

KOOKMIN BANK  
Form 6-K  
August 14, 2003  
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This Report on Form 6-K is incorporated by reference into the prospectus included in the Registration Statement on Form F-4 of Kookmin Bank (File No. 333-106262)

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 6-K**

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

For the month of August 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 Semi-Annual Business Report**

On August 14, 2003, Kookmin Bank filed a semi-annual business report (the Business Report ) with the Financial Supervisory Commission of Korea pursuant to the Securities and Exchange Act of Korea. This is a summary of the Business Report translated into English.

All references to Kookmin Bank mean Kookmin Bank on a non-consolidated basis, and all references to we 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 acquirer 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 business purpose of the Bank is to engage in the following business activities:

- n The banking business as prescribed by the Bank Act; and
- n The other businesses permitted by the Bank Act or other relevant Korea laws and regulations

#### **1.2. History**

- n November 1, 2001 Incorporated and Listed on the New York Stock Exchange
- n November 9, 2001 Listed on the Korea Stock Exchange
- n September 23, 2002 Integrated two brand operations onto a single information technology platform in connection with the merger
- n December 4, 2002 Entered into a strategic alliance agreement with ING Bank N.V., which replaced the prior investment agreement with H&CB
- n May 30, 2003 Merger agreement with Kookmin Credit Card was made and merger statement was officially submitted to FSS

#### **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.

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

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

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issued 10,581,269 common shares and distributed them to Goldman Sachs Capital Koryo, L.P.

As of June 30, 2003, 328,258,685 shares of common stock were issued and outstanding with paid-in capital of 1,641.2 billion Won.

Regarding the contemplated merger between Kookmin Bank and Kookmin Credit Card, once the proposed merger with Kookmin Credit Card is completed (scheduled on September 30, 2003), the total paid-in capital will amount to 1,681.9 billion Won, increased by 40.6 billion Won.

**1.3.2. Treasury Stock**

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

(Unit: in thousands of Won unless otherwise indicated)

<b>Date</b>	<b>Transaction</b>	<b>Number of shares</b>	<b>Cost</b>	<b>Average cost per one share</b>
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	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
January 15, 2003	Disposition due to exercise of stock option by a grantee	10,000 shares	492,294	49,229 Won
Total		Outstanding balance: 3,016,089 shares	148,480,396	



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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 June 30, 2003, 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	330,000	70,000
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 Beeck	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	Non Executive Director	01-Mar-03	28-Feb-06	27,600	2,486	0	2,486
28-Feb-00	Sunghee 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

\* 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				
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
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	2,961	0
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

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15-Mar-01	Sanghoon Kim	President 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	Seunghoon 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	Non Executive Director	16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
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	President 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			16-Mar-04	15-Mar-09	28,027	2,961	0	2,961
15-Mar-01			16-Mar-04	15-Mar-09	28,027	2,961	0	2,961

**Sunghyun  
Chung**

**Head of  
Regional  
Head Office**

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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	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
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	Byungdoo Ahn	General Manager	16-Mar-04	15-Mar-09	28,027	592	0	592

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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
					<hr/>			
16-Nov-01	Jungtae Kim	President & CEO	17-Nov-04	16-Nov-09	X <sup>1</sup>	500,000	0	500,000
16-Nov-01	Jungtae Kim	President & CEO	17-Nov-04	16-Nov-09		200,000 <sup>2</sup>	0	200,000

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 resignation, if he resigns earlier

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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				
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	Y <sup>1</sup>	10,000	0	10,000
22-Mar-02	Dongsoo Chung	Non Executive Director	23-Mar-05	22-Mar-10		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
22-Mar-02	Sunjin Kim	Non Executive Director	23-Mar-05	22-Mar-10		3,000	0	3,000
22-Mar-02	Moonsoul Chung	Non Executive Director	23-Mar-05	22-Mar-10	Y	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	Jaehil 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	Dongsoo 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
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

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.

1. 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	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
21-Mar-03	Sungnam Lee	Auditor & Executive Director	22-Mar-06	21-Mar-11		30,000	0	30,000
21-Mar-03	Moonsoul Chung	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Sunjin Kim	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Richard Elliott Lint	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Kyunghee Yoon	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Seoungwoo Nam	Non Executive director	22-Mar-06	21-Mar-11	Y <sup>1</sup>	10,000	0	10,000
21-Mar-03	Sukyoung Cha	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Bernard S. Black	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Kihong Kim	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Eunjoo Park	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Cheolsoo Ahn	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Kyungbae Suh	Non Executive director	22-Mar-06	21-Mar-11		10,000	0	10,000
21-Mar-03	Sungchul Kim	Executive Vice President	22-Mar-06	21-Mar-11	35,500	30,000	0	30,000
21-Mar-03	Woojung Lee	Executive Vice President	22-Mar-06	21-Mar-11	35,500	30,000	0	30,000
21-Mar-03	Seeyoung Lee	Executive Vice President	22-Mar-06	21-Mar-11	35,000	30,000	0	30,000
21-Mar-03	Wonsuk Oh	Head of Regional Head Office	22-Mar-06	21-Mar-11	35,500	15,000	0	15,000
21-Mar-03	Sungdae Min	Head of Regional Head Office	22-Mar-06	21-Mar-11	35,500	15,000	0	15,000
21-Mar-03	Kyungjae Cheong	Head of Regional Head Office	22-Mar-06	21-Mar-11	35,500	15,000	0	15,000
21-Mar-03	Choulhee Kim	Head of Regional Head Office	22-Mar-06	21-Mar-11	35,500	15,000	0	15,000
21-Mar-03	Indo Lee	Head of Regional Head Office	22-Mar-06	21-Mar-11	35,000	15,000	0	15,000
21-Mar-03	Maengsu Yang	Head of Regional Head Office	22-Mar-06	21-Mar-11	35,500	15,000	0	15,000
<b>Total</b>						<b>2,881,131</b>	<b>553,069</b>	

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



**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)

	2002	2001	2000
Net income for the period	1,310,291	740,565	719,700
Earnings per share (Won)	4,123 <sup>1</sup>	3,706	2,403
Maximum amount available for dividend	1,192,643 <sup>2</sup>	604,984	614,046
Total dividend amount	325,232	119,866	151,009
Dividend payout ratio (%)	24.82 <sup>3</sup>	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 <sup>4</sup>	0.80	3.36
Net asset value per common share (Won)	30,614 <sup>5</sup>	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 1,216 domestic branches and sub-branches as of June 30, 2003. 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.

For the year 2002 and 2003, 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, %)

	June 30, 2003		December 31, 2002		December 31, 2001	
	Amount	%	Amount	%	Amount	%
Kookmin Bank	1,264,679	31.6	1,220,260	31.7	1,140,587	33.7
Woori Bank	655,909	16.4	589,095	15.3	513,903	15.2
Hana Bank	549,788	13.7	534,570	13.9	322,652	9.5
Chohung Bank	393,625	9.8	426,902	11.1	355,967	10.5
Shinhan Bank	358,744	9.0	331,479	8.6	301,285	8.9
Korea Exchange Bank	306,485	7.6	318,792	8.3	253,284	7.5
Korea First Bank	249,262	6.2	227,993	5.9	171,800	5.1
KorAm Bank	228,827	5.7	202,233	5.2	171,834	5.1
Seoul Bank					151,458	4.5
<b>Total</b>	<b>4,007,319</b>	<b>100.0</b>	<b>3,851,324</b>	<b>100</b>	<b>3,382,770</b>	<b>100</b>



**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.

For the year 2002 and 2003, 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, %)

	June 30, 2003		December 31, 2002		December 31, 2001	
	Amount	%	Amount	Amount	%	Amount
<b>Kookmin Bank</b>	<b>776,094</b>	<b>40.4</b>	<b>743,096</b>	<b>41.1</b>	<b>601,536</b>	<b>47.2</b>
<b>Hana Bank</b>	<b>248,029</b>	<b>13.0</b>	<b>235,987</b>	<b>13.1</b>	<b>105,143</b>	<b>8.2</b>
<b>Woori Bank</b>	<b>241,601</b>	<b>12.6</b>	<b>228,530</b>	<b>12.6</b>	<b>132,501</b>	<b>10.4</b>
<b>Shinhan Bank</b>	<b>166,861</b>	<b>8.7</b>	<b>159,927</b>	<b>8.9</b>	<b>107,729</b>	<b>8.4</b>
<b>Chohung Bank</b>	<b>160,849</b>	<b>8.3</b>	<b>154,565</b>	<b>8.6</b>	<b>90,723</b>	<b>7.1</b>
<b>Korea First Bank</b>	<b>131,840</b>	<b>6.9</b>	<b>105,997</b>	<b>5.9</b>	<b>78,874</b>	<b>6.2</b>
<b>Korea Exchange Bank</b>	<b>110,148</b>	<b>5.7</b>	<b>102,062</b>	<b>5.6</b>	<b>64,053</b>	<b>5.0</b>
<b>KorAm Bank</b>	<b>85,276</b>	<b>4.4</b>	<b>75,759</b>	<b>4.2</b>	<b>41,807</b>	<b>3.3</b>
<b>Seoul Bank</b>					<b>53,156</b>	<b>4.2</b>
<b>Total</b>	<b>1,920,698</b>	<b>100.0</b>	<b>1,805,923</b>	<b>100</b>	<b>1,275,522</b>	<b>100</b>

**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.

For the year 2002 and 2003, 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, %)

	June 30, 2003		December 31, 2002		December 31, 2001	
	Amount	%	Amount	Amount	%	Amount

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<b>Kookmin Bank</b>	<b>359,867</b>	<b>78.3</b>	<b>338,706</b>	<b>79.9</b>	<b>253,495</b>	<b>87.4</b>
<b>Hana Bank</b>	<b>30,143</b>	<b>6.5</b>	<b>25,014</b>	<b>5.9</b>	<b>7,552</b>	<b>2.6</b>
<b>Woori Bank</b>	<b>29,376</b>	<b>6.4</b>	<b>23,037</b>	<b>5.4</b>	<b>10,998</b>	<b>3.8</b>
<b>Korea Exchange Bank</b>	<b>15,172</b>	<b>3.3</b>	<b>15,584</b>	<b>3.7</b>	<b>8,719</b>	<b>3.0</b>
<b>KorAm Bank</b>	<b>8,568</b>	<b>1.9</b>	<b>8,592</b>	<b>2.0</b>	<b>2,432</b>	<b>0.8</b>
<b>Shinhan Bank</b>	<b>8,268</b>	<b>1.8</b>	<b>7,709</b>	<b>1.8</b>	<b>2,943</b>	<b>1.0</b>
<b>Chohung Bank</b>	<b>6,090</b>	<b>1.3</b>	<b>4,126</b>	<b>1.0</b>	<b>2,326</b>	<b>0.8</b>
<b>Korea First Bank</b>	<b>2,273</b>	<b>0.5</b>	<b>1,308</b>	<b>0.3</b>	<b>658</b>	<b>0.2</b>
<b>Seoul Bank</b>					<b>1,078</b>	<b>0.4</b>
<b>Total</b>	<b>459,757</b>	<b>100.0</b>	<b>424,076</b>	<b>100</b>	<b>290,201</b>	<b>100</b>

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

(Unit: in millions of Won)

		June 30, 2003		December 31, 2002		December 31, 2001	
		Average balance	Interest rate (%)	Average balance	Interest rate (%)	Average balance	Interest rate (%)
<b>Won currency</b>	<b>Deposits and Mutual installment</b>	115,218,184	3.84	113,157,719	4.21	63,743,997	5.53
	<b>Certificate of deposit</b>	3,268,738	4.78	2,119,900	4.82	2,022,414	6.10
	<b>Borrowings</b>	3,424,101	3.99	4,568,873	4.45	3,784,147	4.85
	<b>Call money</b>	1,859,556	4.03	1,039,249	4.02	403,937	4.11
	<b>Other</b>	22,660,161	5.97	14,254,281	6.70	9,112,858	7.57
<b>Subtotal</b>		146,430,740	4.20	135,140,022	4.49	79,067,353	5.74
<b>Foreign currency</b>	<b>Deposits</b>	1,187,443	0.85	1,096,544	1.28	952,701	3.08
	<b>Borrowings</b>	3,489,244	1.13	2,269,774	2.45	2,018,537	5.47
	<b>Call money</b>	128,343	1.11	293,151	1.65	223,156	3.67
	<b>Finance debentures issued</b>	732,687	2.22	1,071,848	3.57	1,430,804	5.68
	<b>Other</b>	24,035		23,087		15,081	
<b>Subtotal</b>		5,561,752	1.21	4,754,404	2.67	4,640,279	5.32
<b>Other</b>	<b>Total Shareholders Equity</b>	11,294,217		14,586,550		7,463,687	
	<b>Allowances</b>	90,396		63,039		353,183	
	<b>Other</b>	9,349,108		3,717,379		4,065,899	
<b>Subtotal</b>		20,733,721		18,366,968		11,882,769	
<b>Total</b>		172,726,213	3.92	158,261,394	3.92	95,590,401	5.00

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

(Unit: in millions of Won)

		June 30, 2003		December 31, 2002		December 31, 2001	
		Average balance	Interest rate (%)	Average balance	Interest rate (%)	Average balance	Interest rate (%)
Won currency	Due from banks	191,901	1.46	1,041,865	4.62	1,339,572	5.60
	Securities	30,815,871	5.55	30,180,305	6.32	23,861,424	6.78
	Loans	119,371,550	7.25	105,188,481	7.79	53,575,082	8.87
	Advances for customers	62,625	13.00	91,583	4.35	127,704	3.84
	Call loan	154,128	4.24	736,571	4.36	1,765,067	4.80
	Private placement corporate bonds	1,245,872	8.43	1,631,524	7.32	2,065,179	10.32
	Credit card accounts	5,685,500	8.82	5,719,359	10.25	912,210	17.63
	Other	191,428		374,718		614,014	
	Allowance for credit losses ( )	2,086,031		1,437,960		1,297,930	
	<b>Subtotal</b>		<b>155,632,844</b>	<b>7.13</b>	<b>143,526,446</b>	<b>7.66</b>	<b>82,962,322</b>
Foreign currency	Due from banks	514,202	1.47	253,390	1.35	121,994	3.28
	Securities	1,302,393	4.72	1,302,214	7.97	1,079,359	9.13
	Loans	2,775,614	3.03	3,216,042	3.39	3,870,853	5.66
	Call loan	92,938	1.37	188,465	1.98	185,466	4.15
	Bills bought	2,130,872	1.72	835,356	4.71	1,045,331	7.60
	Other	10,767		15,739		116,454	
	Allowance for credit losses ( )	128,636		267,194		266,613	
<b>Subtotal</b>		<b>6,698,150</b>	<b>2.88</b>	<b>5,544,012</b>	<b>4.95</b>	<b>6,152,844</b>	<b>7.11</b>
Other	Cash	980,850		914,639		530,451	
	Fixed assets held for business	3,136,851		3,126,812		1,462,413	
	Other	6,277,518		5,149,485		4,482,371	

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<b>Subtotal</b>	<b>10,395,219</b>		<b>9,190,936</b>		<b>6,475,235</b>	
<b>Total</b>	<b>172,726,213</b>	<b>6.54</b>	<b>158,261,394</b>	<b>7.12</b>	<b>95,590,401</b>	<b>7.83</b>



**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)

		June 30, 2003		December 31, 2002		December 31, 2001	
		Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
<b>Deposits in Won</b>	<b>Demand deposits</b>	11,820,615	13,652,113	10,654,651	12,987,742	4,832,281	10,824,005
	<b>Time &amp; savings deposits</b>	95,298,954	97,619,182	93,347,999	93,630,423	53,496,908	89,080,935
	<b>Mutual installment deposits</b>	7,000,806	6,768,822	8,058,664	7,491,115	6,469,772	8,871,193
	<b>Mutual installment for housing</b>	5,035,408	5,148,609	4,463,601	4,872,637	928,398	4,128,489
	<b>Certificates of deposits</b>	3,268,738	3,279,148	2,119,900	3,044,089	2,022,414	1,154,056
<b>Subtotal</b>		122,424,521	126,467,874	118,644,815	122,026,006	67,749,773	114,058,678
<b>Deposits in foreign currency</b>		1,187,443	1,234,277	1,096,544	1,083,647	952,701	1,102,626
<b>Trust deposits</b>	<b>Money trust</b>	14,409,216	13,116,617	17,214,936	15,356,285	20,375,456	19,739,709
	<b>Property trust</b>	26,167,631	24,633,389	16,783,690	26,852,684	5,409,033	12,559,922
<b>Subtotal</b>		40,576,847	37,750,006	33,998,626	42,208,969	25,784,489	32,299,631
<b>Total</b>		164,188,811	165,452,157	153,739,985	165,318,622	94,486,963	147,460,935

**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)

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	<b>June 30, 2003</b>	<b>December 31, 2002</b>	<b>December 31, 2001</b>
Deposits	117,941	121,137	133,548
Deposits in Won	117,152	120,336	132,320

**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)

	June 30, 2003	December 31, 2002	December 31, 2001
Deposits	7,529	7,256	7,243
Deposits in Won	7,479	7,208	7,176

**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)

	June 30, 2003		December 31, 2002		December 31, 2001	
	Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
Loans in Won	119,354,628	121,649,225	105,117,047	116,472,105	53,498,087	94,698,769
Loans in foreign currency	4,266,188	4,199,976	3,228,857	4,417,176	3,924,562	4,174,237
Advances to customers	71,476	86,108	106,380	52,430	244,158	199,831
Subtotal	123,692,292	125,935,309	108,452,284	120,941,711	57,666,807	99,072,837
Trust account loans	544,514	500,933	789,614	575,412	2,194,851	1,117,817
Total	124,236,806	126,436,242	109,241,898	121,517,123	59,861,658	100,190,654

**2.4.5. Loan Balances as of June 30, 2003 by Remaining Maturities**

(Unit: in millions of Won)

	Less than 1 year	More than 1 year-less than 3 years	More than 3 years-less than 5 years	More than 5 years	Total

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<b>Loans in Won</b>	<b>58,807,965</b>	<b>46,141,260</b>	<b>5,614,930</b>	<b>11,085,070</b>	<b>121,649,225</b>
<b>Loans in foreign currencies</b>	<b>2,768,684</b>	<b>452,137</b>	<b>406,804</b>	<b>572,351</b>	<b>4,199,976</b>

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**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)

		June 30, 2003	December 31, 2002	December 31, 2001
<b>Loans to enterprise</b>	<b>Loans for operations</b>	<b>36,970,358</b>	<b>35,369,066</b>	<b>29,286,707</b>
	<b>Loans for facility</b>	<b>6,482,736</b>	<b>5,963,631</b>	<b>4,434,447</b>
<b>Loans to households</b>		<b>41,666,330</b>	<b>40,477,483</b>	<b>34,648,918</b>
<b>Loans to public sector &amp; others</b>	<b>Loans for operations</b>	<b>529,201</b>	<b>738,632</b>	<b>730,598</b>
	<b>Loans for equipment</b>	<b>40,753</b>	<b>39,414</b>	<b>57,211</b>
<b>Loans on property formation savings</b>		<b>80,187</b>	<b>95,252</b>	<b>154,069</b>
<b>Loans for housing</b>		<b>35,858,294</b>	<b>33,731,435</b>	<b>25,342,969</b>
<b>Inter-bank loans</b>		<b>16,771</b>	<b>20,941</b>	<b>36,110</b>
<b>Others</b>		<b>4,595</b>	<b>36,251</b>	<b>7,740</b>
<b>Total</b>		<b>121,649,225</b>	<b>116,472,105</b>	<b>94,698,769</b>

**2.4.7. Loan to Deposit Ratio**

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

(Units: in millions of Won, %)

	June 30, 2003	December 31, 2002	December 31, 2001
<b>Loans<sup>1</sup> (A)</b>	<b>119,354,626</b>	<b>105,117,047</b>	<b>53,498,087</b>
<b>Deposits<sup>2</sup> (B)</b>	<b>122,424,522</b>	<b>118,644,815</b>	<b>67,749,773</b>

<b>Loan to deposit ratio (A/B)</b>	<b>97.49</b>	<b>88.60</b>	<b>78.96</b>
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#### 2.4.8. *Acceptances and Guarantees*

(Unit: in millions of Won)

	<u>June 30, 2003</u>	<u>December 31, 2002</u>	<u>December 31, 2001</u>
<b>Determined</b>	<b>1,099,658</b>	<b>1,031,698</b>	<b>3,521,970</b>
<b>Contingent</b>	<b>1,306,021</b>	<b>1,306,878</b>	<b>1,369,723</b>
<b>Total</b>	<b>2,405,679</b>	<b>2,338,576</b>	<b>4,891,693</b>

#### 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.

1. Average balance of loans in each indicated date
2. Average balance of deposits in each indicated date. The balances include certificate of deposits

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(Unit: in millions of Won)

		June 30, 2003		December 31, 2002		December 31, 2001	
		Average balance	Ending balance	Average balance	Ending balance	Average balance	Ending balance
Securities in Won (Banking account)	Monetary stabilization bonds	3,845,362	4,837,276	2,834,534	3,269,269	3,571,137	3,139,925
	Government and public bonds	5,241,972	5,328,964	4,272,946	5,252,321	4,454,446	4,592,251
	Debentures	12,484,946	12,739,151	13,154,258	12,378,717	11,410,904	14,691,304
	Stocks	1,636,435	1,191,548	2,146,149	1,661,682	1,309,134	2,154,449
	Others	7,607,157	7,300,022	7,809,012	7,162,134	3,115,803	7,547,153
<b>Subtotal</b>		<b>30,815,872</b>	<b>31,396,961</b>	<b>30,216,899</b>	<b>29,724,123</b>	<b>23,861,424</b>	<b>32,125,082</b>
Securities in Won (Trust account)	Monetary stabilization bonds	767,250	1,213,633	1,309,515	583,379	3,228,021	2,725,071
	Government and public bonds	1,080,164	1,061,089	2,023,503	1,323,195	2,990,549	3,059,777
	Debentures	6,684,549	5,836,911	8,035,960	7,600,794	7,635,765	7,613,829
	Stocks	847,626	766,727	904,921	924,514	672,845	890,151
	Others	3,807,119	3,438,851	3,945,649	3,821,884	4,340,103	3,913,328
<b>Subtotal</b>		<b>14,102,014</b>	<b>13,264,404</b>	<b>16,779,512</b>	<b>15,001,019</b>	<b>18,985,430</b>	<b>18,572,571</b>
Securities in foreign currency (Banking account)	Foreign securities	1,024,294	966,991	945,199	960,749	736,084	909,730
	Off-shore foreign securities	278,099	283,834	320,423	255,878	343,275	382,542
<b>Subtotal</b>		<b>1,302,393</b>	<b>1,250,825</b>	<b>1,265,622</b>	<b>1,216,627</b>	<b>1,079,359</b>	<b>1,292,272</b>
<b>Total</b>		<b>46,220,279</b>	<b>45,912,190</b>	<b>48,262,033</b>	<b>45,941,769</b>	<b>43,926,213</b>	<b>51,989,925</b>

**2.4.10. Trust Account (money trust)**

(Unit: in millions of Won)

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	June 30, 2003		December 31, 2002		December 31, 2001	
	Total amount trusted	Trust fees	Total amount trusted	Trust fees	Total amount trusted	Trust fees
Return-guaranteed trust	686	21,968	1,528	59,530	25,551	-17,147
Performance trust	40,576,161	97,233	33,997,098	241,444	25,758,938	353,890
<b>Total</b>	<b>40,576,847</b>	<b>119,201</b>	<b>33,998,626</b>	<b>300,974</b>	<b>25,784,489</b>	<b>336,743</b>



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

(Unit: in millions of Won unless indicated otherwise)

		June 30, 2003	2002	2001
Number of card holders (Person)	Corporate	54,881	58,090	23,811
	Individual	4,303,330	4,748,427	4,017,950
Number of merchants		317,496	262,619	295,668
Profit	Sales <sup>1</sup>	11,220,625	27,216,500	22,272,700
	Fee revenue	464,723	1,039,710	819,399

**2.4.11.2. Kookmin Card<sup>2</sup>**

(Unit: in millions of Won unless indicated otherwise)

		June 30, 2003	2002	2001
Number of card holders (Person)	Corporate	152,645	153,425	105,600
	Individual	11,303,757	11,638,968	9,605,946
Number of merchants		1,580,585	1,675,176	1,569,103
Profit	Sales <sup>1</sup>	36,514,883	83,860,180	65,382,300
	Fee revenue <sup>3</sup>	62,846	155,545	142,700

**2.5. Property, Plants and Equipment****2.5.1. Branch Network**

As of June 30, 2003, we had 1,156 branches and 60 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

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funding. Approximately 43% of our branches and sub-branches are located in Seoul.

We also have three subsidiaries in Luxemburg, Hong Kong and London and three branches in Tokyo, New York and Auckland, and 1 overseas office in Guangzhou in China

- 
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.

**Table of Contents****2.5.2. Business Property (Land & Buildings)**

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 June 30, 2003 was 1,544,953 million Won. In addition to the properties owned by us, we also leased 1,039,818 million Won of properties for our branch space.

**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 June 30, 2003, we had 7,731 ATMs, 1,631 cash dispensers and 784 passbook printers.

**2.6. Other Details Relevant to Investment Decision****2.6.1. BIS Risk-adjusted Capital Ratios**

(Units: in millions of Won, %)

	June 30, 2003 <sup>1</sup>	December 31, 2002	December 31, 2001
Risk-adjusted capital (A)	13,708,236	14,439,313	11,750,856
Risk-weighted assets (B)	130,330,970	138,703,021	114,849,227
BIS ratios (A/B)	10.52	10.41	10.23

**2.6.2. Non-performing Loans<sup>2</sup>**

(Units: in millions of Won unless indicated otherwise)

June 30, 2003		December 31, 2002		Change	
Amount	NPL to total loans	Amount	NPL to total loans	Amount	NPL to total loans
4,159,369	3.05	2,509,073	1.90%	1,650,296	1.15%p

<sup>1</sup> Tentative figures

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2. 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 Allowance**

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

(Units: in millions of Won)

		June 30, 2003	December 31, 2002	December 31, 2001
<b>Loan loss allowance</b>	<b>Domestic</b>	3,262,227	2,365,898	2,255,068
	<b>Overseas</b>	56,126	12,798	16,111
	<b>Total</b>	3,318,353	2,378,696	2,271,179
<b>Write-offs for the Period</b>		824,754	1,527,311	1,090,029

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**3. Financial Information**

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

**Table of Contents****4. Independent Auditor****4.1. Compensation to the Independent Auditor****4.1.1. Audit Service**

Our Financial statements have been taken review from Samil Accounting Corporation, the Korean member firm of PricewaterhouseCoopers. The aggregate audit service contract amount as of the end of June 30, 2003 is 980 million Won.

**4.1.2. Service Other than Audit**

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

(Units: in millions of Won unless indicated otherwise)

Year	Service description	Amount of payment
June 30	- US GAAP conversion for 2002	US\$3,800 thousand
2003	- Due Diligence on Kookmin Credit Card	250
	- SEC Filing regarding the proposed merger with Kookmin Credit Card	US\$30 thousand
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

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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:

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

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

- n the Board Steering Committee;
- n the Management Strategy Committee;
- n the Risk Management Committee;
- n the Audit Committee;
- n the Compensation Committee; and
- n 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 by, the board of directors to each general meeting of stockholders. The committee holds regular meetings every quarter and as-needed basis.

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**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 a certain form and submit it to the Bank one day before the date set for the general meeting of shareholders.

**5.4. Compensation to the Directors**

For the 6 months ended June 30, 2003, 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 1,916 million Won, 243 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
<b>Executive Directors</b>	<b>1,916</b>		<b>591</b>
<b>Non Executive Directors</b>	<b>243</b>		<b>24</b>
<b>Total</b>	<b>2,159</b>	<b>8,000</b>	<b>615</b>

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**

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As of June 30, 2003, we have following affiliates.

- n KB Investment Co., Ltd.
- n Kookmin Credit Card Co., Ltd.
- n KB Investment Trust Management Co., Ltd.
- n KB Real Estate Trust Co., Ltd.
- n KB Credit Information Co., Ltd.

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- n Kookmin Data System Corporation
- n Kookmin Futures Co., Ltd.
- n ING Life Korea Ltd.
- n Kookmin Bank Luxemburg. S.A.
- n Kookmin Bank International (London) Ltd.
- n Kookmin Finance Hong Kong Ltd.

**5.5.2. Operating Results of Affiliates**

(Unit: in millions of Won)

Company name	Closing date	Operating results of the latest fiscal year				
		Total Assets	Total Liabilities	Total Equities	Sales	Net Income
<b>KB Investment</b>	<b>December 31, 2002</b>	<b>99,979</b>	<b>26,206</b>	<b>73,773</b>	<b>18,744</b>	<b>33,883</b>
<b>Kookmin Credit Card</b>	<b>December 31, 2002</b>	<b>13,381,247</b>	<b>12,463,020</b>	<b>918,227</b>	<b>3,156,230</b>	<b>260,888</b>
<b>KB Investment Trust Management</b>	<b>March 31, 2003</b>	<b>65,086</b>	<b>17,447</b>	<b>47,639</b>	<b>31,474</b>	<b>13,966</b>
<b>KB Real Estate Trust</b>	<b>December 31, 2002</b>	<b>300,671</b>	<b>212,943</b>	<b>87,728</b>	<b>59,771</b>	<b>8,915</b>
<b>KB Credit Information</b>	<b>December 31, 2002</b>	<b>20,772</b>	<b>6,821</b>	<b>13,951</b>	<b>34,179</b>	<b>3,639</b>
<b>Kookmin Data System Corporation</b>	<b>December 31, 2002</b>	<b>18,290</b>	<b>4,671</b>	<b>13,619</b>	<b>43,290</b>	<b>2,008</b>
<b>Kookmin Futures</b>	<b>March 31, 2003</b>	<b>45,414</b>	<b>20,652</b>	<b>24,762</b>	<b>12,734</b>	<b>2,333</b>
<b>ING Life Korea</b>	<b>March 31, 2003</b>	<b>2,068,192</b>	<b>1,937,761</b>	<b>130,431</b>	<b>1,211,847</b>	<b>78,559</b>
<b>Kookmin Bank Luxemburg</b>	<b>June 30, 2003</b>	<b>480,131</b>	<b>482,420</b>	<b>(2,289)</b>	<b>7,919</b>	<b>(9,700)</b>
<b>Kookmin Bank International (London)</b>	<b>June 30, 2003</b>	<b>282,551</b>	<b>232,043</b>	<b>50,508</b>	<b>5,921</b>	<b>1,690</b>

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Kookmin Finance Hong Kong	June 30, 2003	278,380	223,327	55,053	12,445	(6,005)
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**Table of Contents****6. Equity Securities****6.1. Major Shareholders**

The following table presents information regarding the beneficial ownership of our shares as of June 17, 2003 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 <sup>1</sup>	30,875,235	9.41%
Total	78,330,603	23.87%

**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)

		January	February	March	April	May	June
Registered Common Shares	High	44,300	42,200	37,800	35,550	34,200	39,900
	Low	39,150	36,500	29,600	29,150	29,950	35,150
Trading Volume		33,990	27,413	53,312	68,520	48,294	37,642

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

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

	January	February	March	April	May	June
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<b>American Depositary Shares</b>	<b>High</b>	<b>37.87</b>	<b>35.38</b>	<b>31.59</b>	<b>29.13</b>	<b>28.79</b>	<b>33.73</b>
	<b>Low</b>	<b>33.08</b>	<b>30.50</b>	<b>22.90</b>	<b>23.23</b>	<b>24.71</b>	<b>28.70</b>
<b>Trading Volume</b>		<b>6,599</b>	<b>3,498</b>	<b>8,570</b>	<b>7,333</b>	<b>7,981</b>	<b>7,083</b>

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

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

As of June 30, 2003, our board of directors, which consists of 4 executive directors and 12 non-executive directors, has the ultimate responsibility for the management of our affairs.

**7.1. Executive Directors**

Our 4 executive directors consist of the chairman, president & CEO, auditor & executive director and one executive director seconded from ING.

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

Name	Date of Birth	Position	Common Stocks Owned
Sanghoon Kim	03/13/1942	Chairman	100
Jungtae Kim	08/15/1947	President & CEO	66,581
Sungnam Lee	11/11/1947	Auditor & Executive Director	
Donald H. MacKenzie	12/20/1948	Executive Director & EVP	

**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 June 30, 2003, 12 non-executive directors are in office.

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

Name	Date of Birth	Position	Common Stocks Owned
Moonsoul Chung	03/07/1938	Non-Executive Director	3,771
Richard Elliott Lint	01/04/1946	Non-Executive Director	200
Sunjin Kim	06/08/1942	Non-Executive Director	2,405
Dongsoo Chung	09/24/1945	Non-Executive Director	350
Seungwoo Nam	05/13/1952	Non-Executive Director	361



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<b>Kyunghee Yoon</b>	<b>01/05/1947</b>	<b>Non-Executive Director</b>	
<b>Sukeyoung Cha</b>	<b>06/09/1953</b>	<b>Non-Executive Director</b>	<b>270</b>
<b>Bernard S. Black</b>	<b>11/13/1953</b>	<b>Non-Executive Director</b>	<b>220</b>
<b>Kihong Kim</b>	<b>01/10/1957</b>	<b>Non-Executive Director</b>	<b>310</b>
<b>Eunjoon Park</b>	<b>06/03/1957</b>	<b>Non-Executive Director</b>	<b>280</b>
<b>Cheolsoo Ahn</b>	<b>01/22/1962</b>	<b>Non-Executive Director</b>	<b>270</b>
<b>Kyungbae Suh</b>	<b>01/14/1963</b>	<b>Non-Executive Director</b>	<b>270</b>

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**Table of Contents****7.3. Senior Management**

In addition to the executive directors who are also our executive officers, we currently have the following 12 executive officers as of June 30, 2003:

Name	Date of Birth	Position	Common Shares Owned
Jongkyoo Yoon	10/13/1955	Executive Vice President	3,300
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	
Seeyoung Lee	12/25/1952	Executive Vice President	2
Woojung Lee	07/11/1949	Executive Vice President	

**7.4. Employees**

The following table shows the breakdown of our employees as of June 30, 2003.

(Unit: in millions of Won)

	Number of Employees			Average Tenure of the full-time employees	Total Payment for the 6 Months Period	Average Monthly Payment per Person
	Full-time	Contractual	Total			
Male	13,296	1,224	14,520	15.56 years	356,006	4.1
Female	5,015	7,489	12,504	12.26 years	193,827	2.6
Total	18,311	8,713	27,024	14.66 years	549,833	3.4

**7.5. Labor Union**

Under Korea Financial Industry Union, we currently have two union chapters following the merger. There are 8,378 members in former Kookmin Bank chapter and 6,968 members in former H&CB chapter.



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**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, 2003)	Increase	Decrease	Ending Balance (June 30, 2003)
Kookmin Credit Card	Affiliate	20,783	260,442		281,225

**Table of Contents****8.1.2. Investments in Affiliates**

(Unit: in millions of Won)

Name	Relation with the Bank	Account	Par Value	Beginning Balance (January 1, 2003)	Increase	Decrease	Ending Balance (June 30, 2003)
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	44,708			44,708
KB Investment Trust Management	Affiliate	Equity Securities of Affiliate	30,670	30,670			30,670
Kookmin Futures	Affiliate	Equity Securities of Affiliate	19,996	19,996			19,996
Kookmin Data System	Affiliate	Equity Securities of Affiliate	7,998	7,998			7,998
KB Credit Information	Affiliate	Equity Securities of Affiliate	2,520	3,918			3,918
ING Life Korea	Affiliate	Equity Securities of Affiliate	14,000	14,000			14,000
<b>Total</b>			<b>459,010</b>	<b>473,114</b>			<b>473,114</b>

**8.1.3. Real Estate Transactions with Affiliates**

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(Unit: in millions of Won)

Name	Relation with the Bank	Type	Account	Increase	Decrease	Lease Deposits	Rent Fee
<b>Kookmin Credit</b>							
Card	Affiliate	Building	Rental Income		500	3,077	4.00
KB Credit Information	Affiliate	Building	Rental Income	287		3,124	11.71
KB Real Estate Trust	Affiliate	Building	Rental Income			1,782	
Kookmin Data System	Affiliate	Building	Rental Income			880	
Kookmin Futures	Affiliate	Building	Rental Income	743		1,363	
<b>Total</b>						<b>9,696</b>	<b>16.1</b>

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**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, 2003)	Increase	Decrease	Ending Balance (June 30, 2003)
<b>Kihong Kim</b>	<b>Non executive director</b>	<b>Housing Loan</b>	<b>18</b>			<b>18</b>
<b>Pulmuone Water Co.</b>	<b>Related party of Non executive director, Seungwoo Nam</b>	<b>General Corporate Loan</b>	<b>2,000</b>			<b>2,000</b>
		<b>Corporate Overdraft</b>	<b>1,011</b>		<b>911</b>	<b>100</b>
		<b>Loan for Working Capital</b>	<b>1,800</b>			<b>1,800</b>
		<b>Loan for Purchasing</b>		<b>817</b>		<b>817</b>
<b>Pulmuone Co.</b>	<b>Related party of Non executive director, Seungwoo Nam</b>	<b>General Corporate Loan</b>		<b>4,000</b>		<b>4,000</b>
		<b>Purchase Card Loan</b>		<b>3,778</b>	<b>255</b>	<b>3,523</b>
		<b>Loan for Facility</b>		<b>3,300</b>		<b>3,300</b>
		<b>Facility Finance Loan</b>		<b>1,600</b>		<b>1,600</b>
<b>Pulmouwon Tech co.</b>	<b>Related party of</b>	<b>Note Discount</b>		<b>1,234</b>		<b>1,234</b>

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Non  
executive  
director,  
Seungwoo  
Nam

<b>Food Merce</b>	<b>Related party of Non executive director, Seungwoo Nam</b>	<b>Loan for Purchasing</b>	<b>998</b>	<b>998</b>
<b>Total</b>			<b>4,829</b>	<b>15,927</b>
			<b>1,166</b>	<b>19,590</b>



**Table of Contents**8.2.2. *Real Estate Transaction*

(Unit: in millions of Won)

Name	Relation with Kookmin Bank	Type	Account	Deposits	Rent Fee
LG Card	Related party of Non executive director, Kyunghye Yoon	Building	Rental Deposit	1,694	0.2
Haitai Confectionary & Foods	Related party of Non executive director, Sukyoung Cha	Building	Rental Deposit	150	
National Pension Corporation	Shareholder	Building	Rental Income	550	
Pulmuone Life Co.	Related party of Non executive director Seungwoo Nam	Building	Rental Income	10	
MetLife Securities	Related party of Executive vice president Bumsoo Choi	Building	Rental Income	1,100	
<b>Total</b>				<b>3,504</b>	<b>0.2</b>

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**9. Exhibits**

**9.1. List of Financial Statements**

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Kookmin Bank Interim Review Report as of and for the six-months period ended June 30, 2003 and 2002	
n Non-Consolidated Balance Sheets June 30, 2003 and December 31, 2002	F-4
n Non-Consolidated Statements of Income for the six-month period ended June 30, 2003 and 2002	F-5
n Non-Consolidated Statements of Cash Flows for the six-month period ended June 30, 2003	F-7
n Notes to Non-Consolidated Financial Statements June 30, 2003	F-10
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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.

Date: August 14, 2003

Kookmin Bank

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(Registrant)

By: /s/ Jong-Kyoo Yoon

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(Signature)

Name: Jong-Kyoo Yoon

Title: Executive Vice President &

Chief Financial Officer

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**Kookmin Bank**

**Interim Review Report 2003**

As of June 30, 2003 and for the three-month period ended June 30, 2003 and six-month periods ended June 30, 2003 and 2002

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**Table of Contents****KOOKMIN BANK****NON-CONSOLIDATED BALANCE SHEETS****June 30, 2003 and December 31, 2002****(Unaudited See Independent Accountants Report)**

	<b>In Millions of Korean Won</b>	
	<b>June 30, 2003</b>	<b>December 31, 2002</b>
<b>Assets:</b>		
Cash and due from banks (Note 3)	(Won) 6,929,948	(Won) 4,599,356
Securities (Note 4)	32,647,787	30,940,750
Loans (Notes 5 and 6)	131,823,090	126,730,561
Fixed assets (Note 7)	2,888,315	3,092,616
Other assets (Note 8)	7,354,740	6,135,558
<b>Total Assets</b>	<b>(Won) 181,643,880</b>	<b>(Won) 171,498,841</b>
<b>Liabilities and Shareholders Equity:</b>		
Deposits (Note 9)	(Won) 127,702,151	(Won) 123,109,653
Borrowings (Note 10)	13,328,217	10,690,754
Debentures (Note 11)	17,045,248	17,539,007
Other liabilities (Note 14)	13,371,687	9,784,798
<b>Total Liabilities</b>	<b>171,447,303</b>	<b>161,124,212</b>
<b>Commitments and Contingencies (Notes 15 and 17)</b>		
Common stock, par: (Won)5,000, authorized: 1,000 million shares issued and outstanding: 328,258,685 shares (Notes 1 and 18)	1,641,293	1,641,293
Capital surplus (Note 19)	5,864,701	5,864,752
Retained earnings (Note 20)	2,374,515	2,742,335
Capital adjustments (Note 21)	316,068	126,249
<b>Total Shareholders Equity</b>	<b>10,196,577</b>	<b>10,374,629</b>
<b>Total Liabilities and Shareholders Equity</b>	<b>(Won) 181,643,880</b>	<b>(Won) 171,498,841</b>

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

**Table of Contents****KOOKMIN BANK****NON-CONSOLIDATED STATEMENTS OF OPERATIONS****For the three months and six months ended June 30, 2003 and 2002****(Unaudited See Independent Accountants Report)****In Millions of Korean Won (except per share amounts)**

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>Interest income:</b>				
Interest on due from banks	(Won) 1,388	(Won) 13,940	(Won) 5,167	(Won) 27,658
Interest on trading securities	27,296	22,386	51,818	49,207
Interest on available-for-sale securities	176,792	152,413	344,469	305,686
Interest on held-to-maturity securities	175,238	211,390	363,497	440,252
Interest on loans	2,413,620	2,251,525	4,791,321	4,483,188
Other interest income	26,616	36,291	49,382	57,590
	<u>2,820,950</u>	<u>2,687,945</u>	<u>5,605,654</u>	<u>5,363,581</u>
<b>Interest expenses:</b>				
Interest on deposits	1,079,533	1,192,855	2,183,020	2,385,791
Interest on borrowings	105,782	98,874	214,312	210,921
Interest on debentures	280,770	183,784	564,021	360,876
Other interest expenses	20,016	20,001	32,722	34,739
	<u>1,486,101</u>	<u>1,495,514</u>	<u>2,994,075</u>	<u>2,992,327</u>
<b>Net interest income</b>	<u>1,334,849</u>	<u>1,192,431</u>	<u>2,611,579</u>	<u>2,371,254</u>
Provision for loan losses (Note 6)	1,026,698	417,197	1,685,764	608,340
<b>Net interest income after provision for loan losses</b>	<u>308,151</u>	<u>775,234</u>	<u>925,815</u>	<u>1,762,914</u>
<b>Non-interest income :</b>				
Fees & commission income	344,963	363,669	681,829	678,232
Dividends on trading securities		822	1,514	1,052
Dividends on available-for-sale securities	2,622	17,714	5,288	18,454
Gain on foreign currency transactions	35,210	37,280	165,926	73,476
Gain on derivatives transactions (Note 16)	498,267	509,278	1,240,561	759,981
Others (Note 22)	500,401	769,771	546,430	1,043,456
	<u>(Won) 1,381,463</u>	<u>(Won) 1,698,534</u>	<u>(Won) 2,641,548</u>	<u>(Won) 2,574,651</u>

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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 OPERATIONS****For the three months and six months ended June 30, 2003 and 2002****(Unaudited See Independent Accountants Report)**

Continued;

**In Millions of Korean Won (except per share amounts)**

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
Non-interest expenses :				
Fees & commission expenses	(Won) 43,143	(Won) 89,097	(Won) 92,378	(Won) 172,183
General and administrative expenses (Note 23)	628,663	535,277	1,210,779	1,091,600
Loss on foreign currency transactions	46,213	132,446	129,016	164,381
Loss on derivatives transactions (Note 16)	465,014	469,610	1,214,154	693,280
Others (Note 22)	574,745	554,180	624,648	753,817
	<u>1,757,778</u>	<u>1,780,610</u>	<u>3,270,975</u>	<u>2,875,261</u>
Operating income (loss)	(68,164)	693,158	296,388	1,462,304
Non-operating income (expenses), net (Note 24)	(117,275)	12,653	(334,712)	198,946
Net income (loss) before income tax expense	(185,439)	705,811	(38,324)	1,661,250
Income tax expense (benefit) (Note 25)	(70,838)	213,976	2,344	497,226
Net income (loss)	<u>(Won) (114,601)</u>	<u>(Won) 491,835</u>	<u>(Won) (40,668)</u>	<u>(Won) 1,164,024</u>
Basic earnings (loss) per share (In Korean Won) (Note 26)	<u>(Won) (352)</u>	<u>(Won) 1,548</u>	<u>(Won) (125)</u>	<u>(Won) 3,665</u>

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



**Table of Contents****KOOKMIN BANK****NON-CONSOLIDATED STATEMENTS OF CASHFLOWS**

For the three months and six months ended June 30, 2003

(Unaudited See Independent Accountants Report)

	In Millions of Korean Won	
	Three-month period	Six-month period
<b>Cash Flows from Operating Activities:</b>		
Net loss	(Won) (114,601)	(Won) (40,668)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Realized gain on trading securities, net	(15,417)	(42,500)
Unrealized gain on trading securities, net	(39,005)	(56,625)
Loss (gain) on foreign currency transactions, net	11,003	(36,910)
Provision for loan losses	1,026,698	1,685,764
Provision for losses from guarantees and acceptances	122,950	122,746
Gain on derivative transactions, net	(33,253)	(26,407)
Gain on valuation of derivatives, net	(11,652)	(13,224)
Loss on fair value hedged items	6,671	8,076
Retirement benefits	22,040	45,990
Depreciation and amortization	109,440	210,912
Loss on disposal of fixed assets, net	32,188	33,553
Realized gain on available-for-sale securities, net	(46,843)	(87,798)
Impairment on available-for-sale securities, net	46,397	38,627
Realized gain on held-to-maturity securities	(475)	
Unrealized loss on investment in associates, net	91,990	349,642
Loss on sale of loans, net	420	1,633
Others, net	(6,454)	(12,796)
Changes in assets and liabilities resulting from operations		
Accrued income	(61,502)	24,382
Prepaid expenses	3,206	(29,166)
Deferred tax assets	3,771	(167,223)
Other assets	(251)	3,168
Accrued expenses	(200,965)	(174,510)
Unearned income	(8,230)	(9,163)
Withholding taxes	9,236	12,214
Other liabilities	(67,749)	275,557
Retirement benefits	(3,953)	(7,225)
Account for agency business	183,484	(10,752)
Stock compensation expense(reversal)	3,805	(2,683)
<b>Net cash provided by operating activities</b>	<b>1,062,949</b>	<b>2,094,614</b>

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

Continued;

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**Table of Contents****KOOKMIN BANK****NON-CONSOLIDATED STATEMENTS OF CASHFLOWS**

For the three months and six months ended June 30, 2003

(Unaudited See Independent Accountants Report)

	In Millions of Korean Won	
	Three-month period	Six-month period
<b>Cash Flows from Investing Activities:</b>		
Decrease (increase) in due from banks	(Won) 974,688	(Won) (699,744)
Decrease in trading securities	573,215	876,918
Decrease (increase) in available-for-sale securities	(66,010)	(4,089,009)
Decrease in held-to-maturity securities	462,681	1,492,244
Increase in loans, granted net	(3,359,993)	(6,736,889)
Proceeds from disposal of fixed assets	126,525	133,742
Acquisition of fixed assets	(114,917)	(173,845)
Acquisition of intangible assets	(70)	(340)
Proceeds from disposal of foreclosed assets	248	279
Increase in guarantee deposits	(13,989)	(21,046)
Increase in other accounts receivable	(1,742,280)	(1,692,171)
Increase in payment in advance	(13,284)	(27,683)
Decrease (increase) in derivatives assets, net	(20,065)	64,537
Collection of domestic exchange receivables	328,534	764,687
Collection of loans to trust accounts	29,869	36,748
<b>Net cash used in investing activities</b>	<b>(2,834,848)</b>	<b>(10,071,572)</b>

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

**Table of Contents****KOOKMIN BANK****NON-CONSOLIDATED STATEMENTS OF CASHFLOWS****For the three months and six months ended June 30, 2003****(Unaudited See Independent Accountants Report)**

Continued;

	<b>In Millions of Korean Won</b>	
	<b>Three-month period</b>	<b>Six-month period</b>
<b>Cash Flows from Financing Activities:</b>		
Increase in deposits, net	(Won) 3,281,589	(Won) 4,592,498
Increase (decrease) in borrowings, net	(415,760)	2,637,463
Decrease in debentures, net	(2,024,557)	(493,759)
Increase in borrowings from trust accounts	192,924	734,550
Decrease in dividend payable	(3)	(325,183)
Increase in other account payable	1,702,214	1,536,531
Increase in advances received from customers	483,570	1,169,615
Increase (decrease) in guarantee deposits received	2,161	(7,229)
Increase (decrease) in domestic exchange payables	239,705	(191,352)
Decrease in liabilities incurred by agency relationships	(887,284)	(50,079)
Stock options exercised		(35)
Sale of treasury stock		50
<b>Net cash provided by financing activities</b>	<b>2,574,559</b>	<b>9,603,070</b>
<b>Net increase in cash and cash equivalents</b>	<b>802,660</b>	<b>1,626,112</b>
Cash and cash equivalents, beginning of the period (Note 34)	3,924,033	3,100,581
<b>Cash and cash equivalents, end of the period (Note 34)</b>	<b>(Won) 4,726,693</b>	<b>(Won) 4,726,693</b>

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**

**As of June 30, 2003 and December 31, 2002 and**

**for the three-month and six-month periods ended June 30, 2003 and 2002**

**(Unaudited See Independent Accountants Report)**

**1. The Bank:**

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

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

The Bank had its shares listed on the Korea Stock Exchange since September 1994. As a result of the business combination with H&CB, the former shareholders of the Bank and H&CB received new common shares of the Bank on the basis of a pre-determined ratio. The new common shares of the Bank were relisted on the Korea Stock Exchange as of November 9, 2001. As of June 30, 2003, the Bank's paid-in capital amounts to (Won)1,641,293 million and 30,875,235 shares of the Bank are listed on the New York Stock Exchange as American Depositary Shares ( ADSs ).

The Bank engages in the banking and trust business according to the provisions of the General Banking Act and the Trust Business Act and operates through 1,255 domestic branches and offices (including ATMs) and 3 overseas branches as of June 30, 2003.

**2. Summary of Significant Accounting Policies:**

The significant accounting policies followed by the Bank in the preparation of its non-consolidated financial statements are summarized below. The Bank maintains its official accounting records in Korean Won and prepares statutory financial statements in the Korean language in conformity with financial accounting standards generally accepted in the Republic of Korea. The accompanying financial statements have been condensed, restructured and translated into English from the Korean language non-consolidated financial statements. Certain accounting principles applied by the Bank that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices.

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

Application of the Statements of Korean Financial Accounting Standards

The Bank's non-consolidated interim financial statements were prepared in accordance with the financial accounting standards generally accepted in the Republic of Korea and Statements of Korean Financial Accounting Standards No. 2 through No. 9, in effect for the fiscal periods beginning after December 31, 2002. In addition, the interim financial statements of foreign branches are prepared in accordance with generally accepted accounting principles of the country it operates in, except for cases where the significant differences in accounting principles have a material effect on the financial statements.

The Significant accounting policies adopted by the Bank in the preparation of interim financial statements are identical to the accounting policies followed by the Bank in the preparation of its for the annual financial statements for the year ended December 31, 2002, except for the classification of securities. The statements of cash flows for the three months and six months ended June 30, 2003 are not presented pursuant to the transition provision of Statement of Korean Financial Accounting Standards No. 2.

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

Continued;

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**KOOKMIN BANK**

**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**

**As of June 30, 2003 and December 31, 2002 and**

**for the three-month and six-month periods ended June 30, 2003 and 2002**

**(Unaudited See Independent Accountants Report)**

**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 collateralized with security deposits or guaranteed by financial institutions, is recognized on a cash basis. Interest accrued but not recognized related to such loans and securities amounted to (Won)571,787 million and (Won)247,386 million, respectively, as of June 30, 2003.

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. (June 30, 2003, USD 1:(Won)1,193.1) at balance sheet date. The resulting exchange gains or losses are reflected in other operating income or expenses.

Allowances for Loan Losses

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

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

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

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

<u>Credit Risk Classification</u>	<u>Allowance Rates before Changes</u>	<u>Allowance Rates after 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 above change, the Bank's allowances for loan losses as of June 30, 2003 are increased by (Won)309,214 million for consumer loans and (Won)144,554 million for credit card loans compared to the amounts that which would have been recorded under the previous rates.

Continued;



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**2. Summary of Significant Accounting Policies, Continued;**

Present Value Discounts

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

The Bank recorded (Won)16,419 million of present value discounts as of June 30, 2003 on long-term deposits placed with Hansol Mutual Savings & Finance Co., Ltd. (previously, Bukook Mutual Savings & Finance Co., Ltd.), a subsidiary of the Bank sold in December 1999 (See Note 3). The receivables from the disposal of foreclosed assets that are redeemed in long-term installments are recorded in the balance sheet net of the related present value discounts.

Securities

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

Trading and available-for-sale securities are carried at fair value, except for non-marketable equity securities classified as available-for-sale securities, which are carried at cost. The fair value of debt securities, which do not have a quoted market value, are calculated using the present value of future cash flows, discounted at the reasonable interest rate determined based on the credit ratings provided by independent credit rating institutions.

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

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

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

### Investments in Associates

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

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

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**2. Summary of Significant Accounting Policies, Continued;**

Investments in Associates Continue;

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

Continued;

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

Fixed Assets and Related Depreciation

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

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

<u>Tangible assets</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and structures	Straight-line method	40 years
Leasehold improvements	Declining balance method	4 years
Equipment and vehicles	Declining balance method	4 years

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

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

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

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

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.

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

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**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 period of the debentures using the effective interest method.

Accrued Retirement Benefits

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

Guarantees and Acceptances

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

Deferred Income Taxes

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

Bonds under Repurchase/Resale Agreements

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

Derivatives Instruments

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

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

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

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**2. Summary of Significant Accounting Policies, Continued;**

Stock Options

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

National Housing Fund

The Bank, as designated by the Korean Government under the Housing Construction Promotion Law, manages the sources and uses of funds of the National

Housing Fund (the NHF ) and records the related NHF account in other liabilities. In addition, the Bank pays interest, which is computed by multiplying the average balance of the NHF account by the passbook deposit interest rate, to the NHF.

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

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compensation as compensation from banking accounts. There were no compensations paid for the six-month period ended June 30, 2003.

### Translation of the Foreign Currency Financial Statements of Foreign Entities

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

### Statement of Cash Flows

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

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## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

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**3. Cash and Due from Banks:**

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

		<u>2003.06.30</u>	<u>2002.12.31</u>
<u>Cash on hand</u>			
Cash in Won		(Won) 3,814,927	(Won) 2,392,346
Cash in foreign currencies		195,563	186,780
		<u>(Won) 4,010,490</u>	<u>(Won) 2,579,126</u>
<u>Due from banks in Won</u>			
The Bank of Korea	Reserve deposits in the Bank of Korea	(Won) 2,038,550	(Won) 1,340,482
Other banks	Time deposits	1,192	41,192
	Reserve deposits in other banks	70	392
	Certificates of Deposits	48,930	
		<u>50,192</u>	<u>41,584</u>
Other financial institutions	Deposits at Mutual Savings & Finance Co., Ltd.	140,000	140,000
Others	Futures margin accounts	320	1,336
	Market participation margin	454	458
			<u>8,319</u>
		<u>774</u>	<u>10,113</u>
		2,229,516	1,532,179
	Present value discounts <sup>1*</sup>	(16,419)	(21,156)
		<u>(Won) 2,213,097</u>	<u>(Won) 1,511,023</u>
<u>Due from banks in foreign currencies</u>			
The Bank of Korea	Demand deposits	(Won) 40,364	(Won) 25,677

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Other banks	Demand deposits	77,314	104,073
	Time deposits	19,928	15,193
		<u>97,242</u>	<u>119,266</u>
Off-shore	Demand deposits	564,231	359,200
Others	Other deposits	4,524	5,064
		<u>(Won) 706,361</u>	<u>(Won) 509,207</u>
<b>Total</b>		<b><u>(Won) 6,929,948</u></b>	<b><u>(Won) 4,599,356</u></b>

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, uncalled for five years) placed with Hansol Mutual Savings & Finance Co., Ltd. (previously, Bukook Mutual Savings & Finance Co., Ltd.).

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

	Due from Banks in Won		Due from Banks in Foreign Currencies		Total
Due in 3 months or less	(Won)	2,039,394	(Won)	509,499	(Won) 2,548,893
Due after 3 months through 6 months		48,930		196,862	245,792
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 5 years		1,192			1,192
		<u>(Won)2,229,516</u>		<u>(Won)706,361</u>	<u>(Won)2,935,877</u>

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**4. Securities:**

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

<u>Trading</u>	<u>Amortized Cost</u>	<u>Fair value</u>
Equity securities	(Won) 65,634	(Won) 72,823
Beneficiary certificates	1,720,775	1,759,175
Government and municipal bonds	381,064	382,635
Corporate bonds	1,678,490	1,678,623
Asset-backed securities	996,592	1,005,924
	<u>(Won) 4,842,555</u>	<u>(Won) 4,899,180</u>

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

	<u>Amortized Cost</u>	<u>Unrealized gain</u>	<u>Unrealized loss</u>	<u>Fair value</u>
<b><u>Available-for-sale</u></b>				
Equity securities	(Won) 474,291	(Won) 34,839	(Won)(15,616)	(Won) 493,514
Investment in partnership	31,853	1,287		33,140
Beneficiary certificates	5,100,152	192,878	(1,573)	5,291,457
Government and municipal bonds	2,527,006	43,877	(1,519)	2,569,364
Foreign government debt securities	11,824	2,901		14,725
Corporate bonds	8,448,960	95,955	(9,588)	8,535,327
Asset-backed securities	539,040	11,800	(1)	550,839
Other debt securities	10,016			10,016
	<u>17,143,142</u>	<u>383,537</u>	<u>(28,297)</u>	<u>17,498,382</u>
<b><u>Held-to-maturity</u></b>				
Government and municipal bonds	2,380,762			2,532,432
Foreign government debt securities	18,832			18,832
Corporate bonds	6,512,795			6,656,328

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Asset backed securities	375,480			383,713
Other debt securities	206,235			205,104
	<u>9,494,104</u>	<u></u>	<u></u>	<u>9,796,409</u>
	<u>(Won) 26,637,246</u>	<u>(Won) 383,537</u>	<u>(Won)(28,297)</u>	<u>(Won) 27,294,791</u>

The government and municipal bonds included in available-for-sale and held-to maturity securities are under lending agreements with four companies, including Halla Construction, amounting to (Won)48,133 million and (Won)124,904 million, respectively.

Debt securities denominated in Korean Won included in trading and available-for-sale securities are recorded at fair value using the market yield of bonds provided by the Korea Securities Dealers Association. Debt securities denominated in foreign currencies are recorded at fair value using the quoted price provided by the private bond pricing companies.

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**4. Securities**, Continued;

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

Issuer	Ownership(%)	Acquisition Cost	Beginning Balance <sup>8*</sup>	Unrealized Gains (Losses)			Balance Sheet Amount <sup>10</sup>
				NL. <sup>9*</sup>	R/E. <sup>9*</sup>	C/A. <sup>9*</sup>	
<b>Domestic associates</b>							
Kookmin Credit Card Co., Ltd	74.27	(Won) 272,274	(Won) 68,196	(Won) (363,935)	(Won)	(Won) 1,934	(Won) 319,959
KB Investment Co., Ltd. <sup>1*</sup>	99.89	137,378	67,289	4,027	(2,334)	12,423	81,405
Kookmin Data System Co., Ltd	99.98	7,998	13,616	51			13,667
Kookmin Futures Co., Ltd.	99.98	19,996	25,092	855			25,947
KLB Securities Co., Ltd. <sup>2*</sup>	36.41	10,316					
KB Investment Trust Mgt. Co., Ltd. <sup>3*</sup>	80.00	39,015	36,667	3,743		48	40,458
Joeun Industrial Co., Ltd. <sup>4*</sup>	99.99	23,994					
KB Real Estate Trust Co., Ltd. <sup>5*</sup>	99.99	76,103	87,727	3,605	(335)	335	91,332
KB Credit Information Co., Ltd. <sup>6*</sup>	62.57	7,936	8,599	873			9,472
ING Life Korea Co., Ltd. <sup>7*</sup>	20.00	21,769	21,613	10,106			31,719
Korea Mortgage Co., Ltd	26.67	30,629	33,566	907		(205)	34,268
		<u>647,408</u>	<u>976,129</u>	<u>(339,768)</u>	<u>(2,669)</u>	<u>14,535</u>	<u>648,227</u>
<b>Overseas associates</b>							
	100.00	38,500	48,829	1,662			50,491

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Kookmin Bank Int'l  
Ltd. (London)

Kookmin Bank Luxembourg S.A. <sup>2*</sup>	100.00	22,004	5,532	(5,532)		
Kookmin Singapore Ltd <sup>2*</sup>	100.00	12,123	2,071			2,071
Kookmin Finance Asia Ltd. (HK)	100.00	8,403	278	2		280
Kookmin Finance HK Ltd.	100.00	24,008	61,058	(6,006)		55,052
		<u>105,038</u>	<u>117,768</u>	<u>(9,874)</u>		<u>107,894</u>
		<u>(Won) 752,446</u>	<u>(Won) 1,093,897</u>	<u>(Won) (349,642)</u>	<u>(Won) (2,669)</u>	<u>(Won) 14,535</u>
						<u>(Won) 756,121</u>

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

2\* KLB Securities Co., Ltd. and Kookmin Singapore (Merchant Bank), Ltd. are in the process of liquidation and during the current period, Kookmin Bank Luxembourg S.A has been excluded from the application of equity method accounting.

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

4\* Dissolution of Jooeun Industrial Co., Ltd. was resolved in the general meeting of its stockholders on March 19, 2002.

5\* Jooeun Real Estate Trust Co., Ltd. changed its name to KB Real Estate Trust Co., Ltd., effective as of September 16, 2002.

6\* 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.

7\* The Bank applied the equity method based on the amended financial statements of ING Life Korea Co., Ltd. After recording (Won)11,900 million of income taxes.

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

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

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

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**4. Securities**, Continued;

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

	Issuer	Amortized Cost/ Acquisition Cost	Impairment Loss	Book Value
<b>Equity Securities</b>	<b>Marketable (KSE)</b>			
	KP Chemical Co., Ltd	(Won) 20,465	(Won) 1,013	(Won) 10,333
	ByuckSan Engineering & Construction Co., LTD	6,609	1,989	4,620
	HanKang Restructuring Fund	5,315	1,962	3,353
	Shinwon Corp.	2,849	1,593	1,256
	Maxon Telecom. Co., Ltd. (preferred stock)	398	155	243
	SsangYong Cement Industrial Co., Ltd.	3,235	115	3,120
	Namsun Aluminum Co., Ltd.	677	75	602
	Hyundai Metal Co., Ltd (preferred stock)	60	15	45
	Hyundai Metal Co., Ltd	176	10	166
	Kukdong Engineering & Construction	272	4	268
	Hanchang	6	4	2
		40,062	16,054	24,008
	<b>Marketable (KOSDAQ)</b>			
	C&H Capital	3,867	565	3,302
	Miju Steel Co., Ltd	1,080	504	576
	Seo Han Co., Ltd.	115	38	77
	Ssangyong Engineering & Construction Co., Ltd	140	11	129
		5,202	1,118	4,084
	<b>Non-marketable</b>			
	Daewoo Electronics Corp.	9,862	9,763	99
	Integra Telecom. Co., Ltd.	2,000	2,000	
	Mondex Korea Co., Ltd	1,100	1,100	
	Bogo Tech Co., Ltd.	1,354	945	409
	Korea Aerospace Industries, Ltd.	2,179	739	1,440
	Space technology Co., Ltd	624	598	26
	Lemarco Co., Ltd.	500	484	16
	Daerim Corporation (preferred Stock)	526	379	147

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Daeyu System	300	300	
CCKvan.Co., Ltd.	250	250	
Coramdeo Credit Information Co., Ltd.	200	200	
Busan Environment Development Co., Ltd.	10	10	
	<u>18,905</u>	<u>16,768</u>	<u>2,137</u>
<b>Securities in foreign currencies</b>			
Asia Finance and Investment Corp.	1,172	43	1,129
	<u>1,172</u>	<u>43</u>	<u>1,129</u>
<b>Beneficiary certificates</b>			
Hyundai Clean MMF	2,504	1,753	751
	<u>2,504</u>	<u>1,753</u>	<u>751</u>
	<u>67,845</u>	<u>35,736</u>	<u>32,109</u>

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4. Securities, Continued;

	Issuer	Amortized Cost	Impairment Loss	Book Value
<b>Debt Securities</b>	<b>Debt securities denominated in Korean Won</b>			
	SK Global Co., Ltd.	(Won) 48,810	(Won) 33,770	(Won) 15,040
	Hynix Semiconductor Inc.	24	17	7
	<b>Debt securities denominated in foreign currencies</b>			
	Southern Petro Chemical Industry	3,291	2,098	1,193
	Berjaya Group Cap (Cayman)	1,328	32	1,296
	PT Dharmala Intiutama Jakarta	30	18	12
	NK Telecom	12	12	
	Tuntex	626	9	617
	Jindo Hong Kong Ltd.	27	16	11
	<b>Off-shore debt securities</b>			
	Sungwon Corporation	1,398	886	512
	China Construction Holdings	745	369	376
	Daewoo Telecom Ltd.	321	116	205
	PT Dharmala Intiutama Jakarta	29	17	12
	Berjaya Group Cap (Cayman)	568	13	555
		57,209	37,373	19,836
		(Won) 125,054	(Won) 73,109	(Won) 51,945

For the six-month period ended June 30, 2003, the recovery of impairment losses on available-for-sale securities comprise (Won)29,118 million related to the investments in Korea Housing Guarantee Co., Ltd. and (Won)5,364 million related to the investments in Kukdong Engineering & Construction.

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

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Maturities	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in 1 year or less	(Won) 10,212,977	(Won) 10,445,207	(Won) 4,479,148	(Won) 4,519,225
Due after 1 year through 5 years	6,019,025	6,104,278	4,686,267	4,894,762
Due after 5 years through 10 years	372,913	387,629	328,689	382,422
Thereafter	32,082	34,614		
	(Won) 16,636,997	(Won) 16,971,728	(Won) 9,494,104	(Won) 9,796,409

For the six-month period ended June 30, 2003, total interest income on securities amount to (Won)759,784 million.

Continued;

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**4. Securities**, Continued;

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

<u>Issuer</u>	<u>Acquisition Cost</u>	<u>Net Asset Value1*</u>	<u>Balance Sheet Amount</u>
Korea Housing Guarantee Co., Ltd.	(Won) 97,766	(Won) 107,662	(Won) 97,766
Dongbu Electronics Co., Ltd.	30,000	12,740	30,000
Asia Credit	9,832	10,528	9,832
The Korea Securities Finance Corp.	8,160	11,003	8,160
Korea Asset Management Corp.	7,827	9,250	7,827
Samsung Life Insurance Co., Ltd.	7,479	6,520	7,479
Korea Highway Corp.	6,248	5,892	6,248
Daewoo Motor Co., Ltd.	5,861	9,863	5,861
Bc Card Co., Ltd.	5,738	7,497	5,738
Mirae Asset Securities Co., Ltd.	5,000	8,302	5,000
Hanwha Investment Trust Management Co., Ltd.	3,487	3,503	3,487
Korea Vilene Co., Ltd.	3,000	3,662	3,000
Hyundai Home Shopping Network Corp.	2,680	915	2,680
National Information & Credit Evaluation Inc.	2,668	4,209	2,668
Nanjing Kumho Tire Co Ltd	2,538	2,668	2,538
Korea Digital Satellite Broadcasting Co., Ltd.	2,157	1,079	2,157
Kyobo Investment Trust Management Co., Ltd.	2,100	3,417	2,100
Pan Asia Paper	2,095	2,095	2,095
C&S Microwave	2,000	886	2,000
NICE E-Banking Services	2,000	884	2,000
Phoenix Display Electronics Co., Ltd.	2,000	978	2,000
Baring Communications Equity (Wars)	1,936	2,424	1,936
Korea Aerospace Industires, Ltd.	2,179	1,440	1,440
Korea Money Broker Corp.	1,291	2,325	1,291
Tianjin Samsung Opto_Electronics	1,165	1,482	1,165
Asia Finance And Investment Corp	1,129	1,130	1,129
Others	41,056	39,166	25,027
	<u>(Won) 259,392</u>	<u>(Won) 261,520</u>	<u>(Won) 242,624</u>

1\*

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Net asset value is calculated using the monthly closing information of investees as of June 30, 2003 if possible, otherwise the most recent financial information is used.

Realized gains and losses for the sale of available-for-sale securities included in net income for the six-month period ended June 30, 2003 are summarized as follows (in millions of Won):

<u>Account</u>	<u>Realized Gains</u>	<u>Realized Losses</u>
Equity securities	(Won) 37,485	(Won) 25,111
Government and municipal bonds	30,714	
Finance debentures	6,924	
Corporate bonds	10,294	6,514
Others	38,951	6,213
	<u>(Won) 124,368</u>	<u>(Won) 37,838</u>

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**4. Securities**, Continued;

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

	<u>Amount</u>	<u>Ratio (%)</u>
<b><u>By Country</u></b>		
Korea	(Won) 32,374,176	99.16
USA	87,713	0.27
Philippines	61,849	0.19
Luxembourg	29,814	0.09
Indonesia	23,402	0.07
India	18,554	0.06
Mexico	14,725	0.05
Hong Kong	11,956	0.04
Singapore	9,832	0.03
Thailand	6,919	0.02
Others	8,847	0.02
	<u>(Won) 32,647,787</u>	<u>100.00</u>
<b><u>By Type</u></b>		
Fixed rate bonds	(Won) 18,186,257	55.70
Floating rate bonds	5,227,301	16.01
Subordinated bonds	582,957	1.79
Convertible bonds	163,961	0.50
Beneficiary certificates	7,050,632	21.60
Equity securities	1,322,458	4.05
Others	114,221	0.35
	<u>(Won) 32,647,787</u>	<u>100.00</u>
<b><u>By Industry</u></b>		
Government and municipalities	(Won) 6,465,952	19.80
Financial institutions	24,626,628	75.43
Manufacturing industries	531,627	1.63
Others	1,023,580	3.14

(Won) 32,647,787

100.00

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**5. Loans:**

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

<u>Account</u>	<u>Detailed Account</u>	<u>June 30, 2003</u>	<u>December 31, 2002</u>
<u>Loans in Won</u>			
Corporate loans	<u>Operation loans</u>		
	General operation loans	(Won) 29,922,463	(Won) 28,904,621
	Notes discounted	1,688,086	1,851,133
	Overdraft accounts	725,300	568,702
	Trading notes	884,982	814,759
	Other operation loans	3,749,527	3,229,851
		<u>36,970,358</u>	<u>35,369,066</u>
	<u>Facility loans</u>		
	General facility loans	5,229,681	4,676,506
	Other facility loans	1,253,055	1,287,125
		<u>6,482,736</u>	<u>5,963,631</u>
		<u>43,453,094</u>	<u>41,332,697</u>
Consumer loans	General consumer loans	40,815,249	39,713,543
	Consumer housing loans	35,858,294	33,731,435
	Remunerations on mutual installment savings	227,031	131,768
	Other consumer loans	624,050	632,172
		<u>77,524,624</u>	<u>74,208,918</u>
Public loans	Public operation loans	529,201	738,632
	Public facility loans	40,753	39,414
		<u>569,954</u>	<u>778,046</u>
Other loans	Property formation loans	80,187	95,252

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	Inter-bank loans	16,771	20,941
	Others	4,595	5,449
		<u>101,553</u>	<u>121,642</u>
		(Won) 121,649,225	(Won) 116,441,303
<u>Loans in foreign currencies</u>	Domestic funding loans	(Won) 1,220,795	(Won) 1,052,800
	Overseas funding loans	838,005	933,010
	Inter-bank loans	657,472	1,094,119
	Domestic usance bills	1,481,528	1,334,006
	Government funding loans	2,176	3,241
		<u>(Won) 4,199,976</u>	<u>(Won) 4,417,176</u>
Call Loans	In Won	(Won) 210,000	(Won) 33,600
	In foreign currencies	124,250	248,857
	Inter-bank reconciliation funds	1,012,537	89,287
		<u>(Won) 1,346,787</u>	<u>(Won) 371,744</u>

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**5. Loans, Continued;**

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

	Balances before Restructuring	Exemption	Equity Conversion	Restructured Amount	Present Value Discounts
Workout	(Won) 128,905	(Won)	(Won) 5,713	(Won) 123,192	(Won) 7,407
Court receivership	41,695	154	9,094	32,447	6,909
Court mediation	23,196			23,196	751
Others	246,884	23,898	31,833	191,153	14,366
	<u>(Won) 440,680</u>	<u>(Won) 24,052</u>	<u>(Won) 46,640</u>	<u>(Won) 369,988</u>	<u>(Won) 29,433</u>

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 June 30, 2003 are as follows (in millions of Won):

	Loans in Won	Loans in Foreign Currencies	Bills Bought	Credit Card	Call Loans	Privately Placed Debentures	Others	Total
Due in 3 months or less	(Won) 13,292,727	(Won) 1,871,416	(Won) 598,765	(Won) 4,126,554	(Won) 1,346,787	(Won) 145,286	(Won) 585,208	(Won) 21,966,743
Due after 3 months through 6 months	15,453,724	353,933	63,033	562,784		104,971	17,814	16,556,259
Due after 6 months through 1 year	30,061,514	543,335	7,994	486,258		397,228		31,496,329

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Due after 1 year through 2 years	24,085,684	173,356	7,274	153,974		262,718	373	24,683,379
Due after 2 years through 3 years	22,055,576	278,781	6,606	54,339		313,578		22,708,880
Due after 3 years through 4 years	2,716,299	200,321	3,084	24,421				2,944,125
Due after 4 years through 5 years	2,898,631	206,483		16,332		4,798		3,126,244
Thereafter	11,085,070	572,351		694			30,802	11,688,917
	<u>(Won) 121,649,225</u>	<u>(Won) 4,199,976</u>	<u>(Won) 686,756</u>	<u>(Won) 5,425,356</u>	<u>(Won) 1,346,787</u>	<u>(Won) 1,228,579</u>	<u>(Won) 634,197</u>	<u>(Won) 135,170,876</u>

Continued;

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**5. Loans, Continued;**

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

	<u>Loans in Won</u>	<u>Loans in Foreign Currencies</u>	<u>Others</u>	<u>Total</u>	<u>Percentage (%)</u>
<b>By Country</b>					
Korea	(Won) 121,649,225	(Won) 3,600,376	(Won) 9,136,530	(Won) 134,386,131	99.42
Southeast Asia		182,167	113,760	295,927	0.22
Russia		118,117		118,117	0.09
China		2,705	3	2,708	0.00
Japan		211,717	15	211,732	0.16
Others		84,894	71,367	156,261	0.11
	<u>(Won) 121,649,225</u>	<u>(Won) 4,199,976</u>	<u>(Won) 9,321,675</u>	<u>(Won) 135,170,876</u>	<u>100.00</u>
<b>Industrial loans</b>					
Financial institutions	(Won) 943,783	(Won) 749,582	(Won) 2,129,669	(Won) 3,823,034	2.83
Manufacturing companies	14,737,115	2,087,412	1,048,473	17,873,000	13.22
Service companies	21,418,162	1,013,561	683,203	23,114,926	17.10
Others	6,772,348	66,497	1,609,111	8,447,956	6.25
	<u>43,871,408</u>	<u>3,917,052</u>	<u>5,470,456</u>	<u>53,258,916</u>	<u>39.40</u>
Household loans	77,609,406	122,403	3,849,040	81,580,849	60.35
Public and other loans	168,411	160,521	2,179	331,111	0.25
	<u>(Won) 121,649,225</u>	<u>(Won) 4,199,976</u>	<u>(Won) 9,321,675</u>	<u>(Won) 135,170,876</u>	<u>100.00</u>

**6. Allowances for Loan Losses:**

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

Allowance for	June 30, 2003	December 31, 2002
Loans in Won	(Won) 2,400,719	(Won) 1,905,208
Loans in foreign currencies	110,482	103,838
Bills bought in Won and foreign currencies	86,189	20,213
Payments on guarantees	45,514	18,382
Credit card accounts	631,807	284,491
Privately placed debentures	23,241	28,210
Loans due for equity conversion	5,311	5,373
Factoring receivable	146	
Suspense receivables	12,594	11,022
Others	2,350	1,959
	<u>(Won) 3,318,353</u>	<u>(Won) 2,378,696</u>

Continued;

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**6. Allowances for Loan Losses, Continued;**

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

		Normal	Pre-cautionary	Substandard	Doubtful	Estimated Loss	Total
Loans in Won	Loan balance	(Won) 111,644,464	(Won) 5,626,493	(Won) 3,175,711	(Won) 874,421	(Won) 304,716	(Won) 121,625,805
	Allowances	744,879	227,320	654,784	469,020	304,716	2,400,719
	Percentage(%)	0.67	4.04	20.62	53.64	100.00	1.97
Loans in foreign currencies	Loan balance	3,605,952	441,550	66,506	69,082	13,380	4,196,470
	Allowances	14,742	19,080	22,476	40,804	13,380	110,482
	Percentage(%)	0.41	4.32	33.80	59.07	100.00	2.63
Bills bought	Loan balance	451,747	105,792	22,397	94,591	11,338	685,865
	Allowances	2,259	2,116	4,479	65,997	11,338	86,189
	Percentage(%)	0.50	2.00	20.00	69.77	100.00	12.57
Payments on guarantees	Loan balance	3,939	5,502	22,232	37,119	17,316	86,108
	Allowances	20	498	4,446	23,234	17,316	45,514
	Percentage(%)	0.51	9.05	20.00	62.59	100.00	52.86
Credit card accounts	Loan balance	4,095,955	504,078	375	736,661	88,287	5,425,356
	Allowances	40,960	60,489	75	441,996	88,287	631,807
	Percentage(%)	1.00	12.00	20.00	60.00	100.00	11.65
Bonds purchased under resale agreements	Loan balance	500,000					500,000
	Allowances						
	Percentage(%)						
Call loans	Loan balance	1,346,787					1,346,787
	Allowances						

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	Percentage(%)						
Privately placed debentures	Loan balance	1,146,657	39,000	26,541	14,475	1,854	1,228,527
	Allowances	5,733	780	5,944	8,930	1,854	23,241
	Percentage(%)	0.50	2.00	22.40	61.69	100.00	1.89
Factoring receivables	Loan balance	29,238					29,238
	Allowances	146					146
	Percentage(%)	0.50					0.50
Loans due for equity conversion	Loan balance		15,650	1,637			17,287
	Allowances		4,789	522			5,311
	Percentage(%)		30.60	31.89			30.72
Total loans	Loan balance <sup>1*</sup>	(Won) 122,824,739	(Won) 6,738,065	(Won) 3,315,399	(Won) 1,826,349	(Won) 436,891	(Won) 135,141,443
	Allowances <sup>2*</sup>	808,739	315,072	692,726	1,049,981	436,891	3,303,409
	Percentage(%)	0.66	4.68	20.89	57.49	100.00	2.44

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

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

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**6. Allowances for Loan Losses, Continued;**

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

	<u>Amount</u>
<b>Beginning Balance</b>	(Won) 2,378,696
<b>Increase due to:</b>	
Provision for loan losses	1,685,764
Collection of written-off loans	149,556
Troubled debt restructuring	482
Repurchase of loans sold	5,940
	<u>(Won) 1,841,742</u>
<b>Decrease due to:</b>	
Write-off of loans	824,754
Sale of loans	3,072
Conversion of loans into equity securities	41,473
Exemption of loans	24,064
Offset with present value discounts from troubled debt restructuring	7,543
Others	1,179
	<u>902,085</u>
<b>Ending Balance</b>	<u>(Won) 3,318,353</u>

**7. Fixed Assets:**

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

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Acquisition Cost

	<b>Beginning Balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Ending Balance</b>	<b>Accumulated depreciation</b>	<b>Book Value</b>
Land	(Won) 1,175,682	(Won) 769	(Won) 126,601	(Won) 1,049,850	(Won)	(Won) 1,049,850
Building and structures	848,746	17,186	1,893	864,039	118,306	745,733
Leasehold improvement	98,117	32,647	459	130,305	64,619	65,686
Equipment and vehicles	1,043,969	82,870	22,322	1,104,517	657,774	446,743
Construction in-progress	1,195	40,373	37,390	4,178		4,178
	<b>(Won) 3,167,709</b>	<b>(Won) 173,845</b>	<b>(Won) 188,665</b>	<b>(Won) 3,152,889</b>	<b>(Won) 840,699</b>	<b>(Won) 2,312,190</b>

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7. **Fixed Assets**, Continued;

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

	<u>Amount Insured</u>	<u>Insurance Company</u>	<u>Type of Insurance</u>
Building and structures	(Won) 596,240	Samsung Fire & Marine Insurance Co., Ltd	General property insurance
Leasehold improvement	49,461	Samsung Fire & Marine Insurance Co., Ltd	General property insurance
Equipment and vehicles	340,292	Samsung Fire & Marine Insurance Co., Ltd	General property insurance
Construction in-progress	6,631	Samsung Fire & Marine Insurance Co., Ltd	General property insurance
	<u>(Won) 992,624</u>		

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

	<u>Account</u>					<u>Total</u>
	<u>Goodwill</u>	<u>Rights to Income on Donated Asset</u>	<u>Store Possessory</u>	<u>Trademarks</u>	<u>Others</u>	
Beginning balance	(Won) 613,705	(Won) 110	(Won) 161	(Won) 11	(Won) 470	(Won) 614,457
Acquisition / Capital expenditures				13	327	340
Dispositions						
Amortization	(39,173)	(4)	(11)	(3)	(71)	(39,262)
Ending balances	<u>(Won) 574,532</u>	<u>(Won) 106</u>	<u>(Won) 150</u>	<u>(Won) 21</u>	<u>(Won) 726</u>	<u>(Won) 575,535</u>

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

	Amount	
	Book Value	Appraisal Value
Lands included in tangible assets	(Won) 1,049,850	(Won) 905,548
Lands included in foreclosed assets	1,261	570
	(Won) 1,051,111	(Won) 906,118

### 8. Other Assets:

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

	June 30, 2003	December 31, 2002
Guarantee deposits paid	(Won) 1,256,408	(Won) 1,235,362
Accounts receivable	3,569,816	1,877,645
Accrued income	956,759	981,141
Payments in advance	76,073	48,390
Prepaid expenses	41,813	12,646
Deferred tax assets (Note 25)	338,662	170,624
Derivative assets (Note 16)	770,853	660,791
Unsettled domestic exchange assets	322,900	1,087,587
Loans to trust accounts	1,135	37,882
Others	20,321	23,490
	(Won) 7,354,740	(Won) 6,135,558

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**9. Deposits:**

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

	Annual Interest (%)	Amount	
	June 30, 2003	June 30, 2003	December 31, 2002
<b>Deposits in Won</b>			
<b>Demand deposits</b>			
Checking deposits		(Won) 95,086	(Won) 134,222
Household checking deposits	0.10	449,755	469,866
Passbook deposits	0.10	8,962,691	8,586,219
Temporary deposits		3,864,262	3,577,243
Public fund deposits	0.10	234,756	207,695
Others	0.10	45,563	12,497
		(Won) 13,652,113	(Won) 12,987,742
<b>Time deposits and savings deposits</b>			
Time deposits	3.00~4.60	(Won) 60,469,687	(Won) 58,187,286
Installment savings deposits	3.70~4.50	1,415,590	1,422,532
Property formation savings	8.50	2,036	2,221
Time and savings deposits of non-residents in Won	3.00~4.60	291,565	151,124
General savings deposits	0.15~3.50	21,437,208	21,346,223
Corporate free savings deposits	0.10~3.40	8,306,950	6,556,979
Long-term savings deposits for workers	11.5~12.00	145,627	297,272
Long-term housing savings deposits	4.80	687,093	538,782
Long-term savings for households	5.00	2,005,577	2,250,457
Worker s preferential savings deposits	5.35	2,857,768	2,877,467
Worker s savings for housing	1.03	80	79
Mutual installment deposits	3.30~4.50	6,768,822	7,491,115
Mutual installment for housing	4.00~4.50	5,148,609	4,872,637
		(Won) 109,536,612	(Won) 105,994,174
		(Won) 123,188,725	(Won) 118,981,916

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<u>Deposits in foreign currencies</u>					
Demand deposits					
Checking deposits	0.00~3.00	(Won)	39,228	(Won)	29,629
Passbook deposits	0.00~0.05		603,337		549,646
Notice deposits	0.05~6.22		687		2,725
Temporary deposits			3,088		3,796
			<u>646,340</u>		<u>585,796</u>
Time deposits and savings deposits					
Time deposits	0.00~7.70	(Won)	583,526	(Won)	496,359
Others	0.00~8.00		4,412		1,493
			<u>587,938</u>		<u>497,852</u>
			<u>1,234,278</u>		<u>1,083,648</u>
<u>Certificates of deposit</u>	3.75~4.25	(Won)	3,279,148	(Won)	3,044,089
			<u>127,702,151</u>		<u>123,109,653</u>

Continued;

**Table of Contents****9. Deposits,** Continued;

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

	<u>Deposits in Won</u>	<u>Deposits in Foreign Currencies</u>	<u>Certificates of Deposit</u>	<u>Total</u>
Due in 3 months or less	(Won) 67,583,852	(Won) 1,036,966	(Won) 1,541,630	(Won) 70,162,448
Due after 3 months through 6 months	14,788,525	92,848	1,493,415	16,374,788
Due after 6 months through 1 year	27,905,889	98,193	244,103	28,248,185
Due after 1 year through 2 years	8,117,802	3,598		8,121,400
Due after 2 years through 3 years	3,593,212	2,599		3,595,811
Due after 3 years through 4 years	446,864	74		446,938
Due after 4 years through 5 years	373,514			373,514
Thereafter	379,067			379,067
	<u>(Won) 123,188,725</u>	<u>(Won) 1,234,278</u>	<u>(Won) 3,279,148</u>	<u>(Won) 127,702,151</u>

**10. Borrowings:**

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

	<u>Annual Interest (%)</u>	<u>Amounts</u>	
	<u>June 30, 2003</u>	<u>June 30, 2003</u>	<u>December 31, 2002</u>
<b><u>Borrowings in Won</u></b>			
Borrowings from the Bank of Korea	2.50	(Won) 1,058,775	(Won) 671,854
Borrowings from the government	0.00~8.00	938,412	1,056,480
Borrowings from banking institutions	3.98~9.55	283,988	318,702
Borrowings from National Housing Fund	8.00	8,898	9,192
Borrowings from non-banking financial institutions	2.00~5.00	5,705	6,211
Other borrowings	2.00~7.00	1,118,276	1,129,305
		<u>3,414,054</u>	<u>3,191,744</u>
<b><u>Borrowings in foreign currencies</u></b>			
Bank overdrafts		197,359	528,991
Borrowings from domestic banks	0.26~10.40	2,214,473	1,875,119
Borrowings from other financial institutions	1.60	21,181	23,092
Borrowings from foreign banks		1,072,549	981,328
		<u>3,505,562</u>	<u>3,408,530</u>

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<u>Bonds sold under repurchase agreements</u>			
In Won	2.50~4.30	3,519,653	3,050,179
In foreign currencies	1.43~1.54	74,540	23,982
		3,594,193	3,074,161
<u>Bills sold</u>			
	3.65~4.15	48,958	72,860
<u>Due to the Bank of Korea in foreign currencies</u>			
		22,853	37,493
<u>Call money</u>			
In Won	3.50~3.90	2,720,600	829,300
In foreign currencies	1.29~1.77	21,997	76,666
		2,742,597	905,966
		(Won) 13,328,217	(Won) 10,690,754

Continued;

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(Unaudited See Independent Accountants Report)

**10. Borrowings.** Continued;

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

	Borrowings in Won	Borrowings in Foreign Currencies	Others	Total
Due in 3 months or less	(Won) 1,140,060	(Won) 624,140	(Won) 4,953,701	(Won) 6,717,901
Due after 3 months through 6 months	99,277	1,047,277	848,063	1,994,617
Due after 6 months through 1 year	267,042	981,759	606,837	1,855,638
Due after 1 year through 2 years	434,974	376,138		811,112
Due after 2 years through 3 years	402,202	304,490		706,692
Due after 3 years through 4 years	320,599	103,146		423,745
Due after 4 years through 5 years	254,659			254,659
Thereafter	495,241	68,612		563,853
	(Won) 3,414,054	(Won) 3,505,562	(Won) 6,408,601	(Won) 13,328,217

**11. Debentures:**

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

	Annual Interest	Amount	
	June 30, 2003	June 30, 2003	December 31, 2002
<b>In Won</b>			
Hybrid debentures	6.00	(Won) 105,145	(Won)
Subordinated fixed rate debentures	6.07~16.28	4,397,087	4,753,285
Fixed rate debentures	4.04~10.57	11,883,005	12,269,023

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			(Won) 16,385,237	(Won) 17,022,308
	Discounts on debentures		(197,315)	(270,924)
<b>In Foreign</b>			16,187,922	16,751,384
<b>Currencies</b>	Floating rates debentures	1.52~ 2.25	233,955	350,589
	Fixed rates debentures	4.63	613,782	438,538
			847,737	789,127
	Premiums on debentures		10,744	
	Discounts on debentures		(1,155)	(1,504)
			(Won) 857,326	(Won) 787,623
			(Won) 17,045,248	(Won) 17,539,007

Continued;



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**11. Debentures.** Continued;

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

Type	Issue Date	Hundred Millions of Won	Annual Interest (%)	Maturity
<u>Subordinated</u>	95.09.30~98.11.15	(Won) 4,203	9.61~16.20	98.09.30~09.11.15
<u>Fixed rate</u>	2000.03.27	2,000	9.65	2005.03.27
	2000.06.28	2,539	9.04~9.10	2006.01.28
	2000.09.27	3,000	8.99	2006.01.27
	2000.09.28	1,499	8.79~8.85	2006.01.28
	2000.11.28	1,001	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	927	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	100	6.20	2008.06.27
	2002.12.27	900	6.40	2010.06.27
	2002.12.27	500	6.65	2013.06.27
	2002.12.27	304	6.55	2014.12.27
		(Won) 43,971		

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

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	<u>Won</u>	<u>Foreign Currencies</u>	<u>Total</u>
Due in 3 months or less	(Won) 1,622,004	(Won) 137,314	(Won) 1,759,318
Due after 3 months through 6 months	3,893,810		3,893,810
Due after 6 months through 1 year	4,600,330	96,641	4,696,971
Due after 1 year through 2 years	1,687,966		1,687,966
Due after 2 years through 3 years	1,530,784		1,530,784
Due after 3 years through 4 years	269,228		269,228
Due after 4 years through 5 years	1,688,481	613,782	2,302,263
Thereafter	1,092,634		1,092,634
	<u>(Won) 16,385,237</u>	<u>(Won) 847,737</u>	<u>(Won) 17,232,974</u>

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**12. Accrued Retirement Benefits:**

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

	<u>Beginning Balance</u>	<u>Amounts Provided</u>	<u>Amounts Paid Out</u>	<u>Ending Balance</u>
Accrued retirement benefits	(Won) 42,773	(Won) 45,990	(Won) 7,225	(Won) 81,538
Contributed retirement benefits	88,682			88,682
<b>Total accrued retirement benefits</b>	<b>(Won) 131,455</b>	<b>(Won) 45,990</b>	<b>(Won) 7,225</b>	<b>(Won) 170,220</b>
<b>Contribution to National Pension Fund</b>				
Contribution to pension funds	(88,682)			(88,682)
	<b>(Won) 42,773</b>	<b>(Won) 45,990</b>	<b>(Won) 7,225</b>	<b>(Won) 81,538</b>

As of June 30, 2003, approximately 52.10% of total accrued retirement benefits are contributed to pension funds, to which the Bank's employees hold the right of payment, placed at two insurance companies, including Korea Life Insurance Co., Ltd.

**13. Employee Stock Options:**

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

<u>Series</u>	<u>Grant Date</u>	<u>Shares Granted</u>	<u>Shares Expired to Date</u>	<u>Shares Exercised</u>	<u>Shares Outstanding</u>	<u>Exercise Price</u>	<u>Exercise Period</u>
Series1	00.03.18	222,094	109,565	2,961	109,568	(Won) 23,469	03.03.19 ~ 05.03.18
Series2	01.03.15	214,975	16,882		198,093	(Won) 28,027	04.03.16 ~ 09.03.15

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Series3	98.10.31	400,000		330,000	70,000	(Won) 5,000	01.11.01 ~ 04.10.31
Series4	99.02.27	280,000	59,892	220,108		(Won) 13,900	02.02.28 ~ 05.02.27
Series5	00.02.28	267,000	65,218		201,782	(Won) 27,600	03.03.01 ~ 06.02.28
Series6	01.03.24	111,000	38,624		72,376	(Won) 25,100	04.03.25 ~ 07.03.24
Series7 <sup>1*2*</sup>	01.11.16	650,000			650,000	(Won) 51,200	04.11.17 ~ 09.11.16
Series8 <sup>2*</sup>	02.03.22	622,000	145,757		476,243	(Won) 57,100	05.03.23 ~ 10.03.22
Series9	02.07.26	30,000			30,000	(Won) 58,800	05.07.27 ~ 10.07.26
Series10 <sup>2*</sup>	03.03.21	320,000			320,000	(Won) 35,500	06.03.22 ~ 11.03.21

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

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

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The Bank had applied the fair value method using an option-pricing model in measuring compensation cost until September 30, 2002. However, as of October 1, 2002, expecting a high probability of grant and exercise of the operations 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 10</u>	<u>Total</u>
Previously recognized compensation cost	(Won) 1,861	(Won) 1,615	(Won) 2,590	(Won) 2,744	(Won) 886	(Won)	(Won) 9,696
Currently recognized compensation cost	(488)	(430)	(420)	(1,049)	(294)	13	(2,668)
Accumulated compensation cost	1,373	1,185	2,170	1,695	592	13	7,028
Compensation cost to be recognized		395			197	147	739
Total compensation cost	(Won) 1,373	(Won) 1,580	(Won) 2,170	(Won) 1,695	(Won) 789	(Won) 160	(Won) 7,767

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

	<u>Series 2</u>	<u>Series 6</u>	<u>Series 10</u>	<u>Total</u>
Within 1 year	(Won) 395	(Won) 197	(Won) 53	(Won) 645
More than 1 year to 2 years			53	53
More than 2 years to 3 years			41	41
	(Won) 395	(Won) 197	(Won) 147	(Won) 739

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**14. Other Liabilities:**

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

Account	June 30, 2003	December 31, 2002
Accrued retirement benefits (Note 12)	(Won) 81,538	(Won) 42,773
Allowance for loss on guarantees and acceptances (Note 15)	125,023	2,287
Due to trust accounts	1,469,196	734,646
Accounts payable	3,405,273	1,868,692
Accrued expenses	4,478,628	4,656,225
Advances from customers	1,218,360	48,745
Unearned income	138,460	147,623
Withholding taxes	98,055	85,841
Guarantee deposits received	105,503	112,732
Derivative liabilities (Note 16)	665,329	522,286
Unsettled domestic exchange liabilities	350,405	541,757
Accounts for agency business	384,926	395,678
Other allowances <sup>1*</sup>	31,061	48,876
Liabilities incurred by agency relationship	436,335	486,413
Others	383,595	90,224
	(Won) 13,371,687	(Won) 9,784,798

<sup>1\*</sup> Other allowances are as follows (in millions of Won):

Allowances for	Amounts	Remarks
Suspense receivables	(Won) 7,100	Loss from frauds/accidents
Foreign currencies mileages	9	Compensation expense for frequent currency exchanges
Loss on branch closure	223	Closure of the branch in Buenos Aires
Uncollected leasehold deposits	6,717	Loss on uncollected leasehold deposits
Credit card receivables	8,411	Loss on unused cash advance credit lines
Credit card point	2,895	Expenses arising from credit card mileage rewards
ABS allowances	3,613	Loss on guarantee deposits paid to Jooeun 2nd Specialty Co., Ltd
KAMCO loans sold	1,880	Loss on loans sold under repurchase agreements to KAMCO (See Note 17)

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Granting of credit to SPC	<u>213</u>	Loss on the credit line agreement to SPC related to KAMCO (See Note 17)
	<u>(Won) 31,061</u>	

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

	<u>June 30, 2003</u>	<u>December 31, 2002</u>
<b><u>Guarantees and acceptances outstanding in Won</u></b>		
Guarantees on debentures	(Won) 560	(Won) 571
Guarantees on loan collateral	37,558	39,234
Guarantees on commercial bills	398	646
Others	248,858	248,457
	<u>287,374</u>	<u>288,908</u>
<b><u>Foreign Currencies</u></b>		
Acceptances on letters of credit	354,725	190,775
Acceptances for letters of guarantee for importers	95,174	111,016
Guarantees for performance of contracts	20,752	71,577
Guarantees for bids	1,487	1,077
Guarantees for borrowings	36,298	31,055
Guarantees for repayment of advances	5,100	25,707
Others	298,748	311,583
	<u>812,284</u>	<u>742,790</u>
	<u>1,099,658</u>	<u>1,031,698</u>
<b><u>Contingent guarantees and acceptances</u></b>		
Letters of credit	1,182,220	1,243,354
Others	123,801	63,524
	<u>1,306,021</u>	<u>1,306,878</u>
	<u>(Won) 2,405,679</u>	<u>(Won) 2,338,576</u>



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

<b>Guarantees and Acceptances Outstanding in</b>		<b>Normal</b>	<b>Precautionary</b>	<b>Sub- Standard</b>	<b>Doubtful</b>	<b>Estimated Loss</b>	<b>Total</b>
<b>Won</b>	Balance	(Won) 274,838	(Won) 10,703	(Won) 1,656	(Won) 177	(Won)	(Won) 287,374
	Allowance			331	156		487
	Ratio (%)			19.99	88.14		0.17
<b>Foreign currencies</b>	Balance	568,120	62,629	7,956	173,374	205	812,284
	Allowance			3,172	121,159	205	124,536
	Ratio (%)			39.87	69.88	100.0	15.33
<b>Total</b>	Balance	(Won) 842,958	(Won) 73,332	(Won) 9,612	(Won) 173,551	(Won) 205	(Won) 1,099,658
	Allowance			3,503	121,315	205	125,023
	Ratio (%)			36.44	69.90	100.0	11.37

Continued;

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**15. Guarantees and Acceptances, Continued;**

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

	<u>Amount</u>
Beginning balance	(Won) 2,287
Provision for allowance	122,746
Changes in foreign exchange rates	(10)
Ending balance	<u>(Won) 125,023</u>

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

	<u>Guarantees and Acceptances Outstanding</u>		<u>Contingent Guarantees and Acceptances</u>		<u>Total</u>	
	<u>Balance</u>	<u>Percentage (%)</u>	<u>Balance</u>	<u>Percentage (%)</u>	<u>Balance</u>	<u>Percentage (%)</u>
Korea	(Won) 1,051,934	95.66	(Won) 1,257,804	96.31	(Won) 2,309,738	96.01
USA	47,724	4.34	48,217	3.69	95,941	3.99
	<u>(Won) 1,099,658</u>	<u>100.00</u>	<u>(Won) 1,306,021</u>	<u>100.00</u>	<u>(Won) 2,405,679</u>	<u>100.00</u>

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

<u>Guarantees and Acceptances Outstanding</u>	<u>Contingent Guarantees and Acceptances</u>	<u>Total</u>
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	<b>Balance</b>	<b>Percentage (%)</b>	<b>Balance</b>	<b>Percentage (%)</b>	<b>Balance</b>	<b>Percentage (%)</b>
<b>Industrial</b>						
Manufacturing	(Won) 313,804	28.54	(Won) 690,001	52.83	(Won) 1,003,805	41.73
Finance	20,502	1.86	9,327	0.72	29,829	1.24
Service	560,780	51.00	432,607	33.12	993,387	41.29
Others	204,572	18.60	174,086	13.33	378,658	15.74
	<b>(Won) 1,099,658</b>	<b>100.00</b>	<b>(Won) 1,306,021</b>	<b>100.00</b>	<b>(Won) 2,405,679</b>	<b>100.00</b>

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

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

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

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

	<u>Trading</u>	<u>Hedge</u>	<u>Total</u>
<u>Interest related</u>			
Future	(Won) 789,701	(Won)	(Won) 789,701
Option	2,060,000		2,060,000
Swap	21,094,628	357,930	21,452,558
	<u>23,944,329</u>	<u>357,930</u>	<u>24,302,259</u>
<u>Currency related</u>			
Forward	14,673,131		14,673,131
Future	643,499		643,499
Swap	3,598,007		3,598,007
Option bought	63,234		63,234
Option sold	106,782		106,782

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	19,084,653		19,084,653
<u>Stock related</u>			
Option bought	1,752,481		1,752,481
Option sold	1,565,941		1,565,941
	3,318,422		3,318,422
	(Won) 46,347,404	(Won) 357,930	(Won) 46,705,334

Continued;

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**16. Derivatives**, Continued;

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

	<u>Amount</u>
<b>Gain on derivatives</b>	
Gain on derivatives transactions	(Won) 1,240,561
Gain on valuation of derivatives	272,069
Gain on fair value hedged items	
	<u>(Won) 1,512,630</u>
<b>Loss on derivatives</b>	
Loss on derivatives transactions	(Won) 1,214,154
Loss on valuation of derivatives	258,845
Loss on fair value hedged items	8,076
	<u>(Won) 1,481,075</u>

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

	<u>Valuation Gains (P/L)</u>			<u>Valuation Losses (P/L)</u>			<u>Fair Value (B/S)</u>	
	<u>Trading</u>	<u>Hedge</u>	<u>Total</u>	<u>Trading</u>	<u>Hedge</u>	<u>Total</u>	<u>Asset</u>	<u>Liability</u>
<b>Interest related</b>								
Option	(Won) 1,180	(Won) 8,076	(Won) 9,256	(Won) 1,950	(Won) 1,950	(Won) 3,900	(Won) 2,671	(Won) 5,478
Swap	74,930	8,076	83,006	97,400	97,400	194,800	198,389	306,794
	<u>76,110</u>	<u>8,076</u>	<u>84,186</u>	<u>99,350</u>	<u>99,350</u>	<u>198,700</u>	<u>201,060</u>	<u>312,272</u>
<b>Currency related</b>								

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Forward	115,697		115,697	111,015		111,015	141,806	173,536
Option bought	338		338	172		172	364	158
Option sold	938		938	597		597	736	719
Swap	41,653		41,653	22,736		22,736	313,668	95,582
	<u>158,626</u>		<u>158,626</u>	<u>134,520</u>		<u>134,520</u>	<u>456,574</u>	<u>269,995</u>
<b>Stock related</b>								
Option bought	24,792		24,792	7,654		7,654	113,219	
Option sold	4,465		4,465	17,321		17,321		83,062
	<u>29,257</u>		<u>29,257</u>	<u>24,975</u>		<u>24,975</u>	<u>113,219</u>	<u>83,062</u>
	<u>(Won) 263,993</u>	<u>(Won) 8,076</u>	<u>(Won) 272,069</u>	<u>(Won) 258,845</u>	<u>(Won)</u>	<u>(Won) 258,845</u>	<u>(Won) 770,853</u>	<u>(Won) 665,329</u>

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**17. Commitments and Contingencies:**

As of June 30, 2003, 167 pending legal actions with an aggregate amount of claims of (Won)312,520 million are charged against the Bank and the Bank had also filed 183 lawsuits, which are still pending with an aggregate amount of claims of (Won)84,924 million. Management believes that the actions against the Bank are without merit and that the ultimate liability, if any, will not materially affect the Bank's financial position.

The Bank, under the Mutual Savings & Finance Company Act, is liable for the payment of the deposits of Orange Mutual Savings & Finance Co., Ltd. (previously, Kookmin Mutual Savings & Finance Co., Ltd.) and Hansol Mutual Savings & Finance Co., Ltd. (previously, Bukook Mutual Savings & Finance Co., Ltd.), previously the Bank's subsidiaries but which were sold during 1999, if they enter into bankruptcy within 3 years of sale. Orange Mutual Savings & Finance Co., Ltd. is currently undergoing bankruptcy procedures due to the disapproval of its business by the Financial Supervisory Commission. Korea Deposit Insurance Corporation (KDIC) has paid for the deposit money subject to the Depositor Protection Act. Despite the fact that Resolution and Finance Corp. (a subsidiary of KDIC) has filed a lawsuit against the Bank for the recovery of the repayment, such lawsuit is not expected to cause losses that would materially affect the Bank's financial position.

The Bank has entered into commitments to provide a credit line of (Won)4,917,400 million and to purchase commercial paper amounting to (Won)1,697,000 million, with asset securitization companies. Under these commitments, the Bank provides money, in case of a temporary fund shortage, for the principal and interest repayment of these companies' senior bonds within the contracted term and amounts. As of June 30, 2003, loans outstanding under the credit line commitment amounted to (Won)66,481 million, and commercial papers purchased under the purchase commitment amounted to (Won)174,400 million. The Bank has arranged various methods to compensate for losses on these credit line commitments including payment guarantees, repurchase contracts, surety certificate guarantees, and cash reserves. Also, resulting expected losses amounting to (Won)213 million are reserved as other allowances (See Note 14).

The Bank has an off-shore loan commitment, limited to USD 12,367 thousand, and the loan balance under the commitment as of June 30, 2003 is USD 3,914 thousand.

As of June 30, 2003, the Bank has an outstanding obligation to repurchase and/or indemnify for losses on the loans sold to Kookmin 6th-ABS Specialty Co., Ltd. and Joeeun 5th-ABS Specialty Co., Ltd. (collectively, the SPEs) with a ceiling of (Won)72,000 million and (Won)66,500 million, respectively. No adjustments have been made in the accompanying financial statements related to such uncertainties.

As of June 30, 2003, post settlements on the loan sales transaction with Korea Asset Management Corporation (KAMCO) have been completed and the Bank has provided allowances of (Won)1,880 million for losses from possible future repurchase of loans from KAMCO under the



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repurchase agreement with a ceiling of 6,702 million (See Note 14).

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

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

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**17. Commitments and Contingencies,** Continued;

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

	<u>Amount</u>	<u>Restrictions</u>
Reserve deposits in the Bank of Korea and Korea Exchange Bank	(Won) 2,038,550	General Banking Act
Deposits placed with Hansol Mutual Savings & Finance Co., Ltd.	140,000	Withdrawal at maturity
Due from Banks in Foreign Currency	40,364	General Banking Act
Other deposits	760	Futures guarantee deposits
	<u>(Won) 2,219,674</u>	

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

<u>Securities Provided</u>		<u>Related Liability</u>	
<u>Book Value</u>	<u>Pledge Value</u>	<u>Amount</u>	<u>Transaction</u>
(Won)3,426,466	(Won) 3,360,363	(Won)3,519,653	Bonds sold under repurchase agreements
2,004,773	1,994,150	1,058,775	Borrowings from the Bank of Korea
108,238	113,500	Borrowing within credit line	Derivatives transactions
170,200	170,200	Borrowing within credit line	BOK settlements
166,875	166,671	Borrowing within credit line	Sale of non-performing loans
172,013	169,590	Borrowing within credit line	Leased securities
1,896	1,900	Borrowing within credit line	Others
<u>(Won)6,050,461</u>	<u>(Won) 5,976,374</u>		

As of June 30, 2003, the Bank holds the unexpired rights to claim from borrowers or guarantors for loans in accordance with the relevant law, which have already been written off, amounting to (Won)4,433,283 million. Also, as of June 30, 2003, the Bank holds endorsed bills amounting

to (Won)8,761 million.

In response to the generally unstable economic conditions, the Korean government and the private sector have been implementing structural reforms to historical business practices. Implementation of these reforms is progressing slowly, particularly in the areas of restructuring private enterprises and reforming the banking industry. The Korean government continues to apply pressure to Korean companies to restructure into more efficient and profitable firms. The Bank may be either directly or indirectly affected by these generally unstable economic conditions and the reform program described above. The accompanying non-consolidated financial statements reflect management's assessment of the impact to date of the economic situation on the financial position of the Bank. Actual results may differ materially from management's current assessment. As of June 30, 2003, the Bank's total exposure (including debt securities, beneficiary certificates, and loans) to domestic credit card companies and capital companies amounts to (Won)1,764,408 million. Currently, securities issued by credit card companies and capital companies, which are experiencing difficulties in management, have liquidity problems in the bond market. The ultimate effect of these circumstances on the financial position of the Bank as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying financial statements.

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As of June 30, 2003, the Bank has 1,000,000,000 common shares (par value: (Won)5,000) authorized and 328,258,685 shares issued. Goldman Sachs Capital Koryo, L.P., ING Insurance International B.V., and the Korean government own 5.13%, 3.87%, and 9.33%, respectively, of the total issued shares. As of June 30, 2003, 30,875,235 common shares, equivalent to 9.41% of the total issued shares, are listed on the New York Stock Exchange as ADSs and are managed by the Bank of New York, the trustee of the Bank.

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

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

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.

**19. Capital Surplus:**

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

	<u>Beginning Balance</u>	<u>Changes</u>	<u>Ending Balance</u>
Paid-in capital in excess of par value	(Won) 5,287,708	(Won)	(Won) 5,287,708
Gain on business combination	397,669		397,669
Revaluation increment	177,229		177,229

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Others	2,146	(51)	2,095
	<u>2,146</u>	<u>(51)</u>	<u>2,095</u>
	<u>(Won) 5,864,752</u>	<u>(Won) (51)</u>	<u>(Won) 5,864,701</u>

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

**20. Retained Earnings:**

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 shareholders.

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

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

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

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**21. Capital Adjustments:**

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

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Treasury stock	(Won) (148,973)	(Won)	(Won) (493)	(Won) (148,480)
Unrealized gain on available-for-sale securities	180,449	230,987	56,196	355,240
Unrealized gain on investment in associates	94,773	14,535		109,308
	<u>(Won) 126,249</u>	<u>(Won) 245,522</u>	<u>(Won) 55,703</u>	<u>(Won) 316,068</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 shares of treasury stock under the plan.

**22. Other Non-Interest Income (Expenses):**

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

	<u>Amount</u>
Other non-interest income	
Realized gain on trading securities	(Won) 66,889
Unrealized gain on trading securities	56,625
Gain on trust management	126,843
Reversal of allowance for losses on guarantees and acceptances	
Gain on valuation of derivatives	272,069
Others	24,004

	(Won) 546,430
<b>Other non-interest expenses</b>	
Realized loss on trading securities	(Won) 24,389
Contributions to special funds	86,885
Provision for allowance	122,746
Loss on valuation of derivatives	258,845
Loss on fair value hedged items	8,076
Others	123,707
	(Won) 624,648

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**23. General and Administrative Expenses:**

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

	<u>Amount</u>
Salaries and wages	(Won) 511,474
Retirement benefits (Note 12)	45,990
Other employee benefits	151,939
Rent	29,973
Depreciation	171,650
Amortization	39,262
Taxes and dues	51,778
Advertising	27,428
Ordinary R&D	47,716
Fees and commissions	39,498
Others	94,071
	<u>(Won) 1,210,779</u>

**24. Non-Operating Income (Expenses):**

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

	<u>Amount</u>
<u>Non-operating income</u>	
Gain on disposal of fixed assets	(Won) 673
Rent income	1,311
Unrealized gain on investment in associates	
Realized gain on available-for-sale securities	125,636
Realized gain on held-to-maturity securities	



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Reversal of impairment loss on available-for-sale securities	34,482
Gain on sale of loans	1,294
Others	51,634
	215,030
<b><u>Non-operating expenses</u></b>	
Loss on disposal of fixed assets	34,226
Loss on investment in associates	349,642
Realized loss on available-for-sale securities	37,838
Realized loss on held-to-maturity securities	
Impairment loss on available-for-sale securities	73,109
Loss on sale of loans	2,927
Others	52,000
	549,742
	(Won) (334,712)

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**25. Income Tax Expense:**

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

	<u>Amount</u>
Income taxes payable	(Won) 165,912
Deferred income taxes from temporary differences	(168,038)
Change in temporary differences due to tax adjustments	3,656
Retained earnings and other capital surplus adjustments	814
Income tax expense	<u>(Won) 2,344</u>

The statutory income tax rate applicable to the Bank, including resident tax surcharges, is 29.7% for the six-month period ended June 30, 2003. However, due to tax adjustments, the effective tax rate for the six-month period ended June 30, 2003 is (-) 6.12%. The basis for calculating the effective tax rate is as follows:

	<u>Amount</u>
Net loss before income taxes	<u>(Won) (38,324)</u>
Tax expenses based on the effective tax rate	(12,604)
Tax effects on adjustments	
Adjustments to increase taxable income	20,268
Adjustments to decrease taxable income	(5,320)
Tax expenses per statements of operations	<u>(Won) 2,344</u>

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

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	<u>Beginning</u> <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Deferred Tax</u> <u>Asset (Liability)</u>
Allowance for loan losses	(Won) 314,081	(Won) 100,764	(Won) 210,812	(Won) 204,033	(Won) 60,598
Accrued interest	(350,798)	(306,694)	(350,798)	(306,694)	(91,088)
Unrealized loss on securities	602,647	337,174	(94,767)	1,034,588	307,273
Unrealized loss on derivatives	(109,298)	(13,224)	(53,558)	(68,964)	(20,482)
Present value discounts	28,001	23,227	28,001	23,227	6,898
Allowance for losses on guarantees and acceptances	2,287	125,023	2,287	125,023	37,132
Accrued severance benefits		13,358		13,358	3,967
Stock options	10,116	7,028	10,116	7,028	2,087
Loss on fair value hedges	9,213	8,076		17,289	5,135
Other allowances	48,876	31,061	48,876	31,061	9,225
Others	19,367	47,995	7,036	60,326	17,917
	<u>(Won) 574,492</u>	<u>(Won) 373,788</u>	<u>(Won) (191,995)</u>	<u>(Won) 1,140,275</u>	<u>(Won) 338,662</u>

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

	<u>March 31, 2003</u>	<u>June 30, 2003</u>	<u>December 31, 2002</u>
Net income(loss) (in millions of Won)	(Won) 73,933	(Won) (40,668)	(Won) 1,310,291
Weighted average number of common shares outstanding	325,241,596	325,242,099	317,786,872
Earnings(loss) per share (in Won)	(Won) 227	(Won) (125)	(Won) 4,123

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

Weighted average number of common shares outstanding for the six -month period ended June 30, 2003 is calculated as follows:

	<u>Number of Shares</u>	<u>Days Outstanding</u>	<u>Weighted Average Number of Shares</u>
Number of common shares outstanding-beginning balance	328,258,685	181	328,258,685
Treasury common stock beginning balance	(3,026,089)	181	(3,026,089)
Treasury common stock disposal during the current period	10,000	172	9,503
Weighted average number of common shares outstanding			<u>325,242,099</u>

As of June 30, 2003, there are no potential common shares.

**27. Assets and Liabilities Denominated in Foreign Currencies:**

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

	Major Denomination Currencies				
	Millions of Won Equivalent	Thousands of USD Equivalent <sup>1*</sup>	Thousands of US Dollars	Thousands of EC Euro	Thousands of Japanese Yen
<b>Assets</b>					
Cash	(Won) 195,563	\$ 163,911	\$ 75,693	14,414	¥ 6,832,149
Due from banks	706,361	592,038	74,705	3,017	6,222,195
Securities	1,250,826	1,048,382	959,620		5,019,622
Loans in foreign currencies	4,199,976	3,520,221	866,769	1,678	77,756,532
Bills bought	649,690	544,540	508,231	18,978	776,374
Acceptances and guarantees	16,714	14,009	14,009		
Call loans	124,250	104,141	103,900		
<b>Liabilities</b>					
Deposits	1,234,278	1,034,513	692,469	17,994	25,986,690
Borrowings	3,505,562	2,938,196	1,488,302	57,146	50,379,653
Due to BOK	22,853	19,154	19,154		
Call money	21,997	18,437	2,000		1,250,000
Debentures	857,326	718,570	12,472		
Unsettled foreign exchange liabilities	36,478	30,574	13,618	791	382,675

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 June 30, 2003.

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**28. Related Party Transactions:**

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

<u>Accounts</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Transactions Relating to P/L</u>
<b><u>Kookmin Credit Card Co., Ltd.</u></b>					
Loans	(Won) 120,783	(Won) 319,736	(Won)	(Won) 440,519	(Won) 7,331
Other assets	2,783	9,039		11,822	14,260
Deposits	12,056		3,753	8,303	(60)
Borrowings		790,000		790,000	(5,089)
Other liabilities	114,179	130,393	108,212	136,360	(6,925)
Commissions income					64,446
<b><u>KB Investment Co., Ltd.</u></b>					
Deposits	16,142		8,467	7,675	(287)
Other liabilities		161		161	
<b><u>Kookmin Data System Co., Ltd.</u></b>					
Deposits	6,903		1,538	5,365	(135)
Other liabilities	879	1,330		2,209	(5,248)
<b><u>Kookmin Futures Co., Ltd.</u></b>					
Due from banks	379		358	21	2
Deposits	18,860		7,927	10,933	(279)
Other liabilities	620	856		1,476	
Commissions income					4
Commissions expenses					(51)
<b><u>Kookmin Bank Luxembourg</u></b>					
Due from banks	48,337	124,986		173,323	941
Loans	282,739	2,479	127,771	157,447	499
Other assets	815	271	532	554	1,741
Borrowings	166,995	2,245	24,008	145,232	(3)
Other liabilities	11,077	1,427		12,504	(1,537)
<b><u>Kookmin Bank International Ltd. (London)</u></b>					
Due from banks	24,490	60,135		84,625	336
Loans	304,298		133,458	170,840	1,177
Other assets		527		527	660
Borrowings	198,663		95,352	103,311	(277)
Other liabilities	13,245	13,153		26,398	(1,715)

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<u>Kookmin Finance H.K. Ltd.</u>	Due from banks	6,318	84,554	45	90,827	449
	Loans	330,141		158,285	171,856	1,266
	Borrowings	154,291	2,825	38,978	118,138	(2)
	Other assets		613		613	
	Other liabilities	5,424	45	5,424	45	86

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**28. Related Party Transactions,** Continued;

	Accounts	Beginning Balance	Increase	Decrease	Ending Balance	Transactions Relating to P/L
Kookmin Investment Trust Mgt. Co., Ltd.	Deposits	(Won) 1,348	(Won) 4,960	(Won)	(Won) 6,308	(Won) (177)
	Other liabilities		21		21	
	Gain on Derivatives Transactions					1
	Loss on Derivatives Transactions					5
KB Real Estate Co., Ltd.	Loans	30,000	11,410		41,410	1,300
	Deposits	104,754		103,651	1,103	7
	Guarantees	1,782			1,782	
	Other assets		48		48	
	Other liabilities		7		7	
Jooeun Industry Co., Ltd.	Loans	143,002		7,121	135,881	
KB Credit Information Information Co., Ltd.	Other assets					24
	Deposits	9,496	900		10,396	(234)
	Guarantees	2,791	332		3,123	
	Other liabilities	2,597	2,826	2,597	2,826	
	Rental Income					52
	Commissions					
	Expenses					(16,804)

**29. Transactions with Financial Institutions:**

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

Accounts	Description	The Bank of Korea	Other Banks	Other Financial Institutions	Total
Cash and due from banks	Due from banks in Won	(Won) 2,038,550	(Won) 50,192	(Won) 140,000	(Won) 2,228,742



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	Due from banks in foreign currencies	40,364	661,474	4,524	706,362
		<u>2,078,914</u>	<u>711,666</u>	<u>144,524</u>	<u>2,935,104</u>
Loans	Loans in Won		16,771	927,012	943,783
	Loans in foreign currencies	23,862	669,403	56,317	749,582
	Others	500,000	1,262,360	367,309	2,129,669
		<u>523,862</u>	<u>1,948,534</u>	<u>1,350,638</u>	<u>3,823,034</u>
Deposits	Deposits in Won		559,599	5,507,845	6,067,444
	Deposits in foreign currencies			500,000	500,000
			<u>559,599</u>	<u>6,007,845</u>	<u>6,567,444</u>
Borrowings	Borrowings in Won	1,058,775	289,692	9,051	1,357,518
	Borrowings in foreign currencies		2,411,832	21,181	2,433,013
	Others	22,853	96,538	2,720,600	2,839,991
		<u>1,081,628</u>	<u>2,798,062</u>	<u>2,750,832</u>	<u>6,630,522</u>
Debentures	Debentures in Won			334,900	334,900
	Debentures in foreign currencies		847,737		847,737
			<u>847,737</u>	<u>334,900</u>	<u>1,182,637</u>

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**30. Interest Bearing Assets and Liabilities:**

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

<u>Assets</u>	<u>Average Balance</u>	<u>Interest Income</u>	<u>Average Yield (%)</u>
Due from banks	(Won) 727,258	(Won) 5,167	1.43
Securities	23,423,222	759,784	6.54
Loans	131,676,804	4,791,321	7.34
	<u>(Won) 155,827,284</u>	<u>(Won) 5,556,272</u>	
	<u>(Won) 155,827,284</u>	<u>(Won) 5,556,272</u>	
<u>Liabilities</u>	<u>Average Balance</u>	<u>Interest Expenses</u>	<u>Average Yield (%)</u>
Deposits	(Won) 123,611,964	(Won) 2,183,020	3.56
Borrowings	12,662,366	214,312	3.41
Debentures	18,457,539	564,021	6.16
	<u>(Won) 154,731,869</u>	<u>(Won) 2,961,353</u>	
	<u>(Won) 154,731,869</u>	<u>(Won) 2,961,353</u>	

**31. Operations of the Trust Accounts:**

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

	<u>Guaranteed Money Trusts</u>	<u>Performance Money Trusts</u>	<u>Property Trusts</u>	<u>Total</u>
Securities	(Won) 3,366,394	(Won) 9,105,103	(Won) 792,907	(Won) 13,264,404

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Loans	156,081	344,851		500,932
Receivables			23,829,784	23,829,784
Due from banking accounts	161,937	447,215	222,409	831,561
Present value discounts	(1,098)	(26)		(1,124)
Allowance for loan losses	(98,248)	(74,321)		(172,569)
Other assets	101,625	256,827	2,262	360,714
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	(Won) 3,686,691	(Won) 10,079,649	(Won) 24,847,362	(Won) 38,613,702
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Trusts	(Won) 3,425,658	(Won) 9,690,958	(Won) 24,633,389	(Won) 37,750,005
Borrowings	51,445			51,445
Reserves for future losses	1,135			1,135
Other liabilities	208,453	388,691	213,973	811,117
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities	(Won) 3,686,691	(Won) 10,079,649	(Won) 24,847,362	(Won) 38,613,702
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

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**31. Operations of the Trust Accounts, Continued;**

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

	<u>Book Value</u>	<u>Fair Value</u>	<u>Liable Amount</u>
Principal guaranteed money trusts	(Won) 3,509,729	(Won) 3,576,049	(Won)
Principal and dividend guaranteed money trusts	84,580	68,390	16,190
	<u>(Won) 3,594,309</u>	<u>(Won) 3,644,439</u>	<u>(Won) 16,190</u>

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

<u>Trust Account Related Income</u>		<u>Trust Account Related Expenses</u>	
Gain on trust management	(Won) 119,093	Interest expense on borrowings from trust accounts	(Won) 16,357
Early withdrawal penalties	108	Loss on trust management	
Interest income on loans to trust accounts	547		
	<u>(Won) 119,748</u>		<u>(Won) 16,357</u>

**32. Business Combination with H&CB:**

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

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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 the New York Stock Exchange as ADSs since November 1, 2001.

### **33. Merger with Kookmin Credit Card Co., Ltd.:**

On May 30, 2003, the Bank obtained approval from its Board of Directors to merge with Kookmin Credit Card Co., Ltd., a subsidiary of which the Bank owns 74.27%. The merger will be effected through an exchange of shares with the shareholders of Kookmin Credit Card Co., Ltd. as of July 24, 2003, who will receive 0.442983 share of the Bank's common stock for each share of Kookmin Credit Card Co., Ltd.

The merger will be accounted for as a transaction between entities under common control and therefore the Bank will recognize the assets and liabilities transferred at their carrying amounts in the accounts of Kookmin Credit Card Co., Ltd. at the date of transfer.

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**33. Merger with Kookmin Credit Card Co., Ltd., Continued;**

Kookmin Credit Card Co., Ltd. was established on September 25, 1987, separating its operations from the Bank, and has been conducting its operations including credit card operations, factoring, and consumer financing, under the Credit Card Act. Kookmin Credit Card Co., Ltd. merged with Kookmin Mutual Savings & Finance Co., Ltd. on August 22, 1998 and with Jang-Eun Credit Card Co., Ltd. on December 30, 1998, and extended its operations to installment financing and rental business. As of December 31, 2002, Kookmin Credit Card has approximately 12.8 million cardholders, 1.6 million merchants and 75 branches. Kookmin Credit Card Co. Ltd. has its shares registered with KOSDAQ since July 4, 2000.

As of June 30, 2003, the shareholder summary of Kookmin Credit Card Co. are as follows:

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

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

	<u>Kookmin Bank</u>	<u>Kookmin Credit Card</u>	<u>Total</u>
Cash and due from banks	(Won) 4,599,356	(Won) 103,505	(Won) 4,702,861
Securities	30,940,750	3,112,127	34,052,877
Loans	126,730,561	9,256,060	135,986,621
Fixed assets	3,092,616	260,600	3,353,216

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Other assets	6,135,558	648,956	6,784,514
<b>Total Assets</b>	<b>(Won) 171,498,841</b>	<b>(Won) 13,381,248</b>	<b>(Won) 184,880,089</b>
Deposits	(Won) 123,109,653	(Won)	(Won) 123,109,653
Borrowings	10,690,754	5,629,389	16,320,143
Debentures	17,539,007	5,934,298	23,473,305
Other liabilities	10,110,031	899,334	11,009,365
<b>Total Liabilities</b>	<b>161,449,445</b>	<b>12,463,021</b>	<b>173,912,466</b>
Capital stock	1,641,293	366,000	2,007,293
Capital surplus	5,864,752	146,591	6,011,343
Retained earnings	2,417,102	407,596	2,824,698
Capital adjustments	126,249	(1,960)	124,289
<b>Total Shareholders Equity</b>	<b>10,049,396</b>	<b>918,227</b>	<b>10,967,623</b>
<b>Total Liabilities and Shareholders Equity</b>	<b>(Won) 171,498,841</b>	<b>(Won) 13,381,248</b>	<b>(Won) 184,880,089</b>

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	<u>Kookmin Bank</u>	<u>Kookmin Credit Card</u>	<u>Total<sup>1*</sup></u>
Operating income(loss)	2,265,765	(306,146)	1,959,619
Non-operating income	525,280	67,017	592,297
Non-operating expenses	(897,427)	(21,759)	(919,186)
Net income(loss) before income tax expense	1,893,618	(260,888)	1,632,730
Income tax expense	(583,327)		(583,327)
Net income(loss)	(Won) 1,310,291	(Won) (260,888)	(Won) 1,049,403

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

**34. Statement of Cash Flows:**

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

	<u>Amount</u>
Cash on hand	(Won) 3,814,927
Cash in foreign currencies	195,563
Due from banks in Won	2,229,516
Due from banks in foreign currencies	706,361
	<u>6,946,367</u>
Restricted deposits	(2,219,674)
	<u>(Won) 4,726,693</u>



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

	<u>Amount</u>
Unrealized gains on available-for-securities	(Won) 189,236
Write-offs of loans	824,754
Decreases in loan from restructuring	7,739
Conversion of loans into equity securities	7,061

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**35. Business Segments:**

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

<u>Account</u>	<u>Retail Banking</u>	<u>Corporate Banking</u>	<u>Capital Markets Activities</u>	<u>Credit Card Operations</u>	<u>Others</u>	<u>Total</u>
Loans	(Won) 74,128,628	(Won) 45,998,734	(Won) 3,863,827	(Won) 4,793,534	(Won) 3,038,367	(Won) 131,823,090
Securities	162,085	173,037	30,425,960		1,886,705	32,647,787
Fixed assets	1,649,679	471,025	156,015	270,766	340,830	2,888,315
Other assets	1,052,232	223,655	11,379,101	17,470	1,612,230	14,284,688
<b>Total assets</b>	<b>(Won) 76,992,624</b>	<b>(Won) 46,866,451</b>	<b>(Won) 45,824,903</b>	<b>(Won) 5,081,770</b>	<b>(Won) 6,878,132</b>	<b>(Won) 181,643,880</b>
<b>Operating revenue</b>	<b>(Won) 3,030,484</b>	<b>(Won) 1,626,808</b>	<b>(Won) 2,584,780</b>	<b>(Won) 527,750</b>	<b>(Won) 477,380</b>	<b>(Won) 8,247,202</b>

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 six-month period ended June 30, 2003 (in millions of Won):

	<u>Domestic</u>	<u>Overseas</u>	<u>Total</u>
Loans	(Won) 131,099,146	(Won) 723,944	(Won) 131,823,090
Securities	32,573,387	74,400	32,647,787
Fixed assets	2,885,432	2,883	2,888,315
Other assets	14,217,241	67,447	14,284,688
<b>Total assets</b>	<b>(Won) 180,775,206</b>	<b>(Won) 868,674</b>	<b>(Won) 181,643,880</b>
<b>Operating revenue</b>	<b>(Won) 8,216,803</b>	<b>(Won) 30,399</b>	<b>(Won) 8,247,202</b>

**36. Reclassification of Prior Financial Statement Presentation:**

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

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