

KOOKMIN BANK
Form 6-K
May 16, 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 May 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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1. Summary of 2005 1st Quarter Business Report

2. Exhibit 99.1_Kookmin Bank Review Report for the 1st Quarter of 2005

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Summary of 2005 1st Quarter Business Report

On May 16, 2005, Kookmin Bank filed its business report for the first quarter of 2005 (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.

Accounting policy with respect to the private funds in which we hold interest in the form of wholly owned beneficiary certificates, or WOBCs, was changed in April 2005. Before the change, unrealized Gain or Loss on WOBCs was recognized as non-interest income from beneficiary certificates in the income statement. However, it should be recognized as a capital adjustment in owner s equity section of balance sheet after the change. The financial statements for the years 2002 and 2003, respectively, do not require adjustment because unrealized gain or loss on WOBCs was already reflected as a capital adjustment for those periods.

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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 Commission
- 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

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- 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

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- n August 31, 2004
Made a contract with ING for the strategic investment on KB Life

- 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

- n December 31, 2004
The largest shareholder of Kookmin Bank changed from ING Bank N.V. Amsterdam to Euro-Pacific Growth Fund

- n March 02, 2005
Open KB Satellite Broad Casting System for the first time in the world

- n March 21, 2005
The largest shareholder of Kookmin Bank changed from Euro-Pacific Growth Fund to ING Bank N.V. Amsterdam

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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 March 31, 2005, total 336,379,116 shares were issued with 1,681,896 million Won of paid-in capital.

Table of Contents**1.3.2. Treasury Stock¹**

The following table shows the acquisition and disposition of our treasury stock as of March 31, 2005.

(Units: in millions of Won unless indicated otherwise)

Date	Transaction	Number of share	Acquisition/ Disposition amount	Average cost per one share (Won)
November 15, 2001	Acquisition of fractional shares in the course of the merger	41,548	1,794,885	43,200
December 24, 2001	Disposition due to exercise of stock option by a grantee	10,000	432,003	43,200
April 3, 2002	Acquisition of fractional shares due to stock dividend	36,089	2,071,557	57,400
May 14, 2002	Disposition pursuant to the Bank Act of Korea	31,548	1,601,944	50,788
July 30 ~ October 23, 2002	Acquisition pursuant to the Securities and Exchange Act of Korea	3,000,000	147,632,489	49,210
December 24, 2002	Disposition due to exercise of stock option by a grantee	10,000	492,294	49,229
January 15, 2003	Disposition due to exercise of stock option by a grantee	10,000	492,294	49,229
September 4 ~ 9, 2003	Acquisition pursuant to the Securities and Exchange Act of Korea	650,000	29,094,064	44,760
October 16, 2003	Acquisition of fractional shares due to the Merger with Kookmin Credit Card	5,095	214,254	42,050
4 th quarter, 2003	Disposition due to exercise of stock option by grantees	78,322	3,792,977	48,428
December 17, 2003	Acquisition from the sale of Korean government shares of the Bank	27,423,761	1,198,568,158	43,700
December 26, 2003	Disposition due to contribution to ESOP account	1,000,000	44,252,000	44,252
1 st quarter, 2004	Disposition due to exercise of stock option by grantees	30,855	1,365,396	44,252
2 nd quarter, 2004	Disposition due to exercise of stock option by grantees	55,593	2,460,101	44,252
3 rd quarter, 2004	Disposition due to exercise of stock option by grantees	592	26,197	44,252
4 th quarter, 2004	Disposition due to exercise of stock option by grantees	48,374	2,140,646	44,252
1 st quarter, 2005	Disposition due to contribution to ESOP account and exercise of stock option by grantees	1,095,038	48,457,622	44,252
Total		28,786,171	1,273,861,933	

¹ Disposed 1,000,000 shares of Treasury stock for the purpose of contribution to ESOP on April 12, 2005.

KB also plans to dispose up to 27,423,761 shares of Treasury stock by means of the combination of domestic over-the counter sales and an international issuance of depository receipts as we disclosed on April 27, 2005.

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 March 31, 2005.

(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				
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	20,000	10,000
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	4,100	2,900
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	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	730	4,070
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	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	33,975	33,308
24-Mar-01	Young II Kim	Executive Vice President	25-Mar-04	24-Mar-07	25,100	30,000	7,000	23,000
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	13,216	3,275
18-Mar-00	Sang Hoon Kim	Chairman&CEO	19-Mar-03	18-Mar-05	23,469	41,460	41,460	0
18-Mar-00	In Kie Kim	Non Executive Director	19-Mar-03	18-Mar-05	23,469	2,961	2,961	0
18-Mar-00	Jin Ho Hwang	Non Executive Director	19-Mar-03	18-Mar-05	23,469	2,961	2,961	0
18-Mar-00	Bong Ho Paick	Non Executive Director	19-Mar-03	18-Mar-05	23,469	2,961	2,961	0
18-Mar-00	Yoo Hwan Kim	Executive Vice President	19-Mar-03	18-Mar-05	23,469	11,845	11,485	0
18-Mar-00	Duk Hyun Kim	Executive Vice President	19-Mar-03	18-Mar-05	23,469	11,845	11,485	0
15-Mar-01	Sang Hoon Kim	Chairman&CEO	16-Mar-04	15-Mar-09	28,027	29,614	1,000	28,614
15-Mar-01	Jong Min Lee	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	Ji Hong Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Bong Ho Paick	Non Executive Director	16-Mar-04	15-Mar-09	28,027	1,870	1,870	0
15-Mar-01	Ik Rae Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	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
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

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15-Mar-01	Duk Hyun Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	2,845	9,000
15-Mar-01	Ok Hyun Yoon	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	2,845	9,000
15-Mar-01	Tai Gon Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	8,845	3,000
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	3,845	8,000
15-Mar-01	Han Koo Ji & 37 others	Employees	16-Mar-04	15-Mar-09	28,027	39,684	5,015	34,669

* 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				
16-Nov-01	Jung Tae Kim	President & CEO	17-Nov-04	16-Nov-09		500,000	0	500,000
					X ¹			
16-Nov-01	Sang Hoon Kim	Chairman	17-Nov-04	16-Nov-09		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		10,000	0	10,000
22-Mar-02	Ji Hong Kim	Non Executive Director	23-Mar-05	22-Mar-10	Y ²	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	20,522	0	20,522
22-Mar-02	Bong Hwan Cho	Executive Vice President	23-Mar-05	22-Mar-10	57,100	9,498	0	9,498
22-Mar-02	Bum Soo Choi	Executive Vice President	23-Mar-05	22-Mar-10	57,100	13,339	0	13,339
22-Mar-02	Bock Woan Kim	Executive Vice President	23-Mar-05	22-Mar-10	57,100	13,339	0	13,339
22-Mar-02	Ki Taek Hong	Executive Vice President	23-Mar-05	22-Mar-10	57,100	19,525	0	19,525
22-Mar-02	Sung Hyun Chung	Executive Vice President	23-Mar-05	22-Mar-10	57,100	19,525	0	19,525
22-Mar-02	Ki Sup Shin	Executive Vice President	23-Mar-05	22-Mar-10	57,100	26,405	0	26,405
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	147,658	0	147,658
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		6,678	0	6,678
21-Mar-03	Sun Jin Kim	Non Executive director	22-Mar-06	21-Mar-11		6,678	0	6,678
21-Mar-03	Richard Elliott Lint	Non Executive director	22-Mar-06	21-Mar-11		6,678	0	6,678

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21-Mar-03	Kyung Hee Yoon	Non Executive director	22-Mar-06	21-Mar-11		6,678	0	6,678
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		6,678	0	6,678
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
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	63,650	0	63,650
27-Aug-03	Jin Baek Cheong	Executive Vice President	28-Aug-03	27-Aug-11	40,500	5,091	0	5,091
22-Mar-01	Han Kyoung Lee	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	6,644	0	6,644

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 options* granted	Number of options exercised	Number of options exercisable
			From	To				
22-Mar-01	Jun Chae Song	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	6,644	0	6,644
22-Mar-01	Cheol Ho Kim	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	4,429	0	4,429
22-Mar-01	Myoung Woo Lee	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	4,429	0	4,429
29-Mar-02	Boung Hak Kim	Former KCC Officer	30-Mar-04	29-Mar-11		3,330	0	3,330
29-Mar-02	Sun Lee	Former KCC Officer	30-Mar-04	29-Mar-11	Y ⁴	3,330	0	3,330
29-Mar-02	Jang Ok Kim	Former KCC Officer	30-Mar-04	29-Mar-11		3,330	0	3,330
09-Feb-04	Young Il Kim	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	7,125	0	7,125
09-Feb-04	Jeung Lak Lee	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	7,452	0	7,452
09-Feb-04	Sang Jin Lee	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	7,125	0	7,125
09-Feb-04	Yun Keun Jung	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Kuk Shin Kang & 9 others	Employees	10-Feb-07	09-Feb-12	46,100	48,837	0	48,837
23-Mar-04	Dong Soo Chung	Non Executive Director	24-Mar-07	23-Mar-12		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
18-Mar-05	Hyung Duk Chang	Auditor & Executive Director	19-Mar-08	18-Mar-13	X ⁷	30,000	0	30,000
18-Mar-05	Kap Shin	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Dong Won Kim	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Yun Keun Jung	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Nam Sik Yang	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Hyo Sung Won	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Young Kook Oh	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Sang Jin Lee	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000

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 = 47,200Won 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.

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.

⁷ Exercise price = 46,800 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.

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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				
18-Mar-05	Ahn Sook Koo	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Jung Young Kang	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Young Han Choi	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Dong Soo Choe	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Seong Kyu Lee	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Jun Bo Cho	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Jung Min Kim	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Sung Soo Jung & 22 others	Employees	19-Mar-08	18-Mar-13	46,800	345,000	0	345,000
18-Mar-05	Suk Yong Cha	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
18-Mar-05	Ki Hong Kim	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
18-Mar-05	Young Soon Cheon	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
18-Mar-05	Dong Soo Chung	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
18-Mar-05	Chang Kyu Lee	Non Executive director	19-Mar-08	18-Mar-13	X ⁷	15,000	0	15,000
18-Mar-05	Hun Namkoong	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
18-Mar-05	Doo Hwan Song	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
18-Mar-05	Dam Cho	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
18-Mar-05	Nobuya Takasugi	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
Total						3,480,281	178,599	3,300,962

Table of Contents**1.4. Employee Stock Ownership Association¹**

	Beginning			Ending	
	balance			Balance	
	(January 1, 2005)	Increase	Decrease	(March 31, 2005)	Remarks
Registered common stock	1,944,211	585,530	95,698	2,434,043	
Total	1,944,211	585,530	95,698	2,434,043	

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	360,454	(930,356)	1,310,291
Diluted (loss) earnings per share (Won)	1,176 ₂	(2,854)	4,123
Total dividend amount	168,574		325,232
Dividend payout ratio (%)	46.77 ₃		24.82
Cash dividend per common share (Won)	550		1,000
Stock dividend per common share (%)			
Dividend per preferred share (Won)			
Dividend yield ratio (%)	1.42 ₄		2.19

¹ Disposed 1,000,000 shares of Treasury stock for the purpose of contribution to ESOP on April 12, 2005.

² Earnings per share = net income (360,454,000,000 Won) / weighted average number of shares (306,529,707 shares).

³ Dividend payout ratio = total dividend amount for common shares (168,574,000,000 Won) / net income (360,454,000,000 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).

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

(Unit: in millions of Won)

		March 31, 2005		December 31, 2004		December 31, 2003	
		Average balance	Interest rate (%)	Average balance	Interest rate (%)	Average balance	Interest rate (%)
Won currency	Deposits	115,575,043	2.93	118,017,849	3.29	117,045,837	3.69
	Certificate of deposit	4,291,889	3.58	6,108,179	4.06	4,068,327	4.45
	Borrowings	2,720,835	2.88	3,053,890	3.43	3,625,926	3.89
	Call money	1,075,572	3.08	1,117,576	3.55	1,315,639	3.93
	Other	25,958,026	5.07	23,376,439	5.61	23,311,299	5.91
Subtotal		149,621,365	3.32	151,673,933	3.68	149,367,028	4.06
Foreign currency	Deposits	1,362,120	1.13	1,777,402	0.61	1,276,952	0.84
	Borrowings	2,771,404	1.57	2,796,300	0.94	3,462,883	1.01
	Call money	226,501	2.49	145,809	1.43	150,609	1.07
	Finance debentures issued	688,271	3.41	824,745	2.28	773,840	2.11
	Other	42,150	0.01	40,383		26,491	
Subtotal		5,090,446	1.73	5,584,639	1.04	5,690,775	1.12
Other	Total Shareholders Equity	9,515,802		9,284,477		12,053,112	
	Allowances	711,427		459,124		98,422	
	Other	13,082,214		12,773,040		9,509,283	
Subtotal		23,309,443		22,516,641		21,660,817	
Total		178,021,254	2.84	179,775,213	3.14	176,718,620	3.47

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

(Unit: in millions of Won)

		March 31, 2005		December 31, 2004		December 31, 2003	
		Average balance	Interest rate (%)	Average balance	Interest rate (%)	Average balance	Interest rate (%)
Won currency	Due from banks	351,618	2.70	184,593	0.83	165,358	1.37
	Securities	27,084,729	3.58	23,930,678	5.17	30,069,922	7.26
	Loans	122,411,338	6.17	125,504,672	6.64	121,725,298	7.10
	Advances for customers	32,574	1.41	71,213	2.01	96,547	5.79
	Call loan	1,561,579	3.35	1,661,772	3.78	685,953	3.92
	Private placement corporate bonds	1,331,380	7.22	1,322,470	6.58	1,287,623	10.26
	Credit card accounts	7,316,075	11.69	9,581,330	10.83	6,698,954	10.44
	Other	53,452		172,783		298,858	
	Allowance for credit losses (-)	3,166,579		3,844,941		1,823,976	
	Subtotal	156,976,166	6.13	158,584,570	6.86	159,204,537	7.41
Foreign currency	Due from banks	656,943	2.32	632,526	1.34	612,862	1.33
	Securities	895,223	6.45	1,208,124	3.88	1,269,538	5.23
	Loans	2,856,612	3.13	2,675,293	3.61	2,785,091	3.11
	Call loan	112,613	2.58	114,606	1.63	84,803	1.28
	Bills bought	2,105,253	2.38	1,904,560	1.88	1,983,368	1.83
	Other	1,841		4,812		12,391	
	Allowance for credit losses (-)	64,030		94,501		132,105	
Subtotal	6,564,455	3.30	6,445,420	2.97	6,615,948	3.03	
Other	Cash	1,006,478		965,852		968,815	
	Fixed assets held for business	2,638,039		3,084,589		3,210,463	
	Other	10,836,116		10,694,782		6,718,857	
Subtotal	14,480,633		14,745,223		10,898,135		
Total	178,021,254	5.53	179,775,213	6.16	176,718,620	6.79	

Table of Contents**2.1.3. Fee Transactions**

(Unit: in millions of Won)

		<u>March 31, 2005</u>	<u>March 31, 2004</u>	<u>December 31, 2004</u>
Fee Revenue				
Won currency	Guarantees	1,319	1,123	4,957
	Commissions received	196,459	174,220	776,852
	Credit card	313,965	463,426	1,599,205
	NHF	41,428	38,804	160,874
		<u> </u>	<u> </u>	<u> </u>
Foreign currency	Guarantees	880	710	2,593
	Others	18,539	17,712	75,016
		<u> </u>	<u> </u>	<u> </u>
Subtotal		572,590	695,995	2,619,497
		<u> </u>	<u> </u>	<u> </u>
Fee Expense				
Won & foreign currency	Commissions paid in Won	16,839	22,201	78,681
	Credit card	58,270	106,368	353,324
	Others	4,760	4,793	20,169
		<u> </u>	<u> </u>	<u> </u>
Subtotal		79,869	133,362	452,174
		<u> </u>	<u> </u>	<u> </u>
Fee Income		492,721	562,633	2,167,323
		<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)

		March 31, 2005		December 31, 2004		December 31, 2003	
		Average	Ending	Average	Ending	Average	Ending
		balance	balance	balance	balance	balance	balance
Deposits in Won	Demand deposits	13,971,175	14,688,135	12,994,946	14,338,784	12,192,971	14,110,288
	Time & savings deposits	93,965,810	91,250,251	96,637,551	94,723,601	96,668,084	97,616,747
	Mutual installment deposits	6,092,475	5,857,548	6,682,928	6,306,923	6,958,043	7,054,753
	Mutual installment for housing	5,219,173	5,126,054	5,453,713	5,295,274	5,161,535	5,423,853
	Certificates of deposits	4,291,889	4,305,149	6,108,179	4,911,891	4,068,327	6,499,258
Subtotal		123,540,522	121,227,137	127,877,317	125,576,473	125,048,960	130,704,899
Deposits in foreign currency		1,362,120	1,287,450	1,769,828	1,434,061	1,276,952	1,475,374
Trust deposits	Money trust	7,090,054	7,141,308	7,701,447	7,028,835	13,064,749	10,278,357
	Property trust	11,931,575	10,755,039	16,297,382	12,534,329	24,512,746	21,453,761
Subtotal		19,021,629	17,896,347	23,998,829	19,563,164	37,577,495	31,732,118
Total		143,924,271	140,410,934	153,645,974	146,573,698	163,903,407	163,912,390

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>March 31, 2005</u>	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Deposits	121,206	123,945	119,593
Deposits in Won	120,175	122,585	118,756

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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>March 31, 2005</u>	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Deposits	7,523	7,232	7,487
Deposits in Won	7,459	7,152	7,434

2.2.4. Loan Balances

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

(Unit: in millions of Won)

	<u>March 31, 2005</u>		<u>December 31, 2004</u>		<u>December 31, 2003</u>	
	Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
Loans in Won	122,403,811	121,352,359	125,496,237	122,721,898	121,705,493	123,715,244
Loans in foreign currency	4,129,535	4,314,719	4,011,351	3,860,828	4,160,185	4,019,929
Advances to customers	32,574	29,671	73,801	32,120	107,091	89,665
Subtotal	126,565,920	125,696,749	129,581,389	126,614,846	125,972,769	127,824,838
Trust account loans	354,648	345,771	429,054	361,906	531,500	489,788
Total	126,920,568	126,042,520	130,010,443	126,976,752	126,504,269	128,314,626

2.2.5. Loan Balances as of March 31, 2005 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	69,344,864	31,240,966	7,410,775	13,355,754	121,352,359
Loans in foreign currencies	3,332,133	605,400	200,611	176,575	4,314,719

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)

		March 31, 2005	December 31, 2004	December 31, 2003
Loans to enterprise	Loans for operations	31,615,421	31,678,117	35,351,506
	Loans for facility	6,071,581	6,286,747	6,631,703
Loans to households		42,162,111	42,790,337	42,884,305
Loans to public sector & others	Loans for operations	640,186	673,456	526,227
	Loans for facility	37,988	40,383	42,473
Loans on property formation savings		8,603	9,719	62,963
Loans for housing		40,809,116	41,234,086	38,199,290
Inter-bank loans		4,666	6,114	12,815
Others		2,687	2,939	3,962
Total		121,352,359	122,721,898	123,715,244

2.2.7. Loan to Deposit Ratio

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

(Units: in millions of Won, %)

	March 31, 2005	December 31, 2004	December 31, 2003
Loans¹ (A)	122,403,811	125,496,237	121,705,493
Deposits² (B)	123,540,522	127,877,317	125,048,960
Loan to deposit ratio (A/B)	99.08	98.14	97.33

2.2.8. Acceptances and Guarantees

(Unit: in millions of Won)

	<u>March 31, 2005</u>	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Determined	1,138,046	975,788	800,297
Contingent	1,561,016	1,311,774	1,281,518
Total	<u>2,699,062</u>	<u>2,287,562</u>	<u>2,081,815</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)

		March 31, 2005		December 31, 2004 ¹		December 31, 2003	
		Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
Securities in Won (Banking account)	Monetary stabilization bonds	10,601,517	10,157,634	7,150,535	10,524,835	4,343,978	5,540,598
	Government and public bonds	5,044,170	5,621,401	4,753,135	4,675,093	5,630,422	5,885,595
	Debentures	6,148,880	6,424,760	7,013,765	6,152,749	12,315,840	8,936,220
	Stocks	1,318,861	1,313,937	1,003,131	1,282,050	1,380,254	877,013
	Others	5,302,680	4,881,168	5,332,583	5,583,538	7,687,051	7,299,404
Subtotal		28,416,108	28,398,900	25,253,149	28,218,265	31,357,545	28,538,830
Securities in Won (Trust account)	Monetary stabilization bonds	1,021,033	974,007	1,222,004	1,152,621	984,380	878,077
	Government and public bonds	1,152,593	1,047,969	922,790	837,080	1,182,165	1,252,419
	Debentures	2,072,846	2,099,518	2,363,630	2,312,459	5,876,064	4,080,362
	Stocks	510,206	499,026	564,538	510,650	763,277	592,379
	Others	2,422,612	2,639,583	2,101,832	2,324,393	3,208,160	2,106,262
Subtotal		7,602,849	7,613,857	7,837,343	7,586,618	12,882,865	9,677,174
Securities in foreign currency (Trust Account)		423,559	353,754	662,549	449,415	868,819	767,675
Subtotal		7,602,849	7,613,857	7,837,343	7,586,618	12,882,865	9,677,174
Securities in foreign currency (Banking account)	Foreign securities	589,330	562,654	894,722	745,352	999,806	1,072,483
	Off-shore foreign securities	305,736	302,551	313,402	205,455	269,732	277,663
Subtotal		895,066	865,205	1,208,124	950,807	1,269,538	1,350,146
Total		36,914,023	36,877,962	34,298,616	29,169,072	45,509,948	39,566,150

2.2.10. Trust Account

(Unit: in millions of Won)

	March 31, 2005		December 31, 2004		December 31, 2003	
	Total amount	Trust	Total amount	Trust	Total amount	Trust
	trusted	fees	trusted	fees	trusted	fees
Return-guaranteed trust	337	21,583	369	8,365	559	45,682
Performance trust	19,021,292	18,593	23,998,460	93,856	37,576,936	186,851
Total	19,021,629	40,176	23,998,829	102,221	37,577,495	232,533

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

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		
		March 31, 2005	December 31, 2004	December 31, 2003
Number of card holders (Person)	Corporate	176,570	182,109	147,813
	Individual	11,126,606	11,362,173	10,990,703
Number of merchants		1,485,831	1,491,730	1,528,872
Profit	Sales¹	14,956,438	66,348,465	92,535,500
	Fee revenue	549,708	2,800,901	4,012,017

2.3. Branch Networks

As of March 31, 2005, we had 1,077 branches and 45 sub-branches in Korea, the largest number of branches among Korean commercial banks. Approximately 41.4% 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 lump-sum & installment 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>March 31, 2005¹</u>	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Risk-adjusted capital (A)	12,974,680	13,334,531	12,499,543
Risk-weighted assets (B)	119,699,952	121,081,735	127,370,180
BIS ratios (A/B)	10.84	11.01	9.81

2.4.2. Non-Performing Loans²

(Units: in millions of Won unless indicated otherwise)

	<u>March 31, 2005</u>		<u>December 31, 2004</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>
	3,317,159	2.45%	3,207,190	2.35%	109,969	0.10%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>March 31, 2005</u>	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Loan losses allowance			
Loans in Won	3,301,964	3,181,433	3,946,059
Loans in foreign currencies	4,763	4,662	2,677

Total	3,306,727	3,186,095	3,948,736
Provision for loan losses	337,125	3,068,248	1,431,181

¹ Tentative ratio

2. 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)

	March 31, 2005 ¹	December 31, 2004 ²	December 31, 2003 ³
Beginning balance	3,186,095	3,948,736	2,420,410
Net Write-Off	(216,493)	(3,830,889)	97,145
Write-Off	(304,170)	(5,260,962)	(4,509,979)
Recovery	71,822	286,464	270,422
Other	15,855	1,143,609	4,336,702
Provision for loan losses	337,125	3,068,248	1,431,181
Ending balance	3,306,727	3,186,095	3,948,736

¹ Includes present value discounts and allowance for other assets amounting to 22,110 million won and 67,320 million won, respectively as of March 2005

² Includes present value discounts, , allowances for trusted credit card, allowances for reserved assets, allowances for other assets amounting to 22,780 million won, 192,221 million won, 27,291 million won, 38, 692 million won, respectively as of December 31, 2004

³ Includes present value discounts and allowance for other assets amounting to 30,442 million won and 24,252 million won, respectively, that had been recorded as of 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	
	March 31, 2005	December 31, 2004 ¹
Cash and due from banks	5,626,538	5,139,604
Securities	27,732,757	27,965,441
Loans	133,505,167	135,769,326
Fixed assets	2,569,597	2,633,218
Other assets	11,570,058	8,296,164
Total assets	181,004,117	179,803,753
Deposits	122,514,587	127,010,534
Borrowings	10,526,814	9,634,296
Debentures	21,190,010	21,874,695
Other liabilities	17,653,533	12,105,686
Total liabilities	171,884,944	170,625,211
Capital stocks	1,681,896	1,681,896
Capital surplus	6,230,738	6,230,738
Retained earnings	2,018,350	1,846,895
Capital adjustments	(811,811)	(580,987)
Total shareholders equity	9,119,173	9,178,542
Liabilities and Shareholders Equity	181,004,117	179,803,753
Operating revenue	4,856,550	20,532,036
Operating income	674,577	1,740,380
Continuing (loss) income before income taxes	522,662	629,911
Net (loss) income	340,269	360,454

3.2. Other Financial Information

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See the Exhibit 99.1 Kookmin Bank Review Report by our independent auditors for our full- financial statements and relevant notes. The Report is also available at our website www.kbstar.com.

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

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

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

4.2. Non-Audit Services

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

(Units: in millions of Won unless indicated otherwise)

<u>Year</u>	<u>Service description</u>	<u>Amount of payment</u>
March 2005	-	
2004	- Refinancing	230
	- Due Diligence regarding the possible acquisition of DITC/ KITC	300
	- US GAAP calculation of provision for the third quarter of 2004	100
	- US GAAP conversion for 2004	USD 3,600 thousand
2003	- US GAAP conversion for 2003	USD 3,950 thousand
	- Refinancing	275
	- Due Diligence on Bank International Indonesia	SGD 313 thousand
	- US GAAP conversion for 2002	USD 3,800 thousand
	- Due Diligence on Kookmin Credit Card	250
	- SEC Filing regarding the proposed merger with Kookmin Credit Card	USD 30 thousand

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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.

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 3 months period ended March 31, 2005, the aggregate of the remuneration paid by us to the directors is 985 million Won.

(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			
(Except auditor & executive director and non-executive directors)	710	8,000	237
2) Non Executive Directors			
(Except members of audit committee)	138		17
3) Members of Audit Committee	137		23
Total	985	8,000	62

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

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

(Unit: Shares, %)

<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	28,786,171	8.56
ING Bank N.V Amsterdam	13,650,001	4.06

¹ Depositary of ADRs

² Treasury shares with no voting rights

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		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 Management	March 31, 2005	69,765	6,611	63,154	32,702	14,242
KB Real Estate Trust	December 31, 2004	201,221	143,150	58,071	51,693	(40,058)
KB Credit Information	December 31, 2004	27,847	6,760	21,087	37,793	2,425
KB Data Systems Corp.	December 31, 2004	22,257	6,426	15,831	40,076	1,579
KB Futures	March 31, 2005	37,358	10,740	26,618	8,638	1,199
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	344,383	290,713	53,670	3,474	452
Kookmin HK Ltd.	December 31, 2004	357,884	292,798	65,086	3,154	1,375
Sorak Financial Holdings	December 31, 2004	294,821	215	294,606		(35)

¹ Excluding Jooeun Industry and Jangeun Securities which have been under liquidation procedures. Also excluded as follows; Kookmin Bank Luxembourg.S.A has been completed liquidation procedures on November. 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 March 31,2004

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

As of March 31, 2005, our board of directors, which consists of 4 executive directors and 9 non-executive directors, has the ultimate responsibility for the management of our affairs.

6.1. Executive Directors

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	
Kap Shin	09/04/1955	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 March 31, 2005, 9 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>
Nobuya Takasugi	09/03/1942	Non-Executive Director	
Dong Soo Chung	09/24/1945	Non-Executive Director	1,370
Hoon Namkoong	06/26/1947	Non-Executive Director	
Suk Yong Cha	06/09/1953	Non-Executive Director	2,050
Doo Hwan Song	05/29/1949	Non-Executive Director	
Ki Hong Kim	01/10/1957	Non-Executive Director	2,170
Chang Kyu Lee	05/20/1951	Non-Executive Director	
Dam Cho	08/01/1952	Non-Executive Director	
Young Soon Cheon	02/01/1961	Non-Executive Director	1,140

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 March 31, 2005.

<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
Yun Keun Jung	07/01/1951	Senior Executive Vice President	2,416
Nam Sik Yang	05/08/1954	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	
Seung Kyo Lee	10/25/1959	Senior Executive Vice President	
Jun Bo Cho	09/15/1951	Senior Executive Vice President	906
Jung Min Kim	05/08/1951	Senior Executive Vice President	94

6.4. Employees

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

(Unit: in millions of Won)

	<u>Number of Employees</u>			<u>Average Tenure</u>	<u>Average Monthly</u>	
	<u>Full-time</u>	<u>Contractual</u>	<u>Total</u>	<u>of the Full-time</u>	<u>Total Payment for</u>	
				<u>Employees</u>	<u>the year of 2004</u>	
					<u>Payment</u>	
					<u>per Person</u>	
Male	13,143	1,141	14,284	16.18	268,303	6.3
Female	4,398	6,914	11,312	13.78	126,587	3.7
Total	17,541	8,055	25,596	15.59	394,890	5.1

The number of employees are based on the average number of employees by the end of the month for the 1st quarter of 2005.

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		Beginning Balance (January 1, 2005)	Increase	Decrease	Ending Balance (March 31, 2005)
	with the Bank	Account				
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	5,868			5,868
KB Life ²	Affiliate	Equity Securities of Affiliate	30,000		14,700	15,300
ING Life Korea	Affiliate	Equity Securities of Affiliate	14,000			14,000
Kookmin Hong Kong Ltd.	Affiliate	Equity Securities of Affiliate	20,876		390	20,486
Kookmin Bank International (London) Ltd.	Affiliate	Equity Securities of Affiliate	40,180		1,683	38,497
Total			294,295		16,773	277,522

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

² Established on 29 April, 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)

<u>Name</u>	<u>Relation with the Bank</u>	<u>Account</u>	<u>Beginning Balance (January 1, 2005)</u>	<u>Ending Balance (March 31, 2005)</u>	<u>Increase / (Decrease) for the period</u>
Ki Hong Kim	Non executive director	Housing loans	18	18	0
Kyung Namkoong	Related party of Non executive director, Hoon Namkoong	Housing loans	170	170	0
Samsung Electro-Mechanics	Related party of Non executive director, Hoon Namkoong	Loans for working capital	0	2,136	2,136
Hyun Duk Shin	Related party of Executive director and Senior executive Vice President,	Household loans	50	50	0
Young Sin Yoon	Related party of Kap Shin Executive director and Senior executive Vice President,	Household loans	2	0	(2)
Chan Jung Lee	Related party of Kap Shin Non executive director, Dong Soo Chung	Household loans	93	0	(93)
Total			333	2,374	2,041

Table of Contents**7.2.2. Securities Transactions**

(Units: in millions of Won unless indicated otherwise)

Name	Relation with the Bank	Transactions				Gains /Losses
		Account	Purchase	Disposal	Volume	
DSME Co.	Related party of Non executive director, Dong Soo Chung	Equity securities	3,682	5,395	9,077	701
Samsung Electro-Mechanics	Related party of Non executive director, Hoon Namkoong	Equity securities	265	265	530	2
	Total		3,947	5,660	9,607	703

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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: May 16, 2005

By: /s/ Kap Shin

(Signature)

Name: Kap Shin

Title: Director & Senior Executive Vice

President/Chief Financial Officer

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Exhibit 99.1

KOOKMIN BANK

NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2005

AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

English Translation of a Report Originally Issued in Korean

To the Board of Directors and Shareholders of

Kookmin Bank:

We have reviewed the accompanying non-consolidated balance sheet of the Bank accounts of Kookmin Bank (the "Bank") as of March 31, 2005 and the related non-consolidated statements of income, and cash flows for the three months ended March 31, 2005, all expressed in Korean Won. These financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these financial statements based on our review. The accompanying non-consolidated statements of income and cash flows for the three months ended March 31, 2004, which are presented for comparative purposes, were reviewed by other auditors, whose report thereon dated April 16, 2004 stated that nothing came to their attention that caused them to believe that these financial statements reviewed by them were not presented fairly, in all material respects, in accordance with the financial accounting standards, as established in the Republic of Korea.

We conducted our reviews in accordance with standards established by the Securities and Futures Commission of the Republic of Korea. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of Korea, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with financial accounting standards in the Republic of Korea.

The accompanying non-consolidated balance sheet as of December 31, 2004, which is presented in this report, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended December 31, 2004 (not presented herein), were audited in accordance with auditing standards generally accepted in the Republic of Korea by other auditors, and in their report dated February 4, 2005, they expressed an unqualified opinion on those financial statements. As explained in Note 2, their reports for the year ended December 31, 2004 were prepared before changes in accounting principles were reflected, and the accompanying balance sheet as of December 31, 2004, which is presented for comparative purposes, was restated to reflect the changes in accounting principles.

As explained in Note 2, the Bank recorded all assets and liabilities comprising of private beneficiary certificates as their original accounts, and all gains and losses from all private beneficiary certificates as income from beneficiary certificates as of December 31, 2004. However, in accordance with the new interpretation by the Financial Supervisory Service, a private beneficiary certificate on which management, as an investor agrees to have no interference and is not practically managing at all is regarded as an ordinary beneficiary certificate and recorded as securities. Due to this change, the Bank restated the accompanying financial statements as of December 31, 2004, which increased total assets by (Won)76,568 million, total liabilities by (Won)2,668 million and capital adjustments by (Won)268,696 million, and decreased retained earnings before appropriations by (Won)194,796 million. In addition, total assets, total liabilities and capital adjustments as of March 31, 2005 decreased by (Won)60,726 million, (Won)60,726 million and (Won)30,019 million respectively, and net income for the three months then ended increased by (Won)30,019 million due to the accounting change.

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

Deloitte HanaAnjin LLC

Seoul, Korea

May 6, 2005

Table of Contents**KOOKMIN BANK****NON-CONSOLIDATED BALANCE SHEETS****AS OF MARCH 31, 2005 AND DECEMBER 31, 2004**

(See Independent Accountants' Review Report)

	Korean Won	
	(Restated)	
	2005	2004
	(In millions)	
<u>ASSETS</u>		
Cash and due from banks (Notes 3, 20 and 21)	(Won) 5,626,538	(Won) 5,139,604
Securities (Notes 4, 20 and 21)	27,732,757	27,965,441
Loans (Notes 5, 6, 7, 20 and 21)	133,505,167	135,769,326
Fixed assets (Note 8)	2,569,597	2,633,218
Other assets (Note 9)	11,570,058	8,296,164
	(Won) 181,004,117	(Won) 179,803,753
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
LIABILITIES:		
Deposits (Notes 10, 20 and 21)	(Won) 122,514,587	(Won) 127,010,534
Borrowings (Notes 11, 20 and 21)	10,526,814	9,634,296
Debentures (Notes 12, 20 and 21)	21,190,010	21,874,695
Other liabilities (Notes 13, 14, 15 and 16)	17,653,533	12,105,686
	171,884,944	170,625,211
SHAREHOLDERS' EQUITY (Notes 17 and 18):		
Common stock	1,681,896	1,681,896
Capital surplus	6,230,738	6,230,738
Retained earnings before appropriations (Net income of (Won)340,269 million for the three months ended March 31, 2005 and (Won)360,454 million for the year ended December 31, 2004)	2,018,350	1,846,895
Capital adjustments	(811,811)	(580,987)
	9,119,173	9,178,542
	(Won) 181,004,117	(Won) 179,803,753

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See accompanying notes to non-consolidated financial statements.

Table of ContentsKOOKMIN BANKNON-CONSOLIDATED STATEMENTS OF INCOMEFOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

(See Independent Accountants' Review Report)

	Korean Won	
	2005	(Restated) 2004
	(In millions except per share amounts)	
OPERATING REVENUE:		
Interest income:		
Interest on due from banks (Note 21)	(Won) 6,186	(Won) 1,873
Interest on securities (Note 21)	239,201	289,828
Interest on loans (Note 21)	2,276,613	2,685,105
Other interest income	20,082	24,764
	<u>2,542,082</u>	<u>3,001,570</u>
Commission income	514,866	547,417
Other operating income:		
Gain on disposal of trading securities	21,431	32,536
Gain on valuation of trading securities (Note 4)	4,184	48,567
Dividends on trading securities	4,658	2,716
Dividends on available-for-sale securities	3,534	4,070
Foreign exchange trading income	43,982	50,205
Fees and commissions from trust accounts (Note 26)	44,352	33,300
Gain on financial derivatives trading	890,997	550,951
Gain on valuation of financial derivatives (Note 19)	759,327	695,608
Gain on valuation of fair value hedged items (Note 19)	22,635	
Other operating income	4,502	15,859
	<u>1,799,602</u>	<u>1,433,812</u>
Total operating revenues	<u>4,856,550</u>	<u>4,982,799</u>
OPERATING EXPENSES:		
Interest expenses :		
Interest on deposits (Note 21)	831,707	1,042,593
Interest on borrowings (Note 21)	74,990	80,632
Interest on debentures (Note 21)	291,211	265,024
Other interest expenses	8,606	22,490

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	1,206,514	1,410,739
Commission expense	79,869	133,363
Other operating expenses:		
Loss on disposal of trading securities	30,737	13,664
Provision for possible loan losses (Note 7)	337,125	1,100,196
Provision for acceptance and guarantee losses (Note 14)	856	216
Foreign exchange trading losses	64,550	46,090
Loss on financial derivatives trading	773,882	586,171
Loss on valuation of financial derivatives (Note 19)	840,445	644,209
Loss on fair value hedged items (Note 19)		9,699
Other operating expenses	115,234	163,915
	2,162,829	2,564,160
General and administrative expenses (Note 22)	732,761	663,077
Total operating expenses	4,181,973	4,771,339

(continued)

Table of ContentsKOOKMIN BANKNON-CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

(See Independent Accountants' Review Report)

	Korean Won	
	2005	(Restated) 2004
	(In millions except per share amounts)	
OPERATING INCOME	(Won) 674,577	(Won) 211,460
NON-OPERATING INCOME (Note 23)	145,357	119,725
NON-OPERATING EXPENSES (Note 23)	297,272	102,668
ORDINARY INCOME	522,662	228,517
EXTRAORDINARY ITEM		
INCOME BEFORE INCOME TAX	522,662	228,517
INCOME TAX EXPENSE (Note 24)	182,393	77,259
NET INCOME	(Won) 340,269	(Won) 151,258
ORDINARY INCOME PER SHARE (In currency units) (Note 25)	(Won) 1,109	(Won) 494
NET INCOME PER SHARE (In currency units) (Note 25)	(Won) 1,109	(Won) 494
DILUTED ORDINARY INCOME PER SHARE (In currency units) (Note 25)	(Won) 1,104	(Won) 494
DILUTED NET INCOME PER SHARE (In currency units) (Note 25)	(Won) 1,104	(Won) 494

See accompanying notes to non-consolidated financial statements.

Table of ContentsKOOKMIN BANKNON-CONSOLIDATED STATEMENTS OF CASH FLOWSFOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004

(See Independent Accountants' Review Report)

	Korean Won	
	2005	(Restated) 2004
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	(Won) 340,269	(Won) 151,258
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of trading securities	30,737	13,664
Provision for possible loan losses	337,125	1,100,196
Loss on financial derivatives trading	773,882	586,171
Loss on valuation of financial derivatives	840,445	644,209
Loss valuation of fair value hedged items		9,699
Loss on valuation of securities accounted for using the equity method	7,692	1,567
Provision for severance benefits	38,424	29,317
Depreciation and amortization	77,086	97,213
Loss on disposal of available-for-sale securities	9,135	3,891
Loss on impairment of available-for-sale securities	4,629	10,415
Loss on disposal of tangible assets	1,347	1,000
Loss on sale of loans	26	141
Gain on disposal of trading securities	(21,431)	(32,536)
Gain on valuation of trading securities	(4,184)	(48,567)
Gain on financial derivatives trading	(890,997)	(550,951)
Gain on valuation of financial derivatives	(759,327)	(695,608)
Gain on valuation of fair value hedged items	(22,635)	
Gain on valuation of securities accounted for using the equity method	(25,629)	(13,081)
Gain on disposal of available-for-sale securities	(75,039)	(56,473)
Gain on disposal of tangible assets	(68)	(1,273)
Gain on sale of loans	(62)	(371)
Others, net	112,126	34,924
	<u>433,282</u>	<u>1,133,547</u>

(continued)

Table of Contents**KOOKMIN BANK****NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)****FOR THE THREE MONTHS ENDED MARCH 31, 2005 AND 2004**

(See Independent Accountants' Review Report)

	Korean Won	
	(Restated)	
	2005	2004
	(In millions)	
Changes in assets and liabilities resulting from operations:		
Net increase in other receivables	(Won) (4,453,600)	(Won) (3,490,074)
Net decrease (increase) in accrued income	(16,517)	43,050
Net decrease in prepaid expenses	110,554	202,576
Net decrease in deferred tax assets	42,769	78,953
Net increase in other payables	4,366,207	3,200,180
Net increase (decrease) in accrued expenses	23,935	(124,208)
Payment of severance benefits	(50,936)	(26,143)
Decrease in severance insurance deposits	28,019	13,833
Others, net	1,874,825	731,924
	<u>1,925,256</u>	<u>630,091</u>
Net cash provided by operating activities	<u>2,698,807</u>	<u>1,914,896</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease (increase) in restricted due from banks	(434,393)	1,301,315
Net decrease (increase) in trading securities	270,887	(1,238,302)
Net decrease in available-for-sale securities	1,476,011	1,118,572
Net decrease (increase) in held-to-maturity securities	(1,773,272)	488,754
Net decrease (increase) in securities accounted for using the equity method	14,339	(353)
Net decrease in loans	1,897,082	272,763
Disposal of fixed assets	244	2,694
Purchase of fixed assets	(14,951)	(28,744)
Net decrease (increase) in other assets	544,557	(153,083)
	<u>1,980,504</u>	<u>1,763,616</u>
Net cash provided by investing activities	<u>1,980,504</u>	<u>1,763,616</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in deposits	(4,495,947)	(1,542,531)
Net decrease in debentures	(729,606)	(2,735,661)
Net increase (decrease) in borrowings	196,619	(588,694)
Net increase in other liabilities	400,695	874,280
	<u>400,695</u>	<u>874,280</u>

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Net cash used in financing activities	(4,628,239)	(3,992,606)
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	51,072	(314,094)
CASH AND DUE FROM BANKS, BEGINNING OF PERIOD	3,319,349	3,771,757
CASH AND DUE FROM BANKS, END OF PERIOD (Note 30)	(Won) 3,370,421	(Won) 3,457,663

See accompanying notes to non-consolidated financial statements.

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KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2005 and December 31, 2004

(See Independent Accountants' review Report)

1. GENERAL:

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

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

The Bank's shares have been listed on the Korea Stock Exchange since September 1994. As a result of the business combination with H&CB, the former shareholders of the Bank and H&CB received new common shares of the Bank on the basis of a pre-determined ratio. The new common shares of the Bank were listed on the Korea Stock Exchange on November 9, 2001. As of March 31, 2005, the Bank's paid-in capital amounts to (Won)1,681,896 million and its 47,096,792 shares are listed on the New York Stock Exchange as American Depositary Shares (ADS).

The Bank engages in the banking and trust businesses according to the provisions of the General Banking Act and the Trust Business Act, and operates through 1,101 domestic branches and offices (with 220 automated teller machines) and three overseas branches (excluding 2 subsidiaries and 1 office) as of March 31, 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Non-consolidated Financial Statement Presentation

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The Bank maintains its official accounting records in Korean Won and prepares statutory non-consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles and banking accounting standards generally accepted in the Republic of Korea. Certain accounting principles and banking accounting standards applied by the Bank that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles and banking accounting practices in other countries. Accordingly, these 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 (with certain expanded descriptions) from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Bank's financial position, results of operations or cash flows, is not presented in the accompanying financial statements.

The significant accounting policies followed by the Bank in preparing the accompanying non-consolidated financial statements are summarized below.

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Interest Income Recognition

The Bank applies the accrual basis in recognizing interest income related to deposits, loans and securities, except for non-secured uncollectible receivables. Interest on loans, whose principal or interest is past due at the balance sheet date, is generally not accrued, with the exception of interest on certain loans secured by guarantee of governments or government agencies, or collateralized by bank deposits. When a loan is placed on non-accrual status, previously accrued interest is generally reversed and deducted from current interest income; future interest income is recognized on cash basis in accordance with the accounting standards of the banking industry. As of March 31, 2005 and December 31, 2004, the principal amount of loans and securities of which the accrued interest income was not recorded in the accompanying financial statements based on the stated criteria amounted to (Won)8,843,560 million and (Won)8,600,175 million, respectively, and the related accrued interest income not recognized amounted to (Won)610,104 million and (Won)551,683 million, respectively.

Classification of Securities

At acquisition, the Bank classifies securities into one of the following categories: trading, available-for-sale, held-to-maturity and securities accounted for using the equity method, depending on marketability, purpose of acquisition and ability to hold. Debt and equity securities that are bought and held for the purpose of selling them in the near term and actively traded are classified as trading securities. Debt securities with fixed and determinable payments and fixed maturity that the Bank has the positive intent and ability to hold to maturity are classified as held-to-maturity securities. Securities that should be accounted for under the equity method are classified as securities accounted for using the equity method. Debt and equity securities not classified as the above are categorized as available-for-sale securities.

If the objective and ability to hold securities of the Bank change, available-for-sale securities can be reclassified to held-to-maturity securities and held-to-maturity securities can be reclassified to available-for-sale securities. Whereas, if the Bank sells held-to-maturity securities or exercises early redemption right of securities to issuer in the current year or the proceeding two years, and if it reclassifies held-to-maturity securities to available-for-sale securities, all debt securities that are owned or purchased cannot be classified as held-to-maturity securities. On the other hand, trading securities cannot be recategorized to available-for-sale securities or held-to-maturity securities and vice versa. Nevertheless, trading securities is reclassified to available-for-sale securities only when the trading securities lose their marketability.

Valuation of Securities

(1) Valuation of Trading Securities

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

(2) Valuation of Available-for-sale Securities

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Available-for-sale securities are initially recognized at acquisition cost plus incidental expenses, determined by the individual moving average method (the specified identification method for debt securities). The effective interest method is applied to amortize the difference between the face value and the acquisition cost over the remaining term of the debt security. After initial recognition, available-for-sale securities are stated at fair value, with the net unrealized gain or loss presented as gain or loss on valuation of available-for-sale securities in capital adjustments. Accumulated capital adjustment of securities is charged to current operations in a lump sum at the time of disposal or impairment recognition. Non-marketable equity securities are stated at acquisition cost on the financial statement if the fair value of the securities is not reliably determinable.

If the fair value of equity securities (net asset fair value in case of non-marketable equity securities stated at acquisition cost) is below the acquisition cost and the pervasive evidence of impairment exists, the carrying value is adjusted to fair value and the resulting valuation loss is charged to current operations. If the collectible value of debt securities is below the amortized cost and the pervasive evidence of impairment exists, the carrying value is adjusted to collectible value and the resulting valuation loss is charged to current operations. With respect to impaired securities, any unrealized valuation gain or loss of securities previously included in the capital adjustment account is reversed.

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(3) Valuation of Held-to-maturity Securities

Held-to-maturity securities are stated at acquisition cost plus incidental expenses, determined by the specific identification method. When the face value of held-to-maturity securities differs from its acquisition cost, the effective interest method is applied to amortize the difference over the remaining term of the securities. If collectible value is below the amortized cost and the pervasive evidence of impairment exists, the carrying value is adjusted to collectible value and the resulting valuation loss is charged to current operations.

(4) Valuation of Securities Accounted for using the Equity Method

Equity securities held for investment in companies in which the Bank is able to exercise significant influence over the investees (in accordance with the Banking Act, if the Bank holds 15 percent or more of the issued shares, the Bank is considered being able to exercise significant influence) are accounted for using the equity method. The Bank's share in net income or net loss of investees is included in current operations. Changes in the retained earnings of the investee are reflected in the retained earnings. Changes in the capital surplus or other capital accounts of the investee are reflected as gain or loss on valuation of securities using the equity method in capital adjustments.

(5) Reversal of Loss on Impairment of Available-for-sale Securities and Held-to-maturity Securities

If the reasons for impairment losses of available-for-sale securities no longer exist, the recovery is recorded in current non-operations up to amount of the previously recognized impairment loss as reversal of loss on impairment of available-for-sale securities and any excess is included in capital adjustment as gain on valuation of available-for-sale securities. However, if the increases in the fair value of the impaired securities are not regarded as the recovery of the impairment, the increases in the fair value are recorded on gain on valuation of available-for-sale securities in capital adjustments. For non-marketable equity securities, which were impaired based on the net asset fair value, the recovery is recorded up to their acquisition cost.

For held-to-maturity securities, the recovery is recorded in current operations under non-operating income within the amount of amortized cost that would have been recorded according to the original schedule if the impairment losses had not been recognized as reversal of loss on impairment of held-to-maturity securities.

(6) Reclassification of Securities

When held-to-maturity securities are reclassified to available-for-sale securities, those securities are accounted for at fair value of the reclassification date and the difference between the fair value and book value is reported in capital adjustment as gain or loss on valuation of available-for-sale securities. When available-for-sale securities are reclassified to held-to-maturity securities, gain or loss on valuation of available-for-sale securities which had been recorded until the reclassification date, continue to be included in capital adjustment and be amortized using the effective interest rate method and the amortized amount will be charged to interest income or expense until maturity. The difference between the fair value of the reclassification date and face value of the reclassified securities to held-to-maturity securities is amortized using effective interest rate method and the amortized amount will be charged to interest income or expense.

Transfer of Securities

When the realization, expiration or sale of the right to obtain the economic benefits arises and the control of securities are lost from the sale of the securities, the unrealized valuation gain or loss of securities included in the capital adjustment account is added to or deducted from the gain or loss on disposal of securities. The gain or loss is the difference between the net proceeds receivable or received and its carrying value. When securities are transferred without losing the control, the transaction is recorded as secured borrowing transaction.

Allowance for Possible Losses on Credits

The Supervisory Regulation of Banking Business (the Supervisory Regulation) legislated by the Financial Supervisory Commission (FSC) requires the Bank to classify all credits into five categories as normal, precautionary, substandard, doubtful, or estimated loss based on borrowers repayment capability and historical financial transaction records. The Supervisory Regulation also requires the Bank to provide the minimum rate of loss provision for each category balance using the prescribed minimum percentages as described below.

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As required by the Supervisory Regulation, the Bank classifies corporate credits (loans, confirmed acceptances and guarantees) based on borrowers' capability to repay in consideration of borrowers' business operation, financial position and future cash flows (Forward Looking Criteria) as well as past due period and status of any bankruptcy proceedings (Historical Repayment Criteria). Credits to small companies and to households, however, are classified not by evaluating the debt repayment capability of a borrower or customer but by past due period and status of bankruptcy proceedings. The Bank generally classifies all credits to a single borrower in the same category of classification but credits guaranteed or credits collateralized by bank deposits, real estate and other assets may be classified differently based on the guarantor's capability to service such guarantee or based on the value of collateral securing such credits.

Based on the Bank's corporate credit evaluation model, credits to a borrower are classified into 12 grades from AAA to D (AAA, AA, A, BBB, BB, BB-, B, B-, CCC, CC, C and D). Credits of grades of AAA to B are classified as normal, credits of grade B- to CCC as precautionary, credits of grade CC as substandard, credits of grade C as doubtful, and credits of grade D as estimated loss. Credits are finally classified reflecting past due period and bankruptcy considerations.

An allowance is then calculated on the category balances using the prescribed percentages of 0.5 ~ 1.9 percent for normal, 2 ~ 19.9 percent for precautionary, 20 ~ 49.9 percent for substandard, 50 ~ 99.9 percent for doubtful and 100 percent for estimated loss. However, the Bank does not provide allowances for call loans, bonds bought under resale agreements and inter-bank loans that are classified as normal or precautionary, as it is not required by the Accounting Standards for the Banking Industry.

In addition, as required by the Supervisory Regulation, based on the classification of household loans and credit card receivables by past due period and status of bankruptcy proceedings, allowance for household loans and credit card receivables are then calculated on the category balances using the prescribed minimum percentages of 0.75 percent and 1 percent for normal, 8 percent and 12 percent for precautionary, 20 percent for substandard, 55 percent and 60 percent for doubtful and 100 percent for estimated loss. Furthermore, as required by the Financial Supervisory Service, for the secured household loans newly placed after September 9, 2002, if the ratio of loans to collateral value (loan to value; LTV) exceeds 70 percent, the Bank provides the allowance for possible loan losses of 1 percent or more for normal and 10 percent or more for precautionary instead of providing 0.75 percent or more for normal and 8 percent or more for precautionary.

The Bank partially changed the accounting estimation in providing allowance for household loans in accordance with the Financial Supervisory Commission Guidelines during 2005. The Bank extended the scope of borrowers classified as normal and precautionary for the secured household loans and applied the same overdue principal for general consumer loans to the secured household loans. The change in accounting estimate above is to reflect economic substantiality based on historical experience, and as a result, the provision for loan losses decreased by (Won)65.9 billion compared to those accounted for using the previous method. The effect of change has been applied prospectively.

In addition, when an allowance for possible loan losses materially differs from the expected loss, which is calculated through objective and reasonable method in accordance with the accounting principle in the Republic of Korea, expected loss is reflected in the provision for possible loan losses since 2004.

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

Lending portfolios	Methodology	Period of historical loss rate	Period of recovery ratio

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Impaired corporate loans	Discounted cash flows	N/A	N/A
Non-impaired corporate loans	Migration analysis	1-year	5-years
Consumer loans	Migration analysis	2-years	5-years
Credit card loans	Roll-rate analysis	1-year	5-years

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

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As required by the Supervisory Regulation, the Bank also provides an allowance for possible losses on confirmed acceptances and guarantees. Confirmed acceptances and guarantees are classified as of the balance sheet dates using the same loan classification criteria. An allowance is then calculated, using from 20 to 49.9 percent for substandard, from 50 to 99.9 percent for doubtful and 100 percent for estimated loss. No allowance is provided for those confirmed acceptances and guarantees classified as normal and precautionary. The allowance for possible losses on confirmed acceptances and guarantees is included in other liabilities.

In addition, as required by the Financial Supervisory Service, the Bank provides an additional other allowance of 1 percent for certain portions of the unused cash advance facility (75 percent of the facility less used balance) of active credit card accounts having transaction records during the recent one year.

Restructuring of Loans

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

Deferred Loan Origination Fees and Costs

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

Valuation of Receivables and Payables at Present Value

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

Tangible Assets and Related Depreciation

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

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

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

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Intangible Assets and Related Amortization

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

<u>Intangible assets</u>	<u>Estimated useful life</u>
Goodwill	9 years
Development costs	5 years
Trademarks	5-20 years
Others	5-30 years

The Bank records goodwill as a result of the merger with H&CB as the cost of the merger exceeded the fair value of the net assets acquired. Expenditures incurred in conjunction with the development of new products or technology and others, in which the elements of costs can be individually identified and future economic benefits are probably exerted, are capitalized as development costs. The Bank estimates the useful life of endowment assets that are beneficial upon usage to be 30 years based on the term of the contract and are classified under other intangible assets.

Valuation Allowance for Non-Business Use Property

Non-business use property included in fixed assets is recorded when the Bank acquires collateral by foreclosure on the mortgage for loans. If the latest auction price is lower than book value, the difference is provided as a valuation allowance and the valuation loss is charged to current operations. In addition, the difference between the selling price and book value is recorded as a disposition gain or loss.

Recognition of Impairment of Assets

When the book value of assets (other than securities and assets valued at present value) exceeds the recoverable value of the assets due to obsolescence, physical damage or a sharp decrease in market value and the difference is material, those book value of assets are adjusted to recoverable value in the balance sheet and the resulting impairment loss is charged to current operations. If the recoverable value of the assets increases in subsequent years, the increase in value is credited to operations as gain until the recoverable value equals the book value of the assets that would have been measured had no impairment loss been recognized. The Bank assessed the recoverable value based on expected selling price or appraisal value.

Amortization of Discount (Premium) on Debentures

Discount or premium on debentures issued is amortized over the period from issuance to maturity using the effective interest rate method. Amortization of discount or premium is recognized as interest expense or interest income on the debentures.

Bonds under Resale or Repurchase Agreements

Bonds purchased under resale agreements are recorded as loans and bonds sold under repurchase agreements are recorded as borrowings when the Bank purchases or sells securities under resale or repurchase agreements.

Accrued Severance Benefits

Employees and directors and temporary employees with at least one year of service and temporary employees with at least a one-year contract, as of March 31, 2005, are entitled to receive a lump-sum payment upon termination of their employment with the Bank, based on their length of service and rate of pay at the time of termination. The accrued severance benefits that would be payable assuming all eligible employees and directors were to resign are included in other liabilities.

The Bank has purchased severance benefits insurance, which meets the funding requirement for tax purposes, and made deposits with Kyobo Life Insurance Co., Ltd and others. Withdrawal of these deposits is restricted to the payment of severance benefits. These are presented as a deduction from the accrued severance benefits.

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Accounting for Derivative Instruments

The Bank accounts for derivative instruments pursuant to the Interpretations on Financial Accounting Standards 53-70 on accounting for derivative instruments. Derivative instruments are classified as used for trading activities or for hedging activities according to their transaction purpose. All derivative instruments are accounted for at fair value with the valuation gain or loss recorded as an asset or liability. If the derivative instrument is not part of a transaction qualifying as a hedge, the adjustment to fair value is reflected in current operations.

The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of gain or loss recorded as a capital adjustment is reclassified to current earnings in the same period during which the hedged forecasted transaction affects earnings. If the hedged transaction results in the acquisition of an asset or the incurrence of a liability, the gain or loss in capital adjustment is added to or deducted from the asset or the liability.

Accounting for Stock Options

Stock options are valued at fair value pursuant to the Interpretations on Financial Accounting Standards 39-35 on accounting for stock options. The fair value of stock options is charged to operating expense in the statement of income and credited to capital adjustments as stock option cost over the contractual term of the services provided.

National Housing Fund

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

Accounting for Trust Accounts

The Bank maintains the books of accounts and financial statements in connection with the trust operations (the trust accounts) separately from those of the bank accounts in accordance with the Trust Business Act. When surplus funds are generated through the management of trust assets, such funds are deposited with the Bank and are recorded as due to trust accounts of the bank accounts. Also, the borrowings from the bank account are recorded as due from trust accounts of the bank accounts. The Bank receives the fees for operation and management of the trust business and accounts for them as fees and commissions from trust accounts.

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With respect to certain trust account products, the Bank guarantees the repayment of the principal of the trust accounts and, in certain cases, a fixed rate of return. If income from such trust accounts is insufficient to pay the guaranteed amount, such a deficiency is satisfied by using special reserves maintained in the trust accounts, offsetting trust fee payable to bank accounts and receiving compensation contributions from the bank accounts of the Bank. If the Bank pays compensating contributions to the guaranteed return trusts to cover such deficiencies, these contributions are reflected as other operating expense of the bank accounts and as other income of the trust accounts.

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Income Tax Expense

Income tax expense is the amount currently payable for the period added to or deducted from the changes in deferred income taxes. However, deferred income tax assets are recognized only if the future tax benefits from accumulated temporary differences and any tax loss carryforwards are realizable. The difference between the amount currently payable for the period and income tax expense is accounted for as deferred income tax assets or liabilities, which will be charged or credited to income tax expense in the period each temporary difference reverses in the future.

Accounting for Foreign Currency Transactions and Translation

The Bank maintains its accounts in Korean Won. Transactions in foreign currencies are recorded in Korean Won based on the prevailing rate of exchange on the transaction date. The Korean Won equivalent of assets and liabilities denominated in foreign currencies are translated in these financial statements based on the basic rate ((Won)1,024.30 and (Won)1,043.80 to US\$ 1.00 at March 31, 2005 and December 31, 2004, respectively) announced by Seoul Money Brokerage Service, Ltd. or cross rates for other currencies other than U.S. Dollars at the balance sheet dates. Translation gains and losses are credited or charged to operations. Financial statements of overseas branches are translated based on the basic rate at balance sheet dates.

Application of the Statement of Korea Accounting Standards

The Korea Accounting Standard Board (KASB) under the Korea Accounting Institute (KAI) issued the Statements of Korea Accounting Standards (SKAS) for achieving a set of Korean accounting standards that should be internationally acceptable and comparable. The Statements supersede the relative articles of existing accounting standards and constitute generally accepted accounting standards of the Republic of Korea. The Bank has implemented SKAS No.1 (Accounting Changes and Correction of Errors) since January 1, 2002 and adopted SKAS from No.2 (Interim Financial Statements) through No.9 (Convertible Securities), since January 1, 2003. Also, the Bank has implemented SKAS No.13 (Troubled Debt Restructurings), since January 1, 2004 and adopted SKAS No.15 (Equity Method) and No. 16 (Income Taxes), since January 1, 2005.

Restatement of Prior Period Financial Statements

The Bank recorded all assets and liabilities comprising of private beneficiary certificates as their original accounts, and all gains and losses from all private beneficiary certificates as income from beneficiary certificates as of December 31, 2004. However, in accordance with the new interpretation by the Financial Supervisory Service, a private beneficiary certificate on which management, as an investor agrees to have no interference and is not practically managing at all is regarded as an ordinary beneficiary certificate and recorded as securities. Due to this change, the Bank restated the accompanying financial statements as of December 31, 2004, which increased total assets by (Won)76,568 million, total liabilities by (Won)2,668 million and capital adjustments by (Won)268,696 million, and decreased retained earnings before appropriations by (Won)194,796 million. In addition, total assets, total liabilities and capital adjustments as of March 31, 2005 decreased by (Won)60,726 million, (Won)60,726 million and (Won)30,019 million respectively, and net income for the three months then ended increased by (Won)30,019 million due to the accounting change.

Reclassification

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

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3. CASH AND DUE FROM BANKS:

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

	2005	2004
Cash and checks	(Won) 2,320,305	(Won) 2,380,578
Foreign currencies	133,778	124,735
Due from banks in local currency	2,461,554	2,030,595
Due from banks in foreign currencies	713,183	607,447
Present value discount	(2,282)	(3,751)
	<u>(Won) 5,626,538</u>	<u>(Won) 5,139,604</u>

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

<u>Financial institution</u>	<u>Interest (%)</u>	<u>2005</u>	<u>2004</u>
Due from banks in local currency			
BOK		(Won) 2,131,363	(Won) 1,685,105
Woori Bank and others	2.20~3.57	253,311	254,537
Hansol Mutual Savings	1.00	67,500	90,000
Samsung Futures and others	2.00	9,380	953
		<u>2,461,554</u>	<u>2,030,595</u>
Due from banks in foreign currencies			
BOK		45,899	43,631
Korea Exchange Bank and others		77,799	74,274
Woori Bank and others	2.67~3.67	589,485	489,542
		<u>713,183</u>	<u>607,447</u>
		<u>(Won) 3,174,737</u>	<u>(Won) 2,638,042</u>

- (2) Restricted due from banks in local currency and foreign currencies as of March 31, 2005 and December 31, 2004 consisted of (Unit: In millions):

<u>Financial institution</u>	<u>2005</u>	<u>2004</u>	<u>Reason for restriction</u>
Due from banks in local currency			
BOK	(Won) 2,131,363	(Won) 1,685,105	BOK Act

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Hansol Mutual Savings	67,500	90,000	Withdrawal at maturity
Woori Bank and others	4,029	4,029	Escrow account
Samsung Futures and others	9,380	953	Futures margin accounts/others
Due from banks in foreign currencies			
BOK	45,899	43,631	BOK Act
J.P.Morgan Chase & Co. and others	228	288	Futures margin accounts/others
	<u> </u>	<u> </u>	
	(Won) 2,258,399	(Won) 1,824,006	
	<u> </u>	<u> </u>	

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

<u>Financial institution</u>	<u>2005</u>	<u>2004</u>
Due from banks in local currency		
BOK	(Won) 2,131,363	(Won) 1,685,105
Banks	253,311	254,537
Others	76,880	90,953
	<u> </u>	<u> </u>
	2,461,554	2,030,595
	<u> </u>	<u> </u>

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Financial institution	2005	2004
Due from banks in foreign currencies		
BOK	45,899	43,631
Banks	661,812	558,771
Others	5,472	5,045
	713,183	607,447
	(Won) 3,174,737	(Won) 2,638,042

(4) Term structure of due from banks as of March 31, 2005 were as follows (Unit: In millions):

	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 years	More than 3 years	Total
Due from banks in local currency	(Won) 2,412,525	(Won) 22,500	(Won) 22,500	(Won) 4,029	(Won)	(Won) 2,461,554
Due from banks in foreign currencies	672,211	40,972				713,183

4. SECURITIES

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

	2005	2004
Trading securities	(Won) 3,359,501	(Won) 3,635,510
Available-for-sale securities	15,767,764	17,555,764
Held-to-maturity securities	8,062,767	6,229,435
Securities accounted for using the equity method	542,725	544,732
	(Won) 27,732,757	(Won) 27,965,441

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

Classification	Face value	Acquisition cost (*)	Adjusted by effective interest rate method	Fair value (Net asset value)	Book value
Trading securities					
Equity securities	(Won)	(Won) 196,932	(Won)	(Won) 209,304	(Won) 209,304
Beneficiary certificates	6,294	6,425		6,419	6,419

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Government and public bonds	1,140,000	1,137,118	1,138,675	1,136,606	1,136,606
Corporate bonds	2,020,000	2,013,956	2,008,276	2,002,179	2,002,179
Asset-backed securities	5,000	5,000	5,008	4,993	4,993
	<u>3,171,294</u>	<u>3,359,431</u>	<u>3,151,959</u>	<u>3,359,501</u>	<u>3,359,501</u>
	(Won) 3,171,294	(Won) 3,359,431	(Won) 3,151,959	(Won) 3,359,501	(Won) 3,359,501
Available-for-sale					
Equity securities	(Won)	(Won) 796,077	(Won)	(Won) 880,981	(Won) 798,187
Equity investments		512		5,654	3,721
Beneficiary certificates	4,828,631	4,589,099		4,816,351	4,816,351
Government and public bonds	839,670	848,217	845,415	848,307	848,307
Foreign government bonds	19,512	20,689	20,111	20,027	20,027
Corporate bonds	8,853,326	8,530,263	8,479,221	8,497,616	8,497,616
Asset-backed securities	881,800	881,903	693,168	764,225	764,225
Other debt securities	20,068	19,337	19,337	19,330	19,330
	<u>15,443,007</u>	<u>15,686,097</u>	<u>10,057,252</u>	<u>15,852,491</u>	<u>15,767,764</u>
	(Won) 15,443,007	(Won) 15,686,097	(Won) 10,057,252	(Won) 15,852,491	(Won) 15,767,764

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Classification	Face value	Acquisition cost (*)	Adjusted by effective interest rate method	Fair value (Net asset value)	Book value
Held-to-maturity					
Government and public bonds	(Won) 3,636,193	(Won) 3,638,459	(Won) 3,636,487	(Won) 3,696,651	(Won) 3,636,487
Corporate bonds	4,195,124	4,147,230	4,157,217	4,201,255	4,157,217
Asset-backed securities	250,000	249,906	249,907	257,517	249,907
Other debt securities	20,000	19,157	19,156	19,156	19,156
	(Won) 8,101,317	(Won) 8,054,752	(Won) 8,062,767	(Won) 8,174,579	(Won) 8,062,767

(*) Acquisition cost of equity securities in available-for-sale is the book value before valuation.

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

Classification	Face value	Acquisition cost (*)	Adjusted by effective interest rate method	Fair value (Net asset value)	Book value
Trading securities					
Equity securities	(Won)	(Won) 176,191	(Won)	(Won) 184,545	(Won) 184,545
Beneficiary certificates	10,663	10,883		10,884	10,884
Government and public bonds	740,000	752,941	751,894	756,658	756,658
Corporate bonds	2,550,000	2,537,938	2,526,307	2,539,819	2,539,819
Asset-backed securities	45,000	44,909	44,860	44,963	44,963
Other debt securities	100,000	98,632	98,630	98,641	98,641
	(Won) 3,445,663	(Won) 3,621,494	(Won) 3,421,691	(Won) 3,635,510	(Won) 3,635,510
Available-for-sale					
Equity securities	(Won)	(Won) 579,017	(Won)	(Won) 886,390	(Won) 799,737
Equity investment		512		5,094	3,711
Beneficiary certificates	5,302,303	5,145,408		5,414,250	5,414,250
Government and public bonds	809,670	820,371	818,892	837,886	837,886
Foreign government bonds	30,736	33,381	31,424	32,638	32,638
Corporate bonds	9,821,659	9,671,362	9,620,070	9,682,914	9,682,914
Asset-backed securities	881,800	881,903	758,217	765,231	765,231
Other debt securities	20,093	19,363	19,363	19,397	19,397
	(Won) 16,866,261	(Won) 17,151,317	(Won) 11,247,966	(Won) 17,643,800	(Won) 17,555,764
Held-to-maturity					
Government and public bonds	(Won) 3,071,424	(Won) 3,090,636	(Won) 3,080,549	(Won) 3,214,041	(Won) 3,080,549
Corporate bonds	2,960,800	2,947,690	2,949,730	3,028,061	2,949,730
Asset-backed securities	180,000	180,000	180,000	189,936	180,000
Other debt securities	20,000	19,157	19,156	19,156	19,156
	(Won) 6,232,224	(Won) 6,237,483	(Won) 6,229,435	(Won) 6,451,194	(Won) 6,229,435

(*) Acquisition cost of equity securities in available-for-sale is the book value before valuation.

The Bank recognized gain on valuation of trading securities of (Won)4,184 million and (Won)48,567 million for the three months ended March 31, 2005 and 2004, respectively.

The fair values of trading debt securities in local currency were assessed by applying the average of base prices of the latest trading day from the balance sheet date, provided by the bond pricing service institutions.

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

<u>Company</u>	<u>No. of shares</u>	<u>Percentage of ownership (%)</u>	<u>Net asset value</u>	<u>Book value</u>
Bad Bank Harmony (preferred stock)	13	0.46	(Won) 37,441	(Won) 12,279
Korea Asset Management Corporation	1,506	5.38	11,221	7,827
Samsung Life Insurance Co., Ltd.	23	0.11	9,800	7,479
Korea Highway Corp.	573	0.03	6,088	6,248
Continuous Linked Settlement System	2	1.39	3,035	5,755
Korea Credit Bureau Co., Ltd.	180	9.57	4,500	4,500
Kyobo Investment Trust Management Co., Ltd.	420	7.00	3,574	2,100
Baring Communications Equity	4,417	6.37	2,857	1,667
Korea Smart Card Co., Ltd.	326	4.44	1,268	1,628
Korea Enterprise Data Co., Ltd.	300	2.09	1,500	1,500
Korea Money Broker Corp.	119	5.97	2,746	1,291
Mercury	1,632	12.13	2,392	1,088
Tianjin Samsung Opto_Electronics	1,000	10.00	1,296	1,001
Others			75,020	23,648
			<u>(Won) 162,738</u>	<u>(Won) 78,011</u>

Available-for-sale securities, which were not valued at fair value, as of December 31, 2004 were as follows (Unit: In millions, shares in thousands):

<u>Company</u>	<u>No. of shares</u>	<u>Percentage of ownership (%)</u>	<u>Net asset value</u>	<u>Book value</u>
Airang Restructuring Fund	7,920	11.88	(Won) 16,407	(Won) 18,163
Mukoongwha Restructuring Fund	7,920	11.88	14,606	14,606
Seoul Fund	14,240	11.87	13,563	12,540
Bad Bank Harmony (preferred stock)	13	0.46	37,327	12,267
Korea Asset Management Corporation	1,506	5.38	12,783	7,827
Samsung Life Insurance Co., Ltd.	23	0.11	8,993	7,479
Korea Highway Corp.	573	0.03	5,897	6,248
Continuous Linked Settlement System	2	1.39	3,275	6,211
Kyobo Investment Trust Management Co., Ltd.	420	7.00	3,574	2,100
Baring Communications Equity	4,665	6.73	1,957	1,957
Pan Asia Paper	1,275	2.94	1,642	1,642
Korea Smart Card Co., Ltd.	326	4.44	1,268	1,628
Korea Money Broker Corp.	119	5.97	2,514	1,291
Mercury	1,632	12.13	1,088	1,088
Tianjin Samsung Opto_Electronics	1,000	10.00	1,241	1,020
Others			82,887	24,919
			<u>(Won) 209,022</u>	<u>(Won) 120,986</u>

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Impairment loss on available-for-sale securities for the three months period ended March 31, 2005 and 2004, respectively, and there was no reversal of impairment loss on available-for-sale for the same periods (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Equity securities	(Won) 4,628	(Won) 8,416
Equity investments	1	
Corporate bonds		1,999
	<u>(Won) 4,629</u>	<u>(Won) 10,415</u>

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

	<u>Local currency</u>	<u>Foreign currencies</u>	<u>Total</u>
Structured notes relating to stock			
Convertible bonds	(Won)	(Won) 5,444	(Won) 5,444
Exchangeable bonds	138,708	20,395	159,103
	<u>138,708</u>	<u>25,839</u>	<u>164,547</u>
Structured notes relating to interest rate			
Long-term government bond floating rates notes (FRN)	697,476		697,476
Dual indexed FRN	20,159		20,159
Inverse FRN	21,791		21,791
Others	50,501		50,501
	<u>789,927</u>		<u>789,927</u>
CLN		41,071	41,071
	<u>(Won) 928,635</u>	<u>(Won) 66,910</u>	<u>(Won) 995,545</u>

Structured notes relating to stock, interest rate and CLN as of December 31, 2004 was as follows (Unit: In millions):

	<u>Local currency</u>	<u>Foreign currencies</u>	<u>Total</u>
Structured notes relating to stock			
Convertible bond	(Won)	(Won) 15,321	(Won) 15,321
Exchangeable bond	137,871	15,654	153,525
Bond with stock warrant		762	762
Equity linked securities	49,721		49,721
	<u>187,592</u>	<u>31,737</u>	<u>219,329</u>
Structured notes relating to interest rate			
Dual indexed FRN	50,140		50,140
Inverse FRN	22,533		22,533
	<u>72,673</u>		<u>72,673</u>
CLN		41,544	41,544
	<u>(Won) 260,265</u>	<u>(Won) 73,281</u>	<u>(Won) 333,546</u>

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

	<u>2005</u>	<u>2004</u>
Securities	(Won) 6,111	(Won) 6,062
Government and public bonds	1,046,528	1,384,645
Corporate bonds in local currency	3,165,912	3,258,525
Asset-backed debt securities	51,659	87,428
Call loans	366,645	264,997
Others	249,187	276,936
	<u>(Won) 4,886,042</u>	<u>(Won) 5,278,593</u>

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- (6) Changes in the gain (loss) on valuation of available-for-sale securities and held-to-maturity securities reflected in capital adjustments for the three months ended March 31, 2005 were as follows (Unit: In millions):

	<u>2004</u>	<u>Increase (Decrease)</u>	<u>Disposal</u>	<u>Deferred income tax</u>	<u>2005</u>
Gain (loss) on valuation of available-for-sale securities					
Equity securities	(Won) 277,984	(Won) 4,715	(Won) (14,436)	(Won) (73,772)	(Won) 194,491
Debt securities in local currency	140,767	(45,153)	(15,339)	(22,076)	58,199
Debt securities in foreign currencies	16,658	(459)	(4,215)	(3,296)	8,688
Beneficiary certificates	268,842	(13,717)	(27,873)	(62,494)	164,758
Others	3,236	(28)		(882)	2,326
	<u>707,487</u>	<u>(54,642)</u>	<u>(61,863)</u>	<u>(162,520)</u>	<u>428,462</u>
Gain (loss) on valuation of held-to-maturity securities					
Others	(Won)	(Won) (281)	(Won) 1	(Won) 77	(Won) (203)

During the 1st quarter of 2005, the Bank received cash and securities, specifically government and municipal bonds as a result of the cancellation of some private beneficiary certificates which had been classified as available-for-sale securities. The bank reclassified the securities amounting to (Won)60,091 million into held-to-maturity securities after valuating them at the fair value of the reclassification date. Gain (loss) on valuation of available-for-sale securities which had been recorded until the reclassification date, was reclassified into gain (loss) on valuation of held-to-maturity securities and amortized using the effective interest rate method. The amortized amount is charged to interest income or expense until maturity.

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

By industry	<u>2005</u>		<u>2004</u>	
	<u>Amount</u>	<u>Percentage (%)</u>	<u>Amount</u>	<u>Percentage (%)</u>
Trading securities				
Government and government-invested public companies	(Won) 1,256,843	37.41	(Won) 916,323	25.20
Financial institutions	1,913,134	56.95	2,556,558	70.32
Others	189,524	5.64	162,629	4.48
	<u>(Won) 3,359,501</u>	<u>100.00</u>	<u>(Won) 3,635,510</u>	<u>100.00</u>
Available-for-sale securities				
Government and government-invested public companies	(Won) 1,644,774	10.43	(Won) 1,732,924	9.87
Financial institutions	13,343,507	84.63	14,969,783	85.27
Others	779,483	4.94	853,057	4.86

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	(Won) 15,767,764	100.00	(Won) 17,555,764	100.00
Held-to-maturity securities				
Government and government-invested public companies	(Won) 5,207,579	64.59	(Won) 4,748,398	76.23
Financial institutions	2,835,579	35.17	1,426,591	22.90
Others	19,609	0.24	54,446	0.87
	(Won) 8,062,767	100.00	(Won) 6,229,435	100.00

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

By type	2005		2004	
	Amount	Percentage (%)	Amount	Percentage (%)
Trading securities				
Stocks	(Won) 209,304	6.23	(Won) 184,545	5.08
Fixed rate bonds	3,023,540	90.00	3,260,607	89.69
Floating rate bonds	120,238	3.58	179,474	4.94
Beneficiary certificates	6,419	0.19	10,884	0.29
	3,359,501	100.00	3,635,510	100.00
Available-for-sale securities				
Stocks	798,187	5.06	799,737	4.56
Fixed rate bonds	8,424,467	53.43	9,554,010	54.42
Floating rate bonds	893,792	5.67	901,040	5.13
Subordinated bonds	805,340	5.11	851,947	4.85
Convertible bonds	25,839	0.16	30,976	0.18
Beneficiary certificates	4,816,351	30.55	5,414,250	30.84
Others	3,788	0.02	3,804	0.02
	15,767,764	100.00	17,555,764	100.00
Held-to-maturity securities				
Fixed rate bonds	7,819,537	96.99	5,869,731	94.23
Floating rate bonds	113,230	1.40	229,704	3.69
Subordinated bonds	130,000	1.61	130,000	2.08
	8,062,767	100.00	6,229,435	100.00

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

	2005		2004	
	Amount	Percentage (%)	Amount	Percentage (%)
Trading securities				
Korea	(Won) 3,359,501	100.00	(Won) 3,635,510	100.00
Available-for-sale securities				
Korea	(Won) 15,625,851	99.09	(Won) 17,421,092	99.23
USA	59,639	0.38	50,284	0.29
Philippines	24,768	0.16	25,703	0.15

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Russia	20,560	0.13		
Indonesia	10,266	0.07	13,516	0.08
The Republic of South Africa	6,496	0.04	6,742	0.04
Others	20,184	0.13	38,427	0.21
	<u>(Won) 15,767,764</u>	<u>100.00</u>	<u>(Won) 17,555,764</u>	<u>100.00</u>
Held-to-maturity securities				
Korea	<u>(Won) 8,062,767</u>	<u>100.00</u>	<u>(Won) 6,229,435</u>	<u>100.00</u>

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

	<u>Less than 1 year</u>	<u>Less than 5 years</u>	<u>Less than 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Available-for-sale securities					
Fair value	(Won) 9,662,658	(Won) 5,212,447	(Won) 90,250	(Won) 501	(Won) 14,965,856
Held-to-maturity securities					
Book value	(Won) 2,825,668	(Won) 4,415,295	(Won) 821,804	(Won)	(Won) 8,062,767
Fair value	(Won) 2,855,089	(Won) 4,483,281	(Won) 836,209	(Won)	(Won) 8,174,579

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11) Stocks and equity investments accounted for using the equity method as of March 31, 2005 are summarized as follows (Unit: In millions):

	No. of shares	Owner- ship (%)	Acquisition cost	Net asset value	Book value
Domestic stocks					
KB Investment Co., Ltd.	8,941,587	99.89	(Won) 155,311	(Won) 79,242	(Won) 79,242
KB Futures Co., Ltd.	3,999,200	99.98	19,996	26,613	26,613
KB Data System Co., Ltd.	799,800	99.98	7,998	15,368	13,537
KB Real Estate Trust	15,999,930	99.99	76,103	64,446	64,446
KB Asset Management	6,134,040	80.00	39,015	50,523	50,523
KB Credit Information	1,173,640	93.71	12,553	19,840	18,825
KB Life Insurance Co., Ltd. (*1)	3,060,000	51.00	15,426	12,947	
KLB Securities Co., Ltd. (*3)	4,854,713	36.41	10,316		
Joeun Industrial Co., Ltd. (*3)	1,999,910	99.99	23,994		
ING Life Insurance Korea	1,400,000	20.00	21,769	74,417	74,417
			<u>382,481</u>	<u>343,396</u>	<u>327,603</u>
Foreign stocks					
Kookmin Bank Singapore Ltd. (*2)(*3)	30,000,000	100.00	20,535		1,779
Kookmin Finance Asia Ltd. (HK) (*2)(*3)	700,000	100.00	8,070		249
Kookmin Bank Int'l Ltd. (London) (*2)	20,000,000	100.00	40,104	53,670	53,670
Kookmin Bank Hong Kong Ltd. (*2)	2,000,000	100.00	54,659	65,086	65,086
Sorak Financial Holdings PTE Ltd. (*2)	1,422,216	25.00	(Won) 74,839	(Won) 78,148	(Won) 78,148
			<u>198,207</u>	<u>196,904</u>	<u>198,932</u>
Equity investments					
KICO No. 2 Venture Investment Partnership (*3)	5,000	55.56		214	214
KICO No. 3 Venture Investment Partnership (*3)	9,000	69.23		149	149
Pacific IT Investment Partnership	700	50.00	7,000	2,645	5,289
NPC02-4 Kookmin Venture Fund	100	33.33	10,000	10,538	10,538
			<u>17,000</u>	<u>13,546</u>	<u>16,190</u>
			<u>(Won) 597,688</u>	<u>(Won) 553,846</u>	<u>(Won) 542,725</u>

Stock and equity investments accounted for using the equity method as of December 31, 2004 are summarized as follows (Unit: In millions):

	No. of shares	Owner- ship (%)	Acquisition cost	Net asset value	Book value
Domestic stocks					
KB Investment Co., Ltd.	8,941,587	99.89	(Won) 155,311	(Won) 78,695	(Won) 78,695
KB Futures Co., Ltd.	3,999,200	99.98	19,996	26,010	26,010
KB Data System Co., Ltd.	799,800	99.98	7,998	15,827	15,827
KB Real Estate Trust	15,999,930	99.99	76,103	58,071	58,071

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KB Asset Management	6,134,040	80.00	39,015	47,288	47,288
KB Credit Information	1,173,640	93.71	12,553	19,742	18,670
KB Life Insurance Co., Ltd. (*1)	6,000,000	100.00	30,246	24,389	8,572
KLB Securities Co., Ltd. (*3)	4,854,713	36.41	10,316		
Jooeun Industrial Co., Ltd. (*3)	1,999,910	99.99	23,994		
ING Life Insurance Korea	1,400,000	20.00	21,769	69,145	69,145
			397,301	339,167	322,278
Foreign stocks					
Kookmin Bank Singapore Ltd. (*2)(*3)	30,000,000	100.00	20,926		1,812
Kookmin Finance Asia Ltd. (HK)(*2)(*3)	700,000	100.00	8,223		254
Kookmin Bank Int l Ltd. (London)(*2)	20,000,000	100.00	40,104	55,707	55,707
Kookmin Bank Hong Kong Ltd. (*2)	2,000,000	100.00	54,659	65,028	65,028

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	No. of shares	Owner- ship (%)	Acquisition cost	Net asset value	Book value
Sorak Financial Holdings PTE Ltd. (*2)	1,422,216	25.00	76,928	82,153	82,153
			200,840	202,888	204,954
Equity investments					
KICO No. 2 Venture Investment Partnership (*3)	5,000	55.56		213	213
KICO No. 3 Venture Investment Partnership (*3)	9,000	69.23		149	149
Pacific IT Investment Partnership	700	50.00	7,000	3,479	6,959
NPC02-4 Kookmin Venture Fund	100	33.33	10,000	10,179	10,179
			17,000	14,020	17,500
			(Won) 615,141	(Won) 556,075	(Won) 544,732

(*1) 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 100% ownership of KB Life Insurance Co., Ltd., which was founded to acquire the assets and the liabilities of Hanil Life Insurance Co., Ltd. The Bank disposed of 49% shares of KB Life Insurance Co., Ltd. to ING Insurance International B.V. for (Won)14,782 million. The difference between the disposal amount and the book value of (Won)10,583 million was reflected in the accumulative effect of equity method.

(*2) The acquisition cost has been translated using the basic rate at March 31, 2005 and December 31, 2004.

(*3) KLB Securities Co., Ltd., Jooeun Industrial Co., Ltd., Kookmin Bank Singapore Ltd., Kookmin Finance Asia, Ltd., KICO No. 2 Venture Investment Partnership and KICO No. 3 Venture Investment Partnership are all in the process of liquidation.

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

	Book		Foreign currency translation income(loss)	Equity income (loss)on investment	Capital Adjustments	Book value after valuation
	value before valuation	Dividend				
Domestic stocks						
KB Investment Co., Ltd.	(Won) 78,695	(Won) (447)	(Won)	(Won) 1,199	(Won) (205)	(Won) 79,242
KB Futures Co., Ltd.	26,010			603		26,613
KB Data System Co., Ltd. (*3)	15,827	(640)		(1,650)		13,537
KB Real Estate Trust	58,071			6,375		64,446
KB Asset Management	47,288			3,602	(367)	50,523
KB Credit Information (*1)	18,670	(587)		742		18,825
KB Life Insurance Co., Ltd. (*2, 3 and 4)	4,372			(4,372)		
KLB Securities Co., Ltd. (*2)						
Jooeun Industrial Co., Ltd. (*2)						
ING Life Insurance Korea	69,145			9,160	(3,888)	74,417
	318,078	(1,674)		15,659	(4,460)	327,603
Foreign stocks						

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Kookmin Bank Singapore Ltd.	1,813	(34)			1,779
Kookmin Finance Asia Ltd. (HK)	254	(5)			249
Kookmin Bank Int'l Ltd. (London)	55,707	(2,333)	453	(157)	53,670
Kookmin Bank Hong Kong Ltd.	65,028	(1,215)	1,412	(139)	65,086
Sorak Financial Holdings PTE Ltd.	82,153	(2,231)	1,723	(3,497)	78,148
	<u>204,955</u>	<u>(5,818)</u>	<u>3,588</u>	<u>(3,793)</u>	<u>198,932</u>

Equity Securities

KICO No. 2 Venture Investment Partnership	213		1		214
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	Book value		Foreign currency translation income(loss)	Equity income (loss)on investment	Capital Adjustments	Book value after valuation
	before valuation	Dividend				
KICO No. 3 Venture Investment Partnership	149					149
Pacific IT Investment Partnership	6,959			(1,670)		5,289
NPC02-4 Kookmin Venture Fund	10,179			359		10,538
	17,500			(1,310)		16,190
	(Won) 540,533	(Won) (1,674)	(Won) (5,818)	(Won) 17,937	(Won) (8,253)	(Won) 542,725

(*1) Differences ((Won)1,128 million) between the purchase price and the Bank's proportionate ownership of the net book value of KB Credit Information resulting from an additional purchase of 342,844 shares in October 2004 are credited to gain on valuation of securities accounted for using the equity method for five years. The Bank credited (Won)56 million to current operation for the three months ended March 31, 2005 and the balance was (Won)1,015 millions as of March 31, 2005.

(*2) The equity method is no longer applied to securities of KLB Securities Co., Ltd., KB Life Insurance Co., Ltd and Jooeun Industrial Co., Ltd. due to accumulated deficit resulting to the decrease of their book values below zero. The accumulated deficit, which was not recorded, is as follows (Unit: In millions):

	Amount
KLB Securities Co., Ltd.	(Won) 4,148
Jooeun Industrial Co., Ltd.	56,688
KB Life Insurance Co., Ltd.	2,153
	(Won) 62,989

(*3) The unrealized income eliminated during the first quarter of 2005 is as follows (Unit: In millions)

	Related accounts	Amount
KB Data System Co., Ltd.	Tangible assets(sales)	(Won) 1,831
KB Life Insurance Co., Ltd.	Commissions(deferred acquisition cost)	5,182
		(Won) 7,013

(*4) The beginning balance is the book value after disposal of KB Life Insurance Co., Ltd.'s stock

(13) Significant financial data of companies of which stocks were accounted for using the equity method for the three months ended March 31, 2005 were as follows (Unit: In millions):

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	Assets		Liabilities		Sales		Net income	
	(Won)		(Won)		(Won)		(Won)	
KB Investment Co., Ltd.	86,836		7,504		6,238		1,200	
KB Futures Co., Ltd. (*1)	37,358		10,740		3,104		606	
KB Data System Co., Ltd.	20,219		4,847		9,525		180	
KB Real Estate Trust	189,658		125,213		13,321		6,375	
KB Asset Management (*1)	69,765		6,610		8,955		4,502	
KB Credit Information	31,123		9,951		12,554		711	
KB Life Insurance Co., Ltd. (*1)	181,392		156,000		33,307		1,589	
ING Life Insurance Korea (*1)	5,344,969		4,972,884		731,719		45,798	
Kookmin Bank Int 1 Ltd.(London)	344,383		290,713		3,474		453	
Kookmin Bank Hong Kong Ltd.	357,884		292,798		3,154		1,375	
Sorak Financial Holdings PTE Ltd.	3,933,511		3,620,918		10,796		6,890	
KICO No. 2 Venture Investment Partnership	386				3		3	
KICO No. 3 Venture Investment Partnership	215							
Pacific IT Investment Partnership	5,671		381		53		51	
NPC02-4 Kookmin Venture Fund	32,476		861		1,643		1,615	

(*1) Sales and net income for the three months ended March 31, 2005

Unaudited financial statements as of March 31, 2005 were used for the equity method valuation. There was no material exception as a result of analytical review such as analysis of major accounts to assess reliability of those

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financial statements. However, as for ING Life Insurance Korea and Sorak Financial Holdings PTE Ltd., unaudited financial statements as of February 28, 2005 and December 31, 2004, respectively, were used for the equity method valuation. The significant events from the closing dates of investees to that of the bank were properly reflected in applying the equity method.

(14) The changes in the gain (loss) on valuation of securities accounted for using the equity method in capital adjustments from December 31, 2004 to March 31, 2005 were as follows:

Company	2004	Increase (Decrease)	Disposal	Deferred income tax	2005
KB Investment Co., Ltd.	(Won) 3,361	(Won) (205)	(Won)	(Won) (868)	(Won) 2,288
KB Data System Co., Ltd.	(3)			1	(2)
KB Real Estate Trust	1,008			(277)	731
KB Asset Management	(155)	(367)		144	(378)
KB Credit Information	603			(166)	437
KB Life Insurance Co., Ltd.	781		10,583	(3,125)	8,239
ING Life Insurance Korea	3,679	(3,888)		57	(152)
Kookmin Bank Int'l Ltd.(London)	794	(157)	(34)	(166)	437
Kookmin Bank Hong Kong Ltd.	217	(139)	32	(30)	80
Sorak Financial Holdings PTE Ltd.	(4,593)	(3,497)	124	2,191	(5,775)
	(Won) 5,692	(Won) (8,253)	(Won) 10,705	(Won) (2,239)	(Won) 5,905

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

Provided to	Book value	Collateral amount	Provided for
Korea Securities Depository & others	(Won) 4,505,688	(Won) 4,502,800	Bonds sold under repurchase agreements
BOK	1,030,208	1,020,000	Borrowings from BOK
BOK	329,696	334,000	Overdrafts and settlement risk
Samsung Futures & others	180,062	189,000	Derivative settlement
Korea Securities Depository	52,140	54,000	Others
	(Won) 6,097,794	(Won) 6,099,800	

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

	<u>2005</u>	<u>2004</u>
Loans in local currency	(Won) 121,352,359	(Won) 122,721,898
Loans in foreign currencies	4,314,719	3,860,828
Bills bought in local currency	20,797	27,096
Bills bought in foreign currencies	962,719	574,785
Advances for customers	29,671	32,120
Factoring receivables	32,554	32,335
Credit card receivables	7,025,055	7,643,990
Private placed bonds	1,531,348	1,203,631
Call loans	1,430,392	2,741,783
Loans to be swapped to equity		746
	<u>136,699,614</u>	<u>138,839,212</u>
Allowance for possible loan losses	(3,246,754)	(3,118,775)
Deferred loan origination costs	52,307	48,889
	<u>(Won) 133,505,167</u>	<u>(Won) 135,769,326</u>

(2) Loans in local currency and loans in foreign currencies as of March 31, 2005 and December 31, 2004 were follows (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Loans in local currency		
Commercial Working capital loans		
General purpose loans	(Won) 25,534,638	(Won) 25,475,710
Notes discounted	971,915	1,197,606
Overdraft accounts	530,668	401,369
Trading notes	764,215	740,580
Others	3,813,985	3,862,852
	<u>31,615,421</u>	<u>31,678,117</u>
Facilities loans		
General facilities loans	4,964,825	5,139,091
Others	1,106,756	1,147,656
	<u>6,071,581</u>	<u>6,286,747</u>
	<u>37,687,002</u>	<u>37,964,864</u>
Households General purpose loans	41,382,278	41,957,690
Housing loans	40,809,116	41,234,086
Remunerations on mutual installment savings	262,901	300,032

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Others		516,932	532,615
		<u>82,971,227</u>	<u>84,024,423</u>
Public sector loans	Public operation loans	640,186	673,456
	Public facilities loans	37,988	40,383
		<u>678,174</u>	<u>713,839</u>
Other loans	Property formation loans	8,603	9,719
	Inter-bank loans	4,666	6,114
	Others	2,687	2,939
		<u>15,956</u>	<u>18,772</u>
		<u>(Won) 121,352,359</u>	<u>(Won) 122,721,898</u>
Loans in foreign currencies			
	Domestic funding loans	(Won) 1,014,180	(Won) 1,000,004
	Overseas funding loans	468,242	489,437
	Inter-bank loans	1,500,788	1,092,174

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	2005	2004
Domestic usance bills	1,331,241	1,278,793
Government funding loans	268	420
	(Won) 4,314,719	(Won) 3,860,828

- (3) Loans in local currency and loans in foreign currencies, classified by borrower type, as of March 31, 2005 were as follows (Unit: In millions):

	Loans in local currency	Loans in foreign currencies	Total	Percentage (%)
Large corporations	(Won) 2,619,284	(Won) 2,731,067	(Won) 5,350,351	4.3
Small and medium corporations	35,072,384	1,149,523	36,221,907	28.8
Households	82,982,517		82,982,517	66.0
Public sector and other	678,174	17,119	695,293	0.6
Overseas branches		417,010	417,010	0.3
	(Won) 121,352,359	(Won) 4,314,719	(Won) 125,667,078	100.0

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

	Loans in local currency	Loans in foreign currencies	Total	Percentage (%)
Large corporations	(Won) 2,842,731	(Won) 2,299,149	(Won) 5,141,880	4.1
Small and medium corporations	35,128,246	1,115,049	36,243,295	28.6
Households	84,037,082		84,037,082	66.4
Public sector and other	713,839	17,833	731,672	0.6
Overseas branches		428,797	428,797	0.3
	(Won) 122,721,898	(Won) 3,860,828	(Won) 126,582,726	100.0

- (4) Loans including loans in local currency and loans in foreign currencies, classified by borrower's country, as March 31, 2005 were as follows (Unit: In millions):

	Loans in local currency	Loans in foreign currencies	Others	Total	Percentage (%)
Korea	(Won) 121,352,359	(Won) 3,435,961	(Won) 10,894,386	(Won) 135,682,706	99.3

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Southeast Asia	54,756		54,756	0.0	
China	279,621	40,870	320,491	0.2	
Japan	267,061	128	267,189	0.2	
Central and South America	10,650	48	10,698	0.0	
USA	3,073		3,073	0.0	
Others	263,597	97,104	360,701	0.3	
	<u>(Won) 121,352,359</u>	<u>(Won) 4,314,719</u>	<u>(Won) 11,032,536</u>	<u>(Won) 136,699,614</u>	<u>100.0</u>

Loans including loans in local currency and loans in foreign currencies, classified by borrower's country, as December 31, 2004 were as follows (Unit: In millions):

	Loans in			Total	Percentage (%)
	Loans in local currency	foreign currencies	Others		
Korea	(Won) 122,721,898	(Won) 2,622,653	(Won) 12,060,578	(Won) 137,405,129	99.0
Southeast Asia		700,600	186,753	887,353	0.6
China		135,118		135,118	0.1
Japan		278,971		278,971	0.2
Central and South America		53,452	45	53,497	0.0
Others		70,034	9,110	79,144	0.1
	<u>(Won) 122,721,898</u>	<u>(Won) 3,860,828</u>	<u>(Won) 12,256,486</u>	<u>(Won) 138,839,212</u>	<u>100.0</u>

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(5) Loans in local currency and loans in foreign currencies, classified by industry, as of March 31, 2005 were as follows (Unit: In millions):

	Loans in		Loans in		Percentage	
	local	foreign	Others	Total	(%)	
	currency	currencies				
Corporations						
Finance and insurance	(Won) 788,818	(Won) 1,553,148	(Won) 1,893,072	(Won) 4,235,038	3.2	
Manufacturing	12,729,331	1,230,427	1,649,186	15,608,944	11.4	
Services	19,919,605	1,358,546	626,202	21,904,353	16.0	
Others	4,645,708	90,961	371,014	5,107,683	3.7	
Households	82,982,517	64,518	6,490,073	89,537,108	65.5	
Public sector	286,380	17,119	2,989	306,488	0.2	
	(Won) 121,352,359	(Won) 4,314,719	(Won) 11,032,536	(Won) 136,699,614	100.0	

Loans in local currency and loans in foreign currencies, classified by industry, as of December 31, 2004 were as follows (Unit: In millions):

	Loans in		Loans in		Percentage	
	local	foreign	Others	Total	(%)	
	currency	currencies				
Corporations						
Finance and insurance	(Won) 689,007	(Won) 1,150,426	(Won) 3,837,500	(Won) 5,676,933	4.1	
Manufacturing	12,315,767	1,146,217	1,721,775	15,183,759	10.9	
Services	21,240,715	1,422,823	487,968	23,151,506	16.7	
Others	4,114,249	71,921	94,863	4,281,033	3.1	
Households	84,037,082	69,441	6,114,380	90,220,903	65.0	
public sector	325,078			325,078	0.2	
	(Won) 122,721,898	(Won) 3,860,828	(Won) 12,256,486	(Won) 138,839,212	100.0	

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

	Other financial		Total
	Bank	institutions	
Loans in local currency	(Won) 4,666	(Won) 784,152	(Won) 788,818
Loans in foreign currencies	1,122,016	431,132	1,553,148
Others	1,298,979	594,093	1,893,072
	(Won) 2,425,661	(Won) 1,809,377	(Won) 4,235,038

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

	Bank	Other financial institutions	Total
Loans in local currency	(Won) 6,623	(Won) 682,384	(Won) 689,007
Loans in foreign currencies	809,978	340,448	1,150,426
Others	2,806,712	1,030,788	3,837,500
	(Won) 3,623,313	(Won) 2,053,620	(Won) 5,676,933

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(7) Loans to LG Card Co., Ltd.

LG Card Co., Ltd. has been supported with (Won)437,000 million by the Bank in accordance with the agreement of the Financial Institution Creditors (FIC) on November 24, 2003 due to its significant financial difficulties in liquidity. Also, in accordance with FIC 's agreement, the Bank agreed to support new loan of (Won) 205,900 million and exercise debt-equity swap of (Won)518,600 million. The Bank exercised the first debt-equity swap of (Won)156,350 million (loans of (Won)145,950 million and corporate bonds of (Won) 10,400 million) on February 13, 2004, and exercised another debt-equity swap of (Won)362,250 million (loans of (Won)348,364 million and corporate bonds of (Won) 13,886 million) after the capital reduction of 43.4:1 in May 2004. In addition, the Bank invested (Won) 75,800 million of cash on the common shares of LG Card Co., Ltd. based on FIC 's agreement in January 2005, and LG Card Co., Ltd. reduced capital stock at the rate of 5.5:1 in March 2005. As a result of the transactions above, the Bank has loans of (Won)237,900 million and securities of (Won) 328,507 million to LG Card Co., Ltd. as of March 31, 2005. The Bank has provided an allowance for the loan losses of (Won)45,201 million and valuation gain on the securities of (Won) 108,272 million is included in capital adjustments as of March 31, 2005.

The expected losses from loans to LG Card Co., Ltd. are fully dependent on the rehabilitation plan and an effective funding support from the FIC. Therefore, actual credit losses from this credit exposure may differ from management 's current assessment. The accompanying financial statements do not include any possible adjustments that may result from this uncertainty.

(8) Loans applicable to Act on the Structural Improvement of the Financial Industry

As of March 31, 2005, the Bank has loans of (Won)147,258 million to companies under the Act on the Structural Improvement of the Financial Industry, which includes Hyundai Engineering & Construction Co., Ltd., and has provided an allowance of (Won)29,492 million for possible loan losses. The actual collection amounts from those loans might differ from management 's current estimation.

(9) The classification of asset quality for loans, net of present value discount as of March 31, 2005 is summarized as follows (Unit: In millions):

	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Loans in local currency	(Won) 113,696,486	(Won) 4,572,827	(Won) 1,482,698	(Won) 1,147,600	(Won) 452,748	(Won) 121,352,359
Loans in foreign currencies	4,124,736	124,592	24,587	36,646	4,158	4,314,719
Bills bought in local or foreign currencies	969,500	8,479	781	1,727	3,029	983,516
Advances for customers	1,723	1,566	741	5,202	20,439	29,671
Credit card receivables	6,052,331	580,335	416	341,600	50,373	7,025,055
Call loans	1,430,392					1,430,392
Privately placed bonds	1,520,506	3,826	3,076	3,872	68	1,531,348
Factoring receivables	31,021		516	992	25	32,554
	(Won) 127,826,695	(Won) 5,291,625	(Won) 1,512,815	(Won) 1,537,639	(Won) 530,840	(Won) 136,699,614

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The classification of asset quality for loans, net of present value discount as of December 31, 2004 is summarized as follows (Unit: In millions):

	<u>Normal</u>	<u>Precautionary</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Estimated loss</u>	<u>Total</u>
Loans in local currency	(Won) 114,439,619	(Won) 5,222,736	(Won) 1,710,889	(Won) 1,019,763	(Won) 328,891	(Won) 122,721,898
Loans in foreign currencies	3,645,049	158,672	25,015	30,199	1,893	3,860,828
Bills bought in local or foreign currencies	585,927	9,569	650	2,698	3,037	601,881
Advances for customers	964	2,978	883	6,669	20,626	32,120
Credit card receivables	6,609,976	686,457	539	298,093	48,925	7,643,990
Call loans	2,741,783					2,741,783
Privately placed bonds	1,195,825	826	3,076	3,836	68	1,203,631
Factoring receivables	30,802		516	992	25	32,335
Loans to be swapped to equity securities				746		746
	<u>(Won) 129,249,945</u>	<u>(Won) 6,081,238</u>	<u>(Won) 1,741,568</u>	<u>(Won) 1,362,996</u>	<u>(Won) 403,465</u>	<u>(Won) 138,839,212</u>

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

	<u>Loans in local currency</u>		<u>Loans in foreign currencies</u>		<u>Others</u>	<u>Total</u>
Less than 3 months	(Won) 20,340,080	(Won) 2,293,924	(Won) 7,738,712	(Won) 30,372,716		
Less than 6 months	15,444,713	723,100	787,291	16,955,104		
Less than 1 year	33,560,071	315,109	1,185,464	35,060,644		
Less than 2 years	19,776,188	234,640	617,071	20,627,899		
Less than 3 years	11,464,778	370,760	518,411	12,353,949		
Less than 4 years	2,861,143	100,641	38,380	3,000,164		
Less than 5 years	4,549,632	99,970	46,806	4,696,408		
More than 5 years	13,355,754	176,575	100,401	13,632,730		
	<u>(Won) 121,352,359</u>	<u>(Won) 4,314,719</u>	<u>(Won) 11,032,536</u>	<u>(Won) 136,699,614</u>		

The term structure of loans as of December 31, 2004 was as follows (Unit: In millions):

	<u>Loans in local currency</u>		<u>Loans in foreign currencies</u>		<u>Others</u>	<u>Total</u>
Less than 3 months	(Won) 19,085,485	(Won) 874,100	(Won) 8,648,235	(Won) 28,607,820		
Less than 6 months	17,430,180	1,047,044	817,269	19,294,493		
Less than 1 year	35,029,206	906,882	1,467,543	37,403,631		
Less than 2 years	19,972,984	181,903	629,951	20,784,838		

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Less than 3 years	11,900,101	190,361	480,695	12,571,157
Less than 4 years	2,637,763	85,984	63,633	2,787,380
Less than 5 years	3,956,310	67,973	49,160	4,073,443
More than 5 years	12,709,869	506,581	100,000	13,316,450
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(Won) 122,721,898	(Won) 3,860,828	(Won) 12,256,486	(Won) 138,839,212
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(11) Sales of loans

The Bank disposed of loans in foreign currencies to a collection agency (principal: (Won)384 million and gain on sale of loans: (Won)62 million). There is no recourse obligation to the sales.

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(12) Sales of loans to Korea Asset Management Corporation (KAMCO)

The Bank has settled with KAMCO with regard to the sales of loans as of March 31, 2005. Also, the Bank provided (Won)221 million as other allowances for the loss resulting from repurchase agreement. The loans with repurchase agreements amounted to (Won) 692 million as of March 31, 2005.

(13) Credit card receivables as collateral

The Bank offers the credit card receivables amounting to (Won)618,847 million (before deducting the allowance) as collateral for the transaction of credit card receivables to SPC as of March 31, 2005.

(14) The changes in loan origination fees and costs for the three months ended March 31, 2005 were as follows (Unit: In millions):

	<u>2004</u>	<u>Increase</u>	<u>Decrease</u>	<u>2005</u>
Loan origination fees and costs	(Won) 48,889	8,940	5,522	(Won) 52,307

6. RESTRUCTURING LOANS:

(1) The loans that were restructured by means of principal reduction, debt-equity swap, interest reduction because of court receiverships, compositions and workouts for the three months ended March 31, 2005 were as follows (Unit: In millions):

	<u>Amount before restructuring</u>	<u>Principal exemption</u>	<u>Interest reduction</u>	<u>Extension of maturity</u>
Workout plan	(Won) 26,931		20	(Won) 26,911

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

	<u>Discount rates (%)</u>	<u>Amount</u>	<u>Present value discounts</u>			<u>Ending balance</u>
			<u>Beginning balance</u>	<u>Addition</u>	<u>Deduction</u>	
Workout plan	6.0 ~ 22.2	(Won) 84,371	(Won) 6,561	(Won) 3,017	(Won) (3,334)	(Won) 6,244
Composition	4.9 ~ 17.0	20,001	3,200		(355)	2,845
Count receivership	5.9 ~ 14.8	21,521	6,126		(389)	5,737
Others	9.5	69,458	6,223		(32)	6,191
		(Won) 195,351	(Won) 22,110	(Won) 3,017	(Won) (4,110)	(Won) 21,017

If the loans are restructured by means of reduction of interest rates, cash flows of fixed rate loans are discounted by effective interest rates originally agreed upon and cash flows of floating rate loans are discounted by interest rates which are determined by adding a credit risk premium which is calculated at the restructuring date, assuming that debtors' credit at the origination date is effective to the restructuring date, to a benchmark interest rate.

The difference between the book value and the present value is presented as an allowance for possible loan losses.

Remaining balance of present value discounts from loans restructured prior to 2004 was reclassified as an allowance for possible loan losses in accordance with SKAS No.13 (Troubled Debt Restructurings) in 2004.

Table of Contents**7. ALLOWANCE FOR POSSIBLE LOAN LOSSES:**

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

	<u>Normal</u>	<u>Precautionary</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Estimated loss</u>	<u>Total</u>
Loans in local currency	(Won) 770,467	(Won) 440,839	(Won) 302,566	(Won) 770,243	(Won) 452,748	(Won) 2,736,863
Loans in foreign currencies	13,389	9,107	8,033	21,366	4,158	56,053
Bills bought in local currency / Bills bought in foreign currencies	4,848	703	156	1,404	3,029	10,140
Advances for customers	9	325	148	3,505	20,439	24,426
Credit card receivables	60,523	69,640	83	219,821	50,373	400,440
Privately placed bonds	7,602	243	677	3,834	68	12,424
Factoring receivables	5,298		103	982	25	6,408
	<u>(Won) 862,136</u>	<u>(Won) 520,857</u>	<u>(Won) 311,766</u>	<u>(Won) 1,021,155</u>	<u>(Won) 530,840</u>	<u>(Won) 3,246,754</u>

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

	<u>Normal</u>	<u>Precautionary</u>	<u>Substandard</u>	<u>Doubtful</u>	<u>Estimated Loss</u>	<u>Total</u>
Loans in local currency	(Won) 781,650	(Won) 476,391	(Won) 357,321	(Won) 678,256	(Won) 328,891	(Won) 2,622,509
Loans in foreign currencies	13,061	13,316	8,428	18,413	1,893	55,111
Bills bought in local currencies / Bills bought in foreign currencies	2,930	393	130	1,990	3,037	8,480
Advances for customers	5	621	176	4,873	20,626	26,301
Credit card receivables	66,100	82,375	108	195,214	48,925	392,722
Privately placed bonds	5,979	189	1,159	3,816	68	11,211
Factoring receivables	585		103	982	25	1,695
Loans to be swapped to equity securities				746		746
	<u>(Won) 870,310</u>	<u>(Won) 573,285</u>	<u>(Won) 367,425</u>	<u>(Won) 904,290</u>	<u>(Won) 403,465</u>	<u>(Won) 3,118,775</u>

(2) The changes in allowance for possible loan losses for the three months ended March 31, 2005 and for the year ended December 31, 2004 were as follows (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Beginning balance	(Won) 3,186,095	(Won) 3,948,736
Provision for possible loan losses	337,125	3,068,248
Reclassification from other allowances (1*)	19,535	289,919

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Collection of previously written-off loans	71,822	286,464
Repurchase of NPLs sold	17	40,571
Sales of loans		(685,161)
Loans written-off	(304,170)	(5,260,962)
Reversal of write-off due to loan sale of loans		1,878,832
Conversion to equity securities	(746)	(327,816)
Exemption of loans	(535)	(32,847)
Changes in exchange rates and others	(2,416)	(19,889)
	<hr/>	<hr/>
Ending balance (2*)	(Won) 3,306,727	(Won) 3,186,095
	<hr/>	<hr/>

(1*) Other allowances for credit lines to Kookmin Credit Card 16th ABS Specialty Company and FN star 4th ABS Specialty Company amounting to (Won)15,260 million and (Won)4,275 million, respectively, were transferred to allowances for loan losses.

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(*2) Allowance for possible loan losses includes present value discounts amounting to (Won)21,017 million and (Won)22,110 million, as of March 31, 2005 and December 31, 2004, respectively, and allowances for other assets amounting to (Won) 59,973 million and (Won) 67,320 million, respectively.

(3) The allowance for possible loan losses compared to total loans, net of present value discount, is summarized as follows (Unit: In millions):

	Loans	Allowance for possible loan losses	Percentage (%)
March 31, 2005	(Won) 136,699,614	(Won) 3,246,754	2.38
December 31, 2004	138,839,212	3,118,775	2.25
March 31, 2004	143,757,127	4,191,372	2.92
December 31, 2003	145,040,449	3,910,044	2.70
December 31, 2002	129,139,699	2,396,157	1.86

8. FIXED ASSETS:

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

	2005	2004
Tangible assets	(Won) 3,594,526	(Won) 3,594,903
Less: accumulated depreciation	(1,471,766)	(1,428,586)
Accumulated impairment loss	(1,796)	(2,296)
Intangible assets	448,403	468,958
Non-business use property	492	492
Less: valuation allowance	(262)	(253)
	(Won) 2,569,597	(Won) 2,633,218

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

	Acquisition cost	Accumulated amortization	Accumulated impairment losses	Book value
Land	(Won) 998,971	(Won)	(Won) 908	(Won) 998,063
Buildings	914,985	145,140	888	768,957
Leasehold improvements	172,633	126,886		45,747
Equipment and vehicles	1,505,309	1,199,740		305,569
Construction in progress	2,628			2,628
	(Won) 3,594,526	(Won) 1,471,766	(Won) 1,796	(Won) 2,120,964

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

	<u>Acquisition cost</u>	<u>Accumulated depreciation</u>	<u>Accumulated impairment losses</u>	<u>Book value</u>
Land	(Won) 999,021	(Won)	(Won) 1,306	(Won) 997,715
Buildings	914,968	140,114	990	773,864
Leasehold improvements	174,425	123,907		50,518
Equipment and vehicles	1,505,247	1,164,565		340,682
Construction in progress	1,242			1,242
	<u>(Won) 3,594,903</u>	<u>(Won) 1,428,586</u>	<u>(Won) 2,296</u>	<u>(Won) 2,164,021</u>

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(3) The changes in book value of fixed assets for the three months ended March 31, 2005 consisted of (Unit: In millions):

	2004	Acquisition	Replacement	Disposal	Depreciation	Others	Change in foreign currencies	2005
Land	(Won) 997,715	(Won)	(Won)	(Won) 18	(Won)	(Won) 397	(Won) (31)	(Won) 998,063
Buildings	773,864		159	38	5,063	103	(68)	768,957
Leasehold improvements	50,518		3,002	786	6,971		(16)	45,747
Equipment and vehicles	340,682	10,337		683	44,430		(337)	305,569
Construction in progress	1,242	4,547	(3,161)					2,628
	(Won) 2,164,021	(Won) 14,884	(Won)	(Won) 1,525	(Won) 56,464	(Won) 500	(Won) (452)	(Won) 2,120,964

The published value of land was (Won) 832,254 million and (Won) 832,294 million as of March 31, 2005 and December 31, 2004, respectively, based on the disclosed public land price announced by the government.

(4) Tangible assets have been insured as of March 31, 2005 are as follows (Unit: In millions):

Type of insurance	Asset insured	Book value	Insured amount	Insurance company
Property composite	Buildings	(Won) 768,957	(Won) 620,147	Samsung Fire & Marine Insurance Co., Ltd. & others
	Leasehold improvements	45,747	43,576	
	Equipment and vehicles	305,569	166,038	
	Construction in progress	2,628	333	
		(Won) 1,122,901	(Won) 830,094	

(5) Intangible assets as of March 31, 2005 and December 31, 2004 consisted of (Unit: In millions):

	Acquisition cost	Accumulated depreciation	Book value
Goodwill	(Won) 705,108	(Won) 267,680	(Won) 437,428
Development costs	17,438	9,035	8,403
others	5,142	2,570	2,572
	(Won) 727,688	(Won) 279,285	(Won) 448,403

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(6) The changes in intangible assets for the three months ended March 31, 2005 were as follows (Unit: In millions):

	<u>2004</u>	<u>Increase</u>	<u>Amortization</u>	<u>2005</u>
Goodwill	(Won) 457,015	(Won)	(Won) 19,587	(Won) 437,428
Development costs	9,274		871	8,403
Others	2,669	67	164	2,572
	<u>(Won) 468,958</u>	<u>(Won) 67</u>	<u>(Won) 20,622</u>	<u>(Won) 448,403</u>

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Table of Contents9. OTHER ASSETS:

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

	<u>2005</u>	<u>2004</u>
Guarantee deposits paid	(Won) 1,228,895	(Won) 1,290,891
Accounts receivable	6,802,834	2,349,234
Accrued income	982,070	965,553
Advanced payments	90,691	96,949
Prepaid expenses	95,369	205,923
Deferred income tax assets	460,168	502,937
Derivatives assets	1,671,597	2,391,984
Receivables from inter-bank fund transfer	261,461	520,612
Sundry assets	36,946	39,401
Allowances	(59,973)	(67,320)
	<u>(Won) 11,570,058</u>	<u>(Won) 8,296,164</u>

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

	<u>2005</u>	<u>2004</u>
Receivables on cash sent to other banks	(Won) 600	(Won) 680
Supplies	12,594	16,036
Deposit money to court	23,460	22,354
Asset disposal receivables	259	299
others	33	32
	<u>(Won) 36,946</u>	<u>(Won) 39,401</u>

10. Deposits

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

	<u>2005</u>	<u>2004</u>
Deposits in local currency	(Won) 116,921,988	(Won) 120,664,582
Deposits in foreign currencies	1,287,450	1,434,061
Certificates of deposits	4,305,149	4,911,891
	<u>(Won) 122,514,587</u>	<u>(Won) 127,010,534</u>

(2) Deposits in local currency as of March 31, 2005 and December 31, 2004 consisted of (Unit: In millions):

	Interest rate (%)	2005	2004
Demand deposits			
Checking deposits		(Won) 98,326	(Won) 110,967
Household checking deposits	0.10	446,062	417,443
Temporary deposits		3,289,240	2,858,688
Passbook deposits	0.10	10,678,283	10,767,705
Public fund deposits	0.10	134,444	157,840
National Treasury deposits		14,026	1,840
Nonresident s deposit in local currency	0.10	27,754	24,301
		14,688,135	14,338,784
Time deposits and savings deposits			
Time deposits	2.20 ~ 3.70	60,375,643	62,835,217
Installment savings deposits	2.95 ~ 3.50	1,255,440	1,249,939
Property formation savings	8.50	1,464	1,516
Workers savings for housing	8.50 ~ 11.50	50	49
Time and savings deposits of non residents in local currency	2.20 ~ 3.70	244,175	263,671

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	Interest rate (%)	2005	2004
General savings deposits	0.10 ~ 2.70	19,366,371	19,120,739
Corporate savings deposits	0.10 ~ 2.60	6,238,554	7,358,107
Long-term savings deposits for workers	11.50 ~ 12.00	28,523	39,104
Long-term housing savings deposits	4.10	1,848,572	1,663,366
Long-term savings for households	11.00	14,902	20,108
Workers preferential savings deposits	5.35	1,876,557	2,171,785
Mutual installment deposits	2.65 ~ 3.50	5,857,548	6,306,923
Mutual installment for housing	2.20 ~ 3.40	5,126,054	5,295,274
		102,233,853	106,325,798
		(Won) 116,921,988	(Won) 120,664,582

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

	Interest rate (%)	2005	2004
Demand deposits			
Checking deposits	0.73	(Won) 42,930	(Won) 37,137
Passbook deposits	0.23	635,486	663,261
Notice deposits	0.17	14,533	276
Temporary deposits		997	1,315
		693,946	701,989
Time deposits and savings deposits			
Time deposits	2.16	591,678	729,950
Installment savings deposits	4.37	629	662
Others		1,197	1,460
		593,504	732,072
		(Won) 1,287,450	(Won) 1,434,061

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

	Financial institutions	2005	2004
Deposits in local currency	BOK	(Won)	(Won)
	Banks	1,016,612	1,683,255
	Others	5,337,251	5,240,889
		(Won) 6,353,863	(Won) 6,924,144

(5) Term structure of deposits in local currency and deposits in foreign currencies was as follows (Unit: In millions):

	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 years	More than 3 years	Total
Deposits in local currency	(Won) 63,542,067	(Won) 10,825,011	(Won) 31,948,898	(Won) 8,488,699	(Won) 2,117,313	(Won) 116,921,988
Deposits in foreign currencies	1,080,732	149,044	50,283	7,391		1,287,450

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Table of Contents11. **BORROWINGS:**

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

	<u>2005</u>	<u>2004</u>
Borrowings in local currency	(Won) 2,459,295	(Won) 2,945,237
Borrowings in foreign currencies	3,222,821	2,540,260
Bonds sold under repurchase agreements	4,336,784	3,449,445
Bills sold	38,534	41,988
Due to BOK in foreign currencies	1,460	2,007
Call money	467,920	655,359
	<u>(Won) 10,526,814</u>	<u>(Won) 9,634,296</u>

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

<u>Account</u>	<u>Financial institution</u>	<u>Annual interest rate (%)</u>	<u>2005</u>	<u>2004</u>
Borrowings from the Bank of Korea	BOK	2.00	(Won) 496,232	(Won) 920,144
Borrowings from the Korean government	Ministry of Finance and Economy, and others	0.00 ~ 8.00	639,325	697,772
Borrowings from banking institutions	Industrial Bank of Korea	2.48 ~ 6.00	148,576	158,245
Borrowings from National Housing Fund	National housing fund	8.00	2,757	2,986
Borrowings from other financial institutions	Korea Development Bank	1.53 ~ 4.00	4,988	5,227
Other borrowings	Small Business Corporation and others	0.98 ~ 7.00	1,167,417	1,160,863
			<u>(Won) 2,459,295</u>	<u>(Won) 2,945,237</u>

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

<u>Account</u>	<u>Financial institution</u>	<u>Annual interest rates (%)</u>	<u>2005</u>	<u>2004</u>
Due to banks	Bank of New York and others		(Won) 92,723	(Won) 27,463
Borrowings from banking institutions	Citibank and others	0.25 ~ 5.06	1,449,685	991,363
Off-shore borrowings in foreign currencies	Sumitomo Mitsui Banking Co. and others	0.30 ~ 3.15	806,891	663,993
	IBRD	2.50	12,103	13,882

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Other borrowings from banking institutions

Other borrowings in foreign currencies	Person, organization & corporations	861,419	843,559
		<u>(Won) 3,222,821</u>	<u>(Won) 2,540,260</u>

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(4) Bonds sold under repurchase agreements as of March 31, 2005 and December 31, 2004 consisted of the following (Unit: In millions):

<u>Account</u>	<u>Financial institution</u>	<u>Annual interest rates (%)</u>	<u>2005</u>	<u>2004</u>
Bonds sold under repurchase agreements in local currency	Person, Group, Corporations	2.50 ~ 3.50	(Won) 4,336,784	(Won) 3,449,445
Bills sold	Teller s Sales	2.90 ~ 3.35	38,534	41,988
Due to the Bank of Korea in foreign currencies	BOK	2.21 ~ 3.26	1,460	2,007
			<u>(Won) 4,376,778</u>	<u>(Won) 3,493,440</u>

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

<u>Account</u>	<u>Financial institution</u>	<u>Annual interest rates (%)</u>	<u>2005</u>	<u>2004</u>
Local currency	Samsung Life Insurance Co., Ltd. and others	2.75 ~ 3.15	(Won) 407,600	(Won) 638,500
Foreign currencies	Bank of New Zealand and others	2.84 ~ 7.05	60,320	13,685
Inter-bank borrowings				3,174
			<u>(Won) 467,920</u>	<u>(Won) 655,359</u>

(6) Borrowings in local currency and borrowings in foreign currencies with financial institutions as of March 31, 2005 and December 31, 2004 were as follows (Unit: In millions):

	<u>2005</u>			<u>2004</u>		
	<u>Local</u>	<u>Foreign</u>	<u>Total</u>	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
	<u>currency</u>	<u>currencies</u>		<u>currency</u>	<u>currencies</u>	
BOK	(Won) 496,232	(Won) 1,460	(Won) 497,692	(Won) 920,144	(Won) 2,007	(Won) 922,151
Banks	148,576	2,410,632	2,559,208	158,245	1,698,663	1,856,908
Others	412,588	12,103	424,691	643,727	13,882	657,609
	<u>(Won) 1,057,396</u>	<u>(Won) 2,424,195</u>	<u>(Won) 3,481,591</u>	<u>(Won) 1,722,116</u>	<u>(Won) 1,714,552</u>	<u>(Won) 3,436,668</u>

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

Total

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12. DEBENTURES:

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

	<u>2005</u>	<u>2004</u>
Debentures in local currency	(Won) 20,580,530	(Won) 21,293,079
Less: Discount on debentures	(74,839)	(120,396)
Debentures in local currency	679,340	696,522
Addition: Premiums on debentures	4,979	5,490
	<u>(Won) 21,190,010</u>	<u>(Won) 21,874,695</u>

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

	<u>Annual interest rate (%)</u>	<u>2005</u>	<u>2004</u>
Hybrid debentures	2.75 ~ 3.15	(Won) 903,668	(Won) 903,668
Structured debentures	0.00 ~ 4.29	110,000	80,000
Subordinated fixed rate debentures	4.19 ~ 15.66	5,855,040	6,017,095
KCC subordinated fixed rate debentures	7.10 ~ 8.00	205,000	205,000
KCC fixed rate debentures	5.43 ~ 7.80	860,000	930,000
KCC floating rate debentures	7.75	150,000	610,000
Fixed rate debentures	3.28 ~ 8.24	12,507,165	12,543,566
		<u>20,590,873</u>	<u>21,289,329</u>
Loss (gain) on valuation of fair market value risk hedge(current year portion)		(14,093)	3,750
Loss on valuation of fair market value risk hedge (prior year portion)		3,750	
		<u>20,580,530</u>	<u>21,293,079</u>
Discounts on debentures		(74,839)	(120,396)
		<u>(Won) 20,505,691</u>	<u>(Won) 21,172,683</u>

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

	<u>Issued date</u>	<u>Expiration date</u>	<u>Annual interest rate (%)</u>	<u>2005</u>	<u>2004</u>
Subordinated fixed rate debentures in local currency	Jan-98 ~ Nov-98	Jan-03 ~ Nov-09	14.22 ~ 15.66	133,379	133,477
	Mar-00	Mar-05	9.65	38,043	200,000

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Jun-00	Jan-06	9.04 ~ 9.10	253,975	253,975
Sep-00	Jan-06	8.99	300,000	300,000
Sep-00	Jan-06	8.79 ~ 8.85	150,000	150,000
Nov-00	Feb-06~Dec-10	8.65 ~ 9.65	262,051	262,051
Dec-00	Jan-06	8.71	200,000	200,000
May-01	Feb-07	7.60 ~ 7.65	200,000	200,000
Jun-01	Mar-08 ~ Mar-09	7.68 ~ 7.86	377,529	377,529
Aug-01	Aug-07	6.69 ~ 6.73	100,000	100,000
Sep-01	Mar-08	6.69 ~ 6.73	150,000	150,000
Mar-02	Jan-08	7.06 ~ 7.10	241,684	241,684
Jul-02	Jan-08	6.96 ~ 7.00	302,399	302,399
Sep-02	Mar-08 ~ Mar-13	6.27 ~ 6.70	500,000	500,000
Nov-02	May-08 ~ May-13	6.10 ~ 6.55	558,775	558,775
Dec-02	Jan-08	8.00	110,000	110,000
Dec-02	Jun-08 ~ Jun-13	6.20 ~ 6.65	180,370	180,370
Jan-03	Feb-08	7.65	50,000	50,000
Mar-03	Apr-08	7.10	45,000	45,000
Oct-03	Jan-09 ~ Jan-14	5.18 ~ 5.60	449,051	449,051
Feb-04	Aug-09 ~ Aug-14	5.65 ~ 6.16	700,000	700,000
Sep-04	Dec-18	5.12	57,784	57,784
Dec-04	Jun-10	4.19 ~ 4.20	700,000	700,000
			<u>6,060,040</u>	<u>6,222,095</u>

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	Issued date	Expiration date	Annual interest	2005	2004
			rate (%)		
Hybrid debentures	Jun-03	Jun-33	6.00	105,145	105,145
	Aug-03	Aug-33	7.00	533,355	533,355
	Oct-03	Oct-33	6.80	265,168	265,168
				<u>903,668</u>	<u>903,668</u>
				<u>6,963,708</u>	<u>7,125,763</u>

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

	Annual interest	2005	2004
	rate (%)		
Floating rates debentures	1.27 ~ 3.19	(Won) 113,205	(Won) 110,810
Fixed rates debentures	2.37 ~ 4.63	523,003	532,913
KCC floating rate debentures	3.46	59,102	60,227
		<u>695,310</u>	<u>703,950</u>
Loss on valuation of fair market value risk hedge (current year portion)		(8,542)	(5,925)
Loss on valuation of fair market value risk hedge (prior year portion)		(7,428)	(1,503)
		<u>679,340</u>	<u>696,522</u>
Premiums on debentures		5,703	6,336
Discounts on debentures		(724)	(846)
		<u>(Won) 684,319</u>	<u>(Won) 702,012</u>

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

	Less than 3 months	Less than 6 months	Less than 1 year	Less than 3 years	More than 3 years	Total
Debentures in local currency	(Won) 4,133,717	(Won) 2,659,475	(Won) 2,398,364	(Won) 6,835,159	(Won) 4,553,815	(Won) 20,580,530
Debentures in foreign currencies			79,589	567,445	32,306	679,340

13. OTHER LIABILITIES

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

	2005	2004
Accrued severance benefits	(Won) 307,426	(Won) 319,947
Less: Severance insurance deposits	(165,306)	(193,325)
Allowance for possible losses on acceptances and guarantees	1,996	1,150
Due to trust accounts	693,486	811,339
Accounts payable	7,089,245	2,723,038
Accrued expenses	4,303,151	4,279,216
Advanced from customer	505,933	191,642
Unearned revenues	94,216	97,269
Withholding taxes	90,806	3,687
Guarantees deposits received	113,765	111,723
Derivatives liabilities	1,661,566	2,219,630
Accounts for agency business	259,085	233,690
Domestic exchange settlement loans	244,382	258,020
Agency	1,622,332	280,569
Sundry liabilities	831,450	768,091
	(Won) 17,653,533	(Won) 12,105,686

Table of Contents14. ACCEPTANCES AND GUARANTEES AND ALLOWANCES FOR POSSIBLE LOSSES:

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

Types	2005	2004
Confirmed acceptances and guarantees in local currency		
Payment guarantee for issuance of debentures	(Won) 64	(Won) 472
Payment guarantee for loans	30,796	30,852
Others	337,474	260,497
	368,334	291,821
Confirmed acceptances and guarantees in foreign currencies		
Acceptances on letters of credit	91,091	101,180
Acceptances for letters of guarantee for importers	64,227	62,829
Guarantees for performance of contracts	23,548	32,039
Guarantees for bids	3,146	2,606
Guarantees for borrowings	33,751	26,728
Guarantees for repayment of advances	23,063	23,213
Others	530,886	435,372
	769,712	683,967
	1,138,046	975,788
Unconfirmed acceptances and guarantees		
Letters of credit	1,066,559	1,016,414
Others	494,457	295,360
	1,561,016	1,311,774
	(Won) 2,699,062	(Won) 2,287,562

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

	Confirmed	Unconfirmed	Total	Percentage (%)
Large corporations	(Won) 494,018	(Won) 457,234	(Won) 951,252	35.24
Small and medium corporations	641,627	1,090,496	1,732,123	64.17
Public sector and others		12,158	12,158	0.45
Foreign customer	2,401	1,128	3,529	0.14
	(Won) 1,138,046	(Won) 1,561,016	(Won) 2,699,062	100.00

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

	<u>Confirmed</u>	<u>Unconfirmed</u>	<u>Total</u>	<u>Percentage (%)</u>
Large corporations	(Won) 356,397	(Won) 438,394	(Won) 794,791	34.74
Small and medium corporations	616,849	844,951	1,461,800	63.90
Public sector and others		25,514	25,514	1.12
Foreign customer	2,542	2,915	5,457	0.24
	<u>(Won) 975,788</u>	<u>(Won) 1,311,774</u>	<u>(Won) 2,287,562</u>	<u>100.00</u>

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

	<u>Confirmed</u>	<u>Unconfirmed</u>	<u>Total</u>	<u>Percentage (%)</u>
Public sector		(Won) 12,158	(Won) 12,158	0.45
Finance	(Won) 317,473	6,344	323,817	12.00
Service	265,614	359,087	624,701	23.15
Manufacturing	474,177	1,124,867	1,599,044	59.24
Others	80,782	58,560	139,342	5.16
	<u>(Won) 1,138,046</u>	<u>(Won) 1,561,016</u>	<u>(Won) 2,699,062</u>	<u>100.00</u>

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

	<u>Confirmed</u>	<u>Unconfirmed</u>	<u>Total</u>	<u>Percentage (%)</u>
Finance	(Won) 242,520	(Won) 911	(Won) 243,431	10.64
Service	265,714	346,398	612,112	26.76
Manufacturing	373,205	863,085	1,236,290	54.04
Others	94,349	101,380	195,729	8.56
	<u>(Won) 975,788</u>	<u>(Won) 1,311,774</u>	<u>(Won) 2,287,562</u>	<u>100.00</u>

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

	<u>Confirmed</u>	<u>Unconfirmed</u>	<u>Total</u>	<u>Percentage (%)</u>
Korea	(Won) 820,410	(Won) 1,559,888	(Won) 2,380,298	88.19
Japan	180		180	0.01
France	194,617		194,617	7.21
USA	41,147	1,035	42,182	1.56
Others	81,692	93	81,785	3.03
	<u>(Won) 1,138,046</u>	<u>(Won) 1,561,016</u>	<u>(Won) 2,699,062</u>	<u>100.00</u>

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

	<u>Confirmed</u>	<u>Unconfirmed</u>	<u>Total</u>	<u>Percentage (%)</u>
Korea	(Won) 934,036	(Won) 1,311,073	(Won) 2,245,109	98.14
USA	41,752	701	42,453	1.86
	<u>(Won) 975,788</u>	<u>(Won) 1,311,774</u>	<u>(Won) 2,287,562</u>	<u>100.00</u>

(6) Allowance for possible losses on confirmed acceptances and guarantees as of March 31, 2005 and December 31, 2004 were as follows (Unit: In millions):

<u>2005</u>		<u>2004</u>	
<u>Local currency</u>	<u>Foreign currencies</u>	<u>Local currency</u>	<u>Foreign currencies</u>

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Normal	(Won) 360,087	(Won) 759,754	(Won) 280,910	(Won) 672,484
Precautionary	5,685	8,876	8,614	10,312
Substandard	117	997	2,042	1,024
Doubtful	2,050	34	225	142
Estimated loss	395	51	30	5
	<u>(Won) 368,334</u>	<u>(Won) 769,712</u>	<u>(Won) 291,821</u>	<u>683,967</u>
Allowance for possible losses	1,443	553	551	599
Ratio (%)	<u>0.39</u>	<u>0.07</u>	<u>0.19</u>	<u>0.09</u>

- (7) The ratio of allowance for possible losses on confirmed acceptances and guarantees for the recent three years were as follows (Unit: In millions):

	Guarantees and acceptances outstanding	Allowance	Percentage (%)
March 31, 2005	(Won) 1,138,046	(Won) 1,996	0.18
December 31, 2004	975,788	1,150	0.12
March 31, 2004	739,058	1,258	0.17
December 31, 2003	800,297	1,074	0.13
December 31, 2002	1,031,698	2,287	0.22

Table of Contents15. Accrued Severance Benefits

The changes in accrued severance benefits for the three months ended March 31, 2005 are as follows (Unit: In millions):

	<u>2004</u>	<u>Provision</u>	<u>Payment</u>	<u>Additional increase (decrease)</u>	<u>2005</u>
Accrued severance benefits	(Won) 319,947	(Won) 38,424	(Won) 50,936	(Won) (9)	(Won) 307,426
Severance insurance deposits	(193,325)		(28,019)		(165,306)
	<u>(Won) 126,622</u>	<u>(Won) 38,424</u>	<u>(Won) 22,917</u>	<u>(Won) (9)</u>	<u>(Won) 142,120</u>

As of March 31, 2005 and December 31, 2004, part of severance benefits was contributed to pension funds of Korea Life Insurance Co., Ltd. and Kyobo Life Insurance Co., Ltd, in which the beneficiary is a respective employee. The total severance benefits paid for the three months ended March 31, 2005 amounted to (Won)306,262 million, including the additional severance benefits of (Won)255,326 million relating to early retirements paid in March 2005.

16. SUNDRY LIABILITIES

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

	<u>2005</u>	<u>2004</u>
Borrowings for others business	(Won) 124,880	(Won) 87,685
Unsettled domestic exchange liabilities	52,705	21,395
Prepaid card and debit card liabilities	6,529	4,714
Subscription deposits	74,372	40,085
Other allowances	571,049	611,120
Others	1,915	3,092
	<u>(Won) 831,450</u>	<u>(Won) 768,091</u>

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

	<u>2005</u>	<u>2004</u>
Loss on branch closure	(Won) 233	(Won) 237
Cash advance service	45,555	45,234
Mileage rewards	77,511	80,676

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Claimed assets	4	3
Credit commitments to SPC	422,929	438,343
KAMCO loans sold	221	217
Master Card share agreement	3,221	3,135
Allowances for additional tax payments	458	458
Dormant accounts	15,203	14,976
LG Card		23,812
KP chemical loans sold	4,029	4,029
Others	1,685	
	<u> </u>	<u> </u>
	(Won) 571,049	(Won) 611,120
	<u> </u>	<u> </u>

Table of Contents17. CAPITAL

(1) Capital stock

As of March 31, 2005 and 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. ING Bank N.V. Amsterdam and Euro-Pacific Growth Fund own 13,650,001 shares and 13,376,220 shares (ownership rate: 4.06% and 3.98%, respectively). As of March 31, 2005, 47,096,792 common shares, equivalent to 14.00% of the total issued shares, are listed on the New York Stock Exchange as ADS and are managed by the Bank of New York, the trustee of the Bank.

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

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

(2) Capital surplus

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

	<u>2005</u>	<u>2004</u>
Paid-in capital in excess of par value	(Won) 5,655,840	(Won) 5,655,840
Gain on business combination	(Won) 397,669	(Won) 397,669
Revaluation increment	177,229	177,229
	<u>(Won) 6,230,738</u>	<u>(Won) 6,230,738</u>

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

(3) Retained earnings

1) Appropriations of retained earnings

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Appropriations of retained earnings for 2004 as resolved at the general meeting of shareholders on March 18, 2005 is summarized as follows (Unit: In millions):

	Amount
Retained earnings before appropriations	
Accumulated deficits carried over from prior years	(Won) (176,963)
Valuation of securities accounted for using the equity method	1,614
Net income	555,250
Transfers from voluntary reserve	
Discretionary appropriated retained earnings	220,100
Business rationalization reserve	40,760
Appropriations	
Legal reserve	55,600
Reserve for financial structure improvement	55,600
Reserve for losses on sale of treasury stock	359,525
Other reserves	1,438
Cash dividends	168,574
Unappropriated retained earnings carried forward to the subsequent year	(Won) 24

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2) Legal reserve

The Korean Banking Law requires a bank to appropriate at least 10 percent of net income after income tax to legal reserve, until such reserve equals 100 percent of its paid-in capital. This reserve is not available for payment of cash dividends; however, it can be used to reduce deficit or be transferred to capital.

3) Reserve for financial structure improvement (voluntary reserve)

In 2002, the Finance Supervisory Service recommended banks to appropriate at least 10 percent of net income after accumulated deficit to reserve for financial structure improvement, until simple capital ratio equals 5.5 percent. This reserve is not available for payment of cash dividends; however, it can be used to reduce deficit or be transferred to capital.

4) Business rationalization reserve

Pursuant to the Tax Exemption and Reduction Control Law, the Bank was previously required to appropriate, as a reserve for business rationalization, amounts equal to tax reductions arising from tax exemptions and tax credits up to December 31, 2001. However, since 2002, the requirement was no longer effective. Business rationalization reserve was transferred to retained earnings, pursuant to the approval at the shareholders meeting on March 18, 2005.

5) Retained earnings appropriated for accumulated deficit

The Bank appropriated voluntary reserve amounting to (Won)754,900 million to offset accumulated deficit, pursuant to the approval at the shareholders meeting on March 23, 2004.

(4) Capital adjustments

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

	<u>2005</u>	<u>2004</u>
Treasury stock	(Won) (1,273,862)	(Won) (1,322,320)
Gain on valuation of available-for-sale securities	428,462	707,487
Loss on valuation of held-to-maturity securities	(203)	
Increase due to the equity method	12,212	10,443
Decrease due to the equity method	(6,307)	(4,751)
Stock option cost	30,142	29,613
Loss on sales of treasury stock	(2,255)	(1,459)
	<u>(Won) (811,811)</u>	<u>(Won) (580,987)</u>

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The changes of capital adjustments for the three months ended March 31, 2005 were as follows (Unit: In millions):

	<u>2004</u>	<u>Changes</u>	<u>Disposal or realized</u>	<u>Deferred tax income</u>	<u>2005</u>
Treasury stocks	(Won) (1,322,320)	(Won)	(Won) 48,458	(Won)	(Won) (1,273,862)
Gain (loss) on valuation of available-for-sale securities	707,487	(54,644)	(61,862)	(162,519)	428,462
Gain (loss) on valuation of held-to-maturity securities		(281)	1	77	(203)
Change due to the equity method	5,692	(8,253)	10,705	(2,239)	5,905
Stock options	29,613	1,850	(1,321)		30,142
Loss on sales of treasury stock	(1,459)	(1,497)		701	(2,255)
	<u>(Won) (580,987)</u>	<u>(Won) (62,825)</u>	<u>(Won) (4,019)</u>	<u>(Won) (163,980)</u>	<u>(Won) (811,811)</u>

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1) Treasury stock

The Bank, with the approval of the Board of Directors on July 26, 2002, established an Employee Stock Option Plan (ESOP) for the welfare of the employees and purchased three million shares of treasury stock under the plan. In 2003, the Bank contributed one million shares to the Employee Stock Ownership Association (ESOA). Pursuant to the approval of the Board of Directors on February 3, 2005, the board of directors decided to contribute additional two million shares to the ESOA. One million shares were given on February 23, 2005 and another million shares were given on April 12, 2005.

In accordance with the resolution of the Board of Directors on December 17, 2003, the Bank acquired 27,423,761 of its 30,623,761 shares previously owned by the Korean government through public bidding at (Won)43,700 per share. As of March 31, 2005, the Bank holds 8.56 percent (28,786,171 shares) of the total common stock issued as treasury stock. The Bank decided to sell treasury stock through OTC and issuance of overseas DR for financial structure improvement with the approval of the Board of Directors on April 27, 2005.

2) Loss on sales of treasury stock

For three months ended March 31, 2005, due to the contribution of one million shares to the ESOA and the exercise of stock options, loss on sales of treasury stock increased by (Won) 1,052 million and (Won) 445 million, respectively.

Table of Contents18. STOCK OPTIONS

- (1) The Bank granted stock options to the executives including the president of the Bank. When the stock options are exercised, the Bank has the option to settle either through issuance of new shares or treasury stock, or through payment of the difference between the market price and the exercise price in cash or treasury stock. The stock options as of March 31, 2005 were as follows:

	Grant date	Granted shares				Exercise price	Exercise period
		Granted	Forfeited	Exercised	Outstanding		
Series 1	00.03.18	(Won) 233,940	(Won) 121,411	(Won) 112,529	(Won)	(Won) 23,469	03.03.19 ~ 05.03.18
Series 2	01.03.15	214,975	16,882	40,476	157,617	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	68,514	133,268	27,600	03.03.01 ~ 06.02.28
Series 6	01.03.24	111,000	38,624	20,216	52,160	25,100	04.03.25 ~ 07.03.24
Series 7	01.11.16	850,000	200,000		650,000	51,200	04.11.17 ~ 09.11.16
Series 8-1(*1)	02.03.22	132,000	89,753		42,247	57,100	05.03.23 ~ 10.03.22
Series 8-2(*1)	02.03.22	490,000	179,539		310,461	57,100	05.03.23 ~ 10.03.22
Series 9	02.07.26	30,000			30,000	58,800	05.07.27 ~ 10.07.26
Series 10-1(*1)	03.03.21	140,000	59,947		80,053	42,025	06.03.22 ~ 11.03.21
Series 10-1(*1)	03.03.21	180,000	64,090		115,910	35,500	06.03.22 ~ 11.03.21
Series 11	03.08.27	30,000	24,909		5,091	40,500	06.08.28 ~ 11.08.27
Series 12	04.02.09	85,000	2,548		82,452	46,100	07.02.10 ~ 12.02.09
Series 13-1(*1)	04.03.23	20,000			20,000	47,200	07.03.24 ~ 12.03.23
Series 13-2(*1)	04.03.23	10,000			10,000	47,200	07.03.24 ~ 12.03.23
Series 14	04.11.01	700,000			700,000	38,300	07.11.02 ~ 12.11.01
Kookmin Credit Card-1(*2)	01.03.22	22,146			22,146	71,538	04.03.23 ~ 11.03.22
Kookmin Credit Card-2(*2)	02.03.29	9,990			9,990	129,100	04.03.30 ~ 11.03.29

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(Won) 4,206,051 (Won) 922,813 (Won) 861,843 (Won) 2,421,395

-
- (*1) The exercise price is adjusted by reflecting the increase in the average stock price index of banking industry.
(*2) In addition, the Bank took over the stock options granted by Kookmin Credit Card Co., Ltd. of which the exercise price and number of shares were adjusted in proportion to the merger ratio.

The Bank granted stock options of 15,000 shares to the directors with the approval of the Board of Directors on April 27, 2005.

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- (2) The compensation cost of the stock option is calculated based on the fair value basis method. The main assumptions used under the fair value basis method were as follows:

	Current stock price	Risk free interest rate (%)	Exercise Period(years)	Volatility	Expected dividends rate of return	Compensation cost per share
Series 1	(Won) 21,441	9.32	4	71.14	2.25	(Won) 12,638
Series 2	25,156	6.06	5.5	70.3	2.47	15,987
Series 3	5,430	9.74	3	59.06	1.14	1,395
Series 4	33,750	4.74	0.33	73.3	1.93	19,850
Series 5	33,750	4.74	1.33	73.3	1.93	13,320
Series 6	33,750	4.74	2.42	73.3	1.93	17,117
Series 7	45,800	4.91	3	58.9		18,364
Series 8-1	58,000	6.14	3	53.56		24,494
Series 8-2	58,000	6.14	3	53.56		24,494
Series 9	53,900	5.73	3	43.09		17,333
Series 10-1	36,500	4.74	3	48.77		11,961
Series 10-1	36,500	4.74	3	48.77		14,073
Series 11	41,100	5.75	3	44.48		15,098
Series 12	47,000	4.9	3	42.74		16,430
Series 13-1	45,900	4.67	3	42.74		15,122
Series 13-2	45,900	4.67	3	42.74		15,120
Series 14	37,400	3.54	3	44.14		12,234
Kookmin Credit Card-1	27,200	5.17	3	46.02		8,447
Kookmin Credit Card -2	55,900	6.39	2	49.24	20	6,536

- (3) Compensation costs, which was included in the operation cost as of March 31, 2005 and to be included later for the grant of the stock options, were as follows (Unit: In millions):

	Prior period	Current period	After current period	Total
Series 2	(Won) 2,520			(Won) 2,520
Series 5	1,775			1,775
Series 6	893			893
Series 7	11,937			11,937
Series 8-1	949	86		1,035
Series 8-2	7,264	634		7,898
Series 9	419	43	58	520
Series 10-1	558	80	319	957
Series 10-1	951	136	544	1,631
Series 11	34	6	36	76
Series 12	388	113	853	1,354
Series 13-1	76	25	202	303
Series 13-2	38	13	101	152
Series 14	238	714	7,612	8,564
Kookmin Credit Card-1	187			187
Kookmin Credit Card-2	65			65
	(Won) 28,292	(Won) 1,850	(Won) 9,725	(Won) 39,867

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- (4) The weighted average exercise cost is (Won)44,262 and the weighted average fair value is (Won)16,343 as of March 31, 2005.

19. CONTINGENCIES AND COMMITMENTS:

- (1) As of March 31, 2005 and December 31, 2004, the Bank has (Won)7,549 million and (Won)9,396 million of endorsed notes relating to the repurchase bills bought in foreign currencies, respectively.
- (2) The Bank holds written-off loans, which have not been terminated of the claim for borrowers and guarantors, amounting to (Won)6,831,126 million and (Won)6,629,858 million as of March 31, 2005 and December 31, 2004, respectively.
- (3) As of March 31, 2005, the Bank has entered into commitments to provide credit line of (Won)5,067,773 million and to purchase commercial papers amounting to (Won)1,019,300 million with several special purpose companies. Commitments to provide credit line and to purchase commercial paper with a one year term amount to (Won)869,200 million and (Won)450,000 million, respectively. Under these commitments, the Bank provides money, in case of temporary fund shortage, for the principal and interest repayment of these companies senior bonds and subordinated bonds within the contracted term and amounts.
- (4) As of March 31, 2005, the Bank has provided one promissory note with face value of (Won) 2,000,000 million to Korea Securities Finance Corporation as collateral for borrowings and other obligations.
- (5) As of December 31, 2003, the Bank provided (Won)142,021 million as allowances for tax deficiencies resulting from the tax investigations by the National Tax Administration (NTA) for the fiscal years 1998 to 2001. In the current period, the NTA has assessed the Bank of (Won)123,310 million in tax deficiencies, wherein the Bank actually paid (Won)122,852 million and subsequently recorded the difference between the accrued assessment and the actual assessment paid of (Won)18,711 million as non-operating income. As of March 31, 2005, the unpaid tax deficiencies of (Won)458 million still remain under other allowances.
- (6) The Bank entered into the business cooperation agreement with Woori Credit Card, Citibank and Nonghyup for the credit card business. Accordingly, the Bank shares the related revenue from such business operation.
- (7) As of March 31, 2005, post settlements on the loan sales transactions with Korea Asset Management Corporation (KAMCO) have been completed. Accordingly, the Bank has provided allowances of (Won)221 million for losses from possible future repurchase of loans from KAMCO under the repurchase agreement on loans amounting (Won)92 million.
- (8) As of March 31, 2005 and 2004, the Bank recorded receivables amounting to (Won)6,721,032 million and (Won)2,286,066 million, and payables amounting to (Won)6,719,639 million and (Won)2,283,394 million for unsettled foreign currency spot transactions.
- (9) As of December 31, 2005, the Bank faces 182 pending legal actions involving aggregate damages of (Won)417,018 million. On the other hand, the Bank also has filed 229 lawsuits, which are still pending, with aggregate claims of (Won)133,346 million. Management believes that the actions against the Bank are without merit and that the ultimate liability, if any, will not materially affect the Bank's financial position.

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(10) The notional amounts outstanding for derivative contracts as of March 31, 2005 and December 31, 2004 were as follows (Unit: In millions):

Type	2005			2004		
	Trading	Hedge	Total	Trading	Hedge	Total
Interest rate:						
Interest rate futures	(Won) 474,063	(Won)	(Won) 474,063	(Won) 605,224	(Won)	(Won) 605,224
Interest rate swaps (*)	30,223,667	1,028,150	31,251,817	31,951,803	1,007,900	32,959,703
Interest rate options purchased	353,215		353,215	354,190		354,190
Interest rate options sold	773,215		773,215	854,190		854,190
	<u>31,824,160</u>	<u>1,028,150</u>	<u>32,852,310</u>	<u>33,765,407</u>	<u>1,007,900</u>	<u>34,773,307</u>
Currency:						
Currency forwards (*)	79,010,734		79,010,734	53,943,197		53,943,197
Currency futures (*)	3,363,494		3,363,494	2,537,269		2,537,269
Currency swaps (*)	4,317,109		4,317,109	4,184,152		4,184,152
Currency options purchased	39,998		39,998	245,387		245,387
Currency options sold	23,179		23,179	270,247		270,247
	<u>86,754,514</u>		<u>86,754,514</u>	<u>61,180,252</u>		<u>61,180,252</u>
Stock:						
Stock index futures	24,829		24,829	3,406		3,406
Stock options purchased	1,772,805		1,772,805	1,743,480		1,743,480
Stock options sold	1,750,458		1,750,458	1,729,630		1,729,630
	<u>3,548,092</u>		<u>3,548,092</u>	<u>3,476,516</u>		<u>3,476,516</u>
Other						
Gold index purchased	87,311		87,311			
Gold index sold	87,311		87,311			
	<u>174,622</u>		<u>174,622</u>			
	<u>(Won) 122,301,388</u>	<u>(Won) 1,028,150</u>	<u>(Won) 123,329,538</u>	<u>(Won) 98,422,175</u>	<u>(Won) 1,007,900</u>	<u>(Won) 99,430,075</u>

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March 31, 2005

Type	Gain (loss) valuation (I/S)			Gain (loss) on valuation (B/S)
	Trading	Hedge	Total	
Interest rate:				
Interest rate options purchased	(Won) 435 (2,380)	(Won)	(Won) 435 (2,380)	(Won) 4,257
Interest rate options sold	2,781 (723)		2,781 (723)	(4,153)
Interest rate swaps (*1)	202,971 (177,362)	(22,635)	202,971 (199,997)	202,000 (241,280)
	206,187 (180,465)	(22,635)	206,187 (203,100)	206,257 (245,433)
Currency:				
Currency forwards (*1)	506,004 (589,655)		506,004 (589,655)	979,096 (1,117,210)
Currency swaps (*1)	37,019 (37,667)		37,019 (37,667)	447,030 (257,956)
Currency options purchased	56 (283)		56 (283)	9 (595)
Currency options sold	125 (16)		125 (16)	460 (8)
	543,204 (627,621)		543,204 (627,621)	1,426,595 (1,375,769)
Stock:				
Stock option purchased	4,124 (5,199)		4,124 (5,199)	37,210
Stock option sold	5,412 (4,245)		5,412 (4,245)	(38,861)
	9,536 (9,444)		9,536 (9,444)	37,210 (38,861)
Other				
Gold index purchased	400		400	1,535
Gold index sold	(280)		(280)	(1,503)
	400 (280)		400 (280)	1,535 (1,503)
	759,327 (Won) (817,810)	(Won) (22,635)	759,327 (Won) (840,445)	1,671,597 (Won) (1,661,566)

December 31, 2004

Type	Gain (loss) valuation (I/S)			Gain (loss) on valuation (B/S)
	Trading	Hedge	Total	
Interest rate:				
Interest rate options purchased	(Won) 580	(Won)	(Won) 580	(Won) 6,202
	(1,932)		(1,932)	
Interest rate options sold	2,833		2,833	
	(2,087)		(2,087)	(17,757)
Interest rate swaps (*1)	90,339	9,699	100,038	316,333
	(93,776)		(93,776)	(354,023)
	<u>93,752</u>	<u>9,699</u>	<u>103,451</u>	<u>322,535</u>
	<u>(97,795)</u>		<u>(97,795)</u>	<u>(371,780)</u>
Currency:				
Currency forwards (*1)	458,874		458,874	1,519,636
	(444,639)		(444,639)	(1,486,626)
Currency swap	110,018		110,018	476,703
	(73,229)		(73,229)	(287,203)

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Type	Gain (loss) valuation (I/S)			Gain (loss) on valuation (B/S)
	Trading	Hedge	Total	
Currency options purchased	459		459	281
	(812)		(812)	(887)
Currency options sold	625		625	827
	(162)		(162)	(379)
	569,976		569,976	1,997,447
	(518,842)		(518,842)	(1,775,095)
Stock:				
Stock option purchased	15,763		15,763	72,002
	(6,816)		(6,816)	
Stock option sold	6,418		6,418	
	(20,756)		(20,756)	(72,755)
	22,181		22,181	72,002
	(27,572)		(27,572)	(72,755)
	685,909	9,699	695,608	2,391,984
	(Won) (644,209)	(Won)	(Won) (644,209)	(Won) (2,219,630)

(*1) For transaction between local currency and foreign currencies, unsettled amount of transaction is presented using the basic foreign exchange rate based on the contract amount in foreign currencies. For transaction between foreign currencies and foreign currencies, unsettled amount is presented using the basic foreign exchange rate based on foreign currencies purchased.

The Bank uses various derivative instruments for its trading activities, including interest rate and foreign exchange swaps, futures, forwards and options, to manage the interest rate characteristics of certain assets or liabilities and to economically hedge against the effects of fluctuations in interest rates or foreign exchange rates.

The Bank holds derivative instruments accounted for as fair value hedges applied to debentures, subordinated bonds and structured bonds. As of March 31, 2005, the Bank recognized the gain on valuation of fair value hedged items amounting (Won)22,635 million. In addition, the interest rate swap covers the fair value changes of the hedged items resulted from the fluctuation in interest rate and foreign exchange rate.

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

Contract date	Expired date	2005	2004	Reference entity
2003.3.24	2006.3.24	\$40,000	\$40,000	KDB, KEPCO, POSCO, KT

If there are certain credit events in the reference entities, the CLN is early redeemed. The Bank will receive the debt securities of the reference entities or the same amount of money as the securities.

Table of Contents**20. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:**

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

	2005		2004	
	USD	KRW	USD	KRW
	equivalent	equivalent	equivalent	equivalent
	(In thousands)	(In millions)	(In thousands)	(In millions)
Assets:				
Foreign currencies	US\$ 130,605	(Won) 133,778	US\$ 119,501	(Won) 124,735
Due from banks-foreign currencies	696,263	713,183	581,967	607,447
Securities-foreign currencies	844,679	865,205	910,909	950,807
Loans in foreign currencies	4,212,359	4,314,719	3,698,819	3,860,828
Bills bought in foreign currencies	939,880	962,719	550,665	574,785
Call loans	230,296	235,892	183,736	191,784
Liabilities:				
Deposits-foreign currencies	1,256,908	1,287,450	1,373,885	1,434,061
Borrowings-foreign currencies	3,146,364	3,222,821	2,433,665	2,540,260
Due to BOK	1,425	1,460	1,923	2,007
Call money in foreign currencies	58,889	60,320	13,111	13,685
Debentures-foreign currencies	663,224	679,340	667,294	696,522
Foreign exchange remittance pending	US\$ 51,456	(Won) 52,705	US\$ 20,497	(Won) 21,395

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

21. INTEREST REVENUE AND EXPENSES:

(1) The average balance of the interest bearing assets and liabilities, and the related interest revenue and expense as of and for the three months ended March 31, 2005 and 2004 were as follows (Unit: In millions):

	2005			2004		
	Average	Interest	Interest	Average	Interest	Interest
	balance	revenue	rate	balance	revenue	rate
		/expense	(%)		/expense	(%)
Assets						
Due from Banks(*1)	(Won) 1,012,312	(Won) 6,186	2.44	(Won) 707,961	(Won) 1,873	1.06
Securities	21,235,156	239,201	4.51	29,812,029	289,828	3.91
Loans	134,881,026	2,276,613	6.75	140,497,144	2,685,105	7.69

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	(Won) 157,128,494	(Won) 2,522,000	6.42	(Won) 171,017,134	(Won) 2,976,806	6.96
Liabilities						
Deposits	(Won) 124,902,642	(Won) 831,707	2.66	(Won) 133,478,723	(Won) 1,042,593	3.14
Borrowings	10,696,376	74,990	2.80	11,262,370	80,632	2.88
Debentures	21,676,151	291,211	5.37	16,997,845	265,024	6.27
	(Won) 157,275,169	(Won) 1,197,908	3.05	(Won) 161,738,938	(Won) 1,388,249	3.43

(*1) Excluding the average balance of reserve deposits with BOK

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22. GENERAL AND ADMINISTRATIVE EXPENSES:

(1) Selling and administrative expenses for the three months ended March 31, 2005 and 2004 were as follows (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Salaries	(Won) 378,378	(Won) 310,306
Provision for severance benefits	38,424	29,317
Other employee benefits	80,608	70,980
Rent	21,864	17,607
Depreciation	77,086	97,213
Taxes and dues	32,661	32,202
Advertising	7,052	8,022
Development expenses	32,658	30,068
Servicing fee	17,597	19,794
Other selling and administrative expenses	46,433	47,568
	<u>(Won) 732,761</u>	<u>(Won) 663,077</u>

(2) Other selling and administrative expenses for the three months ended March 31, 2005 and 2004 were as follows (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Communication	(Won) 9,369	(Won) 7,841
Electricity and utilities	4,123	4,406
Publication	4,660	5,594
Repairs maintenance	3,070	3,378
Vehicle	6,964	6,604
Travel	730	943
Training	2,914	4,273
Other	14,603	14,529
	<u>(Won) 46,433</u>	<u>(Won) 47,568</u>

23. NON-OPERATING INCOME AND EXPENSES:

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

	<u>2005</u>	<u>2004</u>
Non-operating income:		
Gain on disposal of tangible assets	(Won) 68	(Won) 1,273
Reversal of tangible assets impairment loss	500	

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Rental income	790	631
Gain on valuation of securities accounted for using the equity method	25,629	13,081
Gain on disposal of available-for-sale securities	75,039	56,473
Gain on redemption of held-to-maturity securities		1,476
Loss on sale of loans	62	371
Others	43,269	46,420
	<u>(Won) 145,357</u>	<u>(Won) 119,725</u>
Non-operating expenses:		
Loss on disposal of tangible assets	(Won) 1,347	(Won) 1,000
Loss on valuation of securities accounted for using the equity method	7,692	1,567
Loss on disposal of available-for-sale securities	9,135	3,891
Impairment loss on available-for-sale securities	4,629	10,415
Loss on sales of loans	26	141
Severance benefits	255,326	50,029
Others	19,117	35,625
	<u>(Won) 297,272</u>	<u>(Won) 102,668</u>

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- (1) The differences between pretax accounting income and taxable income pursuant to Korean Corporate Income Tax Law for the three months ended March 31, 2005 and 2004 are summarized as follows (Unit: In millions):

	2005		2004	
	(Won)		(Won)	
Income before income tax	522,662		228,517	
Taxable and non-deductible items				
Temporary difference	1,932,119		1,289,288	
Permanent difference	7,671	1,939,790	6,844	1,296,132
Deductible and non-taxable items				
Temporary difference	1,138,759		1,355,428	
Permanent difference	174,763	(1,313,522)	5,127	(1,360,555)
Taxable income	(Won) 1,148,930		(Won) 164,094	

- (2) The tax effects on temporary differences and tax loss carryforwards that gave rise to significant portions of the deferred income tax assets for the three months ended March 31, 2005 were as follows (Unit: In millions):

	Korean Won			
	Beginning balance (*)	Deduction	Addition	Ending balance
Loss on fair value hedges	(Won) (3,502)	(Won) (3,502)	(Won) (25,840)	(Won) (25,840)
Other allowances	635,910	635,452	592,096	592,554
Allowance for loan losses	178,581	4,722	457,576	631,435
Accrued interest	(309,506)	(309,506)	(335,777)	(335,777)
Prior period surplus of private equity fund	268,697	27,716		240,981
Reduction of securities	280,221	529		279,692
Valuation of securities	749,805	624	(17,482)	731,699
Valuation of securities (Capital adjustments)	(455,572)	(7,661)	(154,366)	(602,277)
Tangible asset impairment losses	2,296	500		1,796
Deferred loan organization fee and cost	(48,889)	(48,889)	(52,307)	(52,307)
Long-term un-ending card receivable	27,045		192	27,237
ELD	41,937		7,098	49,035
Stock options	29,613	29,613	30,142	30,142
Allowance for possible losses of confirmed acceptances and guarantees	1,150	1,150	1,996	1,996
Valuation loss on derivatives financial instruments	(137,573)	(137,573)	24,103	24,103
Goodwill	(457,014)	(19,586)		(437,428)
Restructuring of loans	4,279	4,279	2,553	2,553
Dividends from SPC	131,186		131,190	262,376
Repurchase bad debt of SPC	80,204			80,204

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Others	(4,752)	(2,612)	(1,289)	(3,429)
	<u>1,014,116</u>	<u>175,256</u>	<u>659,885</u>	<u>1,498,745</u>
The exclusion of deferred income tax				
Goodwill	(457,014)			(437,428)

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	Korean Won			
	Beginning balance (*)	Deduction	Addition	Ending balance
Valuation of securities (Capital adjustments)	(444,481)			
Dividends from SPC	131,186			262,376
Other allowances	458			458
	1,783,967			1,673,339
Statutory tax rate	27.5%			27.5%
Deferred income tax assets	(Won) 490,591			(Won) 460,168

(*) Adjusted based on the final tax return.

(3) Income tax expense for the three months ended March 31, 2005 and 2004 is summarized as follows (Unit: In millions):

	2005	2004
Income tax currently payable	(Won) 315,950	(Won)
Changes in deferred tax assets	42,769	78,861
Adjusted based on the final tax return	(12,346)	(1,738)
Retained earnings and other capital surplus adjustments	(163,980)	136
Income tax expense	(Won) 182,393	(Won) 77,259

(4) The statutory income tax rates applicable to the Bank, including resident tax surcharges, are 27.5% and 29.7% for the three months ended March 31, 2005 and 2004, respectively. However, due to tax adjustments, the effective tax rates for the three months ended March 31, 2005 and 2004 are 34.90% and 33.81%, respectively.

25. **EARNINGS PER SHARE:**

(1) Ordinary income per share and net income per share

Ordinary income per share and net income per share were calculated for common stock by dividing ordinary income and net income available to common shareholders by the weighted average number of outstanding common stock. In case the stock options are exercised during the first quarter of 2005, the outstanding common shares are calculated on the assumption that the treasury stock are disposed of on the exercised date.

Net income per share for common stock for the three months ended March 31, 2005 was computed as follows:

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1) Outstanding capital stock

	Number of shares (A)	Number of dates (B)	(A) * (B)
Number of common shares outstanding-beginning balance	336,379,116	90	(Won) 30,274,120,440
Number of treasury stock outstanding-beginning balance	(29,881,209)	90	(2,689,308,810)
Sale of treasury stock	14,160	77	1,090,320
Sale of treasury stock	730	72	52,560
Sale of treasury stock	4,000	64	256,000
Sale of treasury stock	6,000	60	360,000
Sale of treasury stock	2,961	60	177,660
Sale of treasury stock	10,000	58	580,000
Sale of treasury stock	10,000	53	530,000
Sale of treasury stock	2,961	46	136,206
Sale of treasury stock	1,870	46	86,020
Sale of treasury stock	2,000	44	88,000

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	Number of shares (A)	Number of dates (B)	(A) * (B)
Sale of treasury stock	6,000	38	228,000
Sale of treasury stock	1,000,000	37	37,000,000
Sale of treasury stock	3,000	23	69,000
Sale of treasury stock	5,845	22	128,590
Sale of treasury stock	592	22	13,024
Sale of treasury stock	2,845	22	62,590
Sale of treasury stock	2,961	21	62,181
Sale of treasury stock	370	21	7,770
Sale of treasury stock	1,461	17	24,837
Sale of treasury stock	3,845	16	61,520
Sale of treasury stock	2,845	14	39,830
Sale of treasury stock	592	14	8,288
Sale of treasury stock	3,000	9	27,000
Sale of treasury stock	7,000	9	63,000
	307,592,945		(Won) 27,625,964,026

Weighted average number of common shares outstanding : $27,625,964,026 \div 90 = 306,955,156$ shares

2) The basic net income per share for the three months period March 31, 2005 is as follows (Unit: In won)

	Common shares
Net income (=ordinary income)	(Won) 340,268,753,553
Weighted average number of common shares outstanding	306,955,156
Net income per share	(Won) 1,109
Ordinary income per share	(Won) 1,109

The ordinary income for the three months ended March 31, 2005 equals to net income because there are no extraordinary item.

Basic net income (ordinary income) per share for the year ended December 31, 2004 were (Won) 1,176.

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

Diluted net income and ordinary income per share for the three months ended March 31, 2005 represent diluted net income and diluted ordinary income divided by the number of common shares and diluted securities. Stock options and treasury stock to be contributed to Employee Stock Ownership Plan in April 2005 were considered for the computation of diluted earnings per share due to their dilutive effects.

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Diluted net income (ordinary income) per share for the three months ended March 31, 2005 was computed as follows:

- 1) Diluted net income (ordinary income) : (Won)340,268,753,553
- 2) Number of common shares and diluted securities: $306,955,156 + 1,153,367 = 308,108,523$ (shares)
- 3) Diluted net income (ordinary income) per share: $(\text{Won})340,268,753,553 \div 308,108,523(\text{shares}) = (\text{Won}) 1,104$

Diluted net income (ordinary income) per share for the year ended December 31, 2004 was (Won) 1,176.

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(3) Dilutive securities

As of March 31, 2005, dilutive securities are summarized as follows (Unit: In millions, shares):

	<u>Exercise period</u>	<u>Common stock to be issued</u>
Stock options	Mar. 1, 2003~ Nov. 1, 2012	2,421,395
Employee stock ownership contribution plan	Apr. 12, 2005 (on schedule)	1,000,000
		<u>3,421,395</u>

26. TRUST ACCOUNTS

(1) As of March 31, 2005 and 2004, major financial information related to the trust accounts were as follows (Unit : In millions)

	<u>2005</u>	<u>2004</u>
Operating revenue of trust operation:		
Trust fees and commissions from trust accounts	(Won) 44,352	(Won) 33,300
Commissions from early redemption in trust accounts	7	33
	<u>(Won) 44,359</u>	<u>(Won) 33,333</u>
Operating expenses of trust operation:		
Interest expense on borrowings from trust accounts	(Won) 7,996	(Won) 20,788

(2) As of March 31, 2005 and December 31, 2004, significant balances related to the trust accounts were as follows (Unit : In millions)

	<u>2005</u>	<u>2004</u>
Assets:		
Accrued receivable trust fees	(Won) 107,309	(Won) 86,472
Liabilities:		
Borrowings from trust accounts	(Won) 693,486	(Won) 811,339

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- (3) Trust accounts for which the Bank provided the guarantees for a fixed rate of return and the repayment of principal consisted of followings
(Unit: In millions):

	<u>Name of fund</u>	<u>Book value</u>	<u>Fair value</u>	<u>Charge to the Bank account</u>
Trust accounts guaranteeing the repayment of principal:	Old age pension	(Won) 35,959	(Won) 35,761	
	(*)(**)			
	Personal pension	(Won) 2,199,413	2,189,145	
	(*)(**)			
	Pension trust	270,202	270,202	
	Retirement trust	275,003	275,003	
	New Personal Pension	62,076	62,076	
	New old age Pension	353,169	353,169	
		<u>3,195,822</u>	<u>3,185,356</u>	

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	Name of fund	Book value	Fair value	Charge to the Bank account
Trust accounts guaranteeing a fixed rate of return and the repayment of principal:	Development money trust(*)	86,818	87,739	
	Unspecified monetary trust(*)	164	164	
		86,982	87,903	
		(Won) 3,282,804	(Won) 3,273,259	

(*) These funds were not stated at fair value but at book value.

(**) For the old age pension and the personal pension trust, even though the fair value was less than book value, the difference was not charged to the Bank operation because these are based on performance and the Bank is not responsible for the losses of the trusts.

27. SEGMENT INFORMATION:

- (1) As of March 31, 2005, the Bank's operating segments are consumer banking, corporate banking, credit card operation, treasury operation of investment in securities (including derivatives) and funding, and other operations of general administration and trust. Geographical segment are segregated into two segments: domestic and overseas operations.

As of and for the three months ended March 31, 2005, financial information on the Bank's operating segments was as follows (Unit: In millions):

	Consumer	Corporate	Credit card	Capital market	Other	Total
Cash and due from bank	(Won) 1,911,372	(Won) 85,632	(Won) 8,612	(Won) 3,453,228	(Won) 167,694	(Won) 5,626,538
Securities		935,130	140,728	26,218,143	438,756	27,732,757
Loans	81,447,698	42,334,203	6,784,114	2,167,938	771,214	133,505,167
Fixed assets	1,622,644	91,896	134,044	15,352	705,661	2,569,597
Other assets	1,293,013	130,807	47,849	6,369,221	3,729,168	11,570,058
	86,274,727	43,577,668	7,115,347	38,223,882	5,812,493	181,004,117
Operating revenue	(Won) 1,410,670	(Won) 684,392	(Won) 546,297	(Won) 1,920,112	(Won) 304,079	(Won) 4,856,550

- (2) Financial information on the Bank's geographical segments as of and for the three months ended March 31, 2005 was as follows (Unit: In millions):

	Domestic	Overseas	Total
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Cash and due from bank	(Won) 5,601,369	(Won) 25,169	(Won) 5,626,538
Securities	27,732,757		27,732,757
Loans	133,090,867	414,300	133,505,167
Fixed assets	2,566,767	2,830	2,569,597
Other assets	11,014,236	558,822	11,570,058
	<u>180,005,996</u>	<u>998,121</u>	<u>181,004,117</u>
Operating revenue	(Won) 4,844,151	(Won) 12,399	(Won) 4,856,550

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Table of Contents28. Related Party Transactions:

(1) Significant balances with related parties as of March 31, 2005 and December 31, 2004 were as follows (Unit: In millions):

	2005		2004	
	Assets	Liabilities	Assets	Liabilities
Trust accounts (trust accounts guaranteeing a fixed rate of return and the repayment of principal)	(Won) 94,594	(Won) 99,914	(Won) 79,968	(Won) 117,237
KB Investment Co., Ltd.		17,106		17,739
KB Futures Co., Ltd.	7	12,093	22	11,024
KB Data System Co., Ltd.	14,054	14,135	13,416	18,743
KB Real Estate Trust	31,807	313	33,975	1,916
KB Asset Management	86	32,184		26,253
KB Credit Information		18,530		22,363
KB Life Insurance Co., Ltd.	3,203	2,806	3,037	7,203
Jooeun Industrial Co., Ltd.	69,267		70,808	
Kookmin Bank International Ltd. (London)	256,270	104,188	245,772	101,812
Kookmin Bank Hong Kong Ltd.	243,224	12,406	171,820	12,145
	(Won) 712,512	(Won) 313,675	(Won) 618,818	(Won) 336,435

(2) Significant transactions with related parties for three months ended March 31, 2005 and 2004 were as follows (Unit: In millions):

	2005		2004	
	Revenue	Expenses	Revenue	Expenses
Trust accounts (trust accounts guaranteeing fixed rate of return and the repayment of principal)	(Won) 31,133	(Won) 1,083	(Won) 13,610	(Won) 5,484
KB Investment Co., Ltd.		124		99
KB Futures Co., Ltd.	25	419	23	165
KB Data System Co., Ltd.		3,712		3,350
KB Asset Management		263		274
KB Real Estate Trust	559		511	
KB Credit Information	2	12,086	34	8,227
KB Life Insurance Co., Ltd.	9,293	22		
Kookmin Bank Luxembourg S.A.			251	97
Kookmin Bank International Ltd. (London)	1,486	1,484	649	1,637
Kookmin Bank Hong Kong Ltd.	1,122	353	772	578
	(Won) 43,620	(Won) 19,546	(Won) 15,850	(Won) 19,911

29. EMPLOYEE BENEFITS:

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The Bank has employee benefits programs such as support for rent of houses, scholarship, medical insurance, accident compensation, compensated leave, gym facilities and other benefits.

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Table of Contents30. Cash Flows:

- (1) Cash flows from operating activities are presented by the indirect method.
- (2) The cash and due from banks in the statement of cash flow as of March 31, 2005 and 2004 were as follows (Unit : In millions)

	<u>2005</u>	<u>2004</u>
Cash on hand	(Won) 2,320,305	(Won) 2,565,004
Foreign currencies	133,778	225,578
Due from banks in local currency	2,461,554	1,444,467
Due from banks in foreign currency	713,183	688,697
	<u>5,628,820</u>	<u>4,923,746</u>
Restricted due from banks	(2,258,399)	(1,466,083)
	<u>(Won) 3,370,421</u>	<u>(Won) 3,457,663</u>

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

	<u>2005</u>	<u>2004</u>
Write-offs of loans and decrease of loans from principal reduction	(Won) 304,705	(Won) 1,024,569
Increase in allowance resulting from sale of non-performing loans and repurchase	17	5,682
Increase in available-for-sale securities resulting from the debt to equity swap		1,751
Changes in capital adjustment from valuation of securities	(279,015)	168,827
Reclassification of available-for-sale securities to held-to-maturity securities	60,091	
Application of equity method to equity investments		17,000