

KOOKMIN BANK  
Form 20-F  
June 17, 2003  
Table of Contents

As filed with the Securities and Exchange Commission on June 17, 2003

---

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C.

---

## FORM 20-F

ANNUAL REPORT PURSUANT TO

SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

---

For the fiscal year ended December 31, 2002

Commission file number 1-15258

**Kookmin Bank**

---

(Exact name of Registrant as specified in its charter)

**Kookmin Bank**

---

(Translation of Registrant's name into English)

**The Republic of Korea**

---

(Jurisdiction of incorporation or organization)

9-1, 2-ga, Namdaemoon-ro, Jung-gu

Seoul 100-703, Korea

---

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

<u>Title of Class</u>	<u>Name of each exchange on which registered</u>
<b>American Depositary Shares,</b>	<b>New York Stock Exchange, Inc.</b>
<b>each representing</b>	
<b>one share of Common Stock</b>	<b>New York Stock Exchange, Inc.*</b>
<b>Common Stock, par value</b>	
<b>(Won)5,000 per share</b>	

Securities registered or to be registered pursuant to Section 12(g) of the Act.

**None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

**None**

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**328,258,685 shares of common stock, par value (Won)5,000 per share**

---

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17

Item 18

**(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes

No

---

\* Not for trading, but only in connection with the registration of the American Depositary Shares.

---

**Table of Contents****TABLE OF CONTENTS**

<u>Certain Defined Terms</u>		1
<u>Forward-Looking Statements</u>		2
Item 1.	<u>Identity of Directors, Senior Managers and Advisers</u>	4
Item 2.	<u>Offer Statistics and Expected Timetable</u>	4
Item 3.	<u>Key Information</u>	4
	Item 3A. <u>Selected Financial Data</u>	4
	Item 3B. <u>Capitalization and Indebtedness</u>	12
	Item 3C. <u>Reasons for the Offer and Use of Proceeds</u>	12
	Item 3D. <u>Risk Factors</u>	12
Item 4.	<u>Information on the Company</u>	30
	Item 4A. <u>History and Development of the Company</u>	30
	Item 4B. <u>Business Overview</u>	34
	Item 4C. <u>Organizational Structure</u>	108
	Item 4D. <u>Property, Plants and Equipment</u>	109
Item 5.	<u>Operating and Financial Review and Prospects</u>	111
	Item 5A. <u>Operating Results</u>	111
	Item 5B. <u>Liquidity and Capital Resources</u>	141
	Item 5C. <u>Research and Development, Patents and Licenses, etc.</u>	159
	Item 5D. <u>Trend Information</u>	159
Item 6.	<u>Directors, Senior Management and Employees</u>	160
	Item 6A. <u>Directors and Senior Management</u>	160
	Item 6B. <u>Compensation</u>	166
	Item 6C. <u>Board Practices</u>	167
	Item 6D. <u>Employees</u>	169
	Item 6E. <u>Share Ownership</u>	171
Item 7.	<u>Major Stockholders and Related Party Transactions</u>	173
	Item 7A. <u>Major Stockholders</u>	173
	Item 7B. <u>Related Party Transactions</u>	174
	Item 7C. <u>Interest of Experts and Counsel</u>	175
Item 8.	<u>Financial Information</u>	176
	Item 8A. <u>Consolidated Statements and Other Financial Information</u>	176
	Item 8B. <u>Significant Changes</u>	178
Item 9.	<u>The Offer and Listing</u>	179
	Item 9A. <u>Offering and Listing Details</u>	179
	Item 9B. <u>Plan of Distribution</u>	179
	Item 9C. <u>Markets</u>	180
	Item 9D. <u>Selling Shareholders</u>	187
	Item 9E. <u>Dilution</u>	187
	Item 9F. <u>Expenses of the Issuer</u>	187
Item 10.	<u>Additional Information</u>	188
	Item 10A. <u>Share Capital</u>	188
	Item 10B. <u>Memorandum and Articles of Association</u>	188
	Item 10C. <u>Material Contracts</u>	194
	Item 10D. <u>Exchange Controls</u>	194
	Item 10E. <u>Taxation</u>	196
	Item 10F. <u>Dividends and Paying Agents</u>	200
	Item 10G. <u>Statements by Experts</u>	200
	Item 10H. <u>Documents on Display</u>	200
	Item 10I. <u>Subsidiary Information</u>	200
Item 11.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	201
Item 12.	<u>Description of Securities Other than Equity Securities</u>	222
Item 13.	<u>Defaults, Dividend Arrearages and Delinquencies</u>	222



**Table of Contents**

Item 14.	<u>Material Modifications to the Rights of Security Holders and Use of Proceeds</u>	222
Item 15.	<u>Controls and Procedures</u>	223
Item 16A.	<u>Audit Committee Financial Expert</u>	223
Item 16B.	<u>Code of Ethics</u>	223
Item 16C.	<u>Principal Accountant Fees and Services</u>	223
Item 16D.	<u>Exemptions from the Listing Standards for Audit Committees</u>	223
Item 17.	<u>Financial Statements</u>	223
Item 18.	<u>Financial Statements</u>	223
Item 19.	<u>Exhibits</u>	223
<u>SIGNATURES</u>		II-1
<u>Certification of President and Chief Executive Officer</u>		II-2
<u>Certification of Chief Financial Officer</u>		II-3

**Table of Contents**

**CERTAIN DEFINED TERMS**

For the years ended December 31, 1999, 2000, 2001 and 2002 and as of December 31, 1999, 2000, 2001 and 2002, we have prepared financial information in accordance with United States generally accepted accounting principles, or U.S. GAAP. Unless indicated otherwise, the financial information in this document as of and for the years ended December 31, 1999, 2000, 2001 and 2002 has been prepared in accordance with U.S. GAAP.

We were formed through a merger between the former Kookmin Bank and H&CB, which merged into a new corporation named Kookmin Bank effective November 1, 2001. Accordingly, financial information in this document as of and for the year ended December 31, 2001 reflects the impact of the merger. Under U.S. GAAP, the former Kookmin Bank is deemed the accounting acquiror of H&CB in the merger, and we have accounted for the acquisition using the purchase method of accounting.

In this document:

references to we, us or Kookmin Bank are to Kookmin Bank and, unless the context otherwise requires, its subsidiaries and, for periods of time prior to the merger, the former Kookmin Bank;

references to Korea or the Republic are to the Republic of Korea;

references to the government are to the government of the Republic of Korea;

references to Won or (Won) are to the currency of Korea; and

references to U.S. dollars, US dollars, \$ or US\$ are to United States dollars.

Discrepancies between totals and the sums of the amounts contained in any table may be as a result of rounding.

For your convenience, this document contains translations of Won amounts into U.S. dollars at the noon buying rate of the Federal Reserve Bank of New York for Won in effect on December 31, 2002, which was (Won)1,186.3 = US\$1.00.

**Table of Contents**

**FORWARD-LOOKING STATEMENTS**

The Securities and Exchange Commission encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This annual report contains forward-looking statements, which include statements regarding the period following the merger.

Words and phrases such as will, aim, will likely result, will continue, contemplate, seek to, future, objective, goal, shall, pursue, anticipate, estimate, expect, project, intend, plan, believe and words and terms of similar substance used in connection with any discussion of future operating or financial performance identify forward-looking statements. All forward-looking statements are management's present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described. In particular, risks related to our business, including those discussed under Risk Factors, could cause actual results to differ materially. These factors include, but are not limited to:

our ability to successfully implement our strategy;

future levels of non-performing loans;

our growth and expansion;

the adequacy or allowance for credit and investment losses;

technological changes;

investment income;

cash flow projections;

our exposure to market risks;

the failure to realize the anticipated benefits of the merger; and

adverse market and regulatory conditions.

By their nature, certain of the market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains, losses or impact on net interest income could materially differ from those that have been estimated.

## Edgar Filing: KOOKMIN BANK - Form 20-F

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this document could include, but are not limited to:

general economic and political conditions in Korea;

other countries that have an impact on our business activities or investments;

the monetary and interest rate policies of Korea;

inflation or deflation;

unanticipated turbulence in interest rates;

foreign exchange rates;

equity prices or other rates or prices;

the performance of the financial markets in Korea and globally;

changes in domestic and foreign laws, regulations and taxes;

changes in competition and the pricing environments in Korea; and

regional or general changes in asset valuations.

**Table of Contents**

For further discussion of the factors that could cause actual results to differ, see the discussion under Item 3D. Risk Factors contained in this annual report. We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this annual report. Except as required by law, we are not under any obligation, and expressly disclaim any obligation, to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise.

All subsequent forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in our entirety by the cautionary statements contained or referred to in this section.

**Table of Contents****Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGERS AND ADVISERS**

Not applicable

**Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable

**Item 3. KEY INFORMATION****Item 3A. Selected Financial Data**

The selected consolidated financial and operating data set forth below for the years ended December 31, 1999, 2000, 2001 and 2002 and as of December 31, 1999, 2000, 2001 and 2002 have been derived from our audited consolidated financial statements which have been prepared in accordance with U.S. GAAP and audited by PricewaterhouseCoopers, independent accountants.

You should read the following data together with the more detailed information contained in Item 5. Operating and Financial Review and Prospects and our consolidated financial statements included elsewhere in this document. Historical results do not necessarily predict future results.

**Consolidated income statement data**

	Year ended December 31,				
	1999	2000	2001 (1)	2002	2002 (2)
	(in billions of Won, except per common share data)				(in millions of US\$, except per common share data)
Interest and dividend income	(Won) 6,342	(Won) 7,263	(Won) 8,895	(Won) 13,450	\$ 11,338
Interest expense	4,307	4,505	5,317	6,734	5,677

Edgar Filing: KOOKMIN BANK - Form 20-F

Net interest income	2,035	2,758	3,578	6,716	5,661
Provision for loan losses, guarantees and acceptances	964	67	1,261	3,886	3,275
Non-interest income	1,370	908	1,681	3,098	2,612
Non-interest expense	1,499	1,614	2,354	4,387	3,699
Income tax expense	381	740	621	597	504
Minority interest	6	81	84	(211)	(178)
Net income from discontinued operations after income taxes	(74)	(249)	8	97	82
Extraordinary gain and cumulative effect of accounting change, net of tax		13	45		
<b>Net income</b>	<b>(Won) 481</b>	<b>(Won) 928</b>	<b>(Won) 992</b>	<b>(Won) 1,252</b>	<b>\$ 1,055</b>
Net income per common share (3):					
Net income-basic	(Won) 2,982	(Won) 4,931	(Won) 4,700	(Won) 3,939	\$ 3.32
Net income-diluted (4)	2,506	4,243	4,256	3,831	3.23
Weighted average common shares outstanding-basic (in thousands of common shares)	161,188	188,107	211,037	317,787	317,787
Weighted average common shares outstanding-diluted (in thousands of common shares)	192,765	219,797	234,541	328,107	328,107
Cash dividends paid per common share (3)(5)(6)	(Won) 338	(Won) 84	(Won) 844	(Won) 100	\$ 0.08

**Table of Contents**

---

- (1) Data reflect the impact of the merger between the former Kookmin Bank and H&CB effected on November 1, 2001, which was accounted for using the purchase method of accounting.
- (2) Won amounts are expressed in U.S. dollars at the rate of (Won)1,186.3 to US\$1.00, the noon buying rate in effect on December 31, 2002 as quoted by the Federal Reserve Bank of New York in the United States.
- (3) As discussed in Notes 1 and 3 to our consolidated financial statements, for the purpose of calculating earnings per share, all historical per share and share amounts have been restated to reflect (a) the exchange of former Kookmin Bank shares, at a ratio of 1.688346:1, in connection with our merger with H&CB and (b) a 6% stock dividend approved on March 22, 2002.
- (4) Diluted earnings per share gives effect to the potential dilution that could occur if convertible securities, options or other contracts to issue common stock were converted into or exercised for common stock for the relevant periods. We have three categories of potentially dilutive common shares: shares issuable on exercise of stock options granted to directors and employees; shares issuable on conversion of convertible debentures; and shares issuable on conversion of preferred shares.
- (5) U.S. GAAP requires that dividends be recorded in the period in which they are declared rather than the period to which they relate unless these are the same.
- (6) On December 15, 2001, our board of directors passed a resolution recommending a 6% stock dividend and a cash dividend of (Won)100 per common share (before dividend tax), representing 2% of the par value of each share, for the fiscal year ended December 31, 2001. This resolution was approved and ratified by our stockholders on March 22, 2002. For this dividend, 17,979,954 common shares were issued and distributed to stockholders who were registered in our stockholder registry on December 31, 2001. No stock dividends were declared for the fiscal years ended December 31, 1999, 2000 or 2002.

**Table of Contents****Consolidated balance sheet data**

	<b>As of December 31,</b>				
	<b>1999</b>	<b>2000</b>	<b>2001 (1)</b>	<b>2002</b>	<b>2002 (2)</b>
	<b>(in billions of Won)</b>				<b>(in millions of US\$)</b>
<b>Assets</b>					
Cash and cash equivalents	(Won) 2,161	(Won) 1,701	(Won) 3,041	(Won) 3,328	\$ 2,805
Restricted cash	706	1,540	4,373	1,580	1,332
Interest-bearing deposits in other banks	629	1,587	592	564	476
Call loans and securities purchased under resale agreements	377	2,491	2,012	229	193
Trading assets	3,636	3,104	6,874	6,368	5,368
Investments (3)	16,293				