

KOOKMIN BANK
Form 6-K
August 14, 2006
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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

For the month of August 2006

Kookmin Bank

(Translation of registrant's name into English)

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

(Address of principal executive office)

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

Form 20-F Form 40-F

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

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

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

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

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

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

Yes _____ No X

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Summary of 2006 First Half Business Report

On August 14, 2006, pursuant to the Securities and Exchange Act of Korea, Kookmin Bank filed its business report for the first half 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 financial information contained in this summary (and in the attached review report) have been prepared in accordance with generally accepted accounting principles in Korea, which differ in certain important respects from generally accepted accounting principles in the United States.

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

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1. Introduction to the Bank

1.1. Business Purposes

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

The banking business as prescribed by the Banking Act,

The trust business as prescribed by the Banking Trust Act,

The credit card business as prescribed by the Specialized Credit Financial Business Act, and

Other business permitted by the Bank Act or other relevant Korean laws and regulations

1.2. History

November 1, 2001

Incorporated and listed on the New York Stock Exchange

November 9, 2001

Listed on the Korea Stock Exchange

September 23, 2002

Integrated IT platforms of old Kookmin Bank and H&CB

December 4, 2002

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

September 30, 2003

Completed the merger with Kookmin Credit Card

December 16, 2003

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

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December 19, 2003

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

April 29, 2004

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

July 22, 2004

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

August 31, 2004

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

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October 29, 2004

Appointed Mr. Chung Won Kang as the President & CEO in an extraordinary general shareholders meeting

December 31, 2004

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

January 01, 2005

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

March 02, 2005

Opened KB Satellite Broad Casting System for the first time in Korea

March 21, 2005

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

June 16, 2005

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

July 26, 2005

Obtained an approval from FSS to use the Market Risk Internal Model for the first time among domestic financial institutions

October 14, 2005

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

February 2, 2006

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

March 24, 2006

Selected as the preferred bidder for the acquisition of Korea Exchange Bank

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April 3, 2006

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

May 19, 2006

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

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

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

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

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

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

Number of Shares

(Unit: share)

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

Capital Increase

(Unit: Won, share)

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

1.3.2. Treasury Stock

(Unit: share)

Date	Details	Number of shares
December 31, 2005	Outstanding Treasury Shares	217,935
January 13, 2006	Disposition due to exercise of stock option by grantees	217,935
June 30, 2006	Outstanding Treasury Shares	0

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

(Unit: share)

Type	Beginning Balance (January 1, 2006)	Increase	Decrease	Ending Balance (June 30, 2006)	Remarks
Registered common stock	2,868,596		56,528	2,812,068	
Total	2,868,596		56,528	2,812,068	

1.4. Dividend

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

(Unit: in millions of Won unless indicated otherwise)

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

¹ Earnings per share = net income (2,252,218,097,725 Won) / weighted average number of shares (322,785,751 shares).

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

³ 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. Source and Use of Funds****2.1.1. Source of Funds**

(Unit: in millions of Won)

		June 30, 2006		December 31, 2005		December 31, 2004	
		Interest		Interest		Interest	
		Average	rate (%)	Average	rate (%)	Average	rate (%)
		balance		balance		balance	
Won currency	Deposits	111,424,919	2.81	114,394,983	2.82	118,017,849	3.29
	Certificate of deposit	6,677,125	4.29	5,008,378	3.69	6,108,179	4.06
	Borrowings	2,782,062	3.26	2,674,268	3.02	3,053,890	3.43
	Call money	2,514,803	3.89	931,968	3.24	1,117,576	3.55
	Other	25,493,738	5.03	24,315,388	5.08	23,376,439	5.61
	Subtotal	148,892,647	3.29	147,324,985	3.23	151,673,933	3.68
Foreign currency	Deposits	1,452,745	2.10	1,473,811	1.61	1,777,402	0.61
	Borrowings	3,277,360	3.07	3,231,480	2.06	2,796,300	0.94
	Call money	821,497	4.56	285,573	3.48	145,809	1.43
	Finance debentures issued	1,248,154	4.34	765,723	4.09	824,745	2.28
	Other	58,303		52,592		40,383	
	Subtotal	6,858,059	3.25	5,809,179	2.26	5,584,639	1.04
Other	Total Shareholders Equity	13,363,149		11,369,246		9,284,477	
	Allowances	1,019,437		677,036		459,124	
	Other	11,958,394		12,041,392		12,773,040	
	Subtotal	26,340,980		24,087,674		22,516,641	
Total		182,091,686	2.81	177,221,838	2.76	179,775,213	3.14

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

(Unit: in millions of Won)

		June 30, 2006		December 31, 2005		December 31, 2004	
		Interest		Interest		Interest	
		Average	rate (%)	Average	rate (%)	Average	rate (%)
		balance		balance		balance	
Won currency	Due from banks	360,822	3.90	304,662	2.97	184,593	0.83
	Securities	30,961,918	4.40	27,676,964	4.58	23,930,678	5.14
	Loans	118,427,363	6.42	120,539,476	6.24	125,504,672	6.64
	Advances for customers	13,830	1.90	23,947	8.64	71,213	2.01
	Call loan	1,066,303	4.06	1,473,725	3.43	1,661,772	3.78
	Private placement corporate bonds	4,517,592	5.66	1,887,514	6.95	1,322,470	6.58
	Credit card accounts	7,451,943	25.23	7,321,906	26.93	9,581,330	26.80
	Other	303,056		267,061		172,783	
	Allowance for credit losses (-)	-2,381,100		-3,034,841		-3,844,940	
Subtotal		160,721,727	7.00	156,460,414	7.06	158,584,571	7.81
Foreign currency	Due from banks	499,731	4.11	598,015	2.88	632,526	1.34
	Securities	772,807	8.28	858,565	6.15	1,208,124	3.88
	Loans	5,664,157	3.70	4,745,013	2.97	4,011,351	2.73
	Call loan	384,259	4.59	132,210	3.24	114,606	1.63
	Bills bought	1,320,680	5.35	1,037,144	4.64	568,502	4.07
	Other	1,839		2,209		4,812	
	Allowance for credit losses (-)	-57,215		-64,290		-94,501	
Subtotal		8,586,258	4.51	7,308,866	3.68	6,445,420	3.03
Other	Cash	967,712		956,471		965,852	
	Fixed assets held for business	2,399,906		2,508,879		3,084,589	
	Other	9,416,083		9,987,208		10,694,781	
Subtotal		12,783,701		13,452,558		14,745,222	
Total		182,091,686	6.40	177,221,838	6.38	179,775,213	7.00

Table of Contents**2.1.3. Fee Transactions**

(Unit: in millions of Won)

		June 30, 2006	June 30, 2005	December 31, 2005
Fee Revenue (A)				
Won currency	Guarantees	2,739	2,640	5,336
	Commissions received	466,252	389,622	804,933
	Credit card	64,237	48,064	104,930
	National Housing Fund Mgt.	86,852	85,739	179,540
Foreign currency	Guarantees	2,638	1,853	4,227
	Others	40,462	38,115	78,715
Subtotal		663,180	566,033	1,177,681
Fee Expense (B)				
Won & foreign currency	Commissions paid in Won	77,581	43,996	119,539
	Credit card	105,328	102,282	210,315
	Others	13,970	10,770	22,692
Subtotal		196,879	157,048	352,546
Fee Income (A-B)		466,301	408,985	825,135

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)

		June 30, 2006		December 31, 2005		December 31, 2004	
		Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
Deposits in Won	Demand deposits	16,596,581	17,874,575	14,985,812	17,946,067	12,994,946	14,338,784
	Time & savings deposits	89,488,441	90,013,677	92,463,027	91,863,790	96,637,551	94,723,601
	Mutual installment deposits	4,613,991	4,197,941	5,674,807	5,120,668	6,682,928	6,306,923
	Mutual installment for housing	4,403,419	4,236,506	4,942,334	4,582,031	5,453,713	5,295,274
	Certificate of deposit	6,677,125	7,673,066	5,008,378	5,389,543	6,108,179	4,911,891
Subtotal		121,779,557	123,995,765	123,074,358	124,902,099	127,877,317	125,576,473
Deposits in foreign currency		1,452,745	1,412,445	1,473,811	1,379,133	1,769,828	1,434,061
Trust deposits	Money trust	8,212,140	9,764,445	7,114,352	7,405,675	7,701,447	7,028,835
	Property trust	8,940,988	8,574,585	11,032,320	9,854,012	16,297,382	12,534,329
Subtotal		17,153,128	18,339,030	18,146,672	17,259,687	23,998,829	19,563,164
Total		140,385,430	143,747,240	142,694,841	143,540,919	153,645,974	146,573,698

2.2.2. Average Deposit per Domestic Branch

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

(Unit: in millions of Won)

	June 30, 2006	December 31, 2005	December 31, 2004
Deposits	120,741	123,532	123,945
Deposits in Won	119,588	122,358	122,585

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

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

(Unit: in millions of Won)

	June 30, 2006	December 31, 2005	December 31, 2004
Deposits	7,679	7,725	7,232
Deposits in Won	7,605	7,652	7,152

2.2.4. Loan Balances

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

(Unit: in millions of Won)

	June 30, 2006		December 31, 2005		December 31, 2004	
	Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
Loans in Won	118,420,847	119,843,425	120,532,216	118,565,341	125,496,237	122,721,898
Loans in foreign currency	5,664,157	6,631,880	4,745,013	5,314,883	4,011,351	3,860,828
Advances for customers	13,830	8,776	23,947	11,321	73,801	32,120
Subtotal	124,098,834	126,484,081	125,301,176	123,891,545	129,581,389	126,614,846
Trust account loans	335,897	352,434	334,404	328,127	429,054	361,906
Total	124,434,731	126,836,515	125,635,580	124,219,672	130,010,443	126,976,752

2.2.5. Loan Balances as of June 30, 2006 by Maturity

(Unit: in millions of Won)

	1 year & Less	1 year~3 years	3 years~5 years	5 years	Total
	More than	More than	More than		
Loans in Won	61,298,315	22,139,472	8,976,677	27,428,961	119,843,425
Loans in foreign currency	5,149,402	757,962	405,301	319,215	6,631,880

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)

		June 30, 2006	December 31, 2005	December 31, 2004
Loans to enterprise	Loans for operations	31,787,272	30,498,328	31,678,117
	Loans for facility	5,161,903	5,073,050	6,286,747
Loans to households		43,966,643	42,771,264	42,790,337
Loans to public sector & others	Loans for operations	695,023	643,141	673,456
	Loans for facility	4,971	34,157	40,383
Loans on property formation savings		6,111	6,748	9,719
Loans for housing		38,219,793	39,535,441	41,234,086
Inter-bank loans		157	1,274	6,114
Others		1,552	1,938	2,939
Total		119,843,425	118,565,341	122,721,898

2.2.7. Loan to Deposit Ratio¹

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

(Unit: in millions of Won, %)

	June 30, 2006	December 31, 2005	December 31, 2004
Loans (A)	118,420,847	120,532,216	125,496,237
Deposits (B)	121,779,557	123,074,358	127,877,317
Loan to deposit ratio (A/B)	97.24	97.93	98.14

2.2.8. Guarantees

(Unit: in millions of Won)

	June 30, 2006	December 31, 2005	December 31, 2004
Determined	2,017,483	1,789,560	975,788
Contingent	2,237,444	1,972,192	1,311,774
Total	4,254,927	3,761,752	2,287,562

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

Table of Contents**2.2.9. Securities Investment**

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

(Unit: in millions of Won)

		June 30, 2006		December 31, 2005		December 31, 2004	
		Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
Securities in Won (Banking account)	Monetary stabilization bonds	11,922,788	13,407,107	10,667,229	11,570,306	7,150,535	10,524,835
	Government and public bonds	9,779,283	10,605,204	6,950,886	8,933,401	4,753,135	4,675,093
	Debentures	10,160,968	12,347,840	7,334,555	9,184,403	7,013,765	6,152,749
	Stocks	1,571,253	1,709,780	1,243,781	1,707,816	1,003,131	1,282,050
	Others	2,045,219	2,212,008	3,368,027	2,105,353	5,332,583	5,583,539
Subtotal		35,479,511	40,281,939	29,564,478	33,501,279	25,253,149	28,218,266
Securities in Won (Trust account)	Monetary stabilization bonds	1,000,480	1,217,208	999,522	981,949	1,222,004	1,152,621
	Government and public bonds	1,072,560	1,108,283	993,450	1,013,355	922,790	837,080
	Debentures	2,003,492	1,916,602	1,979,588	2,017,298	2,363,630	2,312,459
	Stocks	658,641	880,482	514,568	542,731	564,538	510,650
	Others	3,827,659	4,761,236	2,745,143	3,311,235	2,101,832	2,324,393
Securities in foreign currency							
(Trust Account)		176,205	163,815	289,665	184,115	662,549	449,415
Subtotal		8,739,037	10,047,626	7,521,936	8,050,683	7,837,343	7,586,618
Securities in foreign currency (Banking account)	Foreign securities	526,311	568,564	579,561	525,892	894,722	745,352
	Off-shore foreign securities	246,496	237,732	279,003	252,994	313,402	205,455
Subtotal		772,807	806,296	858,564	778,886	1,208,124	950,807
Total		44,991,355	51,135,861	37,944,978	42,330,848	34,298,616	36,755,691

2.2.10. Trust Account

(Unit: in millions of Won)

		June 30, 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		328	6,369	335	43,088	369	8,365
Performance trust		17,152,800	33,452	18,146,337	77,756	23,998,460	93,856

Total	17,153,128	39,821	18,146,672	120,844	23,998,829	102,221
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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		
		June 30, 2006	December 31, 2005	December 31, 2004
Number of card holders (Person)	Corporate	170,229	159,047	182,109
	Individual	9,007,679	9,342,552	11,362,173
Number of merchants		1,555,973	1,506,979	1,491,730
Sales volume¹		31,480,169	62,475,085	66,918,805
Fee revenue		1,050,919	2,085,866	2,807,557

2.3. Branch Networks

As of June 30, 2006, we have 1,063 branches and 50 sub-branches in Korea, the largest number of branches among Korean commercial banks. 439 branches out of the total branches are located in Seoul.

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

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

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

(Unit: in millions of Won, %)

	June 30, 2006 ¹	December 31, 2005	December 31, 2004
Risk-adjusted capital (A)	18,688,067	15,682,535	13,334,531
Risk-weighted assets (B)	123,209,107	121,072,676	121,081,735
BIS ratios (A/B)	15.17	12.95	11.01

2.4.2. Non-Performing Loans²

(Unit: in millions of Won unless indicated otherwise)

June 30, 2006		December 31, 2005		Change	
Amount	NPL to total loans	Amount	NPL to total loans	Amount	NPL to total loans
1,629,322	1.14%	1,946,362	1.42%	-317,040	-0.28%p

2.4.3. Loan Loss Allowances

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

(Unit: in millions of Won)

		June 30, 2006	December 31, 2005	December 31, 2004
Loan losses allowance	Domestic	2,278,177	2,496,655	3,181,433
	Foreign	4,802	4,122	4,662
	Total	2,282,979	2,500,777	3,186,095
Write-Off		704,701	2,014,834	3,382,130

¹ Tentative ratio² 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)

	June 30, 2006	December 31, 2005	December 31, 2004
Beginning balance	2,500,777	3,186,095	3,948,736⁴
Net Write-Off	(415,939)	(1,738,406)	(3,830,889)
Write-Off	(704,701)	(2,014,834)	(3,382,130)
Recovery	234,172	452,959	286,464
Other	54,590	(176,531)	(735,223)
Provision for loan losses	198,141	1,053,088	3,068,248
Ending balance	2,282,979¹	2,500,777²	3,186,095³

¹ Includes present value discounts and allowance for other assets amounting to 15,103 million Won and 42,964 million Won respectively

² Includes present value discounts and allowances for other assets amounting to 20,015 million Won and 47,502 million Won respectively

³ Includes present value discounts and allowance for other assets amounting to 22,111 million Won and 67,320 million Won respectively

⁴ Include present value discounts and allowance for other assets amounting to 22,780 million Won and 38,692 million Won respectively

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 of indicated dates	
	June 30, 2006	December 31, 2005
Cash and due from banks	4,890,126	5,867,417
Securities	34,715,230	30,550,299
Loans	140,682,565	135,738,407
Fixed assets	2,393,469	2,436,702
Other assets	9,269,012	5,000,824
Total assets	191,950,402	179,593,649
Deposits	125,408,211	126,281,232
Borrowings	16,080,443	13,737,336
Debentures	22,051,969	16,547,987
Other liabilities	14,567,733	10,653,494
Total liabilities	178,108,356	167,220,049
Capital stocks	1,681,896	1,681,896
Capital surplus	6,258,297	6,254,786
Retained earnings	5,324,908	3,929,948
Capital adjustments	576,945	506,970
Total shareholders equity	13,842,046	12,373,600
Liabilities and Shareholders Equity	191,950,402	179,593,649
Operating revenue	9,930,518	17,855,258
Operating income	1,917,113	3,015,822
Continuing (loss) income before income taxes	2,181,886	3,228,253
Net (loss) income	1,579,970	2,252,218

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.

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4. Independent Public Accountant

4.1. Audit & Audit related Fees

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

4.2. Non-Audit Services

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

(Unit: in millions of Won unless indicated otherwise)

Year	Service description	Amount of payment
1H 2006	- Confirmation of BIS ratio and confirmation affirming that Kookmin Bank is not a Non-Financial Operator	10
2005	- LOC (Letter of Comfort)	30
2004	- Tax compliance	230
	- Due Diligence regarding the possible acquisition of DITC/ KITC	300
	- US GAAP calculation of provision for the third quarter of 2004	100
	- US GAAP conversion for 2004	USD 3,600 thousand

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5. Corporate Governance and Affiliated Companies

5.1. Board of Directors & Committees under the Board

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

The board of directors resolves following matters:

Matters relating to general shareholders meeting

Matters relating to general management

Matters relating to organization and directors of the company

Matters relating to funding and capital

Other related matters

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

The Board Steering Committee

The Management Strategy Committee

The Risk Management Committee

The Audit Committee

The Evaluation & Compensation Committee

The Non Executive Director Nominating Committee

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

Table of Contents**5.2. Compensation****5.2.1. Compensation to Directors**

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

(Unit: in millions of Won)

	The aggregate remuneration paid (From Jan to Jun)	Limit for the remuneration resolved by shareholders meeting (For the year 2006)	Average amount of the payment per person (From Jan to Jun)
1) Executive Directors (Except chief audit executive and non-executive directors)	2,496		832
2) Non Executive Directors (Except members of audit committee)	172	8,000	34
3) Members of Audit Committee (Including chief audit executive)	670		159
Total	3,338	8,000	274

Table of Contents**5.2.2. Stock Option**

The following table is the breakdown of stock options Kookmin Bank has granted to the directors and employees as of June 30, 2006.

(Unit: in Won, share)

Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of		
			From	To		granted options ¹	exercised options	exercisable options
28-Feb-00	Kuk Ju Kwon	Non Executive Director	01-Mar-03	28-Feb-06	27,600	4,800	4,800	0
28-Feb-00	Joon Park	Non Executive Director	01-Mar-03	28-Feb-06	27,600	4,800	4,800	0
28-Feb-00	Heung Soon Chang	Non Executive Director	01-Mar-03	28-Feb-06	27,600	2,486	2,486	0
28-Feb-00	Moon Soul Chung	Non Executive Director	01-Mar-03	28-Feb-06	27,600	7,000	7,000	0
28-Feb-00	Sung Hee Jwa	Non Executive Director	01-Mar-03	28-Feb-06	27,600	4,800	4,800	0
28-Feb-00	Jan Op de Beeck	Director&Executive Vice President	01-Mar-03	28-Feb-06	27,600	22,490	22,490	0
28-Feb-00	Sung Cheon Hong & 9 others	Employees	01-Mar-03	28-Feb-06	27,600	67,283	67,283	0
15-Mar-01	Sang Hoon Kim	Chairman&CEO	16-Mar-04	15-Mar-09	28,027	29,614	29,614	0
15-Mar-01	Young Seok Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	1,870	0	1,870
15-Mar-01	In Kie Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Ji Hong Kim	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Se Woong Lee	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01	Jong Min Lee	Chief Audit Executive	16-Mar-04	15-Mar-09	28,027	14,807	2,807	12,000
15-Mar-01	Seung Heon Han	Non Executive Director	16-Mar-04	15-Mar-09	28,027	1,870	0	1,870
15-Mar-01	Duk Hyun Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	2,845	9,000
15-Mar-01	Byung Sang Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	5,845	6,000
15-Mar-01	Byung Jin Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	9,845	2,000
15-Mar-01	Bock Woan Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	0	11,845
15-Mar-01	Yoo Hwan Kim	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	0	11,845
15-Mar-01	Ok Hyun Yoon	Executive Vice President	16-Mar-04	15-Mar-09	28,027	11,845	7,845	4,000
15-Mar-01	Han Koo Ji & 36 others	Employees	16-Mar-04	15-Mar-09	28,027	39,092	18,837	20,255
22-Mar-01	Cheol Ho Kim	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	4,429	0	4,429
22-Mar-01	Jun Chae Song	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	6,644	0	6,644
22-Mar-01	Myoung Woo Lee	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	4,429	0	4,429
22-Mar-01	Han Kyoung Lee	Former KCC Officer	23-Mar-04	22-Mar-11	71,538	6,644	0	6,644
24-Mar-01	Jae Kyu Lee	Non Executive Director	25-Mar-04	24-Mar-07	25,100	2,318	1,518	800
24-Mar-01	Young Il Kim	Executive Vice President	25-Mar-04	24-Mar-07	25,100	30,000	30,000	0
24-Mar-01	Jong In Park	Executive Vice President	25-Mar-04	24-Mar-07	25,100	19,333	11,500	7,833
24-Mar-01	Jae Han Kim & 2 others	Employees	25-Mar-04	24-Mar-07	25,100	16,491	16,491	0
16-Nov-01	Sang Hoon Kim	Chairman	17-Nov-04	16-Nov-09	51,200	150,000	0	150,000
16-Nov-01	Jung Tae Kim	President & CEO	17-Nov-04	16-Nov-09	51,200	500,000	500,000	0
22-Mar-02	Sun Jin Kim	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,000	0	3,000
22-Mar-02	Ji Hong Kim	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,321	0	3,321
22-Mar-02	Keun Shik Oh	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,321	421	2,900
22-Mar-02	Kyung Hee Yoon	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,000	0	3,000
22-Mar-02	Choul Ju Lee	Chief Audit Executive	23-Mar-05	22-Mar-10	57,100	9,963	9,963	0

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

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of granted options ¹	Number of exercised options	Number of exercisable options
			From	To				
22-Mar-02	Dong Soo Chung	Non Executive Director	23-Mar-05	22-Mar-10	57,100	10,000	0	10,000
22-Mar-02	Moon Soul Chung	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,000	3,000	0
22-Mar-02	Henry Cornell	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,321	0	3,321
22-Mar-02	Timothy Hartman	Non Executive Director	23-Mar-05	22-Mar-10	57,100	3,321	0	3,321
22-Mar-02	Byung Sang Kim	Executive Vice President	23-Mar-05	22-Mar-10	57,100	9,498	0	9,498
22-Mar-02	Bock Woan Kim	Executive Vice President	23-Mar-05	22-Mar-10	57,100	13,339	0	13,339
22-Mar-02	Ki Sup Shin	Executive Vice President	23-Mar-05	22-Mar-10	57,100	26,405	2,405	24,000
22-Mar-02	Jong Kyoo Yoon	Executive Vice President	23-Mar-05	22-Mar-10	57,100	20,522	0	20,522
22-Mar-02	Sung Hyun Chung	Executive Vice President	23-Mar-05	22-Mar-10	57,100	19,525	0	19,525
22-Mar-02	Bong Hwan Cho	Executive Vice President	23-Mar-05	22-Mar-10	57,100	9,498	0	9,498
22-Mar-02	Bum Soo Choi	Executive Vice President	23-Mar-05	22-Mar-10	57,100	13,339	3,339	10,000
22-Mar-02	Ki Taek Hong	Executive Vice President	23-Mar-05	22-Mar-10	57,100	19,525	0	19,525
22-Mar-02	Jong Young Yoon & 15 others	Employees	23-Mar-05	22-Mar-10	57,100	147,658	0	147,658
29-Mar-02	Boung Hak Kim	Former KCC Officer	30-Mar-04	29-Mar-11	129,100	3,330	0	3,330
29-Mar-02	Jang Ok Kim	Former KCC Officer	30-Mar-04	29-Mar-11	129,100	3,330	0	3,330
29-Mar-02	Sun Lee	Former KCC Officer	30-Mar-04	29-Mar-11	129,100	3,330	0	3,330
26-Jul-02	Donald H. MacKenzie	Executive Vice President	27-Jul-05	26-Jul-10	58,800	23,899	0	23,899
21-Mar-03	Ki Hong Kim	Non Executive director	22-Mar-06	21-Mar-11	58,600	10,000	0	10,000
21-Mar-03	Sun Jin Kim	Non Executive director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Eun Joo Park	Non Executive director	22-Mar-06	21-Mar-11	42,200	3,351	0	3,351
21-Mar-03	Kyung Bae Suh	Non Executive director	22-Mar-06	21-Mar-11	42,200	3,351	0	3,351
21-Mar-03	Cheol Soo Ahn	Non Executive director	22-Mar-06	21-Mar-11	42,200	3,351	3,351	0
21-Mar-03	Kyung Hee Yoon	Non Executive director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Moon Soul Chung	Non Executive director	22-Mar-06	21-Mar-11	43,800	6,678	6,678	0
21-Mar-03	Suk Yong Cha	Non Executive director	22-Mar-06	21-Mar-11	58,600	10,000	10,000	0
21-Mar-03	Bernard S. Black	Non Executive director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Richard Elliott Lint	Non Executive director	22-Mar-06	21-Mar-11	43,800	6,678	0	6,678
21-Mar-03	Sung Chul Kim	Executive Vice President	22-Mar-06	21-Mar-11	35,500	9,443	4,443	5,000
21-Mar-03	See Young Lee	Executive Vice President	22-Mar-06	21-Mar-11	35,500	7,024	0	7,024
21-Mar-03	Woo Jung Lee	Executive Vice President	22-Mar-06	21-Mar-11	35,500	9,443	9,443	0
21-Mar-03	Won Suk Oh & 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-06	27-Aug-11	40,500	5,091	0	5,091
09-Feb-04	Young Il Kim	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	7,125	0	7,125
09-Feb-04	Sang Jin Lee	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	7,125	0	7,125
09-Feb-04	Jeung Lak Lee	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	7,452	0	7,452
09-Feb-04	Yun Keun Jung	Senior Executive Vice President	10-Feb-07	09-Feb-12	46,100	5,000	0	5,000
09-Feb-04	Kuk Shin Kang & 9 others	Employees	10-Feb-07	09-Feb-12	46,100	48,837	0	48,837
23-Mar-04	Young Soon Cheon	Non Executive Director	24-Mar-07	23-Mar-12	48,500	5,000	0	5,000
23-Mar-04	Dong Soo Chung	Non Executive Director	24-Mar-07	23-Mar-12	48,500	5,000	0	5,000
23-Mar-04	Wang Ha Cho	Non Executive Director	24-Mar-07	23-Mar-12	48,800	5,000	0	5,000
23-Mar-04	Woon Youl Choi	Non Executive Director	24-Mar-07	23-Mar-12	48,800	5,000	0	5,000
23-Mar-04	Jung Young Kang	Senior Executive Vice President	24-Mar-07	23-Mar-12	47,200	10,000	0	10,000

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Grant date	Name of the grantee	Position when granted	Exercise period		Exercise price	Number of options ¹	Number of exercised options	Number of exercisable options
			From	To				
01-Nov-04	Chung Won Kang	President & CEO	02-Nov-07	01-Nov-12	X ₁	700,000	0	700,000
18-Mar-05	Hyung Duk Chang	Chief Audit Executive	19-Mar-08	18-Mar-13	X ₂	30,000	0	30,000
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	266,274	0	266,274
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 ₂	15,000	0	15,000
18-Mar-05	Chang Kyu Lee	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
18-Mar-05	Hun Namkoong	Non Executive director	19-Mar-08	18-Mar-13	61,000	5,091	0	5,091
18-Mar-05	Doo Hwan Song	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
18-Mar-05	Dam Cho	Non Executive director	19-Mar-08	18-Mar-13	X ₂	15,000	0	15,000
18-Mar-05	Nobuya Takasugi	Non Executive director	19-Mar-08	18-Mar-13		15,000	0	15,000
27-Apr-05	Kyung Wook Kang	Employee	28-Apr-08	27-Apr-13	45,700	15,000	0	15,000
22-Jul-05	Donald H. MacKenzie	Senior Executive Vice President	23-Jul-08	22-Jul-13	49,200	30,000	0	30,000
23-Aug-05	Youn Soo Kim	Executive Vice President	24-Aug-08	23-Aug-13	53,000	15,000	0	15,000

¹ 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.

² 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 of granted options ¹	Number of exercised options	Number of exercisable options
			From	To				
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 ₃	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
28-Apr-06	Young Mo Lee	Employee	29-Apr-09	28-Apr-14	X ₄	30,000	0	30,000
		Total				4,084,902	803,849	3,281,053

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

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

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5.3. Affiliated Companies

5.3.1. List of Affiliates¹

Affiliated companies of Kookmin Bank and its ownership as of June 30, 2006 are as follows.

KB Investment Co., Ltd. (99.99%)

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

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

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

KB Data Systems Corporation (99.99%)

KB Futures Co., Ltd. (99.98%)

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

ING Life Korea Ltd. (20.00%)

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

Kookmin Bank Hong Kong Ltd. (100.00%)

Sorak Financial Holdings Pte. Ltd. (25.00%)

¹ Excludes Joeeun Industry and Jangeun Securities which are under liquidation procedures. Also excluded as follows: Kookmin Bank Luxembourg, S.A . completed liquidation procedures on November 2004. Kookmin Singapore Ltd. and Kookmin Finance Asia Limited are also under liquidation procedures.

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

Our 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, and Kookmin Bank's common stocks they own are set forth below as of June 30, 2006.

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

6.2. Non-Executive Directors

Our non-executive directors are selected based on the candidates' talents and skills in diverse areas, such as law, finance, economy, management and accounting. As of June 30, 2006, there are 9 non-executive directors.

Our current non-executive directors, and Kookmin Bank's shares they own are as follows.

Name	Date of Birth	Position	Common Stocks Owned
Dong Soo Chung	09/24/1945	Non-Executive Director	2,090
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	1,850

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 June 30, 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 June 30, 2006.

(Unit: in millions of Won)

	Number of Employees ¹			Average Tenure	Total Payment for the first half of 2006 ³	Average Payment
	Full-time	Contractual	Total	of the Full-time Employees (years) ²		per Person
Male	12,778	1,354	14,132	17 years and 2 months	442,844	31.3
Female	4,321	5,883	10,204	14 years and 3 months	214,258	21.0
Total	17,099	7,237	24,336	16 years and 5 months	657,102	27.0

¹ Number of employees are calculated based on an arithmetic mean from January 31, 2006 to June 30, 2006 and local employees in overseas branches are excluded

² Based on only full-time employees as of June 30, 2006

³ Based on personnel expense and welfare cost as of June 30, 2006

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7. Major Stockholders and Related Party Transactions

7.1. Major Stockholders¹

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

(Unit: Shares, %)

Name	Number of Shares of Common Stock	Percentage of Total Issued Shares
The Bank of New York²	51,175,814	15.21
Euro-Pacific Growth Fund	16,659,610	4.95

¹ Information based on December 31, 2005

² Depositary of ADRs

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

(Unit: in millions of Won)

Name	Relation with the Bank	Account	Beginning Balance (January 1, 2006)	Increase	Decrease	Ending Balance (June 30, 2006)
KB Real Estate Trust	Affiliate	Equity Securities of Affiliate	79,999			79,999
KB Investment	Affiliate	Equity Securities of Affiliate	44,756			44,756
KB Asset Management	Affiliate	Equity Securities of Affiliate	30,670			30,670
KB Futures	Affiliate	Equity Securities of Affiliate	19,996			19,996
KB Data Systems Corp.	Affiliate	Equity Securities of Affiliate	7,999			7,999
KB Credit Information	Affiliate	Equity Securities of Affiliate	6,245			6,245
KB Life Insurance	Affiliate	Equity Securities of Affiliate	15,300			15,300
Joeeun Industry ¹	Affiliate	Equity Securities of Affiliate	9,999			9,999
Jangeun Securities ¹	Affiliate	Equity Securities of Affiliate	24,274			24,274
ING Life Korea	Affiliate	Equity Securities of Affiliate	14,000			14,000
Kookmin Bank Hong Kong Ltd.	Affiliate	Equity Securities of Affiliate	20,260		1,054	19,206
Kookmin Bank International (London) Ltd.	Affiliate	Equity Securities of Affiliate	34,935	177		35,112

¹ Joeeun Industry and Jangeun Securities are under liquidation procedures

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

(Unit: in millions of Won unless indicated otherwise)

Name	Relation with the Bank	Account	Transactions			Gains /Losses
			Purchase	Disposal	Volume	
DSME Co.	Related party of					
	Non-executive director, Dong Soo Chung	Equity securities	1,775	1,775	3,550	33
LG International	Related party of					
	Non-executive director, Kee Young Chung	Equity securities	4,019	4,019	8,038	(303)
	Total		5,794	5,794	11,588	(270)

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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: August 14, 2006

By: /s/ Kap Shin
(Signature)

Name: Kap Shin
Title: CFO / Senior EVP

Executive Director

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Exhibit 99.1-Kookmin Bank Review Report for the First Half of 2006

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Exhibit 99.1

KOOKMIN BANK

NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 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 sheet of the bank accounts of Kookmin Bank (the Bank) as of June 30, 2006, and the related non-consolidated statements of income and cash flows for the six months ended June 30, 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 reviews 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 reviews, 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.

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

July 28, 2006

Notice to Readers

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

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KOOKMIN BANK

NON-CONSOLIDATED BALANCE SHEETS

AS OF JUNE 30, 2006 AND DECEMBER 31, 2005

	2006	Korean Won (In millions)	2005
ASSETS			
Cash and due from banks (Notes 3, 20 and 21)	(Won) 4,890,126		(Won) 5,867,417
Securities (Notes 4, 20 and 21)	34,715,230		30,550,299
Loans (Notes 5, 6, 7, 20 and 21)	140,682,565		135,738,407
Fixed assets (Note 8)	2,393,469		2,436,702
Other assets (Note 9)	9,269,012		5,000,824
	(Won) 191,950,402		(Won) 179,593,649
LIABILITIES AND SHAREHOLDERS EQUITY			
LIABILITIES:			
Deposits (Notes 10, 20 and 21)	(Won) 125,408,211		(Won) 126,281,232
Borrowings (Notes 11, 20 and 21)	16,080,443		13,737,336
Debentures (Notes 12, 20 and 21)	22,051,969		16,547,987
Other liabilities (Notes 13, 14, 15 and 16)	14,567,733		10,653,494
	178,108,356		167,220,049
SHAREHOLDERS EQUITY (Notes 17 and 18):			
Common stock	1,681,896		1,681,896
Capital surplus	6,258,297		6,254,786
Retained earnings			
(Net income of (Won)1,579,970 million for the six months ended June 30, 2006 and (Won)2,252,218 million for the year ended December 31, 2005)	5,324,908		3,929,948
Capital adjustments	576,945		506,970
	13,842,046		12,373,600
	(Won) 191,950,402		(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 SIX MONTHS ENDED JUNE 30, 2006 AND 2005

	Korean Won	
	2006	2005
	(In millions except per share amounts)	
OPERATING REVENUE:		
Interest income:		
Interest on due from banks (Note 21)	(Won) 17,171	(Won) 11,363
Interest on securities (Note 21)	652,207	495,915
Interest on loans (Note 21)	5,125,798	5,051,655
Other interest income	14,473	14,277
	5,809,649	5,573,210
Commission income	663,197	566,044
Other operating income:		
Gain on disposal of trading securities	25,084	39,854
Gain on valuation of trading securities (Note 4)	13,200	2,167
Dividends on trading securities	2,807	4,770
Dividends on available-for-sale securities	3,960	3,236
Foreign exchange trading income	138,405	124,588
Fees and commissions from trust accounts (Note 26)	49,137	73,891
Gain on financial derivatives trading	2,205,090	1,720,345
Gain on valuation of financial derivatives (Note 19)	970,234	894,154
Gain on valuation of fair value hedged items (Note 19)	18,347	19,604
Other operating income	31,408	60,326
	3,457,672	2,942,935
Total operating revenues	9,930,518	9,082,189
OPERATING EXPENSES:		
Interest expenses:		
Interest on deposits (Note 21)	1,602,371	1,633,482
Interest on borrowings (Note 21)	314,114	157,534
Interest on debentures (Note 21)	487,124	559,368
Other interest expenses	23,717	15,864
	2,427,326	2,366,248
Commission expenses	196,879	157,048
Other operating expenses:		
Loss on disposal of trading securities	36,798	42,529
Provision for possible loan losses (Note 7)	198,141	896,065
Provision for acceptances and guarantees losses	790	1,424
Foreign exchange trading losses	153,073	134,131
Loss on financial derivatives trading (Note 19)	2,129,687	1,518,833

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Loss on valuation of financial derivatives (Note 19)	943,807	1,002,760
Other operating expenses	324,459	265,377
	3,786,755	3,861,119
General and administrative expenses (Note 22)	1,602,445	1,460,707
Total operating expenses	8,013,405	7,845,122

(Continued)

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KOOKMIN BANK

NON-CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005

	Korean Won	
	2006	2005
	(In millions except per share amounts)	
OPERATING INCOME	(Won) 1,917,113	(Won) 1,237,067
NON-OPERATING INCOME(Note 23)	355,559	410,889
NON-OPERATING EXPENSES(Note 23)	90,786	337,836
ORDINARY INCOME	2,181,886	1,310,120
EXTRA ORDINARY ITEM		
INCOME BEFORE INCOME TAX	2,181,886	1,310,120
INCOME TAX EXPENSE(Note 24)	601,916	420,169
NET INCOME	(Won) 1,579,970	(Won) 889,951
ORDINARY INCOME PER SHARE (In currency units) (Note 25)	(Won) 4,697	(Won) 2,878
NET INCOME PER SHARE (In currency units) (Note 25)	(Won) 4,697	(Won) 2,878
DILUTED ORDINARY INCOME PER SHARE (In currency units) (Note 25)	(Won) 4,697	(Won) 2,877
DILUTED NET INCOME PER SHARE (In currency units) (Note 25)	(Won) 4,697	(Won) 2,877

See accompanying notes to non-consolidated financial statements.

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KOOKMIN BANK

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005

	2006	Korean Won (In millions)	2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	(Won) 1,579,970		(Won) 889,951
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss on disposal of trading securities	36,798		42,529
Provision for possible loan losses	198,141		896,065
Loss on financial derivatives trading	2,129,687		1,518,833
Loss on valuation of financial derivatives	943,807		1,002,760
Loss on valuation of fair value hedged items	25,429		
Loss on valuation of securities accounted for using the equity method	1,856		8,916
Provision for severance benefits	71,372		66,806
Depreciation and amortization	137,599		156,635
Loss on disposal of available-for-sale securities	8,518		9,666
Loss on impairment of available-for-sale securities	13,362		6,085
Loss on disposal of tangible assets	550		1,827
Loss on sale of loans			1,417
Gain on disposal of trading securities	(25,084)		(39,854)
Gain on valuation of trading securities	(13,200)		(2,167)
Gain on financial derivatives trading	(2,205,090)		(1,720,345)
Gain on valuation of financial derivatives	(970,234)		(894,154)
Gain on valuation of fair value hedged items	(18,347)		(19,604)
Gain on valuation of securities accounted for using the equity method	(51,053)		(53,152)
Gain on disposal of available-for-sale securities	(85,828)		(168,122)
Gain on disposal of tangible assets	(223)		(8,644)
Gain on sale of loans	(36,311)		(71,593)
Others, net	26,388		162,095
	188,137		895,999

(Continued)

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KOOKMIN BANK

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005

	2006	Korean Won (In millions)	2005
Changes in assets and liabilities resulting from operations:			
Net decrease in trading securities	(Won) 131,754		(Won) 988,642
Net increase in accounts receivable	(4,407,428)		(3,300,153)
Net increase in accrued income	(86,243)		(27,840)
Net decrease (increase) in prepaid expenses	(29,536)		99,090
Net decrease (increase) in deferred income tax assets	115,243		(105,779)
Net increase in accounts payable	4,068,470		2,809,638
Net increase (decrease) in accrued expenses	(641,375)		220,874
Net increase in advances from customers	74,869		110,429
Payment of severance benefits	(9,360)		(54,210)
Decrease (increase) in severance insurance deposits	(3,362)		28,297
Others, net	397,561		445,957
	(389,407)		1,214,945
Net cash provided by operating activities	1,378,700		3,000,895
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net decrease (increase) in restricted due from banks	222,308		(1,042,562)
Net decrease (increase) in available-for-sale securities	(3,193,997)		(3,052,671)
Net increase in held-to-maturity securities	(851,531)		(4,156,494)
Net decrease (increase) in securities accounted for using the equity method	(1,261)		31,297
Net decrease (increase) in loans	(5,229,921)		1,187,221
Disposal of fixed assets	345		21,396
Purchase of fixed assets	(82,508)		(39,227)
Net decrease in other assets	246,214		185,534
Net cash used in investing activities	(8,890,351)		(760,164)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net decrease in deposits	(870,205)		(2,415,054)
Net increase (decrease) in debentures	5,483,080		(3,344,508)
Net increase in borrowings	829,052		551,276
Net increase in other liabilities	1,489,010		1,931,764
Others, net	(174,269)		1,083,910
Net cash provided by (used in) financing activities	6,756,668		(2,192,612)
NET INCREASE (DECREASE) IN CASH AND DUE FROM BANKS	(754,983)		48,119
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) 2,869,848		(Won) 3,367,468

See accompanying notes to non-consolidated financial statements.

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KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 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 June 30, 2006, the Bank's paid-in capital amounts to (Won)1,681,896 million.

The Bank is engaged in the banking, trust and other relevant businesses according to the provisions of the General Banking Act and the Trust Business Act, and operates through 1,112 domestic branches and offices (excluding 214 automated teller machine stations) and three overseas branches (excluding 2 subsidiaries and 1 office) as of June 30, 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 June 30, 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)6,629,980 million and (Won)7,875,123 million, respectively, and the related accrued interest income not recognized amounted to (Won)501,894million 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 until maturity. The difference between the fair value at the reclassification date

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and face value of the reclassified securities to held-to-maturity securities is amortized using effective interest rate method and the amortized amount is charged to interest income. In addition, when certain trading securities lose their marketability, such securities are reclassified as available-for-sale securities at fair market value as of reclassification date.

Transfer of Securities

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

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

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

Pursuant to the Supervisory Regulation of Banking Business, the Bank provides allowance for possible losses on confirmed acceptances and guarantees, unconfirmed acceptances and guarantees, and note endorsed 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:

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

Intangible Assets and Related Amortization

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

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

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

Valuation Allowance for Non-Business Use Property

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

Recognition of Impairment of Assets

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

Amortization of Discounts (Premiums) on Debentures

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

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.

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Contingent Liabilities

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

Accrued Severance Benefits

Employees and directors and temporary employees with at least one year of service as of June 30, 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.

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Accounting for Trust Accounts

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

With respect to certain trust account products, the Bank guarantees the repayment of the principal of the trust accounts and, in certain cases, a fixed rate of return. If income from such trust accounts is insufficient to pay the guaranteed amount, such a deficiency is satisfied by using special reserves maintained in the trust accounts, offsetting trust fee payable to the bank accounts and receiving compensation contributions from the bank accounts of the Bank. If the Bank pays compensating contributions to the guaranteed return trusts to cover such deficiencies, these contributions are reflected as 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)960.30 and (Won)1,013.00 to US\$ 1.00 at June 30, 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 Contents3. CASH AND DUE FROM BANKS:

(1) Cash and due from banks in Won and foreign currencies as of June 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

	2006	2005
Cash and checks	(Won) 2,271,681	(Won) 2,683,479
Foreign currencies	162,919	150,402
Due from banks in Won	1,972,687	2,495,595
Due from banks in foreign currencies	482,839	537,941
	(Won) 4,890,126	(Won) 5,867,417

(2) Due from banks as of June 30, 2006 and December 31, 2005 consisted of (Unit: In millions):

Financial institution	Interest (%)	2006	2005
Due from banks in Won:			
BOK		(Won) 1,961,907	(Won) 2,189,339
Woori Bank and others	0.00~2.20	7,038	304,019
Korea Stock Exchange and others		3,742	2,237
		(Won) 1,972,687	(Won) 2,495,595
Due from banks in foreign currencies:			
BOK		(Won) 49,915	(Won) 46,501
Korea Exchange Bank and others	0.00~5.34	52,645	78,136
Woori Bank and others	4.90~5.85	380,279	413,304