,547	5.79	91,583	4.35
Call loan	1,661,772	3.78	685,953	3.92	736,571	4.36
Private placement corporate bonds	1,322,470	6.58	1,287,623	10.26	1,631,524	7.32
Credit card accounts	9,581,330	10.83	6,698,954	10.44	5,719,359	10.25
Other	172,783		298,858		374,718	
Allowance for credit losses (-)	3,844,941		1,823,976		1,437,960	
Subtotal	158,584,570	6.86	159,204,537	7.41	143,526,446	7.66
Foreign currency						
Due from banks	632,526	1.34	612,862	1.33	253,390	1.35
Securities	1,208,124	3.88	1,269,538	5.23	1,302,214	7.97
Loans	2,675,293	3.61	2,785,091	3.11	3,216,042	3.39
Call loan	114,606	1.63	84,803	1.28	188,465	1.98
Bills bought	1,904,560	1.88	1,983,368	1.83	835,356	4.71
Other	4,812		12,391		15,739	
Allowance for credit losses (-)	94,501		132,105		267,194	
Subtotal	6,445,420	2.97	6,615,948	3.03	5,544,012	4.95
Other						
Cash	965,852		968,815		914,639	
Fixed assets held for business	3,084,589		3,210,463		3,126,812	
Other	10,694,782		6,718,857		5,149,485	
Subtotal	14,745,223		10,898,135		9,190,936	
Total	179,775,213	6.16	176,718,620	6.79	158,261,394	7.12

Table of Contents**2.1.3. Fee Transactions**

(Unit: in millions of Won)

	December 31, 2004	December 31, 2003	December 31, 2002
Fee Revenue			
Won currency			
Guarantees	4,957	4,727	6,323
Commissions received	776,852	638,381	467,332
Credit card	1,599,205	749,661	603,366
NHF	160,874	174,910	194,841
Foreign currency			
Guarantees	2,593	3,310	2,726
Others	75,016	65,010	70,793
Subtotal	2,619,497	1,635,999	1,345,381
Fee Expense			
Won & foreign currency			
Commissions paid in Won	78,681	64,400	207,216
Credit card	353,324	181,623	105,795
Others	20,169	24,383	17,374
Subtotal	452,174	270,406	330,385
Fee Income	2,167,323	1,365,593	1,014,996

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

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

(Unit: in millions of Won)

	December 31, 2004		December 31, 2003		December 31, 2002	
	Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
Deposits in Won						
Demand deposits	12,994,946	14,338,784	12,192,971	14,110,288	10,654,651	12,987,742
Time & savings deposits	96,637,551	94,723,601	96,668,084	97,616,747	93,347,999	93,630,423
Mutual installment deposits	6,682,928	6,306,923	6,958,043	7,054,752	8,058,664	7,491,115
Mutual installment for housing	5,453,713	5,295,274	5,161,535	5,423,853	4,463,601	4,872,637
Certificates of deposits	6,108,179	4,911,891	4,068,327	6,499,258	2,119,900	3,044,089
Subtotal	127,877,317	125,576,473	125,048,960	130,704,898	118,644,815	122,026,006
Deposits in foreign currency	1,769,828	1,434,061	1,276,952	1,475,374	1,096,544	1,083,647
Trust deposits						
Money trust	7,701,447	7,028,835	13,064,749	10,278,357	17,214,936	15,356,285
Property trust	16,297,382	12,534,329	24,512,746	21,453,761	16,783,690	26,852,684
Subtotal	23,998,829	19,563,164	37,577,495	31,732,118	33,998,626	42,208,969
Total	153,645,974	146,573,698	163,903,407	163,912,390	153,739,985	165,318,622

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)

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	<u>December 31, 2004</u>	<u>December 31, 2003</u>	<u>December 31, 2002</u>
Deposits	123,945	119,593	121,137
Deposits in Won	122,585	118,756	120,336

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

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

(Unit: in millions of Won)

	<u>December 31, 2004</u>	<u>December 31, 2003</u>	<u>December 31, 2002</u>
Deposits	7,232	7,487	7,256
Deposits in Won	7,152	7,434	7,208

2.2.4. Loan Balances

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

(Unit: in millions of Won)

	<u>December 31, 2004</u>		<u>December 31, 2003</u>		<u>December 31, 2002</u>	
	<u>Average balance</u>	<u>Ending balance</u>	<u>Average balance</u>	<u>Ending balance</u>	<u>Average balance</u>	<u>Ending balance</u>
Loans in Won	125,496,237	122,721,898	121,705,493	123,715,244	105,106,146	116,441,303
Loans in foreign currency	4,011,351	3,860,828	4,160,185	4,019,929	3,228,857	4,417,176
Advances to customers	73,801	32,120	107,091	89,665	106,380	52,430
Subtotal	129,581,389	126,614,846	125,972,769	127,824,838	108,441,383	120,910,909
Trust account loans	429,054	361,906	531,500	489,788	789,614	575,412
Total	130,010,443	126,796,752	126,504,269	128,314,626	109,230,997	121,486,321

2.2.5. Loan Balances as of December 31, 2004 by Remaining Years to Maturities

(Unit: in millions of Won)

		More than 1 year~	More than 3 years~		
	Less than 1 year	less than 3 years	less than 5 years	More than 5 years	Total
Loans in Won	71,544,871	31,873,085	6,594,073	12,709,869	122,721,898
Loans in foreign currencies	2,828,026	372,264	153,957	506,581	3,860,828

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

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

(Unit: in millions of Won)

	<u>December 31, 2004</u>	<u>December 31, 2003</u>	<u>December 31, 2002</u>
Loans to enterprise			
Loans for operations	31,678,117	35,351,506	35,369,066
Loans for facility	6,286,747	6,631,703	5,963,631
Loans to households	42,790,337	42,884,305	40,477,483
Loans to public sector & others			
Loans for operations	673,456	526,227	738,632
Loans for facility	40,383	42,473	39,414
Loans on property formation savings	9,719	62,963	95,252
Loans for housing	41,234,086	38,199,290	33,731,435
Inter-bank loans	6,114	12,815	20,941
Others	2,939	3,962	5,449
Total	122,721,898	123,715,244	116,441,303

2.2.7. Loan to Deposit Ratio

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

(Units: in millions of Won, %)

	<u>December 31, 2004</u>	<u>December 31, 2003</u>	<u>December 31, 2002</u>
Loans¹ (A)	125,496,237	121,705,493	105,106,146
Deposits² (B)	127,877,317	125,048,960	118,644,815
Loan to deposit ratio (A/B)	98.14	97.33	88.59

2.2.8. Acceptances and Guarantees

(Unit: in millions of Won)

	December 31, 2004	December 31, 2003	December 31, 2002
Determined	975,788	800,297	1,031,698
Contingent	1,311,774	1,281,518	1,306,878
Total	2,287,562	2,081,815	2,338,576

1. Average balance of loans in each indicated date
2. Average balance of deposits in each indicated date. The balances include certificate of deposits

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

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

(Unit: in millions of Won)

	December 31, 2004		December 31, 2003		December 31, 2002	
	Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
Securities in Won (Banking account)						
Monetary stabilization bonds	7,150,535	12,862,380	4,343,978	5,540,598	2,834,534	3,269,269
Government and public bonds	4,753,135	6,059,738	5,630,422	5,885,595	4,272,946	5,252,321
Debentures	7,013,765	7,138,642	12,315,840	8,936,220	14,785,782	13,654,797
Stocks	1,003,131	1,288,113	1,380,254	877,013	2,146,149	1,661,682
Others	5,332,583	502,689	7,687,051	7,299,404	7,809,012	7,162,134
Subtotal	25,253,149	27,851,562	31,357,545	28,538,830	31,848,423	31,000,203
Securities in Won (Trust account)						
Monetary stabilization bonds	1,222,004	1,152,621	984,380	878,077	1,309,515	583,379
Government and public bonds	922,790	837,080	1,182,165	1,252,419	2,023,503	1,323,195
Debentures	2,363,630	2,312,459	5,876,064	4,080,362	8,035,960	7,600,794
Stocks	564,538	510,650	763,277	592,379	904,921	924,514
Others	2,101,832	2,324,393	3,208,160	2,106,262	3,945,649	3,821,884
Securities in foreign currency (Trust Account)	662,549	449,415	868,819	767,675	559,964	747,253
Subtotal	7,837,343	7,586,618	12,882,865	9,677,174	16,779,512	15,001,019
Securities in foreign currency (Banking account)						
Foreign securities	894,722	950,807	999,806	1,072,483	945,199	960,749
Off-shore foreign securities	313,402	295,775	269,732	277,663	320,423	255,878
Subtotal	1,208,124	1,246,582	1,269,538	1,350,146	1,265,622	1,216,627
Total	34,298,616	36,684,762	45,509,948	39,566,150	49,893,557	47,217,849

2.2.10. Trust Account

(Unit: in millions of Won)

	December 31, 2004		December 31, 2003		December 31, 2002	
	Total amount trusted	Trust fees	Total amount trusted	Trust fees	Total amount trusted	Trust fees
Return-guaranteed trust	369	8,365	559	45,682	1,528	59,530
Performance trust	23,998,460	93,856	37,576,936	186,851	33,997,098	241,444
Total	23,998,829	102,221	37,577,495	232,533	33,998,626	300,974

Table of Contents**2.2.11. Credit Card**

(Unit: in millions of Won unless indicated otherwise)

	As of or for the years ended of indicated dates		
	December 31, 2004	December 31, 2003	December 31, 2002
Number of card holders (Person)			
Corporate	182,109	147,813	153,425
Individual	11,362,173	10,990,703	11,638,968
Number of merchants	1,491,730	1,528,872	1,589,015
Profit			
Sales ¹	66,348,465	92,535,500	111,076,680
Fee revenue	2,800,901	4,012,017	3,482,289

2.3. Branch Networks

As of December 31, 2004, we had 1,107 branches and 38 sub-branches in Korea, the largest number of branches among Korean commercial banks. Approximately 41.5% of our branches and sub-branches are located in Seoul.

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

1. Includes credit card receivables and cash advances.

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

(Units: in millions of Won, %)

	<u>December 31, 2004</u>	<u>December 31, 2003</u>	<u>December 31, 2002</u>
Risk-adjusted capital (A)	13,482,306	12,499,543	14,439,313
Risk-weighted assets (B)	121,079,059	127,370,180	138,703,021
BIS ratios (A/B)	11.14	9.81	10.41

2.4.2. Non-Performing Loans¹

(Units: in millions of Won unless indicated otherwise)

<u>December 31, 2004</u>		<u>December 31, 2003</u>		<u>Change</u>	
<u>Amount</u>	<u>NPL to total loans</u>	<u>Amount</u>	<u>NPL to total loans</u>	<u>Amount</u>	<u>NPL to total loans</u>
3,207,190	2.35%	4,202,254	2.99%	-995,064	-0.64% 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)

	<u>December 31, 2004</u>	<u>December 31, 2003</u>	<u>December 31, 2002</u>
Loan losses allowance			
Loans in Won	3,181,433	3,946,059	2,407,222
Loans in foreign currencies	4,662	2,677	13,188
Total	3,186,095	3,948,736	2,420,410

Provision for loan losses	3,080,256	1,436,013	1,604,751

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

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

(Unit: in millions of Won)

	December 31, 2004	December 31, 2003	December 31, 2002
Beginning balance¹	3,948,736	2,420,410	2,330,283
Net Write-Off	(3,842,897)	92,313	(1,514,624)
Write-Off	(5,260,962)	(4,509,979)	(1,527,311)
Recovery	286,464	270,422	269,533
Other	1,131,601	4,331,870	(256,846)
Provision for loan losses²	3,080,256	1,436,013	1,604,751
Ending balance	3,186,095	3,948,736	2,420,410

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 22,780 million won, 192,221 million won, 27,291 million won and 16,103 million won, respectively, that had been recorded as of December 31, 2003

² Includes other allowances for other asset amounting to 12,008 million won as of December 31, 2004 (4,832 million won: December 31, 2003)

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

(Unit: in millions of Won)

	As of or for the years ended of indicated dates	
	December 31, 2004	December 31, 2003
Cash and due from banks	5,177,758	6,526,345
Securities	27,598,737	26,908,462
Loans	136,034,323	141,138,972
Fixed assets	2,633,218	3,019,556
Other assets	8,283,148	6,508,855
Total assets	179,727,184	184,102,190
Deposits	127,010,534	132,180,272
Borrowings	9,634,296	10,902,800
Debentures	21,867,820	19,192,581
Other liabilities	12,109,893	13,589,031
Total liabilities	170,622,543	175,864,684
Capital stocks	1,681,896	1,681,896
Capital surplus	6,230,738	6,230,738
Retained earnings	2,041,691	1,485,111
Capital adjustments	(849,684)	(1,160,239)
Total shareholders' equity	9,104,641	8,237,506
Liabilities and Shareholders' Equity	179,727,184	184,102,190
Operating revenue	20,879,860	15,570,605
Operating income	2,089,168	2,485,901
Continuing (loss) income before income taxes	898,598	(1,386,760)
Net (loss) income	555,250	(930,356)

3.2. Other Financial Information

See the previously disclosed Kookmin Bank Non-consolidated Audit Report by our independent auditors for our full financial statements and relevant notes on 9th March 2005. The Report is also available at our website www.kbstar.com.

See the Exhibit 99.1 Kookmin Bank Consolidated Audit Report by our independent auditors for our full-consolidated financial statements and relevant notes.

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

Samil Accounting Corporation, a Korean member firm of PRICEWATERHOUSECOOPERS, has reviewed our financial statements for the fiscal year of 2004. The aggregate contract fee for the audit and review fees for the fiscal year 2004 is 1,200 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)

<u>Year</u>	<u>Service description</u>	<u>Amount of payment</u>
2004	- Refinancing	
	- Due Diligence regarding the possible acquisition of DITC/KITC	230
	- US GAAP calculation of provision for the third quarter of 2004	300
		100
	- US GAAP conversion for 2004	USD 3,600 thousand
2003	- US GAAP conversion for 2003	USD 3,950 thousand
		USD 3,800 thousand
	- US GAAP conversion for 2002	250
		USD 30 thousand
	- Due Diligence on Kookmin Credit Card	
2002	- SEC Filing regarding the proposed merger with Kookmin Credit Card	
	- Project for improving the accounting process	690
	- Advisory service for the conversion process in US GAAP	1,450

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5. Corporate Governance and Affiliated Companies

5.1. Board of Directors & Committees under the Board

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

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

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

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

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

5.2. Audit Committee

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

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

For the 12 months period ended December 31, 2004, the aggregate of the remuneration paid by us to the President & CEO and our other executive directors and 2) our non-executive directors was 3,344 million Won, 623 million Won, respectively. The following table shows the breakdown of the remuneration.

(Units: in millions of Won)

	The aggregate remuneration paid	Limit for the remuneration resolved by shareholders meeting	Average amount of the payment per person
1) Executive Directors	3,344	8,000	836
2) Non Executive Directors	623		42
Total	3,967	8,000	209

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, 2004, the latest record date.

(Unit: Shares, %)

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<u>Name</u>	<u>Number of Shares of Common Stock</u>	<u>Percentage of Total Issued Shares</u>
The Bank of New York¹	47,503,730	14.12
Kookmin Bank²	29,881,209	8.88
Euro-Pacific Growth Fund	14,326,220	4.26

¹ Depositary of ADRs

² Treasury shares with no voting rights

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5.6. Affiliated Companies

5.6.1. List of Affiliates¹

As of December 31, 2004, we have following affiliates.

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

5.6.2. Operating Results of Affiliates²

(Unit: in millions of Won)

Company name	Closing date	Operating results				
		Total Assets	Total Liabilities	Total Equities	Sales	Net Income
KB Investment	December 31, 2004	87,307	8,523	78,784	21,002	1,709
KB Asset Management³	March 31, 2005	61,432	4,113	57,319	24,401	9,711
KB Real Estate Trust	December 31, 2004	201,221	143,150	58,071	51,693	(40,058)
KB Credit Information	December 31, 2004	28,589	7,522	21,067	38,780	2,405
KB Data Systems Corp.	December 31, 2004	22,257	6,426	15,831	40,076	1,579
KB Futures³	March 31, 2005	35,791	9,973	25,818	8,691	1,056
ING Life Korea³	March 31, 2005	3,461,826	3,228,415	233,411	1,865,503	103,088
Kookmin Bank International (London)	December 31, 2004	340,945	285,238	55,707	13,892	1,924
Kookmin HK Ltd.	December 31, 2004	292,122	227,094	65,028	17,385	7,812
Sorak Financial Holdings	December 31, 2004	303,050	187	302,863	626	(59)

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

² Excluding KB Life because it started business on 2, June, 2004 and has not yet closed accounts.

³ Operating results based on the March 31, 2004

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

As of December 31, 2004, our board of directors, which consists of 4 executive directors and 11 non-executive directors, has the ultimate responsibility for the management of our affairs.

6.1. Executive Directors

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

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

Name	Date of Birth	Position	Common Stocks Owned
Chung Won Kang	12/19/1950	President & CEO	
Hyung Duk Chang	08/13/1950	Auditor & Executive Director	
Seong Kyu Lee	10/25/1959	Executive Director & SEVP	
Donald H. MacKenzie	12/20/1948	Executive Director & SEVP	

6.2. Non-Executive Directors

Our non-executive directors are selected based on the candidates' talents and skills in diverse areas, such as law, finance, economy, management and accounting. As of December 31, 2004, 11 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
Moon Soul Chung	03/07/1938	Non-Executive Director	5,571
Richard Elliott Lint	01/04/1946	Non-Executive Director	1,290
Sun Jin Kim	06/08/1942	Non-Executive Director	4,175
Dong Soo Chung	09/24/1945	Non-Executive Director	1,150
Kyung Hee Yoon	01/05/1947	Non-Executive Director	
Suk Yong Cha	06/09/1953	Non-Executive Director	1,810
Bernard S. Black	11/13/1953	Non-Executive Director	1,280
Ki Hong Kim	01/10/1957	Non-Executive Director	1,930
Woon Youl Choi	04/02/1950	Non-Executive Director	9,699
Wang Ha Cho	09/18/1953	Non-Executive Director	941
Young Soon Cheon	02/01/1961	Non-Executive Director	870

Table of Contents**6.3. Senior Management**

In addition to the executive directors who are also our executive officers, we currently have the following 13 executive officers as of December 31, 2004.

<u>Name</u>	<u>Date of Birth</u>	<u>Position</u>	<u>Common Shares Owned</u>
Dong Won Kim	03/01/1953	Senior Executive Vice President	130
Kap Shin	09/04/1955	Senior Executive Vice President	
Yun Keun Jung	07/01/1951	Senior Executive Vice President	2,416
Nam Sik Yang	05/08/0954	Senior Executive Vice President	582
Hyo Sung Won	07/29/1960	Senior Executive Vice President	
Yong Kook Oh	09/30/1949	Senior Executive Vice President	
Sang Jin Lee	05/21/1955	Senior Executive Vice President	1,078
Ahn Sook Koo	03/16/1955	Senior Executive Vice President	
Jung Young Kang	01/29/1951	Senior Executive Vice President	
Young Han Choi	09/24/1958	Senior Executive Vice President	
Dong Soo Choe	03/10/1955	Senior Executive Vice President	
Young Il Kim	07/06/1953	Senior Executive Vice President	3,327
Jung Min Kim	05/08/1951	Senior Executive Vice President	94

6.4. Compensation to Directors and Senior Management

The total compensation to both directors and senior management for the fiscal year of 2004, excluding grant of stock options, is 8,246,784,947 Won, and the average compensation amount per person is 183,261,888 Won. During the year, we had 22 directors and 23 executive vice presidents.

6.5. Employees

The following table shows the breakdown of our employees as of December 31, 2004.

(Unit: in millions of Won)

	<u>Number of Employees</u>			<u>Average Tenure of the Full-time Employees</u>	<u>Total Payment for the year of 2004</u>	<u>Average Monthly Payment</u>
	<u>Full-time</u>	<u>Contractual</u>	<u>Total</u>			<u>per Person</u>
Male	14,062	1,214	15,276	16.63	921,458	5.0
Female	4,921	7,635	12,556	13.92	469,751	3.1

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Total	18,983	8,849	27,832	15.93	1,391,209	4.2
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Table of Contents**7. Related Party Transactions**

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

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

(Unit: in millions of Won)

Name	Relation with the Bank	Account	Beginning Balance (January 1, 2004)	Increase	Decrease	Ending Balance (December 31, 2004)
KB Real Estate Trust	Affiliate	Equity Securities of Affiliate	79,999			79,999
KB Investment	Affiliate	Equity Securities of Affiliate	44,708			44,708
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			7,998
KB Credit Information	Affiliate	Equity Securities of Affiliate	4,154	1,714		5,868
KB Life ²	Affiliate	Equity Securities of Affiliate	0	30,000		30,000
ING Life Korea	Affiliate	Equity Securities of Affiliate	14,000			14,000
KOMOCO ³	Affiliate	Equity Securities of Affiliate	30,000		30,000	0
Total			231,525	31,714	30,000	233,239

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

² Established on 29 April, 2004

³ Disposed on 4 June, 2004

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

(Unit: in millions of Won)

Name	Relation with the Bank	Account	Beginning Balance	Ending Balance (December 31, 2004)	Increase / (Decrease) for the period
			(January 1, 2004, or on the date of appointment)		
Kolon Co.	Related party of Non executive director, Wang Ha Cho	Overdraft and etc.	30,000	25,000	25,378 (30,378)
Kolon Construction	Related party of Non executive director, Wang Ha Cho	Overdraft	0	360	360
Hankyoreh Plus	Related party of Senior executive vice president, Seong Kyu Lee	Loans for working capital and etc.	8,645	11,214	4,562 (1,993)
Janssen Korea	Related party of Non executive director, Sun Jin Kim	Corporate loans.	0	6,500	6,500
Hyundai Mipo Dockyard Co.	Related party of Non executive director, Woon Youl Choi	Housing loan	36	36	0
DSME Co.	Related party of Non executive director, Dong Soo Chung	Household loans and etc.	625	93	31 (563)
Total			39,306	43,203	3,897

Table of Contents**7.2.2. Securities Transactions**

(Units: in millions of Won unless indicated otherwise)

Name	Relation with the Bank	Transactions					Par value (won)
		Account	Purchase	Disposal	Sum	Income	
DSME Co.	Related party of						
	Non executive director, Dong Soo Chung	Equity securities	7,223	4,030	11,253	(23)	5,000
LG Household & Health	Related party of						
	Non executive director, Suk Yong Cha	Equity securities	1,688	1,688	3,376	(6)	5,000
Hyundai Mipo Dockyard Co.	Related party of						
	Non executive director, Woon Youl Choi	Equity securities	20,231	16,529	36,760	(1,054)	5,000
Total			29,142	22,247	51,389	(1,083)	

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SIGNATURES

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

Kookmin Bank
(Registrant)

Date: March 31, 2005

By: /s/ Kap Shin

(Signature)

Name: Kap Shin
Title: Senior Executive Vice President &
Chief Financial Officer

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Exhibit Index

Exhibit 99.1_Kookmin Bank Consolidated Audit Report for 2004

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Exhibit 99.1

Kookmin Bank and Subsidiaries

Consolidated Financial Statements

December 31, 2004 and 2003

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Kookmin Bank and Subsidiaries

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December 31, 2004 and 2003

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Samil PricewaterhouseCoopers
Kukje Center Building
191 Hankangro 2ga, Yongsanku
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 and subsidiaries

We have audited the accompanying consolidated balance sheets of Kookmin Bank and its subsidiaries (the Consolidated Company) as of December 31, 2004 and 2003, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the years then ended, expressed in Korean won. These consolidated financial statements are the responsibility of Kookmin Bank's (the Bank) management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of KB Data Systems Co., Ltd., KB Futures Co., Ltd., KB Asset Management Co., Ltd., KB Real Estate Trust Co., Ltd., KB Credit Information Co., Ltd. and Kookmin Bank HK Ltd., whose statements represent 0.35% of total assets as of December 31, 2004, and 0.87% of total revenues for the year then ended. Also, we did not audit the financial statements of KB Futures Co., Ltd., and Kookmin Bank HK Ltd., whose statements represent 0.13% of total assets as of December 31, 2003 and 0.15% of total revenues for the year then ended. These statements were audited by other auditors whose reports have been furnished us and our opinion, insofar as it relates to the amounts included for KB Data Systems Co., Ltd., KB Futures Co., Ltd., KB Asset Management Co., Ltd., KB Real Estate Trust Co., Ltd., KB Credit Information Co., Ltd. and Kookmin Bank HK Ltd., is based solely on the reports of the other auditors.

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 and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kookmin Bank and its subsidiaries as of December 31, 2004 and 2003, and the results of its operations, changes in shareholders' equity, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

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

As discussed in Note 37 to the consolidated financial statements, the Bank restated its 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 gain on investment in associates amounting to (Won)27,159 million, presented as loss on derivatives transactions in the consolidated statement of operations, 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.

As discussed in Note 1 and Note 38 to the 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 1 to the consolidated financial statements, Pacific IT Investment Partnership and NPC02-4 Kookmin Venture Fund, which were equity method investees in the prior year, were included in the scope of consolidation.

As discussed in Note 20 to the consolidated financial statements, in accordance with the resolution made by the Board of Directors on December 17, 2003, the Bank's tender for 27,423,761 shares of treasury stock was accepted through public bidding on December 12, 2003 by the Korean government which previously owned 30,623,761 shares. The Bank acquired the said shares at (Won)43,700 per share on December 17, 2003 and intends to sell these shares of treasury stock depending on certain market conditions.

As discussed in Note 2 to the consolidated financial statements, the Consolidated Company 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 provision for loans losses by (Won)2,641,941 million. Such restatement has no effect on the net assets and the net loss as of and for the year ended December 31, 2003.

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Accounting principles and auditing standards and their application in practice vary among countries. The accompanying consolidated 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 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 18, 2005

This report is effective as of February 18, 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 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.

Table of Contents**Kookmin Bank and Subsidiaries****Consolidated Balance Sheets****December 31, 2004 and 2003***(in millions of Korean won)*

	2004	2003
Assets		
Cash and due from banks (Note 3)	(Won) 5,251,217	(Won) 6,560,651
Securities, net (Note 4)	30,303,215	29,337,684
Loans, net (Notes 5 and 6)	136,102,701	141,144,849
Fixed assets, net (Note 7)	2,637,118	3,024,948
Other assets, net (Note 8)	8,481,033	6,754,658
Total assets	(Won) 182,775,284	(Won) 186,822,790
Liabilities and Shareholders' Equity		
Deposits (Note 9)	(Won) 130,133,873	(Won) 135,373,286
Borrowings (Note 10)	9,359,595	10,750,820
Debentures (Note 11)	21,867,820	19,182,576
Other liabilities (Note 13)	12,226,696	13,205,072
Total liabilities	173,587,984	178,511,754
Commitments and contingencies (Notes 14 and 16)		
Common stock ((Won)5,000 par value per share, 1 billion authorized shares and 336,379,116 shares outstanding in 2004) (Notes 1 and 17)	1,681,896	1,681,896
Capital surplus (Note 18)	6,238,284	6,237,528
Retained earnings (Note 19)	2,091,960	1,535,656
Capital adjustments (Note 20)	(852,480)	(1,160,814)
Minority interest in consolidated subsidiaries (Note 21)	27,640	16,770
Total shareholders' equity	9,187,300	8,311,036
Total liabilities and shareholders' equity	(Won) 182,775,284	(Won) 186,822,790

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

Table of Contents**Kookmin Bank and Subsidiaries****Consolidated Statements of Operations****Years ended December 31, 2004 and 2003***(in millions of Korean won, except per share amounts)*

	2004	2003
Interest income		
Interest on due from banks	(Won) 12,693	(Won) 10,997
Interest on trading securities	289,393	303,743
Interest on available-for-sale securities	544,483	756,539
Interest on held-to-maturity securities	360,569	1,242,809
Interest on loans	9,862,381	10,647,859
Other interest income	120,980	122,955
	11,190,499	13,084,902
Interest expenses		
Interest on deposits	4,044,051	4,386,806
Interest on borrowings	330,690	591,830
Interest on debentures	1,116,557	1,436,234
Other interest expenses	48,562	60,891
	5,539,860	6,475,761
Net interest income	5,650,639	6,609,141
Provision for loan losses (Note 6)	3,064,528	2,028,696
Net interest income after provision for loan losses	2,586,111	4,580,445
Non-interest income		
Fees & commission income	2,651,130	2,566,553
Dividends on trading securities	3,378	79,121
Dividends on available-for-sale securities	6,883	5,986
Gain on foreign currency transactions	245,694	291,542
Gain on derivatives transactions (Note 15)	4,060,338	1,134,624
Insurance income	58,385	
Others (Note 23)	2,976,927	857,192
	10,002,735	4,935,018
Non-interest expenses		
Fees and commission expenses	442,349	717,604
General and administrative expenses (Note 24)	2,844,108	3,027,164
Loss on foreign currency transactions	294,135	195,212
Loss on derivatives transactions (Note 15)	3,991,366	1,089,971
Insurance expense	43,672	
Others (Note 23)	2,930,558	1,564,883
	10,546,188	6,594,834

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Operating income	2,042,658	2,920,629
Non-operating expenses, net (Note 25)	(1,150,689)	(4,180,551)
Net income (loss) before income tax expense	891,969	(1,259,922)
Income tax (benefit) expense (Note 26)	338,105	(417,666)
Net income (loss) before consolidation adjustment	553,864	(842,256)
Minority interest in earnings of consolidated subsidiaries	(3,132)	(76,502)
Net income (loss)	(Won) 550,732	(Won) (918,758)
Basic (loss) earnings per share (In Korean Won) (Note 27)	(Won) 1,797	(Won) (2,818)
Diluted (loss) earnings per share (In Korean Won) (Note 27)	(Won) 1,797	(Won) (2,818)

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

Table of Contents**Kookmin Bank and Subsidiaries****Consolidated Statements of Changes in Shareholders' Equity****Years ended December 31, 2004 and 2003**

<i>(in millions of Korean won)</i>	Capital	Capital Surplus	Retained Earnings	Capital Adjustments	Minority Interest	Total
Balance, January 1, 2003	(Won) 1,641,293	(Won) 5,968,401	(Won) 2,787,469	(Won) 30,817	(Won) 252,355	(Won) 10,680,335
Merger with Kookmin Credit Card Co.	40,603	271,274			(236,428)	75,449
Net loss			(918,758)			(918,758)
Dividend payment			(325,233)		(2,474)	(327,707)
Reserve for losses on sale of treasury stock		(2,147)		2,147		
Changes in treasury stock				(1,182,235)		(1,182,235)
Unrealized gain on available-for-sale securities, net				(36,891)	(13)	(36,904)
Unrealized gain on investment in associates, net				881		881
Stock options				25,814		25,814
Unrealized gain on derivatives, net				(1,347)		(1,347)
Changes in minority interest					3,330	3,330
Changes in subsidiaries			(7,656)			(7,656)
Others			(166)			(166)
Balance, December 31, 2003	(Won) 1,681,896	(Won) 6,237,528	(Won) 1,535,656	(Won) (1,160,814)	(Won) 16,770	(Won) 8,311,036
<i>(in millions of Korean won)</i>	Capital	Capital Surplus	Retained Earnings	Capital Adjustments	Minority Interest	Total
Balance, 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			550,732			550,732
Dividend payment					(1,929)	(1,929)
Reserve for losses on sale of treasury stock				(710)		(710)
Changes in treasury stock				5,992		5,992
Unrealized gain on available-for-sale securities, net				301,445		301,445
Unrealized gain on investment in associates, net				(1,795)		(1,795)
Stock options				3,402		3,402
Changes in minority interest					3,132	3,132
Changes in subsidiaries		756	5,856		9,667	16,279
Others			(284)			(284)
Balance, December 31, 2004	(Won) 1,681,896	(Won) 6,238,284	(Won) 2,091,960	(Won) (852,480)	(Won) 27,640	(Won) 9,187,300

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

Table of Contents**Kookmin Bank and Subsidiaries****Consolidated Statements of Cash flows****Years ended December 31, 2004 and 2003***(in millions of Korean won)*

	2004	2003
	(Won)	(Won)
Cash flows from operating activities		
Net income (loss)	550,732	(918,758)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Realized gain on trading securities, net	(111,450)	(60,783)
Unrealized gain on trading securities, net	(23,543)	(65,798)
Loss (gain) on foreign currency transactions, net	48,441	(96,330)
Provision for loan losses	3,064,528	2,028,696
Reversal of losses from guarantees and acceptances		(1,209)
Gain on derivatives transactions, net	(68,972)	(44,653)
Gain (loss) on valuation of derivatives, net	(145,482)	18,336
Loss on fair value hedged items, net	(2,175)	(10,715)
Retirement benefits	127,676	129,392
Stock compensation expense	5,101	12,130
Depreciation and amortization	438,184	519,356
Gain (loss) on disposal of fixed assets, net	(12,809)	34,416
Impairment loss on fixed assets, net	16,103	22,228
Realized gain on available-for-sale securities, net	(66,429)	(499,815)
Impairment loss on available-for-sale securities, net	91,312	107,886
Realized gain on held-to-maturity securities, net	(1,514)	(2,771)
Impairment loss on held-to-maturity securities, net		5,840
Unrealized gain on investment in associates, net	(32,507)	(22,675)
Gain on disposal of investment in associates	(1,146)	
Loss on sale of loans, net	1,158,904	2,788,026
Minority interest in earnings of consolidated subsidiaries	3,132	76,502
Provision for guarantee allowance	206	
Provision for other allowance	224,078	627,830
Reversal of loan losses due to merger		1,652,264
Gain on operation of beneficiary certificates, net	(384,747)	
Contribution to insurance reserve	24,332	
Others, net	(8,606)	22,755

Table of Contents**Kookmin Bank and Subsidiaries****Consolidated Statements of Cash flows****Years ended December 31, 2004 and 2003***(in millions of Korean won)*

	<u>2004</u>	<u>2003</u>
Changes in operating assets and liabilities		
Accrued income	58,041	215,068
Prepaid expenses	93,004	(165,084)
Deferred tax assets	169,580	(439,168)
Other assets	4,748	3,320
Accrued expenses	(124,702)	(761,806)
Unearned income	(33,161)	(15,988)
Withholding taxes	(116,050)	31,145
Other liabilities	(128,620)	161,197
Payment of retirement benefits	(41,525)	(39,045)
Retirement pension funds	(30,097)	(68,529)
Account for agency business	(131,017)	49,667
National pension funds		123
Deferred tax liabilities	235	
	<u>4,063,053</u>	<u>6,211,808</u>
Net cash provided by operating activities	<u>4,613,785</u>	<u>5,293,050</u>

Table of Contents**Kookmin Bank and Subsidiaries****Consolidated Statements of Cash flows****Years ended December 31, 2004 and 2003***(in millions of Korean won)*

	2004	2003
Cash flows from investing activities		
Decrease (increase) in due from banks	956,798	(1,178,162)
Decrease in trading securities	1,174,658	2,221,779
Increase in available-for-sale securities	(897,475)	(3,725,426)
(Increase) decrease in held-to-maturity securities	(246,271)	8,228,193
(Disposal) acquisition of investment in associates	33,315	(88,380)
Decrease (increase) in loans granted, net	299,812	(11,069,265)
Proceeds from disposal of fixed assets	188,418	105,902
Acquisition of fixed assets	(218,990)	(347,368)
Acquisition of intangible assets	(3,355)	(2,048)
Proceeds from disposal of foreclosed assets	545	2,830
Acquisition of foreclosed assets	(128)	(165)
Decrease (increase) in guarantee deposits	45,072	(3,528)
(Increase) decrease in other accounts receivable	(570,471)	170,286
Increase in payments in advance	(4,827)	(33,330)
Decrease in derivative assets, net	108,650	130,945
Collection of domestic exchange receivables	91,980	474,995
Collection of loans to trust accounts	16,381	26,060
Increase in provision for other allowances	85,072	
Net cash provided by (used in) investing activities	1,059,184	(5,086,682)
Cash flows from financing activities		
(Decrease) increase in deposits, net	(5,239,412)	8,506,356
Increase in borrowings, net	(1,391,226)	(4,461,853)
(Decrease) increase in debentures, net	2,685,244	(4,269,961)
Increase (decrease) in borrowings from trust accounts	(2,830,810)	2,874,589
Increase in dividend payable		(325,233)
Decrease (increase) in other accounts payable	850,013	(181,195)
Decrease (increase) in advances received from customers	83,458	(142,668)
Increase (decrease) in guarantee deposits received	(11,967)	2,179
Decrease in domestic exchange payables	(142,425)	(141,312)
Increase in liabilities incurred by agency relationships	(34,672)	(171,172)
Acquisition of treasury stocks		(1,227,876)
Sale of treasury stocks		826
Stock options exercised	3,239	(35)
Increase in stock issuance cost		(212)
Net cash (used in) provided by financing activities	(6,028,558)	462,433
Decrease in cash due to change in scope of affiliates	(6,107)	(85,284)
Net increase (decrease) in cash and cash equivalents	(361,696)	583,517
Cash and cash equivalents, beginning of the year (Note 34)	3,790,765	3,207,248

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Cash and cash equivalents, end of the year (Note 34)	<u>(Won) 3,429,069</u>	<u>(Won) 3,790,765</u>
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The accompanying notes are an integral part of these consolidated financial statements

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Kookmin Bank and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

1. The Consolidated Company

The accompanying consolidated financial statements have been prepared in accordance with financial accounting standards financial standards for consolidation of the Republic of Korea. The accompanying consolidated financial statements include the banking and trust accounts, subject to guaranteed fixed rates of return or principal repayment, of Kookmin Bank and its consolidated subsidiaries. General information on Kookmin Bank and its controlled subsidiaries is described below.

The Bank

Kookmin 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 Act concerning the Structural Improvement of the Financial Industry, the Bank purchased certain assets, including the loans classified as normal or precautionary, and assumed most of the liabilities of Daedong Bank as of June 29, 1998. The Bank completed the legal consolidation with H&CB as of October 31, 2001 (Note 32) and Kookmin Credit Card as of September 30, 2003 (Note 33).

The Bank had its shares listed on the Korea Stock Exchange since September 1994. As a result of the business combination with H&CB, the former shareholders of the Bank and H&CB received new common shares of the Bank on the basis of a pre-determined ratio. The new common shares of the Bank were relisted on the Korea Stock Exchange on November 9, 2001. As of December 31, 2004, the Bank has 336,379,116 (amounting to (Won)1,681,896) shares issued. Also, as of December 31, 2004, 47,503,730 shares of the Bank are listed on the New York Stock Exchange as American Depositary Shares (ADS) (Note 17).

The Bank is engaged in the banking and trust business 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 (excluding 2 local overseas branches and 1 overseas agency) as of December 31, 2004.

Trust Accounts of the Bank

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According to the accounting and reporting guidelines by the banking regulatory authorities, the accompanying consolidated financial statements include trusts subject to guaranteed fixed rates of return or principal repayment. Total assets of consolidated and non-consolidated trusts of the Consolidated Company as of December 31, 2004 and 2003 are as follows:

(in millions of Won)

	2004	2003
Consolidated trusts	(Won) 3,315,294	(Won) 3,405,217
Non-consolidated trusts	16,850,751	28,932,110
	(Won) 20,166,045	(Won) 32,337,327

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****Subsidiaries either consolidated or accounted for under the equity method**

The subsidiaries of the Bank, either consolidated or accounted for under the equity method as of December 31, 2004 and 2003 are as follows:

Companies	Balance Sheet Date	2004		2003	
		Number of shares	Ownership (%)	Number of shares	Ownership (%)
Consolidated subsidiaries					
KB Data Systems Co., Ltd. ¹	December 31	799,800	99.98	799,800	99.98
KB Futures Co., Ltd. ²	March 31	3,999,200	99.98	3,999,200	99.98
KB Investment Co., Ltd. ³	December 31	8,941,587	99.89	8,941,587	99.89
KB Asset Management Co., Ltd. ⁴	March 31	6,134,040	80.00	6,134,040	80.00
KB Real Estate Trust Co., Ltd.	December 31	15,999,930	99.99	15,999,930	99.99
KB Credit Information Co., Ltd.	December 31	1,249,040	99.73	867,716	69.28
KB Life Insurance Co., Ltd.	March 31	6,000,000	100.00		
Kookmin Bank HK Ltd. ⁵	December 31	2,000,000	100.00	2,000,000	100.00
Kookmin Bank Int'l Ltd. (London)	December 31	20,000,000	100.00	20,000,000	100.00
Pacific IT Investment Partnership	December 31		60.00		60.00
NPC 02-4 Kookmin Venture Fund	December 31		50.00		50.00
Equity method investees					
ING Life Co., Ltd.	March 31	1,400,000	20.00	1,400,000	20.00
KLB Securities Co., Ltd.	December 31	4,854,713	36.41	4,854,713	36.41
Jeio Co., Ltd. ⁶	December 31	88,572	21.14	88,572	21.14
Joeeun Industrial Co., Ltd.	December 31	1,999,910	99.99	1,999,910	99.99
KB Luxemburg S.A.	December 31			70,000	100.00
Kookmin Finance Asia Ltd. (HK)	December 31	2,000,000	100.00	2,000,000	100.00
Kookmin Singapore Ltd.	December 31	30,000,000	100.00	30,000,000	100.00
Sorak Financial Holdings	December 31	1,422,216	25.00	1,274,638	25.00
KIKO No.3 Venture Investment Partnership	June 30		80.38		80.38
Kookmin China Fund No.1 ⁷	December 31		50.00		50.00
KTTC Kookmin Venture Fund No.1 ⁷	December 31		20.00		20.00
Kookmin Investment Partnership No. 13 ⁷	April 30				33.33
Kookmin Investment Partnership No. 15 ⁷	June 30		34.00		34.00
Kookmin Investment Partnership No. 16 ⁷	July 31		20.00		20.00
KB 03-1 Venture Investment Fund ⁷	December 31		16.67		16.67
KIKO No.2 Venture Investment Partnership	June 30		68.89		68.89
KB 03-1 Corporate Restructuring Fund ⁷	December 31		29.00		29.00
Korea Asset Investment Co., Ltd.	December 31			6,000,000	26.67

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- 1 Kookmin Data Systems Co., Ltd. was renamed KB Data Systems Co., Ltd. as of April 30, 2004.
- 2 Kookmin Futures Co., Ltd was renamed KB Futures Co., Ltd. as of April 30, 2004.
- 3 Kookmin Investment Co., Ltd. was renamed KB Investment Co., Ltd. as of April 30, 2004.
- 4 Kookmin Investment Trust Mgt. Co., Ltd. was renamed KB Asset Management Co., Ltd. as of April 29, 2004.
- 5 Kookmin Finance HK Ltd. was renamed Kookmin Bank HK Ltd. as of January 1, 2004.
- 6 Jeio Co., Ltd. was invested by KB Investment Co., Ltd., a subsidiary of the Bank.
- 7 These investment funds were invested by KB Investment Co., Ltd., a subsidiary of the Bank

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Kookmin Bank and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

Scope of Consolidation

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. Therefore, KB Life Insurance Co., Ltd. was included in the scope of consolidation.

On September 30, 2003, the Bank merged with Kookmin Credit Card Co., Ltd., a subsidiary of the Bank of which the Bank formerly owned 74.27% in accordance with the resolution of Board of Directors on May 30, 2003. Thus, Kookmin Credit Card Co., Ltd. was excluded from the scope of consolidation.

As of December 31, 2004, KLB Securities Co., Ltd., KIKO No.2 Venture Investment Partnership, KIKO No.3 Venture Investment Partnership, Kookmin Finance Asia Ltd. (HK) and Kookmin Singapore Ltd. and Joeeun Industrial Co., Ltd. are in the process of liquidation and were included in the scope of equity method investees.

Pacific IT Investment Partnership and NPC02-4 Kookmin Venture Fund, which were equity method investees in the prior year, were included in the scope of consolidation.

KIKO No.2 Venture Investment Partnership and KB03-1 Corporate Restructuring Fund, which were classified as available for sales securities in the prior year, were included in the scope of equity method investees.

As of February 18, 2004, KB Luxembourg S.A. resolved to liquidate and completed liquidation process on November 30, 2004. Accordingly, it was no longer included in the scope of equity method investees.

As of November 18, 2004, KB 13 Investment Fund completed liquidation process and accordingly, it was no longer included in the scope of equity method investees.

Investments in Korea Asset Investment Co., Ltd. were fully sold on June 4, 2004. Accordingly, it was no longer included in the scope of equity method investees.

Operations of the subsidiaries either consolidated or accounted for under the equity method

Consolidated Subsidiaries:

(in millions)

	Location	Outstanding	Capital	Major Business
KB Data Systems Co., Ltd.	Korea	KRW	8,000	Software services for the Bank and other companies
KB Futures Co., Ltd.	Korea		20,000	Dealing and brokerage services for futures transactions
KB Investment Co., Ltd.	Korea		44,759	Investing and financing small and medium-sized enterprises
KB Asset Management Co., Ltd.	Korea		38,338	Providing security investment trust services and investment consulting services
KB Real Estate Trust Co., Ltd.	Korea		80,000	Development, management and brokerage services with regard to real estate and trust
KB Credit Information Co., Ltd.	Korea		6,262	Delinquent loan collecting service and credit checking services
KB Life Insurance Co., Ltd.	Korea		30,000	Insurance service
Kookmin Bank HK Ltd.	Hong Kong	USD	20 million	Commercial banking business and foreign exchange operation
Kookmin Bank Int l. Ltd. (London)	U.K.	GBP	20 million	Commercial banking business and foreign exchange operation
Pacific IT Investment Partnership	Korea		14,000	Investing and financing small and medium-sized enterprises
NPC 02-4 Kookmin Venture Fund	Korea		30,000	Investing and financing small and medium-sized enterprises

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****Equity Method Investees:***(in millions)*

	Location	Outstanding	Capital	Major Business
ING Life Co., Ltd.	Korea	KRW	70,000	Insurance
KLB Securities Co., Ltd.	Korea		66,675	Securities related business
Jeio Co., Ltd	Korea		2,095	Inspecting materials, manufacturing measuring instruments
Joeeun Industrial Co., Ltd.	Korea		10,000	House construction, rent and management service with regard to real estate
Kookmin Finance Asia Ltd. (HK)	Hong Kong	USD	20 million	Commercial banking business and foreign exchange operation
Kookmin Singapore Ltd.	Singapore	SGD	30 million	Commercial banking business and foreign exchange operation
Sorak Financial Holdings	Singapore	SGD	6 million	Investment
KIKO No.3 Venture Investment Partnership	Korea	KRW		Investment in venture capital
Kookmin China Fund No.1	Korea		6,000	Investment in venture capital
KTTC Kookmin Venture Fund No.1	Korea		10,000	Investment in venture capital
Kookmin Investment Partnership No. 15	Korea		5,000	Investment in venture capital
Kookmin Investment Partnership No. 16	Korea		2,000	Investment in venture capital
KB 03-1 Venture Investment Fund	Korea		7,500	Investment in venture capital
KIKO No.2 Venture Investment	Korea		450	Investment in venture capital
KB03-1 Corporate Restructuring Fund	Korea		20,000	Investment in venture capital

Significant Financial Data

A summary of significant financial data of the Bank and its subsidiaries, included in the accompanying consolidated financial statements is as follows:

(in millions of Won)

	Total Assets	Shareholders Equity	Operating Revenue	Net Income (Loss)
Bank accounts	(Won) 179,727,184	(Won) 9,104,641	(Won) 20,879,860	(Won) 555,250
Trust accounts	3,315,294	53,349	266,488	
KB Data Systems Co., Ltd.	22,258	15,832	40,672	1,584
KB Futures Co., Ltd.	38,446	26,015	7,282	889
KB Investment Co., Ltd.	87,308	78,785	5,167	1,709
KB Asset Management Co., Ltd.	65,823	59,111	29,348	10,761
KB Real Estate Trust Co., Ltd.	201,267	58,117	52,033	(40,058)
KB Credit Information Co., Ltd.	28,589	21,067	39,364	2,405

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KB Life Insurance Co., Ltd.	157,701	24,389	61,510	(6,392)
Kookmin Bank Hong Kong Ltd.	292,122	65,028	16,770	8,235
KB Int'l Ltd. (London)	341,033	55,795	13,895	2,012
Pacific IT Investment Partnership	5,620	5,620	41	(1,613)
NPC 02-4 Kookmin Venture Fund	30,799	30,536	477	536
Elimination and equity pick-up	(1,538,160)	(410,985)	(219,673)	15,414
	<u>(Won) 182,775,284</u>	<u>(Won) 9,187,300</u>	<u>(Won) 21,193,234</u>	<u>(Won) 550,732</u>

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Kookmin Bank and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Bank in the preparation of its 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 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 consolidated financial statements.

Application of the Statements of Korean Financial Accounting Standards

The Bank has adopted Statements of Korean Financial Accounting Standards (SKFAS) No. 1~13 (excluding SKFAS No.11) in the preparation of its financial statements. Except for SKFAS No. 10, 12 and 13 which have been effective as of January 1, 2004, 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.

Accounting Policies of Consolidated Entities

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

Relevant Laws and Regulations

The Bank and Trust Accounts	Accounting Standards of the Banking Industry, General Banking Act, and Trust Business Act
KB Futures Co., Ltd.	Supervisory Guidelines on Futures Trading
KB Investment Co., Ltd.	Act on support for foundation of small and medium-sized companies, and Loan Specialization Financial Business Act

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KB Asset Management Co., Ltd..	Securities Investment Trust Business Act, and Accounting Standards for Securities Investment Trust Business
KB Real Estate Trust Co., Ltd.	Trust Business Act
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,

Principles of Consolidation

The Consolidated Company eliminates the investment account of the controlling company and corresponding capital accounts of subsidiaries collectively. The Consolidated Company records the differences between the initial investment accounts and proportionate ownership of the fair value of the subsidiary's asset and liabilities as goodwill or negative goodwill, when the Consolidated Company has control over the subsidiary. In case that the Bank purchase additional shares after it obtained control over the subsidiary, the difference between the additional shares purchased and corresponding shareholder's equity is accounted as capital surplus. In case that the acquisition date of the subsidiaries differ from the fiscal year-end of subsidiaries, the acquisition date is regarded to be the nearest closing date.

All inter-company transactions and account balances between the consolidated entities are eliminated in consolidation. Unrealized gains and losses resulting from the sale from the Controlling Company to the subsidiaries are fully eliminated and charged to the equity of the Controlling Company while unrealized gains and losses resulting from the sale from the subsidiaries to the Controlling Company or from subsidiaries to subsidiaries are fully eliminated and charged to the equity of the Controlling Company and minority interest proportionately.

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Kookmin Bank and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

When net losses attributable to minority interests exceed the minority interest in the equity of the subsidiary, the excess is charged to the equity of the Controlling Company. When the subsidiaries report income, the minority interest portion of such income is allocated to the equity of the Controlling Company until the minority interest's share of net losses previously charged to the Controlling Company has been fully recovered.

If the fiscal year-end of subsidiaries is different from that of the Bank, the financial statements of such subsidiaries are prepared as of December 31 and for the year then ended for consolidation purposes.

Recognition of Interest Income

The Consolidated Company recognizes interest income on due from banks, loans and debt securities on an accrual basis. However, interest income on delinquent and dishonored due from banks, 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 Consolidated Company has non-accrual loans and securities of (Won)8,137,825 million and (Won)532,904 million, respectively, with related foregone interest of (Won)489,698 million and (Won)82,594 million, respectively. However, foregone interest related to securities of trust accounts was not included.

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 Consolidated Company 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. Trading and available-for-sale securities are carried at fair value while held-to-maturity debt securities are carried at amortized cost.

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

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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 and are realized when the related securities are disposed of. In case of available-for-sale securities, interest income reflecting premiums and discounts amortization should be included in current operations. Therefore interest income are recognized from premiums and discounts amortization using effective interest method over the maturity period and then the difference between the fair value and acquisition cost are charged to stockholder's equity. 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.

The assets of the wholly owned beneficiary certificates are classified based on the Consolidated Company'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 Consolidated Company recorded all gains and losses from these wholly owned beneficiary certificates as income from beneficiary certificates.

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Kookmin Bank and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

Investments in Associates

Investments in associates, over which the Consolidated Company exercises significant control or influence, are accounted for using the equity method. Under the equity method, the Consolidated Company 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 Consolidated Company discontinues the equity method of accounting for investments in associates when the Consolidated Company'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 Consolidated Company's initial proportionate ownership of the fair value of the net asset 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 Consolidated Company 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 Consolidated Company's percentage of ownership.

Deferred Loan Origination Fees and Costs

The Consolidated Company 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.

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.

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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 Banks 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:

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

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

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:

Credit Risk Classification	Allowance Rates		
	Consumer	Credit Card	Corporate
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%
Estimated loss	100.00%	100.00%	100.00%

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.

-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

The Bank determined the appropriate data period to be used in assessing its historical loss rate and recovery ratio based on Bank's lending portfolios' nature, loan period, collection period, collection ratio, past trends and future market conditions, etc.

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The subsidiaries determines allowances in conformity with generally accepted accounting principles in related industry and the relevant laws and regulations of the Republic of Korea. Additional allowances is provided if total allowances of subsidiaries is less than allowance determined by methodology of the Bank.

Guarantees and Acceptances

The Consolidated Company 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 Restructuring

The equity interest in the debtors, net of real estates and/or other assets received as full or partial satisfaction of the Consolidated Company'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 Consolidated Company 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 Consolidated Company establishes additional allowances for the difference. Otherwise, the Consolidated Company reverses the allowances for loan losses.

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

After the above adjustments to loans from troubled debt restructuring, the Consolidated Company 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 Consolidated Company'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

Cost of tangible assets are determined by cash, cash equivalents or fair value (or the revaluation amount of certain assets in accordance with the Korean Asset Revaluation Law) of other asset given in exchange. Depreciation is calculated based on the estimated average useful lives of the assets and is presented as accumulated depreciation, which is a contra account of tangible assets in the financial statements.

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

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

Expenditures that enhance the capacity or increase the future economic benefit of the assets involved are capitalized as additions to tangible assets. However, routine maintenance or repairs are expensed as 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.

Cost of intangible assets are determined by cash, cash equivalents or fair value of other asset given in exchange. Intangible assets are amortized based on the following estimated average useful lives and are presented in the financial statements, net of accumulated amortization:

Intangible assets	Amortization Method	Estimated Useful Life
Goodwill	Straight-line method	9 years
Negative goodwill	Straight-line method	5 years
Development costs	Straight-line method	5 years
Trademarks	Straight-line method	1-10 years
Others	Straight-line method	5-30 years

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

The Consolidated Company recorded negative goodwill as a result of the merger of KB Credit Information Co., Ltd. and KM Credit Information Co., Ltd for the fair value of net assets and liabilities exceeding the cost of merger equal to the purchase price. Negative goodwill is amortized for 5 years which is the average useful life of amortizable non-monetary assets.

Development costs directly related to a 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.

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The Consolidated Company adjusts the book value of a fixed asset to its recoverable amount (expected sale price or appraisal value) 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 book value (after accumulated depreciation) before impairment, as a reversal of fixed asset impairment losses.

Stock Issuance Costs and Debenture Issuance Costs

Stock issuance costs are deducted from additional paid-in capital. Debenture issuance costs are recorded as discounts on debentures and amortized over the life 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 are entitled to receive a lump-sum payment upon termination of their employment with the Consolidated Company, based on their length of service and rate of pay at the time of termination.

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

Insurance Reserve

The Company provides various Insurance reserves for payments, refunds, participating policyholders' dividends and related cost in the future as follows.

- Premium reserve is a net level premium reserve using interest and mortality assumptions used in computing cash surrender values.
- Reserve for outstanding claims represents refunds, dividends and claims reported and unpaid as of the balance sheet date.

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- Unearned premium reserve represents the unearned portion of quarterly, semi-annual and annual premiums as of the balance sheet date.
- 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.

Deferred Income Taxes

The Consolidated Company records the future tax effects of temporary differences between the financial and tax bases of assets and liabilities as deferred tax income assets or liabilities. The tax effects of temporary differences arising from the cumulative effects of accounting changes and prior period adjustments are adjusted in retained earnings. However, deferred tax income assets are recognized only when the possibility of income tax effect is high.

Bonds under Repurchase/Resale Agreements

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

Derivative Instruments

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

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Kookmin Bank and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

Fair value hedge accounting is applied to a hedging transaction relationship entered into for 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 instrument and on the hedged item attributable to the hedged risk, are recognized in the same period.

The effective portion of the gain or loss for 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 is recorded as a capital adjustment and the ineffective portion as income or loss in current operations. The effective portion of the gain or loss recorded as a capital adjustment is reclassified into 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 recorded in 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 Consolidated Company, 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 Consolidated Company 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

The Bank's banking accounts receive trust fees from the trust accounts for its management of trust assets and operations. Under the Trust Business Act, the Bank recognizes trust accounts separately from its won accounts. 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 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

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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.

Statement of Cash Flows

In the preparation of the statement of cash flows, the Consolidated Company has presented the net amounts of cash inflows and cash outflows for loans and deposits.

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Kookmin Bank and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

Restatement of Prior Period Financial Statements

(1) Change of accounting policy on sale of loans

During the year ended December 31, 2004, the Consolidated Company 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 loss as of and for the year ended December 31, 2003.

(2) Change of accounting policy on subordinated retained interests received from securitization transactions

The Consolidated Company 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.

(3) Results of Securities and Futures Commission (SFC)'s investigation and Restatement of prior periods' financial statements

As explained in Note 37, the Consolidated Company restated its financial statements as of and for the year ended December 31, 2003 to comply with Securities and Futures Commission's instructions.

Table of Contents**Kookmin Bank and Subsidiaries****Notes to 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) 2,380,580	(Won) 2,945,921
Cash in foreign currencies	124,736	228,153
	<u>2,505,316</u>	<u>3,174,074</u>
Due from banks in Won		
Bank of Korea		
Reserve deposits in the Bank of Korea	1,685,105	2,612,248
Other banks		
Time deposits		14,901
Passbook deposits	13,603	8,176
Certificate of deposit	262,905	94
	<u>276,508</u>	<u>23,171</u>
Other financial institutions		
Deposits at Mutual Savings & Finance Co., Ltd	90,005	140,094
Time deposits at Ministry of Information and Communication	14,700	
	<u>104,705</u>	<u>140,094</u>
Others		
Futures margin accounts	5,890	6,602
Market participation margin	463	454
Due from Banking accounts	1,806	
KOSPI futures margin accounts	27,648	10,513
	<u>35,807</u>	<u>17,569</u>
	<u>2,102,125</u>	<u>2,793,082</u>
Present value discounts ¹	(3,751)	(12,810)
	<u>(Won) 2,098,374</u>	<u>(Won) 2,780,272</u>

Due from banks in foreign currencies			
Bank of Korea			
Demand deposits	(Won)	43,631	(Won) 12,415
Other banks			
Demand deposits		38,910	76,142
Time deposits		70,399	32,278
		109,309	108,420
Others			
Other deposits		5,045	3,355
Off-shore			
Demand deposits		489,542	482,115
	(Won)	647,527	(Won) 606,305
	(Won)	5,251,217	(Won) 6,560,651

- 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. (formerly, Bukook Mutual Savings & Finance Co., Ltd.) during 1999.

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

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

	Due from Banks	Due from Banks in	
	in Won	Foreign Currencies	Total
<i>(in millions of Korean won)</i>			
Due in 3 months or less	(Won) 1,765,735	(Won) 514,418	(Won) 2,280,153
Due after 3 months through 6 months	280,261	133,109	413,370
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
	<u>(Won) 2,102,125</u>	<u>(Won) 647,527</u>	<u>(Won) 2,749,652</u>

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

	Place of Deposit	2004	2003	Restrictions
<i>(in millions of Korean won)</i>				
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.	7,163	18,033	Futures guarantee deposits
		<u>(Won) 1,825,899</u>	<u>(Won) 2,782,696</u>	

4. Securities

Securities as of December 31, 2004 and 2003 are as follows:

<i>(in millions of Korean won)</i>	<u>2004</u>	<u>2003</u>
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Trading	(Won) 6,523,329	(Won) 7,178,248
Available-for-sale	17,373,376	15,996,456
Held-to-maturity	6,239,716	5,991,930
Investment in associates	166,794	171,050
	<u>(Won) 30,303,215</u>	<u>(Won) 29,337,684</u>

Trading, available-for-sale, and held-to-maturity securities as of December 31, 2004 and 2003 are as follows:

(in millions of Korean won)

	Unrealized		Book Value	
	Gain	Loss	2004	2003
Trading				
Equity securities	(Won) 9,446	(Won) 16,503	(Won) 206,432	(Won) 139,285
Beneficiary certificates	106	1	53,443	1,689,388
Government and municipal bonds	6,129	30	1,127,307	1,610,359
Corporate bonds	23,506	1,400	4,803,068	3,354,929
Asset-backed securities	2,277		233,921	384,287
Other debt securities	13		99,158	
	<u>(Won) 41,477</u>	<u>(Won) 17,934</u>	<u>(Won) 6,523,329</u>	<u>(Won) 7,178,248</u>

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003***(in millions of Korean won)*

Available-for-Sale	Impairment		Capital Adjustments		Book Value	
	Reversal of	Loss	Gain	Loss	2004	2003 ¹
Equity securities	(Won)	(Won) 23,952	(Won) 282,587	(Won) 3,088	(Won) 864,905	(Won) 491,313
Investment in funds		3	3,203		7,773	41,723
Beneficiary certificates			160	14	157,277	4,375,817
Government and municipal bonds			19,372		2,242,856	2,323,106
Foreign government bonds			1,318	104	32,638	28,153
Corporate bonds		2,317	70,480	4,099	13,013,929	8,267,532
Asset-backed securities		65,040	72,116		857,770	468,669
Other debt securities			33		196,228	143
	(Won)	(Won) 91,312	(Won) 449,269	(Won) 7,305	(Won) 17,373,376	(Won) 15,996,456

(in millions of Korean Won)

Held-to-Maturity	Impairment		Unrealized		Book Value	
	Reversal of	Loss	Gain	Loss	2004	2003
Government and municipal bonds	(Won)	(Won)	(Won) 133,514	(Won) 18	(Won) 3,080,601	(Won) 2,490,063
Corporate bonds			78,719	39	2,959,959	3,175,544
Asset-backed securities			9,935		180,000	326,323
Other debt securities					19,156	
	(Won)	(Won)	(Won) 222,168	(Won) 57	(Won) 6,239,716	(Won) 5,991,930

- 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 equity-indexed bonds amounting to (Won)17,858 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 indexed bonds, and inverse floater bonds amounting to (Won)50,140 million, and (Won)73,727 million, respectively. Moreover, available-for-sale securities include credit risk related securities, such as credit linked bonds amounting to (Won)41,544 million.

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

As of December 31, 2004 and 2003, investments in associates are as follows:

(in millions of Korean Won)

(in millions of Korean Won)		Equity Method						Book Value	
		Acquisition		Beginning				2004	2003
Domestic Associates	Owner-ship (%)	Cost	Balance ¹	N/I	R/E	C/A			
ING Life Co., Ltd.	20.00	(Won) 21,769	(Won) 41,845	(Won) 23,576	(Won)	(Won) 3,724	(Won) 69,145	(Won) 43,845	
KLB Securities Co., Ltd.	36.41	10,316							
Jeio Co., Ltd.	21.14	750	544	92			636	544	
Joeeun Industrial Co., Ltd.	99.99	23,994							
KB Luxemburg S.A. ²		24,679	5,257	(1,206)				5,950	
Kookmin Finance Asia Ltd. (HK)	100.00	7,307	249	5			254	286	
Kookmin Singapore Ltd.	100.00	20,926	1,813				1,813	2,080	
Sorak Financial Holdings	25.00	76,928	76,928	9,818		(4,593)	82,153	71,295	
KIKO No.3 Venture Investment Partnership	80.38			149			149	341	
Kookmin China Fund No.1	50.00	3,000	2,534	(178)			2,356	2,535	
KTTC Kookmin Venture Fund No.1	20.00	2,000	1,330	95			1,425	1,329	
Kookmin Investment Partnership No. 15	34.00	1,700	347	16			363	347	
Kookmin Investment Partnership No. 16	20.00	214							
KB 03-1 Venture Investment Fund	16.67	2,500	2,500	(91)			2,409	1,250	
KIKO No.2 Venture Investment Partnership ³	68.89	60	60	213			273		
Pacific IT Investment Partnership ⁴	60.00	8,400							
NPC 02-4 Kookmin Venture Fund ⁴	50.00	15,000						5,090	
KB 03-1 Corporate Restructuring Fund ³	29.00	5,800	5,800	18			5,818		
Korea Asset Management Co. Ltd. ⁵		30,629						35,788	
Kookmin Investment Partnership No. 13 ⁶		1,000						370	

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(Won) 256,972	(Won) 139,207	(Won) 32,507	(Won)	(Won)	(869)	(Won) 166,794	(Won) 171,050
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- 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 Bank collected capitals from Kookmin Bank Luxembourg S.A. which completed liquidation process on November 30, 2004
 - 3 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.
 - 4 The investments in funds which were accounted as investments in associates had been included in the scope of consolidation as of January 1, 2004.
 - 5 All equity securities of Korea Asset Management Co., Ltd. have been sold on June 4, 2004.
 - 6 Kookmin Investment Partnership No. 13 completed liquidation process on October 18, 2004.

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Kookmin Bank and Subsidiaries

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

The Consolidated Company applies the equity method accounting to subsidiaries based on unaudited financial statements as of December 31, 2004. In the case of Sorak Financial Holdings 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 material changes in net assets for the period ended December 31, 2004.

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

(in millions of Korean Won)

Maturities	Available-for-sale		Held-to-maturity	
	Book Value	Fair Value	Book Value	Fair Value
Due in 1 year or less	(Won) 7,804,867	(Won) 7,804,867	(Won) 1,966,865	(Won) 2,001,190
Due after 1 year through 5 years	8,019,184	8,019,184	3,879,439	4,024,778
Due after 5 years through 10 years	675,422	675,422	393,412	435,859
Thereafter	1,225	1,225		
	(Won) 16,500,698	(Won) 16,500,698	(Won) 6,239,716	(Won) 6,461,827

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

(in millions of Korean won, except ratio)

By Country

	Book Value	Ratio (%)
Korea	(Won) 30,079,563	99.26
Singapore	82,178	0.27
USA	50,514	0.17

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Philippines	25,703	0.08
Indonesia	13,516	0.05
Others	51,741	0.17
	<hr/>	<hr/>
	(Won) 30,303,215	100.00
	<hr/>	<hr/>

(in millions of Korean won, except ratio)

By Type

	Book Value	Ratio (%)
	<hr/>	<hr/>
Fixed rate bonds	(Won) 26,154,533	86.31
Floating rate bonds	1,679,022	5.54
Subordinated bonds	981,947	3.24
Convertible bonds	30,996	0.10
Beneficiary certificates	210,721	0.70
Equity securities	1,225,338	4.04
Others	20,658	0.07
	<hr/>	<hr/>
	(Won) 30,303,215	100.00
	<hr/>	<hr/>

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003***(in millions of Korean won, except ratio)***By Issuer**

	Book Value	Ratio (%)
Government and government-invested		
Public companies	(Won) 9,878,441	32.60
Financial institutions	18,619,812	61.44
Manufacturing industries	557,196	1.84
Others	1,247,766	4.12
	(Won) 30,303,215	100.00

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
Airang Restructuring Fund	(Won) 18,163
Mugunghwa Restructuring Fund	14,606
Seoul Restructuring Fund	12,540
Bad Bank Harmony	12,267
Mastercard, Inc.	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
Futures Market	3,000
Kyobo Investment Trust Management Co., Ltd.	2,100
Doum Co., Ltd.	1,987
Baring Communications Equity	1,957
Itswell Co., Ltd.	1,800
Innowireless Inc.	1,650
Pan Asia Paper	1,642
Korea Smart Card	1,628
BHflex Co., Ltd.	1,600
Mobilink Telecom Co., Ltd.	1,400
Korea Money Broker Corp.	1,291
Miraetelecom Co., Ltd.	1,272
Future Communications IC Inc.	1,210
Digital & Optics Co., Ltd.	1,190
IntroMobile Co., Ltd.	1,100
Mercury	1,088

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Tianjin Samsung Opto Electronics	1,020
Smart Card Laboratory Inc.	1,005
Others	58,495
	<hr/>
	(Won) 179,676
	<hr/>

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

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

(in millions of Korean won)

Restrictions		Restricted securities	
Related Transactions	Placed with	Book Value	Pledge Value
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
Others	Standard Chartered Bank, others	92,409	92,048
		(Won) 5,254,535	(Won) 5,256,848

Table of Contents**Kookmin Bank and Subsidiaries****Notes to 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)

	2004	2003
	<hr/>	<hr/>
Loans in Won		
Corporate loans		
<u>Operation loans</u>		
General operation loans	(Won) 25,445,435	(Won) 28,863,025
Notes discounted	1,197,606	1,415,445
Overdraft accounts	401,369	447,992
Trading notes	740,580	809,921
Other operation loans	3,862,853	3,793,594
	<hr/>	<hr/>
	31,647,843	35,329,977
	<hr/>	<hr/>
<u>Facility loans</u>		
General facility loans	5,139,091	5,413,333
Other facility loans	1,148,430	1,218,369
	<hr/>	<hr/>
	6,287,521	6,631,702
	<hr/>	<hr/>
	37,935,364	41,961,679
	<hr/>	<hr/>
<u>Consumer loans</u>		
General consumer loans	41,959,116	41,952,638
Consumer housing loans	41,234,213	38,199,384
Remunerations on mutual installment savings	300,032	297,868
Other consumer loans	532,615	635,217
	<hr/>	<hr/>
	84,025,976	81,085,107
	<hr/>	<hr/>
<u>Public loans</u>		
Public operation loans	673,456	526,227
Public facility loans	40,383	42,473
	<hr/>	<hr/>
	713,839	568,700
	<hr/>	<hr/>
<u>Trust accounts</u>		
Loans on real estate collateral	211,490	134,984

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Insurance accounts		
Policy loans	8,552	
Other loans		
Property formation loans	9,719	62,963
Inter-bank loans	6,114	12,815
Others	2,938	3,963
	18,771	79,741
	(Won) 122,913,992	(Won) 123,830,211
Loans in foreign currencies		
Domestic funding loans	(Won) 1,013,924	(Won) 1,212,261
Off-shore funding loans	468,560	863,062
Inter-bank loans	886,283	623,683
Domestic usance bills	1,290,566	1,200,385
Government funding loans	420	1,477
	(Won) 3,659,753	(Won) 3,900,868
Call loans		
In Won	(Won) 2,910,996	(Won) 1,640,000
In foreign currencies	178,480	19,448
	(Won) 3,089,476	(Won) 1,659,448
Privately placed debentures	1,210,585	1,794,231
Other loans	8,311,105	13,873,738
Allowances for loan losses (Note 6)	(3,131,099)	(3,922,214)
Net deferred loan origination fees and costs	48,889	8,567
	(Won) 136,102,701	(Won) 141,144,849

Table of Contents**Kookmin Bank and Subsidiaries****Notes to 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)

	Workout	Court Receivership	Court Mediation	Others	Total
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) 44,565	(Won) 612,235	(Won) 803,003
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	44,565	117,921	300,153
Balances after restructuring	109,916	15,064	41,338	111,698	278,016
Allowances for loan losses (present value discounts)	(Won) 6,561	(Won) 6,126	(Won) 3,227	(Won) 6,223	(Won) 22,137

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 for the year ended December 31, 2004 are as follows :

(in millions of Korean won)

	Beginning Balance	Increase	Decrease	Ending Balance
Allowance for loan losses (present value discounts)	(Won) 22,826	(Won) 12,283	(Won) 12,972	(Won) 22,137
Deferred loan origination fees and costs	8,567	44,766	4,444	48,889

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

The maturities of loans as of December 31, 2004 are as follows:

<i>(in millions of Korean won)</i>	Loans in					Privately placed		
	Loans in Won	Foreign Currencies	Bills Bought	Credit Card	Call Loans	Debentures	Others	Total
Due in 3 months or less	(Won) 19,134,705	(Won) 856,807	(Won) 505,424	(Won) 5,329,240	(Won) 3,089,476	(Won) 38,168	(Won) 33,653	(Won) 28,987,473
Due after 3 months through 6 months	17,463,859	880,489	82,255	623,768		110,900	746	19,162,017
Due after 6 months through 1 year	35,049,320	906,722	8,839	835,722		625,600		37,426,203
Due after 1 year through 2 years	19,982,218	161,027	5,396	386,655		238,866		20,774,162
Due after 2 years through 3 years	11,907,539	190,521		386,614		95,450		12,580,124
Due after 3 years through 4 years	2,640,890	85,984		63,633		250		2,790,757
Due after 4 years through 5 years	3,963,377	67,973		18,358			30,802	4,080,510
Thereafter	12,772,084	510,230				101,351		13,383,665
	(Won) 122,913,992	(Won) 3,659,753	(Won) 601,914	(Won) 7,643,990	(Won) 3,089,476	(Won) 1,210,585	(Won) 65,201	(Won) 139,184,911

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

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(in millions of

Korean won)

Loans in Foreign

	Loans in Won	Currencies	Others	Total	Percentage (%)
Korea	(Won) 122,913,992	(Won) 2,245,059	(Won) 12,393,457	(Won) 137,552,508	98.82%
Southeast Asia		700,600	186,753	887,353	0.64%
Russia		53,452	45	53,497	0.04%
China		236,554	14,301	250,855	0.18%
Japan		278,971		278,971	0.20%
Others		145,117	16,610	161,727	0.12%
	(Won) 122,913,992	(Won) 3,659,753	(Won) 12,611,166	(Won) 139,184,911	100.00%

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

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

	Loans in				
	Foreign				
(in millions of Korean won)	Loans in Won	Currencies	Others	Total	Percentage (%)
Corporate loans					
Financial institutions	(Won) 655,472	(Won) 935,433	(Won) 4,185,193	(Won) 5,776,098	4.15%
Manufacturing companies	12,320,461	1,159,040	1,725,419	15,204,920	10.93%
Service companies	21,240,786	1,423,752	487,968	23,152,506	16.64%
Others	4,121,949	72,081	98,206	4,292,236	3.08%
	38,338,668	3,590,306	6,496,786	48,425,760	34.80%
Household loans	84,250,246	69,447	6,114,380	90,434,073	64.97%
Public and other loans	325,078			325,078	0.23%
	(Won) 122,913,992	(Won) 3,659,753	(Won) 12,611,166	(Won) 139,184,911	100.00%

On March 30, 2004, the Consolidated Company recognized loss on sale of loans of (Won)186,666 million for loans sold to KB Star Card 3rd Securitization Specialty Company, Ltd. that amounts to (Won)1,032,297 million. On June 17, 2004, the Consolidated Company recognized gain on sale of loans of (Won)21,516 million for loans sold to KB 2nd Securitization Specialty Company, Ltd. that amounts to (Won)607,000 million. On June 30, 2004, the Consolidated Company 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. On September 30, 2004, the Consolidated Company 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. On December 7, 2004, the Consolidated Company recognized loss on sale of loans of (Won)12,866 million and gain on sale of loans of (Won) 586 million for loans sold to Solomon Mutual Saving Bank that amounts to (Won)640,807 million. On December 17, 2004, the Consolidated Company recognized gain on sale of loans of (Won)7 million and loss on sale of loans of (Won)64,807 million for loans sold to KB 3rd Securitization Specialty Company, Ltd. that amounts to (Won)532,628 million. On December 31, 2004, the Consolidated Company 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) 2,631,203	(Won) 2,297,152
Loans in foreign currencies	56,273	74,339
Bills bought in Won and foreign currencies	8,480	16,941
Payments on guarantees	26,301	20,193
Factoring receivable	1,695	17,603
Credit card accounts	392,722	1,407,128
Privately placed debentures	13,679	88,858
Loans due for equity conversion	746	
Total allowance for loan losses	3,131,099	3,922,214
Others ¹	226,705	141,633
Total allowance	(Won) 3,357,804	(Won) 4,063,847

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

1 Other allowances as of December 31, 2004 and 2003 include:

(in millions of Korean won)

	2004	2003
	<u> </u>	<u> </u>
Suspense receivables as credit	(Won) 39,231	(Won) 17,376
Kookmin Card s other loans	274	3,749
Derivative instruments	3,209	1,654
Suspense receivables ²	15,495	7,249
Uncollected leasehold deposits	9,326	8,898
Other receivables	2,543	837
Account receivables	30	23
Trust account loans	156,597	101,847
	<u> </u>	<u> </u>
Total	(Won) 226,705	(Won) 141,633
	<u> </u>	<u> </u>

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

Table of Contents**Kookmin Bank and Subsidiaries****Notes to 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) 114,616,259	(Won) 5,224,961	(Won) 1,716,220	(Won) 1,021,191	(Won) 335,361	(Won) 122,913,992
Allowances	781,412	476,678	358,603	679,149	335,361	2,631,203
Ratio (%)	0.68	9.12	20.89	66.51	100.00	2.14
Loans in foreign currencies						
Balance	3,443,447	158,672	25,017	30,724	1,893	3,659,753
Allowances	13,776	13,316	8,428	18,860	1,893	56,273
Ratio (%)	0.40	8.39	33.69	61.39	100.00	1.54
Bills bought						
Balance	585,960	9,569	650	2,698	3,037	601,914
Allowances	2,930	393	130	1,990	3,037	8,480
Ratio (%)	0.50	4.11	20.00	73.76	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 (%)	0.52	20.85	19.93	73.07	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	20.04	65.49	100.00	5.14
Call loans						
Balance	3,089,476					3,089,476
Allowances						
Ratio (%)						
Privately placed debentures						

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Balance	1,200,227	826	3,076	4,086	2,370	1,210,585
Allowances	5,979	189	1,159	3,982	2,370	13,679
Ratio (%)	0.50	22.88	37.68	97.45	100.00	1.13
Factoring receivables						
Balance	30,802		516	992	25	32,335
Allowances	585		103	982	25	1,695
Ratio (%)	1.90		19.96	98.99	100.00	5.24
Loans due for equity conversion						
Balance				746		746
Allowances				746		746
Ratio (%)				100.00		100.00
Total						
Balance	(Won) 129,577,111	(Won) 6,083,463	(Won) 1,746,901	(Won) 1,365,199	(Won) 412,237	(Won) 139,184,911
Allowances	870,787	573,572	368,707	905,796	412,237	3,131,099
Ratio (%)	0.67	9.43	21.11	66.35	100.00	2.25

Table of Contents**Kookmin Bank and Subsidiaries****Notes to 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 (including other allowances)	(Won) 4,063,847	(Won) 3,446,907
Provision for loan losses ¹	3,165,287	2,033,526
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 ²	289,919	27,291
Collection of written-off loans	290,283	845,118
Repurchase of loans sold	40,571	426,207
Sale of loans	(685,268)	(868,124)
Write-off of loans	(5,293,976)	(6,371,323)
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)	(272,576)
Changes in exchange rates and others	(31,028)	(55,120)
Change in scope of consolidation		(674)
Ending balance (including other allowances)	(Won) 3,357,804	(Won) 4,063,847

- 1 Includes other allowances for other asset amounting to (Won)100,759 million as of December 31, 2004 ((Won)4,830 million: December 31, 2003)
- 2 Other allowances for loans receivable from LG Card Company, Ltd., credit lines to Kookmin Credit Card 16th ABS Specialty Company, Ltd. and commercial papers from Joeeun 2nd ABS Specialty Company, Ltd. 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) 139,184,911	(Won) 145,058,496	(Won) 138,485,982
Allowances for loan losses ¹	3,131,099	3,922,214	3,319,747
Ratio (%)	2.25	2.70	2.40

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

7. Fixed Assets

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

(in millions of Korean won)

	2004	2003
Tangible assets	(Won) 2,165,541	(Won) 2,472,816
Intangible assets	471,338	551,356
Foreclosed and other properties	239	776
	<u>(Won) 2,637,118</u>	<u>(Won) 3,024,948</u>

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

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

<i>(in millions of Korean won)</i>		Buildings and	Leasehold	Equipment	Construction -	
	Land	structures	improvements	and vehicles	in-progress	Total
Acquisition cost						
Beginning balances	(Won) 1,105,916	(Won) 963,386	(Won) 157,963	(Won) 1,461,326	(Won) 12,324	(Won) 3,700,915
Acquisition		21	37	132,852	86,080	218,990
Transfer		69,637	27,526		(97,163)	
Disposal	(106,848)	(117,985)	(10,335)	(77,541)		(312,709)
Ending balances	999,068	915,059	175,191	1,516,637	1,241	3,607,196
Accumulated depreciation						
Beginning balances		142,108	91,390	972,373		1,205,871
Depreciation expense		20,919	41,268	272,378		334,565
Disposal		(22,905)	(8,086)	(70,086)		(101,077)
Ending balances		140,122	124,572	1,174,665		1,439,359
Impairment	1,306	990				2,296
Book Value	(Won) 997,762	(Won) 773,947	(Won) 50,619	(Won) 341,972	(Won) 1,241	(Won) 2,165,541

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

<i>(in millions of Won)</i>		Buildings and	Leasehold	Equipment	Construction	
	Land	structures	improvement	and vehicle	in-progress	Total
Acquisition cost						
Beginning balances	(Won) 1,231,177	(Won) 919,541	(Won) 110,986	(Won) 1,293,812	(Won) 1,195	(Won) 3,556,711
Acquisition	3,432	9,218	8,026	229,580	97,112	347,368
Transfer		37,466	48,517		(85,983)	
Change in scope of consolidation				(448)		(448)
Disposal	(128,693)	(2,839)	(9,566)	(61,618)		(202,716)
Ending balances	1,105,916	963,386	157,963	1,461,326	12,324	3,700,915

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Accumulated depreciation					
Beginning balances	120,353	52,629	659,366		832,348
Depreciation expense	21,603	41,354	373,592		436,549
Change in scope of consolidation			(388)		(388)
Disposal	152	(2,593)	(60,197)		(62,638)
Ending balances	142,108	91,390	972,373		1,205,871
Impairment	12,673	9,555			22,228
Book Value	(Won) 1,093,243	(Won) 811,723	(Won) 66,573	(Won) 488,953	(Won) 12,324
					(Won) 2,472,816

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

Tangible assets covered by insurance policies as of December 31, 2004 are as follows:

(in millions of Korean won)

	Amount Insured	Insurance Company	Type of Insurance
Buildings and structures	(Won) 620,234	Samsung Fire & Marine Insurance Co., Ltd, etc.	General property insurance
Leasehold improvements	42,516	Samsung Fire & Marine Insurance Co., Ltd, etc.	General property insurance
Equipment and vehicles	168,645	Samsung Fire & Marine Insurance Co., Ltd, etc.	General property insurance
Construction-in-progress	994	Samsung Fire & Marine Insurance Co., Ltd	General property insurance
	(Won) 832,389		

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

(in millions of Korean won)	Goodwill	Negative Goodwill	Development Costs	Rights to Income on Donated Asset	Store Possessory Right	Trademarks	Others	Total
Beginning balances	(Won) 535,360	(Won) (231)	(Won) 13,266	(Won) 102	(Won) 139	(Won) 150	(Won) 2,570	(Won) 551,356
Acquisition	20,357		336			49	2,790	23,532
Amortization	98,702	(69)	3,572	8	21	54	1,262	103,550
Ending balances	(Won) 457,015	(Won) (162)	(Won) 10,030	(Won) 94	(Won) 118	(Won) 145	(Won) 4,098	(Won) 471,338

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

(in millions of Korean won)	Goodwill	Negative Goodwill	Development Costs	Rights to Income on Donated Asset	Store Possessory Right	Trademarks	Others	Total
Beginning balances	(Won) 613,705	(Won) (300)	(Won) 16,301	(Won) 110	(Won) 161	(Won) 11	(Won) 2,127	(Won) 632,115
Acquisition			587			158	1,303	2,048
Amortization	78,345	(69)	3,622	8	22	19	860	82,807
Ending balances	(Won) 535,360	(Won) (231)	(Won) 13,266	(Won) 102	(Won) 139	(Won) 150	(Won) 2,570	(Won) 551,356

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The Bank recorded (Won)115,407 million and (Won)113,217 million of current development costs under general and administrative expenses for the years ended December 31, 2004 and 2003, respectively.

The total government-posted prices of land, used for tax imposition and compensation for confiscation, as of December 31, 2004 and 2003 are as follows:

<i>(in millions of Won)</i>	2004		2003	
	Book Value	Appraisal Value	Book Value	Appraisal Value
Lands included in tangible assets	(Won) 997,762	(Won) 904,659	(Won) 1,093,243	(Won) 986,383
Lands included in foreclosed assets	287	239	1,315	591
	(Won) 998,049	(Won) 904,898	(Won) 1,094,558	(Won) 986,974

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****8. Other Assets**

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

(in millions of Korean won)

	2004	2003
Guarantee deposits paid	(Won) 1,300,643	(Won) 1,345,715
Accounts receivable	2,359,806	1,717,666
Accrued income	994,029	1,051,818
Payments in advance	97,487	92,661
Prepaid expenses	220,380	313,383
Deferred tax assets (Note 26)	457,055	627,248
Derivative assets (Note 15)	2,392,086	752,523
Unsettled domestic exchange assets	520,612	612,592
Loans to Trust Accounts	319,003	335,384
Others	46,637	47,301
Allowances for other assets	(226,705)	(141,633)
	(Won) 8,481,033	(Won) 6,754,658

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****9. Deposits**

Deposits as of December 31, 2004 and 2003 are as follows:

(in millions of Korean won)	Annual Interest (%)		
	December 31, 2004	2004	2003
Deposits in Won			
Demand deposits			
Checking deposits		(Won) 110,945	(Won) 125,533
Household checking deposits	0.10	417,443	476,132
Passbook deposits	0.10	10,763,563	10,000,895
Temporary deposits		2,858,688	3,292,770
Public fund deposits	0.10	157,840	190,593
Trust deposits	2.00	11,357	10,180
Others	0.10	26,141	24,218
		14,345,977	14,120,321
Time deposits and savings deposits			
Time deposits	2.20~3.60	62,785,398	62,174,532
Installment savings deposits	2.95~3.50	1,249,939	1,306,793
Property formation savings	8.50	1,516	1,870
Time and savings deposits of non residents in Won	2.20~3.60	263,671	338,971
General savings deposits	0.10~2.70	19,120,739	21,644,066
Corporate savings deposits	0.10~2.60	7,338,760	7,790,498
Long-term savings deposits for workers	11.50~12.00	39,104	69,031
Long-term housing savings deposits	4.10	1,663,366	983,684
Long-term savings for households	11.00	20,108	494,606
Workers preferential savings deposits	5.35	2,171,785	2,728,236
Workers savings for housing	8.50~11.50	49	81
Mutual installment deposits	2.65~3.50	6,304,494	7,054,752
Mutual installment for housing	2.20~3.40	5,295,274	5,423,853
Trust Accounts	0.00~7.80	3,108,612	3,190,062
		109,362,815	113,201,035
Total deposits in Won		123,708,792	127,321,356
Deposits in foreign currencies			
Demand deposits			

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Checking deposits	0.00~0.82	37,137	40,778
Passbook deposits	0.09	663,261	787,798
Notice deposits	0.00~0.16	276	410
Temporary deposits		1,315	1,048
		<u>701,989</u>	<u>830,034</u>
Time deposits and savings deposits			
Time deposits	0.55~2.75	812,021	719,338
Installment savings deposits			758
Others	0.00~4.45	2,122	2,542
		<u>814,143</u>	<u>722,638</u>
Total deposits in foreign currencies		<u>1,516,132</u>	<u>1,552,672</u>
Certificates of deposit	3.00~3.15	4,908,949	6,499,258
		<u>(Won) 130,133,873</u>	<u>(Won) 135,373,286</u>

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

The maturities of deposits as of December 31, 2004 are as follows:

<i>(in millions of Korean won)</i>	Deposits in			Total
	Deposits in Won	Foreign Currencies	Certificates of Deposit	
Due in 3 months or less	(Won) 67,106,894	(Won) 1,320,758	(Won) 2,817,530	(Won) 71,245,182
Due after 3 months through 6 months	11,872,165	103,609	1,799,846	13,775,620
Due after 6 months through 1 year	31,339,549	84,510	291,462	31,715,521
Due after 1 year through 2 years	5,777,657	5,223	111	5,782,991
Due after 2 years through 3 years	3,358,491	2,032		3,360,523
Due after 3 years through 4 years	315,286			315,286
Due after 4 years through 5 years	250,919			250,919
Thereafter	3,687,831			3,687,831
	(Won) 123,708,792	(Won) 1,516,132	(Won) 4,908,949	(Won) 130,133,873

10. Borrowings

Borrowings as of December 31, 2004 and 2003 are as follows:

<i>(in millions of Korean won)</i>	Annual Interest (%)		
	December 31, 2004	2004	2003
Borrowings in Won			
Borrowings from the Bank of Korea	2.00	(Won) 920,144	(Won) 992,433
Borrowings from the Korean government	0.00~8.00	701,680	932,804
Borrowings from banking institutions	2.79~6.00	158,245	263,822
Borrowings from National Housing Fund	8.00	104,784	110,351
Borrowings from other financial institutions	1.84~4.00	5,227	5,688
Other borrowings	1.25~7.00	1,161,969	1,176,156
		3,052,049	3,481,254
Borrowings in foreign currencies			
Due to banks		27,463	180,493

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Borrowings from domestic banks	0.05~5.06	1,280,145	2,360,652
Borrowings from other financial institutions	1.50	13,882	19,486
Borrowings from foreign banks		843,358	507,377
		<u>2,164,848</u>	<u>3,068,008</u>
Bonds sold under repurchase agreements			
In won	2.50~3.25	3,443,344	3,613,505
In foreign currencies			9,651
		<u>3,443,344</u>	<u>3,623,156</u>
Bills sold	2.90~3.15	41,988	44,239
Due to the Bank of Korea in foreign currencies	1.86~2.69	2,007	12,608
Call money			
In won	2.75~3.15	638,500	55,800
In foreign currencies	0.27~6.85	13,685	169,744
Inter-bank borrowings		3,174	296,011
		<u>655,359</u>	<u>521,555</u>
		<u>(Won) 9,359,595</u>	<u>(Won) 10,750,820</u>

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

The maturities of borrowings as of December 31, 2004 are as follows:

(in millions of Korean won)	Borrowings in			
	Borrowings in		Foreign	
	Won	Currencies	Others	Total
Due in 3 months or less	(Won) 989,047	(Won) 866,330	(Won) 2,683,004	(Won) 4,538,381
Due after 3 months through 6 months	77,093	407,397	820,145	1,304,635
Due after 6 months through 1 year	171,184	460,076	620,260	1,251,520
Due after 1 year through 2 years	348,575	355,947	19,289	723,811
Due after 2 years through 3 years	355,794	3,344		359,138
Due after 3 years through 4 years	318,472	69,287		387,759
Due after 4 years through 5 years	260,891	1,733		262,624
Thereafter	530,993	734		531,727
	(Won) 3,052,049	(Won) 2,164,848	(Won) 4,142,698	(Won) 9,359,595

11. Debentures

Debentures as of December 31, 2004 and 2003 include:

(in millions of Korean won)	Annual Interest (%)		
	December 31, 2004	2004	2003
In Won			
Hybrid debentures ¹	6.0~7.00	(Won) 903,668	(Won) 903,668
Structured debentures	4.29	80,000	
Subordinated fixed rate debentures	4.19~15.66	6,020,845	4,896,072
KCC ² subordinated fixed rate debentures	7.10~8.00	205,000	205,000
KCC ² fixed rate debentures	5.43~7.80	930,000	2,884,995
KCC ² floating rate debentures	0.00~8.64	610,000	870,000
Fixed rates debentures	3.28~8.71	12,536,566	8,609,663
		21,286,079	18,369,398
Discounts on debentures		(120,271)	(83,443)

		21,165,808	18,285,955
In foreign currencies			
Floating rates debentures	0.92~3.19	110,810	196,211
Fixed rates debentures	2.37~4.63	525,485	613,549
KCC2 floating rate debentures	3.46	60,227	78,695
		696,522	888,455
Premiums on debentures		6,336	9,639
Discounts on debentures		(846)	(1,473)
		702,012	896,621
		(Won) 21,867,820	(Won) 19,182,576

- 1 The hybrid debentures are perpetual type debts in which the Bank retains the early redemption option after 5 years from issuance date and the term extending option on maturity date. Hybrid debentures are superior to common stock but subordinate to other subordinated debentures.
- 2 Kookmin Credit Card Co., Ltd.

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

As of December 31, 2004, subordinated debentures and hybrid debentures consist of the following:

(in millions of Korean won)

Type	Issue Date	Amount	Annual Interest (%)	Maturity
Subordinated fixed rate debentures	98.01.27 - 98.11.15	(Won) 133,477	14.67 ~ 15.66	03.01.27~ 09.11.15
	2000.03.27	200,000	9.65	2005.03.27
	2000.06.28	253,975	9.04 ~ 9.10	2006.01.28
	2000.09.27	300,000	8.99	2006.01.27
	2000.09.28	150,000	8.79 ~ 8.85	2006.01.28
	2000.11.20	66	9.57	2010.01.28
	2000.11.21	33	9.57	2010.01.28
	2000.11.28	100,000	8.65 ~ 8.71	2006.02.28
	2000.11.28	150,721	9.57 ~ 9.65	2010.11.28
	2000.11.28	11,330	9.65	2010.12.28
	2000.12.27	200,000	8.71	2006.01.27
	2001.05.28	200,000	7.60 ~ 7.65	2007.02.28
	2001.06.27	160,000	7.68	2008.03.27
	2001.06.27	217,529	7.86	2009.03.27
	2001.08.28	100,000	6.69 ~ 6.73	2007.08.28
	2001.09.28	150,000	6.69 ~ 6.73	2008.03.28
	2002.03.27	241,684	7.06 ~ 7.10	2008.01.27
	2002.07.15	415	7.00	2008.01.27
	2002.07.27	302,399	6.96 ~ 7.00	2008.01.27
	2002.09.27	257,363	6.27 ~ 6.30	2008.03.27
	2002.09.27	150,000	6.51 ~ 6.55	2010.03.27
	2002.09.27	92,637	6.66 ~ 6.70	2013.03.27
	2002.11.14	611	6.30	2010.05.27
	2002.11.27	400,673	6.07 ~ 6.10	2008.05.27
	2002.11.27	57,846	6.27 ~ 6.30	2010.05.27
	2002.11.27	100,256	6.51 ~ 6.55	2013.05.27
	2002.12.18	341	8.00	2008.01.18
	2002.12.18	110,000	8.00	2008.01.18
	2002.12.27	10,000	6.20	2008.06.27
	2002.12.27	90,000	6.40	2010.06.27
	2002.12.27	50,302	6.65	2013.06.27
	2002.12.27	30,370	6.55	2014.12.27
	2003.01.21	184	7.65	2008.02.21
	2003.01.21	50,000	7.65	2008.02.21
	2003.03.10	45,000	7.10	2008.04.10
	2003.03.10	182	7.10	2008.04.10
	2003.10.09	519	5.20	2009.10.27
	2003.10.09	77	5.35	2011.01.27
	2003.10.15	39	5.35	2011.01.27
	2003.10.27	356,561	5.18 ~ 5.20	2009.01.27

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2003.10.27	88,769	5.33 ~ 5.35	2011.01.27
2003.10.27	3,721	5.58 ~ 5.60	2014.01.27

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003***(in millions of Korean won)*

Type	Issue Date	Amount	Annual Interest (%)	Maturity
Subordinated fixed rate debentures	2004.02.10	174	5.68	2009.08.27
	2004.02.12	85	5.87	2011.08.27
	2004.02.13	174	5.68	2009.08.27
	2004.02.17	548	5.68	2009.08.27
	2004.02.27	636,798	5.65 ~ 5.68	2009.08.27
	2004.02.27	22,895	5.84 ~ 5.87	2011.08.27
	2004.02.27	40,307	6.13 ~ 6.16	2014.08.27
	2004.09.30	57,784	5.12	2018.12.30
	2004.12.27	700,000	4.19 ~ 4.20	2010.06.27
		6,225,845		
Hybrid debentures	2003.06.27	105,145	6.00	2033.06.27
	2003.08.27	533,355	7.00	2033.08.27
	2003.10.27	265,168	6.80	2033.10.27
		903,668		
		(Won) 7,129,513		

The maturities of debentures as of December 31, 2004 are as follows:

	In Foreign		
	In Won	Currencies	Total
<i>(in millions of Korean won)</i>			
Due in 3 months or less	(Won) 1,849,407	(Won) 16,108	(Won) 1,865,515
Due after 3 months through 6 months	4,074,904		4,074,904
Due after 6 months through 1 year	3,264,691	60,227	3,324,918
Due after 1 year through 2 years	5,670,861		5,670,861
Due after 2 years through 3 years	420,192	587,230	1,007,422
Due after 3 years through 4 years	2,022,335	32,957	2,055,292
Due after 4 years through 5 years	1,352,172		1,352,172
Thereafter	2,631,517		2,631,517
	(Won) 21,286,079	(Won) 696,522	(Won) 21,982,601

12. Accrued Retirement Benefits

The movements in accrued retirement benefits for the year ended December 31, 2004 are as follows:

<i>(in millions of Korean won)</i>	Beginning	Amounts	Amounts	Ending
	Balance	Provided	Paid Out	Balance
Accrued retirement benefits	(Won) 73,154	(Won) 81,881	(Won) 25,814	(Won) 129,221
Contributed retirement benefits	167,690	45,795	15,698	197,787
Total accrued retirement benefits	240,844	127,676	41,512	327,008
Contribution to the National Pension Fund	(83)			(83)
Contribution to pension funds	(167,690)	(45,795)	(15,698)	(197,787)
	(Won) 73,071	(Won) 81,881	(Won) 25,814	(Won) 129,138

As of December 31, 2004, approximately 60.48% of total accrued retirement benefits is contributed to pension funds, over which the Bank's employees hold the right of payment and is placed at five insurance companies, including Korea Life Insurance Co., Ltd. The total retirement benefits paid for the year ended December 31, 2004 amount to (Won)91,528 million, including the additional early retirement benefits paid in February 2004 of (Won)50,029 million.

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****13. Other Liabilities**

Other liabilities as of December 31, 2004 and 2003 consist of:

(in millions of Korean won)

	2004	2003
	(Won)	(Won)
Accrued retirement benefits (Note 12)	129,138	73,071
Allowance for losses on guarantees and acceptances (Note 14)	1,150	1,074
Due to trust accounts	677,334	3,508,144
Accounts payable	2,758,891	1,908,765
Accrued expenses	4,354,998	4,479,084
Advances from customers	194,437	110,935
Unearned income	102,719	135,880
Withholding taxes	7,519	123,570
Guarantee deposits received	98,917	110,884
Deferred income tax liabilities	303	68
Derivative liabilities (Note 15)	2,219,630	688,045
Accounts for agency business	234,890	365,907
Unsettled domestic exchange liabilities	258,020	400,445
Liabilities incurred by agency relationship	280,569	315,241
Insurance reserve	126,995	
Other allowances ¹	613,631	849,327
Others	167,555	134,632
	(Won) 12,226,696	(Won) 13,205,072

¹ Other allowances as of December 31, 2004 include:

(in millions of Korean won)

Allowances for	Amounts	Remarks
LG Card	(Won) 23,812	Allowances for Contingency on LG Card
KP chemical loans sold	4,029	Allowances for KP chemical loans sold
Dormant accounts	14,976	Allowances for dormant accounts written off
Cash advance service	45,234	Allowances for unused cash advance credit lines
Mileage rewards	80,676	Allowances for mileage on credit cards and currency exchange rates
Claimed assets	3	Allowances for credit card claimed assets
Credit commitments to SPC	438,343	Allowances for the credit line commitment to SPC (Note 16)

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Loss on branch closure	237	Allowances for closure of the Buenos Aires branch
KAMCO loans sold	217	Allowances for loans under repurchase agreements to KAMCO (Note 16)
Master Card share agreement	3,135	Allowances for the share settlement provision for Master Card shares
Allowances for tax deficiencies	458	Allowances for tax deficiencies (Note 16)
Reparation for damages	1,754	Allowances for credit collection and research for lease
Trust risk	670	Allowances for operation related with trust in real estate
Others	87	
	(Won) 613,631	

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****14. Guarantees and Acceptances**

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

(in millions of Korean won)

	2004	2003
Guarantees and acceptances outstanding in		
Won		
Guarantees on debentures	(Won) 472	(Won) 541
Guarantees on loan collateral	30,852	44,932
Others	260,497	235,843
	<u>291,821</u>	<u>281,316</u>
Foreign Currencies		
Acceptances on letters of credit	101,222	134,888
Acceptances for letters of guarantee for importers	62,844	88,743
Guarantees for performance of contracts	32,039	16,689
Guarantees for bids	2,606	1,067
Guarantees for borrowings	26,728	37,843
Guarantees for repayment of advances	23,213	10,004
Others	435,439	240,613
	<u>684,091</u>	<u>529,847</u>
	<u>975,912</u>	<u>811,163</u>
Contingent guarantees and acceptances		
Letters of credit	1,017,379	1,209,556
Others	295,360	81,290
	<u>1,312,739</u>	<u>1,290,846</u>
	<u>(Won) 2,288,651</u>	<u>(Won) 2,102,009</u>

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

As of December 31, 2004, the allowances for losses on guarantees and acceptances outstanding according to credit risk classifications are as follows:

(in millions of Korean won)

Guarantees and Acceptances Outstanding	Estimated					Total
	Normal	Precautionary	Sub-standard	Doubtful	loss	
In Won						
Balance	(Won) 280,910	(Won) 8,614	(Won) 2,042	(Won) 225	(Won) 30	(Won) 291,821
Allowance			408	113	30	551
Ratio (%)			20.00	50.00	100.00	0.19
Foreign Currencies						
Balance	672,608	10,312	1,024	142	5	684,091
Allowance			496	98	5	599
Ratio (%)			48.44	69.25	100.00	0.09
Total						
Balance	(Won) 953,518	(Won) 18,926	(Won) 3,066	(Won) 367	(Won) 35	(Won) 975,912
Allowance			904	211	35	1,150
Ratio (%)			29.50	57.49	100.00	0.12

For the years ended December 31, 2004 and 2003, the changes in allowances for losses on guarantees and acceptances outstanding are as follows:

(in millions of Korean won)

	2004	2003
Beginning balance	(Won) 1,074	(Won) 2,287
Loss from (reversal of) guarantees and acceptances	206	(1,209)
Changes in foreign exchange rates	(130)	(4)
Ending balance	(Won) 1,150	(Won) 1,074

The allowance ratios for guarantees and acceptances outstanding as of December 31, 2004, 2003 and 2002 are as follows

(in millions of Korean won)

	2004	2003	2002
Guarantees and acceptances outstanding	(Won) 975,912	(Won) 811,163	(Won) 1,048,237
Allowance	1,150	1,074	2,304
Ratio (%)	0.12	0.13	0.22

The guarantees and acceptances risk concentration by country as of December 31, 2004 are as follows:

(in millions of Korean won)	Guarantees and Acceptances		Contingent		Total	
	Outstanding		Guarantees and Acceptances		Total	
	Balance	Percentage (%)	Balance	Percentage (%)	Balance	Percentage (%)
Korea	(Won) 934,036	95.71	(Won) 1,311,073	99.88	(Won) 2,245,109	98.10
USA	41,752	4.28	701	0.05	42,453	1.85
Others	124	0.01	965	0.07	1,089	0.05
	(Won) 975,912	100.00	(Won) 1,312,739	100.00	(Won) 2,288,651	100.00

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

The guarantees and acceptances risk concentration by industry as of December 31, 2004 are as follows:

	Guarantees and Acceptances		Contingent		Total	
	Outstanding		Guarantees and Acceptances		Total	
	Balance	Percentage (%)	Balance	Percentage (%)	Balance	Percentage (%)
<i>(in millions of Korean won)</i>						
Manufacturing	(Won) 373,262	38.25	(Won) 862,648	65.71	(Won) 1,235,910	54.00
Service	265,781	27.23	347,148	26.44	612,929	26.78
Finance	242,520	24.85	911	0.07	243,431	10.64
Others	94,349	9.67	102,032	7.78	196,381	8.58
	(Won) 975,912	100.00	(Won) 1,312,739	100.00	(Won) 2,288,651	100.00

15. Derivatives

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

Trading derivatives include future contracts, forward contracts, swaps, and options entered into by the Consolidated Company to meet the financing needs of its customers and to gain profit from arbitrage transactions between customers and other Consolidated Companies.

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

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

The notional amounts outstanding for derivative contracts as of December 31, 2004 and 2003 are as follows:

(in millions of Korean won)

	2004			2003		
	Trading	Hedge	Total	Trading	Hedge	Total
Interest related						
Future	(Won) 605,224	(Won)	(Won) 605,224	(Won) 519,665	(Won)	(Won) 519,665
Swap	31,957,000	1,007,900	32,964,900	26,797,056	598,900	27,395,956
Option bought	354,190		354,190	810,000		810,000
Option sold	854,190		854,190	1,530,000		1,530,000
	33,770,604	1,007,900	34,778,504	29,656,721	598,900	30,255,621
Currency related						
Forward	53,943,197		53,943,197	25,899,637		25,899,637
Future	2,537,269		2,537,269	967,823		967,823
Swap	4,184,152		4,184,152	4,140,139		4,140,139
Option bought	245,387		245,387	28,148		28,148
Option sold	270,247		270,247	81,450		81,450
	61,180,252		61,180,252	31,117,197		31,117,197
Stock related						
Future	3,406		3,406			
Option bought	1,743,480		1,743,480	1,964,870		1,964,870
Option sold	1,729,630		1,729,630	1,954,093		1,954,093
	3,476,516		3,476,516	3,918,963		3,918,963
	(Won) 98,427,372	(Won) 1,007,900	(Won) 99,435,272	(Won) 64,692,881	(Won) 598,900	(Won) 65,291,781

Gains and losses on derivatives as of and for the year ended December 31, 2004 are as follows:

(in millions of Korean Won)

Gain on derivatives

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Gain on derivative transactions	(Won) 4,060,338
Gain on valuation of derivatives	2,196,112
Gain on fair value hedged items	6,065
	<hr/>
	(Won) 6,262,515
	<hr/>
Loss on derivatives	
Loss on derivative transactions	(Won) 3,991,366
Loss on valuation of derivatives	2,050,630
Loss on fair value hedged items	3,890
	<hr/>
	(Won) 6,045,886
	<hr/>

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

The summary of derivative transactions for the year ended December 31, 2004 and 2003 are as follows:

1) For the year ended December 31, 2004

	Valuation Gains (P/L)			Valuation Losses (P/L)			Fair Value (B/S)	
	Trading	Hedge	Total	Trading	Hedge	Total	Asset	Liability
Interest related								
-Option bought	(Won) 4,234	(Won)	(Won) 4,234	(Won) 3,192	(Won)	(Won) 3,192	(Won) 6,202	(Won)
-Option sold	4,052		4,052	9,865		9,865		17,757
-Swap	319,044	3,890	322,934	279,910	6,065	285,975	316,435	354,023
	327,330	3,890	331,220	292,967	6,065	299,032	322,637	371,780
Currency related								
-Forward	1,519,740		1,519,740	1,480,920		1,480,920	1,519,636	1,486,626
-Option bought	323		323	1,792		1,792	281	887
-Option sold	2,683		2,683	379		379	827	379
-Swap	321,802		321,802	250,158		250,158	476,703	287,203
	1,844,548		1,844,548	1,733,249		1,733,249	1,997,447	1,775,095
Stock related								
-Option bought	10,554		10,554	8,718		8,718	72,002	
-Option sold	9,790		9,790	9,631		9,631		72,755
	20,344		20,344	18,349		18,349	72,002	72,755
	(Won) 2,192,222	(Won) 3,890	(Won) 2,196,112	(Won) 2,044,565	(Won) 6,065	(Won) 2,050,630	(Won) 2,392,086	(Won) 2,219,630

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2) For the year ended December 31, 2003

	Valuation Gains (P/L)			Valuation Losses (P/L)			Fair Value (B/S)	
	Trading	Hedge	Total	Trading	Hedge	Total	Asset	Liability
Interest related								
-Option bought	(Won) 770	(Won)	(Won) 770	(Won) 1,705	(Won)	(Won) 1,705	(Won) 6,487	(Won)
-Option sold	2,212		2,212	8,473		8,473		13,942
-Swap	100,026		100,026	84,682	10,715	95,397	142,562	230,948
	103,008		103,008	94,860	10,715	105,575	149,049	244,890
Currency related								
-Forward	149,965		149,965	156,484		156,484	153,014	177,060
-Option bought	94		94				94	
-Option sold	358		358	581		581	130	615
-Swap	31,005		31,005	50,423		50,423	258,136	83,542
	181,422		181,422	207,488		207,488	411,374	261,217
Stock related								
-Option bought	105,536		105,536	15,184		15,184	192,100	
-Option sold	13,491		13,491	93,546		93,546		181,938
	119,027		119,027	108,730		108,730	192,100	181,938
	(Won) 403,457	(Won)	(Won) 403,457	(Won) 411,078	(Won) 10,715	(Won) 421,793	(Won) 752,523	(Won) 688,045

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****16. Commitments and Contingencies**

As of December 31, 2004, the Consolidated Company faces 205 pending legal actions involving aggregate amount of damages of (Won)440,512 million. On the other hand, the Consolidated Company also filed 270 lawsuits, which are still pending, with an aggregate amount of claims of (Won)162,527 million. Management believes that the actions against the Consolidated Company are without merit and that the ultimate liability, if any, will not materially affect its financial position.

Details of the pending material legal actions charged against the Consolidated Company are as follows:

(in millions of Korean won)

Details	Exposure to possible loss	Results		
		1 st trial	2 nd trial	3 rd trial
Cancellation of registered mortgage (3 cases)	(Won) 6,696	closed	in progress	
Confirmation of obligations	14,722	closed	closed	in progress
Indemnification for damage etc.	19,303	closed	in progress	

As of December 31, 2004, the Consolidated Company has entered into commitments to provide a credit line of (Won)5,226,756 million, and to purchase commercial papers amounting to (Won)1,073,300 million, with several special purpose companies. Commitments to provide a credit line and to purchase commercial paper with a one year term amounted to (Won)123,500 million and (Won)972,000 million, respectively. Under these commitments, the Consolidated Company provides money, in case of a temporary fund shortage, for the principal and interest repayment of these companies' senior bonds and subordinated bonds within the contracted term and amounts.

As of December 31, 2004, loans outstanding under the credit line commitment amounted to (Won)196,858 million, and there is no outstanding balance for commercial papers under the purchase commitment. The Consolidated Company has arranged various methods to compensate for losses on these credit line commitments including payment guarantees, repurchase contracts, surety certificate guarantees, and cash reserves. As of December 31, 2004, the Consolidated Company provided (Won)438,343 million in other allowances for its expected losses related to these commitments.

As of December 31, 2004, the Consolidated Company provided allowances of (Won)217 million for losses from possible future repurchase of loans from Korea Asset Management Corporation (KAMCO) under the repurchase agreement on loans amounting (Won)692 million according to the post settlements on the non-performing loan sales transactions with KAMCO.

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As of December 31, 2004, the Consolidated Company has outstanding commitments to Korea Exchange Bank and Tong Yang Investment Bank for the discounting of commercial paper, limited to (Won) 20,000 million and (Won) 10,000 million, respectively. There are no balances related to these commitments as of December 31, 2004.

As of December 31, 2003, the Consolidated Company provided (Won)142,021 million as allowances for tax deficiencies resulting from the tax investigations by the National Tax Administration (NTA) for the fiscal years 1998 to 2001. In the current period, the NTA assessed the Consolidated Company (Won)123,310 million in tax deficiencies, wherein the Consolidated Company actually paid (Won)122,852 million and subsequently recording the difference between the accrued assessment and the actual assessment paid of (Won)18,711 million as non-operating income. As of December 31, 2004, the unpaid tax deficiencies of (Won)458 million still remain under other allowances.

As of December 31, 2004, the Consolidated Company still holds (Won)6,682,403 million in unexpired rights to claim from borrowers or guarantors for loans in accordance with the relevant law. This amount, however, has been written off.

As of December 31, 2004, the Consolidated Company recorded receivables amounting to (Won)1,162,161 million, and payables amounting to (Won)1,468,528 million for unsettled foreign currency spot transactions.

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Kookmin Bank and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

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

As of December 31, 2004, the Consolidated Company has provided two blank promissory notes and one promissory note with face value of (Won) 2,000,000 million to Korea Securities Finance Corporation and Small Business Corporation as collateral for borrowings and other obligations. It has also provided one note with a face value of (Won)64,390 million, to Korean Housing Guarantee Co., Ltd. as collateral for the performance guarantee related to the real estate trust operations. Also, as of December 31, 2004, the Consolidated Company transferred endorsed bills amounting to (Won)9,396 million.

The Consolidated Company is liable for certain projects and is under guarantee agreement for a year after completion of the corresponding project. Seoul Guarantee Insurance guarantees (Won)1,061 million for the above projects.

In accordance with the November 24, 2003 agreement with the creditors' committee of LG Card Company, Ltd.(LG Card), which is experiencing a financial crisis, the Consolidated Company provided the said company loans totaling (Won)437,000 million. And on January 9, 2004, the Consolidated Company agreed to also provide additional loans of (Won) 205,900 million, a debt-equity swap of (Won) 518,600 million, and an extension of maturities of loans maturing in 2004. On February 13, 2004, the Consolidated Company executed first debt-equity swap with LG Card for (Won)156,350 million for loans amounting to (Won)145,950 million and corporate debt securities amounting to (Won)10,400 million. After the capital reduction in May 2004 at a rate of 43.4:1, a second debt-equity swap was executed in July 28, 2004 amounting to (Won)362,250 million for loans of (Won)348,364 million and corporate debt securities of (Won)13,886 million. As of December 31, 2004, the Consolidated Company's total exposure related to LG Card includes loans and debt-equity swapped equity securities amounting to (Won)237,900 million and (Won)291,072 million, respectively. Also, in accordance with the agreement with the creditors' committee, the Consolidated Company participated in capital increase of LG Card by providing paid-in-capital of (Won)75,800 million on January 28, 2005. Furthermore, as of December 31, 2004, asset backed debt securities amounting to (Won)250,568 million and corporate bonds amounting to (Won)35,135 million, related with domestic credit card companies and capital companies, is included in the Consolidated Company's investment securities. The ultimate effect of these circumstances on the financial position of the Consolidated Company as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying consolidated financial statements.

17. Capital Stock

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

As of December 31, 2004, the Bank has 1 billion common shares authorized with a par value per share of (Won)5,000 and 336,379,116 shares issued. EURO-PACIFIC GROWTH FUND owns 4.26% of the total issued shares. As of December 31, 2004, 47,503,730 common shares, equivalent to 14.12% of the total issued shares, are listed on the New York Stock Exchange as ADSs and are managed by the Bank of New

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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 an H&CB share. The new shares were listed on the Korea Stock Exchange as of November 9, 2001. Further, as a result of the merger with Kookmin Credit Co., Ltd., the Bank issued 8,120,431 shares.

The Bank is authorized to issue to non-shareholders convertible bonds and bonds with stock purchase warrants up to total par value amounts of (Won)2,500 billion and (Won)500 billion, respectively by an appropriate resolution of the Bank's Board of Directors.

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****18. Consolidated Capital Surplus**

The movements in capital surplus for the year ended December 31, 2004 are as follows:

<i>(in millions of Won)</i>	Beginning Balance	Changes	Ending Balance
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	6,790	756	7,546
	<u>(Won) 6,237,528</u>	<u>(Won) 756</u>	<u>(Won) 6,238,284</u>

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

19. Consolidated Retained Earnings

The General Banking Act requires the Bank to appropriate as a legal reserve a minimum of 10% of annual net income until the legal reserve equals paid in capital. This reserve is only available for being transferred to capital stock or used to reduce accumulated deficit.

Under the guidance provided by Financial Supervisory Services, the Bank is required to appropriate, as a reserve for improvement of financial structure, a minimum of 10% of its annual income less carried over accumulated deficit, until its capital adequacy ratio equals 5.5%. This reserve is only available for being transferred to capital stock or used to reduce accumulated deficit.

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

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

There were no dividends declared for the year ended December 31, 2003. For the year ended December 31, 2004, cash dividends were declared as follows:

	2004
Shares outstanding	336,379,116
Treasury stock	(29,881,209)
Shares entitled to dividends	306,497,907
Dividend rate(%)	11.00
Dividend amount (<i>in millions of Korean won</i>)	(Won) 168,574
Dividend payout ratio(%)	30.36
Dividend profit ratio(%)	1.36

As approved by the shareholders on March 23, 2004, the Bank offset the discretionary reserves of (Won)754,900 million against the prior year's undisposed deficit of (Won)754,855million (which is the amount before reflecting restatement of prior period financial statements referred to in Note 37).

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****20. Consolidated Capital Adjustments**

The movements in capital adjustments for the year ended December 31, 2004 are as follows:

<i>(in millions of Korean won)</i>	Beginning	Increase/	Disposal/	Ending
	Balance	Decrease	Realization ¹	Balance
Treasury stock	(Won) (1,328,312)	(Won)	(Won) 5,992	(Won) (1,322,320)
Unrealized gain on available-for-sale securities	141,155	376,827	(75,382)	442,600
Unrealized gain on investment in associates	881	(869)	(926)	(914)
Stock options	26,211	5,101	(1,699)	29,613
Loss on disposal of treasury stock	(749)	(710)		(1,459)
	<u>(Won) (1,160,814)</u>	<u>(Won) 380,349</u>	<u>(Won) (72,015)</u>	<u>(Won) (852,480)</u>

¹ Changes in foreign exchange rates from capital adjustments are included.

The Bank, with the approval of the Board of Directors on July 26, 2002, established an employee stock option plan for the welfare of the employees and purchased three million shares of treasury stock under the said plan. On July 26, 2002, the Bank contributed one million shares to the Employee Stock Ownership Association.

In accordance with the resolution made by the Board of Directors on December 17, 2003, the Bank's tender for 27,423,761 shares of treasury stock was accepted through public bidding on December 12, 2003 by the Korean government which previously owned 30,623,761 shares. The Bank acquired the said shares at (Won)43,700 per share on December 17, 2003 and intends to sell these shares of treasury stock depending on certain market conditions.

As of December 31, 2004, the Bank holds 8.88% the total common stock issued as treasury stock.

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****21. Minority Interest**

The movements in minority interest for the year ended December 31, 2004 are as follows:

(in millions of Korean won)

Subsidiaries	Beginning		Minority Interest		Ending	
	Balance		Gains (Losses)		Balance	
				Increase ¹	Decrease ²	
KB Investment Co., Ltd.	(Won)	88	(Won)	2	(Won)	(Won) 90
KB Data Systems Co., Ltd.		4				4
KB Futures Co., Ltd.		6				6
KB Asset Management Co., Ltd.		11,254		2,152	1,581	11,825
KB Credit Information Co., Ltd.		5,418		710	5,681	447
Pacific IT Investment Partnership						
NPC 02-4 Kookmin Venture fund				268	15,216	216
						15,268
	(Won)	16,770	(Won)	3,132	(Won) 15,216	(Won) 7,478
						(Won) 27,640

1 Increase resulted from change in scope of consolidation.

2 Decrease resulted from dividend payments and purchase of minority interest.

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****22. Employee Stock Options**

As of December 31, 2004, the stock options granted to the Bank's executives and chief executive officer are as follows:

		Shares		Shares	Shares	Exercise Price	
	Grant Date	Granted	Forfeiture	Exercised	Outstanding	(in Korean won)	Exercise Period
Series 1	00.03.18	233,940	121,411	71,641	40,888	(Won) 23,469	03.03.19 - 05.03.18
Series 2	01.03.15	214,975	16,882	22,056	176,037	28,027	04.03.16 - 09.03.15
Series 3	98.10.31	400,000		400,000		5,000	01.11.01 - 04.10.31
Series 4	99.02.27	280,000	59,892	220,108		13,900	02.02.28 - 05.02.27
Series 5	00.02.28	267,000	65,218	41,784	159,998	27,600	03.03.01 - 06.02.28
Series 6	01.03.24	111,000	38,624	11,216	61,160	25,100	04.03.25 - 07.03.24
Series 7 ^{1, 2}	01.11.16	850,000	200,000		650,000	51,200	04.11.17 - 09.11.16
Series 8-1 ²	02.03.22	132,000	89,753		42,247	57,100	05.03.23 - 10.03.22
Series 8-2 ³	02.03.22	490,000	166,466		323,534	57,100	05.03.23 - 10.03.22
Series 9 ³	02.07.26	30,000			30,000	58,800	05.07.27 - 10.07.26
Series 10-1 ²	03.03.21	140,000	59,947		80,053	35,500	06.03.22 - 11.03.21
Series 10-2 ³	03.03.21	180,000	64,090		115,910	35,500	06.03.22 - 11.03.21
Series 11 ³	03.08.27	30,000	24,909		5,091	40,500	06.08.28 - 11.08.27
Series 12 ³	04.02.09	85,000			85,000	46,100	07.02.10 - 12.02.09
Series 13-1 ²	04.03.23	20,000			20,000	47,200	07.03.24 - 12.03.23
Series 13-2 ³	04.03.23	10,000			10,000	47,200	07.03.24 - 12.03.23
Series 14 ^{2, 3}	04.11.01	700,000			700,000	37,600	07.11.02 - 12.11.01
Increase due to merger-1 ⁴	01.03.22	22,146			22,146	71,538	04.03.23 - 11.03.22
Increase due to merger-2 ^{2, 4}	02.03.29	9,990			9,990	129,100	04.03.30 - 11.03.29
		4,206,051	907,192	766,805	2,532,054		

- 1 The stock options excluded the 200,000 shares, which were to be additionally granted if the three-month weighted average stock price of the Bank prior to the exercise period is higher than that of any other listed banks and the Bank achieves total market value and ROE target, due to failure of target achievement.
- 2 The exercise prices are based on the increase rate of the stock price index in the banking industry. The exercise price of series 7, which was granted on November 16, 2001, is fixed at (Won)51,200 based on the beginning exercise date.
- 3 The number of shares to be granted will be determined by the results of the evaluation of the grantees during service period. The number of shares is calculated under the assumption that the performance-based stock options have been fully granted.
- 4 The Bank took over the stock options granted by Kookmin Credit Card Co., Ltd. of which the exercise prices and number of shares have been adjusted in proportion to the merger ratio.

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

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

	Stock price as of grant	Risk free interest	Expected exercise	Volatility of underlying stock	Expected dividend	Compensation
	date (Won)	rate ¹ (%)	period (years) ²	price ³ (%)	rate ⁴ (%)	cost (Won)
Series 1	(Won) 21,441	9.32	4.00	71.14	2.25	(Won) 12,638
Series 2	25,156	6.06	5.50	70.30	2.47	15,987
Series 3	5,430	9.74	3.00	59.06	1.14	1,395
Series 4	33,750	4.74	0.33	73.30	1.93	19,850
Series 5	33,750	4.74	1.33	73.30	1.93	13,320
Series 6	33,750	4.74	2.42	73.30	1.93	17,117
Series 7	45,800	4.91	3.00	58.90		18,364
Series 8-1	58,000	6.14	3.00	53.56		24,494
Series 8-2	58,000	6.14	3.00	53.56		24,494
Series 9	53,900	5.73	3.00	43.09		17,333
Series 10-1	36,500	4.74	3.00	48.77		11,961
Series 10-2	36,500	4.74	3.00	48.77		14,073
Series 11	41,100	5.75	3.00	44.48		15,098
Series 12	47,000	4.90	3.00	42.74		16,430
Series 13-1	45,900	4.67	3.00	42.74		15,122
Series 13-2	45,900	4.67	3.00	42.74		15,120
Series 14	37,400	3.54	3.00	44.14		12,234
Increase due to merger-1	27,200	5.17	3.00	46.02		8,447
Increase due to merger-2	55,900	6.39	2.00	49.24	20	6,536

¹ Interest rate of government bonds as of grant date.

² The average of vesting period and exercise period was applied for series 11 and 12. Vesting period was applied for series 13-14 and stock options succeeded from Kookmin Credit Card Co., Ltd.

³ Annualized stock volatility for the past one-year period before the grant date was applied for series 11 and 12 and stock options succeeded from Kookmin Credit Card Co., Ltd., and the average of stock volatility of banking industries and the Bank was applied for series 13 and 14.

⁴ Average historical dividend rates for the past period from grant date that equals the expected exercise period, were assumed.

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

The compensation costs recognized and compensation costs to be recognized in the future as of December 31, 2004 are as follows:

(in millions of Korean won)	Compensation cost recognized			Compensation cost to be recognized				Total		
	Prior period	Current period	Accumulated	More than 1		More than 2	Total			
	compensation	compensation	compensation	Within 1	year to 2	years to 3				
	cost	cost	cost	year	years	years			cost	
Series 1	(Won)	517	(Won)	(Won)	517	(Won)	(Won)	(Won)	(Won)	517
Series 2		2,580			234					2,814
Series 5		2,131			2,131					2,131
Series 6		960			87					1,047
Series 7		10,840			1,097					11,937
Series 8-1		604			345				86	1,035
Series 8-2		5,296			1,968				660	7,924
Series 9		246			173				101	520
Series 10-1		427			131				399	957
Series 10-2		633			318				680	1,631
Series 11		50			(16)				43	77
Series 12					388				78	1,398
Series 13-1					76				24	302
Series 13-2					38				13	151
Series 14					238				2,616	8,564
Increase due to merger-1		171			16					187
Increase due to merger-2		57			8					65
	(Won)	24,512	(Won)	(Won)	29,613	(Won)	(Won)	(Won)	11,644	(Won) 41,257

As of December 31, 2004, the weighted average exercise price per stock option granted is (Won)43,632 and the weighted average fair value per stock option granted is (Won)16,294.

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****23. Other Non-Interest Income (Expenses)**

Other non-interest income and expenses for the year ended December 31, 2004 are as follows:

(in millions of Korean won)

	Amount
Other non-interest income	
- Realized gain on trading securities	(Won) 200,765
- Unrealized gain on trading securities	23,543
- Income from beneficiary certificates	384,747
- Gain on trust management	119,908
- Gain on valuation of derivatives	2,196,112
- Gain on fair value hedged items	6,065
- Others	45,787
	(Won) 2,976,927
Other non-interest expenses	
- Realized loss on trading securities	89,315
- Contributions to special funds	179,962
- Loss on valuation of derivatives	2,050,630
- Others	610,651
	(Won) 2,930,558

24. General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2004 are as follows:

(in millions of Korean won)

	Amount
Salaries and wages	1,233,320
Retirement benefits (Note 12)	127,676
Other employee benefits	339,896

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Rent	82,273
Depreciation	334,565
Amortization	103,619
Taxes and dues	125,416
Advertising	44,119
Ordinary Research and Development	115,407
Fees and commissions	117,739
Others	220,078
	<hr/>
	(Won) 2,844,108
	<hr/>

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****25. Non-Operating Income (Expenses)**

Non-operating income (expenses) for the year ended December 31, 2004 are as follows:

(in millions of Korean won)

	Amount
Non-operating income	
- Gain on disposal of fixed assets	29,562
- Reversal of impairment losses on fixed assets	3,281
- Rent income	2,883
- Unrealized gain on investment in associates	32,507
- Realized gain on available-for-sale securities	95,880
- Realized gain on held-to-maturity securities	1,517
- Realized gain on investment in associates	1,146
- Reversal of Impairment Losses on available-for-sale securities	
- Gain on sale of loans	24,428
- Others	172,701
	363,905
Non-operating expenses	
- Loss on disposal of fixed assets	16,753
- Loss on impairment loss on fixed assets	19,384
- Realized loss on available-for-sale securities	29,451
- Realized loss on held-to-maturity securities	3
- Impairment loss on available-for-sale securities	91,312
- Impairment loss on held-to-maturity securities	
- Early retirement benefits	50,029
- Loss on sale of loans	1,183,332
- Others	124,330
	1,514,594
	(Won) (1,150,689)

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****26. Income Tax Expense**

Income tax expense for the year ended December 31, 2004 and 2003 are as follows:

(in millions of Korean won)

	2004	2003
Income tax payable	(Won) 184,473	(Won) 15,283
Deferred income taxes from temporary differences	150,688	(285,864)
Deferred income taxes from net operating loss carry-forward		(168,645)
Deferred tax credit	3,951	(3,951)
Change in temporary differences due to tax adjustments		(2,400)
Retained earnings and other capital surplus adjustments ¹	(313)	2,061
Unrealized holding gain (loss)	(694)	25,850
Income tax (benefit) expense	(Won) 338,105	(Won) (417,666)

- ¹ Income tax effect from the change in retained earnings by applying the equity method accounting to subsidiaries and from the loss on disposal of treasury stock.

The statutory income tax rate applicable to the Consolidated Company, including resident tax surcharges, is 29.7% for the years ended December 31, 2004 and 2003. However, due to tax adjustments, the effective tax rate for the years ended December 31, 2004 and 2003 are 37.91% and 33.15%. The statutory income tax rate of 27.5% is applied for deferred income tax assets (liabilities) that will be realized after 2005, reflecting the 2% corporate tax rate cut from 2005. The basis for calculating the effective tax rate is as follows:

(in millions of Korean won)

	2004	2003
Net income (loss) before income taxes	(Won) 891,969	(Won) (1,259,922)
Income tax expense based on statutory tax rate(29.7%)	264,915	(374,197)
Tax effects on adjustments		
Adjustments to increase taxable income	133,402	104,084
Adjustments to decrease taxable income	(90,303)	(179,208)
Tax rate discount effect	13,132	16,607
Adjustments to Subsidiary Company with net loss	16,959	15,048
Income tax expense (benefit) per statements of operations	(Won) 338,105	(Won) (417,666)



Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

The significant changes in accumulated temporary differences and deferred income taxes for the year ended December 31, 2004 are as follows:

(in millions of Korean won)	Beginning			Ending		Deferred tax asset
	balance	Increase	Decrease	balance	(liability)	
Allowance for loan losses	(Won) 320,903	(Won) 639,940	(Won) 294,795	(Won) 666,048	(Won) 178,913	
Accrued interest	(344,088)	(267,697)	(308,528)	(303,257)	(85,246)	
Unrealized loss on securities	847,844	646,073	682,038	811,879	209,890	
Unrealized gain on derivatives	(36,547)	(126,421)	(23,924)	(139,044)	(38,237)	
Present value discounts	14,774	4,279	14,774	4,279	1,177	
Allowance for losses on guarantees and acceptances	1,074	1,126	1,074	1,126	310	
Accrued retirement benefits	711	1,100	354	1,457	123	
Stock options	26,211	29,613	26,211	29,613	8,143	
Accumulated depreciation	8,404	109	4,301	4,212	1,149	
Other allowances	505,372	636,457	505,372	636,457	175,025	
Others	125,822	232,355	329,469	28,708	5,505	
Net operating loss carry-forward	567,825		567,825			
	(Won) 2,038,305	(Won) 1,796,934	(Won) 2,093,761	(Won) 1,741,478	456,752	
Deferred income tax deduction	3,951		3,951			
					(Won) 456,752	

27. Earnings Per Share

The weighted average number of common shares outstanding for the years ended December 31, 2004 and 2003 are calculated as follows:

	2004	2003
Weighted average number of common shares	336,379,116	330,327,726
Weighted average number of treasury common shares	(29,947,507)	(4,327,815)
Weighted average number of common shares outstanding	306,431,609	325,999,911

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Details of the computation of the basic earnings (loss) per share (EPS) and basic ordinary income (loss) per share for the years ended December 31, 2004, and 2003 are shown below.

	2004	2003
Net income (loss) <i>(in millions of Korean won)</i>	(Won) 550,732	(Won) (918,758)
Weighted average number of common shares outstanding	306,431,609	325,999,911
Basic earnings (loss) per share and basic ordinary income (loss) per share (in Won)	(Won) 1,797	(Won) (2,818)

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003**

Details of the computation of the diluted EPS and diluted ordinary income(loss) per share for the years ended December 31, 2004, and 2003 are shown below.

	2004	2003
Diluted net income (loss) <i>(in millions of Korean won)</i>	(Won) 550,720	(Won) (918,758)
Weighted average number of common shares outstanding	306,529,707	325,999,911
Diluted earnings (loss) per share and ordinary income (loss) per share (in won)	(Won) 1,797	(Won) (2,818)

Potential common shares as of December 31, 2004 are as follows:

	Exercise Period	Shares Outstanding	Exercise Price
Stock options	2001.11.01 - 2012.11.01	2,532,054	(Won)5,000 (Won)129,100

As discussed in Note 37, the Bank restated net loss and basic loss per share for the year ended December 31, 2003 from (Won)741,750 million and (Won)2,275 to (Won)918,758 million and (Won)2,818, respectively, to comply with the Securities and Futures Commission's announced the results of the investigation on Kookmin Bank's accounting treatments.

28. Assets and Liabilities Denominated in Foreign Currencies

Significant assets and liabilities denominated in foreign currencies as of December 31, 2004 are the following :

	Total Balances		Major Denomination Currencies ¹		
	Millions of	Thousands of	Thousands of	Thousands of	Thousands of
	Korean Won	US Dollars¹	US Dollars	EC Euro	Japanese Yen
Assets					
Cash	(Won) 124,736	\$ 119,502	\$ 52,102	15,928	¥ 3,446,955

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Due from banks	647,527	620,355	591,434	4,484	2,278,619
Securities	852,680	816,900	671,664		4,280,373
Loans	3,659,753	3,506,182	596,217	7,630	33,744,003
Bills bought	574,818	550,697	492,807	36,516	682,658
Call loans	178,480	170,990	147,500		500,000
Liabilities					
Deposits	1,516,132	1,452,512	912,016	65,339	33,911,574
Borrowings	2,164,848	2,074,006	1,584,953	24,045	46,777,477
Due to Bank of Korea	2,007	1,923	1,923		
Call money	13,685	13,111	1,000		200,000
Debentures	696,522	667,294	570,752		
Unsettled foreign exchange liabilities	21,395	20,497	16,305	596	120,366

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

	Total Balances		Major Denomination Currencies ¹		
	Millions of	Thousands of	Thousands of	Thousands of	Thousands of
	Korean Won	US Dollars ¹	US Dollars	EC Euro	Japanese Yen
Assets					
Cash	(Won) 228,153	\$ 190,477	\$ 76,612	22,070	¥ 7,223,564
Due from banks	606,305	506,182	461,249	3,015	1,798,015
Securities	1,265,120	1,056,203	941,396	3,960	4,027,539
Loans	3,900,869	3,256,695	2,455,148	37,850	79,081,632
Bills bought	534,239	446,016	416,651	15,003	817,496
Advances payments on acceptances and guarantees	4,593	3,835	3,835		
Call loans	19,448	16,237	5,800		50,000
Liabilities					
Deposits	1,552,672	1,296,270	880,821	14,493	27,863,430
Borrowings	3,068,008	2,561,369	1,942,770	37,210	60,834,504
Due to Bank of Korea	12,608	10,526	10,526		
Call money	169,744	141,713	137,600		300,000
Debentures	888,455	741,739	741,739		
Unsettled foreign exchange liabilities	22,600	18,868	11,569	161	89,793

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

29. Transactions with Financial Institutions

The assets and liabilities arising from transactions with financial institutions for year ended December 31, 2004 are as follows:

(in millions of Korean won)

Description	Bank of Korea	Other Banks	Other Financial	
			Institutions	Total
Cash and due from banks				
In Won	(Won) 1,685,105	(Won) 276,509	(Won) 104,705	(Won) 2,066,319
In foreign currencies	43,631	598,851	5,045	647,527

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	<u>1,728,736</u>	<u>875,360</u>	<u>109,750</u>	<u>2,713,846</u>
Loans				
In Won		6,623	648,849	655,472
In foreign currencies		594,985	340,448	935,433
Others		2,977,713	1,207,480	4,185,193
		<u>3,579,321</u>	<u>2,196,777</u>	<u>5,776,098</u>
Deposits				
In Won		1,683,255	5,240,889	6,924,144
Certificates of deposit			110,000	110,000
		<u>1,683,255</u>	<u>5,350,889</u>	<u>7,034,144</u>
Borrowings				
In Won	920,144	158,245	5,227	1,083,616
In foreign currencies		1,307,608	13,882	1,321,490
Others	2,007	16,859	638,500	657,366
	<u>922,151</u>	<u>1,482,712</u>	<u>657,609</u>	<u>3,062,472</u>
Debentures				
In Won			132,900	132,900
In foreign currencies		696,522		696,522
		<u>696,522</u>	<u>132,900</u>	<u>829,422</u>

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****30. Related Party Transactions**

Significant transactions with related parties for the years ended December 31, 2004 and 2003 are as follows:

	2004		2003	
	Balances	Transactions	Balances	Transactions
<i>(in millions of Korean won)</i>				
Account				
KB Investment Co., Ltd.				
Deposits	(Won) 17,423	(Won) (432)	(Won) 9,624	(Won) (484)
Other liabilities	316		191	
KB Data Systems Co., Ltd.				
Fixed assets	13,318		13,780	
Other assets	98		34	
Deposits	12,047	(418)	5,582	(265)
Other liabilities	5,596	(19,694)	2,832	(15,925)
Borrowings	1,100	(19)		
Commissions income				53
KB Futures Co., Ltd.				
Due from banks		1	40	3
Other assets	22	82	26	77
Deposits	4,410	(307)	9,793	(497)
Borrowings	5,000	(122)		
Other liabilities	1,614		1,663	
Commissions income		11		9
Commissions expenses		(523)		(187)
KB Luxembourg S.A.				
Due from banks		70	51,784	2,215
Loans		184	76,659	739
Other assets			176	2,900
Borrowings		(178)	140,880	(193)
Other liabilities				(1,352)
KB Int'l Ltd.(London)				
Due from banks	2,762	29	33,754	904
Loans	242,005	3,142	95,824	1,765
Other assets	1,005	637	405	477
Borrowings	101,812	(547)	108,272	(501)
Other liabilities		(2,190)	1,203	(4,011)
Commissions expenses		(2,378)		(1,398)
Kookmin Bank HK Ltd.				
Due from banks	619	61	372	857

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Loans	170,661	4,380	98,579	1,802
Other assets	540		152	109
Borrowings	12,145	(22)	173,121	(4)
Commissions expenses		(1,802)		(1,777)
KB Asset Management Co., Ltd.				
Deposits	25,729	(866)	46,244	(1,250)
Other liabilities	524		234	(5)
KB Real Estate Trust Co., Ltd.				
Loans	33,961	2,035	25,000	2,578
Other assets	14			
Deposits	168	(43)	1,838	(27)
Other liabilities	1,748		1,755	
Rent income		152		
Jooeun Industrial Co., Ltd.				
Loans	70,808		139,425	
KB Credit Information Co., Ltd.				
Deposits	14,301	(385)	11,446	(457)
Other liabilities	8,062		8,482	
Commissions expenses		32,938		(38,481)
KB Life Insurance Co., Ltd.				
Other assets	3,037			
Deposits	4,622	(51)		
Other liabilities	2,581			
Commissions income		17,801		
Rent income		54		

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****31. Interest Bearing Assets and Liabilities**

Interest bearing assets and liabilities as of December 31, 2004 and the related interest income and interest expenses for the year then ended are as follows:

(in millions of Korean won)

	<u>Average Balance</u>	<u>Interest Income</u>	<u>Average Yield (%)</u>
Assets			
Due from banks	(Won) 812,235	(Won) 12,693	1.56%
Securities	26,182,773	1,194,445	4.56%
Loans	139,509,545	9,862,381	7.07%
	<u>(Won) 166,504,553</u>	<u>(Won) 11,069,519</u>	
	<u>Average Balance</u>	<u>Interest Expense</u>	<u>Average Yield (%)</u>
Liabilities			
Deposits	(Won) 132,626,242	(Won) 4,044,051	3.05%
Borrowings	10,654,670	330,690	3.10%
Debentures	22,971,960	1,116,557	4.86%
	<u>(Won) 166,252,872</u>	<u>(Won) 5,491,298</u>	

32. Business Combination with H&CB

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

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

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

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

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****34. Statement of Cash Flows**

Cash and cash equivalents as of December 31, 2004 and 2003 as presented in the statements of cash flows are as follows:

(in millions of Korean won)

	2004	2003
	<u> </u>	<u> </u>
Cash on hand	(Won) 2,380,580	(Won) 2,945,921
Cash in foreign currencies	124,736	228,153
Due from banks in Won	2,102,125	2,793,082
Due from banks in foreign currencies	647,527	606,305
	<u> </u>	<u> </u>
	5,254,968	6,573,461
Restricted deposits	(1,825,899)	(2,782,696)
	<u> </u>	<u> </u>
	(Won) 3,429,069	(Won) 3,790,765
	<u> </u>	<u> </u>

Major transactions that do not involve cash inflows and cash outflows for the year ended December 31, 2004, and 2003 are presented as follows:

(in millions of Korean won)

	2004	2003
	<u> </u>	<u> </u>
Write-off of loans	(Won) 5,326,823	(Won) 6,643,899
Unrealized gains on investment securities		36,891
Decrease in loans due to troubled debt restructuring		7,482
Decrease in loan loss provision due to sales of non-performing loans	644,697	441,917
Conversion of loans into equity securities	181,034	33,415

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****35. Business Segments**

The following tables show the distribution of the Consolidated Company's operations by business segment as of and for the year ended December 31, 2004:

(in millions of Won)	Financing and		Non-Financing &		Adjustments for		Total
	Insurance		Insurance		Consolidation		
Cash and due from banks	(Won)	5,422,762	(Won)	12,071	(Won)	(183,616)	(Won) 5,251,217
Securities		30,700,733		1		(397,519)	30,303,215
Loans		136,816,906		1,660		(715,865)	136,102,701
Fixed assets		2,639,284		358		(2,524)	2,637,118
Other assets		8,711,501		8,168		(238,636)	8,481,033
Total assets		184,291,186		22,258		(1,538,160)	182,775,284
Deposits		130,453,034				(319,161)	130,133,873
Borrowings		9,958,105				(598,510)	9,359,595
Debentures		21,867,820					21,867,820
Other liabilities		12,429,774		6,426		(209,504)	12,226,696
Total liabilities	(Won)	174,708,733	(Won)	6,426	(Won)	(1,127,175)	(Won) 173,587,984
Capital stock		2,006,311		8,000		(332,415)	1,681,896
Consolidated capital surplus		6,250,028				(11,744)	6,238,284
Consolidated retained earnings		2,172,624		7,835		(88,499)	2,091,960
Consolidated capital adjustments		(846,510)		(3)		(5,967)	(852,480)
Minority interest						27,640	27,640
Total shareholders' equity		9,582,453		15,832		(410,985)	9,187,300
Total liabilities and shareholders' equity	(Won)	184,291,186	(Won)	22,258	(Won)	(1,538,160)	(Won) 182,775,284
Operating revenue							
Interest revenue		11,213,562		589		(23,652)	11,190,499
Fees & commissions		2,690,729		40,076		(79,675)	2,651,130
Other revenue		7,467,944		7		(116,346)	7,351,605
	(Won)	21,372,23	(Won)	40,672	(Won)	(219,673)	(Won) 21,193,234
Operating expenses							

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Interest expenses	5,563,198		(23,338)	5,539,860
Fees & commissions	455,333	25,449	(38,433)	442,349
Other expenses	10,442,322	57	(118,120)	10,324,259
General and administrative expenses	2,851,305	13,182	(20,379)	2,844,108
	<u>19,312,158</u>	<u>38,688</u>	<u>(200,270)</u>	<u>19,150,576</u>
Operating income	2,060,077	1,984	(19,403)	2,042,658
Non-operating income	366,749	5	(2,849)	363,905
Non-operating expenses	1,554,697		(40,103)	1,514,594
	<u>872,129</u>	<u>1,989</u>	<u>17,851</u>	<u>891,969</u>
Income (loss) before income tax	872,129	1,989	17,851	891,969
Income tax expenses	338,395	405	(695)	338,105
	<u>533,734</u>	<u>1,584</u>	<u>18,546</u>	<u>553,864</u>
Net income (loss) before consolidation adjustment	533,734	1,584	18,546	553,864
Minority interest income			(3,132)	(3,132)
	<u>533,733</u>	<u>1,584</u>	<u>15,414</u>	<u>550,732</u>
Consolidated net income (loss)	(Won) 533,733	(Won) 1,584	(Won) 15,414	(Won) 550,732

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The following table shows the distribution of the Consolidated Company's operations by industry:

<i>(in millions of Korean won)</i>	Consolidation				
	Bank	Trust	Others	Adjustments	Total
Operating revenue	(Won) 20,910,525	(Won) 266,488	(Won) 235,894	(Won) (219,673)	(Won) 21,193,234
Intercompany transactions	(89,261)	(19,728)	(110,684)	219,673	
Net operating revenue	20,821,264	246,760	125,210		21,193,234
Operating income (loss)	2,101,850	(655)	(39,134)	(19,403)	2,042,658
Cash and due from banks	5,322,731		112,102	(183,616)	5,251,217
Securities	27,619,758	2,845,946	235,030	(397,519)	30,303,215
Loans	136,495,174	302,309	21,083	(715,865)	136,102,701
Fixed assets	2,633,731		5,911	(2,524)	2,637,118
Other assets	8,288,945	167,039	263,685	(238,636)	8,481,033
Total assets	(Won) 180,360,339	(Won) 3,315,294	(Won) 637,811	(Won) (1,538,160)	(Won) 182,775,284

The following table shows the distribution of the Consolidated Company's operations by geographical regions:

<i>(in millions of Korean won)</i>	Consolidation			
	Domestic	Overseas	Adjustments	Total
Operating revenue	(Won) 21,331,837	(Won) 81,070	(Won) (219,673)	(Won) 21,193,234
Intercompany transactions	(200,995)	(18,678)	219,673	
Net operating revenue	21,130,842	62,392		21,193,234
Operating income (loss)	2,030,853	31,208	(19,403)	2,042,658
Cash and due from banks	5,289,861	144,972	(183,616)	5,251,217
Securities	30,677,311	23,423	(397,519)	30,303,215
Loans	135,923,390	895,176	(715,865)	136,102,701
Fixed assets	2,636,061	3,581	(2,524)	2,637,118
Other assets	8,156,595	563,074	(238,636)	8,481,033

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Total assets	(Won) 182,683,218	(Won) 1,630,226	(Won) (1,538,160)	(Won) 182,775,284
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Kookmin Bank and Subsidiaries

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December 31, 2004 and 2003

36. Reclassification of Prior year Financial Statement Presentation

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

37. Results of Securities and Futures Commission (SFC)'s investigation and Restatement of prior periods' financial statements

On August 25, 2004, the Securities and Futures Commission's (SFC) announced the results of the investigation on Kookmin Bank's accounting treatments related to acquisition of Kookmin Credit Card and other transactions.

(1) Results of Securities and Futures Commission's investigation

Accounting treatment in relation to the acquisition of Kookmin Credit Card (KCC)

As discussed earlier, the Bank merged with KCC in September 2003. Relative to the merger, for the year ended September 30, 2003, KCC failed to recognize an allowance on loan loss of (Won)1,266,405 million, which included other allowances of (Won)15,442 million, resulting in the overstatement of the its net income. Consequently, the Bank recognized unrealized gain on investment in associates of (Won)211,202 million in proportion to its 74.2692% interest in KCC which recorded a net income of (Won)284,373 million for the same period. Regarding KCC's under-recording of the allowance of loan loss of (Won)1,266,405 million and the additional allowance on loan losses due to the difference in accounting treatments on the Bank's consolidated financial statements of (Won)389,980 million, both of which total (Won)1,656,385 million, these were subsequently recorded by the Bank as allowance on loan loss due to merger of (Won)1,652,264 million and impairment loss on investments available-for-sale of (Won)4,121 million. To comply with the SFC's instructions, the Bank recorded unrealized loss on investment in associates of (Won)1,018,982 million, proportionate to its 74.2692% interest in the sum of (Won)1,372,012, which is the total of KCC's net loss of (Won)982,032 million and the additional allowance on loan loss due to merger of (Won)389,980 million; and deducted the minority interest of (Won)309,559 million from additional paid in capital.

Accounting treatment in relation to asset securitization

The Bank is currently offering credit lines to the KCC 16th Special Purpose Co., Ltd (SPC) and FN Star 3rd SPC amounting to (Won)757,000 million (transferred value of (Won)1,243,000 million, transfer gain of (Won)488,000 million). However, the recovery rate of the assets transferred to the SPCs decreased dramatically between September 2003 and January 2004, before actual issuance of year-end financial status.

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As the present value of the underlying assets dropped below the SPC's liability amount, there is a high probability that the Bank would be liable to cover the difference up to the credit line limit. Even though the Bank could have reflected the probable contingency loss amount by estimating future cash flows based on the recovery rates available to the latest month and the fair valuation models used at the point of asset securitization, the Bank appropriated only (Won)133,376 million for the estimable contingency loss of (Won)346,533 million, understating other allowances (allowance for acceptances and guarantees outstanding) by (Won)213,157 million and overstating net assets (understating net income) by the same amount.

Accounting treatment in relation to Special Purpose Co., Ltd. currency swap

In relation to the early redemption of asset-backed securities (ABS) by KCC 10th Special Purpose Co., Ltd on September 18, 2003, a settlement loss of (Won)27,159 million was paid to ING Bank due to a decline in currency swap interest rate. Therefore, since KCC, the holder of the ABS, guaranteed the payment of the loss, KCC should have recognized the settlement payment as loss and the Bank should have recognized its equity share portion of (Won)20,171 million and the excess amount over minority interest of (Won)6,988 million as unrealized loss on investment in associates. However, KCC recognized the swap settlement payment as asset, ABS advance payment, and the Bank accounted for the amount as contra account amount of liabilities, agency fee. As a result, the Bank understated the liability by (Won)27,159 million and overstated net assets by the same amount.

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****(2) Restatement of Prior periods financial statements**

To comply with SFC's instructions, the Bank restated its financial statements as of and for the year ended December 31, 2003 regarding the understatement of provision for other allowances amounting to (Won)213,157million and overstatement of unrealized gain on investment in associates amounting to (Won)27,159 million, presented as loss on derivatives transaction under the consolidated income statement. Therefore, the net loss and accumulated deficit before disposition in the financial statements for the year ended December 31, 2003 in the audit report dated March 3, 2004, were understated by (Won)177,008 million due to tax effect of the understatement of other allowance by (Won)213,157 million and the understatement of loss on derivatives transaction by (Won)27,159 million.

The consolidated financial statements of the prior year, presented herein for comparative purposes, has been restated in accordance with above.

The following summarizes the adjustments made by the Bank and the effects on financial statements of December 31, 2003 are as follows:

(in millions of Korean won)

	Before Adjustments	After Adjustments
Balance sheet (2003.12.31)		
Deferred income tax assets	(Won) 563,940	(Won) 627,248
Other allowances	649,804	849,327
Agency fee payable	338,748	365,907
Retained earnings	1,712,664	1,535,656
Income statement (2003.1.1-2003.12.31)		
Losses on Derivatives Transaction	1,062,812	1,089,971
Provision of other allowances	433,289	646,446
Income tax benefit	(354,358)	(417,666)

The following shows the recomputed ordinary loss, net loss, ordinary loss per share and net loss per share as of and for the year ended December 31, 2003:

	December 31, 2003	
	Before Adjustments	After Adjustments
<i>(in millions of Korean won)</i>		
Ordinary loss	(Won) (741,750)	(Won) (918,758)
Net loss	(741,750)	(918,758)

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Ordinary loss per share(in Won)	(2,275)	(2,818)
Net loss per share(in won)	(2,275)	(2,818)

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December 31, 2004 and 2003

38. Subsequent Events

The Bank sold 49% of its ownership of KB Life Insurance Co., Ltd to ING Insurance International B.V. at (Won)14,821 million on January 25, 2005.

The Consolidated Company participated in increasing the paid in capitals of LG Card Co., Ltd. amounting to (Won)75,800 million on January 28, 2005, in accordance with the agreement with the creditors' committee.

On January 25, 2005, the Consolidated Company agreed with the labor union to implement an early retirement program to which about 2,200 employees applied. Estimated cost for the said program is approximately (Won)256 billion.

On February 3, 2005, the Consolidated Company, with the approval of the Board of Directors, decided to contribute 2 million treasury stocks to the Employee Stock Ownership Association for the welfare of the employees.

39. Approval of Financial Statements

The Bank's financial statements as of and for the year ended December 31, 2004, were approved by the board of directors on February 3, 2005.