

KOOKMIN BANK  
Form 6-K  
March 09, 2005

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## Form 6-K

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**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

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## Kookmin Bank

(Translation of registrant's name into English)

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

(Address of principal executive office)

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

Form 20-F  Form 40-F

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

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

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

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

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

Yes \_\_\_\_\_ No  X

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

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

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

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

Exhibit 99.1\_ Kookmin Bank's 2004 Audit Report

Exhibit 99.2\_Consolidated Operating Results for the Fiscal year 2004

**SIGNATURES**

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

Kookmin Bank  
(Registrant)

Date: March 9, 2005

By: /s/ Kap Shin

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(Signature)

Name: Kap Shin

Title: Senior Executive Vice President &

Chief Financial Officer

**Kookmin Bank**

**Non-Consolidated Financial Statements**

**December 31, 2004 and 2003**

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**Kookmin Bank**

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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

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

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

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

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

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

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



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

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

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

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

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

Seoul, Korea

February 4, 2005

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

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

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

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

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

Years ended December 31, 2004 and 2003

*(in millions of Won except per share amounts)*

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

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

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

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

Years ended December 31, 2004 and 2003

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

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

*(in millions of Won)*

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

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

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

Years ended December 31, 2004 and 2003

*(in millions of Won)*

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

## Kookmin Bank

## Non-Consolidated Statements of Cash Flows

Years ended December 31, 2004 and 2003

*(in millions of Won)*

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



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

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**Kookmin Bank**

**Notes to Non-Consolidated Financial Statements**

**December 31, 2004 and 2003**

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**1. The Bank**

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

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

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

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

**2. Summary of Significant Accounting Policies**

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

**Basis of Financial Statement Presentation**

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

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

#### **Application of the Statements of Korean Financial Accounting Standards**

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

#### **Recognition of Interest Income**

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

**Kookmin Bank**

**Notes to Non-Consolidated Financial Statements**

**December 31, 2004 and 2003**

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**Securities**

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

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

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

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

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

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

**Investments in Associates**

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

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

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

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

### **Deferred Loan Origination Fees and Costs**

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

**Kookmin Bank**

**Notes to Non-Consolidated Financial Statements**

**December 31, 2004 and 2003**

**Allowances for Loan Losses**

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

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

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

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

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

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

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

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|                |         |         |         |
|----------------|---------|---------|---------|
| Estimated loss | 100.00% | 100.00% | 100.00% |
|----------------|---------|---------|---------|

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

**Kookmin Bank**

**Notes to Non-Consolidated Financial Statements**

**December 31, 2004 and 2003**

-Allowance for loan losses based historical loss rate

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

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

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

**Guarantees and Acceptances**

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

**Troubled Debt Structuring**

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



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

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

### Fixed Assets and Related Depreciation

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

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

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

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**Kookmin Bank**

**Notes to Non-Consolidated Financial Statements**

**December 31, 2004 and 2003**

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

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

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

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

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

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

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

**Stock Issuance Costs and Debenture Issuance Costs**

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

**Accrued Retirement Benefits**

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

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

**Deferred Income Taxes**

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

**Bonds under Repurchase/Resale Agreements**

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

**Kookmin Bank**

**Notes to Non-Consolidated Financial Statements**

**December 31, 2004 and 2003**

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**Derivative Instruments**

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

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

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

**Stock Options**

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

**National Housing Fund**

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

**Transactions with the Trust Accounts**

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

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

### **Foreign Currency Translation**

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

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

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**Kookmin Bank**

**Notes to Non-Consolidated Financial Statements**

**December 31, 2004 and 2003**

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**Statement of Cash Flows**

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

**Restatement of Prior Period Financial Statements**

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

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

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

## Kookmin Bank

## Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

## 3. Cash and Due from Banks

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

*(in millions of Korean won)*

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

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

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

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

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



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

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

(in millions of Korean won)

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

**4. Securities**

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

(in millions of Won)

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

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

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

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

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

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

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

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

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

## Kookmin Bank

## Notes to Non-Consolidated Financial Statements

## December 31, 2004 and 2003

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

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

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

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

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

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

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

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

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

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

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



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

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

*(in millions of Korean won, except ratio)*

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

*(in millions of Korean won, except ratio)*

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

*(in millions of Korean won, except ratio)*

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





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

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

*(in millions of Korean won)*

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

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

*(in millions of Korean won)*

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



## Kookmin Bank

## Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

## 5. Loans

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

*(in millions of Korean won)*

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

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

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

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

(in millions of Korean won)

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

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

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

(in millions of Korean won)

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

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

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

| <i>(in millions of Korean won)</i> | Loans in          |                 | Loans in Foreign |                 | Bills           | Credit          | Call         | Privately placed | Others       | Total |
|------------------------------------|-------------------|-----------------|------------------|-----------------|-----------------|-----------------|--------------|------------------|--------------|-------|
|                                    | Won               | Currencies      | Bought           | Card            | Loans           | Debentures      |              |                  |              |       |
| in 3 months or less                | (Won) 19,085,485  | (Won) 874,100   | (Won) 505,391    | (Won) 5,329,240 |                 | 3,006,780       | (Won) 38,168 | (Won) 33,653     | (Won) 28,872 |       |
| after 3 months                     |                   |                 |                  |                 |                 |                 |              |                  |              |       |
| through 6 months                   | 17,430,180        | 1,047,044       | 82,255           | 623,768         |                 |                 | 110,500      | 746              | 19,294       |       |
| after 6 months                     |                   |                 |                  |                 |                 |                 |              |                  |              |       |
| through 1 year                     | 35,029,206        | 906,882         | 8,839            | 835,722         |                 |                 | 622,982      |                  | 37,403       |       |
| after 1 year through               |                   |                 |                  |                 |                 |                 |              |                  |              |       |
| 1.5 years                          | 19,972,984        | 181,903         | 5,396            | 386,655         |                 |                 | 237,900      |                  | 20,784       |       |
| after 2 years through              |                   |                 |                  |                 |                 |                 |              |                  |              |       |
| 2 years                            | 11,900,101        | 190,361         |                  | 386,614         |                 |                 | 94,081       |                  | 12,571       |       |
| after 3 years through              |                   |                 |                  |                 |                 |                 |              |                  |              |       |
| 3 years                            | 2,637,763         | 85,984          |                  | 63,633          |                 |                 |              |                  | 2,787        |       |
| after 4 years through              |                   |                 |                  |                 |                 |                 |              | 30,802           | 4,073        |       |
| 4 years                            | 3,956,310         | 67,973          |                  | 18,358          |                 |                 |              |                  | 4,073        |       |
| or thereafter                      | 12,709,869        | 506,581         |                  |                 |                 |                 | 100,000      |                  | 13,316       |       |
|                                    | (Won) 122,721,898 | (Won) 3,860,828 | (Won) 601,881    | (Won) 7,643,990 | (Won) 3,006,780 | (Won) 1,203,631 | (Won) 65,201 | (Won) 139,104    |              |       |

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

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

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

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(in millions of Korean won)

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



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

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

**6. Allowances for Loan Losses**

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

(in millions of Korean won)

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

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

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

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

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

## Kookmin Bank

## Notes to Non-Consolidated Financial Statements

## December 31, 2004 and 2003

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

(in millions  
of Korean won)

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

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

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

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

(in millions of Korean won)

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

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

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

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

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



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

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

*(in millions of Korean won)*

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

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

*(in millions of Korean won)*

|                                 | <u>Land</u>          | <u>Buildings and<br/>structures</u> | <u>Leasehold<br/>improvements</u> | <u>Equipment<br/>and vehicles</u> | <u>Construction-<br/>in-progress</u> | <u>Total</u>           |
|---------------------------------|----------------------|-------------------------------------|-----------------------------------|-----------------------------------|--------------------------------------|------------------------|
| <b>Acquisition cost</b>         |                      |                                     |                                   |                                   |                                      |                        |
| Beginning balances              | (Won) 1,105,869      | (Won) 963,296                       | (Won) 157,231                     | (Won) 1,449,062                   | (Won) 12,324                         | (Won) 3,687,782        |
| Acquisition                     |                      | 20                                  | 3                                 | 130,046                           | 86,081                               | 216,150                |
| Transfer                        |                      | 69,637                              | 27,526                            |                                   | (97,163)                             |                        |
| Disposal                        | (106,848)            | (117,985)                           | (10,335)                          | (73,861)                          |                                      | (309,029)              |
| Ending balances                 | <u>999,021</u>       | <u>914,968</u>                      | <u>174,425</u>                    | <u>1,505,247</u>                  | <u>1,242</u>                         | <u>3,594,903</u>       |
| <b>Accumulated depreciation</b> |                      |                                     |                                   |                                   |                                      |                        |
| Beginning balances              |                      | 142,103                             | 90,808                            | 963,290                           |                                      | 1,196,201              |
| Depreciation expense            |                      | 20,916                              | 41,185                            | 270,918                           |                                      | 333,019                |
| Disposal                        |                      | (22,905)                            | (8,086)                           | (69,643)                          |                                      | (100,634)              |
| Ending balances                 |                      | <u>140,114</u>                      | <u>123,907</u>                    | <u>1,164,565</u>                  |                                      | <u>1,428,586</u>       |
| <b>Impairment</b>               | 1,306                | 990                                 |                                   |                                   |                                      | 2,296                  |
| <b>Book Value</b>               | <u>(Won) 997,715</u> | <u>(Won) 773,864</u>                | <u>(Won) 50,518</u>               | <u>(Won) 340,682</u>              | <u>(Won) 1,242</u>                   | <u>(Won) 2,164,021</u> |

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

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| <i>(in millions of Won)</i>     | <b>Land</b>     | <b>Buildings and structures</b> | <b>Leasehold improvement</b> | <b>Equipment and vehicle</b> | <b>Construction in-progress</b> | <b>Total</b>    |
|---------------------------------|-----------------|---------------------------------|------------------------------|------------------------------|---------------------------------|-----------------|
| <b>Acquisition cost</b>         |                 |                                 |                              |                              |                                 |                 |
| Beginning balances              | (Won) 1,175,682 | (Won) 848,746                   | (Won) 98,117                 | (Won) 1,043,969              | (Won) 1,195                     | (Won) 3,167,709 |
| Acquisition                     | 3,350           | 8,898                           | 6,898                        | 201,254                      | 97,112                          | 317,512         |
| Transfer                        |                 | 37,466                          | 48,517                       |                              | (85,983)                        |                 |
| Increase due to merger          | 55,529          | 71,024                          | 4,805                        | 263,897                      |                                 | 395,255         |
| Disposal                        | (128,692)       | (2,838)                         | (1,106)                      | (60,058)                     |                                 | (192,694)       |
| Ending balances                 | 1,105,869       | 963,296                         | 157,231                      | 1,449,062                    | 12,324                          | 3,687,782       |
| <b>Accumulated depreciation</b> |                 |                                 |                              |                              |                                 |                 |
| Beginning balances              |                 | 108,723                         | 48,164                       | 533,675                      |                                 | 690,562         |
| Depreciation expense            |                 | 20,583                          | 40,594                       | 326,248                      |                                 | 387,425         |
| Increase due to merger          |                 | 12,976                          | 2,786                        | 160,380                      |                                 | 176,142         |
| Disposal                        |                 | (179)                           | (736)                        | (57,013)                     |                                 | (57,928)        |
| Ending balances                 |                 | 142,103                         | 90,808                       | 963,290                      |                                 | 1,196,201       |
| <b>Impairment</b>               | 12,673          | 9,555                           |                              |                              |                                 | 22,228          |
| <b>Book Value</b>               | (Won) 1,093,196 | (Won) 811,638                   | (Won) 66,423                 | (Won) 485,772                | (Won) 12,324                    | (Won) 2,469,353 |



**Kookmin Bank**

**Notes to Non-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)*

|                          | <u>Amount Insured</u> | <u>Insurance Company</u>                       | <u>Type of Insurance</u>   |
|--------------------------|-----------------------|--|----------------------------|
| 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   | 165,554               | Samsung Fire & Marine Insurance Co., Ltd, etc. | General property insurance |
| Construction-in-progress | 994                   | Samsung Fire & Marine Insurance Co., Ltd       | General property insurance |
|                          | <u>(Won) 829,298</u>  |  |                            |

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

| <i>(in millions of Korean won)</i> | <u>Goodwill</u>      | <u>Development Costs</u> | <u>Rights to Income on Donated Asset</u> | <u>Store Possessory Right</u> | <u>Trademarks</u> | <u>Others</u>      | <u>Total</u>         |
|------------------------------------|----------------------|--------------------------|--|-------------------------------|-------------------|--------------------|----------------------|
| Beginning balances                 | (Won) 535,360        | (Won) 12,762             | (Won) 102                                | (Won) 139                     | (Won) 150         | (Won) 914          | (Won) 549,427        |
| Acquisition                        |                      |                          |  |                               | 49                | 1,752              | 1,801                |
| Amortization                       | 78,345               | 3,488                    | 8  | 21                            | 54                | 354                | 82,270               |
| Ending balances                    | <u>(Won) 457,015</u> | <u>(Won) 9,274</u>       | <u>(Won) 94</u>                          | <u>(Won) 118</u>              | <u>(Won) 145</u>  | <u>(Won) 2,312</u> | <u>(Won) 468,958</u> |

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

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

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The Bank recorded (Won)134,300 million and (Won)106,844 million of current development costs under general and administrative expenses for the year 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:

*(in millions of Won)*

|                                     | 2004          |                 | 2003            |                 |
|-------------------------------------|---------------|-----------------|-----------------|-----------------|
|                                     | Book Value    | Appraisal Value | Book Value      | Appraisal Value |
| Lands included in tangible assets   | (Won) 997,715 | (Won) 904,658   | (Won) 1,093,196 | (Won) 986,382   |
| Lands included in foreclosed assets | 287           | 239             | 1,315           | 591             |
|                                     | (Won) 998,002 | (Won) 904,897   | (Won) 1,094,511 | (Won) 986,973   |

**Kookmin Bank****Notes to Non-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)*

|                                    | <u>2004</u>            | <u>2003</u>            |
|------------------------------------|------------------------|------------------------|
| Guarantee deposits paid            | (Won) 1,290,891        | (Won) 1,336,639        |
| Accounts receivable                | 2,351,340              | 1,715,100              |
| Accrued income                     | 1,019,717              | 1,080,057              |
| Payments in advance                | 29,629                 | 53,525                 |
| Prepaid expenses                   | 210,529                | 307,154                |
| Deferred tax assets (Note 25)      | 429,045                | 615,944                |
| Derivative assets (Note 15)        | 2,391,984              | 751,252                |
| Unsettled domestic exchange assets | 520,612                | 612,592                |
| Others                             | 39,401                 | 36,592                 |
|                                    | <u>(Won) 8,283,148</u> | <u>(Won) 6,508,855</u> |

## Kookmin Bank

## Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

## 9. Deposits

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

| <i>(in millions of Korean won)</i>                | Annual Interest (%) |                    |                    |
|---|---------------------|--------------------|--------------------|
|   | December 31, 2004   | 2004               | 2003               |
| <b>Deposits in Won</b>                            |                     |                    |                    |
| Demand deposits                                   |                     |                    |                    |
| Checking deposits                                 |                     | (Won) 110,967      | (Won) 125,533      |
| Household checking deposits                       | 0.10                | 417,443            | 476,132            |
| Passbook deposits                                 | 0.10                | 10,767,705         | 10,001,043         |
| Temporary deposits                                |                     | 2,858,688          | 3,292,770          |
| Public fund deposits                              | 0.10                | 157,840            | 190,593            |
| Others  | 0.10                | 26,141             | 24,218             |
|   |                     | <u>14,338,784</u>  | <u>14,110,289</u>  |
| <b>Time deposits and savings deposits</b>         |                     |                    |                    |
| Time deposits                                     | 2.20~3.60           | 62,835,217         | 62,247,870         |
| 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            | 340,388            |
| General savings deposits                          | 0.10~2.70           | 19,120,739         | 21,644,066         |
| Corporate savings deposits                        | 0.10~2.60           | 7,358,107          | 7,800,122          |
| 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           | 6,306,923          | 7,054,752          |
| Mutual installment for housing                    | 2.20~3.40           | 5,295,274          | 5,423,853          |
|   |                     | <u>106,325,798</u> | <u>110,095,352</u> |
| Total deposits in Won                             |                     | <u>120,664,582</u> | <u>124,205,641</u> |
| <b>Deposits in foreign currencies</b>             |                     |                    |                    |
| Demand deposits                                   |                     |                    |                    |
| 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              | 1,049              |

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|   |           |                   |                   |
|---|-----------|-------------------|-------------------|
|   |           | 701,989           | 830,035           |
|   |           | <hr/>             | <hr/>             |
| <b>Time deposits and savings deposits</b>   |           |                   |                   |
| Time deposits                               | 1.03      | 729,950           | 642,039           |
| Others                                      | 0.00~4.45 | 2,122             | 3,299             |
|   |           | <hr/>             | <hr/>             |
|   |           | 732,072           | 645,338           |
|   |           | <hr/>             | <hr/>             |
| <b>Total deposits in foreign currencies</b> |           |                   |                   |
|   |           | 1,434,061         | 1,475,373         |
|   |           | <hr/>             | <hr/>             |
| <b>Certificates of deposit</b>              |           |                   |                   |
|   | 3.00~3.15 | 4,911,891         | 6,499,258         |
|   |           | <hr/>             | <hr/>             |
|   |           | (Won) 127,010,534 | (Won) 132,180,272 |
|   |           | <hr/>             | <hr/>             |

**Kookmin Bank****Notes to Non-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              |                        | Certificates of        | Total                    |
|-------------------------------------|--------------------------|------------------------|------------------------|--------------------------|
|                                     | Deposits in Won          | Foreign Currencies     | Deposit                |                          |
| Due in 3 months or less             | (Won) 66,822,353         | (Won) 1,239,418        | (Won) 2,820,472        | (Won) 70,882,243         |
| Due after 3 months through 6 months | 11,822,721               | 103,087                | 1,799,846              | 13,725,654               |
| Due after 6 months through 1 year   | 31,245,947               | 84,301                 | 291,462                | 31,621,710               |
| Due after 1 year through 2 years    | 5,578,733                | 5,223                  | 111                    | 5,584,067                |
| Due after 2 years through 3 years   | 3,232,364                | 2,032                  |                        | 3,234,396                |
| Due after 3 years through 4 years   | 177,936                  |                        |                        | 177,936                  |
| Due after 4 years through 5 years   | 132,309                  |                        |                        | 132,309                  |
| Thereafter                          | 1,652,219                |                        |                        | 1,652,219                |
|                                     | <u>(Won) 120,664,582</u> | <u>(Won) 1,434,061</u> | <u>(Won) 4,911,891</u> | <u>(Won) 127,010,534</u> |

**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             |
| <b>Borrowings in Won</b>                     |                     |                  |                  |
| Borrowings from the Bank of Korea            | 2.00                | (Won) 920,144    | (Won) 992,433    |
| Borrowings from the Korean government        | 0.00~8.00           | 697,772          | 920,589          |
| Borrowings from banking institutions         | 2.79~6.00           | 158,245          | 253,822          |
| Borrowings from National Housing Fund        | 8.00                | 2,986            | 8,553            |
| Borrowings from other financial institutions | 1.84~4.00           | 5,227            | 5,688            |
| Other borrowings                             | 1.25~7.00           | 1,160,863        | 1,173,284        |
|  |                     | <u>2,945,237</u> | <u>3,354,369</u> |
| <b>Borrowings in foreign currencies</b>      |                     |                  |                  |
| Due to banks                                 |                     | 27,463           | 189,976          |
| Borrowings from domestic banks               | 0.05~5.06           | 1,657,515        | 2,360,652        |
| Borrowings from other financial institutions | 1.50                | 13,882           | 19,486           |
| Borrowings from foreign banks                |                     | 841,400          | 752,803          |

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|   |           |                        |                         |
|---|-----------|------------------------|-------------------------|
|   |           | 2,540,260              | 3,322,917               |
|   |           | <u>3,449,445</u>       | <u>3,623,156</u>        |
| <b>Bonds sold under repurchase agreements</b>         |           |                        |                         |
| In won  | 2.50~3.25 | 3,449,445              | 3,613,505               |
| In foreign currencies                                 |           |                        | 9,651                   |
|   |           | <u>3,449,445</u>       | <u>3,623,156</u>        |
| <b>Bills sold</b>                                     | 2.90~3.15 | 41,988                 | 44,239                  |
| <b>Due to the Bank of Korea in foreign currencies</b> | 1.86~2.69 | 2,007                  | 12,608                  |
| <b>Call money</b>                                     |           |                        |                         |
| In won  | 2.75~3.15 | 638,500                | 55,800                  |
| In foreign currencies                                 | 0.27~6.85 | 13,685                 | 193,700                 |
| Inter-bank borrowings                                 |           | 3,174                  | 296,011                 |
|   |           | <u>655,359</u>         | <u>545,511</u>          |
|   |           | <u>(Won) 9,634,296</u> | <u>(Won) 10,902,800</u> |

## Kookmin Bank

## Notes to Non-Consolidated Financial Statements

## December 31, 2004 and 2003

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

| <i>(in millions of Korean won)</i>  | Borrowings in<br>Won   | Borrowings in<br>Foreign<br>Currencies | Others                 | Total                  |
|-------------------------------------|------------------------|--|------------------------|------------------------|
| Due in 3 months or less             | (Won) 989,046          | (Won) 1,060,222                        | (Won) 2,683,011        | (Won) 4,732,279        |
| Due after 3 months through 6 months | 77,093                 | 586,642                                | 820,278                | 1,484,013              |
| Due after 6 months through 1 year   | 169,566                | 464,065                                | 624,939                | 1,258,570              |
| Due after 1 year through 2 years    | 347,295                | 355,702                                | 20,077                 | 723,074                |
| Due after 2 years through 3 years   | 355,194                | 3,099                                  | 494                    | 358,787                |
| Due after 3 years through 4 years   | 318,242                | 69,042                                 |                        | 387,284                |
| Due after 4 years through 5 years   | 260,711                | 1,488                                  |                        | 262,199                |
| Thereafter                          | 428,090                |  |                        | 428,090                |
|                                     | <u>(Won) 2,945,237</u> | <u>(Won) 2,540,260</u>                 | <u>(Won) 4,148,799</u> | <u>(Won) 9,634,296</u> |

## 11. Debentures

Debentures as of December 31, 2004 and 2003 include:

| <i>(in millions of Korean won)</i> |   | Annual Interest<br>(%) | December 31, 2004 | 2004              | 2003 |
|------------------------------------|---|------------------------|-------------------|-------------------|------|
| <b>In Won</b>                      | Hybrid debentures <sup>1</sup>                      | 6.00~7.00              | (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 <sup>2</sup> subordinated fixed rate debentures | 7.10~8.00              | 205,000           | 205,000           |      |
|                                    | KCC <sup>2</sup> fixed rate debentures              | 5.43~7.80              | 930,000           | 2,895,000         |      |
|                                    | KCC <sup>2</sup> floating rate debentures           | 0.00~8.48              | 610,000           | 870,000           |      |
|                                    | Floating rates debentures                           | 3.14~8.71              | 12,536,566        | 8,609,663         |      |
|                                    |   |                        | <u>21,286,079</u> | <u>18,379,403</u> |      |
|                                    | Discounts on debentures                             |                        | (120,271)         | (83,443)          |      |
|                                    |   |                        | <u>21,165,808</u> | <u>18,295,960</u> |      |
| <b>In foreign currencies</b>       | Floating rates debentures                           | 0.92~3.19              | 110,810           | 196,211           |      |



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|   |           |                         |                         |
|---|-----------|-------------------------|-------------------------|
| Fixed rates debentures                    | 2.37~4.63 | 525,485                 | 613,549                 |
| KCC <sup>2</sup> floating rate debentures | 3.46      | 60,227                  | 78,695                  |
|   |           | <u>696,522</u>          | <u>888,455</u>          |
| Premiums on debentures                    |           | 6,336                   | 9,639                   |
| Discounts on debentures                   |           | (846)                   | (1,473)                 |
|   |           | <u>702,012</u>          | <u>896,621</u>          |
|   |           | <u>(Won) 21,867,820</u> | <u>(Won) 19,192,581</u> |

- 
- 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.

## Kookmin Bank

## Notes to Non-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 | 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          |                     |
| 2003.10.27                         | 88,769              | 5.33 ~ 5.35 | 2011.01.27          |                     |
| 2003.10.27                         | 3,721               | 5.58 ~ 5.60 | 2014.01.27          |                     |



## Kookmin Bank

## Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

*(in millions of Korean won)*

| Type                                      | Issue Date | Amount           | Annual Interest (%) | Maturity   |
|---|------------|------------------|---------------------|------------|
| <b>Subordinated fixed rate debentures</b> | 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 |
|   |            |                  | <u>6,225,845</u>    |            |
| <b>Hybrid debentures</b>                  | 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 |
|   |            | <u>903,668</u>   |                     |            |
|   |            | <u>7,129,513</u> |                     |            |

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

*(in millions of Korean won)*

|                                     | In Won                  | In Foreign Currencies | Total                   |
|-------------------------------------|-------------------------|-----------------------|-------------------------|
| 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               |
|                                     | <u>(Won) 21,286,079</u> | <u>(Won) 696,522</u>  | <u>(Won) 21,982,601</u> |



## Kookmin Bank

## Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

## 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>       | <u>Beginning<br/>Balance</u> | <u>Amounts<br/>Provided</u> | <u>Amounts<br/>Paid Out</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|-----------------------------|-----------------------------|---------------------------|
| Accrued retirement benefits              | (Won) 71,083                 | (Won) 79,608                | (Won) 24,069                | (Won) 126,622             |
| Contributed retirement benefits          | 163,349                      | 45,000                      | 15,024                      | 193,325                   |
| <b>Total accrued retirement benefits</b> | <b>234,432</b>               | <b>124,608</b>              | <b>39,093</b>               | <b>319,947</b>            |
| Contribution to pension funds            | (163,349)                    | (45,000)                    | (15,024)                    | (193,325)                 |
|  | <u>(Won) 71,083</u>          | <u>(Won) 79,608</u>         | <u>(Won) 24,069</u>         | <u>(Won) 126,622</u>      |

As of December 31, 2004, approximately 60.42% 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 two insurance companies, including Korea Life Insurance Co., Ltd. The total retirement benefits paid for the year ended December 31, 2004 amount to (Won)89,109 million, including the additional early retirement benefits paid in February 2004 of (Won)50,029 million.

## 13. Other Liabilities

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

| <i>(in millions of Korean won)</i>                           | <u>2004</u>   | <u>2003</u>  |
|--|---------------|--------------|
| Accrued retirement benefits (Note 12)                        | (Won) 126,622 | (Won) 71,083 |
| Allowance for losses on guarantees and acceptances (Note 14) | 1,150         | 1,074        |
| Due to trust accounts  | 798,662       | 3,983,295    |
| Accounts payable   | 2,734,897     | 1,886,446    |
| Accrued expenses   | 4,280,637     | 4,418,940    |
| Advances from customers                                      | 191,642       | 109,685      |
| Unearned income  | 97,269        | 130,778      |
| Withholding taxes  | 7,291         | 123,455      |

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|   |                             |                             |
|---|-----------------------------|-----------------------------|
| Guarantee deposits received                 | 111,723                     | 120,437                     |
| Derivative liabilities (Note 15)            | 2,219,630                   | 686,271                     |
| Unsettled domestic exchange liabilities     | 258,020                     | 400,445                     |
| Accounts for agency business                | 233,690                     | 364,783                     |
| Other allowances                            | 611,120                     | 846,916                     |
| Liabilities incurred by agency relationship | 280,569                     | 315,241                     |
| Others                                      | 156,971                     | 130,182                     |
|   | <u>                    </u> | <u>                    </u> |
|   | (Won) 12,109,893            | (Won) 13,589,031            |
|   | <u>                    </u> | <u>                    </u> |

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

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)           |
| 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)                            |
|                                 | (Won) 611,120 |  |

**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      |
|--|-----------|-----------|
| <b>Guarantees and acceptances outstanding in</b> |           |           |
| Won  |           |           |
| Guarantees on debentures                         | (Won) 472 | (Won) 541 |
| Guarantees on loan collateral                    | 30,852    | 34,112    |
| Others   | 260,497   | 235,843   |
|  | 291,821   | 270,496   |
| <b>Foreign Currencies</b>                        |           |           |
| Acceptances on letters of credit                 | 101,180   | 134,888   |



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|  |                        |                        |
|--|------------------------|------------------------|
| Acceptances for letters of guarantee for importers | 62,829                 | 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   | 435,372                | 240,567                |
|  | <u>683,967</u>         | <u>529,801</u>         |
|  | <u>975,788</u>         | <u>800,297</u>         |
| <b>Contingent guarantees and acceptances</b>       |                        |                        |
| Letters of credit                                  | 1,016,414              | 1,200,228              |
| Others   | 295,360                | 81,290                 |
|  | <u>1,311,774</u>       | <u>1,281,518</u>       |
|  | <u>(Won) 2,287,562</u> | <u>(Won) 2,081,815</u> |

## Kookmin Bank

## Notes to Non-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)

|   |           | Normal        | Precautionary | Sub-standard | Doubtful  | Estimated<br>loss | Total         |
|---|-----------|---------------|---------------|--------------|-----------|-------------------|---------------|
| <b>Guarantees and Acceptances Outstanding</b> |           |               |               |              |           |                   |               |
| 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   | 672,484       | 10,312        | 1,024        | 142       | 5                 | 683,967       |
|   | Allowance |               |               | 496          | 98        | 5                 | 599           |
|   | Ratio (%) |               |               | 48.44        | 69.25     | 100.00            | 0.09          |
| Total   | Balance   | (Won) 953,394 | (Won) 18,926  | (Won) 3,066  | (Won) 367 | (Won) 35          | (Won) 975,788 |
|   | Allowance |               |               | 904          | 211       | 35                | 1,150         |
|   | Ratio (%) |               |               | 29.50        | 57.45     | 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, etc.            | (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

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(in millions of Korean won)

|  | 2004          | 2003          | 2002            |
|--|---------------|---------------|-----------------|
| Guarantees and acceptances outstanding | (Won) 975,788 | (Won) 800,297 | (Won) 1,031,698 |
| Allowance                              | 1,150         | 1,074         | 2,287           |
| Ratio (%)                              | 0.12          | 0.13          | 0.22            |

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

|       | Guarantees and Acceptances<br>Outstanding |                | Contingent Guarantees and<br>Acceptances |                | Total           |                |
|-------|---|----------------|--|----------------|-----------------|----------------|
|       | Balance                                   | Percentage (%) | Balance                                  | Percentage (%) | Balance         | Percentage (%) |
| Korea | (Won) 934,036                             | 95.72          | (Won) 1,311,073                          | 99.95          | (Won) 2,245,109 | 98.14          |
| USA   | 41,752                                    | 4.28           | 701                                      | 0.05           | 42,453          | 1.86           |
|       | (Won) 975,788                             | 100.00         | (Won) 1,311,774                          | 100.00         | (Won) 2,287,562 | 100.00         |

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

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

| <i>(in millions of Korean won)</i> | Guarantees and Acceptances |                | Contingent                 |                | Total           |                |
|------------------------------------|----------------------------|----------------|----------------------------|----------------|-----------------|----------------|
|                                    | Outstanding                |                | Guarantees and Acceptances |                |                 |                |
|                                    | Balance                    | Percentage (%) | Balance                    | Percentage (%) | Balance         | Percentage (%) |
| Manufacturing                      | (Won) 373,205              | 38.25          | (Won) 862,433              | 65.75          | (Won) 1,235,638 | 54.02          |
| Service                            | 265,714                    | 27.23          | 346,398                    | 26.41          | 612,112         | 26.76          |
| Finance                            | 242,520                    | 24.85          | 911                        | 0.07           | 243,431         | 10.64          |
| Others                             | 94,349                     | 9.67           | 102,032                    | 7.77           | 196,381         | 8.58           |
|                                    | (Won) 975,788              | 100.00         | (Won) 1,311,774            | 100.00         | (Won) 2,287,562 | 100.00         |

**15. Derivatives**

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

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

Hedge derivatives mainly consist of interest rate swaps to hedge the fair value changes of debentures arising from the interest rate fluctuations.

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

*(in millions of Korean won)***2004****2003**

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|                         | Trading |                   | Hedge |                  | Total |                   | Trading |                   | Hedge |                | Total |                   |
|-------------------------|---------|-------------------|-------|------------------|-------|-------------------|---------|-------------------|-------|----------------|-------|-------------------|
| <b>Interest related</b> |         |                   |       |                  |       |                   |         |                   |       |                |       |                   |
| Future                  | (Won)   | 605,224           | (Won) |                  | (Won) | 605,224           | (Won)   | 519,665           | (Won) |                | (Won) | 519,665           |
| Swap                    |         | 31,951,803        |       | 1,007,900        |       | 32,959,703        |         | 26,773,100        |       | 598,900        |       | 27,372,000        |
| Option bought           |         | 354,190           |       |                  |       | 354,190           |         | 810,000           |       |                |       | 810,000           |
| Option sold             |         | 854,190           |       |                  |       | 854,190           |         | 1,530,000         |       |                |       | 1,530,000         |
|                         |         | <u>33,765,407</u> |       | <u>1,007,900</u> |       | <u>34,773,307</u> |         | <u>29,632,765</u> |       | <u>598,900</u> |       | <u>30,231,665</u> |
| <b>Currency related</b> |         |                   |       |                  |       |                   |         |                   |       |                |       |                   |
| Forward                 |         | 53,943,197        |       |                  |       | 53,943,197        |         | 25,870,850        |       |                |       | 25,870,850        |
| Future                  |         | 2,537,269         |       |                  |       | 2,537,269         |         | 967,823           |       |                |       | 967,823           |
| Swap                    |         | 4,184,152         |       |                  |       | 4,184,152         |         | 4,136,776         |       |                |       | 4,136,776         |
| Option bought           |         | 245,387           |       |                  |       | 245,387           |         | 28,148            |       |                |       | 28,148            |
| Option sold             |         | 270,247           |       |                  |       | 270,247           |         | 81,450            |       |                |       | 81,450            |
|                         |         | <u>61,180,252</u> |       |                  |       | <u>61,180,252</u> |         | <u>31,085,047</u> |       |                |       | <u>31,085,047</u> |
| <b>Stock related</b>    |         |                   |       |                  |       |                   |         |                   |       |                |       |                   |
| 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         |
|                         |         | <u>3,476,516</u>  |       |                  |       | <u>3,476,516</u>  |         | <u>3,918,963</u>  |       |                |       | <u>3,918,963</u>  |
|                         | (Won)   | <u>98,422,175</u> | (Won) | <u>1,007,900</u> | (Won) | <u>99,430,075</u> | (Won)   | <u>64,636,775</u> | (Won) | <u>598,900</u> | (Won) | <u>65,235,675</u> |

**Kookmin Bank**

**Notes to Non-Consolidated Financial Statements**

**December 31, 2004 and 2003**

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

*(in millions of Korean Won)*

|                                  |  |                  |
|----------------------------------|--|------------------|
| <b>Gain on derivatives</b>       |  |                  |
| Gain on derivative transactions  |  | (Won) 4,057,392  |
| Gain on valuation of derivatives |  | 2,196,112        |
| Gain on fair value hedged items  |  | 6,065            |
|                                  |  | <u>6,259,569</u> |
|                                  |  | (Won) 6,259,569  |
| <b>Loss on derivatives</b>       |  |                  |
| Loss on derivative transactions  |  | (Won) 3,990,483  |
| Loss on valuation of derivatives |  | 2,050,551        |
| Loss on fair value hedged items  |  | 3,890            |
|                                  |  | <u>6,044,924</u> |
|                                  |  | (Won) 6,044,924  |

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      |
| <b>Interest related</b> |                       |              |                |                        |              |                |                  |                |
| -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        | 279,831                | 6,065        | 285,896        | 316,333          | 354,023        |
|                         | <u>327,330</u>        | <u>3,890</u> | <u>331,220</u> | <u>292,888</u>         | <u>6,065</u> | <u>298,953</u> | <u>322,535</u>   | <u>371,780</u> |
| <b>Currency related</b> |                       |              |                |                        |              |                |                  |                |

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|                      |                        |                    |                        |                        |                    |                        |                        |
|----------------------|------------------------|--------------------|------------------------|------------------------|--------------------|------------------------|------------------------|
| -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                |                        |
|                      | <u>1,844,548</u>       | <u>1,844,548</u>   | <u>1,733,249</u>       | <u>1,733,249</u>       | <u>1,997,447</u>   | <u>1,775,095</u>       |                        |
| <b>Stock related</b> |                        |                    |                        |                        |                    |                        |                        |
| -Option bought       | 10,554                 | 10,554             | 8,718                  | 8,718                  | 72,002             |                        |                        |
| -Option sold         | 9,790                  | 9,790              | 9,631                  | 9,631                  |                    | 72,755                 |                        |
|                      | <u>20,344</u>          | <u>20,344</u>      | <u>18,349</u>          | <u>18,349</u>          | <u>72,002</u>      | <u>72,755</u>          |                        |
|                      | <u>(Won) 2,192,222</u> | <u>(Won) 3,890</u> | <u>(Won) 2,196,112</u> | <u>(Won) 2,044,486</u> | <u>(Won) 6,065</u> | <u>(Won) 2,050,551</u> | <u>(Won) 2,391,984</u> |
|                      |                        |                    |                        |                        |                    |                        | <u>(Won) 2,219,630</u> |

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

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     |
| <b>Interest related</b> |                       |           |               |                        |              |               |                  |               |
| -Option bought          | (Won) 770             | (Won) 770 | (Won) 770     | (Won) 1,705            | (Won) 1,705  | (Won) 1,705   | (Won) 6,487      | (Won)         |
| -Option sold            | 2,212                 |           | 2,212         | 8,473                  |              | 8,473         |                  | 13,942        |
| -Swap                   | 97,875                |           | 97,875        | 81,785                 | 10,715       | 92,500        | 142,201          | 228,885       |
|                         | 100,857               |           | 100,857       | 91,963                 | 10,715       | 102,678       | 148,688          | 242,827       |
| <b>Currency related</b> |                       |           |               |                        |              |               |                  |               |
| -Forward                | 149,056               |           | 149,056       | 156,773                |              | 156,773       | 152,104          | 178,064       |
| -Option bought          | 94                    |           | 94            |                        |              |               | 94               |               |
| -Option sold            | 358                   |           | 358           | 581                    |              | 581           | 130              | 615           |
| -Swap                   | 31,005                |           | 31,005        | 50,423                 |              | 50,423        | 258,136          | 82,827        |
|                         | 180,513               |           | 180,513       | 207,777                |              | 207,777       | 410,464          | 261,506       |
| <b>Stock related</b>    |                       |           |               |                        |              |               |                  |               |
| -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) 400,397         | (Won)     | (Won) 400,397 | (Won) 408,470          | (Won) 10,715 | (Won) 419,185 | (Won) 751,252    | (Won) 686,271 |

**16. Commitments and Contingencies**

As of December 31, 2004, the Bank faces 192 pending legal actions involving aggregate amount of damages of (Won)423,013million. On the other hand, the Bank also filed 237 lawsuits, which are still pending, with an aggregate amount of claims of (Won)129,598 million. Management believes that the actions against the Bank are without merit and that the ultimate liability, if any, will not materially affect the Bank's financial position.

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



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| <i>(in millions of Korean Won)</i>               | <b>Exposure to possible loss</b> | <b>Results</b>              |                             |                             |
|--|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
|  |                                  | <b>1<sup>st</sup> trial</b> | <b>2<sup>nd</sup> trial</b> | <b>3<sup>rd</sup> trial</b> |
| <b>Details</b>                                   |                                  |                             |                             |                             |
| Cancellation of a registered mortgage (12 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 Bank 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 Bank provides money, in case of a temporary fund shortage, for the principal and interest repayment of these companies senior bonds and subordinated bonds within the contracted term and amounts.

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 Bank has arranged various methods to compensate for losses on these credit line commitments including payment guarantees, repurchase contracts, surety certificate guarantees, and cash reserves. As of December 31, 2004, the Bank provided (Won)438,343 million in other allowances for its expected losses related to these commitments.

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**Kookmin Bank**

**Notes to Non-Consolidated Financial Statements**

**December 31, 2004 and 2003**

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As of December 31, 2004, post settlements on the loan sales transactions with Korea Asset Management Corporation ( KAMCO ) have been completed. Accordingly, the Bank provided allowances of (Won)217million for losses from possible future repurchase of loans from KAMCO under the repurchase agreement on loans amounting (Won)692 million.

As of December 31, 2003, the Bank 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 Bank (Won)123,310 million in tax deficiencies, wherein the Bank 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 Bank still holds (Won)6,629,858 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 Bank recorded receivables amounting to (Won)1,162,161 million, and payables amounting to (Won)1,468,528 million for unsettled foreign currency spot transactions.

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

As of December 31, 2004, the Bank has provided one blank promissory note and one promissory note with face value of (Won) 2,000,000 million to Korea Securities Finance Corporation as collateral for borrowings and other obligations. Also, as of December 31, 2004, the Bank transferred endorsed bills amounting to (Won)9,396 million.

In accordance with the November 24, 2003 agreement with the creditors' committee of LG Card Company, Limited( LG Card ), which is experiencing a financial crisis, the Bank provided the said company loans totaling (Won)437,000 million. And on January 9, 2004, the Bank 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 Bank 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 Bank'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 Bank 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)241,434 million, related with domestic credit card companies and capital companies, is included in the Bank's investment securities. The ultimate effect of these circumstances on the financial position of the Bank as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying non-consolidated financial statements.

**17. Capital Stock**

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 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

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

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.

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.

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.

**18. Capital Surplus**

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

*(in millions of Korean won)*

|  | <b>Beginning Balance</b> | <b>Changes</b> | <b>Ending Balance</b>  |
|--|--------------------------|----------------|------------------------|
| 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                |
|  | <b>(Won) 6,230,738</b>   | <b>(Won)</b>   | <b>(Won) 6,230,738</b> |

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. 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.

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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.

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:

|                                      | <b>2004</b>   |
|--------------------------------------|---------------|
| Shares outstanding                   | 336,379,116   |
| Treasury stock                       | (29,881,209)  |
|                                      | 306,497,907   |
| Shares entitled to dividends         | 306,497,907   |
| Dividend rate(%)                     | 11.00         |
| Dividend amount (in millions of Won) | (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)754,855 million (which is the amount before reflecting restatement of prior period financial statements referred at Note 38).

## Kookmin Bank

## Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

## 20. Capital Adjustments

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

| <i>(in millions of Korean won)</i>               | <b>Beginning<br/>Balance</b> | <b>Increase/<br/>Decrease</b> | <b>Disposal/<br/>Realization<sup>1</sup></b> | <b>Ending<br/>Balance</b> |
|--|------------------------------|-------------------------------|--|---------------------------|
| Treasury stock                                   | (Won) (1,328,312)            | (Won)                         | (Won) 5,992                                  | (Won) (1,322,320)         |
| Unrealized gain on available-for-sale securities | 137,987                      | 375,798                       | (74,995)                                     | 438,790                   |
| Unrealized gain on investment in associates      | 4,624                        | 2,127                         | (1,059)                                      | 5,692                     |
| Stock options                                    | 26,211                       | 5,101                         | (1,699)                                      | 29,613                    |
| Loss on disposal of treasury stock               | (749)                        | (710)                         |  | (1,459)                   |
|  | <b>(Won) (1,160,239)</b>     | <b>(Won) 382,316</b>          | <b>(Won) (71,761)</b>                        | <b>(Won) (849,684)</b>    |

<sup>1</sup> 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 of the Board of Directors on December 17, 2003, the Bank acquired 27,423,761 of its own shares previously owned by the Korean government at (Won)43,700 per share through public bidding and intends to sell these shares depending on certain market conditions. As a result of the acquisition, the Bank holds 8.88% the total common stock issued as treasury stock as of December 31, 2004.

## Kookmin Bank

## Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

## 21. Employee Stock Options

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

|   | Grant Date | Shares<br>Granted | Forfeiture | Shares<br>Exercised | Shares<br>Outstanding | Exercise Price | 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 <sup>1 2</sup>                 | 01.11.16   | 850,000           | 200,000    |                     | 650,000               | 51,200         | 04.11.17 -09.11.16 |
| Series 8-1 <sup>2</sup>                 | 02.03.22   | 132,000           | 89,753     |                     | 42,247                | 57,100         | 05.03.23 -10.03.22 |
| Series 8-2 <sup>3</sup>                 | 02.03.22   | 490,000           | 166,466    |                     | 323,534               | 57,100         | 05.03.23 -10.03.22 |
| Series 9 <sup>3</sup>                   | 02.07.26   | 30,000            |            |                     | 30,000                | 58,800         | 05.07.27 -10.07.26 |
| Series 10-1 <sup>2</sup>                | 03.03.21   | 140,000           | 59,947     |                     | 80,053                | 35,500         | 06.03.22 -11.03.21 |
| Series 10-1 <sup>3</sup>                | 03.03.21   | 180,000           | 64,090     |                     | 115,910               | 35,500         | 06.03.22 -11.03.21 |
| Series 11 <sup>3</sup>                  | 03.08.27   | 30,000            | 24,909     |                     | 5,091                 | 40,500         | 06.08.28 -11.08.27 |
| Series 12 <sup>3</sup>                  | 04.02.09   | 85,000            |            |                     | 85,000                | 46,100         | 07.02.10 -12.02.09 |
| Series 13-1 <sup>2</sup>                | 04.03.23   | 20,000            |            |                     | 20,000                | 47,200         | 07.03.22 -12.03.23 |
| Series 13-2 <sup>3</sup>                | 04.03.23   | 10,000            |            |                     | 10,000                | 47,200         | 07.03.22 -12.03.23 |
| Series 14                               | 04.11.01   | 700,000           |            |                     | 700,000               | 37,600         | 07.11.02 -12.11.01 |
| Increase due to merger-1 <sup>4</sup>   | 01.03.22   | 22,146            |            |                     | 22,146                | 71,538         | 04.03.23 -11.03.22 |
| Increase due to merger-2 <sup>2 4</sup> | 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             |                |                    |

- 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.
- 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.
- The number of shares to be granted will be determined by the results of the evaluation of the grantees after 3 years from grant date. The number of shares is calculated under the assumption that the performance-based stock options have been fully granted.
- 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.

## Kookmin Bank

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



## Kookmin Bank

## Notes to Non-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 compensation cost |
|---------------------------------|--------------------------------|----------------------------------|-------------------------------|------------------------------------|-----------------------------|------------------------------|--------------|-------------------------|
|                                 | Prior period compensation cost | Current period compensation cost | Accumulated compensation cost | Within 1 year                      | More than 1 year to 2 years | More than 2 years to 3 years | Total        |                         |
| <b>Series 1</b>                 | (Won) 517                      | (Won)                            | (Won) 517                     | (Won)                              | (Won)                       | (Won)                        | (Won)        | (Won) 517               |
| <b>Series 2</b>                 | 2,580                          | 234                              | 2,814                         |                                    |                             |                              |              | 2,814                   |
| <b>Series 5</b>                 | 2,131                          |                                  | 2,131                         |                                    |                             |                              |              | 2,131                   |
| <b>Series 6</b>                 | 960                            | 87                               | 1,047                         |                                    |                             |                              |              | 1,047                   |
| <b>Series 7</b>                 | 10,840                         | 1,097                            | 11,937                        |                                    |                             |                              |              | 11,937                  |
| <b>Series 8-1</b>               | 604                            | 345                              | 949                           | 86                                 |                             |                              | 86           | 1,035                   |
| <b>Series 8-2</b>               | 5,296                          | 1,968                            | 7,264                         | 660                                |                             |                              | 660          | 7,924                   |
| <b>Series 9</b>                 | 246                            | 173                              | 419                           | 101                                |                             |                              | 101          | 520                     |
| <b>Series 10-1</b>              | 427                            | 131                              | 558                           | 319                                | 80                          |                              | 399          | 957                     |
| <b>Series 10-2</b>              | 633                            | 318                              | 951                           | 544                                | 136                         |                              | 680          | 1,631                   |
| <b>Series 11</b>                | 50                             | (16)                             | 34                            | 26                                 | 17                          |                              | 43           | 77                      |
| <b>Series 12</b>                |                                | 388                              | 388                           | 466                                | 466                         | 78                           | 1,010        | 1,398                   |
| <b>Series 13-1</b>              |                                | 76                               | 76                            | 101                                | 101                         | 24                           | 226          | 302                     |
| <b>Series 13-2</b>              |                                | 38                               | 38                            | 50                                 | 50                          | 13                           | 113          | 151                     |
| <b>Series 14</b>                |                                | 238                              | 238                           | 2,855                              | 2,855                       | 2,616                        | 8,326        | 8,564                   |
| <b>Increase due to merger-1</b> | 171                            | 16                               | 187                           |                                    |                             |                              |              | 187                     |
| <b>Increase due to merger-2</b> | 57                             | 8                                | 65                            |                                    |                             |                              |              | 65                      |
|                                 | (Won) 24,512                   | (Won) 5,101                      | (Won) 29,613                  | (Won) 5,208                        | (Won) 3,705                 | (Won) 2,731                  | (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 compensation cost per stock option granted is (Won)16,294.

**Kookmin Bank****Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003****22. 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)*

|   | <b>Amount</b>          |
|---|------------------------|
| <b>Other non-interest income</b>        |                        |
| - Realized gain on trading securities   | (Won) 147,631          |
| - Unrealized gain on trading securities | 26,745                 |
| - Income from beneficiary certificates  | 384,747                |
| - Gain on trust management              | 117,869                |
| - Gain on valuation of derivatives      | 2,196,112              |
| - Gain on fair value hedged items       | 6,065                  |
| - Others                                | 41,945                 |
|   | <u>(Won) 2,921,114</u> |
| <b>Other non-interest expenses</b>      |                        |
| - Realized loss on trading securities   | 69,214                 |
| - Contributions to special funds        | 179,922                |
| - Loss on valuation of derivatives      | 2,050,551              |
| - Others                                | 505,036                |
|   | <u>(Won) 2,804,723</u> |

**23. General and Administrative Expenses**

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

*(in millions of Korean won)*

|                               | <b>Amount</b>   |
|-------------------------------|-----------------|
| Salaries and wages            | (Won) 1,196,981 |
| Retirement benefits (Note 12) | 124,608         |
| Other employee benefits       | 335,764         |
| Rent                          | 79,139          |
| Depreciation                  | 333,019         |
| Amortization                  | 82,270          |

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|                                   |                 |
|-----------------------------------|-----------------|
| Taxes and dues                    | 122,982         |
| Advertising                       | 43,869          |
| Ordinary Research and Development | 134,300         |
| Fees and commissions              | 95,898          |
| Others                            | 209,684         |
|                                   | <hr/>           |
|                                   | (Won) 2,758,514 |
|                                   | <hr/>           |

**Kookmin Bank****Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003****24. Non-Operating Income (Expenses)**

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

*(in millions of Korean won)*

|  | <u>Amount</u>            |
|--|--------------------------|
| <b>Non-operating income</b>                        |                          |
| - Gain on disposal of fixed assets                 | (Won) 29,546             |
| - Rent income                                      | 3,171                    |
| - Unrealized gain on investment in associates      |                          |
| - Realized gain on available-for-sale securities   | 77,823                   |
| - Realized gain on held-to-maturity securities     | 1,517                    |
| - Realized gain on investment in associates        | 1,146                    |
| - Reversal of impairment loss on tangible assets   | 3,281                    |
| - Gain on sale of loans                            | 23,770                   |
| - Others   | 171,298                  |
|  | <u>311,552</u>           |
| <b>Non-operating expenses</b>                      |                          |
| - Loss on disposal of fixed assets                 | 16,736                   |
| - Loss on impairment loss on tangible assets       | 19,384                   |
| - Unrealized loss on investment in associates      | 5,014                    |
| - Realized loss on available-for-sale securities   | 24,350                   |
| - Realized loss on held-to-maturity securities     | 3                        |
| - Impairment loss on available-for-sale securities | 82,272                   |
| - Early retirement benefits                        | 50,029                   |
| - Loss on sale of loans                            | 1,183,331                |
| - Others   | 121,003                  |
|  | <u>1,502,122</u>         |
|  | <u>(Won) (1,190,570)</u> |

**Kookmin Bank****Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003****25. Income Tax Expense**

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

(in millions of Won)

|   | <u>2004</u>          | <u>2003</u>            |
|---|----------------------|------------------------|
| Income tax payable  | (Won) 178,871        | (Won) 23               |
| Deferred income taxes from temporary differences                      | 164,790              | (285,864)              |
| Deferred income taxes from accumulated deficit                        |                      | (168,645)              |
| Deferred tax credit   |                      | (3,951)                |
| Retained earnings and other capital surplus adjustments <sup>1*</sup> | (313)                | 2,033                  |
|   | <u>(Won) 343,348</u> | <u>(Won) (456,404)</u> |

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 Bank, 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 38.21% and 32.91%. 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 Won)

|   | <u>2004</u>          | <u>2003</u>            |
|---|----------------------|------------------------|
| Net income (loss) before income taxes                 | (Won) 898,598        | (Won) (1,386,760)      |
| Income tax expense based on statutory tax rate(29.7%) | 266,884              | (411,868)              |
| Tax effects on adjustments                            |                      |                        |
| Adjustments to increase taxable income                | 110,844              | 97,458                 |
| Adjustments to decrease taxable income                | (47,512)             | (166,668)              |
| Tax rate discount effect                              | 13,132               | 24,674                 |
|   | <u>(Won) 343,348</u> | <u>(Won) (456,404)</u> |

## Kookmin Bank

## Notes to Non-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:

| <i>(in millions of Korean won)</i>                 | Beginning<br>balance | Increase         | Decrease         | Ending<br>balance | Deferred tax asset<br>(liability) |
|--|----------------------|------------------|------------------|-------------------|-----------------------------------|
| Allowance for loan losses                          | (Won) 299,023        | 574,629          | 274,688          | 598,964           | (Won) 164,715                     |
| Accrued interest                                   | (349,435)            | (267,558)        | (308,069)        | (308,924)         | (84,954)                          |
| Unrealized loss on securities                      | 762,266              | 646,073          | 682,038          | 726,301           | 199,733                           |
| Unrealized gain on derivatives                     | (35,045)             | (124,245)        | (23,924)         | (135,366)         | (37,226)                          |
| 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                               |
| Stock options                                      | 26,211               | 29,613           | 26,211           | 29,613            | 8,143                             |
| Loss on fair value hedges                          | (1,502)              | (2,176)          |                  | (3,678)           | (1,011)                           |
| Accumulated depreciation                           | 8,313                | 102              | 4,260            | 4,155             | 1,143                             |
| Other allowances                                   | 505,372              | 636,457          | 505,372          | 636,457           | 175,025                           |
| Others   | 104,471              | 232,281          | 329,516          | 7,236             | 1,990                             |
| Net operating loss carry-forward                   | 567,825              |                  | 567,825          |                   |                                   |
|  | <u>1,903,347</u>     | <u>1,730,581</u> | <u>2,073,765</u> | <u>1,560,163</u>  | <u>429,045</u>                    |
| Deferred income tax deduction                      | (Won) 3,951          |                  | 3,951            |                   |                                   |
|  |                      |                  |                  |                   | <u>(Won) 429,045</u>              |

## 26. 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               |
|---|--------------------|--------------------|
| Number of common shares outstanding-beginning balance | 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  | <u>306,431,609</u> | <u>325,999,911</u> |

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

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|   | <u>2004</u>        | <u>2003</u>          |
|---|--------------------|----------------------|
| Net income (loss) (in millions of Won)  | (Won) 555,250      | (Won) (930,356)      |
| 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) | <u>(Won) 1,812</u> | <u>(Won) (2,854)</u> |

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

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

|   | <u>2004</u>        | <u>2003</u>          |
|---|--------------------|----------------------|
| Net income (loss) (in millions of Korean won)                                   | (Won) 555,238      | (Won) (930,356)      |
| 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) | <u>(Won) 1,811</u> | <u>(Won) (2,854)</u> |

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

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

As discussed in Note 38, the Bank restated net loss and basic loss per share for the year ended December 31, 2003 from (Won)753,348 million and (Won)2,311 to (Won)930,356 million and (Won)2,854, respectively, to comply with the Securities and Futures Commission's announced the results of the investigation on Kookmin Bank's accounting treatments.

**27. Assets and Liabilities Denominated in Foreign Currencies**

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

|                | <u>Total Balances</u>             |  | <u>Major Denomination Currencies</u> |                                 |                                      |
|----------------|-----------------------------------|--|--------------------------------------|---------------------------------|--------------------------------------|
|                | <u>Millions of<br/>Korean Won</u> | <u>Thousands of<br/>US Dollars<sup>1</sup></u> | <u>Thousands of<br/>US Dollars</u>   | <u>Thousands of<br/>EC Euro</u> | <u>Thousands of<br/>Japanese Yen</u> |
| <b>Assets</b>  |                                   |  |                                      |                                 |                                      |
| Cash           | (Won) 124,735                     | \$ 119,501                                     | \$ 52,102                            | 15,928                          | ¥ 3,446,955                          |
| Due from banks | 607,447                           | 581,957  | 550,641                              | 3,849                           | 2,277,613                            |
| Securities     | 950,807                           | 910,909  | 713,604                              |                                 | 4,280,373                            |
| Loans          | 3,860,828                         | 3,698,819                                      | 486,690                              |                                 | 33,744,003                           |



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|  |           |           |           |        |            |
|--|-----------|-----------|-----------|--------|------------|
| Bills bought                           | 574,785   | 550,665   | 492,775   | 36,516 | 682,658    |
| Call loans                             | 191,784   | 183,736   | 163,600   |        | 500,000    |
| <b>Liabilities</b>                     |           |           |           |        |            |
| Deposits                               | 1,434,061 | 1,373,885 | 862,896   | 46,339 | 33,911,574 |
| Borrowings                             | 2,540,260 | 2,433,665 | 1,859,413 | 40,051 | 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    |

## Kookmin Bank

## Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

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

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

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.

## 28. 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           | Other Financial |               |               | Total           |
|-----------------------------|-----------------------|-----------------|---------------|---------------|-----------------|
|                             |                       | Bank of Korea   | Other Banks   | Institutions  |                 |
| Cash and due from banks     | In Won                | (Won) 1,685,105 | (Won) 276,182 | (Won) 104,700 | (Won) 2,065,987 |
|                             | In foreign currencies | 43,631          | 558,771       | 5,045         | 607,447         |
|                             |                       | (Won) 1,728,736 | (Won) 834,953 | (Won) 109,745 | (Won) 2,673,434 |
| Loans                       | In Won                | (Won)           | (Won) 6,623   | (Won) 682,384 | (Won) 689,007   |
|                             | In foreign currencies |                 | 809,978       | 340,448       | 1,150,426       |

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|            |                       |               |                 |                 |                 |
|------------|-----------------------|---------------|-----------------|-----------------|-----------------|
|            | Others                |               | 2,991,017       | 1,111,480       | 4,102,497       |
|            |                       | (Won)         | (Won) 3,807,618 | (Won) 2,134,312 | (Won) 5,941,930 |
| Deposits   | In Won                | (Won)         | (Won) 1,683,255 | (Won) 5,240,889 | (Won) 6,924,144 |
|            | In foreign currencies |               |                 | 110,000         | 110,000         |
|            |                       | (Won)         | (Won) 1,683,255 | (Won) 5,350,889 | (Won) 7,034,144 |
| Borrowings | In Won                | (Won) 920,144 | (Won) 158,245   | (Won) 5,227     | (Won) 1,083,616 |
|            | In foreign currencies |               | 1,684,978       | 13,882          | 1,698,860       |
|            | Others                | 2,007         | 13,685          | 638,500         | 654,192         |
|            |                       | (Won) 922,151 | (Won) 1,856,908 | (Won) 657,609   | (Won) 3,436,668 |
| Debentures | In Won                | (Won)         | (Won)           | (Won) 132,900   | (Won) 132,900   |
|            | In foreign currencies |               | 696,522         |                 | 696,522         |
|            |                       | (Won)         | (Won) 696,522   | (Won) 132,900   | (Won) 829,422   |

## Kookmin Bank

## Notes to Non-Consolidated Financial Statements

December 31, 2004 and 2003

## 29. Related Party Transactions

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

| (in millions of Korean won)             | Account              | 2004     |              | 2003     |              |
|---|----------------------|----------|--------------|----------|--------------|
|   |                      | Balances | Transactions | Balances | Transactions |
| KB Investment Co., Ltd.                 | Deposits             | 17,423   | (432)        | 9,624    | (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)        |
| Kookmin Bank 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)      |
| Kookmin Bank International 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 Hong Kong Ltd.             | Due from banks       | 619      | 61           | 372      | 857          |
|   | 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                     | Deposits             | 25,729   | (866)        | 46,244   | (1,250)      |
|   | Other liabilities    | 524      |              | 234      | (5)          |
| KB Real Estate 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    |              |

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|                                 |                      |        |        |              |
|---------------------------------|----------------------|--------|--------|--------------|
|                                 | Rent                 |        | 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                 |        | 54     |              |

**Kookmin Bank****Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003****30. 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> |
|--------------------|--------------------------|-------------------------|--------------------------|
| <b>Assets</b>      |                          |                         |                          |
| Due from banks     | (Won) 829,905            | (Won) 9,995             | 1.20                     |
| Securities         | 23,818,203               | 1,045,947               | 4.39                     |
| Loans              | 139,533,481              | 10,279,924              | 7.37                     |
|                    | <u>(Won) 164,181,589</u> | <u>(Won) 11,335,866</u> |                          |
| <b>Liabilities</b> |                          |                         |                          |
| Deposits           | (Won) 129,654,719        | (Won) 3,909,204         | 3.02                     |
| Borrowings         | 10,891,248               | 326,586                 | 3.00                     |
| Debentures         | 19,046,584               | 1,116,110               | 5.86                     |
|                    | <u>(Won) 159,592,551</u> | <u>(Won) 5,351,900</u>  |                          |

**31. Operations of Trust Accounts**

The summarized statement of assets and liabilities of trust accounts as of December 31, 2004 are categorized into principal or dividend guaranteed money trusts, performance money trusts and property trusts, as follows:

| <i>(in millions of Korean won)</i> | <u>Guaranteed</u>   | <u>Performance</u>  | <u>Property</u> | <u>Total</u>    |
|------------------------------------|---------------------|---------------------|-----------------|-----------------|
|                                    | <u>Money Trusts</u> | <u>Money Trusts</u> | <u>Trusts</u>   |                 |
| Securities                         | (Won) 2,874,475     | (Won) 3,676,741     | (Won) 1,041,021 | (Won) 7,592,237 |
| Loans                              | 211,489             | 150,416             |                 | 361,905         |
| Receivables                        |                     |                     | 10,679,316      | 10,679,316      |
| Due from banking accounts          | 116,824             | 210,916             | 101,729         | 429,469         |
| Call loans                         | 96,000              | 4,000               |                 | 100,000         |
| Allowance for loan losses          | (33,710)            | (13,482)            |                 | (47,192)        |
| Other assets                       | 50,216              | 73,015              | 927,079         | 1,050,310       |

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|                            |                 |                 |                  |                  |
|----------------------------|-----------------|-----------------|------------------|------------------|
| Total assets               | (Won) 3,315,294 | (Won) 4,101,606 | (Won) 12,749,145 | (Won) 20,166,045 |
| Trusts                     | (Won) 3,108,612 | (Won) 3,920,223 | (Won) 12,534,329 | (Won) 19,563,164 |
| Reserves for future losses | 53,349          | 2,656           |                  | 56,005           |
| Other liabilities          | 153,333         | 178,727         | 214,816          | 546,876          |
| Total liabilities          | (Won) 3,315,294 | (Won) 4,101,606 | (Won) 12,749,145 | (Won) 20,166,045 |

**Kookmin Bank**

**Notes to Non-Consolidated Financial Statements**

**December 31, 2004 and 2003**

The Bank is liable as of December 31, 2004 for the following portion of the difference between the book value and fair value of principal and/or related profit guaranteed money trusts:

*(in millions of Korean won)*

|  | <u>Book Value</u>      | <u>Fair Value</u>      | <u>Liability</u> |
|--|------------------------|------------------------|------------------|
| Principal guaranteed money trusts              | (Won) 3,233,059        | (Won) 3,255,108        | (Won)            |
| Principal and dividend guaranteed money trusts | 82,235                 | 82,868                 |                  |
|  | <u>(Won) 3,315,294</u> | <u>(Won) 3,337,976</u> | <u>(Won)</u>     |

The key results of operations from transactions between bank accounts and trust accounts, excluding securities investment trust, for the year ended December 31, 2004 are as follows:

*(in millions of Korean won)*

|                            | <u>Trust Account<br/>Related Income</u> | <u>Trust Account<br/>Related Expenses</u>                          |
|----------------------------|---|--|
| Gain on trust management   | (Won) 102,148                           | Interest expense on borrowings from trust<br>accounts (Won) 34,575 |
| Early withdrawal penalties | 73                                      |  |
|                            | <u>(Won) 102,221</u>                    | <u>(Won) 34,575</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.

**Kookmin Bank****Notes to Non-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 Won)*

|                                      | <u>2004</u>            | <u>2003</u>            |
|--------------------------------------|------------------------|------------------------|
| Cash on hand                         | (Won) 2,380,578        | (Won) 2,945,921        |
| Cash in foreign currencies           | 124,735                | 228,153                |
| Due from banks in Won                | 2,068,749              | 2,763,457              |
| Due from banks in foreign currencies | 607,447                | 601,624                |
|                                      | <u>5,181,509</u>       | <u>6,539,155</u>       |
| Restricted deposits                  | (1,819,977)            | (2,767,398)            |
|                                      | <u>(Won) 3,361,532</u> | <u>(Won) 3,771,757</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 Won)*

|  | <u>2004</u>   | <u>2003</u>      |
|--|---------------|------------------|
| Change due to the merger with KB Credit Card Co., Ltd.               | (Won) 300,802 | (Won) 10,595,409 |
| Unrealized gains on investment securities                            | 5,293,809     | (122,888)        |
| Write-off of loans   | 644,590       | 4,773,212        |
| Decrease in loan loss provision due to sales of non-performing loans | 181,034       | 60,401           |
| Conversion of loans into equity securities                           | 33,415        | 33,415           |

**35. Business Segments**

The following table shows the general information and the distribution of the Bank's operations by business segment as of and for the year ended December 31, 2004:

(1) General information

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**Business Scope**

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Retail Banking  
Corporate Banking  
Capital Markets Activities  
Credit Card Operations  
Others

Operation of loans to individual, household and related to it  
Operation of loans to corporate and related to it  
Operation of funds and securities  
Operation of credit card and card loan  
Others

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

## (2) Financial information

| <i>(in millions of Korean won)</i> | <b>Retail</b>           | <b>Corporate</b>        | <b>Capital Markets</b>  | <b>Credit Card</b>     | <b>Others</b>          | <b>Total</b>             |
|------------------------------------|-------------------------|-------------------------|-------------------------|------------------------|------------------------|--------------------------|
|                                    | <b>Banking</b>          | <b>Banking</b>          | <b>Activities</b>       | <b>Operations</b>      |                        |                          |
| Loans                              | (Won) 82,562,821        | (Won) 42,356,089        | (Won) 4,094,016         | (Won) 7,021,125        | (Won) 272              | (Won) 136,034,323        |
| Securities                         |                         | 953,208                 | 26,294,868              |                        | 350,661                | 27,598,737               |
| Fixed assets                       | 1,662,848               | 151,660                 | 12,944                  | 55,448                 | 750,318                | 2,633,218                |
| Other assets                       | 2,318,209               | 201,915                 | 7,633,536               | 1,593,234              | 1,714,012              | 13,460,906               |
| <b>Total assets</b>                | <b>(Won) 86,543,878</b> | <b>(Won) 43,662,872</b> | <b>(Won) 38,035,364</b> | <b>(Won) 8,669,807</b> | <b>(Won) 2,815,263</b> | <b>(Won) 179,727,184</b> |
| Operating revenue                  | (Won) 6,088,930         | (Won) 3,339,648         | (Won) 8,194,308         | (Won) 2,647,841        | (Won) 609,133          | (Won) 20,879,860         |

The following table shows the general information and the distribution of the Bank's operations by geographical market as of and for the year ended December 31, 2004:

## (1) General information

The Bank's operations consist of domestic operations and overseas operations.

## (2) Financial information

| <i>(in millions of Korean won)</i> | <b>Domestic</b>          | <b>Overseas</b>      | <b>Total</b>             |
|------------------------------------|--------------------------|----------------------|--------------------------|
| Loans                              | (Won) 135,599,718        | (Won) 434,605        | (Won) 136,034,323        |
| Securities                         | 27,596,336               | 2,401                | 27,598,737               |
| Fixed assets                       | 2,630,151                | 3,067                | 2,633,218                |
| Other assets                       | 12,903,908               | 556,998              | 13,460,906               |
| <b>Total assets</b>                | <b>(Won) 178,730,113</b> | <b>(Won) 997,071</b> | <b>(Won) 179,727,184</b> |
| Operating revenue                  | (Won) 20,829,465         | (Won) 50,395         | (Won) 20,879,860         |



**Kookmin Bank****Notes to Non-Consolidated Financial Statements****December 31, 2004 and 2003****36. Final interim period performance**

Final interim performance for the three-month periods ended December 31, 2004 and 2003, are as follows:

*(in millions of Won)*

|                         | <u>2004</u>     | <u>2003</u>     |
|-------------------------|-----------------|-----------------|
| Operating income        | (Won) 7,013,515 | (Won) 3,114,173 |
| Operating expense       | 6,782,350       | 1,600,139       |
| Operating (loss) income | 231,165         | 1,514,034       |
| Net loss                | (127,259)       | (521,088)       |
| Loss per share (in Won) | (415)           | (1,587)         |

**37. 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 income or shareholders' equity.

**38. 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 (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 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

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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. 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.

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

**(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 other allowance and overstatement of unrealized gain on investment in associates for the amount of (Won)213,157 million and (Won)27,159 million, respectively, by reversing the understatement of other allowance by (Won)213,157 million in income statement for the year ended in December 31, 2003 and overstatement of unrealized gain on investment in associates by (Won)27,159 million in income statement for the year ended in September 30, 2003. Therefore, the net income and retained earning before appropriation in the financial statements for the year ended in 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 overstatement of unrealized gain on investment in associates by (Won)27,159 million.

The balance sheet as December 31, 2003 and income statement for the year ended December 31, 2003, 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)*

|   | <u>Before Adjustments</u> | <u>After Adjustments</u> |
|---|---------------------------|--------------------------|
| <b>Balance sheet (2003.12.31)</b>             |                           |                          |
| Deferred income tax assets                    | (Won) 552,636             | (Won) 615,944            |
| Other allowances                              | 647,393                   | 860,550                  |
| Agency fee payable                            | 337,624                   | 364,783                  |
| Retained earnings                             | 1,662,119                 | 1,485,111                |
| <b>Income statement (2003.1.1-2003.12.31)</b> |                           |                          |
| Unrealized gain on investment in associates   | (Won) 267,870             | (Won) 240,711            |
| Provision of other allowances                 | 432,871                   | 646,028                  |



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|                    |           |           |
|--------------------|-----------|-----------|
| Income tax benefit | (393,096) | (456,404) |
|--------------------|-----------|-----------|

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:

| <i>(in millions of Korean won)</i> | <b>December 31, 2003</b>  |                          |
|------------------------------------|---------------------------|--------------------------|
|                                    | <b>Before Adjustments</b> | <b>After Adjustments</b> |
| Ordinary loss                      | (Won) (753,348)           | (Won) (930,356)          |
| Net loss                           | (753,348)                 | (930,356)                |
| Ordinary loss per share(in Won)    | (2,311)                   | (2,854)                  |
| Net loss per share(in won)         | (2,311)                   | (2,854)                  |

**Kookmin Bank**

**Notes to Non-Consolidated Financial Statements**

**December 31, 2004 and 2003**

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**39. Subsequent Event**

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 Bank 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 Bank agreed with the Bank's labor union to implement an early retirement program to which about 2,200 employees applied as of February 2, 2005. Estimated cost for the said program is approximately (Won)256 billion.

On February 3, 2005, the Bank, 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.

**40. 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.

## Kookmin Bank and Subsidiaries

## Consolidated Operating Results for the Fiscal Year 2004

December 31, 2004 and December 31, 2003

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

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

|  | 2004              | 2003              |
|--|-------------------|-------------------|
| <i>(in millions of Won, except per share amounts)</i>              |                   |                   |
| <b>Interest income</b>   |                   |                   |
| 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           |
|  | <u>11,190,499</u> | <u>13,084,902</u> |
| <b>Interest expenses</b>   |                   |                   |
| 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            |
|  | <u>5,539,860</u>  | <u>6,475,761</u>  |
| Net interest income  | 5,650,639         | 6,609,141         |
| Provision for loan losses  | 3,064,528         | 2,028,696         |
| Net interest income after provision for loan losses                | <u>2,586,111</u>  | <u>4,580,445</u>  |
| <b>Non-interest income</b>   |                   |                   |
| 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                                   | 4,060,338         | 1,134,624         |
| Insurance income   | 58,385            |                   |
| Others   | 2,976,927         | 857,192           |
|  | <u>10,002,735</u> | <u>4,935,018</u>  |
| <b>Non-interest expenses</b>                                       |                   |                   |
| Fees and commission expenses                                       | 442,349           | 717,604           |
| General and administrative expenses                                | 2,844,108         | 3,027,164         |
| Loss on foreign currency transactions                              | 294,135           | 195,212           |
| Loss on derivatives transactions                                   | 3,991,366         | 1,089,971         |
| Insurance expense  | 43,672            |                   |
| Others   | 2,930,558         | 1,564,883         |
|  | <u>10,546,188</u> | <u>6,594,834</u>  |
| Operating income   | 2,042,658         | 2,920,629         |
| Non-operating expenses, net  | (1,150,689)       | (4,180,551)       |
| Net (loss) income before income tax expense                        | 891,969           | (1,259,922)       |
| Income tax (benefit) expense                                       | 338,105           | (417,666)         |
| Net (loss) income before consolidation adjustment                  | 553,864           | (842,256)         |
| Minority interest in (earnings)losses of consolidated subsidiaries | (3,132)           | (76,502)          |
| Net (loss) income  | (Won) 550,732     | (Won) (918,758)   |

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|   |       |       |       |         |
|---|-------|-------|-------|---------|
| Basic (loss) earnings per share (In Korean Won)   | (Won) | 1,797 | (Won) | (2,818) |
| Diluted (loss) earnings per share (In Korean Won) | (Won) | 1,797 | (Won) | (2,818) |

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