

KOOKMIN BANK
Form 6-K
March 30, 2007
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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

For the month of March 2007

Kookmin Bank

(Translation of registrant's name into English)

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

(Address of principal executive office)

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

Form 20-F Form 40-F

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

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

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

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

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

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

Yes _____ No X

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Summary of 2006 Business Report for Fiscal Year 2006

On March 30, 2007, Kookmin Bank filed its business report for fiscal year 2006 (the Business Report) with the Financial Supervisory Commission of Korea and the Korea Exchange. This is a summary of the Business Report translated into English.

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

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

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1. Introduction to the Bank

1.1. Business Purposes

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

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

1.2. History

- n November 1, 2001
Incorporated and listed on the New York Stock Exchange

- n November 9, 2001
Listed on the Korea Stock Exchange

- n September 23, 2002
Integrated IT platforms of old Kookmin Bank and H&CB

- n December 4, 2002
Entered into a strategic alliance agreement with ING Bank N.V. Amsterdam, which replaced the prior investment agreement with H&CB

- n September 30, 2003
Completed the merger with Kookmin Credit Card

- n December 16, 2003
Completed a strategic investment in Bank Internasional Indonesia (BII) by investing in a 25% stake in Sorak Financial Holdings, a consortium with other investors

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December 19, 2003

Fully privatized through the entire disposition of Korean government's stake in Kookmin Bank

April 29, 2004

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

July 22, 2004

Entered into an alliance with China Construction Bank in connection with the foreign currency business

August 31, 2004

ING Bank N.V. Amsterdam entered into a contract with KB for a strategic investment in KB Life Insurance

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

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

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

n March 02, 2005
Opened KB Satellite Broad Casting System for the first time in Korea

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

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

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

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

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

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

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n April 3, 2006

Established 100% computerization of bank accounts for the first time among domestic financial institutions

n May 19, 2006

Entered into a share purchase agreement with respect to acquiring Korea Exchange Bank stock

n September 8, 2006

Implemented SOD (Segregation of Duties)

n November 23, 2006

Received termination notice with respect to Share Purchase Agreement relating to purchase of shares of Korea Exchange Bank

Table of Contents**1.3. Capital Structure****1.3.1. Common Shares**

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

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

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

With respect to the merger between Kookmin Bank and Kookmin Credit Card on September 30, 2003, Kookmin Bank issued an additional 8,120,431 common shares on October 1, 2003. Accordingly, as of December 31, 2006, a total of 336,379,116 common shares were issued.

Number of Shares

(Unit: shares)

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

Capital Increase

(Unit: Won, shares)

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

1.3.2. Treasury Stock

(Unit: shares)

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

Table of Contents**1.3.3. Employee Stock Ownership Association**

(Unit: shares)

| Type | Beginning Balance | | Ending Balance | | Remarks |
|-------------------------|-------------------|----------|----------------|---------------------|---------|
| | (January 1, 2006) | Increase | Decrease | (December 31, 2006) | |
| Registered common stock | 2,868,596 | | 78,317 | 2,790,279 | |
| Total | 2,868,596 | | 78,317 | 2,790,279 | |

1.4. Dividend

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

(Unit: in millions of Won unless indicated otherwise)

| | 2006 | 2005 | 2004 |
|---|--------------------|-----------|---------|
| Net (loss) income for the period | 2,472,111 | 2,252,218 | 360,454 |
| Diluted (loss) earnings per share (Won) | 7,349 ¹ | 6,977 | 1,176 |
| Total dividend amount | 1,227,784 | 184,889 | 168,574 |
| Dividend payout ratio (%) | 49.67 ² | 8.21 | 46.77 |
| Cash dividend per common share (Won) | 3,650 | 550 | 550 |
| Stock dividend per common share (%) | | | |
| Dividend per preferred share (Won) | | | |
| Dividend yield ratio (%) | 4.90 ³ | 0.72 | 1.42 |

¹ Earnings per share = net income (2,472,111,192,678 Won) / weighted average number of shares (336,373,095 shares).

² Dividend payout ratio = total dividend amount for common shares (1,227,783,773,400 Won) / net income (2,472,111,192,678 Won).

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

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

[Bank Account]

(Unit: in millions of Won)

| | December 31, 2006 | | December 31, 2005 | | December 31, 2004 | |
|----------------------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| | Average balance | Interest rate (%) | Average balance | Interest rate (%) | Average balance | Interest rate (%) |
| Won currency | | | | | | |
| Deposits | 111,324,234 | 2.91 | 114,394,983 | 2.82 | 118,017,849 | 3.29 |
| Certificate of deposit | 8,408,753 | 4.53 | 5,008,378 | 3.69 | 6,108,179 | 4.06 |
| Borrowings | 2,533,547 | 3.36 | 2,674,268 | 3.02 | 3,053,890 | 3.43 |
| Call money | 2,300,768 | 4.09 | 931,968 | 3.24 | 1,117,576 | 3.55 |
| Other | 28,332,243 | 5.13 | 24,315,388 | 5.08 | 23,376,439 | 5.61 |
| Subtotal | 152,899,545 | 3.43 | 147,324,985 | 3.23 | 151,673,933 | 3.68 |
| Foreign currency | | | | | | |
| Deposits | 1,489,895 | 2.37 | 1,473,811 | 1.61 | 1,777,402 | 0.61 |
| Borrowings | 3,635,918 | 3.41 | 3,231,480 | 2.06 | 2,796,300 | 0.94 |
| Call money | 527,600 | 4.74 | 285,573 | 3.48 | 145,809 | 1.43 |
| Finance debentures issued | 1,530,941 | 4.49 | 765,723 | 4.09 | 824,745 | 2.28 |
| Other | 59,296 | | 52,592 | | 40,383 | |
| Subtotal | 7,243,650 | 3.50 | 5,809,179 | 2.26 | 5,584,639 | 1.04 |
| Other | | | | | | |
| Total Shareholders Equity | 14,251,498 | | 11,369,246 | | 9,284,477 | |
| Allowances | 1,004,895 | | 677,036 | | 459,124 | |
| Other | 11,935,765 | | 12,041,392 | | 12,773,040 | |
| Subtotal | 27,192,158 | | 24,087,674 | | 22,516,641 | |
| Total | 187,335,353 | 2.94 | 177,221,838 | 2.76 | 179,775,213 | 3.14 |

Table of Contents**2. 1. 2. Use of Funds****[Bank Account]**

(Unit: in millions of Won)

| | December 31, 2006 | | December 31, 2005 | | December 31, 2004 | |
|-----------------------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| | Average balance | Interest rate (%) | Average balance | Interest rate (%) | Average balance | Interest rate (%) |
| Won currency | | | | | | |
| Due from banks | 190,902 | 3.66 | 304,662 | 2.97 | 184,593 | 0.83 |
| Securities | 31,437,266 | 4.25 | 27,676,964 | 4.58 | 23,930,678 | 5.14 |
| Loans | 120,688,857 | 6.44 | 120,539,476 | 6.24 | 125,504,672 | 6.64 |
| Advances for customers | 13,122 | 2.27 | 23,947 | 8.64 | 71,213 | 2.01 |
| Call loan | 823,293 | 4.25 | 1,473,725 | 3.43 | 1,661,772 | 3.78 |
| Private placement corporate bonds | 5,702,726 | 5.43 | 1,887,514 | 6.95 | 1,322,470 | 6.58 |
| Credit card accounts | 7,855,415 | 24.46 | 7,321,906 | 26.93 | 9,581,330 | 26.80 |
| Other | 328,681 | | 267,061 | | 172,783 | |
| Allowance for credit losses (-) | -2,377,086 | | -3,034,841 | | -3,844,940 | |
| Subtotal | 164,663,176 | 6.96 | 156,460,414 | 7.06 | 158,584,571 | 7.81 |
| Foreign currency | | | | | | |
| Due from banks | 486,764 | 4.31 | 598,015 | 2.88 | 632,526 | 1.34 |
| Securities | 793,181 | 6.78 | 858,565 | 6.15 | 1,208,124 | 3.88 |
| Loans | 6,561,903 | 4.06 | 4,745,013 | 2.97 | 4,011,351 | 2.73 |
| Call loan | 261,483 | 4.77 | 132,210 | 3.24 | 114,606 | 1.63 |
| Bills bought | 1,326,578 | 5.51 | 1,037,144 | 4.64 | 568,502 | 4.07 |
| Other | 1,798 | | 2,209 | | 4,812 | |
| Allowance for credit losses (-) | -65,952 | | -64,290 | | -94,501 | |
| Subtotal | 9,365,755 | 4.61 | 7,308,866 | 3.68 | 6,445,420 | 3.03 |
| Other | | | | | | |
| Cash | 966,002 | | 956,471 | | 965,852 | |
| Fixed assets held for business | 2,397,111 | | 2,508,879 | | 3,084,589 | |
| Other | 9,943,309 | | 9,987,208 | | 10,694,781 | |
| Subtotal | 13,306,422 | | 13,452,558 | | 14,745,222 | |
| Total | 187,335,353 | 6.35 | 177,221,838 | 6.38 | 179,775,213 | 7.00 |

Table of Contents**2.1.3. Fee Transactions**

(Unit: in millions of Won)

| | December 31, 2006 | December 31, 2005 | December 31, 2004 |
|----------------------------|----------------------|----------------------|----------------------|
| Fee Revenue (A) | | | |
| Won currency | | | |
| Guarantees | 6,245 | 5,336 | 4,957 |
| Commissions received | 950,789 | 804,933 | 776,852 |
| Credit card | 129,615 | 104,930 | 64,724 |
| National Housing Fund Mgt. | 171,811 | 179,540 | 160,874 |
| Foreign currency | | | |
| Guarantees | 5,662 | 4,227 | 2,593 |
| Others | 77,673 | 78,716 | 75,016 |
| Subtotal | 1,341,795 | 1,177,682 | 1,085,016 |
| Fee Expense (B) | | | |
| Won & foreign currency | | | |
| Commissions paid in Won | 178,499 | 119,539 | 98,392 |
| Credit card | 254,041 | 210,315 | 352,194 |
| Others | 31,860 | 22,692 | 20,169 |
| Subtotal | 464,400 | 352,546 | 470,755 |
| Fee Income (A-B) | 877,395 | 825,136 | 614,261 |

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

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

(Unit: in millions of Won)

| | December 31, 2006 | | December 31, 2005 | | December 31, 2004 | |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Average balance | Ending balance | Average balance | Ending balance | Average balance | Ending balance |
| Deposits in Won | | | | | | |
| Demand deposits | 16,896,730 | 20,179,569 | 14,985,812 | 17,946,067 | 12,994,946 | 14,338,784 |
| Time & savings deposits | 89,613,715 | 91,155,183 | 92,463,027 | 91,863,790 | 96,637,551 | 94,723,601 |
| Mutual installment deposits | 4,302,015 | 3,833,573 | 5,674,807 | 5,120,668 | 6,682,928 | 6,306,923 |
| Mutual installment for housing | 4,221,249 | 3,842,727 | 4,942,334 | 4,582,031 | 5,453,713 | 5,295,274 |
| Certificate of deposit | 8,408,753 | 9,579,701 | 5,008,378 | 5,389,543 | 6,108,179 | 4,911,891 |
| Subtotal | 123,442,462 | 128,590,753 | 123,074,358 | 124,902,099 | 127,877,317 | 125,576,473 |
| Deposits in foreign currency | 1,489,895 | 1,427,557 | 1,473,811 | 1,379,133 | 1,777,402 | 1,434,061 |
| Trust deposits | | | | | | |
| Money trust | 9,047,669 | 9,627,037 | 7,114,352 | 7,405,675 | 7,701,447 | 7,028,835 |
| Property trust | 8,491,099 | 6,631,376 | 11,032,320 | 9,854,012 | 16,297,382 | 12,534,329 |
| Subtotal | 17,538,768 | 16,258,413 | 18,146,672 | 17,259,687 | 23,998,829 | 19,563,164 |
| Total | 142,471,125 | 146,276,723 | 142,694,841 | 143,540,919 | 153,653,548 | 146,573,698 |

2.2.2. Average Deposit per Domestic Branch

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

(Unit: in millions of Won)

| | December 31, | December 31, | December 31, |
|------------------------|----------------|----------------|----------------|
| | 2006 | 2005 | 2004 |
| Deposits | 124,123 | 123,532 | 123,945 |
| Deposits in Won | 122,904 | 122,358 | 122,585 |

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

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

(Unit: in millions of Won)

| | December 31, 2006 | December 31, 2005 | December 31, 2004 |
|------------------------|----------------------|----------------------|----------------------|
| Deposits | 7,799 | 7,725 | 7,232 |
| Deposits in Won | 7,722 | 7,652 | 7,152 |

2.2.4. Loan Balances

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

(Unit: in millions of Won)

| | December 31, 2006 | | December 31, 2005 | | December 31, 2004 | |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Average balance | Ending balance | Average balance | Ending balance | Average balance | Ending balance |
| Loans in Won | 120,680,825 | 125,574,817 | 120,532,216 | 118,565,341 | 125,496,237 | 122,721,898 |
| Loans in foreign currency | 6,561,903 | 7,261,811 | 4,745,013 | 5,314,883 | 4,011,351 | 3,860,828 |
| Advances for customers | 13,122 | 19,209 | 23,947 | 11,321 | 73,801 | 32,120 |
| Subtotal | 127,255,850 | 132,855,837 | 125,301,176 | 123,891,545 | 129,581,389 | 126,614,846 |
| Trust account loans | 351,880 | 403,552 | 334,404 | 328,127 | 429,054 | 361,906 |
| Total | 127,607,730 | 133,259,389 | 125,635,580 | 124,219,672 | 130,010,443 | 126,976,752 |

2.2.5. Loan Balances as of December 31, 2006 by Maturity

(Unit: in millions of Won)

| | 1 year & Less | More than 1 year~ 3 years | More than 3 years~ 5 years | More than 5 years | Total |
|----------------------------------|-------------------|------------------------------|-------------------------------|-------------------|--------------------|
| Loans in Won | 60,010,249 | 21,902,081 | 7,246,749 | 36,415,738 | 125,574,817 |
| Loans in foreign currency | 4,509,568 | 1,524,912 | 848,196 | 379,135 | 7,261,811 |

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

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

(Unit: in millions of Won)

| | December 31, 2006 | December 31, 2005 | December 31, 2004 |
|--|----------------------|----------------------|----------------------|
| Loans to enterprise | | | |
| Loans for operations | 33,054,421 | 30,498,328 | 31,678,117 |
| Loans for facility | 6,103,249 | 5,073,050 | 6,286,747 |
| Loans to households | 46,509,920 | 42,771,264 | 42,790,337 |
| Loans to public sector & others | | | |
| Loans for operations | 894,178 | 643,141 | 673,456 |
| Loans for facility | 3,687 | 34,157 | 40,383 |
| Loans on property formation savings | 1,013 | 6,748 | 9,719 |
| Loans for housing | 39,007,176 | 39,535,441 | 41,234,086 |
| Inter-bank loans | | 1,274 | 6,114 |
| Others | 1,173 | 1,938 | 2,939 |
| Total | 125,574,817 | 118,565,341 | 122,721,898 |

2.2.7. Loan to Deposit Ratio¹

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

(Unit: in millions of Won, %)

| | December 31, 2006 | December 31, 2005 | December 31, 2004 |
|------------------------------------|----------------------|----------------------|----------------------|
| Loans (A) | 120,680,825 | 120,532,216 | 125,496,237 |
| Deposits (B) | 123,442,462 | 123,074,358 | 127,877,317 |
| Loan to deposit ratio (A/B) | 97.76 | 97.93 | 98.14 |

2.2.8. Guarantees

(Unit: in millions of Won)

| | December 31, 2006 | December 31, 2005 | December 31, 2004 |
|-------------------|----------------------|----------------------|----------------------|
| Determined | 2,704,307 | 1,789,560 | 975,788 |
| Contingent | 2,304,434 | 1,972,192 | 1,311,774 |
| Total | 5,008,741 | 3,761,752 | 2,287,562 |

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

Table of Contents**2.2.9. Securities Investment**

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

(Unit: in millions of Won)

| | December 31, 2006 | | December 31, 2005 | | December 31, 2004 | |
|---|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
| | Average balance | Ending balance | Average balance | Ending balance | Average balance | Ending balance |
| Securities in Won (Banking account) | | | | | | |
| Monetary stabilization bonds | 11,803,683 | 8,534,765 | 10,667,229 | 11,570,306 | 7,150,535 | 10,524,835 |
| Government and public bonds | 10,035,180 | 10,117,416 | 6,950,886 | 8,933,401 | 4,753,135 | 4,675,093 |
| Debentures | 11,847,016 | 14,140,083 | 7,334,555 | 9,184,403 | 7,013,765 | 6,152,749 |
| Stocks | 1,575,806 | 2,515,385 | 1,243,781 | 1,707,816 | 1,003,131 | 1,282,050 |
| Others | 1,878,308 | 744,895 | 3,368,027 | 2,105,354 | 5,332,583 | 5,583,538 |
| Subtotal | 37,139,993 | 36,052,544 | 29,564,478 | 33,501,280 | 25,253,149 | 28,218,265 |
| Securities in Won (Trust account) | | | | | | |
| Monetary stabilization bonds | 1,247,444 | 1,524,511 | 999,522 | 981,949 | 1,222,004 | 1,152,621 |
| Government and public bonds | 1,090,228 | 1,216,613 | 993,450 | 1,013,355 | 922,790 | 837,080 |
| Debentures | 1,937,309 | 1,815,093 | 1,979,588 | 2,017,298 | 2,363,630 | 2,312,459 |
| Stocks | 756,900 | 769,212 | 514,568 | 542,731 | 564,538 | 510,650 |
| Others | 3,837,714 | 2,873,202 | 2,745,143 | 3,311,235 | 2,101,832 | 2,324,393 |
| Subtotal | 8,869,595 | 8,198,631 | 7,232,271 | 7,866,568 | 7,174,794 | 7,137,203 |
| Securities in foreign currency (Trust Account) | 110,472 | 32,661 | 289,665 | 184,115 | 662,549 | 449,415 |
| Securities in foreign currency (Banking account) | | | | | | |
| Foreign securities | 559,343 | 613,078 | 579,561 | 525,892 | 894,722 | 745,352 |
| Off-shore foreign securities | 233,838 | 216,066 | 279,003 | 252,994 | 313,402 | 205,455 |
| Subtotal | 793,181 | 829,144 | 858,565 | 778,886 | 1,208,124 | 950,807 |
| Total | 46,913,241 | 45,112,980 | 37,944,979 | 42,330,849 | 34,298,616 | 36,755,690 |

2.2.10. Trust Account

(Unit: in millions of Won)

| | December 31, 2006 | | December 31, 2005 | | December 31, 2004 | |
|-------------------------|---------------------------|---------------|---------------------------|----------------|---------------------------|----------------|
| | Average amount trusted | Trust fees | Average amount trusted | Trust fees | Average amount trusted | Trust fees |
| Return-guaranteed trust | 325 | 11,295 | 335 | 43,088 | 369 | 8,365 |
| Performance trust | 17,538,443 | 67,209 | 18,146,337 | 77,756 | 23,998,460 | 93,856 |
| Total | 17,538,768 | 78,504 | 18,146,672 | 120,844 | 23,998,829 | 102,221 |

Table of Contents**2.2.11. Credit Card**

(Unit: in millions of Won unless indicated otherwise)

| | As of or for the years ended of indicated dates | | |
|--|---|-------------------|-------------------|
| | December 31, 2006 | December 31, 2005 | December 31, 2004 |
| Number of card holders (Person) | | | |
| Corporate | 173,190 | 159,047 | 182,109 |
| Individual | 8,883,738 | 9,342,552 | 11,362,173 |
| Number of merchants | 1,610,446 | 1,506,979 | 1,491,730 |
| Sales volume¹ | 63,929,192 | 62,475,085 | 66,918,805 |
| Fee revenue | 2,189,014 | 2,090,253 | 2,807,557 |

2.3. Branch Networks

As of December 31, 2006, we have 1,071 branches and 62 sub-branches in Korea, the largest number of branches among Korean commercial banks. 441 of our branches are located in Seoul.

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

¹ Includes lump-sum & installment purchase, cash advances, check card & purchasing card transactions

Table of Contents**2.4. Other Information for Investment Decision****2.4.1. BIS Risk-adjusted Capital Ratios**

(Unit: in millions of Won, %)

| | December 31, 2006 | December 31, 2005 | December 31, 2004 |
|---------------------------|----------------------|----------------------|----------------------|
| Risk-adjusted capital (A) | 18,751,151 | 15,682,535 | 13,334,531 |
| Risk-weighted assets (B) | 132,373,478 | 121,072,676 | 121,081,735 |
| BIS ratios (A/B) | 14.17 | 12.95 | 11.01 |

2.4.2. Non-Performing Loans¹

(Unit: in millions of Won unless indicated otherwise)

| December 31, 2006 | | December 31, 2005 | | Change | |
|-------------------|-----------------------|-------------------|-----------------------|----------|-----------------------|
| Amount | NPL to total loans | Amount | NPL to total loans | Amount | NPL to total loans |
| 1,295,915 | 0.85% | 1,946,362 | 1.42% | -650,447 | -0.57%p |

2.4.3. Loan Loss Allowances

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

(Unit: in millions of Won)

| | December 31, 2006 | December 31, 2005 | December 31, 2004 |
|------------------------------|----------------------|----------------------|----------------------|
| Loan losses allowance | | | |
| Domestic | 2,458,306 | 2,496,655 | 3,181,433 |
| Foreign | 4,772 | 4,122 | 4,662 |
| Total | 2,463,079 | 2,500,777 | 3,186,095 |
| Write-Off | 1,693,468 | 1,978,875 | 3,382,130 |

¹ Non-performing loans are defined as those loans that are past due more than 90 days or that are placed non-accrual status according to the Financial Supervisory Service's guidelines.

Table of Contents**2.4.4. Changes of Loan Loss Allowances for Recent Three Years¹**

(Unit: in millions of Won)

| | December 31, 2006 | December 31, 2005 | December 31, 2004 |
|----------------------------------|----------------------|----------------------|----------------------|
| Beginning balance | 2,453,275 | 3,118,775 | 3,910,044 |
| Net Write-Off | (1,034,059) | (1,726,632) | (3,859,517) |
| Write-Off | (1,680,331) | (2,002,336) | (3,382,130) |
| Recovery | 474,278 | 452,235 | 286,464 |
| Other | 171,994 | (176,531) | (763,851) |
| Provision for loan losses | 941,651 | 1,061,132 | 3,068,248 |
| Ending balance | 2,360,867 | 2,453,275 | 3,118,775 |

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

Table of Contents**3. Financial Information****3.1. Non-Consolidated Condensed Financial Statements**

(Unit: in millions of Won)

| | As of or for the year ended December 31, 2006 | As of or for the year ended December 31, 2005 |
|--|--|--|
| Cash and due from banks | 6,568,306 | 5,867,417 |
| Securities | 29,382,480 | 30,550,299 |
| Loans | 149,867,182 | 135,738,407 |
| Fixed assets | 2,509,374 | 2,436,702 |
| Other assets | 6,879,139 | 5,000,824 |
| Total assets | 195,206,481 | 179,593,649 |
| Deposits | 130,019,916 | 126,281,232 |
| Borrowings | 14,060,178 | 13,737,336 |
| Debentures | 24,982,506 | 16,547,987 |
| Other liabilities | 11,088,924 | 10,653,494 |
| Total liabilities | 180,151,524 | 167,220,049 |
| Capital stocks | 1,681,896 | 1,681,896 |
| Capital surplus | 6,258,297 | 6,254,786 |
| Retained earnings | 6,215,222 | 3,929,948 |
| Capital adjustments | 899,542 | 506,970 |
| Total shareholders equity | 15,054,957 | 12,373,600 |
| Liabilities and Shareholders Equity | 195,206,481 | 179,593,649 |
| Operating revenue | 19,308,604 | 17,855,258 |
| Operating income | 3,071,715 | 3,015,822 |
| Continuing (loss) income before | | |
| income taxes | 3,424,086 | 3,228,253 |
| Net (loss) income | 2,472,111 | 2,252,218 |

3.2. Other Financial Information

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

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4. Independent Public Accountant

4.1. Audit & Audit related Fees

Deloitte Anjin LLC has reviewed our financial statements for fiscal year 2006. The aggregate contract fee for the audit and review fees for the year 2006 is 1,350 million Won.

4.2. Non-Audit Services

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

(Unit: in millions of Won unless indicated otherwise)

| Year | Service description | Amount of payment |
|-------------|--|--------------------------|
| 2006 | - Issuance of comfort letter | 40 |
| | - Confirmation of BIS ratio and confirmation affirming that Kookmin Bank is not a Non-Financial Operator | 10 |
| 2005 | - LOC (Letter of Comfort) | 30 |
| 2004 | - Tax compliance | 230 |
| | - Due Diligence regarding the possible acquisition of DITC/ KITC | 300 |
| | - US GAAP calculation of provision for the third quarter of 2004 | 100 |
| | - US GAAP conversion for 2004 | USD 3,600 thousand |

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5. Corporate Governance and Affiliated Companies

5.1. Board of Directors & Committees under the Board

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

The board of directors resolves following matters:

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

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

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

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

5.2. Audit Committee

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

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general meeting of shareholders. The committee holds regular meetings every quarter and as-needed basis.

Table of Contents**5.3. Compensation to Directors****5.3.1. Compensation to Directors**

The following table shows information regarding the remuneration paid to the Directors in 2006.

(Unit: in millions of Won)

| | The aggregate remuneration paid (From Jan to Dec) | Limit for the remuneration resolved by shareholders meeting (For the year 2006) | Average amount of the payment per person (From Jan to Dec) |
|---|---|---|--|
| 1) Executive Directors | | | |
| (Except Chief Audit Executive and Non-executive Directors) | 3,242 | | 1,081 |
| 2) Non-executive Directors | | | |
| (Except members of Audit Committee) | 325 | 8,000 | 65 |
| 3) Members of Audit Committee | | | |
| (Including Chief Audit Executive) | 976 | | 221 |
| Total | 4,543 | 8,000 | 351 |

Table of Contents**5.3.2. Stock Option**

The following table is the breakdown of stock options Kookmin Bank has granted to the directors and employees as of December 31, 2006.

(Unit: in Won, shares)

| Grant date | Name of the grantee | Position when granted | Exercise period | | Exercise price | Number | Number of | Number of |
|------------|---------------------|-----------------------------------|-----------------|-----------|----------------|---------------------------------|-------------------|---------------------|
| | | | From | To | | of granted options ¹ | exercised options | exercisable options |
| 28-Feb-00 | Kuk Ju Kwon | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,800 | 4,800 | 0 |
| 28-Feb-00 | Joon Park | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,800 | 4,800 | 0 |
| 28-Feb-00 | Heung Soon Chang | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 2,486 | 2,486 | 0 |
| 28-Feb-00 | Moon Soul Chung | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 7,000 | 7,000 | 0 |
| 28-Feb-00 | Sung Hee Jwa | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,800 | 4,800 | 0 |
| 28-Feb-00 | Jan Op de Beeck | Director&Executive Vice President | 01-Mar-03 | 28-Feb-06 | 27,600 | 22,490 | 22,490 | 0 |
| 28-Feb-00 | Hack Yeon Jeong | Employee | 01-Mar-03 | 28-Feb-06 | 27,600 | 10,000 | 10,000 | 0 |
| 28-Feb-00 | Jong Hwan Byun | Employee | 01-Mar-03 | 28-Feb-06 | 27,600 | 10,000 | 10,000 | 0 |
| 28-Feb-00 | Sam Yung Lee | Employee | 01-Mar-03 | 28-Feb-06 | 27,600 | 6,821 | 6,821 | 0 |
| 28-Feb-00 | Won Gi Kim | Employee | 01-Mar-03 | 28-Feb-06 | 27,600 | 6,821 | 6,821 | 0 |
| 15-Mar-01 | Sang Hoon Kim | Chairman&CEO | 16-Mar-04 | 15-Mar-09 | 28,027 | 29,614 | 29,614 | 0 |
| 15-Mar-01 | Young Seok Kim | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 1,870 | 0 | 1,870 |
| 15-Mar-01 | In Kie Kim | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Ji Hong Kim | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Se Woong Lee | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Jong Min Lee | Chief Audit Executive | 16-Mar-04 | 15-Mar-09 | 28,027 | 14,807 | 2,807 | 12,000 |
| 15-Mar-01 | Seung Heon Han | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 1,870 | 0 | 1,870 |
| 15-Mar-01 | Duk Hyun Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 2,845 | 9,000 |
| 15-Mar-01 | Byung Sang Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 5,845 | 6,000 |
| 15-Mar-01 | Byung Jin Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 9,845 | 2,000 |
| 15-Mar-01 | Bock Woan Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Yoo Hwan Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Ok Hyun Yoon | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 7,845 | 4,000 |
| 15-Mar-01 | Dong Soon Park | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 2,961 | 0 |
| 15-Mar-01 | Hoo Sang Jang | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Sang Hoon Lee | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 1,961 | 1,000 |
| 15-Mar-01 | Jae In Suh | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Sung Hyun Chung | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Jong Hwa Lee | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 1,461 | 1,500 |
| 15-Mar-01 | Sang Won Lee | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Yun Keun Jung | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 592 | 0 |
| 15-Mar-01 | Joon Ho Park | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Sung Wan Choi | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 370 | 0 | 370 |
| 15-Mar-01 | Jeong Haing Lee | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Tae Joo Yoon | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 10 | 0 | 10 |
| 15-Mar-01 | Jang Hwan Bae | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 592 | 0 |
| 15-Mar-01 | Si An Her | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 370 | 0 | 370 |
| 15-Mar-01 | Seok Won Choi | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Yong Soo Shin | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 370 | 0 | 370 |
| 15-Mar-01 | Jun Bo Cho | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 592 | 0 |
| 15-Mar-01 | Byong Doo Ahn | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 592 | 0 |
| 15-Mar-01 | Ki Hyun Kim | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 592 | 0 |
| 15-Mar-01 | Sung Shin Cho | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |

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

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| Grant date | Name of the grantee | Position when granted | Exercise period | | price | Number of granted options ¹ | Number of exercised options | Number of exercisable options |
|------------|---------------------|--------------------------|-----------------|-----------|---------|--|-----------------------------|-------------------------------|
| | | | From | To | | | | |
| 15-Mar-01 | Young Mo Lee | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Sung Gil Lee | Employee | 16-Mar-04 | 15-Mar-09 | 28,027 | 370 | 0 | 370 |
| 22-Mar-01 | Cheol Ho Kim | Former KCC Officer | 23-Mar-04 | 22-Mar-11 | 71,538 | 4,429 | 0 | 4,429 |
| 22-Mar-01 | Jun Chae Song | Former KCC Officer | 23-Mar-04 | 22-Mar-11 | 71,538 | 6,644 | 0 | 6,644 |
| 22-Mar-01 | Myoung Woo Lee | Former KCC Officer | 23-Mar-04 | 22-Mar-11 | 71,538 | 4,429 | 0 | 4,429 |
| 22-Mar-01 | Han Kyoung Lee | Former KCC Officer | 23-Mar-04 | 22-Mar-11 | 71,538 | 6,644 | 0 | 6,644 |
| 24-Mar-01 | Jae Kyu Lee | Non Executive Director | 25-Mar-04 | 24-Mar-07 | 25,100 | 2,318 | 1,518 | 800 |
| 24-Mar-01 | Young Il Kim | Executive Vice President | 25-Mar-04 | 24-Mar-07 | 25,100 | 30,000 | 30,000 | 0 |
| 24-Mar-01 | Jong In Park | Executive Vice President | 25-Mar-04 | 24-Mar-07 | 25,100 | 19,333 | 11,500 | 7,833 |
| 24-Mar-01 | Gyu Ho Lee | Employee | 25-Mar-04 | 24-Mar-07 | 25,100 | 3,275 | 3,275 | 0 |
| 16-Nov-01 | Sang Hoon Kim | Chairman | 17-Nov-04 | 16-Nov-09 | 51,200 | 150,000 | 0 | 150,000 |
| 16-Nov-01 | Jung Tae Kim | President & CEO | 17-Nov-04 | 16-Nov-09 | 51,200 | 500,000 | 500,000 | 0 |
| 22-Mar-02 | Sun Jin Kim | Non Executive Director | 23-Mar-05 | 22-Mar-10 | 57,100 | 3,000 | 0 | 3,000 |
| 22-Mar-02 | Ji Hong Kim | Non Executive Director | 23-Mar-05 | 22-Mar-10 | 57,100 | 3,321 | 0 | 3,321 |
| 22-Mar-02 | Keun Shik Oh | Non Executive Director | 23-Mar-05 | 22-Mar-10 | 57,100 | 3,321 | 421 | 2,900 |
| 22-Mar-02 | Kyung Hee Yoon | Non Executive Director | 23-Mar-05 | 22-Mar-10 | 57,100 | 3,000 | 0 | 3,000 |
| 22-Mar-02 | Choul Ju Lee | Chief Audit Executive | 23-Mar-05 | 22-Mar-10 | 57,100 | 9,963 | 9,963 | 0 |
| 22-Mar-02 | Dong Soo Chung | Non Executive Director | 23-Mar-05 | 22-Mar-10 | 57,100 | 10,000 | 0 | 10,000 |
| 22-Mar-02 | Moon Soul Chung | Non Executive Director | 23-Mar-05 | 22-Mar-10 | 57,100 | 3,000 | 3,000 | 0 |
| 22-Mar-02 | Henry Cornell | Non Executive Director | 23-Mar-05 | 22-Mar-10 | 57,100 | 3,321 | 0 | 3,321 |
| 22-Mar-02 | Timothy Hartman | Non Executive Director | 23-Mar-05 | 22-Mar-10 | 57,100 | 3,321 | 0 | 3,321 |
| 22-Mar-02 | Byung Sang Kim | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 9,498 | 0 | 9,498 |
| 22-Mar-02 | Bock Woan Kim | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 13,339 | 0 | 13,339 |
| 22-Mar-02 | Ki Sup Shin | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 26,405 | 2,405 | 24,000 |
| 22-Mar-02 | Jong Kyoo Yoon | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 20,522 | 0 | 20,522 |
| 22-Mar-02 | Sung Hyun Chung | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 19,525 | 0 | 19,525 |
| 22-Mar-02 | Bong Hwan Cho | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 9,498 | 0 | 9,498 |
| 22-Mar-02 | Bum Soo Choi | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 13,339 | 3,339 | 10,000 |
| 22-Mar-02 | Ki Taek Hong | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 19,525 | 0 | 19,525 |
| 22-Mar-02 | Jong Young Yoon | Employee | 23-Mar-05 | 22-Mar-10 | 57,100 | 14,712 | 5,000 | 9,712 |
| 22-Mar-02 | Jae Il Song | Employee | 23-Mar-05 | 22-Mar-10 | 57,100 | 9,762 | 0 | 9,762 |
| 22-Mar-02 | Hyung Goo Sim | Employee | 23-Mar-05 | 22-Mar-10 | 57,100 | 14,712 | 0 | 14,712 |
| 22-Mar-02 | Jeong Haing Lee | Employee | 23-Mar-05 | 22-Mar-10 | 57,100 | 9,762 | 0 | 9,762 |
| 22-Mar-02 | Joon Sup Chang | Employee | 23-Mar-05 | 22-Mar-10 | 57,100 | 9,762 | 0 | 9,762 |
| 22-Mar-02 | Young No Lee | Employee | 23-Mar-05 | 22-Mar-10 | 57,100 | 14,712 | 0 | 14,712 |
| 22-Mar-02 | Dong Soon Park | Employee | 23-Mar-05 | 22-Mar-10 | 57,100 | 5,000 | 5,000 | 0 |
| 22-Mar-02 | Sung Bin Kim | Employee | 23-Mar-05 | 22-Mar-10 | 57,100 | 9,762 | 0 | 9,762 |
| 22-Mar-02 | Sung Bok Park | Employee | 23-Mar-05 | 22-Mar-10 | 57,100 | 14,712 | 0 | 14,712 |
| 22-Mar-02 | Yun Keun Jung | Employee | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Man Soo Song | Employee | 23-Mar-05 | 22-Mar-10 | 57,100 | 9,762 | 0 | 9,762 |
| 22-Mar-02 | Jeong Young Kim | Employee | 23-Mar-05 | 22-Mar-10 | 57,100 | 5,000 | 0 | 5,000 |
| 22-Mar-02 | Hack Yeon Jeong | Employee | 23-Mar-05 | 22-Mar-10 | 57,100 | 5,000 | 0 | 5,000 |
| 22-Mar-02 | Jong Hwan Byun | Employee | 23-Mar-05 | 22-Mar-10 | 57,100 | 5,000 | 0 | 5,000 |
| 22-Mar-02 | Jae Han Kim | Employee | 23-Mar-05 | 22-Mar-10 | 57,100 | 2,500 | 0 | 2,500 |
| 22-Mar-02 | Jong Ok Na | Employee | 23-Mar-05 | 22-Mar-10 | 57,100 | 2,500 | 0 | 2,500 |
| 29-Mar-02 | Boung Hak Kim | Former KCC Officer | 30-Mar-04 | 29-Mar-11 | 129,100 | 3,330 | 0 | 3,330 |
| 29-Mar-02 | Jang Ok Kim | Former KCC Officer | 30-Mar-04 | 29-Mar-11 | 129,100 | 3,330 | 0 | 3,330 |
| 29-Mar-02 | Sun Lee | Former KCC Officer | 30-Mar-04 | 29-Mar-11 | 129,100 | 3,330 | 0 | 3,330 |
| 26-Jul-02 | Donald H. MacKenzie | Executive Vice President | 27-Jul-05 | 26-Jul-10 | 58,800 | 23,899 | 0 | 23,899 |
| 21-Mar-03 | Ki Hong Kim | Non Executive director | 22-Mar-06 | 21-Mar-11 | 58,600 | 10,000 | 0 | 10,000 |
| 21-Mar-03 | Sun Jin Kim | Non Executive director | 22-Mar-06 | 21-Mar-11 | 43,800 | 6,678 | 0 | 6,678 |
| 21-Mar-03 | Eun Joo Park | Non Executive director | 22-Mar-06 | 21-Mar-11 | 42,200 | 3,351 | 0 | 3,351 |
| 21-Mar-03 | Kyung Bae Suh | Non Executive director | 22-Mar-06 | 21-Mar-11 | 42,200 | 3,351 | 0 | 3,351 |

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| Grant date | Name of the grantee | Position when granted | Exercise period | | price | Number of granted options ¹ | Number of exercised options | Number of exercisable options |
|------------|----------------------|---------------------------------|-----------------|-----------|----------------|--|-----------------------------|-------------------------------|
| | | | From | To | | | | |
| 21-Mar-03 | Cheol Soo Ahn | Non Executive director | 22-Mar-06 | 21-Mar-11 | 42,200 | 3,351 | 3,351 | 0 |
| 21-Mar-03 | Kyung Hee Yoon | Non Executive director | 22-Mar-06 | 21-Mar-11 | 43,800 | 6,678 | 0 | 6,678 |
| 21-Mar-03 | Moon Soul Chung | Non Executive director | 22-Mar-06 | 21-Mar-11 | 43,800 | 6,678 | 6,678 | 0 |
| 21-Mar-03 | Suk Yong Cha | Non Executive director | 22-Mar-06 | 21-Mar-11 | 58,600 | 10,000 | 10,000 | 0 |
| 21-Mar-03 | Bernard S. Black | Non Executive director | 22-Mar-06 | 21-Mar-11 | 43,800 | 6,678 | 0 | 6,678 |
| 21-Mar-03 | Richard Elliott Lint | Non Executive director | 22-Mar-06 | 21-Mar-11 | 43,800 | 6,678 | 0 | 6,678 |
| 21-Mar-03 | Sung Chul Kim | Executive Vice President | 22-Mar-06 | 21-Mar-11 | 35,500 | 9,443 | 4,443 | 5,000 |
| 21-Mar-03 | See Young Lee | Executive Vice President | 22-Mar-06 | 21-Mar-11 | 35,500 | 7,024 | 4,024 | 3,000 |
| 21-Mar-03 | Woo Jung Lee | Executive Vice President | 22-Mar-06 | 21-Mar-11 | 35,500 | 9,443 | 9,443 | 0 |
| 21-Mar-03 | Won Suk Oh | Employee | 22-Mar-06 | 21-Mar-11 | 35,500 | 9,730 | 0 | 9,730 |
| 21-Mar-03 | Sung Dae Min | Employee | 22-Mar-06 | 21-Mar-11 | 35,500 | 9,730 | 0 | 9,730 |
| 21-Mar-03 | Kyong Jae Jeong | Employee | 22-Mar-06 | 21-Mar-11 | 35,500 | 9,730 | 0 | 9,730 |
| 21-Mar-03 | Chul Hee Kim | Employee | 22-Mar-06 | 21-Mar-11 | 35,500 | 14,343 | 0 | 14,343 |
| 21-Mar-03 | In Do Lee | Employee | 22-Mar-06 | 21-Mar-11 | 35,500 | 9,730 | 0 | 9,730 |
| 21-Mar-03 | Maeng Soo Ryang | Employee | 22-Mar-06 | 21-Mar-11 | 35,500 | 9,730 | 0 | 9,730 |
| 27-Aug-03 | Jin Baek Cheong | Executive Vice President | 28-Aug-06 | 27-Aug-11 | 40,500 | 5,091 | 0 | 5,091 |
| 09-Feb-04 | Young Il Kim | Senior Executive Vice President | 10-Feb-07 | 09-Feb-12 | 46,100 | 7,125 | 0 | 7,125 |
| 09-Feb-04 | Sang Jin Lee | Senior Executive Vice President | 10-Feb-07 | 09-Feb-12 | 46,100 | 7,125 | 0 | 7,125 |
| 09-Feb-04 | Jeung Lak Lee | Senior Executive Vice President | 10-Feb-07 | 09-Feb-12 | 46,100 | 7,452 | 0 | 7,452 |
| 09-Feb-04 | Yun Keun Jung | Senior Executive Vice President | 10-Feb-07 | 09-Feb-12 | 46,100 | 5,000 | 0 | 5,000 |
| 09-Feb-04 | Kuk Shin Kang | Employee | 10-Feb-07 | 09-Feb-12 | 46,100 | 5,000 | 0 | 5,000 |
| 09-Feb-04 | Kyung Soo Kang | Employee | 10-Feb-07 | 09-Feb-12 | 46,100 | 3,837 | 0 | 3,837 |
| 09-Feb-04 | Yang Jin Kim | Employee | 10-Feb-07 | 09-Feb-12 | 46,100 | 5,000 | 0 | 5,000 |
| 09-Feb-04 | Dong Hwan Cho | Employee | 10-Feb-07 | 09-Feb-12 | 46,100 | 5,000 | 0 | 5,000 |
| 09-Feb-04 | Dong Sook Kang | Employee | 10-Feb-07 | 09-Feb-12 | 46,100 | 5,000 | 0 | 5,000 |
| 09-Feb-04 | Young Han Kim | Employee | 10-Feb-07 | 09-Feb-12 | 46,100 | 5,000 | 0 | 5,000 |
| 09-Feb-04 | De Oak Shin | Employee | 10-Feb-07 | 09-Feb-12 | 46,100 | 5,000 | 0 | 5,000 |
| 09-Feb-04 | Chang Ho Kim | Employee | 10-Feb-07 | 09-Feb-12 | 46,100 | 5,000 | 0 | 5,000 |
| 09-Feb-04 | Dal Soo Lee | Employee | 10-Feb-07 | 09-Feb-12 | 46,100 | 5,000 | 0 | 5,000 |
| 09-Feb-04 | Byong Doo Ahn | Employee | 10-Feb-07 | 09-Feb-12 | 46,100 | 5,000 | 0 | 5,000 |
| 23-Mar-04 | Young Soon Cheon | Non Executive Director | 24-Mar-07 | 23-Mar-12 | 48,500 | 5,000 | 0 | 5,000 |
| 23-Mar-04 | Dong Soo Chung | Non Executive Director | 24-Mar-07 | 23-Mar-12 | 48,500 | 5,000 | 0 | 5,000 |
| 23-Mar-04 | Wang Ha Cho | Non Executive Director | 24-Mar-07 | 23-Mar-12 | 48,800 | 5,000 | 0 | 5,000 |
| 23-Mar-04 | Woon Youl Choi | Non Executive Director | 24-Mar-07 | 23-Mar-12 | 48,800 | 5,000 | 0 | 5,000 |
| 23-Mar-04 | Jung Young Kang | Senior Executive Vice President | 24-Mar-07 | 23-Mar-12 | 47,200 | 10,000 | 0 | 10,000 |
| 01-Nov-04 | Chung Won Kang | President & CEO | 02-Nov-07 | 01-Nov-12 | X ₁ | 700,000 | 0 | 700,000 |
| 18-Mar-05 | Hyung Duk Chang | Chief Audit Executive | 19-Mar-08 | 18-Mar-13 | X ₂ | 30,000 | 0 | 30,000 |

¹ Exercise price = 37,600 Won × (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.

² Exercise price = 46,800 Won × (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.

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| Grant date | Name of the grantee | Position when granted | Exercise period | | Exercise price | Number of granted options ¹ | Number of exercised options | Number of exercisable options |
|------------|---------------------|---------------------------------|-----------------|-----------|----------------|--|-----------------------------|-------------------------------|
| | | | From | To | | | | |
| 18-Mar-05 | Kap Shin | Senior Executive Vice President | 19-Mar-08 | 18-Mar-13 | 46,800 | 30,000 | 0 | 30,000 |
| 18-Mar-05 | Dong Won Kim | Senior Executive Vice President | 19-Mar-08 | 18-Mar-13 | 46,800 | 30,000 | 0 | 30,000 |
| 18-Mar-05 | Yun Keun Jung | Senior Executive Vice President | 19-Mar-08 | 18-Mar-13 | 46,800 | 8,759 | 0 | 8,759 |
| 18-Mar-05 | Nam Sik Yang | Senior Executive Vice President | 19-Mar-08 | 18-Mar-13 | 46,800 | 30,000 | 0 | 30,000 |
| 18-Mar-05 | Hyo Sung Won | Senior Executive Vice President | 19-Mar-08 | 18-Mar-13 | 46,800 | 30,000 | 0 | 30,000 |
| 18-Mar-05 | Yong Kook Oh | Senior Executive Vice President | 19-Mar-08 | 18-Mar-13 | 46,800 | 30,000 | 0 | 30,000 |
| 18-Mar-05 | Sang Jin Lee | Senior Executive Vice President | 19-Mar-08 | 18-Mar-13 | 46,800 | 8,759 | 0 | 8,759 |
| 18-Mar-05 | Ahn Sook Koo | Senior Executive Vice President | 19-Mar-08 | 18-Mar-13 | 46,800 | 8,759 | 0 | 8,759 |
| 18-Mar-05 | Jung Young Kang | Senior Executive Vice President | 19-Mar-08 | 18-Mar-13 | 46,800 | 30,000 | 0 | 30,000 |
| 18-Mar-05 | Young Han Choi | Senior Executive Vice President | 19-Mar-08 | 18-Mar-13 | 46,800 | 30,000 | 0 | 30,000 |
| 18-Mar-05 | Dong Soo Choe | Senior Executive Vice President | 19-Mar-08 | 18-Mar-13 | 46,800 | 30,000 | 0 | 30,000 |
| 18-Mar-05 | Seong Kyu Lee | Senior Executive Vice President | 19-Mar-08 | 18-Mar-13 | 46,800 | 8,759 | 0 | 8,759 |
| 18-Mar-05 | Jun Bo Cho | Senior Executive Vice President | 19-Mar-08 | 18-Mar-13 | 46,800 | 8,759 | 0 | 8,759 |
| 18-Mar-05 | Jeong Min Kim | Senior Executive Vice President | 19-Mar-08 | 18-Mar-13 | 46,800 | 30,000 | 0 | 30,000 |
| 18-Mar-05 | Sung Soo Jung | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 4,379 | 0 | 4,379 |
| 18-Mar-05 | Hye Young Kim | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 4,379 | 0 | 4,379 |
| 18-Mar-05 | Ki Hyun Kim | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 4,379 | 0 | 4,379 |
| 18-Mar-05 | Jae Sam Jung | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Chang Ho Kim | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 4,379 | 0 | 4,379 |
| 18-Mar-05 | Dong Sook Kang | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 4,379 | 0 | 4,379 |
| 18-Mar-05 | De Oak Shin | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Dal Soo Lee | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Byong Doo Ahn | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 4,379 | 0 | 4,379 |
| 18-Mar-05 | Byung Kun Oh | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Won Sik Yeo | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Dong Su Ryo | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Kyoung Ho Lee | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Jeung Ho Lee | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Kwang Suk Lee | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Tae Gon Kim | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Hyeog Kwan Kwon | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Kyu Hyung Jung | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Dong Hwan Cho | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Man Hee Lee | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Il Soo Moon | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Yong Seung Lee | Employee | 19-Mar-08 | 18-Mar-13 | 46,800 | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Suk Yong Cha | Non Executive director | 19-Mar-08 | 18-Mar-13 | 61,000 | 5,091 | 0 | 5,091 |
| 18-Mar-05 | Ki Hong Kim | Non Executive director | 19-Mar-08 | 18-Mar-13 | 60,300 | 5,077 | 0 | 5,077 |

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| Grant date | Name of the grantee | Position when granted | Exercise period | | Exercise price | Number of granted options ¹ | Number of exercised options | Number of exercisable options |
|------------|---------------------|---------------------------------|-----------------|-----------|----------------|--|-----------------------------|-------------------------------|
| | | | From | To | | | | |
| 18-Mar-05 | Young Soon Cheon | Non Executive director | 19-Mar-08 | 18-Mar-13 | | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Dong Soo Chung | Non Executive director | 19-Mar-08 | 18-Mar-13 | X ² | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Chang Kyu Lee | Non Executive director | 19-Mar-08 | 18-Mar-13 | | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Hun Namkoong | Non Executive director | 19-Mar-08 | 18-Mar-13 | 61,000 | 5,091 | 0 | 5,091 |
| 18-Mar-05 | Doo Hwan Song | Non Executive director | 19-Mar-08 | 18-Mar-13 | | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Dam Cho | Non Executive director | 19-Mar-08 | 18-Mar-13 | X ² | 15,000 | 0 | 15,000 |
| 18-Mar-05 | Nobuya Takasugi | Non Executive director | 19-Mar-08 | 18-Mar-13 | | 15,000 | 0 | 15,000 |
| 27-Apr-05 | Kyung Wook Kang | Employee | 28-Apr-08 | 27-Apr-13 | 45,700 | 15,000 | 0 | 15,000 |
| 22-Jul-05 | Donald H. MacKenzie | Senior Executive Vice President | 23-Jul-08 | 22-Jul-13 | 49,200 | 30,000 | 0 | 30,000 |
| 23-Aug-05 | Youn Soo Kim | Executive Vice President | 24-Aug-08 | 23-Aug-13 | 53,000 | 15,000 | 0 | 15,000 |
| 24-Mar-06 | Dong Soo Chung | Non Executive director | 25-Mar-09 | 24-Mar-14 | | 20,000 | 0 | 20,000 |
| 24-Mar-06 | Doo Hwan Song | Non Executive director | 25-Mar-09 | 24-Mar-14 | | 10,000 | 0 | 10,000 |
| 24-Mar-06 | Chang Kyu Lee | Non Executive director | 25-Mar-09 | 24-Mar-14 | | 10,000 | 0 | 10,000 |
| 24-Mar-06 | Dam Cho | Non Executive director | 25-Mar-09 | 24-Mar-14 | | 10,000 | 0 | 10,000 |
| 24-Mar-06 | Nobuya Takasugi | Non Executive director | 25-Mar-09 | 24-Mar-14 | | 10,000 | 0 | 10,000 |
| 24-Mar-06 | Young Soon Cheon | Non Executive director | 25-Mar-09 | 24-Mar-14 | | 5,000 | 0 | 5,000 |
| 24-Mar-06 | Kee Young Chung | Non Executive director | 25-Mar-09 | 24-Mar-14 | | 30,000 | 0 | 30,000 |
| 24-Mar-06 | Bo Kyung Byun | Non Executive director | 25-Mar-09 | 24-Mar-14 | | 30,000 | 0 | 30,000 |
| 24-Mar-06 | Bae Kin Cha | Non Executive director | 25-Mar-09 | 24-Mar-14 | | 30,000 | 0 | 30,000 |
| 24-Mar-06 | Hyung Duk Chang | Chief Audit Executive | 25-Mar-09 | 24-Mar-14 | | 20,000 | 0 | 20,000 |
| 24-Mar-06 | Ki Hong Kim | Chief Executive Vice President | 25-Mar-09 | 24-Mar-14 | | 210,000 | 0 | 210,000 |
| 24-Mar-06 | Kap Joe Song | Senior Executive Vice President | 25-Mar-09 | 24-Mar-14 | | 45,000 | 0 | 45,000 |
| 24-Mar-06 | Dal Soo Lee | Senior Executive Vice President | 25-Mar-09 | 24-Mar-14 | | 20,000 | 0 | 20,000 |
| 24-Mar-06 | Won Sik Yeo | Senior Executive Vice President | 25-Mar-09 | 24-Mar-14 | | 20,000 | 0 | 20,000 |
| 24-Mar-06 | De Oak Shin | Senior Executive Vice President | 25-Mar-09 | 24-Mar-14 | X ³ | 20,000 | 0 | 20,000 |
| 24-Mar-06 | Choong Won Cho | Employee | 25-Mar-09 | 24-Mar-14 | | 30,000 | 0 | 30,000 |
| 24-Mar-06 | Yook Sang Kwon | Employee | 25-Mar-09 | 24-Mar-14 | | 30,000 | 0 | 30,000 |
| 24-Mar-06 | Haing Hyun Choi | Employee | 25-Mar-09 | 24-Mar-14 | | 30,000 | 0 | 30,000 |
| 24-Mar-06 | In Gyu Choi | Employee | 25-Mar-09 | 24-Mar-14 | | 30,000 | 0 | 30,000 |
| 24-Mar-06 | Kwang Chun Shon | Employee | 25-Mar-09 | 24-Mar-14 | | 30,000 | 0 | 30,000 |
| 24-Mar-06 | Han Mok Cho | Employee | 25-Mar-09 | 24-Mar-14 | | 30,000 | 0 | 30,000 |
| 24-Mar-06 | Soon Hyun Kim | Employee | 25-Mar-09 | 24-Mar-14 | | 30,000 | 0 | 30,000 |
| 24-Mar-06 | Seung Joo Baik | Employee | 25-Mar-09 | 24-Mar-14 | | 30,000 | 0 | 30,000 |
| 24-Mar-06 | Kwang Mook Park | Employee | 25-Mar-09 | 24-Mar-14 | | 30,000 | 0 | 30,000 |
| 24-Mar-06 | Se Yoon Hong | Employee | 25-Mar-09 | 24-Mar-14 | | 30,000 | 0 | 30,000 |
| 24-Mar-06 | Sang Rak Jang | Employee | 25-Mar-09 | 24-Mar-14 | | 30,000 | 0 | 30,000 |
| 24-Mar-06 | Jin Sun Paeng | Employee | 25-Mar-09 | 24-Mar-14 | | 30,000 | 0 | 30,000 |
| 24-Mar-06 | Shin Og Joo | Employee | 25-Mar-09 | 24-Mar-14 | | 30,000 | 0 | 30,000 |
| 24-Mar-06 | Young Hee Jeon | Employee | 25-Mar-09 | 24-Mar-14 | | 30,000 | 0 | 30,000 |
| 24-Mar-06 | Bae Young Lee | Employee | 25-Mar-09 | 24-Mar-14 | | 30,000 | 0 | 30,000 |

³ Exercise price = 75,200 Won x (1 + TRS of the three major competitors x 0.4)

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| Grant date | Name of the grantee | Position when granted | Exercise period | | Exercise price | Number of granted options ¹ | Number of exercised options | Number of exercisable options |
|--------------|---------------------|-----------------------|-----------------|-----------|----------------|--|-----------------------------|-------------------------------|
| | | | From | To | | | | |
| 28-Apr-06 | Young Mo Lee | Employee | 29-Apr-09 | 28-Apr-14 | X ₄ | 30,000 | 0 | 30,000 |
| 27-Oct-06 | Dong Hyun Ji | Employee | 28-Oct-09 | 27-Oct-14 | X ₅ | 20,000 | 0 | 20,000 |
| Total | | | | | | 4,047,090 | 761,522 | 3,285,568 |

⁴ Exercise price = 81,900 Won x (1 + TRS of the three major competitors x 0.4)

⁵ Exercise price = 76,600 Won x (1 + TRS of the three major competitors x 0.4)

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5.4. Affiliated Companies

5.4.1. List of Affiliates¹

Affiliated companies of Kookmin Bank and its ownership as of December 31, 2006 are as follows.

- n KB Investment Co., Ltd. (99.99%)

- n KB Asset Management Co., Ltd. (80.00%)

- n KB Real Estate Trust Co., Ltd. (99.99%)

- n KB Credit Information Co., Ltd. (99.73%)

- n KB Data Systems Corporation (99.99%)

- n KB Futures Co., Ltd. (99.98%)

- n KB Life Insurance Co., Ltd. (51.00%)

- n ING Life Korea Ltd. (20.00%)

- n Kookmin Bank International (London) Ltd. (100.00%)

- n Kookmin Bank Hong Kong Ltd. (100.00%)

- n Sorak Financial Holdings Pte. Ltd. (25.00%)

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

Table of Contents**6. Directors, Senior Management and Employees****6.1. Executive Directors**

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

The names and positions of our directors, and the number of shares of Kookmin Bank's common stock they own are set forth below as of December 31, 2006.

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

6.2. Non-Executive Directors

Our non-executive directors are selected based on the candidates' talents and skills in diverse areas, such as law, finance, economy, management and accounting. As of December 31, 2006, there were nine non-executive directors.

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

| Name | Date of Birth | Position | Common Stocks Owned |
|-------------------------|-------------------|-------------------------------|---------------------|
| Dong Soo Chung | 09/24/1945 | Non-Executive Director | 2,390 |
| Nobuya Takasugi | 09/03/1942 | Non-Executive Director | |
| Kee Young Chung | 09/07/1948 | Non-Executive Director | |
| Doo Hwan Song | 05/29/1949 | Non-Executive Director | |
| Chang Kyu Lee | 05/20/1950 | Non-Executive Director | |
| Dam Cho | 08/01/1952 | Non-Executive Director | |
| Bo Kyung Byun | 08/09/1953 | Non-Executive Director | |
| Baek In Cha | 07/23/1958 | Non-Executive Director | |
| Young Soon Cheon | 02/01/1961 | Non-Executive Director | 1,970 |

On March 21, 2007, Doo Hwan Song resigned his office before completing his term.

On March 23, 2007, the date of our Annual General Meeting of Shareholders for fiscal year 2006, Young Soon Cheon was retired and Jacques P.M. Kemp replaced Young Soon Cheon.

Table of Contents**6.3. Senior Management**

In addition to the executive directors who are also our executive officers, we currently have the following 13 executive officers as of December 31, 2006.

| Name | Date of Birth | Position | Common Shares Owned |
|---------------------|---------------|---------------------------------|---------------------|
| Nam Sik Yang | 05/08/1954 | Senior Executive Vice President | 582 |
| Won Sik Yeo | 01/30/1953 | Senior Executive Vice President | |
| Dal Soo Lee | 02/15/1952 | Senior Executive Vice President | |
| Yong Kook Oh | 09/30/1949 | Senior Executive Vice President | |
| Hyo Sung Won | 07/29/1960 | Senior Executive Vice President | |
| De Oak Shin | 01/09/1951 | Senior Executive Vice President | 8,618 |
| Jung Young Kang | 01/29/1951 | Senior Executive Vice President | |
| Young Han Choi | 09/24/1958 | Senior Executive Vice President | |
| Dong Soo Choe | 03/10/1955 | Senior Executive Vice President | |
| Jeong Min Kim | 05/08/1951 | Senior Executive Vice President | 94 |
| Donald H. MacKenzie | 12/20/1948 | Senior Executive Vice President | |
| Kap Joe Song | 07/20/1947 | Senior Executive Vice President | |
| Dong Won Kim | 03/01/1953 | Senior Executive Vice President | |

Since December 31, Nam Sik Yang, Jung Young Kang and Dong Soo Choe have retired and Dong Su Yeo, Hyeog Kwan Kwon, Kyoung Woo Nam and Jeung Ho Lee were newly appointed as senior executive vice presidents.

6.4. Employees

The following table shows the breakdown of our employees as of December 31, 2006.

(Unit: in millions of Won)

| | Number of Employees ¹ | | | Average Tenure of | Total Payment for year of 2006 ³ | Average Payment per Person |
|--------------|----------------------------------|--------------|---------------|---|--|-------------------------------|
| | Full-time | Contractual | Total | the Full-time Employees (years) ² | | |
| Male | 12,803 | 1,402 | 14,205 | 17 years and 6 months | 1,108,412 | 78.0 |
| Female | 4,369 | 6,280 | 10,649 | 14 years and 4 months | 547,306 | 51.4 |
| Total | 17,172 | 7,682 | 24,854 | 16 years and 8 months | 1,655,718 | 66.6 |

¹ Numbers of employees are calculated based on an arithmetic mean from January 31, 2006 to December 31, 2006, and do not include executive vice presidents, local employees in overseas branches and persons engaged in outsourced services.

² Based on only full-time employees as of December 31, 2006

³ Based on personnel expense and welfare cost as of December 31, 2006

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7. Major Stockholders and Related Party Transactions

7.1. Major Stockholders¹

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

(Unit: Shares, %)

| Name | Number of Shares of Common Stock | Percentage of Total Issued Shares |
|-------------------------------------|--|---|
| Citi Bank, N. A.² | 49,470,643 | 14.71 |
| Euro-Pacific Growth Fund | 18,377,910 | 5.46 |

¹ Information based on December 31, 2006

² Depositary under our ADR and GDR programs

Table of Contents**7.2. Investments in Affiliates¹**

(Unit: in millions of Won)

| Name | Relation with the Bank | Account | Beginning | | Ending | |
|---|---------------------------|--------------------------------|--------------------------|----------------------|---------------------------|--------|
| | | | Balance (Jan 1, 2006) | Increase Decrease | Balance (Dec 31, 2006) | |
| KB Real Estate Trust | Affiliate | Equity Securities of Affiliate | 79,999 | | | 79,999 |
| KB Investment | Affiliate | Equity Securities of Affiliate | 44,756 | | | 44,756 |
| KB Asset Management | Affiliate | Equity Securities of Affiliate | 30,670 | | | 30,670 |
| KB Futures | Affiliate | Equity Securities of Affiliate | 19,996 | | | 19,996 |
| KB Data Systems Corp. | Affiliate | Equity Securities of Affiliate | 7,999 | | | 7,999 |
| KB Credit Information | Affiliate | Equity Securities of Affiliate | 6,245 | | | 6,245 |
| KB Life Insurance | Affiliate | Equity Securities of Affiliate | 15,300 | | | 15,300 |
| Jooeun Industrial ¹ | Affiliate | Equity Securities of Affiliate | 9,999 | | | 9,999 |
| KLB Securities ¹ | Affiliate | Equity Securities of Affiliate | 24,274 | | | 24,274 |
| ING Life Korea | Affiliate | Equity Securities of Affiliate | 14,000 | | | 14,000 |
| Kookmin Bank Hong Kong Ltd. | Affiliate | Equity Securities of Affiliate | 20,260 | | 1,668 | 18,592 |
| Kookmin Bank International (London) Ltd. | Affiliate | Equity Securities of Affiliate | 34,935 | 1,547 | | 36,482 |

Based on par value

¹ Jooeun Industrial and KLB Securities are under liquidation procedures

Table of Contents**7.3. Related Party Transactions**

(Unit: in millions of Won unless indicated otherwise)

| Name | Relation with the Bank | Account | Transactions | | | Gains /Losses |
|------------------|--|-------------------|--------------|--------------|---------------|------------------|
| | | | Purchase | Disposal | Volume | |
| DSME Co. | Related party of Non-executive director, | | | | | |
| | Dong Soo Chung | Equity securities | 2,707 | 2,625 | 5,332 | 98 |
| LG International | Related party of Non-executive director, | | | | | |
| | Kee Young Chung | Equity securities | 4,929 | 4,929 | 9,858 | (391) |
| Total | | | 7,636 | 7,554 | 15,190 | (293) |

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SIGNATURES

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

Kookmin Bank
(Registrant)

Date: March 30, 2007

By: /s/ Kap Shin
(Signature)

Name: Kap Shin
Title: CFO / Senior EVP
Executive Director

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Exhibit 99.1

KOOKMIN BANK AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005 AND INDEPENDENT
AUDITORS' REPORT

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Independent Auditors Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of Kookmin Bank:

We have audited the accompanying consolidated balance sheet of Kookmin Bank (the Bank) and its subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years ended, all expressed in Korean Won. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain trust accounts whose principal or fixed rate of return is guaranteed by the Bank, KB Investment Co., Ltd., KB Data System Co., Ltd., KB Credit Information, and Kookmin Bank Int'l Ltd., which statements reflect total assets constituting 1.98 percent of consolidated total assets as of December 31, 2006 and total revenues constituting 1.67 percent of consolidated total revenues for the year then ended, and the financial statements of certain trust accounts whose principal or fixed rate of return is guaranteed by the Bank, KB Investment Co., Ltd., KB Data System Co., Ltd., KB Credit Information, NPC02-4 Kookmin Venture Fund and Kookmin Bank Int'l Ltd., which statements reflect total assets constituting 2.11 percent of consolidated total assets as of December 31, 2005 and total revenues constituting 1.63 percent of consolidated total revenues for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of such other auditors.

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 consolidated 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, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank and its subsidiaries as of December 31, 2006 and 2005, and the results of their operations, changes in shareholders' equity and their cash flows for the years then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

March 2, 2007

Notice to Readers

This report is effective as of March 2, 2007, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

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KOOKMIN BANK AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2006 AND 2005

| | 2006 | Korean Won (In millions) | 2005 |
|---|-------------------|-----------------------------|-------------------|
| ASSETS | | | |
| Cash and due from banks (Notes 4 and 21) | (Won) 6,688,977 | | (Won) 5,942,996 |
| Securities (Notes 5 and 21) | 32,588,135 | | 33,479,132 |
| Loans (Notes 6, 7, 8 and 21) | 150,017,861 | | 135,821,846 |
| Fixed assets (Note 9) | 2,512,885 | | 2,441,612 |
| Other assets (Note 10) | 7,107,020 | | 5,217,136 |
| | (Won) 198,914,878 | | (Won) 182,902,722 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| LIABILITIES: | | | |
| Deposits (Notes 11 and 21) | (Won) 133,296,975 | | (Won) 129,615,589 |
| Borrowings (Notes 12 and 21) | 13,804,393 | | 13,328,397 |
| Debentures (Notes 13 and 21) | 24,982,506 | | 16,547,987 |
| Other liabilities (Notes 14, 15, 16 and 17) | 11,702,943 | | 10,960,517 |
| | 183,786,817 | | 170,452,490 |
| SHAREHOLDERS' EQUITY (Notes 18 and 19): | | | |
| Common stock | 1,681,896 | | 1,681,896 |
| Capital surplus | 6,274,831 | | 6,269,599 |
| Retained earnings (Net income of (Won)2,458,260 million for the year ended December 31, 2006 and (Won)2,241,055 million for the year ended December 31, 2005) | 6,241,912 | | 3,967,535 |
| Capital adjustments | 885,141 | | 492,589 |
| Minority interests | 44,281 | | 38,613 |
| | 15,128,061 | | 12,450,232 |
| | (Won) 198,914,878 | | (Won) 182,902,722 |

See accompanying notes to consolidated financial statements.

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KOOKMIN BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

| | Korean Won | |
|--|--|--------------|
| | 2006 | 2005 |
| | (In millions except per share amounts) | |
| OPERATING REVENUE: | | |
| Interest income: | | |
| Interest on due from banks | (Won) 34,036 | (Won) 28,977 |
| Interest on securities | 1,505,053 | 1,260,527 |
| Interest on loans | 10,678,249 | 10,121,619 |
| Other interest income | 50,065 | 41,641 |
| | 12,267,403 | 11,452,764 |
| Commission income | 1,379,420 | 1,202,141 |
| Other operating income: | | |
| Gain on disposal of trading securities | 60,242 | 103,953 |
| Gain on valuation of trading securities | 9,076 | |
| Dividends on trading securities | 3,135 | 4,998 |
| Dividends on available-for-sale securities | 4,789 | 3,431 |
| Foreign exchange trading income | 245,217 | 253,907 |
| Fees and commissions from trust accounts | 125,786 | 110,507 |
| Gain on financial derivatives trading | 4,422,217 | 3,655,079 |
| Gain on valuation of financial derivatives (Note 20) | 935,246 | 1,153,294 |
| Gain on valuation of fair value hedged items (Notes 11, 13 and 20) | 35,828 | 56,144 |
| Other operating income | 109,403 | 46,739 |
| | 5,950,939 | 5,388,052 |
| Insurance revenue | 386,944 | 244,001 |
| Total operating revenue | 19,984,706 | 18,286,958 |
| OPERATING EXPENSES: | | |
| Interest expenses: | | |
| Interest on deposits | 3,543,984 | 3,281,112 |
| Interest on borrowings | 658,232 | 384,892 |
| Interest on debentures | 1,139,073 | 1,034,472 |
| Other interest expenses | 50,757 | 30,650 |
| | 5,392,046 | 4,731,126 |
| Commission expense | 484,030 | 349,379 |
| Other operating expenses: | | |
| Loss on disposal of trading securities | 51,350 | 99,142 |
| Loss on valuation of trading securities | | 13,536 |

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| | | |
|--|------------|------------|
| Provision for possible loan losses (Note 8) | 1,028,465 | 1,029,445 |
| Provision for acceptance and guarantee losses | 8,931 | 9,008 |
| Foreign exchange trading losses | 296,771 | 237,443 |
| Loss on financial derivatives trading | 4,082,692 | 3,577,462 |
| Loss on valuation of financial derivatives (Note 20) | 1,015,782 | 1,096,714 |
| Loss on valuation of fair value hedged items (Notes 11, 13 and 20) | 31,517 | 1,336 |
| Other operating expenses | 802,196 | 800,340 |
| | 7,317,704 | 6,864,426 |
| General and administrative expenses (Note 22) | 3,304,474 | 3,031,958 |
| Insurance expense | 385,897 | 221,483 |
| Total operating expenses | 16,884,151 | 15,198,372 |

(Continued)

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KOOKMIN BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

| | Korean Won | |
|---|--|-----------------|
| | 2006 | 2005 |
| | (In millions except per share amounts) | |
| OPERATING INCOME | (Won) 3,100,555 | (Won) 3,088,586 |
| NON-OPERATING INCOME (Note 23) | 640,225 | 697,038 |
| NON-OPERATING EXPENSES (Note 23) | 299,727 | 526,598 |
| ORDINARY INCOME | 3,441,053 | 3,259,026 |
| EXTRAORDINARY ITEM | | |
| INCOME BEFORE INCOME TAX | 3,441,053 | 3,259,026 |
| INCOME TAX EXPENSE (Note 24) | 974,047 | 1,006,052 |
| NET INCOME BEFORE MINORITY INTERESTS | 2,467,006 | 2,252,974 |
| MINORITY INTERESTS, GAIN | 8,746 | 11,919 |
| NET INCOME | (Won) 2,458,260 | (Won) 2,241,055 |
| ORDINARY INCOME PER SHARE (In currency units) (Note 25) | (Won) 7,308 | (Won) 6,943 |
| NET INCOME PER SHARE (In currency units) (Note 25) | (Won) 7,308 | (Won) 6,943 |
| DILUTED ORDINARY INCOME PER SHARE (In currency units) (Note 25) | (Won) 7,308 | (Won) 6,938 |
| DILUTED NET INCOME PER SHARE (In currency units) (Note 25) | (Won) 7,308 | (Won) 6,938 |

See accompanying notes to consolidated financial statements.

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KOOKMIN BANK AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

| | Capital stock | Capital surplus | Retained earnings | Capital adjustments | Minority interests | Total |
|--|-----------------|-----------------|-------------------|---------------------|--------------------|------------------|
| January 1, 2005 | (Won) 1,681,896 | (Won) 6,238,284 | (Won) 1,897,164 | (Won) (583,783) | (Won) 27,640 | (Won) 9,261,201 |
| Net income | | | 2,241,055 | | | 2,241,055 |
| Dividends | | | (168,574) | | (1,872) | (170,446) |
| Change in treasury stock | | 25,075 | | 1,314,119 | | 1,339,194 |
| Loss on valuation of available-for-sale securities | | | | (201,484) | | (201,484) |
| Gain on valuation of held-to-maturity securities | | | | 426 | | 426 |
| Change due to the equity method | | | | (10,964) | | (10,964) |
| Stock options | | | | (25,725) | | (25,725) |
| Minority interests, gain | | | | | 11,919 | 11,919 |
| Sales of subsidiaries equity securities | | 10,966 | | | 4,200 | 15,166 |
| Change in retained earnings of subsidiaries | | | (88) | | | (88) |
| Change in retained earnings of the trust account | | | (2,024) | | | (2,024) |
| Change in subsidiaries | | 10 | | | (3,296) | (3,286) |
| Others | | (4,736) | 2 | | 22 | (4,712) |
| December 31, 2005 | (Won) 1,681,896 | (Won) 6,269,599 | (Won) 3,967,535 | (Won) 492,589 | (Won) 38,613 | (Won) 12,450,232 |
| January 1, 2006 | (Won) 1,681,896 | (Won) 6,269,599 | (Won) 3,967,535 | (Won) 492,589 | (Won) 38,613 | (Won) 12,450,232 |
| Net income | | | 2,458,260 | | | 2,458,260 |
| Dividends | | | (184,889) | | (4,729) | (189,618) |
| Change in treasury stock | | | | 9,660 | | 9,660 |
| Gain on sales of treasury stock | | 3,511 | | | | 3,511 |
| Gain on valuation of available-for-sale securities | | | | 373,255 | 1,434 | 374,689 |
| Loss on valuation of held-to-maturity securities | | | | (328) | | (328) |
| Change due to the equity method | | | | 13,853 | | 13,853 |
| Stock options | | | | (3,888) | | (3,888) |
| Minority interests, gain | | | | | 8,746 | 8,746 |
| Change in retained earnings of the trust account | | | 2,794 | | | 2,794 |
| Return of capital | | | | | (4,500) | (4,500) |
| Others | | 1,721 | (1,788) | | 4,717 | 4,650 |

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| | | | | | | |
|-------------------|-----------------|-----------------|-----------------|---------------|--------------|------------------|
| December 31, 2006 | (Won) 1,681,896 | (Won) 6,274,831 | (Won) 6,241,912 | (Won) 885,141 | (Won) 44,281 | (Won) 15,128,061 |
|-------------------|-----------------|-----------------|-----------------|---------------|--------------|------------------|

See accompanying notes to consolidated financial statements.

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KOOKMIN BANK AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

| | Korean Won | |
|---|-----------------|-----------------|
| | 2006 | 2005 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | (Won) 2,458,260 | (Won) 2,241,055 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Loss on disposal of trading securities | 51,350 | 99,142 |
| Provision for possible loan losses | 1,028,465 | 1,029,445 |
| Loss on financial derivatives trading | 4,082,692 | 3,577,462 |
| Loss on valuation of financial derivatives | 1,015,782 | 1,096,714 |
| Loss on valuation of fair value hedged items | 31,517 | 1,336 |
| Loss on valuation of securities accounted for using the equity method | 4,236 | 2,674 |
| Provision for severance benefits | 169,288 | 133,325 |
| Depreciation and amortization | 326,423 | 351,641 |
| Loss on disposal of available-for-sale securities | 15,416 | 20,240 |
| Loss on impairment of available-for-sale securities | 127,571 | 103,305 |
| Loss on disposal of tangible assets | 2,737 | 4,293 |
| Loss on sale of loans | 17,222 | 16,397 |
| Minority interests, gain | 8,746 | 11,919 |
| Gain on disposal of trading securities | (60,242) | (103,953) |
| Gain on valuation of trading securities | (9,076) | |
| Gain on financial derivatives trading | (4,422,217) | (3,655,079) |
| Gain on valuation of financial derivatives | (935,246) | (1,153,294) |
| Gain on valuation of fair value hedged items | (35,828) | (56,144) |
| Gain on valuation of securities accounted for using the equity method | (33,975) | (28,858) |
| Gain on disposal of available-for-sale securities | (201,319) | (342,549) |
| Gain on disposal of tangible assets | (10,931) | (11,433) |
| Gain on sale of loans | (37,311) | (81,866) |
| Others, net | 460,557 | 615,233 |
| | 1,595,857 | 1,629,950 |

(Continued)

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KOOKMIN BANK AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

| | Korean Won | |
|---|-----------------|-----------------|
| | 2006 | 2005 |
| Changes in assets and liabilities resulting from operations: | | |
| Net decrease in trading securities | (Won) 932,188 | (Won) 51,676 |
| Net decrease (increase) in accounts receivable | (1,710,289) | 1,884,330 |
| Net increase in accrued income | (160,775) | (32,607) |
| Net increase in prepaid expenses | (39,307) | (3,058) |
| Net decrease (increase) in deferred income tax assets | 337,051 | (2,637) |
| Net increase (decrease) in accounts payable | 1,509,988 | (1,883,649) |
| Net increase (decrease) in accrued expenses | (770,768) | 669,744 |
| Net increase (decrease) in advances from customers | (170,429) | 167,836 |
| Payment of severance benefits | (18,209) | (65,002) |
| Increase in severance insurance deposits | (99,557) | (43,250) |
| Others, net | 110,337 | 167,640 |
| | (79,770) | 911,023 |
| Net cash provided by operating activities | 3,974,347 | 4,782,028 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net increase in restricted due from banks | (1,060,524) | (429,288) |
| Net decrease in available-for-sale securities | 1,428,564 | 1,314,010 |
| Net increase in held-to-maturity securities | (713,092) | (3,939,145) |
| Net increase in securities accounted for using the equity method | (54,106) | (6,709) |
| Net increase in loans | (15,459,889) | (1,176,240) |
| Disposal of fixed assets | 24,286 | 28,525 |
| Purchase of fixed assets | (364,870) | (172,000) |
| Others, net | (329,756) | 9,261 |
| Net cash used in investing activities | (16,529,387) | (4,371,586) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net increase (decrease) in deposits | 3,677,600 | (515,019) |
| Net increase (decrease) in debentures | 8,388,146 | (5,304,797) |
| Net increase in borrowings | 574,944 | 4,079,434 |
| Net increase (decrease) in other liabilities | (216,690) | 1,789,360 |
| Others, net | (183,503) | (161,954) |
| Net cash provided by (used in) financing activities | 12,240,497 | (112,976) |
| DECREASE IN CASH DUE TO CHANGE IN SCOPE OF CONSOLIDATION | | (572) |
| NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS | (314,543) | 296,894 |
| CASH AND DUE FROM BANKS, BEGINNING OF YEAR | 3,683,815 | 3,386,921 |
| CASH AND DUE FROM BANKS, END OF YEAR (Note 28) | (Won) 3,369,272 | (Won) 3,683,815 |

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See accompanying notes to consolidated financial statements.

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KOOKMIN BANK AND ITS SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. GENERAL:

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

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

The Bank's shares have been listed on the Korea Stock Exchange since September 1994. As a result of the business combination with H&CB, the former shareholders of the Bank and H&CB received new common shares of the Bank on the basis of a pre-determined ratio. The new common shares of the Bank were listed on the Korea Stock Exchange on November 9, 2001. In addition, the Bank listed its American Depositary Shares ("ADS") on the New York Stock Exchange ("NYSE") as of November 1, 2001 following the consolidation with H&CB. H&CB listed its ADS on the NYSE as of October 3, 2000 prior to the business combination. As of December 31, 2006, the Bank's paid-in capital amounts to (Won)1,681,896 million.

The Bank is engaged in the banking, trust, credit card and other relevant businesses according to the provisions of the General Banking Act and the Trust Business Act, and Specialized Credit Financial Business Act, respectively. The Bank operates through 1,132 domestic branches and offices (excluding 216 automated teller machine stations) and three overseas branches (excluding two subsidiaries and one office) as of December 31, 2006.

2. SCOPE OF CONSOLIDATION AND EQUITY METHOD ACCOUNTING:

The consolidated financial statements include the Bank and trust accounts whose principal or fixed of return is guaranteed by the Bank and its wholly or partially owned subsidiaries.

Subsidiaries included in the consolidation and accounted for using the equity method as of December 31, 2006 were as follows:

| Subsidiaries | Closing date | No. of shares | Percentage of ownership | | Business |
|--------------------------|--------------|---------------|-------------------------|--|---|
| | | | (%) | | |
| Consolidated: | | | | | |
| KB Investment Co., Ltd. | December 31 | 8,951,293 | 99.99 | | Investing and financing to small and medium-sized enterprises |
| KB Futures Co., Ltd. | March 31 | 3,999,200 | 99.98 | | Deals with and brokerage services for futures transactions |
| KB Data System Co., Ltd. | December 31 | 799,960 | 99.99 | | |

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| | | | | |
|--------------------------------|-------------|------------|-------|--|
| | | | | Software services for the Bank and other companies |
| KB Real Estate Trust Co., Ltd. | December 31 | 15,999,930 | 99.99 | Development, management and brokerage services with regards to real estate and trust |

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| Subsidiaries | Closing date | No. of shares | Percentage of ownership (%) | Business |
|--|-----------------------|----------------------|------------------------------------|---|
| KB Asset Management Co., Ltd. | March 31 | 6,134,040 | 80.00 | Providing security investment trust services and investment consulting services |
| KB Credit Information Co., Ltd. | December 31 | 1,249,040 | 99.73 | Delinquent loan collection service and credit checking services |
| KB Life Insurance Co., Ltd. | March 31 | 3,060,000 | 51.00 | Insurance service |
| Kookmin Bank Int'l Ltd. (London) | December 31 | 20,000,000 | 100.00 | Commercial banking business and foreign exchange operation |
| Kookmin Bank Hong Kong Ltd. | December 31 | 2,000,000 | 100.00 | Commercial banking business and foreign exchange operation |
| NPC 02-4 Kookmin Venture Fund | December 31 | 105 | 50.00 | Investing and financing to small and medium-sized enterprises |
| Accounted for using the equity method: | | | | |
| ING Life Insurance Korea | March 31 | 1,400,000 | 20.00 | Insurance service |
| Balhae Infrastructure Fund (*2) | June 30 & December 31 | 4,486,305 | 12.61 | Investment in social overhead capital |
| Korea Credit Bureau Co., Ltd. (*3) | December 31 | 180,000 | 9.00 | Credit reporting and collection agency services |
| KLB Securities Co., Ltd. (*1) | December 31 | 4,854,713 | 36.41 | Securities related business |
| Jooeun Industrial Co., Ltd. (*1) | December 31 | 1,999,910 | 99.99 | House construction |
| Jeio Co., Ltd. (*6) | December 31 | 88,572 | 20.33 | Inspection of materials & manufacturing of measuring instruments |
| Kookmin Bank Singapore Ltd. (*1) | December 31 | 30,000,000 | 100.00 | Commercial banking business and foreign exchange operation |
| Kookmin Finance Asia Ltd. (HK) (*1) | December 31 | 700,000 | 100.00 | Commercial banking business and foreign exchange operation |
| Sorak Financial Holdings PTE Ltd. (Singapore) | December 31 | 1,422,216 | 25.00 | Investment |
| Pacific IT Investment Partnership (*1) | December 31 | 840 | 60.00 | Investing and financing to small and medium-sized enterprises |
| KB 06-1 Venture Investment Fund (*5) | December 31 | 375 | 75.00 | Investment in venture business |
| Kookmin China Fund No.1 (*4 & *7) | December 31 | 300 | 50.00 | Investment in venture business |
| KTTC Kookmin Venture Fund (*7) | December 31 | 200 | 20.00 | Investment in venture business |
| Kookmin Investment Partnership No.15 (*4 & *7) | June 30 | 17 | 34.00 | Investment in venture business |
| Kookmin Investment Partnership No.16 (*7) | July 31 | 184 | 20.00 | Investment in venture business |
| KB 03-1 Venture Investment Fund (*7) | December 31 | 250 | 16.67 | Investment in venture business |
| KB 03-1 Corporate Restructuring Fund (*7) | December 31 | 116 | 29.00 | Investment in venture business |
| NPC 05-6 Kookmin Venture Fund (*7) | December 31 | 500 | 20.00 | Investment in venture business |
| KB 06-1 Corporate Restructuring Fund (*7) | December 31 | 12 | 5.38 | Investment in venture business |
| NPS 06-5 KB Corporate Restructuring Fund (*7) | December 31 | 4,037,500,000 | 13.57 | Investment in venture business |

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Subsidiaries included in the consolidation and accounted for using the equity method as of December 31, 2005 were as follows:

| Subsidiaries | Closing date | No. of shares | Percentage of ownership(%) | Business |
|---|--------------|---------------|----------------------------|--|
| Consolidated: | | | | |
| KB Investment Co., Ltd. | December 31 | 8,951,293 | 99.99 | Investing and financing to small and medium-sized enterprises |
| KB Futures Co., Ltd. | March 31 | 3,999,200 | 99.98 | Deals with and brokerage services for futures transactions |
| KB Data System Co., Ltd. | December 31 | 799,960 | 99.99 | Software services for the Bank and other companies |
| KB Real Estate Trust Co., Ltd. | December 31 | 15,999,930 | 99.99 | Development, management and brokerage services with regards to real estate and trust |
| KB Asset Management Co., Ltd. | March 31 | 6,134,040 | 80.00 | Providing security investment trust services and investment consulting services |
| KB Credit Information Co., Ltd. | December 31 | 1,249,040 | 99.73 | Delinquent loan collection service and credit checking services |
| KB Life Insurance Co., Ltd. | March 31 | 3,060,000 | 51.00 | Insurance service |
| Kookmin Bank Int'l Ltd. (London) | December 31 | 20,000,000 | 100.00 | Commercial banking business and foreign exchange operation |
| Kookmin Bank Hong Kong Ltd. | December 31 | 2,000,000 | 100.00 | Commercial banking business and foreign exchange operation |
| NPC 02-4 Kookmin Venture Fund | December 31 | 150 | 50.00 | Investing and financing to small and medium-sized enterprises |
| Accounted for using the equity method: | | | | |
| ING Life Insurance Korea | March 31 | 1,400,000 | 20.00 | Insurance service |
| KLB Securities Co., Ltd. (*1) | December 31 | 4,854,713 | 36.41 | Securities related business |
| Joeeun Industrial Co., Ltd. (*1) | December 31 | 1,999,910 | 99.99 | House construction |
| Jeio Co., Ltd. (*6) | December 31 | 88,572 | 20.33 | Inspection of materials & manufacturing of measuring instruments |
| Kookmin Bank Singapore Ltd. (*1) | December 31 | 30,000,000 | 100.00 | Commercial banking business and foreign exchange operation |
| Kookmin Finance Asia Ltd. (HK) (*1) | December 31 | 700,000 | 100.00 | Commercial banking business and foreign exchange operation |
| Sorak Financial Holdings PTE Ltd. (Singapore) | December 31 | 1,422,216 | 25.00 | Investment |
| Pacific IT Investment Partnership (*1) | December 31 | 840 | 60.00 | Investing and financing to small and medium-sized enterprises |
| KIKO No.2 Venture Investment Partnership (*1) | June 30 | 310 | 68.89 | Investment in venture business |
| KIKO No.3 Venture Investment Partnership (*1) | June 30 | | 80.38 | Investment in venture business |
| Kookmin China Fund No.1 (*4 & *7) | December 31 | 300 | 50.00 | Investment in venture business |
| KTTC Kookmin Venture Fund (*7) | December 31 | 200 | 20.00 | Investment in venture business |
| Kookmin Investment Partnership No.15 (*7) | June 30 | 17 | 34.00 | Investment in venture business |
| Kookmin Investment Partnership No.16 (*7) | July 31 | 184 | 20.00 | Investment in venture business |
| KB 03-1 Venture Investment Fund (*7) | December 31 | 250 | 16.67 | Investment in venture business |
| KB 03-1 Corporate Restructuring Fund (*7) | December 31 | 116 | 29.00 | Investment in venture business |
| NPC 05-6 Kookmin Venture Fund (*7) | December 31 | 125 | 20.00 | Investment in venture business |

The Bank disposed of 49 percent shares of KB Life Insurance Co., Ltd. to ING Insurance International B.V. in 2005. In addition, Pacific IT Investment Partnership was excluded from consolidation since it went into the process of liquidation in December 2005.

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- (*1) Excluded from consolidation since it is in the process of liquidation.
(*2) The Bank may exercise its voting right at the board meeting or at an equivalent decision making body of the investee.
(*3) The Bank has significant influence in electing the board member who may participate in the decision making process relating to the financial and business policy of the investee.
(*4) Excluded from consolidation because total assets were less than (Won) 7 billion as of prior year's end date.
(*5) Excluded from consolidation because total assets were less than (Won) 7 billion as of organization date in this year.
(*6) Investment held by KB Investment Co., Ltd., a subsidiary of the Bank
(*7) Investment funds held by KB Investment Co., Ltd., a subsidiary of the Bank
- Certain trust accounts whose principal or fixed rate of return is guaranteed by the Bank are included in the consolidated financial statements in accordance with the accounting guidelines of the Financial Supervisory Commission in the Republic of Korea. The trust accounts as of December 31, 2006 and 2005 are as follows (Unit: In millions):

| | 2006 | | 2005 | |
|------------------|------------------|-------------------|------------------|-------------------|
| | Total assets | Operating revenue | Total assets | Operating revenue |
| Consolidated | (Won) 3,485,991 | (Won) 172,154 | (Won) 3,358,977 | (Won) 193,398 |
| Not consolidated | 13,167,897 | 572,865 | 14,718,792 | 1,047,214 |
| | (Won) 16,653,888 | (Won) 745,019 | (Won) 18,077,769 | (Won) 1,240,612 |

A summary of significant financial data of the Bank's subsidiaries, included in the consolidated financial statements as of and for the year ended December 31, 2006 is as follows (Unit: In millions):

| | Total assets | Capital stock | Shareholders equity | Operating revenue | Net income |
|----------------------------------|-----------------|---------------|---------------------|-------------------|------------|
| Trust accounts | (Won) 3,485,991 | (Won) | (Won) 58,623 | (Won) 172,154 | (Won) |
| KB Investment Co., Ltd. | 96,296 | 44,759 | 94,448 | 20,030 | 10,974 |
| KB Futures Co., Ltd. | 67,145 | 20,000 | 28,083 | 11,487 | 1,824 |
| KB Data System Co., Ltd. | 33,471 | 8,000 | 17,603 | 67,588 | 2,277 |
| KB Real Estate Trust Co., Ltd. | 206,392 | 80,000 | 99,539 | 66,122 | 18,424 |
| KB Asset Management Co., Ltd. | 92,220 | 38,338 | 81,589 | 44,826 | 23,636 |
| KB Credit Information Co., Ltd. | 43,938 | 6,262 | 35,409 | 71,532 | 7,329 |
| KB Life Insurance Co., Ltd. | 700,438 | 30,000 | 31,903 | 409,302 | 4,187 |
| Kookmin Bank Int'l Ltd. (London) | 315,938 | 36,482 | 56,496 | 20,634 | 3,736 |
| Kookmin Bank Hong Kong Ltd. | 395,935 | 18,592 | 72,130 | 27,568 | 7,963 |
| NPC 02-4 Kookmin Venture Fund | 24,852 | 21,000 | 24,612 | 5,459 | 3,790 |

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Consolidated Financial Statement Presentation

The Bank and its subsidiaries maintain their official accounting records in Korean Won (only domestic subsidiaries) and prepare statutory consolidated financial statements in the Korean language (Hangul) in conformity with the accounting principles and banking accounting standards generally accepted in the Republic of Korea. Certain accounting principles and banking accounting standards applied by the Bank and its subsidiaries that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles and banking accounting practices in other countries. Accordingly, these consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying consolidated financial statements have been condensed, restructured and translated

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into English (with certain expanded descriptions) from the Korean language consolidated financial statements. Certain information included in the Korean language consolidated financial statements, but not required for a fair presentation of the Bank and its subsidiaries' financial position, results of operations or cash flows, is not presented in the accompanying consolidated financial statements.

The significant accounting policies followed by the Bank and its subsidiaries in preparing the accompanying consolidated financial statements are summarized below:

Basis of Consolidated Financial Statements Preparation

(1) Offset of Investments and Equity Accounts of Subsidiaries

Investments in subsidiaries and equity accounts of subsidiaries were eliminated at the date when the Bank obtained control over the subsidiaries. The differences between the amounts of investment and the equity accounts are recorded as goodwill or negative goodwill, which is amortized or reversed using the straight-line method over five years. If additional shares are purchased after acquiring control, the difference between the additional acquisition cost and the portion of net assets acquired is credited or charged to capital surplus. If the acquisition date does not agree with the year-end balance sheet date of the subsidiary, the closest closing date to the acquisition date is regarded as the acquisition date.

(2) Inter-company Transactions and Balances

All inter-company transactions are eliminated in the consolidated financial statements.

(3) Disposition of Subsidiaries' Shares

If a subsidiary of the Bank is still subject to the scope of consolidation even after certain portions of shares are disposed to minority interests, gain/loss on disposal of investment securities is recognized as capital surplus. If a subsidiary of the Bank is subject to the equity method due to the disposition of securities, the investment account is recorded at net assets of subsidiaries at the time of disposition, net of unamortized goodwill or negative goodwill in the consolidated financial statements.

(4) Equity Method

For investments in affiliates accounted for using the equity method, the difference between acquisition cost and net assets acquired at the acquisition date is added to or deducted from the carrying amount of investments and is amortized in equal annual amounts for five years from the year incurred. Changes in the Bank's portion of net assets of affiliates accounted for using the equity method are added to or deducted from the carrying amount of investments.

(5) Balance Sheet Date for the Consolidated Financial Statements

Balance sheet date for the consolidated financial statements is the closing date of the Bank, the parent company. The accounts of consolidated subsidiaries whose fiscal years are different from that of the Bank have been adjusted to reflect balances as of the closing date of the Bank.

(6) Special Reserve in Trust Accounts

A special reserve provided for possible future losses on certain trust accounts under the arrangement of guaranteed fixed rate of return and/or repayment of the principal each year is included in retained earnings in the consolidated financial statements.

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(7) Minority Interests

Non-controlling, outside ownership interests in a subsidiary's shareholders' equity are presented as minority interests. Gain (loss) attributable to minority interests is presented as deduction from (addition to) consolidated net income.

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Table of Contents**Accounting Policies of Consolidated Entities**

The relevant laws and regulations applied to the consolidated entities are as follows:

| | Relevant laws and regulations |
|----------------------------------|--|
| The Bank | Accounting standards of banking industry & general banking act |
| Trust accounts | Trust business act |
| KB Investment Co., Ltd. | Act on support for foundation of small and medium-sized companies & loan specialization financial business act |
| KB Futures Co., Ltd. | Supervisory guidelines on futures trading |
| KB Real Estate Trust Co., Ltd. | Trust business act |
| KB Asset Management Co., Ltd. | Act on business of operating indirect investments and assets |
| KB Credit Information Co., Ltd. | Act on the use and protection of credit information |
| KB Life Insurance Co., Ltd. | Accounting standards of the insurance business & general insurance business act |
| Kookmin Bank Int 1 Ltd. (London) | Financial accounting standards in UK |
| Kookmin Bank Hong Kong Ltd. | Financial accounting standards in Hong Kong |

Interest Income Recognition

The Bank and its subsidiaries apply the accrual basis in recognizing interest income related to deposits, loans and securities, except for non-secured uncollectible receivables. Interest on loans, whose principal or interest is past due at the balance sheet date, is generally not accrued, with the exception of interest on certain loans secured by guarantee of governments or government agencies, or collateralized by bank deposits. When a loan is placed on non-accrual status, previously accrued interest is generally reversed and deducted from current interest income; and future interest income is recognized on cash basis in accordance with the banking industry accounting standards. As of December 31, 2006 and 2005, the principal amount of loans and securities of which the accrued interest income was not recorded in the accompanying consolidated financial statements based on the above criteria amounted to (Won)6,118,071 million and (Won)7,940,980 million, respectively, and the related accrued interest income not recognized amounted to (Won)533,546 million and (Won)481,240 million, respectively.

Classification of Securities

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

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

Valuation of Securities**(1) Valuation of Trading Securities**

Trading equity and debt securities are initially recognized at acquisition cost plus incidental expenses determined by the individual moving average method (the specified identification method for debt securities). When the face value of trading

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debt securities differs from their acquisition cost, the effective interest method is applied to amortize the difference over the remaining term of the securities. After initial recognition, if the fair value of trading securities differs from the book value, trading securities are stated at fair value and the resulting valuation gain or loss is included in current operations.

(2) Valuation of Available-for-sale Securities

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

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

(3) Valuation of Held-to-maturity Securities

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

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

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

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

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

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

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

(6) Reclassification of Securities

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

Transfer of Securities

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

Allowance for Possible Losses on Credits

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

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

Based on the Bank's corporate credit evaluation model, credits to a borrower are classified into 12 grades from AAA to D (AAA, AA, A, A -, BBB, BB, B, B -, CCC, CC, C and D). Credits of grades of AAA to B are classified as normal, credits of grade B - to CCC as precautionary, credits of grade CC as substandard, credits of grade C as doubtful and credits of grade D as estimated loss. Credits are finally classified reflecting past due period and bankruptcy considerations. An allowance is then calculated on the category balances using the prescribed percentages of 0.7 ~ 6.9 percent for normal, 7.0 ~ 19.9 percent for precautionary, 20.0 ~ 49.9 percent for substandard, 50.0 ~ 99.9 percent for doubtful and 100 percent for estimated loss. However, the Bank does not provide allowances for call loans, bonds bought under resale agreements and inter-bank loans that are classified as normal, as it is not required by the Accounting Standards for the Banking Industry.

In addition, as required by the Supervisory Regulation, based on the classification of household loans and credit card receivables by past due period and status of bankruptcy proceedings, allowance for household loans and credit card receivables are calculated on the category balances using the prescribed percentages of 1.0 ~ 9.9 percent and 1.5 ~ 14.9 percent for normal, 10.0 ~ 19.9 percent

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and 15 ~ 19.9 percent for precautionary, 20.0 ~ 54.9 and 20.0 ~ 59.9 percent for substandard, 55.0 ~ 99.9 percent and 60.0 ~ 99.9 percent for doubtful, and 100 percent for estimated loss.

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

Pursuant to the amended Supervisory Regulation, the Bank increased the minimum rate of loss provision for loans, confirmed acceptances and guarantees, unconfirmed acceptances and guarantees, notes endorsed, and unused credit line classified as normal and precautionary in 2006. The Bank also extended the scope of other allowances for the unused credit limit of credit card to the extent of the unused credit line of card holders with no record of credit card transaction for the past 1 year. Due to these changes, allowance for possible loan losses, allowance for possible losses on acceptances and guarantees, and other allowances for unused credit limit increased by (Won)397.6 billion, (Won)4.3 billion and (Won)227.9 billion, respectively, as of December 31, 2006, and net income for the year then ended decreased by (Won)456.6 billion.

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

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

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

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

Restructuring of Loans

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

Deferred Loan Origination Fees and Costs

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

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Valuation of Receivables and Payables at Present Value

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

Tangible Assets and Related Depreciation

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

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

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

Intangible Assets and Related Amortization

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

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

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

Valuation Allowance for Non-Business Use Property

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

Recognition of Impairment of Assets

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

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Amortization of Discounts (Premiums) on Debentures

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

Bonds under Resale or Repurchase Agreements

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

Contingent Liabilities

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

Accrued Severance Benefits

Employees and directors and temporary employees with at least one year of service as of December 31, 2006 are entitled to receive a lump-sum payment upon termination of their employment with the Bank and its subsidiaries, based on their length of service and rate of pay at the time of termination. The accrued severance benefits that would be payable assuming all eligible employees and directors were to resign are included in other liabilities.

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

Accounting for Derivative Instruments

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

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

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Accounting for Stock Options

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

National Housing Fund

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

Income Tax Expense

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

Accounting for Foreign Currency Transactions and Translation

The Bank and its domestic subsidiaries maintain their accounts in Korean Won. Transactions in foreign currencies are recorded in Korean Won based on the basic rate of exchange on the transaction date. The Korean Won equivalent of assets and liabilities denominated in foreign currencies are translated in these consolidated financial statements based on the basic rate ((Won)929.60 and (Won)1,013.00 to US\$ 1.00 at December 31, 2006 and 2005, respectively) announced by Seoul Money Brokerage Service, Ltd. or cross rates for other currencies other than U.S. Dollars at the balance sheet dates. Translation gains and losses are credited or charged to operations. Financial statements of overseas branches are translated based on the basic rate at balance sheet dates.

Summary of Accounting Policies for the Bank's Trust Accounts

(1) Valuation of Debt Securities

Debt securities included in performance-based trust accounts are generally recorded at acquisition costs, which include additional costs and deduct accrued interest income for the period before acquisition, and are classified into five categories to provide allowance for possible credit losses in accordance with the credit rates of bonds issued by each company. Debt securities included in base price-based trust accounts are estimated by applying the average of base prices per bond closing on recent trading day announced by Korea Bond Pricing Co., Ltd. and KIS Pricing, Inc.

(2) Allowance for Possible Credit Losses

An allowance for possible credit losses is provided for the assets, which were not marked to market, pursuant to the asset classification criteria promulgated by the FSC. Loans are classified as of the balance sheet date into normal, precautionary, substandard, doubtful or estimated loss. Allowance rate is as follows:

| | Household loans (%) | Corporate loans (%) |
|---------------|---------------------|---------------------|
| Normal | 1.00 | 0.70 |
| Precautionary | 10.00 | 7.00 |

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| | | |
|-------------|--------|--------|
| Substandard | 20.00 | 20.00 |
| Doubtful | 55.00 | 50.00 |
| Loss | 100.00 | 100.00 |

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(3) Special Reserve

Special reserve refers to the reserve accumulated upon acquisition of trust fee at 25 percent or more until the balance of special reserve reaches 5 percent of the trust accounts for the purpose of reserving unspecific trust accounts whose principle or income should be guaranteed. In cases where the principle of trust accounts needs to recover or the special reserve exceeds the limit, reversal of special reserve is recognized as income. When the purpose of special reserve no longer exists, it is recorded as trust fee.

Insurance Reserve of KB Life Insurance

KB Life Insurance provides various insurance reserves for payments, refunds, participating policyholders dividends and related cost in the future as follows:

- (1) Premium reserve is a net level premium reserve using interest and mortality assumptions used in computing cash surrender values.
- (2) Reserve for outstanding claims represents refunds, dividends and claims reported and unpaid as of the balance sheet date.
- (3) Unearned premium reserve represents the unearned portion of quarterly, semi-annual and annual premiums as of the balance sheet date.
- (4) Dividends held on deposit for policyholders represent amounts payable to policyholders due to interest rate difference guarantee, mortality gains, excess interest, expense gains and long-term contracts in accordance with the regulations or agreements.

Application of the Statements of Korea Accounting Standards

The Korea Accounting Standard Board (KASB) under the Korea Accounting Institute (KAI) issued the Statements of Korea Accounting Standards (SKAS) for achieving a set of Korean accounting standards that should be internationally acceptable and comparable based on SKAS Act 92. The Bank and its subsidiaries adopted SKAS No.1 (Accounting Changes and Error Corrections) through SKAS No. 17 (Provisions, Contingent Liabilities and Contingent Assets) (SKAS No. 11 and No. 14 excluded) as of or before December 31, 2005. SKAS No. 18 (Interests in Joint Ventures), No. 19 (Lease) and No. 20 (Related Party Disclosures) have been adopted since January 1, 2006.

Reclassification

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

4. CASH AND DUE FROM BANKS:

- (1) Cash and due from banks in Won and foreign currencies as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| | 2006 | 2005 |
|--------------------------------------|-----------------|-----------------|
| Cash and checks | (Won) 2,725,644 | (Won) 2,683,480 |
| Foreign currencies | 151,406 | 150,403 |
| Due from banks in Won | 3,273,175 | 2,519,991 |
| Due from banks in foreign currencies | 538,752 | 589,122 |
| | (Won) 6,688,977 | (Won) 5,942,996 |

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(2) Due from banks as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| Financial institution | Annual | | |
|--|-------------------|-----------------|-----------------|
| | interest rate (%) | 2006 | 2005 |
| Due from banks in Won: | | | |
| BOK | | (Won) 3,195,224 | (Won) 2,189,339 |
| Citibank and others | 0.00~4.95 | 29,982 | 312,128 |
| Good Morning Shinhan Securities Co., Ltd. and others | 0.00~2.00 | 47,969 | 18,524 |
| | | (Won) 3,273,175 | (Won) 2,519,991 |
| Due from banks in foreign currencies: | | | |
| BOK | | (Won) 75,026 | (Won) 46,501 |
| JP Morgan Chase Bank, N.A and others | 0.00~5.78 | 145,338 | 129,318 |
| Qingdao International and others | 5.47~5.81 | 318,388 | 413,303 |
| | | (Won) 538,752 | (Won) 589,122 |

(3) Restricted due from banks in Won and foreign currencies as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| Financial institution | 2006 | 2005 | Reason for restriction |
|---------------------------------------|-----------------|-----------------|--------------------------------|
| Due from banks in Won: | | | |
| BOK | (Won) 3,195,224 | (Won) 2,189,339 | BOK Act |
| Woori Bank and others | 4,902 | 4,337 | Escrow account/others |
| Korea Stock Exchange and others | 42,850 | 18,524 | Futures margin accounts/others |
| Due from banks in foreign currencies: | | | |
| BOK | 75,026 | 46,501 | BOK Act |
| J.P. Morgan Chase & Co. and others | 1,703 | 480 | Futures margin accounts/others |
| | (Won) 3,319,705 | (Won) 2,259,181 | |

(4) Due from banks by financial institution as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| Financial institution | 2006 | 2005 |
|---------------------------------------|-----------------|-----------------|
| Due from banks in Won: | | |
| BOK | (Won) 3,195,224 | (Won) 2,189,339 |
| Banks | 29,982 | 312,128 |
| Others | 47,969 | 18,524 |
| | 3,273,175 | 2,519,991 |
| Due from banks in foreign currencies: | | |
| BOK | 75,026 | 46,501 |
| Banks | 462,018 | 542,141 |

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| | | |
|--------|-----------------|-----------------|
| Others | 1,708 | 480 |
| | 538,752 | 589,122 |
| | (Won) 3,811,927 | (Won) 3,109,113 |

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

| | Due in 3 months or less | Due after 3 months through 6 months | Due after 6 months through 1 year | Due after 1 year through 3 years | More than 3 years | Total |
|---|------------------------------------|--|--|---|------------------------------|-----------------|
| Due from banks in Won | (Won) 3,247,984 | (Won) 9,098 | (Won) 5,677 | (Won) 101 | (Won) 10,315 | (Won) 3,273,175 |
| Due from banks in foreign currencies | 457,494 | 68,795 | 12,463 | | | 538,752 |
| | (Won) 3,705,478 | (Won) 77,893 | (Won) 18,140 | (Won) 101 | (Won) 10,315 | (Won) 3,811,927 |

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

| | Due in 3 months or less | Due after 3 months through 6 months | Due after 6 months through 1 year | Due after 1 year through 3 years | More than 3 years | Total |
|---|----------------------------|--|---|--|----------------------|-----------------|
| Due from banks in Won | (Won) 2,515,962 | (Won) | (Won) | (Won) 4,029 | (Won) | (Won) 2,519,991 |
| Due from banks in foreign currencies | 463,032 | 107,378 | 18,712 | | | 589,122 |
| | (Won) 2,978,994 | (Won) 107,378 | (Won) 18,712 | (Won) 4,029 | (Won) | (Won) 3,109,113 |

5. **SECURITIES:**

(1) Securities as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| | 2006 | 2005 |
|--|------------------|------------------|
| Trading securities | (Won) 5,552,542 | (Won) 6,462,928 |
| Available-for-sale securities | 15,781,733 | 16,590,377 |
| Held-to-maturity securities | 10,957,769 | 10,238,682 |
| Securities accounted for using the equity method | 296,091 | 187,145 |
| | (Won) 32,588,135 | (Won) 33,479,132 |

(2) The valuation of securities excluding securities accounted for using the equity method as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| Classification | 2006 | 2005 |
|-----------------------------|-----------------|-----------------|
| Trading securities: | | |
| Equity securities | (Won) 95,700 | (Won) 222,283 |
| Beneficiary certificates | 132,626 | 12,420 |
| Government and public bonds | 1,024,154 | 2,223,525 |
| Finance debentures | 2,904,756 | 2,621,036 |
| Corporate bonds | 1,288,437 | 1,178,968 |
| Asset-backed securities | 68,232 | 153,370 |
| Other debt securities | 38,637 | 51,326 |
| | (Won) 5,552,542 | (Won) 6,462,928 |

Available-for-sale securities:

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| | | |
|-------------------------------------|------------------|------------------|
| Equity securities | (Won) 2,026,551 | (Won) 1,204,586 |
| Equity investments | 4,544 | 5,458 |
| Beneficiary certificates | 608,242 | 2,077,992 |
| Government and public bonds | 3,243,747 | 2,766,824 |
| Finance debentures | 7,841,264 | 8,296,721 |
| Foreign government bonds | | 9,328 |
| Corporate bonds | 1,359,793 | 1,321,391 |
| Asset-backed securities | 680,782 | 899,990 |
| Other debt securities | 16,810 | 8,087 |
| | (Won) 15,781,733 | (Won) 16,590,377 |
| Held-to-maturity securities: | | |
| Government and public bonds | (Won) 6,645,027 | (Won) 4,609,874 |
| Finance debentures | 2,221,855 | 3,569,990 |
| Corporate bonds | 1,885,918 | 1,723,884 |
| Asset-backed securities | 204,969 | 334,934 |
| | (Won) 10,957,769 | (Won) 10,238,682 |

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The fair values of trading and available-for sale debt securities in Won were assessed by applying the average of base prices as of December 31, 2006, provided by the bond pricing service institutions.

The fair value of the available-for-sale non-marketable equity securities, such as Korea Housing Guarantee Co., Ltd. and 13 others, and the restricted available-for-sale marketable equity securities, such as Hyundai Engineering and Construction Co. and 5 others, were reliably measured by an independent appraisal institute using reasonable judgment. The fair value was determined based on more than one valuation models, such as Discounted Cash Flow (DCF) Model, Imputed Market Value (IMV) Model, Discounted Free Cash Flow to Equity (FCFE) Model, Dividend Discount Model (DDM) and Risk Adjusted Discounted Cash Flow Model depending on the equity securities.

- (3) Available-for-sale securities, which were not valued at fair value as of December 31, 2006 and 2005, were as follows (Unit: In millions, shares in thousands) :

| Company | 2006 | 2005 |
|---|---------------|---------------|
| Bad Bank Harmony (preferred stock) | (Won) 58,848 | (Won) 12,279 |
| Korea Asset Management Corp. | 15,667 | 15,667 |
| Samsung Life Insurance Co., Ltd. | 7,479 | 7,479 |
| Korea Highway Corp. | 6,248 | 6,248 |
| CLS | 5,128 | 5,191 |
| Korea Exchange | 3,000 | 3,000 |
| Kyobo Investment Trust Management Co., Ltd. | 2,100 | 2,100 |
| S&S Tech | 1,680 | 2,000 |
| Digital Optics | 1,785 | 1,785 |
| Others | 57,766 | 69,413 |
| | (Won) 159,701 | (Won) 125,162 |

The impairment loss and the reversal of impairment loss on available-for-sale securities recognized for the years ended December 31, 2006 and 2005 were as follows (Unit: In millions):

| | 2006 | | 2005 | |
|-------------------------|---------------|--------------|---------------|-------------|
| | Impairment | Reversal | Impairment | Reversal |
| Equity securities | (Won) 20,258 | (Won) 83,485 | (Won) 7,974 | (Won) 7,422 |
| Equity investments | 1 | | 3 | |
| Corporate bonds | | 958 | 448 | |
| Asset-backed securities | 107,312 | | 94,880 | |
| | (Won) 127,571 | (Won) 84,443 | (Won) 103,305 | (Won) 7,422 |

- (4) Structured notes relating to stock, interest rate and credit risk as of December 31, 2006 and 2005 were as follows (Unit: In millions):

| | 2006 | 2005 |
|---|--------------|----------|
| Structured notes relating to stock: | | |
| Convertible bonds | (Won) 24,771 | (Won) 66 |
| Structured notes relating to interest rate: | | |
| Long-term government bond FRN | 399,430 | 605,388 |

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| | | |
|---|---------------|---------------|
| Dual indexed FRN | 29,931 | 29,874 |
| Inverse FRN | 40,115 | 40,753 |
| Others | 110,236 | 110,225 |
| | 579,712 | 786,240 |
| Structured notes relating to Credit Synthetic CDO | 9,290 | |
| CLN | | 40,559 |
| | 9,290 | 40,559 |
| Bonds with embedded call option | 34,631 | 20,000 |
| | (Won) 648,404 | (Won) 846,865 |

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- (5) Private beneficiary certificates included in beneficiary certificates of trading securities and available-for-sale securities as of December 31, 2006 and 2005 were composed of (Unit: In millions):

| | 2006 | 2005 |
|------------------------------|---------------|-----------------|
| Stocks | (Won) 90,874 | (Won) 7,353 |
| Government and public bonds | 115,929 | 38,018 |
| Finance bonds | 359,282 | 1,340,390 |
| Corporate bonds in Won | 27,943 | 32,622 |
| Asset-backed debt securities | 10,000 | |
| Call loans | 48,091 | 203,892 |
| Others | 59,878 | 412,962 |
| Assets | 771,997 | 2,035,237 |
| Liabilities | 2,504 | 11,081 |
| | (Won) 709,493 | (Won) 2,024,156 |

- (6) The portfolio of securities excluding securities accounted for using the equity method, by industry, as of December 31, 2006 and 2005 was as follows (Unit: In millions):

| By industry | 2006 | | 2005 | |
|---|------------------|----------------|------------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Trading securities: | | | | |
| Government and government-invested public companies | (Won) 1,431,259 | 25.78 | (Won) 3,303,018 | 51.11 |
| Financial institutions | 3,394,235 | 61.13 | 2,372,811 | 36.71 |
| Others | 727,048 | 13.09 | 787,099 | 12.18 |
| | (Won) 5,552,542 | 100.00 | (Won) 6,462,928 | 100.00 |
| Available-for-sale securities: | | | | |
| Government and government-invested public companies | (Won) 4,024,007 | 25.50 | (Won) 3,549,345 | 21.39 |
| Financial institutions | 10,562,300 | 66.93 | 12,098,698 | 72.93 |
| Others | 1,195,426 | 7.57 | 942,334 | 5.68 |
| | (Won) 15,781,733 | 100.00 | (Won) 16,590,377 | 100.00 |
| Held-to-maturity securities: | | | | |
| Government and government-invested public companies | (Won) 8,411,000 | 76.76 | (Won) 6,303,760 | 61.57 |
| Financial institutions | 2,516,824 | 22.97 | 3,899,922 | 38.09 |
| Others | 29,945 | 0.27 | 35,000 | 0.34 |
| | (Won) 10,957,769 | 100.00 | (Won) 10,238,682 | 100.00 |

- (7) The portfolio of securities excluding securities accounted for using the equity method, by security type, as of December 31, 2006 and 2005 was as follows (Unit: In millions):

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| By type | 2006 | | 2005 | |
|---------------------|--------------|----------------|---------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Trading securities: | | | | |
| Stocks | (Won) 95,700 | 1.72 | (Won) 222,283 | 3.44 |
| Fixed rate bonds | 5,134,908 | 92.48 | 5,949,573 | 92.06 |
| Floating rate bonds | 150,671 | 2.71 | 227,326 | 3.52 |

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| By type | 2006 | | 2005 | |
|--------------------------|-----------------|----------------|-----------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Beneficiary certificates | 132,626 | 2.39 | 12,420 | 0.19 |
| Others | 38,637 | 0.70 | 51,326 | 0.79 |
| | (Won) 5,552,542 | 100.00 | (Won) 6,462,928 | 100.00 |

Available-for-sale securities:

| | | | | |
|--------------------------|------------------|--------|------------------|--------|
| Stocks | (Won) 2,026,551 | 12.84 | (Won) 1,204,586 | 7.26 |
| Fixed rate bonds | 11,783,898 | 74.67 | 11,530,670 | 69.50 |
| Floating rate bonds | 626,595 | 3.97 | 888,375 | 5.35 |
| Subordinated bonds | 690,028 | 4.37 | 872,813 | 5.26 |
| Convertible bonds | 24,771 | 0.16 | 66 | 0.00 |
| Beneficiary certificates | 608,242 | 3.85 | 2,077,992 | 12.53 |
| Others | 21,648 | 0.14 | 15,875 | 0.10 |
| | (Won) 15,781,733 | 100.00 | (Won) 16,590,377 | 100.00 |

Held-to-maturity securities:

| | | | | |
|---------------------|------------------|--------|------------------|--------|
| Fixed rate bonds | (Won) 10,893,121 | 99.41 | (Won) 10,048,668 | 98.14 |
| Floating rate bonds | 64,648 | 0.59 | 60,014 | 0.59 |
| Subordinated bonds | | | 130,000 | 1.27 |
| | (Won) 10,957,769 | 100.00 | (Won) 10,238,682 | 100.00 |

- (8) The portfolio of securities excluding securities accounted for using the equity method, by country, as of December 31, 2006 and 2005 was as follows (Unit: In millions):

| | 2006 | | 2005 | |
|---------------------------------------|------------------|----------------|------------------|----------------|
| | Amount | Percentage (%) | Amount | Percentage (%) |
| Trading securities: | | | | |
| Korea | (Won) 5,552,542 | 100.00 | (Won) 6,462,928 | 100.00 |
| Available-for-sale securities: | | | | |
| Korea | (Won) 15,681,746 | 99.37 | (Won) 16,474,585 | 99.30 |
| USA | 28,024 | 0.18 | 47,106 | 0.28 |
| Russia | 33,573 | 0.21 | 28,527 | 0.17 |
| Philippines | 378 | 0.00 | 9,675 | 0.06 |
| The Republic of South Africa | | | 6,240 | 0.04 |
| Others | 38,012 | 0.24 | 24,244 | 0.15 |
| | (Won) 15,781,733 | 100.00 | (Won) 16,590,377 | 100.00 |
| Held-to-maturity securities: | | | | |
| Korea | (Won) 10,957,769 | 100.00 | (Won) 10,238,682 | 100.00 |

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

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| | Due in 1 year or less | Due after 1 year through 5 years | Due after 5 years through 10 years | More than 10 years | Total |
|---------------------------------------|----------------------------------|---|---|-------------------------------|------------------|
| Available-for-sale securities: | | | | | |
| Fair value | (Won) 5,297,777 | (Won) 8,054,459 | (Won) 348,321 | (Won) 50,081 | (Won) 13,750,638 |
| Held-to-maturity securities: | | | | | |
| Book value | 3,225,573 | 5,276,946 | 2,450,602 | 4,648 | 10,957,769 |
| Fair value | 3,221,234 | 5,229,023 | 2,440,235 | 4,648 | 10,895,140 |

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

| | Due in 1 year or less | Due after 1 year through 5 years | Due after 5 years through 10 years | More than 10 years | Total |
|---------------------------------------|--------------------------|--|--|-----------------------|------------------|
| Available-for-sale securities: | | | | | |
| Fair value | (Won) 7,907,430 | (Won) 7,218,913 | (Won) 245,451 | (Won) 8,539 | (Won) 15,380,333 |
| Held-to-maturity securities: | | | | | |
| Book value | 2,273,148 | 6,706,498 | 1,259,036 | | 10,238,682 |
| Fair value | 2,269,042 | 6,594,898 | 1,195,982 | | 10,059,922 |

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

| | Book value before valuation | Increase (Decrease) | Dividend | Foreign currency translation gain (loss) | Equity gain (loss) on investment | Capital adjustments | Book value after valuation |
|--|-----------------------------------|------------------------|----------|---|--|------------------------|----------------------------------|
| Domestic stocks: | | | | | | | |
| ING Life Insurance Korea | (Won) 77,529 | (Won) | (Won) | (Won) | (Won) 31,308 | (Won) 14,750 | (Won) 123,587 |
| KLB Securities Co., Ltd. (*1)(*2) | | | | | | | |
| Jooeun Industrial Co., Ltd. (*1)(*2) | | | | | | | |
| Jeio Co., Ltd. | 761 | 70 | | | 50 | | 881 |
| Balhae Infrastructure Fund | | 45,126 | (11) | | 474 | | 45,589 |
| Korea Credit Bureau Co., Ltd. | | 4,500 | | | (1,203) | | 3,297 |
| | 78,290 | 49,696 | (11) | | 30,629 | 14,750 | 173,354 |
| Foreign stocks: | | | | | | | |
| Kookmin Bank Singapore Ltd. (*1) | 1,759 | | | (145) | | | 1,614 |
| Kookmin Finance Asia Ltd. (HK) (*1) | 246 | | | (20) | | | 226 |
| Sorak Financial Holdings PTE Ltd. | 82,401 | | (6,009) | (438) | 7,065 | 4,280 | 87,299 |
| | 84,406 | | (6,009) | (603) | 7,065 | 4,280 | 89,139 |
| Equity Investments: | | | | | | | |
| KICO No. 2 Venture Investment Partnership | 190 | (153) | | | (37) | | |
| KICO No. 3 Venture Investment Partnership | 147 | (117) | | | (30) | | |
| Pacific IT Investment Partnership (*1) | 4,950 | (1,496) | | | (1,496) | | 1,958 |
| KB06-1 Venture Investment Partnership | | 3,750 | | | (71) | | 3,679 |
| Kookmin China Fund No.1 | 2,074 | | | | 845 | | 2,919 |
| | 1,248 | | | | (327) | | 921 |

KTTC Kookmin Venture
Fund No.1

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| | Book value before valuation | Increase (Decrease) | Dividend | Foreign currency translation gain (loss) | Equity gain (loss) on investment | Capital adjustments | Book value after valuation |
|---------------------------------------|-----------------------------------|------------------------|---------------|---|--|------------------------|----------------------------------|
| Kookmin Investment Partnership No.15 | 363 | | | | (363) | | |
| Kookmin Investment Partnership No.16 | (Won) 49 | (Won) | (Won) | (Won) | (Won) (9) | (Won) | (Won) 40 |
| KB03-1 Venture Investment Fund | 2,618 | | | | 247 | 54 | 2,919 |
| KB03-1 Corporate Restructuring Fund | 11,681 | 58 | | | (66) | | 11,673 |
| NPC05-6 KB Venture Fund | 1,129 | 3,750 | | | (625) | | 4,254 |
| KB06-1 Corporate Restructuring Fund | | 1,200 | | | (9) | | 1,191 |
| NPS 06-5 Corporate Restructuring Fund | | 4,038 | | | 6 | | 4,044 |
| | 24,449 | 11,030 | | | (1,935) | 54 | 33,598 |
| | (Won) 187,145 | (Won) 60,726 | (Won) (6,020) | (Won) (603) | (Won) 35,759 | (Won) 19,084 | (Won) 296,091 |

(*1) KLB Securities Co., Ltd., Joeun Industrial Co., Ltd., Kookmin Bank Singapore Ltd., Kookmin Finance Asia, Ltd. (HK) and Pacific IT Investment Partnership are all in the process of liquidation.

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

| | Amount |
|----------------------------|--------------|
| KLB Securities Co., Ltd. | (Won) 4,148 |
| Joeun Industrial Co., Ltd. | 41,010 |
| | (Won) 45,158 |

Unaudited financial statements as of December 31, 2006 were used for the equity method valuation. There was no material exception as a result of analytical review, such as analysis of major accounts to assess reliability of those financial statements. However, in case of ING Life Insurance Korea and Sorak Financial Holdings PTE Ltd., the unaudited financial statements as of November 30, 2006 and Jeio Co., Ltd. of which unaudited financial statements as of June 30, 2006 were used for the equity method valuation. The significant events from the closing dates of the investees to that of the Bank were properly reflected in applying the equity method.

(11) Changes in the gain (loss) on valuation of available-for-sale securities, held-to-maturity securities and securities accounted for using the equity method reflected in capital adjustments for the year ended December 31, 2006 were as follows (Unit: In millions):

| | Beginning | Increase (Decrease) | Disposal | Ending |
|--|---------------|------------------------|----------------|---------------|
| Gain (loss) on valuation of available-for-sale securities: | | | | |
| Equity securities | (Won) 458,243 | (Won) 466,113 | (Won) (78,721) | (Won) 845,635 |
| Debt securities in Won | 26,623 | 2,791 | (6,745) | 22,669 |
| Debt securities in foreign currencies | 6,250 | 1,288 | (3,528) | 4,010 |

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| | | | | |
|---|----------------|---------------|-----------------|---------------|
| Beneficiary certificates | 16,918 | 4,834 | (16,702) | 5,050 |
| Others | 1,779 | 3,968 | (43) | 5,704 |
| | (Won) 509,813 | (Won) 478,994 | (Won) (105,739) | (Won) 883,068 |
| Gain on valuation of held-to-maturity securities: | | | | |
| Debt securities in Won | (Won) 426 | (Won) | (Won) (328) | (Won) 98 |
| Gain on valuation of securities accounted for using the equity method | (Won) (11,878) | (Won) 13,908 | (Won) (55) | (Won) 1,975 |

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

| Provided to | Book value | Collateral amount | Provided for |
|--------------------------------------|-------------------|--------------------------|--|
| Korea Securities Depository & others | (Won) 7,070,657 | (Won) 7,100,000 | Bonds sold under repurchase agreements |
| BOK | 725,902 | 725,700 | Borrowings from BOK |
| BOK | 330,294 | 330,600 | Overdrafts and settlement risk |
| Samsung Futures & others | 308,436 | 321,162 | Derivative settlement |
| Korea Securities Depository | 846 | 2,072 | Others |
| | (Won) 8,436,135 | (Won) 8,479,534 | |

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

| Provided to | Book value | Collateral amount | Provided for |
|--------------------------------------|-------------------|--------------------------|--|
| Korea Securities Depository & others | (Won) 6,571,036 | (Won) 6,570,000 | Bonds sold under repurchase agreements |
| BOK | 953,153 | 950,000 | Borrowings from BOK |
| BOK | 183,994 | 183,200 | Overdrafts and settlement risk |
| Samsung Futures & others | 265,582 | 274,511 | Derivative settlement |
| Korea Securities Depository | 1,880 | 1,880 | Others |
| | (Won) 7,975,645 | (Won) 7,979,591 | |

(13) Securities lent as of December 31, 2006 and 2005 were as follows (Unit: In millions):

| | 2006 | 2005 | Provided to |
|-----------------------------|---------------|---------------|--------------------------------------|
| Government and public bonds | (Won) 119,614 | (Won) 98,625 | Korea Securities Depository & Others |
| Finance bonds | 23,671 | 35,241 | Korea Securities Depository |
| | (Won) 143,285 | (Won) 133,866 | |

6. LOAN:

(1) Loans as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| | 2006 | 2005 |
|------------------------------------|-------------------|-------------------|
| Loans in Won | (Won) 125,965,932 | (Won) 118,833,268 |
| Loans in foreign currencies | 7,073,333 | 5,114,780 |
| Call loans | 1,188,790 | 1,535,088 |
| Bills bought in Won | 16,587 | 18,563 |
| Bills bought in foreign currencies | 1,273,579 | 1,377,574 |

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| | | |
|--|-------------------|-------------------|
| Advances for customers | 19,209 | 11,321 |
| Credit card receivables | 8,667,338 | 7,571,344 |
| Bonds purchased under resale agreements | 501,000 | |
| Private placed bonds | 7,505,514 | 3,735,217 |
| Factoring receivables | 30,948 | 32,044 |
| Loans for debt-equity swap | 1,968 | |
| | 152,244,198 | 138,229,199 |
| Allowance for possible loan losses | (2,364,675) | (2,459,378) |
| Deferred loan origination fees and costs | 138,338 | 52,025 |
| | (Won) 150,017,861 | (Won) 135,821,846 |

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(2) Loans in Won and loans in foreign currencies as of December 31, 2006 and 2005 were as follows (Unit: In millions):

| | | 2006 | 2005 |
|-------------------------------------|---|-------------------|------------------|
| Loans in Won: | | | |
| Commercial | Working capital loans | | |
| | General purpose loans | (Won) 27,163,769 | (Won) 24,560,515 |
| | Notes discounted | 697,235 | 1,106,112 |
| | Overdraft accounts | 285,928 | 279,864 |
| | Trading notes | 612,305 | 671,421 |
| | Others | 4,297,074 | 3,865,057 |
| | | 33,056,311 | 30,482,969 |
| | Facilities loans | | |
| | General facilities loans | 5,107,519 | 3,985,218 |
| | Others | 995,730 | 1,087,832 |
| | 6,103,249 | 5,073,050 | |
| | 39,159,560 | 35,556,019 | |
| Households | General purpose loans | 45,947,369 | 42,083,807 |
| | Housing loans | 39,007,176 | 39,535,455 |
| | Remunerations on mutual installment savings | 147,672 | 232,556 |
| | Others | 416,103 | 456,173 |
| | | 85,518,320 | 82,307,991 |
| Public sector | Public operation loans | 894,178 | 643,141 |
| | Public facilities loans | 3,687 | 34,157 |
| | | 897,865 | 677,298 |
| Other | Property formation loans | 1,013 | 6,748 |
| | Inter-bank loans | | 1,274 |
| | Others | 389,174 | 283,938 |
| | | 390,187 | 291,960 |
| | (Won) 125,965,932 | (Won) 118,833,268 | |
| Loans in foreign currencies: | | | |
| Domestic funding loans | (Won) 4,483,652 | (Won) 2,271,629 | |
| Overseas funding loans | 429,836 | 540,919 | |
| Inter-bank loans | 885,168 | 968,388 | |
| Domestic usance bills | 1,256,747 | 1,333,828 | |
| Government funding loans | 17,930 | 16 | |
| | (Won) 7,073,333 | (Won) 5,114,780 | |

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

| | Loans in Won | Loans in foreign currencies | Total | Percentage |
|-------------------------------|---------------------|--|-------------------|-------------------|
| | (Won) | (Won) | (Won) | (%) |
| Large corporations | 2,783,921 | 4,502,694 | 7,286,615 | 5.48 |
| Small and medium corporations | 36,389,373 | 1,431,075 | 37,820,448 | 28.43 |
| Households | 85,892,885 | 557 | 85,893,442 | 64.56 |
| Others | 899,753 | 1,139,007 | 2,038,760 | 1.53 |
| | (Won) 125,965,932 | (Won) 7,073,333 | (Won) 133,039,265 | 100.00 |

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Loans in Won and in foreign currencies classified by borrower type as of December 31, 2005 were as follows (Unit: In millions):

| | Loans in foreign | | | Total | Percentage (%) |
|-------------------------------|-----------------------|---------------------|-----------------|-------------------|----------------|
| | Loans in Won (Won) | currencies (Won) | Others (Won) | | |
| Large corporations | 3,492,586 | 2,861,491 | | 6,354,077 | 5.13 |
| Small and medium corporations | 32,073,976 | 1,745,842 | | 33,817,253 | 27.28 |
| Households | 82,589,408 | 57,566 | | 82,649,539 | 66.68 |
| Others | 677,298 | 449,881 | | 1,127,179 | 0.91 |
| | (Won) 118,833,268 | (Won) 5,114,780 | | (Won) 123,948,048 | 100.00 |

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

| | Loans in foreign | | | Total | Percentage (%) |
|---------------------------|-----------------------|---------------------|------------------|-------------------|----------------|
| | Loans in Won (Won) | currencies (Won) | Others (Won) | | |
| Korea | 125,965,932 | 6,795,000 | 19,180,958 | 151,941,890 | 99.81 |
| Southeast Asia | | 25,525 | 1 | 25,526 | 0.02 |
| China | | 7,019 | | 7,019 | 0.00 |
| Japan | | 172,447 | 78 | 172,525 | 0.11 |
| Central and South America | | 4,142 | 1 | 4,143 | 0.00 |
| USA | | 84 | 2,438 | 2,522 | 0.00 |
| Others | | 69,116 | 21,457 | 90,573 | 0.06 |
| | (Won) 125,965,932 | (Won) 7,073,333 | (Won) 19,204,933 | (Won) 152,244,198 | 100.00 |

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

| | Loans in foreign | | | Total | Percentage (%) |
|---------------------------|-----------------------|---------------------|-----------------|-------------|----------------|
| | Loans in Won (Won) | currencies (Won) | Others (Won) | | |
| Korea | 118,833,268 | 4,130,696 | 14,140,361 | 137,104,325 | 99.19 |
| Southeast Asia | | 89,578 | 161 | 89,739 | 0.06 |
| China | | 362,468 | 5,394 | 367,862 | 0.27 |
| Japan | | 270,131 | 72 | 270,203 | 0.19 |
| Central and South America | | 7,524 | 19 | 7,543 | 0.01 |
| Others | | 254,383 | 135,144 | 389,527 | 0.28 |

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(Won) 118,833,268 (Won) 5,114,780 (Won) 14,281,151 (Won) 138,229,199 100.00

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

| | Loans in | | | | Percentage (%) |
|-----------------------|-------------------|-----------------------|------------------|-------------------|-------------------|
| | Loans in Won | foreign currencies | Others | Total | |
| Corporations: | | | | | |
| Finance and insurance | (Won) 622,133 | (Won) 933,705 | (Won) 2,654,427 | (Won) 4,210,265 | 2.76 |
| Manufacturing | 11,149,215 | 2,523,800 | 3,479,136 | 17,152,151 | 11.27 |
| Services | 16,351,996 | 1,065,310 | 1,736,234 | 19,153,540 | 12.58 |
| Others | 11,782,755 | 2,543,211 | 3,452,402 | 17,778,368 | 11.68 |
| Households | 85,892,885 | 557 | 7,504,999 | 93,398,441 | 61.35 |
| Public sector | 166,948 | 6,750 | 377,735 | 551,433 | 0.36 |
| | (Won) 125,965,932 | (Won) 7,073,333 | (Won) 19,204,933 | (Won) 152,244,198 | 100.00 |

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

| | Loans in foreign currencies | | | | Others | Total | Percentage (%) |
|-----------------------|-----------------------------------|-----------------|------------------|-------------------|--------|--------|-------------------|
| | Loans in Won | | | | | | |
| Corporations: | | | | | | | |
| Finance and insurance | (Won) 1,053,608 | (Won) 1,030,854 | (Won) 2,171,125 | (Won) 4,255,587 | | 3.08 | |
| Manufacturing | 11,468,816 | 1,826,707 | 2,471,966 | 15,767,489 | | 11.40 | |
| Services | 19,171,675 | 1,103,640 | 1,631,518 | 21,906,833 | | 15.85 | |
| Others | 4,131,424 | 1,075,111 | 981,194 | 6,187,729 | | 4.48 | |
| Households | 82,589,408 | 60,131 | 6,525,160 | 89,174,699 | | 64.51 | |
| Public sector | 418,337 | 18,337 | 500,188 | 936,862 | | 0.68 | |
| | (Won) 118,833,268 | (Won) 5,114,780 | (Won) 14,281,151 | (Won) 138,229,199 | | 100.00 | |

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

| | Other financial | | |
|-----------------------------|-----------------|-----------------|-----------------|
| | Bank | institutions | Total |
| Loans in Won | (Won) 622,133 | (Won) 622,133 | (Won) 622,133 |
| Loans in foreign currencies | 885,168 | 48,537 | 933,705 |
| Others | 1,707,815 | 946,612 | 2,654,427 |
| | (Won) 2,592,983 | (Won) 1,617,282 | (Won) 4,210,265 |

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

| | Other financial | | |
|-----------------------------|-----------------|-----------------|-----------------|
| | Bank | institutions | Total |
| Loans in Won | (Won) 1,274 | (Won) 1,052,334 | (Won) 1,053,608 |
| Loans in foreign currencies | 968,388 | 62,466 | 1,030,854 |
| Others | 1,608,258 | 562,867 | 2,171,125 |
| | (Won) 2,577,920 | (Won) 1,677,667 | (Won) 4,255,587 |

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

| | Estimated | | | | | Total |
|--------------|-------------------|-----------------|---------------|---------------|---------------|-------------------|
| | Normal | Precautionary | Substandard | Doubtful | loss | |
| Loans in Won | (Won) 123,172,266 | (Won) 1,433,378 | (Won) 663,162 | (Won) 455,498 | (Won) 241,628 | (Won) 125,965,932 |

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| | | | | | | |
|--|-------------------|-----------------|---------------|---------------|---------------|-------------------|
| Loans in foreign currencies | 6,950,302 | 67,041 | 31,024 | 22,426 | 2,540 | 7,073,333 |
| Call loans | 1,188,790 | | | | | 1,188,790 |
| Bills bought | 1,287,162 | 2,338 | 283 | 297 | 86 | 1,290,166 |
| Advances for customers | 133 | 508 | 8,753 | 1,833 | 7,982 | 19,209 |
| Credit card receivables | 8,340,837 | 215,089 | 648 | 71,227 | 39,537 | 8,667,338 |
| Privately placed bonds | 7,502,997 | | 650 | 501 | 1,366 | 7,505,514 |
| Factoring receivables | 30,948 | | | | | 30,948 |
| Loans to be swapped to equity | | | | 1,968 | | 1,968 |
| Bond purchased under repurchase agreements | 501,000 | | | | | 501,000 |
| | (Won) 148,974,435 | (Won) 1,718,354 | (Won) 704,520 | (Won) 553,750 | (Won) 293,139 | (Won) 152,244,198 |

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

| | Estimated | | | | | |
|-----------------------------|-------------------|-----------------|---------------|---------------|---------------|-------------------|
| | Normal | Precautionary | Substandard | Doubtful | Loss | Total |
| Loans in Won | (Won) 113,982,969 | (Won) 2,785,459 | (Won) 937,841 | (Won) 759,151 | (Won) 367,848 | (Won) 118,833,268 |
| Loans in foreign currencies | 5,008,722 | 54,991 | 20,390 | 30,240 | 437 | 5,114,780 |
| Call loans | 1,535,088 | | | | | 1,535,088 |
| Bills bought | 1,389,027 | 5,009 | 136 | 288 | 1,677 | 1,396,137 |
| Advances for customers | 1,201 | 439 | 1,394 | 2,049 | 6,238 | 11,321 |
| Credit card receivables | 7,067,745 | 337,624 | 895 | 122,365 | 42,715 | 7,571,344 |
| Privately placed bonds | 3,732,376 | 967 | 1,874 | | | 3,735,217 |
| Factoring receivables | 30,990 | | 1,054 | | | 32,044 |
| | (Won) 132,748,118 | (Won) 3,184,489 | (Won) 963,584 | (Won) 914,093 | (Won) 418,915 | (Won) 138,229,199 |

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

| | Loans in foreign | | | |
|-------------------------------------|-------------------|-----------------|------------------|-------------------|
| | Loans in Won | currencies | Others | Total |
| Due in 3 months or less | (Won) 15,123,093 | (Won) 2,075,295 | (Won) 9,173,641 | (Won) 26,372,029 |
| Due after 3 months through 6 months | 14,837,742 | 1,200,831 | 1,226,602 | 17,265,175 |
| Due after 6 months through 1 year | 30,049,798 | 996,498 | 2,375,123 | 33,421,419 |
| Due after 1 year through 2 years | 10,139,427 | 347,781 | 2,653,941 | 13,141,149 |
| Due after 2 years through 3 years | 12,115,875 | 1,177,131 | 2,496,357 | 15,789,363 |
| Due after 3 years through 4 years | 4,858,755 | 208,298 | 227,055 | 5,294,108 |
| Due after 4 years through 5 years | 2,406,035 | 647,661 | 706,345 | 3,760,041 |
| More than 5 years | 36,435,207 | 419,838 | 345,869 | 37,200,914 |
| | (Won) 125,965,932 | (Won) 7,073,333 | (Won) 19,204,933 | (Won) 152,244,198 |

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

| | Loans in foreign | | | |
|-------------------------------------|------------------|-----------------|-----------------|------------------|
| | Loans in Won | currencies | Others | Total |
| Due in 3 months or less | (Won) 16,906,160 | (Won) 1,951,163 | (Won) 8,193,509 | (Won) 27,050,832 |
| Due after 3 months through 6 months | 16,040,966 | 990,574 | 731,458 | 17,762,998 |
| Due after 6 months through 1 year | 33,020,434 | 973,081 | 1,379,070 | 35,372,585 |
| Due after 1 year through 2 years | 13,694,750 | 236,686 | 1,042,520 | 14,973,956 |
| Due after 2 years through 3 years | 10,245,651 | 327,997 | 1,499,811 | 12,073,459 |
| Due after 3 years through 4 years | 4,320,143 | 77,561 | 42,542 | 4,440,246 |

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| | | | | |
|-----------------------------------|-------------------|-----------------|------------------|-------------------|
| Due after 4 years through 5 years | 5,269,801 | 250,403 | 191,646 | 5,711,850 |
| More than 5 years | 19,335,363 | 307,315 | 1,200,595 | 20,843,273 |
| | (Won) 118,833,268 | (Won) 5,114,780 | (Won) 14,281,151 | (Won) 138,229,199 |

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(9) Disposal of loans

The Bank disposed loans amounting to (Won)324,052 million of principal to KB 7th Securitization Specialty Co., Ltd., and recognized a gain of (Won)36,311 million for the year ended December 31, 2006. The Bank also disposed loans amounting to (Won)210,589 million of principal to KB 8th Securitization Specialty Co., Ltd., and recognized a loss of (Won)17,222 million for the year ended December 31, 2006.

In addition, the subsidiaries disposed loans and recognized a gain of (Won)1,000 million for the year ended December 31, 2006.

(10) Credit card receivables as collateral

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

(11) The changes in loan origination costs for the year ended December 31, 2006 were as follows (Unit: In millions):

| | Beginning | Increase | Decrease | Ending |
|------------------------|------------------|-----------------|-----------------|---------------|
| Loan origination costs | (Won) 52,025 | (Won) 113,141 | (Won) 26,828 | (Won) 138,338 |

7. **RESTRUCTURED LOANS:**

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

| | Amount before | Principal | Conversion to | Interest | Extension |
|-----------------------|----------------------|------------------|--------------------------|------------------|--------------------|
| | restructuring | exemption | equity securities | Reduction | of maturity |
| Composition | (Won) 6,178 | (Won) | (Won) | (Won) | (Won) 6,178 |
| Workout plan | 236,287 | 301 | 4,083 | 25,374 | 206,529 |
| Debt restructuring(*) | 894 | | | | 894 |
| | (Won) 243,359 | (Won) 301 | (Won) 4,083 | (Won) 25,374 | (Won) 213,601 |

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

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

| | Present value discounts | | | | Ending |
|--------------------|--------------------------------|----------------|-----------------|------------------|----------------|
| | Beginning | Balance | Addition | Deduction | balance |
| | Amount | balance | Addition | Deduction | balance |
| Court receivership | (Won) 9,336 | (Won) 2,035 | (Won) 1,034 | (Won) 2,035 | (Won) 1,034 |
| Composition | 13,143 | 2,238 | 1,689 | 2,652 | 1,275 |

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| | | | | | |
|--------------|---------------|--------------|--------------|--------------|--------------|
| Workout plan | 111,064 | 11,371 | 11,206 | 15,710 | 6,867 |
| Others | 32,470 | 4,371 | | 1,534 | 2,837 |
| | (Won) 166,013 | (Won) 20,015 | (Won) 13,929 | (Won) 21,931 | (Won) 12,013 |

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

Table of Contents8. ALLOWANCE FOR POSSIBLE LOAN LOSSES:

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

| | Estimated | | | | | |
|-----------------------------|-----------------|---------------|---------------|---------------|---------------|-----------------|
| | Normal | Precautionary | Substandard | Doubtful | Loss | Total |
| Loans in Won | (Won) 1,113,190 | (Won) 164,947 | (Won) 143,050 | (Won) 296,199 | (Won) 241,628 | (Won) 1,959,014 |
| Loans in foreign currencies | 42,740 | 5,739 | 13,582 | 14,811 | 2,540 | 79,412 |
| Bills bought | 9,020 | 259 | 57 | 182 | 86 | 9,604 |
| Advances for customers | 1 | 36 | 4,096 | 1,124 | 7,982 | 13,239 |
| Credit card receivables | 129,619 | 32,263 | 130 | 42,736 | 39,537 | 244,285 |
| Privately placed bonds | 52,486 | | 161 | 250 | 1,366 | 54,263 |
| Factoring receivables | 2,910 | | | | | 2,910 |
| Loans for debt-equity swap | | | | 1,948 | | 1,948 |
| | (Won) 1,349,966 | (Won) 203,244 | (Won) 161,076 | (Won) 357,250 | (Won) 293,139 | (Won) 2,364,675 |

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

| | Estimated | | | | | |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| | Normal | Precautionary | Substandard | Doubtful | Loss | Total |
| Loans in Won | (Won) 777,020 | (Won) 293,630 | (Won) 198,120 | (Won) 494,607 | (Won) 367,848 | (Won) 2,131,225 |
| Loans in foreign currencies | 23,303 | 2,504 | 5,891 | 19,044 | 437 | 51,179 |
| Bills bought | 6,943 | 228 | 27 | 180 | 1,677 | 9,055 |
| Advances for customers | 6 | 9 | 279 | 1,469 | 6,238 | 8,001 |
| Credit card receivables | 77,680 | 40,515 | 179 | 73,419 | 42,715 | 234,508 |
| Privately placed bonds | 19,765 | 217 | 918 | | | 20,900 |
| Factoring receivables | 4,299 | | 211 | | | 4,510 |
| | (Won) 909,016 | (Won) 337,103 | (Won) 205,625 | (Won) 588,719 | (Won) 418,915 | (Won) 2,459,378 |

Pursuant to the amended Supervisory Regulation, the Bank increased the minimum rate of loss provision for loans classified as normal and precautionary in 2006. Due to the change, allowance for possible loan losses increased by (Won)397.6 billion as of December 31, 2006.

(2) The changes in allowance for possible loan losses for the years ended December 31, 2006 and 2005 were as follows (Unit: In millions):

| | 2006 | 2005 |
|---|-----------------|-----------------|
| Beginning balance (*1) | (Won) 2,544,062 | (Won) 3,357,804 |
| Provision for possible loan losses | 1,028,465 | 1,029,445 |
| Reclassification from other allowances (*2) | 304,954 | 17,501 |
| Collection of previously written-off loans | 476,121 | 454,280 |
| Repurchase of NPLs sold | 5,897 | 15,863 |
| Sales of loans | (115,557) | (183,306) |
| Loans written-off | (1,695,859) | (2,141,773) |
| Conversion to equity securities | | (11,444) |
| Exemption of loans | (4,582) | (9,570) |

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| | | |
|--------------------------------------|-----------------|-----------------|
| Changes in exchange rates and others | (17,865) | 15,262 |
| Ending balance (*1) | (Won) 2,525,636 | (Won) 2,544,062 |

(*1) Allowance for possible loan losses includes present value discounts amounting to (Won)12,013 million and (Won)20,015 million as of December 31, 2006 and 2005, respectively, and allowances for other assets amounting to (Won)160,961 million and (Won)84,684 million, respectively.

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(*2) Other allowances for credit lines to Kookmin Card 16th Securitization Specialty Co., Ltd. and FNSTAR 3rd Securitization Special Co., Ltd. amounting to (Won)159,888 million and (Won)145,066 million, respectively, were transferred to allowances for loan losses for the year ended December 31, 2006. Other allowances for credit lines to Kookmin Card 16th Securitization Specialty Co., Ltd. amounting to (Won)17,501 million were transferred to allowances for loan losses for the year ended December 31, 2005.

(3) The allowance for possible losses on other assets as of December 31, 2006 and 2005 is summarized as follows (Unit: In millions):

| | 2006 | 2005 |
|---|---------------|--------------|
| Suspense receivables | (Won) 7,425 | (Won) 20,447 |
| Uncollected guarantee deposits for rent | 4,847 | 8,269 |
| Settlement costs for financial accident | 87,122 | 15,844 |
| Derivative instruments | 2,597 | 2,283 |
| Others | 58,970 | 37,841 |
| | (Won) 160,961 | (Won) 84,684 |

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

| | Loans | Allowance for possible loan losses | Percentage (%) |
|-------------------|-------------------|------------------------------------|----------------|
| December 31, 2006 | (Won) 152,244,198 | (Won) 2,364,675 | 1.55 |
| December 31, 2005 | 138,229,199 | 2,459,378 | 1.78 |
| December 31, 2004 | 138,919,914 | 3,131,099 | 2.25 |

9. **FIXED ASSETS:**

(1) Fixed assets as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| | 2006 | 2005 |
|--------------------------------|-----------------|-----------------|
| Tangible assets | (Won) 3,865,452 | (Won) 3,683,286 |
| Less: accumulated depreciation | (1,710,431) | (1,631,480) |
| accumulated impairment loss | (15,535) | (11,466) |
| Intangible assets | 373,069 | 400,919 |
| Non-business use property | 499 | 583 |
| Less: valuation allowance | (169) | (230) |
| | (Won) 2,512,885 | (Won) 2,441,612 |

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

| Acquisition cost | Accumulated depreciation | Accumulated impairment losses | Book value |
|------------------|--------------------------|-------------------------------|------------|
|------------------|--------------------------|-------------------------------|------------|

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| | | | | |
|--------------------------|-----------------|-----------------|--------------|-----------------|
| Land | (Won) 984,317 | (Won) | (Won) 7,115 | (Won) 977,202 |
| Buildings | 986,511 | 181,239 | 8,420 | 796,852 |
| Leasehold improvements | 234,976 | 179,053 | | 55,923 |
| Equipment and vehicles | 1,656,989 | 1,350,139 | | 306,850 |
| Construction in progress | 2,659 | | | 2,659 |
| | (Won) 3,865,452 | (Won) 1,710,431 | (Won) 15,535 | (Won) 2,139,486 |

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

| | Acquisition cost | Accumulated depreciation | Accumulated impairment losses | Book value |
|--------------------------|------------------|--------------------------|-------------------------------|-----------------|
| Land | (Won) 986,569 | (Won) | (Won) 7,109 | (Won) 979,460 |
| Buildings | 939,293 | 160,337 | 4,357 | 774,599 |
| Leasehold improvements | 191,799 | 146,703 | | 45,096 |
| Equipment and vehicles | 1,565,470 | 1,324,440 | | 241,030 |
| Construction in progress | 155 | | | 155 |
| | (Won) 3,683,286 | (Won) 1,631,480 | (Won) 11,466 | (Won) 2,040,340 |

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

| | Beginning | Acquisition | Replacement | Disposal | Depreciation | Impairment | Change in foreign currencies | Ending |
|--------------------------|-----------------|---------------|-------------|--------------|---------------|---------------|------------------------------|-----------------|
| Land | (Won) 979,460 | (Won) 3,349 | (Won) 2,873 | (Won) 8,151 | (Won) | (Won) (290) | (Won) (39) | (Won) 977,202 |
| Buildings | 774,599 | 5,745 | 49,422 | 6,289 | 22,062 | (4,449) | (114) | 796,852 |
| Leasehold improvements | 45,096 | 298 | 45,504 | 172 | 34,782 | | (21) | 55,923 |
| Equipment and vehicles | 241,030 | 255,175 | | 23,058 | 166,232 | | (65) | 306,850 |
| Construction in progress | 155 | 100,303 | (97,799) | | | | | 2,659 |
| | (Won) 2,040,340 | (Won) 364,870 | (Won) | (Won) 37,670 | (Won) 223,076 | (Won) (4,739) | (Won) (239) | (Won) 2,139,486 |

(4) The published value of land was (Won)1,307,108 million and (Won) 1,059,403 million as of December 31, 2006 and 2005, respectively, based on the Laws on Disclosure of Land Price and Valuation of Land.

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

| Type of insurance | Asset insured | Insured amount | Insurance company |
|--------------------|------------------------|----------------|------------------------------|
| Property composite | Buildings | (Won) 829,507 | Samsung Fire & Marine |
| | Leasehold improvements | 120,243 | Insurance Co., Ltd. & others |
| | Equipment and vehicles | 201,485 | |

(Won) 1,151,235

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

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| | Acquisition cost | Accumulated amortization | Book value |
|-------------------|-------------------------|-------------------------------------|-------------------|
| Goodwill | (Won) 705,108 | (Won) 404,784 | (Won) 300,324 |
| Negative goodwill | (346) | (323) | (23) |
| Others | 132,949 | 60,181 | 72,768 |
| | (Won) 837,711 | (Won) 464,642 | (Won) 373,069 |

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

| | Beginning | Increase | Amortization | Ending |
|-------------------|------------------|-----------------|---------------------|---------------|
| Goodwill | (Won) 378,669 | (Won) | (Won) 78,345 | (Won) 300,324 |
| Negative goodwill | (92) | | (69) | (23) |
| Others | 22,342 | 75,428 | 25,002 | 72,768 |
| | (Won) 400,919 | (Won) 75,428 | (Won) 103,278 | (Won) 373,069 |

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

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

10. OTHER ASSETS:

(1) Other assets as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| | 2006 | 2005 |
|---------------------------------------|-----------------|-----------------|
| Guarantee deposits paid | (Won) 1,200,552 | (Won) 1,199,101 |
| Accounts receivable (Note 20) | 2,187,739 | 477,474 |
| Accrued income (Note 3) | 1,138,864 | 978,089 |
| Prepaid accounts | 114,630 | 66,730 |
| Prepaid expenses | 85,756 | 46,449 |
| Deferred income tax assets (Note 24) | 36,284 | 374,667 |
| Derivatives assets (Note 20) | 1,260,776 | 1,202,129 |
| Domestic exchange settlement debits | 962,250 | 720,433 |
| Due from trust accounts | 233,388 | 195,033 |
| Sundry assets | 47,742 | 41,715 |
| Less : allowances for possible losses | (160,961) | (84,684) |
| | (Won) 7,107,020 | (Won) 5,217,136 |

(2) Sundry assets as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| | 2006 | 2005 |
|---|-------------|-------------|
| Receivables on cash sent to other banks | (Won) 410 | (Won) 350 |
| Supplies | 18,608 | 14,468 |
| Deposit money to court (*) | 21,789 | 24,233 |

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| | | |
|--------|--------------|--------------|
| Others | 6,935 | 2,664 |
| | (Won) 47,742 | (Won) 41,715 |

(*) Securities is included in deposit money to court of which book value and face value are (Won)16,197 million and (Won) 17,100 respectively.

11. DEPOSITS:

(1) Deposits as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| | 2006 | 2005 |
|-------------------------------------|-------------------|-------------------|
| Deposits in Won | (Won) 122,285,382 | (Won) 122,632,202 |
| Deposits in foreign currencies | 1,476,892 | 1,593,844 |
| Negotiable certificates of deposits | 9,534,701 | 5,389,543 |
| | (Won) 133,296,975 | (Won) 129,615,589 |

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(2) Deposits as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| | 2006 | 2005 |
|---|---------------|---------------|
| Demand deposits in Won: | | |
| Checking deposits | (Won) 231,186 | (Won) 190,629 |
| Household checking deposits | 477,770 | 478,851 |
| Temporary deposits | 4,066,769 | 3,668,420 |
| Passbook deposits | 15,166,611 | 13,403,993 |
| Public fund deposits | 199,948 | 176,397 |
| National Treasury deposits | (Won) 2,641 | (Won) 2,879 |
| Non-resident's deposit | 23,636 | 24,898 |
| Others | 40,611 | 2,983 |
| | 20,209,172 | 17,949,050 |
| Time deposits and savings deposits in Won | | |
| Time deposits | 57,106,175 | 57,387,089 |
| Installment savings deposits | 1,097,474 | 1,218,956 |
| Property formation savings | 541 | 955 |
| Workers' savings for housing | 2 | 27 |
| Time and savings deposits of non-residents | 193,344 | 213,436 |
| General savings deposits | 20,826,726 | 20,151,013 |
| Corporate savings deposits | 8,278,061 | 9,391,238 |
| Long-term savings deposits for workers | 4,334 | 7,388 |
| Long-term housing savings deposits | 3,057,236 | 2,390,596 |
| Long-term savings for households | 3,711 | 7,377 |
| Workers' preferential savings deposits | 530,867 | 1,097,848 |
| Mutual installment deposits | 3,832,633 | 5,119,223 |
| Mutual installment for housing | 3,842,727 | 4,582,031 |
| Others | 3,300,772 | 3,118,108 |
| | 102,074,603 | 104,685,285 |
| | 122,283,775 | 122,634,335 |
| Loss (gain) on valuation of fair value hedged item (Current year portion) | 3,740 | (2,133) |
| Loss (gain) on valuation of fair value hedged item (prior year portion) | (2,133) | |
| | 122,285,382 | 122,632,202 |
| Demand deposits in foreign currencies: | | |
| Checking deposits | 43,875 | 51,185 |
| Passbook deposits | 736,034 | 701,514 |
| Notice deposits | 199 | 241 |
| Temporary deposits | 2,377 | 1,300 |
| | 782,485 | 754,240 |
| Time deposits and savings deposits in foreign currencies: | | |
| Time deposits | 691,926 | 837,598 |
| Installment savings deposits | 620 | 643 |
| Others | 1,861 | 1,363 |
| | 694,407 | 839,604 |

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| | | |
|-------------------------------------|-------------------|-------------------|
| | 1,476,892 | 1,593,844 |
| Negotiable certificates of deposits | 9,534,701 | 5,389,543 |
| | (Won) 133,296,975 | (Won) 129,615,589 |

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(3) Deposits with financial institutions as of December 31, 2006 and 2005 were as follows (Unit: In millions):

| | Financial institutions | | 2006 | 2005 |
|-------------------------------------|------------------------|--|------------------|-----------------|
| | | | (Won) | (Won) |
| Deposits in Won | Banks | | 621,657 | 985,328 |
| | Others | | 3,072,944 | 5,218,874 |
| | | | 3,694,601 | 6,204,202 |
| Deposits in foreign currencies | Banks | | 93,846 | 179,692 |
| | Others | | 44,179 | 60,586 |
| | | | 138,025 | 240,278 |
| Negotiable certificates of deposits | Banks | | 3,935 | |
| | Others | | 6,304,672 | 1,531,287 |
| | | | 6,308,607 | 1,531,287 |
| | | | (Won) 10,141,233 | (Won) 7,975,767 |

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

| | Due in 3 months or less | Due after 3 months through 6 months | Due after 6 months through 1 year | Due after 1 year through 3 years | More than 3 years | Total |
|------------------------------------|----------------------------|--|--|---|----------------------|-------------------|
| Deposits in Won | (Won) 73,106,706 | (Won) 9,085,406 | (Won) 27,095,726 | (Won) 7,225,180 | (Won) 5,772,364 | (Won) 122,285,382 |
| Deposits in foreign currencies | 1,269,206 | 162,894 | 41,009 | 3,783 | | 1,476,892 |
| Negotiable certificate of deposits | 5,996,076 | 2,523,968 | 1,014,503 | 154 | | 9,534,701 |
| | (Won) 80,371,988 | (Won) 11,772,268 | (Won) 28,151,238 | (Won) 7,229,117 | (Won) 5,772,364 | (Won) 133,296,975 |

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

| | Due in 3 months or less | Due after 3 months through 6 months | Due after 6 months through 1 year | Due after 1 year through 3 years | More than 3 years | Total |
|-----------------|----------------------------|--|--|---|----------------------|-------------------|
| Deposits in Won | (Won) 72,990,487 | (Won) 11,124,751 | (Won) 25,392,988 | (Won) 8,027,303 | (Won) 5,096,673 | (Won) 122,632,202 |
| | 1,367,898 | 173,388 | 46,463 | 6,095 | | 1,593,844 |

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Deposits in
foreign
currencies
Negotiable
certificate of
deposits

| | | | | |
|-----------|-----------|---------|-----|-----------|
| 2,346,463 | 2,351,554 | 690,927 | 599 | 5,389,543 |
|-----------|-----------|---------|-----|-----------|

(Won) 76,704,848 (Won) 13,649,693 (Won) 26,130,378 (Won) 8,033,997 (Won) 5,096,673 (Won) 129,615,589

12. BORROWINGS:

(1) Borrowings as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| | 2006 | 2005 |
|--|------------------|------------------|
| Borrowings in Won | (Won) 2,589,989 | (Won) 2,686,718 |
| Borrowings in foreign currencies | 3,539,194 | 2,717,595 |
| Bonds sold under repurchase agreements | 7,044,955 | 6,373,308 |
| Bills sold | 462,479 | 296,722 |
| Due to BOK in foreign currencies | | 542 |
| Call money | 167,776 | 1,253,512 |
| | (Won) 13,804,393 | (Won) 13,328,397 |

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(2) Borrowings in Won as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| Account | Financial institution | Annual interest rate (%) | 2006 | 2005 |
|--|---|--------------------------|-----------------|-----------------|
| Borrowings from the Bank of Korea | BOK | 2.75 | (Won) 681,965 | (Won) 646,308 |
| Borrowings from the Korean government | Ministry of Finance and Economy, and others | 0.00 ~ 6.50 | 557,789 | 638,268 |
| Borrowings from banking institutions | Industrial Bank of Korea | 3.40 ~ 5.95 | 86,956 | 115,437 |
| Borrowings from National Housing Fund | National Housing Fund | 3.00 ~ 8.00 | 77,071 | 77,856 |
| Borrowings from other financial institutions | Korea Development Bank | 2.00 ~ 4.00 | 4,380 | 4,353 |
| Other borrowings | Small Business Corporation and others | 1.10 ~ 5.10 | 1,181,828 | 1,204,496 |
| | | | (Won) 2,589,989 | (Won) 2,686,718 |

(3) Borrowings in foreign currencies as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| Account | Financial institution | Annual interest rates (%) | 2006 | 2005 |
|--|--|---------------------------|-----------------|-----------------|
| Due to banks | ABN Amro Bank N.V and others | | (Won) 42,941 | (Won) 27,250 |
| Borrowings from banking institutions | Barclays PLC HK and others | 0.50 ~ 5.89 | 2,865,432 | 1,806,525 |
| Off-shore borrowings in foreign currencies | United Overseas Bank NY IBF and others | 5.30 ~ 5.99 | 152,308 | 401,197 |
| Other borrowings from banking institutions | IBRD | 6.11 | 6,845 | 10,466 |
| Other borrowings in foreign currencies | Financial institution and others | | 471,668 | 472,157 |
| | | | (Won) 3,539,194 | (Won) 2,717,595 |

(4) Bonds sold under repurchase agreements, bills sold and due to BOK in foreign currencies as of December 31, 2006 and 2005 consisted of the following (Unit: In millions):

| Account | Financial institution | Annual interest rates (%) | 2006 | 2005 |
|--|----------------------------|---------------------------|-----------------|-----------------|
| Bonds sold under repurchase agreements in Won | Person, Group Corporations | 3.40 ~ 5.13 | (Won) 7,044,955 | (Won) 6,373,308 |
| Bills sold | Teller s Sales | 3.09 ~ 4.86 | 462,479 | 296,722 |
| Due to the Bank of Korea in foreign currencies | BOK | | | 542 |
| | | | (Won) 7,507,434 | (Won) 6,670,572 |

(5) Call money as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| Account | Financial institution | Annual interest | | |
|--------------------|--|-----------------|---------------|-----------------|
| | | rates (%) | 2006 | 2005 |
| Won | Deutsche Investment Trust Management Company Ltd. and Others | 4.15 ~ 4.55 | (Won) 117,700 | (Won) 984,100 |
| Foreign currencies | Banca Nazionale del Lavoro and others | 4.08 ~ 7.60 | 50,076 | 269,412 |
| | | | (Won) 167,776 | (Won) 1,253,512 |

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- (6) Borrowings in Won, borrowings in foreign currencies and others with financial institutions as of December 31, 2006 were as follows (Unit: In millions):

| | Borrowing in | | Due to BOK | |
|--------|---------------|-----------------|---------------|-----------------|
| | Borrowing | foreign | & call | Total |
| | In Won | currencies | money | |
| BOK | (Won) 681,965 | (Won) | (Won) | (Won) 681,965 |
| Banks | 86,956 | 3,492,284 | 60,076 | 3,639,316 |
| Others | 5,411 | 46,910 | 107,700 | 160,021 |
| | (Won) 774,332 | (Won) 3,539,194 | (Won) 167,776 | (Won) 4,481,302 |

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

| | Borrowing in | | Due to BOK | |
|--------|---------------|-----------------|-----------------|-----------------|
| | Borrowing | foreign | & call money | Total |
| | In Won | currencies | | |
| BOK | (Won) 646,308 | (Won) | (Won) 542 | (Won) 646,850 |
| Banks | 115,437 | 2,648,969 | 269,412 | 3,033,818 |
| Others | 4,353 | 68,792 | 984,100 | 1,057,245 |
| | (Won) 766,098 | (Won) 2,717,761 | (Won) 1,254,054 | (Won) 4,737,913 |

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

| | Due after 3 | | Due after 6 | | Total | |
|--|----------------|--------------|---------------|---------------|---------------|-----------------|
| | months | months | months | months | | |
| | Due in 3 | through 6 | through 1 | Due after 1 | | |
| | months or less | months | year | 3 years | years | |
| Borrowings in Won | (Won) 744,550 | (Won) 66,805 | (Won) 163,902 | (Won) 687,963 | (Won) 926,769 | (Won) 2,589,989 |
| Borrowings in foreign currencies | 1,119,521 | 1,317,199 | 544,166 | 539,974 | 18,334 | 3,539,194 |
| Bonds sold under repurchase agreements | 4,589,657 | 1,250,944 | 1,204,144 | 210 | | 7,044,955 |
| Bills sold | 311,187 | 63,269 | 88,023 | | | 462,479 |
| Call money | 167,776 | | | | | 167,776 |

(Won) 6,932,691 (Won) 2,698,217 (Won) 2,000,235 (Won) 1,228,147 (Won) 945,103 (Won) 13,804,393

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

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| | Due after 3 months | | Due after 6 months | | Due after 1 year | | More than 3 years | | Total |
|--|-------------------------|------------------|--------------------|-----------------|------------------|---------|-------------------|-------|------------------|
| | Due in 3 months or less | through 6 months | through 1 year | 3 years | year through | 3 years | years | | |
| | (Won) | (Won) | (Won) | (Won) | (Won) | (Won) | (Won) | (Won) | (Won) |
| Borrowings in Won | 712,012 | 71,724 | 152,692 | 714,538 | 1,035,752 | | | | 2,686,718 |
| Borrowings in foreign currencies | 1,227,112 | 737,006 | 409,936 | 315,085 | 28,456 | | | | 2,717,595 |
| Bonds sold under repurchase agreements | 3,391,564 | 1,415,535 | 1,551,596 | 14,613 | | | | | 6,373,308 |
| Bills sold | 89,094 | 207,482 | 146 | | | | | | 296,722 |
| Due to the BOK in foreign currencies | 426 | 116 | | | | | | | 542 |
| Call money | 1,253,512 | | | | | | | | 1,253,512 |
| | (Won) 6,673,720 | (Won) 2,431,863 | (Won) 2,114,370 | (Won) 1,044,236 | (Won) 1,064,208 | | | | (Won) 13,328,397 |

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Table of Contents13. DEBENTURES:

(1) Debentures as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| | 2006 | 2005 |
|----------------------------------|------------------|------------------|
| Debentures in Won | (Won) 22,709,838 | (Won) 15,528,273 |
| Less: Discount on debentures | (158,575) | (35,368) |
| Debentures in foreign currencies | 2,430,834 | 1,051,990 |
| Addition: Premiums on debentures | 409 | 3,092 |
| | (Won) 24,982,506 | (Won) 16,547,987 |

(2) Debentures in Won as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| | Annual interest rate (%) | 2006 | 2005 |
|--|-----------------------------|------------------|------------------|
| Hybrid debentures | 6.00 ~ 7.00 | (Won) 903,668 | (Won) 903,668 |
| Structured debentures | 4.29 ~ 8.62 | 1,587,701 | 208,131 |
| Subordinated fixed rate debentures in Won | 4.19 ~ 15.02 | 6,670,799 | 5,794,072 |
| KCC subordinated fixed rate debentures | 7.10 ~ 8.00 | 205,000 | 205,000 |
| KCC fixed rate debentures | 5.54 ~ 5.87 | 200,000 | 390,000 |
| Fixed rate debentures | 3.14 ~ 6.16 | 13,198,004 | 8,068,146 |
| | | 22,765,172 | 15,569,017 |
| Loss (gain) on valuation of fair value hedged items (current year portion) | | (14,544) | (44,494) |
| Loss (gain) on valuation of fair value hedged items (prior year portion) (*) | | (40,790) | 3,750 |
| | | 22,709,838 | 15,528,273 |
| Discounts on debentures | | (158,575) | (35,368) |
| | | (Won) 22,551,263 | (Won) 15,492,905 |

(*) The gains on prior redemption of debentures were (Won)46 million.

(3) Hybrid debentures and subordinated debentures as of December 31, 2006 and 2005 were as follows (Unit: In millions):

| | Issued date | Expiration date | Annual interest rate (%) | 2006 | 2005 |
|---|-----------------|-----------------|-----------------------------|--------------|-----------------|
| Subordinated fixed rate debentures in Won | Feb-98 ~ Dec-00 | Feb-03 ~ Feb-06 | | (Won) 13,401 | (Won) 1,009,529 |
| | Nov-98 | Nov-09 | 15.02 | 76,900 | 104,900 |
| | Nov-00 | Nov-10 ~ Dec-10 | 9.57 ~ 9.65 | 162,051 | 162,051 |
| | May-01 | Feb-07 | 7.60 ~ 7.65 | 200,000 | 200,000 |
| | Jun-01 | Mar-08 ~ Mar-09 | 7.68 ~ 7.86 | 377,529 | 377,529 |

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| | | | | |
|--------|--------|-------------|---------|---------|
| Aug-01 | Aug-07 | 6.69 ~ 6.73 | 100,000 | 100,000 |
| Sep-01 | Mar-08 | 6.69 ~ 6.73 | 150,000 | 150,000 |
| Mar-02 | Jan-08 | 7.06 ~ 7.10 | 241,684 | 241,684 |

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| | Issued date | Expiration date | Annual interest | 2006 | 2005 |
|-------------------|-------------|-----------------|-----------------|-----------------|-----------------|
| | | | rate (%) | | |
| | Jul-02 | Jan-08 | 6.96 ~ 7.00 | 302,399 | 302,399 |
| | Sep-02 | Mar-08 ~ Mar-13 | 6.27 ~ 6.70 | 500,000 | 500,000 |
| | Nov-02 | May-08 ~ May-13 | 6.07 ~ 6.55 | 558,775 | 558,775 |
| | Dec-02 | Jan-08 | 8.00 | 110,000 | 110,000 |
| | Dec-02 | Jun-08 ~ Dec-14 | 6.20 ~ 6.65 | 180,370 | 180,370 |
| | Jan-03 | Feb-08 | 7.65 | 50,000 | 50,000 |
| | Mar-03 | Apr-08 | 7.10 | 45,000 | 45,000 |
| | Oct-03 | Jan-09 ~ Jan-14 | 5.18 ~ 5.60 | 449,051 | 449,051 |
| | Feb-04 | Aug-09 ~ Aug-14 | 5.65 ~ 6.16 | 700,000 | 700,000 |
| | Sep-04 | Dec-18 | 5.12 | 57,784 | 57,784 |
| | Dec-04 | Jun-10 | 4.19 ~ 4.20 | 700,000 | 700,000 |
| | Mar-06 | Jan-12 | 5.67 ~ 5.70 | 1,900,855 | |
| | | | | 6,875,799 | 5,999,072 |
| Hybrid debentures | Jun-03 | Jun-33 | 6.00 | 105,145 | 105,145 |
| | Aug-03 | Aug-33 | 7.00 | 533,355 | 533,355 |
| | Oct-03 | Oct-33 | 6.80 | 265,168 | 265,168 |
| | | | | 903,668 | 903,668 |
| | | | | (Won) 7,779,467 | (Won) 6,902,740 |

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(4) Debentures in foreign currencies as of December 31, 2006 and 2005 were as follows (Unit: In millions):

| | Annual interest rate (%) | 2006 | 2005 |
|--|-----------------------------|-----------------|-----------------|
| Floating rates debentures | 0.51 ~ 6.12 | (Won) 1,964,851 | (Won) 550,365 |
| Fixed rates debentures | 2.37 ~ 4.63 | 475,099 | 517,234 |
| | | 2,439,950 | 1,067,599 |
| Loss (gain) on valuation of fair value hedged items (current year portion) | | 6,493 | (8,181) |
| Loss (gain) on valuation of fair value hedged items (prior year portion) | | (15,609) | (7,428) |
| | | 2,430,834 | 1,051,990 |
| Premiums on debentures | | 1,771 | 4,076 |
| Discounts on debentures | | (1,362) | (984) |
| | | (Won) 2,431,243 | (Won) 1,055,082 |

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

| | Due in 3 months or less | Due after 3 months through 6 months | Due after 6 months through 1 year | Due after 1 year through 3 years | More than 3 years | Total |
|----------------------------------|----------------------------|---|---|--|----------------------|------------------|
| Debentures in Won | (Won) 2,019,839 | (Won) 864,045 | (Won) 5,685,281 | (Won) 8,240,751 | (Won) 5,899,922 | (Won) 22,709,838 |
| Debentures in foreign currencies | 226,301 | 305,385 | 624,016 | 488,674 | 786,458 | 2,430,834 |
| | (Won) 2,246,140 | (Won) 1,169,430 | (Won) 6,309,297 | (Won) 8,729,425 | (Won) 6,686,380 | (Won) 25,140,672 |

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

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

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14. OTHER LIABILITIES:

Other liabilities as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| | 2006 | 2005 |
|---|---------------|---------------|
| Accrued severance benefits (Note 16) | (Won) 546,597 | (Won) 395,531 |
| Less: Severance insurance deposits | (340,595) | (241,038) |
| Transfer to National Pension | (82) | (82) |
| Allowance for possible losses on acceptances and guarantees (Note 15) | 18,772 | 10,141 |
| Due to trust accounts | 1,124,095 | 931,826 |
| Guarantees deposits received | 91,035 | 102,237 |
| Accounts payable (Note 20) | 2,373,371 | 863,383 |
| Accrued expenses (Note 19) | 4,168,154 | 4,925,690 |
| Advanced from customer | 191,844 | 362,273 |
| Unearned revenues | 101,009 | 86,079 |
| Withholding taxes | 114,776 | 83,412 |
| Accounts for agency business | 151,696 | 112,919 |

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| | 2006 | 2005 |
|--|------------------|------------------|
| Domestic exchange settlement loans | 141,042 | 538,799 |
| Derivatives liabilities (Note 20) | 1,147,702 | 1,070,652 |
| Agency | 171,024 | 272,838 |
| Insurance reserve | (Won) 651,001 | (Won) 329,106 |
| Sundry liabilities (Notes 17, 20 and 21) | 1,051,502 | 1,116,751 |
| | (Won) 11,702,943 | (Won) 10,960,517 |

15. ACCEPTANCES AND GUARANTEES AND ALLOWANCES FOR POSSIBLE LOSSES:

(1) Acceptances and guarantees as of December 31, 2006 and 2005 were as follows (Unit: In millions):

| Types | 2006 | 2005 |
|--|-----------------|-----------------|
| Confirmed acceptances and guarantees in Won: | | |
| Payment guarantee for issuance of debentures | (Won) 1,150 | (Won) 768 |
| Payment guarantee for loans | 53,237 | 34,527 |
| Others | 905,545 | 352,946 |
| | 959,932 | 388,241 |
| Confirmed acceptances and guarantees in foreign currencies: | | |
| Acceptances on letters of credit | 93,017 | 86,170 |
| Acceptances for letters of guarantee for importers | 56,268 | 68,381 |
| Guarantees for performance of contracts | 76,385 | 68,692 |
| Guarantees for bids | 4,082 | 4,004 |
| Guarantees for borrowings | 36,128 | 48,091 |
| Guarantees for repayment of advances | 1,101,403 | 761,489 |
| Others | 388,043 | 364,666 |
| | 1,755,326 | 1,401,493 |
| | 2,715,258 | 1,789,734 |
| Unconfirmed acceptances and guarantees: | | |
| Letters of credit | 1,266,858 | 1,101,386 |
| Others | 1,037,576 | 879,367 |
| | 2,304,434 | 1,980,753 |
| Bills endorsed | 4,540 | 10,910 |
| | (Won) 5,024,232 | (Won) 3,781,397 |

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

| By customer | Confirmed | Unconfirmed | Bills | Total | Percentage |
|-------------|-----------|-------------|-------|-------|------------|
|-------------|-----------|-------------|-------|-------|------------|

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| | | | endorsed | | (%) |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|------------|
| Large corporations | (Won) 1,841,739 | (Won) 1,586,005 | (Won) 1,213 | (Won) 3,428,957 | 68.25 |
| Small and medium corporations | 533,771 | 676,432 | 3,247 | 1,213,450 | 24.15 |
| Public sector and others | 339,748 | 41,997 | 80 | 381,825 | 7.60 |
| | (Won) 2,715,258 | (Won) 2,304,434 | (Won) 4,540 | (Won) 5,024,232 | 100.00 |

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

| By customer | Bills | | | Total | Percentage (%) |
|-------------------------------|------------------|--------------------|-----------------|-----------------|-----------------------|
| | Confirmed | Unconfirmed | endorsed | | |
| Large corporations | (Won) 1,383,240 | (Won) 1,361,814 | (Won) 470 | (Won) 2,745,524 | 72.61 |
| Small and medium corporations | 401,629 | 613,772 | 10,149 | 1,025,550 | 27.12 |
| Public sector and others | 4,865 | 5,167 | 291 | 10,323 | 0.27 |
| | (Won) 1,789,734 | (Won) 1,980,753 | (Won) 10,910 | (Won) 3,781,397 | 100.00 |

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

| By industry | Bills | | | Total | Percentage (%) |
|---------------|-----------------|-----------------|-------------|-----------------|----------------|
| | Confirmed | Unconfirmed | endorsed | | |
| Public sector | (Won) 68 | (Won) 78,563 | (Won) | (Won) 78,631 | 1.56 |
| Finance | 343,714 | | | 343,714 | 6.84 |
| Service | 393,552 | 39,330 | | 432,882 | 8.62 |
| Manufacturing | 1,593,449 | 1,723,450 | 2,623 | 3,319,522 | 66.07 |
| Others | 384,475 | 463,091 | 1,917 | 849,483 | 16.91 |
| | (Won) 2,715,258 | (Won) 2,304,434 | (Won) 4,540 | (Won) 5,024,232 | 100.00 |

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

| By industry | Bills | | | Total | Percentage (%) |
|---------------|-----------------|-----------------|--------------|-----------------|----------------|
| | Confirmed | Unconfirmed | endorsed | | |
| Public sector | (Won) 167 | (Won) 69,410 | (Won) | (Won) 69,577 | 1.84 |
| Finance | 426,695 | 9,479 | | 436,174 | 11.54 |
| Service | 99,193 | 37,428 | | 136,621 | 3.61 |
| Manufacturing | 954,209 | 1,284,141 | 6,350 | 2,244,700 | 59.36 |
| Others | 309,470 | 580,295 | 4,560 | 894,325 | 23.65 |
| | (Won) 1,789,734 | (Won) 1,980,753 | (Won) 10,910 | (Won) 3,781,397 | 100.00 |

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

| By country | Bills | | | Total | Percentage (%) |
|------------|-----------------|-----------------|----------------|-----------------|----------------|
| | Confirmed | Unconfirmed | Bills endorsed | | |
| Korea | (Won) 2,453,216 | (Won) 2,304,434 | (Won) 4,540 | (Won) 4,762,190 | 94.79 |
| Japan | 63 | | | 63 | 0.00 |
| Others | 261,979 | | | 261,979 | 5.21 |
| | (Won) 2,715,258 | (Won) 2,304,434 | (Won) 4,540 | (Won) 5,024,232 | 100.00 |

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

| By country | Bills | | | Total | Percentage (%) |
|------------|-----------------|-----------------|----------------|-----------------|----------------|
| | Confirmed | Unconfirmed | Bills endorsed | | |
| Korea | (Won) 1,455,270 | (Won) 1,979,204 | (Won) 10,910 | (Won) 3,445,384 | 91.11 |
| France | 293,770 | | | 293,770 | 7.77 |
| USA | 40,520 | | | 40,520 | 1.07 |
| Others | 174 | 1,549 | | 1,723 | 0.05 |

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(Won) 1,789,734 (Won) 1,980,753 (Won) 10,910 (Won) 3,781,397 100.00

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

| | Confirmed acceptances and guarantees | | Unconfirmed acceptances and | | | Total |
|-------------------------------|---|-----------------------|-----------------------------------|----------------|-----------------|-------|
| | Won | Foreign currencies | guarantees | Bills endorsed | | |
| Normal | (Won) 957,105 | (Won) 1,746,539 | (Won) 2,283,303 | (Won) 4,295 | (Won) 4,991,242 | |
| Precautionary | 2,446 | 3,186 | 7,490 | | 13,122 | |
| Substandard | 30 | 5,586 | 7,244 | 40 | 12,900 | |
| Doubtful | 350 | | 434 | 205 | 989 | |
| Estimated loss | 1 | 15 | 5,963 | | 5,979 | |
| | (Won) 959,932 | (Won) 1,755,326 | (Won) 2,304,434 | (Won) 4,540 | (Won) 5,024,232 | |
| Allowance for possible losses | (Won) 3,650 | (Won) 7,613 | (Won) 7,268 | (Won) 241 | (Won) 18,772 | |
| Ratio (%) | 0.38 | 0.43 | 0.32 | 5.31 | 0.37 | |

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

| | Confirmed acceptances and guarantees | | Unconfirmed acceptances and guarantees | Bills endorsed | Total |
|-------------------------------|---|-----------------------|---|-------------------|-----------------|
| | Won | Foreign currencies | | | |
| Normal | (Won) 382,574 | (Won) 1,387,749 | (Won) 1,951,604 | (Won) 10,572 | (Won) 3,732,499 |
| Precautionary | 3,658 | 11,335 | 12,573 | 299 | 27,865 |
| Substandard | 50 | 2,194 | 8,445 | | 10,689 |
| Doubtful | 1,888 | 209 | 1,198 | 39 | 3,334 |
| Estimated loss | 71 | 6 | 6,933 | | 7,010 |
| | (Won) 388,241 | (Won) 1,401,493 | (Won) 1,980,753 | (Won) 10,910 | (Won) 3,781,397 |
| Allowance for possible losses | (Won) 1,395 | (Won) 3,640 | (Won) 5,028 | (Won) 78 | (Won) 10,141 |
| Ratio (%) | 0.36 | 0.26 | 0.25 | 0.71 | 0.27 |

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

| | Guarantees and acceptances and others | | Allowance | Percentage (%) |
|-----------------------|--|--------------|-----------|----------------|
| | (Won) | (Won) | | |
| December 31, 2006 (*) | (Won) 5,024,232 | (Won) 18,772 | | 0.37 |
| December 31, 2005 (*) | | 3,781,397 | 10,141 | 0.27 |
| December 31, 2004 | | 975,912 | 1,150 | 0.12 |

- (*) Pursuant to the amended Supervisory Regulation of Banking Business, the Bank has extended the scope of allowance for possible losses since 2005. Furthermore, the minimum rate of loss provision increased for confirmed and unconfirmed acceptances and guarantees and notes endorsed classified as normal and precautionary as of December 31, 2006. Due to the change, the allowance for possible losses on acceptances and guarantees increased by (Won)4.3 billion as of December 31, 2006.

16. **ACCRUED SEVERANCE BENEFITS:**

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

| | Other | | | | |
|------------------------------|---------------|---------------|--------------|-------------|---------------|
| | Beginning | Provision | Payment | changes (*) | Ending |
| Accrued severance benefits | (Won) 395,531 | (Won) 169,288 | (Won) 18,209 | (Won) (13) | (Won) 546,597 |
| Severance insurance deposits | (241,038) | (101,439) | (1,882) | | (340,595) |
| Transfer to National Pension | (82) | | | | (82) |
| | (Won) 154,411 | (Won) 67,849 | (Won) 16,327 | (Won) (13) | (Won) 205,920 |

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(*) Gain on foreign currency translation of the accrued severance benefit of the Tokyo branch office.
As of December 31, 2006, part of severance benefits was contributed to pension funds of Kyobo Life Insurance Co., Ltd. and others in which the beneficiary is a respective employee.

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Table of Contents17. SUNDRY LIABILITIES:

(1) Sundry liabilities as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| | 2006 | 2005 |
|---|-----------------|-----------------|
| Borrowings for others business | (Won) 94,769 | (Won) 128,567 |
| Foreign currency bills payable | 54,515 | 38,645 |
| Prepaid card and debit card liabilities | 20,947 | 8,540 |
| Subscription deposits | 71,665 | 45,904 |
| Other allowances | 783,814 | 883,106 |
| Others | 25,792 | 11,989 |
| | (Won) 1,051,502 | (Won) 1,116,751 |

(2) Other allowances as of December 31, 2006 and 2005 consisted of (Unit: In millions):

| | 2006 | 2005 |
|-------------------------------------|---------------|---------------|
| Loss on branch closure | (Won) 140 | (Won) 167 |
| Mileage rewards | 89,025 | 85,876 |
| Credit commitments to SPC (Note 20) | 3,602 | 384,724 |
| KAMCO loans sold (Note 20) | 252 | 241 |
| Dormant accounts | 27,689 | 27,035 |
| KP Chemical loans sold | 4,605 | 4,029 |
| Unused credit limit | 566,662 | 342,281 |
| Preparation for damages | 1,603 | 1,759 |
| Trust risk | 1,438 | 5,425 |
| Others | 88,798 | 31,569 |
| | (Won) 783,814 | (Won) 883,106 |

The unused credit limit for other allowances amounts to (Won) 76,836,775 million as of December 31, 2006. Pursuant to the amended Supervisory Regulation, the Bank extended the scope of other allowances for the unused credit limit of credit card to the extent of the unused credit line of card holders with no record of credit card transaction for the past 1 year, and increased the minimum rate of loss provision for unused credit limit classified as normal and precautionary in 2006. Due to the changes, other allowances for unused credit limit increased by (Won)227.9 billion as of December 31, 2006.

18. SHAREHOLDERS EQUITY:

(1) Capital stock

As of December 31, 2006 and 2005, the Bank has 1 billion common shares authorized with a par value per share of (Won)5,000 and 336,379,116 shares ((Won) 1,681,896 million) issued. The Bank's major shareholders were Euro-Pacific Growth Fund (18,377,910 shares, 5.46 percent) and ING Bank N.V. Amsterdam (13,650,001 shares, 4.06 percent) as of December 31, 2006.

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

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

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(2) Capital surplus

The capital surplus as of December 31, 2006 and 2005 were as follows (Unit: In millions):

| | 2005 | Increase | 2006 |
|--|-----------------|-------------|-----------------|
| Paid-in capital in excess of par value | (Won) 5,655,840 | (Won) | (Won) 5,655,840 |
| Gain on business combination | 397,669 | | 397,669 |
| Revaluation increment | 177,229 | | 177,229 |
| Others | 38,861 | 5,232 | 44,093 |
| | (Won) 6,269,599 | (Won) 5,232 | (Won) 6,274,831 |

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.

(3) Retained earnings

1) Retained earnings as of December 31, 2006 and 2005 are summarized as follows (Unit: In millions):

| | 2006 | 2005 |
|---|-----------------|-----------------|
| Legal reserve | (Won) 826,640 | (Won) 601,340 |
| Reserve for financial structure improvement | 55,600 | 55,600 |
| Voluntary reserve | 2,499,200 | 852,700 |
| Other reserve | 363,194 | 362,862 |
| Retained earnings before appropriations | 2,497,278 | 2,095,033 |
| | (Won) 6,241,912 | (Won) 3,967,535 |

2) Legal reserve

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

3) Reserve for financial structure improvement (voluntary reserve)

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

4) Retained earnings appropriated for accumulated deficit

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

(4) Capital adjustments

1) Capital adjustments as of December 31, 2006 and 2005 were as follows (Unit: In millions):

| | 2006 | 2005 |
|---|---------------|---------------|
| Treasury stock | (Won) 885,141 | (Won) (9,660) |
| Gain on valuation of available-for-sale securities | 883,068 | 509,813 |
| Gain on valuation of held-to-maturity securities | 98 | 426 |
| Gain on valuation of securities using the equity method | 7,760 | 88 |
| Loss on valuation of securities using the equity method | (5,785) | (11,966) |
| Stock options | | 3,888 |
| | (Won) 885,141 | (Won) 492,589 |

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2) The changes of capital adjustments for the year ended December 31, 2006 were as follows (Unit: In millions):

| | Beginning | | Disposal or | | Ending |
|--|---------------|---------------|-----------------|---------|---------------|
| | balance | Changes | realized | balance | |
| Treasury stock | (Won) (9,660) | (Won) | (Won) 9,660 | (Won) | |
| Gain on valuation of available-for-sale securities | 509,813 | 478,994 | (105,739) | | 883,068 |
| Gain on valuation of held-to-maturity securities | 426 | | (328) | | 98 |
| Change due to the equity method | (11,878) | 13,908 | (55) | | 1,975 |
| Stock options | 3,888 | | (3,888) | | |
| | (Won) 492,589 | (Won) 492,902 | (Won) (100,350) | | (Won) 885,141 |

(5) Dividends

The calculation of dividends for the years ended December 31, 2006 and 2005 was as follows:

| | 2006 | 2005 |
|---|-------------|-------------|
| Issued stocks (shares) | 336,379,116 | 336,379,116 |
| Treasury stock (shares) | | 217,935 |
| Dividend stocks (shares) | 336,379,116 | 336,161,181 |
| Dividend rate (%) | 73.00 | 11.00 |
| The amount of dividend (Won in million) | 1,227,784 | 184,889 |
| Dividend propensity (%) (*) | 49.67 | 8.21 |
| Dividend yield ratio (%) | 4.87 | 0.72 |

19. **STOCK OPTIONS:**

The Bank granted stock options to executives including the president over the years. When the stock options are exercised, the Bank has the option to settle either through issuance of new shares or treasury stock, or through payment of cash equivalent to the difference between the market price and the exercise price. In accordance with the resolution of the Board of Directors on August 23, 2005, the Bank has changed the settlement method from granting the treasury stock to paying cash equivalent to the difference between the market price and the exercise price only after the remaining treasury stock is exhausted. Accordingly, stock options against 217,935 shares of treasury stock, which the Bank owned as of December 31, 2005, were recorded using the fair value method accounting, and the other stock options were recorded using intrinsic value method accounting. Stock options that are settled through the issuance of shares were entirely exercised in 2006, and the remaining stock options as of December 31, 2006 are entirely those that are settled through payment of cash equivalent to the difference between the market price and the exercise price.

The details of the stock options as of December 31, 2006 were as follows (Unit: In Won):

| Grant date | Granted shares | | | | Outstanding | Exercise price | Exercise period |
|------------|----------------|-----------|-----------|--|-------------|----------------|-----------------|
| | Granted | Forfeited | Exercised | | | | |

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| | | | | | | | |
|------------------|----------|---------|---------|---------|--------------|--------|---------------------|
| Series 2 | 01.03.15 | 214,975 | 16,882 | 109,986 | 88,107 (Won) | 28,027 | 04.03.16 ~ 09.03.15 |
| Series 4 | 00.02.28 | 267,000 | 65,218 | 201,782 | | 27,600 | 03.03.01 ~ 06.02.28 |
| Series 6 | 01.03.24 | 111,000 | 38,624 | 63,743 | 8,633 | 25,100 | 04.03.25 ~ 07.03.24 |
| Series 7 | 01.11.16 | 850,000 | 200,000 | 500,000 | 150,000 | 51,200 | 04.11.17 ~ 09.11.16 |
| Series 8-1 (*2) | 02.03.22 | 132,000 | 89,753 | 13,384 | 28,863 | 57,100 | 05.03.23 ~ 10.03.22 |
| Series 8-2 (*3) | 02.03.22 | 490,000 | 180,691 | 45,744 | 263,565 | 57,100 | 05.03.23 ~ 10.03.22 |
| Series 9 (*3) | 02.07.26 | 30,000 | 6,101 | | 23,899 | 58,800 | 05.07.27 ~ 10.07.26 |
| Series 10-1(*2) | 03.03.21 | 140,000 | 76,557 | 20,029 | 43,414 | 46,962 | 06.03.22 ~ 11.03.21 |
| Series 10-2 (*3) | 03.03.21 | 180,000 | 91,097 | 17,910 | 70,993 | 35,500 | 06.03.22 ~ 11.03.21 |

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| | Grant date | Granted shares | | | Exercise | | |
|--------------------------------|------------|----------------|-----------|-----------|-------------|--------------|---------------------|
| | | Granted | Forfeited | Exercised | Outstanding | price | Exercise period |
| Series 11(*3) | 03.08.27 | 30,000 | 24,909 | | 5,091 | (Won) 40,500 | 06.08.28 ~ 11.08.27 |
| Series 12 (*3) | 04.02.09 | 85,000 | 9,461 | | 75,539 | 46,100 | 07.02.10 ~ 12.02.09 |
| Series 13-1(*2) | 04.03.23 | 20,000 | | | 20,000 | 48,650 | 07.03.24 ~ 12.03.23 |
| Series 13-2 (*3) | 04.03.23 | 10,000 | | | 10,000 | 47,200 | 07.03.24 ~ 12.03.23 |
| Series 14 (*2, 3) | 04.11.01 | 700,000 | | | 700,000 | 51,000 | 07.11.02 ~ 12.11.01 |
| Series 15-1(*2) | 05.03.18 | 165,000 | 29,741 | | 135,259 | 59,288 | 08.03.19 ~ 13.03.18 |
| Series 15-2 (*3) | 05.03.18 | 765,000 | 184,931 | | 580,069 | 46,800 | 08.03.19 ~ 13.03.18 |
| Series 16 (*3) | 05.04.27 | 15,000 | | | 15,000 | 45,700 | 08.04.28 ~ 13.04.27 |
| Series 17 (*3) | 05.07.22 | 30,000 | | | 30,000 | 49,200 | 08.07.23 ~ 13.07.22 |
| Series 18 (*3) | 05.08.23 | 15,000 | | | 15,000 | 53,000 | 08.08.24 ~ 13.08.23 |
| Series 19 (*1) | 06.03.24 | 940,000 | | | 940,000 | 80,900 | 09.03.25 ~ 14.03.24 |
| Series 20 (*1) | 06.04.28 | 30,000 | | | 30,000 | 84,600 | 09.04.29 ~ 14.04.28 |
| Series 21 (*1) | 06.10.27 | 20,000 | | | 20,000 | 79,000 | 09.10.28 ~ 14.10.27 |
| Kookmin Credit Card-1 (*4) | 01.03.22 | 22,146 | | | 22,146 | 71,538 | 04.03.23 ~ 11.03.22 |
| Kookmin Credit Card -2 (*2, 4) | 02.03.29 | 9,990 | | | 9,990 | 129,100 | 04.03.30 ~ 11.03.29 |
| | | 5,272,111 | 1,013,965 | 972,578 | 3,285,568 | | |

- (*1) The exercise price is adjusted by the rate of increase of the market value of the major competitors as of December 31, 2006.
- (*2) The exercise price is adjusted by the rate of increase of the average stock price index of the banking industry as of December 31, 2006.
- (*3) As the actual number of exercisable granted shares is determined in accordance with the management performance for the contract period of service, the number of granted shares used for the calculation of compensation cost is computed based on the assumption that the performance result falls into the highest level in the bracket.
- (*4) The Bank took over the stock options granted by Kookmin Credit Card Co., Ltd. of which the exercise price and number of shares were adjusted in proportion to the merger ratio.

- (2) The compensation costs as of December 31, 2006 were as follows (Unit: In millions):

| | Amount |
|--|--------------|
| Total compensation cost of stock options | (Won) 53,964 |
| Reflected compensation cost | 42,754 |
| Compensation cost to be reflected | (Won) 11,210 |

The Bank recognized (Won)13,232 million of compensation cost for the year ended December 31, 2006.

20. **CONTINGENCIES AND COMMITMENTS:**

- (1) The Bank and its subsidiaries hold written-off loans, of which the claim for borrowers and guarantors have not been terminated , amounting to (Won)12,009,693 million and (Won)7,790,835 million as of December 31, 2006 and 2005, respectively.
- (2) As of December 31, 2006, the Bank has entered into commitments to provide credit line of (Won)1,158,800 million and to purchase commercial papers amounting to (Won)1,224,200 million with several special purpose companies. Under these commitments, the Bank extended (Won)12,497 million of loans to the companies and recognized (Won)3,602 million of expected loss as other allowance. The Bank has no balance of commitment to purchase commercial papers as of December 31, 2006. In addition, the Bank has entered into

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commitment amounting to (Won)545,908 million to provide foreign currency loans as of December 31, 2006 and under these commitments, the balance of loans amounts to (Won)181,180 million.

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The Bank and its subsidiaries have commercial papers discount contract with Korea Exchange Bank, Woori Bank, Hana Bank and Tong Yang Investment Bank amounting to (Won)15,000 million, (Won)20,000 million, (Won)20,000 million and (Won)30,000 million, respectively, as of December 31, 2006. There is no balance of commercial papers discount for Korea Exchange Bank, Woori Bank, Hana Bank and Tong Yang Investment Bank as of December 31, 2006.

- (3) As of December 31, 2006, the Bank and its subsidiaries have provided seven promissory notes with face of (Won)506,428 million and two written guarantees for sale of housings with face value of (Won)219,794 million to Korea Housing Guarantee Corporation as guarantee for land trust business.
- (4) The Bank entered into the business cooperation agreements with Citibank and Nonghyup regarding the credit card business. Accordingly, the Bank shares the related revenue from such business operation.
- (5) As of December 31, 2006, the Bank has provided allowances of (Won)252 million for losses from possible future repurchase of loans, which the Bank sold to Korea Asset Management Corporation (KAMCO) for (Won)666 million.
- (6) As of December 31, 2006 and 2005, the Bank recorded receivables amounting to (Won)1,900,684 million and (Won)383,838 million, respectively and payables amounting to (Won)1,900,506 million and (Won)383,550 million, respectively, for unsettled foreign currency spot transactions.
- (7) The Bank and its subsidiaries received performance bonds of (Won)2,690 million from Seoul Guarantee Insurance Company in relation to service contracts with third parties, which provide performance guarantee and subsequent service warranty for one year.
- (8) As of December 31, 2006, the Bank and its subsidiaries face 124 pending legal actions involving aggregate damages of (Won)327,481 million. On the other hand, the Bank and its subsidiaries have filed 225 lawsuits, which are still pending, with aggregate claims of (Won)572,463 million. The management believes that the ultimate liability, if any, will not materially affect the Bank's financial position. In January 2007, Korea Lottery Service Inc. filed a lawsuit against the Bank with aggregate damages of \ 445,877 million regarding commitment fee; however, the management believes that the lawsuit will not affect the financial position of the Bank as it is related to a lottery fund.
- (9) The face value of the consumer investment securities amounts to (Won)217,754 million as of December 31, 2006.
- (10) The notional amounts outstanding for derivative contracts as of December 31, 2006 and 2005 were as follows (Unit: In millions):

| Type | 2006 | | | 2005 | | |
|---------------------------------|--------------|-----------|--------------|---------------|-----------|---------------|
| | Trading | Hedge | Total | Trading | Hedge | Total |
| Interest rate: | | | | | | |
| Interest rate forwards | (Won) 92,960 | (Won) | (Won) 92,960 | (Won) 303,250 | (Won) | (Won) 303,250 |
| Interest rate futures | 1,470,054 | | 1,470,054 | 695,443 | | 695,443 |
| Interest rate swaps | 42,555,952 | 3,718,967 | 46,274,919 | 33,486,729 | 1,581,097 | 35,067,826 |
| Interest rate options purchased | 110,000 | | 110,000 | 300,650 | | 300,650 |
| Interest rate options sold | 300,000 | | 300,000 | 640,650 | | 640,650 |
| | 44,528,966 | 3,718,967 | 48,247,933 | 35,426,722 | 1,581,097 | 37,007,819 |

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| Type | 2006 | | | 2005 | | |
|----------------------------|-------------------|-----------------|-------------------|-------------------|-----------------|-------------------|
| | Trading | Hedge | Total | Trading | Hedge | Total |
| Currency: | | | | | | |
| Currency forwards | 80,948,658 | | 80,948,658 | 58,354,822 | | 58,354,822 |
| Currency futures | 3,237,813 | | 3,237,813 | 2,419,652 | | 2,419,652 |
| Currency swaps | 7,888,681 | | 7,888,681 | 4,796,740 | | 4,796,740 |
| Currency options purchased | 518,421 | | 518,421 | 119,345 | | 119,345 |
| Currency options sold | 348,143 | | 348,143 | 73,056 | | 73,056 |
| | 92,941,716 | | 92,941,716 | 65,763,615 | | 65,763,615 |
| Stock: | | | | | | |
| Stock index futures | (Won) 187,454 | (Won) | (Won) 187,454 | (Won) 13,567 | (Won) | (Won) 13,567 |
| Stock options purchased | 723,790 | | 723,790 | 2,746,364 | | 2,746,364 |
| Stock options sold | 987,929 | | 987,929 | 2,754,603 | | 2,754,603 |
| Stock swaps | 8,008 | | 8,008 | | | |
| | 1,907,181 | | 1,907,181 | 5,514,534 | | 5,514,534 |
| Others: | | | | | | |
| Gold index purchased | | | | 146,268 | | 146,268 |
| Gold index sold | | | | 146,268 | | 146,268 |
| | | | | 292,536 | | 292,536 |
| | (Won) 139,377,863 | (Won) 3,718,967 | (Won) 143,096,830 | (Won) 106,997,407 | (Won) 1,581,097 | (Won) 108,578,504 |

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

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

| Type | Gain on valuation (P/L) | | | Loss on valuation (P/L) | | | Gain (loss) on valuation (B/S) | |
|---------------------------------|-------------------------|---------|---------|-------------------------|-----------|-----------|--------------------------------|-------------|
| | Trading | Hedge | Total | Trading | Hedge | Total | Assets | Liabilities |
| Interest rate: | | | | | | | | |
| Interest rate forwards | (Won) 9 | (Won) 9 | (Won) 9 | (Won) 424 | (Won) 424 | (Won) 424 | (Won) 9 | (Won) |
| Interest rate swaps | 117,897 | 31,517 | 149,414 | 178,167 | 35,828 | 213,995 | 174,542 | 217,520 |
| Interest rate options purchased | 856 | | 856 | 604 | | 604 | 2,261 | |
| Interest rate options sold | 1,086 | | 1,086 | 30 | | 30 | | 675 |
| | 119,848 | 31,517 | 151,365 | 179,225 | 35,828 | 215,053 | 176,812 | 218,195 |
| Currency: | | | | | | | | |
| Currency forwards | 529,586 | | 529,586 | 651,898 | | 651,898 | 537,474 | 667,386 |
| Currency swaps | 233,340 | | 233,340 | 128,390 | | 128,390 | 427,425 | 210,502 |
| Currency options purchased | 1,756 | | 1,756 | 1,717 | | 1,717 | 1,912 | 3,882 |
| Currency options sold | 1,189 | | 1,189 | 1,005 | | 1,005 | 357 | 1,806 |
| | 765,871 | | 765,871 | 783,010 | | 783,010 | 967,168 | 883,576 |

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| Stock: | | | | | | |
|------------------------|--------|--------|--------|--------|---------|--------|
| Stock option purchased | 10,004 | 10,004 | 3,983 | 3,983 | 116,784 | |
| Stock option sold | 7,915 | 7,915 | 13,657 | 13,657 | | 45,919 |
| Stock swaps | 91 | 91 | 79 | 79 | 12 | 12 |
| | 18,010 | 18,010 | 17,719 | 17,719 | 116,796 | 45,931 |

(Won) 903,729 (Won) 31,517 (Won) 935,246 (Won) 979,954 (Won) 35,828 (Won) 1,015,782 (Won) 1,260,776 (Won) 1,147,702

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The details of financial derivatives as of December 31, 2005 and the valuation of financial derivatives for the year ended December 31, 2005 were as follows (Unit: In millions):

| Type | Gain on valuation (P/L) | | | Loss on valuation (P/L) | | | Gain (loss) on valuation (B/S) | |
|------------------------------|-------------------------|-------------|-----------------|-------------------------|--------------|-----------------|--------------------------------|-----------------|
| | Trading | Hedge | Total | Trading | Hedge | Total | Assets | Liabilities |
| Interest rate: | | | | | | | | |
| Interest rate forwards | (Won) 6 | (Won) 6 | (Won) 6 | (Won) 3 | (Won) 3 | (Won) 3 | (Won) 6 | (Won) 3 |
| Interest rate swaps | 445,081 | 1,336 | 446,417 | 366,865 | 56,144 | 423,009 | 231,341 | 242,414 |
| Interest rate options | | | | | | | | |
| Purchased | 694 | | 694 | 4,115 | | 4,115 | 2,778 | |
| Interest rate options sold | 3,867 | | 3,867 | 1,109 | | 1,109 | | 2,179 |
| | 449,648 | 1,336 | 450,984 | 372,092 | 56,144 | 428,236 | 234,125 | 244,596 |
| Currency: | | | | | | | | |
| Currency forwards | 593,383 | | 593,383 | 531,381 | | 531,381 | 607,398 | 584,142 |
| Currency swaps | 66,458 | | 66,458 | 96,686 | | 96,686 | 298,431 | 179,250 |
| Currency options | | | | | | | | |
| options purchased | 118 | | 118 | 1,011 | | 1,011 | 117 | 1,011 |
| Currency options sold | 620 | | 620 | 41 | | 41 | 618 | 42 |
| | 660,579 | | 660,579 | 629,119 | | 629,119 | 906,564 | 764,445 |
| Stock: | | | | | | | | |
| Stock option purchased | 20,002 | | 20,002 | 18,244 | | 18,244 | 61,345 | |
| Stock option sold | 19,765 | | 19,765 | 19,240 | | 19,240 | | 61,516 |
| | 39,767 | | 39,767 | 37,484 | | 37,484 | 61,345 | 61,516 |
| Other: | | | | | | | | |
| Gold index purchased | 36 | | 36 | 1,841 | | 1,841 | 95 | |
| Gold index sold | 1,928 | | 1,928 | 34 | | 34 | | 95 |
| | 1,964 | | 1,964 | 1,875 | | 1,875 | 95 | 95 |
| | (Won) 1,151,958 | (Won) 1,336 | (Won) 1,153,294 | (Won) 1,040,570 | (Won) 56,144 | (Won) 1,096,714 | (Won) 1,202,129 | (Won) 1,070,652 |

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

The Bank holds derivative instruments accounted for as fair value hedges applied to debentures, subordinated bonds, structured bonds and structured deposits. As of December 31, 2006, the Bank recognized (Won)35,828 million of gains and (Won)31,517 million of losses on valuation of fair value hedged items. In addition, the interest rate swap covers the fair value changes of the hedged items resulted from the fluctuation in interest rate and foreign exchange rate.

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

| Date of contract | Date of maturity | Amount | Reference entity |
|-------------------------|-------------------------|---------------|-------------------------|
| 2006.8.24 | 2013.12.20 | US\$ 10,000 | 116 Global Bonds |

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

Table of Contents**21. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:**

Significant assets and liabilities denominated in foreign currencies as of December 31, 2006 and 2005 were as follows:

| | 2006 | | 2005 | |
|--------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|
| | USD equivalent (In thousands) | KRW equivalent (In millions) | USD equivalent (In thousands) | KRW equivalent (In millions) |
| Assets: | | | | |
| Foreign currencies | US\$ 162,872 | (Won) 151,406 | US\$ 148,473 | (Won) 150,403 |
| Due from banks in foreign currencies | 579,552 | 538,752 | 581,562 | 589,122 |
| Securities-foreign currencies | 810,253 | 753,211 | 689,724 | 698,691 |
| Loans in foreign currencies | 7,609,008 | 7,073,333 | 5,049,141 | 5,114,780 |
| Bills bought in foreign currencies | 1,370,029 | 1,273,579 | 1,359,896 | 1,377,574 |
| Call loans in foreign currencies | 132,950 | 123,590 | 39,574 | 40,088 |
| | US\$ 10,664,664 | (Won) 9,913,871 | US\$ 7,868,370 | (Won) 7,970,658 |
| Liabilities: | | | | |
| Deposits in foreign currencies | US\$ 1,588,740 | (Won) 1,476,892 | US\$ 1,573,390 | (Won) 1,593,844 |
| Borrowings in foreign currencies | 3,807,222 | 3,539,194 | 2,682,719 | 2,717,595 |
| Due to BOK in foreign currencies | | | 535 | 542 |
| Call money in foreign currencies | 53,869 | 50,076 | 265,954 | 269,412 |
| Debentures in foreign currencies | 2,614,924 | 2,430,834 | 1,038,490 | 1,051,990 |
| Foreign currency bills payable | 58,643 | 54,515 | 38,149 | 38,645 |
| | US\$ 8,123,398 | (Won) 7,551,511 | US\$ 5,599,237 | (Won) 5,672,028 |

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

22. GENERAL AND ADMINISTRATIVE EXPENSES:

(1) General and administrative expenses for the years ended December 31, 2006 and 2005 were as follows (Unit: In millions):

| | 2006 | 2005 |
|--|-----------------|-----------------|
| Salaries (Note 19) | (Won) 1,476,967 | (Won) 1,469,562 |
| Provision for severance benefits (Note 16) | 169,288 | 133,325 |
| Other employee benefits | 478,901 | 370,731 |
| Rent | 94,407 | 90,168 |
| Depreciation & amortization (Note 9) | 326,423 | 351,641 |
| Tax and dues | 132,966 | 124,506 |
| Advertising | 119,595 | 67,068 |
| Development expenses | 111,672 | 110,951 |
| Other | 394,255 | 314,006 |
| | (Won) 3,304,474 | (Won) 3,031,958 |

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(2) Other general and administrative expenses for the years ended December 31, 2006 and 2005 were as follows (Unit: In millions):

| | 2006 | 2005 |
|---------------------------|---------------|---------------|
| Communication | (Won) 48,571 | (Won) 40,097 |
| Electricity and utilities | 17,535 | 16,934 |
| Publication | 22,169 | 20,813 |
| Repairs maintenance | 17,713 | 18,838 |
| Vehicle | 28,493 | 27,935 |
| Travel | 5,004 | 4,239 |
| Training | 26,525 | 18,596 |
| Other | 228,245 | 166,554 |
| | (Won) 394,255 | (Won) 314,006 |

Table of Contents**23. NON-OPERATING INCOME AND EXPENSES:**

Non-operating income and expenses for the years ended December 31, 2006 and 2005 consisted of (Unit: In millions):

| | 2006 | 2005 |
|--|---------------|---------------|
| Non-operating income: | | |
| Gain on disposal of tangible assets | (Won) 10,931 | (Won) 11,433 |
| Reversal of impairment loss on tangible assets | 841 | 641 |
| Rental income | 3,105 | 3,078 |
| Gain on valuation of securities accounted for using the equity method (Note 5) | 39,995 | 35,858 |
| Gain on disposal of available-for-sale securities | 201,319 | 342,549 |
| Gain on disposal of held-to-maturity securities | | 216 |
| Gain on disposal of securities accounted for using the equity method | 2,120 | |
| Reversal of impairment losses on available-for-sale securities (Note 5) | 84,443 | 7,422 |
| Gain on sale of loans (Note 6) | 37,311 | 81,866 |
| Others | 260,160 | 213,975 |
| | (Won) 640,225 | (Won) 697,038 |
| Non-operating expenses: | | |
| Loss on disposal of tangible assets | (Won) 2,737 | (Won) 4,293 |
| Impairment loss on tangible assets (Note 9) | 5,580 | 10,839 |
| Loss on valuation of securities accounted for using the equity method (Note 5) | 4,236 | 2,674 |
| Loss on disposal of available-for-sale securities | 15,416 | 20,240 |
| Impairment loss on available-for-sale securities (Note 5) | 127,571 | 103,305 |
| Severance benefits for voluntary resignation | 13,385 | 255,700 |
| Loss on sale of loans (Note 6) | 17,222 | 16,397 |
| Others | 113,580 | 113,150 |
| | (Won) 299,727 | (Won) 526,598 |

24. INCOME TAX EXPENSE:

(1) Income tax expense for the years ended December 31, 2006 and 2005 was summarized as follows (Unit: In millions):

| | 2006 | 2005 |
|---|---------------|-----------------|
| Bank: | | |
| Income tax currently payable | (Won) 845,887 | (Won) 1,032,011 |
| Changes in deferred income tax assets | 268,735 | 45,277 |
| Retained earnings and other capital surplus adjustments | (167,399) | (107,785) |
| Income tax expense of overseas branch | 4,752 | 6,532 |
| | 951,975 | 976,035 |
| Subsidiaries: | | |
| Income tax currently payable | 13,410 | 12,267 |
| Changes in deferred income tax assets | 7,761 | 15,478 |
| Retained earnings and other capital surplus adjustments | 901 | 2,272 |
| | 22,072 | 30,017 |

(Won) 974,047

(Won) 1,006,052

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- (2) Deferred income tax assets in the consolidated financial statements as of December 31, 2006 and 2005 were as follows (Unit: In millions):

| | 2006 | 2005 |
|----------------------------------|--------------|---------------|
| Bank | (Won) 23,886 | (Won) 353,214 |
| KB Data System Co., Ltd. | (63) | (51) |
| KB Futures Co., Ltd. | (20) | 37 |
| KB Investment Co., Ltd. | 1,789 | 2,004 |
| KB Asset Management Co., Ltd. | (50) | 279 |
| KB Real Estate Trust Co., Ltd. | 5,377 | 12,074 |
| KB Credit Information Co., Ltd. | 403 | 597 |
| Kookmin Bank Hong Kong Ltd. | 2,282 | 2,487 |
| Kookmin Bank Int'l Ltd. (London) | 45 | 40 |
| KB Life Insurance Co., Ltd. | (9) | 2,464 |
| | 33,640 | 373,145 |
| Consolidated adjustment | 2,644 | 1,522 |
| | (Won) 36,284 | (Won) 374,667 |

- (3) The statutory income tax rate applicable to the Bank and its subsidiaries, including resident tax surcharges, is 27.5 percent for the years ended December 31, 2006 and 2005, respectively. However, due to tax adjustments, the effective tax rates for the years ended December 31, 2006 and 2005 are 28.31 percent and 30.87 percent, respectively.

25. EARNINGS PER SHARE:

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

Ordinary income per share and net income per share were calculated for common stock by dividing ordinary income and net income available to common shareholders by the weighted average number of outstanding common stock. In case the stock options are exercised during the years ended December 31, 2006 and 2005, the outstanding common shares are calculated on the assumption that the treasury stock are disposed of on the exercised date.

Ordinary income per share and net income per share for common stock for the years ended December 31, 2006 and 2005 were computed as follows:

- 1) Outstanding capital stock for the year ended December 31, 2006 was as follows:

| | Number of shares | Number of shares x number of days |
|--|------------------|---|
| Number of common shares outstanding-beginning balance | 336,379,116 | 122,778,377,340 |
| Number of treasury stock outstanding-beginning balance | (217,935) | (79,546,275) |
| Sale of treasury stock | 217,935 | 77,348,731 |
| | 336,379,116 | 122,776,179,796 |

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Weighted average number of common shares outstanding: $122,776,179,796 \div 365 \text{ days} = 336,373,095$ shares

Outstanding capital stock for the year ended December 31, 2005 was as follows:

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

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

2) The basic net income per share for the years December 31, 2006 and 2005 was as follows (Unit: In Won)

| | 2006 | | 2005 |
|--|-------------------------|--|-------------------------|
| Net income (ordinary income) | (Won) 2,458,259,483,392 | | (Won) 2,241,054,520,374 |
| Weighted average number of common shares outstanding | 336,373,095 | | 322,785,752 |
| Net income per share | (Won) 7,308 | | (Won) 6,943 |
| Ordinary income per share | (Won) 7,308 | | (Won) 6,943 |

The ordinary income for the year ended December 31, 2006 and 2005 equals to net income because there is no extraordinary item.

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

Diluted net income and diluted ordinary income per share for the years ended December 31, 2006 and 2005 represent diluted net income and diluted ordinary income divided by the number of common shares and diluted securities. Stock options were considered for the computation of diluted earning per share due to their dilutive effects.

Diluted net income (ordinary income) per share for the years ended December 31, 2006 and 2005 was computed as follows (Unit: In Won):

| | 2006 | | 2005 |
|--|-------------------------|--|-------------------------|
| Diluted net income (=ordinary income) (*1) | (Won) 2,458,259,483,392 | | (Won) 2,240,782,310,189 |
| Weighted average number of common shares outstanding and diluted securities (*2) | 336,375,518 | | 322,956,583 |
| Diluted net income per share | (Won) 7,308 | | (Won) 6,938 |
| Diluted ordinary income per share | (Won) 7,308 | | (Won) 6,938 |

(*1) For the year ended December 31, 2006, the stock options included in the diluted shares have no effect on net income because the contracted service period has expired. For the year ended December 31, 2005, the stock option right expired and the accumulated compensation cost was reversed; therefore, the related cost was deducted from net income.

(*2) For the years ended December 31, 2006 and 2005, the 2,423 shares and 170,831 shares of treasury stock combined with stock options rendered, respectively, are included in diluted shares.

26. **SEGMENT INFORMATION:**

(1) Balance sheets per business segment as of December 31, 2006 were as follows (Unit: In millions):

| Financial & | Non-financial | Consolidation | Total |
|-------------|---------------|---------------|-------|
|-------------|---------------|---------------|-------|

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| | insurance business | business | adjustment | |
|-------------------------|---------------------------|-----------------|-------------------|-------------------|
| Cash and due from banks | (Won) 6,850,926 | (Won) 6,595 | (Won) (168,544) | (Won) 6,688,977 |
| Securities | 33,065,746 | | (477,611) | 32,588,135 |
| Loans | 150,807,347 | 4,292 | (793,778) | 150,017,861 |
| Fixed assets | 2,516,809 | 450 | (4,374) | 2,512,885 |
| Other assets | 7,394,761 | 22,134 | (309,875) | 7,107,020 |
| | (Won) 200,635,589 | (Won) 33,471 | (Won) (1,754,182) | (Won) 198,914,878 |
| Deposits | (Won) 133,649,208 | (Won) | (Won) (352,233) | (Won) 133,296,975 |
| Borrowings | 14,432,772 | | (628,379) | 13,804,393 |

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| | Financial & | | Non-financial | Consolidation | | |
|---------------------|--------------------|-------------|---------------|---------------|-------------|-------------------|
| | insurance business | | business | adjustment | | Total |
| Debentures | | 24,982,506 | | | | 24,982,506 |
| Other liabilities | | 11,933,314 | 15,868 | | (246,239) | 11,702,943 |
| | | 184,997,800 | 15,868 | | (1,226,851) | 183,786,817 |
| Common stock | (Won) | 1,977,329 | (Won) 8,000 | (Won) | (303,433) | (Won) 1,681,896 |
| Capital surplus | | 6,278,606 | | | (3,775) | 6,274,831 |
| Retained earnings | | 6,485,517 | 9,603 | | (253,208) | 6,241,912 |
| Capital adjustments | | 896,337 | | | (11,196) | 885,141 |
| Minority interests | | | | | 44,281 | 44,281 |
| | | 15,637,789 | 17,603 | | (527,331) | 15,128,061 |
| | (Won) | 200,635,589 | (Won) 33,471 | (Won) | (1,754,182) | (Won) 198,914,878 |

Balance sheets per business segment as of December 31, 2005 were as follows (Unit: In millions):

| | Financial & | | Non-financial | Consolidation | | |
|-------------------------|--------------------|-------------|---------------|---------------|-------------|-------------------|
| | insurance business | | business | adjustment | | Total |
| Cash and due from banks | (Won) | 6,074,380 | (Won) 10,930 | (Won) | (142,314) | (Won) 5,942,996 |
| Securities | | 33,907,640 | | | (428,508) | 33,479,132 |
| Loans | | 136,630,845 | 468 | | (809,467) | 135,821,846 |
| Fixed assets | | 2,443,906 | 536 | | (2,830) | 2,441,612 |
| Other assets | | 5,450,265 | 12,681 | | (245,810) | 5,217,136 |
| | (Won) | 184,507,036 | (Won) 24,615 | (Won) | (1,628,929) | (Won) 182,902,722 |
| Deposits | (Won) | 129,951,153 | (Won) | (Won) | (335,564) | (Won) 129,615,589 |
| Borrowings | | 13,962,168 | | | (633,771) | 13,328,397 |
| Debentures | | 16,547,987 | | | | 16,547,987 |
| Other liabilities | | 11,146,822 | 6,888 | | (193,193) | 10,960,517 |
| | | 171,608,130 | 6,888 | | (1,162,528) | 170,452,490 |
| Common stock | | 1,986,450 | 8,000 | | (312,554) | 1,681,896 |
| Capital surplus | | 6,275,094 | | | (5,495) | 6,269,599 |
| Retained earnings | | 4,136,027 | 9,727 | | (178,219) | 3,967,535 |
| Capital adjustments | | 501,335 | | | (8,746) | 492,589 |
| Minority interests | | | | | 38,613 | 38,613 |
| | | 12,898,906 | 17,727 | | (466,401) | 12,450,232 |
| | (Won) | 184,507,036 | (Won) 24,615 | (Won) | (1,628,929) | (Won) 182,902,722 |

(2) Statements of income per business segment for the year ended December 31, 2006 were as follows (Unit: In millions):

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| | Financial & | Non-financial | Consolidation | |
|--------------------------------------|--------------------|---------------|-----------------|------------------|
| | insurance business | business | adjustment | Total |
| Operating revenue | (Won) 20,133,912 | (Won) 68,199 | (Won) (217,405) | (Won) 19,984,706 |
| Operating expenses | 16,976,369 | 65,129 | (157,347) | 16,884,151 |
| Operating income | 3,157,543 | 3,070 | (60,058) | 3,100,555 |
| Non-operating income | 712,959 | 15 | (72,749) | 640,225 |
| Non-operating expenses | 342,946 | 5 | (43,224) | 299,727 |
| Income before income tax | 3,527,556 | 3,080 | (89,583) | 3,441,053 |
| Income tax expense | 973,556 | 803 | (312) | 974,047 |
| Net income before minority interests | 2,554,000 | 2,277 | (89,271) | 2,467,006 |
| Minority interests, gain | | | (8,746) | (8,746) |
| Net income | (Won) 2,554,000 | (Won) 2,277 | (Won) (98,017) | (Won) 2,458,260 |

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Statements of income per business segment for the year ended December 31, 2005 were as follows (Unit: In millions):

| | Financial & insurance business | Non-financial business | Consolidation adjustment | Total |
|--------------------------------------|---|-----------------------------------|-------------------------------------|------------------|
| Operating revenue | (Won) 18,481,354 | (Won) 47,329 | (Won) (241,725) | (Won) 18,286,958 |
| Operating expenses | 15,363,479 | 43,772 | (208,879) | 15,198,372 |
| Operating income | 3,117,875 | 3,557 | (32,846) | 3,088,586 |
| Non-operating income | 761,975 | 24 | (64,961) | 697,038 |
| Non-operating expenses | 531,045 | 56 | (4,503) | 526,598 |
| Income before income Tax | 3,348,805 | 3,525 | (93,304) | 3,259,026 |
| Income tax expense | 1,005,236 | 991 | (175) | 1,006,052 |
| Net income before minority interests | 2,343,569 | 2,534 | (93,129) | 2,252,974 |
| Minority interests, gain | | | (11,919) | (11,919) |
| Net income | (Won) 2,343,569 | (Won) 2,534 | (Won) (105,048) | (Won) 2,241,055 |

(3) Financial information per business segment as of and for year ended December 31, 2006 was as follows (Unit: In millions):

| | Consolidation | | | | Total |
|---------------------------------|----------------------|----------------------|-----------------|-------------------|-------------------|
| | Banking | Trust account | Others | adjustment | |
| Operating revenue | (Won) 19,356,348 | (Won) 168,822 | (Won) 676,941 | (Won) (217,405) | (Won) 19,984,706 |
| Less: inter-company transaction | (102,179) | (9,332) | (105,894) | 217,405 | |
| Net operating revenue | 19,254,169 | 159,490 | 571,047 | | 19,984,706 |
| Operating income (loss) | (Won) 3,084,208 | (Won) (658) | (Won) 77,063 | (Won) (60,058) | (Won) 3,100,555 |
| Cash and due from banks | (Won) 6,679,566 | (Won) | (Won) 177,955 | (Won) (168,544) | (Won) 6,688,977 |
| Securities | 29,434,060 | 2,933,686 | 698,000 | (477,611) | 32,588,135 |
| Loans | 150,406,828 | 365,879 | 38,932 | (793,778) | 150,017,861 |
| Fixed assets | 2,509,651 | | 7,608 | (4,374) | 2,512,885 |
| Other assets | 6,888,211 | 186,426 | 342,258 | (309,875) | 7,107,020 |
| | (Won) 195,918,316 | (Won) 3,485,991 | (Won) 1,264,753 | (Won) (1,754,182) | (Won) 198,914,878 |

Financial information per business segment as of and for year ended December 31, 2005 was as follows (Unit: In millions):

| | Consolidation | | | | Total |
|-------------------|----------------------|----------------------|---------------|-------------------|------------------|
| | Banking | Trust account | Others | adjustment | |
| Operating revenue | (Won) 17,888,434 | (Won) 158,512 | (Won) 481,737 | (Won) (241,725) | (Won) 18,286,958 |

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| | | | | | | |
|---------------------------------|-------|-------------------|-----------------|----------------|-------------------|-------------------|
| Less: inter-company transaction | | (137,124) | (4,439) | (100,162) | 241,725 | |
| Net operating revenue | | 17,751,310 | 154,073 | 381,575 | | 18,286,958 |
| Operating income (loss) | | 3,027,003 | 1,353 | 93,076 | (32,846) | 3,088,586 |
| Cash and due from banks | (Won) | 5,975,604 | (Won) 6,933 | (Won) 102,773 | (Won) (142,314) | (Won) 5,942,996 |
| Securities | | 30,589,221 | 2,899,339 | 419,080 | (428,508) | 33,479,132 |
| Loans | | 136,308,296 | 294,583 | 28,434 | (809,467) | 135,821,846 |
| Fixed assets | | 2,437,052 | | 7,390 | (2,830) | 2,441,612 |
| Other assets | | 5,008,734 | 158,122 | 296,090 | (245,810) | 5,217,136 |
| | (Won) | 180,318,907 | (Won) 3,358,977 | (Won) 853,767 | (Won) (1,628,929) | (Won) 182,902,722 |

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(4) Financial information per geographical area as of and for the year ended December 31, 2006 was as follows (Unit: In millions):

| | Domestic | Overseas | Consolidation adjustment | Total |
|---------------------------------|-------------------|---------------|-----------------------------|-------------------|
| Operating revenue | (Won) 20,154,367 | (Won) 47,744 | (Won) (217,405) | (Won) 19,984,706 |
| Less: inter-company transaction | (210,312) | (7,093) | 217,405 | |
| Net operating revenue | 19,944,055 | 40,651 | | 19,984,706 |
| Operating income | (Won) 3,148,121 | (Won) 12,492 | (Won) (60,058) | (Won) 3,100,555 |
| Cash and due from banks | (Won) 6,746,262 | (Won) 111,259 | (Won) (168,544) | (Won) 6,688,977 |
| Securities | 33,014,166 | 51,580 | (477,611) | 32,588,135 |
| Loans | 150,271,994 | 539,645 | (793,778) | 150,017,861 |
| Fixed assets | 2,516,981 | 278 | (4,374) | 2,512,885 |
| Other assets | 7,407,823 | 9,072 | (309,875) | 7,107,020 |
| | (Won) 199,957,226 | (Won) 711,834 | (Won) (1,754,182) | (Won) 198,914,878 |

Financial information per geographical area as of and for the year ended December 31, 2005 was as follows (Unit: In millions):

| | Domestic | Overseas | Consolidation adjustment | Total |
|---------------------------------|-------------------|---------------|-----------------------------|-------------------|
| Operating revenue | (Won) 18,495,507 | (Won) 33,176 | (Won) (241,725) | (Won) 18,286,958 |
| Less: inter-company transaction | (235,242) | (6,483) | 241,725 | |
| Net operating revenue | 18,260,265 | 26,693 | | 18,286,958 |
| Operating income | 3,110,251 | 11,181 | (32,846) | 3,088,586 |
| Cash and due from banks | (Won) 5,977,123 | (Won) 108,187 | (Won) (142,314) | (Won) 5,942,996 |
| Securities | 33,868,719 | 38,921 | (428,508) | 33,479,132 |
| Loans | 136,061,424 | 569,889 | (809,467) | 135,821,846 |
| Fixed assets | 2,444,092 | 350 | (2,830) | 2,441,612 |
| Other assets | 5,455,036 | 7,910 | (245,810) | 5,217,136 |
| | (Won) 183,806,394 | (Won) 725,257 | (Won) (1,628,929) | (Won) 182,902,722 |

27. **RELATED PARTY TRANSACTIONS:**

(1) Significant balances with related parties as of December 31, 2006 and 2005 were as follows (Unit: In millions):

| | Assets | 2006 Allowance | Liabilities |
|---|--------------|-------------------|---------------|
| Subsidiaries: | | | |
| Trust accounts (trust accounts guaranteed a fixed rate of return and/or the repayment of principal) | (Won) 68,949 | (Won) | (Won) 157,695 |

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| | | | |
|--|---------------|---------|---------------|
| KB Investment Co., Ltd. | | | 12,608 |
| KB Futures Co., Ltd. | 926 | | 8,095 |
| KB Data System Co., Ltd. | 42 | | 22,918 |
| KB Asset Management Co., Ltd. | 99 | | 58,289 |
| KB Real Estate Trust Co., Ltd. | 862 | 6 | 549 |
| KB Credit Information Co., Ltd. | 120 | | 29,462 |
| KB Life Insurance Co., Ltd. | 3,167 | | 6,113 |
| NPC 02-4 Kookmin Venture Fund | | | 13,189 |
| Kookmin Bank International Ltd. (London) | 231,563 | | 49,536 |
| Kookmin Bank Hong Kong Ltd. | 178,590 | | 12,285 |
| | (Won) 484,318 | (Won) 6 | (Won) 370,739 |

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| | Assets | 2005 Allowance | Liabilities |
|---|---------------|-------------------|---------------|
| Subsidiaries: | | | |
| Trust accounts (trust accounts guaranteed a fixed rate of return and/or the repayment of principal) | (Won) 57,658 | (Won) | (Won) 128,147 |
| KB Investment Co., Ltd. | | | 20,096 |
| KB Futures Co., Ltd. | 1,874 | | 13,899 |
| KB Data System Co., Ltd. | 50 | | 14,021 |
| KB Asset Management Co., Ltd. | 114 | | 21,861 |
| KB Real Estate Trust Co., Ltd. | 18,532 | 92 | 1,418 |
| KB Credit Information Co., Ltd. | 191 | | 22,405 |
| KB Life Insurance Co., Ltd. | 1,620 | | 793 |
| NPC 02-4 Kookmin Venture Fund | | | 19,327 |
| Kookmin Bank International Ltd. (London) | 247,919 | | 54,436 |
| Kookmin Bank Hong Kong Ltd. | 123,460 | 51 | 24,641 |
| | (Won) 451,418 | (Won) 143 | (Won) 321,044 |

- (2) Significant transactions with related parties for the years ended December 31, 2006 and 2005 were as follows (Unit: In millions):

| | Revenue | 2006 Bad debt expenses | Expenses |
|---|---------------|------------------------------|---------------|
| Subsidiaries: | | | |
| Trust accounts (trust accounts guaranteed a fixed rate of return and/or the repayment of principal) | (Won) 42,528 | (Won) | (Won) 4,255 |
| KB Investment Co., Ltd. | 1 | | 341 |
| KB Futures Co., Ltd. | 92 | | 1,756 |
| KB Data System Co., Ltd. | 39 | | 27,356 |
| KB Asset Management Co., Ltd. | 783 | | 1,961 |
| KB Real Estate Trust Co., Ltd. | 1,424 | (87) | |
| KB Credit Information Co., Ltd. | 234 | | 69,368 |
| KB Life Insurance Co., Ltd. | 36,679 | | 2 |
| NPC 02-4 Kookmin Venture Fund | 6 | | 504 |
| Kookmin Bank International Ltd. (London) | 11,072 | | 4,394 |
| Kookmin Bank Hong Kong Ltd. | 9,702 | (46) | 2,136 |
| | (Won) 102,560 | (Won) (133) | (Won) 112,073 |

| | Revenue | 2005 Bad debt expenses | Expenses |
|---|--------------|------------------------------|-------------|
| Subsidiaries: | | | |
| Trust accounts (trust accounts guaranteed a fixed rate of return and/or the repayment of principal) | (Won) 83,019 | (Won) | (Won) 4,440 |
| KB Investment Co., Ltd. | | | 623 |
| KB Futures Co., Ltd. | 25 | | 1,370 |
| KB Data System Co., Ltd. | 93 | | 22,752 |
| KB Asset Management Co., Ltd. | 907 | | 1,030 |
| KB Real Estate Trust Co., Ltd. | 1,743 | (78) | |
| KB Credit Information Co., Ltd. | 197 | | 70,708 |
| KB Life Insurance Co., Ltd. | 30,167 | | 22 |

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| | | | |
|--|---------------|-------------|---------------|
| NPC 02-4 Kookmin Venture Fund | 7 | | 518 |
| Kookmin Bank International Ltd. (London) | 7,294 | (45) | 4,901 |
| Kookmin Bank Hong Kong Ltd. | 6,309 | | 2,092 |
| | (Won) 129,761 | (Won) (123) | (Won) 108,456 |

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Table of Contents28. CONSOLIDATED STATEMENTS OF CASH FLOWS:

- (1) Cash flows from operating activities are presented by the indirect method.
- (2) The cash and due from banks in the statements of cash flows for the years ended December 31, 2006 and 2005 were as follows (Unit: In millions)

| | 2006 | 2005 |
|--------------------------------------|-----------------|-----------------|
| Cash on hand | (Won) 2,725,644 | (Won) 2,683,480 |
| Foreign currencies | 151,406 | 150,403 |
| Due from banks in Won | 3,273,175 | 2,519,991 |
| Due from banks in foreign currencies | 538,752 | 589,122 |
| | 6,688,977 | 5,942,996 |
| Restricted due from banks | (3,319,705) | (2,259,181) |
| | (Won) 3,369,272 | (Won) 3,683,815 |

- (3) Significant transactions not involving cash inflows and outflows for the years ended December 31, 2006 and 2005 were as follows (Unit: In millions)

| | 2006 | 2005 |
|--|-----------------|-----------------|
| Write-offs of loans and decrease of loans from principal reduction | (Won) 1,700,441 | (Won) 2,151,343 |
| Decrease in allowance for sale and repurchase of impaired loans | (109,660) | (167,443) |
| Increase in available-for-sale securities resulting from the debt to equity swap | | 35,762 |
| Changes in capital adjustments from valuation of securities | 386,750 | (212,022) |
| Reclassification of available-for-sale securities to held-to-maturity securities | | 60,091 |

29. APPROVAL DATE OF FINANCIAL STATEMENTS:

The Bank's financial statements to be presented at the annual shareholders' meeting were approved by the board of directors on February 8, 2007.