

**Results of Kredyt Bank S.A.
in the 2nd Quarter of 2004**



Warsaw – August 16, 2004

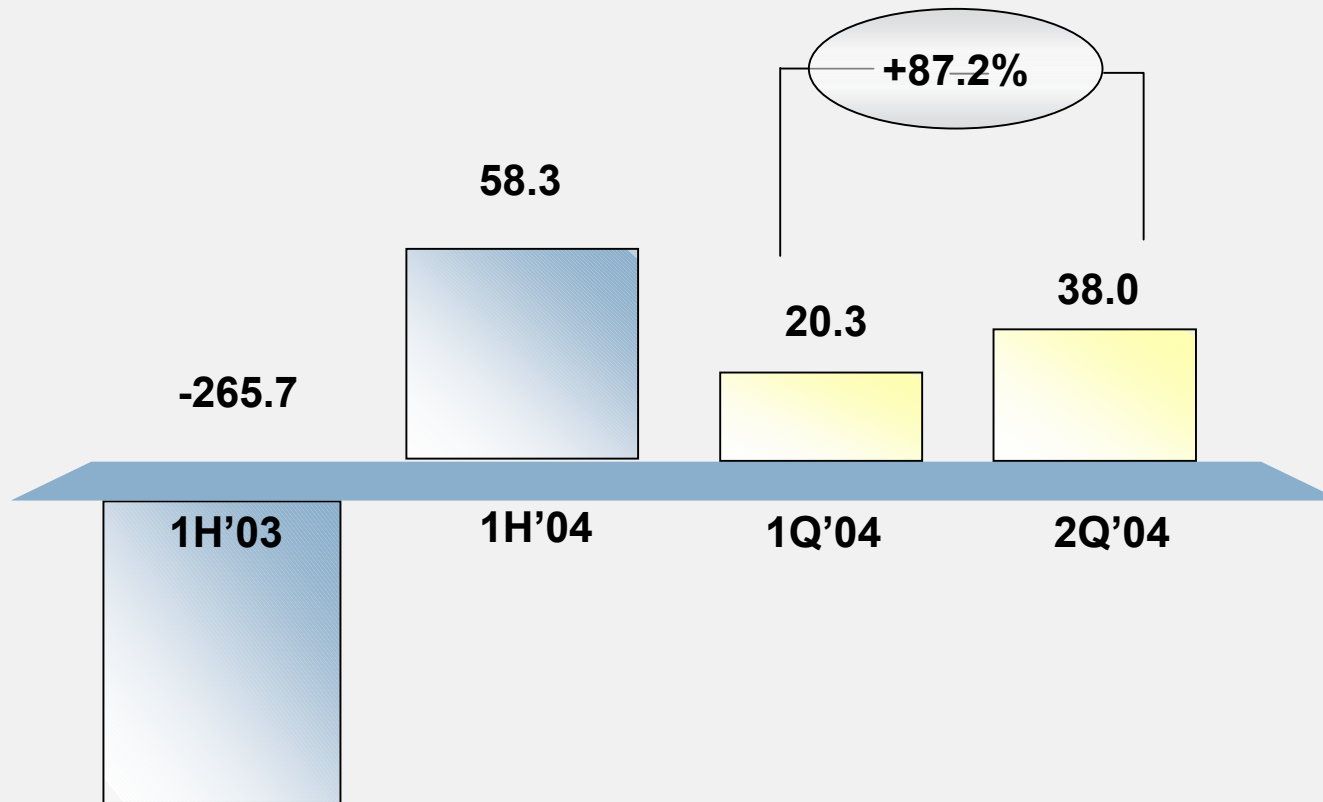
AGENDA

- **2 Q'04 – financial results of the Bank**
 - **Financial highlights by business areas**
 - **Retail**
 - **Corporate**
- **Loan portfolio quality**
- **Restructuring of the KB S.A. Group**
- **Appendixes**

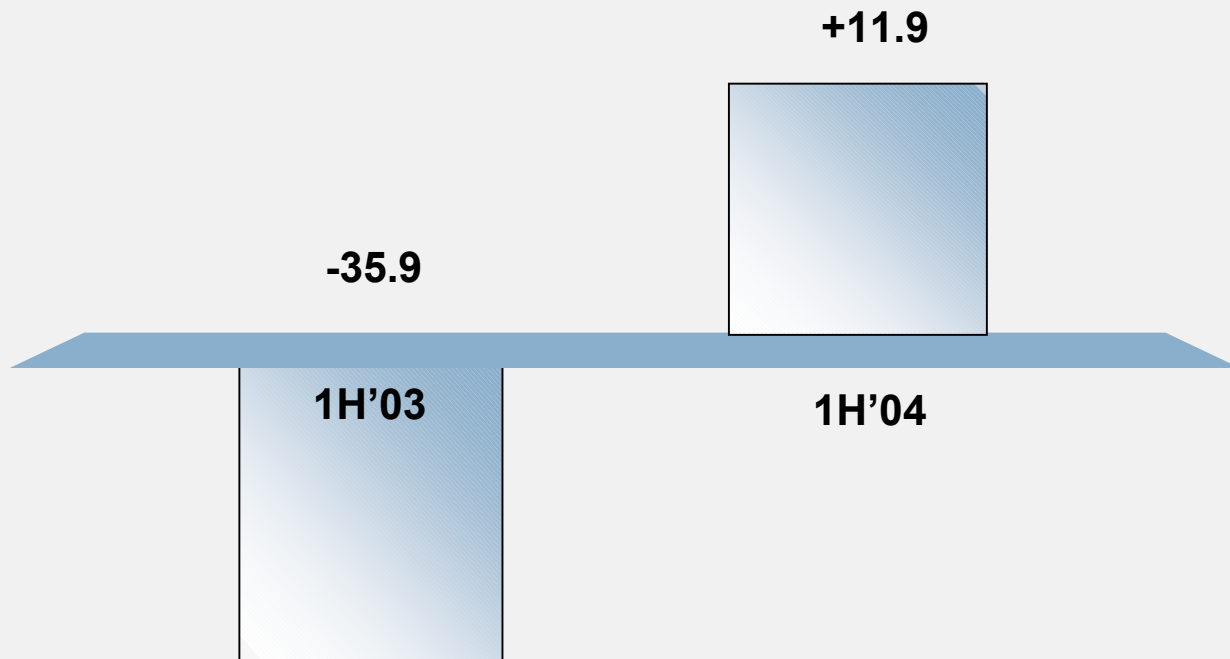
ACHIEVEMENT OF STRATEGIC ASSUMPTIONS IN 1H'04

- generating in 1H 2004 the net profit of PLN 58.3 mln
- after the review of credit portfolio in December 2003, stabilization of quality of credit portfolio, decrease of the NPL level and a lesser cost of provisions in P/ L
- in the 2Q 2004 the significant growth of the Bank's deposit volumes (+4.8% q/q) mainly driven by the corporate segment
- growth within the new products – e.g. mutual funds (+53.6% q/q)
- increasing the Bank's capital base (by PLN 603 mln) as a result of further financial support from KBC Bank N.V.
- Bank's capital adequacy ratio has been managed according to the assumed strategy and has increased up to the level of 13.7%
- focusing on building up the assets with the highest degree of liquidity: receivables from financial sector and debt securities (+11.7% q/q)

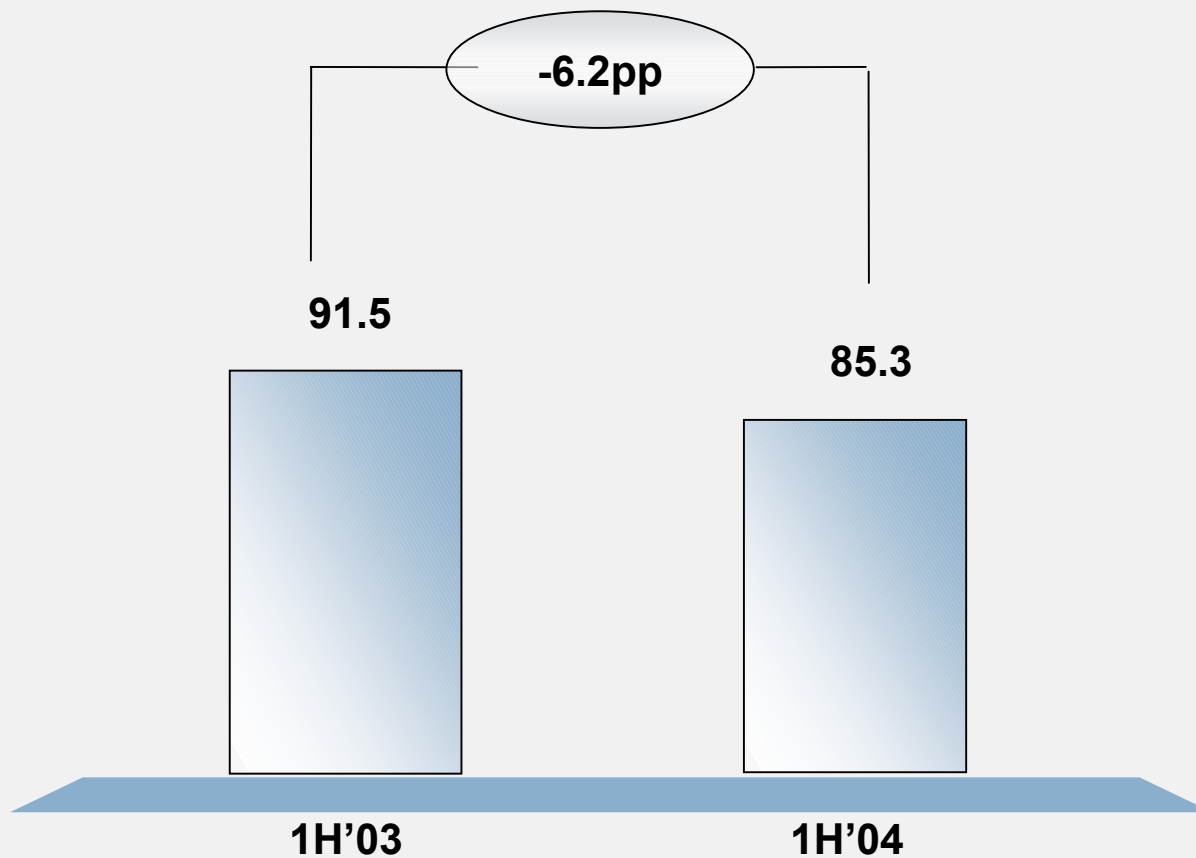
NET PROFIT (PLN mln)



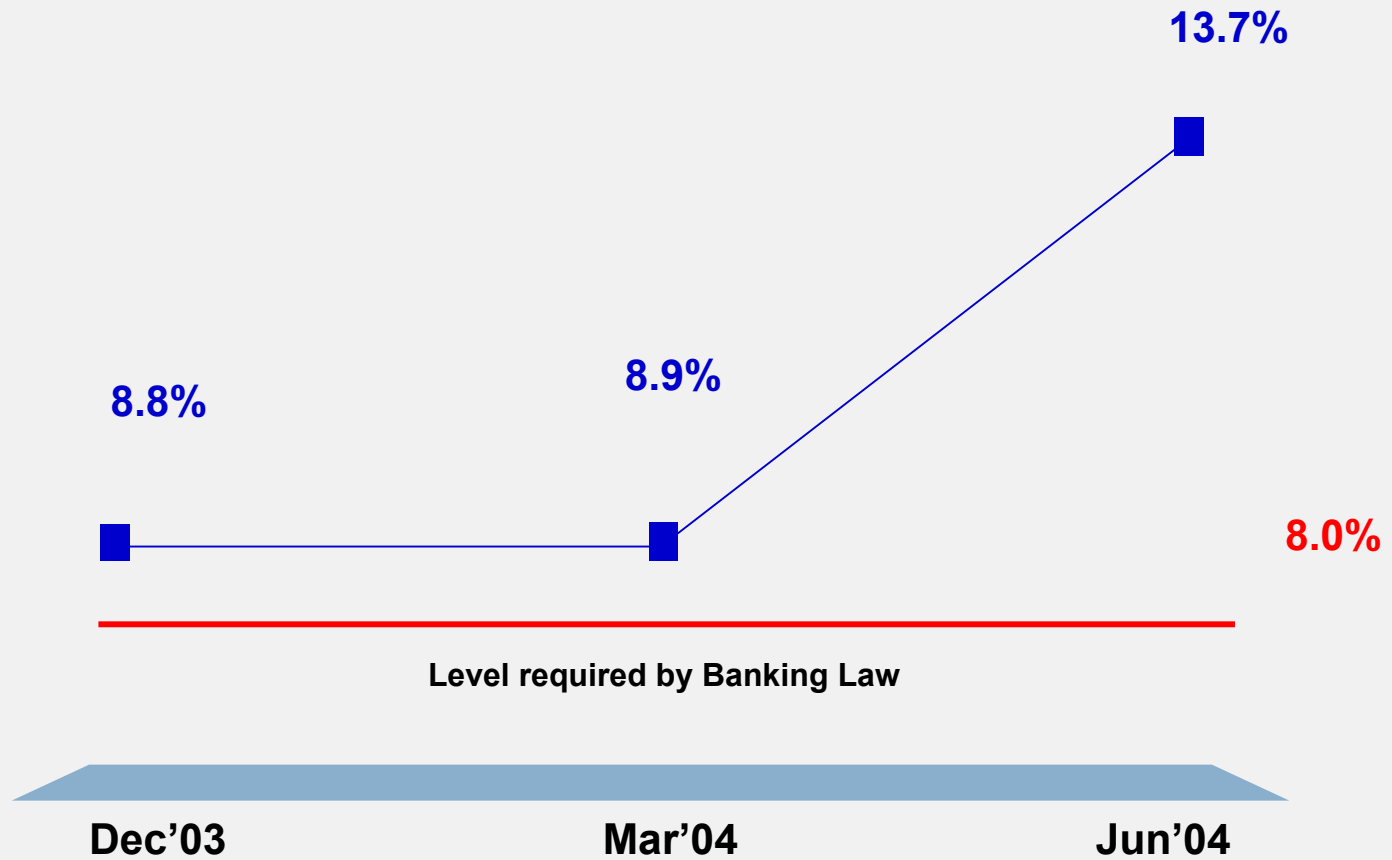
ROE (%)



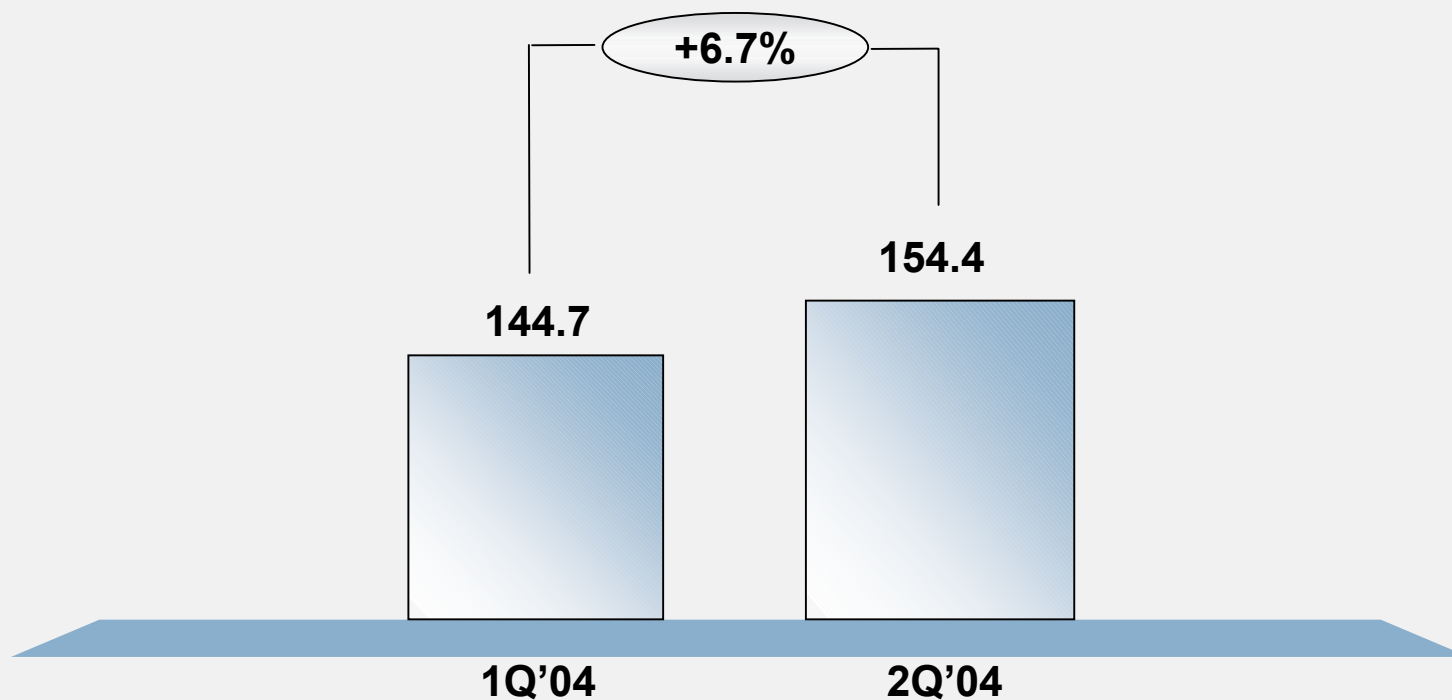
COST/INCOME RATIO (%)



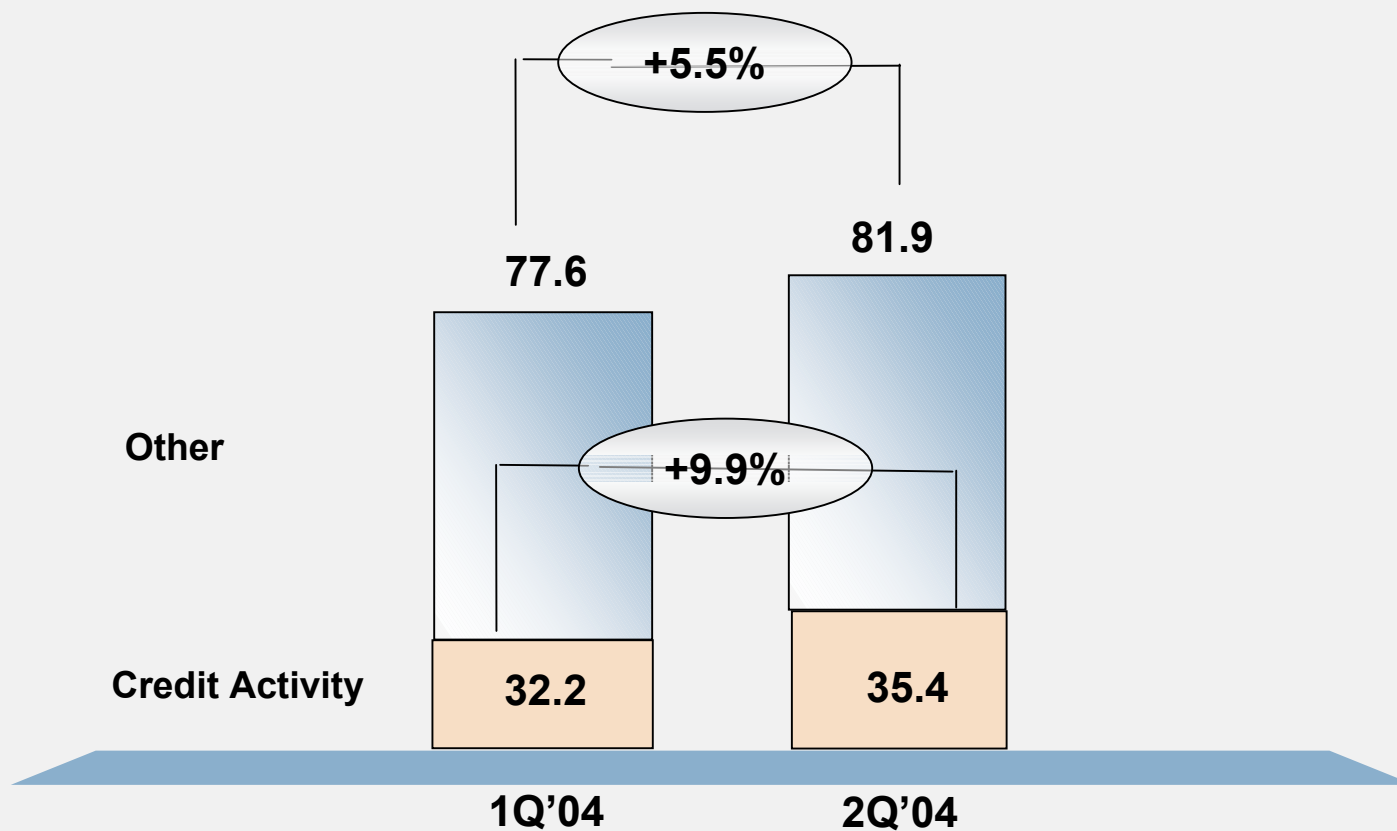
CAD-RATIO (%)



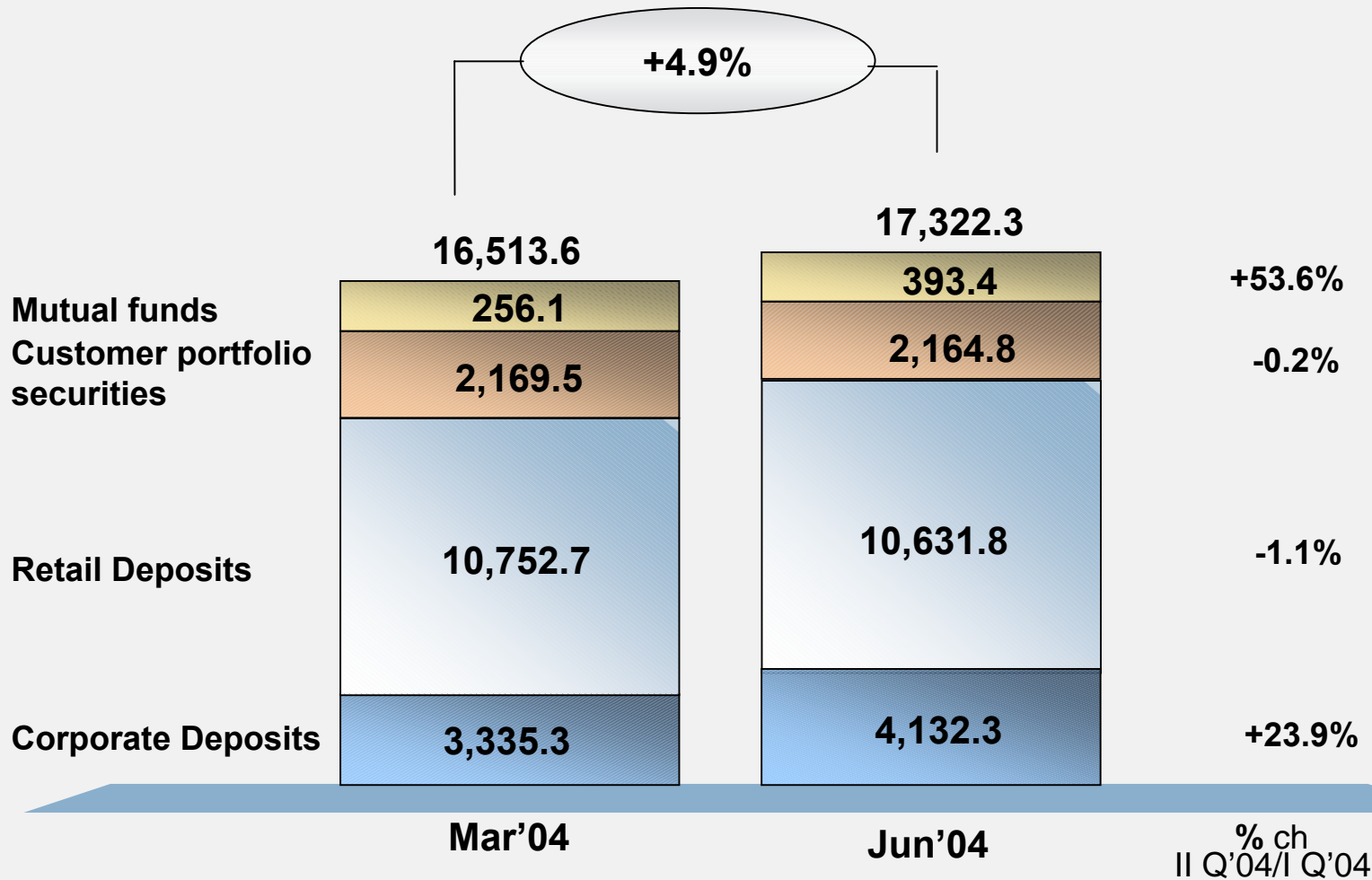
NET INTEREST INCOME (PLN mln)



NET COMMISSIONS (PLN mln)



CUSTOMER DEPOSITS, MUTUAL FUNDS, CUSTOMER PORTFOLIO SECURITIES (PLN mln)



LEVEL OF RATINGS OBTAINED BY THE BANK

FITCH RATINGS

of May 7, 2004

Long – term:	A
- perspective	stable
Short - term:	F1
Individual:	D/E
Support:	1

MOODY'S INVESTORS SERVICE

of November 21, 2003

Long - term:	A2
- perspective	stable
Short - term:	P-1
Financial forces:	E+

Long – term ratings are equal to Poland's rating
Ratings include support from KBC Bank N.V.

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FOCUS ON THE STRATEGY OF RETAIL MARKET DEVELOPMENT RESULTED IN 1H'04 IN REACHING THE RESULT AT THE LEVEL OF PLN 213.3 mln

■ Development of retail product offer for customers - effects:

- ✓ Active acquisition of deposits
- ✓ Sale of investment products (co-operation with TFI KB i KBC AM)
- ✓ Development of Bancassurance offer (co-operation with WARTA Group) – 872 thousand insurances sold in 1 H'04
- ✓ Implementation of new credit cards MasterCard Electronic (mass segment) i MasterCard Platinum
- ✓ Promoting electronic distribution channels – 107 thous. users of KB24 service in 1 H'04

■ Reorganization of sale network – effects:

- ✓ Increase of Branch sale effectiveness
- ✓ Improvement of retail product profitability – increase of margin on deposits (by 39.4%) and increase of commission income (by 9.3%) in 1H'04

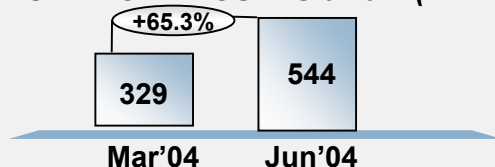
■ Main directions of further activities in retail segment:

- ✓ Improvement of market position on the deposit market and sale of investment products
- ✓ Intensification of credit activity (modification of offers and procedures, taking advantage of the commercial opportunities of Żagiel)
- ✓ Maintaining high profitability of the offer
- ✓ Development of modern financial products for SME segment

DEVELOPMENT OF SME SUB-SEGMENT AND NEW PRODUCTS WERE ONE OF THE MAIN AIMS TO BE ACHIEVED BY RETAIL DIVISION

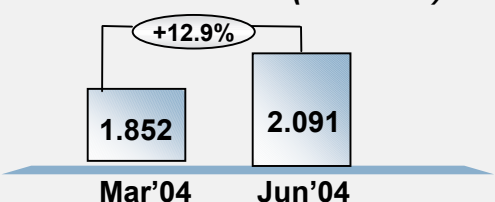
- interest result on deposits gained by Retail Division higher by 2.5% q/q
- growth of interest result on deposits mainly due to growth of result gained by SME and mass segments
- the level of interest result on deposits is higher than the year before (+26.9%/y/y)

SAVING ACCOUNTS-av.am.(PLN mln)

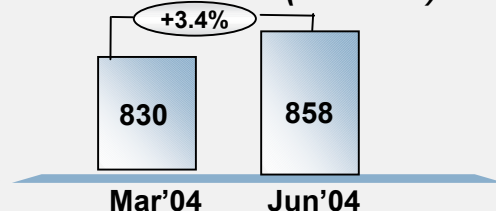


- “saving accounts” launched to Bank’s offer this year are popular and appreciated by customers – their volume in q/q were higher by 65.3%
- margin on saving accounts indicates growing tendency (+0.26pp q/q)

DEPOSITS-av.am. (PLN mln)

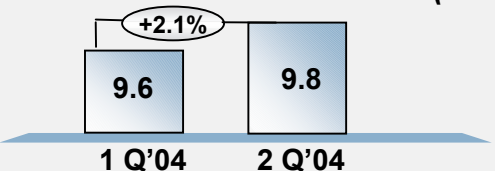


LOANS-av.am (PLN mln)



- development of SME sub-segment activity compliant with assumptions of strategy: increase in deposit and loans volumes

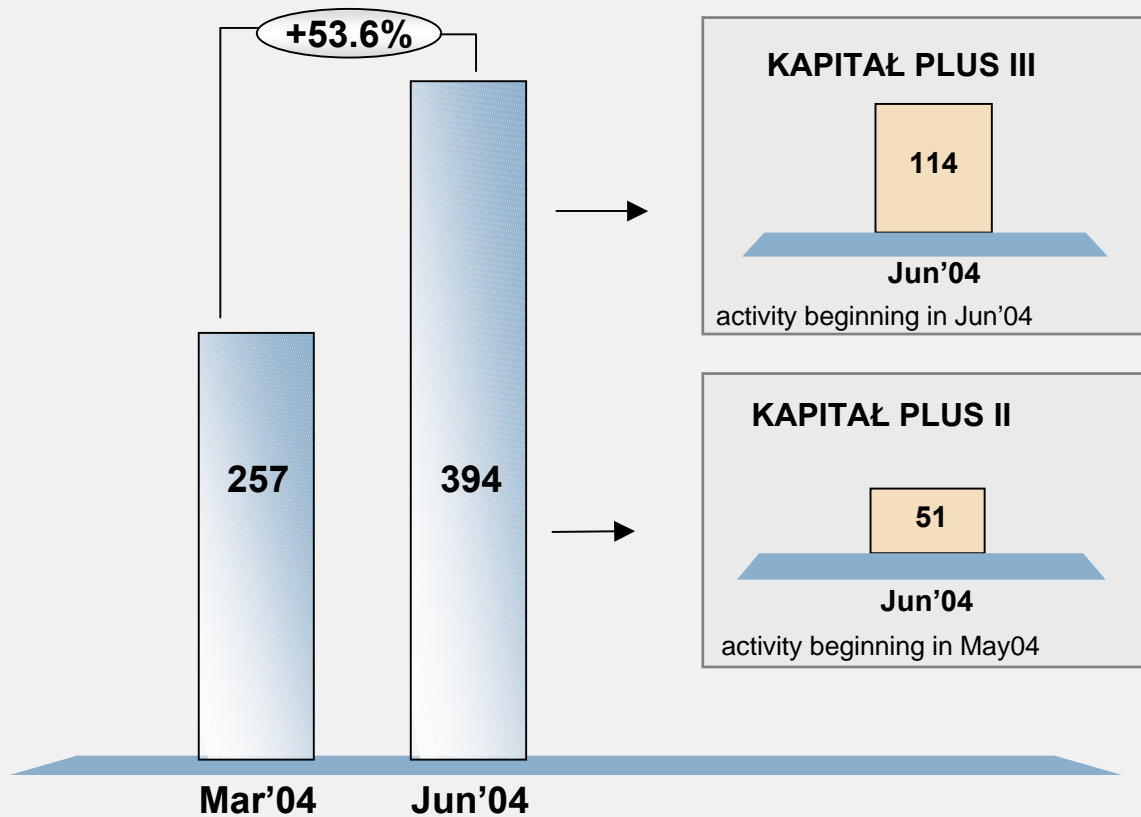
PAYMENTS CARDS' COMM. (PLN mln)



- growth of payments cards' commissions due to greater customer interests in more profitable cards (Maestro Kontakt, Visa Electron Kontakt)

ACTIVITY DEVELOPMENT IN MUTUAL FUNDS MANAGING AREA

MUTUAL FUNDS (PLN mln)



■ in the range of new sources of Banks' activity financing the highest dynamics was noticed in:

- Kapitał Plus III
- Kapitał Plus II

■ increase of total amount of customers deposits and mutual funds by 5.7% q/q

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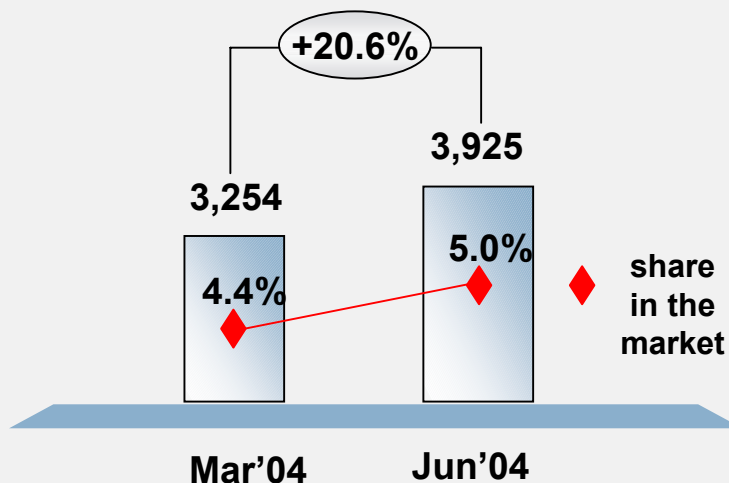
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RESULT OF CORPORATE SEGMENT IN 1H'04 AMOUNTED TO PLN 158.8 mln AND EXCEEDED PLANNED FIGURES DUE TO REALIZATION OF STRATEGIC AIMS

- **New model of corporate customers' service implementation**
 - ✓ 12 Corporate Banking Centres established (including separate Centre for cooperation with Strategic Customers)
 - ✓ Credit process (including credit documentary) adjusted to new model of sale management
- **Improvement of clients segmentation aiming at adjustment of product offer**
- **Completion of the process of 'moving' SME segment to Retail Division simultaneously with assuring high quality of customer service**
- **Concentration on building new relations with clients**
 - ✓ Declining trend of corporate loans' share in the market stopped
 - ✓ Rebuilding of customers' trust reflected in corporate clients' base stabilization
- **Credit portfolio diversification and risk dispersion**
 - ✓ Individual analysis of customer risk profile
 - ✓ Implementation of credit portfolio assessment based on Basel II assumption

SIGNIFICANT INCREASE OF CORPORATE CUSTOMERS DEPOSITS IN QUARTERLY APPROACH (by +20.6%)

DEPOSITS – average amounts (PLN mln)



- increase of deposits' volumes in corporate segment was noticed in both term deposits (+31.0% q/q) and current deposits (+12.0%); the level of deposits acquired in this segment was also higher in comparison with 1H'03 (+4.6%) – over this period the observed increase resulted from the term deposits' growth (+11.8%)

- improvement of interest result on deposits both in comparison to 1q'04 (+16,5%) and to the previous year (+24.6% y/y)

- higher result achieved by corporate division (+28.6% q/q)⁽²⁾ mainly resulted from the decreasing results on transactions realised with both corporate and budget segment

- maintenance of growing trend of foreign trade commissions were observed – their level over the last quarters rose by 10.9%

⁽²⁾ In management approach

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AS THE EFFECT OF PROCESS OF CREDIT PORTFOLIO AND COLLATERALS OVERVIEW WHICH WAS CARRIED IN 2H'03 THE PORTFOLIO QUALITY REMAINS AT THE STABLE LEVEL OF 29%

- **Stabilisation of credit portfolio with 97% corporate loan receivables being in the same risk category as at the end of 2003**
- **Quality portfolio at unchanged level despite approx. PLN 400 mln recovery of NPL receivables due to limiting of credit activity development**
- **NPL coverage ratio increased by virtue of NPL receivables' volumes drop and enacting new rules (Ministry of Finance Resolution), particularly affecting retail customers receivables**
- **Net provisioning in 1H'04 amounted to 0.3%, while in competitive banks in was shaped above 1%**
- **Further introduction of tried tools and processes of managing and monitoring of risk will contribute to enhancing results in this area**

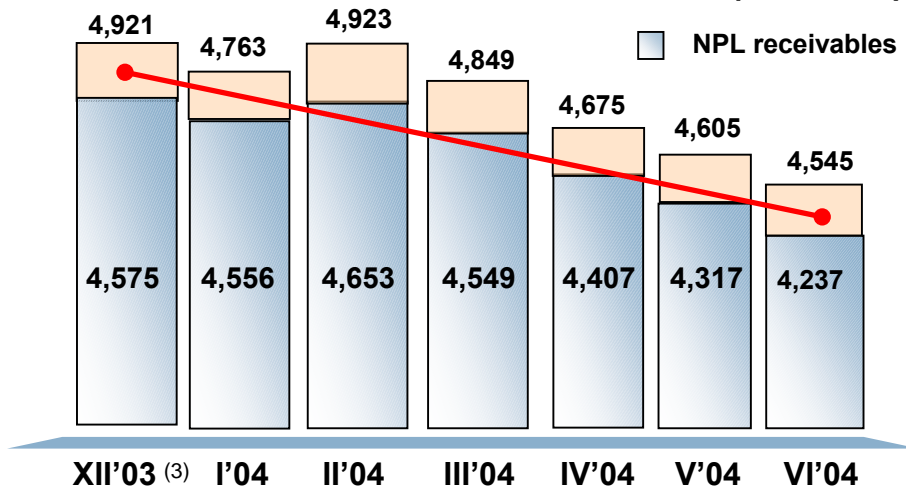
STABILIZATION OF LOAN PORTFOLIO QUALITY ACCOMPANIED BY IMPROVEMENT OF RESULT ON PROVISIONS

(PLN mln)

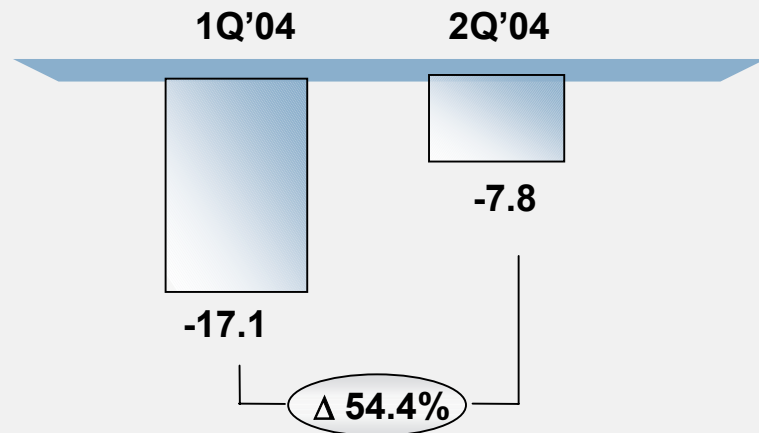
BANK TOTAL

	1Q'04	2Q'04	% ch. on Dec '03
Customers NPL	4,715	4,524	-8.1%
Portfolio quality	28.8%	29.0%	+0.1pp
Coverage ratio NPL	52.3%	55.6%	+5.0pp

NPL receivables - average amounts (PLN mln)



RESULT ON PROVISIONS (PLN mln)



- after last credit portfolio verification (Dec'03), stabilization of credit portfolio quality has been noted
- stabilization occurred along with NPL receivables decrease

⁽³⁾ Data as at the end of 31.12.2003

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THE PROCESS OF KB S.A. GROUP RESTRUCTURING IS FASTER THAN IT WAS ASSUMED

■ Implementation of new architecture of business activities

➤ Completion of structural reorganization

- ✓ Breakdown for segments (Corporate, Retail, Private Banking)
- ✓ Separation of business activities from credit activities
- ✓ Performing and non-performing loan receivables separation

➤ Concentration on core activities (non strategic subsidiaries/foreign operations were divested and pooled only selected specialist activities within Group entities)

➤ MIS conceptual support of the new business organization

■ Rebuilding of the Bank potential

- Reduction of employment planned for the year 2004 has already been completed
- Sustain management cost at the fixed level (centralized purchasing, outsourced cash handling and security, active vendor management)
- The process of changes is supported by new management personnel

FUNCTIONING COSTS DROPPED IN YEARLY APPROACH (BY 8.3% y/y)

TOTAL FUNCTIONING COSTS BREAKDOWN

(PLN million)

	1Q'04	2Q'04	1H'04	Ch. on 1H'03
Personnel costs	90.4	88.8	179.4	-14.2
Other administrative expenses	87.9	90.8	178.7	-29.5
Depreciation	37.9	38.0	75.9	+4.4
TOTAL BANK	216.2	217.7	433.9	-39.3
FTE in KB S.A. (at the end of period)	6,339	5,963	5,659 ⁽⁵⁾	-1,260
FTE in KB Group S.A. ⁽⁴⁾ (at the end of period)	9,473	8,330	6,540 ⁽⁶⁾	-3,497

■ personnel costs diminish -7.3% y/y as effect of 956 FTE reduction (including outsourcing) accompanied by changes of organisational structure and employment optimisation

■ administrative costs reduction -14.2% y/y due to high discipline of expenses

■ growth of depreciation derives from the software PLN +3.0 mln (incl. FlexCube, SARA II) and finance leasing depreciation (building investment PLN +1.8 mln, devices PLN +1.1 mln)

⁽⁴⁾ Group includes subsidiaries consolidated with full method

⁽⁵⁾ Data as of August 1, 2004

⁽⁶⁾ Data as of August 13, 2004

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PROFIT AND LOSS ACCOUNT OF KB S.A. GROUP

<i>(PLN mln)</i>	I Q'04	II Q'04	I H'04	Change on I H'03
Net interest income	168.5	176.1	344.6	-4.0
Net commissions	117.7	134.3	252.0	-2.0
Result on sale	3.3	6.2	9.5	+3.7
Result on financial oper. and FX oper.	26.0	26.4	52.4	-29.2
Result on other income/losses	0.1	-1.7	-1.6	+30.7
Gross income	315.7	341.3	657.0	-0.7
Total functioning costs	267.2	272.2	539.4	-23.8
Result on provisions	-18.8	-23.0	-41.9	+258.4
Goodwill amortization	-5.5	-5.6	-11.1	+45.5
Gross financial result	24.2	40.4	64.6	+326.9
Share in profit/loss of KB S.A. Gr. entities	0.4	6.2	6.6	+4.6
Income tax	-3.5	-7.7	-11.3	-7.5
Profit/Loss of minorities	-0.8	-0.9	-1.7	0.0
Net financial result	20.3	38.0	58.3	+324.0

BALANCE SHEET OF KB S.A. GROUP

ASSETS

<i>(PLN mln)</i>	Mar'04	Jun'04	Change
Cash	712.1	1,101.0	+388.9
Receivables due from fin. sector	2,330.2	3,487.2	+1,157.0
Receivables due from non-fin. sect.	14,537.6	13,732.9	-804.7
Securities	4,335.1	4,050.8	-284.3
Fixed assets	1,111.1	1,056.9	-54.2
Other assets	597.9	635.8	+37.9
TOTAL ASSETS	23,624.0	24,064.6	+440.6

LIABILITIES

<i>(PLN mln)</i>	Mar'04	Jun'04	Change
Liabilities due from fin. sector	5,947.0	5,219.8	-727.2
Liabilities due from non-fin. sect.	14,439.8	14,987.9	+548.1
Provisions	216.6	137.2	-79.4
Own funds (incl. FR before distribution)	1,800.9	2,286.5	+485.6
Net fin. result (FR)	20.3	58.3	+38.0
Other liabilities	1,199.4	1,374.9	+175.5
TOTAL LIABILITIES	23,624.0	24,064.6	+440.6

PROFIT AND LOSS ACCOUNT OF KB S.A.

<i>(PLN million)</i>	1Q'04	2Q'04	1H'04	Ch. on 1H'03
Net interest income	144.7	154.4	299.1	-13.3
Net commissions	77.6	81.9	159.5	-8.9
Result on financial oper. and FX oper.	26.4	25.2	51.6	-25.0
Result on other income/losses	-0.9	-0.6	-1.5	+38.8
Gross income	247.8	260.9	508.7	-8.4
Total functioning costs	216.2	217.7	433.9	-39.3
Result on provisions	-17.1	-7.8	-24.9	+248.1
Gross financial result	14.6	35.3	49.9	+279.0
Share in profits/losses of Group KB S.A. entities	5.7	2.7	8.4	+54.3
Income tax	0	0	0	-9.3
Net financial result	20.3	38.0	58.3	+324.0

BALANCE SHEET OF KB S.A.

ASSETS

<i>(PLN million)</i>	Mar'04	Jun'04	Change
Cash	678.2	1,062.8	+384.6
Receivables due from fin. sector	2,663.9	3,813.6	+1,149.7
Receivables due from non-fin. sect.	13,905.7	13,127.2	-778.5
Securities	4,331.7	3,998.3	-333.4
Fixed assets	1,056.0	1,037.3	-18.7
Other assets	492.4	524.6	+32.2
TOTAL ASSETS	23,127.9	23,563.8	+435.9

LIABILITIES

<i>(PLN million)</i>	Mar'04	Jun'04	Change
Liabilities due from fin. sector	5,893.8	5,268.7	-625.1
Liabilities due from non-fin. sect.	13,835.7	14,366.1	+530.4
Provisions	304.4	230.8	-73.6
Own funds (incl. FR before distribution)	1,769.8	2,255.6	+485.8
Net fin. result (FR)	20.3	58.3	+38.0
Other liabilities	1,303.9	1,384.3	+80.4
TOTAL LIABILITIES	23,127.9	23,563.8	+435.9