

KOOKMIN BANK  
Form 6-K  
May 15, 2006  
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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## Form 6-K

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

For the month of May 2006

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## Kookmin Bank

(Translation of registrant's name into English)

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

(Address of principal executive office)

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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

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**S ummary of 2006 1<sup>st</sup> Quarter Business Report**

On May 15, 2006, pursuant to the Securities and Exchange Act of Korea, Kookmin Bank filed its business report for the first quarter of 2006 (the Business Report ) to the Financial Supervisory Commission of Korea and the Korea Exchange. This is the summary of the Business Report translated into English.

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

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**1. Introduction to the Bank**

**1.1. Business Purposes**

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

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

**1.2. History**

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

n November 9, 2001  
Listed on the Korea Stock Exchange

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

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

n May 30, 2003  
Entered into a merger agreement with Kookmin Credit Card, one of our major subsidiaries, and officially submitted Merger Statement to Financial Supervisory Commission

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

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December 16, 2003

Completed strategic investment in Bank International Indonesia (BII) by investing in 25% stake of the Consortium of Sorak Financial Holdings

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 Co. Ltd., to engage in insurance business

July 22, 2004

Made an alliance with China Construction Bank for the foreign currency business

August 31, 2004

ING Bank N.V. made a contract with KB for the strategic investment in KB Life



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n October 29, 2004  
Appointed Mr. Chung Won Kang as the President & CEO in 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  
Integration of three labor unions (former Kookmin Bank, former H&CB, former Kookmin Credit Card) into a single KB labor union

n March 02, 2005  
Open 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 27,423,761 shares of treasury stock by means of the 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 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 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 preferred bidder for the acquisition of Korea Exchange Bank



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**1.3. Capital Structure**

***1.3.1. Common Shares***

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

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

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

With regard to the merger between Kookmin Bank and Kookmin Credit Card on September 30, 2003, Kookmin Bank issued additional 8,120,431 shares on October 1, 2003. Accordingly, as of September 30, 2005, total 336,379,116 shares were issued with 1,681,896 million Won of paid-in capital.

***1.3.2. Treasury Stock***

The acquisition and disposition of our treasury stock during the first quarter of 2006 are as follows.

(Units: in thousand of Won unless indicated otherwise)

| <b>Date</b>              | <b>Details</b>   | <b>(Units: shares)</b> |
|--------------------------|--|------------------------|
| <b>December 31, 2005</b> | <b>Outstanding Treasury Shares</b>                             | <b>217,935</b>         |
| <b>January 13, 2006</b>  | <b>Disposition due to exercise of stock option by grantees</b> | <b>217,935</b>         |
| <b>March 31, 2006</b>    | <b>Outstanding Treasury Shares</b>                             | <b>0</b>               |

**Table of Contents****1.3.3. Stock Option**

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

(Units: in Won, shares)

| Grant date | Name of the grantee        | Position when granted             | Exercise period |           | Exercise price | Number of granted options <sup>1</sup> | Number of exercised options | Number of exercisable options |
|------------|----------------------------|-----------------------------------|-----------------|-----------|----------------|--|-----------------------------|-------------------------------|
|            |                            |                                   | From            | To        |                |  |                             |                               |
| 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  | 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  | Moon Soul Chung            | Non Executive Director            | 01-Mar-03       | 28-Feb-06 | 27,600         | 7,000                                  | 7,000                       | 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  | Sung Hee Jwa               | Non Executive Director            | 01-Mar-03       | 28-Feb-06 | 27,600         | 4,800                                  | 4,800                       | 0                             |
| 28-Feb-00  | Sung Cheon Hong & 9 others | Employees                         | 01-Mar-03       | 28-Feb-06 | 27,600         | 67,283                                 | 67,283                      | 0                             |
| 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                                 | 3,500                       | 15,833                        |
| 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  | Jae Han Kim & 2 others     | Employees                         | 25-Mar-04       | 24-Mar-07 | 25,100         | 16,491                                 | 14,916                      | 1,575                         |
| 15-Mar-01  | Sang Hoon Kim              | Chairman&CEO                      | 16-Mar-04       | 15-Mar-09 | 28,027         | 29,614                                 | 15,000                      | 14,614                        |
| 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  | 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  | Seung Heon Han             | Non Executive Director            | 16-Mar-04       | 15-Mar-09 | 28,027         | 1,870                                  | 0                           | 1,870                         |
| 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  | Se Woong Lee               | Non Executive Director            | 16-Mar-04       | 15-Mar-09 | 28,027         | 2,961                                  | 0                           | 2,961                         |
| 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  | Duk Hyun Kim               | Executive Vice President          | 16-Mar-04       | 15-Mar-09 | 28,027         | 11,845                                 | 2,845                       | 9,000                         |
| 15-Mar-01  | Ok Hyun Yoon               | Executive Vice President          | 16-Mar-04       | 15-Mar-09 | 28,027         | 11,845                                 | 5,845                       | 6,000                         |
| 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                                 | 6,845                       | 5,000                         |
| 15-Mar-01  | Han Koo Ji & 36 others     | Employees                         | 16-Mar-04       | 15-Mar-09 | 28,027         | 39,092                                 | 16,469                      | 22,623                        |
| 16-Nov-01  | Jung Tae Kim               | President & CEO                   | 17-Nov-04       | 16-Nov-09 | 51,200         | 500,000                                | 500,000                     | 0                             |
| 16-Nov-01  | Sang Hoon Kim              | Chairman                          | 17-Nov-04       | 16-Nov-09 | 51,200         | 150,000                                | 0                           | 150,000                       |
| 22-Mar-02  | Choul Ju Lee               | Chief Audit Executive             | 23-Mar-05       | 22-Mar-10 | 57,100         | 9,963                                  | 0                           | 9,963                         |
| 22-Mar-02  | Henry Cornell              | 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  | Dong Soo Chung             | Non Executive Director            | 23-Mar-05       | 22-Mar-10 | 57,100         | 10,000                                 | 0                           | 10,000                        |
| 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  | Timothy Hartman            | Non Executive Director            | 23-Mar-05       | 22-Mar-10 | 57,100         | 3,321                                  | 0                           | 3,321                         |
| 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  | Moon Soul Chung            | Non Executive Director            | 23-Mar-05       | 22-Mar-10 | 57,100         | 3,000                                  | 0                           | 3,000                         |
| 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  | Jong Kyoo Yoon             | Executive Vice President          | 23-Mar-05       | 22-Mar-10 | 57,100         | 20,522                                 | 0                           | 20,522                        |
| 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  | Bock Woan Kim              | Executive Vice President          | 23-Mar-05       | 22-Mar-10 | 57,100         | 13,339                                 | 0                           | 13,339                        |

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



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| Grant date | Name of the grantee         | Position when granted           | Exercise period |           | Exercise price | Number of granted options <sup>1</sup> | Number of exercised options | Number of exercisable options |
|------------|-----------------------------|---------------------------------|-----------------|-----------|----------------|--|-----------------------------|-------------------------------|
|            |                             |                                 | From            | To        |                |  |                             |                               |
| 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  | Sung Hyun Chung             | Executive Vice President        | 23-Mar-05       | 22-Mar-10 | 57,100         | 19,525                                 | 0                           | 19,525                        |
| 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  | Byung Sang Kim              | Executive Vice President        | 23-Mar-05       | 22-Mar-10 | 57,100         | 9,498                                  | 0                           | 9,498                         |
| 22-Mar-02  | Jong Young Yoon & 15 others | Employees                       | 23-Mar-05       | 22-Mar-10 | 57,100         | 147,658                                | 0                           | 147,658                       |
| 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  | Suk Yong Cha                | Non Executive director          | 22-Mar-06       | 21-Mar-11 | 58,600         | 10,000                                 | 10,000                      | 0                             |
| 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  | Moon Soul Chung             | Non Executive director          | 22-Mar-06       | 21-Mar-11 | 43,800         | 6,678                                  | 0                           | 6,678                         |
| 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  | Richard Elliott Lint        | Non Executive director          | 22-Mar-06       | 21-Mar-11 | 43,800         | 6,678                                  | 0                           | 6,678                         |
| 21-Mar-03  | Kyung Hee Yoon              | Non Executive director          | 22-Mar-06       | 21-Mar-11 | 43,800         | 6,678                                  | 0                           | 6,678                         |
| 21-Mar-03  | Bernard S. Black            | Non Executive director          | 22-Mar-06       | 21-Mar-11 | 43,800         | 6,678                                  | 0                           | 6,678                         |
| 21-Mar-03  | Eun Joo Park                | Non Executive director          | 22-Mar-06       | 21-Mar-11 | 42,200         | 3,351                                  | 0                           | 3,351                         |
| 21-Mar-03  | Cheol Soo Ahn               | 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                         |
| 21-Mar-03  | Sung Chul Kim               | Executive Vice President        | 22-Mar-06       | 21-Mar-11 | 35,500         | 9,443                                  | 0                           | 9,443                         |
| 21-Mar-03  | Woo Jung Lee                | Executive Vice President        | 22-Mar-06       | 21-Mar-11 | 35,500         | 9,443                                  | 0                           | 9,443                         |
| 21-Mar-03  | See Young Lee               | Executive Vice President        | 22-Mar-06       | 21-Mar-11 | 35,500         | 7,024                                  | 0                           | 7,024                         |
| 21-Mar-03  | Won Suk Oh & 5 others       | Employees                       | 22-Mar-06       | 21-Mar-11 | 35,500         | 62,993                                 | 0                           | 62,993                        |
| 27-Aug-03  | Jin Baek Cheong             | Executive Vice President        | 28-Aug-03       | 27-Aug-11 | 40,500         | 5,091                                  | 0                           | 5,091                         |
| 22-Mar-01  | Han Kyoung Lee              | Former KCC Officer              | 23-Mar-04       | 22-Mar-11 | 71,538         | 6,644                                  | 0                           | 6,644                         |
| 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  | Cheol Ho Kim                | Former KCC Officer              | 23-Mar-04       | 22-Mar-11 | 71,538         | 4,429                                  | 0                           | 4,429                         |
| 22-Mar-01  | Myoung Woo Lee              | Former KCC Officer              | 23-Mar-04       | 22-Mar-11 | 71,538         | 4,429                                  | 0                           | 4,429                         |
| 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  | Sun Lee                     | 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                         |
| 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  | Jeung Lak Lee               | Senior Executive Vice President | 10-Feb-07       | 09-Feb-12 | 46,100         | 7,452                                  | 0                           | 7,452                         |
| 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  | 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 & 9 others    | Employees                       | 10-Feb-07       | 09-Feb-12 | 46,100         | 48,837                                 | 0                           | 48,837                        |
| 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  | Woon Youl Choi              | Non Executive Director          | 24-Mar-07       | 23-Mar-12 | 48,800         | 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  | Young Soon Cheon            | Non Executive Director          | 24-Mar-07       | 23-Mar-12 | 48,500         | 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                        |

<sup>2</sup> Exercise price = 35,500 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.

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| Grant date | Name of the grantee       | Position when granted           | Exercise period |           | Exercise price | Number                          |                             |                               |
|------------|---------------------------|---------------------------------|-----------------|-----------|----------------|---------------------------------|-----------------------------|-------------------------------|
|            |                           |                                 | From            | To        |                | of granted options <sup>1</sup> | Number of exercised options | Number of exercisable options |
| 01-Nov-04  | Chung Won Kang            | President & CEO                 | 02-Nov-07       | 01-Nov-12 | X <sup>3</sup> | 700,000                         | 0                           | 700,000                       |
| 18-Mar-05  | Hyung Duk Chang           | Chief Audit Executive           | 19-Mar-08       | 18-Mar-13 | X <sup>4</sup> | 30,000                          | 0                           | 30,000                        |
| 18-Mar-05  | Kap Shin                  | Senior Executive Vice President | 19-Mar-08       | 18-Mar-13 | 46,800         | 30,000                          | 0                           | 30,000                        |
| 18-Mar-05  | Dong Won Kim              | Senior Executive Vice President | 19-Mar-08       | 18-Mar-13 | 46,800         | 30,000                          | 0                           | 30,000                        |
| 18-Mar-05  | Yun Keun Jung             | Senior Executive Vice President | 19-Mar-08       | 18-Mar-13 | 46,800         | 8,759                           | 0                           | 8,759                         |
| 18-Mar-05  | Nam Sik Yang              | Senior Executive Vice President | 19-Mar-08       | 18-Mar-13 | 46,800         | 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 & 22 others | Employees                       | 19-Mar-08       | 18-Mar-13 | 46,800         | 281,274                         | 0                           | 281,274                       |
| 18-Mar-05  | Suk Yong Cha              | Non Executive director          | 19-Mar-08       | 18-Mar-13 | 61,000         | 5,091                           | 0                           | 5,091                         |
| 18-Mar-05  | Ki Hong Kim               | Non Executive director          | 19-Mar-08       | 18-Mar-13 | 60,300         | 5,077                           | 0                           | 5,077                         |
| 18-Mar-05  | Young Soon Cheon          | Non Executive director          | 19-Mar-08       | 18-Mar-13 |                | 15,000                          | 0                           | 15,000                        |
| 18-Mar-05  | Dong Soo Chung            | Non Executive director          | 19-Mar-08       | 18-Mar-13 | X <sup>4</sup> | 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 <sup>4</sup> | 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                        |

<sup>3</sup> Exercise price = 37,600 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period / KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.

<sup>4</sup> Exercise price = 46,800 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period / KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.

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| Grant date   | Name of the grantee       | Position when granted           | Exercise period |           | Exercise price | Number                          |                             |                               |
|--------------|---------------------------|---------------------------------|-----------------|-----------|----------------|---------------------------------|-----------------------------|-------------------------------|
|              |                           |                                 | From            | To        |                | of granted options <sup>1</sup> | Number of exercised options | Number of exercisable options |
| 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 | X <sup>5</sup> | 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 |                | 20,000                          | 0                           | 20,000                        |
| 24-Mar-06    | Chung Won Cho & 14 others | Employees                       | 25-Mar-09       | 24-Mar-14 |                | 450,000                         | 0                           | 450,000                       |
| <b>Total</b> |                           |                                 |                 |           |                | <b>4,069,902</b>                | <b>735,414</b>              | <b>3,334,488</b>              |

<sup>5</sup> Exercise price = 75,200 Won x (1 + TRS of the three major competitors x 0.4)

- The detail condition of stock option granted on March 24, 2006 can be found on the Current Report on Form 6-K, which was submitted via EDGAR to the U.S. Securities and Exchange Commission on March 8, 2006 and March 24, 2006
- The number of stock options granted on February 9, 2004 and March 23, 2004 is the stock options granted over 1 year.
- The number of stock options granted on November 11, 2004, March 18, 2005, July 22, 2005 and August 23, 2005 is the stock options granted over 3 years.
- The number of stock options granted on March 24, 2006 is the stock options granted over 1 year, 2 years and 3 years



**Table of Contents****1.4. Employee Stock Ownership Association<sup>1</sup>**

|                                | Beginning<br>balance |          |          | Ending<br>Balance |         |
|--------------------------------|----------------------|----------|----------|-------------------|---------|
|                                | (January 1, 2006)    | Increase | Decrease | (March 31, 2006)  | Remarks |
| <b>Registered common stock</b> | 2,868,596            |          | 32,298   | 2,836,298         |         |
| <b>Total</b>                   | 2,868,596            |          | 32,298   | 2,836,298         |         |

**1.5. Dividend**

The following table shows dividend policy and the related information for the last three years. The Board of Directors of Kookmin Bank made a resolution to pay dividend for the fiscal year of 2005, and shareholders of Kookmin Bank approved of the dividend payout for the year at the general shareholders meeting held on March 24, 2006

(Units: in millions of Won unless indicated otherwise)

|  | March<br>2006 | 2005               | 2004    |
|--|---------------|--------------------|---------|
| <b>Net (loss) income for the period</b>        |               | 2,252,218          | 360,454 |
| <b>Diluted (loss) earnings per share (Won)</b> |               | 6,977 <sup>2</sup> | 1,176   |
| <b>Total dividend amount</b>                   |               | 184,889            | 168,574 |
| <b>Dividend payout ratio (%)</b>               |               | 8.21 <sup>3</sup>  | 46.77   |
| <b>Cash dividend per common share (Won)</b>    |               | 550                | 550     |
| <b>Stock dividend per common share (%)</b>     |               |                    |         |
| <b>Dividend per preferred share (Won)</b>      |               |                    |         |
| <b>Dividend yield ratio (%)</b>                |               | 0.72 <sup>4</sup>  | 1.42    |

<sup>1</sup> Disposed 2,000,000 shares of Treasury stock for the purpose of contribution to ESOP on February 23, 2005 and April 12, 2005.

<sup>2</sup> Earnings per share = net income (2,252,218,097,725 Won) / weighted average number of shares (322,785,751 shares).

<sup>3</sup> Dividend payout ratio = total dividend amount for common shares (184,888,649,550 Won) / net income (2,252,218,097,725 Won).

<sup>4</sup> Dividend yield ratio = dividend per share (550 Won) / average closing price for a week based on business day prior to market closing date of December 31, 2005 (76,000 Won).

**Table of Contents****2. Business****2.1. Sources and Uses of Fund****2.1.1. Sources of Fund**

(Unit: in millions of Won)

|                                  | March 31, 2006     |                      | December 31, 2005  |                      | December 31, 2004  |                      |
|----------------------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
|                                  | Average<br>balance | Interest<br>rate (%) | Average<br>balance | Interest<br>rate (%) | Average<br>balance | Interest<br>rate (%) |
| <b>Won currency</b>              |                    |                      |                    |                      |                    |                      |
| <b>Deposits</b>                  | 112,163,939        | 2.75                 | 114,394,983        | 2.82                 | 118,017,849        | 3.29                 |
| <b>Certificate of deposit</b>    | 5,925,941          | 4.12                 | 5,008,378          | 3.69                 | 6,108,179          | 4.06                 |
| <b>Borrowings</b>                | 2,844,767          | 3.17                 | 2,674,268          | 3.02                 | 3,053,890          | 3.43                 |
| <b>Call money</b>                | 2,119,277          | 3.72                 | 931,968            | 3.24                 | 1,117,576          | 3.55                 |
| <b>Other</b>                     | 24,224,663         | 4.94                 | 24,315,388         | 5.08                 | 23,376,439         | 5.61                 |
| <b>Subtotal</b>                  | 147,278,587        | 3.19                 | 147,324,985        | 3.23                 | 151,673,933        | 3.68                 |
| <b>Foreign currency</b>          |                    |                      |                    |                      |                    |                      |
| <b>Deposits</b>                  | 1,429,416          | 1.94                 | 1,473,811          | 1.61                 | 1,777,402          | 0.61                 |
| <b>Borrowings</b>                | 2,907,134          | 2.55                 | 3,231,480          | 2.06                 | 2,796,300          | 0.94                 |
| <b>Call money</b>                | 944,686            | 4.46                 | 285,573            | 3.48                 | 145,809            | 1.43                 |
| <b>Finance debentures issued</b> | 1,159,312          | 4.44                 | 765,723            | 4.09                 | 824,745            | 2.28                 |
| <b>Other</b>                     | 60,777             |                      | 52,592             |                      | 40,383             |                      |
| <b>Subtotal</b>                  | 6,501,325          | 3.01                 | 5,809,179          | 2.26                 | 5,584,639          | 1.04                 |
| <b>Other</b>                     |                    |                      |                    |                      |                    |                      |
| <b>Total Shareholders Equity</b> | 12,972,085         |                      | 11,369,246         |                      | 9,284,477          |                      |
| <b>Allowances</b>                | 1,027,109          |                      | 677,036            |                      | 459,124            |                      |
| <b>Other</b>                     | 11,919,118         |                      | 12,041,392         |                      | 12,773,040         |                      |
| <b>Subtotal</b>                  | 25,918,312         |                      | 24,087,674         |                      | 22,516,641         |                      |
| <b>Total</b>                     | 179,698,224        | 2.72                 | 177,221,838        | 2.76                 | 179,775,213        | 3.14                 |

**Table of Contents****2.1.2. Uses of Fund**

| (Unit: in millions of Won)        | March 31, 2006     |                   | December 31, 2005  |                   | December 31, 2004  |                   |
|-----------------------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
|                                   | Average balance    | Interest rate (%) | Average balance    | Interest rate (%) | Average balance    | Interest rate (%) |
| <b>Won currency</b>               |                    |                   |                    |                   |                    |                   |
| Due from banks                    | 53,751             | 1.04              | 304,662            | 2.97              | 184,593            | 0.83              |
| Securities                        | 30,262,771         | 4.47              | 27,676,964         | 4.58              | 23,930,678         | 5.14              |
| Loans                             | 118,306,537        | 6.32              | 120,539,476        | 6.24              | 125,504,672        | 6.64              |
| Advances for customers            | 15,230             | 1.50              | 23,947             | 8.64              | 71,213             | 2.01              |
| Call loan                         | 1,246,709          | 3.95              | 1,473,725          | 3.43              | 1,661,772          | 3.78              |
| Private placement corporate bonds | 3,941,815          | 6.24              | 1,887,514          | 6.95              | 1,322,470          | 6.58              |
| Credit card accounts              | 7,379,259          | 25.60             | 7,321,906          | 27.46             | 9,581,330          | 26.80             |
| Other                             | 317,399            |                   | 267,061            |                   | 172,783            |                   |
| Allowance for credit losses ( - ) | 2,435,278          |                   | 3,034,841          |                   | 3,844,940          |                   |
| <b>Subtotal</b>                   | <b>159,088,193</b> | <b>6.97</b>       | <b>156,460,414</b> | <b>7.08</b>       | <b>158,584,571</b> | <b>7.81</b>       |
| <b>Foreign currency</b>           |                    |                   |                    |                   |                    |                   |
| Due from banks                    | 501,519            | 3.88              | 598,015            | 2.88              | 632,526            | 1.34              |
| Securities                        | 772,002            | 7.09              | 858,565            | 6.15              | 1,208,124          | 3.88              |
| Loans                             | 3,989,757          | 4.06              | 4,745,013          | 2.97              | 4,011,351          | 2.73              |
| Call loan                         | 449,615            | 4.52              | 132,210            | 3.24              | 114,606            | 1.63              |
| Bills bought                      | 2,580,980          | 3.54              | 1,037,144          | 4.64              | 568,502            | 4.07              |
| Other                             | 1,712              |                   | 2,209              |                   | 4,812              |                   |
| Allowance for credit losses ( - ) | 56,984             |                   | 64,290             |                   | 94,501             |                   |
| <b>Subtotal</b>                   | <b>8,238,601</b>   | <b>4.28</b>       | <b>7,308,866</b>   | <b>3.68</b>       | <b>6,445,420</b>   | <b>3.03</b>       |
| <b>Other</b>                      |                    |                   |                    |                   |                    |                   |
| Cash                              | 987,497            |                   | 956,471            |                   | 965,852            |                   |
| Fixed assets held for business    | 2,411,715          |                   | 2,508,879          |                   | 3,084,589          |                   |
| Other                             | 8,972,218          |                   | 9,987,209          |                   | 10,694,781         |                   |
| <b>Subtotal</b>                   | <b>12,371,430</b>  |                   | <b>13,452,558</b>  |                   | <b>14,745,222</b>  |                   |
| <b>Total</b>                      | <b>179,698,224</b> | <b>6.37</b>       | <b>177,221,838</b> | <b>6.40</b>       | <b>179,775,213</b> | <b>7.00</b>       |

**Table of Contents****2.1.3. Fee Transactions**

(Unit: in millions of Won)

|                         | March 31,<br>2006 | March 31,<br>2005 | December 31,<br>2005 |
|-------------------------|-------------------|-------------------|----------------------|
| <b>Fee Revenue (A)</b>  |                   |                   |                      |
| Won currency            |                   |                   |                      |
| Guarantees              | 1,368             | 1,319             | 5,336                |
| Commissions received    | 227,051           | 196,459           | 804,934              |
| Credit card             | 16,265            | 15,587            | 66,484               |
| NHF                     | 47,468            | 41,428            | 179,540              |
| Foreign currency        |                   |                   |                      |
| Guarantees              | 1,365             | 880               | 4,227                |
| Others                  | 19,408            | 18,539            | 78,715               |
| <b>Subtotal</b>         | <b>312,925</b>    | <b>274,212</b>    | <b>1,139,236</b>     |
| <b>Fee Expense (B)</b>  |                   |                   |                      |
| Won & foreign currency  |                   |                   |                      |
| Commissions paid in Won | 35,405            | 19,952            | 119,539              |
| Credit card             | 47,120            | 53,278            | 210,315              |
| Others                  | 5,610             | 4,760             | 22,692               |
| <b>Subtotal</b>         | <b>88,135</b>     | <b>77,990</b>     | <b>352,546</b>       |
| <b>Fee Income (A-B)</b> | <b>224,790</b>    | <b>196,222</b>    | <b>786,690</b>       |

**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)

|                                     | March 31, 2006     |                    | December 31, 2005  |                    | December 31, 2004  |                    |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                                     | Average balance    | Ending balance     | Average balance    | Ending balance     | Average balance    | Ending balance     |
| <b>Deposits in Won</b>              |                    |                    |                    |                    |                    |                    |
| Demand deposits                     | 16,466,101         | 17,036,926         | 14,985,812         | 17,946,067         | 12,994,946         | 14,338,784         |
| Time & savings deposits             | 90,084,768         | 89,054,422         | 92,463,027         | 91,863,790         | 96,637,551         | 94,723,601         |
| Mutual installment deposits         | 4,839,088          | 4,570,549          | 5,674,807          | 5,120,668          | 6,682,928          | 6,306,923          |
| Mutual installment for housing      | 4,490,882          | 4,395,947          | 4,942,334          | 4,582,031          | 5,453,713          | 5,295,274          |
| Certificates of deposits            | 5,925,941          | 7,609,810          | 5,008,378          | 5,389,543          | 6,108,179          | 4,911,891          |
| <b>Subtotal</b>                     | <b>121,806,780</b> | <b>122,667,654</b> | <b>123,074,358</b> | <b>124,902,099</b> | <b>127,877,317</b> | <b>125,576,473</b> |
| <b>Deposits in foreign currency</b> | <b>1,429,416</b>   | <b>1,425,814</b>   | <b>1,473,811</b>   | <b>1,379,133</b>   | <b>1,769,828</b>   | <b>1,434,061</b>   |
| <b>Trust deposits</b>               |                    |                    |                    |                    |                    |                    |
| Money trust                         | 7,561,247          | 8,101,742          | 7,114,352          | 7,405,675          | 7,701,447          | 7,028,835          |
| Property trust                      | 9,146,023          | 8,442,118          | 11,032,320         | 9,854,012          | 16,297,382         | 12,534,329         |
| <b>Subtotal</b>                     | <b>16,707,270</b>  | <b>16,543,860</b>  | <b>18,146,672</b>  | <b>17,259,687</b>  | <b>23,998,829</b>  | <b>19,563,164</b>  |
| <b>Total</b>                        | <b>139,943,466</b> | <b>140,637,328</b> | <b>142,694,841</b> | <b>143,540,919</b> | <b>153,645,974</b> | <b>146,573,698</b> |

**2.2.2. Average Deposit per Domestic Branch**

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

(Unit: in millions of Won)

|                        | March 31, 2006 | December 31, 2005 | December 31, 2004 |
|------------------------|----------------|-------------------|-------------------|
| <b>Deposits</b>        | <b>123,429</b> | <b>123,532</b>    | <b>123,945</b>    |
| <b>Deposits in Won</b> | <b>122,276</b> | <b>122,358</b>    | <b>122,585</b>    |

**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)

|                        | March 31,<br>2006 | December 31,<br>2005 | December 31,<br>2004 |
|------------------------|-------------------|----------------------|----------------------|
| <b>Deposits</b>        | <b>7,624</b>      | <b>7,725</b>         | <b>7,232</b>         |
| <b>Deposits in Won</b> | <b>7,553</b>      | <b>7,652</b>         | <b>7,152</b>         |

**2.2.4. Loan Balances**

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

(Unit: in millions of Won)

|                                  | March 31, 2006     |                    | December 31, 2005  |                    | December 31, 2004  |                    |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|                                  | Average<br>balance | Ending<br>balance  | Average<br>balance | Ending<br>balance  | Average<br>balance | Ending<br>balance  |
| <b>Loans in Won</b>              | <b>118,300,428</b> | <b>117,860,232</b> | <b>120,532,216</b> | <b>118,565,341</b> | <b>125,496,237</b> | <b>122,721,898</b> |
| <b>Loans in foreign currency</b> | <b>5,286,070</b>   | <b>5,354,020</b>   | <b>4,745,013</b>   | <b>5,314,883</b>   | <b>4,011,351</b>   | <b>3,860,828</b>   |
| <b>Advances for customers</b>    | <b>15,230</b>      | <b>10,354</b>      | <b>23,947</b>      | <b>11,321</b>      | <b>73,801</b>      | <b>32,120</b>      |
| <b>Subtotal</b>                  | <b>123,601,728</b> | <b>123,224,606</b> | <b>125,301,176</b> | <b>123,891,545</b> | <b>129,581,389</b> | <b>126,614,846</b> |
| <b>Trust account loans</b>       | <b>327,732</b>     | <b>331,769</b>     | <b>334,404</b>     | <b>328,127</b>     | <b>429,054</b>     | <b>361,906</b>     |
| <b>Total</b>                     | <b>123,929,460</b> | <b>123,556,375</b> | <b>125,635,580</b> | <b>124,219,672</b> | <b>130,010,443</b> | <b>126,976,752</b> |

**2.2.5. Loan Balances as of March 31, 2006 by Maturity**

(Unit: in millions of Won)

|                                  | 1 year & Less       | More than 1 year~<br>3 years | More than 3 years~<br>5 years | More than<br>5<br>years | Total             |
|----------------------------------|---------------------|------------------------------|-------------------------------|-------------------------|-------------------|
|                                  | <b>Loans in Won</b> | <b>63,377,718</b>            | <b>22,859,610</b>             | <b>9,385,464</b>        | <b>22,237,440</b> |
| <b>Loans in foreign currency</b> | <b>4,147,062</b>    | <b>609,811</b>               | <b>298,942</b>                | <b>298,204</b>          | <b>5,354,019</b>  |

**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)

|  | March 31,<br>2006  | December 31,<br>2005 | December 31,<br>2004 |
|--|--------------------|----------------------|----------------------|
| <b>Loans to enterprise</b>                 |                    |                      |                      |
| Loans for operations                       | 31,003,457         | 30,498,328           | 31,678,117           |
| Loans for facility                         | 5,005,285          | 5,073,050            | 6,286,747            |
| Loans to households                        | 42,709,628         | 42,771,264           | 42,790,337           |
| <b>Loans to public sector &amp; others</b> |                    |                      |                      |
| Loans for operations                       | 504,407            | 643,141              | 673,456              |
| Loans for facility                         | 33,873             | 34,157               | 40,383               |
| Loans on property formation savings        | 6,595              | 6,748                | 9,719                |
| Loans for housing                          | 38,594,647         | 39,535,441           | 41,234,086           |
| Inter-bank loans                           | 578                | 1,274                | 6,114                |
| Others                                     | 1,762              | 1,938                | 2,939                |
| <b>Total</b>                               | <b>117,860,232</b> | <b>118,565,341</b>   | <b>122,721,898</b>   |

**2.2.7. Loan to Deposit Ratio<sup>1</sup>**

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

(Units: in millions of Won, %)

|                                    | March 31,<br>2006  | December 31,<br>2005 | December 31,<br>2004 |
|------------------------------------|--------------------|----------------------|----------------------|
| <b>Loans (A)</b>                   | <b>118,300,428</b> | <b>120,532,216</b>   | <b>125,496,237</b>   |
| <b>Deposits (B)</b>                | <b>121,806,780</b> | <b>123,074,358</b>   | <b>127,877,317</b>   |
| <b>Loan to deposit ratio (A/B)</b> | <b>97.12</b>       | <b>97.93</b>         | <b>98.14</b>         |

**2.2.8. Acceptances and Guarantees**

(Unit: in millions of Won)

|                   | March 31,<br>2006 | December 31,<br>2005 | December 31,<br>2004 |
|-------------------|-------------------|----------------------|----------------------|
| <b>Determined</b> | <b>1,847,386</b>  | <b>1,789,560</b>     | <b>975,788</b>       |
| <b>Contingent</b> | <b>1,945,415</b>  | <b>1,972,192</b>     | <b>1,311,774</b>     |
| <b>Total</b>      | <b>3,792,801</b>  | <b>3,761,752</b>     | <b>2,287,562</b>     |

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





**Table of Contents****2.2.9. Breakdown of Securities Investment**

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

(Unit: in millions of Won)

|   | March 31, 2006    |                   | December 31, 2005 |                   | December 31, 2004 |                   |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|   | Average balance   | Ending balance    | Average balance   | Ending balance    | Average balance   | Ending balance    |
| <b>Securities in Won (Banking account)</b>              |                   |                   |                   |                   |                   |                   |
| Monetary stabilization bonds                            | 11,716,100        | 12,436,186        | 10,667,229        | 11,570,306        | 7,150,535         | 10,524,835        |
| Government and public bonds                             | 9,424,429         | 10,248,258        | 6,950,886         | 8,933,401         | 4,753,135         | 4,675,093         |
| Debentures  | 9,466,220         | 9,971,180         | 7,334,555         | 9,184,403         | 7,013,765         | 6,152,749         |
| Stocks  | 1,583,904         | 1,602,709         | 1,243,781         | 1,707,816         | 1,003,131         | 1,282,050         |
| Others  | 2,013,932         | 2,244,487         | 3,368,027         | 2,105,353         | 5,332,583         | 5,583,539         |
| <b>Subtotal</b>   | <b>34,204,585</b> | <b>36,502,820</b> | <b>29,564,478</b> | <b>33,501,279</b> | <b>25,253,149</b> | <b>28,218,266</b> |
| <b>Securities in Won (Trust account)</b>                |                   |                   |                   |                   |                   |                   |
| Monetary stabilization bonds                            | 953,001           | 995,651           | 999,522           | 981,949           | 1,222,004         | 1,152,621         |
| Government and public bonds                             | 1,054,730         | 1,094,889         | 993,450           | 1,013,355         | 922,790           | 837,080           |
| Debentures  | 2,015,785         | 1,977,711         | 1,979,588         | 2,017,298         | 2,363,630         | 2,312,459         |
| Stocks  | 569,881           | 636,611           | 514,568           | 542,731           | 564,538           | 510,650           |
| Others  | 3,391,036         | 3,771,515         | 2,745,143         | 3,311,235         | 2,101,832         | 2,324,393         |
| <b>Securities in foreign currency (Trust Account)</b>   | <b>181,130</b>    | <b>178,145</b>    | <b>289,665</b>    | <b>184,115</b>    | <b>662,549</b>    | <b>449,415</b>    |
| <b>Subtotal</b>   | <b>8,165,563</b>  | <b>8,654,522</b>  | <b>7,521,936</b>  | <b>8,050,683</b>  | <b>7,837,343</b>  | <b>7,586,618</b>  |
| <b>Securities in foreign currency (Banking account)</b> |                   |                   |                   |                   |                   |                   |
| Foreign securities                                      | 516,761           | 527,845           | 579,561           | 525,892           | 894,722           | 745,352           |
| Off-shore foreign securities                            | 255,240           | 234,578           | 279,003           | 252,994           | 313,402           | 205,455           |
| <b>Subtotal</b>   | <b>772,001</b>    | <b>762,423</b>    | <b>858,564</b>    | <b>778,886</b>    | <b>1,208,124</b>  | <b>950,807</b>    |
| <b>Total</b>  | <b>43,142,149</b> | <b>45,919,765</b> | <b>37,944,978</b> | <b>42,330,848</b> | <b>34,298,616</b> | <b>36,755,691</b> |

**2.2.10. Trust Account**

(Unit: in millions of Won)

|                         | March 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 | 330                    | 249           | 335                    | 43,088         | 369                    | 8,365          |
| Performance trust       | 16,706,940             | 17,248        | 18,146,337             | 77,756         | 23,998,460             | 93,856         |
| <b>Total</b>            | <b>16,707,270</b>      | <b>17,497</b> | <b>18,146,672</b>      | <b>120,844</b> | <b>23,998,829</b>      | <b>102,221</b> |



**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 |                      |                      |
|--|---|----------------------|----------------------|
|  | March 31,<br>2006                               | December 31,<br>2005 | December 31,<br>2004 |
| <b>Number of card holders (Person)</b> |   |                      |                      |
| Corporate                              | 166,088   | 159,047              | 182,109              |
| Individual                             | 9,121,217                                       | 9,342,552            | 11,362,173           |
| <b>Number of merchants</b>             | 1,529,297                                       | 1,506,979            | 1,491,730            |
| <b>Sales volume<sup>1</sup></b>        | 14,992,215                                      | 62,475,085           | 66,918,805           |
| Fee revenue                            | 525,796   | 2,085,866            | 2,807,557            |

**2.3. Branch Networks**

As of March 31, 2006, we have 1,056 branches and 50 sub-branches in Korea, the largest number of branches among Korean commercial banks. Approximately 41% of our branches and sub-branches are located in Seoul.

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

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

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

(Units: in millions of Won, %)

|                                  | March 31,<br>2006 <sup>1</sup> | December 31,<br>2005 | December 31,<br>2004 |
|----------------------------------|--------------------------------|----------------------|----------------------|
| <b>Risk-adjusted capital (A)</b> | <b>18,066,743</b>              | <b>15,682,535</b>    | <b>13,334,531</b>    |
| <b>Risk-weighted assets (B)</b>  | <b>119,212,758</b>             | <b>121,072,676</b>   | <b>121,081,735</b>   |
| <b>BIS ratios (A/B)</b>          | <b>15.16</b>                   | <b>12.95</b>         | <b>11.01</b>         |

**2.4.2. Non-Performing Loans<sup>2</sup>**

(Units: in millions of Won unless indicated otherwise)

| March 31, 2006   |                    | December 31, 2005 |                    | Change         |                    |
|------------------|--------------------|-------------------|--------------------|----------------|--------------------|
| Amount           | NPL to total loans | Amount            | NPL to total loans | Amount         | NPL to total loans |
| <b>1,868,949</b> | <b>1.36%</b>       | <b>1,946,362</b>  | <b>1.42%</b>       | <b>-77,413</b> | <b>-0.06%p</b>     |

**2.4.3. Loan Loss Allowances**

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

(Units: in millions of Won)

|                                    | March 31,<br>2006 | December 31,<br>2005 | December 31,<br>2004 |
|------------------------------------|-------------------|----------------------|----------------------|
| <b>Loan losses allowance</b>       |                   |                      |                      |
| <b>Loans in Won</b>                | <b>2,335,818</b>  | <b>2,496,655</b>     | <b>3,181,433</b>     |
| <b>Loans in foreign currencies</b> | <b>3,711</b>      | <b>4,122</b>         | <b>4,662</b>         |
| <b>Total</b>                       | <b>2,339,529</b>  | <b>2,500,777</b>     | <b>3,186,095</b>     |
| <b>Provision for loan losses</b>   | <b>422,402</b>    | <b>2,014,834</b>     | <b>3,382,130</b>     |

<sup>1</sup> Tentative ratio<sup>2</sup> 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 Years**

(Unit: in millions of Won)

|                                  | March 31,<br>2006 <sup>1</sup> | December 31,<br>2005 <sup>2</sup> | December 31,<br>2004 <sup>3</sup> |
|----------------------------------|--------------------------------|-----------------------------------|-----------------------------------|
| <b>Beginning balance</b>         | <b>2,500,777</b>               | <b>3,186,095</b>                  | <b>3,948,736</b>                  |
| <b>Net Write-Off</b>             | <b>(313,663)</b>               | <b>(1,738,406)</b>                | <b>(3,830,889)</b>                |
| <b>Write-Off</b>                 | <b>(422,402)</b>               | <b>(2,014,834)</b>                | <b>(3,382,130)</b>                |
| <b>Recovery</b>                  | <b>119,054</b>                 | <b>452,959</b>                    | <b>286,464</b>                    |
| <b>Other</b>                     | <b>(10,315)</b>                | <b>(176,531)</b>                  | <b>(735,223)</b>                  |
| <b>Provision for loan losses</b> | <b>152,415</b>                 | <b>1,053,088</b>                  | <b>3,068,248</b>                  |
| <b>Ending balance</b>            | <b>2,339,529</b>               | <b>2,500,777</b>                  | <b>3,186,095</b>                  |

<sup>1</sup> Includes present value discounts and allowance for other assets amounting to 17,192 million Won and 45,180 million Won, respectively as of March 31, 2006

<sup>2</sup> Includes present value discounts and allowances for other assets amounting to 20,015 million Won and 47,502 million Won, respectively that had been recorded as of December 31, 2005

<sup>3</sup> Includes present value discounts and allowance for other assets amounting to 22,111 million Won and 67,320 million Won, respectively that had been recorded as of December 31, 2004 and includes present value discounts and allowance for other assets amounting to 22,780 million Won and 38,692 million Won, respectively that had been recorded as of January 1, 2004

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

(Unit: in millions of Won)

|   | As of or for the years ended<br>of<br>indicated dates |                      |
|---|---|----------------------|
|   | March 31,<br>2006                                     | December 31,<br>2005 |
| <b>Cash and due from banks</b>                      | <b>6,495,872</b>                                      | <b>5,867,417</b>     |
| <b>Securities</b>                                   | <b>32,945,800</b>                                     | <b>30,550,229</b>    |
| <b>Loans</b>  | <b>136,479,820</b>                                    | <b>135,738,407</b>   |
| <b>Fixed assets</b>                                 | <b>2,391,874</b>                                      | <b>2,436,702</b>     |
| <b>Other assets</b>                                 | <b>7,995,828</b>                                      | <b>5,000,824</b>     |
| <b>Total assets</b>                                 | <b>186,309,194</b>                                    | <b>179,593,649</b>   |
| <b>Deposits</b>                                     | <b>124,093,468</b>                                    | <b>126,281,232</b>   |
| <b>Borrowings</b>                                   | <b>15,433,018</b>                                     | <b>13,737,336</b>    |
| <b>Debentures</b>                                   | <b>19,493,616</b>                                     | <b>16,547,987</b>    |
| <b>Other liabilities</b>                            | <b>14,255,334</b>                                     | <b>10,653,494</b>    |
| <b>Total liabilities</b>                            | <b>173,275,436</b>                                    | <b>167,220,049</b>   |
| <b>Capital stocks</b>                               | <b>1,681,896</b>                                      | <b>1,681,896</b>     |
| <b>Capital surplus</b>                              | <b>6,258,297</b>                                      | <b>6,254,786</b>     |
| <b>Retained earnings</b>                            | <b>4,547,909</b>                                      | <b>3,929,948</b>     |
| <b>Capital adjustments</b>                          | <b>545,656</b>  | <b>506,970</b>       |
| <b>Total shareholders equity</b>                    | <b>13,033,758</b>                                     | <b>12,373,600</b>    |
| <b>Liabilities and Shareholders Equity</b>          | <b>186,309,194</b>                                    | <b>179,593,649</b>   |
| <b>Operating revenue</b>                            | <b>4,980,785</b>                                      | <b>17,855,258</b>    |
| <b>Operating income</b>                             | <b>1,046,147</b>                                      | <b>3,015,822</b>     |
| <b>Continuing (loss) income before income taxes</b> | <b>1,124,349</b>                                      | <b>3,228,253</b>     |
| <b>Net (loss) income</b>                            | <b>802,981</b>  | <b>2,252,218</b>     |

**3.2. Other Financial Information**

See the Exhibit 99.1 Kookmin Bank Review Report by our independent auditors for our full- financial statements and relevant notes. The Review Report is also available at our website [www.kbstar.com](http://www.kbstar.com).

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**4. Independent Accountant Fees and Services**

**4.1. Audit & Review Fees**

Deloitte Anjin LLC has reviewed our financial statements for the first quarter of 2006. The aggregate contract fee for the audit and review fees for the fiscal 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.

(Units: in millions of Won unless indicated otherwise)

| <b>Year</b>    | <b>Service description</b>                                       | <b>Amount of payment</b> |
|----------------|--|--------------------------|
| <b>1Q 2006</b> |  |                          |
| <b>2005</b>    | - LOC (Letter of Comfort)  | 30                       |
|                | - Refinancing  | 230                      |
| <b>2004</b>    | - 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 holds regular meetings every quarter. The board of directors consists of directors and resolves each following matter:

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

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

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

Each committee member is appointed by the board of directors, except for members of the Audit Committee, who are elected at the general shareholders meeting. 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,



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key financial statement issues and the administration of our financial affairs by the board of directors. In connection with the general shareholders meeting, the committee examines the agenda for, and financial statements and other reports to be submitted by, the board of directors to each general shareholders meeting. The committee holds regular meetings every quarter and as-needed basis.

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

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

(Units: in millions of Won)

|  | The aggregate remuneration paid<br>(From Jan to Mar) | Limit for the remuneration resolved by shareholders meeting (For the year 2006) | Average amount of the payment per person<br>(From Jan to Mar) |
|--|--|---|---|
| <b>1) Executive Directors<br/>(Except chief audit executive and non-executive directors)</b> | <b>2,123</b>   |   | <b>708</b>  |
| <b>2) Non Executive Directors<br/>(Except members of audit committee)</b>                    | <b>89</b>  | <b>8,000</b>  | <b>18</b>   |
| <b>3) Members of Audit Committee<br/>(Including chief audit executive)</b>                   | <b>509</b>   |   | <b>127</b>  |
| <b>Total</b>   | <b>2,721</b>   | <b>8,000</b>  | <b>227</b>  |

As part of remuneration, Kookmin Bank also granted stock options to directors. See 1.3.3. Stock Option.

**5.4. Voting Rights of Shareholders**

Each outstanding share of our common stock is entitled to one vote per share. If the method of written resolution at the general shareholders meeting is adopted by resolution of the board of directors, at which the convening of the general shareholders meeting is determined, the shareholders may exercise their voting rights in writing without participating the meeting in person. In this case, the Bank is required to send the documents and references necessary for exercise of voting rights, together with the convening notice. If a shareholder intends to exercise his/her voting rights in writing, the shareholder is required to fill in a certain form and submit it to the Bank one day before the date set for the general shareholders meeting.

**5.5. Share Ownership<sup>1</sup>**

The following table presents information regarding the selected major ownership of our shares as of March 31, 2006.

(Unit: Shares, %)

| Name                                    | Number of Shares of Common Stock | Percentage of Total Issued Shares |
|---|----------------------------------|-----------------------------------|
| <b>The Bank of New York<sup>2</sup></b> | <b>51,175,814</b>                | <b>15.21</b>                      |
| <b>Euro-Pacific Growth Fund</b>         | <b>16,659,610</b>                | <b>4.95</b>                       |

<sup>1</sup> Information based on December 31, 2005

<sup>2</sup> Depository of ADRs

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**5.6. Affiliated Companies**

**5.6.1. List of Affiliates<sup>1</sup>**

Affiliated companies of Kookmin Bank and its ownership as of March 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 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 (25.00%)

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<sup>1</sup> Excluding Joeeun Industry and Jangeun Securities which have been under liquidation procedures. Also excluded as follows; Kookmin Bank Luxembourg.S.A has been completed liquidation procedures on November 2004. Kookmin Singapore Ltd. and Kookmin Finance Asia Limited have been under liquidation procedures.

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

Our 4 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 with Kookmin Bank's common stocks owned are set forth below as of March 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 & SEVP                     |               |

**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 March 31, 2006, 9 non-executive directors are in office.

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

| Name             | Date of Birth | Position               | Common Stocks |
|------------------|---------------|------------------------|---------------|
|                  |               |                        | Owned         |
| Dong Soo Chung   | 09/24/1945    | Non-Executive Director | 1,890         |
| 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 | 1,790         |

**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 March 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 |                     |

**6.4. Employees**

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

(Unit: in millions of Won)

|               | Number of Employees <sup>1</sup> |             |        | Average Tenure of the Full-time Employees (years) <sup>2</sup> | Total Payment for the first quarter of 2006 <sup>3</sup> | Average Monthly Payment per Person |
|---------------|----------------------------------|-------------|--------|--|--|------------------------------------|
|               | Full-time                        | Contractual | Total  |  |  |                                    |
| <b>Male</b>   | 12,792                           | 1,366       | 14,158 | 16 years and 11 months   | 215,003  | 5.1                                |
| <b>Female</b> | 4,324                            | 5,683       | 10,007 | 14 years   | 106,848  | 3.6                                |
| <b>Total</b>  | 17,116                           | 7,049       | 24,165 | 16 years and 2 months  | 321,851  | 4.4                                |

<sup>1</sup> Number of employees are calculated based on an arithmetic mean from January 31, 2006 to March 31, 2006 and local employees in overseas branches are excluded

<sup>2</sup> Only based on full-time employees as of March 31, 2006

<sup>3</sup> Based on personnel expense and welfare cost as of March 31, 2006

**Table of Contents****7. Related Party Transactions****7.1. Transactions with the Largest Shareholders or Affiliates****7.1.1. Investments in Affiliates<sup>1</sup>**

(Unit: in millions of Won)

| Name  | Relation         |                                | Beginning<br>Balance<br>(January 1, 2006) | Increase | Decrease     | Ending<br>Balance<br>(March 31, 2006) |
|---|------------------|--------------------------------|---|----------|--------------|---------------------------------------|
|   | with the<br>Bank | Account                        |   |          |              |                                       |
| 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 | 8,000                                     |          |              | 8,000                                 |
| KB Credit Information                       | Affiliate        | Equity Securities of Affiliate | 6,245                                     |          |              | 6,245                                 |
| KB Life                                     | Affiliate        | Equity Securities of Affiliate | 15,300                                    |          |              | 15,300                                |
| ING Life Korea                              | Affiliate        | Equity Securities of Affiliate | 14,000                                    |          |              | 14,000                                |
| Kookmin Bank Hong Kong Ltd.                 | Affiliate        | Equity Securities of Affiliate | 20,260                                    |          | 742          | 19,518                                |
| Kookmin Bank International<br>(London) Ltd. | Affiliate        | Equity Securities of Affiliate | 34,935                                    |          | 836          | 34,099                                |
| <b>Total</b>                                |                  |                                | <b>274,161</b>                            |          | <b>1,578</b> | <b>272,583</b>                        |

<sup>1</sup> Excluding Jooeun Industry and Jangeun Securities which have been under liquidation procedures

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**7.2. Transactions with related parties other than the Largest Shareholders or Affiliates**

**7.2.1. Securities Transactions**

(Units: in millions of Won unless indicated otherwise)

| Name             | Relation with the Bank                                   | Account           | Transactions |            | Volume       | Gains /Losses |
|------------------|--|-------------------|--------------|------------|--------------|---------------|
|                  |  |                   | Purchase     | Disposal   |              |               |
| DSME Co.         | Related party of Non-executive director, Dong Soo Chung  | Equity securities | 642          |            | 642          | 0             |
| LG International | Related party of Non-executive director, Kee Young Chung | Equity securities | 2,083        | 456        | 2,539        | (34)          |
| <b>Total</b>     |  |                   | <b>2,725</b> | <b>456</b> | <b>3,181</b> | <b>(34)</b>   |

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**SIGNATURES**

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

Kookmin Bank  
(Registrant)

Date: May 15, 2006

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



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**Exhibit 99.1**

KOOKMIN BANK

NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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**Independent Accountants Review Report**

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of

Kookmin Bank:

We have reviewed the accompanying non-consolidated balance sheets of the Bank accounts of Kookmin Bank (the Bank) as of March 31, 2006, and the related non-consolidated statements of income and cash flows for the three months ended March 31, 2006 and 2005, all expressed in Korean Won. These financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these financial statements based on our reviews. .

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

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

We have previously audited, in accordance with auditing standards generally accepted in the Republic of Korea, the non-consolidated balance sheet of the Bank as of December 31, 2005, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended (not presented herein) and in our report dated February 24, 2006, we expressed an unqualified opinion on those non-consolidated financial statements. The accompanying balance sheet as of December 31, 2005, which is comparatively presented, does not differ in material respects from such audited non-consolidated balance sheet.

April 28, 2006

/s/ Deloitte Anjin LLC

**Notice to Readers**

This report is effective as of April 28, 2006, review report date. Certain subsequent events or circumstances may have occurred between the review report date and the time the review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the review report.

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## KOOKMIN BANK

## NON-CONSOLIDATED BALANCE SHEETS

AS OF MARCH 31, 2006 AND DECEMBER 31, 2005

|  | 2006              | Korean Won<br>(In millions) | 2005              |
|--|-------------------|-----------------------------|-------------------|
| <b>ASSETS</b>  |                   |                             |                   |
| Cash and due from banks (Notes 3, 20 and 21)   | (Won) 6,495,872   |                             | (Won) 5,867,417   |
| Securities (Notes 4, 20 and 21)  | 32,945,800        |                             | 30,550,299        |
| Loans (Notes 5, 6, 7, 20 and 21)   | 136,479,820       |                             | 135,738,407       |
| Fixed assets (Note 8)  | 2,391,874         |                             | 2,436,702         |
| Other assets (Note 9)  | 7,995,828         |                             | 5,000,824         |
|  | (Won) 186,309,194 |                             | (Won) 179,593,649 |
| <b>LIABILITIES AND SHAREHOLDERS EQUITY</b>   |                   |                             |                   |
| <b>LIABILITIES:</b>  |                   |                             |                   |
| Deposits (Notes 10, 20 and 21)   | (Won) 124,093,468 |                             | (Won) 126,281,232 |
| Borrowings (Notes 11, 20 and 21)   | 15,433,018        |                             | 13,737,336        |
| Debentures (Notes 12, 20 and 21)   | 19,493,616        |                             | 16,547,987        |
| Other liabilities (Notes 13, 14, 15 and 16)  | 14,255,334        |                             | 10,653,494        |
|  | 173,275,436       |                             | 167,220,049       |
| <b>SHAREHOLDERS EQUITY (Notes 17 and 18):</b>  |                   |                             |                   |
| Common stock   | 1,681,896         |                             | 1,681,896         |
| Capital surplus  | 6,258,297         |                             | 6,254,786         |
| Retained earnings (Net income of (Won)802,981 million for three months ended March 31, 2006 and (Won)2,252,218 million for the year ended December 31, 2005) | 4,547,909         |                             | 3,929,948         |
| Capital adjustments  | 545,656           |                             | 506,970           |
|  | 13,033,758        |                             | 12,373,600        |
|  | (Won) 186,309,194 |                             | (Won) 179,593,649 |

See accompanying notes to non-consolidated financial statements.

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## KOOKMIN BANK

## NON-CONSOLIDATED STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

|  | Korean Won                             |                  |
|--|--|------------------|
|  | 2006                                   | 2005             |
|  | (In millions except per share amounts) |                  |
| <b>OPERATING REVENUE:</b>                              |  |                  |
| Interest income:                                       |  |                  |
| Interest on due from banks (Note 21)                   | (Won) 5,011                            | (Won) 6,186      |
| Interest on securities (Note 21)                       | 316,842                                | 239,201          |
| Interest on loans (Note 21)                            | 2,544,672                              | 2,528,297        |
| Other interest income                                  | 7,034                                  | 7,150            |
|  | 2,873,559                              | 2,780,834        |
| Commission income                                      | 312,931                                | 274,219          |
| Other operating income:                                |  |                  |
| Gain on disposal of trading securities                 | 13,971                                 | 21,431           |
| Gain on valuation of trading securities (Note 4)       | 12,150                                 | 4,184            |
| Dividends on trading securities                        | 2,634                                  | 4,658            |
| Dividends on available-for-sale securities             | 1,696                                  | 1,823            |
| Foreign exchange trading income                        | 61,605                                 | 43,982           |
| Fees and commissions from trust accounts (Note 26)     | 22,029                                 | 44,352           |
| Gain on financial derivatives trading                  | 1,016,030                              | 890,997          |
| Gain on valuation of financial derivatives (Note 19)   | 632,356                                | 759,327          |
| Gain on valuation of fair value hedged items (Note 19) | 2,654                                  | 22,635           |
| Other operating income                                 | 29,170                                 | 4,502            |
|  | 1,794,295                              | 1,797,891        |
| <b>Total operating revenues</b>                        | <b>4,980,785</b>                       | <b>4,852,944</b> |
| <b>OPERATING EXPENSES:</b>                             |  |                  |
| Interest expenses:                                     |  |                  |
| Interest on deposits (Note 21)                         | 784,922                                | 831,707          |
| Interest on borrowings (Note 21)                       | 145,090                                | 74,990           |
| Interest on debentures (Note 21)                       | 227,432                                | 291,211          |
| Other interest expenses                                | 10,832                                 | 8,629            |
|  | 1,168,276                              | 1,206,537        |
| Commission expenses                                    | 88,135                                 | 77,990           |
| Other operating expenses:                              |  |                  |
| Loss on disposal of trading securities                 | 23,247                                 | 30,737           |
| Provision for possible loan losses (Note 7)            | 152,415                                | 337,125          |
| Provision for acceptances and guarantees losses        |  | 856              |
| Foreign exchange trading losses                        | 108,225                                | 64,550           |
| Loss on financial derivatives trading (Note 19)        | 962,567                                | 773,882          |

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|  |           |           |
|--|-----------|-----------|
| Loss on valuation of financial derivatives (Note 19) | 603,487   | 840,445   |
| Other operating expenses                             | 133,347   | 115,234   |
|  | 1,983,288 | 2,162,829 |
| General and administrative expenses (Note 22)        | 694,939   | 734,640   |
| Total operating expenses                             | 3,934,638 | 4,181,996 |

(Continued)

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## KOOKMIN BANK

## NON-CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

|   | Korean Won                             |               |
|---|--|---------------|
|   | 2006                                   | 2005          |
|   | (In millions except per share amounts) |               |
| OPERATING INCOME  | (Won) 1,046,147                        | (Won) 670,948 |
| NON-OPERATING INCOME (Note 23)                                  | 121,870                                | 148,963       |
| NON-OPERATING EXPENSES (Note 23)                                | 43,668                                 | 297,249       |
| ORDINARY INCOME   | 1,124,349                              | 522,662       |
| EXTRAORDINARY ITEM  |  |               |
| INCOME BEFORE INCOME TAX  | 1,124,349                              | 522,662       |
| INCOME TAX EXPENSE (Note 24)                                    | 321,368                                | 182,393       |
| NET INCOME  | (Won) 802,981                          | (Won) 340,269 |
| ORDINARY INCOME PER SHARE (In currency units) (Note 25)         | (Won) 2,387                            | (Won) 1,109   |
| NET INCOME PER SHARE (In currency units) (Note 25)              | (Won) 2,387                            | (Won) 1,109   |
| DILUTED ORDINARY INCOME PER SHARE (In currency units) (Note 25) | (Won) 2,387                            | (Won) 1,104   |
| DILUTED NET INCOME PER SHARE (In currency units) (Note 25)      | (Won) 2,387                            | (Won) 1,104   |

See accompanying notes to non-consolidated financial statements.

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## KOOKMIN BANK

## NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

|   | 2006          | Korean Won<br>(In millions) | 2005          |
|---|---------------|-----------------------------|---------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                      |               |                             |               |
| Net income  | (Won) 802,981 |                             | (Won) 340,269 |
| Adjustments to reconcile net income to net cash provided by operating activities: |               |                             |               |
| Loss on disposal of trading securities  | 23,247        |                             | 30,737        |
| Provision for possible loan losses  | 152,415       |                             | 337,125       |
| Loss on financial derivatives trading   | 962,567       |                             | 773,882       |
| Loss on valuation of financial derivatives  | 603,487       |                             | 840,445       |
| Loss on valuation of securities accounted for using the equity method             | 942           |                             | 7,692         |
| Provision for severance benefits  | 38,556        |                             | 38,424        |
| Depreciation and amortization   | 65,617        |                             | 77,086        |
| Loss on disposal of available-for-sale securities                                 | 4,738         |                             | 9,135         |
| Loss on impairment of available-for-sale securities                               | 3,335         |                             | 4,629         |
| Loss on disposal of tangible assets   | 147           |                             | 1,347         |
| Loss on sale of loans   |               |                             | 26            |
| Gain on disposal of trading securities  | (13,971)      |                             | (21,431)      |
| Gain on valuation of trading securities   | (12,150)      |                             | (4,184)       |
| Gain on financial derivatives trading   | (1,016,030)   |                             | (890,997)     |
| Gain on valuation of financial derivatives  | (632,356)     |                             | (759,327)     |
| Gain on valuation of fair value hedged items                                      | (2,654)       |                             | (22,635)      |
| Gain on valuation of securities accounted for using the equity method             | (22,997)      |                             | (25,629)      |
| Gain on disposal of available-for-sale securities                                 | (38,421)      |                             | (75,039)      |
| Gain on disposal of tangible assets   | (46)          |                             | (68)          |
| Gain on sale of loans   |               |                             | (62)          |
| Others, net   | 88,240        |                             | 112,126       |
|   | 204,666       |                             | 433,282       |

(Continued)

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## KOOKMIN BANK

## NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

|   | 2006            | Korean Won<br>(In millions) | 2005            |
|---|-----------------|-----------------------------|-----------------|
| <b>Changes in assets and liabilities resulting from operations:</b>         |                 |                             |                 |
| Net decrease in trading securities  | (Won) 661,027   |                             | (Won) 270,887   |
| Net increase in accounts receivable   | (2,959,701)     |                             | (4,453,600)     |
| Net decrease (increase) in accrued income                                   | 5,772           |                             | (16,517)        |
| Net decrease (increase) in prepaid expenses                                 | (36,868)        |                             | 110,554         |
| Net decrease in deferred income tax assets                                  | 4,834           |                             | 42,769          |
| Net increase in accounts payable  | 2,871,969       |                             | 4,366,207       |
| Net increase (decrease) in accrued expenses                                 | (557,227)       |                             | 23,935          |
| Net increase (decrease) in advances from customers                          | (53,936)        |                             | 314,291         |
| Payment of severance benefits   | (6,244)         |                             | (50,936)        |
| Decrease (increase) in severance insurance deposits                         | (1,224)         |                             | 28,019          |
| Others, net   | 1,866,465       |                             | 1,783,944       |
|   | 1,794,867       |                             | 2,419,553       |
| Net cash provided by operating activities                                   | 2,802,514       |                             | 3,193,104       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                |                 |                             |                 |
| Net increase in restricted due from banks                                   | (1,358,849)     |                             | (434,393)       |
| Net decrease (increase) in available-for-sale securities                    | (2,763,432)     |                             | 1,476,011       |
| Net increase in held-to-maturity securities                                 | (218,973)       |                             | (1,773,272)     |
| Net decrease (increase) in securities accounted for using the equity method | (1,261)         |                             | 14,339          |
| Net decrease (increase) in loans  | (884,601)       |                             | 1,897,082       |
| Disposal of fixed assets  | 143             |                             | 244             |
| Purchase of fixed assets  | (25,552)        |                             | (14,951)        |
| Net decrease in other assets  | (20,769)        |                             | 321,147         |
| Net cash provided by (used in) investing activities                         | (5,273,294)     |                             | 1,486,207       |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                |                 |                             |                 |
| Net decrease in deposits  | (2,187,807)     |                             | (4,495,947)     |
| Net increase (decrease) in debentures                                       | 2,878,675       |                             | (729,606)       |
| Net increase in borrowings  | 1,695,682       |                             | 892,518         |
| Net decrease in other liabilities   | (646,164)       |                             | (295,204)       |
| Net cash provided by (used in) financing activities                         | 1,740,386       |                             | (4,628,239)     |
| NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS                          | (730,394)       |                             | 51,072          |
| CASH AND DUE FROM BANKS, BEGINNING OF PERIOD                                | 3,624,831       |                             | 3,319,349       |
| CASH AND DUE FROM BANKS, END OF PERIOD (Note 30)                            | (Won) 2,894,437 |                             | (Won) 3,370,421 |

See accompanying notes to non-consolidated financial statements.



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KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 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 March 31, 2006, the Bank's paid-in capital amounts to (Won)1,681,896 million.

The Bank is engaged in the banking and trust businesses according to the provisions of the General Banking Act and the Trust Business Act, and operates through 1,105 domestic branches and offices (excluding 200 automated teller machine stations) and three overseas branches (excluding 2 subsidiaries and 1 office) as of March 31, 2006.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Basis of Non-consolidated Financial Statement Presentation**

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

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

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### Interest Income Recognition

The Bank applies the accrual basis in recognizing interest income related to deposits, loans and securities, except for non-secured uncollectible receivables. Interest on loans, whose principal or interest is past due at the balance sheet date, is generally not accrued, with the exception of interest on certain loans secured by guarantee of governments or government agencies, or collateralized by bank deposits. When a loan is placed on non-accrual status, previously accrued interest is generally reversed and deducted from current interest income; and future interest income is recognized on cash basis in accordance with the accounting standards of the banking industry. As of March 31, 2006 and December 31, 2005, the principal amount of loans and securities of which the accrued interest income was not recorded in the accompanying financial statements based on the above criteria amounted to (Won)6,970,403 million and (Won)7,875,123 million, respectively, and the related accrued interest income not recognized amounted to (Won)480,583 million and (Won)462,799 million, respectively.

### Classification of Securities

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

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

### Valuation of Securities

#### (1) Valuation of Trading Securities

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

#### (2) Valuation of Available-for-sale Securities

Available-for-sale securities are initially recognized at acquisition cost plus incidental expenses, determined by the individual moving average method (the specified identification method for debt securities). The effective interest method is applied to amortize the difference between the face value and the acquisition cost over the remaining term of the debt security. After initial recognition, available-for-sale securities are stated at fair value, with the net unrealized gain or loss presented as gain or loss on valuation of available-for-sale securities in 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.

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If the fair value of equity securities (net asset fair value in case of non-marketable equity securities stated at acquisition cost) is below the acquisition cost and the pervasive evidence of impairment exists, the carrying value is adjusted to fair value and the resulting valuation loss is charged to current operations. If the collectible value of debt securities is below the amortized cost and the pervasive evidence of impairment exists, the carrying value is adjusted to collectible value and the resulting valuation loss is charged to current operations. With respect to impaired securities, any unrealized valuation gain or loss of securities previously included in the 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 is able to exercise significant influence over the investees (in accordance with the Banking Act, if the Bank holds more than 15 percent of the total issued shares, the Bank is considered being able to exercise significant influence) are accounted for using the equity method. The Bank's share in net income or net loss of investees is included in current operations. Changes in the retained earnings of investee are reflected in the retained earnings. Changes in the capital surplus 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 discontinues applying the equity method and does not provide for additional losses. If the investee subsequently reports net income, the Bank resumes applying the equity method only after its share of that net income equals the share of net losses not recognized during the period that the equity method was suspended.

In addition, any gains or loss from the disposal of equity securities of certain consolidated subsidiaries are accounted for as capital adjustments resulting from applying the equity method in the balance sheets if the subsidiaries are still consolidated even after the Bank disposes of a portion of equity securities.

(5) Reversal of 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 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.

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

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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 or expense. 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, the transaction is recorded as secured borrowing transaction.

### Allowance for Possible Losses on Credits

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

As required by the Supervisory Regulation, the Bank classifies corporate credits (loans, confirmed acceptances and guarantees) based on borrowers' capability to repay in consideration of borrowers' business operation, financial position and future cash flows (Forward Looking Criteria) as well as past due period and status of any bankruptcy proceedings (Historical Repayment Criteria). However, credits to small companies and to households are classified not by evaluating the debt repayment capability of a borrower or customer but by past due period and status of bankruptcy proceedings. The Bank generally classifies all credits to a single borrower in the same category of classification but credits guaranteed or 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 0.5 ~ 1.9 percent for normal, 2 ~ 19.9 percent for precautionary, 20 ~ 49.9 percent for substandard, 50 ~ 99.9 percent for doubtful and 100 percent for estimated loss. However, the Bank does not provide allowances for call loans, bonds bought under resale agreements and inter-bank loans that are classified as normal, as it is not required by the Accounting Standards for the Banking Industry.

In addition, as required by the Supervisory Regulation, based on the classification of household loans and credit card receivables by past due period and status of bankruptcy proceedings, allowance for household loans and credit card receivables are calculated on the category balances using the prescribed percentages of 0.75 ~ 7.9 percent and 1 ~ 11.9 percent for normal, 8 ~ 19.9 percent and 12 ~ 19.9 percent for precautionary, 20 ~ 54.9 and 20 ~ 59.9 percent for substandard, 55 ~ 99.9 percent and 60 ~ 99.9 percent for doubtful, and 100 percent for estimated loss. Furthermore, as required by the Financial Supervisory Service, for the secured household loans newly placed after September 9, 2002, if the ratio of loans to collateral value (loan to value; LTV) exceeds 70 percent, the Bank provides an allowance for possible loan losses of 1 percent for normal and 10 percent for precautionary, instead of providing 0.75 percent for normal and 8 percent for precautionary.

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.

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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:

| <b>Lending portfolios</b>    | <b>Methodology</b> | <b>Period of historical loss rate</b> | <b>Period of recovery ratio</b> |
|------------------------------|--------------------|---------------------------------------|---------------------------------|
| 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.

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

**Restructuring of Loans**

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

**Deferred Loan Origination Fees and Costs**

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

**Valuation of Receivables and Payables at Present Value**

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

**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.

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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:

| <b>Tangible assets</b>   | <b>Depreciation method</b> | <b>Estimated useful life</b> |
|--------------------------|----------------------------|------------------------------|
| 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:

| <b>Intangible assets</b> | <b>Estimated useful life</b> |
|--------------------------|------------------------------|
| Goodwill                 | 9 years                      |
| Trademarks               | 5-20 years                   |
| Others                   | 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 recoverable 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 recoverable value of the assets increases in subsequent years, the increase in value is credited to operations as gain until the recoverable value equals the book value of assets that would have been determined had no impairment loss been recognized. The Bank assessed the recoverable value based on expected selling price or appraisal value.

**Amortization of Discounts (Premiums) on Debentures**

Discounts or premiums on debentures issued are amortized over the period from issuance to maturity using the effective interest rate method. Amortization of discounts or premiums is recognized as interest expense or interest income 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 is recognized as contingent liabilities when it is probable that an outflow of resources embodying economic benefits required

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and the amount of the obligation can be measured with sufficient reliability. Where the effect of the time value of money is material, the amount of the liabilities is the present value of the expenditures expected to be required to settle the obligation. In addition, as some or all expenditures required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as separate assets in the balance sheet and related income may be offset against expense in the income statement.

### Accrued Severance Benefits

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

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

### Accounting for Derivative Instruments

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

The accounting for derivative transactions that are part of a qualified hedge based both on the purpose of the transaction and on meeting the specified criteria for hedge accounting differs depending on whether the transaction is a fair value hedge or a cash flow hedge. Fair value hedge accounting is applied to a derivative instrument designated as hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss both on the hedging derivative instruments and on the hedged item attributable to the hedged risk is reflected in current operations. Cash flow hedge accounting is applied to a derivative instrument designated as hedging the exposure to variability in expected future cash flows of an asset or a liability or a forecasted transaction that is attributable to a particular risk. The effective portion of gain or loss on a derivative instrument designated as a cash flow hedge is recorded as a 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.

### 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 that 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.

### Accounting for Trust Accounts

The Bank separately maintains the books of accounts and financial statements in connection with the trust operations (the trust accounts) from those of the bank accounts in accordance with the Trust Business Act. When



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surplus funds are generated through the management of trust assets, such funds are deposited with the Bank and are recorded as due to trust accounts of the bank accounts. Also, the borrowings from the bank account are recorded as due from trust accounts of the bank accounts. The Bank receives fees for operation and management of the trust business and accounts for them as fees and commissions from trust accounts.

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

## Income Tax Expense

Income tax expense is the amount currently payable for the period added to or deducted from the changes in deferred income taxes. However, deferred income tax assets are recognized only if the future tax benefits from accumulated temporary differences and any tax loss carryforwards are realizable. The difference between the amount currently payable for the period and income tax expense is accounted for as deferred income tax assets or liabilities, which will be charged or credited to income tax expense in the period 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 maintains its accounts in Korean Won. Transactions in foreign currencies are recorded in Korean Won based on the prevailing rate of exchange on the transaction date. The Korean Won equivalent of assets and liabilities denominated in foreign currencies are translated in these financial statements based on the basic rate ((Won)975.90 and (Won)1,013.00 to US\$ 1.00 at March 31, 2006 and December 31, 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.

## Application of the Statement of Korea Accounting Standards

The Korea Accounting Standard Board (KASB) under the Korea Accounting Institute (KAI) issued the Statements of Korea Accounting Standards (SKAS) for achieving a set of Korean accounting standards that should be internationally acceptable and comparable based on SKAS Act 92. The Bank adopted SKAS No.1 (Accounting Changes and Error Corrections) through SKAS No. 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 period's presentation for comparative purposes; however, such reclassifications had no effect on the previously reported prior period's net income or shareholders' equity of the Bank.

**Table of Contents**3. CASH AND DUE FROM BANKS:

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

|                                      | 2006            | 2005            |
|--------------------------------------|-----------------|-----------------|
| Cash and checks                      | (Won) 2,290,291 | (Won) 2,683,479 |
| Foreign currencies                   | 162,046         | 150,402         |
| Due from banks in Won                | 3,549,339       | 2,495,595       |
| Due from banks in foreign currencies | 494,196         | 537,941         |
|                                      | (Won) 6,495,872 | (Won) 5,867,417 |

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

| Financial institution                | Interest (%) | 2006            | 2005            |
|--------------------------------------|--------------|-----------------|-----------------|
| Due from banks in Won                |              |                 |                 |
| BOK                                  |              | (Won) 3,536,748 | (Won) 2,189,339 |
| Woori Bank and others                | 0.00~2.20    | 6,260           | 304,019         |
| Korea Stock Exchange and others      |              | 6,331           | 2,237           |
|                                      |              | (Won) 3,549,339 | (Won) 2,495,595 |
| Due from banks in foreign currencies |              |                 |                 |
| BOK                                  |              | (Won) 53,585    | (Won) 46,501    |
| Korea Exchange Bank and others       | 0.00~4.86    | 35,613          | 78,136          |
| Woori Bank and others                | 4.64~5.17    | 404,998         | 413,304         |
|                                      |              | (Won) 494,196   | (Won) 537,941   |

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

| Financial institution                | 2006            | 2005            | Reason for restriction         |
|--------------------------------------|-----------------|-----------------|--------------------------------|
| Due from banks in Won                |                 |                 |                                |
| BOK                                  | (Won) 3,536,748 | (Won) 2,189,339 | BOK Act                        |
| Woori Bank                           | 4,029           | 4,029           | Escrow account                 |
| Korea Stock Exchange and others      | 6,331           | 2,237           | Futures margin accounts/others |
| Due from banks in foreign currencies |                 |                 |                                |
| BOK                                  | 53,585          | 46,501          | BOK Act                        |
| J.P.Morgan Chase & Co. and others    | 742             | 480             | Futures margin accounts        |
|                                      | (Won) 3,601,435 | (Won) 2,242,586 |                                |

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

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| <b>Financial institution</b>                | <b>2006</b>     | <b>2005</b>     |
|---|-----------------|-----------------|
| <b>Due from banks in Won</b>                |                 |                 |
| BOK   | (Won) 3,536,748 | (Won) 2,189,339 |
| Banks                                       | 6,260           | 304,019         |
| Others                                      | 6,331           | 2,237           |
|   | 3,549,339       | 2,495,595       |
| <b>Due from banks in foreign currencies</b> |                 |                 |
| BOK   | 53,585          | 46,501          |
| Banks                                       | 439,869         | 490,960         |
| Others                                      | 742             | 480             |
|   | 494,196         | 537,941         |
|   | (Won) 4,043,535 | (Won) 3,033,536 |

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

|   | Due in<br>3 months or<br>less | Due after<br>3 months<br>through 6<br>months | Due after<br>6 months<br>through<br>1 year | Due after<br>1 year<br>through<br>3 years | More than<br>3 years | Total           |
|---|-------------------------------|--|--|---|----------------------|-----------------|
| Due from banks in Won                   | (Won) 3,545,310               | (Won)  | (Won)                                      | (Won) 4,029                               | (Won)                | (Won) 3,549,339 |
| Due from banks in foreign<br>currencies | 464,919                       | 29,277                                       |  |   |                      | 494,196         |
|   | (Won) 4,010,229               | (Won) 29,277                                 | (Won)                                      | (Won) 4,029                               | (Won)                | (Won) 4,043,535 |

4. **SECURITIES:**

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

|  | 2006             | 2005             |
|--|------------------|------------------|
| Trading securities                               | (Won) 2,893,272  | (Won) 3,551,425  |
| Available-for-sale securities                    | 18,997,841       | 16,180,784       |
| Held-to-maturity securities                      | 10,442,910       | 10,228,573       |
| Securities accounted for using the equity method | 611,777          | 589,517          |
|  | (Won) 32,945,800 | (Won) 30,550,299 |

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

| Classification                | Face value      | Acquisition<br>cost (*) | Adjusted by<br>effective<br>interest rate<br>method | Book value      |
|-------------------------------|-----------------|-------------------------|---|-----------------|
| Trading securities            |                 |                         |   |                 |
| Equity securities             | (Won)           | (Won) 68,604            | (Won)   | (Won) 70,529    |
| Beneficiary certificates      | 40,116          | 40,118                  |   | 40,189          |
| Government and public bonds   | 1,130,108       | 1,107,403               | 1,094,657   | 1,100,399       |
| Finance bonds                 | 1,567,950       | 1,561,226               | 1,557,397   | 1,561,940       |
| Corporate bonds               | 120,000         | 119,407                 | 120,346   | 120,215         |
|                               | (Won) 2,858,174 | (Won) 2,896,758         | (Won) 2,772,400                                     | (Won) 2,893,272 |
| Available-for-sale securities |                 |                         |   |                 |
| Equity securities             | (Won)           | (Won) 1,137,159         | (Won)   | (Won) 1,154,538 |
| Equity investments            |                 | 3,723                   |   | 3,735           |
| Beneficiary certificates      | 2,160,310       | 2,152,680               |   | 2,181,428       |
| Government and public bonds   | 3,495,370       | 3,484,361               | 3,478,542   | 3,468,664       |
| Finance bonds                 | 10,406,164      | 10,304,267              | 10,320,819  | 10,319,643      |
| Foreign government bonds      | 8,783           | 9,773                   | 8,953   | 8,905           |

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| Classification                     | Face value       | Acquisition cost (*) | Adjusted by effective interest rate method | Book value       |
|------------------------------------|------------------|----------------------|--|------------------|
| Corporate bonds                    | 1,126,533        | 1,089,930            | 1,068,000                                  | 1,068,194        |
| Asset-backed securities            | 997,000          | 933,568              | 785,595                                    | 784,647          |
| Other debt securities              | 40,835           | 5,633                |  | 8,087            |
|                                    | (Won) 18,234,995 | (Won) 19,121,094     | (Won) 15,661,909                           | (Won) 18,997,841 |
| <b>Held-to-maturity securities</b> |                  |                      |  |                  |
| Government and public bonds        | (Won) 5,730,541  | (Won) 5,674,844      | (Won) 5,679,196                            | (Won) 5,679,196  |
| Finance bonds                      | 3,015,500        | 3,010,822            | 3,014,955                                  | 3,014,955        |
| Corporate bonds                    | 1,409,779        | 1,418,903            | 1,413,817                                  | 1,413,817        |
| Asset-backed securities            | 335,000          | 334,906              | 334,942                                    | 334,942          |
|                                    | (Won) 10,490,820 | (Won) 10,439,475     | (Won) 10,442,910                           | (Won) 10,442,910 |

(\*) Acquisition cost of equity securities in available-for-sale is the book value before valuation.

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

| Classification                       | Face value       | Acquisition cost (*) | Adjusted by effective interest rate method | Book value       |
|--------------------------------------|------------------|----------------------|--|------------------|
| <b>Trading securities</b>            |                  |                      |  |                  |
| Equity securities                    | (Won)            | (Won) 179,074        | (Won)                                      | (Won) 200,147    |
| Beneficiary certificates             | 197              | 256                  |  | 256              |
| Government and public bonds          | 1,692,298        | 1,661,025            | 1,663,369                                  | 1,635,898        |
| Finance bonds                        | 1,607,663        | 1,601,395            | 1,603,586                                  | 1,594,839        |
| Corporate bonds                      | 120,000          | 119,407              | 119,690                                    | 120,285          |
|                                      | (Won) 3,420,158  | (Won) 3,561,157      | (Won) 3,386,645                            | (Won) 3,551,425  |
| <b>Available-for-sale securities</b> |                  |                      |  |                  |
| Equity securities                    | (Won)            | (Won) 778,421        | (Won)                                      | (Won) 1,156,629  |
| Equity investments                   |                  | 511                  |  | 3,723            |
| Beneficiary certificates             | 2,051,178        | 2,052,680            |  | 2,075,933        |
| Government and public bonds          | 2,725,370        | 2,721,469            | 2,705,844                                  | 2,687,671        |
| Finance bonds                        | 8,324,183        | 8,246,513            | 8,248,052                                  | 8,232,310        |
| Foreign government bonds             | 9,117            | 10,144               | 9,382                                      | 9,328            |
| Corporate bonds                      | 1,181,077        | 1,137,245            | 1,112,467                                  | 1,115,995        |
| Asset-backed securities              | 1,105,000        | 1,041,568            | 892,761                                    | 891,108          |
| Other debt securities                | 40,835           | 5,633                |  | 8,087            |
|                                      | (Won) 15,436,760 | (Won) 15,994,184     | (Won) 12,968,506                           | (Won) 16,180,784 |
| <b>Held-to-maturity securities</b>   |                  |                      |  |                  |
| Government and public bonds          | (Won) 4,621,429  | (Won) 4,605,400      | (Won) 4,609,832                            | (Won) 4,609,832  |
| Finance bonds                        | 3,570,159        | 3,543,074            | 3,564,988                                  | 3,564,988        |
| Corporate bonds                      | 1,714,780        | 1,705,750            | 1,718,819                                  | 1,718,819        |

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|                         |                  |                  |                  |                  |
|-------------------------|------------------|------------------|------------------|------------------|
| Asset-backed securities | 335,000          | 334,906          | 334,934          | 334,934          |
|                         | (Won) 10,241,368 | (Won) 10,189,130 | (Won) 10,228,573 | (Won) 10,228,573 |

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(\*) Acquisition cost of equity securities in available-for-sale is the book value before valuation.

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As a result of the fair valuation of trading securities, the Bank recognized (Won)12,150 million and (Won)4,184 million of valuation gain for the three months ended March 31, 2006 and 2005, respectively.

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

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

| Company                                     | 2006         | 2005         |
|---|--------------|--------------|
| Korea Asset Management Corp.                | (Won) 15,667 | (Won) 15,667 |
| Bad Bank Harmony (preferred stock)          | 8,852        | 12,279       |
| Samsung Life Insurance Co., Ltd.            | 7,479        | 7,479        |
| Korea Highway Corp.                         | 6,248        | 6,248        |
| Mastercard Inc.                             | 5,301        | 5,502        |
| CLS   | 5,070        | 5,191        |
| Koda Development Co., Ltd.                  | 3,195        | 2,881        |
| Kyobo Investment Trust Management Co., Ltd. | 2,100        | 2,100        |
| Korea Money Broker Corp.                    | 1,291        | 1,291        |
| Mercury                                     | 1,088        | 1,088        |
| Tianjin Samsung Opto Electronics            | 953          | 989          |
| Others                                      | 14,411       | 17,281       |
|   | (Won) 71,655 | (Won) 77,996 |

The impairment loss and the reversal of impairment loss on available-for-sale securities recognized for the three months ended March 31, 2006 and 2005 were shown below (Unit: In millions).

|                    | 2006        |             | 2005        |          |
|--------------------|-------------|-------------|-------------|----------|
|                    | Impairment  | Reversal    | Impairment  | Reversal |
| Equity securities  | (Won) 3,333 | (Won)       | (Won) 4,628 | (Won)    |
| Equity investments | 1           |             | 1           |          |
| Corporate bonds    | 1           | 2,317       |             |          |
|                    | (Won) 3,335 | (Won) 2,317 | (Won) 4,629 | (Won)    |

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

|  | Foreign       |            | Total         |
|--|---------------|------------|---------------|
|  | Won           | currencies |               |
| Structured notes relating to stock                     |               |            |               |
| Convertible bonds                                      | (Won)         | (Won) 57   | (Won) 57      |
| Structured notes relating to interest rate             |               |            |               |
| Long-term government bond floating rates notes ( FRN ) | 563,942       |            | 563,942       |
| Dual indexed FRN                                       | 19,900        |            | 19,900        |
| Inverse FRN  | 20,645        |            | 20,645        |
| Others   | 110,299       |            | 110,299       |
|  | 714,786       |            | 714,843       |
| Bonds with call option                                 | 20,000        |            | 20,000        |
|  | (Won) 734,786 | (Won) 57   | (Won) 734,843 |





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

|  | Won           | Foreign<br>currencies | Total         |
|--|---------------|-----------------------|---------------|
| Structured notes relating to stock         |               |                       |               |
| Convertible bonds                          | (Won)         | (Won) 60              | (Won) 60      |
| Structured notes relating to interest rate |               |                       |               |
| Long-term government bond FRN              | 564,456       |                       | 564,456       |
| Dual indexed FRN                           | 19,874        |                       | 19,874        |
| Inverse FRN                                | 20,753        |                       | 20,753        |
| Others                                     | 110,225       |                       | 110,225       |
|  | 715,308       |                       | 715,368       |
| Credit linked notes                        |               | 40,559                | 40,559        |
| Bonds with call option                     | 20,000        |                       | 20,000        |
|  | (Won) 735,308 | (Won) 40,619          | (Won) 775,927 |

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

|                              | 2006            | 2005            |
|------------------------------|-----------------|-----------------|
| Stocks                       | (Won) 40,615    | (Won) 7,353     |
| Government and public bonds  | 256,318         | 38,018          |
| Finance bonds                | 1,559,679       | 1,340,390       |
| Corporate bonds              | 76,829          | 32,622          |
| Asset-backed debt securities | 19,985          |                 |
| Call loans                   | 172,292         | 203,892         |
| Others                       | 138,953         | 412,962         |
| Assets                       | 2,264,671       | 2,035,237       |
| Liabilities                  | 94,973          | 11,081          |
|                              | (Won) 2,169,698 | (Won) 2,024,156 |

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

| By industry | 2006   |               | 2005   |                |
|-------------|--------|---------------|--------|----------------|
|             | Amount | Percentage(%) | Amount | Percentage (%) |

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| Trading securities                                  |                  |        |                  |        |
|---|------------------|--------|------------------|--------|
| Government and government-invested public companies | (Won) 1,222,451  | 42.25  | (Won) 1,764,476  | 49.68  |
| Financial institutions                              | 1,615,764        | 55.85  | 1,631,869        | 45.95  |
| Others  | 55,057           | 1.90   | 155,080          | 4.37   |
|   | (Won) 2,893,272  | 100.00 | (Won) 3,551,425  | 100.00 |
| Available-for-sale securities                       |                  |        |                  |        |
| Government and government-invested public companies | (Won) 4,102,889  | 21.60  | (Won) 3,347,229  | 20.69  |
| Financial institutions                              | 14,121,022       | 74.33  | 12,027,488       | 74.33  |
| Others  | 773,930          | 4.07   | 806,067          | 4.98   |
|   | (Won) 18,997,841 | 100.00 | (Won) 16,180,784 | 100.00 |
| Held-to-maturity securities                         |                  |        |                  |        |
| Government and government-invested public companies | (Won) 7,063,075  | 67.63  | (Won) 6,298,716  | 61.58  |
| Financial institutions                              | 3,349,897        | 32.08  | 3,899,922        | 38.13  |
| Others  | 29,938           | 0.29   | 29,935           | 0.29   |
|   | (Won) 10,442,910 | 100.00 | (Won) 10,228,573 | 100.00 |

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

| By type                              | 2006             |                | 2005             |                |
|--------------------------------------|------------------|----------------|------------------|----------------|
|                                      | Amount           | Percentage (%) | Amount           | Percentage (%) |
| <b>Trading securities</b>            |                  |                |                  |                |
| Stocks                               | (Won) 70,529     | 2.44           | (Won) 200,147    | 5.64           |
| Fixed rate bonds                     | 2,662,339        | 92.02          | 3,230,737        | 90.97          |
| Floating rate bonds                  | 120,215          | 4.15           | 120,285          | 3.39           |
| Beneficiary certificates             | 40,189           | 1.39           | 256              | 0.00           |
|                                      | (Won) 2,893,272  | 100.00         | (Won) 3,551,425  | 100.00         |
| <b>Available-for-sale securities</b> |                  |                |                  |                |
| Stocks                               | (Won) 1,154,538  | 6.08           | (Won) 1,156,629  | 7.15           |
| Fixed rate bonds                     | 14,079,665       | 74.11          | 11,201,802       | 69.23          |
| Floating rate bonds                  | 785,257          | 4.13           | 861,368          | 5.32           |
| Subordinated bonds                   | 784,698          | 4.13           | 872,813          | 5.39           |
| Convertible bonds                    | 57               | 0.00           | 60               | 0.00           |
| Beneficiary certificates             | 2,181,428        | 11.48          | 2,075,933        | 12.83          |
| Others                               | 12,198           | 0.07           | 12,179           | 0.08           |
|                                      | (Won) 18,997,841 | 100.00         | (Won) 16,180,784 | 100.00         |
| <b>Held-to-maturity securities</b>   |                  |                |                  |                |
| Fixed rate bonds                     | (Won) 10,252,910 | 98.18          | (Won) 10,038,573 | 98.14          |
| Floating rate bonds                  | 60,000           | 0.57           | 60,000           | 0.59           |
| Subordinated bonds                   | 130,000          | 1.25           | 130,000          | 1.27           |
|                                      | (Won) 10,442,910 | 100.00         | (Won) 10,228,573 | 100.00         |

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

|                                      | 2006             |                | 2005             |                |
|--------------------------------------|------------------|----------------|------------------|----------------|
|                                      | Amount           | Percentage (%) | Amount           | Percentage (%) |
| <b>Trading securities</b>            |                  |                |                  |                |
| Korea                                | (Won) 2,893,272  | 100.00         | (Won) 3,551,425  | 100.00         |
| <b>Available-for-sale securities</b> |                  |                |                  |                |
| Korea                                | (Won) 18,909,176 | 99.53          | (Won) 16,066,362 | 99.29          |
| Russia                               | 37,219           | 0.20           | 28,527           | 0.18           |
| India                                | 10,024           | 0.05           | 393              | 0.00           |
| Philippines                          | 9,303            | 0.05           | 9,675            | 0.06           |
| USA                                  | 6,086            | 0.03           | 46,876           | 0.29           |
| The Republic of South Africa         | 5,955            | 0.03           | 6,240            | 0.04           |

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|                                    |                  |        |                  |        |
|------------------------------------|------------------|--------|------------------|--------|
| Switzerland                        | 5,070            | 0.03   | 5,191            | 0.03   |
| Others                             | 15,008           | 0.08   | 17,520           | 0.11   |
|                                    | (Won) 18,997,841 | 100.00 | (Won) 16,180,784 | 100.00 |
| <b>Held-to-maturity securities</b> |                  |        |                  |        |
| Korea                              | (Won) 10,442,910 | 100.00 | (Won) 10,228,573 | 100.00 |

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

|                                      | Due in 1 year<br>or less | Due after 1<br>year through<br>5 years | Due after 5<br>years through<br>10 years | More than<br>10 years | Total            |
|--------------------------------------|--------------------------|--|--|-----------------------|------------------|
| <b>Available-for-sale securities</b> |                          |  |  |                       |                  |
| Fair value                           | (Won) 10,583,506         | (Won) 7,095,219                        | (Won) 152,321                            | (Won) 8,522           | (Won) 17,839,568 |
| <b>Held-to-maturity securities</b>   |                          |  |  |                       |                  |
| Book value                           | 2,079,466                | 6,918,062                              | 1,445,382                                |                       | 10,442,910       |
| Fair value                           | 2,074,369                | 6,851,914                              | 1,400,397                                |                       | 10,326,680       |

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

|  | No. of<br>shares | Ownership<br>(%) | Acquisition<br>cost | Net asset<br>value | Book value    |
|--|------------------|------------------|---------------------|--------------------|---------------|
| <b>Domestic stocks</b>                         |                  |                  |                     |                    |               |
| KB Investment Co., Ltd.                        | 8,951,293        | 99.99            | (Won) 155,384       | (Won) 84,443       | (Won) 84,443  |
| KB Futures Co., Ltd.                           | 3,999,200        | 99.98            | 19,996              | 27,785             | 27,785        |
| KB Data System Co., Ltd.                       | 799,960          | 99.99            | 8,001               | 15,757             | 13,076        |
| KB Real Estate Trust                           | 15,999,930       | 99.99            | 76,103              | 84,751             | 84,889        |
| KB Asset Management                            | 6,134,040        | 80.00            | 39,015              | 56,579             | 56,579        |
| KB Credit Information                          | 1,249,040        | 99.73            | 14,291              | 29,680             | 28,942        |
| KB Life Insurance Co., Ltd.                    | 3,060,000        | 51.00            | 15,426              | 13,913             |               |
| KLB Securities Co., Ltd. (*1)                  | 4,854,713        | 36.41            | 10,316              |                    |               |
| Joeeun Industrial Co., Ltd. (*1)               | 1,999,910        | 99.99            | 23,994              |                    |               |
| ING Life Insurance Korea                       | 1,400,000        | 20.00            | 21,769              | 92,080             | 92,080        |
| Balhae Infrastructure Fund (*2)                | 126,050          | 12.61            | 1,261               | 1,267              | 1,267         |
| Korea Credit Bureau Co., Ltd. (*3)             | 180,000          | 9.00             | 4,500               | 3,699              | 3,699         |
|  |                  |                  | 390,056             | 409,954            | 392,760       |
| <b>Foreign stocks</b>                          |                  |                  |                     |                    |               |
| Kookmin Bank Singapore Ltd. (*1)               | 30,000,000       | 100.00           | 18,084              |                    | 1,695         |
| Kookmin Finance Asia Ltd. (HK) (*1)            | 700,000          | 100.00           | 7,790               |                    | 237           |
| Kookmin Bank Int 1 Ltd. (London)               | 20,000,000       | 100.00           | 33,555              | 49,966             | 49,966        |
| Kookmin Bank Hong Kong Ltd.                    | 2,000,000        | 100.00           | 51,782              | 69,197             | 69,246        |
| Sorak Financial Holdings PTE Ltd.              | 1,422,216        | 25.00            | 73,586              | 86,825             | 86,825        |
|  |                  |                  | 184,797             | 205,988            | 207,969       |
| <b>Equity investments</b>                      |                  |                  |                     |                    |               |
| KICO No. 2 Venture Investment Partnership (*1) | 5,000            | 55.56            |                     | 134                | 134           |
| KICO No. 3 Venture Investment Partnership (*1) | 9,000            | 69.23            |                     | 113                | 113           |
| Pacific IT Investment Partnership (*1)         | 700              | 50.00            | 7,000               | 3,507              | 3,507         |
| NPC02-4 Kookmin Venture Fund                   | 100              | 33.33            | 10,000              | 7,294              | 7,294         |
|  |                  |                  | 17,000              | 11,048             | 11,048        |
|  |                  |                  | (Won) 591,853       | (Won) 626,990      | (Won) 611,777 |

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Securities accounted for using the equity method as of December 31, 2005 were summarized as follows (Unit: In millions):

|  | No. of<br>shares | Ownership<br>(%) | Acquisition<br>cost | Net asset<br>value | Book value    |
|--|------------------|------------------|---------------------|--------------------|---------------|
| <b>Domestic stocks</b>                         |                  |                  |                     |                    |               |
| KB Investment Co., Ltd.                        | 8,951,293        | 99.99            | (Won) 155,384       | (Won) 85,462       | (Won) 85,462  |
| KB Futures Co., Ltd.                           | 3,999,200        | 99.98            | 19,996              | 27,312             | 27,312        |
| KB Data System Co., Ltd.                       | 799,960          | 99.99            | 8,001               | 17,726             | 15,582        |
| KB Real Estate Trust                           | 15,999,930       | 99.99            | 76,103              | 80,975             | 81,068        |
| KB Asset Management                            | 6,134,040        | 80.00            | 39,015              | 52,485             | 52,485        |
| KB Credit Information                          | 1,249,040        | 99.73            | 14,291              | 28,629             | 27,837        |
| KB Life Insurance Co., Ltd.                    | 3,060,000        | 51.00            | 15,426              | 12,541             |               |
| KLB Securities Co., Ltd. (*1)                  | 4,854,713        | 36.41            | 10,316              |                    |               |
| Joeun Industrial Co., Ltd. (*1)                | 1,999,910        | 99.99            | 23,994              |                    |               |
| ING Life Insurance Korea                       | 1,400,000        | 20.00            | 21,769              | 77,529             | 77,529        |
|  |                  |                  | 384,295             | 382,659            | 367,275       |
| <b>Foreign stocks</b>                          |                  |                  |                     |                    |               |
| Kookmin Bank Singapore Ltd. (*1)               | 30,000,000       | 100.00           | 18,254              |                    | 1,759         |
| Kookmin Finance Asia Ltd. (HK) (*1)            | 700,000          | 100.00           | 8,086               |                    | 246           |
| Kookmin Bank Int 1 Ltd. (London)               | 20,000,000       | 100.00           | 34,378              | 50,523             | 50,523        |
| Kookmin Bank Hong Kong Ltd.                    | 2,000,000        | 100.00           | 53,751              | 69,907             | 69,958        |
| Sorak Financial Holdings PTE Ltd.              | 1,422,216        | 25.00            | 74,277              | 82,401             | 82,401        |
|  |                  |                  | 188,746             | 202,831            | 204,887       |
| <b>Equity investments</b>                      |                  |                  |                     |                    |               |
| KICO No. 2 Venture Investment Partnership (*1) | 5,000            | 55.56            |                     | 130                | 130           |
| KICO No. 3 Venture Investment Partnership (*1) | 9,000            | 69.23            |                     | 147                | 147           |
| Pacific IT Investment Partnership (*1)         | 700              | 50.00            | 7,000               | 4,950              | 4,950         |
| NPC02-4 Kookmin Venture Fund                   | 100              | 33.33            | 10,000              | 12,128             | 12,128        |
|  |                  |                  | 17,000              | 17,355             | 17,355        |
|  |                  |                  | (Won) 590,041       | (Won) 602,845      | (Won) 589,517 |

(\*1) KLB Securities Co., Ltd., Joeun Industrial Co., Ltd., Kookmin Bank Singapore Ltd., Kookmin Finance Asia, Ltd., KICO No. 2 Venture Investment Partnership, KICO No. 3 Venture Investment Partnership and Pacific IT Investment Partnership are all in the process of liquidation.

(\*2) The Bank may exercise its voting right at the board meeting or at an equally significant decision making body of the investee.

(\*3) The Bank has significant influence in electing the board member who may participate in the decision making process relating to the financial and business policy of the investee.

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

|  | Book value<br>before<br>valuation | Increase<br>(Decrease) | Dividend      | Foreign<br>currency<br>translation<br>gain (loss) | Equity gain<br>(loss) on<br>investment | Capital<br>adjustments | Book<br>value after<br>valuation |
|--|-----------------------------------|------------------------|---------------|---|--|------------------------|----------------------------------|
| <b>Domestic stocks</b>                       |                                   |                        |               |   |  |                        |                                  |
| KB Investment Co., Ltd.                      | (Won) 85,462                      | (Won)                  | (Won) (2,238) | (Won)   | (Won) 1,102                            | (Won) 117              | (Won) 84,443                     |
| KB Futures Co., Ltd.                         | 27,312                            |                        |               |   | 532                                    | (59)                   | 27,785                           |
| KB Data System Co., Ltd.<br>(*3)             | 15,582                            |                        | (2,399)       |   | (107)                                  |                        | 13,076                           |
| KB Real Estate Trust                         | 81,068                            |                        |               |   | 3,821                                  |                        | 84,889                           |
| KB Asset Management                          | 52,485                            |                        |               |   | 4,061                                  | 33                     | 56,579                           |
| KB Credit Information<br>(*1)                | 27,837                            |                        | (624)         |   | 1,729                                  |                        | 28,942                           |
| KB Life Insurance Co.,<br>Ltd. (*2, 3 and 4) |                                   |                        |               |   |  |                        |                                  |
| KLB Securities Co., Ltd.<br>(*2)             |                                   |                        |               |   |  |                        |                                  |
| Jooeun Industrial Co., Ltd.<br>(*2)          |                                   |                        |               |   |  |                        |                                  |
| ING Life Insurance Korea                     | 77,529                            |                        |               |   | 7,105                                  | 7,446                  | 92,080                           |
| Balhae Infrastructure Fund                   |                                   | 1,261                  |               |   | 6                                      |                        | 1,267                            |
| Korea Credit Bureau Co.,<br>Ltd.             |                                   | 4,500                  |               |   | (801)                                  |                        | 3,699                            |
|  | 367,275                           | 5,761                  | (5,261)       |   | 17,448                                 | 7,537                  | 392,760                          |
| <b>Foreign stocks</b>                        |                                   |                        |               |   |  |                        |                                  |
| Kookmin Bank Singapore<br>Ltd.               | 1,759                             |                        |               | (64)  |  |                        | 1,695                            |
| Kookmin Finance Asia<br>Ltd. (HK)            | 246                               |                        |               | (9)   |  |                        | 237                              |
| Kookmin Bank Int'l Ltd.<br>(London)          | 50,523                            |                        |               | (1,210)   | 653                                    |                        | 49,966                           |



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|  | Book value<br>before<br>valuation | Increase<br>(Decrease) | Dividend       | Foreign<br>currency<br>translation<br>gain (loss) | Equity gain<br>(loss) on<br>investment | Capital<br>adjustments | Book<br>value after<br>valuation |
|--|-----------------------------------|------------------------|----------------|---|--|------------------------|----------------------------------|
| Kookmin Bank Hong<br>Kong Ltd.               | 69,958                            |                        |                | (2,563)   | 1,848                                  | 3                      | 69,246                           |
| Sorak Financial Holdings<br>PTE Ltd.         | 82,401                            |                        | (2,795)        | (767)   | 1,788                                  | 6,198                  | 86,825                           |
|  | 204,887                           |                        | (2,795)        | (4,613)   | 4,289                                  | 6,201                  | 207,969                          |
| Equity Securities                            |                                   |                        |                |   |  |                        |                                  |
| KICO No. 2 Venture<br>Investment Partnership | 130                               |                        |                |   | 4                                      |                        | 134                              |
| KICO No. 3 Venture<br>Investment Partnership | 147                               |                        |                |   | (34)                                   |                        | 113                              |
| Pacific IT Investment<br>Partnership         | 4,950                             | (1,496)                |                |   | 53                                     |                        | 3,507                            |
| NPC02-4 Kookmin<br>Venture Fund              | 12,128                            | (3,000)                | (2,129)        |   | 295                                    |                        | 7,294                            |
|  | 17,355                            | (4,496)                | (2,129)        |   | 318                                    |                        | 11,048                           |
|  | (Won) 589,517                     | (Won) 1,265            | (Won) (10,185) | (Won) (4,613)                                     | (Won) 22,055                           | (Won) 13,738           | (Won) 611,777                    |

(\*1) Differences amounting to (Won)1,128 million between the purchase price and the Bank's proportionate ownership of the net book value of KB Credit Information resulting from an additional purchase of 342,844 shares in October 2004 are credited to gain on valuation of securities accounted for using the equity method equally for five years. The Bank credited (Won)56 million to current operation for the three months ended March 31, 2006 and the balance was (Won)790 million as of March 31, 2006.

(\*2) The equity method is no longer applied to securities of KLB Securities Co., Ltd., KB Life Insurance Co., Ltd and Jooeun Industrial Co., Ltd. due to accumulated deficit resulting to the decrease of their book values below zero. The accumulated deficit and negative change due to the equity method, which was not recorded, are as follows as of March 31, 2006 (Unit: In millions):

|                             | Deficit      | Negative change due<br>to the equity method | Total        |
|-----------------------------|--------------|---|--------------|
| KLB Securities Co., Ltd.    | (Won) 4,148  | (Won)                                       | (Won) 4,148  |
| Jooeun Industrial Co., Ltd. | 56,688       |   | 56,688       |
| KB Life Insurance Co., Ltd. | 11,720       | 5,767                                       | 17,487       |
|                             | (Won) 72,556 | (Won) 5,767                                 | (Won) 78,323 |

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

|                             | Related accounts                        | Amount      |
|-----------------------------|---|-------------|
| KB Data System Co., Ltd.    | Tangible assets (sales)                 | (Won) 535   |
| KB Life Insurance Co., Ltd. | Commissions (deferred acquisition cost) | 736         |
|                             |   | (Won) 1,271 |

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- (13) Significant financial data of companies of which stocks were accounted for using the equity method as of and for the three months ended March 31, 2006 were as follows (Unit: In millions):

|   | Assets    |  | Liabilities |  | Sales   | Net income<br>(loss) |
|---|-----------|--|-------------|--|---------|----------------------|
|   | (Won)     |  | (Won)       |  | (Won)   | (Won)                |
| KB Investment Co., Ltd.                   | 89,122    |  | 4,674       |  | 2,407   | 1,102                |
| KB Futures Co., Ltd.                      | 63,260    |  | 35,470      |  | 2,649   | 532                  |
| KB Data System Co., Ltd.                  | 24,074    |  | 8,316       |  | 12,627  | 431                  |
| KB Real Estate Trust                      | 203,056   |  | 118,305     |  | 10,650  | 3,775                |
| KB Asset Management                       | 77,661    |  | 6,937       |  | 9,713   | 5,077                |
| KB Credit Information                     | 40,801    |  | 11,041      |  | 19,881  | 1,680                |
| KB Life Insurance Co., Ltd.               | 434,463   |  | 407,183     |  | 85,125  | 1,443                |
| ING Life Insurance Korea                  | 7,483,529 |  | 7,023,129   |  | 712,397 | 35,525               |
| Balhae Infrastructure Fund                | 10,058    |  | 10          |  | 64      | 48                   |
| Korea Credit Bureau Co., Ltd.             | 41,471    |  | 371         |  | 1,780   | (1,177)              |
| Kookmin Bank Int 1 Ltd.(London)           | 301,274   |  | 251,308     |  | 4,515   | 653                  |
| Kookmin Bank Hong Kong Ltd.               | 426,450   |  | 357,253     |  | 6,283   | 1,848                |
| Sorak Financial Holdings PTE Ltd.         | 5,020,274 |  | 4,672,968   |  | 170,333 | 11,948               |
| KICO No. 2 Venture Investment Partnership | 242       |  |             |  |         | 9                    |
| KICO No. 3 Venture Investment Partnership | 163       |  |             |  |         | (49)                 |
| Pacific IT Investment Partnership         | 3,507     |  |             |  |         | 52                   |
| NPC02-4 Kookmin Venture Fund              | 37,574    |  | 15,690      |  | 883     | 883                  |

Unaudited financial statements as of March 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, for ING Life Insurance Korea and Sorak Financial Holdings PTE Ltd., unaudited financial statements as of February 28, 2006, respectively, were used for the equity method valuation. The significant events from the closing dates of investees to that of the Bank were properly reflected in applying the equity method.

- (14) 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 three months ended March 31, 2006 were as follows (Unit: In millions):

|  | Increase      |              |                |               |
|--|---------------|--------------|----------------|---------------|
|  | Beginning     | (Decrease)   | Disposal       | Ending        |
| Gain (loss) on valuation of available-for-sale securities                    |               |              |                |               |
| Equity securities  | (Won) 454,250 | (Won) 15,026 | (Won) (4,241)  | (Won) 465,035 |
| Debt securities in Won   | 32,614        | 20,750       | (8,460)        | 44,904        |
| Debt securities in foreign currencies  | 5,867         | (1,253)      | (2,832)        | 1,782         |
| Beneficiary certificates   | 16,858        | 10,661       | (6,677)        | 20,842        |
| Others   | 1,779         |              |                | 1,779         |
|  | (Won) 511,368 | (Won) 45,184 | (Won) (22,210) | (Won) 534,342 |
| Gain (loss) on valuation of held-to- maturity securities                     |               |              |                |               |
| Debt securities in Won   | (Won) 426     | (Won)        | (Won) (136)    | (Won) 290     |
| Gain (loss) on valuation of securities accounted for using the equity method | (Won) 948     | (Won) 9,993  | (Won) 83       | (Won) 11,024  |

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

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| <b>Provided to</b>                   | <b>Book value</b> | <b>Collateral amount</b> | <b>Provided for</b>                    |
|--------------------------------------|-------------------|--------------------------|--|
| Korea Securities Depository & others | (Won) 7,112,964   | (Won) 7,120,000          | Bonds sold under repurchase agreements |
| BOK                                  | 1,152,859         | 1,150,000                | Borrowings from BOK                    |
| BOK                                  | 329,139           | 329,900                  | Overdrafts and settlement risk         |
| Samsung Futures & others             | 234,469           | 242,500                  | Derivative settlement                  |
| Other                                | 402               | 1,628                    | Other                                  |
|                                      | (Won) 8,829,833   | (Won) 8,844,028          |  |

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

|                             | <b>2006</b>  | <b>2005</b>   | <b>Provided to</b>          |
|-----------------------------|--------------|---------------|-----------------------------|
| Government and public bonds | (Won) 39,758 | (Won) 98,625  | Korea Securities Depository |
| Finance bonds               | 42,385       | 35,241        | Korea Securities Depository |
|                             | (Won) 82,143 | (Won) 133,866 |                             |

5. LOANS:

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

|  | <b>2006</b>       | <b>2005</b>       |
|--|-------------------|-------------------|
| Loans in Won                             | (Won) 117,860,232 | (Won) 118,565,341 |
| Loans in foreign currencies              | 5,354,019         | 5,314,883         |
| Call loans                               | 1,987,961         | 1,518,948         |
| Bills bought in Won                      | 14,852            | 18,563            |
| Bills bought in foreign currencies       | 1,345,742         | 1,377,085         |
| Advances for customers                   | 10,354            | 11,321            |
| Credit card receivables                  | 7,283,685         | 7,571,605         |
| Loans to be swapped to equity            | 500,000           |                   |
| Private placed bonds                     | 4,319,444         | 3,729,867         |
| Factoring receivables                    | 32,033            | 32,044            |
|  | 138,708,322       | 138,139,657       |
| Allowance for possible loan losses       | (2,294,349)       | (2,453,275)       |
| Deferred loan origination fees and costs | 65,847            | 52,025            |
|  | (Won) 136,479,820 | (Won) 135,738,407 |

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

|   | 2006              | 2005              |
|---|-------------------|-------------------|
| <b>Loans in Won</b>                         |                   |                   |
| Commercial                                  |                   |                   |
| Working capital loans                       |                   |                   |
| General purpose loans                       | (Won) 25,151,416  | (Won) 24,575,874  |
| Notes discounted                            | 667,572           | 1,106,112         |
| Overdraft accounts                          | 474,888           | 279,864           |
| Trading notes                               | 692,107           | 671,421           |
| Others                                      | 4,017,474         | 3,865,057         |
|   | 31,003,457        | 30,498,328        |
| <b>Facilities loans</b>                     |                   |                   |
| General facilities loans                    | 3,927,366         | 3,985,218         |
| Others                                      | 1,077,919         | 1,087,832         |
|   | 5,005,285         | 5,073,050         |
|   | 36,008,742        | 35,571,378        |
| <b>Households</b>                           |                   |                   |
| General purpose loans                       | 42,056,899        | 42,082,535        |
| Housing loans                               | 38,594,647        | 39,535,441        |
| Remunerations on mutual installment savings | 194,728           | 232,556           |
| Others                                      | 458,001           | 456,173           |
|   | 81,304,275        | 82,306,705        |
| <b>Public sector loans</b>                  |                   |                   |
| Public operation loans                      | 504,407           | 643,141           |
| Public facilities loans                     | 33,873            | 34,157            |
|   | 538,280           | 677,298           |
| <b>Other loans</b>                          |                   |                   |
| Property formation loans                    | 6,595             | 6,748             |
| Inter-bank loans                            | 578               | 1,274             |
| Others                                      | 1,762             | 1,938             |
|   | 8,935             | 9,960             |
|   | (Won) 117,860,232 | (Won) 118,565,341 |
| <b>Loans in foreign currencies</b>          |                   |                   |
| Domestic funding loans                      | (Won) 2,477,851   | (Won) 2,208,125   |
| Overseas funding loans                      | 530,070           | 551,049           |
| Inter-bank loans                            | 1,076,312         | 1,229,064         |
| Domestic usance bills                       | 1,269,780         | 1,326,629         |
| Government funding loans                    | 6                 | 16                |
|   | (Won) 5,354,019   | (Won) 5,314,883   |

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

|                               | <b>Loans in Won</b> |             | <b>Loans in foreign currencies</b> |           | <b>Total</b> |             | <b>Percentage</b> |
|-------------------------------|---------------------|-------------|------------------------------------|-----------|--------------|-------------|-------------------|
|                               | (Won)               | 3,186,819   | (Won)                              | 2,859,013 | (Won)        | 6,045,832   | (%)               |
| Large corporations            |                     |             |                                    |           |              |             | 4.91              |
| Small and medium corporations |                     | 32,822,501  |                                    | 2,060,576 |              | 34,883,077  | 28.31             |
| Households                    |                     | 81,312,632  |                                    | 47,528    |              | 81,360,160  | 66.03             |
| Others                        |                     | 538,280     |                                    | 386,902   |              | 925,182     | 0.75              |
|                               | (Won)               | 117,860,232 | (Won)                              | 5,354,019 | (Won)        | 123,214,251 | 100.00            |

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

|                               | <b>Loans in Won</b> |             | <b>Loans in foreign currencies</b> |           | <b>Total</b> |             | <b>Percentage</b> |
|-------------------------------|---------------------|-------------|------------------------------------|-----------|--------------|-------------|-------------------|
|                               | (Won)               | 3,510,892   | (Won)                              | 3,070,368 | (Won)        | 6,581,260   | (%)               |
| Large corporations            |                     |             |                                    |           |              |             | 5.31              |
| Small and medium corporations |                     | 32,061,760  |                                    | 1,737,745 |              | 33,799,505  | 27.29             |
| Households                    |                     | 82,315,391  |                                    | 56,889    |              | 82,372,280  | 66.49             |
| Others                        |                     | 677,298     |                                    | 449,881   |              | 1,127,179   | 0.91              |
|                               | (Won)               | 118,565,341 | (Won)                              | 5,314,883 | (Won)        | 123,880,224 | 100.00            |

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

|                           | Loans in Won      | Loans in foreign currencies | Others           | Total             | Percentage (%) |
|---------------------------|-------------------|-----------------------------|------------------|-------------------|----------------|
| Korea                     | (Won) 117,860,232 | (Won) 4,687,726             | (Won) 15,177,897 | (Won) 137,725,855 | 99.29          |
| Southeast Asia            |                   | 36,069                      | 1                | 36,070            | 0.03           |
| China                     |                   | 168,250                     | 150,391          | 319,181           | 0.23           |
| Japan                     |                   | 237,071                     | 73               | 237,144           | 0.17           |
| Central and South America |                   | 7,248                       | 14               | 7,262             | 0.01           |
| Others                    |                   | 217,655                     | 165,155          | 382,810           | 0.27           |
|                           | (Won) 117,860,232 | (Won) 5,354,019             | (Won) 15,494,071 | (Won) 138,708,322 | 100.00         |

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

|                           | Loans in Won      | Loans in foreign currencies | Others           | Total             | Percentage (%) |
|---------------------------|-------------------|-----------------------------|------------------|-------------------|----------------|
| Korea                     | (Won) 118,565,341 | (Won) 4,343,365             | (Won) 14,134,599 | (Won) 137,043,305 | 99.21          |
| Southeast Asia            |                   | 77,018                      |                  | 77,018            | 0.05           |
| China                     |                   | 362,468                     | 5,065            | 367,533           | 0.27           |
| Japan                     |                   | 270,131                     | 72               | 270,203           | 0.19           |
| Central and South America |                   | 7,524                       | 19               | 7,543             | 0.01           |
| Others                    |                   | 254,377                     | 119,678          | 374,055           | 0.27           |
|                           | (Won) 118,565,341 | (Won) 5,314,883             | (Won) 14,259,433 | (Won) 138,139,657 | 100.00         |

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

|                       | Loans in Won      | Loans in foreign currencies | Others           | Total             | Percentage (%) |
|-----------------------|-------------------|-----------------------------|------------------|-------------------|----------------|
| Corporations          |                   |                             |                  |                   |                |
| Finance and insurance | (Won) 865,994     | (Won) 1,132,085             | (Won) 3,116,971  | (Won) 5,115,050   | 3.69           |
| Manufacturing         | 11,356,849        | 1,831,888                   | 2,538,049        | 15,726,786        | 11.34          |
| Services              | 19,325,297        | 1,348,110                   | 1,713,451        | 22,386,858        | 16.14          |
| Others                | 4,837,330         | 976,050                     | 1,055,853        | 6,869,233         | 4.95           |
| Households            | 81,312,632        | 47,528                      | 6,309,568        | 87,669,728        | 63.20          |
| Public sector         | 162,130           | 18,358                      | 760,179          | 940,667           | 0.68           |
|                       | (Won) 117,860,232 | (Won) 5,354,019             | (Won) 15,494,071 | (Won) 138,708,322 | 100.00         |

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

|  | Loans in Won | Loans in foreign currencies | Others | Total | Percentage |
|--|--------------|-----------------------------|--------|-------|------------|
|--|--------------|-----------------------------|--------|-------|------------|

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|                       | currencies        |                 |                  |                   | (%)    |
|-----------------------|-------------------|-----------------|------------------|-------------------|--------|
| Corporations          |                   |                 |                  |                   |        |
| Finance and insurance | (Won) 1,071,914   | (Won) 1,286,271 | (Won) 2,155,247  | (Won) 4,513,432   | 3.27   |
| Manufacturing         | 11,468,385        | 1,825,795       | 2,469,266        | 15,763,446        | 11.41  |
| Services              | 19,163,721        | 1,057,966       | 1,630,228        | 21,851,915        | 15.82  |
| Others                | 4,127,593         | 1,069,625       | 979,344          | 6,176,562         | 4.47   |
| Households            | 82,315,391        | 56,889          | 6,525,160        | 88,897,440        | 64.35  |
| Public sector         | 418,337           | 18,337          | 500,188          | 936,862           | 0.68   |
|                       | (Won) 118,565,341 | (Won) 5,314,883 | (Won) 14,259,433 | (Won) 138,139,657 | 100.00 |



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

|                             | <b>Bank</b>     | <b>Other financial<br/>institutions</b> | <b>Total</b>    |
|-----------------------------|-----------------|---|-----------------|
| Loans in Won                | (Won) 578       | (Won) 865,416                           | (Won) 865,994   |
| Loans in foreign currencies | 1,076,312       | 55,773                                  | 1,132,085       |
| Others                      | 2,546,421       | 570,550                                 | 3,116,971       |
|                             | (Won) 3,623,311 | (Won) 1,491,739                         | (Won) 5,115,050 |

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

|                             | <b>Bank</b>     | <b>Other financial<br/>institutions</b> | <b>Total</b>    |
|-----------------------------|-----------------|---|-----------------|
| Loans in Won                | (Won) 1,274     | (Won) 1,070,640                         | (Won) 1,071,914 |
| Loans in foreign currencies | 1,229,064       | 57,207                                  | 1,286,271       |
| Others                      | 1,599,471       | 555,776                                 | 2,155,247       |
|                             | (Won) 2,829,809 | (Won) 1,683,623                         | (Won) 4,513,432 |

(7) Loans applicable to the Corporate Restructuring Promotion Act

As of March 31, 2006, the Bank has loans of (Won)188,976 million to companies under the Corporate Restructuring Promotion Act, including Hyundai Engineering & Construction Co., Ltd., and has provided an allowance of (Won)21,798 million for possible loan losses. The actual collection amounts from those loans may differ from management's current estimation.

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

|                               | <b>Normal</b>     | <b>Precautionary</b> | <b>Substandard</b> | <b>Doubtful</b> | <b>Loss</b>   | <b>Total</b>      |
|-------------------------------|-------------------|----------------------|--------------------|-----------------|---------------|-------------------|
| Loans in Won                  | (Won) 113,561,275 | (Won) 2,323,072      | (Won) 956,122      | (Won) 685,945   | (Won) 333,818 | (Won) 117,860,232 |
| Loans in foreign currencies   | 5,249,615         | 54,558               | 23,619             | 25,960          | 267           | 5,354,019         |
| Call loans                    | 1,987,961         |                      |                    |                 |               | 1,987,961         |
| Bills bought                  | 1,352,323         | 7,575                | 355                | 315             | 26            | 1,360,594         |
| Advances for customers        | 731               | 2,273                | 1,981              | 1,958           | 3,411         | 10,354            |
| Credit card receivables       | 6,840,972         | 291,238              | 891                | 112,915         | 37,669        | 7,283,685         |
| Loans to be swapped to equity | 500,000           |                      |                    |                 |               | 50,000            |
| Privately placed bonds        | 4,316,603         | 967                  | 1,874              |                 |               | 4,319,444         |
| Factoring receivables         | 30,980            |                      | 491                | 562             |               | 32,033            |
|                               | (Won) 133,840,460 | (Won) 2,679,683      | (Won) 985,333      | (Won) 827,655   | (Won) 375,191 | (Won) 138,708,322 |

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

|                             | <b>Normal</b>     | <b>Precautionary</b> | <b>Substandard</b> | <b>Doubtful</b> | <b>Loss</b>   | <b>Total</b>      |
|-----------------------------|-------------------|----------------------|--------------------|-----------------|---------------|-------------------|
| Loans in Won                | (Won) 113,720,332 | (Won) 2,784,972      | (Won) 937,477      | (Won) 758,344   | (Won) 364,216 | (Won) 118,565,341 |
| Loans in foreign currencies | 5,197,617         | 60,553               | 24,285             | 31,648          | 780           | 5,314,883         |
| Call loans                  | 1,518,948         |                      |                    |                 |               | 1,518,948         |
| Bills bought                | 1,388,538         | 5,009                | 136                | 288             | 1,677         | 1,395,648         |
| Advances for customers      | 1,201             | 439                  | 1,394              | 2,049           | 6,238         | 11,321            |
| Credit card receivables     | 7,068,006         | 337,624              | 895                | 122,365         | 42,715        | 7,571,605         |
| Privately placed bonds      | 3,727,026         | 967                  | 1,874              |                 |               | 3,729,867         |
| Factoring receivables       | 30,990            |                      | 1,054              |                 |               | 32,044            |
|                             | (Won) 132,652,658 | (Won) 3,189,564      | (Won) 967,115      | (Won) 914,694   | (Won) 415,626 | (Won) 138,139,657 |

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

|                                     | Loans in foreign  |                 |                  |                   |
|-------------------------------------|-------------------|-----------------|------------------|-------------------|
|                                     | Loans in Won      | currencies      | Others           | Total             |
| Due in 3 months or less             | (Won) 18,539,529  | (Won) 2,289,206 | (Won) 8,827,110  | (Won) 29,655,845  |
| Due after 3 months through 6 months | 14,474,173        | 862,189         | 904,391          | 16,240,753        |
| Due after 6 months through 1 year   | 30,364,016        | 995,667         | 1,406,148        | 32,765,831        |
| Due after 1 year through 2 years    | 12,640,227        | 221,220         | 1,075,761        | 13,937,208        |
| Due after 2 years through 3 years   | 10,219,383        | 388,591         | 1,707,003        | 12,314,977        |
| Due after 3 years through 4 years   | 4,539,956         | 74,971          | 46,381           | 4,661,308         |
| Due after 4 years through 5 years   | 4,845,508         | 223,971         | 200,227          | 5,269,706         |
| More than 5 years                   | 22,237,440        | 298,204         | 1,327,050        | 23,862,694        |
|                                     | (Won) 117,860,232 | (Won) 5,354,019 | (Won) 15,494,071 | (Won) 138,708,322 |

- (10) Credit card receivables as collateral

The Bank offers the credit card receivables amounting to (Won)820,815 million (before deducting the allowance) as collateral for the transaction of credit card receivables to SPC as of March 31, 2006.

- (11) The changes in loan origination costs for the three months ended March 31, 2006 were as follows (Unit: In millions):

|                        | Beginning    | Increase     | Decrease    | Ending       |
|------------------------|--------------|--------------|-------------|--------------|
| Loan origination costs | (Won) 52,025 | (Won) 15,534 | (Won) 1,712 | (Won) 65,847 |

**6. RESTRUCTURING LOANS:**

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

|              | Amount before restructuring | Principal exemption | Conversion to equity securities | Interest reduction | Extension of maturity |
|--------------|-----------------------------|---------------------|---------------------------------|--------------------|-----------------------|
| Workout plan | (Won) 61,449                | (Won) 301           | (Won) 4,083                     | (Won) 1,260        | (Won) 53,911          |

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

|                    | Discount rates (%) | Amount       | Beginning balance | Present value discounts |            | Ending balance |
|--------------------|--------------------|--------------|-------------------|-------------------------|------------|----------------|
|                    |                    |              |                   | Addition                | Deduction  |                |
| Court receivership | 5.90~20.98         | (Won) 11,660 | (Won) 2,035       | (Won)                   | (Won) (84) | (Won) 1,951    |

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|              |            |               |              |             |               |              |
|--------------|------------|---------------|--------------|-------------|---------------|--------------|
| Composition  | 4.90~19.90 | 8,650         | 2,238        | 647         | (1,662)       | 1,223        |
| Workout plan | 4.40~28.89 | 167,470       | 11,371       | 3,387       | (4,733)       | 10,025       |
| Others       | 9.50       | 32,882        | 4,371        | 1           | (379)         | 3,993        |
|              |            | (Won) 220,662 | (Won) 20,015 | (Won) 4,035 | (Won) (6,858) | (Won) 17,192 |

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

7. **ALLOWANCE FOR POSSIBLE LOAN LOSSES:**

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

|                             | Estimated     |               |               |               |               |                 |
|-----------------------------|---------------|---------------|---------------|---------------|---------------|-----------------|
|                             | Normal        | Precautionary | Substandard   | Doubtful      | loss          | Total           |
| Loans in Won                | (Won) 774,054 | (Won) 242,696 | (Won) 201,661 | (Won) 439,329 | (Won) 333,818 | (Won) 1,991,558 |
| Loans in foreign currencies | 21,047        | 2,420         | 7,840         | 16,214        | 267           | 47,788          |
| Bills bought                | 6,762         | 382           | 71            | 194           | 26            | 7,435           |
| Advances for customers      | 4             | 46            | 396           | 1,162         | 3,411         | 5,019           |
| Credit card receivables     | 74,966        | 34,949        | 178           | 67,749        | 37,669        | 215,511         |
| Privately placed bonds      | 21,583        | 210           | 918           |               |               | 22,711          |
| Factoring receivables       | 3,948         |               | 98            | 281           |               | 4,327           |
|                             | (Won) 902,364 | (Won) 280,703 | (Won) 211,162 | (Won) 524,929 | (Won) 375,191 | (Won) 2,294,349 |

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) 777,038 | (Won) 293,589 | (Won) 198,047 | (Won) 493,880 | (Won) 364,216 | (Won) 2,126,770 |
| Loans in foreign currencies | 20,048        | 2,665         | 7,264         | 19,904        | 780           | 50,661          |
| 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      | 18,635        | 217           | 918           |               |               | 19,770          |
| Factoring receivables       | 4,299         |               | 211           |               |               | 4,510           |
|                             | (Won) 904,649 | (Won) 337,223 | (Won) 206,925 | (Won) 588,852 | (Won) 415,626 | (Won) 2,453,275 |

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

|   | 2006            | 2005            |
|---|-----------------|-----------------|
| Beginning balance(*1)                       | (Won) 2,500,777 | (Won) 3,186,095 |
| Provision for possible loan losses          | 152,415         | 1,053,088       |
| Reclassification from other allowances (*2) | 71              | 17,501          |
| Collection of previously written-off loans  | 119,054         | 452,959         |

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|                                      |                 |                 |
|--------------------------------------|-----------------|-----------------|
| Repurchase of NPLs sold              | (1)             | 15,863          |
| Sales of loans                       |                 | (181,914)       |
| Loans written-off                    | (422,402)       | (2,014,834)     |
| Conversion to equity securities      |                 | (11,444)        |
| Exemption of loans                   | (678)           | (9,570)         |
| Changes in exchange rates and others | (9,707)         | (6,967)         |
| Ending balance (*2)                  | (Won) 2,339,529 | (Won) 2,500,777 |

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(\*1) Allowance for possible loan losses includes present value discounts amounting to (Won)17,192 million and (Won)20,015 million as of March 31, 2006 and December 31, 2005, respectively, and allowances for other assets amounting to (Won)45,180 million and (Won)47,502 million, respectively.

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(\*2) Other allowances for credit lines to FNSTAR 4th Securitization Special Co.,Ltd. amounting to (Won)3,216 million were transferred to allowances for loan losses and possible loan losses for KOOKMIN CARD 16TH Securitization Specialty Co.,Ltd. amounting to (Won)3,145 were transferred to other allowance for Credit lines.

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

|   | <b>2006</b>  | <b>2005</b>  |
|---|--------------|--------------|
| Account receivables                     | (Won) 612    | (Won) 659    |
| Suspense receivables                    | 21,225       | 20,447       |
| Uncollected guarantee deposits for rent | 6,720        | 8,269        |
| Settlement costs for financial accident | 14,266       | 15,844       |
| Derivative instruments                  | 2,357        | 2,283        |
|   | (Won) 45,180 | (Won) 47,502 |

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

|                   | <b>Loans</b> | <b>Allowance for possible loan losses</b> | <b>Percentage</b> |
|-------------------|--------------|---|-------------------|
|                   | (Won)        | (Won)                                     | (%)               |
| March 31, 2006    | 138,708,322  | 2,294,349                                 | 1.65              |
| December 31, 2005 | 138,139,657  | 2,453,275                                 | 1.78              |
| December 31, 2004 | 138,839,212  | 3,118,775                                 | 2.25              |
| December 31, 2003 | 145,040,449  | 3,910,044                                 | 2.70              |

8. **FIXED ASSETS:**

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

|                                | <b>2006</b>     | <b>2005</b>     |
|--------------------------------|-----------------|-----------------|
| Tangible assets                | (Won) 3,681,524 | (Won) 3,670,603 |
| Less: accumulated depreciation | (1,656,839)     | (1,620,892)     |
| accumulated impairment loss    | (15,871)        | (11,466)        |
| Intangible assets              | 382,709         | 398,104         |
| Non-business use property      | 583             | 583             |
| Less: valuation allowance      | (232)           | (230)           |
|                                | (Won) 2,391,874 | (Won) 2,436,702 |

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

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|                          | Acquisition cost |  | Accumulated depreciation |  | Accumulated impairment losses |  | Book value      |  |
|--------------------------|------------------|--|--------------------------|--|-------------------------------|--|-----------------|--|
|                          | (Won)            |  | (Won)                    |  | (Won)                         |  | (Won)           |  |
| Land                     | 986,452          |  |                          |  | 7,271                         |  | 979,181         |  |
| Buildings                | 942,659          |  | 165,552                  |  | 8,600                         |  | 768,507         |  |
| Leasehold improvements   | 192,872          |  | 151,502                  |  |                               |  | 41,370          |  |
| Equipment and vehicles   | 1,558,065        |  | 1,339,785                |  |                               |  | 218,280         |  |
| Construction in progress | 1,476            |  |                          |  |                               |  | 1,476           |  |
|                          | (Won) 3,681,524  |  | (Won) 1,656,839          |  | (Won) 15,871                  |  | (Won) 2,008,814 |  |



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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) 986,522    | (Won)                    | (Won) 7,109                   | (Won) 979,413   |
| Buildings                | 939,204          | 160,328                  | 4,357                         | 774,519         |
| Leasehold improvements   | 190,109          | 145,746                  |                               | 44,363          |
| Equipment and vehicles   | 1,554,613        | 1,314,818                |                               | 239,795         |
| Construction in progress | 155              |                          |                               | 155             |
|                          | (Won) 3,670,603  | (Won) 1,620,892          | (Won) 11,466                  | (Won) 2,038,245 |

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

|                          | Beginning       | Acquisition  | Replacement | Disposal  | Depreciation | Impairment  | Change in foreign currencies | Ending          |
|--------------------------|-----------------|--------------|-------------|-----------|--------------|-------------|------------------------------|-----------------|
| Land                     | (Won) 979,413   | (Won)        | (Won)       | (Won) 56  | (Won)        | (Won) 162   | (Won) (14)                   | (Won) 979,181   |
| Buildings                | 774,519         |              | 3,543       | 40        | 5,241        | 4,243       | (31)                         | 768,507         |
| Leasehold improvements   | 44,363          |              | 3,070       | 16        | 6,037        |             | (10)                         | 41,370          |
| Equipment and vehicles   | 239,795         | 11,193       |             | 132       | 32,519       |             | (57)                         | 218,280         |
| Construction in progress | 155             | 7,934        | (6,613)     |           |              |             |                              | 1,476           |
|                          | (Won) 2,038,245 | (Won) 19,127 | (Won)       | (Won) 244 | (Won) 43,797 | (Won) 4,405 | (Won) (112)                  | (Won) 2,008,814 |

(4) The published value of land was (Won)1,188,543 million and (Won) 1,059,377 million as of March 31, 2006 and December 31, 2005, respectively, based on the Laws on Disclosure of Land Price and Valuation of Land.

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

| Type of insurance  | Asset insured          | Insured amount | Insurance company            |
|--------------------|------------------------|----------------|------------------------------|
| Property composite | Buildings              | (Won) 622,339  |                              |
|                    | Leasehold improvements | 36,544         | Samsung Fire & Marine        |
|                    | Equipment and vehicles | 107,924        | Insurance Co., Ltd. & others |

(Won) 766,807

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

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|          | <b>Acquisition cost</b> | <b>Accumulated amortization</b> | <b>Book value</b> |
|----------|-------------------------|---------------------------------|-------------------|
| Goodwill | (Won) 705,108           | (Won) 346,025                   | (Won) 359,083     |
| Others   | 41,858                  | 18,232                          | 23,626            |
|          | (Won) 746,966           | (Won) 364,257                   | (Won) 382,709     |

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

|          | <b>Beginning</b> | <b>Increase</b> | <b>Amortization</b> | <b>Ending</b> |
|----------|------------------|-----------------|---------------------|---------------|
| Goodwill | (Won) 378,669    | (Won)           | (Won) 19,586        | (Won) 359,083 |
| Others   | 19,435           | 6,425           | 2,234               | 23,626        |
|          | (Won) 398,104    | (Won) 6,425     | (Won) 21,820        | (Won) 382,709 |

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

|                           | Acquisition<br>cost | Valuation<br>allowance | Book<br>value |
|---------------------------|---------------------|------------------------|---------------|
| Non-business use land     | (Won) 79            | (Won) 55               | (Won) 24      |
| Non-business use building | 504                 | 177                    | 327           |
|                           | (Won) 583           | (Won) 232              | (Won) 351     |

9. **OTHER ASSETS:**

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

|                                      | 2006            | 2005            |
|--------------------------------------|-----------------|-----------------|
| Guarantee deposits paid              | (Won) 1,163,411 | (Won) 1,164,533 |
| Accounts receivable                  | 3,440,824       | 466,442         |
| Accrued income                       | 992,582         | 998,354         |
| Prepaid accounts                     | 70,262          | 65,519          |
| Prepaid expenses                     | 80,134          | 43,266          |
| Deferred income tax assets (Note 24) | 326,388         | 353,214         |
| Derivatives assets                   | 1,196,973       | 1,202,063       |
| Domestic exchange settlement debits  | 739,882         | 720,433         |
| Sundry assets                        | 30,552          | 34,502          |
| Allowances for credit losses         | (45,180)        | (47,502)        |
|                                      | (Won) 7,995,828 | (Won) 5,000,824 |

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

|   | 2006         | 2005         |
|---|--------------|--------------|
| Receivables on cash sent to other banks | (Won)        | (Won) 350    |
| Supplies                                | 12,623       | 14,468       |
| Deposit money to court (*)              | 17,865       | 19,514       |
| Asset disposal receivables              |              | 170          |
| Others                                  | 64           |              |
|   | (Won) 30,552 | (Won) 34,502 |

(\*) Securities is included in deposit money to court of which book value, face value and fair value are (Won)9,170 million, (Won)9,910 million and (Won)11,289 million, respectively.

10. **DEPOSITS:**

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

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|                                     | 2006              | 2005              |
|-------------------------------------|-------------------|-------------------|
| Deposits in Won                     | (Won) 115,057,844 | (Won) 119,512,556 |
| Deposits in foreign currencies      | 1,425,814         | 1,379,133         |
| Negotiable certificates of deposits | 7,609,810         | 5,389,543         |
|                                     | (Won) 124,093,468 | (Won) 126,281,232 |

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

|  | Interest rate<br>(%) | 2006              | 2005              |
|--|----------------------|-------------------|-------------------|
| <b>Demand deposits in Won</b>  |                      |                   |                   |
| Checking deposits  |                      | (Won) 107,560     | (Won) 190,629     |
| Household checking deposits  | 0.10                 | 436,568           | 478,851           |
| Temporary deposits   |                      | 3,526,403         | 3,668,420         |
| Passbook deposits  | 0.10                 | 12,779,174        | 13,403,993        |
| Public fund deposits   | 0.10                 | 154,289           | 176,397           |
| National Treasury deposits   |                      | 11,863            | 2,879             |
| Nonresident s deposit in Won   | 0.10                 | 21,069            | 24,898            |
|  |                      | 17,036,926        | 17,946,067        |
| <b>Time deposits and savings deposits in Won</b>                           |                      |                   |                   |
| Time deposits  | 2.40 ~ 3.80          | 56,152,136        | 57,387,089        |
| Installment savings deposits   | 3.25 ~ 3.85          | 1,229,133         | 1,218,956         |
| Property formation savings   | 8.50                 | 912               | 955               |
| Workers savings for housing  | 8.50 ~ 11.50         | 27                | 27                |
| Time and savings deposits of non residents in Won                          | 2.40 ~ 3.80          | 209,948           | 213,436           |
| General savings deposits   | 0.10 ~ 3.10          | 20,026,689        | 20,151,013        |
| Corporate savings deposits   | 0.10 ~ 3.00          | 8,024,805         | 9,391,238         |
| Long-term savings deposits for workers                                     | 11.50 ~ 12.00        | 5,838             | 7,388             |
| Long-term housing savings deposits   | 4.30                 | 2,557,247         | 2,390,596         |
| Long-term savings for households   | 11.00                | 6,000             | 7,377             |
| Workers preferential savings deposits                                      | 5.35                 | 843,777           | 1,097,848         |
| Mutual installment deposits  | 3.00~3.85            | 4,570,549         | 5,120,668         |
| Mutual installment for housing   | 2.20~3.60            | 4,395,947         | 4,582,031         |
|  |                      | 98,023,008        | 101,568,622       |
| Loss(gain) on valuation of fair value hedged item (current period portion) |                      | 43                | (2,133)           |
| Loss(gain) on valuation of fair value hedged item (prior year portion)     |                      | (2,133)           |                   |
|  |                      | (Won) 115,057,844 | (Won) 119,512,556 |
| <b>Demand deposits in foreign currencies</b>                               |                      |                   |                   |
| Checking deposits  | 0.00 ~ 3.50          | (Won) 35,251      | (Won) 51,185      |
| Passbook deposits  | 0.05                 | 756,958           | 701,514           |
| Notice deposits  | 0.00 ~ 6.13          | 232               | 241               |
| Temporary deposits   |                      | 1,118             | 1,300             |
|  |                      | 793,559           | 754,240           |
| <b>Time deposits and savings deposits in foreign currencies</b>            |                      |                   |                   |
| Time deposits  | 0.10 ~ 7.60          | 630,070           | 622,887           |
| Installment savings deposits   | 5.00 ~ 6.50          | 539               | 643               |
| Others   |                      | 1,646             | 1,363             |
|  |                      | 632,255           | 624,893           |
|  |                      | (Won) 1,425,814   | (Won) 1,379,133   |

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|                                     |             |                   |                   |
|-------------------------------------|-------------|-------------------|-------------------|
| Negotiable certificates of deposits | 3.35 ~ 4.05 | (Won) 7,609,810   | (Won) 5,389,543   |
|                                     |             | (Won) 124,093,468 | (Won) 126,281,232 |

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

|                                | <b>Financial institutions</b> | <b>2006</b>     | <b>2005</b>     |
|--------------------------------|-------------------------------|-----------------|-----------------|
| Deposits in Won                | Banks                         | (Won) 654,463   | (Won) 1,023,544 |
|                                | Others                        | 5,509,591       | 5,201,307       |
|                                |                               | 6,164,054       | 6,224,851       |
| Deposits in foreign currencies | Banks                         | 92,282          | 84,972          |
|                                | Others                        | 29,780          | 27,171          |
|                                |                               | 122,062         | 112,143         |
|                                |                               | (Won) 6,286,116 | (Won) 6,336,994 |

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

|                                    | Due in           | Due after        | Due after        | Due after       | More than       | Total             |
|------------------------------------|------------------|------------------|------------------|-----------------|-----------------|-------------------|
|                                    |                  | 3 months through | 6 months through | 1 year through  |                 |                   |
|                                    | 3 months or less | 6 months         | 1 year           | 3 years         | 3 years         |                   |
| Deposits in Won                    | (Won) 68,163,069 | (Won) 10,743,827 | (Won) 25,829,373 | (Won) 7,528,165 | (Won) 2,793,410 | (Won) 115,057,844 |
| Deposits in foreign currencies     | 1,278,431        | 101,565          | 41,580           | 4,238           |                 | 1,425,814         |
| Negotiable certificate of deposits | 3,769,343        | 3,283,110        | 549,672          | 7,685           |                 | 7,609,810         |
|                                    | (Won) 73,210,843 | (Won) 14,128,502 | (Won) 26,420,625 | (Won) 7,540,088 | (Won) 2,793,410 | (Won) 124,093,468 |

11. **BORROWINGS:**

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

|  | <b>2006</b>      | <b>2005</b>      |
|--|------------------|------------------|
| Borrowings in Won                      | (Won) 2,667,682  | (Won) 2,608,515  |
| Borrowings in foreign currencies       | 2,938,161        | 3,186,803        |
| Bonds sold under repurchase agreements | 7,017,678        | 6,384,308        |
| Bills sold                             | 296,686          | 296,722          |
| Due to BOK in foreign currencies       | 361              | 542              |
| Call money                             | 2,512,450        | 1,260,446        |
|  | (Won) 15,433,018 | (Won) 13,737,336 |

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

| Account   | Financial institution                          | Annual interest<br>rate (%) | 2006            | 2005            |
|---|--|-----------------------------|-----------------|-----------------|
| Borrowings from the Bank of Korea                     | BOK  | 2.25                        | (Won) 772,168   | (Won) 646,308   |
| Borrowings from the Korean<br>government              | Ministry of Finance and Economy, and<br>others | 0.00 ~ 6.50                 | 594,810         | 636,948         |
| Borrowings from banking institutions                  | Industrial Bank of Korea                       | 3.40 ~ 4.50                 | 101,827         | 115,437         |
| Borrowings from National Housing<br>Fund              | National Housing Fund                          | 8.00                        | 1,796           | 2,004           |
| Borrowings from Non-banking financial<br>institutions | Korea Development Bank                         | 2.00 ~ 4.00                 | 3,766           | 4,353           |
| Other borrowings                                      | Small Business Corporation and others          | 2.00 ~ 7.00                 | 1,193,315       | 1,203,465       |
|   |  |                             | (Won) 2,667,682 | (Won) 2,608,515 |



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

| Account                                    | Financial institution                        | Annual interest rates (%) | Annual interest |                 |
|--|--|---------------------------|-----------------|-----------------|
|  |  |                           | 2006            | 2005            |
| Due to banks                               | Citibank, N. A. and others                   |                           | (Won) 33,702    | (Won) 42,954    |
| Borrowings from banking institutions       | Sumitomo Mitsui Banking Co., Ltd. and others | 0.21 ~ 5.27               | 1,754,835       | 1,857,330       |
| Off-shore borrowings in foreign currencies | United Overseas Bank NY IBF and others       | 4.47 ~ 5.16               | 367,496         | 401,197         |
| Other borrowings from banking institutions | IBRD   | 5.23                      | 8,634           | 10,466          |
| Other borrowings in foreign currencies     | Person, organization & corporations          |                           | 773,494         | 874,856         |
|  |  |                           | (Won) 2,938,161 | (Won) 3,186,803 |

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

| Account  | Financial institution        | Annual interest rates (%) | Annual interest |                 |
|--|------------------------------|---------------------------|-----------------|-----------------|
|  |                              |                           | 2006            | 2005            |
| Bonds sold under repurchase agreements in Won  | Person & group, corporations | 3.15 ~ 4.25               | (Won) 7,017,678 | (Won) 6,384,308 |
| Bills sold                                     | Teller s Sales               | 3.25 ~ 4.00               | 296,686         | 296,722         |
| Due to the Bank of Korea in foreign currencies | BOK                          | 4.55 ~ 5.07               | 361             | 542             |
|  |                              |                           | (Won) 7,314,725 | (Won) 6,681,572 |

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

| Account            | Financial institution                       | Annual interest rates (%) | Annual interest |                 |
|--------------------|---|---------------------------|-----------------|-----------------|
|                    |   |                           | 2006            | 2005            |
| Won                | Samsung Life Insurance Co., Ltd. and others | 3.65 ~ 3.90               | (Won) 1,274,300 | (Won) 984,100   |
| Foreign currencies | Abu Dhabi Commercial Bank and others        | 0.03 ~ 4.96               | 1,238,150       | 276,346         |
|                    |   |                           | (Won) 2,512,450 | (Won) 1,260,446 |

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

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|        | Won           | Foreign<br>currencies | Due to BOK &<br>call money | Total           |
|--------|---------------|-----------------------|----------------------------|-----------------|
| BOK    | (Won) 772,168 | (Won)                 | (Won) 361                  | (Won) 772,529   |
| Banks  | 101,827       | 2,156,033             | 1,270,150                  | 3,528,010       |
| Others | 3,766         | 8,634                 | 1,242,300                  | 1,254,700       |
|        | (Won) 877,761 | (Won) 2,164,667       | (Won) 2,512,811            | (Won) 5,555,239 |

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

|        | Won           | Foreign currencies | Due to BOK & call money | Total           |
|--------|---------------|--------------------|-------------------------|-----------------|
| BOK    | (Won) 646,308 | (Won)              | (Won) 542               | (Won) 646,850   |
| Banks  | 115,437       | 2,301,481          | 276,346                 | 2,693,264       |
| Others | 4,353         | 10,466             | 984,100                 | 998,919         |
|        | (Won) 766,098 | (Won) 2,311,947    | (Won) 1,260,988         | (Won) 4,339,033 |

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

|  | Due in<br>3 months or less | Due after<br>3 months through<br>6 months | Due after<br>6 months through<br>1 year | Due after<br>1 year through<br>3 years | More than 3<br>years | Total            |
|--|----------------------------|---|---|--|----------------------|------------------|
| Borrowings in Won                      | (Won) 836,373              | (Won) 61,819                              | (Won) 156,843                           | (Won) 692,256                          | (Won) 920,391        | (Won) 2,667,682  |
| Borrowings in foreign currencies       | 1,171,874                  | 880,095                                   | 541,178                                 | 327,207                                | 17,807               | 2,938,161        |
| Bonds sold under repurchase agreements | 3,616,053                  | 1,783,098                                 | 1,610,717                               | 7,810                                  |                      | 7,017,678        |
| Bills sold                             | 269,582                    | 25,985                                    | 1,119                                   |  |                      | 296,686          |
| Due to the BOK in foreign currencies   | 100                        | 261                                       |   |  |                      | 361              |
| Call money                             | 2,512,450                  |   |   |  |                      | 2,512,450        |
|  | (Won) 8,406,432            | (Won) 2,751,258                           | (Won) 2,309,857                         | (Won) 1,027,273                        | (Won) 938,198        | (Won) 15,433,018 |

12. **DEBENTURES:**

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

|                                  | 2006             | 2005             |
|----------------------------------|------------------|------------------|
| Debentures in Won                | (Won) 18,324,010 | (Won) 15,528,273 |
| Less: Discount on debentures     | (67,509)         | (35,368)         |
| Debentures in foreign currencies | 1,234,600        | 1,051,990        |
| Addition: Premiums on debentures | 2,515            | 3,092            |
|                                  | (Won) 19,493,616 | (Won) 16,547,987 |

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

|  | <b>Annual interest</b> |             |                  |             |                  |
|--|------------------------|-------------|------------------|-------------|------------------|
|  | rate (%)               | <b>2006</b> |                  | <b>2005</b> |                  |
| Hybrid debentures  | 6.00 ~ 7.00            | (Won)       | 903,668          | (Won)       | 903,668          |
| Structured debentures  | 4.29 ~ 8.62            |             | 416,572          |             | 208,131          |
| Subordinated fixed rate debentures in Won                                    | 4.19 ~ 15.02           |             | 6,732,679        |             | 5,794,072        |
| KCC subordinated fixed rate debentures                                       | 7.10 ~ 8.00            |             | 205,000          |             | 205,000          |
| KCC fixed rate debentures  | 5.54 ~ 7.80            |             | 290,000          |             | 390,000          |
| Fixed rate debentures  | 3.14 ~ 6.44            |             | 9,809,227        |             | 8,068,146        |
|  |                        |             | 18,357,146       |             | 15,569,017       |
| Loss (gain) on valuation of fair value hedged items (current period portion) |                        |             | 7,608            |             | (44,494)         |
| Loss (gain) on valuation of fair value hedged items (prior year portion)     |                        |             | (40,744)         |             | 3,750            |
|  |                        |             | 18,324,010       |             | 15,528,273       |
| Discounts on debentures  |                        |             | (67,509)         |             | (35,368)         |
|  |                        |             | (Won) 18,256,501 |             | (Won) 15,492,905 |

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

|   | Issued date     | Expiration date  | Annual interest rate (%) | 2006            |  | 2005            |  |
|---|-----------------|------------------|--------------------------|-----------------|--|-----------------|--|
|   |                 |                  |                          | (Won)           |  | (Won)           |  |
| Subordinated fixed rate debentures in Won | Sep-95 ~ Dec-00 | Sep -98 ~ Feb-02 |                          | 47,281          |  | 1,009,529       |  |
|   | Nov-98          | Nov-09           | 15.02                    | 104,900         |  | 104,900         |  |
|   | Dec-00          | Nov-10~Dec-10    | 9.57 ~ 9.65              | 162,051         |  | 162,051         |  |
|   | May-01          | Feb-07           | 7.6 ~ 7.65               | 200,000         |  | 200,000         |  |
|   | Jun-01          | Mar-08 ~ Mar-09  | 7.68 ~ 7.86              | 377,529         |  | 377,529         |  |
|   | Aug-01          | Aug-07           | 6.69 ~ 6.73              | 100,000         |  | 100,000         |  |
|   | Sep-01          | Mar-08           | 6.69 ~ 6.73              | 150,000         |  | 150,000         |  |
|   | Mar-02          | Jan-08           | 7.06 ~ 7.10              | 241,684         |  | 241,684         |  |
|   | Jul-02          | Jan-08           | 6.96 ~ 7.00              | 302,399         |  | 302,399         |  |
|   | Sep-02          | Mar-08 ~ Mar-13  | 6.27 ~ 6.70              | 500,000         |  | 500,000         |  |
|   | Nov-02          | May-08 ~ May-13  | 6.07 ~ 6.55              | 558,775         |  | 558,775         |  |
|   | Dec-02          | Jan-08           | 8.00                     | 110,000         |  | 110,000         |  |
|   | Dec-02          | Jun-08 ~ Dec-14  | 6.20 ~ 6.65              | 180,370         |  | 180,370         |  |
|   | Jan-03          | Feb-08           | 7.65                     | 50,000          |  | 50,000          |  |
|   | 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       |  |                 |  |
|   |                 |                  |                          | 6,937,679       |  | 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) 7,841,347 |  | (Won) 6,902,740 |  |

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

|  | Annual interest rate (%) | 2006      |  | 2005      |  |
|--|--------------------------|-----------|--|-----------|--|
|  |                          | (Won)     |  | (Won)     |  |
| Floating rates debentures  | 0.14 ~ 5.27              | 751,842   |  | 550,365   |  |
| Fixed rates debentures   | 2.37 ~ 4.63              | 499,146   |  | 517,234   |  |
|  |                          | 1,250,988 |  | 1,067,599 |  |
| Gain (loss) on valuation of fair value hedged items (current period portion) |                          | (779)     |  | (8,181)   |  |
| Gain (loss) on valuation of fair value hedged items (prior year portion)     |                          | (15,609)  |  | (7,428)   |  |
|  |                          | 1,234,600 |  | 1,051,990 |  |
| Premiums on debentures   |                          | 3,425     |  | 4,076     |  |
| Discounts on debentures  |                          | (910)     |  | (984)     |  |

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(Won) 1,237,115 (Won) 1,055,082

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

|                                     | <b>Due in<br/>3 months or<br/>less</b> | <b>Due after<br/>3 months<br/>through<br/>6 months</b> | <b>Due after<br/>6 months<br/>through<br/>1 year</b> | <b>Due after<br/>1 year<br/>through<br/>3 years</b> | <b>More than<br/>3 years</b> | <b>Total</b>     |
|-------------------------------------|--|--|--|---|------------------------------|------------------|
| Debentures in Won                   | (Won) 2,989,926                        | (Won) 2,234,419  | (Won) 3,279,755                                      | (Won) 4,237,225                                     | (Won) 5,582,685              | (Won) 18,324,010 |
| Debentures in foreign<br>currencies | 47,160                                 | 16,634   | 265,042  | 571,444   | 334,320                      | 1,234,600        |
|                                     | (Won) 3,037,086                        | (Won) 2,251,053  | (Won) 3,544,797                                      | (Won) 4,808,669                                     | (Won) 5,917,005              | (Won) 19,558,610 |

**Table of Contents**13. **OTHER LIABILITIES:**

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

|   | 2006             | 2005             |
|---|------------------|------------------|
| Accrued severance benefits (Note 15)                                  | (Won) 419,798    | (Won) 387,491    |
| Less: Severance insurance deposits (Note 15)                          | (237,753)        | (236,529)        |
| Allowance for possible losses on acceptances and guarantees (Note 14) | 9,691            | 10,141           |
| Due to trust accounts   | 932,489          | 1,059,469        |
| Guarantees deposits received  | 112,471          | 109,454          |
| Accounts payable  | 3,706,479        | 834,510          |
| Accrued expenses  | 4,325,374        | 4,872,756        |
| Advances from customers   | 306,830          | 360,766          |
| Unearned revenues   | 86,032           | 79,652           |
| Withholding taxes   | 79,408           | 83,262           |
| Accounts for agency business  | 277,018          | 110,982          |
| Domestic exchange settlement loans                                    | 190,867          | 538,799          |
| Derivatives liabilities   | 1,070,540        | 1,070,996        |
| Agency  | 1,921,140        | 272,838          |
| Sundry liabilities (Note 16)  | 1,054,950        | 1,098,907        |
|   | (Won) 14,255,334 | (Won) 10,653,494 |

14. **ACCEPTANCES AND GUARANTEES AND ALLOWANCES FOR POSSIBLE LOSSES:**

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

| Types  | 2006      | 2005      |
|--|-----------|-----------|
| Confirmed acceptances and guarantees in Won                |           |           |
| Payment guarantee for issuance of debentures               | (Won) 767 | (Won) 768 |
| Payment guarantee for loans                                | 34,515    | 34,527    |
| Others   | 361,297   | 352,946   |
|  | 396,579   | 388,241   |
| Confirmed acceptances and guarantees in foreign currencies |           |           |
| Acceptances on letters of credit                           | 99,916    | 86,170    |
| Acceptances for letters of guarantee for importers         | 50,017    | 68,272    |
| Guarantees for performance of contracts                    | 62,554    | 68,692    |
| Guarantees for bids  | 3,398     | 4,004     |
| Guarantees for borrowings                                  | 51,350    | 48,091    |
| Guarantees for repayment of advances                       | 780,542   | 761,489   |
| Others   | 403,030   | 364,601   |
|  | 1,450,807 | 1,401,319 |
|  | 1,847,386 | 1,789,560 |
| Unconfirmed acceptances and guarantees                     |           |           |
| Letters of credit  | 1,192,634 | 1,092,825 |

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|                |                 |                 |
|----------------|-----------------|-----------------|
| Others         | 752,781         | 879,367         |
|                | 1,945,415       | 1,972,192       |
| Bills Endorsed | 5,843           | 10,910          |
|                | (Won) 3,798,644 | (Won) 3,772,662 |



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

|                               | <b>Bills</b>     |                    |                 | <b>Total</b>    | <b>Percentage (%)</b> |
|-------------------------------|------------------|--------------------|-----------------|-----------------|-----------------------|
|                               | <b>Confirmed</b> | <b>Unconfirmed</b> | <b>endorsed</b> |                 |                       |
| Large corporations            | (Won) 1,350,099  | (Won) 1,306,933    | (Won) 44        | (Won) 2,657,076 | 69.95                 |
| Small and medium corporations | 401,397          | 593,855            | 5,629           | 1,000,881       | 26.35                 |
| Public sector and others      | 94,006           | 44,571             | 170             | 138,747         | 3.65                  |
| Foreign customer              | 1,884            | 56                 |                 | 1,940           | 0.05                  |
|                               | (Won) 1,847,386  | (Won) 1,945,415    | (Won) 5,843     | (Won) 3,798,644 | 100.00                |

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

|                               | <b>Bills</b>     |                    |                 | <b>Total</b>    | <b>Percentage (%)</b> |
|-------------------------------|------------------|--------------------|-----------------|-----------------|-----------------------|
|                               | <b>Confirmed</b> | <b>Unconfirmed</b> | <b>endorsed</b> |                 |                       |
| Large corporations            | (Won) 1,383,240  | (Won) 1,354,723    | (Won) 470       | (Won) 2,738,433 | 72.59                 |
| Small and medium corporations | 401,455          | 612,302            | 10,149          | 1,023,906       | 27.14                 |
| Public sector and others      | 2,652            | 5,088              | 291             | 8,031           | 0.21                  |
| Foreign customer              | 2,213            | 79                 |                 | 2,292           | 0.06                  |
|                               | (Won) 1,789,560  | (Won) 1,972,192    | (Won) 10,910    | (Won) 3,772,662 | 100.00                |

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

|               | <b>Bills</b>     |                    |                 | <b>Total</b>    | <b>Percentage (%)</b> |
|---------------|------------------|--------------------|-----------------|-----------------|-----------------------|
|               | <b>Confirmed</b> | <b>Unconfirmed</b> | <b>endorsed</b> |                 |                       |
| Public sector | (Won) 774,080    | (Won) 743,911      | (Won) 132       | (Won) 1,518,123 | 39.96                 |
| Finance       | 299,236          | 5,114              |                 | 304,350         | 8.01                  |
| Service       | 381,334          | 364,561            | 1,921           | 747,816         | 19.69                 |
| Manufacturing | 280,754          | 796,787            | 3,790           | 1,081,331       | 28.47                 |
| Others        | 111,982          | 35,042             |                 | 147,024         | 3.87                  |
|               | (Won) 1,847,386  | (Won) 1,945,415    | (Won) 5,843     | (Won) 3,798,644 | 100.00                |

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

|               | <b>Bills</b>     |                    |                 | <b>Total</b>    | <b>Percentage (%)</b> |
|---------------|------------------|--------------------|-----------------|-----------------|-----------------------|
|               | <b>Confirmed</b> | <b>Unconfirmed</b> | <b>endorsed</b> |                 |                       |
| Public sector | (Won) 707,759    | (Won) 867,544      | (Won)           | (Won) 1,575,303 | 41.76                 |
| Finance       | 389,019          | 10,311             |                 | 399,330         | 10.58                 |
| Service       | 277,569          | 403,005            | 4,228           | 684,802         | 18.15                 |
| Manufacturing | 298,596          | 663,200            | 6,350           | 968,146         | 25.66                 |
| Others        | 116,617          | 28,132             | 332             | 145,081         | 3.85                  |

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(Won) 1,789,560 (Won) 1,972,192 (Won) 10,910 (Won) 3,772,662 100.00

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

|        | <b>Confirmed</b> | <b>Unconfirmed</b> | <b>Bills<br/>endorsed</b> | <b>Total</b>    | <b>Percentage<br/>(%)</b> |
|--------|------------------|--------------------|---------------------------|-----------------|---------------------------|
| Korea  | (Won) 1,562,492  | (Won) 1,945,369    | (Won) 5,843               | (Won) 3,513,704 | 92.50                     |
| Japan  | 153              |                    |                           | 153             | 0.00                      |
| France | 283,011          |                    |                           | 283,011         | 7.45                      |
| Others | 1,730            | 46                 |                           | 1,776           | 0.05                      |
|        | (Won) 1,847,386  | (Won) 1,945,415    | (Won) 5,843               | (Won) 3,798,644 | 100.00                    |

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

|        | Confirmed       | Unconfirmed     | Bills endorsed | Total           | Percentage (%) |
|--------|-----------------|-----------------|----------------|-----------------|----------------|
| Korea  | (Won) 1,455,270 | (Won) 1,972,113 | (Won) 10,910   | (Won) 3,438,293 | 91.14          |
| France | 293,770         |                 |                | 293,770         | 7.79           |
| USA    | 40,520          |                 |                | 40,520          | 1.07           |
| Others |                 | 79              |                | 79              | 0.00           |
|        | (Won) 1,789,560 | (Won) 1,972,192 | (Won) 10,910   | (Won) 3,772,662 | 100.00         |

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

|                               | Confirmed acceptances and guarantees |                    | Unconfirmed acceptances and guarantees | Bills endorsed | Total           |
|-------------------------------|--------------------------------------|--------------------|--|----------------|-----------------|
|                               | Won                                  | Foreign currencies |  |                |                 |
| Normal                        | (Won) 390,856                        | (Won) 1,434,118    | (Won) 1,919,203                        | (Won) 5,843    | (Won) 3,750,020 |
| Precautionary                 | 5,096                                | 14,314             | 13,671                                 |                | 33,081          |
| Substandard                   | 289                                  | 2,231              | 5,396                                  |                | 7,916           |
| Doubtful                      | 16                                   | 143                | 303                                    |                | 462             |
| Estimated loss                | 322                                  | 1                  | 6,842                                  |                | 7,165.7         |
|                               | (Won) 396,579                        | (Won) 1,450,807    | (Won) 1,945,415                        | (Won) 5,843    | (Won) 3,798,644 |
| Allowance for possible losses | 1,111                                | 3,974              | 4,577                                  | 29             | 9,691           |
| Ratio (%)                     | 0.28                                 | 0.27               | 0.24                                   | 0.50           | 0.26            |

Allowance for possible losses on confirmed acceptances and guarantees 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) 1,387,575    | (Won) 1,943,043                        | (Won) 10,572   | (Won) 3,723,764 |
| 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                                  |                | 7,010.7         |
|                               | (Won) 388,241                        | (Won) 1,401,319    | (Won) 1,972,192                        | (Won) 10,910   | (Won) 3,772,662 |
| Allowance for possible losses | 1,395                                | 3,640              | 5,028                                  | 78             | 10,141          |
| Ratio (%)                     | 0.36                                 | 0.26               | 0.25                                   | 0.71           | 0.27            |

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- (6) The percentage of allowance for possible losses on acceptances and guarantees and others as of March 31, 2006 and December 31, 2005, 2004 and 2003 was as follows (Unit: In millions):

|                      | <b>Guarantees and<br/>acceptances<br/>and others</b> | <b>Allowance</b> | <b>Percentage<br/>(%)</b> |
|----------------------|--|------------------|---------------------------|
| March 31, 2006       | (Won) 3,798,644                                      | (Won) 9,691      | 0.26                      |
| December 31, 2005(*) | 3,772,662  | 10,141           | 0.27                      |
| December 31, 2004    | 975,788  | 1,150            | 0.12                      |
| December 31, 2003    | 800,297  | 1,074            | 0.13                      |

- 
- (\*) Pursuant to the amended Supervisory Regulation of Banking Business, the Bank extended the scope of allowance for possible losses since 2005.

**Table of Contents**15. **ACCRUED SEVERANCE BENEFITS:**

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

|                              | <b>Beginning</b> | <b>Provision</b> | <b>Payment</b> | <b>Other changes</b> | <b>Ending</b> |
|------------------------------|------------------|------------------|----------------|----------------------|---------------|
| Accrued severance benefits   | (Won) 387,491    | (Won) 38,556     | (Won) 6,244    | (Won) (5)            | (Won) 419,798 |
| Severance insurance deposits | (236,529)        | (2,344)          | (1,120)        |                      | (237,753)     |
|                              | (Won) 150,962    | (Won) 36,212     | (Won) 5,124    | (Won) (5)            | (Won) 182,045 |

As of March 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.

16. **SUNDRY LIABILITIES:**

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

|   | <b>2006</b>     | <b>2005</b>     |
|---|-----------------|-----------------|
| Borrowings for others business          | (Won) 107,543   | (Won) 128,567   |
| Foreign currency bills payable          | 48,410          | 38,645          |
| Prepaid card and debit card liabilities | 9,027           | 8,540           |
| Subscription deposits                   | 34,555          | 45,904          |
| Other allowances                        | 854,342         | 875,835         |
| Others                                  | 1,073           | 1,416           |
|   | (Won) 1,054,950 | (Won) 1,098,907 |

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

|                                     | <b>2006</b>   | <b>2005</b>   |
|-------------------------------------|---------------|---------------|
| Loss on branch closure              | (Won) 138     | (Won) 167     |
| Mileage rewards                     | 82,291        | 85,876        |
| Credit commitments to SPC (Note 19) | 360,008       | 384,724       |
| KAMCO loans sold (Note 19)          | 243           | 241           |
| Dormant accounts                    | 23,238        | 27,035        |
| KP Chemical loans sold              | 4,029         | 4,029         |
| Unused credit limit                 | 345,211       | 342,281       |
| Others                              | 39,184        | 31,482        |
|                                     | (Won) 854,342 | (Won) 875,835 |

The unused credit limit for other allowances amounts to (Won)73,279,889 million as of March 31, 2006.

17. SHAREHOLDERS EQUITY:

(1) Capital stock

As of March 31, 2006 and December 31, 2005, the Bank has 1 billion common shares authorized with a par value per share of (Won)5,000 and 336,379,116 shares issued. The Bank's major shareholders were Euro-Pacific Growth Fund (16,659,610 shares, 4.95 percent) and ING Bank N.V. Amsterdam (13,650,001 shares, 4.06 percent) as of March 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

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were distributed based on an exchange ratio of one new Bank share each for 1.688346 old Bank shares and one new Bank share for one H&CB share. The new shares were listed on the Korea Stock Exchange on November 9, 2001. Furthermore, as a result of the merger with Kookmin Credit Co., Ltd., the Bank issued 8,120,431 shares.

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

## (2) Capital surplus

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

|  | 2006            | 2005            |
|--|-----------------|-----------------|
| Paid-in-capital in excess of par value | (Won) 5,655,840 | (Won) 5,655,840 |
| Gain on business combination           | 397,669         | 397,669         |
| Revaluation increment                  | 177,229         | 177,229         |
| Gain on disposal of treasury stock     | 27,559          | 24,048          |
|  | (Won) 6,258,297 | (Won) 6,254,786 |

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

## (3) Retained earnings

1) Appropriations of retained earnings for the year ended December 31, 2005 as resolved at the general meeting of shareholders on March 24, 2006 are summarized as follows (Unit: In millions):

|   | Amount          |
|---|-----------------|
| Retained earnings before appropriations:                                |                 |
| Accumulated deficits carried over from prior years                      | (Won) (194,772) |
| Net income  | 2,252,218       |
| Appropriations:   |                 |
| Legal reserve   | 225,300         |
| Discretionary appropriated retained earnings                            | 1,646,500       |
| Other reserves  | 698             |
| Cash dividends  | 184,889         |
| Unappropriated retained earnings carried forward to the subsequent year | (Won) 59        |

## 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.



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(4) Capital adjustments

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

|   | 2006          | 2005          |
|---|---------------|---------------|
| Treasury stock  | (Won) (9,660) | (Won) (9,660) |
| Gain on valuation of available-for-sale securities              | 534,342       | 511,368       |
| Gain on valuation of held-to-maturity securities                | 290           | 426           |
| Gain on gain on valuation of securities using the equity method | 15,727        | 13,282        |
| Loss on gain on valuation of securities using the equity method | (4,703)       | (12,334)      |
| Stock option  |               | 3,888         |
|   | (Won) 545,656 | (Won) 506,970 |

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

|  | Beginning balance | Changes      | Disposal or realized | Ending balance |
|--|-------------------|--------------|----------------------|----------------|
| Treasury stock                                     | (Won) (9,660)     | (Won)        | (Won) 9,660          | (Won)          |
| Gain on valuation of available-for-sale securities | 511,368           | 45,184       | (22,210)             | 534,342        |
| Gain on valuation of held-to-maturity securities   | 426               |              | (136)                | 290            |
| Change due to the equity method                    | 948               | 9,993        | 83                   | 11,024         |
| Stock option                                       | 3,888             |              | (3,888)              |                |
|  | (Won) 506,970     | (Won) 55,177 | (Won) (16,491)       | (Won) 545,656  |

18. STOCK OPTIONS:

(1) 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 March 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 March 31, 2006 were as follows:

|          | Grant date | Granted | Granted shares |         | Outstanding | Exercise price | Exercise period |
|----------|------------|---------|----------------|---------|-------------|----------------|-----------------|
| Series 2 | 01.03.15   | 214,975 | 16,882         | 86,543  | 111,550     | (Won) 28,027   | 04.03.16        |
| Series 5 | 00.02.28   | 267,000 | 65,218         | 201,782 |             | 27,600         | ~09.03.15       |

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|                 |          |         |         |         |         |        |           |
|-----------------|----------|---------|---------|---------|---------|--------|-----------|
|                 |          |         |         |         |         |        | 03.03.01  |
|                 |          |         |         |         |         |        | ~06.02.28 |
| Series 6        |          |         |         |         |         |        | 04.03.25  |
|                 | 01.03.24 | 111,000 | 38,624  | 54,168  | 18,208  | 25,100 | ~07.03.24 |
| Series 7        |          |         |         |         |         |        | 04.11.17  |
|                 | 01.11.16 | 850,000 | 200,000 | 500,000 | 150,000 | 51,200 | ~09.11.16 |
| Series 8-1 (*1) |          |         |         |         |         |        | 05.03.23  |
|                 | 02.03.22 | 132,000 | 89,753  | 421     | 41,826  | 57,100 | ~10.03.22 |

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|                                 | Grant date | Granted   | Granted shares |           |             | Exercise price | Exercise period       |
|---------------------------------|------------|-----------|----------------|-----------|-------------|----------------|-----------------------|
|                                 |            |           | Forfeited      | Exercised | Outstanding |                |                       |
| Series 8-2 (*2)                 | 02.03.22   | 490,000   | 180,691        | 35,744    | 273,565     | (Won) 57,100   | 05.03.23<br>~10.03.22 |
| Series 9 (*2)                   | 02.07.26   | 30,000    | 6,101          |           | 23,899      | 58,800         | 05.07.27<br>~10.07.26 |
| Series 10-1(*1)                 | 03.03.21   | 140,000   | 76,557         | 10,000    | 53,443      | 46,268         | 06.03.22<br>~11.03.21 |
| Series 10-2 (*2)                | 03.03.21   | 180,000   | 91,097         |           | 88,903      | 35,500         | 06.03.22<br>~11.03.21 |
| Series 11(*2)                   | 03.08.27   | 30,000    | 24,909         |           | 5,091       | 40,500         | 06.08.28<br>~11.08.27 |
| Series 12 (*2)                  | 04.02.09   | 85,000    | 9,461          |           | 75,539      | 46,100         | 07.02.10<br>~12.02.09 |
| Series 13-1(*1)                 | 04.03.23   | 20,000    |                |           | 20,000      | 48,650         | 07.03.24<br>~12.03.23 |
| Series 13-2 (*2)                | 04.03.23   | 10,000    |                |           | 10,000      | 47,200         | 07.03.24<br>~12.03.23 |
| Series 14 (*1 & 2)              | 04.11.01   | 700,000   |                |           | 700,000     | 53,300         | 07.11.02<br>~12.11.01 |
| Series 15-1(*1)                 | 05.03.18   | 165,000   | 29,741         |           | 135,259     | 61,595         | 08.03.19<br>~13.03.18 |
| Series 15-2 (*2)                | 05.03.18   | 765,000   | 169,931        |           | 595,069     | 46,800         | 08.03.19<br>~13.03.18 |
| Series 16 (*2)                  | 05.04.27   | 15,000    |                |           | 15,000      | 45,700         | 08.04.28<br>~13.04.27 |
| Series 17 (*2)                  | 05.07.22   | 30,000    |                |           | 30,000      | 49,200         | 08.07.23<br>~13.07.22 |
| Series 18 (*2)                  | 05.08.23   | 15,000    |                |           | 15,000      | 53,000         | 08.08.24<br>~13.08.23 |
| Series 19 (*1)                  | 06.03.24   | 940,000   |                |           | 940,000     | 72,500         | 07.03.25<br>~14.03.25 |
| Kookmin Credit Card-1 (*3)      | 01.03.22   | 22,146    |                |           | 22,146      | 71,538         | 04.03.23<br>~11.03.22 |
| Kookmin Credit Card -2 (*1 & 3) | 02.03.29   | 9,990     |                |           | 9,990       | 129,100        | 04.03.30<br>~11.03.29 |
|                                 |            | 5,222,111 | 998,965        | 888,658   | 3,334,488   |                |                       |

(\*1) The exercise price is adjusted by reflecting the increase in average stock price index of banking industry as of March 31, 2006.

(\*2) 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.

(\*3) 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 March 31, 2006 were as follows (Unit: In millions):

|  | Amount       |
|--|--------------|
| Total compensation cost of stock options | (Won) 73,020 |

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|                                   |              |
|-----------------------------------|--------------|
| Reflected compensation cost       | 42,820       |
| Compensation cost to be reflected | (Won) 30,200 |

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The Bank recognized (Won)9,845 million of compensation cost for the three months ended March 31, 2006.

**19. CONTINGENCIES AND COMMITMENTS:**

- (1) The Bank holds written-off loans, of which the claim for borrowers and guarantors have not been terminated, amounting to (Won)8,002,620 million and (Won)7,743,273 million as of March 31, 2006 and December 31, 2005, respectively.
- (2) As of March 31, 2006, the Bank has entered into commitments to provide credit line of (Won)3,013,559 million and to purchase commercial papers amounting to (Won)1,089,100 million with several special purpose companies. Under these commitments, the Bank extended (Won)170,526 million of loans to the companies and recognized (Won)360,008 million of expected loss as other allowance. The Bank has no balance of commitment to purchase commercial papers as of March 31, 2006. In addition, the Bank has (Won)105,671 million of outstanding commitments to provide foreign currency loans as of March 31, 2006.
- (3) The Bank entered into the business cooperation agreements with Woori Credit Card, Citibank and Nonghyup for the credit card business. Accordingly, the Bank shares the related revenue from such business operation.
- (4) As of March 31, 2006, the Bank has provided allowances of (Won)243 million for losses from possible future repurchase of loans, which the Bank sold to Korea Asset Management Corporation ( KAMCO ) for (Won)679 million.
- (5) As of March 31, 2006 and December 31, 2005, the Bank recorded receivables amounting to (Won)3,335,554 million and (Won)383,838 million, and payables amounting to (Won)3,334,908 million and (Won)383,550 million for unsettled foreign currency spot transactions.
- (6) As of March 31, 2006, the Bank faces 128 pending legal actions involving aggregate damages of (Won)340,919 million. On the other hand, the Bank has filed 197 lawsuits, which are still pending, with aggregate claims of (Won)184,359 million. Management believes that the actions against the Bank are without merit and that the ultimate liability, if any, will not materially affect the Bank's financial position.
- (7) The notional amounts outstanding for derivative contracts as of March 31, 2006 and December 31, 2005 were as follows (Unit: In millions):

| Type                            | 2006          |           |               | 2005          |           |               |
|---------------------------------|---------------|-----------|---------------|---------------|-----------|---------------|
|                                 | Trading       | Hedge     | Total         | Trading       | Hedge     | Total         |
| <b>Interest rate:</b>           |               |           |               |               |           |               |
| Interest rate forwards          | (Won) 265,903 | (Won)     | (Won) 265,903 | (Won) 303,250 | (Won)     | (Won) 303,250 |
| Interest rate futures           | 1,839,347     |           | 1,839,347     | 695,443       |           | 695,443       |
| Interest rate swaps             | 34,849,333    | 1,770,988 | 36,620,321    | 33,487,799    | 1,581,097 | 35,068,896    |
| Interest rate options purchased | 298,795       |           | 298,795       | 300,650       |           | 300,650       |
| Interest rate options sold      | 588,795       |           | 588,795       | 640,650       |           | 640,650       |
|                                 | 37,842,173    | 1,770,988 | 39,613,161    | 35,427,792    | 1,581,097 | 37,008,889    |
| <b>Currency:</b>                |               |           |               |               |           |               |
| Currency forwards               | 68,387,519    |           | 68,387,519    | 58,354,822    |           | 58,354,822    |

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|                            |            |            |            |            |
|----------------------------|------------|------------|------------|------------|
| Currency futures           | 2,514,309  | 2,514,309  | 2,419,652  | 2,419,652  |
| Currency swaps             | 5,103,979  | 5,103,979  | 4,796,740  | 4,796,740  |
| Currency options purchased | 9,471      | 9,471      | 119,345    | 119,345    |
| Currency options sold      | 952        | 952        | 73,056     | 73,056     |
|                            | 76,016,230 | 76,016,230 | 65,763,615 | 65,763,615 |
| <b>Stock:</b>              |            |            |            |            |
| Stock index futures        | 51,391     | 51,391     | 13,567     | 13,567     |
| Stock options purchased    | 1,866,814  | 1,866,814  | 2,746,364  | 2,746,364  |
| Stock options sold         | 2,016,927  | 2,016,927  | 2,754,603  | 2,754,603  |
|                            | 3,935,132  | 3,935,132  | 5,514,534  | 5,514,534  |
| <b>Other:</b>              |            |            |            |            |
| Gold index purchased       | 58,957     | 58,957     | 146,268    | 146,268    |
| Gold index sold            | 58,957     | 58,957     | 146,268    | 146,268    |
|                            | 117,914    | 117,914    | 292,536    | 292,536    |

(Won) 117,911,449 (Won) 1,770,988 (Won) 119,682,437 (Won) 106,998,477 (Won) 1,581,097 (Won) 108,579,574

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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.

March 31, 2006

| Type                            | Gain valuation (P/L) |             |               | Loss valuation (P/L) |             |               | Gain (loss) on valuation (B/S) |                 |
|---------------------------------|----------------------|-------------|---------------|----------------------|-------------|---------------|--------------------------------|-----------------|
|                                 | Trading              | Hedge       | Total         | Trading              | Hedge       | Total         | Assets                         | Liability       |
| <b>Interest rate:</b>           |                      |             |               |                      |             |               |                                |                 |
| Interest rate forwards          | (Won) 21             | (Won) 21    | (Won) 21      | (Won) 60             | (Won) 60    | (Won) 60      | (Won) 21                       | 54              |
| Interest rate swaps             | 66,027               | 9,526       | 75,553        | 75,612               | 2,654       | 78,266        | 196,051                        | 203,386         |
| Interest rate options purchased | 469                  |             | 469           | 561                  |             | 561           | 2,686                          |                 |
| Interest rate options sold      | 810                  |             | 810           | 88                   |             | 88            |                                | 1,458           |
|                                 | 67,327               | 9,526       | 76,853        | 76,321               | 2,654       | 78,975        | 198,758                        | 204,898         |
| <b>Currency:</b>                |                      |             |               |                      |             |               |                                |                 |
| Currency forwards               | 425,149              |             | 425,149       | 447,343              |             | 447,343       | 547,753                        | 587,876         |
| Currency swaps                  | 121,918              |             | 121,918       | 69,824               |             | 69,824        | 397,269                        | 220,748         |
| Currency options purchased      | 6                    |             | 6             | 114                  |             | 114           | 2                              | 265             |
| Currency options sold           | 1                    |             | 1             | 3                    |             | 3             | 34                             | 4               |
|                                 | 547,074              |             | 547,074       | 517,284              |             | 517,284       | 945,058                        | 808,893         |
| <b>Stock:</b>                   |                      |             |               |                      |             |               |                                |                 |
| Stock option purchased          | 4,821                |             | 4,821         | 2,364                |             | 2,364         | 53,108                         |                 |
| Stock option sold               | 3,562                |             | 3,562         | 4,818                |             | 4,818         |                                | 56,700          |
|                                 | 8,383                |             | 8,383         | 7,182                |             | 7,182         | 53,108                         | 56,700          |
| <b>Other:</b>                   |                      |             |               |                      |             |               |                                |                 |
| Gold index purchased            |                      |             |               | 46                   |             | 46            | 49                             |                 |
| Gold index sold                 | 46                   |             | 46            |                      |             |               |                                | 49              |
|                                 | 46                   |             | 46            | 46                   |             | 46            | 49                             | 49              |
|                                 | (Won) 622,830        | (Won) 9,526 | (Won) 632,356 | (Won) 600,833        | (Won) 2,654 | (Won) 603,487 | (Won) 1,196,973                | (Won) 1,070,540 |

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March 31, 2005

| Type                            | Gain valuation (P/L) |       |               | Loss valuation (P/L) |              |               | Gain (loss) on valuation(B/S) |                 |
|---------------------------------|----------------------|-------|---------------|----------------------|--------------|---------------|-------------------------------|-----------------|
|                                 | Trading              | Hedge | Total         | Trading              | Hedge        | Total         | Assets                        | Liability       |
| Interest rate                   |                      |       |               |                      |              |               |                               |                 |
| Interest rate forwards          | (Won)                | (Won) | (Won)         | (Won)                | (Won)        | (Won)         | (Won)                         | 6 (Won)         |
| Interest rate swaps             | 202,971              |       | 202,971       | 177,362              | 22,635       | 199,997       | 231,275                       | 242,745         |
| Interest rate options purchased | 435                  |       | 435           | 2,380                |              | 2,380         | 2,778                         |                 |
| Interest rate options sold      | 2,781                |       | 2,781         | 723                  |              | 723           |                               | 2,179           |
|                                 | 206,187              |       | 206,187       | 180,465              | 22,635       | 203,100       | 234,059                       | 244,927         |
| Currency:                       |                      |       |               |                      |              |               |                               |                 |
| Currency forwards               | 506,004              |       | 506,004       | 589,655              |              | 589,655       | 607,398                       | 584,155         |
| Currency swaps                  | 37,019               |       | 37,019        | 37,667               |              | 37,667        | 298,431                       | 179,250         |
| Currency options purchased      | 56                   |       | 56            | 283                  |              | 283           | 117                           | 1,011           |
| Currency options sold           | 125                  |       | 125           | 16                   |              | 16            | 618                           | 42              |
|                                 | 543,204              |       | 543,204       | 627,621              |              | 627,621       | 906,564                       | 764,458         |
| Stock:                          |                      |       |               |                      |              |               |                               |                 |
| Stock option purchased          | 4,124                |       | 4,124         | 5,199                |              | 5,199         | 61,345                        |                 |
| Stock option sold               | 5,412                |       | 5,412         | 4,245                |              | 4,245         |                               | 61,516          |
|                                 | 9,536                |       | 9,536         | 9,444                |              | 9,444         | 61,345                        | 61,516          |
| Other:                          |                      |       |               |                      |              |               |                               |                 |
| Gold index purchased            | 400                  |       | 400           |                      |              |               | 95                            |                 |
| Gold index sold                 |                      |       |               | 280                  |              | 280           |                               | 95              |
|                                 | 400                  |       | 400           | 280                  |              | 280           | 95                            | 95              |
|                                 | (Won) 759,327        | (Won) | (Won) 759,327 | (Won) 817,810        | (Won) 22,635 | (Won) 840,445 | (Won) 1,202,063               | (Won) 1,070,996 |

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



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The Bank holds derivative instruments accounted for as fair value hedges applied to debentures, subordinated bonds, structured bonds and structured deposits. As of March 31, 2006, the Bank recognized (Won)2,654 million of gains and (Won)9,526 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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20. **ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:**

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

|                                     | 2006           |                 | 2005           |                 |
|-------------------------------------|----------------|-----------------|----------------|-----------------|
|                                     | USD            | KRW             | USD            | KRW             |
|                                     | equivalent     | equivalent      | equivalent     | equivalent      |
|                                     | (In thousands) | (In millions)   | (In thousands) | (In millions)   |
| <b>Assets:</b>                      |                |                 |                |                 |
| Foreign currencies                  | US\$ 166,047   | (Won) 162,046   | US\$ 148,473   | (Won) 150,402   |
| Due from banks-foreign currencies   | 506,400        | 494,196         | 531,036        | 537,941         |
| Securities-foreign currencies       | 781,256        | 762,423         | 768,890        | 778,887         |
| Loans in foreign currencies         | 5,486,238      | 5,354,019       | 5,246,674      | 5,314,883       |
| Bills bought in foreign currencies  | 1,378,975      | 1,345,742       | 1,359,412      | 1,377,085       |
| Call loans in foreign currencies    | 620,413        | 605,461         | 49,307         | 49,948          |
| <b>Liabilities:</b>                 |                |                 |                |                 |
| Deposits-foreign currencies         | US\$ 1,461,025 | (Won) 1,425,814 | US\$ 1,361,435 | (Won) 1,379,133 |
| Borrowings-foreign currencies       | 3,010,719      | 2,938,161       | 3,145,906      | 3,186,803       |
| Due to BOK                          | 370            | 361             | 535            | 542             |
| Call money in foreign currencies    | 1,268,726      | 1,238,150       | 272,800        | 276,346         |
| Debentures-foreign currencies       | 1,265,089      | 1,234,600       | 1,038,490      | 1,051,990       |
| Foreign exchange remittance pending | 49,605         | 48,410          | 38,149         | 38,645          |

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

21. **INTEREST REVENUE AND EXPENSES:**

The average balance of the interest bearing assets and liabilities, and the related interest revenue and expenses as of and for the three months ended March 31, 2006 and 2005 were as follows (Unit: In millions):

|                    | 2006              |                 |          | 2005              |                 |          |
|--------------------|-------------------|-----------------|----------|-------------------|-----------------|----------|
|                    | Average           | Interest        | Interest | Average           | Interest        | Interest |
|                    | balance           | revenue         | rate     | balance           | revenue         | rate     |
|                    |                   | /expense        | (%)      |                   | /expense        | (%)      |
| <b>Assets</b>      |                   |                 |          |                   |                 |          |
| Due from banks(*)  | (Won) 555,271     | (Won) 5,011     | 3.66     | (Won) 1,012,312   | (Won) 6,186     | 2.48     |
| Securities         | 27,228,426        | 316,842         | 4.72     | 21,235,156        | 239,201         | 4.57     |
| Loans              | 138,085,804       | 2,544,672       | 7.47     | 137,709,774       | 2,528,297       | 7.45     |
|                    | (Won) 165,869,501 | (Won) 2,866,525 | 7.01     | (Won) 159,957,242 | (Won) 2,773,684 | 7.03     |
| <b>Liabilities</b> |                   |                 |          |                   |                 |          |
| Deposits           | (Won) 123,236,196 | (Won) 784,922   | 2.58     | (Won) 124,902,642 | (Won) 831,707   | 2.70     |
| Borrowings         | 16,159,023        | 145,090         | 3.64     | 10,696,376        | 74,990          | 2.84     |
| Debentures         | 17,006,534        | 227,432         | 5.42     | 21,676,151        | 291,211         | 5.45     |
|                    | (Won) 156,401,753 | (Won) 1,157,444 | 3.00     | (Won) 157,275,169 | (Won) 1,197,908 | 3.09     |

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

**Table of Contents**22. GENERAL AND ADMINISTRATIVE EXPENSES:

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

|   | 2006          | 2005          |
|---|---------------|---------------|
| Salaries                                  | (Won) 330,565 | (Won) 378,378 |
| Provision for severance benefits          | 38,556        | 38,424        |
| Other employee benefits                   | 88,761        | 80,608        |
| Rent                                      | 21,499        | 21,864        |
| Depreciation and amortization             | 65,617        | 77,086        |
| Taxes and dues                            | 33,103        | 32,661        |
| Advertising                               | 11,823        | 7,052         |
| Development expenses                      | 32,920        | 32,658        |
| Other general and administrative expenses | 72,095        | 65,909        |
|   | (Won) 694,939 | (Won) 734,640 |

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

|                           | 2006         | 2005         |
|---------------------------|--------------|--------------|
| Communication             | (Won) 9,567  | (Won) 9,369  |
| Electricity and utilities | 4,250        | 4,123        |
| Publication               | 5,086        | 4,660        |
| Repairs maintenance       | 1,988        | 3,070        |
| Vehicle                   | 6,912        | 6,964        |
| Travel                    | 833          | 730          |
| Training                  | 4,852        | 2,914        |
| Other                     | 38,607       | 34,079       |
|                           | (Won) 72,095 | (Won) 65,909 |

23. NON-OPERATING INCOME AND EXPENSES:

(1) Non-operating income and expenses for the three months ended March 31, 2006 and 2005 consisted of (In millions):

|   | 2006     | 2005     |
|---|----------|----------|
| Non-operating income:   |          |          |
| Gain on disposal of tangible assets                                   | (Won) 46 | (Won) 68 |
| Reversal of tangible assets impairment loss                           | 1,050    | 500      |
| Rental income   | 808      | 790      |
| Gain on valuation of securities accounted for using the equity method | 22,997   | 25,629   |
| Gain on disposal of available-for-sale securities                     | 38,421   | 75,039   |
| Reversal of impairment loss on available-for-sale securities          | 2,317    |          |
| Gain on sale of loans   |          | 62       |
| Others  | 56,231   | 46,875   |

(Won) 121,870 (Won) 148,963

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|   | 2006         | 2005          |
|---|--------------|---------------|
| Non-operating expenses:   |              |               |
| Loss on disposal of tangible assets                                   | (Won) 147    | (Won) 1,347   |
| Impairment loss on tangible assets                                    | 5,455        |               |
| Loss on valuation of securities accounted for using the equity method | 942          | 7,692         |
| Loss on disposal of available-for-sale securities                     | 4,738        | 9,135         |
| Impairment loss on available-for-sale securities                      | 3,335        | 4,629         |
| Loss on sale of loans   |              | 26            |
| Severance benefits  | 1,956        | 255,326       |
| Others  | 27,095       | 19,094        |
|   | (Won) 43,668 | (Won) 297,249 |

24. **INCOME TAX EXPENSE:**

- (1) The differences between pretax accounting income and taxable income pursuant to Korean Corporate Income Tax Law for the three months ended March 31, 2006 and 2005 are summarized as follows (Unit: In millions):

|                                  | 2006            |             | 2005            |             |
|----------------------------------|-----------------|-------------|-----------------|-------------|
| Income before income tax         | (Won) 1,124,349 |             | (Won) 522,662   |             |
| Taxable and non-deductible items |                 |             |                 |             |
| Temporary difference             | (Won) 1,841,218 |             | (Won) 1,932,118 |             |
| Permanent difference             | 705,290         | 2,546,508   | 7,671           | 1,939,789   |
| Deductible and non-taxable items |                 |             |                 |             |
| Temporary difference             | (1,938,255)     |             | (1,138,758)     |             |
| Permanent difference             | (623,202)       | (2,561,457) | (174,763)       | (1,313,521) |
| Taxable income                   | (Won) 1,109,400 |             | (Won) 1,148,930 |             |

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- (2) The tax effects on temporary differences and tax loss carryforwards that gave rise to significant portions of the deferred income tax assets for the three months ended March 31, 2006 were as follows (Unit: In millions):

|  | Korean Won               |                |                |                   |
|--|--------------------------|----------------|----------------|-------------------|
|  | Beginning<br>balance (*) | Deduction      | Addition       | Ending<br>balance |
| Loss on fair value hedges                                      | (Won) (58,096)           | (Won) (58,096) | (Won) (51,838) | (Won) (51,838)    |
| Allowance for loan losses                                      | 46,396                   |                |                | 46,396            |
| Accrued interest   | (349,024)                | (349,024)      | (303,746)      | (303,746)         |
| Tangible asset impairment losses                               | 11,466                   | 11,466         | 15,871         | 15,871            |
| Deferred loan organization fee and cost                        | (52,025)                 | (52,025)       | (65,846)       | (65,846)          |
| Interest on ELD  | 31,108                   | 10,971         | 11,073         | 31,210            |
| Stock options  | 46,905                   | 46,905         | 42,820         | 42,820            |
| Allowance for possible losses on<br>acceptances and guarantees | 10,141                   | 10,141         | 9,691          | 9,691             |
| Valuation loss on derivatives financial<br>instruments         | (94,654)                 | (94,654)       | (94,844)       | (94,844)          |
| Goodwill   | (378,669)                | (19,586)       |                | (359,083)         |
| Discount present value   | 1,713                    | 1,713          | 1,535          | 1,535             |
| Dividends from SPC   | 260,409                  | 1,575          | 13,037         | 271,871           |
| Others   | 1,825,682                | 1,328,402      | 1,162,998      | 1,660,278         |
|  | 1,301,352                | (Won) 837,788  | (Won) 740,751  | 1,204,315         |
| <b>The exclusion of deferred income tax</b>                    |                          |                |                |                   |
| Goodwill   | (378,669)                |                |                | (359,083)         |
| Dividends from SPC   | 260,409                  |                |                | 271,872           |
| Others   | 93,248                   |                |                | 104,659           |
|  | 1,326,364                |                |                | 1,186,867         |
| Statutory tax rate   | 27.5%                    |                |                | 27.5%             |
| Deferred income tax assets                                     | (Won) 364,750            |                |                | (Won) 326,388     |

- (\*) The final tax return was reflected in the beginning deferred income tax assets.

- (3) Income tax expense for the three months ended March 31, 2006 and 2005 is summarized as follows (Unit: In millions):

|   | 2006          | 2005          |
|---|---------------|---------------|
| Income tax currently payable                            | (Won) 305,082 | (Won) 315,881 |
| Changes in deferred tax assets                          | 38,362        | 30,423        |
| Retained earnings and other capital surplus adjustments | (22,101)      | (163,982)     |
| Income tax expense of overseas branch                   | 25            | 71            |
| Income tax expense                                      | (Won) 321,368 | (Won) 182,393 |

- (4) The statutory income tax rates applicable to the Bank, including resident tax surcharges, are 27.5 percent for the three months ended March 31, 2006 and 2005, respectively. However, due to tax adjustments, the effective tax rates for three months ended March 31, 2006 and 2005 are 28.58 percent and 34.90 percent, respectively.

**Table of Contents**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 three months ended March 31, 2006, the outstanding common shares are calculated on the assumption that the treasury stock are disposed of on the exercised date.

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

## 1) Outstanding capital stock

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

Weighted average number of common shares outstanding :  $30,271,922,896 \div 90 \text{ days} = 336,354,699$  shares

## 2) The basic net income per share for the three months ended March 31, 2006 was as follows (Unit: In won)

|  | <b>Common shares</b> |                 |
|--|----------------------|-----------------|
| Net income (=ordinary income)                        | (Won)                | 802,981,195,749 |
| Weighted average number of common shares outstanding |                      | 336,354,699     |
| Net income per share                                 | (Won)                | 2,387           |
| Ordinary income per share                            | (Won)                | 2,387           |

The ordinary income for the three months ended March 31, 2006 equals to net income because there is no extraordinary item.

Basic net income (ordinary income) per share for the year ended December 31, 2005 was (Won) 6,977.

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

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

Diluted net income (ordinary income) per share for the three months ended March 31, 2006 was computed as follows:



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- 1) Diluted net income (ordinary income) (\*1) : (Won)802,981,195,749
- 2) Number of common shares and diluted securities:  $336,354,699 + 9,345$  (\*2) = 336,364,044 (shares)
- 3) Diluted net income (ordinary income) per share :  $(\text{Won})802,981,195,749 \div 336,364,044$  (shares) = (Won)2,387

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(\*1) The stock options included in the diluted shares have no effect on net income because the contracted service period has expired as of December 31, 2005.

(\*2) The treasury stock in stock options included in diluted shares.

Diluted net income (ordinary income) per share for the year ended December 31, 2005 was (Won) 6,973.

**Table of Contents**26. TRUST ACCOUNTS:

(1) As of March 31, 2006 and 2005, major financial information related to the trust accounts were as follows (Unit : In millions)

|   | 2006          | 2005(*)         |
|---|---------------|-----------------|
| <b>Operating revenue of trust operation:</b>        |               |                 |
| Trust fees and commissions from trust accounts      | (Won) 22,029  | (Won) 44,352    |
| Commissions from early redemption in trust accounts | 6             | 7               |
|   | (Won) 22,035  | (Won) 44,359    |
| <b>Operating expenses of trust operation:</b>       |               |                 |
| Interest expense on borrowings from trust accounts  | (Won) 9,376   | (Won) 7,996     |
| <b>Assets:</b>                                      |               |                 |
| Accrued receivable trust fees                       | (Won) 79,284  | (Won) 64,480    |
| <b>Liabilities:</b>                                 |               |                 |
| Borrowings from trust accounts                      | (Won) 932,489 | (Won) 1,059,469 |

(\*) The amount of receivables and borrowings are as of December 31, 2005.

(2) Trust accounts for which the Bank provided the guarantees for a fixed rate of return and the repayment of principal consisted of following (Unit: In millions):

|   | Name of fund                    | Book value      | Fair value      |
|---|---------------------------------|-----------------|-----------------|
| <b>Trust accounts guaranteeing the repayment of principal:</b>                            |                                 |                 |                 |
|   | Old age pension (*1)            | (Won) 18,143    | (Won) 18,029    |
|   | Personal pension (*1)           | 2,261,165       | 2,224,179       |
|   | Pension trust                   | 373,152         | 373,152         |
|   | Retirement trust                | 376,705         | 376,705         |
|   | New personal pension            | 65,524          | 65,524          |
|   | New old age pension             | 169,516         | 169,516         |
|   |                                 | 3,264,205       | 3,227,105       |
| <b>Trust accounts guaranteeing a fixed rate of return and the repayment of principal:</b> |                                 |                 |                 |
|   | Development money trust (*1)    | 59,429          | 59,413          |
|   | Unspecified monetary trust (*1) | 154             | 154             |
|   |                                 | 59,583          | 59,567          |
|   |                                 | (Won) 3,323,788 | (Won) 3,286,672 |

(\*1) These funds were not stated at fair value but at book value.

27. SEGMENT INFORMATION:

- (1) As of March 31, 2006 and December 31, 2005, the Bank's operating segments are consumer banking, corporate banking, credit card operation, treasury operation of investment in securities (including derivatives) and funding, and other operations of general administration and trust. Geographical segments are segregated into two segments: domestic and overseas operations.

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

|                                      | Consumer         | Corporate        | Credit card     | Capital market   | Other           | Total             |
|--------------------------------------|------------------|------------------|-----------------|------------------|-----------------|-------------------|
| Securities                           | (Won) 80,127,048 | (Won) 213,040    | (Won) 141,228   | (Won) 30,187,540 | (Won) 2,403,992 | (Won) 32,945,800  |
| Loans                                | (Won) 80,127,048 | (Won) 46,325,944 | (Won) 6,445,811 | (Won) 3,532,362  | (Won) 48,655    | (Won) 136,479,820 |
| Operating income before provisioning | (Won) 559,180    | (Won) 187,809    | (Won) 302,732   | (Won) (25,873)   | (Won) 165,904   | (Won) 1,189,752   |

As of December 31, 2005 and for the three months ended March 31, 2005, financial information on the Bank's operating segments was as follows (Unit: In millions):

|                                      | Consumer         | Corporate        | Credit card     | Capital market   | Other           | Total             |
|--------------------------------------|------------------|------------------|-----------------|------------------|-----------------|-------------------|
| Securities                           | (Won) 81,110,421 | (Won) 210,078    | (Won) 142,527   | (Won) 27,654,319 | (Won) 2,543,375 | (Won) 30,550,299  |
| Loans                                | (Won) 81,110,421 | (Won) 44,485,500 | (Won) 7,373,912 | (Won) 2,736,564  | (Won) 32,010    | (Won) 135,738,407 |
| Operating income before provisioning | (Won) 513,051    | (Won) 227,053    | (Won) 316,876   | (Won) (49,656)   | (Won) 13,358    | (Won) 1,020,682   |

(2) Financial information on the Bank's geographical segments as of and for the three months ended March 31, 2006 was as follows (Unit: In millions):

|                                      | Domestic          | Overseas      | Total             |
|--------------------------------------|-------------------|---------------|-------------------|
| Securities                           | (Won) 32,945,800  | (Won)         | (Won) 32,945,800  |
| Loans                                | (Won) 136,016,013 | (Won) 463,807 | (Won) 136,479,820 |
| Operating income before provisioning | (Won) 1,185,068   | (Won) 4,684   | (Won) 1,189,752   |

Financial information on the Bank's geographical segments as of December 31, 2005 and for the three months ended March 31, 2005 was as follows (Unit: In millions):

|                                      | Domestic          | Overseas      | Total             |
|--------------------------------------|-------------------|---------------|-------------------|
| Securities                           | (Won) 30,550,299  | (Won)         | (Won) 30,550,299  |
| Loans                                | (Won) 135,246,463 | (Won) 491,944 | (Won) 135,738,407 |
| Operating income before provisioning | (Won) 1,015,897   | (Won) 4,785   | (Won) 1,020,682   |

**Table of Contents**28. RELATED PARTY TRANSACTIONS:

(1) The subsidiaries of the Bank as of March 31, 2006 and December 31, 2005 were as follows:

|          | <b>Subsidiaries</b>   |
|----------|---|
| Domestic | KB Investment Co., Ltd.<br>KB Futures Co., Ltd.<br>KB Data System Co., Ltd.<br>KB Asset Management Co., Ltd.<br>KB Real Estate Trust Co., Ltd.<br>KB Credit Information Co., Ltd.<br>KB Life Insurance Co., Ltd.<br>NPC 02-4 Kookmin Venture Fund |
| Overseas | Kookmin Bank International Ltd.(London)<br>Kookmin Bank HongKong Ltd.   |

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

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

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

|  | <b>Assets</b> | <b>2006<br/>Allowance</b> | <b>Liabilities</b> |
|--|---------------|---------------------------|--------------------|
| <b>Subsidiaries</b>  |               |                           |                    |
| Trust accounts (trust accounts guaranteeing a fixed rate of return and the repayment of principal) | (Won) 67,216  | (Won)                     | (Won) 94,145       |
| KB Investment Co., Ltd.  |               |                           | 13,878             |
| KB Futures Co., Ltd.   | 42            |                           | 14,169             |
| KB Data System Co., Ltd.   | 54            |                           | 14,682             |
| KB Asset Management Co., Ltd.  | 113           |                           | 22,196             |
| KB Real Estate Trust Co., Ltd.   | 27,827        | 138                       | 1,463              |
| KB Credit Information Co., Ltd.  | 84            |                           | 25,185             |
| KB Life Insurance Co., Ltd.  | 2,474         |                           | 4,075              |
| NPC 02-4 Kookmin Venture Fund  | 5,129         |                           | 20,406             |
| Kookmin Bank International Ltd. (London)   | 218,238       |                           | 35,844             |
| Kookmin Bank Hong Kong Ltd.  | 201,957       | 49                        | 12,738             |
|  | 523,134       | 187                       | 258,781            |
| <b>Investee under the equity method</b>  |               |                           |                    |
| Pacific IT Investment Partnership  |               |                           | 20                 |

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|                             |               |              |               |
|-----------------------------|---------------|--------------|---------------|
| Jooeun Industrial Co., Ltd. | 64,029        | 14,727       |               |
|                             | 64,029        | 14,727       | 20            |
|                             | (Won) 587,163 | (Won) 14,914 | (Won) 258,801 |

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|  | Assets        | 2005<br>Allowance | Liabilities   |
|--|---------------|-------------------|---------------|
| <b>Subsidiaries</b>  |               |                   |               |
| Trust accounts (trust accounts guaranteeing a fixed rate of return and 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        |
|  | 451,418       | 143               | 321,044       |
| <b>Investee under the equity method</b>  |               |                   |               |
| Pacific IT Investment Partnership  |               |                   | 1,639         |
| Joeeun Industrial Co., Ltd.  | 65,927        | 15,163            |               |
|  | 65,927        | 15,163            | 1,639         |
|  | (Won) 517,345 | (Won) 15,306      | (Won) 322,683 |

(4) Significant transactions with related parties for the three months ended March 31, 2006 and 2005 were as follows (Unit: In millions):

|  | Revenue     | 2006<br>Bad debt<br>expenses | Expenses  |
|--|-------------|------------------------------|-----------|
| <b>Subsidiaries</b>  |             |                              |           |
| Trust accounts (trust accounts guaranteeing a fixed rate of return and the repayment of principal) | (Won) 9,558 | (Won)                        | (Won) 781 |
| KB Investment Co., Ltd.  |             |                              | 150       |
| KB Futures Co., Ltd.   | 5           |                              | 421       |
| KB Data System Co., Ltd.   | 16          |                              | 5,677     |
| KB Asset Management Co., Ltd.  | 189         |                              | 202       |
| KB Real Estate Trust Co., Ltd.   | 426         | 46                           |           |
| KB Credit Information Co., Ltd.  | 64          |                              | 17,992    |
| KB Life Insurance Co., Ltd.  | 6,889       |                              |           |
| NPC 02-4 Kookmin Venture Fund  |             |                              | 157       |
| Kookmin Bank International Ltd. (London)   | 2,492       |                              | 1,015     |
| Kookmin Bank Hong Kong Ltd.  | 2,137       |                              | 655       |
|  | 21,776      | 46                           | 27,050    |
| <b>Investee under the equity method</b>  |             |                              |           |
| Pacific IT Investment Partnership  |             |                              | 7         |
| Joeeun Industrial Co., Ltd.  |             | (436)                        |           |
|  |             | (436)                        | 7         |

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(Won) 21,776 (Won) (390) (Won) 27,057



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|  | Revenue      | 2005<br>Bad debt<br>expenses | Expenses     |
|--|--------------|------------------------------|--------------|
| <b>Subsidiaries</b>  |              |                              |              |
| Trust accounts (trust accounts guaranteeing a fixed rate of return and the repayment of principal) | (Won) 31,133 | (Won)                        | (Won) 1,083  |
| KB Investment Co., Ltd.  |              |                              | 124          |
| KB Futures Co., Ltd.   | 25           |                              | 419          |
| KB Data System Co., Ltd.   |              |                              | 3,712        |
| KB Asset Management Co., Ltd.  |              |                              | 263          |
| KB Real Estate Trust Co., Ltd.   | 559          | (11)                         |              |
| KB Credit Information Co., Ltd.  | 2            |                              | 12,086       |
| KB Life Insurance Co., Ltd.  | 9,293        |                              | 22           |
| NPC 02-4 Kookmin Venture Fund  |              |                              |              |
| Kookmin Bank International Ltd. (London)   | 1,486        |                              | 1,484        |
| Kookmin Bank Hong Kong Ltd.  | 1,122        |                              | 353          |
|  | 43,620       | (11)                         | 19,546       |
| <b>Investee under the equity method</b>  |              |                              |              |
| <b>Pacific IT Investment Partnership</b>   |              |                              |              |
| Joeeun Industrial Co., Ltd.  |              | (293)                        |              |
|  |              | (293)                        |              |
|  | (Won) 43,620 | (Won) (304)                  | (Won) 19,546 |

**29. EMPLOYEE BENEFITS:**

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

**30. CASH FLOWS:**

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

|                                      | 2006            | 2005            |
|--------------------------------------|-----------------|-----------------|
| Cash on hand                         | (Won) 2,290,291 | (Won) 2,320,305 |
| Foreign currencies                   | 162,046         | 133,778         |
| Due from banks in Won                | 3,549,339       | 2,461,554       |
| Due from banks in foreign currencies | 494,196         | 713,183         |
|                                      | 6,495,872       | 5,628,820       |
| Restricted due from banks            | (3,601,435)     | (2,258,399)     |
|                                      | (Won) 2,894,437 | (Won) 3,370,421 |

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

|  | <b>2006</b>   |
|--|---------------|
| Write-offs of loans and decrease of loans from principal reduction                   | (Won) 427,849 |
| Increase in available-for-sale securities resulting from the debt to equity swap     | 866           |
| Changes in capital adjustments from valuation of securities                          | 22,974        |
| Changes in capital adjustments from valuation of securities under the equity method. | 10,076        |

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31. Due Diligence on Korea Exchange Bank:

The Bank has been chosen as the preferred bidder for the controlling majority stake of the Korea Exchange Bank (KEB) on March 23, 2006. The due diligence on KEB is currently underway to review its valuation, but the final result cannot presently be determined.