

KOOKMIN BANK
Form 6-K
March 04, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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

For the month of March 2004

Kookmin Bank

(Translation of registrant's name into English)

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

(Address of principal executive office)

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

Form 20-F Form 40-F

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

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

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

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

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

Yes " No x

Kookmin Bank s 2003 Audit Report

On March 3, 2004, Kookmin Bank released audit report for the fiscal year of 2003, which includes comparative non-consolidated financial statements for the years ended December 31, 2003 and 2002 and related notes to the statements.

Exhibit 99.1_ Kookmin Bank s 2003 Audit Report

SIGNATURES

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

Kookmin Bank
(Registrant)

Date: March 3, 2004

By: /s/ Ki-Sup Shin

(Signature)

Name: Ki-Sup Shin

Title: Executive Vice President & Chief Financial Officer

Kookmin Bank

Non-Consolidated Financial Statements

December 31, 2003 and 2002

Kookmin Bank

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Report of Independent Auditors

To the Board of Directors and Shareholders of

Kookmin Bank

We have audited the accompanying non-consolidated balance sheet of Kookmin Bank (the Bank) as of December 31, 2003 and 2002, and the related non-consolidated statements of operations, appropriations of retained earnings (dispositions of accumulated deficit) and cash flows for the year then ended, expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kookmin Bank as of December 31, 2003 and 2002, and the results of its operations, the changes in its retained earnings (accumulated deficit), and its cash flows for the year then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

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

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

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

As a result of the above change, the Bank's allowances for loan losses as of December 31, 2003 are greater by (Won)336,265 million for consumer loans and (Won)314,701 million for credit card loans compared to the amounts that which would have been recorded under the previous rates.

As discussed in Note 20 to the financial statements, in accordance with the resolution made by the Board of Directors on December 26, 2003, the Bank acquired 27,423,761 of its own shares previously owned by the Korean government at (Won)43,700 per share through public bidding and intends to sell these shares of treasury stock depending on certain market conditions. As a result of the acquisition, the Bank holds 8.92 percent of the total common stock issued as treasury stock.

As discussed in Note 16 to the financial statements, the Bank's total exposure (including debt securities, beneficiary certificates, and loans) related to domestic credit card companies and capital companies amounts to (Won)2,055,663 million as of December 31, 2003. Currently, securities issued by credit card companies and capital companies, which are experiencing liquidity problems, are not widely traded in the bond market. The ultimate effect of these circumstances on the financial position of the Bank as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying financial statements.

As discussed in Note 16 to the financial statements, in accordance with the agreement with the creditors' committee of LG Card Co., Ltd. on November 24, 2003, the Bank provided additional loans of (Won)437.0 billion to LG Card Co., Ltd., which is currently experiencing a liquidity crisis. Also, on January 9, 2004, the Bank has agreed to a debt-equity swap of (Won)312.7 billion, to provide additional loans of (Won)205.9 billion (to be included in the debt-equity swap), and to extend the maturity of loans that will mature in 2004. The ability of LG Card Co., Ltd. to continue as a going concern depends on the effective execution of its restructuring plan and debt restructuring as well as the availability of financial aid from its financial institutional creditors. The ultimate effect of these circumstances on the financial position of the Bank as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying financial statements.

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

Seoul, Korea

March 3, 2004

This report is effective as of March 3, 2004, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Kookmin Bank**Non-Consolidated Balance Sheets****December 31, 2003 and December 31, 2002***(in millions of Won)*

| | 2003 | 2002 |
|---|--------------------------|--------------------------|
| Assets | | |
| Cash and due from banks (Note 3) | (Won) 6,526,345 | (Won) 4,599,356 |
| Securities (Note 4) | 28,101,845 | 30,940,750 |
| Loans (Notes 5 and 6) | 139,920,521 | 126,730,561 |
| Fixed assets (Note 7) | 3,019,556 | 3,092,616 |
| Other assets (Note 8) | 6,484,239 | 6,135,558 |
| Total assets | (Won) 184,052,506 | (Won) 171,498,841 |
| Liabilities and Shareholders Equity | | |
| Deposits (Note 9) | (Won) 132,180,272 | (Won) 123,109,653 |
| Borrowings (Note 10) | 10,902,800 | 10,690,754 |
| Debentures (Note 11) | 19,192,581 | 17,539,007 |
| Other liabilities (Note 13) | 13,362,339 | 9,784,798 |
| Total liabilities | 175,637,992 | 161,124,212 |
| Commitments and contingencies (Notes 14 and 16) | | |
| Common stock (5,000 Won par value per share, authorized 1 billion shares and 336,379,116 shares outstanding in 2003) (Notes 1 and 17) | 1,681,896 | 1,641,293 |
| Capital surplus (Note 18) | 6,230,738 | 5,864,752 |
| Retained earnings (Note 19) | 1,662,119 | 2,742,335 |
| Capital adjustments (Note 20) | (1,160,239) | 126,249 |
| Total shareholders equity | 8,414,514 | 10,374,629 |
| Total liabilities and shareholders equity | (Won) 184,052,506 | (Won) 171,498,841 |

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

Kookmin Bank**Non-Consolidated Statements of Operations****Years ended December 31, 2003 and 2002***(in millions of Won except per share amounts)*

| | <u>2003</u> | <u>2002</u> |
|---|-------------------|-------------------|
| Interest income | | |
| Interest on due from banks | (Won) 10,433 | (Won) 51,580 |
| Interest on trading securities | 116,142 | 95,576 |
| Interest on available-for-sale securities | 958,665 | 652,423 |
| Interest on held-to-maturity securities | 626,552 | 834,895 |
| Interest on loans | 9,814,835 | 9,251,849 |
| Other interest income | 98,923 | 102,735 |
| | <u>11,625,550</u> | <u>10,989,058</u> |
| Interest expenses | | |
| Interest on deposits | 4,280,290 | 4,770,967 |
| Interest on borrowings | 410,746 | 415,938 |
| Interest on debentures | 1,143,228 | 830,219 |
| Other interest expenses | 68,570 | 58,068 |
| | <u>5,902,834</u> | <u>6,075,192</u> |
| Net interest income | 5,722,716 | 4,913,866 |
| Provision for loan losses (Note 6) | 4,040,536 | 1,593,479 |
| Net interest income after provision for loan losses | <u>1,682,180</u> | <u>3,320,387</u> |
| Non-interest income | | |
| Fees & commission income | 1,636,171 | 1,345,669 |
| Dividends on trading securities | 1,633 | 1,123 |
| Dividends on available-for-sale securities | 5,580 | 12,186 |
| Gain on foreign currency transactions | 287,501 | 202,367 |
| Gain on derivatives transactions (Note 15) | 1,131,711 | 1,760,743 |
| Others (Note 22) | 868,840 | 1,273,355 |
| | <u>3,931,436</u> | <u>4,595,443</u> |
| Non-interest expenses | | |
| Fees and commission expenses | 270,405 | 330,385 |
| General and administrative expenses (Note 23) | 2,704,148 | 2,551,426 |
| Loss on foreign currency transactions | 200,109 | 245,232 |
| Loss on derivatives transactions (Note 15) | 1,053,990 | 1,594,025 |
| Others (Note 22) | 1,308,880 | 928,997 |
| | <u>5,537,532</u> | <u>5,650,065</u> |
| Operating income | 76,084 | 2,265,765 |
| Non-operating expenses, net (Note 24) | (1,222,528) | (372,147) |

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| | | |
|---|-----------------|-----------------|
| Net (loss) income before income tax expense | (1,146,444) | 1,893,618 |
| Income tax (benefit) expense (Note 25) | (393,096) | 583,327 |
| Net (loss) income | (Won) (753,348) | (Won) 1,310,291 |
| Basic (loss) earnings per share (In Korean Won) (Note 26) | (Won) (2,311) | (Won) 4,123 |

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

Kookmin Bank**Non-Consolidated Statements of Appropriations of Retained Earnings****(Dispositions of Accumulated Deficit)**

Years ended December 31, 2003 and 2002

(Date of Disposition : March 23, 2004 for the year ended December 31, 2003

Date of Appropriation : March 21, 2003 for the year ended December 31, 2002)

(in millions of Won)

| | <u>2003</u> | <u>2002</u> |
|---|------------------|--------------------|
| Retained earnings (accumulated deficit) before appropriations (dispositions) | | |
| Unappropriated retained earnings carried over from prior year | (Won) 410 | (Won) 5,117 |
| Adjustment on investment in associates (Note 19) | (1,917) | 4,562 |
| Net income (loss) | (753,348) | 1,310,291 |
| | <u>(754,855)</u> | <u>1,319,970</u> |
| Transferred from prior years reserve (Note 19) | | |
| Reserves for overseas investment losses | | 5,417 |
| | | <u>5,417</u> |
| Dispositions (appropriations) (Note 19) | | |
| Transfer from (appropriations for) voluntary reserves | 754,900 | (867,000) |
| Other reserves | | (744) |
| Legal reserves | | (132,000) |
| Cash dividends (20.0% for common stock in 2002) | | (325,233) |
| | <u>754,900</u> | <u>(1,324,977)</u> |
| Unappropriated retained earnings carried over to the subsequent year | <u>(Won) 45</u> | <u>(Won) 410</u> |

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

Kookmin Bank**Non-Consolidated Statements of Cash Flows**

Years ended December 31, 2003 and 2002

(in millions of Won)

| | <u>2003</u> | <u>2002</u> |
|---|------------------|------------------|
| Cash flows from operating activities | | |
| Net (loss) income | (Won) (753,348) | (Won) 1,310,291 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities | | |
| Realized gain on trading securities, net | (71,899) | (87,802) |
| Unrealized gain on trading securities, net | (70,976) | (167,366) |
| Provision for loan losses due to merger | 1,652,264 | |
| Gain (loss) on foreign currency transactions, net | (87,392) | 42,865 |
| Provision for loan losses | 4,040,536 | 1,593,479 |
| Reversal of losses from guarantees and acceptances | (1,209) | (37,436) |
| Gain on derivatives transactions, net | (77,721) | (166,718) |
| Loss (gain) on valuation of derivatives, net | 18,788 | (41,884) |
| Gain (loss) on fair value hedged items | (10,715) | 9,213 |
| Retirement benefits | 109,766 | 100,198 |
| Depreciation and amortization | 466,856 | 389,931 |
| Loss on disposal of fixed assets, net | 33,058 | 6,288 |
| Impairment loss on fixed assets | 22,228 | |
| Realized gain on available-for-sale securities, net | (493,993) | (210,112) |
| Impairment loss on available-for-sale securities, net | 133,754 | 272,393 |
| Realized gain on held-to-maturity securities | (2,771) | (733) |
| Unrealized gain (loss) on investment in associates, net | (267,870) | 273,620 |
| Loss (gain) on sale of loans, net | 31,340 | (6,475) |
| Stock compensation expense | 12,130 | 11,333 |
| Others, net | 22,755 | (33,116) |
| Changes in assets and liabilities resulting from operations | | |
| Accrued income | 118,796 | 3,238 |
| Prepaid expenses | (255,957) | 14,037 |
| Deferred tax assets | (399,310) | (51,181) |
| Other assets | (166) | 5,639 |
| Accrued expenses | (593,967) | (90,475) |
| Unearned income | (28,019) | (1,070) |
| Withholding taxes | 36,095 | (54,343) |
| Other liabilities | 587,179 | 45,215 |
| Retirement benefits | (18,637) | (19,130) |
| Accounts payable | (66,349) | (60,268) |
| Account for agency business | | 33 |
| Deferred tax liabilities | (35,111) | 141,532 |
| Net cash provided by operating activities | <u>4,050,135</u> | <u>3,191,196</u> |

Kookmin Bank**Non-Consolidated Statements of Cash Flows**

Years ended December 31, 2003 and 2002

(in millions of Won)

| | <u>2003</u> | <u>2002</u> |
|--|------------------------|------------------------|
| Cash flows from investing activities | | |
| Increase (decrease) in due from banks | (Won) (1,247,467) | (Won) 2,839,245 |
| Decrease in trading securities | 1,336,940 | 992,343 |
| Increase (decrease) in available-for-sale securities | (1,198,423) | 1,606,941 |
| Decrease in held-to-maturity securities | 5,119,423 | |
| Acquisition of investment in associates | (71,295) | |
| Dividend from investment in associates | 11,392 | |
| Increase in loans granted, net | (12,580,451) | (20,439,846) |
| Proceeds from disposal of fixed assets | 101,599 | 14,049 |
| Acquisition of fixed assets | (316,890) | (578,828) |
| Acquisition of intangible assets | (705) | (502) |
| Proceeds from disposal of foreclosed assets | 162 | 978 |
| Acquisition of foreclosed assets | (166) | |
| Increase in guarantee deposits | (8,865) | (56,619) |
| Decrease (increase) in other accounts receivable | 166,101 | (338,569) |
| Increase (decrease) in payments in advance | (28,328) | 55,723 |
| Decrease in derivative assets, net | 145,924 | 67,591 |
| Collection of domestic exchange receivables | 474,995 | 403,014 |
| Collection of loans to trust accounts | 37,882 | 229,452 |
| | <u>(8,058,172)</u> | <u>(15,205,028)</u> |
| Cash flows from financing activities | | |
| Increase in deposits, net | 9,076,415 | 7,948,349 |
| Decrease in borrowings, net | (2,248,706) | (2,846,629) |
| Decrease (increase) in debentures, net | (3,278,588) | 8,697,080 |
| Increase (decrease) in borrowings from trust accounts | 3,248,649 | (931,874) |
| Decrease in dividend payable | (325,188) | (29,967) |
| Decrease (increase) in other accounts payable | (273,080) | 499,769 |
| Increase (decrease) in advances received from customers | 19,325 | (57,825) |
| Decrease in guarantee deposits received | (623) | (41,516) |
| Decrease in domestic exchange payables | (173,865) | (901,723) |
| Decrease in liabilities incurred by agency relationships | (171,172) | (219,313) |
| Stock options exercised | (35) | (26,741) |
| Acquisition of treasury stock | (1,227,876) | (149,704) |
| Sale of treasury stock | 826 | 1,928 |
| Increase in stock issuance cost | (212) | (737) |
| | <u>4,645,870</u> | <u>11,941,097</u> |
| Net cash provided by financing activities | 4,645,870 | 11,941,097 |
| Net increase (decrease) in cash and cash equivalents | 637,833 | (72,735) |
| Increase due to merger | 33,343 | |
| Cash and cash equivalents, Beginning of year | <u>3,100,581</u> | <u>3,173,316</u> |
| End of year (Note 34) | <u>(Won) 3,771,757</u> | <u>(Won) 3,100,581</u> |

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

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

1. The Bank

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

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

The Bank had its shares listed on the Korea Stock Exchange since September 1994. As a result of the business combination with H&CB, the former shareholders of the Bank and H&CB received new common shares of the Bank on the basis of a pre-determined ratio. The new common shares of the Bank were relisted on the Korea Stock Exchange as of November 9, 2001. As of December 31, 2003, the Bank's paid-in capital amounts to (Won)1,681,896 million and 35,000,566 shares of the Bank are listed on the New York Stock Exchange as American Depositary Shares (ADSs).

The Bank engages in the banking and trust businesses according to the provisions of the General Banking Act and the Trust Business Act, and operates through 1,136 domestic branches and offices (excluding ATMs) and three overseas branches as of December 31, 2003.

2. Summary of Significant Accounting Policies

The Bank has adopted Statements of Korean Financial Accounting Standards (SKFAS) No. 1 as of January 1, 2001 and No. 2 to No. 9 as of January 1, 2002 to present its financial statements. Except for the adoption of these SKFAS, the same accounting policies are applied for the fiscal years 2002 and 2003. The significant accounting policies followed by the Bank in the preparation of its non-consolidated financial statements are summarized below.

Basis of Financial Statement Presentation

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

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

Accounting Estimates

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

Application of the Statements of Korean Financial Accounting Standards

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

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

Recognition of Interest Income

The Bank recognizes interest income on loans and debt securities on an accrual basis. However, interest income on delinquent and dishonoured loans and debt securities, other than those collateralized with security deposits or guaranteed by financial institutions, is recognized on a cash basis. As of December 31, 2003, the Bank has non-accrual loans and securities of (Won)10,677,822 million and (Won)620,929 million, respectively, with related foregone interest of (Won)638,079 million and (Won)150,492 million, respectively.

Securities

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

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

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

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

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

Investments in Associates

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

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

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

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

Deferred loan origination fees and costs

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

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002****Allowances for Loan Losses**

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

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

| Credit Risk Classification | Credit Ratings | Allowance Rates |
|-----------------------------------|-----------------------|------------------------|
| Normal | AAA~B | 0.5% |
| Precautionary | B-~CCC | 2% |
| Sub-standard | CC | 20% |
| Doubtful | C | 50% |
| Estimated loss | D | 100% |

However, the Bank does not apply the FLC to small-sized corporate loans, consumer loans, and credit card loans. Alternatively, the bank classifies such loans by considering the current financial status of borrowers including delinquencies, bankruptcies and collateral value. As of December 2002, the rates used for determining the allowances for losses from corporate loans, consumer loans and credit card loans were changed as follows:

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

As a result of the above change, the Bank's allowances for loan losses as of December 31, 2003 are greater by (Won)336,265 million for consumer loans and (Won)314,701 million for credit card loans compared to the amounts which would have been recorded under the previous rates.

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The Bank applies the credit risk classification used for loans to outstanding guarantees and acceptances, and provides allowances for losses of 20 percent, 50 percent and 100 percent of the outstanding guarantees and acceptances classified as sub-standard, doubtful, and estimated loss, respectively. In addition, the Bank provides allowances for losses of 19 percent of certain outstanding guarantees and acceptances classified as precautionary.

Present Value Discounts

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

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

Receivables and payables arising from long-term installment transactions, long-term cash loans or borrowings and other similar transactions shall be stated at present value, if the difference between nominal value and present value is material. The difference is accounted for as a present value discount and is deducted from the nominal value of the related receivable or payable. Present value discounts are amortized or reversed using the effective interest method, and the amortization is included in interest income or expense.

Fixed Assets and Related Depreciation

Tangible assets are recorded at cost, except for upward revaluation of certain assets in accordance with the Korean Asset Revaluation Law. Depreciation is calculated based on the estimated average useful lives of the assets and is presented as accumulated depreciation, which is a contra account of tangible assets in the financial statements.

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

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

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

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

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

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

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Others

Straight-line method

5-30 years

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

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

The Bank adjusts the book value of a fixed asset to its recoverable amount and recognizes the difference as an impairment loss when the recoverable amount is significantly below the book value due to obsolescence or decline in market value. The subsequent increase in recoverable amount in excess of the impaired book value is recognized, to the extent of the original book value before impairment, as a reversal of fixed asset impairment losses. For the year ended December 31, 2003, the Bank recognized an impairment loss of (Won)22,228 million for the difference between the book value of (Won)48,388 million and net realizable value of (Won)26,160 million of assets related to the expected closures of certain branch offices.

Stock Issuance Costs and Debenture Issuance Costs

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

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

Accrued Retirement Benefits

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

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

Deferred Income Taxes

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

Bonds under Repurchase/Resale Agreements

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

Derivative Instruments

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

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

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

Stock Options

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

National Housing Fund

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

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

Gains and Losses on Trust Management

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

Under the Trust Business Act, reserves for future losses are set up in the trust accounts for losses related to those trust funds with a guarantee of the principal or of a certain minimum rate of return. The reserves are used to provide for the losses on such trust funds and, if the losses incurred are in excess of the reserves for future losses, the excess losses are compensated by the Bank. Accordingly, the banking accounts recognize the compensation paid as a loss on trust management in other operating expenses and the trust accounts recognize the corresponding compensation as compensation from banking accounts. There were no compensations paid for the years ended December 31, 2003 and 2002.

Foreign Currency Translation

All assets and liabilities denominated in foreign currencies are translated into Korean Won at the rates in effect at the balance sheet date (2003: (Won)1,197.8:US\$1, 2002: (Won)1,200.4:US\$1), and resulting translation gains and losses are recognized in the current period.

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

Statement of Cash Flows

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

Application of Korean Financial Accounting Standard No. 6

The Bank has adopted Statements of Korean Financial Accounting Standards (SKFAS) No. 6 Subsequent Events , for the fiscal year 2003 and presented retained earnings (accumulated deficit) as before appropriations (disposition) on the balance sheet. Accordingly, retained earnings as

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of December 31, 2002 were restated to amounts before appropriations, and the restatement resulted in a decrease in liabilities and an increase in net assets of (Won)325,233 million.

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

3. Cash and Due from Banks

Cash and due from banks as of December 31, 2003 and 2002 are summarized as follows:

(in millions of Won)

| | | <u>2003</u> | <u>2002</u> |
|---|---------------------------------------|------------------|------------------|
| Cash on hand | | | |
| Cash in Won | | (Won) 2,945,921 | (Won) 2,392,346 |
| Cash in foreign currencies | | 228,153 | 186,780 |
| | | <u>3,174,074</u> | <u>2,579,126</u> |
| Due from banks in Won | | | |
| Bank of Korea | Reserve deposits in the Bank of Korea | 2,612,248 | 1,340,482 |
| Other banks | Time deposits | 810 | 41,192 |
| | Passbook deposits | 8,185 | 392 |
| | | <u>8,995</u> | <u>41,584</u> |
| Other financial institutions | Deposits at Mutual Savings | 140,000 | 140,000 |
| Others | Futures margin accounts | 1,560 | 1,336 |
| | Market participation margin | 454 | 458 |
| | KOSPI futures margin accounts | 200 | |
| | Other deposits | | 8,319 |
| | | <u>2,214</u> | <u>10,113</u> |
| | | <u>2,763,457</u> | <u>1,532,179</u> |
| | Present value discounts ^{1*} | (12,810) | (21,156) |
| | | <u>2,750,647</u> | <u>1,511,023</u> |
| Due from banks in foreign currencies | | | |
| Bank of Korea | Demand deposits | 12,415 | 25,677 |
| Other banks | Demand deposits | 71,879 | 104,073 |
| | Time deposits | | 15,193 |
| | | <u>71,879</u> | <u>119,266</u> |

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| | | | |
|-----------|-----------------|-----------------|-----------------|
| Off-shore | Demand deposits | 3,354 | 5,064 |
| Others | Other deposits | 513,976 | 359,200 |
| | | 601,624 | 509,207 |
| | | (Won) 6,526,345 | (Won) 4,599,356 |

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

The maturities of the due from banks as of December 31, 2003 are as follows:

| <i>(in millions of Won)</i> | Due from Banks in Won | Due from Banks in Foreign Currencies | Total |
|-------------------------------------|--------------------------------------|---|-----------------|
| Due in 3 months or less | (Won) 2,622,647 | (Won) 523,767 | (Won) 3,146,414 |
| Due after 3 months through 6 months | | 77,857 | 77,857 |
| Due after 6 months through 1 year | 50,154 | | 50,154 |
| Due after 1 year through 2 years | 90,000 | | 90,000 |
| Due after 2 years through 3 years | | | |
| Due after 5 years | 656 | | 656 |
| | (Won) 2,763,457 | (Won) 601,624 | (Won) 3,365,081 |

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

Included in cash and due from banks as of December 31, 2003 and 2002 are the following restricted deposits:

| <i>(in millions of Won)</i> | <u>2003</u> | <u>2002</u> | <u>Restrictions</u> |
|---|------------------------|------------------------|----------------------------|
| Reserve deposits in the Bank of Korea | (Won) 2,612,248 | (Won) 1,340,482 | General Banking Act |
| Deposits at Hansol Mutual Savings & Finance Co., Ltd. | 140,000 | 140,000 | Withdrawal at maturity |
| Due from banks in foreign currency | 12,415 | 37,409 | General Banking Act |
| Other deposits | 2,735 | 2,040 | Futures guarantee deposits |
| | <u>2,767,398</u> | <u>1,519,931</u> | |
| Present value discounts | (12,810) | (21,156) | |
| | <u>(Won) 2,754,588</u> | <u>(Won) 1,498,775</u> | |

4. Securities

Securities as of December 31, 2003 and 2002 are as follows:

| <i>(in millions of Won)</i> | <u>2003</u> | <u>2002</u> |
|-----------------------------|-------------------------|-------------------------|
| Trading | (Won) 4,482,948 | (Won) 5,676,973 |
| Available-for-sale | 17,088,357 | 13,173,700 |
| Held-to-maturity | 5,979,341 | 10,986,915 |
| Investment in associates | 551,199 | 1,103,162 |
| | <u>(Won) 28,101,845</u> | <u>(Won) 30,940,750</u> |

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

| <i>(in millions of Won)</i> | <u>Unrealized</u> | | <u>Book Value</u> | <u>Fair value</u> |
|-----------------------------|-------------------|-------------|-------------------|-------------------|
| | <u>Gain</u> | <u>Loss</u> | | |
| | | | | |

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| Trading | | | | |
|--------------------------------|---------------------|---------------------|------------------------|------------------------|
| Equity securities | (Won) 12,760 | (Won) 767 | (Won) 113,171 | (Won) 113,171 |
| Beneficiary certificates | 69,554 | 240 | 1,686,754 | 1,686,754 |
| Government and municipal bonds | 1,164 | 3,621 | 1,076,427 | 1,076,427 |
| Corporate bonds | 929 | 7,953 | 1,365,060 | 1,365,060 |
| Asset-backed securities | 197 | 1,047 | 241,536 | 241,536 |
| | <u>(Won) 84,604</u> | <u>(Won) 13,628</u> | <u>(Won) 4,482,948</u> | <u>(Won) 4,482,948</u> |

(in millions of Won)

| | Impairment | | Capital Adjustments | | Book Value | Fair value^{1*} |
|--------------------------------|---------------------|----------------------|----------------------------|---------------------|-------------------------|--------------------------------|
| | Reversal of | Loss | Gain | Loss | | |
| Available-for-Sale | | | | | | |
| Equity securities | (Won) | (Won) 45,214 | (Won) 25,292 | (Won) 14,873 | (Won) 439,791 | (Won) 439,791 |
| Investment in funds | | 3 | 3,513 | | 30,872 | 30,872 |
| Beneficiary certificates | 47,730 | 271,019 | 67,839 | 43 | 5,569,200 | 5,569,200 |
| Government and municipal bonds | | | 7,532 | 22,906 | 2,322,889 | 2,322,889 |
| Foreign government bonds | | | 2,402 | | 28,153 | 28,153 |
| Corporate bonds | 5,364 | 42,267 | 90,629 | 21,768 | 8,228,640 | 8,228,640 |
| Asset-backed securities | 22,459 | 56,006 | 370 | | 468,669 | 468,669 |
| Other debt securities | | | | | 143 | 143 |
| | <u>(Won) 75,553</u> | <u>(Won) 414,509</u> | <u>(Won) 197,577</u> | <u>(Won) 59,590</u> | <u>(Won) 17,088,357</u> | <u>(Won) 17,088,357</u> |

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002***(in millions of Won)*

| | Impairment | | Unrealized Holding | | Book Value | Fair value |
|--------------------------------|-------------|-------|--------------------|-------------|-----------------|-----------------|
| | Reversal of | Loss | Gain | Loss | | |
| Held-to-Maturity | | | | | | |
| Government and municipal bonds | (Won) | (Won) | (Won) 87,993 | (Won) 4,061 | (Won) 2,489,998 | (Won) 2,573,930 |
| Corporate bonds | | | 76,464 | 3,510 | 3,163,020 | 3,235,974 |
| Asset-backed securities | | | 3,307 | 90 | 326,323 | 329,540 |
| | (Won) | (Won) | (Won) 167,764 | (Won) 7,661 | (Won) 5,979,341 | (Won) 6,139,444 |

¹* Non-marketable equity securities and investment in funds are included at book value.

Due to the merger with Kookmin Credit Card Co., Ltd. on September 30, 2003, the above impairment loss on available-for-sale securities includes (Won)2,178 million of impairment loss recognized before the merger date as part of net unrealized gain on investments in associates, and (Won)203,024 million of impairment loss recognized as provision for loan losses due to merger as of the merger date.

Beneficiary certificates classified as available-for-sale include (Won)2,402 million of beneficiary certificates that have been reclassified from trading securities due to restrictions on redemption. (Won)413 million of unrealized gain on these beneficiary certificates that has been recognized as of the reclassification date is included in the unrealized gain on trading beneficiary certificates.

Trading, available-for-sale, and held-to-maturity securities as of December 31, 2002 are as follows:

(in millions of Won)

| | Unrealized | | Book Value | Fair value |
|--------------------------------|---------------|-------------|-----------------|-----------------|
| | Gain | Loss | | |
| Equity securities | (Won) 545 | (Won) 4,002 | (Won) 55,674 | (Won) 55,674 |
| Beneficiary certificates | 166,078 | 5,429 | 3,844,380 | 3,844,380 |
| Government and municipal bonds | 5,600 | | 644,435 | 644,435 |
| Corporate bonds | 5,136 | 562 | 1,092,674 | 1,092,674 |
| Asset-backed securities | | | 39,810 | 39,810 |
| | (Won) 177,359 | (Won) 9,993 | (Won) 5,676,973 | (Won) 5,676,973 |

*(in millions of Won)***Impairment****Capital Adjustments**

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| | Reversal of | Loss | Gain | Loss | Book Value | Fair value ^{1*} |
|--------------------------------|--------------|---------------|---------------|--------------|------------------|--------------------------|
| Available-for-Sale | | | | | | |
| Equity securities | (Won) 15,318 | (Won) 222,309 | (Won) 20,317 | (Won) 34,416 | (Won) 646,114 | (Won) 646,114 |
| Investment in funds | | | | | 36,152 | 36,152 |
| Beneficiary certificates | | | 62,246 | 5,662 | 3,231,853 | 3,231,853 |
| Government and municipal bonds | | | 40,609 | 184 | 2,278,144 | 2,278,144 |
| Foreign government bonds | | | 2,864 | 374 | 20,007 | 20,007 |
| Corporate bonds | | 68,468 | 103,710 | 10,325 | 6,441,979 | 6,441,979 |
| Asset-backed securities | 12,380 | 9,314 | 1,664 | | 519,371 | 519,371 |
| Other debt securities | | | | | 80 | 80 |
| | (Won) 27,698 | (Won) 300,091 | (Won) 231,410 | (Won) 50,961 | (Won) 13,173,700 | (Won) 13,173,700 |

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

(in millions of Won)

| | Impairment | | Unrealized Holding | | Book Value | Fair value |
|--------------------------------|-------------|-------|--------------------|-------------|------------------|------------------|
| | Reversal of | Loss | Gain | Loss | | |
| Held-to-Maturity | | | | | | |
| Government and municipal bonds | (Won) | (Won) | (Won) 108,236 | (Won) 92 | (Won) 2,381,372 | (Won) 2,489,516 |
| Foreign government bonds | | | | | 19,143 | 19,143 |
| Corporate bonds | | | 176,778 | 2,082 | 7,461,864 | 7,636,560 |
| Asset-backed securities | | | 14,693 | | 1,124,536 | 1,139,229 |
| | (Won) | (Won) | (Won) 299,707 | (Won) 2,174 | (Won) 10,986,915 | (Won) 11,284,448 |

¹* Non-marketable equity securities and investment in funds are included at book value.

As of December 31, 2003 and 2002, investments in associates are as follows:

| (in millions of Won) | Owner-ship (%) | Acquisition Cost | Beginning Balance ¹ * | Equity Method ² * | | | Book Value | |
|------------------------------------|----------------|------------------|----------------------------------|------------------------------|---------|-------|------------|---------------|
| | | | | N/I | R/E | C/A | 2003 | 2002 |
| Domestic Associates | | | | | | | | |
| Kookmin Credit Card ³ * | 74.27 | (Won) 272,274 | (Won) 681,960 | (Won) 211,202 | (Won) | (Won) | (Won) | (Won) 681,960 |
| KB Investment | 99.89 | 155,311 | 67,289 | 5,295 | (2,334) | 7,023 | 77,273 | 67,289 |
| Kookmin Data System | 99.98 | 7,998 | 13,616 | 1,031 | | | 14,647 | 14,416 |
| Kookmin Futures | 99.98 | 19,996 | 24,093 | 1,428 | | | 25,521 | 25,092 |
| KLB Securities | 36.41 | 10,316 | | | | | | |
| KB Investment Trust Mgt. | 80.00 | 39,015 | 36,667 | 8,336 | | 48 | 45,051 | 45,868 |
| Joeun Industrial | 99.99 | 23,994 | | | | | | |
| KB Real Estate Trust | 99.99 | 76,103 | 87,727 | 10,402 | (336) | 336 | 98,129 | 87,727 |
| KB Credit Information | 66.34 | 8,444 | 9,106 | 2,746 | | 11 | 11,863 | 8,991 |
| ING Life Korea | 20.00 | 21,769 | 21,613 | 22,278 | | (46) | 43,845 | 21,613 |
| Korea Mortgage | 26.67 | 30,629 | 33,566 | 2,475 | (57) | (196) | 35,788 | 33,566 |
| | | 665,849 | 975,637 | 265,193 | (2,727) | 7,176 | 352,117 | 986,522 |

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| Foreign Associates | | | | | | | | |
|---------------------------------|--------|---------------|-----------------|---------------|---------------|-------------|---------------|-----------------|
| KB Int'l Ltd. (London) | 100.00 | 42,585 | 52,803 | 3,264 | 688 | 56,755 | 47,739 | |
| KB Luxembourg S.A | 100.00 | 26,295 | 6,102 | (1,275) | 1,123 | 5,950 | 5,106 | |
| Kookmin Singapore Ltd. | 100.00 | 14,096 | 2,080 | | | 2,080 | 2,084 | |
| Kookmin Finance Asia Ltd. | 100.00 | 8,385 | 279 | 7 | | 286 | 279 | |
| Kookmin Finance HK Ltd. | 100.00 | 23,956 | 61,299 | 681 | 736 | 62,716 | 61,432 | |
| Sorak Financial Holdings | 25.00 | 71,295 | 71,295 | | | 71,295 | | |
| | | 186,612 | 193,858 | 2,677 | 2,547 | 199,082 | 116,640 | |
| | | (Won) 852,461 | (Won) 1,169,495 | (Won) 267,870 | (Won) (2,727) | (Won) 9,723 | (Won) 551,199 | (Won) 1,103,162 |

^{1*} The beginning balance is the prior year's book value adjusted by dividends, changes in foreign exchange rates, and acquisition during current year.

^{2*} The investment in associates are accounted for under the equity method and changes in net assets of the associates are recognized in net income (N/I), retained earnings (R/E), and/or in capital adjustment (C/A) according to the source of the changes in net assets.

^{3*} As a result of the merger with Kookmin Credit Card Co., Ltd. on September 30, 2003, there is no balance for investments in associates related to Kookmin Credit Card Co., Ltd as of December 31, 2003.

The Bank sold to Sun Capital Inc., 70.46 percent of its 85.43 percent investment in, and (Won)172,024 million of its loans to, Alpha Capital Corp., for (Won)145,000 million on August 30, 2002. The Bank also sold an additional 5.03 percent of its investment in Alpha Capital Corp. to Sun Capital Inc. for (Won)900 million on October 28, 2002. The Bank sold its 87.00 percent investment in Kookmin Investment Trust Management Co., Ltd. to Morgan Stanley Private Equity (the M&A private funds led by Morgan Stanley Global Emerging Markets Inc. and affiliated funds) on May 29, 2002 and sold its 88.66 percent investment in Kookmin Leasing Co., Ltd. to Sun Capital Inc. on December 27, 2002.

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

KB Investment Co., Ltd. merged with Frontier Investment Corp. and Kookmin Investment Co., Ltd., on December 31, 2001 and June 27, 2002, respectively. KB Credit Information Co., Ltd. merged with KM Credit Information Co., Ltd., effective as of May 2, 2002.

KLB Securities Co., Ltd., Jooeun Industrial Co., Ltd., Kookmin Singapore (Merchant Bank), Ltd. and Kookmin Finance Asia, Ltd. (HK) are in the process of liquidation. Consequently, accounting under the equity method is no longer applied to investments in KLB Securities Co., Ltd. and Jooeun Industrial Co., Ltd. due to accumulated deficits resulting to a decrease of the investment value below zero. Accordingly, the total accumulative estimated loss that has not been recognized by the Bank amounts to (Won)43,695 million.

The Bank applies the equity method accounting to a subsidiary based on its adjusted financial statements that are, in turn, based on most recent available audited or reviewed financial statements adjusted for changes in net assets using the unaudited financial statements as of December 31, 2003. In the case of ING Life Korea Co., Ltd., adjustment for income tax expenses of (Won)37,609 million has been additionally made to the adjusted financial statements.

As a means to create a Pan-Asian strategic management, in accordance with the resolution of the Board of Directors on October 24, 2003, the Bank invested (Won)71,295 million for a 25 percent ownership of Sorak Financial Holdings in connection with the acquisition of Bank Internasional Indonesia (BII). Sorak Financial Holdings entered into a contract to purchase 51 percent equity interest in BII from Indonesian Bank Restructuring Agency (IBRA). BII s total assets and total liabilities reported under Indonesian GAAP as of September 30, 2003 translated into Korean Won at year-end rates, amounts to (Won)4,910,369 million and (Won)4,439,624 million, respectively.

Due to its determination to maximize efficient asset management, certain assets, comprising mostly of securities and loans, held by overseas subsidiaries with a total book value of (Won)118,720 million were purchased by the Bank for a total acquisition cost of (Won)115,046 million.

The maturities of the available-for-sale and held-to-maturity debt securities except for equity securities and investment in funds as of December 31, 2003 are summarized as follows:

(in millions of Won)

| | Available-for-sale | | Held-to-maturity | |
|------------------------------------|--------------------|------------------|------------------|-----------------|
| | Book Value | Fair value | Book Value | Fair value |
| Maturities | | | | |
| Due in 1 year or less | (Won) 9,622,944 | (Won) 9,622,944 | (Won) 1,815,377 | (Won) 1,827,931 |
| Due after 1 year through 5 years | 6,534,806 | 6,534,806 | 3,911,985 | 4,043,934 |
| Due after 5 years through 10 years | 445,043 | 445,043 | 251,979 | 267,579 |
| Thereafter | 14,901 | 14,901 | | |
| | (Won) 16,617,694 | (Won) 16,617,694 | (Won) 5,979,341 | (Won) 6,139,444 |

Investment securities risk concentrations as of December 31, 2003 and 2002 are as follows:

(in millions of Won)

| | 2003 | | 2002 | |
|-------------------|------------------|----------|------------------|----------|
| | Book Value | Ratio(%) | Book Value | Ratio(%) |
| By Country | | | | |
| Korea | (Won) 27,784,440 | 98.87 | (Won) 30,684,000 | 99.17 |
| Singapore | 79,309 | 0.28 | 9,892 | 0.03 |
| USA | 63,920 | 0.23 | 66,826 | 0.22 |
| Philippines | 45,921 | 0.16 | 63,323 | 0.20 |
| Germany | 29,961 | 0.11 | 30,010 | 0.10 |
| Others | 98,294 | 0.35 | 86,699 | 0.28 |
| | (Won) 28,101,845 | 100.00 | (Won) 30,940,750 | 100.00 |

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

(in millions of Won)

| | 2003 | | 2002 | |
|--------------------------|------------------|----------|------------------|----------|
| | Book Value | Ratio(%) | Book Value | Ratio(%) |
| By Type | | | | |
| Fixed rate bonds | (Won) 16,114,291 | 57.34 | (Won) 15,860,479 | 51.26 |
| Floating rate bonds | 2,397,728 | 8.53 | 5,443,478 | 17.59 |
| Subordinated bonds | 767,418 | 2.73 | 574,727 | 1.86 |
| Convertible bonds | 422,278 | 1.51 | 142,817 | 0.46 |
| Beneficiary certificates | 7,255,954 | 25.82 | 7,076,233 | 22.87 |
| Equity securities | 1,104,161 | 3.93 | 1,804,950 | 5.84 |
| Others | 40,015 | 0.14 | 38,066 | 0.12 |
| | (Won) 28,101,845 | 100.00 | (Won) 30,940,750 | 100.00 |

(in millions of Won)

| | 2003 | | 2002 | |
|-------------------------------|------------------|----------|------------------|----------|
| | Book Value | Ratio(%) | Book Value | Ratio(%) |
| By Industry | | | | |
| Government and municipalities | (Won) 9,870,850 | 35.13 | (Won) 13,582,679 | 43.90 |
| Financial institutions | 16,670,041 | 59.32 | 13,465,699 | 43.52 |
| Manufacturing industries | 583,986 | 2.08 | 245,255 | 0.79 |
| Others | 976,968 | 3.47 | 3,647,117 | 11.79 |
| | (Won) 28,101,845 | 100.00 | (Won) 30,940,750 | 100.00 |

Available-for-sale equity securities of which the fair value cannot reasonably be measured as of December 31, 2003 are as follows:

(in millions of Won)

| | Acquisition Cost | Net Asset Value ^{1*} | Book Value |
|------------------------------------|---------------------|----------------------------------|--------------|
| Korea Housing Guarantee Co., Ltd. | (Won) 68,648 | (Won) 119,991 | (Won) 68,648 |
| Dongbu Electronics Co., Ltd. | 30,000 | 22,059 | 22,059 |
| Mastercard, Inc. | 11,118 | 6,524 | 11,118 |
| The Korea Securities Finance Corp. | 8,160 | 11,003 | 8,160 |
| Asia Credit | 11,978 | 8,014 | 8,014 |
| Korea Asset Management Corp. | 7,827 | 12,436 | 7,827 |
| Samsung Life Insurance Co., Ltd. | 7,479 | 9,062 | 7,479 |
| Daewoo Electronics Corp. | 9,862 | 7,293 | 7,109 |
| Korea Highway Corp. | 6,248 | 5,892 | 6,248 |
| BC Card Co., Ltd. | 5,738 | 7,630 | 5,738 |

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| | | | |
|--|---------------|---------------|---------------|
| Daewoo Motor Co., Ltd. | 5,633 | 11,768 | 5,633 |
| E Mirae Asset Securities Co., Ltd. | 5,000 | 8,302 | 5,000 |
| Hanwha Investment Trust Management Co., Ltd. | 3,487 | 3,503 | 3,487 |
| Korea Vilene Co., Ltd. | 3,000 | 3,662 | 3,000 |
| Hyundai Home Shopping Network Corp. | 2,680 | 915 | 2,680 |
| National Information & Credit Evaluation, Inc. | 2,668 | 4,209 | 2,668 |
| Nanjing Kumho Tire Co., Ltd. | 2,548 | 2,678 | 2,548 |
| Baring Communication | 5,588 | 2,282 | 2,282 |
| Korea Digital Satellite Broadcasting Co., Ltd. | 2,157 | 550 | 2,157 |
| Kyobo Investment Trust Management Co., Ltd. | 2,100 | 3,417 | 2,100 |
| Others | 90,866 | 67,123 | 38,235 |
| | (Won) 292,785 | (Won) 318,313 | (Won) 222,190 |

¹* Net asset values are calculated using the unaudited financial statements of the investees as of December 31, 2003 when available, otherwise, the most recent financial information is used.

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Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

As of December 31, 2003, the following investment securities are pledged at various institutions:

| Related Transactions | Restrictions | | Restricted securities | |
|-----------------------------------|--------------------------------|------------------|------------------------|------------------------|
| | Placed with | Amount | Book Value | Pledge Value |
| Bonds sold under REPO agreements | Customers | (Won) 3,623,156 | (Won) 4,224,282 | (Won) 4,188,660 |
| Leased securities | KCFC | | 4,626 | 4,500 |
| Borrowings from the Bank of Korea | Bank of Korea | 992,433 | 1,229,621 | 1,214,400 |
| Bank of Korea settlements | Bank of Korea | (balance limits) | 170,200 | 170,200 |
| Derivatives transactions | Samsung Futures, etc. | (balance limits) | 112,069 | 120,500 |
| Securities Finance Funds | Korea Securities Finance Corp. | | 998 | 1,000 |
| ADB collateral | KDB | | 1,894 | 1,900 |
| | | | <u>(Won) 5,743,690</u> | <u>(Won) 5,701,160</u> |

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

5. Loans

Loans as of December 31, 2003 and 2002 are summarized as follows:

| <i>(in millions of Won)</i> | | <u>2003</u> | <u>2002</u> |
|-----------------------------|---|-------------------|-------------------|
| Loans in Won | | | |
| Corporate loans | Operation loans | | |
| | General operation loans | (Won) 28,884,554 | (Won) 28,904,621 |
| | Notes discounted | 1,415,445 | 1,851,133 |
| | Overdraft accounts | 447,992 | 568,702 |
| | Trading notes | 809,921 | 814,759 |
| | Other operation loans | 3,793,594 | 3,229,851 |
| | | <u>35,351,506</u> | <u>35,369,066</u> |
| | Facility loans | | |
| | General facility loans | 5,413,333 | 4,676,506 |
| | Other facility loans | 1,218,370 | 1,287,125 |
| | | <u>6,631,703</u> | <u>5,963,631</u> |
| | | <u>41,983,209</u> | <u>41,332,697</u> |
| Consumer loans | General consumer loans | 41,951,219 | 39,713,543 |
| | Consumer housing loans | 38,199,290 | 33,731,435 |
| | Remunerations on mutual installment savings | 297,868 | 131,768 |
| | Other consumer loans | 635,218 | 632,172 |
| | | <u>81,083,595</u> | <u>74,208,918</u> |
| Public loans | Public operation loans | 526,227 | 738,632 |
| | Public facility loans | 42,473 | 39,414 |
| | | <u>568,700</u> | <u>778,046</u> |
| Other loans | Property formation loans | 62,963 | 95,252 |
| | Inter-bank loans | 12,815 | 20,941 |
| | Others | 3,962 | 5,449 |
| | | <u>79,740</u> | <u>121,642</u> |

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| | | | |
|---|---------------------------------|--------------------------|--------------------------|
| | | 123,715,244 | 116,441,303 |
| Loans in foreign currencies | Domestic funding loans | 1,165,988 | 1,052,800 |
| | Overseas funding loans | 887,018 | 933,010 |
| | Inter-bank loans | 767,884 | 1,094,119 |
| | Domestic usance bills | 1,197,563 | 1,334,006 |
| | Government funding loans | 1,477 | 3,241 |
| | | <u>4,019,930</u> | <u>4,417,176</u> |
| Call loans | In Won | 1,640,000 | 33,600 |
| | In foreign currencies | 5,351 | 248,857 |
| | Inter-bank reconciliation funds | | 89,287 |
| | | <u>1,645,351</u> | <u>371,744</u> |
| Privately placed debentures | | <u>1,787,131</u> | <u>1,276,080</u> |
| Other loans | | <u>12,457,419</u> | <u>6,633,396</u> |
| Allowances for loan losses (Note 6) | | <u>(3,690,341)</u> | <u>(2,378,696)</u> |
| Present value discounts | | <u>(22,780)</u> | <u>(30,442)</u> |
| Net deferred loan origination fees and costs | | <u>8,567</u> | |
| | | <u>(Won) 139,920,521</u> | <u>(Won) 126,730,561</u> |

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

As of December 31, 2003, restructured loans due to workout plans or other similar restructuring programs are as follows:

| <i>(in millions of Won)</i> | Period (years) | Balances Before | | Equity Conversion | CB Conversion | Restructured Amount | Present Value Discounts |
|-----------------------------|-------------------|------------------------|----------------------|----------------------|----------------------|------------------------|-------------------------------|
| | | Restructuring | Exemption | | | | |
| Workout | 1 - 6 | (Won) 696,945 | (Won) | (Won) | (Won) 581,075 | (Won) 115,870 | (Won) 6,229 |
| Court receivership | 5 - 10 | 41,426 | 154 | | 27,009 | 14,263 | 3,502 |
| Court mediation | 5 - 6 | 40,750 | | | | 40,750 | 2,391 |
| Others ^{1*} | 2 - 7 | 520,873 | 326,456 | 134 | 3,668 | 190,615 | 10,658 |
| | | <u>(Won) 1,299,994</u> | <u>(Won) 326,610</u> | <u>(Won) 134</u> | <u>(Won) 611,752</u> | <u>(Won) 361,498</u> | <u>(Won) 22,780</u> |

^{1*} The Bank wrote off (Won)237,316 million of loans to SK Networks, (formerly, SK Global) in expectation of a cash buy out restructuring. The resulting SK Networks loan balances as of December 31, 2003 amounts to (Won)88,960 million.

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

The movements in present value discounts and net deferred loan origination fees and costs for the year ended December 31, 2003 are as follows :

| <i>(in millions of Won)</i> | WACC(%) | Beginning | Increase | Decrease | Ending |
|---------------------------------|--------------|-----------------------|----------------------|-----------------------|-----------------------|
| | | Balance | | | Balance |
| Present value discounts | 6.10 - 17.00 | (Won) (30,442) | (Won) (11,767) | (Won) (19,429) | (Won) (22,780) |
| Deferred loan incidental income | | | 9,161 | 594 | 8,567 |
| | | <u>(Won) (30,442)</u> | <u>(Won) (2,606)</u> | <u>(Won) (18,835)</u> | <u>(Won) (14,213)</u> |

The maturities of loans as of December 31, 2003 are as follows:

| <i>(in millions)</i> | Loans in Won | Loans in Foreign | Bills Bought | Credit Card | Call Loans | Privately placed | Others | Total |
|----------------------|-----------------|---------------------|-----------------|-------------|------------|---------------------|--------|-------|
|----------------------|-----------------|---------------------|-----------------|-------------|------------|---------------------|--------|-------|

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| <i>of Won)</i> | <u>Currencies</u> | | | | <u>Debentures</u> | | | |
|-------------------------------------|--------------------------|------------------------|----------------------|-------------------------|------------------------|------------------------|------------------------|--------------------------|
| Due in 3 months or less | (Won) 16,278,866 | (Won) 1,123,619 | (Won) 496,406 | (Won) 6,549,874 | (Won) 1,645,351 | (Won) 561,682 | (Won) 1,600,828 | (Won) 28,256,626 |
| Due after 3 months through 6 months | 15,567,961 | 905,409 | 53,382 | 1,098,040 | | 166,238 | 37 | 17,791,067 |
| Due after 6 months through 1 year | 30,819,742 | 432,113 | 7,589 | 1,280,289 | | 295,587 | 606 | 32,835,926 |
| Due after 1 year through 2 years | 26,540,976 | 178,374 | 7,153 | 615,736 | | 502,979 | 4,594 | 27,849,812 |
| Due after 2 years through 3 years | 19,012,065 | 332,104 | 6,191 | 334,413 | | 259,995 | | 19,944,768 |
| Due after 3 years through 4 years | 2,758,133 | 116,051 | | 15,051 | | 650 | 30,802 | 2,920,687 |
| Due after 4 years through 5 years | 2,533,010 | 103,718 | | 318,037 | | | | 2,954,765 |
| Thereafter | 10,204,491 | 828,542 | | 38,391 | | | | 11,071,424 |
| | <u>(Won) 123,715,244</u> | <u>(Won) 4,019,930</u> | <u>(Won) 570,721</u> | <u>(Won) 10,249,831</u> | <u>(Won) 1,645,351</u> | <u>(Won) 1,787,131</u> | <u>(Won) 1,636,867</u> | <u>(Won) 143,625,075</u> |

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

Loan risk concentrations by country as of December 31, 2003 are as follows:

| <i>(in millions of Won)</i> | <u>Loans in Won</u> | <u>Loans in Foreign Currencies</u> | <u>Others</u> | <u>Total</u> | <u>Percentage(%)</u> |
|-----------------------------|--------------------------|------------------------------------|-------------------------|--------------------------|----------------------|
| Korea | (Won) 123,715,244 | (Won) 2,770,237 | (Won) 15,847,217 | (Won) 142,332,698 | 99.10 |
| Southeast Asia | | 636,560 | 304 | 636,864 | 0.45 |
| Russia | | 131,758 | | 131,758 | 0.09 |
| China | | 29,466 | 1 | 29,467 | 0.02 |
| Japan | | 278,109 | 42 | 278,151 | 0.19 |
| Others | | 173,800 | 42,337 | 216,137 | 0.15 |
| | <u>(Won) 123,715,244</u> | <u>(Won) 4,019,930</u> | <u>(Won) 15,889,901</u> | <u>(Won) 143,625,075</u> | <u>100.00</u> |

Loan risk concentrations by industry as of December 31, 2003 are as follows:

| <i>(in millions of Won)</i> | <u>Loans in Won</u> | <u>Loans in Foreign Currencies</u> | <u>Others</u> | <u>Total</u> | <u>Percentage(%)</u> |
|-------------------------------|--------------------------|------------------------------------|-------------------------|--------------------------|----------------------|
| Industrial loans | | | | | |
| Financial institutions | (Won) 620,339 | (Won) 817,750 | (Won) 2,355,417 | (Won) 3,793,506 | 2.64 |
| Manufacturing companies | 13,900,021 | 1,575,108 | 1,177,859 | 16,652,988 | 11.59 |
| Service companies | 23,068,546 | 568,034 | 557,602 | 24,194,182 | 16.85 |
| Others | 4,850,951 | 124,443 | 1,397,943 | 6,373,337 | 4.44 |
| | <u>42,439,857</u> | <u>3,085,335</u> | <u>5,488,821</u> | <u>51,014,013</u> | <u>35.52</u> |
| Household loans | <u>81,150,520</u> | <u>914,545</u> | <u>8,897,467</u> | <u>90,962,532</u> | <u>63.33</u> |
| Public and other loans | <u>124,867</u> | <u>20,050</u> | <u>1,503,613</u> | <u>1,648,530</u> | <u>1.15</u> |
| | <u>(Won) 123,715,244</u> | <u>(Won) 4,019,930</u> | <u>(Won) 15,889,901</u> | <u>(Won) 143,625,075</u> | <u>100.00</u> |

6. Allowances for Loan Losses

As of December 31, 2003 and 2002, allowances for loan losses are as follows:

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(in millions of Won)

| | 2003 | 2002 |
|--|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Loans in Won | (Won) 2,271,198 | (Won) 1,905,065 |
| Loans in foreign currencies | 68,045 | 103,838 |
| Bills bought in Won and foreign currencies | 16,928 | 20,213 |
| Payments on guarantees | 19,967 | 18,382 |
| Factoring receivable | 16,486 | 143 |
| Credit card accounts | 1,187,616 | 284,491 |
| Privately placed debentures | 87,513 | 28,210 |
| Loans due for equity conversion | | 5,373 |
| Suspense receivables | 17,186 | 11,022 |
| Others | 5,402 | 1,959 |
| | <u> </u> | <u> </u> |
| | (Won) 3,690,341 | (Won) 2,378,696 |
| | <u> </u> | <u> </u> |

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

As of December 31, 2003, allowances for loan losses by credit risk classification are as follows:

| <i>(in millions of Won)</i> | | Normal | Pre-cautionary | Substandard | Doubtful | Estimated Loss | Total |
|---|------------|-------------------|-----------------|-----------------|---------------|-------------------|-------------------|
| Loans in Won | Balance | (Won) 114,948,955 | (Won) 5,342,015 | (Won) 2,264,071 | (Won) 935,330 | (Won) 206,411 | (Won) 123,696,782 |
| | Allowances | 773,958 | 297,883 | 491,148 | 501,798 | 206,411 | 2,271,198 |
| | Ratio (%) | 0.67 | 5.58 | 21.69 | 53.65 | 100.00 | 1.84 |
| Loans in foreign currencies | Balance | 3,681,484 | 263,168 | 40,037 | 31,500 | 803 | 4,016,992 |
| | Allowances | 14,568 | 17,072 | 16,252 | 19,350 | 803 | 68,045 |
| | Ratio (%) | 0.40 | 6.49 | 40.59 | 61.43 | 100.00 | 1.69 |
| Bills bought | Balance | 507,729 | 54,354 | 1,850 | 3,030 | 3,757 | 570,720 |
| | Allowances | 2,539 | 8,687 | 430 | 1,515 | 3,757 | 16,928 |
| | Ratio (%) | 0.50 | 15.98 | 23.24 | 50.00 | 100.00 | 2.97 |
| Payments on guarantees | Balance | 42,754 | 6,347 | 19,539 | 10,903 | 9,896 | 89,439 |
| | Allowances | 214 | 498 | 3,908 | 5,451 | 9,896 | 19,967 |
| | Ratio (%) | 0.50 | 7.85 | 20.00 | 50.00 | 100.00 | 22.32 |
| Credit card accounts | Balance | 7,239,554 | 1,626,508 | 400 | 1,158,525 | 224,844 | 10,249,831 |
| | Allowances | 72,396 | 195,181 | 80 | 695,115 | 224,844 | 1,187,616 |
| | Ratio (%) | 1.00 | 12.00 | 20.00 | 60.00 | 100.00 | 11.59 |
| Bonds purchased under resale agreements | Balance | 1,500,000 | | | | | 1,500,000 |
| | Allowances | | | | | | |
| | Ratio (%) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Call loans | Balance | 1,645,351 | | | | | 1,645,351 |
| | Allowances | | | | | | |
| | Ratio (%) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

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| | | | | | | | |
|-----------------------------|--------------------------|-------------------|-----------------|-----------------|-----------------|---------------|-------------------|
| Privately placed debentures | Balance | 1,363,209 | 409,352 | 7,555 | 6,811 | 168 | 1,787,095 |
| | Allowances | 6,816 | 75,048 | 2,064 | 3,417 | 168 | 87,513 |
| | Ratio (%) | 0.50 | 18.33 | 27.32 | 50.17 | 100.00 | 4.90 |
| Factoring receivables | Balance | 29,685 | | | 125 | 16,275 | 46,085 |
| | Allowances | 148 | | | 63 | 16,275 | 16,486 |
| | Ratio (%) | 0.50 | 0.00 | 0.00 | 50.40 | 100.00 | 35.77 |
| Total | Balance ^{1*} | (Won) 130,958,721 | (Won) 7,701,744 | (Won) 2,333,452 | (Won) 2,146,224 | (Won) 462,154 | (Won) 143,602,295 |
| | Allowances ^{2*} | 870,639 | 594,369 | 513,882 | 1,226,709 | 462,154 | 3,667,753 |
| | Ratio (%) | 0.66 | 7.72 | 22.02 | 57.16 | 100.00 | 2.55 |

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

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

For the years ended December 31, 2003 and 2002, the movements in allowances for loan losses are as follows:

| <i>(in millions of Won)</i> | 2003 | 2002 |
|--|-----------------|-----------------|
| Beginning balance | (Won) 2,378,696 | (Won) 2,271,179 |
| Provision for loan losses | 4,040,536 | 1,593,479 |
| Increase due to merger with Kookmin Credit Card Co., Ltd. (Note 33) | 1,388,854 | |
| Collection of written-off loans | 767,718 | 269,533 |
| Repurchase of loans sold | 327,921 | 6,424 |
| Sale of loans | (388,322) | (65,174) |
| Write-off of loans | (4,509,979) | (1,527,311) |
| Conversion of loans into equity securities | (43,996) | (136,185) |
| Exemption of loans | (263,233) | (8,364) |
| Offset with present value discounts from troubled debt restructuring | (7,482) | (165) |
| Changes in exchange rates and others | (372) | (24,720) |
| Ending balance | (Won) 3,690,341 | (Won) 2,378,696 |

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

As of December 31, 2003, 2002 and 2001, the ratios of allowances for loan losses to loans are as follows:

| | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|--|-------------------|-------------------|-------------------|
| Loans ^{1*} | (Won) 143,602,295 | (Won) 129,109,257 | (Won) 109,301,138 |
| Allowances for loan losses ^{2*} | 3,667,753 | 2,365,715 | 2,235,801 |
| Ratio (%) | 2.55 | 1.83 | 2.05 |

^{1*} The above amounts of loans are net of present value discounts.

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

7. Fixed Assets

Fixed assets as of December 31, 2003 and 2002 are as follows:

| | <u>2003</u> | <u>2002</u> |
|---------------------------------|------------------------|------------------------|
| Tangible assets | (Won) 2,469,353 | (Won) 2,477,147 |
| Intangible assets | 549,427 | 614,457 |
| Foreclosed and other properties | 776 | 1,012 |
| | <u>(Won) 3,019,556</u> | <u>(Won) 3,092,616</u> |

Movements in tangible assets for the year ended December 31, 2003 are as follows:

| <i>(in millions of Won)</i> | <u>Land</u> | <u>Buildings and structures</u> | <u>Leasehold improvement</u> | <u>Equipment and vehicle</u> | <u>Construction in-progress</u> | <u>Total</u> |
|-----------------------------|-----------------|---------------------------------|------------------------------|------------------------------|---------------------------------|-----------------|
| Acquisition cost | | | | | | |
| Beginning balances | (Won) 1,175,682 | (Won) 848,746 | (Won) 98,117 | (Won) 1,043,969 | (Won) 1,195 | (Won) 3,167,709 |
| Acquisition | 3,350 | 8,898 | 6,898 | 201,254 | 97,112 | 317,512 |
| Transfer | | 37,466 | 48,517 | | (85,983) | |

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| | | | | | | |
|---------------------------------|------------------------|----------------------|---------------------|----------------------|---------------------|------------------------|
| Increase due to merger | 55,529 | 71,024 | 4,805 | 263,897 | | 395,255 |
| Disposal | (128,692) | (2,838) | (1,106) | (60,058) | | (192,694) |
| Ending balances | 1,105,869 | 963,296 | 157,231 | 1,449,062 | 12,324 | 3,687,782 |
| Accumulated depreciation | | | | | | |
| Beginning balances | | 108,723 | 48,164 | 533,675 | | 690,562 |
| Depreciation expense | | 20,583 | 40,594 | 326,248 | | 387,425 |
| Increase due to merger | | 12,976 | 2,786 | 160,380 | | 176,142 |
| Disposal | | (179) | (736) | (57,013) | | (57,928) |
| Ending balances | | 142,103 | 90,808 | 963,290 | | 1,196,201 |
| Impairment | | 22,228 | | | | 22,228 |
| Book Value | (Won) 1,105,869 | (Won) 798,965 | (Won) 66,423 | (Won) 485,772 | (Won) 12,324 | (Won) 2,469,353 |

Tangible assets covered by insurance policies as of December 31, 2003 are as follows:

| <i>(in millions of Won)</i> | Amount Insured | Insurance Company | Type of Insurance |
|-----------------------------|-----------------------|--|----------------------------|
| Buildings and structures | (Won) 655,890 | Samsung Fire & Marine Insurance Co., Ltd | General property insurance |
| Leasehold improvement | 52,612 | Samsung Fire & Marine Insurance Co., Ltd | General property insurance |
| Equipment and vehicles | 274,671 | Samsung Fire & Marine Insurance Co., Ltd | General property insurance |
| Construction in-progress | 9,860 | Samsung Fire & Marine Insurance Co., Ltd | General property insurance |
| | (Won) 993,033 | | |

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

Movements in intangible assets for the year ended December 31, 2003 are as follows:

| <i>(in millions of Won)</i> | Rights to | | | | | | Total |
|-----------------------------|----------------------|------------------------------|--|---------------------------------------|-------------------|------------------|----------------------|
| | Goodwill | Development Costs | Income on Donated Asset | Store Possessory Right | Trademarks | Others | |
| Beginning balances | (Won) 613,705 | (Won) | (Won) 110 | (Won) 161 | (Won) 11 | (Won) 470 | (Won) 614,457 |
| Acquisition | | | | | 96 | 609 | 705 |
| Increase due to merger | | 13,634 | | | 62 | | 13,696 |
| Amortization | 78,345 | 872 | 8 | 22 | 19 | 165 | 79,431 |
| Ending balances | (Won) 535,360 | (Won) 12,762 | (Won) 102 | (Won) 139 | (Won) 150 | (Won) 914 | (Won) 549,427 |

The Bank recorded (Won)106,844 million and (Won)158,895 million of current development costs under general and administrative expenses for the years ended December 31, 2003 and 2002.

The total government-posted prices of land, used for tax imposition and compensation for confiscation, as of December 31, 2003 and 2002 are as follows:

| <i>(in millions of Won)</i> | 2003 | | 2002 | |
|-------------------------------------|------------------------|----------------------------|------------------------|----------------------------|
| | Book Value | Appraisal Value | Book Value | Appraisal Value |
| Lands included in tangible assets | (Won) 1,105,869 | (Won) 986,382 | (Won) 1,175,681 | (Won) 986,885 |
| Lands included in foreclosed assets | 1,315 | 591 | 1,923 | 931 |
| | (Won) 1,107,184 | (Won) 986,973 | (Won) 1,177,604 | (Won) 987,816 |

8. Other Assets

Other assets as of December 31, 2003 and 2002 are as follows:

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(in millions of Won)

| | 2003 | 2002 |
|------------------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Guarantee deposits paid | (Won) 1,336,639 | (Won) 1,235,362 |
| Accounts receivable | 1,715,100 | 1,877,645 |
| Accrued income | 1,080,057 | 981,141 |
| Payments in advance | 92,217 | 48,390 |
| Prepaid expenses | 307,154 | 12,646 |
| Deferred tax assets (Note 25) | 552,133 | 170,624 |
| Derivative assets (Note 15) | 751,252 | 660,791 |
| Unsettled domestic exchange assets | 612,592 | 1,087,587 |
| Loans to trust accounts | | 37,882 |
| Others | 36,592 | 23,490 |
| | <u> </u> | <u> </u> |
| | <u>(Won) 6,483,736</u> | <u>(Won) 6,135,558</u> |

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

9. Deposits

Deposits as of December 31, 2003 and 2002 are as follows:

| <i>(in millions of Won)</i> | Annual interest (%) December 31, 2003 | 2003 | 2002 |
|---|--|--------------------|--------------------|
| Deposits in Won | | | |
| Demand deposits | | | |
| - Checking deposits | | (Won) 125,533 | (Won) 134,222 |
| - Household checking deposits | 0.10 | 476,132 | 469,866 |
| - Passbook deposits | 0.10 | 10,001,043 | 8,586,219 |
| - Temporary deposits | | 3,292,770 | 3,577,243 |
| - Public fund deposits | 0.10 | 190,593 | 207,695 |
| - Others | 0.10 | 24,218 | 12,497 |
| | | <u>14,110,289</u> | <u>12,987,742</u> |
| Time deposits and savings deposits | | | |
| - Time deposits | 2.90 - 4.40 | 62,247,870 | 58,187,286 |
| - Installment savings deposits | 3.60 - 4.30 | 1,306,793 | 1,422,532 |
| - Property formation savings | 8.50 | 1,870 | 2,221 |
| - Time and savings deposits of non-residents in Won | 2.90 - 4.40 | 340,388 | 151,124 |
| - General savings deposits | 0.10 - 3.30 | 21,644,066 | 21,346,223 |
| - Corporate free savings deposits | 0.10 - 3.20 | 7,800,122 | 6,556,979 |
| - Long-term savings deposits for workers | 8.79 | 69,031 | 297,272 |
| - Long-term housing savings deposits | 5.00 | 983,684 | 538,782 |
| - Long-term savings for households | 4.89 | 494,606 | 2,250,457 |
| - Worker s preferential savings deposits | 5.35 | 2,728,236 | 2,877,467 |
| - Worker s savings for housing | 2.50 | 81 | 79 |
| - Mutual installment deposits | 3.20 - 4.50 | 7,054,752 | 7,491,115 |
| - Mutual installment for housing | 2.95 - 4.30 | 5,423,853 | 4,872,637 |
| | | <u>110,095,352</u> | <u>105,994,174</u> |
| | | <u>124,205,641</u> | <u>118,981,916</u> |
| Deposits in foreign currencies | | | |
| Demand deposits | | | |
| - Checking deposits | 0.00 - 1.32 | 40,778 | 29,629 |
| - Passbook deposits | 0.08 - 0.11 | 787,798 | 549,646 |
| - Notice deposits | 0.00 - 0.22 | 410 | 2,725 |
| - Temporary deposits | | 1,049 | 3,796 |
| | | <u>830,035</u> | <u>585,796</u> |

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| | | | |
|------------------------------------|-------------|-------------------|-------------------|
| Time deposits and savings deposits | | | |
| - Time deposits | 0.16 - 1.57 | 642,039 | 496,359 |
| - Others | 0.00 - 4.45 | 3,299 | 1,493 |
| | | 645,338 | 497,852 |
| | | 1,475,373 | 1,083,648 |
| Certificates of deposit | 3.45 - 3.95 | 6,499,258 | 3,044,089 |
| | | (Won) 132,180,272 | (Won) 123,109,653 |

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

The maturities of deposits as of December 31, 2003 are as follows:

| <i>(in millions of Won)</i> | Deposits in | | Certificates of | Total |
|-------------------------------------|--------------------------|------------------------|------------------------|--------------------------|
| | Deposits in Won | foreign currencies | deposit | |
| Due in 3 months or less | (Won) 68,329,205 | (Won) 1,241,166 | (Won) 4,011,260 | (Won) 73,581,631 |
| Due after 3 months through 6 months | 13,002,110 | 123,327 | 1,634,701 | 14,760,138 |
| Due after 6 months through 1 year | 31,128,277 | 61,249 | 853,297 | 32,042,823 |
| Due after 1 year through 2 years | 7,566,819 | 47,095 | | 7,613,914 |
| Due after 2 years through 3 years | 2,832,771 | 2,463 | | 2,835,234 |
| Due after 3 years through 4 years | 483,407 | 73 | | 483,480 |
| Due after 4 years through 5 years | 298,259 | | | 298,259 |
| Thereafter | 564,793 | | | 564,793 |
| | <u>(Won) 124,205,641</u> | <u>(Won) 1,475,373</u> | <u>(Won) 6,499,258</u> | <u>(Won) 132,180,272</u> |

10. Borrowings

Borrowings as of December 31, 2003 and 2002 are as follows:

| <i>(in millions of Won)</i> | Annual Interest (%) | 2003 | 2002 |
|--|---------------------|------------------|------------------|
| | December 31, 2003 | | |
| Borrowings in Won | | | |
| Borrowings from the Bank of Korea | 2.50 | (Won) 992,433 | (Won) 671,854 |
| Borrowings from the government | 0.00 - 8.00 | 920,589 | 1,056,480 |
| Borrowings from banking institutions | 3.54 - 8.55 | 253,822 | 318,702 |
| Borrowings from National Housing Fund | 8.00 | 8,553 | 9,192 |
| Borrowings from other financial institutions | 2.00 - 5.00 | 5,688 | 6,211 |
| Other borrowings | 2.00 - 7.00 | 1,173,284 | 1,129,305 |
| | | <u>3,354,369</u> | <u>3,191,744</u> |
| Borrowings in foreign currencies | | | |
| Due to banks | | 189,976 | 528,991 |
| Borrowings from domestic banks | 0.09 - 7.40 | 2,360,652 | 1,875,119 |
| Borrowings from other financial institutions | 5.13 | 19,486 | 23,092 |
| Borrowings from foreign banks | | 752,803 | 981,328 |

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| | | | |
|---|-------------|-------------------------|-------------------------|
| | | 3,322,917 | 3,408,530 |
| | | <u>3,623,156</u> | <u>3,074,161</u> |
| Bonds sold under repurchase agreements | | | |
| In Won | 2.50 - 4.10 | 3,613,505 | 3,050,179 |
| In foreign currencies | 1.54 | 9,651 | 23,982 |
| | | <u>3,623,156</u> | <u>3,074,161</u> |
| Bills sold | 3.40 - 3.85 | 44,239 | 72,860 |
| Due to the Bank of Korea in foreign currencies | | 12,608 | 37,493 |
| Call money | | | |
| In Won | 3.25 - 3.40 | 55,800 | 829,300 |
| In foreign currencies | 0.88 - 5.15 | 193,700 | 76,666 |
| Inter-bank borrowings | | 296,011 | |
| | | <u>545,511</u> | <u>905,966</u> |
| | | <u>(Won) 10,902,800</u> | <u>(Won) 10,690,754</u> |

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

The maturities of borrowings as of December 31, 2003 are as follows:

| <i>(in millions of Won)</i> | Borrowings in | | | Total |
|-------------------------------------|------------------------|------------------------|------------------------|-------------------------|
| | Borrowings in Won | Foreign Currencies | Others | |
| Due in 3 months or less | (Won) 1,178,738 | (Won) 429,162 | (Won) 2,372,717 | (Won) 3,980,617 |
| Due after 3 months through 6 months | 149,891 | 1,264,287 | 762,272 | 2,176,450 |
| Due after 6 months through 1 year | 203,153 | 861,126 | 1,080,874 | 2,145,153 |
| Due after 1 year through 2 years | 409,384 | 417,546 | 9,651 | 836,581 |
| Due after 2 years through 3 years | 372,400 | 256,541 | | 628,941 |
| Due after 3 years through 4 years | 304,801 | | | 304,801 |
| Due after 3 years through 4 years | 254,063 | 50,773 | | 304,836 |
| Thereafter | 481,939 | 43,482 | | 525,421 |
| | <u>(Won) 3,354,369</u> | <u>(Won) 3,322,917</u> | <u>(Won) 4,225,514</u> | <u>(Won) 10,902,800</u> |

11. Debentures

Debentures as of December 31, 2003 and 2002 are as follows:

| <i>(in millions of Won)</i> | | Annual Interest (%) | December 31, | |
|------------------------------|------------------------------------|------------------------|-------------------|-------------------|
| | | | 2003 | 2002 |
| In Won | Hybrid debentures | 6.00 - 7.00 | (Won) 903,668 | (Won) |
| | Subordinated fixed rate debentures | 6.07 - 15.66 | 4,896,072 | 4,753,285 |
| | Fixed rate debentures | 2.25 - 8.15 | 3,970,000 | |
| | Floating rates debentures | 3.92 - 8.71 | 8,609,663 | 12,269,023 |
| | | | | <u>18,379,403</u> |
| | Discounts on debentures | | (83,443) | (270,924) |
| | | | <u>18,295,960</u> | <u>16,751,384</u> |
| In foreign currencies | Floating rates debentures | 0.60 - 1.99 | 196,211 | 350,589 |
| | Fixed rates debentures | 1.08 - 4.63 | 613,549 | 438,538 |
| | | 1.82 - 1.92 | 78,695 | |

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| | | |
|-------------------------|------------------|------------------|
| | 888,455 | 789,127 |
| Premiums on debentures | 9,639 | |
| Discounts on debentures | (1,473) | (1,504) |
| | 896,621 | 787,623 |
| | (Won) 19,192,581 | (Won) 17,539,007 |

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

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

As of December 31, 2003, subordinated debentures and hybrid debentures comprise the following:

(In hundred millions of Won)

| Type | Issue date | Amount | Annual interest (%) | Maturity |
|---|--------------------|---------------------|---------------------|---------------------|
| Subordinated fixed rate debentures | 97.12.29 - 98.8.27 | (Won) 2,653 | 15.02 - 16.00 | 03.01.27 - 09.11.15 |
| | 2000.03.27 | 2,000 | 9.65 | 2005.03.27 |
| | 2000.06.28 | 2,540 | 9.04 - 9.10 | 2006.01.28 |
| | 2000.09.27 | 3,000 | 8.99 | 2006.01.27 |
| | 2000.09.28 | 1,500 | 8.79 - 8.85 | 2006.01.28 |
| | 2000.11.28 | 1,000 | 8.65 - 8.71 | 2006.02.28 |
| | 2000.11.28 | 1,620 | 9.57 - 9.65 | 2010.11.28 |
| | 2000.12.27 | 2,000 | 8.71 | 2006.01.27 |
| | 2001.05.28 | 2,000 | 7.60 - 7.65 | 2007.02.28 |
| | 2001.06.27 | 1,600 | 7.68 | 2008.03.27 |
| | 2001.06.27 | 2,175 | 7.86 | 2009.03.27 |
| | 2001.08.28 | 1,000 | 6.69 - 6.73 | 2007.08.28 |
| | 2001.09.28 | 1,500 | 6.69 - 6.73 | 2008.03.28 |
| | 2002.03.27 | 2,417 | 7.06 - 7.10 | 2008.01.27 |
| | 2002.07.27 | 3,024 | 6.96 - 7.00 | 2008.01.27 |
| | 2002.09.27 | 2,574 | 6.27 - 6.30 | 2008.03.27 |
| | 2002.09.27 | 1,500 | 6.51 - 6.55 | 2010.03.27 |
| | 2002.09.27 | 926 | 6.66 - 6.70 | 2013.03.27 |
| | 2002.11.27 | 4,007 | 6.07 - 6.10 | 2008.05.27 |
| | 2002.11.27 | 578 | 6.27 - 6.30 | 2010.05.27 |
| | 2002.11.27 | 1,003 | 6.51 - 6.55 | 2013.05.27 |
| | 2002.12.18 | 1,100 | 8.00 | 2008.01.18 |
| | 2002.12.27 | 304 | 6.55 | 2014.12.27 |
| | 2002.12.27 | 100 | 6.20 | 2008.06.27 |
| | 2002.12.27 | 900 | 6.40 | 2010.06.27 |
| | 2002.12.27 | 500 | 6.65 | 2013.06.27 |
| | 2003.01.21 | 500 | 7.65 | 2008.02.21 |
| | 2003.03.10 | 450 | 7.10 | 2008.04.10 |
| | 2003.10.27 | 3,565 | 5.18 - 5.20 | 2009.01.27 |
| | 2003.10.27 | 888 | 5.33 - 5.35 | 2011.01.27 |
| | 2003.10.27 | 37 | 5.58 - 5.60 | 2014.01.27 |
| | | <u>48,961</u> | | |
| Hybrid debentures | 2003.06.27 | 1,051 | 6.00 | 2033.06.27 |
| | 2003.08.27 | 5,334 | 7.00 | 2033.08.27 |
| | 2003.10.27 | 2,652 | 6.80 | 2033.10.27 |
| | | <u>9,037</u> | | |
| | | <u>(Won) 57,998</u> | | |

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

The maturities of debentures as of December 31, 2003 are as follows:

(in millions of Won)

| | Won | Foreign currencies | Total |
|-------------------------------------|-------------------------|-----------------------|-------------------------|
| Due in 3 months or less | (Won) 4,441,531 | (Won) | (Won) 4,441,531 |
| Due after 3 months through 6 months | 1,825,241 | 85,044 | 1,910,285 |
| Due after 6 months through 1 year | 3,956,555 | 80,566 | 4,037,121 |
| Due after 1 year through 2 years | 2,078,640 | 87,627 | 2,166,267 |
| Due after 2 years through 3 years | 1,327,851 | | 1,327,851 |
| Due after 3 years through 4 years | 374,712 | 597,377 | 972,089 |
| Due after 4 years through 5 years | 2,049,213 | 37,841 | 2,087,054 |
| Thereafter | 2,325,660 | | 2,325,660 |
| | <u>(Won) 18,379,403</u> | <u>(Won) 888,455</u> | <u>(Won) 19,267,858</u> |

12. Accrued Retirement Benefits

The movements in accrued retirement benefits for the year ended December 31, 2003 are as follows:

| | Beginning Balance | Amounts Provided | Amounts Paid Out | Increase Due to Merger | Ending Balance |
|-----------------------------------|----------------------|---------------------|---------------------|---------------------------|---------------------|
| (in millions of Won) | | | | | |
| Accrued retirement benefits | (Won) 42,773 | (Won) 43,417 | (Won) 18,637 | (Won) 3,530 | (Won) 71,083 |
| Contributed retirement benefits | 88,682 | 66,349 | | 8,318 | 163,349 |
| Total accrued retirement benefits | <u>131,455</u> | <u>109,766</u> | <u>18,637</u> | <u>11,848</u> | <u>234,432</u> |
| Contribution to pension funds | (88,682) | (66,349) | | (8,318) | (163,349) |
| | <u>(Won) 42,773</u> | <u>(Won) 43,417</u> | <u>(Won) 18,637</u> | <u>(Won) 3,530</u> | <u>(Won) 71,083</u> |

As of December 31, 2003, approximately 69.68 percent of total accrued retirement benefits are contributed to pension funds, to which the Bank's employees hold the right of payment, placed at two insurance companies, including Korea Life Insurance Co., Ltd.

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002****13. Other Liabilities**

Other liabilities as of December 31, 2003 and 2002 are as follows:

(in millions of Won)

| Account | 2003 | 2002 |
|--|-------------------------|------------------------|
| Accrued retirement benefits (Note 12) | (Won) 71,083 | (Won) 42,773 |
| Allowance for losses on guarantees and acceptances (Note 14) | 1,074 | 2,287 |
| Due to trust accounts | 3,983,295 | 734,646 |
| Accounts payable | 1,886,446 | 1,868,692 |
| Accrued expenses | 4,418,940 | 4,656,225 |
| Advances from customers | 109,675 | 48,745 |
| Unearned income | 130,778 | 147,623 |
| Withholding taxes | 123,455 | 85,841 |
| Guarantee deposits received | 120,437 | 112,732 |
| Derivative liabilities (Note 15) | 686,271 | 522,286 |
| Unsettled domestic exchange liabilities | 400,445 | 541,757 |
| Accounts for agency business | 337,624 | 395,678 |
| Other allowances ¹ | 647,393 | 48,876 |
| Liabilities incurred by agency relationship | 315,241 | 486,413 |
| Others | 130,182 | 90,224 |
| | <u>(Won) 13,362,339</u> | <u>(Won) 9,784,798</u> |

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

| Allowances for | Amounts | Remarks |
|---|-------------|---|
| Suspense receivables | (Won) 7,249 | Allowances for frauds/accidents and litigation fee |
| Loss on branch closure | 287 | Allowances for closure of the Buenos Aires branch |
| Uncollected leasehold deposits | 8,854 | Allowances for uncollected leasehold deposits |
| Credit card receivables | 33,105 | Allowances for unused cash advance credit lines |
| Mileage rewards | 37,938 | Allowances for mileage on credit cards and currency exchange rates |
| Claimed assets | 27,291 | Allowances for credit card claimed assets |
| Credit commitments to SPC | 141,175 | Allowances for the credit line commitment to SPC (Note 16) |
| Securitization allowances | 19,284 | Allowances for repurchase obligations from asset securitization (Note 16) |
| KAMCO loans sold | 589 | Allowances for loans under repurchase agreements to KAMCO (Note 16) |
| Supplementary payments for income taxes | 142,021 | Allowances for supplementary payments for income taxes (Note 16) |
| Others | 229,600 | |

(Won) 647,393

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

14. Guarantees and Acceptances

Guarantees and acceptances as of December 31, 2003 and 2002 are summarized as follows:

(in millions of Won)

| | 2003 | 2002 |
|--|------------------------|------------------------|
| | <u> </u> | <u> </u> |
| Guarantees and acceptances outstanding in | | |
| Won | | |
| Guarantees on debentures | (Won) 541 | (Won) 571 |
| Guarantees on loan collateral | 34,112 | 39,234 |
| Guarantees on commercial bills | | 646 |
| Others | 235,843 | 248,457 |
| | <u>270,496</u> | <u>288,908</u> |
| Foreign Currencies | | |
| Acceptances on letters of credit | 134,888 | 190,775 |
| Acceptances for letters of guarantee for importers | 88,743 | 111,016 |
| Guarantees for performance of contracts | 16,689 | 71,577 |
| Guarantees for bids | 1,067 | 1,077 |
| Guarantees for borrowings | 37,843 | 31,055 |
| Guarantees for repayment of advances | 10,004 | 25,707 |
| Others | 240,567 | 311,583 |
| | <u>529,801</u> | <u>742,790</u> |
| | <u>800,297</u> | <u>1,031,698</u> |
| Contingent guarantees and acceptances | | |
| Letters of credit | 1,200,228 | 1,243,354 |
| Others | 81,290 | 63,524 |
| | <u>1,281,518</u> | <u>1,306,878</u> |
| | <u>(Won) 2,081,815</u> | <u>(Won) 2,338,576</u> |

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

As of December 31, 2003, the allowances for losses on guarantees and acceptances outstanding according to credit risk classifications are as follows:

(in millions of Won)

| | | Normal | Precautionary | Sub-standard | Doubtful | Estimated loss | Total |
|--|-----------|---------------|---------------|--------------|-----------|-------------------|---------------|
| Guarantees and Acceptances Outstanding in | | | | | | | |
| Won | Balance | (Won) 252,130 | (Won) 18,106 | (Won) 80 | (Won) | (Won) 180 | (Won) 270,496 |
| | Allowance | | | 16 | | 180 | 196 |
| | Ratio (%) | | | 20.00 | | 100.00 | 0.07 |
| Foreign currencies | Balance | 462,396 | 66,333 | 300 | 654 | 118 | 529,801 |
| | Allowance | | 314 | 119 | 327 | 118 | 878 |
| | Ratio (%) | | 0.47 | 39.67 | 50.00 | 100.00 | 0.17 |
| Total | Balance | (Won) 714,526 | (Won) 84,439 | (Won) 380 | (Won) 654 | (Won) 298 | (Won) 800,297 |
| | Allowance | | 314 | 135 | 327 | 298 | 1,074 |
| | Ratio (%) | | 0.37 | 35.53 | 50.00 | 100.00 | 0.13 |

For the years ended December 31, 2003 and 2002, the changes in allowances for losses on guarantees and acceptances outstanding are as follows:

(in millions of Won)

| | 2003 | 2002 |
|--|-------------|--------------|
| Beginning balance | (Won) 2,287 | (Won) 43,823 |
| Reversal of losses from guarantees and acceptances | (1,209) | (37,436) |
| Changes in foreign exchange rates | (4) | (4,100) |
| Ending balance | (Won) 1,074 | (Won) 2,287 |

The allowance ratios for guarantees and acceptances outstanding as of December 31, 2003, 2002 and 2001 are as follows:

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(in millions of Won)

| | 2003 | 2002 | 2001 |
|--|---------------|-----------------|-----------------|
| Guarantees and acceptances outstanding | (Won) 800,297 | (Won) 1,031,698 | (Won) 3,521,970 |
| Allowance | 1,074 | 2,287 | 43,823 |
| Ratio (%) | 0.13 | 0.22 | 1.24 |

The guarantees and acceptances risk concentration by country as of December 31, 2003 are as follows:

| (in millions of Won) | Contingent | | | | | |
|----------------------|---|-------------------|-------------------------------|-------------------|-----------------|-------------------|
| | Guarantees and Acceptances Outstanding | | Guarantees and Acceptances | | Total | |
| | Balance | Percentage (%) | Balance | Percentage (%) | Balance | Percentage (%) |
| Korea | (Won) 739,249 | 92.37 | (Won) 1,280,941 | 99.95 | (Won) 2,020,190 | 97.04 |
| USA | 61,048 | 7.63 | 577 | 0.05 | 61,625 | 2.96 |
| | (Won) 800,297 | 100.00 | (Won) 1,281,518 | 100.00 | (Won) 2,081,815 | 100.00 |

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

The guarantees and acceptances risk concentration by industry and customer as of December 31, 2003 are as follows:

| <i>(in millions of Won)</i> | Guarantees and Acceptances Outstanding | | Contingent Guarantees and Acceptances | | Total | |
|-----------------------------|---|---------------------------|--|---------------------------|------------------------|---------------------------|
| | Balance | Percentage (%) | Balance | Percentage (%) | Balance | Percentage (%) |
| | Manufacturing | (Won) 279,431 | 34.92 | (Won) 726,023 | 56.65 | (Won) 1,005,454 |
| Service | 436,908 | 54.59 | 477,938 | 37.29 | 914,846 | 43.94 |
| Finance | 56,912 | 7.11 | 472 | 0.04 | 57,384 | 2.76 |
| Others | 27,046 | 3.38 | 77,085 | 6.02 | 104,131 | 5.00 |
| | (Won) 800,297 | 100.00 | (Won) 1,281,518 | 100.00 | (Won) 2,081,815 | 100.00 |

15. Derivatives

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

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

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

The notional amounts outstanding for derivative contracts as of December 31, 2003 as follows:

*(in millions of Won)***2003****2002**

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| | Trading | | Hedge | | Total | | Trading | | Hedge | | Total | |
|-------------------------|---------|-------------------|-------|----------------|-------|-------------------|---------|-------------------|-------|----------------|-------|-------------------|
| Interest related | | | | | | | | | | | | |
| -Future | (Won) | 519,665 | (Won) | | (Won) | 519,665 | (Won) | 365,513 | (Won) | | (Won) | 365,513 |
| -Swap | | 26,773,100 | | 598,900 | | 27,372,000 | | 15,944,472 | | 360,120 | | 16,304,592 |
| -Option | | 2,340,000 | | | | 2,340,000 | | 310,700 | | | | 310,700 |
| | | <u>29,632,765</u> | | <u>598,900</u> | | <u>30,231,665</u> | | <u>16,620,685</u> | | <u>360,120</u> | | <u>16,980,805</u> |
| Currency related | | | | | | | | | | | | |
| -Forward | | 25,870,850 | | | | 25,870,850 | | 13,186,586 | | | | 13,186,586 |
| -Future | | 967,823 | | | | 967,823 | | 739,386 | | | | 739,386 |
| -Swap | | 4,136,776 | | | | 4,136,776 | | 3,254,755 | | | | 3,254,755 |
| -Option bought | | 28,148 | | | | 28,148 | | 48,616 | | | | 48,616 |
| -Option sold | | 81,450 | | | | 81,450 | | 127,863 | | | | 127,863 |
| | | <u>31,085,047</u> | | | | <u>31,085,047</u> | | <u>17,357,206</u> | | | | <u>17,357,206</u> |
| Stock related | | | | | | | | | | | | |
| -Option bought | | 1,964,870 | | | | 1,964,870 | | 137,147 | | | | 137,147 |
| -Option sold | | 1,954,093 | | | | 1,954,093 | | 100,000 | | | | 100,000 |
| | | <u>3,918,963</u> | | | | <u>3,918,963</u> | | <u>237,147</u> | | | | <u>237,147</u> |
| | (Won) | <u>64,636,775</u> | (Won) | <u>598,900</u> | (Won) | <u>65,235,675</u> | (Won) | <u>34,215,038</u> | (Won) | <u>360,120</u> | (Won) | <u>34,575,158</u> |

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

Gains and losses on derivatives as of and for the year ended December 31, 2003 are as follows:

(in millions of Won)

| | Amount |
|----------------------------------|------------------------|
| Gain on derivatives | |
| Gain on derivatives transactions | (Won) 1,131,711 |
| Gain on valuation of derivatives | 400,397 |
| Gain on fair value hedged items | 10,715 |
| | <u>(Won) 1,542,823</u> |
| Loss on derivatives | |
| Loss on derivatives transactions | (Won) 1,053,990 |
| Loss on valuation of derivatives | 419,185 |
| Loss on fair value hedged items | |
| | <u>(Won) 1,473,175</u> |

Gains and losses on derivatives as of and for the year ended December 31, 2003 are as follows:

| | Valuation Gains (P/L) | | | Valuation Losses (P/L) | | | Fair Value (B/S) | |
|-------------------------|------------------------------|--------------|----------------|-------------------------------|---------------|----------------|-------------------------|------------------|
| | Trading | Hedge | Total | Trading | Hedge | Total | Asset | Liability |
| Interest related | | | | | | | | |
| -Option | (Won) 2,982 | (Won) | (Won) 2,982 | (Won) 10,178 | (Won) | (Won) 10,178 | (Won) 6,487 | (Won) 13,942 |
| -Swap | 97,875 | | 97,875 | 81,785 | 10,715 | 92,500 | 142,201 | 228,885 |
| | <u>100,857</u> | | <u>100,857</u> | <u>91,963</u> | <u>10,715</u> | <u>102,678</u> | <u>148,688</u> | <u>242,827</u> |
| Currency related | | | | | | | | |
| -Forward | 149,056 | | 149,056 | 156,773 | | 156,773 | 152,104 | 178,064 |
| -Option bought | 94 | | 94 | | | | 94 | |
| -Option sold | 358 | | 358 | 581 | | 581 | 130 | 615 |
| -Swap | 31,005 | | 31,005 | 50,423 | | 50,423 | 258,136 | 82,827 |
| | <u>180,513</u> | | <u>180,513</u> | <u>207,777</u> | | <u>207,777</u> | <u>410,464</u> | <u>261,506</u> |
| Stock related | | | | | | | | |

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| | | | | | | | | |
|----------------|----------------|-------|----------------|----------------|--------------|----------------|----------------|----------------|
| -Option bought | 105,536 | | 105,536 | 15,184 | | 15,184 | 192,100 | |
| -Option sold | 13,491 | | 13,491 | 93,546 | | 93,546 | | 181,938 |
| | <u>119,027</u> | | <u>119,027</u> | <u>108,730</u> | | <u>108,730</u> | <u>192,100</u> | <u>181,938</u> |
| | (Won) 400,397 | (Won) | (Won) 400,397 | (Won) 408,470 | (Won) 10,715 | (Won) 419,185 | (Won) 751,252 | (Won) 686,271 |

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002****16. Commitments and Contingencies**

As of December 31, 2003, 235 pending legal actions with an aggregate amount of damages of (Won)138,367 million are charged against the Bank and the Bank had also filed 176 lawsuits, which are still pending with an aggregate amount of claims of (Won)203,760 million. Management believes that the actions against the Bank are without merit and that the ultimate liability, if any, will not materially affect the Bank's financial position.

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

| | Exposure to possible loss | Results | | |
|---|------------------------------|-----------------------|-----------------------|-----------------------|
| | | 1 st trial | 2 nd trial | 3 rd trial |
| Details | | | | |
| Cancellation of a registered mortgage (3 cases) | (Won) 30,822 | in progress | | |
| Claim for return of trust accounts | 11,474 | in progress | | |
| Confirmation of obligations | 7,148 | closed ^{1*} | closed ^{1*} | in progress |
| Transfer of Kookmin Mutual Savings & Finance Co., Ltd | 5,000 | in progress | | |
| Claim related to deposits | 4,026 | in progress | | |
| Claim for return of unfair gains | 3,912 | closed ^{1*} | in progress | |
| Claim related to loans | 2,883 | closed ^{2*} | in progress | |

^{1*} The Bank (partially) won the case.

^{2*} The Bank partially lost the case.

The Bank, under the Mutual Savings & Finance Company Act, is liable for the payment of the deposits of Orange Mutual Savings & Finance Co., Ltd. (previously, Kookmin Mutual Savings & Finance Co., Ltd.) and Hansol Mutual Savings & Finance Co., Ltd. (previously, Bukook Mutual Savings & Finance Co., Ltd.), previously the Bank's subsidiaries but were sold during 1999, if they enter into bankruptcy within three years of sale. Orange Mutual Savings & Finance Co., Ltd. is currently undergoing bankruptcy procedures due to the disapproval of its business by the Financial Supervisory Commission. Korea Deposit Insurance Corporation (KDIC) has paid for the deposit money subject to the Depositor Protection Act. As of December 31, 2003, despite the fact that Resolution and Finance Corp. (a subsidiary of KDIC) has filed a lawsuit against the Bank for the recovery of the repayment, such lawsuit is not expected to cause losses that would materially affect the Bank's financial position.

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The Bank has entered into commitments to provide a credit line of (Won)5,628,000 million, and to purchase commercial paper amounting to (Won)1,334,000 million, with asset securitization companies. Under these commitments, the Bank provides money, in case of a temporary fund shortage, for the principal and interest repayment of these companies' senior bonds and subordinated bonds within the contracted term and amounts. Commitments to provide a credit line and to purchase commercial paper with a 1-year term amounted to (Won)123,500 million, (Won)1,000,000 million, respectively.

As of December 31, 2003, loans outstanding under the credit line commitment amounted to (Won)38,898 million, and the balance for commercial papers purchased under the purchase commitment amounted to (Won)10,600 million. The Bank has arranged various methods to compensate for losses on these credit line commitments including payment guarantees, repurchase contracts, surety certificate guarantees, and cash reserves. As of December 31, 2003, the Bank provided (Won)141,175 million in other allowances for its expected losses related to these commitments.

Pursuant to its asset securitization plans, the Bank has an outstanding obligation to repurchase and/or indemnify for losses on the loans sold to Jooeun 2nd-ABS Specialty Co., Ltd. and Kookmin Credit Card 14th-ABS Specialty Co., Ltd. (collectively, the SPEs) with a ceiling of (Won)36,957 million and (Won)20,163 million, respectively. As of December 31, 2003, the Bank provided (Won)19,284 million in other allowances for its expected losses related to these commitments.

As of December 31, 2003, post settlements on the loan sales transaction with Korea Asset Management Corporation (KAMCO) have been completed and the Bank has provided allowances of (Won)589 million for losses from possible future repurchase of loans from KAMCO under the repurchase agreement on loans amounting (Won)3,192 million.

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

The Bank has an off-shore loan commitment, limited to USD 23,385 thousand, and the loan balance under the commitment as of December 31, 2003 is USD 12,195 thousand.

Tax investigations of the Bank by the National Tax Administration for the fiscal years 1998, 1999, 2000 and 2001 are in process, but as of March 3, 2004, the results have not been notified. Based on estimations, the Bank provided (Won)142,021 million as allowance for supplementary payments for income taxes.

As of December 31, 2003, the Bank holds the unexpired rights to claim from borrowers or guarantors for loans, in accordance with the relevant law, which have already been written off, amounting to (Won)4,446,110 million. Also, as of December 31, 2003, the Bank holds endorsed bills amounting to (Won)6,385 million.

As of December 31, 2003, the Bank recorded receivables amounting to (Won)1,588,996 million and payables amounting to (Won)1,558,798 million for unsettled foreign currency spot transactions.

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

As of December 31, 2003, the Bank has provided three blank notes to financial institutions including Korea Securities Finance Corporation as collateral for borrowings and etc.

In accordance with the agreement with the creditors' committee of LG Card Co., Ltd. on November 24, 2003, the Bank provided additional loans of (Won)437.0 billion to LG Card Co., Ltd., which is currently experiencing liquidity crisis. Also, on January 9, 2004, the Bank has agreed to a debt-equity swap of (Won)312.7 billion, to provide additional loans of (Won)205.9 billion (to be included in the debt-equity swap), and to extend the maturity of loans that will mature in 2004. As of December 31, 2003, the Bank's total exposure related to LG Card Co., Ltd. includes loans, debt securities and customer financing amounting to (Won)487.0 billion, (Won)26.8 billion and (Won)75.3 billion, respectively. The ultimate effect of these circumstances on the financial position of the Bank as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying financial statements.

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

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As of December 31, 2003, the Bank's total exposure (including debt securities, beneficiary certificates, and loans) related to domestic credit card companies and capital companies amounts to (Won)2,055,663 million. Currently, securities related to credit card companies and capital companies, which are experiencing liquidity problems, are not widely traded in the bond market. The ultimate effect of these circumstances on the financial position of the Bank as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying financial statements.

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002****17. Capital**

As of December 31, 2003, the Bank has 1,000,000,000 common shares (par value per share: (Won)5,000) authorized and 336,379,116 shares issued. ING Insurance International B.V. own 3.78 percent of the total issued shares. As of December 31, 2003, 35,000,566 common shares, equivalent to 10.40 percent of the total issued shares, are listed on the New York Stock Exchange as ADSs and are managed by the Bank of New York, the trustee of the Bank.

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

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

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

18. Capital Surplus

The movements in capital surplus for the year ended December 31, 2003 are as follows:

| <i>(in millions of Won)</i> | Beginning Balance | Changes | Ending Balance |
|--|------------------------------|----------------------|---------------------------|
| Paid-in capital in excess of par value | (Won) 5,287,708 | (Won) 368,132 | (Won) 5,655,840 |
| Gain on business combination | 397,669 | | 397,669 |
| Revaluation increment | 177,229 | | 177,229 |
| Others | 2,146 | (2,146) | |
| | (Won) 5,864,752 | (Won) 365,986 | (Won) 6,230,738 |

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

The gain on business combination is due to the difference between the business combination consideration and the net asset value acquired from the merger with KLB on December 31, 1998, and the current period change in other capital surplus is due to the loss on disposal of treasury stock.

19. Retained Earnings

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

Under the guidance provided by Financial Supervisory Services, the Company is required to appropriate, as a reserve for improvement of financial structure, a minimum of 10 percent of its annual income less carried over accumulated deficits, until its capital adequacy ratio equals 5.5 percent. As of December 31, 2003, the Bank has no reserve for improvement of financial structure.

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

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

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

There were no dividends declared for the year ended December 31, 2003, while for the year ended December 31, 2002, cash dividends were declared as follows:

| | 2002 |
|--|-------------|
| Shares outstanding | 328,258,685 |
| Treasury stock | 3,026,089 |
| Shares entitled to dividends | 325,232,596 |
| Dividend rate(%) | 20.00 |
| Dividend amount (unit:millions of Won) | 325,233 |
| Dividend payout ratio(%) | 24.82 |
| Dividend profit ratio(%) | 2.38 |

A deduction amounting to (Won)1,917 million has been made from the beginning balance of retained earnings in connection with the accounting for investments under the equity method,

20. Capital Adjustments

The movements in capital adjustments for the year ended December 31, 2003 are as follows:

| <i>(in millions of Won)</i> | Beginning | | | Ending |
|--|------------------|-------------------|-----------------|-------------------|
| | Balance | Increase | Decrease | Balance |
| Treasury stock | (Won) (148,973) | (Won) (1,227,876) | (Won) (48,537) | (Won) (1,328,312) |
| Unrealized gain on available-for-sale securities | 180,449 | 87,488 | 129,950 | 137,987 |
| Unrealized gain on investment in associates | 94,773 | 9,723 | 99,872 | 4,624 |
| Stock options | | 26,211 | | 26,211 |
| Loss on disposal of treasury stock | | (749) | | (749) |

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| | | | |
|---------------|-------------------|---------------|-------------------|
| (Won) 126,249 | (Won) (1,105,203) | (Won) 181,285 | (Won) (1,160,239) |
|---------------|-------------------|---------------|-------------------|

The Bank, with the approval of the Board of Directors on July 26, 2002, established an employee stock option plan for the welfare of the employees and purchased 3,000,000 shares of treasury stock under the plan. During the year ended December 31, 2003, the Bank contributed 1,000,000 shares to the Employee Stock Ownership Association.

In accordance with the resolution made by the Board of Directors on December 26, 2003, the Bank acquired 27,423,761 of its own shares previously owned by the Korean government at (Won)43,700 per share through public bidding and intends to sell these shares depending on certain market conditions. As a result of the acquisition, the Bank holds 8.92 percent of the total common stock issued as treasury stock.

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

21. Employee Stock Options

As of December 31, 2003, the stock options granted to the Bank's executives and chief executive officer are as follows:

| Series | Grant Date | Shares Granted | Shares Expired to Date | Shares Exercised | Shares Outstanding | Exercise Price | Exercise Period |
|--|------------|----------------|------------------------|------------------|--------------------|----------------|---------------------|
| Series 1 | 00.03.18 | 233,940 | 121,411 | 10,183 | 102,346 | (Won) 23,469 | 03.03.19 - 05.03.18 |
| Series 2 | 01.03.15 | 214,975 | 16,882 | | 198,093 | 28,027 | 04.03.16 - 09.03.15 |
| Series 3 | 98.10.31 | 400,000 | | 390,000 | 10,000 | 5,000 | 01.11.01 - 04.10.31 |
| Series 4 | 99.02.27 | 280,000 | 59,892 | 220,108 | | 13,900 | 02.02.28 - 05.02.27 |
| Series 5 | 00.02.28 | 267,000 | 65,218 | 11,100 | 190,682 | 27,600 | 03.03.01 - 06.02.28 |
| Series 6 | 01.03.24 | 111,000 | 38,624 | | 72,376 | 25,100 | 04.03.25 - 07.03.24 |
| Series 7 ^{1*2*} | 01.11.16 | 850,000 | | | 850,000 | 51,200 | 04.11.17 - 09.11.16 |
| Series 8-1 ^{2*} | 02.03.22 | 132,000 | 89,753 | | 42,247 | 57,100 | 05.03.23 - 10.03.22 |
| Series 8-1 ^{3*} | 02.03.22 | 490,000 | 119,326 | | 370,674 | 57,100 | 05.03.23 - 10.03.22 |
| Series 9 ^{3*} | 02.07.26 | 30,000 | | | 30,000 | 58,800 | 05.07.27 - 10.07.26 |
| Series 10-1 ^{2*} | 03.03.21 | 140,000 | | | 140,000 | 41,200 | 06.03.22 - 11.03.21 |
| Series 10-1 ^{3*} | 03.03.21 | 180,000 | | | 180,000 | 35,500 | 06.03.22 - 11.03.21 |
| Series 11 ^{3*} | 03.08.27 | 30,000 | | | 30,000 | 40,500 | 06.08.28 - 11.08.27 |
| Increase due to merger-1 ^{4*} | 01.03.22 | 22,146 | | | 22,146 | 71,538 | 04.03.23 - 11.03.22 |
| Increase due to merger-2 ^{2*4*} | 02.03.29 | 9,990 | | | 9,990 | 129,100 | 04.03.30 - 11.03.29 |

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

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

^{3*} The number of shares to be granted will be determined by the results of the evaluation of the grantees after 3 years from grant date. Shares granted are calculated under the assumption that the grantees performed well on their evaluation.

^{4*} The Bank took over stock options which Kookmin Credit Card Co., Ltd. granted to its employees in proportion to the share exchange rate.

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Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

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

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

^{1*} Interest rate of government bond as of grant date.

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

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

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

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

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Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

The compensation costs to be recognized in the future as of December 31, 2003, are as follows:

| Series | Compensation cost recognized | | | Compensation cost to be recognized | | | | Total compensation cost |
|--------------------------|--------------------------------|----------------------------------|-------------------------------|------------------------------------|-----------------------------|------------------------------|--------------|-------------------------|
| | Prior period compensation cost | Current period compensation cost | Accumulated compensation cost | Within 1 year | More than 1 year to 2 years | More than 2 years to 3 years | Total | |
| Series 1 | (Won) 1,184 | (Won) 109 | (Won) 1,293 | (Won) | (Won) | (Won) | (Won) | (Won) 1,293 |
| Series 2 | 1,847 | 1,056 | 2,903 | 264 | | | 264 | 3,167 |
| Series 3 | 14 | | 14 | | | | | 14 |
| Series 5 | 2,399 | 141 | 2,540 | | | | | 2,540 |
| Series 6 | 722 | 414 | 1,136 | 103 | | | 103 | 1,239 |
| Series 7 | 5,637 | 5,203 | 10,840 | 4,769 | | | 4,769 | 15,609 |
| Series 8-1 | 2,270 | 3,027 | 5,297 | 3,027 | 756 | | 3,783 | 9,080 |
| Series 8-2 | 259 | 345 | 604 | 345 | 86 | | 431 | 1,035 |
| Series 9 | 72 | 173 | 245 | 174 | 101 | | 275 | 520 |
| Series 10-1 | | 633 | 633 | 844 | 844 | 212 | 1,900 | 2,533 |
| Series 10-2 | | 427 | 427 | 570 | 570 | 142 | 1,282 | 1,709 |
| Series 11 | | 50 | 50 | 151 | 151 | 101 | 403 | 453 |
| Increase due to merger-1 | | 172 | 172 | 15 | | | 15 | 187 |
| Increase due to merger-2 | | 57 | 57 | 8 | | | 8 | 65 |
| | (Won) 14,404 | (Won) 11,807 | (Won) 26,211 | (Won) 10,270 | (Won) 2,508 | (Won) 455 | (Won) 13,233 | (Won) 39,444 |

As of December 31, 2003, the weighted average exercise price per stock option granted is (Won)43,020 and weighted average compensation cost per stock option granted is (Won)16,887.

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002****22. Other Non-Interest Income (Expenses)**

Other non-interest income (expenses) for the year ended December 31, 2003 are as follows:

(in millions of Won)

| | Amount |
|--|------------------------|
| Other non-interest income | |
| - Realized gain on trading securities | (Won) 119,168 |
| - Unrealized gain on trading securities | 70,976 |
| - Gain on trust management | 247,639 |
| - Reversal of losses from guarantees and acceptances | 1,209 |
| - Gain on valuation of derivatives | 400,397 |
| - Others | 29,451 |
| | (Won) 868,840 |
| Other non-interest expenses | |
| - Realized loss on trading securities | (Won) 47,269 |
| - Contributions to special funds | 178,094 |
| - Provision for allowance | |
| - Loss on valuation of derivatives | 419,185 |
| - Loss on fair value hedged items | |
| - Others | 664,332 |
| | (Won) 1,308,880 |

23. General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2003 are as follows:

(in millions of Won)

| | Amount |
|-------------------------------|-----------------|
| Salaries and wages | (Won) 1,149,816 |
| Retirement benefits (Note 12) | 109,766 |
| Other employee benefits | 317,550 |
| Rent | 65,046 |
| Depreciation | 387,425 |
| Amortization | 79,431 |

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| | |
|----------------------|-----------------|
| Taxes and dues | 125,717 |
| Advertising | 67,317 |
| Ordinary R&D | 106,844 |
| Fees and commissions | 87,690 |
| Others | 207,546 |
| | <hr/> |
| | (Won) 2,704,148 |
| | <hr/> |

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002****24. Non-Operating Income (Expenses)**

Non-operating income (expenses) for the year ended December 31, 2003 are as follows:

(in millions of Won)

| | <u>Amount</u> |
|--|--------------------------|
| Non-operating income | |
| - Gain on disposal of fixed assets | (Won) 2,229 |
| - Rent income | 2,692 |
| - Unrealized gain on investment in associates | 267,870 |
| - Realized gain on available-for-sale securities | 554,203 |
| - Realized gain on held-to-maturity securities | 2,771 |
| - Reversal of impairment loss on available-for-sale securities | 75,553 |
| - Gain on sale of loans | 60,957 |
| - Others | 122,828 |
| | <u>1,089,103</u> |
| Non-operating expenses | |
| - Loss on disposal of fixed assets | 35,287 |
| - Impairment loss on fixed assets | 22,228 |
| - Loss on investment in associates | |
| - Realized loss on available-for-sale securities | 60,210 |
| - Realized loss on held-to-maturity securities | |
| - Impairment loss on available-for-sale securities | 209,307 |
| - Loss on sale of loans | 92,297 |
| - Provision for loan losses due to merger | 1,652,264 |
| - Others | 240,038 |
| | <u>2,311,631</u> |
| | <u>(Won) (1,222,528)</u> |

25. Income Tax Expense

Income tax expense for the years ended December 31, 2003 and 2002 is as follows:

*(in millions of Won)***2003****2002**

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| | | |
|---|-----------------|---------------|
| Income tax payable | (Won) 23 | (Won) 652,583 |
| Deferred income taxes from temporary differences | (226,212) | (96,258) |
| Deferred income taxes from accumulated deficit ^{1*} | (168,645) | 28,929 |
| Deferred tax credit ^{1*} | (3,951) | |
| Change in temporary differences due to tax adjustments | 3,656 | |
| Retained earnings and other capital surplus adjustments ^{2*} | 2,033 | (1,927) |
| | <hr/> | <hr/> |
| Income tax (benefit) expense | (Won) (393,096) | (Won) 583,327 |
| | <hr/> | <hr/> |

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

^{2*} Income tax effect from the change in retained earnings from the application of equity method on investments and loss on disposal of treasury stock.

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

The statutory income tax rate applicable to the Bank, including resident tax surcharges, is 29.7 percent for the years ended December 31, 2002 and 2003. However, due to tax adjustments, the effective tax rate for the years ended December 31, 2002 and 2003 are 39.12 percent and 30.8 percent, respectively. The statutory income tax rate of 29.7 percent is applied for deferred income tax assets (liabilities) that will be realized before 2005 and statutory income tax rate of 27.5 percent is applied for deferred income tax assets (liabilities) that will be realized after 2005 reflecting the 2percent corporate tax rate cut from 2005. The basis for calculating the effective tax rate is as follows:

(in millions of Won)

| | <u>2003</u> | <u>2002</u> |
|--|-------------------|-----------------|
| Net income (loss) before income taxes | (Won) (1,146,444) | (Won) 1,893,618 |
| Income tax expense based on the effective tax rate | (340,493) | 562,405 |
| Tax effects on adjustments | | |
| Adjustments to increase taxable income | 97,458 | 39,625 |
| Adjustments to decrease taxable income | (166,668) | (18,703) |
| Discount effect | 16,607 | |
| Income tax benefit per statements of operations | (Won) (393,096) | (Won) 583,327 |

The significant changes in accumulated temporary differences and deferred income taxes for the year ended December 31, 2003 are as follows:

| <i>(in millions of Won)</i> | <u>Beginning balance</u> | <u>Increase due to merger</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending balance</u> | <u>Deferred tax asset (liability)</u> |
|--|------------------------------|-----------------------------------|-----------------|-----------------|-----------------------|---|
| Allowance for loan losses | (Won) 314,081 | (Won) | (Won) 221,016 | (Won) 236,074 | (Won) 299,023 | (Won) 87,094 |
| Accrued interest | (350,798) | (60,931) | (349,915) | (412,209) | (349,435) | (96,095) |
| Unrealized loss on securities | 602,646 | 4,456 | (175,092) | (330,256) | 762,266 | 212,255 |
| Unrealized loss on derivatives | (100,086) | (3,530) | (35,045) | (103,616) | (35,045) | (9,637) |
| Present value discounts | 28,001 | | 14,691 | 27,918 | 14,774 | 4,270 |
| Allowance for losses on guarantees and acceptances | 5,278 | | 1,074 | 5,278 | 1,074 | 295 |
| Accrued severance benefits | | | (14,500) | (14,500) | | |
| Stock options | 10,116 | 552 | 26,211 | 10,668 | 26,211 | 7,208 |
| Loss on fair value hedges | | | (10,715) | (9,213) | (1,502) | (413) |
| Accumulated depreciation | 820 | | 16,406 | 8,913 | 8,313 | 2,286 |
| Other allowances | 48,876 | | 505,372 | 48,876 | 505,372 | 144,029 |

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| | | | | | | |
|-------------------------------------|----------------------|-----------------------|----------------------|------------------------|------------------------|----------------------|
| Others | 15,559 | 1,209 | 99,847 | 12,144 | 104,471 | 28,748 |
| Net operating loss carry-forward | | | 567,825 | | 567,825 | 168,645 |
| | <u>(Won) 574,493</u> | <u>(Won) (58,244)</u> | <u>(Won) 867,175</u> | <u>(Won) (519,923)</u> | <u>(Won) 1,903,347</u> | <u>(Won) 548,685</u> |
| Deferred tax credit | | | | | | 3,951 |
| | | | | | | <u>(Won) 552,636</u> |

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

26. Earnings (Loss) Per Share

The weighted average number of common shares outstanding for the years ended December 31, 2003 and 2002 are calculated as follows:

| | <u>2003</u> | <u>2002</u> |
|---|--------------------|--------------------|
| Number of common shares outstanding-beginning balance | 330,327,726 | 318,750,038 |
| Weighted average number of treasury common shares | (4,327,815) | (963,166) |
| Weighted average number of common shares outstanding | <u>325,999,911</u> | <u>317,786,872</u> |

Details of the computation of the basic earnings (loss) per share (EPS) and basic ordinary income (loss) per share for the years ended December 31, 2003, and 2002 are shown below.

| | <u>2003</u> | <u>2002</u> |
|---|--------------------|--------------------|
| Net income (loss) (in millions of Won) | (Won) (753,348) | (Won) 1,310,291 |
| Weighted average number of common shares outstanding | <u>325,999,911</u> | <u>317,786,872</u> |
| Basic earnings (loss) per share and basic ordinary income (loss) per share (in Won) | <u>(2,311)</u> | <u>4,123</u> |

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

Potential common shares as of December 31, 2003 are as follows:

| | <u>Exercise Period</u> | <u>Shares Outstanding</u> | <u>Exercise Price</u> | |
|---------------|-------------------------|---------------------------|-----------------------|--------------|
| Stock options | 2001.11.01 - 2011.08.27 | 2,248,554 | (Won) 5,000 | (Won)129,100 |

27. Assets and Liabilities Denominated in Foreign Currencies:

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Significant assets and liabilities denominated in foreign currencies as of December 31, 2003 comprise the following :

| | Total Balances | | Major Denomination Currencies | | |
|--|----------------|--------------------------|-------------------------------|--------------|--------------|
| | Millions of | Thousands of | Thousands of | Thousands of | Thousands of |
| | Won | US Dollars ^{1*} | US Dollars | EC Euro | Japanese Yen |
| Assets | | | | | |
| Cash | (Won) 228,153 | \$ 190,476 | \$ 76,612 | 22,070 | ¥ 7,223,564 |
| Due from banks | 601,624 | 502,275 | 478,539 | 3,015 | 1,798,015 |
| Securities | 1,350,145 | 1,127,187 | 969,825 | 3,960 | 3,674,314 |
| Loans in foreign currencies | 4,019,930 | 3,356,094 | 2,464,055 | 37,850 | 79,081,632 |
| Bills bought | 533,294 | 445,228 | 415,863 | 15,003 | 817,496 |
| Advances to customers | 4,593 | 3,835 | 3,835 | | |
| Call loans | 5,351 | 4,467 | 4,000 | | 50,000 |
| Liabilities | | | | | |
| Deposits | 1,475,373 | 1,231,736 | 843,970 | 14,493 | 27,863,430 |
| Borrowings | 3,322,917 | 2,774,184 | 2,138,815 | 39,595 | 60,834,504 |
| Due to BOK | 12,608 | 10,526 | 10,526 | | |
| Call money | 193,700 | 161,713 | 157,600 | | 300,000 |
| Debentures | 896,621 | 748,557 | 741,129 | | |
| Unsettled foreign exchange liabilities | 22,600 | 18,868 | 11,569 | 161 | 89,793 |

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

Significant assets and liabilities denominated in foreign currencies as of December 31, 2002 comprise the following :

| | Total Balances | | Major Denomination Currencies | | |
|--|----------------|--------------------------|-------------------------------|--------------|--------------|
| | Millions of | Thousands of | Thousands of | Thousands of | Thousands of |
| | Won | US Dollars ^{1*} | US Dollars | EC Euro | Japanese Yen |
| Assets | | | | | |
| Cash | (Won) 186,780 | \$ 155,598 | \$ 63,914 | 15,676 | ¥ 7,450,032 |
| Due from bank | 509,207 | 424,197 | 348,007 | 2,567 | 6,062,350 |
| Securities | 1,216,627 | 1,013,518 | 922,604 | 4,061 | 4,427,023 |
| Loans in foreign currencies | 4,417,176 | 3,679,753 | 2,827,489 | 68,754 | 65,532,564 |
| Bills bought | 756,300 | 630,040 | 588,877 | 25,336 | 840,286 |
| Advances to customers | 2,223 | 1,852 | 1,852 | | |
| Call loans | 248,857 | 207,312 | 202,700 | 4,000 | 50,000 |
| Liabilities | | | | | |
| Deposits | 1,083,648 | 902,738 | 654,567 | 12,012 | 17,863,339 |
| Borrowings | 3,408,530 | 2,839,494 | 2,407,624 | 58,893 | 46,007,284 |
| Due to BOK | 37,493 | 31,234 | 31,234 | | |
| Call money | 76,666 | 63,867 | 14,500 | | 5,679,100 |
| Debentures | 789,127 | 657,387 | 495,962 | | |
| Unsettled foreign exchange liabilities | 20,895 | 17,407 | 12,772 | 939 | 138,208 |

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

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

28. Related Party Transactions

Significant transactions with related parties for the years ended December 31, 2003 and 2002 are as follows:

(in millions of Won)

| Account | 2003 | | 2002 | |
|---------------------------------|----------|--------------|----------|--------------|
| | Balances | Transactions | Balances | Transactions |
| KB Investment Co., Ltd. | | | | 4,115 |
| | | | | (1,025) |
| | | | | |
| Kookmin Data System Corp. | | | | (187) |
| | | | | |
| | | | | |
| Kookmin Futures Co., Ltd. | | | | 5 |
| | | | | (567) |
| | | | | |
| | | | | |
| | | | | |
| KB Luxembourg S.A. | | | | 148 |
| | | | | 4,789 |
| | | | | 3,131 |
| | | | | (80) |
| | | | | (922) |
| KB International Ltd. (London) | | | | 70 |
| | | | | 3,576 |
| | | | | 359 |
| | | | | (308) |
| | | | | (2,691) |
| | | | | |
| Kookmin Finance H.K. Ltd. | | | | 22 |
| | | | | 4,721 |
| | | | | |
| | | | | (161) |
| | | | | (232) |
| | | | | |
| Kookmin Investment Trust Mgt. | | | | (802) |
| | | | | |
| KB Real Estate Co., Ltd. | | | | 3,005 |
| | | | | (4) |
| | | | | |
| Joeun Industrial Co., Ltd. | | | | |
| KB Credit Information Co., Ltd. | | | | (444) |
| | | | | 176 |

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| | | |
|----------------------|----------|----------|
| Commissions expenses | (38,481) | (26,894) |
| Rent | | |

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

29. Transactions with Financial Institutions

The assets and liabilities related to transactions with financial institutions for the year ended December 31, 2003 are as follows:

| <i>(in millions of Won)</i> | | Bank of Korea | Other banks | Other financial institutions | Total |
|-----------------------------|-----------------------|------------------|------------------|------------------------------------|------------------|
| Description | | | | | |
| Cash and due from banks | In Won | (Won) 2,612,248 | (Won) 8,994 | (Won) 140,200 | (Won) 2,761,442 |
| | In foreign currencies | 12,415 | 585,855 | 3,355 | 601,625 |
| | | <u>2,624,663</u> | <u>594,849</u> | <u>143,555</u> | <u>3,363,067</u> |
| Loans | In Won | | 12,815 | 607,524 | 620,339 |
| | In foreign currencies | | 767,884 | 49,866 | 817,750 |
| | Others | 1,500,000 | 1,560,702 | 794,715 | 3,855,417 |
| | | <u>1,500,000</u> | <u>2,341,401</u> | <u>1,452,105</u> | <u>5,293,506</u> |
| Deposits | In Won | | 975,372 | 4,342,075 | 5,317,447 |
| | In foreign currencies | | | 2,400,000 | 2,400,000 |
| | | | <u>975,372</u> | <u>6,742,075</u> | <u>7,717,447</u> |
| Borrowings | In Won | 992,433 | 253,822 | 5,688 | 1,251,943 |
| | In foreign currencies | | 2,360,652 | 19,486 | 2,380,138 |
| | Others | 12,608 | 499,362 | 55,800 | 567,770 |
| | | <u>1,005,041</u> | <u>3,113,836</u> | <u>80,974</u> | <u>4,199,851</u> |
| Debentures | In Won | | | 260,900 | 260,900 |
| | In foreign currencies | | 888,455 | | 888,455 |
| | | | <u>888,455</u> | <u>260,900</u> | <u>1,149,355</u> |

30. Interest Bearing Assets and Liabilities

Interest bearing assets and liabilities and related interest income and interest expenses for the year ended December 31, 2003 are as follows:

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| <i>(in millions of Won)</i> | <u>Average Balance</u> | <u>Interest Income</u> | <u>Average Yield (%)</u> |
|-----------------------------|--------------------------|-------------------------|--------------------------|
| Assets | | | |
| Due from banks | (Won) 799,353 | (Won) 10,433 | 1.31 |
| Securities | 29,812,029 | 1,701,359 | 5.71 |
| Loans | 135,541,332 | 9,814,835 | 7.24 |
| | <u>(Won) 166,152,714</u> | <u>(Won) 11,526,627</u> | |
| Liabilities | | | |
| Deposits | (Won) 126,320,535 | (Won) 4,280,290 | 3.39 |
| Borrowings | 12,547,750 | 410,746 | 3.27 |
| Debentures | 18,617,620 | 1,143,228 | 6.14 |
| | <u>(Won) 157,485,905</u> | <u>(Won) 5,834,264</u> | |

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002****31. Operations of the Trust Accounts**

The summarized statement of assets and liabilities of the trust accounts as of December 31, 2003 are categorized into principal or dividend guaranteed money trusts, performance money trusts and property trusts, as follows:

| <i>(in millions of Won)</i> | Guaranteed | Performance | Property | Total |
|-----------------------------|------------------------|------------------------|-------------------------|-------------------------|
| | Money Trusts | Money Trusts | Trusts | |
| Securities | (Won) 2,797,148 | (Won) 5,943,898 | (Won) 936,128 | (Won) 9,677,174 |
| Loans | 134,984 | 354,804 | | 489,788 |
| Receivables | | | 20,228,649 | 20,228,649 |
| Due from banking accounts | 470,647 | 913,624 | 183,672 | 1,567,943 |
| Present value discounts | (771) | | | (771) |
| Allowance for loan losses | (69,839) | (69,930) | | (139,769) |
| Other assets | 73,048 | 179,211 | 262,054 | 514,313 |
| Total assets | (Won) 3,405,217 | (Won) 7,321,607 | (Won) 21,610,503 | (Won) 32,337,327 |
| Trusts | (Won) 3,190,062 | (Won) 7,088,295 | (Won) 21,453,761 | (Won) 31,732,118 |
| Reserves for future losses | 56,128 | | | 56,128 |
| Borrowings | | | | |
| Other liabilities | 159,027 | 233,312 | 156,742 | 549,081 |
| Total liabilities | (Won) 3,405,217 | (Won) 7,321,607 | (Won) 21,610,503 | (Won) 32,337,327 |

The Bank is liable as of December 31, 2003 for the following portion of the difference between the book value and fair value of principal and/or dividend guaranteed money trusts:

| <i>(in millions of Won)</i> | Book Value | Fair Value | Liability |
|--|------------------------|------------------------|------------------|
| Principal guaranteed money trusts | (Won) 3,298,269 | (Won) 3,374,990 | (Won) |
| Principal and dividend guaranteed money trusts | 106,948 | 114,835 | |
| | (Won) 3,405,217 | (Won) 3,489,825 | (Won) |

The key results of operations from transactions between bank accounts and trust accounts (excluding securities investment trust) for the year ended December 31, 2003 are as follows:

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| <i>(in millions of Won)</i> | Trust Account Related Income | | Trust Account Related Expenses |
|--|---|---|---|
| | <hr/> | <hr/> | <hr/> |
| Gain on trust management | (Won) 232,361 | Interest expense on borrowings from trust accounts | (Won) 36,970 |
| Early withdrawal penalties | 172 | Loss on trust management | |
| Interest income on loans to trust accounts | 548 | | |
| | <hr/> | | <hr/> |
| | (Won) 233,081 | | (Won) 36,970 |
| | <hr/> | | <hr/> |

Kookmin Bank

Notes to Non-Consolidated Financial Statements

December 31, 2003 and 2002

32. Business Combination with H&CB

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

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

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

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

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

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

Kookmin Credit Card Co., Ltd. was established on September 25, 1987, separating its operations from the Bank, and has been conducting its operations including credit card operations, factoring, and consumer financing, under the Credit Card Act. Kookmin Credit Card Co., Ltd. had merged with Kookmin Mutual Savings & Finance Co., Ltd. on August 22, 1998 and with Jang-Eun Credit Card Co., Ltd. on December 30, 1998, and had extended its operations to installment financing and rental business. As of September 30, 2003, Kookmin Credit Card has 12.33 million cardholders, 1.55 million merchants and 45 branches. Kookmin Credit Card Co. Ltd. had its shares registered with KOSDAQ since July 4, 2000.

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

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

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

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

| <i>(in millions of won)</i> | Kookmin Bank | Kookmin Credit Card | Total^{1*} |
|--|--------------------------|----------------------------|---------------------------|
| Cash and due from banks | (Won) 4,599,356 | (Won) 103,505 | (Won) 4,702,861 |
| Securities ^{2*} | 30,940,750 | 3,112,127 | 34,052,877 |
| Loans | 126,730,561 | 9,256,060 | 135,986,621 |
| Fixed assets | 3,092,616 | 260,600 | 3,353,216 |
| Other assets | 6,135,558 | 648,956 | 6,784,514 |
| Total assets | (Won) 171,498,841 | (Won) 13,381,248 | (Won) 184,880,089 |
| Deposits | (Won) 123,109,653 | (Won) | (Won) 123,109,653 |
| Borrowings | 10,690,754 | 5,629,389 | 16,320,143 |
| Debentures | 17,539,007 | 5,934,298 | 23,473,305 |
| Other liabilities | 10,110,031 | 899,334 | 11,009,365 |
| Total liabilities | 161,449,445 | 12,463,021 | 173,912,466 |
| Capital stock | 1,641,293 | 366,000 | 2,007,293 |
| Capital surplus | 5,864,752 | 146,591 | 6,011,343 |
| Retained earnings | 2,417,102 | 407,596 | 2,824,698 |
| Capital adjustments | 126,249 | (1,960) | 124,289 |
| Total shareholders equity | 10,049,396 | 918,227 | 10,967,623 |
| Total liabilities and shareholders equity | (Won) 171,498,841 | (Won) 13,381,248 | (Won) 184,880,089 |
| | Kookmin Bank | Kookmin Credit Card | Total^{1*} |
| Operating income (loss) | (Won) 2,265,765 | (306,146) | (Won) 1,959,619 |
| Non-operating income | 525,280 | 67,017 | 592,297 |
| Non-operating expenses ^{2*} | (897,427) | (21,759) | (919,186) |
| Net income (loss) before income tax expense | 1,893,618 | (260,888) | 1,632,730 |
| Income tax expense | (583,327) | | (583,327) |
| Net income (loss) | (Won) 1,310,291 | (Won) (260,888) | (Won) 1,049,403 |

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

The summary balance sheets of the Bank and Kookmin Credit Card Co., Ltd. as of September 30, 2003, the merger date, and the related statements of operations for the nine-month period then ended are as follows:

| <i>(in millions of won)</i> | Kookmin Bank | Kookmin Credit Card^{3*} | Total^{1*} |
|--|--------------------------|---|---------------------------|
| Cash and due from banks | (Won) 7,543,522 | (Won) 39,139 | (Won) 7,582,661 |
| Securities ^{2*} | 29,062,866 | 2,969,080 | 32,031,946 |
| Loans | 133,299,297 | 6,854,723 | 140,154,020 |
| Fixed assets | 2,836,450 | 325,220 | 3,161,670 |
| Other assets | 8,895,431 | 407,247 | 9,302,678 |
| Total assets | (Won) 181,637,566 | (Won) 10,595,409 | (Won) 192,232,975 |
| Deposits | (Won) 128,106,542 | (Won) | (Won) 128,106,542 |
| Borrowings | 11,691,597 | 3,240,752 | 14,932,349 |
| Debentures | 17,181,146 | 4,951,891 | 22,133,037 |
| Other liabilities | 14,858,438 | 1,199,254 | 16,057,692 |
| Total liabilities | 171,837,723 | 9,391,897 | 181,229,620 |
| Capital stock | 1,641,293 | 366,000 | 2,007,293 |
| Capital surplus | 5,864,679 | 146,591 | 6,011,270 |
| Retained earnings | 2,033,157 | 691,969 | 2,725,126 |
| Capital adjustments | 260,714 | (1,048) | 259,666 |
| Total shareholders equity | 9,799,843 | 1,203,512 | 11,003,355 |
| Total liabilities and shareholders equity | (Won) 181,637,566 | (Won) 10,595,409 | (Won) 192,232,975 |
| | Kookmin Bank | Kookmin Credit Card^{3*} | Total |
| Operating income (loss) | (Won) 478,392 | (Won) 301,213 | (Won) 779,605 |
| Non-operating income | 670,656 | 27,656 | 698,312 |
| Non-operating expenses ^{2*} | (1,885,784) | (18,646) | (1,904,430) |
| Net income (loss) before income tax | (736,736) | 310,223 | (426,513) |
| Income tax expense | 354,627 | (25,850) | 328,777 |
| Net income (loss) | (Won) (382,109) | (Won) 284,373 | (Won) (97,736) |

^{1*} Inter-company transactions have not been eliminated in the above summary balance sheets and statements of operations.

^{2*} The amount of investments accounted for under the equity method of accounting of Kookmin Credit Card Co., Ltd has been recognized by the Bank under securities and non-operating expenses.

^{3*} Balance sheet of Kookmin Credit Card Co., Ltd and its statements of operations is unaudited.

34. Statement of Cash Flows

Cash and cash equivalents as of December 31, 2003 and 2002 as presented in the statements of cash flows are as follows:

(in millions of Won)

| | <u>2003</u> | <u>2002</u> |
|--------------------------------------|------------------------|------------------------|
| Cash on hand | (Won) 2,945,921 | (Won) 2,392,346 |
| Cash in foreign currencies | 228,153 | 186,780 |
| Due from banks in Won | 2,763,457 | 1,532,179 |
| Due from banks in foreign currencies | 601,624 | 509,207 |
| | <u>6,539,155</u> | <u>4,620,512</u> |
| Restricted deposits | (2,767,398) | (1,519,931) |
| | <u>(Won) 3,771,757</u> | <u>(Won) 3,100,581</u> |

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002**

Major transactions that do not involve cash inflows and cash outflows for the year ended December 31, 2003, and 2002 are presented as follows:

(in millions of Won)

| | 2003 | 2002 |
|--|------------------|-----------|
| Change due to the merger with KB Credit Card Co., Ltd. | (Won) 10,595,409 | (Won) |
| Unrealized gains on investment securities | (122,888) | 86,164 |
| Capital increase due to debt-equity swap | | 234,100 |
| Capital increase due to stock dividend | | 89,900 |
| Change due to accounting under equity method | 6,996 | 4,562 |
| Write-off of loans | 4,773,212 | 1,527,311 |
| Decrease in loan from restructuring | (7,483) | 122,043 |
| Decrease in loan loss provision due to sales of non-performing loans | 60,401 | 65,174 |
| Conversion of loans into equity securities | 33,415 | 109,931 |

35. Business Segments

The following table shows the distribution of the Bank's operations by business segment as of and for the year ended December 31, 2003:

(in millions of Won)

| Account | Retail | Corporate | Capital | Credit Card | Others | Total |
|--------------------------|-------------------------|-------------------------|-------------------------|------------------------|------------------------|--------------------------|
| | Banking | Banking | Markets Activities | Operations | | |
| Loans | (Won) 79,284,676 | (Won) 45,208,573 | (Won) 4,823,406 | (Won) 9,056,594 | (Won) 1,557,803 | (Won) 139,931,052 |
| Securities | 27,636 | 4,626 | 27,380,911 | | 688,672 | 28,101,845 |
| Fixed assets | 1,678,217 | 498,068 | 170,695 | 364,654 | 307,922 | 3,019,556 |
| Other assets | 1,076,083 | 271,644 | 11,286,066 | 126,565 | 239,695 | 13,000,053 |
| Total assets | (Won) 82,066,612 | (Won) 45,982,911 | (Won) 43,661,078 | (Won) 9,547,813 | (Won) 2,794,092 | (Won) 184,052,506 |
| Operating revenue | (Won) 6,066,594 | (Won) 3,314,310 | (Won) 3,670,257 | (Won) 1,458,464 | (Won) 1,047,361 | (Won) 15,556,986 |

The following table shows the distribution of the Bank's operations by geographical market as of and for the year ended December 31, 2003:

(in millions of Won)

| Domestic | Overseas | Total |
|----------|----------|-------|
|----------|----------|-------|

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| | | | |
|--------------------------|--------------------------|------------------------|--------------------------|
| Loans | (Won) 139,313,903 | (Won) 617,149 | (Won) 139,931,052 |
| Securities | 28,076,373 | 25,472 | 28,101,845 |
| Fixed assets | 3,016,549 | 3,007 | 3,019,556 |
| Other assets | 12,529,873 | 470,180 | 13,000,053 |
| Total assets | (Won) 182,936,698 | (Won) 1,115,808 | (Won) 184,052,506 |
| Operating revenue | (Won) 15,494,187 | (Won) 62,799 | (Won) 15,556,986 |

Kookmin Bank**Notes to Non-Consolidated Financial Statements****December 31, 2003 and 2002****36. Final interim period performance**

Final interim performance for the three-month periods ended December 31, 2003 and 2002, are as follows:

(in millions of Won)

| | <u>2003</u> | <u>2002</u> |
|-------------------------|-----------------|-----------------|
| Operating income | (Won) 3,100,554 | (Won) 3,982,692 |
| Operating expense | 3,502,862 | 3,711,358 |
| Operating (loss) income | (402,308) | 271,334 |
| Net loss | (371,239) | (202,577) |
| Loss per share (in Won) | (1,131) | (635) |

37. Reclassification of Prior Financial Statement Presentation

Certain accounts of prior period financial statements have been reclassified to conform to the current year presentation. These reclassifications have no effect on previously reported net income or shareholders' equity.

38. Subsequent Event

On February 9, 2004, the Board of Directors approved the purchase of the assets and liabilities of Hanil Life Insurance Co. by the Bank through a Purchase and Acquisition (P&A) transaction. The terms and conditions of the P&A is to be determined in the future.

39. Approval of Financial Statements

The financial statements of the Bank, as of and for the year ended December 31, 2003, were approved by the board of directors on March 3, 2004.