

KOOKMIN BANK

Interim Financial Statements

As of September 30, 2003 and

for the three-month period ended September 30, 2003 and

nine-month periods ended September 30, 2003 and 2002

KOOKMIN BANK

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September 30, 2003 and 2002

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Report of Independent Accountants

To the Board of Directors and Shareholders of
Kookmin Bank

We have reviewed the accompanying non-consolidated balance sheet of Kookmin Bank ("the Bank") as of September 30, 2003, the related non-consolidated statements of operations and cash flows for the three-month and nine-month periods ended September 30, 2003, and statement of operations for the nine-month period ended September 30, 2002, 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 review. We have not performed a review of the statement of operations of the Bank for the three-month period ended September 30, 2002 presented herein for comparative purposes.

We conducted our review in accordance with the quarterly and semi-annual review standards established by the Securities and Futures Commission of the Republic of Korea. These 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 thus 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 non-consolidated financial statements are not presented fairly, in all material respects, in accordance with financial accounting standards generally accepted in the Republic of Korea.

We previously audited in accordance with auditing standards generally accepted in the Republic of Korea, the non-consolidated balance sheet as of December 31, 2002, and the related non-consolidated statement of operations, appropriations of retained earnings, and of cash flows for the year then ended, not presented herein, and in our report dated February 7, 2003, we expressed an unqualified opinion on those non-consolidated financial statements. In our opinion, except for the restatement made pursuant to the provisions under Statement of Korean Financial Accounting Standards No. 6, the balance sheet as of December 31, 2002 provided herein for comparative purposes does not differ, in all material respects, from the balance sheet from which it has been derived.

SAMIL ACCOUNTING CORPORATION

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

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

As a result of the above change, the Bank's allowances for loan losses as of September 30, 2003 are increased by ₩326,451 million for consumer loans and ₩381,300 million for credit card loans compared to the amounts that which would have been recorded under the previous rates.

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

As discussed in Note 17 to the accompanying non-consolidated financial statements, the Bank sold to Sun Capital Inc., 65.43% of its 85.43% investment in, and ₩172,024 million of its loans to, Alpha Capital Corp., for ₩145,000 million on August 30, 2002. The Bank also sold an additional 5.03% of its investment in Alpha Capital Corp. to Sun Capital Inc. for ₩900 million on October 28, 2002.

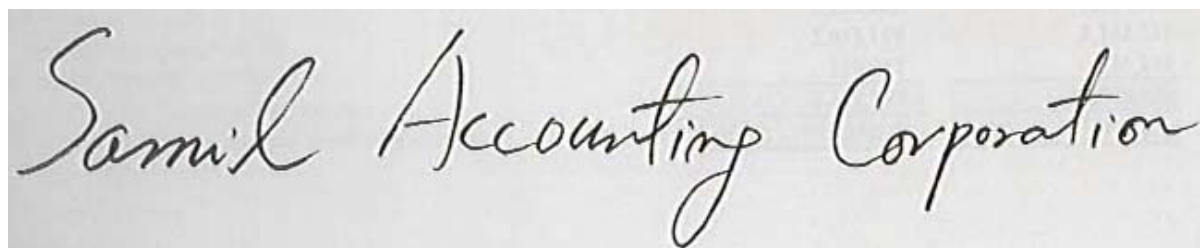
As discussed in Note 17 to the accompanying non-consolidated financial statements, the Bank sold its 87.00% investment in Kookmin Investment Trust Management Co., Ltd. to Morgan Stanley Private Equity (the M&A private funds led by Morgan Stanley Global Emerging Markets Inc. and affiliated funds) on May 29, 2002 and sold its 88.66% investment in Kookmin Leasing Co., Ltd. to Sun Capital Inc. on December 27, 2002.

As discussed in Note 4 to the accompanying non-consolidated financial statements, KB Investment Co., Ltd., Frontier Investment Co., Ltd., and Kookmin Investment Co., Ltd. were all previously subsidiaries of the Bank. To avoid duplicate investments, KB Investment Co., Ltd. merged with Frontier Investment Co., Ltd. and Kookmin Investment Co., Ltd. on December 31, 2001 and June 27, 2002, respectively.

SAMIL ACCOUNTING CORPORATION

As discussed in Note 17 to the accompanying non-consolidated financial statements, the operations of the Bank may be directly or indirectly affected by the generally unstable economic conditions, and the impact of the implementation of structural reforms in the Republic of Korea. As of September 30, 2003, the Bank's total exposure (including debt securities, beneficiary certificates, and loans) to domestic credit card companies and capital companies amount to ₩3,204,091 million. Currently, securities issued by credit card companies and capital companies, which are experiencing liquidity problems, are not widely traded in the bond market. The ultimate effect of these circumstances on the financial position of the Bank as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying non-consolidated financial statements.

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 conformity with accounting principles and practices generally accepted in countries and jurisdictions other than the Republic of Korea. In addition, the procedures and practices used in the Republic of Korea to review such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying non-consolidated financial statements are for use by those who are knowledgeable about Korean accounting principles or review standards and their application in practice.

A handwritten signature in black ink that reads "Samil Accounting Corporation". The script is cursive and fluid, with the letters connected. The signature is written on a light-colored, slightly textured background.

Seoul, Korea

October 15, 2003

This report is effective as of October 15, 2003, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying non-consolidated financial statements and notes thereto. Accordingly, the readers of the review report should understand that there is a possibility that the above review report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

Samil Accounting Corporation is the Korean member firm of PricewaterhouseCoopers. PricewaterhouseCoopers refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity

KOOKMIN BANK
NON-CONSOLIDATED BALANCE SHEETS
September 30, 2003 and December 31, 2002
Unaudited - See Independent Accountant's Report)

(in millions of Korean Won)

	2003	2002
Assets		
Cash and due from banks (Note 3)	₩ 7,576,865	₩ 4,599,356
Securities (Note 4)	30,589,115	30,940,750
Loans (Notes 5 and 6)	139,216,049	126,730,561
Fixed assets (Note 7)	3,069,436	3,092,616
Other assets (Note 8)	9,738,610	6,135,558
Total assets	₩ 190,190,075	₩ 171,498,841
Liabilities and Shareholders' Equity		
Deposits (Note 9)	₩ 128,100,746	₩ 123,109,653
Borrowings (Note 10)	14,152,348	10,690,754
Debentures (Note 11)	22,113,191	17,539,007
Other liabilities (Note 14)	15,715,943	9,784,798
Total liabilities	180,082,228	161,124,212
Commitments and Contingencies (Notes 15 and 17)		
Common stock (5,000 Won par value, authorized 1 billion shares, and 336,379,116 shares outstanding in 2003) (Notes 1 and 18)	1,681,896	1,641,293
Capital surplus (Note 19)	6,233,045	5,864,752
Retained earnings (Note 20)	2,033,159	2,742,335
Capital adjustments (Note 21)	159,747	126,249
Total shareholders' equity	10,107,847	10,374,629
Total liabilities and shareholders' equity	₩ 190,190,075	₩ 171,498,841

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

KOOKMIN BANK
NON-CONSOLIDATED STATEMENTS OF OPERATIONS
For the three months and nine months ended September 30, 2003 and 2002
(Unaudited - See Independent Accountant's Report)

(in millions of Korean Won, except per share amounts)

	Three-month period		Nine-month period	
	2003	2002	2003	2002
	(not reviewed)			
Interest income				
Interest on due from banks	₩ 2,630	₩ 11,656	₩ 7,797	₩ 39,314
Interest on trading securities	33,698	24,353	85,516	73,560
Interest on available-for-sale securities	227,041	136,885	571,510	442,571
Interest on held-to-maturity securities	160,623	194,008	524,120	634,260
Interest on loans	2,424,887	2,334,540	7,216,208	6,817,728
Other interest income	23,487	22,632	72,869	80,222
	<u>2,872,366</u>	<u>2,724,074</u>	<u>8,478,020</u>	<u>8,087,655</u>
Interest expenses				
Interest on deposits	1,074,935	1,196,131	3,257,955	3,581,922
Interest on borrowings	93,446	95,376	307,758	306,297
Interest on debentures	257,024	217,401	821,045	578,277
Other interest expenses	18,141	14,768	50,863	49,507
	<u>1,443,546</u>	<u>1,523,676</u>	<u>4,437,621</u>	<u>4,516,003</u>
Net interest income	1,428,820	1,200,398	4,040,399	3,571,652
Provision for loan losses (Note 6)	965,517	337,860	2,651,281	946,200
Net interest income after provision for loan losses	<u>463,303</u>	<u>862,538</u>	<u>1,389,118</u>	<u>2,625,452</u>
Non-interest income				
Fees & commission income	339,278	335,028	1,021,107	1,013,260
Dividends on trading securities	119	71	1,633	1,123
Dividends on available-for-sale securities	253	378	5,541	18,832
Gain on foreign currency transactions	35,177	68,940	201,103	142,416
Gain on derivatives transactions (Note 16)	485,198	537,473	1,802,395	1,297,454
Others (Note 22)	659,108	198,944	946,633	1,041,069
	<u>1,519,133</u>	<u>1,140,834</u>	<u>3,978,412</u>	<u>3,514,154</u>
Non-interest expenses				
Fees and commission expenses	53,966	82,065	146,344	254,248
General and administrative expenses (Note 23)	646,023	681,928	1,856,802	1,773,528
Loss on foreign currency transactions	44,988	17,797	174,004	182,178
Loss on derivatives transactions (Note 16)	486,063	441,130	1,767,507	1,134,410
Others (Note 22)	569,392	248,325	944,481	800,811
	<u>1,800,432</u>	<u>1,471,245</u>	<u>4,889,138</u>	<u>4,145,175</u>
Operating income (loss)	182,004	532,127	478,392	1,994,431
Non-operating income (expenses), net (Note 24)	(880,416)	(7,213)	(1,215,128)	191,733
Net income (loss) before income tax expense	(698,412)	524,914	(736,736)	2,186,164
Income tax expense (benefit) (Note 25)	(356,971)	176,070	(354,627)	673,296
Net income (loss)	<u>₩ (341,441)</u>	<u>₩ 348,844</u>	<u>₩ (382,109)</u>	<u>₩ 1,512,868</u>
Basic earnings (loss) per share (In Korean Won) (Note 26)	<u>₩ (1,050)</u>	<u>₩ 1,101</u>	<u>₩ (1,175)</u>	<u>₩ 4,624</u>

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

KOOKMIN BANK
NON-CONSOLIDATED STATEMENTS OF CASHFLOWS
For the three months and nine months ended September 30, 2003
(Unaudited - See Independent Accountant's Report)

(in millions of Korean Won)

	2003	
	Three-month period	Nine-month period
Cash flows from operating activities		
Net loss	₩ (341,441)	₩ (382,109)
Adjustments to reconcile net loss to net cash provided by operating activities		
Realized gain on trading securities, net	(10,399)	(64,005)
Unrealized gain on trading securities, net	(25,805)	(71,324)
Provision for loan losses due to merger	1,652,264	1,652,264
Loss (gain) on foreign currency transactions, net	9,811	(27,099)
Provision for loan losses	965,517	2,651,281
Reversal of losses from guarantees and acceptances	(122,940)	(194)
Gain on derivatives transactions, net	865	(34,888)
Gain on valuation of derivatives, net	(35,755)	(39,633)
Gain on fair value hedged items	(14,405)	(6,329)
Retirement benefits	24,371	70,361
Depreciation and amortization	117,430	328,342
Loss on disposal of fixed assets, net	(378)	33,175
Realized gain on available-for-sale securities, net	(199,476)	(280,640)
Impairment on available-for-sale securities, net	34,965	68,226
Realized gain on held-to-maturity securities	(953)	(2,221)
Unrealized gain on investment in associates, net	(588,380)	(238,738)
Loss on sale of loans, net	-	1,633
Others, net	(5,658)	(18,474)
Changes in assets and liabilities resulting from operations		
Accrued income	(143,020)	(118,636)
Prepaid expenses	(196,205)	(225,370)
Deferred tax assets	(191,059)	(340,985)
Other assets	(165)	3,002
Accrued expenses	(49,707)	(224,215)
Unearned income	(17,496)	(26,658)
Withholding taxes	(9,532)	2,682
Other liabilities	42,987	318,544
Retirement benefits	(3,686)	(10,909)
Accounts payable	-	384
Account for agency business	(20,572)	(31,324)
Deferred tax liabilities	-	(17,298)
Stock compensation expense (reversal)	736	(1,947)
Net cash provided by operating activities	871,914	2,966,898

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

KOOKMIN BANK
NON-CONSOLIDATED STATEMENTS OF CASHFLOWS
For the three months and nine months ended September 30, 2003
(Unaudited - See Independent Accountant's Report)

(in millions of Korean Won)

	2003	
	Three-month period	Nine-month period
Cash flows from investing activities		
Increase in due from banks	₩ (1,388,617)	₩ (2,088,361)
Decrease in trading securities	931,748	1,808,666
Decrease in available-for-sale securities	3,431,662	839,688
Increase in loans granted, net	(3,690,657)	(10,432,242)
Proceeds from disposal of fixed assets	13,640	143,382
Acquisition of fixed assets	(78,586)	(248,530)
Acquisition of intangible assets	(55)	(396)
Proceeds from disposal of foreclosed assets	205	338
Acquisition of foreclosed assets	(165)	-
Increase in guarantee deposits	(1,270)	(22,316)
Increase in other accounts receivable	(1,210,148)	(2,902,319)
Increase in payments in advance	(10,838)	(38,521)
Decrease in derivatives assets, net	50,073	114,609
(Payments for) collection of domestic exchange receivables	(52,541)	712,147
Collection of loans to trust accounts	1,135	37,883
Net cash used in investing activities	(2,004,414)	(12,075,972)
Cash flows from financing activities		
Increase in deposits, net	404,390	4,996,889
(Decrease) increase in borrowings, net	(1,636,620)	1,000,842
Increase (decrease) in debentures, net	135,781	(357,977)
Increase in borrowings from trust accounts	1,363,680	2,098,229
Decrease in dividend payable	(3)	(325,235)
Increase in other accounts payable	922,429	2,458,625
(Decrease) increase in advances received from customers	(799,923)	369,692
(Decrease) increase in guarantee deposits received	(569)	(7,798)
(Decrease) increase in domestic exchange payables	(114,596)	(305,948)
Increase in liabilities incurred by agency relationships	109,503	59,424
Stock options exercised	-	(35)
Acquisition of treasury stock	(29,094)	(29,094)
Sale of treasury stock		50
Net cash provided by financing activities	354,978	9,957,664
Net increase (decrease) in cash and cash equivalents	(777,522)	848,590
Cash and cash equivalents, beginning of the period (Note 34)	4,726,693	3,100,581
Increase due to merger	33,343	33,343
Cash and cash equivalents, end of the period (Note 34)	₩ 3,982,514	₩ 3,982,514

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

KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2003 and December 31, 2002 and
for the three-month and nine-month periods ended September 30, 2003 and 2002
(Unaudited - See Independent Accountant's Report)

1. The Bank

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

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

The Bank had its shares listed on the Korea Stock Exchange since September 1994. As a result of the business combination with H&CB, the former shareholders of the Bank and H&CB received new common shares of the Bank on the basis of a pre-determined ratio. The new common shares of the Bank were relisted on the Korea Stock Exchange as of November 9, 2001. As of September 30, 2003, the Bank's paid-in capital amounts to ₩1,681,896 million and 35,729,664 shares of the Bank are listed on the New York Stock Exchange as American Depositary Shares ("ADSs").

The Bank engages in the banking and trust businesses according to the provisions of the General Banking Act and the Trust Business Act and operates through 1,255 domestic branches and offices (excluding ATMs) and three overseas branches as of September 30, 2003.

2. Summary of Significant Accounting Policies

The significant accounting policies followed by the Bank in the preparation of its non-consolidated financial statements are summarized below.

Basis of Financial Statement Presentation

The Bank maintains its official accounting records in Korean Won and prepares statutory financial statements in the Korean language in conformity with financial accounting standards generally accepted in the Republic of Korea. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements. Certain accounting principles 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 in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices.

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

Application of the Statements of Korean Financial Accounting Standards

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

The significant accounting policies adopted by the Bank in the preparation of its interim financial statements are identical to the accounting policies followed by the Bank in the preparation of its annual financial statements for the year ended December 31, 2002, except for the classification of securities. The statements of cash flows for the three months and nine months ended September 30, 2002 are not presented pursuant to the transition provision of Statement of Korean Financial Accounting Standards No. 2.

The financial statements of prior periods, presented herein for comparative purposes, were reclassified in accordance with Korean Financial Accounting Standards applicable to the Bank as of September 30, 2003. Such reclassification does not affect either prior year net income or net assets.

KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2003 and December 31, 2002 and
for the three-month and nine-month periods ended September 30, 2003 and 2002
(Unaudited - See Independent Accountant's Report)

Recognition of Interest Income

The Bank recognizes interest income on loans and debt securities on an accrual basis. However, interest income on delinquent and dishonored loans and debt securities, other than those collateralized with security deposits or guaranteed by financial institutions, is recognized on a cash basis. As of September 30, 2003, the Bank has non-accrual loans and securities of ₩10,681,874 million and ₩380,497 million, respectively, with related foregone interest of ₩665,046 million and ₩191,727 million, respectively. However, loan balance of Kookmin Credit Card Co., Ltd. was not included in the above amount.

Translation of Foreign Currency

Assets and liabilities denominated in foreign currencies are translated into Korean Won at exchange rates announced by Seoul Money Brokerage Services, Ltd. (September 30, 2003, USD 1:₩1,150.2) at the balance sheet date. The resulting exchange gains or losses are reflected in other operating income or expenses.

Allowances for Loan Losses

The Bank applies its internal credit rating system, the Forward Looking Criteria ("FLC"), to corporate loans in order to classify the borrowers and to determine the allowances for loan losses. Effective as of January 1, 2002, the classification of corporate borrowers was changed from 10 credit risk categories (AAA, AA, A, BBB, BB, B, CCC, CC, C, D) to 12 credit risk categories (AAA, AA, A, BBB, BB, BB-, B, B-, CCC, CC, C, D). The credit risk classification under the FLC is based on a scaled valuation of financial and non-financial risks with additional consideration of the loan type, collateral and/or guarantees.

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

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

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

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

As a result of the above change, the Bank's allowances for loan losses as of September 30, 2003 are increased by ₩326,451 million for consumer loans and ₩381,300 million for credit card loans compared to the amounts which would have been recorded under the previous rates.

KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2003 and December 31, 2002 and
for the three-month and nine-month periods ended September 30, 2003 and 2002
(Unaudited - See Independent Accountant's Report)

Present Value Discounts

Troubled debt restructuring loans, which are modified as to outstanding principal, interest rate, and/or maturity under programs such as workout, court receivership, court mediation, or debt restructuring agreements of parties concerned, are carried at present value if the difference between the book value and the present value of the restructured loan is significant. When estimating the present value of the loans, the Bank applies the interest rate as of the inception of the loans, except for the interest rate of variable rate loans and extended maturity loans, which are adjusted to reflect the interest rate as of the restructuring date. The present value discounts are recorded by reclassifying allowances for loan losses and if additional allowances need to be provided for, the additional allowances are provided and recognized as provision for loan losses of the current period. These present value discounts are amortized using the effective interest method and are recognized as other interest income. Allowances for loan losses on the restructured loans are provided for based on the loan balances net of present value discounts.

The Bank recorded ₩13,940 million of present value discounts as of September 30, 2003 on long-term deposits placed with Hansol Mutual Savings & Finance Co., Ltd. (previously, Bukook Mutual Savings & Finance Co., Ltd.), a subsidiary of the Bank sold in December 1999 (See Note 3). The receivables from the disposal of foreclosed assets that are redeemed in long-term installments are recorded in the balance sheet net of the related present value discounts.

Securities

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

Trading and available-for-sale securities are carried at fair value, except for non-marketable equity securities classified as available-for-sale securities, which are carried at cost. Trading and available-for-sale debt securities are carried at fair value as provided by private bond pricing institutions.

Unrealized holding gains or losses on trading securities are charged to current operations and those resulting from available-for-sale securities are recorded as capital adjustments, the accumulated amount of which shall be charged to operations when the related securities are sold or when an impairment loss on the securities is recognized.

Held-to-maturity securities are generally carried at amortized cost. Premiums and discounts on debt securities are amortized over the maturity period using the effective interest method.

Impairment losses are recognized in current operations when the recoverable amounts are less than the acquisition cost of equity securities or amortized cost of debt securities.

Investments in Associates

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

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

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

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

KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2003 and December 31, 2002 and
for the three-month and nine-month periods ended September 30, 2003 and 2002
(Unaudited - See Independent Accountant's Report)

Fixed Assets and Related Depreciation

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

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

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

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

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

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

Intangible Asset	Amortization Method	Estimated Useful Life
Goodwill.....	Straight-line method	9 years
Development costs.....	Straight-line method	5 years
Trademarks	Straight-line method	1-10 years
Others	Straight-line method	7-30 years

The Bank estimated the useful life of endowment assets that are beneficial upon usage, classified under other intangible assets, as 30 years based on the term of the contract.

The Bank recorded goodwill as a result of the merger with H&CB for the cost of the merger exceeding the fair value of the net assets acquired.

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

The Bank adjusts the book value of a fixed asset to its recoverable amount and recognizes the difference as an impairment loss when the recoverable amount is significantly below the book value due to obsolescence or decline in market value. The subsequent increase in recoverable amount in excess of the book value is recognized, to the extent of the pre-impairment book value, as reversal of fixed asset impairment losses.

Stock Issuance Costs and Debenture Issuance Costs

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

Accrued Retirement Benefits-

Employees and directors with more than one year of service as of June 30, 2003 are entitled to receive a lump-sum payment upon termination of their employment with the Bank, based on their length of service and rate of pay at the time of termination. Additionally, the Bank records the contributions to pension funds, which grant the payment rights to its employees, and contributions to the National Pension Fund, as contra accounts of accrued retirement benefits.

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Guarantees and Acceptances

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

Deferred Income Taxes

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

Bonds under Repurchase/Resale Agreements

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

Derivatives Instruments

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

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

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

Stock Options

The Bank applies the intrinsic value method, as it expects the settlement of stock options in cash. Accordingly, the Bank recognizes the compensation cost, which is the difference between the exercise price and the stock price as of the balance sheet date, by allocating the amount over the contracted service period (Note 13).

National Housing Fund

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

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Gains and Losses on Trust Management

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

Under the Trust Business Act, reserves for future losses are set up in the trust accounts for losses related to those trust funds with a guarantee of the principal or of a certain minimum rate of return. The reserves are used to provide for the losses on such trust funds and, if the losses are incurred in excess of the reserves for future losses, the excess losses are compensated by the Bank. Accordingly, the banking accounts recognize the compensation paid as a loss on trust management in other operating expenses and the trust accounts recognize the corresponding compensation as compensation from banking accounts. There were no compensations paid for the nine-month period ended September 30, 2003.

Translation of the Foreign Currency Financial Statements of Foreign Entities

Accounting records of the overseas branches are maintained in the foreign currency prevailing in their respective countries. For the purpose of presentation in the accompanying financial statements, the financial statements of the branches have been translated into Korean Won, using exchange rates published by Seoul Money Brokerage Services, Ltd. as of September 30, 2003.

Statement of Cash Flows

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

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3. Cash and Due from Banks

Cash and due from banks as of September 30, 2003 and December 31, 2002 are summarized as follows (in millions of Won):

		2003	2002
Cash on hand			
Cash in Won		₩ 3,040,602	₩ 2,392,346
Cash in foreign currencies		208,123	186,780
		<u>3,248,725</u>	<u>2,579,126</u>
Due from banks in Won			
The Bank of Korea	Reserve deposits in the Bank of Korea	3,424,674	1,340,482
Other banks	Time deposits	21,346	41,192
	Reserve deposits in other banks	79	392
	Certificates of deposits	13,343	-
		<u>34,768</u>	<u>41,584</u>
Other financial institutions	Deposits at Mutual Savings & Finance Co., Ltd.	140,000	140,000
Others	Futures margin accounts	748	1,336
	Market participation margin	454	458
	Other deposits	-	8,319
		<u>1,202</u>	<u>10,113</u>
		3,600,644	1,532,179
	Present value discounts ^{1*}	(13,940)	(21,156)
		<u>3,586,704</u>	<u>1,511,023</u>
Due from banks in foreign currencies			
The Bank of Korea	Demand deposits	35,409	25,677
Other banks	Demand deposits	52,971	104,073
	Time deposits	4,601	15,193
		<u>57,572</u>	<u>119,266</u>
Off-shore	Demand deposits	643,624	359,200
Others	Other deposits	4,831	5,064
		<u>741,436</u>	<u>509,207</u>
		<u>₩ 7,576,865</u>	<u>₩ 4,599,356</u>

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

The maturities of the due from banks as of September 30, 2003 are as follows (in millions of Won):

	Due from Banks in Won	Due from Banks in Foreign Currencies	Total
Due in 3 months or less.....	₩ 3,459,298	₩ 622,275	₩ 4,081,573
Due after 3 months through 6 months.....	-	119,161	119,161
Due after 6 months through 1 year.....	154	-	154
Due after 1 year through 2 years.....	50,000	-	50,000
Due after 2 years through 3 years.....	90,000	-	90,000
Due after 5 years.....	1,192	-	1,192
	<u>₩ 3,600,644</u>	<u>₩ 741,436</u>	<u>₩ 4,342,080</u>

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4. Securities

Trading securities as of September 30, 2003 are as follows (in millions of Won):

	Amortized Cost		Fair value	
Equity securities	₩	87,657	₩	90,361
Beneficiary certificates.....		1,587,026		1,646,212
Government and municipal bonds.....		707,071		713,258
Corporate bonds		1,124,913		1,127,664
Asset-backed securities		425,645		426,141
	₩	3,932,312	₩	4,003,636

Investment securities as of September 30, 2003 are as follows (in millions of Won):

	Amortized Cost/ Acquisition Cost		Unrealized gain	Unrealized loss	Fair value
Available-for-sale					
Equity securities	₩	446,437	₩	27,280	₩ (21,072) ₩ 452,645
Investment in funds		25,958		1,827	- 27,785
Beneficiary certificates.....		7,217,520		152,041	- 7,369,561
Government and municipal bonds		3,004,758		51,777	(1,672) 3,054,863
Foreign government debt securities.....		11,406		2,556	- 13,962
Corporate bonds		8,492,389		101,493	(3,106) 8,590,776
Asset-backed securities		518,738		20,228	- 538,966
Other debt securities		86		-	- 86
		19,717,292		357,202	(25,850) 20,048,644
Held-to-maturity					
Government and municipal bonds ^{1*}		2,410,646		141,062	(64) 2,551,644
Corporate bonds		3,334,502		120,212	(1,858) 3,452,856
Asset-backed securities		346,282		7,281	- 353,563
Other debt securities		1,835		-	- 1,835
		6,093,265		268,555	(1,922) 6,359,898
	₩	25,810,557	₩	625,757	₩ (27,772) ₩ 26,408,542

^{1*} The government and municipal bonds included in held-to-maturity securities are under lending agreements with two companies, including Halla Construction, amounting to ₩70,293 million.

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As of September 30, 2003, investments in associates are as follows (in millions of Won):

Issuer	Owner- ship (%)	Acquisition Cost	Beginning Balance ^{7*}	Unrealized Gains (Losses) ^{10'}			Balance Sheet Amount ^{9*}
				NI ^{8*}	R/E. ^{8*}	C/A ^{8*}	
Domestic associates							
KB Investment Co., Ltd. ^{1*}	99.89	₩ 155,311	₩ 67,289	₩ 4,969	₩ (2,334)	₩ 10,893	₩ 80,817
Kookmin Data System Co., Ltd	99.98	7,998	13,616	183	-	-	13,799
Kookmin Futures Co., Ltd.	99.98	19,996	24,092	1,120	-	-	25,212
KLB Securities Co., Ltd. ^{2*}	36.41	10,316	-	-	-	-	-
KB Investment Trust Mgt. Co., Ltd. ^{3*}	80.00	39,015	36,667	6,068	-	48	42,783
Joeeun Industrial Co., Ltd. ^{2*}	99.99	23,994	-	-	-	-	-
KB Real Estate Trust Co., Ltd. ^{4*}	99.99	76,103	87,727	6,487	(336)	336	94,214
KB Credit Information Co., Ltd. ^{5*}	66.34	8,443	9,107	1,745	-	-	10,852
ING Life Korea Co., Ltd. ^{6*}	20.00	21,769	21,613	16,366	-	(3)	37,976
Korea Mortgage Co., Ltd.	26.67	30,629	33,566	907	-	(206)	34,267
		393,574	293,677	37,845	(2,670)	11,068	339,920
Overseas associates							
Kookmin Bank Int'l, Ltd. (London)	100.00	38,500	47,424	307	-	-	47,731
Kookmin Bank Luxembourg S.A. ^{2*}	100.00	22,004	5,406	(5,406)	-	-	-
Kookmin Singapore, Ltd. ^{2*}	100.00	12,123	1,997	-	-	-	1,997
Kookmin Finance Asia, Ltd. (HK) ^{2*}	100.00	8,403	268	6	-	-	274
Kookmin Finance HK, Ltd.	100.00	24,008	58,863	(5,215)	-	-	53,648
		105,038	113,958	(10,308)	-	-	103,650
		₩ 498,612	₩ 407,635	₩ 27,537	₩ (2,670)	₩ 11,068	₩ 443,570

1* KB Investment Co., Ltd. merged with Frontier Investment Corp. and Kookmin Investment Co., Ltd., on December 31, 2001 and June 27, 2002, respectively.

2* KLB Securities Co., Ltd., Joeeun Industrial Co., Ltd., Kookmin Singapore (Merchant Bank), Ltd. and Kookmin Finance Asia, Ltd. (HK) are in the process of liquidation and during the current period, Kookmin Bank Luxembourg S.A. has been excluded from the application of the equity method accounting. Accordingly, the Bank did not recognize losses from these investments amounting to ₩37,755 million, for the nine month period ended September 30, 2003.

3* The company changed its name from Joeeun Investment Management Co., Ltd. to KB Investment Trust Management Co., Ltd., effective as of June 10, 2002.

4* Joeeun Real Estate Trust Co., Ltd. changed its name to KB Real Estate Trust Co., Ltd., effective as of September 16, 2002.

5* Joeeun Credit Information Co., Ltd. merged with KM Credit Information Co., Ltd., effective as of May 2, 2002 and changed its name to KB Credit Information Co., Ltd.

6* The Bank applied the equity method based on the amended financial statements of ING Life Korea Co., Ltd. after recording ₩25,122 million of income taxes.

7* The beginning balance is adjusted by dividends and changes in foreign exchange rate from the prior year's book value.

8* NI : Net Income, R/E : Retained Earnings, C/A : Capital Adjustments

9* The balance sheet amount is recorded using the unaudited monthly closing information of related parties as of September 30, 2003.

10* The bank merged with Kookmin Credit Card Co., Ltd. on September 30, 2003. As a result, unrealized gain on investment in associates amounting to ₩211,201 million in net income and ₩677 million in capital adjustments are excluded from the presentation above.

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Impairment losses on investment securities for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

		Amortized Cost/ Acquisition Cost		Impairment Loss		Book Value	
Issuer							
Equity Securities							
Marketable	KP Chemical Co., Ltd.	₩	20,466	₩	12,615	₩	7,851
	Saehan Industries, Inc.		4,955		1,685		3,270
	Namkwang Engineering & Construction		2,797		1,370		1,427
	Shinwon Corp.		662		490		172
	Boo Hung Co., Ltd.		254		194		60
	Hunee Technologies		7		5		2
	Namsun Aluminum Co., Ltd.		507		184		323
	Hyundai Metal Co., Ltd. (preferred stock)		60		21		39
	Hanchang		6		5		1
	C&H Capital		3,867		662		3,205
	Digital Camp Co., Ltd.		521		358		163
	Kang Lim Co., Ltd.		77		54		23
	Seo Han Co., Ltd.		115		41		74
	Ssangyong Engineering & Construction Co., Ltd.		140		19		121
			34,434		17,703		16,731
Non-marketable	Daewoo Electronics Corp.		9,862		2,752		7,110
	Integra Telecom. Co., Ltd.		2,000		2,000		-
	Mybi Co., Ltd.		1,200		840		360
	A-Cash Inc.		1,275		835		440
	Mondex Korea Co., Ltd.		1,100		1,100		-
	Bogo Tech Co., Ltd.		1,354		945		409
	Korea Aerospace Industries, Ltd.		2,179		739		1,440
	Vcash Co., Ltd.		755		403		352
	Space Technology Co., Ltd		625		598		27
	Lemarco Co., Ltd.		500		484		16
	Daerim Corporation (preferred stock)		526		382		144
	Yalge Network, Inc.		500		198		302
	DiS, Inc.		500		195		305
	Korea Virtual Payment Co., Ltd.		400		228		172
	Daeyu System		300		300		-
	CCKvan.Co., Ltd.		250		250		-
	PointPark Co., Ltd.		200		171		29
	NeoBill Co., Ltd.		60		33		27
	Korea Asset Investment Co., Ltd.		32		24		8
	The Korea Economic Daily Co., Ltd.		59		20		39
	Coramdeo Credit Information Co., Ltd.		200		200		-
	Busan Environment Development Co., Ltd.		10		10		-
	Asia Finance and Investment Corp.		1,129		41		1,088
	Baring Communications		2,441		103		2,338
			27,457		12,851		14,606

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	Issuer	Amortized Cost/ Acquisition Cost	Impairment Loss	Book Value
Investment in funds	Kookmin securitization	4	4	-
Beneficiary certificates	Hyundai Clean MMF	2,505	1,753	752
	New Power Private Placement Bonds	502	173	329
	Hyundai New MMF 2-12	291	196	95
	Seoul Crystal New MMF E-1	545	324	221
		3,843	2,446	1,397
		65,738	33,004	32,734
Debt securities				
Debt securities denominated in Korean Won	SK Networks	48,815	33,770	15,045
	Hynix Semiconductor Inc.	24	17	7
	Kookmin 3 rd securitization 1-6	6,500	6,500	-
	Kookmin 4 th securitization 1-7	6,020	2,815	3,205
		61,359	43,102	18,257
Debt securities denominated in foreign currencies	Southern Petro Chemical Industry	3,364	2,501	863
	Berjaya Group Cap (Cayman)	1,828	87	1,741
	China Const. Holdings	1,003	615	388
	NK Telecom	12	12	-
	Tuntex	604	138	466
	Jindo Hong Kong, Ltd.	26	15	11
	Shin Ho Paper Mfg. Co., Ltd.	1,716	95	1,621
	Daewoo Telecom Co., Ltd.	315	114	201
		8,868	3,577	5,291
		70,227	46,679	23,548
		₩ 135,965	₩ 79,683	₩ 56,282

For the nine-month period ended September 30, 2003, the recovery of impairment losses on available-for-sale securities comprise ₩6,093 million related to the Kookmin SPEs and ₩5,364 million related to the investments in Kukdong Engineering & Construction.

The maturities of the available-for-sale and held-to-maturity debt securities as of September 30, 2003 are summarized as follows (in millions of Won):

Maturities	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in 1 year or less	₩ 10,323,157	₩ 10,507,701	₩ 1,004,940	₩ 1,018,634
Due after 1 year through 5 years	8,433,611	8,556,705	4,837,085	5,058,098
Due after 5 years through 10 years	476,515	491,862	251,240	283,166
Thereafter.....	11,614	11,946	-	-
	₩ 19,244,897	₩ 19,568,214	₩ 6,093,265	₩ 6,359,898

For the nine-month period ended September 30, 2003, total interest income on securities amounts to ₩1,181,146 million.

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Non-marketable equity securities classified as available-for-sale securities, as of September 30, 2003 are as follows (in millions of Won):

Issuer	Acquisition Cost	Net Asset Value ^{1*}	Balance Sheet Amount
Korea Housing Guarantee Co., Ltd.	₩ 68,648	₩ 119,991	₩ 68,648
Dongbu Electronics Co., Ltd.	30,000	9,436	30,000
Mastercard, Inc.	11,118	5,558	11,118
Asia Credit	11,502	10,528	9,478
The Korea Securities Finance Corp.	8,160	11,003	8,160
Korea Asset Management Corp.	7,827	12,436	7,827
Samsung Life Insurance Co., Ltd.	7,479	9,678	7,479
Daewoo Electronics Corp.	9,862	7,293	7,110
Korea Highway Corp.	6,248	5,892	6,248
Daewoo Motor Co., Ltd.	5,633	12,170	5,633
Bc Card Co., Ltd.	5,738	7,497	5,738
E Mirae Asset Securities Co., Ltd.	5,000	8,302	5,000
Hanwha Investment Trust Management Co., Ltd.	3,487	3,503	3,487
Korea Vilene Co., Ltd.	3,000	3,662	3,000
Hyundai Home Shopping Network Corp.	2,680	915	2,680
National Information & Credit Evaluation, Inc.	2,668	4,209	2,668
Nanjing Kumho Tire Co., Ltd.	2,447	2,447	2,447
Baring Communication	4,716	2,338	2,338
Korea Digital Satellite Broadcasting Co., Ltd.	2,157	815	2,157
Kyobo Investment Trust Management Co., Ltd.	2,100	3,417	2,100
Pan Asia Paper	3,371	2,118	2,118
Others	87,880	49,038	38,979
	₩ 291,721	₩ 292,246	₩ 234,413

^{1*} Net asset value is calculated using the monthly closing information of investees as of September 30, 2003 if possible, otherwise the most recent financial information is used.

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Investment securities risk concentrations as of September 30, 2003 are as follows (in millions of Won):

	Amount	Ratio (%)
By Country		
Korea.....	₩ 30,127,302	98.49
USA.....	121,912	0.40
UK.....	53,265	0.17
Philippines	40,953	0.13
Luxembourg	28,780	0.09
Indonesia	20,073	0.07
India	16,057	0.05
Mexico	13,962	0.05
Hong Kong and China.....	61,930	0.20
Cayman Islands	47,747	0.16
Australia.....	17,195	0.06
Others.....	39,939	0.13
	₩ 30,589,115	100.00
By Type		
Fixed rate bonds	₩ 17,188,527	56.20
Floating rate bonds	2,377,695	7.77
Subordinated bonds	741,574	2.42
Convertible bonds	143,827	0.47
Beneficiary certificates	9,015,773	29.47
Equity securities	986,576	3.23
Others.....	135,143	0.44
	₩ 30,589,115	100.00
By Industry		
Government and municipalities.....	₩ 10,832,304	35.41
Financial institutions	18,181,038	59.44
Manufacturing industries.....	1,103,628	3.61
Others.....	472,145	1.54
	₩ 30,589,115	100.00

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5. Loans

Loans as of September 30, 2003 and December 31, 2002 are summarized as follows (in millions of Won):

Account	Detailed Account	2003	2002
Loans in Won			
Corporate loans	Operation loans		
	General operation loans.....	₩ 30,045,497	₩ 28,904,621
	Notes discounted	1,591,684	1,851,133
	Overdraft accounts	711,127	568,702
	Trading notes	900,420	814,759
	Other operation loans	3,966,417	3,229,851
		37,215,145	35,369,066
	Facility loans		
	General facility loans	5,559,135	4,676,506
	Other facility loans.....	1,233,646	1,287,125
		6,792,781	5,963,631
		44,007,926	41,332,697
	Consumer loans		
	General consumer loans	41,903,822	39,713,543
Consumer loans	Consumer housing loans	37,175,741	33,731,435
	Remunerations on mutual installment savings	264,073	131,768
	Other consumer loans.....	689,352	632,172
		80,032,988	74,208,918
Public loans	Public operation loans	500,892	738,632
	Public facility loans.....	42,155	39,414
		543,047	778,046
Other loans	Property formation loans.....	73,734	95,252
	Inter-bank loans	16,412	20,941
	Others	4,230	5,449
		94,376	121,642
		124,678,337	116,441,303
Loans in foreign currencies			
	Domestic funding loans.....	1,144,661	1,052,800
	Overseas funding loans	821,077	933,010
	Inter-bank loans	666,482	1,094,119
	Domestic usance bills.....	1,198,775	1,334,006
	Government funding loans	1,584	3,241
		3,832,579	4,417,176
Call Loans			
	In Won	1,226,400	33,600
	In foreign currencies	154,242	248,857
	Inter-bank reconciliation funds	-	89,287
		1,380,642	371,744
Privately placed debentures			
		1,490,191	1,276,080
Other loans			
		12,385,186	6,633,396
Allowances for loan losses (Note 6)			
		(4,525,440)	(2,378,696)
Present value discounts			
		(25,446)	(30,442)
		₩ 139,216,049	₩ 126,730,561

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As of September 30, 2003, restructured loans due to workout plans or other similar restructuring programs are as follows (in millions of Won):

	Period	Balances Before		Equity	CB	Restructured	Present Value
		Restructuring	Exemption ^{1*}	Conversion	Conversion	Amount	Discounts
Workout	1- 6	₩ 127,500	₩ -	₩ 3,408	₩ -	₩ 124,092	₩ 7,111
Court receivership	5-10	30,622	154	5,162	-	25,306	5,524
Court mediation	5- 6	16,542	-	-	-	16,542	279
Others	2 -7	551,530	353,257	516	2,706	195,051	12,532
		₩ 726,194	₩ 353,411	₩ 9,086	₩ 2,706	₩ 360,991	₩ 25,446

1* The Bank wrote off ₩234,714 million of loans to SK Networks, (formerly called SK Global) in expectation of a cash buy out restructuring. In addition, the Bank provided an allowance amounting to ₩2,047 million for the remaining loan balance of ₩118,543 million as of September 30, 2003.

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

The maturities of loans as of September 30, 2003 are as follows (in millions of Won):

	Loans in Won	Loans in Foreign Currencies	Bills Bought	Credit Card	Call Loans	Privately Placed Debentures	Others	Total
Due in 3 months or less	₩ 18,635,944	₩1,401,574	₩495,957	₩6,736,300	₩1,380,642	₩ 103,224	₩748,426	₩ 29,502,067
Due after 3 months through 6 months	14,070,032	636,919	51,687	1,025,943	-	176,568	38	15,961,187
Due after 6 months through 1 year	28,603,545	393,361	5,405	1,477,158	-	353,334	57	30,832,860
Due after 1 year through 2 years	26,991,676	187,445	6,950	891,999	-	236,782	6,311	28,321,163
Due after 2 years through 3 years	19,943,730	300,555	6,369	466,584	-	309,425	-	21,026,663
Due after 3 years through 4 years	2,828,070	238,208	2,973	28,987	-	310,082	-	3,408,320
Due after 4 years through 5 years	2,916,219	142,295	-	398,980	-	776	-	3,458,270
Thereafter	10,689,121	532,222	-	4,260	-	-	30,802	11,256,405
	₩ 124,678,337	₩3,832,579	₩569,341	₩11,030,211	₩1,380,642	₩1,490,191	₩785,634	₩143,766,935

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Loan risk concentrations as of September 30, 2003 are as follows (in millions of Won):

	Loans in Won		Loans in Foreign Currencies		Others	Total	Percentage (%)
By Country							
Korea.....	₩	124,678,337	₩	3,182,723	₩ 15,174,793	₩ 143,035,853	99.49
Southeast Asia.....		-		208,366	39,415	247,781	0.17
Russia.....		-		113,870	-	113,870	0.08
China.....		-		10,429	2	10,431	0.01
Japan		-		230,586	11	230,597	0.16
Others.....		-		86,605	41,798	128,403	0.09
	₩	124,678,337	₩	3,832,579	₩ 15,256,019	₩ 143,766,935	100.00
Industrial loans							
Financial institutions.....	₩	765,33	₩	618,194	₩ 2,024,935	₩ 3,408,467	2.37
Manufacturing companies.....		14,977,389		1,749,627	1,256,918	17,983,934	12.51
Service companies		23,211,946		1,016,696	594,489	24,823,131	17.27
Others.....		5,472,902		137,741	1,441,047	7,051,690	4.90
		44,427,575		3,522,258	5,317,389	53,267,222	37.05
Household loans.....		80,102,443		154,596	9,935,229	90,192,268	62.74
Public and other loans		148,319		155,725	3,401	307,445	0.21
	₩	124,678,337	₩	3,832,579	₩ 15,256,019	₩ 143,766,935	100.00

6. Allowances for Loan Losses

As of September 30, 2003 and December 31, 2002, allowances for loan losses are as follows (in millions of Won):

Allowance for	2003	2002
Loans in Won.....	₩ 2,622,980	₩ 1,905,065
Loans in foreign currencies	64,561	103,838
Bills bought in Won and foreign currencies.....	17,519	20,213
Payments on guarantees	25,049	18,382
Credit card accounts	1,738,066	284,491
Privately placed debentures.....	15,431	28,210
Loans due for equity conversion	3,247	5,373
Factoring receivable.....	14,730	143
Suspense receivables	17,664	11,022
Others	6,193	1,959
	₩ 4,525,440	₩ 2,378,696

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As of September 30, 2003, allowances for loan losses and credit risk classifications are as follows (in millions of Won):

		Normal	Pre-cautionary	Substandard	Doubtful	Estimated Loss	Total
Loans in Won	Loan balance						₩ 124,658,31
		₩ 113,933,782	₩ 6,045,635	₩ 3,234,116	₩ 1,098,215	₩ 346,564	2
	Allowances	765,723	254,084	666,707	589,902	346,564	2,622,980
	Percentage(%)	0.67	4.20	20.61	53.71	100.00	2.10
Loans in foreign currencies	Loan balance	3,483,916	272,179	55,410	9,691	8,172	3,829,368
	Allowances	14,087	16,745	19,924	5,633	8,172	64,561
	Percentage(%)	0.40	6.15	35.96	58.13	100.00	1.69
Bills bought	Loan balance	498,395	54,133	319	5,145	10,511	568,503
	Allowances	2,492	1,083	64	3,369	10,511	17,519
	Percentage(%)	0.50	2.00	20.06	65.48	100.00	3.08
Payments on guarantees	Loan balance	63,094	8,949	21,430	14,407	12,655	120,535
	Allowances	315	567	4,286	7,226	12,655	25,049
	Percentage(%)	0.50	6.34	20.00	50.16	100.00	20.78
Credit card accounts	Loan balance	6,977,740	2,113,535	416	1,317,993	620,527	11,030,211
	Allowances	72,962	253,698	83	790,796	620,527	1,738,066
	Percentage(%)	1.05	12.00	19.95	60.00	100.00	15.76
Bonds purchased under resale agreements	Loan balance	600,000	-	-	-	-	600,000
	Allowances	-	-	-	-	-	-
	Percentage(%)	-	-	-	-	-	-
Call loans	Loan balance	1,380,642	-	-	-	-	1,380,642
	Allowances	-	-	-	-	-	-
	Percentage(%)	-	-	-	-	-	-
Privately placed debentures	Loan balance	1,435,209	30,056	21,205	1,823	1,854	1,490,147
	Allowances	7,177	601	4,876	923	1,854	15,431
	Percentage(%)	0.50	2.00	22.99	50.63	100.00	1.04
Factoring receivables	Loan balance	29,474	-	3,672	-	13,338	46,484
	Allowances	147	-	1,245	-	13,338	14,730
	Percentage(%)	0.50	-	33.91	-	100.00	31.69
Loans due for equity conversion	Loan balance	15,650	1,637	-	-	-	17,287
	Allowances	3,083	164	-	-	-	3,247
	Percentage(%)	19.70	10.02	-	-	-	18.78
Total loans	Loan balance ^{1*}						₩ 143,741,48
		₩ 128,417,902	₩ 8,526,124	₩ 3,336,568	₩ 2,447,274	₩ 1,013,621	9
	Allowances ^{2*}	865,986	526,942	697,185	1,397,849	1,013,621	4,501,583
	Percentage(%)	0.67	6.18	20.90	57.12	100.00	3.13

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

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

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For the nine-month period ended September 30, 2003, the movements in allowances for loan losses are as follows (in millions of Won):

Beginning balance	₩	2,378,696
Increase due to:		
Provision for loan losses.....		2,651,281
Collection of written-off loans		375,885
Troubled debt restructuring		1,984
Repurchase of loans sold		11,918
Increase due to merger		1,388,854
		<u>4,429,922</u>
Decrease due to:		
Write-off of loans		1,963,191
Sale of loans		3,072
Conversion of loans into equity securities.....		43,370
Exemption of loans.....		260,175
Offset with present value discounts from troubled debt restructuring		8,528
Others		4,842
		<u>2,283,178</u>
Ending balance	₩	<u>4,525,440</u>

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7. Fixed Assets

Fixed assets as of September 30, 2003 are as follows (in millions of Won):

	Land	Buildings and structures	Leasehold improvement	Equipment and vehicles	Construction in-progress	Total
Acquisition cost						
Beginning balances	₩ 1,175,682	₩ 848,746	₩ 98,117	₩ 1,043,969	₩ 1,195	₩ 3,167,709
Acquisition	1,640	7,069	10,767	124,612	61,100	205,188
Transfer	-	16,569	26,773	-	(43,342)	-
Increase due to merger	55,529	71,024	4,805	263,897	-	395,255
Disposal	(128,670)	(2,685)	(494)	(35,382)	-	(167,231)
	1,104,181	940,723	139,968	1,397,096	18,953	3,600,921
Accumulated depreciation						
Beginning balances	-	108,723	48,164	533,675	-	690,562
Depreciation expense	-	14,706	27,963	226,769	-	269,438
Increase due to merger	-	12,976	2,786	160,381	-	176,143
Disposal	-	(212)	(337)	(33,688)	-	(34,237)
	-	136,193	78,576	887,137	-	1,101,906
Book Value	₩ 1,104,181	₩ 804,530	₩ 61,392	₩ 509,959	₩ 18,953	₩ 2,499,015

Fixed assets covered by insurance policies as of September 30, 2003 are as follows (in millions of Won):

	Amount Insured	Insurance Company	Type of Insurance
Buildings and structures	₩ 663,393	Samsung Fire & Marine Insurance Co., Ltd	General property insurance
Leasehold improvement	65,385	Samsung Fire & Marine Insurance Co., Ltd	General property insurance
Equipment and vehicles	459,456	Samsung Fire & Marine Insurance Co., Ltd	General property insurance
Construction in-progress	9,259	Samsung Fire & Marine Insurance Co., Ltd	General property insurance
	₩ 1,197,493		

Intangible assets as of September 30, 2003 are as follows (in millions of Won):

	Goodwill	Development costs	Rights to income on donated asset	Store possessory right	Trademarks	Others	Total
Beginning balances	₩ 613,705	₩ -	₩ 110	₩ 161	₩ 11	₩470	₩ 614,457
Acquisition	-	-	-	-	28	368	396
Increase due to merger	-	13,634	-	-	62	-	13,696
Amortization	(58,759)	-	(6)	(16)	(6)	(117)	(58,904)
Ending balances	₩ 554,946	₩ 13,634	₩ 104	₩ 145	₩ 95	₩ 721	₩ 569,645

The Bank recorded ₩74,756 million as current development cost under general and administrative expenses for the nine-month period ended September 30, 2003.

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The total government-posted prices of land, used for tax imposition and compensation for confiscation, as of September 30, 2003 are as follows (in millions of Won):

	Book value	Appraisal value
Lands included in tangible assets	₩ 1,104,181	₩ 986,398
Lands included in foreclosed assets	1,315	591
	<u>₩ 1,105,496</u>	<u>₩ 986,989</u>

Foreclosed and other properties, as of September 30, 2003 and December 31, 2002 are as follows (in millions of Won):

	2003	2002
Acquisition cost	₩ 1,522	₩ 2,099
Allowance for foreclosed and other properties.....	(746)	(1,087)
	<u>₩ 776</u>	<u>₩ 1,012</u>

8. Other Assets

Other assets as of September 30, 2003 and December 31, 2002 are as follows (in millions of Won):

	2003	2002
Guarantee deposits paid	₩ 1,350,090	₩ 1,235,362
Accounts receivable	4,783,521	1,877,645
Accrued income	1,317,490	981,141
Payments in advance.....	102,410	48,390
Prepaid expenses.....	266,036	12,646
Deferred tax assets (Note 25).....	512,423	170,624
Derivative assets (Note 16).....	997,777	660,791
Unsettled domestic exchange assets.....	375,441	1,087,587
Loans to trust accounts.....	-	37,882
Others.....	33,422	23,490
	<u>₩ 9,738,610</u>	<u>₩ 6,135,558</u>

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9. Deposits

Deposits as of September 30, 2003 and December 31, 2002 are as follows (in millions of Won):

	<u>Annual interest (%)</u>		
	September 30, 2003	2003	2002
Deposits in Won			
Demand deposits			
- Checking deposits	-	₩ 120,669	₩ 134,222
- Household checking deposits	0.10	453,803	469,866
- Passbook deposits	0.10	9,095,237	8,586,219
- Temporary deposits	-	3,317,263	3,577,243
- Public fund deposits	0.10	142,071	207,695
- Others	0.10	47,639	12,497
		<u>13,176,682</u>	<u>12,987,742</u>
Time deposits and savings deposits			
- Time deposits	2.90~4.40	60,763,553	58,187,286
- Installment savings deposits	3.60~4.30	1,313,088	1,422,532
- Property formation savings	8.50	1,965	2,221
- Time and savings deposits of non-residents in Won	2.90~4.40	331,135	151,124
- General savings deposits	0.10~3.30	21,358,531	21,346,223
- Corporate free savings deposits	0.10~3.20	7,385,549	6,556,979
- Long-term savings deposits for workers	11.50~12.00	108,787	297,272
- Long-term housing savings deposits	4.80	780,466	538,782
- Long-term savings for households	4.96	1,726,684	2,250,457
- Worker's preferential savings deposits	5.35	2,860,473	2,877,467
- Worker's savings for housing	1.67	81	79
- Mutual installment deposits	3.20~4.50	7,009,983	7,491,115
- Mutual installment for housing	2.95~4.30	5,291,492	4,872,637
		<u>108,931,787</u>	<u>105,994,174</u>
		<u>122,108,469</u>	<u>118,981,916</u>
Deposits in foreign currencies			
Demand deposits			
- Checking deposits	0.00~3.00	37,100	29,629
- Passbook deposits	0.00~0.05	624,270	549,646
- Notice deposits	0.05~6.22	619	2,725
- Temporary deposits	-	2,192	3,796
		<u>664,181</u>	<u>585,796</u>
Time deposits and savings deposits			
- Time deposits	0.00~7.70	636,325	496,359
- Others	0.00~8.00	2,521	1,493
		<u>638,846</u>	<u>497,852</u>
		<u>1,303,027</u>	<u>1,083,648</u>
Certificates of deposit			
	3.45~3.95	4,689,250	3,044,089
		<u>₩ 128,100,746</u>	<u>₩ 123,109,653</u>

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The maturities of deposits as of September 30, 2003 are as follows (in millions of Won):

	Deposits in Won	Deposits in foreign currencies	Certificates of deposit	Total
Due in 3 months or less	₩ 67,318,622	₩ 1,064,958	₩ 3,307,750	₩ 71,691,330
Due after 3 months through 6 months.....	12,933,739	118,481	1,041,382	14,093,602
Due after 6 months through 1 year	29,550,760	72,856	340,118	29,963,734
Due after 1 year through 2 years	7,685,520	44,909	-	7,730,429
Due after 2 years through 3 years	3,393,123	1,752	-	3,394,875
Due after 3 years through 4 years	404,962	71	-	405,033
Due after 4 years through 5 years	388,810	-	-	388,810
Thereafter	432,933	-	-	432,933
	<u>₩ 122,108,469</u>	<u>₩ 1,303,027</u>	<u>₩ 4,689,250</u>	<u>₩ 128,100,746</u>

10. Borrowings

Borrowings as of September 30, 2003 and December 31, 2002 are as follows (in millions of Won):

	Annual Interest (%)		
	September 30, 2003	2003	2002
Borrowings in Won			
Borrowings from the Bank of Korea	2.50	₩ 900,665	₩ 671,854
Borrowings from the government	0.00~8.00	923,689	1,056,480
Borrowings from banking institutions	3.28~8.55	1,091,359	318,702
Borrowings from National Housing Fund	8.00	8,732	9,192
Borrowings from non-banking financial institutions	2.00~4.00	5,769	6,211
Other borrowings	1.75~7.00	2,215,100	1,129,305
		<u>5,145,314</u>	<u>3,191,744</u>
Borrowings in foreign currencies			
Due to banks	-	227,184	528,991
Borrowings from domestic banks	0.09~1.40	2,166,966	1,875,119
Borrowings from other financial institutions	5.13	18,712	23,092
Borrowings from foreign banks	-	851,037	981,328
		<u>3,263,899</u>	<u>3,408,530</u>
Bonds sold under repurchase agreements			
In Won	2.50~4.10	4,340,590	3,050,179
In foreign currencies	1.54	9,268	23,982
		<u>4,349,858</u>	<u>3,074,161</u>
Bills sold	3.40~3.85	39,578	72,860
Due to the Bank of Korea in foreign currencies	-	16,857	37,493
Call money			
In Won	3.25~3.65	697,900	829,300
In foreign currencies	0.25~5.05	300,087	76,666
Interbank borrowings	-	338,855	-
		<u>1,336,842</u>	<u>905,966</u>
		<u>₩ 14,152,348</u>	<u>₩ 10,690,754</u>

The maturities of borrowings as of September 30, 2003 are as follows (in millions of Won):

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	Borrowings in Won	Borrowings in Foreign Currencies	Others	Total
Due in 3 months or less.....	₩ 2,735,479	₩ 506,559	₩ 3,385,338	₩ 6,627,376
Due after 3 months through 6 months	306,029	970,352	1,090,635	2,367,016
Due after 6 months through 1 year.....	250,890	899,289	1,267,162	2,417,341
Due after 1 year through 2 years	420,388	306,191	-	726,579
Due after 2 years through 3 years	395,723	399,199	-	794,922
Due after 3 years through 4 years	307,711	94,570	-	402,281
Due after 4 years through 5 years	252,233	-	-	252,233
Thereafter.....	476,861	87,739	-	564,600
	₩ 5,145,314	₩ 3,263,899	₩ 5,743,135	₩ 14,152,348

11. Debentures

Debentures as of September 30, 2003 and December 31, 2002 are as follows (in millions of Won):

		Annual Interest (%)		
		September 30, 2003	2003	2002
In Won	Hybrid debentures.....	6.00~7.00	₩ 638,500	₩ -
	Subordinated fixed rate debentures....	6.07~16.28	4,463,406	4,753,285
	Fixed rate debentures	4.04~10.57	15,357,938	12,269,023
	Floating rates debentures	2.25~8.15	950,000	-
			21,409,844	17,022,308
In foreign currencies	Discounts on debentures		(138,875)	(270,924)
			21,270,969	16,751,384
	Floating rates debentures	1.52~ 2.25	241,081	350,589
	Fixed rates debentures	1.08~4.63	592,887	438,538
			833,968	789,127
	Premiums on debentures.....		9,809	-
	Discounts on debentures		(1,555)	(1,504)
			842,222	787,623
			₩ 22,113,191	₩ 17,539,007

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As of September 30, 2003, subordinated debentures in Won comprise the following:

Type	Issue date	Hundred millions of Won		Annual interest (%)	Maturity
Subordinated fixed rate debentures	95.09.30~98.11.15	₩	2,816	9.61~16.00	03.01.27~09.11.15
	2000.03.27		2,000	9.65	2005.03.27
	2000.06.28		2,540	9.00~9.10	2006.01.28
	2000.09.27		3,000	8.99	2006.01.27
	2000.09.28		1,500	8.00~8.85	2006.01.28
	2000.11.28		1,000	8.00~8.71	2006.02.28
	2000.11.28		1,513	9.57~9.65	2010.11.28
	2000.11.28		107	9.00	2010.12.28
	2000.12.27		2,000	8.71	2006.01.27
	2001.05.28		2,000	7.00~7.65	2007.02.28
	2001.06.27		1,600	7.68	2008.03.27
	2001.06.27		2,175	7.86	2009.03.27
	2001.08.28		1,000	6.00~6.73	2007.08.28
	2001.09.28		1,500	6.00~6.73	2008.03.28
	2002.03.27		2,417	7.06~7.10	2008.01.27
	2002.07.27		3,024	6.96~7.00	2008.01.27
	2002.09.27		2,574	6.27~6.30	2008.03.27
	2002.09.27		1,500	6.51~6.55	2010.03.27
	2002.09.27		926	6.66~6.70	2013.03.27
	2002.11.27		4,007	6.07~6.10	2008.05.27
	2002.11.27		578	6.27~6.30	2010.05.27
	2002.11.27		1,003	6.51~6.55	2013.05.27
	2002.12.18		1,100	8.00	2008.01.18
	2002.12.27		100	6.20	2008.06.27
	2002.12.27		900	6.40	2010.06.27
	2002.12.27		500	6.65	2013.06.27
	2002.12.27		304	6.55	2014.12.27
	2003.01.27		500	7.65	2008.02.21
			450	7.10	2008.04.10
		₩	44,634		

The maturities of debentures as of September 30, 2003 are as follows (in millions of Won):

	Won		Foreign currencies	Total
Due in 3 months or less	₩	4,624,896	₩ -	₩ 4,624,896
Due after 3 months through 6 months		4,407,589	-	4,407,589
Due after 6 months through 1 year		3,918,379	149,637	4,068,016
Due after 1 year through 2 years		2,946,579	27,010	2,973,589
Due after 2 years through 3 years		1,452,706	66,367	1,519,073
Due after 3 years through 4 years		384,034	-	384,034
Due after 4 years through 5 years		2,051,573	590,954	2,642,527
Thereafter		1,624,088	-	1,624,088
	₩	21,409,844	₩ 833,968	₩ 22,243,812

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12. Accrued Retirement Benefits

The movements in accrued retirement benefits for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

	Beginning balance	Amounts provided	Amounts paid out	Increase due to merger	Ending balance
Accrued retirement benefits.....	₩ 42,773	₩ 70,361	₩ 10,909	₩ 8,865	₩ 111,090
Contributed retirement benefits	88,682	-	-	6,488	95,170
Total accrued retirement benefits	131,455	70,361	10,909	15,353	206,260
Contribution to pension funds	(88,682)	-	-	(6,488)	(95,170)
	₩ 42,773	₩ 70,361	₩ 10,909	₩ 8,865	₩ 111,090

As of September 30, 2003, approximately 46.14% of total accrued retirement benefits are contributed to pension funds, to which the Bank's employees hold the right of payment, placed at two insurance companies, including Korea Life Insurance Co., Ltd.

13. Employee Stock Options

As of September 30, 2003, the stock options granted to the Bank's executives and chief executive officer are as follows:

Series	Grant Date	Shares Granted	Shares Expired to Date	Shares Exercised	Shares Outstanding	Exercise Price	Exercise Period
Series1	00.03.18	222,094	109,565	2,961	109,568	₩ 23,469	03.03.19 ~ 05.03.18
Series2	01.03.15	214,975	16,882	-	198,093	₩ 28,027	04.03.16 ~ 09.03.15
Series3	98.10.31	400,000	-	330,000	70,000	₩ 5,000	01.11.01 ~ 04.10.31
Series4	99.02.27	280,000	59,892	220,108	-	₩ 13,900	02.02.28 ~ 05.02.27
Series5	00.02.28	267,000	65,218	-	201,782	₩ 27,600	03.03.01 ~ 06.02.28
Series6	01.03.24	111,000	38,624	-	72,376	₩ 25,100	04.03.25 ~ 07.03.24
Series7 ^{1* 2*}	01.11.16	850,000	-	-	850,000	₩ 51,200	04.11.17 ~ 09.11.16
Series8 ^{2*}	02.03.22	132,000	89,753	-	42,247	₩ 57,100	05.03.23 ~ 10.03.22
	02.03.22	490,000	119,326	-	370,674	₩ 57,100	05.03.23 ~ 10.03.22
Series9	02. 07.26	30,000	-	-	30,000	₩ 58,800	05.07.27 ~ 10.07.26
Series10 ^{2*}	03.03.21	140,000	-	-	140,000	₩ 37,400	06.03.22 ~ 11.03.21
	03.03.21	180,000	-	-	180,000	₩ 35,500	06.03.22 ~ 11.03.21
Series11	03.08.28	30,000	-	-	30,000	₩ 40,500	06.08.29 ~ 11.08.28
Increase due	01.03.22	-	-	-	22,146	₩ 71,538	04.03.23 ~ 11.03.22
to merger ^{3*}	01.03.19	-	-	-	9,990	₩ 129,100	04.03.30 ~ 11.03.29

1* The stock options do not include the 200,000 shares which may be additionally granted if the three-month weighted average stock price of the Bank prior to the beginning of the exercise date is higher than that of any other listed banks and the Bank achieves total market value and ROE target.

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

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

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The Bank had applied the fair value method using an option-pricing model in measuring compensation cost until September 30, 2002. However, as of October 1, 2002, expecting a high probability of grant and exercise of the options as stock appreciation rights, the Bank changed the measurement method to the intrinsic value method. As a result, previous amounts recorded in capital adjustments (stock options) have been reclassified into accrued expenses. Compensation costs are summarized as follows (in millions of Won):

	Series 1	Series 2	Series 3	Series 5	Series 6	Series 10	Increase due to merger	Total
Prior period compensation cost	₩ 1,861	₩ 1,615	₩ 2,590	₩ 2,744	₩ 886	₩ -	₩ 552	₩10,248
Current period compensation cost	(302)	(18)	(301)	(706)	(126)	73	(552)	(1,932)
Accumulated compensation cost	1,559	1,597	2,289	2,038	760	73	-	8,316
Compensation cost to be recognized	-	319	-	-	152	365	-	836
Total compensation cost	₩ 1,559	₩ 1,916	₩ 2,289	₩ 2,038	₩ 912	₩ 438	₩ -	₩ 9,152

The compensation costs to be recognized in the future as of September 30, 2003, are as follows (in millions of Won):

	Series 2	Series 6	Series 10	Total
Within 1 year.....	₩ 319	₩ 152	₩ 146	₩ 617
More than 1 year to 2 years.....	-	-	146	146
More than 2 years to 3 years	-	-	73	73
	₩ 319	₩ 152	₩ 365	₩ 836

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14. Other Liabilities

Other liabilities as of September 30, 2003 and December 31, 2002 are as follows (in millions of Won):

Account	2003	2002
Accrued retirement benefits (Note 12).....	₩ 111,090	₩ 42,773
Allowance for losses on guarantees and acceptances (Note 15).....	2,018	2,287
Due to trust accounts	2,832,875	734,646
Accounts payable	4,618,487	1,868,692
Accrued expenses	4,801,157	4,656,225
Advances from customers	460,042	48,745
Unearned income.....	132,139	147,623
Withholding taxes.....	90,043	85,841
Guarantee deposits received	113,263	112,732
Derivative liabilities (Note 16).....	890,280	522,286
Unsettled domestic exchange liabilities.....	268,362	541,757
Accounts for agency business	341,411	395,678
Other allowances ¹	156,078	48,876
Liabilities incurred by agency relationship	545,838	486,413
Others	352,860	90,224
	₩ 15,715,943	₩ 9,784,798

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

Allowances for	Amounts	Remarks
Suspense receivables	₩ 6,830	Loss from frauds/accidents
Foreign currency exchange mileages	11	Compensation expense for frequent currency exchanges
Loss on branch closure	240	Closure of the branch in Buenos Aires
Uncollected leasehold deposits	8,912	Loss on uncollected leasehold deposits
Credit card receivables	32,280	Loss on unused cash advance credit lines
Credit card point	33,960	Expenses arising from credit card mileage rewards
ABS allowances	3,435	Loss on guarantee deposits paid to Jooeun 2nd Specialty Co., Ltd (Note 17)
KAMCO loans sold	1,014	Loss on loans sold under repurchase agreements to KAMCO (Note 17)
Granting of credit to SPC	69,396	Loss on the credit line agreement to SPC (Note 17)
	₩ 156,078	

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15. Guarantees and Acceptances

Guarantees and acceptances as of September 30, 2003 and December 31, 2002 are summarized as follows (in millions of Won):

	2003	2002
Guarantees and acceptances outstanding in		
Won		
- Guarantees on debentures.....	₩ 550	₩ 571
- Guarantees on loan collateral	38,263	39,234
- Guarantees on commercial bills	3	646
- Others	249,365	248,457
	<u>288,181</u>	<u>288,908</u>
Foreign Currencies		
- Acceptances on letters of credit	144,078	190,775
- Acceptances for letters of guarantee for importers.....	77,808	111,016
- Guarantees for performance of contracts	23,267	71,577
- Guarantees for bids	958	1,077
- Guarantees for borrowings	32,754	31,055
- Guarantees for repayment of advances	7,285	25,707
- Others	220,631	311,583
	<u>506,781</u>	<u>742,790</u>
	<u>794,962</u>	<u>1,031,698</u>
Contingent guarantees and acceptances		
- Letters of credit	1,069,486	1,243,354
- Others	120,153	63,524
	<u>1,189,639</u>	<u>1,306,878</u>
	<u>₩ 1,984,601</u>	<u>₩ 2,338,576</u>

As of September 30, 2003, the allowances for losses on guarantees and acceptances outstanding according to credit risk classifications are as follows (in millions of Won):

Guarantees and Acceptances		Estimated					Total
Outstanding in		Normal	Precautionary	Sub-standard	Doubtful	loss	
Won	Balance	₩ 273,058	₩ 13,086	₩ 469	₩ 177	₩ 1,391	₩ 288,181
	Allowance	-	-	94	156	1,391	1,641
	Ratio (%)	-	-	20.04	88.14	100.00	0.57
Foreign currencies	Balance	439,926	65,800	808	91	156	506,781
	Allowance	-	-	176	45	156	377
	Ratio (%)	-	-	21.78	49.45	100.00	0.07
Total	Balance	₩ 712,984	₩ 78,886	₩ 1,277	₩ 268	₩ 1,547	₩ 794,962
	Allowance	-	-	270	201	1,547	2,018
	Ratio (%)	-	-	21.14	75.00	100.00	0.25

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For the nine-month period ended September 30, 2003, the movements in allowances for losses on guarantees and acceptances outstanding are as follows (in millions of Won):

Beginning balance.....	₩	2,287
Reversals of losses from guarantees and acceptances losses.....		(194)
Changes in foreign exchange rates.....		(75)
Ending balance.....	₩	2,018

The guarantees and acceptances risk concentration by country as of September 30, 2003 are as follows (in millions of Won):

	Guarantees and Acceptances Outstanding		Contingent Guarantees and Acceptances		Total	
	Balance	Percentage (%)	Balance	Percentage (%)	Balance	Percentage (%)
Korea	₩ 748,954	94.21	₩ 1,189,639	100.00	₩ 1,938,593	97.68
USA	46,008	5.79	-	-	46,008	2.32
	₩ 794,962	100.00	₩ 1,189,639	100.00	₩ 1,984,601	100.00

The guarantees and acceptances risk concentration by industry and customer as of September 30, 2003 are as follows (in millions of Won):

	Guarantees and Acceptances Outstanding		Contingent Guarantees and Acceptances		Total	
	Balance	Percentage (%)	Balance	Percentage (%)	Balance	Percentage (%)
Industrial						
Manufacturing	₩ 272,745	34.31	₩ 589,964	49.59	₩ 862,709	43.47
Finance	365,182	45.94	400,504	33.67	765,686	38.58
Service	68,124	8.57	27,838	2.34	95,962	4.84
Others	88,911	11.18	171,333	14.40	260,244	13.11
	₩ 794,962	100.00	₩ 1,189,639	100.00	₩ 1,984,601	100.00

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16. Derivatives

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

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

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

The notional amounts outstanding for derivative contracts as of September 30, 2003 as follows (in millions of Won):

	Trading	Hedge	Total
Interest related			
-Future	₩ 456,819	₩ -	₩ 456,819
-Option	2,250,000	-	2,250,000
-Swap.....	24,772,983	575,100	25,348,083
	<u>27,479,802</u>	<u>575,100</u>	<u>28,054,902</u>
Currency related			
-Forward	17,631,789	-	17,631,789
-Future	827,856	-	827,856
-Swap.....	3,742,544	-	3,742,544
-Option bought.....	97,850	-	97,850
-Option sold.....	180,560	-	180,560
	<u>22,480,599</u>	<u>-</u>	<u>22,480,599</u>
Stock related			
-Option bought.....	1,966,241	-	1,966,241
-Option sold.....	1,968,355	-	1,968,355
	<u>3,934,596</u>	<u>-</u>	<u>3,934,596</u>
	<u>₩ 53,894,997</u>	<u>₩ 575,100</u>	<u>₩ 54,470,097</u>

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Gains and losses on derivatives as of and for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

Gain on derivatives

Gain on derivatives transactions	₩	1,802,395
Gain on valuation of derivatives		565,109
Gain on fair value hedged items		6,351
	₩	2,373,855

Loss on derivatives

Loss on derivatives transactions	₩	1,767,507
Loss on valuation of derivatives		525,476
Loss on fair value hedged items		22
	₩	2,293,005

The summary of derivative transactions for the nine-month period ended September 30, 2003 is as follows (in millions of Won):

	Valuation Gains (P/L)			Valuation Losses (P/L)			Fair Value (B/S)	
	Trading	Hedge	Total	Trading	Hedge	Total	Asset	Liability
Interest related								
-Option	₩ 2,456	₩ -	₩ 2,456	₩ 4,063	₩ -	₩ 4,063	₩ 3,860	₩ 8,698
-Swap	118,326	22	118,348	113,812	6,351	120,163	216,553	311,584
	120,782	22	120,804	117,875	6,351	124,226	220,413	320,282
Currency related								
-Forward	277,685	-	277,685	268,033	-	268,033	293,480	307,779
-Option bought	626	-	626	224	-	224	630	224
-Option sold	2,252	-	2,252	841	-	841	1,837	912
-Swap	112,905	-	112,905	82,007	-	82,007	359,460	133,905
	393,468	-	393,468	351,105	-	351,105	655,407	442,820
Stock related								
-Option bought	37,423	-	37,423	16,843	-	16,843	121,957	-
-Option sold	13,414	-	13,414	33,302	-	33,302	-	127,178
	50,837	-	50,837	50,145	-	50,145	121,957	127,178
	₩ 565,087	₩ 22	₩ 565,109	₩519,125	₩ 6,351	₩525,476	₩ 997,777	₩890,280

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17. Commitments and Contingencies

As of September 30, 2003, 213 pending legal actions with an aggregate amount of damages of ₩114,113 million are charged against the Bank and the Bank had also filed 152 lawsuits, which are still pending with an aggregate amount of claims of ₩218,635 million. Management believes that the actions against the Bank are without merit and that the ultimate liability, if any, will not materially affect the Bank's financial position.

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

The Bank has entered into commitments to provide a credit line of ₩4,819,100 million, and to purchase commercial paper amounting to ₩1,621,000 million, with asset securitization companies. Under these commitments, the Bank provides money, in case of a temporary fund shortage, for the principal and interest repayment of these companies' senior bonds within the contracted term and amounts. As of September 30, 2003, loans outstanding under the credit line commitment amounted to ₩33,924 million, and there is no balance for commercial papers purchased under the purchase commitment. The Bank has arranged various methods to compensate for losses on these credit line commitments including payment guarantees, repurchase contracts, surety certificate guarantees, and cash reserves. Also, a reserve was recognized for the resulting expected losses amounting to ₩69,396 million as other allowances (Note 14).

The Bank has an off-shore loan commitment, limited to USD 12,367 thousand, and the loan balance under the commitment as of September 30, 2003 is USD 4,323 thousand.

As of September 30, 2003, the Bank has an outstanding obligation to repurchase and/or indemnify for losses on the loans and securities sold to Kookmin 6th-ABS Specialty Co., Ltd. and Jooeun 5th-ABS Specialty Co., Ltd. (collectively, "the SPEs") with a ceiling of ₩72,000 million and ₩36,957 million, respectively. A reserve was recognized for the resulting expected losses amounting to ₩3,435 million as other allowances (Note 14).

Also, the Bank has an outstanding obligation to repurchase and/or indemnify for losses on the loans sold to Kookmincard 1st-ABS Specialty Co., Ltd. and Kookmincard 14th-ABS Specialty Co., Ltd. (collectively, "the SPEs") with a ceiling of ₩9,458 million and ₩33,001 million. No adjustments have been made in the accompanying financial statements related to such uncertainties.

As of September 30, 2003, post settlements on the loan sales transaction with Korea Asset Management Corporation ("KAMCO") have been completed and the Bank has provided allowances of ₩1,014 million for losses from possible future repurchase of loans from KAMCO under the repurchase agreement with a ceiling of ₩5,280 million (Note 14).

The Bank sold to Sun Capital Inc., 65.43% of its 85.43% investment in, and ₩172,024 million of its loans to, Alpha Capital Corp., for ₩145,000 million on August 30, 2002. The Bank also sold an additional 5.03% of its investment in Alpha Capital Corp. to Sun Capital Inc. for ₩900 million on October 28, 2002.

The Bank sold its 87.00% investment in Kookmin Investment Trust Management Co., Ltd. to Morgan Stanley Private Equity (the M&A private funds led by Morgan Stanley Global Emerging Markets Inc. and affiliated funds) on May 29, 2002 and sold its 88.66% investment in Kookmin Leasing Co., Ltd. to Sun Capital Inc. on December 27, 2002.

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Included in cash and due from banks as of September 30, 2003 are the following restricted deposits (in millions of Won):

	Amount	Restrictions
Reserve deposits in the Bank of Korea and Korea Exchange Bank	₩ 3,424,674	General Banking Act
Deposits placed with Hansol Mutual Savings & Finance Co., Ltd and Shinhan Bank	160,000	Withdrawal at maturity
Due from Banks in Foreign Currency	36,816	General Banking Act
Other deposits	741	Futures guarantee deposits
	<u>3,622,231</u>	
Present value discount	(13,940)	
	<u>₩ 3,608,291</u>	

As of September 30, 2003, the following investment securities are pledged at various institutions (in millions of Won):

Securities Provided		Related Liability	
Book Value	Pledge Value	Amount	Transaction
₩ 4,052,384	₩ 4,004,608	₩ 4,349,858	Bonds sold under repurchase agreements
1,231,579	1,214,400	900,665	Borrowings from the Bank of Korea
108,764	115,500	Borrowing within credit line	Derivatives transactions
170,200	170,200	Borrowing within credit line	BOK settlements
70,293	69,811	Borrowing within credit line	Leased securities
1,894	1,900	Borrowing within credit line	Others
<u>₩ 5,635,114</u>	<u>₩ 5,576,419</u>		

As of September 30, 2003, the Bank holds the unexpired rights to claim from borrowers or guarantors for loans, in accordance with the relevant law, which have already been written off, amounting to ₩7,008,730 million. Also, as of September 30, 2003, the Bank holds endorsed bills amounting to ₩9,434 million.

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

The Bank has current account agreements with two banks including Korea Exchange Bank and has provided two blank notes to financial institutions for borrowings.

In response to the generally unstable economic conditions, the Korean government and the private sector have been implementing structural reforms to historical business practices. Implementation of these reforms is progressing slowly, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The Bank may be either directly or indirectly affected by these generally unstable economic conditions and the reform program described above. The accompanying non-consolidated financial statements reflect management's assessment of the impact to date of the economic situation on the financial position of the Bank. Actual results may differ materially from management's current assessment. As of September 30, 2003, the Bank's total exposure (including debt securities, beneficiary certificates, and loans) to domestic credit card companies and capital companies amounts to ₩3,204,091 million. Currently, securities issued by credit card companies and capital companies, which are experiencing liquidity problems, are not widely traded in the bond market. The ultimate effect of these circumstances on the financial position of the Bank as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying financial statements.

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18. Capital Stock

As of September 30, 2003, the Bank has 1,000,000,000 common shares (par value per share: ₩5,000) authorized and 336,379,116 shares issued. ING Insurance International B.V. and the Korean government own 3.78%, and 9.10%, respectively, of the total issued shares. As of September 30, 2003, 35,729,664 common shares, equivalent to 10.62% of the total issued shares, are listed on the New York Stock Exchange as ADSs and are managed by the Bank of New York, the trustee of the Bank.

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

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

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

19. Capital Surplus

The movements in capital surplus for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

	Beginning Balance	Changes	Ending Balance
Paid-in capital in excess of par value	₩ 5,287,708	₩ 368,344	₩ 5,656,052
Gain on business combination	397,669	-	397,669
Revaluation increment	177,229	-	177,229
Others	2,146	(51)	2,095
	<u>₩ 5,864,752</u>	<u>₩ 368,293</u>	<u>₩ 6,233,045</u>

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

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

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20. Retained Earnings

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

In accordance with the regulations regarding securities issuance and disclosure (formerly the provisions of the Financial Control Regulation for publicly listed companies), the Company is required to appropriate, as a reserve for improvement of financial structure, a portion of retained earnings equal to a minimum of 50 percent of its annual income plus at least 10 percent of the net gain from the disposal of property, plant and equipment after deducting related taxes, until equity equals 30 percent of shareholders' equity. As of September 30, 2003, the Bank has no reserve for improvement of financial structure.

Pursuant to the Tax Exemption and Reduction Control Law, the Bank is required to appropriate, as a reserve for business rationalization, amounts equal to tax reductions arising from tax exemptions and tax credits. This reserve is not available for the payment of cash dividends, but may be transferred to capital stock or used to reduce accumulated deficit, if any.

As of September 30, 2003, other reserves are appropriated for the operations of overseas branches.

The Bank has retroactively applied Statement of Korean Financial Accounting Standards No. 6, "*Subsequent Events*". The financial statements as of and for the year ended December 31, 2002 have been retroactively restated for the change, which resulted to a decrease in liability and an increase in retained earnings for the amount of ₩ 325,233 million.

21. Capital Adjustments

The movements in capital adjustments for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

	Beginning Balance	Increase	Decrease	Ending Balance
Treasury stock	₩ (148,973)	₩ (29,094)	₩ (493)	₩ (177,574)
Unrealized gain on available-for-sale securities.....	180,449	238,789	87,886	331,352
Unrealized gain on investment in associates	94,773	11,745	100,549	5,969
	₩ 126,249	₩ 221,440	₩ 187,942	₩ 159,747

The Bank, under the approval of the Board of Directors on July 26, 2002, established an employee stock option plan for the welfare of the employees and purchased 3,000,000 shares of treasury stock under the plan.

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22. Other Non-Interest Income (Expenses)

Other non-interest income (expenses) for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

Other non-interest income		
- Realized gain on trading securities	₩	97,489
- Unrealized gain on trading securities		71,324
- Gain on trust management		188,184
- Reversal of allowance for losses on guarantees and acceptances.....		194
- Gain on valuation of derivatives		565,109
- Others.....		24,333
	₩	946,633
Other non-interest expenses		
- Realized loss on trading securities	₩	33,484
- Contributions to special funds.....		132,299
- Provision for allowance		-
- Loss on valuation of derivatives		525,476
- Loss on fair value hedged items		22
- Others		253,200
	₩	944,481

23. General and Administrative Expenses

General and administrative expenses for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

Salaries and wages	₩	777,532
Retirement benefits (Note 12)		70,361
Other employee benefits.....		232,745
Rent		46,180
Depreciation		269,438
Amortization		58,904
Taxes and dues		82,694
Advertising		40,491
Ordinary R&D.....		74,756
Fees and commissions		60,432
Others		143,269
	₩	1,856,802

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24. Non-Operating Income (Expenses)

Non-operating income (expenses) for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

Non-operating income

- Gain on disposal of fixed assets	₩	1,642
- Rent income		1,956
- Unrealized gain on investment in associates		238,738
- Realized gain on available-for-sale securities		326,573
- Realized gain on held-to-maturity securities		2,221
- Reversal of impairment loss on available-for-sale securities		11,457
- Gain on sale of loans		1,294
- Others		86,775
		<u>670,656</u>

Non-operating expenses

- Loss on disposal of fixed assets		34,817
- Loss on investment in associates		-
- Realized loss on available-for-sale securities		45,933
- Realized loss on held-to-maturity securities		-
- Impairment loss on available-for-sale securities		79,683
- Loss on sale of loans		2,927
- Provision for loan losses due to merger		1,652,264
- Others		70,160
		<u>1,885,784</u>
	₩	<u>(1,215,128)</u>

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25. Income Tax Expense

Income tax expense for the nine-month period ended September 30, 2003 is as follows (in millions of Won):

Income tax payable	₩	-
Deferred income taxes from temporary differences ^{1*}		(97,511)
Deferred income taxes from accumulated deficit ^{1*}		(259,936)
Deferred tax credit		(1,650)
Change in temporary differences due to tax adjustments.....		3,656
Retained earnings and other capital surplus adjustments ^{2*}		814
Income tax benefit	₩	(354,627)

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

2* Income tax effect from the change in retained earnings amounting ₩2,670 million and loss on disposition of treasury stock amounting to ₩72 million won from application of equity method.

The statutory income tax rate applicable to the Bank, including resident tax surcharges, is 29.7% for the six-month period ended September 30, 2003. However, due to tax adjustments, the effective tax rate for the nine-month period ended September 30, 2003 is (-) 48.1%. The basis for calculating the effective tax rate is as follows:

Net loss before income taxes	₩	(736,736)
Income tax expense based on the effective tax rate.....		(220,470)
Tax effects on adjustments.....		
Adjustments to increase taxable income		26,592
Adjustments to decrease taxable income.....		(160,749)
Income tax benefit per statements of operations	₩	(354,627)

The significant changes in accumulated temporary differences and deferred income taxes for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

	Beginning balance	Increase due to merger	Increase	Decrease	Ending balance	Deferred tax asset (liability)
Allowance for loan losses.....	₩ 314,081	₩ -	₩ 89,849	₩ 226,474	₩ 177,456	₩ 52,705
Accrued interest.....	(350,798)	(60,931)	(298,212)	(350,798)	(359,143)	(106,664)
Unrealized loss on securities	602,647	4,456	498,852	338,694	767,261	227,876
Unrealized loss on derivatives	(109,298)	(3,530)	(51,909)	(112,828)	(51,909)	(15,417)
Present value discounts.....	28,001	-	17,431	28,001	17,431	5,177
Allowance for losses on guarantees and acceptances	2,287	-	2,018	2,287	2,018	599
Accrued severance benefits	-	-	28,489	-	28,489	8,461
Stock options	10,116	552	8,316	10,668	8,316	2,470
Loss on fair value hedges	9,213	-	(6,329)	-	2,884	856
Accumulated depreciation	17,195	-	18,535	6,680	29,050	8,628
Other allowances	48,876	-	156,078	48,876	156,078	46,355
Other.....	2,172	1,209	65,841	2,583	66,639	19,791
Net operating loss carry-forward	-	-	875,173	-	875,173	259,936
	₩ 574,492	₩ (58,244)	₩ 1,404,132	₩ 200,637	₩ 1,719,743	510,773
Deferred tax credit.....						1,650

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₩ 512,423

26. Earnings (Loss) Per Share

Details of the computation of the earnings (loss) per share for the three-month period and nine-month period ended September 30, 2003, and for the three-month period and nine-month period ended September 30, are shown below.

	Net income (loss) (in millions of Won)	Weighted average number of common shares outstanding	Earnings (loss) per share (in Won)
Nine months ended September 30, 2003	₩ (382,109)	₩ 325,176,698	₩ (1,175)
Three months ended September 30, 2003	(341,441)	325,048,574	(1,050)
Nine months ended September 30, 2002	1,512,868	317,390,563	4,767
Three months ended September 30, 2002	348,844	316,906,681	1,101

As there are no extraordinary gains or losses for the relevant periods, ordinary income per share is not calculated.

The weighted average number of common shares outstanding for the three-month and nine-month periods ended September 30, 2003 and 2002 are calculated as follows:

	Number of common shares outstanding- beginning balance	Weighted average number of treasury common shares	Weighted average number of common shares outstanding
Nine months ended September 30, 2003	328,258,685	(3,081,987)	325,176,698
Three months ended September 30, 2003	328,258,685	(3,210,111)	325,048,574
Nine months ended September 30, 2002	317,677,416	(286,853)	317,390,563
Three months ended September 30, 2002	317,677,416	(770,735)	316,906,681

Diluted EPS is computed by dividing diluted net income, which is adjusted by adding back the after- tax amount of interest expenses on any convertible debt and dividends on any convertible stocks by the weighted average number of common shares and diluted securities outstanding during the year.

Diluted ordinary income per share is computed by dividing diluted ordinary income allocated to common stock which is diluted net income allocated to common stock as adjusted by extraordinary gains or losses net of related income taxes by the weighted average number of common shares and diluted securities outstanding during the year assuming conversion into common shares at the beginning of the year.

Weighted average number of common shares outstanding before and after dilution for the nine-month period and three-month period ended September 30, 2002 are calculated as follows:

	Nine-month period	Three-month period
Weighted average number of common shares before dilution	317,390,563	316,906,681
Convertible bonds	10,581,269	10,581,269
Employee stock option	303,019	-
Diluting shares	10,884,288	10,581,269
Diluted weighted average number of common shares	328,274,851	327,487,950

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Diluted EPS for the nine-month periods ended September 30, 2003 is calculated as follows (in millions of Won):

	Nine-month period		Three-month period	
	₩		₩	
Net income after income taxes		1,512,868		348,844
Interest expenses on convertible bonds		4,556		1,533
Stock compensation expenses		431		-
Diluted net income for nine months ended September 30, 2003		1,517,855		350,377
Weighted average number of common shares outstanding		328,274,851		327,487,950
Diluted earnings per share (in Won)	₩	4,624	₩	1,070

The interest expenses on convertible bonds and stock compensation expenses used in the calculation of the diluted EPS are net of the tax effect. The number of common shares assumed to be convertible bonds is calculated by dividing the total convertible bond amount by the conversion price per share.

Earnings(Loss) per share, ordinary income per share, diluted EPS and diluted ordinary income per share for the three-month period ended March 31, 2003, for the three-month period ended June 30, 2003 and for the year ended December 31, 2002, are calculated as follows.

	December 31, 2002		March 31, 2003		June 30, 2003	
	₩		₩		₩	
Earnings(Loss) per share		4,123		227		(-)352
Ordinary income per share		4,123		227		(-)352
Diluted EPS		4,123		227		(-)352
Diluted ordinary income per share		4,123		227		(-)352

27. Assets and Liabilities Denominated in Foreign Currencies

Significant assets and liabilities denominated in foreign currencies as of September 30, 2003 comprise the following:

				Major Denomination Currencies					
				Thousands of US Dollars		Thousands of EC Euro		Thousands of Japanese Yen	
		Millions of Won Equivalent	Thousands of USD Equivalent ^{1*}						
Assets									
Cash	₩	208,123	\$	180,945	\$	78,481	€	19,453	¥ 7,041,090
Due from banks		741,436		644,615		614,246		10,428	1,249,648
Securities		1,180,270		1,026,143		941,906		-	3,702,245
Loans in foreign currencies		3,832,579		3,332,098		1,538,774		2,832	77,115,778
Bills bought		583,883		468,512		437,329		15,166	768,318
Acceptances and guarantees		6,311		5,487		5,487		-	-
Call loans		154,242		134,100		134,100		-	-
Liabilities									
Deposits		1,303,028		1,132,870		778,231		21,090	24,782,459
Borrowings		3,263,899		2,837,680		2,173,129		57,866	65,035,941
Due to BOK		16,857		14,656		14,656		-	-
Call money		300,087		260,900		217,700		-	4,000,000
Debentures		842,222		732,239		658,872		-	-
Unsettled foreign exchange liabilities		32,808		28,524		22,212		1,091	353,932

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1* Foreign currencies other than US dollars are converted into US dollar amounts using the exchange rates provided by Seoul Money Brokerage Services, Ltd. at September 30, 2003.

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28. Related Party Transactions

Significant transactions with related parties for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

	Accounts	Ending Balance	Transactions Relating to P/L
KB Investment Co., Ltd.	Deposits	13,038	(379)
	Other liabilities	164	-
Kookmin Data System Co., Ltd.	Deposits	5,998	(201)
	Commission income.....	-	41
	Guarantees	879	-
	Accounts payable.....	1, 191	-
	Accrued expenses	225	(11,419)
	Prepaid expenses.....	14	-
Kookmin Futures Co., Ltd.	Due from banks.....	108	2
	Deposits	9,841	(351)
	Guarantees	1,363	-
	Accounts payable.....	21	-
	Accrued expenses	178	-
	Commission income.....	-	7
	Commission expenses	-	(78)
	Other assets.....	6	57
	Accrued revenues.....	7	-
Kookmin Bank Luxembourg S.A	Due from banks.....	222,264	1,672
	Loans	34,506	390
	Other assets.....	990	2,644
	Borrowings	168,925	(105)
	Other liabilities	-	2,051
Kookmin Bank International Ltd. (London)	Due from banks.....	72,564	698
	Loans	80,514	1,228
	Other assets.....	247	702
	Borrowings	122,300	(430)
	Other liabilities	1,271	(3,276)
Kookmin Finance H.K. Ltd.	Due from banks.....	46,008	787
	Loans	85,343	1,274
	Other assets.....	410	267
	Borrowings	97,883	(3)
	Other liabilities	105	(1,410)

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Accounts		Ending Balance	Transactions Relating to P/L
Kookmin Investment	Deposits	₩ 18,490	₩ (329)
Trust Mgt. Co., Ltd.	Other liabilities	161	-
	Gain on derivatives transactions	-	1
	Loss on derivatives transactions	-	(5)
KB Real Estate Co., Ltd.	Loans	25,000	1,936
	Deposits	1,092	(15)
	Guarantees	1,738	-
	Unearned revenues	11	-
	Accrued expenses	4	-
	Accrued income	1	-
Jooeun Industry Co., Ltd.	Loans	139,778	-
KB Credit Information	Other assets	-	106
Information Co., Ltd.	Deposits	11,374	(328)
	Guarantees	3,123	-
	Accounts payable	-	-
	Accrued expenses	2,885	-
	Commission expenses	-	(27,998)

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29. Transactions with Financial Institutions

The assets and liabilities related to transactions with financial institutions for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

Accounts	Description	The Bank of Korea	Other banks	Other financial institutions	Total
Cash and due from banks	Due from banks in Won	₩ 3,424,674	₩ 34,768	₩ 140,000	₩ 3,599,442
	Due from banks in foreign currencies	35,409	701,196	4,831	741,436
		3,460,083	735,964	144,831	4,340,878
Loans	Loans in Won	-	16,412	748,926	765,338
	Loans in foreign currencies	-	545,598	72,596	618,194
	Others	600,000	1,366,353	65,608	2,031,961
		600,000	1,928,363	887,130	3,415,493
Deposits	Deposits in Won	-	756,369	2,740,496	3,496,865
	Deposits in foreign currencies	-	-	-	-
		-	756,369	2,740,496	3,496,865
Borrowings	Borrowings in Won	900,665	1,091,359	5,769	1,997,793
	Borrowings in foreign currencies	-	2,394,149	18,712	2,412,861
	Others	16,857	648,210	697,900	1,362,967
		917,522	4,133,718	722,381	5,773,621
Debentures	Debentures in Won	-	-	274,900	274,900
	Debentures in foreign currencies	-	833,969	-	833,969
		-	833,969	274,900	1,108,869

30. Interest Bearing Assets and Liabilities

Interest bearing assets and liabilities and related interest income and interest expenses for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

Assets	Average Balance	Interest Income	Average Yield (%)
Due from banks	₩ 3,425,918	₩ 7,797	0.30%
Securities	29,089,636	1,181,146	5.43%
Loans	131,098,468	7,216,208	7.36%
	₩ 163,614,022	₩ 8,405,151	
Liabilities	Average Balance	Interest Expenses	Average Yield (%)
Deposits	₩ 125,251,648	₩ 3,257,955	3.48%
Borrowings	12,422,729	307,758	3.31%
Debentures	17,910,617	821,045	6.13%
	₩ 155,584,994	₩ 4,386,758	

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31. Operations of the Trust Accounts

Assets and liabilities of the trust accounts as of September 30, 2003 are classified as principal or dividend guaranteed money trusts, performance money trusts, and property trusts as follows (in millions of Won):

	Guaranteed Money Trusts	Performance Money Trusts	Property Trusts	Total
Securities	₩ 3,108,066	₩ 7,863,525	₩ 848,356	₩ 11,819,947
Loans	158,901	350,629	-	509,530
Receivables	-	-	21,146,583	21,146,583
Due from banking accounts	280,022	656,338	109,038	1,045,398
Present value discounts	(844)	(26)	-	(870)
Allowance for loan losses	(68,319)	(55,438)	-	(123,757)
Other assets	96,368	230,550	12,628	339,546
Total assets	<u>₩ 3,574,194</u>	<u>₩ 9,045,578</u>	<u>₩ 22,116,605</u>	<u>₩ 34,736,377</u>
Trusts	₩ 3,268,647	₩ 8,612,831	₩ 22,047,490	₩ 33,928,968
Borrowings	54,012	-	-	54,012
Reserves for future losses	-	-	-	-
Other liabilities	251,535	432,747	69,115	753,397
Total liabilities	<u>₩ 3,574,194</u>	<u>₩ 9,045,578</u>	<u>₩ 22,116,605</u>	<u>₩ 34,736,377</u>

The Bank is liable as of September 30, 2003 for the following portion of the difference between the book value and fair value of principal and/or dividend guaranteed money trusts (in millions of Won):

	Book Value	Fair Value	Liable Amount
Principal guaranteed money trusts	₩ 3,392,142	₩ 3,464,873	₩ -
Principal and dividend guaranteed money trusts	94,677	102,268	-
	<u>₩ 3,468,819</u>	<u>₩ 3,567,141</u>	<u>₩ -</u>

The results of operations of the money trust accounts, from the Bank's management accounting point of view, for the nine-month period ended September 30, 2003 are as follows (in millions of Won):

Trust Account Related Income		Trust Account Related Expenses	
Gain on trust management	₩ 176,513	Interest expense on borrowings from trust accounts	₩ 25,886
Early withdrawal penalties	141	Loss on trust management	-
Interest income on loans to trust accounts ..	548		
	<u>₩ 177,202</u>		<u>₩ 25,886</u>

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32. Business Combination with H&CB

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

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

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

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

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

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

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

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

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

KOOKMIN BANK

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As of September 30, 2003 and December 31, 2002 and
for the three-month and nine-month periods ended September 30, 2003 and 2002
(Unaudited - See Independent Accountant's Report)

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

	Kookmin Bank	Kookmin Credit Card	Total ^{1*}
Cash and due from banks	₩ 4,599,356	₩ 103,505	₩ 4,702,861
Marketable securities	5,676,973	5,176	5,682,149
Investment securities ^{2*}	25,263,777	3,106,951	28,370,728
Loans	126,730,561	9,256,060	135,986,621
Fixed assets	3,092,616	260,600	3,353,216
Other assets	6,135,558	648,956	6,784,514
Total assets	₩ 171,498,841	₩ 13,381,248	₩ 184,880,089
Deposits	₩ 123,109,653	₩ -	₩ 123,109,653
Borrowings	10,690,754	5,629,389	16,320,143
Debentures	17,539,007	5,934,298	23,473,305
Other liabilities	10,110,031	899,334	11,009,365
Total liabilities	161,449,445	12,463,021	173,912,466
Capital stock	1,641,293	366,000	2,007,293
Capital surplus	5,864,752	146,591	6,011,343
Retained earnings	2,417,102	407,596	2,824,698
Capital adjustments	126,249	(1,960)	124,289
Total shareholders' equity	10,049,396	918,227	10,967,623
Total liabilities and shareholders' equity	₩ 171,498,841	₩ 13,381,248	₩ 184,880,089
	Kookmin Bank	Kookmin Credit Card	Total ^{1*}
Operating income (loss)	₩ 2,265,765	₩ (306,146)	₩ 1,959,619
Non-operating income	525,280	67,017	592,297
Non-operating expenses ^{2*}	(897,427)	(21,759)	(919,186)
Net income (loss) before income tax expense ..	1,893,618	(260,888)	1,632,730
Income tax expense	(583,327)	-	(583,327)
Net income (loss)	₩ 1,310,291	₩ (260,888)	₩ 1,049,403

KOOKMIN BANK

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As of September 30, 2003 and December 31, 2002 and
for the three-month and nine-month periods ended September 30, 2003 and 2002
(Unaudited - See Independent Accountant's Report)

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

	Kookmin Bank	Kookmin Credit Card ^{3*}	Total ^{1*}
Cash and due from banks	₩ 7,543,522	₩ 39,139	₩ 7,582,661
Marketable securities	4,003,636	40	4,003,676
Investment securities ^{2*}	25,059,230	2,969,040	28,028,270
Loans	133,299,297	6,854,723	140,154,020
Fixed assets	2,836,450	325,220	3,161,670
Other assets	8,895,431	407,247	9,302,678
Total assets	₩ 181,637,566	₩ 10,595,409	₩ 192,232,975
Deposits	₩ 128,106,542	₩ -	₩ 128,106,542
Borrowings	11,691,597	3,240,752	14,932,349
Debentures	17,181,146	4,951,891	22,133,037
Other liabilities	14,858,438	1,199,254	16,057,692
Total liabilities	171,837,723	9,391,897	181,229,620
Capital stock	1,641,293	366,000	2,007,293
Capital surplus	5,864,679	146,591	6,011,270
Retained earnings	2,033,157	691,969	2,725,126
Capital adjustments	260,714	(1,048)	259,666
Total shareholders' equity	9,799,843	1,203,512	11,003,355
Total liabilities and shareholders' equity	₩ 181,637,566	₩ 10,595,409	₩ 192,232,975
	Kookmin Bank	Kookmin Credit Card ^{3*}	Total
Operating income (loss)	₩ 478,392	₩ 301,213	₩ 779,605
Non-operating income	670,656	27,656	698,312
Non-operating expenses ^{2*}	(1,885,784)	(18,646)	(1,904,430)
Net income (loss) before income tax expense...	(736,736)	310,223	(426,513)
Income tax expense	354,627	(25,850)	(328,777)
Net income (loss)	₩ (382,109)	₩ 284,373	₩ 97,736

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

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

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

KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

As of September 30, 2003 and December 31, 2002 and
for the three-month and nine-month periods ended September 30, 2003 and 2002
(Unaudited - See Independent Accountant's Report)

34. Statement of Cash Flows

Cash and cash equivalents as of September 30, 2003 as presented in the statements of cash flows are as follows (in millions of Won):

Cash on hand	₩	3,040,602
Cash in foreign currencies		208,123
Due from banks in Won		3,600,644
Due from banks in foreign currencies		741,436
		<u>7,590,805</u>
Restricted deposits		(3,608,291)
	₩	<u>3,982,514</u>

Major transactions that do not involve cash inflows and cash outflows for the three-month and nine-month periods ended September 30, 2003 are presented as follows (in millions of Won):

	Three-month period		Nine- month period	
Change due to the merger with KB Credit Card Co., Ltd.	₩	10,595,409	₩	10,595,409
Unrealized gains on available-for-sale securities		27,401		88,804
Write-off of loans		1,138,437		1,193,191
Decreases in loan from restructuring		1,878		8,547
Conversion of loans into equity securities		517		6,544

KOOKMIN BANK

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As of September 30, 2003 and December 31, 2002 and
for the three-month and nine-month periods ended September 30, 2003 and 2002
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35. Business Segments

The Bank is organized into five major business segments: retail banking, corporate banking, capital markets activities, credit card operations, and others. The following table shows the distribution of the Bank's operations by business segment as of and for the nine-month period ended September 30, 2003 (in millions of Won):

Account	Retail Banking	Corporate Banking	Capital Markets Activities	Credit Card Operations	Others	Total
Loans.....	₩ 77,767,987	₩ 46,421,664	₩ 3,526,717	₩ 9,271,050	₩ 2,228,631	₩ 139,216,049
Securities.....	35,747	70,293	29,833,949	-	649,126	30,589,115
Fixed assets	1,765,633	516,585	166,954	286,963	333,301	3,069,436
Other assets	1,272,261	272,779	15,535,089	23,216	212,130	17,315,475
Total assets.....	<u>₩ 80,841,628</u>	<u>₩ 47,281,321</u>	<u>₩49,062,709</u>	<u>₩ 9,581,229</u>	<u>₩ 3,423,188</u>	<u>₩ 190,190,075</u>
Operating revenue	<u>₩ 4,551,896</u>	<u>₩ 2,458,776</u>	<u>₩ 3,858,532</u>	<u>₩ 811,610</u>	<u>₩ 775,618</u>	<u>₩ 12,456,432</u>

The Bank principally operates in Korea. Secondary segments are geographically oriented and are segregated into two segments: domestic and overseas operations. The following table shows the distribution of the Bank's operations by geographical market as of and for the nine-month period ended September 30, 2003 (in millions of Won):

	Domestic	Overseas	Total
Loans	₩ 138,569,913	₩ 646,136	₩ 139,216,049
Securities	30,531,016	58,099	30,589,115
Fixed assets.....	3,066,598	2,838	3,069,436
Other assets.....	16,930,003	385,472	17,315,475
Total assets	<u>₩ 189,097,530</u>	<u>₩ 1,092,545</u>	<u>₩ 190,190,075</u>
Operating revenue	<u>₩ 12,409,483</u>	<u>₩ 46,949</u>	<u>₩ 12,456,432</u>

36. Reclassification of Prior Financial Statement Presentation

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

37. Subsequent Event

On October 24, 2003, the Board of Directors resolved to acquire the Bank International Indonesia (" BII "). The Sorak consortium, of which the Bank is a member, was formed for the acquisition of BII and was subsequently named the preferred bidder of 51% of BII on October 29, 2003.