

KOOKMIN BANK
Form 6-K
April 16, 2003

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 April 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

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):

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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 X

On April 16, 2003, Kookmin Bank released the following information.

Exhibit Index

99.1 Kookmin Bank Consolidated Audit Report 2002

SIGNATURES

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

Kookmin Bank

(Registrant)

Date: April 16, 2003

By: /s/ Jong-Kyoo Yoon

(Signature)

Name: Jong-Kyoo Yoon

Title: Executive Vice President &

Chief Financial Officer

Independent Auditor's Report

To the Board of Directors and Shareholders of

Kookmin Bank

We have audited the accompanying consolidated balance sheets of Kookmin Bank (the Bank) and its subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended, expressed in Korean Won. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Kookmin Credit Card Co., Ltd., Kookmin Futures Co., Ltd., Kookmin Bank Luxembourg S.A., and Kookmin Finance HK Ltd., whose statements represent 7.4% of total assets as of December 31, 2002 and 16.2% of total revenues for the year then ended. Also, we did not audit the financial statements of subsidiaries, Kookmin Credit Card Co., Ltd., Kookmin Leasing Co., Ltd., Kookmin Venture Capital Co., Ltd., Kookmin Futures Co., Ltd., Kookmin Investment Co., Ltd., Kookmin Bank Luxembourg S.A., Kookmin Finance HK Ltd., Kookmin Bank Finance Asia Ltd., and Kookmin Leasing & Finance (Hong Kong) Ltd., whose statements represent 6.9% of total assets as of December 31, 2001 and 18.1% of total revenues for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors.

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

In our opinion, based on our audits and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kookmin Bank and its subsidiaries as of December 31, 2002 and 2001, and the results of their operations, the changes in their shareholders' equity and their cash flows for the years then ended in conformity with financial accounting standards for consolidated financial statements generally accepted in the Republic of Korea.

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

As discussed in Note 32 to the consolidated financial statements, the Bank completed the legal consolidation with H&CB as of October 31, 2001. Despite the legal form of consolidation, the business combination was accounted for as an acquisition with the Bank as acquirer of H&CB's total assets of (Won)67,742,958 million and liabilities of (Won)64,381,185 million. The Bank's registration statement with the Securities and Exchange Commission of the United States of America was declared effective on September 10, 2001, and the new shares of the Bank are listed on New York Stock Exchange as American Depositary Shares (ADS) since November 1, 2001.

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

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

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

As a result of the changed allowance rates, for the year ended December 31, 2002, the Bank provided additional allowances of (Won)274,673 million for consumer loans and (Won)87,035 million for credit cards loans, resulting in a decrease of (Won)361,708 million in net income before income tax expenses.

Kookmin Credit Card, a subsidiary of the Bank, had been providing for loan losses under the Regulation on Supervision of Credit-Specialized Financial Business in prior years. However, from the current period, to better provide for increased risks against losses on credit card receivables, Kookmin Credit Card revised its provision policy based on the historical loan loss rates and expectations on future redemption amounts. Due to this change, for the year ended December 31, 2002, Kookmin Credit Card provided additional allowances of (Won)397,158 million resulting in a decrease of (Won)397,158 million in net income before income taxes.

As discussed in Note 1 and 18 to the consolidated financial statements, the Bank sold 65.43% of its 85.43% investment in Alpha Capital Corp. (Jooeun Leasing Co., Ltd. until prior period) and (Won)172,024 million of its loans to Sun Capital Inc. for (Won)145,000 million on August 30, 2002. The Bank also sold an additional 5.03% of its investment in Alpha Capital Corp. to Sun Capital Inc. for (Won)900 million on October 28, 2002.

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

As a result of the changes in the scope of the subsidiaries of the Bank, assets of (Won)788,924 million and liabilities of (Won)615,097 million which were included in the consolidated financial statements as of December 31, 2001, were excluded from the consolidated financial statements as of December 31, 2002.

Continued;

As discussed in Note 1 to the consolidated financial statements, Kookmin Venture Capital Co., Ltd. merged with Frontier Investment Co., Ltd. and Kookmin Investment Co., Ltd. on December 31, 2001 and June 27, 2002, respectively, to avoid duplicate investments. Kookmin Venture Capital Co., Ltd., Frontier Investment Co., Ltd., and Kookmin Investment Co., Ltd. had been subsidiaries of the Bank as of December 31, 2001.

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

Samil Accounting Corporation

Seoul, Korea

February 14, 2003

This report is effective as of February 14, 2003, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that there is a possibility that the above audit report may have to be revised to reflect the impact of such subsequent events or circumstances, if any.

KOOKMIN BANK

CONSOLIDATED BALANCE SHEETS

December 31, 2002 and 2001

| | In Millions of Korean Won | |
|--|---------------------------|--------------------------|
| | 2002 | 2001 |
| ASSETS: | | |
| Cash and due from banks (Note 3) | (Won) 4,790,636 | (Won) 7,842,446 |
| Trading securities (Note 4) | 9,273,445 | 11,634,338 |
| Investment securities (Note 5) | 27,588,861 | 26,653,008 |
| Loans (Notes 6 and 7) | 135,143,612 | 116,340,721 |
| Fixed assets (Note 8) | 3,360,158 | 3,291,295 |
| Other assets (Note 9) | 6,969,562 | 6,836,998 |
| Total Assets | (Won) 187,126,274 | (Won) 172,598,806 |
| LIABILITIES AND SHAREHOLDERS' EQUITY: | | |
| Deposits (Note 10) | (Won) 126,890,960 | (Won) 120,448,949 |
| Borrowings (Note 11) | 15,473,094 | 17,072,682 |
| Debentures (Note 12) | 23,450,346 | 13,861,215 |
| Other liabilities (Note 15) | 10,956,773 | 11,939,004 |
| Total Liabilities | 176,771,173 | 163,321,850 |
| Commitments and Contingencies (Note 18) | | |
| Common stock, par value : (Won)5,000 authorized : 1,000 million shares, issued and outstanding : 328,258,685 shares (Notes 1 and 19) | 1,641,293 | 1,498,487 |
| Capital surplus (Note 20) | 5,968,401 | 5,745,002 |
| Retained earnings (Note 21) | 2,462,235 | 1,519,064 |
| Capital adjustments (Note 22) | 30,817 | 205,274 |
| Minority interest in consolidated subsidiaries (Note 23) | 252,355 | 309,129 |
| Total Shareholders' Equity | 10,355,101 | 9,276,956 |
| Total Liabilities and Shareholders' Equity | (Won) 187,126,274 | (Won) 172,598,806 |

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

KOOKMIN BANK

CONSOLIDATED INCOME STATEMENTS

For the years ended December 31, 2002 and 2001

| | In Millions of Korean Won except for share amounts | |
|---|--|------------------|
| | 2002 | 2001 |
| Interest income: | | |
| Interest on due from banks | (Won) 56,412 | (Won) 91,986 |
| Interest on trading securities | 369,631 | 379,593 |
| Interest on investment securities | 2,059,765 | 1,864,045 |
| Interest on loans | 10,472,306 | 5,824,121 |
| Other interest income | 130,323 | 144,362 |
| | <u>13,088,437</u> | <u>8,304,107</u> |
| Interest expenses: | | |
| Interest on deposits | 4,982,936 | 3,783,808 |
| Interest on borrowings | 735,982 | 703,912 |
| Interest on debentures | 1,236,299 | 947,119 |
| Other interest expenses | 52,738 | 66,778 |
| | <u>7,007,955</u> | <u>5,501,617</u> |
| Net interest income | 6,080,482 | 2,802,490 |
| Provision for loan losses (Note 7) | 3,196,161 | 1,414,178 |
| Net interest income after provision for loan losses | <u>2,884,321</u> | <u>1,388,312</u> |
| Non-interest income: | | |
| Fees & commission income | 2,571,278 | 2,157,852 |
| Dividends on trading securities | 1,234 | 495 |
| Dividends on investment securities (Note 25) | 13,575 | 7,138 |
| Gain on foreign currency transactions | 212,832 | 398,630 |
| Gain on derivatives (Note 17) | 2,378,593 | 2,314,740 |
| Other (Note 24) | 597,648 | 445,891 |
| | <u>5,775,160</u> | <u>5,324,746</u> |
| Non-interest expenses: | | |
| Fees & commission expenses | 862,507 | 436,417 |
| General and administrative expenses | 2,977,475 | 1,764,850 |
| Loss on foreign currency transactions | 246,090 | 270,697 |
| Loss on derivatives (Note 17) | 2,193,185 | 2,336,897 |
| Other (Note 24) | 424,015 | 368,053 |
| | <u>6,703,272</u> | <u>5,176,914</u> |

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| | | |
|--|------------------------|----------------------|
| Operating income | 1,956,209 | 1,536,144 |
| Non-operating loss, net (Note 26) | (137,777) | (179,839) |
| Extraordinary gain | | 161,527 |
| | <u>1,818,432</u> | <u>1,517,832</u> |
| Income before income tax expenses | 1,818,432 | 1,517,832 |
| | <u>612,384</u> | <u>560,400</u> |
| Income tax expenses (Note 27) | 612,384 | 560,400 |
| | <u>1,206,048</u> | <u>957,432</u> |
| Net income before consolidation adjustment | 1,206,048 | 957,432 |
| Minority interest in earnings of consolidated subsidiaries | 65,260 | (120,557) |
| | <u>(Won) 1,271,308</u> | <u>(Won) 836,875</u> |
| Net income | (Won) 1,271,308 | (Won) 836,875 |
| | <u>(Won) 4,001</u> | <u>(Won) 4,188</u> |
| Basic earnings per share (Note 28)(In Korean Won) | (Won) 4,001 | (Won) 4,188 |
| | <u>(Won) 4,001</u> | <u>(Won) 4,003</u> |
| Diluted earnings per share (Note 28)(In Korean Won) | (Won) 4,001 | (Won) 4,003 |

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

KOOKMIN BANK

CHANGES IN CONSOLIDATED SHAREHOLDERS EQUITY

For the years ended December 31, 2002 and 2001

(In millions of Korean Won)

| | Capital | Capital surplus | Retained earning | Capital adjustments | Minority interest | Total |
|--|-----------------|-----------------|------------------|---------------------|-------------------|-----------------|
| Balance, January 1, 2001 | (Won) 1,698,067 | (Won) 1,647,292 | (Won) 708,156 | (Won) (17,100) | (Won) 215,251 | (Won) 4,251,666 |
| Business combination | (219,445) | 4,067,855 | | | | 3,848,410 |
| Conversion of overseas convertible bonds to stocks | 19,865 | 15,069 | | | | 34,934 |
| Acquisition of equity securities of subsidiaries | | 14,336 | | | | 14,336 |
| Net income | | | 836,875 | | | 836,875 |
| Appropriations for dividends | | | (119,867) | 89,900 | | (29,967) |
| Loss in excess of minority interest | | | 32,427 | | | 32,427 |
| Changes in treasury stock | | 450 | | 39,673 | | 40,123 |
| Unrealized gain on investment securities | | | | 67,294 | | 67,294 |
| Stock options | | | | 25,507 | | 25,507 |
| Changes in minority interest | | | | | 93,878 | 93,878 |
| Others | | | 61,473 | | | 61,473 |
| Balance, December 31, 2001 | (Won) 1,498,487 | (Won) 5,745,002 | (Won) 1,519,064 | (Won) 205,274 | (Won) 309,129 | (Won) 9,276,956 |
| Balance, January 1, 2002 | (Won) 1,498,487 | (Won) 5,745,002 | (Won) 1,519,064 | (Won) 205,274 | (Won) 309,129 | (Won) 9,276,956 |
| Conversion of overseas convertible bonds to stocks | 52,906 | 181,194 | | | | 234,100 |
| Changes in minority interest in Kookmin Card | | 42,610 | (4,294) | | 14,965 | 53,281 |
| Net income | | | 1,271,308 | | | 1,271,308 |
| Appropriations for dividends | | | (325,234) | | (6,883) | (332,117) |
| Issuance of stock dividends | 89,900 | | | (89,900) | | |
| Loss in excess of minority interest | | | 3,360 | | | 3,360 |
| Changes in treasury stock | | | | (147,610) | | (147,610) |

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| | | | | | | |
|--|-----------------|-----------------|-----------------|--------------|---------------|------------------|
| Unrealized gain on investment securities | | | | 87,330 | 34 | 87,364 |
| Stock options | | | | (25,624) | 395 | (25,229) |
| Changes in minority interest | | | | | (65,260) | (65,260) |
| Others | | (405) | (1,969) | 1,347 | (25) | (1,052) |
| Balance, December 31, 2002 | (Won) 1,641,293 | (Won) 5,968,401 | (Won) 2,462,235 | (Won) 30,817 | (Won) 252,355 | (Won) 10,355,101 |

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

KOOKMIN BANK

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2002 and 2001

| | In Millions of Korean Won | |
|---|---------------------------|------------------------|
| | 2002 | 2001 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | (Won) 1,271,308 | (Won) 836,875 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Realized gain on trading securities, net | (94,540) | (49,350) |
| Unrealized gain on trading securities, net | (118,486) | 14,430 |
| Provision for loan losses | 3,196,161 | 1,414,178 |
| Gain on foreign currency transactions, net | 33,258 | (127,933) |
| Loss on derivative instruments, net | (185,408) | 22,157 |
| Retirement benefits | 114,023 | 124,853 |
| Depreciation and amortization | 445,471 | 197,459 |
| Gain on disposal of fixed assets, net | 6,401 | 17,575 |
| Realized gain on investment securities, net | (188,226) | (89,230) |
| Impairment loss on investment securities, net | 348,697 | 117,665 |
| Loss on sale of troubled loans, net | 97,644 | 162,305 |
| Minority interest in earnings of consolidated subsidiaries | (65,260) | 120,557 |
| Others, net | 29,070 | (374,235) |
| Changes in assets and liabilities resulting from operations: | | |
| Accrued income | 13,225 | 310,056 |
| Prepaid expenses | (94,532) | (3,552) |
| Deferred tax assets | (40,229) | 85,910 |
| Other assets | (15,409) | (99,809) |
| Accrued expenses | (202,531) | (202,020) |
| Unearned income | (7,436) | (8,425) |
| Deferred tax liabilities | (29) | 824 |
| Withholding taxes | (55,480) | (50,306) |
| Other liabilities | 69,148 | 36,397 |
| Payment of retirement benefits | (24,034) | (655,644) |
| Increase in pension funds | (63,894) | (27,821) |
| Decrease in the National pension fund | 69 | 26,519 |
| Net cash provided by operating activities | (Won) 4,468,981 | (Won) 1,799,435 |

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

Continued;

KOOKMIN BANK

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2002 and 2001

| | In Millions of Korean Won | |
|---|---------------------------|-------------------|
| | 2002 | 2001 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Decrease (increase) in due from banks | (Won) 2,797,251 | (Won) (2,112,025) |
| Decrease (increase) in trading securities | 2,507,440 | (3,581,594) |
| Increase in investment securities | (959,556) | (1,376,433) |
| Increase in loans, net | (21,183,846) | (8,836,726) |
| Proceeds from disposal of fixed assets | 17,749 | 26,531 |
| Acquisition of fixed assets | (706,195) | (479,701) |
| Others, net | (54,197) | (1,315,097) |
| Net cash used in investing activities | (17,581,354) | (17,675,045) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Increase in deposits, net | 6,442,197 | 11,503,007 |
| Increase (decrease) in borrowings | (1,972,051) | 4,000,529 |
| Increase (decrease) in debentures | 9,839,721 | (2,880,627) |
| Others, net | (1,441,623) | 2,572,955 |
| Net cash provided by financing activities | 12,868,244 | 15,195,864 |
| Decrease in cash resulting from changes in the scope of consolidated subsidiaries | (18,143) | |
| Net decrease in cash and cash equivalents | (262,272) | (679,746) |
| Cash and cash equivalents, beginning of year (Note 33) | 3,469,520 | 4,149,266 |
| Cash and cash equivalents, end of year (Note 33) | (Won) 3,207,248 | (Won) 3,469,520 |

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

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2002 and 2001

1. The Consolidated Company;

The accompanying consolidated financial statements have been prepared in accordance with financial accounting standards and the relevant laws and regulations of the Republic of Korea. The accompanying consolidated financial statements include the banking accounts and trust accounts, subject to guaranteed fixed rates of return or principal repayment, of Kookmin Bank and its consolidated subsidiaries (the Consolidated Company). General information on Kookmin bank and its controlled subsidiaries is described below.

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

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

Trust Accounts of the Bank -

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According to the accounting and reporting guidelines by the banking regulatory authorities, the accompanying consolidated financial statements include trusts subject to guaranteed fixed rates of return or principal repayment. Total assets of consolidated and non-consolidated trusts of the Consolidated Company at December 31, 2002 and 2001 are as follows (in millions of Won):

| | <u>2002</u> | <u>2001</u> |
|-------------------------|-------------------------|-------------------------|
| Consolidated trusts | (Won) 3,960,057 | (Won) 5,865,422 |
| Non-consolidated trusts | 38,248,912 | 26,434,210 |
| | <u>(Won) 42,208,969</u> | <u>(Won) 32,299,632</u> |

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

1. The Consolidated Company, Continued;Subsidiaries either consolidated or accounted for by the equity method -

The subsidiaries of the Bank, either consolidated or accounted for by the equity method as of December 31, 2002 and 2001, are summarized as follows:

| Companies | Balance sheet date | 2002 | | 2001 | |
|---|--------------------|------------------|---------------|------------------|---------------|
| | | Number of shares | Ownership (%) | Number of shares | Ownership (%) |
| <u>Consolidated subsidiaries</u> | | | | | |
| Kookmin Credit Card Co., Ltd. | December 31 | 54,365,028 | 74.27 | 54,365,028 | 74.27 |
| Kookmin Data System Corp. | December 31 | 799,800 | 99.98 | 799,800 | 99.98 |
| Kookmin Futures Co., Ltd. | March 31 | 3,999,200 | 99.98 | 3,999,200 | 99.98 |
| Kookmin Investment Co., Ltd. ^{1*} | December 31 | 8,941,587 | 99.89 | 6,399,930 | 99.99 |
| K.B. Luxembourg S.A. | December 31 | 70,000 | 100.00 | 70,000 | 100.00 |
| Kookmin Finance Hong Kong Ltd. | December 31 | 2,000,000 | 100.00 | 2,000,000 | 100.00 |
| K.B. Int 1 Ltd.(London) | December 31 | 20,000,000 | 100.00 | 20,000,000 | 100.00 |
| KB Investment Trust Mgt. Co., Ltd. ^{2*} | March 31 | 6,134,040 | 80.00 | 6,134,040 | 80.00 |
| KB Real Estate Trust Co., Ltd. ^{3*} | December 31 | 15,999,930 | 99.99 | 15,999,930 | 99.99 |
| KB Credit Information Co., Ltd. ^{4*} | December 31 | 867,716 | 69.28 | 504,000 | 50.00 |
| Kookmin Leasing Co., Ltd. ^{5*} | March 31 | | | 36,541,400 | 88.66 |
| Kookmin Venture Capital Co., Ltd. ^{1*} | December 31 | | | 8,855,024 | 94.11 |
| Frontier Investment Corp. ^{1*} | December 31 | | | 4,599,965 | 99.99 |
| Kookmin Finance Asia Ltd. (HK) ^{6*} | December 31 | | | 2,000,000 | 100.00 |
| Kookmin Leasing & Finance ^{7*} | December 31 | | | 20,000,000 | 100.00 |
| Alpha Capital Corp. ^{8*} | March 31 | | | 16,960,000 | 85.43 |
| Joeun Industrial Co., Ltd. ^{9*} | December 31 | | | 1,999,910 | 99.99 |
| Kookmin Bank Investment Trust Mgt. Co., Ltd. ^{10*} | December 31 | | | 1,999,910 | 99.99 |
| <u>Equity method investees</u> | | | | | |
| ING Life Co., Ltd. | March 31 | 280,000 | 20.00 | 1,400,000 | 20.00 |
| Korea Asset Investment Co., Ltd. ^{12*} | December 31 | 1,005,000 | 49.79 | 1,005,000 | 49.79 |
| Korea Mortgage Corp. ^{11*} | December 31 | 6,000,000 | 26.67 | 6,000,000 | 28.22 |
| Jeio Co., Ltd. ^{12*} | December 31 | 419,049 | 21.14 | | |
| Joeun Industrial Co., Ltd. ^{9*} | December 31 | 1,999,910 | 99.99 | | |
| Kookmin Finance Asia Ltd. (HK) ^{6*} | December 31 | 2,000,000 | 100.00 | | |

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- 1* Kookmin Investment Co., Ltd. merged with Frontier Investment Corp. as of December 31, 2001 and with Kookmin Venture Capital Co., Ltd. as of June 27, 2002.
 - 2* Jooeun Investment Trust Mgt Co., Ltd. was renamed KB Investment Trust Mgt. Co., Ltd. as of June 10, 2002.
 - 3* Jooeun Real Estate Trust Co., Ltd. was renamed KB Real Estate Trust Co., Ltd. as of September 16, 2002.
 - 4* Jooeun Credit Information Co., Ltd. merged with KB Credit Information Co., Ltd. as of May 2, 2002 and was renamed KB Credit Information Co., Ltd.
 - 5* The Bank sold Kookmin Leasing Co., Ltd. to Sun Capital Co., Ltd. and excluded it from the scope of consolidation.
 - 6* Kookmin Finance Asia Ltd. (HK) is in the process of liquidation and was excluded from the scope of consolidation as of December 31, 2002
 - 7* Kookmin Leasing & Finance, a subsidiary of Kookmin Leasing Co., Ltd. was excluded from the scope of consolidation due to the disposal of Kookmin Leasing Co., Ltd.
 - 8* The Bank sold the stocks of Alpha Capital Corp. in this fiscal year and excluded it from the scope of consolidation and applying the equity method due to a reduction to 14.97% in equity ownership.
 - 9* The dissolution of Joeeun Industrial Co., Ltd. was approved during the shareholders meeting of the company on March 19, 2002.
 - 10* The Bank sold the stocks of Kookmin Bank Investment Trust Mgt. Co., Ltd. to Morgan Stanley Global Emerging Markets Inc. in this fiscal year and excluded it from the scope of consolidation and applying the equity method.
 - 11* Korea Mortgage Corp. increased its capital as of December 21, 2002 but since the consolidated company did not participate, its equity rate decreased.
 - 12* Korea Asset Investment Co., Ltd. was invested by the Bank and Kookmin Investment Co., Ltd., a subsidiary of the Bank, and Jeio Co., Ltd. was invested by Kookmin Investment Co., Ltd., a subsidiary of the Bank.

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

1. The Consolidated Company, Continued;Operations of the subsidiaries either consolidated or accounted for by the equity method -Consolidated Subsidiaries -

| | Location | Outstanding Capital | | Major Business |
|-----------------------------------|------------|---------------------|---------------|---|
| | | | (in Millions) | |
| Kookmin Credit Card Co., Ltd. | Korea | KRW | 366,000 | Credit card operations, consumer installment financing, factoring, payment guarantees |
| Kookmin Data System Corp. | Korea | | 8,000 | Software services for the Bank and other companies |
| Kookmin Futures Co., Ltd. | Korea | | 20,000 | Dealing and brokerage services for futures transactions |
| Kookmin Investment Co., Ltd. | Korea | | 44,759 | Investing and financing small and medium-sized enterprises |
| Kookmin Bank Luxembourg S.A. | Luxembourg | EUR | 17.5 | Commercial banking business and foreign exchange operation |
| Kookmin Bank Int'l Ltd. (London) | U.K. | GBP | 20 | Commercial banking business and foreign exchange operation |
| Kookmin Finance HK Ltd. | Hong Kong | USD | 20 | Commercial banking business and foreign exchange operation |
| KB Investment Trust Mgt. Co., Ltd | Korea | KRW | 38,338 | Providing security investment trust services and investment consulting services |
| KB Real Estate Trust Co., Ltd. | Korea | | 80,000 | Development, management and brokerage services with regard to real estate and trust business of real estate |
| KB Credit Information Co., Ltd. | Korea | | 6,262 | Delinquent loan collecting service and credit checking service |

Equity Method Investees -

| | Location | Outstanding Capital | | Major Business |
|--|----------|---------------------|---------------|----------------|
| | | | (in Millions) | |

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| | | | | |
|----------------------------------|-----------|-----|---------|--|
| ING Life Co., Ltd. ^{1*} | Korea | KRW | 70,000 | Insurance |
| Korea Asset Investment Co., Ltd. | Korea | | 10,093 | Franchising, financing, consulting and information services with regard to real estate |
| Korea Mortgage Corp. | Korea | | 106,300 | Purchase, issuance and sales of mortgage backed securities |
| Jeio co., Ltd. | Korea | | 2,095 | Inspecting materials, manufacturing measuring instruments |
| Jooeun Industrial Co., Ltd. | Korea | | 10,000 | House construction, rent and management service with regard to real estate |
| Kookmin Finance Asia Ltd. (HK) | Hong Kong | USD | 20 | Commercial banking business and foreign exchange operation |

^{1*} The Consolidated Company applied the equity method based on the amended financial statements of ING Life Korea Co., Ltd. for additional (Won)16,117 million of income taxes.

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

1. **The Consolidated Company.** Continued;Significant Financial Data -

A summary of significant financial data of the Bank and its subsidiaries, included in the accompanying consolidated financial statements is as follows (in millions of Won):

| | Total Assets | Shareholders Equity | Operating Revenue | Net Income (Loss) |
|------------------------------------|--------------------------|-------------------------|-------------------------|------------------------|
| Banking accounts | (Won) 171,498,841 | (Won) 10,049,397 | (Won) 15,587,361 | (Won) 1,310,291 |
| Trust accounts | 3,960,057 | 45,755 | 314,121 | |
| Kookmin Credit Card Co., Ltd. | 13,381,369 | 918,227 | 3,134,576 | (260,888) |
| Kookmin Data System Corp. | 18,290 | 14,419 | 43,935 | 2,008 |
| Kookmin Futures Co., Ltd. | 39,315 | 25,097 | 13,323 | 2,581 |
| Kookmin Investment Co., Ltd. | 99,980 | 73,773 | 10,335 | (33,883) |
| K.B. Luxembourg S.A. ^{1*} | 459,080 | 5,128 | 17,829 | 7,501 |
| Kookmin Finance Hong Kong Ltd. | 293,210 | 61,437 | 21,063 | 12,191 |
| K.B. Int'l Ltd. (London) | 344,265 | 47,739 | 10,648 | 742 |
| KB Investment Trust Mgt. Co., Ltd | 63,073 | 57,335 | 33,953 | 16,479 |
| KB Real Estate Trust Co., Ltd. | 300,671 | 87,728 | 64,079 | 8,915 |
| KB Credit Information Co., Ltd. | 20,440 | 13,744 | 34,682 | 3,492 |
| Elimination and equity pick-up | (3,352,317) | (1,044,678) | (422,308) | 201,879 |
| | <u>(Won) 187,126,274</u> | <u>(Won) 10,355,101</u> | <u>(Won) 18,863,597</u> | <u>(Won) 1,271,308</u> |

^{1*} Due to differences in accounting between the Bank and KB Luxembourg S. A., adjustments which resulted to a (Won)21,626 million decrease in investment securities and (Won)577 million increase in allowances for loan losses have been made. Those adjustments pertain mostly to periods before December 31, 2001.

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

The significant accounting policies followed by the Consolidated Company in the preparation of the accompanying consolidated financial statements are summarized below.

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Basis of Consolidated Financial Statement Presentation -

The official accounting records of the Bank and its subsidiaries, except for foreign subsidiaries, are maintained in Korean Won in accordance with financial accounting standards and the relevant laws and regulations of the Republic of Korea. Such basis of accounting and presentation is not in conformity with International Accounting Standards, which, if applied, would give rise to material adjustments to the financial statements.

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

The preparation of the consolidated financial statements in conformity with financial accounting standards requires management to make estimates and assumptions that affect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may differ from those estimates.

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

2. Summary of Significant Accounting Policies, Continued;

Accounting Policies of Consolidated Companies -

The financial statements of the Consolidated Company are prepared in conformity with generally accepted financial accounting standards and the relevant laws and regulations of the Republic of Korea. The relevant laws and regulations that differ from generally accepted financial accounting standards are as follows:

| | <u>Relevant Laws and Regulations</u> |
|-----------------------------------|---|
| The Bank and Trust Accounts | Accounting Standards of Banking Industry, General Banking Act, and Trust Business Act |
| Kookmin Credit Card Co., Ltd. | Loan Specialization Financial Business Act, and Credit Card Business Act |
| Kookmin Investment Co., Ltd. | Act on support for foundation of small and medium-sized companies, and Loan Specialization Financial Business Act |
| KB Investment Trust Mgt. Co., Ltd | Securities Investment Trust Business Act, and Accounting Standards for Securities Investment Trust Business |
| Kookmin Futures Co., Ltd. | Supervisory Guidelines on Futures Trading |
| KB Real Estate Trust Co., Ltd. | Trust Business Act |
| KB Credit Information Co., Ltd. | Act on the use and protection of credit information |

Principles of Consolidation -

The Bank records differences between the cost basis of investment accounts and the corresponding capital accounts of subsidiaries at the time of acquisition as goodwill.

When net losses attributable to minority interests exceed the minority interest in the equity of the subsidiary, the excess is charged to the equity of the Bank. When the subsidiaries report income, the minority interest portion of such income is allocated to the equity of the Bank until the minority interest's share of net losses previously charged to the Bank has been fully recovered.

If the fiscal year-end of subsidiaries is different from that of the Bank, financial statements of such subsidiaries were prepared as of and for the year then ended December 31 for consolidation purposes.

All significant intercompany transactions and account balances among the consolidated company are eliminated in consolidation.

Recognition of Interest Income -

The Consolidated Company recognizes interest income on loans and debt securities on an accrual basis. However, interest income on delinquent and dishonored loans and debt securities, other than those subject to security deposits and guaranteed by financial institutions, is recognized on a cash basis.

Translation of Foreign Currency -

Assets and liabilities denominated in foreign currencies are translated into Korean Won at exchange rates announced by Seoul Money Brokerage Services, Ltd. at the balance sheet date. The resulting exchange gains or losses are reflected in other operating income or expenses.

The exchange rate used to translate foreign currency denominated assets and liabilities are (Won)1,200.4 : US\$1 , (Won)1,925.02 : GBP1, (Won)1,257.36 : EUR1 and (Won)1,012.87 : JPY100 at December 31, 2002 and (Won)1,326.1 : US\$1 , (Won)1,923.11 : GBP1, (Won)1,172.60 : EUR1 and (Won)1,009.4 : JPY100 at December 31, 2001, respectively.

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

2. Summary of Significant Accounting Policies, Continued;Loans -

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

Allowances for Loan Losses -

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

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

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

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

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

As a result of the changed allowance rates for the year ended December 31, 2002, the Bank provided additional allowances of (Won)274,673 million for consumer loans and (Won)87,035 million for credit cards loans resulting in a decrease of (Won)361,708 million in net income before income tax expenses.

Subsidiaries of the Bank recognize provision for loan losses based on a credit risk classification of loans and receivables in accordance with accounting standards for related subsidiaries industry and relevant laws and regulations. The material difference between the provision for loan losses of a subsidiary and that applied by FLC of the Bank is accounted for as additional provision (See Note 1).

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

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

Allowances for Loan Losses, Continued-

Kookmin Credit Card, a subsidiary of the Bank, had been providing for loan losses under the Regulation on Supervision of Credit-Specialized Financial Business in prior years. However, from the current period, to better provide for increased risks against losses on credit card receivables, Kookmin Credit Card revised its provision policy based on the historical loan loss rates and expectations on future redemption amounts. Due to this change, for the year ended December 31, 2002, Kookmin Credit Card provided additional allowances of (Won)397,158 million resulting in a decrease of (Won)397,158 million in net income before income taxes.

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 Consolidated Company applies the interest rate as of the inception of the loans, except for the interest rate of variable rate loans and extended maturity loans, which are adjusted to reflect the interest rate as of the restructuring date. The present value discounts are recorded by reclassifying allowances for loan losses and if additional allowances need to be provided for, the additional allowances are provided and recognized as provision for loan losses of the current period. These present value discounts are amortized using the effective interest method and are recognized as interest income. Allowances for loan losses on the restructured loans are provided for based on the loan balances net of present value discounts.

The Consolidated Company recorded (Won)21,156 million and (Won)28,868 million of present value discounts as of December 31, 2002 and 2001, respectively, on long-term deposits placed with Hansol Mutual Savings & Finance Co., Ltd. (previously, Bukook Mutual Savings & Finance Co., Ltd.), a subsidiary of the Bank sold in December 1999 (See Note 3). The receivables from the disposal of foreclosed assets that are redeemed in long-term installments are recorded in the balance sheet net of the related present value discounts.

Securities -

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

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

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

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

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

2. Summary of Significant Accounting Policies, Continued;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>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 |

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.

The Consolidated Company recorded goodwill as a result of the merger with H&CB for the cost of the merger exceeding the fair value of the net assets acquired. Intangible assets including goodwill are amortized based on the following estimated average useful lives using the straight-line method and are presented in the financial statements net of accumulated amortization.

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

Foreclosed assets acquired through, or in lieu of, loan redemption are stated at cost and are not depreciated. A valuation allowance is recorded when 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.

Stock Issuance Costs and Debenture Issuance Costs -

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

Accrued Retirement Benefits -

Employees and directors with more than one year of service as of the balance sheet date are entitled to receive a lump-sum payment upon termination of their employment with the Consolidated Company, based on their length of service and rate of pay at the time of termination. Additionally, the Bank records the contributions to pension funds, which grant the payment rights to its employees, and contributions to the national pension fund as contra accounts of accrued retirement benefits.

Guarantees and Acceptances -

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

Deferred Income Taxes -

The Consolidated Company 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.

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

2. Summary of Significant Accounting Policies, Continued;

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.

Stock Options -

The Bank had applied the fair value method using an option-pricing model in measuring compensation cost until the prior period. However, starting from the current period, expecting a high probability of grant and exercise as stock appreciation rights, the Bank changed the measurement method to the intrinsic value method. As a result, previous amounts recorded in capital adjustments (stock options) have been reclassified into accrued expenses (See Note 14).

Derivatives Instruments -

Derivative financial instruments for trading or hedging purposes are valued at estimated market price and resulting unrealized gains or 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 hedging transaction relationship entered into for hedging the exposure to changes in the fair value of an asset or a liability or a firm commitment (hedged item) that is attributable to a particular risk. The gain or loss, both on the hedging derivative instrument and on the hedged item attributable to the hedged risk, are recognized in current operations.

Cash flow hedge accounting is applied to a hedging transaction relationship entered into for 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 the hedging derivative instrument designated as a cash flow hedge is recorded as a capital adjustment and the ineffective portion is recorded in current operations. The effective portion of the gain or loss recorded as a capital adjustment is reclassified into 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 recorded in capital adjustment is added to or deducted from the asset or the liability.

National Housing Fund -

The Consolidated Company, 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.

Translation of the Foreign Currency Financial Statements of Foreign Entities -

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

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

2. Summary of Significant Accounting Policies, Continued;Statement of Cash Flows -

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

Consolidation Adjustment -

The accompanying consolidated financial statements reflect certain consolidation adjustments as follows:

| | Net Income (Loss) | | Retained Earnings | |
|--|-------------------|-----------------|-------------------|-----------------|
| | 2002 | 2001 | 2002 | 2001 |
| Aggregate balances of each entity | (Won) 1,069,429 | (Won) 1,323,716 | (Won) 2,956,039 | (Won) 1,706,921 |
| Consolidation adjustments: | | | | |
| Elimination of shareholdings | (893) | (1,470) | (250,693) | (44,307) |
| Minority interest in earnings or losses, net | 65,260 | (120,557) | (208,594) | 31 |
| Reversal of the equity method | 267,419 | (358,003) | (26,572) | (498,822) |
| Merger between subsidiaries | (81,502) | | | |
| Disposal of subsidiaries | (59,077) | | | |
| Elimination of provisions for loan losses for consolidated subsidiaries | (318) | (88,180) | 918 | 214,232 |
| Additional provisions for loan losses for consolidated subsidiaries | | 1,689 | | (29,516) |
| Elimination of gains and losses on derivatives transaction for consolidated subsidiaries | 1,342 | | 1,483 | |
| Change in foreign exchange rate | (3,286) | (7,743) | (8,291) | 3,836 |
| Reversal of trust reserve | 10,006 | | | |
| Restoration of equity investments conversion | | 83,803 | | 174,751 |
| Other consolidation adjustments | 2,928 | 3,620 | (2,055) | (8,062) |
| | 201,879 | (486,841) | (493,804) | (187,857) |
| Balances in the consolidated financial statements | (Won) 1,271,308 | (Won) 836,875 | (Won) 2,462,235 | (Won) 1,519,064 |

Application of the Statements of Korean Financial Accounting Standards -

The Korean Accounting Standards Board (KASB) has published a series of Statements of Korean Financial Accounting Standards (SKFAS), which will gradually replace the existing financial accounting standards established by the Korean Financial and Supervisory Board. SKFAS No. 2 through No. 9 become effective for the Bank on January 1, 2003, and the Bank plans to adopt these statements in its financial statements for the year ending December 31, 2003.

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

3. Cash and Due from Banks:

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

| | | <u>2002</u> | <u>2001</u> |
|---|---------------------------------------|------------------------|------------------------|
| <u>Cash on hand</u> | | | |
| Cash in Won | | (Won) 2,393,118 | (Won) 2,553,714 |
| Cash in foreign currency | | 186,780 | 147,314 |
| | | <u>2,579,898</u> | <u>2,701,028</u> |
| <u>Due from banks in Won</u> | | | |
| The Bank of Korea | Reserve deposits | 1,340,482 | 3,450,528 |
| Banks | Time deposits | 99,849 | 238,866 |
| Other financial institutions | Cash management accounts | 140,000 | 1,144,971 |
| Others | Futures margin accounts and others | 108,664 | 6,330 |
| | | <u>1,688,995</u> | <u>4,840,695</u> |
| | Present value discounts ^{1*} | (21,156) | (28,868) |
| | | <u>1,667,839</u> | <u>4,811,827</u> |
| <u>Due from banks in foreign currencies</u> | | | |
| The Bank of Korea | Demand deposits | 25,677 | 33,795 |
| Domestic banks | Demand deposits | 10,221 | 125,798 |
| Foreign banks | Time deposits | 220,763 | 146,565 |
| Off-shore | Demand deposits | 5,064 | 23,433 |
| Others | Other deposits | 281,174 | |
| | | <u>542,899</u> | <u>329,591</u> |
| | | <u>(Won) 4,790,636</u> | <u>(Won) 7,842,446</u> |

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

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

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| | <u>2002</u> | <u>2001</u> | <u>Restrictions</u> |
|--|------------------------|------------------------|---------------------------|
| Reserve deposits in the Bank of Korea and Korea Exchange Bank | (Won) 1,377,891 | (Won) 3,450,528 | General Banking Act |
| Deposits placed with Hansol Mutual Savings & Finance Co., Ltd. | 140,000 | 145,000 | Withdrawal at maturity |
| Deposits at insurance companies | 66,000 | 749,723 | Related to borrowings |
| Other deposits | 20,653 | 56,543 | Futures guarantee deposit |
| | <u>(Won) 1,604,544</u> | <u>(Won) 4,401,794</u> | |

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

| | Due from Banks | | Total |
|-------------------------------------|------------------------|------------------------------|------------------------|
| | in Won | in Foreign Currencies | |
| Due in 3 months or less | (Won) 1,511,803 | (Won) 470,875 | (Won) 1,982,678 |
| Due after 3 months through 6 months | | 72,024 | 72,024 |
| Due after 6 months through 1 year | 35,000 | | 35,000 |
| Due after 1 year through 2 years | 50,000 | | 50,000 |
| Due after 2 years through 3 years | 90,000 | | 90,000 |
| Due after 3 years through 4 years | | | |
| Due after 4 years through 5 years | 1,000 | | 1,000 |
| Thereafter | 1,192 | | 1,192 |
| | <u>(Won) 1,688,995</u> | <u>(Won) 542,899</u> | <u>(Won) 2,231,894</u> |

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

4. Trading Securities:

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

| | Par Value | Beginning | | Balance Sheet Amount | |
|---|---------------|-----------------------|--------------------------------|----------------------|------------------|
| | | Balance ^{1*} | Amortized Amount ^{2*} | 2002 | 2001 |
| Trading securities in Won | | | | | |
| Listed equity securities | (Won) 954,172 | (Won) 140,230 | (Won) 140,230 | (Won) 95,501 | (Won) 56,590 |
| Government and municipal bonds | 954,172 | 974,579 | 970,785 | 976,166 | 1,769,831 |
| Finance debentures | 1,397,731 | 1,385,611 | 1,384,443 | 1,388,997 | 2,102,761 |
| Corporate bonds | 2,370,529 | 2,747,343 | 2,741,049 | 2,731,459 | 2,839,845 |
| Beneficiary certificates | | 3,698,994 | 3,699,767 | 3,862,439 | 4,148,264 |
| Other trading securities ^{3*} | | 176,462 | 182,215 | 207,041 | 658,919 |
| | | 9,123,219 | 9,118,489 | 9,261,603 | 11,576,210 |
| Trading securities in foreign currencies | | | | | |
| | 12,526 | 12,364 | 12,366 | 11,842 | 58,128 |
| | | (Won) 9,135,583 | (Won) 9,130,855 | (Won) 9,273,445 | (Won) 11,634,338 |

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

2* Beginning balance of accumulated amortization plus current year's amortization.

3* Other trading securities include 161,993 million of commercial papers dominated in Korean Won.

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

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

| Securities in Won | | Securities in Foreign Currencies | |
|-------------------|-----------|----------------------------------|-----------|
| Amount | Ratio (%) | Amount | Ratio (%) |

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| | | | | |
|------------------------------------|------------------------|---------------|---------------------|---------------|
| By Country | | | | |
| Korea | (Won) 9,261,603 | 100.00 | (Won) 11,842 | 100.00 |
| | <u>(Won) 9,261,603</u> | <u>100.00</u> | <u>(Won) 11,842</u> | <u>100.00</u> |
| By Type | | | | |
| Fixed rate bond | (Won) 4,294,774 | 46.37 | (Won) | |
| Floating rate bond | 1,021,923 | 11.03 | 11,842 | 100.00 |
| Equity securities | 95,501 | 1.03 | | |
| Others | 3,849,405 | 41.57 | | |
| | <u>(Won) 9,261,603</u> | <u>100.00</u> | <u>(Won) 11,842</u> | <u>100.00</u> |
| By Industry | | | | |
| Government and government agencies | (Won) 1,171,906 | 12.65 | (Won) | |
| Financial institutions | 6,789,441 | 73.31 | | |
| Others | 1,300,256 | 14.04 | 11,842 | 100.00 |
| | <u>(Won) 9,261,603</u> | <u>100.00</u> | <u>(Won) 11,842</u> | <u>100.00</u> |

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

4. Trading Securities, Continued;

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

| | <u>Government and Municipal Bonds</u> | <u>Finance Debentures</u> | <u>Corporate Bonds</u> | <u>Beneficiary Certificates</u> | <u>Trading Securities in Foreign Currencies</u> | <u>Others</u> | <u>Total</u> |
|----------------------------|---|-------------------------------|------------------------|-------------------------------------|---|----------------------|------------------------|
| Due in 3 months or less | (Won) 3,887 | (Won) 39,996 | (Won) 170,472 | (Won) 3,857,413 | (Won) | (Won) 155,319 | (Won) 4,227,087 |
| Due after 3 ~ 6 months | 23,867 | 117,148 | 161,904 | 5,026 | | 38,046 | 345,991 |
| Due after 6 ~ 9 months | 11,822 | 135,108 | 187,226 | | | 700 | 334,856 |
| Due after 9 ~ 12 months | 33,481 | 77,089 | 121,265 | | | 3,966 | 235,801 |
| Due after 1 ~ 2 years | 126,700 | 920,123 | 798,706 | | | 9,010 | 1,854,539 |
| Due after 2 ~ 3 years | 570,492 | 69,171 | 634,575 | | 11,842 | | 1,286,080 |
| Due after 3 ~ 4 years | 101,116 | | 436,219 | | | | 537,335 |
| Due after 4 ~ 5 years | 86,802 | | 98,773 | | | | 185,575 |
| Thereafter | 17,999 | 30,362 | 122,319 | | | | 170,680 |
| | <u>(Won) 976,166</u> | <u>(Won) 1,388,997</u> | <u>(Won) 2,731,459</u> | <u>(Won) 3,862,439</u> | <u>(Won) 11,842</u> | <u>(Won) 207,041</u> | <u>(Won) 9,177,944</u> |

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

5. Investment Securities:

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

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| | <u>2002</u> | <u>2001</u> |
|--|-------------------------|-------------------------|
| <u>Equity securities</u> | | |
| Marketable equity securities | (Won) 272,973 | (Won) 366,512 |
| Non-marketable equity securities | 408,025 | 499,011 |
| Domestic related parties | 56,241 | 58,655 |
| | <u>737,239</u> | <u>924,178</u> |
| <u>Investment in special funds</u> | | |
| Stock market stabilization fund | 12,947 | 23,178 |
| Investment union fund | 39,287 | 44,901 |
| | <u>52,234</u> | <u>68,079</u> |
| <u>Government and municipal bonds</u> | 4,609,487 | 3,795,572 |
| <u>Finance debentures</u> | 3,191,214 | 3,317,256 |
| <u>Corporate bonds</u> | 12,516,526 | 13,174,726 |
| <u>Beneficiary certificates</u> | 5,162,573 | 3,762,445 |
| <u>Securities lent</u> | 47,835 | 198,934 |
| <u>Other investment securities^{1*}</u> | 1,914 | 2,079 |
| <u>Securities denominated in foreign currencies</u> | | |
| Overseas related parties | 2,363 | 2,303 |
| Equity securities | 30,436 | 35,640 |
| Debt securities | 1,237,040 | 1,371,796 |
| | <u>1,269,839</u> | <u>1,409,739</u> |
| | <u>(Won) 27,588,861</u> | <u>(Won) 26,653,008</u> |

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

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

5. Investment Securities, Continued;

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

| | Par Value | Beginning Balance ^{1*} | Amortized Amount | Balance Sheet Amount |
|--|-------------------------|------------------------------------|-------------------------|-------------------------|
| <u>Available-for-sale</u> | | | | |
| Government and municipal bonds | (Won) 2,174,547 | (Won) 2,215,911 | (Won) 2,186,170 | (Won) 2,226,732 |
| Finance debentures | 2,308,398 | 2,257,078 | 2,249,679 | 2,267,156 |
| Corporate bonds | 3,834,894 | 3,753,493 | 3,639,398 | 3,695,983 |
| Securities denominated in foreign currencies | 1,194,164 | 1,054,763 | 1,029,891 | 1,053,170 |
| | <u>9,512,003</u> | <u>9,281,245</u> | <u>9,105,138</u> | <u>9,243,041</u> |
| <u>Held-to-maturity</u> | | | | |
| Government and municipal bonds | 2,372,448 | 2,386,293 | 2,382,755 | 2,382,755 |
| Finance debentures | 951,000 | 924,048 | 924,059 | 924,058 |
| Corporate bonds | 8,772,500 | 8,909,211 | 8,821,272 | 8,820,543 |
| Securities denominated in foreign currencies | 239,662 | 168,215 | 179,361 | 183,870 |
| | <u>12,335,610</u> | <u>12,387,767</u> | <u>12,307,447</u> | <u>12,311,226</u> |
| | <u>(Won) 21,847,613</u> | <u>(Won) 21,669,012</u> | <u>(Won) 21,412,585</u> | <u>(Won) 21,554,267</u> |

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

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

Government and municipal bonds sold under repurchase agreements of (Won)3,074,161 million and (Won)2,955,442 million as of December 31, 2002 and 2001, respectively, are included in the investment securities (See Note 11).

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

| Issuer | Ownership (%) | Acquisition Cost | Beginning Balance | Unrealized Gains (Losses) | | | Balance Sheet Amount | |
|---|---------------|------------------|-------------------|---------------------------|-------|-------|----------------------|--------------|
| | | | | NI | R/E | C/A | 2002 | 2001 |
| KLB Securities Co., Ltd. ^{1*} | 36.41 | (Won) 10,316 | (Won) | (Won) | (Won) | (Won) | (Won) | (Won) |
| Joeun Industrial Co., Ltd. ^{1*} | 99.99 | 23,994 | 11,714 | (11,714) | | | | |
| ING Life Korea Co., Ltd. | 20.00 | 21,769 | 24,891 | (3,278) | | | 21,613 | 24,891 |
| Korea Mortgage Co., Ltd. | 26.67 | 30,628 | 32,487 | 1,080 | | | 33,567 | 32,487 |
| Jeio Co., Ltd. | 21.14 | 750 | 835 | (288) | | | 547 | |
| Korea Asset Investment Co., Ltd. | 48.60 | 4,905 | 3,054 | (2,540) | | | 514 | 1,277 |
| Kookmin Singapore Ltd. ^{1*} | 100.00 | 12,123 | 2,084 | | | | 2,084 | 2,303 |
| Kookmin Finance Asia Ltd.(HK) ^{1*} | 100.00 | 8,403 | 1,023 | (744) | | | 279 | |
| | | (Won) 112,888 | (Won) 76,088 | (Won) (17,484) | (Won) | (Won) | (Won) 58,604 | (Won) 60,958 |

^{1*} KLB Securities Co., Ltd., Joeun Industrial Co., Ltd., Kookmin Singapore Ltd. (Merchant Bank), Ltd. and Kookmin Finance Asia Ltd. (HK) are in the process of liquidation.

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

5. Investment Securities, Continued;

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

| Issuer | Ownership (%) | Acquisition Cost | Fair Value or Net Asset Value ^{1*} | Balance Sheet Amount |
|--|---------------|------------------|---|----------------------|
| Marketable equity securities (KSE) | | | | |
| Hyundai Construction Co., Ltd. | 6.14 | (Won) 140,125 | (Won) 48,197 | (Won) 48,197 |
| KP Chemical Co., Ltd. | 7.89 | 36,650 | 22,818 | 22,818 |
| Kia Motors Corp. | 0.65 | 26,281 | 21,267 | 21,267 |
| SK Securities Co., Ltd. | 5.58 | 26,878 | 21,259 | 21,259 |
| Hankang Restructuring Fund | 6.25 | 21,444 | 16,632 | 16,632 |
| INI Steel Co., Ltd. | 2.14 | 9,564 | 14,469 | 14,469 |
| Daewoo Securities Co., Ltd. | 1.60 | 53,627 | 13,741 | 13,741 |
| Ssangyong Motor Company | 2.09 | 27,655 | 12,653 | 12,653 |
| Saehan Industries Inc. | 5.67 | 11,968 | 11,333 | 11,333 |
| Samsung Electronics Co.,Ltd. | 0.02 | 5,205 | 9,420 | 9,420 |
| KT | 0.05 | 8,497 | 7,978 | 7,978 |
| Korea Zinc Co., Ltd. | 1.91 | 9,008 | 6,485 | 6,485 |
| Daewoo Engineering & Construction Co., Ltd. | 1.35 | 5,077 | 5,843 | 5,843 |
| Korea Electric Power Corporation | 0.05 | 6,120 | 5,475 | 5,475 |
| Daewoo Heavy Industries & Machinery Ltd. | 1.11 | 3,164 | 5,243 | 5,243 |
| ByuckSan Engineering & Construction Co., Ltd. | 5.25 | 6,610 | 4,631 | 4,631 |
| Crown Confectionary Co, Ltd. | 10.94 | 1,823 | 4,416 | 4,416 |
| Shinwon Corp. | 8.38 | 9,873 | 4,366 | 4,366 |
| Nam-Kwang Engineering & Construction Co., Ltd. | 2.25 | 2,797 | 1,499 | 1,499 |
| Others | | 25,766 | 21,685 | 21,685 |
| | | 438,132 | 259,410 | 259,410 |
| Marketable equity securities (KOSDAQ) | | | | |
| C&H Capital Co., Ltd. | 9.75 | 8,135 | 3,867 | 3,867 |
| CJ Corp. | 0.73 | 300 | 2,538 | 2,538 |
| Others | | 16,463 | 7,158 | 7,158 |
| | | 24,898 | 13,563 | 13,563 |
| Non-marketable equity securities | | | | |
| Mutual Fund ^{2*} | 11.87 | 103,353 | 92,239 | 92,239 |
| Korea Housing Guarantee Co., Ltd. | 11.79 | 53,330 | 76,543 | 68,648 |
| KT Icom Co., Ltd. | 2.08 | 37,465 | 37,840 | 37,465 |

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| | | | | |
|------------------------------------|------|----------------------|----------------------|----------------------|
| Dongbu Electronics Co., Ltd. | 6.61 | 30,000 | 20,702 | 30,000 |
| Hyundai Petrochemical Co., Ltd. | 9.31 | 20,173 | 73,184 | 20,173 |
| Daewoo Electronics Co., Ltd. | 1.85 | 9,862 | 384 | 9,862 |
| The Korea Securities Finance Corp. | 2.40 | 8,160 | 10,371 | 8,160 |
| Korea Asset Management Corp. | 5.38 | 7,827 | 16,563 | 7,827 |
| Samsung Life Insurance Co., Ltd. | 0.11 | 7,479 | 5,988 | 7,479 |
| Korea Highway Corp. | 0.12 | 6,248 | 14,716 | 6,248 |
| Hansol Patech Co., Ltd. | 2.12 | 5,955 | 1,642 | 5,955 |
| BC Card Co., Ltd. | 4.95 | 5,738 | 8,040 | 5,738 |
| Mirae Asset Securities Co., Ltd. | 4.43 | 5,000 | 7,679 | 5,000 |
| Others | | 176,031 | 97,982 | 103,231 |
| | | <u>(Won) 476,621</u> | <u>(Won) 463,873</u> | <u>(Won) 408,025</u> |

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

5. Investment Securities, Continued;

| Issuer | Ownership (%) | Acquisition Cost | Fair Value or Net Asset Value ^{1*} | Balance Sheet Amount |
|--|------------------|---------------------|---|-------------------------|
| <u>Equity securities denominated in foreign currencies</u> | | | | |
| Asia Credit Services (PTE) Ltd. | 6.67 | (Won) 12,004 | (Won) 9,892 | (Won) 9,892 |
| Nanjing Kumho Tire Co., Ltd. | 6.00 | 2,553 | 2,006 | 2,553 |
| Investment Development Leasing Co. | 10.00 | 1,539 | 2,089 | 2,089 |
| Pan Asia Paper (Thailand) Co., Ltd. | 4.12 | 4,835 | 2,876 | 2,876 |
| Sahaviriya Steel Industry | 1.09 | 900 | 2,016 | 2,016 |
| Baring Communications Equity | 6.73 | 4,921 | 1,947 | 1,947 |
| China Enterprise Development Fund | 2.63 | 1,224 | 1,224 | 1,224 |
| Asia Finance and Investment Corp. | 2.17 | 3,001 | 1,179 | 1,179 |
| Tianjin Samsung Opto- Electronics. | 10.00 | 1,173 | 1,381 | 1,173 |
| Isotechnika | 1.02 | 1,857 | 1,563 | 1,563 |
| Others | | 5,974 | 7,046 | 3,924 |
| | | 39,981 | 33,219 | 30,436 |
| | | (Won) 979,632 | (Won) 770,065 | (Won) 711,434 |

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

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

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

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

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

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

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

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

5. Investment Securities, Continued;

| Issuer | Acquisition Cost | Impairment Loss | Book Value |
|--|---------------------|--------------------|----------------|
| Hanmi Capital Co., Ltd. | (Won) 2,335 | (Won) 994 | (Won) 1,341 |
| Others | 2,925 | 1,595 | 1,330 |
| | <u>291,280</u> | <u>171,903</u> | <u>119,377</u> |
| <u>Marketable equity securities (KOSDAQ)</u> | | | |
| C&H Capital | 8,135 | 4,268 | 3,867 |
| Others | 12,779 | 10,166 | 2,613 |
| | <u>20,914</u> | <u>14,434</u> | <u>6,480</u> |
| <u>Non-marketable equity securities</u> | | | |
| Alpha Capital Corp. | 3,919 | 1,081 | 2,838 |
| Others | 113,214 | 95,361 | 17,853 |
| | <u>117,133</u> | <u>96,442</u> | <u>20,691</u> |
| <u>Equity securities denominated in foreign currencies</u> | | | |
| Asia Credit. | 12,004 | 2,112 | 9,892 |
| Pan Asia Paper. | 4,835 | 1,959 | 2,876 |
| Baring Communications Equity | 4,921 | 2,974 | 1,947 |
| Asia Finance and Investment Corp. | 3,001 | 1,822 | 1,179 |
| Others | 3,105 | 2,050 | 1,055 |
| | <u>27,866</u> | <u>10,917</u> | <u>16,949</u> |
| <u>Investment on funds</u> | | | |
| KB 1# Investment Union | 1,000 | 75 | 925 |
| Others | 4,961 | 4,112 | 849 |
| | <u>5,961</u> | <u>4,187</u> | <u>1,774</u> |
| | <u>463,154</u> | <u>297,883</u> | <u>165,271</u> |
| <u>Debt Securities</u> | | | |
| <u>Corporate bonds</u> | | | |
| Hyundai Engineering & Construction Co. Ltd. | 69,400 | 40,811 | 28,589 |
| H&CB 200105 ABS Specialty Co., Ltd. | 23,500 | 7,459 | 16,041 |
| Kookmin-# ABS Specialty Co., Ltd. | 10,000 | 209 | 9,791 |

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| | | | |
|--|----------------------|----------------------|----------------------|
| Kookmin-4 th ABS Specialty Co., Ltd. | 6,500 | 480 | 6,020 |
| Kookmin-5 th ABS Specialty Co., Ltd. | 4,000 | 1,166 | 2,834 |
| Others | 746 | 730 | 16 |
| | <u>114,146</u> | <u>50,855</u> | <u>63,291</u> |
| Debt securities denominated in foreign currencies | | | |
| Daehan Global | 43,296 | 14,726 | 28,570 |
| PT Pelabuan | 14,028 | 5,025 | 9,003 |
| Berjaya Group capital | 1,991 | 530 | 1,461 |
| Others | 10,514 | 7,376 | 3,138 |
| | <u>69,829</u> | <u>27,657</u> | <u>42,172</u> |
| | <u>183,975</u> | <u>78,512</u> | <u>105,463</u> |
| | <u>(Won) 647,129</u> | <u>(Won) 376,395</u> | <u>(Won) 270,734</u> |

For the year ended December 31, 2002, the recovery of impairment losses on investment equity securities amounts to (Won)15,318 million related to the investments in Korea Housing Guarantee Co., Ltd. and the recovery of impairment losses on investment debt securities amounts to (Won)6,800 million and (Won)5,580 million related to the investments in Kookmin-3rd ABS Specialty Co., Ltd. and Kookmin-4th ABS Specialty Co., Ltd., respectively.

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

5. Investment Securities, Continued;

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

| | Securities in Won ^{1*} | | Securities in Foreign Currencies | |
|------------------------------------|---------------------------------|-----------|----------------------------------|-----------|
| | Amount | Ratio (%) | Amount | Ratio (%) |
| By Country | | | | |
| Korea | (Won) 26,271,187 | 100.00 | (Won) 924,237 | 72.78 |
| USA | | | 85,220 | 6.71 |
| Philippines | | | 66,708 | 5.25 |
| Germany | | | 30,010 | 2.36 |
| Mexico | | | 20,007 | 1.58 |
| India | | | 22,294 | 1.76 |
| Indonesia | | | 22,575 | 1.78 |
| Hong Kong | | | 19,132 | 1.51 |
| Singapore | | | 10,252 | 0.81 |
| Thailand | | | 11,978 | 0.94 |
| Others | | | 57,426 | 4.52 |
| | (Won) 26,271,187 | 100.00 | (Won) 1,269,839 | 100.00 |
| By Type | | | | |
| Fixed rate bonds | (Won) 16,957,848 | 64.55 | (Won) 453,349 | 35.70 |
| Floating rate bonds | 4,837,263 | 18.41 | 491,096 | 38.67 |
| Subordinated bonds | 422,708 | 1.61 | 156,066 | 12.29 |
| Convertible bonds | 30,128 | 0.11 | 119,286 | 9.39 |
| Equity securities | 737,580 | 2.81 | 32,799 | 2.58 |
| Others | 3,285,660 | 12.51 | 17,243 | 1.37 |
| | (Won) 26,271,187 | 100.00 | (Won) 1,269,839 | 100.00 |
| By Industry | | | | |
| Government and government agencies | (Won) 12,796,929 | 48.71 | (Won) 180,347 | 14.20 |
| Financial institutions | 10,397,551 | 39.58 | 614,224 | 48.37 |
| Others | 3,076,707 | 11.71 | 475,268 | 37.43 |
| | (Won) 26,271,187 | 100.00 | (Won) 1,269,839 | 100.00 |

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1* Securities lent are not included.

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

| | Government and Municipal Bonds | Finance Debentures | Corporate Bonds | Beneficiary Certificates | Securities in Foreign Currencies | Others | Total |
|-------------------------|---|-------------------------------|-------------------------|-------------------------------------|---|--------------------|-------------------------|
| Due in 3 months or less | (Won) 58,372 | (Won) 569,808 | (Won) 749,435 | (Won) 2,370,297 | (Won) 104,172 | (Won) 1,914 | (Won) 3,853,998 |
| Due after 3 ~ 6 months | 18,239 | 880,899 | 567,741 | 476,833 | 118,220 | | 2,061,932 |
| Due after 6 ~ 9 months | 354,834 | 101,670 | 4,282,185 | 182,908 | 48,859 | | 4,970,456 |
| Due after 9 ~ 12 months | 102,190 | 443,170 | 645,157 | 440,142 | 55,526 | | 1,686,185 |
| Due after 1 ~ 2 years | 938,114 | 1,055,856 | 2,505,758 | 671,415 | 170,908 | | 5,342,051 |
| Due after 2 ~ 3 years | 1,422,987 | 109,811 | 2,554,725 | 1,020,978 | 297,776 | | 5,406,277 |
| Due after 3 ~ 4 years | 362,006 | 30,000 | 676,795 | | 148,962 | | 1,217,763 |
| Due after 4 ~ 5 years | 1,097,616 | | 217,207 | | 156,603 | | 1,471,426 |
| Thereafter | 255,129 | | 317,523 | | 136,014 | | 708,666 |
| | (Won) 4,609,487 | (Won) 3,191,214 | (Won) 12,516,526 | (Won) 5,162,573 | (Won) 1,237,040 | (Won) 1,914 | (Won) 26,718,754 |

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

5. Investment Securities, Continued;

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

| | Trading Securities | | Investment Securities | |
|--------|--------------------|-----------|-----------------------|-----------|
| | Amount | Ratio (%) | Amount | Ratio (%) |
| USD | (Won) 11,842 | 100.00 | (Won) 1,202,365 | 94.69 |
| JPY | | | 48,398 | 3.81 |
| DEM | | | 5,667 | 0.45 |
| EUR | | | 3,740 | 0.29 |
| THB | | | 3,570 | 0.28 |
| BDT | | | 2,089 | 0.16 |
| PHP | | | 451 | 0.04 |
| SFR | | | 1,496 | 0.12 |
| IDR | | | 133 | 0.01 |
| CHF | | | 367 | 0.03 |
| Others | | | 1,563 | 0.12 |
| | (Won) 11,842 | 100.00 | (Won) 1,269,839 | 100.00 |

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

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

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

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

Related Liability

Securities Provided

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| Transaction | Amount | Book Value | Pledge Value |
|--|------------------------------|-----------------|-----------------|
| Bonds sold under repurchase agreements | (Won) 3,074,161 | (Won) 3,907,187 | (Won) 3,855,399 |
| Borrowings from the Bank of Korea | 671,854 | 2,141,059 | 2,119,350 |
| Derivatives transactions | Borrowing within credit line | 105,407 | 110,033 |
| BOK settlements | Borrowing within credit line | 507,753 | 504,300 |
| Sale of non-performing loans | Borrowing within credit line | 168,100 | 166,671 |
| Borrowings denominated in foreign currencies | 1,670 | 1,895 | 1,900 |
| Borrowings for supporting venture fund etc. | 17,244 | 4,927 | 4,749 |
| | | (Won) 6,836,328 | (Won) 6,762,402 |

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

6. Loans:

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

| Account | Detailed Account | 2002 | 2001 |
|---------------------|---|-------------------|-------------------|
| <u>Loans in Won</u> | | | |
| Corporate loans | <u>Operation loans</u> | | |
| | General operation loans | (Won) 28,774,621 | (Won) 22,829,596 |
| | Notes discounted | 1,851,133 | 2,235,289 |
| | Overdraft accounts | 568,702 | 397,592 |
| | Trading notes | 814,759 | 736,886 |
| | Other operation loans | 3,229,851 | 2,545,620 |
| | | <u>35,239,066</u> | <u>28,744,983</u> |
| | <u>Facility loans</u> | | |
| | General facility loans | 4,676,506 | 3,117,383 |
| | Special purpose loans | | 417,174 |
| | Other facility loans | 1,287,125 | 899,890 |
| | | <u>5,963,631</u> | <u>4,434,447</u> |
| | | <u>41,202,697</u> | <u>33,179,430</u> |
| Consumer loans | General consumer loans | 39,713,543 | 34,367,459 |
| | Consumer housing loans | 33,731,435 | 25,181,841 |
| | Remunerations on mutual installment savings | 131,768 | 57,099 |
| | Other consumer loans | 632,172 | 385,488 |
| | | <u>74,208,918</u> | <u>59,991,887</u> |
| Public loans | Public operation loans | 738,632 | 730,598 |
| | Public facility loans | 39,414 | 57,211 |
| | | <u>778,046</u> | <u>787,809</u> |
| Other loans | Property formation loans | 95,252 | 154,069 |
| | Inter-bank loans | 20,941 | 36,110 |

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| | | | |
|---|---------------------------------------|-------------|------------|
| | Others | 5,450 | 7,740 |
| | | 121,643 | 197,919 |
| Trust accounts | Loans on real estate collateral | 153,105 | 233,232 |
| Subsidiaries | Investment in direct financing leases | | 214,040 |
| | Others | 280,225 | 182,668 |
| | | 280,225 | 396,708 |
| | | 116,744,634 | 94,786,985 |
| <u>Loans in foreign currencies</u> | Domestic funding loans | 1,196,510 | 2,031,655 |
| | Overseas funding loans | 896,998 | 1,102,198 |
| | Inter-bank loans | 816,406 | 842,255 |
| | Government funding loans | 3,241 | 6,968 |
| | Domestic usance bills | 1,346,044 | 286,155 |
| | Investment in direct financing leases | | 249,953 |
| | | 4,259,199 | 4,519,184 |
| <u>Bills bought in Won</u> | | 37,415 | 51,077 |
| <u>Bills bought in foreign currencies</u> | | 756,300 | 1,006,095 |
| <u>Payments on guarantees</u> | | 52,543 | 200,126 |
| <u>Credit card accounts</u> | General credit sales | 1,742,456 | 1,823,706 |
| | Installment credit sales | 4,678,785 | 3,795,928 |
| | Cash services | 4,555,004 | 5,265,089 |
| | Card loans | 3,965,349 | 3,180,790 |
| | Others | 25,952 | 23,321 |
| | | 14,967,546 | 14,088,834 |

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

6. Loans, Continued;

| Account | Detailed Account | 2002 | 2001 |
|---|----------------------------------|-------------------|-------------------|
| <u>Bonds purchased under resale agreements (RP)</u> | | | 640,000 |
| <u>Call loans</u> | Call loans in Won | 33,600 | 1,293,900 |
| | Call loans in foreign currencies | 195,741 | 78,401 |
| | Inter-bank reconciliation funds | 89,287 | 124,616 |
| | | 318,628 | 1,496,917 |
| <u>Privately placed debentures</u> | | 1,285,279 | 1,999,579 |
| <u>Loans due for equity conversion</u> | | 7,643 | 219,048 |
| <u>Other loans</u> | | 56,795 | 52,033 |
| | | 138,485,982 | 119,059,878 |
| Allowances for loan losses (Note 7) | | (3,311,861) | (2,641,170) |
| Present value discounts | | (30,509) | (77,987) |
| | | (Won) 135,143,612 | (Won) 116,340,721 |

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

| | Settlements by Issuance or Grants of | | | | | | |
|--------------------|--------------------------------------|-------------|---------------------------------------|----------------------|----------------------|---------------------------------|----------------------------|
| | Balances before Restructuring | Exemption | Loans due for Equity Conversion | Equity Securities | Convertible Bonds | Balances after Restructuring | Present Value Discounts |
| Workout | (Won) 285,613 | (Won) 2,891 | (Won) | (Won) 132,601 | (Won) 17,287 | (Won) 132,834 | (Won) 6,116 |
| Court receivership | 117,385 | | 3,932 | 96,228 | | 17,225 | 2,811 |
| Court mediation | 102,364 | | | | | 102,364 | 1,247 |
| Others | 207,458 | 5,473 | 3,711 | | | 198,274 | 20,335 |
| | (Won) 712,820 | (Won) 8,364 | (Won) 7,643 | (Won) 228,829 | (Won) 17,287 | (Won) 450,697 | (Won) 30,509 |

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

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

| | Loans in Won | Loans in Foreign Currencies | Bills Bought ^{1*} | Credit Card | Call Loans | Privately Placed Debentures | Others | Total |
|-------------------------|-------------------|-----------------------------|----------------------------|------------------|---------------|-----------------------------|---------------|-------------------|
| Due in 3 months or less | (Won) 14,867,849 | (Won) 1,938,187 | (Won) 657,033 | (Won) 6,141,478 | (Won) 318,628 | (Won) 80,380 | (Won) 54,138 | (Won) 24,057,693 |
| Due after 3 ~ 6 months | 13,850,529 | 293,937 | 111,137 | 6,012,599 | | 96,905 | 3,711 | 20,368,818 |
| Due after 6 ~ 12 months | 24,302,835 | 492,198 | 8,123 | 1,253,302 | | 287,164 | 113 | 26,343,735 |
| Due after 1 ~ 2 years | 19,262,743 | 391,018 | 7,160 | 708,737 | | 336,207 | 25,993 | 20,731,858 |
| Due after 2 ~ 3 years | 26,797,660 | 273,303 | 7,160 | 455,008 | | 419,595 | | 27,952,726 |
| Due after 3 ~ 4 years | 2,461,268 | 131,375 | 3,102 | 98,306 | | 59,889 | | 2,753,940 |
| Due after 4 ~ 5 years | 3,058,047 | 133,052 | | 267,112 | | 5,012 | 30,802 | 3,494,025 |
| Thereafter | 12,143,703 | 606,129 | | 31,004 | | 127 | 2,224 | 12,783,187 |
| | (Won) 116,744,634 | (Won) 4,259,199 | (Won) 793,715 | (Won) 14,967,546 | (Won) 318,628 | (Won) 1,285,279 | (Won) 116,981 | (Won) 138,485,982 |

^{1*} Bills bought in Won and Bills bought in foreign currencies.

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

6. Loans, Continued;

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

| | <u>Loans in Won</u> | <u>Loans in Foreign Currencies</u> | <u>Others</u> | <u>Total</u> | <u>Percentage (%)</u> |
|--|--------------------------|------------------------------------|-------------------------|--------------------------|-----------------------|
| <u>By Country</u> | | | | | |
| Korea | (Won) 116,744,634 | (Won) 3,458,539 | (Won) 17,324,751 | (Won) 137,527,924 | 99.30 |
| Southeast Asia | | 67,192 | 95,482 | 162,674 | 0.12 |
| Russia | | 118,840 | | 118,840 | 0.09 |
| China | | 12,931 | 677 | 13,608 | 0.01 |
| Japan | | 245,078 | | 245,078 | 0.18 |
| USA/ Latin America | | 41,334 | 7,443 | 48,777 | 0.03 |
| Others | | 315,285 | 53,796 | 369,081 | 0.27 |
| | <u>(Won) 116,744,634</u> | <u>(Won) 4,259,199</u> | <u>(Won) 17,482,149</u> | <u>(Won) 138,485,982</u> | <u>100.00</u> |
| <u>By Customer and Industry</u> | | | | | |
| Industrial loans | | | | | |
| Financial institutions | (Won) 620,231 | (Won) 741,872 | (Won) 358,528 | (Won) 1,720,631 | 1.24 |
| Manufacturing companies | 14,340,920 | 1,708,266 | 1,266,787 | 17,315,973 | 12.50 |
| Service companies | 3,621,947 | 886,256 | 94,780 | 4,602,983 | 3.32 |
| Others | 22,701,763 | 851,921 | 773,724 | 24,327,408 | 17.58 |
| | <u>41,284,861</u> | <u>4,188,315</u> | <u>2,493,819</u> | <u>47,966,995</u> | <u>34.64</u> |
| Household loans | | | | | |
| | <u>74,681,727</u> | <u>61,138</u> | <u>14,988,330</u> | <u>89,731,195</u> | <u>64.79</u> |
| Public and other loans | | | | | |
| | <u>778,046</u> | <u>9,746</u> | <u>787,792</u> | <u>787,792</u> | <u>0.57</u> |
| | <u>(Won) 116,744,634</u> | <u>(Won) 4,259,199</u> | <u>(Won) 17,482,149</u> | <u>(Won) 138,485,982</u> | <u>100.00</u> |

7. Allowances for Loan Losses:

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

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| Allowance for | 2002 | 2001 |
|--|------------------------|------------------------|
| Loans in Won | (Won) 1,949,602 | (Won) 1,586,897 |
| Loans in foreign currencies | 113,034 | 293,304 |
| Bills bought in Won and foreign currencies | 20,213 | 97,269 |
| Payments on guarantees | 18,467 | 91,838 |
| Credit card accounts | 1,134,386 | 355,890 |
| Privately placed debentures | 34,365 | 101,834 |
| Loans due for equity conversion | 5,373 | 46,719 |
| Other loans | 13,798 | 22,726 |
| | <u>3,289,238</u> | <u>2,596,477</u> |
| Other allowances | 22,623 | 44,693 |
| | <u>(Won) 3,311,861</u> | <u>(Won) 2,641,170</u> |

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

7. Allowances for Loan Losses, Continued;

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

| | | Normal | Precautionary | Substandard | Doubtful | Estimated Loss | Total |
|-----------------------------------|---------------|-------------------|-----------------|-----------------|---------------|----------------|-------------------|
| Loans in Won | Loan balance | (Won) 108,373,870 | (Won) 5,264,333 | (Won) 2,298,262 | (Won) 541,340 | (Won) 242,631 | (Won) 116,720,436 |
| | Allowances | 726,276 | 210,621 | 470,326 | 299,748 | 242,631 | 1,949,602 |
| | Percentage(%) | 0.67 | 4.00 | 20.46 | 55.37 | 100.00 | 1.67 |
| Loans in foreign currencies | Loan balance | 3,820,712 | 234,042 | 153,193 | 38,914 | 8,317 | 4,255,178 |
| | Allowances | 14,999 | 14,119 | 49,628 | 25,971 | 8,317 | 113,034 |
| | Percentage(%) | 0.39 | 6.03 | 32.40 | 66.74 | 100.00 | 2.66 |
| Bills bought ^{1*} | Loan balance | 673,588 | 101,725 | 2,263 | 5,956 | 10,183 | 793,715 |
| | Allowances | 3,368 | 2,035 | 453 | 4,174 | 10,183 | 20,213 |
| | Percentage(%) | 0.50 | 2.00 | 20.02 | 70.08 | 100.00 | 2.55 |
| Payments on guarantees | Loan balance | 11,306 | 4,695 | 19,784 | 5,634 | 11,124 | 52,543 |
| | Allowances | 57 | 482 | 3,957 | 2,847 | 11,124 | 18,467 |
| | Percentage(%) | 0.50 | 10.27 | 20.00 | 50.53 | 100.00 | 35.15 |
| Credit card accounts | Loan balance | 12,316,550 | 1,972,420 | 113 | 638,959 | 39,504 | 14,967,546 |
| | Allowances | 265,458 | 392,522 | 23 | 436,879 | 39,504 | 1,134,386 |
| | Percentage(%) | 2.16 | 19.90 | 20.35 | 68.37 | 100.00 | 7.58 |
| Call loans | Loan balance | 318,628 | | | | | 318,628 |
| | Allowances | | | | | | |
| | Percentage(%) | | | | | | |

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| | | | | | | | |
|---------------------------------|----------------------------|-------------------|-----------------|-----------------|-----------------|---------------|-------------------|
| Privately placed debentures | Loan balance | 1,176,482 | 32,937 | 57,779 | 16,312 | 1,702 | 1,285,212 |
| | Allowances | 5,874 | 1,339 | 12,288 | 13,162 | 1,702 | 34,365 |
| | Percentage(%) | 0.50 | 4.07 | 21.27 | 80.69 | 100.00 | 2.67 |
| Loans due for equity conversion | Loan balance | | | 2,103 | 5,540 | | 7,643 |
| | Allowances | | | 1,144 | 4,229 | | 5,373 |
| | Percentage(%) | | | 54.40 | 76.34 | | 70.30 |
| Other loans | Loan balance | 28,581 | | 10,671 | 15,194 | 126 | 54,572 |
| | Allowances | 143 | | 2,134 | 11,395 | 126 | 13,798 |
| | Percentage(%) | 0.50 | | 20.00 | 75.00 | 100.00 | 25.28 |
| Total loans | Loan balance ^{2*} | (Won) 126,719,717 | (Won) 7,610,152 | (Won) 2,544,168 | (Won) 1,267,849 | (Won) 313,587 | (Won) 138,455,473 |
| | Allowances ^{3*} | 1,016,175 | 621,118 | 539,953 | 798,405 | 313,587 | 3,289,238 |
| | Percentage(%) | 0.80 | 8.16 | 21.22 | 62.97 | 100.00 | 2.38 |

1* Bills bought in Won and foreign currencies

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

3* The above amounts of allowances for loan losses do not include other allowances.

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

7. Allowances for Loan Losses, Continued;

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

| | <u>2002</u> | <u>2001</u> |
|--|------------------------|------------------------|
| <u>Beginning Balance</u> | (Won) 2,641,170 | (Won) 2,250,507 |
| Increase due to: | | |
| Provision for loan losses | 3,196,161 | 1,414,178 |
| Business combination with H&CB | | 970,556 |
| Collection of written-off loans | 284,145 | 97,123 |
| Troubled debt restructuring | 61,342 | 45,458 |
| Repurchase of loans sold | 6,424 | 3,404 |
| Reclassifications | 83,181 | 3,230 |
| Changes in exchange rates and others | 25,108 | 27,763 |
| | <u>3,656,361</u> | <u>2,561,712</u> |
| Decrease due to: | | |
| Write-off of loans | 2,552,014 | 1,459,540 |
| Changes in scope of consolidation | 83,722 | |
| Sale of loans | 113,414 | 382,236 |
| Conversion of loans into equity securities | 136,185 | 103,472 |
| Exemption of loans | 8,364 | 38,737 |
| Offset with present value discounts from troubled debt restructuring | 61,104 | 32,967 |
| Reclassifications | | 145,656 |
| Changes in exchange rates and others | 30,867 | 8,441 |
| | <u>2,985,670</u> | <u>2,171,049</u> |
| <u>Ending Balance</u> | <u>(Won) 3,311,861</u> | <u>(Won) 2,641,170</u> |

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

| | <u>2002</u> | <u>2001</u> | <u>2000</u> |
|--|-------------------|-------------------|------------------|
| Loans ^{1*} | (Won) 138,455,473 | (Won) 118,981,891 | (Won) 60,463,017 |
| Allowances for loan losses ^{2*} | 3,289,238 | 2,641,170 | 2,250,507 |

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| | | | |
|-----------|------|------|------|
| Ratio (%) | 2.38 | 2.22 | 3.72 |
|-----------|------|------|------|

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

2* The above amounts of allowances for loan losses do not include other allowances.

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

8. Fixed Assets:

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

| | 2002 | | | 2001 | | |
|--|------------------|--------------------------|--------------------|------------------|--------------------------|--------------------|
| | Acquisition Cost | Accumulated Depreciation | Net Carrying Value | Acquisition Cost | Accumulated Depreciation | Net Carrying Value |
| Tangible assets | | | | | | |
| Land | (Won) 1,231,177 | (Won) | (Won) 1,231,177 | (Won) 1,226,141 | (Won) | (Won) 1,226,141 |
| Building and structures | 919,541 | 120,353 | 799,188 | 885,132 | 101,967 | 783,165 |
| Leasehold improvements | 98,843 | 48,606 | 50,237 | 63,310 | 30,973 | 32,337 |
| Equipment and vehicles | 1,305,953 | 663,389 | 642,564 | 828,188 | 453,474 | 374,714 |
| Leasing property ^{1*} | | | | 167,845 | | 167,845 |
| Construction in progress | 1,197 | | 1,197 | 5,774 | | 5,774 |
| | (Won) 3,556,711 | (Won) 832,348 | 2,724,363 | (Won) 3,176,390 | (Won) 586,414 | 2,589,976 |
| Intangible assets | | | 632,115 | | | 694,135 |
| Foreclosed assets (net of valuation allowance) | | | 3,680 | | | 7,184 |
| | | | (Won) 3,360,158 | | | (Won) 3,291,295 |

^{1*} The Leasing properties as of December 31, 2001 comprise the land and the construction expenses related to the housing construction of Joeeun Industrial Co., Ltd., which is excluded from the scope of consolidation as of December 31, 2002.

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

All of the Bank's tangible assets, other than those personal properties valued under (Won)1 million, are covered by insurance policies of (Won)1,285,072 million and (Won)1,103,582 million as of December 31, 2002 and 2001, respectively. All vehicles are covered by legal and general insurance policies.

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

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| | <u>Beginning Balance</u> | <u>Increase</u> | <u>Decrease</u> | <u>Ending Balance</u> |
|-----------------------------------|------------------------------|---------------------|---------------------|-----------------------|
| Goodwill | (Won) 691,587 | (Won) | (Won) 77,581 | (Won) 614,006 |
| Negative goodwill | | (346) | (46) | (300) |
| Rights to income on donated asset | 118 | | 8 | 110 |
| Store possessory right | 183 | | 22 | 161 |
| Trademarks | 131 | 1 | 121 | 11 |
| Others | 2,116 | 18,281 | 2,270 | 18,127 |
| | <u>(Won) 694,135</u> | <u>(Won) 17,936</u> | <u>(Won) 79,956</u> | <u>(Won) 632,115</u> |

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

| | <u>2002</u> | | <u>2001</u> | |
|-------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | <u>Book Value</u> | <u>Appraisal Value</u> | <u>Book Value</u> | <u>Appraisal Value</u> |
| Lands included in tangible assets | (Won) 1,231,177 | (Won) 1,023,116 | (Won) 1,226,141 | (Won) 1,014,740 |
| Lands included in foreclosed assets | 1,923 | 931 | 4,253 | 13,492 |
| | <u>(Won) 1,233,100</u> | <u>(Won) 1,024,047</u> | <u>(Won) 1,230,394</u> | <u>(Won) 1,028,232</u> |

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

9. Other Assets:

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

| | <u>2002</u> | <u>2001</u> |
|-------------------------------|------------------------|------------------------|
| Guarantee deposits paid | (Won) 1,342,223 | (Won) 1,251,727 |
| Accounts receivable | 1,887,952 | 1,764,224 |
| Accrued income | 1,278,215 | 1,344,564 |
| Payments in advance | 59,331 | 108,150 |
| Prepaid expenses | 148,825 | 54,664 |
| Deferred tax assets (Note 27) | 188,068 | 147,839 |
| Derivative assets (Note 17) | 668,049 | 277,699 |
| Unsettled exchange assets | 1,087,587 | 1,490,602 |
| Leased property | 93 | 123,875 |
| Loans to trust accounts | 361,444 | 313,511 |
| Others | 41,127 | 185,387 |
| (Allowance for losses) | (93,263) | (204,986) |
| (Present value discounts) | (89) | (20,258) |
| | <u>(Won) 6,969,562</u> | <u>(Won) 6,836,998</u> |

10. Deposits:

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

| | <u>Annual Interest (%)</u> | <u>2002</u> | <u>2001</u> |
|-----------------------------|----------------------------|--------------------|--------------------|
| Deposits in Won | | | |
| The Bank's demand deposits | 0.0-0.5 | (Won) 12,975,321 | (Won) 10,816,856 |
| The Bank's savings deposits | 0.5-12.38 | 105,949,306 | 101,950,655 |
| Trust accounts deposits | | 3,697,202 | 5,397,428 |
| Subsidiaries deposits | 2.0 | 13,038 | 12,391 |
| | | <u>122,634,867</u> | <u>118,177,330</u> |

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| | | | |
|---------------------------------------|----------|-------------------|-------------------|
| <u>Deposits in foreign currencies</u> | | | |
| The Bank's demand deposits | 0.0-3.0 | 585,796 | 456,146 |
| The Bank's savings deposits | 0.44-8.0 | 497,852 | 610,996 |
| Subsidiaries' deposits | | 128,356 | 50,421 |
| | | 1,212,004 | 1,117,563 |
| <u>Certificates of deposit</u> | 4.0-4.80 | 3,044,089 | 1,154,056 |
| | | (Won) 126,890,960 | (Won) 120,448,949 |
| | | (Won) 126,890,960 | (Won) 120,448,949 |

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

10. **Deposits**, Continued;

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

| | Deposits in Won | Deposits in Foreign Currencies | Certificates of Deposit | Total |
|-------------------------------------|-------------------|--------------------------------|-------------------------|-------------------|
| Due in 3 months or less | (Won) 64,763,664 | (Won) 1,011,031 | (Won) 1,496,052 | (Won) 67,270,747 |
| Due after 3 months through 6 months | 13,250,249 | 107,878 | 1,480,311 | 14,838,438 |
| Due after 6 months through 1 year | 31,818,169 | 73,691 | 67,726 | 31,959,586 |
| Due after 1 year through 2 years | 7,302,870 | 18,914 | | 7,321,784 |
| Due after 2 years through 3 years | 4,195,407 | 416 | | 4,195,823 |
| Due after 3 years through 4 years | 694,941 | | | 694,941 |
| Due after 4 years through 5 years | 264,142 | 74 | | 264,216 |
| Thereafter | 345,425 | | | 345,425 |
| | (Won) 122,634,867 | (Won) 1,212,004 | (Won) 3,044,089 | (Won) 126,890,960 |

11. **Borrowings**:

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

| | Annual Interest (%) | 2002 | 2001 |
|--|---------------------|---------------|-----------------|
| Borrowings in Won | | | |
| Borrowings from the Bank of Korea | 2.50~8.00 | (Won) 671,854 | (Won) 1,270,163 |
| Borrowings from the government | 0.00~6.00 | 1,070,912 | 989,162 |
| Borrowings from banking institutions | 2.00~9.55 | 2,460,871 | 1,386,637 |
| Borrowings from National Housing Fund | 3.00~8.00 | 126,085 | 141,304 |
| Borrowings from non-banking financial Institutions | 2.00~11.84 | 3,381,211 | 975,107 |
| Other borrowings | 2.20~7.00 | 1,130,930 | 3,445,022 |
| | | 8,841,863 | 8,207,395 |

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| | | | |
|--|-----------|------------------|------------------|
| <u>Borrowings in foreign currencies</u> | | | |
| Borrowings from domestic banks | 1.78~6.95 | 220,603 | 914,285 |
| Borrowings from foreign banks | 0.19~3.45 | 2,328,134 | 1,972,600 |
| Borrowings from other financial institutions | 2.13~3.34 | 592,014 | 150,629 |
| | | 3,140,751 | 3,037,514 |
| <u>Bonds sold under repurchase agreement</u> | | | |
| Bills sold | 2.29~4.85 | 3,074,161 | 2,955,442 |
| Due to the Bank of Korea denominated in foreign currencies | 4.00~4.80 | 72,860 | 79,443 |
| Call money | 0.25~5.85 | 305,966 | 2,701,216 |
| | | 15,473,094 | 17,107,511 |
| (Present value discounts) ^{1*} | | | (34,829) |
| | | (Won) 15,473,094 | (Won) 17,072,682 |

1* The present value discounts as of December 31, 2001 are those relating to the debt restructuring of Kookmin Leasing Co., Ltd. and Alpha capital Co., Ltd., respectively, which are excluded from the scope of the consolidated financial statements as of December 31, 2002.

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

11. **Borrowings**, Continued;

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

| | Borrowings in Won | Borrowings in Foreign Currencies | Others | Total |
|-------------------------------------|------------------------|--|------------------------|-------------------------|
| Due in 3 months or less | (Won) 2,272,675 | (Won) 1,740,330 | (Won) 2,340,074 | (Won) 6,353,079 |
| Due after 3 months through 6 months | 1,593,961 | 363,952 | 672,386 | 2,630,299 |
| Due after 6 months through 1 year | 1,605,463 | 390,082 | 478,020 | 2,473,565 |
| Due after 1 year through 2 years | 1,472,074 | 327,061 | | 1,799,135 |
| Due after 2 years through 3 years | 638,707 | 272,057 | | 910,764 |
| Due after 3 years through 4 years | 331,489 | 552 | | 332,041 |
| Due after 4 years through 5 years | 247,402 | 391 | | 247,793 |
| Thereafter | 680,092 | 46,326 | | 726,418 |
| | <u>(Won) 8,841,863</u> | <u>(Won) 3,140,751</u> | <u>(Won) 3,490,480</u> | <u>(Won) 15,473,094</u> |

12. **Debentures**:

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

| | Annual Interest (%) | 2002 | 2001 |
|------------------------------|---------------------|-------------------|-------------------|
| Debentures in Won | | | |
| Subordinated debentures | 5.68~16.00 | (Won) 4,863,125 | (Won) 3,634,082 |
| Convertible debentures | | | 69,468 |
| Discounted debentures | 4.46~7.38 | 9,627,021 | 2,208,599 |
| Coupon debentures | 4.78~10.48 | 3,822,818 | 1,797,479 |
| Compound interest debentures | 4.76~10.57 | 4,522,384 | 4,912,982 |
| | | <u>22,835,348</u> | <u>12,622,610</u> |
| Discounts on debentures | | (273,702) | (124,561) |
| | | <u>22,561,646</u> | <u>12,498,049</u> |

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| <u>Debentures denominated in foreign currencies</u> | | | |
|---|-----------|------------------|------------------|
| Regular debentures | 1.95~5.00 | 891,161 | 1,369,967 |
| Discounts on debentures | | (2,461) | (6,801) |
| | | 888,700 | 1,363,166 |
| | | (Won) 23,450,346 | (Won) 13,861,215 |

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

12. Debentures, Continued;

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

| | <u>Issue Date</u> | <u>Hundred Millions of Won</u> | <u>Annual Interest (%)</u> | <u>Maturity</u> |
|--------------------------|--------------------|--|--------------------------------|--------------------|
| Subordinated | | | | |
| Floating rate | 1998-12-29 | (Won) 2,212 | 5.68 | 2004-03-31 |
| | 1998-12-29 | 883 | 6.68 | 2004-03-31 |
| Fixed rate | 1997-12-29 | 1,000 | 16.00 | 2004-01-05 |
| | 1998-06-18 | 600 | 15.66 | 2003-07-18 |
| | 1998-06-23 | 1,749 | 15.02 | 2003-11-15 |
| | 2002-12-18 | 1,100 | 8.00 | 2008-01-18 |
| Fixed rate ^{1*} | 1997-01-27 ~ 08-27 | 1,049 | 11.04 ~ 15.66 | 2003-01-27 ~ 08-27 |
| | 2000-03-27 | 2,000 | 9.65 | 2005-03-27 |
| | 2000-06-28 | 2,540 | 9.04 ~ 9.10 | 2006-01-28 |
| | 2000-09-27 | 3,000 | 8.99 | 2006-01-27 |
| | 2000-09-28 | 1,500 | 8.79 ~ 8.85 | 2006-01-28 |
| | 2000-11-28 | 1,000 | 8.65 ~ 8.71 | 2006-02-28 |
| | 2000-11-28 | 1,620 | 9.57 ~ 9.65 | 2010-11-28 |
| | 2000-12-27 | 2,000 | 8.71 | 2006-01-27 |
| | 2001-05-28 | 2,000 | 7.60 ~ 7.65 | 2007-02-28 |
| | 2001-06-27 | 1,600 | 7.68 | 2008-03-27 |
| | 2001-06-27 | 2,175 | 7.86 | 2009-03-27 |
| | 2001-08-28 | 1,000 | 6.69 ~ 6.73 | 2007-08-28 |
| | 2001-09-28 | 1,500 | 6.69 ~ 6.73 | 2008-03-28 |
| | 2002-03-27 | 2,417 | 7.06 ~ 7.10 | 2008-01-27 |
| | 2002-07-27 | 3,024 | 6.96 ~ 7.00 | 2008-01-27 |
| | 2002-09-27 | 2,574 | 6.27 ~ 6.30 | 2008-03-27 |
| | 2002-09-27 | 1,500 | 6.51 ~ 6.55 | 2010-03-27 |
| | 2002-09-27 | 926 | 6.66 ~ 6.70 | 2013-03-27 |
| | 2002-11-27 | 4,007 | 6.07 ~ 6.10 | 2008-05-27 |
| | 2002-11-27 | 578 | 6.27 ~ 6.30 | 2010-05-27 |
| | 2002-11-27 | 1,003 | 6.51 ~ 6.55 | 2013-05-27 |
| | 2002-12-27 | 304 | 6.55 | 2014-12-27 |
| | 2002-12-27 | 100 | 6.20 | 2008-06-27 |
| | 2002-12-27 | 900 | 6.40 | 2010-06-27 |
| | 2002-12-27 | 500 | 6.65 | 2013-06-27 |
| Senior | | | | |
| Fixed rate | 2000-11-28 | 2,000 | 7.01 | 2003-11-28 |
| | 2000-12-28 | 1,600 | 7.01 | 2003-12-28 |
| | 2001-02-28 | 800 | 5.48 | 2004-02-28 |
| | 2001-06-28 | 2,300 | 5.87 | 2004-06-28 |

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| | | | | |
|---|-------------------------|----------------------|--------------|-------------------------|
| | 2001-07-28 | 600 | 5.82 ~ 5.87 | 2004-07-28 |
| | 2001-08-28 | 600 | 5.82 | 2004-08-28 |
| | 2002-09-12 | 100 | 6.92 | 2004-09-12 |
| | 1988-07-27 ~ 2003-01-27 | 114,777 | 4.12 ~ 10.57 | 1991-04-30 ~ 2008-01-27 |
| Senior Housing debentures ^{1*} | 1989-08-31 ~ 2000-08-31 | 13 | 6.28 ~ 16.28 | 1990-11-30 ~ 2005-03-31 |
| Subordinated housing debentures | 1998.12.29 | 270 | 5.68 | 2004-03-31 |
| Senior credit card account | 2000-03-09 ~ 2002-12-09 | 56,932 | 2.68 ~ 10.5 | 2003-03-09 ~ 2008-04-10 |
| | | <u>(Won) 228,353</u> | | |

^{1*} Debentures sold over the counter

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

12. Debentures, Continued;

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

| | <u>Issue Date</u> | | <u>Thousands of Dollars</u> | <u>Annual Interest (%)</u> | <u>Maturity</u> | <u>Listings</u> |
|---------------|-------------------|--------------------------------------|-----------------------------|----------------------------|-----------------|-----------------|
| Floating rate | 2000-04-10 | USD | 40,000 | 2.86 | 2003-04-10 | Not listed |
| | 2000-06-02 | USD | 10,000 | 2.77 | 2003-06-02 | Not listed |
| | 2000-08-10 | USD | 12,500 | 2.65 | 2003-08-11 | Not listed |
| | 2002-04-03 | USD | 46,000 | 1.95 | 2003-04-02 | Not listed |
| | 2002-04-03 | USD | 81,000 | 2.06 | 2004-04-03 | Not listed |
| | 2002-07-03 | HKD | 800,000 | 2.02 | 2003-07-02 | Not listed |
| | 2002-12-23 | USD | 8,000 | 2.00 | 2004-12-23 | Not listed |
| | 2002-12-23 | USD | 77,000 | 2.10 | 2005-12-23 | Not listed |
| Fixed rate | 2000-04-20 | SGD | 100,000 | 5.00 | 2003-04-20 | Not listed |
| | 2002-12-10 | USD | 307,674 | 4.63 | 2007-02-10 | Luxembourg |
| | | USD equivalent (in thousands of USD) | USD | 742,387 | | |
| | | KRW equivalent (in millions of Won) | (Won) | 891,161 | | |

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

On November 25, 2002, Goldman Sachs Capital Koryo, L.P. converted \$200 million of its subordinated foreign currency convertible bonds, all of which had been outstanding as of December 31, 2001, into common stocks (See Notes 19).

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

| <u>Won</u> | <u>Foreign Currencies</u> | <u>Total</u> |
|------------|---------------------------|--------------|
|------------|---------------------------|--------------|

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| | | | |
|-------------------------------------|-------------------------|----------------------|-------------------------|
| Due in 3 months or less | (Won) 2,723,419 | (Won) | (Won) 2,723,419 |
| Due after 3 months through 6 months | 3,304,664 | 307,557 | 3,612,221 |
| Due after 6 months through 1 year | 6,738,761 | 15,005 | 6,753,766 |
| Due after 1 year through 2 years | 4,170,272 | 106,835 | 4,277,107 |
| Due after 2 years through 3 years | 1,611,878 | 92,431 | 1,704,309 |
| Due after 3 years through 4 years | 1,200,019 | | 1,200,019 |
| Due after 4 years through 5 years | 374,467 | 369,333 | 743,800 |
| Thereafter | 2,711,868 | | 2,711,868 |
| | <u>(Won) 22,835,348</u> | <u>(Won) 891,161</u> | <u>(Won) 23,726,509</u> |

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

13. Accrued Retirement Benefits:

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

| | <u>Beginning Balance</u> | <u>Change in the Scope of Consolidation</u> | <u>Amounts Provided</u> | <u>Amounts Paid Out</u> | <u>Ending Balance</u> |
|--|------------------------------|---|-----------------------------|-----------------------------|-----------------------|
| Retained retirement benefits | (Won) 25,640 | (Won) (1,735) | (Won) 49,509 | (Won) 22,092 | (Won) 51,322 |
| Contributed retirement benefits | 35,611 | 978 | 64,514 | 1,944 | 99,161 |
| Total accrued retirement benefits | 61,251 | (757) | 114,023 | 24,034 | 150,483 |
| Contribution to National Pension Fund | (375) | | | (169) | (206) |
| Contribution to pension funds | (35,611) | 437 | (65,931) | (1,944) | (99,161) |
| | (Won) 25,265 | (Won) (320) | (Won) 48,092 | (Won) 21,921 | (Won) 51,116 |

For the year ended December 31, 2002, the Consolidated Company paid (Won)72,809 million as retirement benefits, including (Won)48,775 million of special retirement benefits for early retirement.

Contributed retirement benefits, comprising approximately 65.90% of total accrued retirement benefits as of December 31, 2002, represent the Bank's contributions to pension funds at five insurance companies, including Korea Life Insurance Co., Ltd., and the Bank's employees hold the right of payment from these funds.

14. Employee Stock Options:

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

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Stock Options Transferred from H&CB

| | Series 1 | Series 2 | Series 3 | Series 4 | Series 5 | Series 6 | Series 7 ^{1*2*} | Series 8 ^{2*} | Series 9 |
|------------------------|---|--------------|-------------|--------------|--------------|--------------|--------------------------|------------------------|--------------|
| Grant date | 00.3.18 | 01.3.15 | 98.10.31 | 99.2.27 | 00.2.28 | 01.3.24 | 01.11.16 | 02.3.22 | 02.7.26 |
| Shares granted | 222,094 | 214,975 | 400,000 | 280,000 | 267,000 | 111,000 | 650,000 | 622,000 | 30,000 |
| Shares expired to date | 109,565 | 16,882 | | 59,892 | 65,218 | 21,173 | | 43,000 | |
| Shares exercised | | | 320,000 | 220,108 | | | | | |
| Shares outstanding | 112,529 | 198,093 | 90,000 | | 201,782 | 89,827 | 650,000 | 579,000 | 30,000 |
| Exercise method | The Bank's choice of issuance or net settlement | | | | | | | | |
| Exercise price | (Won) 23,469 | (Won) 28,027 | (Won) 5,000 | (Won) 13,900 | (Won) 27,600 | (Won) 25,100 | (Won) 51,200 | (Won) 57,100 | (Won) 58,800 |
| Exercise period | 03.3.19~ | 04.3.16~ | 01.11.1~ | 02.2.28~ | 03.3.1~ | 04.3.25~ | 04.11.17~ | 05.3.23~ | 05.7.27~ |
| | 05.3.18 | 09.3.15 | 04.10.31 | 05.2.27 | 06.2.28 | 07.3.24 | 09.11.16 | 10.3.22 | 10.7.26 |

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

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

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

14. Employee Stock Options, Continued;

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

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

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

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

Kookmin Credit Card Co., Ltd has accounted for its stock options under the fair value method and recorded its compensation costs in capital adjustments.

15. Other Liabilities:

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

| | <u>2002</u> | <u>2001</u> |
|--|-------------------------|-------------------------|
| Accrued retirement benefits (Note 13) | (Won) 51,116 | (Won) 25,265 |
| Allowance for loss on acceptances and guarantees (Note 16) | 2,304 | 43,823 |
| Due to trust accounts | 633,555 | 1,466,530 |
| Accounts payable | 2,415,205 | 1,486,297 |
| Accrued expenses | 5,257,319 | 5,450,696 |
| Advances from customers | 253,593 | 138,079 |
| Unearned income | 152,423 | 169,965 |
| Withholding taxes | 92,425 | 147,920 |
| Guarantee deposits received | 108,705 | 154,312 |
| Deferred income tax liability (Note 27) | 56 | 824 |
| Derivative liabilities (Note 17) | 526,887 | 271,955 |
| Unsettled domestic exchange transaction | 541,757 | 1,443,480 |
| Due to agencies | 486,413 | 705,727 |
| Other allowances ^{1*} | 53,277 | 52,965 |
| Giro accounts | 289,081 | 264,477 |
| Other | 92,657 | 116,689 |
| | <u>(Won) 10,956,773</u> | <u>(Won) 11,939,004</u> |

1* The Bank provided other allowances for possible losses in relation to the combination with the overseas branches of H&CB.

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

16. Guarantees and Acceptances:

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

| | <u>2002</u> | <u>2001</u> |
|--|------------------------|------------------------|
| <u>Outstanding Guarantees and acceptances</u> | | |
| <u>In Korean Won</u> | | |
| Guarantees on debentures | (Won) 571 | (Won) 6,011 |
| Guarantees on loan collateral | 39,234 | 59,930 |
| Guarantees on commercial bills | 646 | 230 |
| Others | 251,833 | 205,331 |
| | <u>292,284</u> | <u>271,502</u> |
| <u>In Foreign Currencies</u> | | |
| Acceptances on letters of credit | 203,939 | 1,769,695 |
| Acceptances for letters of guarantee for importers | 111,016 | 72,383 |
| Guarantees for performance | 71,577 | 177,278 |
| Guarantees for bid | 1,077 | 744 |
| Guarantees for borrowings | 31,055 | 29,028 |
| Guarantees for repayment of advances | 25,707 | 2,440 |
| Others | 311,582 | 502,231 |
| | <u>755,953</u> | <u>2,553,799</u> |
| | <u>1,048,237</u> | <u>2,825,301</u> |
| <u>Contingent guarantees and acceptances</u> | | |
| Letters of Credit | 1,253,640 | 1,328,289 |
| Others | 63,524 | 58,739 |
| | <u>1,317,164</u> | <u>1,387,028</u> |
| | <u>(Won) 2,365,401</u> | <u>(Won) 4,212,329</u> |

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

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| | | <u>Normal</u> | <u>Precautionary</u> | <u>Substandard</u> | <u>Doubtful</u> | <u>Estimated Loss</u> | <u>Total</u> |
|--------------------|-----------|---------------|----------------------|--------------------|-----------------|-----------------------|-----------------|
| Won | Balance | (Won) 273,097 | (Won) 17,215 | (Won) 1,820 | (Won) 152 | (Won) | (Won) 292,284 |
| | Allowance | | | 381 | 143 | | 524 |
| | Ratio (%) | | | 20.00 | 94.08 | | 0.18 |
| Foreign currencies | Balance | 678,333 | 69,770 | 7,512 | 227 | 111 | 755,953 |
| | Allowance | | | 1,545 | 124 | 111 | 1,780 |
| | Ratio (%) | | | 20.57 | 54.63 | 100 | 0.24 |
| Total | Balance | (Won) 951,430 | (Won) 86,985 | (Won) 9,332 | (Won) 379 | (Won) 111 | (Won) 1,048,237 |
| | Allowance | | | 1,926 | 267 | 111 | 2,304 |
| | Ratio (%) | | | 20.46 | 70.45 | 100 | 0.22 |

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

| | <u>2002</u> | <u>2001</u> | <u>2001</u> |
|---|-----------------|-----------------|-----------------|
| Outstanding Guarantees and acceptances | (Won) 1,048,237 | (Won) 2,825,301 | (Won) 3,059,541 |
| Allowances for losses from outstanding guarantees and acceptances | 2,304 | 43,823 | 37,331 |
| Ratio (%) | 0.22 | 1.55 | 1.22 |

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

16. Guarantees and Acceptances, Continued;

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

| | 2002 | 2001 |
|--|--------------|--------------|
| Beginning balance | (Won) 43,823 | (Won) 37,331 |
| Increase due to the business combination with H&CB | | 14,943 |
| Reversal of allowance | (37,436) | (8,790) |
| Changes in foreign exchange rates | (4,083) | 339 |
| Ending balance | (Won) 2,304 | (Won) 43,823 |

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

| | Outstanding Guarantees and Acceptances | | Contingent Guarantees and Acceptances | | Total | |
|--------|---|----------------|--|----------------|-----------------|----------------|
| | Balance | Percentage (%) | Balance | Percentage (%) | Balance | Percentage (%) |
| Korea | (Won) 1,003,703 | 95.75 | (Won) 1,310,406 | 99.49 | (Won) 2,314,109 | 97.83 |
| USA | 33,571 | 3.20 | 168 | 0.01 | 33,739 | 1.43 |
| Others | 10,963 | 1.05 | 6,590 | 0.50 | 17,553 | 0.74 |
| | (Won) 1,048,237 | 100 | (Won) 1,317,164 | 100 | (Won) 2,365,401 | 100 |

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

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

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| | | | | | | | |
|---------------|------------------------|---------------|------------------------|---------------|------------------------|---------------|--|
| Industrial | | | | | | | |
| Manufacturing | (Won) 365,324 | 34.85 | (Won) 792,734 | 60.18 | (Won) 1,158,058 | 48.96 | |
| Service | 163,138 | 15.56 | 41,391 | 3.14 | 204,529 | 8.65 | |
| Finance | 58,223 | 5.56 | 86 | 0.01 | 58,309 | 2.46 | |
| Others | 458,176 | 43.71 | 482,953 | 36.67 | 941,129 | 39.79 | |
| | <u>1,044,861</u> | <u>99.68</u> | <u>1,317,164</u> | <u>100.00</u> | <u>2,362,025</u> | <u>99.86</u> | |
| Household | <u>3,376</u> | <u>0.32</u> | | | <u>3,376</u> | <u>0.14</u> | |
| | <u>(Won) 1,048,237</u> | <u>100.00</u> | <u>(Won) 1,317,164</u> | <u>100.00</u> | <u>(Won) 2,365,401</u> | <u>100.00</u> | |

17. Derivatives:

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

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

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

17. Derivatives, Continued;

Hedge derivatives comprise mainly of interest rate swaps to hedge the fair value changes or cash flow changes arising from the interest rate risk. Some hedge purpose 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 currently in earnings or where the hedged item cannot be individually identified.

For the derivative instruments for cash flow hedging purposes, the period in which the forecasted transactions are expected to occur is within 63 months from December 31, 2002, and all deferred losses recorded in capital adjustments at that date are expected to be included in the determination of net income within the 63-month period.

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

| | Notional Amount | | | | | |
|-------------------------|-----------------|-----------|---------------|---------------|---------|---------------|
| | 2002 | | | 2001 | | |
| | Trading | Hedge | Total | Trading | Hedge | Total |
| Interest related | | | | | | |
| Future | (Won) 365,513 | (Won) | (Won) 365,513 | (Won) 732,431 | (Won) | (Won) 732,431 |
| Option | 310,700 | | 310,700 | | | |
| Swap | 15,840,496 | 1,110,120 | 16,950,616 | 4,639,382 | 358,118 | 4,997,500 |
| | 16,516,709 | 1,110,120 | 17,626,829 | 5,371,813 | 358,118 | 5,729,931 |
| Currency related | | | | | | |
| Forward | 13,186,383 | | 13,186,383 | 8,447,210 | | 8,447,210 |
| Future | 739,386 | | 739,386 | 620,019 | | 620,019 |
| Option bought | 48,616 | | 48,616 | 2,652 | | 2,652 |
| Option sold | 127,863 | | 127,863 | 5,304 | | 5,304 |
| Swap | 3,141,672 | | 3,141,672 | 2,544,218 | | 2,544,218 |
| | 17,243,920 | | 17,243,920 | 11,619,403 | | 11,619,403 |
| Stock related | | | | | | |
| Option bought | 138,343 | | 138,343 | | | |
| Option sold | 100,000 | | 100,000 | 6,316 | | 6,316 |
| | 238,343 | | 238,343 | 6,316 | | 6,316 |

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| Credit related | | | | | |
|-----------------------|------------------|-----------------|------------------|------------------|------------------|
| Credit | | | | 39,783 | 39,783 |
| | | | | 39,783 | 39,783 |
| | (Won) 33,998,972 | (Won) 1,110,120 | (Won) 35,109,092 | (Won) 17,037,315 | (Won) 358,118 |
| | | | | | (Won) 17,395,433 |

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

| | 2002 | 2001 |
|----------------------------------|-----------------|-----------------|
| Gain on derivatives | | |
| Gain on derivatives transactions | (Won) 1,776,807 | (Won) 2,136,038 |
| Gain on valuation of derivatives | 601,786 | 164,625 |
| Gain on fair value hedged items | | 14,077 |
| | (Won) 2,378,593 | (Won) 2,314,740 |
| Loss on derivatives | | |
| Loss on derivatives transactions | (Won) 1,625,534 | (Won) 2,103,513 |
| Loss on valuation of derivatives | 558,438 | 231,844 |
| Loss on fair value hedged items | 9,213 | 1,540 |
| | (Won) 2,193,185 | (Won) 2,336,897 |

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

17. Derivatives, Continued;

Derivative valuation as of December 31, 2002 is as follows (in millions of Won):

| | Valuation Gains (P/L) | | | Valuation Losses (P/L) | | | Fair Value (B/S) | | |
|-------------------------|-----------------------|-------------|---------------|------------------------|-------|---------------|------------------|---------------|---------------------------|
| | Trading | Hedge | Total | Trading | Hedge | Total | Asset | Liability | Capital Adjustment |
| Interest related | | | | | | | | | |
| Option | (Won) 191 | (Won) | (Won) 191 | (Won) 176 | (Won) | (Won) 176 | (Won) 375 | (Won) 334 | (Won) |
| Swap | 135,541 | 9,213 | 144,754 | 233,468 | | 233,468 | 148,064 | 244,212 | 1,837 |
| | 135,732 | 9,213 | 144,945 | 233,644 | | 233,644 | 148,439 | 244,546 | 1,837 |
| Currency related | | | | | | | | | |
| Forward | 229,907 | | 229,907 | 209,394 | | 209,394 | 229,446 | 198,334 | |
| Option bought | 1,404 | | 1,404 | | | | 1,023 | | |
| Option sold | | | | 732 | | 732 | | 872 | |
| Swap | 223,171 | | 223,171 | 112,319 | | 112,319 | 282,226 | 78,456 | |
| | 454,482 | | 454,482 | 322,445 | | 322,445 | 512,695 | 277,662 | |
| Stock related | | | | | | | | | |
| Option bought | 2,359 | | 2,359 | | | | 6,915 | | |
| Option sold | | | | 2,349 | | 2,349 | | 4,679 | |
| | 2,359 | | 2,359 | 2,349 | | 2,349 | 6,915 | 4,679 | |
| | (Won) 592,573 | (Won) 9,213 | (Won) 601,786 | (Won) 558,438 | (Won) | (Won) 558,438 | (Won) 668,049 | (Won) 526,887 | (Won) 1,837 ^{1*} |

1* The amount of capital adjustment includes (Won)490 million of minority interest portion of unrealized gains on derivatives.

18. Commitments and Contingencies:

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As of December 31, 2002, 149 pending legal actions with an aggregate amount of claims of (Won)257,438 million are charged against the Consolidated Company and the Consolidated Company has also filed 192 lawsuits against various parties, which are still pending with an aggregate amount of claims of (Won)140,647 million. Management believes that the actions related to the Consolidated Company are without merit and that the ultimate liability, if any, will not materially affect the Bank's financial position.

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

The Bank has credit lines with and commitments to purchase commercial paper from asset securitization companies. Under these commitments, the Bank provides money, in case of a temporary fund shortage, for the principal and interest repayment of these companies' senior bonds within the contracted term and amounts. As of December 31, 2002, under these commitments, the aggregate committed credit line and loans outstanding are (Won)3,280,638 million and (Won)26,762 million, respectively. Also, the Bank entered into arrangements to purchase (Won)1,617,000 million of commercial papers issued by the securitization companies. The Bank has arranged various methods to compensate for losses on these credit line commitments including payment guarantees, repurchase contracts, surety certificate guarantees, and cash reserve. Also, resulting expected losses amounting to (Won)9,938 million are reserved as other allowances.

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

18. Commitments and Contingencies, Continued;

Pursuant to the asset securitization plans, the Bank previously sold loans to special purpose entities in previous periods. The related contracts for asset securitization stipulate the Bank's performance of warranty liability for loans sold to Kookmin 5th-ABS Specialty Co., Ltd. and Jooeun 5th-ABS Specialty Co., Ltd. (collectively, the SPEs) when the underlying loans are delinquent for a certain period of time or go into default. Accordingly, the Bank bears possible liabilities for collateral performance toward the SPEs within the limits of (Won)72,000 million and (Won)66,500 million, respectively, as of December 31, 2002. Kookmin Credit Card Co., Ltd., a subsidiary of the Bank sold some assets to ABS Specialty Co., Ltd and other special purpose entities. in accordance with the relevant law and the Loan Sale Contract, and the balances which have not matured as of December 31, 2002 amounted to (Won)7,710,322 million. No adjustments have been made in the accompanying financial statements related to contingent losses that may arise from these transactions.

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

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

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

As of December 31, 2002 and 2001, the Bank holds the unexpired rights to claim from borrowers or guarantors for loans in accordance with the relevant law, which has already been written off, amounting to (Won)3,750,402 million and (Won)2,490,069 million, respectively, and that of Kookmin Credit Card Co., Ltd., a subsidiary of the Bank amounted to (Won)1,016,772 million and (Won)328,007 million, respectively.

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

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.

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Certain financially troubled borrowers of the Consolidated Company including Korea Data System Co., Ltd. are experiencing a cash crisis or in the debt restructuring process under workout plans and other similar programs. As of December 31, 2002, in relation to such borrowers, total loans outstanding including guarantees and acceptances amounted to (Won)668,219 million, and the related allowances and present value discount amounted to (Won)184,641 million and (Won)5,075 million, respectively.

The Consolidated Company may be either directly or indirectly affected by these general unstable economic conditions and the reform program described above. The accompanying non-consolidated financial statements reflect management's assessment of the impact to date of the economic situation on the financial position of the Consolidated Company. Actual results may differ materially from management's current assessment.

KOOKMIN BANK**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****December 31, 2002 and 2001****19. Capital Stock:**

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

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

As a result of the business combination with H&CB, the shareholders of the Bank and H&CB, listed on the Register of Shareholders at October 31, 2001, received 179,775,233 new shares and 119,922,229 new shares of the Bank, respectively, at the exchange ratio of one new common share of the Bank for 1.688346 old shares of the Bank and 1 share of H&CB, respectively.

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

The Bank is authorized to issue to non-shareholders convertible bonds and bonds with stock purchase warrants up to total par value amounts of (Won)2,500 billion and (Won)500 billion, respectively. On November 25, 2002, Goldman Sachs Capital Koryo, L.P. converted \$200 million of its subordinated foreign currency convertible bonds, equivalent to (Won)265,220 million, all of which had been outstanding as of December 31, 2001, into 10,581,269 shares of common stock at (Won)22,124 per share. As a result the Bank recorded (Won)180,919 million, net of stock issuance costs of (Won)275 million, as paid-in capital in excess of par value in capital surplus (See Notes 12 and 20).

20. Capital Surplus:

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

| | <u>2002</u> | <u>2001</u> |
|--|-----------------|-----------------|
| Paid-in capital in excess of par value | (Won) 5,287,708 | (Won) 5,107,251 |

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| | | |
|------------------------------|------------------------|------------------------|
| Gain on business combination | 397,669 | 397,669 |
| Revaluation increment | 177,229 | 177,229 |
| Others | 105,795 | 62,853 |
| | <u>(Won) 5,968,401</u> | <u>(Won) 5,745,002</u> |

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

| | <u>Beginning Balance</u> | <u>Increase^{1*}</u> | <u>Decrease^{2*}</u> | <u>Ending Balance</u> |
|--|------------------------------|------------------------------|------------------------------|------------------------|
| Paid-in capital in excess of par | (Won) 5,107,251 | (Won) 181,194 | (Won) 737 | (Won) 5,287,708 |
| Gain on business combination ^{3*} | 397,669 | | | 397,669 |
| Revaluation increment | 177,229 | | | 177,229 |
| Others ^{4*} | 62,853 | 43,235 | 293 | 105,795 |
| | <u>(Won) 5,745,002</u> | <u>(Won) 224,429</u> | <u>(Won) 1,030</u> | <u>(Won) 5,968,401</u> |

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

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

3* The above amount of gain on business combination is due to the difference between the business combination consideration and the net asset value acquired from the merger with KLB on December 31, 1998.

4* The increase of other capital surplus is due to the change of consolidation scope and disposal of treasury stock, and the amounts are (Won)42,904 million and (Won)331 million, respectively, and the decrease is due to the additional acquisition of the KB Credit Information Co., Ltd. stocks.

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

21. Retained Earnings:

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

| | <u>2002</u> | <u>2001</u> |
|---------------------------------------|------------------------|------------------------|
| Legal reserves | (Won) 545,740 | (Won) 413,740 |
| Reserves for business rationalization | 40,760 | 40,760 |
| Special reserves | 1,827,700 | 960,700 |
| Other reserves | 2,492 | 7,158 |
| Unappropriated retained earnings | 45,543 | 96,706 |
| | <u>(Won) 2,462,235</u> | <u>(Won) 1,519,064</u> |

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

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

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

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

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

The movements in loss in excess of minority interest are as follows (in millions of Won):

| Subsidiaries | Beginning Balance | Increase | Decrease | Ending Balance |
|--|----------------------|----------|-------------|-------------------|
| Kookmin Leasing Co., Ltd. ^{1*} | (Won) 3,358 | (Won) | (Won) 3,358 | (Won) |
| Joeun Industrial Co., Ltd. ^{1*} | 1 | | 1 | |
| | (Won) 3,359 | (Won) | (Won) 3,359 | (Won) |

1* The decrease in this fiscal year is caused by excluding Kookmin Leasing Co., Ltd. and Joeun Industrial Co., Ltd. from the scope of consolidation.

22. Capital Adjustments:

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

| | 2002 | 2001 |
|--|-----------------|---------------|
| Treasury stock | (Won) (148,973) | (Won) (1,363) |
| Unissued stock dividends | | 89,900 |
| Unrealized gain on investment securities | 178,046 | 90,716 |
| Employee stock options (See Note 14) | 397 | 26,021 |
| Unrealized gain on derivatives (See Note 17) | 1,347 | |
| | (Won) 30,817 | (Won) 205,274 |

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

22. Capital Adjustments, Continued

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

| | Beginning | | | Ending |
|--|---------------|-----------------|---------------|-----------------|
| | Balance | Increase | Decrease | Balance |
| Treasury stock | (Won) (1,363) | (Won) (149,704) | (Won) (2,094) | (Won) (148,973) |
| Unissued stock dividends | 89,900 | | 89,900 | |
| Unrealized gain on investment securities | 90,716 | 205,557 | 118,227 | 178,046 |
| Employee stock options (See Note 14) | 26,021 | 397 | 26,021 | 397 |
| Unrealized gain on derivatives (See Note 17) | | 1,347 | | 1,347 |
| | (Won) 205,274 | (Won) 57,597 | (Won) 232,054 | (Won) 30,817 |

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.

23. Minority Interest:

The changes in minority interests for the year ended December 31, 2002 are as follows (in millions of Won):

| Subsidiaries | Beginning Balance | Minority Interest Gains (Losses) | Increase | Decrease | Ending Balance |
|--|-------------------|----------------------------------|--------------|-------------|----------------|
| Kookmin Credit Card Co., Ltd. | (Won) 281,761 | (Won) (67,128) | (Won) 26,403 | (Won) 4,608 | (Won) 236,428 |
| Kookmin Investment Co., Ltd. | 3,030 | (2,369) | 34 | 612 | 83 |
| Kookmin Data System Corp. | 3 | 1 | | | 4 |
| Kookmin Futures Co., Ltd. | 5 | | | | 5 |
| Kookmin Bank Investment Trust Mgt. Co., Ltd. ^{1*} | 5,023 | | | 5,023 | |
| Alpha Capita Co., Ltd. ^{1*} | 3,772 | | | 3,772 | |
| KB Real Estate Trust Co., Ltd. | 10,472 | 3,296 | | 2,300 | 11,468 |

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| | | | | |
|---------------------------------|---------------|----------------|--------------|---------------|
| KB Credit Information Co., Ltd. | 5,063 | 940 | 1,636 | 4,367 |
| | (Won) 309,129 | (Won) (65,260) | (Won) 26,437 | (Won) 252,355 |

1* The decrease is due to the change in the scope of consolidation.

24. Other Non-interest Income (Expenses):

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

| | 2002 | 2001 |
|--|---------------|---------------|
| Other non-interest income: | | |
| Realized gain on trading securities | (Won) 155,802 | (Won) 196,916 |
| Unrealized gain on trading securities | 118,486 | 13,325 |
| Gain on trust management | 259,324 | 215,618 |
| Reversal of allowance for losses on acceptances and guarantees | 37,436 | 8,790 |
| Others | 26,600 | 11,242 |
| | (Won) 597,648 | (Won) 445,891 |

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

24. Other Non-interest Income (Expenses), Continued;

| | <u>2002</u> | <u>2001</u> |
|---------------------------------------|----------------------|----------------------|
| Other non-interest expenses: | | |
| Realized loss on trading securities | (Won) 61,262 | (Won) 147,566 |
| Unrealized loss on trading securities | | 27,755 |
| Contributions to special funds | 150,780 | 88,027 |
| Others | 211,973 | 104,705 |
| | <u>(Won) 424,015</u> | <u>(Won) 368,053</u> |

25. General and Administrative Expenses:

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

| | <u>2002</u> | <u>2001</u> |
|-------------------------------|------------------------|------------------------|
| Salaries and wages | (Won) 1,242,815 | (Won) 625,156 |
| Retirement benefits (Note 13) | 114,023 | 124,853 |
| Other employee benefits | 290,932 | 385,376 |
| Rent | 62,692 | 27,516 |
| Depreciation | 365,073 | 183,492 |
| Amortization | 80,398 | 13,967 |
| Taxes and dues | 121,511 | 74,407 |
| Advertising | 174,566 | 73,676 |
| Ordinary R&D | 110,091 | 40,312 |
| Fees and commissions | 117,744 | 55,651 |
| Others | 297,630 | 160,444 |
| | <u>(Won) 2,977,475</u> | <u>(Won) 1,764,850</u> |

26. Non-Operating Income (Expenses):

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

| | <u>2002</u> | <u>2001</u> |
|---|----------------------|----------------------|
| Non-operating income: | | |
| Gain on disposal of fixed assets | (Won) 1,968 | (Won) 2,694 |
| Rent income | 3,337 | 3,025 |
| Gain on investment in associates (Note 5) | | 3,185 |
| Realized gain on investment securities | 392,980 | 137,513 |
| Reversal of impairment loss on equity investment securities | 15,318 | 617 |
| Reversal of impairment loss on debt investment securities | 12,380 | 7,663 |
| Unrealized gain on investment in funds | 2,022 | 85,519 |
| Gain on sale of troubled loans | 16,627 | 1,650 |
| Others | 319,290 | 90,299 |
| | <u>(Won) 763,922</u> | <u>(Won) 332,165</u> |

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

26. **Non-Operating Income (Expenses)**, Continued;

| | <u>2002</u> | <u>2001</u> |
|--|------------------------|------------------------|
| Non-operating expenses: | | |
| Loss on disposal of fixed assets | (Won) 8,369 | (Won) 20,269 |
| Loss on investment in associates (Note 5) | 17,484 | |
| Realized loss on investment securities | 204,754 | 48,283 |
| Impairment loss on equity investment securities (Note 5) | 297,883 | 14,181 |
| Impairment loss on debt investment securities (Note 5) | 78,512 | 111,764 |
| Loss on sale of troubled loans | 114,271 | 163,955 |
| Retirement benefits | 48,775 | 38,925 |
| Others | 131,651 | 114,627 |
| | <u>901,699</u> | <u>512,004</u> |
| Net amount | <u>(Won) (137,777)</u> | <u>(Won) (179,839)</u> |

27. **Income Tax Expenses:**

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

| | <u>2002</u> | <u>2001</u> |
|--|----------------------|----------------------|
| Income taxes payable | (Won) 630,187 | (Won) 437,006 |
| Deferred income taxes from temporary differences | (44,833) | 93,979 |
| Deferred income taxes from loss carry-forwards ^{1*} | 28,929 | |
| | <u>614,283</u> | <u>530,985</u> |
| Retained earnings adjustments | (1,899) | 29,415 |
| Income tax expenses | <u>(Won) 612,384</u> | <u>(Won) 560,400</u> |

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

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For the years ended December 31, 2002 and 2001, the legal tax rates of the consolidated company are 29.7% and 30.8%, respectively. However, the effective tax rates for income before income tax expenses are 33.68% and 36.92%, respectively, due to tax adjustments during the same periods.

| | 2002 | 2001 |
|---|----------------------|----------------------|
| Income before income tax expenses | (Won) 1,818,432 | (Won) 1,517,832 |
| Income taxes calculated by legal tax rates | (Won) 540,074 | (Won) 467,492 |
| Income taxes effects of | | |
| Expenses not deductible for tax purposes | 43,443 | 11,621 |
| Income not assessable for tax purposes | (33,165) | (19,337) |
| Losses incurred by subsidiaries, not transferable to the parent company | 62,032 | 100,624 |
| Income tax expenses | (Won) 612,384 | (Won) 560,400 |

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

| | 2002 | | 2001 | |
|---|----------------------|----------------------|---------------------|---------------------|
| | Temporary | Income Tax | Temporary | Income Tax |
| | Difference | Effect | Difference | Effect |
| Loans converted to equity securities | (Won) (6,489) | (Won) (1,927) | (Won) 90,948 | (Won) 27,012 |
| Unrealized gains (losses) on investment in associates | 94 | 28 | 8,093 | 2,403 |
| Others | | | | |
| | (Won) (6,395) | (Won) (1,899) | (Won) 99,041 | (Won) 29,415 |

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

27. **Income Tax Expenses**, Continued;

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

| | Beginning Balance | Increase | Decrease | Ending Balance | Deferred Tax Assets (Liabilities) |
|--|------------------------------|----------------------|---------------------|-----------------------|--|
| Allowance for loan losses | (Won) 706,316 | (Won) 328,491 | (Won) 701,272 | (Won) 333,535 | (Won) 97,776 |
| Accrued interest | (491,721) | (421,749) | (491,721) | (421,749) | (125,216) |
| Unrealized loss on securities | 48,084 | 280,887 | (360,351) | 689,322 | 193,602 |
| Unrealized loss on derivatives | 32,011 | (99,269) | 32,950 | (100,208) | (29,761) |
| Present value discounts | 95,828 | 20,145 | 87,972 | 28,001 | 8,316 |
| Allowance for losses on guarantees and acceptances | 43,823 | 17 | 41,536 | 2,304 | 684 |
| Accrued retirement benefits | 3,104 | 28,245 | 30,160 | 1,189 | 328 |
| Reserve for overseas investment losses | (10,104) | 1,125 | (6,664) | (2,315) | (382) |
| Depreciation | (1,423) | 1,324 | 504 | (603) | (180) |
| Stock option compensation cost | 26,021 | 10,116 | 26,021 | 10,116 | 3,004 |
| Others | 43,090 | 78,866 | 15,565 | 106,391 | 39,841 |
| | (Won) 495,029 | (Won) 228,198 | (Won) 77,244 | (Won) 645,983 | (Won) 188,012 |

28. **Earnings Per Share:**

Earnings per share (EPS) and ordinary income per share for the years ended December 31, 2002 and 2001 are calculated as follows. (in millions of Won):

| | 2002 | 2001 |
|--|-----------------|---------------|
| Net income (in millions of Won) | (Won) 1,271,308 | (Won) 836,875 |
| Weighted average number of common shares outstanding | 317,786,872 | 199,825,909 |
| Earnings per share (in Won) | (Won) 4,001 | (Won) 4,188 |

Weighted average number of common shares outstanding for the year ended December 31, 2002 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 | 317,677,416 | 365 | 317,677,416 |
| Treasury common stock beginning balance | (31,548) | 365 | (31,548) |
| Treasury common stock acquisition during the current period | (3,036,089) | 114 ^{1*} | (951,890) |
| Treasury common stock disposal during the current period | 41,548 | 178 ^{1*} | 20,272 |
| Converted portion of convertible bonds | 10,581,269 | 37 | 1,072,622 |
| Weighted average number of common shares outstanding before dilution | | | 317,786,872 |

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

The employee stock options are not potential common shares since these are expected to be settled in cash. As of December 31, 2002, there are no potential common shares.

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

29. Related Party Transactions:

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

| Account | Beginning | | | Ending | | Transactions Relating to P/L |
|---|---------------|---------------|-------------|---------------|--------------|---------------------------------|
| | Balance | Increase | Decrease | Balance | | |
| <u>Kookmin Credit Card Co., Ltd.</u> | | | | | | |
| Loans | (Won) 122,526 | (Won) 289,800 | (Won) 1,743 | (Won) 410,583 | (Won) 17,150 | |
| Other assets | 1,907 | 876 | | 2,783 | 9,528 | |
| Deposits | 4,687 | 7,369 | | 12,056 | (131) | |
| Borrowings | | | | | (1,355) | |
| Other liabilities | 18,334 | 97,271 | 1,426 | 114,179 | (12,388) | |
| Commissions income | | | | | 153,271 | |
| Commissions expenses | | | | | (220) | |
| <u>Kookmin Venture Capital Co., Ltd.</u> | | | | | | |
| Loans | 96,000 | | 96,000 | | 4,115 | |
| Deposits | 29,811 | | 13,669 | 16,142 | (1,025) | |
| <u>Kookmin Data System Co., Ltd.</u> | | | | | | |
| Deposits | 3,676 | 3,227 | | 6,903 | (187) | |
| Other liabilities | 879 | | | 879 | | |
| <u>Kookmin Futures Co., Ltd.</u> | | | | | | |
| Due from banks | 2,092 | | 1,713 | 379 | 5 | |
| Deposits | 10,646 | 8,214 | | 18,860 | (567) | |
| Other liabilities | 620 | | | 620 | | |
| <u>Kookmin Bank Luxembourg S.A.</u> | | | | | | |
| Due from banks | | 48,337 | | 48,337 | 148 | |
| Loans | 218,807 | 77,168 | 156,273 | 139,702 | 4,789 | |
| Other assets | | 815 | | 815 | 3,131 | |
| Borrowings | | 24,008 | | 24,008 | (80) | |
| Other liabilities | 10,058 | 1,174 | 155 | 11,077 | (922) | |
| <u>Kookmin Bank International (London) Ltd.</u> | | | | | | |
| Due from banks | | 24,490 | | 24,490 | 70 | |
| Loans | 146,911 | 40,408 | 1,257 | 186,062 | 3,576 | |
| Other assets | | | | | 359 | |
| Borrowings | 7,670 | 72,757 | | 80,427 | (308) | |
| Other liabilities | 1,932 | 11,313 | | 13,245 | (2,691) | |
| <u>Kookmin Finance H.K. Ltd.</u> | | | | | | |
| Due from banks | 2,030 | 4,288 | | 6,318 | 22 | |
| Loans | 182,052 | 1,200 | 7,402 | 175,850 | 4,721 | |
| Borrowings | | | | | (161) | |
| Finance debentures | 6,463 | | 6,463 | | (232) | |
| Other liabilities | | 5,424 | | 5,424 | | |
| <u>Kookmin Investment Trust Mgt. Co., Ltd.</u> | | | | | | |

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

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

30. Transactions with Financial Institutions:

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

| Accounts | Description | Other | | | Total |
|-------------------------|--------------------------------------|-------------------|--------------|------------------------------|-----------------|
| | | The Bank of Korea | Banks | Other Financial Institutions | |
| Cash and due from banks | Due from banks in Won | (Won) 1,340,482 | (Won) 99,849 | (Won) 248,664 | (Won) 1,688,995 |
| | Due from banks in foreign currencies | 25,677 | 512,158 | 5,064 | 542,899 |
| | | 1,366,159 | 612,007 | 253,728 | 2,231,894 |
| Loans | Loans in Won | | 20,941 | 599,290 | 620,231 |
| | Loans in foreign currencies | | 741,872 | | 741,872 |
| | Call loans | | 318,628 | | 318,628 |
| | Others | | | 39,900 | 39,900 |
| | | | 1,081,441 | 639,190 | 1,720,631 |
| Deposits | Deposits in Won | | 1,035,285 | 2,485,307 | 3,520,592 |
| | Deposits in foreign currencies | | 66,003 | | 66,003 |
| | | | 1,101,288 | 2,485,307 | 3,586,595 |
| Borrowings | Borrowings in Won | 671,854 | 2,460,871 | 3,381,211 | 6,513,936 |
| | Borrowings in foreign currencies | | 2,548,737 | 592,014 | 3,140,751 |
| | Others | 37,493 | | 305,966 | 343,459 |
| | | 709,347 | 5,009,608 | 4,279,191 | 9,998,146 |
| Debentures | Debentures in Won | | 336,500 | 334,900 | 671,400 |
| | Debentures in foreign currencies | | 793,211 | | 793,211 |
| | | | 1,129,711 | 334,900 | 1,464,611 |

31. Interest Bearing Assets and Liabilities:

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

| Interest Bearing Assets | Average Balance | Interest Income | Average Yield (%) |
|--------------------------------|--------------------------|-------------------------|--------------------------|
| Due from banks | (Won) 1,573,864 | (Won) 56,412 | 3.58% |
| Trading securities | 5,893,935 | 369,631 | 6.27% |
| Investment securities | 19,344,213 | 2,059,765 | 10.65% |
| Loans | 128,335,229 | 10,472,306 | 8.16% |
| | (Won) 155,147,241 | (Won) 12,958,114 | |

| Interest Bearing Liabilities | Average Balance | Interest Expenses | Average Yield (%) |
|-------------------------------------|--------------------------|--------------------------|--------------------------|
| Deposits | (Won) 124,107,684 | (Won) 4,982,936 | 4.02% |
| Borrowings | 15,528,108 | 735,982 | 4.74% |
| Debentures | 17,591,021 | 1,236,299 | 7.03% |
| | (Won) 157,226,813 | (Won) 6,955,217 | |

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

32. Business Combination with H&CB:

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

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

33. Statement of Cash Flows:

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

| | <u>2002</u> | <u>2001</u> |
|--------------------------------------|------------------------|------------------------|
| Cash on hand | (Won) 2,393,118 | (Won) 2,553,714 |
| Cash in foreign currencies | 186,780 | 147,314 |
| Due from banks in Won | 1,688,995 | 4,840,695 |
| Due from banks in foreign currencies | 542,899 | 329,591 |
| | <u>4,811,792</u> | <u>7,871,314</u> |
| Restricted deposits | 1,604,544 | 4,401,794 |
| | <u>(Won) 3,207,248</u> | <u>(Won) 3,469,520</u> |

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

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| | <u>2002</u> | <u>2001</u> |
|---|--------------|----------------|
| Unrealized gains or losses on investment securities in consolidated capital adjustments | (Won) 87,330 | (Won) (67,294) |
| Loan restructuring | 122,043 | 183,432 |
| Write-off of loans | 1,528,327 | 1,092,672 |
| Sale of non-performing loans | 58,750 | 366,868 |
| Conversion of convertible bonds | 234,100 | 31,864 |
| Extinguishments of preferred stock | | 200,000 |
| Retained earnings appropriation for dividends | 325,234 | 119,867 |
| Issuance of stock dividends | 89,900 | |
| Conversion of loans to equity securities | 109,931 | |
| Transfer of assets, liabilities and equity due to the business combination with H&CB | | 66,392,324 |

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

34. Assets and Liabilities Denominated in Foreign Currencies:

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

| | Total Balances | | Major Denomination Currencies ^{1*} | | |
|----------------------------|----------------|--------------|---|--------------|--------------|
| | Millions of | Thousands of | Thousands of | Thousands of | Thousands of |
| | Won | US Dollars | US Dollars | EC Euro | Japanese Yen |
| Assets | | | | | |
| Cash | (Won) 186,780 | \$ 155,598 | \$ 63,914 | 15,676 | ¥ 7,450,032 |
| Due from banks | 542,899 | 452,265 | 404,009 | 6,769 | 6,062,988 |
| Trading securities | 11,842 | 9,865 | 9,865 | | |
| Investment securities | 1,269,839 | 1,057,847 | 907,910 | 7,045 | 4,789,879 |
| Loans | 4,259,199 | 3,548,150 | 2,308,773 | 87,613 | 65,532,564 |
| Bills bought | 756,300 | 630,040 | 588,877 | 25,336 | 840,286 |
| Advances for customers | 2,223 | 1,852 | 1,852 | | |
| Call loans | 195,741 | 163,063 | 154,700 | 4,000 | 50,000 |
| Liabilities | | | | | |
| Deposits | 1,212,004 | 1,009,666 | 900,160 | 12,346 | 17,863,339 |
| Borrowings | 3,140,751 | 2,616,420 | 2,134,304 | 94,893 | 46,007,284 |
| Due to Bank of Korea | 37,493 | 31,234 | 31,234 | | |
| Call money | 76,666 | 63,867 | 41,500 | | 5,679,100 |
| Debentures | 891,161 | 742,387 | 495,962 | | |
| Unsettled foreign payables | (Won) 20,895 | \$ 17,406 | \$ 12,772 | 939 | ¥ 138,208 |

1* Foreign currencies other than US dollars are converted into US dollar amounts using the exchange rates provided by Korea Financial Telecommunications & Clearing Institute at the balance sheet date.

35. Values Added Calculation:

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

| | 2002 | 2001 |
|--------------------|-----------------|---------------|
| Salaries and wages | (Won) 1,242,815 | (Won) 625,156 |

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| | | |
|-------------------------|------------------------|------------------------|
| Retirement benefits | 114,023 | 124,853 |
| Other employee benefits | 290,932 | 385,376 |
| Rent | 62,692 | 27,516 |
| Depreciation | 365,073 | 183,492 |
| Amortization | 80,398 | 13,967 |
| Taxes and dues | 121,511 | 74,407 |
| | <u>(Won) 2,277,444</u> | <u>(Won) 1,434,767</u> |

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

36. Business Segments:

The following tables show the distribution of the Consolidated Company's operations by business segment as of December 31, 2002 (in millions of Won):

| | Financing and Insurance | Non-financing & Insurance | Adjustments for consolidation | Total |
|---|----------------------------|---------------------------------|----------------------------------|--------------------------|
| Cash and due from Banks | (Won) 4,979,428 | (Won) 13,518 | (Won) (202,310) | (Won) 4,790,636 |
| Trading securities | 9,333,854 | | (60,409) | 9,273,445 |
| Investment securities | 28,635,431 | 5 | (1,046,575) | 27,588,861 |
| Loans | 137,130,579 | 873 | (1,704,791) | 135,426,661 |
| Fixed assets | 3,360,847 | 379 | (1,068) | 3,360,158 |
| Other assets | 7,020,162 | 3,515 | (337,164) | 6,686,513 |
| Total Assets | (Won) 190,460,301 | (Won) 18,290 | (Won) (3,352,317) | (Won) 187,126,274 |
| Deposits | (Won) 127,165,548 | (Won) | (Won) (274,588) | (Won) 126,890,960 |
| Borrowings | 17,204,165 | | (1,731,071) | 15,473,094 |
| Debentures | 23,483,306 | | (32,960) | 23,450,346 |
| Other liabilities | 11,221,922 | 3,871 | (269,020) | 10,956,773 |
| Total Liabilities | 179,074,941 | 3,871 | (2,307,639) | 176,771,173 |
| Capital stock | 2,281,164 | 8,000 | (647,871) | 1,641,293 |
| Consolidated capital surplus | 6,030,400 | | (61,999) | 5,968,401 |
| Consolidated retained earnings | 2,949,621 | 6,419 | (493,805) | 2,462,235 |
| Consolidated capital adjustments | 124,175 | | (93,358) | 30,817 |
| Minority interest | | | 252,355 | 252,355 |
| Total Shareholders' Equity | 11,385,360 | 14,419 | (1,044,678) | 10,355,101 |
| Total Liabilities and Shareholders' Equity | (Won) 190,460,301 | (Won) 18,290 | (Won) (3,352,317) | (Won) 187,126,274 |
| Operating revenue | (Won) 19,670,746 | (Won) 43,935 | (Won) (851,084) | (Won) 18,863,597 |
| Interest revenue | 13,176,242 | 645 | (88,450) | 13,088,437 |
| Fees & commissions | 2,750,723 | 43,290 | (222,735) | 2,571,278 |
| Other revenue | 3,743,781 | | (539,899) | 3,203,882 |
| Operating expenses | 17,683,455 | 41,096 | (817,163) | 16,907,388 |
| Interest expenses | 7,074,256 | | (66,301) | 7,007,955 |

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| | | | | |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Fees & commissions | 1,026,672 | 28,325 | (192,490) | 862,507 |
| Other expenses | 6,589,581 | 10 | (530,140) | 6,059,451 |
| General and administration | 2,992,946 | 12,761 | (28,232) | 2,977,475 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Operating income | 1,987,291 | 2,839 | (33,921) | 1,956,209 |
| Non-operating income | 761,851 | 8 | 2,063 | 763,922 |
| Non-operating expenses | 1,083,293 | 164 | (181,758) | 901,699 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Ordinary income | 1,665,849 | 2,683 | 149,900 | 1,818,432 |
| Extraordinary gain | | | | |
| Extraordinary loss | | | | |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Income before income tax | 1,665,849 | 2,683 | 149,900 | 1,818,432 |
| Income tax expenses | 598,429 | 674 | 13,281 | 612,384 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net income before consolidation adjustment | 1,067,420 | 2,009 | 136,619 | 1,206,048 |
| Minority interest in earnings of consolidated subsidiaries | | | 65,260 | 65,260 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Consolidated net income | (Won) 1,067,420 | (Won) 2,009 | (Won) 201,879 | (Won) 1,271,308 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Continued;

KOOKMIN BANK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2002 and 2001

36. **Business Segments**, Continued;

The following table shows the distribution of the Consolidated Company's operations by industry (in millions of Won):

| | Banking | Credit card | Others | Adjustments for Consolidation | Total |
|-----------------------------|-------------------|------------------|-----------------|----------------------------------|-------------------|
| Operating revenue | (Won) 15,584,501 | (Won) 3,134,577 | (Won) 995,603 | (Won) (851,084) | (Won) 18,863,597 |
| (Inter-company transaction) | (326,010) | (1,950) | (523,124) | 851,084 | |
| | 15,258,491 | 3,132,627 | 472,479 | | 18,863,597 |
| Operating Income | 2,265,765 | (337,331) | 61,696 | (33,921) | 1,956,209 |
| Cash and due from banks | 4,599,356 | 103,505 | 290,085 | (202,310) | 4,790,636 |
| Securities | 30,940,750 | 3,112,127 | 3,916,412 | (1,106,983) | 36,862,306 |
| Loans | 126,730,561 | 9,256,060 | 1,144,831 | (1,704,790) | 135,426,662 |
| Fixed assets | 3,092,616 | 260,600 | 8,010 | (1,069) | 3,360,157 |
| Other assets | 6,135,558 | 649,077 | 239,043 | (337,165) | 6,686,513 |
| Total assets | (Won) 171,498,841 | (Won) 13,381,369 | (Won) 5,598,381 | (Won) (3,352,317) | (Won) 187,126,274 |

The following table shows the distribution of the Consolidated Company's operations by geographical market (in millions of Won):

| | Domestic | Overseas | Adjustments for consolidation | Total |
|------------------------------|------------------|---------------|----------------------------------|------------------|
| Operating revenue | (Won) 19,596,963 | (Won) 117,718 | (Won) (851,084) | (Won) 18,863,597 |
| (Inter-company transactions) | (848,575) | (2,509) | 851,084 | |
| | 18,748,388 | 115,209 | | 18,863,597 |
| Operating Income | 1,949,839 | 40,291 | (33,921) | 1,956,209 |
| Cash and due from banks | 4,757,340 | 235,606 | (202,310) | 4,790,636 |
| Securities | 37,719,432 | 249,857 | (1,106,983) | 36,862,306 |
| Loans | 135,767,735 | 1,363,717 | (1,704,790) | 135,426,662 |
| Fixed assets | 3,357,608 | 3,618 | (1,069) | 3,360,157 |

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| | | | | |
|--------------|-------------------|-----------------|-------------------|-------------------|
| Other assets | 7,009,049 | 14,629 | (337,165) | 6,686,513 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total assets | (Won) 188,611,164 | (Won) 1,867,427 | (Won) (3,352,317) | (Won) 187,126,274 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

37. Reclassification of prior year financial statement presentation :

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