

KOOKMIN BANK
Form 6-K/A
August 23, 2004
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K/A

**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 2004

Kookmin Bank

(Translation of registrant's name into English)

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

(Address of principal executive office)

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

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Form 20-F X Form 40-F _____

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

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

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

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

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

Yes _____ No X

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Summary of Semi-Annual Business Report Amended

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Summary of Semi-Annual Business Report Amended

On August 13, 2004, Kookmin Bank filed its business report for the first half of 2004 (the Business Report) with the Financial Supervisory Commission of Korea pursuant to the Securities and Exchange Act of Korea. This is the summary of the Business Report translated into English.

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

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1. Introduction to the Bank

1.1. Business Purposes

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

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

The 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 Service

September 30, 2003

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Completed small-scale merger with Kookmin Credit Card

December 16, 2003

Completed strategic investment in Bank Internasional 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

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

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

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

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

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

1.3.2. Treasury Stock

The following table shows the acquisition and disposition of our treasury stock as of June 30, 2004

(Unit: in thousands of Won unless otherwise indicated)

| Date | Transaction | Number of share | Average cost | |
|----------------------------|--|--------------------|---------------------------------------|------------------------|
| | | | Acquisition/ Disposition amount | 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 |

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|-------------------------------|---|-------------------|----------------------|--------|
| January 15, 2003 | Disposition due to exercise of stock option by a grantee | 10,000 | 492,294 | 49,229 |
| September 4 ~ 9, 2003 | Acquisition pursuant to the Securities and Exchange Act of Korea | 650,000 | 29,094,064 | 44,760 |
| October 16, 2003 | Acquisition of fractional shares due to the Merger with Kookmin Credit Card | 5,095 | 214,254 | 42,050 |
| 4 th quarter, 2003 | Disposition due to exercise of stock option by grantees | 78,322 | 3,792,977 | 48,428 |
| December 17, 2003 | Acquisition from the sale of Korean government shares of the Bank | 27,423,761 | 1,198,568,158 | 43,700 |
| December 26, 2003 | Disposition due to contribution to ESOP account | 1,000,000 | 44,252,000 | 44,252 |
| 1 st quarter, 2004 | Disposition due to exercise of stock option by grantees | 30,855 | 1,365,396 | 44,252 |
| 2 nd quarter, 2004 | Disposition due to exercise of stock option by grantees | 55,593 | 2,460,101 | 44,252 |
| Total | | 29,930,175 | 1,324,486,398 | |

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.

| Grant date | Name of the grantee | Position when granted | Exercise period | | (As of June 30, 2004, Units: in Won, shares) | | | |
|------------|---------------------|--------------------------------------|-----------------|-----------|--|-----------|-----------|-------------|
| | | | From | To | Exercise price | Number of | Number of | Number of |
| | | | | | | options* | exercised | exercisable |
| 31-Oct-98 | Jung Tae Kim | Chairman, President&CEO | 01-Nov-01 | 31-Oct-04 | 5,000 | 400,000 | 390,000 | 10,000 |
| 27-Feb-99 | Choul Ju Lee | Auditor&Executive Director | 28-Feb-02 | 27-Feb-05 | 13,900 | 30,000 | 30,000 | 0 |
| 27-Feb-99 | Seung Dong Kim | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 20,054 | 20,054 | 0 |
| 27-Feb-99 | Young Jo Joo | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 30,000 | 30,000 | 0 |
| 27-Feb-99 | Seok Il Cho | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 20,054 | 20,054 | 0 |
| 27-Feb-99 | Hong Shik Chung | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 20,000 | 20,000 | 0 |
| 27-Feb-99 | Bong Hwan Cho | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 30,000 | 30,000 | 0 |
| 27-Feb-99 | Sun Joo Kim | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 10,000 | 10,000 | 0 |
| 27-Feb-99 | Je Hyung Jo | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 30,000 | 30,000 | 0 |
| 27-Feb-99 | Ho Gi Baek | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 20,000 | 20,000 | 0 |
| 27-Feb-99 | Bruce G. Willison | Non Executive Director | 28-Feb-02 | 27-Feb-05 | 13,900 | 10,000 | 10,000 | 0 |
| 28-Feb-00 | Jan Op de Beeck | Director&Executive Vice President | 01-Mar-03 | 28-Feb-06 | 27,600 | 22,490 | 0 | 22,490 |
| 28-Feb-00 | Sung Chul Kim | Executive Vice President | 01-Mar-03 | 28-Feb-06 | 27,600 | 30,000 | 0 | 30,000 |
| 28-Feb-00 | Woo Jung Lee | Executive Vice President | 01-Mar-03 | 28-Feb-06 | 27,600 | 30,000 | 0 | 30,000 |
| 28-Feb-00 | Kuk Ju Kwon | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,800 | 0 | 4,800 |
| 28-Feb-00 | Sun Jin Kim | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 7,000 | 1,100 | 5,900 |
| 28-Feb-00 | Joon Park | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,800 | 0 | 4,800 |
| 28-Feb-00 | Moon Soul Chung | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 7,000 | 0 | 7,000 |
| 28-Feb-00 | Ju Hyun Yoon | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,800 | 4,800 | 0 |
| 28-Feb-00 | Heung Hoon Chang | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 2,486 | 0 | 2,486 |
| 28-Feb-00 | In Joon Kang | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 2,486 | 0 | 2,486 |

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|-----------|----------------------------|----------------------------|-----------|-----------|--------|--------|--------|--------|
| 28-Feb-00 | Sung Hee Jwa | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,800 | 0 | 4,800 |
| 28-Feb-00 | Seung Woo Nam | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 1,928 | 0 | 1,928 |
| 28-Feb-00 | Woon Youl Choi | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,909 | 4,909 | 0 |
| 28-Feb-00 | Kyung Hee Yoon | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 7,000 | 0 | 7,000 |
| 28-Feb-00 | Sung Cheon Hong & 9 others | Employees | 01-Mar-03 | 28-Feb-06 | 27,600 | 67,283 | 24,154 | 43,129 |
| 24-Mar-01 | Young Il Kim | Executive Vice President | 25-Mar-04 | 24-Mar-07 | 25,100 | 30,000 | 0 | 30,000 |
| 24-Mar-01 | Jong In Park | Executive Vice President | 25-Mar-04 | 24-Mar-07 | 25,100 | 19,333 | 0 | 19,333 |
| 24-Mar-01 | Won Bae Yoon | Non Executive Director | 25-Mar-04 | 24-Mar-07 | 25,100 | 2,318 | 0 | 2,318 |
| 24-Mar-01 | Jae Kyu Lee | Non Executive Director | 25-Mar-04 | 24-Mar-07 | 25,100 | 2,318 | 0 | 2,318 |
| 24-Mar-01 | Chul Soo Ahn | Non Executive Director | 25-Mar-04 | 24-Mar-07 | 25,100 | 1,916 | 0 | 1,916 |
| 24-Mar-01 | Jae Han Kim & 2 others | Employees | 25-Mar-04 | 24-Mar-07 | 25,100 | 16,491 | 10,216 | 6,275 |
| 18-Mar-00 | Sang Hoon Kim | Chairman&CEO | 19-Mar-03 | 18-Mar-05 | 23,469 | 41,460 | 1,300 | 40,160 |
| 18-Mar-00 | Jong Min Lee | Auditor&Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 14,807 | 14,807 | 0 |
| 18-Mar-00 | Se Jong Oh | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 0 | 2,961 |
| 18-Mar-00 | In Kie Kim | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 0 | 2,961 |
| 18-Mar-00 | Ji Hong 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 | 0 | 2,961 |
| 18-Mar-00 | Hyung Jin Chang | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 2,961 | 0 |
| 18-Mar-00 | Ik Rae Kim | 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 | 0 | 2,961 |
| 18-Mar-00 | Bock Woan Kim | Executive Vice President | 19-Mar-03 | 18-Mar-05 | 23,469 | 11,845 | 11,845 | 0 |

* 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 options* | Number of exercised options | Number of exercisable options |
|------------|------------------------|----------------------------|-----------------|-----------|----------------|----------------------|-----------------------------|-------------------------------|
| | | | From | To | | | | |
| 18-Mar-00 | Yoo Hwan Kim | Executive Vice President | 19-Mar-03 | 18-Mar-05 | 23,469 | 11,845 | 5,845 | 6,000 |
| 18-Mar-00 | Duk Hyun Kim | Executive Vice President | 19-Mar-03 | 18-Mar-05 | 23,469 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Sang Hoon Kim | Chairman&CEO | 16-Mar-04 | 15-Mar-09 | 28,027 | 29,614 | 0 | 29,614 |
| 15-Mar-01 | Jong Min Lee | Auditor&Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 14,807 | 0 | 14,807 |
| 15-Mar-01 | In Kie Kim | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Hyung Jin Chang | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 2,961 | 0 |
| 15-Mar-01 | Ji Hong Kim | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Bong Ho Paick | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 1,870 | 0 | 1,870 |
| 15-Mar-01 | Ik Rae Kim | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Seung Heon Han | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 1,870 | 0 | 1,870 |
| 15-Mar-01 | Young Seok Kim | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 1,870 | 0 | 1,870 |
| 15-Mar-01 | Se Woong Lee | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Chang Ki Min | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 2,961 | 0 |
| 15-Mar-01 | Bock Woan Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Yoo Hwan Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Duk Hyun Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Yoon Ok Hyun | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Tai Gon Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 4,845 | 7,000 |
| 15-Mar-01 | Byung Sang Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Byung Jin Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Ji Han Koo & 46 others | Employees | 16-Mar-04 | 15-Mar-09 | 28,027 | 47,381 | 9,105 | 38,276 |
| 16-Nov-01 | Jung Tae Kim | President&CEO | 17-Nov-04 | 16-Nov-09 | | 500,000 | 0 | 500,000 |
| 16-Nov-01 | Jung Tae Kim | President&CEO | 17-Nov-04 | 16-Nov-09 | X ¹ | 200,000 ² | 0 | 200,000 |
| 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 |

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|-----------|-----------------|--------------------------|-----------|-----------|----------------|--------|--------|--------|--------|
| 22-Mar-02 | Keun Shik Oh | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 3,321 | 0 | 3,321 | |
| 22-Mar-02 | Dong Soo Chung | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 10,000 | 0 | 10,000 | |
| 22-Mar-02 | Ji Hong Kim | Non Executive Director | 23-Mar-05 | 22-Mar-10 | Y ³ | 3,321 | 0 | 3,321 | |
| 22-Mar-02 | Timothy Hartman | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 3,321 | 0 | 3,321 | |
| 22-Mar-02 | Sun Jin Kim | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 3,000 | 0 | 3,000 | |
| 22-Mar-02 | Moon Soul Chung | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 3,000 | 0 | 3,000 | |
| 22-Mar-02 | Kyung Hee Yoon | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 3,000 | 0 | 3,000 | |
| ----- | | | | | | | | | |
| 22-Mar-02 | Jong Kyoo Yoon | Executive Vice President | 23-Mar-05 | 22-Mar-10 | | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Bong Hwan Cho | Executive Vice President | 23-Mar-05 | 22-Mar-10 | | 57,100 | 9,498 | 0 | 9,498 |
| 22-Mar-02 | Bum Soo Choi | Executive Vice President | 23-Mar-05 | 22-Mar-10 | | 57,100 | 13,339 | 0 | 13,339 |
| 22-Mar-02 | Bock Woan Kim | Executive Vice President | 23-Mar-05 | 22-Mar-10 | | 57,100 | 13,339 | 0 | 13,339 |
| 22-Mar-02 | Ki Taek Hong | Executive Vice President | 23-Mar-05 | 22-Mar-10 | | 57,100 | 19,525 | 0 | 19,525 |

1. Exercise price = 51,200 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4) / 100. 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. Conditional options up to 200,000: Additional shares shall be granted if the average closing price of Kookmin Bank's stock from August 17, 2004 to November 16, 2004 (or for the three months prior to his resignation, if he resigns earlier than his original tenure) is higher than the stock prices of any other bank listed on the Korea Stock Exchange. The number of options to be granted shall be based on total score, which calculated by the earned total scores of both ROE and market capitalization on November 17, 2004 (or on the date of his resignation, if he resigns earlier than his original tenure). The additional shares will not be exercisable if the CEO works less than 18 months or the earned total score is less than 80 points.
3. 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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| 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-02 | Sung Hyun Chung | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 19,525 | 0 | 19,525 |
| 22-Mar-02 | Ki Sup Shin | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Seong Kyu Lee | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Byung Sang Kim | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 9,498 | 0 | 9,498 |
| 22-Mar-02 | Jong Young Yoon & 15 others | Employees | 23-Mar-05 | 22-Mar-10 | 57,100 | 148,810 | 0 | 148,810 |
| 26-Jul-02 | Donald H. MacKenzie | Executive Vice President | 27-Jul-05 | 26-Jul-10 | 58,800 | 30,000 | 0 | 30,000 |
| 21-Mar-03 | Sung Nam Lee | Auditor & Executive Director | 22-Mar-06 | 21-Mar-11 | | 30,000 | 0 | 30,000 |
| 21-Mar-03 | Moon Soul Chung | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Sun Jin Kim | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Richard Elliott Lint | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Kyung Hee Yoon | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Seoung Woo Nam | Non Executive director | 22-Mar-06 | 21-Mar-11 | Y ¹ | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Suk Yong Cha | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Bernard S. Black | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Ki Hong Kim | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Eun Joo Park | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 3,351 | 0 | 3,351 |
| 21-Mar-03 | Cheol Soo Ahn | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 3,351 | 0 | 3,351 |
| 21-Mar-03 | Kyung Bae Suh | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 3,351 | 0 | 3,351 |
| 21-Mar-03 | Sung Chul Kim | Executive Vice President | 22-Mar-06 | 21-Mar-11 | 35,500 | 9,443 | 0 | 9,443 |
| 21-Mar-03 | Woo Jung Lee | Executive Vice President | 22-Mar-06 | 21-Mar-11 | 35,500 | 9,443 | 0 | 9,443 |
| 21-Mar-03 | See Young Lee | Executive Vice President | 22-Mar-06 | 21-Mar-11 | 35,000 | 7,024 | 0 | 7,024 |
| 21-Mar-03 | Won Suk Oh & 6 others | Employees | 22-Mar-06 | 21-Mar-11 | 35,500 | 90,000 | 0 | 90,000 |
| 27-Aug-03 | Jin Baek Cheong | Executive Vice President | 28-Aug-03 | 27-Aug-11 | 40,500 | 5,091 | 0 | 5,091 |
| 22-Mar-01 | Han Kyoung Lee ³ | 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 |

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| | | | | | | | | |
|-----------|----------------|------------------------------------|-----------|-----------|----------------|--------|---|--------|
| 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 ² | 3,330 | 0 | 3,330 |
| 29-Mar-02 | Jang Ok Kim | Former KCC Officer | 30-Mar-04 | 29-Mar-11 | | 3,330 | 0 | 3,330 |
| 09-Feb-04 | Young Il Kim | Senior Executive Vice President | 10-Feb-07 | 09-Feb-12 | 46,100 | 10,000 | 0 | 10,000 |
| 09-Feb-04 | Jeung Lak Lee | Senior Executive Vice President | 10-Feb-07 | 09-Feb-12 | 46,100 | 10,000 | 0 | 10,000 |
| 09-Feb-04 | Sang Jin Lee | Senior Executive Vice President | 10-Feb-07 | 09-Feb-12 | 46,100 | 10,000 | 0 | 10,000 |

¹ 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.

² 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

³ The 7 people in the above stock option table were granted Kookmin Bank stock option retroactively on the indicated dates. Those were originally granted by Kookmin Credit Card(KCC) when they were in office, and due to the Merger between Kookmin Bank and Kookmin Credit Card, those options were converted into stock options of the Bank.

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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 | | | | |
| | | | 09-Feb-04 | Yun Keun Jung | | | | |
| 09-Feb-04 | Kuk Shin | Employees | 10-Feb-07 | 09-Feb-12 | 46,100 | 50,000 | 0 | 50,000 |
| 23-Mar-04 | Kang & 9 others 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 ¹ | 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 |
| Total | | | | | | 2,838,859 | 717,839 | 2,121,020 |

¹ 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.

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

| | Beginning balance | Increase | Decrease | Ending Balance (June 30, 2004) | Remarks |
|-------------------------|----------------------|----------|---------------|--------------------------------------|------------------------------|
| Registered common stock | 1,000,000 | | 16,863 | 983,137 | Due to distribution upon ERP |
| Total | 1,000,000 | | 16,863 | 983,137 | |

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 not to pay dividend for the fiscal year of 2003, and shareholders of Kookmin Bank approved of no dividend payout for the year at the general shareholders meeting held on March 23, 2004

(Units: in millions of Won unless indicated otherwise)

| | 2003 | 2002 | 2001 |
|--|-----------|------------------------|---------|
| Net (loss) income for the period | (753,348) | 1,310,291 | 740,565 |
| Basic (loss) earnings per share (Won) | (2,311) | 4,123 ¹ | 3,706 |
| Maximum amount available for dividend | 133,369 | 1,192,643 ² | 604,984 |
| Total dividend amount | | 325,232 | 119,866 |
| Dividend payout ratio (%) | | 24.82 ³ | 16.19 |
| Cash dividend per common share (Won) | | 1,000 | 100 |
| Stock dividend per common share (%) | | | 6 |
| Dividend per preferred share (Won) | | | |
| Dividend yield ratio (%) | | 2.38 ⁴ | 0.80 |
| Net asset value per common share (Won) | 25,672 | 30,614 ⁵ | 29,742 |
| Ordinary income per common share (Won) | (2,311) | 4,123 | 3,706 |

- Earnings per share = net income (1,310,291,195,314 Won) / weighted average number of shares (317,786,872 shares)
- Maximum amount available for dividend = retained earnings before appropriations (1,319,970 millions of Won) + transferred from prior years reserves (5,417 millions of Won) - appropriated amount pursuant to the relevant rules and regulations (132,744 millions of Won)
- Dividend payout ratio = total dividend amount for common shares (325,232,596,000 Won) / net income (1,310,291,195,314 Won).
- Dividend yield ratio = dividend per share (1,000 Won) / market closing price of December 31, 2002 (42,000 Won)
- Net asset value per common share = total shareholders equity (10,049,396 millions of Won) / total issued shares as of December 31, 2002 (328,258,685 shares).

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, 2004 | | December 31, 2003 | | December 31, 2002 | |
|------------------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| | Average balance | Interest rate (%) | Average balance | Interest rate (%) | Average balance | Interest rate (%) |
| Won currency | | | | | | |
| Deposits | 120,119,634 | 3.35 | 117,045,837 | 3.69 | 113,157,719 | 4.21 |
| Certificate of deposit | 5,788,913 | 4.17 | 4,068,327 | 4.45 | 2,119,900 | 4.82 |
| Borrowings | 3,189,166 | 3.55 | 3,625,926 | 3.89 | 4,568,873 | 4.45 |
| Call money | 1,494,968 | 3.62 | 1,315,639 | 3.93 | 1,039,249 | 4.02 |
| Other | 22,089,425 | 5.81 | 23,311,299 | 5.91 | 14,254,281 | 6.70 |
| Subtotal | 152,682,106 | 3.74 | 149,367,028 | 4.06 | 135,140,022 | 4.49 |
| Foreign currency | | | | | | |
| Deposits | 1,531,606 | 0.61 | 1,276,952 | 0.84 | 1,096,544 | 1.28 |
| Borrowings | 3,033,233 | 0.85 | 3,462,883 | 1.01 | 2,269,774 | 2.45 |
| Call money | 185,702 | 1.19 | 150,609 | 1.07 | 293,151 | 1.65 |
| Finance debentures issued | 866,279 | 2.07 | 773,840 | 2.11 | 1,071,848 | 3.57 |
| Other | 37,393 | 0.01 | 26,491 | | 23,087 | |
| Subtotal | 5,654,213 | 0.98 | 5,690,775 | 1.12 | 4,754,404 | 2.67 |
| Other | | | | | | |
| Total Shareholders Equity | 9,361,275 | | 12,053,112 | | 14,586,550 | |
| Allowances | 509,089 | | 98,422 | | 63,039 | |
| Other | 13,261,836 | | 9,509,283 | | 3,717,379 | |
| Subtotal | 23,132,200 | | 21,660,817 | | 18,366,968 | |
| Total | 181,468,519 | 3.18 | 176,718,620 | 3.47 | 158,261,394 | 3.92 |

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

(Unit: in millions of Won)

| | June 30, 2004 | | December 31, 2003 | | December 31, 2002 | |
|--------------------------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| | Average balance | Interest rate (%) | Average balance | Interest rate (%) | Average balance | Interest rate (%) |
| Won currency | | | | | | |
| Due from banks | 164,443 | 0.94 | 165,358 | 1.37 | 1,041,865 | 4.62 |
| Securities | 23,731,562 | 5.14 | 30,069,922 | 7.26 | 30,180,305 | 6.32 |
| Loans | 125,625,510 | 6.72 | 121,725,298 | 7.10 | 105,188,481 | 7.79 |
| Advances for customers | 92,197 | 1.31 | 96,547 | 5.79 | 91,583 | 4.35 |
| Call loan | 1,516,837 | 3.90 | 685,953 | 3.92 | 736,571 | 4.36 |
| Private placement corporate bonds | 1,472,449 | 6.47 | 1,287,623 | 10.26 | 1,631,524 | 7.32 |
| Credit card accounts | 10,599,504 | 10.27 | 6,698,954 | 10.44 | 5,719,359 | 10.25 |
| Other | 212,731 | | 298,858 | | 374,718 | |
| Allowance for credit losses (-) | 3,559,711 | | 1,823,976 | | 1,437,960 | |
| Subtotal | 159,855,522 | 6.90 | 159,204,537 | 7.41 | 143,526,446 | 7.66 |
| Foreign currency | | | | | | |
| Due from banks | 587,604 | 1.14 | 612,862 | 1.33 | 253,390 | 1.35 |
| Securities | 1,293,818 | 3.17 | 1,269,538 | 5.23 | 1,302,214 | 7.97 |
| Loans | 2,679,283 | 4.51 | 2,785,091 | 3.11 | 3,216,042 | 3.39 |
| Call loan | 84,063 | 1.15 | 84,803 | 1.28 | 188,465 | 1.98 |
| Bills bought | 1,808,563 | 1.72 | 1,983,368 | 1.83 | 835,356 | 4.71 |
| Other | 6,904 | | 12,391 | | 15,739 | |
| Allowance for credit losses (-) | 78,989 | | 132,105 | | 267,194 | |
| Subtotal | 6,381,246 | 3.17 | 6,615,948 | 3.03 | 5,544,012 | 4.95 |
| Other | | | | | | |
| Cash | 982,439 | | 968,815 | | 914,639 | |
| Fixed assets held for business | 3,057,456 | | 3,210,463 | | 3,126,812 | |
| Other | 11,191,856 | | 6,718,857 | | 5,149,485 | |
| Subtotal | 15,231,751 | | 10,898,135 | | 9,190,936 | |
| Total | 181,468,519 | 6.19 | 176,718,620 | 6.79 | 158,261,394 | 7.12 |

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, 2004 | | December 31, 2003 | | December 31, 2002 | |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Average balance | Ending balance | Average balance | Ending balance | Average balance | Ending balance |
| Deposits in Won | | | | | | |
| Demand deposits | 13,087,353 | 13,727,133 | 12,192,971 | 14,110,288 | 10,654,651 | 12,987,742 |
| Time & savings deposits | 98,586,310 | 95,653,542 | 96,668,084 | 97,616,747 | 93,347,999 | 93,630,423 |
| Mutual installment deposits | 6,860,103 | 6,728,736 | 6,958,043 | 7,054,752 | 8,058,664 | 7,491,115 |
| Mutual installment for housing | 5,513,682 | 5,537,464 | 5,161,535 | 5,423,853 | 4,463,601 | 4,872,637 |
| Certificates of deposits | 5,788,913 | 6,371,087 | 4,068,327 | 6,499,258 | 2,119,900 | 3,044,089 |
| Subtotal | 129,836,361 | 128,017,962 | 125,048,960 | 130,704,898 | 118,644,815 | 122,026,006 |
| Deposits in foreign currency | 1,514,789 | 1,900,982 | 1,276,952 | 1,475,374 | 1,096,544 | 1,083,647 |
| Trust deposits | | | | | | |
| Money trust | 8,136,774 | 7,567,983 | 13,064,749 | 10,278,357 | 17,214,936 | 15,356,285 |
| Property trust | 18,836,553 | 16,024,160 | 24,512,746 | 21,453,761 | 16,783,690 | 26,852,684 |
| Subtotal | 26,973,327 | 23,592,143 | 37,577,495 | 31,732,118 | 33,998,626 | 42,208,969 |
| Total | 158,324,477 | 153,511,087 | 163,903,407 | 163,912,390 | 153,739,985 | 165,318,622 |

2.2.2. Average Deposit per Domestic Branch

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

(Unit: in millions of Won)

| | <u>June 30, 2004</u> | <u>December 31, 2003</u> | <u>December 31, 2002</u> |
|------------------------|----------------------|--------------------------|--------------------------|
| Deposits | 126,090 | 119,593 | 121,137 |
| Deposits in Won | 124,976 | 118,756 | 120,336 |

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

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

(Unit: in millions of Won)

| | <u>June 30, 2004</u> | <u>December 31, 2003</u> | <u>December 31, 2002</u> |
|------------------------|----------------------|--------------------------|--------------------------|
| Deposits | 7,317 | 7,487 | 7,256 |
| Deposits in Won | 7,252 | 7,434 | 7,208 |

2.2.4. Loan Balances

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

(Unit: in millions of Won)

| | <u>June 30, 2004</u> | | <u>December 31, 2003</u> | | <u>December 31, 2002</u> | |
|----------------------------------|----------------------|-------------------|--------------------------|-------------------|--------------------------|-------------------|
| | Average balance | Ending balance | Average balance | Ending balance | Average balance | Ending balance |
| Loans in Won | 125,616,836 | 125,823,004 | 121,705,493 | 123,715,244 | 105,117,047 | 116,441,303 |
| Loans in foreign currency | 3,935,941 | 3,976,529 | 4,160,185 | 4,019,929 | 3,228,857 | 4,417,176 |
| Advances to customers | 96,627 | 61,583 | 107,091 | 89,665 | 106,380 | 52,430 |
| Subtotal | 129,649,404 | 129,861,116 | 125,972,769 | 127,824,838 | 108,452,284 | 120,910,909 |
| Trust account loans | 456,659 | 435,427 | 531,500 | 489,788 | 789,614 | 575,412 |
| Total | 130,106,063 | 130,296,543 | 126,504,269 | 128,314,626 | 109,241,898 | 121,486,321 |

2.2.5. Loan Balances as of June 30, 2004 by Remaining Years to Maturities

(Unit: in millions of Won)

| | <u>Less than 1 year</u> | <u>More than 1 year~ less than 3 years</u> | <u>More than 3 years~ less than 5 years</u> | <u>More than 5 years</u> | <u>Total</u> |
|--|-------------------------|--|---|--------------------------|--------------|
| | Loans in Won | 69,230,707 | 40,287,930 | 5,464,291 | 10,840,076 |
| | 2,769,561 | 531,536 | 376,804 | 298,628 | 3,976,529 |

**Loans in foreign
currencies**

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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, 2004 | December 31, 2003 | December 31, 2002 |
|--|--------------------|--------------------|--------------------|
| Loans to enterprise | | | |
| Loans for operations | 35,023,952 | 35,351,506 | 35,369,066 |
| Loans for facility | 6,522,031 | 6,631,703 | 5,963,631 |
| Loans to households | 43,079,968 | 42,884,305 | 40,477,483 |
| Loans to public sector & others | | | |
| Loans for operations | 612,590 | 526,227 | 738,632 |
| Loans for facility | 41,872 | 42,473 | 39,414 |
| Loans on property formation savings | 12,741 | 62,963 | 95,252 |
| Loans for housing | 40,517,033 | 38,199,290 | 33,731,435 |
| Inter-bank loans | 9,452 | 12,815 | 20,941 |
| Others | 3,365 | 3,962 | 5,449 |
| Total | 125,823,004 | 123,715,244 | 116,441,303 |

2.2.7. Loan to Deposit Ratio

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

(Units: in millions of Won, %)

| | June 30, 2004 | December 31, 2003 | December 31, 2002 |
|------------------------------------|---------------|-------------------|-------------------|
| Loans¹ (A) | 125,616,836 | 121,705,493 | 105,106,146 |
| Deposits² (B) | 129,836,362 | 125,048,960 | 118,644,815 |
| Loan to deposit ratio (A/B) | 96.75 | 97.33 | 88.59 |

2.2.8. Acceptances and Guarantees

(Unit: in millions of Won)

| | June 30, 2004 | December 31, 2003 | December 31, 2002 |
|-------------------|---------------|-------------------|-------------------|
| Determined | 693,864 | 800,297 | 1,031,698 |

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| | | | |
|-------------------|------------------|------------------|------------------|
| Contingent | 1,255,115 | 1,281,518 | 1,306,878 |
| Total | 1,948,979 | 2,081,815 | 2,338,576 |

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

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

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

| | | June 30, 2004 | | December 31, 2003 | | (Unit: in millions of Won) December 31, 2002 | |
|---|------------------------------|--------------------|-------------------|--------------------|-------------------|---|-------------------|
| | | Average balance | Ending balance | Average balance | Ending balance | Average balance | Ending balance |
| Securities in Won (Banking account) | | | | | | | |
| | Monetary stabilization bonds | 6,268,456 | 6,929,757 | 4,343,978 | 5,540,598 | 2,834,534 | 3,269,269 |
| | Government and public bonds | 5,013,583 | 4,572,689 | 5,630,422 | 5,885,595 | 4,272,946 | 5,252,321 |
| | Debentures | 6,100,300 | 5,740,146 | 11,028,217 | 7,149,089 | 13,154,258 | 12,378,717 |
| | Stocks | 968,806 | 974,539 | 1,380,254 | 877,013 | 2,146,149 | 1,661,682 |
| | Others | 5,380,418 | 5,087,489 | 7,687,051 | 7,299,404 | 7,809,012 | 7,162,134 |
| Subtotal | | 23,731,563 | 23,304,620 | 30,069,922 | 26,751,699 | 30,216,899 | 29,724,123 |
| Securities in Won (Trust account) | | | | | | | |
| | Monetary stabilization bonds | 1,294,271 | 1,316,630 | 984,380 | 878,077 | 1,309,515 | 583,379 |
| | Government and public bonds | 772,443 | 1,080,039 | 1,182,165 | 1,252,419 | 2,023,503 | 1,323,195 |
| | Debentures | 2,513,939 | 2,206,600 | 5,876,064 | 4,080,362 | 8,035,960 | 7,600,794 |
| | Stocks | 599,027 | 540,768 | 763,277 | 592,379 | 904,921 | 924,514 |
| | Others | 1,938,599 | 2,067,226 | 3,208,160 | 2,106,262 | 3,945,649 | 3,821,884 |
| Securities in foreign currency (Trust Account) | | 740,683 | 683,073 | 868,819 | 767,675 | 559,964 | 747,253 |
| Subtotal | | 7,858,962 | 7,894,336 | 12,882,865 | 9,677,174 | 16,779,512 | 15,001,019 |
| Securities in foreign currency (Banking account) | | | | | | | |
| | Foreign securities | 962,949 | 961,881 | 1,066,595 | 992,408 | 945,199 | 960,749 |
| | Off-shore foreign securities | 327,201 | 280,310 | 306,376 | 355,737 | 320,423 | 255,878 |
| Subtotal | | 1,290,150 | 1,242,191 | 1,372,971 | 1,350,145 | 1,265,622 | 1,216,627 |
| Total | | 32,880,675 | 32,441,147 | 44,325,758 | 37,779,018 | 48,262,033 | 45,941,769 |

2.2.10. Trust Account

(Unit: in millions of Won)

| | June 30, 2004 | | December 31, 2003 | | December 31, 2002 | |
|-------------------------|-------------------------|---------------|-------------------------|----------------|-------------------------|----------------|
| | Total amount trusted | Trust fees | Total amount trusted | Trust fees | Total amount trusted | Trust fees |
| Return-guaranteed trust | 368 | 312 | 559 | 45,682 | 1,528 | 59,530 |
| Performance trust | 23,591,775 | 50,960 | 37,576,936 | 186,851 | 33,997,098 | 241,444 |
| Total | 23,592,143 | 51,272 | 37,577,495 | 232,533 | 33,998,626 | 300,974 |

Table of Contents**2.2.11. Credit Card**

(Unit: in millions of Won unless indicated otherwise)
As of or for the years ended of indicated dates

| | | June 30, 2004 | December 31, 2003 | December 31, 2002 |
|--|--------------------------|---------------|-------------------|-------------------|
| Number of card holders (Person) | | | | |
| | Corporate | 133,867 | 147,813 | 153,425 |
| | Individual | 10,271,855 | 10,990,703 | 11,638,968 |
| Number of merchants | | | | |
| | | 1,521,364 | 1,528,872 | 1,589,015 |
| Profit | | | | |
| | Sales¹ | 33,227,100 | 92,535,500 | 111,076,680 |
| | Fee revenue | 1,495,830 | 4,012,017 | 3,482,289 |

2.3. Branch Networks

As of June 30, 2004, we had 1,085 branches and 46 sub-branches in Korea, the largest number of branches among Korean commercial banks. Approximately 41.9% of our branches and sub-branches are located in Seoul.

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

1. Includes credit card receivables and cash advances.

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

(Units: in millions of Won, %)

| | June 30, 2004 | December 31, 2003 | December 31, 2002 |
|---------------------------|--------------------------|-------------------|-------------------|
| Risk-adjusted capital (A) | 12,951,312 | 12,739,857 | 14,439,313 |
| Risk-weighted assets (B) | 124,863,630 | 127,397,339 | 138,703,021 |
| BIS ratios (A/B) | 10.37¹ | 10.00 | 10.41 |

2.4.2. Non-Performing Loans²

(Units: in millions of Won unless indicated otherwise)

| June 30, 2004 | | December 31, 2003 | | Change | |
|---------------|--------------------|-------------------|--------------------|---------|--------------------|
| Amount | NPL to total loans | Amount | NPL to total loans | Amount | NPL to total loans |
| 4,320,117 | 3.06% | 4,202,254 | 2.99% | 117,863 | 0.07%p |

2.4.3. Loan Loss Allowances

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

(Units: in millions of Won)

| | June 30, 2004 | December 31, 2003 | December 31, 2002 |
|----------------------------------|------------------|-------------------|-------------------|
| Loan losses allowance | | | |
| Loans in Won | 2,668,535 | 2,271,198 | 1,905,065 |
| Loans in foreign currencies | 57,279 | 68,045 | 103,838 |
| Credit card | 896,135 | 1,187,616 | 284,491 |
| Others | 211,549 | 163,482 | 85,302 |
| Total | 3,833,498 | 3,690,341 | 2,378,696 |
| Write-offs for the Period | 2,414,274 | 4,509,979 | 1,527,311 |

¹ Tentative ratio

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

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

| | (Unit: in millions of Won) | | |
|----------------------------------|----------------------------|-------------------|-------------------|
| | June 30, 2004 ¹ | December 31, 2003 | December 31, 2002 |
| Beginning balance | 3,905,342 | 2,378,696 | 2,271,179 |
| Net Write-Off(-) | 2,234,379 | 2,728,891 | 1,485,962 |
| Write-Off | 2,414,274 | 4,509,979 | 1,527,311 |
| Recovery | 272,065 | 767,718 | 269,533 |
| Other | (92,170) | 1,013,370 | (228,184) |
| Provision for loan losses | 2,162,535 | 4,040,536 | 1,593,479 |
| Ending balance | 3,833,498 | 3,690,341 | 2,378,696 |

1 Available-for-sale subordinated retained interest is reclassified into credit card receivables and its related allowances for loans losses have been added to the beginning balance.

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, 2004 | December 31, 2003 |
| Cash and due from banks | 7,824,992 | 6,526,345 |
| Securities | 24,546,809 | 26,908,462 |
| Loans | 139,887,993 | 141,143,674 |
| Fixed assets | 2,944,831 | 3,019,556 |
| Other assets | 9,549,898 | 6,484,239 |
| Total assets | 184,754,523 | 184,082,276 |
| Deposits | 129,918,944 | 132,180,272 |
| Borrowings | 11,375,873 | 10,902,800 |
| Debentures | 19,668,297 | 19,192,581 |
| Other liabilities | 14,969,653 | 13,392,109 |
| Total Liabilities | 175,932,767 | 175,667,762 |
| Common stocks | 1,681,896 | 1,681,896 |
| Capital surplus | 6,230,738 | 6,230,738 |
| Retained earnings | 1,971,342 | 1,662,119 |
| Capital adjustments | (1,062,220) | (1,160,239) |
| Total shareholders equity | 8,821,756 | 8,414,514 |
| Liabilities and Shareholders Equity | 184,754,523 | 184,082,276 |
| Operating revenue | 9,600,767 | 15,584,501 |
| Operating income | 350,550 | 76,084 |
| Continuing (loss) income before income taxes | 447,364 | (1,146,444) |
| Net (loss) income | 307,561 | (753,348) |

3.2. Other Financial Information

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

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

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

4.2. Non-Audit Services

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

| <u>Year</u> | <u>Service description</u> | (Units: in millions of Won unless indicated otherwise) <u>Amount of payment</u> |
|-------------|---|---|
| 2004 | - | |
| 2003 | | |
| | - US GAAP conversion for 2003 | US\$3,950 thousand |
| | - US GAAP conversion for 2002 | US\$3,800 thousand |
| | - Due Diligence on Kookmin Credit Card | 250 |
| | - SEC Filing regarding the proposed merger with Kookmin Credit Card | US\$30 thousand |
| 2002 | | |
| | - Project for improving the accounting process | 690 |
| | - Advisory service for the conversion process in US GAAP | 1,450 |

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5. Corporate Governance and Affiliated Companies

5.1. Board of Directors & Committees under the Board

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

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.

Each committee member is appointed by the board of directors, except for members of the Audit Committee, who are elected at the general meeting of stockholders. 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 meetings of stockholders, the committee examines the agenda for, and financial statements and other reports to be submitted by, the board of directors to each general meeting of stockholders. 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, 2004, the aggregate of the remuneration paid by us to 1) President & CEO and our other executive directors and 2) our non-executive directors was 2,265 million Won, 325 million Won, respectively. The following table shows the breakdown of the remuneration.

| | (Units: in millions of Won) | | |
|----------------------------|------------------------------------|---|---|
| | The aggregate remuneration paid | Limit for the remuneration resolved by shareholders meeting | Average amount of the payment per person |
| 1) Executive Directors | 2,265 | 8,000 | 492 |
| 2) Non Executive Directors | 325 | | 24 |
| Total | 2,590 | 8,000 | 148 |

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 meeting of shareholders is adopted by resolution of the board of directors, at which the convening of the general meeting of shareholders 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 meeting of shareholders.

5.5. Share Ownership

The following table presents information regarding the selected major ownership of our shares as of December 31, 2003, the latest record date.

| | (Unit: Shares, %) | |
|-----------------------------------|----------------------------------|-----------------------------------|
| Name | Number of Shares of Common Stock | Percentage of Total Issued Shares |
| The Bank of New York ¹ | 35,000,566 | 10.41 |
| Kookmin Bank ² | 30,016,623 | 8.92 |
| ING Bank N.V. | 12,716,691 | 3.78 |
| Euro-Pacific Growth Fund | 10,682,290 | 3.18 |

| | | |
|---------------------------------|-------------------|-------------|
| Emerging Markets Growth | 10,125,055 | 3.01 |
| National Pension Fund | 7,496,146 | 2.23 |
| Goldman Sachs Capital SH | 3,831,151 | 1.14 |

¹ Depository of ADRs

² Treasury stocks with no voting right

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5.6. Affiliated Companies

5.6.1. List of Affiliates¹

As of June 30, 2004, 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 Luxemburg. S.A.

Kookmin Bank International (London) Ltd.

Kookmin Finance Hong Kong Ltd.

Sorak Financial Holdings

5.6.2. Operating Results of Affiliates

(Unit: in millions of Won)

Operating results of the latest fiscal year

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| <u>Company name</u> | <u>Closing date</u> | <u>Total Assets</u> | <u>Total Liabilities</u> | <u>Total Equities</u> | <u>Sales</u> | <u>Net Income</u> |
|--|---------------------|-------------------------|------------------------------|---------------------------|--------------|-----------------------|
| KB Investment | December 31, 2003 | 95,555 | 18,194 | 77,361 | 19,227 | 5,300 |
| KB Asset Management | March 31, 2004 | 61,432 | 4,113 | 57,319 | 24,401 | 9,711 |
| KB Real Estate Trust | December 31, 2003 | 257,724 | 159,595 | 98,129 | 56,613 | 10,402 |
| KB Credit Information | December 31, 2003 | 25,177 | 7,385 | 17,792 | 43,717 | 3,841 |
| KB Data Systems Corp. | December 31, 2003 | 17,898 | 3,244 | 14,654 | 37,389 | 1,035 |
| KB Futures | March 31, 2004 | 35,791 | 9,973 | 25,818 | 8,691 | 1,056 |
| KB Life ² | June 30, 2004 | 127,177 | 9,329 | 29,671 | 5,615 | (329) |
| ING Life Korea | March 31, 2004 | 3,461,826 | 3,228,415 | 233,411 | 1,865,503 | 103,088 |
| Kookmin Bank Luxemburg | June 30, 2004 | 7,592 | 3,057 | 4,535 | 1,026 | 6 |
| Kookmin Bank International (London) | June 30, 2004 | 310,655 | 255,546 | 310,655 | 4,909 | 1,090 |
| Kookmin Finance HK | June 30, 2004 | 443,679 | 376,692 | 66,987 | 6,206 | 3,814 |
| Sorak Financial Holdings | June 30, 2004 | 319,538 | 45,923 | 273,615 | | (14) |

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

² Since its establishment (i.e. April 29 ~ June 30, 2004)

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

As of August 13, 2004, our board of directors, which consists of 3 executive directors and 11 non-executive directors, has the ultimate responsibility for the management of our affairs.

6.1. Executive Directors

Our 3 executive directors consist of President & CEO and two executive vice presidents.

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

| <u>Name</u> | <u>Date of Birth</u> | <u>Position</u> | <u>Common Stocks Owned</u> |
|---------------------|----------------------|--------------------------|----------------------------|
| Jung Tae Kim | 08/15/1947 | President & CEO | 126,581 |
| Seong Kyu Lee | 10/25/1959 | Executive Director & EVP | |
| Donald H. MacKenzie | 12/20/1948 | Executive Director & EVP | |

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 August 13, 2004, 11 non-executive directors are in office.

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

| <u>Name</u> | <u>Date of Birth</u> | <u>Position</u> | <u>Common Stocks Owned</u> |
|----------------------|----------------------|------------------------|----------------------------|
| Moon Soul Chung | 03/07/1938 | Non-Executive Director | 4,851 |
| Richard Elliott Lint | 01/04/1946 | Non-Executive Director | 910 |
| Sun Jin Kim | 06/08/1942 | Non-Executive Director | 3,935 |
| Dong Soo Chung | 09/24/1945 | Non-Executive Director | 860 |
| Kyung Hee Yoon | 01/05/1947 | Non-Executive Director | |
| Suk Yong Cha | 06/09/1953 | Non-Executive Director | 1,240 |
| Bernard S. Black | 11/13/1953 | Non-Executive Director | 900 |
| Ki Hong Kim | 01/10/1957 | Non-Executive Director | 1,360 |
| Woon Youl Choi | 04/02/1950 | Non-Executive Director | 9,049 |
| Wang Ha Cho | 09/18/1953 | Non-Executive Director | 361 |
| Young Soon Cheon | 02/01/1961 | Non-Executive Director | 290 |

Table of Contents**6.3. Senior Management**

In addition to the executive directors who are also our executive officers, we currently have the following 7 executive officers as of August 13, 2004.

| <u>Name</u> | <u>Date of Birth</u> | <u>Position</u> | <u>Common Shares Owned</u> |
|-----------------|----------------------|---------------------------------|----------------------------|
| Jong Kyoo Yoon | 10/13/1955 | Senior Executive Vice President | 3,300 |
| Jeung Lak Lee | 06/13/1958 | Senior Executive Vice President | |
| Sang Jin Lee | 05/21/1955 | Senior Executive Vice President | 1,078 |
| Yun Keun Jung | 07/01/1951 | Senior Executive Vice President | 2,416 |
| Jung Young Kang | 01/29/1951 | Senior Executive Vice President | |
| Young Il Kim | 07/06/1953 | Senior Executive Vice President | 3,327 |
| Ki Sup Shin | 10/29/1955 | Senior Executive Vice President | 280 |

6.4. Compensation to Directors and Senior Management

The total compensation to both directors and senior management for the first half of 2004, excluding grant of stock options, is 5,121,164,583 Won, and the average compensation amount per person is 150,622,483 Won. During the 6 months, we had 20 directors and 14 executive vice presidents.

6.5. Employees

The following table shows the breakdown of our employees as of June 30, 2004.

(Unit: in millions of Won)

| | <u>Number of Employees</u> | | | <u>Average Tenure of the Full-time Employees</u> | <u>Total Payment for the 1st half of 2004</u> | <u>Average Monthly Payment per Person</u> |
|--------|----------------------------|--------------------|--------------|--|--|---|
| | <u>Full-time</u> | <u>Contractual</u> | <u>Total</u> | | | |
| Male | 14,108 | 1,232 | 15,340 | 16.13 | 414,204 | 4.5 |
| Female | 4,945 | 7,880 | 12,825 | 13.41 | 216,175 | 2.8 |
| Total | 19,053 | 9,112 | 28,165 | 15.43 | 630,379 | 3.7 |

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

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

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

| Name | Relation with the Bank | Account | Par Value | (Unit: in millions of Won) | | | Ending Balance (June 30, 2004) |
|-----------------------|------------------------------|--------------------------------|----------------|---|---------------|---------------|--------------------------------------|
| | | | | Beginning Balance (January 1, 2004) | Increase | Decrease | |
| KB Real Estate Trust | Affiliate | Equity Securities of Affiliate | 79,999 | 79,999 | | | 79,999 |
| KB Investment | Affiliate | Equity Securities of Affiliate | 44,708 | 44,708 | | | 44,708 |
| KB Asset Management | Affiliate | Equity Securities of Affiliate | 30,670 | 30,670 | | | 30,670 |
| KB Futures | Affiliate | Equity Securities of Affiliate | 19,996 | 19,996 | | | 19,996 |
| KB Data Systems Corp. | Affiliate | Equity Securities of Affiliate | 7,998 | 7,998 | | | 7,998 |
| KB Credit Information | Affiliate | Equity Securities of Affiliate | 4,154 | 4,154 | | | 4,154 |
| KB Life | Affiliate | Equity Securities of Affiliate | 30,000 | 0 | 30,000 | | 30,000 |
| ING Life Korea | Affiliate | Equity Securities of Affiliate | 14,000 | 14,000 | | | 14,000 |
| KOMOCO | Affiliate | Equity Securities of Affiliate | 30,000 | 30,000 | | 30,000 | 0 |
| Total | | | 261,525 | 231,525 | 30,000 | 30,000 | 231,525 |

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

Table of Contents**7.1.2. Real Estate Transactions with Affiliates**

(Unit: in millions of Won)

| Name | Relation with | | Account | The Number of Contracts | Deposits | Rent Fee |
|-----------------------|---------------|----------|---------------|----------------------------|------------------|--------------|
| | the Bank | Type | | | | |
| KB Credit Information | Affiliate | Building | Rental Income | 20 | 4,610.96 | 11.73 |
| KB Real Estate Trust | Affiliate | Building | Rental Income | 2 | 1,738.00 | 3.56 |
| KB Data Systems Corp. | Affiliate | Building | Rental Income | 1 | 2,484.31 | |
| KB Futures | Affiliate | Building | Rental Income | 1 | 1,363.36 | |
| KB Life | Affiliate | Building | Rental Income | 1 | 1,839.20 | |
| Total | | | | 25 | 12,035.83 | 15.29 |

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

(Unit: in millions of Won)

| Name | Relation with | | Beginning Balance | Ending Balance | Increase / (Decrease) for the period |
|-----------------------|--|----------------------|--|----------------|--|
| | the Bank | Account | (January 1, 2004, or on the date of appointment) | | |
| DSME Co. | Related party of Non executive director, Dong Soo Chung | Payment guarantee | 625 | 656 | 31 |
| Kolon Co. | Related party of Non executive director, Wang Ha Cho | Overdraft | 30,000 | 0 | 378 (30,378) |
| Kolon Construction | Related party of Non executive director, Wang Ha | Overdraft | 0 | 0 | 77 (77) |

| Cho | | | |
|-----------------------|-------------------------|------------------------|-----------------|
| Hankyoreh Plus | Related party of | Loans for | |
| | Senior executive | working capital | |
| | vice president, | | |
| | Seong Kyu Lee | 6,915 | 945 |
| | | 6,394 | (1,466) |
| Total | | 37,540 | (30,413) |

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7.2.2. Real Estate Transaction

(Unit: in millions of Won)

| <u>Name</u> | <u>Relation with Kookmin Bank</u> | <u>Type</u> | <u>Account</u> | <u>Deposits</u> | <u>Rent Fee</u> |
|------------------------------------|--|-------------|----------------|-----------------|-----------------|
| Haitai Confectionary & Foods | Related party of Non executive director, Suk Yong Cha | Building | Rental Deposit | 150 | |
| DSME Co. | Related party of Non executive director, Dong Soo Chung | Building | Rental Deposit | | 11.04 |
| Total | | | | 150 | 11.04 |

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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 23, 2004

By: /s/ Ki Sup Shin

(Signature)

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

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Kookmin Bank

Non-Consolidated Interim Financial Statements

June 30, 2004 and 2003

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Samil PricewaterhouseCoopers

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

Report of Independent Accountants

To the Board of Directors and Shareholders of

Kookmin Bank

We have reviewed the accompanying non-consolidated balance sheet of Kookmin Bank (the Bank) as of June 30, 2004, and the related non-consolidated statements of operations and cash flows for the three-month and six-month periods ended June 30, 2004 and 2003, expressed in Korean Won. These interim financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these interim financial statements based on our review.

We conducted our reviews in accordance with the quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. These standards require that we plan and perform our review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the Bank's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the non-consolidated interim financial statements referred to above are not presented fairly, in all material respects, in accordance with accounting principles generally accepted in the Republic of Korea.

We have audited the non-consolidated balance sheet of Kookmin Bank as of December 31, 2003 and the related non-consolidated statements of operations, appropriation of retained earnings and cash flows for the year then ended, in accordance with auditing standards generally accepted in the Republic of Korea. We expressed an unqualified opinion on those financial statements in our audit report dated March 3, 2004. These financial statements are not included in this review report. The non-consolidated balance sheet as of December 31, 2003, presented herein for comparative purposes, is consistent, in all material respects, with the above audited balance sheet as of December 31, 2003.

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

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

As discussed in Note 20 to the non-consolidated financial statements, in accordance with the resolution of the Board of Directors on December 17, 2003, the Bank acquired 27,423,761 of its own shares previously owned by the Korean government at (Won)43,700 per share through public bidding and intends to sell these shares of treasury stock depending on certain market conditions. As of June 30, 2004, the Bank holds 8.90% of the total common stock issued as treasury stock.

As discussed in Note 4 to the non-consolidated financial statements, as a means to venture into the insurance business for diversification of revenues, the Bank invested (Won)30,246 million (including acquisition costs) on April 29, 2004, to acquire a 100% ownership of KB Life Insurance Co., Ltd., which was founded to acquire the assets and the liabilities of Hanil Life Insurance Co., Ltd.

As discussed in Note 16 and 34 to the non-consolidated financial statements, the Bank's total exposure (including loans and securities) to LG Card Co., Ltd., which is under the joint control of financial institutions as it is currently experiencing a financial crisis, amounts to (Won)715,249 million as of June 30, 2004. And a second debt-equity swap amounting to (Won)362,250 million was executed in July 28, 2004. In addition, the Bank holds securities issued by credit card companies and capital companies, which are experiencing liquidity problems, amounting to (Won)263,289 million as of June 30, 2004. The ultimate effect of these circumstances on the financial position of the Bank as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying financial statements.

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 conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to 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 who are knowledgeable about Korean accounting principles or review standards and their application in practice.

Seoul, Korea

July 15, 2004

This report is effective as of July 15, 2004, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Table of Contents**Kookmin Bank****Non-Consolidated Balance Sheets****June 30, 2004 and December 31, 2003****(Unaudited)**

| <i>(in millions of Korean Won)</i> | 2004 | 2003 |
|--|--------------------------|--------------------------|
| Assets | | |
| Cash and due from banks (Note 3) | (Won) 7,824,992 | (Won) 6,526,345 |
| Securities (Note 4) | 24,546,809 | 26,908,462 |
| Loans (Notes 5 and 6) | 139,887,993 | 141,143,674 |
| Fixed assets (Note 7) | 2,944,831 | 3,019,556 |
| Other assets (Note 8) | 9,549,898 | 6,484,239 |
| Total assets | (Won) 184,754,523 | (Won) 184,082,276 |
| Liabilities and Shareholders' Equity | | |
| Deposits (Note 9) | (Won) 129,918,944 | (Won) 132,180,272 |
| Borrowings (Note 10) | 11,375,873 | 10,902,800 |
| Debentures (Note 11) | 19,668,297 | 19,192,581 |
| Other liabilities (Note 13) | 14,969,653 | 13,392,109 |
| Total liabilities | 175,932,767 | 175,667,762 |
| Commitments and contingencies (Notes 14 and 16) | | |
| Common stock ((Won)5,000 par value per share, 1 billion shares authorized and 336,379,116 shares outstanding in 2004) (Notes 1 and 17) | 1,681,896 | 1,681,896 |
| Capital surplus (Note 18) | 6,230,738 | 6,230,738 |
| Retained earnings (Note 19) | 1,971,342 | 1,662,119 |
| Capital adjustments (Note 20) | (1,062,220) | (1,160,239) |
| Total shareholders' equity | 8,821,756 | 8,414,514 |
| Total liabilities and shareholders' equity | (Won) 184,754,523 | (Won) 184,082,276 |

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

See Report of Independent Accountants

Table of Contents**Kookmin Bank****Non-Consolidated Statements of Operations****Three-Month and Six-Month Periods Ended June 30, 2004 and 2003****(Unaudited)***(in millions of Korean Won, except per share amounts)*

| | Three-month period | | Six-month period | |
|---|--------------------|------------------|------------------|------------------|
| | 2004 | 2003 | 2004 | 2003 |
| Interest income | | | | |
| Interest on due from banks | (Won) 2,265 | (Won) 1,388 | (Won) 4,138 | (Won) 5,167 |
| Interest on trading securities | 40,035 | 27,296 | 79,686 | 51,818 |
| Interest on available-for-sale securities | 107,440 | 176,792 | 262,864 | 344,469 |
| Interest on held-to-maturity securities | 91,207 | 175,238 | 185,960 | 363,497 |
| Interest on loans | 2,600,955 | 2,413,620 | 5,286,060 | 4,791,321 |
| Other interest income | 25,934 | 26,616 | 50,698 | 49,382 |
| | <u>2,867,836</u> | <u>2,820,950</u> | <u>5,869,406</u> | <u>5,605,654</u> |
| Interest expenses | | | | |
| Interest on deposits | 976,330 | 1,079,533 | 2,018,923 | 2,183,020 |
| Interest on borrowings | 98,690 | 105,782 | 179,322 | 214,312 |
| Interest on debentures | 265,476 | 280,770 | 530,500 | 564,021 |
| Other interest expenses | 15,791 | 20,016 | 38,281 | 32,722 |
| | <u>1,356,287</u> | <u>1,486,101</u> | <u>2,767,026</u> | <u>2,994,075</u> |
| Net interest income | 1,511,549 | 1,334,849 | 3,102,380 | 2,611,579 |
| Provision for loan losses (Note 6) | 1,062,339 | 1,026,698 | 2,162,535 | 1,685,764 |
| Net interest income after provision for loan losses | <u>449,210</u> | <u>308,151</u> | <u>939,845</u> | <u>925,815</u> |
| Non-interest income | | | | |
| Fees & commission income | 565,053 | 344,963 | 1,112,470 | 681,829 |
| Dividends on trading securities | 249 | | 2,965 | 1,514 |
| Dividends on available-for-sale securities | 3,544 | 2,622 | 7,614 | 5,288 |
| Gain on foreign currency transactions | 71,564 | 35,210 | 121,769 | 165,926 |
| Gain on derivatives transactions (Note 15) | 642,805 | 498,267 | 1,459,391 | 1,240,561 |
| Others (Note 22) | 657,050 | 500,401 | 1,027,152 | 546,430 |
| | <u>1,940,265</u> | <u>1,381,463</u> | <u>3,731,361</u> | <u>2,641,548</u> |
| Non-interest expenses | | | | |
| Fees and commission expenses | 119,005 | 43,143 | 252,368 | 92,378 |
| General and administrative expenses (Note 23) | 652,549 | 628,663 | 1,315,626 | 1,210,779 |
| Loss on foreign currency transactions | 33,804 | 46,213 | 79,894 | 129,016 |
| Loss on derivatives transactions (Note 15) | 606,002 | 465,014 | 1,418,054 | 1,214,154 |

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| | | | | |
|--|----------------------|------------------------|----------------------|-----------------------|
| Others (Note 22) | 839,025 | 574,745 | 1,254,714 | 624,648 |
| | <u>2,250,385</u> | <u>1,757,778</u> | <u>4,320,656</u> | <u>3,270,975</u> |
| Operating income (loss) | 139,090 | (68,164) | 350,550 | 296,388 |
| Non-operating income (expenses), net (Note 24) | 79,757 | (117,275) | 96,814 | (334,712) |
| Net income (loss) before income tax expense | 218,847 | (185,439) | 447,364 | (38,324) |
| Income tax expense (benefit) (Note 25) | 62,544 | (70,838) | 139,803 | 2,344 |
| Net income (loss) | <u>(Won) 156,303</u> | <u>(Won) (114,601)</u> | <u>(Won) 307,561</u> | <u>(Won) (40,668)</u> |
| Basic earnings (loss) per share (In Won) (Note 26) | | | <u>(Won) 1,004</u> | <u>(Won) (125)</u> |

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

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Table of Contents**Kookmin Bank****Non-Consolidated Statements of Cash Flows****Three-Month and Six-Month Periods Ended June 30, 2004 and 2003****(Unaudited)**

| <i>(in millions of Korean Won)</i> | Three-month period | | Six-month period | |
|---|---------------------------|-----------------|-------------------------|----------------|
| | 2004 | 2003 | 2004 | 2003 |
| Cash flows from operating activities | | | | |
| Net income (loss) | (Won) 156,303 | (Won) (114,601) | (Won) 307,561 | (Won) (40,668) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities | | | | |
| Realized loss (gain) on trading securities, net | 19,733 | (15,417) | (30,451) | (42,500) |
| Unrealized gain on trading securities, net | (750) | (39,005) | (18,005) | (56,625) |
| (Gain) loss on foreign currency transactions, net | (37,760) | 11,003 | (41,875) | (36,910) |
| Provision for loan losses | 1,062,339 | 1,026,698 | 2,162,535 | 1,685,764 |
| Reversal of losses from guarantees and acceptances | 3 | 122,950 | 219 | 122,746 |
| Gain on derivative transactions, net | (36,803) | (33,253) | (41,337) | (26,407) |
| Loss (gain) on valuation of derivatives, net | 34,069 | (11,652) | 22,424 | (13,224) |
| (Gain) loss on fair value hedged items, net | (21,962) | 6,671 | (12,263) | 8,076 |
| Retirement benefits | 25,846 | 22,040 | 55,163 | 45,990 |
| Stock compensation expense | 2,478 | | 4,250 | |
| Depreciation and amortization | 104,765 | 109,440 | 201,978 | 210,912 |
| Loss (gain) on disposal of fixed assets, net | 122 | 32,188 | (151) | 33,553 |
| Realized gain on available-for-sale securities, net | (24,972) | (46,843) | (77,524) | (86,530) |
| Impairment loss on available-for-sale securities, net | 49,374 | 46,397 | 59,759 | 38,627 |
| Realized gain on held-to-maturity securities | (33) | (475) | (1,509) | (1,268) |
| Unrealized (gain) loss on investment in associates, net | (5,358) | 91,990 | (16,479) | 349,642 |
| (Gain) loss on sale of loans, net | (66,425) | 420 | (66,655) | 1,633 |
| Provision for other allowances | 192,445 | | 252,136 | |
| Others, net | (142,782) | (6,454) | (144,928) | (12,796) |
| Changes in assets and liabilities resulting from operations | | | | |
| Accrued income | 10,056 | (61,502) | 53,106 | 24,382 |
| Prepaid expenses | (39,803) | 3,206 | 162,773 | (29,166) |
| Deferred tax assets | (16,347) | 3,771 | 62,606 | (167,223) |
| Other assets | (1,769) | (251) | (464) | 3,168 |
| Accrued expenses | 28,043 | (200,965) | (96,165) | (174,510) |
| Unearned income | (6,625) | (8,230) | (2,818) | (9,163) |
| Withholding taxes | (16,222) | 9,236 | (42,985) | 12,214 |
| Other liabilities | (35,626) | (67,749) | (106,450) | 275,557 |
| Payment of retirement benefits | (4,031) | (3,953) | (30,174) | (7,225) |
| Retirement pension funds | 615 | 183,484 | 14,448 | (10,752) |
| Account for agency business | 6,777 | | (51,685) | |

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| | | | | |
|---|-----------|-----------|-----------|-----------|
| Stock compensation expense | | 3,805 | | (2,683) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net cash provided by operating activities | 1,235,700 | 1,062,949 | 2,577,040 | 2,094,614 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

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

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Table of Contents**Kookmin Bank****Non-Consolidated Statements of Cash Flows****Three-Month and Six-Month Periods Ended June 30, 2004 and 2003****(Unaudited)**

| <i>(in millions of Korean Won)</i> | Three-month period | | Six-month period | |
|---|---------------------------|--------------------|-------------------------|---------------------|
| | 2004 | 2003 | 2004 | 2003 |
| Cash flows from investing activities | | | | |
| (Increase) decrease in due from banks | (Won) (2,922,799) | (Won) 974,688 | (Won) (1,621,484) | (Won) (699,744) |
| Decrease in trading securities | 1,380,423 | 573,215 | 246,950 | 876,918 |
| Decrease (increase) in available-for-sale securities | 1,006,174 | (66,010) | 2,036,918 | (4,089,009) |
| (Increase) decrease in held-to-maturity securities | (102,848) | 462,681 | 385,906 | 1,492,244 |
| Acquisition of investment in associates | 15,185 | | 2,932 | |
| Increase in loans granted, net | (1,285,573) | (3,359,993) | (1,020,915) | (6,736,889) |
| Proceeds from disposal of fixed assets | 1,234 | 126,525 | 3,897 | 133,742 |
| Acquisition of fixed assets | (58,029) | (114,917) | (86,556) | (173,845) |
| Acquisition of intangible assets | (528) | (70) | (759) | (340) |
| Proceeds from disposal of foreclosed assets | 168 | 248 | 199 | 279 |
| Decrease (increase) in guarantee deposits | 18,084 | (13,989) | 53,360 | (21,046) |
| Decrease (increase) in other accounts receivable | 37,031 | (1,742,280) | (3,453,043) | (1,692,171) |
| Decrease (increase) in payments in advance | 4,643 | (13,284) | 4,038 | (27,683) |
| Decrease (increase) in derivative assets, net | 101,867 | (20,065) | 68,540 | 64,537 |
| Decrease in collection of domestic exchange receivables | 355,273 | 328,534 | 198,936 | 764,687 |
| Collection of loans to trust accounts | | 29,869 | | 36,748 |
| Net cash used in investing activities | (1,449,695) | (2,834,848) | (3,181,081) | (10,071,572) |
| Cash flows from financing activities | | | | |
| (Decrease) increase in deposits, net | (718,795) | 3,281,589 | (2,261,326) | 4,592,498 |
| (Decrease) increase in borrowings, net | (2,529,260) | (415,760) | 473,073 | 2,637,463 |
| Increase (decrease) in debentures, net | 3,211,377 | (2,024,557) | 475,716 | (493,759) |
| (Decrease) increase in borrowings from trust accounts | (216,632) | 192,924 | (2,687,207) | 734,550 |
| Increase in other accounts payable | 410,643 | 1,702,214 | 3,610,823 | 1,536,531 |
| Increase in advances received from customers | 191,665 | 483,570 | 272,337 | 1,169,615 |
| (Decrease) increase in guarantee deposits received | (1,022) | 2,161 | (13,666) | (7,229) |
| Increase in domestic exchange payables | 409,113 | 239,705 | 174,792 | (191,352) |
| (Decrease) increase in liabilities incurred by agency relationships | (558,375) | (887,284) | 229,331 | (50,079) |
| Stock options exercised | | | | (35) |
| Sale of treasury stock | 1,441 | | 2,234 | 50 |

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| | | | | |
|--|------------------|------------------|------------------|------------------|
| Decrease in dividend payable | | (3) | | (325,183) |
| Net cash provided by financing activities | 200,155 | 2,574,559 | 276,107 | 9,603,070 |
| Net (decrease) increase in cash and cash equivalents | (13,840) | 802,660 | (327,934) | 1,626,112 |
| Cash and due from banks, beginning of period | 3,457,663 | 3,924,033 | 3,771,757 | 3,100,581 |
| Cash and due from banks, end of period(Note 34) | 3,443,823 | 4,726,693 | 3,443,823 | 4,726,693 |

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

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Kookmin Bank

Notes to Non-Consolidated Financial Statements

June 30, 2004 and 2003, and December 31, 2003

(Unaudited)

1. The Bank

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

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

The Bank has its shares listed on the Korea Stock Exchange since September 1994. As a result of the business combination with H&CB, the former shareholders of the Bank and H&CB received new common shares of the Bank on the basis of a pre-determined ratio. The new common shares of the Bank were relisted on the Korea Stock Exchange on November 9, 2001. As of June 30, 2004, the Bank's paid-in capital amounts to (Won)1,681,896 million and 39,723,137 shares of the Bank are listed on the New York Stock Exchange as American Depositary Shares (ADSs).

The Bank engages in the banking and trust businesses according to the provisions of the General Banking Act and the Trust Business Act, and operates through 1,131 domestic branches and offices (excluding ATMs) and three overseas branches as of June 30, 2004.

2. Summary of Significant Accounting Policies

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

Basis of Financial Statement Presentation

The Bank maintains its accounting records in Korean Won and prepares statutory financial statements in the Korean language in conformity with accounting principles generally accepted in the Republic of Korea. Certain accounting principles applied by the Bank that conform with

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

Application of the Statements of Korean Financial Accounting Standards

The Bank has adopted Statements of Korean Financial Accounting Standards (SKFAS) No. 1~10, No.12 and No.13 (SKFAS No.10, No.12 and No.13 have been effective as of January 1, 2004) in the preparation of its financial statements. Except for the adoption of these SKFAS, the same accounting policies are applied for the financial statements as of and for the six-month period ended June 30, 2004 and as of and for the year ended December 31, 2003.

Accounting Estimates

The preparation of the non-consolidated financial statements requires management to make estimates and assumptions that affect amounts reported therein. Although these estimates are based on management's best knowledge of current events and actions that the Bank may undertake in the future, actual results may differ from those estimates.

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(Unaudited)

Recognition of Interest Income

The Bank recognizes interest income on loans and debt securities on an accrual basis. However, interest income on delinquent and dishonored loans and debt securities, other than those collateralized with security deposits or guaranteed by financial institutions, is recognized on a cash basis. As of June 30, 2004, the Bank has non-accrual loans and securities of (Won)9,994,965 million and (Won)583,068 million, respectively, with related foregone interest of (Won)528,671 million and (Won)170,185 million, respectively.

Securities

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

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

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

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

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

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The wholly owned beneficiary certificates are each classified based on the Bank's intention for acquiring the certificates. The fund assets of these wholly owned beneficiary certificates are comprised of deposits, call loans and securities, and the fund income is comprised of interest income, realized gains and losses, and valuation gains and losses. The Bank recorded all gains and losses from these wholly owned beneficiary certificates as income from beneficiary certificates. Accounting policies of these funds that are different from those of the Bank include application of the moving average method for determining the cost of debt securities and amortization of discounts/premiums on debt securities using the straight line method.

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Notes to Non-Consolidated Financial Statements

June 30, 2004 and 2003, and December 31, 2003

(Unaudited)

Investments in Associates

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

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

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

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

Deferred Loan Origination Fees and Costs

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

Allowances for Loan Losses

The Bank applies its internal credit rating system, the Forward Looking Criteria (FLC), to corporate loans in order to classify the borrowers and to determine the allowances for loan losses. The credit rating criteria are divided into 12 categories (AAA, AA, A, BBB, BB, BB-, B, B-, CCC, CC, C, D) with consideration of the credit risk of corporate borrowers, which is evaluated based on financial and non-financial risks, and the loan type, collateral and/or guarantees.

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Allowances are determined by applying at minimum the following rates to the outstanding balances under each credit risk classification:

| <u>Credit Risk Classification</u> | <u>Credit Ratings</u> | <u>Allowance Rates</u> |
|-----------------------------------|-----------------------|------------------------|
| Normal | AAA~B | 0.50% |
| Precautionary | B~CCC | 2.00% |
| Sub-standard | CC | 20.00% |
| Doubtful | C | 50.00% |
| Estimated loss | D | 100.00% |

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

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

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

Troubled Debt Structuring

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

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

Fixed Assets and Related Depreciation

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

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

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

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

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

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

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

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

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

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

Stock Issuance Costs and Debenture Issuance Costs

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

Accrued Retirement Benefits

Employees and directors with more than one year of service and temporary employees with at least a one-year contract, as of June 30, 2004, are entitled to receive a lump-sum payment upon termination of their employment with the Bank, based on their length of service and rate of pay at the time of termination.

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

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June 30, 2004 and 2003, and December 31, 2003

(Unaudited)

Deferred Income Taxes

The Bank records the future tax effects of temporary differences between the financial and tax bases of assets and liabilities as deferred income tax assets or liabilities. The tax effects of temporary differences arising from the cumulative effects of accounting changes are adjusted in retained earnings.

Bonds under Repurchase/Resale Agreements

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

Derivative Instruments

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

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

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

Stock Options

Compensation costs for stock options granted to employees and executives are recognized using the fair value method. Under the fair value method, compensation costs for stock option plans are determined using an option-pricing model and are recognized over the vesting period (Note 21).

National Housing Fund

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

Gains and Losses on Trust Management

The Bank's trust accounts (the Trust Accounts) recognize as an expense the trust commissions paid to the banking accounts, which is equivalent to the total trust revenue less total trust expenses and trustee benefits, including the guaranteed principal and minimum rate of return. The Bank recognizes these trust commissions as a gain on trust management in other operating income. The trust fees on money trusts consist of base fees of 0.5 ~ 2.0 % (depending on trust fund types) and special fees applied to the invested capital.

Under the Trust Business Act, reserves for future losses are set up in the trust accounts for losses related to those trust funds with a guarantee of the principal or of a certain minimum rate of return. The reserves are used to provide for the losses on such trust funds and, if the losses incurred are in excess of the reserves for future losses, the excess losses are compensated by the Bank. Accordingly, the banking accounts recognize the compensation paid as a loss on trust management in other operating expenses and the trust accounts recognize the corresponding compensation as compensation from banking accounts. There were no compensations paid for the six-month period ended June 30, 2004.

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June 30, 2004 and 2003, and December 31, 2003

(Unaudited)

Foreign Currency Translation

All assets and liabilities denominated in foreign currencies are translated into Korean Won at the rates in effect as of the balance sheet dates (June 30, 2004: (Won)1,152.5:US\$1, December 31, 2003: (Won)1,197.8:US\$1), and resulting translation gains and losses are recognized in the current period.

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

Statement of Cash Flows

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

Restatement of Prior Period Financial Statements

During the current period, the Bank reclassified the subordinated retained interests earned from securitization transactions from available-for-sale securities to loans. Such reclassification has no effect on prior periods' net income nor the prior periods' net assets. The prior period financial statements presented herein for comparative purposes were also reclassified to conform to the current period financial statement presentation.

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Table of Contents**Kookmin Bank****Notes to Non-Consolidated Financial Statements****June 30, 2004 and 2003, and December 31, 2003****(Unaudited)****3. Cash and Due from Banks**

Cash and due from banks as of June 30, 2004 and December 31, 2003 consist of:

| <i>(in millions of Korean Won)</i> | | 2004 | 2003 |
|---|---|-----------------------------|-----------------------------|
| | | <u> </u> | <u> </u> |
| Cash on hand | | | |
| Cash in Won | | (Won) 2,600,621 | (Won) 2,945,921 |
| Cash in foreign currencies | | 174,415 | 228,153 |
| | | <u>2,775,036</u> | <u>3,174,074</u> |
| Due from banks in Won | | | |
| Bank of Korea | Reserve deposits in the Bank of Korea | 4,181,282 | 2,612,248 |
| Other banks | Time deposits | 154 | 810 |
| | Passbook deposits | 5,857 | 8,185 |
| | | <u>6,011</u> | <u>8,995</u> |
| Other financial institutions | Deposits at Hansol Mutual Savings & Finance Co., Ltd. | 140,000 | 140,000 |
| Others | Futures margin accounts | 23,091 | 1,560 |
| | Market participation margin | 463 | 454 |
| | KOSPI futures margin accounts | | 200 |
| | | <u>23,554</u> | <u>2,214</u> |
| | | 4,350,847 | 2,763,457 |
| | Present value discounts ^{1*} | (7,713) | (12,810) |
| | | <u>4,343,134</u> | <u>2,750,647</u> |
| Due from banks in foreign currencies | | | |
| Bank of Korea | Demand deposits | 44,677 | 12,415 |
| Other banks | Demand deposits | 53,203 | 71,879 |

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| | | | |
|-----------|-----------------|-----------------|-----------------|
| Others | Other deposits | 2,767 | 3,354 |
| Off-shore | Demand deposits | 606,175 | 513,976 |
| | | 706,822 | 601,624 |
| | | (Won) 7,824,992 | (Won) 6,526,345 |

1* Present value discounts are related to the (Won)140,000 million of time deposits (1% interest, scheduled in installments by the end of 2005) placed with Hansol Mutual Savings & Finance Co., Ltd.(previously, Bukook Mutual Savings & Finance Co., Ltd.).

The maturities of the due from banks as of June 30, 2004 are as follows:

| <i>(in millions of Korean Won)</i> | Due from Banks in Won | Due from Banks in Foreign Currencies | Total |
|-------------------------------------|----------------------------------|---|-----------------|
| Due in 3 months or less | (Won) 4,210,847 | (Won) 571,002 | (Won) 4,781,849 |
| Due after 3 months through 6 months | 50,000 | 119,860 | 169,860 |
| Due after 6 months through 1 year | 45,000 | 15,960 | 60,960 |
| Due after 1 year through 2 years | 45,000 | | 45,000 |
| | (Won) 4,350,847 | (Won) 706,822 | (Won) 5,057,669 |

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Table of Contents**Kookmin Bank****Notes to Non-Consolidated Financial Statements****June 30, 2004 and 2003, and December 31, 2003****(Unaudited)**

Included in cash and due from banks as of June 30, 2004 are the following restricted deposits:

| <i>(in millions of Korean Won)</i> | <u>Amount</u> | <u>Restrictions</u> |
|---|------------------------|----------------------------|
| Reserve deposits in the Bank of Korea | (Won) 4,181,282 | General Banking Act |
| Deposits at Hansol Mutual Savings & Finance Co., Ltd. | 140,000 | Withdrawal at maturity |
| Due from banks in foreign currency | 44,677 | General Banking Act |
| Other deposits | 22,923 | Futures guarantee deposits |
| | <u>4,388,882</u> | |
| Present value discounts | (7,713) | |
| | <u>(Won) 4,381,169</u> | |

4. Securities

Securities as of June 30, 2004 and December 31, 2003 consist of:

| <i>(in millions of Korean Won)</i> | <u>2004</u> | <u>2003</u> |
|------------------------------------|-------------------------|-------------------------|
| Trading | (Won) 4,422,054 | (Won) 4,482,948 |
| Available-for-sale | 13,962,139 | 15,894,974 |
| Held-to-maturity | 5,594,944 | 5,979,341 |
| Investment in associates | 567,672 | 551,199 |
| | <u>(Won) 24,546,809</u> | <u>(Won) 26,908,462</u> |

Trading, available-for-sale, and held-to-maturity securities as of June 30, 2004 and December 31, 2003 consist of:

| <i>(in millions of Korean Won)</i> | <u>Unrealized</u> | <u>Book Value</u> |
|------------------------------------|-------------------|-------------------|
|------------------------------------|-------------------|-------------------|

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| <u>Trading</u> | <u>Gain</u> | <u>Loss</u> | <u>2004</u> | <u>2003</u> |
|--------------------------------|---------------------|--------------------|------------------------|------------------------|
| Equity securities | (Won) 5,302 | (Won) 1,591 | (Won) 125,300 | (Won) 113,171 |
| Beneficiary certificates | 36 | 373 | 569,458 | 1,686,754 |
| Government and municipal bonds | 5,767 | 42 | 1,319,551 | 1,076,427 |
| Corporate bonds | 9,002 | 418 | 2,308,554 | 1,365,060 |
| Asset-backed securities | 322 | | 99,191 | 241,536 |
| | <u>(Won) 20,429</u> | <u>(Won) 2,424</u> | <u>(Won) 4,422,054</u> | <u>(Won) 4,482,948</u> |

(in millions of Korean Won)

| <u>Available-for-Sale</u> | <u>Impairment</u> | | <u>Capital Adjustments</u> | | <u>Book Value</u> | |
|--------------------------------|-------------------|---------------------|----------------------------|---------------------|-------------------------|--------------------------|
| | <u>Reversal</u> | <u>Loss</u> | <u>Gain</u> | <u>Loss</u> | <u>2004</u> | <u>2003^{1*}</u> |
| Equity securities | (Won) | (Won) 22,230 | (Won) 145,616 | (Won) 10,068 | (Won) 531,443 | (Won) 439,791 |
| Investment in funds | | 2 | 3,153 | | 4,663 | 30,872 |
| Beneficiary certificates | | | 30,255 | 41 | 4,476,604 | 4,375,817 |
| Government and municipal bonds | | | 7,616 | 613 | 784,294 | 2,322,889 |
| Foreign government bonds | | | 1,719 | 148 | 26,122 | 28,153 |
| Corporate bonds | | 2,077 | 53,805 | 3,482 | 7,542,268 | 8,228,640 |
| Asset-backed securities | | 35,450 | 1,206 | | 596,723 | 468,669 |
| Other debt securities | | | | | 22 | 143 |
| | <u>(Won)</u> | <u>(Won) 59,759</u> | <u>(Won) 243,370</u> | <u>(Won) 14,352</u> | <u>(Won) 13,962,139</u> | <u>(Won) 15,894,974</u> |

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| <i>(in millions of Korean Won)</i> | Impairment | | Unrealized Holding | | Book Value | |
|------------------------------------|-------------|-------|--------------------|-------------|-----------------|-----------------|
| | Reversal of | Loss | Gain | Loss | 2004 | 2003 |
| Held-to-Maturity | | | | | | |
| Government and municipal bonds | (Won) | (Won) | (Won) 98,160 | (Won) 1,172 | (Won) 2,472,319 | (Won) 2,489,998 |
| Corporate bonds | | | 72,838 | 537 | 2,840,269 | 3,163,020 |
| Asset-backed securities | | | 6,928 | | 263,199 | 326,323 |
| Other securities | | | | 7 | 19,157 | |
| | (Won) | (Won) | (Won) 177,926 | (Won) 1,716 | (Won) 5,594,944 | (Won) 5,979,341 |

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

As of June 30, 2004 and December 31, 2003, investments in associates include:

| <i>(in millions of Korean Won)</i> | Owner-ship (%) | Acquisition Cost | Beginning Balance ^{1*} | Equity Method ^{2*} | | | Book Value | |
|---|----------------|------------------|---------------------------------|-----------------------------|-------|-------------|--------------|--------------|
| | | | | N/I | R/E | C/A | 2004 | 2003 |
| Domestic Associates | | | | | | | | |
| KB Investment Co., Ltd. ^{3*} | 99.89 | (Won) 155,311 | (Won) 75,932 | (Won) (1,453) | (Won) | (Won) (273) | (Won) 74,206 | (Won) 77,273 |
| KB Data Systems Co., Ltd. ^{4*} | 99.98 | 7,998 | 14,247 | 280 | | (3) | 14,524 | 14,647 |
| KB Futures Co., Ltd. ^{5*} | 99.98 | 19,996 | 25,521 | 486 | | | 26,007 | 25,521 |
| KLB Securities | 36.41 | 10,316 | | | | | | |
| KB Asset Management ^{6*} | 80.00 | 39,015 | 38,917 | 3,175 | | (13) | 42,079 | 45,051 |
| Jooeun Industrial | 99.99 | 23,994 | | | | | | |
| KB Real Estate Trust | 99.99 | 76,103 | 98,129 | 1,591 | (336) | 336 | 99,720 | 98,129 |
| KB Credit Information | 66.34 | 8,444 | 11,447 | 1,105 | | | 12,552 | 11,863 |
| ING Life Korea | 20.00 | 21,769 | 43,845 | 9,676 | | 293 | 53,814 | 43,845 |
| Korea Mortgage ^{8*} | | 30,629 | | | | | | 35,788 |
| KICO No. 2 Venture Investment Partnership ^{2*} | 55.56 | | | 207 | | | 207 | |
| KICO No. 3 Venture Investment Partnership ^{2*} | 69.23 | | | 143 | | | 143 | |
| Pacific IT Investment Partnership ^{2*} | 50.00 | 7,000 | 7,000 | (113) | | | 6,887 | |
| NPC02-4 Kookmin Venture Fund ^{2*} | 33.33 | 10,000 | 10,000 | 348 | | | 10,348 | |
| KB Life Insurance Co., Ltd. | 100.00 | 30,246 | 30,246 | (575) | | | 29,671 | |
| | | 440,821 | 355,284 | 14,870 | (336) | 340 | 370,158 | 352,117 |

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| Foreign Associates | | | | | | | | |
|--------------------------------|--------|---------------|---------------|--------------|-------------|-----------|---------------|---------------|
| KB Int'l Ltd. (London) | 100.00 | 41,678 | 55,546 | (239) | | 55,307 | 56,755 | |
| KB Luxembourg S.A. | 100.00 | 24,171 | 5,300 | (765) | | 4,535 | 5,950 | |
| Kookmin Singapore Ltd. | 100.00 | 23,105 | 2,001 | | | 2,001 | 2,080 | |
| Kookmin Finance Asia Ltd. (HK) | 100.00 | 8,068 | 275 | 2 | | 277 | 286 | |
| Kookmin Bank HK Ltd. 7* | 100.00 | 23,050 | 60,344 | 3,873 | 2,830 | (59) | 66,988 | 62,716 |
| Sorak Financial Holdings | 25.00 | 69,668 | 69,668 | (1,262) | | | 68,406 | 71,295 |
| | | 189,740 | 193,134 | 1,609 | 2,830 | (59) | 197,514 | 199,082 |
| | | (Won) 630,561 | (Won) 548,418 | (Won) 16,479 | (Won) 2,494 | (Won) 281 | (Won) 567,672 | (Won) 551,199 |

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Table of Contents**Kookmin Bank****Notes to Non-Consolidated Financial Statements****June 30, 2004 and 2003, and December 31, 2003****(Unaudited)**

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

KLB Securities Co., Ltd., Jooeun Industrial Co., Ltd., KICO No. 2 Venture Investment Partnership, KICO No.3 Venture Investment Partnership, Kookmin Singapore, Ltd. and Kookmin Finance Asia, Ltd. (HK), KB Luxembourg S.A are all in the process of liquidation. Consequently, accounting under the equity method is no longer applied to investments in KLB Securities Co., Ltd. and Jooeun Industrial Co., Ltd. due to accumulated deficits resulting to a decrease of the investment value below zero. Accordingly, the total accumulative estimated loss that has not been recognized by the Bank arising from the securities amounts to (Won)50,636 million.

The Bank applies the equity method accounting to subsidiaries based on unaudited financial statements as of June 30, 2004. In the case of ING Life Korea Co., Ltd., the Bank applies the equity method based on the most recent available audited financial statements that are adjusted for changes in net assets for the period ending June 30, 2004, including adjustment for income tax expenses of (Won)10,726 million.

As a means to venture into the insurance business for diversification of revenues, the Bank invested (Won)30,246 million (including acquisition costs) on April 29, 2004, to acquire a 100% ownership of KB Life Insurance Co., Ltd., which was founded to acquire the assets and the liabilities of Hanil Life Insurance Co., Ltd.

The maturities of the available-for-sale and held-to-maturity debt securities as of June 30, 2004 are summarized as follows:

| <i>(in millions of Korean Won)</i> | Available-for-sale | | Held-to-maturity | |
|------------------------------------|--------------------|-----------------|------------------|-----------------|
| | Book Value | Fair value | Book Value | Fair value |
| Due in 1 year or less | (Won) 8,769,337 | (Won) 8,769,337 | (Won) 1,733,910 | (Won) 1,755,312 |
| Due after 1 year through 5 years | 4,370,576 | 4,370,576 | 3,598,269 | 3,731,371 |
| Due after 5 years through 10 years | 272,026 | 272,026 | 262,765 | 284,471 |
| Thereafter | 14,094 | 14,094 | | |

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(Won) 13,426,033 (Won) 13,426,033 (Won) 5,594,944 (Won) 5,771,154

Investment securities risk concentrations as of June 30, 2004 are as follows:

(in millions of Korean Won)

| <u>By Country</u> | <u>Book Value</u> | <u>Ratio (%)</u> |
|-------------------|-------------------------|------------------|
| Korea | (Won) 24,320,217 | 99.08 |
| Singapore | 76,117 | 0.31 |
| USA | 56,381 | 0.23 |
| Indonesia | 21,452 | 0.09 |
| Philippines | 17,290 | 0.07 |
| Mexico | 13,170 | 0.05 |
| Others | 42,182 | 0.17 |
| | <u>(Won) 24,546,809</u> | <u>100.00</u> |

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| By Type | Book Value | Ratio (%) |
|--------------------------|-------------------------|------------------|
| Fixed rate bonds | (Won) 14,975,805 | 61.01 |
| Floating rate bonds | 2,096,052 | 8.54 |
| Subordinated bonds | 879,771 | 3.58 |
| Convertible bonds | 318,519 | 1.30 |
| Beneficiary certificates | 5,046,062 | 20.56 |
| Equity securities | 1,206,830 | 4.91 |
| Others | 23,770 | 0.10 |
| | (Won) 24,546,809 | 100.00 |

(in millions of Korean Won)

| By Industry | Book Value | Ratio (%) |
|-------------------------------|-------------------------|------------------|
| Government and municipalities | (Won) 8,061,393 | 32.84 |
| Financial institutions | 15,273,506 | 62.22 |
| Manufacturing industries | 483,898 | 1.97 |
| Others | 728,012 | 2.97 |
| | (Won) 24,546,809 | 100.00 |

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Available-for-sale equity securities of which the fair value cannot be reasonably measured as of June 30, 2004 are as follows:

| <i>(in millions of Korean Won)</i> | <u>Acquisition Cost</u> | <u>Net Asset Value ^{1*}</u> | <u>Book Value</u> |
|--|-------------------------|--------------------------------------|---------------------|
| Daewoo Electronics Co., Ltd. | (Won) 23,800 | (Won) | (Won) |
| Asia Credit | 11,525 | 11,759 | 7,711 |
| Daehan Investment Trust Securities Co., Ltd. | 10,000 | 1,604 | |
| Mastercard, Inc. Korea | 8,722 | 6,496 | 8,722 |
| Korea Asset Management Corp. | 7,827 | 12,783 | 7,827 |
| Samsung Life Insurance Co., Ltd. | 7,479 | 11,304 | 7,479 |
| Korea Highway Corp. | 6,248 | 5,903 | 6,248 |
| Baring Communications Equity | 5,376 | 2,161 | 2,161 |
| Bad Bank Harmony | 3,967 | 6,389 | 3,967 |
| KOHAP Corporation | 3,440 | | |
| Pan Asia Paper | 3,305 | 1,728 | 1,728 |
| Asia Finance and Investment Corp. | 2,881 | 1,170 | 291 |
| Seoul Smart Card | 2,505 | 1,025 | 2,505 |
| Nanjing Kumho Tire Co., Ltd. | 2,452 | 3,487 | 2,452 |
| Kyobo Investment Trust Management Co., Ltd. | 2,100 | 3,574 | 2,100 |
| Integra Telecom Co., Ltd. | 2,000 | | |
| KOCES Co., Ltd. | 1,402 | 736 | 631 |
| Harex Info Tech Inc. | 1,365 | 64 | 64 |
| Korea Money Broker Corp. | 1,291 | 2,514 | 1,291 |
| A-Cash Inc. | 1,275 | 139 | 139 |
| Mondex Korea. | 1,250 | | |
| MYbi Co., Ltd. | 1,200 | 192 | 192 |
| Tianjin Samsung Opto Electronics | 1,126 | 1,370 | 1,126 |
| Digital World Corp. | 1,080 | 147 | 114 |
| Bo Go Corp. | 1,026 | | |
| Linux One Inc. | 1,000 | 144 | 144 |
| Others | 26,635 | 57,493 | 16,858 |
| | <u>(Won) 142,277</u> | <u>(Won) 132,182</u> | <u>(Won) 73,750</u> |

^{1*} Net asset values are calculated using the unaudited financial statements of the investees as of June 30, 2004 when available. Otherwise, the most recent financial information is used.

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Table of Contents**Kookmin Bank****Notes to Non-Consolidated Financial Statements****June 30, 2004 and 2003, and December 31, 2003****(Unaudited)**

As of June 30, 2004, the following investment securities are pledged at various institutions:

| Related Transactions | Restrictions | | Restricted securities | |
|-----------------------------------|----------------------------|------------------|-----------------------|-----------------|
| | Placed with | Amount | Book Value | Pledge Value |
| Bonds sold under REPO agreements | Customers | (Won) 3,616,385 | (Won) 6,024,268 | (Won) 4,064,190 |
| Leased securities | KCFC | | 750 | 730 |
| Borrowings from the Bank of Korea | Bank of Korea | 942,933 | 2,143,235 | 1,170,000 |
| Bank of Korea settlements | Bank of Korea | (balance limits) | 254,698 | 170,200 |
| Derivative transactions | Samsung Futures, others | (balance limits) | 449,824 | 124,500 |
| Other | Standard Chartered Bank | | 39,749 | 20,000 |
| | | | (Won) 8,912,524 | (Won) 5,549,620 |

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Table of Contents**Kookmin Bank****Notes to Non-Consolidated Financial Statements****June 30, 2004 and 2003, and December 31, 2003****(Unaudited)****5. Loans**

Loans as of June 30, 2004 and December 31, 2003 are summarized as follows:

| <i>(in millions of Korean Won)</i> | | <u>2004</u> | <u>2003</u> |
|------------------------------------|---|-------------------|-------------------|
| Loans in Won | | | |
| Corporate loans | Operation loans | | |
| | General operation loans | (Won) 28,378,040 | (Won) 28,884,554 |
| | Notes discounted | 1,229,180 | 1,415,445 |
| | Overdraft accounts | 596,561 | 447,992 |
| | Trading notes | 837,097 | 809,921 |
| | Other operation loans | 3,983,074 | 3,793,594 |
| | | <u>35,023,952</u> | <u>35,351,506</u> |
| | Facility loans | | |
| | General facility loans | 5,365,939 | 5,413,333 |
| | Other facility loans | 1,156,092 | 1,218,370 |
| | | <u>6,522,031</u> | <u>6,631,703</u> |
| | | <u>41,545,983</u> | <u>41,983,209</u> |
| Consumer loans | General consumer loans | 42,167,484 | 41,951,219 |
| | Consumer housing loans | 40,517,033 | 38,199,290 |
| | Remunerations on mutual installment savings | 306,441 | 297,868 |
| | Other consumer loans | 606,043 | 635,218 |
| | | <u>83,597,001</u> | <u>81,083,595</u> |
| Public loans | Public operation loans | 612,590 | 526,227 |
| | Public facility loans | 41,872 | 42,473 |
| | | <u>654,462</u> | <u>568,700</u> |
| Other loans | Property formation loans | 12,741 | 62,963 |
| | Inter-bank loans | 9,452 | 12,815 |
| | Others | 3,365 | 3,962 |

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| | | | |
|---|---------------------------------|-------------------|-------------------|
| | | 25,558 | 79,740 |
| | | 125,823,004 | 123,715,244 |
| Loans in foreign currencies | Domestic funding loans | 1,082,840 | 1,165,988 |
| | Overseas funding loans | 626,065 | 887,018 |
| | Inter-bank loans | 865,865 | 767,884 |
| | Domestic usance bills | 1,400,931 | 1,197,563 |
| | Government funding loans | 828 | 1,477 |
| | | 3,976,529 | 4,019,930 |
| Call loans | In Won | 1,790,000 | 1,640,000 |
| | In foreign currencies | 115,429 | 5,351 |
| | Inter-bank reconciliation funds | 719,320 | |
| | | 2,624,749 | 1,645,351 |
| Privately placed debentures | | 1,125,989 | 1,787,131 |
| Other loans | | 10,144,961 | 13,872,793 |
| Allowances for loan losses (Note 6) | | (3,833,498) | (3,905,342) |
| Net deferred loan origination fees and costs | | 26,259 | 8,567 |
| | | (Won) 139,887,993 | (Won) 141,143,674 |

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As of June 30, 2004, restructured debts due to workout plans or other similar restructuring programs are as follows:

| <i>(in millions of Korean Won)</i> | <u>Workout</u> | <u>Court Receivership</u> | <u>Court Mediation</u> | <u>Others^{1*}</u> | <u>Total</u> |
|--|----------------|-------------------------------|----------------------------|----------------------------|---------------|
| Period (in years) | 1~8 | 5~8 | 3~10 | 3~6 | |
| Adjusted interest rate (%) | 6.05~22.22 | 10.50~12.12 | 6.10~15.41 | 9.5 | |
| Balances Before Restructuring | (Won) 112,449 | (Won) 11,425 | (Won) 34,027 | (Won) 583,104 | (Won) 741,005 |
| Loans swapped to equity | 3,700 | 11 | | 145,950 | 149,661 |
| Swapped equity securities | | | | 265,393 | 265,393 |
| Swapped convertible debt securities | | | | | |
| Debts to be restructured | 108,749 | 11,414 | 34,027 | 171,761 | 325,951 |
| Balances after restructuring | 104,230 | 8,153 | 32,359 | 164,094 | 308,836 |
| Allowances for loan losses (present value discounts) | 4,519 | 3,261 | 1,668 | 7,667 | 17,115 |

1* Loans swapped to equities of LG Card Co., Ltd. amounting to (Won)145,950 million are included. However, the second portion to be swapped to equity amounting to (Won)362,250 which is scheduled on July 2004 are not included in the above.

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

The movements in allowance for loan losses from present value discounts and deferred loan incidental income for the six month periods ended June 30, 2004 are as follows :

| <i>(in millions of Korean Won)</i> | <u>Beginning Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending Balance</u> |
|---|--------------------------|-----------------|-----------------|-----------------------|
| Allowance for loan losses (present value discounts) | (Won) 22,780 | (Won) 1,601 | (Won) 7,266 | (Won) 17,115 |
| Deferred loan incidental income | 8,567 | 19,818 | 2,126 | 26,259 |

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The maturities of loans as of June 30, 2004 are as follows:

| <i>(in millions of Korean Won)</i> | Loans in Won | Loans in Foreign Currencies | Bills Bought | Credit Card | Call Loans | Privately placed Debentures | Others | Total |
|--|--------------------------|--|-------------------------|------------------------|------------------------|--|----------------------|--------------------------|
| Due in 3 months or less | (Won) 16,109,926 | (Won) 995,476 | (Won) 618,645 | (Won) 5,824,591 | (Won) 2,624,749 | (Won) 139,239 | (Won) 359,784 | (Won) 26,672,410 |
| Due after 3 months through 6 months | 18,722,538 | 1,225,958 | 65,895 | 1,062,311 | | 158,483 | 63 | 21,235,248 |
| Due after 6 months through 1 year | 34,398,243 | 548,127 | 10,092 | 713,975 | | 255,500 | | 35,925,937 |
| Due after 1 year through 2 years | 24,186,157 | 175,148 | 6,554 | 648,256 | | 527,217 | 2,051 | 25,545,383 |
| Due after 2 years through 3 years | 16,101,773 | 356,388 | 2,979 | 333,025 | | 44,900 | | 16,839,065 |
| Due after 3 years through 4 years | 2,756,383 | 292,562 | | 319,281 | | 650 | | 3,368,876 |
| Due after 4 years through 5 years | 2,707,908 | 84,242 | | 155,907 | | | | 2,948,057 |
| Thereafter | 10,840,076 | 298,628 | | 21,552 | | | | 11,160,256 |
| | <u>(Won) 125,823,004</u> | <u>(Won) 3,976,529</u> | <u>(Won) 704,165</u> | <u>(Won) 9,078,898</u> | <u>(Won) 2,624,749</u> | <u>(Won) 1,125,989</u> | <u>(Won) 361,898</u> | <u>(Won) 143,695,232</u> |

Loan risk concentrations by country as of June 30, 2004 are as follows:

| <i>(in millions of Korean Won)</i> | Loans in Won | Loans in Foreign Currencies | Others | Total | Percentage (%) |
|--|---------------------|--|------------------|-------------------|-----------------------|
| Korea | (Won) 125,823,004 | (Won) 3,135,900 | (Won) 13,766,186 | (Won) 142,725,090 | 99.32% |
| Southeast Asia | | 445,982 | 114,423 | 560,405 | 0.39% |
| Central and South America | | 82,602 | 2,156 | 84,758 | 0.06% |
| China | | 40,803 | | 40,803 | 0.03% |

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| | | | | |
|--------|--------------------------|------------------------|-------------------------|--------------------------|
| Japan | 267,652 | 2 | 267,654 | 0.19% |
| Others | 3,590 | 12,932 | 16,522 | 0.01% |
| | <u>(Won) 125,823,004</u> | <u>(Won) 3,976,529</u> | <u>(Won) 13,895,699</u> | <u>(Won) 143,695,232</u> |
| | | | | <u>100.00%</u> |

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

| <i>(in millions of Korean Won)</i> | Loans in Won | Loans in Foreign Currencies | Others | Total | Percentage (%) |
|------------------------------------|--------------------------|------------------------------------|-------------------------|--------------------------|-----------------------|
| Industrial loans | | | | | |
| Financial institutions | (Won) 955,366 | (Won) 906,851 | (Won) 3,085,960 | (Won) 4,948,177 | 3.45% |
| Manufacturing companies | 13,969,792 | 1,378,892 | 1,192,993 | 16,541,677 | 11.51% |
| Service companies | 22,625,009 | 1,007,665 | 491,018 | 24,123,692 | 16.79% |
| Others | 4,304,548 | 161,883 | 1,211,702 | 5,678,133 | 3.95% |
| | <u>41,854,715</u> | <u>3,455,291</u> | <u>5,981,673</u> | <u>51,291,679</u> | <u>35.70%</u> |
| Household loans | <u>83,613,107</u> | <u>486,163</u> | <u>7,911,382</u> | <u>92,010,652</u> | <u>64.03%</u> |
| Public and other loans | <u>355,182</u> | <u>35,075</u> | <u>2,644</u> | <u>392,901</u> | <u>0.27%</u> |
| | <u>(Won) 125,823,004</u> | <u>(Won) 3,976,529</u> | <u>(Won) 13,895,699</u> | <u>(Won) 143,695,232</u> | <u>100.00%</u> |

As of Jun 30, 2004, the credit card accounts amounting to (Won)979,036 million are provided as collateral for asset-backed securities transactions.

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As of June 30, 2004, allowances for loan losses are as follows:

| <i>(in millions of Korean Won)</i> | 2004 |
|--|------------------------|
| Loans in Won | (Won) 2,668,535 |
| Loans in foreign currencies | 57,279 |
| Bills bought in Won and foreign currencies | 10,763 |
| Payments on guarantees | 31,894 |
| Factoring receivable | 4,887 |
| Credit card accounts | 896,135 |
| Privately placed debentures | 10,189 |
| Loans due for equity conversion | 130,043 |
| Suspense receivables | 17,399 |
| Others | 6,374 |
| | (Won) 3,833,498 |

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Table of Contents**Kookmin Bank****Notes to Non-Consolidated Financial Statements****June 30, 2004 and 2003, and December 31, 2003****(Unaudited)**

As of June 30, 2004, allowances for loan losses by credit risk classification are as follows:

| <i>(in millions of</i> | | <u>Normal</u> | <u>Pre-cautionary</u> | <u>Substandard</u> | <u>Doubtful</u> | <u>Estimated Loss</u> | <u>Total</u> |
|------------------------------------|-------|---------------|-----------------------|--------------------|-----------------|-----------------------|-------------------|
| Korean Won) | | | | | | | |
| Loans in Won | | | | | | | |
| Balance | (Won) | 116,454,308 | (Won) 5,512,761 | (Won) 2,208,758 | (Won) 1,256,955 | (Won) 390,222 | (Won) 125,823,004 |
| Allowances | | 793,648 | 325,287 | 482,145 | 677,233 | 390,222 | 2,668,535 |
| Ratio (%) | | 0.68 | 5.90 | 21.83 | 53.88 | 100.00 | 2.12 |
| Loans in foreign currencies | | | | | | | |
| Balance | | 3,691,732 | 229,437 | 31,781 | 22,779 | 800 | 3,976,529 |
| Allowances | | 14,508 | 16,249 | 13,146 | 12,576 | 800 | 57,279 |
| Ratio (%) | | 0.39 | 7.08 | 41.36 | 55.21 | 100.00 | 1.44 |
| Bills bought | | | | | | | |
| Balance | | 677,200 | 17,081 | 4,376 | 1,333 | 4,175 | 704,165 |
| Allowances | | 3,386 | 1,584 | 952 | 666 | 4,175 | 10,763 |
| Ratio (%) | | 0.50 | 9.27 | 21.76 | 49.96 | 100.00 | 1.53 |
| Payments on guarantees | | | | | | | |
| Balance | | 13,425 | 6,171 | 6,679 | 10,784 | 24,524 | 61,583 |
| Allowances | | 67 | 574 | 1,336 | 5,393 | 24,524 | 31,894 |
| Ratio (%) | | 0.50 | 9.30 | 20.00 | 50.01 | 100.00 | 51.79 |
| Credit card accounts | | | | | | | |
| Balance | | 6,961,477 | 1,037,385 | 204 | 992,987 | 86,845 | 9,078,898 |
| Allowances | | 69,615 | 124,486 | 41 | 615,148 | 86,845 | 896,135 |
| Ratio (%) | | 1.00 | 12.00 | 20.10 | 61.95 | 100.00 | 9.87 |
| Call loans | | | | | | | |
| Balance | | 2,624,749 | | | | | 2,624,749 |
| Allowances | | | | | | | |
| Ratio (%) | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

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| | | | | | | | |
|---------------------------------|-------------------|-----------------|-----------------|-----------------|---------------|-------------------|--|
| Privately placed debentures | | | | | | | |
| Balance | 1,114,861 | 1,475 | 2,822 | 6,763 | 68 | 1,125,989 | |
| Allowances | 5,574 | 48 | 1,117 | 3,382 | 68 | 10,189 | |
| Ratio (%) | 0.50 | 3.25 | 39.58 | 50.01 | 100.00 | 0.90 | |
| Factoring receivables | | | | | | | |
| Balance | 30,802 | | | 238 | 3,882 | 34,922 | |
| Allowances | 886 | | | 119 | 3,882 | 4,887 | |
| Ratio (%) | 2.88 | 0.00 | 0.00 | 50.00 | 100.00 | 13.99 | |
| Loans due for equity conversion | | | | | | | |
| Balance | | 265,393 | | | | 265,393 | |
| Allowances | | 130,043 | | | | 130,043 | |
| Ratio (%) | 0.00 | 49.00 | 0.00 | 0.00 | 0.00 | 49.00 | |
| Total | | | | | | | |
| Balance | (Won) 131,568,554 | (Won) 7,069,703 | (Won) 2,254,620 | (Won) 2,291,839 | (Won) 510,516 | (Won) 143,695,232 | |
| Allowances ^{1*} | 887,684 | 598,271 | 498,737 | 1,314,517 | 510,516 | 3,809,725 | |
| Ratio (%) | 0.67 | 8.46 | 22.12 | 57.36 | 100.00 | 2.65 | |

^{1*} The above amounts of allowances for loan losses do not include the allowances for suspense receivables and other allowances.

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For the six-month period ended June 30, 2004, the movements in allowances for loan losses are as follows:

| <i>(in millions of Korean Won)</i> | Amount |
|--|------------------------|
| Beginning balance ^{1*} | (Won) 3,905,342 |
| Provision for loan losses | 2,162,535 |
| Reclassification from other allowances ^{2*} | 235,818 |
| Collection of written-off loans | 272,065 |
| Repurchase of loans sold | 15,425 |
| Sale of loans | (188,927) |
| Write-off of loans | (2,414,274) |
| Conversion of loans into equity securities | (145,461) |
| Exemption of loans | (14,218) |
| Changes in exchange rates and others | 5,193 |
| Ending balance | (Won) 3,833,498 |

1* Available-for-sale subordinated retained interest is reclassified into credit card receivables and its related allowances for loans losses have been added to the beginning balance.

2* Other allowances for loans receivable from LG Card Co., Ltd. amounting to (Won)221,377 million that had been recorded as of December 31, 2003 were transferred to allowances for loan losses. Also, other allowances on credit lines to Kookmin Credit Card 16th ABS Specialty Co., Ltd. amounting to (Won)14,441 million that had been recorded as of December 31, 2003 were transferred to allowances for loans loss.

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Fixed assets as of June 30, 2004 and December 31, 2003 are as follows:

| <i>(in millions of Korean Won)</i> | 2004 | 2003 |
|------------------------------------|------------------------|------------------------|
| Tangible assets | (Won) 2,394,368 | (Won) 2,469,353 |
| Intangible assets | 549,918 | 549,427 |
| Foreclosed and other properties | 545 | 776 |
| | <u>(Won) 2,944,831</u> | <u>(Won) 3,019,556</u> |

Movements in tangible assets for the six-month period ended June 30, 2004 are as follows:

| <i>(in millions of Korean Won)</i> | Land | Buildings and structures | Leasehold improvement | Equipment and vehicle | Construction-in-progress | Total |
|------------------------------------|------------------|---------------------------------|------------------------------|------------------------------|---------------------------------|------------------|
| Acquisition cost | | | | | | |
| Beginning balances | (Won) 1,105,869 | (Won) 963,295 | (Won) 157,231 | (Won) 1,449,062 | (Won) 12,325 | (Won) 3,687,782 |
| Acquisition | | 39 | | 39,353 | 47,164 | 86,556 |
| Transfer | | 8,961 | 15,539 | | (24,500) | |
| Disposal | (29) | (131) | (3,341) | (38,182) | | (41,683) |
| Ending balances | <u>1,105,840</u> | <u>972,164</u> | <u>169,429</u> | <u>1,450,233</u> | <u>34,989</u> | <u>3,732,655</u> |
| Accumulated depreciation | | | | | | |
| Beginning balances | | 142,103 | 90,808 | 963,290 | | 1,196,201 |
| Depreciation expense | | 10,327 | 18,842 | 128,482 | | 157,651 |
| Disposal | | (22) | (2,370) | (35,401) | | (37,793) |
| Ending balances | | <u>152,408</u> | <u>107,280</u> | <u>1,056,371</u> | | <u>1,316,059</u> |
| Impairment | 12,674 | 9,554 | | | | 22,228 |

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| | | | | | | |
|-------------------|-----------------|---------------|--------------|---------------|--------------|-----------------|
| Book Value | (Won) 1,093,166 | (Won) 810,202 | (Won) 62,149 | (Won) 393,862 | (Won) 34,989 | (Won) 2,394,368 |
|-------------------|-----------------|---------------|--------------|---------------|--------------|-----------------|

Tangible assets covered by insurance policies as of June 30, 2004 are as follows:

| <i>(in millions of Korean Won)</i> | Amount Insured | Insurance Company | Type of Insurance |
|------------------------------------|-----------------------|--|----------------------------|
| Buildings and structures | (Won) 661,791 | Samsung Fire & Marine Insurance Co., Ltd | General property insurance |
| Leasehold improvement | 60,312 | Samsung Fire & Marine Insurance Co., Ltd | General property insurance |
| Equipment and vehicles | 267,132 | Samsung Fire & Marine Insurance Co., Ltd | General property insurance |
| Construction-in-progress | 16,931 | Samsung Fire & Marine Insurance Co., Ltd | General property insurance |
| | (Won) 1,006,166 | | |

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Movements in intangible assets for the six-month period ended June 30, 2004 are as follows:

| (in millions of Korean Won) | Goodwill | Development Costs | Rights to Income on Donated Asset | Store Possessory Right | Trademarks | Others | Total |
|--------------------------------|---------------|----------------------|---|------------------------------|------------|-------------|---------------|
| Beginning balances | (Won) 579,418 | (Won) 12,762 | (Won) 102 | (Won) 139 | (Won) 150 | (Won) 914 | (Won) 593,485 |
| Acquisition | | | | | 8 | 752 | 760 |
| Amortization | 42,396 | 1,744 | 4 | 11 | 27 | 145 | 44,327 |
| Ending balances | (Won) 537,022 | (Won) 11,018 | (Won) 98 | (Won) 128 | (Won) 131 | (Won) 1,521 | (Won) 549,918 |

The Bank recorded (Won)61,459 million of current development costs under general and administrative expenses for the six-month period ended June 30, 2004.

The total government-posted prices of land, used for tax imposition and compensation for confiscation, as of June 30, 2004 are as follows:

| <i>(in millions of Korean Won)</i> | Book Value | Appraisal Value |
|-------------------------------------|-----------------|-----------------|
| Lands included in tangible assets | (Won) 1,105,840 | (Won) 904,684 |
| Lands included in foreclosed assets | 1,203 | 494 |
| | (Won) 1,107,043 | (Won) 905,178 |

8. Other Assets

Other assets as of June 30, 2004 and December 31, 2003 are as follows:

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| <i>(in millions of Korean Won)</i> | <u>2004</u> | <u>2003</u> |
|------------------------------------|------------------------|------------------------|
| Guarantee deposits paid | (Won) 1,283,279 | (Won) 1,336,639 |
| Accounts receivable | 5,168,143 | 1,715,100 |
| Accrued income | 1,026,951 | 1,080,057 |
| Payments in advance | 88,179 | 92,217 |
| Prepaid expenses | 144,381 | 307,154 |
| Deferred tax assets (Note 25) | 445,286 | 552,636 |
| Derivative assets (Note 15) | 942,967 | 751,252 |
| Unsettled domestic exchange assets | 413,656 | 612,592 |
| Others | 37,056 | 36,592 |
| | <u>(Won) 9,549,898</u> | <u>(Won) 6,484,239</u> |

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Table of Contents**Kookmin Bank****Notes to Non-Consolidated Financial Statements****June 30, 2004 and 2003, and December 31, 2003****(Unaudited)****9. Deposits**

Deposits as of June 30, 2004 and December 31, 2003 are as follows:

(in millions of Korean Won)

| Deposits in Won | Annual Interest (%) | | |
|---|----------------------------|--------------------|--------------------|
| | June 30, 2004 | 2004 | 2003 |
| Demand deposits | | | |
| Checking deposits | | (Won) 83,146 | (Won) 125,533 |
| Household checking deposits | 0.10 | 427,275 | 476,132 |
| Passbook deposits | 0.10 | 9,984,509 | 10,001,043 |
| Temporary deposits | | 3,015,927 | 3,292,770 |
| Public fund deposits | 0.10 | 175,936 | 190,593 |
| Others | 0.10 | 40,340 | 24,218 |
| | | 13,727,133 | 14,110,289 |
| Time deposits and savings deposits | | | |
| Time deposits | 2.70 ~ 4.20 | 61,344,847 | 62,247,870 |
| Installment savings deposits | 3.30 ~ 4.00 | 1,293,233 | 1,306,793 |
| Property formation savings | 8.50 | 1,645 | 1,870 |
| Time and savings deposits of non residents in Won | 2.70 ~ 4.20 | 289,174 | 340,388 |
| General savings deposits | 0.15 ~ 3.10 | 20,055,118 | 21,644,066 |
| Corporate savings deposits | 0.10 ~ 3.00 | 8,763,952 | 7,800,122 |
| Long-term savings deposits for workers | 8.77 | 54,692 | 69,031 |
| Long-term housing savings deposits | 4.60 | 1,273,229 | 983,684 |
| Long-term savings for households | 2.73 | 41,207 | 494,606 |
| Worker s preferential savings deposits | 5.35 | 2,536,385 | 2,728,236 |
| Worker s savings for housing | 2.83 | 60 | 81 |
| Mutual installment deposits | 3.90 ~ 4.00 | 6,728,736 | 7,054,752 |
| Mutual installment for housing | 2.65 ~ 3.90 | 5,537,464 | 5,423,853 |
| | | 107,919,742 | 110,095,352 |
| Total deposits in Won | | 121,646,875 | 124,205,641 |
| Deposits in foreign currencies | | | |
| Demand deposits | | | |
| Checking deposits | 0.00 ~ 0.89 | 41,933 | 40,778 |
| Passbook deposits | 0.09 | 829,550 | 787,798 |

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| | | | |
|---|-------------|--------------------------|--------------------------|
| Notice deposits | 0.00 ~ 0.17 | 11,000 | 410 |
| Temporary deposits | | 1,884 | 1,049 |
| | | <u>884,367</u> | <u>830,035</u> |
| Time deposits and savings deposits | | | |
| Time deposits | 1.10 | 1,014,103 | 642,039 |
| Others | 0.00 ~ 4.45 | 2,512 | 3,299 |
| | | <u>1,016,615</u> | <u>645,338</u> |
| Total deposits in foreign currencies | | <u>1,900,982</u> | <u>1,475,373</u> |
| Certificates of deposit | 3.45 ~ 3.90 | 6,371,087 | 6,499,258 |
| | | <u>(Won) 129,918,944</u> | <u>(Won) 132,180,272</u> |

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The maturities of deposits as of June 30, 2004 are as follows:

| <i>(in millions of Korean Won)</i> | Deposits in Won | Deposits in Foreign Currencies | Certificates of Deposit | Total |
|-------------------------------------|--------------------------|---------------------------------------|--------------------------------|--------------------------|
| Due in 3 months or less | (Won) 65,340,773 | (Won) 1,519,222 | (Won) 3,310,500 | (Won) 70,170,495 |
| Due after 3 months through 6 months | 13,190,171 | 273,965 | 2,117,999 | 15,582,135 |
| Due after 6 months through 1 year | 31,660,808 | 61,457 | 942,588 | 32,664,853 |
| Due after 1 year through 2 years | 7,212,894 | 44,974 | | 7,257,868 |
| Due after 2 years through 3 years | 2,545,759 | 1,364 | | 2,547,123 |
| Due after 3 years through 4 years | 580,394 | | | 580,394 |
| Due after 4 years through 5 years | 252,444 | | | 252,444 |
| Thereafter | 863,632 | | | 863,632 |
| | (Won) 121,646,875 | (Won) 1,900,982 | (Won) 6,371,087 | (Won) 129,918,944 |

10. Borrowings

Borrowings as of June 30, 2004 and December 31, 2003 are as follows:

| <i>(in millions of Korean Won)</i> | Annual Interest (%) | | |
|--|----------------------------|------------------|------------------|
| | June 30, 2004 | 2004 | 2003 |
| Borrowings in Won | | | |
| Borrowings from the Bank of Korea | 2.50 | (Won) 942,933 | (Won) 992,433 |
| Borrowings from the government | 0.00 ~ 8.00 | 770,123 | 920,589 |
| Borrowings from banking institutions | 3.83 ~ 6.00 | 179,683 | 253,822 |
| Borrowings from National Housing Fund | 8.00 | 3,622 | 8,553 |
| Borrowings from other financial institutions | 2.00 ~ 4.00 | 5,862 | 5,688 |
| Other borrowings | 2.00 ~ 7.00 | 1,126,347 | 1,173,284 |
| | | 3,028,570 | 3,354,369 |
| Borrowings in foreign currencies | | | |
| Due to banks | | 47,199 | 189,976 |

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| | | | |
|---|-------------|-------------------------|-------------------------|
| Borrowings from domestic banks | 0.06 ~ 5.80 | 2,119,246 | 2,360,652 |
| Borrowings from other financial institutions | 1.00 | 17,039 | 19,486 |
| Borrowings from foreign banks | | 781,386 | 752,803 |
| | | <u>2,964,870</u> | <u>3,322,917</u> |
| Bonds sold under repurchase agreements | | | |
| In Won | 2.50 ~ 4.00 | 3,616,385 | 3,613,505 |
| In foreign currencies | | | 9,651 |
| | | <u>3,616,385</u> | <u>3,623,156</u> |
| Bills sold | 3.40 ~ 3.75 | 48,682 | 44,239 |
| Due to the Bank of Korea in foreign currencies | | 4,441 | 12,608 |
| Call money | | | |
| In Won | 3.25 ~ 3.65 | 1,620,300 | 55,800 |
| In foreign currencies | 0.75 ~ 5.35 | 92,625 | 193,700 |
| Inter-bank borrowings | 3.40 ~ 3.90 | | 296,011 |
| | | <u>1,712,925</u> | <u>545,511</u> |
| | | <u>(Won) 11,375,873</u> | <u>(Won) 10,902,800</u> |

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The maturities of borrowings as of June 30, 2004 are as follows:

| <i>(in millions of Korean Won)</i> | Borrowings in Won | Borrowings in Foreign Currencies | Others | Total |
|-------------------------------------|------------------------------|---|------------------------|-------------------------|
| Due in 3 months or less | (Won) 1,016,003 | (Won) 945,724 | (Won) 4,433,439 | (Won) 6,395,166 |
| Due after 3 months through 6 months | 78,578 | 635,798 | 545,557 | 1,259,933 |
| Due after 6 months through 1 year | 170,315 | 762,789 | 403,437 | 1,336,541 |
| Due after 1 year through 2 years | 372,397 | 491,440 | | 863,837 |
| Due after 2 years through 3 years | 365,748 | 42,476 | | 408,224 |
| Due after 3 years through 4 years | 325,947 | 27,043 | | 352,990 |
| Due after 3 years through 4 years | 253,858 | 59,600 | | 313,458 |
| Thereafter | 445,724 | | | 445,724 |
| | (Won) 3,028,570 | (Won) 2,964,870 | (Won) 5,382,433 | (Won) 11,375,873 |

11. Debentures

Debentures as of June 30, 2004 and December 31, 2003 include:

| <i>(in millions of Korean Won)</i> | | Annual Interest (%) | | |
|------------------------------------|--|--------------------------------|-------------------|-------------------|
| | | June 30, 2004 | 2004 | 2003 |
| In Won | Hybrid debentures ^{1*} | 6.00 ~ 7.00 | (Won) 903,668 | (Won) 903,668 |
| | Subordinated fixed rate debentures | 5.18 ~ 15.66 | 5,275,327 | 4,896,072 |
| | KCC ^{2*} subordinated fixed rate debentures | 7.10 ~ 8.00 | 205,000 | 205,000 |
| | KCC ^{2*} fixed rate debentures | 4.58 ~ 8.00 | 1,517,500 | 2,895,000 |
| | KCC ^{2*} floating rate debentures | 1.97 ~ 8.00 | 820,000 | 870,000 |
| | Floating rates debentures | 3.92 ~ 8.71 | 10,289,086 | 8,609,663 |
| | | | 19,010,581 | 18,379,403 |
| | Discounts on debentures | | (177,610) | (83,443) |

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| | | | | |
|------------------------------|---------------------------|-------------|------------------|------------------|
| | | | 18,832,971 | 18,295,960 |
| In foreign currencies | | | | |
| | Floating rates debentures | 0.60 ~ 1.99 | 174,651 | 196,211 |
| | Fixed rates debentures | 1.08 ~ 4.63 | 577,964 | 613,549 |
| | | 2.46 ~ 2.56 | 75,719 | 78,695 |
| | | | 828,334 | 888,455 |
| | Premiums on debentures | | 8,147 | 9,639 |
| | Discounts on debentures | | (1,155) | (1,473) |
| | | | 835,326 | 896,621 |
| | | | (Won) 19,668,297 | (Won) 19,192,581 |

1* The hybrid debenture are perpetual type debts in which the Bank retains the early redemption option after 5 years from issuance date and the term extending option on maturity date. Hybrid debentures are senior to common stock but subordinate to other subordinated debentures.

2* Kookmin Credit Card Co., Ltd.

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As of June 30, 2004, subordinated debentures and hybrid debentures consist of the following:

(in millions of Korean Won)

| Type | Issue Date | Amount | Annual Interest (%) | Maturity |
|---|---------------------|------------------|----------------------------|---------------------|
| Subordinated fixed rate debentures | 98.01.27 ~ 98.11.15 | (Won) 149,493 | 12.87 ~ 15.66 | 03.01.27 ~ 09.11.15 |
| | 2000.03.27 | 200,000 | 9.65 | 2005.03.27 |
| | 2000.06.28 | 253,975 | 9.04 ~ 9.10 | 2006.01.28 |
| | 2000.09.27 | 300,000 | 8.99 | 2006.01.27 |
| | 2000.09.28 | 150,000 | 8.79 ~ 8.85 | 2006.01.28 |
| | 2000.11.28 | 100,000 | 8.65 ~ 8.71 | 2006.02.28 |
| | 2000.11.28 | 150,921 | 9.57 ~ 9.65 | 2010.11.28 |
| | 2000.11.28 | 11,130 | 9.65 | 2010.12.28 |
| | 2000.12.27 | 200,000 | 8.71 | 2006.01.27 |
| | 2001.05.28 | 200,000 | 7.60 ~ 7.65 | 2007.02.28 |
| | 2001.06.27 | 160,000 | 7.68 | 2008.03.27 |
| | 2001.06.27 | 217,529 | 7.86 | 2009.03.27 |
| | 2001.08.28 | 100,000 | 6.69 ~ 6.73 | 2007.08.28 |
| | 2001.09.28 | 150,000 | 6.69 ~ 6.73 | 2008.03.28 |
| | 2002.03.27 | 241,684 | 7.06 ~ 7.10 | 2008.01.27 |
| | 2002.07.27 | 302,399 | 6.96 ~ 7.00 | 2008.01.27 |
| | 2002.09.27 | 257,363 | 6.27 ~ 6.30 | 2008.03.27 |
| | 2002.09.27 | 150,000 | 6.51 ~ 6.55 | 2010.03.27 |
| | 2002.09.27 | 92,637 | 6.66 ~ 6.70 | 2013.03.27 |
| | 2002.11.27 | 400,673 | 6.07 ~ 6.10 | 2008.05.27 |
| | 2002.11.27 | 57,846 | 6.27 ~ 6.30 | 2010.05.27 |
| | 2002.11.27 | 100,256 | 6.51 ~ 6.55 | 2013.05.27 |
| | 2002.12.18 | 110,000 | 8.00 | 2008.01.18 |
| | 2002.12.27 | 10,000 | 6.20 | 2008.06.27 |
| | 2002.12.27 | 90,000 | 6.40 | 2010.06.27 |
| | 2002.12.27 | 50,000 | 6.65 | 2013.06.27 |
| | 2002.12.27 | 30,370 | 6.55 | 2014.12.27 |
| | 2003.01.21 | 50,000 | 7.65 | 2008.02.21 |
| | 2003.03.10 | 45,000 | 7.10 | 2008.04.10 |
| | 2003.10.27 | 356,561 | 5.18 ~ 5.20 | 2009.01.27 |
| | 2003.10.27 | 88,769 | 5.33 ~ 5.35 | 2011.01.27 |
| | 2003.10.27 | 3,721 | 5.58 ~ 5.60 | 2014.01.27 |
| | 2004.02.27 | 636,798 | 5.65 ~ 5.68 | 2009.08.27 |
| | 2004.02.27 | 22,895 | 5.84 ~ 5.87 | 2011.08.27 |
| | 2004.02.27 | 40,307 | 6.13 ~ 6.16 | 2014.08.27 |
| | | <u>5,480,327</u> | | |

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| | | | | |
|--------------------------|------------|-----------------|------|------------|
| Hybrid debentures | 2003.06.27 | 105,145 | 6.00 | 2033.06.27 |
| | 2003.08.27 | 533,355 | 7.00 | 2033.08.27 |
| | 2003.10.27 | 265,168 | 6.80 | 2033.10.27 |
| | | 903,668 | | |
| | | (Won) 6,383,995 | | |

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Table of Contents**Kookmin Bank****Notes to Non-Consolidated Financial Statements****June 30, 2004 and 2003, and December 31, 2003****(Unaudited)**

The maturities of debentures as of June 30, 2004 are as follows:

| <i>(in millions of Korean Won)</i> | In Won | In Foreign Currencies | Total |
|-------------------------------------|-------------------------|----------------------------------|-------------------------|
| Due in 3 months or less | (Won) 2,114,556 | (Won) 68,044 | (Won) 2,182,600 |
| Due after 3 months through 6 months | 1,863,207 | 9,220 | 1,872,427 |
| Due after 6 months through 1 year | 5,931,890 | 17,731 | 5,949,621 |
| Due after 1 year through 2 years | 3,601,947 | 66,499 | 3,668,446 |
| Due after 2 years through 3 years | 279,492 | 67,970 | 347,462 |
| Due after 3 years through 4 years | 2,173,535 | 562,522 | 2,736,057 |
| Due after 4 years through 5 years | 609,736 | 36,348 | 646,084 |
| Thereafter | 2,436,218 | | 2,436,218 |
| | (Won) 19,010,581 | (Won) 828,334 | (Won) 19,838,915 |

12. Accrued Retirement Benefits

The movements in accrued retirement benefits for the six-month period ended June 30, 2004 are as follows:

| <i>(in millions of Korean Won)</i> | Beginning Balance | Amounts Provided | Amounts Paid Out | Ending Balance |
|------------------------------------|------------------------------|-----------------------------|-----------------------------|---------------------------|
| Accrued retirement benefits | (Won) 71,083 | (Won) 55,163 | (Won) 15,725 | (Won) 110,521 |
| Contributed retirement benefits | 163,349 | | 14,449 | 148,900 |
| Total accrued retirement benefits | 234,432 | 55,163 | 30,174 | 259,421 |
| Contribution to pension funds | (163,349) | | (14,449) | (148,900) |
| | (Won) 71,083 | (Won) 55,163 | (Won) 15,725 | (Won) 110,521 |

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As of June 30, 2004, approximately 57.40% of total accrued retirement benefits is contributed to pension funds, over which the Bank's employees hold the right of payment and is placed at two insurance companies, including Korea Life Insurance Co., Ltd. The total retirement benefits paid for the six-month period ended June 30, 2004 amounts to (Won)80,203 million, including the additional early retirement benefits paid in February 2004 to 459 employees amounting to (Won)50,029 million.

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Table of Contents**Kookmin Bank****Notes to Non-Consolidated Financial Statements****June 30, 2004 and 2003, and December 31, 2003****(Unaudited)****13. Other Liabilities**

Other liabilities as of June 30, 2004 and 2003 consist of:

| <i>(in millions of Korean Won)</i> | <u>2004</u> | <u>2003</u> |
|--|-------------------------|-------------------------|
| Account | | |
| Accrued retirement benefits (Note 12) | (Won) 110,521 | (Won) 71,083 |
| Allowance for losses on guarantees and acceptances (Note 14) | 1,259 | 1,074 |
| Due to trust accounts | 1,296,088 | 3,983,295 |
| Accounts payable | 5,497,269 | 1,886,446 |
| Accrued expenses | 4,322,775 | 4,418,940 |
| Advances from customers | 382,012 | 109,675 |
| Unearned income | 127,960 | 130,778 |
| Withholding taxes | 80,470 | 123,455 |
| Guarantee deposits received | 106,771 | 120,437 |
| Derivative liabilities (Note 15) | 915,350 | 686,271 |
| Unsettled domestic exchange liabilities | 575,237 | 400,445 |
| Accounts for agency business | 285,939 | 337,624 |
| Other allowances ^{1*} | 538,304 | 677,163 |
| Liabilities incurred by agency relationship | 544,572 | 315,241 |
| Others | 185,126 | 130,182 |
| | <u>(Won) 14,969,653</u> | <u>(Won) 13,392,109</u> |

1* Other allowances are as follows:

| <i>(in millions of Korean Won)</i> | <u>Amounts</u> | <u>Remarks</u> |
|------------------------------------|----------------|--|
| Allowances for | | |
| Suspense receivables | (Won) 8,650 | Allowances for frauds/accidents and litigation fee |
| Loss on branch closure | 258 | Allowances for closure of the Buenos Aires branch |
| Uncollected leasehold deposits | 10,518 | Allowances for uncollected leasehold deposits |
| Credit card receivables | 43,249 | Allowances for unused cash advance credit lines |

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| | | |
|---------------------------------|---------------|---|
| Mileage rewards | 46,375 | Allowances for mileage on credit cards and currency exchange rates |
| Claimed assets | 23,248 | Allowances for credit card claimed assets |
| Credit commitments to SPC | 351,375 | Allowances for the credit line commitment to SPC (Note 16) |
| Securitization allowances | 2,068 | Allowances for repurchase obligations from asset securitization (Note 16) |
| KAMCO loans sold | 602 | Allowances for loans under repurchase agreements to KAMCO (Note 16) |
| Allowances for tax deficiencies | 458 | Allowances for tax deficiencies (Note 16) |
| Master Card share agreement | 3,001 | Allowances for the share settlement provision for Master Card shares |
| Others | 48,502 | Allowance for time deposits of Hansol Mutual Savings & Finance Co., Ltd. amounting to (Won)50 billion and allowance for LG Card |
| | (Won) 538,304 | |

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Table of Contents**Kookmin Bank****Notes to Non-Consolidated Financial Statements****June 30, 2004 and 2003, and December 31, 2003****(Unaudited)****14. Guarantees and Acceptances**

Guarantees and acceptances as of June 30, 2004 are summarized as follows:

| <i>(in millions of Korean Won)</i> | Amount |
|--|------------------------|
| Guarantees and acceptances outstanding in | |
| Won | |
| Guarantees on debentures | (Won) 423 |
| Guarantees on loan collateral | 40,297 |
| Others | 245,852 |
| | <u>286,572</u> |
| Foreign Currencies | |
| Acceptances on letters of credit | 109,239 |
| Acceptances for letters of guarantee for importers | 57,314 |
| Guarantees for performance of contracts | 22,866 |
| Guarantees for bids | 1,754 |
| Guarantees for borrowings | 30,992 |
| Guarantees for repayment of advances | 26,269 |
| Others | 158,858 |
| | <u>407,292</u> |
| | <u>693,864</u> |
| Contingent guarantees and acceptances | |
| Letters of credit | 1,255,115 |
| | <u>(Won) 1,948,979</u> |

As of June 30, 2004, the allowances for losses on guarantees and acceptances outstanding according to credit risk classifications are as follows:

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(in millions of Korean Won)

| Guarantees and Acceptances Outstanding in | | Normal | Precautionary | Sub-standard | Doubtful | Estimated loss | Total |
|---|-------|---------|---------------|--------------|----------|-------------------|---------------|
| Won | | | | | | | |
| Balance | (Won) | 272,787 | 11,730 | 1,978 | 77 | (Won) | (Won) 286,572 |
| Allowance | | | | 396 | 38 | | 434 |
| Ratio (%) | | | | 20.00 | 50.00 | | 0.15 |
| Foreign currencies | | | | | | | |
| Balance | | 347,124 | 58,487 | 1,536 | 139 | 6 | 407,292 |
| Allowance | | | | 749 | 70 | 6 | 825 |
| Ratio (%) | | | | 48.78 | 50.00 | 100.00 | 0.20 |
| Total | | | | | | | |
| Balance | (Won) | 619,911 | 70,217 | 3,514 | 216 | (Won) | (Won) 693,864 |
| Allowance | | | | 1,145 | 108 | 6 | 1,259 |
| Ratio (%) | | | | 32.58 | 50.00 | 100.00 | 0.18 |

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For the six-month period ended June 30, 2004, the changes in allowances for losses on guarantees and acceptances outstanding are as follows:

(in millions of Korean Won)

| | |
|--|-------------|
| Beginning balance | (Won) 1,074 |
| Reversal of losses from guarantees and acceptances | 219 |
| Changes in foreign exchange rates | (34) |
| Ending balance | (Won) 1,259 |

The guarantees and acceptances risk concentration by country as of June 30, 2004 are as follows:

| (in millions of Korean Won) | Guarantees and Acceptances Outstanding | | Contingent Guarantees and Acceptances | | Total | |
|--------------------------------|---|----------------|--|-----------------|-----------------|-----------------|
| | Balance | Percentage (%) | Balance | Percentage (%) | Balance | Percentage (%) |
| | Korea | (Won) 641,594 | 92.47 | (Won) 1,253,722 | 99.89 | (Won) 1,895,316 |
| USA | 52,270 | 7.53 | 1,393 | 0.11 | 53,663 | 2.75 |
| | (Won) 693,864 | 100.00 | (Won) 1,255,115 | 100.00 | (Won) 1,948,979 | 100.00 |

The guarantees and acceptances risk concentration by industry as of June 30, 2004 are as follows:

| (in millions of Korean Won) | Guarantees and Acceptances Outstanding | | Contingent Guarantees and Acceptances | | Total | |
|--------------------------------|---|----------------|--|----------------|---------|-----------------|
| | Balance | Percentage (%) | Balance | Percentage (%) | Balance | Percentage (%) |
| | Manufacturing | (Won) 353,159 | 50.90 | (Won) 788,989 | 62.86 | (Won) 1,142,148 |
| Service | 269,101 | 38.78 | 396,840 | 31.62 | 665,941 | 34.17 |
| Finance | 55,100 | 7.94 | | | 55,100 | 2.83 |

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| | | | | | | |
|--------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Others | 16,504 | 2.38 | 69,286 | 5.52 | 85,790 | 4.40 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | (Won) 693,864 | 100.00 | (Won) 1,255,115 | 100.00 | (Won) 1,948,979 | 100.00 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

15. Derivatives

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

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

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

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The notional amounts outstanding for derivative contracts as of June 30, 2004 and December 31, 2003 are as follows:

(in millions of

Korean Won)

| | 2004 | | | 2003 | | |
|-------------------------|--------------------------|----------------------|--------------------------|-------------------------|----------------------|-------------------------|
| | Trading | Hedge | Total | Trading | Hedge | Total |
| Interest related | | | | | | |
| Future | (Won) 602,863 | (Won) | (Won) 602,863 | (Won) 519,665 | (Won) | (Won) 519,665 |
| Swap | 28,470,392 | 576,250 | 29,046,642 | 26,773,100 | 598,900 | 27,372,000 |
| Option | 1,424,000 | | 1,424,000 | 2,340,000 | | 2,340,000 |
| | <u>30,497,255</u> | <u>576,250</u> | <u>31,073,505</u> | <u>29,632,765</u> | <u>598,900</u> | <u>30,231,665</u> |
| Currency related | | | | | | |
| Forward | 60,021,108 | | 60,021,108 | 25,870,850 | | 25,870,850 |
| Future | 2,035,430 | | 2,035,430 | 967,823 | | 967,823 |
| Swap | 4,591,013 | | 4,591,013 | 4,136,776 | | 4,136,776 |
| Option bought | 106,925 | | 106,925 | 28,148 | | 28,148 |
| Option sold | 49,558 | | 49,558 | 81,450 | | 81,450 |
| | <u>66,804,034</u> | | <u>66,804,034</u> | <u>31,085,047</u> | | <u>31,085,047</u> |
| Stock related | | | | | | |
| Option bought | 2,162,719 | | 2,162,719 | 1,964,870 | | 1,964,870 |
| Option sold | 2,126,852 | | 2,126,852 | 1,954,093 | | 1,954,093 |
| | <u>4,289,571</u> | | <u>4,289,571</u> | <u>3,918,963</u> | | <u>3,918,963</u> |
| | <u>(Won) 101,590,860</u> | <u>(Won) 576,250</u> | <u>(Won) 102,167,110</u> | <u>(Won) 64,636,775</u> | <u>(Won) 598,900</u> | <u>(Won) 65,235,675</u> |

Gains and losses on derivatives as of and for the six-month period ended June 30, 2004 are as follows:

(in millions of Korean Won)

Gain on derivatives

Gain on derivative transactions

(Won) 1,459,391

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| | |
|----------------------------------|-----------------|
| Gain on valuation of derivatives | 677,777 |
| Gain on fair value hedged items | 12,263 |
| | <hr/> |
| | (Won) 2,149,431 |
| | <hr/> |
| Loss on derivatives | |
| Loss on derivative transactions | (Won) 1,418,054 |
| Loss on valuation of derivatives | 700,201 |
| Loss on fair value hedged items | |
| | <hr/> |
| | (Won) 2,118,255 |
| | <hr/> |

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Gains and losses on derivatives as of and for the six-month period ended June 30, 2004 are as follows:

*(in millions of**Korean Won)*

| | Valuation Gains (P/L) | | | Valuation Losses (P/L) | | | Fair Value (B/S) | |
|-------------------------|-----------------------|-------|---------------|------------------------|--------------|---------------|------------------|---------------|
| | Trading | Hedge | Total | Trading | Hedge | Total | Asset | Liability |
| Interest related | | | | | | | | |
| -Option | (Won) 3,566 | (Won) | (Won) 3,566 | (Won) 4,415 | (Won) | (Won) 4,415 | (Won) 4,356 | (Won) 11,893 |
| -Swap | 117,925 | | 117,925 | 92,193 | 12,263 | 104,456 | 150,807 | 223,052 |
| | 121,491 | | 121,491 | 96,608 | 12,263 | 108,871 | 155,163 | 234,945 |
| Currency related | | | | | | | | |
| -Forward | 428,226 | | 428,226 | 473,538 | | 473,538 | 412,612 | 473,919 |
| -Option bought | 467 | | 467 | 1,389 | | 1,389 | 468 | 1,389 |
| -Option sold | 434 | | 434 | 75 | | 75 | 229 | 265 |
| -Swap | 95,485 | | 95,485 | 75,278 | | 75,278 | 294,356 | 128,021 |
| | 524,612 | | 524,612 | 550,280 | | 550,280 | 707,665 | 603,594 |
| Stock related | | | | | | | | |
| -Option bought | 879 | | 879 | 39,987 | | 39,987 | 80,139 | |
| -Option sold | 30,795 | | 30,795 | 1,063 | | 1,063 | | 76,811 |
| | 31,674 | | 31,674 | 41,050 | | 41,050 | 80,139 | 76,811 |
| | (Won) 677,777 | (Won) | (Won) 677,777 | (Won) 687,938 | (Won) 12,263 | (Won) 700,201 | (Won) 942,967 | (Won) 915,350 |

16. Commitments and Contingencies

As of June 30, 2004, the Bank faces 187 pending legal actions involving aggregate amount of damages of (Won)308,503 million. On the other hand, the Bank also filed 221 lawsuits, which are still pending with an aggregate amount of claims of (Won)103,526 million. Management believes that the actions against the Bank are without merit and that the ultimate liability, if any, will not materially affect the Bank's financial position.

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

| <i>(in millions of Korean Won)</i> | Exposure to possible loss | Results | | |
|---|---------------------------|-----------------------|-----------------------|-----------------------|
| | | 1 st trial | 2 nd trial | 3 rd trial |
| Cancellation of a registered mortgage (3 cases) | (Won) 8,263 | in progress | | |
| Cancellation of rental fee | 1,500 | in progress | | |
| Confirmation of obligations | 20,319 | closed ^{1*} | closed ^{1*} | in progress |
| Indemnification for damage etc. | 11,718 | closed ^{1*} | in progress | |

1* The Bank (partially) won the case.

The Bank, under the Mutual Savings & Finance Company Act, is liable for the payment of the deposits of Orange Mutual Savings & Finance Co., Ltd. (previously, Kookmin Mutual Savings & Finance Co., Ltd.) and Hansol Mutual Savings & Finance Co., Ltd. (previously, Bukook Mutual Savings & Finance Co., Ltd.), previously the Bank's subsidiaries but were sold in 1999, if they declare bankruptcy within three years of sale. Orange Mutual Savings & Finance Co., Ltd. is currently undergoing bankruptcy procedures due to the disapproval of its business by the Financial Supervisory Commission. Korea Deposit Insurance Corporation (KDIC) has paid for the deposit money subject to the Depositor Protection Act. As of June 30, 2004, despite the fact that Resolution and Finance Corp., a subsidiary of KDIC, has filed a lawsuit against the Bank for the recovery of the repayment, such lawsuit is not expected to cause losses that would materially affect the Bank's financial position.

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As of June 30, 2004, the Bank has entered into commitments to provide a credit line of (Won)5,970,660 million, and to purchase commercial papers amounting to (Won)704,000 million, with SPC. Commitments to provide a credit line and to purchase commercial paper with a one year term amounted to (Won)123,500 million and (Won)718,000 million, respectively. Under these commitments, the Bank provides money, in case of a temporary fund shortage, for the principal and interest repayment of these companies' senior bonds and subordinated bonds within the contracted term and amounts.

As of June 30, 2004, loans outstanding under the credit line commitment amounted to (Won)133,036 million, and there is no outstanding balance for commercial papers under the purchase commitment. The Bank has arranged various methods to compensate for losses on these credit line commitments including payment guarantees, repurchase contracts, surety certificate guarantees, and cash reserves. As of June 30, 2004, the Bank provided (Won)351,375 million in other allowances for its expected losses related to these commitments.

Pursuant to its asset securitization plans, the Bank has an outstanding obligation to indemnify for losses on the loans sold to Jooeun 2nd-ABS Specialty Co., Ltd. with a ceiling of (Won)36,957 million. As of June 30, 2004, the Bank provided (Won)2,068 million in other allowances for its expected losses related to the commitments to Jooeun 2nd-ABS Specialty Co., Ltd.

As of June 30, 2004, post settlements on the loan sales transaction with Korea Asset Management Corporation (KAMCO) have been completed and the Bank has provided allowances of (Won)602 million for losses from possible future repurchase of loans from KAMCO under the repurchase agreement on loans amounting (Won)3,181 million .

The Bank has an off-shore loan commitment, limited to USD 11,133 thousand. The loan balance under the commitment as of June 30, 2004 is USD 8,799 thousand.

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

As of June 30, 2004, the Bank still holds (Won)4,564,671 million in unexpired rights to claim from borrowers or guarantors for loans in accordance with the relevant law. This amount, however, has been written off. Also, as of June 30, 2004, the Bank holds endorsed bills amounting to (Won)11,127 million.

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As of June 30, 2004, the Bank recorded receivables amounting to (Won)2,500,950 million, and payables amounting to (Won)2,914,462 million for unsettled foreign currency spot transactions.

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

As of June 30, 2004, the Bank has provided one blank promissory note to Korea Securities Finance Corporation as collateral for borrowings and other obligations.

In accordance with the November 24, 2003 agreement with the creditors' committee of LG Card Co., Ltd., which is experiencing a financial crisis, the Bank provided the said company loans totaling (Won)437,000 million. And on January 9, 2004, the Bank agreed to also provide additional loans of (Won) 205,900, a debt-equity swap of (Won) 518,600 million, and an extension of maturities of loans maturing in 2004. On February 13, 2004, the Bank executed a debt-equity swap with LG Card for (Won)156,350 million for loans amounting to (Won)145,950 million and corporate debt securities amounting to (Won)10,400 million. After the capital reduction in May 2004 at a rate of 43.4:1, a second debt-equity swap was executed in July 28, 2004 amounting to (Won)362,250 million for loans of (Won)348,364 million and corporate debt securities of (Won)13,886 million (Note 36). As of June 30, 2004, the Bank's total exposure related to LG Card Co., Ltd. includes loans, debt securities and debt-equity swapped equity securities amounting to (Won)702,394 million, (Won)11,104 million, and (Won) 1,751 million, respectively. The ultimate effect of these circumstances on the financial position of the Bank as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying non-consolidated financial statements.

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(Unaudited)

In common with certain other Asian countries, the economic environment in the Republic of Korea continues to be volatile. In addition, the Korean government and the private sector continue to implement structural reforms to historical business practices including corporate governance. The Bank may be either directly or indirectly affected by these volatile economic conditions and the reform program described above. The accompanying financial statements reflect management's assessment of the impact to date of the economic environment on the financial position and results of operations of the Bank. Actual results may differ materially from management's current assessment.

As of June 30, 2004, the Bank holds debt securities issued by domestic credit card companies and capital companies and asset-backed securities related to these assets amounting to (Won)13,886 million and (Won)249,403 million, respectively. Currently, debt securities issued by domestic credit card companies and capital companies, which are experiencing liquidity problems, are not widely traded in the bond market. The ultimate effect of these circumstances on the financial position of the Bank as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying financial statements.

17. Capital

As of June 30, 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 Insurance International B.V. owns 3.78% of the total issued shares. As of June 30, 2004, 39,723,137 common shares, equivalent to 11.81% of the total issued shares, are listed on the New York Stock Exchange as ADSs and are managed by the Bank of New York, the trustee of the Bank.

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

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

The Bank is authorized to issue to non-shareholders convertible bonds and bonds with stock purchase warrants up to total par value amounts of (Won)2,500 billion and (Won)500 billion, respectively.

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The movements in capital surplus for the six-month period ended June 30, 2004 are as follows:

| <i>(in millions of Korean Won)</i> | <u>Beginning Balance</u> | <u>Changes</u> | <u>Ending Balance</u> |
|--|--------------------------|----------------|------------------------|
| Paid-in capital in excess of par value | (Won) 5,655,840 | (Won) | (Won) 5,655,840 |
| Gain on business combination | 397,669 | | 397,669 |
| Revaluation increment | 177,229 | | 177,229 |
| | <u>(Won) 6,230,738</u> | <u>(Won)</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.

19. Retained Earnings

The General Banking Act requires the Bank to appropriate as a legal reserve a minimum of 10% of annual net income until the legal reserve equals paid in capital. This reserve is not available for the payment of cash dividends but may be transferred to capital stock by an appropriate resolution of the Bank's Board of Directors or used to reduce accumulated deficit, if any, by an appropriate approval of the Bank's shareholders.

Under the guidance provided by Financial Supervisory Services, the Company is required to appropriate, as a reserve for improvement of financial structure, a minimum of 10% of its annual income less carried over accumulated deficit, until its capital adequacy ratio equals 5.5%. As of June 30, 2004, the Bank has no reserve for improvement of financial structure.

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

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

20. Capital Adjustments

The movements in capital adjustments for the six-month period ended June 30, 2004 are as follows:

| <i>(in millions of Korean Won)</i> | <u>Beginning Balance</u> | <u>Increase/Decrease</u> | <u>Disposal/Realization</u> ^{1*} | <u>Ending Balance</u> |
|--|--------------------------|--------------------------|---|--------------------------|
| Treasury stock | (Won) (1,328,312) | (Won) | (Won) (3,826) | (Won) (1,324,486) |
| Unrealized gain on available-for-sale securities | 137,987 | 155,594 | 64,563 | 229,018 |
| Unrealized gain on investment in associates | 4,624 | 281 | (71) | 4,976 |
| Stock options | 26,211 | 4,250 | 1,180 | 29,281 |
| Loss on disposal of treasury stock | (749) | (260) | | (1,009) |
| | <u>(Won) (1,160,239)</u> | <u>(Won) 159,865</u> | <u>(Won) 61,846</u> | <u>(Won) (1,062,220)</u> |

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

The Bank, with the approval of the Board of Directors on July 26, 2002, established an employee stock option plan for the welfare of the employees and purchased 3 million shares of treasury stock under the plan. On December 26, 2003, the Bank contributed 1 million shares to the Employee Stock Ownership Association.

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In accordance with the resolution of the Board of Directors on December 17, 2003, the Bank acquired 27,423,761 of its own shares previously owned by the Korean government at (Won)43,700 per share through public bidding and intends to sell these shares depending on certain market conditions. As a result of the acquisition, the Bank holds 8.90% the total common stock issued as treasury stock as of June 30, 2004.

21. Employee Stock Options

As of June 30, 2004, the stock options granted to the Bank's executives and chief executive officer are as follows:

| Series | Grant Date | Shares | | Shares | | Exercise Price | Exercise Period |
|--|------------|---------|------------|-----------|-------------|----------------|---------------------|
| | | Granted | Forfeiture | Exercised | Outstanding | | |
| Series 1 | 00.03.18 | 233,940 | 121,411 | 42,680 | 69,849 | (Won) 23,469 | 03.03.19 - 05.03.18 |
| Series 2 | 01.03.15 | 214,975 | 16,882 | 19,872 | 178,221 | 28,027 | 04.03.16 - 09.03.15 |
| Series 3 | 98.10.31 | 400,000 | | 390,000 | 10,000 | 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 | 34,963 | 166,819 | 27,600 | 03.03.01 - 06.02.28 |
| Series 6 | 01.03.24 | 111,000 | 38,624 | 10,216 | 62,160 | 25,100 | 04.03.25 - 07.03.24 |
| Series 7 ^{1*2*} | 01.11.16 | 850,000 | | | 850,000 | 51,200 | 04.11.17 - 09.11.16 |
| Series 8-1 ^{2*} | 02.03.22 | 132,000 | 89,753 | | 42,247 | 57,100 | 05.03.23 - 10.03.22 |
| Series 8-1 ^{3*} | 02.03.22 | 490,000 | 166,466 | | 323,534 | 57,100 | 05.03.23 - 10.03.22 |
| Series 9 ^{3*} | 02.07.26 | 30,000 | | | 30,000 | 58,800 | 05.07.27 - 10.07.26 |
| Series 10-1 ^{2*} | 03.03.21 | 140,000 | 19,947 | | 120,053 | 41,200 | 06.03.22 - 11.03.21 |
| Series 10-1 ^{3*} | 03.03.21 | 180,000 | 64,090 | | 115,910 | 35,500 | 06.03.22 - 11.03.21 |
| Series 11 ^{3*} | 03.08.27 | 30,000 | 24,909 | | 5,091 | 40,500 | 06.08.28 - 11.08.27 |
| Series 12 ^{3*} | 04.02.09 | 85,000 | | | 85,000 | 46,100 | 07.02.10 - 12.02.09 |
| Series 13-1 ^{2*} | 04.03.23 | 20,000 | | | 20,000 | 47,200 | 07.03.22 - 12.03.23 |
| Series 13-1 ^{3*} | 04.03.23 | 10,000 | | | 10,000 | 47,200 | 07.03.22 - 12.03.23 |
| Increase due to merger-1 ^{4*} | 01.03.22 | 22,146 | | | 22,146 | 71,538 | 04.03.23 - 11.03.22 |
| Increase due to merger-2 ^{3*4*} | 02.03.29 | 9,990 | | | 9,990 | 129,100 | 04.03.30 - 11.03.29 |

1* The stock options include the 200,000 shares which are to be additionally granted if the three-month weighted average stock price of the Bank prior to the exercise period is higher than that of any other listed banks and the Bank achieves total market value and ROE target.

2* The exercise prices are based on the increase rate of the stock price index in the banking industry.

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

4* The Bank took over the stock options granted by Kookmin Credit Card Co., Ltd. of which the exercise prices and number of shares have been adjusted in proportion to the merger ratio.

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

| Series | Stock price as of grant date (Won) | Risk free interest rate ^{1*} (%) | Expected exercise period (years) ^{2*} | Volatility of underlying stock price ^{3*} (%) | Expected dividend rate ^{4*} (%) | Compensation cost (Won) |
|--------------------------|------------------------------------|---|--|--|--|-------------------------|
| Series 1 | (Won) 21,441 | 9.32 | 4.00 | 71.14 | 2.25 | (Won) 12,638 |
| Series 2 | 25,156 | 6.06 | 5.50 | 70.30 | 2.47 | 15,987 |
| Series 3 | 5,430 | 9.74 | 3.00 | 59.06 | 1.14 | 1,395 |
| Series 45 ^{5*} | 33,750 | 4.74 | 0.33 | 73.30 | 1.93 | 19,850 |
| Series 55 ^{5*} | 33,750 | 4.74 | 1.33 | 73.30 | 1.93 | 13,320 |
| Series 65 ^{5*} | 33,750 | 4.74 | 2.42 | 73.30 | 1.93 | 17,117 |
| Series 7 | 45,800 | 4.91 | 3.00 | 58.90 | | 18,364 |
| Series 8-1 | 58,000 | 6.14 | 3.00 | 53.56 | | 24,496 |
| Series 8-2 | 58,000 | 6.14 | 3.00 | 53.56 | | 24,496 |
| Series 9 | 53,900 | 5.73 | 3.00 | 43.09 | | 17,333 |
| Series 10-1 | 36,500 | 4.74 | 3.00 | 48.77 | | 12,204 |
| Series 10-2 | 36,500 | 4.74 | 3.00 | 48.77 | | 14,073 |
| Series 11 | 41,100 | 5.75 | 3.00 | 44.48 | | 15,098 |
| Series 12 | 47,000 | 4.90 | 3.00 | 42.74 | | 16,430 |
| Series 13-1 | 45,900 | 4.67 | 3.00 | 42.74 | | 15,121 |
| Series 13-2 | 45,900 | 4.67 | 3.00 | 42.74 | | 15,121 |
| Increase due to merger-1 | 27,200 | 5.17 | 3.00 | 46.02 | | 8,447 |
| Increase due to merger-2 | 55,900 | 6.39 | 2.00 | 49.24 | 20 | 6,536 |

1* Interest rate of government bonds as of grant date.

2* The average of vesting period and exercise period was applied for series 1 and 2. Vesting period was applied for series 3-11 and stock options succeeded from Kookmin Credit Card Co., Ltd.

3* Annualized stock volatility for the past one-year period before the grant date was applied for series 1-2, and the average of stock volatility of banking industries and the Bank was applied for series 3-11 and stock options succeeded from Kookmin Credit Card Co., Ltd.

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

5* Compensation costs were recalculated to reflect the effects of merger with H&CB.

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The compensation costs to be recognized in the future as of June 30, 2004, are as follows:

| Series | Compensation cost recognized | | | Compensation cost to be recognized | | | | Total compensation cost |
|--------------------------|--------------------------------|----------------------------------|-------------------------------|------------------------------------|-----------------------------|------------------------------|-------------|-------------------------|
| | Prior period compensation cost | Current period compensation cost | Accumulated compensation cost | Within 1 year | More than 1 year to 2 years | More than 2 years to 3 years | Total | |
| Series 1 | (Won) 883 | (Won) | (Won) 883 | (Won) | (Won) | (Won) | (Won) | (Won) 883 |
| Series 2 | 2,612 | 237 | 2,849 | | | | | 2,849 |
| Series 3 | 14 | | 14 | | | | | 14 |
| Series 5 | 2,222 | | 2,222 | | | | | 2,222 |
| Series 6 | 975 | 89 | 1,064 | | | | | 1,064 |
| Series 7 | 10,840 | 2,602 | 13,442 | 2,168 | | | 2,168 | 15,610 |
| Series 8-1 | 604 | 172 | 776 | 259 | | | 259 | 1,035 |
| Series 8-2 | 5,297 | 647 | 5,944 | 1,981 | | | 1,981 | 7,925 |
| Series 9 | 246 | 87 | 333 | 173 | 14 | | 187 | 520 |
| Series 10-1 | 427 | 182 | 609 | 487 | 366 | | 853 | 1,462 |
| Series 10-2 | 633 | 46 | 679 | 544 | 408 | | 952 | 1,631 |
| Series 11 | 50 | (29) | 21 | 26 | 26 | 4 | 56 | 77 |
| Series 12 | | 155 | 155 | 466 | 466 | 310 | 1,242 | 1,397 |
| Series 13-1 | | 25 | 25 | 101 | 101 | 76 | 278 | 303 |
| Series 13-2 | | 13 | 13 | 50 | 50 | 38 | 138 | 151 |
| Increase due to merger-1 | 171 | 16 | 187 | | | | | 187 |
| Increase due to merger-2 | 57 | 8 | 65 | | | | | 65 |
| | (Won) 25,031 | (Won) 4,250 | (Won) 29,281 | (Won) 6,255 | (Won) 1,431 | (Won) 428 | (Won) 8,114 | (Won) 37,395 |

As of June 30, 2004, the weighted average exercise price per stock option granted is (Won)45,494 and the weighted average compensation cost per stock option granted is (Won)17,630.

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Other non-interest income (expenses) for the six-month period ended June 30, 2004 are as follows:

| <i>(in millions of Korean Won)</i> | Amount |
|---|------------------------|
| Other non-interest income | |
| - Realized gain on trading securities | (Won) 79,056 |
| - Unrealized gain on trading securities | 18,005 |
| - Income from beneficiary certificates | 137,600 |
| - Gain on trust management | 58,974 |
| - Gain on valuation of derivatives | 677,777 |
| - Gain on fair value hedged items | 12,263 |
| - Others | 43,477 |
| | (Won) 1,027,152 |
| Other non-interest expenses | |
| - Realized loss on trading securities | (Won) 48,605 |
| - Contributions to special funds | 90,253 |
| - Provision for allowance | 219 |
| - Loss on valuation of derivatives | 700,201 |
| - Others | 415,436 |
| | (Won) 1,254,714 |

23. General and Administrative Expenses

General and administrative expenses for the six-month period June 30, 2004 are as follows:

| <i>(in millions of Korean Won)</i> | Amount |
|------------------------------------|---------------|
| Salaries and wages | (Won) 575,691 |

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| | |
|-----------------------------------|-----------------|
| Retirement benefits (Note 12) | 55,163 |
| Other employee benefits | 164,335 |
| Rent | 36,949 |
| Depreciation | 157,651 |
| Amortization | 44,327 |
| Taxes and dues | 60,150 |
| Advertising | 16,835 |
| Ordinary Research and Development | 61,459 |
| Fees and commissions | 44,331 |
| Others | 98,735 |
| | <hr/> |
| | (Won) 1,315,626 |
| | <hr/> |

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Table of Contents**Kookmin Bank****Notes to Non-Consolidated Financial Statements****June 30, 2004 and 2003, and December 31, 2003****(Unaudited)****24. Non-Operating Income (Expenses)**

Non-operating income (expenses) for the six-month period ended June 30, 2004 are as follows:

| <i>(in millions of Korean Won)</i> | Amount |
|--|---------------------|
| Non-operating income | |
| - Gain on disposal of fixed assets | (Won) 1,688 |
| - Rent income | 1,456 |
| - Unrealized gain on investment in associates | 16,479 |
| - Realized gain on available-for-sale securities | 87,417 |
| - Realized gain on held-to-maturity securities | 1,509 |
| - Realized gain on investment in associates | 79 |
| - Reversal of impairment loss on available-for-sale securities | |
| - Gain on sale of loans | 66,810 |
| - Others | 98,841 |
| | <u>274,279</u> |
| Non-operating expenses | |
| - Loss on disposal of fixed assets | 1,537 |
| - Loss on investment in associates | |
| - Realized loss on available-for-sale securities | 9,893 |
| - Realized loss on held-to-maturity securities | |
| - Impairment loss on available-for-sale securities | 59,759 |
| - Early retirement benefits | 50,029 |
| - Loss on sale of loans | 155 |
| - Others | 56,092 |
| | <u>177,465</u> |
| | <u>(Won) 96,814</u> |

25. Income Tax Expense

Income tax expense for the six-month period ended June 30, 2004 is as follows:

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| <i>(in millions of Korean Won)</i> | <u>2004</u> |
|---|----------------------|
| Income tax payable | (Won) 57,308 |
| Deferred income taxes from temporary differences | 83,071 |
| Retained earnings and other capital surplus adjustments ^{1*} | <u>(576)</u> |
| Income tax expense | <u>(Won) 139,803</u> |

^{1*} Income tax effect from the change in retained earnings from loss on disposal of treasury stock.

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The statutory income tax rate applicable to the Bank, including resident tax surcharges, is 29.7% for the years ended December 31, 2002 and 2003. However, due to tax adjustments, the effective tax rate for the period ended June 30, 2004 is 31.26%. The statutory income tax rate of 29.7% is applied for deferred income tax assets (liabilities) that will be realized before 2005 while the statutory income tax rate of 27.5% is applied for deferred income tax assets (liabilities) that will be realized after 2005, reflecting the 2% corporate tax rate cut from 2005. The basis for calculating the effective tax rate is as follows:

| <i>(in millions of Korean Won)</i> | 2004 |
|--|---------------|
| Net income (loss) before income taxes | (Won) 447,364 |
| Income tax expense based on the effective tax rate | 132,867 |
| Tax effects on adjustments | |
| Adjustments to increase taxable income | 64,931 |
| Adjustments to decrease taxable income | (66,642) |
| Discount effect | 8,647 |
| Income tax benefit per statements of operations | (Won) 139,803 |

The significant changes in accumulated temporary differences and deferred income taxes for the six-month period ended June 30, 2004 are as follows:

| <i>(in millions of Korean Won)</i> | Beginning balance | Increase | Decrease | Ending balance | Deferred tax asset (liability) |
|--|------------------------------|-----------------|-----------------|-----------------------|---|
| Allowance for loan losses | (Won) 299,023 | 445,087 | 227,577 | 516,533 | (Won) 146,901 |
| Accrued interest | (349,435) | (230,313) | (308,068) | (271,680) | (74,712) |
| Unrealized loss on securities | 762,266 | 89,471 | 201,208 | 650,529 | 178,896 |
| Unrealized loss on derivatives | (35,045) | 24,498 | (23,924) | 13,377 | 3,679 |
| Present value discounts | 14,774 | 8,118 | 14,773 | 8,119 | 2,233 |
| Allowance for losses on guarantees and acceptances | 1,074 | 1,259 | 1,074 | 1,259 | 346 |
| Accrued severance benefits | | 6,704 | | 6,704 | 1,843 |
| Stock options | 26,211 | 29,281 | 26,211 | 29,281 | 8,052 |
| Loss on fair value hedges | (1,502) | (12,262) | 1 | (13,765) | (3,785) |
| Accumulated depreciation | 8,313 | (33) | 2,104 | 6,176 | 1,698 |
| Other allowances | 505,372 | 537,846 | 505,371 | 537,847 | 147,908 |
| Others | 104,471 | (4,293) | (17,011) | 117,189 | 32,227 |
| Net operating loss carry-forward | 567,825 | (291,881) | 275,944 | | |

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| | | | | |
|-----------------|---------|---------|-----------|---------------|
| (Won) 1,903,347 | 603,482 | 905,260 | 1,601,569 | (Won) 445,286 |
|-----------------|---------|---------|-----------|---------------|

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Table of Contents**Kookmin Bank****Notes to Non-Consolidated Financial Statements****June 30, 2004 and 2003, and December 31, 2003****(Unaudited)****26. Earnings Per Share**

The weighted average number of common shares outstanding for the six-month period ended June 30 and three-month period ended March 31, 2004 are calculated as follows:

| | <u>2004.6.30</u> | <u>2004.3.31</u> |
|---|--------------------|--------------------|
| Number of common shares outstanding-beginning balance | 336,379,116 | 336,379,116 |
| Weighted average number of shares of treasury stock | (29,977,371) | (30,002,382) |
| Weighted average number of common shares outstanding | <u>306,401,745</u> | <u>306,376,734</u> |

Details of the computation of the basic earnings per share (EPS) and basic ordinary income per share for the six-month period ended June 30 and three-month period ended March 31, 2004 are shown below.

| | <u>2004.6.30</u> | <u>2004.3.31</u> |
|---|--------------------|------------------|
| Net income (in millions of Korean Won) | (Won) 307,561 | (Won) 151,258 |
| Weighted average number of common shares outstanding | 306,401,745 | 306,376,734 |
| Basic earnings per share and basic ordinary income per share (in Won) | <u>(Won) 1,004</u> | <u>(Won) 494</u> |

Details of the computation of the diluted EPS and diluted ordinary income per share for the six-month period ended June 30 and three-month period ended March 31, 2004 are shown below.

| | <u>2004.6.30</u> | <u>2004.3.31</u> |
|--|------------------|------------------|
| Net income (in millions of Korean Won) | (Won) 307,561 | (Won) 151,258 |
| Weighted average number of common shares outstanding | 306,518,191 | 306,376,734 |

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| | | | | |
|---|-------|-------|-------|-----|
| Diluted earnings per share and ordinary income per share (in Won) | (Won) | 1,003 | (Won) | 494 |
|---|-------|-------|-------|-----|

Potential common shares as of June 30, 2004 are as follows:

| | <u>Exercise Period</u> | <u>Shares Outstanding</u> | <u>Exercise Price</u> |
|---------------|-------------------------|---------------------------|-------------------------|
| Stock options | 2001.11.01 - 2012.03.23 | 2,121,020 | (Won)5,000 (Won)129,100 |

Net loss and basic loss per share for the year ended December 31, 2003 were (Won)753,348 million and (Won)2,311, respectively.

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Significant assets and liabilities denominated in foreign currencies as of June 30, 2004 are the following :

| | Total Balances | | Major Denomination Currencies | | |
|--|---------------------------|---|-------------------------------|-------------------------|------------------------------|
| | Millions of Korean Won | Thousands of US Dollars ^{1*} | Thousands of US Dollars | Thousands of EC Euro | Thousands of Japanese Yen |
| Assets | | | | | |
| Cash | (Won) 174,415 | \$ 151,336 | \$ 65,398 | 19,941 | ¥ 5,460,463 |
| Due from banks | 706,822 | 613,295 | 567,356 | 3,899 | 4,453,010 |
| Securities | 1,242,191 | 1,077,823 | 922,297 | 3,254 | 3,684,055 |
| Loans in foreign currencies | 3,976,529 | 3,450,351 | 2,305,361 | 100,982 | 103,007,629 |
| Bills bought | 670,278 | 581,586 | 551,614 | 17,826 | 710,727 |
| Advances payments on acceptances and guarantees | 2,051 | 1,779 | 1,779 | | |
| Call loans | 115,429 | 100,156 | 95,000 | 3,500 | 100,000 |
| Liabilities | | | | | |
| Deposits | 1,900,982 | 1,649,442 | 827,440 | 22,311 | 75,136,305 |
| Borrowings | 2,964,870 | 2,572,556 | 1,942,704 | 63,048 | 53,186,684 |
| Due to BOK | 4,441 | 3,853 | 3,853 | | |
| Call money | 92,625 | 80,369 | 63,600 | 4,600 | |
| Debentures | 828,334 | 718,728 | 593,788 | | |
| Unsettled foreign exchange liabilities | 41,906 | 36,361 | 19,127 | 209 | 220,778 |

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

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Significant transactions with related parties for the six-month period ended June 30, 2004 are as follows:

(in millions of Korean Won)

| | Account | Amount | |
|-------------------------------|----------------------|--------------|--------------|
| | | Balances | Transactions |
| KB Investment Co., Ltd. | Deposits | (Won) 10,222 | (Won) (193) |
| | Other liabilities | 272 | |
| KB Data Systems Co., Ltd. | Deposits | 10,366 | (202) |
| | Other assets | 30 | |
| | Other liabilities | 2,712 | (7,383) |
| KB Futures Co., Ltd. | Due from banks | 75 | 1 |
| | Other assets | 69 | |
| | Deposits | 5,514 | (218) |
| | Borrowings | 5,000 | (18) |
| | Other liabilities | 1,500 | |
| | Rent | | 41 |
| | Commissions income | | 5 |
| KB Luxembourg S.A. | Commissions expenses | | (130) |
| | Due from banks | 2,541 | 70 |
| | Loans | | 181 |
| | Borrowings | 5,575 | (145) |
| KB International Ltd.(London) | Other liabilities | 1 | |
| | Due from banks | 643 | 29 |
| | Loans | 213,213 | 1,016 |
| | Other assets | 349 | 637 |
| | Borrowings | 208,703 | (22) |
| | Other liabilities | 534 | (1,490) |
| | Commissions expenses | | (1,140) |
| Kookmin Finance H.K. Ltd. | Due from banks | 48,022 | 49 |
| | Loans | 272,180 | 1,845 |
| | Other assets | 564 | |
| | Borrowings | 228,696 | (1) |
| KB Asset Management | Commissions expenses | | (1,113) |
| | Deposits | 17,922 | (531) |
| | Other liabilities | 137 | |

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| | | | |
|---------------------------------|-------------------|---------|----------|
| KB Real Estate Co., Ltd. | Loans | 25,022 | 1,005 |
| | Deposits | 1,744 | (32) |
| | Other liabilities | 1,755 | |
| | Other assets | 7 | |
| | Rent | | 62 |
| Joeun Industrial Co., Ltd. | Loans | 124,949 | |
| KB Credit Information Co., Ltd. | Deposits | 11,441 | (167) |
| | Other liabilities | 7,899 | |
| | Commissions | | |
| | expenses | | (16,405) |
| | Rent | | 70 |

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| | Account | Amount | |
|------------------------------------|--------------------|-------------|--------------|
| | | Balances | Transactions |
| <i>(in millions of Korean Won)</i> | | | |
| KB Life Insurance Co., Ltd. | Other assets | (Won) 1,678 | (Won) |
| | Deposits | 164 | |
| | Other liabilities | 2,010 | |
| | Commissions income | | 1,649 |

29. Transactions with Financial Institutions

The assets and liabilities arising from transactions with financial institutions for the six-month period ended June 30, 2004 are as follows:

| <i>(in millions of Korean Won)</i> | Description | Bank of Korea | Other Banks | Other Financial | Total |
|------------------------------------|-----------------------|-----------------|-------------|-----------------|-----------------|
| | | | | Institutions | |
| Cash and due from banks | In Won | (Won) 4,181,282 | (Won) 6,011 | (Won) 140,000 | (Won) 4,327,293 |
| | In foreign currencies | 44,677 | 659,378 | 2,767 | 706,822 |
| | | 4,225,959 | 665,389 | 142,767 | 5,034,115 |
| Loans | In Won | | 9,452 | 945,914 | 955,366 |
| | In foreign currencies | | 888,915 | 17,936 | 906,851 |
| | Others | | 2,456,909 | 629,051 | 3,085,960 |
| | | | 3,355,276 | 1,592,901 | 4,948,177 |
| Deposits | In Won | | 1,430,502 | 1,435,662 | 2,866,164 |
| | In foreign currencies | | | 850,000 | 850,000 |
| | | | 1,430,502 | 2,285,662 | 3,716,164 |
| Borrowings | In Won | 942,933 | 179,683 | 5,862 | 1,128,478 |

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| | | | | | |
|----------|-----------------------|----------------|------------------|------------------|------------------|
| | In foreign currencies | | 2,166,445 | 17,039 | 2,183,484 |
| | Others | 4,441 | 92,625 | 1,620,300 | 1,717,366 |
| | | <u>947,374</u> | <u>2,438,753</u> | <u>1,643,201</u> | <u>5,029,328</u> |
| Debtures | In Won | | | 146,900 | 146,900 |
| | In foreign currencies | | 828,334 | | 828,334 |
| | | | <u>828,334</u> | <u>146,900</u> | <u>975,234</u> |

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Table of Contents**Kookmin Bank****Notes to Non-Consolidated Financial Statements****June 30, 2004 and 2003, and December 31, 2003****(Unaudited)****30. Interest Bearing Assets and Liabilities**

Interest bearing assets and liabilities as of June 30, 2004 and the related interest income and interest expenses for the six-month period then ended are as follows:

| <i>(in millions of Korean Won)</i> | <u>Average Balance</u> | <u>Interest Income</u> | <u>Average Yield (%)</u> |
|------------------------------------|--------------------------|------------------------|--------------------------|
| Assets | | | |
| Due from banks | (Won) 3,648,676 | (Won) 4,138 | 0.23 |
| Securities | 23,705,431 | 528,510 | 4.48 |
| Loans | 140,422,167 | 5,286,060 | 7.57 |
| | <u>(Won) 167,776,274</u> | <u>(Won) 5,818,708</u> | |
| Liabilities | | | |
| Deposits | (Won) 131,367,968 | (Won) 2,018,923 | 3.09 |
| Borrowings | 11,761,810 | 179,322 | 3.07 |
| Debentures | 17,308,415 | 530,500 | 6.16 |
| | <u>(Won) 160,438,193</u> | <u>(Won) 2,728,745</u> | |

31. Operations of the Trust Accounts

The summarized statement of assets and liabilities of the trust accounts as of June 30, 2004 are categorized into principal or dividend guaranteed money trusts, performance money trusts and property trusts, as follows:

| <i>(in millions of Korean Won)</i> | <u>Guaranteed Money Trusts</u> | <u>Performance Money Trusts</u> | <u>Property Trusts</u> | <u>Total</u> |
|------------------------------------|------------------------------------|-------------------------------------|----------------------------|-----------------|
| Securities | (Won) 2,856,922 | (Won) 4,173,974 | (Won) 863,440 | (Won) 7,894,336 |
| Loans | 182,187 | 253,240 | | 435,427 |
| Receivables | | | 13,857,442 | 13,857,442 |
| Due from banking accounts | 220,414 | 301,823 | 128,221 | 650,458 |

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| | | | | |
|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Present value discounts | (500) | | | (500) |
| Allowance for loan losses | (54,988) | (44,365) | | (99,353) |
| Other assets | 190,307 | 152,360 | 1,188,442 | 1,531,109 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | (Won) 3,394,342 | (Won) 4,837,032 | (Won) 16,037,545 | (Won) 24,268,919 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Trusts | (Won) 3,011,931 | (Won) 4,556,053 | (Won) 16,024,160 | (Won) 23,592,144 |
| Reserves for future losses | 51,576 | 2,825 | | 54,401 |
| Other liabilities | 330,835 | 278,154 | 13,385 | 622,374 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | (Won) 3,394,342 | (Won) 4,837,032 | (Won) 16,037,545 | (Won) 24,268,919 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

The Bank is liable as of June 30, 2004 for the following portion of the difference between the book value and fair value of principal and/or dividend guaranteed money trusts:

| <i>(in millions of Korean Won)</i> | <u>Book Value</u> | <u>Fair Value</u> | <u>Liability</u> |
|--|-----------------------------|-----------------------------|-----------------------------|
| Principal guaranteed money trusts | (Won) 3,287,010 | (Won) 3,303,014 | (Won) |
| Principal and dividend guaranteed money trusts | 107,332 | 114,249 | |
| | <u> </u> | <u> </u> | <u> </u> |
| | (Won) 3,394,342 | (Won) 3,417,263 | (Won) |
| | <u> </u> | <u> </u> | <u> </u> |

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The key results of operations from transactions between bank accounts and trust accounts, excluding securities investment trust, for six-month period ended June 30, 2004 are as follows:

| <i>(in millions of Korean Won)</i> | Trust Account Related Income | | Trust Account Related Expenses |
|------------------------------------|---|--|---|
| Gain on trust management | (Won) 51,221 | Interest expense on borrowings from trust accounts | (Won) 24,506 |
| Early withdrawal penalties | 51 | | |
| | (Won) 51,272 | | (Won) 24,506 |

32. Business Combination with H&CB

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

The Bank's registration statement with the Securities and Exchange Commission of the United States of America was declared effective on September 10, 2001, and the new shares of the Bank are listed on the New York Stock Exchange as ADSs since November 1, 2001.

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

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

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

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Cash and cash equivalents as of June 30, 2004 as presented in the non-consolidated statements of cash flows are as follows:

| <i>(in millions of Korean Won)</i> | Amount |
|--------------------------------------|-----------------|
| Cash on hand | (Won) 2,600,621 |
| Cash in foreign currencies | 174,415 |
| Due from banks in Won | 4,350,847 |
| Due from banks in foreign currencies | 706,822 |
| | <hr/> |
| | 7,832,705 |
| Restricted deposits | (4,388,882) |
| | <hr/> |
| | (Won) 3,443,823 |
| | <hr/> |

Major transactions that do not involve cash inflows and cash outflows for the six-month period ended June 30, 2004 are presented as follows:

| <i>(in millions of Korean Won)</i> | Amount |
|---|---------------|
| Unrealized gains on investment securities | (Won) 91,031 |
| Write-off of loans | 2,428,492 |
| Increase in loan loss provision due to sales and repurchase of non-performing loans | 173,502 |
| Conversion of loans into equity securities | 3,626 |

35. Business Segments

The following table shows the distribution of the Bank's operations by business segment as of and for the six-month period ended June 30, 2004:

(in millions of Korean Won)

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| Account | Retail Banking | Corporate Banking | Capital Markets Activities | Credit Card Operations | Others | Total |
|--------------------------|-------------------------|--------------------------|-----------------------------------|-------------------------------|------------------------|--------------------------|
| Loans | (Won) 81,804,641 | (Won) 44,703,039 | (Won) 4,246,824 | (Won) 8,373,359 | (Won) 760,130 | (Won) 139,887,993 |
| Securities | | 81,660 | 23,828,500 | 145,885 | 490,764 | 24,546,809 |
| Fixed assets | 1,665,343 | 382,035 | 86,756 | 352,287 | 458,410 | 2,944,831 |
| Other assets | 1,682,856 | 420,291 | 12,864,422 | 162,234 | 2,245,087 | 17,374,890 |
| Total assets | (Won) 85,152,840 | (Won) 45,587,025 | (Won) 41,026,502 | (Won) 9,033,765 | (Won) 3,954,391 | (Won) 184,754,523 |
| Operating revenue | (Won) 3,067,507 | (Won) 1,688,287 | (Won) 2,994,947 | (Won) 1,519,961 | (Won) 330,065 | (Won) 9,600,767 |

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Table of Contents**Kookmin Bank****Notes to Non-Consolidated Financial Statements****June 30, 2004 and 2003, and December 31, 2003****(Unaudited)**

The following table shows the distribution of the Bank's operations by geographical market as of and for the six-month period ended June 30, 2004:

| <i>(in millions of Korean Won)</i> | Domestic | Overseas | Total |
|------------------------------------|--------------------------|------------------------|--------------------------|
| Loans | (Won) 139,434,453 | (Won) 453,540 | (Won) 139,887,993 |
| Securities | 24,544,149 | 2,660 | 24,546,809 |
| Fixed assets | 2,941,740 | 3,091 | 2,944,831 |
| Other assets | 16,697,173 | 677,717 | 17,374,890 |
| Total assets | (Won) 183,617,515 | (Won) 1,137,008 | (Won) 184,754,523 |
| Operating revenue | (Won) 9,574,969 | (Won) 25,798 | (Won) 9,600,767 |

36. Subsequent Event

The Bank executed a second debt-equity swap of (Won)362,250 million (loans amounting to (Won)348,364 million, corporate debt securities amounting to (Won)13,886 million) in July 28, 2004. As a result, the Bank acquired 72,450,000 registered common shares, with a par value per share of (Won)5,000 in LG Card Co., Ltd.

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