

KOOKMIN BANK
Form 6-K
March 31, 2003
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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

For the month of March 2003

Kookmin Bank

(Translation of registrant's name into English)

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

(Address of principal executive office)

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

Form 20-F Form 40-F

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

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

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

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

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

Yes _____ No

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Summary of Business Report

On March 31, 2003, Kookmin Bank filed a business report with the Financial Supervisory Commission of Korea pursuant to the Securities and Exchange Act of Korea (the Business Report). This is a summary of the Business Report translated into English. Non-material or previously disclosed portions were omitted or abridged.

All references to Kookmin Bank mean Kookmin Bank on a non-consolidated basis, and all references to we or us the Bank mean Kookmin Bank and, as the context may require, its subsidiaries. Kookmin Bank means a new entity established by a merger with former Kookmin Bank and H&CB on the merger date of October 31, 2001. Sometimes we refer it to New Kookmin Bank. On the other hand, we use the Former Kookmin Bank for the name of the former Kookmin Bank, which had been another entity before it merged H&CB.

We were formed through a merger between the Former Kookmin Bank and H&CB, which merged into a new corporation named Kookmin Bank effective November 1, 2001. Accordingly, financial information in this Business Report since the merger date reflects the impact of the merger. Under generally accepted accounting principles in Korea, the Former Kookmin Bank is deemed the accounting acquiror of H&CB in the merger, and we have accounted for the acquisition using the purchase method of accounting. However, trust accounts are not accounted by the purchase method accounting according to the Korean Financial Supervisory Service s guidelines.

Therefore, unless indicated otherwise, any comparative description or table of year 2000 or before 1) for bank accounts is based on the Former Kookmin Bank s results and 2) for trust accounts is based on simple consolidated numbers of Former Kookmin Bank s and H&CB s results.

All references to Won or W in this document are to the currency of the Republic of Korea.

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1. Introduction to the Bank

1.1. Business Purpose

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

The banking business as prescribed by the Bank Act; and

The other business permitted by the Bank Act or other Korea laws.

1.2. History

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

November 9, 2001
Listed on the Korea Stock Exchange

September 23, 2002
Integrated two brand operations onto a single information technology platform in connection with the merger

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

1.3. Capital Structure

1.3.1. Common Shares

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

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

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

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As of December 31, 2002, 328,258,685 shares of common stock were issued and outstanding with paid-in capital of 1,641,293 million Won. All of the issued and outstanding shares are fully-paid and non-assessable, and are in registered form.

1.3.2. Convertible Bonds

In June 1999, Goldman Sachs Capital Koryo, L.P., a fund managed by The Goldman Sachs Group, Inc., acquired (through its wholly-owned subsidiaries Goldman Sachs Capital Chosun, Ltd. and Goldman Sachs Capital Shilla, Ltd.) an interest in the Former Kookmin Bank in return for an investment of US\$500 million in new common shares and convertible bonds, consisting of W360 billion of new common shares (17,768,870 common shares at W20,260 per share, as adjusted for the merger ratio of 1.688346:1) and US\$200 million principal amount of subordinated convertible bonds with a conversion price of W14,200 per common share. As a result of the merger with H&CB and other adjustment events, the conversion price was adjusted to W22,124 per share.

On November 25, 2002, Goldman Sachs Capital Koryo, L.P. converted all of its convertible bonds into common shares of 10,581,269 and beneficially owned 5.13% of our outstanding common shares as of such date following that conversion.

1.3.3. Treasury Stock

The following table shows the purchase and disposition of our treasury stock.

(Unit: in thousands of Won unless otherwise indicated)

| Date | Reason | Number of shares | Cost | Average cost per one share |
|---|--|--|--------------------|-----------------------------------|
| November 15, 2001 | Acquisition of fractional shares in the course of the merger | 41,548 shares | 1,794,885 | 43,200 Won |
| December 24, 2001 | Disposition due to exercise of stock option by a grantee | 10,000 shares | 432,003 | 48,900 Won |
| April 3, 2002 | Acquisition of fractional shares due to stock dividend | 36,089 shares | 2,071,557 | 57,400 Won |
| May 14, 2002 | Disposition pursuant to the Bank Act of Korea | 31,548 shares | 1,601,944 | 50,788 Won |
| July 30 ~ October 23, 2002 ¹ | Acquisition pursuant to the Securities and Exchange Act of Korea | 3,000,000 shares | 147,632,489 | 49,210 Won |
| December 24, 2002 | Disposition due to exercise of stock option by a grantee | 10,000 shares | 492,294 | 49,229 Won |
| Total | | Outstanding balance: 3,026,089 shares | 148,972,690 | |

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1. On July 26, 2002, Kookmin Bank's board of directors approved and ratified to purchase the treasury stock up to 3 million shares for the purpose of introducing one of a stock purchase program and an employee stock ownership plan in order to provide a wide range of benefit with the employees.

Table of Contents**1.3.4. Stock Option**

The following table is the breakdown of stock options Kookmin Bank has granted to the directors and employees. It describes grant date, position, exercise period, price and the number of options.

(As of December 31, 2002, Units: in Won, shares)

| Grant date | Name of the grantee | Position when granted | Exercise period | | Exercise price | Number of granted options* | Number of exercised options | Number of exercisable options |
|------------|---------------------|-------------------------------------|-----------------|-----------|----------------|----------------------------|-----------------------------|-------------------------------|
| | | | From | To | | | | |
| 31-Oct-98 | Jungtae Kim | Chairman, President & CEO | 01-Nov-01 | 31-Oct-04 | 5,000 | 400,000 | 320,000 | 80,000 |
| 27-Feb-99 | Choulju Lee | Auditor & Executive Director | 28-Feb-02 | 27-Feb-05 | 13,900 | 30,000 | 30,000 | 0 |
| 27-Feb-99 | Seungdong Kim | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 20,054 | 20,054 | 0 |
| 27-Feb-99 | Youngjo Joo | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 30,000 | 30,000 | 0 |
| 27-Feb-99 | Seokil Cho | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 20,054 | 20,054 | 0 |
| 27-Feb-99 | Hongshik Chung | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 20,000 | 20,000 | 0 |
| 27-Feb-99 | Bonghwan Cho | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 30,000 | 30,000 | 0 |
| 27-Feb-99 | Sunjoo Kim | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 10,000 | 10,000 | 0 |
| 27-Feb-99 | Jehyung Jo | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 30,000 | 30,000 | 0 |
| 27-Feb-99 | Hogi Baek | Executive Vice President | 28-Feb-02 | 27-Feb-05 | 13,900 | 20,000 | 20,000 | 0 |
| 27-Feb-99 | Bruce Willison | Non Executive Director | 28-Feb-02 | 27-Feb-05 | 13,900 | 10,000 | 10,000 | 0 |
| 28-Feb-00 | Jan Op de Beek | Director & Executive Vice President | 01-Mar-03 | 28-Feb-06 | 27,600 | 22,490 | 0 | 22,490 |
| 28-Feb-00 | Sungchul Kim | Executive Vice President | 01-Mar-03 | 28-Feb-06 | 27,600 | 30,000 | 0 | 30,000 |
| 28-Feb-00 | Woojung Lee | Executive Vice President | 01-Mar-03 | 28-Feb-06 | 27,600 | 30,000 | 0 | 30,000 |
| 28-Feb-00 | Kukju Kwon | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,800 | 0 | 4,800 |
| 28-Feb-00 | Sunjin Kim | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 7,000 | 0 | 7,000 |
| 28-Feb-00 | Joon Park | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,800 | 0 | 4,800 |
| 28-Feb-00 | Moonsoul Chung | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 7,000 | 0 | 7,000 |
| 28-Feb-00 | Juhyun Yoon | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,800 | 0 | 4,800 |
| 28-Feb-00 | Heungsoon Chang | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 2,486 | 0 | 2,486 |
| 28-Feb-00 | Injoon Kang | | 01-Mar-03 | 28-Feb-06 | 27,600 | 2,486 | 0 | 2,486 |

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| | | | | | | | | |
|-----------|----------------|------------------------------|-----------|-----------|--------|--------|---|--------|
| | | Non Executive Director | | | | | | |
| 28-Feb-00 | Sunghye Jwa | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,800 | 0 | 4,800 |
| 28-Feb-00 | Seungwoo Nam | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 1,928 | 0 | 1,928 |
| 28-Feb-00 | Woonyoul Choi | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 4,909 | 0 | 4,909 |
| 28-Feb-00 | Kyunghee Yoon | Non Executive Director | 01-Mar-03 | 28-Feb-06 | 27,600 | 7,000 | 0 | 7,000 |
| 28-Feb-00 | Sungcheon Hong | Head of Regional Head Office | 01-Mar-03 | 28-Feb-06 | 27,600 | 6,821 | 0 | 6,821 |
| 28-Feb-00 | Miro Yoon | Head of Regional Head Office | 01-Mar-03 | 28-Feb-06 | 27,600 | 3,333 | 0 | 3,333 |
| 28-Feb-00 | Hakdong Shin | Head of Regional Head Office | 01-Mar-03 | 28-Feb-06 | 27,600 | 6,821 | 0 | 6,821 |
| 28-Feb-00 | Hakyeon Jeong | Head of Regional Head Office | 01-Mar-03 | 28-Feb-06 | 27,600 | 10,000 | 0 | 10,000 |
| 28-Feb-00 | Jeongyeon Kim | Head of Regional Head Office | 01-Mar-03 | 28-Feb-06 | 27,600 | 10,000 | 0 | 10,000 |
| 28-Feb-00 | Jongwhan Byun | Head of Regional Head Office | 01-Mar-03 | 28-Feb-06 | 27,600 | 10,000 | 0 | 10,000 |
| 28-Feb-00 | Samyoung Lee | Head of Regional Head Office | 01-Mar-03 | 28-Feb-06 | 27,600 | 6,821 | 0 | 6,821 |
| 28-Feb-00 | Wonki Kim | Head of Regional Head Office | 01-Mar-03 | 28-Feb-06 | 27,600 | 6,821 | 0 | 6,821 |
| 28-Feb-00 | Bangyeoul Kim | Head of Regional Head Office | 01-Mar-03 | 28-Feb-06 | 27,600 | 3,333 | 0 | 3,333 |
| 28-Feb-00 | Byungman Lim | Head of Regional Head Office | 01-Mar-03 | 28-Feb-06 | 27,600 | 3,333 | 0 | 3,333 |
| 24-Mar-01 | Youngil Kim | Executive Vice President | 25-Mar-04 | 24-Mar-07 | 25,100 | 30,000 | 0 | 30,000 |
| 24-Mar-01 | Jongin Park | Executive Vice President | 25-Mar-04 | 24-Mar-07 | 25,100 | 30,000 | 0 | 30,000 |
| 24-Mar-01 | Wonbae Yoon | Non Executive Director | 25-Mar-04 | 24-Mar-07 | 25,100 | 2,318 | 0 | 2,318 |
| 24-Mar-01 | Jaekyu Lee | Non Executive Director | 25-Mar-04 | 24-Mar-07 | 25,100 | 2,318 | 0 | 2,318 |

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

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| Grant date | Name of the grantee | Position when granted | Exercise period | | Exercise price | Number of granted options* | Number of exercised options | Number of exercisable options |
|------------|---------------------|------------------------------|-----------------|-----------|----------------|----------------------------|-----------------------------|-------------------------------|
| | | | From | To | | | | |
| 24-Mar-01 | Chulsoo Ahn | Non Executive Director | 25-Mar-04 | 24-Mar-07 | 25,100 | 1,916 | 0 | 1,916 |
| 24-Mar-01 | Jaehan Kim | Head of Regional Head Office | 25-Mar-04 | 24-Mar-07 | 25,100 | 10,000 | 0 | 10,000 |
| 24-Mar-01 | Jongok Na | Head of Regional Head Office | 25-Mar-04 | 24-Mar-07 | 25,100 | 10,000 | 0 | 10,000 |
| 24-Mar-01 | Kyuhoo Lee | Head of Regional Head Office | 25-Mar-04 | 24-Mar-07 | 25,100 | 3,275 | 0 | 3,275 |
| 18-Mar-00 | Sanghoon Kim | Chairman & CEO | 19-Mar-03 | 18-Mar-05 | 23,469 | 41,460 | 0 | 41,460 |
| 18-Mar-00 | Jongmin Lee | Auditor & Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 14,807 | 0 | 14,807 |
| 18-Mar-00 | Sejong Oh | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 0 | 2,961 |
| 18-Mar-00 | Inkie Kim | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 0 | 2,961 |
| 18-Mar-00 | Jihong Kim | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 0 | 2,961 |
| 18-Mar-00 | Jinho Hwang | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 0 | 2,961 |
| 18-Mar-00 | Hyungjin Chang | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 0 | 2,961 |
| 18-Mar-00 | Ikrae Kim | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 0 | 2,961 |
| 18-Mar-00 | Bongho Paick | Non Executive Director | 19-Mar-03 | 18-Mar-05 | 23,469 | 2,961 | 0 | 2,961 |
| 18-Mar-00 | Bockwoan Kim | Executive Vice President | 19-Mar-03 | 18-Mar-05 | 23,469 | 11,845 | 0 | 11,845 |
| 18-Mar-00 | Yoohwan Kim | Executive Vice President | 19-Mar-03 | 18-Mar-05 | 23,469 | 11,845 | 0 | 11,845 |
| 18-Mar-00 | Dukhyun Kim | Executive Vice President | 19-Mar-03 | 18-Mar-05 | 23,469 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Sanghoon Kim | Chairman & CEO | 16-Mar-04 | 15-Mar-09 | 28,027 | 29,614 | 0 | 29,614 |
| 15-Mar-01 | Jongmin Lee | Auditor & Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 14,807 | 0 | 14,807 |
| 15-Mar-01 | Inkie Kim | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Hyungjin Chang | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Jihong Kim | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Bongho Paick | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 1,870 | 0 | 1,870 |
| 15-Mar-01 | Ikrae Kim | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Seungheon Han | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 1,870 | 0 | 1,870 |
| 15-Mar-01 | Youngseok Kim | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 1,870 | 0 | 1,870 |
| 15-Mar-01 | Sewoong Lee | Non Executive Director | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Changki Min | | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |

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| | | Non Executive Director | | | | | | |
|-----------|----------------|------------------------------|-----------|-----------|--------|--------|---|--------|
| 15-Mar-01 | Bockwoan Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Yoohwan Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Dukhyun Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Yoonok Hyun | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Taigon Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Byungsang Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Byungjin Kim | Executive Vice President | 16-Mar-04 | 15-Mar-09 | 28,027 | 11,845 | 0 | 11,845 |
| 15-Mar-01 | Jihan Koo | Head of Regional Head Office | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Dongsoon Park | Head of Regional Head Office | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Hoosang Chang | Head of Regional Head Office | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Sanghoon Lee | Head of Regional Head Office | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Jaemin Suh | Head of Regional Head Office | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Sunghyun Chung | Head of Regional Head Office | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Jonghwa Lee | Head of Regional Head Office | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Sangwon Lee | Head of Regional Head Office | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Joonsup Chang | Head of Regional Head Office | 16-Mar-04 | 15-Mar-09 | 28,027 | 2,961 | 0 | 2,961 |
| 15-Mar-01 | Dongshin Yang | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Jaekyung Lee | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Yeonkun Chung | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Youngno Lee | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Kitaek Hong | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Soondo Park | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Joonho Park | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Yangjin Kim | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Kwangdae Park | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |

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| Grant date | Name of the grantee | Position when granted | Exercise period | | Exercise price | Number of granted options* | Number of exercised options | Number of exercisable options |
|------------|---------------------|------------------------------|-----------------|-----------|----------------|----------------------------|-----------------------------|-------------------------------|
| | | | From | To | | | | |
| 15-Mar-01 | Sungwan Choi | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 370 | 0 | 370 |
| 15-Mar-01 | Junghaeng Lee | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Anseok Cho | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Sangcheol Lee | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Taejoo Yoon | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 10 | 0 | 10 |
| 15-Mar-01 | Youngman Lee | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 520 | 0 | 520 |
| 15-Mar-01 | Youngsoo Kim | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Jongyoung Yoon | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Jaehong Yoo | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Changhwan Bae | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Sian Heo | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 370 | 0 | 370 |
| 15-Mar-01 | Seokwon Choi | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Gilho Seo | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 370 | 0 | 370 |
| 15-Mar-01 | Youngsoo Shin | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 370 | 0 | 370 |
| 15-Mar-01 | Joonbo Cho | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Kiyoul Seo | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Byungdo Ahn | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Kookshin Kang | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Ingyu Choi | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Hyungyoung Lee | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Youngrok Han | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Hyeyoung Kim | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Kihyun Kim | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Sungshin Cho | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Youngmo Lee | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Jongik Kim | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Kwangmook Park | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Yongseung Lee | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 592 | 0 | 592 |
| 15-Mar-01 | Sunggil Lee | General Manager | 16-Mar-04 | 15-Mar-09 | 28,027 | 370 | 0 | 370 |
| 16-Nov-01 | Jungtae Kim | President & CEO | 17-Nov-04 | 16-Nov-09 | | 500,000 | 0 | 500,000 |
| 16-Nov-01 | Jungtae Kim | President & CEO | 17-Nov-04 | 16-Nov-09 | X ¹ | 200,000 ² | 0 | 200,000 |
| 16-Nov-01 | Sanghoon Kim | Chairman | 17-Nov-04 | 16-Nov-09 | | 150,000 | 0 | 150,000 |
| 22-Mar-02 | Choulju Lee | Auditor & Executive Director | 23-Mar-05 | 22-Mar-10 | | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Henry Cornell | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 10,000 | 0 | 10,000 |
| 22-Mar-02 | Keunshik Oh | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 10,000 | 0 | 10,000 |
| 22-Mar-02 | Dongsoo Chung | Non Executive Director | 23-Mar-05 | 22-Mar-10 | Y ³ | 10,000 | 0 | 10,000 |
| 22-Mar-02 | Jihong Kim | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 10,000 | 0 | 10,000 |
| 22-Mar-02 | Timothy Hartman | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 10,000 | 0 | 10,000 |

1. Exercise price = 51,200 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4) / 100. The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - 207.25) / 207.25 x 100.
2. Conditional options up to 200,000: Additional shares shall be granted if the average closing price of Kookmin Bank's stock from August 17, 2004 to November 16, 2004 (or for the three months prior to his resignation, if he resigns earlier than his original tenure) is higher than the stock prices of any other bank listed on the Korea Stock Exchange. The number of options to be granted shall be based on total score, which calculated by the earned total scores of both ROE and market capitalization on November 17, 2004 (or on the date of his

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resignation, if he resigns earlier than his original tenure). The additional shares will not be exercisable if the CEO works less than 18 months or the earned total score is less than 80 points.

3. Exercise price = 57,100 Won x (1 + the increase rate of KOSPI Banking Industry Index x 0.4). The increase rate of KOSPI Banking Industry Index = (KOSPI Banking Industry Index as of the starting date of exercise period - KOSPI Banking Industry Index as of the grant date) / KOSPI Banking Industry Index as of the grant date.

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| Grant date | Name of the grantee | Position when granted | Exercise period | | Exercise price | Number of granted options* | Number of exercised options | Number of exercisable options |
|------------|---------------------|------------------------------|-----------------|-----------|----------------|----------------------------|-----------------------------|-------------------------------|
| | | | From | To | | | | |
| 22-Mar-02 | Sunjin Kim | Non Executive Director | 23-Mar-05 | 22-Mar-10 | Y | 3,000 | 0 | 3,000 |
| 22-Mar-02 | Moonsoul Chung | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 3,000 | 0 | 3,000 |
| 22-Mar-02 | Kyunghee Yoon | Non Executive Director | 23-Mar-05 | 22-Mar-10 | | 3,000 | 0 | 3,000 |
| 22-Mar-02 | Jongkyoo Yoon | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Bonghwan Cho | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Jaemin Suh | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Bumsoo Choi | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Bockwoan Kim | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Kitaek Hong | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Sunghyun Chung | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Kisup Shin | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Sungkyu Lee | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Byungsang Kim | Executive Vice President | 23-Mar-05 | 22-Mar-10 | 57,100 | 30,000 | 0 | 30,000 |
| 22-Mar-02 | Jongyoung Yoon | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Jaecil Song | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Hyunggoo Shim | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Junghaeng Lee | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Joonsup Chang | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Youngno Lee | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Dongsoon Park | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Sungbin Kim | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Sungbok Park | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Yeonkun Chung | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Mahnsoo Song | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 15,000 | 0 | 15,000 |
| 22-Mar-02 | Jeongyeon Kim | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 5,000 | 0 | 5,000 |
| 22-Mar-02 | Hakyeon Jeong | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 5,000 | 0 | 5,000 |

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| | | | | | | | | |
|-----------|------------------|---------------------------------|-----------|-----------|--------|-----------|---------|--------|
| 22-Mar-02 | Jongwhan Byun | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 5,000 | 0 | 5,000 |
| 22-Mar-02 | Jaehan Kim | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 5,000 | 0 | 5,000 |
| 22-Mar-02 | Jongok Na | Head of Regional Head Office | 23-Mar-05 | 22-Mar-10 | 57,100 | 5,000 | 0 | 5,000 |
| 26-Jul-02 | Donald MacKenzie | Executive Vice President | 27-Jul-05 | 26-Jul-10 | 58,800 | 30,000 | 0 | 30,000 |
| Total | | | | | | 2,681,339 | 540,108 | |

Table of Contents**1.4. Dividend**

The following table shows dividend policy and the related information for the last three years.

(Units: in millions of Won unless indicated otherwise)

| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
|--|------------------------|-------------|-------------|
| Net income for the period | 1,310,291 | 740,565 | 719,700 |
| Earnings per share (Won) | 4,123 ¹ | 3,706 | 2,403 |
| Maximum amount available for dividend | 1,192,643 ² | 604,984 | 614,046 |
| Total dividend amount | 325,232 | 119,866 | 151,009 |
| Dividend payout ratio (%) | 24.82 ³ | 16.19 | 20.76 |
| Cash dividend per common share (Won) | 1,000 | 100 | 500 |
| Stock dividend per common share (%) | | 6 | |
| Dividend per preferred share (Won) | | | 50 |
| Dividend yield ratio (%) | 2.38 ⁴ | 0.80 | 3.36 |
| Net asset value per common share (Won) | 30,614 ⁵ | 29,742 | 12,533 |
| Ordinary income per common share (Won) | 4,123 | 3,706 | 2,403 |

- Earnings per share = net income (1,310,291,195,314 Won) / weighted average number of shares (317,786,872 shares)
- Maximum amount available for dividend = retained earnings before appropriations (1,319,970 millions of Won) + transferred from prior years reserves (5,417 millions of Won) - appropriated amount pursuant to the relevant rules and regulations (132,744 millions of Won)
- Dividend payout ratio = total dividend amount for common shares (325,232,596,000 Won) / net income (1,310,291,195,314 Won).
- Dividend yield ratio = dividend per share (1,000 Won) / market closing price of December 31, 2002 (42,000 Won)
- Net asset value per common share = total shareholders equity (10,049,396 millions of Won) / total issued shares as of December 31, 2002 (328,258,685 shares).

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2. Business

2.1. Business Overview

We are the largest commercial bank in Korea in terms of assets, deposits, branch network and retail customer base. Our primary focus is branch-based lending to and deposit-taking from retail customers and small and medium-sized enterprises. The principal components of our business are general household, mortgage and small and medium-sized enterprise lending, credit card operations and investment trust account management business and capital market activities. We also make loans and provide banking services to large domestic corporate customers.

We have developed one of the most extensive domestic branch networks, with 1,190 domestic branches and sub-branches as of December 31, 2002. Our extensive branch network and retail customer base have provided us with a source of stable and low cost funding.

2.2. Market Shares

2.2.1. Market Share of Deposits in Won

The following table shows the market share of Kookmin Bank among 9 nationwide commercial banks in terms of deposits in Won (which includes certificate of deposits) as of the dates indicated. Numbers for 2000 are proforma results of Former Kookmin Bank and H&CB.

For the year 2002, Seoul Bank's figures are included in Hana Bank's figures due to the merger of Hana Bank and Seoul Bank.

(Units: in 100 millions of Won, %)

| | December 31, 2002 | | December 31, 2001 | | December 31, 2000 | |
|---------------------|-------------------|------------|-------------------|------------|-------------------|------------|
| | Amount | % | Amount | % | Amount | % |
| Kookmin Bank | 1,220,260 | 31.7 | 1,140,587 | 33.7 | 1,024,784 | 33.8 |
| Woori Bank | 589,095 | 15.3 | 513,903 | 15.2 | 486,305 | 16.0 |
| Hana Bank | 534,570 | 13.9 | 322,652 | 9.5 | 275,777 | 9.1 |
| Chohung Bank | 426,902 | 11.1 | 355,967 | 10.5 | 312,699 | 10.3 |
| Shinhan Bank | 331,479 | 8.6 | 301,285 | 8.9 | 263,513 | 8.7 |
| Korea Exchange Bank | 318,792 | 8.3 | 253,284 | 7.5 | 215,049 | 7.1 |
| Korea First Bank | 227,993 | 5.9 | 171,800 | 5.1 | 163,302 | 5.4 |
| KorAm Bank | 202,233 | 5.2 | 171,834 | 5.1 | 167,843 | 5.5 |
| Seoul Bank | | | 151,458 | 4.5 | 123,404 | 4.1 |
| Total | 3,851,324 | 100 | 3,382,770 | 100 | 3,032,676 | 100 |

Table of Contents**2.2.2. Market Share of Household Loans**

The following table shows the market share of Kookmin Bank among 9 nationwide commercial banks in terms of household loans as of the dates indicated. Numbers for 2000 are proforma results of Former Kookmin Bank and H&CB.

For the year 2002, Seoul Bank's figures are included in Hana Bank's figures due to the merger of Hana Bank and Seoul Bank.

(Units: in 100 millions of Won, %)

| | December 31, 2002 | | December 31, 2001 | | December 31, 2000 | |
|---------------------|--------------------------|------------|--------------------------|------------|--------------------------|------------|
| | Amount | % | Amount | % | Amount | % |
| Kookmin Bank | 743,096 | 41.1 | 601,536 | 47.2 | 488,734 | 56.2 |
| Hana Bank | 235,987 | 13.1 | 105,143 | 8.2 | 53,337 | 6.1 |
| Woori Bank | 228,530 | 12.6 | 132,501 | 10.4 | 84,896 | 9.8 |
| Shinhan Bank | 159,927 | 8.9 | 107,729 | 8.4 | 56,987 | 6.5 |
| Chohung Bank | 154,565 | 8.6 | 90,723 | 7.1 | 53,855 | 6.2 |
| Korea First Bank | 105,997 | 5.9 | 78,874 | 6.2 | 50,326 | 5.8 |
| Korea Exchange Bank | 102,062 | 5.6 | 64,053 | 5.0 | 36,752 | 4.2 |
| Seoul Bank | | | 53,156 | 4.2 | 17,435 | 2.0 |
| KorAm Bank | 75,759 | 4.2 | 41,807 | 3.3 | 27,742 | 3.2 |
| Total | 1,805,923 | 100 | 1,275,522 | 100 | 870,064 | 100 |

2.2.3. Market Share of Mortgage Loans

The following table shows the market share of Kookmin Bank among 9 nationwide commercial banks in terms of mortgage loans as of the dates indicated. Numbers for 2000 are proforma results of Former Kookmin Bank and H&CB.

For the year 2002, Seoul Bank's figures are included in Hana Bank's figures due to the merger of Hana Bank and Seoul Bank.

(Units: in 100 millions of Won, %)

| | December 31, 2002 | December 31, 2001 | December 31, 2000 |
|--|--------------------------|--------------------------|--------------------------|
|--|--------------------------|--------------------------|--------------------------|

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| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
|---------------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
| Kookmin Bank | 338,706 | 79.9 | 253,495 | 87.4 | 226,460 | 90.7 |
| Hana Bank | 25,014 | 5.9 | 7,552 | 2.6 | 2,017 | 0.8 |
| Woori Bank | 23,037 | 5.4 | 10,998 | 3.8 | 11,042 | 4.4 |
| Korea Exchange Bank | 15,584 | 3.7 | 8,719 | 3.0 | 2,394 | 1.0 |
| KorAm Bank | 8,592 | 2.0 | 2,432 | 0.8 | 2,264 | 0.9 |
| Shinhan Bank | 7,709 | 1.8 | 2,943 | 1.0 | 2,374 | 1.0 |
| Seoul Bank | | | 1,078 | 0.4 | 862 | 0.3 |
| Chohung Bank | 4,126 | 1.0 | 2,326 | 0.8 | 1,702 | 0.7 |
| Korea First Bank | 1,308 | 0.3 | 658 | 0.2 | 550 | 0.2 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total | 424,076 | 100 | 290,201 | 100 | 249,665 | 100 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Table of Contents**2.3. Source and Use of Funds****2.3.1. Source of Funds**

(Unit: in millions of Won)

| | | December 31, 2002 | | December 31, 2001 | | December 31, 2000 | |
|------------------|------------------------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| | | Average balance | Interest rate (%) | Average balance | Interest rate (%) | Average balance | Interest rate (%) |
| Won currency | Deposits and Mutual installment | 113,157,719 | 4.21 | 63,743,997 | 5.53 | 47,038,144 | 6.18 |
| | Certificate of deposit | 2,119,900 | 4.82 | 2,022,414 | 6.10 | 1,910,630 | 6.99 |
| | Borrowings | 4,568,873 | 4.45 | 3,784,147 | 4.85 | 3,317,619 | 6.43 |
| | Call money | 1,039,249 | 4.02 | 403,937 | 4.11 | 562,807 | 4.89 |
| | Other | 14,254,281 | 6.70 | 9,112,858 | 7.57 | 5,799,092 | 10.78 |
| Subtotal | | 135,140,022 | 4.49 | 79,067,353 | 5.74 | 58,628,292 | 6.67 |
| Foreign currency | Deposits | 1,096,544 | 1.28 | 952,701 | 3.08 | 882,344 | 5.20 |
| | Borrowings | 2,269,774 | 2.45 | 2,018,537 | 5.47 | 2,725,810 | 7.10 |
| | Call money | 293,151 | 1.65 | 223,156 | 3.67 | 193,324 | 6.31 |
| | Finance debentures issued | 1,071,848 | 3.57 | 1,430,804 | 5.68 | 1,521,343 | 7.75 |
| | Other | 23,087 | | 15,081 | | 13,666 | |
| Subtotal | | 4,754,404 | 2.67 | 4,640,279 | 5.32 | 5,336,487 | 7.20 |
| Other | Total Shareholders' Equity | 14,586,550 | | 7,463,687 | | 5,001,918 | |
| | Allowance for credit losses | 63,039 | | 353,183 | | 519,496 | |
| | Other | 3,717,379 | | 4,065,899 | | 3,032,325 | |
| Subtotal | | 18,366,968 | | 11,882,769 | | 8,553,739 | |
| Total | | 158,261,394 | 3.92 | 95,590,401 | 5.00 | 72,518,518 | 5.92 |

Table of Contents**2.3.2. Use of Funds**

(Unit: in millions of Won)

| | | December 31, 2002 | | December 31, 2001 | | December 31, 2000 | |
|------------------|---|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|
| | | Average balance | Interest rate (%) | Average balance | Interest rate (%) | Average balance | Interest rate (%) |
| Won currency | Due from banks | 1,041,865 | 4.62 | 1,339,572 | 5.60 | 3,276,652 | 7.39 |
| | Securities | 30,180,305 | 6.32 | 23,861,424 | 6.78 | 18,030,147 | 9.38 |
| | Loans | 105,188,481 | 7.79 | 53,575,082 | 8.87 | 38,301,330 | 9.71 |
| | Advances for customers | 91,583 | 4.35 | 127,704 | 3.84 | 337,987 | 4.62 |
| | Call loan | 736,571 | 4.36 | 1,765,067 | 4.80 | 524,653 | 6.59 |
| | Private placement corporate bonds | 1,631,524 | 7.32 | 2,065,179 | 10.32 | 1,878,194 | 9.21 |
| | Credit card accounts | 5,719,359 | 10.25 | 912,210 | 17.63 | 565,673 | 10.54 |
| | Other | 374,718 | | 614,014 | | 145,983 | |
| | Allowance for credit losses (-) | 1,437,960 | | 1,297,930 | | 1,224,823 | |
| | Subtotal | | 143,526,446 | 7.66 | 82,962,322 | 8.50 | 61,835,796 |
| Foreign currency | Due from banks | 253,390 | 1.35 | 121,994 | 3.28 | 1,335,708 | 7.50 |
| | Securities | 1,302,214 | 7.97 | 1,079,359 | 9.13 | 961,991 | 12.48 |
| | Loans | 3,216,042 | 3.39 | 3,870,853 | 5.66 | 3,073,781 | 7.69 |
| | Call loan | 188,465 | 1.98 | 185,466 | 4.15 | 209,321 | 6.88 |
| | Bills bought | 835,356 | 4.71 | 1,045,331 | 7.60 | 719,683 | 10.16 |
| | Other | 15,739 | | 116,454 | | | |
| | Allowance for credit losses (-) | 267,194 | | 266,613 | | 452,120 | |
| Subtotal | | 5,544,012 | 4.95 | 6,152,844 | 7.11 | 5,848,355 | 9.40 |
| Other | Cash | 914,639 | | 530,451 | | 421,390 | |
| | Fixed assets used for business purpose | 3,126,812 | | 1,462,413 | | 1,298,813 | |
| | Other | 5,149,485 | | 4,482,371 | | 3,114,164 | |
| Subtotal | | 9,190,936 | | 6,475,235 | | 4,834,367 | |
| Total | | 158,261,394 | 7.12 | 95,590,401 | 7.83 | 72,518,518 | 9.06 |

Table of Contents**2.4. Principal Banking Activities****2.4.1. Deposits**

The following table shows the average balances of our deposits for the past three years and ending balances as of the dates indicated.

(Unit: in millions of Won)

| | | December 31, 2002 | | December 31, 2001 | | December 31, 2000 | |
|-----------------|--------------------------------|--------------------|--------------------|-------------------|--------------------|-------------------|-------------------|
| | | Average balance | Ending balance | Average balance | Ending balance | Average balance | Ending balance |
| Deposits in Won | Demand deposits | 10,654,651 | 12,987,742 | 4,832,281 | 10,824,005 | 3,720,546 | 4,173,966 |
| | Time & savings deposits | 93,347,999 | 93,630,423 | 53,496,908 | 89,080,935 | 40,279,328 | 43,495,480 |
| | Mutual installment deposits | 8,058,664 | 7,491,115 | 6,469,772 | 8,871,193 | 4,632,965 | 5,521,161 |
| | Mutual installment for housing | 4,463,601 | 4,872,637 | 928,398 | 4,128,489 | 73,831 | 204,111 |
| | Certificates of deposits | 2,119,900 | 3,044,089 | 2,022,414 | 1,154,056 | 1,910,630 | 2,424,947 |
| | Subtotal | 118,644,815 | 122,026,006 | 67,749,773 | 114,058,678 | 50,617,300 | 55,819,665 |
| | Deposits in foreign currency | 1,096,544 | 1,083,647 | 952,701 | 1,102,626 | 858,330 | 702,481 |
| Trust deposits | Money trust | 17,214,936 | 15,356,285 | 20,375,456 | 19,739,709 | 22,279,546 | 20,349,257 |
| | Property trust | 16,783,690 | 26,852,684 | 5,409,033 | 12,559,922 | 92,838 | 875,984 |
| | Subtotal | 33,998,626 | 42,208,969 | 25,784,489 | 32,299,631 | 22,372,384 | 21,225,241 |
| | Total | 153,739,985 | 165,318,622 | 94,486,963 | 147,460,935 | 73,848,014 | 77,747,387 |

2.4.2. Average Deposit per Domestic Branch

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

(Unit: in millions of Won)

| | <u>December 31, 2002</u> | <u>December 31, 2001</u> | <u>December 31, 2000</u> |
|-----------------|--------------------------|--------------------------|--------------------------|
| Deposits | 121,137 | 133,548 | 120,422 |
| Deposits in Won | 120,336 | 132,320 | 119,089 |

Table of Contents**2.4.3. Average Deposit per Employee**

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

(Unit: in millions of Won)

| | <u>December 31, 2002</u> | <u>December 31, 2001</u> | <u>December 31, 2000</u> |
|-----------------|--------------------------|--------------------------|--------------------------|
| Deposits | 7,256 | 7,243 | 5,917 |
| Deposits in Won | 7,208 | 7,176 | 5,852 |

2.4.4. Loan Balances

The following table shows the average balances of our loans for the past three years and ending balances as of the dates indicated.

(Unit: in millions of Won)

| | <u>December 31, 2002</u> | | <u>December 31, 2001</u> | | <u>December 31, 2000</u> | |
|---------------------------|--------------------------|-------------------|--------------------------|-------------------|--------------------------|-------------------|
| | Average balance | Ending balance | Average balance | Ending balance | Average balance | Ending balance |
| Loans in Won | 105,117,047 | 116,472,105 | 53,498,087 | 94,698,769 | 38,301,330 | 43,436,111 |
| Loans in foreign currency | 3,228,857 | 4,417,176 | 3,924,562 | 4,174,237 | 3,077,642 | 2,970,653 |
| Advances to customers | 106,380 | 52,430 | 244,158 | 199,831 | 337,987 | 240,992 |
| Subtotal | 108,452,284 | 120,941,711 | 57,666,807 | 99,072,837 | 41,716,959 | 46,647,756 |
| Trust account loans | 789,614 | 575,412 | 2,194,851 | 1,117,817 | 4,216,018 | 3,170,756 |
| Total | 109,241,898 | 121,517,123 | 59,861,658 | 100,190,654 | 45,932,977 | 49,818,512 |

2.4.5. Loan Balances as of December 31, 2002 by Remaining Maturities

(Unit: in millions of Won)

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| | <u>Less than 1 year</u> | <u>More than 1 year-less than 3 years</u> | <u>More than 3 years-less than 5 years</u> | <u>More than 5 years</u> | <u>Total</u> |
|-----------------------------|-----------------------------|---|--|------------------------------|--------------|
| Loans in Won | 52,978,906 | 45,900,006 | 5,496,579 | 12,096,614 | 116,472,105 |
| Loans in foreign currencies | 2,881,739 | 644,270 | 293,480 | 597,687 | 4,417,176 |

Table of Contents**2.4.6. Loan Balances by Uses**

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

(Unit: in millions of Won)

| | | <u>December 31, 2002</u> | <u>December 31, 2001</u> | <u>December 31, 2000</u> |
|-------------------------------------|----------------------|--------------------------|--------------------------|--------------------------|
| Loans to enterprise | Loans for operations | 35,369,066 | 29,286,707 | 20,899,277 |
| | Loans for equipments | 5,963,631 | 4,434,447 | 4,393,664 |
| Loans to households | | 40,477,483 | 34,648,918 | 14,215,303 |
| Loans to public sector & others | Loans for operations | 738,632 | 730,598 | 1,914,841 |
| | Loans for equipment | 39,414 | 57,211 | 49,508 |
| Loans on property formation savings | | 95,252 | 154,069 | 244,479 |
| Loans for housing | | 33,731,435 | 25,342,969 | 1,663,904 |
| Inter-bank loans | | 20,941 | 36,110 | 51,343 |
| Others | | 36,251 | 7,740 | 3,792 |
| | | <u>116,472,105</u> | <u>94,698,769</u> | <u>43,436,111</u> |

2.4.7. Loan to Deposit Ratio

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

(Units: in millions of Won, %)

| | <u>December 31, 2002</u> | <u>December 31, 2001</u> | <u>December 31, 2000</u> |
|-----------------------------|--------------------------|--------------------------|--------------------------|
| Loans ¹ (A) | 105,117,047 | 53,498,087 | 38,301,330 |
| Deposits ² (B) | 118,644,815 | 67,749,773 | 50,617,300 |
| Loan to deposit ratio (A/B) | <u>88.60</u> | <u>78.96</u> | <u>75.67</u> |

2.4.8. Acceptances and Guarantees

(Unit: in millions of Won)

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| | <u>December 31, 2002</u> | <u>December 31, 2001</u> | <u>December 31, 2000</u> |
|--------------|--------------------------|--------------------------|--------------------------|
| Confirmed | 1,031,698 | 3,521,970 | 3,035,968 |
| Unconfirmed | 1,306,878 | 1,369,723 | 1,183,433 |
| Total | <u>2,338,576</u> | <u>4,891,693</u> | <u>4,219,401</u> |

-
1. Average balance of loans in Won for 12 months ended each indicated date
 2. Average balance of deposits in Won for 12 months ended each indicated date. The balances include certificate of deposits

Table of Contents**2.4.9. Breakdown of Securities Investment**

The following table shows the average balances of our securities for the past three years and ending balances as of indicated dates.

(Unit: in millions of Won)

| | | December 31, 2002 | | December 31, 2001 | | December 31, 2000 | |
|---|---------------------------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|
| | | Average balance | Ending balance | Average balance | Ending balance | Average balance | Ending balance |
| Securities in Won (Banking account) | Monetary stabilization bonds | 2,834,534 | 3,269,269 | 3,571,137 | 3,139,925 | 2,773,897 | 1,973,079 |
| | Government and public bonds | 4,272,946 | 5,252,321 | 4,454,446 | 4,592,251 | 4,095,760 | 4,595,840 |
| | Debentures | 13,154,258 | 13,378,717 | 11,410,904 | 14,691,304 | 8,431,478 | 9,151,880 |
| | Stocks | 2,146,149 | 1,661,682 | 1,309,134 | 2,154,449 | 1,004,648 | 1,142,113 |
| | Others | 7,809,012 | 7,162,134 | 3,115,803 | 7,547,153 | 1,724,364 | 1,588,295 |
| Subtotal | | 30,216,899 | 29,724,123 | 23,861,424 | 32,125,082 | 18,030,147 | 18,451,207 |
| Securities in Won (Trust account) | Monetary stabilization bonds | 1,309,515 | 583,379 | 3,228,021 | 2,725,071 | 3,654,209 | 3,365,883 |
| | Government and public bonds | 2,023,503 | 1,323,195 | 2,990,549 | 3,059,777 | 1,894,815 | 2,816,167 |
| | Debentures | 8,035,960 | 7,600,794 | 7,635,765 | 7,613,829 | 6,966,409 | 6,828,929 |
| | Stocks | 904,921 | 924,514 | 672,845 | 890,151 | 568,650 | 547,797 |
| | Others | 3,945,649 | 3,821,884 | 4,340,103 | 3,913,328 | 5,718,473 | 3,576,520 |
| Subtotal | | 16,779,512 | 15,001,019 | 18,985,430 | 18,572,571 | 18,842,267 | 17,135,296 |
| Securities in foreign currency (Trust Account) | | 559,964 | 747,253 | 118,147 | 370,415 | 39,711 | 0 |
| Subtotal | | 16,779,512 | 15,001,019 | 18,985,430 | 18,572,571 | 18,842,267 | 17,135,296 |
| Securities in foreign currency (Banking account) | Foreign securities | 945,199 | 960,749 | 736,084 | 909,730 | 631,040 | 583,229 |
| | Off-shore foreign securities | 320,423 | 255,878 | 343,275 | 382,542 | 370,664 | 316,868 |
| Subtotal | | 1,265,622 | 1,216,627 | 1,079,359 | 1,292,272 | 1,001,704 | 900,097 |
| Total | | 48,262,033 | 45,941,769 | 43,926,213 | 51,989,925 | 37,874,118 | 36,486,600 |

2.4.10. Trust Account (money trust)

(Unit: in millions of Won)

| | December 31, 2002 | | December 31, 2001 | | December 31, 2000 | |
|-------------------------|-------------------------|----------------|-------------------------|----------------|-------------------------|----------------|
| | Total amount trusted | Trust fees | Total amount trusted | Trust fees | Total amount trusted | Trust fees |
| Return-guaranteed trust | 1,528 | 59,530 | 25,551 | - 17,147 | 581,332 | - 77,157 |
| Performance trust | 33,997,098 | 241,444 | 25,758,938 | 353,890 | 21,821,152 | 308,287 |
| Total | 33,998,626 | 300,974 | 25,784,489 | 336,743 | 22,402,484 | 231,130 |

Table of Contents**2.4.11. Credit Card****2.4.11.1. BC Card**

(Unit: in millions of Won unless indicated otherwise)

| | | As of or for the years ended December 31 | | |
|---------------------------------|--------------------|---|-------------|-------------|
| | | 2002 | 2001 | 2000 |
| Number of card holders (Person) | Corporate | 58,090 | 23,811 | 17,942 |
| | Individual | 4,748,427 | 4,017,950 | 3,053,224 |
| Number of merchants | | 295,668 | 262,619 | 196,264 |
| Profit | Sales ¹ | 27,216,500 | 22,272,700 | 12,538,100 |
| | Fee revenue | 1,039,710 | 819,399 | 440,653 |

2.4.11.2. Kookmin Card²

(Unit: in millions of Won unless indicated otherwise)

| | | As of or for the years ended December 31 | | |
|---------------------------------|--------------------------|---|-------------|-------------|
| | | 2002 | 2001 | 2000 |
| Number of card holders (Person) | Corporate | 153,425 | 105,600 | 137,657 |
| | Individual | 11,638,968 | 9,605,946 | 8,036,140 |
| Number of merchants | | 1,569,103 | 1,675,176 | 1,230,838 |
| Profit | Sales ¹ | 83,860,180 | 65,382,300 | 37,875,680 |
| | Fee revenue ³ | 155,545 | 142,700 | 115,355 |

2.5. Property, Plants and Equipment

2.5.1. Branch Network

As of December 31, 2002, we had 1,128 branches and 62 sub-branches in Korea, the largest number of branches among Korean commercial banks. We believe that our extensive branch network in Korea and retail customer base provide us with a source of stable and relatively low cost funding. Approximately 42% of our branches and sub-branches are located in Seoul.

-
1. Includes credit card receivables and cash advances.
 2. Sales include credit card receivables and cash advances. This is the result of Kookmin Credit Card, our KOSDAQ-registered, majority-owned subsidiary.
 3. Kookmin Bank recognizes fee revenues under a fee agreement with Kookmin Credit Card. These amounts are the revenues Kookmin Bank received from Kookmin Credit Card pursuant to the fee agreement. Besides, Kookmin Bank also recognizes non-operating revenue in connection with consolidation of Kookmin Credit Card under equity method.

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We also have three subsidiaries in Luxemburg, Hong Kong and London and three branches in Tokyo, New York and Auckland.

2.5.2. Property

Our registered office and corporate headquarters are located at 9-1, 2-Ga, Namdaemun-Ro, Jung-Gu, Seoul, Korea. The book value of all the properties owned by us as of December 31, 2002 was 1,591,439 million Won. In addition to the properties owned by us, we also leased 1,026,344 million Won of properties for our branch space. We do not own any material properties outside of Korea.

2.5.3. Automated Banking Machines

We have established an extensive network of automated banking machines, which are located in branches and in Autobanks (unmanned outlets). These automated banking machines consist of ATMs, cash dispensers and passbook printers. As of December 31, 2002, we had 6,102 ATMs, 2,748 cash dispensers and 896 passbook printers.

2.6. Other Details Relevant to Investment Decision

2.6.1. BIS Risk-adjusted Capital Ratios

(Units: in millions of Won, %)

| | <u>December 31, 2002</u> | <u>December 31, 2001</u> | <u>December 31, 2000</u> |
|---------------------------|--------------------------|--------------------------|--------------------------|
| Risk-adjusted capital (A) | 14,439,313 | 11,750,856 | 6,297,886 |
| Risk-weighted assets (B) | 138,703,021 | 114,849,227 | 56,346,867 |
| BIS ratios (A/B) | 10.41 | 10.23 | 11.18 |

2.6.2. Non-performing Loans¹

(Units: in millions of Won unless indicated otherwise)

| <u>December 31, 2002</u> | | <u>December 31, 2001</u> | | <u>Change</u> | |
|--------------------------|--------------------|--------------------------|--------------------|---------------|--------------------|
| Amount | NPL to total loans | Amount | NPL to total loans | Amount | NPL to total loans |

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| | | | | | |
|------------------|--------|-----------|--------|-----------|--------------------------|
| <u>2,509,073</u> | 1.90 % | 2,954,464 | 2.62 % | - 445,391 | - 0.72 percentage points |
|------------------|--------|-----------|--------|-----------|--------------------------|

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

Table of Contents**2.6.3. Loan Loss Allowances**

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

(Units: in millions of Won)

| | | December 31, 2002 | December 31, 2001 | December 31, 2000 |
|---|--------------|------------------------------|------------------------------|------------------------------|
| Loan loss allowance | Domestic | 2,365,898 | 2,255,068 | 1,822,208 |
| | Overseas | 12,798 | 16,111 | 4,492 |
| | Total | 2,378,696 | 2,271,179 | 1,826,700 |
| Write-offs for the 12 month periods ended December 31 | | 1,527,311 | 1,090,029 | 558,480 |

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3. Financial Information

See 9. Exhibits / 9.1. List of Financial Statements.

Table of Contents**4. Auditors Report****4.1. Report of the Independent Auditor**

See 9. Exhibits / 9.1. List of Financial Statements.

4.2. Compensation to the Independent Auditor**4.2.1. Audit Service**

The aggregate remuneration paid by us to the independent auditor for the last three years of the year ended December 31, 2002, 2001 and 2000 was 900 million Won, 1,090 million Won and 490 million Won, respectively.

4.2.2. Service Other than Audit

The following is a description for the last three years on services and the relevant fees and commissions we paid to the independent auditor for the respective service.

(Units: in millions of Won unless indicated otherwise)

| <u>Year</u> | <u>Service description</u> | <u>Amount of payment</u> |
|---------------|--|--------------------------|
| 2002 | Project for improving the accounting process | 690 |
| | Advisory service for the conversion process in US GAAP | 1,450 |
| 2001 | Due diligence on the assets and liabilities in connection with the merger | 2,400 |
| | US GAAP conversion for 2000 | US\$ 2,700 thousand |
| | US GAAP conversion for New York Stock Exchange listing of New Kookmin Bank | US\$ 7,480 thousand |
| | Advisory service for tax in connection with the merger | 300 |
| | US GAAP conversion | US\$ 4,950 thousand |
| 2000 for H&CB | US GAAP conversion for New York Stock Exchange listing | US\$ 6,100 thousand |
| | US GAAP consulting service | US\$ 820 thousand |

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5. Corporate Governance and Affiliated Companies

5.1. Board of Directors

The board of directors holds regular meetings every quarter. The board of directors consists of directors and resolves each following matter:

matters relating to business objectives and performance evaluation;

matters relating to amendments of the Articles of Incorporation;

matters relating to budget and accounting including salaries of directors and employees;

matters relating to major organizational changes such as dissolution, business transfer and merger;

matters relating to internal control standards; or

other matters determined by law and the board of directors regulations

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

the Board Steering Committee;

the Management Strategy Committee;

the Risk Management Committee;

the Audit Committee;

the Compensation Committee; and

the Non Executive Director Nomination Committee.

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Each committee member is appointed by the board of directors, except for members of the Audit Committee, who are elected at the general meeting of stockholders. For list of our directors, see 7. Directors, Senior Management and Employees / 7.1. Executive Directors and 7.2. Non-Executive Directors.

5.2. Audit Committee

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

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by, the board of directors to each general meeting of stockholders. The committee holds regular meetings every quarter.

5.3. Voting Rights of Shareholders

Each outstanding share of our common stock is entitled to one vote per share.

If the method of written resolution at the general meeting of shareholders is adopted by resolution of the board of directors, at which the convening of the general meeting of shareholders is determined, the shareholders may exercise their voting rights in writing without participating the meeting in person. In this case, the Bank is required to send the documents and references necessary for exercise of voting rights, together with the convening notice.

If a shareholder intends to exercise his/her voting rights in writing, the shareholder is required to fill in and submit to the Bank one day before the date set for the general meeting of shareholders.

5.4. Compensation to the Directors

For the 12 months ended December 31, 2002, the aggregate of the remuneration paid by us to 1) the Chairman, President & CEO and our other executive directors and 2) our non-executive directors was 3,146 million Won, 515 million Won, respectively. The following table shows the breakdown of the remuneration.

(Units: in millions of Won)

| | The aggregate remuneration paid | Limit for the remuneration resolved by shareholders meeting | Average amount of the payment per person |
|-------------------------|--|--|---|
| Executive Directors | 3,146 | | 681 |
| Non Executive Directors | 515 | | 47 |
| | 3,661 | 8,000 | 728 |

As part of remuneration, Kookmin Bank also granted stock options to directors. See 1. Introduction to the Bank / 1.3. Capital Structure / 1.3.4. Stock Option.

5.5. Affiliated Companies

5.5.1. List of Affiliates

As of December 31, 2002, we have following affiliates.

KB Investment Co., Ltd.

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Kookmin Credit Card Co., Ltd.

KB Investment Trust Management Co., Ltd.

KB Real Estate Trust Co., Ltd.

KB Credit Information Co., Ltd.

Kookmin Data System Corporation

Kookmin Futures Co., Ltd.

ING Life Korea Ltd.

Kookmin Bank Luxemburg, S.A.

Kookmin Bank International (London) Ltd.

Kookmin Finance Hong Kong Ltd.

5.5.2. Operating Results of Affiliates

(Unit: in millions of Won)

| Company name | Closing date | Accounting results of the latest fiscal year | | | | |
|-------------------------------------|-------------------|--|-------------------|----------------|-----------|------------|
| | | Total Assets | Total Liabilities | Total Equities | Sales | Net income |
| KB Investment | December 31, 2002 | 99,979 | 26,206 | 73,773 | 18,744 | -33,883 |
| Kookmin Credit Card | December 31, 2002 | 13,381,247 | 12,463,020 | 918,227 | 3,156,230 | -260,888 |
| KB Investment Trust Management | March 31, 2002 | 60,074 | 14,945 | 45,129 | 34,161 | 19,243 |
| KB Real Estate Trust | December 31, 2002 | 300,671 | 212,943 | 87,728 | 59,771 | 8,915 |
| KB Credit Information | December 31, 2002 | 20,772 | 6,821 | 13,951 | 34,179 | 3,639 |
| Kookmin Data System Corporation | December 31, 2002 | 18,290 | 4,671 | 13,619 | 43,290 | 2,008 |
| Kookmin Futures | March 31, 2002 | 46,826 | 23,396 | 23,430 | 14,622 | 3,519 |
| ING Life Korea | March 31, 2002 | 1,135,081 | 1,083,209 | 51,872 | 712,355 | 37,241 |
| Kookmin Bank Luxemburg | December 31, 2002 | 459,080 | 453,951 | 5,129 | 17,829 | 7,501 |
| Kookmin Bank International (London) | December 31, 2002 | 344,265 | 296,527 | 47,738 | 11,327 | 742 |

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| | | | | | | |
|---------------------------|-------------------|---------|---------|--------|--------|--------|
| Kookmin Finance Hong Kong | December 31, 2002 | 293,205 | 231,773 | 61,432 | 22,957 | 12,186 |
|---------------------------|-------------------|---------|---------|--------|--------|--------|

Table of Contents**6. Equity Securities****6.1. Major Shareholders**

The following table presents information regarding the beneficial ownership of our shares at December 31, 2002 by each person known by us to own beneficially more than 5% of our outstanding shares.

| Name | Number of Shares of Common Stock | Percentage of Total Outstanding Shares of Common Stock |
|-----------------------------------|---|---|
| The Government of Korea | 30,623,761 | 9.33% |
| Goldman Sachs | 16,831,607 | 5.13% |
| The Bank of New York ¹ | 37,728,214 | 11.49% |
| Total | 85,183,582 | 25.95% |

6.2. Market Price Information for the Previous Six Months**6.2.1. Common Stock Traded in the Korea Stock Exchange**

(Unit: in Won, thousands of shares)

| | | July | August | September | October | November | December |
|-----------------------------|------|--------|--------|-----------|---------|----------|----------|
| Registered Common Shares | High | 62,100 | 56,500 | 57,200 | 46,000 | 45,950 | 47,700 |
| | Low | 53,300 | 50,700 | 44,750 | 37,150 | 32,900 | 42,000 |
| Trading Volume | | 26,808 | 18,972 | 30,320 | 50,040 | 50,870 | 29,678 |

6.2.2. American Depositary Shares Traded in the New York Stock Exchange

(Unit: in US\$, thousands of shares)

| July | August | September | October | November | December |
|------|--------|-----------|---------|----------|----------|
|------|--------|-----------|---------|----------|----------|

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| | | | | | | | |
|----------------------------|------|-------|-------|-------|--------|-------|-------|
| American Depositary Shares | High | 51.76 | 47.62 | 46.08 | 36.85 | 34.01 | 40.09 |
| | Low | 44.10 | 42.10 | 35.43 | 29.40 | 31.30 | 34.90 |
| Trading Volume | | 8,197 | 5,095 | 6,829 | 10,244 | 8,831 | 4,269 |

1. As depositary bank of American Depositary Shares of Kookmin Bank

Table of Contents**7. Directors, Senior Management and Employees**

As of December 31, 2002, our board of directors, which consists of 3 executive directors and 8 non-executive directors, has the ultimate responsibility for the management of our affairs.

7.1. Executive Directors

Our 3 executive directors consist of the chairman, president & CEO and auditor & executive director.

The names and positions of our directors with Kookmin Bank's shares owned are set forth below.

| Name | Date of Birth | Position | Common Shares Owned |
|--------------|----------------------|------------------------------|----------------------------|
| Sanghoon Kim | 03/13/1942 | Chairman | 100 |
| Jungtae Kim | 08/15/1947 | President & CEO | 56,581 |
| Choulju Lee | 11/22/1939 | Auditor & Executive Director | 682 |

7.2. Non-Executive Directors

Our non-executive directors are selected based on the candidates' talents and skills in diverse areas, such as law, finance, economy, management and accounting. As of December 31, 2002, 8 non-executive directors are in office.

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

| Name | Date of Birth | Position | Common Shares Owned |
|-----------------|----------------------|------------------------|----------------------------|
| Moonsoul Chung | 03/07/1938 | Non-Executive Director | 3,191 |
| Timothy Hartman | 03/01/1939 | Non-Executive Director | |
| Sunjin Kim | 06/08/1942 | Non-Executive Director | 2,215 |
| Dongsoo Chung | 09/24/1945 | Non-Executive Director | 200 |
| Keunshik Oh | 09/12/1946 | Non-Executive Director | 360 |
| Kyunghee Yoon | 01/05/1947 | Non-Executive Director | |
| Henry Cornell | 04/11/1956 | Non-Executive Director | |
| Jihong Kim | 06/08/1956 | Non-Executive Director | |

Table of Contents**7.3. Senior Management**

In addition to the executive directors who are also our executive officers, we currently have the following executive officers:

| Name | Date of Birth | Position | Common Shares Owned |
|------------------|---------------|--------------------------|---------------------|
| Jongkyoo Yoon | 10/13/1955 | Executive Vice President | 3,300 |
| Donald MacKenzie | 12/20/1948 | Executive Vice President | |
| Bonghwan Cho | 03/30/1950 | Executive Vice President | 4,581 |
| Sungchul Kim | 09/10/1951 | Executive Vice President | 3,498 |
| Jaemin Suh | 08/11/1947 | Executive Vice President | 3,717 |
| Buhmsoo Choi | 08/08/1956 | Executive Vice President | |
| Bockwoan Kim | 11/17/1944 | Executive Vice President | 3,140 |
| Youngil Kim | 07/06/1953 | Executive Vice President | 3,327 |
| Kitaek Hong | 01/16/1948 | Executive Vice President | 3,931 |
| Sunghyun Chung | 08/10/1947 | Executive Vice President | |
| Kisup Shin | 10/29/1955 | Executive Vice President | 280 |
| Seongkyu Lee | 10/25/1959 | Executive Vice President | |
| Jongin Park | 03/10/1954 | Executive Vice President | 265 |
| Byungsang Kim | 02/19/1947 | Executive Vice President | 634 |
| Woojung Lee | 07/11/1949 | Executive Vice President | |

7.4. Employees

The following table shows the breakdown of our employees as of December 31, 2002.

(Unit: in millions of Won)

| | Number of Employees | | | Average Tenure of the full-time employees | Total Payment for the 12 Months Period | Average Monthly Payment per Person |
|--------------|---------------------|--------------|---------------|---|--|--|
| | Full-time | Contractual | Total | | | |
| Male | 13,288 | 1,234 | 14,522 | 15.60 years | 824,993 | 4.7 |
| Female | 5,029 | 7,431 | 12,460 | 12.22 years | 410,024 | 2.7 |
| Total | 18,317 | 8,665 | 26,982 | 14.67 years | 1,235,017 | 3.8 |

7.5. Labor Union

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Under Korea Financial Industry Union, we currently have two union chapters following the merger. There are 8,446 members in Former Kookmin Bank chapter and 7,022 members in H&CB chapter.

Table of Contents**8. Related Party Transaction**

A number of banking transactions are entered into with related parties in the normal course of business. Generally, these transactions include loans, deposits, debt securities and other ordinary course activities relating to our banking business. These transactions are carried out on commercial terms and conditions and at market rates.

8.1. Transactions with the Largest Shareholders and Etc.**8.1.1. Loans to Affiliates**

(Unit: in millions of Won)

| Name | Relation with the Bank | Beginning Balance (January 1, 2002) | Increase | Decrease | Ending Balance (December 31, 2002) |
|---------------------|------------------------|-------------------------------------|----------|----------|------------------------------------|
| Kookmin Credit Card | Affiliate | 22,526 | | 1,743 | 20,783 |

8.1.2. Guarantees Provided for Affiliates

(Unit: in millions of Won)

| Name | Relation with the Bank | Beginning Balance (January 1, 2002) | Increase | Decrease | Ending Balance (December 31, 2002) |
|----------------------|------------------------|-------------------------------------|----------|----------|------------------------------------|
| KB Real Estate Trust | Affiliate | 53 | | 53 | 0 |

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Table of Contents**8.1.3. Investments in Affiliates**

(Unit: in millions of Won)

| Name | Relation with the Bank | Account | Par Value | Beginning Balance (January 1, 2002) | Increase | Decrease | Ending Balance (December 31, 2002) |
|--------------------------------|------------------------|--------------------------------|----------------|-------------------------------------|---------------|----------|------------------------------------|
| Kookmin Credit Card | Affiliate | Equity Securities of Affiliate | 271,825 | 271,825 | | | 271,825 |
| KB Real Estate Trust | Affiliate | Equity Securities of Affiliate | 79,999 | 79,999 | | | 79,999 |
| KB Investment | Affiliate | Equity Securities of Affiliate | 31,999 | 31,999 | 12,709 | | 44,708 |
| KB Investment Trust Management | Affiliate | Equity Securities of Affiliate | 30,670 | 30,670 | | | 30,670 |
| Kookmin Futures | Affiliate | Equity Securities of Affiliate | 19,999 | 19,999 | | | 19,999 |
| Kookmin Data System | Affiliate | Equity Securities of Affiliate | 7,998 | 7,998 | | | 7,998 |
| KB Credit Information | Affiliate | Equity Securities of Affiliate | 2,520 | 2,520 | 1,398 | | 3,918 |
| ING Life Korea | Affiliate | Equity Securities of Affiliate | 14,000 | 14,000 | | | 14,000 |
| Total | | | 459,010 | 459,010 | 14,107 | | 473,117 |

8.1.4. Real Estate Transactions with Affiliates

(Unit: in millions of Won)

| Name | Relation with the Bank | Type | Account | Increase (Pyung) | Decrease (Pyung) | Lease Deposits | Rent Fee |
|-----------------------|------------------------|----------|---------------|------------------|------------------|----------------|------------|
| Kookmin Credit Card | Affiliate | Building | Rental Income | 80 | 941 | -1,426 | |
| KB Credit Information | Affiliate | Building | Rental Income | 1,125 | 492 | 1,188 | 0.3 |
| KB Real Estate Trust | Affiliate | Building | Rental Income | 99 | 71 | -15 | |
| Total | | | | 1,304 | 1,504 | -253 | 0.3 |

Table of Contents**8.2. Transactions with Shareholders (Other than the Largest Shareholders and Etc.), Directors and Employees.****8.2.1. Loans and Guarantees**

(Unit: in millions of Won)

| Name | Relation with the Bank | Account | | Beginning Balance (January 1, 2002) | Increase | Decrease | Ending Balance (December 31, 2002) |
|----------------|------------------------|-----------|------------------|--|----------|--------------|---------------------------------------|
| Youngpoong Co. | Shareholder | Loan | | 266 | | 266 | |
| Youngpoong Co. | Shareholder | Guarantee | In Won | 1,744 | | 1,217 | 527 |
| | | | Foreign Currency | 17,247 | | 1,642 | 15,605 |
| Sunjin Kim | Non Executive Director | Loan | | 32 | | 32 | |
| Keunshik Oh | Non Executive Director | Loan | | 8 | | | 8 |
| Total | | | | 19,297 | | 3,157 | 16,140 |

8.2.2. Purchase and Disposition of Securities

(Unit: in millions of Won)

| Name | Relation with the Bank | Issuer | Par Value | Purchase Amount | Disposition Amount | Balance |
|--------------------------------|------------------------|-------------------|-----------|------------------|--------------------|---------|
| Sunjin Kim (Yuhan Corporation) | Non Executive Director | Yuhan Corporation | 60 | 638 ¹ | | 638 |

1. As of December 31, 2002, the market value is 623 million Won.

Table of Contents**8.2.3. Real Estate Transaction**

(Unit: in millions of Won)

| Name | Relation with Kookmin Bank | Type | Account | Increase (Pyung) | Decrease (Pyung) | Lease Deposits | Rent Fee |
|--------------------------------------|-----------------------------------|-------------|----------------|-------------------------|-------------------------|-----------------------|-----------------|
| Youngpoong Co. | Shareholder | Real estate | Rental Expense | | | 9,664 | |
| Youngpoong Mining & Construction Co. | Shareholder s Affiliate | Real estate | Rental Expense | | | 850 | |
| Korean Teachers Credit Union | Shareholder | Real estate | Rental Expense | | | 897 | |
| National Pension Corporation | Shareholder | Real estate | Rental Income | | | 550 | |
| Total | | | | | | 11,961 | |

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9. Exhibits

9.1. List of Financial Statements

| | Page |
|--|-------------|
| Kookmin Bank Audit Report 2002 as of and for the Years Ended December 31, 2002 and 2001 | |
| Independent Auditor's Report | F-1 |
| Non-Consolidated Balance Sheets December 31, 2002 and 2001 | F-3 |
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| Non-Consolidated Statements of Appropriations of Retained Earnings for the Years Ended December 31, 2002 and | |
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SIGNATURES

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

Kookmin Bank

(Registrant)

Date: March 31, 2003

By: /s/ Jong-Kyoo Yoon

(Signature)

Name: Jong-Kyoo Yoon

Title: Executive Vice President &

Chief Financial Officer

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Independent Auditor's Report

To the Board of Directors and Shareholders of

Kookmin Bank

We have audited the accompanying non-consolidated balance sheets of Kookmin Bank (the Bank) as of December 31, 2002 and 2001, and the related non-consolidated statements of income, appropriations of retained earnings, and cash flows for the years then ended, expressed in Korean Won. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2002 and 2001, and the results of its operations, the changes in its retained earnings, and its cash flows for the years then ended, in accordance with financial accounting standards generally accepted in the Republic of Korea.

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

As discussed in Note 33 to the non-consolidated financial statements, the Bank completed the legal consolidation with H&CB as of October 31, 2001. Despite the legal form of consolidation, the business combination was accounted for as an acquisition with the Bank as acquirer of H&CB's total assets of (Won)67,742,958 million and liabilities of (Won)64,381,185 million. The Bank's registration statement with the Securities and Exchange Commission of the United States of America was declared effective on September 10, 2001, and the new shares of the Bank are listed on New York Stock Exchange as American Depositary Shares (ADS) since November 1, 2001.

Continued;

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As discussed in Note 2 to the non-consolidated financial statements, during the current period, the rates for determining allowances for consumer loans and credit cards loans were changed, in preparation for the increasing risk of loan losses due to the increase of consumer loans and credit cards, as follows.

| Credit Risk Classification | Allowance Rates | Allowance Rates after Changes | |
|----------------------------|-----------------|-------------------------------|--------------|
| | before 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 changed allowance rates, the Bank provided additional allowances of (Won)274,673 million for consumer loans and (Won)87,035 million for credit cards loans for the year ended December 31, 2002, resulting in a decrease of (Won)361,708 million decrease in net income before income tax expenses for the year ended December 31, 2002.

As discussed in Note 18 to the non-consolidated financial statements, the Bank sold 65.43% of its 85.43% investment in Jooeun Leasing Co., Ltd. and (Won)172,024 million of loans to Sun Capital Inc. for (Won)145,000 million on August 30, 2002. The Bank also sold an additional 5.03% of its investment in Jooeun Leasing Co., Ltd. to Sun Capital Inc. for (Won)900 million on October 28, 2002.

As discussed in Note 18 to the non-consolidated financial statements, the Bank sold its 87.00% ownership of Kookmin Investment Trust Management Co., Ltd. and 88.66% ownership of Kookmin Leasing Co., Ltd. to Morgan Stanley Private Equity, the M&A private funds led by Morgan Stanley Global Emerging Markets Inc. and affiliated funds, and Sun Capital Inc. on May 29, 2002 and December 27, 2002, respectively.

As discussed in Note 5 to the non-consolidated financial statements, Kookmin Venture Capital Co., Ltd., Frontier Investment Co., Ltd., and Kookmin Investment Co., Ltd. were subsidiaries of the Bank. Kookmin Venture Capital Co., Ltd. merged with Frontier Investment Co., Ltd. and Kookmin Investment Co., Ltd. on December 31, 2001 and June 27, 2002, respectively, to avoid duplicate investments.

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

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Samil Accounting Corporation

Seoul, Korea

February 7, 2003

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Table of Contents**KOOKMIN BANK****NON-CONSOLIDATED BALANCE SHEETS****December 31, 2002 and 2001**

| | In Millions of Korean Won | |
|--|---------------------------|--------------------------|
| | 2002 | 2001 |
| ASSETS : | | |
| Cash and due from banks (Note 3) | (Won) 4,599,356 | (Won) 7,503,624 |
| Trading securities (Note 4) | 5,676,973 | 6,414,148 |
| Investment securities (Note 5) | 25,263,777 | 27,003,206 |
| Loans (Notes 6 and 7) | 126,730,561 | 107,029,959 |
| Fixed assets (Note 8) | 3,092,616 | 2,924,471 |
| Other assets (Note 9) | 6,135,558 | 6,018,394 |
| Total Assets | (Won) 171,498,841 | (Won) 156,893,802 |
| LIABILITIES AND SHAREHOLDERS' EQUITY : | | |
| Deposits (Note 10) | (Won) 123,109,653 | (Won) 115,161,304 |
| Borrowings (Note 11) | 10,690,754 | 12,556,052 |
| Debentures (Note 12) | 17,539,007 | 9,076,028 |
| Other liabilities (Note 15) | 10,110,031 | 11,186,876 |
| Total Liabilities | 161,449,445 | 147,980,260 |
| Commitments and Contingencies (Notes 16 and 18) | | |
| Common stock, par value: (Won)5,000, authorized: 1,000 million shares, issued and outstanding: 328,258,685 shares | | |
| (Notes 1 and 19) | 1,641,293 | 1,498,487 |
| Capital surplus (Note 20) | 5,864,752 | 5,683,964 |
| Retained earnings (Note 21) | 2,417,102 | 1,427,475 |
| Capital adjustments (Note 22) | 126,249 | 303,616 |
| Total Shareholders' Equity | 10,049,396 | 8,913,542 |
| Total Liabilities and Shareholders' Equity | (Won) 171,498,841 | (Won) 156,893,802 |

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

Table of Contents**KOOKMIN BANK****NON-CONSOLIDATED INCOME STATEMENTS**

For the years ended December 31, 2002 and 2001

| | In Millions of Korean Won | |
|---|---------------------------|--------------|
| | 2002 | 2001 |
| Interest income : | | |
| Interest on due from banks | (Won) 51,580 | (Won) 78,983 |
| Interest on trading securities | 95,576 | 172,045 |
| Interest on investment securities | 1,487,318 | 1,429,652 |
| Interest on loans | 9,251,849 | 5,603,114 |
| Other interest income | 102,735 | 123,354 |
| | 10,989,058 | 7,407,148 |
| Interest expenses : | | |
| Interest on deposits | 4,770,967 | 3,613,398 |
| Interest on borrowings | 415,938 | 513,876 |
| Interest on debentures | 830,219 | 531,244 |
| Other interest expenses | 58,068 | 62,354 |
| | 6,075,192 | 4,720,872 |
| Net interest income | 4,913,866 | 2,686,276 |
| Provision for loan losses (Note 7) | 1,593,479 | 992,249 |
| Net interest income after provision for loan losses | 3,320,387 | 1,694,027 |
| Non-interest income : | | |
| Fees & commission income | 1,345,669 | 530,343 |
| Dividends on trading securities | 1,123 | 323 |
| Dividends on investment securities | 12,186 | 6,679 |
| Gain on foreign currency transactions | 202,367 | 359,423 |
| Gain on derivatives (Note 17) | 2,364,376 | 2,292,219 |
| Others (Note 23) | 669,722 | 397,770 |
| | 4,595,443 | 3,586,757 |
| Non-interest expenses : | | |
| Fees & commission expenses | 330,385 | 138,835 |
| General and administrative expenses (Note 24) | 2,551,426 | 1,458,544 |
| Loss on foreign currency transactions | 245,232 | 211,401 |
| Loss on derivatives (Note 17) | 2,164,987 | 2,319,432 |
| Others (Note 23) | 358,035 | 307,026 |
| | 5,650,065 | 4,435,238 |

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| | | |
|--|-----------------|---------------|
| Operating income | 2,265,765 | 845,546 |
| Non-operating income (expenses), net (Note 25) | (372,147) | 246,705 |
| Net income before income tax expenses | 1,893,618 | 1,092,251 |
| Income tax expenses (Note 26) | 583,327 | 351,686 |
| Net income | (Won) 1,310,291 | (Won) 740,565 |
| Basic earnings per share (In Korean Won) (Note 27) | (Won) 4,123 | (Won) 3,706 |
| Diluted earnings per share (In Korean Won) (Note 27) | (Won) 4,123 | (Won) 3,545 |

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

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Table of Contents**KOOKMIN BANK****NON-CONSOLIDATED STATEMENTS OF APPROPRIATIONS OF RETAINED EARNINGS**

For the years ended December 31, 2002 and 2001

Dates of appropriations: March 21, 2003 for 2002 and March 22, 2002 for 2001

| | In Millions of Korean Won | |
|--|---------------------------|----------------|
| | 2002 | 2001 |
| Retained earnings before appropriations: | | |
| Unappropriated retained earnings carried over from prior year | (Won) 5,117 | (Won) 37 |
| Adjustment of investment in associates (Note 21) | 4,562 | (68,184) |
| Net income | 1,310,291 | 740,565 |
| | <u>1,319,970</u> | <u>672,418</u> |
| Transferred from prior years' reserves (Note 21): | | |
| Reserves for overseas investment losses | 5,417 | 8,483 |
| | <u>1,325,387</u> | <u>680,901</u> |
| Appropriations (Note 21): | | |
| Legal reserves | 132,000 | 74,100 |
| Reserves for business rationalization | | 1,000 |
| Cash dividends (20.0% for common stock in 2002, 2.0% for common stock in 2001) | 325,233 | 29,967 |
| Stock dividends (6.0% for common stock in 2001) | | 89,900 |
| Voluntary reserves | 867,000 | 480,000 |
| Other reserves | 744 | 817 |
| | <u>1,324,977</u> | <u>675,784</u> |
| Unappropriated retained earnings carried over to the subsequent year | (Won) 410 | (Won) 5,117 |

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

Table of Contents**KOOKMIN BANK****NON-CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended December 31, 2002 and 2001

| | In Millions of Korean Won | |
|--|---------------------------|---------------|
| | 2002 | 2001 |
| CASH FLOWS FROM OPERATING ACTIVITIES : | | |
| Net income | (Won) 1,310,291 | (Won) 740,565 |
| Adjustments to reconcile net income to net cash provided by operating activities : | | |
| Realized gain on trading securities, net | (87,802) | (34,724) |
| Unrealized loss (gain) on trading securities, net | (167,366) | 4,140 |
| Loss (gain) on foreign currency transactions, net | 42,865 | (148,022) |
| Provision for loan losses | 1,593,479 | 992,249 |
| Loss (gain) on derivative instruments, net | (199,389) | 27,213 |
| Retirement benefits | 100,198 | 112,366 |
| Depreciation and amortization | 389,931 | 116,871 |
| Loss on disposition of fixed assets, net | 6,288 | 3,374 |
| Realized gain on investment securities, net | (210,845) | (72,931) |
| Impairment loss on investment securities, net | 272,393 | 95,117 |
| Unrealized gain on investment securities, net | (2,022) | (85,519) |
| Loss (gain) on investment in associates | 273,620 | (351,226) |
| Loss (gain) on sale of loans, net | (6,475) | 118,021 |
| Others, net | (57,197) | (131,969) |
| Changes in assets and liabilities resulting from operations | | |
| Accrued income | 3,238 | 436,959 |
| Prepaid expenses | 14,037 | 2,963 |
| Deferred tax assets | (51,181) | 97,110 |
| Other assets | 5,639 | 181,463 |
| Accrued expenses | (90,475) | (513,456) |
| Unearned income | (1,070) | (17,216) |
| Withholding taxes | (54,343) | (51,415) |
| Accounts for agency business | 141,532 | 218,857 |
| Other liabilities | 45,215 | (232,975) |
| Decrease in retirement benefits | (19,130) | (629,069) |
| Increase in pension funds | (60,268) | (23,400) |
| Decrease in the national pension fund | 33 | 24,927 |
| Net cash provided by operating activities | 3,191,196 | 880,273 |

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

Continued;

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED STATEMENTS OF CASH FLOWS, Continued**

For the years ended December 31, 2002 and 2001

| | In Millions of Korean Won | |
|--|---------------------------|-------------------|
| | 2002 | 2001 |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES :</u> | | |
| Decrease (increase) in due from banks | (Won) 2,839,245 | (Won) (2,730,337) |
| Decrease in trading securities | 992,343 | 287,364 |
| Decrease (increase) in investment securities | 1,606,941 | (1,456,493) |
| Increase in loans, net | (20,439,846) | (7,295,710) |
| Proceeds from disposition of fixed assets | 15,027 | 10,584 |
| Acquisition of fixed assets | (579,330) | (180,137) |
| Others, net | 360,592 | (939,278) |
| | (15,205,028) | (12,304,007) |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES :</u> | | |
| Increase in deposits, net | 7,948,349 | 7,672,166 |
| Increase in borrowings | 17,520,024 | 6,476,497 |
| Increase in debentures | 14,658,294 | 1,552,519 |
| Decrease in borrowings | (20,366,653) | (4,448,335) |
| Decrease in debentures | (5,961,214) | (4,209,339) |
| Others, net | (1,857,703) | 735,180 |
| | 11,941,097 | 7,778,688 |
| Net decrease in cash and cash equivalents | (72,735) | (3,645,046) |
| Cash and cash equivalents, beginning of the year (Note 34) | 3,173,316 | 6,818,362 |
| | (Won) 3,100,581 | (Won) 3,173,316 |

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

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KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002 and 2001

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., Ltds. on August 22, 1999. Also, under the decision of the Financial Supervisory Commission in accordance with the Act concerning the Structural Improvement of the Financial Industry, the Bank purchased certain assets, including the loans classified as normal or precautionary, and assumed most of the liabilities of Daedong Bank as of June 29, 1998. The Bank completed the legal consolidation with H&CB as of October 31, 2001 (See 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 on November 9, 2001. The Bank's paid-in capital amounts to (Won)1,641,293 million as of December 31, 2002 (See Note 19). Also, as of December 31, 2002, 37,728,214 shares of the Bank are listed on the New York Stock Exchange as American Depositary Shares (ADS).

The Bank is engaged in the banking and trust business according to the provisions of the General Banking Act and the Trust Business Act and operates through 1,336 domestic branches and offices (including ATMs) and 3 overseas branches as of December 31, 2002.

2. Summary of Significant Accounting Policies:

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

Basis of Non-consolidated Financial Statement Presentation -

The Bank's non-consolidated financial statements were prepared in accordance with the financial accounting standards generally accepted in the Republic of Korea and the accounting standards generally accepted for banking institutions, as modified by the accounting and reporting

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guidelines prescribed by the banking regulatory authorities.

The Bank maintains its official accounting records in Korean Won and prepares statutory financial statements in the Korean language in conformity with the accounting principles generally accepted in the Republic of Korea. 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 accompanying financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements. Certain information attached to the Korean language financial statements, that are not required for a fair presentation of the Bank's financial position, results of operations or cash flows are not presented in the accompanying financial statements.

The preparation of financial statements in conformity with financial accounting standards generally accepted in the Republic of Korea and the accounting standards generally accepted for banking institutions requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainty involved in making estimates, actual results may differ from those estimates.

The Bank operates both a commercial banking business and a trust business in which the Bank, as a fiduciary, holds and manages the property of others. Under the Trust Business Act, the trust funds are accounted for and reported separately from the Bank's own commercial banking business.

Continued;

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KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

December 31, 2002 and 2001

2. Summary of Significant Accounting Policies, Continued;

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 subject to security deposits and guaranteed by financial institutions, is recognized on a cash basis.

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. at the balance sheet date. The resulting exchange gains or losses are reflected in other operating income or expenses.

The exchange rates used to translate foreign currency denominated assets and liabilities at December 31, 2002 and 2001 are (Won)1,200.4 : US\$1 and (Won)1,326.1 : US\$1, respectively.

Loans -

Until November 30, 2002, the Bank regarded granting lines of credit under import usance letters of credit, as guarantees and acceptances outstanding (acceptances on letters of credit), and provided allowances only for the transactions classified as sub-standard or below according to the credit risk classifications. However, under the revised Enforcement Regulations on Supervision of Banking Business, effective on December 1, 2002, those transactions are regarded as loans in foreign currencies (domestic usance bills) and borrowings in foreign currencies and the Bank provided allowances for loan losses under the same criteria for regular loans. As a result, as of December 31, 2002, loans in foreign currencies and borrowings in foreign currencies have been increased by (Won)981,379 million, respectively and allowances for guarantees and acceptances outstanding have been decreased by (Won)11,568 million and allowances for loan losses have been increased by (Won)18,866 million.

Allowances for Loan Losses -

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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 allowances for loan losses. Effective as of January 1, 2002, the classification of corporate borrowers 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). 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% |

Continued;

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****2. Summary of Significant Accounting Policies, Continued;**Allowances for Loan Losses, Continued;

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

| <u>Credit Risk Classification</u> | <u>Allowance Rates</u> | <u>Allowance Rates after Changes</u> | | |
|-----------------------------------|------------------------|--------------------------------------|-----------------|---------------------|
| | <u>before Changes</u> | <u>Small-sized Corporate</u> | <u>Consumer</u> | <u>Credit Cards</u> |
| 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 changed allowance rates, the Bank provided additional allowances of (Won)274,673 million for consumer loans and (Won)87,035 million for credit cards loans for the year ended December 31, 2002, resulting in a decrease of (Won)361,708 million decrease in net income before income tax expenses for the year ended December 31, 2002.

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 interest income. Allowances for loan losses on the restructured loans are provided for based on the loan balances net of present value discounts.

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The Bank recorded (Won)21,156 million and (Won)28,868 million of present value discounts as of December 31, 2002 and 2001, respectively, 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 -

Marketable securities held for short-term capital gain purposes, which exclude stocks issued by associates and debt securities held to maturity, are classified as trading securities. Securities that are not classified as trading securities are classified as investment securities.

Continued;

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****2. Summary of Significant Accounting Policies, Continued;****Securities, Continued;**

Securities are recorded at cost, including incidental expenses, with cost being determined using the moving average or specific identification method. The subsequent valuation methods used for the securities are summarized as follows:

| | Valuation | Recognition of Unrealized |
|--|------------------|--|
| | Method | Gains and Losses |
| Trading securities | Fair value | Net income |
| Investment securities | | |
| Available-for-sale securities and marketable equity securities | Fair value | Capital adjustments |
| Held-to-maturity securities and non-marketable equity securities | Cost | N/A |
| Investment in associates | Equity | Net income, retained earnings, or capital adjustments per source of the gain or loss |

If the fair value of the investment securities are significantly below the book value and the decrease in value is anticipated to be permanent, the Bank adjusts the investment securities to their fair value and recognizes impairment losses in non-operating expenses of the current period.

Fixed Assets and Related Depreciation -

Tangible assets are recorded at cost, except for upward revaluation of certain assets in accordance with 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:

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

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.

Intangible assets are amortized based on the following estimated average useful lives using the straight-line method and are presented in the financial statements net of accumulated amortization.

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

Continued;

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KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

December 31, 2002 and 2001

2. Summary of Significant Accounting Policies, Continued;

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 of the debentures using the effective interest method.

Accrued Retirement Benefits -

Employees and directors with more than one year of service as of the balance sheet date 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.

Guarantees and Acceptances -

By applying the credit risk classification used for loans to the guarantees and acceptances, the Bank records an allowance for losses on outstanding guarantees and acceptances according to their classification as sub-standard, doubtful, or estimated loss (allowance rates are at minimum 20%, 50% and 100%, 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.

Derivatives Instruments -

The Bank records the rights and obligations arising from derivative contracts on the balance sheet as assets and liabilities based on the fair values of such rights and obligations. Resulting unrealized gains or losses are included in net income.

The Bank applies hedge accounting only to the derivative instruments whose hedging relationship is expected to be highly effective in offsetting changes in fair value attributable to the hedged risk during the period that the hedge is designated. At inception of the hedge, the bank has formal documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge, including identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value attributable to the hedged risk will be assessed.

Stock Options -

The Bank had applied the fair value method using an option-pricing model in measuring compensation cost until the prior period. However, starting from the current period, expecting a high probability of grant and exercise 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 (See Note 14).

Continued;

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KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

December 31, 2002 and 2001

2. Summary of Significant Accounting Policies, Continued;

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.

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 compensation paid for the year ended December 31, 2002 and the Bank recorded loss on trust management amounting to (Won)31,479 million for the year ended December 31, 2001.

Translation of the Foreign Currency Financial Statements of Foreign Entities -

Accounting records of the overseas branches are maintained in a foreign currency prevailing in their respective countries. For 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 balance sheet dates.

Statement of Cash Flows -

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In preparation of the statement of cash flows, the Bank has presented net amounts of cash inflows and cash outflows for loans and deposits.

Application of the Statements of Korean Financial Accounting Standards -

The Korean Accounting Standards Board (KASB) has published a series of Statements of Korean Financial Accounting Standards (SKFAS), which will gradually replace the existing financial accounting standards established by the Korean Financial and Supervisory Board. SKFAS No. 2 through No. 9 become effective for the Bank as of January 1, 2003, and the Bank plans to adopt these SKFASs from January 1, 2003.

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****3. Cash and Due from Banks:**

Cash and due from banks as of December 31, 2002 and 2001 are summarized as follows (in millions of Won):

| | <u>2002</u> | <u>2001</u> |
|--|--|-----------------------------------|
| <u>Cash on hand</u> | | |
| Cash in Won | (Won) 2,392,346 | (Won) 2,553,258 |
| Cash in foreign currencies | 186,780 | 147,313 |
| | <u>2,579,126</u> | <u>2,700,571</u> |
| <u>Due from banks in Won</u> | | |
| The Bank of Korea | Reserve deposits (Won) 1,340,482 | (Won) 3,450,528 |
| Banks | Time deposits 41,192 | 1,192 |
| | Reserve deposits 392 | 174 |
| | | Certificates of deposits 198,822 |
| | | Current accounts and others 1,313 |
| Other financial institutions | Cash management accounts | 110,379 |
| | Deposits at insurance companies | 688,500 |
| | Deposits at Mutual Savings & Finance Co., Ltd. 140,000 | 140,000 |
| Others | Futures margin accounts 1,336 | 51,238 |
| | Market participation margin 458 | 453 |
| | Others 8,319 | 13,629 |
| | <u>1,532,179</u> | <u>4,656,228</u> |
| | Present value discounts ^{1*} (21,156) | (28,868) |
| | <u>1,511,023</u> | <u>4,627,360</u> |
| <u>Due from banks in foreign currencies</u> | | |
| The Bank of Korea | Demand deposits 25,677 | 33,795 |
| Domestic banks | Demand deposits 11,341 | 12,447 |
| Foreign banks | Time deposits 15,193 | 2,652 |
| | Demand deposits 92,732 | 103,365 |
| Off-shore | Demand deposits 359,200 | |
| Others | Other deposits 5,064 | 23,434 |
| | <u>509,207</u> | <u>175,693</u> |

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(Won) 4,599,356 (Won) 7,503,624

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

Included in cash and due from banks as of December 31, 2002 and 2001 are the following restricted deposits (in millions of Won):

| | <u>2002</u> | <u>2001</u> | <u>Restrictions</u> |
|--|------------------------|------------------------|---------------------------|
| Reserve deposits in the Bank of Korea and Korea Exchange Bank | (Won) 1,377,891 | (Won) 3,488,985 | General Banking Act |
| Deposits placed with Hansol Mutual Savings & Finance Co., Ltd. | 140,000 | 140,000 | Withdrawal at maturity |
| Deposits at insurance companies | | 678,500 | Related to borrowings |
| Other deposits | 2,040 | 51,691 | Futures guarantee deposit |
| | <u>(Won) 1,519,931</u> | <u>(Won) 4,359,176</u> | |

Continued;

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****3. Cash and Due from Banks, Continued;**

The maturities of the due from banks as of December 31, 2002 are summarized as follows (in millions of Won):

| | Due from Banks | | Total |
|-------------------------------------|------------------------|-----------------------|------------------------|
| | in Won | in Foreign Currencies | |
| Due in 3 months or less | (Won) 1,390,987 | (Won) 461,191 | (Won) 1,852,178 |
| Due after 3 months through 6 months | | 48,016 | 48,016 |
| Due after 6 months through 1 year | | | |
| Due after 1 year through 2 years | 50,000 | | 50,000 |
| Due after 2 years through 3 years | 90,000 | | 90,000 |
| Due after 3 years through 4 years | | | |
| Due after 4 years through 5 years | | | |
| Thereafter | 1,192 | | 1,192 |
| | <u>(Won) 1,532,179</u> | <u>(Won) 509,207</u> | <u>(Won) 2,041,386</u> |

4. Trading Securities:

Trading securities as of December 31, 2002 and 2001 comprise the following (in millions of Won):

| | Par Value | Balance Sheet Amount | |
|---------------------------------------|-----------|---------------------------------|--------------------------------|
| | | Beginning Balance ^{1*} | Amortized Amount ^{2*} |
| | | 2002 | 2001 |
| Trading securities in Won | | | |
| <u>Listed equity securities</u> | (Won) | (Won) 59,130 | (Won) 59,130 |
| | | (Won) 55,674 | (Won) 45,682 |
| <u>Government and municipal bonds</u> | | | |
| Treasury bonds | 555,000 | 566,026 | 565,100 |
| | | 569,261 | 560,115 |

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| | | | | | |
|---|---------|------------------------|------------------------|------------------------|------------------------|
| Public housing bonds | | | | | 19,447 |
| Foreign exchange stabilization bonds | 70,000 | 75,196 | 73,735 | 75,174 | 218,443 |
| | | <u>641,222</u> | <u>638,835</u> | <u>644,435</u> | <u>798,005</u> |
| Finance debentures | | | | | |
| Monetary stabilization bond | 740,000 | 740,225 | 739,813 | 743,242 | 700,168 |
| Other finance debentures | 40,000 | 40,650 | 40,459 | 40,926 | 146,555 |
| | | <u>780,875</u> | <u>780,272</u> | <u>784,168</u> | <u>846,723</u> |
| Corporate bonds | | | | | |
| Government guaranteed bonds | 190,000 | 195,818 | 195,166 | 195,740 | 423,207 |
| Other corporate bonds | 139,633 | 140,241 | 140,107 | 140,734 | 160,578 |
| | | <u>336,059</u> | <u>335,273</u> | <u>336,474</u> | <u>583,785</u> |
| Beneficiary certificates | | <u>3,683,730</u> | <u>3,683,730</u> | <u>3,844,380</u> | <u>4,081,859</u> |
| Trading securities in foreign currencies | 12,526 | 12,364 | 12,366 | 11,842 | 58,094 |
| | | <u>(Won) 5,513,380</u> | <u>(Won) 5,509,606</u> | <u>(Won) 5,676,973</u> | <u>(Won) 6,414,148</u> |

1* Book value at December 31, 2001 or acquisition costs for the year ended December 31, 2002

2* Amount amortized using effective interest rate method

Trading debt securities in Won are recorded at fair value using the market yield of bonds provided by the Korea Securities Dealers Association. Trading debt securities in foreign currencies are recorded at fair value using the market yield of bonds provided by bond dealers.

Continued;

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****4. Trading Securities, Continued;**

Trading securities risk concentrations as of December 31, 2002 are as follows (in millions of Won):

| | Securities in Won | | Securities in Foreign Currencies | |
|-------------------------------|------------------------|---------------|----------------------------------|---------------|
| | Amount | Ratio (%) | Amount | Ratio (%) |
| By Country | | | | |
| Korea | (Won) 5,665,131 | 100.00 | (Won) 11,842 | 100.00 |
| | (Won) 5,665,131 | 100.00 | (Won) 11,842 | 100.00 |
| By Type | | | | |
| Fixed rate bond | (Won) 1,600,744 | 28.26 | (Won) | |
| Floating rate bond | 164,333 | 2.90 | 11,842 | 100.00 |
| Equity securities | 55,674 | 0.98 | | |
| Beneficiary certificates | 3,844,380 | 67.86 | | |
| | (Won) 5,665,131 | 100.00 | (Won) 11,842 | 100.00 |
| By Industry | | | | |
| Government and municipalities | (Won) 644,435 | 11.38 | (Won) | |
| Government agencies | 195,740 | 3.46 | | |
| Financial institutions | 4,660,355 | 82.26 | | |
| Others | 164,601 | 2.90 | 11,842 | 100.00 |
| | (Won) 5,665,131 | 100.00 | (Won) 11,842 | 100.00 |

The maturities of the trading securities except equity securities as of December 31, 2002 are summarized as follows (in millions of Won):

| Government and Municipal Bonds | Finance Debentures | Corporate Bonds | Beneficiary Certificates | Trading Securities in Foreign Currencies | Total |
|--------------------------------|--------------------|-----------------|--------------------------|--|-------|
| | | | | | |

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| | | | | | | |
|-------------------------------------|----------------------|----------------------|----------------------|------------------------|---------------------|------------------------|
| Due in 3 months or less | (Won) | (Won) | (Won) | (Won) 3,844,380 | (Won) | (Won) 3,844,380 |
| Due after 3 months through 6 months | | 10,059 | | | | 10,059 |
| Due after 6 months through 9 months | | 9,523 | | | | 9,523 |
| Due after 9 months through 1 year | | 28,540 | | | | 28,540 |
| Due after 1 year through 2 years | 46,797 | 705,371 | 140,688 | | | 892,856 |
| Due after 2 years through 3 years | 472,490 | 30,675 | 52,065 | | 11,842 | 567,072 |
| Due after 3 years through 4 years | 83,179 | | 112,976 | | | 196,155 |
| Due after 4 years through 5 years | 41,969 | | | | | 41,969 |
| Thereafter | | | 30,745 | | | 30,745 |
| | <u>(Won) 644,435</u> | <u>(Won) 784,168</u> | <u>(Won) 336,474</u> | <u>(Won) 3,844,380</u> | <u>(Won) 11,842</u> | <u>(Won) 5,621,299</u> |

As of December 31, 2002, the beneficiary certificates in trading securities include discretionary investing contract assets. Securities included in discretionary investing contract assets consist of Samsung Electronics Co., Ltd. stock and other 27 listed or registered stocks. Acquisition costs and fair values of these assets amount to (Won)8,358 million and (Won)7,260 million, respectively. The Bank recorded the difference between acquisition costs and fair values of (Won)1,098 million as unrealized loss on trading securities.

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****5. Investment Securities:**

Investment securities as of December 31, 2002 and 2001 are as follows (in millions of Won):

| | <u>2002</u> | <u>2001</u> |
|--|-------------------|-------------------|
| <u>Equity securities</u> | | |
| Marketable equity securities | (Won) 262,105 | (Won) 342,550 |
| Non-marketable equity securities | 357,381 | 379,534 |
| Domestic related parties | 986,522 | 1,386,683 |
| | <u>1,606,008</u> | <u>2,108,767</u> |
| <u>Investment in special funds</u> | | |
| Stock market stabilization fund | 12,947 | 23,178 |
| Investment union fund | 23,205 | 21,509 |
| | <u>36,152</u> | <u>44,687</u> |
| <u>Government and municipal bonds</u> | | |
| Treasury bonds | 2,827,305 | 2,413,770 |
| Public housing bonds | 311,228 | 374,097 |
| Grain supply bonds | 3,620 | 96,883 |
| Foreign exchange stabilization bonds | 1,430,494 | 745,010 |
| Municipal bonds | 35,239 | 164,486 |
| | <u>4,607,886</u> | <u>3,794,246</u> |
| <u>Finance debentures</u> | | |
| Monetary stabilization bond | 2,526,027 | 2,439,757 |
| Other finance debentures | 647,886 | 877,199 |
| | <u>3,173,913</u> | <u>3,316,956</u> |
| <u>Corporate bonds</u> | | |
| Government guaranteed bonds | 8,292,977 | 7,866,196 |
| Other corporate bonds | 3,060,454 | 5,217,568 |
| | <u>11,353,431</u> | <u>13,083,764</u> |
| <u>Beneficiary certificates</u> | 3,231,853 | 3,218,834 |

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| | | |
|---|------------------|------------------|
| <u>Securities lent</u> | 47,835 | 198,934 |
| <u>Other investment securities^{1*}</u> | 1,914 | 2,840 |
| <u>Securities denominated in foreign currencies</u> | | |
| Overseas related parties | 116,640 | 120,921 |
| Equity securities | 26,628 | 27,620 |
| Debt securities | 1,061,517 | 1,085,637 |
| | 1,204,785 | 1,234,178 |
| | (Won) 25,263,777 | (Won) 27,003,206 |

1* Other investment securities include commercial papers and national stock trusts.

Continued;

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****5. Investment Securities, Continued;**

At December 31, 2002, the amortized amount and balance sheet amount of the Bank's investment debt securities are as follows (in millions of Won):

| | <u>Par Value</u> | <u>Beginning Balance^{1*}</u> | <u>Amortized Amount</u> | <u>Balance Sheet Amount</u> |
|--|-------------------------|---|-----------------------------|---------------------------------|
| <u>Available-for-sale</u> | | | | |
| Government and municipal bonds | (Won) 2,174,329 | (Won) 2,215,693 | (Won) 2,185,951 | (Won) 2,226,514 |
| Finance debentures | 2,308,398 | 2,257,078 | 2,249,679 | 2,267,156 |
| Corporate bonds | 3,834,894 | 3,753,493 | 3,639,398 | 3,695,983 |
| Securities denominated in foreign currencies | 1,163,254 | 1,023,752 | 998,674 | 1,022,014 |
| | <u>9,480,875</u> | <u>9,250,016</u> | <u>9,073,702</u> | <u>9,211,667</u> |
| <u>Held-to-maturity</u> | | | | |
| Government and municipal bonds | 2,371,065 | 2,384,910 | 2,381,372 | 2,381,372 |
| Finance debentures | 933,700 | 906,662 | 906,757 | 906,757 |
| Corporate bonds | 7,607,584 | 7,745,386 | 7,657,448 | 7,657,448 |
| Securities denominated in foreign currencies | 40,200 | 39,244 | 39,503 | 39,503 |
| | <u>10,952,549</u> | <u>11,076,202</u> | <u>10,985,080</u> | <u>10,985,080</u> |
| | <u>(Won) 20,433,424</u> | <u>(Won) 20,326,218</u> | <u>(Won) 20,058,782</u> | <u>(Won) 20,196,747</u> |

^{1*} Book value at December 31, 2001 or acquisition costs for the year ended December 31, 2002.

Available-for-sale debt securities in Won are recorded at fair value using the market yield of bonds provided by the Korea Securities Dealers Association. Available-for-sale debt securities in foreign currencies are recorded at fair value using the market yield of bonds provided by bond dealers.

Government and municipal bonds sold under repurchase agreements of (Won)3,074,161 million and (Won)2,959,897 million as of December 31, 2002 and 2001, respectively, are included in the investment securities (See Note 11).

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Equity securities in related parties as of December 31, 2002 and 2001 are as follows (in millions of Won):

| Issuer | Ownership (%) | Acquisition Cost | Beginning Balance ^{11*} | Unrealized Gains (Losses) ^{12*} | | | Balance Sheet Amount ^{13*} | |
|---|------------------|---------------------|-------------------------------------|--|-----------|-------------|-------------------------------------|---------------|
| | | | | NI | R/E | C/A | 2002 | 2001 |
| <u>Domestic related parties</u> | | | | | | | | |
| Kookmin Credit Card Co., Ltd. | 74.27 | (Won) 272,274 | (Won) 873,991 | (Won) (193,759) | (Won) 585 | (Won) 1,143 | (Won) 681,960 | (Won) 941,948 |
| Kookmin Venture Capital Co., Ltd. ^{1*} | 99.89 | 137,378 | 179,694 | (119,050) | 10,155 | (3,510) | 67,289 | 70,406 |
| Kookmin Investment Trust Mgt. Co., Ltd. ^{2*} | | | | | | | | 33,618 |
| Kookmin Data System Co., Ltd. | 99.98 | 7,998 | 12,408 | 2,008 | | | 14,416 | 12,929 |
| Kookmin Futures Co., Ltd. | 99.98 | 19,996 | 22,515 | 2,580 | (49) | 46 | 25,092 | 23,814 |
| KLB Securities Co., Ltd. ^{3*} | 36.41 | 10,316 | | | | | | |
| Alpha Capital Corp. ^{4*} | 14.97 | 3,919 | | | | | | 51,291 |
| KB Investment Trust Mgt. Co., Ltd. ^{5*} | 80.00 | 39,015 | 32,685 | 13,148 | | 35 | 45,868 | 41,886 |
| Joeeun Industrial Co., Ltd. ^{6*} | 99.99 | 23,994 | 8,465 | (8,465) | | | | 8,465 |
| KB Real Estate Trust Co., Ltd. ^{7*} | 99.99 | 76,103 | 78,537 | 8,854 | | 336 | 87,727 | 78,537 |
| KB Credit Information Co., Ltd. ^{8*} | 62.57 | 7,936 | 8,083 | 1,660 | | (752) | 8,991 | 5,247 |
| Kookmin Leasing Co., Ltd. ^{9*} | | | | | | | | . |

Continued;

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****5. Investment Securities, Continued;**

| Issuer | Ownership (%) | Acquisition Cost | Beginning Balance ^{11*} | Unrealized Gains (Losses) ^{12*} | | | Balance Sheet Amount ^{13*} | |
|---|------------------|---------------------|-------------------------------------|--|----------------|----------------|--|------------------|
| | | | | NI | R/E | C/A | (%) | Cost |
| | | | | | | | | |
| <u>Domestic related parties, Continued</u> | | | | | | | | |
| ING Life Korea Co., Ltd. ^{10*} | 20.00 | (Won) 21,769 | (Won) 24,892 | (Won) (3,279) | (Won) | (Won) | (Won) 21,613 | (Won) 24,891 |
| Korea Mortgage Co., Ltd. | 26.67 | 30,629 | 32,487 | 1,079 | | | 33,566 | 32,487 |
| Kookmin Investment Co., Ltd. ^{1*} | | 44,275 | 48,425 | | | | | 48,425 |
| Frontier Investment Corp. ^{1*} | | 17,934 | 12,109 | | | | | 12,109 |
| | | <u>713,536</u> | <u>1,334,291</u> | <u>(295,224)</u> | <u>10,691</u> | <u>(2,702)</u> | <u>986,522</u> | <u>1,386,683</u> |
| <u>Overseas related parties</u> | | | | | | | | |
| KB International Ltd. (London) | 100.00 | 38,500 | 46,997 | 742 | | | 47,739 | 46,950 |
| KB Luxembourg S.A. ^{10*} | 100.00 | 22,004 | | 9,308 | (4,202) | | 5,106 | |
| Kookmin Singapore Ltd. ^{3*} | 100.00 | 12,123 | 2,084 | | | | 2,084 | 2,303 |
| Kookmin Finance Asia Ltd. (H.K) | 100.00 | 8,403 | 1,023 | (744) | | | 279 | 17,205 |
| Kookmin Finance H.K. Ltd. | 100.00 | 24,008 | 49,300 | 12,132 | | | 61,432 | 54,463 |
| | | <u>105,038</u> | <u>99,404</u> | <u>21,438</u> | <u>(4,202)</u> | | <u>116,640</u> | <u>120,921</u> |
| <u>Investment in special funds</u> | | | | | | | | |
| KICO NO.3. | | | | | | | | |
| Venture Investment Partnership | 69.23 | 9,000 | 9,000 | 53 | | 531 | 9,584 | 9,000 |
| Pacific IT Investment Partnership | 50.00 | 7,000 | 7,000 | | | | 7,000 | 7,000 |

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| | | | | | | | | |
|---------------------------------|-------|---------------|-----------------|-----------------|-------------|---------------|-----------------|-----------------|
| NPC02-4 Kookmin Venture Fund | 33.33 | 5,000 | 5,000 | 113 | | | 5,113 | 5,000 |
| | | 21,000 | 21,000 | 166 | | 531 | 21,697 | 21,000 |
| | | (Won) 839,574 | (Won) 1,454,695 | (Won) (273,620) | (Won) 6,489 | (Won) (2,171) | (Won) 1,214,859 | (Won) 1,528,604 |

- 1* Kookmin Venture Capital Co., Ltd. merged with Frontier Investment Corp. and Kookmin Investment Co., Ltd., on December 31, 2001 and June 27, 2002, respectively.
- 2* The Bank completed the sale of Kookmin Investment Trust Management Co., Ltd., on May 29, 2002 (See Note 18).
- 3* KLB Securities Co., Ltd. and Kookmin Singapore (Merchant Bank), Ltd. are in the process of liquidation.
- 4* The Bank sold part of its investment in Jooeun Leasing Co., Ltd. (See Note 18), resulting in the decrease of its ownership to 14.97% and reclassifications from investment in associates into unlisted stocks. The company changed its name from Jooeun Leasing Co., Ltd. to Alpha Capital Corp. in the general meeting of stockholders, held on October 30, 2002.
- 5* The company changed its name from Jooeun Investment Management Co., Ltd. to KB Investment Trust Management Co., Ltd., effective as of June 10, 2002.
- 6* Dissolution of Jooeun Industrial Co., Ltd. was resolved in the general meeting of its stockholders on March 19, 2002.
- 7* Jooeun Real Estate Trust Co., Ltd. changed its name to KB Real Estate Trust Co., Ltd., effective as of September 16, 2002.
- 8* Jooeun 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.
- 9* The Bank sold Kookmin Leasing Co., Ltd. to Sun Capital Inc. on December 27, 2002 (See Note 18).
- 10* The Bank applied the equity method based on the amended financial statements of ING Life Korea Co., Ltd. for (Won)16,117 million of income taxes, and of Kookmin Bank Luxembourg S.A. for (Won)22,225 million of impairment losses on investment securities and allowances for loan losses.
- 11* The beginning balance is adjusted by dividends and changes in foreign exchange rate from the prior year's book value.
- 12* NI : Net Income, R/E : Retained Earnings, C/A : Capital Adjustments
- 13* The balance sheet amount is recorded using the monthly closing information of related parties as of December 31, 2002 if possible, otherwise the most recent financial information is used.

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****5. Investment Securities, Continued;**

Equity securities, excluding equity securities in related parties, as of December 31, 2002 are as follows (in millions of Won):

| Issuer | Ownership (%) | Acquisition Cost | Fair Value or Net Asset Value ^{1*} | Balance Sheet Amount |
|--|------------------|---------------------|---|-------------------------|
| Marketable equity securities (KSE) | | | | |
| Hyundai Construction Co., Ltd. | 6.14 | (Won) 140,125 | (Won) 48,197 | (Won) 48,197 |
| KP Chemical Co., Ltd. | 7.89 | 36,650 | 22,818 | 22,818 |
| Kia Motors Corp. | 0.65 | 26,281 | 21,267 | 21,267 |
| SK Securities Co., Ltd. | 5.58 | 26,878 | 21,259 | 21,259 |
| Hankang Restructuring Fund | 6.25 | 21,444 | 16,632 | 16,632 |
| INI Steel Co., Ltd. | 2.14 | 9,564 | 14,469 | 14,469 |
| Daewoo Securities Co., Ltd. | 1.60 | 53,627 | 13,741 | 13,741 |
| Ssangyong Motor Company | 2.09 | 27,655 | 12,653 | 12,653 |
| Saehan Industries Inc. | 5.67 | 11,968 | 11,333 | 11,333 |
| Samsung Electronics Co., Ltd. | 0.02 | 5,205 | 9,420 | 9,420 |
| KT | 0.05 | 8,497 | 7,978 | 7,978 |
| Korea Zinc Co., Ltd. | 1.91 | 9,008 | 6,485 | 6,485 |
| Daewoo Engineering & Construction Co., Ltd. | 1.35 | 5,077 | 5,843 | 5,843 |
| Korea Electric Power Corporation | 0.05 | 6,120 | 5,475 | 5,475 |
| Daewoo Heavy Industries & Machinery Ltd. | 1.11 | 3,164 | 5,243 | 5,243 |
| ByuckSan Engineering & Construction Co., Ltd. | 5.25 | 6,610 | 4,631 | 4,631 |
| Shinwon Corp. | 8.38 | 9,873 | 4,366 | 4,366 |
| Others | | 22,779 | 21,457 | 21,457 |
| | | <u>430,525</u> | <u>253,267</u> | <u>253,267</u> |
| Marketable equity securities (KOSDAQ) | | | | |
| C&H Capital Co., Ltd. | 9.75 | 8,135 | 3,867 | 3,867 |
| KED Media Co., Ltd. | 2.80 | 500 | 939 | 939 |
| Tae Young Telstar Co., Ltd. | 3.33 | 1,000 | 760 | 760 |
| Han Kook Capital Co., Ltd. | 1.71 | 1,203 | 757 | 757 |
| Miju Steel Co., Ltd. | 4.30 | 1,348 | 540 | 540 |
| Ssangyong Engineering & Construction Co., Ltd. | 1.07 | 952 | 444 | 444 |
| KTF | 0.01 | 436 | 360 | 360 |
| Shinwon Construction Co., Ltd. | 2.02 | 1,622 | 322 | 322 |
| Systems Technology Inc. | 3.03 | 250 | 300 | 300 |
| Others | | 7,652 | 549 | 549 |

| | | | |
|--|---------------|--------------|--------------|
| | <u>23,098</u> | <u>8,838</u> | <u>8,838</u> |
|--|---------------|--------------|--------------|

Continued;

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****5. Investment Securities, Continued;**

| Issuer | Ownership (%) | Acquisition Cost | Fair Value or Net Asset Value ^{1*} | Balance Sheet Amount |
|--|------------------|---------------------|---|-------------------------|
| Non-marketable equity securities | | | | |
| Mutual Fund ^{2*} | 11.87 | (Won) 103,353 | (Won) 92,239 | (Won) 92,239 |
| Korea Housing Guarantee Co., Ltd. | 11.79 | 53,329 | 76,543 | 68,648 |
| KT Icom Co., Ltd. | 2.08 | 37,465 | 37,840 | 37,465 |
| Dongbu Electronics Co., Ltd. | 6.61 | 30,000 | 20,702 | 30,000 |
| Hyundai Petrochemical Co., Ltd. | 9.31 | 20,173 | 73,184 | 20,173 |
| Daewoo Electronics Co., Ltd. | 1.85 | 9,862 | 384 | 9,862 |
| The Korea Securities Finance Corp. | 2.40 | 8,160 | 10,371 | 8,160 |
| Korea Asset Management Corp. | 5.38 | 7,827 | 16,563 | 7,827 |
| Samsung Life Insurance Co., Ltd. | 0.11 | 7,479 | 5,988 | 7,479 |
| Korea Highway Corp. | 0.12 | 6,248 | 14,716 | 6,248 |
| BC Card Co., Ltd. | 4.95 | 5,738 | 8,040 | 5,738 |
| Mirae Asset Securities Co., Ltd. | 4.43 | 5,000 | 7,679 | 5,000 |
| Hanwha Investment Trust Management Co., Ltd. | 11.00 | 3,487 | 4,162 | 3,487 |
| Korea Vilene Co., Ltd. | 10.00 | 3,000 | 3,455 | 3,000 |
| Alpha Capital Corp. | 14.97 | 3,919 | 2,838 | 2,838 |
| Hyundai Home Shopping Network Corp. | 5.96 | 2,680 | 1,674 | 2,680 |
| National Information & Credit Evaluation Inc. | 7.85 | 2,668 | 3,682 | 2,668 |
| Korea Aerospace Industries, Ltd. | 0.46 | 2,179 | 1,355 | 2,179 |
| Korea Digital Satellite Broadcasting Co., Ltd. | 0.65 | 2,174 | 1,643 | 2,174 |
| Kyobo Investment Trust Management Co., Ltd. | 7.00 | 2,100 | 3,179 | 2,100 |
| Others | | 64,190 | 35,762 | 37,416 |
| | | 381,031 | 421,999 | 357,381 |
| Equity securities denominated in foreign currencies | | | | |
| Asia Credit Services (PTE) Ltd. | 6.67 | 12,004 | 9,892 | 9,892 |
| Nanjing Kumho Tire Co., Ltd. | 6.00 | 2,553 | 2,006 | 2,553 |
| Investment Development Leasing Co. | 10.00 | 1,539 | 2,089 | 2,089 |
| Pan Asia Paper (Thailand) Co., Ltd. | 2.94 | 3,257 | 2,047 | 2,047 |
| Sahaviriya Steel Industry | 1.09 | 900 | 2,016 | 2,016 |
| Baring Communications Equity | 6.73 | 4,921 | 1,947 | 1,947 |
| China Enterprise Development Fund | 2.63 | 1,224 | 1,224 | 1,224 |
| Asia Finance and Investment Corp. | 2.17 | 3,001 | 1,179 | 1,179 |
| Tianjin Samsung Opto- Electronics. | 10.00 | 1,173 | 1,381 | 1,173 |
| Chase Securities Int 1 (LONDON) and others | | 2,508 | 5,631 | 2,508 |
| | | 33,080 | 29,412 | 26,628 |

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| | | |
|----------------------|----------------------|----------------------|
| <u>(Won) 867,734</u> | <u>(Won) 713,516</u> | <u>(Won) 646,114</u> |
|----------------------|----------------------|----------------------|

1* Net asset value is calculated using the monthly closing information of investees as of December 31, 2002 if possible, otherwise the most recent financial information is used.

2* Investments in mutual funds are calculated using the net asset value per share provided by restructuring funds which consist of Seoul Debt-Restructuring Fund, Arirang Restructuring Fund, and Mukungwha Restructuring Fund formed to support corporate restructuring.

Continued;

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****5. Investment Securities, Continued;**

Unrealized gains and losses on investment securities included in net income for the year ended December 31, 2002 are summarized as follows (in millions of Won):

| | Beginning Balance | Fair Value / Net Asset Value | Unrealized Gains (Losses) |
|---|------------------------------|---|--------------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| <u>Investment in special funds</u> | | | |
| Stock market stabilization fund | (Won) 10,577 | (Won) 12,947 | (Won) 2,370 |
| <u>Beneficiary certificates</u> | | | |
| Special fund for corporate bonds | 976 | 628 | (348) |
| | <u>(Won) 11,553</u> | <u>(Won) 13,575</u> | <u>(Won) 2,022</u> |

Most of the operating assets in the funds are composed of short-term financial assets and related gains and losses are recognized in the current year as unrealized gains and losses on investment in special funds.

Impairment losses on investment securities for the year ended December 31, 2002 are as follows (in millions of Won):

| Issuer | Acquisition Cost | Impairment Loss | Book Value |
|--|-------------------------|------------------------|-------------------|
| <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| <u>Equity Securities</u> | | | |
| <u>Marketable equity securities (KSE)</u> | | | |
| Hyundai Construction Co., Ltd. | (Won) 140,125 | (Won) 91,928 | (Won) 48,197 |
| KP Chemical Co., Ltd. | 36,650 | 13,832 | 22,818 |
| Daewoo Securities Co., Ltd. | 53,627 | 39,886 | 13,741 |
| Ssangyong Motor Company | 27,655 | 15,002 | 12,653 |
| Woo Bang Housing & Construction Co., Ltd. | 6,122 | 2,524 | 3,598 |
| Shinwon Corp. | 9,873 | 5,507 | 4,366 |
| Hanmi Capital Co., Ltd. | 2,335 | 994 | 1,341 |
| Saehan Industries Inc. | 11,968 | 635 | 11,333 |
| Kunyoung Co., Ltd. | 762 | 598 | 164 |
| Hyundai Metal Co., Ltd. (common stock) | 575 | 399 | 176 |

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| | | | |
|--|---------|---------|---------|
| Hyundai Metal Co., Ltd. (preferred stock) | 266 | 206 | 60 |
| Jindo Corporation | 207 | 191 | 16 |
| Maxon Telecom. Co., Ltd. (preferred stock) | 830 | 97 | 733 |
| Others | 285 | 104 | 181 |
| | 291,280 | 171,903 | 119,377 |
| Marketable equity securities (KOSDAQ) | | | |
| C&H Capital | 8,135 | 4,268 | 3,867 |
| Hansol Mutual Savings Bank | 1,685 | 1,580 | 105 |
| Eyesvision Corp. | 1,491 | 1,425 | 66 |
| Prochips Technology Inc. | 1,323 | 1,189 | 134 |
| Shinwon Construction Co., Ltd. | 1,622 | 1,300 | 322 |
| Miju Steel Mfg. | 1,348 | 808 | 540 |
| Growell Telecom | 1,000 | 868 | 132 |
| NetSecure Technology Inc. | 954 | 841 | 113 |
| Han Kook Capital Co., Ltd. | 1,203 | 446 | 757 |
| Ssangyong Engineering & Construction Co., Ltd. | 952 | 508 | 444 |
| Seohan Engineering & Construction Co., Ltd. | 1,201 | 1,201 | |
| | 20,914 | 14,434 | 6,480 |

Continued;

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****5. Investment Securities, Continued;**

| Issuer | Acquisition Cost | Impairment Loss | Book Value |
|---|---------------------|--------------------|----------------|
| Non-marketable equity securities | | | |
| Daewoo Electronics Co., Ltd. | (Won) 23,800 | (Won) 23,800 | (Won) |
| Chonggu Co., Ltd. | 904 | 904 | |
| Kohap Corp. | 860 | 860 | |
| Daewoo Telecom Co., Ltd. | 417 | 417 | |
| Alpha Capital Corp. | 3,919 | 1,081 | 2,838 |
| Orion Electric Co., Ltd. | 614 | 614 | |
| Seohan Engineering & Construction Co., Ltd. (preferred stock) | 178 | 178 | |
| | <u>30,692</u> | <u>27,854</u> | <u>2,838</u> |
| Equity securities denominated in foreign currencies | | | |
| Baring Communications Equity | 4,921 | 2,974 | 1,947 |
| Asia Credit Services (PTE) Ltd. | 12,004 | 2,112 | 9,892 |
| Asia Finance and Investment Corp. | 3,001 | 1,822 | 1,179 |
| Pan Asia Paper (Thailand) Co., Ltd. | 3,257 | 1,210 | 2,047 |
| | <u>23,183</u> | <u>8,118</u> | <u>15,065</u> |
| | <u>366,069</u> | <u>222,309</u> | <u>143,760</u> |
| Debt Securities | | | |
| Corporate bonds | | | |
| Hyundai Engineering & Construction Co. Ltd. | 69,400 | 40,811 | 28,589 |
| Kookmin-2 nd ABS Specialty Co., Ltd. | 10,000 | 209 | 9,791 |
| Kookmin-4 th ABS Specialty Co., Ltd. | 6,500 | 480 | 6,020 |
| Kookmin-5 th ABS Specialty Co., Ltd. | 4,000 | 1,166 | 2,834 |
| H&CB 200105 ABS Specialty Co., Ltd. | 23,500 | 7,459 | 16,041 |
| | <u>113,400</u> | <u>50,125</u> | <u>63,275</u> |
| Debt securities denominated in foreign currencies | | | |
| Daehan Global | 43,296 | 14,726 | 28,570 |
| Essar Gujarat LTD | 1,801 | 1,321 | 480 |
| SMM Finance | 1,500 | 1,170 | 330 |
| PT Argo Pantes | 1,500 | 780 | 720 |
| Amsteel corp. | 900 | 666 | 234 |

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| | | | |
|------------------------|----------------------|----------------------|----------------------|
| PT Bakrie Invest. | 721 | 663 | 58 |
| Berjaya Group capital | 1,991 | 530 | 1,461 |
| Tuntex | 899 | 269 | 630 |
| PT Fiskaragung | 180 | 180 | |
| PT Pelabuan | 14,028 | 5,025 | 9,003 |
| PT Bank Indonesia Raya | 1,501 | 1,471 | 30 |
| Kohap Global | 360 | 360 | |
| PT Dhamala | 300 | 270 | 30 |
| Berjaya Group capital | 852 | 226 | 626 |
| | <u>69,829</u> | <u>27,657</u> | <u>42,172</u> |
| | <u>183,229</u> | <u>77,782</u> | <u>105,447</u> |
| | <u>(Won) 549,298</u> | <u>(Won) 300,091</u> | <u>(Won) 249,207</u> |

For the year ended December 31, 2002, the recovery of impairment losses on investment equity securities amounts to (Won)15,318 million related to the investments in Korea Housing Guarantee Co., Ltd. and the recovery of impairment losses on investment debt securities amounts to (Won)6,800 million and (Won)5,580 million related to the investments in Kookmin [₩] ABS Specialty Co., Ltd. and Kookmin [₩] ABS Specialty Co., Ltd., respectively.

Continued;

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****5. Investment Securities, Continued;**

Investment securities risk concentrations as of December 31, 2002 are as follows (in millions of Won):

| | Securities in Won ^{1*} | | Securities in Foreign Currencies | |
|-------------------------------|---------------------------------|---------------|----------------------------------|---------------|
| | Amount | Ratio (%) | Amount | Ratio (%) |
| By Country | | | | |
| Korea | (Won) 24,011,157 | 100.00 | (Won) 948,035 | 78.69 |
| USA | | | 66,826 | 5.55 |
| Philippines | | | 63,323 | 5.26 |
| Germany | | | 30,010 | 2.49 |
| Mexico | | | 20,007 | 1.66 |
| India | | | 18,393 | 1.53 |
| Indonesia | | | 16,911 | 1.40 |
| Hong Kong | | | 11,994 | 1.00 |
| Singapore | | | 9,892 | 0.82 |
| Thailand | | | 8,944 | 0.74 |
| Others | | | 10,450 | 0.86 |
| | <u>(Won) 24,011,157</u> | <u>100.00</u> | <u>(Won) 1,204,785</u> | <u>100.00</u> |
| By Type | | | | |
| Fixed rate bonds | (Won) 13,845,146 | 57.66 | (Won) 366,754 | 30.44 |
| Floating rate bonds | 4,837,248 | 20.15 | 430,055 | 35.70 |
| Subordinated bonds | 422,708 | 1.76 | 152,019 | 12.62 |
| Convertible bonds | 30,128 | 0.13 | 112,689 | 9.35 |
| Equity securities | 1,606,008 | 6.69 | 143,268 | 11.89 |
| Others | 3,269,919 | 13.61 | | |
| | <u>(Won) 24,011,157</u> | <u>100.00</u> | <u>(Won) 1,204,785</u> | <u>100.00</u> |
| By Industry | | | | |
| Government and municipalities | (Won) 4,596,855 | 19.14 | (Won) 5,064 | 0.42 |
| Government agencies | 8,186,233 | 34.09 | 139,019 | 11.54 |
| Financial institutions | 8,226,736 | 34.26 | 578,608 | 48.03 |
| Others | 3,001,333 | 12.51 | 482,094 | 40.01 |
| | <u>(Won) 24,011,157</u> | <u>100.00</u> | <u>(Won) 1,204,785</u> | <u>100.00</u> |

1* Securities lent are not included.

The maturities of the investment securities, excluding investment equity securities, investment in special funds, and securities lent, as of December 31, 2002 are summarized as follows (in millions of Won):

| | Government and Municipal Bonds | Finance Debentures | Corporate Bonds | Beneficiary Certificates | Others | Securities in Foreign Currencies | Total |
|--|---|-------------------------------|----------------------------|-------------------------------------|--------------------|---|-------------------------|
| Due in 3 months or less | (Won) 58,350 | (Won) 569,808 | (Won) 749,432 | (Won) 2,370,296 | (Won) 1,914 | (Won) 86,860 | (Won) 3,836,660 |
| Due after 3 months through 6 months | 18,230 | 880,899 | 567,726 | 476,833 | | 98,285 | 2,041,973 |
| Due after 6 months through 9 months | 354,832 | 91,713 | 4,282,186 | 182,908 | | 39,347 | 4,950,986 |
| Due after 9 months through 1 year | 102,189 | 443,170 | 567,668 | 201,816 | | 30,293 | 1,345,136 |
| Due after 1 year through 2 years | 938,035 | 1,048,512 | 2,505,754 | | | 144,074 | 4,636,375 |
| Due after 2 years through 3 years | 1,422,801 | 109,811 | 1,469,141 | | | 253,965 | 3,255,718 |
| Due after 3 years through 4 years | 361,502 | 30,000 | 676,795 | | | 127,848 | 1,196,145 |
| Due after 4 years through 5 years | 1,097,076 | | 217,206 | | | 156,604 | 1,470,886 |
| Thereafter | 254,871 | | 317,523 | | | 124,241 | 696,635 |
| | (Won) 4,607,886 | (Won) 3,173,913 | (Won) 11,353,431 | (Won) 3,231,853 | (Won) 1,914 | (Won) 1,061,517 | (Won) 23,430,514 |

Continued;

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****5. Investment Securities, Continued;**

Currency concentrations of securities denominated in foreign currencies as of December 31, 2002 are as follows (in millions of Won):

| | Trading Securities | | Investment Securities | |
|-----|--------------------|-----------|-----------------------|-----------|
| | Amount | Ratio (%) | Amount | Ratio (%) |
| USD | (Won) 11,842 | 100.00 | (Won) 1,095,652 | 90.94 |
| GBP | | | 47,739 | 3.96 |
| JPY | | | 44,840 | 3.72 |
| DEM | | | 5,667 | 0.47 |
| EUR | | | 5,106 | 0.42 |
| THB | | | 2,741 | 0.23 |
| BDT | | | 2,089 | 0.17 |
| PHP | | | 451 | 0.04 |
| CHF | | | 367 | 0.04 |
| IDR | | | 133 | 0.01 |
| | (Won) 11,842 | 100.00 | (Won) 1,204,785 | 100.00 |

Securities lent as of December 31, 2002 are as follows (in millions of Won):

| Company | Security | Amount |
|---|--------------------------------|-------------|
| LG Engineering & Construction Co., Ltd. | Government and municipal bonds | (Won)47,835 |

Trading and investment securities of (Won)7,830,956 million (par value) can be discounted at the Bank of Korea as of December 31, 2002.

As of December 31, 2002, the following investment securities are pledged at various institutions (in millions of Won):

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| Related Liability | | Securities Provided | |
|--|------------------------------|---------------------|-----------------|
| Transaction | Amount | Book Value | Pledge Value |
| Bonds sold under repurchase agreements | (Won) 3,074,161 | (Won) 3,907,187 | (Won) 3,855,399 |
| Borrowings from the Bank of Korea | 671,854 | 2,141,059 | 2,119,350 |
| Derivatives transactions | Borrowing within credit line | 105,407 | 110,033 |
| BOK settlements | Borrowing within credit line | 507,753 | 504,300 |
| Sale of non-performing loans | Borrowing within credit line | 168,100 | 166,671 |
| Borrowings denominated in foreign currencies | 1,670 | 1,895 | 1,900 |
| | | (Won) 6,831,401 | (Won) 6,757,653 |

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****6. Loans:**

Loans as of December 31, 2002 and 2001 are summarized as follows (in millions of Won):

| Account | Detailed Account | 2002 | 2001 |
|---------------------|---|-------------------|-------------------|
| Loans in Won | | | |
| Corporate loans | <u>Operation loans</u> | | |
| | General operation loans | (Won) 28,904,621 | (Won) 22,974,003 |
| | Notes discounted | 1,851,133 | 2,235,289 |
| | Overdraft accounts | 568,702 | 584,909 |
| | Trading notes | 814,759 | 736,886 |
| | Other operation loans | 3,229,851 | 2,755,620 |
| | | <u>35,369,066</u> | <u>29,286,707</u> |
| | <u>Facility loans</u> | | |
| | General facility loans | 4,676,506 | 3,117,383 |
| | Other facility loans | 1,287,125 | 1,317,064 |
| | | <u>5,963,631</u> | <u>4,434,447</u> |
| | | <u>41,332,697</u> | <u>33,721,154</u> |
| Consumer loans | General consumer loans | 39,713,543 | 34,367,459 |
| | Consumer housing loans | 33,731,435 | 25,342,969 |
| | Remunerations on mutual installment savings | 131,768 | 57,099 |
| | Other consumer loans | 632,172 | 224,360 |
| | | <u>74,208,918</u> | <u>59,991,887</u> |
| Public loans | Public operation loans | 738,632 | 730,598 |
| | Public facility loans | 39,414 | 57,211 |
| | | <u>778,046</u> | <u>787,809</u> |
| Other loans | Property formation loans | 95,252 | 154,069 |
| | Inter-bank loans | 20,941 | 36,110 |
| | Others | 36,251 | 7,740 |

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| | | | |
|---|--------------------------|-------------|------------|
| | | 152,444 | 197,919 |
| | | 116,472,105 | 94,698,769 |
| <u>Loans in foreign currencies</u> | Domestic funding loans | 1,052,800 | 1,558,146 |
| | Overseas funding loans | 933,010 | 1,159,421 |
| | Inter-bank loans | 1,094,119 | 1,163,547 |
| | Domestic usance bills | 1,334,006 | 286,155 |
| | Government funding loans | 3,241 | 6,968 |
| | | 4,417,176 | 4,174,237 |
| <u>Bills bought in Won</u> | | 37,415 | 50,893 |
| <u>Bills bought in foreign currencies</u> | | 756,300 | 1,006,095 |
| <u>Payments on guarantees</u> | | 52,430 | 199,831 |
| <u>Credit card accounts</u> | | 5,748,806 | 4,706,223 |
| <u>Bonds purchased under resale agreements (RP)</u> | | | 640,000 |

Continued;

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****6. Loans, Continued;**

| <u>Account</u> | <u>Detailed Account</u> | <u>2002</u> | <u>2001</u> |
|--|----------------------------------|--------------------------|--------------------------|
| <u>Call loans</u> | Call loans in Won | (Won) 33,600 | (Won) 1,293,900 |
| | Call loans in foreign currencies | 248,857 | 261,113 |
| | Inter-bank reconciliation funds | 89,287 | 124,615 |
| | | <u>371,744</u> | <u>1,679,628</u> |
| <u>Privately placed debentures</u> | | <u>1,276,080</u> | <u>1,991,735</u> |
| <u>Loans due for equity conversion</u> | | <u>7,643</u> | <u>212,831</u> |
| | | <u>129,139,699</u> | <u>109,360,242</u> |
| <u>Allowances for loan losses (Note 7)</u> | | <u>(2,378,696)</u> | <u>(2,271,179)</u> |
| <u>Present value discounts</u> | | <u>(30,442)</u> | <u>(59,104)</u> |
| | | <u>(Won) 126,730,561</u> | <u>(Won) 107,029,959</u> |

As of December 31, 2002, restructured loans due to workout plans or other similar restructuring programs are as follows (in millions of Won):

| | <u>Settlements by Issuance or Grants of</u> | | | | | | |
|--------------------|---|--------------------|--|--------------------------|--------------------------|-------------------------------------|--------------------------------|
| | <u>Balances before Restructuring</u> | <u>Exemption</u> | <u>Loans due for Equity Conversion</u> | <u>Equity Securities</u> | <u>Convertible Bonds</u> | <u>Balances after Restructuring</u> | <u>Present Value Discounts</u> |
| Workout | (Won) 285,613 | (Won) 2,891 | (Won) | (Won) 132,601 | (Won) 17,287 | (Won) 132,834 | (Won) 6,116 |
| Court receivership | 117,385 | | 3,932 | 96,228 | | 17,225 | 2,811 |
| Court mediation | 101,325 | | | | | 101,325 | 1,181 |
| Others | 201,985 | | 3,711 | | | 198,274 | 20,334 |
| | <u>(Won) 706,308</u> | <u>(Won) 2,891</u> | <u>(Won) 7,643</u> | <u>(Won) 228,829</u> | <u>(Won) 17,287</u> | <u>(Won) 449,658</u> | <u>(Won) 30,442</u> |

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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 equity interest is adjusted in the related allowance for loan losses.

The maturities of loans as of December 31, 2002 are as follows (in millions of Won):

| | <u>Loans in Won</u> | <u>Loans in Foreign Currencies</u> | <u>Bills Bought^{1*}</u> | <u>Credit Card</u> | <u>Call Loans</u> | <u>Privately Placed Debentures</u> | <u>Others</u> | <u>Total</u> |
|-------------------------------------|--------------------------|------------------------------------|----------------------------------|------------------------|----------------------|------------------------------------|---------------------|--------------------------|
| Due in 3 months or less | (Won) 14,800,984 | (Won) 2,265,001 | (Won) 657,033 | (Won) 2,641,378 | (Won) 371,744 | (Won) 80,123 | (Won) 54,138 | (Won) 20,870,401 |
| Due after 3 months through 6 months | 13,914,175 | 289,824 | 111,137 | 2,582,159 | | 90,047 | 3,711 | 16,991,053 |
| Due after 6 months through 1 year | 24,263,747 | 326,914 | 8,123 | 472,636 | | 286,255 | | 25,357,675 |
| Due after 1 year through 2 years | 19,227,010 | 371,445 | 7,160 | 24,089 | | 335,133 | | 19,964,837 |
| Due after 2 years through 3 years | 26,672,996 | 272,825 | 7,160 | 13,828 | | 419,494 | | 27,386,303 |
| Due after 3 years through 4 years | 2,438,447 | 153,194 | 3,102 | 9,767 | | 59,889 | | 2,664,399 |
| Due after 4 years through 5 years | 3,058,132 | 140,286 | | 4,949 | | 5,012 | | 3,208,379 |
| Thereafter | 12,096,614 | 597,687 | | | | 127 | 2,224 | 12,696,652 |
| | <u>(Won) 116,472,105</u> | <u>(Won) 4,417,176</u> | <u>(Won) 793,715</u> | <u>(Won) 5,748,806</u> | <u>(Won) 371,744</u> | <u>(Won) 1,276,080</u> | <u>(Won) 60,073</u> | <u>(Won) 129,139,699</u> |

1* Bills bought in Won and Bills bought in foreign currencies

Continued;

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****6. Loans, Continued;**

Loan risk concentrations as of December 31, 2002 are as follows (in millions of Won):

| | Loans in | | | | Percentage (%) |
|--|--------------------------|------------------------|------------------------|--------------------------|----------------|
| | Loans in Won | Foreign Currencies | Others | Total | |
| <u>By Country</u> | | | | | |
| Korea | (Won) 116,472,105 | (Won) 3,873,416 | (Won) 8,001,643 | (Won) 128,347,164 | 99.39 |
| Southeast Asia | | 60,297 | 96,682 | 156,979 | 0.12 |
| Russia | | 118,840 | | 118,840 | 0.09 |
| China | | 5,051 | | 5,051 | 0.01 |
| Japan | | 245,078 | | 245,078 | 0.19 |
| USA/ Latin America | | 37,480 | 7,443 | 44,923 | 0.03 |
| Others | | 77,014 | 144,650 | 221,664 | 0.17 |
| | <u>(Won) 116,472,105</u> | <u>(Won) 4,417,176</u> | <u>(Won) 8,250,418</u> | <u>(Won) 129,139,699</u> | <u>100.00</u> |
| <u>By Customer and Industry</u> | | | | | |
| Industrial loans | | | | | |
| Financial institutions | (Won) 748,688 | (Won) 1,187,649 | (Won) 432,427 | (Won) 2,368,764 | 1.83 |
| Manufacturing companies | 14,360,918 | 1,582,066 | 1,203,516 | 17,146,500 | 13.28 |
| Service companies | 3,599,523 | 881,345 | 91,945 | 4,572,813 | 3.54 |
| Others | 22,675,311 | 696,728 | 773,723 | 24,145,762 | 18.70 |
| | <u>41,384,440</u> | <u>4,347,788</u> | <u>2,501,611</u> | <u>48,233,839</u> | <u>37.35</u> |
| Household loans | | | | | |
| | 74,309,619 | 59,642 | 5,748,807 | 80,118,068 | 62.04 |
| Public and other loans | | | | | |
| | 778,046 | 9,746 | | 787,792 | 0.61 |
| | <u>(Won) 116,472,105</u> | <u>(Won) 4,417,176</u> | <u>(Won) 8,250,418</u> | <u>(Won) 129,139,699</u> | <u>100.00</u> |

7. Allowances for Loan Losses:

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As of December 31, 2002 and 2001, allowances for loan losses are as follows (in millions of Won):

| Allowance for | 2002 | 2001 |
|--|------------------------|------------------------|
| Loans in Won | (Won) 1,905,208 | (Won) 1,509,863 |
| Loans in foreign currencies | 103,838 | 225,172 |
| Bills bought in Won and foreign currencies | 20,213 | 97,269 |
| Payments on guarantees | 18,382 | 91,836 |
| Credit card accounts | 284,491 | 148,349 |
| Privately placed debentures | 28,210 | 97,394 |
| Loans due for equity conversion | 5,373 | 65,918 |
| Suspense receivables | 11,022 | 8,224 |
| Others | 1,959 | 27,154 |
| | <u>(Won) 2,378,696</u> | <u>(Won) 2,271,179</u> |

Continued;

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****7. Allowances for Loan Losses, Continued;**

As of December 31, 2002, allowances for loan losses and credit risk classifications are as follows (in millions of Won):

| | | <u>Normal</u> | <u>Precautionary</u> | <u>Substandard</u> | <u>Doubtful</u> | <u>Estimated Loss</u> | <u>Total</u> |
|--------------------------------|---------------|-------------------|----------------------|--------------------|-----------------|---------------------------|-------------------|
| Loans in Won | Loan balance | (Won) 108,193,204 | (Won) 5,242,139 | (Won) 2,260,061 | (Won) 513,701 | (Won) 236,646 | (Won) 116,445,751 |
| | Allowances | 720,363 | 210,049 | 460,035 | 278,115 | 236,646 | 1,905,208 |
| | Percentage(%) | 0.67 | 4.01 | 20.35 | 54.14 | 100.00 | 1.64 |
| Loans in foreign currencies | Loan balance | 3,993,389 | 233,441 | 145,797 | 33,348 | 7,180 | 4,413,155 |
| | Allowances | 14,496 | 14,005 | 46,701 | 21,456 | 7,180 | 103,838 |
| | Percentage(%) | 0.36 | 6.00 | 32.03 | 64.34 | 100.00 | 2.35 |
| Bills bought ¹ * | Loan balance | 673,588 | 101,725 | 2,263 | 5,956 | 10,183 | 793,715 |
| | Allowances | 3,368 | 2,035 | 453 | 4,174 | 10,183 | 20,213 |
| | Percentage(%) | 0.50 | 2.00 | 20.02 | 70.08 | 100.00 | 2.55 |
| Payments on guarantees | Loan balance | 11,306 | 4,695 | 19,784 | 5,521 | 11,124 | 52,430 |
| | Allowances | 57 | 482 | 3,957 | 2,762 | 11,124 | 18,382 |
| | Percentage(%) | 0.50 | 10.27 | 20.00 | 50.03 | 100.00 | 35.06 |
| Credit card accounts | Loan balance | 5,095,728 | 360,890 | 113 | 254,677 | 37,398 | 5,748,806 |
| | Allowances | 50,957 | 43,307 | 23 | 152,806 | 37,398 | 284,491 |
| | Percentage(%) | 1.00 | 12.00 | 20.35 | 60.00 | 100.00 | 4.95 |
| Call loans | Loan balance | 371,744 | | | | | 371,744 |
| | Allowances | | | | | | |
| | Percentage(%) | | | | | | |
| Privately placed debentures | Loan balance | 1,174,838 | 32,937 | 57,779 | 9,584 | 875 | 1,276,013 |
| | Allowances | 5,874 | 1,339 | 12,288 | 7,834 | 875 | 28,210 |
| | Percentage(%) | | | | | | |

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| | | | | | | | |
|---|----------------------------|-------------------|-----------------|-----------------|---------------|---------------|-------------------|
| | Percentage(%) | 0.50 | 4.07 | 21.27 | 81.74 | 100.00 | 2.21 |
| Loans due for equity conversion ^{2*} | Loan balance | | | 2,103 | 5,540 | | 7,643 |
| | Allowances | | | 1,144 | 4,229 | | 5,373 |
| | Percentage(%) | | | 54.40 | 76.33 | | 70.30 |
| Total loans | Loan balance ^{2*} | (Won) 119,513,797 | (Won) 5,975,827 | (Won) 2,487,900 | (Won) 828,327 | (Won) 303,406 | (Won) 129,109,257 |
| | Allowances ^{3*} | 795,115 | 271,217 | 524,601 | 471,376 | 303,406 | 2,365,715 |
| | Percentage(%) | 0.67 | 4.54 | 21.09 | 56.91 | 100.00 | 1.83 |

1* Bills bought in Won and foreign currencies

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

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

Continued;

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****7. Allowances for Loan Losses, Continued;**

For the years ended December 31, 2002 and 2001, the allowances for loan losses changed as follows (in millions of Won):

| | <u>2002</u> | <u>2001</u> |
|--|------------------------|------------------------|
| Beginning Balance | (Won) 2,271,179 | (Won) 1,826,700 |
| Increase due to: | | |
| Provision for loan losses | 1,593,479 | 992,249 |
| Business combination with H&CB | | 969,078 |
| Collection of written-off loans | 269,533 | 97,123 |
| Troubled debt restructuring | 60,939 | 45,458 |
| Repurchase of loans sold | 6,424 | 3,404 |
| Others | | 28,330 |
| | <u>1,930,375</u> | <u>2,135,642</u> |
| Decrease due to: | | |
| Written-off loans | 1,527,311 | 1,090,029 |
| Sale of loans | 65,174 | 372,272 |
| Conversion of loans into equity securities | 136,185 | 164,422 |
| Exemption of loans | 8,364 | 36,675 |
| Offset with present value discounts from troubled debt restructuring | 61,104 | 27,765 |
| Changes in exchange rates and others | 24,720 | |
| | <u>1,822,858</u> | <u>1,691,163</u> |
| Ending Balance | <u>(Won) 2,378,696</u> | <u>(Won) 2,271,179</u> |

As of December 31, 2002, 2001 and 2000, the ratios of allowances for loan losses to loans are as follows (in millions of Won):

| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
|--|-------------------|-------------------|------------------|
| Loans ^{1*} | (Won) 129,109,257 | (Won) 109,301,138 | (Won) 52,397,111 |
| Allowances for loan losses ^{2*} | <u>2,365,715</u> | <u>2,235,801</u> | <u>1,826,700</u> |

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| | | | |
|-----------|------|------|------|
| Ratio (%) | 1.83 | 2.05 | 3.49 |
|-----------|------|------|------|

1* The above amounts of loans are net of present value discounts

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

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****8. Fixed Assets:**

Fixed assets as of December 31, 2002 and 2001 comprise the following (in millions of Won):

| | 2002 | | | 2001 | | |
|--|------------------------|--------------------------|------------------------|------------------------|--------------------------|------------------------|
| | Acquisition Cost | Accumulated Depreciation | Net Carrying Value | Acquisition Cost | Accumulated Depreciation | Net Carrying Value |
| Tangible assets | | | | | | |
| Land | (Won) 1,175,681 | (Won) | (Won) 1,175,681 | (Won) 1,168,322 | (Won) | (Won) 1,168,322 |
| Buildings and structures | 848,745 | 108,723 | 740,022 | 800,337 | 89,783 | 710,554 |
| Leasehold improvements | 98,117 | 48,164 | 49,953 | 57,035 | 29,616 | 27,419 |
| Equipment and vehicles | 1,043,969 | 533,675 | 510,294 | 678,816 | 361,102 | 317,714 |
| Constructions in progress | 1,197 | | 1,197 | 5,774 | | 5,774 |
| | <u>(Won) 3,167,709</u> | <u>(Won) 690,562</u> | <u>(Won) 2,477,147</u> | <u>(Won) 2,710,284</u> | <u>(Won) 480,501</u> | <u>2,229,783</u> |
| Intangible assets | | | 614,457 | | | 692,390 |
| Foreclosed assets (net of valuation allowance) | | | 1,012 | | | 2,298 |
| | | | <u>(Won) 3,092,616</u> | | | <u>(Won) 2,924,471</u> |

In accordance with the General Banking Act, the Bank is prohibited from investing in non-business purpose real property and may only hold business-purpose real property within its own equity amount.

All of the Bank's tangible assets, other than those personal properties valued under (Won)1 million, are covered by insurance policies of (Won)1,113,446 million and (Won)954,656 million as of December 31, 2002 and 2001, respectively. All vehicles are covered by legal and general insurance policies.

Movements in intangible assets for the year ended December 31, 2002 are as follows (in millions of Won):

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| | Beginning | | | Ending |
|---|---------------|-----------|--------------|---------------|
| | Balance | Increase | Decrease | Balance |
| Goodwill due to the combination with H&CB | (Won) 692,050 | (Won) | (Won) 78,345 | (Won) 613,705 |
| Rights to income on donated asset | 118 | | 8 | 110 |
| Store possessory right | 183 | | 22 | 161 |
| Trademarks | 22 | 1 | 12 | 11 |
| Others | 17 | 501 | 48 | 470 |
| | (Won) 692,390 | (Won) 502 | (Won) 78,435 | (Won) 614,457 |

The total government-posted price of land, used for tax imposition and compensation for confiscation, as of December 31, 2002 and 2001 is as follows (in millions of Won):

| | 2002 | | 2001 | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| | Book Value | Appraisal Value | Book Value | Appraisal Value |
| Lands included in tangible assets | (Won) 1,175,681 | (Won) 986,885 | (Won) 1,168,322 | (Won) 976,511 |
| Lands included in foreclosed assets | 1,923 | 931 | 4,253 | 13,492 |
| | (Won) 1,177,604 | (Won) 987,816 | (Won) 1,172,575 | (Won) 990,003 |

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****9. Other Assets:**

Other assets at December 31, 2002 and 2001 comprise the following (in millions of Won):

| | <u>2002</u> | <u>2001</u> |
|------------------------------------|------------------------|------------------------|
| Guarantee deposits paid | (Won) 1,235,362 | (Won) 1,178,742 |
| Accounts receivable | 1,877,645 | 1,539,076 |
| Accrued income | 981,141 | 984,379 |
| Payments in advance | 48,390 | 104,113 |
| Prepaid expenses | 12,646 | 26,684 |
| Deferred tax assets (Note 26) | 170,624 | 119,444 |
| Derivative assets (Note 17) | 660,791 | 278,893 |
| Unsettled domestic exchange assets | 1,087,587 | 1,490,602 |
| Loans to trust accounts | 37,882 | 267,334 |
| Others | 23,490 | 29,127 |
| | <u>(Won) 6,135,558</u> | <u>(Won) 6,018,394</u> |

10. Deposits:

Deposits as of December 31, 2002 and 2001 comprise the following (in millions of Won):

| | Annual Interest (%) | | |
|-----------------------------|----------------------------|---------------|---------------|
| | <u>2002.12.31</u> | <u>2002</u> | <u>2001</u> |
| Deposits in Won | | | |
| Demand deposits | | | |
| Checking deposits | | (Won) 134,222 | (Won) 272,350 |
| Household checking deposits | 0.50 | 469,866 | 430,716 |
| Passbook deposits | 0.50 | 8,586,219 | 6,118,412 |
| Temporary deposits | | 3,577,243 | 3,825,722 |
| Public fund deposits | 0.50 | 207,695 | 172,215 |
| Others | | 12,497 | 4,590 |

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| | | | |
|---|-----------|-------------|-------------|
| | | 12,987,742 | 10,824,005 |
| Time deposits and savings deposits | | | |
| Time deposits | 3.5~5.35 | 58,187,286 | 54,665,800 |
| Installment savings deposits | 4.2~5.15 | 1,422,532 | 1,601,703 |
| Property formation savings | 11.69 | 2,221 | 2,670 |
| Time and savings deposits of non-residents in Won | 2.63 | 151,124 | 66,391 |
| General savings deposits | 0.5~3.8 | 21,346,223 | 20,165,895 |
| Corporate free savings deposits | 0.5~3.8 | 6,556,979 | 6,269,451 |
| Long term savings deposits for workers | 12.38 | 297,272 | 473,432 |
| Long term housing savings deposits | 5.65 | 538,782 | 345,061 |
| Long term savings for households | 5.87 | 2,250,457 | 3,160,122 |
| Worker s preferential savings deposits | 5.35 | 2,877,467 | 2,330,304 |
| Worker s savings for housing | 1.03 | 79 | 106 |
| Mutual installment deposits | 3.5~5.25 | 7,491,115 | 8,871,193 |
| Mutual installment for housing | 4.85~5.25 | 4,872,637 | 4,128,489 |
| | | 105,994,174 | 102,080,617 |
| | | 118,981,916 | 112,904,622 |

Continued;

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****10. Deposits, Continued;**

| | Annual Interest (%) | | |
|---|---------------------|--------------------------|--------------------------|
| | 2002.12.31. | 2002 | 2001 |
| Deposits in foreign currencies | | | |
| Demand deposits | | | |
| Checking deposits | 0.00~3.00 | (Won) 29,629 | (Won) 28,494 |
| Passbook deposits | 0.08~0.10 | 549,646 | 411,754 |
| Notice deposits | 0.15 | 2,725 | 11,945 |
| Temporary deposits | | 3,796 | 4,088 |
| | | <u>585,796</u> | <u>456,281</u> |
| Time deposits and savings deposits | | | |
| Time deposits | 0.44~7.5 | 496,359 | 644,532 |
| Others | 5.00~8.00 | 1,493 | 1,813 |
| | | <u>497,852</u> | <u>646,345</u> |
| | | <u>1,083,648</u> | <u>1,102,626</u> |
| Certificates of deposit | 4.0~4.80 | 3,044,089 | 1,154,056 |
| | | <u>(Won) 123,109,653</u> | <u>(Won) 115,161,304</u> |

The maturities of deposits as of December 31, 2002 are as follows (in millions of Won):

| | Deposits in | | Certificates of | Total |
|-------------------------------------|------------------|--------------------|-----------------|------------------|
| | Deposits in Won | Foreign Currencies | Deposit | |
| Due in 3 months or less | (Won) 61,110,713 | (Won) 895,991 | (Won) 1,496,052 | (Won) 63,502,756 |
| Due after 3 months through 6 months | 13,250,249 | 94,562 | 1,480,311 | 14,825,122 |
| Due after 6 months through 1 year | 31,818,169 | 73,691 | 67,726 | 31,959,586 |
| Due after 1 year through 2 years | 7,302,870 | 18,914 | | 7,321,784 |

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| | | | | |
|-----------------------------------|--------------------------|------------------------|------------------------|--------------------------|
| Due after 2 years through 3 years | 4,195,407 | 416 | | 4,195,823 |
| Due after 3 years through 4 years | 694,941 | | | 694,941 |
| Due after 4 years through 5 years | 264,142 | 74 | | 264,216 |
| Thereafter | 345,425 | | | 345,425 |
| | <u>4,195,407</u> | <u>416</u> | <u>3,044,089</u> | <u>4,195,823</u> |
| | (Won) 118,981,916 | (Won) 1,083,648 | (Won) 3,044,089 | (Won) 123,109,653 |
| | <u>(Won) 118,981,916</u> | <u>(Won) 1,083,648</u> | <u>(Won) 3,044,089</u> | <u>(Won) 123,109,653</u> |

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****11. Borrowings:**

Borrowings as of December 31, 2002 and 2001 comprise the following (in millions of Won):

| | Annual Interest (%) 2002. 12. 31. | | 2002 | | 2001 |
|--|--------------------------------------|-------|-----------|-------|-----------|
| Borrowings in Won | | | | | |
| Borrowings from the Bank of Korea | | | | | |
| Aggregate limitation borrowings | 2.50 | (Won) | 671,854 | (Won) | 1,269,155 |
| Others | 5.00~8.00 | | | | 1,008 |
| | | | 671,854 | | 1,270,163 |
| Borrowings from the government | | | | | |
| Borrowings from the government fund | 4.42~5.00 | | 405,210 | | 362,508 |
| Others | 0.00~6.00 | | 651,270 | | 626,654 |
| | | | 1,056,480 | | 989,162 |
| Borrowings from banking institutions | | | | | |
| Debenture funds for the development of small and medium industries | 4.50~9.55 | | 318,702 | | 398,637 |
| Borrowings from National Housing Fund | | | | | |
| | 8.00 | | 9,192 | | 9,637 |
| Borrowings from non-banking financial institutions | | | | | |
| Borrowings from Korea Development Bank | 2.00~5.00 | | 6,211 | | 4,831 |
| Subordinated borrowings | 9.00~11.84 | | | | 25,000 |
| Other finance borrowings | 5.59~6.52 | | | | 680,000 |
| | | | 6,211 | | 709,831 |
| Other borrowings | | | | | |
| Borrowings from local governments | 2.20~6.50 | | 374,717 | | 435,809 |
| Borrowings from Small and Medium Industry Promotion Fund | 4.40~5.68 | | 674,414 | | 723,953 |
| Others | 3.00~7.00 | | 80,174 | | 110,637 |
| | | | 1,129,305 | | 1,270,399 |
| | | | 3,191,744 | | 4,647,829 |

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| | | | |
|---|-----------|------------------|------------------|
| <u>Borrowings denominated in foreign currencies</u> | | | |
| Borrowings from domestic banks | 1.78~6.95 | 528,991 | 652,591 |
| Borrowings from foreign banks | 0.19~2.91 | 1,875,119 | 1,795,225 |
| Borrowings from other financial institutions | 2.13 | 23,092 | 148,181 |
| Others | 2.15 | 981,328 | |
| | | 3,408,530 | 2,595,997 |
| <u>Bonds sold under repurchase agreements</u> | | | |
| | 2.29~4.85 | 3,074,161 | 2,959,897 |
| <u>Bills sold</u> | | | |
| | 4.00~4.80 | 72,860 | 79,443 |
| <u>Due to the Bank of Korea denominated in foreign currencies</u> | | | |
| | | 37,493 | 126,501 |
| <u>Call money</u> | | | |
| Won | 3.75~4.15 | 829,300 | 1,854,200 |
| Foreign currencies | 0.25~5.85 | 76,666 | 292,185 |
| | | 905,966 | 2,146,385 |
| | | (Won) 10,690,754 | (Won) 12,556,052 |

Continued;

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****11. Borrowings**, Continued;

The maturities of borrowings as of December 31, 2002 are as follows (in millions of Won):

| | Borrowings in Won | Borrowings in Foreign Currencies | Others | Total |
|-------------------------------------|------------------------------|---|------------------------|-------------------------|
| Due in 3 months or less | (Won) 753,448 | (Won) 2,056,221 | (Won) 2,940,074 | (Won) 5,749,743 |
| Due after 3 months through 6 months | 113,261 | 349,331 | 672,386 | 1,134,978 |
| Due after 6 months through 1 year | 221,520 | 377,467 | 478,020 | 1,077,007 |
| Due after 1 year through 2 years | 513,437 | 314,666 | | 828,103 |
| Due after 2 years through 3 years | 437,009 | 265,664 | | 702,673 |
| Due after 3 years through 4 years | 330,129 | 161 | | 330,290 |
| Due after 4 years through 5 years | 246,722 | | | 246,722 |
| Thereafter | 576,218 | 45,020 | | 621,238 |
| | (Won) 3,191,744 | (Won) 3,408,530 | (Won) 4,090,480 | (Won) 10,690,754 |

12. Debentures:

Debentures as of December 31, 2002 and 2001 comprise the following (in millions of Won):

| | Annual Interest (%) | | |
|------------------------------|----------------------------|-------------------|------------------|
| | 2002.12.31. | 2002 | 2001 |
| Debentures in Won | | | |
| Subordinated debentures | 5.68~16.00 | (Won) 4,753,285 | (Won) 3,634,357 |
| Discounted debentures | 4.46~7.38 | 9,627,021 | 2,208,599 |
| Coupon debentures | 4.78~10.48 | 2,268,818 | 1,077,379 |
| Compound interest debentures | 4.76~10.57 | 373,184 | 857,823 |
| | | 17,022,308 | 7,778,158 |

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| | | | |
|---|-----------|-------------------------|------------------------|
| Discounts on debentures | | (270,924) | (71,758) |
| | | <u>16,751,384</u> | <u>7,706,400</u> |
| <u>Debentures denominated in foreign currencies</u> | | | |
| Regular debentures | 1.95~5.00 | 789,127 | 1,376,429 |
| Discounts on debentures | | (1,504) | (6,801) |
| | | <u>787,623</u> | <u>1,369,628</u> |
| | | <u>(Won) 17,539,007</u> | <u>(Won) 9,076,028</u> |

Continued;

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****12. Debentures**, Continued;

As of December 31, 2002, debentures in Won comprise the following:

| | <u>Issue Date</u> | <u>Hundred Millions of Won</u> | <u>Annual Interest (%)</u> | <u>Maturity</u> |
|---------------------------------|-------------------|------------------------------------|----------------------------|-----------------|
| Subordinated | | | | |
| Floating rate | | | | |
| | 1998-12-29 | (Won) 2,212 | 5.68 | 2004-03-31 |
| | 1998-12-29 | 883 | 6.68 | 2004-03-31 |
| Fixed rate | | | | |
| | 1997-12-29 | 1,000 | 16.00 | 2004-01-05 |
| | 1998-06-18 | 600 | 15.66 | 2003-07-18 |
| | 1998-06-23 | 1,749 | 15.02 | 2003-11-15 |
| Fixed rate ^{1*} | | | | |
| | 1997-01~08 | 1,051 | 11.04 ~ 15.66 | 2003-01~08 |
| | 2000-03-27 | 2,000 | 9.65 | 2005-03-27 |
| | 2000-06-28 | 2,540 | 9.04 ~ 9.10 | 2006-01-28 |
| | 2000-09-27 | 3,000 | 8.99 | 2006-01-27 |
| | 2000-09-28 | 1,500 | 8.79 ~ 8.85 | 2006-01-28 |
| | 2000-11-28 | 1,000 | 8.65 ~ 8.71 | 2006-02-28 |
| | 2000-11-28 | 1,620 | 9.57 ~ 9.65 | 2010-11-28 |
| | 2000-12-27 | 2,000 | 8.71 | 2006-01-27 |
| | 2001-05-28 | 2,000 | 7.60 ~ 7.65 | 2007-02-28 |
| | 2001-06-27 | 1,600 | 7.68 | 2008-03-27 |
| | 2001-06-27 | 2,175 | 7.86 | 2009-03-27 |
| | 2001-08-28 | 1,000 | 6.69 ~ 6.73 | 2007-08-28 |
| | 2001-09-28 | 1,500 | 6.69 ~ 6.73 | 2008-03-28 |
| | 2002-03-27 | 2,417 | 7.06 ~ 7.10 | 2008-01-27 |
| | 2002-07-27 | 3,024 | 6.96 ~ 7.00 | 2008-01-27 |
| | 2002-09-27 | 2,574 | 6.27 ~ 6.30 | 2008-03-27 |
| | 2002-09-27 | 1,500 | 6.51 ~ 6.55 | 2010-03-27 |
| | 2002-09-27 | 926 | 6.66 ~ 6.70 | 2013-03-27 |
| | 2002-11-27 | 4,007 | 6.07 ~ 6.10 | 2008-05-27 |
| | 2002-11-27 | 578 | 6.27 ~ 6.30 | 2010-05-27 |
| | 2002-11-27 | 1,003 | 6.51 ~ 6.55 | 2013-05-27 |
| | 2002-12-27 | 304 | 6.55 | 2014-12-27 |
| | 2002-12-27 | 100 | 6.20 | 2008-06-27 |
| | 2002-12-27 | 900 | 6.40 | 2010-06-27 |
| | 2002-12-27 | 500 | 6.65 | 2013-06-27 |
| Housing debentures | 1998-12-29 | 270 | 5.68 | 2004-03-31 |

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Senior

Fixed rate

| | | | | |
|----------------------------------|-----------------|---------------|-------------|-----------------|
| | 2000-11-28 | 2,000 | 7.01 | 2003-11-28 |
| | 2000-12-28 | 1,600 | 7.01 | 2003-12-28 |
| | 2001-02-28 | 800 | 5.48 | 2004-02-28 |
| | 2001-06-28 | 2,300 | 5.87 | 2004-06-28 |
| | 2001-07-28 | 600 | 5.82 ~ 5.87 | 2004-07-28 |
| | 2001-08-28 | 600 | 5.82 | 2004-08-28 |
| | 1988-07~2003-01 | 114,777 | 4.12~10.57 | 1991-04~2008-01 |
| Housing debentures ^{1*} | 1989-08~2000-08 | 13 | 6.28~16.28 | 1990-11~2005-03 |
| | | | | |
| | | (Won) 170,223 | | |

1* Debentures sold over the counter

Continued;

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****12. Debentures**, Continued;

As of December 31, 2002, debentures denominated in foreign currencies comprise the following:

| <u>Issue Date</u> | <u>Thousands of Dollars</u> | <u>Annual Interest (%) 2002. 12. 31.</u> | <u>Maturity</u> | <u>Listings</u> |
|--------------------------------------|-----------------------------|--|-----------------|-----------------|
| Floating rate | | | | |
| 2000-04-10 | USD 40,000 | 2.86 | 2003-04-10 | Not listed |
| 2000-06-02 | USD 10,000 | 2.77 | 2003-06-02 | Not listed |
| 2000-08-10 | USD 12,500 | 2.65 | 2003-08-11 | Not listed |
| 2002-04-03 | USD 46,000 | 1.95 | 2003-04-02 | Not listed |
| 2002-04-03 | USD 81,000 | 2.06 | 2004-04-03 | Not listed |
| 2002-07-03 | HKD 800,000 | 2.02 | 2003-07-02 | Not listed |
| Fixed rate | | | | |
| 2000-04-20 | SGD 100,000 | 5.00 | 2003-04-20 | Not listed |
| 2002-12-10 | USD 307,674 | 4.63 | 2007-02-10 | Luxembourg |
| USD equivalent (in thousands of USD) | | USD 657,387 | | |
| KRW equivalent (in millions of Won) | | (Won) 789,127 | | |

The issuance limit of finance debentures issued in Won and foreign currencies is 300% of BIS (bank for international settlements) shareholder's equity according to the Enforcement Ordinance of Bank Law. However, these limits under the Bank Law do not apply to the Bank's long-term bank debentures issued for the repayment of the KLB debentures acquired due to the merger with KLB.

On November 25, 2002, Goldman Sachs Capital Koryo, L.P. converted \$200 million of its subordinated foreign currency convertible bonds, all of which had been outstanding as of December 31, 2002, into common stocks (See Notes 19 and 20).

The maturities of debentures as of December 31, 2002 are as follows (in millions of Won):

| Won | Foreign Currencies | Total |
|-----|--------------------|-------|
|-----|--------------------|-------|

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| | | | |
|-------------------------------------|------------------|-----------------|------------------|
| Due in 3 months or less | (Won) 2,023,419 | (Won) 2,023,419 | (Won) 2,023,419 |
| Due after 3 months through 6 months | 2,840,824 | 307,557 | 3,148,381 |
| Due after 6 months through 1 year | 5,464,561 | 15,005 | 5,479,566 |
| Due after 1 year through 2 years | 2,010,272 | 97,232 | 2,107,504 |
| Due after 2 years through 3 years | 686,878 | | 686,878 |
| Due after 3 years through 4 years | 1,100,019 | | 1,100,019 |
| Due after 4 years through 5 years | 374,467 | 369,333 | 743,800 |
| Thereafter | 2,521,868 | | 2,521,868 |
| | (Won) 17,022,308 | (Won) 789,127 | (Won) 17,811,435 |

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****13. Accrued Retirement Benefits:**

The movements in accrued retirement benefits for the year ended December 31, 2002 are as follows (in millions of Won):

| | Beginning | Amounts | Amounts | Ending |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Balance | Provided | Paid Out | Balance |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Retained retirement benefits | (Won) 21,973 | (Won) 39,706 | (Won) 18,906 | (Won) 42,773 |
| Contributed retirement benefits | 28,414 | 60,492 | 224 | 88,682 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total accrued retirement benefits | 50,387 | 100,198 | 19,130 | 131,455 |
| Contribution to National Pension Fund | (33) | | (33) | |
| Contribution to pension funds | (28,414) | (60,492) | (224) | (88,682) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | (Won) 21,940 | (Won) 39,706 | (Won) 18,873 | (Won) 42,773 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

The Bank paid (Won)67,905 million as retirement benefits, including (Won)48,775 million of special retirement benefits for early retirement.

Contributed retirement benefits, comprising approximately 67.46% of total accrued retirement benefits as of December 31, 2002, represent contributions to pension funds at two insurance companies, including Korea Life Insurance Co., Ltd., and the Bank's employees hold the right of payment from these funds.

14. Employee Stock Options:

The Bank, under the approval of the Board of Directors, granted stock options to its executives on March 18, 2000, March 15, 2001, November 16, 2001, March 22, 2002, and July 26, 2002. In addition, the stock options of H&CB, which were granted on October 31, 1998, February 27, 1999, February 28, 2000, and March 24, 2001, were transferred to the Bank as a result of the business combination with H&CB. The details of the stock options in effect as of December 31, 2002 are as follows:

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Stock Options Transferred from H&CB

| | Series1 | Series 2 | Series 3 | Series 4 | Series 5 | Series 6 | Series7*1*2 | Series 8*2 | Series 9 |
|------------------------|---|---------------------|----------------------|---------------------|--------------------|---------------------|-----------------------|---------------------|---------------------|
| Grant date | 00.3.18 | 01.3.15 | 98.10.31 | 99.2.27 | 00.2.28 | 01.3.24 | 01.11.16 | 02.3.22 | 02.7.26 |
| Shares granted | 222,094 | 214,975 | 400,000 | 280,000 | 267,000 | 111,000 | 650,000 | 622,000 | 30,000 |
| Shares expired to date | 109,565 | 16,882 | | 59,892 | 65,218 | 21,173 | | 43,000 | |
| Shares exercised | | | 320,000 | 220,108 | | | | | |
| Shares outstanding | 112,529 | 198,093 | 80,000 | | 201,782 | 89,827 | 650,000 | 579,000 | 30,000 |
| Exercise method | The Bank's choice of issuance or net settlement | | | | | | | | |
| Exercise price | (Won) 23,469 | (Won) 28,027 | (Won) 5,000 | (Won) 13,900 | (Won) 27,600 | (Won) 25,100 | (Won) 51,200 | (Won) 57,100 | (Won) 58,800 |
| Exercise period | 03.3.19~ 05.3.18 | 04.3.16~ 09.3.15 | 01.11.1~ 04.10.31 | 02.2.28~ 05.2.27 | 03.3.1~ 06.2.28 | 04.3.25~ 07.3.24 | 04.11.17~ 09.11.16 | 05.3.23~ 10.3.22 | 05.7.27~ 10.7.26 |

1* The stock options do not include the shares which will be additionally granted if the recent three-month weighted average stock price of the Bank before exercise is higher than that of any other listed banks and the Bank achieve total market value and ROE target.

2* The exercise price may be affected by the fluctuation of the stock price index of the banking industry

Continued;

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****14. Employee Stock Options, Continued;**

The Bank had applied the fair value method using an option-pricing model in measuring compensation cost until the prior period. However, starting from the current period, expecting a high probability of grant and exercise 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):

| | <u>Series 1</u> | <u>Series 2</u> | <u>Series 3</u> | <u>Series 5</u> | <u>Series 6</u> | <u>Series 7</u> | <u>Total</u> |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------|
| Previously recognized compensation cost | (Won) 830 | (Won) 859 | (Won) 3,584 | (Won) 1,896 | (Won) 475 | (Won) 363 | (Won) 8,007 |
| Currently recognized compensation cost | 1,081 | 756 | (624) | 848 | 411 | (363) | 2,109 |
| Accumulated compensation cost | 1,911 | 1,615 | 2,960 | 2,744 | 886 | | 10,116 |
| Compensation cost to be recognized | 174 | 1,153 | | 161 | 633 | | 2,121 |
| Total compensation cost | (Won) 2,085 | (Won) 2,768 | (Won) 2,960 | (Won) 2,905 | (Won) 1,519 | (Won) | (Won) 12,237 |

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

| | <u>Series 1</u> | <u>Series 2</u> | <u>Series 5</u> | <u>Series 6</u> | <u>Total</u> |
|------------------------------|-----------------|-----------------|-----------------|-----------------|--------------|
| Within 1 year | (Won) 174 | (Won) 923 | (Won) 161 | (Won) 506 | (Won) 1,764 |
| After 1 year through 2 years | | 230 | | 127 | 357 |
| | (Won) 174 | (Won) 1,153 | (Won) 161 | (Won) 633 | (Won) 2,121 |

15. Other Liabilities:

Other liabilities as of December 31, 2002 and 2001 comprise the following (in millions of Won):

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| | <u>2002</u> | <u>2001</u> |
|--|-------------------------|-------------------------|
| Accrued retirement benefits (Note 13) | (Won) 42,773 | (Won) 21,940 |
| Allowance for loss on guarantees and acceptances (Note 16) | 2,287 | 43,823 |
| Due to trust accounts | 734,646 | 1,666,520 |
| Accounts payable | 2,193,925 | 1,398,890 |
| Accrued expenses | 4,656,225 | 4,736,583 |
| Advances from customers | 48,745 | 106,570 |
| Unearned income | 147,623 | 148,693 |
| Withholding taxes | 85,841 | 140,185 |
| Guarantee deposits received | 112,732 | 154,248 |
| Derivative liabilities (Note 17) | 522,286 | 272,186 |
| Unsettled domestic exchange liabilities | 541,757 | 1,443,480 |
| Liabilities incurred by Agency relationship | 486,413 | 705,727 |
| Other allowances ^{1*} | 48,876 | 6,510 |
| Accounts for agency business | 395,678 | 254,146 |
| Others | 90,224 | 87,375 |
| | <u>(Won) 10,110,031</u> | <u>(Won) 11,186,876</u> |

1* Other allowances comprise the following (in millions of Won):

| <u>Allowances for</u> | <u>Amounts</u> | <u>Remarks</u> |
|------------------------------------|---------------------|---|
| Suspense receivables | (Won) 6,400 | Allowance for loss on suspense receivables |
| Loss on closure of overseas branch | 348 | Allowance for loss on closure of the branch in Buenos Aires |
| Uncollected leasehold deposits | 4,872 | Allowance for loss on uncollected leasehold deposits |
| Credit card receivables | 9,496 | Allowance for unused cash advance to offset the risk of loss occurring from it |
| Credit card point | 2,749 | Allowance for loss on credit card point reserve |
| KAMCO loans sold | 15,073 | Allowance for loss on loans sold under repurchase agreements to KAMCO (See Note 18) |
| granting of credit to SPC | 9,938 | Allowance for loss on the agreement of granting of credit to SPC related to KAMCO |
| | <u>(Won) 48,876</u> | |

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****16. Guarantees and Acceptances:**

Guarantees and acceptances as of December 31, 2002 and 2001 are summarized as follows (in millions of Won):

| | <u>2002</u> | <u>2001</u> |
|---|------------------------|------------------------|
| <u>Guarantees and acceptances outstanding in</u> | | |
| Won | | |
| Guarantees on debentures | (Won) 571 | (Won) 6,124 |
| Guarantees on loan collateral | 39,234 | 49,110 |
| Guarantees on commercial bills | 646 | 230 |
| Others | 248,457 | 205,331 |
| | <u>288,908</u> | <u>260,795</u> |
| Foreign Currencies | | |
| Acceptances on letters of credit | 190,775 | 2,476,187 |
| Acceptances for letters of guarantee for importers | 111,016 | 73,267 |
| Guarantees for performance | 71,577 | 177,278 |
| Guarantees for bid | 1,077 | 744 |
| Guarantees for borrowings | 31,055 | 29,028 |
| Guarantees for repayment of advances | 25,707 | 2,440 |
| Others | 311,583 | 502,231 |
| | <u>742,790</u> | <u>3,261,175</u> |
| | <u>1,031,698</u> | <u>3,521,970</u> |
| <u>Contingent guarantees and acceptances</u> | | |
| Letters of Credit | 1,243,354 | 1,310,984 |
| Others | 63,524 | 58,739 |
| | <u>1,306,878</u> | <u>1,369,723</u> |
| | <u>(Won) 2,338,576</u> | <u>(Won) 4,891,693</u> |

As of December 31, 2002, the allowances for losses on guarantees and acceptances outstanding according to credit risk classifications are as follows (in millions of Won):

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| Guarantees and Acceptances Outstanding in | | Normal | Precautionary | Substandard | Doubtful | Estimated Loss | Total |
|--|-----------|---------------|----------------------|--------------------|-----------------|-----------------------|-----------------|
| Won | Balance | (Won) 269,721 | (Won) 17,215 | (Won) 1,820 | (Won) 152 | (Won) | (Won) 288,908 |
| | Allowance | | | 364 | 143 | | 507 |
| | Ratio (%) | | | 20.00 | 94.08 | | 0.18 |
| Foreign currencies | Balance | 665,170 | 69,770 | 7,512 | 227 | 111 | 742,790 |
| | Allowance | | | 1,546 | 123 | 111 | 1,780 |
| | Ratio (%) | | | 20.58 | 54.19 | 100.0 | 0.24 |
| Total | Balance | (Won) 934,891 | (Won) 86,985 | (Won) 9,332 | (Won) 379 | (Won) 111 | (Won) 1,031,698 |
| | Allowance | | | 1,910 | 266 | 111 | 2,287 |
| | Ratio (%) | | | 20.47 | 70.18 | 100.0 | 0.22 |

Continued;

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****16. Guarantees and Acceptances, Continued;**

The allowance ratios to guarantees and acceptances outstanding as of December 31, 2002, 2001 and 2000 are as follows (in millions of Won):

| | <u>2002</u> | <u>2001</u> | <u>2001</u> |
|---|-----------------|-----------------|-----------------|
| Guarantees and acceptances outstanding | (Won) 1,031,698 | (Won) 3,521,970 | (Won) 3,035,968 |
| Allowances for losses from guarantees and acceptances outstanding | 2,287 | 43,823 | 37,331 |
| Ratio (%) | 0.22 | 1.24 | 1.23 |

For the years ended December 31, 2002 and 2001, the allowances for losses on guarantees and acceptances outstanding changed as follows (in millions of Won):

| | <u>2002</u> | <u>2001</u> |
|--|--------------|--------------|
| Beginning balance | (Won) 43,823 | (Won) 37,331 |
| Increase due to the business combination with H&CB | | 14,943 |
| Reversal of allowance | (37,436) | (8,790) |
| Changes in foreign exchange rates | (4,100) | 339 |
| Ending balance | (Won) 2,287 | (Won) 43,823 |

The guarantees and acceptances risk concentration by country as of December 31, 2002 are as follows (in millions of Won):

| Guarantees and | | Contingent | | Total | |
|-------------------------|----------------|----------------------------|----------------|---------|----------------|
| Acceptances Outstanding | | Guarantees and Acceptances | | Total | |
| Balance | Percentage (%) | Balance | Percentage (%) | Balance | Percentage (%) |
| | | | | | |

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| | | | | | | | | | |
|-------|-------|-------------------|-------------------|-------|-------------------|-------------------|-------|-------------------|-------------------|
| Korea | (Won) | 998,126 | 96.75 | (Won) | 1,306,710 | 99.99 | (Won) | 2,304,836 | 98.56 |
| USA | | 33,572 | 3.25 | | 168 | 0.01 | | 33,740 | 1.44 |
| | | <u> </u> | <u> </u> | | <u> </u> | <u> </u> | | <u> </u> | <u> </u> |
| | (Won) | 1,031,698 | 100.00 | (Won) | 1,306,878 | 100.00 | (Won) | 2,338,576 | 100.00 |
| | | <u> </u> | <u> </u> | | <u> </u> | <u> </u> | | <u> </u> | <u> </u> |

The guarantees and acceptances risk concentration by industry and customer as of December 31, 2002 are as follows (in millions of Won):

| | Guarantees and | | Contingent | | Total | | | | |
|---------------|-------------------------|-------------------|----------------------------|----------------|-------------------|-------------------|-------|-------------------|-------------------|
| | Acceptances Outstanding | | Guarantees and Acceptances | | | | | | |
| | Balance | Percentage (%) | Balance | Percentage (%) | Balance | Percentage (%) | | | |
| Industrial | | | | | | | | | |
| Manufacturing | (Won) | 363,123 | 35.20 | (Won) | 787,928 | 60.29 | (Won) | 1,151,051 | 49.22 |
| Finance | | 58,223 | 5.64 | | 86 | 0.01 | | 58,309 | 2.49 |
| Service | | 163,107 | 15.81 | | 40,913 | 3.13 | | 204,020 | 8.72 |
| Others | | 447,245 | 43.35 | | 477,951 | 36.57 | | 925,196 | 39.57 |
| | | <u> </u> | <u> </u> | | <u> </u> | <u> </u> | | <u> </u> | <u> </u> |
| | (Won) | 1,031,698 | 100.00 | (Won) | 1,306,878 | 100.00 | (Won) | 2,338,576 | 100.00 |
| | | <u> </u> | <u> </u> | | <u> </u> | <u> </u> | | <u> </u> | <u> </u> |

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****17. 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 the 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 gain profit from short-term fluctuations of the underlying variable of the instruments. Also, trading derivatives include those with the Bank's customers and the related hedging derivatives.

Hedge derivatives comprise mainly of interest rate swaps to hedge the fair value change of debentures arising from the interest rate risk. Some hedge purpose transactions do not qualify for hedge accounting and thus are accounted for as trading derivatives. These transactions include the hedge relationships where the hedged item is an asset or liability that is remeasured with the changes in fair value.

The notional amounts outstanding for derivative contracts as of December 31, 2002 and 2001 are as follows (in millions of Won):

| | 2002 | | | 2001 | | |
|-------------------------|-------------------|----------------|-------------------|-------------------|----------------|-------------------|
| | Trading | Hedge | Total | Trading | Hedge | Total |
| Interest related | | | | | | |
| Futures | (Won) 365,513 | (Won) | (Won) 365,513 | (Won) 359,203 | (Won) | (Won) 359,203 |
| Swap | 15,944,472 | 360,120 | 16,304,592 | 4,514,411 | 358,118 | 4,872,529 |
| Option | 310,700 | | 310,700 | | | |
| | <u>16,620,685</u> | <u>360,120</u> | <u>16,980,805</u> | <u>4,873,614</u> | <u>358,118</u> | <u>5,231,732</u> |
| Currency related | | | | | | |
| Forward | 13,186,586 | | 13,186,586 | 8,473,527 | | 8,473,527 |
| Futures | 739,386 | | 739,386 | 620,018 | | 620,018 |
| Swap | 3,254,755 | | 3,254,755 | 2,529,233 | | 2,529,233 |
| Option bought | 48,616 | | 48,616 | 2,652 | | 2,652 |
| Option sold | 127,863 | | 127,863 | 5,304 | | 5,304 |
| | <u>17,357,206</u> | | <u>17,357,206</u> | <u>11,630,734</u> | | <u>11,630,734</u> |

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| | | | | | |
|-----------------------|------------------|---------------|------------------|------------------|---------------|
| <u>Stock related</u> | | | | | |
| Option bought | 137,147 | | 137,147 | 4,989 | 4,989 |
| Option sold | 100,000 | | 100,000 | | |
| | 237,147 | | 237,147 | 4,989 | 4,989 |
| <u>Credit related</u> | | | | 39,783 | 39,783 |
| | (Won) 34,215,038 | (Won) 360,120 | (Won) 34,575,158 | (Won) 16,549,120 | (Won) 358,118 |
| | | | | (Won) 16,907,238 | |

Continued;

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****17. Derivatives**, Continued;

Gains and losses on derivatives are as follows (in millions of Won):

| | <u>2002</u> | <u>2001</u> |
|----------------------------------|------------------------|------------------------|
| Gain on derivatives | | |
| Gain on derivatives transactions | (Won) 1,760,743 | (Won) 2,112,919 |
| Gain on valuation of derivatives | 603,633 | 165,223 |
| Gain on fair value hedged items | | 14,077 |
| | <u>(Won) 2,364,376</u> | <u>(Won) 2,292,219</u> |
| Loss on derivatives | | |
| Loss on derivatives transactions | (Won) 1,594,025 | (Won) 2,088,619 |
| Loss on valuation of derivatives | 561,749 | 229,297 |
| Loss on fair value hedged items | 9,213 | 1,516 |
| | <u>(Won) 2,164,987</u> | <u>(Won) 2,319,432</u> |

Derivative valuation gains and losses for the year ended December 31, 2002 are 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 | (Won) 191 | (Won) 191 | (Won) 191 | (Won) 176 | (Won) 176 | (Won) 176 | (Won) 375 | (Won) 334 |
| Swap | 136,417 | 9,213 | 145,630 | 236,359 | | 236,359 | 139,991 | 236,225 |
| | <u>136,608</u> | <u>9,213</u> | <u>145,821</u> | <u>236,535</u> | | <u>236,535</u> | <u>140,366</u> | <u>236,559</u> |
| Currency related | | | | | | | | |
| Forward | 230,877 | | 230,877 | 209,814 | | 209,814 | 230,261 | 198,829 |
| Option bought | 1,405 | | 1,405 | | | | 1,023 | |

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| | | | | | | |
|----------------------|----------------------|--------------------|----------------------|----------------------|----------------------|----------------------|
| Option sold | | | 732 | 732 | | 872 |
| Swap | 223,171 | 223,171 | 112,319 | 112,319 | 282,226 | 81,347 |
| | <u>455,453</u> | <u>455,453</u> | <u>322,865</u> | <u>322,865</u> | <u>513,510</u> | <u>281,048</u> |
| Stock related | | | | | | |
| Option bought | 2,359 | 2,359 | | | 6,915 | |
| Option sold | | | 2,349 | 2,349 | | 4,679 |
| | <u>2,359</u> | <u>2,359</u> | <u>2,349</u> | <u>2,349</u> | <u>6,915</u> | <u>4,679</u> |
| | <u>(Won) 594,420</u> | <u>(Won) 9,213</u> | <u>(Won) 603,633</u> | <u>(Won) 561,749</u> | <u>(Won) 561,749</u> | <u>(Won) 660,791</u> |
| | | | | | <u>(Won) 660,791</u> | <u>(Won) 522,286</u> |

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

December 31, 2002 and 2001

18. Commitments and Contingencies:

As of December 31, 2002, 136 pending legal actions with an aggregate amount of claims of (Won)190,397 million are charged against the Bank and the Bank had also filed 171 lawsuits which are still pending with an aggregate amount of claims of (Won)117,534 million. Management believes that the actions related to 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 which were sold during 1999, if they enter into bankruptcy within 3 years of sale. Orange Mutual Savings & Finance Co., Ltd. is currently under going 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 any loss which could materially affect the Bank's financial statements.

The Bank has credit lines with commitments to purchase commercial paper from 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 December 31, 2002, under these commitments, the aggregate committed credit line and loans outstanding are (Won)3,280,638 million and (Won)26,762 million, respectively. Also, the Bank entered into arrangements to purchase (Won)1,617,000 million of commercial papers issued by the securitization companies. 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 reserve. Also, resulting expected losses amounting to (Won)9,938 million are reserved as other allowances (See Note 15).

Pursuant to asset securitization plans, the Bank previously sold loans to special purpose entities in previous periods. The related contracts for asset securitization stipulate the Bank's performance of warranty liability for loans sold to Kookmin 4th-ABS Specialty Co., Ltd. and Jooeun 5th-ABS Specialty Co., Ltd. (collectively, the SPEs) when underlying loans are delinquent for certain period of time or go into default. Accordingly, the Bank bears possible liabilities for collateral performance toward the SPEs within the limits of (Won)72,000 million and (Won)66,500 million, respectively, as of December 31, 2002. No adjustments have been made in the accompanying financial statements related to such uncertainties.

As of December 31, 2002, loans sold to Korea Asset Management Corporation (KAMCO) has all been settled and the Bank provided an allowance of (Won)15,073 million for estimated losses from repurchase of loans sold to KAMCO that are under the repurchase agreement (See Note 15).

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The Bank sold 65.43% of its 85.43% investment in Joeun Leasing Co., Ltd. and (Won)172,024 million of loans to Sun Capital Inc. for (Won)145,000 million on August 30, 2002. The Bank also sold an additional 5.03% of its investment in Joeun Leasing Co., Ltd. to Sun Capital Inc. for (Won)900 million on October 28, 2002.

The Bank sold its 87.00% ownership of Kookmin Investment Trust Management Co., Ltd. and 88.66% ownership of Kookmin Leasing Co., Ltd. to Morgan Stanley Private Equity, the M&A private funds led by Morgan Stanley Global Emerging Markets Inc. and affiliated funds, and Sun Capital Inc. on May 29, 2002 and December 27, 2002, respectively, and the Bank recognized losses on disposition of investment securities amounting to (Won)10,752 million and (Won)365 million, respectively.

As of December 31, 2002 and 2001, the Bank holds the unexpired rights to claim from borrowers or guarantors for loans in accordance with the relevant law, which has already been written off, amounting to (Won)3,750,402 million and (Won)2,490,069 million, respectively.

As of December 31, 2002 and 2001, the Bank holds endorsed bills amounting to (Won)9,285 million and (Won)13,474 million, respectively.

Continued;

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KOOKMIN BANK

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)

December 31, 2002 and 2001

18. Commitments and Contingencies, Continued;

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.

Certain financially troubled borrowers of the Bank including Korea Data System Co., Ltd. are experiencing a cash crisis or in the debt restructuring process under workout plans and other similar programs. As of December 31, 2002, in relation to such borrowers, total loans outstanding including guarantees and acceptances amounted to (Won)639,037 million, and the related allowances and discounted present value amounted to (Won)170,259 million and (Won)4,735 million, respectively.

The Bank may be either directly or indirectly affected by these general 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.

19. Capital Stock:

As of December 31, 2002, the Bank has 1,000,000,000 common shares (par value : (Won)5,000) authorized and 328,258,685 shares issued and Goldman Sachs Capital Koryo, L.P., ING Bank N.V. Amsterdam, and the Korean government own 5.13%, 3.87%, and 9.33%, respectively, of the total issued shares. During the current period, Goldman Sachs Capital Koryo, L.P. sold the 14,470,000 common shares as ADSs. As a result, as of December 31, 2002, 37,728,214 common shares, equivalent to 11.49% of the total issued shares, are listed on the New York Stock Exchange as ADSs and are managed by Bank of New York, the trustee of the Bank.

Under the General Banking Act, if one 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 business combination 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.

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In accordance with the resolution of the general shareholders meeting on March 22, 2002, the Bank approved a 6% stock dividend for shareholders listed on the Register of Shareholders at December 31, 2001 and issued 17,979,954 shares.

The Bank is authorized to issue to non-shareholders convertible bonds and bonds with stock purchase warrants up to total par value amounts of (Won)2,500 billion and (Won)500 billion, respectively. On November 25, 2002, Goldman Sachs Capital Koryo, L.P. converted \$200 million of its subordinated foreign currency convertible bonds, equivalent to (Won)265,220 million, all of which had been outstanding as of December 31, 2002, into 10,581,269 shares of common stock at (Won)22,124 per share. The Bank also recorded (Won)180,919 million, net of stock issuance costs of (Won)275 million, as paid-in capital in excess of par value in capital surplus (See Notes 12 and 20).

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****20. Capital Surplus:**

Capital surplus as of December 31, 2002 and 2001 comprises the following (in millions of Won):

| | <u>2002</u> | <u>2001</u> |
|--|------------------------|------------------------|
| Paid-in capital in excess of par value | (Won) 5,287,708 | (Won) 5,107,251 |
| Gain on business combination | 397,669 | 397,669 |
| Revaluation increment | 177,229 | 177,229 |
| Others | 2,146 | 1,815 |
| | <u>(Won) 5,864,752</u> | <u>(Won) 5,683,964</u> |

The movements in capital surplus for the year ended December 31, 2002 are as follows (in millions of Won):

| | <u>Beginning Balance</u> | <u>Increase^{1*}</u> | <u>Decrease^{2*}</u> | <u>Ending Balance</u> |
|--|--------------------------|------------------------------|------------------------------|------------------------|
| Paid-in capital in excess of par value | (Won) 5,107,251 | (Won) 181,194 | (Won) 737 | (Won) 5,287,708 |
| Gain on business combination ^{3*} | 397,669 | | | 397,669 |
| Revaluation increment | 177,229 | | | 177,229 |
| Others | 1,815 | 331 | | 2,146 |
| | <u>(Won) 5,683,964</u> | <u>(Won) 181,525</u> | <u>(Won) 737</u> | <u>(Won) 5,864,752</u> |

1* The increase in paid-in capital in excess of par value is due to the amount in excess of par value in the conversion of foreign currency convertible bonds (See Notes 12 and 19). The increase in other capital surplus is due to the gains on the sales of treasury stocks.

2* The decreases in paid-in capital in excess of par value are stock issuance costs for stock dividends and conversion of convertible bonds (See Notes 12 and 19)

3* The above amount of 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.

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****21. Retained Earnings:**

Retained earnings as of December 31, 2002 and 2001 comprise the following (in millions of Won):

| | 2002 | 2001 |
|---------------------------------------|------------------------|------------------------|
| Legal reserves | (Won) 545,740 | (Won) 413,740 |
| Reserves for business rationalization | 40,760 | 40,760 |
| Special reserves | 1,827,700 | 960,700 |
| Other reserves | 2,492 | 7,158 |
| Unappropriated retained earnings | 410 | 5,117 |
| | (Won) 2,417,102 | (Won) 1,427,475 |

The General Banking Act requires the Bank to appropriate as a legal reserve a minimum of 10% 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 stockholders.

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 deficits, if any.

As of December 31, 2002 and 2001, other reserves comprise the following (in millions of Won):

| | 2002 | 2001 |
|---|--------------------|--------------------|
| Reserves for overseas investment losses | (Won) | (Won) 5,417 |
| Other reserves | 2,492 | 1,741 |
| | (Won) 2,492 | (Won) 7,158 |

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Pursuant to the Tax Exemption and Reduction Control Law, the Bank appropriates reserves for overseas investment losses. Other reserves are those appropriated for the operations of overseas branches.

The Bank's income available for dividends is computed as follows (in millions of Won):

| | 2002 | 2001 |
|---|-----------------|---------------|
| Retained earnings before appropriations | (Won) 1,319,970 | (Won) 672,418 |
| Transferred from prior years' reserves | 5,417 | 8,483 |
| Appropriations by law | (132,744) | (75,917) |
| | (Won) 1,192,643 | (Won) 604,984 |

Continued;

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****21. Retained Earnings, Continued;**

Cash dividends and stock dividends on the statements of appropriations of retained earnings for the years ended December 31, 2002 and 2001 are calculated as follows:

For the Year Ended December 31, 2002**Cash dividends on common stocks**

| | | | |
|--|--|---|-----------------------|
| Shares eligible to receive dividends ^{1*} | 325,232,596 shares (par value of (Won)5,000 per share) | | |
| Dividend rate at par value | 20% ((Won)1,000 per share) | | |
| Dividends payable | 325,232,596 shares x (Won)1,000 | = | (Won) 325,232,596,000 |

1* The number of shares eligible to receive dividends is calculated by eliminating 3,026,089 shares of treasury stocks from 328,258,685 shares issued and outstanding.

For the Year Ended December 31, 2001**Cash dividends on common stocks**

| | | | |
|--------------------------------------|--|---|----------------------|
| Shares eligible to receive dividends | 299,665,914 shares (par value of (Won)5,000 per share) | | |
| Dividend rate at par value | 2% ((Won)100 per share) | | |
| Dividends payable | 299,665,914 shares x (Won)100 | = | (Won) 29,966,591,400 |

Stock dividends on common stocks

| | | | |
|--------------------------------------|--|---|----------------|
| Shares eligible to receive dividends | 299,665,914 shares (par value of (Won)5,000 per share) | | |
| Dividend rate at par value | 6% ((Won)300 per share) | | |
| Dividends payable | 299,665,914 shares x (Won)300 | = | 89,899,774,200 |

(Won) 119,866,365,600

Dividend payout ratios and dividend yield ratios for the years ended December 31, 2002 and 2001 are as follows:

| | 2002 | | 2001 |
|--|----------------|--------|-----------------------|
| Dividend payout ratio ^{*1} | Common stock : | 24.82% | Common stock : 16.19% |
| Dividend yield ratio ^{*2} | | 2.38% | 0.80% |

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- *1 Dividends payable / Net income
- *2 Dividends per share / Closing stock price per share at balance sheet dates

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****22. Capital Adjustments:**

As of December 31, 2002 and 2001, capital adjustments comprise the following (in millions of Won):

| | <u>2002</u> | <u>2001</u> |
|--|----------------------|----------------------|
| Treasury stocks | (Won) (148,973) | (Won) (1,363) |
| Unissued stock dividends | | 89,900 |
| Unrealized gain on investment securities | 275,222 | 189,058 |
| Employee stock options (See Note 14) | | 26,021 |
| | <u>(Won) 126,249</u> | <u>(Won) 303,616</u> |

The movements in capital adjustments for the year ended December 31, 2002 are as follows (in millions of Won):

| | Beginning | | | Ending |
|--|----------------------|-----------------------|----------------------|----------------------|
| | <u>Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance</u> |
| Treasury stocks | (Won) (1,363) | (Won) (149,704) | (Won) (2,094) | (Won) (148,973) |
| Unissued stock dividends | 89,900 | | 89,900 | |
| Unrealized gain on investment securities | 189,058 | 202,064 | 115,900 | 275,222 |
| Employee stock options (See Note 14) | 26,021 | | 26,021 | |
| | <u>(Won) 303,616</u> | <u>(Won) (52,360)</u> | <u>(Won) 229,727</u> | <u>(Won) 126,249</u> |

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 treasury stocks under the plan.

23. Other Non-Interest Income (Expenses):

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Other non-interest income (expenses) for the years ended December 31, 2002 and 2001 comprise the following (in millions of Won):

| | <u>2002</u> | <u>2001</u> |
|--|----------------------|----------------------|
| <u>Other non-interest income</u> | | |
| Realized gain on trading securities | (Won) 127,017 | (Won) 156,605 |
| Unrealized gain on trading securities | 167,366 | |
| Gain on trust management | 318,338 | 231,686 |
| Reversal of allowance for losses on guarantees and acceptances | 37,436 | 8,790 |
| Others | 19,565 | 689 |
| | <u>(Won) 669,722</u> | <u>(Won) 397,770</u> |
| <u>Other non-interest expenses</u> | | |
| Realized loss on trading securities | (Won) 39,215 | (Won) 121,881 |
| Unrealized loss on trading securities | | 4,140 |
| Contributions to special funds | 150,659 | 87,626 |
| Loss on trust management | | 31,479 |
| Others | 168,161 | 61,900 |
| | <u>(Won) 358,035</u> | <u>(Won) 307,026</u> |

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****24. General and Administrative Expenses:**

General and administrative expenses for the years ended December 31, 2002 and 2001 comprise the following (in millions of Won):

| | <u>2002</u> | <u>2001</u> |
|-------------------------------|------------------------|------------------------|
| Salaries and wages | (Won) 1,121,336 | (Won) 541,869 |
| Retirement benefits (Note 13) | 100,198 | 112,366 |
| Other employee benefits | 253,464 | 360,549 |
| Rent | 49,792 | 21,409 |
| Depreciation | 311,487 | 103,334 |
| Amortization | 78,444 | 13,537 |
| Taxes and dues | 106,612 | 65,693 |
| Advertising | 88,029 | 36,469 |
| Ordinary R&D | 158,895 | 38,412 |
| Fees and commissions | 61,361 | 47,536 |
| Others | 221,808 | 117,370 |
| | <u>(Won) 2,551,426</u> | <u>(Won) 1,458,544</u> |

25. Non-Operating Income (Expenses):

Non-operating income (expenses) for the years ended December 31, 2002 and 2001 comprise the following (in millions of Won):

| | <u>2002</u> | <u>2001</u> |
|---|-------------|-------------|
| <u>Non-operating income</u> | | |
| Gain on disposal of fixed assets | (Won) 1,844 | (Won) 940 |
| Rent income | 3,404 | 2,463 |
| Gain on investment in associates (Note 5) | | 351,226 |
| Realized gain on investment securities | 382,808 | 111,036 |
| Reversal of impairment loss on investment equity securities | 15,318 | |
| Reversal of impairment loss on investment debt securities | 12,380 | |
| Unrealized gain on investment in special funds (Note 5) | 2,022 | 85,519 |
| Gain on sale of loans | 15,858 | 1,317 |

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| | | |
|---|------------------------|----------------------|
| Others | 91,646 | 66,503 |
| | <u>525,280</u> | <u>619,004</u> |
| <u>Non-operating expenses</u> | | |
| Loss on disposal of fixed assets | 8,132 | 4,314 |
| Loss on investment in associates | 273,620 | |
| Realized loss on investment securities | 171,963 | 38,105 |
| Impairment loss on investment equity securities | 222,309 | 6,144 |
| Impairment loss on investment debt securities | 77,782 | 88,973 |
| Loss on sale of loans | 9,383 | 119,338 |
| Retirement benefits | 48,775 | 38,925 |
| Others | 85,463 | 76,500 |
| | <u>897,427</u> | <u>372,299</u> |
| | <u>(Won) (372,147)</u> | <u>(Won) 246,705</u> |

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****26. Income Tax Expenses:**

Income tax expenses for the years ended December 31, 2002 and 2001 comprise the following (in millions of Won):

| | <u>2002</u> | <u>2001</u> |
|--|----------------------|----------------------|
| Income taxes payable | (Won) 652,583 | (Won) 225,162 |
| Deferred income taxes from temporary differences | (96,258) | 97,109 |
| Deferred income taxes from loss carry-forwards ^{1*} | 28,929 | |
| Retained earnings adjustments | (1,927) | 29,415 |
| | <u>(Won) 583,327</u> | <u>(Won) 351,686</u> |

1* The above amounts of loss carry-forwards are from the prior period and all amounts are realized as of December 31, 2002.

Adjustments of net income before income tax expenses to taxable income for the years ended December 31, 2002 and 2001 comprise the following (in millions of Won):

| | <u>2002</u> | <u>2001</u> |
|--|------------------------|------------------------|
| <u>Adjustments to increase taxable income</u> | | |
| Permanent differences due to: | | |
| Additional payment of income taxes | (Won) 8,572 | (Won) 2,069 |
| Amortization of goodwill | 78,345 | 13,058 |
| Employee stock option | 24,808 | |
| Deemed interest | 5,211 | 3,250 |
| Interest expenses | 3,144 | 2,421 |
| Entertainment expenses | 5,722 | 6,932 |
| Others | 7,615 | 7,568 |
| | <u>133,417</u> | <u>35,298</u> |
| Temporary differences | 1,773,794 | 2,394,597 |
| | <u>(Won) 1,907,211</u> | <u>(Won) 2,429,895</u> |

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Adjustments to decrease taxable income

Permanent differences due to:

| | | |
|------------------------|------------------------|------------------------|
| Dividend income | (Won) 49,351 | (Won) 27,153 |
| Corporation tax refund | 4,682 | 22,478 |
| Others | 1,434 | 2,482 |
| | <u>55,467</u> | <u>52,113</u> |
| Temporary differences | 1,601,468 | 2,695,523 |
| | <u>(Won) 1,656,935</u> | <u>(Won) 2,747,636</u> |

Continued;

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****26. Income Tax Expenses, Continued;**

The significant changes in accumulated temporary differences and deferred income taxes for the year ended December 31, 2002 comprise the following (in millions of Won):

| | <u>Beginning Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending Balance</u> | <u>Deferred Tax Assets (Liabilities)</u> |
|--|------------------------------|----------------------|---------------------|-----------------------|--|
| Allowance for loan losses | (Won) 671,717 | (Won) 314,081 | (Won) 671,717 | (Won) 314,081 | (Won) 93,282 |
| Accrued interest | (478,123) | (350,798) | (478,123) | (350,798) | (104,187) |
| Unrealized loss on securities | 1,875 | 238,142 | (362,629) | 602,646 | 178,986 |
| Unrealized loss on derivatives | 32,011 | (99,147) | 32,950 | (100,086) | (29,725) |
| Present value discounts | 87,972 | 28,001 | 87,972 | 28,001 | 8,316 |
| Allowance for losses on guarantees and acceptances | 43,823 | 5,278 | 43,823 | 5,278 | 1,568 |
| Accrued retirement benefits | 1,785 | 28,190 | 29,975 | | |
| Reserve for overseas investment losses | (6,664) | | (6,664) | | |
| Depreciation | | 820 | | 820 | 243 |
| Stock option compensation cost | 26,021 | 10,116 | 26,021 | 10,116 | 3,004 |
| Others | 21,750 | 49,676 | 6,991 | 64,435 | 19,137 |
| | <u>(Won) 402,167</u> | <u>(Won) 224,359</u> | <u>(Won) 52,033</u> | <u>(Won) 574,493</u> | <u>(Won) 170,624</u> |

Deferred income taxes adjusted by temporary differences in retained earnings for the years ended December 31, 2002 and 2001 are as follows (in millions of Won):

| | <u>2002</u> | | <u>2001</u> | |
|---|---------------------------------|------------------------------|---------------------------------|------------------------------|
| | <u>Temporary Difference</u> | <u>Income Tax Effect</u> | <u>Temporary Difference</u> | <u>Income Tax Effect</u> |
| Loans converted to equity securities | (Won) 6,489 | (Won) 1,927 | (Won) 90,948 | (Won) 27,012 |
| Unrealized gains (losses) on investment in associates | | | 8,093 | 2,403 |
| | <u>(Won) 6,489</u> | <u>(Won) 1,927</u> | <u>(Won) 99,041</u> | <u>(Won) 29,415</u> |



The statutory income tax rates applicable to the Bank, including resident tax surcharges, are 29.7% and 30.8% for the years ended December 31, 2002 and 2001, respectively. However, the effective tax rates are 30.80% and 32.20% for the years ended December 31, 2002 and 2001, respectively.

Income tax expenses and effective tax rates for the years ended December 31, 2002 and 2001 are as follows (in millions of Won):

| | <u>2002</u> | <u>2001</u> |
|--------------------------------|---------------|---------------|
| Income tax expenses | (Won) 583,327 | (Won) 351,686 |
| Net income before income taxes | 1,893,618 | 1,092,251 |
| Effective tax rate | <u>30.80%</u> | <u>32.20%</u> |

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****27. Earnings Per Share:**

Earnings per share (EPS) for the years ended December 31, 2002 and 2001 are calculated as follows. As there are no extraordinary gains or losses for the years ended December 31, 2002 and 2001, ordinary income per share is not calculated:

| | 2002 | 2001 |
|--|-----------------|---------------|
| Net income (in millions of Won) | (Won) 1,310,291 | (Won) 740,565 |
| Weighted average number of common shares outstanding | 317,786,872 | 199,825,909 |
| Earnings per share (in Won) | (Won) 4,123 | (Won) 3,706 |

Weighted average number of common shares outstanding for the year ended December 31, 2002 is calculated as follows:

| | Number of Shares | Days Outstanding | Weighted Average Number of Shares |
|--|-------------------------|-------------------------|--|
| Number of common shares outstanding-beginning balance | 317,677,416 | 365 | 317,677,416 |
| Treasury common stock beginning balance | (31,548) | 365 | (31,548) |
| Treasury common stock acquisition during the current period | (3,036,089) | 114 ^{1*} | (951,890) |
| Treasury common stock disposal during the current period | 41,548 | 178 ^{1*} | 20,272 |
| Converted portion of convertible bonds | 10,581,269 | 37 | 1,072,622 |
| Weighted average number of common shares outstanding before dilution | | | 317,786,872 |

1* As acquisitions and dispositions of treasury stocks occurred frequently during the year ended December 31, 2002, those transactions are recorded in aggregates and weighted average number of common shares outstanding is utilized for the adjustments of the dates.

The convertible bonds converted into common share during the current period and the employee stock options are not potential common shares since convertible bonds are deemed converted as of the beginning of the period and the employee stock options are expected to be settled in cash. As of December 31, 2002, there are no potential common shares.

28. Assets and Liabilities Denominated in Foreign Currencies:

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

| | Total Balances | | Major Denomination Currencies | | |
|--|-----------------|---------------------------------------|-------------------------------|----------------------|---------------------------|
| | Millions of Won | Thousands of US Dollars ^{1*} | Thousands of US Dollars | Thousands of EC Euro | Thousands of Japanese Yen |
| Assets | | | | | |
| Cash | (Won) 186,780 | \$ 155,598 | \$ 63,914 | 15,676 | ¥ 7,450,032 |
| Due from banks | 509,207 | 424,197 | 348,007 | 2,567 | 6,062,350 |
| Trading securities | 11,842 | 9,865 | 9,865 | | |
| Investment securities | 1,204,785 | 1,003,653 | 912,739 | 4,061 | 4,427,023 |
| Loans in foreign currencies | 4,417,176 | 3,679,753 | 2,827,489 | 68,754 | 65,532,564 |
| Bills bought | 756,300 | 630,040 | 588,877 | 25,336 | 840,286 |
| Advances for customers | 2,223 | 1,852 | 1,852 | | |
| Call loans | 248,857 | 207,312 | 202,700 | 4,000 | 50,000 |
| Liabilities | | | | | |
| Deposits | 1,083,648 | 902,738 | 654,567 | 12,012 | 17,863,339 |
| Borrowings | 3,408,530 | 2,839,494 | 2,407,624 | 58,893 | 46,007,284 |
| Due to BOK | 37,493 | 31,234 | 31,234 | | |
| Call money | 76,666 | 63,867 | 14,500 | | 5,679,100 |
| Debentures | 789,127 | 657,387 | 495,962 | | |
| Unsettled foreign exchange liabilities | 20,895 | 17,407 | 12,772 | 939 | 138,208 |

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

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****29. Related Party Transactions:**

Significant transactions with related parties for the year ended December 31, 2002 are as follows (in millions of Won):

| <u>Account</u> | <u>Beginning Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending Balance</u> | <u>Transactions Relating to P/L</u> |
|--|--------------------------|-----------------|-----------------|-----------------------|-------------------------------------|
| <u>Kookmin Credit Card Co., Ltd.</u> | | | | | |
| Loans | (Won) 122,526 | (Won) | (Won) 1,743 | (Won) 120,783 | (Won) 17,150 |
| Other assets | 1,907 | 876 | | 2,783 | 9,528 |
| Deposits | 4,687 | 7,369 | | 12,056 | (131) |
| Borrowings | | | | | (1,355) |
| Other liabilities | 18,334 | 97,271 | 1,426 | 114,179 | (12,388) |
| Commissions income | | | | | 153,271 |
| Commissions expenses | | | | | (220) |
| <u>Kookmin Venture Capital Co., Ltd.</u> | | | | | |
| Loans | 96,000 | | 96,000 | | 4,115 |
| Deposits | 29,811 | | 13,669 | 16,142 | (1,025) |
| <u>Kookmin Data System Co., Ltd.</u> | | | | | |
| Deposits | 3,676 | 3,227 | | 6,903 | (187) |
| Other liabilities | 879 | | | 879 | |
| <u>Kookmin Futures Co., Ltd.</u> | | | | | |
| Due from banks | 2,092 | | 1,713 | 379 | 5 |
| Deposits | 10,646 | 8,214 | | 18,860 | (567) |
| Other liabilities | 620 | | | 620 | |
| <u>Kookmin Bank Luxembourg S.A.</u> | | | | | |
| Due from banks | | 48,337 | | 48,337 | 148 |
| Loans | 218,807 | 77,168 | 156,273 | 139,702 | 4,789 |
| Other assets | | 815 | | 815 | 3,131 |
| Borrowings | | 24,008 | | 24,008 | (80) |
| Other liabilities | 10,058 | 1,174 | 155 | 11,077 | (922) |
| <u>Kookmin Bank International (London) Ltd.</u> | | | | | |
| Due from banks | | 24,490 | | 24,490 | 70 |
| Loans | 146,911 | 40,408 | 1,257 | 186,062 | 3,576 |
| Other assets | | | | | 359 |
| Borrowings | 7,670 | 72,757 | | 80,427 | (308) |
| Other liabilities | 1,932 | 11,313 | | 13,245 | (2,691) |
| <u>Kookmin Finance H.K. Ltd.</u> | | | | | |
| Due from banks | 2,030 | 4,288 | | 6,318 | 22 |
| Loans | 182,052 | 1,200 | 7,402 | 175,850 | 4,721 |
| Borrowings | | | | | (161) |
| Finance debentures | 6,463 | | 6,463 | | (232) |
| Other liabilities | | 5,424 | | 5,424 | |

Continued;

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****29. Related Party Transactions, Continued;**

| Account | Beginning | | Decrease | Ending | |
|---|--------------|----------|--------------|-------------|---------------------------|
| | Balance | Increase | | Balance | Transactions Relating P/L |
| <u>Kookmin Investment Trust Mgt. Co., Ltd.</u> | | | | | |
| Deposits | (Won) 25,326 | (Won) | (Won) 23,978 | (Won) 1,348 | (Won) (802) |
| <u>KB Real Estate Trust Co., Ltd.</u> | | | | | |
| Loans | 40,000 | | 10,000 | 30,000 | 3,005 |
| Deposits | 241 | 104,513 | | 104,754 | (4) |
| Guarantee deposits received | 1,797 | | 15 | 1,782 | |
| Guarantees and acceptances | 53 | | 53 | | |
| <u>KB Credit Information Co., Ltd.</u> | | | | | |
| Deposits | 7,838 | 1,658 | | 9,496 | (444) |
| Guarantee deposits received | 1,566 | 1,225 | | 2,791 | 176 |
| Accounts payable | 1,584 | 1,013 | | 2,597 | |
| Commissions expenses | | | | | (26,894) |

30. Transactions with Financial Institutions:

The assets and liabilities related to transactions with financial institutions for the year ended December 31, 2002 are as follows (in millions of Won):

| Accounts | Description | The Bank of Korea | Other | | Total |
|-------------------------|--------------------------------------|-------------------|--------------|------------------------------|-----------------|
| | | | Banks | Other Financial Institutions | |
| Cash and due from banks | Due from banks in Won | (Won) 1,340,482 | (Won) 41,584 | (Won) 140,000 | (Won) 1,522,066 |
| | Due from banks in foreign currencies | 25,677 | 478,466 | 5,064 | 509,207 |
| | | 1,366,159 | 520,050 | 145,064 | 2,031,273 |
| Loans | Loans in Won | | 20,941 | 727,747 | 748,688 |
| | Loans in foreign currencies | | 1,187,649 | | 1,187,649 |
| | Call loans | | 371,744 | | 371,744 |

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| | | | | | |
|------------|----------------------------------|---------|-----------|-----------|-----------|
| | Privately placed debentures | | | 60,683 | 60,683 |
| | | | 1,580,334 | 788,430 | 2,368,764 |
| Deposits | Deposits in Won | | 1,087,401 | 2,478,252 | 3,565,653 |
| | Deposits in foreign currencies | | | | |
| | | | 1,087,401 | 2,478,252 | 3,565,653 |
| Borrowings | Borrowings in Won | 671,854 | 324,913 | 9,192 | 1,005,959 |
| | Borrowings in foreign currencies | | 2,404,110 | 23,092 | 2,427,202 |
| | Others | 37,493 | 106,866 | 799,100 | 943,459 |
| | | 709,347 | 2,835,889 | 831,384 | 4,376,620 |
| Debentures | Debentures in Won | | 336,500 | 334,900 | 671,400 |
| | Debentures in foreign currencies | | 789,127 | | 789,127 |
| | | | 1,125,627 | 334,900 | 1,460,527 |

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****31. Interest Bearing Assets and Liabilities:**

Assets and liabilities bearing interest income and interest expenses for the year ended December 31, 2002 are as follows (in millions of Won):

| <u>Account</u> | <u>Average Balance</u> | <u>Interest Income</u> | <u>Average Yield (%)</u> |
|-----------------------|--------------------------|-------------------------|--------------------------|
| Due from banks | (Won) 1,295,312 | (Won) 51,580 | 3.98 |
| Trading securities | 1,684,790 | 95,576 | 5.67 |
| Investment securities | 20,028,067 | 1,488,517 | 7.43 |
| Loans | 117,775,057 | 9,251,849 | 7.86 |
| | <u>(Won) 140,783,226</u> | <u>(Won) 10,887,522</u> | |

| <u>Account</u> | <u>Average Balance</u> | <u>Interest Expenses</u> | <u>Average Yield (%)</u> |
|----------------|--------------------------|--------------------------|--------------------------|
| Deposits | (Won) 119,741,360 | (Won) 4,770,967 | 3.98 |
| Borrowings | 10,412,792 | 415,938 | 3.99 |
| Debentures | 12,154,162 | 830,219 | 6.83 |
| | <u>(Won) 142,308,314</u> | <u>(Won) 6,017,124</u> | |

32. Operations of the Trust Accounts:

Assets and liabilities of the trust accounts as of December 31, 2002 are classified as principal or dividend guarantee money trusts, performance money trusts, and property trusts as follows (in millions of Won):

| | <u>Guarantee Money Trusts</u> | <u>Performance Money Trusts</u> | <u>Property Trusts</u> | <u>Total</u> |
|------------|-----------------------------------|-------------------------------------|----------------------------|------------------|
| Securities | (Won) 3,795,316 | (Won) 11,030,654 | (Won) 175,049 | (Won) 15,001,019 |
| Loans | 168,740 | 406,672 | | 575,412 |

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| | | | | |
|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Receivables | | | 26,669,409 | 26,669,409 |
| Due from banking accounts | 102,570 | 340,379 | 14,992 | 457,941 |
| Present value discounts | (1,745) | (26) | | (1,771) |
| Allowance for loan losses | (94,830) | (95,587) | | (190,417) |
| Other assets | 87,046 | 238,312 | 573 | 325,931 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total assets | (Won) 4,057,097 | (Won) 11,920,404 | (Won) 26,860,023 | (Won) 42,837,524 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Trusts | (Won) 3,787,286 | (Won) 11,568,999 | (Won) 26,852,684 | (Won) 42,208,969 |
| Borrowings | 37,882 | | | 37,882 |
| Reserves for future losses | 45,755 | | | 45,755 |
| Other liabilities | 186,174 | 351,405 | 7,339 | 544,918 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total liabilities | (Won) 4,057,097 | (Won) 11,920,404 | (Won) 26,860,023 | (Won) 42,837,524 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Continued;

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****32. Operations of the Trust Accounts, Continued;**

The Bank is liable as of December 31, 2002 for the following portion of the difference between the book value and fair value of principal or dividend guarantee money trusts (in millions of Won):

| | <u>Book Value</u> | <u>Fair Value</u> | <u>Liable Amount</u> |
|---|------------------------|------------------------|----------------------|
| Principal guarantee money trusts | (Won) 3,957,584 | (Won) 3,971,814 | (Won) |
| Principal and dividend guarantee money trusts | 99,513 | 99,573 | |
| | <u>(Won) 4,057,097</u> | <u>(Won) 4,071,387</u> | <u>(Won)</u> |

The results of operations of the money trust accounts, from the Bank's management accounting point of view, for the year ended December 31, 2002 are as follows (in millions of Won):

| <u>Trust Account Related Income</u> | | <u>Trust Account Related Expenses</u> | |
|--|----------------------|--|---------------------|
| Gain on trust management | (Won) 300,686 | Interest expense on borrowings from trust accounts | (Won) 24,240 |
| Early withdrawal penalties | 288 | Loss on trust management | |
| Interest income on loans to trust accounts | 5,732 | | |
| | <u>(Won) 306,706</u> | | <u>(Won) 24,240</u> |

33. 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

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Exchange on November 9, 2001. Despite the legal form of consolidation, the business combination was accounted for as an acquisition with the Bank as acquirer of H&CB's total assets of (Won)67,742,958 million and liabilities of (Won)64,381,185 million.

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

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****34. Statement of Cash Flows:**

Cash and cash equivalents as of December 31, 2002 and 2001 as presented in the statements of cash flows comprise the following (in millions of Won):

| | <u>2002</u> | <u>2001</u> |
|--------------------------------------|------------------------|------------------------|
| Cash on hand | (Won) 2,392,346 | (Won) 2,553,258 |
| Cash in foreign currencies | 186,780 | 147,313 |
| Due from banks in Won | 1,532,179 | 4,656,228 |
| Due from banks in foreign currencies | 509,207 | 175,693 |
| | <u>4,620,512</u> | <u>7,532,492</u> |
| Restricted deposits | 1,519,931 | 4,359,176 |
| | <u>(Won) 3,100,581</u> | <u>(Won) 3,173,316</u> |

Major transactions that do not involve cash inflows and cash outflows for the years ended December 31, 2002 and 2001 are presented as follows (in millions of Won):

| | <u>2002</u> | <u>2001</u> |
|--|--------------|--------------|
| Unrealized gains on investment securities | (Won) 86,164 | (Won) 65,717 |
| Conversion of convertible bonds | 234,100 | 31,864 |
| Stock dividends | 89,900 | |
| Adjustments in assets and liabilities due to the equity method | 4,562 | 68,184 |
| Write-offs of loans | 1,527,311 | 1,093,470 |
| Loan restructuring | 122,043 | 174,824 |
| Sale of non-performing loans | 65,174 | 368,868 |
| Conversion of loans to equity securities | 109,931 | |
| Retained earnings appropriation for dividends | 325,233 | 119,867 |
| Business combination with H&CB | | 68,448,066 |
| Extinguishments of preferred stock | | 200,000 |

Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****35. Business Segments:**

The Bank is organized into five major business segments: retail banking, corporate banking, capital markets activities, credit card operations, and others. These business segments are based on the nature of the products and services provided, the type or class of customer, and the Bank's management organization, and provide the basis on which the Bank reports its primary segment information.

The following table shows the distribution of the Bank's operations by business segment as of and for the year ended December 31, 2002 (in millions of Won):

| | Retail Banking | Corporate Banking | Capital Markets Activities | Credit Card Operations | Others | Total |
|--------------------------|---------------------------|------------------------------|---------------------------------------|-----------------------------------|------------------------|--------------------------|
| Loans | (Won) 73,275,031 | (Won) 42,569,461 | (Won) 5,332,467 | (Won) 5,464,316 | (Won) 89,286 | (Won) 126,730,561 |
| Securities | | | 30,940,750 | | | 30,940,750 |
| Fixed assets | 1,905,980 | 417,194 | 153,393 | 291,634 | 324,415 | 3,092,616 |
| Other assets | 3,153,700 | 166,650 | 2,929,074 | 116,495 | 4,368,995 | 10,734,914 |
| Total assets | (Won) 78,334,711 | (Won) 43,153,305 | (Won) 39,355,684 | (Won) 5,872,445 | (Won) 4,782,696 | (Won) 171,498,841 |
| Operating revenue | (Won) 5,503,719 | (Won) 2,976,862 | (Won) 4,836,692 | (Won) 1,188,435 | (Won) 1,078,793 | (Won) 15,584,501 |

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 year ended December 31, 2002 (in millions of Won):

| | Domestic | Overseas | Total |
|---------------------|--------------------------|----------------------|--------------------------|
| Loans | (Won) 126,101,520 | (Won) 629,041 | (Won) 126,730,561 |
| Securities | 30,866,435 | 74,315 | 30,940,750 |
| Fixed assets | 3,089,528 | 3,088 | 3,092,616 |
| Other assets | 10,670,487 | 64,427 | 10,734,914 |
| Total assets | (Won) 170,727,970 | (Won) 770,871 | (Won) 171,498,841 |

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| | | | |
|-------------------|-------------------------|---------------------|-------------------------|
| Operating revenue | <u>(Won) 15,516,161</u> | <u>(Won) 68,340</u> | <u>(Won) 15,584,501</u> |
|-------------------|-------------------------|---------------------|-------------------------|

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Table of Contents**KOOKMIN BANK****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS-(Continued)****December 31, 2002 and 2001****36. Values Added Calculation:**

Major accounts included in general and administrative expenses to measure values added for the years ended December 31, 2002 and 2001 are as follows (in millions of Won):

| | 2002 | 2001 |
|-------------------------|------------------------|------------------------|
| Salaries and wages | (Won) 1,121,336 | (Won) 541,869 |
| Retirement benefits | 100,198 | 112,366 |
| Other employee benefits | 253,464 | 360,549 |
| Rent | 49,792 | 21,409 |
| Depreciation | 311,487 | 103,334 |
| Amortization | 78,444 | 13,537 |
| Taxes and dues | 106,612 | 65,693 |
| | (Won) 2,021,333 | (Won) 1,218,757 |

37. Reclassification of prior year financial statement presentation :

Certain accounts of financial statements as of and for the year ended December 31, 2001 have been reclassified to conform to the 2002 presentation. These reclassifications had no effect on previously reported net income or stockholders' equity.