



Razem  
możemy  
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## **KB GROUP FINANCIAL RESULTS FOR IV Q 2006**

**Warsaw, 16 February, 2007**

# AGENDA

1. FINANCIAL RESULTS
2. RETAIL DIVISION ACTIVITY
3. CORPORATE DIVISION ACTIVITY
4. APPENDIX

	2006 cumul.	ch. Y/Y	Q4'06	Q4'05	ch. Q/Q
<b>Net Profit (PLN mln)</b>	<b>468</b>	<b>13%</b>	<b>81</b>	<b>91</b>	<b>-11%</b>
<b>Gross Profit (PLN mln)</b>	<b>459</b>	<b>43%</b>	<b>69</b>	<b>70</b>	<b>-1%</b>
<b>ROE<sup>1</sup></b>	<b>25%</b>	<b>-1 pp</b>	<b>10%</b>	<b>16%</b>	<b>-6 pp</b>
<b>Cost/Income</b>	<b>68%</b>	<b>-5 pp</b>	<b>78%</b>	<b>68%</b>	<b>+10 pp</b>

<sup>1</sup> Quarterly ROE evaluated without annualisation of one-offs' event impact

## KEY FEATURES FOR Q4 2006

- 2006 – **the best bottom line result in KB history**

KB Group reported **PLN 468 mln net profit** with healthy ROE (at 25%) stemming from assets' restructuring and recovery as well as strict management of risk and costs. This result was also influenced by the sale of the part of irregular loan portfolio in 2Q;

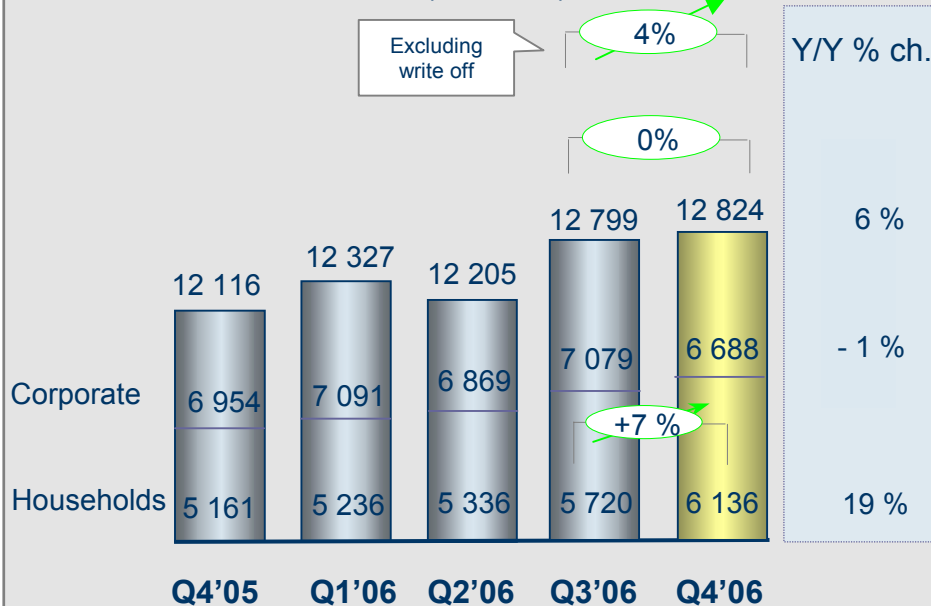
- Improvement in the quality of the Group's loan portfolio – with impaired/gross loans ratio at 13,5% (vs 28,7% in 2005) KB is catching up the sector average;

- Visible **progress in recurrent income** (mainly interest and commissions) in 4Q compared to 3Q'06;

- Quarterly growth (4% vs 3Q'06) of customer loans volume (excluding massive write-offs in 4Q) fueled by the sale of :
  - housing loans – PLN 659 mln;
  - consumer loans (Żagiel) – PLN 527 mln;

- Reversal of downtrend in credit activity - net loans grew up by **19%** during 2006;

## Total Customer Loans<sup>1</sup> (PLN mln)



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

	Q4'05	Q3'06	Q4'06
<b>Total Loans</b>	<b>4,1%</b>	<b>3,8%</b>	<b>3,6%</b>
<b>Households Loans</b>	<b>3,8%</b>	<b>3,4%</b>	<b>3,4%</b>
<b>Corporate Loans</b>	<b>4,4%</b>	<b>4,2%</b>	<b>3,8%</b>

MKT brought down by write off impact

2006-end level of KB's market share was affected by cleaning-up process (**balance sheet loss receivables sale worth PLN 815 mln and off the balance sheet worth up to PLN 115 mln**) executed in 2Q and uncollectible claims writing off (**amounted to PLN 478 mln**) executed in 4Q

KB Groups' net lending volume increased by 19% y/y (from PLN 9 702 PLN at Dec.-end '05 to PLN 11 550 mln at Dec-end '06)

<sup>1</sup> Bank only, eop, according to NBP segmentation

<sup>2</sup> Comparable data for KB and banking sector – domestic residents only

Total Customer Deposits <sup>1</sup> (PLN mln)



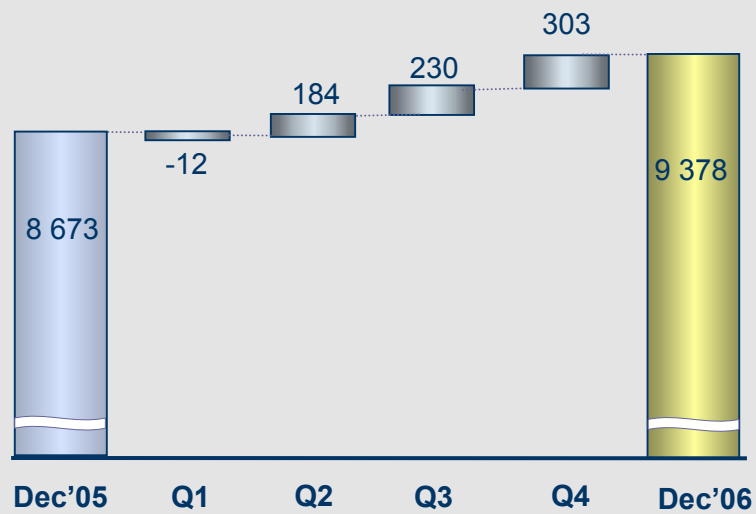
KB market share<sup>2</sup>

	Q4'05	Q3'06	Q4'06
<b>Total Deposits</b>	<b>3,8%</b>	<b>3,7%</b>	<b>3,6%</b>
<b>Households Deposits</b>	<b>3,9%</b>	<b>3,9%</b>	<b>3,9%</b>
<b>Corporate Deposits</b>	<b>3,6%</b>	<b>3,5%</b>	<b>3,2%</b>

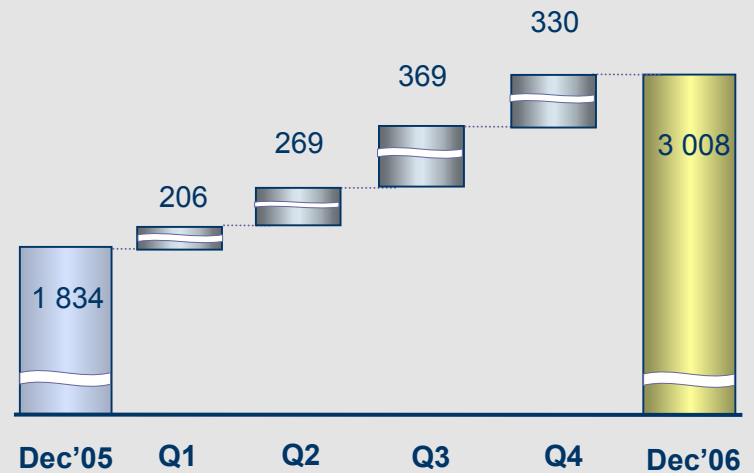
<sup>1</sup> Bank only, EOP, according to NBP segmentation

<sup>2</sup> Comparable data for KB and banking sector – domestic residents only

Households Deposits quart. Volume ch. (PLN mln)



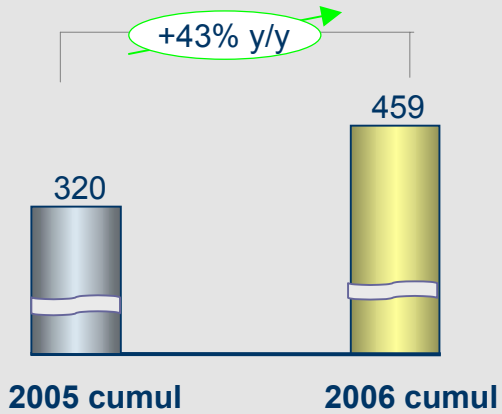
Mutuals quart. Volume ch.<sup>1</sup> (PLN mln)



<sup>1</sup>Concerning portion of funds collected through KB network

# GROSS AND NET RESULT GENERATED IN 2006

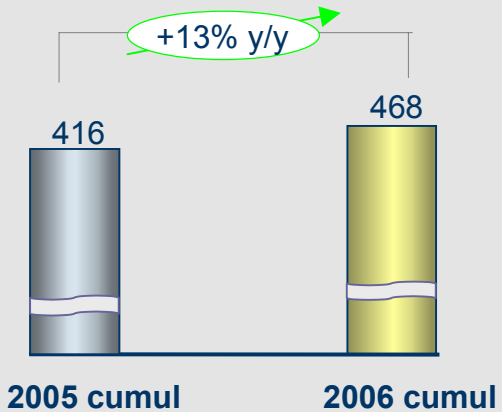
Gross Profit (cumulative in PLN mln)



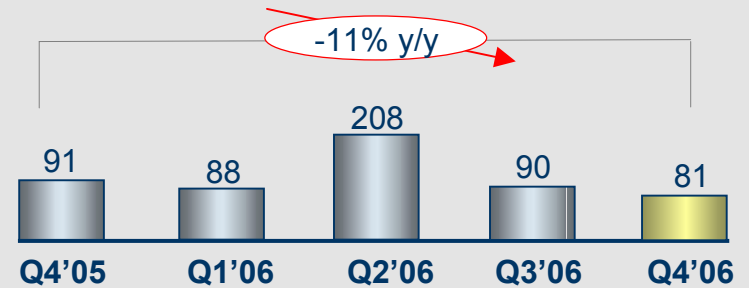
Quarterly



Net Profit (cumulative in PLN mln)

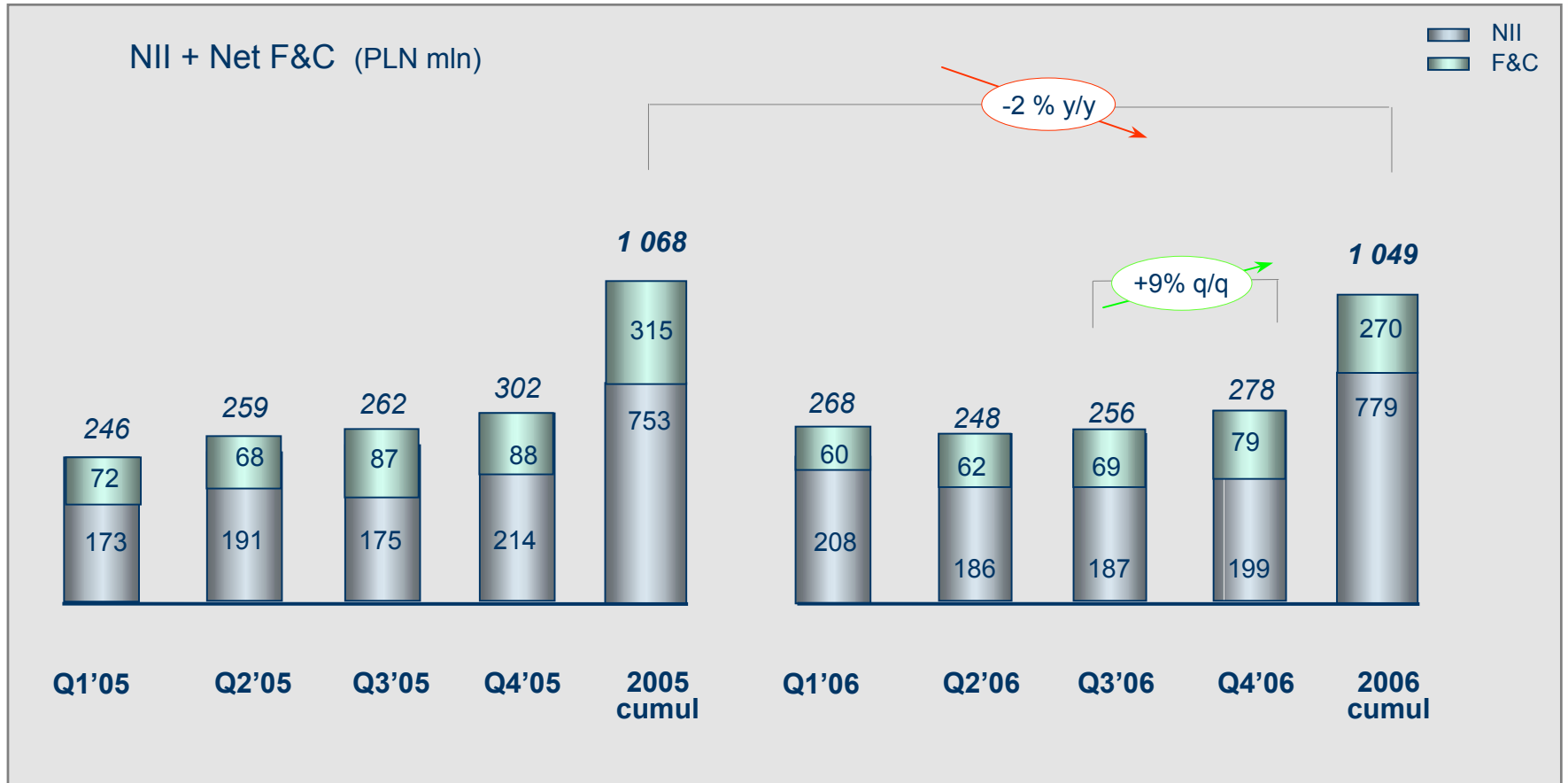


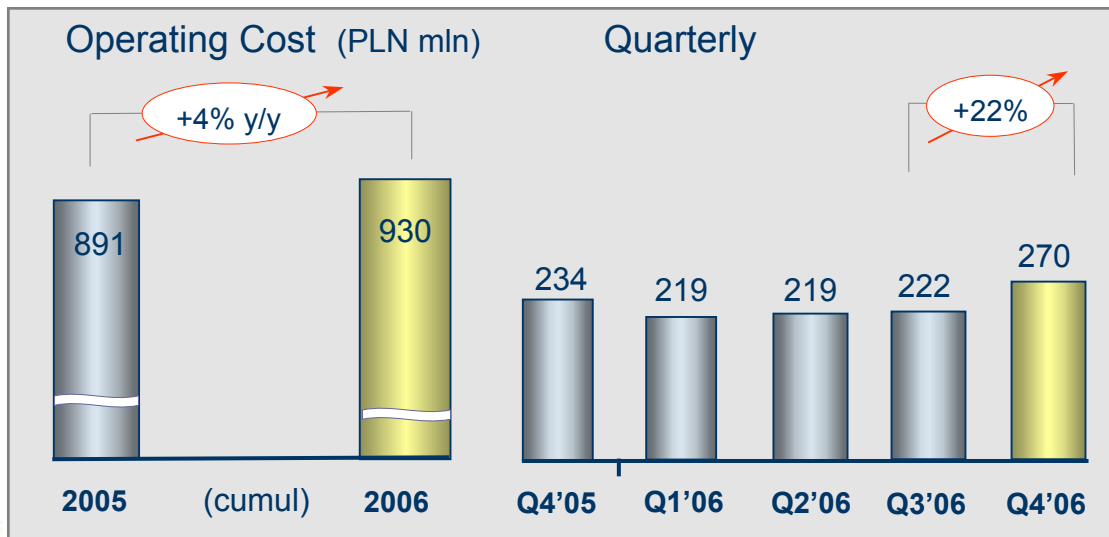
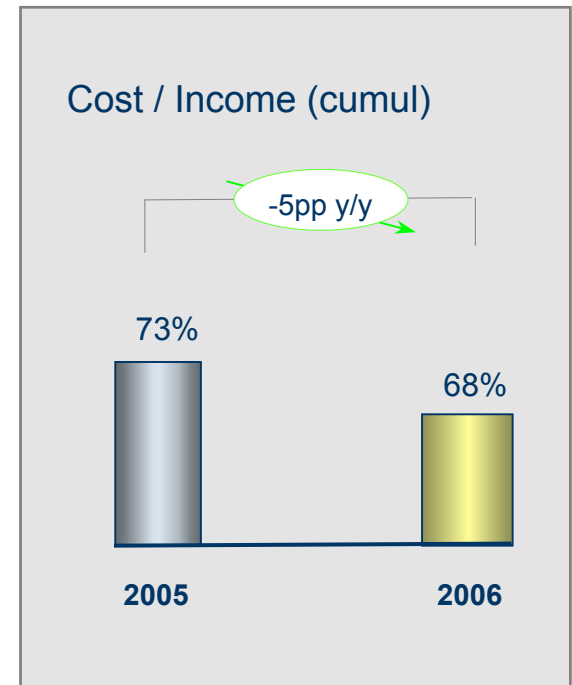
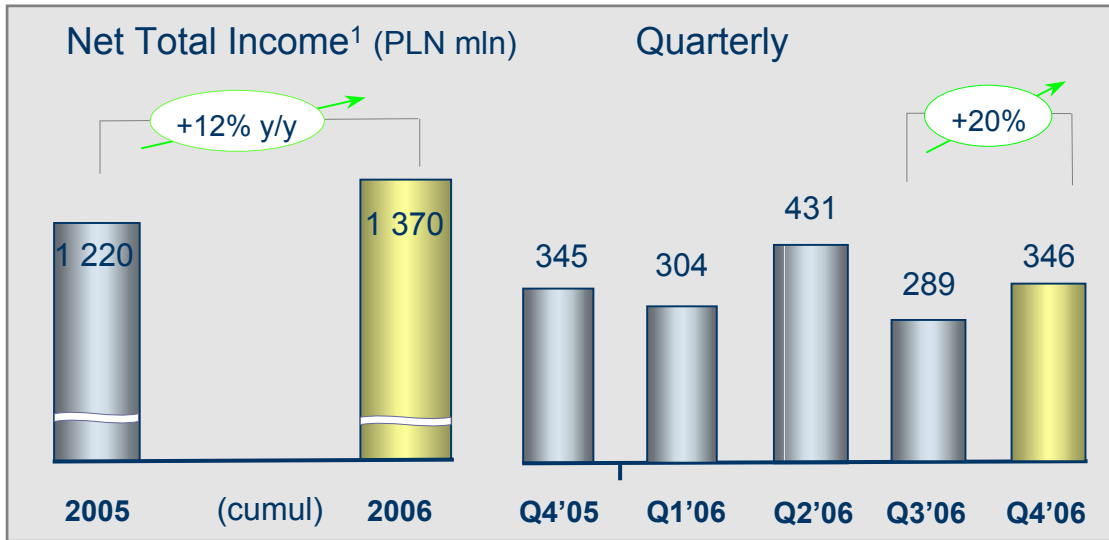
Quarterly





# PERFORMANCE OF NET INTEREST AND COMMISSIONS

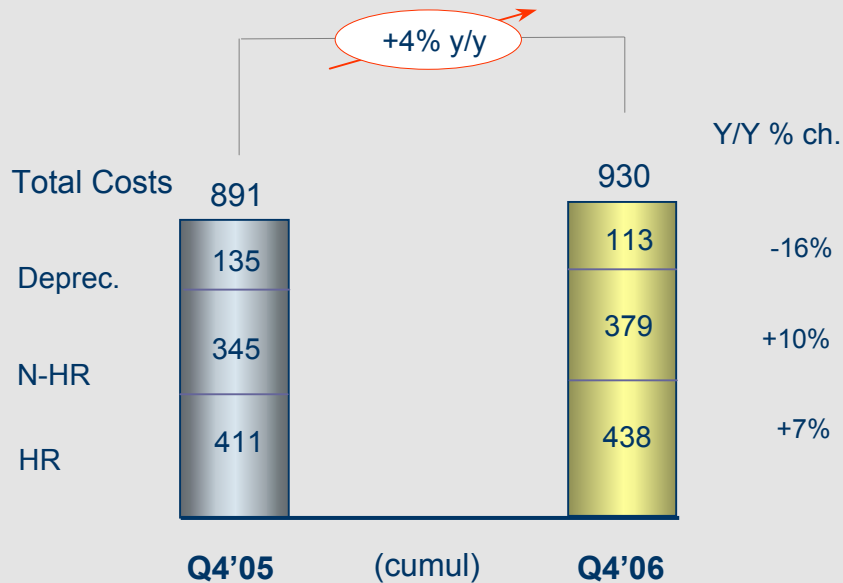




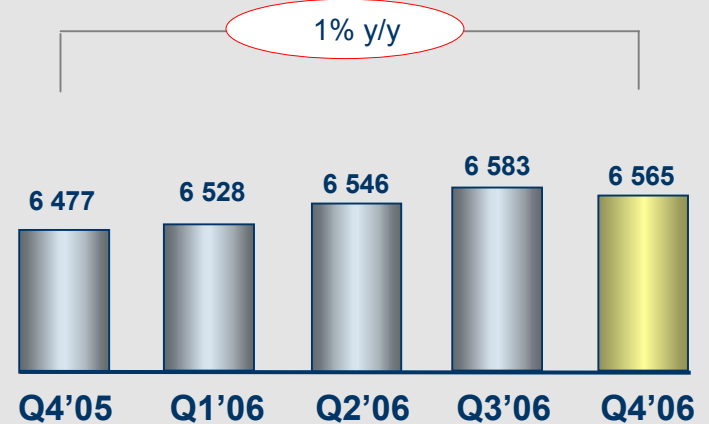
<sup>1</sup> Net interest income+F&C+dividend+net trading income+profit/loss from investment activities+other operating income/expenses

Source: KB Q4'06 consolidated financial statement

## Operating Costs (PLN mln)

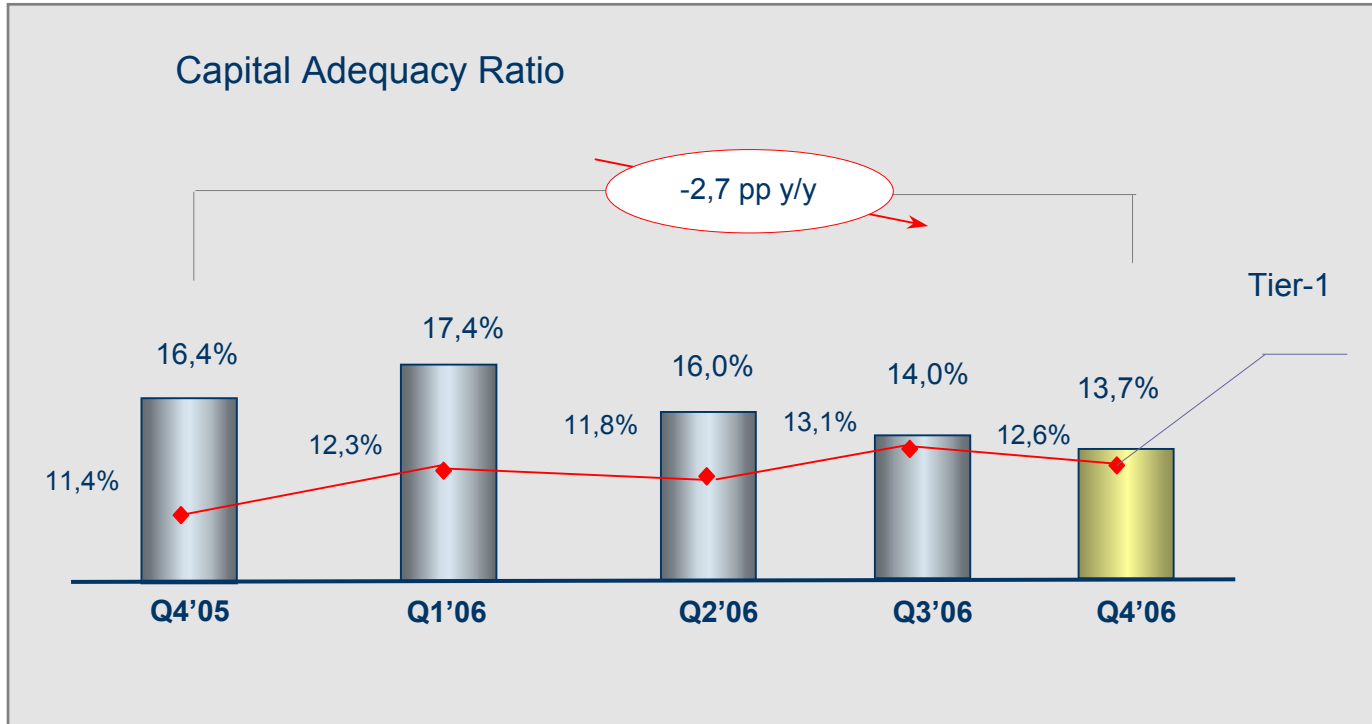


## Staff (FTE - Group)



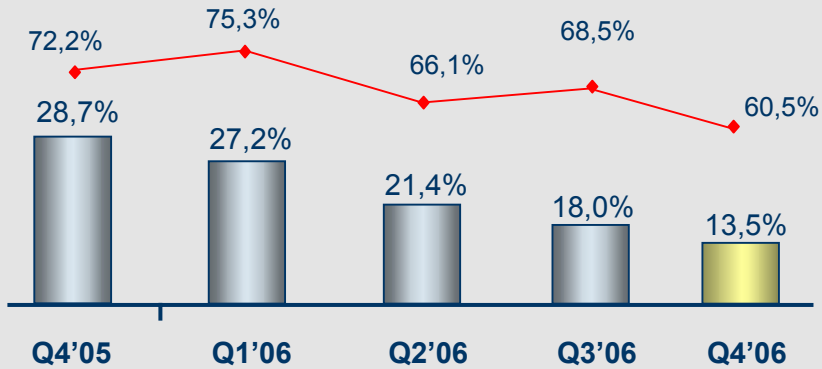
Total KB Group's 4% increase in operating cost over the year was attributed to:

- a 7% increase in personnel cost mainly due to bonuses, training and reserves
- administrative costs burden 10% up mainly due to higher marketing (30% y/y) and network expansion
- a 16% decrease in depreciation costs

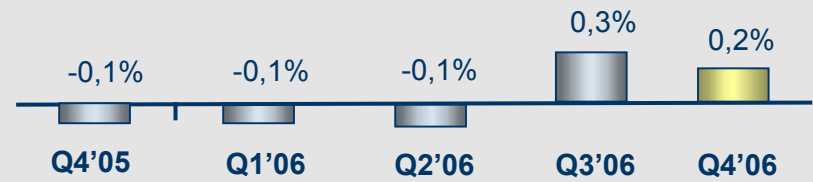


Slightly lower CAR against that of previous periods stems from boost in risk weighted assets volume following stronger lending activity;

Impaired Loans/ Gross Loans<sup>1</sup>; Coverage ratio



Cost of Risk <sup>2</sup>



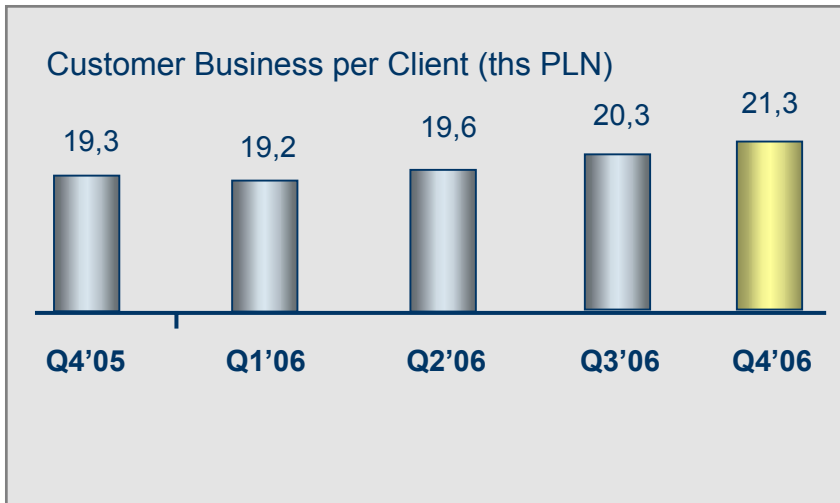
<sup>1</sup> On customer's portfolio basis, w/o banks

<sup>2</sup> Net Impairment/average outstanding loan amount

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# RETAIL – QUANTITY PARAMETERS



Client number change

	Q4'06/ Q3'06	Q4'06/ Q4'05
Mass	+9 914	+51 634
Affluent	+50	+185
Private Banking	+15	+98
SME	+489	+4 893

# RETAIL – HOUSING LENDING (1)

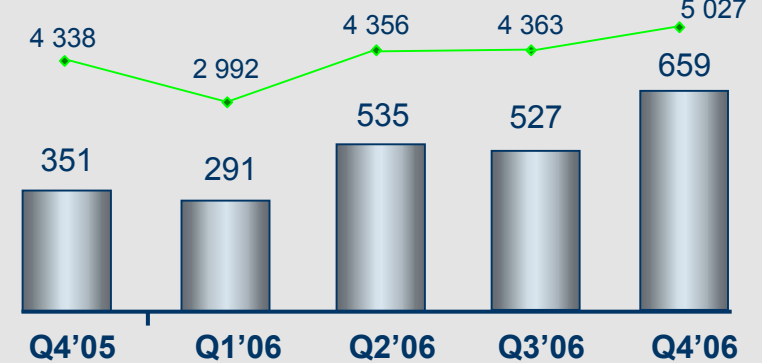
Housing Loans (eop PLN mln), margin<sup>1</sup>



KB market share<sup>2</sup>

	Q4'05	Q3'06	Q4'06
Total Housing Loans	4,1%	4,1%	4,1%
PLN	4,8%	5,0%	5,1%
FC	3,6%	3,6%	3,5%

Housing Loans – quart. sale (PLN mln) quantity

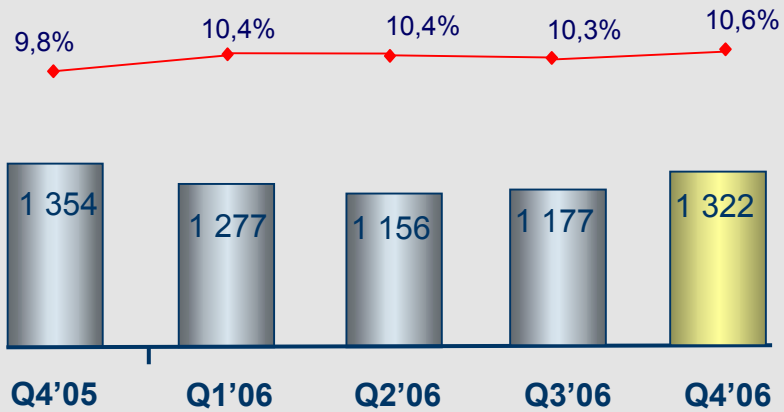


<sup>1</sup> Margin calculated on performing portfolio

<sup>2</sup> Comparable data for KB and banking sector – domestic residents only



Żagiel Loans – Consumer lending (eop, PLN mln); margins<sup>1</sup>

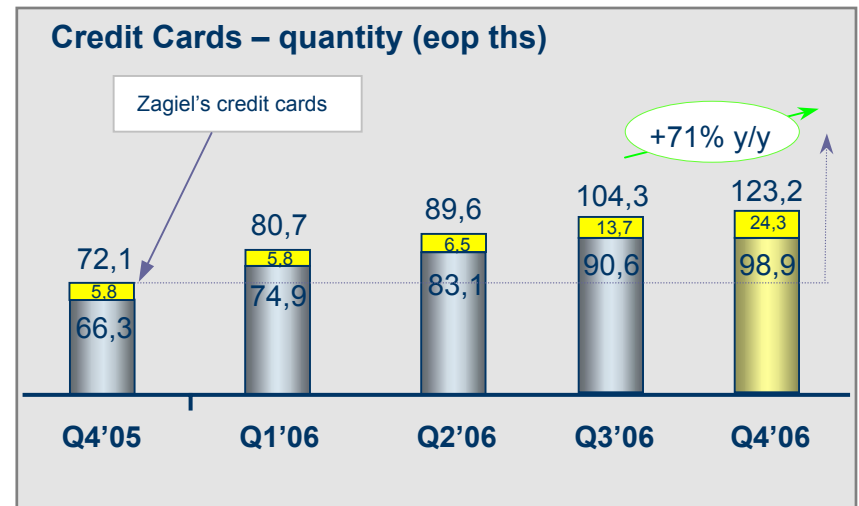
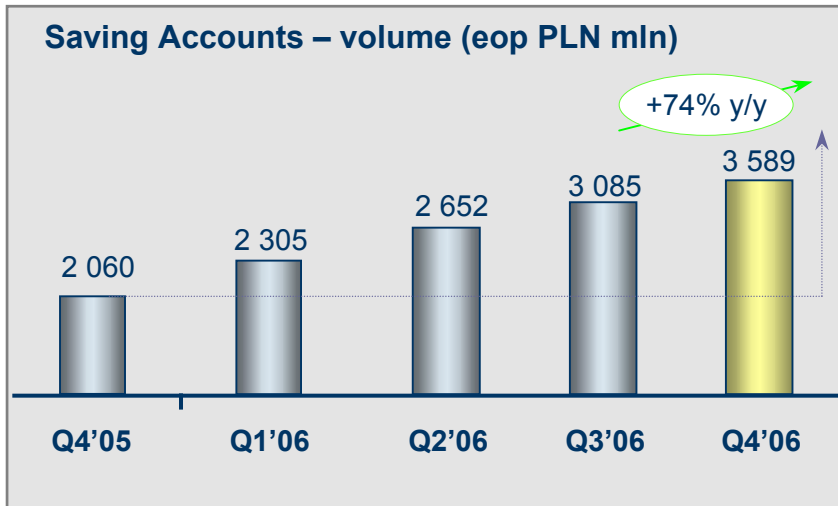
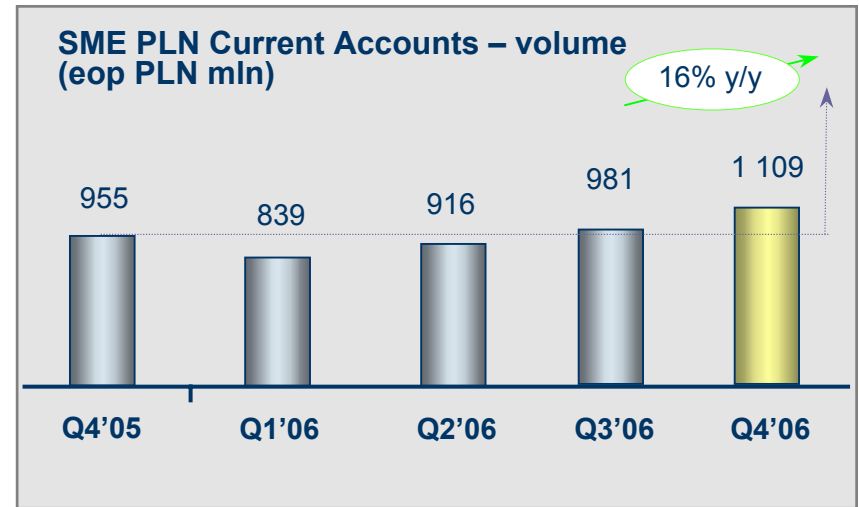
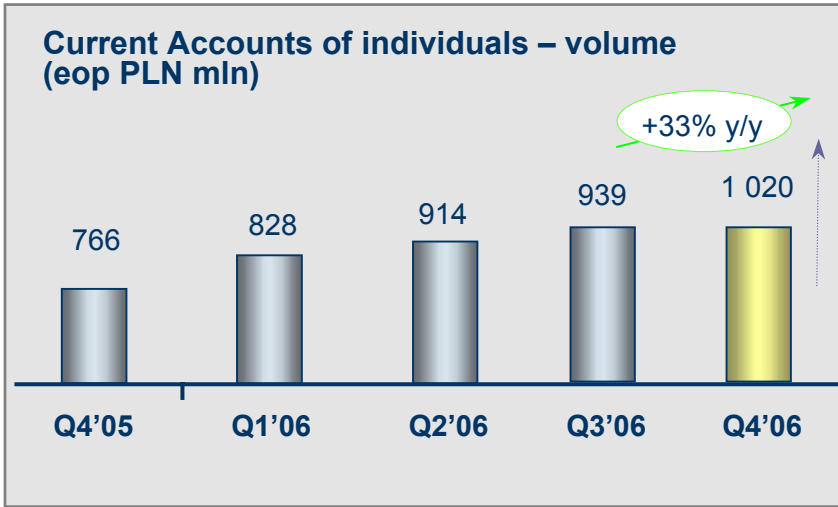


Żagiel – quart. sale (PLN mln)



<sup>1</sup> Margins calculated on performing portfolio (KB only)

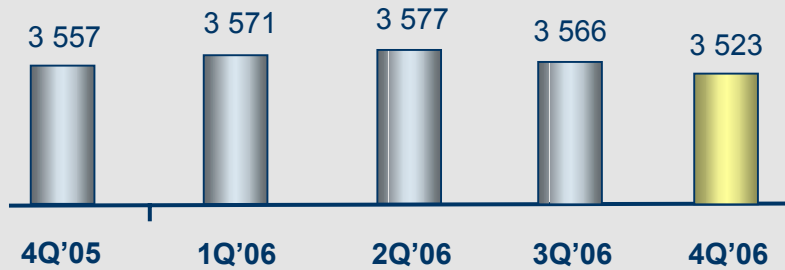
# RETAIL – PRODUCTS (2)



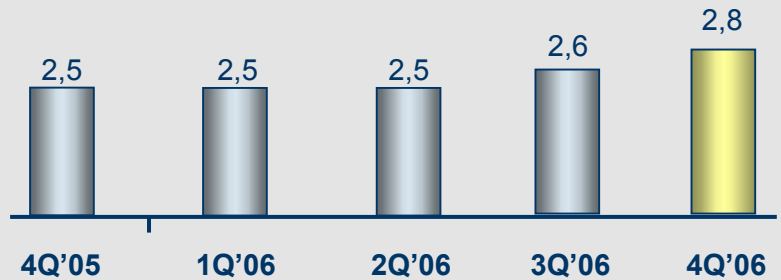
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Number of clients



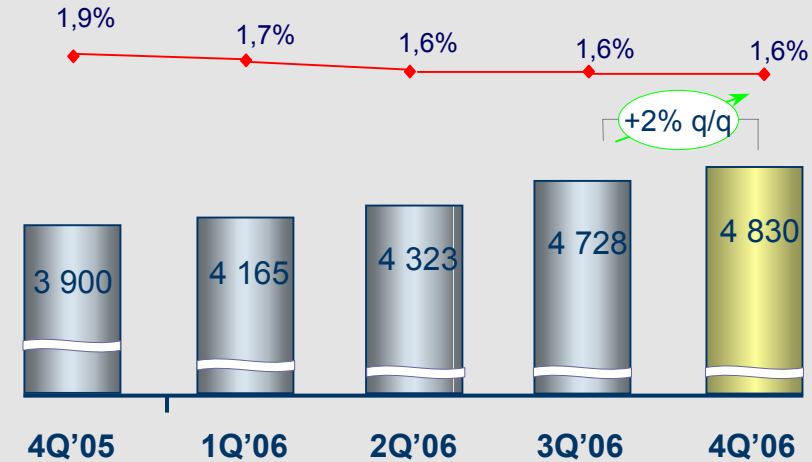
Customer Business per client (mln PLN)



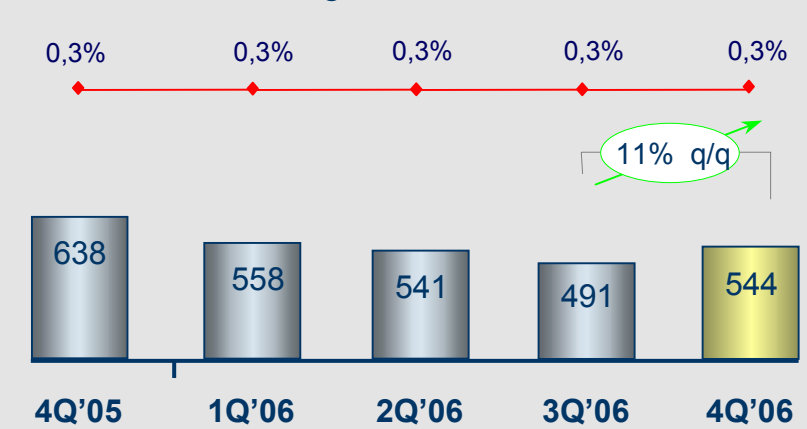
Client number change

	4Q'06/ 3Q'06	4Q'06/ 4Q'05
Corporate	- 36	10
Government and Local Authorities	- 7	- 44

Corporate loans<sup>1</sup> – (eop, mln PLN); margins

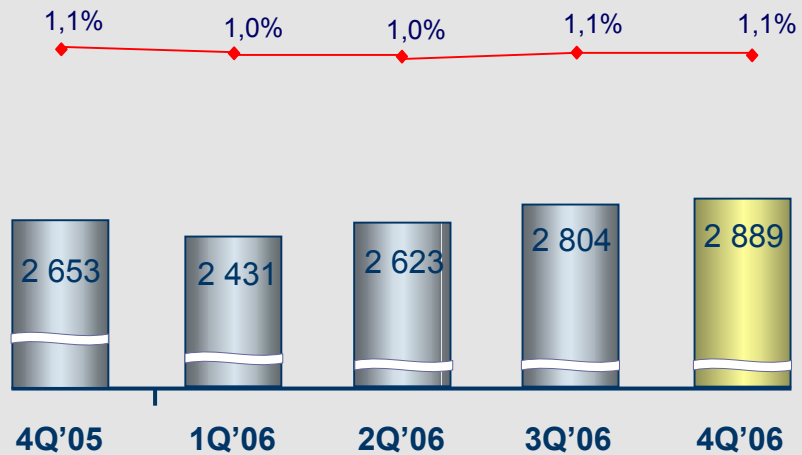


Government and Local Authorities loans<sup>1</sup> – (eop, mln PLN); margins

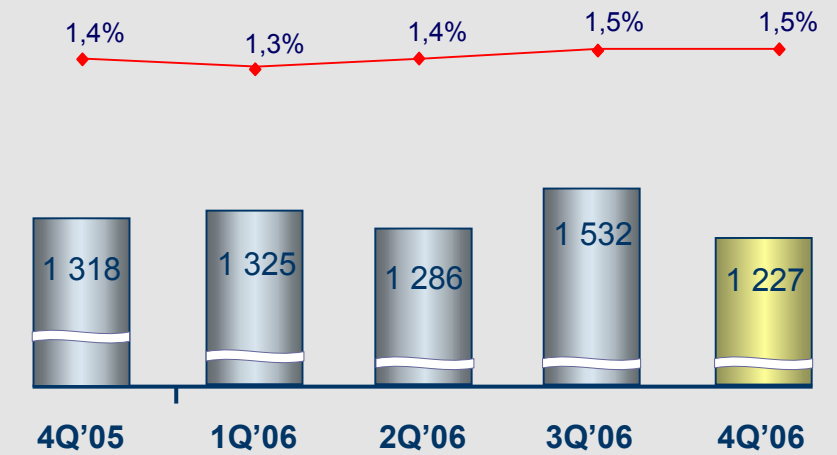


## CORPORATE - PERFORMANCE (2)

Corporate deposits – (eop, PLN mln); margins



General Government deposits – (eop, PLN mln); margins



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## ASSETS

<i>(PLN mln.)</i>	4Q'06	4Q'05	change
Cash and balances with Central Bank	641	607	+6%
Amounts due from banks and financial assets at fair value	3 107	2 931	+6%
Loans to customers	11 550	9 702	+19%
Investments in securities	5 917	6 754	-12%
Tangible fixed and intangible assets	666	534	+25%
Other assets	351	313	+12%
<b>Total Assets</b>	<b>22 232</b>	<b>20 841</b>	<b>+7%</b>

## LIABILITIES AND FUNDS

<i>(PLN mln.)</i>	4Q'06	4Q'05	change
Amounts due to banks and held-for-trading financial liabilities	2 459	2 782	-12%
Amounts due to customers	15 551	14 534	+7%
Debt securities issued	1 034	771	+34%
Total equity including current net profit	2 092	1 682	+24%
Subordinated liabilities	422	590	-28%
Other liabilities	674	482	+40%
<b>Total Equity and Liabilities</b>	<b>22 232</b>	<b>20 841</b>	<b>+7%</b>



# INCOME STATEMENT

<i>(PLN mln)</i>	<b>Q4'06</b>	<b>Q4'05</b>	<b>Q/Q ch</b>
Net interest income	199	214	-7%
Net fee and commission income	79	88	-10%
Dividend, net trading income, profit (loss) from investment activities	51	31	+65%
Other operating income and expenses	17	12	+42%
<b>Total income</b>	<b>346</b>	<b>345</b>	<b>0%</b>
Total costs	270	234	+15%
<b>Operating profit</b>	<b>76</b>	<b>111</b>	<b>-32%</b>
Net impairment charges for financial assets, other assets and provisions	-7	-42	-83%
Share of profit of associates	0	0	-
<b>Profit before tax</b>	<b>69</b>	<b>70</b>	<b>-1%</b>
Income tax	12	21	-43%
<b>Net profit</b>	<b>81</b>	<b>91</b>	<b>-11%</b>