

KOOKMIN BANK
Form 6-K
March 04, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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

For the month of March 2004

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

Kookmin Bank s 2003 Audit Report

On March 3, 2004, Kookmin Bank released audit report for the fiscal year of 2003, which includes comparative non-consolidated financial statements for the years ended December 31, 2003 and 2002 and related notes to the statements.

Exhibit 99.1_ Kookmin Bank s 2003 Audit Report

SIGNATURES

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

Kookmin Bank
(Registrant)

Date: March 3, 2004

By: /s/ Ki-Sup Shin

(Signature)

Name: Ki-Sup Shin
Title: Executive Vice President & Chief Financial Officer

Kookmin Bank

Non-Consolidated Financial Statements

December 31, 2003 and 2002

Kookmin Bank

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December 31, 2003 and 2002

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Report of Independent Auditors

To the Board of Directors and Shareholders of

Kookmin Bank

We have audited the accompanying non-consolidated balance sheet of Kookmin Bank (the Bank) as of December 31, 2003 and 2002, and the related non-consolidated statements of operations, appropriations of retained earnings (dispositions of accumulated deficit) and cash flows for the year then ended, expressed in Korean Won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the non-consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kookmin Bank as of December 31, 2003 and 2002, and the results of its operations, the changes in its retained earnings (accumulated deficit), and its cash flows for the year then ended in conformity with accounting principles generally accepted in the Republic of Korea.

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

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

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

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

As a result of the above change, the Bank's allowances for loan losses as of December 31, 2003 are greater by (Won)336,265 million for consumer loans and (Won)314,701 million for credit card loans compared to the amounts that which would have been recorded under the previous rates.

As discussed in Note 20 to the financial statements, in accordance with the resolution made by the Board of Directors on December 26, 2003, the Bank acquired 27,423,761 of its own shares previously owned by the Korean government at (Won)43,700 per share through public bidding and intends to sell these shares of treasury stock depending on certain market conditions. As a result of the acquisition, the Bank holds 8.92 percent of the total common stock issued as treasury stock.

As discussed in Note 16 to the financial statements, the Bank's total exposure (including debt securities, beneficiary certificates, and loans) related to domestic credit card companies and capital companies amounts to (Won)2,055,663 million as of December 31, 2003. Currently, securities issued by credit card companies and capital companies, which are experiencing liquidity problems, are not widely traded in the bond market. The ultimate effect of these circumstances on the financial position of the Bank as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying financial statements.

As discussed in Note 16 to the financial statements, in accordance with the agreement with the creditors' committee of LG Card Co., Ltd. on November 24, 2003, the Bank provided additional loans of (Won)437.0 billion to LG Card Co., Ltd., which is currently experiencing a liquidity crisis. Also, on January 9, 2004, the Bank has agreed to a debt-equity swap of (Won)312.7 billion, to provide additional loans of (Won)205.9 billion (to be included in the debt-equity swap), and to extend the maturity of loans that will mature in 2004. The ability of LG Card Co., Ltd. to continue as a going concern depends on the effective execution of its restructuring plan and debt restructuring as well as the availability of financial aid from its financial institutional creditors. The ultimate effect of these circumstances on the financial position of the Bank as of the balance sheet date cannot be presently determined, and accordingly, no adjustments related to such uncertainties have been recorded in the accompanying financial statements.

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

Seoul, Korea

March 3, 2004

This report is effective as of March 3, 2004, 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 non-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**Non-Consolidated Balance Sheets****December 31, 2003 and December 31, 2002***(in millions of Won)*

	<u>2003</u>	<u>2002</u>
Assets		
Cash and due from banks (Note 3)	(Won) 6,526,345	(Won) 4,599,356
Securities (Note 4)	28,101,845	30,940,750
Loans (Notes 5 and 6)	139,920,521	126,730,561
Fixed assets (Note 7)	3,019,556	3,092,616
Other assets (Note 8)	6,484,239	6,135,558
Total assets	(Won) 184,052,506	(Won) 171,498,841
Liabilities and Shareholders Equity		
Deposits (Note 9)	(Won) 132,180,272	(Won) 123,109,653
Borrowings (Note 10)	10,902,800	10,690,754
Debentures (Note 11)	19,192,581	17,539,007
Other liabilities (Note 13)	13,362,339	9,784,798
Total liabilities	175,637,992	161,124,212
Commitments and contingencies (Notes 14 and 16)		
Common stock (5,000 Won par value per share, authorized 1 billion shares and 336,379,116 shares outstanding in 2003) (Notes 1 and 17)	1,681,896	1,641,293
Capital surplus (Note 18)	6,230,738	5,864,752
Retained earnings (Note 19)	1,662,119	2,742,335
Capital adjustments (Note 20)	(1,160,239)	126,249
Total shareholders equity	8,414,514	10,374,629
Total liabilities and shareholders equity	(Won) 184,052,506	(Won) 171,498,841

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

Kookmin Bank**Non-Consolidated Statements of Operations**

Years ended December 31, 2003 and 2002

(in millions of Won except per share amounts)

	<u>2003</u>	<u>2002</u>
Interest income		
Interest on due from banks	(Won) 10,433	(Won) 51,580
Interest on trading securities	116,142	95,576
Interest on available-for-sale securities	958,665	652,423
Interest on held-to-maturity securities	626,552	834,895
Interest on loans	9,814,835	9,251,849
Other interest income	98,923	102,735
	<u>11,625,550</u>	<u>10,989,058</u>
Interest expenses		
Interest on deposits	4,280,290	4,770,967
Interest on borrowings	410,746	415,938
Interest on debentures	1,143,228	830,219
Other interest expenses	68,570	58,068
	<u>5,902,834</u>	<u>6,075,192</u>
Net interest income	5,722,716	4,913,866
Provision for loan losses (Note 6)	4,040,536	1,593,479
Net interest income after provision for loan losses	<u>1,682,180</u>	<u>3,320,387</u>
Non-interest income		
Fees & commission income	1,636,171	1,345,669
Dividends on trading securities	1,633	1,123
Dividends on available-for-sale securities	5,580	12,186
Gain on foreign currency transactions	287,501	202,367
Gain on derivatives transactions (Note 15)	1,131,711	1,760,743
Others (Note 22)	868,840	1,273,355
	<u>3,931,436</u>	<u>4,595,443</u>
Non-interest expenses		
Fees and commission expenses	270,405	330,385
General and administrative expenses (Note 23)	2,704,148	2,551,426
Loss on foreign currency transactions	200,109	245,232
Loss on derivatives transactions (Note 15)	1,053,990	1,594,025
Others (Note 22)	1,308,880	928,997
	<u>5,537,532</u>	<u>5,650,065</u>
Operating income	76,084	2,265,765
Non-operating expenses, net (Note 24)	(1,222,528)	(372,147)

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Net (loss) income before income tax expense	(1,146,444)	1,893,618
Income tax (benefit) expense (Note 25)	(393,096)	583,327
Net (loss) income	(Won) (753,348)	(Won) 1,310,291
Basic (loss) earnings per share (In Korean Won) (Note 26)	(Won) (2,311)	(Won) 4,123

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

Kookmin Bank**Non-Consolidated Statements of Appropriations of Retained Earnings****(Dispositions of Accumulated Deficit)**

Years ended December 31, 2003 and 2002

(Date of Disposition : March 23, 2004 for the year ended December 31, 2003

Date of Appropriation : March 21, 2003 for the year ended December 31, 2002)

(in millions of Won)

	<u>2003</u>	<u>2002</u>
Retained earnings (accumulated deficit) before appropriations (dispositions)		
Unappropriated retained earnings carried over from prior year	(Won) 410	(Won) 5,117
Adjustment on investment in associates (Note 19)	(1,917)	4,562
Net income (loss)	(753,348)	1,310,291
	<u>(754,855)</u>	<u>1,319,970</u>
Transferred from prior years reserve (Note 19)		
Reserves for overseas investment losses		5,417
		<u>5,417</u>
Dispositions (appropriations) (Note 19)		
Transfer from (appropriations for) voluntary reserves	754,900	(867,000)
Other reserves		(744)
Legal reserves		(132,000)
Cash dividends (20.0% for common stock in 2002)		(325,233)
	<u>754,900</u>	<u>(1,324,977)</u>
Unappropriated retained earnings carried over to the subsequent year	<u>(Won) 45</u>	<u>(Won) 410</u>

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

Kookmin Bank**Non-Consolidated Statements of Cash Flows**

Years ended December 31, 2003 and 2002

(in millions of Won)

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities		
Net (loss) income	(Won) (753,348)	(Won) 1,310,291
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Realized gain on trading securities, net	(71,899)	(87,802)
Unrealized gain on trading securities, net	(70,976)	(167,366)
Provision for loan losses due to merger	1,652,264	
Gain (loss) on foreign currency transactions, net	(87,392)	42,865
Provision for loan losses	4,040,536	1,593,479
Reversal of losses from guarantees and acceptances	(1,209)	(37,436)
Gain on derivatives transactions, net	(77,721)	(166,718)
Loss (gain) on valuation of derivatives, net	18,788	(41,884)
Gain (loss) on fair value hedged items	(10,715)	9,213
Retirement benefits	109,766	100,198
Depreciation and amortization	466,856	389,931
Loss on disposal of fixed assets, net	33,058	6,288
Impairment loss on fixed assets	22,228	
Realized gain on available-for-sale securities, net	(493,993)	(210,112)
Impairment loss on available-for-sale securities, net		