

KOOKMIN BANK
Form 6-K
November 18, 2003
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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

For the month of November 2003

Kookmin Bank

(Translation of registrant's name into English)

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

(Address of principal executive office)

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

Form 20-F Form 40-F

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

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

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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

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Summary of 3rd Quarter Business Report of Kookmin Bank

On November 14, 2003, Kookmin Bank filed a 3rd quarter business report (the Business Report) with the Financial Supervisory Commission of Korea pursuant to the Securities and Exchange Act of Korea. This is a summary of the Business Report translated into English.

All references to Kookmin Bank mean Kookmin Bank on a non-consolidated basis, and all references to we or us the Bank mean Kookmin Bank and, as the context may require, its subsidiaries. Kookmin Bank means a new entity established by a consolidation with former Kookmin Bank and H&CB on the consolidation date of October 31, 2001. Sometimes we refer it to New Kookmin Bank. On the other hand, we use the Former Kookmin Bank for the name of the former Kookmin Bank, which had been another entity before it merged H&CB.

We were formed through a consolidation between the Former Kookmin Bank and H&CB, which formed a new corporation named Kookmin Bank effective November 1, 2001. Accordingly, financial information in this Business Report since the merger date reflects the impact of the merger. Under generally accepted accounting principles in Korea, the Former Kookmin Bank is deemed the accounting acquirer of H&CB in the consolidation, and we have accounted for the acquisition using the purchase method of accounting. However, trust accounts are not accounted by the purchase method accounting according to the Korean Financial Supervisory Service s guidelines.

Therefore, unless indicated otherwise, any comparative description or table of year 2000 1) for bank accounts is based on the Former Kookmin Bank s results and 2) for trust accounts is based on simply consolidated numbers of Former Kookmin Bank s and H&CB s results.

All references to Won or W in this document are to the currency of the Republic of Korea.

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1. Introduction to the Bank

1.1. Business Purpose

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

- n The banking business as prescribed by the Bank Act,
- n The trust business as prescribed by the Banking Trust Act,
- n The credit card business as prescribed by the Non-Banking Financing Act, and
- n The other businesses permitted by the Bank Act or other relevant Korea laws and regulations

1.2. History

- n November 1, 2001 Incorporated and Listed on the New York Stock Exchange
- n November 9, 2001 Listed on the Korea Stock Exchange
- n September 23, 2002 Integrated two brand operations onto a single information technology platform in connection with the merger
- n December 4, 2002 Entered into a strategic alliance agreement with ING Bank N.V., which replaced the prior investment agreement with H&CB
- n May 30, 2003 Entered into a merger agreement with Kookmin Credit Card, one of our major subsidiaries and officially submitted Merger Statement to Financial Supervisory Service
- n September 30, 2003 Completed small-scale merger with Kookmin Credit Card

1.3. Capital Structure

1.3.1. Common Shares

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

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

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

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

1.3.2. Treasury Stock

The following table shows the purchase and disposition of our treasury stock as of November 14, 2003.

(Unit: in thousands of Won unless otherwise indicated)

| Date | Transaction | Number of shares | Average cost per | |
|-------------------------------|---|--|------------------|------------|
| | | | Cost | one share |
| November 15, 2001 | Acquisition of fractional shares in the course of the merger | 41,548 shares | 1,794,885 | 43,200 Won |
| December 24, 2001 | Disposition due to exercise of stock option by a grantee | 10,000 shares | 432,003 | 48,900 Won |
| April 3, 2002 | Acquisition of fractional shares due to stock dividend | 36,089 shares | 2,071,557 | 57,400 Won |
| May 14, 2002 | Disposition pursuant to the Bank Act of Korea | 31,548 shares | 1,601,944 | 50,788 Won |
| July 30 - October 23, 2002 | Acquisition pursuant to the Securities and Exchange Act of Korea | 3,000,000 shares | 147,632,489 | 49,210 Won |
| December 24, 2002 | Disposition due to exercise of stock option by a grantee | 10,000 shares | 492,294 | 49,229 Won |
| January 15, 2003 | Disposition due to exercise of stock option by a grantee | 10,000 shares | 492,294 | 49,229 Won |
| September 4 - 9, 2003 | Acquisition pursuant to the Securities and Exchange Act of Korea | 650,000 shares | 29,094,064 | 44,760 Won |
| October 16, 2003 | Acquisition of fractional shares due to the Merger with Kookmin Credit Card | 5,095 shares | 214,254 | 42,050 Won |
| October 27, 2003 | Disposition due to exercise of stock option by a grantee | 62,961 shares | 3,049,075 | 48,428 Won |
| November 3, 2003 | Disposition due to exercise of stock option by a grantee | 5,000 shares | 242,140 | 48,428 Won |
| Total | | Outstanding balance: 3,603,223 shares | 174,497,499 | |

Table of Contents**1.3.3. Stock Option**

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

(As of September 30, 2003, Units: in Won, shares)

| Grant date | Name of the grantee | Position when granted | Exercise period | | Exercise price | Number of granted options* | Number of exercised options | Number of exercisable options |
|------------|---------------------|-------------------------------------|-----------------|-----------|----------------|----------------------------|-----------------------------|-------------------------------|
| | | | From | To | | | | |
| 31-Oct-98 | Jungtae Kim | Chairman, President & CEO | 01-Nov-01 | 31-Oct-04 | 5,000 | 400,000 | 330,000 | 70,000 |
| 27-Feb-99 | Choulju Lee | Auditor & Executive Director | 28-Feb-02 | 27-Feb-05 | 13,900 | 30,000 | 30,000 | 0 |
| 27-Feb-99 | Seungdong Kim | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 20,054 | 20,054 | 0 |
| 27-Feb-99 | Youngjo Joo | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 30,000 | 30,000 | 0 |
| 27-Feb-99 | Seokil Cho | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 20,054 | 20,054 | 0 |
| 27-Feb-99 | Hongshik Chung | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 20,000 | 20,000 | 0 |
| 27-Feb-99 | Bonghwan Cho | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 30,000 | 30,000 | 0 |
| 27-Feb-99 | Sunjoo Kim | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 10,000 | 10,000 | 0 |
| 27-Feb-99 | Jehyung Jo | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 30,000 | 30,000 | 0 |
| 27-Feb-99 | Hogi Baek | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 20,000 | 20,000 | 0 |
| 27-Feb-99 | Bruce Willison | Non Executive Director | 28-Feb-02 | 27-Feb-05 | 13,900 | 10,000 | 10,000 | 0 |
| 28-Feb-00 | Jan Op de Beeck | Director & Executive Vice President | 01-Mar-03 | 28-Feb-06 | 27,600 | 22,490 | 0 | 22,490 |
| 28-Feb-00 | Sunghul Kim | Executive Vice President | 01-Mar-03 | 28-Feb-06 | 27,600 | 30,000 | 0 | 30,000 |
| 28-Feb-00 | Woojung Lee | Executive Vice President | 01-Mar-03 | 28-Feb-06 | 27,600 | 30,000 | 0 | 30,000 |
| 28-Feb-00 | Kukju Kwon | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,800 | 0 | 4,800 |
| 28-Feb-00 | Sunjin Kim | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 7,000 | 0 | 7,000 |
| 28-Feb-00 | Joon Park | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,800 | 0 | 4,800 |
| 28-Feb-00 | Moonsoul Chung | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 7,000 | 0 | 7,000 |
| 28-Feb-00 | Juhyun Yoon | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,800 | 0 | 4,800 |
| 28-Feb-00 | Heungsoon Chang | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 2,486 | 0 | 2,486 |
| 28-Feb-00 | Injoon Kang | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 2,486 | 0 | 2,486 |
| 28-Feb-00 | Sunhee Jwa | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,800 | 0 | 4,800 |
| 28-Feb-00 | Seungwoo Nam | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 1,928 | 0 | 1,928 |
| 28-Feb-00 | Woonyoul Choi | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,909 | 0 | 4,909 |
| 28-Feb-00 | Kyunghee Yoon | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 7,000 | 0 | 7,000 |
| 28-Feb-00 | Sungcheon Hong | Head of Regional Head Office | 01-Mar-03 | 28-Feb-06 | 27,600 | 6,821 | 0 | 6,821 |
| 28-Feb-00 | Miro Yoon | Head of Regional Head Office | 01-Mar-03 | 28-Feb-06 | 27,600 | 3,333 | 0 | 3,333 |
| 28-Feb-00 | Hakdong Shin | Head of Regional Head Office | 01-Mar-03 | 28-Feb-06 | 27,600 | 6,821 | 0 | 6,821 |
| 28-Feb-00 | Hakyeon Jeong | Head of Regional Head Office | 01-Mar-03 | 28-Feb-06 | 27,600 | 10,000 | 0 | 10,000 |
| 28-Feb-00 | Jeongyeon Kim | Head of Regional Head Office | 01-Mar-03 | 28-Feb-06 | 27,600 | 10,000 | 0 | 10,000 |
| 28-Feb-00 | Jongwhan Byun | Head of Regional Head Office | 01-Mar-03 | 28-Feb-06 | 27,600 | 10,000 | 0 | 10,000 |
| 28-Feb-00 | Samyoung Lee | Head of Regional Head Office | 01-Mar-03 | 28-Feb-06 | 27,600 | 6,821 | 0 | 6,821 |
| 28-Feb-00 | Wonki Kim | Head of Regional Head Office | 01-Mar-03 | 28-Feb-06 | 27,600 | 6,821 | 0 | 6,821 |
| 28-Feb-00 | Bangyeoul Kim | Head of Regional Head Office | 01-Mar-03 | 28-Feb-06 | 27,600 | 3,333 | 0 | 3,333 |

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

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| Grant date | Name of the grantee | Position when granted | Exercise period | | Exercise price | Number of granted options* | Number of exercised options | Number of exercisable options |
|------------|---------------------|------------------------------|-----------------|-----------|----------------|----------------------------|-----------------------------|-------------------------------|
| | | | From | To | | | | |
| 28-Feb-00 | Byungman Lim | Head of Regional Head Office | 01-Mar-03 | 28-Feb-06 | 27,600 | 3,333 | 0 | 3,333 |
| 24-Mar-01 | Youngil Kim | Executive Vice President | 25-Mar-04 | 24-Mar-07 | 25,100 | 30,000 | 0 | 30,000 |
| 24-Mar-01 | Jongin Park | Executive Vice President | 25-Mar-04 | 24-Mar-07 | 25,100 | 19,333 | 0 | 19,333 |
| 24-Mar-01 | Wonbae Yoon | Non Executive Director | 25-Mar-04 | 24-Mar-07 | 25,100 | 2,318 | 0 | 2,318 |
| 24-Mar-01 | Jaekyu Lee | Non Executive Director | 25-Mar-04 | 24-Mar-07 | 25,100 | 2,318 | 0 | 2,318 |
| 24-Mar-01 | Chulsoo Ahn | Non Executive Director | 25-Mar-04 | 24-Mar-07 | 25,100 | 1,916 | 0 | 1,916 |
| 24-Mar-01 | Jaehan Kim | Head of Regional Head Office | 25-Mar-04 | 24-Mar-07 | 25,100 | 10,000 | 0 | 10,000 |
| 24-Mar-01 | Jongok Na | Head of Regional Head Office | 25-Mar-04 | 24-Mar-07 | 25,100 | 10,000 | 0 | 10,000 |
| 24-Mar-01 | Kyuhoo Lee | Head of Regional Head Office | 25-Mar-04 | 24-Mar-07 | 25,100 | 3,275 | 0 | 3,275 |
| 18-Mar-00 | Sanghoon Kim | Chairman & CEO | 19-Mar-03 | 18-Mar-05 | 23,469 | 41,460 | 0 | 41,460 |
| 18-Mar-00 | Jongmin Lee | Auditor & Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 14,807 | 0 | 14,807 |
| 18-Mar-00 | Sejong Oh | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 0 | 2,961 |
| 18-Mar-00 | Inkie Kim | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 0 | 2,961 |
| 18-Mar-00 | Jihong Kim | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 2,961 | 0 |
| 18-Mar-00 | Jinho Hwang | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 0 | 2,961 |
| 18-Mar-00 | Hyungjin Chang | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 0 | 2,961 |
| 18-Mar-00 | Ikrae Kim | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 0 | 2,961 |
| 18-Mar-00 | Bongho Paick | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 0 | 2,961 |
| 18-Mar-00 | Bockwoan Kim | Executive Vice President | 19-Mar-03 | 18-Mar-05 | 23,469 | 11,845 | 0 | 11,845 |
| 18-Mar-00 | Yoohwan Kim | Executive Vice President | 19-Mar-03 | 18-Mar-05 | 23,469 | 11,845 | 0 | 11,845 |
| 18-Mar-00 | Dukhyun Kim | Executive Vice President | 19-Mar-03 | 18-Mar-05 | 23,469 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Sanghoon Kim | Chairman & CEO | 16-Mar-04 | 15-Mar-09 | 28,027 | 29,614 | 0 | 29,614 |
| 15-Mar-01 | Jongmin Lee | Auditor & Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 14,807 | 0 | 14,807 |
| 15-Mar-01 | Inkie Kim | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Hyungjin Chang | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Jihong Kim | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Bongho Paick | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 1,870 | 0 | 1,870 |
| 15-Mar-01 | Ikrae Kim | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Seunghoon Han | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 1,870 | 0 | 1,870 |
| 15-Mar-01 | Youngseok Kim | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 1,870 | 0 | 1,870 |
| 15-Mar-01 | Sewoong Lee | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Changki Min | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Bockwoan Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Yoohwan Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Dukhyun Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Yoonok Hyun | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Taigon Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Byungsang Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Byungjin Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Jihan Koo | Head of Regional Head Office | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Dongsoon Park | Head of Regional Head Office | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Hoosang Chang | Head of Regional Head Office | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Sanghoon Lee | Head of Regional Head Office | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Jaemin Suh | Head of Regional Head Office | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Sunghyun Chung | Head of Regional Head Office | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Jonghwa Lee | Head of Regional Head Office | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |

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| Grant date | Name of the grantee | Position when granted | Exercise period | | Exercise price | Number of granted options* | Number of exercised options | Number of exercisable options |
|------------|---------------------|------------------------------|-----------------|-----------|----------------|----------------------------|-----------------------------|-------------------------------|
| | | | From | To | | | | |
| 15-Mar-01 | Sangwon Lee | Head of Regional Head Office | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Joonsup Chang | Head of Regional Head Office | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Dongshin Yang | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Jaekyung Lee | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Yeonkun Chung | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Youngno Lee | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Kitaek Hong | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Soondo Park | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Joonho Park | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Yangjin Kim | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Kwangdae Park | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Sungwan Choi | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 370 | 0 | 370 |
| 15-Mar-01 | Junghaeng Lee | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Anseok Cho | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Sangcheol Lee | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Taejoo Yoon | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 10 | 0 | 10 |
| 15-Mar-01 | Youngman Lee | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 520 | 0 | 520 |
| 15-Mar-01 | Youngsoo Kim | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Jongyoung Yoon | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Jaehong Yoo | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Changhwan Bae | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Sian Heo | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 370 | 0 | 370 |
| 15-Mar-01 | Seokwon Choi | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Gilho Seo | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 370 | 0 | 370 |
| 15-Mar-01 | Youngsoo Shin | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 370 | 0 | 370 |
| 15-Mar-01 | Joonbo Cho | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Kiyoul Seo | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Byungdoo Ahn | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Kookshin Kang | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Ingyu Choi | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Hyungyoung Lee | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Youngrok Han | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Hyeyoung Kim | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Kihyun Kim | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Sungshin Cho | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Youngmo Lee | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Jongik Kim | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Kwangmook Park | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Yongseung Lee | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Sunggil Lee | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 370 | 0 | 370 |
| 16-Nov-01 | Jungtae Kim | President & CEO | 17-Nov-04 | 16-Nov-09 | | 500,000 | 0 | 500,000 |
| 16-Nov-01 | Jungtae Kim | President & CEO | 17-Nov-04 | 16-Nov-09 | X ¹ | 200,000 ² | 0 | 200,000 |
| 16-Nov-01 | Sanghoon Kim | Chairman | 17-Nov-04 | 16-Nov-09 | | 150,000 | 0 | 150,000 |

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

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| Grant date | Name of the grantee | Position when granted | Exercise period | | Exercise price | Number of granted options* | Number of exercised options | Number of exercisable options |
|------------|---------------------|------------------------------|-----------------|-----------|----------------|----------------------------|-----------------------------|-------------------------------|
| | | | From | To | | | | |
| 22-Mar-02 | Choulju Lee | Auditor & Executive Director | 23-Mar-05 | 22-Mar-10 | | 9,963 | 0 | 9,963 |
| 22-Mar-02 | Henry Cornell | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 3,321 | 0 | 3,321 |
| 22-Mar-02 | Keunshik Oh | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 3,321 | 0 | 3,321 |
| 22-Mar-02 | Dongsoo Chung | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 10,000 | 0 | 10,000 |
| 22-Mar-02 | Jihong Kim | Non Executive Director | 23-Mar-05 | 22-Mar-10 | Y ¹ | 3,321 | 0 | 3,321 |
| 22-Mar-02 | Timothy Hartman | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 3,321 | 0 | 3,321 |
| 22-Mar-02 | Sunjin Kim | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 3,000 | 0 | 3,000 |
| 22-Mar-02 | Moonsoul Chung | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 3,000 | 0 | 3,000 |
| 22-Mar-02 | Kyunghee Yoon | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 3,000 | 0 | 3,000 |
| 22-Mar-02 | Jongkyoo Yoon | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Bonghwan Cho | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Jaemin Suh | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Bumsoo Choi | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Bockwoan Kim | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Kitaek Hong | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Sunghyun Chung | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Kisup Shin | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Sungkyu Lee | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Byungsang Kim | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 9,498 | 0 | 9,498 |
| 22-Mar-02 | Jongyoung Yoon | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Jaeil Song | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Hyunggoo Shim | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Junghaeng Lee | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Joonsup Chang | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Youngno Lee | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Dongsoon Park | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Sungbin Kim | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Sungbok Park | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Yeonkun Chung | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Mahnsoo Song | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Jeongyeon Kim | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 5,000 | 0 | 5,000 |
| 22-Mar-02 | Hakyeon Jeong | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 5,000 | 0 | 5,000 |
| 22-Mar-02 | Jongwhan Byun | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 5,000 | 0 | 5,000 |
| 22-Mar-02 | Jaehan Kim | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 5,000 | 0 | 5,000 |
| 22-Mar-02 | Jongok Na | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 5,000 | 0 | 5,000 |
| 26-Jul-02 | Donald MacKenzie | Executive Vice President | 27-Jul-05 | 26-Jul-10 | 58,800 | 30,000 | 0 | 30,000 |

1. Exercise price = 57,100 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.

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| Grant date | Name of the grantee | Position when granted | Exercise period | | Exercise price | Number of granted options* | Number of exercised options | Number of exercisable options |
|--------------|---------------------------|------------------------------|-----------------|-----------|----------------|----------------------------|-----------------------------|-------------------------------|
| | | | From | To | | | | |
| 21-Mar-03 | Sungnam Lee | Auditor & Executive Director | 22-Mar-06 | 21-Mar-11 | | 30,000 | 0 | 30,000 |
| 21-Mar-03 | Moonsoul Chung | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Sunjin Kim | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Richard Elliott Lint | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Kyunghee Yoon | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Seoungwoo Nam | Non Executive director | 22-Mar-06 | 21-Mar-11 | Y ¹ | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Sukyoung Cha | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Bernard S. Black | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Kihong Kim | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Eunjoo Park | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Cheolsoo Ahn | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Kyungbae Suh | Non Executive director | 22-Mar-06 | 21-Mar-11 | | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Sungchul Kim | Executive Vice President | 22-Mar-06 | 21-Mar-11 | 35,500 | 30,000 | 0 | 30,000 |
| 21-Mar-03 | Woojung Lee | Executive Vice President | 22-Mar-06 | 21-Mar-11 | 35,500 | 30,000 | 0 | 30,000 |
| 21-Mar-03 | Seeyoung Lee | Executive Vice President | 22-Mar-06 | 21-Mar-11 | 35,000 | 30,000 | 0 | 30,000 |
| 21-Mar-03 | Wonsuk Oh | Head of Regional Head Office | 22-Mar-06 | 21-Mar-11 | 35,500 | 15,000 | 0 | 15,000 |
| 21-Mar-03 | Sungdae Min | Head of Regional Head Office | 22-Mar-06 | 21-Mar-11 | 35,500 | 15,000 | 0 | 15,000 |
| 21-Mar-03 | Kyungjae Cheong | Head of Regional Head Office | 22-Mar-06 | 21-Mar-11 | 35,500 | 15,000 | 0 | 15,000 |
| 21-Mar-03 | Choulhee Kim | Head of Regional Head Office | 22-Mar-06 | 21-Mar-11 | 35,500 | 15,000 | 0 | 15,000 |
| 21-Mar-03 | Indo Lee | Head of Regional Head Office | 22-Mar-06 | 21-Mar-11 | 35,000 | 15,000 | 0 | 15,000 |
| 21-Mar-03 | Maengsu Yang | Head of Regional Head Office | 22-Mar-06 | 21-Mar-11 | 35,500 | 15,000 | 0 | 15,000 |
| 27-Aug-03 | Jinbaek Cheong | Executive Vice President | 28-Aug-03 | 27-Aug-11 | 40,500 | 30,000 | 0 | 30,000 |
| 22-Mar-01 | Hankyung Lee ² | Former KCC Officer | 23-Mar-04 | 22-Mar-11 | 71,538 | 6,644 | 0 | 6,644 |
| 22-Mar-01 | Junchae Song | Former KCC Officer | 23-Mar-04 | 22-Mar-11 | 71,538 | 6,644 | 0 | 6,644 |
| 22-Mar-01 | Cheolho Kim | Former KCC Officer | 23-Mar-04 | 22-Mar-11 | 71,538 | 4,429 | 0 | 4,429 |
| 22-Mar-01 | Myoungwoo Lee | Former KCC Officer | 23-Mar-04 | 22-Mar-11 | 71,538 | 4,429 | 0 | 4,429 |
| 29-Mar-02 | Bounghak Kim | Former KCC Officer | 30-Mar-04 | 29-Mar-11 | | 4,429 | 0 | 4,429 |
| 29-Mar-02 | Sun Lee | Former KCC Officer | 30-Mar-04 | 29-Mar-11 | Y ³ | 4,429 | 0 | 4,429 |
| 29-Mar-02 | Jangok Kim | Former KCC Officer | 30-Mar-04 | 29-Mar-11 | | 4,429 | 0 | 4,429 |
| Total | | | | | | 2,883,242 | 553,069 | 2,330,173 |

- Exercise price = 35,500 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.
- Exercise price = 129,100 Won x (1 + the increase rate of Comparative Industry Index x 0.4).
If negative index produced, the factor is not to be considered.
The increase rate of Comparative Industry Index = (B-A)/A
A : KOSPI as of the grant date x 0.5 + KOSPI Banking Industry Index as of the grant date x 0.5
B : KOSPI as of the exercise date x 0.5 + KOSPI Banking Industry Index as of the exercise date x 0.5
- The last 7 people in the above stock option table were granted Kookmin Bank stock option retroactively on the indicated dates. Those were originally granted by Kookmin Credit Card (KCC) when they were in office, and due to the Merger between Kookmin Bank and Kookmin Credit Card, those options were converted into stock options of the Bank.

Table of Contents**1.4. Dividend**

The following table shows dividend policy and the related information for the last three years.

(Units: in millions of Won unless indicated otherwise)

| | 2002 | 2001 | 2000 |
|--|------------------------|---------|---------|
| Net income for the period | 1,310,291 | 740,565 | 719,700 |
| Earnings per share (Won) | 4,123 ¹ | 3,706 | 2,403 |
| Maximum amount available for dividend | 1,192,643 ² | 604,984 | 614,046 |
| Total dividend amount | 325,232 | 119,866 | 151,009 |
| Dividend payout ratio (%) | 24.82 ³ | 16.19 | 20.76 |
| Cash dividend per common share (Won) | 1,000 | 100 | 500 |
| Stock dividend per common share (%) | | 6 | |
| Dividend per preferred share (Won) | | | 50 |
| Dividend yield ratio (%) | 2.38 ⁴ | 0.80 | 3.36 |
| Net asset value per common share (Won) | 30,614 ⁵ | 29,742 | 12,533 |
| Ordinary income per common share (Won) | 4,123 | 3,706 | 2,403 |

1.5. Merger Summary

As of September 30, 2003, Kookmin Bank merged Kookmin Credit Card, its former subsidiary about 74% shares owned. Followings are summarized information with regard to the Merger.

1.5.1. Brief Note on Merger Procedures

| | |
|----------------------|--|
| May 30, 2003 : | Completed merger agreement and officially submitted Merger Statement to FSS. |
| July 23, 2003 : | Approved by board of directors of Kookmin Bank |
| September 5, 2003 : | Approved by shareholders meeting of Kookmin Credit Card |
| September 30, 2003 : | Completed the merger and integrated into single card business unit. |
| October 7, 2003 : | Submitted Merger Completion Report to FSS |

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

Table of Contents**1.5.2. Merger Method**

| Entity | Business | Merger Method |
|--|------------------------|-----------------------|
| Kookmin Bank (KB) Kookmin Credit Card (KCC) | Banking Credit card | KCC is merged into KB |

1.5.3. Merger Ratio

| | KB | KCC |
|-----------------------------|------------|------------|
| Stock Price | 31,780 Won | 14,078 Won |
| Merger Ratio (Common Stock) | 1 | 0.442983 |

1.5.4. Changes in Equity-related factors after Merger

| | | Before Merger | After Merger |
|-------------------------------|------------------|---------------|---------------|
| Number of Stocks Authorized | Common stocks | 1,000,000,000 | 1,000,000,000 |
| | Preferred stocks | | |
| Number of Stocks Issued | Common stocks | 328,258,685 | 336,379,116 |
| | Preferred stocks | | |
| Paid-in capital (million Won) | | 1,641,293 | 1,681,896 |

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

(Unit: in millions of Won)

| | | September 30, 2003 | | December 31, 2002 | | December 31, 2001 | |
|-------------------------|--|--------------------|-------------|--------------------|-------------|--------------------|----------------------|
| | | Interest | | Interest | | | |
| | | Average balance | rate (%) | Average balance | rate (%) | Average balance | Interest rate (%) |
| Won currency | Deposits and Mutual installment | 116,492,015 | 3.78 | 113,157,719 | 4.21 | 63,743,997 | 5.53 |
| | Certificate of deposit | 3,561,241 | 4.60 | 2,119,900 | 4.82 | 2,022,414 | 6.10 |
| | Borrowings | 3,384,195 | 3.91 | 4,568,873 | 4.45 | 3,784,147 | 4.85 |
| | Call money | 1,503,361 | 3.99 | 1,039,249 | 4.02 | 403,937 | 4.11 |
| | Other | 22,474,928 | 5.90 | 14,254,281 | 6.70 | 9,112,858 | 7.57 |
| | Subtotal | | 147,415,740 | 4.13 | 135,140,022 | 4.49 | 79,067,353 |
| Foreign currency | Deposits | 1,237,424 | 0.81 | 1,096,544 | 1.28 | 952,701 | 3.08 |
| | Borrowings | 3,480,029 | 1.06 | 2,269,774 | 2.45 | 2,018,537 | 5.47 |
| | Call money | 147,883 | 1.08 | 293,151 | 1.65 | 223,156 | 3.67 |
| | Finance debentures issued | 739,912 | | 1,071,848 | 3.57 | 1,430,804 | 5.68 |
| | Other | 25,782 | | 23,087 | | 15,081 | |
| Subtotal | | 5,631,030 | 1.14 | 4,754,404 | 2.67 | 4,640,279 | 5.32 |
| Other | Total Shareholders Equity | 11,549,211 | | 14,586,550 | | 7,463,687 | |
| | Allowances | 88,675 | | 63,039 | | 353,183 | |
| | Other | 9,756,156 | | 3,717,379 | | 4,065,899 | |
| Subtotal | | 21,394,042 | | 18,366,968 | | 11,882,769 | |
| Total | | 174,440,812 | 3.52 | 158,261,394 | 3.92 | 95,590,401 | 5.00 |

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

(Unit: in millions of Won)

| | | September 30, 2003 | | December 31, 2002 | | December 31, 2001 | |
|-------------------------|--|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| | | Average balance | Interest rate (%) | Average balance | Interest rate (%) | Average balance | Interest rate (%) |
| Won currency | Due from banks | 169,303 | 1.40 | 1,041,865 | 4.62 | 1,339,572 | 5.60 |
| | Securities | 30,730,771 | 6.33 | 30,180,305 | 6.32 | 23,861,424 | 6.78 |
| | Loans | 120,647,990 | 7.17 | 105,188,481 | 7.79 | 53,575,082 | 8.87 |
| | Advances for customers | 90,359 | 7.62 | 91,583 | 4.35 | 127,704 | 3.84 |
| | Call loan | 468,440 | 3.94 | 736,571 | 4.36 | 1,765,067 | 4.80 |
| | Private placement corporate bonds | 1,232,206 | 8.47 | 1,631,524 | 7.32 | 2,065,179 | 10.32 |
| | Credit card accounts | 5,407,667 | 9.84 | 5,719,359 | 10.25 | 912,210 | 17.63 |
| | Other | 295,534 | 36.49 | 374,718 | | 614,014 | |
| | Allowance for credit losses (-) | -1,792,386 | | 1,437,960 | | 1,297,930 | |
| | Subtotal | 157,249,884 | 7.23 | 143,526,446 | 7.66 | 82,962,322 | 8.50 |
| Foreign currency | Due from banks | 593,757 | 1.35 | 253,390 | 1.35 | 121,994 | 3.28 |
| | Securities | 1,281,677 | 5.90 | 1,302,214 | 7.97 | 1,079,359 | 9.13 |
| | Loans | 2,737,718 | 2.89 | 3,216,042 | 3.39 | 3,870,853 | 5.66 |
| | Call loan | 78,238 | 1.35 | 188,465 | 1.98 | 185,466 | 4.15 |
| | Bills bought | 2,073,176 | 1.78 | 835,356 | 4.71 | 1,045,331 | 7.60 |
| | Other | 12,962 | 16.20 | 15,739 | | 116,454 | |
| | Allowance for credit losses (-) | -138,506 | | 267,194 | | 266,613 | |
| Subtotal | 6,639,022 | 3.05 | 5,544,012 | 4.95 | 6,152,844 | 7.11 | |
| Other | Cash | 976,422 | | 914,639 | | 530,451 | |
| | Fixed assets held for business | 3,136,226 | | 3,126,812 | | 1,462,413 | |
| | Other | 6,439,258 | | 5,149,485 | | 4,482,371 | |

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| | | | | | | |
|-----------------|--------------------|-------------|--------------------|-------------|-------------------|-------------|
| Subtotal | 10,551,906 | | 9,190,936 | | 6,475,235 | |
| Total | 174,440,812 | 6.63 | 158,261,394 | 7.12 | 95,590,401 | 7.83 |

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

The following table shows the average balances of our deposits for the past three years and ending balances as of the dates indicated.

(Unit: in millions of Won)

| | | September 30, 2003 | | December 31, 2002 | | December 31, 2001 | |
|-------------------------------------|---------------------------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
| | | Average balance | Ending balance | Average balance | Ending balance | Average balance | Ending balance |
| Deposits in Won | Demand deposits | 11,989,488 | 13,176,682 | 10,654,651 | 12,987,742 | 4,832,281 | 10,824,005 |
| | Time & savings deposits | 96,428,974 | 96,630,311 | 93,347,999 | 93,630,423 | 53,496,908 | 89,080,935 |
| | Mutual installment deposits | 6,940,006 | 7,009,983 | 8,058,664 | 7,491,115 | 6,469,772 | 8,871,193 |
| | Mutual installment for housing | 5,094,516 | 5,291,492 | 4,463,601 | 4,872,637 | 928,398 | 4,128,489 |
| | Certificates of deposits | 3,561,241 | 4,689,250 | 2,119,900 | 3,044,089 | 2,022,414 | 1,154,056 |
| Subtotal | | 124,014,225 | 126,797,718 | 118,644,815 | 122,026,006 | 67,749,773 | 114,058,678 |
| Deposits in foreign currency | | 1,237,424 | 1,303,028 | 1,096,544 | 1,083,647 | 952,701 | 1,102,626 |
| Trust deposits | Money trust | 13,737,752 | 11,881,479 | 17,214,936 | 15,356,285 | 20,375,456 | 19,739,709 |
| | Property trust | 25,291,861 | 22,047,490 | 16,783,690 | 26,852,684 | 5,409,033 | 12,559,922 |
| Subtotal | | 39,029,613 | 33,928,969 | 33,998,626 | 42,208,969 | 25,784,489 | 32,299,631 |
| Total | | 164,281,262 | 162,029,715 | 153,739,985 | 165,318,622 | 94,486,963 | 147,460,935 |

2.2.2. Average Deposit per Domestic Branch

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

(Unit: in millions of Won)

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| | September 30, 2003 | December 31, 2002 | December 31, 2001 |
|-----------------|---------------------------|--------------------------|--------------------------|
| Deposits | 117,753 | 121,137 | 133,548 |
| Deposits in Won | 116,937 | 120,336 | 132,320 |

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

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

(Unit: in millions of Won)

| | September 30, 2003 | December 31, 2002 | December 31, 2001 |
|-----------------|--------------------|-------------------|-------------------|
| Deposits | 7,531 | 7,256 | 7,243 |
| Deposits in Won | 7,479 | 7,208 | 7,176 |

2.2.4. Loan Balances

The following table shows the average balances of our loans for the past three years and ending balances as of the dates indicated.

(Unit: in millions of Won)

| | September 30, 2003 | | December 31, 2002 | | December 31, 2001 | |
|---------------------------|--------------------|----------------|-------------------|----------------|-------------------|----------------|
| | Average balance | Ending balance | Average balance | Ending balance | Average balance | Ending balance |
| Loans in Won | 120,627,480 | 124,678,337 | 105,117,047 | 116,472,105 | 53,498,087 | 94,698,769 |
| Loans in foreign currency | 4,180,092 | 3,832,578 | 3,228,857 | 4,417,176 | 3,924,562 | 4,174,237 |
| Advances to customers | 101,847 | 120,535 | 106,380 | 52,430 | 244,158 | 199,831 |
| Subtotal | 124,909,419 | 120,631,450 | 108,452,284 | 120,941,711 | 57,666,807 | 99,072,837 |
| Trust account loans | 536,741 | 509,530 | 789,614 | 575,412 | 2,194,851 | 1,117,817 |
| Total | 125,446,160 | 129,140,980 | 109,241,898 | 121,517,123 | 59,861,658 | 100,190,654 |

2.2.5. Loan Balances as of September 30, 2003 by Remaining Years to Maturities

(Unit: in millions of Won)

| | Less than 1 year | More than 1 year - | More than 3 years - | More than 5 years | Total |
|--|------------------|--------------------|---------------------|-------------------|-------|
| | | | | | |

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| | | less than 3 years | less than 5 years | | |
|-----------------------------|------------|----------------------|----------------------|------------|-------------|
| Loans in Won | 61,309,521 | 46,935,406 | 5,744,289 | 10,689,121 | 124,678,337 |
| Loans in foreign currencies | 2,431,854 | 488,000 | 380,503 | 532,222 | 3,832,579 |

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

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

(Unit: in millions of Won)

| | | September 30, 2003 | December 31, 2002 | December 31, 2001 |
|--|-----------------------------|--------------------|-------------------|-------------------|
| Loans to enterprise | Loans for operations | 37,215,145 | 35,369,066 | 29,286,707 |
| | Loans for facility | 6,792,781 | 5,963,631 | 4,434,447 |
| Loans to households | | 42,857,247 | 40,477,483 | 34,648,918 |
| Loans to public sector & others | Loans for operations | 500,892 | 738,632 | 730,598 |
| | Loans for equipment | 42,155 | 39,414 | 57,211 |
| Loans on property formation savings | | 73,734 | 95,252 | 154,069 |
| Loans for housing | | 37,175,741 | 33,731,435 | 25,342,969 |
| Inter-bank loans | | 16,412 | 20,941 | 36,110 |
| Others | | 4,230 | 5,449 | 7,740 |
| Total | | 124,678,337 | 116,441,303 | 94,698,769 |

2.2.7. Loan to Deposit Ratio

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

(Units: in millions of Won, %)

| | September 30, 2003 | December 31, 2002 | December 31, 2001 |
|------------------------------------|--------------------|-------------------|-------------------|
| Loans¹ (A) | 120,627,480 | 105,117,047 | 53,498,087 |
| Deposits² (B) | 124,014,224 | 118,644,815 | 67,749,773 |
| Loan to deposit ratio (A/B) | 97.27 | 88.60 | 78.96 |

2.2.8. Acceptances and Guarantees

(Unit: in millions of Won)

| | September 30, 2003 | December 31, 2002 | December 31, 2001 |
|--------------|-----------------------|----------------------|----------------------|
| Determined | 794,963 | 1,031,698 | 3,521,970 |
| Contingent | 1,189,639 | 1,306,878 | 1,369,723 |
| Total | 1,984,602 | 2,338,576 | 4,891,693 |

2.2.9. Breakdown of Securities Investment

The following table shows the average balances of our securities for the past three years and ending balances as of indicated dates.

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

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(Unit: in millions of Won)

| | | September 30, 2003 | | December 31, 2002 | | December 31, 2001 | |
|--|------------------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | | Average balance | Ending balance | Average balance | Ending balance | Average balance | Ending balance |
| Securities in Won (Banking account) | Monetary stabilization bonds | 4,069,977 | 5,083,198 | 2,834,534 | 3,269,269 | 3,571,137 | 3,139,925 |
| | Government and public bonds | 5,536,731 | 6,175,168 | 4,272,946 | 5,252,321 | 4,454,446 | 4,592,251 |
| | Debentures | 12,147,001 | 8,250,618 | 13,154,258 | 12,378,717 | 11,410,904 | 14,691,304 |
| | Stocks | 1,593,871 | 854,395 | 2,146,149 | 1,661,682 | 1,309,134 | 2,154,449 |
| | Others | 7,383,192 | 9,045,467 | 7,809,012 | 7,162,134 | 3,115,803 | 7,547,153 |
| | Subtotal | | 30,730,772 | 29,408,846 | 30,216,899 | 29,724,123 | 23,861,424 |
| Securities in Won (Trust account) | Monetary stabilization bonds | 901,854 | 1,220,416 | 1,309,515 | 583,379 | 3,228,021 | 2,725,071 |
| | Government and public bonds | 1,133,579 | 1,185,062 | 2,023,503 | 1,323,195 | 2,990,549 | 3,059,777 |
| | Debentures | 6,299,382 | 5,072,127 | 8,035,960 | 7,600,794 | 7,635,765 | 7,613,829 |
| | Stocks | 807,425 | 743,657 | 904,921 | 924,514 | 672,845 | 890,151 |
| | Others | 3,510,767 | 2,795,094 | 3,945,649 | 3,821,884 | 4,340,103 | 3,913,328 |
| | Subtotal | | 13,546,727 | 11,819,947 | 77,213,310 | 74,449,265 | 18,985,430 |
| Securities in foreign currency (Trust Account) | | 893,720 | 803,591 | 559,964 | 747,253 | 118,147 | 370,415 |
| Subtotal | | 13,546,727 | 11,819,947 | 77,213,310 | 74,449,265 | 18,985,430 | 18,572,571 |
| Securities in foreign currency (Banking account) | Foreign securities | 986,319 | 935,098 | 945,199 | 960,749 | 736,084 | 909,730 |
| | Off-shore foreign securities | 295,358 | 245,171 | 320,423 | 255,878 | 343,275 | 382,542 |
| | Subtotal | 1,281,677 | 1,180,269 | 1,265,622 | 1,216,627 | 1,079,359 | 1,292,272 |
| Total | | 45,559,176 | 42,409,062 | 48,262,033 | 45,941,769 | 43,926,213 | 51,989,925 |

2.2.10. Trust Account (money trust)

(Unit: in millions of Won)

| | September 30, 2003 | December 31, 2002 | December 31, 2001 |
|--|--------------------|-------------------|-------------------|
|--|--------------------|-------------------|-------------------|

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| | Total amount trusted | Trust fees | Total amount trusted | Trust fees | Total amount trusted | Trust fees |
|--------------------------------|-------------------------|----------------|-------------------------|----------------|-------------------------|----------------|
| Return-guaranteed trust | 606 | 33,403 | 1,528 | 59,530 | 25,551 | -17,147 |
| Performance trust | 39,029,007 | 143,251 | 33,997,098 | 241,444 | 25,758,938 | 353,890 |
| Total | 39,029,613 | 176,654 | 33,998,626 | 300,974 | 25,784,489 | 336,743 |

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

(Unit: in millions of Won unless indicated otherwise)

| | | September 30, 2003 | 2002 | 2001 |
|--|--------------------------------|--------------------|------------|------------|
| Number of card holders (Person) | Corporate | 54,941 | 58,090 | 23,811 |
| | Individual | 4,056,222 | 4,748,427 | 4,017,950 |
| Number of merchants | | 325,262 | 262,619 | 295,668 |
| Profit | Sales¹ | 16,340,878 | 27,216,500 | 22,272,700 |
| | Fee revenue² | 694,559 | 1,039,710 | 819,399 |

2.2.11.2. Kookmin Card³

(Unit: in millions of Won unless indicated otherwise)

| | | September 30, 2003 | 2002 | 2001 |
|--|--------------------------|--------------------|------------|------------|
| Number of card holders (Person) | Corporate | 152,472 | 153,425 | 105,600 |
| | Individual | 11,052,024 | 11,638,968 | 9,605,946 |
| Number of merchants | | 1,552,983 | 1,675,176 | 1,569,103 |
| Profit | Sales¹ | 52,143,378 | 83,860,180 | 65,382,300 |
| | Fee revenue | 1,401,711 | 155,545 | 142,700 |

2.3. Property, Plants and Equipment**2.3.1. Branch Network**

As of September 30, 2003, we had 1,164 branches and 61 sub-branches in Korea, the largest number of branches among Korean commercial banks. Approximately 43% of our branches and sub-branches are located in Seoul.

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

2.3.2. *Business Property (Land & Buildings)*

Our registered office and corporate headquarters are located at 9-1, 2-Ga, Namdaemun-Ro, Jung-Gu, Seoul, Korea. The book value of all the properties owned by us as of September 30, 2003 is 1,611,342 million Won. In addition to the properties owned by us, we also leased 1,095,163 million Won of properties for our branch space.

-
1. Includes credit card receivables and cash advances.
 2. Excludes fee related to Kookmin Credit Card
 3. This is the result of former Kookmin Credit Card.

Table of Contents**2.3.3. Automated Banking Machines**

We have established an extensive network of automated banking machines, which are installed in branches and in Autobanks (unmanned outlets). These automated banking machines consist of ATMs, cash dispensers and passbook printers. As of September 30, 2003, we had 7,945 ATMs, 1,532 cash dispensers and 767 passbook printers.

2.4. Other Details Relevant to Investment Decision**2.4.1. BIS Risk-adjusted Capital Ratios**

(Units: in millions of Won, %)

| | September 30, 2003 ¹ | December 31, 2002 | December 31, 2001 |
|----------------------------------|---------------------------------|--------------------|--------------------|
| Risk-adjusted capital (A) | 13,894,299 | 14,439,313 | 11,750,856 |
| Risk-weighted assets (B) | 129,335,550 | 138,703,021 | 114,849,227 |
| BIS ratios (A/B) | 10.74 | 10.41 | 10.23 |

2.4.2. Non-performing Loans²

(Units: in millions of Won unless indicated otherwise)

| September 30, 2003 | | December 31, 2002 | | Change | |
|--------------------|--------------------|-------------------|--------------------|------------------|--------------------|
| Amount | NPL to total loans | Amount | NPL to total loans | Amount | NPL to total loans |
| 3,800,519 | 2.77% | 2,509,073 | 1.90% | 1,291,446 | 0.87%p |

¹ Tentative figures² Excluding non-performing loans of former Kookmin Credit Card. Non-performing loans are defined as those loans that are past due more than 90 days or that are placed non-accrual status according to the Financial Supervisory Service's guidelines.**2.4.3. Loan Losses Allowance¹**

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

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(Units: in millions of Won)

| | | September 30, 2003 | December 31, 2002 | December 31, 2001 |
|----------------------------------|-----------------|--------------------|-------------------|-------------------|
| Loan losses allowance | Domestic | 4,514,676 | 2,365,898 | 2,255,068 |
| | Overseas | 10,764 | 12,798 | 16,111 |
| | Total | 4,525,440 | 2,378,696 | 2,271,179 |
| Write-offs for the Period | | 1,963,191 | 1,527,311 | 1,090,029 |

1. Including 1,388,854 million Won of loan losses allowance of former Kookmin Credit Card

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3. Financial Information

See 9. Exhibits / 9.1. List of Financial Statements.

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

Our Financial statements for the third quarter, 2003 have been reviewed by Samil Accounting Corporation, the Korean member firm of PricewaterhouseCoopers. The aggregate audit and review service contract amount for the year 2003 is 980 million Won.

4.2. Service Other than Audit & Review

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

(Units: in millions of Won unless indicated otherwise)

| Year | Service description | Amount of payment |
|--------------|--|---------------------|
| September 30 | - US GAAP conversion for 2002 | US\$3,800 thousand |
| 2003 | - Due Diligence on Kookmin Credit Card | 250 |
| | - SEC Filing regarding the proposed merger with Kookmin Credit Card | US\$30 thousand |
| 2002 | - Project for improving the accounting process | 690 |
| | - Advisory service for the conversion process in US GAAP | 1,450 |
| 2001 | - Due diligence on the assets and liabilities in connection with the merger | 2,400 |
| | - US GAAP conversion for 2000 | US\$ 2,700 thousand |
| | - US GAAP conversion for New York Stock Exchange listing of New Kookmin Bank | US\$ 7,480 thousand |
| | - Advisory service for tax in connection with the merger | 300 |
| | - US GAAP conversion | US\$ 4,950 thousand |

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5. Corporate Governance and Affiliated Companies

5.1. Board of Directors

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

- n matters relating to business objectives and performance evaluation;
- n matters relating to amendments of the Articles of Incorporation;
- n matters relating to budget and accounting including salaries of directors and employees;
- n matters relating to major organizational changes such as dissolution, business transfer and merger;
- n matters relating to internal control standards; or
- n other matters determined by law and the board of directors regulations.

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

- n the Board Steering Committee;
- n the Management Strategy Committee;
- n the Risk Management Committee;
- n the Audit Committee;
- n the Compensation Committee; and
- n the Non Executive Director Nomination Committee.

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Each committee member is appointed by the board of directors, except for members of the Audit Committee, who are elected at the general meeting of stockholders. For list of our directors, see 7. Directors, Senior Management and Employees / 7.1. Executive Directors and 7.2. Non-Executive Directors.

5.2. Audit Committee

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

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5.3. Voting Rights of Shareholders

Each outstanding share of our common stock is entitled to one vote per share.

If the method of written resolution at the general meeting of shareholders is adopted by resolution of the board of directors, at which the convening of the general meeting of shareholders is determined, the shareholders may exercise their voting rights in writing without participating the meeting in person. In this case, the Bank is required to send the documents and references necessary for exercise of voting rights, together with the convening notice.

If a shareholder intends to exercise his/her voting rights in writing, the shareholder is required to fill in a certain form and submit it to the Bank one day before the date set for the general meeting of shareholders.

5.4. Compensation to the Directors

For the 9 months ended September 30, 2003, the aggregate of the remuneration paid by us to 1) the Chairman, President & CEO and our other executive directors and 2) our non-executive directors was 2,483 million Won, 389 million Won, respectively. The following table shows the breakdown of the remuneration.

(Units: in millions of Won)

| | The aggregate remuneration paid | Limit for the remuneration resolved by shareholders meeting | Average amount of the payment per person |
|----------------------------|---------------------------------|---|--|
| 1) Executive Directors | 2,483 | | 733 |
| 2) Non Executive Directors | 389 | | 36 |
| Total | 2,872 | 8,000 | 769 |

As part of remuneration, Kookmin Bank also granted stock options to directors. See 1. Introduction to the Bank / 1.3. Capital Structure / 1.3.4. Stock Option.

5.5. Affiliated Companies**5.5.1. List of Affiliates**

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As of September 30, 2003, we have following affiliates.

- n KB Investment Co., Ltd.

- n KB Investment Trust Management Co., Ltd.

- n KB Real Estate Trust Co., Ltd.

- n KB Credit Information Co., Ltd.

- n Kookmin Data System Corporation

- n Kookmin Futures Co., Ltd.

- n ING Life Korea Ltd.

- n Kookmin Bank Luxemburg. S.A.

- n Kookmin Bank International (London) Ltd.

- n Kookmin Finance Hong Kong Ltd.

Table of Contents**5.5.2. Operating Results of Affiliates**

(Unit: in millions of Won)

| Company name | Closing date | Operating results of the latest fiscal year | | | | |
|-------------------------------------|--------------------|---|-------------------|----------------|-----------|------------|
| | | Total Assets | Total Liabilities | Total Equities | Sales | Net Income |
| KB Investment | December 31, 2002 | 99,979 | 26,206 | 73,773 | 18,744 | 33,883 |
| Kookmin Credit Card | December 31, 2002 | 13,381,247 | 12,463,020 | 918,227 | 3,156,230 | 260,888 |
| KB Investment Trust Management | March 31, 2003 | 65,086 | 17,447 | 47,639 | 31,474 | 13,966 |
| KB Real Estate Trust | December 31, 2002 | 300,671 | 212,943 | 87,728 | 59,771 | 8,915 |
| KB Credit Information | December 31, 2002 | 20,772 | 6,821 | 13,951 | 34,179 | 3,639 |
| Kookmin Data System Corporation | December 31, 2002 | 18,290 | 4,671 | 13,619 | 43,290 | 2,008 |
| Kookmin Futures | March 31, 2003 | 45,414 | 20,652 | 24,762 | 12,734 | 2,333 |
| ING Life Korea | March 31, 2003 | 2,068,192 | 1,937,761 | 130,431 | 1,211,847 | 78,559 |
| Kookmin Bank Luxemburg | September 30, 2003 | 445,781 | 445,732 | 49 | 11,031 | (6,685) |
| Kookmin Bank International (London) | September 30, 2003 | 253,496 | 205,721 | 47,775 | 7,823 | 363 |
| Kookmin Finance Hong Kong | September 30, 2003 | 224,841 | 170,802 | 54,039 | 14,196 | (4,951) |

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Table of Contents**6. Share Ownership and Stocks****6.1. Major Shareholders**

The following table presents information regarding the beneficial ownership of our shares as of June 17, 2003 (official record date for the Merger with Kookmin Credit Card) by each person known by us to own beneficially more than 5% of our outstanding shares.

| Name | Number of Shares of Common Stock | Percentage of Total Outstanding Shares of Common Stock |
|-----------------------------------|----------------------------------|--|
| The Government of Korea | 30,623,761 | 9.33% |
| Goldman Sachs ¹ | 16,831,607 | 5.13% |
| The Bank of New York ² | 30,875,235 | 9.41% |
| Total | 78,330,603 | 23.87% |

6.2. Market Price Information for the Previous Six Months**6.2.1. Common Stock Traded in the Korea Stock Exchange**

(Unit: in Won, thousands of shares)

| | | April | May | June | July | August | September |
|--------------------------|------|--------|--------|--------|--------|--------|-----------|
| Registered Common Shares | High | 35,550 | 34,200 | 39,900 | 42,800 | 42,950 | 46,200 |
| | Low | 29,150 | 29,950 | 35,150 | 36,400 | 37,300 | 37,300 |
| Trading Volume | | 68,520 | 48,294 | 37,642 | 38,874 | 25,806 | 38,017 |

6.2.2. American Depositary Shares Traded in the New York Stock Exchange

(Unit: in US\$, thousands of shares)

April May June July August September

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| | | | | | | | |
|-----------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|---------------|
| American Depositary Shares | High | 29.13 | 28.79 | 33.73 | 37.40 | 37.30 | 39.65 |
| | Low | 23.23 | 24.71 | 28.70 | 30.27 | 31.30 | 32.43 |
| Trading Volume | | 7,333 | 7,981 | 7,083 | 7,926 | 4,145 | 13,850 |

1. In September, Goldman Sachs disposed about 13,000,000 shares, accordingly, ownership of our shares changed to 1.18% as of September 5, 2003.
2. As depositary bank of American Depositary Shares of Kookmin Bank

Table of Contents**7. Directors, Senior Management and Employees**

As of September 30, 2003, our board of directors, which consists of 4 executive directors and 12 non-executive directors, has the ultimate responsibility for the management of our affairs.

7.1. Executive Directors

Our 4 executive directors consist of the chairman, president & CEO, auditor & executive director and one executive director seconded from ING.

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

| Name | Date of Birth | Position | Common Stocks Owned |
|---------------------|---------------|------------------------------|---------------------|
| Sanghoon Kim | 03/13/1942 | Chairman | |
| Jungtae Kim | 08/15/1947 | President & CEO | 66,581 |
| Sungnam Lee | 11/11/1947 | Auditor & Executive Director | |
| Donald H. MacKenzie | 12/20/1948 | Executive Director & EVP | |

7.2. Non-Executive Directors

Our non-executive directors are selected based on the candidates' talents and skills in diverse areas, such as law, finance, economy, management and accounting. As of September 30, 2003, 12 non-executive directors are in office.

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

| Name | Date of Birth | Position | Common Stocks Owned |
|----------------------|---------------|------------------------|---------------------|
| Moonsoul Chung | 03/07/1938 | Non-Executive Director | 4,041 |
| Richard Elliott Lint | 01/04/1946 | Non-Executive Director | 400 |
| Sunjin Kim | 06/08/1942 | Non-Executive Director | 2,525 |
| Dongsoo Chung | 09/24/1945 | Non-Executive Director | 480 |
| Seoungwoo Nam | 05/13/1952 | Non-Executive Director | 591 |
| Kyunghee Yoon | 01/05/1947 | Non-Executive Director | |
| Sukyoung Cha | 06/09/1953 | Non-Executive Director | 510 |
| Bernard S. Black | 11/13/1953 | Non-Executive Director | 400 |

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| | | | |
|---------------------|-------------------|-------------------------------|------------|
| Kihong Kim | 01/10/1957 | Non-Executive Director | 570 |
| Eunjo Park | 06/03/1957 | Non-Executive Director | 510 |
| Cheolsoo Ahn | 01/22/1962 | Non-Executive Director | 510 |
| Kyungbae Suh | 01/14/1963 | Non-Executive Director | 510 |

Table of Contents**7.3. Senior Management**

In addition to the executive directors who are also our executive officers, we currently have the following 11 executive officers as of September 30, 2003:

| Name | Date of Birth | Position | Common Shares Owned |
|----------------|---------------|--------------------------|---------------------|
| Jongkyoo Yoon | 10/13/1955 | Executive Vice President | 3,300 |
| Sungchul Kim | 09/10/1951 | Executive Vice President | 3,498 |
| Youngil Kim | 07/06/1953 | Executive Vice President | 3,327 |
| Kitaek Hong | 01/16/1948 | Executive Vice President | 3,931 |
| Sunghyun Chung | 08/10/1947 | Executive Vice President | |
| Kisup Shin | 10/29/1955 | Executive Vice President | 280 |
| Seongkyu Lee | 10/25/1959 | Executive Vice President | |
| Seeyoung Lee | 12/25/1952 | Executive Vice President | 2 |
| Woojung Lee | 07/11/1949 | Executive Vice President | |
| Jinbaek Chung | 10/29/1955 | Executive Vice President | |
| Bonghwan Cho | 03/30/1950 | Executive Vice President | 14,581 |

7.4. Employees¹

The following table shows the breakdown of our employees as of September 30, 2003.

(Unit: in millions of Won)

| | Number of Employees | | | Average Tenure of the full-time employees | Total Payment for the 9 Months Period | Average Monthly Payment per Person |
|--------|---------------------|-------------|--------|---|---------------------------------------|------------------------------------|
| | Full-time | Contractual | Total | | | |
| Male | 13,284 | 1,218 | 14,502 | 15.68 | 539,993 | 4.1 |
| Female | 5,005 | 7,477 | 12,482 | 12.33 | 293,836 | 2.6 |
| Total | 18,289 | 8,695 | 26,984 | 14.66 | 833,829 | 3.4 |

7.5. Labor Union²

Under Korea Financial Industry Union, we currently have two union chapters following the merger. There are 8,363 members in former Kookmin Bank chapter and 6,951 members in former H&CB chapter.

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-
1. Excluding employees hired in local branches overseas and employees of former Kookmin Credit Card
 2. Excluding employees of former Kookmin Credit Card

Table of Contents**8. Related Party Transaction**

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

8.1. Transactions with Largest Shareholders and Affiliates**8.1.1. Investments in Affiliates¹**

(Unit: in millions of Won)

| Name | Relation with the Bank | Account | Par Value | Beginning Balance (January 1, 2003) | Increase | Decrease | Ending Balance (September 30, 2003) |
|--------------------------------|------------------------|--------------------------------|----------------|-------------------------------------|----------|----------|-------------------------------------|
| KB Real Estate Trust | Affiliate | Equity Securities of Affiliate | 79,999 | 79,999 | | | 79,999 |
| KB Investment | Affiliate | Equity Securities of Affiliate | 44,708 | 44,708 | | | 44,708 |
| KB Investment Trust Management | Affiliate | Equity Securities of Affiliate | 30,670 | 30,670 | | | 30,670 |
| Kookmin Futures | Affiliate | Equity Securities of Affiliate | 19,996 | 19,996 | | | 19,996 |
| Kookmin Data System | Affiliate | Equity Securities of Affiliate | 7,998 | 7,998 | | | 7,998 |
| KB Credit Information | Affiliate | Equity Securities of Affiliate | 2,520 | 3,918 | | | 3,918 |
| ING Life Korea | Affiliate | Equity Securities of Affiliate | 14,000 | 14,000 | | | 14,000 |
| KOMOCO | Affiliate | Equity Securities of Affiliate | 30,000 | 30,000 | | | 30,000 |
| Total | | | 229,891 | 229,891 | | | 229,891 |

1. Excluding Joeeun Industry and Jangeun Securities which have been under liquidation procedures Kookmin Credit Card, a former major affiliate, was merged into the Bank as of September 30, 2003.

Table of Contents**8.1.2. Real Estate Transactions with Affiliates**

(Unit: in millions of Won)

| Name | Relation with the Bank | Type | Account | Increase | Decrease | Deposits | Rent Fee |
|------------------------------|------------------------|-----------------|----------------------|----------|----------|-----------------|-------------|
| KB Credit Information | Affiliate | Building | Rental Income | | | 2,804.35 | 8.11 |
| KB Real Estate Trust | Affiliate | Building | Rental Income | | | 1,738 | |
| Kookmin Data System | Affiliate | Building | Rental Income | | | 879.36 | |
| Kookmin Futures | Affiliate | Building | Rental Income | | | 1,363.36 | |
| Total | | | | | | 6,785.07 | 8.11 |

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Table of Contents**8.2. Transactions with Shareholders (Other than the Largest Shareholders and Etc.), Directors and Employees.****8.2.1. Loans and Guarantees**

(Unit: in millions of Won)

| Name | Relation with the Bank | Account | Beginning Balance | Increase | Decrease | Ending Balance (September 30, 2003) |
|--------------------|---|--------------------------|-------------------|----------|----------|-------------------------------------|
| Kihong Kim | Non executive director | Housing Loan | 18 | | 18 | |
| Pulmuone Water Co. | Related party of Non executive director, Seungwoo Nam | General Corporate Loan | 2,000 | | | 2,000 |
| | | Corporate Overdraft | 1,011 | 1,469 | 911 | 1,569 |
| | | Loan for Working Capital | 1,800 | | | 1,800 |
| | | Loan for Purchasing | 343 | 474 | 157 | 660 |
| Pulmuone Co. | Related party of Non executive director, Seungwoo Nam | General Corporate Loan | 4,000 | | 4,000 | |
| | | Purchase Card Loan | 3,778 | | 3,778 | |
| | | Loan for Facility | | 3,300 | | 3,300 |
| | | Facility Finance Loan | 1,600 | | 1,600- | |
| | | Purchase Card Loan | | 1,721 | | 1,721 |
| Pulmouwon Tech co. | Related party of Non executive director, Seungwoo Nam | Note Discount | | 1,234 | 1,234 | |
| Food Merce | Related party of Non executive director, | Loan for Purchasing | 362 | 636 | | 998 |

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| Seungwoo Nam | | | | |
|-------------------------------|--|-------------------------------|---------------|---------------|
| Pulmouwon Healthy Life | Related party of Non executive director, Seungwoo Nam | General Corporate Loan | | |
| | | | 978 | 978 |
| Total | | | 14,912 | 9,812 |
| | | | 11,698 | 13,026 |

Table of Contents**8.2.2. Real Estate Transaction**

(Unit: in millions of Won)

| Name | Relation with | | Type | Account | Deposits | Rent Fee |
|-------------------------------------|--------------------------------|--|-----------------|-----------------------|------------|-------------|
| | Kookmin Bank | | | | | |
| Haitai | Related party of | | | | | |
| Confectionary & Foods | Non executive director, | | Building | Rental Deposit | 150 | |
| National Pension Corporation | Shareholder | | Building | Rental Income | 550 | |
| Pulmuone Life Co. | Related party of | | | | | |
| | Non executive director | | Building | Rental Income | 10 | 0.5 |
| Total | | | | | 710 | 0.5 |

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9. Exhibits

9.1. List of Financial Statements

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KOOKMIN BANK

Interim Financial Statements

As of September 30, 2003 and

for the three-month period ended September 30, 2003 and

nine-month periods ended September 30, 2003 and 2002

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KOOKMIN BANK

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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 September 30, 2003, the related non-consolidated statements of operations and cash flows for the three-month and nine-month periods ended September 30, 2003, and statement of operations for the nine-month period ended September 30, 2002, expressed in Korean Won. These financial statements are the responsibility of the Bank s management. Our responsibility is to issue a report on these financial statements based on our review. We have not performed a review of the statement of operations of the Bank for the three-month period ended September 30, 2002 presented herein for comparative purposes.

We conducted our review in accordance with the quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. These standards require that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the Bank s personnel and analytical procedures applied to financial data and 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 accompanying non-consolidated financial statements are not presented fairly, in all material respects, in accordance with financial accounting standards generally accepted in the Republic of Korea.

We previously audited in accordance with auditing standards generally accepted in the Republic of Korea, the non-consolidated balance sheet as of December 31, 2002, and the related non-consolidated statement of operations, appropriations of retained earnings, and of cash flows for the year then ended, not presented herein, and in our report dated February 7, 2003, we expressed an unqualified opinion on those non-consolidated financial statements. In our opinion, except for the restatement made pursuant to the provisions under Statement of Korean Financial Accounting Standards No. 6, the balance sheet as of December 31, 2002 provided herein for comparative purposes does not differ, in all material respects, from the balance sheet from which it has been derived.

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As discussed in Note 2 to the accompanying non-consolidated financial statements, as of December 2002, the Bank changed the rates for determining the allowances for losses from consumer loans and credit card loans, in anticipation of the increasing risk of loan losses due to the increase in consumer loans and credit card loans, as follows:

| Credit Risk Classification | Allowance Rates | Allowance Rates after Changes | |
|----------------------------|-----------------|----------------------------------|--------------|
| | before Changes | Consumer | Credit Cards |
| 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% |

As a result of the above change, the Bank's allowances for loan losses as of September 30, 2003 are increased by (Won)326,451 million for consumer loans and (Won)381,300 million for credit card loans compared to the amounts that which would have been recorded under the previous rates.

As discussed in Note 33 to the accompanying non-consolidated financial statements, on May 30, 2003, the Bank obtained approval from the Board of Directors to enter into a merger agreement with Kookmin Credit Card Co., Ltd. (the Subsidiary), its majority-owned subsidiary. According to the resolution of the Board of Directors, the Bank merged with the Subsidiary on September 30, 2003. The merger was effected through an exchange of shares with the shareholders of the Subsidiary as of July 24, 2003, besides the Bank, receiving 0.442983 share of the Bank's common stock for each share of the Subsidiary. The total assets and liabilities of the Subsidiary as of September 30, 2003 are (Won)10,595,409 million and (Won)9,391,897 million, respectively.

As discussed in Note 17 to the accompanying non-consolidated financial statements, the Bank sold to Sun Capital Inc., 65.43% of its 85.43% investment in, and (Won)172,024 million of its loans to, Alpha Capital Corp., for (Won)145,000 million on August 30, 2002. The Bank also sold an additional 5.03% of its investment in Alpha Capital Corp. to Sun Capital Inc. for (Won)900 million on October 28, 2002.

As discussed in Note 17 to the accompanying non-consolidated financial statements, the Bank sold its 87.00% investment in Kookmin Investment Trust Management Co., Ltd. to Morgan Stanley Private Equity (the M&A private funds led by Morgan Stanley Global Emerging Markets Inc. and affiliated funds) on May 29, 2002 and sold its 88.66% investment in Kookmin Leasing Co., Ltd. to Sun Capital Inc. on December 27, 2002.

As discussed in Note 4 to the accompanying non-consolidated financial statements, KB Investment Co., Ltd., Frontier Investment Co., Ltd., and Kookmin Investment Co., Ltd. were all previously subsidiaries of the Bank. To avoid duplicate investments, KB Investment Co., Ltd. merged with Frontier Investment Co., Ltd. and Kookmin Investment Co., Ltd. on December 31, 2001 and June 27, 2002, respectively.

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As discussed in Note 17 to the accompanying non-consolidated financial statements, the operations of the Bank may be directly or indirectly affected by the generally unstable economic conditions, and the impact of the implementation of structural reforms in the Republic of Korea. As of September 30, 2003, the Bank's total exposure (including debt securities, beneficiary certificates, and loans) to domestic credit card companies and capital companies amount to (Won)3,204,091 million. Currently, securities issued by 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 non-consolidated 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 non-consolidated financial statements are for use by those who are knowledgeable about Korean accounting principles or review standards and their application in practice.

Seoul, Korea

October 15, 2003

This report is effective as of October 15, 2003, 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 non-consolidated 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.

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

Table of Contents**KOOKMIN BANK****NON-CONSOLIDATED BALANCE SHEETS****September 30, 2003 and December 31, 2002****(Unaudited See Independent Accountant's Report)***(in millions of Korean Won)*

| | 2003 | 2002 |
|--|--------------------------|--------------------------|
| Assets | | |
| Cash and due from banks (Note 3) | (Won) 7,576,865 | (Won) 4,599,356 |
| Securities (Note 4) | 30,589,115 | 30,940,750 |
| Loans (Notes 5 and 6) | 139,216,049 | 126,730,561 |
| Fixed assets (Note 7) | 3,069,436 | 3,092,616 |
| Other assets (Note 8) | 9,738,610 | 6,135,558 |
| Total assets | (Won) 190,190,075 | (Won) 171,498,841 |
| Liabilities and Shareholders' Equity | | |
| Deposits (Note 9) | (Won) 128,100,746 | (Won) 123,109,653 |
| Borrowings (Note 10) | 14,152,348 | 10,690,754 |
| Debentures (Note 11) | 22,113,191 | 17,539,007 |
| Other liabilities (Note 14) | 15,715,943 | 9,784,798 |
| Total liabilities | 180,082,228 | 161,124,212 |
| Commitments and Contingencies (Notes 15 and 17) | | |
| Common stock (5,000 Won par value, authorized 1 billion shares, and 336,379,116 shares outstanding in 2003) (Notes 1 and 18) | 1,681,896 | 1,641,293 |
| Capital surplus (Note 19) | 6,233,045 | 5,864,752 |
| Retained earnings (Note 20) | 2,033,159 | 2,742,335 |
| Capital adjustments (Note 21) | 159,747 | 126,249 |
| Total shareholders' equity | 10,107,847 | 10,374,629 |
| Total liabilities and shareholders' equity | (Won) 190,190,075 | (Won) 171,498,841 |

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

Table of Contents**KOOKMIN BANK****NON-CONSOLIDATED STATEMENTS OF OPERATIONS**

For the three months and nine months ended September 30, 2003 and 2002

Unaudited See Independent Accountant's Report)

(in millions of Korean Won, except per share amounts)

| | Three-month period | | Nine-month period | |
|---|--------------------|------------------------|-------------------|------------------|
| | 2003 | 2002 (not reviewed) | 2003 | 2002 |
| Interest income | | | | |
| Interest on due from banks | (Won) 2,630 | (Won) 11,656 | (Won) 7,797 | (Won) 39,314 |
| Interest on trading securities | 33,698 | 24,353 | 85,516 | 73,560 |
| Interest on available-for-sale securities | 227,041 | 136,885 | 571,510 | 442,571 |
| Interest on held-to-maturity securities | 160,623 | 194,008 | 524,120 | 634,260 |
| Interest on loans | 2,424,887 | 2,334,540 | 7,216,208 | 6,817,728 |
| Other interest income | 23,487 | 22,632 | 72,869 | 80,222 |
| | <u>2,872,366</u> | <u>2,724,074</u> | <u>8,478,020</u> | <u>8,087,655</u> |
| Interest expenses | | | | |
| Interest on deposits | 1,074,935 | 1,196,131 | 3,257,955 | 3,581,922 |
| Interest on borrowings | 93,446 | 95,376 | 307,758 | 306,297 |
| Interest on debentures | 257,024 | 217,401 | 821,045 | 578,277 |
| Other interest expenses | 18,141 | 14,768 | 50,863 | 49,507 |
| | <u>1,443,546</u> | <u>1,523,676</u> | <u>4,437,621</u> | <u>4,516,003</u> |
| Net interest income | 1,428,820 | 1,200,398 | 4,040,399 | 3,571,652 |
| Provision for loan losses (Note 6) | 965,517 | 337,860 | 2,651,281 | 946,200 |
| Net interest income after provision for loan losses | <u>463,303</u> | <u>862,538</u> | <u>1,389,118</u> | <u>2,625,452</u> |
| Non-interest income | | | | |
| Fees & commission income | 339,278 | 335,028 | 1,021,107 | 1,013,260 |
| Dividends on trading securities | 119 | 71 | 1,633 | 1,123 |
| Dividends on available-for-sale securities | 253 | 378 | 5,541 | 18,832 |
| Gain on foreign currency transactions | 35,177 | 68,940 | 201,103 | 142,416 |
| Gain on derivatives transactions (Note 16) | 485,198 | 537,473 | 1,802,395 | 1,297,454 |
| Others (Note 22) | 659,108 | 198,944 | 946,633 | 1,041,069 |
| | <u>1,519,133</u> | <u>1,140,834</u> | <u>3,978,412</u> | <u>3,514,154</u> |
| Non-interest expenses | | | | |
| Fees and commission expenses | 53,966 | 82,065 | 146,344 | 254,248 |
| General and administrative expenses (Note 23) | 646,023 | 681,928 | 1,856,802 | 1,773,528 |
| Loss on foreign currency transactions | 44,988 | 17,797 | 174,004 | 182,178 |
| Loss on derivatives transactions (Note 16) | 486,063 | 441,130 | 1,767,507 | 1,134,410 |
| Others (Note 22) | 569,392 | 248,325 | 944,481 | 800,811 |

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| | | | | |
|--|-----------------|---------------|-----------------|-----------------|
| | 1,800,432 | 1,471,245 | 4,889,138 | 4,145,175 |
| Operating income (loss) | 182,004 | 532,127 | 478,392 | 1,994,431 |
| Non-operating income (expenses), net (Note 24) | (880,416) | (7,213) | (1,215,128) | 191,733 |
| Net income (loss) before income tax expense | (698,412) | 524,914 | (736,736) | 2,186,164 |
| Income tax expense (benefit) (Note 25) | (356,971) | 176,070 | (354,627) | 673,296 |
| Net income (loss) | (Won) (341,441) | (Won) 348,844 | (Won) (382,109) | (Won) 1,512,868 |
| Basic earnings (loss) per share (In Korean Won) (Note 26) | (Won) (1,050) | (Won) 1,101 | (Won) (1,175) | (Won) 4,624 |

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

Table of Contents**KOOKMIN BANK****NON-CONSOLIDATED STATEMENTS OF CASHFLOWS**

For the three months and nine months ended September 30, 2003

Unaudited See Independent Accountant's Report)

| <i>(in millions of Korean Won)</i> | 2003 | |
|--|--------------------|-------------------|
| | Three-month period | Nine-month period |
| Cash flows from operating activities | | |
| Net loss | (Won) (341,441) | (Won) (382,109) |
| Adjustments to reconcile net loss to net cash provided by operating activities | | |
| Realized gain on trading securities, net | (10,399) | (64,005) |
| Unrealized gain on trading securities, net | (25,805) | (71,324) |
| Provision for loan losses due to merger | 1,652,264 | 1,652,264 |
| Loss (gain) on foreign currency transactions, net | 9,811 | (27,099) |
| Provision for loan losses | 965,517 | 2,651,281 |
| Reversal of losses from guarantees and acceptances | (122,940) | (194) |
| Gain on derivatives transactions, net | 865 | (34,888) |
| Gain on valuation of derivatives, net | (35,755) | (39,633) |
| Gain on fair value hedged items | (14,405) | (6,329) |
| Retirement benefits | 24,371 | 70,361 |
| Depreciation and amortization | 117,430 | 328,342 |
| Loss on disposal of fixed assets, net | (378) | 33,175 |
| Realized gain on available-for-sale securities, net | (199,476) | (280,640) |
| Impairment on available-for-sale securities, net | 34,965 | 68,226 |
| Realized gain on held-to-maturity securities | (953) | (2,221) |
| Unrealized gain on investment in associates, net | (588,380) | (238,738) |
| Loss on sale of loans, net | | 1,633 |
| Others, net | (5,658) | (18,474) |
| Changes in assets and liabilities resulting from operations | | |
| Accrued income | (143,020) | (118,636) |
| Prepaid expenses | (196,205) | (225,370) |
| Deferred tax assets | (191,059) | (340,985) |
| Other assets | (165) | 3,002 |
| Accrued expenses | (49,707) | (224,215) |
| Unearned income | (17,496) | (26,658) |
| Withholding taxes | (9,532) | 2,682 |
| Other liabilities | 42,987 | 318,544 |
| Retirement benefits | (3,686) | (10,909) |
| Accounts payable | | 384 |
| Account for agency business | (20,572) | (31,324) |
| Deferred tax liabilities | | (17,298) |
| Stock compensation expense (reversal) | 736 | (1,947) |
| Net cash provided by operating activities | 871,914 | 2,966,898 |

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

Table of Contents**KOOKMIN BANK****NON-CONSOLIDATED STATEMENTS OF CASHFLOWS**

For the three months and nine months ended September 30, 2003

Unaudited See Independent Accountant's Report)

| <i>(in millions of Korean Won)</i> | 2003 | |
|---|---------------------------|--------------------------|
| | Three-month period | Nine-month period |
| Cash flows from investing activities | | |
| Increase in due from banks | (Won) (1,388,617) | (Won) (2,088,361) |
| Decrease in trading securities | 931,748 | 1,808,666 |
| Decrease in available-for-sale securities | 3,431,662 | 839,688 |
| Increase in loans granted, net | (3,690,657) | (10,432,242) |
| Proceeds from disposal of fixed assets | 13,640 | 143,382 |
| Acquisition of fixed assets | (78,586) | (248,530) |
| Acquisition of intangible assets | (55) | (396) |
| Proceeds from disposal of foreclosed assets | 205 | 338 |
| Acquisition of foreclosed assets | (165) | |
| Increase in guarantee deposits | (1,270) | (22,316) |
| Increase in other accounts receivable | (1,210,148) | (2,902,319) |
| Increase in payments in advance | (10,838) | (38,521) |
| Decrease in derivatives assets, net | 50,073 | 114,609 |
| (Payments for) collection of domestic exchange receivables | (52,541) | 712,147 |
| Collection of loans to trust accounts | 1,135 | 37,883 |
| Net cash used in investing activities | (2,004,414) | (12,075,972) |
| Cash flows from financing activities | | |
| Increase in deposits, net | 404,390 | 4,996,889 |
| (Decrease) increase in borrowings, net | (1,636,620) | 1,000,842 |
| Increase (decrease) in debentures, net | 135,781 | (357,977) |
| Increase in borrowings from trust accounts | 1,363,680 | 2,098,229 |
| Decrease in dividend payable | (3) | (325,235) |
| Increase in other accounts payable | 922,429 | 2,458,625 |
| (Decrease) increase in advances received from customers | (799,923) | 369,692 |
| (Decrease) increase in guarantee deposits received | (569) | (7,798) |
| (Decrease) increase in domestic exchange payables | (114,596) | (305,948) |
| Increase in liabilities incurred by agency relationships | 109,503 | 59,424 |
| Stock options exercised | | (35) |
| Acquisition of treasury stock | (29,094) | (29,094) |
| Sale of treasury stock | | 50 |
| Net cash provided by financing activities | 354,978 | 9,957,664 |
| Net increase (decrease) in cash and cash equivalents | (777,522) | 848,590 |
| Cash and cash equivalents, beginning of the period (Note 34) | 4,726,693 | 3,100,581 |
| Increase due to merger | 33,343 | 33,343 |
| Cash and cash equivalents, end of the period (Note 34) | (Won) 3,982,514 | (Won) 3,982,514 |

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

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KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2003 and December 31, 2002 and

for the three-month and nine-month periods ended September 30, 2003 and 2002

(Unaudited - See Independent Accountant's Report)

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 September 30, 2003, the Bank's paid-in capital amounts to (Won)1,681,896 million and 35,729,664 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 1,255 domestic branches and offices (excluding ATMs) and three overseas branches as of September 30, 2003.

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 official accounting records in Korean Won and prepares statutory financial statements in the Korean language in conformity with financial accounting standards generally accepted in the Republic of Korea. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements. 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 preparation of the non-consolidated financial statements in conformity with financial accounting standards 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.

Application of the Statements of Korean Financial Accounting Standards

The Bank's non-consolidated interim financial statements were prepared in accordance with financial accounting standards generally accepted in the Republic of Korea and Statements of Korean Financial Accounting Standards No. 2 through No. 9, in effect for the fiscal periods beginning after December 31, 2002.

The significant accounting policies adopted by the Bank in the preparation of its interim financial statements are identical to the accounting policies followed by the Bank in the preparation of its annual financial statements for the year ended December 31, 2002, except for the classification of securities. The statements of cash flows for the three months and nine months ended September 30, 2002 are not presented pursuant to the transition provision of Statement of Korean Financial Accounting Standards No. 2.

The financial statements of prior periods, presented herein for comparative purposes, were reclassified in accordance with Korean Financial Accounting Standards applicable to the Bank as of September 30, 2003. Such reclassification does not affect either prior year net income or net assets.

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KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2003 and December 31, 2002 and

for the three-month and nine-month periods ended September 30, 2003 and 2002

(Unaudited - See Independent Accountant's Report)

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 September 30, 2003, the Bank has non-accrual loans and securities of (Won)10,681,874 million and (Won)380,497 million, respectively, with related foregone interest of (Won)665,046 million and (Won)191,727 million, respectively. However, loan balance of Kookmin Credit Card Co., Ltd. was not included in the above amount.

Translation of Foreign Currency

Assets and liabilities denominated in foreign currencies are translated into Korean Won at exchange rates announced by Seoul Money Brokerage Services, Ltd. (September 30, 2003, USD 1:(Won)1,150.2) at the balance sheet date. The resulting exchange gains or losses are reflected in other operating income or expenses.

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. Effective as of January 1, 2002, the classification of corporate borrowers was changed from 10 credit risk categories (AAA, AA, A, BBB, BB, B, CCC, CC, C, D) to 12 credit risk categories (AAA, AA, A, BBB, BB, BB-, B, B-, CCC, CC, C, D). The credit risk classification under the FLC is based on a scaled valuation of financial and non-financial risks 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 of each credit risk classification:

| <u>Credit Risk Classification</u> | <u>Credit Ratings</u> <u>before Changes</u> | <u>Credit Ratings</u> <u>after Changes</u> | <u>Allowance Rates</u> |
|-----------------------------------|--|---|------------------------|
|-----------------------------------|--|---|------------------------|

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| | | | |
|----------------|---------|---------|------|
| Normal | AAA ~ B | AAA ~ B | 0.5% |
| Precautionary | CCC | B-, CCC | 2% |
| Sub-standard | CC | CC | 20% |
| Doubtful | C | C | 50% |
| Estimated loss | D | D | 100% |

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 including delinquent number of days, bankruptcies and collateral value. As of December 2002, the rates used for determining the allowances for losses from corporate loans, consumer loans, and credit card loans were changed as follows:

| Credit Risk Classification | Allowance Rates | Allowance Rates after Changes | | |
|----------------------------|-----------------|-------------------------------|----------|--------------|
| | before Changes | Corporate | Consumer | Credit Cards |
| Normal | 0.50% | 0.50% | 0.75% | 1.00% |
| Precautionary | 2.00% | 2.00% | 8.00% | 12.00% |
| Sub-standard | 20.00% | 20.00% | 20.00% | 20.00% |
| Doubtful | 50.00% | 50.00% | 55.00% | 60.00% |
| Estimated loss | 100.00% | 100.00% | 100.00% | 100.00% |

As a result of the above change, the Bank's allowances for loan losses as of September 30, 2003 are increased by (Won)326,451 million for consumer loans and (Won)381,300 million for credit card loans compared to the amounts which would have been recorded under the previous rates.

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KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2003 and December 31, 2002 and

for the three-month and nine-month periods ended September 30, 2003 and 2002

(Unaudited - See Independent Accountant's Report)

Present Value Discounts

Troubled debt restructuring 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 book value and the present value of the restructured loan is significant. When estimating the present value of the loans, the Bank applies the interest rate as of the inception of the loans, except for the interest rate of variable rate loans and extended maturity loans, which are adjusted to reflect the interest rate as of the restructuring date. The present value discounts are recorded by reclassifying allowances for loan losses and if additional allowances need to be provided for, the additional allowances are provided and recognized as provision for loan losses of the current period. These present value discounts are amortized using the effective interest method and are recognized as other interest income. Allowances for loan losses on the restructured loans are provided for based on the loan balances net of present value discounts.

The Bank recorded (Won)13,940 million of present value discounts as of September 30, 2003 on long-term deposits placed with Hansol Mutual Savings & Finance Co., Ltd. (previously, Bukook Mutual Savings & Finance Co., Ltd.), a subsidiary of the Bank sold in December 1999 (See Note 3). The receivables from the disposal of foreclosed assets that are redeemed in long-term installments are recorded in the balance sheet net of the related present value discounts.

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.

Trading and available-for-sale securities are carried at fair value, except for non-marketable equity securities classified as available-for-sale securities, which are carried at cost. Trading and available-for-sale debt securities are carried at fair value as provided by private bond pricing institutions.

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, the accumulated amount of which shall be charged to operations when the related securities are sold or when an impairment loss on the securities is recognized.

Held-to-maturity securities are generally carried at amortized cost. Premiums and discounts on debt securities are amortized over the maturity period using the effective interest method.

Impairment losses are recognized in current operations when the recoverable amounts are less than the acquisition cost of equity securities or amortized cost of debt securities.

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 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 the reasonable method and are 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.

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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 is presented as accumulated depreciation, which is 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 |

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

Foreclosed assets acquired through, or in lieu of, loan redemption are stated at cost and are not depreciated. A valuation allowance is recorded where 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 Asset</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

7-30 years

The Bank estimated the useful life of endowment assets that are beneficial upon usage, classified under other intangible assets, as 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 book value is recognized, to the extent of the pre-impairment book value, as 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 as of June 30, 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, and contributions to the National Pension Fund, as contra accounts of accrued retirement benefits.

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Guarantees and Acceptances

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.

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 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.

Derivatives 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.

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

The Bank applies the intrinsic value method, as it expects the settlement of stock options in cash. Accordingly, the Bank recognizes the compensation cost, which is the difference between the exercise price and the stock price as of the balance sheet date, by allocating the amount over the contracted service period (Note 13).

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.

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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 are incurred in excess of the reserves for future losses, the excess losses are compensated by the Bank. Accordingly, the banking accounts recognize the compensation paid as a loss on trust management in other operating expenses and the trust accounts recognize the corresponding compensation as compensation from banking accounts. There were no compensations paid for the nine-month period ended September 30, 2003.

Translation of the Foreign Currency Financial Statements of Foreign Entities

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 September 30, 2003.

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.

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3. Cash and Due from Banks

Cash and due from banks as of September 30, 2003 and December 31, 2002 are summarized as follows (in millions of Won):

| | | <u>2003</u> | <u>2002</u> |
|---|--|------------------|------------------|
| Cash on hand | | | |
| Cash in Won | | (Won) 3,040,602 | (Won) 2,392,346 |
| Cash in foreign currencies | | 208,123 | 186,780 |
| | | <u>3,248,725</u> | <u>2,579,126</u> |
| Due from banks in Won | | | |
| The Bank of Korea | Reserve deposits in the Bank of Korea | 3,424,674 | 1,340,482 |
| Other banks | Time deposits | 21,346 | 41,192 |
| | Reserve deposits in other banks | 79 | 392 |
| | Certificates of deposits | 13,343 | |
| | | <u>34,768</u> | <u>41,584</u> |
| Other financial institutions | Deposits at Mutual Savings & Finance Co., Ltd. | 140,000 | 140,000 |
| Others | Futures margin accounts | 748 | 1,336 |
| | Market participation margin | 454 | 458 |
| | Other deposits | | 8,319 |
| | | <u>1,202</u> | <u>10,113</u> |
| | | 3,600,644 | 1,532,179 |
| | Present value discounts* | (13,940) | (21,156) |
| | | <u>3,586,704</u> | <u>1,511,023</u> |
| Due from banks in foreign currencies | | | |
| The Bank of Korea | Demand deposits | 35,409 | 25,677 |

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| | | | |
|-------------|-----------------|------------------------|------------------------|
| Other banks | Demand deposits | 52,971 | 104,073 |
| | Time deposits | 4,601 | 15,193 |
| | | <u>57,572</u> | <u>119,266</u> |
| Off-shore | Demand deposits | 643,624 | 359,200 |
| Others | Other deposits | 4,831 | 5,064 |
| | | <u>741,436</u> | <u>509,207</u> |
| | | <u>(Won) 7,576,865</u> | <u>(Won) 4,599,356</u> |

1* Present value discounts are recorded in relation to the (Won)140,000 million of time deposits (1% interest, five-year maturity at the point of deposit, uncalled 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 September 30, 2003 are as follows (in millions of Won):

| | Due from Banks | Due from Banks | Total |
|-------------------------------------|------------------------|-----------------------|------------------------|
| | in Won | in Foreign Currencies | |
| Due in 3 months or less | (Won) 3,459,298 | (Won) 622,275 | (Won) 4,081,573 |
| Due after 3 months through 6 months | | 119,161 | 119,161 |
| Due after 6 months through 1 year | 154 | | 154 |
| Due after 1 year through 2 years | 50,000 | | 50,000 |
| Due after 2 years through 3 years | 90,000 | | 90,000 |
| Due after 5 years | 1,192 | | 1,192 |
| | <u>(Won) 3,600,644</u> | <u>(Won) 741,436</u> | <u>(Won) 4,342,080</u> |

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4. Securities

Trading securities as of September 30, 2003 are as follows (in millions of Won):

| | Amortized Cost | Fair value |
|--------------------------------|------------------------|------------------------|
| Equity securities | (Won) 87,657 | (Won) 90,361 |
| Beneficiary certificates | 1,587,026 | 1,646,212 |
| Government and municipal bonds | 707,071 | 713,258 |
| Corporate bonds | 1,124,913 | 1,127,664 |
| Asset-backed securities | 425,645 | 426,141 |
| | <u>(Won) 3,932,312</u> | <u>(Won) 4,003,636</u> |

Investment securities as of September 30, 2003 are as follows (in millions of Won):

| | Amortized Cost/ | | | Fair value |
|------------------------------------|-------------------|-----------------|-----------------|-------------------|
| | Acquisition Cost | Unrealized gain | Unrealized loss | |
| Available-for-sale | | | | |
| Equity securities | (Won) 446,437 | (Won) 27,280 | (Won) (21,072) | (Won) 452,645 |
| Investment in funds | 25,958 | 1,827 | | 27,785 |
| Beneficiary certificates | 7,217,520 | 152,041 | | 7,369,561 |
| Government and municipal bonds | 3,004,758 | 51,777 | (1,672) | 3,054,863 |
| Foreign government debt securities | 11,406 | 2,556 | | 13,962 |
| Corporate bonds | 8,492,389 | 101,493 | (3,106) | 8,590,776 |
| Asset-backed securities | 518,738 | 20,228 | | 538,966 |
| Other debt securities | 86 | | | 86 |
| | <u>19,717,292</u> | <u>357,202</u> | <u>(25,850)</u> | <u>20,048,644</u> |
| Held-to-maturity | | | | |

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| | | | | |
|--|-------------------------|----------------------|-----------------------|-------------------------|
| Government and municipal bonds ^{1*} | 2,410,646 | 141,062 | (64) | 2,551,644 |
| Corporate bonds | 3,334,502 | 120,212 | (1,858) | 3,452,856 |
| Asset-backed securities | 346,282 | 7,281 | | 353,563 |
| Other debt securities | 1,835 | | | 1,835 |
| | <u>6,093,265</u> | <u>268,555</u> | <u>(1,922)</u> | <u>6,359,898</u> |
| | <u>(Won) 25,810,557</u> | <u>(Won) 625,757</u> | <u>(Won) (27,772)</u> | <u>(Won) 26,408,542</u> |

^{1*} The government and municipal bonds included in held-to-maturity securities are under lending agreements with two companies, including Halla Construction, amounting to (Won)70,293 million.

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As of September 30, 2003, investments in associates are as follows (in millions of Won):

| Issuer | Owner-ship (%) | Acquisition Cost | Beginning Balance ^{7*} | Unrealized Gains (Losses) ^{10*} | | | Balance Sheet Amount ^{9*} |
|--|----------------|------------------|---------------------------------|--|--------------------|-------------------|------------------------------------|
| | | | | NI ^{8*} | R/E. ^{8*} | C/A ^{8*} | |
| Domestic associates | | | | | | | |
| KB Investment Co., Ltd. ^{1*} | 99.89 | (Won) 155,311 | (Won) 67,289 | (Won) 4,969 | (Won) (2,334) | (Won) 10,893 | (Won) 80,817 |
| Kookmin Data System Co., Ltd. | 99.98 | 7,998 | 13,616 | 183 | | | 13,799 |
| Kookmin Futures Co., Ltd. | 99.98 | 19,996 | 24,092 | 1,120 | | | 25,212 |
| KLB Securities Co., Ltd. ^{2*} | 36.41 | 10,316 | | | | | |
| KB Investment Trust Mgt. Co., Ltd. ^{3*} | 80.00 | 39,015 | 36,667 | 6,068 | | 48 | 42,783 |
| Joeun Industrial Co., Ltd. ^{2*} | 99.99 | 23,994 | | | | | |
| KB Real Estate Trust Co., Ltd. ^{4*} | 99.99 | 76,103 | 87,727 | 6,487 | (336) | 336 | 94,214 |
| KB Credit Information Co., Ltd. ^{5*} | 66.34 | 8,443 | 9,107 | 1,745 | | | 10,852 |
| ING Life Korea Co., Ltd. ^{6*} | 20.00 | 21,769 | 21,613 | 16,366 | | (3) | 37,976 |
| Korea Mortgage Co., Ltd. | 26.67 | 30,629 | 33,566 | 907 | | (206) | 34,267 |
| | | 393,574 | 293,677 | 37,845 | (2,670) | 11,068 | 339,920 |
| Overseas associates | | | | | | | |
| Kookmin Bank Int'l, Ltd. (London) | 100.00 | 38,500 | 47,424 | 307 | | | 47,731 |
| Kookmin Bank Luxembourg S.A. ^{2*} | 100.00 | 22,004 | 5,406 | (5,406) | | | |
| Kookmin Singapore, Ltd. ^{2*} | 100.00 | 12,123 | 1,997 | | | | 1,997 |
| Kookmin Finance Asia, Ltd. (HK) ^{2*} | 100.00 | 8,403 | 268 | 6 | | | 274 |
| Kookmin Finance HK, Ltd. | 100.00 | 24,008 | 58,863 | (5,215) | | | 53,648 |
| | | 105,038 | 113,958 | (10,308) | | | 103,650 |
| | | (Won) 498,612 | (Won) 407,635 | (Won) 27,537 | (Won) (2,670) | (Won) 11,068 | (Won) 443,570 |

^{1*} KB Investment Co., Ltd. merged with Frontier Investment Corp. and Kookmin Investment Co., Ltd., on December 31, 2001 and June 27, 2002, respectively.

^{2*} KLB Securities Co., Ltd., Joeun Industrial Co., Ltd., Kookmin Singapore (Merchant Bank), Ltd. and Kookmin Finance Asia, Ltd. (HK) are in the process of liquidation and during the current period, Kookmin Bank Luxembourg S.A. has been excluded from the application of the equity method accounting. Accordingly, the Bank did not recognize losses from these investments amounting to (Won)37,755 million, for the nine month period ended September 30, 2003.

^{3*} The company changed its name from Joeun Investment Management Co., Ltd. to KB Investment Trust Management Co., Ltd., effective as of June 10, 2002.

^{4*} Joeun Real Estate Trust Co., Ltd. changed its name to KB Real Estate Trust Co., Ltd., effective as of September 16, 2002.

^{5*}

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Joeun Credit Information Co., Ltd. merged with KM Credit Information Co., Ltd., effective as of May 2, 2002 and changed its name to KB Credit Information Co., Ltd.

- 6* The Bank applied the equity method based on the amended financial statements of ING Life Korea Co., Ltd. after recording (Won)25,122 million of income taxes.
- 7* The beginning balance is adjusted by dividends and changes in foreign exchange rate from the prior year's book value.
- 8* NI : Net Income, R/E : Retained Earnings, C/A : Capital Adjustments
- 9* The balance sheet amount is recorded using the unaudited monthly closing information of related parties as of September 30, 2003.
- 10* The bank merged with Kookmin Credit Card Co., Ltd. on September 30, 2003. As a result, unrealized gain on investment in associates amounting to (Won)211,201 million in net income and (Won)677 million in capital adjustments are excluded from the presentation above.

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Impairment losses on investment securities for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

| | Issuer | Amortized Cost/ Acquisition Cost | Impairment Loss | Book Value |
|--------------------------|--|-------------------------------------|--------------------|---------------|
| Equity Securities | | | | |
| Marketable | KP Chemical Co., Ltd. | (Won) 20,466 | (Won) 12,615 | (Won) 7,851 |
| | Saehan Industries, Inc. | 4,955 | 1,685 | 3,270 |
| | Namkwang Engineering & Construction | 2,797 | 1,370 | 1,427 |
| | Shinwon Corp. | 662 | 490 | 172 |
| | Boo Hung Co., Ltd. | 254 | 194 | 60 |
| | Huneed Technologies | 7 | 5 | 2 |
| | Namsun Aluminum Co., Ltd. | 507 | 184 | 323 |
| | Hyundai Metal Co., Ltd. (preferred stock) | 60 | 21 | 39 |
| | Hanchang | 6 | 5 | 1 |
| | C&H Capital | 3,867 | 662 | 3,205 |
| | Digital Camp Co., Ltd. | 521 | 358 | 163 |
| | Kang Lim Co., Ltd. | 77 | 54 | 23 |
| | Seo Han Co., Ltd. | 115 | 41 | 74 |
| | Ssangyong Engineering & Construction Co., Ltd. | 140 | 19 | 121 |
| | | | <u>34,434</u> | <u>17,703</u> |
| Non-marketable | Daewoo Electronics Corp. | 9,862 | 2,752 | 7,110 |
| | Integra Telecom. Co., Ltd. | 2,000 | 2,000 | |
| | Mybi Co., Ltd. | 1,200 | 840 | 360 |
| | A-Cash Inc. | 1,275 | 835 | 440 |
| | Mondex Korea Co., Ltd. | 1,100 | 1,100 | |
| | Bogo Tech Co., Ltd. | 1,354 | 945 | 409 |
| | Korea Aerospace Industries, Ltd. | 2,179 | 739 | 1,440 |
| | Vcash Co., Ltd. | 755 | 403 | 352 |
| | Space Technology Co., Ltd. | 625 | 598 | 27 |
| | Lemarco Co., Ltd. | 500 | 484 | 16 |
| | Daerim Corporation (preferred stock) | 526 | 382 | 144 |
| | Yalge Network, Inc. | 500 | 198 | 302 |
| | DiS, Inc. | 500 | 195 | 305 |
| | Korea Virtual Payment Co., Ltd. | 400 | 228 | 172 |
| | Daeyu System | 300 | 300 | |
| CCKvan.Co., Ltd. | 250 | 250 | | |

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| | | | |
|---|---------------|---------------|---------------|
| PointPark Co., Ltd. | 200 | 171 | 29 |
| NeoBill Co., Ltd. | 60 | 33 | 27 |
| Korea Asset Investment Co., Ltd. | 32 | 24 | 8 |
| The Korea Economic Daily Co., Ltd. | 59 | 20 | 39 |
| Coramdeo Credit Information Co., Ltd. | 200 | 200 | |
| Busan Environment Development Co., Ltd. | 10 | 10 | |
| Asia Finance and Investment Corp. | 1,129 | 41 | 1,088 |
| Baring Communications | 2,441 | 103 | 2,338 |
| | <u>27,457</u> | <u>12,851</u> | <u>14,606</u> |

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| | Issuer | Amortized Cost/ | Impairment | Book Value |
|---|--|------------------|--------------|--------------|
| | | Acquisition Cost | Loss | |
| Investment in funds | Kookmin securitization | 4 | 4 | |
| Beneficiary certificates | Hyundai Clean MMF | 2,505 | 1,753 | 752 |
| | New Power Private Placement Bonds | 502 | 173 | 329 |
| | Hyundai New MMF 2-12 | 291 | 196 | 95 |
| | Seoul Crystal New MMF E-1 | 545 | 324 | 221 |
| | | 3,843 | 2,446 | 1,397 |
| | | 65,738 | 33,004 | 32,734 |
| Debt securities | | | | |
| Debt securities denominated in Korean Won | | | | |
| | SK Networks | 48,815 | 33,770 | 15,045 |
| | Hynix Semiconductor Inc. | 24 | 17 | 7 |
| | Kookmin 3 rd securitization 1-6 | 6,500 | 6,500 | |
| | Kookmin 4 th securitization 1-7 | 6,020 | 2,815 | 3,205 |
| | | 61,359 | 43,102 | 18,257 |
| Debt securities denominated in foreign currencies | | | | |
| | Southern Petro Chemical Industry | 3,364 | 2,501 | 863 |
| | Berjaya Group Cap (Cayman) | 1,828 | 87 | 1,741 |
| | China Const. Holdings | 1,003 | 615 | 388 |
| | NK Telecom | 12 | 12 | |
| | Tuntex | 604 | 138 | 466 |
| | Jindo Hong Kong, Ltd. | 26 | 15 | 11 |
| | Shin Ho Paper Mfg. Co., Ltd. | 1,716 | 95 | 1,621 |
| | Daewoo Telecom Co., Ltd. | 315 | 114 | 201 |
| | | 8,868 | 3,577 | 5,291 |
| | | 70,227 | 46,679 | 23,548 |
| | | (Won) 135,965 | (Won) 79,683 | (Won) 56,282 |

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For the nine-month period ended September 30, 2003, the recovery of impairment losses on available-for-sale securities comprise (Won)6,093 million related to the Kookmin SPEs and (Won)5,364 million related to the investments in Kukdong Engineering & Construction.

The maturities of the available-for-sale and held-to-maturity debt securities as of September 30, 2003 are summarized as follows (in millions of Won):

| <u>Maturities</u> | <u>Available-for-sale</u> | | <u>Held-to-maturity</u> | |
|------------------------------------|---------------------------|-------------------------|-------------------------|------------------------|
| | <u>Amortized Cost</u> | <u>Fair Value</u> | <u>Amortized Cost</u> | <u>Fair Value</u> |
| Due in 1 year or less | (Won) 10,323,157 | (Won) 10,507,701 | (Won) 1,004,940 | (Won) 1,018,634 |
| Due after 1 year through 5 years | 8,433,611 | 8,556,705 | 4,837,085 | 5,058,098 |
| Due after 5 years through 10 years | 476,515 | 491,862 | 251,240 | 283,166 |
| Thereafter | 11,614 | 11,946 | | |
| | <u>(Won) 19,244,897</u> | <u>(Won) 19,568,214</u> | <u>(Won) 6,093,265</u> | <u>(Won) 6,359,898</u> |

For the nine-month period ended September 30, 2003, total interest income on securities amounts to (Won)1,181,146 million.

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Non-marketable equity securities classified as available-for-sale securities, as of September 30, 2003 are as follows (in millions of Won):

| <u>Issuer</u> | <u>Acquisition Cost</u> | <u>Net Asset Value</u> ^{1*} | <u>Balance Sheet Amount</u> |
|--|-------------------------|--------------------------------------|-----------------------------|
| Korea Housing Guarantee Co., Ltd. | (Won) 68,648 | (Won) 119,991 | (Won) 68,648 |
| Dongbu Electronics Co., Ltd. | 30,000 | 9,436 | 30,000 |
| Mastercard, Inc. | 11,118 | 5,558 | 11,118 |
| Asia Credit | 11,502 | 10,528 | 9,478 |
| The Korea Securities Finance Corp. | 8,160 | 11,003 | 8,160 |
| Korea Asset Management Corp. | 7,827 | 12,436 | 7,827 |
| Samsung Life Insurance Co., Ltd. | 7,479 | 9,678 | 7,479 |
| Daewoo Electronics Corp. | 9,862 | 7,293 | 7,110 |
| Korea Highway Corp. | 6,248 | 5,892 | 6,248 |
| Daewoo Motor Co., Ltd. | 5,633 | 12,170 | 5,633 |
| Bc Card Co., Ltd. | 5,738 | 7,497 | 5,738 |
| E Mirae Asset Securities Co., Ltd. | 5,000 | 8,302 | 5,000 |
| Hanwha Investment Trust Management Co., Ltd. | 3,487 | 3,503 | 3,487 |
| Korea Vilene Co., Ltd. | 3,000 | 3,662 | 3,000 |
| Hyundai Home Shopping Network Corp. | 2,680 | 915 | 2,680 |
| National Information & Credit Evaluation, Inc. | 2,668 | 4,209 | 2,668 |
| Nanjing Kumho Tire Co., Ltd. | 2,447 | 2,447 | 2,447 |
| Baring Communication | 4,716 | 2,338 | 2,338 |
| Korea Digital Satellite Broadcasting Co., Ltd. | 2,157 | 815 | 2,157 |
| Kyobo Investment Trust Management Co., Ltd. | 2,100 | 3,417 | 2,100 |
| Pan Asia Paper | 3,371 | 2,118 | 2,118 |
| Others | 87,880 | 49,038 | 38,979 |
| | <u>(Won) 291,721</u> | <u>(Won) 292,246</u> | <u>(Won) 234,413</u> |

1* Net asset value is calculated using the monthly closing information of investees as of September 30, 2003 if possible, otherwise the most recent financial information is used.

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As of September 30, 2003 and December 31, 2002 and

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(Unaudited - See Independent Accountant's Report)

Investment securities risk concentrations as of September 30, 2003 are as follows (in millions of Won):

| | <u>Amount</u> | <u>Ratio (%)</u> |
|-------------------------------|-------------------------|------------------|
| By Country | | |
| Korea | (Won) 30,127,302 | 98.49 |
| USA | 121,912 | 0.40 |
| UK | 53,265 | 0.17 |
| Philippines | 40,953 | 0.13 |
| Luxembourg | 28,780 | 0.09 |
| Indonesia | 20,073 | 0.07 |
| India | 16,057 | 0.05 |
| Mexico | 13,962 | 0.05 |
| Hong Kong and China | 61,930 | 0.20 |
| Cayman Islands | 47,747 | 0.16 |
| Australia | 17,195 | 0.06 |
| Others | 39,939 | 0.13 |
| | <u>(Won) 30,589,115</u> | <u>100.00</u> |
| By Type | | |
| Fixed rate bonds | (Won) 17,188,527 | 56.20 |
| Floating rate bonds | 2,377,695 | 7.77 |
| Subordinated bonds | 741,574 | 2.42 |
| Convertible bonds | 143,827 | 0.47 |
| Beneficiary certificates | 9,015,773 | 29.47 |
| Equity securities | 986,576 | 3.23 |
| Others | 135,143 | 0.44 |
| | <u>(Won) 30,589,115</u> | <u>100.00</u> |
| By Industry | | |
| Government and municipalities | (Won) 10,832,304 | 35.41 |
| Financial institutions | 18,181,038 | 59.44 |
| Manufacturing industries | 1,103,628 | 3.61 |
| Others | 472,145 | 1.54 |
| | <u>(Won) 30,589,115</u> | <u>100.00</u> |

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(Unaudited - See Independent Accountant's Report)

5. Loans

Loans as of September 30, 2003 and December 31, 2002 are summarized as follows (in millions of Won):

| <u>Account</u> | <u>Detailed Account</u> | <u>2003</u> | <u>2002</u> |
|---------------------|---|-------------------|-------------------|
| Loans in Won | | | |
| Corporate loans | Operation loans | | |
| | General operation loans | (Won) 30,045,497 | (Won) 28,904,621 |
| | Notes discounted | 1,591,684 | 1,851,133 |
| | Overdraft accounts | 711,127 | 568,702 |
| | Trading notes | 900,420 | 814,759 |
| | Other operation loans | 3,966,417 | 3,229,851 |
| | | <u>37,215,145</u> | <u>35,369,066</u> |
| | Facility loans | | |
| | General facility loans | 5,559,135 | 4,676,506 |
| | Other facility loans | 1,233,646 | 1,287,125 |
| | | <u>6,792,781</u> | <u>5,963,631</u> |
| | | <u>44,007,926</u> | <u>41,332,697</u> |
| Consumer loans | General consumer loans | 41,903,822 | 39,713,543 |
| | Consumer housing loans | 37,175,741 | 33,731,435 |
| | Remunerations on mutual installment savings | 264,073 | 131,768 |
| | Other consumer loans | 689,352 | 632,172 |
| | | <u>80,032,988</u> | <u>74,208,918</u> |
| Public loans | Public operation loans | 500,892 | 738,632 |
| | Public facility loans | 42,155 | 39,414 |
| | | <u>543,047</u> | <u>778,046</u> |

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| | | | |
|--|---------------------------------|--------------------------|--------------------------|
| Other loans | Property formation loans | 73,734 | 95,252 |
| | Inter-bank loans | 16,412 | 20,941 |
| | Others | 4,230 | 5,449 |
| | | <u>94,376</u> | <u>121,642</u> |
| | | <u>124,678,337</u> | <u>116,441,303</u> |
| Loans in foreign currencies | Domestic funding loans | 1,144,661 | 1,052,800 |
| | Overseas funding loans | 821,077 | 933,010 |
| | Inter-bank loans | 666,482 | 1,094,119 |
| | Domestic usance bills | 1,198,775 | 1,334,006 |
| | Government funding loans | 1,584 | 3,241 |
| | | <u>3,832,579</u> | <u>4,417,176</u> |
| Call Loans | In Won | 1,226,400 | 33,600 |
| | In foreign currencies | 154,242 | 248,857 |
| | Inter-bank reconciliation funds | | 89,287 |
| | | <u>1,380,642</u> | <u>371,744</u> |
| Privately placed debentures | | <u>1,490,191</u> | <u>1,276,080</u> |
| Other loans | | <u>12,385,186</u> | <u>6,633,396</u> |
| Allowances for loan losses (Note 6) | | <u>(4,525,440)</u> | <u>(2,378,696)</u> |
| Present value discounts | | <u>(25,446)</u> | <u>(30,442)</u> |
| | | <u>(Won) 139,216,049</u> | <u>(Won) 126,730,561</u> |

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(Unaudited - See Independent Accountant's Report)

As of September 30, 2003, restructured loans due to workout plans or other similar restructuring programs are as follows (in millions of Won):

| | Period | Balances Before Restructuring | Exemption ^{1*} | Equity Conversion | CB Conversion | Restructured Amount | Present Value Discounts |
|--------------------|--------|----------------------------------|-------------------------|----------------------|------------------|------------------------|----------------------------|
| Workout | 1- 6 | (Won) 127,500 | (Won) | (Won) 3,408 | (Won) | (Won) 124,092 | (Won) 7,111 |
| Court receivership | 5-10 | 30,622 | 154 | 5,162 | | 25,306 | 5,524 |
| Court mediation | 5- 6 | 16,542 | | | | 16,542 | 279 |
| Others | 2 -7 | 551,530 | 353,257 | 516 | 2,706 | 195,051 | 12,532 |
| | | (Won) 726,194 | (Won) 353,411 | (Won) 9,086 | (Won) 2,706 | (Won) 360,991 | (Won) 25,446 |

1* The Bank wrote off (Won)234,714 million of loans to SK Networks, (formerly called SK Global) in expectation of a cash buy out restructuring. In addition, the Bank provided an allowance amounting to (Won)2,047 million for the remaining loan balance of (Won)118,543 million as of September 30, 2003.

The loans, or portions thereof, that are approved for debt restructuring by issuance or grants 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 maturities of loans as of September 30, 2003 are as follows (in millions of Won):

| | Loans in Won | Loans in Foreign Currencies | Bills Bought | Credit Card | Call Loans | Privately Placed Debentures | Others |
|-------------------------------------|------------------|--------------------------------|-----------------|-----------------|-----------------|-----------------------------------|---------------|
| Due in 3 months or less | (Won) 18,635,944 | (Won) 1,401,574 | (Won) 495,957 | (Won) 6,736,300 | (Won) 1,380,642 | (Won) 103,224 | (Won) 748,426 |
| Due after 3 months through 6 months | 14,070,032 | 636,919 | 51,687 | 1,025,943 | | 176,568 | 38 |
| Due after 6 months through 1 year | 28,603,545 | 393,361 | 5,405 | 1,477,158 | | 353,334 | 57 |
| Due after 1 year through 2 years | 26,991,676 | 187,445 | 6,950 | 891,999 | | 236,782 | 6,311 |
| Due after 2 years through 3 years | 19,943,730 | 300,555 | 6,369 | 466,584 | | 309,425 | |
| Due after 3 years through 4 years | 2,828,070 | 238,208 | 2,973 | 28,987 | | 310,082 | |
| Due after 4 years through 5 years | 2,916,219 | 142,295 | | 398,980 | | 776 | |

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Thereafter

10,689,121

532,222

4,260

30,802

(Won) 124,678,337 (Won) 3,832,579 (Won) 569,341 (Won) 11,030,211 (Won) 1,380,642 (Won) 1,490,191 (Won) 785,634 (W

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(Unaudited - See Independent Accountant's Report)

Loan risk concentrations as of September 30, 2003 are as follows (in millions of Won):

| | Loans in Won | Loans in Foreign Currencies | Others | Total | Percentage (%) |
|-------------------|-------------------|-----------------------------|------------------|-------------------|----------------|
| By Country | | | | | |
| Korea | (Won) 124,678,337 | (Won) 3,182,723 | (Won) 15,174,793 | (Won) 143,035,853 | 99.49 |
| Southeast Asia | | 208,366 | 39,415 | 247,781 | 0.17 |
| Russia | | 113,870 | | 113,870 | 0.08 |
| China | | 10,429 | 2 | 10,431 | 0.01 |
| Japan | | 230,586 | 11 | 230,597 | 0.16 |
| Others | | 86,605 | 41,798 | 128,403 | 0.09 |
| | (Won) 124,678,337 | (Won) 3,832,579 | (Won) 15,256,019 | (Won) 143,766,935 | 100.00 |

Industrial loans

| | | | | | |
|-------------------------------|-------------------|-----------------|------------------|-------------------|--------|
| Financial institutions | (Won) 765,338 | (Won) 618,194 | (Won) 2,024,935 | (Won) 3,408,467 | 2.37 |
| Manufacturing companies | 14,977,389 | 1,749,627 | 1,256,918 | 17,983,934 | 12.51 |
| Service companies | 23,211,946 | 1,016,696 | 594,489 | 24,823,131 | 17.27 |
| Others | 5,472,902 | 137,741 | 1,441,047 | 7,051,690 | 4.90 |
| | 44,427,575 | 3,522,258 | 5,317,389 | 53,267,222 | 37.05 |
| Household loans | 80,102,443 | 154,596 | 9,935,229 | 90,192,268 | 62.74 |
| Public and other loans | 148,319 | 155,725 | 3,401 | 307,445 | 0.21 |
| | (Won) 124,678,337 | (Won) 3,832,579 | (Won) 15,256,019 | (Won) 143,766,935 | 100.00 |

6. Allowances for Loan Losses

As of September 30, 2003 and December 31, 2002, allowances for loan losses are as follows (in millions of Won):

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| <u>Allowance for</u> | <u>2003</u> | <u>2002</u> |
|--|------------------------|------------------------|
| Loans in Won | (Won) 2,622,980 | (Won) 1,905,065 |
| Loans in foreign currencies | 64,561 | 103,838 |
| Bills bought in Won and foreign currencies | 17,519 | 20,213 |
| Payments on guarantees | 25,049 | 18,382 |
| Credit card accounts | 1,738,066 | 284,491 |
| Privately placed debentures | 15,431 | 28,210 |
| Loans due for equity conversion | 3,247 | 5,373 |
| Factoring receivable | 14,730 | 143 |
| Suspense receivables | 17,664 | 11,022 |
| Others | 6,193 | 1,959 |
| | <u>(Won) 4,525,440</u> | <u>(Won) 2,378,696</u> |

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As of September 30, 2003, allowances for loan losses and credit risk classifications are as follows (in millions of Won):

| | | <u>Normal</u> | <u>Pre-cautionary</u> | <u>Substandard</u> | <u>Doubtful</u> | <u>Estimated Loss</u> | <u>Total</u> |
|---|---------------|-------------------|-----------------------|--------------------|-----------------|-----------------------|-------------------|
| Loans in Won | Loan balance | (Won) 113,933,782 | (Won) 6,045,635 | (Won) 3,234,116 | (Won) 1,098,215 | (Won) 346,564 | (Won) 124,658,312 |
| | Allowances | 765,723 | 254,084 | 666,707 | 589,902 | 346,564 | 2,622,980 |
| | Percentage(%) | 0.67 | 4.20 | 20.61 | 53.71 | 100.00 | 2.10 |
| Loans in foreign currencies | Loan balance | 3,483,916 | 272,179 | 55,410 | 9,691 | 8,172 | 3,829,368 |
| | Allowances | 14,087 | 16,745 | 19,924 | 5,633 | 8,172 | 64,561 |
| | Percentage(%) | 0.40 | 6.15 | 35.96 | 58.13 | 100.00 | 1.69 |
| Bills bought | Loan balance | 498,395 | 54,133 | 319 | 5,145 | 10,511 | 568,503 |
| | Allowances | 2,492 | 1,083 | 64 | 3,369 | 10,511 | 17,519 |
| | Percentage(%) | 0.50 | 2.00 | 20.06 | 65.48 | 100.00 | 3.08 |
| Payments on guarantees | Loan balance | 63,094 | 8,949 | 21,430 | 14,407 | 12,655 | 120,535 |
| | Allowances | 315 | 567 | 4,286 | 7,226 | 12,655 | 25,049 |
| | Percentage(%) | 0.50 | 6.34 | 20.00 | 50.16 | 100.00 | 20.78 |
| Credit card accounts | Loan balance | 6,977,740 | 2,113,535 | 416 | 1,317,993 | 620,527 | 11,030,211 |
| | Allowances | 72,962 | 253,698 | 83 | 790,796 | 620,527 | 1,738,066 |
| | Percentage(%) | 1.05 | 12.00 | 19.95 | 60.00 | 100.00 | 15.76 |
| Bonds purchased under resale agreements | Loan balance | 600,000 | | | | | 600,000 |
| | Allowances | | | | | | |
| | Percentage(%) | | | | | | |
| Call loans | Loan balance | 1,380,642 | | | | | 1,380,642 |

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| Allowances | | | | | | | |
|--|----------------------------|-------------------|-----------------|-----------------|-----------------|-----------------|-------------------|
| Percentage(%) | | | | | | | |
| Privately placed | | | | | | | |
| debentures | Loan balance | 1,435,209 | 30,056 | 21,205 | 1,823 | 1,854 | 1,490,147 |
| | Allowances | 7,177 | 601 | 4,876 | 923 | 1,854 | 15,431 |
| Percentage(%) | | 0.50 | 2.00 | 22.99 | 50.63 | 100.00 | 1.04 |
| Factoring | | | | | | | |
| receivables | Loan balance | 29,474 | | 3,672 | | 13,338 | 46,484 |
| | Allowances | 147 | | 1,245 | | 13,338 | 14,730 |
| Percentage(%) | | 0.50 | | 33.91 | | 100.00 | 31.69 |
| Loans due for equity conversion | | | | | | | |
| Loans due for equity conversion | Loan balance | 15,650 | 1,637 | | | | 17,287 |
| | Allowances | 3,083 | 164 | | | | 3,247 |
| Percentage(%) | | 19.70 | 10.02 | | | | 18.78 |
| Total loans | Loan balance ^{1*} | (Won) 128,417,902 | (Won) 8,526,124 | (Won) 3,336,568 | (Won) 2,447,274 | (Won) 1,013,621 | (Won) 143,741,489 |
| | Allowances ^{2*} | 865,986 | 526,942 | 697,185 | 1,397,849 | 1,013,621 | 4,501,583 |
| Percentage(%) | | 0.67 | 6.18 | 20.90 | 57.12 | 100.00 | 3.13 |

1* The above amounts of loan balances are net of present value discounts.

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

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(Unaudited - See Independent Accountant's Report)

For the nine-month period ended September 30, 2003, the movements in allowances for loan losses are as follows (in millions of Won):

| | |
|--|------------------------|
| Beginning balance | (Won) 2,378,696 |
| Increase due to: | |
| Provision for loan losses | 2,651,281 |
| Collection of written-off loans | 375,885 |
| Troubled debt restructuring | 1,984 |
| Repurchase of loans sold | 11,918 |
| Increase due to merger | 1,388,854 |
| | <u>4,429,922</u> |
| Decrease due to: | |
| Write-off of loans | 1,963,191 |
| Sale of loans | 3,072 |
| Conversion of loans into equity securities | 43,370 |
| Exemption of loans | 260,175 |
| Offset with present value discounts from troubled debt restructuring | 8,528 |
| Others | 4,842 |
| | <u>2,283,178</u> |
| Ending balance | <u>(Won) 4,525,440</u> |

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7. Fixed Assets

Fixed assets as of September 30, 2003 are as follows (in millions of Won):

| | <u>Land</u> | <u>Buildings and structures</u> | <u>Leasehold improvement</u> | <u>Equipment and vehicles</u> | <u>Construction in-progress</u> | <u>Total</u> |
|---------------------------------|------------------------|-------------------------------------|----------------------------------|-----------------------------------|-------------------------------------|------------------------|
| Acquisition cost | | | | | | |
| Beginning balances | (Won) 1,175,682 | (Won) 848,746 | (Won) 98,117 | (Won) 1,043,969 | (Won) 1,195 | (Won) 3,167,709 |
| Acquisition | 1,640 | 7,069 | 10,767 | 124,612 | 61,100 | 205,188 |
| Transfer | | 16,569 | 26,773 | | (43,342) | |
| Increase due to merger | 55,529 | 71,024 | 4,805 | 263,897 | | 395,255 |
| Disposal | (128,670) | (2,685) | (494) | (35,382) | | (167,231) |
| | <u>1,104,181</u> | <u>940,723</u> | <u>139,968</u> | <u>1,397,096</u> | <u>18,953</u> | <u>3,600,921</u> |
| Accumulated depreciation | | | | | | |
| Beginning balances | | 108,723 | 48,164 | 533,675 | | 690,562 |
| Depreciation expense | | 14,706 | 27,963 | 226,769 | | 269,438 |
| Increase due to merger | | 12,976 | 2,786 | 160,381 | | 176,143 |
| Disposal | | (212) | (337) | (33,688) | | (34,237) |
| | | <u>136,193</u> | <u>78,576</u> | <u>887,137</u> | | <u>1,101,906</u> |
| Book Value | <u>(Won) 1,104,181</u> | <u>(Won) 804,530</u> | <u>(Won) 61,392</u> | <u>(Won) 509,959</u> | <u>(Won) 18,953</u> | <u>(Won) 2,499,015</u> |

Fixed assets covered by insurance policies as of September 30, 2003 are as follows (in millions of Won):

| | <u>Amount Insured</u> | <u>Insurance Company</u> | <u>Type of Insurance</u> |
|--------------------------|-----------------------|--|----------------------------|
| Buildings and structures | (Won) 663,393 | Samsung Fire & Marine Insurance Co., Ltd | General property insurance |
| Leasehold improvement | 65,385 | Samsung Fire & Marine Insurance Co., Ltd | General property insurance |

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| | | | |
|--------------------------|------------------------|--|----------------------------|
| Equipment and vehicles | 459,456 | Samsung Fire & Marine Insurance Co., Ltd | General property insurance |
| Construction in-progress | 9,259 | Samsung Fire & Marine Insurance Co., Ltd | General property insurance |
| | <u>(Won) 1,197,493</u> | | |

Intangible assets as of September 30, 2003 are as follows (in millions of Won):

| | <u>Goodwill</u> | <u>Development costs</u> | <u>Rights to income on donated asset</u> | <u>Store possessory right</u> | <u>Trademarks</u> | <u>Others</u> | <u>Total</u> |
|------------------------|----------------------|--------------------------|--|-------------------------------|-------------------|------------------|----------------------|
| Beginning balances | (Won) 613,705 | (Won) | (Won) 110 | (Won) 161 | (Won) 11 | (Won) 470 | (Won) 614,457 |
| Acquisition | | | | | 28 | 368 | 396 |
| Increase due to merger | | 13,634 | | | 62 | | 13,696 |
| Amortization | (58,759) | | (6) | (16) | (6) | (117) | (58,904) |
| Ending balances | <u>(Won) 554,946</u> | <u>(Won) 13,634</u> | <u>(Won) 104</u> | <u>(Won) 145</u> | <u>(Won) 95</u> | <u>(Won) 721</u> | <u>(Won) 569,645</u> |

The Bank recoded (Won)74,756 million as current development cost under general and administrative expenses for the nine-month period ended September 30, 2003.

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The total government-posted prices of land, used for tax imposition and compensation for confiscation, as of September 30, 2003 are as follows (in millions of Won):

| | <u>Book value</u> | <u>Appraisal value</u> |
|-------------------------------------|------------------------|------------------------|
| Lands included in tangible assets | (Won) 1,104,181 | (Won) 986,398 |
| Lands included in foreclosed assets | 1,315 | 591 |
| | <u>(Won) 1,105,496</u> | <u>(Won) 986,989</u> |

Foreclosed and other properties, as of September 30, 2003 and December 31, 2002 are as follows (in millions of Won):

| | <u>2003</u> | <u>2002</u> |
|---|------------------|--------------------|
| Acquisition cost | (Won) 1,522 | (Won) 2,099 |
| Allowance for foreclosed and other properties | (746) | (1,087) |
| | <u>(Won) 776</u> | <u>(Won) 1,012</u> |

8. Other Assets

Other assets as of September 30, 2003 and December 31, 2002 are as follows (in millions of Won):

| | <u>2003</u> | <u>2002</u> |
|-------------------------|-----------------|-----------------|
| Guarantee deposits paid | (Won) 1,350,090 | (Won) 1,235,362 |
| Accounts receivable | 4,783,521 | 1,877,645 |
| Accrued income | 1,317,490 | 981,141 |

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| | | |
|------------------------------------|-----------------------------|-----------------------------|
| Payments in advance | 102,410 | 48,390 |
| Prepaid expenses | 266,036 | 12,646 |
| Deferred tax assets (Note 25) | 512,423 | 170,624 |
| Derivative assets (Note 16) | 997,777 | 660,791 |
| Unsettled domestic exchange assets | 375,441 | 1,087,587 |
| Loans to trust accounts | | 37,882 |
| Others | 33,422 | 23,490 |
| | <u> </u> | <u> </u> |
| | (Won) 9,738,610 | (Won) 6,135,558 |
| | <u> </u> | <u> </u> |

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9. Deposits

Deposits as of September 30, 2003 and December 31, 2002 are as follows (in millions of Won):

| | Annual interest (%) | | |
|---|---------------------|--------------------|--------------------|
| | September 30, 2003 | 2003 | 2002 |
| Deposits in Won | | | |
| Demand deposits | | | |
| - Checking deposits | | (Won) 120,669 | (Won) 134,222 |
| - Household checking deposits | 0.10 | 453,803 | 469,866 |
| - Passbook deposits | 0.10 | 9,095,237 | 8,586,219 |
| - Temporary deposits | | 3,317,263 | 3,577,243 |
| - Public fund deposits | 0.10 | 142,071 | 207,695 |
| - Others | 0.10 | 47,639 | 12,497 |
| | | <u>13,176,682</u> | <u>12,987,742</u> |
| Time deposits and savings deposits | | | |
| - Time deposits | 2.90~4.40 | 60,763,553 | 58,187,286 |
| - Installment savings deposits | 3.60~4.30 | 1,313,088 | 1,422,532 |
| - Property formation savings | 8.50 | 1,965 | 2,221 |
| - Time and savings deposits of non-residents in Won | 2.90~4.40 | 331,135 | 151,124 |
| - General savings deposits | 0.10~3.30 | 21,358,531 | 21,346,223 |
| - Corporate free savings deposits | 0.10~3.20 | 7,385,549 | 6,556,979 |
| - Long-term savings deposits for workers | 11.50~12.00 | 108,787 | 297,272 |
| - Long-term housing savings deposits | 4.80 | 780,466 | 538,782 |
| - Long-term savings for households | 4.96 | 1,726,684 | 2,250,457 |
| - Worker's preferential savings deposits | 5.35 | 2,860,473 | 2,877,467 |
| - Worker's savings for housing | 1.67 | 81 | 79 |
| - Mutual installment deposits | 3.20~4.50 | 7,009,983 | 7,491,115 |
| - Mutual installment for housing | 2.95~4.30 | 5,291,492 | 4,872,637 |
| | | <u>108,931,787</u> | <u>105,994,174</u> |
| | | <u>122,108,469</u> | <u>118,981,916</u> |

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| | | | |
|---------------------------------------|-----------|--------------------------|--------------------------|
| Deposits in foreign currencies | | | |
| Demand deposits | | | |
| - Checking deposits | 0.00~3.00 | 37,100 | 29,629 |
| - Passbook deposits | 0.00~0.05 | 624,270 | 549,646 |
| - Notice deposits | 0.05~6.22 | 619 | 2,725 |
| - Temporary deposits | | 2,192 | 3,796 |
| | | <u>664,181</u> | <u>585,796</u> |
| Time deposits and savings deposits | | | |
| - Time deposits | 0.00~7.70 | 636,325 | 496,359 |
| - Others | 0.00~8.00 | 2,521 | 1,493 |
| | | <u>638,846</u> | <u>497,852</u> |
| | | <u>1,303,027</u> | <u>1,083,648</u> |
| Certificates of deposit | 3.45~3.95 | 4,689,250 | 3,044,089 |
| | | <u>(Won) 128,100,746</u> | <u>(Won) 123,109,653</u> |

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The maturities of deposits as of September 30, 2003 are as follows (in millions of Won):

| | Deposits in Won | Deposits in foreign currencies | Certificates of deposit | Total |
|-------------------------------------|-------------------|-----------------------------------|----------------------------|-------------------|
| Due in 3 months or less | (Won) 67,318,622 | (Won) 1,064,958 | (Won) 3,307,750 | (Won) 71,691,330 |
| Due after 3 months through 6 months | 12,933,739 | 118,481 | 1,041,382 | 14,093,602 |
| Due after 6 months through 1 year | 29,550,760 | 72,856 | 340,118 | 29,963,734 |
| Due after 1 year through 2 years | 7,685,520 | 44,909 | | 7,730,429 |
| Due after 2 years through 3 years | 3,393,123 | 1,752 | | 3,394,875 |
| Due after 3 years through 4 years | 404,962 | 71 | | 405,033 |
| Due after 4 years through 5 years | 388,810 | | | 388,810 |
| Thereafter | 432,933 | | | 432,933 |
| | (Won) 122,108,469 | (Won) 1,303,027 | (Won) 4,689,250 | (Won) 128,100,746 |

10. Borrowings

Borrowings as of September 30, 2003 and December 31, 2002 are as follows (in millions of Won):

| | Annual Interest (%) | | |
|--|---------------------|---------------|---------------|
| | September 30, 2003 | 2003 | 2002 |
| Borrowings in Won | | | |
| Borrowings from the Bank of Korea | 2.50 | (Won) 900,665 | (Won) 671,854 |
| Borrowings from the government | 0.00~8.00 | 923,689 | 1,056,480 |
| Borrowings from banking institutions | 3.28~8.55 | 1,091,359 | 318,702 |
| Borrowings from National Housing Fund | 8.00 | 8,732 | 9,192 |
| Borrowings from non-banking financial institutions | 2.00~4.00 | 5,769 | 6,211 |
| Other borrowings | 1.75~7.00 | 2,215,100 | 1,129,305 |

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| | | | |
|---|-----------|------------------|------------------|
| | | 5,145,314 | 3,191,744 |
| Borrowings in foreign currencies | | | |
| Due to banks | | 227,184 | 528,991 |
| Borrowings from domestic banks | 0.09~1.40 | 2,166,966 | 1,875,119 |
| Borrowings from other financial institutions | 5.13 | 18,712 | 23,092 |
| Borrowings from foreign banks | | 851,037 | 981,328 |
| | | 3,263,899 | 3,408,530 |
| Bonds sold under repurchase agreements | | | |
| In Won | 2.50~4.10 | 4,340,590 | 3,050,179 |
| In foreign currencies | 1.54 | 9,268 | 23,982 |
| | | 4,349,858 | 3,074,161 |
| Bills sold | 3.40~3.85 | 39,578 | 72,860 |
| Due to the Bank of Korea in foreign currencies | | 16,857 | 37,493 |
| Call money | | | |
| In Won | 3.25~3.65 | 697,900 | 829,300 |
| In foreign currencies | 0.25~5.05 | 300,087 | 76,666 |
| Interbank borrowings | | 338,855 | |
| | | 1,336,842 | 905,966 |
| | | (Won) 14,152,348 | (Won) 10,690,754 |

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The maturities of borrowings as of September 30, 2003 are as follows (in millions of Won):

| | Borrowings in Won | Borrowings in Foreign Currencies | Others | Total |
|--|----------------------|-------------------------------------|-----------------|------------------|
| Due in 3 months or less | (Won) 2,735,479 | (Won) 506,559 | (Won) 3,385,338 | (Won) 6,627,376 |
| Due after 3 months through 6 months | 306,029 | 970,352 | 1,090,635 | 2,367,016 |
| Due after 6 months through 1 year | 250,890 | 899,289 | 1,267,162 | 2,417,341 |
| Due after 1 year through 2 years | 420,388 | 306,191 | | 726,579 |
| Due after 2 years through 3 years | 395,723 | 399,199 | | 794,922 |
| Due after 3 years through 4 years | 307,711 | 94,570 | | 402,281 |
| Due after 4 years through 5 years | 252,233 | | | 252,233 |
| Thereafter | 476,861 | 87,739 | | 564,600 |
| | (Won) 5,145,314 | (Won) 3,263,899 | (Won) 5,743,135 | (Won) 14,152,348 |

11. Debentures

Debentures as of September 30, 2003 and December 31, 2002 are as follows (in millions of Won):

| | Annual Interest (%) | | |
|---------------------------------------|---------------------|---------------|-----------|
| | September 30, 2003 | 2003 | 2002 |
| In Won | | | |
| Hybrid debentures | 6.00~7.00 | (Won) 638,500 | (Won) |
| Subordinated fixed rate debentures | 6.07~16.28 | 4,463,406 | 4,753,285 |

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| | | | |
|------------------------------|------------|-------------------------|-------------------------|
| Fixed rate debentures | 4.04~10.57 | 15,357,938 | 12,269,023 |
| Floating rates debentures | 2.25~8.15 | 950,000 | |
| | | <u>21,409,844</u> | <u>17,022,308</u> |
| Discounts on debentures | | <u>(138,875)</u> | <u>(270,924)</u> |
| | | <u>21,270,969</u> | <u>16,751,384</u> |
| In foreign currencies | | | |
| Floating rates debentures | 1.52~2.25 | 241,081 | 350,589 |
| Fixed rates debentures | 1.08~4.63 | 592,887 | 438,538 |
| | | <u>833,968</u> | <u>789,127</u> |
| Premiums on debentures | | 9,809 | |
| Discounts on debentures | | <u>(1,555)</u> | <u>(1,504)</u> |
| | | <u>842,222</u> | <u>787,623</u> |
| | | <u>(Won) 22,113,191</u> | <u>(Won) 17,539,007</u> |

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As of September 30, 2003, subordinated debentures in Won comprise the following:

| Type | Issue date | Hundred millions of Won | Annual interest (%) | Maturity |
|---|-------------------|--------------------------------|----------------------------|-------------------|
| Subordinated fixed rate debentures | 95.09.30~98.11.15 | (Won) 2,816 | 9.61~16.00 | 03.01.27~09.11.15 |
| | 2000.03.27 | 2,000 | 9.65 | 2005.03.27 |
| | 2000.06.28 | 2,540 | 9.00~9.10 | 2006.01.28 |
| | 2000.09.27 | 3,000 | 8.99 | 2006.01.27 |
| | 2000.09.28 | 1,500 | 8.00~8.85 | 2006.01.28 |
| | 2000.11.28 | 1,000 | 8.00~8.71 | 2006.02.28 |
| | 2000.11.28 | 1,513 | 9.57~9.65 | 2010.11.28 |
| | 2000.11.28 | 107 | 9.00 | 2010.12.28 |
| | 2000.12.27 | 2,000 | 8.71 | 2006.01.27 |
| | 2001.05.28 | 2,000 | 7.00~7.65 | 2007.02.28 |
| | 2001.06.27 | 1,600 | 7.68 | 2008.03.27 |
| | 2001.06.27 | 2,175 | 7.86 | 2009.03.27 |
| | 2001.08.28 | 1,000 | 6.00~6.73 | 2007.08.28 |
| | 2001.09.28 | 1,500 | 6.00~6.73 | 2008.03.28 |
| | 2002.03.27 | 2,417 | 7.06~7.10 | 2008.01.27 |
| | 2002.07.27 | 3,024 | 6.96~7.00 | 2008.01.27 |
| | 2002.09.27 | 2,574 | 6.27~6.30 | 2008.03.27 |
| | 2002.09.27 | 1,500 | 6.51~6.55 | 2010.03.27 |
| | 2002.09.27 | 926 | 6.66~6.70 | 2013.03.27 |
| | 2002.11.27 | 4,007 | 6.07~6.10 | 2008.05.27 |
| | 2002.11.27 | 578 | 6.27~6.30 | 2010.05.27 |
| | 2002.11.27 | 1,003 | 6.51~6.55 | 2013.05.27 |
| | 2002.12.18 | 1,100 | 8.00 | 2008.01.18 |
| | 2002.12.27 | 100 | 6.20 | 2008.06.27 |
| | 2002.12.27 | 900 | 6.40 | 2010.06.27 |
| | 2002.12.27 | 500 | 6.65 | 2013.06.27 |
| | 2002.12.27 | 304 | 6.55 | 2014.12.27 |
| | 2003.01.27 | 500 | 7.65 | 2008.02.21 |
| | | 450 | 7.10 | 2008.04.10 |
| | | (Won) 44,634 | | |

The maturities of debentures as of September 30, 2003 are as follows (in millions of Won):

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| | <u>Won</u> | <u>Foreign currencies</u> | <u>Total</u> |
|-------------------------------------|-------------------------|---------------------------|-------------------------|
| Due in 3 months or less | (Won) 4,624,896 | (Won) | (Won) 4,624,896 |
| Due after 3 months through 6 months | 4,407,589 | | 4,407,589 |
| Due after 6 months through 1 year | 3,918,379 | 149,637 | 4,068,016 |
| Due after 1 year through 2 years | 2,946,579 | 27,010 | 2,973,589 |
| Due after 2 years through 3 years | 1,452,706 | 66,367 | 1,519,073 |
| Due after 3 years through 4 years | 384,034 | | 384,034 |
| Due after 4 years through 5 years | 2,051,573 | 590,954 | 2,642,527 |
| Thereafter | 1,624,088 | | 1,624,088 |
| | <u>(Won) 21,409,844</u> | <u>(Won) 833,968</u> | <u>(Won) 22,243,812</u> |

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12. Accrued Retirement Benefits

The movements in accrued retirement benefits for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

| | <u>Beginning balance</u> | <u>Amounts provided</u> | <u>Amounts paid out</u> | <u>Increase due to merger</u> | <u>Ending balance</u> |
|--|------------------------------|-----------------------------|-----------------------------|-----------------------------------|---------------------------|
| Accrued retirement benefits | (Won) 42,773 | (Won) 70,361 | (Won) 10,909 | (Won) 8,865 | (Won) 111,090 |
| Contributed retirement benefits | 88,682 | | | 6,488 | 95,170 |
| Total accrued retirement benefits | 131,455 | 70,361 | 10,909 | 15,353 | 206,260 |
| Contribution to pension funds | (88,682) | | | (6,488) | (95,170) |
| | (Won) 42,773 | (Won) 70,361 | (Won) 10,909 | (Won) 8,865 | (Won) 111,090 |

As of September 30, 2003, approximately 46.14% of total accrued retirement benefits are contributed to pension funds, to which the Bank's employees hold the right of payment, placed at two insurance companies, including Korea Life Insurance Co., Ltd.

13. Employee Stock Options

As of September 30, 2003, the stock options granted to the Bank's executives and chief executive officer are as follows:

| <u>Series</u> | <u>Grant Date</u> | <u>Shares Granted</u> | <u>Shares Expired to Date</u> | <u>Shares Exercised</u> | <u>Shares Outstanding</u> | <u>Exercise Price</u> | <u>Exercise Period</u> |
|----------------|-------------------|---------------------------|-----------------------------------|-----------------------------|-------------------------------|-----------------------|------------------------|
| Series1 | 00.03.18 | 222,094 | 109,565 | 2,961 | 109,568 | (Won) 23,469 | 03.03.19 ~ 05.03.18 |

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| | | | | | | | | |
|--|-----------|---------|---------|---------|---------|-------|---------|---------------------|
| Series2 | 01.03.15 | 214,975 | 16,882 | | 198,093 | (Won) | 28,027 | 04.03.16 ~ 09.03.15 |
| Series3 | 98.10.31 | 400,000 | | 330,000 | 70,000 | (Won) | 5,000 | 01.11.01 ~ 04.10.31 |
| Series4 | 99.02.27 | 280,000 | 59,892 | 220,108 | | (Won) | 13,900 | 02.02.28 ~ 05.02.27 |
| Series5 | 00.02.28 | 267,000 | 65,218 | | 201,782 | (Won) | 27,600 | 03.03.01 ~ 06.02.28 |
| Series6 | 01.03.24 | 111,000 | 38,624 | | 72,376 | (Won) | 25,100 | 04.03.25 ~ 07.03.24 |
| Series7^{1* 2*} | 01.11.16 | 850,000 | | | 850,000 | (Won) | 51,200 | 04.11.17 ~ 09.11.16 |
| Series8^{2*} | 02.03.22 | 132,000 | 89,753 | | 42,247 | (Won) | 57,100 | 05.03.23 ~ 10.03.22 |
| | 02.03.22 | 490,000 | 119,326 | | 370,674 | (Won) | 57,100 | 05.03.23 ~ 10.03.22 |
| Series9 | 02. 07.26 | 30,000 | | | 30,000 | (Won) | 58,800 | 05.07.27 ~ 10.07.26 |
| Series10^{2*} | 03.03.21 | 140,000 | | | 140,000 | (Won) | 37,400 | 06.03.22 ~ 11.03.21 |
| | 03.03.21 | 180,000 | | | 180,000 | (Won) | 35,500 | 06.03.22 ~ 11.03.21 |
| Series11 | 03.08.28 | 30,000 | | | 30,000 | (Won) | 40,500 | 06.08.29 ~ 11.08.28 |
| Increase due to merger^{3*} | 01.03.22 | | | | 22,146 | (Won) | 71,538 | 04.03.23 ~ 11.03.22 |
| | 01.03.19 | | | | 9,990 | (Won) | 129,100 | 04.03.30 ~ 11.03.29 |

1* The stock options do not include the 200,000 shares which may be additionally granted if the three-month weighted average stock price of the Bank prior to the beginning of the exercise date is higher than that of any other listed banks and the Bank achieves total market value and ROE target.

2* The exercise price may be affected by the fluctuations in the stock price index of the banking industry.

3* The Bank took over stock options which Kookmin Credit Card Co., Ltd. granted to its employees in proportion to the exchange rate.

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The Bank had applied the fair value method using an option-pricing model in measuring compensation cost until September 30, 2002. However, as of October 1, 2002, expecting a high probability of grant and exercise of the options as stock appreciation rights, the Bank changed the measurement method to the intrinsic value method. As a result, previous amounts recorded in capital adjustments (stock options) have been reclassified into accrued expenses. Compensation costs are summarized as follows (in millions of Won):

| | Series 1 | Series 2 | Series 3 | Series 5 | Series 6 | Series 10 | Increase due to merger | Total |
|--|-------------|-------------|-------------|-------------|-----------|-----------|---------------------------|--------------|
| Prior period compensation cost | (Won) 1,861 | (Won) 1,615 | (Won) 2,590 | (Won) 2,744 | (Won) 886 | (Won) | (Won) 552 | (Won) 10,248 |
| Current period compensation cost | (302) | (18) | (301) | (706) | (126) | 73 | (552) | (1,932) |
| Accumulated compensation cost | 1,559 | 1,597 | 2,289 | 2,038 | 760 | 73 | | 8,316 |
| Compensation cost to be recognized | | 319 | | | 152 | 365 | | 836 |
| Total compensation cost | (Won) 1,559 | (Won) 1,916 | (Won) 2,289 | (Won) 2,038 | (Won) 912 | (Won) 438 | (Won) | (Won) 9,152 |

The compensation costs to be recognized in the future as of September 30, 2003, are as follows (in millions of Won):

| | Series 2 | Series 6 | Series 10 | Total |
|------------------------------|-----------|-----------|-----------|-----------|
| Within 1 year | (Won) 319 | (Won) 152 | (Won) 146 | (Won) 617 |
| More than 1 year to 2 years | | | 146 | 146 |
| More than 2 years to 3 years | | | 73 | 73 |
| | (Won) 319 | (Won) 152 | (Won) 365 | (Won) 836 |

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14. Other Liabilities

Other liabilities as of September 30, 2003 and December 31, 2002 are as follows (in millions of Won):

| <u>Account</u> | <u>2003</u> | <u>2002</u> |
|--|-------------------------|------------------------|
| Accrued retirement benefits (Note 12) | (Won) 111,090 | (Won) 42,773 |
| Allowance for losses on guarantees and acceptances (Note 15) | 2,018 | 2,287 |
| Due to trust accounts | 2,832,875 | 734,646 |
| Accounts payable | 4,618,487 | 1,868,692 |
| Accrued expenses | 4,801,157 | 4,656,225 |
| Advances from customers | 460,042 | 48,745 |
| Unearned income | 132,139 | 147,623 |
| Withholding taxes | 90,043 | 85,841 |
| Guarantee deposits received | 113,263 | 112,732 |
| Derivative liabilities (Note 16) | 890,280 | 522,286 |
| Unsettled domestic exchange liabilities | 268,362 | 541,757 |
| Accounts for agency business | 341,411 | 395,678 |
| Other allowances ^{1*} | 156,078 | 48,876 |
| Liabilities incurred by agency relationship | 545,838 | 486,413 |
| Others | 352,860 | 90,224 |
| | <u>(Won) 15,715,943</u> | <u>(Won) 9,784,798</u> |

1* Other allowances are as follows (in millions of Won):

| <u>Allowances for</u> | <u>Amounts</u> | <u>Remarks</u> |
|------------------------------------|----------------|--|
| Suspense receivables | (Won) 6,830 | Loss from frauds/accidents |
| Foreign currency exchange mileages | 11 | Compensation expense for frequent currency exchanges |
| Loss on branch closure | 240 | Closure of the branch in Buenos Aires |
| Uncollected leasehold deposits | 8,912 | Loss on uncollected leasehold deposits |
| Credit card receivables | 32,280 | Loss on unused cash advance credit lines |
| Credit card point | 33,960 | Expenses arising from credit card mileage rewards |
| ABS allowances | 3,435 | Loss on guarantee deposits paid to Jooeun 2nd Specialty Co., Ltd (Note 17) |

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| | | |
|---------------------------|-------------------|---|
| KAMCO loans sold | 1,014 | Loss on loans sold under repurchase agreements to KAMCO (Note 17) |
| Granting of credit to SPC | 69,396 | Loss on the credit line agreement to SPC (Note 17) |
| | <u> </u> | |
| | (Won) 156,078 | |
| | <u> </u> | |

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15. Guarantees and Acceptances

Guarantees and acceptances as of September 30, 2003 and December 31, 2002 are summarized as follows (in millions of Won):

| | 2003 | 2002 |
|--|------------------------|------------------------|
| Guarantees and acceptances outstanding in | | |
| Won | | |
| - Guarantees on debentures | (Won) 550 | (Won) 571 |
| - Guarantees on loan collateral | 38,263 | 39,234 |
| - Guarantees on commercial bills | 3 | 646 |
| - Others | 249,365 | 248,457 |
| | <u>288,181</u> | <u>288,908</u> |
| Foreign Currencies | | |
| - Acceptances on letters of credit | 144,078 | 190,775 |
| - Acceptances for letters of guarantee for importers | 77,808 | 111,016 |
| - Guarantees for performance of contracts | 23,267 | 71,577 |
| - Guarantees for bids | 958 | 1,077 |
| - Guarantees for borrowings | 32,754 | 31,055 |
| - Guarantees for repayment of advances | 7,285 | 25,707 |
| - Others | 220,631 | 311,583 |
| | <u>506,781</u> | <u>742,790</u> |
| | <u>794,962</u> | <u>1,031,698</u> |
| Contingent guarantees and acceptances | | |
| - Letters of credit | 1,069,486 | 1,243,354 |
| - Others | 120,153 | 63,524 |
| | <u>1,189,639</u> | <u>1,306,878</u> |
| | <u>(Won) 1,984,601</u> | <u>(Won) 2,338,576</u> |

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As of September 30, 2003, the allowances for losses on guarantees and acceptances outstanding according to credit risk classifications are as follows (in millions of Won):

| Guarantees and Acceptances Outstanding in | | Normal | Precautionary | Sub-standard | Doubtful | Estimated loss | Total |
|--|-----------|---------------|----------------------|---------------------|-----------------|---------------------------|---------------|
| Won | Balance | (Won) 273,058 | (Won) 13,086 | (Won) 469 | (Won) 177 | (Won) 1,391 | (Won) 288,181 |
| | Allowance | | | 94 | 156 | 1,391 | 1,641 |
| | Ratio (%) | | | 20.04 | 88.14 | 100.00 | 0.57 |
| Foreign currencies | Balance | 439,926 | 65,800 | 808 | 91 | 156 | 506,781 |
| | Allowance | | | 176 | 45 | 156 | 377 |
| | Ratio (%) | | | 21.78 | 49.45 | 100.00 | 0.07 |
| Total | Balance | (Won) 712,984 | (Won) 78,886 | (Won) 1,277 | (Won) 268 | (Won) 1,547 | (Won) 794,962 |
| | Allowance | | | 270 | 201 | 1,547 | 2,018 |
| | Ratio (%) | | | 21.14 | 75.00 | 100.00 | 0.25 |

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For the nine-month period ended September 30, 2003, the movements in allowances for losses on guarantees and acceptances outstanding are as follows (in millions of Won):

| | |
|--|-------------|
| Beginning balance | (Won) 2,287 |
| Reversals of losses from guarantees and acceptances losses | (194) |
| Changes in foreign exchange rates | (75) |
| Ending balance | (Won) 2,018 |

The guarantees and acceptances risk concentration by country as of September 30, 2003 are as follows (in millions of Won):

| | Guarantees and | | Contingent | | Total | |
|-------|-------------------------|----------------|----------------------------|----------------|-----------------|----------------|
| | Acceptances Outstanding | | Guarantees and Acceptances | | | |
| | Balance | Percentage (%) | Balance | Percentage (%) | Balance | Percentage (%) |
| Korea | (Won) 748,954 | 94.21 | (Won) 1,189,639 | 100.00 | (Won) 1,938,593 | 97.68 |
| USA | 46,008 | 5.79 | | | 46,008 | 2.32 |
| | (Won) 794,962 | 100.00 | (Won) 1,189,639 | 100.00 | (Won) 1,984,601 | 100.00 |

The guarantees and acceptances risk concentration by industry and customer as of September 30, 2003 are as follows (in millions of Won):

| Industrial | Guarantees and | | Contingent | | Total | |
|------------|-------------------------|----------------|----------------------------|----------------|---------|----------------|
| | Acceptances Outstanding | | Guarantees and Acceptances | | | |
| | Balance | Percentage (%) | Balance | Percentage (%) | Balance | Percentage (%) |
| | | | | | | |

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| | | | | | | |
|---------------|----------------------|---------------|------------------------|---------------|------------------------|---------------|
| Manufacturing | (Won) 272,745 | 34.31 | (Won) 589,964 | 49.59 | (Won) 862,709 | 43.47 |
| Finance | 365,182 | 45.94 | 400,504 | 33.67 | 765,686 | 38.58 |
| Service | 68,124 | 8.57 | 27,838 | 2.34 | 95,962 | 4.84 |
| Others | 88,911 | 11.18 | 171,333 | 14.40 | 260,244 | 13.11 |
| | <u>(Won) 794,962</u> | <u>100.00</u> | <u>(Won) 1,189,639</u> | <u>100.00</u> | <u>(Won) 1,984,601</u> | <u>100.00</u> |

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16. 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.

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 September 30, 2003 as follows (in millions of Won):

| | <u>Trading</u> | <u>Hedge</u> | <u>Total</u> |
|-------------------------|-------------------|----------------|-------------------|
| Interest related | | | |
| -Future | (Won) 456,819 | (Won) | (Won) 456,819 |
| -Option | 2,250,000 | | 2,250,000 |
| -Swap | 24,772,983 | 575,100 | 25,348,083 |
| | <u>27,479,802</u> | <u>575,100</u> | <u>28,054,902</u> |
| Currency related | | | |
| -Forward | 17,631,789 | | 17,631,789 |
| -Future | 827,856 | | 827,856 |
| -Swap | 3,742,544 | | 3,742,544 |
| -Option bought | 97,850 | | 97,850 |
| -Option sold | 180,560 | | 180,560 |

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| | | | |
|----------------------|------------------|---------------|------------------|
| | 22,480,599 | | 22,480,599 |
| Stock related | | | |
| -Option bought | 1,966,241 | | 1,966,241 |
| -Option sold | 1,968,355 | | 1,968,355 |
| | 3,934,596 | | 3,934,596 |
| | (Won) 53,894,997 | (Won) 575,100 | (Won) 54,470,097 |

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Gains and losses on derivatives as of and for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

| | |
|----------------------------------|------------------------|
| Gain on derivatives | |
| Gain on derivatives transactions | (Won) 1,802,395 |
| Gain on valuation of derivatives | 565,109 |
| Gain on fair value hedged items | 6,351 |
| | <u>(Won) 2,373,855</u> |
| Loss on derivatives | |
| Loss on derivatives transactions | (Won) 1,767,507 |
| Loss on valuation of derivatives | 525,476 |
| Loss on fair value hedged items | 22 |
| | <u>(Won) 2,293,005</u> |

The summary of derivative transactions for the nine-month period ended September 30, 2003 is as follows (in millions of Won):

| | Valuation Gains (P/L) | | | Valuation Losses (P/L) | | | Fair Value (B/S) | |
|-------------------------|-----------------------|-----------|----------------|------------------------|--------------|----------------|------------------|----------------|
| | Trading | Hedge | Total | Trading | Hedge | Total | Asset | Liability |
| Interest related | | | | | | | | |
| -Option | (Won) 2,456 | (Won) | (Won) 2,456 | (Won) 4,063 | (Won) | (Won) 4,063 | (Won) 3,860 | (Won) 8,698 |
| -Swap | 118,326 | 22 | 118,348 | 113,812 | 6,351 | 120,163 | 216,553 | 311,584 |
| | <u>120,782</u> | <u>22</u> | <u>120,804</u> | <u>117,875</u> | <u>6,351</u> | <u>124,226</u> | <u>220,413</u> | <u>320,282</u> |
| Currency related | | | | | | | | |
| -Forward | 277,685 | | 277,685 | 268,033 | | 268,033 | 293,480 | 307,779 |
| -Option bought | 626 | | 626 | 224 | | 224 | 630 | 224 |
| -Option sold | 2,252 | | 2,252 | 841 | | 841 | 1,837 | 912 |

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| | | | | | | | | |
|----------------------|----------------------|-----------------|----------------------|----------------------|--------------------|----------------------|----------------------|----------------------|
| -Swap | 112,905 | | 112,905 | 82,007 | | 82,007 | 359,460 | 133,905 |
| | <u>393,468</u> | | <u>393,468</u> | <u>351,105</u> | | <u>351,105</u> | <u>655,407</u> | <u>442,820</u> |
| Stock related | | | | | | | | |
| -Option bought | 37,423 | | 37,423 | 16,843 | | 16,843 | 121,957 | |
| -Option sold | 13,414 | | 13,414 | 33,302 | | 33,302 | | 127,178 |
| | <u>50,837</u> | | <u>50,837</u> | <u>50,145</u> | | <u>50,145</u> | <u>121,957</u> | <u>127,178</u> |
| | <u>(Won) 565,087</u> | <u>(Won) 22</u> | <u>(Won) 565,109</u> | <u>(Won) 519,125</u> | <u>(Won) 6,351</u> | <u>(Won) 525,476</u> | <u>(Won) 997,777</u> | <u>(Won) 890,280</u> |

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17. Commitments and Contingencies

As of September 30, 2003, 213 pending legal actions with an aggregate amount of damages of (Won)114,113 million are charged against the Bank and the Bank had also filed 152 lawsuits, which are still pending with an aggregate amount of claims of (Won)218,635 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.

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. 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.

The Bank has entered into commitments to provide a credit line of (Won)4,819,100 million, and to purchase commercial paper amounting to (Won)1,621,000 million, with asset securitization companies. 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 within the contracted term and amounts. As of September 30, 2003, loans outstanding under the credit line commitment amounted to (Won)33,924 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. Also, a reserve was recognized for the resulting expected losses amounting to (Won)69,396 million as other allowances (Note 14).

The Bank has an off-shore loan commitment, limited to USD 12,367 thousand, and the loan balance under the commitment as of September 30, 2003 is USD 4,323 thousand.

As of September 30, 2003, the Bank has an outstanding obligation to repurchase and/or indemnify for losses on the loans and securities sold to Kookmin 6th-ABS Specialty Co., Ltd. and Jooeun 5th-ABS Specialty Co., Ltd. (collectively, the SPEs) with a ceiling of (Won)72,000 million and (Won)36,957 million, respectively. A reserve was recognized for the resulting expected losses amounting to (Won)3,435 million as other allowances (Note 14).

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Also, the Bank has an outstanding obligation to repurchase and/or indemnify for losses on the loans sold to Kookmincard 1st-ABS Specialty Co., Ltd. and Kookmincard 14th-ABS Specialty Co., Ltd. (collectively, the SPEs) with a ceiling of (Won)9,458 million and (Won)33,001 million . No adjustments have been made in the accompanying financial statements related to such uncertainties.

As of September 30, 2003, post settlements on the loan sales transaction with Korea Asset Management Corporation (KAMCO) have been completed and the Bank has provided allowances of (Won)1,014 million for losses from possible future repurchase of loans from KAMCO under the repurchase agreement with a ceiling of (Won)5,280 million (Note 14).

The Bank sold to Sun Capital Inc., 65.43% of its 85.43% investment in, and (Won)172,024 million of its loans to, Alpha Capital Corp., for (Won)145,000 million on August 30, 2002. The Bank also sold an additional 5.03% of its investment in Alpha Capital Corp. to Sun Capital Inc. for (Won)900 million on October 28, 2002.

The Bank sold its 87.00% investment in Kookmin Investment Trust Management Co., Ltd. to Morgan Stanley Private Equity (the M&A private funds led by Morgan Stanley Global Emerging Markets Inc. and affiliated funds) on May 29, 2002 and sold its 88.66% investment in Kookmin Leasing Co., Ltd. to Sun Capital Inc. on December 27, 2002.

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Included in cash and due from banks as of September 30, 2003 are the following restricted deposits (in millions of Won):

| | <u>Amount</u> | <u>Restrictions</u> |
|--|------------------------|----------------------------|
| Reserve deposits in the Bank of Korea and Korea Exchange Bank | (Won) 3,424,674 | General Banking Act |
| Deposits placed with Hansol Mutual Savings & Finance Co., Ltd and Shinhan Bank | 160,000 | Withdrawal at maturity |
| Due from Banks in Foreign Currency | 36,816 | General Banking Act |
| Other deposits | 741 | Futures guarantee deposits |
| | <u>3,622,231</u> | |
| Present value discount | (13,940) | |
| | <u>(Won) 3,608,291</u> | |

As of September 30, 2003, the following investment securities are pledged at various institutions (in millions of Won):

| <u>Securities Provided</u> | | <u>Related Liability</u> | |
|----------------------------|------------------------|------------------------------|--|
| <u>Book Value</u> | <u>Pledge Value</u> | <u>Amount</u> | <u>Transaction</u> |
| (Won)4,052,384 | (Won) 4,004,608 | (Won) 4,349,858 | Bonds sold under repurchase agreements |
| 1,231,579 | 1,214,400 | 900,665 | Borrowings from the Bank of Korea |
| 108,764 | 115,500 | Borrowing within credit line | Derivatives transactions |
| 170,200 | 170,200 | Borrowing within credit line | BOK settlements |
| 70,293 | 69,811 | Borrowing within credit line | Leased securities |
| 1,894 | 1,900 | Borrowing within credit line | Others |
| <u>(Won)5,635,114</u> | <u>(Won) 5,576,419</u> | | |

As of September 30, 2003, 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)7,008,730 million. Also, as of September 30, 2003, the Bank holds endorsed bills

amounting to (Won)9,434 million.

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

The Bank has current account agreements with two banks including Korea Exchange Bank and has provided two blank notes to financial institutions for borrowings.

In response to the generally unstable economic conditions, the Korean government and the private sector have been implementing structural reforms to historical business practices. Implementation of these reforms is progressing slowly, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The Bank may be either directly or indirectly affected by these generally unstable economic conditions and the reform program described above. The accompanying non-consolidated financial statements reflect management's assessment of the impact to date of the economic situation on the financial position of the Bank. Actual results may differ materially from management's current assessment. As of September 30, 2003, the Bank's total exposure (including debt securities, beneficiary certificates, and loans) to domestic credit card companies and capital companies amounts to (Won)3,204,091 million. Currently, securities issued by 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.

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18. Capital Stock

As of September 30, 2003, 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. and the Korean government own 3.78%, and 9.10%, respectively, of the total issued shares. As of September 30, 2003, 35,729,664 common shares, equivalent to 10.62% 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.

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.

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.

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.

19. Capital Surplus

The movements in capital surplus for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

| | <u>Beginning Balance</u> | <u>Changes</u> | <u>Ending Balance</u> |
|--|--------------------------|----------------|-----------------------|
| Paid-in capital in excess of par value | (Won) 5,287,708 | (Won) 368,344 | (Won) 5,656,052 |
| Gain on business combination | 397,669 | | 397,669 |
| Revaluation increment | 177,229 | | 177,229 |

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| | | | |
|--------|------------------------|----------------------|------------------------|
| Others | 2,146 | (51) | 2,095 |
| | <u>2,146</u> | <u>(51)</u> | <u>2,095</u> |
| | (Won) 5,864,752 | (Won) 368,293 | (Won) 6,233,045 |
| | <u>(Won) 5,864,752</u> | <u>(Won) 368,293</u> | <u>(Won) 6,233,045</u> |

The increase in paid-in capital in excess of par value is the difference between the price of shares issued for the merger with Kookmin Credit Card Co., Ltd. and the net asset value of Kookmin Credit Card Co., Ltd.

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, and the current period change in other capital surplus is due to the loss on disposal of treasury stock.

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20. Retained Earnings

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

In accordance with the regulations regarding securities issuance and disclosure (formerly the provisions of the Financial Control Regulation for publicly listed companies), the Company is required to appropriate, as a reserve for improvement of financial structure, a portion of retained earnings equal to a minimum of 50 percent of its annual income plus at least 10 percent of the net gain from the disposal of property, plant and equipment after deducting related taxes, until equity equals 30 percent of shareholders' equity. As of September 30, 2003, the Bank has no reserve for improvement of financial structure.

Pursuant to the Tax Exemption and Reduction Control Law, the Bank is required to appropriate, as a reserve for business rationalization, amounts equal to tax reductions arising from tax exemptions and tax credits. This reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.

As of September 30, 2003, other reserves are appropriated for the operations of overseas branches.

The Bank has retroactively applied Statement of Korean Financial Accounting Standards No. 6, *Subsequent Events*. The financial statements as of and for the year ended December 31, 2002 have been retroactively restated for the change, which resulted to a decrease in liability and an increase in retained earnings for the amount of (Won) 325,233 million.

21. Capital Adjustments

The movements in capital adjustments for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

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| | Beginning Balance | Increase | Decrease | Ending Balance |
|--|------------------------------|-----------------|-----------------|---------------------------|
| Treasury stock | (Won) (148,973) | (Won) (29,094) | (Won) (493) | (Won) (177,574) |
| Unrealized gain on available-for-sale securities | 180,449 | 238,789 | 87,886 | 331,352 |
| Unrealized gain on investment in associates | 94,773 | 11,745 | 100,549 | 5,969 |
| | (Won) 126,249 | (Won) 221,440 | (Won) 187,942 | (Won) 159,747 |

The Bank, under 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.

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22. Other Non-Interest Income (Expenses)

Other non-interest income (expenses) for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

| | |
|--|---------------|
| Other non-interest income | |
| - Realized gain on trading securities | (Won) 97,489 |
| - Unrealized gain on trading securities | 71,324 |
| - Gain on trust management | 188,184 |
| - Reversal of allowance for losses on guarantees and acceptances | 194 |
| - Gain on valuation of derivatives | 565,109 |
| - Others | 24,333 |
| | (Won) 946,633 |
| Other non-interest expenses | |
| - Realized loss on trading securities | (Won) 33,484 |
| - Contributions to special funds | 132,299 |
| - Provision for allowance | |
| - Loss on valuation of derivatives | 525,476 |
| - Loss on fair value hedged items | 22 |
| - Others | 253,200 |
| | (Won) 944,481 |

23. General and Administrative Expenses

General and administrative expenses for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

| | |
|-------------------------------|---------------|
| Salaries and wages | (Won) 777,532 |
| Retirement benefits (Note 12) | 70,361 |
| Other employee benefits | 232,745 |
| Rent | 46,180 |

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| | |
|----------------------|-----------------|
| Depreciation | 269,438 |
| Amortization | 58,904 |
| Taxes and dues | 82,694 |
| Advertising | 40,491 |
| Ordinary R&D | 74,756 |
| Fees and commissions | 60,432 |
| Others | 143,269 |
| | <hr/> |
| | (Won) 1,856,802 |
| | <hr/> |

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24. Non-Operating Income (Expenses)

Non-operating income (expenses) for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

| | |
|--|-------------------|
| Non-operating income | |
| - Gain on disposal of fixed assets | (Won) 1,642 |
| - Rent income | 1,956 |
| - Unrealized gain on investment in associates | 238,738 |
| - Realized gain on available-for-sale securities | 326,573 |
| - Relized gain on held-to-maturity securities | 2,221 |
| - Reversal of impairment loss on available-for-sale securities | 11,457 |
| - Gain on sale of loans | 1,294 |
| - Others | 86,775 |
| | 670,656 |
| Non-operating expenses | |
| - Loss on disposal of fixed assets | 34,817 |
| - Loss on investment in associates | |
| - Realized loss on available-for-sale securities | 45,933 |
| - Realized loss on held-to-maturity securities | |
| - Impairment loss on available-for-sale securities | 79,683 |
| - Loss on sale of loans | 2,927 |
| - Provision for loan losses due to merger | 1,652,264 |
| - Others | 70,160 |
| | 1,885,784 |
| | (Won) (1,215,128) |

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25. Income Tax Expense

Income tax expense for the nine-month period ended September 30, 2003 is as follows (in millions of Won):

| | |
|---|-----------------|
| Income tax payable | (Won) |
| Deferred income taxes from temporary differences ^{1*} | (97,511) |
| Deferred income taxes from accumulated deficit ^{1*} | (259,936) |
| Deferred tax credit | (1,650) |
| Change in temporary differences due to tax adjustments | 3,656 |
| Retained earnings and other capital surplus adjustments ^{2*} | 814 |
| | <hr/> |
| Income tax benefit | (Won) (354,627) |
| | <hr/> |

1* The Bank recognized deferred income tax because it has incurred a gain before extraordinary gains/losses and income tax since the merger with H&CB.

2* Income tax effect from the change in retained earnings amounting (Won)2,670 million and loss on disposition of treasury stock amounting to (Won)72 million won from application of equity method.

The statutory income tax rate applicable to the Bank, including resident tax surcharges, is 29.7% for the six-month period ended September 30, 2003. However, due to tax adjustments, the effective tax rate for the nine-month period ended September 30, 2003 is (-) 48.1%. The basis for calculating the effective tax rate is as follows:

| | |
|--|-----------------|
| Net loss before income taxes | (Won) (736,736) |
| | <hr/> |
| Income tax expense based on the effective tax rate | (220,470) |
| Tax effects on adjustments | |
| Adjustments to increase taxable income | 26,592 |
| Adjustments to decrease taxable income | (160,749) |
| | <hr/> |
| Income tax benefit per statements of operations | (Won) (354,627) |
| | <hr/> |

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The significant changes in accumulated temporary differences and deferred income taxes for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

| | <u>Beginning balance</u> | <u>Increase due to merger</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending balance</u> | <u>Deferred tax asset (liability)</u> |
|--|------------------------------|-----------------------------------|------------------------|----------------------|---------------------------|---|
| Allowance for loan losses | (Won) 314,081 | (Won) | (Won) 89,849 | (Won) 226,474 | (Won) 177,456 | (Won) 52,705 |
| Accrued interest | (350,798) | (60,931) | (298,212) | (350,798) | (359,143) | (106,664) |
| Unrealized loss on securities | 602,647 | 4,456 | 498,852 | 338,694 | 767,261 | 227,876 |
| Unrealized loss on derivatives | (109,298) | (3,530) | (51,909) | (112,828) | (51,909) | (15,417) |
| Present value discounts | 28,001 | | 17,431 | 28,001 | 17,431 | 5,177 |
| Allowance for losses on guarantees and acceptances | 2,287 | | 2,018 | 2,287 | 2,018 | 599 |
| Accrued severance benefits | | | 28,489 | | 28,489 | 8,461 |
| Stock options | 10,116 | 552 | 8,316 | 10,668 | 8,316 | 2,470 |
| Loss on fair value hedges | 9,213 | | (6,329) | | 2,884 | 856 |
| Accumulated depreciation | 17,195 | | 18,535 | 6,680 | 29,050 | 8,628 |
| Other allowances | 48,876 | | 156,078 | 48,876 | 156,078 | 46,355 |
| Other | 2,172 | 1,209 | 65,841 | 2,583 | 66,639 | 19,791 |
| Net operating loss carry-forward | | | 875,173 | | 875,173 | 259,936 |
| | <u>(Won) 574,492</u> | <u>(Won) (58,244)</u> | <u>(Won) 1,404,132</u> | <u>(Won) 200,637</u> | <u>(Won) 1,719,743</u> | <u>510,773</u> |
| Deferred tax credit | | | | | | <u>1,650</u> |
| | | | | | | <u>(Won) 512,423</u> |

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26. Earnings (Loss) Per Share

Details of the computation of the earnings (loss) per share for the three-month period and nine-month period ended September 30, 2003, and for the three-month period and nine-month period ended September 30, are shown below.

| | Net income (loss) | Weighted average number of common shares outstanding | Earnings (loss) per share |
|---------------------------------------|----------------------|--|------------------------------|
| | (in millions of Won) | | (in Won) |
| Nine months ended September 30, 2003 | (Won) (382,109) | (Won) 325,176,698 | (Won) (1,175) |
| Three months ended September 30, 2003 | (341,441) | 325,048,574 | (1,050) |
| Nine months ended September 30, 2002 | 1,512,868 | 317,390,563 | 4,767 |
| Three months ended September 30, 2002 | 348,844 | 316,906,681 | 1,101 |

As there are no extraordinary gains or losses for the relevant periods, ordinary income per share is not calculated.

The weighted average number of common shares outstanding for the three-month and nine-month periods ended September 30, 2003 and 2002 are calculated as follows:

| | Number of common shares outstanding- beginning balance | Weighted average number of treasury common shares | Weighted average number of common shares outstanding |
|---------------------------------------|--|---|--|
| Nine months ended September 30, 2003 | 328,258,685 | (3,081,987) | 325,176,698 |
| Three months ended September 30, 2003 | 328,258,685 | (3,210,111) | 325,048,574 |
| Nine months ended September 30, 2002 | 317,677,416 | (286,853) | 317,390,563 |
| Three months ended September 30, 2002 | 317,677,416 | (770,735) | 316,906,681 |

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Diluted EPS is computed by dividing diluted net income, which is adjusted by adding back the after-tax amount of interest expenses on any convertible debt and dividends on any convertible stocks by the weighted average number of common shares and diluted securities outstanding during the year.

Diluted ordinary income per share is computed by dividing diluted ordinary income allocated to common stock which is diluted net income allocated to common stock as adjusted by extraordinary gains or losses net of related income taxes by the weighted average number of common shares and diluted securities outstanding during the year assuming conversion into common shares at the beginning of the year.

Weighted average number of common shares outstanding before and after dilution for the nine-month period and three-month period ended September 30, 2002 are calculated as follows:

| | <u>Nine-month period</u> | <u>Three-month period</u> |
|--|--------------------------|---------------------------|
| Weighted average number of common shares before dilution | 317,390,563 | 316,906,681 |
| Convertible bonds | 10,581,269 | 10,581,269 |
| Employee stock option | 303,019 | |
| Diluting shares | 10,884,288 | 10,581,269 |
| Diluted weighted average number of common shares | 328,274,851 | 327,487,950 |

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Diluted EPS for the nine-month periods ended September 30, 2003 is calculated as follows (in millions of Won):

| | <u>Nine-month period</u> | <u>Three-month period</u> |
|--|--------------------------|---------------------------|
| Net income after income taxes | (Won) 1,512,868 | (Won) 348,844 |
| Interest expenses on convertible bonds | 4,556 | 1,533 |
| Stock compensation expenses | 431 | |
| | <u>1,517,855</u> | <u>350,377</u> |
| Diluted net income for nine months ended September 30,2003 | | |
| Weighted average number of common shares outstanding | 328,274,851 | 327,487,950 |
| | <u>4,624</u> | <u>1,070</u> |
| Diluted earnings per share (in Won) | (Won) | (Won) |

The interest expenses on convertible bonds and stock compensation expenses used in the calculation of the diluted EPS are net of the tax effect. The number of common shares assumed to be convertible bonds is calculated by dividing the total convertible bond amount by the conversion price per share.

Earnings(Loss) per share, ordinary income per share, diluted EPS and diluted ordinary income per share for the three-month period ended March 31, 2003, for the three-month period ended June 30, 2003 and for the year ended December 31, 2002, are calculated as follows.

| | <u>December 31, 2002</u> | <u>March 31, 2003</u> | <u>June 30, 2003</u> |
|-----------------------------------|--------------------------|-----------------------|----------------------|
| Earnings(Loss) per share | (Won)4,123 | (Won)227 | (Won) (-)352 |
| Ordinary income per share | 4,123 | 227 | (-)352 |
| Diluted EPS | 4,123 | 227 | (-)352 |
| Diluted ordinary income per share | 4,123 | 227 | (-)352 |

27. Assets and Liabilities Denominated in Foreign Currencies

Significant assets and liabilities denominated in foreign currencies as of September 30, 2003 comprise the following:

| | Major Denomination Currencies | | | | |
|--|-------------------------------|--|----------------------------|-------------------------|------------------------------|
| | Millions of Won Equivalent | Thousands of USD Equivalent ^{1*} | Thousands of US Dollars | Thousands of EC Euro | Thousands of Japanese Yen |
| Assets | | | | | |
| Cash | (Won) 208,123 | \$ 180,945 | \$ 78,481 | 19,453 | ¥ 7,041,090 |
| Due from banks | 741,436 | 644,615 | 614,246 | 10,428 | 1,249,648 |
| Securities | 1,180,270 | 1,026,143 | 941,906 | | 3,702,245 |
| Loans in foreign currencies | 3,832,579 | 3,332,098 | 1,538,774 | 2,832 | 77,115,778 |
| Bills bought | 583,883 | 468,512 | 437,329 | 15,166 | 768,318 |
| Acceptances and guarantees | 6,311 | 5,487 | 5,487 | | |
| Call loans | 154,242 | 134,100 | 134,100 | | |
| Liabilities | | | | | |
| Deposits | 1,303,028 | 1,132,870 | 778,231 | 21,090 | 24,782,459 |
| Borrowings | 3,263,899 | 2,837,680 | 2,173,129 | 57,866 | 65,035,941 |
| Due to BOK | 16,857 | 14,656 | 14,656 | | |
| Call money | 300,087 | 260,900 | 217,700 | | 4,000,000 |
| Debentures | 842,222 | 732,239 | 658,872 | | |
| Unsettled foreign exchange liabilities | 32,808 | 28,524 | 22,212 | 1,091 | 353,932 |

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 September 30, 2003.

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28. Related Party Transactions

Significant transactions with related parties for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

| | <u>Accounts</u> | <u>Ending Balance</u> | <u>Transactions Relating to P/L</u> |
|---|---------------------|---------------------------|---|
| KB Investment Co., Ltd. | Deposits | 13,038 | (379) |
| | Other liabilities | 164 | |
| Kookmin Data System Co., Ltd. | Deposits | 5,998 | (201) |
| | Commission income | | 41 |
| | Guarantees | 879 | |
| | Accounts payable | 1,191 | |
| | Accrued expenses | 225 | (11,419) |
| | Prepaid expenses | 14 | |
| Kookmin Futures Co., Ltd. | Due from banks | 108 | 2 |
| | Deposits | 9,841 | (351) |
| | Guarantees | 1,363 | |
| | Accounts payable | 21 | |
| | Accrued expenses | 178 | |
| | Commission income | | 7 |
| | Commission expenses | | (78) |
| | Other assets | 6 | 57 |
| | Accrued revenues | 7 | |
| Kookmin Bank Luxembourg S.A. | Due from banks | 222,264 | 1,672 |
| | Loans | 34,506 | 390 |
| | Other assets | 990 | 2,644 |
| | Borrowings | 168,925 | (105) |
| | Other liabilities | | 2,051 |
| Kookmin Bank International Ltd. (London) | Due from banks | 72,564 | 698 |
| | Loans | 80,514 | 1,228 |
| | Other assets | 247 | 702 |
| | Borrowings | 122,300 | (430) |
| | Other liabilities | 1,271 | (3,276) |
| Kookmin Finance H.K. Ltd. | Due from banks | 46,008 | 787 |
| | Loans | 85,343 | 1,274 |
| | Other assets | 410 | 267 |

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| | | |
|-------------------|--------|---------|
| Borrowings | 97,883 | (3) |
| Other liabilities | 105 | (1,410) |

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| | <u>Accounts</u> | <u>Ending Balance</u> | <u>Transactions Relating to P/L</u> |
|---|----------------------------------|---------------------------|---|
| Kookmin Investment Trust Mgt. Co., Ltd. | Deposits | (Won) 18,490 | (Won) (329) |
| | Other liabilities | 161 | |
| | Gain on derivatives transactions | | 1 |
| | Loss on derivatives transactions | | (5) |
| KB Real Estate Co., Ltd. | Loans | 25,000 | 1,936 |
| | Deposits | 1,092 | (15) |
| | Guarantees | 1,738 | |
| | Unearned revenues | 11 | |
| | Accrued expenses | 4 | |
| | Accrued income | 1 | |
| Joeeun Industry Co., Ltd. | Loans | 139,778 | |
| KB Credit Information Information Co., Ltd. | Other assets | | 106 |
| | Deposits | 11,374 | (328) |
| | Guarantees | 3,123 | |
| | Accounts payable | | |
| | Accrued expenses | 2,885 | |
| | Commission expenses | | (27,998) |

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29. Transactions with Financial Institutions

The assets and liabilities related to transactions with financial institutions for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

| <u>Accounts</u> | <u>Description</u> | <u>The Bank of Korea</u> | <u>Other banks</u> | <u>Other financial institutions</u> | <u>Total</u> |
|----------------------------|---|------------------------------|--------------------|---|------------------|
| Cash and due from banks | Due from banks in Won | (Won) 3,424,674 | (Won) 34,768 | (Won) 140,000 | (Won) 3,599,442 |
| | Due from banks in foreign currencies | 35,409 | 701,196 | 4,831 | 741,436 |
| | | <u>3,460,083</u> | <u>735,964</u> | <u>144,831</u> | <u>4,340,878</u> |
| Loans | Loans in Won | | 16,412 | 748,926 | 765,338 |
| | Loans in foreign currencies | | 545,598 | 72,596 | 618,194 |
| | Others | 600,000 | 1,366,353 | 65,608 | 2,031,961 |
| | | <u>600,000</u> | <u>1,928,363</u> | <u>887,130</u> | <u>3,415,493</u> |
| Deposits | Deposits in Won | | 756,369 | 2,740,496 | 3,496,865 |
| | Deposits in foreign currencies | | | | |
| | | | <u>756,369</u> | <u>2,740,496</u> | <u>3,496,865</u> |
| Borrowings | Borrowings in Won | 900,665 | 1,091,359 | 5,769 | 1,997,793 |
| | Borrowings in foreign currencies | | 2,394,149 | 18,712 | 2,412,861 |
| | Others | 16,857 | 648,210 | 697,900 | 1,362,967 |
| | | <u>917,522</u> | <u>4,133,718</u> | <u>722,381</u> | <u>5,773,621</u> |
| Debentures | Debentures in Won | | | 274,900 | 274,900 |
| | Debentures in foreign currencies | | 833,969 | | 833,969 |

| | | | |
|--|---------|---------|-----------|
| | 833,969 | 274,900 | 1,108,869 |
|--|---------|---------|-----------|

30. Interest Bearing Assets and Liabilities

Interest bearing assets and liabilities and related interest income and interest expenses for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

| <u>Assets</u> | <u>Average Balance</u> | <u>Interest Income</u> | <u>Average Yield (%)</u> |
|--------------------|------------------------|--------------------------|--------------------------|
| Due from banks | (Won) 3,425,918 | (Won) 7,797 | 0.30% |
| Securities | 29,089,636 | 1,181,146 | 5.43% |
| Loans | 131,098,468 | 7,216,208 | 7.36% |
| | (Won) 163,614,022 | (Won) 8,405,151 | |
| | | | |
| <u>Liabilities</u> | <u>Average Balance</u> | <u>Interest Expenses</u> | <u>Average Yield (%)</u> |
| Deposits | (Won) 125,251,648 | (Won) 3,257,955 | 3.48% |
| Borrowings | 12,422,729 | 307,758 | 3.31% |
| Debentures | 17,910,617 | 821,045 | 6.13% |
| | (Won) 155,584,994 | (Won) 4,386,758 | |

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31. Operations of the Trust Accounts

Assets and liabilities of the trust accounts as of September 30, 2003 are classified as principal or dividend guaranteed money trusts, performance money trusts, and property trusts as follows (in millions of Won):

| | Guaranteed Money Trusts | Performance Money Trusts | Property Trusts | Total |
|----------------------------|----------------------------|-----------------------------|-------------------------|-------------------------|
| Securities | (Won) 3,108,066 | (Won) 7,863,525 | (Won) 848,356 | (Won) 11,819,947 |
| Loans | 158,901 | 350,629 | | 509,530 |
| Receivables | | | 21,146,583 | 21,146,583 |
| Due from banking accounts | 280,022 | 656,338 | 109,038 | 1,045,398 |
| Present value discounts | (844) | (26) | | (870) |
| Allowance for loan losses | (68,319) | (55,438) | | (123,757) |
| Other assets | 96,368 | 230,550 | 12,628 | 339,546 |
| Total assets | (Won) 3,574,194 | (Won) 9,045,578 | (Won) 22,116,605 | (Won) 34,736,377 |
| Trusts | (Won) 3,268,647 | (Won) 8,612,831 | (Won) 22,047,490 | (Won) 33,928,968 |
| Borrowings | 54,012 | | | 54,012 |
| Reserves for future losses | | | | |
| Other liabilities | 251,535 | 432,747 | 69,115 | 753,397 |
| Total liabilities | (Won) 3,574,194 | (Won) 9,045,578 | (Won) 22,116,605 | (Won) 34,736,377 |

The Bank is liable as of September 30, 2003 for the following portion of the difference between the book value and fair value of principal and/or dividend guaranteed money trusts (in millions of Won):

| | Book Value | Fair Value | Liable Amount |
|--|-----------------|-----------------|---------------|
| Principal guaranteed money trusts | (Won) 3,392,142 | (Won) 3,464,873 | (Won) |
| Principal and dividend guaranteed money trusts | 94,677 | 102,268 | |

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| | | |
|-----------------|-----------------|-------|
| (Won) 3,468,819 | (Won) 3,567,141 | (Won) |
|-----------------|-----------------|-------|

The results of operations of the money trust accounts, from the Bank's management accounting point of view, for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

| Trust Account Related Income | Trust Account Related Expenses |
|--|---|
| Gain on trust management (Won) 176,513 | Interest expense on borrowings from trust accounts (Won) 25,886 |
| Early withdrawal penalties 141 | Loss on trust management |
| Interest income on loans to trust accounts 548 | |
| (Won) 177,202 | (Won) 25,886 |

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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 owns 74.27% and merged with the Subsidiary on September 30, 2003.

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

The merger was accounted for as a transaction between entities under common control and therefore the Bank recognized the assets and liabilities transferred at their carrying amounts in the accounts of Kookmin Credit Card Co., Ltd. at the date of transfer. In addition, the accounting method for loans and securities of the Subsidiary were conformed to that of the Bank and consequently, a provision of losses due to the merger amounting (Won)1,652,264 million, comprised of a provision for loan losses of (Won)1,437,961 million and loss on valuation of securities of (Won)214,303 million, was recorded in non-operating expenses.

Kookmin Credit Card Co., Ltd. was established on September 25, 1987, separating its operations from the Bank, and has been conducting its operations including credit card operations, factoring, and consumer financing, under the Credit Card Act. Kookmin Credit Card Co., Ltd.

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merged with Kookmin Mutual Savings & Finance Co., Ltd. on August 22, 1998 and with Jang-Eun Credit Card Co., Ltd. on December 30, 1998, and extended its operations to installment financing and rental business. As of September 30, 2003, Kookmin Credit Card has 12.33 million cardholders, 1.55 million merchants and 45 branches. Kookmin Credit Card Co. Ltd. had its shares registered with KOSDAQ since July 4, 2000.

As of September 30, 2003, the shareholders of Kookmin Credit Card Co. are as follows:

| | Number of Shares | Percentage of Ownership |
|----------------|-------------------------|--------------------------------|
| Kookmin Bank | 54,365,028 | 74.27% |
| Others | 18,331,248 | 25.04% |
| | 72,696,276 | 99.31% |
| Treasury stock | 503,724 | 0.69% |
| | 73,200,000 | 100.00% |

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The summary balance sheets of the Bank and Kookmin Credit Card Co., Ltd. as of December 31, 2002 and the related statements of operations for the year then ended are as follows (in millions of won):

| | <u>Kookmin Bank</u> | <u>Kookmin Credit Card</u> | <u>Total</u> ^{1*} |
|---|--------------------------|----------------------------|----------------------------|
| Cash and due from banks | (Won) 4,599,356 | (Won) 103,505 | (Won) 4,702,861 |
| Marketable securities | 5,676,973 | 5,176 | 5,682,149 |
| Investment securities ^{2*} | 25,263,777 | 3,106,951 | 28,370,728 |
| Loans | 126,730,561 | 9,256,060 | 135,986,621 |
| Fixed assets | 3,092,616 | 260,600 | 3,353,216 |
| Other assets | 6,135,558 | 648,956 | 6,784,514 |
| Total assets | (Won) 171,498,841 | (Won) 13,381,248 | (Won) 184,880,089 |
| Deposits | (Won) 123,109,653 | (Won) | (Won) 123,109,653 |
| Borrowings | 10,690,754 | 5,629,389 | 16,320,143 |
| Debentures | 17,539,007 | 5,934,298 | 23,473,305 |
| Other liabilities | 10,110,031 | 899,334 | 11,009,365 |
| Total liabilities | 161,449,445 | 12,463,021 | 173,912,466 |
| Capital stock | 1,641,293 | 366,000 | 2,007,293 |
| Capital surplus | 5,864,752 | 146,591 | 6,011,343 |
| Retained earnings | 2,417,102 | 407,596 | 2,824,698 |
| Capital adjustments | 126,249 | (1,960) | 124,289 |
| Total shareholders' equity | 10,049,396 | 918,227 | 10,967,623 |
| Total liabilities and shareholders' equity | (Won) 171,498,841 | (Won) 13,381,248 | |