

KOOKMIN BANK  
Form 6-K  
August 16, 2005  
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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## Form 6-K

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

For the month of August 2005

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## Kookmin Bank

(Translation of registrant's name into English)

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

(Address of principal executive office)

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

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Form 20-F  Form 40-F

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

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

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

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

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

Yes  No

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**Summary of Business Report for the 1<sup>st</sup> Half of 2005**

On August 16, 2005, Kookmin Bank filed its business report for the first half 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:

The banking business as prescribed by the Bank Act,

The trust business as prescribed by the Banking Trust Act,

The credit card business as prescribed by the Non-Banking Financing Act, and

Other businesses permitted by the Bank Act or other relevant Korea laws and regulations

**1.2. History**

November 1, 2001

Incorporated and listed on the New York Stock Exchange

November 9, 2001

Listed on the Korea Stock Exchange

September 23, 2002

Integrated two brand operations onto a single information technology platform

December 4, 2002

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

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

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September 30, 2003

Completed small-scale merger with Kookmin Credit Card

December 16, 2003

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

December 19, 2003

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

April 29, 2004

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

July 22, 2004

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

August 31, 2004

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

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October 29, 2004

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

November 09, 2004

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

December 31, 2004

The largest shareholder of Kookmin Bank changed from ING Bank N.V. Amsterdam to Euro-Pacific Growth Fund

March 02, 2005

Open KB Satellite Broad Casting System for the first time in the world

March 21, 2005

The largest shareholder of Kookmin Bank changed from Euro-Pacific Growth Fund to ING Bank N.V. Amsterdam

June 16, 2005

Disposed 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



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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 June 30, 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 Stock<sup>1</sup>**

The following table shows the acquisition and disposition of our treasury stock as of June 30, 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 <sup>th</sup> 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 <sup>st</sup> quarter, 2004	Disposition due to exercise of stock option by grantees	30,855	1,365,396	44,252
2 <sup>nd</sup> quarter, 2004	Disposition due to exercise of stock option by grantees	55,593	2,460,101	44,252
3 <sup>rd</sup> quarter, 2004	Disposition due to exercise of stock option by grantees	592	26,197	44,252
4 <sup>th</sup> quarter, 2004	Disposition due to exercise of stock option by grantees	48,374	2,140,646	44,252
1 <sup>st</sup> quarter, 2005	Disposition due to contribution to ESOP account and exercise of stock option by grantees	1,095,038	48,457,622	44,252
2 <sup>nd</sup> quarter, 2004 <sup>2</sup>	Disposition due to domestic over the counter sales and an international issuance of depository receipts and exercise of stock option by grantees	28,473,662	1,260,016,491	44,252
<b>Total</b>		<b>312,509</b>	<b>13,845,442</b>	

<sup>1</sup> Disposed 2,000,000 shares of Treasury stock for the purpose of contribution to ESOP on February 23, 2005 and April 12, 2005.

<sup>2</sup> On June 16, 2005, KB disposed 27,423,761 shares of Treasury Stock pursuant to the decision of BOD on April 27, 2005 for the purpose of the improvement of capital structure.

**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 June 30, 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	30,000	0
28-Feb-00	Woo Jung Lee	Executive Vice President	01-Mar-03	28-Feb-06	27,600	30,000	20,000	10,000
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	2,486	0
28-Feb-00	Sung Hee Jwa	Non Executive Director	01-Mar-03	28-Feb-06	27,600	4,800	1,093	3,707
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	7,000	0
28-Feb-00	Sung Cheon Hong & 9 others	Employees	01-Mar-03	28-Feb-06	27,600	67,283	35,975	31,308
24-Mar-01	Young Il 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	11,845	0
18-Mar-00	Duk Hyun Kim	Executive Vice President	19-Mar-03	18-Mar-05	23,469	11,845	11,845	0
15-Mar-01	Sang Hoon Kim	Chairman & CEO	16-Mar-04	15-Mar-09	28,027	29,614	1,000	28,614

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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
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	11,845	0
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

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

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options*	Number of exercised options	Number of exercisable options
			From	To				
15-Mar-01	Han Koo Ji & 36 others	Employees	16-Mar-04	15-Mar-09	28,027	39,092	10,067	29,025
16-Nov-01	Jung Tae Kim	President & CEO	17-Nov-04	16-Nov-09	X <sup>1</sup>	500,000	0	500,000
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	Y <sup>2</sup>	10,000	0	10,000
22-Mar-02	Ji Hong Kim	Non Executive Director	23-Mar-05	22-Mar-10		3,321	0	3,321
22-Mar-02	Timothy Hartman	Non Executive Director	23-Mar-05	22-Mar-10		3,321	0	3,321
22-Mar-02	Sun Jin Kim	Non Executive Director	23-Mar-05	22-Mar-10		3,000	0	3,000
22-Mar-02	Moon Soul Chung	Non Executive Director	23-Mar-05	22-Mar-10		3,000	0	3,000
22-Mar-02	Kyung Hee Yoon	Non Executive Director	23-Mar-05	22-Mar-10		3,000	0	3,000
22-Mar-02	Jong Kyoo Yoon	Executive Vice President	23-Mar-05	22-Mar-10	57,100	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
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	Y <sup>3</sup>	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 & 5 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

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.

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- <sup>3</sup> Exercise price = 35,500 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options*	Number of exercised options	Number of exercisable options
			From	To				
22-Mar-01	Han Kyoung Lee	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	6,644	0	6,644
22-Mar-01	Jun Chae Song	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	6,644	0	6,644
22-Mar-01	Cheol Ho Kim	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	4,429	0	4,429
22-Mar-01	Myoung Woo Lee	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	4,429	0	4,429
29-Mar-02	Boung Hak Kim	Former KCC Officer	30-Mar-04	29-Mar-11		3,330	0	3,330
29-Mar-02	Sun Lee	Former KCC Officer	30-Mar-04	29-Mar-11	Y <sup>4</sup>	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 <sup>5</sup>	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 <sup>6</sup>	700,000	0	700,000
18-Mar-05	Hyung Duk Chang	Auditor & Executive Director	19-Mar-08	18-Mar-13	X <sup>7</sup>	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	Yong Kook Oh	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000

<sup>4</sup> 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

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

<sup>6</sup> 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.

<sup>7</sup> 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	Sang Jin Lee	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
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 & 21 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	X7	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
27-Apr-05	Kyung Wook Kang	Employee	28-Apr-08	27-Apr-13	45,700	15,000	0	15,000
22-Jul-05	Donald H. MacKenzie	Senior Executive Vice President	23-Jul-08	22-Jul-13	49,200	30,000	0	30,000
<b>Total</b>						<b>3,524,689</b>	<b>229,220</b>	<b>3,295,469</b>

**Table of Contents****1.4. Employee Stock Ownership Association<sup>1</sup>**

	Beginning balance			Ending Balance	
	(January 1, 2005)	Increase	Decrease	(June 30, 2005)	Remarks
Registered common stock	1,944,211	1,584,931	103,852	3,425,290	
Total	1,944,211	1,584,931	103,852	3,425,290	

**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 <sup>2</sup>	(2,854)	4,123
Total dividend amount	168,574		325,232
Dividend payout ratio (%)	46.77 <sup>3</sup>		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 <sup>4</sup>		2.19

<sup>1</sup> Disposed 2,000,000 shares of Treasury stock for the purpose of contribution to ESOP on February 23, 2005 and April 12, 2005.

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

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

<sup>4</sup> 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)	June 30, 2005		December 31, 2004		December 31, 2003	
	Average balance	Interest rate (%)	Average balance	Interest rate (%)	Average balance	Interest rate (%)
<b>Won currency</b>						
Deposits	115,050,961	2.87	118,017,849	3.29	117,045,837	3.69
Certificate of deposit	4,594,957	3.59	6,108,179	4.06	4,068,327	4.45
Borrowings	2,732,933	2.94	3,053,890	3.43	3,625,926	3.89
Call money	794,561	3.10	1,117,576	3.55	1,315,639	3.93
Other	25,391,198	5.05	23,376,439	5.61	23,311,299	5.91
<b>Subtotal</b>	<b>148,564,610</b>	<b>3.27</b>	<b>151,673,933</b>	<b>3.68</b>	<b>149,367,028</b>	<b>4.06</b>
<b>Foreign currency</b>						
Deposits	1,382,236	1.30	1,777,402	0.61	1,276,952	0.84
Borrowings	2,859,785	1.69	2,796,300	0.94	3,462,883	1.01
Call money	206,693	2.79	145,809	1.43	150,609	1.07
Finance debentures issued	694,390	3.58	824,745	2.28	773,840	2.11
Other	48,871		40,383		26,491	
<b>Subtotal</b>	<b>5,191,795</b>	<b>1.86</b>	<b>5,584,639</b>	<b>1.04</b>	<b>5,690,775</b>	<b>1.12</b>
<b>Other</b>						
Total Shareholders Equity	9,819,232		9,284,477		12,053,112	
Allowances	694,653		459,124		98,422	
Other	12,890,624		12,773,040		9,509,283	
<b>Subtotal</b>	<b>23,404,509</b>		<b>22,516,641</b>		<b>21,660,817</b>	
<b>Total</b>	<b>177,161,094</b>	<b>2.80</b>	<b>179,775,213</b>	<b>3.14</b>	<b>176,718,620</b>	<b>3.47</b>

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

(Unit: in millions of Won)	June 30, 2005		December 31, 2004		December 31, 2003	
	Average balance	Interest rate (%)	Average balance	Interest rate (%)	Average balance	Interest rate (%)
<b>Won currency</b>						
Due from banks	228,147	2.39	184,593	0.83	165,358	1.37
Securities	27,020,409	4.23	23,930,678	5.17	30,069,922	7.26
Loans	121,553,513	6.21	125,504,672	6.64	121,725,298	7.10
Advances for customers	31,063	1.48	71,213	2.01	96,547	5.79
Call loan	1,606,450	3.37	1,661,772	3.78	685,953	3.92
Private placement corporate bonds	1,475,635	7.21	1,322,470	6.58	1,287,623	10.26
Credit card accounts	7,299,631	14.20	9,581,330	10.83	6,698,954	10.44
Other	58,554		172,783		298,858	
Allowance for credit losses (-)	3,193,893		3,844,941		1,823,976	
<b>Subtotal</b>	<b>156,079,509</b>	<b>6.40</b>	<b>158,584,570</b>	<b>6.86</b>	<b>159,204,537</b>	<b>7.41</b>
<b>Foreign currency</b>						
Due from banks	662,623	2.61	632,526	1.34	612,862	1.33
Securities	863,302	5.54	1,208,124	3.88	1,269,538	5.23
Loans	3,010,846	3.33	2,675,293	3.61	2,785,091	3.11
Call loan	155,708	2.89	114,606	1.63	84,803	1.28
Bills bought	2,211,349	2.45	1,904,560	1.88	1,983,368	1.83
Other	2,221		4,812		12,391	
Allowance for credit losses (-)	67,151		94,501		132,105	
<b>Subtotal</b>	<b>6,838,898</b>	<b>3.29</b>	<b>6,445,420</b>	<b>2.97</b>	<b>6,615,948</b>	<b>3.03</b>
<b>Other</b>						
Cash	972,484		965,852		968,815	
Fixed assets held for business	2,566,117		3,084,589		3,210,463	
Other	10,704,086		10,694,782		6,718,857	
<b>Subtotal</b>	<b>14,242,687</b>		<b>14,745,223</b>		<b>10,898,135</b>	
<b>Total</b>	<b>177,161,094</b>	<b>5.76</b>	<b>179,775,213</b>	<b>6.16</b>	<b>176,718,620</b>	<b>6.79</b>

**Table of Contents****2.1.3. Fee Transactions**

(Unit: in millions of Won)

	<u>June 30, 2005</u>	<u>June 30, 2004</u>	<u>December 31, 2004</u>
<b>Fee Revenue</b>			
<b>Won currency</b>			
Guarantees	2,640	2,295	4,957
Commissions received	389,623	372,258	776,852
Credit card	534,339	634,014	1,599,205
NHF	85,739	78,843	160,874
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Foreign currency</b>			
Guarantees	1,853	1,248	2,593
Others	38,115	36,422	75,016
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Subtotal</b>	<b>1,052,309</b>	<b>1,125,080</b>	<b>2,619,497</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Fee Expense</b>			
<b>Won &amp; foreign currency</b>			
Commissions paid in Won	37,829	31,112	78,681
Credit card	102,282	210,912	353,324
Others	10,770	9,601	20,169
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Subtotal</b>	<b>150,881</b>	<b>251,625</b>	<b>452,174</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Fee Income</b>	<b>901,428</b>	<b>873,455</b>	<b>2,167,323</b>
	<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)

	June 30, 2005		December 31, 2004		December 31, 2003	
	Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
<b>Deposits in Won</b>						
Demand deposits	14,404,444	16,016,643	12,994,946	14,338,784	12,192,971	14,110,288
Time & savings deposits	93,260,633	90,706,956	96,637,551	94,723,601	96,668,084	97,616,747
Mutual installment deposits	5,929,539	5,653,125	6,682,928	6,306,923	6,958,043	7,054,753
Mutual installment for housing	5,121,688	4,936,287	5,453,713	5,295,274	5,161,535	5,423,853
Certificates of deposits	4,594,957	5,728,886	6,108,179	4,911,891	4,068,327	6,499,258
<b>Subtotal</b>	<b>123,311,261</b>	<b>123,041,897</b>	<b>127,877,317</b>	<b>125,576,473</b>	<b>125,048,960</b>	<b>130,704,899</b>
<b>Deposits in foreign currency</b>	<b>1,382,236</b>	<b>1,553,583</b>	<b>1,769,828</b>	<b>1,434,061</b>	<b>1,276,952</b>	<b>1,475,374</b>
Trust deposits						
Money trust	7,008,327	6,626,723	7,701,447	7,028,835	13,064,749	10,278,357
Property trust	11,500,321	10,601,391	16,297,382	12,534,329	24,512,746	21,453,761
<b>Subtotal</b>	<b>18,508,648</b>	<b>17,228,114</b>	<b>23,998,829</b>	<b>19,563,164</b>	<b>37,577,495</b>	<b>31,732,118</b>
<b>Total</b>	<b>143,202,145</b>	<b>141,823,594</b>	<b>153,645,974</b>	<b>146,573,698</b>	<b>163,903,407</b>	<b>163,912,390</b>

**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>June 30, 2005</u>	<u>December 31, 2004</u>	<u>December 31, 2003</u>
<b>Deposits</b>	<b>121,275</b>	<b>123,945</b>	<b>119,593</b>
<b>Deposits in Won</b>	<b>120,221</b>	<b>122,585</b>	<b>118,756</b>

**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)

	June 30, 2005	December 31, 2004	December 31, 2003
<b>Deposits</b>	7,673	7,232	7,487
<b>Deposits in Won</b>	7,606	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)

	June 30, 2005		December 31, 2004		December 31, 2003	
	Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
<b>Loans in Won</b>	121,546,312	119,731,431	125,496,237	122,721,898	121,705,493	123,715,244
<b>Loans in foreign currency</b>	4,354,074	5,195,260	4,011,351	3,860,828	4,160,185	4,019,930
<b>Advances to customers</b>	31,063	14,933	73,801	32,120	107,091	89,665
<b>Subtotal</b>	125,931,449	124,941,624	129,581,389	126,614,846	125,972,769	127,824,839
<b>Trust account loans</b>	341,554	323,870	429,054	361,906	531,500	489,788
<b>Total</b>	126,273,003	125,265,494	130,010,443	126,976,752	126,504,269	128,314,627

**2.2.5. Loan Balances as of June 30, 2005 by Maturity**

(Unit: in millions of Won)



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	<u>1 year &amp; Less</u>	<u>More than 1 year~ 3 years</u>	<u>More than 3 years~ 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
<b>Loans in Won</b>	<b>67,357,397</b>	<b>29,397,497</b>	<b>8,153,229</b>	<b>14,823,308</b>	<b>119,731,431</b>
<b>Loans in foreign currencies</b>	<b>4,239,875</b>	<b>532,789</b>	<b>191,162</b>	<b>231,434</b>	<b>5,195,260</b>

**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)

	June 30, 2005	December 31, 2004	December 31, 2003
<b>Loans to enterprise</b>			
Loans for operations	30,329,268	31,678,117	35,351,506
Loans for facility	5,727,731	6,286,747	6,631,703
Loans to households	42,536,279	42,790,337	42,884,305
<b>Loans to public sector &amp; others</b>			
Loans for operations	575,267	673,456	526,227
Loans for facility	36,926	40,383	42,473
Loans on property formation savings	7,675	9,719	62,963
Loans for housing	40,512,600	41,234,086	38,199,290
Inter-bank loans	3,219	6,114	12,815
Others	2,466	2,939	3,962
<b>Total</b>	<b>119,731,431</b>	<b>122,721,898</b>	<b>123,715,244</b>

**2.2.7. Loan to Deposit Ratio**

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

(Units: in millions of Won, %)

	June 30, 2005	December 31, 2004	December 31, 2003
<b>Loans<sup>1</sup> (A)</b>	<b>121,546,312</b>	<b>125,496,237</b>	<b>121,705,493</b>
<b>Deposits<sup>2</sup> (B)</b>	<b>123,311,261</b>	<b>127,877,317</b>	<b>125,048,960</b>
<b>Loan to deposit ratio (A/B)</b>	<b>98.57</b>	<b>98.14</b>	<b>97.33</b>

**2.2.8. Acceptances and Guarantees**

(Unit: in millions of Won)

	June 30,	December 31,	December 31,
	2005	2004	2003
<b>Determined</b>	1,295,600	975,788	800,297
<b>Contingent</b>	1,823,288	1,311,774	1,281,518
<b>Total</b>	3,118,888	2,287,562	2,081,815

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)

	June 30, 2005		December 31, 2004 <sup>1</sup>		December 31, 2003	
	Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
<b>Securities in Won (Banking account)</b>						
Monetary stabilization bonds	10,265,060	9,400,394	7,150,535	10,524,835	4,343,978	5,540,598
Government and public bonds	5,621,524	7,015,224	4,753,135	4,675,093	5,630,422	5,885,595
Debentures	6,528,972	7,191,591	7,013,765	6,152,749	12,315,840	8,936,220
Stocks	1,282,570	1,380,149	1,003,131	1,282,050	1,380,254	877,013
Others	4,797,918	3,952,202	5,332,583	5,583,538	7,687,051	7,299,404
<b>Subtotal</b>	<b>28,496,044</b>	<b>28,939,560</b>	<b>25,253,149</b>	<b>28,218,265</b>	<b>31,357,545</b>	<b>28,538,830</b>
<b>Securities in Won (Trust account)</b>						
Monetary stabilization bonds	1,013,789	978,834	1,222,004	1,152,621	984,380	878,077
Government and public bonds	1,011,025	868,999	922,790	837,080	1,182,165	1,252,419
Debentures	2,035,267	2,094,828	2,363,630	2,312,459	5,876,064	4,080,362
Stocks	517,919	513,192	564,538	510,650	763,277	592,379
Others	2,576,973	2,613,888	2,101,832	2,324,393	3,208,160	2,106,262
<b>Subtotal</b>	<b>7,513,874</b>	<b>7,321,156</b>	<b>7,837,343</b>	<b>7,586,618</b>	<b>12,882,865</b>	<b>9,677,174</b>
<b>Securities in foreign currency (Trust Account)</b>						
	358,901	251,415	662,549	449,415	868,819	767,675
<b>Subtotal</b>	<b>7,513,874</b>	<b>7,321,156</b>	<b>7,837,343</b>	<b>7,586,618</b>	<b>12,882,865</b>	<b>9,677,174</b>
<b>Securities in foreign currency (Banking account)</b>						
Foreign securities	564,942	610,715	894,722	745,352	999,806	1,072,483
Off-shore foreign securities	298,360	272,022	313,402	205,455	269,732	277,663
<b>Subtotal</b>	<b>863,302</b>	<b>882,737</b>	<b>1,208,124</b>	<b>950,807</b>	<b>1,269,538</b>	<b>1,350,146</b>
<b>Total</b>	<b>36,873,220</b>	<b>37,143,453</b>	<b>34,298,616</b>	<b>36,755,690</b>	<b>45,509,948</b>	<b>39,566,150</b>

**2.2.10. Trust Account**

(Unit: in millions of Won)

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	June 30, 2005		December 31, 2004		December 31, 2003	
	Total amount trusted	Trust fees	Total amount trusted	Trust fees	Total amount trusted	Trust fees
<b>Return-guaranteed trust</b>	336	26,921	369	8,365	559	45,682
<b>Performance trust</b>	18,508,312	38,485	23,998,460	93,856	37,576,936	186,851
<b>Total</b>	<b>18,508,648</b>	<b>65,406</b>	<b>23,998,829</b>	<b>102,221</b>	<b>37,577,495</b>	<b>232,533</b>

<sup>1</sup> 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		
	June 30, 2005	December 31, 2004	December 31, 2003
<b>Number of card holders (Person)</b>			
<b>Corporate</b>	169,369	182,109	147,813
<b>Individual</b>	10,824,897	11,362,173	10,990,703
<b>Number of merchants</b>	1,490,674	1,491,730	1,528,872
<b>Sales volume<sup>1</sup></b>	30,094,450	66,348,465	92,535,500
<b>Fee revenue</b>	1,174,198	2,800,901	4,012,017

**2.3. Branch Networks**

As of June 30, 2005, we have 1,079 branches and 45 sub-branches in Korea, the largest number of branches among Korean commercial banks. Approximately 41% 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 purchase 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>June 30, 2005<sup>1</sup></u>	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Risk-adjusted capital (A)	14,651,210	13,334,531	12,499,543
Risk-weighted assets (B)	119,561,616	121,081,735	127,370,180
BIS ratios (A/B)	12.25	11.01	9.81

**2.4.2. Non-Performing Loans<sup>2</sup>**

(Units: in millions of Won unless indicated otherwise)

<u>June 30, 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>
3,058,060	2.27%	3,207,190	2.35%	-149,130	-0.08%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>June 30, 2005</u>	<u>December 31, 2004</u>	<u>December 31, 2003</u>
Loan losses allowance			
Loans in Won	3,218,797	3,181,433	3,946,059
Loans in foreign currencies	4,764	4,662	2,677
<b>Total</b>	<b>3,223,561</b>	<b>3,186,095</b>	<b>3,948,736</b>

<b>Provision for loan losses</b>	<b>896,065</b>	<b>3,068,248</b>	<b>1,431,181</b>
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- <sup>1</sup> 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)

	<u>June 30, 2005<sup>1</sup></u>	<u>December 31, 2004<sup>2</sup></u>	<u>December 31, 2003<sup>3</sup></u>
<b>Beginning balance</b>	<b>3,186,095</b>	<b>3,948,736</b>	<b>2,420,410</b>
<b>Net Write-Off</b>	<b>(858,599)</b>	<b>(3,830,889)</b>	<b>97,145</b>
<b>Write-Off</b>	<b>(944,898)</b>	<b>(5,260,962)</b>	<b>(4,509,979)</b>
<b>Recovery</b>	<b>171,873</b>	<b>286,464</b>	<b>270,422</b>
<b>Other</b>	<b>(85,574)</b>	<b>1,143,609</b>	<b>4,336,702</b>
<b>Provision for loan losses</b>	<b>896,065</b>	<b>3,068,248</b>	<b>1,431,181</b>
<b>Ending balance</b>	<b>3,223,561</b>	<b>3,186,095</b>	<b>3,948,736</b>

<sup>1</sup> Includes present value discounts and allowance for other assets amounting to 22,417 million won and 59,583 million won, respectively as of June 30, 2005

<sup>2</sup> 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

<sup>3</sup> 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	
	June 30, 2005	December 31, 2004 <sup>1</sup>
Cash and due from banks	6,232,879	5,139,604
Securities	28,164,695	27,965,441
Loans	133,750,474	135,769,326
Fixed assets	2,501,472	2,633,218
Other assets	10,313,770	8,296,164
<b>Total assets</b>	<b>180,963,290</b>	<b>179,803,753</b>
Deposits	124,595,480	127,010,534
Borrowings	11,708,560	9,634,296
Debentures	18,589,743	21,874,695
Other liabilities	15,080,263	12,105,686
<b>Total liabilities</b>	<b>169,974,046</b>	<b>170,625,211</b>
Capital stocks	1,681,896	1,681,896
Capital surplus	6,255,029	6,230,738
Retained earnings	2,567,934	1,846,895
Capital adjustments	484,385	(580,987)
<b>Total shareholders equity</b>	<b>10,989,244</b>	<b>9,178,542</b>
<b>Liabilities and Shareholders Equity</b>	<b>180,963,290</b>	<b>179,803,753</b>
Operating revenue	9,085,563	20,532,036
Operating income	1,240,499	1,740,380
Continuing (loss) income before income taxes	1,310,120	629,911
<b>Net (loss) income</b>	<b>889,951</b>	<b>360,454</b>

**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](http://www.kbstar.com).

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<sup>1</sup> 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 half 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)

<b>Year</b>	<b>Service description</b>	<b>Amount of payment</b>
<b>2005</b>	- Refinancing	230
<b>2004</b>	- 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
	- US GAAP conversion for 2003	USD 3,950 thousand
	- Refinancing	275
<b>2003</b>	- 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:

Matters relating to business objectives and performance evaluation;

Matters relating to amendments of the Articles of Incorporation;

Matters relating to budget and accounting including salaries of directors and employees;

Matters relating to major organizational changes such as dissolution, business transfer and merger;

Matters relating to internal control standards; or

Other matters determined by law and the board of directors regulations.

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

The Board Steering Committee;

The Management Strategy Committee;

The Risk Management Committee;

The Audit Committee;

The Compensation Committee; and

The Non Executive Director Nominating Committee.

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

### 5.2. Audit Committee

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

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

For the 6 months period ended June 30, 2005, the aggregate of the remuneration paid to the directors is 1,539 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>
<b>1) Executive Directors (Except auditor &amp; executive director and non-executive directors)</b>	<b>1,067</b>	<b>8,000</b>	<b>357</b>
<b>2) Non Executive Directors (Except members of audit committee)</b>	<b>205</b>		<b>31</b>
<b>3) Members of Audit Committee</b>	<b>267</b>		<b>49</b>
<b>Total</b>	<b>1,539</b>	<b>8,000</b>	<b>104</b>

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<sup>1</sup>**

The following table presents information regarding the selected major ownership of our shares as of June 30, 2005.

(Unit: Shares, %)

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<u>Name</u>	<u>Number of Shares of Common Stock</u>	<u>Percentage of Total Issued Shares</u>
<b>The Bank of New York<sup>2</sup></b>	<b>47,503,730</b>	<b>14.12</b>
<b>ING Bank N.V Amsterdam</b>	<b>13,650,001</b>	<b>4.06</b>

<sup>1</sup> Information based on December 31, 2004

<sup>2</sup> Depositary of ADRs



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**5.6. Affiliated Companies**

***5.6.1. List of Affiliates<sup>1</sup>***

As of June 30, 2005, we have following affiliates.

KB Investment Co., Ltd.

KB Asset Management Co., Ltd.

KB Real Estate Trust Co., Ltd.

KB Credit Information Co., Ltd.

KB Data Systems Corporation

KB Futures Co., Ltd.

KB Life Co., Ltd.

ING Life Korea Ltd.

Kookmin Bank International (London) Ltd.

Kookmin Hong Kong Ltd.

Sorak Financial Holdings

***5.6.2. Operating Results of Affiliates***

(Unit: in millions of Won)

Company name	Closing date	Operating results				
		Total	Total	Total	Net	
		Assets	Liabilities	Equities	Sales	Income
KB Investment <sup>2</sup>	December 31, 2004	87,307	8,523	78,784	21,002	1,709
KB Asset Management <sup>3</sup>	March 31, 2005	69,929	6,372	63,557	31,948	13,881
KB Real Estate Trust <sup>2</sup>	December 31, 2004	201,221	143,150	58,071	51,693	(40,058)
KB Credit Information <sup>2</sup>	December 31, 2004	27,847	6,760	21,087	37,793	2,425
KB Data Systems Corp. <sup>2</sup>	December 31, 2004	22,257	6,426	15,831	40,076	1,579
KB Futures <sup>3</sup>	March 31, 2005	37,358	10,740	26,618	8,638	1,199
ING Life Korea <sup>3</sup>	March 31, 2005	5,624,538	5,174,566	449,972	2,637,377	145,773
KB Life Co.,Ltd. <sup>3</sup>	March 31, 2005	183,793	157,843	25,950	94,267	(4,245)
Kookmin Bank International (London) <sup>4</sup>	December 31, 2004	306,764	254,608	52,156	6,922	972
Kookmin HK Ltd. <sup>4</sup>	December 31, 2004	491,546	424,673	66,873	8,488	3,442
Sorak Financial Holdings <sup>4</sup>	December 31, 2004	302,317	219	302,098	14,885	13,376

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

<sup>2</sup> Operating results based on December 31, 2004

<sup>3</sup> Operating results based on March 31, 2005

<sup>4</sup> Operating results based on June 30, 2005

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

As of June 30, 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.

Name	Date of Birth	Position	Common Stocks Owned
Chung Won Kang	12/19/1950	President & CEO	
Hyung Duk Chang	08/13/1950	Auditor & Executive Director	
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 June 30, 2005, 9 non-executive directors are in office.

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

Name	Date of Birth	Position	Common Stocks Owned
Nobuya Takasugi	09/03/1942	Non-Executive Director	
Dong Soo Chung	09/24/1945	Non-Executive Director	1,550
Hoon Namkoong	06/26/1947	Non-Executive Director	
Suk Yong Cha	06/09/1953	Non-Executive Director	2,210
Doo Hwan Song	05/29/1949	Non-Executive Director	
Ki Hong Kim	01/10/1957	Non-Executive Director	2,320
Chang Kyu Lee	05/20/1951	Non-Executive Director	

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**Dam Cho**  
**Young Soon Cheon**

**08/01/1952**    **Non-Executive Director**  
**02/01/1961**    **Non-Executive Director**

**1,310**

**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 June 30, 2005.

Name	Date of Birth	Position	Common Shares Owned
Dong Won Kim	03/01/1953	Senior Executive Vice President	0
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 June 30, 2005.

(Unit: in millions of Won)

	Number of Employees <sup>1</sup>			Average Tenure of the Full-time Employees	Total Payment for the 1 <sup>st</sup> half of 2005 <sup>2</sup>	Average Monthly Payment per Person
	Full-time	Contractual	Total			
Male	12,906	1,219	14,125	16.43	509,037	6.0
Female	4,255	6,716	10,971	14.04	234,517	3.6
<b>Total</b>	<b>17,161</b>	<b>7,935</b>	<b>25,096</b>	<b>15.85</b>	<b>743,554</b>	<b>4.9</b>

<sup>1</sup> Number of employees are calculated based on an arithmetic mean from January 31, 2005 to June 30, 2005 and local employees in overseas branches are excluded

<sup>2</sup> Only based on personnel expense and welfare cost



**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 Affiliates<sup>1</sup>**

(Unit: in millions of Won)

Name	Relation with the Bank	Account	Beginning Balance (January 1, 2005)	Increase	Decrease	Ending Balance (June 30, 2005)
KB Real Estate Trust	Affiliate	Equity Securities of Affiliate	79,999			79,999
KB Investment	Affiliate	Equity Securities of Affiliate	44,708	48		44,756
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	2		8,000
KB Credit Information	Affiliate	Equity Securities of Affiliate	5,868			5,868
KB Life <sup>2</sup>	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
<b>Total</b>			<b>294,295</b>	<b>50</b>	<b>16,773</b>	<b>277,572</b>

<sup>1</sup> Excluding Joeun Industry and Jangeun Securities which have been under liquidation procedures

<sup>2</sup> 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 (June 30, 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	213	43
Samsung Electro-Mechanics	Related party of				
	Non executive director,				
	Hoon Namkoong	Loans for working capital	0	50,000	50,000
Hyun Duk Shin	Related party of				
	Executive director and Senior executive Vice President,				
	Kap Shin	Household loans	50	50	0
Young Sin Yoon	Related party of				
	Executive director and Senior executive Vice President,				
	Kap Shin	Household loans	2	1	(1)
Chan Jung Lee	Related party of				
	Non executive director, Dong Soo Chung	Household loans	93	0	(93)
Yong Jin Kim	Related Party of Auditor & Executive Director,				
	Hyung Duk Chang	Household loans	0	140	140
Seo Young Chung	Related Party of	Household loans	0	1	1

Non-executive  
director,

Dong Soo Chung

	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total</b>	<b>333</b>	<b>50,423</b>	<b>50,090</b>
	<b>_____</b>	<b>_____</b>	<b>_____</b>

**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	
<b>DSME Co.</b>	<b>Related party of</b>					
	<b>Non executive director, Dong Soo Chung</b>	<b>Equity securities</b>	<b>3,682</b>	<b>6,762</b>	<b>10,444</b>	<b>768</b>
<b>Samsung Electro-Mechanics</b>	<b>Related party of</b>					
	<b>Non executive director,</b>					
	<b>Hoon Namkoong</b>	<b>Equity securities</b>	<b>885</b>	<b>885</b>	<b>1,770</b>	<b>33</b>
<b>Total</b>			<b>4,567</b>	<b>7,647</b>	<b>12,214</b>	<b>801</b>

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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: August 16, 2005

By: /s/ Kap Shin

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(Signature)

Name: Kap Shin

Title: Executive Director / Senior Executive Vice President &  
Chief Financial Officer

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**Exhibit 99.1**

KOOKMIN BANK

NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 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 Shareholders and Board of Directors of

Kookmin Bank:

We have reviewed the accompanying non-consolidated balance sheet of the Bank accounts of Kookmin Bank (the "Bank") as of June 30, 2005 and the related non-consolidated statements of income and cash flows for the six months ended June 30, 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 six months ended June 30, 2004, which are presented for comparative purposes, were reviewed by other accountants, whose report dated July 15, 2004 stated that nothing came to their attention that caused them to believe that these financial statements were not presented fairly, in all material respects, in accordance with financial accounting standards in the Republic of Korea.

We conducted our review in accordance with standards for review of interim financial statements in 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, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit 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 and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended (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 reflecting the changes in accounting principles, and the accompanying balance sheet as of December 31, 2004, which is comparatively presented, was restated to reflect the changes in accounting principles.

Without affecting our conclusion, we draw attention to the following:

As explained in Note 2 to non-consolidated 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 and for the year ended 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 managing, 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, total liabilities and capital adjustments by (Won)76,568 million, (Won)2,668 million and (Won)268,696 million, respectively, and decreased retained earnings before appropriations by (Won)194,796 million. In addition, total assets,

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total liabilities and capital adjustments as of June 30, 2005 decreased by (Won)24,056 million, (Won)24,056 million and (Won)48,164 million, respectively, and net income for the six months then ended increased by (Won)48,164 million due to the above 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

July 29, 2005



Notice to Readers

This report is effective as of July 29, 2005, the accountants' review report date. Certain subsequent events or circumstances may have occurred between the accountants' review report date and the time the accountants' review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the accountants' review report.

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## KOOKMIN BANK

## NON-CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2005 AND DECEMBER 31, 2004

	Korean Won	
	2005	(Restated) 2004
(In millions)		
<b>ASSETS</b>		
Cash and due from banks (Notes 3, 20 and 21)	(Won) 6,232,879	(Won) 5,139,604
Securities (Notes 4, 20 and 21)	28,164,695	27,965,441
Loans (Notes 5, 6, 7, 20 and 21)	133,750,474	135,769,326
Fixed assets (Note 8)	2,501,472	2,633,218
Other assets (Note 9)	10,313,770	8,296,164
	<u>(Won) 180,963,290</u>	<u>(Won) 179,803,753</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Deposits (Notes 10, 20 and 21)	(Won) 124,595,480	(Won) 127,010,534
Borrowings (Notes 11, 20 and 21)	11,708,560	9,634,296
Debentures (Notes 12, 20 and 21)	18,589,743	21,874,695
Other liabilities (Notes 13, 14, 15 and 16)	15,080,263	12,105,686
	<u>169,974,046</u>	<u>170,625,211</u>
<b>SHAREHOLDERS' EQUITY (Notes 17 and 18):</b>		
Common stock	1,681,896	1,681,896
Capital surplus	6,255,029	6,230,738
Retained earnings before appropriations (Net income of (Won)889,951 million for the six months ended June 30, 2005 and (Won)360,454 million for the year ended December 31, 2004)	2,567,934	1,846,895
Capital adjustments	484,385	(580,987)
	<u>10,989,244</u>	<u>9,178,542</u>
	<u>(Won) 180,963,290</u>	<u>(Won) 179,803,753</u>

See accompanying notes to non-consolidated financial statements.

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## KOOKMIN BANK

## NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004

	Korean Won	
	2005	(Restated) 2004
	(In millions except per share amounts)	
<b>OPERATING REVENUE:</b>		
Interest income:		
Interest on due from banks (Note 21)	(Won) 11,363	(Won) 4,138
Interest on securities (Note 21)	495,915	528,510
Interest on loans (Note 21)	4,542,051	5,273,398
Other interest income	40,981	50,698
	<u>5,090,310</u>	<u>5,856,744</u>
Commission income	1,052,318	1,125,132
Other operating income:		
Gain on disposal of trading securities	39,854	96,699
Gain on valuation of trading securities (Note 4)	2,167	33,134
Dividends on trading securities	4,770	2,965
Dividends on available-for-sale securities	3,236	7,614
Foreign exchange trading income	124,588	121,769
Fees and commissions from trust accounts (Note 26)	73,891	58,974
Gain on financial derivatives trading	1,720,345	1,459,391
Gain on valuation of financial derivatives (Note 19)	894,154	677,777
Gain on valuation of fair value hedged items (Note 19)	19,604	12,263
Other operating income	60,326	43,477
	<u>2,942,935</u>	<u>2,514,063</u>
Total operating revenues	<u>9,085,563</u>	<u>9,495,939</u>
<b>OPERATING EXPENSES:</b>		
Interest expenses:		
Interest on deposits (Note 21)	1,633,482	2,018,923
Interest on borrowings (Note 21)	157,534	179,322
Interest on debentures (Note 21)	559,368	530,500
Other interest expenses	15,806	38,280
	<u>2,366,190</u>	<u>2,767,025</u>

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Commission expense	150,881	251,625
<b>Other operating expenses:</b>		
Loss on disposal of trading securities	42,529	48,605
Provision for possible loan losses (Note 7)	896,065	1,608,382
Provision for acceptance and guarantee losses (Note 14)	1,424	219
Foreign exchange trading losses	134,131	79,894
Loss on financial derivatives trading	1,518,833	1,418,054
Loss on valuation of financial derivatives (Note 19)	1,002,760	700,201
Other operating expenses	265,377	505,689
	<u>3,861,119</u>	<u>4,361,044</u>
General and administrative expenses (Note 22)	1,466,874	1,316,370
<b>Total operating expenses</b>	<u>7,845,064</u>	<u>8,696,064</u>

(Continued)

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## KOOKMIN BANK

## NON-CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004

	Korean Won	
	2005	(Restated) 2004
	(In millions except per share amounts)	
OPERATING INCOME	(Won) 1,240,499	(Won) 799,875
NON-OPERATING INCOME (Note 23)	407,515	248,420
NON-OPERATING EXPENSES (Note 23)	337,894	692,983
ORDINARY INCOME	1,310,120	355,312
EXTRAORDINARY ITEM		
INCOME BEFORE INCOME TAX	1,310,120	355,312
INCOME TAX EXPENSE (Note 24)	420,169	114,489
NET INCOME	(Won) 889,951	(Won) 240,823
ORDINARY INCOME PER SHARE (In currency units) (Note 25)	(Won) 2,878	(Won) 786
NET INCOME PER SHARE (In currency units) (Note 25)	(Won) 2,878	(Won) 786
DILUTED ORDINARY INCOME PER SHARE (In currency units) (Note 25)	(Won) 2,877	(Won) 786
DILUTED NET INCOME PER SHARE (In currency units) (Note 25)	(Won) 2,877	(Won) 786

See accompanying notes to non-consolidated financial statements.

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## KOOKMIN BANK

## NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004

	Korean Won	
	(Restated)	
	2005	2004
	(In millions)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	(Won) 889,951	(Won) 240,823
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of trading securities	42,529	48,605
Provision for possible loan losses	896,065	1,608,382
Loss on financial derivatives trading	1,518,833	1,418,054
Loss on valuation of financial derivatives	1,002,760	700,201
Loss on valuation of securities accounted for using the equity method	8,916	4,407
Provision for severance benefits	66,806	55,163
Depreciation and amortization	156,635	201,979
Loss on disposal of available-for-sale securities	9,666	9,893
Loss on impairment of available-for-sale securities	6,085	59,759
Loss on disposal of tangible assets	1,827	1,537
Loss on sale of loans	1,417	511,267
Gain on disposal of trading securities	(39,854)	(96,699)
Gain on valuation of trading securities	(2,167)	(33,134)
Gain on financial derivatives trading	(1,720,345)	(1,459,391)
Gain on valuation of financial derivatives	(894,154)	(677,777)
Gain on valuation of fair value hedged items	(19,604)	(12,263)
Gain on valuation of securities accounted for using the equity method	(53,152)	(20,886)
Gain on disposal of available-for-sale securities	(168,122)	(100,192)
Gain on disposal of tangible assets	(8,644)	(1,688)
Gain on sale of loans	(71,593)	(23,769)
Others, net	162,095	205,893
	<u>895,999</u>	<u>2,399,341</u>

(Continued)

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## KOOKMIN BANK

## NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004

	Korean Won	
	(Restated)	
	2005	2004
	(In millions)	
Changes in assets and liabilities resulting from operations:		
Net increase in other receivables	(Won) (3,300,153)	(Won) (3,453,043)
Net decrease (increase) in accrued income	(27,840)	53,106
Net decrease in prepaid expenses	99,090	162,773
Net decrease (increase) in deferred income tax assets	(105,779)	37,291
Net increase in other payables	2,809,638	3,610,823
Net increase (decrease) in accrued expenses	220,874	(96,165)
Net increase in advances from customers	110,429	272,337
Payment of severance benefits	(54,210)	(30,174)
Decrease in severance insurance deposits	28,297	14,448
Others, net	144,724	29,431
	(74,930)	600,827
Net cash provided by operating activities	1,711,020	3,240,991
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase in restricted due from banks	(1,042,562)	(1,621,484)
Net decrease in trading securities	988,642	246,950
Net decrease in available-for-sale securities	3,052,671	2,036,918
Net decrease (increase) in held-to-maturity securities	(4,156,494)	385,906
Net decrease in securities accounted for using the equity method	31,297	2,932
Net decrease (increase) in loans	1,187,221	(1,020,915)
Disposal of fixed assets	21,461	4,095
Purchase of fixed assets	(39,570)	(87,315)
Net decrease in other assets	487,045	320,372
Net cash provided by investing activities	529,711	267,459
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in deposits	(2,415,054)	(2,261,326)
Net increase (decrease) in debentures	(3,344,508)	475,716
Net increase (decrease) in borrowings	2,074,264	473,073
Net increase (decrease) in other liabilities	1,492,686	(2,523,847)
Net cash used in financing activities	(2,192,612)	(3,836,384)

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NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	48,119	(327,934)
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) 3,367,468	(Won) 3,443,823

See accompanying notes to non-consolidated financial statements.



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KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2005 AND 2004

1. GENERAL:

Kookmin Bank ( the Bank ) was established in 1963 under the Citizens National Bank Act to provide and administer funds for financing to 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 on June 29, 1998. Also, the Bank completed the legal consolidation with Housing and Commercial Bank ( H&CB ) on 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 June 30, 2005, the Bank's paid-in capital amounts to (Won)1,681,896 million and its 49,034,558 shares are listed on the New York Stock Exchange as American Depositary Shares ( ADS ).

The Bank is engaged in the banking and trust businesses according to the provisions of the General Banking Act and the Trust Business Act, and operates through 1,103 domestic branches and offices (with 195 automated teller machines) and three overseas branches (excluding 2 subsidiaries and 1 office) as of June 30, 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Non-consolidated Financial Statement Presentation

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

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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 June 30, 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 above criteria amounted to (Won)7,767,375 million and (Won)8,600,175 million, respectively, and the related accrued interest income not recognized amounted to (Won)615,876 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 are 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 their 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 adjustments of securities are 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 statements if the fair value of the securities is not reliably determinable.

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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.

### (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 accounted for 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 operations under non-operating income 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 adjustments 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 as 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

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When held-to-maturity securities are reclassified to available-for-sale securities, those securities are accounted for at fair value on 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 adjustments and be amortized using the effective interest rate method and the amortized amount is charged to interest income or expense until maturity. The difference between the fair value at 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 is 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 is 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.

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**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.

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). However, credits to small companies and to households 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, 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 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 an allowance for possible loan losses of 1 percent for normal and 10 percent for precautionary, instead of providing 0.75 percent for normal and 8 percent for precautionary.

The Bank partially changed the accounting estimation in providing allowance for household loans in accordance with the Supervisory Regulation during the current year. 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. Additionally, the Bank newly applied the economic recovery value method in estimating the expected recovery value of the collateral assets pledged as secured loans. The change in accounting estimate above is to reflect economic substantiality based on historical experience, and the effect of changes 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.

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

<u>Lending portfolios</u>	<u>Methodology</u>	<u>Period of historical loss rate</u>	<u>Period of recovery ratio</u>
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

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

The Bank also provides an allowance for possible losses on confirmed acceptances and guarantees. The confirmed acceptances and guarantees are classified in accordance with the same loan classification criteria as of the balance sheet date, and an allowance is then estimated by applying 20 to 49.9 percent for substandard, 50 to 99.9 percent for doubtful and 100 percent for loss, and is recorded in other liabilities. No allowance is provided for the confirmed acceptances and guarantees classified as normal and precautionary.

In addition, as required by the Financial Supervisory Service, the Bank provides an additional 1 percent of other allowance for certain portions of the unused cash advance facility (75 percent of the facility less used balance) of active credit card accounts with 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 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 method (Straight-line method for building and structures) based on the estimated useful lives of the assets as follows:

<b>Tangible assets</b>	<b>Depreciation method</b>	<b>Estimated useful life</b>
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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**Table of Contents****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 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 determined had no impairment loss been recognized. The Bank assessed the recoverable value based on expected selling price or appraisal value.

**Amortization of Discounts (Premiums) on Debentures**

Discounts or premiums on debentures issued are amortized over the period from issuance to maturity using the effective interest rate method. Amortization of discounts or premiums 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.

Contingent Liabilities

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank is recognized as contingent liabilities as it is probable that an outflow of resources embodying economic benefits required and the amount of the obligation can be measured with sufficient reliability. Where the effect of the time value of money is material, the amount of the liabilities is the present value of the expenditures expected to be required to settle the obligation. In addition, as some or all of the expenditures required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as separate assets the in balance sheet and related income may be offset against the expense in the income statement.

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### Accrued Severance Benefits

Employees and directors and temporary employees with at least one year of service as of June 30, 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.

### 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

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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 separately maintains the books of accounts and financial statements in connection with the trust operations (the trust accounts) 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 fees for operation and management of the trust business and accounts for them as fees and commissions from trust accounts.

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,

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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.

## 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. Deferred income tax assets or liabilities are calculated based on the expected tax rate which is applied to the reverse period of the related assets or liabilities. Tax payable and deferred income tax assets or liabilities regarding to certain items are charged or credited directly to related components of shareholders' equity.

## 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 June 30, 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 (Investment in Associates), No. 16 (Income Taxes) and No. 17 (Provisions, Contingent Liabilities and Contingent Assets), 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 and for the year ended 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 managing, 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, total liabilities and

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capital adjustments by (Won)76,568 million, (Won)2,668 million and (Won)268,696 million, respectively, and decreased retained earnings before appropriations by (Won)194,796 million. In addition, total assets, total liabilities and capital adjustments as of June 30, 2005 decreased by (Won)24,056 million, (Won)24,056 million and (Won)48,164 million, respectively, and net income for the six months then ended increased by (Won)48,164 million due to the accounting change.

The Bank reclassified certain interest income from credit card account into commission income. With respect to this change, commission income increased and interest income decreased by (Won) 15,972 million for the six months ended June 30, 2005, compared to those accounted for using the previous classification. The financial statements for the six months ended June 30, 2004, which are presented for comparative purposes, were restated



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to reflect the above change, which increased commission income and decreased interest income by (Won)12,662 million. Such restatement has no effect on the net assets and net income as of and for the six months ended June 30, 2004.

The Bank has changed its accounting on the gains or losses from the sale of loans. Previously, with respect to the sale of loans that were completely written-off, the proceeds from the sale were deducted directly from the allowance of the loans sold and the gains from the sale were not recognized in the income statement. However with regard to the sale of loans that were not completely written-off, the gains or losses were calculated based on the book value at the date of sale and the gains or losses were recognized in the income statement. Currently, under the newly changed accounting method, the gains or losses from the sale of loans regardless of write-offs are calculated based the prior year balance of book value and the gains or losses are consistently recognized in the income statement. In connection with the change, losses on sale of loans increased by (Won)1,363 million and gains on sale of loans and allowance for loan losses decreased by (Won)24,128 million and (Won)25,491 million, respectively, for the six months ended June 30, 2005. The financial statements as of and for the six months ended June 30, 2004, which are presented for comparative purposes, were restated to reflect the above accounting change, which increased losses on sale of loans by (Won)511,112 million, and decreased gains on sale of loans allowance for loan losses by (Won)43,041 million and (Won)554,153 million, respectively. Such restatement has no effect on the net assets and net income as of and for the six months ended June 30, 2004.

**Reclassification**

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.

**3. CASH AND DUE FROM BANKS:**

(1) Cash and due from banks in local currency and foreign currencies as of June 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Cash and checks	(Won) 2,488,696	(Won) 2,380,578
Foreign currencies	160,725	124,735
Due from banks in local currency	2,929,351	2,030,595
Due from banks in foreign currencies	655,264	607,447
Present value discount	(1,157)	(3,751)
	<u>(Won) 6,232,879</u>	<u>(Won) 5,139,604</u>

Due from banks as of June 30, 2005 and December 31, 2004 included (Unit: In millions):

<u>Financial institution</u>	<u>Interest (%)</u>	<u>2005</u>	<u>2004</u>
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Due from banks in local currency			
BOK		(Won) 2,762,547	(Won) 1,685,105
Woori Bank and others	2.20~3.61	107,108	254,537
Hansol Mutual Savings	1.00	45,000	90,000
Samsung Futures and others	2.00	14,696	953
		<u>2,929,351</u>	<u>2,030,595</u>
Due from banks in foreign currencies			
BOK		39,838	43,631
Korea Exchange Bank and others		100,665	74,274
Woori Bank and others	3.47~4.01	514,761	489,542
		<u>655,264</u>	<u>607,447</u>
		<u>(Won) 3,584,615</u>	<u>(Won) 2,638,042</u>

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(2) Restricted due from banks in local currency and foreign currencies as of June 30, 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) 2,762,547	(Won) 1,685,105	BOK Act
Hansol Mutual Savings	45,000	90,000	Withdrawal at maturity
Woori Bank and others	4,029	4,029	Escrow account
Samsung Futures and others	14,696	953	Futures margin accounts/others
Due from banks in foreign currencies			
BOK	39,838	43,631	BOK Act
J.P.Morgan Chase & Co.	458	288	Futures margin accounts
	<u>(Won) 2,866,568</u>	<u>(Won) 1,824,006</u>	

(3) Due from banks by financial institution as of June 30, 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) 2,762,547	(Won) 1,685,105
Banks	107,108	254,537
Others	59,696	90,953
	<u>2,929,351</u>	<u>2,030,595</u>
Due from banks in foreign currencies		
BOK	39,838	43,631
Banks	567,916	558,771
Others	47,510	5,045
	<u>655,264</u>	<u>607,447</u>
	<u>(Won) 3,584,615</u>	<u>(Won) 2,638,042</u>

(4) Term structure of due from banks as of June 30, 2005 were as follows (Unit: In millions):

	<u>Less than 3 months</u>	<u>Less than 6 months</u>	<u>Less than 1 year</u>	<u>Less than 3 years</u>	<u>More than 3 years</u>	<u>Total</u>
Due from banks in local currency	(Won) 2,902,822	(Won) 22,500	(Won)	(Won) 4,029	(Won)	(Won) 2,929,351
Due from banks in foreign currencies	564,093	91,171				655,264

4. SECURITIES:

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(1) Securities as of June 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<b>2005</b>	<b>2004</b>
	<u>                    </u>	<u>                    </u>
Trading securities	(Won) 2,646,360	(Won) 3,635,510
Available-for-sale securities	14,552,838	17,555,764
Held-to-maturity securities	10,386,702	6,229,435
Securities accounted for using the equity method	578,795	544,732
	<u>                    </u>	<u>                    </u>
	<b>(Won) 28,164,695</b>	<b>(Won) 27,965,441</b>
	<u>                    </u>	<u>                    </u>

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(2) The valuation of securities excluding securities accounted for using the equity method as of June 30, 2005 consisted of (Unit: In millions):

<b>Classification</b>	<b>Face value</b>	<b>Acquisition cost (*)</b>	<b>Adjusted by effective interest rate method</b>	<b>Fair value (Net asset value)</b>	<b>Book value</b>
<b>Trading securities</b>					
Equity securities	(Won)	(Won) 128,520	(Won)	(Won) 139,857	(Won) 139,857
Beneficiary certificates	7,546	7,675		7,679	7,679
Government and public bonds	870,000	732,495	873,100	869,372	869,372
Finance bonds	1,500,000	989,628	1,500,281	1,494,540	1,494,540
Corporate bonds	130,000	129,407	129,610	129,912	129,912
Asset-backed securities	5,000	5,000	5,007	5,000	5,000
	<u>(Won) 2,512,546</u>	<u>(Won) 1,992,725</u>	<u>(Won) 2,507,998</u>	<u>(Won) 2,646,360</u>	<u>(Won) 2,646,360</u>
<b>Available-for-sale</b>					
Equity securities	(Won)	(Won) 834,004	(Won)	(Won) 950,316	(Won) 899,402
Equity investments		513		5,377	3,748
Beneficiary certificates	3,877,385	3,738,046		3,904,582	3,904,582
Government and public bonds	1,659,670	1,668,207	1,665,326	1,662,306	1,662,306
Finance bonds	6,126,022	6,048,517	6,047,504	6,035,811	6,035,811
Foreign government bonds	19,261	20,448	26,047	19,729	19,729
Corporate bonds	1,476,348	1,426,924	1,377,809	1,404,841	1,404,841
Asset-backed securities	720,800	720,903	603,491	603,110	603,110
Other debt securities	20,037	19,306	19,305	19,309	19,309
	<u>(Won) 13,899,523</u>	<u>(Won) 14,476,868</u>	<u>(Won) 9,739,482</u>	<u>(Won) 14,605,381</u>	<u>(Won) 14,552,838</u>
<b>Held-to-maturity</b>					
Government and public bonds	(Won) 4,495,778	(Won) 4,478,504	(Won) 4,483,546	(Won) 4,516,105	(Won) 4,483,546
Finance bonds	3,543,564	3,506,341	3,507,432	3,491,810	3,507,432
Corporate bonds	2,071,405	2,066,660	2,075,808	2,106,073	2,075,808
Asset-backed securities	320,000	319,906	319,916	325,121	319,916
	<u>(Won) 10,430,747</u>	<u>(Won) 10,371,411</u>	<u>(Won) 10,386,702</u>	<u>(Won) 10,439,109</u>	<u>(Won) 10,386,702</u>

(\*) 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):

<b>Classification</b>	<b>Face value</b>	<b>Acquisition cost (*)</b>	<b>Adjusted by effective interest rate method</b>	<b>Fair value (Net asset value)</b>	<b>Book value</b>
<b>Trading securities</b>					
Equity securities	(Won)	(Won) 176,191	(Won)	(Won) 184,545	(Won) 184,545

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Beneficiary certificates	10,663	10,883		10,884	10,884
Government and public bonds	740,000	752,941	751,894	756,658	756,658
Finance bonds	2,380,000	2,368,468	2,356,576	2,370,577	2,370,577
Corporate bonds	170,000	169,470	169,731	169,242	169,242

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Classification	Acquisition		Adjusted by effective interest rate method	Fair value	
	Face value	cost (*)		(Net asset value)	Book value
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
<b>Available-for-sale</b>					
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
Finance bonds	6,186,665	6,121,244	6,112,439	6,144,095	6,144,095
Foreign government bonds	30,736	33,381	31,424	32,638	32,638
Corporate bonds	3,634,994	3,550,118	3,507,631	3,538,819	3,538,819
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
<b>Held-to-maturity</b>					
Government and public bonds	(Won) 3,071,424	(Won) 3,090,636	(Won) 3,080,549	(Won) 3,214,041	(Won) 3,080,549
Finance bonds	1,226,073	1,213,768	1,215,034	1,219,712	1,215,034
Corporate bonds	1,734,727	1,733,922	1,734,696	1,808,349	1,734,696
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) 2,167 million and (Won) 33,134 million for the six months ended June 30, 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.

(3) Available-for-sale securities, which were not valued at fair value as of June 30, 2005, were as follows (Unit: In millions, shares in thousands) :

Company	No. of shares	Percentage of ownership		Net asset value	Book value
		(%)			

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Bad Bank Harmony (preferred stock)	13	0.46	(Won) 37,441	(Won) 12,279
Korea Asset Management Corp.	1,506	5.38	11,221	7,827
Samsung Life Insurance Co., Ltd.	23	0.11	9,294	7,479
Korea Highway Corp.	573	0.03	5,897	6,248
Kyobo Investment Trust Management Co., Ltd.	420	7.00	3,324	2,100
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
Baring Communications Equity	4,417	6.37	2,858	1,198
Mercury	1,632	12.13	2,392	1,088

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Company	No. of shares	Percentage of ownership (%)	Net asset value	Book value
Tianjin Samsung Opto Electronics	1,000	10.00	1,296	1,001
Others			45,915	28,970
			(Won) 125,152	(Won) 72,609

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):

Company	No. of shares	Percentage of ownership (%)	Net asset value	Book value
Arirang 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 Corp.	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
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			86,162	31,130
			(Won) 209,022	(Won) 120,986

Impairment loss on available-for-sale securities for the six months period ended June 30, 2005 and 2004 is shown below and there was no reversal of impairment loss on available-for-sale for the same periods (Unit: In millions).

	2005	2004
Equity securities	(Won) 5,564	(Won) 22,230
Equity investments	1	2
Corporate bonds	520	2,077
Asset-backed securities		35,450
	(Won) 6,085	(Won) 59,759

(4) Structured notes relating to stock, interest rate and credit linked notes ( CLN ) as of June 30, 2005 were as follows (Unit: In millions):

	<b>Local currency</b>	<b>Foreign currencies</b>	<b>Total</b>
Structured notes relating to stock			
Convertible bonds	(Won)	(Won) 4,695	(Won) 4,695
Structured notes relating to interest rate			
Long-term government bond floating rates notes ( FRN )	696,445		696,445
Dual indexed FRN	20,037		20,037
Inverse FRN	21,548		21,548
Others	50,476		50,476
	<u>788,506</u>		<u>788,506</u>
CLN		41,270	41,270
	<u>(Won) 788,506</u>	<u>(Won) 45,965</u>	<u>(Won) 834,471</u>

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

	Local currency	Foreign currencies	Total
<b>Structured notes relating to stock</b>			
Convertible bonds	(Won)	(Won) 15,321	(Won) 15,321
Exchangeable bonds	137,871	15,654	153,525
Bonds with stock purchase warrants		762	762
Equity linked securities	49,721		49,721
	<u>187,592</u>	<u>31,737</u>	<u>219,329</u>
<b>Structured notes relating to interest rate</b>			
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>

- (5) Assets of private beneficiary certificates included in beneficiary certificates of available-for-sale securities as of June 30, 2005 and December 31, 2004 were composed of (Unit: In millions):

	2005	2004
Securities	(Won) 5,012	(Won) 6,062
Government and public bonds	555,159	1,384,645
Finance bonds	2,448,159	2,464,128
Corporate bonds in local currency	388,256	794,397
Asset-backed debt securities	46,533	87,428
Call loans	347,891	264,997
Others	117,668	276,936
	<u>3,908,678</u>	<u>5,278,593</u>
Assets		
Liabilities	5,787	16,884
	<u>(Won) 3,902,891</u>	<u>(Won) 5,261,709</u>

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- (6) The portfolio of securities excluding securities accounted for using the equity method, by industry, as of June 30, 2005 and December 31, 2004 was as follows (Unit: In millions):

By industry	2005		2004	
	Percentage		Percentage	
	Amount	(%)	Amount	(%)
<b>Trading securities</b>				
Government and government-invested public companies	(Won) 1,009,236	38.14	(Won) 916,323	25.20
Financial institutions	1,507,613	56.97	2,556,558	70.32
Others	129,511	4.89	162,629	4.48
	(Won) 2,646,360	100.00	(Won) 3,635,510	100.00
<b>Available-for-sale securities</b>				
Government and government-invested public companies	(Won) 2,436,112	16.74	(Won) 1,732,924	9.87
Financial institutions	11,113,250	76.36	14,969,783	85.27
Others	1,003,476	6.9	853,057	4.86
	(Won) 14,552,838	100.00	(Won) 17,555,764	100.00
<b>Held-to-maturity securities</b>				
Government and government-invested public companies	(Won) 6,509,810	62.67	(Won) 4,748,398	76.23
Financial institutions	3,827,347	36.85	1,426,591	22.90
Others	49,545	0.48	54,446	0.87
	(Won) 10,386,702	100.00	(Won) 6,229,435	100.00

- (7) The portfolio of securities excluding securities accounted for using the equity method, by security type, as of June 30, 2005 and December 31, 2004 was as follows (Unit: In millions):

By type	2005		2004	
	Percentage		Percentage	
	Amount	(%)	Amount	(%)
<b>Trading securities</b>				
Stocks	(Won) 139,857	5.28	(Won) 184,545	5.08
Fixed rate bonds	2,378,706	89.89	3,260,607	89.69
Floating rate bonds	120,118	4.54	179,474	4.94
Beneficiary certificates	7,679	0.29	10,884	0.29
	(Won) 2,646,360	100.00	(Won) 3,635,510	100.00
<b>Available-for-sale securities</b>				
Stocks	(Won) 899,402	6.18	(Won) 799,737	4.56

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Fixed rate bonds	8,184,026	56.24	9,554,010	54.42
Floating rate bonds	934,664	6.42	901,040	5.13
Subordinated bonds	621,685	4.27	851,947	4.85
Convertible bonds	4,695	0.03	30,976	0.18
Beneficiary certificates	3,904,582	26.83	5,414,250	30.84
Others	3,784	0.03	3,804	0.02
	<u>(Won) 14,552,838</u>	<u>100.00</u>	<u>(Won) 17,555,764</u>	<u>100.00</u>
<b>Held-to-maturity securities</b>				
Fixed rate bonds	(Won) 10,143,893	97.66	(Won) 5,869,731	94.23
Floating rate bonds	112,809	1.09	229,704	3.69
Subordinated bonds	130,000	1.25	130,000	2.08
	<u>(Won) 10,386,702</u>	<u>100.00</u>	<u>(Won) 6,229,435</u>	<u>100.00</u>

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- (8) The portfolio of securities excluding securities accounted for using the equity method, by country, as of June 30, 2005 and December 31, 2004 was as follows (Unit: In millions):

	2005		2004	
	Amount	Percentage	Amount	Percentage
		(%)		(%)
<b>Trading securities</b>				
Korea	(Won) 2,646,360	100.00	(Won) 3,635,510	100.00
<b>Available-for-sale securities</b>				
Korea	(Won) 14,412,604	99.04	(Won) 17,421,092	99.23
USA	51,696	0.36	50,284	0.29
Philippines	24,464	0.17	25,703	0.15
Russia	20,633	0.14		
Indonesia	10,251	0.07	13,516	0.08
The Republic of South Africa	6,489	0.04	6,742	0.04
Others	26,701	0.18	38,427	0.21
	(Won) 14,552,838	100.00	(Won) 17,555,764	100.00
<b>Held-to-maturity securities</b>				
Korea	(Won) 10,386,702	100.00	(Won) 6,229,435	100.00

- (9) Term structure of securities (except for stocks and equity investments) in available-for-sale and held-to-maturity securities as of June 30, 2005 was as follows (Unit: In millions):

	Less than 1	Less than 5	Less than 10	More than	Total
	year	years	years	10 years	
<b>Available-for-sale securities</b>					
Fair value	(Won) 7,403,674	(Won) 6,098,458	(Won) 147,159	(Won) 397	(Won) 13,649,688
<b>Held-to-maturity securities</b>					
Book value	2,602,501	6,588,815	1,195,386		10,386,702
Fair value	2,618,153	6,620,443	1,200,513		10,439,109

- (10) Stocks and equity investments accounted for using the equity method as of June 30, 2005 are summarized as follows (Unit: In millions):

	No. of	Ownership	Acquisition	Net asset	Book value
	shares	(%)	cost	value	
<b>Domestic stocks</b>					
KB Investment Co., Ltd. (*1)	8,951,293	99.99	(Won) 155,384	(Won) 81,566	(Won) 81,566
KB Futures Co., Ltd. (*1)	3,999,200	99.98	19,996	26,379	26,379

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KB Data System Co., Ltd. (*1)	799,960	99.99	8,001	15,659	12,328
KB Real Estate Trust	15,999,930	99.99	76,103	70,878	70,961
KB Asset Management (*1)	6,134,040	80.00	39,015	47,918	47,918
KB Credit Information	1,173,640	93.71	12,553	22,305	21,385
KB Life Insurance Co., Ltd. (*2)	3,060,000	51.00	15,426	13,859	
KLB Securities Co., Ltd. (*3)	4,854,713	36.41	10,316		
Joeeun Industrial Co., Ltd. (*3)	1,999,910	99.99	23,994		
ING Life Insurance Korea	1,400,000	20.00	21,769	100,301	100,301
			382,557	378,865	360,838
<b>Foreign stocks</b>					
Kookmin Bank Singapore Ltd. (*3)	30,000,000	100.00	20,535		1,779
Kookmin Finance Asia Ltd. (HK) (*3)	700,000	100.00	8,070		249
Kookmin Bank Int l Ltd.(London)	20,000,000	100.00	40,104	52,156	52,156
Kookmin Bank Hong Kong Ltd. (*1)	2,000,000	100.00	54,659	66,873	66,924
Sorak Financial Holdings PTE Ltd.	1,422,216	25.00	73,684	79,965	79,965
			197,052	198,994	201,073

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	No. of shares	Ownership (%)	Acquisition cost	Net asset value	Book value
<b>Equity investments</b>					
KICO No. 2 Venture Investment Partnership (*3)	5,000	55.56		202	202
KICO No. 3 Venture Investment Partnership (*3)	9,000	69.23		149	149
Pacific IT Investment Partnership	700	50.00	7,000	5,291	5,291
NPC02-4 Kookmin Venture Fund	100	33.33	10,000	11,242	11,242
			<u>17,000</u>	<u>16,884</u>	<u>16,884</u>
			<u>(Won) 596,609</u>	<u>(Won) 594,743</u>	<u>(Won) 578,795</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	Ownership (%)	Acquisition cost	Net asset value	Book value
<b>Domestic stocks</b>					
KB Investment Co., Ltd. (*1)	8,941,587	99.89	(Won) 155,311	(Won) 78,695	(Won) 78,695
KB Futures Co., Ltd. (*1)	3,999,200	99.98	19,996	26,010	26,010
KB Data System Co., Ltd. (*1)	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
KB Asset Management (*1)	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. (*2)	6,000,000	100.00	30,246	24,389	8,572
KLB Securities Co., Ltd. (*3)	4,854,713	36.41	10,316		
Joeeun 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
			<u>397,301</u>	<u>339,167</u>	<u>322,278</u>
<b>Foreign stocks</b>					
Kookmin Bank Singapore Ltd. (*3)	30,000,000	100.00	20,926		1,812
Kookmin Finance Asia Ltd. (HK) (*3)	700,000	100.00	8,223		254
Kookmin Bank Int 1 Ltd. (London)	20,000,000	100.00	40,104	55,707	55,707
Kookmin Bank Hong Kong Ltd. (*1)	2,000,000	100.00	54,659	65,028	65,028
Sorak Financial Holdings PTE Ltd.	1,422,216	25.00	76,928	82,153	82,153
			<u>200,840</u>	<u>202,888</u>	<u>204,954</u>
<b>Equity investments</b>					
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
			<u>17,000</u>	<u>14,020</u>	<u>17,500</u>



- 
- (\*1) Kookmin Investment Co., Ltd., Kookmin Futures Co., Ltd., Kookmin Data System Co., Ltd., Kookmin Assent Management and Kookmin Finance HK Ltd. changed their names into KB Investment Co., Ltd., KB Futures Co., Ltd., KB Data System Co., Ltd., KB Asset Management and Kookmin Bank Hong Kong Ltd., respectively, during 2004.
  - (\*2) On April 29, 2004, in order to establish the insurance business for diversification of revenues, the Bank invested (Won)30,246 million (including acquisition costs) to acquire ownership of KB Life Insurance Co., Ltd., which acquired 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.
  - (\*3) KLB Securities Co., Ltd., Joeeun 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.

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(11) The valuation of securities accounted for using the equity method as of June 30, 2005 was as follows (Unit: In millions):

	<b>Book value before valuation</b>	<b>Acquisition (disposal)</b>	<b>Dividend</b>	<b>Foreign currency translation gain (loss)</b>	<b>Equity gain (loss) on investment</b>	<b>Capital adjust- ments</b>	<b>Book value after valuation</b>
<b>Domestic stocks</b>							
KB Investment Co., Ltd. (Won)	78,695	(Won) 73	(Won) (447)	(Won)	(Won) 3,934	(Won) (689)	(Won) 81,566
KB Futures Co., Ltd.	26,010		(400)		769		26,379
KB Data System Co., Ltd. (*3)	15,827	3	(640)		(2,865)	3	12,328
KB Real Estate Trust	58,071				12,890		70,961
KB Asset Management	47,288		(6,134)		6,528	236	47,918
KB Credit Information (*1)	18,670		(587)		3,302		21,385
KB Life Insurance Co., Ltd. (*2, 3 and 4)	8,572	(4,200)			(4,372)		
KLB Securities Co., Ltd. (*2)							
Jooeun Industrial Co., Ltd. (*2)							
ING Life Insurance Korea	69,145		(7,000)		13,511	24,645	100,301
	<u>322,278</u>	<u>(4,124)</u>	<u>(15,208)</u>		<u>33,697</u>	<u>24,195</u>	<u>360,838</u>
<b>Foreign stocks</b>							
Kookmin Bank Singapore Ltd.	1,812			(33)			1,779
Kookmin Finance Asia Ltd. (HK)	254			(5)			249
Kookmin Bank Int'l Ltd. (London)	55,707			(4,390)	973	(134)	52,156
Kookmin Bank Hong Kong Ltd.	65,028			(1,208)	3,530	(426)	66,924
Sorak Financial Holdings PTE Ltd.	82,153			(3,830)	6,453	(4,811)	79,965
	<u>204,954</u>			<u>(9,466)</u>	<u>10,956</u>	<u>(5,371)</u>	<u>201,073</u>
<b>Equity Securities</b>							
KICO No. 2 Venture Investment Partnership	213				(11)		202
KICO No. 3 Venture Investment Partnership	149						149
Pacific IT Investment Partnership	6,959				(1,668)		5,291

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	Book value before valuation	Acquisition (disposal)	Dividend	Foreign currency translation gain (loss)	Equity gain (loss) on investment	Capital adjust- ments	Book value after valuation
NPC02-4 Kookmin Venture Fund	10,179		(199)		1,262		11,242
	17,500		(199)		(417)		16,884
	(Won) 544,732	(Won) (4,124)	(Won) (15,407)	(Won) (9,466)	(Won) 44,236	(Won) 18,824	(Won) 578,795

- (\*1) Differences of ((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)113 million to current operation for the six months ended June 30, 2005 and the balance was (Won)959 million as of June 30, 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.	2,470
	(Won) 63,306

- (\*3) The unrealized income eliminated for the six months ended June 30, 2005 as follows (Unit: In millions)

	Related accounts	Amount
KB Data System Co., Ltd.	Tangible assets (sales)	(Won) 3,354
KB Life Insurance Co., Ltd.	Commissions (deferred acquisition cost)	6,666
		(Won) 10,020

- (12) Significant financial data of companies of which stocks were accounted for using the equity method as of and for the six months ended June 30, 2005 were as follows (Unit: In millions):

	Assets	Liabilities	Sales	Net income (loss)
KB Investment Co., Ltd.	(Won) 86,556	(Won) 4,985	(Won) 11,174	(Won) 3,936

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KB Futures Co., Ltd.	43,024	16,640	5,179	772
KB Data System Co., Ltd.	19,999	4,340	19,334	465
KB Real Estate Trust	190,931	120,053	28,458	12,808
KB Asset Management	72,806	12,909	17,273	8,159
KB Credit Information	33,918	10,117	33,453	3,341
KB Life Insurance Co., Ltd.	230,029	202,854	89,341	4,499
ING Life Insurance Korea	5,990,162	5,488,659	1,428,092	67,556
Kookmin Bank Int'l Ltd.(London)	306,764	254,608	6,922	972
Kookmin Bank Hong Kong Ltd.	491,546	424,673	8,488	3,442
Sorak Financial Holdings PTE Ltd.	4,507,875	4,188,015	216,163	25,813
KICO No. 2 Venture Investment Partnership	364		3	(19)
KICO No. 3 Venture Investment Partnership	215			
Pacific IT Investment Partnership	5,301	10	54	53
NPC02-4 Kookmin Venture Fund	33,726		3,801	3,726

Unaudited financial statements as of June 30, 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 financial statements. However, for ING Life Insurance Korea and Sorak Financial Holdings PTE Ltd., unaudited financial statements as of May 31, 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.

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(13) Changes in the gain (loss) on valuation of available-for-sale securities, held-to-maturity securities and equity investments accounted for using equity method reflected in capital adjustments for the six months ended June 30, 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>
<b>Gain (loss) on valuation of available-for-sale securities</b>					
Equity securities	(Won) 277,984	(Won) 71,015	(Won) (18,679)	(Won) (90,838)	(Won) 239,482
Debt securities in local currency	140,767	(51,187)	(33,442)	(15,438)	40,700
Debt securities in foreign currencies	16,658	1,978	(4,686)	(3,836)	10,114
Beneficiary certificates	268,842	25,190	(92,822)	(55,333)	145,877
Others	3,236	7		(892)	2,351
	<u>707,487</u>	<u>47,003</u>	<u>(149,629)</u>	<u>(166,337)</u>	<u>438,524</u>
<b>Gain (loss) on valuation of held-to-maturity securities</b>					
Debt securities in local currency	(Won)	(Won) 952	(Won) (179)	(Won)	(Won) 773
<b>Gain (loss) on valuation of equity investments accounted for using equity method</b>					
	(Won) 5,692	(Won) 18,824	(Won) 10,766	(Won) (8,466)	(Won) 26,816

During the six-months ended June 30, 2005, the Bank received cash and government securities in connection with the liquidation of certain private beneficiary certificates, which were classified as available-for-sale securities. With respect to the classification of the government securities received, the Bank initially classified the securities into available-for-sale securities; however, the Bank's management determined to hold the securities up to the maturity date. In accordance with the change of management intention for the securities, the Bank reclassified the securities into held-to-maturity securities along with the fair market valuation at the classification date. As part of this reclassification, the Bank also reclassified unrealized gains and losses recognized from the acquisition date to the reclassification date in the capital adjustments into unrealized gain and losses of held-to maturity securities, and amortized that amount using the effective interest rate method. The amortized amount is charged to interest income or expense for the remaining period until maturity.

(14) Securities provided as collateral as of June 30, 2005 were as follows (Unit: In millions):

<u>Provided to</u>	<u>Book value</u>	<u>Collateral amount</u>	<u>Provided for</u>
Korea Securities Depository & others	(Won) 4,985,657	(Won) 4,982,800	Bonds sold under repurchase agreements
BOK	1,128,097	1,120,000	Borrowings from BOK
BOK	329,238	328,000	Overdrafts and settlement risk
Samsung Futures & others	184,400	193,500	Derivative settlement
Korea Securities Depository	57,091	59,000	Others
	<u>(Won) 6,684,483</u>	<u>(Won) 6,683,300</u>	



**Table of Contents**5. LOANS:

(1) Loans as of June 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	2005	2004
	_____	_____
Loans in local currency	(Won) 119,731,431	(Won) 122,721,898
Loans in foreign currencies	5,195,260	3,860,828
Bills bought in local currency	19,438	27,096
Bills bought in foreign currencies	887,808	574,785
Advances for customers	14,933	32,120
Factoring receivables	32,202	32,335
Credit card receivables	7,310,528	7,643,990
Private placed bonds	1,657,603	1,203,631
Call loans	2,019,278	2,741,783
Loans to be swapped to equity		746
	_____	_____
	136,868,481	138,839,212
Allowance for possible loan losses	(3,163,978)	(3,118,775)
Deferred loan origination fees and costs	45,971	48,889
	_____	_____
	(Won) 133,750,474	(Won) 135,769,326
	_____	_____

(2) Loans in local currency and loans in foreign currencies as of June 30, 2005 and December 31, 2004 were follows (Unit: In millions):

	2005	2004
	_____	_____
Loans in local currency		
Commercial		
Working capital loans General purpose loans	(Won) 24,295,819	(Won) 25,475,710
Notes discounted	888,011	1,197,606
Overdraft accounts	492,705	401,369
Trading notes	760,464	740,580
Others	3,892,269	3,862,852
	_____	_____
	30,329,268	31,678,117
	_____	_____
Facilities loans		
General facilities loans	4,610,351	5,139,091
Others	1,117,380	1,147,656
	_____	_____
	5,727,731	6,286,747
	_____	_____
	36,056,999	37,964,864
	_____	_____
Households		
General purpose loans	41,774,612	41,957,690
Housing loans	40,512,600	41,234,086
Remunerations on mutual installment savings	255,544	300,032

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Others	506,123	532,615
	<u>83,048,879</u>	<u>84,024,423</u>
<b>Public sector loans</b>		
Public operation loans	575,267	673,456
Public facilities loans	36,926	40,383
	<u>612,193</u>	<u>713,839</u>
<b>Other loans</b>		
Property formation loans	7,675	9,719
Inter-bank loans	3,219	6,114
Others	2,466	2,939
	<u>13,360</u>	<u>18,772</u>
	<u>(Won) 119,731,431</u>	<u>(Won) 122,721,898</u>
<b>Loans in foreign currencies</b>		
Domestic funding loans	1,430,434	1,000,004

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	2005	2004
Overseas funding loans	444,546	489,437
Inter-bank loans	1,773,312	1,092,174
Domestic usance bills	1,546,722	1,278,793
Government funding loans	246	420
	(Won) 5,195,260	(Won) 3,860,828

- (3) Loans in local currency and loans in foreign currencies, classified by borrower type, as of June 30, 2005 were as follows (Unit: In millions):

	Loans in local currency	Loans in foreign currencies	Total	Percentage (%)
Large corporations	(Won) 2,779,662	(Won) 3,381,651	(Won) 6,161,313	5.0
Small and medium corporations	33,280,557	1,358,228	34,638,785	27.7
Households	83,059,019		83,059,019	66.5
Public sector and other	612,193	29,708	641,901	0.5
Overseas branches		425,673	425,673	0.3
	(Won) 119,731,431	(Won) 5,195,260	(Won) 124,926,691	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 in local currency and loans in foreign currencies, classified by borrower's country, as June 30, 2005 were as follows (Unit: In millions):

Loans in local currency	Loans in foreign	Others	Total	Percentage(%)
----------------------------	---------------------	--------	-------	---------------

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	<u>currencies</u>				
Korea	(Won) 119,731,431	(Won) 3,828,826	(Won) 11,911,784	(Won) 135,472,041	99.0
China		511,318	14,854	526,172	0.4
Southeast Asia		69,780		69,780	0.1
Japan		264,391	71	264,462	0.2
Central and South America		194,966	26	194,992	0.1
Others		325,979	15,055	341,034	0.2
	<u>(Won) 119,731,431</u>	<u>(Won) 5,195,260</u>	<u>(Won) 11,941,790</u>	<u>(Won) 136,868,481</u>	<u>100.0</u>

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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
	(Won) 122,721,898	(Won) 3,860,828	(Won) 12,256,486	(Won) 138,839,212	100.0

(5) Loans in local currency and loans in foreign currencies, classified by industry, as of June 30, 2005 were as follows (Unit: In millions):

	Loans in			Total	Percentage (%)
	Loans in local currency	foreign currencies	Others		
Corporations					
Finance and insurance	(Won) 738,984	(Won) 1,790,544	(Won) 3,055,301	(Won) 5,584,829	4.0
Manufacturing	12,386,102	1,699,577	1,735,006	15,820,685	11.6
Services	18,959,192	981,538	681,150	20,621,880	15.1
Others	4,270,689	665,206	443,617	5,379,512	3.9
Households	83,059,019	37,025	6,023,680	89,119,724	65.1
Public sector	317,445	21,370	3,036	341,851	0.3
	(Won) 119,731,431	(Won) 5,195,260	(Won) 11,941,790	(Won) 136,868,481	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			Total	Percentage (%)
	Loans in local currency	foreign currencies	Others		
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

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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 June 30, 2005 were as follows (Unit: In millions):

	Bank	Other financial institutions	Total
Loans in local currency	(Won) 3,219	(Won) 735,765	(Won) 738,984
Loans in foreign currencies	1,773,312	17,232	1,790,544
Others	2,078,617	976,684	3,055,301
	(Won) 3,885,148	(Won) 1,729,681	(Won) 5,584,829

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) 6,114	(Won) 682,893	(Won) 689,007
Loans in foreign currencies	1,092,174	58,252	1,150,426
Others	2,806,712	1,030,788	3,837,500
	(Won) 3,905,000	(Won) 1,771,933	(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)324,361 million to LG Card Co., Ltd. as of June 30, 2005. The Bank has provided an allowance for the loan losses of (Won)45,201 million and valuation gain on the securities of (Won)112,639 million is included in capital adjustments as of June 30, 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 the Corporate Restructuring Promotion Act

As of June 30, 2005, the Bank has loans of (Won)138,189 million to companies under the Corporate Restructuring Promotion Act including Hyundai Engineering & Construction Co., Ltd., and has provided an allowance of (Won)28,127 million for possible loan losses. The actual collection amounts from those loans may differ from management 's current estimation.

## (9) The classification of asset quality for loans, net of present value discount as of June 30, 2005 is summarized as follows (Unit: In millions):

	Normal	Precautionary	Substandard	Doubtful	Loss	Total
Loans in local currency	(Won) 112,685,604	(Won) 4,061,111	(Won) 1,315,454	(Won) 1,111,857	(Won) 557,405	(Won) 119,731,431
Loans in foreign currencies	5,047,779	84,024	27,753	32,044	3,660	5,195,260
Bills bought in local or foreign currencies	895,256	8,987	1,004	965	1,034	907,246
Advances for customers	1,603	1,006	621	4,955	6,748	14,933
Credit card receivables	6,595,765	459,042	524	191,576	63,621	7,310,528
Call loans	2,019,278					2,019,278
Privately placed bonds	1,649,540	1,046	3,952	2,997	68	1,657,603
Factoring receivables	31,011		126	1,040	25	32,202
	(Won) 128,925,836	(Won) 4,615,216	(Won) 1,349,434	(Won) 1,345,434	(Won) 632,561	(Won) 136,868,481

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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):

	Normal	Precautionary	Substandard	Doubtful	Loss	Total
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
	(Won) 129,249,945	(Won) 6,081,238	(Won) 1,741,568	(Won) 1,362,996	(Won) 403,465	(Won) 138,839,212

(10) The term structure of loans as of June 30, 2005 was as follows (Unit: In millions):

	Loans in local		Loans in foreign		Total
	currency		currencies	Others	
Less than 3 months	(Won) 17,873,910		(Won) 2,539,028	(Won) 8,200,468	(Won) 28,613,406
Less than 6 months	18,342,892		937,994	1,249,408	20,530,294
Less than 1 year	31,140,595		762,853	774,744	32,678,192
Less than 2 years	18,228,789		264,400	459,020	18,952,209
Less than 3 years	11,168,708		268,389	574,230	12,011,327
Less than 4 years	3,265,070		74,038	23,379	3,362,487
Less than 5 years	4,888,159		117,124	42,269	5,047,552
More than 5 years	14,823,308		231,434	618,272	15,673,014
	(Won) 119,731,431		(Won) 5,195,260	(Won) 11,941,790	(Won) 136,868,481

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

	Loans in local		Loans in foreign		Total
	currency		currencies	Others	
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
Less than 3 years	11,900,101		190,361	480,695	12,571,157

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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>

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## (11) Sales of loans

Under the joint collection program of financial institutions, the Bank has sold (Won)189,473 million of certain loans to Hee Mang Moa Special Purpose Company and has recognized gain and loss of (Won)7,254 million and (Won)396 million, respectively. The Bank has also sold (Won)12,305 million of loans to KAMCO under the credit support program for lower income people and recognized gain and loss of (Won)278 million and (Won)996 million, respectively. In addition, the Bank has sold (Won)367,543 million of loans to KB 4<sup>th</sup> SPC and recognized (Won)63,797 million of gain. Other than these transactions discussed above, the Bank had 2 more loan sale transactions by which the Bank has recorded (Won)264 million of gain on sale of loans and (Won)25 million of loss on sale of loans. The loan amounts presented in the above are the original principal amount without any deduction of allowance or write-offs.

## (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 June 30, 2005. Also, the Bank provided (Won)228 million as other allowances for the loss resulting from repurchase agreement. The loans with repurchase agreements amounted to (Won) 692 million as of June 30, 2005.

## (13) Credit card receivables as collateral

The Bank offers the credit card receivables amounting to (Won)639,801 million (before deducting the allowance) as collateral for the transaction of credit card receivables to SPC as of June 30, 2005.

## (14) The changes in loan origination costs for the six months ended June 30, 2005 were as follows (Unit: In millions):

	<u>2004</u>	<u>Increase</u>	<u>Decrease</u>	<u>2005</u>
Loan origination costs	(Won) 48,889	2,971	5,889	(Won) 45,971

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 six months ended June 30, 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>
Composition	(Won) 902			(Won) 902
Workout plan	58,989		20	58,969
	<u>(Won) 59,891</u>		<u>20</u>	<u>(Won) 59,871</u>



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- (2) Changes in the present value discounts relating to the outstanding restructured loans for the six months ended June 30, 2005 were as follows (Unit: In millions):

	Discount rates (%)	Amount	Present value discounts			
			Beginning balance	Addition	Deduction	Ending balance
Workout plan	6.0 ~ 23.3	(Won) 110,365	(Won) 6,561	(Won) 7,593	(Won) (4,829)	(Won) 9,325
Composition	4.9 ~ 19.9	14,981	3,200	246	(1,153)	2,293
Court receivership	5.9 ~ 14.8	26,559	6,126		(423)	5,703
Others	9.5	30,802	6,223		(1,127)	5,096
		(Won) 182,707	(Won) 22,110	(Won) 7,839	(Won) (7,532)	(Won) 22,417

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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 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.

7. ALLOWANCE FOR POSSIBLE LOAN LOSSES:

(1) The allowance for possible loan losses as of June 30, 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) 774,713	(Won) 441,231	(Won) 269,963	(Won) 722,600	(Won) 557,405	(Won) 2,765,912
Loans in foreign currencies	16,621	5,050	8,548	20,206	3,660	54,085
Bills bought in local currency / Bills bought in foreign currencies	4,476	615	201	691	1,034	7,017
Advances for customers	8	260	125	2,832	6,748	9,973
Credit card receivables	65,958	55,085	105	123,301	63,621	308,070
Privately placed bonds	8,248	247	1,334	2,966	68	12,863
Factoring receivables	4,978		26	1,029	25	6,058
	<u>(Won) 875,002</u>	<u>(Won) 502,488</u>	<u>(Won) 280,302</u>	<u>(Won) 873,625</u>	<u>(Won) 632,561</u>	<u>(Won) 3,163,978</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 six months ended June 30, 2005 and for the year ended December 31, 2004 were as follows (Unit: In millions):

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	<u>2005</u>	<u>2004</u>
Beginning balance	(Won) 3,186,095	(Won) 3,948,736
Provision for possible loan losses	896,065	3,068,248
Reclassification from other allowances (*1)	10,373	289,919
Collection of previously written-off loans	171,873	286,464
Repurchase of NPLs sold	15,928	40,571
Sales of loans	(99,760)	(685,161)
Loans written-off	(944,898)	(5,260,962)
Reversal of write-off due to sale of loans		1,878,832
Conversion to equity securities	(9,111)	(327,816)
Exemption of loans	(1,300)	(32,847)
Changes in exchange rates and others	(1,704)	(19,889)
	<u>                    </u>	<u>                    </u>
Ending balance (*2)	(Won) 3,223,561	(Won) 3,186,095
	<u>                    </u>	<u>                    </u>

(\*1) Other allowances for credit lines to Kookmin Credit Card 16th ABS Specialty Company amounting to (Won)10,373 million were transferred to allowances for loan losses.

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- (\*2) Allowance for possible loan losses includes present value discounts amounting to (Won)22,417 million and (Won)22,110 million, as of June 30, 2005 and December 31, 2004, respectively, and allowances for other assets amounting to (Won) 59,583 million and (Won)67,320 million, respectively.
- (3) The allowance for possible loan losses compared to total loans, net of present value discounts, is summarized as follows (Unit: In millions):

	Loans	Allowance for possible loan losses	Percentage (%)
June 30, 2005	(Won) 136,868,481	(Won) 3,163,978	2.31
December 31, 2004	138,839,212	3,118,775	2.25
June 30, 2004	143,695,232	3,809,725	2.65
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 June 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	2005	2004
Tangible assets	(Won) 3,596,305	(Won) 3,594,903
Less: accumulated depreciation	(1,521,777)	(1,428,586)
Accumulated impairment loss	(1,268)	(2,296)
Intangible assets	428,048	468,958
Non-business use property	401	492
Less: valuation allowance	(237)	(253)
	(Won) 2,501,472	(Won) 2,633,218

- (2) Tangible assets as of June 30, 2005 consisted of (Unit: In millions):

	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	(Won) 989,322	(Won)	(Won) 488	(Won) 988,834
Buildings	915,087	149,714	780	764,593
Leasehold improvements	177,441	133,321		44,120
Equipment and vehicles	1,513,625	1,238,742		274,883
Construction in progress	830			830
	(Won) 3,596,305	(Won) 1,521,777	(Won) 1,268	(Won) 2,073,260

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

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	<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 tangible assets for the six months ended June 30, 2005 consisted of (Unit: In millions):

	<u>Beginning</u>	<u>Acquisition</u>	<u>Replacement</u>	<u>Disposal</u>	<u>Depreciation</u>	<u>Others</u>	<u>Change in foreign currencies</u>	<u>Ending</u>
Land	(Won) 997,715	(Won)	(Won)	(Won) 9,235	(Won)	(Won) 397	(Won) (43)	(Won) 988,834
Buildings	773,864		4,162	3,317	10,124	103	(95)	764,593
Leasehold improvements	50,518		8,793	880	14,290		(21)	44,120
Equipment and vehicles	340,682	26,684		1,161	90,968		(354)	274,883
Construction in progress	1,242	12,543	(12,955)					830
	<u>(Won) 2,164,021</u>	<u>(Won) 39,227</u>	<u>(Won)</u>	<u>(Won) 14,593</u>	<u>(Won) 115,382</u>	<u>(Won) 500</u>	<u>(Won) (513)</u>	<u>(Won) 2,073,260</u>

The published value of land was (Won) 858,627 million and (Won) 832,294 million as of June 30, 2005 and December 31, 2004, respectively, based on the Laws on Disclosure of Land Price and Valuation of Land.

(4) Tangible assets, which have been insured as of June 30, 2005, are as follows (Unit: In millions):

<u>Type of insurance</u>	<u>Asset insured</u>	<u>Book value</u>	<u>Insured amount</u>	<u>Insurance company</u>
Property composite	Buildings	(Won) 764,593	(Won) 620,619	Samsung Fire & Marine Insurance Co., Ltd. & others
	Leasehold improvements	39,706	45,086	
	Equipment and vehicles	275,136	177,649	
		<u>(Won) 1,079,435</u>	<u>(Won) 843,354</u>	

(5) Intangible assets as of June 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<u>Acquisition cost</u>	<u>Accumulated amortization</u>	<u>Book value</u>
Goodwill	(Won) 705,108	(Won) 287,266	(Won) 417,842
Development costs	17,438	9,908	7,530

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others	5,417	2,741	2,676
	<u>(Won) 727,963</u>	<u>(Won) 299,915</u>	<u>(Won) 428,048</u>

(6) The changes in intangible assets for the six months ended June 30, 2005 were as follows (Unit: In millions):

	<u>Beginning</u>	<u>Increase</u>	<u>Amortization</u>	<u>Ending</u>
Goodwill	(Won) 457,015	(Won)	(Won) 39,173	(Won) 417,842
Development costs	9,274		1,744	7,530
Others	2,669	343	336	2,676
	<u>(Won) 468,958</u>	<u>(Won) 343</u>	<u>(Won) 41,253</u>	<u>(Won) 428,048</u>

**Table of Contents**9. OTHER ASSETS:

(1) Other assets as of June 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Guarantee deposits paid	(Won) 1,198,776	(Won) 1,290,891
Accounts receivable	5,643,770	2,343,617
Accrued income	999,010	971,170
Advanced payments	84,219	96,949
Prepaid expenses	106,833	205,923
Deferred income tax assets (Note 24)	442,378	502,937
Derivatives assets	1,432,566	2,391,984
Receivables from inter-bank fund transfer	426,915	520,612
Sundry assets	38,886	39,401
Allowances	(59,583)	(67,320)
	<u>(Won) 10,313,770</u>	<u>(Won) 8,296,164</u>

(2) Sundry assets as of June 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Receivables on cash sent to other banks	(Won) 400	(Won) 680
Supplies	15,238	16,036
Deposit money to court(*)	22,894	22,354
Asset disposal receivables	321	299
others	33	32
	<u>(Won) 38,886</u>	<u>(Won) 39,401</u>

(\*) Securities is included in deposit money to court of which book value, face value and fair value are (Won)8,970 million, (Won) 9,910 million and (Won)11,135 million, respectively.

10. DEPOSITS:

(1) Deposits as of June 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Deposits in local currency	(Won) 117,313,012	(Won) 120,664,582
Deposits in foreign currencies	1,553,583	1,434,061
Certificates of deposits	5,728,885	4,911,891
	<u>(Won) 124,595,480</u>	<u>(Won) 127,010,534</u>



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(2) Deposits in local currency as of June 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<u>Interest rate</u> (%)	<u>2005</u>	<u>2004</u>
Demand deposits in local currency			
Checking deposits		(Won) 85,186	(Won) 110,967
Household checking deposits	0.10	436,451	417,443
Temporary deposits		3,386,004	2,858,688
Passbook deposits	0.10	11,881,072	10,767,705
Public fund deposits	0.10	181,101	157,840
National Treasury deposits		17,210	1,840
Nonresident s deposit in local currency	0.10	29,620	24,301
		<u>16,016,644</u>	<u>14,338,784</u>

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	Interest rate (%)	2005	2004
<b>Time deposits and savings deposits in local currency</b>			
Time deposits	2.20 ~ 3.70	58,955,588	62,835,217
Installment savings deposits	2.95 ~ 3.50	1,243,065	1,249,939
Property formation savings	8.50	1,416	1,516
Workers savings for housing	8.50 ~ 11.50	50	49
<b>Time and savings deposits of non residents in local currency</b>			
General savings deposits	2.20 ~ 3.70	231,475	263,671
Corporate savings deposits	0.10 ~ 2.70	19,769,828	19,120,739
Long-term savings deposits for workers	0.10 ~ 2.60	6,774,699	7,358,107
Long-term housing savings deposits	11.50 ~ 12.00	22,403	39,104
Long-term savings for households	4.10	2,014,399	1,663,366
Workers preferential savings deposits	11.00	12,116	20,108
Mutual installment deposits	5.35	1,681,917	2,171,785
Mutual installment for housing	2.65 ~ 3.50	5,653,125	6,306,923
	2.20 ~ 3.40	4,936,287	5,295,274
		101,296,368	106,325,798
		(Won) 117,313,012	(Won) 120,664,582
<b>Demand deposits in foreign currencies</b>			
Checking deposits		(Won) 42,320	(Won) 37,137
Passbook deposits	0.00 ~ 2.32	636,011	663,261
Notice deposits	0.00 ~ 2.08	245	276
Temporary deposits		3,026	1,315
		681,602	701,989
<b>Time deposits and savings deposits in foreign currencies</b>			
Time deposits	0.10 ~ 6.90	867,541	729,950
Installment savings deposits	5.00 ~ 6.50	622	662
Others		3,818	1,460
		871,981	732,072
		(Won) 1,553,583	(Won) 1,434,061
Negotiable certificate of deposits	3.00 ~ 3.45	(Won) 5,728,885	(Won) 4,911,891
		(Won) 124,595,480	(Won) 127,010,534

(3) Deposits with financial institutions as of June 30, 2005 and December 31, 2004 were as follows (Unit: In millions):

	Financial institutions	2005	2004
Deposits in local currency	Banks	(Won) 1,034,443	(Won) 1,683,255
	Others	5,868,284	5,240,889

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		6,902,727	6,924,144
Negotiable certificates of deposits	Others	770,000	110,000
		(Won) 7,672,727	(Won) 7,034,144

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(4) 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) 65,053,114	(Won) 14,237,177	(Won) 27,559,728	(Won) 8,201,419	(Won) 2,261,574	(Won) 117,313,012
Deposits in foreign currencies	1,350,969	114,278	81,625	6,711		1,553,583
Certificate of deposits	2,601,826	1,821,223	1,305,836			5,728,885
	(Won) 69,005,909	(Won) 16,172,678	(Won) 28,947,189	(Won) 8,208,130	(Won) 2,261,574	(Won) 124,595,480

11. **BORROWINGS:**

(1) Borrowings as of June 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	2005	2004
Borrowings in local currency	(Won) 2,962,190	(Won) 2,945,237
Borrowings in foreign currencies	3,074,583	2,540,260
Bonds sold under repurchase agreements	4,480,335	3,449,445
Bills sold	653,927	41,988
Due to BOK in foreign currencies	1,057	2,007
Call money	536,468	655,359
	(Won) 11,708,560	(Won) 9,634,296

(2) Borrowings in local currency as of June 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

Account	Financial institution	Annual interest rate (%)	2005	2004
Borrowings from the Bank of Korea	BOK	2.00	(Won) 970,642	(Won) 920,144
Borrowings from the Korean government	Ministry of Finance and Economy, and others	0.00 ~ 8.00	652,856	697,772
Borrowings from banking institutions	Industrial Bank of Korea	3.26 ~ 6.00	142,118	158,245
Borrowings from National Housing Fund	National housing fund	8.00	2,512	2,986
Borrowings from other financial institutions	Korea Development Bank	2.00 ~ 4.00	4,886	5,227
Other borrowings		1.56 ~ 7.00	1,189,176	1,160,863

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Small Business Corporation  
and others

(Won) 2,962,190

(Won) 2,945,237

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(3) Borrowings in foreign currencies as of June 30, 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	First Union National Bank and others	3.79	(Won) 38,657	(Won) 27,463
Borrowings from banking institutions	Sumitomo Mitsui Banking Co., Ltd. and others	0.07 ~ 5.07	1,328,513	991,363
Off-shore borrowings in foreign currencies	ABN AMRO and others	0.10 ~ 3.77	637,789	663,993
Other borrowings from banking institutions	IBRD	3.00	12,104	13,882
Other borrowings in foreign currencies	Person, organization & corporations		1,057,520	843,559
			<u>(Won) 3,074,583</u>	<u>(Won) 2,540,260</u>

(4) Bonds sold under repurchase agreements, bills sold and due to BOK in foreign currencies as of June 30, 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) 4,480,335	(Won) 3,449,445
Bills sold	Teller s Sales	2.90 ~ 3.35	653,927	41,988
Due to the Bank of Korea in foreign currencies	BOK	2.89 ~ 3.62	1,057	2,007
			<u>(Won) 5,135,319</u>	<u>(Won) 3,493,440</u>

(5) Call money as of June 30, 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) 121,400	(Won) 638,500
Foreign currencies	Bank of New Zealand and others	0.27 ~ 6.85	412,291	13,685
Inter-bank borrowings			2,777	3,174
			<u>(Won) 536,468</u>	<u>(Won) 655,359</u>

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- (6) Borrowings in local currency and borrowings in foreign currencies with financial institutions as of June 30, 2005 and December 31, 2004 were as follows (Unit: In millions):

	2005				2004			
	Local currency	Foreign currencies	Due to BOK & Call Money	Total	Local currency	Foreign currencies	Due to BOK & Call Money	Total
BOK	(Won) 970,642	(Won)	(Won) 1,057	(Won) 971,699	(Won) 920,144	(Won)	(Won) 2,007	(Won) 922,151
Banks	142,118	2,005,284	412,291	2,559,693	158,245	1,684,978	13,685	1,856,908
Others	4,886	12,104	121,400	138,390	5,227	13,882	638,500	657,609
	(Won) 1,117,646	(Won) 2,017,388	(Won) 534,748	(Won) 3,669,782	(Won) 1,083,616	(Won) 1,698,860	(Won) 654,192	(Won) 3,436,668

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(7) Term structure of borrowings as of June 30, 2005 were as follows (Unit: In millions):

	<b>Less than 3 months</b>	<b>Less than 6 months</b>	<b>Less than 1 year</b>	<b>Less than 3 years</b>	<b>More than 3 years</b>	<b>Total</b>
Borrowings in local currency	(Won) 1,032,826	(Won) 77,948	(Won) 155,116	(Won) 716,406	(Won) 979,894	(Won) 2,962,190
Borrowings in foreign currencies	1,026,455	983,994	654,575	360,364	49,195	3,074,583
Bonds sold under repurchase agreements in local currency	2,555,560	868,847	1,053,428	2,500		4,480,335
Bills sold	167,188	293,271	193,468			653,927
Due to the Bank of Korea in foreign currencies	641	416				1,057
Call money	536,468					536,468
	(Won) 5,319,138	(Won) 2,224,476	(Won) 2,056,587	(Won) 1,079,270	(Won) 1,029,089	(Won) 11,708,560



**Table of Contents**12. DEBENTURES:

(1) Debentures as of June 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Debentures in local currency	(Won) 17,920,069	(Won) 21,293,079
Less: Discount on debentures	(69,783)	(120,396)
Debentures in foreign currency	734,903	696,522
Addition: Premiums on debentures	4,554	5,490
	<u>(Won) 18,589,743</u>	<u>(Won) 21,874,695</u>

(2) Debentures in local currency as of June 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<u>Annual interest rate (%)</u>	<u>2005</u>	<u>2004</u>
Hybrid debentures	6.00 ~ 7.00	(Won) 903,668	(Won) 903,668
Structured debentures	0.00 ~ 5.90	139,990	80,000
Subordinated fixed rate debentures	4.19 ~ 15.66	5,809,454	6,017,095
KCC subordinated fixed rate debentures	7.10 ~ 8.00	205,000	205,000
KCC fixed rate debentures	5.43 ~ 7.80	700,000	930,000
KCC floating rate debentures			610,000
Fixed rate debentures	3.28 ~ 8.15	10,175,185	12,543,566
		<u>17,933,297</u>	<u>21,289,329</u>
Loss (gain) on valuation of fair value hedged items (current year portion)		(16,978)	3,750
Loss on valuation of fair value hedged items (prior year portion)		3,750	
		<u>17,920,069</u>	<u>21,293,079</u>
Discounts on debentures		(69,783)	(120,396)
		<u>(Won) 17,850,286</u>	<u>(Won) 21,172,683</u>

(3) Hybrid debentures and subordinated debentures as of June 30, 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	(Won) 119,319	(Won) 133,477
	Mar-00	Mar-05	9.65	6,517	200,000
	Jun-00	Jan-06	9.04 ~ 9.10	253,975	253,975

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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	6.07 ~ 6.55	558,775	558,775
Dec-02	Jan-08	8.00	110,000	110,000
Dec-02	Jun-08 ~ Dec-14	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

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	Issued date	Expiration date	Annual interest	2005	2004
			rate (%)		
	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>6,014,454</u>	<u>6,222,095</u>
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	7.00	265,168	265,168
				<u>903,668</u>	<u>903,668</u>
				<u>(Won) 6,918,122</u>	<u>(Won) 7,125,763</u>

(4) Debentures in foreign currencies as of June 30, 2005 and December 31, 2004 were as follows (Unit: In millions):

	Annual interest	2005	2004
	rate (%)		
Floating rates debentures	3.49 ~ 4.36	(Won) 163,007	(Won) 110,810
Fixed rates debentures	2.37 ~ 4.63	522,842	532,913
KCC floating rate debentures	4.36	59,108	60,227
		<u>744,957</u>	<u>703,950</u>
Gain on valuation of fair value hedged items (current year portion)		(2,626)	(5,925)
Gain on valuation of fair value hedged items (prior year portion)		(7,428)	(1,503)
		<u>734,903</u>	<u>696,522</u>
Premiums on debentures		5,182	6,336
Discounts on debentures		(628)	(846)
		<u>(Won) 739,457</u>	<u>(Won) 702,012</u>

(5) Term structure of debentures as of June 30, 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) 2,675,783	(Won) 605,206	(Won) 4,717,269	(Won) 5,920,479	(Won) 4,001,332	(Won) 17,920,069
Debentures in foreign currencies		59,108	70,007	573,434	32,354	734,903

13. **OTHER LIABILITIES:**

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Other liabilities as of June 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	2005	2004
	<u>                    </u>	<u>                    </u>
Accrued severance benefits (Note 15)	(Won) 332,531	(Won) 319,947
Less: Severance insurance deposits (Note 15)	(165,028)	(193,325)
Allowance for possible losses on acceptances and guarantees	2,564	1,150
Due to trust accounts	732,374	811,339
Accounts payable	5,532,676	2,723,038
Accrued expenses	4,509,856	4,279,216
Advances from customers	302,071	191,642
Unearned revenues	98,709	97,269
Withholding taxes	58,376	3,687
Guarantees deposits received	115,644	111,723
Derivatives liabilities	1,448,420	2,219,630
Accounts for agency business	216,467	233,690
Domestic exchange settlement loans	741,840	258,020
Agency	384,928	280,569
Sundry liabilities (Note 16)	768,835	768,091
	<u>                    </u>	<u>                    </u>
	(Won) 15,080,263	(Won) 12,105,686
	<u>                    </u>	<u>                    </u>

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14. ACCEPTANCES AND GUARANTEES AND ALLOWANCES FOR POSSIBLE LOSSES:

(1) Acceptances and guarantees as of June 30, 2005 and December 31, 2004 were as follows (Unit: In millions):

<u>Types</u>	<u>2005</u>	<u>2004</u>
<b>Confirmed acceptances and guarantees in local currency</b>		
Payment guarantee for issuance of debentures	(Won) 318	(Won) 472
Payment guarantee for loans	30,869	30,852
Others	335,290	260,497
	<u>366,477</u>	<u>291,821</u>
<b>Confirmed acceptances and guarantees in foreign currencies</b>		
Acceptances on letters of credit	94,452	101,180
Acceptances for letters of guarantee for importers	74,570	62,829
Guarantees for performance of contracts	25,145	32,039
Guarantees for bids	3,076	2,606
Guarantees for borrowings	32,680	26,728
Guarantees for repayment of advances	16,401	23,213
Others	682,799	435,372
	<u>929,123</u>	<u>683,967</u>
	<u>1,295,600</u>	<u>975,788</u>
<b>Unconfirmed acceptances and guarantees</b>		
Letters of credit	945,963	1,016,414
Others	877,325	295,360
	<u>1,823,288</u>	<u>1,311,774</u>
	<u>(Won) 3,118,888</u>	<u>(Won) 2,287,562</u>

(2) Acceptances and guarantees, by customer, as of June 30, 2005 were as follows (Unit: In millions):

	<u>Confirmed</u>	<u>Unconfirmed</u>	<u>Total</u>	<u>Percentage (%)</u>
Large corporations	(Won) 795,099	(Won) 1,198,658	(Won) 1,993,757	63.93
Small and medium corporations	495,879	620,452	1,116,331	35.79
Public sector and others	2,149	4,178	6,327	0.20
Foreign customer	2,473		2,473	0.08
	<u>(Won) 1,295,600</u>	<u>(Won) 1,823,288</u>	<u>(Won) 3,118,888</u>	<u>100.00</u>

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

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	<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>

(3) Acceptances and guarantees, by industry, as of June 30, 2005 were as follows (Unit: In millions):

	<u>Confirmed</u>	<u>Unconfirmed</u>	<u>Total</u>	<u>Percentage (%)</u>
Public sector	(Won)	(Won) 25,302	(Won) 25,302	0.81
Finance	318,373	2,828	321,201	10.30
Service	279,039	457,184	736,223	23.61
Manufacturing	637,798	1,311,977	1,949,775	62.52
Others	60,390	25,997	86,387	2.76
	<u>(Won) 1,295,600</u>	<u>(Won) 1,823,288</u>	<u>(Won) 3,118,888</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>

(4) Acceptances and guarantees, by country, as of June 30, 2005 were as follows (Unit: In millions):

	<u>Confirmed</u>	<u>Unconfirmed</u>	<u>Total</u>	<u>Percentage (%)</u>
Korea	(Won) 1,059,988	(Won) 1,823,288	(Won) 2,883,276	92.45
France	194,636		194,636	6.24
USA	40,976		40,976	1.31
	<u>(Won) 1,295,600</u>	<u>(Won) 1,823,288</u>	<u>(Won) 3,118,888</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>

(5) Allowance for possible losses on confirmed acceptances and guarantees as of June 30, 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>
Normal	(Won) 358,431	(Won) 914,260	(Won) 280,910	(Won) 672,484
Precautionary	5,720	13,968	8,614	10,312

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Substandard	290	62	2,042	1,024
Doubtful	1,841	797	225	142
Estimated loss	195	36	30	5
	(Won) 366,477	(Won) 929,123	(Won) 291,821	(Won) 683,967
Allowance for possible losses	2,068	496	551	599
Ratio (%)	0.56	0.05	0.19	0.09

- (6) The percentage of allowance for possible losses on confirmed acceptances and guarantees to outstanding guarantees and acceptances as of June 30, 2005 and 2004, and December 31, 2004, 2003 and 2002 were as follows (Unit: In millions):

	Guarantees and acceptances outstanding	Allowance	Percentage (%)
June 30, 2005	(Won) 1,295,600	(Won) 2,564	0.20
December 31, 2004	975,788	1,150	0.12
June 30, 2004	693,864	1,259	0.18
December 31, 2003	800,297	1,074	0.13
December 31, 2002	1,031,698	2,287	0.22



**Table of Contents**15. ACCRUED SEVERANCE BENEFITS:

The changes in accrued severance benefits for the six months ended June 30, 2005 were 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) 66,806	(Won) 54,210	(Won) (12)	(Won) 332,531
Severance insurance deposits	(193,325)		(28,297)		(165,028)
	<u>(Won) 126,622</u>	<u>(Won) 66,806</u>	<u>(Won) 25,913</u>	<u>(Won) (12)</u>	<u>(Won) 167,503</u>

As of June 30, 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 six months ended June 30, 2005 amounted to (Won)309,536 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 June 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Borrowings for others business	(Won) 120,728	(Won) 87,685
Unsettled domestic exchange liabilities	38,585	21,395
Prepaid card and debit card liabilities	6,383	4,714
Subscription deposits	33,707	40,085
Other allowances	567,529	611,120
Others	1,903	3,092
	<u>(Won) 768,835</u>	<u>(Won) 768,091</u>

(2) Other allowances as of June 30, 2005 and December 31, 2004 consisted of (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Loss on branch closure	(Won) 139	(Won) 237
Cash advance service	46,264	45,234
Mileage rewards	77,229	80,676
Claimed assets	1	3
Credit commitments to SPC (Note 19)	370,921	438,343

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KAMCO loans sold (Note 19)	228	217
Master Card share agreement	3,215	3,135
Allowances for additional tax payments		458
Dormant accounts	14,858	14,976
LG Card		23,812
KP Chemical loans sold	4,029	4,029
Subordinate bond	21,460	
Others	29,185	
	<u>                    </u>	<u>                    </u>
	(Won) 567,529	(Won) 611,120
	<u>                    </u>	<u>                    </u>

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17. SHAREHOLDERS EQUITY:

(1) Capital stock

As of June 30, 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 June 30, 2005, 49,034,558 common shares, equivalent to 14.58% 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 June 30, 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	397,669	397,669
Revaluation increment	177,229	177,229
Gain on disposal of treasury stock	24,291	
	<u>(Won) 6,255,029</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 are summarized as follows (Unit: In millions):

	<u>Amount</u>
<b>Retained earnings before appropriations:</b>	
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
	<hr/>
	379,901
	<hr/>
<b>Transfers from voluntary reserve:</b>	
Discretionary appropriated retained earnings	220,100
Business rationalization reserve	40,760
	<hr/>
	260,860
	<hr/>
<b>Appropriations:</b>	
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
	<hr/>
	640,737
	<hr/>
Unappropriated retained earnings carried forward to the subsequent year	(Won) 24
	<hr/>

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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. Since the requirement was no longer effective from 2002, 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 June 30, 2005 and December 31, 2004 were as follows (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Treasury stock	(Won) (13,845)	(Won) (1,322,320)
Gain on valuation of available-for-sale securities	438,524	707,487
Loss on valuation of held-to-maturity securities	773	
Increase due to the equity method	33,655	10,443
Decrease due to the equity method	(6,839)	(4,751)
Stock option cost	32,117	29,613
Loss on sales of treasury stock		(1,459)
	<u>(Won) 484,385</u>	<u>(Won) (580,987)</u>

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The changes of capital adjustments for the six months ended June 30, 2005 were as follows (Unit: In millions):

	<u>Beginning balance</u>	<u>Changes</u>	<u>Disposal or realized</u>	<u>Deferred tax income</u>	<u>Ending balance</u>
Treasury stocks	(Won) (1,322,320)	(Won)	(Won) 1,308,475	(Won)	(Won) (13,845)
Gain (loss) on valuation of available-for-sale securities	707,487	47,003	(149,629)	(166,337)	438,524
Gain (loss) on valuation of held-to-maturity securities		952	(179)		773
Change due to the equity method	5,692	18,824	10,766	(8,466)	26,816
Stock options	29,613	4,511	(2,007)		32,117
Loss on sales of treasury stock	(1,459)	1,459			
	<u>(Won) (580,987)</u>	<u>(Won) 72,749</u>	<u>(Won) 1,167,426</u>	<u>(Won) (174,803)</u>	<u>(Won) 484,385</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) as a part of an employee benefits 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. As a result of the contribution, the Bank recognized (Won)996 million of gain on sales of treasury stock as of June 30, 2005.

In accordance with the resolution of the Board of Directors on December 17, 2003, the Bank acquired 27,423,761 out of 30,623,761 shares previously owned by the Korean government through public bidding at (Won)43,700 per share. As of June 30, 2005, the Bank holds 8.56 percent (28,786,171 shares) of the total common stock issued as treasury stock. For the six months ended June 30, 2005, the Bank has sold 26,680,772 shares of treasury stock for (Won)1,248,664 million at the domestic over-the-counter market and issued 742,989 shares of global depositary receipts on June 16, 2005 for the purpose of increasing net capital and enhancing the quality of the financial structure pursuant to the resolution of the Board of Directors on April 27, 2005. As a result of the sale of treasury stock, the Bank has recognized (Won)35,106 million of gain before tax for the six months ended June 30, 2005. As of June 30, 2005, the Bank has 312,509 (0.09%) treasury shares out of shares issued.

2) Loss on sales of treasury stock

For six months ended June 30, 2005, due to the exercise of stock options, loss on sales of treasury stock increased by (Won)586 million (before income tax).

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- (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 June 30, 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	48,528	149,565	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	110,363	91,419	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	02.03.22	132,000	89,753		42,247	57,100	05.03.23 ~ 10.03.22
Series 8-2	02.03.22	490,000	180,691		309,309	57,100	05.03.23 ~ 10.03.22
Series 9 (*2)	02.07.26	30,000			30,000	58,800	05.07.27 ~ 10.07.26
Series 10-1(*1)	03.03.21	140,000	76,557		63,443	43,925	06.03.22 ~ 11.03.21
Series 10-2 (*2)	03.03.21	180,000	90,440		89,560	35,500	06.03.22 ~ 11.03.21
Series 11(*1)	03.08.27	30,000	24,909		5,091	40,500	06.08.28 ~ 11.08.27
Series 12 (*1)	04.02.09	85,000	9,461		75,539	46,100	07.02.10 ~ 12.02.09
Series 13-1(*1)	04.03.23	20,000			20,000	48,650	07.03.24 ~ 12.03.23
Series 13-2 (*2)	04.03.23	10,000			10,000	47,200	07.03.24 ~ 12.03.23
Series 14 (*1 & 2)	04.11.01	700,000			700,000	40,600	07.11.02 ~ 12.11.01
Series 15-1(*1)	05.03.18	165,000			165,000	47,800	08.03.19 ~ 13.03.18
Series 15-2 (*2)	05.03.18	765,000			765,000	46,800	08.03.19 ~ 13.03.18
Series 16 (*2)	05.04.27	15,000			15,000	45,700	08.04.28 ~ 13.04.27



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Kookmin Credit Card-1 (*3)					04.03.23
	01.03.22	22,146		22,146	71,538 ~ 11.03.22
Kookmin Credit					
					04.03.30
Card - 2 (*1 & 3)	02.03.29	9,990		9,990	129,100 ~ 11.03.29
		<u>(Won) 5,151,051</u>	<u>(Won) 973,838</u>	<u>(Won) 911,744</u>	<u>(Won) 3,265,469</u>

(\*1) The exercise price is adjusted by reflecting the increase in the average stock price index of banking industry.

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- (\*2) As the number of shares granted is determined according to the certainty of exercise of stock options and performance record for the contract period of service provided after the grant date, the number of shares granted is computed based on the assumption that the performance evaluation result falls into the highest salary in the bracket.
- (\*3) 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 30,000 shares to the directors with the approval of the Board of Directors on July 22, 2005.

- (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:

	<u>Current stock price</u>	<u>Risk free interest rate (%)</u>	<u>Exercise Period(years)</u>	<u>Volatility (%)</u>	<u>Expected dividend s rate of return (%)</u>	<u>Compensation cost per share</u>
Series 1	(Won) 21,441	9.32	4	71.14	2.25	(Won) 12,638
Series 2	25,156	6.06	5.5	70.30	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	73.30	1.93	19,850
Series 5	33,750	4.74	1.33	73.30	1.93	13,320
Series 6	33,750	4.74	2.42	73.30	1.93	17,117
Series 7	45,800	4.91	3	58.90		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		11,423
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	4.90	3	42.74		16,430
Series 13-1	45,900	4.67	3	42.74		14,609
Series 13-2	45,900	4.67	3	42.74		15,120
Series 14	37,400	3.54	3	44.14		12,051
Series 15-1	46,300	4.10	3	42.06		14,697
Series 15-2	46,300	4.10	3	42.06		15,066
Series 16	43,800	3.88	3	41.78		13,552
Kookmin Credit Card-1	27,200	5.17	3	46.02		8,447
Kookmin Credit Card - 2	55,900	6.39	2	49.24	20.00	6,536

- (3) Compensation costs, which were included in the operation cost as of June 30, 2005 and to be included later for the grant of the stock options, were as follows (Unit: In millions):

	<u>Prior period</u>	<u>Current period</u>	<u>After current period</u>	<u>Total</u>
Series 2	(Won) 2,391	(Won)	(Won)	(Won) 2,391
Series 5	1,218			1,218
Series 6	893			893

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Series 7	11,937			11,937
Series 8-1	949	86		1,035
Series 8-2	7,264	312		7,576
Series 9	419	87	14	520

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	Prior period	Current period	After current period	Total
Series 10-1	559	111	55	725
Series 10-2	950	221	89	1,260
Series 11	34	43		77
Series 12	388	622	231	1,241
Series 13-1	76	162	55	293
Series 13-2	38	57	56	151
Series 14	238	1,637	6,561	8,436
Series 15-1		202	2,223	2,425
Series 15-2		960	10,565	11,525
Series 16		11	192	203
Kookmin Credit Card-1	187			187
Kookmin Credit Card-2	65			65
	(Won) 27,606	(Won) 4,511	(Won) 20,041	(Won) 52,158

- (4) The weighted average exercise cost is (Won)45,908 and the weighted average fair value is (Won)15,972 as of June 30, 2005.

19. CONTINGENCIES AND COMMITMENTS:

- (1) As of June 30, 2005 and December 31, 2004, the Bank has (Won)6,285 million and (Won)9,396 million, respectively, of endorsed notes relating to the repurchase bills bought in foreign currencies.
- (2) The Bank holds written-off loans, which have not been terminated of the claim for borrowers and guarantors, amounting to (Won)7,080,326 million and (Won)6,629,858million as of June 30, 2005 and December 31, 2004, respectively.
- (3) As of June 30, 2005, the Bank has entered into commitments to provide credit line of (Won)4,680,827 million and to purchase commercial papers amounting to (Won)1,311,300 million with several special purpose companies. Commitments to provide credit line and to purchase commercial paper with a one year term amount to (Won)31,000 million and (Won)760,000 million, respectively. Under these commitments, the Bank extended (Won)179,718 million of loans to the companies and recognized (Won)370,921 million of expected loss as other allowance. As of June 30, 2005, the Bank has (Won)65,868 million of outstanding commitments to provide foreign currency loans, and the amount of commitments within one year term is (Won)10,244 million.
- (4) The Bank entered into the business cooperation agreements with Woori Credit Card, Citibank and Nonghyup for the credit card business. Accordingly, the Bank shares the related revenue from such business operation.
- (5) As of June 30, 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)228 million for losses from possible future repurchase of loans from KAMCO under the repurchase agreement on loans amounting (Won)692 million.
- (6) As of June 30, 2005 and December 31, 2004, the Bank recorded receivables amounting to (Won)5,209,258 million and (Won)2,286,066 million, and payables amounting to (Won)5,216,373 million and (Won)2,283,394 million for unsettled foreign currency spot transactions.



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(7) As of December 31, 2005, the Bank faces 170 pending legal actions involving aggregate damages of (Won)353,895 million. On the other hand, the Bank also has filed 241 lawsuits, which are still pending, with aggregate claims of (Won)143,128 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.

(8) The notional amounts outstanding for derivative contracts as of June 30, 2005 and December 31, 2004 were as follows (Unit: In millions):

Type	2005			2004		
	Trading	Hedge	Total	Trading	Hedge	Total
<b>Interest rate:</b>						
Interest rate futures	(Won) 1,032,258	(Won)	(Won) 1,032,258	(Won) 605,224	(Won)	(Won) 605,224
Interest rate swaps (*1)	29,779,980	1,268,850	31,048,830	31,951,803	1,007,900	32,959,703
Interest rate options purchased	351,220		351,220	354,190		354,190
Interest rate options sold	771,220		771,220	854,190		854,190
	<u>31,934,678</u>	<u>1,268,850</u>	<u>33,203,528</u>	<u>33,765,407</u>	<u>1,007,900</u>	<u>34,773,307</u>
<b>Currency:</b>						
Currency forwards (*1)	87,940,440		87,940,440	53,943,197		53,943,197
Currency futures (*1)	2,976,087		2,976,087	2,537,269		2,537,269
Currency swaps (*1)	4,176,599		4,176,599	4,184,152		4,184,152
Currency options purchased	323		323	245,387		245,387
Currency options sold	124		124	270,247		270,247
	<u>95,093,573</u>		<u>95,093,573</u>	<u>61,180,252</u>		<u>61,180,252</u>
<b>Stock:</b>						
Stock index futures	61,542		61,542	3,406		3,406
Stock options purchased	2,171,260		2,171,260	1,743,480		1,743,480
Stock options sold	2,181,260		2,181,260	1,729,630		1,729,630
	<u>4,414,062</u>		<u>4,414,062</u>	<u>3,476,516</u>		<u>3,476,516</u>
<b>Other:</b>						
Gold index purchased	146,268		146,268			
Gold index sold	146,268		146,268			
	<u>292,536</u>		<u>292,536</u>			
	<u>(Won) 131,734,849</u>	<u>(Won) 1,268,850</u>	<u>(Won) 133,003,699</u>	<u>(Won) 98,422,175</u>	<u>(Won) 1,007,900</u>	<u>(Won) 99,430,075</u>



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June 30, 2005

Type	Gain (loss) valuation (I/S)			Gain (loss) on valuation (B/S)
	Trading	Hedge	Total	
<b>Interest rate:</b>				
Interest rate options purchased	(Won) 171	(Won)	(Won) 171	(Won) 4,360
	(2,010)		(2,010)	
Interest rate options sold	2,664		2,664	
	(265)		(265)	(3,605)
Interest rate swaps (*1)	226,419		226,419	174,376
	(202,319)	(19,604)	(221,923)	(214,312)
	<u>229,254</u>	<u></u>	<u>229,254</u>	<u>178,736</u>
	(204,594)	(19,604)	(224,198)	(217,917)
<b>Currency:</b>				
Currency forwards (*1)	606,398		606,398	825,465
	(702,281)		(702,281)	(965,375)
Currency swaps (*1)	39,670		39,670	384,436
	(58,559)		(58,559)	(220,593)
Currency options purchased	3		3	
				(1)
Currency options sold				(3)
	<u>646,071</u>	<u></u>	<u>646,071</u>	<u>1,209,901</u>
	(760,840)		(760,840)	(1,185,972)
<b>Stock:</b>				
Stock option purchased	6,331		6,331	41,911
	(10,416)		(10,416)	
Stock option sold	10,853		10,853	
	(5,765)		(5,765)	(42,528)
	<u>17,184</u>	<u></u>	<u>17,184</u>	<u>41,911</u>
	(16,181)		(16,181)	(42,528)
<b>Other:</b>				
Gold index purchased	882		882	2,018
	(764)		(764)	
Gold index sold	763		763	
	(777)		(777)	(2,003)
	<u>1,645</u>	<u></u>	<u>1,645</u>	<u>2,018</u>
	(1,541)		(1,541)	(2,003)
	<u>894,154</u>	<u></u>	<u>894,154</u>	<u>1,432,566</u>
	(Won) (983,156)	(Won) (19,604)	(Won) (1,002,760)	(Won) (1,448,420)



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December 31, 2004

Type	Gain (loss) valuation (I/S)			Gain (loss) on valuation (B/S)
	Trading	Hedge	Total	
<b>Interest rate:</b>				
Interest rate options purchased	(Won) 734 (2,252)	(Won)	(Won) 734 (2,252)	(Won) 6,202
Interest rate options sold	2,832 (2,163)		2,832 (2,163)	(17,757)
Interest rate swaps (*1)	117,925 (92,193)	(12,263)	117,925 (104,456)	316,333 (354,023)
	121,491 (96,608)		121,491 (108,871)	322,535 (371,780)
<b>Currency:</b>				
Currency forwards (*1)	428,226 (473,538)		428,226 (473,538)	1,519,636 (1,486,626)
Currency swaps (*1)	95,485		95,485	476,703

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Type	Gain (loss) valuation (I/S)			Gain (loss) on valuation (B/S)
	Trading	Hedge	Total	
	(75,278)		(75,278)	(287,203)
Currency options purchased	467		467	281
	(1,389)		(1,389)	(887)
Currency options sold	434		434	827
	(75)		(75)	(379)
	524,612		524,612	1,997,447
	(550,280)		(550,280)	(1,775,095)
<b>Stock:</b>				
Stock option purchased	879		879	72,002
	(39,987)		(39,987)	
Stock option sold	30,795		30,795	
	(1,063)		(1,063)	(72,755)
	31,674		31,674	72,002
	(41,050)		(41,050)	(72,755)
	677,777		677,777	2,391,984
	(Won) (687,938)	(Won) (12,263)	(Won) (700,201)	(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 June 30, 2005, the Bank recognized the gain on valuation of fair value hedged items amounting (Won)19,604 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.

(9) The Bank has credit linked notes issued by Morgan Stanley for the commission gain as of June 30, 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 June 30, 2005 and December 31, 2004 were as follows:

	2005		2004	
	USD equivalent (In thousands)	KRW equivalent (In millions)	USD equivalent (In thousands)	KRW equivalent (In millions)
<b>Assets:</b>				
Foreign currencies	US\$ 156,897	(Won) 160,725	US\$ 119,501	(Won) 124,735
Due from banks-foreign currencies	639,656	655,264	581,957	607,447
Securities-foreign currencies	861,712	882,737	910,909	950,807
Loans in foreign currencies	5,071,515	5,195,260	3,698,819	3,860,828
Bills bought in foreign currencies	866,661	887,808	550,665	574,785
Call loans	27,117	27,779	183,736	191,784
<b>Liabilities:</b>				
Deposits-foreign currencies	1,516,577	1,553,583	1,373,885	1,434,061
Borrowings-foreign currencies	3,001,350	3,074,583	2,433,665	2,540,260
Due to BOK	1,032	1,057	1,923	2,007
Call money in foreign currencies	402,470	412,291	13,111	13,685
Debentures-foreign currencies	717,398	734,903	667,294	696,522
Foreign exchange remittance pending	US\$ 37,666	(Won) 38,585	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 expenses as of and for the six months ended June 30, 2005 and 2004 were as follows (Unit: In millions):

	2005			2004		
	Average balance	Interest revenue /expense	Interest rate (%)	Average balance	Interest revenue /expense	Interest rate (%)
<b>Assets</b>						
Due from Banks(*1)	(Won) 894,521	(Won) 11,363	2.56	(Won) 764,857	(Won) 4,138	1.09
Securities	21,658,965	495,915	4.62	18,328,788	528,510	5.80
Loans	134,073,555	4,542,051	6.83	139,995,048	5,273,398	7.58
	(Won) 156,627,041	(Won) 5,049,329	6.50	(Won) 159,088,693	(Won) 5,806,046	7.34
<b>Liabilities</b>						

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Deposits	(Won) 124,693,497	(Won) 1,633,482	2.64	(Won) 131,367,968	(Won) 2,018,923	3.09
Borrowings	10,917,438	157,534	2.91	11,761,810	179,322	3.07
Debentures	20,809,877	559,368	5.42	17,308,415	530,500	6.16
	<u>(Won) 156,420,812</u>	<u>(Won) 2,350,384</u>	<u>3.03</u>	<u>(Won) 160,438,193</u>	<u>(Won) 2,728,745</u>	<u>3.42</u>

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

**Table of Contents**22. GENERAL AND ADMINISTRATIVE EXPENSES:

(1) Selling and administrative expenses for the six months ended June 30, 2005 and 2004 were as follows (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Salaries	(Won) 709,134	(Won) 575,691
Provision for severance benefits	66,806	55,163
Other employee benefits	212,827	164,335
Rent	43,478	36,949
Depreciation and amortization	156,635	201,979
Taxes and dues	55,665	60,150
Advertising	15,571	16,835
Development expenses	65,939	61,459
Servicing fee	39,383	44,331
Other selling and administrative expenses	101,436	99,478
	<u>(Won) 1,466,874</u>	<u>(Won) 1,316,370</u>

(2) Other selling and administrative expenses for the six months ended June 30, 2005 and 2004 were as follows (Unit: In millions):

	<u>2005</u>	<u>2004</u>
Communication	(Won) 17,176	(Won) 17,999
Electricity and utilities	7,684	8,138
Publication	9,450	10,948
Repairs maintenance	7,528	8,011
Vehicle	13,558	13,563
Travel	1,766	2,084
Training	8,633	9,599
Other	35,641	29,136
	<u>(Won) 101,436</u>	<u>(Won) 99,478</u>

23. NON-OPERATING INCOME AND EXPENSES:

(1) Non-operating income and expenses for the six months ended June 30, 2005 and 2004 consisted of (In millions):

	<u>2005</u>	<u>2004</u>
Non-operating income:		
Gain on disposal of tangible assets	(Won) 8,644	(Won) 1,688
Reversal of tangible assets impairment loss	500	
Rental income	1,650	1,456
Gain on valuation of securities accounted for using the equity method	53,152	20,886

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Gain on disposal of available-for-sale securities	168,122	100,192
Gain on redemption of held-to-maturity securities		1,509
Gain on disposal of securities accounted for using the equity method		79
Loss on sale of loans	71,593	23,769
Others	103,854	98,841
	(Won) 407,515	(Won) 248,420
<b>Non-operating expenses:</b>		
Loss on disposal of tangible assets	(Won) 1,827	(Won) 1,537
Loss on valuation of securities accounted for using the equity method	8,916	4,407
Loss on disposal of available-for-sale securities	9,666	9,893
Impairment loss on available-for-sale securities	6,085	59,759
Loss on sale of loans	1,417	511,267
Severance benefits	255,326	50,029

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	2005	2004
Others	54,657	56,091
	(Won) 337,894	(Won) 692,983

24. **INCOME TAX EXPENSE:**

- (1) The differences between pretax accounting income and taxable income pursuant to Korean Corporate Income Tax Law for the six months ended June 30, 2005 and 2004 are summarized as follows (Unit: In millions):

	2005		2004(*)	
Income before income tax		(Won) 1,310,120		(Won) 447,364
Taxable and non-deductible items				
Temporary difference	3,660,068		1,503,102	
Permanent difference	689,078	4,349,146	56,000	1,559,102
Deductible and non-taxable items				
Temporary difference	(2,905,377)		(1,490,218)	
Permanent difference	(741,558)	(3,646,935)	(37,589)	(1,527,807)
Taxable income		(Won) 2,012,331		(Won) 478,659

(\*) Adjustment in relation to the private equity fund is not reflected on the income for the six months ended June 30, 2004.

- (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 six months ended June 30, 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) (22,813)	(Won) (22,813)
Allowance for loan losses	178,580	116,934	487,525	549,171
Accrued interest	(309,506)	(309,506)	(328,711)	(328,711)
Tangible asset impairment losses	2,296	2,296	1,267	1,267
Deferred loan organization fee and cost	(48,888)	(48,888)	(55,313)	(55,313)
Interest on ELD	41,937		32,581	74,518
Stock options	29,613	29,613	32,116	32,116
Allowance for possible losses of confirmed acceptances and guarantees	1,150	1,150	2,563	2,563
Valuation loss on derivatives financial instruments	(137,573)	(137,573)	54,307	54,307
Goodwill	(457,014)	(39,172)		(417,842)



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Discount present value	4,279	4,279	1,406	1,406
Dividends from SPC	131,186		128,613	259,799
Others	1,581,558	1,191,604	959,686	1,349,640
	<u>1,014,116</u>	<u>807,235</u>	<u>1,293,227</u>	<u>1,500,108</u>

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	Korean Won			
	Beginning balance (*)	Deduction	Addition	Ending balance
The exclusion of deferred income tax				
Goodwill	(457,014)			(417,842)
Valuation of securities (Capital adjustments)	(444,481)			
Dividends from SPC	131,186			259,799
Other	458			49,502
	1,783,967			1,608,649
Statutory tax rate	27.5%			27.5%
Deferred income tax assets	(Won) 490,591			(Won) 442,378

(\*) The final tax return and adjustments in relation to the private equity fund are reflected in the beginning deferred income tax assets.

(3) Income tax expense for the six months ended June 30, 2005 and 2004 is summarized as follows (Unit: In millions):

	2005	2004
Income tax currently payable	(Won) 553,099	(Won) 57,308
Changes in deferred tax assets	48,213	57,757
Retained earnings and other capital surplus adjustments	(184,569)	(576)
Income tax expense of overseas branch	3,426	
Income tax expense	(Won) 420,169	(Won) 114,489

(4) The statutory income tax rates applicable to the Bank, including resident tax surcharges, are 27.5% and 29.7% for the six months ended June 30, 2005 and 2004, respectively. However, due to tax adjustments, the effective tax rates for the six months ended June 30, 2005 and 2004 are 32.07% and 32.22%, 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 six months ended June 30, 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 six months ended June 30, 2005 was computed as follows:

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1) Outstanding capital stock

	<b>Number of shares</b>	<b>Number of dates</b>
	<u>Number of shares</u>	<u>Number of dates</u>
Number of common shares outstanding-beginning balance	336,379,116	30,274,120,440
Number of treasury stock outstanding-beginning balance	(29,881,209)	(2,689,308,810)
Sale of treasury stock	29,568,700	28,388,214,041
	<u>336,066,607</u>	<u>55,973,025,671</u>

Weighted average number of common shares outstanding :  $55,973,025,671 \div 181 = 309,243,236$  shares

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2) The basic net income per share for the six months period June 30, 2005 is as follows (Unit: In won)

	<u>Common shares</u>
Net income (=ordinary income)	(Won) 889,950,771,054
Weighted average number of common shares outstanding	309,243,236
Net income per share	(Won) 2,878
Ordinary income per share	(Won) 2,878

The ordinary income for the six months ended June 30, 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 was (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 six months ended June 30, 2005 represent diluted net income and diluted ordinary income divided by the number of common shares and diluted securities. Stock options and treasury stock contributed to Employee Stock Ownership Plan in April 2005 were considered for the computation of diluted earnings per share due to their dilutive effects.

Diluted net income (ordinary income) per share for the six months ended June 30, 2005 was computed as follows:

- 1) Diluted net income (ordinary income) (\*1) : (Won)889,950,771,054
- 2) Number of common shares and diluted securities: 309,243,236 + 140,129 (\*2) = 309,383,365 (shares)
- 3) Diluted net income (ordinary income) per share: (Won) 889,950,771,054÷ 309,383,365 (shares) = (Won)2,877

(\*1) The stock options, which were included in the diluted shares, have no effect on net income because the contracted service period has expired as of June 30, 2005.

(\*2) The 140,129 shares of treasury stock in stock options are included in diluted shares.

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

(3) Dilutive securities

As of June 30, 2005, dilutive securities are summarized as follows (Unit: won, shares):

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	<u>Exercise period</u>	<u>Common stock to be issued</u>	<u>Condition for conversion</u>
Stock options	Mar. 1, 2003 ~ Apr. 27, 2013	3,265,469	(Won) 25,100 ~ 129,100 per share

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**Table of Contents**26. **TRUST ACCOUNTS:**

(1) As of June 30, 2005 and 2004, major financial information related to the trust accounts were as follows (Unit : In millions)

	<u>2005</u>	<u>2004</u>
<b>Operating revenue of trust operation:</b>		
Trust fees and commissions from trust accounts	(Won) 73,891	(Won) 58,974
Commissions from early redemption in trust accounts	9	52
	<u>(Won) 73,900</u>	<u>(Won) 59,026</u>
<b>Operating expenses of trust operation:</b>		
Interest expense on borrowings from trust accounts	(Won) 14,411	(Won) 32,474

(2) As of June 30, 2005 and December 31, 2004, significant balances related to the trust accounts were as follows (Unit : In millions)

	<u>2005</u>	<u>2004</u>
<b>Assets:</b>		
Accrued receivable trust fees	(Won) 130,849	(Won) 86,472
<b>Liabilities:</b>		
Borrowings from trust accounts	(Won) 732,374	(Won) 811,339

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

	<u>Name of fund</u>	<u>Book value</u>	<u>Fair value</u>	<u>Charge to Bank account</u>
Trust accounts guaranteeing the repayment of principal:	Old age pension (*) (**)	(Won) 30,088	(Won) 29,978	
	Personal pension (*) (**)	2,244,903	2,233,199	
	Pension trust	289,635	289,635	
	Retirement trust	264,481	264,481	
	New personal pension	63,752	63,752	
	New old age pension	320,058	320,058	
		<u>3,212,917</u>	<u>3,201,103</u>	
Trust accounts guaranteeing a fixed rate of return and the repayment of principal:	Development money trust (*)	92,158	95,258	
	Unspecified monetary trust (*)	163	163	

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	92,321	95,421	
	(Won) 3,305,238	(Won) 3,296,524	

(\*) 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.

**Table of Contents**27. **SEGMENT INFORMATION:**

- (1) As of June 30, 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 segments are segregated into two segments: domestic and overseas operations.

As of and for the six months ended June 30, 2005, financial information on the Bank's operating segments was as follows (Unit: In millions):

	<u>Consumer</u>	<u>Corporate</u>	<u>Credit card</u>	<u>Capital market</u>	<u>Other</u>	<u>Total</u>
Cash and due from bank	(Won) 1,978,238	(Won) 195,857	(Won) 4,030	(Won) 3,480,412	(Won) 574,342	(Won) 6,232,879
Securities		204,460	144,511	25,707,452	2,106,272	28,164,695
Loans	81,535,264	41,321,421	7,082,059	3,788,176	23,554	133,750,474
Fixed assets	949,367	102,039	46,703	12,905	1,390,458	2,501,472
Other assets	1,343,457	101,675	57,247	7,407,213	1,404,178	10,313,770
	<u>(Won) 85,806,326</u>	<u>(Won) 41,927,452</u>	<u>(Won) 7,334,550</u>	<u>(Won) 40,396,158</u>	<u>(Won) 5,498,804</u>	<u>(Won) 180,963,290</u>
Operating revenue	(Won) 2,943,081	(Won) 1,336,595	(Won) 1,145,922	(Won) 3,207,295	(Won) 452,670	(Won) 9,085,563

- (2) Financial information on the Bank's geographical segments as of and for the six months ended June 30, 2005 was as follows (Unit: In millions):

	<u>Domestic</u>	<u>Overseas</u>	<u>Total</u>
Cash and due from bank	(Won) 6,179,198	(Won) 53,681	(Won) 6,232,879
Securities	28,164,695		28,164,695
Loans	133,329,547	420,927	133,750,474
Fixed assets	2,498,797	2,675	2,501,472
Other assets	10,300,636	13,134	10,313,770
	<u>180,472,873</u>	<u>490,417</u>	<u>180,963,290</u>
Operating revenue	(Won) 9,061,953	(Won) 23,610	(Won) 9,085,563



**Table of Contents**28. RELATED PARTY TRANSACTIONS:

(1) Significant balances with related parties as of June 30, 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) 109,472	(Won) 125,750	(Won) 79,968	(Won) 117,237
KB Investment Co., Ltd.		18,862		17,739
KB Futures Co., Ltd.	2,634	12,204	22	11,024
KB Data System Co., Ltd.	72	14,389	98	18,743
KB Asset Management		35,970		26,253
KB Real Estate Trust	16,475	292	33,975	1,916
KB Credit Information		18,672		22,363
KB Life Insurance Co., Ltd.	2,274	3,024	3,037	7,203
Pacific IT Investment Partnership		13		
NPC 02-4 Kookmin Venture Fund		15,806		
Jooeun Industrial Co., Ltd.	69,679		70,808	
Kookmin Bank International Ltd. (London)	215,113	58,716	245,772	101,812
Kookmin Bank Hong Kong Ltd.	283,197	1,914	171,820	12,145
	(Won) 698,916	(Won) 305,612	(Won) 605,500	(Won) 336,435

(2) Significant transactions with related parties for six months ended June 30, 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) 46,009	(Won) 2,104	(Won) 22,928	(Won) 8,272
KB Investment Co., Ltd.		306		193
KB Futures Co., Ltd.	10	688	47	366
KB Data System Co., Ltd.	12	8,932		7,585
KB Asset Management		578		531
KB Real Estate Trust	1,068		1,066	32
KB Credit Information	84	21,992	70	16,573
KB Life Insurance Co., Ltd.	18,458	22	1,649	
Pacific IT Investment Partnership		4		
NPC02-4 Kookmin Venture Fund		184		
Kookmin Bank International Ltd. (London)	3,118	2,671	1,683	2,652
Kookmin Bank Hong Kong Ltd.	3,199	914		
Kookmin Finance Asia Ltd. (HK).			1,894	1,114
	(Won) 71,958	(Won) 38,395	(Won) 29,337	(Won) 37,318

29. EMPLOYEE BENEFITS:

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.

**Table of Contents**30. CASH FLOWS:

- (1) Cash flows from operating activities are presented by the indirect method.
- (2) The cash and due from banks in the statements of cash flows for the six months ended June 30, 2005 and 2004 were as follows (Unit : In millions)

	<u>2005</u>	<u>2004</u>
Cash on hand	(Won) 2,488,696	(Won) 2,600,621
Foreign currencies	160,725	174,415
Due from banks in local currency	2,929,351	4,350,847
Due from banks in foreign currency	655,264	706,822
	<u>6,234,036</u>	<u>7,832,705</u>
Restricted due from banks	(2,866,568)	(4,388,882)
	<u>(Won) 3,367,468</u>	<u>(Won) 3,443,823</u>

- (3) Significant transactions not involving cash inflows and outflows for the six months ended June 30, 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) 941,721	(Won) 2,428,492
Increase (decrease) in allowance resulting from sale of non-performing loans and repurchase	(83,832)	173,502
Increase in available-for-sale securities resulting from the debt to equity swap		3,626
Changes in capital adjustments from valuation of securities	(247,066)	91,031
Reclassification of available-for-sale securities to held-to-maturity securities	60,091	

31. SUBSEQUENT EVENT:

After the balance sheet date, the Bank identified approximately (Won)65 billion of employee s misappropriation of certificates of deposits (CDs). As of the report date, the misappropriation is under investigation by the Bank and the Financial Supervisory Service. The ultimate loss resulting from the misappropriation is not certain, but the management does not expect that the ultimate loss would have material effect on the financial statements.