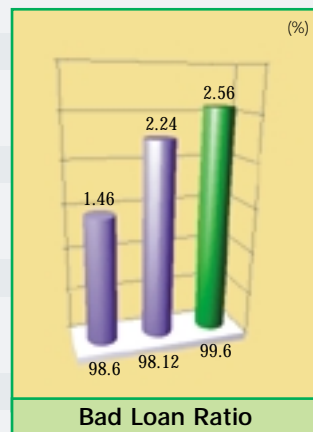
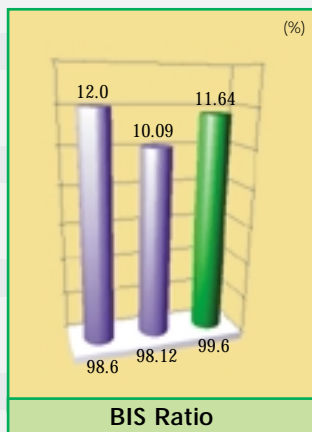
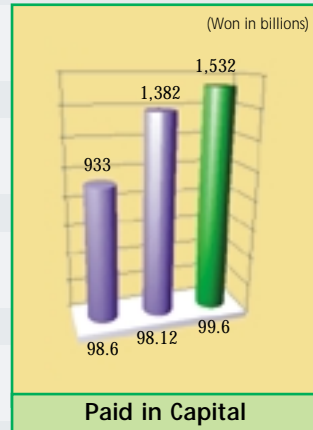
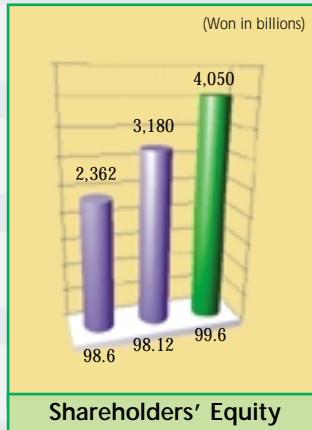
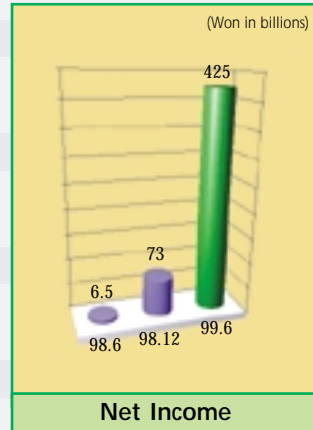
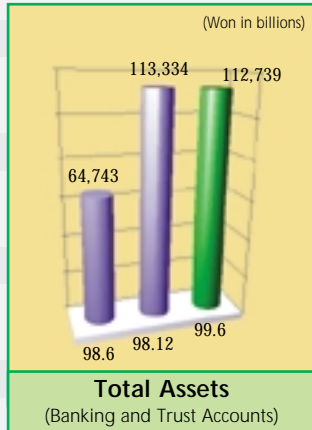


Kookmin Bank at a Glance



To Shareholders a n d C u s t o m e r s

The first six-months of 1999 was a remarkable one for Kookmin Bank and the Korean economy. The Bank was able to record productive results from a recovering economy and favorable business environment.

More productive and better capitalized

The Bank recorded a profit pre-provisions and taxes of ₩613 billion and a net income of ₩425 billion. We became better capitalized as our paid in capital had been increased from last year's end ₩1,382 billion to ₩1,532 billion.

Attracted equity investment from a foreign investor

Goldman Sachs invested a total amount of US\$500 million on June 14, 1999. US\$300 million of the investment was for 30 million common shares and the rest for subordinated convertible bonds. This investment made Goldman Sachs the largest shareholder of Kookmin Bank, replacing the Korean Government.

The investment will strengthen our tier one capital and will support our efforts to be the most competitive and profitable bank in Korea. In our best judgement, it will bring substantial benefits to our shareholders, customers and employees.

The best bank in Korea for two consecutive years

Followed by last year's recognition from "Asiamoney", Kookmin Bank was once again recognized as the best commercial bank in Korea. This year, "Global Finance" selected us as the "Best Emerging Markets Banks". Financial strength, asset quality, and proactive management strategy were among the attributes and qualifications for this prestigious recognition.

Free of Y2K concerns

Any concerns regarding with Y2K problems were debugged as we received the Y2K Certificate of Approval from Y2K Certification Center of Korea on July 28, 1999.

The economy is on recovery

The economy is on a growth trend again. According to the recent Bank of Korea's report, gross domestic product registered 9.8% year-on-year growth in the second quarter. This reflects returning to the IMF pre-crisis level, supported by brisk exports, and strong investment and consumption. This 9.8% is the highest GDP growth rate since the nation's financial crisis erupted in late 1997. Also, the Bank of Korea revised its GDP estimate for the year to over 6.8% from its initial 4.0% forecast.

With the economy on the growth trend and brighter business environment, we believe we will be able to accomplish what we have planned for and meet our shareholders' and customers' requirements continuously.



Dal-Ho Song

President & Chief Executive Officer

Major Developments during the First Half of 1999

1. Goldman Sachs US\$500 million equity investment - June

Goldman Sachs made cash investment of US\$500 million to Kookmin Bank's equity and convertible bonds on June 14, 1999. This investment made Goldman Sachs the largest shareholder of our Bank and affirmed the enormous confidence and potential that investors are seeing in Kookmin Bank. Once the convertible bonds are fully converted into common stocks, Goldman Sachs will hold approximately 16.6% stake in the Bank.

2. Y2K Certificate of Approval - July

We have been assessed through the related documents and facts of the implementation process and results in accordance with the guide of the year 2000 problems in accordance with the evaluation standards of Y2K Certification Center of Korea. As a result, we received the Y2K Certificate of Approval on July 28, 1999.

3. The Bank to invest in Korea - June

Looking to invest in a Korean bank? Kookmin Bank may be the best pick. Morgan Stanley Asia Limited ranked Kookmin Bank with the highest score in its June 8th "Ranking the Korean Banks Report". We earned good scores in all valuation criteria which were: 1) government policy risk, 2) asset quality forward risk, 3) pre-provision profitability, 4) number of years to clean up NPLs, 5) pressure to raise capital, and 6) free float and liquidity risk. The report also mentioned that Kookmin Bank is playing a major role on Korea's recovery process in the banking sector, given its dynamic pre-provision earning power and lowest degree of policy risk in the sector.

4. "The Best Bank of Korea Award" by Global Finance - May

"Global Finance", an internationally renowned monthly magazine, named Kookmin Bank as the best bank in Korea. Financial strength, asset quality and proactive management strategy were among the attributes and qualifications for this recognition. We are proud to receive such recognition as the best bank in Korea. Previously "Asiamoney" named Kookmin as the best bank in Korea in 1998.

5. The highest grade of AAA in credit rating - February

Kookmin Bank received the highest rating of AAA for bond issue from two local credit rating agencies, National Information & Credit Evaluation and Korean Investors Service Inc. We were the first to receive this rating amongst the four newly merged Korean banks. The AAA rating is based on Kookmin's competitiveness in retail and wholesales banking, asset soundness, and strong earning power.

6. Number One in Brand Value - March

Korea Management Association ("KMA") awarded Kookmin Bank with the No. 1 Certificate among local banks for its brand power and corporate image. KMA conducted the survey by visiting people ranging from 15 to 60 years old who live in Seoul and six major cities around the country from January 20th to February 7th.

7. The most preferred Bank for two consecutive years - June

For two consecutive years, Kookmin Bank was named the most preferred bank to do business with in an opinion pool conducted jointly by The Korea Economic Daily and Korea Research Center. The research focused on analyzing the image of the Bank through customer service, operating efficiency, and credibility. A majority of customers responded that their most preferred bank is Kookmin Bank as well as their current account bank.

8. Interview with CNN - June

On June 14th, CNN interviewed Mr. Dal-Ho Song, President & CEO of Kookmin Bank for its "Asia Business Morning" program. This interview had taken place at the special request from CNN. Mr. Song's appearance was the first of its kind among Korean banks executives.

During the interview, Mr. Song explained the process that resulted in the capital investment from Goldman Sachs and its effect on the Bank's asset soundness as well as improvement in management efficiency. Mr. Song also talked about the Bank's long term business strategy and the willingness to make Kookmin Bank not only the best bank in Korea, but also as a "World Class Bank".

9. New Internet Homepage - June

Our Internet Homepage was reopened on June 28th after one month of renovation. The renovation was focused on providing easy and prompt access to all information about the Bank as well as a more dynamic and sophisticated cyber banking system. Some of the new sites that were introduced among others are Daily Market Information and Y2K. (<http://www.kookmin-bank.com>)

Management Discussion & Analysis of Financial Conditions

This analysis is focused on non-consolidated basis of banking accounts except for few numbers where trust accounts is included. The comparison between numbers is from December 31, 1998 to June 30, 1999. The figures for June 30, 1998 were presented solely for the convenience of readers.

The Bank's total assets recorded ₩112,739 billion of which ₩64,998 billion is for banking accounts and ₩47,741 billion is for trust accounts. This is a decrease of ₩595 billion compared to the end of 1998. Our paid in capital had increased by ₩150 billion to ₩1,532 billion as a result of the equity investment by Goldman Sachs. Net income rose by 482.2% points, recording ₩425 billion from ₩73 billion of six-months before.

Balance Sheet Overview

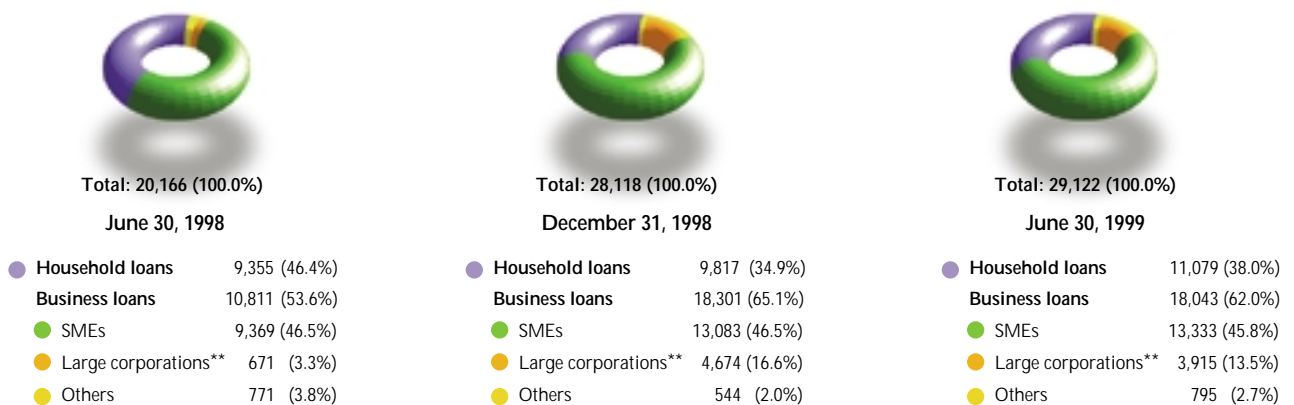
Assets

Loans

As of the end of June 1999, total loans in Won currency were ₩29,122 billion, a 3.6% increase from the year end of 1998's ₩28,118 billion.

The Bank's loan portfolio consists of 38.0% household and 62.0% business loans. The household loans increased 12.8% points while business loans had decreased 1.4% points.

Loan Trend by Sector * (Won in billions)



* Loans in Foreign currency, trust accounts and private placement bonds are excluded.

** The increase compared to one year ago is in line with the merger of KLB, which had big portion of its exposure to large corporations.

Asset Quality

The non-performing loans had a slight increase of ₩21 billion compared to end of last year. Accordingly, non-performing loan ratio was 6.19%, 0.33% points up from 5.86% and bad loan ratio was also increased by 0.32% points.

Non-performing Loans

(Won in billions)

	June 30, 1998	December 31, 1998 **	June 30, 1999
Total credits *	27,482	44,394	42,321
Non-performing loans	892	2,599	2,620
Substandard	602	1,604	1,538
Doubtful	215	935	928
Estimated loss	75	60	154
Non-performing loans/Total credits (%)	3.25	5.86	6.19
Bad loan ratio (%)	1.46	2.24	2.56

* Total Credits = Loans in Won + Loans in Foreign Currency + Foreign Currency Purchase + Advance for Customers + Credit Card + Trust Loans

** Figures of December 31, 1998 are restated based on accounting principal changes by Financial Service Committee (FSC)

Reserves for Possible Loan Losses

(Won in billions)

	June 30, 1998	December 31, 1998	June 30, 1999
Beginning balance	274	274	1,297
Provisions (+)	356	495	143
Write-offs (-)	86	112	180
Other (+)	12	641	-
Ending balance	556	1,297	1,260

Liabilities and Capital

Funding

Banking account deposits at the end of 1998 increased by ₩6,523 billion from the end of last year. These deposits from our 13 million customers countrywide are clearly our main low cost-funding source. The growth in deposits confirms that despite the lower deposit interest rate compared pre to post IMF crisis, our customers kept their loyalty to Kookmin Bank.

Sources of Funding

(Won in billions)

Funding sources *	June 30, 1998	December 31, 1998	June 30, 1999
Deposits	27,325	31,629	38,151
Certificates of deposit	1,055	532	572
Borrowings	2,391	4,114	3,321
Securities sold under repurchase agreement	1,957	587	213
Debt securities	315	9,442	7,289
Other liabilities	2,693	7,445	4,612
Total	35,736	53,749	54,158

* only Won currency included

Borrowings

As a result of our continuous effort to reduce liabilities, borrowings in Won and Foreign currencies decreased by ₩6,604 billion or a 22.9% points from last year.

	(Won in billions)		
	June 30, 1998	December 31, 1998	June 30, 1999
Borrowings in Won currency	2,391	4,114	3,321
Borrowings in Foreign currencies	2,196	3,881	3,107
Debt securities *	1,431	12,095	9,058
Total	6,018	20,090	15,486

* both in Won and Foreign currency

Paid-in Capital

During the first six-months of 1999, the Bank's total paid-in capital was increased by ₩150 billion, an increase of 10.9% points, to ₩1,532 billion from six-months before. This reflects Goldman Sachs investment of US\$500 million for common shares and subordinated convertible bonds.

BIS Ratio

The Bank's BIS ratio was 11.64% as of the end of June 1999, which meant an 1.55% points increase from last year. Components of Tier I capital as in paid-in capital, capital reserve, and retained earnings were the important factors that contributed to better capitalization of Kookmin Bank.

	(Won in billions, %)		
	June 30, 1998	Dec. 31, 1998	June 30, 1999
Tier I Capital	2,162	2,686	3,299
Paid-in capital	933	1,382	1,532
Capital reserve	603	1,009	1,217
Retained earnings	624	401	616
Minority interests in consolidated subsidiaries	34	32	34
Consolidated adjustment credit/debit	6	(51)	(28)
Goodwill (-)	(30)	(73)	(67)
Treasury stock	-	0.1	4
Valuation loss on investment securities(-)	-	(14)	-
Tier II Capital	1,419	2,114	2,050
Revaluation reserves	177	177	177
Reserve for possible loan losses	373	594	291
45% of valuation gain on investment securities	-	-	130
Subordinated debt	869	1,343	1,451
Adjustment (-)	(2)	-	12
Total core and supplementary capital	3,579	4,800	5,337
Risk-weighted assets	29,814	47,552	45,873
On-Balance Sheet	28,865	45,088	43,191
Off-Balance Sheet	949	2,464	2,682
Capital adequacy ratio	12.0	10.09	11.64
Tier I Capital	7.25	5.65	7.19
Tier II Capital	4.76	4.45	4.47

Earnings and Cost

Net income for the first six-month of 1999 was ₩425 billion. This is an increase of ₩352 billion from last year. Gains from the derivative contracts greatly contributed to the significant increase in operating income.

Business Income by Year

(Won in billions)

	June 30, 1998	December 31, 1999	June 30, 1999
Net income *	6.5	73	425
Revenue	2,912	6,392	4,425
Interest income	2,407	5,082	3,252
Fees and commissions	146	259	150
Other operating income	359	1,051	1,023
Non-operating income	15	40	117

* Net income of June 30, 1999 = Pre-provision income ₩613 billion - income tax expenses ₩188 billion.

Business Expenses by Year

(Won in billions)

	June 30, 1998	December 31, 1998	June 30, 1999
Operating expenses	3,043	6,066	3,806
Interest expenses	1,661	3,562	2,252
Fees and commissions	8	21	54
Other operating expenses	1,060	1,844	1,016
General and administrative expenses	313	639	484
Non-operating expenses	25	506	123
Income tax expenses	-	-	188

Changes in Stock Price (From January to June of 1999)

99. 1		8,730
99. 2		10,850
99. 3		17,300
99. 4		15,400
99. 5		25,500
99. 6		23,500

Financial Statements

Non-Consolidated Balance Sheet

Banking Accounts

June 30, 1999

	In Millions of Korean Won	In Thousands of U.S. Dollars *
ASSETS		
Cash and due from banks	₩ 5,422,903	\$ 4,691,498
Trade securities	3,282,462	2,839,746
Investment securities	14,514,441	12,556,831
Loans	37,106,989	32,102,248
Fixed assets	1,290,717	1,116,634
Other assets	3,380,824	2,924,841
Total assets	₩64,998,336	\$56,231,798
LIABILITIES		
Deposits	₩39,522,863	\$34,192,285
Borrowings	7,418,089	6,417,587
Debt securities	9,058,060	7,836,370
Other liabilities	4,949,817	4,282,219
Total liabilities	60,948,829	\$52,728,461
Commitments and contingencies		
SHAREHOLDERS' EQUITY		
Capital stock, par value : ₩5,000; authorized 1,000,000,000 shares;		
Common stock; issued and outstanding 266,299,363 shares	1,331,497	1,151,914
Preferred stock; issued and outstanding 40,000,000 shares	200,000	173,025
Capital surplus	1,389,280	1,201,903
Retained earnings	838,847	725,709
Capital adjustment	289,883	250,786
Total shareholders' equity	4,049,507	3,503,337
Total liabilities and shareholders' equity	₩64,998,336	\$56,231,798

* The exchange rate of foreign currency was ₩1,155.9: US \$1 at June 30, 1999.

Financial Statements

Non-Consolidated Statement of Income

Banking Accounts

for the six-month period ended June 30, 1999

	In Millions of Korean Won	In Thousands of U.S. Dollars
Revenue :		
Interest income	₩3,252,036	\$2,813,423
Fees and commissions	149,871	129,658
Other operating income	1,023,026	885,047
Non-operating income	117,060	101,272
	4,541,993	3,929,400
Expenses :		
Interest expenses	2,252,395	1,948,607
Fees and commissions	54,240	46,925
General and administrative expenses	483,527	418,312
Other operating expenses	1,015,699	878,708
Non-operating expenses	123,279	106,652
	3,929,140	3,399,204
Income before income taxes	612,853	530,196
Income tax expenses	188,083	162,716
Net income	₩ 424,770	\$ 367,480
Earnings per share (in Korean Won and U.S. Dollars)	₩ 1,784	\$ 1.5
Diluted earnings per share (in Korean Won and U.S. Dollars)	₩ 1,508	\$ 1.5

Financial Statements

Non-Consolidated Balance Sheet

Trust Accounts

June 30, 1999

	In Millions of Korean Won	In Thousands of U.S. Dollars
ASSETS		
Loans	₩ 2,695,247	\$ 2,331,730
Call loans	2,399,380	2,075,768
Securities purchased with recourse	544,580	471,131
Trade securities	38,460,892	33,273,546
Cash and due from banks	1,491,370	1,290,224
Due from banking accounts	159,700	138,161
Accrued income	1,268,158	1,097,117
Other assets	721,552	624,234
	₩47,740,879	\$41,301,911
LIABILITIES		
Money trust	₩17,131,562	\$14,820,972
Security trusts	52,185	45,147
Security investment trusts	27,342,019	23,654,312
Provision for future trust losses	10,605	9,175
Provision for possible loan losses	263,003	227,531
Accrued trust dividends	724,766	627,014
Other liabilities	2,216,739	1,917,760
	₩47,740,879	\$41,301,911

Financial Statements

Non-Consolidated Statement of Operations

Trust Accounts

for the six-month period ended June 30, 1999

	In Millions of Korean Won	In Thousands of U.S. Dollars
Revenue :		
Interest on loans	₩ 198,610	\$ 171,823
Interest and dividends on securities	1,914,021	1,655,871
Gain on securities transactions	1,221,292	1,056,572
Other interest income	128,824	111,450
Other income	317,435	274,621
	3,780,182	3,270,337
Expenses :		
Trust management fees to the bank	51,555	44,602
Commissions paid	19,343	16,734
Loss on securities transactions	377,718	326,774
Provision for loan losses	187,163	161,920
Other expenses	23,871	20,651
	659,650	570,681
Dividend of trust profit to beneficiaries	₩3,120,532	\$2,699,656