

KOOKMIN BANK  
Form 6-K  
March 15, 2006

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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 March 2006

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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.

Form 20-F  Form 40-F

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

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

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

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

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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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**Kookmin Bank s 2005 Audit Report and Consolidated Operating**

**Results for the Fiscal year 2005**

On March 15, 2006, Kookmin Bank released audit report for the fiscal year of 2005, which includes comparative non-consolidated financial statements for the years ended December 31, 2005 and 2004 and related notes to the statements.

On March 15, 2006, Kookmin Bank also disclosed summary of consolidated operating results prepared in accordance with Korean GAAP for the fiscal year 2005.

Kookmin Bank will disclose *Kookmin Bank and Its Subsidiaries Consolidated Audit Report* with full financial statements and relevant notes in English as of and for the years ended 2005 and 2004 latest by the end of March 2006.

Exhibit 99.1\_Kookmin Bank s 2005 non-consolidated Audit Report

Exhibit 99.2\_Consolidated Operating Results for the Fiscal year 2005

**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: March 15, 2006

By: /s/ Kap Shin  
(Signature)  
Name: Kap Shin  
Title: CFO / Senior EVP  
Executive Director

KOOKMIN BANK

NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2005

AND INDEPENDENT AUDITORS REPORT

**Independent Auditors Report**

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of

Kookmin Bank:

We have audited the accompanying non-consolidated balance sheet of the Bank accounts of Kookmin Bank (the Bank ) as of December 31, 2005 and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year ended December 31, 2005, all expressed in Korean Won. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of December 31, 2004, which are presented for comparative purposes, were audited by other auditors, and in their report dated February 4, 2005, they expressed an unqualified opinion on those financial statements. As explained in Note 2, the financial statements for the year ended December 31, 2004 presented for comparative purpose were restated to reflect the changes in accounting principles made in 2005.

We conducted our audit in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2005 and the results of its operations, changes in its retained earnings and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

Without qualifying our opinion, we draw attention to the following:

As explained in Note 2 to the non-consolidated financial statements, the Bank recorded individual assets and liabilities comprised in private beneficiary certificates in their respective bank accounts, and net operating results from the private beneficiary certificates were recorded as one line item of income or loss from beneficiary certificates in the income statements by the end of 2004. However, in accordance with the new interpretation on the accounting of private beneficiary certificates by the Financial Supervisory Service, a private beneficiary certificate on which management, as an investor, agrees to have no interference and is not managing, is regarded as an ordinary beneficiary certificate and recorded as securities. As a result of the change of accounting principle, the Bank restated the accompanying financial statements as of December 31, 2004, which increased total assets, total liabilities and capital adjustments by (Won)76,568 million, (Won)2,668 million and (Won)268,696 million, respectively, and decreased retained earnings before appropriations by (Won)194,796 million. Moreover, total assets and total liabilities increased by (Won)27,486 million, capital adjustments decreased by (Won)101,676 million as of December 31, 2005, and net income for the year then ended increased by (Won)101,676 million due to the above accounting change.

As explained in Notes 2, 14, and 16 to the non-consolidated financial statements, until 2004, the Bank provided allowance for possible losses on confirmed acceptances and guarantees, which were classified as substandard or less than substandard. However, pursuant to the amended Supervisory Regulation of Banking Business, the Bank has extended the scope of allowance for possible losses on acceptances and guarantees to note endorsed, unconfirmed acceptances and guarantees, and confirmed acceptances and guarantees classified as normal and precautionary, and provided allowance for possible losses based on the credit classification and minimum rate of loss provision prescribed by Financial Supervisory Service and the cash conversion factor of the respective exposures as of December 31, 2005. In connection with the amendment of Supervisory Regulation of Banking Business, the Bank has also extended the scope of other allowance for the unused line of credit from the unused cash advance facility of active credit card accounts with transaction records during the recent one year to the unused credit limit for purchase of credit card and unused credit line of consumer and corporate loans, and provided other allowance based on the cash conversion factor and minimum rate of loss provision prescribed by Financial Supervisory Service as of December 31, 2005. Due to these changes, allowance for acceptances and guarantees and other allowances increased by (Won)7,645 million and (Won)296,469 million as of December 31, 2005, respectively, and net income for the year then ended decreased by (Won)220,483 million.

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

February 24, 2006

/s/ Deloitte Anjin LLC

Notice to Readers

This report is effective as of February 24, 2006, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

## KOOKMIN BANK

## NON-CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2005 AND 2004

	Korean Won (Restated)	
	2005	2004
	(In millions)	
<b>ASSETS</b>		
Cash and due from banks (Notes 3, 20 and 21)	(Won) 5,867,417	(Won) 5,139,604
Securities (Notes 4, 20 and 21)	30,550,299	27,965,441
Loans (Notes 5, 6, 7, 20 and 21)	135,738,407	135,769,326
Fixed assets (Note 8)	2,436,702	2,633,218
Other assets (Note 9)	5,000,824	8,133,541
	(Won) 179,593,649	(Won) 179,641,130
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Deposits (Notes 10, 20 and 21)	(Won) 126,281,232	(Won) 127,010,534
Borrowings (Notes 11, 20 and 21)	13,737,336	9,634,296
Debentures (Notes 12, 20 and 21)	16,547,987	21,874,695
Other liabilities (Notes 13, 14, 15 and 16)	10,653,494	11,943,063
	167,220,049	170,462,588
<b>SHAREHOLDERS' EQUITY (Notes 17 and 18):</b>		
Common stock	1,681,896	1,681,896
Capital surplus	6,254,786	6,230,738
Retained earnings		
(Net income of (Won)2,252,218 million for the year ended December 31, 2005 and (Won)360,454 million for the year ended December 31, 2004)	3,929,948	1,846,895
Capital adjustments	506,970	(580,987)
	12,373,600	9,178,542
	(Won) 179,593,649	(Won) 179,641,130

See accompanying notes to non-consolidated financial statements.



## KOOKMIN BANK

## NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	Korean Won (Restated)	
	2005 (In millions except per share amounts)	2004
<b>OPERATING REVENUE:</b>		
Interest income:		
Interest on due from banks (Note 21)	(Won) 26,274	(Won) 9,995
Interest on securities (Note 21)	1,127,393	1,045,947
Interest on loans (Note 21)	10,139,482	11,437,600
Other interest income	28,258	40,542
	11,321,407	12,534,084
Commission income	1,139,251	1,085,089
Other operating income:		
Gain on disposal of trading securities	93,736	184,554
Gain on valuation of trading securities (Note 4)		26,745
Dividends on trading securities	4,869	3,289
Dividends on available-for-sale securities	3,281	7,835
Foreign exchange trading income	254,101	257,039
Fees and commissions from trust accounts (Note 26)	137,666	117,869
Gain on financial derivatives trading	3,652,414	4,057,392
Gain on valuation of financial derivatives (Note 19)	1,152,891	2,196,112
Gain on valuation of fair value hedged items (Note 19)	56,144	6,065
Other operating income	39,498	41,945
	5,394,600	6,898,845
<b>Total operating revenues</b>	<b>17,855,258</b>	<b>20,518,018</b>
<b>OPERATING EXPENSES:</b>		
Interest expenses:		
Interest on deposits (Note 21)	3,209,746	3,909,204
Interest on borrowings (Note 21)	384,332	326,586
Interest on debentures (Note 21)	1,034,471	1,116,110
Other interest expenses	35,026	60,320
	4,663,575	5,412,220
Commission expense	352,546	470,755
Other operating expenses:		
Loss on disposal of trading securities	79,525	69,815
Loss on valuation of trading securities (Note 4)	14,550	
Provision for possible loan losses (Note 7)	1,053,088	3,068,248
Provision for acceptance and guarantee losses (Note 14)	9,008	206
Foreign exchange trading losses	237,323	305,448

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Loss on financial derivatives trading (Note 19)	3,575,745	3,990,483
Loss on valuation of financial derivatives (Note 19)	1,097,056	2,050,551
Other operating expenses	781,258	684,141
	6,847,553	10,168,892
General and administrative expenses (Note 22)	2,975,762	2,739,933
Total operating expenses	14,839,436	18,791,800

(Continued)

## KOOKMIN BANK

## NON-CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	Korean Won (Restated)	
	2005	2004
	(In millions except per share amounts)	
OPERATING INCOME	(Won) 3,015,822	(Won) 1,726,218
NON-OPERATING INCOME (Note 23)	734,695	464,417
NON-OPERATING EXPENSES (Note 23)	522,264	1,560,724
ORDINARY INCOME	3,228,253	629,911
EXTRAORDINARY ITEM		
INCOME BEFORE INCOME TAX	3,228,253	629,911
INCOME TAX EXPENSE (Note 24)	976,035	269,457
NET INCOME	(Won) 2,252,218	(Won) 360,454
ORDINARY INCOME PER SHARE (In currency units) (Note 25)	(Won) 6,977	(Won) 1,176
NET INCOME PER SHARE (In currency units) (Note 25)	(Won) 6,977	(Won) 1,176
DILUTED ORDINARY INCOME PER SHARE (In currency units) (Note 25)	(Won) 6,973	(Won) 1,176
DILUTED NET INCOME PER SHARE (In currency units) (Note 25)	(Won) 6,973	(Won) 1,176

See accompanying notes to non-consolidated financial statements.

## KOOKMIN BANK

## NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	Korean Won (Restated)	
	2005	2004
	(In millions)	
<b>RETAINED EARNINGS BEFORE APPROPRIATIONS:</b>		
Accumulated deficits carried over from prior years	(Won) (194,772)	(Won) (176,963)
Adjustment by the application of equity method		1,614
Net income	2,252,218	360,454
	2,057,446	185,105
<b>TRANSFER FROM VOLUNTARY RESERVES:</b>		
Voluntary reserve		220,100
Business rationalization reserve (Note 17)		40,760
		260,860
<b>APPROPRIATIONS:</b>		
Legal reserve (Note 17)	225,300	55,600
Reserve for financial structure improvement (Note 17)		55,600
Reserve for losses on sale of treasury stock		359,525
Voluntary reserve	1,646,500	
Cash dividends (Note 17)	184,889	168,574
Other reserve	698	1,438
	2,057,387	640,737
<b>UNAPPROPRIATED RETAINED EARNINGS (UNDISPOSED DEFICIT) TO BE CARRIED FORWARD TO SUBSEQUENT YEARS</b>	(Won) 59	(Won) (194,772)

See accompanying notes to non-consolidated financial statements.

## KOOKMIN BANK

## NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	Korean Won (Restated)	
	2005	2004
	(In millions)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	(Won) 2,252,218	(Won) 360,454
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of trading securities	79,525	69,815
Provision for possible loan losses	1,053,088	3,068,248
Loss on financial derivatives trading	3,575,745	3,990,483
Loss on valuation of financial derivatives	1,097,056	2,050,551
Loss on valuation of securities accounted for using the equity method	6,466	63,760
Provision for severance benefits	129,897	124,608
Depreciation and amortization	347,121	415,289
Loss on disposal of available-for-sale securities	19,199	24,350
Loss on impairment of available-for-sale securities	98,025	82,272
Loss on disposal of tangible assets	4,197	16,736
Loss on sale of loans	16,396	1,183,331
Gain on disposal of trading securities	(93,736)	(184,554)
Loss (gain) on valuation of trading securities	14,550	(26,745)
Gain on financial derivatives trading	(3,652,414)	(4,057,392)
Gain on valuation of financial derivatives	(1,152,891)	(2,196,112)
Gain on valuation of fair value hedged items	(56,144)	(6,065)
Gain on valuation of securities accounted for using the equity method	(98,812)	(58,746)
Gain on disposal of available-for-sale securities	(319,534)	(157,924)
Gain on disposal of tangible assets	(11,377)	(29,546)
Gain on sale of loans	(81,743)	(23,770)
Others, net	416,163	298,355
	1,390,777	4,646,944

(Continued)

## KOOKMIN BANK

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

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	Korean Won (Restated)	
	2005	2004
	(In millions)	
<b>Changes in assets and liabilities resulting from operations:</b>		
Net decrease in trading securities	(Won) 83,746	(Won) 1,373,669
Net decrease (increase) in accounts receivable	1,886,896	(634,134)
Net decrease (increase) in accrued income	(27,184)	114,504
Net decrease (increase) in prepaid expenses	(9,726)	101,231
Net decrease (increase) in deferred income tax assets	(23,224)	112,395
Net increase (decrease) in other payables	(1,888,528)	836,594
Net increase (decrease) in accrued expenses	690,859	(139,723)
Net increase in advances from customers	169,124	81,956
Payment of severance benefits	(62,332)	(39,107)
Increase in severance insurance deposits	(43,204)	(29,975)
Others, net	(4,662)	(430,389)
	771,765	1,347,021
Net cash provided by operating activities	4,414,760	6,354,419
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net decrease (increase) in restricted due from banks	(418,580)	943,393
Net decrease (increase) in available-for-sale securities	1,492,570	(1,243,702)
Net increase in held-to-maturity securities	(3,939,317)	(248,579)
Net decrease in securities accounted for using the equity method	11,944	5,894
Net decrease (increase) in loans	(1,005,348)	602,613
Disposal of fixed assets	28,948	185,430
Purchase of fixed assets	(183,069)	(218,079)
Net decrease in other assets	105,102	242,188
Net cash provided by (used in) investing activities	(3,907,750)	269,158
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net decrease in deposits	(726,037)	(5,169,738)
Net increase (decrease) in debentures	(5,304,797)	2,682,113
Net increase (decrease) in borrowings	4,214,085	(1,268,504)
Net increase (decrease) in other liabilities	1,615,221	(3,319,856)
Net cash used in financing activities	(201,528)	(7,075,985)
<b>NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS</b>	<b>305,482</b>	<b>(452,408)</b>
CASH AND DUE FROM BANKS, BEGINNING OF YEAR	3,319,349	3,771,757
<b>CASH AND DUE FROM BANKS, END OF YEAR (Note 30)</b>	<b>(Won) 3,624,831</b>	<b>(Won) 3,319,349</b>

See accompanying notes to non-consolidated financial statements.

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KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

1. GENERAL:

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

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

The Bank's shares have been listed on the Korea Stock Exchange since September 1994. As a result of the business combination with H&CB, the former shareholders of the Bank and H&CB received new common shares of the Bank on the basis of a pre-determined ratio. The new common shares of the Bank were listed on the Korea Stock Exchange on November 9, 2001. As of December 31, 2005, the Bank's paid-in capital amounts to (Won)1,681,896 million and its 51,175,814 shares are listed on the New York Stock Exchange as American Depositary Shares ( ADS ).

The Bank is engaged in the banking and trust businesses according to the provisions of the General Banking Act and the Trust Business Act, and operates through 1,097 domestic branches and offices (excluding 200 automated teller machine stations) and three overseas branches (excluding 2 subsidiaries and 1 office) as of December 31, 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Non-consolidated Financial Statement Presentation

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

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

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Interest Income Recognition

The Bank applies the accrual basis in recognizing interest income related to deposits, loans and securities, except for non-secured uncollectible receivables. Interest on loans, whose principal or interest is past due at the balance sheet date, is generally not accrued, with the exception of interest on certain loans secured by guarantee of governments or government agencies, or collateralized by bank deposits. When a loan is placed on non-accrual status, previously accrued interest is generally reversed and deducted from current interest income; and future interest income is recognized on cash basis in accordance with the accounting standards of the banking industry. As of December 31, 2005 and 2004, the principal amount of loans and securities of which the accrued interest income was not recorded in the accompanying financial statements based on the above criteria amounted to (Won)7,875,123 million and (Won)8,600,175 million, respectively, and the related accrued interest income not recognized amounted to (Won)462,799 million and (Won)551,683 million, respectively.

Classification of Securities

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

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

Valuation of Securities

(1) Valuation of Trading Securities

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

(2) Valuation of Available-for-sale Securities

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



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

(3) Valuation of Held-to-maturity Securities

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

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

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

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

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

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

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

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

(6) Reclassification of Securities

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



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

#### Transfer of Securities

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

#### Allowance for Possible Losses on Credits

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

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

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

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

The Bank partially changed the accounting estimation in providing allowance for household loans in accordance with the Supervisory Regulation during the current year. The Bank extended the scope of borrowers classified as normal and precautionary for the secured household loans and applied the same overdue principle for general consumer loans to the secured household loans. Additionally, the Bank newly applied the economic recovery value method in estimating the expected recovery value of the collateral assets pledged as secured loans. The change in accounting estimate above is to reflect economic substantiality based on historical experience, and the effect of changes has been applied prospectively.

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In addition, when an allowance for possible loan losses required by the Supervisory Regulation is less than the amount calculated based on the historical loss rate, which is estimated through objective and reasonable method in accordance with the accounting principle in the Republic of Korea, historical loss rate is reflected in the provision for possible loan losses since 2004.

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

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

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

Until 2004, the Bank provided allowance for possible losses on confirmed acceptances and guarantees, which were classified as substandard or less than substandard. However, pursuant to the amended Supervisory Regulation of Banking Business, the Bank has extended the scope of allowance for possible losses on acceptances and guarantees to note endorsed, unconfirmed acceptances and guarantees, and confirmed acceptances and guarantees classified as normal and precautionary, and provided allowance for possible losses based on the credit classification and minimum rate of loss provision prescribed by Financial Supervisory Service and the cash conversion factor of the respective exposures as of December 31, 2005. In connection with the amendment of Supervisory Regulation of Banking Business, the Bank has also extended the scope of other allowance for the unused line of credit from the unused cash advance facility of active credit card accounts with transaction records during the recent one year to the unused credit limit for purchase of credit card and unused credit line of consumer and corporate loans, and provided other allowance based on the cash conversion factor and minimum rate of loss provision prescribed by Financial Supervisory Service as of December 31, 2005. Due to these changes, allowance for acceptances and guarantees and other allowances increased by (Won)7,645 million and (Won)296,469 million as of December 31, 2005, respectively, and net income for the year then ended decreased by (Won)220,483 million. Since it is impractical to determine the accumulated effect of applying the changes in accounting policies to any prior periods, the new accounting principles were applied prospectively during the current year and the effect of the changes is recognized in the current year's operations.

### Restructuring of Loans

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

### Deferred Loan Origination Fees and Costs

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

Valuation of Receivables and Payables at Present Value

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

Tangible Assets and Related Depreciation

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

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

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

Intangible Assets and Related Amortization

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

<b>Intangible assets</b>	<b>Estimated useful life</b>
Goodwill	9 years
Trademarks	5-20 years
Others	3-30 years

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

Valuation Allowance for Non-Business Use Property

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

Recognition of Impairment of Assets

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



Amortization of Discounts (Premiums) on Debentures

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

Bonds under Resale or Repurchase Agreements

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

Contingent Liabilities

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

Accrued Severance Benefits

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

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

Accounting for Derivative Instruments

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

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

Accounting for Stock Options

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

National Housing Fund

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

Accounting for Trust Accounts

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

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

Income Tax Expense

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

Accounting for Foreign Currency Transactions and Translation

The Bank maintains its accounts in Korean Won. Transactions in foreign currencies are recorded in Korean Won based on the prevailing rate of exchange on the transaction date. The Korean Won equivalent of assets and liabilities denominated in foreign currencies are translated in these financial statements based on the basic rate ((Won)1,013.00 and (Won)1,043.80 to US\$ 1.00 at December 31, 2005 and 2004, respectively) announced by Seoul Money Brokerage Service, Ltd. or cross rates for other currencies other than U.S. Dollars at the balance sheet dates. Translation gains and losses are credited or charged to operations. Financial statements of overseas branches are translated based on the basic rate at balance sheet dates.



Application of the Statement of Korea Accounting Standards

The Korea Accounting Standard Board (KASB) under the Korea Accounting Institute (KAI) issued the Statements of Korea Accounting Standards (SKAS) for achieving a set of Korean accounting standards that should be internationally acceptable and comparable. The Statements supersede the relative articles of existing accounting standards and constitute generally accepted accounting standards of the Republic of Korea. The Bank has implemented SKAS No.1 (Accounting Changes and Correction of Errors) since January 1, 2002 and adopted SKAS from No.2 (Interim Financial Statements) through No.9 (Convertible Securities), since January 1, 2003. Also, the Bank has implemented SKAS No.13 (Troubled Debt Restructurings), since January 1, 2004 and adopted SKAS No.15 (Investment in Associates), No. 16 (Income Taxes) and No. 17 (Provisions, Contingent Liabilities and Contingent Assets), since January 1, 2005.

Restatement of Prior Period Financial Statements

The Bank recorded individual assets and liabilities comprised in private beneficiary certificates in their respective bank accounts, and net operating results from the private beneficiary certificates were recorded as one line item of income or loss from beneficiary certificates in the income statements by the end of 2004. However, in accordance with the new interpretation on the accounting of private beneficiary certificates by the Financial Supervisory Service, a private beneficiary certificate on which management, as an investor, agrees to have no interference and is not managing, is regarded as an ordinary beneficiary certificate and recorded as securities. As a result of the change of accounting principle, the Bank restated the accompanying financial statements as of December 31, 2004, which increased total assets, total liabilities and capital adjustments by (Won)76,568 million, (Won)2,668 million and (Won)268,696 million, respectively, and decreased retained earnings before appropriations by (Won)194,796 million. Moreover, total assets and total liabilities increased by (Won)27,486 million, capital adjustments decreased by (Won)101,676 million as of December 31, 2005, and net income for the year then ended increased by (Won)101,676 million due to the above accounting change.

In addition, the Bank recorded the commission and fees from credit card receivables from lump sum payment and installment payment and other credit card commission and fees as commission income until 2004. However, pursuant to the amended Supervisory Regulation of Banking Business, those commission and fees from credit card receivables have been reclassified as interest income during the current year. Due to this change, interest income increased by (Won)1,015,115 million and (Won)1,131,358 million, and commission and fee income decreased by the same amount for the years ended December 31, 2005 and 2004, respectively. However, the reclassification has no effect on net income or shareholders' equity for the years ended and as of December 31, 2005 and 2004.

Reclassification

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

3. CASH AND DUE FROM BANKS:

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

	<b>2005</b>	<b>2004</b>
Cash and checks	(Won) 2,683,479	(Won) 2,380,578
Foreign currencies	150,402	124,735
Due from banks in Won	2,495,595	2,030,595
Less: Present value discount		(3,751)
Due from banks in foreign currencies	537,941	607,447
	(Won) 5,867,417	(Won) 5,139,604

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

Financial institution	Interest (%)	2005	2004
<b>Due from banks in Won</b>			
BOK		(Won) 2,189,339	(Won) 1,685,105
Woori Bank and others	2.20~4.06	304,019	254,537
Hansol Mutual Savings			90,000
Korea Stock Exchange and others		2,237	953
Present value discount			(3,751)
		(Won) 2,495,595	(Won) 2,026,844

Due from banks in foreign currencies

BOK		(Won) 46,501	(Won) 43,631
Korea Exchange Bank and others	0.00~4.43	78,136	74,274
Woori Bank and others	4.05~4.86	413,304	489,542
		(Won) 537,941	(Won) 607,447

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

Financial institution	2005	2004	Reason for restriction
<b>Due from banks in Won</b>			
BOK	(Won) 2,189,339	(Won) 1,685,105	BOK Act
Hansol Mutual Savings		90,000	Withdrawal at maturity
Woori Bank	4,029	4,029	Escrow account
Korea Stock Exchange and others	2,237	953	Futures margin accounts/others
<b>Due from banks in foreign currencies</b>			
BOK	46,501	43,631	BOK Act
J.P.Morgan Chase & Co. and others	480	288	Futures margin accounts
	(Won) 2,242,586	(Won) 1,824,006	

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

Financial institution	2005	2004
<b>Due from banks in Won</b>		
BOK	(Won) 2,189,339	(Won) 1,685,105
Banks	304,019	254,537
Others	2,237	90,953
	2,495,595	2,030,595
<b>Due from banks in foreign currencies</b>		
BOK	46,501	43,631
Banks	490,960	563,493
Others	480	323

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537,941 607,447

(Won) 3,033,536 (Won) 2,638,042

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

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

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4. SECURITIES:

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

	2005	2004
Trading securities	(Won) 3,551,425	(Won) 3,635,510
Available-for-sale securities	16,180,784	17,555,764
Held-to-maturity securities	10,228,573	6,229,435
Securities accounted for using the equity method	589,517	544,732
	(Won) 30,550,299	(Won) 27,965,441

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

Classification	Face value	Acquisition cost (*)	Adjusted by effective interest rate method	Fair value	
				(Net asset value)	Book value
<b>Trading securities</b>					
Equity securities	(Won)	(Won) 179,074	(Won)	(Won) 200,147	(Won) 200,147
Beneficiary certificates	197	256		256	256
Government and public bonds	1,692,298	1,661,025	1,663,369	1,635,898	1,635,898
Finance bonds	1,607,663	1,601,395	1,603,586	1,594,839	1,594,839
Corporate bonds	120,000	119,407	119,690	120,285	120,285
	(Won) 3,420,158	(Won) 3,561,157	(Won) 3,386,645	(Won) 3,551,425	(Won) 3,551,425
<b>Available-for-sale securities</b>					
Equity securities	(Won)	(Won) 778,421	(Won)	(Won) 1,240,764	(Won) 1,156,629
Equity investments		511		3,718	3,723
Beneficiary certificates	2,051,178	2,052,680		2,075,933	2,075,933
Government and public bonds	2,725,370	2,721,469	2,705,844	2,687,671	2,687,671
Finance bonds	8,324,183	8,244,488	8,248,052	8,232,310	8,232,310
Foreign government bonds	9,117	10,078	9,382	9,328	9,328
Corporate bonds	1,181,077	1,067,741	1,112,467	1,115,995	1,115,995
Asset-backed securities	1,105,000	1,041,568	892,761	891,108	891,108
Other debt securities	40,835	5,633		8,087	8,087
	(Won) 15,436,760	(Won) 15,922,589	(Won) 12,968,506	(Won) 16,264,914	(Won) 16,180,784
<b>Held-to-maturity securities</b>					
Government and public bonds	(Won) 4,621,429	(Won) 4,605,400	(Won) 4,609,832	(Won) 4,495,326	(Won) 4,609,832
Finance bonds	3,570,159	3,543,074	3,564,988	3,523,461	3,564,988
Corporate bonds	1,714,780	1,705,750	1,718,819	1,697,135	1,718,819
Asset-backed securities	335,000	334,906	334,934	333,890	334,934
	(Won) 10,241,368	(Won) 10,189,130	(Won) 10,228,573	(Won) 10,049,812	(Won) 10,228,573

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



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

Classification	Face value	Acquisition cost (*)	Adjusted by effective interest rate method	Fair value (Net asset value)	Book value
<b>Trading securities</b>					
Equity securities	(Won) 10,663	(Won) 176,191	(Won) 751,894	(Won) 184,545	(Won) 184,545
Beneficiary certificates	10,663	10,883		10,884	10,884
Government and public bonds	740,000	752,941	751,894	756,658	756,658
Finance bonds	2,390,000	2,378,075	2,366,183	2,380,214	2,380,214
Corporate bonds	160,000	159,863	160,124	159,605	159,605
Asset-backed securities	45,000	44,909	44,860	44,963	44,963
Other debt securities	100,000	98,632	98,630	98,641	98,641
	(Won) 3,445,663	(Won) 3,621,494	(Won) 3,421,691	(Won) 3,635,510	(Won) 3,635,510
<b>Available-for-sale</b>					
Equity securities	(Won) 5,302,303	(Won) 579,017	(Won) 818,892	(Won) 886,390	(Won) 799,737
Equity investments		512		5,094	3,711
Beneficiary certificates	5,302,303	5,145,408		5,414,250	5,414,250
Government and public bonds	809,670	820,371	818,892	837,886	837,886
Finance bonds	8,111,665	8,011,814	8,003,009	8,037,124	8,037,124
Foreign government bonds	30,736	33,381	31,424	32,638	32,638
Corporate bonds	1,709,994	1,659,548	1,617,061	1,645,790	1,645,790
Asset-backed securities	881,800	881,903	758,217	765,231	765,231
Other debt securities	20,093	19,363	19,363	19,397	19,397
	(Won) 16,866,261	(Won) 17,151,317	(Won) 11,247,966	(Won) 17,643,800	(Won) 17,555,764
<b>Held-to-maturity</b>					
Government and public bonds	(Won) 3,071,424	(Won) 3,090,636	(Won) 3,080,549	(Won) 3,214,041	(Won) 3,080,549
Finance bonds	1,220,000	1,207,696	1,208,961	1,213,619	1,208,961
Corporate bonds	1,740,800	1,739,994	1,740,769	1,814,442	1,740,769
Asset-backed securities	180,000	180,000	180,000	189,936	180,000
Other debt securities	20,000	19,157	19,156	19,156	19,156
	(Won) 6,232,224	(Won) 6,237,483	(Won) 6,229,435	(Won) 6,451,194	(Won) 6,229,435

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

As a result of the fair valuation of trading securities, the Bank recognized (Won)14,550 million of valuation loss and (Won)26,745 million of valuation gain for the years ended December 31, 2005 and 2004, respectively.

The fair values of trading and available-for sale debt securities in Won were assessed by applying the average of base prices of the latest trading day from the balance sheet date, provided by the bond pricing service institutions.

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

Company	No. of shares	Percentage of ownership		Net asset value	Book value
		(%)			
Bad Bank Harmony (preferred stock)	13	0.46	(Won)	52,565	(Won) 12,279
Korea Asset Management Corp.	3,074	5.91		19,427	15,667
Samsung Life Insurance Co., Ltd.	23	0.11		8,617	7,479
Korea Highway Corp.	573	0.03		5,897	6,248
Kyobo Investment Trust Management Co., Ltd.	420	7.00		3,324	2,100
Korea Smart Card Co., Ltd.	326	4.44		1,268	1,628
Korea Money Broker Corp.	119	5.97		2,746	1,291
Mercury	1,632	12.13		2,392	1,088
Tianjin Samsung Opto Electronics	1,000	10.00		1,281	989
Others				64,609	29,227
				(Won) 162,126	(Won) 77,996

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

Company	No. of shares	Percentage of ownership		Net asset value	Book value
		(%)			
Bad Bank Harmony (preferred stock)	13	0.46	(Won)	37,327	(Won) 12,267
Korea Asset Management Corp.	1,506	5.38		12,783	7,827
Samsung Life Insurance Co., Ltd.	23	0.11		8,993	7,479
Korea Highway Corp.	573	0.03		5,897	6,248
Kyobo Investment Trust Management Co., Ltd.	420	7.00		3,574	2,100
Baring Communications Equity	4,665	6.73		1,957	1,957
Pan Asia Paper	1,275	2.94		1,642	1,642
Korea Smart Card Co., Ltd.	326	4.44		1,268	1,628
Korea Money Broker Corp.	119	5.97		2,514	1,291
Mercury	1,632	12.13		1,088	1,088
Tianjin Samsung Opto Electronics	1,000	10.00		1,241	1,020
Others				130,738	76,439
				(Won) 209,022	(Won) 120,986

The impairment loss and the reversal of impairment loss on available-for-sale securities recognized for the years ended December 31, 2005 and 2004 were shown below (Unit: In millions).

	2005		2004	
	Impairment	Reversal	Impairment	Reversal
Equity securities	(Won) 2,694	(Won) 7,422	(Won) 14,912	(Won)
Equity investments	3		3	
Corporate bonds	448		2,317	
Asset-backed securities	94,880		65,040	
		(Won) 98,025	(Won) 7,422	(Won) 82,272
				(Won)





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

	Won	Foreign currencies	Total
<b>Structured notes relating to stock</b>			
Convertible bonds	(Won)	(Won) 60	(Won) 60
<b>Structured notes relating to interest rate</b>			
Long-term government bond floating rates notes ( FRN )	564,456		564,456
Dual indexed FRN	19,874		19,874
Inverse FRN	20,753		20,753
Others	110,225		110,225
	715,308	60	715,368
<b>CLN</b>		40,559	40,559
Bonds with call option	20,000		20,000
	(Won) 735,308	(Won) 40,619	(Won) 775,927

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

	Won	Foreign currencies	Total
<b>Structured notes relating to stock</b>			
Convertible bonds	(Won)	(Won) 15,321	(Won) 15,321
Exchangeable bonds	137,871	15,654	153,525
Bonds with stock purchase warrants		762	762
Equity linked securities	49,721		49,721
	187,592	31,737	219,329
<b>Structured notes relating to interest rate</b>			
Long-term government bond FRN	837,744		837,744
Dual indexed FRN	50,140		50,140
Inverse FRN	22,533		22,533
Others	90,367		90,367
	1,000,784		1,000,784
<b>CLN</b>		41,544	41,544
Bonds with call option	20,000		20,000
	(Won) 1,208,376	(Won) 73,281	(Won) 1,281,657

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

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	<b>2005</b>	<b>2004</b>
Stocks	(Won) 7,353	(Won) 6,062
Government and public bonds	38,018	1,384,645
Finance bonds	1,340,390	2,464,128
Corporate bonds in Won	32,622	794,397
Asset-backed debt securities		87,428
Call loans	203,892	264,997
Others	412,962	276,936
Assets	2,035,237	5,278,593
Liabilities	11,081	16,884
	(Won) 2,024,156	(Won) 5,261,709

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

By industry	2005		2004	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Trading securities</b>				
Government and government-invested public companies	(Won) 1,764,476	49.68	(Won) 916,323	25.20
Financial institutions	1,631,869	45.95	2,556,558	70.32
Others	155,080	4.37	162,629	4.48
	(Won) 3,551,425	100.00	(Won) 3,635,510	100.00
<b>Available-for-sale securities</b>				
Government and government-invested public companies	(Won) 3,347,229	20.69	(Won) 1,732,924	9.87
Financial institutions	12,027,488	74.33	14,969,783	85.27
Others	806,067	4.98	853,057	4.86
	(Won) 16,180,784	100.00	(Won) 17,555,764	100.00
<b>Held-to-maturity securities</b>				
Government and government-invested public companies	(Won) 6,298,716	61.58	(Won) 4,748,398	76.23
Financial institutions	3,899,922	38.13	1,426,591	22.90
Others	29,935	0.29	54,446	0.87
	(Won) 10,228,573	100.00	(Won) 6,229,435	100.00

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

By type	2005		2004	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Trading securities</b>				
Stocks	(Won) 200,147	5.64	(Won) 184,545	5.08
Fixed rate bonds	3,230,737	90.97	3,260,607	89.69
Floating rate bonds	120,285	3.39	179,474	4.94
Beneficiary certificates	256	0.00	10,884	0.29
	(Won) 3,551,425	100.00	(Won) 3,635,510	100.00
<b>Available-for-sale securities</b>				
Stocks	(Won) 1,156,629	7.15	(Won) 799,737	4.56
Fixed rate bonds	11,201,802	69.23	9,569,665	54.51
Floating rate bonds	861,368	5.32	901,040	5.13
Subordinated bonds	872,813	5.39	851,947	4.85
Convertible bonds	60	0.00	15,321	0.09
Beneficiary certificates	2,075,933	12.83	5,414,250	30.84
Others	12,179	0.08	3,804	0.02

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	(Won) 16,180,784	100.00	(Won) 17,555,764	100.00
Held-to-maturity securities				
Fixed rate bonds	(Won) 10,038,573	98.14	(Won) 5,869,731	94.23
Floating rate bonds	60,000	0.59	229,704	3.69
Subordinated bonds	130,000	1.27	130,000	2.08
	(Won) 10,228,573	100.00	(Won) 6,229,435	100.00

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

	2005		2004	
	Amount	Percentage (%)	Amount	Percentage (%)
<b>Trading securities</b>				
Korea	(Won) 3,551,425	100.00	(Won) 3,635,510	100.00
<b>Available-for-sale securities</b>				
Korea	(Won) 16,066,362	99.29	(Won) 17,421,092	99.23
USA	46,876	0.29	50,284	0.29
Russia	28,527	0.18		0.00
Philippines	9,675	0.06	25,703	0.15
Indonesia	4,363	0.03	13,516	0.08
The Republic of South Africa	6,240	0.04	6,742	0.04
Others	18,741	0.11	38,427	0.21
	(Won) 16,180,784	100.00	(Won) 17,555,764	100.00
<b>Held-to-maturity securities</b>				
Korea	(Won) 10,228,573	100.00	(Won) 6,229,435	100.00

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

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

- (10) Pursuant to the management's operating plan of investment assets, the Bank disposed of held-to maturity securities with the maturity date of October 23, 2005 on September 12 and 14, 2005. Under the Statement of Korean Accounting Standard No. 8 Investments in Securities, the disposal of held-to maturity securities, which have maturities less than 3 months from the disposal date, does not affect the status of held-to maturity of the other held-to maturity securities. The face value and the book value of the disposed securities were (Won)120,000 million and (Won)120,006 million, respectively, and the Bank recognized (Won)216 million of gain on disposal of held-to-maturity securities for the year ended December 31, 2005.

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

	No. of shares	Owner- ship (%)	Acquisition cost	Net asset value	Book value
<b>Domestic stocks</b>					
KB Investment Co., Ltd. (*1)	8,951,293	99.99	(Won) 155,384	(Won) 85,462	(Won) 85,462
KB Futures Co., Ltd. (*1)	3,999,200	99.98	19,996	27,312	27,312
KB Data System Co., Ltd. (*1)	799,960	99.99	8,001	17,726	15,582
KB Real Estate Trust	15,999,930	99.99	76,103	80,975	81,068
KB Asset Management (*1)	6,134,040	80.00	39,015	52,485	52,485
KB Credit Information	1,249,040	99.73	14,291	28,629	27,837
KB Life Insurance Co., Ltd. (*2)	3,060,000	51.00	15,426	12,541	
KLB Securities Co., Ltd. (*3)	4,854,713	36.41	10,316		
Joeeun Industrial Co., Ltd. (*3)	1,999,910	99.99	23,994		
ING Life Insurance Korea	1,400,000	20.00	21,769	77,529	77,529
			384,295	382,659	367,275
<b>Foreign stocks</b>					
Kookmin Bank Singapore Ltd. (*3)	30,000,000	100.00	18,254		1,759
Kookmin Finance Asia Ltd. (HK) (*3)	700,000	100.00	8,086		246
Kookmin Bank Int 1 Ltd. (London)	20,000,000	100.00	34,378	50,523	50,523
Kookmin Bank Hong Kong Ltd. (*1)	2,000,000	100.00	53,751	69,907	69,958
Sorak Financial Holdings PTE Ltd.	1,422,216	25.00	74,277	82,401	82,401
			188,746	202,831	204,887
<b>Equity investments</b>					
KICO No. 2 Venture Investment Partnership (*3)	5,000	55.56		130	130
KICO No. 3 Venture Investment Partnership (*3)	9,000	69.23		147	147
Pacific IT Investment Partnership	700	50.00	7,000	4,950	4,950
NPC02-4 Kookmin Venture Fund	100	33.33	10,000	12,128	12,128
			17,000	17,355	17,355
			(Won) 590,041	(Won) 602,845	(Won) 589,517

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

	No. of shares	Owner- ship (%)	Acquisition cost	Net asset value	Book value
<b>Domestic stocks</b>					
KB Investment Co., Ltd. (*1)	8,941,587	99.89	(Won) 155,311	(Won) 78,695	(Won) 78,695
KB Futures Co., Ltd. (*1)	3,999,200	99.98	19,996	26,010	26,010
KB Data System Co., Ltd. (*1)	799,800	99.98	7,998	15,827	15,827
KB Real Estate Trust	15,999,930	99.99	76,103	58,071	58,071
KB Asset Management (*1)	6,134,040	80.00	39,015	47,288	47,288
KB Credit Information	1,173,640	93.71	12,553	19,742	18,670
KB Life Insurance Co., Ltd. (*2)	6,000,000	100.00	30,246	24,389	8,572
KLB Securities Co., Ltd. (*3)	4,854,713	36.41	10,316		

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Joeeun Industrial Co., Ltd. (*3)	1,999,910	99.99	23,994		
ING Life Insurance Korea	1,400,000	20.00	21,769	69,145	69,145
			397,301	339,167	322,278
Foreign stocks					
Kookmin Bank Singapore Ltd. (*3)	30,000,000	100.00	19,123		1,812
Kookmin Finance Asia Ltd. (HK) (*3)	700,000	100.00	8,332		254
Kookmin Bank Int 1 Ltd. (London)	20,000,000	100.00	39,539	55,707	55,707
Kookmin Bank Hong Kong Ltd. (*1)	2,000,000	100.00	55,385	65,028	65,028
Sorak Financial Holdings PTE Ltd.	1,422,216	25.00	77,810	82,153	82,153
			200,189	202,888	204,954

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	No. of shares	Ownership (%)	Acquisition cost	Net asset value	Book value
<b>Equity investments</b>					
KICO No. 2 Venture Investment Partnership (*3)	5,000	55.56		213	213
KICO No. 3 Venture Investment Partnership (*3)	9,000	69.23		149	149
Pacific IT Investment Partnership	700	50.00	7,000	3,479	6,959
NPC02-4 Kookmin Venture Fund	100	33.33	10,000	10,179	10,179
			17,000	14,020	17,500
			(Won) 614,490	(Won) 556,075	(Won) 544,732

- (\*1) Kookmin Investment Co., Ltd., Kookmin Futures Co., Ltd., Kookmin Data System Co., Ltd., Kookmin Assent Management and Kookmin Finance HK Ltd. changed their names into KB Investment Co., Ltd., KB Futures Co., Ltd., KB Data System Co., Ltd., KB Asset Management and Kookmin Bank Hong Kong Ltd., respectively, during 2004.
- (\*2) On April 29, 2004, in order to establish the insurance business for diversification of revenues, the Bank invested (Won)30,246 million (including acquisition costs) to KB Life Insurance Co., Ltd., which acquired the assets and the liabilities of Hanil Life Insurance Co., Ltd. The Bank disposed of 49 percent shares of KB Life Insurance Co., Ltd. to ING Insurance International B.V. for (Won)14,782 million. The difference between the disposal amount and the book value of (Won)10,582 million was reflected in the accumulative effect of equity method.
- (\*3) KLB Securities Co., Ltd., Jooeun Industrial Co., Ltd., Kookmin Bank Singapore Ltd., Kookmin Finance Asia, Ltd., KICO No. 2 Venture Investment Partnership and KICO No. 3 Venture Investment Partnership are all in the process of liquidation.

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

	Book value before valuation		Acquisition (disposal)		Dividend		Foreign currency translation gain (loss)		Equity gain (loss) on investment		Capital adjustments		Book value after valuation	
<b>Domestic stocks</b>														
KB Investment Co., Ltd.	(Won)	78,695	(Won)	73	(Won)	(447)	(Won)	(Won)	7,663	(Won)	(522)	(Won)	85,462	
KB Futures Co., Ltd.		26,010				(400)			1,643		59		27,312	
KB Data System Co., Ltd. (*3)		15,827		3		(640)			389		3		15,582	
KB Real Estate Trust		58,071							22,997				81,068	
KB Asset Management		47,288				(6,134)			11,145		186		52,485	
KB Credit Information (*1)		18,670		1,738		(587)			7,988		28		27,837	
KB Life Insurance Co., Ltd. (*2, 3 and 4)		8,572		(4,200)					(4,372)					
KLB Securities Co., Ltd. (*2)														
Jooeun Industrial Co., Ltd. (*2)														
ING Life Insurance Korea		69,145				(7,000)			23,252		(7,868)		77,529	
		322,278		(2,386)		(15,208)			70,705		(8,114)		367,275	



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	Book value before valuation	Acquisition (disposal)	Dividend	Foreign currency translation gain (loss)	Equity gain (loss) on investment	Capital adjust- ments	Book value after valuation
<b>Foreign stocks</b>							
Kookmin Bank Singapore Ltd.	1,812			(53)			1,759
Kookmin Finance Asia Ltd. (HK)	254			(8)			246
Kookmin Bank Int l Ltd. (London)	55,707			(7,271)	2,213	(126)	50,523
Kookmin Bank Hong Kong Ltd.	65,028			(1,918)	7,465	(617)	69,958
Sorak Financial Holdings PTE Ltd.	82,153			(3,730)	11,909	(7,931)	82,401
	204,954			(12,980)	21,587	(8,674)	204,887
<b>Equity Securities</b>							
KICO No. 2 Venture Investment Partnership	213				(83)		130
KICO No. 3 Venture Investment Partnership	149				(2)		147
Pacific IT Investment Partnership	6,959				(2,009)		4,950
NPC02-4 Kookmin Venture Fund	10,179		(199)		2,148		12,128
	17,500		(199)		54		17,355
	(Won) 544,732	(Won) (2,386)	(Won) (15,407)	(Won) (12,980)	(Won) 92,346	(Won) (16,788)	(Won) 589,517

(\*1) Differences amounting to (Won)1,128 million between the purchase price and the Bank's proportionate ownership of the net book value of KB Credit Information resulting from an additional purchase of 342,844 shares in October 2004 are credited to gain on valuation of securities accounted for using the equity method equally for five years. The Bank credited (Won)226 million to current operation for the year ended December 31, 2005 and the balance was (Won)846 million as of December 31, 2005.

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

	Amount
KLB Securities Co., Ltd.	(Won) 4,148
Joeeun Industrial Co., Ltd.	56,688
KB Life Insurance Co., Ltd.	12,781

(Won) 73,617

(\*3) The significant unrealized income eliminated for the year ended December 31, 2005 was as follows (Unit: In millions):

Related accounts	Amount
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KB Data System Co., Ltd.	Tangible assets (sales)	(Won) 2,169
KB Life Insurance Co., Ltd.	Commissions (deferred acquisition cost)	7,910
		(Won) 10,079

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- (13) Significant financial data of companies of which stocks were accounted for using the equity method as of and for the year ended December 31, 2005 were as follows (Unit: In millions):

	Assets		Liabilities		Sales	Net income (loss)
	(Won)		(Won)		(Won)	(Won)
KB Investment Co., Ltd.	88,105		2,639		19,206	7,665
KB Futures Co., Ltd.	43,207		15,889		10,231	1,646
KB Data System Co., Ltd.	24,615		6,888		46,817	2,533
KB Real Estate Trust	188,998		108,022		56,444	22,905
KB Asset Management	70,377		4,770		32,196	13,931
KB Credit Information	39,966		11,260		77,723	8,246
KB Life Insurance Co., Ltd.	361,811		337,221		253,269	6,939
ING Life Insurance Korea	6,836,864		6,449,219		2,852,510	116,258
Kookmin Bank Int'l Ltd. (London)	345,126		294,603		14,284	2,213
Kookmin Bank Hong Kong Ltd.	380,132		310,225		19,600	7,339
Sorak Financial Holdings PTE Ltd.	5,037,007		4,707,402		518,170	43,486
KICO No. 2 Venture Investment Partnership	233				8	(150)
KICO No. 3 Venture Investment Partnership	212				8	(4)
Pacific IT Investment Partnership	5,100		150		120	(288)
NPC02-4 Kookmin Venture Fund	36,690		304		9,553	6,387

The audited or reviewed financial statements of the investees as of December 31, 2005 except the financials for the ING Life Insurance Korea, Sorak Financial Holdings PTE Ltd, KICO No. 2 Venture Investment Partnership, KICO No. 3 Venture Investment Partnership and Kookmin Bank Hong Kong Ltd., were used for applying the equity method. The subsequent events from the closing dates of investees' financial statements to the Bank's balance sheet date were properly reflected in applying the equity method.

- (14) Changes in the gain (loss) on valuation of available-for-sale securities, held-to-maturity securities and securities accounted for using the equity method reflected in capital adjustments for the year ended December 31, 2005 were as follows (Unit: In millions):

	Beginning of year	Increase (Decrease)	Disposal	Deferred income tax	Ending of year
Gain (loss) on valuation of available-for-sale securities					
Equity securities	(Won) 276,539	(Won) 380,348	(Won) (33,555)	(Won) (171,416)	(Won) 451,916
Debt securities in Won	140,767	(1,198)	(115,613)	8,658	32,614
Debt securities in foreign currencies	16,658	(784)	(7,781)	(2,226)	5,867
Beneficiary certificates	268,842	21,886	(267,476)	(6,394)	16,858
Others	4,681	1,025	(33)	(1,560)	4,113
	(Won) 707,487	(Won) 401,277	(Won) (424,458)	(Won) (172,938)	(Won) 511,368
Gain (loss) on valuation of held-to-maturity securities					
Debt securities in Won	(Won)	(Won) 952	(Won) (526)	(Won)	(Won) 426
Gain (loss) on valuation of securities accounted for using the equity method	(Won) 5,692	(Won) (16,788)	(Won) 10,719	(Won) 1,325	(Won) 948

For the year ended December 31, 2005, the Bank received cash and securities in connection with the liquidation of certain private beneficiary certificates, which were classified as available-for-sale securities. With respect to the classification of the securities received amounting to

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(Won)60,091 million, the Bank initially classified the securities into available-for-sale securities; however, the Bank's management determined to hold the securities up to the maturity date. In accordance with the change of management intention for the securities, the Bank reclassified the securities into held-to-maturity securities along with the fair market valuation at the classification date. As part of this reclassification, the Bank also reclassified

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unrealized gains and losses recognized from the acquisition date to the reclassification date in the capital adjustments into unrealized gain and losses of held-to maturity securities, and amortized that amount using the effective interest rate method. The amortized amount is charged to interest income or expense for the remaining period until maturity.

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

Provided to	Book value	Collateral amount	Provided for
Korea Securities Depository & others	(Won) 6,571,036	(Won) 6,570,000	Bonds sold under repurchase agreements
BOK	953,153	950,000	Borrowings from BOK
BOK	183,994	183,200	Overdrafts and settlement risk
Samsung Futures & others	260,571	269,500	Derivative settlement
Korea Securities Depository	133,866	137,000	Others
	(Won) 8,102,620	(Won) 8,109,700	

5. LOANS:

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

	2005	2004
Loans in Won	(Won) 118,565,341	(Won) 122,721,898
Loans in foreign currencies	5,314,883	3,860,828
Bills bought in Won	18,563	27,096
Bills bought in foreign currencies	1,377,085	574,785
Advances for customers	11,321	32,120
Factoring receivables	32,044	32,335
Credit card receivables	7,571,605	7,643,990
Private placed bonds	3,729,867	1,203,631
Call loans	1,518,948	2,741,783
Loans to be swapped to equity		746
	138,139,657	138,839,212
Allowance for possible loan losses	(2,453,275)	(3,118,775)
Deferred loan origination fees and costs	52,025	48,889
	(Won) 135,738,407	(Won) 135,769,326

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

	2005	2004
<b>Loans in Won</b>		
Commercial		
Working capital loans		
General purpose loans	(Won) 24,575,874	(Won) 25,475,710
Notes discounted	1,106,112	1,197,606
Overdraft accounts	279,864	401,369
Trading notes	671,421	740,580
Others	3,865,057	3,862,852
	30,498,328	31,678,117
<b>Facilities loans</b>		
General facilities loans	3,985,218	5,139,091
Others	1,087,832	1,147,656
	5,073,050	6,286,747
	35,571,378	37,964,864
<b>Households</b>		
General purpose loans	42,082,535	41,957,690
Housing loans	39,535,441	41,234,086
Remunerations on mutual installment savings	232,556	300,032
Others	456,173	532,615
	82,306,705	84,024,423
<b>Public sector loans</b>		
Public operation loans	643,141	673,456
Public facilities loans	34,157	40,383
	677,298	713,839
<b>Other loans</b>		
Property formation loans	6,748	9,719
Inter-bank loans	1,274	6,114
Others	1,938	2,939
	9,960	18,772
	(Won) 118,565,341	(Won) 122,721,898
<b>Loans in foreign currencies</b>		
Domestic funding loans	(Won) 2,208,125	(Won) 1,000,004
Overseas funding loans	551,049	489,437
Inter-bank loans	1,229,064	1,092,174
Domestic usance bills	1,326,629	1,278,793
Government funding loans	16	420
	(Won) 5,314,883	(Won) 3,860,828

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

	<b>Loans in Won</b>		<b>Loans in foreign currencies</b>		<b>Total</b>		<b>Percentage</b>
	(Won)		(Won)		(Won)		(%)
Large corporations	3,510,892		3,070,368		6,581,260		5.31
Small and medium corporations	32,061,760		1,737,745		33,799,505		27.29
Households	82,315,391		56,889		82,372,280		66.49
Others	677,298		449,881		1,127,179		0.91
	(Won) 118,565,341		(Won) 5,314,883		(Won) 123,880,224		100.00

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Loans classified by borrower type, as of December 31, 2004 were as follows (Unit: In millions):

	Loans in Won	Loans in foreign currencies	Total	Percentage (%)
Large corporations	(Won) 2,842,731	(Won) 2,299,149	(Won) 5,141,880	4.06
Small and medium corporations	35,128,247	1,115,049	36,243,296	28.63
Households	84,037,081	69,441	84,106,522	66.45
Others	713,839	377,189	1,091,028	0.86
	(Won) 122,721,898	(Won) 3,860,828	(Won) 126,582,726	100.00

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

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

Loans classified by borrower's country, as December 31, 2004 were as follows (Unit: In millions):

	Loans in Won	Loans in foreign currencies	Others	Total	Percentage (%)
Korea	(Won) 122,721,898	(Won) 2,622,653	(Won) 12,060,578	(Won) 137,405,129	98.96
Southeast Asia		700,600	186,753	887,353	0.64
China		135,118		135,118	0.10
Japan		278,971		278,971	0.20
Central and South America		53,452	45	53,497	0.04
Others		70,034	9,110	79,144	0.06
	(Won) 122,721,898	(Won) 3,860,828	(Won) 12,256,486	(Won) 138,839,212	100.00

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

	Loans in Won	Loans in foreign currencies	Others	Total	Percentage (%)
Corporations					



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

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Loans classified by industry, as of December 31, 2004 were as follows (Unit: In millions):

	Loans in foreign currencies			Others		Total		Percentage (%)
	Loans in Won							
Corporations								
Finance and insurance	(Won) 689,007	(Won) 1,150,426	(Won) 3,837,500	(Won) 5,676,933				4.09
Manufacturing	12,315,767	1,146,217	1,721,775	15,183,759				10.94
Services	21,240,715	1,422,823	487,968	23,151,506				16.68
Others	4,114,250	71,921	94,863	4,281,034				3.08
Households	84,037,081	69,441	6,114,380	90,220,902				64.98
public sector	325,078			325,078				0.23
	(Won) 122,721,898	(Won) 3,860,828	(Won) 12,256,486	(Won) 138,839,212				100.00

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

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

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

	Bank	Other financial institutions	Total
Loans in Won	(Won) 6,114	(Won) 682,893	(Won) 689,007
Loans in foreign currencies	1,092,174	58,252	1,150,426
Others	2,806,712	1,030,788	3,837,500
	(Won) 3,905,000	(Won) 1,771,933	(Won) 5,676,933

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

The Bank has supported LG Card Co., Ltd. with new loans, debt-equity swap, extending maturity and capital reduction in accordance with the agreement of the Financial Institution Creditors ( FIC ). As a result, the Bank has loans of (Won)237,900 million and securities of (Won)504,313 million to LG Card Co., Ltd. as of December 31, 2005. The Bank has provided (Won)45,201 million of allowance for possible loan losses to the loans extended to LG Card Co. Ltd and (Won)305,134 million of valuation gain on the securities is recorded in capital adjustments, net of tax, as of December 31, 2005. The expected losses from loans to LG Card Co., Ltd. are fully dependent on the rehabilitation plan and an effective funding support from the FIC. Therefore, actual credit losses from this credit exposure may differ from management's current assessment. The accompanying financial statements do not include any possible adjustments that may result from this uncertainty.

(8) Loans applicable to the Corporate Restructuring Promotion Act

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As of December 31, 2005, the Bank has loans of (Won)152,748 million to companies under the Corporate Restructuring Promotion Act, including Hyundai Engineering & Construction Co., Ltd., and has provided an allowance of (Won)22,034 million for possible loan losses. The actual collection amounts from those loans may differ from management's current estimation.

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

	<b>Normal</b>	<b>Precautionary</b>	<b>Substandard</b>	<b>Doubtful</b>	<b>Loss</b>	<b>Total</b>
Loans in Won	(Won) 113,720,332	(Won) 2,784,972	(Won) 937,477	(Won) 758,344	(Won) 364,216	(Won) 118,565,341
Loans in foreign currencies	5,197,617	60,553	24,285	31,648	780	5,314,883
Bills bought	1,388,538	5,009	136	288	1,677	1,395,648
Advances for customers	1,201	439	1,394	2,049	6,238	11,321
Credit card receivables	7,068,006	337,624	895	122,365	42,715	7,571,605
Call loans	1,518,948					1,518,948
Privately placed bonds	3,727,026	967	1,874			3,729,867
Factoring receivables	30,990		1,054			32,044
	(Won) 132,652,658	(Won) 3,189,564	(Won) 967,115	(Won) 914,694	(Won) 415,626	(Won) 138,139,657

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

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

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

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

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

	Loans in foreign			
	Loans in Won	currencies	Others	Total
Due in 3 months or less	(Won) 19,085,485	(Won) 874,100	(Won) 8,648,235	(Won) 28,607,820
Due after 3 months through 6 months	17,430,180	1,047,044	817,269	19,294,493
Due after 6 months through 1 year	35,029,206	906,882	1,467,543	37,403,631
Due after 1 year through 2 years	19,972,984	181,903	629,951	20,784,838
Due after 2 years through 3 years	11,900,101	190,361	480,695	12,571,157
Due after 3 years through 4 years	2,637,763	85,984	63,633	2,787,380
Due after 4 years through 5 years	3,956,310	67,973	49,160	4,073,443
More than 5 years	12,709,869	506,581	100,000	13,316,450
	(Won) 122,721,898	(Won) 3,860,828	(Won) 12,256,486	(Won) 138,839,212

(11) Sales of loans

In 2005, under the joint collection program of financial institutions, the Bank has sold (Won)189,473 million of certain loans to Hee Mang Moa Special Purpose Company and has recognized gain and loss of (Won)7,233 million and (Won)391 million, respectively. The Bank has also sold (Won)42,097 million of loans to KAMCO under the credit support program for lower income people and recognized gain and loss of (Won)277 million and (Won)2,055 million, respectively. Moreover, the Bank has sold (Won)3,050 million of loans (Auto loans) to Daewoo Motors Sales and recognized (Won)1,709 million of gain on sale of loans. In addition, the Bank has sold (Won)399,864 million of loans to KB 4<sup>th</sup> SPC, (Won)512,348 million of loans to KB 5<sup>th</sup> SPC and (Won)242,483 million of loans to KB 6<sup>th</sup> SPC and recognized (Won)63,797 million and (Won)8,360 million of gain on sale of loans and (Won)13,924 million of loss on sale of loans, respectively. Furthermore, the Bank has recorded

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(Won)367 million of gain on sale of loans and (Won)26 million of loss on sale of loans with respect to the other loan sale transactions. The loan amounts presented in the above are the original principal amount without any deduction of allowance or write-offs.

In connection with the sale of loans, the Bank has changed the accounting policy regarding the recognition of gain or loss from the sale of loans. Previously, for the sale of written-off loans, the Bank offset the proceeds from the sale of the loans directly against allowance for possible loan losses, and for the sale of non-written off loans, the Bank recognized the proceeds in excess or less than the book value of the loans at sales date as gain or loss from the sale of loans. From the third quarter of 2004, the Bank has recognized the proceeds in excess or less than the book value as of prior year end date as gain or loss on sale of loans.

(12) **Credit card receivables as collateral**

The Bank offers the credit card receivables amounting to (Won)859,271 million (before deducting the allowance) as collateral for the transaction of credit card receivables to SPC as of December 31, 2005.

(13) **The changes in loan origination costs for the year ended December 31, 2005 were as follows (Unit: In millions):**

	<b>Beginning</b>	<b>Increase</b>	<b>Decrease</b>	<b>Ending</b>
Loan origination costs	(Won) 48,889	(Won) 20,938	(Won) 17,802	(Won) 52,025

6. **RESTRUCTURING LOANS:**

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

	<b>Amount before restructuring</b>	<b>Principal exemption</b>	<b>Conversion to equity securities</b>	<b>Interest reduction</b>	<b>Extension of maturity</b>
Court receivership	(Won) 1,778	(Won) 172	(Won) 313	(Won)	(Won) 1,293
Composition	7,167				7,167
Workout plan	148,823			8,504	140,319
	(Won) 157,768	(Won) 172	(Won) 313	(Won) 8,504	(Won) 148,779

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

	<b>Discount rates (%)</b>	<b>Amount</b>	<b>Beginning balance</b>	<b>Present value discounts</b>		<b>Ending balance</b>
				<b>Addition</b>	<b>Deduction</b>	
Court receivership	5.90~20.98	(Won) 11,661	(Won) 6,126	(Won) 535	(Won) (4,626)	(Won) 2,035
Composition	4.90~19.90	12,397	3,200	2,495	(3,457)	2,238
Workout plan	6.00~28.89	185,038	6,562	13,946	(9,137)	11,371
Others	9.50	30,802	6,223	16	(1,868)	4,371
		(Won) 239,898	(Won) 22,111	(Won) 16,992	(Won) (19,088)	(Won) 20,015

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

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7. ALLOWANCE FOR POSSIBLE LOAN LOSSES:

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

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

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

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

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

	2005	2004
Beginning balance	(Won) 3,186,095	(Won) 3,948,736
Provision for possible loan losses	1,053,088	3,068,248
Reclassification from other allowances (*1)	17,501	289,919
Collection of previously written-off loans	452,959	286,464
Repurchase of NPLs sold	15,863	40,571
Sales of loans	(181,914)	(685,161)
Loans written-off	(2,014,834)	(3,382,130)
Conversion to equity securities	(11,444)	(327,816)
Exemption of loans	(9,570)	(32,847)
Changes in exchange rates and others	(6,967)	(19,889)
Ending balance (*2)	(Won) 2,500,777	(Won) 3,186,095

(\*1)



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Other allowances for credit lines to Kookmin Credit Card 16th ABS Specialty Company amounting to (Won)17,501 million were transferred to allowances for loan losses.

- (\*2) Allowance for possible loan losses includes present value discounts amounting to (Won)20,015 million and (Won)22,111 million as of December 31, 2005 and 2004, respectively, and allowances for other assets amounting to (Won)47,502 million and (Won)67,320 million, respectively.

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- (3) The allowance for possible losses on other assets as of December 31, 2005 and 2004 is summarized as follows (Unit: In millions):

	2005	2004
Account receivables	(Won) 659	(Won) 95
Suspense receivables	20,447	38,952
Uncollected guarantee deposits for rent	8,269	9,295
Settlement costs for financial accident	15,844	15,495
Derivative instruments	2,283	3,209
Other loans of Kookmin Credit Card		274
	(Won) 47,502	(Won) 67,320

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

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

8. FIXED ASSETS:

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

	2005	2004
Tangible assets	(Won) 3,670,603	(Won) 3,594,903
Less: accumulated depreciation	(1,620,892)	(1,428,586)
Accumulated impairment loss	(11,466)	(2,296)
Intangible assets	398,104	468,958
Non-business use property	583	492
Less: valuation allowance	(230)	(253)
	(Won) 2,436,702	(Won) 2,633,218

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

	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	(Won) 986,522	(Won)	(Won) 7,109	(Won) 979,413
Buildings	939,204	160,328	4,357	774,519
Leasehold improvements	190,109	145,746		44,363
Equipment and vehicles	1,554,613	1,314,818		239,795
Construction in progress	155			155

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(Won) 3,670,603      (Won) 1,620,892      (Won) 11,466      (Won) 2,038,245

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

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

(3) The changes in book value of tangible assets for the year ended December 31, 2005 were as follows (Unit: In millions):

	Beginning	Acquisition	Replacement	Disposal	Depreciation	Impairment	foreign currencies	Ending
Land	(Won) 997,715	(Won) 439	(Won)	(Won) 12,041	(Won)	(Won) (6,621)	(Won) (79)	(Won) 979,413
Buildings	773,864	1,551	27,804	4,284	20,829	(3,577)	(10)	774,519
Leasehold improvements	50,518		28,938	2,262	32,795		(36)	44,363
Equipment and vehicles	340,682	111,993		2,727	209,723		(430)	239,795
Construction in progress	1,242	55,655	(56,742)					155
	(Won) 2,164,021	(Won) 169,638	(Won)	(Won) 21,314	(Won) 263,347	(Won) (10,198)	(Won) (555)	(Won) 2,038,245

(4) The published value of land was (Won)1,059,377 million and (Won) 832,294 million as of December 31, 2005 and 2004, respectively, based on the Laws on Disclosure of Land Price and Valuation of Land.

(5) Tangible assets, which have been insured as of December 31, 2005, were as follows (Unit: In millions):

Type of insurance	Asset insured	Insured amount	Insurance company
Property composite	Buildings	(Won) 623,428	Samsung Fire & Marine
	Leasehold improvements	36,697	Insurance Co., Ltd. & others
	Equipment and vehicles	105,795	

(Won) 765,920

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

Acquisition cost

Book value

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		<b>Accumulated amortization</b>	
Goodwill	(Won) 705,108	(Won) 326,439	(Won) 378,669
Others	35,433	15,998	19,435
	(Won) 740,541	(Won) 342,437	(Won) 398,104

(7) The changes in intangible assets for the year ended December 31, 2005 were as follows (Unit: In millions):

	<b>Beginning</b>	<b>Increase</b>	<b>Amortization</b>	<b>Ending</b>
Goodwill	(Won) 457,015	(Won)	(Won) 78,346	(Won) 378,669
Others	11,943	12,920	5,428	19,435
	(Won) 468,958	(Won) 12,920	(Won) 83,774	(Won) 398,104

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(8) Non-business use properties as of December 31, 2005 consisted of (Unit: In millions):

	Acquisition cost	Valuation allowance	Book value
Non-business use properties	(Won) 583	(Won) 230	(Won) 353

9. OTHER ASSETS:

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

	2005	2004
Guarantee deposits paid	(Won) 1,164,533	(Won) 1,290,891
Accounts receivable	466,442	2,353,377
Accrued income	998,354	971,170
Prepaid accounts	65,519	96,949
Prepaid expenses	43,266	33,540
Deferred income tax assets (Note 24)	353,214	502,937
Derivatives assets	1,202,063	2,391,984
Domestic exchange settlement debits	720,433	520,612
Sundry assets	34,502	39,401
Allowances for credit losses	(47,502)	(67,320)
	(Won) 5,000,824	(Won) 8,133,541

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

	2005	2004
Receivables on cash sent to other banks	(Won) 350	(Won) 680
Supplies	14,468	16,036
Deposit money to court (*)	19,514	22,354
Asset disposal receivables	170	299
others		32
	(Won) 34,502	(Won) 39,401

(\*) Securities is included in deposit money to court of which book value, face value and fair value are (Won)9,103 million, (Won)9,910 million and (Won)11,061 million, respectively.

10. DEPOSITS:

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

	2005	2004
Deposits in Won	(Won) 119,512,556	(Won) 120,664,582

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Deposits in foreign currencies	1,379,133	1,434,061
Negotiable certificates of deposits	5,389,543	4,911,891
	(Won) 126,281,232	(Won) 127,010,534

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(2) Deposits in Won and deposits in foreign currencies as of December 31, 2005 and 2004 consisted of (Unit: In millions):

	Interest rate (%)	2005	2004
<b>Demand deposits in Won</b>			
Checking deposits		(Won) 190,629	(Won) 110,967
Household checking deposits	0.10	478,851	417,443
Temporary deposits		3,668,420	2,858,688
Passbook deposits	0.10	13,403,993	10,767,705
Public fund deposits	0.10	176,397	157,840
National Treasury deposits		2,879	1,840
Nonresident s deposit in Won	0.10	24,898	24,301
		17,946,067	14,338,784
<b>Time deposits and savings deposits in Won</b>			
Time deposits	2.40~3.80	57,387,089	62,835,217
Installment savings deposits	3.25~3.85	1,218,956	1,249,939
Property formation savings	8.50	955	1,516
Workers savings for housing	8.50~11.50	27	49
Time and savings deposits of non residents in Won	2.40~3.80	213,436	263,671
General savings deposits	0.10~3.10	20,151,013	19,120,739
Corporate savings deposits	0.10~3.00	9,391,238	7,358,107
Long-term savings deposits for workers	11.50~12.00	7,388	39,104
Long-term housing savings deposits	4.30	2,390,596	1,663,366
Long-term savings for households	11.00	7,377	20,108
Workers preferential savings deposits	5.35	1,097,848	2,171,785
Mutual installment deposits	3.00~3.85	5,120,668	6,306,923
Mutual installment for housing	2.20~3.60	4,582,031	5,295,274
		101,568,622	106,325,798
Gain on valuation of fair value hedged item		(2,133)	
		(Won) 119,512,556	(Won) 120,664,582
<b>Demand deposits in foreign currencies</b>			
Checking deposits	0.00 ~ 3.50	(Won) 51,185	(Won) 37,137
Passbook deposits	0.05	701,514	663,261
Notice deposits	1.12 ~ 6.20	241	276
Temporary deposits		1,300	1,315
		754,240	701,989
<b>Time deposits and savings deposits in foreign currencies</b>			
Time deposits	0.10 ~ 7.55	622,887	729,950
Installment savings deposits	5.00 ~ 6.50	643	662
Others		1,363	1,460
		624,893	732,072
		(Won) 1,379,133	(Won) 1,434,061
<b>Negotiable certificates of deposits</b>			
	3.35 ~ 4.05	(Won) 5,389,543	(Won) 4,911,891
		(Won) 126,281,232	(Won) 127,010,534



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

	<b>Financial institutions</b>	<b>2005</b>	<b>2004</b>
Deposits in Won	Banks	(Won) 1,023,544	(Won) 1,683,255
	Others	5,201,307	5,240,889
		6,224,851	6,924,144
Deposits in foreign currencies	Banks	40,400	17,153
	Others	27,141	38,678
		67,541	55,831
		(Won) 6,292,392	(Won) 6,979,975

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(4) Term structure of deposits in Won and deposits in foreign currencies was as follows (Unit: In millions):

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

11. BORROWINGS:

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

	2005	2004
Borrowings in Won	(Won) 2,608,515	(Won) 2,945,237
Borrowings in foreign currencies	3,186,803	2,540,260
Bonds sold under repurchase agreements	6,384,308	3,449,445
Bills sold	296,722	41,988
Due to BOK in foreign currencies	542	2,007
Call money	1,260,446	655,359
	(Won) 13,737,336	(Won) 9,634,296

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

Account	Financial institution	Annual interest rate (%)	2005	2004
Borrowings from the Bank of Korea	BOK	2.00	(Won) 646,308	(Won) 920,144
Borrowings from the Korean government	Ministry of Finance and Economy, and others	0.00 ~ 6.50	636,948	697,772
Borrowings from banking institutions	Industrial Bank of Korea	3.40 ~ 4.50	115,437	158,245
Borrowings from National Housing Fund	National Housing Fund	8.00	2,004	2,986
Borrowings from other financial institutions	Korea Development Bank	2.00 ~ 4.00	4,353	5,227
Other borrowings	Small Business Corporation and others	1.92 ~ 7.00	1,203,465	1,160,863
			(Won) 2,608,515	(Won) 2,945,237



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

Account	Financial institution	Annual interest rates (%)	Annual interest	
			2005	2004
Due to banks	CITI BANK. N. A. and others		(Won) 42,954	(Won) 27,463
Borrowings from banking institutions	Sumitomo Mitsui Banking Co., Ltd. and others	0.06 ~ 4.97	1,857,330	991,363
Off-shore borrowings in foreign currencies	ABN AMRO and others	0.32 ~ 5.16	401,197	663,993
Other borrowings from banking institutions	IBRD	4.32	10,466	13,882
Other borrowings in foreign currencies	Person, organization & corporations	0.00 ~ 4.77	874,856	843,559
			(Won) 3,186,803	(Won) 2,540,260

(4) Bonds sold under repurchase agreements, bills sold and due to BOK in foreign currencies as of December 31, 2005 and 2004 consisted of the following (Unit: In millions):

Account	Financial institution	Annual interest rates (%)	Annual interest	
			2005	2004
Bonds sold under repurchase agreements in Won	Person, Group Corporations	3.15 ~ 4.25	(Won) 6,384,308	(Won) 3,449,445
Bills sold	Tellers Sales	3.25 ~ 4.00	296,722	41,988
Due to the Bank of Korea in foreign currencies	BOK	3.82 ~ 4.67	542	2,007
			(Won) 6,681,572	(Won) 3,493,440

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

Account	Financial institution	Annual interest rates (%)	Annual interest	
			2005	2004
Won	Samsung Life Insurance Co., Ltd. and others	3.40 ~ 3.65	(Won) 984,100	(Won) 638,500
Foreign currencies	Korea Exchange Bank and others	4.25 ~ 4.45	276,346	13,685
Inter-bank borrowings				3,174
			(Won) 1,260,446	(Won) 655,359

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

	Won	Foreign currencies	Due to BOK & call money	Total
BOK	(Won) 646,308	(Won)	(Won) 542	(Won) 646,850
Banks	115,437	2,301,481	276,346	2,693,264

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Others	4,353	10,466	984,100	998,919
	(Won) 766,098	(Won) 2,311,947	(Won) 1,260,988	(Won) 4,339,033

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Borrowings in Won, borrowings in foreign currencies and others with financial institutions as of December 31, 2004 were as follows (Unit: In millions):

	Won	Foreign currencies	Due to BOK & call money	Total
BOK	(Won) 920,144	(Won)	(Won) 2,007	(Won) 922,151
Banks	158,245	1,684,978	13,685	1,856,908
Others	5,227	13,882	638,500	657,609
	(Won) 1,083,616	(Won) 1,698,860	(Won) 654,192	(Won) 3,436,668

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

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

12. DEBENTURES:

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

	2005	2004
Debentures in Won	(Won) 15,528,273	(Won) 21,293,079
Less: Discount on debentures	(35,368)	(120,396)
Debentures in foreign currencies	1,051,990	696,522
Addition: Premiums on debentures	3,092	5,490
	(Won) 16,547,987	(Won) 21,874,695

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

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	Annual interest rate (%)	2005	2004
Hybrid debentures	6.00 ~ 7.00	(Won) 903,668	(Won) 903,668
Structured debentures	5.90 ~ 6.60	208,131	80,000
Subordinated fixed rate debentures in Won	4.18 ~ 15.66	5,794,072	6,017,095
KCC subordinated fixed rate debentures	7.10 ~ 8.00	205,000	205,000
KCC fixed rate debentures	5.43 ~ 7.80	390,000	930,000
KCC floating rate debentures			610,000
Fixed rate debentures	3.32 ~ 7.49	8,068,146	12,543,566
		15,569,017	21,289,329
Loss (gain) on valuation of fair value hedged items (current year portion)		(44,494)	3,750
Loss on valuation of fair value hedged items (prior year portion)		3,750	
		15,528,273	21,293,079
Discounts on debentures		(35,368)	(120,396)
		(Won) 15,492,905	(Won) 21,172,683

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

	Issued date	Expiration date	Annual interest rate (%)	2005	2004
				(Won)	(Won)
Subordinated fixed rate debentures in Won	Jan-98 ~ Jul-98	Jul-03 ~ Nov-09	11.04 ~ 15.66	104,985	133,477
	Mar-00	Mar-05	9.65	5,469	200,000
	Jun-00	Jan-06	9.04 ~ 9.10	253,975	253,975
	Sep-00	Jan-06	8.99	300,000	300,000
	Sep-00	Jan-06	8.79 ~ 8.85	150,000	150,000
	Nov-00	Feb-06 ~ Nov-10	8.65 ~ 9.65	262,051	262,051
	Dec-00	Jan-06	8.71	200,000	200,000
	May-01	Feb-07	7.6 ~ 7.65	200,000	200,000
	Jun-01	Mar-08 ~ Mar-09	7.68 ~ 7.86	377,529	377,529
	Aug-01	Aug-07	6.69 ~ 6.73	100,000	100,000
	Sep-01	Mar-08	6.69 ~ 6.73	150,000	150,000
	Mar-02	Jan-08	7.06 ~ 7.10	241,684	241,684
	Jul-02	Jan-08	6.96 ~ 7.00	302,399	302,399
	Sep-02	Mar-08 ~ Mar-13	6.27 ~ 6.70	500,000	500,000
	Nov-02	May-08 ~ May-13	6.07 ~ 6.55	558,775	558,775
	Dec-02	Jan-08	8.00	110,000	110,000
	Dec-02	Jun-08 ~ Dec-14	6.20 ~ 6.65	180,370	180,370
	Jan-03	Feb-08	7.65	50,000	50,000
	Mar-03	Apr-08	7.10	45,000	45,000
	Oct-03	Jan-09 ~ Jan-14	5.18 ~ 5.60	449,051	449,051
	Feb-04	Aug-09 ~ Aug-14	5.65 ~ 6.16	700,000	700,000
	Sep-04	Dec-18	5.84 ~ 5.87	57,784	57,784
	Dec-04	Jun-10	4.18 ~ 4.20	700,000	700,000
				5,999,072	6,222,095
Hybrid debentures	Jun-03	Jun-33	6.00	105,145	105,145
	Aug-03	Aug-33	7.00	533,355	533,355
	Oct-03	Oct-33	6.80	265,168	265,168
				903,668	903,668
				(Won) 6,902,740	(Won) 7,125,763

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

	Annual interest rate (%)	2005	2004
		(Won)	(Won)
Floating rates debentures	0.17 ~ 5.36	550,365	110,810
Fixed rates debentures	2.37 ~ 4.63	517,234	532,913
KCC floating rate debentures			60,227
		1,067,599	703,950
Gain on valuation of fair value hedged items (current year portion)		(8,181)	(5,925)
Gain on valuation of fair value hedged items (prior year portion)		(7,428)	(1,503)
		1,051,990	696,522
Premiums on debentures		4,076	6,336
Discounts on debentures		(984)	(846)



(Won) 1,055,082

(Won) 702,012

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

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

13. OTHER LIABILITIES:

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

	2005	2004
Accrued severance benefits (Note 15)	(Won) 387,491	(Won) 319,947
Less: Severance insurance deposits (Note 15)	(236,529)	(193,325)
Allowance for possible losses on acceptances and guarantees	10,141	1,150
Due to trust accounts	1,059,469	811,339
Accounts payable	834,510	2,723,038
Accrued expenses	4,872,756	4,116,593
Advances from customers	360,766	191,642
Unearned revenues	79,652	97,269
Withholding taxes	83,262	3,687
Guarantees deposits received	109,454	111,723
Derivatives liabilities	1,070,996	2,219,630
Accounts for agency business	110,982	233,690
Domestic exchange settlement loans	538,799	258,020
Agency	272,838	280,569
Sundry liabilities (Note 16)	1,098,907	768,091
	(Won) 10,653,494	(Won) 11,943,063

14. ACCEPTANCES AND GUARANTEES AND ALLOWANCES FOR POSSIBLE LOSSES:

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

Types	2005	2004
<b>Confirmed acceptances and guarantees in Won</b>		
Payment guarantee for issuance of debentures	(Won) 768	(Won) 472
Payment guarantee for loans	34,527	30,852
Others	352,946	260,497
	388,241	291,821
<b>Confirmed acceptances and guarantees in foreign currencies</b>		
Acceptances on letters of credit	86,170	101,180
Acceptances for letters of guarantee for importers	68,272	62,829
Guarantees for performance of contracts	68,692	32,039
Guarantees for bids	4,004	2,606
Guarantees for borrowings	48,091	26,728
Guarantees for repayment of advances	761,489	23,213
Others	364,601	435,372
	1,401,319	683,967
	1,789,560	975,788
<b>Unconfirmed acceptances and guarantees</b>		
Letters of credit	1,092,825	1,016,414
Others	879,367	295,360
	1,972,192	1,311,774
<b>Bills Endorsed</b>	10,910	9,396
	(Won) 3,772,662	(Won) 2,296,958

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

	Confirmed	Unconfirmed	Total	Percentage (%)
Large corporations	(Won) 1,383,240	(Won) 1,354,723	(Won) 2,737,963	72.78
Small and medium corporations	401,455	612,302	1,013,757	26.95
Public sector and others	2,652	5,088	7,740	0.21
Foreign customer	2,213	79	2,292	0.06
	(Won) 1,789,560	(Won) 1,972,192	(Won) 3,761,752	100.00

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

	Confirmed	Unconfirmed	Total	Percentage (%)
Large corporations	(Won) 356,397	(Won) 438,394	(Won) 794,791	34.74

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Small and medium corporations	616,849	844,951	1,461,800	63.90
Public sector and others		25,514	25,514	1.12
Foreign customer	2,542	2,915	5,457	0.24
	(Won) 975,788	(Won) 1,311,774	(Won) 2,287,562	100.00

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

	<b>Confirmed</b>	<b>Unconfirmed</b>	<b>Total</b>	<b>Percentage (%)</b>
Public sector	(Won) 707,759	(Won) 867,544	(Won) 1,575,303	41.87
Finance	389,019	10,311	399,330	10.62
Service	277,569	403,005	680,574	18.09
Manufacturing	298,596	663,200	961,796	25.57
Others	116,617	28,132	144,749	3.85
	(Won) 1,789,560	(Won) 1,972,192	(Won) 3,761,752	100.00

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

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

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

	Confirmed	Unconfirmed	Total	Percentage (%)
Korea	(Won) 1,455,270	(Won) 1,972,113	(Won) 3,427,383	91.11
France	293,770		293,770	7.81
USA	40,520		40,520	1.08
Others		79	79	
	(Won) 1,789,560	(Won) 1,972,192	(Won) 3,761,752	100.00

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

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

(5) Until 2004, the Bank provided allowance for possible losses on confirmed acceptances and guarantees, which were classified as substandard or less than substandard. However, pursuant to the amended Supervisory Regulation of Banking Business, the Bank has extended the scope of allowance for possible losses on acceptances and guarantees to note endorsed, unconfirmed acceptances and guarantees and confirmed acceptances and guarantees classified as normal and precautionary, and provided allowance for possible losses based on the credit classification, minimum rate of loss provision prescribed by Financial Supervisory Service and the cash conversion factor of the respective exposures since 2005.

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

	Confirmed acceptances and guarantees		Unconfirmed acceptances and guarantees	Bills endorsed	Total
	Won	Foreign currencies			
Normal	(Won) 382,574	(Won) 1,387,575	(Won) 1,943,043	(Won) 10,572	(Won) 3,723,764
Precautionary	3,658	11,335	12,573	299	27,865
Substandard	50	2,194	8,445		10,689
Doubtful	1,888	209	1,198	39	3,334

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Estimated loss	71	6	6,933	7,010
	(Won) 388,241	(Won) 1,401,319	(Won) 1,972,192	(Won) 10,910
Allowance for possible losses	1,395	3,640	5,028	78
	(Won) 3,772,662			
Ratio (%)	0.36	0.26	0.25	0.71
				0.27

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

	Confirmed acceptances and		Total
	guarantees		
	Won	Foreign currencies	
Normal	(Won) 280,910	(Won) 672,484	(Won) 953,394
Precautionary	8,614	10,312	18,926
Substandard	2,042	1,024	3,066
Doubtful	225	142	367
Estimated loss	30	5	35
	(Won) 291,821	(Won) 683,967	(Won) 975,788
Allowance for possible losses	551	599	1,150
Ratio (%)	0.19	0.09	0.12

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

	Guarantees and acceptances and others	Allowance	Percentage (%)
December 31, 2005(*)	(Won) 3,772,662	(Won) 10,141	0.27
December 31, 2004	975,788	1,150	0.12
December 31, 2003	800,297	1,074	0.13

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

15. ACCRUED SEVERANCE BENEFITS:

The changes in accrued severance benefits for the year ended December 31, 2005 were as follows (Unit: In millions):

	Other				
	Beginning	Provision	Payment	changes	Ending
Accrued severance benefits	(Won) 319,947	(Won) 129,897	(Won) 62,332	(Won) (21)	(Won) 387,491
Severance insurance deposits	(193,325)	(71,993)	(28,789)		(236,529)
	(Won) 126,622	(Won) 57,904	(Won) 33,543	(Won) (21)	(Won) 150,962

As of December 31, 2005 and 2004, part of severance benefits was contributed to pension funds of Kyobo Life Insurance Co., Ltd., and others in which the beneficiary is a respective employee. The total severance benefits paid for the year ended December 31, 2005 amounted to (Won)317,947 million, including the additional severance benefits of (Won)255,615 million relating to early retirements paid in February 2005.

16. SUNDRY LIABILITIES:

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

	<b>2005</b>	<b>2004</b>
Borrowings for others business	(Won) 128,567	(Won) 87,685
foreign currency bills payable	38,645	21,395
Prepaid card and debit card liabilities	8,540	4,714
Subscription deposits	45,904	40,085
Other allowances	875,835	611,120
Others	1,416	3,092
	(Won) 1,098,907	(Won) 768,091

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

	2005	2004
Loss on branch closure	(Won) 167	(Won) 237
Unused credit limit	342,281	45,234
Mileage rewards	85,876	80,676
Credit commitments to SPC (Note 19)	384,724	438,343
KAMCO loans sold (Note 19)	241	217
Dormant accounts	27,035	14,976
KP Chemical loans sold	4,029	4,029
Others	31,482	27,408
	(Won) 875,835	(Won) 611,120

The Bank provided other allowance for certain portions of the unused cash advance facility of active credit card accounts with transaction records during the recent one year until 2004. In connection with the amendment of Supervisory Regulation of Banking Business, the Bank has extended the scope of other allowance for the unused line of credit to the unused credit limit for purchase of credit card and unused credit line of consumer and corporate loans, and provided other allowance based on the cash conversion factor and minimum rate of loss provision prescribed by Financial Supervisory Service since 2005. The unused credit limit for other allowances amounts to (Won)72,422,182 million as of December 31, 2005.

17. SHAREHOLDERS EQUITY:

(1) Capital stock

As of December 31, 2005 and 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. The Bank's major shareholders were Euro-Pacific Growth Fund (4.95 percent) and ING Bank N.V. Amsterdam (4.06 percent) as of December 31, 2005. As of December 31, 2005, 51,175,814 common shares, equivalent to 15.21 percent of the total issued shares, are listed on the New York Stock Exchange as ADS and are managed by the Bank of New York, the trustee of the Bank.

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

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

(2) Capital surplus

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

	2005	2004
Paid-in-capital in excess of par value	(Won) 5,655,840	(Won) 5,655,840
Gain on business combination	397,669	397,669
Revaluation increment	177,229	177,229
Gain on disposal of treasury stock	24,048	
	(Won) 6,254,786	(Won) 6,230,738

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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.

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(3) Retained earnings

1) Retained earnings as of December 31, 2005 and 2004 are summarized as follows (Unit: In millions):

	<b>2005</b>	<b>2004</b>
Legal reserve	(Won) 601,340	(Won) 545,740
Business rationalization reserve		40,760
Reserve for financial structure improvement	55,600	
Voluntary reserve	852,700	1,072,800
Other reserve	362,862	2,490
Retained earnings before appropriations	2,057,446	185,105
	(Won) 3,929,948	(Won) 1,846,895

2) Legal reserve

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

3) Reserve for financial structure improvement (voluntary reserve)

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

4) Business rationalization reserve

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

5) Retained earnings appropriated for accumulated deficit

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

(4) Capital adjustments

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

	<b>2005</b>	<b>2004</b>
Treasury stock	(Won) (9,660)	(Won) (1,322,320)
Gain on valuation of available-for-sale securities	511,368	707,487

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Gain on valuation of held-to-maturity securities	426	
Gain on gain on valuation of securities using the equity method	13,282	10,443
Loss on gain on valuation of securities using the equity method	(12,334)	(4,751)
Stock option	3,888	29,613
Loss on sales of treasury stock		(1,459)
	(Won) 506,970	(Won) (580,987)

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2) The changes of capital adjustments for the year ended December 31, 2005 were as follows (Unit: In millions):

	Beginning balance	Changes	Disposal or realized	Deferred tax income	Ending balance
Treasury stock	(Won) (1,322,320)	(Won)	(Won) 1,312,660	(Won)	(Won) (9,660)
Gain on valuation of available-for-sale securities	707,487	401,277	(424,458)	(172,938)	511,368
Gain on valuation of held-to-maturity securities		952	(526)		426
Change due to the equity method	5,692	(16,788)	10,719	1,325	948
Stock option	29,613	(21,992)	(3,733)		3,888
Loss on sales of treasury stock	(1,459)	1,459			
	(Won) (580,987)	(Won) 364,908	(Won) 894,662	(Won) (171,613)	(Won) 506,970

3) Treasury stock

The Bank, with the approval of the Board of Directors on July 26, 2002, established an Employee Stock Option Plan (ESOP) as part of employee benefits and purchased three million shares of treasury stock under the plan. In 2003, the Bank contributed one million shares to the Employee Stock Ownership Association (ESOA). Pursuant to the approval of the Board of Directors on February 3, 2005, the Board of Directors decided to contribute additional two million shares to the ESOA. One million shares were given on February 23, 2005 and another million shares were given on April 12, 2005. As a result of the contribution, the Bank recognized (Won)996 million of gain before tax on sales of treasury stock as of December 31, 2005.

In accordance with the resolution of the Board of Directors on December 17, 2003, the Bank acquired 27,423,761 out of 30,623,761 shares previously owned by the Korean government through public bidding at (Won)43,700 per share. For the year ended December 31, 2005, the Bank has sold 26,680,772 shares of treasury stock for (Won)1,248,663 million at the domestic over-the-counter market and issued 742,989 shares of global depository receipts on June 16, 2005 for the purpose of increasing net capital and enhancing the quality of the financial structure pursuant to the resolution of the Board of Directors on April 27, 2005. As a result of the sale of treasury stock, the Bank has recognized (Won)35,106 million of gain before tax for the year ended December 31, 2005.

In addition, as a result of the exercise of stock option, the Bank recognized gain on disposal of treasury stock amounting to (Won)494 million (not reflecting income tax effect) for the year ended December 31, 2005. Also, the Bank holds 0.06 percent (217,935 shares) of the total common stock issued as treasury stock as of December 31, 2005.

(5) Dividends

The calculation of dividends for the years ended December 31, 2005 and 2004 was as follows:

	2005	2004
Issued stocks (shares)	336,379,116	336,379,116
Treasury stock (shares)	217,935	29,881,209
Dividend stocks (shares)	336,161,181	306,497,907
Dividend rate (%)	11.00	11.00
The amount of dividend (Won in million)	184,889	168,574
Dividend propensity (%) (*)	8.21	30.36
Dividend yield ratio (%)	0.72	1.36

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(\*) The change in net income due to the accounting changes of the private beneficiary certificates described in Note 2 was not reflected in the dividend propensity as of December 31, 2004.

18. STOCK OPTIONS:

- (1) The Bank granted stock options to executives. When the stock options are exercised, the Bank has the option to settle either through issuance of new shares or treasury stock, or through payment of cash equivalent to the difference between the market price and the exercise price. In accordance with the resolution of the Board of Directors on August 23, 2005, the Bank has changed the settlement method from granting the treasury stock to paying cash equivalent to the difference between the market price and the exercise price only after the remaining treasury stock is exhausted. Accordingly, stock options against 217,935 shares of treasury stock, which the Bank currently owns as of December 31, 2005, were recorded using the fair value method accounting, and the other stock options were recorded using intrinsic value method accounting. Due to the change of accounting estimation, additional stock compensation expense amounting to (Won)13,483 million was recognized for the year ended December 31, 2005 and (Won)43,016 million of stock options (capital adjustment) were transferred to accrued expenses. The stock options, which will be exercised through treasury stock, are options from Series 2, 5, 7 and 8, and the respective number of shares is 592 shares, 22,490 shares, 194,632 shares and 221 shares, respectively.

The details of the stock options as of December 31, 2005 were as follows:

		Granted shares				Exercise	Exercise
	Grant date	Granted	Forfeited	Exercised	Outstanding	price	period
Series 2	01.03.15	214,975	16,882	64,398	133,695	(Won) 28,027	04.03.16 ~ 09.03.15
Series 5	00.02.28	267,000	65,218	141,028	60,754	27,600	03.03.01 ~ 06.02.28
Series 6	01.03.24	111,000	38,624	35,650	36,726	25,100	04.03.25 ~ 07.03.24
Series 7	01.11.16	850,000	200,000		650,000	51,200	04.11.17 ~ 09.11.16
Series 8-1 (*1)	02.03.22	132,000	89,753	200	42,047	57,100	05.03.23 ~ 10.03.22
Series 8-2 (*2)	02.03.22	490,000	180,691	32,405	276,904	57,100	05.03.23 ~ 10.03.22
Series 9 (*2)	02.07.26	30,000	6,101		23,899	58,800	05.07.27 ~ 10.07.26
Series 10-1(*1)	03.03.21	140,000	76,557		63,443	48,685	06.03.22 ~ 11.03.21
Series 10-2 (*2)	03.03.21	180,000	90,440		89,560	35,500	06.03.22 ~ 11.03.21
Series 11(*1)	03.08.27	30,000	24,909		5,091	40,500	06.08.28 ~ 11.08.27
Series 12 (*1)	04.02.09	85,000	9,461		75,539	46,100	07.02.10 ~ 12.02.09
Series 13-1(*1)	04.03.23	20,000			20,000	48,650	07.03.24 ~ 12.03.23
Series 13-2 (*2)	04.03.23	10,000			10,000	47,200	07.03.24 ~ 12.03.23
Series 14 (*1 & 2)	04.11.01	700,000			700,000	52,100	07.11.02 ~ 12.11.01
Series 15-1(*1)	05.03.18	165,000			165,000	60,300	08.03.19 ~ 13.03.18
Series 15-2 (*2)	05.03.18	765,000			765,000	46,800	08.03.19 ~ 13.03.18
Series 16 (*2)	05.04.27	15,000			15,000	45,700	08.04.28 ~ 13.04.27
Series 17 (*2)	05.07.22	30,000			30,000	49,200	08.07.23 ~ 13.07.22
Series 18 (*2)	05.08.23	15,000			15,000	53,000	08.08.24 ~ 13.08.23

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	Grant date	Granted shares			Outstanding	Exercise price	Exercise period
		Granted	Forfeited	Exercised			
Kookmin Credit Card-1 (*3)	01.03.22	22,146			22,146	(Won) 71,538	04.03.23 ~ 11.03.22
Kookmin Credit Card -2 (*1 & 3)	02.03.29	9,990			9,990	129,100	04.03.30 ~ 11.03.29
		4,282,111	798,636	273,681	3,209,794		

- (\*1) The exercise price is adjusted by reflecting the increase in average stock price index of banking industry as of December 31, 2005.  
 (\*2) As the actual number of exercisable granted shares is determined in accordance with the management performance for the contract period of service, the number of granted shares used for the calculation of compensation cost is computed based on the assumption that the performance result falls into the highest level in the bracket.  
 (\*3) The Bank took over the stock options granted by Kookmin Credit Card Co., Ltd. of which the exercise price and number of shares were adjusted in proportion to the merger ratio.

- (2) The compensation cost of the stock options to be exercised through issuance of treasury stock is calculated based on the fair value basis method. The main assumptions used under the fair value basis method were as follows:

	Stock price at grant date	Risk free interest rate (%)	Expected exercise period(years)	Volatility (%)	Expected dividend s rate of return (%)	Compensation cost per share
Series 2	(Won) 25,156	6.06	5.50	70.3	2.47	(Won) 15,987
Series 5	33,750	4.74	1.33	73.3	1.93	13,320
Series 7	45,800	4.91	3.00	58.9		18,364
Series 8	58,000	6.14	3.00	53.6		24,494

- (3) The compensation costs, by the settlement method, as of December 31, 2005 were as follows (Unit: In millions):

	Cash settlement	Stock settlement
Total compensation cost of stock option	(Won) 69,394	(Won) 3,888
Reflected compensation cost	43,016	3,888
Compensation cost to be reflected	(Won) 26,378	(Won)

The Bank recognized (Won)21,024 million of compensation cost for the year ended December 31, 2005.

- (4) The weighted average exercise price and the weighted average fair value of the stock options through issuance of treasury stock as of December 31, 2005 are (Won)48,708 and (Won)17,843, respectively.

19. CONTINGENCIES AND COMMITMENTS:

- (1) The Bank holds written-off loans, of which the claim for borrowers and guarantors have not been terminated, amounting to (Won)7,743,273 million and (Won)6,629,858million as of December 31, 2005 and 2004, respectively.

- (2)



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As of December 31, 2005, the Bank has entered into commitments to provide credit line of (Won)3,302,896 million and to purchase commercial papers amounting to (Won)1,507,900 million with several special purpose companies. Under these commitments, the Bank extended (Won)174,970 million of loans to the companies and

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recognized (Won)384,724 million of expected loss as other allowance. The Bank has no balance of commitment to purchase commercial papers as of December 31, 2005. In addition, the Bank has (Won)93,710 million of outstanding commitments to provide foreign currency loans as of December 31, 2005.

- (3) The Bank entered into the business cooperation agreements with Woori Credit Card, Citibank and Nonghyup for the credit card business. Accordingly, the Bank shares the related revenue from such business operation.
- (4) As of December 31, 2005, the Bank has provided allowances of (Won)241 million for losses from possible future repurchase of loans, which the Bank sold to Korea Asset Management Corporation ( KAMCO ) for (Won)685 million.
- (5) As of December 31, 2005 and 2004, the Bank recorded receivables amounting to (Won)383,838 million and (Won)2,286,066 million, and payables amounting to (Won)383,550 million and (Won)2,283,394 million for unsettled foreign currency spot transactions.
- (6) As of December 31, 2005, the Bank faces 128 pending legal actions involving aggregate damages of (Won)292,516 million. On the other hand, the Bank is filed 199 lawsuits, which are still pending, with aggregate claims of (Won)203,002 million. Management believes that the actions against the Bank are without merit and that the ultimate liability, if any, will not materially affect the Bank's financial position.
- (7) For the current year, the Fair Trade Commission has taken an investigation into the inter-company transactions of the Bank, but the ultimate results of the investigation is not certain as of December 31, 2005.
- (8) The notional amounts outstanding for derivative contracts as of December 31, 2005 and 2004 were as follows (Unit: In millions):

Type	2005		2004	
	Trading	Hedge	Trading	Hedge
	Total		Total	
<b>Interest rate:</b>				
Interest rate forwards	(Won) 303,250	(Won) 303,250	(Won) 605,224	(Won) 605,224
Interest rate futures	695,443	695,443	31,951,803	32,959,703
Interest rate swaps	33,487,799	1,581,097	1,007,900	32,959,703
Interest rate options purchased	300,650	300,650	354,190	354,190
Interest rate options sold	640,650	640,650	854,190	854,190
	35,427,792	1,581,097	33,765,407	1,007,900
<b>Currency:</b>				
Currency forwards	58,354,822	58,354,822	53,943,197	53,943,197
Currency futures	2,419,652	2,419,652	2,537,269	2,537,269
Currency swaps	4,796,740	4,796,740	4,184,152	4,184,152
Currency options purchased	119,345	119,345	245,387	245,387
Currency options sold	73,056	73,056	270,247	270,247
	65,763,615	65,763,615	61,180,252	61,180,252
<b>Stock:</b>				

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Stock index futures	13,567	13,567	3,406	3,406
Stock options purchased	2,746,364	2,746,364	1,743,480	1,743,480
Stock options sold	2,754,603	2,754,603	1,729,630	1,729,630
	5,514,534	5,514,534	3,476,516	3,476,516

Other:

Gold index purchased	146,268	146,268		
Gold index sold	146,268	146,268		
	292,536	292,536		

(Won) 106,998,477 (Won) 1,581,097 (Won) 108,579,574 (Won) 98,422,175 (Won) 1,007,900 (Won) 99,430,075

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For transaction between Won and foreign currencies, unsettled amount of transaction is presented using the basic foreign exchange rate based on the contract amount in foreign currencies. For transaction between foreign currencies and foreign currencies, unsettled amount is presented using the basic foreign exchange rate based on foreign currencies purchased.

December 31, 2005

Type	Gain (loss) valuation (I/S)			Gain (loss) on valuation (B/S) (*)
	Trading	Hedge	Total	
<b>Interest rate:</b>				
Interest rate forwards	(Won) 6	(Won) 6	(Won) 6	(Won) 6
	(3)		(3)	(3)
Interest rate options purchased	694		694	2,778
	(4,115)		(4,115)	
Interest rate options sold	3,867		3,867	
	(1,109)		(1,109)	(2,179)
Interest rate swaps	444,678	1,336	446,014	231,275
	(367,194)	(56,144)	(423,338)	(242,745)
	449,245	1,336	450,581	234,059
	(372,421)	(56,144)	(428,565)	(244,927)
<b>Currency:</b>				
Currency forwards	593,383		593,383	607,398
	(531,394)		(531,394)	(584,155)
Currency swaps	66,458		66,458	298,431
	(96,686)		(96,686)	(179,250)
Currency options purchased	118		118	117
	(1,011)		(1,011)	(1,011)
Currency options sold	620		620	618
	(41)		(41)	(42)
	660,579		660,579	906,564
	(629,132)		(629,132)	(764,458)
<b>Stock:</b>				
Stock option purchased	20,002		20,002	61,345
	(18,244)		(18,244)	
Stock option sold	19,765		19,765	
	(19,240)		(19,240)	(61,516)
	39,767		39,767	61,345
	(37,484)		(37,484)	(61,516)
<b>Other:</b>				
Gold index purchased	36		36	95
	(1,841)		(1,841)	
Gold index sold	1,928		1,928	
	(34)		(34)	(95)
	1,964		1,964	95
	(1,875)		(1,875)	(95)

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(Won) 1,151,555	(Won) 1,336	(Won) 1,152,891	(Won) 1,202,063
(1,040,912)	(56,144)	(1,097,056)	(1,070,996)

December 31, 2004

Type	Gain (loss) valuation (I/S)			Fair value (B/S)(*)
	Trading	Hedge	Total	
Interest rate:				
Interest rate options purchased	(Won) 4,234 (3,192)	(Won)	(Won) 4,234 (3,192)	(Won) 6,202
Interest rate options sold	4,052 (9,865)		4,052 (9,865)	(17,757)
Interest rate swaps	319,044 (279,831)	3,890 (6,065)	322,934 (285,896)	316,333 (354,023)
	327,330 (292,888)	3,890 (6,065)	331,220 (298,953)	322,535 (371,780)

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Type	Gain (loss) valuation (I/S)			Fair value
	Trading	Hedge	Total	(B/S)(*)
<b>Currency:</b>				
Currency forwards	1,519,740		1,519,740	1,519,636
	(1,480,920)		(1,480,920)	(1,486,626)
Currency swaps	321,802		321,802	476,703
	(250,158)		(250,158)	(287,203)
Currency options purchased	323		323	281
	(1,792)		(1,792)	(887)
Currency options sold	2,683		2,683	827
	(379)		(379)	(379)
	1,844,548		1,844,548	1,997,447
	(1,733,249)		(1,733,249)	(1,775,095)
<b>Stock:</b>				
Stock option purchased	10,554		10,554	72,002
	(8,718)		(8,718)	
Stock option sold	9,790		9,790	
	(9,631)		(9,631)	(72,755)
	20,344		20,344	72,002
	(18,349)		(18,349)	(72,755)
	(Won) 2,192,222	(Won) 3,890	(Won) 2,196,112	(Won) 2,391,984
	(2,044,486)	(6,065)	(2,050,551)	(2,219,630)

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

The Bank holds derivative instruments accounted for as fair value hedges applied to debentures, subordinated bonds, structured bonds and structured deposits. As of December 31, 2005, the Bank recognized (Won)56,144 million of gains and (Won)1,336 million of losses on valuation of fair value hedged items. In addition, the interest rate swap covers the fair value changes of the hedged items resulted from the fluctuation in interest rate and foreign exchange rate.

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

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

In accordance with the agreements of the credit linked notes, when the credit events such as default occurs in the reference entities during the contract period, the credit linked notes are returned to Morgan Stanley and the Bank will receive the debt securities issued by the reference entities for the consideration of the credit linked notes or cash equivalents to the debt securities issued by the reference entities.

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20. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:

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

	2005		2004	
	USD equivalent (In thousands)	KRW equivalent (In millions)	USD equivalent (In thousands)	KRW equivalent (In millions)
<b>Assets:</b>				
Foreign currencies	US\$ 148,473	(Won) 150,402	US\$ 119,501	(Won) 124,735
Due from banks-foreign currencies	531,036	537,941	581,957	607,447
Securities-foreign currencies	768,890	778,887	910,909	950,807
Loans in foreign currencies	5,246,674	5,314,883	3,698,819	3,860,828
Bills bought in foreign currencies	1,359,412	1,377,085	550,665	574,785
Call loans in foreign currencies	49,307	49,948	183,736	191,784
<b>Liabilities:</b>				
Deposits-foreign currencies	US\$ 1,361,435	(Won) 1,379,133	US\$ 1,373,885	(Won) 1,434,061
Borrowings-foreign currencies	3,145,906	3,186,803	2,433,665	2,540,260
Due to BOK	535	542	1,923	2,007
Call money in foreign currencies	272,800	276,346	13,111	13,685
Debentures-foreign currencies	1,038,490	1,051,990	667,294	696,522
Foreign exchange remittance pending	38,149	38,645	20,497	21,395

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

21. INTEREST REVENUE AND EXPENSES:

The average balance of the interest bearing assets and liabilities, and the related interest revenue and expenses as of and for the years ended December 31, 2005 and 2004 were as follows (Unit: In millions):

	2005			2004		
	Average balance	Interest revenue /expense	Interest rate (%)	Average balance	Interest revenue /expense	Interest rate (%)
<b>Assets</b>						
Due from banks(*)	(Won) 906,427	(Won) 26,274	2.90	(Won) 829,905	(Won) 9,995	1.20
Securities	23,793,346	1,127,393	4.74	18,587,268	1,045,947	5.63
Loans	137,302,104	10,139,482	7.38	142,963,137	11,437,600	8.00
	(Won) 162,001,877	(Won) 11,293,149	6.97	(Won) 162,380,310	(Won) 12,493,542	7.69
<b>Liabilities</b>						
Deposits	(Won) 124,548,169	(Won) 3,209,746	2.58	(Won) 129,654,719	(Won) 3,909,204	3.02
Borrowings	12,438,673	384,332	3.09	10,891,248	326,586	3.00
Debentures	18,792,546	1,034,471	5.50	19,046,584	1,116,110	5.86
	(Won) 155,779,388	(Won) 4,628,549	2.97	(Won) 159,592,551	(Won) 5,351,900	3.35

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





22. GENERAL AND ADMINISTRATIVE EXPENSES:

(1) General and administrative expenses for the years ended December 31, 2005 and 2004 were as follows (Unit: In millions):

	2005	2004
Salaries	(Won) 1,429,852	(Won) 1,196,981
Provision for severance benefits	129,897	124,608
Other employee benefits	365,604	335,764
Rent	86,664	79,139
Depreciation and amortization	347,121	415,289
Taxes and dues	122,051	122,982
Advertising	66,273	43,869
Development expenses	132,294	134,300
Other general and administrative expenses	296,006	287,001
	(Won) 2,975,762	(Won) 2,739,933

(2) Other general and administrative expenses for the years ended December 31, 2005 and 2004 were as follows (Unit: In millions):

	2005	2004
Communication	(Won) 34,793	(Won) 36,813
Electricity and utilities	16,696	17,540
Publication	20,459	21,871
Repairs maintenance	18,406	18,142
Vehicle	27,155	27,746
Travel	3,758	4,700
Training	17,928	20,695
Other	156,811	139,494
	(Won) 296,006	(Won) 287,001

23. NON-OPERATING INCOME AND EXPENSES:

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

	2005	2004
Non-operating income:		
Gain on disposal of tangible assets	(Won) 11,377	(Won) 29,546
Reversal of tangible assets impairment loss	641	3,281
Rental income	3,324	3,171
Gain on valuation of securities accounted for using the equity method	98,812	58,746
Gain on disposal of available-for-sale securities	319,534	157,924
Gain on redemption of held-to-maturity securities	216	1,517
Gain on disposal of securities accounted for using the equity method		1,146
Gain on sale of loans	81,743	23,770
Others	219,048	185,316



	2005	2004
<b>Non-operating expenses:</b>		
Loss on disposal of tangible assets	(Won) 4,197	(Won) 16,736
Impairment loss on tangible assets	10,839	19,384
Loss on valuation of securities accounted for using the equity method	6,466	63,760
Loss on disposal of available-for-sale securities	19,199	24,350
Impairment loss on available-for-sale securities	98,025	82,272
Loss on sale of loans	16,396	1,183,331
Severance benefits	255,615	50,029
Others	111,527	120,862
	(Won) 522,264	(Won) 1,560,724

24. INCOME TAX EXPENSE:

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

	2005		2004(*)	
Income before income tax	(Won)	3,228,253	(Won)	898,598
<b>Taxable and non-deductible items</b>				
Temporary difference	3,101,225		2,287,030	
Permanent difference	697,896	3,799,121	169,863	2,456,893
<b>Deductible and non-taxable items</b>				
Temporary difference	(2,518,977)		(2,254,226)	
Permanent difference	(752,789)	(3,271,766)	(237,855)	(2,492,081)
Accumulated deficit				(255,836)
Taxable income	(Won)	3,755,608	(Won)	607,574

(\*) Adjustment in relation to the private beneficiary certificates are not reflected on the income for the year ended December 31, 2004.

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

	Korean Won			
	Beginning balance (*)	Deduction	Addition	Ending balance
Loss on fair value hedges	(Won) (3,502)	(Won) (3,502)	(Won) (58,096)	(Won) (58,096)
Allowance for loan losses	116,934	50,920		66,014
Accrued interest	(309,506)	(309,506)	(352,537)	(352,537)
Tangible asset impairment losses	2,296	2,296	11,466	11,466
Deferred loan organization fee and cost	(48,889)	(48,889)	(52,025)	(52,025)
Interest on ELD	41,937	41,937	30,517	30,517
Stock options	29,613	29,613	46,905	46,905
Allowance for possible losses on acceptances and guarantees	1,150	1,150	10,141	10,141
Valuation loss on derivatives financial instruments	(137,573)	(137,573)	(94,654)	(94,654)
Goodwill	(457,014)	(78,345)		(378,669)
Discount present value	4,279	4,279	1,713	1,713
Dividends from SPC	131,186		129,223	260,409
Others	1,576,989	1,245,423	1,438,704	1,770,270
	947,900	(Won) 797,803	(Won) 1,111,357	1,261,454
The exclusion of deferred income tax				
Goodwill	(457,014)			(378,669)
Valuation of securities (capital adjustments)	(444,481)			
Dividends from SPC	131,186			260,409
Other	458			95,298
	1,717,751			1,284,416
Statutory tax rate	27.5%			27.5%
Deferred income tax assets	(Won) 472,382			(Won) 353,214

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

- (3) Income tax expense for the years ended December 31, 2005 and 2004 is summarized as follows (Unit: In millions):

	2005	2004
Income tax currently payable	(Won) 1,032,011	(Won) 178,871
Changes in deferred tax assets	45,277	90,898
Retained earnings and other capital surplus adjustments	(107,785)	(312)
Income tax expense of overseas branch	6,532	
Income tax expense	(Won) 976,035	(Won) 269,457

- (4) The statutory income tax rates applicable to the Bank, including resident tax surcharges, are 27.5 percent and 29.7 percent for the years ended December 31, 2005 and 2004, respectively. However, due to tax adjustments, the effective tax rates for the years ended December 31, 2005 and 2004 are 30.23 percent and 42.78 percent, respectively.



25. EARNINGS PER SHARE:

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

Ordinary income per share and net income per share were calculated for common stock by dividing ordinary income and net income available to common shareholders by the weighted average number of outstanding common stock. In case the stock options are exercised during the year ended December 31, 2005, the outstanding common shares are calculated on the assumption that the treasury stock are disposed of on the exercised date.

Net income per share for common stock for the year ended December 31, 2005 was computed as follows:

1) Outstanding capital stock

	Number of shares	Number of shares x number of days
Number of common shares outstanding-beginning balance	336,379,116	122,778,377,340
Number of treasury stock outstanding-beginning balance	(29,881,209)	(10,906,641,285)
Sale of treasury stock	29,663,274	5,945,063,364
	336,161,181	117,816,799,419

Weighted average number of common shares outstanding :  $117,816,799,419 \div 365 \text{ days} = 322,785,752$  shares

2) The basic net income per share for the year ended December 31, 2005 was as follows (Unit: In won)

	Common shares
Net income (=ordinary income)	(Won) 2,252,218,097,725
Weighted average number of common shares outstanding	322,785,752
Net income per share	(Won) 6,977
Ordinary income per share	(Won) 6,977

The ordinary income for the year ended December 31, 2005 equals to net income because there are no extraordinary item.

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

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

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

Diluted net income (ordinary income) per share for the year ended December 31, 2005 was computed as follows:

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- 1) Diluted net income (ordinary income) (\*1) : (Won)2,251,945,887,540
  
- 2) Number of common shares and diluted securities:  $322,785,752 + 170,831 (*2) = 322,956,583$  (shares)
  
- 3) Diluted net income (ordinary income) per share :  $(\text{Won})2,251,945,887,540 \div 322,956,583$  (shares) = (Won)6,973

(\*1) The stock options, which were included in the diluted shares, have no effect on net income because the contracted service period has expired as of December 31, 2005, and for the year ended December 31, 2005, (Won)272 million of compensation cost of certain stock options, which was recorded prior to 2004 was reversed because the exercise right has expired.

(\*2) The 170,831 shares of treasury stock in stock options are included in diluted shares.

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

(3) Dilutive securities

As of December 31, 2005, dilutive securities are summarized as follows (Unit: won, shares):

	Exercise period	Common stock to be issued	Condition for conversion
Stock options	Mar. 1, 2003 ~ Mar. 22, 2010	217,935	(Won)27,600 ~ 57,100 per share

26. TRUST ACCOUNTS:

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

	2005	2004
<b>Operating revenue of trust operation:</b>		
Trust fees and commissions from trust accounts	(Won) 137,666	(Won) 117,869
Commissions from early redemption in trust accounts	15	73
	(Won) 137,681	(Won) 117,942
<b>Operating expenses of trust operation:</b>		
Losses on trust accounts	(Won) 2	(Won)
Interest expense on borrowings from trust accounts	30,436	48,852
	(Won) 30,438	(Won) 48,852
<b>Assets:</b>		
Accrued receivable trust fees	(Won) 64,480	(Won) 86,472
<b>Liabilities:</b>		
Borrowings from trust accounts	(Won) 1,059,469	(Won) 811,339

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

	Name of fund	Book value	Fair value	Charge to bank account
Trust accounts guaranteeing the repayment of principal:	Old age pension (*1)(*2)	(Won) 21,172	(Won) 20,967	
	Personal pension (*1)(*2)	2,254,026	2,199,477	
	Pension trust	351,649	351,649	
	Retirement trust	381,513	381,513	
	New personal pension	65,808	65,808	



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New old age pension	225,250	225,250
	3,299,418	3,244,664

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	Name of fund	Book value	Fair value	Charge to bank account
Trust accounts guaranteeing a fixed rate of return and the repayment of principal:	Development money trust (*1)	(Won) 59,402	(Won) 59,407	
	Unspecified monetary trust (*1)			
		156	156	
		59,558	59,563	
		(Won) 3,358,976	(Won) 3,304,227	

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

(\*2) For the old age pension and the personal pension trust, even though the fair value was less than book value, the difference was not charged to the Bank operation because these are based on performance and the Bank is not responsible for the losses of the trusts.

27. SEGMENT INFORMATION:

(1) As of December 31, 2005 and 2004, the Bank's operating segments are consumer banking, corporate banking, credit card operation, treasury operation of investment in securities (including derivatives) and funding, and other operations of general administration and trust. Geographical segment are segregated into two segments: domestic and overseas operations.

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

	Consumer	Corporate	Credit card	Capital market	Other	Total
Securities	(Won) 210,078	(Won) 142,527	(Won) 27,654,319	(Won) 2,543,375	(Won) 30,550,299	
Loans	(Won) 81,110,421	(Won) 44,485,500	(Won) 7,373,912	(Won) 2,736,564	(Won) 135,738,407	
Operating revenue	(Won) 5,905,436	(Won) 2,708,390	(Won) 2,183,383	(Won) 6,168,863	(Won) 889,186	(Won) 17,855,258

As of and for the year ended December 31, 2004, financial information on the Bank's operating segments was as follows (Unit: In millions):

	Consumer	Corporate	Credit card	Capital market	Other	Total
Securities	(Won) 953,208	(Won) 7,021,125	(Won) 26,661,572	(Won) 350,661	(Won) 27,965,441	
Loans	(Won) 82,562,821	(Won) 42,356,089	(Won) 7,021,125	(Won) 3,829,019	(Won) 135,769,326	
Operating revenue	(Won) 6,088,930	(Won) 3,339,648	(Won) 2,647,841	(Won) 7,832,467	(Won) 609,132	(Won) 20,518,018

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

	Domestic	Overseas	Total
Securities	(Won) 30,550,299	(Won)	(Won) 30,550,299
Loans	(Won) 135,246,463	(Won) 491,944	(Won) 135,738,407
Operating revenue	(Won) 17,806,230	(Won) 49,028	(Won) 17,855,258

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Financial information on the Bank's geographical segments as of and for the year ended December 31, 2004 was as follows (Unit: In millions):

	Domestic	Overseas	Total
Securities	(Won) 27,963,040	(Won) 2,401	(Won) 27,965,441
Loans	(Won) 135,334,721	(Won) 434,605	(Won) 135,769,326
Operating revenue	(Won) 20,467,623	(Won) 50,395	(Won) 20,518,018

28. RELATED PARTY TRANSACTIONS:

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

	2005		2004	
	Assets	Liabilities	Assets	Liabilities
Trust accounts (trust accounts guaranteeing a fixed rate of return and the repayment of principal)	(Won) 57,658	(Won) 128,147	(Won) 79,968	(Won) 117,237
KB Investment Co., Ltd.		20,096		17,739
KB Futures Co., Ltd.	1,874	13,899	22	11,024
KB Data System Co., Ltd.	50	14,021	98	18,743
KB Asset Management Co., Ltd.	114	21,861		26,253
KB Real Estate Trust Co., Ltd.	18,532	1,418	33,975	1,916
KB Credit Information Co., Ltd.	191	22,405		22,363
KB Life Insurance Co., Ltd.	1,620	793	3,037	7,203
Pacific IT Investment Partnership		1,639		
NPC 02-4 Kookmin Venture Fund		19,327		
Joeeun Industrial Co., Ltd.	65,927		70,808	
Kookmin Bank International Ltd. (London)	247,919	54,436	245,772	101,812
Kookmin Bank Hong Kong Ltd.	123,460	24,641	171,820	12,145
	(Won) 517,345	(Won) 322,683	(Won) 605,500	(Won) 336,435

(2) Significant transactions with related parties for the years ended December 31, 2005 and 2004 were as follows (Unit: In millions):

	2005		2004	
	Revenue	Expenses	Revenue	Expenses
Trust accounts (trust accounts guaranteeing fixed rate of return and the repayment of principal)	(Won) 83,019	(Won) 4,440	(Won) 40,567	(Won) 10,763
KB Investment Co., Ltd.		623		432
KB Futures Co., Ltd.	25	1,370	93	952
KB Data System Co., Ltd.	93	22,752		20,131
KB Asset Management Co., Ltd.	907	1,030		866
KB Real Estate Trust Co., Ltd.	1,743		2,187	43
KB Credit Information Co., Ltd.	197	70,708		33,324
KB Life Insurance Co., Ltd.	30,167	22	17,855	51
Pacific IT Investment Partnership		5		
NPC02-4 Kookmin Venture Fund	7	518		
Kookmin Bank International Ltd. (London)	7,294	4,901	3,808	5,115
Kookmin Bank Hong Kong Ltd.	6,309	2,092	4,441	1,824
	(Won) 129,761	(Won) 108,461	(Won) 68,951	(Won) 73,501



29. **EMPLOYEE BENEFITS:**

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

30. **CASH FLOWS:**

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

	2005	2004
Cash on hand	(Won) 2,683,479	(Won) 2,380,578
Foreign currencies	150,402	124,735
Due from banks in Won	2,495,595	2,030,595
Due from banks in foreign currencies	537,941	607,447
	5,867,417	5,143,355
Restricted due from banks	(2,242,586)	(1,824,006)
	(Won) 3,624,831	(Won) 3,319,349

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

	2005	2004
Write-offs of loans and decrease of loans from principal reduction	(Won) 2,024,404	(Won) 5,293,809
Decrease in allowance resulting from sale of non-performing loans and repurchase	(166,051)	(644,590)
Increase in available-for-sale securities resulting from the debt to equity swap	677	181,034
Changes in capital adjustments from valuation of securities	(200,437)	570,568
Reclassification of available-for-sale securities to held-to-maturity securities	60,091	

31. **FINANCIAL INFORMATION OF THE FOURTH QUARTER:**

The major operating results of 4<sup>th</sup> quarter in 2005 and 2004 are as follows (Unit: In millions):

	4 <sup>th</sup> quarter	
	2005	2004
Operating revenue	(Won) 4,389,141	(Won) 6,854,836
Operating expenses	3,748,338	6,799,289
Operating income	640,803	55,547
Non-operating income	119,448	161,398

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Non-operating expenses	134,892	423,777
Ordinary income (loss)	625,359	(206,832)
Extraordinary income		
Extraordinary losses		
Income before income tax	625,359	(206,832)
Income tax expense	201,660	(4,377)
Net income (loss)	(Won) 423,699	(Won) (202,455)
Net income (loss) per share	(Won) 1,261	(Won) (661)

32. APPROVAL DATE OF FINANCIAL STATEMENTS:

Financial statements to be presented at the annual shareholders meeting were approved by the board of directors on February 8, 2006.

**Internal Accounting Control System Review Report**

English translation of a Report Originally Issued in Korean

To President & Chief Executive Officer of

Kookmin Bank:

We have reviewed the report of management's assessment of internal accounting control system ( IACS ) of Kookmin Bank (the Bank ) as of December 31, 2005. In accordance with Article 2-2 of the Act on External Audit for Stock Companies (the External Audit Law ) of the Republic of Korea, the Bank's management is responsible for assessing the design and operations of its IACS. Our responsibility is to review management's assessment and issue a report based on our review.

We conducted our review in accordance with Article 2-3 of the External Audit Law. Our review included inquiries of management and employees, inspection of related documents and checking of the operations of the Bank's IACS. We did not perform an audit of the Bank's IACS and accordingly, we do not express an audit opinion.

As this report is based on Interim Guidelines on Auditors' Review and Report on Management's Assessment of IACS, issued by the Korean Audit Standards Committee on March 29, 2005, it applies only from that date until the date the Final Standard for Management's Assessment of IACS and Final Standard for Auditors' Review and Report on Management Assessment of IACS becomes effective. A review performed based on the final standards may have different results and accordingly, the content of our report may be different.

Based on our review, no material weakness in the design or operations of the Bank's IACS under Article 2-2 of the External Audit Law as of December 31, 2005 has come to our attention.

This report applies to the Bank's IACS in existence as of December 31, 2005. We did not review the Bank's IACS subsequent to December 31, 2005. This report has been prepared for Korean regulatory purposes, pursuant to the External Audit Law, and may not be appropriate for other purposes or for other users.

February 24, 2006

/s/ Deloitte Anjin LLC

**Notice to Readers**

This report is annexed in relation to the audit of the non-consolidated financial statements as of December 31, 2005 and the review of IACS pursuant to Article 2-3 of the Act on External Audit for Stock Companies of the Republic of Korea.

## KOOKMIN BANK AND ITS SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2005 AND 2004

	Korean Won (Restated) <sup>(1)</sup>	
	2005	2004
	(In millions)	
<b>ASSETS</b>		
Cash and due from banks	(Won) 5,942,996	(Won) 5,213,063
Securities	33,479,132	30,669,919
Loans	135,821,846	135,837,704
Fixed assets	2,441,612	2,637,118
Other assets	5,217,136	8,331,123
	(Won) 182,902,722	(Won) 182,688,927
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Deposits	(Won) 129,615,589	(Won) 130,133,873
Borrowings	13,328,397	9,359,595
Debentures	16,547,987	21,874,695
Other liabilities	10,960,517	12,059,563
	170,452,490	173,427,726
<b>SHAREHOLDERS' EQUITY</b>		
Common stock	1,681,896	1,681,896
Capital surplus	6,269,599	6,238,284
Retained earnings		
(Net income of (Won)2,241,055 million for the year ended December 31, 2005 and (Won)355,936 million for the year ended December 31, 2004)	3,967,535	1,897,164
Capital adjustments	492,589	(583,783)
Minority interests	38,613	27,640
	12,450,232	9,261,201
	(Won) 182,902,722	(Won) 182,688,927

See accompanying notes to consolidated financial statements.

- (1) We recorded individual assets and liabilities comprised in private beneficiary certificates in our respective bank accounts, and net operating results from the private beneficiary certificates were recorded as one line item of income or loss from beneficiary certificates in the income statements by the end of 2004. However, in accordance with the new interpretation on the accounting of private beneficiary certificates by the Financial Supervisory Service, a private beneficiary certificate on which management, as an investor, agrees to have no interference and is not managing, is regarded as an ordinary beneficiary certificate and recorded as securities. As a result of the change of accounting principle, we restated the accompanying financial statements as of December 31, 2004.



KOOKMIN BANK AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	Korean Won (Restated)	
	2005 (In millions except per share amounts)	2004
<b>OPERATING REVENUE:</b>		
Interest income:		
Interest on due from banks	(Won) 28,977	(Won) 12,693
Interest on securities	1,260,527	1,194,445
Interest on loans	10,160,065	11,020,057
Other interest income	41,641	56,555
	11,491,210	12,283,750
Commission income	1,163,695	1,549,478
Other operating income:		
Gain on disposal of trading securities	103,953	237,688
Gain on valuation of trading securities		23,543
Dividends on trading securities	4,998	3,378
Dividends on available-for-sale securities	3,431	1,266
Gain on foreign exchange trading	253,907	245,694
Fees and commissions from trust accounts	110,507	119,908
Gain on financial derivatives trading	3,655,079	4,060,338
Gain on valuation of financial derivatives	1,153,294	2,196,112
Gain on valuation of fair value hedged items	56,144	6,065
Other operating income	46,739	45,787
	5,388,052	6,939,779
Insurance revenue	244,001	58,385
Total operating revenue	18,286,958	20,831,392
<b>OPERATING EXPENSES:</b>		
Interest expenses:		
Interest on deposits	3,281,112	4,044,051
Interest on borrowings	384,892	330,690
Interest on debentures	1,034,472	1,116,557
Other interest expenses	30,650	49,680
	4,731,126	5,540,978
Commission expense	349,379	460,930
Other operating expenses:		
Loss on disposal of trading securities	99,142	89,315
Loss on valuation of trading securities	13,536	

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Provision for possible loan losses	1,029,445	3,064,528
Provision for acceptance and guarantee losses	9,008	206
Loss on foreign exchange trading	237,443	294,135
Loss on financial derivatives trading	3,577,462	3,991,366
Loss on valuation of financial derivatives	1,096,714	2,050,630
Other operating expenses	801,676	790,398
	6,864,426	10,280,578
General and administrative expenses	3,031,958	2,825,527
Insurance expense	221,483	43,672
Total operating expenses	15,198,372	19,151,685

(Continued)

KOOKMIN BANK AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	Korean Won (Restated)	
	2005	2004
	(In millions except per share amounts)	
OPERATING INCOME	(Won) 3,088,586	(Won) 1,679,707
NON-OPERATING INCOME	697,038	459,499
NON-OPERATING EXPENSES	526,598	1,515,925
ORDINARY INCOME	3,259,026	623,281
EXTRAORDINARY ITEM		
INCOME BEFORE INCOME TAX	3,259,026	623,281
INCOME TAX EXPENSE	1,006,052	264,213
NET INCOME BEFORE MINORITY INTERESTS	2,252,974	359,068
MINORITY INTERESTS, GAIN	11,919	3,132
NET INCOME	(Won) 2,241,055	(Won) 355,936
ORDINARY INCOME PER SHARE (In currency units)	(Won) 6,943	(Won) 1,162
NET INCOME PER SHARE (In currency units)	(Won) 6,943	(Won) 1,162
DILUTED ORDINARY INCOME PER SHARE (In currency units)	(Won) 6,938	(Won) 1,161
DILUTED NET INCOME PER SHARE (In currency units)	(Won) 6,938	(Won) 1,161

See accompanying notes to consolidated financial statements.