

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

Washington, D.C. 20549

Form 6-K

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

For the month of March 2005

Kookmin Bank

(Translation of registrant's name into English)

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

(Address of principal executive office)

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

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Form 20-F Form 40-F

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

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

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

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

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

Yes No

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Summary of Business Report for the Fiscal year 2004

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

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

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1. Introduction to the Bank

1.1. Business Purposes

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

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

1.2. History

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

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

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

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

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

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n September 30, 2003

Completed small-scale merger with Kookmin Credit Card

n December 16, 2003

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

n December 19, 2003

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

n April 29, 2004

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

n July 22, 2004

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

n August 31, 2004

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

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n October 29, 2004

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

n November 09, 2004

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

Table of Contents**1.3. Capital Structure****1.3.1. Common Shares**

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

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

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

With regard to the merger between Kookmin Bank and Kookmin Credit Card on September 30, 2003, Kookmin Bank issued additional 8,120,431 shares on October 1, 2003. Accordingly, as of December 31, 2004, total 336,379,116 shares were issued with 1,681,896 million Won of paid-in capital.

1.3.2. Treasury Stock

The following table shows the acquisition and disposition of our treasury stock as of December 31, 2004.

(Units: in millions of Won unless indicated otherwise)

| <u>Date</u> | <u>Transaction</u> | <u>Number of share</u> | <u>Acquisition/ Disposition amount</u> | <u>Average cost per one share (Won)</u> |
|-------------------|--|----------------------------|--|---|
| November 15, 2001 | Acquisition of fractional shares in the course of the merger | 41,548 | 1,794,885 | 43,200 |
| December 24, 2001 | Disposition due to exercise of stock option by a grantee | 10,000 | 432,003 | 43,200 |
| April 3, 2002 | Acquisition of fractional shares due to stock dividend | 36,089 | 2,071,557 | 57,400 |
| May 14, 2002 | Disposition pursuant to the Bank Act of Korea | 31,548 | 1,601,944 | 50,788 |
| | Acquisition pursuant to the Securities and Exchange Act of Korea | 3,000,000 | 147,632,489 | 49,210 |

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| | | | | |
|-------------------------------------|--|-------------------|----------------------|---------------|
| July 30 ~ October 23, 2002 | | | | |
| December 24, 2002 | Disposition due to exercise of stock option by a grantee | 10,000 | 492,294 | 49,229 |
| January 15, 2003 | Disposition due to exercise of stock option by a grantee | 10,000 | 492,294 | 49,229 |
| September 4 ~ 9, 2003 | | | | |
| October 16, 2003 | Acquisition pursuant to the Securities and Exchange Act of Korea | 650,000 | 29,094,064 | 44,760 |
| | Acquisition of fractional shares due to the Merger with Kookmin Credit Card | 5,095 | 214,254 | 42,050 |
| 4th quarter, 2003 | Disposition due to exercise of stock option by grantees | 78,322 | 3,792,977 | 48,428 |
| December 17, 2003 | Acquisition from the sale of Korean government shares of the Bank | 27,423,761 | 1,198,568,158 | 43,700 |
| December 26, 2003 | Disposition due to contribution to ESOP account | 1,000,000 | 44,252,000 | 44,252 |
| 1st quarter, 2004 | Disposition due to exercise of stock option by grantees | 30,855 | 1,365,396 | 44,252 |
| 2nd quarter, 2004 | Disposition due to exercise of stock option by grantees | 55,593 | 2,460,101 | 44,252 |
| 3rd quarter, 2004 | Disposition due to exercise of stock option by grantees | 592 | 26,197 | 44,252 |
| 4th quarter, 2004 | Disposition due to exercise of stock option by grantees | 48,374 | 2,140,646 | 44,252 |
| Total | | 29,881,209 | 1,322,319,555 | |

Table of Contents**1.3.3. Stock Option**

The following table is the breakdown of stock options Kookmin Bank has granted to the directors and employees as of December 31, 2004.

(Units: in Won, shares)

| Grant date | Name of the grantee | Position when granted | Exercise period | | Exercise price | Number of granted options* | Number of exercised options | Number of exercisable options |
|------------|----------------------------|-------------------------------------|-----------------|-----------|----------------|----------------------------|-----------------------------|-------------------------------|
| | | | From | To | | | | |
| 31-Oct-98 | Jung Tae Kim | Chairman, President & CEO | 01-Nov-01 | 31-Oct-04 | 5,000 | 400,000 | 400,000 | 0 |
| 27-Feb-99 | Choul Ju Lee | Auditor & Executive Director | 28-Feb-02 | 27-Feb-05 | 13,900 | 30,000 | 30,000 | 0 |
| 28-Feb-00 | Jan Op de Beeck | Director & Executive Vice President | 01-Mar-03 | 28-Feb-06 | 27,600 | 22,490 | 0 | 22,490 |
| 28-Feb-00 | Sung Chul Kim | Executive Vice President | 01-Mar-03 | 28-Feb-06 | 27,600 | 30,000 | 0 | 30,000 |
| 28-Feb-00 | Woo Jung Lee | Executive Vice President | 01-Mar-03 | 28-Feb-06 | 27,600 | 30,000 | 0 | 30,000 |
| 28-Feb-00 | Kuk Ju Kwon | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,800 | 0 | 4,800 |
| 28-Feb-00 | Sun Jin Kim | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 7,000 | 1,100 | 5,900 |
| 28-Feb-00 | Joon Park | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,800 | 0 | 4,800 |
| 28-Feb-00 | Moon Soul Chung | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 7,000 | 0 | 7,000 |
| 28-Feb-00 | Ju Hyun Yoon | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,800 | 4,800 | 0 |
| 28-Feb-00 | Heung Soon Chang | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 2,486 | 0 | 2,486 |
| 28-Feb-00 | In Joon Kang | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 2,486 | 0 | 2,486 |
| 28-Feb-00 | Sung Hee Jwa | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,800 | 0 | 4,800 |
| 28-Feb-00 | Seung Woo Nam | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 1,928 | 0 | 1,928 |
| 28-Feb-00 | Woon Youl Choi | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,909 | 4,909 | 0 |
| 28-Feb-00 | Kyung Hee Yoon | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 7,000 | 0 | 7,000 |
| 28-Feb-00 | Sung Cheon Hong & 9 others | Employees | 01-Mar-03 | 28-Feb-06 | 27,600 | 67,283 | 30,975 | 36,308 |
| 24-Mar-01 | Young Il Kim | Executive Vice President | 25-Mar-04 | 24-Mar-07 | 25,100 | 30,000 | 0 | 30,000 |
| 24-Mar-01 | Jong In Park | Executive Vice President | 25-Mar-04 | 24-Mar-07 | 25,100 | 19,333 | 0 | 19,333 |
| 24-Mar-01 | Won Bae Yoon | Non Executive Director | 25-Mar-04 | 24-Mar-07 | 25,100 | 2,318 | 0 | 2,318 |
| 24-Mar-01 | Jae Kyu Lee | Non Executive Director | 25-Mar-04 | 24-Mar-07 | 25,100 | 2,318 | 0 | 2,318 |
| 24-Mar-01 | Chul Soo Ahn | Non Executive Director | 25-Mar-04 | 24-Mar-07 | 25,100 | 1,916 | 0 | 1,916 |
| 24-Mar-01 | Jae Han Kim & 2 others | Employees | 25-Mar-04 | 24-Mar-07 | 25,100 | 16,491 | 11,216 | 5,275 |
| 18-Mar-00 | Sang Hoon Kim | Chairman & CEO | 19-Mar-03 | 18-Mar-05 | 23,469 | 41,460 | 27,300 | 14,160 |
| 18-Mar-00 | Jong Min Lee | Auditor & Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 14,807 | 14,807 | 0 |
| 18-Mar-00 | Se Jong Oh | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 2,961 | 0 |
| 18-Mar-00 | In Kie Kim | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 0 | 2,961 |
| 18-Mar-00 | Jin Ho Hwang | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 0 | 2,961 |
| 18-Mar-00 | Bong Ho Paick | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 0 | 2,961 |
| 18-Mar-00 | Bock Woan Kim | Executive Vice President | 19-Mar-03 | 18-Mar-05 | 23,469 | 11,845 | 11,845 | 0 |
| 18-Mar-00 | Yoo Hwan Kim | Executive Vice President | 19-Mar-03 | 18-Mar-05 | 23,469 | 11,845 | 5,845 | 6,000 |
| 18-Mar-00 | Duk Hyun Kim | Executive Vice President | 19-Mar-03 | 18-Mar-05 | 23,469 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Sang Hoon Kim | Chairman & CEO | 16-Mar-04 | 15-Mar-09 | 28,027 | 29,614 | 1,000 | 28,614 |
| 15-Mar-01 | Jong Min Lee | Auditor & Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 14,807 | 0 | 14,807 |
| 15-Mar-01 | In Kie Kim | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Hyung Jin Chang | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 2,961 | 0 |
| 15-Mar-01 | Ji Hong Kim | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |

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|------------------|-----------------------|-------------------------------|------------------|------------------|---------------|--------------|----------|--------------|
| 15-Mar-01 | Bong Ho Paick | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 1,870 | 0 | 1,870 |
| 15-Mar-01 | Ik Rae Kim | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Seung Heon Han | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 1,870 | 0 | 1,870 |
| 15-Mar-01 | Young Seok Kim | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 1,870 | 0 | 1,870 |
| 15-Mar-01 | Se Woong Lee | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |

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

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| Grant date | Name of the grantee | Position when granted | Exercise period | | Exercise price | Number of granted options* | Number of exercised options | Number of exercisable options |
|------------|-----------------------------|------------------------------|-----------------|-----------|----------------|----------------------------|-----------------------------|-------------------------------|
| | | | From | To | | | | |
| 15-Mar-01 | Chang Ki Min | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 2,961 | 0 |
| 15-Mar-01 | Bock Woan Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Yoo Hwan Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Duk Hyun Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Ok Hyun Yoon | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Tai Gon Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 4,845 | 7,000 |
| 15-Mar-01 | Byung Sang Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Byung Jin Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Han Koo Ji & 46 others | Employees | 16-Mar-04 | 15-Mar-09 | 28,027 | 47,381 | 10,289 | 37,092 |
| 16-Nov-01 | Jung Tae Kim | President & CEO | 17-Nov-04 | 16-Nov-09 | X ¹ | 500,000 | 0 | 500,000 |
| 16-Nov-01 | Sang Hoon Kim | Chairman | 17-Nov-04 | 16-Nov-09 | X ¹ | 150,000 | 0 | 150,000 |
| 22-Mar-02 | Choul Ju Lee | Auditor & Executive Director | 23-Mar-05 | 22-Mar-10 | | 9,963 | 0 | 9,963 |
| 22-Mar-02 | Henry Cornell | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 3,321 | 0 | 3,321 |
| 22-Mar-02 | Keun Shik Oh | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 3,321 | 0 | 3,321 |
| 22-Mar-02 | Dong Soo Chung | Non Executive Director | 23-Mar-05 | 22-Mar-10 | Y ² | 10,000 | 0 | 10,000 |
| 22-Mar-02 | Ji Hong Kim | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 3,321 | 0 | 3,321 |
| 22-Mar-02 | Timothy Hartman | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 3,321 | 0 | 3,321 |
| 22-Mar-02 | Sun Jin Kim | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 3,000 | 0 | 3,000 |
| 22-Mar-02 | Moon Soul Chung | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 3,000 | 0 | 3,000 |
| 22-Mar-02 | Kyung Hee Yoon | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 3,000 | 0 | 3,000 |
| 22-Mar-02 | Jong Kyoo Yoon | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Bong Hwan Cho | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 9,498 | 0 | 9,498 |
| 22-Mar-02 | Bum Soo Choi | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 13,339 | 0 | 13,339 |
| 22-Mar-02 | Bock Woan Kim | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 13,339 | 0 | 13,339 |
| 22-Mar-02 | Ki Taek Hong | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 19,525 | 0 | 19,525 |
| 22-Mar-02 | Sung Hyun Chung | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 19,525 | 0 | 19,525 |
| 22-Mar-02 | Ki Sup Shin | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Seong Kyu Lee | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Byung Sang Kim | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 9,498 | 0 | 9,498 |
| 22-Mar-02 | Jong Young Yoon & 15 others | Employees | 23-Mar-05 | 22-Mar-10 | 57,100 | 148,810 | 0 | 148,810 |
| 26-Jul-02 | Donald H. MacKenzie | Executive Vice President | 27-Jul-05 | 26-Jul-10 | 58,800 | 30,000 | 0 | 30,000 |
| 21-Mar-03 | Moon Soul Chung | Non Executive director | 22-Mar-06 | 21-Mar-11 | Y ³ | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Sun Jin Kim | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Richard Elliott Lint | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Kyung Hee Yoon | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Suk Yong Cha | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Bernard S. Black | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Ki Hong Kim | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Eun Joo Park | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 3,351 | 0 | 3,351 |
| 21-Mar-03 | Cheol Soo Ahn | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 3,351 | 0 | 3,351 |

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

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

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

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

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

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

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

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

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

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

1.5. Dividend

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

(Units: in millions of Won unless indicated otherwise)

| | 2004 | 2003 | 2002 |
|--|----------------------------|------------------|------------------|
| | _____ | _____ | _____ |
| Net (loss) income for the period | 555,250 | (930,356) | 1,310,291 |
| Diluted (loss) earnings per share (Won) | 1,811₁ | (2,854) | 4,123 |
| Maximum amount available for dividend | 767,896₂ | | 1,192,643 |
| Total dividend amount | 168,574 | | 325,232 |
| Dividend payout ratio (%) | 30.36₃ | | 24.82 |
| Cash dividend per common share (Won) | 550 | | 1,000 |
| Stock dividend per common share (%) | | | |
| Dividend per preferred share (Won) | | | |
| Dividend yield ratio (%) | 1.42₄ | | 2.19 |
| Book value per common share (Won) | 27,067₅ | 25,672 | 30,614 |

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

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

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

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

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

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

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

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

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

Table of Contents**2.1.3. Fee Transactions**

(Unit: in millions of Won)

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

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

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

(Unit: in millions of Won)

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

2.2.2. Average Deposit per Domestic Branch

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

(Unit: in millions of Won)

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

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

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

(Unit: in millions of Won)

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

2.2.4. Loan Balances

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

(Unit: in millions of Won)

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

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

(Unit: in millions of Won)

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

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

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

(Unit: in millions of Won)

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

2.2.7. Loan to Deposit Ratio

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

(Units: in millions of Won, %)

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

2.2.8. Acceptances and Guarantees

(Unit: in millions of Won)

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

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

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

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

(Unit: in millions of Won)

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

2.2.10. Trust Account

(Unit: in millions of Won)

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

Table of Contents**2.2.11. Credit Card**

(Unit: in millions of Won unless indicated otherwise)

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

2.3. Branch Networks

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

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

1. Includes credit card receivables and cash advances.

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

(Units: in millions of Won, %)

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

2.4.2. Non-Performing Loans¹

(Units: in millions of Won unless indicated otherwise)

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

2.4.3. Loan Loss Allowances

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

(Units: in millions of Won)

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

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

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

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

(Unit: in millions of Won)

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

¹ Includes present value discounts on allowances for loans, allowances for ABS 2nd beneficiary certificate reclassified into credit card receivables, allowances related to credit card claimed assets and allowance for other assets amounting to 22,780 million won, 192,221 million won, 27,291 million won and 16,103 million won, respectively, that had been recorded as of December 31, 2003

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

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

(Unit: in millions of Won)

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

3.2. Other Financial Information

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

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

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

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

4.2. Non-Audit Services

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

(Units: in millions of Won unless indicated otherwise)

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

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5. Corporate Governance and Affiliated Companies

5.1. Board of Directors & Committees under the Board

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

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

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

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

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

5.2. Audit Committee

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

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

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

(Units: in millions of Won)

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

As part of remuneration, Kookmin Bank also granted stock options to directors.

See 1.3.3. Stock Option.

5.4. Voting Rights of Shareholders

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

5.5. Share Ownership

The following table presents information regarding the selected major ownership of our shares as of December 31, 2004, the latest record date.

(Unit: Shares, %)

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

¹ Depository of ADRs

² Treasury shares with no voting rights

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5.6. Affiliated Companies

5.6.1. List of Affiliates¹

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

- n KB Investment Co., Ltd.

- n KB Asset Management Co., Ltd.

- n KB Real Estate Trust Co., Ltd.

- n KB Credit Information Co., Ltd.

- n KB Data Systems Corporation

- n KB Futures Co., Ltd.

- n KB Life Co., Ltd.

- n ING Life Korea Ltd.

- n Kookmin Bank International (London) Ltd.

- n Kookmin Hong Kong Ltd.

- n Sorak Financial Holdings

5.6.2. Operating Results of Affiliates²

(Unit: in millions of Won)

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

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

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

³ Operating results based on the March 31, 2004

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

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

6.1. Executive Directors

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

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

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

6.2. Non-Executive Directors

Our non-executive directors are selected based on the candidates' talents and skills in diverse areas, such as law, finance, economy, management and accounting. As of December 31, 2004, 11 non-executive directors are in office.

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

| <u>Name</u> | <u>Date of Birth</u> | <u>Position</u> | <u>Common Stocks Owned</u> |
|----------------------|----------------------|------------------------|----------------------------|
| Moon Soul Chung | 03/07/1938 | Non-Executive Director | 5,571 |
| Richard Elliott Lint | 01/04/1946 | Non-Executive Director | 1,290 |
| Sun Jin Kim | 06/08/1942 | Non-Executive Director | 4,175 |
| Dong Soo Chung | 09/24/1945 | Non-Executive Director | 1,150 |
| Kyung Hee Yoon | 01/05/1947 | Non-Executive Director | |
| Suk Yong Cha | 06/09/1953 | Non-Executive Director | 1,810 |
| Bernard S. Black | 11/13/1953 | Non-Executive Director | 1,280 |
| Ki Hong Kim | 01/10/1957 | Non-Executive Director | 1,930 |
| Woon Youl Choi | 04/02/1950 | Non-Executive Director | 9,699 |
| Wang Ha Cho | 09/18/1953 | Non-Executive Director | 941 |
| Young Soon Cheon | 02/01/1961 | Non-Executive Director | 870 |

Table of Contents**6.3. Senior Management**

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

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

6.4. Compensation to Directors and Senior Management

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

6.5. Employees

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

(Unit: in millions of Won)

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

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| | | | | | | |
|--------------|---------------|--------------|---------------|--------------|------------------|------------|
| Total | 18,983 | 8,849 | 27,832 | 15.93 | 1,391,209 | 4.2 |
|--------------|---------------|--------------|---------------|--------------|------------------|------------|

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

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

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

(Unit: in millions of Won)

| Name | Relation with the Bank | Account | Beginning Balance (January 1, 2004) | Increase | Decrease | Ending Balance (December 31, 2004) |
|-----------------------|------------------------|--------------------------------|-------------------------------------|---------------|---------------|------------------------------------|
| KB Real Estate Trust | Affiliate | Equity Securities of Affiliate | 79,999 | | | 79,999 |
| KB Investment | Affiliate | Equity Securities of Affiliate | 44,708 | | | 44,708 |
| KB Asset Management | Affiliate | Equity Securities of Affiliate | 30,670 | | | 30,670 |
| KB Futures | Affiliate | Equity Securities of Affiliate | 19,996 | | | 19,996 |
| KB Data Systems Corp. | Affiliate | Equity Securities of Affiliate | 7,998 | | | 7,998 |
| KB Credit Information | Affiliate | Equity Securities of Affiliate | 4,154 | 1,714 | | 5,868 |
| KB Life ² | Affiliate | Equity Securities of Affiliate | 0 | 30,000 | | 30,000 |
| ING Life Korea | Affiliate | Equity Securities of Affiliate | 14,000 | | | 14,000 |
| KOMOCO ³ | Affiliate | Equity Securities of Affiliate | 30,000 | | 30,000 | 0 |
| Total | | | 231,525 | 31,714 | 30,000 | 233,239 |

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

² Established on 29 April, 2004

³ Disposed on 4 June, 2004

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

(Unit: in millions of Won)

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

Table of Contents**7.2.2. Securities Transactions**

(Units: in millions of Won unless indicated otherwise)

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

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SIGNATURES

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

Kookmin Bank
(Registrant)

Date: March 31, 2005

By: /s/ Kap Shin

(Signature)

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

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Exhibit Index

Exhibit 99.1_Kookmin Bank Consolidated Audit Report for 2004

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Exhibit 99.1

Kookmin Bank and Subsidiaries

Consolidated Financial Statements

December 31, 2004 and 2003

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Kookmin Bank and Subsidiaries

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Samil PricewaterhouseCoopers
Kukje Center Building
191 Hankangro 2ga, Yongsanku
Seoul 140-702, KOREA
(Yongsan P.O. Box 266, 140-600)

Report of Independent Auditors

To the Board of Directors and Shareholders of

Kookmin Bank and subsidiaries

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

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

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

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

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

As discussed in Note 37 to the consolidated financial statements, the Bank restated its consolidated financial statements as of and for the year ended December 31, 2003 to correct, as instructed by the Securities and Futures Commission, the overstatement of unrealized gain on investment in associates amounting to (Won)27,159 million, presented as loss on derivatives transactions in the consolidated statement of operations, the understatement of provision for other allowances amounting to (Won)213,157 million and the overstatement of income tax expenses amounting to (Won)63,308 million. Accordingly, the financial statements as of and for the year ended December 31, 2003 included in the audit report dated March 3, 2004, are no longer effective, as they do not reflect the above restatements.

As discussed in Note 1 and Note 38 to the consolidated financial statements, on April 29, 2004, as a means to venture into the insurance business for diversification of revenues, the Bank invested (Won)30,246 million (including acquisition costs) to acquire a 100% ownership of KB Life Insurance Co., Ltd., which was founded to acquire the assets and the liabilities of Hanil Life Insurance Co., Ltd. On January 25, 2005, the Bank sold 49% of its ownership of KB Life Insurance Co., Ltd. to ING Insurance International B.V. at (Won)14,821 million.

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

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

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

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

Seoul, Korea

February 18, 2005

This report is effective as of February 18, 2005, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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| | | |
|--|------------------------|------------------------|
| Cash and cash equivalents, end of the year (Note 34) | <u>(Won) 3,429,069</u> | <u>(Won) 3,790,765</u> |
|--|------------------------|------------------------|

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

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Kookmin Bank and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

1. The Consolidated Company

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

The Bank

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

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

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

The Bank is engaged in the banking and trust business according to the provisions of the General Banking Act and the Trust Business Act and operates through 1,124 domestic branches and offices (excluding automated teller machines of 204) and three overseas branches (excluding 2 local overseas branches and 1 overseas agency) as of December 31, 2004.

Trust Accounts of the Bank

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

(in millions of Won)

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

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

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

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

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

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Kookmin Bank and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

Scope of Consolidation

On April 29, 2004, as a means to venture into the insurance business for diversification of revenues, the Bank invested (Won)30,246 million (including acquisition costs) to acquire a 100% ownership of KB Life Insurance Co., Ltd. Therefore, KB Life Insurance Co., Ltd. was included in the scope of consolidation.

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

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

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

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

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

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

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

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

Consolidated Subsidiaries:

(in millions)

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

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

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

Significant Financial Data

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

(in millions of Won)

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

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

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Kookmin Bank and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

2. Summary of Significant Accounting Policies

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

Basis of Financial Statement Presentation

The Bank maintains its accounting records in Korean won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Bank that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language consolidated financial statements. Certain information attached to the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, or cash flows, is not presented in the accompanying consolidated financial statements.

Application of the Statements of Korean Financial Accounting Standards

The Bank has adopted Statements of Korean Financial Accounting Standards (SKFAS) No. 1~13 (excluding SKFAS No.11) in the preparation of its financial statements. Except for SKFAS No. 10, 12 and 13 which have been effective as of January 1, 2004, the same accounting policies are applied for the financial statements as of and for the year ended December 31, 2004 and as of and for the year ended December 31, 2003.

Accounting Policies of Consolidated Entities

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

Relevant Laws and Regulations

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

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| | |
|---------------------------------|---|
| KB Asset Management Co., Ltd. | Securities Investment Trust Business Act, and Accounting Standards for Securities Investment Trust Business |
| KB Real Estate Trust Co., Ltd. | Trust Business Act |
| KB Credit Information Co., Ltd. | Act on the use and protection of credit information |
| KB Life Insurance Co., Ltd. | Accounting Standards of the Insurance Business, General Insurance Business Act, |

Principles of Consolidation

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

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

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

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

Recognition of Interest Income

The Consolidated Company recognizes interest income on due from banks, loans and debt securities on an accrual basis. However, interest income on delinquent and dishonored due from banks, loans and debt securities, other than those collateralized with security deposits or guaranteed by financial institutions, is recognized on a cash basis. As of December 31, 2004, the Consolidated Company has non-accrual loans and securities of (Won)8,137,825 million and (Won)532,904 million, respectively, with related foregone interest of (Won)489,698 million and (Won)82,594 million, respectively. However, foregone interest related to securities of trust accounts was not included.

Securities

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

Securities are recognized initially at their fair value plus transaction costs that are directly attributable to the acquisition. Trading and available-for-sale securities are carried at fair value while held-to-maturity debt securities are carried at amortized cost.

Trading and available-for-sale debt securities are carried at fair value using the average of quoted prices provided by bond pricing service institutions while marketable equity securities are carried at market prices and beneficiary certificates are carried at quoted prices provided by the beneficiary certificate dealers. However, non-marketable equity securities are carried at fair value only if the fair value is reasonably measurable. Otherwise, they are carried at cost.

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Unrealized gains or losses on trading securities are charged to current operations and those resulting from available-for-sale securities are recorded as capital adjustments and are realized when the related securities are disposed of. In case of available-for-sale securities, interest income reflecting premiums and discounts amortization should be included in current operations. Therefore interest income are recognized from premiums and discounts amortization using effective interest method over the maturity period and then the difference between the fair value and acquisition cost are charged to stockholder's equity. Impairment losses are recognized in the current operations when there is evidence of impairment and recoverable amounts of available-for-sale securities or held-to-maturity securities are less than either the acquisition cost of equity securities or the amortized cost of debt securities.

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

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Investments in Associates

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

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

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

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

Deferred Loan Origination Fees and Costs

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

Allowances for Loan Losses

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

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

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

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

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

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

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

| Credit Risk Classification | Allowance Rates | | |
|----------------------------|-----------------|-------------|-----------|
| | Consumer | Credit Card | Corporate |
| Normal | 0.75% | 1.00% | 0.50% |
| Precautionary | 8.00% | 12.00% | 2.00% |
| Sub-standard | 20.00% | 20.00% | 20.00% |
| Doubtful | 55.00% | 60.00% | 50.00% |
| Estimated loss | 100.00% | 100.00% | 100.00% |

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

-Allowance for loan losses based historical loss rate

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

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

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

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

Guarantees and Acceptances

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

Troubled Debt Restructuring

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

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

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

Fixed Assets and Related Depreciation

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

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

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

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

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

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

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

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

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

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

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Kookmin Bank and Subsidiaries

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The Consolidated Company adjusts the book value of a fixed asset to its recoverable amount (expected sale price or appraisal value) and recognizes the difference as an impairment loss when the recoverable amount is significantly below the book value due to obsolescence or decline in market value. The subsequent increase in recoverable amount in excess of the impaired book value is recognized, to the extent of the book value (after accumulated depreciation) before impairment, as a reversal of fixed asset impairment losses.

Stock Issuance Costs and Debenture Issuance Costs

Stock issuance costs are deducted from additional paid-in capital. Debenture issuance costs are recorded as discounts on debentures and amortized over the life of the debentures using the effective interest method.

Accrued Retirement Benefits

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

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

Insurance Reserve

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

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

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- Unearned premium reserve represents the unearned portion of quarterly, semi-annual and annual premiums as of the balance sheet date.
- Dividends held on deposit for policyholders represent amounts payable to policyholders due to interest rate difference guarantee, mortality gains, excess interest, expense gains and long-term contracts in accordance with the regulations or agreements.

Deferred Income Taxes

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

Bonds under Repurchase/Resale Agreements

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

Derivative Instruments

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

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Kookmin Bank and Subsidiaries

Notes to Consolidated Financial Statements

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Fair value hedge accounting is applied to a hedging transaction relationship entered into for hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss, both on the hedging derivative instrument and on the hedged item attributable to the hedged risk, are recognized in the same period.

The effective portion of the gain or loss for hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk is recorded as a capital adjustment and the ineffective portion as income or loss in current operations. The effective portion of the gain or loss recorded as a capital adjustment is reclassified into current operations in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss recorded in capital adjustment is added to or deducted from the asset or the liability.

Stock Options

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

National Housing Fund

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

Transactions with the Trust Accounts

The Bank's banking accounts receive trust fees from the trust accounts for its management of trust assets and operations. Under the Trust Business Act, the Bank recognizes trust accounts separately from its won accounts. The borrowings from trust accounts represent transfer of funds in trust accounts into banking accounts. Such borrowings from trust accounts are recorded as receivables from the banking accounts in the trust accounts and as borrowings from trust accounts in the banking accounts.

The reserves for future losses are set up in the trust accounts for losses related to those trust funds with a guarantee of the principal or of a certain minimum rate of return in accordance with the relevant laws and regulations applicable to trust operations. The reserves are used to provide for

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the losses on such trust funds and, if the losses incurred are in excess of the reserves for future losses, the excess losses are compensated by the Bank. Accordingly, the banking accounts recognize the compensation paid as a loss on trust management in other operating expenses and the trust accounts recognize the corresponding compensation as compensation from banking accounts. No compensation was recorded for the years ended December 31, 2004 and 2003.

Foreign Currency Translation

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

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

Statement of Cash Flows

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

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Kookmin Bank and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

Restatement of Prior Period Financial Statements

(1) Change of accounting policy on sale of loans

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

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

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

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

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

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****3. Cash and Due from Banks**

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

(in millions of Korean won)

| | <u>2004</u> | <u>2003</u> |
|--|------------------------|------------------------|
| Cash on hand | | |
| Cash in won | (Won) 2,380,580 | (Won) 2,945,921 |
| Cash in foreign currencies | 124,736 | 228,153 |
| | <u>2,505,316</u> | <u>3,174,074</u> |
| Due from banks in Won | | |
| Bank of Korea | | |
| Reserve deposits in the Bank of Korea | 1,685,105 | 2,612,248 |
| Other banks | | |
| Time deposits | | 14,901 |
| Passbook deposits | 13,603 | 8,176 |
| Certificate of deposit | 262,905 | 94 |
| | <u>276,508</u> | <u>23,171</u> |
| Other financial institutions | | |
| Deposits at Mutual Savings & Finance Co., Ltd | 90,005 | 140,094 |
| Time deposits at Ministry of Information and Communication | 14,700 | |
| | <u>104,705</u> | <u>140,094</u> |
| Others | | |
| Futures margin accounts | 5,890 | 6,602 |
| Market participation margin | 463 | 454 |
| Due from Banking accounts | 1,806 | |
| KOSPI futures margin accounts | 27,648 | 10,513 |
| | <u>35,807</u> | <u>17,569</u> |
| | <u>2,102,125</u> | <u>2,793,082</u> |
| Present value discounts ¹ | (3,751) | (12,810) |
| | <u>(Won) 2,098,374</u> | <u>(Won) 2,780,272</u> |

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

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

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

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

| <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) 1,765,735 | (Won) 514,418 | (Won) 2,280,153 |
| Due after 3 months through 6 months | 280,261 | 133,109 | 413,370 |
| Due after 6 months through 1 year | 52,100 | | 52,100 |
| Due after 1 year through 2 years | | | |
| Due after 2 years through 3 years | 4,029 | | 4,029 |
| | <u>(Won) 2,102,125</u> | <u>(Won) 647,527</u> | <u>(Won) 2,749,652</u> |

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

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

4. Securities

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

| <i>(in millions of Korean won)</i> | 2004 | 2003 |
|------------------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |

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

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

(in millions of Korean won)

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

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

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

(in millions of Korean Won)

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

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

Available-for-sale securities include structured securities related to stocks, such as convertible bonds, exchangeable bonds, bonds with stock warrants, and equity-indexed bonds amounting to (Won)17,858 million, (Won)153,525 million, (Won)762 million, and (Won)49,721 million, respectively. In addition, available-for-sale securities include structured securities related to interest rates such as dual indexed bonds, and inverse floater bonds amounting to (Won)50,140 million, and (Won)73,727 million, respectively. Moreover, available-for-sale securities include credit risk related securities, such as credit linked bonds amounting to (Won)41,544 million.

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

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

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

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(Won) 256,972 (Won) 139,207 (Won) 32,507 (Won) (Won) (869) (Won) 166,794 (Won) 171,050

- 1 The beginning balance is the prior year's book value adjusted by dividends, changes in foreign exchange rates, and all the transactions during current year.
- 2 The Bank collected capitals from Kookmin Bank Luxembourg S.A. which completed liquidation process on November 30, 2004
- 3 The investments in funds which had been classified as available-for-sale for the prior years are reclassified as investments in associates as of January 1, 2004.
- 4 The investments in funds which were accounted as investments in associates had been included in the scope of consolidation as of January 1, 2004.
- 5 All equity securities of Korea Asset Management Co., Ltd. have been sold on June 4, 2004.
- 6 Kookmin Investment Partnership No. 13 completed liquidation process on October 18, 2004.

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

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

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

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

(in millions of Korean Won)

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

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

(in millions of Korean won, except ratio)

By Country

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

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

(in millions of Korean won, except ratio)

By Type

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

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

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

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

(in millions of Korean won)

| | Book Value |
|---|-------------------|
| Arirang Restructuring Fund | (Won) 18,163 |
| Mugunghwa Restructuring Fund | 14,606 |
| Seoul Restructuring Fund | 12,540 |
| Bad Bank Harmony | 12,267 |
| Mastercard, Inc. | 7,900 |
| Korea Asset Management Corp. | 7,827 |
| Samsung Life Insurance Co., Ltd. | 7,479 |
| Korea Highway Corp. | 6,248 |
| Continuous Linked Settlement System | 6,211 |
| Futures Market | 3,000 |
| Kyobo Investment Trust Management Co., Ltd. | 2,100 |
| Doum Co., Ltd. | 1,987 |
| Baring Communications Equity | 1,957 |
| Itswell Co., Ltd. | 1,800 |
| Innowireless Inc. | 1,650 |
| Pan Asia Paper | 1,642 |
| Korea Smart Card | 1,628 |
| BHflex Co., Ltd. | 1,600 |
| Mobilink Telecom Co., Ltd. | 1,400 |
| Korea Money Broker Corp. | 1,291 |
| Miraetelecom Co., Ltd. | 1,272 |
| Future Communications IC Inc. | 1,210 |
| Digital & Optics Co., Ltd. | 1,190 |
| IntroMobile Co., Ltd. | 1,100 |
| Mercury | 1,088 |

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

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

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

(in millions of Korean won)

| Restrictions | | Restricted securities | |
|-----------------------------------|---------------------------------|------------------------------|------------------------|
| Related Transactions | Placed with | Book Value | Pledge Value |
| Bonds sold under REPO agreements | Customers | (Won) 3,791,977 | (Won) 3,795,600 |
| Borrowings from the Bank of Korea | Bank of Korea | 1,024,167 | 1,015,000 |
| Bank of Korea settlements | Bank of Korea | 170,535 | 170,200 |
| Derivative transactions | Samsung Futures, others | 175,447 | 184,000 |
| Others | Standard Chartered Bank, others | 92,409 | 92,048 |
| | | (Won) 5,254,535 | (Won) 5,256,848 |

Table of Contents**Kookmin Bank and Subsidiaries****Notes to Consolidated Financial Statements****December 31, 2004 and 2003****5. Loans**

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

(in millions of Korean Won)

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

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

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

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

(in millions of Korean won)

| | <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) | 44,565 | (Won) | 612,235 | (Won) | 803,003 |
| Loans swapped to equity | 3,700 | | 4,090 | | | | 494,314 | | 502,104 | |
| Loans due for equity conversion | | | 746 | | | | | | 746 | |
| Loans to be restructured | 116,477 | | 21,190 | | 44,565 | | 117,921 | | 300,153 | |
| Balances after restructuring | 109,916 | | 15,064 | | 41,338 | | 111,698 | | 278,016 | |
| Allowances for loan losses (present value discounts) | (Won) | 6,561 | (Won) | 6,126 | (Won) | 3,227 | (Won) | 6,223 | (Won) | 22,137 |

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

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

(in millions of Korean won)

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

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

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

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

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

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(in millions of

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

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

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

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

On March 30, 2004, the Consolidated Company recognized loss on sale of loans of (Won)186,666 million for loans sold to KB Star Card 3rd Securitization Specialty Company, Ltd. that amounts to (Won)1,032,297 million. On June 17, 2004, the Consolidated Company recognized gain on sale of loans of (Won)21,516 million for loans sold to KB 2nd Securitization Specialty Company, Ltd. that amounts to (Won)607,000 million. On June 30, 2004, the Consolidated Company recognized loss on sale of loans of (Won)324,445 million for loans sold to Jinheung Savings Bank, Solomon Mutual Saving Bank and Solomon AMC that amounts to (Won)1,074,110 million. On September 30, 2004, the Consolidated Company recognized loss on sale of loans of (Won)353,333 million for loans sold to Hyundai Swiss Savings Bank, Solomon Mutual Saving Bank and Solomon AMC that amounts to (Won)430,240 million. On December 7, 2004, the Consolidated Company recognized loss on sale of loans of (Won)12,866 million and gain on sale of loans of (Won) 586 million for loans sold to Solomon Mutual Saving Bank that amounts to (Won)640,807 million. On December 17, 2004, the Consolidated Company recognized gain on sale of loans of (Won)7 million and loss on sale of loans of (Won)64,807 million for loans sold to KB 3rd Securitization Specialty Company, Ltd. that amounts to (Won)532,628 million. On December 31, 2004, the Consolidated Company recognized loss on sale of loans of (Won)256,249 million for loans sold to Jinheung Savings Bank, that amounts to (Won)317,234 million.

As of December 31, 2004, the credit card accounts amounting to (Won)713,792 million (before allowance) are provided as collateral for asset-backed securities transactions.

6. Allowances for Loan Losses

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

(in millions of Korean won)

| | <u>2004</u> | <u>2003</u> |
|--|------------------------|------------------------|
| Loans in Won | (Won) 2,631,203 | (Won) 2,297,152 |
| Loans in foreign currencies | 56,273 | 74,339 |
| Bills bought in Won and foreign currencies | 8,480 | 16,941 |
| Payments on guarantees | 26,301 | 20,193 |
| Factoring receivable | 1,695 | 17,603 |
| Credit card accounts | 392,722 | 1,407,128 |
| Privately placed debentures | 13,679 | 88,858 |
| Loans due for equity conversion | 746 | |
| | <u>3,131,099</u> | <u>3,922,214</u> |
| Total allowance for loan losses | | |
| Others ¹ | 226,705 | 141,633 |
| | <u>(Won) 3,357,804</u> | <u>(Won) 4,063,847</u> |
| Total allowance | | |

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

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

(in millions of Korean won)

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

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

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

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

(in millions of Korean won)

| | <u>Normal</u> | <u>Pre-cautionary</u> | <u>Substandard</u> | <u>Doubtful</u> | <u>Estimated Loss</u> | <u>Total</u> |
|------------------------------------|-------------------|-----------------------|--------------------|-----------------|-----------------------|-------------------|
| Loans in won | | | | | | |
| Balance | (Won) 114,616,259 | (Won) 5,224,961 | (Won) 1,716,220 | (Won) 1,021,191 | (Won) 335,361 | (Won) 122,913,992 |
| Allowances | 781,412 | 476,678 | 358,603 | 679,149 | 335,361 | 2,631,203 |
| Ratio (%) | 0.68 | 9.12 | 20.89 | 66.51 | 100.00 | 2.14 |
| Loans in foreign currencies | | | | | | |
| Balance | 3,443,447 | 158,672 | 25,017 | 30,724 | 1,893 | 3,659,753 |
| Allowances | 13,776 | 13,316 | 8,428 | 18,860 | 1,893 | 56,273 |
| Ratio (%) | 0.40 | 8.39 | 33.69 | 61.39 | 100.00 | 1.54 |
| Bills bought | | | | | | |
| Balance | 585,960 | 9,569 | 650 | 2,698 | 3,037 | 601,914 |
| Allowances | 2,930 | 393 | 130 | 1,990 | 3,037 | 8,480 |
| Ratio (%) | 0.50 | 4.11 | 20.00 | 73.76 | 100.00 | 1.41 |
| Payments on guarantees | | | | | | |
| Balance | 964 | 2,978 | 883 | 6,669 | 20,626 | 32,120 |
| Allowances | 5 | 621 | 176 | 4,873 | 20,626 | 26,301 |
| Ratio (%) | 0.52 | 20.85 | 19.93 | 73.07 | 100.00 | 81.88 |
| Credit card accounts | | | | | | |
| Balance | 6,609,976 | 686,457 | 539 | 298,093 | 48,925 | 7,643,990 |
| Allowances | 66,100 | 82,375 | 108 | 195,214 | 48,925 | 392,722 |
| Ratio (%) | 1.00 | 12.00 | 20.04 | 65.49 | 100.00 | 5.14 |
| Call loans | | | | | | |
| Balance | 3,089,476 | | | | | 3,089,476 |
| Allowances | | | | | | |
| Ratio (%) | | | | | | |
| Privately placed debentures | | | | | | |

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

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

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

(in millions of Korean won)

| | <u>2004</u> | <u>2003</u> |
|---|------------------------|------------------------|
| Beginning balance (including other allowances) | (Won) 4,063,847 | (Won) 3,446,907 |
| Provision for loan losses ¹ | 3,165,287 | 2,033,526 |
| Increase due to merger with Kookmin Credit Card Co., Ltd. | | 1,388,854 |
| Reclassification of ABS 2 nd beneficiary certificate | | 159,635 |
| Reclassification from other allowances ² | 289,919 | 27,291 |
| Collection of written-off loans | 290,283 | 845,118 |
| Repurchase of loans sold | 40,571 | 426,207 |
| Sale of loans | (685,268) | (868,124) |
| Write-off of loans | (5,293,976) | (6,371,323) |
| Reversal of write-off due to loan sale of loans | 1,878,832 | 3,348,122 |
| Conversion of loans into equity securities | (327,816) | (43,996) |
| Exemption of loans | (32,847) | (272,576) |
| Changes in exchange rates and others | (31,028) | (55,120) |
| Change in scope of consolidation | | (674) |
| Ending balance (including other allowances) | <u>(Won) 3,357,804</u> | <u>(Won) 4,063,847</u> |

1 Includes other allowances for other asset amounting to (Won)100,759 million as of December 31, 2004 ((Won)4,830 million: December 31, 2003)

2 Other allowances for loans receivable from LG Card Company, Ltd., credit lines to Kookmin Credit Card 16th ABS Specialty Company, Ltd. and commercial papers from Jooeun 2nd ABS Specialty Company, Ltd. amounting to (Won)221,377 million, (Won)68,505 million and (Won)37 million, respectively, that had been recorded as of December 31, 2003 were transferred to allowances for loan losses..

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

| | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|---|-------------------|-------------------|-------------------|
| Loans | (Won) 139,184,911 | (Won) 145,058,496 | (Won) 138,485,982 |
| Allowances for loan losses ¹ | 3,131,099 | 3,922,214 | 3,319,747 |
| Ratio (%) | <u>2.25</u> | <u>2.70</u> | <u>2.40</u> |

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

7. Fixed Assets

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

(in millions of Korean won)

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

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

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

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

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

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

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

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

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

(in millions of Korean won)

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

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

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

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

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

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

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

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

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

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

(in millions of Korean won)

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

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

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

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

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

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

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

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

10. Borrowings

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

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

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

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

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

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

11. Debentures

Debentures as of December 31, 2004 and 2003 include:

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

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

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

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

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

(in millions of Korean won)

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

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

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

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

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

| <i>(in millions of Korean won)</i> | In Foreign | | |
|-------------------------------------|-------------------------|----------------------|-------------------------|
| | In Won | 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> |

12. Accrued Retirement Benefits

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

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

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

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

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

(in millions of Korean won)

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

¹ Other allowances as of December 31, 2004 include:

(in millions of Korean won)

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

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

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

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

(in millions of Korean won)

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

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

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

(in millions of Korean won)

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

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

(in millions of Korean won)

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

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

(in millions of Korean won)

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

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

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

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

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

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

15. Derivatives

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

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

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

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

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

(in millions of Korean won)

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

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

(in millions of Korean Won)

Gain on derivatives

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

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

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

1) For the year ended December 31, 2004

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

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2) For the year ended December 31, 2003

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

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

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

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

(in millions of Korean won)

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

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

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

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

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

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

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

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

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Kookmin Bank and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

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

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

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

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

17. Capital Stock

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

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

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York, the trustee of the Bank.

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

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

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

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

| <i>(in millions of Won)</i> | Beginning Balance | Changes | Ending Balance |
|--|------------------------------|------------------|---------------------------|
| Paid-in capital in excess of par value | (Won) 5,655,840 | (Won) | (Won) 5,655,840 |
| Gain on business combination | 397,669 | | 397,669 |
| Revaluation increment | 177,229 | | 177,229 |
| Others | 6,790 | 756 | 7,546 |
| | (Won) 6,237,528 | (Won) 756 | (Won) 6,238,284 |

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

19. Consolidated Retained Earnings

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(in millions of Korean won)

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

1 Increase resulted from change in scope of consolidation.

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

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

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

| | Grant Date | Shares Granted | Shares Forfeiture | Shares Exercised | Shares Outstanding | Exercise Price (in Korean won) | Exercise Period |
|---|------------|-------------------|----------------------|---------------------|-----------------------|-----------------------------------|---------------------|
| Series 1 | 00.03.18 | 233,940 | 121,411 | 71,641 | 40,888 | (Won) 23,469 | 03.03.19 - 05.03.18 |
| Series 2 | 01.03.15 | 214,975 | 16,882 | 22,056 | 176,037 | 28,027 | 04.03.16 - 09.03.15 |
| Series 3 | 98.10.31 | 400,000 | | 400,000 | | 5,000 | 01.11.01 - 04.10.31 |
| Series 4 | 99.02.27 | 280,000 | 59,892 | 220,108 | | 13,900 | 02.02.28 - 05.02.27 |
| Series 5 | 00.02.28 | 267,000 | 65,218 | 41,784 | 159,998 | 27,600 | 03.03.01 - 06.02.28 |
| Series 6 | 01.03.24 | 111,000 | 38,624 | 11,216 | 61,160 | 25,100 | 04.03.25 - 07.03.24 |
| Series 7^{1,2} | 01.11.16 | 850,000 | 200,000 | | 650,000 | 51,200 | 04.11.17 - 09.11.16 |
| Series 8-1² | 02.03.22 | 132,000 | 89,753 | | 42,247 | 57,100 | 05.03.23 - 10.03.22 |
| Series 8-2³ | 02.03.22 | 490,000 | 166,466 | | 323,534 | 57,100 | 05.03.23 - 10.03.22 |
| Series 9³ | 02.07.26 | 30,000 | | | 30,000 | 58,800 | 05.07.27 - 10.07.26 |
| Series 10-1² | 03.03.21 | 140,000 | 59,947 | | 80,053 | 35,500 | 06.03.22 - 11.03.21 |
| Series 10-2³ | 03.03.21 | 180,000 | 64,090 | | 115,910 | 35,500 | 06.03.22 - 11.03.21 |
| Series 11³ | 03.08.27 | 30,000 | 24,909 | | 5,091 | 40,500 | 06.08.28 - 11.08.27 |
| Series 12³ | 04.02.09 | 85,000 | | | 85,000 | 46,100 | 07.02.10 - 12.02.09 |
| Series 13-1² | 04.03.23 | 20,000 | | | 20,000 | 47,200 | 07.03.24 - 12.03.23 |
| Series 13-2³ | 04.03.23 | 10,000 | | | 10,000 | 47,200 | 07.03.24 - 12.03.23 |
| Series 14^{2,3} | 04.11.01 | 700,000 | | | 700,000 | 37,600 | 07.11.02 - 12.11.01 |
| Increase due to merger-1⁴ | 01.03.22 | 22,146 | | | 22,146 | 71,538 | 04.03.23 - 11.03.22 |
| Increase due to merger-2^{2,4} | 02.03.29 | 9,990 | | | 9,990 | 129,100 | 04.03.30 - 11.03.29 |
| | | 4,206,051 | 907,192 | 766,805 | 2,532,054 | | |

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

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

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

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

1 Interest rate of government bonds as of grant date.

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

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

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

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

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

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

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

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

(in millions of Korean won)

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

24. General and Administrative Expenses

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

(in millions of Korean won)

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

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

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

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

(in millions of Korean won)

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

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

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

(in millions of Korean won)

| | <u>2004</u> | <u>2003</u> |
|--|-----------------------------|-----------------------------|
| Income tax payable | (Won) 184,473 | (Won) 15,283 |
| Deferred income taxes from temporary differences | 150,688 | (285,864) |
| Deferred income taxes from net operating loss carry-forward | | (168,645) |
| Deferred tax credit | 3,951 | (3,951) |
| Change in temporary differences due to tax adjustments | | (2,400) |
| Retained earnings and other capital surplus adjustments ¹ | (313) | 2,061 |
| Unrealized holding gain (loss) | (694) | 25,850 |
| | <u> </u> | <u> </u> |
| Income tax (benefit) expense | (Won) 338,105 | (Won) (417,666) |
| | <u> </u> | <u> </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 Consolidated Company, including resident tax surcharges, is 29.7% for the years ended December 31, 2004 and 2003. However, due to tax adjustments, the effective tax rate for the years ended December 31, 2004 and 2003 are 37.91% and 33.15%. The statutory income tax rate of 27.5% is applied for deferred income tax assets (liabilities) that will be realized after 2005, reflecting the 2% corporate tax rate cut from 2005. The basis for calculating the effective tax rate is as follows:

(in millions of Korean won)

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



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

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

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

27. Earnings Per Share

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

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

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

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

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

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

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

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

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

28. Assets and Liabilities Denominated in Foreign Currencies

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

| | <u>Total Balances</u> | | <u>Major Denomination Currencies¹</u> | | |
|---------------|-----------------------|-------------------------------|--|---------------------|---------------------|
| | <u>Millions of</u> | <u>Thousands of</u> | <u>Thousands of</u> | <u>Thousands of</u> | <u>Thousands of</u> |
| | <u>Korean Won</u> | <u>US Dollars¹</u> | <u>US Dollars</u> | <u>EC Euro</u> | <u>Japanese Yen</u> |
| Assets | | | | | |
| Cash | (Won) 124,736 | \$ 119,502 | \$ 52,102 | 15,928 | ¥ 3,446,955 |

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

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

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

29. Transactions with Financial Institutions

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

(in millions of Korean won)

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

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

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

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

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

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

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

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

(in millions of Korean won)

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

32. Business Combination with H&CB

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

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

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

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

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

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

(in millions of Korean won)

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

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

(in millions of Korean won)

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

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

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

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

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| | | | | |
|---|---------------------|--------------------|---------------------|----------------------|
| Interest expenses | 5,563,198 | | (23,338) | 5,539,860 |
| Fees & commissions | 455,333 | 25,449 | (38,433) | 442,349 |
| Other expenses | 10,442,322 | 57 | (118,120) | 10,324,259 |
| General and administrative expenses | 2,851,305 | 13,182 | (20,379) | 2,844,108 |
| | <u>19,312,158</u> | <u>38,688</u> | <u>(200,270)</u> | <u>19,150,576</u> |
| Operating income | 2,060,077 | 1,984 | (19,403) | 2,042,658 |
| Non-operating income | 366,749 | 5 | (2,849) | 363,905 |
| Non-operating expenses | 1,554,697 | | (40,103) | 1,514,594 |
| | <u>872,129</u> | <u>1,989</u> | <u>17,851</u> | <u>891,969</u> |
| Income (loss) before income tax | 872,129 | 1,989 | 17,851 | 891,969 |
| Income tax expenses | 338,395 | 405 | (695) | 338,105 |
| | <u>533,734</u> | <u>1,584</u> | <u>18,546</u> | <u>553,864</u> |
| Net income (loss) before consolidation adjustment | 533,734 | 1,584 | 18,546 | 553,864 |
| Minority interest income | | | (3,132) | (3,132) |
| | <u>(Won) 533,73</u> | <u>(Won) 1,584</u> | <u>(Won) 15,414</u> | <u>(Won) 550,732</u> |
| Consolidated net income (loss) | (Won) 533,73 | (Won) 1,584 | (Won) 15,414 | (Won) 550,732 |

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

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

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

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

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

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| | | | | |
|--------------|--------------------------|------------------------|--------------------------|--------------------------|
| Total assets | <u>(Won) 182,683,218</u> | <u>(Won) 1,630,226</u> | <u>(Won) (1,538,160)</u> | <u>(Won) 182,775,284</u> |
|--------------|--------------------------|------------------------|--------------------------|--------------------------|

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Kookmin Bank and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

36. Reclassification of Prior year Financial Statement Presentation

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

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

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

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

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

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

Accounting treatment in relation to asset securitization

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

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

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

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

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

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

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

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

(in millions of Korean won)

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

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

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

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

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Kookmin Bank and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2004 and 2003

38. Subsequent Events

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

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

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

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

39. Approval of Financial Statements

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