

KOOKMIN BANK  
Form 6-K  
August 13, 2004  
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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## Form 6-K

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

For the month of August 2004

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## Kookmin Bank

(Translation of registrant's name into English)

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

(Address of principal executive office)

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

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Form 20-F  X  Form 40-F \_\_\_\_\_

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

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

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

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

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

Yes \_\_\_\_\_ No  X

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**Summary of Semi-Annual Business Report**

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

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

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**1. Introduction to the Bank**

**1.1. Business Purposes**

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

The banking business as prescribed by the Bank Act,

The trust business as prescribed by the Banking Trust Act,

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

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

**1.2. History**

November 1, 2001

Incorporated and Listed on the New York Stock Exchange

November 9, 2001

Listed on the Korea Stock Exchange

September 23, 2002

Integrated two brand operations onto a single information technology platform

December 4, 2002

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

May 30, 2003

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

September 30, 2003

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Completed small-scale merger with Kookmin Credit Card

December 16, 2003

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

December 19, 2003

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

April 29, 2004

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

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

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

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

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

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

**1.3.2. Treasury Stock**

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

(Unit: in thousands of Won unless otherwise indicated)

Date	Transaction	Number of share	Average cost	
			Acquisition/ Disposition amount	per one share (Won)
November 15, 2001	Acquisition of fractional shares in the course of the merger	41,548	1,794,885	43,200
December 24, 2001	Disposition due to exercise of stock option by a grantee	10,000	432,003	43,200
April 3, 2002	Acquisition of fractional shares due to stock dividend	36,089	2,071,557	57,400
May 14, 2002	Disposition pursuant to the Bank Act of Korea	31,548	1,601,944	50,788
July 30 ~ October 23, 2002	Acquisition pursuant to the Securities and Exchange Act of Korea	3,000,000	147,632,489	49,210
December 24, 2002	Disposition due to exercise of stock option by a grantee	10,000	492,294	49,229



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January 15, 2003	Disposition due to exercise of stock option by a grantee	10,000	492,294	49,229
September 4 ~ 9, 2003	Acquisition pursuant to the Securities and Exchange Act of Korea	650,000	29,094,064	44,760
October 16, 2003	Acquisition of fractional shares due to the Merger with Kookmin Credit Card	5,095	214,254	42,050
4 <sup>th</sup> quarter, 2003	Disposition due to exercise of stock option by grantees	78,322	3,792,977	48,428
December 17, 2003	Acquisition from the sale of Korean government shares of the Bank	27,423,761	1,198,568,158	43,700
December 26, 2003	Disposition due to contribution to ESOP account	1,000,000	44,252,000	44,252
1 <sup>st</sup> quarter, 2004	Disposition due to exercise of stock option by grantees	30,855	1,365,396	44,252
2 <sup>nd</sup> quarter, 2004	Disposition due to exercise of stock option by grantees	55,593	2,460,101	44,252
<b>Total</b>		<b>29,930,175</b>	<b>1,326,946,499</b>	

**Table of Contents****1.3.3. Stock Option**

The following table is the breakdown of stock options Kookmin Bank has granted to the directors and employees.

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

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

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

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options*	Number of exercised options	Number of exercisable options
			From	To				
18-Mar-00	Yoo Hwan Kim	Executive Vice President	19-Mar-03	18-Mar-05	23,469	11,845	5,845	6,000
18-Mar-00	Duk Hyun Kim	Executive Vice President	19-Mar-03	18-Mar-05	23,469	11,845	0	11,845
15-Mar-01	Sang Hoon Kim	Chairman&CEO	16-Mar-04	15-Mar-09	28,027	29,614	0	29,614
15-Mar-01	Jong Min Lee	Auditor&Executive Director	16-Mar-04	15-Mar-09	28,027	14,807	0	14,807
15-Mar-01	In Kie Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Hyung Jin Chang	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	2,961	0
15-Mar-01	Ji Hong Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Bong Ho Paick	Non Executive Director	16-Mar-04	15-Mar-09	28,027	1,870	0	1,870
15-Mar-01	Ik Rae Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Seung Heon Han	Non Executive Director	16-Mar-04	15-Mar-09	28,027	1,870	0	1,870
15-Mar-01	Young Seok Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	1,870	0	1,870
15-Mar-01	Se Woong Lee	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Chang Ki Min	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	2,961	0
15-Mar-01	Bock Woan Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	0	11,845
15-Mar-01	Yoo Hwan Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	0	11,845
15-Mar-01	Duk Hyun Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	0	11,845
15-Mar-01	Yoon Ok Hyun	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	0	11,845
15-Mar-01	Tai Gon Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	4,845	7,000
15-Mar-01	Byung Sang Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	0	11,845
15-Mar-01	Byung Jin Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	0	11,845
15-Mar-01	Ji Han Koo & 46 others	Employees	16-Mar-04	15-Mar-09	28,027	47,381	9,105	38,276
16-Nov-01	Jung Tae Kim	President&CEO	17-Nov-04	16-Nov-09		500,000	0	500,000
16-Nov-01	Jung Tae Kim	President&CEO	17-Nov-04	16-Nov-09	X <sup>1</sup>	200,000 <sup>2</sup>	0	200,000
16-Nov-01	Sang Hoon Kim	Chairman	17-Nov-04	16-Nov-09		150,000	0	150,000
22-Mar-02	Choul Ju Lee	Auditor&Executive Director	23-Mar-05	22-Mar-10		9,963	0	9,963
22-Mar-02	Henry Cornell	Non Executive Director	23-Mar-05	22-Mar-10		3,321	0	3,321

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

1. Exercise price = 51,200 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4) / 100. The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - 207.25) / 207.25 x 100.
2. Conditional options up to 200,000: Additional shares shall be granted if the average closing price of Kookmin Bank's stock from August 17, 2004 to November 16, 2004 (or for the three months prior to his resignation, if he resigns earlier than his original tenure) is higher than the stock prices of any other bank listed on the Korea Stock Exchange. The number of options to be granted shall be based on total score, which calculated by the earned total scores of both ROE and market capitalization on November 17, 2004 (or on the date of his resignation, if he resigns earlier than his original tenure). The additional shares will not be exercisable if the CEO works less than 18 months or the earned total score is less than 80 points.
3. Exercise price = 57,100 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options*	Number of exercised options	Number of exercisable options
			From	To				
22-Mar-02	Sung Hyun Chung	Executive Vice President	23-Mar-05	22-Mar-10	57,100	19,525	0	19,525
22-Mar-02	Ki Sup Shin	Executive Vice President	23-Mar-05	22-Mar-10	57,100	30,000	0	30,000
22-Mar-02	Seong Kyu Lee	Executive Vice President	23-Mar-05	22-Mar-10	57,100	30,000	0	30,000
22-Mar-02	Byung Sang Kim	Executive Vice President	23-Mar-05	22-Mar-10	57,100	9,498	0	9,498
22-Mar-02	Jong Young Yoon & 15 others	Employees	23-Mar-05	22-Mar-10	57,100	148,810	0	148,810
26-Jul-02	Donald H. MacKenzie	Executive Vice President	27-Jul-05	26-Jul-10	58,800	30,000	0	30,000
21-Mar-03	Sung Nam Lee	Auditor & Executive Director	22-Mar-06	21-Mar-11		30,000	0	30,000
21-Mar-03	Moon Soul Chung	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Sun Jin Kim	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Richard Elliott Lint	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Kyung Hee Yoon	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Seoung Woo Nam	Non Executive director	22-Mar-06	21-Mar-11	Y <sup>1</sup>	10,000	0	10,000
21-Mar-03	Suk Yong Cha	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Bernard S. Black	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Ki Hong Kim	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Eun Joo Park	Non Executive director	22-Mar-06	21-Mar-11		3,351	0	3,351
21-Mar-03	Cheol Soo Ahn	Non Executive director	22-Mar-06	21-Mar-11		3,351	0	3,351
21-Mar-03	Kyung Bae Suh	Non Executive director	22-Mar-06	21-Mar-11		3,351	0	3,351
21-Mar-03	Sung Chul Kim	Executive Vice President	22-Mar-06	21-Mar-11	35,500	9,443	0	9,443
21-Mar-03	Woo Jung Lee	Executive Vice President	22-Mar-06	21-Mar-11	35,500	9,443	0	9,443
21-Mar-03	See Young Lee	Executive Vice President	22-Mar-06	21-Mar-11	35,000	7,024	0	7,024
21-Mar-03	Won Suk Oh & 6 others	Employees	22-Mar-06	21-Mar-11	35,500	90,000	0	90,000
27-Aug-03	Jin Baek Cheong	Executive Vice President	28-Aug-03	27-Aug-11	40,500	5,091	0	5,091
22-Mar-01	Han Kyoung Lee <sup>3</sup>	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	6,644	0	6,644
22-Mar-01	Jun Chae Song	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	6,644	0	6,644

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22-Mar-01	Cheol Ho Kim	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	4,429	0	4,429
22-Mar-01	Myoung Woo Lee	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	4,429	0	4,429
29-Mar-02	Boung Hak Kim	Former KCC Officer	30-Mar-04	29-Mar-11		3,330	0	3,330
29-Mar-02	Sun Lee	Former KCC Officer	30-Mar-04	29-Mar-11	Y <sup>2</sup>	3,330	0	3,330
29-Mar-02	Jang Ok Kim	Former KCC Officer	30-Mar-04	29-Mar-11		3,330	0	3,330
09-Feb-04	Young Il Kim	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	10,000	0	10,000
09-Feb-04	Jeung Lak Lee	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	10,000	0	10,000
09-Feb-04	Sang Jin Lee	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	10,000	0	10,000

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

<sup>2</sup> Exercise price = 129,100 Won x (1 + the increase rate of Comparative Industry Index x 0.4).  
If negative index produced, the factor is not to be considered.

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

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

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

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

**Table of Contents**

Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options*	Number of exercised options	Number of exercisable options
			From	To				
			09-Feb-04	Yun Keun Jung				
09-Feb-04	Kuk Shin	Employees	10-Feb-07	09-Feb-12	46,100	50,000	0	50,000
23-Mar-04	Kang & 9 others Dong Soo Chung	Non Executive Director	24-Mar-07	23-Mar-12		5,000	0	5,000
23-Mar-04	Woon Youl Choi	Non Executive Director	24-Mar-07	23-Mar-12		5,000	0	5,000
23-Mar-04	Wang Ha Cho	Non Executive Director	24-Mar-07	23-Mar-12	Y <sup>1</sup>	5,000	0	5,000
23-Mar-04	Young Soon Cheon	Non Executive Director	24-Mar-07	23-Mar-12		5,000	0	5,000
23-Mar-04	Jung Young Kang	Senior Executive Vice President	24-Mar-07	23-Mar-12	47,200	10,000	0	10,000
<b>Total</b>						<b>2,838,859</b>	<b>717,839</b>	<b>2,121,020</b>

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



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

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

**1.5. Dividend**

The following table shows dividend policy and the related information for the last three years. The Board of Directors of Kookmin Bank made a resolution not to pay dividend for the fiscal year of 2003, and shareholders of Kookmin Bank approved of no dividend payout for the year at the general shareholders meeting held on March 23, 2004

(Units: in millions of Won unless indicated otherwise)

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

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

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

(Unit: in millions of Won)

	June 30, 2004		December 31, 2003		December 31, 2002	
	Average balance	Interest rate (%)	Average balance	Interest rate (%)	Average balance	Interest rate (%)
<b>Won currency</b>						
Deposits	120,119,634	3.35	117,045,837	3.69	113,157,719	4.21
Certificate of deposit	5,788,913	4.17	4,068,327	4.45	2,119,900	4.82
Borrowings	3,189,166	3.55	3,625,926	3.89	4,568,873	4.45
Call money	1,494,968	3.62	1,315,639	3.93	1,039,249	4.02
Other	22,089,425	5.81	23,311,299	5.91	14,254,281	6.70
<b>Subtotal</b>	<b>152,682,106</b>	<b>3.74</b>	<b>149,367,028</b>	<b>4.06</b>	<b>135,140,022</b>	<b>4.49</b>
<b>Foreign currency</b>						
Deposits	1,531,606	0.61	1,276,952	0.84	1,096,544	1.28
Borrowings	3,033,233	0.85	3,462,883	1.01	2,269,774	2.45
Call money	185,702	1.19	150,609	1.07	293,151	1.65
Finance debentures issued	866,279	2.07	773,840	2.11	1,071,848	3.57
Other	37,393	0.01	26,491		23,087	
<b>Subtotal</b>	<b>5,654,213</b>	<b>0.98</b>	<b>5,690,775</b>	<b>1.12</b>	<b>4,754,404</b>	<b>2.67</b>
<b>Other</b>						
Total Shareholders Equity	9,361,275		12,053,112		14,586,550	
Allowances	509,089		98,422		63,039	
Other	13,261,836		9,509,283		3,717,379	
<b>Subtotal</b>	<b>23,132,200</b>		<b>21,660,817</b>		<b>18,366,968</b>	
<b>Total</b>	<b>181,468,519</b>	<b>3.18</b>	<b>176,718,620</b>	<b>3.47</b>	<b>158,261,394</b>	<b>3.92</b>

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

(Unit: in millions of Won)

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

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

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

(Unit: in millions of Won)

	June 30, 2004		December 31, 2003		December 31, 2002	
	Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
<b>Deposits in Won</b>						
Demand deposits	13,087,353	13,727,133	12,192,971	14,110,288	10,654,651	12,987,742
Time & savings deposits	98,586,310	95,653,542	96,668,084	97,616,747	93,347,999	93,630,423
Mutual installment deposits	6,860,103	6,728,736	6,958,043	7,054,752	8,058,664	7,491,115
Mutual installment for housing	5,513,682	5,537,464	5,161,535	5,423,853	4,463,601	4,872,637
Certificates of deposits	5,788,913	6,371,087	4,068,327	6,499,258	2,119,900	3,044,089
<b>Subtotal</b>	<b>129,836,361</b>	<b>128,017,962</b>	<b>125,048,960</b>	<b>130,704,898</b>	<b>118,644,815</b>	<b>122,026,006</b>
<b>Deposits in foreign currency</b>	<b>1,514,789</b>	<b>1,900,982</b>	<b>1,276,952</b>	<b>1,475,374</b>	<b>1,096,544</b>	<b>1,083,647</b>
<b>Trust deposits</b>						
Money trust	8,136,774	7,567,983	13,064,749	10,278,357	17,214,936	15,356,285
Property trust	18,836,553	16,024,160	24,512,746	21,453,761	16,783,690	26,852,684
<b>Subtotal</b>	<b>26,973,327</b>	<b>23,592,143</b>	<b>37,577,495</b>	<b>31,732,118</b>	<b>33,998,626</b>	<b>42,208,969</b>
<b>Total</b>	<b>158,324,477</b>	<b>153,511,087</b>	<b>163,903,407</b>	<b>163,912,390</b>	<b>153,739,985</b>	<b>165,318,622</b>

**2.2.2. Average Deposit per Domestic Branch**

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

(Unit: in millions of Won)

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

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

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

(Unit: in millions of Won)

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

**2.2.4. Loan Balances**

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

(Unit: in millions of Won)

	<u>June 30, 2004</u>		<u>December 31, 2003</u>		<u>December 31, 2002</u>	
	Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
<b>Loans in Won</b>	125,616,836	125,823,004	121,705,493	123,715,244	53,498,087	94,698,769
<b>Loans in foreign currency</b>	3,935,941	3,976,529	4,160,185	4,019,929	3,924,562	4,174,237
<b>Advances to customers</b>	96,627	61,583	107,091	89,665	244,158	199,831
<b>Subtotal</b>	129,649,404	129,861,116	125,972,769	127,824,838	57,666,807	99,072,837
<b>Trust account loans</b>	456,659	435,427	531,500	489,788	2,194,851	1,117,817
<b>Total</b>	<u>130,106,063</u>	<u>130,296,543</u>	<u>126,504,269</u>	<u>128,314,626</u>	<u>59,861,658</u>	<u>100,190,654</u>

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

(Unit: in millions of Won)

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

**Loans in foreign  
currencies**

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

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

		(Unit: in millions of Won)		
		June 30, 2004	December 31, 2003	December 31, 2002
<b>Loans to enterprise</b>				
	<b>Loans for operations</b>	35,023,952	35,351,506	35,369,066
	<b>Loans for facility</b>	6,522,031	6,631,703	5,963,631
<b>Loans to households</b>		43,079,968	42,884,305	40,477,483
<b>Loans to public sector &amp; others</b>				
	<b>Loans for operations</b>	612,590	526,227	738,632
	<b>Loans for facility</b>	41,872	42,473	39,414
<b>Loans on property formation savings</b>		12,741	62,963	95,252
<b>Loans for housing</b>		40,517,033	38,199,290	33,731,435
<b>Inter-bank loans</b>		9,452	12,815	20,941
<b>Others</b>		3,365	3,962	5,449
<b>Total</b>		<b>125,823,004</b>	<b>123,715,244</b>	<b>116,441,303</b>

**2.2.7. Loan to Deposit Ratio**

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

		(Units: in millions of Won, %)		
		June 30, 2004	December 31, 2003	December 31, 2002
	<b>Loans<sup>1</sup> (A)</b>	125,616,836	121,705,493	105,106,146
	<b>Deposits<sup>2</sup> (B)</b>	129,836,362	125,048,960	118,644,815
	<b>Loan to deposit ratio (A/B)</b>	<b>96.75</b>	<b>97.33</b>	<b>88.59</b>

**2.2.8. Acceptances and Guarantees**

		(Unit: in millions of Won)		
		June 30, 2004	December 31, 2003	December 31, 2002
	<b>Determined</b>	693,864	800,297	1,031,698



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<b>Contingent</b>	<u>1,255,115</u>	<u>1,281,518</u>	<u>1,306,878</u>
<b>Total</b>	<u>1,948,979</u>	<u>2,081,815</u>	<u>2,338,576</u>

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

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

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

		June 30, 2004		December 31, 2003		(Unit: in millions of Won) December 31, 2002	
		Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
<b>Securities in Won (Banking account)</b>							
	Monetary stabilization bonds	6,268,456	6,929,757	4,343,978	5,540,598	2,834,534	3,269,269
	Government and public bonds	5,013,583	4,572,689	5,630,422	5,885,595	4,272,946	5,252,321
	Debentures	6,100,300	5,740,146	11,028,217	7,149,089	13,154,258	12,378,717
	Stocks	968,806	974,539	1,380,254	877,013	2,146,149	1,661,682
	Others	5,380,418	5,087,489	7,687,051	7,299,404	7,809,012	7,162,134
<b>Subtotal</b>		<b>23,731,563</b>	<b>23,304,620</b>	<b>30,069,922</b>	<b>26,751,699</b>	<b>30,216,899</b>	<b>29,724,123</b>
<b>Securities in Won (Trust account)</b>							
	Monetary stabilization bonds	1,294,271	1,316,630	984,380	878,077	1,309,515	583,379
	Government and public bonds	772,443	1,080,039	1,182,165	1,252,419	2,023,503	1,323,195
	Debentures	2,513,939	2,206,600	5,876,064	4,080,362	8,035,960	7,600,794
	Stocks	599,027	540,768	763,277	592,379	904,921	924,514
	Others	1,938,599	2,067,226	3,208,160	2,106,262	3,945,649	3,821,884
<b>Securities in foreign currency (Trust Account)</b>		<b>740,683</b>	<b>683,073</b>	<b>868,819</b>	<b>767,675</b>	<b>559,964</b>	<b>747,253</b>
<b>Subtotal</b>		<b>7,858,962</b>	<b>7,894,336</b>	<b>12,882,865</b>	<b>9,677,174</b>	<b>77,213,310</b>	<b>74,449,265</b>
<b>Securities in foreign currency (Banking account)</b>							
	Foreign securities	962,949	961,881	999,806	1,072,483	945,199	960,749
	Off-shore foreign securities	327,201	280,310	269,732	277,663	320,423	255,878
<b>Subtotal</b>		<b>1,290,150</b>	<b>1,242,191</b>	<b>1,269,538</b>	<b>1,350,146</b>	<b>1,265,622</b>	<b>1,216,627</b>
<b>Total</b>		<b>32,880,675</b>	<b>32,441,147</b>	<b>44,222,325</b>	<b>37,779,019</b>	<b>48,262,033</b>	<b>45,941,769</b>

2.2.10. Trust Account

(Unit: in millions of Won)

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

**Table of Contents****2.2.11. Credit Card****2.2.11.1. BC Card**

(Unit: in millions of Won unless indicated otherwise)

As of or for the years ended of indicated dates

		June 30, 2004	December 31, 2003	December 31, 2002
<b>Number of card holders (Person)</b>				
	<b>Corporate</b>	51,109	68,359	58,090
	<b>Individual</b>	3,446,568	3,664,505	4,748,427
<b>Number of merchants</b>				
		305,225	309,699	262,619
<b>Profit</b>				
	<b>Sales<sup>1</sup></b>	7,875,300	22,326,200	27,216,500
	<b>Fee revenue</b>	391,920	1,044,463	1,039,710

**2.2.11.2. KB Card (formerly Kookmin Card<sup>2</sup>)**

(Unit: in millions of Won unless indicated otherwise)

As of or for the years ended of indicated dates

		June 30, 2004	December 31, 2003	December 31, 2002
<b>Number of card holders (Person)</b>				
	<b>Corporate</b>	133,867	151,998	153,425
	<b>Individual</b>	10,271,855	10,990,703	11,638,968
<b>Number of merchants</b>				
		1,512,364	1,528,872	1,675,176
<b>Profit</b>				
	<b>Sales<sup>1</sup></b>	25,351,800	70,209,300	83,860,180
	<b>Fee revenue</b>	1,131,789	2,967,554	155,545

**2.3. Branch Networks**

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

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

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1. Includes credit card receivables and cash advances.
2. Figures for 2002 are results of former Kookmin Credit Card.

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

(Units: in millions of Won, %)

	June 30, 2004	December 31, 2003	December 31, 2002
Risk-adjusted capital (A)	12,951,312	12,739,857	14,439,313
Risk-weighted assets (B)	124,863,630	127,397,339	138,703,021
<b>BIS ratios (A/B)</b>	<b>10.37<sup>1</sup></b>	<b>10.00</b>	<b>10.41</b>

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

(Units: in millions of Won unless indicated otherwise)

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

**2.4.3. Loan Loss Allowances**

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

(Units: in millions of Won)

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

<sup>1</sup> Tentative ratio

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

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

	<u>June 30, 2004</u>	<u>December 31, 2003</u>	<u>December 31, 2002</u>
<b>Beginning balance</b>	3,905,342	2,378,696	2,271,179
<b>Net Write-Off(-)</b>	2,234,379	2,728,891	1,485,962
<b>Write-Off</b>	4,414,274	4,509,979	1,527,311
<b>Recovery</b>	272,065	761,718	269,533
<b>Other</b>	(92,170)	1,013,370	(228,144)
	<u>1,162,535</u>	<u>4,040,536</u>	<u>1,593,479</u>
<b>Provision for loan losses</b>			
	<u>3,833,498</u>	<u>3,690,341</u>	<u>2,378,696</u>
<b>Ending balance</b>			



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

	(Unit: in millions of Won)	
	As of or for the years ended of indicated dates	
	June 30, 2004	December 31, 2003
Cash and due from banks	7,824,992	6,526,345
Securities	24,546,809	28,101,845
Loans	139,887,993	139,920,521
Fixed assets	2,944,831	3,019,556
Other assets	9,549,898	6,484,239
<b>Total assets</b>	<b>184,754,523</b>	<b>184,052,506</b>
Deposits	129,918,944	132,180,272
Borrowings	11,375,873	10,902,800
Debentures	19,668,297	19,192,581
Other liabilities	14,969,653	13,362,339
<b>Total Liabilities</b>	<b>175,932,767</b>	<b>175,637,992</b>
Common stocks	1,681,896	1,681,896
Capital surplus	6,230,738	6,230,738
Retained earnings	1,971,342	1,662,119
Capital adjustments	(1,062,220)	(1,160,239)
<b>Total shareholders equity</b>	<b>8,821,756</b>	<b>8,414,514</b>
<b>Liabilities and Shareholders Equity</b>	<b>184,754,523</b>	<b>184,052,506</b>
Operating revenue	9,600,767	15,556,986
Operating income	350,550	76,084
Continuing (loss) income before income taxes	447,364	(1,146,444)
<b>Net (loss) income</b>	<b>307,561</b>	<b>(753,348)</b>

**3.2. Other Financial Information**

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



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

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

**4.2. Non-Audit Services**

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

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

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**5. Corporate Governance and Affiliated Companies**

**5.1. Board of Directors & Committees under the Board**

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

matters relating to business objectives and performance evaluation;

matters relating to amendments of the Articles of Incorporation;

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

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

matters relating to internal control standards; or

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

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

the Board Steering Committee;

the Management Strategy Committee;

the Risk Management Committee;

the Audit Committee;

the Compensation Committee; and

the Non Executive Director Nominating Committee.

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

**5.2. Audit Committee**

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

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

For the 6 months period ended June 30, 2004, the aggregate of the remuneration paid by us to 1) President & CEO and our other executive directors and 2) our non-executive directors was 2,265 million Won, 325 million Won, respectively. The following table shows the breakdown of the remuneration.

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

As part of remuneration, Kookmin Bank also granted stock options to directors. See 1.3.3. Stock Option.

**5.4. Voting Rights of Shareholders**

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

**5.5. Share Ownership**

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

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

<b>Emerging Markets Growth</b>	<b>10,125,055</b>	<b>3.01</b>
<b>National Pension Fund</b>	<b>7,496,146</b>	<b>2.23</b>
<b>Goldman Sachs Capital SH</b>	<b>3,831,151</b>	<b>1.14</b>

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<sup>1</sup> Depository of ADRs

<sup>2</sup> Treasury stocks with no voting right

**Table of Contents**

**5.6. Affiliated Companies**

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

As of June 30, 2004, we have following affiliates.

KB Investment Co., Ltd.

KB Asset Management Co., Ltd.

KB Real Estate Trust Co., Ltd.

KB Credit Information Co., Ltd.

KB Data Systems Corporation

KB Futures Co., Ltd.

KB Life Co., Ltd.

ING Life Korea Ltd.

Kookmin Bank Luxemburg. S.A.

Kookmin Bank International (London) Ltd.

Kookmin Finance Hong Kong Ltd.

Sorak Financial Holdings

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

(Unit: in millions of Won)

**Operating results of the latest fiscal year**

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

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

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

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

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

**6.1. Executive Directors**

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

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

<u>Name</u>	<u>Date of Birth</u>	<u>Position</u>	<u>Common Stocks Owned</u>
Jung Tae Kim	08/15/1947	President & CEO	126,581
Seong Kyu Lee	10/25/1059	Executive Director & EVP	
Donald H. MacKenzie	12/20/1948	Executive Director & EVP	

**6.2. Non-Executive Directors**

Our non-executive directors are selected based on the candidates' talents and skills in diverse areas, such as law, finance, economy, management and accounting. As of August 13, 2004, 11 non-executive directors are in office.

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

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



**Table of Contents****6.3. Senior Management**

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

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

**6.4. Compensation to Directors and Senior Management**

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

**6.5. Employees**

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

(Unit: in millions of Won)

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

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

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

**7.1. Transactions with the Largest Shareholders or Affiliates****7.1.1. Investments in Affiliates<sup>1</sup>**

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

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

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

(Unit: in millions of Won)

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

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

(Unit: in millions of Won)

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

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



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**7.2.2. Real Estate Transaction**

(Unit: in millions of Won)

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

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**SIGNATURES**

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

Kookmin Bank  
(Registrant)

Date: August 13, 2004

By: /s/ Ki Sup Shin

\_\_\_\_\_  
(Signature)

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

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**Kookmin Bank**

**Non-Consolidated Interim Financial Statements**

**June 30, 2004 and 2003**

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

**Report of Independent Accountants**

To the Board of Directors and Shareholders of

Kookmin Bank

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

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

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

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

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

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

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

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

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

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

Seoul, Korea

July 15, 2004

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



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

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

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

See Report of Independent Accountants



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

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

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

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

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

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

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

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

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

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

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

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

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**Notes to Non-Consolidated Financial Statements**

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**(Unaudited)**

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**1. The Bank**

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

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

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

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

**2. Summary of Significant Accounting Policies**

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

**Basis of Financial Statement Presentation**

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

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

### **Application of the Statements of Korean Financial Accounting Standards**

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

### **Accounting Estimates**

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

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**Recognition of Interest Income**

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

**Securities**

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

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

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

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

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

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

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**Investments in Associates**

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

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

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

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

**Deferred Loan Origination Fees and Costs**

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

**Allowances for Loan Losses**

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

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

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

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

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

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

**Troubled Debt Structuring**

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

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

**Fixed Assets and Related Depreciation**

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

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

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

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

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

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

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

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

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

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

### **Stock Issuance Costs and Debenture Issuance Costs**

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

### **Accrued Retirement Benefits**

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

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

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**Deferred Income Taxes**

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

**Bonds under Repurchase/Resale Agreements**

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

**Derivative Instruments**

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

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

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

**Stock Options**

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

**National Housing Fund**

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

**Gains and Losses on Trust Management**

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

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

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**Notes to Non-Consolidated Financial Statements**

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

**(Unaudited)**

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**Foreign Currency Translation**

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

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

**Statement of Cash Flows**

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

**Restatement of Prior Period Financial Statements**

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

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

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

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

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

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

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

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

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

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

**4. Securities**

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

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

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

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

*(in millions of Korean Won)*

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

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

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

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

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

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



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

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**(Unaudited)**

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

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

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

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

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

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

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

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

*(in millions of Korean Won)*

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

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

*(in millions of Korean Won)*

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

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

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

<sup>1\*</sup> Net asset values are calculated using the unaudited financial statements of the investees as of June 30, 2004 when available. Otherwise, the most recent financial information is used.

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(in millions of

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

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

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

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

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

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

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

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

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

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

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

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<b>Book Value</b>	(Won) 1,093,166	(Won) 810,202	(Won) 62,149	(Won) 393,862	(Won) 34,989	(Won) 2,394,368
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Tangible assets covered by insurance policies as of June 30, 2004 are as follows:

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

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

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

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

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

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

**8. Other Assets**

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

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

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

*(in millions of Korean Won)*

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

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

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

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

**10. Borrowings**

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

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



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

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

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

**11. Debentures**

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

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

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

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

2\* Kookmin Credit Card Co., Ltd.

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

(in millions of Korean Won)

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

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

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

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

**12. Accrued Retirement Benefits**

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

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

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

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

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

1\* Other allowances are as follows:

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



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

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

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

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

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(in millions of Korean Won)

**Guarantees and  
Acceptances  
Outstanding in**

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

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

(in millions of Korean Won)

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

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

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

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

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

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Others	16,504	2.38	69,286	5.52	85,790	4.40
	(Won) 693,864	100.00	(Won) 1,255,115	100.00	(Won) 1,948,979	100.00

**15. Derivatives**

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

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

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

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

(in millions of

Korean Won)

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

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

(in millions of Korean Won)

**Gain on derivatives**

Gain on derivative transactions

(Won) 1,459,391

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

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

*(in millions of**Korean Won)*

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

**16. Commitments and Contingencies**

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

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



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

1\* The Bank (partially) won the case.

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

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**(Unaudited)**

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

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

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

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

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

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

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

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

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

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

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

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**(Unaudited)**

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

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

**17. Capital**

As of June 30, 2004, the Bank has 1 billion common shares authorized with a par value per share of (Won)5,000 and 336,379,116 shares issued. ING Insurance International B.V. owns 3.78% of the total issued shares. As of June 30, 2004, 39,723,137 common shares, equivalent to 11.81% of the total issued shares, are listed on the New York Stock Exchange as ADSs and are managed by the Bank of New York, the trustee of the Bank.

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

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

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

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

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

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

**19. Retained Earnings**

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

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

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

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

### 20. Capital Adjustments

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

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

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

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

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

**21. Employee Stock Options**

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

Series	Grant Date	Shares		Shares		Exercise Price	Exercise Period
		Granted	Forfeiture	Exercised	Outstanding		
Series 1	00.03.18	233,940	121,411	42,680	69,849	(Won) 23,469	03.03.19 - 05.03.18
Series 2	01.03.15	214,975	16,882	19,872	178,221	28,027	04.03.16 - 09.03.15
Series 3	98.10.31	400,000		390,000	10,000	5,000	01.11.01 - 04.10.31
Series 4	99.02.27	280,000	59,892	220,108		13,900	02.02.28 - 05.02.27
Series 5	00.02.28	267,000	65,218	34,963	166,819	27,600	03.03.01 - 06.02.28
Series 6	01.03.24	111,000	38,624	10,216	62,160	25,100	04.03.25 - 07.03.24
Series 7 <sup>1*2*</sup>	01.11.16	850,000			850,000	51,200	04.11.17 - 09.11.16
Series 8-1 <sup>2*</sup>	02.03.22	132,000	89,753		42,247	57,100	05.03.23 - 10.03.22
Series 8-1 <sup>3*</sup>	02.03.22	490,000	166,466		323,534	57,100	05.03.23 - 10.03.22
Series 9 <sup>3*</sup>	02.07.26	30,000			30,000	58,800	05.07.27 - 10.07.26
Series 10-1 <sup>2*</sup>	03.03.21	140,000	19,947		120,053	41,200	06.03.22 - 11.03.21
Series 10-1 <sup>3*</sup>	03.03.21	180,000	64,090		115,910	35,500	06.03.22 - 11.03.21
Series 11 <sup>3*</sup>	03.08.27	30,000	24,909		5,091	40,500	06.08.28 - 11.08.27
Series 12 <sup>3*</sup>	04.02.09	85,000			85,000	46,100	07.02.10 - 12.02.09
Series 13-1 <sup>2*</sup>	04.03.23	20,000			20,000	47,200	07.03.22 - 12.03.23
Series 13-1 <sup>3*</sup>	04.03.23	10,000			10,000	47,200	07.03.22 - 12.03.23
Increase due to merger-1 <sup>4*</sup>	01.03.22	22,146			22,146	71,538	04.03.23 - 11.03.22
Increase due to merger-2 <sup>2*4*</sup>	02.03.29	9,990			9,990	129,100	04.03.30 - 11.03.29

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

**23. General and Administrative Expenses**

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

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

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Retirement benefits (Note 12)	55,163
Other employee benefits	164,335
Rent	36,949
Depreciation	157,651
Amortization	44,327
Taxes and dues	60,150
Advertising	16,835
Ordinary Research and Development	61,459
Fees and commissions	44,331
Others	98,735
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	(Won) 1,315,626
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**Table of Contents****Kookmin Bank****Notes to Non-Consolidated Financial Statements****June 30, 2004 and 2003, and December 31, 2003****(Unaudited)****24. Non-Operating Income (Expenses)**

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

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

**25. Income Tax Expense**

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

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<i>(in millions of Korean Won)</i>	<u>2004</u>
Income tax payable	(Won) 57,308
Deferred income taxes from temporary differences	83,071
Retained earnings and other capital surplus adjustments <sup>1*</sup>	(576)
	<hr/>
Income tax expense	(Won) 139,803
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<sup>1\*</sup> Income tax effect from the change in retained earnings from loss on disposal of treasury stock.

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

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

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

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



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(Won) 1,903,347	603,482	905,260	1,601,569	(Won) 445,286
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**(Unaudited)**

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**26. Earnings Per Share**

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

**2004.6.30**