KOOKMIN BANK
Form 6-K
May 15, 2007
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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 May 2007

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 __X__ Form 40-F _____

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

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

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

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submission to furnish a report or other document that the registration foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant s home country), or under the rules of the home country exchange on which the registrant s

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

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

Yes _____ No __X__

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Summary of 2007 First Quarter Business Report

On May 15, 2007, Kookmin Bank filed its business report for the first quarter of 2007 (the Business Report) with the Financial Supervisory Commission of Korea and the Korea Exchange. This is a summary of the Business Report translated into English.

In effect from January 1, 2007, we have adopted SKAS[1] No. 21 (Preparation and Presentation of Financial Statements I) and SKAS No. 24 (Preparation and Presentation of Financial Statements II (Financial Industry)), pursuant to which the presentation and order of certain line items, including gain/loss on disposal of available-for-sale securities, have been reclassified from non-operating income to operating income. We have revised our financial statements for prior periods to reflect this change.

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

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

1 SKAS: Statement of Korean Accounting Standards

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1. Introduction to the Bank

1.1. Business Purposes

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

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

1.2. History

- November 1, 2001
  Incorporated and listed on the New York Stock Exchange
- November 9, 2001
  Listed on the Korea Stock Exchange
- September 23, 2002
  Integrated IT platforms of former Kookmin Bank and H&CB
- December 4, 2002
  Entered into a strategic alliance agreement with ING Bank N.V. Amsterdam, which replaced the prior investment agreement with H&CB
- September 30, 2003
  Completed the merger with Kookmin Credit Card
- December 16, 2003
  Completed a strategic investment in Bank Internasional Indonesia (BII) by investing in a 25% stake in Sorak Financial Holdings, a consortium with other investors
- December 19, 2003
  Fully privatized through the entire disposition of Korean government s stake in Kookmin Bank
- April 29, 2004

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

n July 22, 2004
Entered into an alliance with China Construction Bank in connection with the foreign currency business

n August 31, 2004
ING Bank N.V. Amsterdam entered into a contract with Kookmin Bank for a strategic investment in KB Life Insurance

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

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

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

- March 02, 2005
  Opened KB Satellite Broad Casting System or the first time in Korea

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

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

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

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

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

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

- April 3, 2006
  Established 100% computerization of bank accounts for the first time among domestic financial institutions

- May 19, 2006
  Entered into a share purchase agreement with respect to acquiring Korea Exchange Bank stock

- September 8, 2006
  Implemented SOD (Segregation of Duties)

- November 23, 2006
  Received termination notice with respect to Share Purchase Agreement relating to purchase of shares of Korea Exchange Bank

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1.3. Capital Structure

1.3.1. Common Shares

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

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

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

With respect to the merger between Kookmin Bank and Kookmin Credit Card on September 30, 2003, Kookmin Bank issued an additional 8,120,431 common shares on October 1, 2003. Accordingly, as of March 31, 2007, a total of 336,379,116 common shares were issued.

Number of Shares

(Unit: shares)

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

(Unit: Won, shares)

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

1.3.2. Treasury Stock

(Unit: shares)

Date	Details	Number of shares
December 31, 2005	**Outstanding Treasury Shares**	**217,935**
January 13, 2006	**Disposition due to exercise of stock option by grantees**	**217,935**
March 31, 2007	**Outstanding Treasury Shares**	**0**

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1.3.3. Employee Stock Ownership Association

(Unit: shares)

Type	Beginning Balance (January 1, 2007)	Increase	Decrease	Ending Balance (March 31, 2007)	Remarks
Registered common stock	**2,790,281**		**17,036**	**2,773,245**	
Total	**2,790,281**		**17,036**	**2,773,245**	

1.4. Dividend

The following table shows our dividend related information for the last three years. The Board of Directors of Kookmin Bank passed a resolution to pay a dividend for fiscal year of 2006, and shareholders of Kookmin Bank approved of the dividend payout for that year at the general shareholders meeting held on March 23, 2007.

(Unit: in millions of Won unless indicated otherwise)

	March 2007	2006	2005
Net (loss) income for the period		**2,472,111**	**2,252,218**
Diluted (loss) earnings per share (Won)		**7,349**[1]	**6,977**
Total dividend amount		**1,227,784**	**184,889**
Dividend payout ratio (%)		**49.67**[2]	**8.21**
Cash dividend per common share (Won)		**3,650**	**550**
Stock dividend per common share (%)			
Dividend per preferred share (Won)			
Dividend yield ratio (%)		**4.90**[3]	**0.72**

1 Earnings per share = net income (2,472,111 million Won) / weighted average number of shares (336,373,095 shares).

2 Dividend payout ratio = total dividend amount for common shares (1,227,784 million Won) / net income (2,472,111 million Won).

3 Dividend yield ratio = dividend per share (3,650 Won) / average closing price for a week based on business day prior to market closing date of December 31, 2006 (74,525 Won).

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2. Business

2.1. Source and Use of Funds

2.1.1. Source of Funds

[Bank Account]

(Unit: in millions of Won)

		March 31, 2007		December 31, 2006		December 31, 2005	
		Average balance	Interest rate (%)	Average balance	Interest rate (%)	Average balance	Interest rate (%)
Won currency	Deposits	111,018,333	3.08	111,324,234	2.91	114,394,983	2.82
	Certificate of deposit	10,803,508	4.84	8,408,753	4.53	5,008,378	3.69
	Borrowings	2,396,772	3.49	2,533,547	3.36	2,674,268	3.02
	Call money	543,447	4.50	2,300,768	4.09	931,968	3.24
	Other	32,819,288	5.40	28,332,243	5.13	24,315,388	5.08
Subtotal		157,581,348	3.70	152,899,545	3.43	147,324,985	3.23
Foreign currency	Deposits	1,607,169	2.79	1,489,895	2.37	1,473,811	1.61
	Borrowings	3,815,061	3.81	3,635,918	3.41	3,231,480	2.06
	Call money	391,546	5.07	527,600	4.74	285,573	3.48
	Finance debentures issued	2,593,719	5.33	1,530,941	4.49	765,723	4.09
	Other	84,769		59,296		52,592	
Subtotal		8,492,264	4.10	7,243,650	3.50	5,809,179	2.26
Other	Total Shareholders Equity	15,518,170		14,251,498		11,369,246	
	Allowances	984,007		1,004,895		677,036	
	Other	11,415,623		11,935,765		12,041,392	
Subtotal		27,917,800		27,192,158		24,087,674	
Total		193,991,412	3.18	187,335,353	2.94	177,221,838	2.76

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2.1.2. Use of Funds

[Bank Account]

(Unit: in millions of Won)

		March 31, 2007		December 31, 2006		December 31, 2005	
		Average balance	Interest rate (%)	Average balance	Interest rate (%)	Average balance	Interest rate (%)
Won currency	Due from banks	27,171	0.09	190,902	3.66	304,662	2.97
	Securities	29,049,516	4.45	31,437,266	4.25	27,676,964	4.58
	Loans	126,547,310	6.54	120,688,857	6.44	120,539,476	6.24
	Advances for customers	26,429	1.66	13,122	2.27	23,947	8.64
	Call loan	1,029,300	4.67	823,293	4.25	1,473,725	3.43
	Private placement corporate bonds	7,841,997	5.32	5,702,726	5.43	1,887,514	6.95
	Credit card accounts	8,712,447	23.13	7,855,415	24.46	7,321,906	26.93
	Other	345,993		328,681		267,061	
	Allowance for credit losses (-)	-2,354,625		-2,377,086		-3,034,841	
Subtotal		171,225,538	7.08	164,663,176	6.96	156,460,414	7.06
Foreign currency	Due from banks	426,699	4.28	486,764	4.31	598,015	2.88
	Securities	854,029	4.16	793,181	6.78	858,565	6.15
	Loans	7,040,270	4.51	6,561,903	4.06	4,745,013	2.97
	Call loan	644,061	4.56	261,483	4.77	132,210	3.24
	Bills bought	1,301,041	5.94	1,326,578	5.51	1,037,144	4.64
	Other	2,449		1,798		2,209	
	Allowance for credit losses (-)	-85,589		-65,952		-64,290	
Subtotal		10,182,960	4.74	9,365,755	4.61	7,308,866	3.68
Other	Cash	1,074,054		966,002		956,471	
	Fixed assets held for business	2,525,947		2,397,111		2,508,879	
	Other	8,982,913		9,943,309		9,987,208	
Subtotal		12,582,914		13,306,422		13,452,558	
Total		193,991,412	6.50	187,335,353	6.35	177,221,838	6.38

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2.1.3. Fee Transactions

(Unit: in millions of Won)

		March 31, 2007	December 31, 2006	December 31, 2005
Fee Revenue (A)				
Won currency	**Guarantees**	**1,593**	**1,368**	**6,245**
	Commissions received	**253,497**	**227,052**	**950,789**
	Credit card	**37,710**	**31,469**	**129,615**
	National Housing Fund Mgt.	**42,140**	**47,467**	**171,811**
Foreign currency	**Guarantees**	**1,572**	**1,365**	**5,662**
	Others	**17,960**	**19,408**	**77,673**
Subtotal		**354,472**	**328,129**	**1,341,795**
Fee Expense (B)				
Won & foreign currency	**Commissions paid in Won**	**43,217**	**35,405**	**178,499**
	Credit card	**68,739**	**47,120**	**254,041**
	Others	**9,640**	**5,610**	**31,860**
Subtotal		**121,596**	**88,135**	**464,400**
Fee Income (A-B)		**232,876**	**239,994**	**877,395**

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2.2. Principal Banking Activities

2.2.1. Deposits

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

(Unit: in millions of Won)

		March 31, 2007		December 31, 2006		December 31, 2005	
		Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
Deposits in Won	**Demand deposits**	**17,859,027**	**19,202,537**	**16,896,730**	**20,179,569**	**14,985,812**	**17,946,067**
	Time & savings deposits	**90,152,507**	**89,265,879**	**89,613,715**	**91,155,183**	**92,463,027**	**91,863,790**
	Mutual installment deposits	**3,735,622**	**3,647,587**	**4,302,015**	**3,833,573**	**5,674,807**	**5,120,668**
	Mutual installment for housing	**3,742,967**	**3,656,517**	**4,221,249**	**3,842,727**	**4,942,334**	**4,582,031**
	Certificate of deposit	**10,803,508**	**11,907,504**	**8,408,753**	**9,579,701**	**5,008,378**	**5,389,543**
Subtotal		**126,293,631**	**127,680,024**	**123,442,462**	**128,590,753**	**123,074,358**	**124,902,099**
Deposits in foreign currency		**1,607,169**	**1,487,687**	**1,489,895**	**1,427,557**	**1,473,811**	**1,379,133**
Trust deposits	**Money trust**	**9,493,765**	**9,255,143**	**9,047,669**	**9,627,037**	**7,114,352**	**7,405,675**
	Property trust	**5,837,148**	**5,524,819**	**8,491,099**	**6,631,376**	**11,032,320**	**9,854,012**
Subtotal		**15,330,913**	**14,779,962**	**17,538,768**	**16,258,413**	**18,146,672**	**17,259,687**
Total		**143,231,713**	**143,947,673**	**142,471,125**	**146,276,723**	**142,694,841**	**143,540,919**

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)

	March 31, 2007	December 31, 2006	December 31, 2005
Deposits	**124,610**	**124,123**	**123,532**
Deposits in Won	**123,275**	**122,904**	**122,358**

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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)

	March 31, 2007	December 31, 2006	December 31, 2005
Deposits	**7,887**	**7,799**	**7,725**
Deposits in Won	**7,802**	**7,722**	**7,652**

2.2.4. Loan Balances

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

(Unit: in millions of Won)

	March 31, 2007		December 31, 2006		December 31, 2005	
	Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
Loans in Won	**126,540,844**	**128,194,503**	**120,680,825**	**125,574,817**	**120,532,216**	**118,565,341**
Loans in foreign currency	**7,040,270**	**7,443,898**	**6,561,903**	**7,261,811**	**4,745,013**	**5,314,883**
Advances for customers	**26,429**	**22,554**	**13,122**	**19,209**	**23,947**	**11,321**
Subtotal	**133,607,543**	**135,660,955**	**127,255,850**	**132,855,837**	**125,301,176**	**123,891,545**
Trust account loans	**390,840**	**394,252**	**351,880**	**403,552**	**334,404**	**328,127**
Total	**133,998,383**	**136,055,207**	**127,607,730**	**133,259,389**	**125,635,580**	**124,219,672**

2.2.5. Loan Balances as of March 31, 2007 by Maturity

(Unit: in millions of Won)

	1 year or less	More than 1 year to 3 years	More than 3 years to 5 years	More than 5 years	Total
Loans in Won	**60,196,506**	**23,054,254**	**6,518,370**	**38,425,373**	**128,194,503**
Loans in foreign currency	**4,627,418**	**1,565,060**	**825,904**	**425,516**	**7,443,898**

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2.2.6. Loan Balances by Types

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

(Unit: in millions of Won)

		March 31, 2007	December 31, 2006	December 31, 2005
Loans to enterprise	**Loans for operations**	**34,942,362**	**33,054,421**	**30,498,328**
	Loans for facility	**6,788,649**	**6,103,249**	**5,073,050**
Loans to households		**46,567,664**	**46,509,920**	**42,771,264**
Loans to public sector & others	**Loans for operations**	**971,264**	**894,178**	**643,141**
	Loans for facility	**3,060**	**3,687**	**34,157**
Loans on property formation savings		**897**	**1,013**	**6,748**
Loans for housing		**38,919,562**	**39,007,176**	**39,535,441**
Inter-bank loans				**1,274**
Others		**1,045**	**1,173**	**1,938**
Total		**128,194,503**	**125,574,817**	**118,565,341**

2.2.7. Loan to Deposit Ratio[1]

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

(Unit: in millions of Won, %)

	March 31, 2007	December 31, 2006	December 31, 2005
Loans (A)	**126,540,844**	**120,680,825**	**120,532,216**
Deposits (B)	**126,293,631**	**123,442,462**	**123,074,358**
Loan to deposit ratio (A/B)	**100.19**	**97.76**	**97.93**

2.2.8. Guarantees

(Unit: in millions of Won)

	March 31, 2007	December 31, 2006	December 31, 2005
Determined	**3,503,818**	**2,704,307**	**1,789,560**
Contingent	**2,264,747**	**2,304,434**	**1,972,192**
Total	**5,768,565**	**5,008,741**	**3,761,752**

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

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2.2.9. Securities Investment

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

(Unit: in millions of Won)

		March 31, 2007		December 31, 2006		December 31, 2005	
		Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
Securities in Won (Bank account)	Monetary stabilization bonds	8,481,624	8,361,084	11,803,683	8,534,765	10,667,229	11,570,306
	Government and public bonds	10,363,059	10,527,998	10,035,180	10,117,416	6,950,886	8,933,401
	Debentures	15,376,807	16,501,755	11,847,016	14,140,083	7,334,555	9,184,403
	Stocks	2,373,159	1,581,425	1,575,806	2,515,385	1,243,781	1,707,816
	Others	296,863	346,536	1,878,308	744,895	3,368,027	2,105,353
Subtotal		36,891,512	37,318,798	37,139,993	36,052,544	29,564,478	33,501,279
Securities in Won (Trust account)	Monetary stabilization bonds	1,483,777	1,567,993	1,247,444	1,524,511	999,522	981,949
	Government and public bonds	1,271,607	1,287,225	1,090,228	1,216,613	993,450	1,013,355
	Debentures	1,844,558	1,822,305	1,937,309	1,815,093	1,979,588	2,017,298
	Stocks	740,529	702,179	756,900	769,212	514,568	542,731
	Others	2,715,931	2,598,389	3,837,714	2,873,202	2,745,143	3,311,235
Subtotal		8,056,402	7,978,091	8,869,595	8,198,631	7,232,271	7,866,568
Securities in foreign currency (Trust Account)		32,563	32,140	110,472	32,661	289,665	184,115
Securities in foreign currency (Bank account)	Foreign securities	621,260	653,405	559,343	613,078	579,561	525,892
	Off-shore foreign securities	232,769	261,937	233,838	216,066	279,003	252,994
Subtotal		854,029	915,342	793,181	829,144	858,565	778,886
Total		45,834,506	46,244,371	46,913,241	45,112,980	37,944,979	42,330,848

2.2.10. Trust Account

(Unit: in millions of Won)

	March 31, 2007		December 31, 2006		December 31, 2005	
	Average amount trusted	Trust fees	Average amount trusted	Trust fees	Average amount trusted	Trust fees
Return-guaranteed trust	321	847	325	11,295	335	43,088
Performance trust	15,330,592	15,378	17,538,443	67,209	18,146,337	77,756
Total	15,330,913	16,225	17,538,768	78,504	18,146,672	120,844

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2.2.11. Credit Card

(Unit: in millions of Won unless indicated otherwise)

		As of or for the years ended of indicated dates		
		March 31, 2007	December 31, 2006	December 31, 2005
Number of card holders (Person)	**Corporate**	**168,728**	**173,190**	**159,047**
	Individual	**8,802,675**	**8,883,738**	**9,342,552**
Number of merchants		**1,630,160**	**1,610,446**	**1,506,979**
Sales volume[1]		**16,232,564**	**63,929,192**	**62,475,085**
Fee revenue		**535,906**	**2,189,014**	**2,090,253**

2.3. Branch Networks

As of March 31, 2007, we have 1,071 branches and 65 sub-branches in Korea, the largest number of branches among Korean commercial banks. 441 of our branches are located in Seoul.

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

[1] Includes lump-sum and installment purchases, cash advances, and check card and purchasing card transactions.

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2.4. Other Information for Investment Decision

2.4.1. BIS Risk-adjusted Capital Ratios

(Unit: in millions of Won, %)

	March 31, 2007[1]	December 31, 2006	December 31, 2005
Risk-adjusted capital (A)	**18,892,250**	**18,751,151**	**15,682,535**
Risk-weighted assets (B)	**135,608,656**	**132,373,478**	**121,072,676**
BIS ratios (A/B)	**13.93**	**14.17**	**12.95**

2.4.2. Non-Performing Loans[2]

(Unit: in millions of Won unless indicated otherwise)

March 31, 2007		December 31, 2006		Change	
Amount	NPL to total loans	Amount	NPL to total loans	Amount	NPL to total loans
1,274,712	**0.81%**	**1,295,915**	**0.85%**	**-21,203**	**-0.04%p**

2.4.3. Loan Loss Allowances

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

(Unit: in millions of Won)

		March 31, 2007	December 31, 2006	December 31, 2005
Loan losses allowance	**Domestic**	**2,441,777**	**2,458,307**	**2,496,655**
	Foreign	**4,943**	**4,772**	**4,122**
	Total	**2,446,720**	**2,463,079**	**2,500,777**
Write-Off		**261,829**	**1,693,468**	**1,978,875**

1 The figures for the first quarter of 2007 are preliminary estimates and are subject to change.

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

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2.4.4. Changes of Loan Loss Allowances for Recent Three Years[1]

(Unit: in millions of Won)

	March 31, 2007	December 31, 2006	December 31, 2005
Beginning balance	**2,360,867**	**2,453,275**	**3,118,775**
Net Write-Off	**(129,202)**	**(1,034,059)**	**(1,726,632)**
Write-Off	**(259,083)**	**(1,680,331)**	**(2,002,336)**
Recovery	**131,495**	**474,278**	**452,235**
Other	**(1,614)**	**171,994**	**(176,531)**
Provision for loan losses	**118,522**	**941,651**	**1,061,132**
Ending balance	**2,350,187**	**2,360,867**	**2,453,275**

1 Loan loss allowance includes present value discounts and excludes allowance for other assets.

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3. Financial Information

3.1. Non-Consolidated Condensed Financial Statements

(Unit: in millions of Won)

	As of or for the year ended March 31, 2007	As of or for the year ended December 31, 2006
Cash and due from banks	**5,903,268**	**6,568,306**
Securities	**30,237,189**	**29,382,480**
Loans	**152,701,808**	**149,867,182**
Tangible assets	**2,190,364**	**2,137,732**
Other assets	**8,352,182**	**7,250,781**
Total assets	**199,384,811**	**195,206,481**
Deposits	**129,167,711**	**130,019,916**
Borrowings	**43,052,129**	**39,042,684**
Other liabilities	**12,646,178**	**11,088,924**
Total liabilities	**184,866,018**	**180,151,524**
Capital stocks	**1,681,896**	**1,681,896**
Capital surplus	**6,258,297**	**6,258,297**
Capital Adjustment	**0**	**0**
Accumulated other comprehensive income	**409,492**	**899,542**
Retained earnings	**6,169,108**	**6,215,222**
Total shareholders equity	**14,518,793**	**15,054,957**
Liabilities and Shareholders Equity	**199,384,811**	**195,206,481**
Operating revenue	**5,395,714**	**19,618,874**
Operating income	**1,625,621**	**3,204,982**
Income before income taxes	**1,642,078**	**3,424,086**
Net (loss) income	**1,182,491**	**2,472,111**

3.2. Other Financial Information

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

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4. Independent Public Accountants

4.1. Audit & Audit related Fees

Deloitte Anjin LLC has reviewed our financial statements for the first quarter 2007. The aggregate contract fee for the audit and review fees for the year 2007 is 1,420 million Won.

4.2. Non-Audit Services

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

(Unit: in millions of Won unless indicated otherwise)

Year		Service description	Amount of payment
1Q 2007	-	Issuance of comfort letter with respect to RMBS	50
	-	Issuance of comfort letter	40
2006	-	Confirmation of BIS ratio and confirmation affirming that Kookmin Bank is not a Non-Financial Operator	10
2005	-	Issuance of comfort letter	30

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5. Corporate Governance and Affiliated Companies

5.1. Board of Directors & Committees under the Board

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

The board of directors resolves following matters:

- Matters relating to general meeting of shareholders
- Matters relating to general management
- Matters relating to organization and directors of the company
- Matters relating to funding and capital
- Other related matters

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

- The Board Steering Committee
- The Management Strategy Committee
- The Risk Management Committee
- The Audit Committee
- The Evaluation & Compensation Committee
- The Non Executive Director Nominating Committee

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

5.2. Audit Committee

The audit committee oversees our financial reporting and approves the appointment of and interaction among 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. The committee also examines the agenda for, and financial statements and other reports to be submitted by, the board of directors to each general meeting of

shareholders. The committee holds regular meetings every quarter and on an as-needed basis.

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5.3. Compensation to Directors

5.3.1. Compensation to Directors

The following table shows information regarding the remuneration paid to the Directors in the first quarter of 2007.

(Unit: in millions of Won)

	The aggregate remuneration paid (From Jan to Mar)	Limit for the remuneration resolved by shareholders meeting (For the year 2007)	Average amount of the payment per person (From Jan to Mar)
1) Executive Directors (Except Chief Audit Executive and Non-executive Directors)	**2,409**	**8,000**	**803**
2) Non-executive Directors (Except members of Audit Committee)	**86**		**17**
3) Members of Audit Committee (Including Chief Audit Executive)	**558**		**112**
Total	**3,053**	**8,000**	**235**

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5.3.2. Stock Option

The following table is the breakdown of stock options Kookmin Bank has granted to the directors and employees as of March 31, 2007.

(Unit: in Won, shares)

Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options[1]	Number of exercised options	Number of exercisable options
			From	To				
15-Mar-01	Young Seok Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	1,870	0	1,870
15-Mar-01	In Kie Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Ji Hong Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Se Woong Lee	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Jong Min Lee	Chief Audit Executive	16-Mar-04	15-Mar-09	28,027	14,807	2,807	12,000
15-Mar-01	Seung Heon Han	Non Executive Director	16-Mar-04	15-Mar-09	28,027	1,870	0	1,870
15-Mar-01	Duk Hyun Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	2,845	9,000
15-Mar-01	Byung Sang Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	11,845	0
15-Mar-01	Byung Jin Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	11,845	0
15-Mar-01	Bock Woan Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	0	11,845
15-Mar-01	Yoo Hwan Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	0	11,845
15-Mar-01	Ok Hyun Yoon	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	7,845	4,000
15-Mar-01	Hoo Sang Jang	Employee	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Sang Hoon Lee	Employee	16-Mar-04	15-Mar-09	28,027	2,961	1,961	1,000
15-Mar-01	Jae In Suh	Employee	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Sung Hyun Chung	Employee	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Jong Hwa Lee	Employee	16-Mar-04	15-Mar-09	28,027	2,961	2,461	500
15-Mar-01	Sang Won Lee	Employee	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Joon Ho Park	Employee	16-Mar-04	15-Mar-09	28,027	592	0	592
15-Mar-01	Sung Wan Choi	Employee	16-Mar-04	15-Mar-09	28,027	370	0	370
15-Mar-01	Jeong Haing Lee	Employee	16-Mar-04	15-Mar-09	28,027	592	0	592
15-Mar-01	Tae Joo Yoon	Employee	16-Mar-04	15-Mar-09	28,027	10	0	10
15-Mar-01	Si An Her	Employee	16-Mar-04	15-Mar-09	28,027	370	0	370
15-Mar-01	Seok Won Choi	Employee	16-Mar-04	15-Mar-09	28,027	592	0	592
15-Mar-01	Yong Soo Shin	Employee	16-Mar-04	15-Mar-09	28,027	370	0	370
15-Mar-01	Sung Shin Cho	Employee	16-Mar-04	15-Mar-09	28,027	592	0	592
15-Mar-01	Young Mo Lee	Employee	16-Mar-04	15-Mar-09	28,027	592	0	592
15-Mar-01	Sung Gil Lee	Employee	16-Mar-04	15-Mar-09	28,027	370	0	370
22-Mar-01	Cheol Ho Kim	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	4,429	0	4,429
22-Mar-01	Jun Chae Song	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	6,644	0	6,644
22-Mar-01	Myoung Woo Lee	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	4,429	0	4,429
22-Mar-01	Han Kyoung Lee	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	6,644	0	6,644
24-Mar-01	Jae Kyu Lee	Non Executive Director	25-Mar-04	24-Mar-07	25,100	2,318	2,318	0
24-Mar-01	Jong In Park	Executive Vice President	25-Mar-04	24-Mar-07	25,100	19,333	19,333	0
16-Nov-01	Sang Hoon Kim	Chairman	17-Nov-04	16-Nov-09	51,200	150,000	50,000	100,000
22-Mar-02	Sun Jin Kim	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,000	0	3,000
22-Mar-02	Ji Hong Kim	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,321	0	3,321
22-Mar-02	Keun Shik Oh	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,321	1,021	2,300
22-Mar-02	Kyung Hee Yoon	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,000	0	3,000
22-Mar-02	Dong Soo Chung	Non Executive Director	23-Mar-05	22-Mar-10	57,100	10,000	0	10,000
22-Mar-02	Henry Cornell	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,321	0	3,321
22-Mar-02	Timothy Hartman	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,321	0	3,321
22-Mar-02	Byung Sang Kim	Executive Vice President	23-Mar-05	22-Mar-10	57,100	9,498	0	9,498

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

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options[1]	Number of exercised options	Number of exercisable options
			From	To				
22-Mar-02	Bock Woan Kim	Executive Vice President	23-Mar-05	22-Mar-10	57,100	13,339	0	13,339
22-Mar-02	Ki Sup Shin	Executive Vice President	23-Mar-05	22-Mar-10	57,100	26,405	2,405	24,000
22-Mar-02	Jong Kyoo Yoon	Executive Vice President	23-Mar-05	22-Mar-10	57,100	20,522	0	20,522
22-Mar-02	Sung Hyun Chung	Executive Vice President	23-Mar-05	22-Mar-10	57,100	19,525	0	19,525
22-Mar-02	Bong Hwan Cho	Executive Vice President	23-Mar-05	22-Mar-10	57,100	9,498	0	9,498
22-Mar-02	Bum Soo Choi	Executive Vice President	23-Mar-05	22-Mar-10	57,100	13,339	3,339	10,000
22-Mar-02	Ki Taek Hong	Executive Vice President	23-Mar-05	22-Mar-10	57,100	19,525	0	19,525
22-Mar-02	Jong Young Yoon	Employee	23-Mar-05	22-Mar-10	57,100	14,712	5,000	9,712
22-Mar-02	Jae Il Song	Employee	23-Mar-05	22-Mar-10	57,100	9,762	0	9,762
22-Mar-02	Hyung Goo Sim	Employee	23-Mar-05	22-Mar-10	57,100	14,712	0	14,712
22-Mar-02	Jeong Haing Lee	Employee	23-Mar-05	22-Mar-10	57,100	9,762	0	9,762
22-Mar-02	Joon Sup Chang	Employee	23-Mar-05	22-Mar-10	57,100	9,762	0	9,762
22-Mar-02	Young No Lee	Employee	23-Mar-05	22-Mar-10	57,100	14,712	14,712	0
22-Mar-02	Sung Bin Kim	Employee	23-Mar-05	22-Mar-10	57,100	9,762	0	9,762
22-Mar-02	Sung Bok Park	Employee	23-Mar-05	22-Mar-10	57,100	14,712	0	14,712
22-Mar-02	Yun Keun Jung	Employee	23-Mar-05	22-Mar-10	57,100	15,000	0	15,000
22-Mar-02	Man Soo Song	Employee	23-Mar-05	22-Mar-10	57,100	9,762	0	9,762
22-Mar-02	Jeong Young Kim	Employee	23-Mar-05	22-Mar-10	57,100	5,000	0	5,000
22-Mar-02	Hack Yeon Jeong	Employee	23-Mar-05	22-Mar-10	57,100	5,000	0	5,000
22-Mar-02	Jong Hwan Byun	Employee	23-Mar-05	22-Mar-10	57,100	5,000	0	5,000
22-Mar-02	Jae Han Kim	Employee	23-Mar-05	22-Mar-10	57,100	2,500	0	2,500
22-Mar-02	Jong Ok Na	Employee	23-Mar-05	22-Mar-10	57,100	2,500	0	2,500
29-Mar-02	Boung Hak Kim	Former KCC Officer	30-Mar-04	29-Mar-11	129,100	3,330	0	3,330
29-Mar-02	Jang Ok Kim	Former KCC Officer	30-Mar-04	29-Mar-11	129,100	3,330	0	3,330
29-Mar-02	Sun Lee	Former KCC Officer	30-Mar-04	29-Mar-11	129,100	3,330	0	3,330
26-Jul-02	Donald H. MacKenzie	Executive Vice President	27-Jul-05	26-Jul-10	58,800	23,899	0	23,899
21-Mar-03	Ki Hong Kim	Non Executive Director	22-Mar-06	21-Mar-11	58,600	10,000	0	10,000
21-Mar-03	Sun Jin Kim	Non Executive Director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Eun Joo Park	Non Executive Director	22-Mar-06	21-Mar-11	42,200	3,351	0	3,351
21-Mar-03	Kyung Bae Suh	Non Executive Director	22-Mar-06	21-Mar-11	42,200	3,351	3,351	0
21-Mar-03	Kyung Hee Yoon	Non Executive Director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Bernard S. Black	Non Executive Director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Richard Elliott Lint	Non Executive Director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Sung Chul Kim	Executive Vice President	22-Mar-06	21-Mar-11	35,500	9,443	4,443	5,000
21-Mar-03	See Young Lee	Executive Vice President	22-Mar-06	21-Mar-11	35,500	7,024	4,024	3,000
21-Mar-03	Won Suk Oh	Employee	22-Mar-06	21-Mar-11	35,500	9,730	0	9,730
21-Mar-03	Sung Dae Min	Employee	22-Mar-06	21-Mar-11	35,500	9,730	0	9,730
21-Mar-03	Kyong Jae Jeong	Employee	22-Mar-06	21-Mar-11	35,500	9,730	0	9,730
21-Mar-03	Chul Hee Kim	Employee	22-Mar-06	21-Mar-11	35,500	14,343	0	14,343
21-Mar-03	In Do Lee	Employee	22-Mar-06	21-Mar-11	35,500	9,730	0	9,730
21-Mar-03	Maeng Soo Ryang	Employee	22-Mar-06	21-Mar-11	35,500	9,730	0	9,730
27-Aug-03	Jin Baek Cheong	Executive Vice President	28-Aug-06	27-Aug-11	40,500	5,091	0	5,091
09-Feb-04	Young Il Kim	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	7,125	0	7,125
09-Feb-04	Sang Jin Lee	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	7,125	0	7,125
09-Feb-04	Jeung Lak Lee	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	7,452	7,452	0
09-Feb-04	Yun Keun Jung	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Kuk Shin Kang	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Kyung Soo Kang	Employee	10-Feb-07	09-Feb-12	46,100	3,837	0	3,837
09-Feb-04	Yang Jin Kim	Employee	10-Feb-07	09-Feb-12	46,100	5,000	5,000	0
09-Feb-04	Dong Hwan Cho	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options[1]	Number of exercised options	Number of exercisable options
			From	To				
09-Feb-04	Dong Sook Kang	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Young Han Kim	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	De Oak Shin	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Chang Ho Kim	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Dal Soo Lee	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Byong Doo Ahn	Employee	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
23-Mar-04	Young Soon Cheon	Non Executive Director	24-Mar-07	23-Mar-12	48,500	5,000	0	5,000
23-Mar-04	Dong Soo Chung	Non Executive Director	24-Mar-07	23-Mar-12	48,500	5,000	0	5,000
23-Mar-04	Wang Ha Cho	Non Executive Director	24-Mar-07	23-Mar-12	48,800	5,000	0	5,000
23-Mar-04	Woon Youl Choi	Non Executive Director	24-Mar-07	23-Mar-12	48,800	5,000	0	5,000
23-Mar-04	Jung Young Kang	Senior Executive Vice President	24-Mar-07	23-Mar-12	47,200	10,000	10,000	0
01-Nov-04	Chung Won Kang	President & CEO	02-Nov-07	01-Nov-12	X_2	700,000	0	700,000
18-Mar-05	Hyung Duk Chang	Chief Audit Executive	19-Mar-08	18-Mar-13	X_2	30,000	0	30,000
18-Mar-05	Kap Shin	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Dong Won Kim	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Yun Keun Jung	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	8,759	0	8,759
18-Mar-05	Nam Sik Yang	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	18,750	0	18,750
18-Mar-05	Hyo Sung Won	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Yong Kook Oh	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Sang Jin Lee	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	8,759	0	8,759
18-Mar-05	Ahn Sook Koo	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	8,759	0	8,759
18-Mar-05	Jung Young Kang	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	18,750	0	18,750
18-Mar-05	Young Han Choi	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Dong Soo Choe	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	18,750	0	18,750
18-Mar-05	Seong Kyu Lee	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	8,759	0	8,759
18-Mar-05	Jun Bo Cho	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	8,759	0	8,759
18-Mar-05	Jeong Min Kim	Senior Executive Vice President	19-Mar-08	18-Mar-13	46,800	30,000	0	30,000
18-Mar-05	Sung Soo Jung	Employee	19-Mar-08	18-Mar-13	46,800	4,379	0	4,379
18-Mar-05	Hye Young Kim	Employee	19-Mar-08	18-Mar-13	46,800	4,379	0	4,379
18-Mar-05	Ki Hyun Kim	Employee	19-Mar-08	18-Mar-13	46,800	4,379	0	4,379

[2] Exercise price = (Base Price) Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4).
(Base Price) Won is the arithmetic mean of the following three numbers: the sum of the daily closing price multiplied by the daily trading volume divided by the daily trading volume for the common shares during each of the following periods: (i) two months prior to, but excluding, the grant date; (ii) one month prior to, but excluding, the grant date; and (iii) one week prior to, but excluding, the grant date.

The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options[1]	Number of exercised options	Number of exercisable options
			From	To				
18-Mar-05	Jae Sam Jung	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Chang Ho Kim	Employee	19-Mar-08	18-Mar-13	46,800	4,379	0	4,379
18-Mar-05	Dong Sook Kang	Employee	19-Mar-08	18-Mar-13	46,800	4,379	0	4,379
18-Mar-05	De Oak Shin	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Dal Soo Lee	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Byong Doo Ahn	Employee	19-Mar-08	18-Mar-13	46,800	4,379	0	4,379
18-Mar-05	Byung Kun Oh	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Won Sik Yeo	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Dong Su Ryo	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Kyoung Ho Lee	Employee	19-Mar-08	18-Mar-13	46,800	9,375	0	9,375
18-Mar-05	Jeung Ho Lee	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Kwang Suk Lee	Employee	19-Mar-08	18-Mar-13	46,800	9,375	0	9,375
18-Mar-05	Tae Gon Kim	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Hyeog Kwan Kwon	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Kyu Hyung Jung	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Dong Hwan Cho	Employee	19-Mar-08	18-Mar-13	46,800	9,375	0	9,375
18-Mar-05	Man Hee Lee	Employee	19-Mar-08	18-Mar-13	46,800	9,375	0	9,375
18-Mar-05	Il Soo Moon	Employee	19-Mar-08	18-Mar-13	46,800	15,000	0	15,000
18-Mar-05	Yong Seung Lee	Employee	19-Mar-08	18-Mar-13	46,800	9,375	0	9,375
18-Mar-05	Suk Yong Cha	Non Executive Director	19-Mar-08	18-Mar-13	61,000	5,091	0	5,091
18-Mar-05	Ki Hong Kim	Non Executive Director	19-Mar-08	18-Mar-13	60,300	5,077	0	5,077
18-Mar-05	Young Soon Cheon	Non Executive Director	19-Mar-08	18-Mar-13	63,600	10,072	0	10,072
18-Mar-05	Dong Soo Chung	Non Executive Director	19-Mar-08	18-Mar-13	X_2	15,000	0	15,000
18-Mar-05	Chang Kyu Lee	Non Executive Director	19-Mar-08	18-Mar-13	X_2	15,000	0	15,000
18-Mar-05	Hun Namkoong	Non Executive Director	19-Mar-08	18-Mar-13	61,000	5,091	0	5,091
18-Mar-05	Doo Hwan Song	Non Executive Director	19-Mar-08	18-Mar-13	63,800	10,031	0	10,031
18-Mar-05	Dam Cho	Non Executive Director	19-Mar-08	18-Mar-13	X_2	15,000	0	15,000
18-Mar-05	Nobuya Takasugi	Non Executive Director	19-Mar-08	18-Mar-13	X_2	15,000	0	15,000
27-Apr-05	Kyung Wook Kang	Employee	28-Apr-08	27-Apr-13	45,700	8,827	0	8,827
22-Jul-05	Donald H. MacKenzie	Senior Executive Vice President	23-Jul-08	22-Jul-13	49,200	30,000	0	30,000
23-Aug-05	Youn Soo Kim	Employee	24-Aug-08	23-Aug-13	53,000	7,212	0	7,212
24-Mar-06	Dong Soo Chung	Non Executive Director	25-Mar-09	24-Mar-14	X_3	20,000	0	20,000
24-Mar-06	Doo Hwan Song	Non Executive Director	25-Mar-09	24-Mar-14	X_3	10,000	0	10,000
24-Mar-06	Chang Kyu Lee	Non Executive Director	25-Mar-09	24-Mar-14	X_3	10,000	0	10,000
24-Mar-06	Dam Cho	Non Executive Director	25-Mar-09	24-Mar-14	X_3	10,000	0	10,000
24-Mar-06	Nobuya Takasugi	Non Executive Director	25-Mar-09	24-Mar-14	X_3	10,000	0	10,000
24-Mar-06	Young Soon Cheon	Non Executive Director	25-Mar-09	24-Mar-14	85,100	5,000	0	5,000
24-Mar-06	Kee Young Chung	Non Executive Director	25-Mar-09	24-Mar-14	X_3	30,000	0	30,000

[3] Exercise price = (Base Price) Won x (1 + TRS of the three major competitors x 0.4)
(Base Price) Won is the arithmetic mean of the following three numbers: the sum of the daily closing price multiplied by the daily trading volume divided by the daily trading volume for the common shares during each of the following periods: (i) two months prior to, but excluding, the grant date; (ii) one month prior to, but excluding, the grant date; and (iii) one week prior to, but excluding, the grant date.

TRS of the three major competitors shall mean (the sum of each of the three major competitor s Total Market Cap at the expected exercise price confirmation date less the sum of each of the three major competitor s Total Market Cap at the grant date) divided by the sum of each of the three major competitor s Total Market Cap at the grant date.

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options[1]	Number of exercised options	Number of exercisable options
			From	To				
24-Mar-06	Bo Kyung Byun	Non Executive Director	25-Mar-09	24-Mar-14	X_3	30,000	0	30,000
24-Mar-06	Bae Kin Cha	Non Executive Director	25-Mar-09	24-Mar-14	X_3	30,000	0	30,000
24-Mar-06	Hyung Duk Chang	Chief Audit Executive	25-Mar-09	24-Mar-14	X_3	20,000	0	20,000
24-Mar-06	Ki Hong Kim	Chief Executive Vice President	25-Mar-09	24-Mar-14	X_3	210,000	0	210,000
24-Mar-06	Kap Joe Song	Senior Executive Vice President	25-Mar-09	24-Mar-14	X_3	45,000	0	45,000
24-Mar-06	Dal Soo Lee	Senior Executive Vice President	25-Mar-09	24-Mar-14	X_3	20,000	0	20,000
24-Mar-06	Won Sik Yeo	Senior Executive Vice President	25-Mar-09	24-Mar-14	X_3	20,000	0	20,000
24-Mar-06	De Oak Shin	Senior Executive Vice President	25-Mar-09	24-Mar-14	X_3	20,000	0	20,000
24-Mar-06	Choong Won Cho	Employee	25-Mar-09	24-Mar-14	X_3	30,000	0	30,000
24-Mar-06	Yook Sang Kwon	Employee	25-Mar-09	24-Mar-14	X_3	30,000	0	30,000
24-Mar-06	Haing Hyun Choi	Employee	25-Mar-09	24-Mar-14	X_3	30,000	0	30,000
24-Mar-06	In Gyu Choi	Employee	25-Mar-09	24-Mar-14	X_3	30,000	0	30,000
24-Mar-06	Kwang Chun Shon	Employee	25-Mar-09	24-Mar-14	X_3	30,000	0	30,000
24-Mar-06	Han Mok Cho	Employee	25-Mar-09	24-Mar-14	X_3	30,000	0	30,000
24-Mar-06	Soon Hyun Kim	Employee	25-Mar-09	24-Mar-14	X_3	30,000	0	30,000
24-Mar-06	Seung Joo Baik	Employee	25-Mar-09	24-Mar-14	X_3	30,000	0	30,000
24-Mar-06	Kwang Mook Park	Employee	25-Mar-09	24-Mar-14	X_3	30,000	0	30,000
24-Mar-06	Se Yoon Hong	Employee	25-Mar-09	24-Mar-14	X_3	30,000	0	30,000
24-Mar-06	Sang Rak Jang	Employee	25-Mar-09	24-Mar-14	X_3	30,000	0	30,000
24-Mar-06	Jin Sun Paeng	Employee	25-Mar-09	24-Mar-14	X_3	30,000	0	30,000
24-Mar-06	Shin Og Joo	Employee	25-Mar-09	24-Mar-14	X_3	30,000	0	30,000
24-Mar-06	Young Hee Jeon	Employee	25-Mar-09	24-Mar-14	X_3	30,000	0	30,000
24-Mar-06	Bae Young Lee	Employee	25-Mar-09	24-Mar-14	X_3	30,000	0	30,000
28-Apr-06	Young Mo Lee	Employee	29-Apr-09	28-Apr-14	X_3	30,000	0	30,000
27-Oct-06	Dong Hyun Ji	Employee	28-Oct-09	27-Oct-14	X_3	20,000	0	20,000
08-Feb-07	Dong Su Yeo	Senior Executive Vice President	09-Feb-10	08-Feb-15	X_3	10,000	0	10,000
08-Feb-07	Hyeog Kwan Kwon	Senior Executive Vice President	09-Feb-10	08-Feb-15	X_3	10,000	0	10,000
08-Feb-07	Jeung Ho Lee	Senior Executive Vice President	09-Feb-10	08-Feb-15	X_3	10,000	0	10,000
08-Feb-07	Kyoung Woo Nam	Senior Executive Vice President	09-Feb-10	08-Feb-15	X_3	45,000	0	45,000
08-Feb-07	Gi Eui Choi	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Chung Wook Kim	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Kyung Hak Lee	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Jae Gon Kim	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Heung Un Kim	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Woo Shick Lee	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Young Hwan Sohn	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Young Gu Joo	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Han Ok Kim	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Yong Shin Kim	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Kyung Gu Lee	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Kyun Shin	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options[1]	Number of exercised options	Number of exercisable options
			From	To				
08-Feb-07	Hwa Jung Kim	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Tae Sung Hwang	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Myung Heun You	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Nam Cheol Shin	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	In Byung Park	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Kun Soo Kang	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Kwang Won Jee	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Youn Dong Kim	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Chan Bon Park	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Jong Bum Kim	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Byong Duk Min	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Hye Seok Seo	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Bou Hwan Sim	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Yong Soo Seok	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
08-Feb-07	Sang Hun Choi	Employee	09-Feb-10	08-Feb-15	X_3	30,000	0	30,000
23-Mar-07	Jacques P.M. Kemp	Non Executive Director	24-Mar-10	23-Mar-15	X_3	30,000	0	30,000
Total						4,180,094	174,007	4,006,087

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5.4. Affiliated Companies

5.4.1. List of Affiliates[1]

Affiliated companies of Kookmin Bank and its ownership as of March 31, 2007 are as follows.

- KB Investment Co., Ltd. (99.99%)
- KB Asset Management Co., Ltd. (80.00%)
- KB Real Estate Trust Co., Ltd. (99.99%)
- KB Credit Information Co., Ltd. (99.73%)
- KB Data Systems Corporation (99.99%)
- KB Futures Co., Ltd. (99.98%)
- KB Life Insurance Co., Ltd. (51.00%)
- ING Life Korea Ltd. (20.00%)
- Kookmin Bank International (London) Ltd. (100.00%)
- Kookmin Bank Hong Kong Ltd. (100.00%)
- Sorak Financial Holdings Pte. Ltd. (25.00%)

[1] Excludes Jooeun Industrial and KLB Securities which are under liquidation procedures. Kookmin Singapore Ltd. and Kookmin Finance Asia Limited are also under liquidation procedures.

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6. Directors, Senior Management and Employees

6.1. Executive Directors

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

The names and positions of our directors, and the number of shares of Kookmin Bank s common stock they own are set forth below as of March 31, 2007.

Name	Date of Birth	Position	Common Stocks Owned
Chung Won Kang	**12/19/1950**	**President & CEO**	
Hyung Duk Chang	**08/13/1950**	**Chief Audit Executive**	
Ki Hong Kim	**01/10/1957**	**Chief Executive Vice President**	
Kap Shin	**09/04/1955**	**CFO & Senior EVP**	

6.2. Non-Executive Directors

Our non-executive directors are selected based on the candidates talents and skills in diverse areas, such as law, finance, economy, management and accounting.

Our current non-executive directors and the number of shares of Kookmin Bank s common stock they own are as follows.

Name	Date of Birth	Position	Common Stocks Owned
Dong Soo Chung	**09/24/1945**	**Non-Executive Director**	**2,525**
Nobuya Takasugi	**09/03/1942**	**Non-Executive Director**	
Kee Young Chung	**09/07/1948**	**Non-Executive Director**	
Jacques P.M. Kemp	**05/15/1949**	**Non-Executive Director**	
Chang Kyu Lee	**05/20/1950**	**Non-Executive Director**	
Dam Cho	**08/01/1952**	**Non-Executive Director**	
Bo Kyung Byun	**08/09/1953**	**Non-Executive Director**	
Baek In Cha	**07/23/1958**	**Non-Executive Director**	

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6.3. Senior Management

In addition to the executive directors who are also our executive officers, we currently have the following 14 executive officers as of March 31, 2007.

Name	Date of Birth	Position	Common Shares Owned
Dal Soo Lee	**02/15/1952**	**Senior Executive Vice President**	**152**
Won Sik Yeo	**01/30/1953**	**Senior Executive Vice President**	
Dong Su Yeo	**02/17/1956**	**Senior Executive Vice President**	
Hyeog Kwan Kwon	**12/10/1953**	**Senior Executive Vice president**	**40**
Yong Kook Oh	**09/30/1949**	**Senior Executive Vice President**	
Hyo Sung Won	**07/29/1960**	**Senior Executive Vice President**	
De Oak Shin	**01/09/1951**	**Senior Executive Vice President**	**8,963**
Kyoung Woo Nam	**04/01/1951**	**Senior Executive Vice President**	
Young Han Choi	**09/24/1958**	**Senior Executive Vice President**	
Jeung Ho Lee	**08/15/1952**	**Senior Executive Vice President**	**38**
Jeong Min Kim	**05/08/1951**	**Senior Executive Vice President**	**94**
Donald H. MacKenzie	**12/20/1948**	**Senior Executive Vice President**	
Kap Joe Song	**07/20/1947**	**Senior Executive Vice President**	
Dong Won Kim	**03/01/1953**	**Senior Executive Vice President**	

6.4. Employees

The following table shows the breakdown of our employees as of March 31, 2007.

(Unit: in millions of Won)

	Number of Employees[1]					
	Full-time	Contractual	Total	Average Tenure of the Full-time Employees (years)2	Total Payment for the first quarter of 20073	Average Payment per Person
Male	**12,880**	**1,497**	**14,377**	**17 years and 7 months**	**239,639**	**16.7**
Female	**4,550**	**6,685**	**11,235**	**14 years and 3 months**	**126,618**	**11.3**
Total	**17,430**	**8,182**	**25,612**	**16 years and 8 months**	**366,257**	**14.3**

1 Numbers of employees are calculated based on an arithmetic mean from January 31, 2007 to March 31, 2007, and do not include executive vice presidents, local employees in overseas branches and persons engaged in outsourced services.

2 Based on only full-time employees as of March 31, 2007

3 Based on personnel expense and welfare cost as of March 31, 2007

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7. Major Stockholders and Related Party Transactions

7.1. Major Stockholders[1]

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

(Unit: Shares, %)

Name	Number of Shares of Common Stock	Percentage of Total Issued Shares
Citibank, N. A.[2]	**49,470,643**	**14.71**
Euro-Pacific Growth Fund	**18,377,910**	**5.46**

1 Information based on December 31, 2006
2 Depositary under our ADR and GDR programs

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7.2. Investments in Affiliates[1]

(Unit: in millions of Won)

Name	Relation with the Bank	Account	Beginning Balance (Jan 1, 2007)	Increase	Decrease	Ending Balance (Mar 31, 2007)
KB Real Estate Trust	Affiliate	Equity Securities of Affiliate	79,999			79,999
KB Investment	Affiliate	Equity Securities of Affiliate	44,756			44,756
KB Asset Management	Affiliate	Equity Securities of Affiliate	30,670			30,670
KB Futures	Affiliate	Equity Securities of Affiliate	19,996			19,996
KB Data Systems Corp.	Affiliate	Equity Securities of Affiliate	7,999			7,999
KB Credit Information	Affiliate	Equity Securities of Affiliate	6,245			6,245
KB Life Insurance	Affiliate	Equity Securities of Affiliate	15,300			15,300
Jooeun Industrial[1]	Affiliate	Equity Securities of Affiliate	9,999			9,999
KLB Securities[1]	Affiliate	Equity Securities of Affiliate	24,274			24,274
ING Life Korea	Affiliate	Equity Securities of Affiliate	14,000			14,000
Kookmin Bank Hong Kong Ltd.	Affiliate	Equity Securities of Affiliate	18,592	214		18,806
Kookmin Bank International (London) Ltd.	Affiliate	Equity Securities of Affiliate	36,482	429		36,911

Based on par value

[1] Jooeun Industrial and KLB Securities are under liquidation procedures.

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7.3. Related Party Transactions

(Unit: in millions of Won unless indicated otherwise)

Name	Relation with the Bank	Account	Transactions			
			Purchase	Disposal	Volume	Gains /Losses
LG International	Related party of Non-executive director, Kee Young Chung	Equity securities	303	303	606	11
Total			303	303	606	11

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SIGNATURES

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

Kookmin Bank
(Registrant)

Date: May 15, 2007

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

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Exhibit 99.1

KOOKMIN BANK

NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

AND INDEPENDENT ACCOUNTANTS REVIEW REPORT

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Independent Accountants Review Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of

Kookmin Bank:

We have reviewed the accompanying non-consolidated balance sheet of the Bank accounts of Kookmin Bank (the Bank) as of March 31, 2007, and the related non-consolidated statements of income, cash flows and changes in shareholders equity for the three months ended March 31, 2007 and 2006, all expressed in Korean Won. These financial statements are the responsibility of the Bank s management. Our responsibility is to issue a report on these financial statements based on our reviews. As explained in Note 2, the accompanying non-consolidated statements of income and cash flows for the three months ended March 31, 2006, which are presented for comparative purposes, were restated to reflect the effect of the changes in accounting principles.

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

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

We have previously audited, in accordance with auditing standards generally accepted in the Republic of Korea, the non-consolidated balance sheet of the Bank as of December 31, 2006, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended (not presented herein) and in our report dated March 2, 2007, we expressed an unqualified opinion on those non-consolidated financial statements. As explained in Note 2, the audited non-consolidated balance sheet as of December 31, 2006, which is presented for comparative purpose, was restated to reflect the effect of the changes in accounting principles.

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

April 30, 2007

Notice to Readers

This report is effective as of April 30, 2007, the accountants review report date. Certain subsequent events or circumstances may have occurred between the accountants review report date and the time the accountants review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the accountants review report.

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KOOKMIN BANK

NON-CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31, 2007 AND DECEMBER 31, 2006

	Korean Won	
	2007	2006
	(In millions)	
ASSETS		
Cash and due from banks (Notes 3 and 20)	(Won) 5,903,268	(Won) 6,568,306
Securities (Notes 4 and 20)	30,237,189	29,382,480
Loans (Notes 5, 6, 7 and 20)	152,701,808	149,867,182
Tangible assets (Note 8)	2,190,364	2,137,732
Other assets (Note 9)	8,352,182	7,250,781
	(Won) 199,384,811	(Won) 195,206,481
LIABILITIES AND SHAREHOLDERS EQUITY		
LIABILITIES:		
Deposits (Notes 10 and 20)	(Won) 129,167,711	(Won) 130,019,916
Borrowings (Notes 11 and 20)	43,052,129	39,042,684
Other liabilities (Notes 12, 13, 14, 15 and 16)	12,646,178	11,088,924
	184,866,018	180,151,524
SHAREHOLDERS EQUITY (Note 17):		
Common stock	1,681,896	1,681,896
Capital surplus	6,258,297	6,258,297
Accumulated other comprehensive income	409,492	899,542
Retained earnings	6,169,108	6,215,222
	14,518,793	15,054,957
	(Won) 199,384,811	(Won) 195,206,481

See accompanying notes to non-consolidated financial statements.

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KOOKMIN BANK

NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

	Korean Won	
	2007	2006
	(In millions except per share amounts)	
OPERATING REVENUE:		
Interest income:		
Interest on due from banks (Note 21)	(Won) 4,513	(Won) 5,011
Interest on securities (Note 21)	321,963	316,842
Interest on loans (Note 21)	2,821,622	2,529,468
Other interest income	8,837	7,034
	3,156,935	2,858,355
Gain on valuation and disposal of securities:		
Gain on valuation of trading securities	12,365	14,483
Gain on disposal of trading securities	4,173	13,971
Gain on disposal of available-for-sale securities	666,420	38,421
Reversal of impairment loss on available-for-sale securities (Note 4)	23,650	2,317
	706,608	69,192
Foreign exchange trading income	137,191	61,605
Commission income	354,480	328,135
Fees and commissions from trust accounts (Note 27)	21,012	22,029
Dividends income	9,123	4,331
Other operating income:		
Gain on derivatives trading	527,689	1,016,030
Gain on valuation of derivatives (Note 19)	438,196	632,356
Gain on valuation of fair value hedged items (Note 19)	21,908	2,653
Other operating income	22,572	29,680
	1,010,365	1,680,719
Total operating revenues	5,395,714	5,024,366
OPERATING EXPENSES:		
Interest expenses:		
Interest on deposits (Note 21)	928,769	784,922
Interest on borrowings (Note 21)	522,933	372,522
Other interest expenses	15,327	10,832
	1,467,029	1,168,276
Loss on valuation and disposal of securities:		

Loss on valuation of trading securities	1,085	2,333
Loss on disposal of trading securities	4,798	23,247
Loss on disposal of available-for-sale securities	5,542	4,738
Impairment loss on available-for-sale securities (Note 4)	20,018	3,335
	31,443	33,653
Provision for possible loan losses (Note 7)	115,588	152,415
Foreign exchange trading losses	48,654	108,225
Commission expenses	121,596	88,135
General and administrative expenses (Note 22)	856,127	696,895
Other operating expenses:		
Provision for acceptances and guarantees losses (Note 14)	5,299	510
Loss on derivatives trading	541,132	962,567
Loss on valuation of derivatives (Note 19)	416,164	603,487
Loss on valuation of fair value hedged items (Note 19)	40,356	9,526
Other operating expenses	126,705	123,821
	1,129,656	1,699,911
Total operating expenses	3,770,093	3,947,510

(Continued)

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KOOKMIN BANK

NON-CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

	Korean Won	
	2007	2006
	(In millions except per share amounts)	
OPERATING INCOME	(Won) 1,625,621	(Won) 1,076,856
NON-OPERATING REVENUE (Note 23)	52,249	81,132
NON-OPERATING EXPENSES (Note 23)	35,792	33,639
INCOME BEFORE INCOME TAX	1,642,078	1,124,349
INCOME TAX EXPENSE (Note 24)	459,587	321,368
NET INCOME	(Won) 1,182,491	(Won) 802,981
BASIC NET INCOME PER SHARE (In currency units) (Note 25)	(Won) 3,515	(Won) 2,387
DILUTED NET INCOME PER SHARE (In currency units) (Note 25)	(Won) 3,508	(Won) 2,387

See accompanying notes to non-consolidated financial statements.

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KOOKMIN BANK

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

	Korean Won	
	2007	2006
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	(Won) 1,182,491	(Won) 802,981
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on valuation of trading securities	1,085	2,333
Impairment loss on available-for-sale securities	20,018	3,335
Loss on valuation of securities accounted for using the equity method	251	942
Provision for possible loan losses	115,588	152,415
Depreciation and amortization	87,627	65,617
Loss on disposal of tangible assets	302	147
Loss on valuation of derivatives	416,164	603,487
Loss on valuation of fair value hedged items	40,356	9,526
Provision for severance benefits	43,927	38,556
Gain on valuation of trading securities	(12,365)	(14,483)
Reversal of impairment loss on available-for-sale securities	(23,650)	(2,317)
Gain on valuation of securities accounted for using the equity method	(22,205)	(22,997)
Gain on disposal of tangible assets	(163)	(46)
Gain on valuation of derivatives	(438,196)	(632,356)
Gain on valuation of fair value hedged items	(21,908)	(2,653)
Others, net	90,843	81,030
	297,674	282,536
Changes in assets and liabilities resulting from operations:		
Net decrease (increase) in trading securities	(2,425,970)	670,303
Net decrease (increase) in available-for-sale securities	601,681	(2,797,115)
Net decrease (increase) in held-to-maturity securities	530,033	(218,973)
Net increase in loans	(2,965,769)	(884,601)
Net increase in accounts receivable	(1,614,513)	(2,959,701)
Net decrease in accrued income	40,939	5,772
Net increase in prepaid expenses	(24,212)	(36,868)
Net decrease (increase) in deferred income tax assets	(132,541)	4,834
Net increase in accounts payable	1,636,384	2,871,969
Net increase (decrease) in accrued expenses	186,459	(557,227)
Net increase in unearned revenues	2,152	6,380
Payment of severance benefits	(8,433)	(6,244)
Net increase in severance insurance deposits	(1,416)	(1,224)
Others, net	268,610	1,742,922
	(3,906,596)	(2,159,773)
Net cash used in operating activities	(2,426,431)	(1,074,256)

(Continued)

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KOOKMIN BANK

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

	Korean Won	
	2007	2006
	(In millions)	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease (increase) in restricted due from banks	(Won) 6,058	(Won) (1,358,849)
Net decrease (increase) in securities accounted for using the equity method	15,663	(1,261)
Disposal of tangible assets	2,916	143
Purchase of tangible assets	(115,542)	(19,127)
Purchase of intangible assets	(7,489)	(6,425)
Net increase in guarantee deposits paid	(18,170)	(1,320)
Net decrease (increase) in domestic exchange settlement debits	384,166	(19,449)
Net cash provided by (used in) investing activities	267,602	(1,406,288)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net decrease in deposits	(852,554)	(2,187,807)
Net increase in borrowings	3,883,108	4,574,357
Net decrease in other liabilities	(302,921)	(462,131)
Exercise of stock options		10,620
Dividend	(1,227,784)	(184,889)
Net cash provided by financing activities	1,499,849	1,750,150
NET DECREASE IN CASH AND DUE FROM BANKS	(658,980)	(730,394)
CASH AND DUE FROM BANKS, BEGINNING OF PERIOD	3,287,819	3,624,831
CASH AND DUE FROM BANKS, END OF PERIOD (Note 31)	(Won) 2,628,839	(Won) 2,894,437

See accompanying notes to non-consolidated financial statements.

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KOOKMIN BANK

NON-CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

	Capital stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total
				(In millions)		
January 1, 2006	(Won) 1,681,896	(Won) 6,254,786	(Won) (5,772)	(Won) 512,742	(Won) 3,929,948	(Won) 12,373,600
Dividend					(184,889)	(184,889)
Retained earnings after appropriations					3,745,059	
Net income					802,981	802,981
Valuation of available-for-sale securities				22,974		22,974
Valuation of held-to-maturity securities				(136)		(136)
Valuation of securities using the equity method				10,076		10,076
Exercise of stock option			(3,888)			(3,888)
Disposal of treasury stocks		3,511	9,660			13,171
Others					(131)	(131)
March 31, 2006	(Won) 1,681,896	(Won) 6,258,297	(Won)	(Won) 545,656	(Won) 4,547,909	(Won) 13,033,758
January 1, 2007	(Won) 1,681,896	(Won) 6,258,297	(Won)	(Won) 899,542	(Won) 6,215,222	(Won) 15,054,957
Dividend					(1,227,784)	(1,227,784)
Retained earnings after appropriations					4,987,438	
Net income					1,182,491	1,182,491
Valuation of available-for-sale securities				(489,552)		(489,552)
Valuation of held-to-maturity securities				(39)		(39)
Valuation of securities using the equity method				(459)	(902)	(1,361)
Others					81	81
March 31, 2007	(Won) 1,681,896	(Won) 6,258,297	(Won)	(Won) 409,492	(Won) 6,169,108	(Won) 14,518,793

See accompanying notes to non-consolidated financial statements.

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KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006

1. GENERAL:

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

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

The Bank s shares have been listed on the Korea Stock Exchange since September 1994. As a result of the business combination with H&CB, the former shareholders of the Bank and H&CB received new common shares of the Bank on the basis of a pre-determined ratio. The new common shares of the Bank were listed on the Korea Stock Exchange on November 9, 2001. In addition, the Bank listed its American Depository Shares (ADS) on the New York Stock Exchange (NYSE) as of November 1, 2001 following the consolidation with H&CB. H&CB listed its ADS on the NYSE as of October 3, 2000 prior to the business combination. As of March 31, 2007, the Bank s paid-in capital is (Won)1,681,896 million.

The Bank is engaged in the banking, trust, credit card and other relevant businesses according to the provisions of the General Banking Act, Trust Business Act, and Specialized Credit Financial Business Act, respectively. The Bank operates through 1,135 domestic branches and offices (excluding 221 automated teller machine stations) and three overseas branches (excluding two subsidiaries and one office) as of March 31, 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Non-consolidated Financial Statement Presentation

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

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

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Interest Income Recognition

The Bank applies the accrual basis in recognizing interest income related to deposits, loans and securities, except for non-secured uncollectible receivables. Interest on loans, whose principal or interest is past due at the balance sheet date, is generally not accrued, with the exception of interest on certain loans secured by guarantee of governments or government agencies, or collateralized by bank deposits. When a loan is placed on non-accrual status, previously accrued interest is generally reversed and deducted from current interest income; and future interest income is recognized on the cash basis in accordance with the banking industry accounting standards. As of March 31, 2007 and December 31, 2006, the principal amount of loans and securities of which the accrued interest income was not recorded in the accompanying financial statements based on the above criteria amounted to (Won)5,125,099 million and (Won)6,031,676 million, respectively, and the related accrued interest income not recognized amounted to (Won)561,196 million and (Won)525,475 million, respectively.

Classification of Securities

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

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

Valuation of Securities

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

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

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

(3) Valuation of Held-to-maturity Securities

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

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

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

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

In addition, any gain or loss from the disposal of equity securities of certain consolidated subsidiaries is accounted for as accumulated other comprehensive income resulting from applying the equity method in the balance sheets if the subsidiaries are still consolidated even after the Bank disposes of a portion of equity securities.

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

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

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

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(6) Reclassification of Securities

When held-to-maturity securities are reclassified to available-for-sale securities, those securities are accounted for at fair value on the reclassification date and the difference between the fair value and book value is reported in accumulated other comprehensive income as gain or loss on valuation of available-for-sale securities. When available-for-sale securities are reclassified to held-to-maturity securities, gain or loss on valuation of available-for-sale securities, which had been recorded until the reclassification date, continue to be included in accumulated other comprehensive income and be amortized using the effective interest rate method and the amortized amount is charged to interest income until maturity. The difference between the fair value at the reclassification date and face value of the reclassified securities to held-to-maturity securities is amortized using effective interest rate method and the amortized amount is charged to interest income. In addition, when certain trading securities lose their marketability, such securities are reclassified as available-for-sale securities at fair market value as of reclassification date.

Transfer of Securities

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

Allowance for Possible Losses on Credits

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

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

Based on the Bank s corporate credit evaluation model, credits to a borrower are classified into 12 grades from AAA to D (AAA, AA, A, A -, BBB, BB, B, B - , CCC, CC, C and D). Credits of grades of AAA to B are classified as normal, credits of grade B - to CCC as precautionary, credits of grade CC as substandard, credits of grade C as doubtful and credits of grade D as estimated loss. Credits are finally classified reflecting past due period and bankruptcy considerations. An allowance is then calculated on the category balances using the prescribed percentages of 0.7 ~ 6.9 percent for normal, 7.0 ~ 19.9 percent for precautionary, 20 ~ 49.9 percent for substandard, 50 ~ 99.9 percent for doubtful and 100 percent for estimated loss. However, the Bank does not provide allowances for call loans, bonds bought under resale agreements and inter-bank loans that are classified as normal, as it is not required by the Accounting Standards for the Banking Industry.

In addition, as required by the Supervisory Regulation, based on the classification of household loans and credit card receivables by past due period and status of bankruptcy proceedings, allowance for household loans and credit card receivables are calculated on the category balances using the prescribed percentages of 1.0 ~ 9.9 percent and 1.5 ~ 14.9 percent for normal, 10 ~19.9 percent and 15 ~ 19.9 percent for precautionary, 20 ~ 54.9 and 20 ~ 59.9 percent for substandard, 55 ~ 99.9 percent and 60 ~ 99.9 percent for doubtful, and 100 percent for estimated loss.

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

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

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

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

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

Restructuring of Loans

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

Deferred Loan Origination Fees and Costs

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

Valuation of Receivables and Payables at Present Value

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

Bonds under Resale or Repurchase Agreements

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

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Tangible Assets and Related Depreciation

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

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

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

Intangible Assets and Related Amortization

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

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

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

Valuation Allowance for Non-Business Use Property

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

Recognition of Impairment of Assets

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

Amortization of Discounts (Premiums) on Debentures

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

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Contingent Liabilities

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

Accrued Severance Benefits

Employees and directors and temporary employees with at least one year of service as of March 31, 2007 are entitled to receive a lump-sum payment upon termination of their employment with the Bank, based on their length of service and rate of pay at the time of termination. The accrued severance benefits that would be payable assuming all eligible employees and directors were to resign are included in other liabilities.

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

Accounting for Derivative Instruments

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

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

Accounting for Share-based Payment

The terms of the arrangement for share-based payment transactions provide the Bank with a choice of whether the transaction is settled in cash or by issuing equity instruments. In accordance with the resolution of the Board of Directors on August 23, 2005 to settle the transaction in cash, the compensation cost is recorded in other liabilities (accrued expense). The compensation cost of stock options granted before and after the effective date of the Statements of Korea Accounting Standards No. 22 (Share-based Payment) was measured using the intrinsic value method in accordance with the Interpretations on Financial Accounting Standards 39-35 Accounting for Stock Options, and the fair value method, respectively.

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National Housing Fund

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

Accounting for Trust Accounts

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

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

Income Tax Expense

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

Accounting for Foreign Currency Transactions and Translation

The Bank maintains its accounts in Korean Won. Transactions in foreign currencies are recorded in Korean Won based on the basic rate of exchange on the transaction date. The Korean Won equivalent of assets and liabilities denominated in foreign currencies are translated in these financial statements based on the basic rate ((Won)940.30 and (Won)929.60 to US$ 1.00 at March 31, 2007 and December 31, 2006, respectively) announced by Seoul Money Brokerage Service, Ltd. or cross rates for other currencies other than U.S. Dollars at the balance sheet dates. Translation gains and losses are credited or charged to operations. Financial statements of overseas branches are translated based on the basic rate at balance sheet dates.

Discontinued Operation

A discontinued operation refers to a component of the Bank that is capable of being distinguished operationally for financial reporting purposes and is capable of being identified as a major line of business or geographical area of operations, and that the Bank, pursuant to a single plan of discontinuance, substantially disposes in its entirety, such as by selling it in a single transaction; sells off its assets and settles its liabilities individually or in small groups; or terminates it through abandonment. The income (loss) from continuing operation and discontinued operation was not distinguished and separately presented as there was no discontinued operation in the prior year and current period.

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Application of the Statement of Korea Accounting Standards

The Korea Accounting Standard Board (KASB) under the Korea Accounting Institute (KAI) issued the Statements of Korea Accounting Standards (SKAS) for achieving a set of Korean accounting standards that should be internationally acceptable and comparable based on SKAS Act 92. The Bank adopted SKAS No.1 (Accounting Changes and Error Corrections) through SKAS No. 20 (Related Party Disclosures) (excluding SKAS No. 11 and No. 14) as of or before December 31, 2006, and SKAS No. 11 (Discontinued Operation) and SKAS No. 21 (Preparation and Presentation of Financial Statements I) through SKAS No. 25 (Consolidated Financial Statements) have been adopted since January 1, 2007.

With the adoption of SKAS No. 21 (Preparation and Presentation of Financial Statements I) and SKAS No. 24 (Preparation and Presentation of Financial Statements II [Financial Industry]), the Bank included the statement of changes in shareholders equity in the financial statements, and reclassified the components of the balance sheets as follows:

Classification	Before	After
Assets	- Cash and due from banks	- Cash and due from banks
	- Securities	- Securities
	- Loans	- Loans
	- Fixed assets	- Tangible assets
	- Other assets	- Other assets
Liabilities	- Deposits	- Deposits
	- Borrowings	- Borrowings
	- Debentures	- Other liabilities
	- Other liabilities	
Shareholders Equity	- Common stock	- Common stock
	- Capital surplus	- Capital surplus
	- Retained earnings	- Capital adjustments
	- Capital adjustments	- Accumulated other comprehensive income
		- Retained earnings

In addition, a discontinued operation is separately presented in the income statements and extraordinary items are no longer reported separately. The Bank has reclassified the components of the income statements; such as, gains or losses relating to available-for-sale securities and sale of loans that were presented under non-operating income (loss) are currently presented under operating income (loss). The effect of the changes in the classification of the income statement for the three months ended March 31, 2007 is as follows (Unit: In millions):

Classification	Before	After	Effect
Operating Revenue	(Won) 4,703,676	(Won) 5,395,714	(Won) 692,038
Operating Expenses	3,742,564	3,770,093	27,529
Operating Income	961,112	1,625,621	664,509
Non-operating Revenue	742,319	52,249	(690,070)

Non-operating Expenses		61,353		35,792	(25,561)
Income before Income Tax		1,642,078		1,642,078	
Income Tax Expense		459,587		459,587	
Net Income	(Won)	1,182,491	(Won)	1,182,491	(Won)
Basic Net Income per Share (In currency units)	(Won)	3,515	(Won)	3,515	(Won)
Diluted Net Income per Share (In currency units)	(Won)	3,508	(Won)	3,508	(Won)

(*) Income from continuing operation was not separately presented as there was no gain (loss) from discontinued operation.

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The financial statements for the prior period were restated for comparative purpose due to the application of SKAS No. 21 and No. 24. The restatement did not affect the previously reported prior period s net income or shareholders equity. The effect of the restatement on the income statement for the three months ended March 31, 2006 is as follows (Unit: In millions):

Classification	Before	After	Effect
Operating Revenue	(Won) 4,980,785	(Won) 5,024,366	(Won) 43,581
Operating Expenses	3,934,638	3,947,510	12,872
Operating Income	1,046,147	1,076,856	30,709
Non-operating Revenue	121,870	81,132	(40,738)
Non-operating Expenses	43,668	33,639	(10,029)
Income before Income Tax	1,124,349	1,124,349	
Income Tax Expense	321,368	321,368	
Net Income	(Won) 802,981	(Won) 802,981	(Won)
Basic Net Income per Share (In currency units)	(Won) 2,387	(Won) 2,387	(Won)
Diluted Net Income per Share (In currency units)	(Won) 2,387	(Won) 2,387	(Won)

(*) Income from continuing operation was not separately presented as there was no gain (loss) from discontinued operation.
In addition, the Bank has reclassified the components of the cash flows; such as, changes in available-for-sale securities, held-to-maturity securities and loans that were presented under cash flows from investing activities are currently presented under cash flows from operating activities. The accompanying non-consolidated statements of cash flows for the three months ended March 31, 2006, which are presented for comparative purpose, were restated due to the application of SKAS No. 21 and No. 24.

The prior period financial statements were neither restated nor the earnings per share adjusted to reflect the effect of the application of SKAS No. 22 (Share-based Payment) and No. 23 (Earnings per Share), which is in accordance with the transition provision.

3. CASH AND DUE FROM BANKS:

(1) Cash and due from banks as of March 31, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Cash and checks	(Won) 2,140,998	(Won) 2,725,644
Foreign currencies	177,983	151,406
Due from banks	3,584,287	3,691,256
	(Won) 5,903,268	(Won) 6,568,306

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(2) Due from banks as of March 31, 2007 and December 31, 2006 consisted of (Unit: In millions):

Financial institution	Interest (%)	2007	2006
Due from banks in Won:			
BOK		(Won) 3,185,077	(Won) 3,195,224
Woori Bank and others	0.00~0.10	8,181	9,377
Good Morning Shinhan Securities Co., Ltd and others	0.00~0.30	7,795	6,006
		3,201,053	3,210,607
Due from banks in foreign currencies:			
BOK		77,989	75,026
JP Morgan Chase Bank, N.A and others	0.00~5.35	71,581	87,235
Qingdao International Bank and others	5.38~5.75	233,664	318,388
		383,234	480,649
		(Won) 3,584,287	(Won) 3,691,256

(3) Restricted due from banks as of March 31, 2007 and December 31, 2006 consisted of (Unit: In millions):

Financial institution	2007	2006	Reason for restriction
Due from banks in Won:			
BOK	(Won) 3,185,077	(Won) 3,195,224	BOK Act
Woori Bank	4,605	4,605	Escrow account
KB Futures Co., Ltd. and others	5,773	4,492	Futures margin accounts/others
Korea Exchange Bank	250	250	Market entry due
Due from banks in foreign currencies:			
BOK	77,989	75,026	BOK Act
J.P. Morgan Futures Inc. and others	735	890	Futures margin accounts/others
	(Won) 3,274,429	(Won) 3,280,487	

(4) Due from banks by financial institution as of March 31, 2007 and December 31, 2006 consisted of (Unit: In millions):

Financial institution	2007	2006
Due from banks in Won:		
BOK	(Won) 3,185,077	(Won) 3,195,224
Banks	8,181	9,377
Others	7,795	6,006
	3,201,053	3,210,607
Due from banks in foreign currencies:		
BOK	77,989	75,026
Banks	304,510	404,733
Others	735	890

	383,234	480,649
	(Won) 3,584,287	(Won) 3,691,256

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(5) Term structure of due from banks as of March 31, 2007 was as follows (Unit: In millions):

	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	More than 3 years	Total
Due from banks in Won	(Won) 3,200,477	(Won)	(Won) 475	(Won) 101	(Won)	(Won) 3,201,053
Due from banks in foreign currencies	373,831	9,403				383,234
	(Won) 3,574,308	(Won) 9,403	(Won) 475	(Won) 101	(Won)	(Won) 3,584,287

Term structure of due from banks as of December 31, 2006 was as follows (Unit: In millions):

	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	More than 3 years	Total
Due from banks in Won	(Won) 3,206,002	(Won) 4,029	(Won) 475	(Won) 101	(Won)	(Won) 3,210,607
Due from banks in foreign currencies	429,521	51,128				480,649
	(Won) 3,635,523	(Won) 55,157	(Won) 475	(Won) 101	(Won)	(Won) 3,691,256

4. SECURITIES:

(1) Securities as of March 31, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Trading securities	(Won) 5,033,371	(Won) 2,589,719
Available-for-sale securities	14,044,422	15,113,898
Held-to-maturity securities	10,412,151	10,939,331
Securities accounted for using the equity method	747,245	739,532
	(Won) 30,237,189	(Won) 29,382,480

(2) The valuation of securities excluding securities accounted for using the equity method as of March 31, 2007 consisted of (Unit: In millions):

Classification	Face value	Acquisition	Adjusted by	Book value

		cost (*)	effective interest rate method	
Trading securities:				
Equity securities	(Won)	(Won) 72,100	(Won)	(Won) 75,445
Beneficiary certificates	287,722	286,188		290,034
Government and public bonds	436,805	429,752	430,191	431,953
Finance bonds	4,141,463	4,107,033	4,111,936	4,116,200
Corporate bonds	115,366	115,927	115,366	115,365
Asset-backed securities	4,386	4,373	4,374	4,374
	(Won) 4,985,742	(Won) 5,015,373	(Won) 4,661,867	(Won) 5,033,371

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Classification	Face value	Acquisition cost (*)	Adjusted by effective interest rate method	Book value
Available-for-sale securities:				
Equity securities	(Won)	(Won) 1,080,569	(Won)	(Won) 1,019,980
Equity investments		24,160		27,519
Beneficiary certificates	1,361	1,186		1,520
Government and public bond	3,650,475	3,596,726	3,601,218	3,598,759
Finance bonds	7,731,102	7,696,159	7,713,730	7,715,426
Corporate bonds	1,091,941	1,059,160	1,040,999	1,042,983
Asset-backed securities	945,734	882,302	547,893	621,510
Other debt securities	18,412	8,843		16,725
	(Won) 13,439,025	(Won) 14,349,105	(Won) 12,903,840	(Won) 14,044,422
Held-to-maturity securities:				
Government and public bonds	(Won) 6,572,690	(Won) 6,488,405	(Won) 6,506,580	(Won) 6,506,580
Finance bonds	1,710,000	1,710,311	1,710,159	1,710,159
Corporate bonds	1,989,778	1,997,332	1,990,434	1,990,434
Asset-backed securities	205,000	204,906	204,978	204,978
	(Won) 10,477,468	(Won) 10,400,954	(Won) 10,412,151	(Won) 10,412,151

(*) The book value before valuation has been recognized for equity securities classified as available-for-sale.

The valuation of securities excluding securities accounted for using the equity method as of December 31, 2006 consisted of (Unit: In millions):

Classification	Face value	Acquisition cost (*)	Adjusted by effective interest rate method	Book value
Trading securities:				
Equity securities	(Won)	(Won) 55,871	(Won)	(Won) 57,196
Beneficiary certificates	100,285	100,737		103,488
Government and public bonds	387,598	375,518	369,206	376,597
Finance bonds	1,961,888	1,953,158	1,955,278	1,951,106
Corporate bonds	101,311	100,947	101,705	101,332
	(Won) 2,551,082	(Won) 2,586,231	(Won) 2,426,189	(Won) 2,589,719
Available-for-sale securities:				
Equity securities	(Won)	(Won) 1,337,214	(Won)	(Won) 1,975,847
Equity investments		510		3,840
Beneficiary certificates	601,394	601,194		608,242
Government and public bonds	3,130,037	3,117,853	3,120,855	3,105,038
Finance bonds	7,830,928	7,767,030	7,793,953	7,782,194
Corporate bonds	1,000,411	965,657	950,345	950,200
Asset-backed securities	991,092	927,660	672,357	671,827
Other debt securities	18,412	8,843		16,710
	(Won) 13,572,274	(Won) 14,725,961	(Won) 12,537,510	(Won) 15,113,898

Held-to-maturity securities:				
Government and public bonds	(Won) 6,708,303	(Won) 6,633,496	(Won) 6,644,907	(Won) 6,644,907
Finance bonds	2,208,000	2,208,271	2,208,185	2,208,185
Corporate bonds	1,879,779	1,887,352	1,881,270	1,881,270
Asset-backed securities	205,000	204,906	204,969	204,969
	(Won) 11,001,082	(Won) 10,934,025	(Won) 10,939,331	(Won) 10,939,331

(*) The book value before valuation has been recognized for equity securities classified as available-for-sale.

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

The fair value of the available-for-sale non-marketable equity securities such as Korea Housing Guarantee Co., Ltd. and 14 others, and the restricted available-for-sale marketable equity securities such as Hyundai Engineering and Construction Co. and 4 others were reliably measured by an independent appraisal institute using reasonable judgment. The fair value was determined based on more than one valuation models such as Discounted Cash Flow (DCF) Model, Imputed Market Value(IMV) Model, Discounted Free Cash Flow to Equity (FCFE) Model, Dividend Discount (DD) Model and Risk Adjusted Discounted Cash Flow (RADCF) Model depending on the equity securities.

(3) Available-for-sale securities, which were not valuated at fair value as of March 31, 2007 and December 31, 2006, were as follows (Unit: In millions):

Company	2007	2006
Bad Bank Harmony (preferred stock)	(Won) 44,647	(Won) 58,848
Non-performing Asset Management Fund	23,650	
Korea Asset Management Corp.	15,667	15,667
Samsung Life Insurance Co., Ltd.	7,479	7,479
Korea Highway Corp.	6,248	6,248
CLS	5,204	5,128
Kyobo Investment Trust Management Co., Ltd.	2,100	2,100
Korea Money Broker Corp.	1,291	1,291
Tianjin Samsung Opto Electronics	918	908
Others	11,288	13,784
	(Won) 118,492	(Won) 111,453

(4) The impairment loss and the reversal of impairment loss on available-for-sale securities for the three months ended March 31, 2007 and 2006 were as follows (Unit: In millions):

	2007		2006	
	Impairment	Reversal	Impairment	Reversal
Equity securities	(Won) 3,367	(Won)	(Won) 3,333	(Won)
Equity investments	1	23,650	1	
Corporate bonds			1	2,317
Asset-backed securities	16,650			
	(Won) 20,018	(Won) 23,650	(Won) 3,335	(Won) 2,317

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(5) Structured notes relating to stock and interest rate and credit risk as of March 31, 2007 were as follows (Unit: In millions):

	Won	Foreign currencies	Total
Structured notes relating to stock:			
Convertible bonds	(Won)	(Won) 19,868	(Won) 19,868
Structured notes relating to interest rate:			
Long-term government bond floating rates notes (FRN)	254,126		254,126
Others	110,212		110,212
	364,338		364,338
Structured notes relating to Credit:			
Synthetic CDO		9,340	9,340
Bonds with call option	20,000		20,000
	(Won) 384,338	(Won) 29,208	(Won) 413,546

Structured notes relating to stock, interest rate and credit risk as of December 31, 2006 were as follows (Unit: In millions):

	Won	Foreign currencies	Total
Structured notes relating to stock:			
Convertible bonds	(Won)	(Won) 24,121	(Won) 24,121
Structured notes relating to interest rate:			
Long-term government bond FRN	378,840		378,840
Dual indexed FRN	19,931		19,931
Inverse FRN	20,115		20,115
Others	110,236		110,236
	529,122		529,122
Structured notes relating to Credit:			
Synthetic CDO		9,290	9,290
Bonds with call option	20,000		20,000
	(Won) 549,122	(Won) 33,411	(Won) 582,533

(6) Private beneficiary certificates included in beneficiary certificates of available-for-sale securities as of March 31, 2007 and December 31, 2006 were composed of (Unit: In millions):

	2007	2006
Stocks	(Won) 90,083	(Won) 90,874
Government and public bonds		115,929

Finance bonds		359,282
Corporate bonds	82	27,943
Asset-backed securities		10,000
Call loans	9,836	48,091
Others	4,306	59,878
Assets	104,307	711,997
Liabilities	32	2,504
	(Won) 104,275	(Won) 709,493

(7) The portfolio of securities excluding securities accounted for using the equity method, by industry, as of March 31, 2007 and December 31, 2006 was as follows (Unit: In millions):

	2007		2006	
By industry type	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Trading securities:				
Government and government-invested public companies	(Won) 528,003	10.49	(Won) 479,367	18.51
Financial institutions	4,437,118	88.15	2,063,151	79.67
Others	68,250	1.36	47,201	1.82
	(Won) 5,033,371	100.00	(Won) 2,589,719	100.00

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By industry type	2007 Amount	2007 Percentage (%)	2006 Amount	2006 Percentage (%)
Available-for-sale securities:				
Government and government-invested public companies	(Won) 4,135,976	29.45	(Won) 3,662,749	24.24
Financial institutions	8,923,425	63.54	10,413,843	68.90
Others	985,021	7.01	1,037,306	6.86
	(Won) 14,044,422	100.00	(Won) 15,113,898	100.00
Held-to-maturity securities:				
Government and government-invested public companies	(Won) 8,377,066	80.45	(Won) 8,406,232	76.84
Financial institutions	2,055,137	19.26	2,503,154	22.88
Others	29,948	0.29	29,945	0.28
	(Won) 10,412,151	100.00	(Won) 10,939,331	100.00

(8) The portfolio of securities excluding securities accounted for using the equity method, by security type, as of March 31, 2007 and December 31, 2006 was as follows (Unit: In millions):

By security type	2007 Amount	2007 Percentage (%)	2006 Amount	2006 Percentage (%)
Trading securities:				
Stocks	(Won) 75,445	1.50	(Won) 57,196	2.21
Fixed rate bonds	4,603,385	91.46	2,328,953	89.93
Floating rate bonds	64,507	1.28	100,082	3.86
Beneficiary certificates	290,034	5.76	103,488	4.00
	(Won) 5,033,371	100.00	(Won) 2,589,719	100.00
Available-for-sale securities:				
Stocks	(Won) 1,019,980	7.26	(Won) 1,975,847	13.07
Fixed rate bonds	11,815,203	84.13	11,215,054	74.20
Floating rate bonds	501,333	3.57	579,663	3.84
Subordinated bonds	641,840	4.57	690,028	4.57
Convertible bonds	19,868	0.14	24,121	0.16
Beneficiary certificates	1,520	0.01	608,242	4.02
Others	44,678	0.32	20,943	0.14
	(Won) 14,044,422	100.00	(Won) 15,113,898	100.00
Held-to-maturity securities:				
Fixed rate bonds	(Won) 10,352,151	99.42	(Won) 10,879,331	99.45
Floating rate bonds	60,000	0.58	60,000	0.55
	(Won) 10,412,151	100.00	(Won) 10,939,331	100.00

(9) The portfolio of securities excluding securities accounted for using the equity method, by country, as of March 31, 2007 and December 31, 2006 was as follows (Unit: In millions):

	2007		2006	
By country type	**Amount**	**Percentage (%)**	**Amount**	**Percentage (%)**
Trading securities:				
Korea	(Won) 5,023,945	99.81	(Won) 2,589,719	100.00
USA	9,426	0.19		
	(Won) 5,033,371	100.00	(Won) 2,589,719	100.00
Available-for-sale securities:				
Korea	(Won) 13,915,817	99.09	(Won) 15,019,533	99.39
Russia	34,059	0.24	33,573	0.22
USA	28,163	0.20	27,794	0.18
India	24,118	0.17	9,685	0.06
Kazakhstan	18,942	0.13		
Ireland	9,340	0.07	9,290	0.07
Switzerland	5,204	0.04	5,128	0.03
China	1,916	0.01	1,894	0.01
Others	6,863	0.05	7,001	0.04
	(Won) 14,044,422	100.00	(Won) 15,113,898	100.00
Held-to-maturity securities:				
Korea	(Won) 10,412,151	100.00	(Won) 10,939,331	100.00

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(10) Term structure of securities except for stocks and equity investments in available-for-sale and held-to-maturity securities as of March 31, 2007 was as follows (Unit: In millions):

	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	More than 10 years	Total
Available-for-sale securities:					
Fair value	(Won) 3,544,479	(Won) 9,185,585	(Won) 223,821	(Won) 43,038	(Won) 12,996,923
Held-to-maturity securities:					
Book value	2,855,402	4,945,317	2,611,432		10,412,151
Fair value	2,851,155	4,923,873	2,614,620		10,389,648

Term structure of securities except for stocks and equity investments in available-for-sale and held-to-maturity securities as of December 31, 2006 was as follows (Unit: In millions):

	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	More than 10 years	Total
Available-for-sale securities:					
Fair value	(Won) 5,150,081	(Won) 7,685,231	(Won) 261,419	(Won) 37,480	(Won) 13,134,211
Held-to-maturity securities:					
Book value	3,211,790	5,276,939	2,450,602		10,939,331
Fair value	3,207,704	5,229,016	2,440,235		10,876,955

(11) Securities accounted for using the equity method as of March 31, 2007 were summarized as follows (Unit: In millions):

	No. of shares	Ownership (%)	Acquisition cost	Net asset value	Book value
Domestic stocks:					
KB Investment Co., Ltd.	8,951,293	99.99	(Won) 155,384	(Won) 92,318	(Won) 92,318
KB Futures Co., Ltd.	3,999,200	99.98	19,996	28,769	28,769
KB Data System Co., Ltd.	799,960	99.99	8,001	17,271	14,298
KB Real Estate Trust	15,999,930	99.99	76,103	97,973	97,973
KB Asset Management	6,134,040	80.00	39,015	69,993	69,993
KB Credit Information	1,249,040	99.73	14,291	36,128	35,598
KB Life Insurance Co., Ltd.	3,060,000	51.00	15,426	17,462	
KLB Securities Co., Ltd. (*1)	4,854,713	36.41	10,316		
Jooeun Industrial Co., Ltd. (*1)	1,999,910	99.99	23,994		
ING Life Insurance Korea Co., Ltd. (*5)	1,400,000	20.00	21,769	123,971	123,971
Balhae Infrastructure Fund (*2)	4,625,209	12.61	46,538	47,092	47,092
Korea Credit Bureau Co., Ltd. (*3)	180,000	9.00	4,500	2,819	2,819
			435,333	533,796	512,831
Foreign stocks:					
Kookmin Bank Singapore Ltd. (*1)	30,000,000	100.00	18,592		1,633

Kookmin Finance Asia Ltd. (HK) (*1)	700,000	100.00	7,506		228
Kookmin Bank Int l Ltd. (London)	20,000,000	100.00	36,322	58,000	58,000
Kookmin Bank Hong Kong Ltd.	2,000,000	100.00	49,893	75,118	75,118
Sorak Financial Holdings PTE Ltd.	1,422,216	25.00	75,654	88,697	88,697
			187,967	221,815	223,676
Equity investments:					
NPC02-4 Kookmin Venture Fund	70	33.33	7,000	8,329	8,329
KB06-1 Venture Investment Partnership	50	50.00	2,500	2,409	2,409
			9,500	10,738	10,738
			(Won) 632,800	(Won) 766,349	(Won) 747,245

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Securities accounted for using the equity method as of December 31, 2006 were summarized as follows (Unit: In millions):

	No. of shares	Ownership (%)	Acquisition cost	Net asset value	Book value
Domestic stocks:					
KB Investment Co., Ltd.	8,951,293	99.99	(Won) 155,384	(Won) 94,443	(Won) 94,443
KB Futures Co., Ltd.	3,999,200	99.98	19,996	28,077	28,077
KB Data System Co., Ltd.	799,960	99.99	8,001	17,603	14,609
KB Real Estate Trust	15,999,930	99.99	76,103	99,539	99,544
KB Asset Management	6,134,040	80.00	39,015	65,271	65,271
KB Credit Information	1,249,040	99.73	14,291	35,314	34,735
KB Life Insurance Co., Ltd.	3,060,000	51.00	15,426	16,271	
KLB Securities Co., Ltd. (*1)	4,854,713	36.41	10,316		
Jooeun Industrial Co., Ltd. (*1)	1,999,910	99.99	23,994		
ING Life Insurance Korea Co., Ltd. (*5)	1,400,000	20.00	21,769	123,587	123,587
Balhae Infrastructure Fund (*2)	4,486,305	12.61	45,126	45,589	45,589
Korea Credit Bureau Co., Ltd. (*3)	180,000	9.00	4,500	3,297	3,297
			433,921	528,991	509,152
Foreign stocks:					
Kookmin Bank Singapore Ltd. (*1)	30,000,000	100.00	18,173		1,614
Kookmin Finance Asia Ltd. (HK) (*1)	700,000	100.00	7,420		226
Kookmin Bank Int l Ltd. (London)	20,000,000	100.00	35,900	56,496	56,496
Kookmin Bank Hong Kong Ltd.	2,000,000	100.00	49,326	72,130	72,130
Sorak Financial Holdings PTE Ltd.	1,422,216	25.00	73,947	87,299	87,299
			184,766	215,925	217,765
Equity investments:					
Pacific IT Investment Partnership (*4)	700	50.00	6,252	1,958	1,958
NPC02-4 Kookmin Venture Fund	70	33.33	7,000	8,204	8,204
KB06-1 Venture Investment Partnership	50	50.00	2,500	2,453	2,453
			15,752	12,615	12,615
			(Won) 634,439	(Won) 757,531	(Won) 739,532

(*1) KLB Securities Co., Ltd., Jooeun Industrial Co., Ltd., Kookmin Bank Singapore Ltd. and Kookmin Finance Asia, Ltd. are all in the process of liquidation as of March 31, 2007.
(*2) The Bank may exercise its voting right at the board meeting or at an equally significant decision making body of the investee.
(*3) The Bank has significant influence in electing the board member who may participate in the decision making process relating to the financial and business policy of the investee.
(*4) The liquidation of Pacific IT Investment Partnership has been finalized during the three months ended March 31, 2007.
(*5) The Bank is planning to dispose a part of ING Life Insurance shares in the current year.

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(12) The valuation of securities accounted for using the equity method for the three months ended March 31, 2007 was as follows (Unit: In millions):

	Book value before valuation	Increase (Decrease)	Dividend	Foreign exchange trading income (loss)	Equity gain (loss) on investment	Other comprehensive income (loss)	Retained earnings	Book value after valuation
Domestic stocks:								
KB Investment Co., Ltd.	(Won) 94,443	(Won)	(Won) (2,238)	(Won)	(Won) 250	(Won) (137)	(Won)	(Won) 92,318
KB Futures Co., Ltd.	28,077				692			28,769
KB Data System Co., Ltd. (*3)	14,609		(800)		489			14,298
KB Real Estate Trust	99,544		(12,000)		10,429			97,973
KB Asset Management	65,271				4,718	4		69,993
KB Credit Information (*1)	34,735		(187)		1,050			35,598
KB Life Insurance Co., Ltd. (*2 and 3)						902	(902)	
KLB Securities Co., Ltd. (*2)								
Jooeun Industrial Co., Ltd. (*2)								
ING Life Insurance Korea Co., Ltd.	123,587				95	289		123,971
Balhae Infrastructure Fund	45,589	1,412	(463)		554			47,092
Korea Credit Bureau Co., Ltd.	3,297				(207)	(271)		2,819
	509,152	1,412	(15,688)		18,070	787	(902)	512,831
Foreign stocks								
Kookmin Bank Singapore Ltd.	1,614			19				1,633
Kookmin Finance Asia Ltd. (HK)	226			2				228
Kookmin Bank Int l Ltd. (London)	56,496			663	841			58,000
Kookmin Bank Hong Kong Ltd.	72,130			830	2,121	37		75,118
Sorak Financial Holdings PTE Ltd.	87,299			2,014	875	(1,491)		88,697
	217,765			3,528	3,837	(1,454)		223,676
Equity Securities								
Pacific IT Investment Partnership	1,958	(1,958)						
NPC02-4 Kookmin Venture Fund	8,204				91	34		8,329
KB06-1 Venture Investment Partnership	2,453				(44)			2,409
	12,615	(1,958)			47	34		10,738
	(Won) 739,532	(Won) (546)	(Won) (15,688)	(Won) 3,528	(Won) 21,954	(Won) (633)	(Won) (902)	(Won) 747,245

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The valuation of securities accounted for using the equity method for the year ended December 31, 2006 was as follows (Unit: In millions):

	Book value before valuation	Increase (Decrease)	Dividend	Foreign currency translation gain (loss)	Equity gain (loss) on investment	Other comprehensive income (loss)	Retained earnings	Book value after valuation
Domestic stocks:								
KB Investment Co., Ltd.	(Won) 85,462	(Won)	(Won) (2,238)	(Won)	(Won) 10,974	(Won) 245	(Won)	(Won) 94,443
KB Futures Co., Ltd.	27,312		(1,000)		1,823	(58)		28,077
KB Data System Co., Ltd. (*3)	15,582		(2,399)		1,426			14,609
KB Real Estate Trust	81,068				18,337	139		99,544
KB Asset Management	52,485		(6,134)		18,909	11		65,271
KB Credit Information (*1)	27,837		(624)		7,522			34,735
KB Life Insurance Co., Ltd. (*2 and 3)						1,582	(1,582)	
KLB Securities Co., Ltd. (*2)								
Jooeun Industrial Co., Ltd. (*2)								
ING Life Insurance Korea Co., Ltd.	77,529				31,308	14,750		123,587
Balhae Infrastructure Fund		45,126	(11)		474			45,589
Korea Credit Bureau Co., Ltd.		4,500			(1,203)			3,297
	367,275	49,626	(12,406)		89,570	16,669	(1,582)	509,152
Foreign stocks:								
Kookmin Bank Singapore Ltd.	1,759			(145)				1,614
Kookmin Finance Asia Ltd. (HK)	246			(20)				226
Kookmin Bank Int l Ltd. (London)	50,523			2,237	4,262	(526)		56,496
Kookmin Bank Hong Kong Ltd.	69,958			(5,760)	8,044	(112)		72,130
Sorak Financial Holdings PTE Ltd.	82,401		(6,009)	(438)	7,065	4,280		87,299
	204,887		(6,009)	(4,126)	19,371	3,642		217,765
Equity Securities:								
KICO No. 2 Venture Investment Partnership	130	(93)			(37)			
KICO No. 3 Venture Investment Partnership	147	(117)			(30)			
Pacific IT Investment Partnership	4,950	(1,496)			(1,496)			1,958
NPC02-4 Kookmin Venture Fund	12,128	(3,000)	(2,129)		1,263	(58)		8,204
KB06-1 Venture Investment Partnership		2,500			(47)			2,453
	17,355	(2,206)	(2,129)		(347)	(58)		12,615

(Won) 589,517	(Won) 47,420	(Won) (20,544)	(Won) (4,126)	(Won) 108,594	(Won) 20,253	(Won) (1,582)	(Won) 739,532

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(*1) The difference between the cost of the investment and the amount of the underlying equity in the net assets of KB Credit Information amounting to (Won)1,128 million, which resulted from the additional purchase of shares in October 2004, is amortized over 5 years using the straight-line method and credited to the gain on valuation of securities accounted for using the equity method. As a result, (Won)56 million and (Won)226 million were credited to current operation for the three months ended March 31, 2007 and for the year ended December 31, 2006, respectively, and the balance of the difference amounts to (Won)564 million and (Won)620 million as of March 31, 2007 and December 31, 2006, respectively.

(*2) The equity method is no longer applied to securities of KLB Securities Co., Ltd. and Jooeun Industrial Co., Ltd. due to accumulated deficit, and to securities of KB Life Insurance Co., Ltd. due to unrealized income elimination, which led to a decrease in the book value to below zero.

The unrecognized accumulated deficit and change due to the equity method as of March 31, 2007 was as follows (Unit: In millions):

	Deficit	Change due to equity method	Total
KLB Securities Co., Ltd.	(Won) 4,148	(Won)	(Won) 4,148
Jooeun Industrial Co., Ltd.	70,237		70,237
KB Life Insurance Co., Ltd.	29,705	3,436	33,141
	(Won) 104,090	(Won) 3,436	(Won) 107,526

The unrecognized accumulated deficit and change due to the equity method as of December 31, 2006 was as follows (Unit: In millions):

	Deficit	Change due to equity method	Total
KLB Securities Co., Ltd.	(Won) 4,148	(Won)	(Won) 4,148
Jooeun Industrial Co., Ltd.	72,686		72,686
KB Life Insurance Co., Ltd.	27,217	3,436	30,653
	(Won) 104,051	(Won) 3,436	(Won) 107,487

(*3) The significant unrealized income eliminated for the three months ended March 31, 2007 and for the year ended December 31, 2006 was as follows (Unit: In millions):

	Related accounts	2007	2006
KB Data System Co., Ltd.	Tangible assets (sales)	(Won) (82)	(Won) 914
KB Life Insurance Co., Ltd.	Commissions (deferred acquisition cost)	1,192	3,730
		(Won) 1,110	(Won) 4,644

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(13) Significant financial data of companies of which stocks were accounted for using the equity method as of and for the three months ended March 31, 2007 was as follows (Unit: In millions):

	Assets	Liabilities	Sales	Net income (loss)
KB Investment Co., Ltd.	(Won) 96,100	(Won) 3,777	(Won) 2,438	(Won) 250
KB Futures Co., Ltd.	70,846	42,071	2,988	693
KB Data System Co., Ltd.	24,871	7,600	9,981	468
KB Real Estate Trust	206,671	108,697	16,822	10,434
KB Asset Management	97,377	9,885	11,984	5,897
KB Credit Information	44,648	8,423	15,017	1,004
KB Life Insurance Co., Ltd.	842,595	808,355	172,460	567
Jooeun Industrial Co., Ltd.	111,792	182,032	26,421	2,498
ING Life Insurance Korea Co., Ltd.	10,234,200	9,614,346	832,540	472
Balhae Infrastructure Fund	374,445	847	5,266	4,398
Korea Credit Bureau Co., Ltd.	(Won) 33,346	(Won) 2,024	(Won) 3,137	(Won) (2,612)
Kookmin Bank Int l Ltd. (London)	297,671	239,672	4,807	841
Kookmin Bank Hong Kong Ltd.	448,437	373,318	6,721	2,121
Sorak Financial Holdings PTE Ltd.	5,622,724	5,267,935	117,422	4,037
NPC02-4 Kookmin Venture Fund	25,306	317	350	271
KB06-1 Venture Investment Partnership	4,942	125	36	(88)

Audited or reviewed financial statements as of March 31, 2007 were used for the application of the equity method. However, unaudited financial statements of KB Asset Management, KB Life Insurance Co., Ltd., Jooeun Industrial Co., Ltd., Balhae Infrastructure Fund, Korea Credit Bureau Co., Ltd., NPC02-4 Kookmin Venture Fund and KB06-1 Venture Investment Partnership as of March 31, 2007 were used for the application of the equity method. In case of ING Life Insurance Korea Co., Ltd. and Sorak Financial Holdings PTE Ltd., the unaudited financial statements as of February 28, 2007 were used for the application of the equity method. The significant events from the closing dates of the investees to that of the Bank were properly reflected in applying the equity method. There was no material exception as a result of analytical review, such as analysis of major accounts to assess reliability of those financial statements.

Significant financial data of companies of which stocks were accounted for using the equity method as of and for the year ended December 31, 2006 was as follows (Unit: In millions):

	Assets	Liabilities	Sales	Net income (loss)
KB Investment Co., Ltd.	(Won) 96,296	(Won) 1,848	(Won) 20,030	(Won) 10,974
KB Futures Co., Ltd.	67,145	39,062	11,487	1,824
KB Data System Co., Ltd.	33,471	15,868	67,588	2,277
KB Real Estate Trust	206,392	106,853	66,122	18,424
KB Asset Management	92,220	10,631	44,826	23,636
KB Credit Information	43,938	8,529	71,532	7,329
KB Life Insurance Co., Ltd.	700,438	668,535	409,302	4,187
Jooeun Industrial Co., Ltd.	110,193	182,882	64,404	2,253
ING Life Insurance Korea Co., Ltd.	9,635,249	9,017,312	3,149,367	156,539
Balhae Infrastructure Fund	362,440	4,410	6,404	3,765
Korea Credit Bureau Co., Ltd.	42,826	6,193	13,963	(5,645)
Kookmin Bank Int l Ltd. (London)	315,938	259,442	20,634	3,736
Kookmin Bank Hong Kong Ltd.	395,935	323,805	27,568	7,963
Sorak Financial Holdings PTE Ltd.	5,197,633	4,848,437	680,311	33,189
Pacific IT Investment Partnership	1,986	28		(1,496)
NPC02-4 Kookmin Venture Fund	24,852	240	5,459	3,790
KB06-1 Venture Investment Partnership	5,067	162	67	(95)

Audited or reviewed financial statements as of December 31, 2006 were used for the application of the equity method. However, unaudited financial statements of Pacific IT Investment Partnership, Balhae Infrastructure Fund, Korea Credit Bureau Co., Ltd. and KB06-1 Venture Investment Partnership as of December 31, 2006 were used for the application of the equity method. In case of ING Life Insurance Korea Co., Ltd. and Sorak Financial Holdings PTE Ltd., the unaudited financial statements as of November 30, 2006 were used for the application of the

equity method. The significant events from the closing dates of the investees to that of the Bank were properly reflected in applying the equity method. There was no material exception as a result of analytical review, such as analysis of major accounts to assess reliability of those financial statements.

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(14) Changes in accumulated other comprehensive income for the three months ended March 31, 2007 were as follows (Unit: In millions):

	Beginning	Increase (Decrease)	Disposal (Realization)	Ending
Gain (loss) on valuation of available-for-sale securities:				
Equity securities	(Won) 846,123	(Won) (41,560)	(Won) (471,268)	(Won) 333,295
Debt securities in Won	22,669	21,982	(285)	44,366
Debt securities in foreign currencies	4,010	1,964	(138)	5,836
Beneficiary certificates	5,050	(60)	(197)	4,793
Others	5,704	10		5,714
	883,556	(17,664)	(471,888)	394,004
Gain on valuation of held-to-maturity securities:				
Debt securities in Won	98		(39)	59
Gain on valuation of securities accounted for using the equity method	15,888	(459)		15,429
	(Won) 899,542	(Won) (18,123)	(Won) (471,927)	(Won) 409,492

Changes in accumulated other comprehensive income for the year ended December 31, 2006 were as follows (Unit: In millions):

	Beginning	Increase (Decrease)	Disposal (Realization)	Ending
Gain (loss) on valuation of available-for-sale securities:				
Equity securities	(Won) 454,250	(Won) 470,552	(Won) (78,679)	(Won) 846,123
Debt securities in Won	32,614	(3,203)	(6,742)	22,669
Debt securities in foreign currencies	5,867	1,671	(3,528)	4,010
Beneficiary certificates	16,858	4,894	(16,702)	5,050
Others	1,779	3,925		5,704
	511,368	477,839	(105,651)	883,556
Gain on valuation of held-to-maturity securities:				
Debt securities in Won	426		(328)	98
Gain on valuation of securities accounted for using the equity method	948	15,522	(582)	15,888
	(Won) 512,742	(Won) (493,361)	(Won) (106,561)	(Won) 899,542

(15) Securities provided as collateral as of March 31, 2007 were as follows (Unit: In millions):

Provided to	Book value	Collateral amount	Provided for
Korea Securities Depository & others	(Won) 7,057,517	(Won) 7,100,000	Bonds sold under repurchase agreements
BOK	656,846	655,700	Borrowings from BOK
BOK	274,125	274,100	Overdrafts and settlement risk

Samsung Futures & others	353,369	365,500	Derivative settlement
Others	12	1,628	Other
	(Won) 8,341,869	(Won) 8,396,928	

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Securities provided as collateral as of December 31, 2006 were as follows (Unit: In millions):

Provided to	Book value	Collateral amount	Provided for
Korea Securities Depository & others	(Won) 7,070,657	(Won) 7,100,000	Bonds sold under repurchase agreements
BOK	725,902	725,700	Borrowings from BOK
BOK	330,294	330,600	Overdrafts and settlement risk
Samsung Futures & others	294,760	307,500	Derivative settlement
Others	402	1,628	Other
	(Won) 8,422,015	(Won) 8,465,428	

(16) Securities lent as of March 31, 2007 and December 31, 2006 were as follows (Unit: In millions):

	2007	2006	Provided to
Government and public bonds	(Won) 9,948	(Won) 119,614	Korea Securities Depository and others
Finance bonds	23,977	23,671	Korea Securities Depository
	(Won) 33,925	(Won) 143,285	

5. LOANS:

(1) Loans as of March 31, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Call loans	(Won) 934,359	(Won) 1,247,109
Domestic import usance bill	1,379,630	1,256,747
Credit card receivables	8,630,349	8,667,740
Bills bought in foreign currencies	1,331,262	1,270,314
Bills bought in Won	12,658	16,587
Bonds purchased under repurchase agreements	300,000	500,000
Loans	134,258,771	131,579,881
Factoring receivables	30,937	30,948
Advances for customers	22,554	19,209
Private placed bonds	7,996,951	7,499,208
Loans for debt-equity swap	1,968	1,968
	154,899,439	152,089,711
Allowance for possible loan losses	(2,350,188)	(2,360,867)
Deferred loan origination fees and costs	152,557	138,338
	(Won) 152,701,808	(Won) 149,867,182

(2) Loans in Won and loans in foreign currencies as of March 31, 2007 and December 31, 2006 were as follows (Unit: In millions):

		2007	2006
Loans in Won:			
Commercial	Working capital loans		
	General purpose loans	(Won) 28,703,024	(Won) 27,161,083
	Notes discounted	637,519	697,235
	Overdraft accounts	389,255	286,724
	Trading notes	642,601	612,305
	Others	4,569,963	4,297,074
		34,942,362	33,054,421

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		2007	2006
	Facilities loans		
	General facilities loans	(Won) 5,809,680	(Won) 5,107,519
	Others	978,969	995,730
		6,788,649	6,103,249
		41,731,011	39,157,670
Households	General purpose loans	46,048,753	45,946,145
	Housing loans	38,919,562	39,007,176
	Remunerations on mutual installment savings	111,544	147,672
	Others	407,367	416,103
		85,487,226	85,517,096
Public sector	Public operation loans	971,264	894,178
	Public facilities loans	3,060	3,687
		974,324	897,865
Other	Property formation loans	897	1,013
	Others	1,045	1,173
		1,942	2,186
		128,194,503	125,574,817
Loans in foreign currencies:			
	Domestic funding loans	4,523,763	4,441,975
	Overseas funding loans	473,704	429,836
	Inter-bank loans	1,066,801	1,133,253
		6,064,268	6,005,064
		(Won) 134,258,771	(Won) 131,579,881

(3) Loans in Won and loans in foreign currencies, classified by borrower type, as of March 31, 2007 were as follows (Unit: In millions):

By borrower type	Loans in Won	Loans in foreign currencies	Total	Percentage (%)
Large corporations	(Won) 2,841,027	(Won) 3,940,221	(Won) 6,781,248	5.05
Small and medium corporations	38,889,984	1,848,044	40,738,028	30.34
Households	85,489,168	49,415	85,538,583	63.71
Others	974,324	226,588	1,200,912	0.90
	(Won) 128,194,503	(Won) 6,064,268	(Won) 134,258,771	100.00

Loans in Won and loans in foreign currencies, classified by borrower type, as of December 31, 2006 were as follows (Unit: In millions):

By borrower type	Loans in Won	Loans in foreign currencies	Total	Percentage (%)
Large corporations	(Won) 2,783,921	(Won) 3,795,539	(Won) 6,579,460	5.00
Small and medium corporations	36,373,749	758,998	37,132,747	28.22
Households	85,519,282	46,069	85,565,351	65.03
Others	897,865	1,404,458	2,302,323	1.75
	(Won) 125,574,817	(Won) 6,005,064	(Won) 131,579,881	100.00

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(4) Loans classified by borrower s country or region as of March 31, 2007 were as follows (Unit: In millions):

By country	Loans in Won	Loans in foreign currencies	Others	Total	Percentage (%)
Korea	(Won) 128,194,503	(Won) 5,807,092	(Won) 20,515,327	(Won) 154,516,922	99.77
Southeast Asia		22,853		22,853	0.01
China		7,066		7,066	0.00
Japan		174,598	186	174,784	0.11
Central and South America		4,190		4,190	0.00
USA		86	5,319	5,405	0.00
Others		48,383	119,836	168,219	0.11
	(Won) 128,194,503	(Won) 6,064,268	(Won) 20,640,668	(Won) 154,899,439	100.00

Loans classified by borrower s country or region as of December 31, 2006 were as follows (Unit: In millions):

By country	Loans in Won	Loans in foreign currencies	Others	Total	Percentage (%)
Korea	(Won) 125,574,817	(Won) 5,749,511	(Won) 20,430,801	(Won) 151,755,129	99.79
Southeast Asia		25,525	1	25,526	0.02
China		7,019		7,019	0.00
Japan		172,447	78	172,525	0.11
Central and South America		4,142	1	4,143	0.00
USA		84	2,438	2,522	0.00
Others		46,336	76,511	122,847	0.08
	(Won) 125,574,817	(Won) 6,005,064	(Won) 20,509,830	(Won) 152,089,711	100.00

(5) Loans classified by industry as of March 31, 2007 were as follows (Unit: In millions):

By industry	Loans in Won	Loans in foreign currencies	Others	Total	Percentage (%)
Corporations:					
Finance and insurance	(Won) 396,798	(Won) 1,133,951	(Won) 2,733,879	(Won) 4,264,628	2.75
Manufacturing	12,061,311	1,935,070	4,787,998	18,784,379	12.13
Services	17,441,150	1,738,397	1,788,108	20,967,655	13.54
Others	12,579,891	1,193,733	3,488,361	17,261,985	11.14
Households	85,489,168	49,415	7,466,936	93,005,519	60.04
Public sector	226,185	13,702	375,386	615,273	0.40
	(Won) 128,194,503	(Won) 6,064,268	(Won) 20,640,668	(Won) 154,899,439	100.00

Loans classified by industry as of December 31, 2006 were as follows (Unit: In millions):

By industry	Loans in Won	Loans in foreign currencies	Others	Total	Percentage (%)
Corporations:					
Finance and insurance	(Won) 622,860	(Won) 1,181,085	(Won) 2,727,468	(Won) 4,531,413	2.98
Manufacturing	11,148,580	1,624,177	4,371,916	17,144,673	11.27
Services	16,337,444	920,649	1,799,334	19,057,427	12.53
Others	11,779,703	2,226,334	3,728,378	17,734,415	11.66
Households	85,519,282	46,069	7,504,999	93,070,350	61.20
Public sector	166,948	6,750	377,735	551,433	0.36
	(Won) 125,574,817	(Won) 6,005,064	(Won) 20,509,830	(Won) 152,089,711	100.00

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(6) Loans to financial institutions as of March 31, 2007 were as follows (Unit: In millions):

	Bank	Other financial institutions	Total
Loans in Won	(Won)	(Won) 396,799	(Won) 396,798
Loans in foreign currencies	1,066,801	67,162	1,133,963
Others	1,261,986	1,471,892	2,733,879
	(Won) 2,328,787	(Won) 1,935,853	(Won) 4,264,640

Loans to financial institutions as of December 31, 2006 were as follows (Unit: In millions):

	Bank	Other financial institutions	Total
Loans in Won	(Won)	(Won) 622,860	(Won) 622,860
Loans in foreign currencies	1,133,253	47,832	1,181,085
Others	1,780,151	947,317	2,727,468
	(Won) 2,913,404	(Won) 1,618,009	(Won) 4,531,413

(7) The classification of asset quality for loans as of March 31, 2007 is summarized as follows (Unit: In millions):

	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Call loans	(Won) 934,359	(Won)	(Won)	(Won)	(Won)	(Won) 934,359
Domestic import usance bill	1,343,220	14,694	18,242	2,990	484	1,379,630
Credit card receivables	8,325,739	198,120	3,600	63,726	39,164	8,630,349
Bills bought(*)	1,341,928	1,235	457	214	86	1,343,920
Bond purchased under repurchase agreements	300,000					300,000
Loans	131,397,021	1,481,481	699,055	452,767	228,447	134,258,771
Factoring receivables	30,937					30,937
Advances for customers	857	193	17,479	718	3,307	22,554
Privately placed bonds	7,995,501	800	650			7,996,951
Loans for debt-equity swap				1,968		1,968
	(Won) 151,669,562	(Won) 1,696,523	(Won) 739,483	(Won) 522,383	(Won) 271,488	(Won) 154,899,439

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The classification of asset quality for loans as of December 31, 2006 is summarized as follows (Unit: In millions):

	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Call loans	(Won) 1,247,109	(Won)	(Won)	(Won)	(Won)	(Won) 1,247,109
Domestic import usance bill	1,210,010	16,025	26,497	3,126	1,089	1,256,747
Credit card receivables	8,341,239	215,089	648	71,227	39,537	8,667,740
Bills bought(*)	1,283,897	2,338	283	297	86	1,286,901
Bond purchased under repurchase agreements	500,000					500,000
Loans	128,711,695	1,484,362	667,689	474,730	241,405	131,579,881
Factoring receivables	30,948					30,948
Advances for customers	133	508	8,753	1,833	7,982	19,209
Privately placed bonds	7,498,067		650		491	7,499,208
Loans for debt-equity swap				1,968		1,968
	(Won) 148,823,098	(Won) 1,718,322	(Won) 704,520	(Won) 553,181	(Won) 290,590	(Won) 152,089,711

(*) Bill bought in won included

(8) The term structure of loans as of March 31, 2007 was as follows (Unit: In millions):

	Loans in Won	Loans in foreign currencies	Others	Total
Due in 3 months or less	(Won) 17,549,648	(Won) 1,948,615	(Won) 9,600,811	(Won) 29,099,074
Due after 3 months through 6 months	13,611,532	509,631	1,525,227	15,646,390
Due after 6 months through 1 year	29,035,326	794,200	2,626,994	32,456,520
Due after 1 year through 2 years	10,206,054	397,256	3,297,901	13,901,211
Due after 2 years through 3 years	12,848,200	1,163,145	2,304,718	16,316,063
Due after 3 years through 4 years	4,480,742	166,715	232,553	4,880,010
Due after 4 years through 5 years	2,037,628	659,189	679,461	3,376,278
More than 5 years	38,425,373	425,517	373,003	39,223,893
	(Won) 128,194,503	(Won) 6,064,268	(Won) 20,640,668	(Won) 154,899,439

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The term structure of loans as of December 31, 2006 was as follows (Unit: In millions):

	Loans in Won	Loans in foreign currencies	Others	Total
Due in 3 months or less	(Won) 15,122,967	(Won) 1,471,927	(Won) 10,008,593	(Won) 26,603,487
Due after 3 months through 6 months	14,837,648	997,738	1,537,897	17,373,283
Due after 6 months through 1 year	30,049,634	788,702	2,532,032	33,370,368
Due after 1 year through 2 years	10,138,015	346,373	2,654,949	13,139,337
Due after 2 years through 3 years	11,764,066	1,172,993	2,498,390	15,435,449
Due after 3 years through 4 years	4,847,371	200,535	226,555	5,274,461
Due after 4 years through 5 years	2,399,378	647,661	706,345	3,753,384
More than 5 years	36,415,738	379,135	345,069	37,139,942
	(Won) 125,574,817	(Won) 6,005,064	(Won) 20,509,830	(Won) 152,089,711

(9) Credit card receivables as collateral

The Bank offers the credit card receivables amounting to (Won)268,365 million and (Won)253,591 (before deducting the allowance) as collateral for the transaction of credit card receivables to SPC as of March 31, 2007 and December 31, 2006, respectively.

(10) The changes in deferred loan origination fees and costs for the three months ended March 31, 2007 were as follows (Unit: In millions):

	Beginning	Increase	Decrease	Ending
Deferred loan origination fees and costs	(Won) 138,338	(Won) 27,454	(Won) 13,235	(Won) 152,557

6. RESTRUCTURED LOANS:

(1) The loans that were restructured by means of principal reduction, debt-equity swap, interest reduction because of workouts for the three months ended March 31, 2007 were as follows (Unit: In millions):

	Amount before restructuring	Principal exemption	Conversion to equity securities	Interest reduction	Extension of maturity
Composition	(Won) 6,600	(Won)	(Won)	(Won)	(Won) 6,600
Workout plan	5,090			800	4,290
	(Won) 11,690	(Won)	(Won)	(Won) 800	(Won) 10,890

The loans that were restructured by means of principal reduction, debt-equity swap, interest reduction because of workouts for the year ended December 31, 2006 were as follows (Unit: In millions):

	Amount before restructuring	Principal exemption	Conversion to equity securities	Interest reduction	Extension

										of maturity
Composition	(Won)	6,178	(Won)		(Won)		(Won)		(Won)	6,178
Workout plan		236,287		301		4,083		25,374		206,529
Debt restructuring (*)		894								894
	(Won)	243,359	(Won)	301	(Won)	4,083	(Won)	25,374	(Won)	213,601

(*) In accordance with the Bankruptcy and Debt Restructuring Act

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(2) Changes in the present value discounts relating to the outstanding restructured loans for the three months ended March 31, 2007 were as follows (Unit: In millions):

		Present value discounts			
	Amount	Beginning balance	Addition	Deduction	Ending balance
Court receivership	(Won) 9,336	(Won) 1,034	(Won)	(Won) 65	(Won) 969
Composition	12,751	1,275	37	150	1,162
Workout plan	87,440	6,867	1,746	3,585	5,028
Others	32,384	2,837		400	2,437
	(Won) 141,911	(Won) 12,013	(Won) 1,783	(Won) 4,200	(Won) 9,596

Changes in the present value discounts relating to the outstanding restructured loans for the year ended December 31, 2006 were as follows (Unit: In millions):

		Present value discounts			
	Amount	Beginning balance	Addition	Deduction	Ending balance
Court receivership	(Won) 9,336	(Won) 2,035	(Won) 1,034	(Won) 2,035	(Won) 1,034
Composition	13,143	2,238	1,689	2,652	1,275
Workout plan	111,064	11,371	11,206	15,710	6,867
Others	32,470	4,371		1,534	2,837
	(Won) 166,013	(Won) 20,015	(Won) 13,929	(Won) 21,931	(Won) 12,013

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

7. ALLOWANCE FOR POSSIBLE LOAN LOSSES:

(1) The allowance for possible loan losses as of March 31, 2007 is summarized as follows (Unit: In millions):

	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Domestic import usance bill	(Won) 9,403	(Won) 1,509	(Won) 7,999	(Won) 2,908	(Won) 484	(Won) 22,303
Credit card receivables	128,719	29,718	720	38,235	39,164	236,556
Bills bought (*)	9,394	104	91	172	86	9,847
Loans	1,165,404	166,870	149,668	298,574	228,447	2,008,963
Factoring receivables	2,526					2,526
Advances for customers	6	14	7,976	387	3,307	11,690
Privately placed bonds	55,969	152	234			56,355
Loans for debt-equity swap				1,948		1,948
	(Won) 1,371,421	(Won) 198,367	(Won) 166,688	(Won) 342,224	(Won) 271,488	(Won) 2,350,188

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The allowance for possible loan losses as of December 31, 2006 is summarized as follows (Unit: In millions):

	Normal	Precautionary	Substandard	Doubtful	Estimated loss	Total
Domestic import usance bill	(Won) 8,470	(Won) 1,653	(Won) 12,677	(Won) 2,977	(Won) 1,089	(Won) 26,866
Credit card receivables	129,619	32,263	130	42,736	39,537	244,285
Bills bought (*)	8,987	259	57	182	86	9,571
Loans	1,146,535	169,033	143,955	307,982	241,405	2,008,910
Factoring receivables	2,910					2,910
Advances for customers	1	36	4,096	1,124	7,982	13,239
Privately placed bonds	52,486		161		491	53,138
Loans for debt-equity swap				1,948		1,948
	(Won) 1,349,008	(Won) 203,244	(Won) 161,076	(Won) 356,949	(Won) 290,590	(Won) 2,360,867

(*) Bill bought in won included

(2) The changes in allowance for possible loan losses for the three months ended March 31, 2007 and the year ended December 31, 2006 were as follows (Unit: In millions):

	2007	2006
Beginning balance (*1)	(Won) 2,463,079	(Won) 2,500,777
Provision for possible loan losses	115,588	1,009,498
Reclassification from other allowances (*2)	(148)	304,954
Collection of previously written-off loans	131,495	474,278
Repurchase of NPLs sold	(12)	5,897
Sales of loans		(115,222)
Loans written-off	(261,829)	(1,693,468)
Conversion to equity securities		
Exemption of loans	(987)	(4,582)
Changes in exchange rates and others	(466)	(19,053)
Ending balance (*1)	(Won) 2,446,720	(Won) 2,463,079

(*1) Allowance for possible loan losses includes present value discounts amounting to (Won)9,596 million and (Won)12,013 million as of March 31, 2007 and December 31, 2006, respectively, and allowances for other assets amounting to (Won) 96,532 million and (Won) 102,212 million, respectively.

(*2) Other allowances for credit lines to Kookmin Card 16th Securitization Specialty Co., Ltd. and FNSTAR 3rd Securitization Special Co., Ltd. amounting to (Won)159,888 million and (Won)145,066 million, respectively, were transferred to allowances for possible loan losses for the year ended December 31, 2006.

(3) The allowance for possible losses on other assets as of March 31, 2007 and December 31, 2006 is summarized as follows (Unit: In millions):

	2007	2006
Suspense receivable	(Won) 8,394	(Won) 7,425
Uncollected guarantee deposits for rent	2,804	4,847

Settlement costs for financial accident	79,937	87,122
Derivative instruments	3,460	2,597
Others	1,937	221
	(Won) 96,532	(Won) 102,212

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

	Loans	Allowance for possible loan losses	Percentage (%)
March 31, 2007	(Won) 154,899,439	(Won) 2,350,188	1.52
December 31, 2006	152,089,711	2,360,867	1.55
December 31, 2005	138,139,657	2,453,275	1.78
December 31, 2004	138,839,212	3,118,775	2.25

8. TANGIBLE ASSETS:

(1) Tangible assets as of March 31, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Tangible assets	(Won) 3,829,477	(Won) 3,855,268
Less: accumulated depreciation	(1,623,604)	(1,702,001)
accumulated impairment loss	(15,509)	(15,535)
	(Won) 2,190,364	(Won) 2,137,732

(2) Tangible assets as of March 31, 2007 consisted of (Unit: In millions):

	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	(Won) 982,625	(Won)	(Won) 7,098	(Won) 975,527
Buildings	993,706	186,705	8,411	798,590
Leasehold improvements	243,345	185,681		57,664
Equipment and vehicles	1,603,081	1,251,218		351,863
Construction in progress	6,720			6,720
	(Won) 3,829,477	(Won) 1,623,604	(Won) 15,509	(Won) 2,190,364

Tangible assets as of December 31, 2006 consisted of (Unit: In millions):

	Acquisition cost	Accumulated depreciation	Accumulated impairment losses	Book value
Land	(Won) 984,270	(Won)	(Won) 7,115	(Won) 977,155
Buildings	986,420	181,228	8,420	796,772
Leasehold improvements	233,156	177,676		55,480
Equipment and vehicles	1,648,763	1,343,097		305,666
Construction in progress	2,659			2,659
	(Won) 3,855,268	(Won) 1,702,001	(Won) 15,535	(Won) 2,137,732

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(3) The changes in book value of tangible assets for the three months ended March 31, 2007 were as follows (Unit: In millions):

	Beginning	Acquisition	Replacement	Disposal	Depreciation	Impairment	Change in foreign currencies	Ending
Land	(Won) 977,155	(Won)	(Won)	(Won) 1,636	(Won)	(Won)	(Won) 8	(Won) 975,527
Buildings	796,772	501	7,849	915	5,637		20	798,590
Leasehold improvements	55,480	5	10,208		8,035		6	57,664
Equipment and vehicles	305,666	92,918		505	46,248		32	351,863
Construction in progress	2,659	22,118	(18,057)					6,720
	(Won) 2,137,732	(Won) 115,542	(Won)	(Won) 3,056	(Won) 59,920	(Won)	(Won) 66	(Won) 2,190,364

The changes in book value of tangible assets for the year ended December 31, 2006 were as follows (Unit: In millions):

	Beginning	Acquisition	Replacement	Disposal	Depreciation	Impairment	Change in foreign currencies	Ending
Land	(Won) 979,413	(Won) 3,349	(Won) 2,873	(Won) 8,151	(Won)	(Won) (290)	(Won) (39)	(Won) 977,155
Buildings	774,519	5,745	49,422	6,289	22,059	(4,449)	(117)	796,772
Leasehold improvements	44,363	113	45,504	142	34,337		(21)	55,480
Equipment and vehicles	239,795	254,835		22,915	165,986		(63)	305,666
Construction in progress	155	100,303	(97,799)					2,659
	(Won) 2,038,245	(Won) 364,345	(Won)	(Won) 37,497	(Won) 222,382	(Won) (4,739)	(Won) (240)	(Won) 2,137,732

(4) The published value of the land was (Won)1,305,801 million and (Won) 1,307,078 million as of March 31, 2007 and December 31, 2006, respectively, based on the Laws on Disclosure of Land Price and Valuation of Land

(5) Tangible assets, which have been insured as of March 31, 2007 and December 31, 2006, were as follows (Unit: In millions):

Type of insurance	Asset insured	2007	2006	Insurance company
Property composite	Buildings	(Won) 858,317	(Won) 829,507	Samsung Fire & Marine Insurance Co., Ltd. & others
	Leasehold improvements	120,576	120,043	
	Equipment and vehicles	204,287	196,152	
		(Won) 1,183,180	(Won) 1,145,702	

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9. OTHER ASSETS:

(1) Other assets as of March 31, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Guarantee deposits paid	(Won) 1,182,499	(Won) 1,166,454
Accounts receivable	3,759,782	2,145,266
Accrued income	1,126,024	1,166,963
Prepaid expenses	108,723	79,594
Deferred income tax assets (Note 24)	156,789	23,886
Derivatives assets (Note 19)	1,028,933	1,260,748
Domestic exchange settlement debits	578,084	962,250
Intangible assets	346,177	371,312
Non-business use assets	499	499
Less: valuation allowance	(169)	(169)
Sundry assets	161,373	176,190
Allowances for other assets losses	(96,532)	(102,212)
	(Won) 8,352,182	(Won) 7,250,781

(2) Intangible assets as of March 31, 2007 consisted of (Unit: In millions):

	Acquisition cost	Accumulated amortization	Book value
Goodwill	(Won) 705,108	(Won) 424,371	(Won) 280,737
Others	121,840	56,400	65,440
	(Won) 826,948	(Won) 480,771	(Won) 346,177

Intangible assets as of December 31, 2006 consisted of (Unit: In millions):

	Acquisition cost	Accumulated amortization	Book value
Goodwill	(Won) 705,108	(Won) 404,784	(Won) 300,324
Others	125,502	54,514	70,988
	(Won) 830,610	(Won) 459,298	(Won) 371,312

(3) The changes in intangible assets for the three months ended March 31, 2007 were as follows (Unit: In millions):

	Beginning	Increase	Amortization	Ending

Goodwill	(Won) 300,324	(Won)	(Won) 19,587	(Won) 280,737
Others	70,988	7,489	13,037	65,440
	(Won) 371,312	(Won) 7,489	(Won) 32,624	(Won) 346,177

The changes in intangible assets for the year ended December 31, 2006 were as follows (Unit: In millions):

	Beginning	**Increase**	**Amortization**	**Ending**
Goodwill	(Won) 378,669	(Won)	(Won) 78,345	(Won) 300,324
Others	19,435	75,199	23,646	70,988
	(Won) 398,104	(Won) 75,199	(Won) 101,991	(Won) 371,312

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(4) Non-business use properties as of March 31, 2007 consisted of (Unit: In millions):

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

Non-business use properties as of December 31, 2006 consisted of (Unit: In millions):

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

(5) Sundry assets as of March 31, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Receivables on cash sent to other banks	(Won) 550	(Won) 410
Supplies	18,360	18,608
Deposit money to court (*)	14,570	14,883
Unsettled foreign currency	18,216	27,303
Suspense receivable	109,370	114,684
Others	307	302
	(Won) 161,373	(Won) 176,190

(*) Securities is included in deposit money to court of which book value, face value and fair value are (Won)9,763 million, (Won) 10,250 million and (Won)12,184 million, respectively.

10. DEPOSITS:

(1) Deposits as of March 31, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Demand deposits	(Won) 47,596,449	(Won) 50,113,689
Time deposits	69,663,758	70,326,526
Negotiable certificates of deposits	11,907,504	9,579,701

	(Won) 129,167,711	(Won) 130,019,916

(2) Details of deposits as of March 31, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Demand deposits in Won:		
Checking deposits	(Won) 170,557	(Won) 231,953
Household checking deposits	427,905	477,770
Temporary deposits	3,569,421	4,066,769
Passbook deposits	14,859,202	15,176,852
Public fund deposits	138,396	199,948
National Treasury deposits	14,267	2,641
General savings deposits	19,739,394	20,826,726
Corporate savings deposits	7,887,072	8,302,353
Nonresident s deposit in Won	69,644	45,343
	46,875,858	49,330,355

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	2007	2006
Demand deposits in foreign currencies:		
Checking deposits	(Won) 38,487	(Won) 43,875
Passbook deposits	679,315	736,034
Temporary deposits	1,218	2,378
Other	1,571	1,047
	720,591	782,334
	(Won) 47,596,449	(Won) 50,113,689
Time deposits in Won		
Time deposits	(Won) 56,756,371	(Won) 57,138,595
Installment savings deposits	1,000,960	1,097,474
Property formation savings	521	541
Workers savings for housing	2	2
Time and savings deposits of non-residents in Won	182,111	171,636
Long-term savings deposits for workers	3,937	4,334
Long-term housing savings deposits	3,201,248	3,057,236
Long-term savings for households	3,300	3,711
Workers preferential savings deposits	442,152	530,867
Mutual installment deposits	3,647,587	3,833,573
Mutual installment for housing	3,656,517	3,842,727
	68,894,706	69,680,696
Loss on valuation of fair value hedged item (current period portion)	349	3,740
Loss (gain) on valuation of fair value hedged item (prior year portion)	1,607	(2,133)
	68,896,662	69,682,303
Time deposits in foreign currencies:		
Time deposits	766,354	643,404
Installment savings deposits	590	620
Others	152	199
	767,096	644,223
	(Won) 69,663,758	(Won) 70,326,526
Negotiable certificates of deposits	(Won) 11,907,504	(Won) 9,579,701

(3) Deposits with financial institutions as of March 31, 2007 and December 31, 2006 were as follows (Unit: In millions):

	Financial institutions	2007	2006
Demand deposits & time deposits	Banks	(Won) 665,754	(Won) 630,490
	Others	3,026,759	3,068,235
		3,692,513	3,698,725
Negotiable certificates of deposits	Banks	6,383	3,935
	Others	4,404,700	6,304,672
		4,411,083	6,308,607

	(Won) 8,103,596	(Won) 10,007,332

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(4) Term structure of deposits as of March 31, 2007 was as follows (Unit: In millions):

	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	More than 3 years	Total
Demand deposits	(Won) 47,596,449	(Won)	(Won)	(Won)	(Won)	(Won) 47,596,449
Time deposits	22,015,414	10,397,774	27,610,582	6,294,234	3,345,754	69,663,758
Negotiable certificate of deposits	6,528,190	3,238,361	2,081,112	59,841		11,907,504
	(Won) 76,140,053	(Won) 13,636,135	(Won) 26,691,694	(Won) 6,354,075	(Won) 3,345,754	(Won) 129,167,711

Term structure of deposits as of December 31, 2006 was as follows (Unit: In millions):

	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	More than 3 years	Total
Demand deposits	(Won) 50,113,689	(Won)	(Won)	(Won)	(Won)	(Won) 50,113,689
Time deposits	23,902,305	9,177,733	27,069,659	6,958,151	3,218,678	70,326,526
Negotiable certificate of deposits	5,996,076	2,526,968	1,056,503	154		9,579,701
	(Won) 80,012,070	(Won) 11,704,701	(Won) 28,126,162	(Won) 6,958,305	(Won) 3,218,678	(Won) 130,019,916

11. BORROWINGS:

(1) Borrowings as of March 31, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Call money	(Won) 982,359	(Won) 165,086
Bills sold	438,343	462,479
Bonds sold under repurchase agreements	6,982,135	7,053,755
Borrowings	6,293,793	6,378,858
Debentures	28,529,725	25,140,672
Less: Discount on debentures	(174,226)	(158,166)
	(Won) 43,052,129	(Won) 39,042,684

(2) Call money as of March 31, 2007 and December 31, 2006 consisted of (Unit: In millions):

Account	Lender	Annual interest rates (%)	2007	2006
Call money in won	Kyongnam Bank (trust) and others	4.15 ~ 4.63	(Won) 665,900	(Won) 117,700
Call money in foreign currencies	Bank Mellat Seoul Branch and others	3.76 ~ 7.80	316,459	47,386
			(Won) 982,359	(Won) 165,086

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(3) Bills sold and bonds sold under repurchase agreements as of March 31, 2007 and December 31, 2006 consisted of the following (Unit: In millions):

Account	Lender	Annual interest rates (%)	2007	2006
Bills sold	Teller s Sales	3.09 ~ 5.11	(Won) 438,343	(Won) 462,479
Bonds sold under repurchase agreements	Person, group & corporations	3.40 ~ 5.25	6,982,135	7,053,755
			(Won) 7,420,478	(Won) 7,516,234

(4) Borrowings as of March 31, 2007 and December 31, 2006 consisted of (Unit: In millions):

Account	Lender	Annual interest rate (%)	2007	2006
Borrowings in Won:				
Borrowings from the BOK	BOK	2.75	(Won) 597,200	(Won) 681,965
Borrowings from the Korean government	Ministry of Finance and Economy, and others	0.00 ~ 6.50	536,605	557,789
Borrowings from banking institutions	Industrial Bank of Korea	3.75 ~ 4.25	70,690	76,646
Borrowings from National Housing Fund	National Housing Fund	8.00	849	1,222
Borrowings from non-banking financial institutions	Korea Development Bank	2.00 ~ 4.00	5,499	4,380
Other borrowings	Small Business Corporation and others	1.20 ~ 5.40	1,209,548	1,180,477
			2,420,391	2,502,479
Borrowings in foreign currency:				
Due to banks	American Express Bank and others		19,568	56,320
Borrowings from banking institutions	Barclays bank PLC HK and others	0.59 ~ 5.84	2,765,385	2,807,267
Off-shore borrowings in foreign currencies	Industrial and Commercial Bank of China and others	5.22 ~ 5.99	192,426	152,308
Other borrowings from banking institutions	IBRD	5.88	5,527	6,845
Other borrowings in foreign currencies	Financial institution and others		890,496	853,639
			3,873,402	3,876,379
			(Won) 6,293,793	(Won) 6,378,858

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(5) Debentures as of March 31, 2007 and December 31, 2006 consisted of (Unit: In millions):

	Annual interest rate (%)	2007	2006
Debentures in Won:			
Hybrid debentures	6.00 ~ 7.00	(Won) 903,668	(Won) 903,668
Structured debentures	1.47 ~ 8.62	2,126,145	1,587,701
Subordinated fixed rate debentures in Won	4.19 ~ 15.02	6,474,639	6,670,799
KCC subordinated fixed rate debentures	7.10 ~ 8.00	205,000	205,000
KCC fixed rate debentures	5.54 ~ 5.87	200,000	200,000
Fixed rate debentures	3.18 ~ 6.16	15,960,077	13,198,004
		25,869,529	22,765,172
Loss (gain) on valuation of fair value hedged items (current period portion)		15,786	(14,544)
Gain on valuation of fair value hedged items (prior year portion)(*)		(52,359)	(40,790)
		25,832,956	22,709,838
Discounts on debentures		(173,689)	(158,575)
		25,659,267	22,551,263
Debentures in foreign currency:			
Floating rates debentures	0.63 ~ 6.12	2,222,886	1,964,851
Fixed rates debentures	2.37 ~ 4.63	480,686	475,099
		2,703,572	2,439,950
Loss (gain) on valuation of fair value hedged items (current period portion)		2,313	6,493
Gain on valuation of fair value hedged items (prior year portion)		(9,116)	(15,609)
		2,696,769	2,430,834
Premiums on debentures		1,291	1,771
Discounts on debentures		(1,828)	(1,362)
		2,696,232	2,431,243
		(Won) 28,355,499	(Won) 24,982,506

(*) The Bank recognized (Won)2,975 million of gain on prior redemption of fair value hedged items for the three months ended March 31, 2007.

(6) Hybrid debentures and subordinated debentures as of March 31, 2007 and December 31, 2006 were as follows (Unit: In millions):

	Issued date	Expiration date	Annual interest rate (%)	2007	2006
Subordinated fixed rate debentures in Won	Feb-98 ~ May-01	Feb-03 ~ Feb-07		(Won) 17,241	(Won) 213,401
	Nov-98	Nov-09	15.02	76,900	76,900
	Nov-00	Nov-10 ~ Dec-10	9.57 ~ 9.65	162,051	162,051
	Jun-01	Mar-08 ~ Mar-09	7.68 ~ 7.86	377,529	377,529
	Aug-01	Aug-07	6.69 ~ 6.73	100,000	100,000
	Sep-01	Mar-08	6.69 ~ 6.73	150,000	150,000

Mar-02	Jan-08	7.06 ~ 7.10	241,684	241,684
Jul-02	Jan-08	6.96 ~ 7.00	302,399	302,399
Sep-02	Mar-08 ~ Mar-13	6.27 ~ 6.70	500,000	500,000
Nov-02	May-08 ~ May-13	6.07 ~ 6.55	558,775	558,775
Dec-02	Jan-08	8.00	110,000	110,000
Dec-02	Jun-08 ~ Dec-14	6.20 ~ 6.65	180,370	180,370
Jan-03	Feb-08	7.65	50,000	50,000

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	Issued date	Expiration date	Annual interest rate (%)	2007	2006
	Mar-03	Apr-08	7.10	45,000	45,000
	Oct-03	Jan-09 ~ Jan-14	5.18 ~ 5.60	449,051	449,051
	Feb-04	Aug-09 ~ Aug-14	5.65 ~ 6.16	(Won) 700,000	(Won) 700,000
	Sep-04	Dec-18	5.12	57,784	57,784
	Dec-04	Jun-10	4.19 ~ 4.20	700,000	700,000
	Mar-06	Jan-12	5.67 ~ 5.70	1,900,855	1,900,855
				6,679,639	6,875,799
Hybrid debentures	Jun-03	Jun-33	6.00	105,145	105,145
	Aug-03	Aug-33	7.00	533,355	533,355
	Oct-03	Oct-33	6.80	265,168	265,168
				903,668	903,668
				(Won) 7,583,307	(Won) 7,779,467

(7) Call money and borrowings with financial institutions as of March 31, 2007 were as follows (Unit: In millions):

	BOK	Other banks	Others	Total
Call money	(Won)	(Won) 319,459	(Won) 662,900	(Won) 982,359
Borrowings	597,200	3,890,745	58,846	4,546,791
	(Won) 597,200	(Won) 4,210,204	(Won) 721,746	(Won) 5,529,150

Call money and borrowings with financial institutions as of December 31, 2006 were as follows (Unit: In millions):

	BOK	Other banks	Others	Total
Call money	(Won)	(Won) 57,386	(Won) 107,700	(Won) 165,086
Borrowings	681,965	3,899,270	58,135	4,639,370
	(Won) 681,965	(Won) 3,956,656	(Won) 165,835	(Won) 4,804,456

(8) Term structure of borrowings as of March 31, 2007 was as follows (Unit: In millions):

Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	More than 3 years	Total

Call money	(Won) 982,359	(Won)	(Won)	(Won)	(Won)	(Won) 982,359
Bills sold	200,384	160,966	76,993			438,343
Bonds sold under repurchase agreements	4,137,320	1,318,259	1,526,538	18		6,982,135
Borrowings	2,535,577	932,413	782,831	1,192,943	850,029	6,293,793
Debentures	1,207,490	3,566,837	7,935,973	8,321,405	7,498,020	28,529,725
	(Won) 9,063,130	(Won) 5,978,475	(Won) 10,322,335	(Won) 9,514,366	(Won) 8,348,049	(Won) 43,226,355

Term structure of borrowings as of December 31, 2006 was as follows (Unit: In millions):

	Due in 3 months or less	Due after 3 months through 6 months	Due after 6 months through 1 year	Due after 1 year through 3 years	More than 3 years	Total
Call money	(Won) 165,086	(Won)	(Won)	(Won)	(Won)	(Won) 165,086
Bills sold	311,187	63,269	88,023			462,479
Bonds sold under repurchase agreements	4,589,657	1,250,944	1,212,944	210		7,053,755
Borrowings	2,155,505	1,432,150	694,982	1,225,467	870,754	6,378,858
Debentures	2,246,140	1,169,430	6,309,297	8,729,425	6,686,380	25,140,672
	(Won) 9,467,575	(Won) 3,915,793	(Won) 8,305,246	(Won) 9,955,102	(Won) 7,557,134	(Won) 39,200,850

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12. OTHER LIABILITIES:

Other liabilities as of March 31, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Accounts payable	(Won) 3,994,225	(Won) 2,357,841
Accrued expenses	4,062,879	3,876,420
Unearned revenues	89,708	87,556
Withholding taxes	85,168	114,630
Guarantees deposits received	104,027	99,325
Accounts for agency business	115,896	151,479
Domestic exchange settlement credits	93,363	141,042
Foreign currency bills payable	68,230	54,515
Agency	417,870	171,024
Derivatives liabilities (Note 19)	831,835	1,148,033
Due to trust accounts (Note 27)	1,007,526	1,281,185
Accrued severance benefits (Note 13)	571,844	536,347
Less: Severance insurance deposits	(336,395)	(334,979)
Allowance for possible losses on acceptances and guarantees (Note 14)	23,314	18,772
Other allowances (Note 15)	751,002	776,661
Sundry liabilities (Note 16)	765,686	609,073
	(Won) 12,646,178	(Won) 11,088,924

13. ACCRUED SEVERANCE BENEFITS:

The changes in accrued severance benefits for the three months ended March 31, 2007 were as follows (Unit: In millions):

	Beginning	Provision	Payment	Other changes (*)	Ending
Accrued severance benefits	(Won) 536,347	(Won) 43,927	(Won) 8,433	(Won) 3	(Won) 571,844
Severance insurance deposits	(334,979)	(3,431)	(2,015)		(336,395)
	(Won) 201,368	(Won) 40,496	(Won) 6,418	(Won) 3	(Won) 235,449

The changes in accrued severance benefits for the year ended December 31, 2006 were as follows (Unit: In millions):

	Beginning	Provision	Payment	Other changes (*)	Ending
Accrued severance benefits	(Won) 387,491	(Won) 165,533	(Won) 16,664	(Won) (13)	(Won) 536,347
Severance insurance deposits	(236,529)	(100,218)	(1,768)		(334,979)
	(Won) 150,962	(Won) 65,315	(Won) 14,896	(Won) (13)	(Won) 201,368

(*) Loss (gain) on foreign currency translation of the accrued severance benefit of the Tokyo branch office.
As of March 31, 2007, part of severance benefits was contributed to pension funds of Kyobo Life Insurance Co., Ltd. and others in which the beneficiary is a respective employee.

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14. ACCEPTANCES AND GUARANTEES AND ALLOWANCES FOR POSSIBLE LOSSES:

(1) Acceptances and guarantees as of March 31, 2007 and December 31, 2006 were as follows (Unit: In millions):

Types	2007	2006
Confirmed acceptances and guarantees in Won:		
Payment guarantee for issuance of debentures	(Won) 1,223	(Won) 1,150
Payment guarantee for loans	56,394	53,237
Others	1,612,730	894,893
	1,670,347	949,280
Confirmed acceptances and guarantees in foreign currencies:		
Acceptances on letters of credit	70,065	93,017
Acceptances for letters of guarantee for importers	73,722	56,089
Guarantees for performance of contracts	84,741	76,385
Guarantees for bids	2,622	4,082
Guarantees for borrowings	36,463	36,128
Guarantees for repayment of advances	1,191,505	1,101,403
Others	374,353	387,923
	1,833,471	1,755,027
	3,503,818	2,704,307
Unconfirmed acceptances and guarantees:		
Letters of credit	1,360,883	1,266,858
Others	903,864	1,037,576
	2,264,747	2,304,434
Bills endorsed	6,589	4,540
	(Won) 5,775,154	(Won) 5,013,281

(2) Acceptances and guarantees, by customer, as of March 31, 2007 were as follows (Unit: In millions):

By customer	Confirmed	Unconfirmed	Bills endorsed	Total	Percentage (%)
Large corporations	(Won) 2,406,261	(Won) 1,496,194	(Won) 1,450	(Won) 3,903,905	67.60
Small and medium corporations	771,653	733,186	5,065	1,509,904	26.14
Public sector and others	325,904	35,367	74	361,345	6.26
	(Won) 3,503,818	(Won) 2,264,747	(Won) 6,589	(Won) 5,775,154	100.00

Acceptances and guarantees, by customer, as of December 31, 2006 were as follows (Unit: In millions):

By customer	Confirmed	Unconfirmed	Bills endorsed	Total	Percentage (%)
Large corporations	(Won) 1,841,739	(Won) 1,586,005	(Won) 1,213	(Won) 3,428,957	68.40
Small and medium corporations	522,820	676,432	3,247	1,202,499	23.99
Public sector and others	339,748	41,997	80	381,825	7.61
	(Won) 2,704,307	(Won) 2,304,434	(Won) 4,540	(Won) 5,013,281	100.00

(3) Acceptances and guarantees, by industry, as of March 31, 2007 were as follows (Unit: In millions):

By industry	Confirmed	Unconfirmed	Bills endorsed	Total	Percentage (%)
Public sector	(Won) 94	(Won) 103,120	(Won)	(Won) 103,214	1.79
Finance	326,826	5,613		332,439	5.76
Service	584,954	37,844		622,798	10.78
Manufacturing	1,760,626	1,633,140	4,267	3,398,033	58.84
Others	831,318	485,030	2,322	1,318,670	22.83
	(Won) 3,503,818	(Won) 2,264,747	(Won) 6,589	(Won) 5,775,154	100.00

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Acceptances and guarantees, by industry, as of December 31, 2006 were as follows (Unit: In millions):

By industry	Confirmed	Unconfirmed	Bills endorsed	Total	Percentage (%)
Public sector	(Won) 68	(Won) 78,563	(Won)	(Won) 78,631	1.57
Finance	343,714			343,714	6.86
Service	393,552	39,330		432,882	8.63
Manufacturing	1,593,449	1,723,450	2,623	3,319,522	66.21
Others	373,524	463,091	1,917	838,532	16.73
	(Won) 2,704,307	(Won) 2,304,434	(Won) 4,540	(Won) 5,013,281	100.00

(4) Acceptances and guarantees, by country, as of March 31, 2007 were as follows (Unit: In millions):

By country	Confirmed	Unconfirmed	Bills endorsed	Total	Percentage (%)
Korea	(Won) 3,268,529	(Won) 2,264,747	(Won) 6,589	(Won) 5,539,865	95.93
Others	235,289			235,289	4.07
	(Won) 3,503,818	(Won) 2,264,747	(Won) 6,589	(Won) 5,775,154	100.00

Acceptances and guarantees, by country, as of December 31, 2006 were as follows (Unit: In millions):

By country	Confirmed	Unconfirmed	Bills endorsed	Total	Percentage (%)
Korea	(Won) 2,453,216	(Won) 2,304,434	(Won) 4,540	(Won) 4,762,190	94.99
Others	251,091			251,091	5.01
	(Won) 2,704,307	(Won) 2,304,434	(Won) 4,540	(Won) 5,013,281	100.00

(5) Allowance for possible losses on acceptances and guarantees and others as of March 31, 2007 was as follows (Unit: In millions):

	Confirmed acceptances and guarantees		Unconfirmed acceptances and guarantees	Bills endorsed	Total
	Won	Foreign currencies			
Normal	(Won) 1,666,157	(Won) 1,828,442	(Won) 2,240,371	(Won) 6,515	(Won) 5,741,485
Precautionary	3,779	1,145	9,626		14,550
Substandard	59	3,822	13,481	74	17,436

Doubtful	350	55	178		583
Estimated loss	2	7	1,091		1,100 7
	(Won) 1,670,347	(Won) 1,833,471	(Won) 2,264,747	(Won) 6,589	(Won) 5,775,154
Allowance for possible losses	9,398	7,336	6,519	61	23,314
Ratio (%)	0.56	0.40	0.29	0.93	0.40

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Allowance for possible losses on acceptances and guarantees and others as of December 31, 2006 were as follows (Unit: In millions):

	Confirmed acceptances and guarantees		Unconfirmed acceptances and guarantees	Bills endorsed	Total
	Won	Foreign currencies			
Normal	(Won) 946,453	(Won) 1,746,240	(Won) 2,283,303	(Won) 4,295	(Won) 4,980,291
Precautionary	2,446	3,186	7,490		13,122
Substandard	30	5,586	7,244	40	12,900
Doubtful	350		434	205	989
Estimated loss	1	15	5,963		5,979
	(Won) 949,280	(Won) 1,755,027	(Won) 2,304,434	(Won) 4,540	(Won) 5,013,281
Allowance for possible losses	3,650	7,613	7,268	241	18,772
Ratio (%)	0.38	0.43	0.32	5.31	0.37

(6) The percentage of allowance for possible losses on acceptances and guarantees and others as of March 31, 2007 and December 31, 2006, 2005 and 2004 was as follows (Unit: In millions):

	Guarantees and acceptances and others	Allowance	Percentage (%)
March 31, 2007 (*)	(Won) 5,775,154	(Won) 23,314	0.40
December 31, 2006 (*)	5,013,281	18,772	0.37
December 31, 2005 (*)	3,772,662	10,141	0.27
December 31, 2004	975,788	1,150	0.12

(*) Pursuant to the amended Supervisory Regulation of Banking Business, the Bank has extended the scope of allowance for possible losses since 2005. Furthermore, the minimum rate of loss provision increased for confirmed acceptances and guarantees and others classified as normal and precautionary as of December 31, 2006.

15. OTHER ALLOWANCES:

Other allowances as of March 31, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Loss on branch closure	(Won) 140	(Won) 140
Mileage rewards	89,355	89,025
KAMCO loans sold (Note 19)	63	252
Credit commitments to SPC (Note 19)	3,614	3,602
KP Chemical loans sold	4,605	4,605
Dormant accounts	26,393	27,689
Unused credit limit	563,813	566,655
Others	63,019	84,693
	(Won) 751,002	(Won) 776,661

The unused credit limit for other allowances amounts to (Won) 75,091,297 million and (Won) 76,832,125 million as of March 31, 2007 and December 31, 2006, respectively.

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16. SUNDRY LIABILITIES:

Sundry liabilities as of March 31, 2007 and December 31, 2006 consisted of (Unit: In millions):

	2007	2006
Suspense payable	(Won) 52,515	(Won) 190,575
Borrowings for others business	86,293	94,769
Prepaid card and debit card liabilities	14,281	20,947
Subscription deposits	34,494	71,665
Income tax payable (Note 24)(*)	576,938	230,184
Others	1,165	933
	(Won) 765,686	(Won) 609,073

(*) Including the income tax payable of (Won) 243,086 million and (Won) 1,987 million incurred in the prior year as of March 31, 2007 and December 31, 2006, respectively.

17. SHAREHOLDERS EQUITY:

(1) Capital stock

As of March 31, 2007 and December 31, 2006, the Bank has 1 billion common shares authorized with a par value per share of (Won)5,000 and 336,379,116 shares((Won) 1,681,896 million) issued. The Bank s major shareholders were Euro-Pacific Growth Fund (18,377,910 shares, 5.46 percent) and ING Bank N.V. Amsterdam (13,650,001 shares, 4.06 percent) as of March 31, 2007.

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

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

(2) Capital surplus

The capital surplus as of March 31, 2007 and December 31, 2006 were as follows (Unit: In millions):

	2007	2006
Paid-in-capital in excess of par value	(Won) 5,655,840	(Won) 5,655,840
Gain on business combination	397,669	397,669
Revaluation increment	177,229	177,229
Gain on disposal of treasury stock	27,559	27,559
	(Won) 6,258,297	(Won) 6,258,297

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

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(3) Retained earnings

1) The detailed summary of the appropriation of retained earnings as a result of the resolution at the general shareholders meeting on March 23, 2007 is as follows (Unit: In millions):

		2006
Retained earnings before appropriations:		
Retained earnings carried forward from prior years	(Won)	59
Effect on valuation of securities using the equity method		(1,582)
Net income		2,472,111
		2,470,588
Appropriations:		
Legal reserve		247,300
Other reserve		509
Voluntary reserve		994,900
Dividend		1,227,784
		2,470,493
Unappropriated retained earnings to be carried forward to subsequent years	(Won)	95

2) Legal reserve

The Korean Banking Law Act 40 requires banks to appropriate at least 10 percent of net income to legal reserve until such reserve equals 100 percent of its paid-in capital. This reserve is not available for cash dividends and can only be transferred to capital or can be used to reduce deficit. The Tokyo branch appropriate 10 percent at most of net income after income tax to legal reserve in accordance with the Japanese Banking Law.

3) Voluntary reserve

In 2002, the Finance Supervisory Service recommended banks to appropriate at least 10 percent of net income after deducting loss carried forward to reserve for financial structure improvement until simple capital ratio equals 5.5 percent. This reserve can only be used to reduce deficit or be transferred to capital.

(4) Accumulated other comprehensive income

The changes in accumulated other comprehensive income (loss) for the three months ended March 31, 2007 and for the year ended December 31, 2006 are as follows (Unit: In millions):

	2007			
	Beginning balance	Changes	Disposal or realization	Ending balance
Gain on valuation of available-for-sale securities	(Won) 883,556	(Won) (17,664)	(Won) (471,888)	(Won) 394,004
Gain on valuation of held-to-maturity securities	98		(39)	59
Change due to the equity method	15,888	(459)		15,429

(Won) 899,542	(Won) (18,123)	(Won) (471,927)	(Won) 409,492

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	2006			
	Beginning balance	Changes	Disposal or realization	Ending balance
Gain on valuation of available-for-sale securities	(Won) 511,368	(Won) 477,839	(Won) (105,651)	(Won) 883,556
Gain on valuation of held-to-maturity securities	426		(328)	98
Change due to the equity method	948	15,522	(582)	15,888
Stock options	3,888		(3,888)	
	(Won) 516,630	(Won) 493,361	(Won) (110,449)	(Won) 899,542

18. SHARE-BASED PAYMENT:

(1) The Bank granted stock options to employees and executives including the president several times. When the stock options are exercised, the Bank has the option to settle either through issuance of new shares or treasury stock, or through payment of cash equivalent to the difference between the market price and the exercise price. In accordance with the resolution of the Board of Directors on August 23, 2005, the Bank has changed the settlement method from issuance of treasury stock to payment of cash equivalent to the difference between the market price and the exercise price only after the remaining treasury stock is issued. Accordingly, the compensation cost of stock options granted before and after the effective date of SKAS No. 22 (Share-based Payment) was measured using the intrinsic value method in accordance with the Interpretations on Financial Accounting Standards 39-35 Accounting for Stock Options, and the fair value method, respectively. The details of the stock options as of March 31, 2007 were as follows:

	Grant date	Exercise period (year)	Granted shares	Grant conditions
Series 2	01.03.15	8	214,975	Offer service: 1 year
Series 6	01.03.24	6	111,000	Offer service: 3 years
Series 7	01.11.16	8	850,000	Offer service: 3 years
Series 8-1(*2)	02.03.22	8	132,000	Offer service: 1 year, 3 years
Series 8-2(*3)	02.03.22	8	490,000	Offer service: 1 year, 3 years
Series 9(*3)	02.07.26	8	30,000	Offer service: 3 years
Series 10-1(*2)	03.03.21	8	140,000	Offer service: 3 years
Series 10-2(*3)	03.03.21	8	180,000	Offer service: 3 years
Series 11(*3)	03.08.27	8	30,000	Offer service: 3 years
Series 12(*3)	04.02.09	8	85,000	Offer service: 1 year
Series 13-1(*2)	04.03.23	8	20,000	Offer service: 1 year
Series 13-2(*3)	04.03.23	8	10,000	Offer service: 1 year
Series 14(*2,*3)	04.11.01	8	700,000	Offer service: 3 years Targets to achieve(*5)
Series 15-1(*2)	05.03.18	8	165,000	Offer service: 3 years
Series 15-2(*3)	05.03.18	8	765,000	Offer service: 3 years
Series 16(*3)	05.04.27	8	15,000	Offer service: 3 years
Series 17(*3)	05.07.22	8	30,000	Offer service: 3 years
Series 18(*3)	05.08.23	8	15,000	Offer service: 3 years
Series 19(*1)	06.03.24	8	940,000	Offer service: 1 year, 2 years, 3 years
Series 20(*1)	06.04.28	8	30,000	Offer service: 3 years
Series 21(*1)	06.10.27	8	20,000	Offer service: 2 years
Series 22(*1)	07.02.08	8	885,000	Offer service: 1 year, 3 years
Series 23(*1)	07.03.23	8	30,000	Offer service: 3 years
Series Kookmin Credit Card -1(*4)	01.03.22	10	22,146	Offer service: 1 year
Series Kookmin Credit Card -2(*2,*4)	02.03.29	9	9,990	Offer service: 2 years
			5,920,111	

(*1) The exercise price is adjusted by the rate of increase in the market value of the major competitors stock as of balance sheet dates.

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(*2) The exercise price is adjusted by the rate of increase in the average stock price index of the banking industry as of balance sheet dates.
(*3) As the actual number of exercisable granted shares is determined in accordance with the management performance for the contract period of service, the number of granted shares used for the calculation of compensation cost is computed based on the assumption that the performance result falls into the highest level in the bracket.
(*4) The Bank took over the stock options granted by Kookmin Credit Card Co., Ltd. of which the exercise price and number of shares were adjusted in proportion to the merger ratio.
(*5) 300,000 shares are vested when target ROE is accomplished; 200,000 shares vested when target BIS ratio is achieved; 200,000 shares vested when target return on shareholders equity is met.

(2) The changes in granted shares and the weighted average exercise price for the three months ended March 31, 2007 are follows(Unit: In Won and shares):

	Granted shares						
	Beginning	Granted	Exercised	Expired	Ending	Exercise price	Remaining period to maturity (year)
Series 2	88,107		9,000		79,107	(Won) 28,027	1.96
Series 6	8,633		8,633			25,100	
Series 7	150,000		50,000		100,000	51,200	2.63
Series 8-1	28,863		600		28,263	57,100	2.98
Series 8-2	263,565		14,712		248,853	57,100	2.98
Series 9	23,899				23,899	58,800	3.32
Series 10-1	43,414		3,351		40,063	47,360	3.98
Series 10-2	70,993				70,993	35,500	3.98
Series 11	5,091				5,091	40,500	4.41
Series 12	75,539		12,452		63,087	46,100	4.87
Series 13-1	20,000				20,000	48,500	4.98
Series 13-2	10,000		10,000			47,200	
Series 14	700,000				700,000	54,800	5.59
Series 15-1	135,259			9,897	125,362	62,984	5.97
Series 15-2	580,069			61,875	518,194	46,800	5.97
Series 16	15,000			6,173	8,827	45,700	6.08
Series 17	30,000				30,000	49,200	6.32
Series 18	15,000			7,788	7,212	53,000	6.40
Series 19	940,000			10,000	930,000	84,603	6.99
Series 20	30,000				30,000	88,300	7.08
Series 21	20,000				20,000	82,400	7.58
Series 22		885,000			885,000	78,500	7.87
Series 23		30,000			30,000	84,500	7.98
Series Kookmin Credit Card -1	22,146				22,146	71,538	3.98
Series Kookmin Credit Card -2	9,990				9,990	129,100	4.00
	3,285,568	915,000	108,748	95,733	3,996,087	(Won) 65,989	6.11

The weighted average stock price of the stock option exercised for the three months ended March 31, 2007 is (Won)83,376.

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The changes in granted shares and the weighted average exercise price for the year ended December 31, 2006 are follows(Unit: In Won and shares):

	Granted shares						Remaining period to maturity(year)
	Beginning	Granted	Exercised	Expired	Ending	Exercise price	
Series 2	133,695		45,588		88,107	(Won) 28,027	2.21
Series 4	60,754		60,754			27,600	
Series 6	36,726		28,093		8,633	25,100	0.23
Series 7	650,000		500,000		150,000	51,200	2.88
Series 8-1	42,047		13,184		28,863	57,100	3.22
Series 8-2	276,904		13,339		263,565	57,100	3.22
Series 9	23,899				23,899	58,800	3.57
Series 10-1	63,443		20,029		43,414	46,962	4.22
Series 10-2	89,560		17,910	657	70,993	35,500	4.22
Series 11	5,091				5,091	40,500	4.66
Series 12	75,539				75,539	46,100	5.11
Series 13-1	20,000				20,000	48,650	5.23
Series 13-2	10,000				10,000	47,200	5.23
Series 14	700,000				700,000	51,000	5.84
Series 15-1	165,000			29,741	135,259	59,288	6.22
Series 15-2	765,000			184,931	580,069	46,800	6.22
Series 16	15,000				15,000	45,700	6.33
Series 17	30,000				30,000	49,200	6.56
Series 18	15,000				15,000	53,000	6.65
Series 19		940,000			940,000	80,900	7.23
Series 20		30,000			30,000	84,600	7.33
Series 21		20,000			20,000	79,000	7.83
Series Kookmin Credit Card -1	22,146				22,146	71,538	4.22
Series Kookmin Credit Card -2	9,990				9,990	129,100	4.24
	3,209,794	990,000	698,897	215,329	3,285,568	(Won) 65,986	5.77

The weighted average stock price of the stock option exercised for the year ended December 31, 2006 is (Won)70,844.

(3) Series 22 and Series 23 are measured at fair value based on the Black-Scholes Model, and the factors used in determining the fair value are as follows (Unit: In Won):

Series	Stock price	Exercise price	Expected stock price volatility (%)	Maturity (Years)	Expected dividend	Risk free rate (%)	Fair value
Series 22-1 (Director)	(Won) 84,400	(Won) 78,500	27.11	4.64	(Won) 8,222	3.75	(Won) 22,043
Series 22-2 (Employee)	84,400	78,500	27.65	5.51	9,620	3.76	23,765
Series 23	84,400	84,500	28.58	4.64	8,222	3.75	20,608

The expected weighted average exercise period was separately estimated for directors and employees in order to reflect the possibility of an early exercise. The historical stock price volatility during the respective expected exercise period was applied to the calculation of the expected stock price volatility and estimated based on the cross volatility of the stock price between the Bank and its competitors in order to adjust the exercise price in proportion to the change of the market value of the competitors.

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(4) As of March 31, 2007 and December 31, 2006, the accrued expenses under the share-based payment amount to (Won) 60,858 million and (Won) 42,754 million, respectively, and the intrinsic value of the vested share option amount to (Won) 32,594 million and (Won) 21,694 million, respectively. The compensation cost recorded as selling and administration expense amounts to (Won) 22,080 million and (Won) 9,845 million for the three months ended March 31, 2007 and for the year ended December 31, 2006, respectively.

19. CONTINGENCIES AND COMMITMENTS:

(1) The Bank holds written-off loans, of which the claim for borrowers and guarantors have not been terminated , amounting to (Won)12,045,798 million and (Won)12,005,064 million as of March 31, 2007 and December 31, 2006, respectively.

(2) As of March 31, 2007 and December 31, 2006, the Bank has provided allowances of (Won)63 million and (Won) 252 million, respectively, for losses in relation to the possible future repurchase of loans, which the Bank sold to Korea Asset Management Corporation (KAMCO) for (Won)87 million and (Won) 666 million, respectively.

(3) As of March 31, 2007 and December 31, 2006, the Bank recorded receivables amounting to (Won)3,670,561 million and (Won)1,900,684 million, respectively, and payables amounting to (Won)3,670,468 million and (Won)1,900,506 million , respectively, for unsettled foreign currency spot transactions, respectively.

(4) As of March 31, 2007 and December 31, 2006, the Bank has entered into commitments to provide credit line of (Won)955,800 million and (Won)1,158,800 million, respectively, and to purchase commercial papers amounting to (Won)929,600 million and (Won)1,224,200 million, respectively, with several special purpose companies. As of March 31, 2007 and December 31, 2006, under these commitments, the Bank extended loans of (Won)10,691 million and (Won)12,497 million, respectively, to the companies and recognized (Won)3,614 million and (Won)3,602 million, respectively, of expected loss as other allowance. The Bank has no balance of commitment to purchase commercial papers.

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

(6) The Bank has filed 117 lawsuits involving aggregate claims of (Won)321,206 million and faces 159 lawsuits involving aggregate damages of (Won)497,103 million, which arose in the normal course of the business and are still pending as of March 31. 2007. The management believes that the ultimate liability, if any, will not materially affect the Bank s financial position. Korea Lottery Service Inc. filed a lawsuit against the Bank with aggregate damages of (Won) 465,434 million(2 lawsuits) regarding commitment fee in relation to the lottery fund; however, the management believes that the lawsuit will not affect the financial position of the Bank as it is related to a lottery fund.

(7) The face value of the consumer investment securities amounts to (Won)419,968 million and (Won)217,754 million as of March 31, 2007 and December 31, 2006, respectively.

(8) The tax audit was performed by the Seoul Regional Tax Office from February 7, 2007 to April 19, 2007 however, the management cannot presently ascertain what effect the result would have on the financial statements.

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(9) Derivatives

The notional amounts outstanding for derivative contracts as of March 31, 2007 and December 31, 2006 were as follows (Unit: In millions):

	2007			2006		
Type	**Trading**	**Hedge**	**Total**	**Trading**	**Hedge**	**Total**
Interest rate:						
Interest rate forwards	(Won)	(Won)	(Won)	(Won) 92,960	(Won)	(Won) 92,960
Interest rate futures	1,217,873		1,217,873	1,470,054		1,470,054
Interest rate swaps	44,171,085	4,252,761	48,423,846	42,563,389	3,718,967	46,282,356
Interest rate options purchased	110,000		110,000	110,000		110,000
Interest rate options sold	300,000		300,000	300,000		300,000
	45,798,958	4,252,761	50,051,719	44,536,403	3,718,967	48,255,370
Currency:						
Currency forwards	84,432,757		84,432,757	80,949,167		80,949,167
Currency futures	4,319,116		4,319,116	3,237,813		3,237,813
Currency swaps	8,628,180		8,628,180	7,888,681		7,888,681
Currency options purchased	1,275,143		1,275,143	518,421		518,421
Currency options sold	898,306		898,306	348,144		348,144
	99,553,502		99,553,502	92,942,226		92,942,226
Stock:						
Stock index futures	(Won) 158,852	(Won)	(Won) 158,852	(Won) 187,454	(Won)	(Won) 187,454
Stock options purchased	778,816		778,816	723,790		723,790
Stock options sold	988,191		988,191	987,929		987,929
Stock swaps	8,008		8,008	8,008		8,008
	1,933,867		1,933,867	1,907,181		1,907,181
Other:						
Gold index options purchased	6,479		6,479			
Gold index options sold	6,479		6,479			
Merchandise forwards	61,487		61,487			
Other derivatives	38,799		38,799			
	113,244		113,244			
	(Won) 147,399,571	(Won) 4,252,761	(Won) 151,652,332	(Won) 139,385,810	(Won) 3,718,967	(Won) 143,104,777

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

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The details of derivatives as of March 31, 2007 and the valuation of derivatives for the three months ended March 31, 2007 were as follows (Unit: In millions):

	Gain on valuation (P/L)			Loss on valuation (P/L)			Gain (loss) on valuation(B/S)	
Type	**Trading**	**Hedge**	**Total**	**Trading**	**Hedge**	**Total**	**Assets**	**Liabilities**
Interest rate:								
Interest rate swaps	(Won) 56,281	(Won) 40,356	(Won) 96,637	(Won) 84,459	(Won) 21,908	(Won) 106,367	(Won) 187,382	(Won) 211,064
Interest rate options purchased	282		282	74		74	2,470	
Interest rate options sold	193		193	23		23		505
	56,756	40,356	97,112	84,556	21,908	106,464	189,852	211,569
Currency:								
Currency forwards	(Won) 283,440	(Won)	(Won) 283,440	(Won) 244,865	(Won)	(Won) 244,865	(Won) 354,354	(Won) 372,706
Currency swaps	20,596		20,596	52,895		52,895	340,921	189,305
Currency options purchased	5,396		5,396	1,604		1,604	4,480	6,193
Currency options sold	1,697		1,697	557		557	345	6,709
	311,129		311,129	299,921		299,921	700,100	574,913
Stock:								
Stock options purchased	20,869		20,869	3,193		3,193	135,732	
Stock options sold	5,900		5,900	3,546		3,546		42,221
Stock swaps	337		337	337		337	350	350
	27,106		27,106	7,076		7,076	136,082	42,571
Other:								
Gold index options purchased				81		81	137	
Gold index options sold	86		86					161
Merchandise forwards	2,336		2,336	2,289		2,289	2,336	2,289
Other derivatives	427		427	333		333	426	332
	2,849		2,849	2,703		2,703	2,899	2,782
	(Won) 397,840	(Won) 40,356	(Won) 438,196	(Won) 394,256	(Won) 21,908	(Won) 416,164	(Won) 1,028,933	(Won) 831,835

The details of financial derivatives as of December 31, 2006 and the valuation of financial derivatives for the three months ended March 31, 2006 were as follows (Unit: In millions):

	Gain on valuation (P/L)			Loss on valuation (P/L)			Gain (loss) on valuation(B/S)	
Type	**Trading**	**Hedge**	**Total**	**Trading**	**Hedge**	**Total**	**Assets**	**Liabilities**
Interest rate								
Interest rate forwards	(Won) 21	(Won)	(Won) 21	(Won) 60	(Won)	(Won) 60	(Won) 9	(Won)
Interest rate swaps	66,027	9,526	75,553	75,612	2,653	78,265	174,514	217,850
Interest rate options purchased	469		469	561		561	2,261	

Interest rate options sold	810		810	88		88		675
	67,327	9,526	76,853	76,321	2,653	78,974	176,784	218,525
Currency:								
Currency forwards	425,149		425,149	447,343		447,343	537,474	667,386
Currency swaps	121,918		121,918	69,824		69,824	427,425	210,503
Currency options purchased	6		6	114		114	1,912	3,882
Currency options sold	1		1	3		3	357	1,806
	547,074		547,074	517,284		517,284	967,168	883,577
Stock:								
Stock options purchased	4,821		4,821	2,364		2,364	116,784	
Stock options sold	3,562		3,562	4,818		4,818		45,919
Stock swaps							12	12
	8,383		8,383	7,182		7,182	116,796	45,931
Other:								
Gold index options purchased				46		46		
Gold index options sold	46		46					
	46		46	46		46		
	(Won) 622,830	(Won) 9,526	(Won) 632,356	(Won) 600,833	(Won) 2,653	(Won) 603,486	(Won) 1,260,748	(Won) 1,148,033

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

The Bank holds derivative instruments accounted for as fair value hedges applied to debentures, subordinated bonds, structured bonds and structured deposits. The Bank recognized (Won)21,908 million and (Won)2,653 million of gains and (Won)40,356 million and (Won)9,526 million of losses on valuation of fair value hedged items for the three months ended March 31, 2007 and 2006, respectively. In addition, the interest rate swap covers the fair value changes of the hedged items resulted from the fluctuation in interest rate and foreign exchange rate.

(10) The Bank purchased synthetic Collateralized Default Obligation (CDO) with embedded Credit Default Swap (CDS) for the purpose of earning income such as commission income as of March 31, 2007. The details are as follows (Unit: In USD thousands):

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

The Bank could receive less than par and incur loss in relation to the sale of the CDO in case of credit events such as the default of the reference entity.

20. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:

Significant assets and liabilities denominated in foreign currencies as of March 31, 2007 and December 31, 2006 were as follows:

	2007		2006	
	USD equivalent (In thousands)	KRW equivalent (In millions)	USD equivalent (In thousands)	KRW equivalent (In millions)
Assets:				
Foreign currencies	US$ 189,283	(Won) 177,983	US$ 162,872	(Won) 151,406
Due from banks in foreign currencies	407,566	383,234	517,050	480,649
Securities in foreign currencies	973,458	915,343	891,936	829,144
Loans in foreign currencies(*)	7,916,514	7,443,898	7,811,759	7,261,811
Bills bought in foreign currencies	1,415,784	1,331,262	1,366,517	1,270,314
Call loans in foreign currencies	812,888	764,359	195,685	181,909
Liabilities:				
Deposits in foreign currencies	US$ 1,582,141	(Won) 1,487,687	US$ 1,535,668	(Won) 1,427,557
Borrowings in foreign currencies	4,119,326	3,873,402	4,169,943	3,876,379
Call money in foreign currencies	336,551	316,459	50,975	47,386
Debentures in foreign currencies	2,867,988	2,696,769	2,614,924	2,430,834
Foreign currency bills payable	72,562	68,230	58,643	54,515

(*) Domestic import usance bill included.

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

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21. INTEREST REVENUE AND EXPENSES:

The average balance of the interest bearing assets and liabilities, and the related interest revenue and expenses as of and for the three months ended March 31, 2007 and 2006 were as follows (Unit: In millions):

	2007			2006		
	Average balance	Interest revenue /expense	Interest rate (%)	Average balance	Interest revenue /expense	Interest rate (%)
Interest revenue						
Due from banks(*)	(Won) 453,870	(Won) 4,513	4.03	(Won) 555,271	(Won) 5,011	3.66
Securities	27,003,789	321,963	4.84	27,228,426	316,842	4.72
Loans	153,300,886	2,821,622	7.46	138,085,804	2,529,468	7.43
	(Won) 180,758,545	(Won) 3,148,098	7.06	(Won) 165,869,501	(Won) 2,851,321	6.97
Interest expense						
Deposits	(Won) 127,900,801	(Won) 928,769	2.94	(Won) 123,236,196	(Won) 784,922	2.58
Borrowings	41,291,807	522,933	5.14	33,165,557	372,522	4.56
	(Won) 169,192,608	(Won) 1,451,702	3.48	(Won) 156,401,753	(Won) 1,157,444	3.00

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

22. GENERAL AND ADMINISTRATIVE EXPENSES:

(1) General and administrative expenses for the three months ended March 31, 2007 and 2006 were as follows (Unit: In millions):

	2007	2006
Salaries	(Won) 414,283	(Won) 330,565
Provision for severance benefits	43,927	38,556
Severance benefits for voluntary resignation		1,956
Other employee benefits	103,828	88,761
Rent expenses	25,061	21,499
Depreciation	59,920	43,797
Amortization	27,707	21,820
Taxes and dues	37,560	33,103
Advertising	21,022	11,823
Development expenses	35,710	32,920
Others	87,109	72,095
	(Won) 856,127	(Won) 696,895

(2) Other general and administrative expenses for the three months ended March 31, 2007 and 2006 were as follows (Unit: In millions):

	2007	2006
Communication	(Won) 10,915	(Won) 9,567
Electricity and utilities	4,310	4,250
Publication	5,415	5,086
Repairs maintenance	3,841	1,988
Vehicle	6,823	6,912
Travel	1,067	833
Training	8,409	4,852
Provision fees	19,070	16,782
Others	27,259	21,825
	(Won) 87,109	(Won) 72,095

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23. NON-OPERATING REVENUE AND EXPENSES:

Non-operating revenue and expenses for the three months ended March 31, 2007 and 2006 consisted of (In millions):

	2007	2006
Non-operating revenue:		
Gain on valuation of securities accounted for using the equity method	(Won) 22,205	(Won) 22,997
Gain on disposal of tangible assets	163	46
Reversal of tangible assets impairment loss		1,050
Rental income	792	808
Others	29,089	56,231
	(Won) 52,249	(Won) 81,132
Non-operating expenses:		
Loss on valuation of securities accounted for using the equity method	(Won) 251	(Won) 942
Loss on disposal of securities accounted for using the equity method	571	
Loss on disposal of tangible assets	302	147
Impairment loss on tangible assets		5,455
Others	34,668	27,095
	(Won) 35,792	(Won) 33,639

24. INCOME TAX EXPENSE:

(1) The differences between pretax accounting income and taxable income pursuant to Korean Corporate Income Tax Law for the three months ended March 31, 2007 and 2006 are summarized as follows (Unit: In millions):

	2007		2006	
Income before income tax		(Won) 1,642,078		(Won) 1,124,349
Taxable and non-deductible items:				
Temporary difference	(Won) 2,088,437		(Won) 1,841,218	
Permanent difference	568,194	2,656,631	705,290	2,546,508
Deductible and non-taxable items:				
Temporary difference	(1,617,316)		(1,938,255)	
Permanent difference	(1,235,502)	(2,852,818)	(623,202)	(2,561,457)
Taxable income		(Won) 1,445,891		(Won) 1,109,400

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(2) Reconciliation items between accounting income and taxable income pursuant to the Corporate Income Tax Law of Korea for the three months ended March 31, 2007 and 2006 are as follows (Units: In millions):

	2007		2006	
Accounts	**Temporary difference**	**Permanent difference**	**Temporary difference**	**Permanent difference**
Taxable and non-deductible items:				
Loss (gain) on fair value hedges	(Won) 62,843	(Won)	(Won) 58,096	(Won)
Other allowances	751,003		854,342	
Accrued interest	431,301		349,024	
Tangible asset impairment losses	15,509		15,871	
Deferred loan organization fee and cost	138,338		52,025	
Interest on ELD	4,462		11,073	
Stock options	60,858		42,820	
Allowance for possible losses on acceptances and guarantees	23,314		9,691	
Loss (gain) on valuation of derivatives			94,654	
Goodwill	19,586		19,586	
Present value discount	1,319		1,535	
Dividends from SPC	8,551		13,037	
Others	571,353	568,194	319,464	705,290
	(Won) 2,088,437	(Won) 568,194	(Won) 1,841,218	(Won) 705,290
Deductible and non-taxable items:				
Loss (gain)on fair value hedges	(Won) 41,419	(Won)	(Won) 51,838	(Won)
Other allowances	776,661		875,835	
Accrued interest	388,968		303,746	
Tangible asset impairment losses	15,535		11,466	
Deferred loan organization fee and cost	152,557		65,846	
Interest on ELD	4,538		10,971	
Stock options	42,754		46,905	
Allowance for possible losses on acceptances and guarantees	18,772		10,141	
Loss (gain) on valuation of derivatives	131,160		94,844	
Present value discount	1,370		1,713	
Dividends from SPC	480		1,575	
Others	43,102	1,235,502	463,375	623,202
	(Won) 1,617,316	(Won) 1,235,502	(Won) 1,938,255	(Won) 623,202

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(3) Changes in cumulative temporary differences for the three months ended March 31, 2007 and 2006, and deferred income tax assets (liabilities) as of March 31, 2007 and 2006 are as follows (Unit: In millions):

	2007			
	Beginning balance (*)	**Deduction**	**Addition**	**Ending balance**
(Deductible temporary differences)				
Other allowances	(Won) 801,451	(Won) 776,661	(Won) 751,003	(Won) 775,793
Allowance for loan losses	276			276
Tangible asset impairment losses	15,535	15,535	15,509	15,509
Interest on ELD	19,307	4,538	4,462	19,231
Stock options	42,754	42,754	60,858	60,858
Allowance for possible losses on acceptances and guarantees	18,772	18,772	23,314	23,314
Present value discount	1,370	1,370	1,319	1,319
Dividends from SPC	205,255	210	177	205,222
Allowance for repurchase SPC	80,204			80,204
Others	163,262	(285,300)	258,318	706,880
	1,348,186	574,540	1,114,960	1,888,606
The exclusion of deferred income tax assets:				
Other allowances	7,238			3,726
Dividends from SPC	205,255			205,222
Allowance for repurchase SPC	80,204			80,204
Others	72,556			74,200
	982,933			1,525,254
Statutory tax rate	27.5%			27.5%
Deferred income tax assets	270,307			419,445
(Taxable temporary differences)				
Loss (gain) on fair value hedges	(62,843)	(62,843)	(41,419)	(41,419)
Accrued interest	(431,301)	(431,301)	(388,968)	(388,968)
Deferred loan organization fee and cost	(138,338)	(138,338)	(152,557)	(152,557)
Loss (gain) on valuation of derivatives	38,403	38,403	(92,757)	(92,757)
Goodwill	(300,324)	(19,586)		(280,738)
Dividends from SPC	(8,374)	(8,374)	(270)	(270)
Others	(331,364)	(3,104)	(18,471)	(346,731)
	(1,234,141)	(625,143)	(694,442)	(1,303,440)
The exclusion of deferred income tax liabilities:				
Goodwill	(300,324)			(280,738)
Others	(72,406)			(67,591)
	(861,411)			(955,111)
Statutory tax rate	27.5%			27.5%
Deferred income tax liabilities	(236,888)			(262,656)
Net deferred income tax assets	(Won) 33,419			(Won) 156,789

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

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	2006			
	Beginning balance (*)	Deduction	Addition	Ending balance
(Deductible temporary differences)				
Other allowances	(Won) 900,625	(Won) 875,835	(Won) 854,342	(Won) 879,132
Allowance for loan losses	46,396			46,396
Tangible asset impairment losses	11,466	11,466	15,871	15,871
Interest on ELD	31,108	10,971	11,073	31,210
Stock options	46,905	46,905	42,820	42,820
Allowance for possible losses on acceptances and guarantees	10,141	10,141	9,691	9,691
Present value discount	1,713	1,713	1,535	1,535
Dividends from SPC	260,409	1,575	13,037	271,871
Allowance for repurchase SPC	80,204			80,204
Others	1,079,857	455,236	316,795	941,416
	2,468,824	1,413,842	1,265,164	2,320,146
The exclusion of deferred income tax assets:				
Dividends from SPC	260,409			271,872
Allowance for repurchase SPC	80,204			80,204
Others	57,611			75,650
	2,070,600			1,892,420
Statutory tax rate	27.5%			27.5%
Deferred income tax assets	569,415			520,415
(Taxable temporary differences)				
Loss (gain) on fair value hedges	(58,096)	(58,096)	(51,838)	(51,838)
Accrued interest	(349,024)	(349,024)	(303,746)	(303,746)
Deferred loan organization fee and cost	(52,025)	(52,025)	(65,846)	(65,846)
Loss (gain) on valuation of derivatives	(94,654)	(94,654)	(94,844)	(94,844)
Goodwill	(378,669)	(19,586)		(359,083)
Others	(235,004)	(2,669)	(8,139)	(240,474)
	(1,167,472)	(576,054)	(524,413)	(1,115,831)
The exclusion of deferred income tax liabilities:				
Goodwill	(378,669)			(359,083)
Others	(44,567)			(51,195)
	(744,236)			(705,553)
Statutory tax rate	27.5%			27.5%
Deferred income tax liabilities	(204,665)			(194,027)
Net deferred income tax assets	(Won) 364,750			(Won) 326,388

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

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(4) Income tax payable and Income tax refund receivable as of March 31, 2007 and December 2006 are as follows (Unit: In millions):

	2007	2006
Income tax refund receivable	(Won) 63,733	(Won) 617,690
Income tax payable	397,585	845,887
Net income tax payable	(Won) 333,852	(Won) 228,197

(5) Income tax expense for the three months ended March 31, 2007 and 2006 is summarized as follows (Unit: In millions):

	2007	2006
Income tax currently payable	(Won) 397,585	(Won) 305,082
Changes in deferred tax assets	(123,370)	38,362
Income tax expense or benefit allocated directly to shareholder s equity	185,316	(22,101)
Income tax expense of overseas branch	56	25
	(Won) 459,587	(Won) 321,368

(6) The statutory income tax rates applicable to the Bank, including resident tax surcharges, are 27.5 percent for the three months ended March 31, 2007 and 2006, respectively. However, due to tax adjustments, the effective tax rates for the three months ended March 31, 2007 and 2006 are 27.99 percent and 28.58 percent, respectively.

25. EARNINGS PER SHARE:

(1) Basic net income per share

Basic net income per share were calculated for common stock by dividing net income available to common shareholders by the weighted average number of outstanding common stock.

Net income per share for common stock for the three months ended March 31, 2007 and 2006 was computed as follows:

1) Outstanding capital stock for the three months ended March 31, 2007 and 2006 were as follows:

	2007		2006	
	Number of shares	Number of shares x number of days	Number of shares	Number of shares x number of days
Number of common shares outstanding-beginning balance	336,379,116	30,274,120,440	336,379,116	30,274,120,440
Number of treasury stock outstanding-beginning balance			(217,935)	(19,614,150)
Sale of treasury stock			217,935	17,416,606
	336,379,116	30,274,120,440	336,379,116	30,271,922,896

Weighted average number of common shares outstanding for the three months ended March 31, 2007:

30,274,120,440 ÷ 90 days = 336,379,116 shares

Weighted average number of common shares outstanding for the three months ended March 31, 2006:

30,271,922,896 ÷ 90 days = 336,354,699 shares

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2) The basic net income per share for the three months ended March 31, 2007 and 2006 were as follows (Unit: In Won)

	2007	2006
Net income	(Won) 1,182,490,682,810	(Won) 802,981,195,749
Weighted average number of common shares outstanding	336,379,116	336,354,699
Net income per share	(Won) 3,515	(Won) 2,387

The basic net income per share for the year ended December 31, 2006 was (Won) 7,349.

(2) Diluted net income per share

Diluted net income for the three months ended March 31, 2007 and 2006 represent diluted net income divided by the number of common shares and diluted securities

Diluted net income per share for the three months ended March 31, 2007 and 2006 was computed as follows (Unit: In Won):

	2007	2006
Diluted net income	(Won) 1,182,490,682,810	(Won) 802,981,195,749
Weighted average number of common shares outstanding and diluted securities (*)	337,065,674	336,364,044
Diluted net income per share	(Won) 3,508	(Won) 2,387

(*) The fair value of the service to be received has been reflected in the exercise price in calculating the diluted shares. The diluted shares included in the outstanding common shares are 686,558 shares and 9,345 shares as of March 31, 2007 and 2006, respectively.

The diluted net income per share for the year ended December 31, 2006 was (Won) 7,349.

26. COMPREHENSIVE INCOME:

Comprehensive income for the three months ended March 31, 2007 and 2006 were as follows (Unit: In millions):

	2007	2006
Net income	(Won) 1,182,491	(Won) 802,981
Other comprehensive income		
Gain (loss) on valuation of available-for-sale securities	(489,552)	22,974
Loss on valuation of held-to-maturity securities	(39)	(136)
Gain (loss) on valuation of securities using the equity method	(459)	10,076
Comprehensive income	(Won) 692,441	(Won) 835,895

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27. TRUST ACCOUNTS:

(1) Major financial information related to the trust accounts as of and for the three months ended March 31, 2007 and 2006 were as follows (Unit : In millions):

		2007		2006 (*)	
Operating revenue of trust operation:					
Trust fees and commissions from trust accounts	(Won)	21,012	(Won)	22,029
Commissions from early redemption in trust accounts		8		6
	(Won)	21,020	(Won)	22,035
Operating expenses of trust operation:					
Accrued interest on trust accounts	(Won)	13,855	(Won)	9,376
Assets:					
Accrued receivable trust fees	(Won)	93,827	(Won)	81,650
Liabilities:					
Due to trust accounts	(Won)	1,007,526	(Won)	1,281,185
Accrued interest on trust accounts		3,761		3,017
	(Won)	1,011,287	(Won)	1,284,202

(*) The balance of the assets and liabilities is as of December 31, 2006.

(2) As of March 31, 2007 and December 31, 2006, trust accounts for which the Bank provided the guarantees for a fixed rate of return and/or the repayment of principal consisted of following (Unit: In millions):

		2007		2006	
	Name of fund	Book value	Fair value	Book value	Fair value
Trust accounts guaranteeing the repayment of principal:	Old age pension (*1 & 2)	(Won) 12,570	(Won) 12,564	(Won) 13,331	(Won) 13,305
	Personal pension (*1 & 2)	2,258,630	2,239,196	2,256,483	2,230,878
	Pension trust	485,511	485,511	463,785	463,785
	Retirement trust	488,531	488,531	512,951	512,951
	New personal pension	69,038	69,038	68,648	68,648
	New old age pension	82,038	82,038	100,176	100,177
		3,396,318	3,376,878	3,415,374	3,389,744
Trust accounts guaranteeing a fixed rate of return and the repayment of principal:	Development money trust (*1)	(Won) 71,513	(Won) 71,533	(Won) 70,464	(Won) 70,478
	Unspecified monetary trust (*1)	162	162	153	153
		71,675	71,695	70,617	70,631

(Won) 3,467,993	(Won) 3,448,573	(Won) 3,448,573	(Won) 3,460,375

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

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28. SEGMENT INFORMATION:

(1) As of March 31, 2007 and December 31, 2006, the Bank s operating segments are consumer banking, corporate banking, credit card operation, treasury operation of investment in securities (including derivatives) and funding, and other operations of general administration and trust. Geographical segment are segregated into two segments: domestic and overseas operations.

As of and for the three months ended March 31, 2007, financial information on the Bank s operating segments was as follows (Unit: In millions):

	Consumer	Corporate	Credit card	Capital market	Other	Total
Securities	(Won)	(Won) 228,880	(Won) 72,586	(Won) 27,588,301	(Won) 2,347,422	(Won) 30,237,189
Loans	84,224,621	58,461,996	7,572,728	2,299,503	142,960	152,701,808
Operating income before provision	530,317	212,994	222,646	5,342	770,193	1,741,492

As of and for the year ended December 31, 2006, financial information on the Bank s operating segments was as follows (Unit: In millions):

	Consumer	Corporate	Credit card	Capital market	Other	Total
Securities	(Won)	(Won) 222,892	(Won) 84,156	(Won) 25,946,509	(Won) 3,128,923	(Won) 29,382,480
Loans	84,258,294	55,001,230	7,608,708	2,872,625	126,325	149,867,182
Operating income before provision	559,180	187,809	301,505	(6,378)	178,344	1,220,460

(2) Financial information on the Bank s geographical segments as of and for the three months ended March 31, 2007 was as follows (Unit: In millions):

	Domestic	Overseas	Total
Securities	(Won) 30,237,189	(Won)	(Won) 30,237,189
Loans	152,316,163	385,645	152,701,808
Operating income before provision	1,738,351	3,141	1,741,492

Financial information on the Bank s geographical segments as of and for the year ended December 31, 2006 was as follows (Unit: In millions):

	Domestic	Overseas	Total
Securities	(Won) 29,382,480	(Won)	(Won) 29,382,480
Loans	149,481,281	385,901	149,867,182
Operating income before provision	1,215,776	4,684	1,220,460

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29. RELATED PARTY TRANSACTIONS:

(1) The subsidiaries of the Bank as of March 31, 2007 and December 31, 2006 were as follows:

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

(2) The various employee benefits for the major directors for the three months ended March 31,2007 and 2006 were as follows (Unit: In millions):

	2007		
	Short-term employee benefits (*)	Stock option	Total
Registered officers (Standing)	(Won) 2,895	(Won) 6,154	(Won) 9,049
Registered officers (Non-Standing)	158	536	694
	(Won) 3,053	(Won) 6,690	(Won) 9,743

	2006		
	Short-term employee benefits (*)	Stock option	Total
Registered officers (Standing)	(Won) 2,579	(Won) 3,012	(Won) 5,591
Registered officers (Non-Standing)	142	375	517
	(Won) 2,721	(Won) 3,387	(Won) 6,108

(*) Short-term employee benefits are based on the actual payment.

(3) Significant balances with related parties as of March 31, 2007 and December 31, 2006 were as follows (Unit: In millions):

	2007		
	Assets	Allowance	Liabilities
Subsidiaries:			

Trust accounts (trust accounts guaranteed a fixed rate of return and/or the repayment of principal)	(Won)	76,216	(Won)	(Won) 127,494
KB Investment Co., Ltd.				14,923
KB Futures Co., Ltd.		761		8,615
KB Data System Co., Ltd.		43		15,522
KB Asset Management Co., Ltd.		156		72,219
KB Real Estate Trust Co., Ltd.		21		622
KB Credit Information Co., Ltd.		56		30,369
KB Life Insurance Co., Ltd.		3,765		4,236
NPC 02-4 Kookmin Venture Fund				15,133
Kookmin Bank International Ltd. (London)		221,181		57,611
Kookmin Bank Hong Kong Ltd.		216,586		4,079
		518,785		350,823

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	Assets	2007 Allowance	Liabilities
Investee under the equity method:			
Jooeun Industrial Co., Ltd.	(Won) 60,237	(Won) 31,353	(Won)
	60,237	31,353	
	(Won) 579,022	(Won) 31,353	(Won) 350,823

	Assets	2006 Allowance	Liabilities
Subsidiaries:			
Trust accounts (trust accounts guaranteed a fixed rate of return and/or the repayment of principal)	(Won) 68,949	(Won)	(Won) 157,695
KB Investment Co., Ltd.			12,608
KB Futures Co., Ltd.	926		8,095
KB Data System Co., Ltd.	42		22,918
KB Asset Management Co., Ltd.	99		58,289
KB Real Estate Trust Co., Ltd.	862	6	549
KB Credit Information Co., Ltd.	120		29,462
KB Life Insurance Co., Ltd.	3,167		6,113
NPC 02-4 Kookmin Venture Fund			13,189
Kookmin Bank International Ltd. (London)	231,563		49,536
Kookmin Bank Hong Kong Ltd.	178,590		12,285
	484,318	6	370,739
Investee under the equity method:			
Pacific IT Investment Partnership			51
Jooeun Industrial Co., Ltd.	60,858	31,677	
	60,858	31,677	51
	(Won) 545,176	(Won) 31,683	(Won) 370,790

(4) Significant transactions with related parties for the three months ended March 31, 2007 and 2006 were as follows (Unit: In millions):

	Revenue	2007 Bad debt expenses	Expenses
Subsidiaries:			
Trust accounts (trust accounts guaranteed a fixed rate of return and/or the repayment of principal)	(Won) 7,268	(Won)	(Won) 1,871
KB Investment Co., Ltd.			128
KB Futures Co., Ltd.	6		362
KB Data System Co., Ltd.	6		7,046
KB Asset Management Co., Ltd.	234		733
KB Real Estate Trust Co., Ltd.	12	(6)	3
KB Credit Information Co., Ltd.	42		15,005
KB Life Insurance Co., Ltd.	11,765		
NPC 02-4 Kookmin Venture Fund			151

Kookmin Bank International Ltd. (London)	2,662		1,277
Kookmin Bank Hong Kong Ltd.	1,882		434
	23,877	(6)	27,010
Investee under the equity method:			
Pacific IT Investment Partnership			
Jooeun Industrial Co., Ltd.		(324)	
		(324)	
	(Won) 23,877	(Won) (330)	(Won) 27,010

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	Revenue	2006 Bad debt expenses	Expenses
Subsidiaries:			
Trust accounts (trust accounts guaranteed a fixed rate of return and/or the repayment of principal)	(Won) 9,558	(Won)	(Won) 781
KB Investment Co., Ltd.			150
KB Futures Co., Ltd.	5		421
KB Data System Co., Ltd.	16		5,677
KB Asset Management Co., Ltd.	189		202
KB Real Estate Trust Co., Ltd.	426	46	
KB Credit Information Co., Ltd.	64		17,992
KB Life Insurance Co., Ltd.	6,889		
NPC 02-4 Kookmin Venture Fund			157
Kookmin Bank International Ltd. (London)	2,492		1,015
Kookmin Bank Hong Kong Ltd.	2,137		655
	21,776	46	27,050
Investee under the equity method:			
Pacific IT Investment Partnership			7
			7
	(Won) 21,776	(Won) 46	(Won) 27,057

30. EMPLOYEE BENEFITS:

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

31. CASH FLOWS:

(1) Cash flows from operating activities are presented by the indirect method.

(2) The cash and due from banks in the statements of cash flows for the three months ended March 31, 2007 and 2006 were as follows (Unit : In millions)

	2007	2006
Cash and checks	(Won) 2,140,998	(Won) 2,290,291
Foreign currencies	177,983	162,046
Due from banks	3,584,287	4,043,535
	5,903,268	6,495,872
Restricted due from banks	(3,274,429)	(3,601,435)
	(Won) 2,628,839	(Won) 2,894,437

(3) Significant transactions not involving cash inflows and outflows for the three months ended March 31, 2007 and 2006 were as follows (Unit : In millions):

	2007	2006
Write-offs of loans and decrease of loans from principal exemption	(Won) 262,816	(Won) 427,849
Changes in accumulated other comprehensive income from valuation of securities	(489,822)	33,050