

KOOKMIN BANK
Form 6-K
May 18, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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

For the month of May 2004

Kookmin Bank

(Translation of registrant's name into English)

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

(Address of principal executive office)

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

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):

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

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

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

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

Yes No

Kookmin Bank Interim Financial Statements

On May 14, 2004, Kookmin Bank disclosed its independent auditors' review report, including interim financial statements and relevant notes for the three-month periods ended and as of March 31, 2004 and 2003, and as of December 31, 2003 as following Exhibit 99.1.

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: May 17, 2004

By: /s/ Ki Sup Shin

(Signature)

Name: Ki Sup Shin

Title: Senior Executive Vice President &
Chief Financial Officer

Kookmin Bank

Non-Consolidated Interim Financial Statements

March 31, 2004 and 2003

Kookmin Bank

Index

March 31, 2004 and 2003, and December 31, 2003

| | <u>Page(s)</u> |
|--|----------------|
| Report of Independent Accountants | 1 2 |
| Non-Consolidated Interim Financial Statements | |
| Balance Sheets | 3 |
| Statements of Income | 4 |
| Statements of Cash Flows | 5 6 |
| Notes to Financial Statements | 7 54 |

Report of Independent Accountants

To the Board of Directors and Shareholders of

Kookmin Bank

We have reviewed the accompanying non-consolidated balance sheet of Kookmin Bank (the Bank) as of March 31, 2004, and the related non-consolidated statements of income and cash flows for the three-month periods ended March 31, 2004 and 2003, expressed in Korean Won. These interim financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these interim financial statements based on our review.

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

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

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

Without qualifying our opinion, we draw your attention to the following matters.

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

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

As discussed in Note 20 to the financial statements, in accordance with the resolution of the Board of Directors on December 17, 2003, the Bank acquired 27,423,761 of its own shares previously owned by the Korean government at (Won)43,700 per share through public bidding and intends to sell these shares of treasury stock depending on certain market conditions. As of March 31, 2004, the Bank holds 8.92 % of the total common stock issued as treasury stock.

As discussed in Note 16 to the financial statements, the Bank's total exposure (including loans and securities) to LG Card Co., Ltd., which is under the joint control of financial institutions due to currently experiencing its cash crisis, amounts to (Won)731,318 million as of March 31, 2004. In addition, the Bank holds securities issued by credit card companies and capital companies, which are experiencing liquidity problems, amounting to (Won)382,491 million as of March 31, 2004. The ultimate effect of these circumstances on the financial position of the Bank as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying financial statements.

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

Seoul, Korea

April 16, 2004

This report is effective as of April 16, 2004, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Kookmin Bank**Non-Consolidated Balance Sheets****March 31, 2004 and 2003, and December 31, 2003****(Unaudited)***(in millions of Won)*

| | 2004 | 2003 |
|--|--------------------------|--------------------------|
| Assets | | |
| Cash and due from banks (Note 3) | (Won) 4,913,459 | (Won) 6,526,345 |
| Securities (Note 4) | 26,820,606 | 26,908,462 |
| Loans (Notes 5 and 6) | 139,559,426 | 141,143,674 |
| Fixed assets (Note 7) | 2,948,580 | 3,019,556 |
| Other assets (Note 8) | 10,104,407 | 6,484,239 |
| Total assets | (Won) 184,346,478 | (Won) 184,082,276 |
| Liabilities and Shareholders Equity | | |
| Deposits (Note 9) | (Won) 130,637,739 | (Won) 132,180,272 |
| Borrowings (Note 10) | 13,905,133 | 10,902,800 |
| Debentures (Note 11) | 16,456,920 | 19,192,581 |
| Other liabilities (Note 13) | 14,608,372 | 13,392,109 |
| Total liabilities | 175,608,164 | 175,667,762 |
| Commitments and contingencies (Notes 14 and 16) | | |
| Common stock ((Won)5,000 par value per share, 1 billion shares authorized and 336,379,116 shares outstanding in 2003) (Notes 1 and 17) | 1,681,896 | 1,681,896 |
| Capital surplus (Note 18) | 6,230,738 | 6,230,738 |
| Retained earnings (Note 19) | 1,813,056 | 1,662,119 |
| Capital adjustments (Note 20) | (987,376) | (1,160,239) |
| Total shareholders equity | 8,738,314 | 8,414,514 |
| Total liabilities and shareholders equity | (Won) 184,346,478 | (Won) 184,082,276 |

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

See Report of Independent Accountants

Kookmin Bank**Non-Consolidated Statements of Income**

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

(in millions of Won, except per share amounts)

| | 2004 | 2003 |
|---|------------------|------------------|
| Interest income | | |
| Interest on due from banks | (Won) 1,873 | (Won) 3,779 |
| Interest on trading securities | 39,651 | 24,522 |
| Interest on available-for-sale securities | 155,424 | 167,677 |
| Interest on held-to-maturity securities | 94,753 | 188,259 |
| Interest on loans | 2,685,105 | 2,377,701 |
| Other interest income | 24,764 | 22,766 |
| | <u>3,001,570</u> | <u>2,784,704</u> |
| Interest expenses | | |
| Interest on deposits | 1,042,593 | 1,103,487 |
| Interest on borrowings | 80,632 | 108,530 |
| Interest on debentures | 265,024 | 283,251 |
| Other interest expenses | 22,490 | 12,706 |
| | <u>1,410,739</u> | <u>1,507,974</u> |
| Net interest income | 1,590,831 | 1,276,730 |
| Provision for loan losses (Note 6) | 1,100,196 | 659,066 |
| Net interest income after provision for loan losses | <u>490,635</u> | <u>617,664</u> |
| Non-interest income | | |
| Fees and commission income | 547,417 | 336,866 |
| Dividends on trading securities | 2,716 | 1,587 |
| Dividends on available-for-sale securities | 4,070 | 2,666 |
| Gain on foreign currency transactions | 50,205 | 130,716 |
| Gain on derivative transactions (Note 15) | 550,951 | 637,812 |
| Others (Note 22) | 825,870 | 427,813 |
| | <u>1,981,229</u> | <u>1,537,460</u> |
| Non-interest expenses | | |
| Fees and commission expenses | 133,363 | 49,235 |
| General and administrative expenses (Note 23) | 663,077 | 582,116 |
| Loss on foreign currency transactions | 46,090 | 82,803 |
| Loss on derivative transactions (Note 15) | 586,171 | 616,975 |
| Others (Note 22) | 831,703 | 459,443 |
| | <u>2,260,404</u> | <u>1,790,572</u> |

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| | | |
|--|-------------------|-------------------|
| Operating income | 211,460 | 364,552 |
| Non-operating income (expenses), net (Note 24) | 17,057 | (217,437) |
| | <u> </u> | <u> </u> |
| Net income before income tax expense | 228,517 | 147,115 |
| Income tax expense (Note 25) | 77,259 | 73,182 |
| | <u> </u> | <u> </u> |
| Net income | (Won) 151,258 | (Won) 73,933 |
| | <u> </u> | <u> </u> |
| Basic earnings per share (In Won) (Note 26) | (Won) 494 | (Won) 227 |
| | <u> </u> | <u> </u> |

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

See Report of Independent Accountants

Kookmin Bank**Non-Consolidated Statements of Cash Flows****Three-month periods ended March 31, 2004 and 2003****(Unaudited)**

| <i>(in millions of Won)</i> | <u>2004</u> | <u>2003</u> |
|--|------------------|------------------|
| Cash flows from operating activities | | |
| Net income | (Won) 151,258 | (Won) 73,933 |
| Adjustments to reconcile net income to net cash provided by operating activities | | |
| Realized gain on trading securities, net | (18,872) | (14,095) |
| Unrealized gain on trading securities, net | (48,567) | (30,608) |
| Gain on foreign currency transactions, net | (4,115) | (47,913) |
| Provision for loan losses | 1,100,196 | 659,066 |
| Reversal of losses from guarantees and acceptances | | (204) |
| Loss (gain) on derivative transactions, net | 35,220 | (20,837) |
| (Gain) loss on valuation of derivatives, net | (51,399) | 26,111 |
| Loss on fair value hedged items | 9,699 | 1,405 |
| Retirement benefits | 29,317 | 23,950 |
| Stock compensation expense | 1,772 | |
| Depreciation and amortization | 97,213 | 101,470 |
| (Gain) loss on disposal of fixed assets, net | (273) | 1,365 |
| Realized gain on available-for-sale securities, net | (52,582) | (45,163) |
| Impairment loss on available-for-sale securities, net | 10,415 | (8,960) |
| Realized gain on held-to-maturity securities | (1,476) | (793) |
| Unrealized (gain) loss on investment in associates, net | (11,514) | 257,652 |
| (Gain) loss on sale of loans, net | (230) | 1,213 |
| Provision for guarantee allowance | 216 | |
| Provision for other allowances | 43,298 | |
| Others, net | (4,771) | (6,319) |
| Changes in assets and liabilities resulting from operations | | |
| Accrued income | 43,050 | 85,885 |
| Prepaid expenses | 202,576 | (32,372) |
| Deferred tax assets | 78,953 | (171,788) |
| Other assets | 1,305 | 3,419 |
| Accrued expenses | (124,208) | 19,969 |
| Unearned income | 3,807 | (933) |
| Withholding taxes | (26,763) | 2,978 |
| Other liabilities | (54,431) | 343,305 |
| Payment of retirement benefits | (26,143) | (3,271) |
| Retirement pension funds | 13,833 | |
| Account for agency business | (58,462) | (194,235) |
| Net cash provided by operating activities | <u>1,338,322</u> | <u>1,024,230</u> |

Kookmin Bank**Non-Consolidated Statements of Cash Flows****Three-month periods ended March 31, 2004 and 2003****(Unaudited)**

| <i>(in millions of Won)</i> | 2004 | 2003 |
|--|------------------------|------------------------|
| Cash flows from investing activities | | |
| Decrease (increase) in due from banks | (Won) 1,301,315 | (Won) (1,674,432) |
| (Increase) decrease in trading securities | (1,238,302) | 303,703 |
| Decrease (increase) in available-for-sale securities | 1,118,572 | (3,985,260) |
| Decrease in held-to-maturity securities | 488,754 | 1,029,563 |
| Acquisition of investment in associates | (353) | |
| Decrease (increase) in loans granted, net | 272,763 | (3,407,290) |
| Proceeds from disposal of fixed assets | 2,663 | 6,984 |
| Acquisition of fixed assets | (28,513) | (58,600) |
| Acquisition of intangible assets | (231) | (270) |
| Proceeds from disposal of foreclosed assets | 31 | 30 |
| Decrease (increase) in guarantee deposits | 35,276 | (7,057) |
| Decrease (increase) in other accounts receivable | (3,490,074) | 50,109 |
| Increase in payments in advance | (605) | (14,399) |
| Decrease in derivative assets, net | (33,327) | 84,602 |
| (Increase) decrease in collection of domestic exchange receivables | (156,337) | 436,152 |
| Collection of loans to trust accounts | | 6,878 |
| Net cash used in investing activities | (1,728,368) | (7,229,287) |
| Cash flows from financing activities | | |
| (Decrease) increase in deposits, net | (1,542,531) | 1,310,908 |
| Increase in borrowings, net | 3,002,333 | 3,053,220 |
| (Decrease) increase in debentures, net | (2,735,661) | 1,530,799 |
| (Decrease) increase in borrowings from trust accounts | (2,470,575) | 541,626 |
| Decrease in dividend payable | | (324,842) |
| Increase (decrease) in other accounts payable | 3,200,180 | (166,021) |
| Increase in advances received from customers | 80,672 | 686,045 |
| Decrease in guarantee deposits received | (12,644) | (9,390) |
| Decrease in domestic exchange payables | (234,321) | (431,057) |
| Increase in liabilities incurred by agency relationships | 787,706 | 837,206 |
| Stock options exercised | | 15 |
| Sale of treasury stock | 793 | |
| Net cash provided by financing activities | 75,952 | 7,028,509 |
| Net (decrease) increase in cash and cash equivalents | (314,094) | 823,452 |
| Cash and due from banks, beginning of year | 3,771,757 | 3,100,581 |
| Cash and due from banks, end of year (Note 34) | (Won) 3,457,663 | (Won) 3,924,033 |

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

See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

1. The Bank

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

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

The Bank had its shares listed on the Korea Stock Exchange since September 1994. As a result of the business combination with H&CB, the former shareholders of the Bank and H&CB received new common shares of the Bank on the basis of a pre-determined ratio. The new common shares of the Bank were relisted on the Korea Stock Exchange as of November 9, 2001. As of March 31, 2004, the Bank's paid-in capital amounts to (Won)1,681,896 million and 36,240,979 shares of the Bank are listed on the New York Stock Exchange as American Depositary Shares (ADSs).

The Bank engages in the banking and trust businesses according to the provisions of the General Banking Act and the Trust Business Act, and operates through 1,132 domestic branches and offices (excluding ATMs) and three overseas branches as of March 31, 2004.

2. Summary of Significant Accounting Policies

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

Basis of Financial Statement Presentation

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

Application of the Statements of Korean Financial Accounting Standards

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

Accounting Estimates

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

See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

Recognition of Interest Income

The Bank recognizes interest income on loans and debt securities on an accrual basis. However, interest income on delinquent and dishonored loans and debt securities, other than those collateralized with security deposits or guaranteed by financial institutions, is recognized on a cash basis. As of March 31, 2004, the Bank has non-accrual loans and securities of (Won)12,168,587 million and (Won)481,883 million, respectively, with related foregone interest of (Won)677,035 million and (Won)146,107 million, respectively.

Securities

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

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

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

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

Unrealized holding gains or losses on trading securities are charged to current operations and those resulting from available-for-sale securities are recorded as capital adjustments. Premiums and discounts on debt securities are amortized over the maturity period of the debt securities using the effective interest method. Impairment losses are recognized in current operations when there is evidence of impairment and recoverable amounts of available-for-sale securities or held-to-maturity securities are less than the acquisition cost of equity securities or the

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amortized cost of debt securities. Unrealized holding gains or losses on available-for-sale or held-to-maturity securities that had not been recognized through income are realized when the related securities are disposed of.

Investments in Associates

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

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

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

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

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)****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, and the deferred loan origination fees and costs are amortized using the effective interest method with the amortization recognized as adjustments to other interest income.

Allowances for Loan Losses

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

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

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

However, the Bank does not apply the FLC to small-sized corporate loans, consumer loans, and credit card loans. Alternatively, the bank classifies such loans by considering the current financial status of borrowers including delinquencies, bankruptcies and collateral value. The rates used for determining the allowances for losses from corporate loans, consumer loans and credit card loans are as follows:

Allowance Rates

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

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

See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

Troubled Debt Structuring

Troubled debt structuring loans, which are modified as to outstanding principal, interest rate, and/or maturity under programs such as workout, court receivership, court mediation, or debt restructuring agreements of parties concerned, are carried at present value if the difference between the nominal value and the present value of the restructured loan is significant. The present value discounts are recorded by reclassifying allowances for loan losses, or by recording a provision for loan losses in the current period if additional allowances need to be provided for. The present value discounts are recorded in allowances for loan losses, which is shown as a deduction from the loan nominal value. Allowance for loan losses are amortized using the effective interest method and are recognized as interest income. Allowances for loan losses on the structured loans are provided for based on the loan balances, net of present value discounts.

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

Fixed Assets and Related Depreciation

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

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

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

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

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

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

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

See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

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

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

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

Stock Issuance Costs and Debenture Issuance Costs

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

Accrued Retirement Benefits

Employees and directors with more than one year of service and temporary employees with at least a one-year contract, as of December 31, 2003, are entitled to receive a lump-sum payment upon termination of their employment with the Bank, based on their length of service and rate of pay at the time of termination.

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

Deferred Income Taxes

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

Bonds under Repurchase/Resale Agreements

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

Derivative Instruments

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

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

See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

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

Stock Options

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

National Housing Fund

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

Gains and Losses on Trust Management

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

Under the Trust Business Act, reserves for future losses are set up in the trust accounts for losses related to those trust funds with a guarantee of the principal or of a certain minimum rate of return. The reserves are used to provide for the losses on such trust funds and, if the losses incurred are in excess of the reserves for future losses, the excess losses are compensated by the Bank. Accordingly, the banking accounts recognize the

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compensation paid as a loss on trust management in other operating expenses and the trust accounts recognize the corresponding compensation as compensation from banking accounts. There were no compensations paid for the three-month period ended March 31, 2004.

Foreign Currency Translation

All assets and liabilities denominated in foreign currencies are translated into Korean Won at the rates in effect as of the balance sheet dates (March 31, 2004 (Won)1,153.6:US\$1, December 31, 2003: (Won)1,197.8:US\$1), and resulting translation gains and losses are recognized in the current period.

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

Statement of Cash Flows

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

See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

Restatement of Prior Year Financial Statements

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

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)****3. Cash and Due from Banks**

Cash and due from banks as of March 31, 2004 and December 31, 2003 are summarized as follows:

| <i>(in millions of Won)</i> | <u>2004</u> | <u>2003</u> |
|---|---|------------------|
| Cash on hand | | |
| Cash in Won | (Won) 2,565,004 | (Won) 2,945,921 |
| Cash in foreign currencies | 225,578 | 228,153 |
| | <u>2,790,582</u> | <u>3,174,074</u> |
| Due from banks in Won | | |
| Bank of Korea | Reserve deposits in the Bank of Korea | 1,283,884 |
| | | 2,612,248 |
| Other banks | Time deposits | 810 |
| | Passbook deposits | 13,585 |
| | <u>14,395</u> | <u>8,995</u> |
| Other financial institutions | Deposits at Hansol Mutual Savings & Finance Co., Ltd. | 140,000 |
| | | 140,000 |
| Others | Futures margin accounts | 5,725 |
| | Market participation margin | 463 |
| | KOSPI futures margin accounts | 200 |
| | <u>6,188</u> | <u>2,214</u> |
| | 1,444,467 | 2,763,457 |
| | Present value discounts ^{1*} | (10,287) |
| | <u>1,434,180</u> | <u>2,750,647</u> |
| Due from banks in foreign currencies | | |
| Bank of Korea | Demand deposits | 35,619 |
| | | 12,415 |

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| | | | |
|-------------|-----------------|-----------------|-----------------|
| Other banks | Demand deposits | 52,910 | 71,879 |
| Others | Other deposits | 4,334 | 3,354 |
| Off-shore | Demand deposits | 595,834 | 513,976 |
| | | 688,697 | 601,624 |
| | | (Won) 4,913,459 | (Won) 6,526,345 |

1* Present value discounts are related to the (Won)140,000 million of time deposits (1% interest, five-year maturity at the point of deposit, uncallable for five years) placed with Hansol Mutual Savings & Finance Co., Ltd. (previously, Bukook Mutual Savings & Finance Co., Ltd.).

The maturities of the due from banks as of March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | Due from Banks in Won | Due from Banks in Foreign Currencies | Total |
|-------------------------------------|----------------------------------|---|-----------------|
| Due in 3 months or less | (Won) 1,304,313 | (Won) 583,720 | (Won) 1,888,033 |
| Due after 3 months through 6 months | 154 | 104,977 | 105,131 |
| Due after 6 months through 1 year | 72,500 | | 72,500 |
| Due after 1 year through 2 years | 67,500 | | 67,500 |
| | (Won) 1,444,467 | (Won) 688,697 | (Won) 2,133,164 |

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)**

Included in cash and due from banks as of March 31, 2004 are the following restricted deposits:

| <i>(in millions of Won)</i> | <u>Amount</u> | <u>Restrictions</u> |
|---|------------------------|----------------------------|
| Reserve deposits in the Bank of Korea | (Won) 1,283,884 | General Banking Act |
| Deposits at Hansol Mutual Savings & Finance Co., Ltd. | 140,000 | Withdrawal at maturity |
| Due from banks in foreign currency | 35,619 | General Banking Act |
| Other deposits | 6,580 | Futures guarantee deposits |
| | <u>1,466,083</u> | |
| Present value discounts | (10,287) | |
| | <u>(Won) 1,455,796</u> | |

4. Securities

Securities as of March 31, 2004 and December 31, 2003 are as follows:

| <i>(in millions of Won)</i> | <u>2004</u> | <u>2003</u> |
|-----------------------------|-------------------------|-------------------------|
| Trading | (Won) 5,788,688 | (Won) 4,482,948 |
| Available-for-sale | 14,963,808 | 15,894,974 |
| Held-to-maturity | 5,492,064 | 5,979,341 |
| Investment in associates | 576,046 | 551,199 |
| | <u>(Won) 26,820,606</u> | <u>(Won) 26,908,462</u> |

Trading, available-for-sale, and held-to-maturity securities as of March 31, 2004 and December 31, 2003 are as follows:

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(in millions of Won)

| | Unrealized | | Book Value | |
|--|--------------|-------------|-----------------|-----------------|
| | Gain | Loss | 2004 | 2003 |
| Trading | | | | |
| Equity securities | (Won) 10,460 | (Won) 3,082 | (Won) 244,004 | (Won) 113,171 |
| Beneficiary certificates ^{2*} | 25,474 | 30 | 1,678,129 | 1,686,754 |
| Government and municipal bonds | 5,494 | 765 | 1,378,191 | 1,076,427 |
| Corporate bonds | 10,502 | 111 | 2,282,828 | 1,365,060 |
| Asset-backed securities | 625 | | 205,536 | 241,536 |
| | (Won) 52,555 | (Won) 3,988 | (Won) 5,788,688 | (Won) 4,482,948 |

(in millions of Won)

| | Impairment | | Capital Adjustments | | Book Value | |
|--|------------|--------------|---------------------|--------------|------------------|--------------------|
| | Reversal | Loss | Gain | Loss | 2004 | 2003 ^{1*} |
| Available-for-Sale | | | | | | |
| Equity securities | (Won) | (Won) 8,416 | (Won) 168,126 | (Won) 15,270 | (Won) 593,758 | (Won) 439,791 |
| Investment in funds | | | 3,007 | | 4,519 | 30,872 |
| Beneficiary certificates ^{2*} | | | 87,746 | | 4,731,863 | 4,375,817 |
| Government and municipal bonds | | | 7,034 | 8,707 | 1,228,632 | 2,322,889 |
| Foreign government bonds | | | 2,540 | | 27,227 | 28,153 |
| Corporate bonds | | 1,999 | 64,286 | 3,668 | 7,907,644 | 8,228,640 |
| Asset-backed securities | | | 1,720 | | 470,019 | 468,669 |
| Other debt securities | | | | | 146 | 143 |
| | (Won) | (Won) 10,415 | (Won) 334,459 | (Won) 27,645 | (Won) 14,963,808 | (Won) 15,894,974 |

See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

| (in millions of Won) | Impairment | | Unrealized Holding | | Book Value | |
|--------------------------------|-------------|-------|--------------------|-------------|-----------------|-----------------|
| | Reversal of | Loss | Gain | Loss | 2004 | 2003 |
| Held-to-Maturity | | | | | | |
| Government and municipal bonds | (Won) | (Won) | (Won) 98,234 | (Won) 2,297 | (Won) 2,412,337 | (Won) 2,489,998 |
| Corporate bonds | | | 78,687 | 283 | 2,816,016 | 3,163,020 |
| Asset-backed securities | | | 3,463 | | 263,711 | 326,323 |
| | (Won) | (Won) | (Won) 180,384 | (Won) 2,580 | (Won) 5,492,064 | (Won) 5,979,341 |

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

2* The Bank classified wholly owned beneficiary certificates based on the Bank's intention for acquiring the certificates and recorded the fair value using the net assets of the funds. The fund assets are composed of deposits, call loan and securities and the fund operating income are composed of interest income, gain/loss on valuation of investments, and gain/loss on disposal of investments.

As of March 31, 2004 and December 31, 2003, investments in associates are as follows:

| (in millions of Won) | Owner-ship (%) | Acquisition Cost | Beginning Balance ^{1*} | Equity Method ^{2*} | | | Book Value | |
|---|----------------|------------------|---------------------------------|-----------------------------|-------|-------------|--------------|--------------|
| | | | | N/I | R/E | C/A | 2004 | 2003 |
| Domestic Associates | | | | | | | | |
| KB Investment Co., Ltd. | 99.89 | (Won) 155,311 | (Won) 77,273 | (Won) 205 | (Won) | (Won) 1,174 | (Won) 78,652 | (Won) 77,273 |
| KB Data Systems Co., Ltd. ^{4*} | 99.98 | 7,998 | 14,647 | 31 | | | 14,678 | 14,647 |
| KB Futures Co., Ltd. ^{5*} | 99.98 | 19,996 | 25,521 | 293 | | | 25,814 | 25,521 |
| KLB Securities | 36.41 | 10,316 | | | | | | |
| KB Asset Management ^{6*} | 80.00 | 39,015 | 45,051 | 1,045 | | | 46,096 | 45,051 |
| Jooeun Industrial | 99.99 | 23,994 | | | | | | |
| KB Real Estate Trust | 99.99 | 76,103 | 98,129 | 1,086 | (336) | 336 | 99,215 | 98,129 |
| | 66.34 | 8,444 | 11,863 | 357 | | | 12,220 | 11,863 |

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| | | | | | | | | |
|---|--------|----------------------|----------------------|---------------------|--------------------|--------------------|----------------------|----------------------|
| KB Credit Information | | | | | | | | |
| ING Life Korea | 20.00 | 21,769 | 43,845 | 7,192 | 14 | 51,051 | 43,845 | |
| Korea Mortgage | 26.67 | 30,629 | 35,788 | 393 | | 36,181 | 35,788 | |
| KICO No. 2 | | | | | | | | |
| Venture Investment Partnership ^{3*} | 55.56 | | | 204 | | 204 | | |
| KICO No. 3 | | | | | | | | |
| Venture Investment Partnership ^{3*} | 69.23 | | | 143 | | 143 | | |
| Pacific IT Investment Partnership^{3*} | | | | | | | | |
| | 50.00 | 7,000 | 7,000 | (145) | | 6,855 | | |
| NPC02-4 Kookmin Venture Fund^{3*} | | | | | | | | |
| | 33.33 | 10,000 | 10,000 | 208 | | 10,208 | | |
| | | <u>410,575</u> | <u>369,117</u> | <u>11,012</u> | <u>(336)</u> | <u>1,524</u> | <u>381,317</u> | <u>352,117</u> |
| Foreign Associates | | | | | | | | |
| KB Int'l Ltd. | | | | | | | | |
| (London) | 100.00 | 42,135 | 56,156 | (881) | | 55,275 | 56,755 | |
| KB Luxembourg S.A. | | | | | | | | |
| | 100.00 | 24,584 | 5,562 | (540) | | 5,022 | 5,950 | |
| Kookmin Singapore Ltd. | | | | | | | | |
| | 100.00 | 13,737 | 2,003 | | | 2,003 | 2,080 | |
| Kookmin Finance Asia Ltd. (HK) | | | | | | | | |
| | 100.00 | 8,075 | 275 | 1 | | 276 | 286 | |
| Kookmin Bank HK Ltd.^{7*} | | | | | | | | |
| | 100.00 | 23,072 | 60,402 | 1,923 | | 62,325 | 62,716 | |
| Sorak Financial Holdings | | | | | | | | |
| | 25.00 | 69,829 | 69,829 | (1) | | 69,828 | 71,295 | |
| | | <u>181,432</u> | <u>194,227</u> | <u>502</u> | | <u>194,729</u> | <u>199,082</u> | |
| | | <u>(Won) 592,007</u> | <u>(Won) 563,344</u> | <u>(Won) 11,514</u> | <u>(Won) (336)</u> | <u>(Won) 1,524</u> | <u>(Won) 576,046</u> | <u>(Won) 551,199</u> |

- 1* The beginning balance is the prior year's book value adjusted by dividends, changes in foreign exchange rates, and acquisition during current year.
- 2* The investments in associates are accounted for under the equity method and changes in the net assets of the associates are recognized in net income (N/I), retained earnings (R/E), and/or in capital adjustment (C/A) depending on the nature of the changes in net assets.
- 3* Investment in funds which had been classified as available-for-sale for the prior years are reclassified as investment in associates as of January 1, 2004.
- 4* Kookmin Data Systems Corp. will change its name to KB Data Systems Co., Ltd., on April 30, 2004.
- 5* Kookmin Futures Co., Ltd. will change its name to KB Futures Co., Ltd., on April 30, 2004.
- 6* KB Investment Trust Management will change its name to KB Asset Management, on April 29, 2004.
- 7* Kookmin Finance HK Ltd. changed its name to Kookmin Bank HK Ltd., effective as of January 1, 2004.

See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

KLB Securities Co., Ltd., Jooeun Industrial Co., Ltd., KICO No. 2 Venture Investment Partnership, KICO No.3 Venture Investment Partnership, Kookmin Singapore (Merchant Bank), Ltd. and Kookmin Finance Asia, Ltd. (HK), KB Luxembourg S.A are in the process of liquidation. Consequently, accounting under the equity method is no longer applied to investments in KLB Securities Co., Ltd. and Jooeun Industrial Co., Ltd. due to accumulated deficits resulting to a decrease of the investment value below zero. Accordingly, the total accumulative estimated loss that has not been recognized by the Bank arising from the securities amounts to (Won) 47,037 million.

The Bank applies the equity method accounting to a subsidiary based on its adjusted financial statements that are, in turn, based on most recent available audited or reviewed financial statements adjusted for changes in net assets using the unaudited financial statements as of March 31, 2004. In the case of ING Life Korea Co., Ltd., adjustment for income tax expenses of (Won)15,194 million has been additionally made to the adjusted financial statements.

The maturities of the available-for-sale and held-to-maturity debt securities as of March 31, 2004 are summarized as follows:

| <i>(in millions of Won)</i> | Available-for-sale | | Held-to-maturity | |
|------------------------------------|--------------------|------------------|------------------|-----------------|
| | Book Value | Fair value | Book Value | Fair value |
| Maturities | | | | |
| Due in 1 year or less | (Won) 8,706,354 | (Won) 8,706,354 | (Won) 1,744,426 | (Won) 1,765,339 |
| Due after 1 year through 5 years | 5,254,914 | 5,254,914 | 3,495,768 | 3,634,323 |
| Due after 5 years through 10 years | 389,866 | 389,866 | 251,870 | 270,204 |
| Thereafter | 14,397 | 14,397 | | |
| | (Won) 14,365,531 | (Won) 14,365,531 | (Won) 5,492,064 | (Won) 5,669,866 |

Investment securities risk concentrations as of March 31, 2004 are as follows:

(in millions of Won)

| | Book Value | Ratio(%) |
|-------------------|------------|----------|
| By Country | | |

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| | | |
|-------------|------------------|--------|
| Korea | (Won) 26,522,952 | 98.89 |
| Singapore | 77,546 | 0.29 |
| USA | 69,970 | 0.26 |
| Germany | 28,845 | 0.11 |
| Philippines | 27,684 | 0.10 |
| Others | 93,609 | 0.35 |
| | <hr/> | <hr/> |
| | (Won) 26,820,606 | 100.00 |
| | <hr/> | <hr/> |

See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

| <i>(in millions of Won)</i> | <u>Book Value</u> | <u>Ratio(%)</u> |
|-----------------------------|-------------------------|-----------------|
| By Type | | |
| Fixed rate bonds | (Won) 15,654,133 | 58.37 |
| Floating rate bonds | 2,254,200 | 8.40 |
| Subordinated bonds | 754,175 | 2.81 |
| Convertible bonds | 325,133 | 1.21 |
| Beneficiary certificates | 6,409,992 | 23.90 |
| Equity securities | 1,396,398 | 5.21 |
| Others | 26,575 | 0.10 |
| | <u>(Won) 26,820,606</u> | <u>100.00</u> |

| <i>(in millions of Won)</i> | <u>Book Value</u> | <u>Ratio(%)</u> |
|-------------------------------|-------------------------|-----------------|
| By Industry | | |
| Government and municipalities | (Won) 8,585,047 | 32.01 |
| Financial institutions | 16,839,343 | 62.79 |
| Manufacturing industries | 571,818 | 2.13 |
| Others | 824,398 | 3.07 |
| | <u>(Won) 26,820,606</u> | <u>100.00</u> |

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)**

Available-for-sale equity securities of which the fair value cannot be reasonably measured as of March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | <u>Acquisition Cost</u> | <u>Net Asset Value^{1*}</u> | <u>Book Value</u> |
|--|-------------------------|-------------------------------------|---------------------|
| Daewoo Electronics Co., Ltd. | (Won) 23,800 | (Won) | (Won) |
| Asia Credit | 11,536 | 11,771 | 7,718 |
| Mastercard, Inc. Korea | 10,646 | 5,961 | 10,646 |
| Daehan Investment Trust Securities Co., Ltd. | 10,000 | | |
| Korea Asset Management Corp. | 7,827 | 12,783 | 7,827 |
| Samsung Life Insurance Co., Ltd. | 7,479 | 10,119 | 7,479 |
| Korea Highway Corp. | 6,248 | 6,572 | 6,248 |
| Baring Communications Equity | 5,382 | 2,163 | 2,163 |
| KOHAP Corporation | 3,440 | | |
| Pan Asia Paper | 3,420 | 1,788 | 1,788 |
| Asia Finance and Investment Corp. | 2,884 | 1,172 | 1,092 |
| Seoul Smart Card | 2,505 | 1,025 | 2,505 |
| Nanjing Kumho Tire Co., Ltd | 2,454 | 3,491 | 2,454 |
| Korea Aerospace Industries | 2,179 | 1,446 | 1,426 |
| Kyobo Investment Trust Management Co., Ltd. | 2,100 | 3,417 | 2,100 |
| Integra Telecom Co., Ltd. | 2,000 | | |
| KOCES Co., Ltd | 1,402 | 736 | 631 |
| Harex Info Tech Inc. | 1,365 | 64 | 64 |
| Korea Money Broker Corp. | 1,291 | 2,514 | 1,291 |
| A-Cash Inc. | 1,275 | 139 | 139 |
| MYbi Co., Ltd. | 1,200 | 192 | 192 |
| Tianjin Samsung Opto Electronics | 1,127 | 1,433 | 1,127 |
| Mondex Korea | 1,250 | | |
| Digital World Corp. | 1,080 | 147 | 114 |
| Bo Go Corp. | 1,026 | | |
| Linux One Inc. | 1,000 | 155 | 155 |
| Others | 27,468 | 45,449 | 18,183 |
| | <u>(Won) 143,384</u> | <u>(Won) 112,537</u> | <u>(Won) 75,342</u> |

^{1*} Net asset values are calculated using the unaudited financial statements of the investees as of March 31, 2004 when available, otherwise, the most recent financial information is used.

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)**

As of March 31, 2004, the following investment securities are pledged at various institutions:

| Related Transactions | Restrictions | | Restricted securities | |
|-----------------------------------|-------------------------|------------------|------------------------------|------------------------|
| | Placed with | Amount | Book Value | Pledge Value |
| Bonds sold under REPO agreements | Customers | (Won) 3,737,933 | (Won) 6,069,598 | (Won) 4,104,190 |
| Leased securities | KCFC | | 10,193 | 730 |
| Borrowings from the Bank of Korea | Bank of Korea | 962,407 | 2,136,821 | 1,170,000 |
| Bank of Korea settlements | Bank of Korea | (balance limits) | 254,705 | 170,200 |
| Derivative transactions | Samsung Futures, others | (balance limits) | 487,853 | 144,500 |
| ADB collateral | KDB | | 3,095 | 1,900 |
| | | | (Won) 8,962,265 | (Won) 5,591,520 |

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)****5. Loans**

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

| <i>(in millions of Won)</i> | <u>2004</u> | <u>2003</u> |
|-------------------------------------|-------------------|-------------------|
| Loans in Won | | |
| Corporate loans | | |
| Operation loans | | |
| General operation loans | (Won) 29,526,162 | (Won) 28,884,554 |
| Notes discounted | 1,281,718 | 1,415,445 |
| Overdraft accounts | 636,372 | 447,992 |
| Trading notes | 840,637 | 809,921 |
| Other operation loans | 3,894,315 | 3,793,594 |
| | <u>36,179,204</u> | <u>35,351,506</u> |
| Facility loans | | |
| General facility loans | 5,570,774 | 5,413,333 |
| Other facility loans | 1,215,751 | 1,218,370 |
| | <u>6,786,525</u> | <u>6,631,703</u> |
| | <u>42,965,729</u> | <u>41,983,209</u> |
| Consumer loans | | |
| General consumer loans | 42,512,409 | 41,951,219 |
| Consumer housing loans | 39,314,843 | 38,199,290 |
| Remunerations on mutual installment | | |
| savings | 307,376 | 297,868 |
| Other consumer loans | 640,883 | 635,218 |
| | <u>82,775,511</u> | <u>81,083,595</u> |
| Public loans | | |
| Public operation loans | 516,957 | 526,227 |
| Public facility loans | 42,049 | 42,473 |
| | <u>559,006</u> | <u>568,700</u> |

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| | | | |
|---|---------------------------------|--------------------------|--------------------------|
| Other loans | Property formation loans | 54,503 | 62,963 |
| | Inter-bank loans | 11,036 | 12,815 |
| | Others | 3,654 | 3,962 |
| | | <u>69,193</u> | <u>79,740</u> |
| | | <u>126,369,439</u> | <u>123,715,244</u> |
| Loans in foreign currencies | Domestic funding loans | 1,134,551 | 1,165,988 |
| | Overseas funding loans | 692,850 | 887,018 |
| | Inter-bank loans | 716,204 | 767,884 |
| | Domestic usance bills | 1,230,733 | 1,197,563 |
| | Government funding loans | 975 | 1,477 |
| | | <u>3,775,313</u> | <u>4,019,930</u> |
| Call loans | In Won | 1,055,000 | 1,640,000 |
| | In foreign currencies | 41,976 | 5,351 |
| | Inter-bank reconciliation funds | | |
| | | <u>1,096,976</u> | <u>1,645,351</u> |
| Privately placed debentures | | <u>1,288,148</u> | <u>1,787,131</u> |
| Other loans | | <u>11,227,251</u> | <u>13,872,793</u> |
| Allowances for loan losses (Note 6) | | <u>(4,214,258)</u> | <u>(3,905,342)</u> |
| Net deferred loan origination fees and costs | | <u>16,557</u> | <u>8,567</u> |
| | | <u>(Won) 139,559,426</u> | <u>(Won) 141,143,674</u> |

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)**

As of March 31, 2004, restructured debts due to workout plans or other similar restructuring programs are as follows:

| <i>(in millions of Won)</i> | Workout | | Court Receivership | | Court Mediation | | Others ^{1*} | | Total |
|--|------------|---------|-----------------------|--------|--------------------|--------|----------------------|---------|---------------|
| | | | | | | | | | |
| Period (years) | 1~9 | | 5~9 | | 4~9 | | 2~8 | | |
| Adjusted interest rate (%) | 6.14~17.00 | | 10.50~12.12 | | 6.10~15.41 | | 9.50~14.33 | | |
| Balances Before Restructuring | (Won) | 103,448 | (Won) | 11,414 | (Won) | 36,096 | (Won) | 332,104 | (Won) 483,062 |
| Loans swapped to equity | | | | | | | 145,950 | | 145,950 |
| Swapped equity securities | | | | | | | | | |
| Swapped convertible debt securities | | | | | | | | | |
| Debts to be restructured | | 103,448 | | 11,414 | | 36,096 | | 186,154 | 337,112 |
| Balances after restructuring | | 98,588 | | 8,033 | | 33,899 | | 176,988 | 317,508 |
| Allowances for loan losses (present value discounts) | | 4,860 | | 3,381 | | 2,197 | | 9,166 | 19,604 |

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

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

The movements in allowance for loan losses from present value discounts and deferred loan incidental income for the three month period ended March 31, 2004 are as follows :

| <i>(in millions of Won)</i> | Beginning | | | Ending |
|---|--------------|----------|-------------|--------------|
| | Balance | Increase | Decrease | Balance |
| Allowance for loan losses (present value discounts) | (Won) 22,780 | (Won) 6 | (Won) 3,182 | (Won) 19,604 |
| Deferred loan incidental income | 8,567 | 8,641 | 651 | 16,557 |

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See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)**

The maturities of loans as of March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | Loans in | | | | Privately placed | | | Total |
|-------------------------------------|-------------------|--------------------|---------------|------------------|------------------|-----------------|---------------|-------------------|
| | Loans in Won | Foreign Currencies | Bills Bought | Credit Card | Call Loans | Debentures | Others | |
| Due in 3 months or less | (Won) 19,373,344 | (Won) 886,181 | (Won) 629,224 | (Won) 6,566,125 | (Won) 1,096,976 | (Won) 241,343 | (Won) 123,084 | (Won) 28,916,277 |
| Due after 3 months through 6 months | 13,166,624 | 940,894 | 45,739 | 979,167 | | 142,061 | 632 | 15,275,117 |
| Due after 6 months through 1 year | 35,371,531 | 549,771 | 9,385 | 1,162,536 | | 260,253 | 211 | 37,353,687 |
| Due after 1 year through 2 years | 25,274,163 | 199,459 | 6,812 | 721,016 | | 581,841 | 4,423 | 26,787,714 |
| Due after 2 years through 3 years | 17,362,259 | 329,061 | 5,963 | 364,931 | | 61,900 | | 18,124,114 |
| Due after 3 years through 4 years | 2,830,081 | 113,446 | | 298,104 | | 750 | | 3,242,381 |
| Due after 4 years through 5 years | 2,562,915 | 81,524 | | 282,468 | | | | 2,926,907 |
| Thereafter | 10,428,522 | 674,977 | | 27,431 | | | | 11,130,930 |
| | (Won) 126,369,439 | (Won) 3,775,313 | (Won) 697,123 | (Won) 10,401,778 | (Won) 1,096,976 | (Won) 1,288,148 | (Won) 128,350 | (Won) 143,757,127 |

Loan risk concentrations by country as of March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | Loans in Foreign | | | Total | Percentage(%) |
|-----------------------------|-------------------|-----------------|------------------|-------------------|---------------|
| | Loans in Won | Currencies | Others | | |
| Korea | (Won) 126,369,439 | (Won) 2,719,578 | (Won) 13,589,609 | (Won) 142,678,626 | 99.25 |
| Southeast Asia | | 829,453 | 178 | 829,631 | 0.58 |
| Central and South America | | 169,961 | 4,339 | 174,300 | 0.12 |
| China | | 26,577 | 1 | 26,578 | 0.02 |
| Japan | | 29,618 | 5 | 29,623 | 0.02 |

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| | | | | | |
|--------|-------------------|-----------------|------------------|-------------------|--------|
| Others | | 126 | 18,243 | 18,369 | 0.01 |
| | (Won) 126,369,439 | (Won) 3,775,313 | (Won) 13,612,375 | (Won) 143,757,127 | 100.00 |

Loan risk concentrations by industry as of March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | Loans in Won | Loans in Foreign Currencies | Others | Total | Percentage(%) |
|-------------------------------|---------------------|------------------------------------|------------------|-------------------|----------------------|
| Industrial loans | | | | | |
| Financial institutions | (Won) 1,070,738 | (Won) 763,890 | (Won) 1,545,743 | (Won) 3,380,371 | 2.35 |
| Manufacturing companies | 14,370,331 | 1,255,371 | 1,082,186 | 16,707,888 | 11.62 |
| Service companies | 23,158,700 | 889,458 | 510,766 | 24,558,924 | 17.09 |
| Others | 4,871,492 | 357,387 | 1,357,571 | 6,586,450 | 4.58 |
| | 43,471,261 | 3,266,106 | 4,496,266 | 51,233,633 | 35.64 |
| Household loans | 82,833,669 | 489,947 | 9,113,613 | 92,437,229 | 64.30 |
| Public and other loans | 64,509 | 19,260 | 2,496 | 86,265 | 0.06 |
| | (Won) 126,369,439 | (Won) 3,775,313 | (Won) 13,612,375 | (Won) 143,757,127 | 100.00 |

See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

As of March 31, 2004, the credit card accounts amounting to (Won)1,223,638 million are provided as collateral for asset-backed securities transactions.

6. Allowances for Loan Losses

As of March 31, 2004, allowances for loan losses are as follows:

| <i>(in millions of Won)</i> | 2004 |
|--|-----------------|
| Loans in Won | (Won) 2,808,671 |
| Loans in foreign currencies | 58,689 |
| Bills bought in Won and foreign currencies | 80,168 |
| Payments on guarantees | 40,386 |
| Factoring receivable | 7,663 |
| Credit card accounts | 1,174,798 |
| Privately placed debentures | 20,996 |
| Suspense receivables | 16,822 |
| Others | 6,065 |
| | <hr/> |
| | (Won) 4,214,258 |
| | <hr/> |

See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

As of March 31, 2004, allowances for loan losses by credit risk classification are as follows:

| <i>(in millions of Won)</i> | | Normal | Pre-cautionary | Substandard | Doubtful | Estimated Loss | Total |
|-----------------------------|------------|-------------------|-----------------|-----------------|-----------------|----------------|-------------------|
| Loans in Won | Balance | (Won) 116,250,388 | (Won) 5,947,242 | (Won) 2,531,040 | (Won) 1,285,315 | (Won) 355,454 | (Won) 126,369,439 |
| | Allowances | 784,478 | 426,338 | 549,107 | 693,294 | 355,454 | 2,808,671 |
| | Ratio (%) | 0.67 | 7.17 | 21.69 | 53.94 | 100.00 | 2.22 |
| Loans in foreign currencies | Balance | 3,481,783 | 236,522 | 34,045 | 22,144 | 819 | 3,775,313 |
| | Allowances | 14,802 | 17,156 | 13,647 | 12,265 | 819 | 58,689 |
| | Ratio (%) | 0.43 | 7.25 | 40.09 | 55.39 | 100.00 | 1.55 |
| Bills bought | Balance | 519,279 | 164,828 | 5,313 | 2,888 | 4,815 | 697,123 |
| | Allowances | 2,596 | 70,193 | 1,120 | 1,444 | 4,815 | 80,168 |
| | Ratio (%) | 0.50 | 42.59 | 21.08 | 50.00 | 100.00 | 11.50 |
| Payments on guarantees | Balance | 24,147 | 5,162 | 17,804 | 15,150 | 28,565 | 90,828 |
| | Allowances | 121 | 564 | 3,561 | 7,575 | 28,565 | 40,386 |
| | Ratio (%) | 0.50 | 10.93 | 20.00 | 50.00 | 100.00 | 44.46 |
| Credit card accounts | Balance | 7,571,949 | 1,374,520 | 240 | 1,368,851 | 86,218 | 10,401,778 |
| | Allowances | 75,719 | 164,942 | 48 | 847,871 | 86,218 | 1,174,798 |
| | Ratio (%) | 1.00 | 12.00 | 20.00 | 61.94 | 100.00 | 11.29 |
| Call loans | Balance | 1,096,976 | | | | | 1,096,976 |
| | Allowances | | | | | | |
| | Ratio (%) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Privately placed debentures | Balance | 1,183,974 | 93,185 | 4,010 | 6,511 | 468 | 1,288,148 |
| | Allowances | | | | | | |

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| | | | | | | | |
|-----------------------|--------------------------|-------------------|-----------------|-----------------|-----------------|---------------|-------------------|
| | Allowances | 5,920 | 9,986 | 1,355 | 3,267 | 468 | 20,996 |
| | Ratio (%) | 0.50 | 10.72 | 33.79 | 50.18 | 100.00 | 1.63 |
| Factoring receivables | Balance | 30,802 | | | 238 | 6,482 | 37,522 |
| | Allowances | 1,062 | | | 119 | 6,482 | 7,663 |
| | Ratio (%) | 3.45 | 0.00 | 0.00 | 50.00 | 100.00 | 20.42 |
| Total | Balance | (Won) 130,159,298 | (Won) 7,821,459 | (Won) 2,592,452 | (Won) 2,701,097 | (Won) 482,821 | (Won) 143,757,127 |
| | Allowances ^{1*} | 884,698 | 689,179 | 568,838 | 1,565,835 | 482,821 | 4,191,371 |
| | Ratio (%) | 0.68 | 8.81 | 21.94 | 57.97 | 100.00 | 2.92 |

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

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)**

For the three-month period ended March 31, 2004, the movements in allowances for loan losses are as follows:

(in millions of Won)

| | |
|--|------------------------|
| Beginning balance^{1*} | (Won) 3,905,342 |
| Provision for loan losses | 1,100,196 |
| Reclassification from other allowances ^{2*} | 87,416 |
| Collection of written-off loans | 153,765 |
| Repurchase of loans sold | 13,850 |
| Sale of loans | (8,167) |
| Write-off of loans | (1,024,453) |
| Conversion of loans into equity securities | (8,219) |
| Exemption of loans | (116) |
| Changes in exchange rates and others | (5,356) |
| Ending balance | (Won) 4,214,258 |

1* Allowances for loans losses amounting to (Won)192,220 million have been added to the beginning balance due to the effect of the reclassification of the available-for-sale subordinated retained interest into credit card receivables.

2* Other allowances for loans receivable from LG Card Co., Ltd. amounting to (Won)85,269 million that had been recorded as of December 31, 2003 were transferred into allowances for loan losses. Also, other allowances on credit lines to Kookmin Credit Card 16th ABS Specialty Co., Ltd. amounting to (Won)2,147 million that had been recorded as of December 31, 2003 were transferred into allowances for loans loss.

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements**

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

7. Fixed Assets

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

| | <u>2004</u> | <u>2003</u> |
|---------------------------------|------------------------|------------------------|
| Tangible assets | (Won) 2,418,718 | (Won) 2,469,353 |
| Intangible assets | 529,115 | 549,427 |
| Foreclosed and other properties | 747 | 776 |
| | <u>(Won) 2,948,580</u> | <u>(Won) 3,019,556</u> |

Movements in tangible assets for the three-month period ended March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | <u>Land</u> | <u>Buildings and structures</u> | <u>Leasehold improvement</u> | <u>Equipment and vehicle</u> | <u>Construction- in-progress</u> | <u>Total</u> |
|---------------------------------|------------------|-------------------------------------|----------------------------------|----------------------------------|--------------------------------------|------------------|
| Acquisition cost | | | | | | |
| Beginning balances | (Won) 1,105,869 | (Won) 963,295 | (Won) 157,231 | (Won) 1,449,062 | (Won) 12,325 | (Won) 3,687,782 |
| Acquisition | | 11 | | 11,319 | 17,183 | 28,513 |
| Transfer | | 3,216 | 3,282 | | (6,498) | |
| Disposal | | (41) | (2,658) | (16,559) | | (19,258) |
| Other ^{1*} | (15) | (47) | (53) | (83) | | (198) |
| Ending balances | <u>1,105,854</u> | <u>966,434</u> | <u>157,802</u> | <u>1,443,739</u> | <u>23,010</u> | <u>3,696,839</u> |
| Accumulated depreciation | | | | | | |
| Beginning balances | | 142,103 | 90,808 | 963,290 | | 1,196,201 |
| Depreciation expense | | 5,148 | 8,804 | 62,718 | | 76,670 |
| Disposal | | | (1,854) | (15,010) | | (16,864) |
| Others ^{1*} | | (12) | (38) | (64) | | (114) |

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| | | | | | | |
|-------------------|-----------------|---------------|--------------|---------------|--------------|-----------------|
| Ending balances | 147,239 | 97,720 | 1,010,934 | 1,255,893 | | |
| Impairment | 12,673 | 9,555 | | 22,228 | | |
| Book Value | (Won) 1,093,181 | (Won) 809,640 | (Won) 60,082 | (Won) 432,805 | (Won) 23,010 | (Won) 2,418,718 |

1* Other movements in tangible assets comprise foreign exchange translation.

Tangible assets covered by insurance policies as of March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | Amount Insured | Insurance Company | Type of Insurance |
|-----------------------------|-----------------------|--|----------------------------|
| Buildings and structures | (Won) 655,867 | Samsung Fire & Marine Insurance Co., Ltd | General property insurance |
| Leasehold improvement | 52,329 | Samsung Fire & Marine Insurance Co., Ltd | General property insurance |
| Equipment and vehicles | 274,733 | Samsung Fire & Marine Insurance Co., Ltd | General property insurance |
| Construction-in-progress | 10,599 | Samsung Fire & Marine Insurance Co., Ltd | General property insurance |
| | (Won) 993,528 | | |

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)**

Movements in intangible assets for the three-month period ended March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | Store | | | | | | Total |
|-----------------------------|---------------|----------------------|---|---------------------|------------|-------------|---------------|
| | Goodwill | Development Costs | Rights to Income on Donated Asset | Possessory Right | Trademarks | Others | |
| Beginning balances | (Won) 535,360 | (Won) 12,762 | (Won) 102 | (Won) 139 | (Won) 150 | (Won) 914 | (Won) 549,427 |
| Acquisition | | | | | 8 | 223 | 231 |
| Amortization | 19,586 | 872 | 2 | 5 | 13 | 65 | 20,543 |
| Ending balances | (Won) 515,774 | (Won) 11,890 | (Won) 100 | (Won) 134 | (Won) 145 | (Won) 1,072 | (Won) 529,115 |

The Bank recorded (Won)30,068 million of current development costs under general and administrative expenses for the three-month period ended March 31, 2004.

The total government-posted prices of land, used for tax imposition and compensation for confiscation, as of March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | Book Value | Appraisal Value |
|-------------------------------------|-----------------|--------------------|
| Lands included in tangible assets | (Won) 1,093,181 | (Won) 904,698 |
| Lands included in foreclosed assets | 1,301 | 580 |
| | (Won) 1,094,482 | (Won) 905,278 |

8. Other Assets

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

| <i>(in millions of Won)</i> | 2004 | 2003 |
|------------------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Guarantee deposits paid | (Won) 1,301,362 | (Won) 1,336,639 |
| Accounts receivable | 5,205,175 | 1,715,100 |
| Accrued income | 1,037,007 | 1,080,057 |
| Payments in advance | 92,822 | 92,217 |
| Prepaid expenses | 104,578 | 307,154 |
| Deferred tax assets (Note 25) | 473,775 | 552,636 |
| Derivative assets (Note 15) | 1,085,472 | 751,252 |
| Unsettled domestic exchange assets | 768,929 | 612,592 |
| Others | 35,287 | 36,592 |
| | <u> </u> | <u> </u> |
| | (Won) 10,104,407 | (Won) 6,484,239 |
| | <u> </u> | <u> </u> |

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)****9. Deposits**

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

| <i>(in millions of Won)</i> | Annual Interest (%) | | |
|---|---------------------|--------------------|--------------------|
| | March 31, 2004 | 2004 | 2003 |
| Deposits in Won | | | |
| Demand deposits | | (Won) 93,952 | (Won) 125,533 |
| Checking deposits | | | |
| Household checking deposits | 0.10 | 435,162 | 476,132 |
| Passbook deposits | 0.10 | 9,109,376 | 10,001,043 |
| Temporary deposits | | 3,284,125 | 3,292,770 |
| Public fund deposits | 0.10 | 123,022 | 190,593 |
| Others | 0.10 | 47,049 | 24,218 |
| | | <u>13,092,686</u> | <u>14,110,289</u> |
| Time deposits and savings deposits | | | |
| Time deposits | 2.80 ~ 4.40 | 62,441,075 | 62,247,870 |
| Installment savings deposits | 3.40 ~ 4.20 | 1,282,003 | 1,306,793 |
| Property formation savings | 8.50 | 1,697 | 1,870 |
| Time and savings deposits of non residents in Won | 2.80 ~ 4.40 | 318,231 | 340,388 |
| General savings deposits | 0.10 ~ 3.10 | 20,506,926 | 21,644,066 |
| Corporate savings deposits | 0.10 ~ 3.00 | 10,085,789 | 7,800,122 |
| Long-term savings deposits for workers | 11.50 ~ 12.00 | 59,742 | 69,031 |
| Long-term housing savings deposits | 4.80 | 1,112,863 | 983,684 |
| Long-term savings for households | 11.00 | 69,500 | 494,606 |
| Worker preferential savings deposits | 5.35 | 2,612,654 | 2,728,236 |
| Worker s savings for housing | 8.50 ~ 11.50 | 82 | 81 |
| Mutual installment deposits | 3.00 ~ 4.20 | 6,791,375 | 7,054,752 |
| Mutual installment for housing | 2.95 ~ 4.10 | 5,510,620 | 5,423,853 |
| | | <u>110,792,557</u> | <u>110,095,352</u> |
| | | <u>123,885,243</u> | <u>124,205,641</u> |
| Deposits in foreign currencies | | | |

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| | | | |
|------------------------------------|-------------|--------------------------|--------------------------|
| Demand deposits | | | |
| Checking deposits | 0.00 ~ 0.93 | 38,688 | 40,778 |
| Passbook deposits | 0.09 | 703,239 | 787,798 |
| Notice deposits | 0.00 ~ 0.15 | 375 | 410 |
| Temporary deposits | | 1,367 | 1,049 |
| | | <u>743,669</u> | <u>830,035</u> |
| Time deposits and savings deposits | | | |
| Time deposits | 1.25 | 691,684 | 642,039 |
| Others | 0.00 ~ 4.70 | 2,572 | 3,299 |
| | | <u>694,256</u> | <u>645,338</u> |
| | | <u>1,437,925</u> | <u>1,475,373</u> |
| Certificates of deposit | 3.45 ~ 4.05 | 5,314,571 | 6,499,258 |
| | | <u>(Won) 130,637,739</u> | <u>(Won) 132,180,272</u> |

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)**

The maturities of deposits as of March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | Deposits in | | Certificates of | Total |
|-------------------------------------|--------------------------|------------------------|------------------------|--------------------------|
| | Deposits in Won | Foreign Currencies | Deposit | |
| Due in 3 months or less | (Won) 67,022,695 | (Won) 1,204,362 | (Won) 3,905,036 | (Won) 72,132,093 |
| Due after 3 months through 6 months | 12,248,420 | 127,676 | 927,715 | 13,303,811 |
| Due after 6 months through 1 year | 33,093,884 | 59,143 | 481,820 | 33,634,847 |
| Due after 1 year through 2 years | 7,502,310 | 44,261 | | 7,546,571 |
| Due after 2 years through 3 years | 2,497,377 | 2,483 | | 2,499,860 |
| Due after 3 years through 4 years | 544,525 | | | 544,525 |
| Due after 4 years through 5 years | 267,104 | | | 267,104 |
| Thereafter | 708,928 | | | 708,928 |
| | <u>(Won) 123,885,243</u> | <u>(Won) 1,437,925</u> | <u>(Won) 5,314,571</u> | <u>(Won) 130,637,739</u> |

10. Borrowings

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

| <i>(in millions of Won)</i> | Annual Interest (%) | | |
|--|---------------------|------------------|------------------|
| | March 31, 2004 | 2004 | 2003 |
| Borrowings in Won | | | |
| Borrowings from the Bank of Korea | 2.50 | (Won) 962,407 | (Won) 992,433 |
| Borrowings from the government | 0.00 ~ 8.00 | 868,890 | 920,589 |
| Borrowings from banking institutions | 3.90 ~ 8.55 | 232,751 | 253,822 |
| Borrowings from National Housing Fund | 8.00 | 8,360 | 8,553 |
| Borrowings from other financial institutions | 2.00 ~ 5.00 | 6,546 | 5,688 |
| Other borrowings | 2.00 ~ 7.00 | 1,104,080 | 1,173,284 |
| | | <u>3,183,034</u> | <u>3,354,369</u> |

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| | | | |
|---|-------------|-------------------------|-------------------------|
| Borrowings in foreign currencies | | | |
| Due to banks | | 100,229 | 189,976 |
| Borrowings from domestic banks | 0.11 ~ 7.40 | 2,071,026 | 2,360,652 |
| Borrowings from other financial institutions | 5.13 | 17,055 | 19,486 |
| Borrowings from foreign banks | | 717,247 | 752,803 |
| | | <u>2,905,557</u> | <u>3,322,917</u> |
| Bonds sold under repurchase agreements | | | |
| In Won | 2.50 ~ 4.15 | 3,737,933 | 3,613,505 |
| In foreign currencies | | | 9,651 |
| | | <u>3,737,933</u> | <u>3,623,156</u> |
| Bills sold | 3.40 ~ 3.90 | 52,715 | 44,239 |
| Due to the Bank of Korea in foreign currencies | | 8,366 | 12,608 |
| Call money | | | |
| In Won | 3.25 ~ 3.65 | 3,581,400 | 55,800 |
| In foreign currencies | 0.75 ~ 5.35 | 191,194 | 193,700 |
| Inter-bank borrowings | 3.40 ~ 3.90 | 244,934 | 296,011 |
| | | <u>4,017,528</u> | <u>545,511</u> |
| | | <u>(Won) 13,905,133</u> | <u>(Won) 10,902,800</u> |

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)**

The maturities of borrowings as of March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | Borrowings in | | | Total |
|-------------------------------------|------------------------------|-------------------------------|------------------------|-------------------------|
| | Borrowings in Won | Foreign Currencies | Others | |
| Due in 3 months or less | (Won) 1,099,505 | (Won) 571,215 | (Won) 5,582,299 | (Won) 7,253,019 |
| Due after 3 months through 6 months | 87,103 | 842,204 | 1,702,284 | 2,631,591 |
| Due after 6 months through 1 year | 187,939 | 737,700 | 531,959 | 1,457,598 |
| Due after 1 year through 2 years | 391,850 | 504,473 | | 896,323 |
| Due after 2 years through 3 years | 376,688 | 161,742 | | 538,430 |
| Due after 3 years through 4 years | 314,905 | | | 314,905 |
| Due after 3 years through 4 years | 257,700 | 49,368 | | 307,068 |
| Thereafter | 467,344 | 38,855 | | 506,199 |
| | <u>(Won) 3,183,034</u> | <u>(Won) 2,905,557</u> | <u>(Won) 7,816,542</u> | <u>(Won) 13,905,133</u> |

11. Debentures

Debentures as of March 31, 2004 and December 31, 2003 are as follows:

| <i>(in millions of Won)</i> | | Annual Interest (%) | |
|-----------------------------|--|--------------------------------|-------------------|
| | | March 31, 2004 | 2004 |
| In Won | Hybrid debentures ^{1*} | 6.00 ~ 7.00 | (Won) 903,668 |
| | Subordinated fixed rate debentures | 5.18 ~ 15.66 | 5,289,941 |
| | KCC ^{2*} subordinated fixed rate debentures | 7.10 ~ 8.00 | 205,000 |
| | KCC ^{2*} fixed rate debentures | 4.58 ~ 8.00 | 2,290,000 |
| | KCC ^{2*} floating rate debentures | 1.97 ~ 8.00 | 820,000 |
| | Floating rates debentures | 3.92 ~ 8.71 | 6,156,704 |
| | | | <u>15,665,313</u> |
| | | | <u>18,379,403</u> |

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| | | | | |
|------------------------------|---------------------------|-------------|-------------------------|-------------------------|
| | Discounts on debentures | | (81,152) | (83,443) |
| | | | <u>15,584,161</u> | <u>18,295,960</u> |
| In foreign currencies | | | | |
| | Floating rates debentures | 0.60 ~ 1.99 | 188,717 | 196,211 |
| | Fixed rates debentures | 1.08 ~ 4.63 | 600,793 | 613,549 |
| | | 1.82 ~ 1.92 | 75,792 | 78,695 |
| | | | <u>865,302</u> | <u>888,455</u> |
| | Premiums on debentures | | 8,720 | 9,639 |
| | Discounts on debentures | | (1,263) | (1,473) |
| | | | <u>872,759</u> | <u>896,621</u> |
| | | | <u>(Won) 16,456,920</u> | <u>(Won) 19,192,581</u> |

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

2* Kookmin Credit Card Co., Ltd.

See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

As of March 31, 2004, subordinated debentures and hybrid debentures comprise the following:

| <i>(in millions of Won)</i> | <u>Issue Date</u> | <u>Amount</u> | <u>Annual Interest (%)</u> | <u>Maturity</u> |
|---|---------------------|---------------|----------------------------|---------------------|
| Type | | | | |
| Subordinated fixed rate debentures | 97.12.29 ~ 98.11.25 | (Won) 164,107 | 12.87 ~ 15.66 | 03.01.27 ~ 09.11.15 |
| | 2000.03.27 | 200,000 | 9.65 | 2005.03.27 |
| | 2000.06.28 | 253,975 | 9.00 ~ 9.10 | 2006.01.28 |
| | 2000.09.27 | 300,000 | 8.99 | 2006.01.27 |
| | 2000.09.28 | 150,000 | 8.00 ~ 8.85 | 2006.01.28 |
| | 2000.11.28 | 100,000 | 8.00 ~ 8.71 | 2006.02.28 |
| | 2000.11.28 | 150,951 | 9.57 ~ 9.65 | 2010.11.28 |
| | 2000.11.28 | 11,100 | 9.00 | 2010.12.28 |
| | 2000.12.27 | 200,000 | 8.71 | 2006.01.27 |
| | 2001.05.28 | 200,000 | 7.00 ~ 7.65 | 2007.02.28 |
| | 2001.06.27 | 160,000 | 7.68 | 2008.03.27 |
| | 2001.06.27 | 217,529 | 7.86 | 2009.03.27 |
| | 2001.08.28 | 100,000 | 6.00 ~ 6.73 | 2007.08.28 |
| | 2001.09.28 | 150,000 | 6.00 ~ 6.73 | 2008.03.28 |
| | 2002.03.27 | 241,684 | 7.06 ~ 7.10 | 2008.01.27 |
| | 2002.07.27 | 302,399 | 6.96 ~ 7.00 | 2008.01.27 |
| | 2002.09.27 | 257,363 | 6.27 ~ 6.30 | 2008.03.27 |
| | 2002.09.27 | 150,000 | 6.51 ~ 6.55 | 2010.03.27 |
| | 2002.09.27 | 92,637 | 6.66 ~ 6.70 | 2013.03.27 |
| | 2002.11.27 | 400,673 | 6.07 ~ 6.10 | 2008.05.27 |
| | 2002.11.27 | 57,846 | 6.27 ~ 6.30 | 2010.05.27 |
| | 2002.11.27 | 100,256 | 6.51 ~ 6.55 | 2013.05.27 |
| | 2002.12.18 | 110,000 | 8.00 | 2008.01.18 |
| | 2002.12.27 | 10,000 | 6.20 | 2008.06.27 |
| | 2002.12.27 | 90,000 | 6.40 | 2010.06.27 |
| | 2002.12.27 | 50,000 | 6.65 | 2013.06.27 |
| | 2002.12.27 | 30,370 | 6.55 | 2014.12.27 |
| | 2003.01.21 | 50,000 | 7.65 | 2008.02.21 |
| | 2003.03.10 | 45,000 | 7.10 | 2008.04.10 |
| | 2003.10.27 | 356,561 | 5.18 ~ 5.20 | 2009.01.27 |
| | 2003.10.27 | 88,769 | 5.33 ~ 5.35 | 2011.01.27 |
| | 2003.10.27 | 3,721 | 5.58 ~ 5.60 | 2014.01.27 |
| | 2004.02.27 | 636,798 | 5.65 ~ 5.68 | 2009.08.27 |
| | 2004.02.27 | 22,895 | 5.84 ~ 5.87 | 2011.08.27 |
| | 2004.02.27 | 40,307 | 6.13 ~ 6.16 | 2014.08.27 |
| | | 5,494,941 | | |

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| | | | | |
|--------------------------|------------|------------------------|------|------------|
| Hybrid debentures | 2003.06.27 | 105,145 | 6.00 | 2033.06.27 |
| | 2003.08.27 | 533,355 | 7.00 | 2033.08.27 |
| | 2003.10.27 | 265,168 | 6.80 | 2033.10.27 |
| | | <u>903,668</u> | | |
| | | <u>(Won) 6,398,609</u> | | |

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)**

The maturities of debentures as of March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | In Won | In Foreign Currencies | Total |
|-------------------------------------|-------------------------|----------------------------------|-------------------------|
| Due in 3 months or less | (Won) 1,852,649 | (Won) 81,906 | (Won) 1,934,555 |
| Due after 3 months through 6 months | 2,093,138 | 68,427 | 2,161,565 |
| Due after 6 months through 1 year | 3,699,193 | 26,985 | 3,726,178 |
| Due after 1 year through 2 years | 2,408,838 | 66,563 | 2,475,401 |
| Due after 2 years through 3 years | 369,200 | | 369,200 |
| Due after 3 years through 4 years | 1,639,843 | 585,032 | 2,224,875 |
| Due after 4 years through 5 years | 1,152,040 | 36,389 | 1,188,429 |
| Thereafter | 2,450,412 | | 2,450,412 |
| | <u>(Won) 15,665,313</u> | <u>(Won) 865,302</u> | <u>(Won) 16,530,615</u> |

12. Accrued Retirement Benefits

The movements in accrued retirement benefits for the three-month period ended March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | Beginning Balance | Amounts Provided | Amounts Paid Out | Ending Balance |
|-----------------------------------|------------------------------|-----------------------------|-----------------------------|---------------------------|
| Accrued retirement benefits | (Won) 71,083 | (Won) 29,317 | (Won) 12,310 | (Won) 88,090 |
| Contributed retirement benefits | 163,349 | | 13,833 | 149,516 |
| Total accrued retirement benefits | 234,432 | 29,317 | 26,143 | 237,606 |
| Contribution to pension funds | (163,349) | | (13,833) | (149,516) |
| | <u>(Won) 71,083</u> | <u>(Won) 29,317</u> | <u>(Won) 12,310</u> | <u>(Won) 88,090</u> |

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As of March 31, 2004, approximately 62.93% of total accrued retirement benefits are contributed to pension funds, of which the Bank's employees hold the right of payment, placed at two insurance companies, including Korea Life Insurance Co., Ltd. The total retirement benefits paid for the three-month period ended March 31, 2004 amounts to (Won)76,172, including the additional early retirement benefits paid in February 2004 to 459 employees amounting to (Won)50,029.

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)****13. Other Liabilities**

Other liabilities as of March 31, 2004 and 2003 are as follows:

| <i>(in millions of Won)</i> | <u>2004</u> | <u>2003</u> |
|--|-------------------------|-------------------------|
| Account | | |
| Accrued retirement benefits (Note 12) | (Won) 88,090 | (Won) 71,083 |
| Allowance for losses on guarantees and acceptances (Note 14) | 1,258 | 1,074 |
| Due to trust accounts | 1,512,719 | 3,983,295 |
| Accounts payable | 5,086,625 | 1,886,446 |
| Accrued expenses | 4,294,732 | 4,418,940 |
| Advances from customers | 190,348 | 109,675 |
| Unearned income | 134,585 | 130,778 |
| Withholding taxes | 96,692 | 123,455 |
| Guarantee deposits received | 107,793 | 120,437 |
| Derivative liabilities (Note 15) | 980,685 | 686,271 |
| Unsettled domestic exchange liabilities | 166,124 | 400,445 |
| Accounts for agency business | 279,162 | 337,624 |
| Other allowances ¹ | 384,167 | 677,163 |
| Liabilities incurred by agency relationship | 1,102,947 | 315,241 |
| Others | 182,445 | 130,182 |
| | <u>(Won) 14,608,372</u> | <u>(Won) 13,392,109</u> |

1* Other allowances are as follows:

| <i>(in millions of Won)</i> | <u>Amounts</u> | <u>Remarks</u> |
|--------------------------------|----------------|--|
| <u>Allowances for</u> | | |
| Suspense receivables | (Won) 7,300 | Allowances for frauds/accidents and litigation fee |
| Loss on branch closure | 313 | Allowances for closure of the Buenos Aires branch |
| Uncollected leasehold deposits | 8,036 | Allowances for uncollected leasehold deposits |
| Credit card receivables | 62,865 | Allowances for unused cash advance credit lines |
| Mileage rewards | 43,830 | Allowances for mileage on credit cards and currency exchange rates |
| Claimed assets | 28,126 | Allowances for credit card claimed assets |

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| | | |
|---------------------------------|----------------------|---|
| Credit commitments to SPC | 187,937 | Allowances for the credit line commitment to SPC (Note 16) |
| Securitization allowances | 3,435 | Allowances for repurchase obligations from asset securitization (Note 16) |
| KAMCO loans sold | 592 | Allowances for loans under repurchase agreements to KAMCO (Note 16) |
| Allowances for tax deficiencies | 40,733 | Allowances for tax deficiencies (Note 16) |
| Others | | Allowance for time deposits of Hansol Mutual Savings & Finance Co., Ltd. |
| | 1,000 | amounting to (Won)50 billion |
| | <u>(Won) 384,167</u> | |

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements**

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

14. Guarantees and Acceptances

Guarantees and acceptances as of March 31, 2004 are summarized as follows:

| <i>(in millions of Won)</i> | Amount |
|--|------------------------|
| Guarantees and acceptances outstanding in | |
| Won | |
| Guarantees on debentures | (Won) 532 |
| Guarantees on loan collateral | 30,469 |
| Others | 237,070 |
| | <u>268,071</u> |
| Foreign Currencies | |
| Acceptances on letters of credit | 126,453 |
| Acceptances for letters of guarantee for importers | 68,164 |
| Guarantees for performance of contracts | 25,277 |
| Guarantees for bids | 1,099 |
| Guarantees for borrowings | 27,411 |
| Guarantees for repayment of advances | 12,050 |
| Others | 210,533 |
| | <u>470,987</u> |
| | <u>739,058</u> |
| Contingent guarantees and acceptances | |
| Letters of credit | 1,202,155 |
| Others | 79,785 |
| | <u>1,281,940</u> |
| | <u>(Won) 2,020,998</u> |

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As of March 31, 2004, the allowances for losses on guarantees and acceptances outstanding according to credit risk classifications are as follows:

(in millions of Won)

| | | <u>Normal</u> | <u>Precautionary</u> | <u>Sub-standard</u> | <u>Doubtful</u> | <u>Estimated loss</u> | <u>Total</u> |
|--|-----------|---------------|----------------------|---------------------|-----------------|---------------------------|---------------|
| Guarantees and Acceptances Outstanding in | | | | | | | |
| Won | Balance | (Won) 252,076 | (Won) 13,610 | (Won) 510 | (Won) 1,875 | (Won) | (Won) 268,071 |
| | Allowance | | | 102 | 938 | | 1,040 |
| | Ratio (%) | | | 20.00 | 50.03 | | 0.39 |
| Foreign currencies | Balance | 414,861 | 55,696 | 288 | 123 | 19 | 470,987 |
| | Allowance | | | 137 | 62 | 19 | 218 |
| | Ratio (%) | | | 47.57 | 50.41 | 100.00 | 0.05 |
| Total | Balance | (Won) 666,937 | (Won) 69,306 | (Won) 798 | (Won) 1,998 | (Won) 19 | (Won) 739,058 |
| | Allowance | | | 239 | 1000 | 19 | 1,258 |
| | Ratio (%) | | | 29.95 | 50.05 | 100.00 | 0.17 |

See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

For the three-month period ended March 31, 2004, the changes in allowances for losses on guarantees and acceptances outstanding are as follows:

| | |
|--|-------------|
| <i>(in millions of Won)</i> | |
| Beginning balance | (Won) 1,074 |
| Reversal of losses from guarantees and acceptances | 216 |
| Changes in foreign exchange rates | (32) |
| Ending balance | (Won) 1,258 |

The guarantees and acceptances risk concentration by country as of March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | Guarantees and Acceptances Outstanding | | Contingent Guarantees and Acceptances | | Total | |
|-----------------------------|---|----------------|--|-----------------|-----------------|-----------------|
| | Balance | Percentage (%) | Balance | Percentage (%) | Balance | Percentage (%) |
| | Korea | (Won) 692,914 | 93.76 | (Won) 1,281,940 | 100.00 | (Won) 1,974,854 |
| USA | 46,144 | 6.24 | | | 46,144 | 2.28 |
| | (Won) 739,058 | 100.00 | (Won) 1,281,940 | 100.00 | (Won) 2,020,998 | 100.00 |

The guarantees and acceptances risk concentration by industry as of March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | Guarantees and Acceptances Outstanding | | Contingent Guarantees and Acceptances | | Total | |
|-----------------------------|---|----------------|--|----------------|---------|-----------------|
| | Balance | Percentage (%) | Balance | Percentage (%) | Balance | Percentage (%) |
| | Manufacturing | (Won) 255,749 | 34.60 | (Won) 756,294 | 59.00 | (Won) 1,012,043 |

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| | | | | | | |
|---------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Service | 348,299 | 47.13 | 417,024 | 32.53 | 765,323 | 37.87 |
| Finance | 19,772 | 2.68 | 28,288 | 2.21 | 48,060 | 2.38 |
| Others | 115,238 | 15.59 | 80,334 | 6.26 | 195,572 | 9.67 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | (Won) 739,058 | 100.00 | (Won) 1,281,940 | 100.00 | (Won) 2,020,998 | 100.00 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

15. Derivatives

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

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

See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

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

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

| <i>(in millions of Won)</i> | 2004 | | | 2003 | | |
|-----------------------------|-------------------------|----------------------|-------------------------|-------------------------|----------------------|-------------------------|
| | Trading | Hedge | Total | Trading | Hedge | Total |
| Interest related | | | | | | |
| Future | (Won) 233,550 | (Won) | (Won) 233,550 | (Won) 519,665 | (Won) | (Won) 519,665 |
| Swap | 27,769,187 | 576,800 | 28,345,987 | 26,773,100 | 598,900 | 27,372,000 |
| Option | 2,044,000 | | 2,044,000 | 2,340,000 | | 2,340,000 |
| | <u>30,046,737</u> | <u>576,800</u> | <u>30,623,537</u> | <u>29,632,765</u> | <u>598,900</u> | <u>30,231,665</u> |
| Currency related | | | | | | |
| Forward | 49,966,545 | | 49,966,545 | 25,870,850 | | 25,870,850 |
| Future | 1,445,576 | | 1,445,576 | 967,823 | | 967,823 |
| Swap | 4,250,010 | | 4,250,010 | 4,136,776 | | 4,136,776 |
| Option bought | 72,100 | | 72,100 | 28,148 | | 28,148 |
| Option sold | 45,131 | | 45,131 | 81,450 | | 81,450 |
| | <u>55,779,362</u> | | <u>55,779,362</u> | <u>31,085,047</u> | | <u>31,085,047</u> |
| Stock related | | | | | | |
| Option bought | 1,933,084 | | 1,933,084 | 1,964,870 | | 1,964,870 |
| Option sold | 1,950,410 | | 1,950,410 | 1,954,093 | | 1,954,093 |
| | <u>3,883,494</u> | | <u>3,883,494</u> | <u>3,918,963</u> | | <u>3,918,963</u> |
| | <u>(Won) 89,709,593</u> | <u>(Won) 576,800</u> | <u>(Won) 90,286,393</u> | <u>(Won) 64,636,775</u> | <u>(Won) 598,900</u> | <u>(Won) 65,235,675</u> |

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Gains and losses on derivatives as of and for the three-month period ended March 31, 2004 are as follows:

(in millions of Won)

Gain on derivatives

| | |
|----------------------------------|-----------------|
| Gain on derivative transactions | (Won) 550,951 |
| Gain on valuation of derivatives | 695,608 |
| Gain on fair value hedged items | |
| | <hr/> |
| | (Won) 1,246,559 |

Loss on derivatives

| | |
|----------------------------------|-----------------|
| Loss on derivative transactions | (Won) 586,171 |
| Loss on valuation of derivatives | 644,209 |
| Loss on fair value hedged items | 9,699 |
| | <hr/> |
| | (Won) 1,240,079 |

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)**

Gains and losses on derivatives as of and for the three-month period ended March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | Valuation Gains (P/L) | | | Valuation Losses (P/L) | | | Fair Value (B/S) | |
|---------------------------------|-----------------------|-------------|---------------|------------------------|-------|---------------|------------------|---------------|
| | Trading | Hedge | Total | Trading | Hedge | Total | Asset | Liability |
| Interest related | | | | | | | | |
| -Option | (Won) 3,413 | (Won) | (Won) 3,413 | (Won) 4,019 | (Won) | (Won) 4,019 | (Won) 5,136 | (Won) 13,191 |
| -Swap | 90,339 | 9,699 | 100,038 | 93,776 | | 93,776 | 173,371 | 250,063 |
| | 93,752 | 9,699 | 103,451 | 97,795 | | 97,795 | 178,507 | 263,254 |
| Currency related | | | | | | | | |
| -Forward | 458,874 | | 458,874 | 444,639 | | 444,639 | 449,667 | 454,964 |
| -Option bought | 459 | | 459 | 812 | | 812 | 459 | 757 |
| -Option sold | 625 | | 625 | 162 | | 162 | 392 | 322 |
| -Swap | 110,018 | | 110,018 | 73,229 | | 73,229 | 323,299 | 131,354 |
| | 569,976 | | 569,976 | 518,842 | | 518,842 | 773,817 | 587,397 |
| Stock related | | | | | | | | |
| -Option bought | 15,763 | | 15,763 | 6,816 | | 6,816 | 133,148 | |
| -Option sold | 6,418 | | 6,418 | 20,756 | | 20,756 | | 130,034 |
| | 22,181 | | 22,181 | 27,572 | | 27,572 | 133,148 | 130,034 |
| | (Won) 685,909 | (Won) 9,699 | (Won) 695,608 | (Won) 644,209 | (Won) | (Won) 644,209 | (Won) 1,085,472 | (Won) 980,685 |

16. Commitments and Contingencies

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As of March 31, 2004, 251 pending legal actions with an aggregate amount of damages of (Won)144,611 million are charged against the Bank and the Bank had also filed 170 lawsuits, which are still pending with an aggregate amount of claims of (Won)292,358 million. Management believes that the actions against the Bank are without merit and that the ultimate liability, if any, will not materially affect the Bank's financial position.

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

| <i>(in millions of Won)</i> | Exposure to possible loss | Results | | |
|---|--------------------------------------|-----------------------------|---------------------------------|-----------------------------|
| | | 1st trial | 2nd trial | 3rd trial |
| Details | | | | |
| Cancellation of a registered mortgage (3 cases) | (Won) 30,822 | in progress | | |
| Claim for return of trust accounts | 11,474 | in progress | | |
| Claim for payments of bills bought | 8,223 | in progress | | |
| Confirmation of obligations | 7,148 | closed ^{1*} | closed ^{1*} | in progress |
| Transfer of Kookmin Mutual Savings & Finance Co., Ltd | 5,000 | in progress | | |

1* The Bank (partially) won the case.

The Bank, under the Mutual Savings & Finance Company Act, is liable for the payment of the deposits of Orange Mutual Savings & Finance Co., Ltd. (previously, Kookmin Mutual Savings & Finance Co., Ltd.) and Hansol Mutual Savings & Finance Co., Ltd. (previously, Bukook Mutual Savings & Finance Co., Ltd.), previously the Bank's subsidiaries but were sold during 1999, if they enter into bankruptcy within three years of sale. Orange Mutual Savings & Finance Co., Ltd. is currently undergoing bankruptcy procedures due to the disapproval of its business by the Financial Supervisory Commission. Korea Deposit Insurance Corporation (KDIC) has paid for the deposit money subject to the Depositor Protection Act. As of March 31, 2004, despite the fact that Resolution and Finance Corp. (a subsidiary of KDIC) has filed a lawsuit against the Bank for the recovery of the repayment, such lawsuit is not expected to cause losses that would materially affect the Bank's financial position.

See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

As of March 31, 2004, The Bank has entered into commitments to provide a credit line of (Won)6,029,900 million, and to purchase commercial paper amounting to (Won)981,000 million, with asset securitization companies. Commitments to provide a credit line and to purchase commercial paper with a one year term amounted to (Won)123,500 million and (Won)867,000 million, respectively. Under these commitments, the Bank provides money, in case of a temporary fund shortage, for the principal and interest repayment of these companies' senior bonds and subordinated bonds within the contracted term and amounts.

As of March 31, 2004, loans outstanding under the credit line commitment amounted to (Won)69,538 million, and there is no balance for commercial papers purchased under the purchase commitment. The Bank has arranged various methods to compensate for losses on these credit line commitments including payment guarantees, repurchase contracts, surety certificate guarantees, and cash reserves. As of March 31, 2004, the Bank provided (Won)187,937 million in other allowances for its expected losses related to these commitments.

Pursuant to its asset securitization plans, the Bank has an outstanding obligation to repurchase and/or indemnify for losses on the loans sold to Jooeun 2nd-ABS Specialty Co., Ltd. and Kookmin Credit Card 14th-ABS Specialty Co., Ltd. (collectively, the SPEs) with a ceiling of (Won)36,957 million and (Won)4,113 million, respectively. As of March 31, 2004, the Bank provided (Won)3,435 million in other allowances for its expected losses related to the commitments to Jooeun 2nd-ABS Specialty Co., Ltd., and the Bank provided for its expected losses related to the commitments to Kookmin Credit Card 14th-ABS Specialty Co., Ltd. in allowances for loan losses on the subordinated debt purchased from Kookmin Credit Card 14th-ABS Specialty Co., Ltd.

As of March 31, 2004, post settlements on the loan sales transaction with Korea Asset Management Corporation (KAMCO) have been completed and the Bank has provided allowances of (Won)592 million for losses from possible future repurchase of loans from KAMCO under the repurchase agreement on loans amounting (Won)3,205 million.

The Bank has an off-shore loan commitment, limited to USD 23,385 thousand, and the loan balance under the commitment as of March 31, 2004 is USD 14,890 thousand.

The Bank provided (Won)142,021 million as allowances for tax deficiencies as of December 31, 2003 due to the tax investigations by the National Tax Administration for the fiscal years 1998, 1999, 2000 and 2001. During the current period, the National Tax Administration charged (Won)123,310 million for tax deficiencies and the Bank paid (Won)82,577 million of these tax deficiencies while recording the excess (Won)18,711 million, for the difference between the estimations and the actual assessment for tax deficiencies, as non operating income. The unpaid tax deficiencies of (Won)40,733 million remains in other allowances.

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As of March 31, 2004, the Bank holds the unexpired rights to claim from borrowers or guarantors for loans, in accordance with the relevant law, which have already been written off, amounting to (Won)3,836,699 million. Also, as of March 31, 2004, the Bank holds endorsed bills amounting to (Won)10,111 million.

As of March 31, 2004, the Bank recorded receivables amounting to (Won)2,845,758 million and payables amounting to (Won)2,085,032 million for unsettled foreign currency spot transactions.

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

As of December 31, 2003, the Bank has provided one blank promissory note to financial institutions including Korea Securities Finance Corporation as collateral for borrowings and other obligations.

See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

In accordance with the agreement on November 24, 2003 with the creditors' committee of LG Card Co., Ltd., which is experiencing cash crisis, the Bank provided loans of (Won)437,000 million and, as of January 9, 2004, agreed to a debt-equity swap of (Won) 312,700 million, provide additional loans of (Won) 205,900, and the extension of the maturities of loans that mature in 2004. As of February 13, 2004, the Bank executed the debt-equity swap of (Won)156,350 million (loans amounting to (Won)145,950 million, corporate bonds amounting to (Won)10,400 million), and after the capital reduction in May 2004 at a rate of 43.4:1, a second debt-equity swap amounting to (Won)362,250 million is to be executed in July 2004. As of March 31, 2004, the Bank's total exposure related to LG Card Co., Ltd. includes loans, debt securities, customer financing and debt-equity swapped equity securities amounting to (Won)681,950 million, (Won)16,330 million, (Won)31,287 million, and (Won) 1,751 million, respectively. The ultimate effect of these circumstances on the financial position of the Bank as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying financial statements.

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

As of March 31, 2004, the Bank's total exposure (including debt securities, beneficiary certificates, and loans) related to domestic credit card companies and capital companies amounts to (Won)382,491 million. Currently, securities related to credit card companies and capital companies, which are experiencing liquidity problems, are not widely traded in the bond market. The ultimate effect of these circumstances on the financial position of the Bank as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying financial statements.

17. Capital

As of March 31, 2004, the Bank has 1,000,000,000 common shares (par value per share: (Won)5,000) authorized and 336,379,116 shares issued. ING Insurance International B.V. owns 3.78% of the total issued shares. 36,240,979 common shares, equivalent to 10.77% of the total issued shares, are listed on the New York Stock Exchange as ADSs and are managed by the Bank of New York, the trustee of the Bank, as of March 31, 2004.

As a result of the legal consolidation with H&CB, the shareholders of the Bank and H&CB, listed on the Register of Shareholders at October 31, 2001, received 179,775,233 new shares and 119,922,229 new shares of the Bank, respectively, at the exchange ratio of one new common share of the Bank for 1.688346 old shares of the Bank and 1 share of H&CB, respectively. The new shares of the Bank were relisted on the Korea Stock Exchange as of November 9, 2001. In addition, the Bank issued 8,120,431 shares as a result of the merger with Kookmin Credit Card Co.,

Ltd.

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

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

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)****18. Capital Surplus**

The movements in capital surplus for the three-month period ended March 31, 2004 are as follows:

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

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

19. Retained Earnings

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

Under the guidance provided by Financial Supervisory Services, the Company is required to appropriate, as a reserve for improvement of financial structure, a minimum of 10% of its annual income less carried over accumulated deficit, until its capital adequacy ratio equals 5.5%. As of March 31, 2004, the Bank has no reserve for improvement of financial structure.

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

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

20. Capital Adjustments

The movements in capital adjustments for the three-month period ended March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | Beginning Balance | Increase/ Decrease | Disposal/ Realization 1* | Ending Balance |
|--|------------------------------|-------------------------------|---|---------------------------|
| Treasury stock | (Won) (1,328,312) | (Won) | (Won) (1,366) | (Won) (1,326,946) |
| Unrealized gain on available-for-sale securities | 137,987 | 205,505 | 36,678 | 306,814 |
| Unrealized gain on investment in associates | 4,624 | 1,524 | 109 | 6,039 |
| Stock options | 26,211 | 1,772 | 411 | 27,572 |
| Loss on disposal of treasury stock | (749) | (106) | | (855) |
| | (Won) (1,160,239) | (Won) 208,695 | (Won) 35,832 | (Won) (987,376) |

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

The Bank, with the approval of the Board of Directors on July 26, 2002, established an employee stock option plan for the welfare of the employees and purchased 3,000,000 shares of treasury stock under the plan. On December 26, 2003, the Bank contributed 1,000,000 shares to the Employee Stock Ownership Association.

See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

In accordance with the resolution of the Board of Directors on December 17, 2003, the Bank acquired 27,423,761 of its own shares previously owned by the Korean government at (Won)43,700 per share through public bidding and intends to sell these shares depending on certain market conditions. As a result of the acquisition, the Bank holds 8.91% the total common stock issued as treasury stock as of March 31, 2004.

21. Employee Stock Options

As of March 31, 2004, the stock options granted to the Bank's executives and chief executive officer are as follows:

| Series | Grant Date | Shares Granted | Forfeiture | Shares Exercised | Shares Outstanding | Exercise Price | Exercise Period |
|--|------------|----------------|------------|------------------|--------------------|----------------|-------------------|
| Series 1 | 00.03.18 | 233,940 | 121,411 | 24,990 | 87,539 | (Won) 23,469 | 03.03.19 05.03.18 |
| Series 2 | 01.03.15 | 214,975 | 16,882 | 7,806 | 190,287 | 28,027 | 04.03.16 09.03.15 |
| Series 3 | 98.10.31 | 400,000 | | 390,000 | 10,000 | 5,000 | 01.11.01 04.10.31 |
| Series 4 | 99.02.27 | 280,000 | 59,892 | 220,108 | | 13,900 | 02.02.28 05.02.27 |
| Series 5 | 00.02.28 | 267,000 | 65,218 | 19,342 | 182,440 | 27,600 | 03.03.01 06.02.28 |
| Series 6 | 01.03.24 | 111,000 | 38,624 | | 72,376 | 25,100 | 04.03.25 07.03.24 |
| Series 7 ^{1*} 2* | 01.11.16 | 850,000 | | | 850,000 | 51,200 | 04.11.17 09.11.16 |
| Series 8-1 ^{2*} | 02.03.22 | 132,000 | 89,753 | | 42,247 | 57,100 | 05.03.23 10.03.22 |
| Series 8-1 ^{3*} | 02.03.22 | 490,000 | 166,466 | | 323,534 | 57,100 | 05.03.23 10.03.22 |
| Series 9 ^{3*} | 02.07.26 | 30,000 | | | 30,000 | 58,800 | 05.07.27 10.07.26 |
| Series 10-1 ^{2*} | 03.03.21 | 140,000 | 19,947 | | 120,053 | 41,200 | 06.03.22 11.03.21 |
| Series 10-1 ^{3*} | 03.03.21 | 180,000 | 64,090 | | 115,910 | 35,500 | 06.03.22 11.03.21 |
| Series 11 ^{3*} | 03.08.27 | 30,000 | 24,909 | | 5,091 | 40,500 | 06.08.28 11.08.27 |
| Series 12 ^{3*} | 04.02.09 | 85,000 | | | 85,000 | 46,100 | 07.02.10 12.02.09 |
| Series 13-1 ^{2*} | 04.03.23 | 20,000 | | | 20,000 | 47,200 | 07.03.22 12.03.23 |
| Series 13-1 ^{3*} | 04.03.23 | 10,000 | | | 10,000 | 47,200 | 07.03.22 12.03.23 |
| Increase due to merger-1 ^{4*} | 01.03.22 | 22,146 | | | 22,146 | 71,538 | 04.03.23 11.03.22 |
| Increase due to merger-2 ^{2*4*} | 02.03.29 | 9,990 | | | 9,990 | 129,100 | 04.03.30 11.03.29 |

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

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

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

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

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See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

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

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

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

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

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

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

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

See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

The compensation costs to be recognized in the future as of March 31, 2004, are as follows:

| Series | Compensation cost recognized | | | Compensation cost to be recognized | | | | Total compensation cost |
|--------------------------|--------------------------------|----------------------------------|-------------------------------|------------------------------------|-----------------------------|------------------------------|--------------|-------------------------|
| | Prior period compensation cost | Current period compensation cost | Accumulated compensation cost | Within 1 year | More than 1 year to 2 years | More than 2 years to 3 years | Total | |
| Series 1 | (Won) 1,106 | (Won) 1,106 | (Won) 1,106 | (Won) 1,106 | (Won) 1,106 | (Won) 1,106 | (Won) 1,106 | (Won) 1,106 |
| Series 2 | 2,789 | 254 | 3,043 | | | | | 3,043 |
| Series 3 | 14 | | 14 | | | | | 14 |
| Series 5 | 2,430 | | 2,430 | | | | | 2,430 |
| Series 6 | 1,136 | 103 | 1,239 | | | | | 1,239 |
| Series 7 | 10,840 | 1,301 | 12,141 | 3,468 | | | 3,468 | 15,609 |
| Series 8-1 | 604 | 86 | 690 | 345 | | | 345 | 1,035 |
| Series 8-2 | 5,297 | (13) | 5,284 | 2,641 | | | 2,641 | 7,925 |
| Series 9 | 245 | 43 | 288 | 174 | 58 | | 232 | 520 |
| Series 10-1 | 427 | 60 | 487 | 487 | 488 | | 975 | 1,462 |
| Series 10-2 | 633 | (89) | 544 | 544 | 543 | | 1,087 | 1,631 |
| Series 11 | 50 | (35) | 15 | 26 | 26 | 10 | 62 | 77 |
| Series 12 | | 39 | 39 | 466 | 465 | 427 | 1,358 | 1,397 |
| Series 13-1 | | | | 101 | 101 | 100 | 302 | 302 |
| Series 13-2 | | | | 51 | 50 | 50 | 151 | 151 |
| Increase due to merger-1 | 172 | 15 | 187 | | | | | 187 |
| Increase due to merger-2 | 57 | 8 | 65 | | | | | 65 |
| | (Won) 25,800 | (Won) 1,772 | (Won) 27,572 | (Won) 8,303 | (Won) 1,731 | (Won) 587 | (Won) 10,621 | (Won) 38,193 |

As of March 31, 2004, the weighted average exercise price per stock option granted is (Won)44,999 and the weighted average compensation cost per stock option granted is (Won)17,547.

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements**

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

22. Other Non-Interest Income (Expenses)

Other non-interest income (expenses) for the three-month period ended March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | Amount |
|--|----------------------|
| Other non-interest income | |
| - Realized gain on trading securities | (Won) 32,536 |
| - Unrealized gain on trading securities | 48,567 |
| - Gain on trust management | 33,300 |
| - Reversal of losses from guarantees and acceptances | |
| - Gain on valuation of derivatives | 695,608 |
| - Others | 15,859 |
| | <u>(Won) 825,870</u> |
| Other non-interest expenses | |
| - Realized loss on trading securities | (Won) 13,664 |
| - Contributions to special funds | 44,840 |
| - Provision for allowance | 216 |
| - Loss on valuation of derivatives | 644,209 |
| - Loss on fair value hedged items | 9,699 |
| - Others | 119,075 |
| | <u>(Won) 831,703</u> |

23. General and Administrative Expenses

General and administrative expenses for the three-month period March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | Amount |
|-----------------------------|---------------|
|-----------------------------|---------------|

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| | |
|-------------------------------|---------------|
| Salaries and wages | (Won) 310,306 |
| Retirement benefits (Note 12) | 29,317 |
| Other employee benefits | 70,980 |
| Rent | 17,607 |
| Depreciation | 76,670 |
| Amortization | 20,543 |
| Taxes and dues | 32,202 |
| Advertising | 8,022 |
| Ordinary R&D | 30,068 |
| Fees and commissions | 19,794 |
| Others | 47,568 |
| | <hr/> |
| | (Won) 663,077 |
| | <hr/> |

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements**

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

24. Non-Operating Income (Expenses)

Non-operating income (expenses) for the three-month period ended March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | <u>Amount</u> |
|--|---------------------|
| Non-operating income | |
| - Gain on disposal of fixed assets | (Won) 1,273 |
| - Rent income | 631 |
| - Unrealized gain on investment in associates | 11,514 |
| - Realized gain on available-for-sale securities | 56,473 |
| - Realized gain on held-to-maturity securities | 1,476 |
| - Reversal of impairment loss on available-for-sale securities | |
| - Gain on sale of loans | 371 |
| - Others | 46,420 |
| | <u>118,158</u> |
| Non-operating expenses | |
| - Loss on disposal of fixed assets | 1,000 |
| - Impairment loss on fixed assets | |
| - Loss on investment in associates | |
| - Realized loss on available-for-sale securities | 3,891 |
| - Realized loss on held-to-maturity securities | |
| - Impairment loss on available-for-sale securities | 10,415 |
| - Early retirement benefits | 50,029 |
| - Loss on sale of loans | 141 |
| - Others | 35,625 |
| | <u>101,101</u> |
| | <u>(Won) 17,057</u> |

25. Income Tax Expense

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Income tax expense for the years ended March 31, 2004 is as follows:

| <i>(in millions of Won)</i> | 2004 |
|---|--------------|
| Income tax payable | (Won) |
| Deferred income taxes from temporary differences | 78,861 |
| Change in temporary differences due to tax adjustments | (1,738) |
| Retained earnings and other capital surplus adjustments ^{1*} | 136 |
| | <hr/> |
| Income tax (benefit) expense | (Won) 77,259 |
| | <hr/> |

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

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)**

The statutory income tax rate applicable to the Bank, including resident tax surcharges, is 29.7 percent for the years ended December 31, 2002 and 2003. However, due to tax adjustments, the effective tax rate for the years ended March 31, 2004 is 33.81 percent. The statutory income tax rate of 29.7 percent is applied for deferred income tax assets (liabilities) that will be realized before 2005 and statutory income tax rate of 27.5 percent is applied for deferred income tax assets (liabilities) that will be realized after 2005 reflecting the 2 percent corporate tax rate cut from 2005. The basis for calculating the effective tax rate is as follows:

| <i>(in millions of Won)</i> | 2004 |
|--|---------------|
| Net income (loss) before income taxes | (Won) 228,517 |
| Income tax expense based on the effective tax rate | 67,866 |
| Tax effects on adjustments | |
| Adjustments to increase taxable income | 34,773 |
| Adjustments to decrease taxable income | (31,603) |
| Discount effect | 6,223 |
| Income tax benefit per statements of operations | (Won) 77,259 |

The significant changes in accumulated temporary differences and deferred income taxes for the year ended March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | Beginning balance | Increase | Decrease | Ending balance | Deferred tax asset (liability) |
|---|------------------------------|-----------------|-----------------|-----------------------|---|
| Allowance for loan losses | (Won) 299,023 | (Won) 578,915 | (Won) 220,644 | (Won) 657,294 | (Won) 185,610 |
| Accrued interest | (349,435) | (264,132) | (308,069) | (305,498) | (84,012) |
| Unrealized loss on securities | 762,266 | 97,539 | 52,156 | 807,649 | 222,103 |
| Unrealized loss on derivatives | (35,045) | (52,672) | (23,923) | (63,794) | (17,543) |
| Present value discounts | 14,774 | 11,761 | 14,774 | 11,761 | 3,234 |
| Allowance for losses on guarantees and acceptances | 1,074 | 1,258 | 1,074 | 1,258 | 346 |
| Accrued severance benefits | | | | | |
| Stock options | 26,211 | 27,572 | 26,211 | 27,572 | 7,582 |
| Loss on fair value hedges | (1,502) | 9,698 | | 8,196 | 2,254 |
| Accumulated depreciation | 8,313 | (33) | 1,052 | 7,228 | 1,988 |
| Other allowances | 505,372 | 343,944 | 505,372 | 343,944 | 94,584 |
| Others | 104,471 | (30,223) | (6,181) | 80,429 | 22,119 |

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| | | | | | |
|----------------------------------|------------------------|----------------------|----------------------|------------------------|----------------------|
| Net operating loss carry-forward | 567,825 | (263,035) | 189,457 | 115,333 | 34,254 |
| | <u>(Won) 1,903,347</u> | <u>(Won) 460,592</u> | <u>(Won) 672,567</u> | <u>(Won) 1,691,372</u> | <u>472,519</u> |
| Deferred tax credit | | | | | 1,256 |
| | | | | | <u>(Won) 473,775</u> |

See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

26. Earnings Per Share

The weighted average number of common shares outstanding for the three-month periods ended March 31, 2004 and 2003 are calculated as follows:

| | <u>2004</u> | <u>2003</u> |
|---|---------------------------|---------------------------|
| Number of common shares outstanding-beginning balance | 336,379,116 | 328,258,685 |
| Weighted average number of shares of treasury stock | (30,002,382) | (3,017,089) |
| Weighted average number of common shares outstanding | <u>306,376,734</u> | <u>325,241,596</u> |

Details of the computation of the basic earnings per share (EPS) and basic ordinary income per share for the three-month periods ended March 31, 2004 and 2003 are shown below.

| | <u>2004</u> | <u>2003</u> |
|---|-------------------------|-------------------------|
| Net income (in millions of Won) | (Won) 151,258 | (Won) 73,933 |
| Weighted average number of common shares outstanding | 306,376,734 | 325,241,596 |
| Basic earnings per share and basic ordinary income (loss) per share (in Won) | <u>(Won) 494</u> | <u>(Won) 227</u> |

Since there are no dilutive common shares, diluted EPS and diluted ordinary income per share are the same as basic EPS and basic ordinary income per share.

Potential common shares as of March 31, 2004 are as follows:

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| | <u>Exercise Period</u> | <u>Shares Outstanding</u> | <u>Exercise Price</u> |
|---------------|-------------------------|---------------------------|-------------------------|
| Stock options | 2001.11.01 - 2012.03.23 | 2,176,613 | (Won)5,000 (Won)129,100 |

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

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)****27. Assets and Liabilities Denominated in Foreign Currencies:**

Significant assets and liabilities denominated in foreign currencies as of March 31, 2004 comprise the following :

| | Total Balances | | Major Denomination Currencies | | |
|---|----------------------------|---|--------------------------------------|---------------------------------|--------------------------------------|
| | Millions of Won | Thousands of US Dollars^{1*} | Thousands of US Dollars | Thousands of EC Euro | Thousands of Japanese Yen |
| Assets | | | | | |
| Cash | (Won) 225,578 | \$ 195,543 | \$ 82,441 | 22,301 | ¥ 7,025,735 |
| Due from banks | 688,697 | 596,998 | 572,096 | 3,389 | 1,300,007 |
| Securities | 1,313,777 | 1,138,850 | 971,838 | 3,575 | 3,687,771 |
| Loans in foreign currencies | 3,775,313 | 3,272,636 | 2,232,718 | 82,129 | 88,053,817 |
| Bills bought | 527,282 | 457,075 | 416,800 | 18,973 | 734,838 |
| Advances payments on acceptances and guarantees | 4,424 | 3,835 | 3,835 | | |
| Call loans | 41,976 | 36,387 | 27,500 | 400 | |
| Liabilities | | | | | |
| Deposits | 1,437,925 | 1,246,469 | 714,282 | 21,260 | 41,780,587 |
| Borrowings | 2,905,557 | 2,518,687 | 1,918,673 | 44,369 | 51,104,902 |
| Due to BOK | 8,366 | 7,252 | 7,252 | | |
| Call money | 191,194 | 165,737 | 129,004 | 22,500 | 70,000 |
| Debentures | 865,302 | 750,088 | 749,536 | | |
| Unsettled foreign exchange liabilities | 32,399 | 28,085 | 11,792 | 210 | 234,728 |

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

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)****28. Related Party Transactions**

Significant transactions with related parties for the three-month period ended March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | Account | Amount | |
|-------------------------------|----------------------|----------|--------------|
| | | Balances | Transactions |
| KB Investment Co., Ltd. | Deposits | 11,839 | (99) |
| | Other liabilities | 231 | |
| KB Data Systems Co., Ltd. | Deposits | 8,481 | (96) |
| | Other liabilities | 2,635 | (2,992) |
| KB Futures Co., Ltd. | Due from banks | 55 | |
| | Other assets | 5 | 20 |
| | Deposits | 10,302 | (130) |
| | Other liabilities | 1,659 | |
| | Commissions income | | 3 |
| | Commissions expenses | | (35) |
| KB Luxembourg S.A. | Due from banks | 2,117 | 70 |
| | Loans | 11,536 | 181 |
| | Other assets | 14 | |
| | Borrowings | 44,838 | (97) |
| KB International Ltd.(London) | Due from banks | 2,093 | 29 |
| | Loans | 149,968 | 406 |
| | Other assets | 305 | 214 |
| | Borrowings | 136,960 | (21) |
| | Other liabilities | 150 | (1,107) |
| | Commissions expenses | | (509) |
| Kookmin Finance H.K. Ltd. | Due from banks | 29,734 | 35 |
| | Loans | 337,535 | 737 |
| | Other assets | 35 | |
| | Borrowings | 252,386 | |
| | Commissions expenses | | (578) |
| | Deposits | 7,811 | (274) |
| KB Asset Management | Other liabilities | 21 | |
| | Other assets | 111 | |
| KB Real Estate Co., Ltd. | Loans | 25,000 | 495 |
| | Deposits | 1,765 | (16) |
| | Other liabilities | 1,755 | 34 |

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| | | | |
|---------------------------------|----------------------|---------|---------|
| | Rent | | 34 |
| Jooeun Industrial Co., Ltd. | Loans | 134,962 | |
| KB Credit Information Co., Ltd. | Deposits | 11,443 | (63) |
| | Other liabilities | 7,023 | |
| | Commissions expenses | | (8,164) |
| | Rent | | 35 |

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)****29. Transactions with Financial Institutions**

The assets and liabilities arising from transactions with financial institutions for the three-month period ended March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | Description | Bank of Korea | Other Banks | Other Financial Institutions | Total |
|-----------------------------|-----------------------|------------------|------------------|---------------------------------|------------------|
| Cash and due from banks | In Won | (Won) 1,283,884 | (Won) 14,395 | (Won) 140,000 | (Won) 1,438,279 |
| | In foreign currencies | 35,619 | 648,744 | 4,334 | 688,697 |
| | | <u>1,319,503</u> | <u>663,139</u> | <u>144,334</u> | <u>2,126,976</u> |
| Loans | In Won | | 11,036 | 1,059,702 | 1,070,738 |
| | In foreign currencies | | 712,780 | 51,110 | 763,890 |
| | Others | | 894,308 | 651,435 | 1,545,743 |
| | | | <u>1,618,124</u> | <u>1,762,247</u> | <u>3,380,371</u> |
| Deposits | In Won | | 2,476,796 | 4,229,615 | 6,706,411 |
| | In foreign currencies | | | 1,300,000 | 1,300,000 |
| | | | <u>2,476,796</u> | <u>5,529,615</u> | <u>8,006,411</u> |
| Borrowings | In Won | 962,407 | 232,751 | 6,546 | 1,201,704 |
| | In foreign currencies | | 2,071,026 | 17,055 | 2,088,081 |
| | Others | 8,366 | 527,328 | 3,490,200 | 4,025,894 |
| | | <u>970,773</u> | <u>2,831,105</u> | <u>3,513,801</u> | <u>7,315,679</u> |
| Debentures | In Won | | | 160,900 | 160,900 |
| | In foreign currencies | | 865,302 | | 865,302 |
| | | | <u>865,302</u> | <u>160,900</u> | <u>1,026,202</u> |

30. Interest Bearing Assets and Liabilities

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Interest bearing assets and liabilities as of March 31, 2004 and the related interest income and interest expenses for three-month period then ended are as follows:

| <i>(in millions of Won)</i> | <u>Average Balance</u> | <u>Interest Income</u> | <u>Average Yield (%)</u> |
|-----------------------------|--------------------------|------------------------|--------------------------|
| Assets | | | |
| Due from banks | (Won) 3,571,975 | (Won) 1,873 | 0.21 |
| Securities | 29,812,029 | 289,828 | 3.91 |
| Loans | 140,497,144 | 2,685,105 | 7.69 |
| | <u>(Won) 173,881,148</u> | <u>(Won) 2,976,806</u> | |
| Liabilities | | | |
| Deposits | (Won) 133,478,723 | (Won) 1,042,593 | 3.14 |
| Borrowings | 11,262,370 | 80,632 | 2.88 |
| Debentures | 16,997,845 | 265,024 | 6.27 |
| | <u>(Won) 161,738,938</u> | <u>(Won) 1,388,249</u> | |

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)****31. Operations of the Trust Accounts**

The summarized statement of assets and liabilities of the trust accounts as of March 31, 2004 are categorized into principal or dividend guaranteed money trusts, performance money trusts and property trusts, as follows:

| <i>(in millions of Won)</i> | Guaranteed | Performance | Property | Total |
|-----------------------------|------------------------|------------------------|-------------------------|-------------------------|
| | Money Trusts | Money Trusts | Trusts | |
| Securities | (Won) 2,567,610 | (Won) 4,161,889 | (Won) 986,620 | (Won) 7,716,119 |
| Loans | 139,043 | 318,559 | | 457,602 |
| Receivables | | | 16,074,348 | 16,074,348 |
| Due from banking accounts | 373,538 | 543,106 | 199,440 | 1,116,084 |
| Present value discounts | (641) | | | (641) |
| Allowance for loan losses | (57,617) | (53,274) | | (110,891) |
| Other assets | 226,785 | 262,840 | 1,408,332 | 1,897,957 |
| Total assets | (Won) 3,248,718 | (Won) 5,233,120 | (Won) 18,668,740 | (Won) 27,150,578 |
| Trusts | (Won) 3,007,160 | (Won) 4,994,920 | (Won) 18,578,249 | (Won) 26,580,329 |
| Reserves for future losses | 51,457 | | | 51,457 |
| Borrowings | | | | |
| Other liabilities | 190,101 | 238,200 | 90,491 | 518,792 |
| Total liabilities | (Won) 3,248,718 | (Won) 5,233,120 | (Won) 18,668,740 | (Won) 27,150,578 |

The Bank is liable as of March 31, 2004 for the following portion of the difference between the book value and fair value of principal and/or dividend guaranteed money trusts:

| <i>(in millions of Won)</i> | Book Value | Fair Value | Liability |
|--|-------------------|-------------------|------------------|
| Principal guaranteed money trusts | (Won) 3,140,710 | (Won) 3,153,779 | (Won) |
| Principal and dividend guaranteed money trusts | 108,008 | 114,852 | |

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(Won) 3,248,718 (Won) 3,268,631 (Won)

The key results of operations from transactions between bank accounts and trust accounts (excluding securities investment trust) for three-month period ended March 31, 2004 are as follows:

| <i>(in millions of Won)</i> | Trust Account | | Trust Account |
|--|-----------------------|--|-------------------------|
| | Related Income | | Related Expenses |
| Gain on trust management | (Won) 29,734 | Interest expense on borrowings from trust accounts | (Won) 16,056 |
| Early withdrawal penalties | 33 | Loss on trust management | |
| Interest income on loans to trust accounts | | | |
| | <u>(Won) 29,767</u> | | <u>(Won) 16,056</u> |

See Report of Independent Accountants

Kookmin Bank

Notes to Non-Consolidated Financial Statements

March 31, 2004 and 2003, and December 31, 2003 and

Three-month periods ended March 31, 2004 and 2003

(Unaudited)

32. Business Combination with H&CB

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

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

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

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

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

34. Statement of Cash Flows

Cash and cash equivalents as of March 31, 2004 as presented in the statements of cash flows are as follows:

(in millions of Won)

Amount

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| | |
|--------------------------------------|-----------------|
| Cash on hand | (Won) 2,565,004 |
| Cash in foreign currencies | 225,578 |
| Due from banks in Won | 1,444,467 |
| Due from banks in foreign currencies | 688,697 |
| | <hr/> |
| | 4,923,746 |
| Restricted deposits | (1,466,083) |
| | <hr/> |
| | (Won) 3,457,663 |
| | <hr/> |

Major transactions that do not involve cash inflows and cash outflows for the year ended March 31, 2004 are presented as follows:

| <i>(in millions of Won)</i> | Amount |
|---|---------------|
| | <hr/> |
| Unrealized gains on investment securities | (Won) 168,827 |
| Application of equity method for investment in funds | 1,024,569 |
| Write-off of loans | 1,024,574 |
| Increase in loan loss provision due to sales and repurchase of non-performing loans | 5,682 |
| Conversion of loans into equity securities | 1,751 |

See Report of Independent Accountants

Kookmin Bank**Notes to Non-Consolidated Financial Statements****March 31, 2004 and 2003, and December 31, 2003 and****Three-month periods ended March 31, 2004 and 2003****(Unaudited)****35. Business Segments**

The following table shows the distribution of the Bank's operations by business segment as of and for the three-month period ended March 31, 2004:

(in millions of Won)

| | Retail | Corporate | Capital Markets | Credit Card | | |
|--------------------------|-------------------------|-------------------------|-------------------------|------------------------|------------------------|--------------------------|
| | Banking | Banking | Activities | Operations | Others | Total |
| Account | | | | | | |
| Loans | (Won) 81,799,513 | (Won) 46,363,303 | (Won) 1,894,069 | (Won) 7,934,188 | (Won) 1,568,353 | (Won) 139,559,426 |
| Securities | | 1,314,528 | 24,542,646 | | 963,432 | 26,820,606 |
| Fixed assets | 1,665,051 | 383,242 | 87,030 | 353,400 | 459,857 | 2,948,580 |
| Other assets | 603,073 | 218,885 | 10,818,516 | 137,630 | 3,239,762 | 15,017,866 |
| Total assets | (Won) 84,067,637 | (Won) 48,279,958 | (Won) 37,342,261 | (Won) 8,425,218 | (Won) 6,231,404 | (Won) 184,346,478 |
| Operating revenue | (Won) 1,495,308 | (Won) 996,106 | (Won) 1,390,433 | (Won) 587,682 | (Won) 513,270 | (Won) 4,982,799 |

The following table shows the distribution of the Bank's operations by geographical market as of and for the three-month period ended March 31, 2004:

(in millions of Won)

| | Domestic | Overseas | Total |
|--------------------------|--------------------------|------------------------|--------------------------|
| Loans | (Won) 139,032,988 | (Won) 526,438 | (Won) 139,559,426 |
| Securities | 26,817,937 | 2,669 | 26,820,606 |
| Fixed assets | 2,945,436 | 3,144 | 2,948,580 |
| Other assets | 14,456,012 | 561,854 | 15,017,866 |
| Total assets | (Won) 183,252,373 | (Won) 1,094,105 | (Won) 184,346,478 |
| Operating revenue | (Won) 4,920,000 | (Won) 62,799 | (Won) 4,982,799 |



See Report of Independent Accountants