

# Kredyt Bank Group

## Financial Results For 4Q 2008

Warsaw, February 12, 2009





- Highlights
- Analysis of results, Group
- Business lines, Bank
- 2009
- Appendix



## Key features for 2008

- ▲ Gross operating income + **18%** vs 2007.
- ▲ Mortgage loan portfolio + **119%** vs 2007. KB improved its market share to **6,7%** (+ **1,7p.p.** vs 2007).
- ▲ Consumer loan portfolio (Żagiel) + **70%** vs 2007.
- ▲ Insurance linked deposit Warta Gwarancja + **496%** vs 2007 (to **1,8 PLN bln**).
- ▲ Finalisation of KB Group network expansion plan. 135 new outlets launched during 2008 (KB – 36; Żagiel – 99). The total number of KB S.A. and Żagiel S.A. outlets is equal to **752** as of the end of 2008 vs 632 for 2007.
- ▼ Cost income ratio (YTD) as of the end of 2008 = 67,5% (improved by 2,6 pp.).
- ▼ Fees and commission income lower by 5,3% in comparison with 2007 (YTD). The share in gross operating income dropped by 4,3 pp.
- ▼ Loans/Deposits ratio at the level of 131,9%.



# Financial highlights 2008 YTD

	2008	2007	Δ 08/07	Δ 08/07 %	
<b>Loans</b> (gross, PLN bln)	27,7	17,5	+10,2	+58,5%	↑
<b>Deposits</b> (PLN bln)	20,3	17,1	+3,1	+18,6%	↑
<b>FTE</b> (ths)	7,0	6,7	+0,3	+4,5%	→
<b>Branch network - KB</b>	401	380	+21	+5,5%	↑
<b>Branch network – Żagiel</b> <sup>1</sup>	351	252	+99	+39,3%	↑

<sup>1</sup> Kredyt Punkty



## Financial highlights 2008 YTD – P&L

	2008	2007	Δ y/y mln	Δ y/y %	
<b>NII + NFC</b> (PLN mln)	1 353,0	1 181,0	+172,0	+14,6%	▲
<b>Gross operating income</b> (PLN mln)	1 635,9	1 390,1	+245,8	+17,7%	▲
<b>General administrative expenses</b> (PLN mln)	-1 104,6	-974,6	-130,0	+13,3%	▶
<b>Operating profit</b> (PLN mln)	531,3	415,5	+115,8	+27,9%	▲
<b>Net impairment and provisions</b> (PLN mln)	-108,2	+85,0	-193,2	-	▼
<b>Net profit</b> (PLN mln)	324,9	390,5	-65,6	-16,8%	▼



# Financial highlights 2008 YTD - indicators

	2008	2007	$\Delta$ 08/07 pp	
Cost/Income (YTD)	67,5%	70,1%	-2,6pp	▲
ROE (YTD)	13,7%	18,0%	-4,3pp	▼
Loans/Deposits	131,9%	97,3%	+34,6pp	▲
Loans/External funding <sup>1</sup>	85,4%	80,7%	+4,7pp	▲
CAR	8,8%	9,7%	-0,9pp	▼

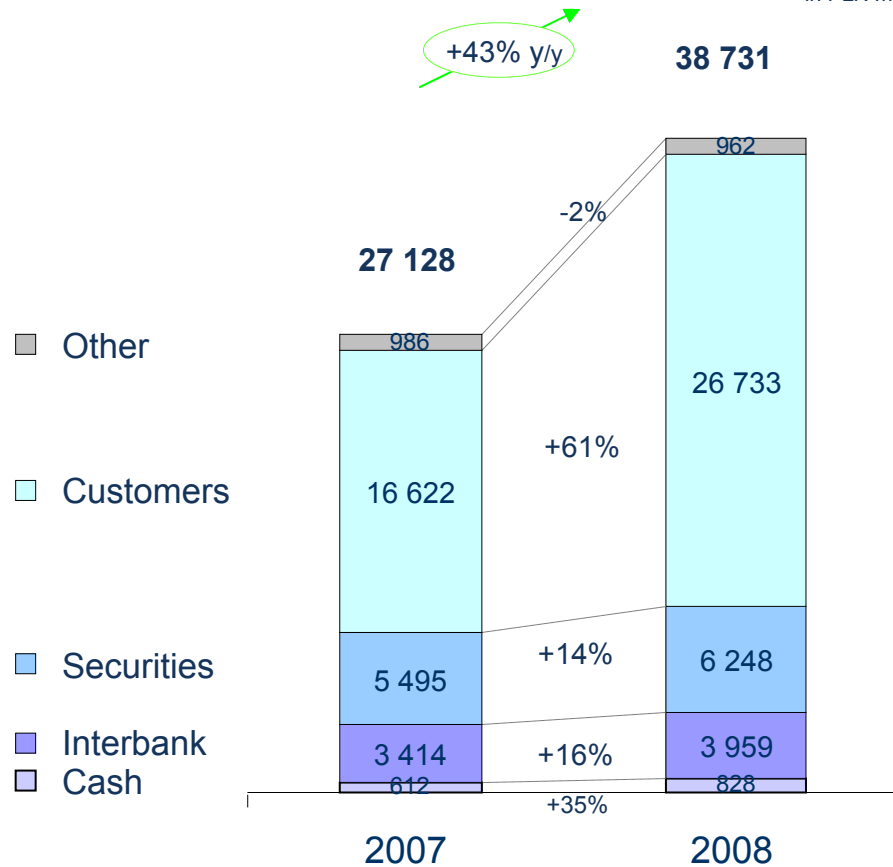
<sup>1</sup> External funding = customer deposits + loans and interbank deposits from KBC Group entities (FX and PLN)



# Balance sheet breakdown

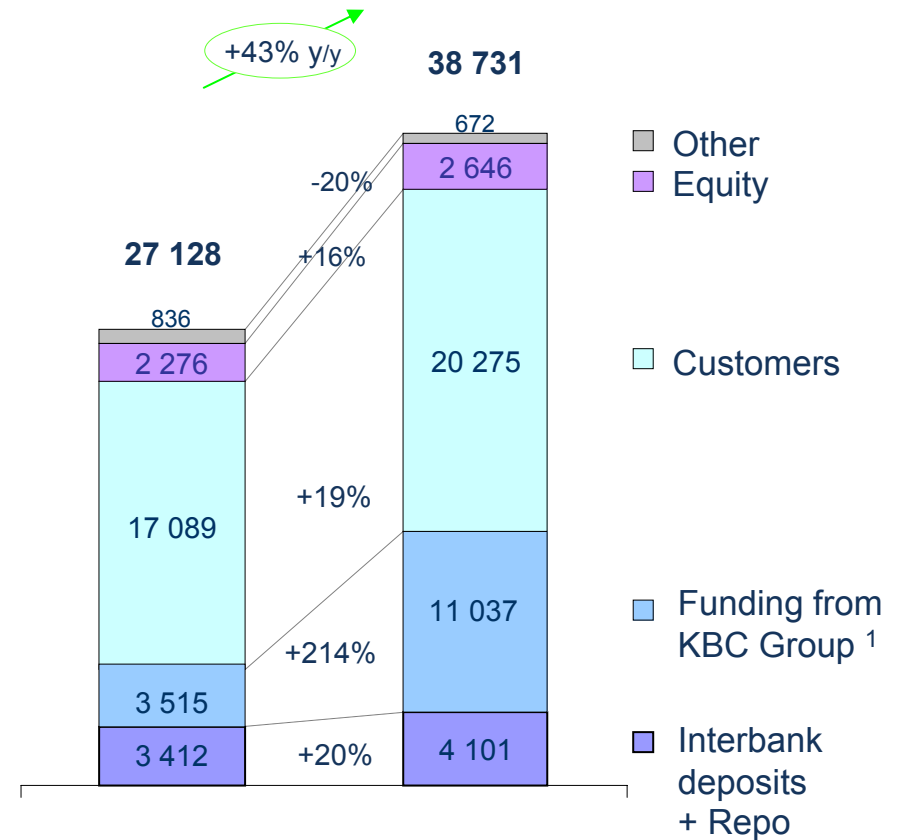
## ASSETS

in PLN m



## LIABILITIES & FUNDS

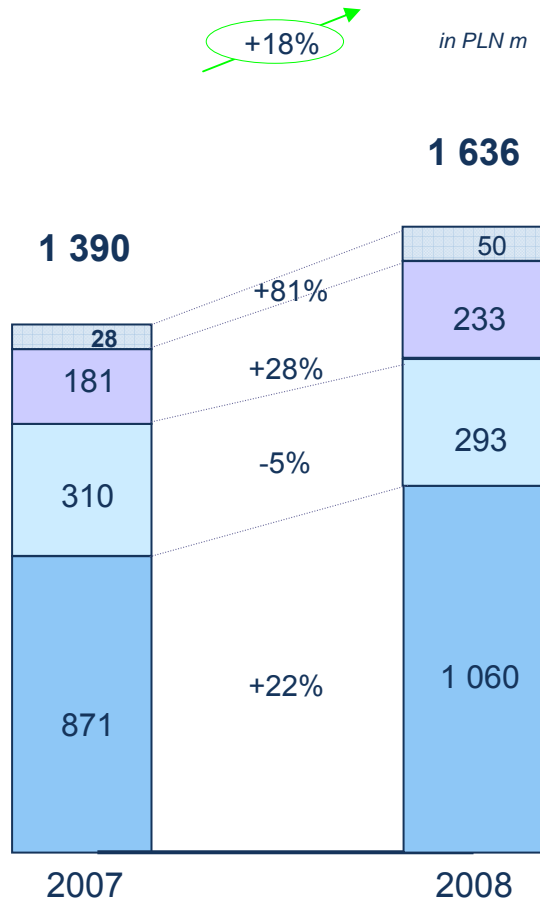
in PLN m



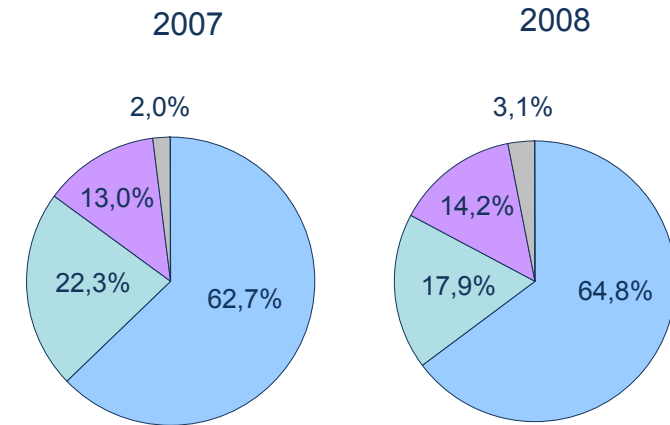
<sup>1</sup> Funding from KBC Group = loans and interbank deposits from KBC Group entities (FX and PLN)



# Gross operating income breakdown YTD



- Other
- Trading
- NFC
- NII







# Profit and loss breakdown (quarterly)

*in PLN m*

	4Q' 08	3Q' 08	2Q' 08	1Q' 08	4Q' 07
Gross operating income	427	451	385	373	397
General administrative expenses	-300	-267	-288	-248	-277
Operating profit	127	182	97	125	120
Net impairment and provisions	-38	-37	-9	-24	+20
Share of profits of associates	-1	0	0	-1	-1
Profit before tax	88	145	88	100	139
Income tax	-23	-30	-18	-25	-29
Net profit	65	115	70	75	110



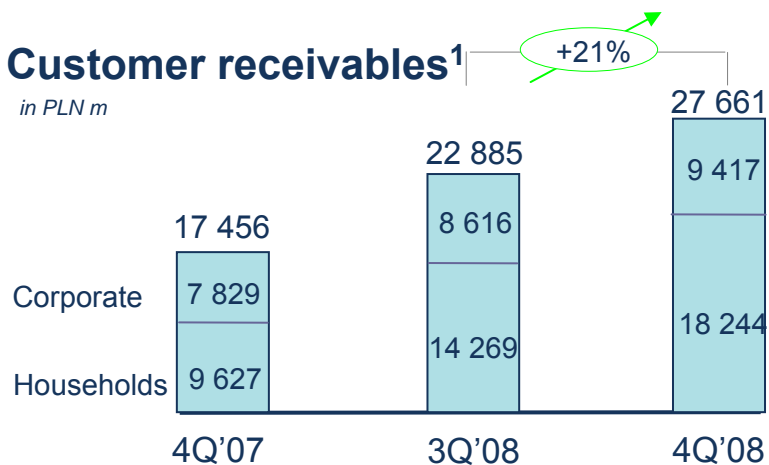
- Highlights
- Analysis of results, Group
- Business lines, Bank
- 2009
- Appendix



# Volumes

## Customer receivables<sup>1</sup>

in PLN m



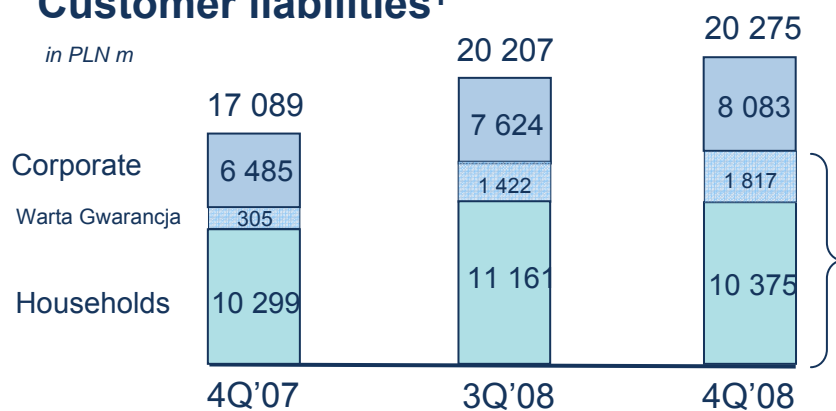
+58% y/y

+20% y/y

+90% y/y

## Customer liabilities<sup>1</sup>

in PLN m



+19% y/y

+25% y/y

+15% y/y

## KB market share - loans<sup>2</sup>

	4Q'07	3Q'08	4Q'08
Total loans	3,8%	4,1%	4,4%
Households loans	3,8%	4,5%	5,0%
Corporate loans	3,8%	3,5%	3,5%

## KB market share - deposits<sup>2</sup>

	4Q'07	3Q'08	4Q'08
Total deposits	3,5%	3,7%	3,4%
Households deposits <sup>3</sup>	3,8%	3,9%	3,5%
Corporate deposits	3,1%	3,4%	3,2%

<sup>1</sup>Receivables gross, end of period, consolidated

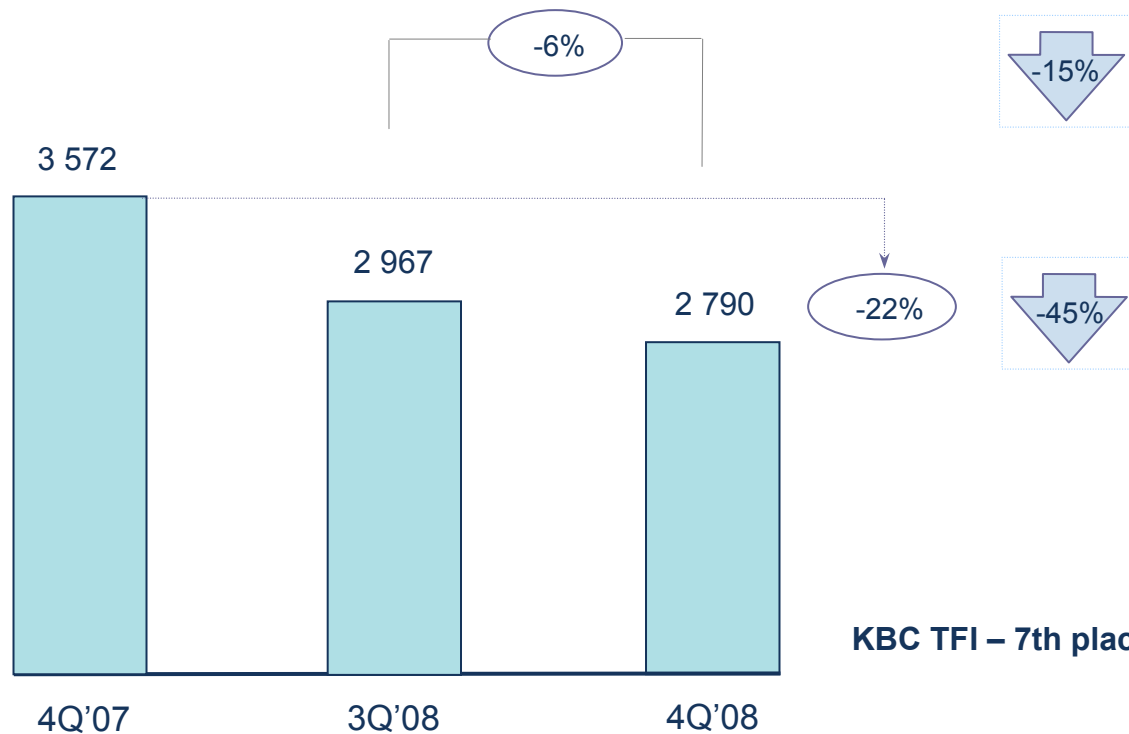
<sup>2</sup> NBP segmentation – residents only, bank statutory

<sup>3</sup> combined with insurance linked deposit Warta Gwarancja



# Volumes – assets under management

Mutual funds volume change<sup>1</sup> (PLN m)



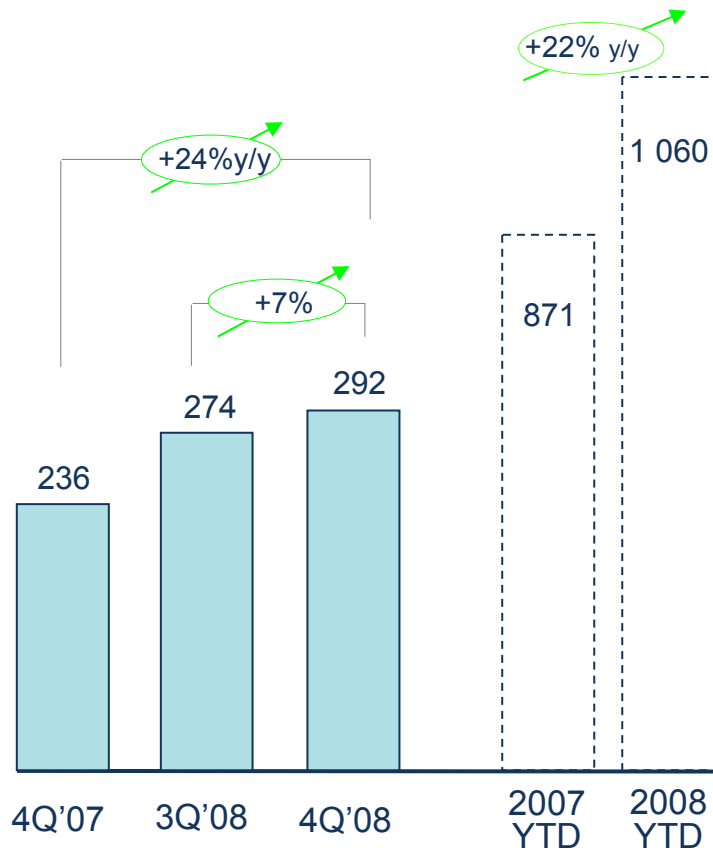
KBC TFI – 7th place in terms of AUM value

<sup>1</sup>Volume of investment funds and insurance capital funds collected through KB network

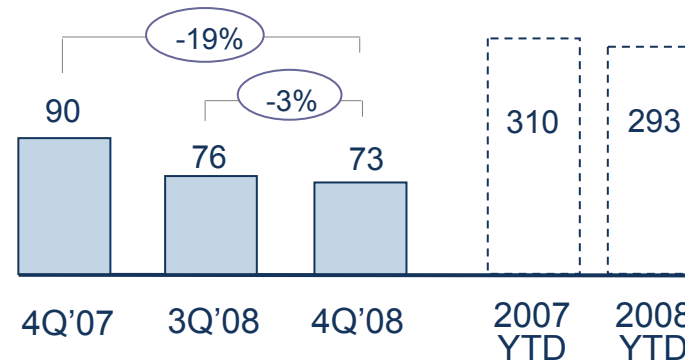


# Net interest, net fees and commissions

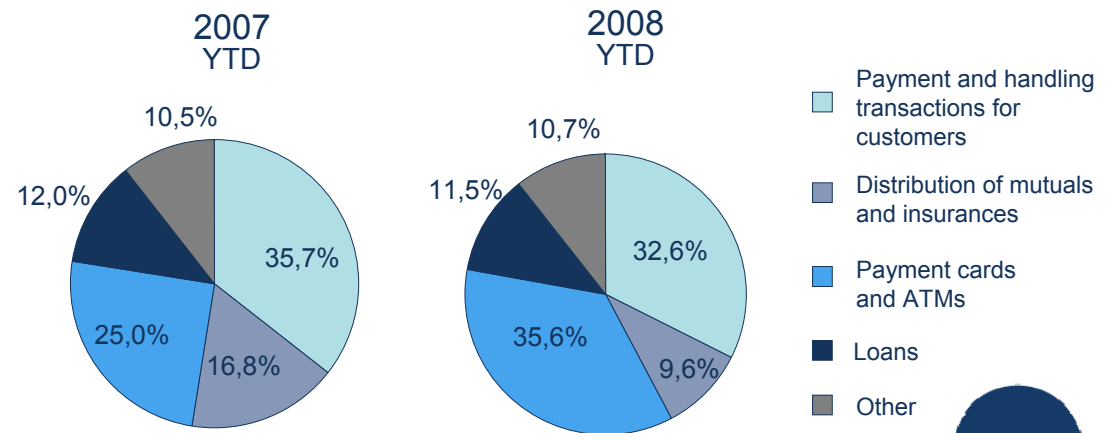
**NII** in PLN m



**NFC** in PLN m



**F&C (income structure)**





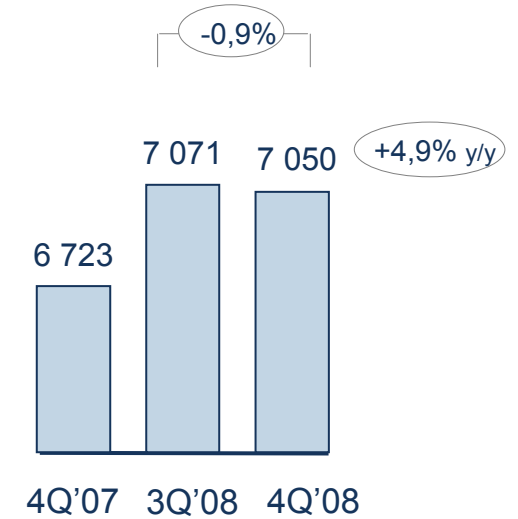
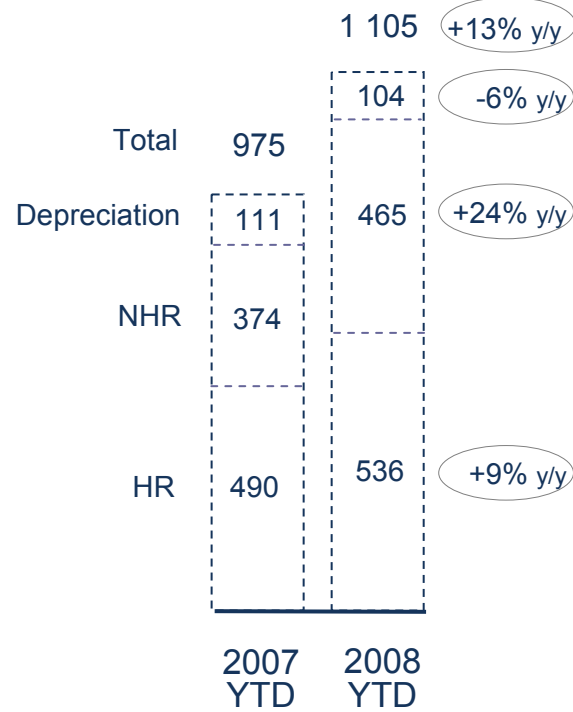
# General administrative expenses

## Operating expenses in PLN m

## FTEs

Quarterly

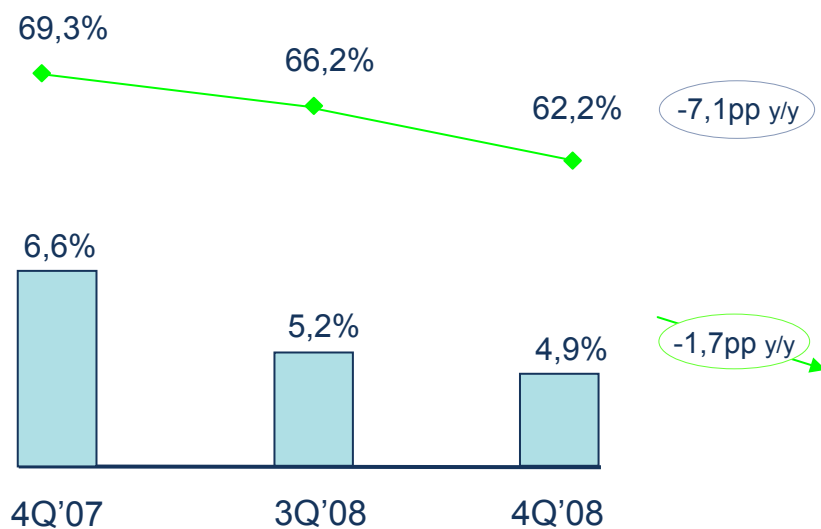
Cumulatively





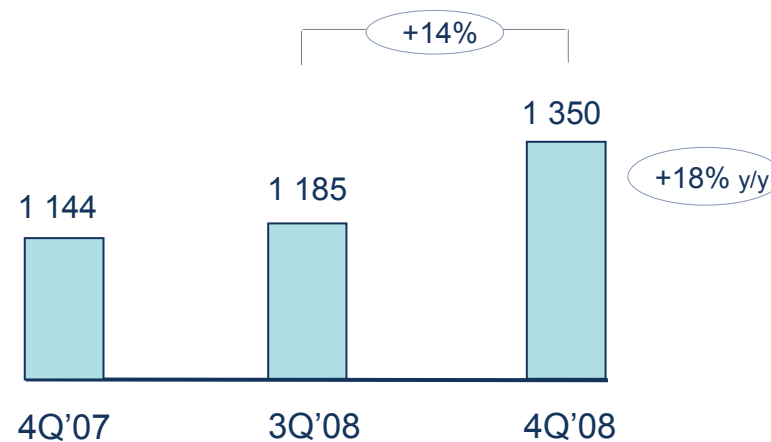
# Loans quality

## Impaired loans/gross loans<sup>1</sup>, coverage ratio



## Impaired loans - volume

in PLN m



<sup>1</sup> On customer's portfolio basis, banks excluded



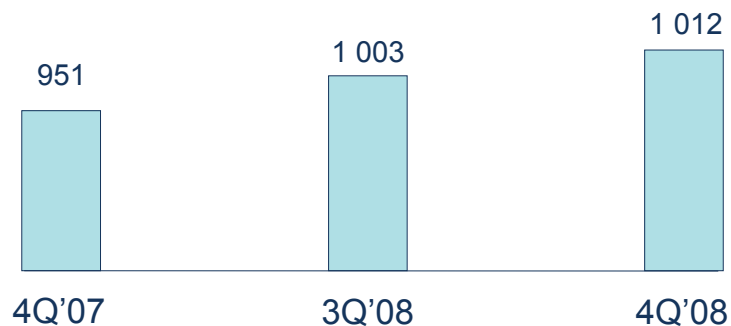
- Highlights
- Analysis of results, Group
- Business lines, Bank
- 2009
- Appendix



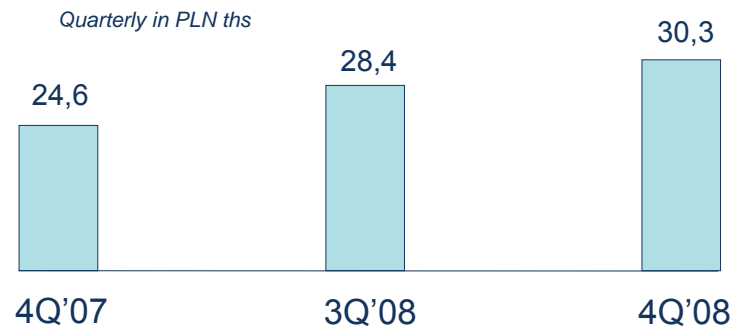


# Retail banking performance

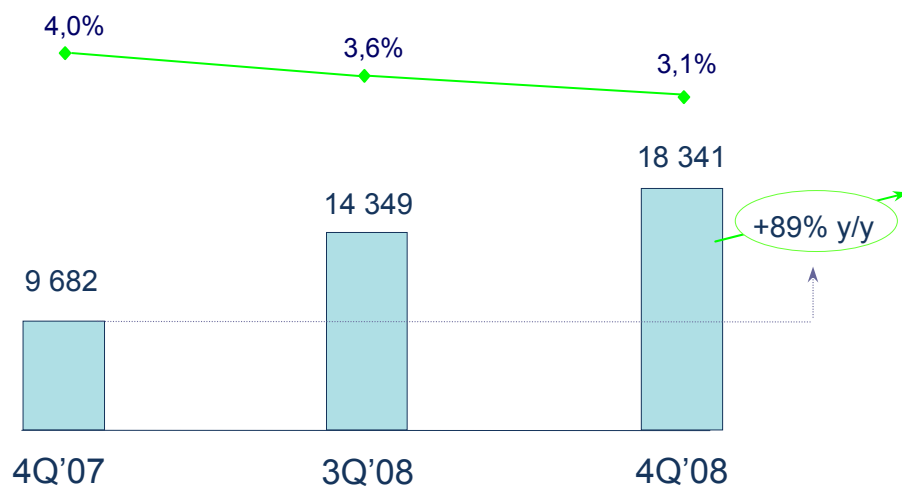
Number of clients *in ths*



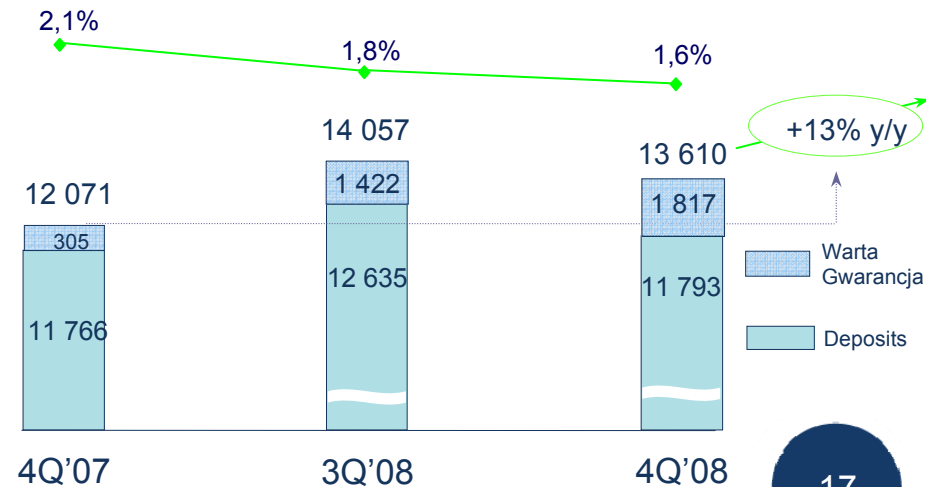
Customer business per client



Retail loans<sup>1</sup> *in PLN m* , Margin



Retail deposits<sup>1</sup> *in PLN m* , Margin



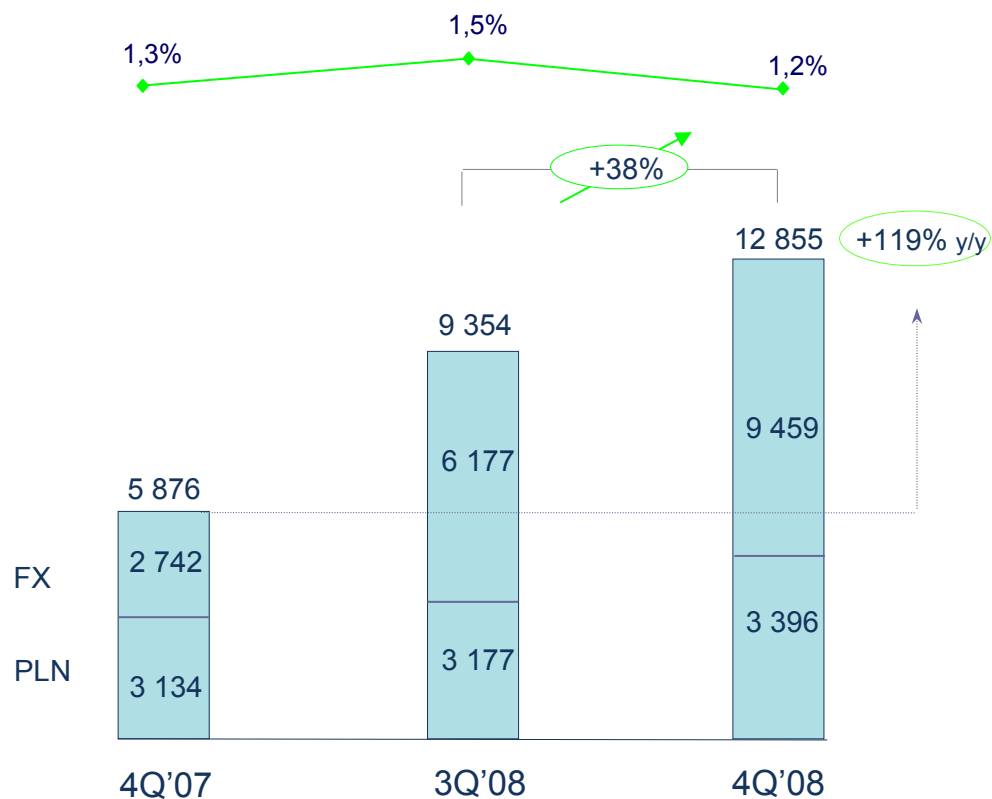
<sup>1</sup> Data according to the Bank's current internal segmentation.



# Retail banking – mortgage loans

## Mortgage loans – portfolio, margin

in PLN m

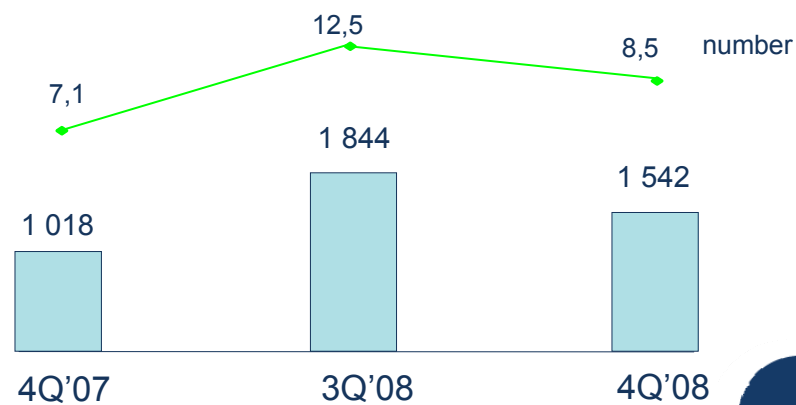


## KB market share

	4Q'07	3Q'08	4Q'08
Total mortgage loans	5,0%	6,1%	6,7%
PLN	6,0%	5,4%	5,6%
FX	4,3%	5,5%	7,1%

## Mortgage loans – quarterly sale

in PLN m

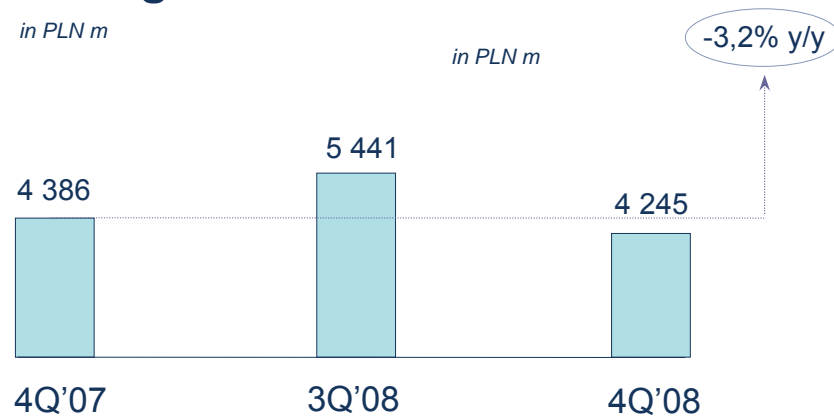




# Retail banking - products

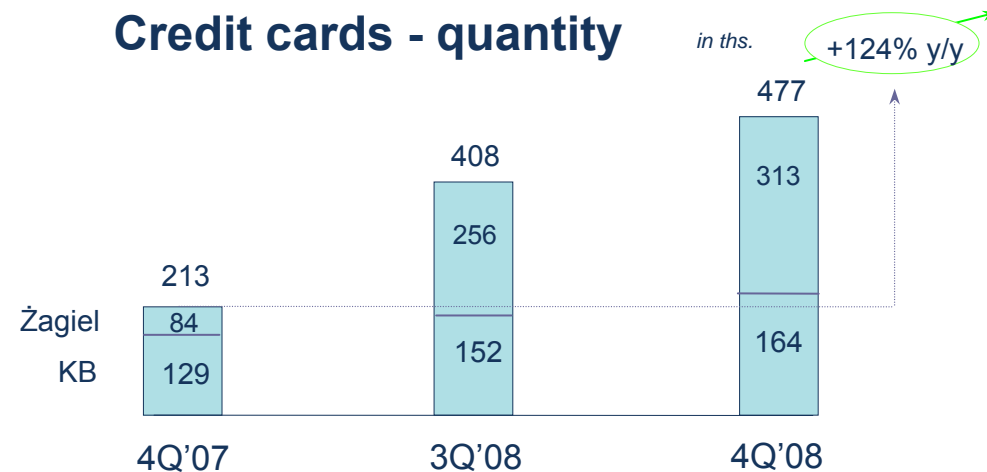
## Saving accounts - volume

in PLN m



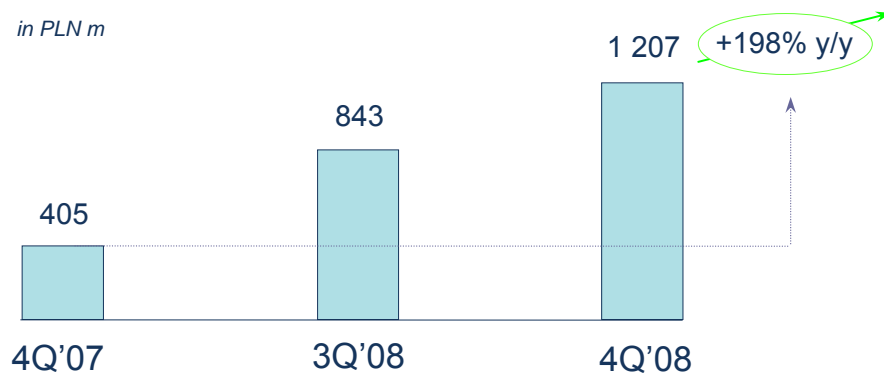
## Credit cards - quantity

in ths.



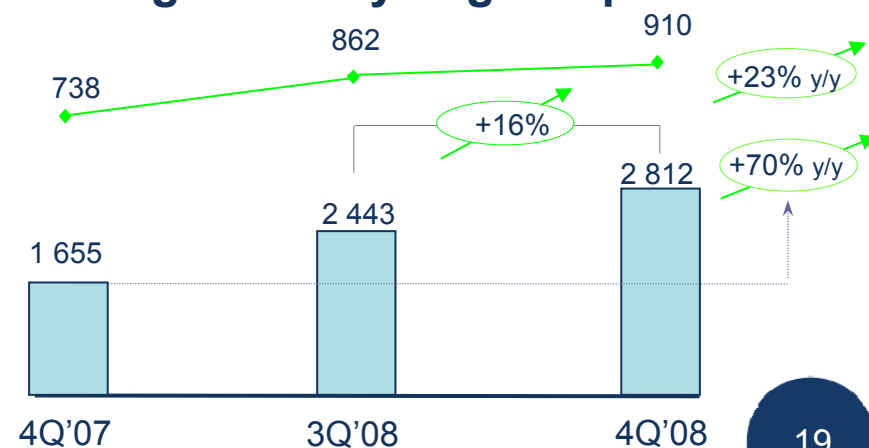
## Bancassurance – gross premium written (quarterly)

in PLN m



## Loans granted by Żagiel – portfolio<sup>1</sup>

in PLN m

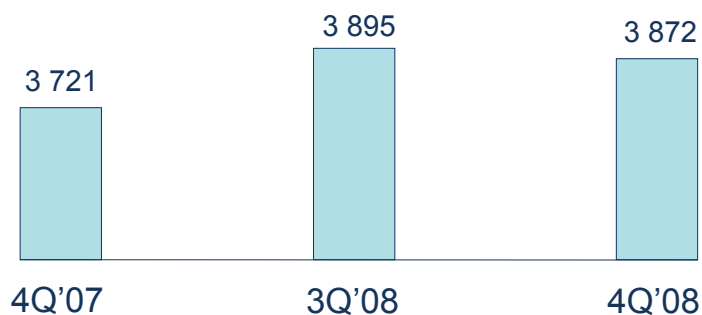


<sup>1</sup> consolidated figures

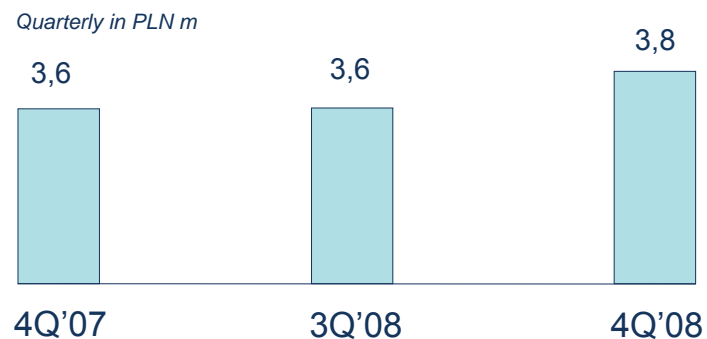


# Corporate banking performance

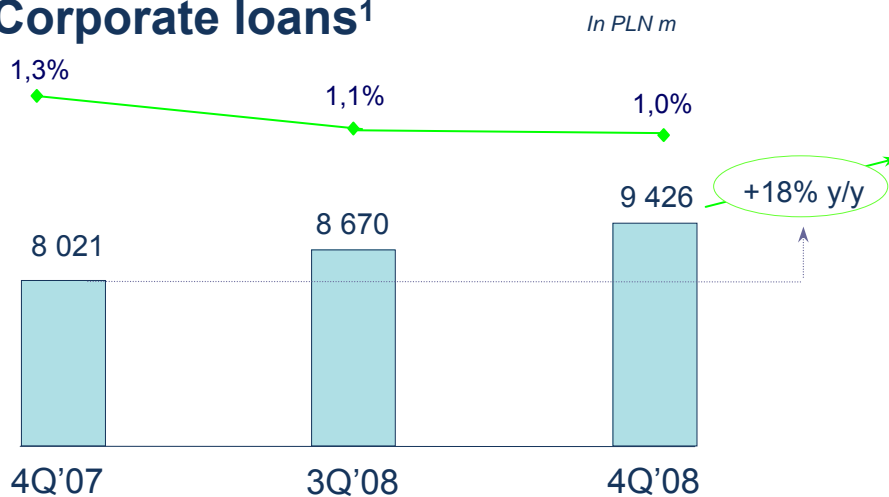
## Number of clients



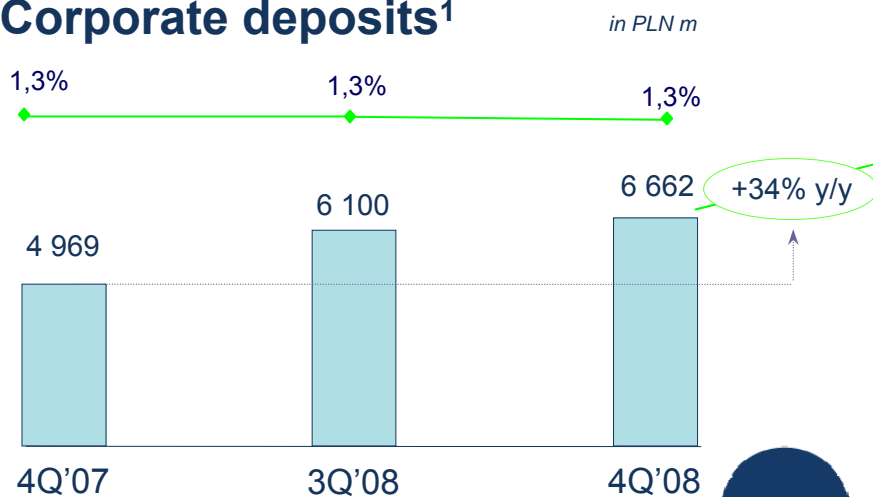
## Customer business per client



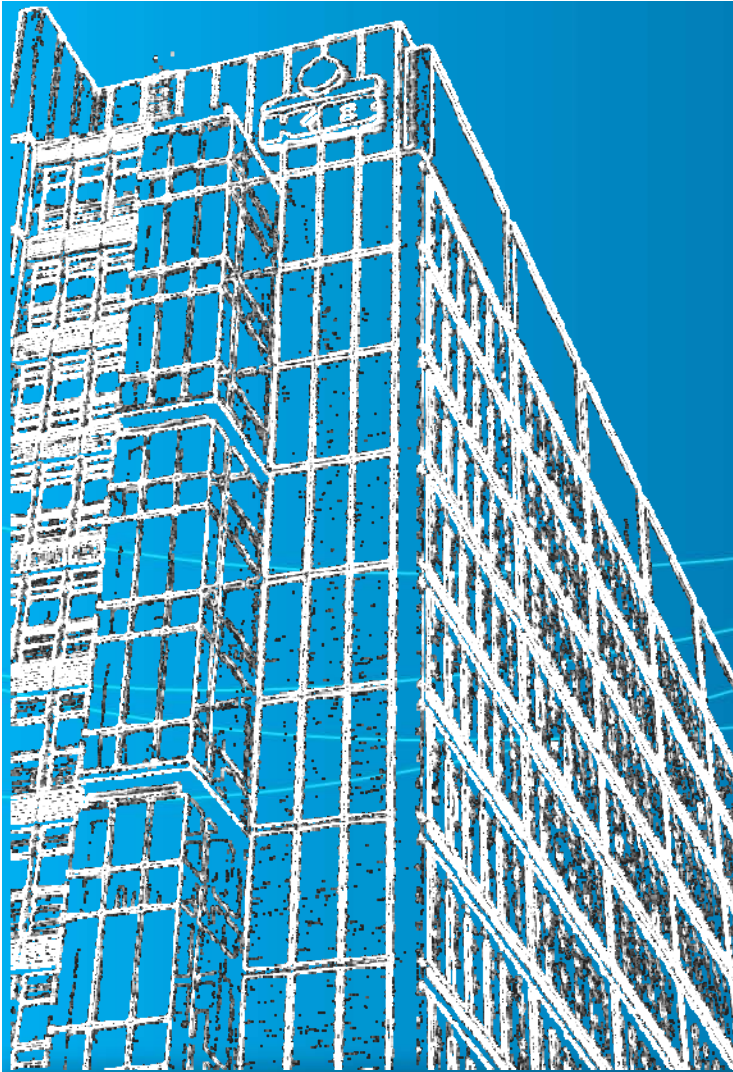
## Corporate loans<sup>1</sup>



## Corporate deposits<sup>1</sup>



<sup>1</sup> Data according to the Bank's current internal segmentation.



- Highlights
- Analysis of results, Group
- Business lines, Bank
- 2009
- Appendix



## 2009 – priorities for the banking sector

- Capital adequacy
- Liquidity
- Credit risk
- Profitability



## Capital adequacy - 2009

- Capital adequacy above regulatory requirements.
- Support from strategic shareholder KBC Group. New subordinated debt from KBC Bank NV launched on January 23, 2009.
- Dividend policy – final recommendations on the dividend payment/resignation will be submitted to the Supervisory Board before General Assembly Meeting. Taking into account Bank's financial situation in the area of capital adequacy and development plans of banking activity in consecutive years, **the management board is going to recommend resignation from the dividend payment for the year 2008.**



## Liquidity - 2009

- Stable position in terms of liquidity. Diversified deposit base and support from strategic shareholder KBC Group (renewable short and long term funding).
- As of the end of 2008 long term funding in the form of loans and subordinated debt from KBC Group entities amounted to equivalent of **PLN 7,0 bln** (including 1,4 CHF bln, 0,4 EUR bln).
- As of the end of 2008 short term funding in the form of interbank deposits from KBC Group entities amounted to equivalent of **PLN 4,0 bln**.
- The strategic goal for 2009 – to maintain loans/deposit ratio (taking into account FX risk coverage) at the acceptable level around 100%.
- Focus on deposit products.





# Liquidity - 2009

- Deposit policy - retail segment:
  - ✓ Short term deposits (3 and 6 months) – competitive pricing – acquisition of new customers and new deposits.
  - ✓ Saving account – competitive pricing – basic product of the offer,
  - ✓ Insurance linked deposit WARTA GWARANCJA (6 and 12 months) maintained in the offer.
  - ✓ Deposit products in EUR – competitive pricing.
  - ✓ Model of servicing consisting in tailoring the offer to the client's investment profile (pressure on safe and effective investing).
  - ✓ Marketing campaigns and periodic promotions. Additional bonuses for existing clients for new deposits.
- Deposit policy – corporate segment:
  - ✓ Comprehensive service, widening cooperation with existing clients.
  - ✓ Competitive pricing for new deposits.



## Credit risk - 2009

- Credit policy:
  - ✓ Mortgage loan portfolio – new production in PLN.
  - ✓ Consumer loan portfolio – new production based on the existing customers base, further increase in the area of cash loans and credit cards.
  - ✓ SME loan portfolio – financing of receivables and leasing.
  - ✓ Corporate loan portfolio – existing portfolio protection, focus on granting loans to the clients serviced in a complex way.
- Coverage of the whole credit portfolio with PD, LGD and EAD models, FIRB motion.
- Implementation of the comprehensive methodology of stress tests scenarios.
- Expansion of the forecasting process and scenario analyses in the area of credit risk capital requirements.
- Further development of early warning system.

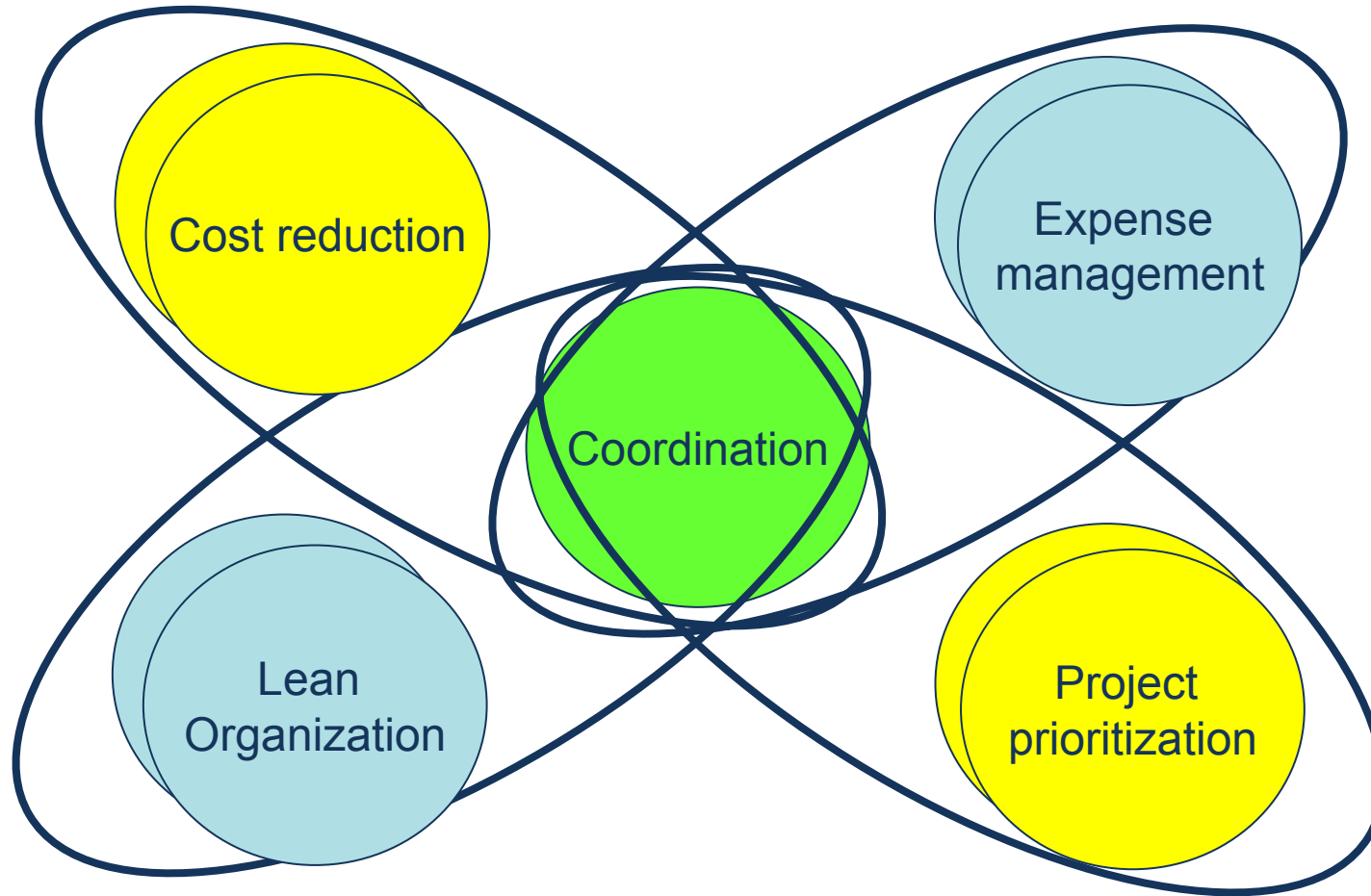


## Profitability - 2009

- Retail segment – focus on less risky segments of clients and higher margin products: cash loans, credit cards and overdrafts.
- Corporate segment – focus on comprehensive service, increase of the non interest income share.
- Cost optimization programme. Decrease of fixed costs, increase of the variable costs share.
- Focus on monitoring of existing credit exposures together with vindicatory and restructuring activities



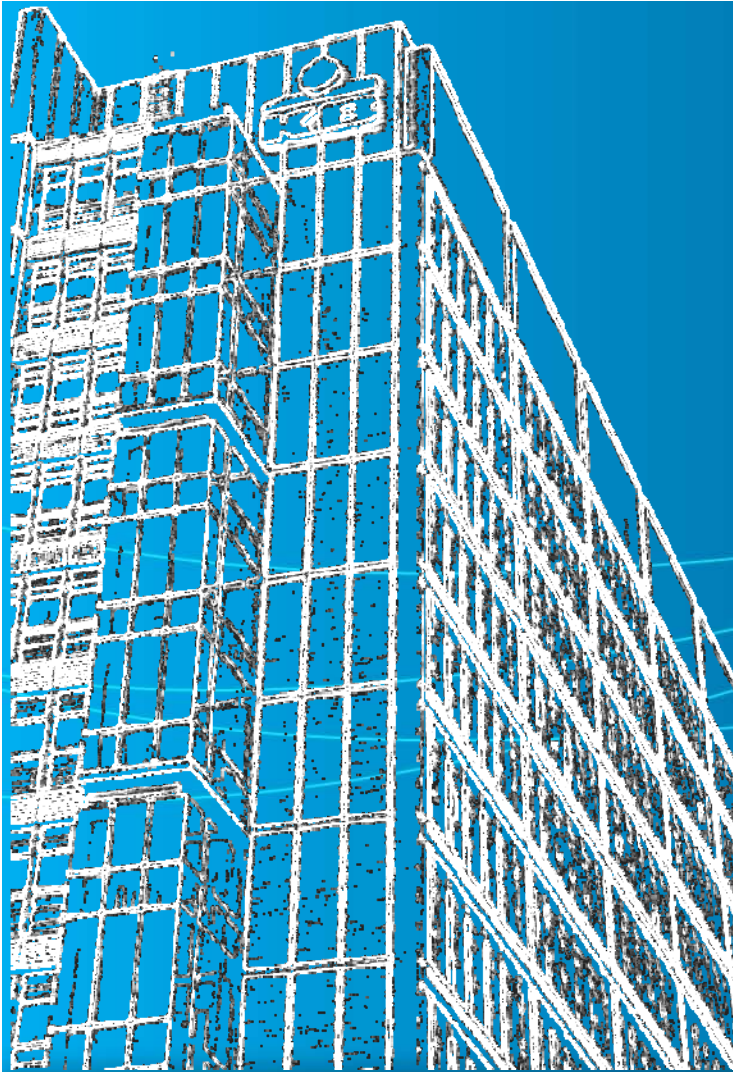
# Cost optimization programme - approach





# KB Cost optimization programme - initiatives

- Finalization of KB Group network expansion plan.
- **Fixed cost reduction**, concerning: modernisation and reallocation of outlets, travels abroad, the car fleet, representation and marketing expenses, telecommunication, external trainings.
- **Freezing of selected IT projects** in back office area.
- **Unification of the expenses management rules** on the country and company level, focus on management via profit and loss centres.
- Processes' modelling, outsourcing of non core activity, ceasing duplicated activity, seeking the synergy among organisational units. The Bank plans to **decrease the employment** in the form of group layoffs which will include up to 300 persons. A further limitations of the employment will be achieved in result of discontinuation of employment due to natural reasons, including 200 persons in KB Group companies.



- Highlights
- Analysis of results, Group
- Business lines, Bank
- 2009
- Appendix



# Balance sheet

## ASSETS

<i>(PLN mio)</i>	4Q'08	4Q'07	Δ mln	Δ %
Cash and balances with Central Bank	828	612	216	+35%
Amounts due from banks and financial assets at fair value	3 959	3 414	545	+16%
Loans to customers	26 733	16 622	10 111	+61%
Investments in securities	6 248	5 495	753	+14%
Tangible and intangible fixed assets	694	684	10	+1%
Other assets	269	302	-33	-11%
<b>Total Assets</b>	<b>38 731</b>	<b>27 128</b>	<b>11 603</b>	<b>+43%</b>

## LIABILITIES

<i>(PLN mio)</i>	4Q'08	4Q'07	Δ mln	Δ %
Amounts due to banks	13 238	6 403	6 835	+107%
Amounts due to customers	20 275	17 089	3 186	+19%
Repo transactions	1 899	524	1 375	+262%
Total equity including current net profit	2 646	2 276	370	+16%
Subordinated liabilities	280	394	-114	-29%
Other liabilities	393	441	-48	-11%
<b>Total Equity and Liabilities</b>	<b>38 731</b>	<b>27 128</b>	<b>11 603</b>	<b>+43%</b>



# Income statement

Quarterly (PLN m)

	4Q'08	4Q'07	Δ mln	Δ %
Net interest income	292	236	56	+24%
Net fee and commission income	73	90	-17	-19%
Dividend, net trading income, profit (loss) from investment activities	51	63	-12	-19%
Other operating income and expenses	10	7	3	36%
Gross operating income	427	397	30	+8%
Total costs	300	277	23	+8%
Operating profit	127	120	7	+6%
Net impairment charges for financial assets, other assets and provisions	-38	20	-	-
Share of profits of associates	-1	-1	0	0%
Profit before tax	88	139	-51	-37%
Income tax	-23	-29	-6	-19%
Net profit	65	110	-45	-41%





# Contact information

## Investor Relations Office

E-mail: [ir@kredytbank.pl](mailto:ir@kredytbank.pl)

Surf the net: [www.kredytbank.pl](http://www.kredytbank.pl) for the latest update.

- This presentation is provided for informational purposes only. It does not constitute an offer to sell or the solicitation to buy any security issued by the KB Group.
- KB believes that this presentation is reliable, although some information is condensed and therefore incomplete.
- This presentation contains forward-looking statements with respect to the strategy, earnings and capital trends of KB, involving numerous assumptions and uncertainties. The risk exists that these statements may not be fulfilled and that future developments differ materially. Moreover, KB does not undertake any obligation to update the presentation in line with new developments.
- By reading this presentation, each investor is deemed to represent that it possesses sufficient expertise to understand the risks involved.