

KOOKMIN BANK
Form 6-K
November 14, 2006
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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

For the month of November 2006

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.

Form 20-F Form 40-F

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

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

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

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submission to furnish a report or other document that the registration foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's

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securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

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

Yes No

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Summary of 2006 Third Quarter Business Report

On November 14, 2006, pursuant to the Securities and Exchange Act of Korea, Kookmin Bank filed its business report for the third quarter of 2006 (the Business Report) to the Financial Supervisory Commission of Korea and the Korea Exchange. This is a summary of the Business Report translated into English.

All financial information contained in this summary (and in the attached review report) have been prepared in accordance with generally accepted accounting principles in Korea, which differ in certain important respects from generally accepted accounting principles in the United States.

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 in this document are to the currency of the Republic of Korea.

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1. Introduction to the Bank

1.1. Business Purposes

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

- n The banking business as prescribed by the Banking Act,
- n The trust business as prescribed by the Banking Trust Act,
- n The credit card business as prescribed by the Specialized Credit Financial Business Act, and
- n Other business permitted by the Bank Act or other relevant Korean laws and regulations

1.2. History

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

n November 9, 2001
Listed on the Korea Stock Exchange

n September 23, 2002
Integrated IT platforms of old Kookmin Bank and H&CB

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

n September 30, 2003
Completed the merger with Kookmin Credit Card

n December 16, 2003
Completed a strategic investment in Bank Internasional Indonesia (BII) by investing in a 25% stake in Sorak Financial Holdings, a consortium with other investors

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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 Insurance Co. Ltd., to engage in insurance business

July 22, 2004

Entered into an alliance with China Construction Bank in connection with the foreign currency business

August 31, 2004

ING Bank N.V. Amsterdam entered into a contract with KB for a strategic investment in KB Life Insurance

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n October 29, 2004
Appointed Mr. Chung Won Kang as the President & CEO in an extraordinary general shareholders meeting

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

n January 01, 2005
Integrated three labor unions (former Kookmin Bank, former H&CB, former Kookmin Credit Card) into a single KB labor union

n March 02, 2005
Opened KB Satellite Broad Casting System for the first time in Korea

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

n June 16, 2005
Disposed of 27,423,761 shares of treasury stock by means of a combination of domestic over-the-counter-sales and an international issuance of depository receipts

n July 26, 2005
Obtained an approval from FSS to use the Market Risk Internal Model for the first time among domestic financial institutions

n October 14, 2005
The largest shareholder of Kookmin Bank changed from ING Bank N.V. Amsterdam to Euro-Pacific Growth Fund

n February 2, 2006
Established the Basel II system to calculate credit risk weighted asset and New BIS Capital adequacy ratio for the first time among domestic financial institutions

n March 24, 2006
Selected as the preferred bidder for the acquisition of Korea Exchange Bank

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n April 3, 2006

Established 100% computerization of bank accounts for the first time among domestic financial institutions

n May 19, 2006

Entered into a share purchase agreement with respect to acquiring Korea Exchange Bank stock

n September 8, 2006

Implemented SOD (Segregation of Duties)

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1.3. Capital Structure

1.3.1. Common Shares

Kookmin Bank has the 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 Kookmin Bank's issued and outstanding shares of common stock. Upon completion of the merger between the former Kookmin Bank and H&CB, Kookmin Bank issued 299,697,462 common shares.

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

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 respect to the merger between Kookmin Bank and Kookmin Credit Card on September 30, 2003, Kookmin Bank issued an additional 8,120,431 common shares on October 1, 2003. Accordingly, as of September 30, 2006, a total of 336,379,116 common shares were issued.

Number of Shares

(Unit: share)

	Type	
	Common Stock	Total
Share Issued (A)	336,379,116	336,379,116
Treasury Stock (B)		
Share Outstanding (A-B)	336,379,116	336,379,116
Capital Increase		

(Unit: Won, share)

Issue Date	Type	Number	Face Value	Issue Price	Remarks
2001.10.31	Common Stock	299,697,462	5,000		M&A into a new entity
2002.3.22	Common Stock	17,979,954	5,000	5,000	Stock dividend
2002.11.30	Common Stock	10,581,269	5,000	22,124	CB conversion
2003.10.01	Common Stock	8,120,431	5,000	38,100	M&A with KCC

1.3.2. Treasury Stock

(Unit: share)

Date	Details	Number of shares
December 31, 2005	Outstanding Treasury Shares	217,935
January 13, 2006	Disposition due to exercise of stock option by grantees	217,935
September 30, 2006	Outstanding Treasury Shares	0

Table of Contents**1.3.3. Employee Stock Ownership Association**

(Unit: share)

Type	Beginning Balance (January 1, 2006)	Increase	Decrease	Ending	Remarks
				Balance (September 30, 2006)	
Registered common stock	2,868,596		70,032	2,798,564	
Total	2,868,596		70,032	2,798,564	

1.4. Dividend

The following table shows our dividend related information for the last three years. The Board of Directors of Kookmin Bank passed a resolution to pay dividend for the fiscal year of 2005, and shareholders of Kookmin Bank approved of the dividend payout for that year at the general shareholders' meeting held on March 24, 2006.

(Unit: in millions of Won unless indicated otherwise)

	September 2006	2005	2004
Net (loss) income for the period		2,252,218	360,454
Diluted (loss) earnings per share (Won)		6,977 ¹	1,176
Total dividend amount		184,889	168,574
Dividend payout ratio (%)		8.21 ²	46.77
Cash dividend per common share (Won)		550	550
Stock dividend per common share (%)			
Dividend per preferred share (Won)			
Dividend yield ratio (%)		0.72 ³	1.42

¹ Earnings per share = net income (2,252,218,097,725 Won) / weighted average number of shares (322,785,751 shares).

² Dividend payout ratio = total dividend amount for common shares (184,888,649,550 Won) / net income (2,252,218,097,725 Won).

³ Dividend yield ratio = dividend per share (550 Won) / average closing price for a week based on business day prior to market closing date of December 31, 2005 (76,000 Won).

Table of Contents**2. Business****2.1. Source and Use of Funds****2.1.1. Source of Funds**

(Unit: in millions of Won)

	September 30, 2006		December 31, 2005		December 31, 2004	
	Average balance	Interest rate (%)	Average balance	Interest rate (%)	Average balance	Interest rate (%)
Won currency						
Deposits	111,022,278	2.87	114,394,983	2.82	118,017,849	3.29
Certificate of deposit	7,703,070	4.44	5,008,378	3.69	6,108,179	4.06
Borrowings	2,594,294	3.33	2,674,268	3.02	3,053,890	3.43
Call money	2,590,462	4.03	931,968	3.24	1,117,576	3.55
Other	27,193,829	5.07	24,315,388	5.08	23,376,439	5.61
Subtotal	151,103,933	3.37	147,324,985	3.23	151,673,933	3.68
Foreign currency						
Deposits	1,456,674	2.27	1,473,811	1.61	1,777,402	0.61
Borrowings	3,530,593	3.29	3,231,480	2.06	2,796,300	0.94
Call money	643,733	4.68	285,573	3.48	145,809	1.43
Finance debentures issued	1,377,477	4.39	765,723	4.09	824,745	2.28
Other	56,219		52,592		40,383	
Subtotal	7,064,696	3.39	5,809,179	2.26	5,584,639	1.04
Other						
Total Shareholders Equity	13,802,573		11,369,246		9,284,477	
Allowances	1,012,029		677,036		459,124	
Other	11,884,267		12,041,392		12,773,040	
Subtotal	26,658,869		24,087,674		22,516,641	
Total	184,827,498	2.89	177,221,838	2.76	179,775,213	3.14

Table of Contents**2.1.2. Use of Funds**

(Unit: in millions of Won)

	September 30, 2006		December 31, 2005		December 31, 2004	
	Average balance	Interest rate (%)	Average balance	Interest rate (%)	Average balance	Interest rate (%)
Won currency						
Due from banks	246,585	3.79	304,662	2.97	184,593	0.83
Securities	31,742,840	4.54	27,676,964	4.58	23,930,678	5.14
Loans	119,219,161	6.43	120,539,476	6.24	125,504,672	6.64
Advances for customers	12,844	2.11	23,947	8.64	71,213	2.01
Call loan	825,216	4.13	1,473,725	3.43	1,661,772	3.78
Private placement corporate bonds	5,229,157	5.48	1,887,514	6.95	1,322,470	6.58
Credit card accounts	7,600,084	24.96	7,321,906	26.93	9,581,330	26.80
Other	291,668		267,061		172,783	
Allowance for credit losses (-)	-2,351,332		-3,034,841		-3,844,940	
Subtotal	162,816,223	7.01	156,460,414	7.06	158,584,571	7.81
Foreign currency						
Due from banks	485,922	4.25	598,015	2.88	632,526	1.34
Securities	784,160	6.99	858,565	6.15	1,208,124	3.88
Loans	6,239,658	3.91	4,745,013	2.97	4,011,351	2.73
Call loan	301,559	4.69	132,210	3.24	114,606	1.63
Bills bought	1,314,409	5.43	1,037,144	4.64	568,502	4.07
Other	1,815		2,209		4,812	
Allowance for credit losses (-)	-61,707		-64,290		-94,501	
Subtotal	9,065,816	6.82	7,308,866	3.68	6,445,420	3.03
Other						
Cash	956,328		956,471		965,852	
Fixed assets held for business	2,392,973		2,508,879		3,084,589	
Other	9,569,158		9,987,208		10,694,781	
Subtotal	12,945,459		13,452,558		14,745,222	
Total	184,827,498	6.40	177,221,838	6.38	179,775,213	7.00

Table of Contents**2.1.3. Fee Transactions**

(Unit: in millions of Won)

	September 30, 2006	September 30, 2005	December 31, 2005
Fee Revenue (A)			
Won currency			
Guarantees	4,382	3,975	5,336
Commissions received	688,929	590,669	804,933
Credit card	94,564	74,181	104,930
National Housing Fund Mgt.	123,756	128,703	179,540
Foreign currency			
Guarantees	4,093	3,005	4,227
Others	59,384	57,790	78,715
Subtotal	975,108	858,323	1,177,681
Fee Expense (B)			
Won & foreign currency			
Commissions paid in Won	120,826	77,934	119,539
Credit card	176,163	152,885	210,315
Others	21,823	16,281	22,692
Subtotal	318,812	247,100	352,546
Fee Income (A-B)	656,296	611,223	825,135

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)

	September 30, 2006		December 31, 2005		December 31, 2004	
	Average	Ending	Average	Ending	Average	Ending
	balance	balance	balance	balance	balance	balance
Deposits in Won						
Demand deposits	16,621,893	18,671,975	14,985,812	17,946,067	12,994,946	14,338,784
Time & savings deposits	89,302,950	89,572,005	92,463,027	91,863,790	96,637,551	94,723,601
Mutual installment deposits	4,432,395	3,979,243	5,674,807	5,120,668	6,682,928	6,306,923
Mutual installment for housing	4,317,457	4,038,389	4,942,334	4,582,031	5,453,713	5,295,274
Certificate of deposit	7,703,070	10,745,697	5,008,378	5,389,543	6,108,179	4,911,891
Subtotal	122,377,765	127,007,309	123,074,358	124,902,099	127,877,317	125,576,473
Deposits in foreign currency	1,456,674	1,483,371	1,473,811	1,379,133	1,769,828	1,434,061
Trust deposits						
Money trust	8,776,806	9,844,473	7,114,352	7,405,675	7,701,447	7,028,835
Property trust	8,862,515	8,000,410	11,032,320	9,854,012	16,297,382	12,534,329
Subtotal	17,639,321	17,844,883	18,146,672	17,259,687	23,998,829	19,563,164
Total	141,473,760	146,335,563	142,694,841	143,540,919	153,645,974	146,573,698

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)

	September 30, 2006	December 31, 2005	December 31, 2004
Deposits	123,647	123,532	123,945
Deposits in Won	122,460	122,358	122,585

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)

	September 30, 2006	December 31, 2005	December 31, 2004
Deposits	7,733	7,725	7,232
Deposits in Won	7,659	7,652	7,152

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)

	September 30, 2006		December 31, 2005		December 31, 2004	
	Average	Ending	Average	Ending	Average	Ending
	balance	balance	balance	balance	balance	balance
Loans in Won	119,212,299	122,690,626	120,532,216	118,565,341	125,496,237	122,721,898
Loans in foreign currency	6,239,658	7,660,726	4,745,013	5,314,883	4,011,351	3,860,828
Advances for customers	12,844	10,553	23,947	11,321	73,801	32,120
Subtotal	125,464,801	130,361,905	125,301,176	123,891,545	129,581,389	126,614,846
Trust account loans	343,412	364,725	334,404	328,127	429,054	361,906
Total	125,808,213	130,726,630	125,635,580	124,219,672	130,010,443	126,976,752

2.2.5. Loan Balances as of September 30, 2006 by Maturity

(Unit: in millions of Won)

	More than 1 year~		More than 3 years~		Total
	1 year & Less	3 years	5 years	More than 5 years	
Loans in Won	61,779,820	21,452,867	8,226,490	31,231,449	122,690,626
Loans in foreign currency	5,204,282	1,347,832	749,392	359,220	7,660,726

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)

	September 30, 2006	December 31, 2005	December 31, 2004
Loans to enterprise			
Loans for operations	33,123,378	30,498,328	31,678,117
Loans for facility	5,536,178	5,073,050	6,286,747
Loans to households	44,989,618	42,771,264	42,790,337
Loans to public sector & others			
Loans for operations	739,946	643,141	673,456
Loans for facility	4,351	34,157	40,383
Loans on property formation savings	1,115	6,748	9,719
Loans for housing	38,294,500	39,535,441	41,234,086
Inter-bank loans	147	1,274	6,114
Others	1,393	1,938	2,939
Total	122,690,626	118,565,341	122,721,898

2.2.7. Loan to Deposit Ratio¹

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

(Unit: in millions of Won, %)

	September 30, 2006	December 31, 2005	December 31, 2004
Loans (A)	119,212,299	120,532,216	125,496,237
Deposits (B)	122,377,765	123,074,358	127,877,317
Loan to deposit ratio (A/B)	97.41	97.93	98.14

2.2.8. Guarantees

(Unit: in millions of Won)

	September 30, 2006	December 31, 2005	December 31, 2004
Determined	2,585,508	1,789,560	975,788
Contingent	2,277,457	1,972,192	1,311,774
Total	4,862,965	3,761,752	2,287,562

¹ Average balance of loans in Won / (average balance of deposits in Won + average balance of certificate of deposits)

Table of Contents**2.2.9. Securities Investment**

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

(Unit: in millions of Won)

	September 30, 2006		December 31, 2005		December 31, 2004	
	Average	Ending	Average	Ending	Average	Ending
	balance	balance	balance	balance	balance	balance
Securities in Won (Banking account)						
Monetary stabilization bonds	12,351,593	12,757,046	10,667,229	11,570,306	7,150,535	10,524,835
Government and public bonds	9,944,637	10,110,257	6,950,886	8,933,401	4,753,135	4,675,093
Debentures	11,168,851	13,608,259	7,334,555	9,184,403	7,013,765	6,152,749
Stocks	1,551,447	1,924,303	1,243,781	1,707,816	1,003,131	1,282,050
Others	1,955,469	1,860,640	3,368,027	2,105,353	5,332,583	5,583,539
Subtotal	36,971,997	40,260,505	29,564,478	33,501,279	25,253,149	28,218,266
Securities in Won (Trust account)						
Monetary stabilization bonds	1,154,314	1,519,117	999,522	981,949	1,222,004	1,152,621
Government and public bonds	1,073,837	1,152,584	993,450	1,013,355	922,790	837,080
Debentures	1,962,829	1,917,322	1,979,588	2,017,298	2,363,630	2,312,459
Stocks	726,325	824,934	514,568	542,731	564,538	510,650
Others	4,051,413	3,399,025	2,745,143	3,311,235	2,101,832	2,324,393
Subtotal	8,968,718	8,812,982	7,232,271	7,866,568	7,174,794	7,137,203
Securities in foreign currency (Trust Account)	136,452	34,315	289,665	184,115	662,549	449,415
Securities in foreign currency (Banking account)						
Foreign securities	545,503	626,982	579,561	525,892	894,722	745,352
Off-shore foreign securities	238,657	234,714	279,003	252,994	313,402	205,455
Subtotal	784,160	861,696	858,564	778,886	1,208,124	950,807
Total	46,861,327	49,969,498	37,944,978	42,330,848	34,298,616	36,755,691

2.2.10. Trust Account

(Unit: in millions of Won)

	September 30, 2006		December 31, 2005		December 31, 2004	
	Average	Trust	Average	Trust	Average	Trust
	amount trusted	fees	amount trusted	fees	amount trusted	fees
Return-guaranteed trust	326	7,792	335	43,088	369	8,365
Performance trust	17,638,995	49,931	18,146,337	77,756	23,998,460	93,856
Total	17,639,321	57,723	18,146,672	120,844	23,998,829	102,221

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		
	September 30, 2006	December 31, 2005	December 31, 2004
Number of card holders (Person)			
Corporate	173,519	159,047	182,109
Individual	8,996,768	9,342,552	11,362,173
Number of merchants	1,581,814	1,506,979	1,491,730
Sales volume ¹	47,494,251	62,475,085	66,918,805
Fee revenue	1,624,380	2,090,253	2,807,557

2.3. Branch Networks

As of September 30, 2006, we have 1,067 branches and 52 sub-branches in Korea, the largest number of branches among Korean commercial banks. 440 branches out of the total branches are located in Seoul.

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

¹ Includes lump-sum & installment purchase, cash advances, check card & purchasing card transactions

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

(Unit: in millions of Won, %)

	September 30, 2006 ¹	December 31, 2005	December 31, 2004
Risk-adjusted capital (A)	19,211,323	15,682,535	13,334,531
Risk-weighted assets (B)	127,996,832	121,072,676	121,081,735
BIS ratios (A/B)	15.01	12.95	11.01

2.4.2. Non-Performing Loans²

(Unit: in millions of Won unless indicated otherwise)

September 30, 2006		December 31, 2005		Change	
Amount	NPL to total loans	Amount	NPL to total loans	Amount	NPL to total loans
1,599,800	1.08%	1,946,362	1.42%	-346,562	-0.34%p

2.4.3. Loan Loss Allowances

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

(Unit: in millions of Won)

	September 30, 2006	December 31, 2005	December 31, 2004
Loan losses allowance			
Domestic	2,211,933	2,496,655	3,181,433
Foreign	4,745	4,122	4,662
Total	2,216,678	2,500,777	3,186,095
Write-Off	1,003,538	2,014,834	3,382,130

¹ Tentative ratio² 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)

	September 30, 2006	December 31, 2005	December 31, 2004
Beginning balance	2,500,777	3,186,095	3,948,736⁴
Net Write-Off	(707,838)	(1,738,406)	(3,830,889)
Write-Off	(1,003,538)	(2,014,834)	(3,382,130)
Recovery	342,605	452,959	286,464
Other	(46,905)	(176,531)	(735,223)
Provision for loan losses	423,739	1,053,088	3,068,248
Ending balance	2,216,678¹	2,500,777²	3,186,095³

¹ Includes present value discounts and allowance for other assets amounting to 12,664 million Won and 36,145 million Won respectively

² Includes present value discounts and allowances for other assets amounting to 20,015 million Won and 47,502 million Won respectively

³ Includes present value discounts and allowance for other assets amounting to 22,111 million Won and 67,320 million Won respectively

⁴ Include present value discounts and allowance for other assets amounting to 22,780 million Won and 38,692 million Won respectively

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

(Unit: in millions of Won)

	As of or for the 9 months ended September 30, 2006	As of or for the year ended December 31, 2005
Cash and due from banks	5,444,386	5,867,417
Securities	34,360,772	30,550,299
Loans	145,401,053	135,738,407
Fixed assets	2,373,990	2,436,702
Other assets	10,636,082	5,000,824
Total assets	198,216,283	179,593,649
Deposits	128,490,681	126,281,232
Borrowings	16,145,164	13,737,336
Debentures	24,258,799	16,547,987
Other liabilities	14,692,931	10,653,494
Total liabilities	183,587,575	167,220,049
Capital stocks	1,681,896	1,681,896
Capital surplus	6,258,297	6,254,786
Retained earnings	6,002,890	3,929,948
Capital adjustments	685,625	506,970
Total shareholders' equity	14,628,708	12,373,600
Liabilities and Shareholders' Equity	198,216,283	179,593,649
Operating revenue	14,568,653	17,855,258
Operating income	2,759,238	3,015,822
Continuing (loss) income before income taxes	3,113,790	3,228,253
Net (loss) income	2,258,101	2,252,218

3.2. Other Financial Information

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

Table of Contents**4. Independent Public Accountant****4.1. Audit & Audit related Fees**

Deloitte Anjin LLC has reviewed our financial statements for the third quarter of 2006. The aggregate contract fee for the audit and review fees for the year 2006 is 1,350 million Won.

4.2. Non-Audit Services

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

(Unit: in millions of Won unless indicated otherwise)

Year	Service description	Amount of payment
3Q 2006	- Comfort Letter issue	40
	- Confirmation of BIS ratio and confirmation affirming that Kookmin Bank is not a Non-Financial Operator	10
2005	- LOC (Letter of Comfort)	30
2004	- Tax compliance	230
	- Due Diligence regarding the possible acquisition of DITC/ KITC	300
	- US GAAP calculation of provision for the third quarter of 2004	100
	- US GAAP conversion for 2004	USD 3,600 thousand

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5. Corporate Governance and Affiliated Companies

5.1. Board of Directors & Committees under the Board

The board of directors, currently consisting of executive directors and non-executive directors, holds regular meetings quarterly. Additional extraordinary meetings may also be convened at the request of any director or any committee that serves under the board of directors.

The board of directors resolves following matters:

- n Matters relating to general shareholders meeting

- n Matters relating to general management

- n Matters relating to organization and directors of the company

- n Matters relating to funding and capital

- n Other related matters

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

- n The Board Steering Committee

- n The Management Strategy Committee

- n The Risk Management Committee

- n The Audit Committee

- n The Evaluation & Compensation Committee

- n The Non Executive Director Nominating Committee

For the list of our directors, see 6. Directors, Senior Management and Employees, 6.1. Executive Directors and 6.2. Non-Executive Directors.

Table of Contents**5.2. Compensation****5.2.1. Compensation to Directors**

The following table shows information regarding the remuneration paid to the Directors for the third quarter of 2006.

(Unit: in millions of Won)

	The aggregate remuneration paid (From Jan to Sep)	Limit for the remuneration resolved by shareholders meeting (For the year 2006)	Average amount of the payment per person (From Jan to Sep)
1) Executive Directors (Except chief audit executive and non-executive directors)	2,896	8,000	956
2) Non Executive Directors (Except members of audit committee)	220		44
3) Members of Audit Committee (Including chief audit executive)	800		160
Total	3,889	8,000	299

Table of Contents**5.2.2. Stock Option**

The following table is the breakdown of stock options Kookmin Bank has granted to the directors and employees as of September 30, 2006.

(Unit: in Won, share)

Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options ¹	Number of exercised options	Number of exercisable options
			From	To				
28-Feb-00	Kuk Ju Kwon	Non Executive Director	01-Mar-03	28-Feb-06	27,600	4,800	4,800	0
28-Feb-00	Joon Park	Non Executive Director	01-Mar-03	28-Feb-06	27,600	4,800	4,800	0
28-Feb-00	Heung Soon Chang	Non Executive Director	01-Mar-03	28-Feb-06	27,600	2,486	2,486	0
28-Feb-00	Moon Soul Chung	Non Executive Director	01-Mar-03	28-Feb-06	27,600	7,000	7,000	0
28-Feb-00	Sung Hee Jwa	Non Executive Director	01-Mar-03	28-Feb-06	27,600	4,800	4,800	0
28-Feb-00	Jan Op de Beeck	Director&Executive Vice President	01-Mar-03	28-Feb-06	27,600	22,490	22,490	0
28-Feb-00	Hack Yeon Jeong	Employee	01-Mar-03	28-Feb-06	27,600	10,000	10,000	0
28-Feb-00	Jong Hwan Byun	Employee	01-Mar-03	28-Feb-06	27,600	10,000	10,000	0
28-Feb-00	Sang Young Lee	Employee	01-Mar-03	28-Feb-06	27,600	6,821	6,821	0
28-Feb-00	Won Gi Kim	Employee	01-Mar-03	28-Feb-06	27,600	6,821	6,821	0
15-Mar-01	Sang Hoon Kim	Chairman&CEO	16-Mar-04	15-Mar-09	28,027	29,614	29,614	0
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	In Kie Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Ji Hong Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Se Woong Lee	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Jong Min Lee	Chief Audit Executive	16-Mar-04	15-Mar-09	28,027	14,807	2,807	12,000
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	Duk Hyun Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	2,845	9,000
15-Mar-01	Byung Sang Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	5,845	6,000
15-Mar-01	Byung Jin Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	9,845	2,000
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	Ok Hyun Yoon	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	7,845	4,000
15-Mar-01	Dong Soon Park	Employee	16-Mar-04	15-Mar-09	28,027	2,961	2,961	0
15-Mar-01	Hoo Sang Jang	Employee	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Sang Hoon Lee	Employee	16-Mar-04	15-Mar-09	28,027	2,961	1,961	1,000
15-Mar-01	Jae In Suh	Employee	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Sung Hyun Chung	Employee	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Jong Hwa Lee	Employee	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Sang Won Lee	Employee	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Yun Keun Jung	Employee	16-Mar-04	15-Mar-09	28,027	592	592	0
15-Mar-01	Joon Ho Park	Employee	16-Mar-04	15-Mar-09	28,027	592	0	592
15-Mar-01	Sung Wan Choi	Employee	16-Mar-04	15-Mar-09	28,027	370	0	370
15-Mar-01	Jeong Haing Lee	Employee	16-Mar-04	15-Mar-09	28,027	592	0	592
15-Mar-01	Tae Joo Yoon	Employee	16-Mar-04	15-Mar-09	28,027	10	0	10
15-Mar-01	Jang Hwan Bae	Employee	16-Mar-04	15-Mar-09	28,027	592	592	0
15-Mar-01	Si An Her	Employee	16-Mar-04	15-Mar-09	28,027	370	0	370
15-Mar-01	Seok Won Choi	Employee	16-Mar-04	15-Mar-09	28,027	592	0	592
15-Mar-01	Yong Soo Shin	Employee	16-Mar-04	15-Mar-09	28,027	370	0	370
15-Mar-01	Jun Bo Cho	Employee	16-Mar-04	15-Mar-09	28,027	592	592	0
15-Mar-01	Byong Doo Ahn	Employee	16-Mar-04	15-Mar-09	28,027	592	592	0
15-Mar-01	Ki Hyun Kim	Employee	16-Mar-04	15-Mar-09	28,027	592	592	0
15-Mar-01	Sung Shin Cho	Employee	16-Mar-04	15-Mar-09	28,027	592	0	592

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¹ Some numbers of the granted options have been adjusted due to the merger and the early retirement of the grantees.

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options ¹	Number of exercised options	Number of exercisable options
			From	To				
15-Mar-01	Young Mo Lee	Employee	16-Mar-04	15-Mar-09	28,027	592	0	592
15-Mar-01	Sung Gil Lee	Employee	16-Mar-04	15-Mar-09	28,027	370	0	370
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	Jun Chae Song	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	6,644	0	6,644
22-Mar-01	Myoung Woo Lee	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	4,429	0	4,429
22-Mar-01	Han Kyoung Lee	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	6,644	0	6,644
24-Mar-01	Jae Kyu Lee	Non Executive Director	25-Mar-04	24-Mar-07	25,100	2,318	1,518	800
24-Mar-01	Young Il Kim	Executive Vice President	25-Mar-04	24-Mar-07	25,100	30,000	30,000	0
24-Mar-01	Jong In Park	Executive Vice President	25-Mar-04	24-Mar-07	25,100	19,333	11,500	7,833
24-Mar-01	Gyu Ho Lee	Employee	25-Mar-04	24-Mar-07	25,100	3,275	3,275	0
16-Nov-01	Sang Hoon Kim	Chairman	17-Nov-04	16-Nov-09	51,200	150,000	0	150,000
16-Nov-01	Jung Tae Kim	President & CEO	17-Nov-04	16-Nov-09	51,200	500,000	500,000	0
22-Mar-02	Sun Jin Kim	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,000	0	3,000
22-Mar-02	Ji Hong Kim	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,321	0	3,321
22-Mar-02	Keun Shik Oh	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,321	421	2,900
22-Mar-02	Kyung Hee Yoon	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,000	0	3,000
22-Mar-02	Choul Ju Lee	Chief Audit Executive	23-Mar-05	22-Mar-10	57,100	9,963	9,963	0
22-Mar-02	Dong Soo Chung	Non Executive Director	23-Mar-05	22-Mar-10	57,100	10,000	0	10,000
22-Mar-02	Moon Soul Chung	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,000	3,000	0
22-Mar-02	Henry Cornell	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,321	0	3,321
22-Mar-02	Timothy Hartman	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,321	0	3,321
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	Bock Woan Kim	Executive Vice President	23-Mar-05	22-Mar-10	57,100	13,339	0	13,339
22-Mar-02	Ki Sup Shin	Executive Vice President	23-Mar-05	22-Mar-10	57,100	26,405	2,405	24,000
22-Mar-02	Jong Kyoo Yoon	Executive Vice President	23-Mar-05	22-Mar-10	57,100	20,522	0	20,522
22-Mar-02	Sung Hyun Chung	Executive Vice President	23-Mar-05	22-Mar-10	57,100	19,525	0	19,525
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	3,339	10,000
22-Mar-02	Ki Taek Hong	Executive Vice President	23-Mar-05	22-Mar-10	57,100	19,525	0	19,525
22-Mar-02	Jong Young Yoon	Employee	23-Mar-05	22-Mar-10	57,100	14,712	5,000	9,712
22-Mar-02	Jae Il Song	Employee	23-Mar-05	22-Mar-10	57,100	9,762	0	9,762
22-Mar-02	Hyung Goo Sim	Employee	23-Mar-05	22-Mar-10	57,100	14,712	0	14,712
22-Mar-02	Jeong Haing Lee	Employee	23-Mar-05	22-Mar-10	57,100	9,762	0	9,762
22-Mar-02	Joon Sup Chang	Employee	23-Mar-05	22-Mar-10	57,100	9,762	0	9,762
22-Mar-02	Young No Lee	Employee	23-Mar-05	22-Mar-10	57,100	14,712	0	14,712
22-Mar-02	Dong Soon Park	Employee	23-Mar-05	22-Mar-10	57,100	5,000	5,000	0
22-Mar-02	Sung Bin Kim	Employee	23-Mar-05	22-Mar-10	57,100	9,762	0	9,762
22-Mar-02	Sung Bok Park	Employee	23-Mar-05	22-Mar-10	57,100	14,712	0	14,712
22-Mar-02	Yun Keun Jung	Employee	23-Mar-05	22-Mar-10	57,100	15,000	0	15,000
22-Mar-02	Man Soo Song	Employee	23-Mar-05	22-Mar-10	57,100	9,762	0	9,762
22-Mar-02	Jeong Young Kim	Employee	23-Mar-05	22-Mar-10	57,100	5,000	0	5,000
22-Mar-02	Hack Yeon Jeong	Employee	23-Mar-05	22-Mar-10	57,100	5,000	0	5,000
22-Mar-02	Jong Hwan Byun	Employee	23-Mar-05	22-Mar-10	57,100	5,000	0	5,000
22-Mar-02	Jae Han Kim	Employee	23-Mar-05	22-Mar-10	57,100	2,500	0	2,500
22-Mar-02	Jong Ok Na	Employee	23-Mar-05	22-Mar-10	57,100	2,500	0	2,500
29-Mar-02	Boung Hak Kim	Former KCC Officer	30-Mar-04	29-Mar-11	129,100	3,330	0	3,330
29-Mar-02	Jang Ok Kim	Former KCC Officer	30-Mar-04	29-Mar-11	129,100	3,330	0	3,330
29-Mar-02	Sun Lee	Former KCC Officer	30-Mar-04	29-Mar-11	129,100	3,330	0	3,330
26-Jul-02	Donald H. MacKenzie	Executive Vice President	27-Jul-05	26-Jul-10	58,800	23,899	0	23,899
21-Mar-03	Ki Hong Kim	Non Executive director	22-Mar-06	21-Mar-11	58,600	10,000	0	10,000
21-Mar-03	Sun Jin Kim	Non Executive director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Eun Joo Park	Non Executive director	22-Mar-06	21-Mar-11	42,200	3,351	0	3,351
21-Mar-03	Kyung Bae Suh	Non Executive director	22-Mar-06	21-Mar-11	42,200	3,351	0	3,351

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options ¹	Number of exercised options	Number of exercisable options
			From	To				
21-Mar-03	Cheol Soo Ahn	Non Executive director	22-Mar-06	21-Mar-11	42,200	3,351	3,351	0
21-Mar-03	Kyung Hee Yoon	Non Executive director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Moon Soul Chung	Non Executive director	22-Mar-06	21-Mar-11	43,800	6,678	6,678	0
21-Mar-03	Suk Yong Cha	Non Executive director	22-Mar-06	21-Mar-11	58,600	10,000	10,000	0
21-Mar-03	Bernard S. Black	Non Executive director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Richard Elliott Lint	Non Executive director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Sung Chul Kim	Executive Vice President	22-Mar-06	21-Mar-11	35,500	9,443	4,443	5,000
21-Mar-03	See Young Lee	Executive Vice President	22-Mar-06	21-Mar-11	35,500	7,024	0	7,024
21-Mar-03	Woo Jung Lee	Executive Vice President	22-Mar-06	21-Mar-11	35,500	9,443	9,443	0
21-Mar-03	Won Suk Oh	Employee	22-Mar-06	21-Mar-11	35,500	9,730	0	9,730
21-Mar-03	Sung Dae Min	Employee	22-Mar-06	21-Mar-11	35,500	9,730	0	9,730
21-Mar-03	Kyong Jae Jeong	Employee	22-Mar-06	21-Mar-11	35,500	9,730	0	9,730
21-Mar-03	Chul Hee Kim	Employee	22-Mar-06	21-Mar-11	35,500	14,343	0	14,343
21-Mar-03	In Do Lee	Employee	22-Mar-06	21-Mar-11	35,500	9,730	0	9,730
21-Mar-03	Maeng Soo Ryang	Employee	22-Mar-06	21-Mar-11	35,500	9,730	0	9,730
27-Aug-03	Jin Baek Cheong	Executive Vice President	28-Aug-06	27-Aug-11	40,500	5,091	0	5,091
09-Feb-04	Young Il Kim	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	7,125	0	7,125
09-Feb-04	Sang Jin Lee	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	7,125	0	7,125
09-Feb-04	Jeung Lak Lee	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	7,452	0	7,452
09-Feb-04	Yun Keun Jung	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Kuk Shin Kang	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Kyung Soo Kang	Employee	10-Feb-07	09-Feb-12	46,100	3,837	0	3,837
09-Feb-04	Yang Jin Kim	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Dong Hwan Cho	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Dong Sook Kang	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Young Han Kim	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	De Oak Shin	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Chang Ho Kim	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Dal Soo Lee	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Byong Doo Ahn	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
23-Mar-04	Young Soon Cheon	Non Executive Director	24-Mar-07	23-Mar-12	48,500	5,000	0	5,000
23-Mar-04	Dong Soo Chung	Non Executive Director	24-Mar-07	23-Mar-12	48,500	5,000	0	5,000
23-Mar-04	Wang Ha Cho	Non Executive Director	24-Mar-07	23-Mar-12	48,800	5,000	0	5,000
23-Mar-04	Woon Youl Choi	Non Executive Director	24-Mar-07	23-Mar-12	48,800	5,000	0	5,000
23-Mar-04	Jung Young Kang	Senior Executive Vice President	24-Mar-07	23-Mar-12	47,200	10,000	0	10,000
01-Nov-04	Chung Won Kang	President & CEO	02-Nov-07	01-Nov-12	X ¹	700,000	0	700,000
18-Mar-05	Hyung Duk Chang	Chief Audit Executive	19-Mar-08	18-Mar-13	X ²	30,000	0	30,000

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

² Exercise price = 46,800 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options ¹	Number of exercised options	Number of exercisable options
			From	To				
18-Mar-05	Kap Shin	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Dong Won Kim	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Yun Keun Jung	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	8,759	0	8,759
18-Mar-05	Nam Sik Yang	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Hyo Sung Won	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Yong Kook Oh	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Sang Jin Lee	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	8,759	0	8,759
18-Mar-05	Ahn Sook Koo	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	8,759	0	8,759
18-Mar-05	Jung Young Kang	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Young Han Choi	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Dong Soo Choe	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Seong Kyu Lee	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	8,759	0	8,759
18-Mar-05	Jun Bo Cho	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	8,759	0	8,759
18-Mar-05	Jeong Min Kim	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Sung Soo Jung	Employee	19-Mar-08	18-Mar-13	46,800	4,379	0	4,379
18-Mar-05	Hye Young Kim	Employee	19-Mar-08	18-Mar-13	46,800	4,379	0	4,379
18-Mar-05	Ki Hyun Kim	Employee	19-Mar-08	18-Mar-13	46,800	4,379	0	4,379
18-Mar-05	Jae Sam Jung	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Chang Ho Kim	Employee	19-Mar-08	18-Mar-13	46,800	4,379	0	4,379
18-Mar-05	Dong Sook Kang	Employee	19-Mar-08	18-Mar-13	46,800	4,379	0	4,379
18-Mar-05	De Oak Shin	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Dal Soo Lee	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Byong Doo Ahn	Employee	19-Mar-08	18-Mar-13	46,800	4,379	0	4,379
18-Mar-05	Byung Kun Oh	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Won Sik Yeo	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Dong Su Ryo	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Kyoung Ho Lee	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Jeung Ho Lee	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Kwang Suk Lee	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Tae Gon Kim	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Hyeog Kwan Kwon	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Kyu Hyung Jung	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Dong Hwan Cho	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Man Hee Lee	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Il Soo Moon	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Yong Seung Lee	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Suk Yong Cha	Non Executive director	19-Mar-08	18-Mar-13	61,000	5,091	0	5,091
18-Mar-05	Ki Hong Kim	Non Executive director	19-Mar-08	18-Mar-13	60,300	5,077	0	5,077
18-Mar-05	Young Soon Cheon	Non Executive director	19-Mar-08	18-Mar-13	X ₂	15,000	0	15,000

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options ¹	Number of exercised options	Number of exercisable options
			From	To				
18-Mar-05	Dong Soo Chung	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
18-Mar-05	Chang Kyu Lee	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
18-Mar-05	Hun Namkoong	Non Executive director	19-Mar-08	18-Mar-13	61,000	5,091	0	5,091
18-Mar-05	Doo Hwan Song	Non Executive director	19-Mar-08	18-Mar-13	X ₂	15,000	0	15,000
18-Mar-05	Dam Cho	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
18-Mar-05	Nobuya Takasugi	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
27-Apr-05	Kyung Wook Kang	Employee	28-Apr-08	27-Apr-13	45,700	15,000	0	15,000
22-Jul-05	Donald H. MacKenzie	Senior Executive Vice President	23-Jul-08	22-Jul-13	49,200	30,000	0	30,000
23-Aug-05	Youn Soo Kim	Executive Vice President	24-Aug-08	23-Aug-13	53,000	15,000	0	15,000
24-Mar-06	Dong Soo Chung	Non Executive director	25-Mar-09	24-Mar-14	X ₃	20,000	0	20,000
24-Mar-06	Doo Hwan Song	Non Executive director	25-Mar-09	24-Mar-14		10,000	0	10,000
24-Mar-06	Chang Kyu Lee	Non Executive director	25-Mar-09	24-Mar-14		10,000	0	10,000
24-Mar-06	Dam Cho	Non Executive director	25-Mar-09	24-Mar-14		10,000	0	10,000
24-Mar-06	Nobuya Takasugi	Non Executive director	25-Mar-09	24-Mar-14		10,000	0	10,000
24-Mar-06	Young Soon Cheon	Non Executive director	25-Mar-09	24-Mar-14		5,000	0	5,000
24-Mar-06	Kee Young Chung	Non Executive director	25-Mar-09	24-Mar-14		30,000	0	30,000
24-Mar-06	Bo Kyung Byun	Non Executive director	25-Mar-09	24-Mar-14		30,000	0	30,000
24-Mar-06	Bae Kin Cha	Non Executive director	25-Mar-09	24-Mar-14		30,000	0	30,000
24-Mar-06	Hyung Duk Chang	Chief Audit Executive	25-Mar-09	24-Mar-14		20,000	0	20,000
24-Mar-06	Ki Hong Kim	Chief Executive Vice President	25-Mar-09	24-Mar-14		210,000	0	210,000
24-Mar-06	Kap Joe Song	Senior Executive Vice President	25-Mar-09	24-Mar-14		45,000	0	45,000
24-Mar-06	Dal Soo Lee	Senior Executive Vice President	25-Mar-09	24-Mar-14		20,000	0	20,000
24-Mar-06	Won Sik Yeo	Senior Executive Vice President	25-Mar-09	24-Mar-14		20,000	0	20,000
24-Mar-06	De Oak Shin	Senior Executive Vice President	25-Mar-09	24-Mar-14		20,000	0	20,000
24-Mar-06	Choong Won Cho	Employee	25-Mar-09	24-Mar-14		30,000	0	30,000
24-Mar-06	Yook Sang Kwon	Employee	25-Mar-09	24-Mar-14		30,000	0	30,000
24-Mar-06	Haing Hyun Choi	Employee	25-Mar-09	24-Mar-14		30,000	0	30,000
24-Mar-06	In Gyu Choi	Employee	25-Mar-09	24-Mar-14		30,000	0	30,000
24-Mar-06	Kwang Chun Shon	Employee	25-Mar-09	24-Mar-14		30,000	0	30,000
24-Mar-06	Han Mok Cho	Employee	25-Mar-09	24-Mar-14		30,000	0	30,000
24-Mar-06	Soon Hyun Kim	Employee	25-Mar-09	24-Mar-14		30,000	0	30,000
24-Mar-06	Seung Joo Baik	Employee	25-Mar-09	24-Mar-14		30,000	0	30,000
24-Mar-06	Kwang Mook Park	Employee	25-Mar-09	24-Mar-14		30,000	0	30,000
24-Mar-06	Se Yoon Hong	Employee	25-Mar-09	24-Mar-14		30,000	0	30,000
24-Mar-06	Sang Rak Jang	Employee	25-Mar-09	24-Mar-14		30,000	0	30,000
24-Mar-06	Jin Sun Paeng	Employee	25-Mar-09	24-Mar-14		30,000	0	30,000
24-Mar-06	Shin Og Joo	Employee	25-Mar-09	24-Mar-14		30,000	0	30,000
24-Mar-06	Young Hee Jeon	Employee	25-Mar-09	24-Mar-14		30,000	0	30,000
24-Mar-06	Bae Young Lee	Employee	25-Mar-09	24-Mar-14		30,000	0	30,000

³ Exercise price = 75,200 Won x (1 + TRS of the three major competitors x 0.4)

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options ¹	Number of exercised options	Number of exercisable options
			From	To				
28-Apr-06	Young Mo Lee	Employee	29-Apr-09	28-Apr-14	X ₄	30,000	0	30,000
		Total				4,027,090	756,037	3,271,053

⁴ Exercise price = 81,900 Won x (1 + TRS of the three major competitors x 0.4)

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5.3. Affiliated Companies

5.3.1. List of Affiliates¹

Affiliated companies of Kookmin Bank and its ownership as of September 30, 2006 are as follows.

- n KB Investment Co., Ltd. (99.99%)

- n KB Asset Management Co., Ltd. (80.00%)

- n KB Real Estate Trust Co., Ltd. (99.99%)

- n KB Credit Information Co., Ltd. (99.73%)

- n KB Data Systems Corporation (99.99%)

- n KB Futures Co., Ltd. (99.98%)

- n KB Life Insurance Co., Ltd. (51.00%)

- n ING Life Korea Ltd. (20.00%)

- n Kookmin Bank International (London) Ltd. (100.00%)

- n Kookmin Bank Hong Kong Ltd. (100.00%)

- n Sorak Financial Holdings Pte. Ltd. (25.00%)

¹ Excludes Joeeun Industry and Jangeun Securities which are under liquidation procedures. Kookmin Singapore Ltd. and Kookmin Finance Asia Limited are also under liquidation procedures.

Table of Contents**6. Directors, Senior Management and Employees****6.1. Executive Directors**

Our 4 executive directors consist of the President & CEO, Chief Audit Executive, Chief Executive Vice President and Senior Executive Vice President.

The names and positions of our directors, and Kookmin Bank's common stocks they own are set forth below as of September 30, 2006.

Name	Date of Birth	Position	Common Stocks Owned
Chung Won Kang	12/19/1950	President & CEO	
Hyung Duk Chang	08/13/1950	Chief Audit Executive	
Ki Hong Kim	01/10/1957	Chief Executive Vice President	
Kap Shin	09/04/1955	CFO & Senior 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 September 30, 2006, there are 9 non-executive directors.

Our current non-executive directors, and Kookmin Bank's shares they own are as follows.

Name	Date of Birth	Position	Common Stocks Owned
Dong Soo Chung	09/24/1945	Non-Executive Director	2,240
Nobuya Takasugi	09/03/1942	Non-Executive Director	
Kee Young Chung	09/07/1948	Non-Executive Director	
Doo Hwan Song	05/29/1949	Non-Executive Director	
Chang Kyu Lee	05/20/1950	Non-Executive Director	
Dam Cho	08/01/1952	Non-Executive Director	
Bo Kyung Byun	08/09/1953	Non-Executive Director	
Baek In Cha	07/23/1958	Non-Executive Director	
Young Soon Cheon	02/01/1961	Non-Executive Director	1,910

Table of Contents**6.3. Senior Management**

In addition to the executive directors who are also our executive officers, we currently have the following 13 executive officers as of September 30, 2006.

Name	Date of Birth	Position	Common Shares Owned
Nam Sik Yang	05/08/1954	Senior Executive Vice President	582
Won Sik Yeo	01/30/1953	Senior Executive Vice President	
Dal Soo Lee	02/15/1952	Senior Executive Vice President	
Yong Kook Oh	09/30/1949	Senior Executive Vice President	
Hyo Sung Won	07/29/1960	Senior Executive Vice President	
De Oak Shin	01/09/1951	Senior Executive Vice President	8,618
Jung Young Kang	01/29/1951	Senior Executive Vice President	
Young Han Choi	09/24/1958	Senior Executive Vice President	
Dong Soo Choe	03/10/1955	Senior Executive Vice President	
Jeong Min Kim	05/08/1951	Senior Executive Vice President	94
Donald H. MacKenzie	12/20/1948	Senior Executive Vice President	
Kap Joe Song	07/20/1947	Senior Executive Vice President	
Dong Won Kim	03/01/1953	Senior Executive Vice President	

6.4. Employees

The following table shows the breakdown of our employees as of September 30, 2006.

(Unit: in millions of Won)

	Number of Employees ¹			Average Tenure of the Full-time Employees (years) ²	Total Payment for the three quarters of 2006 ³	Average Payment per Person
	Full-time	Contractual	Total			
Male	12,797	1,380	14,177	17 years and 2 months	710,037	50.1
Female	4,341	6,134	10,475	14 years and 4 months	355,608	33.9
Total	17,138	7,514	24,652	16 years and 6 months	1,065,645	43.2

¹ Number of employees are calculated based on an arithmetic mean from January 31, 2006 to September 30, 2006 and local employees in overseas branches are excluded

² Based on only full-time employees as of September 30, 2006

³ Based on personnel expense and welfare cost as of September 30, 2006

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7. Major Stockholders and Related Party Transactions

7.1. Major Stockholders¹

The following table presents information regarding the selected major ownership of our shares.

(Unit: Shares, %)

Name	Number of Shares of Common Stock	Percentage of Total Issued Shares
The Bank of New York²	51,175,814	15.21
Euro-Pacific Growth Fund	16,659,610	4.95

¹ Information based on December 31, 2005

² Depositary of ADRs

Table of Contents**7.2. Investments in Affiliates¹**

(Unit: in millions of Won)

Name	Relation with the Bank	Account	Beginning		Ending Balance (Sep 30, 2006)
			Balance (Jan 1, 2006)	Increase Decrease	
KB Real Estate Trust	Affiliate	Equity Securities of Affiliate	79,999		79,999
KB Investment	Affiliate	Equity Securities of Affiliate	44,756		44,756
KB Asset Management	Affiliate	Equity Securities of Affiliate	30,670		30,670
KB Futures	Affiliate	Equity Securities of Affiliate	19,996		19,996
KB Data Systems Corp.	Affiliate	Equity Securities of Affiliate	7,999		7,999
KB Credit Information	Affiliate	Equity Securities of Affiliate	6,245		6,245
KB Life Insurance	Affiliate	Equity Securities of Affiliate	15,300		15,300
Joeun Industry ¹	Affiliate	Equity Securities of Affiliate	9,999		9,999
Jangeun Securities ¹	Affiliate	Equity Securities of Affiliate	24,274		24,274
ING Life Korea	Affiliate	Equity Securities of Affiliate	14,000		14,000
Kookmin Bank Hong Kong Ltd.	Affiliate	Equity Securities of Affiliate	20,260	1,356	18,904
Kookmin Bank International (London) Ltd.	Affiliate	Equity Securities of Affiliate	34,935	531	35,466

¹ Joeun Industry and Jangeun Securities are under liquidation procedures

Table of Contents**7.3. Related Party Transactions**

(Unit: in millions of Won unless indicated otherwise)

Name	Relation with the Bank	Account	Transactions			Gains / Losses
			Purchase	Disposal	Volume	
DSME Co.	Related party of					
	Non-executive director, Dong Soo Chung	Equity securities	2,686	2,625	5,311	98
LG International	Related party of					
	Non-executive director,					
	Kee Young Chung	Equity securities	4,929	4,019	8,948	(303)
	Total		7,615	6,644	14,259	(205)

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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: November 14, 2006

By: /s/ Kap Shin
(Signature)

Name: Kap Shin
Title: CFO / Senior EVP
Executive Director

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Exhibit 99.1

KOOKMIN BANK

NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of

Kookmin Bank:

We have reviewed the accompanying non-consolidated balance sheet of the bank accounts of Kookmin Bank (the Bank) as of September 30, 2006, and the related non-consolidated statements of income and cash flows for the nine months ended September 30, 2006 and 2005, all expressed in Korean Won. These financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with standards for review of interim financial statements in the Republic of Korea. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the Bank's personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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

We have previously audited, in accordance with auditing standards generally accepted in the Republic of Korea, the non-consolidated balance sheet of the Bank as of December 31, 2005, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended (not presented herein) and in our report dated February 24, 2006, we expressed an unqualified opinion on those non-consolidated financial statements. The accompanying balance sheet as of December 31, 2005, which is comparatively presented, does not differ in material respects from such audited non-consolidated balance sheet.

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

October 31, 2006

Notice to Readers

This report is effective as of October 31, 2006, the accountants' review report date. Certain subsequent events or circumstances may have occurred between the accountants' review report date and the time the accountants' review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the accountants' review report.

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KOOKMIN BANK

NON-CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 30, 2006 AND DECEMBER 31, 2005

	2006	Korean Won (In millions)	2005
ASSETS			
Cash and due from banks (Notes 3, 20 and 21)	(Won) 5,444,386		(Won) 5,867,417
Securities (Notes 4, 20 and 21)	34,360,772		30,550,299
Loans (Notes 5, 6, 7, 20 and 21)	145,401,053		135,738,407
Fixed assets (Note 8)	2,373,990		2,436,702
Other assets (Note 9)	10,636,082		5,000,824
	(Won) 198,216,283		(Won) 179,593,649
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES:			
Deposits (Notes 10, 20 and 21)	(Won) 128,490,681		(Won) 126,281,232
Borrowings (Notes 11, 20 and 21)	16,145,164		13,737,336
Debentures (Notes 12, 20 and 21)	24,258,799		16,547,987
Other liabilities (Notes 13, 14, 15 and 16)	14,692,931		10,653,494
	183,587,575		167,220,049
SHAREHOLDERS' EQUITY (Notes 17 and 18):			
Common stock	1,681,896		1,681,896
Capital surplus	6,258,297		6,254,786
Retained earnings (Net income of (Won)2,258,101 million for the nine months ended September 30, 2006 and (Won)2,252,218 million for the year ended December 31, 2005)	6,002,890		3,929,948
Capital adjustments	685,625		506,970
	14,628,708		12,373,600
	(Won) 198,216,283		(Won) 179,593,649

See accompanying notes to non-consolidated financial statements.

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KOOKMIN BANK

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

	Korean Won	
	2006	2005
	(In millions except per share amounts)	
OPERATING REVENUE:		
Interest income:		
Interest on due from banks (Note 21)	(Won) 22,419	(Won) 18,432
Interest on securities (Note 21)	1,011,654	808,414
Interest on loans (Note 21)	7,826,252	7,572,251
Other interest income	22,460	21,309
	8,882,785	8,420,406
Commission income	975,126	858,334
Other operating income:		
Gain on disposal of trading securities	39,320	75,779
Gain on valuation of trading securities (Note 4)	33,060	
Dividends on trading securities	2,857	4,821
Dividends on available-for-sale securities	4,587	3,259
Foreign exchange trading income	179,200	203,246
Fees and commissions from trust accounts (Note 26)	71,707	103,113
Gain on financial derivatives trading	3,154,456	2,822,447
Gain on valuation of financial derivatives (Note 19)	1,140,527	891,765
Gain on valuation of fair value hedged items (Note 19)	8,510	43,449
Other operating income	76,518	44,498
	4,710,742	4,192,377
Total operating revenues	14,568,653	13,471,117
OPERATING EXPENSES:		
Interest expenses:		
Interest on deposits (Note 21)	2,497,749	2,422,243
Interest on borrowings (Note 21)	491,815	260,151
Interest on debentures (Note 21)	799,298	801,698
Other interest expenses	37,590	25,085
	3,826,452	3,509,177
Commission expenses	318,812	247,100
Other operating expenses:		
Loss on disposal of trading securities	40,633	54,457
Loss on valuation of trading securities (Note 4)		13,258
Provision for possible loan losses (Note 7)	423,739	967,867
Provision for acceptances and guarantees losses	4,089	1,415

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Foreign exchange trading losses	252,539	175,267
Loss on financial derivatives trading (Note 19)	2,975,852	2,708,392
Loss on valuation of financial derivatives (Note 19)	1,039,575	922,694
Loss on valuation of fair value hedged items(Note 19)	77,193	
Other operating expenses	436,737	406,128
	5,250,357	5,249,478
General and administrative expenses (Note 22)	2,413,794	2,090,343
Total operating expenses	11,809,415	11,096,098

(Continued)

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KOOKMIN BANK

NON-CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

	Korean Won	
	2006	2005
	(In millions except per share amounts)	
OPERATING INCOME	(Won) 2,759,238	(Won) 2,375,019
NON-OPERATING INCOME (Note 23)	514,804	617,247
NON-OPERATING EXPENSES (Note 23)	160,252	389,372
ORDINARY INCOME	3,113,790	2,602,894
EXTRA ORDINARY ITEM		
INCOME BEFORE INCOME TAX	3,113,790	2,602,894
INCOME TAX EXPENSE (Note 24)	855,689	774,375
NET INCOME	(Won) 2,258,101	(Won) 1,828,519
ORDINARY INCOME PER SHARE (In currency units) (Note 25)	(Won) 6,713	(Won) 5,745
NET INCOME PER SHARE (In currency units) (Note 25)	(Won) 6,713	(Won) 5,745
DILUTED ORDINARY INCOME PER SHARE (In currency units) (Note 25)	(Won) 6,713	(Won) 5,741
DILUTED NET INCOME PER SHARE (In currency units) (Note 25)	(Won) 6,713	(Won) 5,741

See accompanying notes to non-consolidated financial statements.

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KOOKMIN BANK

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

	2006	Korean Won (In millions)	2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	(Won) 2,258,101		(Won) 1,828,519
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on disposal of trading securities	40,633		54,457
Loss on valuation of trading securities			13,258
Provision for possible loan losses	423,739		967,867
Loss on financial derivatives trading	2,975,852		2,708,392
Loss on valuation of financial derivatives	1,039,575		922,694
Loss on valuation of fair value hedged items	77,193		
Loss on valuation of securities accounted for using the equity method	1,612		8,466
Provision for severance benefits	103,864		89,090
Depreciation and amortization	224,615		244,280
Loss on disposal of available-for-sale securities	13,220		17,210
Loss on impairment of available-for-sale securities	53,463		26,144
Loss on disposal of tangible assets	1,629		3,764
Loss on sale of loans			2,096
Gain on disposal of trading securities	(39,320)		(75,779)
Gain on valuation of trading securities	(33,060)		
Gain on financial derivatives trading	(3,154,456)		(2,822,447)
Gain on valuation of financial derivatives	(1,140,527)		(891,765)
Gain on valuation of fair value hedged items	(8,510)		(43,449)
Gain on valuation of securities accounted for using the equity method	(76,077)		(71,700)
Gain on disposal of available-for-sale securities	(136,165)		(282,431)
Gain on disposal of tangible assets	(2,339)		(9,475)
Gain on sale of loans	(36,311)		(79,935)
Others, net	(28,168)		308,418
	300,462		1,089,155

(Continued)

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KOOKMIN BANK

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

	2006	Korean Won (In millions)	2005
Changes in assets and liabilities resulting from operations:			
Net decrease (increase) in trading securities	(Won) 405,955		(Won) (163,752)
Net increase in accounts receivable	(4,951,270)		(1,900,734)
Net decrease (increase) in accrued income	(212,004)		13,869
Net decrease (increase) in prepaid expenses	(37,123)		160,132
Net decrease (increase) in deferred income tax assets	105,778		(87,652)
Net increase in accounts payable	4,676,614		1,338,980
Net increase (decrease) in accrued expenses	(400,142)		505,420
Net increase (decrease) in advances from customers	(212,931)		307,114
Payment of severance benefits	(13,187)		(58,379)
Decrease (increase) in severance insurance deposits	(35,780)		23,726
Others, net	230,888		840,482
	(443,202)		979,206
Net cash provided by operating activities	2,115,361		3,896,880
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net increase in restricted due from banks	(81,914)		(1,061,711)
Net decrease (increase) in available-for-sale securities	(2,743,303)		3,669,749
Net increase in held-to-maturity securities	(957,793)		(4,881,838)
Net decrease in securities accounted for using the equity method	14,914		24,047
Net decrease (increase) in loans	(10,082,755)		671,960
Disposal of fixed assets	10,619		22,199
Purchase of fixed assets	(151,863)		(74,194)
Net decrease (increase) in other assets	(468,067)		250,007
Net cash used in investing activities	(14,460,162)		(1,379,781)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase (decrease) in deposits	2,208,755		(2,534,016)
Net increase (decrease) in debentures	7,621,929		(5,463,311)
Net increase in borrowings	2,434,144		4,600,693
Net increase (decrease) in other liabilities	(250,703)		86,837
Others, net	(174,269)		1,085,075
Net cash provided by financing activities	11,839,856		(2,224,722)
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	(504,945)		292,377
CASH AND DUE FROM BANKS, BEGINNING OF PERIOD	3,624,831		3,319,349
CASH AND DUE FROM BANKS, END OF PERIOD (Note 30)	(Won) 3,119,886		(Won) 3,611,726

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See accompanying notes to non-consolidated financial statements.

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KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005

1. **GENERAL:**

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

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

The Bank's shares have been listed on the Korea Stock Exchange since September 1994. As a result of the business combination with H&CB, the former shareholders of the Bank and H&CB received new common shares of the Bank on the basis of a pre-determined ratio. The new common shares of the Bank were listed on the Korea Stock Exchange on November 9, 2001. In addition, the Bank listed its American Depository Shares ("ADS") on the New York Stock Exchange ("NYSE") as of November 1, 2001 following the consolidation with H&CB. H&CB listed its ADS on the NYSE as of October 3, 2000 prior to the business combination. As of September 30, 2006, the Bank's paid-in capital is (Won)1,681,896 million.

The Bank is engaged in the banking, trust and other relevant businesses according to the provisions of the General Banking Act and the Trust Business Act, and operates through 1,118 domestic branches and offices (excluding 213 automated teller machine stations) and three overseas branches (excluding two subsidiaries and one office) as of September 30, 2006.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Basis of Non-consolidated Financial Statement Presentation

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

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

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Interest Income Recognition

The Bank applies the accrual basis in recognizing interest income related to deposits, loans and securities, except for non-secured uncollectible receivables. Interest on loans, whose principal or interest is past due at the balance sheet date, is generally not accrued, with the exception of interest on certain loans secured by guarantee of governments or government agencies, or collateralized by bank deposits. When a loan is placed on non-accrual status, previously accrued interest is generally reversed and deducted from current interest income; and future interest income is recognized on the cash basis in accordance with the banking industry accounting standards. As of September 30, 2006 and December 31, 2005, the principal amount of loans and securities of which the accrued interest income was not recorded in the accompanying financial statements based on the above criteria amounted to (Won)7,211,985 million and (Won)7,875,123 million, respectively, and the related accrued interest income not recognized amounted to (Won)533,631 million and (Won)462,799 million, respectively.

Classification of Securities

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

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

Valuation of Securities

(1) Valuation of Trading Securities

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

(2) Valuation of Available-for-sale Securities

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

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

(3) Valuation of Held-to-maturity Securities

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

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

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

When the book value of equity securities accounted for using the equity method is less than zero due to the cumulative losses of the investees, the Bank discontinues applying the equity method and does not provide for additional losses. If the investee subsequently reports net income, the Bank resumes applying the equity method only after its share of that net income equals the share of net losses not recognized during the period that the equity method was suspended.

In addition, any gains or loss from the disposal of equity securities of certain consolidated subsidiaries are accounted for as capital adjustments resulting from applying the equity method in the balance sheets if the subsidiaries are still consolidated even after the Bank disposes of a portion of equity securities.

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

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

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

(6) Reclassification of Securities

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

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and face value of the reclassified securities to held-to-maturity securities is amortized using effective interest rate method and the amortized amount is charged to interest income. In addition, when certain trading securities lose their marketability, such securities are reclassified as available-for-sale securities at fair market value as of reclassification date.

Transfer of Securities

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

Allowance for Possible Losses on Credits

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

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

Based on the Bank's corporate credit evaluation model, credits to a borrower are classified into 12 grades from AAA to D (AAA, AA, A, A -, BBB, BB, B, B -, CCC, CC, C and D). Credits of grades of AAA to B are classified as normal, credits of grade B - to CCC as precautionary, credits of grade CC as substandard, credits of grade C as doubtful and credits of grade D as estimated loss. Credits are finally classified reflecting past due period and bankruptcy considerations. An allowance is then calculated on the category balances using the prescribed percentages of 0.5 ~ 1.9 percent for normal, 2 ~ 19.9 percent for precautionary, 20 ~ 49.9 percent for substandard, 50 ~ 99.9 percent for doubtful and 100 percent for estimated loss. However, the Bank does not provide allowances for call loans, bonds bought under resale agreements and inter-bank loans that are classified as normal, as it is not required by the Accounting Standards for the Banking Industry.

In addition, as required by the Supervisory Regulation, based on the classification of household loans and credit card receivables by past due period and status of bankruptcy proceedings, allowance for household loans and credit card receivables are calculated on the category balances using the prescribed percentages of 0.75 ~ 7.9 percent and 1 ~ 11.9 percent for normal, 8 ~ 19.9 percent and 12 ~ 19.9 percent for precautionary, 20 ~ 54.9 and 20 ~ 59.9 percent for substandard, 55 ~ 99.9 percent and 60 ~ 99.9 percent for doubtful, and 100 percent for estimated loss. Furthermore, as required by the Financial Supervisory Service, for the secured household loans newly placed after September 9, 2002, if the ratio of loans to collateral value (loan to value; LTV) exceeds 70 percent, the Bank provides an allowance for possible loan losses of 1 percent for normal and 10 percent for precautionary, instead of providing 0.75 percent for normal and 8 percent for precautionary.

In addition, when an allowance for possible loan losses required by the Supervisory Regulation is less than the amount calculated based on the historical loss rate, which is estimated through objective and reasonable method in accordance with the accounting principle in the Republic of Korea, historical loss rate is reflected in the provision for possible loan losses.

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

Lending portfolios	Methodology	Period of historical loss rate	Period of recovery ratio
Impaired corporate loans	DCF & Migration	N/A	N/A
Non-impaired corporate loans	Migration analysis	1 year	5 years
Consumer loans	Migration analysis	1 year	5 years
Credit card loans	Roll-rate analysis	1 year	5 years

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

Pursuant to the Supervisory Regulation of Banking Business, the Bank provides allowance for possible losses on confirmed acceptances and guarantees, unconfirmed acceptances and guarantees, and notes endorsed based on the credit classification, minimum rate of loss provision prescribed by Financial Supervisory Service and the cash conversion factor. In addition, the Bank provides other allowances for the unused credit limit of credit card and unused credit line of consumer and corporate loans based on the cash conversion factor and minimum rate of loss provision prescribed by Financial Supervisory Service.

Restructuring of Loans

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

Deferred Loan Origination Fees and Costs

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

Valuation of Receivables and Payables at Present Value

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

Tangible Assets and Related Depreciation

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

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

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

Intangible Assets and Related Amortization

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

Intangible assets	Depreciation method	Estimated useful life
Goodwill	Straight-line	9 years
Trademarks	Straight-line	5-20 years
Others	Straight-line	3-30 years

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

Valuation Allowance for Non-Business Use Property

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

Recognition of Impairment of Assets

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

Amortization of Discounts (Premiums) on Debentures

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

Bonds under Resale or Repurchase Agreements

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

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Contingent Liabilities

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

Accrued Severance Benefits

Employees and directors and temporary employees with at least one year of service as of September 30, 2006 are entitled to receive a lump-sum payment upon termination of their employment with the Bank, based on their length of service and rate of pay at the time of termination. The accrued severance benefits that would be payable assuming all eligible employees and directors were to resign are included in other liabilities.

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

Accounting for Derivative Instruments

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

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

Accounting for Stock Options

In accordance with the Interpretations on Financial Accounting Standards 39-35 on the accounting for the stock option, the Bank records stock compensation costs as a capital adjustment in case that the Bank can choose to settle the vested stock option by issuing new shares or treasury stock, or payment of cash equivalent to the difference between the market price and the exercise price at the exercise date. However, the compensation cost of certain options that is certain to be settled by cash payment is recorded in other liabilities (accrued expenses).

National Housing Fund

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

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Accounting for Trust Accounts

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

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

Income Tax Expense

Income tax expense is the amount currently payable for the period added to or deducted from the changes in deferred income taxes. However, deferred income tax assets are recognized only if the future tax benefits from accumulated temporary differences and any tax loss carryforwards are realizable. The difference between the amount currently payable for the period and income tax expense is accounted for as deferred income tax assets or liabilities, which will be charged or credited to income tax expense in the period the related temporary difference reverses in the future. Deferred income tax assets or liabilities are calculated based on the expected tax rate to be applied at the reversal period of the related assets or liabilities. Tax payable and deferred income tax assets or liabilities regarding to certain items are charged or credited directly to related components of shareholders' equity.

Accounting for Foreign Currency Transactions and Translation

The Bank maintains its accounts in Korean Won. Transactions in foreign currencies are recorded in Korean Won based on the basic rate of exchange on the transaction date. The Korean Won equivalent of assets and liabilities denominated in foreign currencies are translated in these financial statements based on the basic rate ((Won)945.20 and (Won)1,013.00 to US\$ 1.00 at September 30, 2006 and December 31, 2005, respectively) announced by Seoul Money Brokerage Service, Ltd. or cross rates for other currencies other than U.S. Dollars at the balance sheet dates. Translation gains and losses are credited or charged to operations. Financial statements of overseas branches are translated based on the basic rate at balance sheet dates.

Application of the Statement of Korea Accounting Standards

The Korea Accounting Standard Board (KASB) under the Korea Accounting Institute (KAI) issued the Statements of Korea Accounting Standards (SKAS) for achieving a set of Korean accounting standards that should be internationally acceptable and comparable based on SKAS Act 92. The Bank adopted SKAS No.1 (Accounting Changes and Error Corrections) through SKAS No. 17 (Provisions, Contingent Liabilities and Contingent Assets) (SKAS No. 11 and No. 14 excluded) as of or before December 31, 2005. SKAS No. 18 (Interests in Joint Ventures), No. 19 (Lease) and No. 20 (Related Party Disclosures) have been adopted since January 1, 2006.

Reclassification

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

Table of Contents3. CASH AND DUE FROM BANKS:

(1) Cash and due from banks in Won and foreign currencies as of September 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

	2006	2005
Cash and checks	(Won) 2,445,798	(Won) 2,683,479
Foreign currencies	160,403	150,402
Due from banks in Won	2,272,472	2,495,595
Due from banks in foreign currencies	565,713	537,941
	(Won) 5,444,386	(Won) 5,867,417

(2) Due from banks as of September 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

Financial institution	Interest (%)	2006	2005
Due from banks in Won:			
BOK		(Won) 2,259,909	(Won) 2,189,339
Woori Bank and others	0.00~2.20	8,671	302,873
Korea Stock Exchange and others		3,892	3,383
		(Won) 2,272,472	(Won) 2,495,595

Due from banks in foreign currencies:

BOK		(Won) 57,176	(Won) 46,501
Korea Exchange Bank and others	0.00~5.32	89,814	78,136
Woori Bank and others	5.31~5.86	418,723	413,304
		(Won) 565,713	(Won) 537,941

(3) Restricted due from banks in Won and foreign currencies as of September 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

Financial institution	2006	2005	Reason for restriction
Due from banks in Won:			
BOK	(Won) 2,259,909	(Won) 2,189,339	BOK Act
Woori Bank	4,130	4,029	Escrow account
Korea Stock Exchange and others	2,737	2,237	Futures margin accounts/others
Due from banks in foreign currencies:			
BOK	57,176	46,501	BOK Act
J.P. Morgan Chase & Co. and others	548	480	Futures margin accounts/others
	(Won) 2,324,500	(Won) 2,242,586	

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(4) Due from banks by financial institution as of September 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

Financial institution	2006	2005
Due from banks in Won:		
BOK	(Won) 2,259,909	(Won) 2,189,339
Banks	8,671	302,873
Others	3,892	3,383
	2,272,472	2,495,595
Due from banks in foreign currencies:		
BOK	57,176	46,501
Banks	488,707	490,960
Others	19,830	480
	565,713	537,941
	(Won) 2,838,185	(Won) 3,033,536

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(5) Term structure of due from banks as of September 30, 2006 was as follows (Unit: In millions):

	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	More than 3 years	Total
Due from banks in Won	(Won) 2,268,342	(Won)	(Won) 4,029	(Won) 101	(Won)	(Won) 2,272,472
Due from banks in foreign currencies	546,649	19,064				565,713
	(Won) 2,814,991	(Won) 19,064	(Won) 4,029	(Won) 101	(Won)	(Won) 2,838,185

Term structure of due from banks as of December 31, 2005 was as follows (Unit: In millions):

	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	More than 3 years	Total
Due from banks in Won	(Won) 2,491,566	(Won)	(Won)	(Won) 4,029	(Won)	(Won) 2,495,595
Due from banks in foreign currencies	433,602	104,339				537,941
	(Won) 2,925,168	(Won) 104,339	(Won)	(Won) 4,029	(Won)	(Won) 3,033,536

4. **SECURITIES:**

(1) Securities as of September 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

	2006	2005
Trading securities	(Won) 3,177,356	(Won) 3,551,425
Available-for-sale securities	19,329,726	16,180,784
Held-to-maturity securities	11,190,323	10,228,573
Securities accounted for using the equity method	663,367	589,517
	(Won) 34,360,772	(Won) 30,550,299

(2) The valuation of securities excluding securities accounted for using the equity method as of September 30, 2006 consisted of (Unit: In millions):

Classification	Face value	Acquisition cost (*)	Adjusted by effective	Book value
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interest rate

method

Trading securities:						
	(Won)	(Won)	80,061	(Won)	(Won)	82,931
Equity securities		99,743	100,398			101,760
Beneficiary certificates		738,434	726,734		728,761	737,898
Government and public bonds		2,142,103	2,126,245		2,127,732	2,134,721
Finance bonds		120,060	119,466		120,186	120,046
Corporate bonds						
	(Won)	3,100,340	(Won) 3,152,904	(Won)	2,976,679	(Won) 3,177,356

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Classification	Face value	Acquisition cost (*)	Adjusted by		Book value
			effective interest rate	method	
Available-for-sale securities:					
Equity securities	(Won)	(Won) 1,149,345	(Won)		(Won) 1,421,167
Equity investments		511			3,805
Beneficiary certificates	1,702,606	1,701,276			1,726,112
Government and public bond	2,824,370	2,812,216	2,813,903		2,817,323
Finance bonds	11,522,708	11,413,338	11,451,577		11,470,359
Foreign government bonds	5,671	6,436	5,683		5,680
Corporate bonds	1,083,009	1,044,837	1,025,825		1,026,965
Asset-backed securities	1,096,511	1,033,044	842,578		842,328
Other debt securities	19,044	7,346			15,987
	(Won) 18,253,919	(Won) 19,168,349	(Won) 16,139,566		(Won) 19,329,726
Held-to-maturity securities:					
Government and public bonds	(Won) 6,614,665	(Won) 6,545,454	(Won) 6,555,037		(Won) 6,555,037
Finance bonds	2,798,000	2,798,040	2,798,217		2,798,217
Corporate bonds	1,499,779	1,511,576	1,502,109		1,502,109
Asset-backed securities	335,000	334,906	334,960		334,960
	(Won) 11,247,444	(Won) 11,189,976	(Won) 11,190,323		(Won) 11,190,323

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

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

Classification	Face value	Acquisition cost (*)	Adjusted by		Book value
			effective interest rate	method	
Trading securities:					
Equity securities	(Won)	(Won) 179,074	(Won)		(Won) 200,147
Beneficiary certificates	197	256			256
Government and public bonds	1,692,298	1,661,025	1,663,369		1,635,898
Finance bonds	1,607,663	1,601,395	1,603,586		1,594,839
Corporate bonds	120,000	119,407	119,690		120,285
	(Won) 3,420,158	(Won) 3,561,157	(Won) 3,386,645		(Won) 3,551,425
Available-for-sale securities:					
Equity securities	(Won)	(Won) 778,421	(Won)		(Won) 1,156,629
Equity investments		511			3,723
Beneficiary certificates	2,051,178	2,052,680			2,075,933
Government and public bonds	2,725,370	2,721,469	2,705,844		2,687,671

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Finance bonds	8,324,183	8,246,513	8,248,052	8,232,310
Foreign government bonds	9,117	10,144	9,382	9,328
Corporate bonds	1,171,960	1,128,128	1,103,350	1,106,282
Asset-backed securities	1,114,117	1,050,685	901,878	900,821
Other debt securities	40,835	5,633		8,087
	(Won) 15,436,760	(Won) 15,994,184	(Won) 12,968,506	(Won) 16,180,784

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Classification	Face value	Acquisition cost (*)	Adjusted by		
			effective interest rate	method	
					Book value
Held-to-maturity securities:					
Government and public bonds	(Won) 4,621,429	(Won) 4,605,400	(Won) 4,609,832		(Won) 4,609,832
Finance bonds	3,570,159	3,543,074	3,564,988		3,564,988
Corporate bonds	1,714,780	1,705,750	1,718,819		1,718,819
Asset-backed securities	335,000	334,906	334,934		334,934
	(Won) 10,241,368	(Won) 10,189,130	(Won) 10,228,573		(Won) 10,228,573

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

As a result of the fair valuation of trading securities, the Bank recognized (Won)33,060 million of valuation gain and (Won)13,258 million of valuation loss for the nine months ended September 30, 2006 and 2005, respectively.

The fair values of trading and available-for sale debt securities in Won were assessed by applying the average of base prices as of September 30, 2006, provided by the bond pricing service institutions.

- (3) Available-for-sale securities, which were not valued at fair value as of September 30, 2006 and December 31, 2005, were as follows (Unit: In millions):

Company	2006	2005
Bad Bank Harmony (preferred stock)	(Won) 58,848	(Won) 12,279
Korea Asset Management Corp.	15,667	15,667
Samsung Life Insurance Co., Ltd.	7,479	7,479
Korea Highway Corp.	6,248	6,248
CLS	5,107	5,191
Kyobo Investment Trust Management Co., Ltd.	2,100	2,100
Korea Money Broker Corp.	1,291	1,291
Mercury	1,088	1,088
Tianjin Samsung Opto Electronics	923	989
Others	13,329	17,281
	(Won) 112,080	(Won) 69,613

- (4) The impairment loss and the reversal of impairment loss on available-for-sale securities recognized for the nine months ended September 30, 2006 and 2005 were as follows (Unit: In millions):

	2006		2005	
	Impairment	Reversal	Impairment	Reversal
Equity securities	(Won) 10,980	(Won) 81,408	(Won) 4,215	(Won) 7,422
Equity investments	1		1	
Corporate bonds		2,317	468	
Asset-backed securities	42,482		21,460	

(Won) 53,463 (Won) 83,725 (Won) 26,144 (Won) 7,422

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(5) Structured notes relating to stock and interest rate and credit risk as of September 30, 2006 were as follows (Unit: In millions):

	Won	Foreign currencies	Total
Structured notes relating to stock:			
Convertible bonds	(Won)	(Won) 24,463	(Won) 24,463
Structured notes relating to interest rate:			
Long-term government bond floating rates notes (FRN)	493,022		493,022
Dual indexed FRN	19,862		19,862
Inverse FRN	20,292		20,292
Others	110,291		110,291
	643,467		643,467
Structured notes relating to Credit			
Synthetic CDO		9,460	9,460
Bonds with call option	20,000		20,000
	(Won) 663,467	(Won) 33,923	(Won) 697,390

Structured notes relating to stock, interest rate and credit risk as of December 31, 2005 were as follows (Unit: In millions):

	Won	Foreign currencies	Total
Structured notes relating to stock:			
Convertible bonds	(Won)	(Won) 60	(Won) 60
Structured notes relating to interest rate:			
Long-term government bond FRN	564,456		564,456
Dual indexed FRN	19,874		19,874
Inverse FRN	20,753		20,753
Others	110,225		110,225
	715,308		715,308
Credit linked notes		40,559	40,559
Bonds with call option	20,000		20,000
	(Won) 735,308	(Won) 40,619	(Won) 775,927

(6) Private beneficiary certificates included in beneficiary certificates of available-for-sale securities as of September 30, 2006 and December 31, 2005 were composed of (Unit: In millions):

	2006	2005
Stocks	(Won) 89,042	(Won) 7,353

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Government and public bonds	215,847	38,018
Finance bonds	1,280,118	1,340,390
Corporate bonds	19,999	32,622
Asset-backed debt securities		
Call loans	175,014	203,892
Others	128,854	412,962
Assets	1,908,874	2,035,237
Liabilities	82,757	11,081
	(Won) 1,826,117	(Won) 2,024,156

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- (7) The portfolio of securities excluding securities accounted for using the equity method, by industry, as of September 30, 2006 and December 31, 2005 were as follows (Unit: In millions):

By industry type	2006		2005	
	Amount	Percentage (%)	Amount	Percentage (%)
Trading securities:				
Government and government-invested public companies	(Won) 857,944	27.00	(Won) 1,764,476	49.68
Financial institutions	2,245,412	70.67	1,631,869	45.95
Others	74,000	2.33	155,080	4.37
	(Won) 3,177,356	100.00	(Won) 3,551,425	100.00
Available-for-sale securities:				
Government and government-invested public companies	(Won) 3,418,958	17.69	(Won) 3,347,229	20.69
Financial institutions	15,060,876	77.92	12,027,488	74.33
Others	849,892	4.39	806,067	4.98
	(Won) 19,329,726	100.00	(Won) 16,180,784	100.00
Held-to-maturity securities:				
Government and government-invested public companies	(Won) 8,017,203	71.64	(Won) 6,298,716	61.58
Financial institutions	3,133,177	28.00	3,899,922	38.13
Others	39,943	0.36	29,935	0.29
	(Won) 11,190,323	100.00	(Won) 10,228,573	100.00

- (8) The portfolio of securities excluding securities accounted for using the equity method, by security type, as of September 30, 2006 and December 31, 2005 were as follows (Unit: In millions):

By security type	2006		2005	
	Amount	Percentage (%)	Amount	Percentage (%)
Trading securities:				
Stocks	(Won) 82,931	2.61	(Won) 200,147	5.64
Fixed rate bonds	2,860,363	90.02	3,230,737	90.97
Floating rate bonds	124,735	3.93	120,285	3.39
Subordinated bonds	7,567	0.24		0.00
Beneficiary certificates	101,760	3.20	256	0.00
	(Won) 3,177,356	100.00	(Won) 3,551,425	100.00
Available-for-sale securities:				
Stocks	(Won) 1,421,167	7.35	(Won) 1,156,629	7.15
Fixed rate bonds	14,604,324	75.55	11,201,802	69.23
Floating rate bonds	684,220	3.54	861,368	5.32
Subordinated bonds	849,273	4.39	872,813	5.39
Convertible bonds	24,463	0.13	60	0.00
Beneficiary certificates	1,726,112	8.93	2,075,933	12.83

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Others	20,167	0.11	12,179	0.08
	(Won) 19,329,726	100.00	(Won) 16,180,784	100.00
Held-to-maturity securities:				
Fixed rate bonds	(Won) 11,000,323	98.30	(Won) 10,038,573	98.14
Floating rate bonds	60,000	0.54	60,000	0.59
Subordinated bonds	130,000	1.16	130,000	1.27
	(Won) 11,190,323	100.00	(Won) 10,228,573	100.00

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The portfolio of securities excluding securities accounted for using the equity method, by country, as of September 30, 2006 and December 31, 2005 were as follows (Unit: In millions):

By country type	2006		2005	
	Amount	Percentage (%)	Amount	Percentage (%)
Trading securities:				
Korea	(Won) 3,165,041	99.61	(Won) 3,551,425	100.00
Others	12,315	0.39		
	(Won) 3,177,356	100.00	(Won) 3,551,425	100.00
Available-for-sale securities:				
Korea	(Won) 19,240,007	99.53	(Won) 16,066,362	99.29
Russia	24,762	0.13	28,527	0.18
USA	17,169	0.09	46,876	0.29
India	9,836	0.05	393	0.00
Ireland	9,460	0.05		
Philippines	9,004	0.05	9,675	0.06
The Republic of South Africa	5,680	0.03	6,240	0.04
Switzerland	5,107	0.03	5,191	0.03
Others	8,701	0.04	17,520	0.11
	(Won) 19,329,726	100.00	(Won) 16,180,784	100.00
Held-to-maturity securities:				
Korea	(Won) 11,190,323	100.00	(Won) 10,228,573	100.00

- (9) Term structure of securities (except for stocks and equity investments) in available-for-sale and held-to-maturity securities as of September 30, 2006 were as follows (Unit: In millions):

	Due in 1 year or less	Due after 1	Due after 5	More than	Total
		year through 5 years	years through 10 years		
Available-for-sale securities:					
Fair value	(Won) 9,518,999	(Won) 8,103,045	(Won) 265,994	(Won) 16,716	(Won) 17,904,754
Held-to-maturity securities:					
Book value	3,696,543	5,300,772	2,193,008		11,190,323
Fair value	3,693,113	5,298,314	2,234,218		11,225,645

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

Total

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	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	More than 10 years	
Available-for-sale securities:					
Fair value	(Won) 7,864,997	(Won) 6,962,888	(Won) 184,008	(Won) 8,539	(Won) 15,020,432
Held-to-maturity securities:					
Book value	2,268,137	6,701,400	1,259,036		10,228,573
Fair value	2,264,029	6,589,801	1,195,982		10,049,812

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(10) Securities accounted for using the equity method as of September 30, 2006 were summarized as follows (Unit: In millions):

	No. of shares	Owner- ship (%)	Acquisition cost	Net asset value	Book value
Domestic stocks:					
KB Investment Co., Ltd.	8,951,293	99.99	(Won) 155,384	(Won) 86,050	(Won) 86,050
KB Futures Co., Ltd.	3,999,200	99.98	19,996	27,677	27,677
KB Data System Co., Ltd.	799,960	99.99	8,001	16,241	13,304
KB Real Estate Trust	15,999,930	99.99	76,103	89,969	90,068
KB Asset Management	6,134,040	80.00	39,015	60,221	60,221
KB Credit Information	1,249,040	99.73	14,291	33,640	33,004
KB Life Insurance Co., Ltd.	3,060,000	51.00	15,426	18,144	
KLB Securities Co., Ltd. (*1)	4,854,713	36.41	10,316		
Joeeun Industrial Co., Ltd. (*1)	1,999,910	99.99	23,994		
ING Life Insurance Korea	1,400,000	20.00	21,769	117,840	117,840
Balhae Infrastructure Fund (*2)	441,426	12.61	4,412	4,432	4,432
Korea Credit Bureau Co., Ltd. (*3)	180,000	9.00	4,500	3,801	3,801
			393,207	458,015	436,397
Foreign stocks:					
Kookmin Bank Singapore Ltd. (*1)	30,000,000	100.00	17,862		1,641
Kookmin Finance Asia Ltd. (HK) (*1)	700,000	100.00	7,545		230
Kookmin Bank Int 1 Ltd. (London)	20,000,000	100.00	34,900	53,657	53,657
Kookmin Bank Hong Kong Ltd.	2,000,000	100.00	50,153	71,231	71,231
Sorak Financial Holdings PTE Ltd.	1,422,216	25.00	72,680	87,234	87,234
			183,140	212,122	213,993
Equity investments:					
KICO No. 2 Venture Investment Partnership (*1)	250	55.56		93	93
KICO No. 3 Venture Investment Partnership (*1)		69.23		117	117
Pacific IT Investment Partnership (*1)	700	50.00	6,252	2,617	2,617
NPC02-4 Kookmin Venture Fund	70	33.33	7,000	7,659	7,659
KB06-1 Venture Investment Partnership	50	50.00	2,500	2,491	2,491
			15,752	12,977	12,977
			(Won) 592,099	(Won) 683,114	(Won) 663,367

Securities accounted for using the equity method as of December 31, 2005 were summarized as follows (Unit: In millions):

	No. of shares	Owner- ship (%)	Acquisition cost	Net asset value	Book value
Domestic stocks:					
KB Investment Co., Ltd.	8,951,293	99.99	(Won) 155,384	(Won) 85,462	(Won) 85,462
KB Futures Co., Ltd.	3,999,200	99.98	19,996	27,312	27,312
KB Data System Co., Ltd.	799,960	99.99	8,001	17,726	15,582
KB Real Estate Trust	15,999,930	99.99	76,103	80,975	81,068

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KB Asset Management	6,134,040	80.00	39,015	52,485	52,485
KB Credit Information	1,249,040	99.73	14,291	28,629	27,837
KB Life Insurance Co., Ltd.	3,060,000	51.00	15,426	12,541	
KLB Securities Co., Ltd. (*1)	4,854,713	36.41	10,316		
Joeeun Industrial Co., Ltd. (*1)	1,999,910	99.99	23,994		
ING Life Insurance Korea	1,400,000	20.00	21,769	77,529	77,529
			384,295	382,659	367,275

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	No. of shares	Owner- ship (%)	Acquisition cost	Net asset value	Book value
Foreign stocks:					
Kookmin Bank Singapore Ltd. (*1)	30,000,000	100.00	18,254		1,759
Kookmin Finance Asia Ltd. (HK) (*1)	700,000	100.00	8,086		246
Kookmin Bank Int 1 Ltd. (London)	20,000,000	100.00	34,378	50,523	50,523
Kookmin Bank Hong Kong Ltd.	2,000,000	100.00	53,751	69,907	69,958
Sorak Financial Holdings PTE Ltd.	1,422,216	25.00	74,277	82,401	82,401
			188,746	202,831	204,887
Equity investments:					
KICO No. 2 Venture Investment Partnership (*1)	250	55.56		130	130
KICO No. 3 Venture Investment Partnership (*1)		69.23		147	147
Pacific IT Investment Partnership (*1)	700	50.00	7,000	4,950	4,950
NPC02-4 Kookmin Venture Fund	100	33.33	10,000	12,128	12,128
			17,000	17,355	17,355
			(Won) 590,041	(Won) 602,845	(Won) 589,517

(*1) KLB Securities Co., Ltd., Joeun Industrial Co., Ltd., Kookmin Bank Singapore Ltd., Kookmin Finance Asia, Ltd., KICO No. 2 Venture Investment Partnership, KICO No. 3 Venture Investment Partnership and Pacific IT Investment Partnership are all in the process of liquidation as of September 30, 2006.

(*2) The Bank may exercise its voting right at the board meeting or at an equally significant decision making body of the investee.

(*3) The Bank has significant influence in electing the board member who may participate in the decision making process relating to the financial and business policy of the investee.

(11) The valuation of securities accounted for using the equity method for the nine months ended September 30, 2006 was as follows (Unit: In millions):

	Book value before valuation	Increase (Decrease)	Dividend	Foreign currency translation			Capital adjust- ments	Book value after valuation
				gain (loss)	Equity gain (loss)on investment			
Domestic stocks:								
KB Investment Co., Ltd.	(Won) 85,462	(Won)	(Won) (2,238)	(Won)	(Won) 4,083	(Won) (1,257)	(Won)	86,050
KB Futures Co., Ltd.	27,312		(1,000)		1,424	(59)		27,677
KB Data System Co., Ltd. (*3)	15,582		(2,399)		121			13,304
KB Real Estate Trust	81,068				9,000			90,068
KB Asset Management	52,485		(6,134)		13,831	39		60,221
KB Credit Information (*1)	27,837		(624)		5,791			33,004
KB Life Insurance Co., Ltd. (*2 and 3)								

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KLB Securities Co., Ltd. (*2)						
Jooeun Industrial Co., Ltd. (*2)						
ING Life Insurance Korea	77,529			27,673	12,638	117,840
Balhae Infrastructure Fund		4,412	(11)		31	4,432
Korea Credit Bureau Co., Ltd.		4,500		(699)		3,801
	367,275	8,912	(12,406)	61,255	11,361	436,397

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	Book		Foreign			Book	
	value		currency	Equity gain		Capital	value after
	before	Increase	translation	(loss)on		adjust -	value after
	valuation	(Decrease)	gain (loss)	investment		ments	valuation
Foreign stocks							
Kookmin Bank Singapore Ltd.	1,759		(118)				1,641
Kookmin Finance Asia Ltd. (HK)	246		(16)				230
Kookmin Bank Int 1 Ltd. (London)	50,523		766	2,894	(526)		53,657
Kookmin Bank Hong Kong Ltd.	69,958		(4,682)	6,035	(80)		71,231
Sorak Financial Holdings PTE Ltd.	82,401		(2,795)	(1,737)	4,488	4,877	87,234
	204,887		(2,795)	(5,787)	13,417	4,271	213,993
Equity Securities							
KICO No. 2 Venture Investment Partnership	130				(37)		93
KICO No. 3 Venture Investment Partnership	147				(30)		117
Pacific IT Investment Partnership	4,950	(1,496)			(837)		2,617
NPC02-4 Kookmin Venture Fund	12,128	(3,000)	(2,129)		706	(46)	7,659
KB06-1 Venture Investment Partnership		2,500			(9)		2,491
	17,355	(1,996)	(2,129)		(207)	(46)	12,977
	(Won) 589,517	(Won) 6,916	(Won) (17,330)	(Won) (5,787)	(Won) 74,465	(Won) 15,586	(Won) 663,367

(*1) Differences amounting to (Won)1,128 million between the purchase price and the Bank's proportionate ownership of the net book value of KB Credit Information resulting from an additional purchase of 342,844 shares in October 2004 are credited to gain on valuation of securities accounted for using the equity method equally for five years. The Bank credited (Won)169 million to current operation for the nine months ended September 30, 2006 and the balance was (Won)677 million as of September 30, 2006.

(*2) The equity method is no longer applied to securities of KLB Securities Co., Ltd. and Joeun Industrial Co., Ltd. due to accumulated deficit, and to securities of KB Life Insurance Co., Ltd. due to unrealized income elimination, which led to a decrease in the book value to below zero. The unrecognized accumulated deficit and change due to the equity method are as follows as of September 30, 2006 (Unit: In millions):

Deficit	Change due to equity	Total
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		method	
KLB Securities Co., Ltd.	(Won) 4,148	(Won)	(Won) 4,148
Joeeun Industrial Co., Ltd.	49,729		49,729
KB Life Insurance Co., Ltd.	24,997	789	24,208
	(Won) 78,874	(Won) 789	(Won) 78,085

(*3) The significant unrealized income eliminated for the nine months ended September 30, 2006 was as follows (Unit: In millions):

	Related accounts	Amount
KB Data System Co., Ltd.	Tangible assets (sales)	(Won) 815
KB Life Insurance Co., Ltd.	Commissions (deferred acquisition cost)	1,378
		(Won) 2,193

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- (12) Significant financial data of companies of which stocks were accounted for using the equity method as of and for the nine months ended September 30, 2006 were as follows (Unit: In millions):

	Assets		Liabilities		Sales		Net income (loss)
	(Won)		(Won)		(Won)		(Won)
KB Investment Co., Ltd.	87,914		1,859		8,923		4,083
KB Futures Co., Ltd.	57,144		29,461		8,609		1,425
KB Data System Co., Ltd.	24,355		8,113		40,547		915
KB Real Estate Trust	203,993		114,023		43,508		8,994
KB Asset Management	82,628		7,351		33,060		17,289
KB Credit Information	43,662		9,932		53,919		5,650
KB Life Insurance Co., Ltd.	588,099		552,524		269,127		2,702
Joeeun Industrial Co., Ltd.	113,292		189,526		31,142		(1,313)
ING Life Insurance Korea	8,809,585		8,220,387		2,321,392		138,363
Balhae Infrastructure Fund	35,338		179		536		249
Korea Credit Bureau Co., Ltd.	43,418		1,187		9,710		(46)
Kookmin Bank Int 1 Ltd. (London)	330,495		276,837		14,813		2,368
Kookmin Bank Hong Kong Ltd.	416,617		345,386		20,412		5,956
Sorak Financial Holdings PTE Ltd.	5,000,319		4,651,381		496,060		22,635
KICO No. 2 Venture Investment Partnership	166						(67)
KICO No. 3 Venture Investment Partnership	169						(43)
Pacific IT Investment Partnership	2,646		28				(837)
NPC02-4 Kookmin Venture Fund	24,624		145		2,840		2,119
KB06-1 Venture Investment Partnership	5,016		34		16		(18)

Unaudited financial statements as of September 30, 2006 were used for the equity method valuation. There was no material exception as a result of analytical review, such as analysis of major accounts to assess reliability of those financial statements. However, in case of ING Life Insurance Korea and Sorak Financial Holdings PTE Ltd., the unaudited financial statements as of August 31, 2006 were used for the equity method valuation. The significant events from the closing dates of the investees to that of the Bank were properly reflected in applying the equity method.

- (13) Changes in the gain (loss) on valuation of available-for-sale securities, held-to-maturity securities and securities accounted for using the equity method reflected in capital adjustments for the nine months ended September 30, 2006 were as follows (Unit: In millions):

	Increase			
	Beginning	(Decrease)	Disposal	Ending
Gain (loss) on valuation of available-for-sale securities:				
Equity securities	(Won) 454,250	(Won) 205,275	(Won) (74,300)	(Won) 585,225
Debt securities in Won	32,614	40,202	(10,431)	62,385
Debt securities in foreign currencies	5,867	760	(3,217)	3,410
Beneficiary certificates	16,858	17,004	(15,856)	18,006
Others	1,779	4,486		6,265
	(Won) 511,368	(Won) 267,727	(Won) (103,804)	(Won) 675,291
Gain on valuation of held-to-maturity securities:				
Debt securities in Won	(Won) 426	(Won)	(Won) (273)	(Won) 153
	(Won) 948	(Won) 9,615	(Won) (382)	(Won) 10,181

Gain on valuation of securities accounted for using
the equity method

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(14) Securities provided as collateral as of September 30, 2006 were as follows (Unit: In millions):

Provided to	Book value	Collateral amount	Provided for
Korea Securities Depository & others	(Won) 7,088,578	(Won) 7,118,000	Bonds sold under repurchase agreements
BOK	203,336	200,000	Borrowings from BOK
BOK	330,245	330,600	Overdrafts and settlement risk
Samsung Futures & others	280,767	293,500	Derivative settlement
Other	402	1,628	Other
	(Won) 7,903,328	(Won) 7,943,728	

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

Provided to	Book value	Collateral amount	Provided for
Korea Securities Depository & others	(Won) 6,571,036	(Won) 6,570,000	Bonds sold under repurchase agreements
BOK	953,153	950,000	Borrowings from BOK
BOK	183,994	183,200	Overdrafts and settlement risk
Samsung Futures & others	260,571	269,500	Derivative settlement
Other	1,628	1,628	Other
	(Won) 7,970,382	(Won) 7,974,328	

(15) Securities lent as of September 30, 2006 and December 31, 2005 were as follows (Unit: In millions):

	2006	2005	Provided to
Government and public bonds	(Won) 250,088	(Won) 98,625	Korea Securities Depository & Others
Finance bonds	30,263	35,241	Korea Securities Depository
	(Won) 280,351	(Won) 133,866	

5. LOANS:

(1) Loans as of September 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

	2006	2005
Loans in Won	(Won) 122,690,626	(Won) 118,565,341
Loans in foreign currencies	7,660,726	5,314,883
Call loans	692,173	1,518,948
Bills bought in Won	15,829	18,563

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Bills bought in foreign currencies	1,297,758	1,377,085
Advances for customers	10,553	11,321
Credit card receivables	8,311,344	7,571,605
Private placed bonds	6,761,431	3,729,867
Factoring receivables	30,958	32,044
Loans for debt-equity swap	1,968	
	147,473,366	138,139,657
Allowance for possible loan losses	(2,180,533)	(2,453,275)
Deferred loan origination fees and costs	108,220	52,025
	(Won) 145,401,053	(Won) 135,738,407

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(2) Loans in Won and loans in foreign currencies as of September 30, 2006 and December 31, 2005 were as follows (Unit: In millions):

	2006	2005
Loans in Won:		
Commercial		
Working capital loans		
General purpose loans	(Won) 26,896,788	(Won) 24,575,874
Notes discounted	687,546	1,106,112
Overdraft accounts	406,533	279,864
Trading notes	718,044	671,421
Others	4,414,467	3,865,057
	33,123,378	30,498,328
Facilities loans		
General facilities loans	4,511,640	3,985,218
Others	1,024,538	1,087,832
	5,536,178	5,073,050
	38,659,556	35,571,378
Households		
General purpose loans	44,394,917	42,082,535
Housing loans	38,294,500	39,535,441
Remunerations on mutual installment savings	154,158	232,556
Others	440,543	456,173
	83,284,118	82,306,705
Public sector		
Public operation loans	739,946	643,141
Public facilities loans	4,351	34,157
	744,297	677,298
Other		
Property formation loans	1,115	6,748
Inter-bank loans	147	1,274
Others	1,393	1,938
	2,655	9,960
	(Won) 122,690,626	(Won) 118,565,341
Loans in foreign currencies:		
Domestic funding loans	(Won) 4,272,631	(Won) 2,208,125
Overseas funding loans	437,238	551,049
Inter-bank loans	1,588,132	1,229,064
Domestic usance bills	1,362,723	1,326,629
Government funding loans	2	16
	(Won) 7,660,726	(Won) 5,314,883

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(3) Loans in Won and loans in foreign currencies, classified by borrower type, as of September 30, 2006 were as follows (Unit: In millions):

By borrower type	Loans in Won		Loans in foreign currencies		Percentage	
	(Won)		(Won)	(Won)		(%)
Large corporations	3,724,632		4,860,999	8,585,631		6.59
Small and medium corporations	34,935,071		2,754,867	37,689,938		28.91
Households	83,286,626		44,860	83,331,486		63.93
Others	744,297			744,297		0.57
	(Won) 122,690,626		(Won) 7,660,726	(Won) 130,351,352		100.00

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Loans in Won and loans in foreign currencies, classified by borrower type, as of December 31, 2005 were as follows (Unit: In millions):

By borrower type	Loans in Won	Loans in foreign currencies	Total	Percentage (%)
Large corporations	(Won) 3,510,892	(Won) 3,070,368	(Won) 6,581,260	5.31
Small and medium corporations	32,061,760	2,187,626	34,249,386	27.65
Households	82,315,391	56,889	82,372,280	66.49
Others	677,298		677,298	0.55
	(Won) 118,565,341	(Won) 5,314,883	(Won) 123,880,224	100.00

(4) Loans classified by borrower's country as of September 30, 2006 were as follows (Unit: In millions):

By country	Loans in Won	Loans in foreign currencies	Others	Total	Percentage (%)
Korea	(Won) 122,690,626	(Won) 6,988,818	(Won) 16,991,315	(Won) 146,670,759	99.45
Southeast Asia		29,516		29,516	0.02
China		177,253	57,893	235,146	0.16
Japan		185,522	66	185,588	0.13
Central and South America		5,616	13	5,629	0.00
Others		274,001	72,727	346,728	0.24
	(Won) 122,690,626	(Won) 7,660,726	(Won) 17,122,014	(Won) 147,473,366	100.00

Loans classified by borrower's country as December 31, 2005 were as follows (Unit: In millions):

By country	Loans in Won	Loans in foreign currencies	Others	Total	Percentage (%)
Korea	(Won) 118,565,341	(Won) 4,343,365	(Won) 14,134,599	(Won) 137,043,305	99.21
Southeast Asia		77,018		77,018	0.05
China		362,468	5,065	367,533	0.27
Japan		270,131	72	270,203	0.19
Central and South America		7,524	19	7,543	0.01
Others		254,377	119,678	374,055	0.27
	(Won) 118,565,341	(Won) 5,314,883	(Won) 14,259,433	(Won) 138,139,657	100.00

(5) Loans classified by industry as of September 30, 2006 were as follows (Unit: In millions):

By industry	Loans in Won	Loans in foreign	Others	Total	Percentage
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	currencies				(%)
Corporations:					
Finance and insurance	(Won) 1,136,256	(Won) 1,636,334	(Won) 1,485,342	(Won) 4,257,932	2.89
Manufacturing	11,382,532	2,760,128	3,397,861	17,540,521	11.89
Services	21,914,251	1,931,282	2,262,650	26,108,183	17.70
Others	4,851,574	1,084,031	1,725,592	7,661,197	5.20
Households	83,286,626	44,860	7,235,549	90,567,035	61.41
Public sector	119,387	204,091	1,015,020	1,338,498	0.91
	(Won) 122,690,626	(Won) 7,660,726	(Won) 17,122,014	(Won) 147,473,366	100.00

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Loans classified by industry as of December 31, 2005 were as follows (Unit: In millions):

By industry	Loans in Won	Loans in foreign currencies	Others	Total	Percentage (%)
Corporations:					
Finance and insurance	(Won) 1,071,914	(Won) 1,286,271	(Won) 2,155,247	(Won) 4,513,432	3.27
Manufacturing	11,468,385	1,825,795	2,469,266	15,763,446	11.41
Services	19,163,721	1,057,966	1,630,228	21,851,915	15.82
Others	4,127,593	1,069,625	979,344	6,176,562	4.47
Households	82,315,391	56,889	6,525,160	88,897,440	64.35
Public sector	418,337	18,337	500,188	936,862	0.68
	(Won) 118,565,341	(Won) 5,314,883	(Won) 14,259,433	(Won) 138,139,657	100.00

(6) Loans to financial institutions as of September 30, 2006 were as follows (Unit: In millions):

	Bank	Other financial institutions	Total
Loans in Won	(Won) 147	(Won) 1,136,109	(Won) 1,136,256
Loans in foreign currencies	1,588,131	48,203	1,636,334
Others	724,415	760,927	1,485,342
	(Won) 2,312,693	(Won) 1,945,239	(Won) 4,257,932

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

	Bank	Other financial institutions	Total
Loans in Won	(Won) 1,274	(Won) 1,070,640	(Won) 1,071,914
Loans in foreign currencies	1,229,064	57,207	1,286,271
Others	1,599,471	555,776	2,155,247
	(Won) 2,829,809	(Won) 1,683,623	(Won) 4,513,432

(7) Loans applicable to the Corporate Restructuring Promotion Act

As of September 30, 2006, the Bank provided loans amounting to (Won)74,287 million to companies such as Daewoo Electronics Corp. subject to the Corporate Restructuring Promotion Act, and provided an allowance of (Won)27,141 million for possible loan losses. The actual collection amounts from those loans may differ from management's current estimation.

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(8) The classification of asset quality for loans as of September 30, 2006 is summarized as follows (Unit: In millions):

Estimated

	Normal	Precautionary	Substandard	Doubtful	loss	Total
Loans in Won	(Won) 119,337,051	(Won) 1,687,793	(Won) 831,247	(Won) 468,655	(Won) 365,880	(Won) 122,690,626
Loans in foreign currencies	7,511,101	101,489	18,705	23,642	5,789	7,660,726
Call loans	692,173					692,173
Bills bought	1,300,546	2,273	301	7,068	3,399	1,313,587
Advances for customers	820	916	1,725	1,670	5,422	10,553
Credit card receivables	7,869,031	248,204	59,650	92,045	42,414	8,311,344
Privately placed bonds	6,758,781	1,500	650	500		6,761,431
Factoring receivables	30,958					30,958
Loans to be swapped to equity				1,968		1,968

(Won) 143,500,461 (Won) 2,042,175 (Won) 912,278 (Won) 595,548 (Won) 422,904 (Won) 147,473,366

The classification of asset quality for loans as of December 31, 2005 is summarized as follows (Unit: In millions):

Estimated

	Normal	Precautionary	Substandard	Doubtful	loss	Total
Loans in Won	(Won) 113,720,332	(Won) 2,784,972	(Won) 937,477	(Won) 758,344	(Won) 364,216	(Won) 118,565,341
Loans in foreign currencies	5,197,617	60,553	24,285	31,648	780	5,314,883
Call loans	1,518,948					1,518,948
Bills bought	1,388,538	5,009	136	288	1,677	1,395,648
Advances for customers	1,201	439	1,394	2,049	6,238	11,321
Credit card receivables	7,068,006	337,624	895	122,365	42,715	7,571,605
Privately placed bonds	3,727,026	967	1,874			3,729,867
Factoring receivables	30,990		1,054			32,044

(Won) 132,652,658 (Won) 3,189,564 (Won) 967,115 (Won) 914,694 (Won) 415,626 (Won) 138,139,657

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(9) The term structure of loans as of September 30, 2006 was as follows (Unit: In millions):

	Loans in Won		Loans in foreign currencies		Others	Total
Due in 3 months or less	(Won)	19,393,343	(Won)	2,967,593	(Won) 8,427,500	(Won) 30,788,436
Due after 3 months through 6 months		13,242,879		864,050	1,056,134	15,163,063
Due after 6 months through 1 year		29,143,598		1,372,639	1,341,365	31,857,602
Due after 1 year through 2 years		10,579,446		288,274	1,619,989	12,487,709
Due after 2 years through 3 years		10,873,421		1,059,558	3,099,401	15,032,380
Due after 3 years through 4 years		4,907,122		66,671	99,943	5,073,736
Due after 4 years through 5 years		3,319,368		682,721	618,074	4,620,163
More than 5 years		31,231,449		359,220	859,608	32,450,277
	(Won)	122,690,626	(Won)	7,660,726	(Won) 17,122,014	(Won) 147,473,366

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

	Loans in Won		Loans in foreign currencies		Others	Total
Due in 3 months or less	(Won)	16,824,261	(Won)	2,032,241	(Won) 8,176,341	(Won) 27,032,843
Due after 3 months through 6 months		16,013,982		1,133,825	731,058	17,878,865
Due after 6 months through 1 year		32,977,463		978,607	1,379,070	35,335,140
Due after 1 year through 2 years		13,682,894		236,590	1,038,570	14,958,054
Due after 2 years through 3 years		10,237,525		327,997	1,499,611	12,065,133
Due after 3 years through 4 years		4,314,197		77,561	42,542	4,434,300
Due after 4 years through 5 years		5,254,662		234,017	191,646	5,680,325
More than 5 years		19,260,357		294,045	1,200,595	20,754,997
	(Won)	118,565,341	(Won)	5,314,883	(Won) 14,259,433	(Won) 138,139,657

(10) Disposal of loans

The Bank disposed loans amounting to (Won)324,052 million of principal to KB 7th Securitization Specialty Co., Ltd., and recognized a gain of (Won)36,311 million for the nine months ended September 30, 2006.

(11) Credit card receivables as collateral

The Bank offers the credit card receivables amounting to (Won)690,589 million (before deducting the allowance) as collateral for the transaction of credit card receivables to SPC as of September 30, 2006.

(12) The changes in loan origination costs for the nine months ended September 30, 2006 were as follows (Unit: In millions):

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	Beginning	Increase	Decrease	Ending
Loan origination costs	(Won) 52,025	(Won) 78,354	(Won) 22,159	(Won) 108,220

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- (1) The loans that were restructured by means of principal reduction, debt-equity swap, interest reduction because of workouts for the nine months ended September 30, 2006 were as follows (Unit: In millions):

	Amount before restructuring	Principal exemption	Conversion to equity securities	Interest reduction	Extension of maturity
Composition	(Won) 6,178	(Won)	(Won)	(Won)	(Won) 6,178
Workout plan	157,840	301	4,083	12,591	138,971
	164,018	301	4,083	12,591	145,149

- (2) Changes in the present value discounts relating to the outstanding restructured loans for the nine months ended September 30, 2006 were as follows (Unit: In millions):

	Discount rates (%)	Amount	Beginning balance	Present value discounts		Ending balance
				Addition	Deduction	
Court receivership	5.90~20.98	(Won) 11,661	(Won) 2,035	(Won)	(Won) 251	(Won) 1,784
Composition	4.90~25.00	14,659	2,238	1,073	1,908	1,403
Workout plan	0.21~28.89	112,031	11,371	7,848	12,983	6,236
Others	9.50	32,604	4,371	6	1,136	3,241
		(Won) 170,955	(Won) 20,015	(Won) 8,927	(Won) 16,278	(Won) 12,664

If the loans are restructured by means of reduction of interest rates, cash flows of fixed rate loans are discounted by effective interest rates originally agreed upon and cash flows of floating rate loans are discounted by interest rates determined by adding a credit risk premium, which is calculated at the restructuring date, assuming that debtors' credit at the origination date is effective to the restructuring date, to a benchmark interest rate. The difference between the book value and the present value is presented as an allowance for possible loan losses.

7. ALLOWANCE FOR POSSIBLE LOAN LOSSES:

- (1) The allowance for possible loan losses as of September 30, 2006 is summarized as follows (Unit: In millions):

	Normal	Precautionary	Substandard	Doubtful	Estimated	Total
					loss	
Loans in Won	(Won) 803,689	(Won) 165,855	(Won) 190,772	(Won) 311,836	(Won) 365,880	(Won) 1,838,032
Loans in foreign currencies	29,757	3,549	6,771	14,839	5,789	60,705
Bills bought	6,503	147	60	3,620	3,399	13,729
Advances for customers	4	18	345	990	5,422	6,779
Credit card receivables	82,414	29,784	11,930	55,227	42,414	221,769
Privately placed bonds	33,794	150	139	250		34,333
Factoring receivables	3,238					3,238

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Loans for debt-equity swap				1,948		1,948
	(Won) 959,399	(Won) 199,503	(Won) 210,017	(Won) 388,710	(Won) 422,904	(Won) 2,180,533

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

	Estimated					
	Normal	Precautionary	Substandard	Doubtful	loss	Total
Loans in Won	(Won) 777,038	(Won) 293,589	(Won) 198,047	(Won) 493,880	(Won) 364,216	(Won) 2,126,770
Loans in foreign currencies	20,048	2,665	7,264	19,904	780	50,661
Bills bought	6,943	228	27	180	1,677	9,055
Advances for customers	6	9	279	1,469	6,238	8,001
Credit card receivables	77,680	40,515	179	73,419	42,715	234,508
Privately placed bonds	18,635	217	918			19,770
Factoring receivables	4,299		211			4,510
	(Won) 904,649	(Won) 337,223	(Won) 206,925	(Won) 588,852	(Won) 415,626	(Won) 2,453,275

- (2) The changes in allowance for possible loan losses for the nine months ended September 30, 2006 and the year ended December 31, 2005 were as follows (Unit: In millions):

	2006	2005
Beginning balance (*1)	(Won) 2,500,777	(Won) 3,186,095
Provision for possible loan losses	423,739	1,053,088
Reclassification from other allowances (*2)	24,992	17,501
Collection of previously written-off loans	342,605	452,959
Repurchase of NPLs sold	6,064	15,863
Sales of loans	(57,507)	(181,914)
Loans written-off	(1,003,538)	(2,014,834)
Conversion to equity securities		(11,444)
Exemption of loans	(3,179)	(9,570)
Changes in exchange rates and others	(17,275)	(6,967)
Ending balance (*1)	(Won) 2,216,678	(Won) 2,500,777

(*1) Allowance for possible loan losses includes present value discounts amounting to (Won)12,664 million and (Won)20,015 million as of September 30, 2006 and December 31, 2005, respectively, and allowances for other assets amounting to (Won)36,145 million and (Won) 47,502 million, respectively.

(*2) Other allowances for credit lines to Kookmin Card 16th Securitization Specialty Co., Ltd. and FNSTAR 4th Securitization Special Co., Ltd. amounting to (Won)24,908 million and (Won)84 million, respectively, were transferred to allowances for loan losses for the nine months ended September 30, 2006. Other allowances for credit lines to Kookmin Card 16th Securitization Specialty Co., Ltd. amounting to (Won)17,501 million were transferred to allowances for loan losses for the year ended December 31, 2005.

- (3) The allowance for possible losses on other assets as of September 30, 2006 and December 31, 2005 is summarized as follows (Unit: In millions):

	2006	2005
Account receivables	(Won) 221	(Won) 659
Suspense receivables	12,599	20,447

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Uncollected guarantee deposits for rent	4,794	8,269
Settlement costs for financial accident	16,099	15,844
Derivative instruments	2,432	2,283
	(Won) 36,145	(Won) 47,502

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

	Loans	Allowance for possible loan losses	Percentage (%)
September 30, 2006	(Won) 147,473,366	(Won) 2,180,533	1.48
December 31, 2005	138,139,657	2,453,275	1.78
December 31, 2004	138,839,212	3,118,775	2.25
December 31, 2003	145,040,449	3,910,044	2.70

8. **FIXED ASSETS:**

- (1) Fixed assets as of September 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

	2006	2005
Tangible assets	(Won) 3,720,021	(Won) 3,670,603
Less: accumulated depreciation	(1,686,676)	(1,620,892)
accumulated impairment loss	(14,520)	(11,466)
Intangible assets	354,835	398,104
Non-business use property	499	583
Less: valuation allowance	(169)	(230)
	(Won) 2,373,990	(Won) 2,436,702

- (2) Tangible assets as of September 30, 2006 consisted of (Unit: In millions):

	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	(Won) 986,772	(Won)	(Won) 6,908	(Won) 979,864
Buildings	964,076	175,731	7,612	780,733
Leasehold improvements	214,813	165,831		48,982
Equipment and vehicles	1,544,248	1,345,114		199,134
Construction in progress	10,112			10,112
	(Won) 3,720,021	(Won) 1,686,676	(Won) 14,520	(Won) 2,018,825

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

	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	(Won) 986,522	(Won)	(Won) 7,109	(Won) 979,413
Buildings	939,204	160,328	4,357	774,519
Leasehold improvements	190,109	145,746		44,363

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Equipment and vehicles	1,554,613	1,314,818		239,795
Construction in progress	155			155
	(Won) 3,670,603	(Won) 1,620,892	(Won) 11,466	(Won) 2,038,245

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(3) The changes in book value of tangible assets for the nine months ended September 30, 2006 were as follows (Unit: In millions):

	Beginning	Acquisition	Replacement	Disposal	Depreciation	Impairment	Change in foreign currencies	Ending
	(Won) 979,413	(Won) 2,425	(Won) 1,967	(Won) 3,829	(Won)	(Won) 82	(Won) (30)	(Won) 979,864
Land								
Buildings	774,519	2,919	28,232	5,002	16,196	3,641	(98)	780,733
Leasehold improvements	44,363		26,658	79	21,942		(18)	48,982
Equipment and vehicles	239,795	79,705		1,002	119,297		(67)	199,134
Construction in progress	155	66,814	(56,857)					10,112
	(Won) 2,038,245	(Won) 151,863	(Won)	(Won) 9,912	(Won) 157,435	(Won) 3,723	(Won) (213)	(Won) 2,018,825

(4) The published value of the land was (Won)1,185,098 million and (Won) 1,059,377 million as of September 30, 2006 and December 31, 2005, respectively, based on the Laws on Disclosure of Land Price and Valuation of Land

(5) Tangible assets, which have been insured as of September 30, 2006, were as follows (Unit: In millions):

Type of insurance	Asset insured	Insured amount	Insurance company
Property composite	Buildings	(Won) 627,928	Samsung Fire & Marine
	Leasehold improvements	40,277	Insurance Co., Ltd. &
	Equipment and vehicles	121,804	others
		(Won) 790,009	

(6) Intangible assets as of September 30, 2006 consisted of (Unit: In millions):

	Acquisition cost	Accumulated amortization	Book value
Goodwill	(Won) 705,108	(Won) 385,198	(Won) 319,910
Others	59,344	24,419	34,925
	(Won) 764,452	(Won) 409,617	(Won) 354,835

(7) The changes in intangible assets for the nine months ended September 30, 2006 were as follows (Unit: In millions):

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	Beginning	Increase	Amortization	Ending
Goodwill	(Won) 378,669	(Won)	(Won) 58,759	(Won) 319,910
Others	19,435	23,911	8,421	34,925
	(Won) 398,104	(Won) 23,911	(Won) 67,180	(Won) 354,835

(8) Non-business use properties as of September 30, 2006 consisted of (Unit: In millions):

	Acquisition cost	Valuation allowance	Book value
Non-business use land	(Won) 18	(Won) 12	(Won) 6
Non-business use building	481	157	324
	(Won) 499	(Won) 169	(Won) 330

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(1) Other assets as of September 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

	2006	2005
Guarantee deposits paid	(Won) 1,173,272	(Won) 1,164,533
Accounts receivable	5,417,707	466,442
Accrued income	1,210,358	998,354
Prepaid accounts	55,438	65,519
Prepaid expenses	80,389	43,266
Deferred income tax assets (Note 24)	160,402	353,214
Derivatives assets	1,389,572	1,202,063
Domestic exchange settlement debits	1,153,322	720,433
Sundry assets	31,767	34,502
Allowances for possible loan losses	(36,145)	(47,502)
	(Won) 10,636,082	(Won) 5,000,824

(2) Sundry assets as of September 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

	2006	2005
Receivables on cash sent to other banks	(Won) 350	350
Supplies	15,678	14,468
Deposit money to court (*)	16,026	19,514
Asset disposal receivables		170
Others	63	
	(Won) 31,767	(Won) 34,502

(*) Securities is included in deposit money to court of which book value, face value and fair value are (Won)9,617million, (Won) 10,250million and (Won)11,951million, respectively.

10. DEPOSITS:

(1) Deposits as of September 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

	2006	2005
Deposits in Won	(Won) 116,261,613	(Won) 119,512,556
Deposits in foreign currencies	1,483,371	1,379,133
Negotiable certificates of deposits	10,745,697	5,389,543
	(Won) 128,490,681	(Won) 126,281,232

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(2) Deposits as of September 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

	Interest rate		2006	2005
	(%)			
Demand deposits in Won:				
Checking deposits		(Won)	205,661	(Won) 190,629
Household checking deposits	0.00~0.10		419,472	478,851
Temporary deposits			3,879,390	3,668,420
Passbook deposits	0.00~0.10		13,858,455	13,403,993
Public fund deposits	0.10		275,546	176,397
National Treasury deposits			13,279	2,879
Nonresident s deposit in Won	0.10		20,173	24,898
			(Won) 18,671,976	(Won) 17,946,067

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	Interest rate		
	(%)	2006	2005
Time deposits and savings deposits in Won:			
Time deposits	2.60~3.90	(Won) 56,644,839	(Won) 57,387,089
Installment savings deposits	3.40~4.10	1,184,582	1,218,956
Property formation savings	8.50	547	955
Workers savings for housing	8.50 ~11.50	2	27
Time and savings deposits of non residents in Won	2.60 ~ 3.90	199,334	213,436
General savings deposits	0.00 ~ 3.30	19,509,669	20,151,013
Corporate savings deposits	0.00 ~ 3.20	8,531,984	9,391,238
Long-term savings deposits for workers	11.50 ~ 12.00	4,649	7,388
Long-term housing savings deposits	4.30	2,873,770	2,390,596
Long-term savings for households	11.00	4,318	7,377
Workers preferential savings deposits	5.35	619,751	1,097,848
Mutual installment deposits	3.20~4.10	3,979,243	5,120,668
Mutual installment for housing	2.50~3.80	4,038,389	4,582,031
		97,591,077	101,568,622
		116,263,053	119,514,689
Loss (gain) on valuation of fair value hedged item (current period portion)		693	(2,133)
Loss (gain) on valuation of fair value hedged item (prior year portion)		(2,133)	
		116,261,613	119,512,556
Demand deposits in foreign currencies:			
Checking deposits	0.00~3.50	45,411	51,185
Passbook deposits	0.05~0.10	767,910	701,514
Notice deposits	0.47~6.21	205	241
Temporary deposits		1,969	1,300
		815,495	754,240
Time deposits and savings deposits in foreign currencies:			
Time deposits	0.10~7.60	665,093	622,887
Installment savings deposits	5.00~6.50	580	643
Others		2,203	1,363
		667,876	624,893
		1,483,371	1,379,133
Negotiable certificates of deposits	3.60~4.15	10,745,697	5,389,543
		(Won) 128,490,681	(Won) 126,281,232

(3) Deposits with financial institutions as of September 30, 2006 and December 31, 2005 were as follows (Unit: In millions):

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	Financial institutions	2006	2005
Deposits in Won	Banks	(Won) 646,275	(Won) 1,023,544
	Others	4,156,741	5,201,307
		4,803,016	6,224,851
Deposits in foreign currencies	Banks	49,525	84,972
	Others	24,245	27,171
		73,770	112,143
Negotiable certificates of deposits	Banks	4,442	
	Others	4,377,862	1,531,287
		4,382,304	1,531,287
		(Won) 9,259,090	(Won) 7,868,281

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(4) Term structure of deposits as of September 30, 2006 was as follows (Unit: In millions):

	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	More than 3 years	Total
Deposits in Won	(Won) 70,760,843	(Won) 10,793,295	(Won) 24,330,074	(Won) 7,287,973	(Won) 3,089,428	(Won) 116,261,613
Deposits in foreign currencies	1,333,102	120,690	25,464	4,115		1,483,371
Negotiable certificate of deposits	5,735,675	3,910,654	1,098,877	491		10,745,697
	(Won) 77,829,620	(Won) 14,824,639	(Won) 25,454,415	(Won) 7,292,579	(Won) 3,089,428	(Won) 128,490,681

Term structure of deposits as of December 31, 2005 was as follows (Unit: In millions):

	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	More than 3 years	Total
Deposits in Won	(Won) 72,722,858	(Won) 11,074,041	(Won) 25,280,674	(Won) 7,752,630	(Won) 2,682,353	(Won) 119,512,556
Deposits in foreign currencies	1,189,235	146,190	37,613	6,095		1,379,133
Negotiable certificate of deposits	2,346,463	2,351,554	690,927	599		5,389,543
	(Won) 76,258,556	(Won) 13,571,785	(Won) 26,009,214	(Won) 7,759,324	(Won) 2,682,353	(Won) 126,281,232

11. **BORROWINGS:**

(1) Borrowings as of September 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

	2006	2005
Borrowings in Won	(Won) 2,025,034	(Won) 2,608,515
Borrowings in foreign currencies	4,040,273	3,186,803
Bonds sold under repurchase agreements	7,078,424	6,384,308
Bills sold	467,198	296,722
Due to BOK in foreign currencies		542
Call money	2,534,235	1,260,446
	(Won) 16,145,164	(Won) 13,737,336

(2) Borrowings in Won as of September 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

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Account	Financial institution	Annual interest rate (%)	2006	2005
Borrowings from the BOK	BOK	2.75	(Won) 155,131	(Won) 646,308
Borrowings from the Korean government	Ministry of Finance and Economy, and others	0.00 ~ 6.50	581,812	636,948
Borrowings from banking institutions	Industrial Bank of Korea	3.40 ~ 4.25	82,280	115,437
Borrowings from National Housing Fund	National Housing Fund	8.00	1,445	2,004
Borrowings from non-banking financial institutions	Korea Development Bank	2.00 ~ 4.00	4,711	4,353
Other borrowings	Small Business Corporation and others	1.20 ~ 5.10	1,199,655	1,203,465
			(Won) 2,025,034	(Won) 2,608,515

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(3) Borrowings in foreign currencies as of September 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

Account	Financial institution	Annual interest		
		rates (%)	2006	2005
Due to banks	Bank of NovaScotia and others		(Won) 50,245	(Won) 42,954
Borrowings from banking institutions	Industrial and Commercial Bank of China and others	0.34 ~ 5.57	2,891,113	1,857,330
Off-shore borrowings in foreign currencies	United Overseas Bank NY IBF and others	5.28 ~ 5.88	273,973	401,197
Other borrowings from banking institutions	IBRD	6.11	6,959	10,466
Other borrowings in foreign currencies	Person, group & corporations		817,983	874,856
			(Won) 4,040,273	(Won) 3,186,803

(4) Bonds sold under repurchase agreements, bills sold and due to BOK in foreign currencies as of September 30, 2006 and December 31, 2005 consisted of the following (Unit: In millions):

Account	Financial institution	Annual interest		
		rates (%)	2006	2005
Bonds sold under repurchase agreements in Won	Person, group & corporations	3.12 ~ 4.40	(Won) 7,078,424	(Won) 6,384,308
Bills sold	Teller s Sales	3.50 ~ 4.05	467,198	296,722
Due to the Bank of Korea in foreign currencies	BOK			542
			(Won) 7,545,622	(Won) 6,681,572

(5) Call money as of September 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

Account	Financial institution	Annual interest		
		rates (%)	2006	2005
Won	Hana Bank and others	4.15 ~ 4.47	(Won) 2,267,500	(Won) 984,100
Foreign currencies	State Bank of India and others	5.20 ~ 5.39	266,735	276,346
			(Won) 2,534,235	(Won) 1,260,446

(6) Borrowings in Won, borrowings in foreign currencies and others with financial institutions as of September 30, 2006 were as follows (Unit: In millions):

Won	Foreign currencies	Due to BOK & call money	Total
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BOK	(Won) 155,131	(Won)	(Won)	(Won) 155,131
Banks	82,280	3,215,331	843,735	4,141,346
Others	4,711	6,959	1,690,500	1,702,170
	(Won) 242,122	(Won) 3,222,290	(Won) 2,534,235	(Won) 5,998,647

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Borrowings in Won, borrowings in foreign currencies and others with financial institutions as of December 31, 2005 were as follows (Unit: In millions):

	Won	Foreign currencies	Due to BOK & call money	Total
BOK	(Won) 646,308	(Won)	(Won) 542	(Won) 646,850
Banks	115,437	2,301,481	276,346	2,693,264
Others	4,353	10,466	984,100	998,919
	(Won) 766,098	(Won) 2,311,947	(Won) 1,260,988	(Won) 4,339,033

(7) Term structure of borrowings as of September 30, 2006 was as follows (Unit: In millions):

	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	More than 3 years	Total
Borrowings in Won	(Won) 230,816	(Won) 66,536	(Won) 149,626	(Won) 684,917	(Won) 893,139	(Won) 2,025,034
Borrowings in foreign currencies	1,017,371	863,372	1,562,059	579,461	18,010	4,040,273
Bonds sold under repurchase agreements	4,026,794	1,778,109	1,271,678	1,843		7,078,424
Bills sold	364,853	99,851	2,494			467,198
Call money	2,534,235					2,534,235
	(Won) 8,174,069	(Won) 2,807,868	(Won) 2,985,857	(Won) 1,266,221	(Won) 911,149	(Won) 16,145,164

Term structure of borrowings as of December 31, 2005 was as follows (Unit: In millions):

	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	More than 3 years	Total
Borrowings in Won	(Won) 711,978	(Won) 71,183	(Won) 151,966	(Won) 712,198	(Won) 961,190	(Won) 2,608,515
Borrowings in foreign currencies	1,369,440	1,009,506	463,420	315,981	28,456	3,186,803
Bonds sold under repurchase agreements	3,391,564	1,415,535	1,562,596	14,613		6,384,308
Bills sold	89,094	207,482	146			296,722
Due to the BOK in foreign currencies	426	116				542
Call money	1,260,446					1,260,446
	(Won) 6,822,948	(Won) 2,703,822	(Won) 2,178,128	(Won) 1,042,792	(Won) 989,646	(Won) 13,737,336

12. DEBENTURES:

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(1) Debentures as of September 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

	2006	2005
Debentures in Won	(Won) 22,754,370	(Won) 15,528,273
Less: Discount on debentures	(179,338)	(35,368)
Debentures in foreign currencies	1,682,203	1,051,990
Addition: Premiums on debentures	1,564	3,092
	(Won) 24,258,799	(Won) 16,547,987

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(2) Debentures in Won as of September 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

	Annual interest			
	rate (%)	2006	2005	
Hybrid debentures	6.00 ~ 7.00	(Won) 903,668	(Won) 903,668	
Structured debentures	4.29 ~ 8.62	1,498,830	208,131	
Subordinated fixed rate debentures in Won	4.19 ~ 15.02	6,690,111	5,794,072	
KCC subordinated fixed rate debentures	7.10 ~ 8.00	205,000	205,000	
KCC fixed rate debentures	5.53 ~ 5.87	200,000	390,000	
Fixed rate debentures	3.14 ~ 6.44	13,233,851	8,068,146	
		22,731,460	15,569,017	
Loss (gain) on valuation of fair value hedged items (current period portion)		63,654	(44,494)	
Loss (gain) on valuation of fair value hedged items (prior year portion)		(40,744)	3,750	
		22,754,370	15,528,273	
Discounts on debentures		(179,338)	(35,368)	
		(Won) 22,575,032	(Won) 15,492,905	

(3) Hybrid debentures and subordinated debentures as of September 30, 2006 and December 31, 2005 were as follows (Unit: In millions):

	Issued date	Expiration date	Annual interest			
			rate (%)	2006	2005	
Subordinated fixed rate debentures in Won	Feb-98 ~ Dec-00	Feb-03 ~ Feb-06		(Won) 18,713	(Won) 1,009,529	
	Nov-98	Nov-09	15.02	90,900	104,900	
	Nov-00	Nov-10 ~ Dec-10	9.57 ~ 9.65	162,051	162,051	
	May-01	Feb-07	7.60 ~ 7.65	200,000	200,000	
	Jun-01	Mar-08 ~ Mar-09	7.68 ~ 7.86	377,529	377,529	
	Aug-01	Aug-07	6.69 ~ 6.73	100,000	100,000	
	Sep-01	Mar-08	6.69 ~ 6.73	150,000	150,000	
	Mar-02	Jan-08	7.06 ~ 7.10	241,684	241,684	
	Jul-02	Jan-08	6.96 ~ 7.00	302,399	302,399	
	Sep-02	Mar-08 ~ Mar-13	6.27 ~ 6.70	500,000	500,000	
	Nov-02	May-08 ~ May-13	6.07 ~ 6.55	558,775	558,775	
	Dec-02	Jan-08	8.00	110,000	110,000	
	Dec-02	Jun-08 ~ Dec-14	6.20 ~ 6.65	180,370	180,370	
	Jan-03	Feb-08	7.65	50,000	50,000	
	Mar-03	Apr-08	7.10	45,000	45,000	
	Oct-03	Jan-09 ~ Jan-14	5.18 ~ 5.60	449,051	449,051	
	Feb-04	Aug-09 ~ Aug-14	5.65 ~ 6.16	700,000	700,000	
	Sep-04	Dec-18	5.12	57,784	57,784	
	Dec-04	Jun-10	4.19 ~ 4.20	700,000	700,000	
	Mar-06	Jan-12	5.67 ~ 5.70	1,900,855		
				6,895,111	5,999,072	

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Hybrid debentures	Jun-03	Jun-33	6.00	105,145	105,145
	Aug-03	Aug-33	7.00	533,355	533,355
	Oct-03	Oct-33	6.80	265,168	265,168
				903,668	903,668
				(Won) 7,798,779	(Won) 6,902,740

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(4) Debentures in foreign currencies as of September 30, 2006 and December 31, 2005 were as follows (Unit: In millions):

	Annual interest	
	rate (%)	
Floating rates debentures	0.18 ~ 6.00	(Won) 1,210,753
Fixed rates debentures	2.37 ~ 4.63	482,723
		1,693,476
Loss (gain) on valuation of fair value hedged items (current period portion)		4,336
Gain on valuation of fair value hedged items (prior year portion)		(15,609)
		1,682,203
Premiums on debentures		2,317
Discounts on debentures		(753)
		(Won) 1,683,767
		(Won) 1,055,082

(5) Term structure of debentures as of September 30, 2006 was as follows (Unit: In millions):

	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	More than 3 years	Total
Debentures in Won	(Won) 1,346,465	(Won) 1,989,259	(Won) 4,382,519	(Won) 9,071,550	(Won) 5,964,577	(Won) 22,754,370
Debentures in foreign currencies	24,067	231,768	359,275	741,511	325,582	1,682,203
	(Won) 1,370,532	(Won) 2,221,027	(Won) 4,741,794	(Won) 9,813,061	(Won) 6,290,159	(Won) 24,436,573

Term structure of debentures as of December 31, 2005 was as follows (Unit: In millions):

	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	More than 3 years	Total
Debentures in Won	(Won) 1,825,117	(Won) 2,924,111	(Won) 3,532,030	(Won) 3,215,630	(Won) 4,031,385	(Won) 15,528,273
Debentures in foreign currencies	20,381	48,994	42,995	593,743	345,877	1,051,990
	(Won) 1,845,498	(Won) 2,973,105	(Won) 3,575,025	(Won) 3,809,373	(Won) 4,377,262	(Won) 16,580,263

Table of Contents13. **OTHER LIABILITIES:**

Other liabilities as of September 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

	2006	2005
Accrued severance benefits (Note 15)	(Won) 478,158	(Won) 387,491
Less: Severance insurance deposits (Note 15)	(272,309)	(236,529)
Allowance for possible losses on acceptances and guarantees (Note 14)	13,986	10,141
Due to trust accounts	1,238,549	1,059,469
Guarantees deposits received	97,732	109,454
Accounts payable	5,511,124	834,510
Accrued expenses	4,487,146	4,872,756
Advances from customers	147,835	360,766
Unearned revenues	90,057	79,652
Withholding taxes	67,795	83,262
Accounts for agency business	124,901	110,982
Domestic exchange settlement loans	120,738	538,799
Derivatives liabilities	1,185,574	1,070,996
Agency	237,959	272,838
Sundry liabilities (Note 16)	1,163,686	1,098,907
	(Won) 14,692,931	(Won) 10,653,494

14. **ACCEPTANCES AND GUARANTEES AND ALLOWANCES FOR POSSIBLE LOSSES:**

(1) Acceptances and guarantees as of September 30, 2006 and December 31, 2005 were as follows (Unit: In millions):

Types	2006	2005
Confirmed acceptances and guarantees in Won:		
Payment guarantee for issuance of debentures	(Won) 873	(Won) 768
Payment guarantee for loans	38,608	34,527
Others	855,469	352,946
	894,950	388,241
Confirmed acceptances and guarantees in foreign currencies:		
Acceptances on letters of credit	89,088	86,170
Acceptances for letters of guarantee for importers	64,120	68,272
Guarantees for performance of contracts	72,835	68,692
Guarantees for bids	3,256	4,004
Guarantees for borrowings	44,668	48,091
Guarantees for repayment of advances	958,484	761,489
Others	458,107	364,601
	1,690,558	1,401,319
	2,585,508	1,789,560
Unconfirmed acceptances and guarantees:		
Letters of credit	1,234,638	1,092,825

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Others	1,042,819	879,367
	2,277,457	1,972,192
Bills endorsed	7,563	10,910
	(Won) 4,870,528	(Won) 3,772,662

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(2) Acceptances and guarantees, by customer, as of September 30, 2006 were as follows (Unit: In millions):

By customer	Bills			Total	Percentage (%)
	Confirmed	Unconfirmed	endorsed		
Large corporations	(Won) 2,057,480	(Won) 1,572,901	(Won) 556	(Won) 3,630,937	74.55
Small and medium corporations	510,073	666,634	6,869	1,183,576	24.30
Public sector and others	17,955	37,922	138	56,015	1.15
	(Won) 2,585,508	(Won) 2,277,457	(Won) 7,563	(Won) 4,870,528	100.00

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

By customer	Bills			Total	Percentage (%)
	Confirmed	Unconfirmed	endorsed		
Large corporations	(Won) 1,383,240	(Won) 1,354,723	(Won) 470	(Won) 2,738,433	72.59
Small and medium corporations	401,455	612,302	10,149	1,023,906	27.14
Public sector and others	2,652	5,088	291	8,031	0.21
Foreign customer	2,213	79		2,292	0.06
	(Won) 1,789,560	(Won) 1,972,192	(Won) 10,910	(Won) 3,772,662	100.00

(3) Acceptances and guarantees, by industry, as of September 30, 2006 were as follows (Unit: In millions):

By industry	Bills			Total	Percentage (%)
	Confirmed	Unconfirmed	endorsed		
Public sector	(Won) 110	(Won) 165,249	(Won)	(Won) 165,359	3.40
Finance	684,476	175		684,651	14.06
Service	560,592	73,240		633,832	13.01
Manufacturing	973,856	1,656,736	2,509	2,633,101	54.06
Others	366,474	382,057	5,054	753,585	15.47
	(Won) 2,585,508	(Won) 2,277,457	(Won) 7,563	(Won) 4,870,528	100.00

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

By industry	Bills			Total	Percentage (%)
	Confirmed	Unconfirmed	endorsed		
Public sector	(Won) 707,759	(Won) 867,544	(Won)	(Won) 1,575,303	41.76
Finance	389,019	10,311		399,330	10.58
Service	277,569	403,005	4,228	684,802	18.15
Manufacturing	298,596	663,200	6,350	968,146	25.66
Others	116,617	28,132	332	145,081	3.85
	(Won) 1,789,560	(Won) 1,972,192	(Won) 10,910	(Won) 3,772,662	100.00

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(4) Acceptances and guarantees, by country, as of September 30, 2006 were as follows (Unit: In millions):

By country	Confirmed	Unconfirmed	Bills endorsed	Total	Percentage (%)
Korea	(Won) 2,254,589	(Won) 2,277,457	(Won) 7,563	(Won) 4,539,609	93.21
Japan	64			64	0.00
France	321,368			321,368	6.60
Others	9,487			9,487	0.19
	(Won) 2,585,508	(Won) 2,277,457	(Won) 7,563	(Won) 4,870,528	100.00

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

By country	Confirmed	Unconfirmed	Bills endorsed	Total	Percentage
					(%)
Korea	(Won) 1,455,270	(Won) 1,972,113	(Won) 10,910	(Won) 3,438,293	91.14
France	293,770			293,770	7.79
USA	40,520			40,520	1.07
Others		79		79	0.00
	(Won) 1,789,560	(Won) 1,972,192	(Won) 10,910	(Won) 3,772,662	100.00

(5) Allowance for possible losses on acceptances and guarantees and others as of September 30, 2006 was as follows (Unit: In millions):

	Confirmed acceptances and guarantees		Unconfirmed acceptances and guarantees	Bills endorsed	Total
	Won	Foreign currencies			
	Normal	(Won) 891,210			
Precautionary	3,327	1,050	7,937	189	12,503
Substandard	339	3,896	8,959	7	13,201
Doubtful		57	1,200		1,257
Estimated loss	74	405	6,263		6,742
	(Won) 894,950	(Won) 1,690,558	(Won) 2,277,457	(Won) 7,563	(Won) 4,870,528
Allowance for possible losses	2,424	5,383	6,137	42	13,986
Ratio (%)	0.27	0.32	0.27	0.56	0.29

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

	Confirmed acceptances and guarantees		Unconfirmed acceptances and guarantees	Bills endorsed	Total
	Won	Foreign currencies			
	Normal	(Won) 382,574			
Precautionary	3,658	11,335	12,573	299	27,865
Substandard	50	2,194	8,445		10,689
Doubtful	1,888	209	1,198	39	3,334
Estimated loss	71	6	6,933		7,010
	(Won) 388,241	(Won) 1,401,319	(Won) 1,972,192	(Won) 10,910	(Won) 3,772,662
Allowance for possible losses	1,395	3,640	5,028	78	10,141
Ratio (%)	0.36	0.26	0.25	0.71	0.27

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- (6) The percentage of allowance for possible losses on acceptances and guarantees and others as of September 30, 2006 and December 31, 2005, 2004 and 2003 was as follows (Unit: In millions):

	Guarantees and acceptances and others	Allowance	Percentage (%)
September 30, 2006 (*)	(Won) 4,870,528	(Won) 13,986	0.29
December 31, 2005 (*)	3,772,662	10,141	0.27
December 31, 2004	975,788	1,150	0.12
December 31, 2003	800,297	1,074	0.13

- (*) Pursuant to the amended Supervisory Regulation of Banking Business, the Bank has extended the scope of allowance for possible losses since 2005.

Table of Contents15. **ACCRUED SEVERANCE BENEFITS:**

The changes in accrued severance benefits for the nine months ended September 30, 2006 were as follows (Unit: In millions):

	Beginning	Provision	Payment	Other changes	Ending
Accrued severance benefits	(Won) 387,491	(Won) 103,864	(Won) 13,187	(Won) (10)	(Won) 478,158
Severance insurance deposits	(236,529)	(37,405)	(1,625)		(272,309)
	(Won) 150,962	(Won) 66,459	(Won) 11,562	(Won) (10)	(Won) 205,849

As of September 30, 2006, part of severance benefits was contributed to pension funds of Kyobo Life Insurance Co., Ltd. and others in which the beneficiary is a respective employee.

16. **SUNDRY LIABILITIES:**

(1) Sundry liabilities as of September 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

	2006	2005
Borrowings for others business	(Won) 116,379	(Won) 128,567
Foreign currency bills payable	87,665	38,645
Prepaid card and debit card liabilities	17,764	8,540
Subscription deposits	78,988	45,904
Other allowances	861,938	875,835
Others	952	1,416
	(Won) 1,163,686	(Won) 1,098,907

(2) Other allowances as of September 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

	2006	2005
Loss on branch closure	(Won) 140	(Won) 167
Mileage rewards	86,155	85,876
Credit commitments to SPC (Note 19)	291,994	384,724
KAMCO loans sold (Note 19)	249	241
Dormant accounts	18,268	27,035
KP Chemical loans sold	4,130	4,029
Unused credit limit	347,936	342,281
Others	113,066	31,482
	(Won) 861,938	(Won) 875,835

The unused credit limit for other allowances amounts to (Won)72,286,095 million as of September 30, 2006.

17. SHAREHOLDERS EQUITY:

(1) Capital stock

As of September 30, 2006 and December 31, 2005, the Bank has 1 billion common shares authorized with a par value per share of (Won)5,000 and 336,379,116 shares issued. The Bank's major shareholders were Euro-Pacific Growth Fund (16,659,610 shares, 4.95 percent) and ING Bank N.V. Amsterdam (13,650,001 shares, 4.06 percent) as of September 30, 2006.

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

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

(2) Capital surplus

The capital surplus as of September 30, 2006 and December 31, 2005 were as follows (Unit: In millions):

	2006	2005
Paid-in-capital in excess of par value	(Won) 5,655,840	(Won) 5,655,840
Gain on business combination	397,669	397,669
Revaluation increment	177,229	177,229
Gain on disposal of treasury stock	27,559	24,048
	(Won) 6,258,297	(Won) 6,254,786

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

(3) Retained earnings

- 1) Appropriations of retained earnings for the year ended December 31, 2005 as resolved at the general meeting of shareholders on March 24, 2006 are summarized as follows (Unit: In millions):

	Amount
Retained earnings before appropriations:	
Accumulated deficits carried over from prior years	(Won) (194,772)
Net income	2,252,218
Appropriations:	
Legal reserve	225,300
Discretionary appropriated retained earnings	1,646,500
Other reserves	698
Cash dividends	184,889
Inappropriate retained earnings carried forward to the subsequent year	(Won) 59

2) Legal reserve

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

3) Reserve for financial structure improvement (voluntary reserve)

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

4) Retained earnings appropriated for accumulated deficit

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

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(4) Capital adjustments

1) Capital adjustments as of September 30, 2006 and December 31, 2005 were as follows (Unit: In millions):

	2006	2005
Treasury stock	(Won) 675,291	(Won) (9,660)
Gain on valuation of available-for-sale securities	675,291	511,368
Gain on valuation of held-to-maturity securities	153	426
Gain on valuation of securities using the equity method	17,811	13,282
Loss on valuation of securities using the equity method	(7,630)	(12,334)
Stock options		3,888
	(Won) 685,625	(Won) 506,970

2) The changes of capital adjustments for the nine months ended September 30, 2006 were as follows (Unit: In millions):

	Beginning		Disposal or		Ending
	balance	Changes	realization	balance	
Treasury stock	(Won) (9,660)	(Won) 511,368	(Won) 267,727	(Won) 9,660	(Won) 675,291
Gain on valuation of available-for-sale securities		511,368	267,727	(103,804)	675,291
Gain on valuation of held-to-maturity securities		426		(273)	153
Change due to the equity method		948	9,615	(382)	10,181
Stock options		3,888		(3,888)	
	(Won) 506,970	(Won) 277,342	(Won) (98,687)		(Won) 685,625

18. **STOCK OPTIONS:**

(1) The Bank granted stock options to executives including the president over the years. When the stock options are exercised, the Bank has the option to settle either through issuance of new shares or treasury stock, or through payment of cash equivalent to the difference between the market price and the exercise price. In accordance with the resolution of the Board of Directors on August 23, 2005, the Bank has changed the settlement method from granting the treasury stock to paying cash equivalent to the difference between the market price and the exercise price only after the remaining treasury stock is exhausted. Accordingly, stock options against 217,935 shares of treasury stock, which the Bank owned as of December 31, 2005, were recorded using the fair value method accounting, and the other stock options were recorded using intrinsic value method accounting. Stock options that are settled through the issuance of shares were entirely exercised in 2006, and the remaining stock options as of September 30, 2006 are entirely those that are settled through payment of cash equivalent to the difference between the market price and the exercise price.

The details of the stock options as of September 30, 2006 were as follows:

Grant date	Granted shares				Outstanding	Exercise price	Exercise period
	Granted	Forfeited	Exercised				

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Series 2	01.03.15	214,975	16,882	108,525	89,568	(Won) 28,027	04.03.16 ~ 09.03.15
Series 4	00.02.28	267,000	65,218	201,782		27,600	03.03.01 ~ 06.02.28
Series 6	01.03.24	111,000	38,624	63,743	8,633	25,100	04.03.25 ~ 07.03.24
Series 7	01.11.16	850,000	200,000	500,000	150,000	51,200	04.11.17 ~ 09.11.16
Series 8-1 (*1)	02.03.22	132,000	89,753	13,384	28,863	57,100	05.03.23 ~ 10.03.22
Series 8-2 (*2)	02.03.22	490,000	180,691	45,744	263,565	57,100	05.03.23 ~ 10.03.22
Series 9 (*2)	02.07.26	30,000	6,101		23,899	58,800	05.07.27 ~ 10.07.26
Series 10-1(*1)	03.03.21	140,000	76,557	20,029	43,414	46,962	06.03.22 ~ 11.03.21
Series 10-2 (*2)	03.03.21	180,000	91,097	13,886	75,017	35,500	06.03.22 ~ 11.03.21
Series 11(*2)	03.08.27	30,000	24,909		5,091	40,500	06.08.28 ~ 11.08.27

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	Grant date	Granted shares			Outstanding	Exercise price	Exercise period
		Granted	Forfeited	Exercised			
Series 12 (*2)	04.02.09	85,000	9,461		75,539	46,100	07.02.10 ~ 12.02.09
Series 13-1(*1)	04.03.23	20,000			20,000	48,650	07.03.24 ~ 12.03.23
Series 13-2 (*2)	04.03.23	10,000			10,000	47,200	07.03.24 ~ 12.03.23
Series 14 (*1, 2)	04.11.01	700,000			700,000	50,400	07.11.02 ~ 12.11.01
Series 15-1(*1)	05.03.18	165,000	29,741		135,259	58,667	08.03.19 ~ 13.03.18
Series 15-2 (*2)	05.03.18	765,000	184,931		580,069	46,800	08.03.19 ~ 13.03.18
Series 16 (*2)	05.04.27	15,000			15,000	45,700	08.04.28 ~ 13.04.27
Series 17 (*2)	05.07.22	30,000			30,000	49,200	08.07.23 ~ 13.07.22
Series 18 (*2)	05.08.23	15,000			15,000	53,000	08.08.24 ~ 13.08.23
Series 19 (*1)	06.03.24	940,000			940,000	76,600	07.03.25 ~ 14.03.24
Series 20 (*1)	06.04.28	30,000			30,000	81,900	09.04.29 ~ 14.04.28
Kookmin Credit Card-1 (*3)	01.03.22	22,146			22,146	71,538	04.03.23 ~ 11.03.22
Kookmin Credit Card -2 (*1, 3)	02.03.29	9,990			9,990	129,100	04.03.30 ~ 11.03.29
		5,252,111	1,013,965	967,093	3,271,053		

- (*1) The exercise price is adjusted by reflecting the increase in average stock price index of banking industry as of September 30, 2006.
- (*2) As the actual number of exercisable granted shares is determined in accordance with the management performance for the contract period of service, the number of granted shares used for the calculation of compensation cost is computed based on the assumption that the performance result falls into the highest level in the bracket.
- (*3) The Bank took over the stock options granted by Kookmin Credit Card Co., Ltd. of which the exercise price and number of shares were adjusted in proportion to the merger ratio.

- (2) The compensation costs as of September 30, 2006 were as follows (Unit: In millions):

	Amount
Total compensation cost of stock options	(Won) 59,955
Reflected compensation cost	44,272
Compensation cost to be reflected	(Won) 15,683

The Bank recognized (Won)14,532 million of compensation cost for the nine months ended September 30, 2006.

19. **CONTINGENCIES AND COMMITMENTS:**

- (1) The Bank holds written-off loans, of which the claim for borrowers and guarantors have not been terminated, amounting to (Won)8,225,138 million and (Won)7,743,273 million as of September 30, 2006 and December 31, 2005, respectively.
- (2) As of September 30, 2006, the Bank has entered into commitments to provide credit line of (Won)2,202,750 million and to purchase commercial papers amounting to (Won)1,168,700 million with several special purpose companies. Under these commitments, the Bank extended (Won)134,224 million of loans to the companies and recognized (Won)291,994 million of expected loss as other allowance. The Bank has no balance of commitment to purchase commercial papers as of September 30, 2006. In addition, the Bank has entered into commitment amounting to (Won)321,657 million to provide foreign currency loans as of September 30, 2006 and under these commitments, the balance of loans amounts to (Won)151,127 million.

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- (3) The Bank entered into the business cooperation agreements with Woori Bank, Citibank and Nonghyup regarding the credit card business. Accordingly, the Bank shares the related revenue from such business operation.

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- (4) As of September 30, 2006, the Bank has provided allowances of (Won)249 million for losses in relation to the possible future repurchase of loans, which the Bank sold to Korea Asset Management Corporation (KAMCO) for (Won)669 million.
- (5) As of September 30, 2006 and December 31, 2005, the Bank recorded receivables amounting to (Won)5,178,233 million and (Won)383,838 million, respectively and payables amounting to (Won)5,178,040 million and (Won)383,550 million for unsettled foreign currency spot transactions, respectively.
- (6) As of September 30, 2006, the Bank faces 138 pending legal actions involving aggregate damages of (Won)380,878 million. Moreover, the Bank has filed 173 lawsuits, which are still pending, with aggregate claims of (Won)511,593 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.
- (7) Financial derivatives

The notional amounts outstanding for derivative contracts as of September 30, 2006 and December 31, 2005 were as follows (Unit: In millions):

Type	2006			2005		
	Trading	Hedge	Total	Trading	Hedge	Total
Interest rate:						
Interest rate forwards	(Won) 378,080	(Won)	(Won) 378,080	(Won) 303,250	(Won)	(Won) 303,250
Interest rate futures	1,674,494		1,674,494	695,443		695,443
Interest rate swaps	41,091,372	3,637,896	44,729,268	33,487,799	1,581,097	35,068,896
Interest rate options purchased	207,260		207,260	300,650		300,650
Interest rate options sold	347,260		347,260	640,650		640,650
	43,698,466	3,637,896	47,336,362	35,427,792	1,581,097	37,008,889
Currency:						
Currency forwards	95,546,471		95,546,471	58,354,822		58,354,822
Currency futures	2,350,461		2,350,461	2,419,652		2,419,652
Currency swaps	7,058,974		7,058,974	4,796,740		4,796,740
Currency options purchased	146,611		146,611	119,345		119,345
Currency options sold	101,502		101,502	73,056		73,056
	105,204,019		105,204,019	65,763,615		65,763,615
Stock:						
Stock index futures	77,340		77,340	13,567		13,567
Stock options purchased	583,396		583,396	2,746,364		2,746,364
Stock options sold	994,295		994,295	2,754,603		2,754,603
Stock swaps	68,426		68,426			
	1,723,457		1,723,457	5,514,534		5,514,534
Other:						
Gold index options purchased				146,268		146,268
				146,268		146,268

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Gold index options
sold

292,536

292,536

(Won) 150,625,942 (Won) 3,637,896 (Won) 154,263,838 (Won) 106,998,477 (Won) 1,581,097 (Won) 108,579,574

(*) For transaction between Won and foreign currencies, unsettled amount of transaction is presented using the basic foreign exchange rate based on the contract amount in foreign currencies. For transaction between foreign currencies and foreign currencies, unsettled amount is presented using the basic foreign exchange rate based on foreign currencies purchased at balance sheet dates.

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The details of financial derivatives as of September 30, 2006 and the valuation of financial derivatives for the nine months ended September 30, 2006 were as follows (Unit: In millions):

Type	Gain on valuation (P/L)			Loss on valuation (P/L)			Gain (loss) on valuation(B/S)	
	Trading	Hedge	Total	Trading	Hedge	Total	Assets	Liability
Interest rate:								
Interest rate forwards	(Won) 9	(Won) 9	(Won) 9	(Won) 22	(Won) 22	(Won) 22	(Won) 9	(Won) 22
Interest rate swaps	170,254	77,193	247,447	245,550	8,510	254,060	223,771	214,991
Interest rate options purchased	1,704		1,704	952		952	3,365	
Interest rate options sold	1,386		1,386	220		220		698
	173,353	77,193	250,546	246,744	8,510	255,254	227,145	215,711
Currency:								
Currency forwards	631,025		631,025	645,207		645,207	659,123	684,954
Currency swaps	218,896		218,896	123,686		123,686	452,926	242,215
Currency options purchased	349		349	892		892	42	1,532
Currency options sold	457		457	13		13	128	432
	850,727		850,727	769,798		769,798	1,112,219	929,133
Stock:								
Stock option purchased	28,793		28,793	5,502		5,502	48,713	
Stock option sold	9,123		9,123	7,786		7,786		39,235
Stock swaps	1,338		1,338	1,235		1,235	1,495	1,495
	39,254		39,254	14,523		14,523	50,208	40,730

(Won) 1,063,334 (Won) 77,193 (Won) 1,140,527 (Won) 1,031,065 (Won) 8,510 (Won) 1,039,575 (Won) 1,389,572 (Won) 1,185,574

The details of financial derivatives as of December 31, 2005 and the valuation of financial derivatives for the nine months ended September 30, 2005 were as follows (Unit: In millions):

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Type	Gain on valuation (P/L)			Loss on valuation (P/L)			Gain (loss) on valuation(B/S)	
	Trading	Hedge	Total	Trading	Hedge	Total	Assets	Liability
Interest rate								
Interest rate forwards	(Won) 9	(Won) 9	(Won) 9	(Won) 3	(Won) 3	(Won) 3	(Won) 6	(Won) 3
Interest rate swaps	326,664		326,664	275,462	43,449	318,911	231,275	242,745
Interest rate options purchased	348		348	2,732		2,732	2,778	
Interest rate options sold	3,087		3,087	545		545		2,179
	330,108		330,108	278,742	43,449	322,191	234,059	244,927
Currency:								
Currency forwards	471,104		471,104	469,226		469,226	607,398	584,155
Currency swaps	59,349		59,349	102,247		102,247	298,431	179,250
Currency options purchased	1,242		1,242	550		550	117	1,011
Currency options sold	389		389	760		760	618	42
	532,084		532,084	572,783		572,783	906,564	764,458
Stock:								
Stock option purchased	13,458		13,458	13,507		13,507	61,345	
Stock option sold	14,647		14,647	12,834		12,834		61,516
	28,105		28,105	26,341		26,341	61,345	61,516
Other:								
Gold index options purchased	712		712	672		672	95	
Gold index options sold	756		756	707		707		95
	1,468		1,468	1,379		1,379	95	95
	(Won) 891,765	(Won) 891,765	(Won) 891,765	(Won) 879,245	(Won) 43,449	(Won) 922,694	(Won) 1,202,063	(Won) 1,070,996

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

The Bank holds derivative instruments accounted for as fair value hedges applied to debentures, subordinated bonds, structured bonds and structured deposits. As of September 30, 2006, the Bank recognized (Won)8,510 million of gains and (Won)77,193 million of losses on valuation of fair value hedged items. In addition, the interest rate swap covers the fair value changes of the hedged items resulted from the fluctuation in interest rate and foreign exchange rate.

- (8) The Bank sold the Credit Default Swap to BNP Paribas to earn profits such as commission income as of September 30, 2006, and the details of the contract are as follows (Unit: In USD thousands):

Date of contract	Date of maturity	Amount	Reference entity
2006.8.24	2013.12.20	10,000	116 Global Bonds

Loss can be incurred in relation to the sale of the credit default swap as a result of the credit events such as the default of the reference entity.

20. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:

Significant assets and liabilities denominated in foreign currencies as of September 30, 2006 and December 31, 2005 were as follows:

	2006		2005	
	USD equivalent (In thousands)	KRW equivalent (In millions)	USD equivalent (In thousands)	KRW equivalent (In millions)
Assets:				
Foreign currencies	US\$ 169,703	(Won) 160,403	US\$ 148,473	(Won) 150,402
Due from banks-foreign currencies	598,511	565,713	531,036	537,941
Securities-foreign currencies	911,655	861,696	768,890	778,887
Loans in foreign currencies	8,104,873	7,660,726	5,246,674	5,314,883
Bills bought in foreign currencies	1,372,998	1,297,758	1,359,412	1,377,085
Call loans in foreign currencies	76,358	72,173	49,307	49,948
Liabilities:				
Deposits-foreign currencies	US\$ 1,569,373	(Won) 1,483,371	US\$ 1,361,435	(Won) 1,379,133
Borrowings-foreign currencies	4,274,516	4,040,273	3,145,906	3,186,803
Due to BOK in foreign currencies			535	542
Call money in foreign currencies	282,200	266,735	272,800	276,346
Debentures-foreign currencies	1,779,732	1,682,203	1,038,490	1,051,990
Foreign exchange remittance pending	92,747	87,665	38,149	38,645

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

Table of Contents**21. INTEREST REVENUE AND EXPENSES:**

The average balance of the interest bearing assets and liabilities, and the related interest revenue and expenses as of and for the nine months ended September 30, 2006 and 2005 were as follows (Unit: In millions):

	2006			2005		
	Average	Interest	Interest	Average	Interest	Interest
	balance	revenue	rate	balance	revenue	rate
		/expense	(%)		/expense	(%)
Interest revenue						
Due from banks(*)	(Won) 732,508	(Won) 22,419	4.09	(Won) 895,950	(Won) 18,432	2.75
Securities	28,815,374	1,011,654	4.69	22,957,376	808,414	4.71
Loans	140,895,240	7,826,252	7.43	137,352,157	7,572,251	7.37
	(Won) 170,443,122	(Won) 8,860,325	6.95	(Won) 161,205,483	(Won) 8,399,097	6.97
Interest expense						
Deposits	(Won) 123,834,439	(Won) 2,497,749	2.70	(Won) 124,693,317	(Won) 2,422,243	2.60
Borrowings	16,796,910	491,815	3.91	11,656,272	260,151	2.98
Debentures	20,011,565	799,298	5.34	19,655,937	801,698	5.45
	(Won) 160,642,914	(Won) 3,788,862	3.15	(Won) 156,005,526	(Won) 3,484,092	2.99

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

22. GENERAL AND ADMINISTRATIVE EXPENSES:

(1) General and administrative expenses for the nine months ended September 30, 2006 and 2005 were as follows (Unit: In millions):

	2006	2005
Salaries	(Won) 1,160,460	(Won) 975,155
Provision for severance benefits	103,864	89,090
Other employee benefits	360,814	288,601
Rent	65,900	64,505
Depreciation and amortization	224,615	244,280
Taxes and dues	96,295	88,654
Advertising	63,282	34,696
Development expenses	102,237	99,001
Other general and administrative expenses	236,327	206,361
	(Won) 2,413,794	(Won) 2,090,343

(2) Other general and administrative expenses for the nine months ended September 30, 2006 and 2005 were as follows (Unit: In millions):

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	2006	2005
Communication	(Won) 30,700	(Won) 24,952
Electricity and utilities	13,047	12,774
Publication	15,950	14,545
Repairs maintenance	10,565	12,045
Vehicle	20,701	20,318
Travel	3,075	2,595
Training	17,224	12,993
Others	125,065	106,139
	(Won) 236,327	(Won) 206,361

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Table of Contents23. NON-OPERATING INCOME AND EXPENSES:

(1) Non-operating income and expenses for the nine months ended September 30, 2006 and 2005 consisted of (In millions):

	2006	2005
Non-operating income:		
Gain on disposal of tangible assets	(Won) 2,339	(Won) 9,475
Reversal of tangible assets impairment loss	962	
Rental income	2,378	2,463
Gain on valuation of securities accounted for using the equity method	76,077	71,700
Gain on disposal of available-for-sale securities	136,165	282,431
Gain on disposal of held-to-maturity securities		216
Reversal of impairment loss on available-for-sale securities	83,725	7,422
Gain on sale of loans	36,311	79,935
Others	176,847	163,605
	(Won) 514,804	(Won) 617,247
Non-operating expenses:		
Loss on disposal of tangible assets	(Won) 1,629	(Won) 3,764
Impairment loss on tangible assets	4,685	
Loss on valuation of securities accounted for using the equity method	1,612	8,466
Loss on disposal of available-for-sale securities	13,220	17,210
Impairment loss on available-for-sale securities	53,463	26,144
Severance benefits for voluntary resignation	3,806	255,581
Loss on sale of loans		2,096
Others	81,837	76,111
	(Won) 160,252	(Won) 389,372

24. INCOME TAX EXPENSE:

(1) The differences between pretax accounting income and taxable income pursuant to Korean Corporate Income Tax Law for the nine months ended September 30, 2006 and 2005 are summarized as follows (Unit: In millions):

	2006		2005	
Income before income tax		(Won) 3,113,790		(Won) 2,602,894
Taxable and non-deductible items:				
Temporary difference	(Won) 1,764,847		(Won) 3,119,600	
Permanent difference	947,200	2,712,047	408,716	3,528,316
Deductible and non-taxable items:				
Temporary difference	(2,247,898)		(2,103,782)	
Permanent difference	(640,596)	(2,888,494)	(743,308)	(2,847,090)
Taxable income		(Won) 2,937,343		(Won) 3,284,120

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- (2) Reconciliation items between accounting income and taxable income pursuant to the Corporate Income Tax Law of Korea for the nine months ended September 30, 2006 and 2005 are as follows (Units: In millions):

Accounts	2006		2005	
	Temporary difference	Permanent difference	Temporary difference	Permanent difference
Taxable and non-deductible items:				
Loss (Gain) on fair value hedges	(Won) 68,294	(Won)	(Won) 3,502	(Won)
Allowance for loan losses			27,275	
Accrued interest	349,024		309,506	
Tangible asset impairment losses	14,520		1,267	
Deferred loan organization fee and cost	52,025		48,889	
Interest on ELD	13,966		80,229	
Stock options	44,272		18,602	
Allowance for possible losses on acceptances and guarantees	13,986		2,562	
Loss (Gain) on valuation of financial derivatives	94,654		137,573	
Goodwill	58,759		58,759	
Present value discount	1,422		823	
Dividends from SPC	15,993		129,022	
Others	1,037,932	947,200	2,301,591	408,716
	(Won) 1,764,847	(Won) 947,200	(Won) 3,119,600	(Won) 408,716
Deductible and non-taxable items:				
Loss (Gain) on fair value hedges	(Won)	(Won)	(Won) 37,324	(Won)
Allowance for loan losses	37,626		88,580	
Accrued interest	359,772		84,836	
Tangible asset impairment losses	11,466		2,296	
Deferred loan organization fee and cost	96,465		50,921	
Interest on ELD	24,928		41,937	
Stock options	46,905		29,613	
Allowance for possible losses on acceptances and guarantees	10,141		1,150	
Present value discount	1,713		4,279	
Loss (Gain) on valuation of financial derivatives	181,938		35,244	
Dividends from SPC	70,674			
Others	1,406,270	640,596	1,727,602	743,308
	(Won) 2,247,898	(Won) 640,596	(Won) 2,103,782	(Won) 743,308

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- (3) Changes in cumulative temporary differences for the nine months ended September 30, 2006, and deferred income tax assets (liabilities) as of September 30, 2006 are as follows (Unit: In millions):

	2006			
	Beginning balance (*)	Deduction	Addition	Ending balance
(Deductible temporary differences)				
Loss (Gain) on fair value hedges	(Won) (58,096)	(Won)	(Won) 68,294	(Won) 10,198
Allowance for loan losses	37,626	37,626		
Tangible asset impairment losses	11,466	11,466	14,520	14,520
Interest on ELD	31,108	24,928	13,966	20,146
Stock options	46,905	46,905	44,272	44,272
Allowance for possible losses on acceptances and guarantees	10,141	10,141	13,986	13,986
Present value discount	1,713	1,713	1,422	1,422
Dividends from SPC	268,685	70,674	15,993	214,004
Allowance for repurchase SPC	80,204			80,204
Others	1,353,334	983,313	1,076,901	1,446,922
	1,783,086	(Won) 1,186,766	(Won) 1,249,354	1,845,674
The exclusion of deferred income tax assets:				
Dividends from SPC	268,685			214,004
Allowance for repurchase SPC	80,204			80,204
Others	57,611			67,686
	1,376,586			1,483,780
Statutory tax rate	27.5%			27.5%
Deferred income tax assets	(Won) 378,561			(Won) 408,040
(Taxable temporary differences)				
Accrued interest	(Won) (349,024)	(Won) (349,024)	(Won) (359,772)	(Won) (359,772)
Deferred loan organization fee and cost	(52,025)	(52,025)	(96,465)	(96,465)
Loss (Gain) on valuation of financial derivatives	(94,654)	(94,654)	(181,938)	(181,938)
Goodwill	(378,669)	(58,759)		(319,910)
Others	138,626	369,401	(92,525)	(323,300)
	(735,746)	(Won) (185,061)	(Won) (730,700)	(1,281,385)
The exclusion of deferred income tax liabilities:				
Goodwill	(378,669)			(319,910)
Others	(44,567)			(60,973)
	(312,510)			(900,502)
Statutory tax rate	27.5%			27.5%
Deferred income tax liabilities	(Won) (85,940)			(Won) (247,638)
Net deferred income tax assets	(Won) 292,621			(Won) 160,402

(*) The adjustment based on the final tax return was reflected in the beginning deferred income tax assets.

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Changes in cumulative temporary differences for the nine months ended September 30, 2005, and deferred income tax assets (liabilities) as of September 30, 2005 are as follows (Unit: In millions):

	Beginning balance (*)	2005		Ending balance
		Deduction	Addition	
(Deductible temporary differences)				
Allowance for loan losses	(Won) 116,934	(Won) 88,580	(Won) 27,275	(Won) 55,629
Tangible asset impairment losses	2,296	2,296	1,267	1,267
Interest on ELD	41,937	41,937	80,229	80,229
Stock options	29,613	29,613	18,602	18,602
Allowance for possible losses on acceptances and guarantees	1,150	1,150	2,562	2,562
Present value discount	4,279	4,279	823	823
Dividends from SPC	131,186		129,022	260,208
Others	2,237,186	1,700,636	1,517,855	2,054,405
	2,564,581	(Won) 1,868,491	(Won) 1,777,635	2,473,725
The exclusion of deferred income tax assets:				
Dividends from SPC	131,186			260,208
Others	458			57,014
	2,432,937			2,156,503
Statutory tax rate	27.5%			27.5%
Deferred income tax assets	(Won) 669,058			(Won) 593,038
(Taxable temporary differences)				
Loss (Gain) on fair value hedges	(Won) (3,502)	(Won) (3,502)	(Won) (37,324)	(Won) (37,324)
Accrued interest	(309,506)	(309,506)	(84,836)	(84,836)
Deferred loan organization fee and cost	(48,889)	(48,889)	(50,921)	(50,921)
Loss (Gain) on valuation of financial derivatives	(137,573)	(137,573)	(35,244)	(35,244)
Goodwill	(457,014)	(58,759)		(398,255)
Others	(660,197)	(495,669)	(7,594)	(172,122)
	(1,616,681)	(Won) (1,053,898)	(Won) (215,919)	(778,702)
The exclusion of deferred income tax liabilities:				
Loss on valuation on investment securities	(444,481)			(398,255)
Goodwill	(457,014)			(38,412)
Others				
	(715,186)			(342,035)
Statutory tax rate	27.5%			27.5%
Deferred income tax liabilities	(Won) (196,676)			(Won) (94,060)
Net deferred income tax assets	(Won) 472,382			(Won) 498,978

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(*) The final tax return was reflected in the beginning deferred income tax assets

(4) Prepaid income tax and income tax payable as of September 30, 2006 and December 31, 2005 are as follows (Unit: In millions):

	2006	2005
Prepaid income tax	(Won) 368,738	(Won) 129,956
Income tax payable	807,369	1,032,011
Net income tax payable	(Won) 438,631	(Won) 902,055

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(5) Income tax expense for the nine months ended September 30, 2006 and 2005 is summarized as follows (Unit: In millions):

	2006	2005
Income tax currently payable	(Won) 807,369	(Won) 902,291
Changes in deferred tax assets	132,219	(26,597)
Retained earnings and other capital surplus adjustments	(87,028)	(104,745)
Income tax expense of overseas branch	3,129	3,426
	(Won) 855,689	(Won) 774,375

(6) The statutory income tax rates applicable to the Bank, including resident tax surcharges, are 27.5 percent for the nine months ended September 30, 2006 and 2005, respectively. However, due to tax adjustments, the effective tax rates for the nine months ended September 30, 2006 and 2005 are 27.48 percent and 29.75 percent, respectively.

25. EARNINGS PER SHARE:

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

Ordinary income per share and net income per share were calculated for common stock by dividing ordinary income and net income available to common shareholders by the weighted average number of outstanding common stock. In the event the stock options are exercised during the nine months ended September 30, 2006 and 2005, the outstanding common shares are calculated on the assumption that the treasury stock are disposed of on the exercised date.

Ordinary income per share and net income per share for common stock for the nine months ended September 30, 2006 and 2005 were computed as follows:

1) Outstanding capital stock for the nine months ended September 30, 2006 was as follows:

	Number of shares	Number of shares x number of days
Number of common shares outstanding-beginning balance	336,379,116	91,831,498,668
Number of treasury stock outstanding-beginning balance	(217,935)	(59,496,255)
Sale of treasury stock	217,935	57,298,711
	336,379,116	91,829,301,124

Weighted average number of common shares outstanding: $91,829,301,124 \div 273 \text{ days} = 336,371,066$ shares

Outstanding capital stock for the nine months ended September 30, 2005 was as follows:

	Number of shares	Number of shares x number of days
--	------------------	--------------------------------------

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Number of common shares outstanding-beginning balance	336,379,116	91,831,498,668
Number of treasury stock outstanding-beginning balance	(29,881,209)	(8,157,570,057)
Sale of treasury stock	29,611,471	3,219,897,918
	336,109,378	86,893,826,529

Weighted average number of common shares outstanding: $86,893,826,529 \div 273 \text{ days} = 318,292,405 \text{ shares}$

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2) The basic net income per share for the nine months ended September 30, 2006 and 2005 was as follows (Unit: In Won)

	2006		2005
Net income (ordinary income)	(Won) 2,258,100,586,934		(Won) 1,828,518,771,839
Weighted average number of common shares outstanding	336,371,066		318,292,405
Net income per share	(Won) 6,713		(Won) 5,745
Ordinary income per share	(Won) 6,713		(Won) 5,745

The ordinary income for the nine months ended September 30, 2006 and 2005 equals to net income because there is no extraordinary item.

Basic net income (ordinary income) per share for the year ended December 31, 2005 was (Won) 6,977.

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

Diluted net income and ordinary income per share for the nine months ended September 30, 2006 and 2005 represent diluted net income and diluted ordinary income divided by the number of common shares and diluted securities. The ordinary income for the nine months ended September 30, 2006 and 2005 equals to net income because there is no extraordinary item.

Diluted net income (ordinary income) per share for the nine months ended September 30, 2006 and 2005 was computed as follows (Unit: In Won):

	2006		2005
Diluted net income (ordinary income) (*1)	(Won) 2,258,100,586,934		(Won) 1,828,246,561,654
Weighted average number of common shares outstanding and diluted securities (*2)	336,374,358		318,438,553
Diluted net income per share	(Won) 6,713		(Won) 5,741
Diluted ordinary income per share	(Won) 6,713		(Won) 5,741

(*1) For the nine months ended September 30, 2006, the stock options included in the diluted shares have no effect on net income because the contracted service period has expired. For the nine months ended September 30, 2005, the stock option right expired and the accumulated compensation cost was reversed, therefore, the related cost was deducted from net income.

(*2) The treasury stocks combined with stock options rendered are included in diluted shares.

Diluted net income (ordinary income) per share for the year ended December 31, 2005 was (Won) 6,973.

Table of Contents26. TRUST ACCOUNTS:

- (1) Major financial information related to the trust accounts as of and for the nine months ended September 30, 2006 and 2005 were as follows (Unit: In millions):

	2006	2005(*)
Operating revenue of trust operation:		
Trust fees and commissions from trust accounts	(Won) 71,707	(Won) 103,113
Commissions from early redemption in trust accounts	18	11
	(Won) 71,725	(Won) 103,124
Operating expenses of trust operation:		
Interest expense on borrowings from trust accounts	(Won) 32,866	(Won) 21,828
Assets:		
Accrued receivable trust fees	(Won) 113,237	(Won) 64,480
Liabilities:		
Borrowings from trust accounts	(Won) 1,238,549	(Won) 1,059,469

(*) The amount of receivables and borrowings are as of December 31, 2005.

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

	Name of fund	Book value	Fair value
Trust accounts guaranteeing the repayment of principal:			
	Old age pension (*1 & 2)	(Won) 15,226	(Won) 15,189
	Personal pension (*1 & 2)	2,297,327	2,283,756
	Pension trust	413,587	413,587
	Retirement trust	398,369	398,369
	New personal pension	67,856	67,856
	New old age pension	129,254	129,254
		3,321,619	3,308,011
Trust accounts guaranteeing a fixed rate of return and the repayment of principal:			
	Development money trust (*1)	66,942	66,906
	Unspecified monetary trust (*1)	155	155
		67,097	67,061
		(Won) 3,388,716	(Won) 3,375,072

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

(*2) The book value is greater than the fair value, but the Bank is not obligated to pay the difference since these are yield-based dividend instruments.

Table of Contents27. SEGMENT INFORMATION:

- (1) As of September 30, 2006 and December 31, 2005, the Bank's operating segments are consumer banking, corporate banking, credit card operation, treasury operation of investment in securities (including derivatives) and funding, and other operations of general administration and trust. Geographical segments are segregated into two segments: domestic and overseas operations.

As of and for the nine months ended September 30, 2006, financial information on the Bank's operating segments was as follows (Unit: In millions):

	Consumer	Corporate	Credit card	Capital market	Other	Total
Securities	(Won) 219,100	(Won) 202,819	(Won) 31,274,942	(Won) 2,663,911	(Won) 34,360,772	
Loans	82,181,002	53,480,871	7,363,176	2,280,448	95,556	145,401,053
Operating income before provision	1,520,228	584,343	768,475	(51,447)	411,664	3,233,263

As of December 31, 2005 and for the nine months ended September 30, 2005, financial information on the Bank's operating segments was as follows (Unit: In millions):

	Consumer	Corporate	Credit card	Capital market	Other	Total
Securities	(Won) 210,078	(Won) 142,527	(Won) 27,654,319	(Won) 2,543,375	(Won) 30,550,299	
Loans	81,110,421	44,485,500	7,373,912	2,736,564	32,010	135,738,407
Operating income before provision	1,681,464	618,198	984,454	7,995	119,008	3,411,119

- (2) Financial information on the Bank's geographical segments as of and for the nine months ended September 30, 2006 was as follows (Unit: In millions):

	Domestic	Overseas	Total
Securities	(Won) 34,360,772	(Won)	(Won) 34,360,772
Loans	145,008,740	392,313	145,401,053
Operating income before provision	3,220,581	12,682	3,233,263

Financial information on the Bank's geographical segments as of December 31, 2005 and for the nine months ended September 30, 2005 was as follows (Unit: In millions):

	Domestic	Overseas	Total
Securities	(Won) 30,550,299	(Won)	(Won) 30,550,299
Loans	135,246,463	491,944	135,738,407
Operating income before provision	3,397,189	13,930	3,411,119

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(1) The subsidiaries of the Bank as of September 30, 2006 and December 31, 2005 were as follows:

	Subsidiaries
Domestic	KB Investment Co., Ltd. KB Futures Co., Ltd. KB Data System Co., Ltd. KB Asset Management Co., Ltd. KB Real Estate Trust Co., Ltd. KB Credit Information Co., Ltd. KB Life Insurance Co., Ltd. NPC 02-4 Kookmin Venture Fund
Overseas	Kookmin Bank International Ltd. (London) Kookmin Bank Hong Kong Ltd.

(2) The various employee benefits for the major directors for the nine months ended September 30, 2006 were as follows (Unit: In millions):

	Short-term		
	employee benefits	Stock option	Total
Registered officers (Standing)	(Won) 3,505	(Won) 6,211	(Won) 9,716
Registered officers (Non-Standing)	428	592	1,020
	(Won) 3,933	(Won) 6,803	(Won) 10,736

(3) Significant balances with related parties as of September 30, 2006 and December 31, 2005 were as follows (Unit: In millions):

	Assets	2006 Allowance	Liabilities
Subsidiaries:			
Trust accounts (trust accounts guaranteed a fixed rate of return and/or the repayment of principal)	(Won) 89,136	(Won)	(Won) 71,358
KB Investment Co., Ltd.			2,886
KB Futures Co., Ltd.	197		8,512
KB Data System Co., Ltd.	35		15,984
KB Asset Management Co., Ltd.	80		57,088
KB Real Estate Trust Co., Ltd.	19,846	99	717
KB Credit Information Co., Ltd.	68		27,365
KB Life Insurance Co., Ltd.	3,039		2,868
NPC 02-4 Kookmin Venture Fund			10,432
Kookmin Bank International Ltd. (London)	416,547		48,652
Kookmin Bank Hong Kong Ltd.	394,069		5,752
	923,017	99	251,614
Investee under the equity method:			
Pacific IT Investment Partnership			58

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Jooeun Industrial Co., Ltd.	65,891	26,501	
	65,891	26,501	58
	(Won) 988,908	(Won) 26,600	(Won) 251,672

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	Assets	2005 Allowance	Liabilities
Subsidiaries:			
Trust accounts (trust accounts guaranteed a fixed rate of return and/or the repayment of principal)	(Won) 57,658	(Won)	(Won) 128,147
KB Investment Co., Ltd.			20,096
KB Futures Co., Ltd.	1,874		13,899
KB Data System Co., Ltd.	50		14,021
KB Asset Management Co., Ltd.	114		21,861
KB Real Estate Trust Co., Ltd.	18,532	92	1,418
KB Credit Information Co., Ltd.	191		22,405
KB Life Insurance Co., Ltd.	1,620		793
NPC 02-4 Kookmin Venture Fund			19,327
Kookmin Bank International Ltd. (London)	247,919		54,436
Kookmin Bank Hong Kong Ltd.	123,460	51	24,641
	451,418	143	321,044
Investee under the equity method:			
Pacific IT Investment Partnership			1,639
Jooeun Industrial Co., Ltd.	65,927	15,163	
	65,927	15,163	1,639
	(Won) 517,345	(Won) 15,306	(Won) 322,683

(4) Significant transactions with related parties for the nine months ended September 30, 2006 and 2005 were as follows (Unit: In millions):

	Revenue	2006 Bad debt expenses	Expenses
Subsidiaries:			
Trust accounts (trust accounts guaranteed a fixed rate of return and/or the repayment of principal)	(Won) 31,478	(Won)	(Won) 2,920
KB Investment Co., Ltd.			278
KB Futures Co., Ltd.	17		1,306
KB Data System Co., Ltd.	337		19,613
KB Asset Management Co., Ltd.	569		1,276
KB Real Estate Trust Co., Ltd.	1,273	7	
KB Credit Information Co., Ltd.	129		49,712
KB Life Insurance Co., Ltd.	25,111		1
NPC 02-4 Kookmin Venture Fund	3		368
Kookmin Bank International Ltd. (London)	8,341		3,170
Kookmin Bank Hong Kong Ltd.	7,439	(47)	1,571
	74,697	(40)	80,215
Investee under the equity method:			
Pacific IT Investment Partnership			7
Jooeun Industrial Co., Ltd.		11,338	
		11,338	7

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(Won) 74,697

(Won) 11,298

(Won) 80,222

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	Revenue	2005 Bad debt expenses	Expenses
Subsidiaries:			
Trust accounts (trust accounts guaranteed a fixed rate of return and/or the repayment of principal)	(Won) 62,546	(Won)	(Won) 3,137
KB Investment Co., Ltd.			442
KB Futures Co., Ltd.	18		1,023
KB Data System Co., Ltd.	68		14,085
KB Asset Management Co., Ltd.	694		836
KB Real Estate Trust Co., Ltd.	1,476	(145)	
KB Credit Information Co., Ltd.	141		50,111
KB Life Insurance Co., Ltd.	25,286		22
NPC 02-4 Kookmin Venture Fund			239
Kookmin Bank International Ltd. (London)	5,134	(47)	3,855
Kookmin Bank Hong Kong Ltd.	4,550		1,505
	99,913	(192)	75,255
Investee under the equity method:			
Pacific IT Investment Partnership			5
Jooeun Industrial Co., Ltd.		103	
		103	5
	(Won) 99,913	(Won) (89)	(Won) 75,260

29. EMPLOYEE BENEFITS:

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

30. CASH FLOWS:

- (1) Cash flows from operating activities are presented by the indirect method.
- (2) The cash and due from banks in the statements of cash flows for the nine months ended September 30, 2006 and 2005 were as follows (Unit : In millions):

	2006	2005
Cash on hand	(Won) 2,445,798	(Won) 2,347,767
Foreign currencies	160,403	147,800
Due from banks in Won	2,272,472	3,428,826
Due from banks in foreign currencies	565,713	573,050
	5,444,386	6,497,443
Restricted due from banks	(2,324,500)	(2,885,717)
	(Won) 3,119,886	(Won) 3,611,726

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- (3) Significant transactions not involving cash inflows and outflows for the nine months ended September 30, 2006 and 2005 were as follows
(Unit : In millions):

	2006	2005
Write-offs of loans and decrease of loans from principal reduction	(Won) 998,165	(Won) 1,512,153
Decrease in allowance for sale and repurchase of impaired loans	51,443	157,757
Changes in capital adjustments from valuation of securities	172,883	(363,123)
Reclassification of available-for-sale securities to held-to-maturity securities		60,091

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31. Share Purchase Agreement for Korea Exchange Bank:

The Bank has been chosen as the preferred bidder for the controlling majority stake of the Korea Exchange Bank (KEB) on March 23, 2006. On May 19, 2006, the Bank entered into a share purchase agreement with LSF-KEB Holding, SCA to purchase its controlling stake. The Bank will acquire 457,064,387 shares (70.87 percent of KEB's outstanding shares) at (Won)15,200 per share for (Won)6,947,378 million subject to the completion of the government approval process. The Bank is currently negotiating for the extension of the agreement which expired on September 16, 2006. Therefore, the terms and conditions, timing and share purchase price of the transaction are still outstanding and open to change as of September 30, 2006.