

KOOKMIN BANK
Form 6-K
March 31, 2008
Table of Contents

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 2008

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)

Edgar Filing: KOOKMIN BANK - Form 6-K

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):

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

Table of Contents

Index

- 1. Summary of Business Report for Fiscal Year 2007**
- 2. Exhibit 99.1-Kookmin Bank and Its Subsidiaries Consolidated Audit Report 2007**

Table of Contents

TABLE OF CONTENTS

1. <u>Introduction to the Bank</u>	6
1.1. <u>Business Purposes</u>	6
1.2. <u>History</u>	6
1.3. <u>Capital Structure</u>	9
1.4. <u>Dividend</u>	10
2. <u>Business</u>	11
2.1. <u>Source and Use of Funds</u>	11
2.2. <u>Principal Banking Activities</u>	14
2.3. <u>Branch Networks</u>	18
2.4. <u>Other Information for Investment Decision</u>	19
3. <u>Financial Information</u>	21
3.1. <u>Consolidated Condensed Financial Statements</u>	21
3.2. <u>Non-Consolidated Condensed Financial Statements</u>	22
3.3. <u>Other Financial Information</u>	22
4. <u>Independent Public Accountants</u>	23
4.1. <u>Audit & Audit related Fees</u>	23
4.2. <u>Non-Audit Services</u>	23
5. <u>Corporate Governance and Affiliated Companies</u>	24
5.1. <u>Board of Directors & Committees under the Board</u>	24
5.2. <u>Audit Committee</u>	24
5.3. <u>Compensation to Directors</u>	25
5.4. <u>Affiliated Companies</u>	32
6. <u>Directors, Senior Management and Employees</u>	33
6.1. <u>Executive Directors</u>	33
6.2. <u>Non-Executive Directors</u>	33
6.3. <u>Senior Management</u>	35
6.4. <u>Employees</u>	36
7. <u>Major Stockholders and Related Party Transactions</u>	37
7.1. <u>Major Stockholders</u>	37
7.2. <u>Changes in the Largest Shareholder for the Recent Three Years</u>	37
7.3. <u>Investments in Affiliates</u>	38
7.4. <u>Related Party Transactions</u>	39
8. <u>Other Important Information for Investors</u>	40

Table of Contents

8.1. Progress Relating to Regulatory Filing

40

Table of Contents

Summary of 2007 Business Report for Fiscal Year 2007

On March 31, 2008, Kookmin Bank filed its business report for fiscal year 2007 (the Business Report) with the Financial Services Commission of Korea and the Korea Exchange. This is a summary of the Business Report translated into English.

In effect from January 1, 2007, we have adopted SKAS¹ No. 21 (Preparation and Presentation of Financial Statements I) and SKAS No. 24 (Preparation and Presentation of Financial Statements II (Financial Industry)), pursuant to which the presentation and order of certain line items, including gain/loss on disposal of available-for-sale securities, have been reclassified from non-operating income to operating income. We have revised our financial statements for prior periods to reflect this change. In addition, pursuant to amendments to SKAS No. 16 (Tax accounting), refunds of income tax and additional income tax payments previously classified as non-operating revenue (expense) are currently classified as income tax expense. The effect of the changes in the classification of such income statement items for the year ended December 31, 2007 is as follows: non-operating revenue decreased by Won 867.5 billion, non-operating expenses decreased by Won 604.3 billion, operating income increased by Won 749.3 billion and income tax expense increased by Won 486.1 billion.

Financial information contained in this summary (and in the attached audit report) have been prepared in accordance with generally accepted accounting principles in Korea, which differ in certain important respects from generally accepted accounting principles in the United States.

All references to Kookmin Bank mean Kookmin Bank on a non-consolidated basis, and all references to we , us or the Bank mean Kookmin Bank and, as the context may require, its subsidiaries. In addition, all references to Won in this document are to the currency of the Republic of Korea.

¹ SKAS: Statement of Korean Accounting Standards

Table of Contents

1. Introduction to the Bank

1.1 Business Purposes

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

The banking business as prescribed by the Banking Act,

The business as prescribed by the Trust Business Act,

The credit card business as prescribed by the Specialized Credit Financial Business Act, and

Other businesses permitted by other relevant Korean laws and regulations

1.2 History

November 1, 2001

Incorporated and listed on the New York Stock Exchange

November 9, 2001

Listed on the Korea Stock Exchange

September 23, 2002

Integrated IT platforms of former Kookmin Bank and H&CB

December 4, 2002

Entered into a strategic alliance agreement with ING Bank N.V. Amsterdam

September 30, 2003

Completed the merger with Kookmin Credit Card

December 16, 2003

Completed a strategic investment in Bank Internasional Indonesia (BII) by investing in a 25% stake in Sorak Financial Holdings, a consortium with other investors

Edgar Filing: KOOKMIN BANK - Form 6-K

December 19, 2003

Fully privatized through the entire disposition of Korean government's stake in Kookmin Bank

April 29, 2004

Established a subsidiary, KB Life Insurance Co., Ltd., to engage in insurance business

July 22, 2004

Entered into an alliance with China Construction Bank in connection with the foreign currency business

August 31, 2004

ING Bank N.V. Amsterdam entered into a contract with Kookmin Bank for a strategic investment in KB Life Insurance Co., Ltd.

October 29, 2004

Appointed Mr. Chung Won Kang as the President & CEO in an extraordinary general meeting of shareholders

Table of Contents

December 31, 2004

The largest shareholder of Kookmin Bank changed from ING Bank N.V. Amsterdam to Euro-Pacific Growth Fund

January 01, 2005

Integrated three labor unions (former Kookmin Bank, former H&CB, former Kookmin Credit Card) into a single Kookmin Bank labor union

March 02, 2005

Opened KB Satellite Broadcasting System, the first combined broadcasting system in Korea

March 21, 2005

The largest shareholder of Kookmin Bank changed from Euro-Pacific Growth Fund to ING Bank N.V. Amsterdam

June 16, 2005

Disposed of 27,423,761 shares of treasury stock by means of a combination of domestic over-the-counter-sales and an international issuance of depository receipts

July 26, 2005

Obtained an approval from FSS to use the Market Risk Internal Model for the first time among domestic financial institutions

October 10, 2005

The largest shareholder of Kookmin Bank changed from ING Bank N.V. Amsterdam to Euro-Pacific Growth Fund

February 2, 2006

Established the Basel II system to calculate credit risk weighted asset and new BIS capital adequacy ratio for the first time among domestic financial institutions

April 3, 2006

Established 100% computerization of bank accounts for the first time among domestic financial institutions

September 8, 2006

Implemented SOD (Segregation of Duties)

Edgar Filing: KOOKMIN BANK - Form 6-K

December 11, 2006

Ranked Number 1 among banks in the National Customer Satisfaction Index(NCSI) by Korea Productivity Center

April 27, 2007

Commenced principal stage of the Next Generation System development and new IT center construction

October 31, 2007

Reappointed Mr. Chung Won Kang as the President & CEO in an extraordinary general meeting of shareholders

November 14, 2007

Entered into a share purchase agreement to acquire a 95.8% stake in Hannuri Investment & Securities Co., Ltd.

Table of Contents

December 11, 2007

Ranked Number 1 among banks and Number 1 among credit card businesses in the National Customer Satisfaction Index(NCSI) by Korea Productivity Center

December 31, 2007

Became the first Korean bank to obtain approval from the FSS to use a Foundation Internal Ratings-based Approach for credit risks under Basel II.

February 20, 2008

The largest shareholder of Kookmin Bank changed from Euro-Pacific Growth Fund to the Korean National Pension Service

March 11, 2008

Addition of a new affiliate, KB Investment & Securities Co., Ltd. (formerly Hannuri investment & Securities Co., Ltd.)

March 14, 2008

Entered into agreements to acquire up to 50.1% of the shares of Joint Stock Company Bank CenterCredit, a Kazakhstan Bank.

March 28, 2008

Kookmin Bank decided to sell its entire shareholding in Sorak Financial Holdings Pte. Ltd.

Table of Contents**1.3. Capital Structure****1.3.1. Common Shares**

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

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

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

With respect to the merger between Kookmin Bank and Kookmin Credit Card on September 30, 2003, Kookmin Bank issued an additional 8,120,431 common shares on October 1, 2003. Accordingly, as of December 31, 2007, a total of 336,379,116 common shares were issued.

Number of Shares (Unit: shares) as of December 31, 2007

	Type	
	Common Stock	Total
Share Issued (A)	336,379,116	336,379,116
Treasury Stock (B)		
Share Outstanding (A-B)	336,379,116	336,379,116

Capital Increase (Unit: Won, shares)

Issue Date	Type	Number	Face Value	Issue Price	Remarks
2001.10.31	Common Stock	299,697,462	5,000		M&A into a new entity
2002.3.22	Common Stock	17,979,954	5,000	5,000	Stock dividend
2002.11.30	Common Stock	10,581,269	5,000	22,124	CB conversion
2003.10.01	Common Stock	8,120,431	5,000	38,100	M&A with KCC

1.3.2. Treasury Stock

(Unit: shares)

Date	Details	Number of shares
December 31, 2005	Outstanding Treasury Shares	217,935
January 13, 2006	Disposition due to exercise of stock option by grantees	(217,935)
As of December 31, 2007	Outstanding Treasury Shares	0

Table of Contents**1.3.3. Employee Stock Ownership Association**

(Unit: shares)

Type	Beginning Balance (January 1, 2007)	Increase	Decrease	Ending Balance (December 31, 2007)	Remarks
Registered common stock	2,790,281		60,525	2,729,756	
Total	2,790,281		60,525	2,729,756	

1.4. Dividend

The following table shows our dividend related information for the last three years. The Board of Directors of Kookmin Bank passed a resolution to pay a dividend for fiscal year of 2007, and shareholders of Kookmin Bank approved of the dividend payout for fiscal year 2007 at the general meeting of shareholders held on March 20, 2008.

(Unit: in millions of Won unless indicated otherwise)

	2007	2006	2005
Net (loss) income for the period	2,773,843	2,472,111	2,252,218
Diluted (loss) earnings per share (Won)	8,246¹	7,349	6,977
Total dividend amount	824,129	1,227,784	184,889
Dividend payout ratio (%)	29.71²	49.67	8.21
Cash dividend per common share (Won)	2,450	3,650	550
Stock dividend per common share (%)			
Dividend per preferred share (Won)			
Dividend yield ratio (%)	3.48³	4.90	0.72

¹ Earnings per share = net income (Won 2,773,843,133,424) / weighted average number of shares (336,379,116 shares).

² Dividend payout ratio = total dividend amount for common shares (Won 824,128,834,200) / net income (Won 2,773,843,133,424).

³ Dividend yield ratio = dividend per share (Won 2,450) / average closing price for a week based on business day prior to market closing date of December 31, 2007 (Won 70,475).

Table of Contents**2. Business****2.1. Source and Use of Funds****2.1.1. Source of Funds****[Bank Account]**

(Unit: in millions of Won, %)

		December 31, 2007		December 31, 2006		December 31, 2005	
		Average balance	Interest rate (%)	Average balance	Interest rate (%)	Average balance	Interest rate (%)
Won currency	Deposits	109,901,995	3.23	111,324,234	2.91	114,394,983	2.82
	Certificate of deposit	14,683,182	5.19	8,408,753	4.53	5,008,378	3.69
	Borrowings	2,474,036	3.64	2,533,547	3.36	2,674,268	3.02
	Call money	1,553,396	4.79	2,300,768	4.09	931,968	3.24
	Other	36,902,539	5.52	28,332,243	5.13	24,315,388	5.08
Subtotal		165,515,148	3.93	152,899,545	3.43	147,324,985	3.23
Foreign currency	Deposits	1,723,594	2.80	1,489,895	2.37	1,473,811	1.61
	Borrowings	4,415,317	3.81	3,635,918	3.41	3,231,480	2.06
	Call money	538,081	5.04	527,600	4.74	285,573	3.48
	Debentures	2,820,166	5.18	1,530,941	4.49	765,723	4.09
	Other	91,227		59,296		52,592	
Subtotal		9,588,385	4.06	7,243,650	3.50	5,809,179	2.26
Other	Total Shareholders Equity	16,064,310		14,251,498		11,369,246	
	Allowances	924,317		1,004,895		677,036	
	Other	11,036,268		11,935,765		12,041,392	
Subtotal		28,024,895		27,192,158		24,087,674	
Total		203,128,428	3.40	187,335,353	2.94	177,221,838	2.76

Table of Contents**2.1.2. Use of Funds
[Bank Account]**

(Unit: in millions of Won, %)

		December 31, 2007		December 31, 2006		December 31, 2005	
		Average balance	Interest rate (%)	Average balance	Interest rate (%)	Average balance	Interest rate (%)
Won currency	Due from banks	27,232	0.99	190,902	3.66	304,662	2.97
	Securities	29,795,474	4.66	31,437,266	4.25	27,676,964	4.58
	Loans	135,549,458	6.60	120,688,857	6.44	120,539,476	6.24
	Advances for customers	28,717	1.51	13,122	2.27	23,947	8.64
	Call loan	646,821	4.81	823,293	4.25	1,473,725	3.43
	Private placement corporate bonds	7,599,124	5.42	5,702,726	5.43	1,887,514	6.95
	Credit card accounts	9,232,452	22.20	7,855,415	24.46	7,321,906	26.93
	Other	355,868		328,681		267,061	
	&						