



# KB Group

Financial Results as at 30 September 2008  
(International Financial Reporting Standards)

Prague  
7 November 2008



## Disclaimer

This document contains a number of forward-looking statements relating to the targets and strategies of the Komerční banka Group. These statements are based on a series of assumptions, both general and specific. As a result, there is a risk that these projections will not be met. Readers are therefore advised not to rely on these figures more than is justified as the Group's future results are liable to be affected by a number of factors and may therefore differ from current estimates.

Readers are advised to take into account factors of uncertainty and risk when basing their investment decisions on information provided in this document.



# Agenda

- **Business Highlights**
- Consolidated Financial Results
- Loan Portfolio Quality and Development
- Appendix



### **Successful and strong development in spite of markets' turmoil**

- Net banking income of KB Group rose 12.2% to CZK 24.4 billion
- Client deposits increased 8.5% to CZK 551.1 billion. Net loans-to-deposits ratio reached 64.4%, making KB independent on inter-bank liquidity sources
- Total capital adequacy at 12.5%, core Tier 1 ratio at 11.1%
- Growing cost of risk on corporate lending mitigated by so far satisfactory risk profile of mass retail lending
- Small impact of impairment of securities on net profit of only CZK 11 million
- Further improvement of operational efficiency led to cost-to-income ratio of 43.6%
- Consolidated net profit of KB Group at CZK 9.9 billion, up 22.0%
- Return on equity at 24.5%



## Continuing introduction of innovations for all segments

- Mojobanka and Express line Plus innovations – on-line conclusion and administration of building savings contracts, business loans, mortgages or insurance and pension scheme policies
- KB Guaranteed Deposit and KB Savings Account – new option for clients seeking for attractive return and the greatest possible safety
- Co-branded T-Mobile bonus credit card launched as a part of the mobile telephony operator's loyalty scheme – clients received their welcome packs
- Profi loan FIX – new business loan with fixed interest rate and instalments throughout time of the loan repayment
- Portal [www.moje-firma.cz](http://www.moje-firma.cz) – provides advice and tips to entrepreneurs and small businesses on various business situations



### Continued good commercial momentum

- Number of KB's individual clients continued increasing, by 4% to 1,334,000. Student accounts up 13% to 171,000
- Volume of newly sold mortgages to individuals increased year-on-year by 3% in 1-3Q 2008 (+1% in 3Q) despite market decline by 15%. Outstanding volume rose 26%, while total number of mortgages increased by 19% year-on-year to almost 75,000. Cost of risk of mortgage portfolio remains under control with average loan-to-value ratio of the total portfolio below 60%
- Cross-selling ratio increased from 5.35 to 5.63 products per current account
- Number of Blue banking accounts acquired by clients of MPSS reached 6,300 one year after launch of the offer. Number of newly signed savings contracts with MPSS rose by 31% to more than 109,000
- On the back of 32% growth in outstanding loans, ESSOX net profit increased by 264% to CZK 131 million



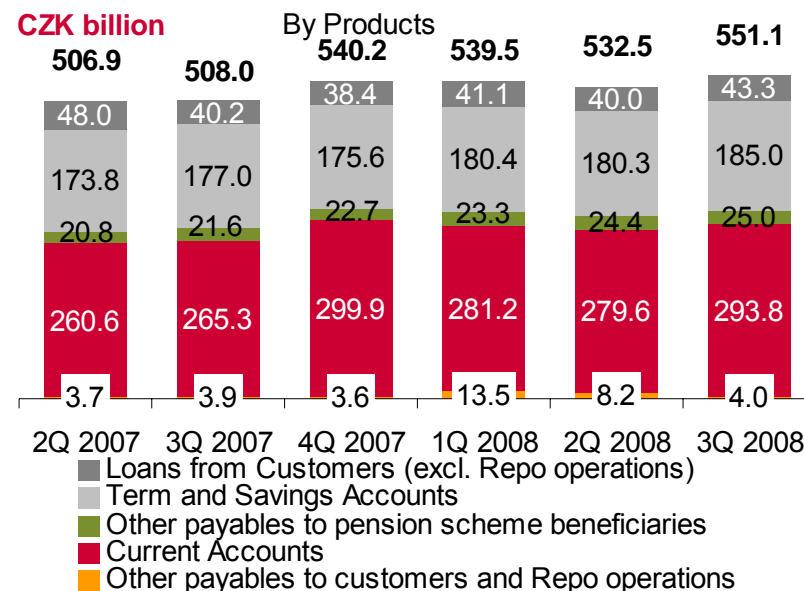
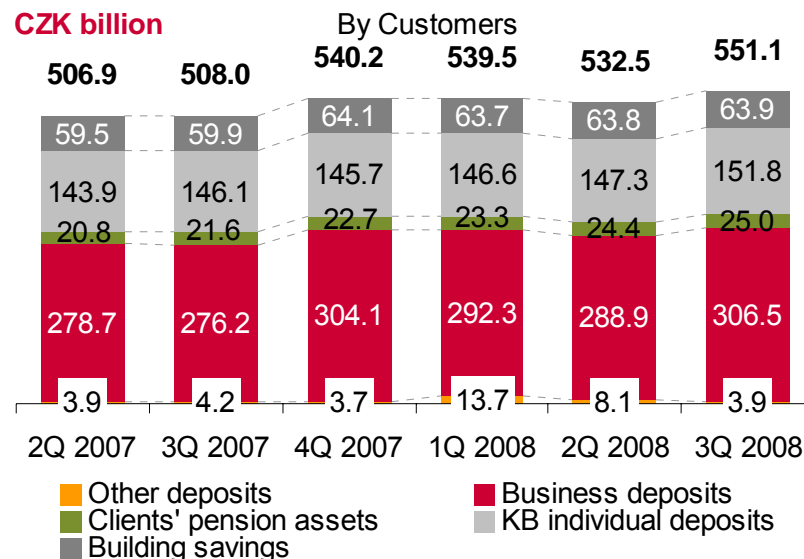
### Very good resilience of activity

- Overall lending to business clients expanded by 20% to exceed 208.3 billion
- Strong growth (41%) of lending to small business clients thanks to improvements of product parameters and shift of granting approach towards behavioural scoring since last year
- In Slovakia, KBB improved production of new loans by 52% (in SKK), the volume of total outstanding loans went up by 40%
- Trade finance revenues rose 12% upon success in meeting Top corporate clients' needs mainly in domestic trade
- Revenues of Factoring KB up 4% to CZK 102.9 million, with 5% increase in number of active contracts
- Having won in a tender, KB provided middle-term working capital financing in the amount of CZK 2,000 million (about EUR 81.6 million) to ČEPS, a.s., a company owning and operating the back-bone power transmission grid in the Czech Republic
- Increase in cross-sales of products of SGEF and ALD led to growth in fee income



## Group deposits increased 8.5% year-on-year

- QoQ group deposits rose 3.5%
- KB represents 83% of CZK 551.1 billion of total depositary base, of which:
  - KB individuals deposits rose by 3.9% to CZK 151.8 billion
  - KB corporate deposits increased by 11.7% to CZK 303.8 billion
- Clients' pension assets in PF KB grew by 15.8% YoY to CZK 25.0 billion
- MPSS deposits up 6.7% to CZK 63.9 billion
- Sales of alternative saving products during 1-3Q 2008
  - IKS sales through KB and MPSS CZK 9.3 bn (redemptions reached CZK 9.9 bn)
  - KP Vital insurance written premium CZK 1.0 bn



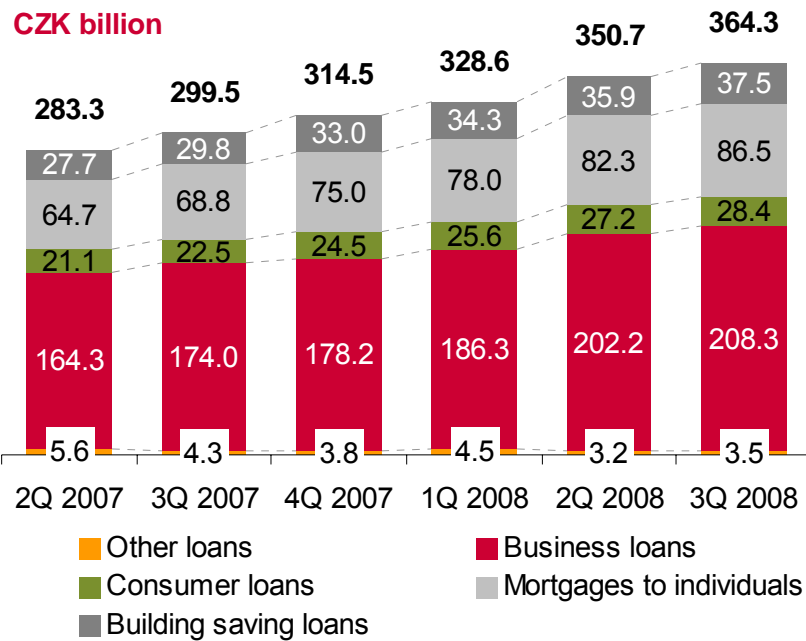




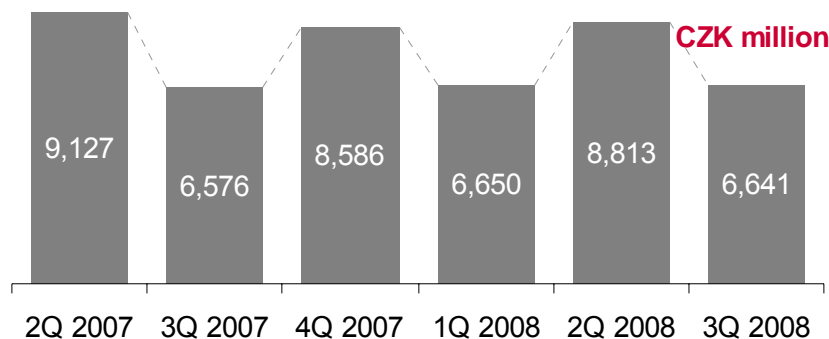
## Total lending expanded by 21.6% year-on-year

Business loans grew by 19.7% YoY:

- Small businesses (KB) +40.7% to CZK 19.2 billion
- Corporations (KB+KBB) +18.2% to CZK 186.0 billion
- Factoring KB +5.0% to CZK 3.2 billion
- Consumer loans provided by KB and ESSOX rose 26.4% YoY to CZK 28.4 billion
- Mortgages to individuals up 25.7% YoY to CZK 86.5 billion (outstanding volume)
- Building standard and bridging loans provided by MPSS stood at CZK 37.5 billion rising 25.8% YoY
- Irrevocable off-balance sheet commitments amounted to CZK 193.8 billion



## Sales volume of mortgages to individuals





# Agenda

- Business Highlights
- **Consolidated Financial Results**
- Loan Portfolio Quality and Development
- Appendix



**Profit and Loss Statement**

(CZK million, unaudited)

	1-3Q 2007	1-3Q 2008	Change YoY
Net interest income	13,811	15,586	12.9%
Net fees & commissions	5,732	6,048	5.5%
Income from financial operations	2,141	2,679	25.1%
Other income	102	132	29.4%
<b>Net banking income</b>	<b>21,787</b>	<b>24,445</b>	<b>12.2%</b>
Personnel expenses	-4,434	-4,655	5.0%
General administrative expenses	-4,432	-4,779	7.8%
Depreciation, impairment and disposal of fixed assets	-1,138	-1,227	7.8%
<b>Operating costs</b>	<b>-10,004</b>	<b>-10,661</b>	<b>6.6%</b>
<b>Gross operating income</b>	<b>11,782</b>	<b>13,784</b>	<b>17.0%</b>
Cost of risk	-1,056	-1,639	55.2%
<b>Net operating income</b>	<b>10,726</b>	<b>12,145</b>	<b>13.2%</b>
Profit on subsidiaries and associates	50	127	154.0%
Share of profit of pension scheme beneficiaries	-396	-83	-79.0%
<b>Profit before income taxes</b>	<b>10,380</b>	<b>12,190</b>	<b>17.4%</b>
Income taxes	-2,238	-2,253	0.7%
<b>Net profit</b>	<b>8,142</b>	<b>9,937</b>	<b>22.0%</b>
Minority profit/(loss)	18	64	255.6%



## Consolidated financial results

### Balance Sheet

(CZK million, unaudited)

	30 Sep 2007	30 Sep 2008	Change YoY
<b>Assets</b>	<b>646,162</b>	<b>688,330</b>	<b>6.5%</b>
Cash and balances with central bank	16,446	8,793	-46.5%
Amounts due from banks	213,996	167,530	-21.7%
Loans and advances to customers ( <i>net</i> )	290,455	355,084	22.3%
Securities	102,970	129,476	25.7%
Other assets	22,294	27,446	23.1%
<b>Liabilities</b>	<b>646,162</b>	<b>688,330</b>	<b>6.5%</b>
Amounts due to banks	30,055	13,362	-55.5%
Amounts due to customers	508,040	551,125	8.5%
Securities issued	25,016	24,930	-0.3%
Other liabilities	28,972	35,314	21.9%
Subordinated debt	6,002	6,003	0.0%
Shareholders' equity	48,075	57,596	19.8%



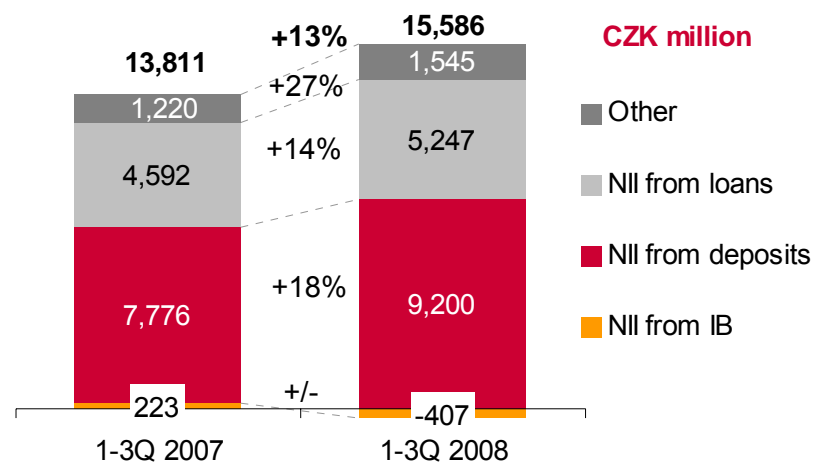
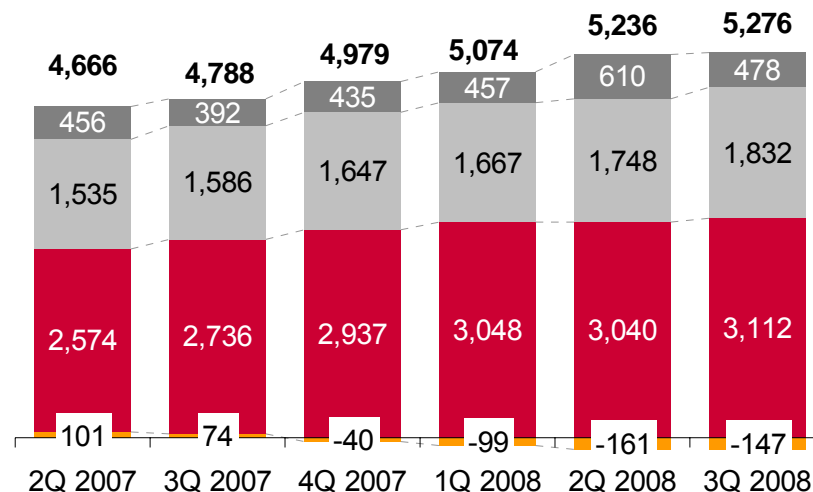
<b>Key ratios and indicators</b>	<b>30 Sep 2007</b>	<b>30 Sep 2008</b>	<b>Change YoY</b>
Capital Adequacy (Basel II)	n.a.	12.50%	n.a.
Capital Adequacy (Basel I)	10.80%	10.00%	▼
Tier 1 Ratio (Basel II)	n.a.	11.13%	n.a.
Tier 1 Ratio (Basel I)	9.50%	8.93%	▼
Risk weighted assets for credit risk (CZK billion) *	348	277	-20.6%
Net Interest Margin (NII/Av. Interest Bearing Assets)	3.2%	3.3%	▲
Loans (net) / Deposits ratio	57.2%	64.4%	▲
Cost / Income ratio	45.9%	43.6%	▼
Return on Average Equity (ROAE), annualized	22.1%	24.5%	▲
Return on Average Assets (ROAA), annualized	1.7%	2.0%	▲
Earnings per Share (CZK), annualized	286	349	▲
Average number of employees during the period	8,501	8,788	3.4%

\* RWA as of 30 June 2007 based on Basel I



## Higher income benefiting from rising volumes

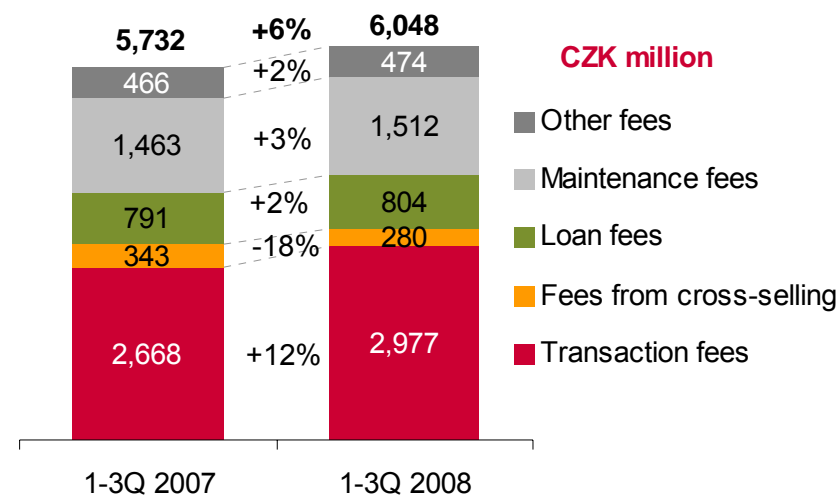
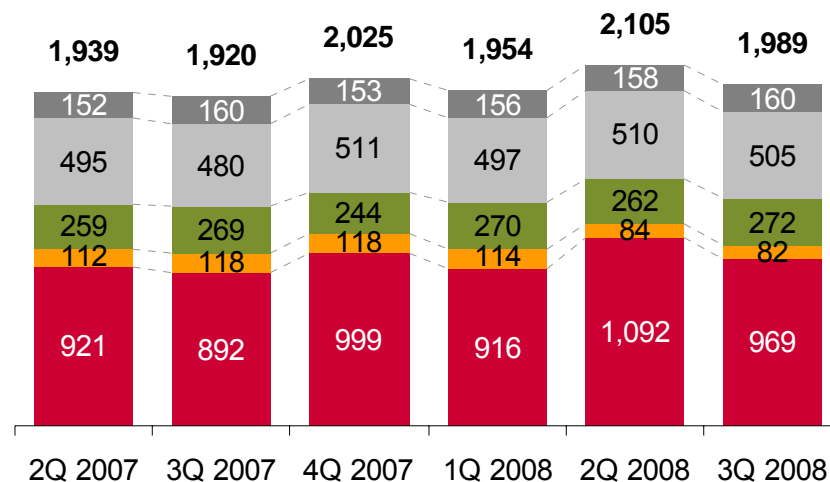
- YoY increase in NII of 12.9%. QoQ NII rose 0.8%
- MPSS NII (before adjustments) up 38%. ESSOX NII up 23% YoY. Standalone KB NII rose 10% YoY
- NII from loans – growth on the back of rising volumes. Spreads lower YoY but slightly recovering in lending to corporations
- NII from deposits – underpinned by higher volumes and spreads. Spreads on term deposits continued returning to more sustainable levels in 3Q
- Declining NII from Investment Banking offset by gains in Net Profit from Financial Operations
- NII from Other benefited from higher yield on reinvestment of capital and higher dividend income
- Consolidated NII in 1-3Q 2008 impacted by CZK 220 million from acquisition revaluation of MPSS (v. CZK 296 million in 1-3Q 2007)





## Solid fee income overall, cross-selling of mutual funds hit by turmoil

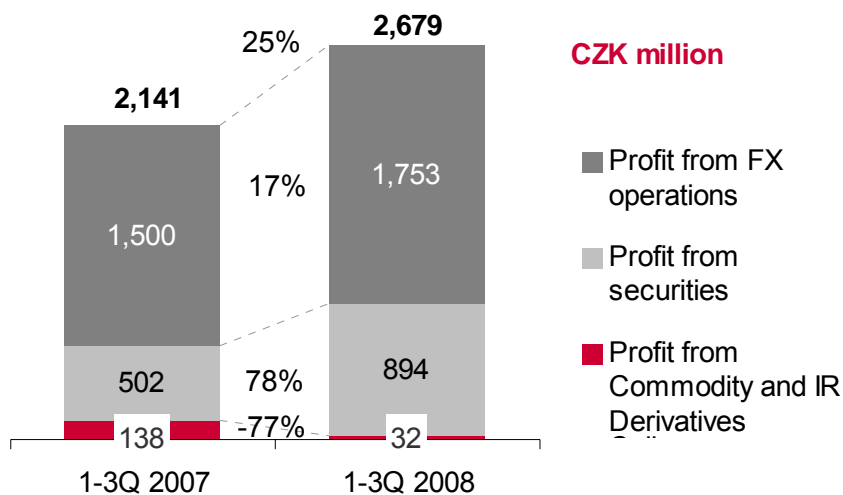
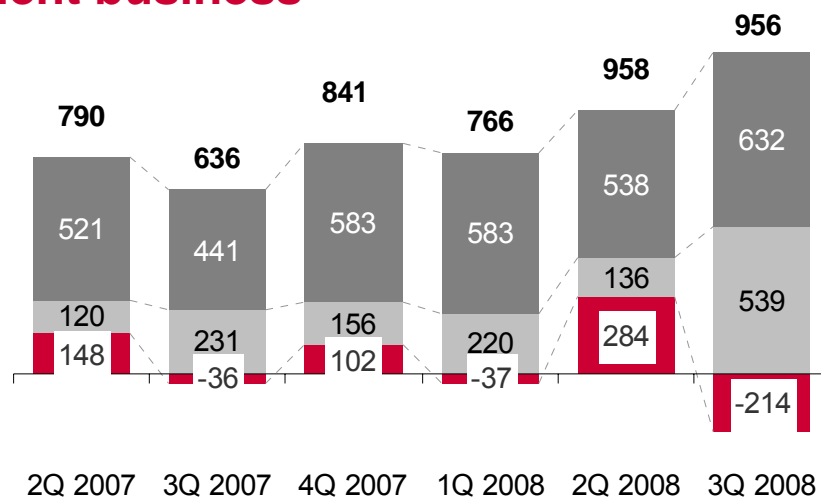
- YoY growth of 5.5%, QoQ decline due to largest part of inter-bank settlement of interchange fees on card transactions booked in 2Q. (1-3Q CZK 178 mil., of which CZK 16 mil. in 3Q). Adjusted YoY growth 2.4%
- Recurring transaction fees supported by direct banking transactions. Fees from payments through classic channels almost stabilised
- Fees from cross-selling – Sales of mutual funds significantly impacted by negative development of financial markets
- Maintenance fees – long term trend of switch from non-package products to packages continued
- Loan fees – positive development of fees from business loans, mortgage fees affected by higher commissions paid to intermediaries (+22%)
- Other fees - driven by very good trade finance revenues. Fees from loan syndication and brokerage declined YoY





## Trading income growth driven by client business

- Net profit from financial operations increased by 25.1% YoY. QoQ slight decrease of 0.2%
- Income from FX payments and conversions YoY slightly up (1.3%) with gradually decreasing share on income from FX operations
- Profit from FX spot trading and derivatives relatively strong. Clear increase in demand for hedging FX positions following CZK strengthening and increased volatility
- Decrease in profit from IR derivatives (-86%) (and NII from Investment banking) compensating for increase in profit from securities
- Profit from commodity derivatives continues growing (+127% YoY) but from small base

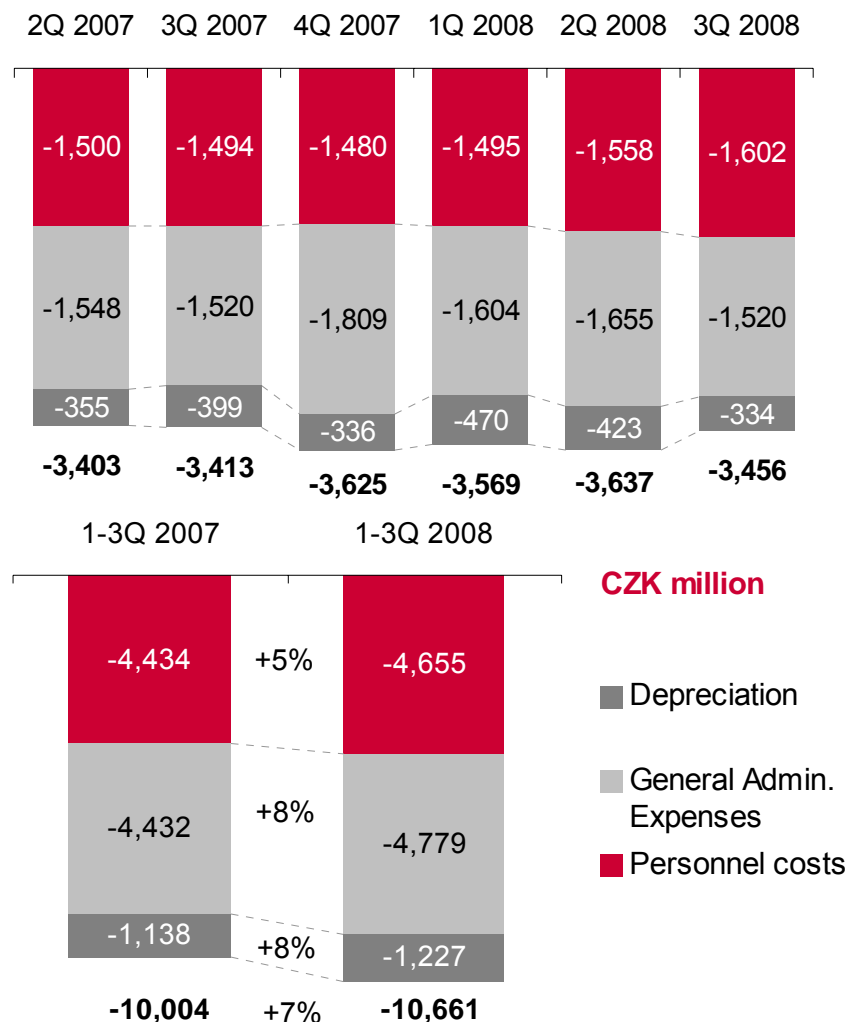






## Increase in operating expenses slowed down in the second quarter

- YoY growth of 6.6%, QoQ operating expenses dropped by 5.0%
- Personnel costs rising with increase in average headcount (+3.4%) and salary increase in March, benefiting from cap on social and health insurance and lower utilization of some employee benefits
- General Administrative Expenses rising close to level of inflation. Increased activities in Marketing mainly in 1H 08
- YoY increase in Depreciation& Impairment impacted by lower income from sale of unused buildings (CZK 76 million in 1-3Q 2007, CZK 22 million in 3Q 2008). Impairment of a building in PF KB portfolio (CZK -57 million in 1Q 2008) reversed in 3Q following successful sale of the building





## Shareholders' equity

Total shareholders' equity  
as at 31 December 2007

**+6,941**

Total shareholders' equity  
as at 30 September 2008

Shareholders' equity	31/12/2007	1/1/2008	Increase	Decrease	30/09/2008
<b>Share capital</b>	19,005	19,005			19,005
Capital and reserve funds	20,802	31,990		-6,796	25,194
- <i>Retained earnings, reserve funds and dividends</i>	20,952	32,140		-6,796	25,344
- <i>Treasury shares</i>	-150	-150			-150
Attributable net profit	11,188	0	9,873		9,873
Hedging revaluation reserve	-791	-791	2,259		1,468
AFS securities' fair value changes	-727	-727	1,532		805
Others	116	116	10		126
Minorities	1,060	1,060	64		1,125
<b>Total Shareholders' equity</b>	<b>50,654</b>	<b>50,654</b>	<b>13,737</b>	<b>-6,796</b>	<b>57,596</b>



# Agenda

- Business Highlights
- Consolidated Financial Results
- **Loan Portfolio Quality and Development**
- Appendix



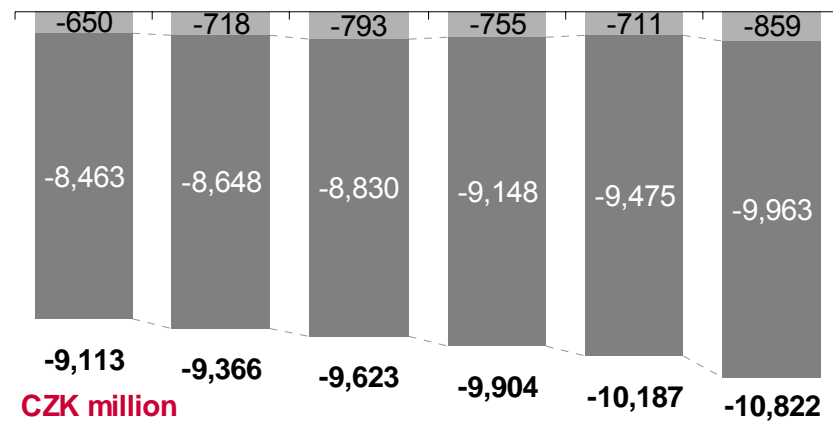
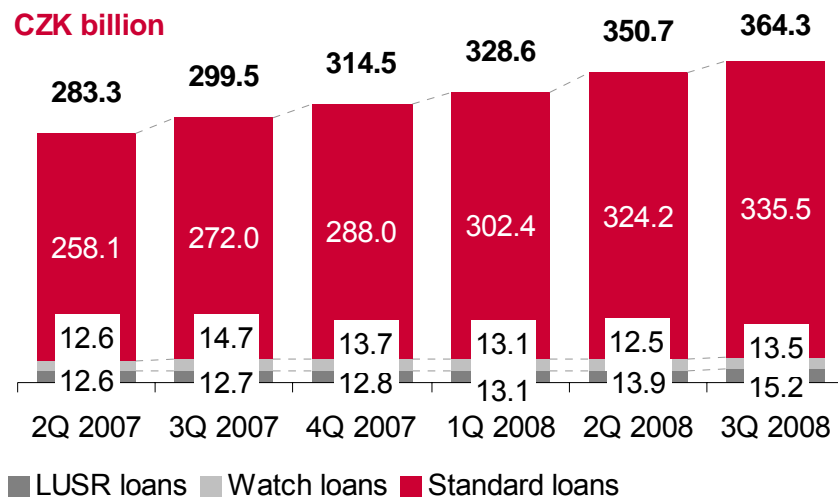
## Loan quality assessed as stable in a more challenging market environment

### Gross exposure

- 3.9% (+CZK 13.6 billion) QoQ growth of loan portfolio, ie at slower pace than previous quarters (6.7% for Q2 2008 and 5.7% for Q3 2007)
- 3.5% (+CZK 11.3 billion) QoQ growth of standard loan portfolio (to be compared to 7.2% for Q2 2008 and 5.4% for Q3 2007)
- Resulting stabilization of the share of standard loan exposure at a level of 92% of total loan exposure
- Slight increase in the share of watch and defaulted loan exposure from 7.5% in Q2 2008 to 7.9% in Q3 2008:
  - ✓ reflecting a slowing-down economy
  - ✓ still below levels observed in recent quarters

### Specific provisions

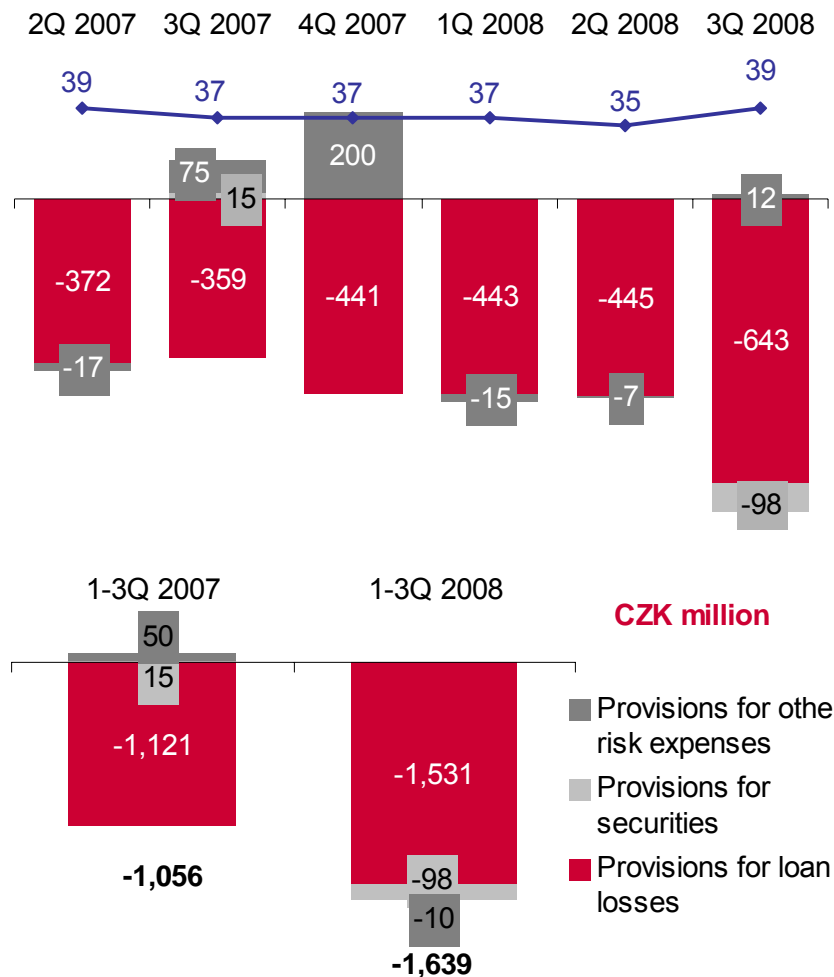
- Provision coverage ratios stabilized at adequate levels:
  - ✓ 6.4% for watch loans (5.7% in Q2 2008 and 4.9% in Q3 2007)
  - ✓ 65.5% for defaulted loans (68.2% in Q2 2008 and 68.1% in Q3 2007)





## Rising cost of risk driven by corporate loan exposures

- QoQ provisions for loan losses up from CZK 445 million to CZK 643 million
- YtD provisions for loan losses higher by 37% compared to the same period in 2007 and for the first time exceeding loan portfolio growth (22%)
- Result YtD commercial cost of risk up from 37 bp in Q3 2007 to 39 bp in Q3 2008
- Higher cost of risk driven by a few large corporate clients
- Risk profile of mass retail loan exposure confirmed as satisfactory





# Agenda

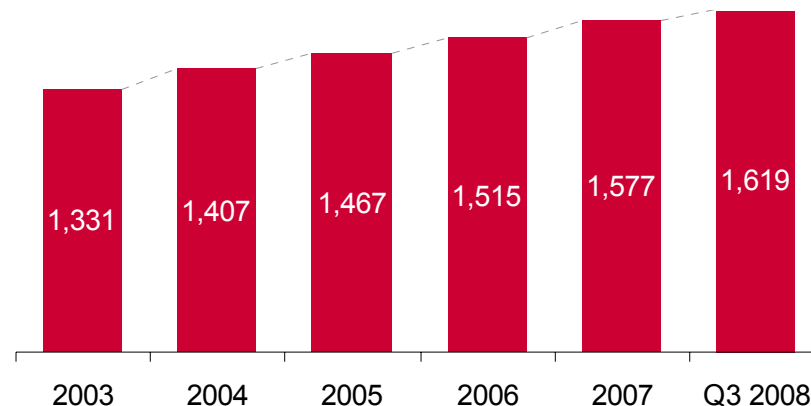
- Business Highlights
- Consolidated Financial Results
- Loan Portfolio Quality and Development
- **Appendix**



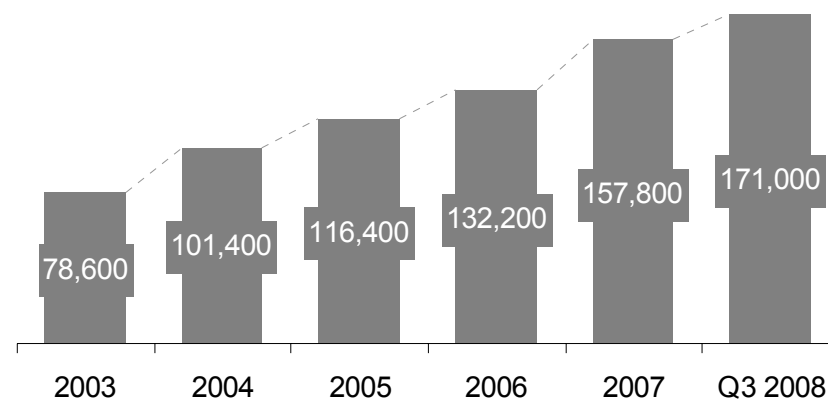
## Dynamic growth of KB's portfolio and networks

- **Clients**
  - KB bank 1,619,000 clients (+4%)
  - MPSS 748,000 clients (-3.5%)
  - PFKB 486,000 clients (+7%)
  - ESSOX 196,000 active clients (+18%)
- **Network**
  - 391 branches for retail clients, 35 business centres for MEM, 4 corporate divisions for large corporate clients
  - 666 ATMs
  - MPSS: 241 points of sale; 1,554 sales agents (of which 388 full-time professionals)
- **Direct Channels**
  - Two call centres, internet and mobile banking
  - 943,000 clients (i.e. 58% of KB client base) using direct banking products

### Clients of KB (bank)



### Gaudeamus 2 – number of youngsters' packages





## Business performance of subsidiaries 1/2

		1-3Q 2007	1-3Q 2008	Change YoY
<b>MPSS</b>	Volume of new loans (CZK million)	9,700	8,159	-16%
	Volume of total loans (gross, CZK million)	29,808	37,500	26%
	Target volume of new contracts (CZK million)	23,502	26,638	13%
	Volume of deposits (CZK million)	59,886	64,094	7%
	Number of FTEs	359	373	4%
	Number of points of sale	256	241	-6%
<b>PF KB</b>	Number of new contracts	67,657	52,548	-22%
	Number of contracts (stock)	455,287	485,589	7%
	Assets under management (CZK million)	22,668	25,048	11%
	Number of FTEs	58	60	3%
<b>ESSOX</b>	Volume of new contracts (CZK million)	2,953	3,539	20%
	Volume of total loans (gross, CZK million)	5,307	6,994	32%
	Number of FTEs	231	273	18%





## Business performance of subsidiaries 2/2

		1-3Q 2007	1-3Q 2008	Change YoY
<b>Factoring KB</b>	Factoring turnover (CZK million)	13,056	12,225	-6%
	New contracts (number)	165	139	-16%
	Number of FTEs	44	42	-6%
<b>KBB</b>	Total client loans (gross, CZK milion)	3,775	5,283	40%
	Total client deposits (CZK milion)	3,527	2,105	-40%
	Number of clients	1,376	1,343	-2%
	Number of FTEs	74	76	3%
<b>KP</b>	Newly concluded policies (number)	424,279	379,580	-11%
	of which in life insurance	113,740	120,475	6%
	of which in non-life insurance	310,539	259,105	-17%
	Premium written (CZK milion)	1,614	1,572	-3%
	of which in life insurance	1,260	1,207	-4%
	of which in non-life insurance	354	365	3%
	Number of FTEs	147	146	-1%



## Standalone results of KB group companies and associated undertakings

	Account. standards	Share of KB	Net Profit	YoY	Equity	YoY	Assets	YoY
<b>CZK million</b>								
KB	IFRS	n.a.	8,741	19.5%	54,313	16.4%	602,181	5.9%
ESSOX, s.r.o.	IFRS	51%	131	263.9%	2,292	88.0%	8,510	39.6%
Factoring KB, a.s.	CAS	100%	44	131.6%	1,481	12.8%	4,533	5.9%
Komerční banka Bratislava, a.s.	IFRS	100%	53	3.9%	768	8.8%	6,899	10.4%
Penzijní fond Komerční banky, a. s.*	CAS	100%	96	-76.7%	440	-2.9%	25,561	15.5%
Bastion European Investments S.A.	IFRS	100%	108	0.9%	3,326	-12.7%	6,616	-12.2%
Komerční pojišťovna, a.s.	IFRS	49%	130	27.5%	1,204	27.3%	12,167	1.4%
Modrá pyramida SS, a.s.	IFRS	100%	464	32.6%	3,012	31.8%	68,756	8.0%
Protos	IFRS	90%	384	611.1%	13,710	81.5%	13,749	81.9%
Czech Banking Credit Bureau	CAS	20%	10	0.0%	12	3.5%	32	6.7%

\* 85% of net profit must be distributed to pension scheme beneficiaries

Note: Fully consolidated companies are: Essox, Factoring, KBB, PFKB, Bastion, Modra pyramida and Protos. CBCB is not consolidated.



Pension insurance	<b>Penzijní fond KB (100%)</b>	Fourth largest pension fund in the Czech Republic offering pension insurance to almost 486 thousand clients.
Building society	<b>Modrá pyramida stavební spořitelna (100%)</b>	Third largest building society with 748,000 clients offering state-subsidised building saving, bridging and building saving loans.
Corporate services	<b>KB Bratislava (Slovakia) 100%</b>	A small bank in Slovakia (1% market share) focusing mainly on services for corporate clients and trade finance and settlements between the Czech Republic and Slovakia.
	<b>Factoring KB (100%)</b>	The fifth largest company in the market offering domestic, foreign and reverse factoring.
Consumer credit	<b>ESSOX (51%)</b>	A company focused on consumer lending and car financing mainly at retailers' outlets.
Insurance	<b>Komerční pojišťovna (49%)</b>	Insurance company focused on life insurance.



## Quarterly financial results

### Profit and Loss Statement

(CZK million, unaudited)

	3Q 2007	3Q 2008	Change YoY
Net interest income	4,788	5,276	10.2%
Net fees & commissions	1,920	1,989	3.6%
Income from financial operations	636	956	50.3%
Other income	33	46	39.4%
<b>Net banking income</b>	<b>7,378</b>	<b>8,267</b>	<b>12.0%</b>
Personnel expenses	-1,494	-1,602	7.2%
General administrative expenses	-1,520	-1,520	0.0%
Depreciation, impairment and disposal of fixed assets	-399	-334	-16.3%
<b>Operating costs</b>	<b>-3,413</b>	<b>-3,456</b>	<b>1.3%</b>
<b>Gross operating income</b>	<b>3,965</b>	<b>4,811</b>	<b>21.3%</b>
Cost of risk	-270	-729	170.0%
<b>Net operating income</b>	<b>3,695</b>	<b>4,082</b>	<b>10.5%</b>
Profit on subsidiaries and associates	21	91	333.3%
Share of profit of pension scheme beneficiaries	-108	98	+/-
<b>Profit before income taxes</b>	<b>3,608</b>	<b>4,271</b>	<b>18.4%</b>
Income taxes	-754	-793	5.2%
<b>Net profit</b>	<b>2,853</b>	<b>3,479</b>	<b>21.9%</b>
Minority profit/(loss)	7	18	157.1%



## Background

- ▶ Remaining 60% in Modrá pyramida acquired in October 2006. Full consolidation of MPSS since 4Q 2006
- ▶ Preliminary goodwill on acquisition of Modrá pyramida at CZK 2,741 mil.
- ▶ In accordance with IFRS 3 A&L valuation to be completed within 12 months after acquisition
- ▶ Valuation based on detailed data on the contracts of Modrá Pyramida

## Adjustments to provisional goodwill

- ▶ The fair value adjustments of MPSS balance sheet relating to acquired 60% stake amount to CZK 647 mil.
- ▶ Recognized goodwill on acquisition stands at CZK 3,389 mil.

## Main sources of adjustments

- ▶ Valuation of client's deposits, buildings and securities

## P/L impact

- ▶ Impact from revaluation on consolidated P/L:

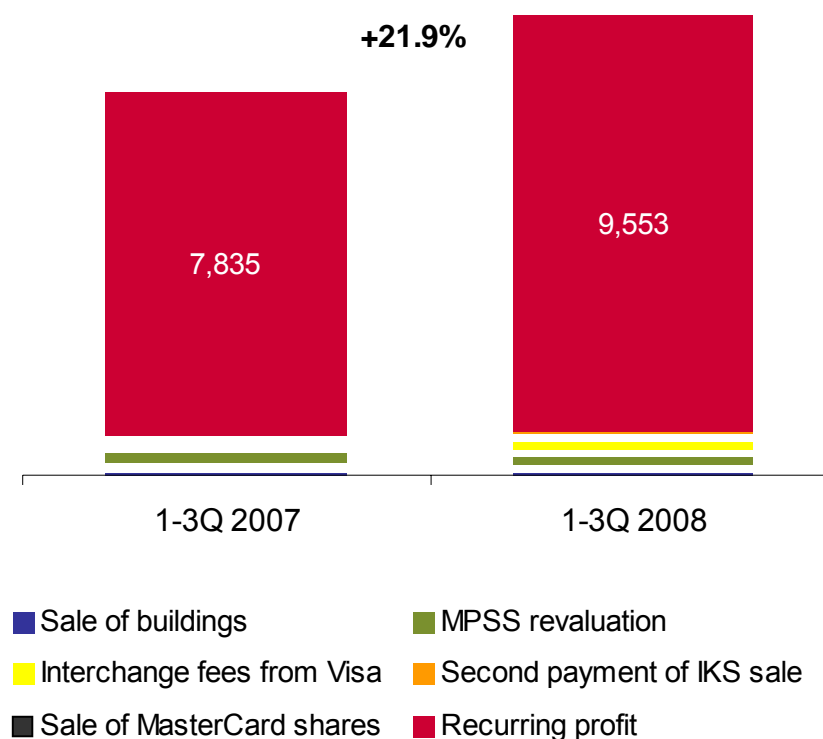
CZK millions

	2006	2007	1-3Q 2008	2008	2009	2010	2011	2012
<b>NII</b>	94	387	220	267	149	102	45	20
<b>NPFO</b>	0	-19	0	-2	0	0	0	0
<b>Depreciation</b>	1	5	4	5	5	5	5	5
<b>Tax</b>	-23	-117	-47	-57	-31	-20	-9	-4
<b>Net profit</b>	73	255	177	213	124	87	41	21



## Pro-forma Profit and Loss without one-offs

	1-3Q 2007	1-3Q 2008	Change YoY
<b>Net banking income</b>	21,463	24,047	12.0%
Net interest income	13,516	15,365	13.7%
Non-interest income	7,947	8,682	9.2%
<b>Operating costs</b>	-10,084	-10,687	6.0%
Personnel expenses	-4,434	-4,655	5.0%
Other costs	-5,650	-6,032	6.8%
<b>Gross operating income</b>	11,379	13,360	17.4%
Cost of risk	-1,056	-1,639	55.1%
Profit on subsidiaries	50	63	26.5%
Share of profit of pension scheme beneficiaries	-396	-83	-79.1%
<b>Profit before income taxes</b>	9,977	11,702	17.3%
Income tax	-2,141	-2,148	0.3%
<b>Net recurring profit</b>	7,835	9,553	21.9%
<b>Reported net profit</b>	8,142	9,937	22.0%





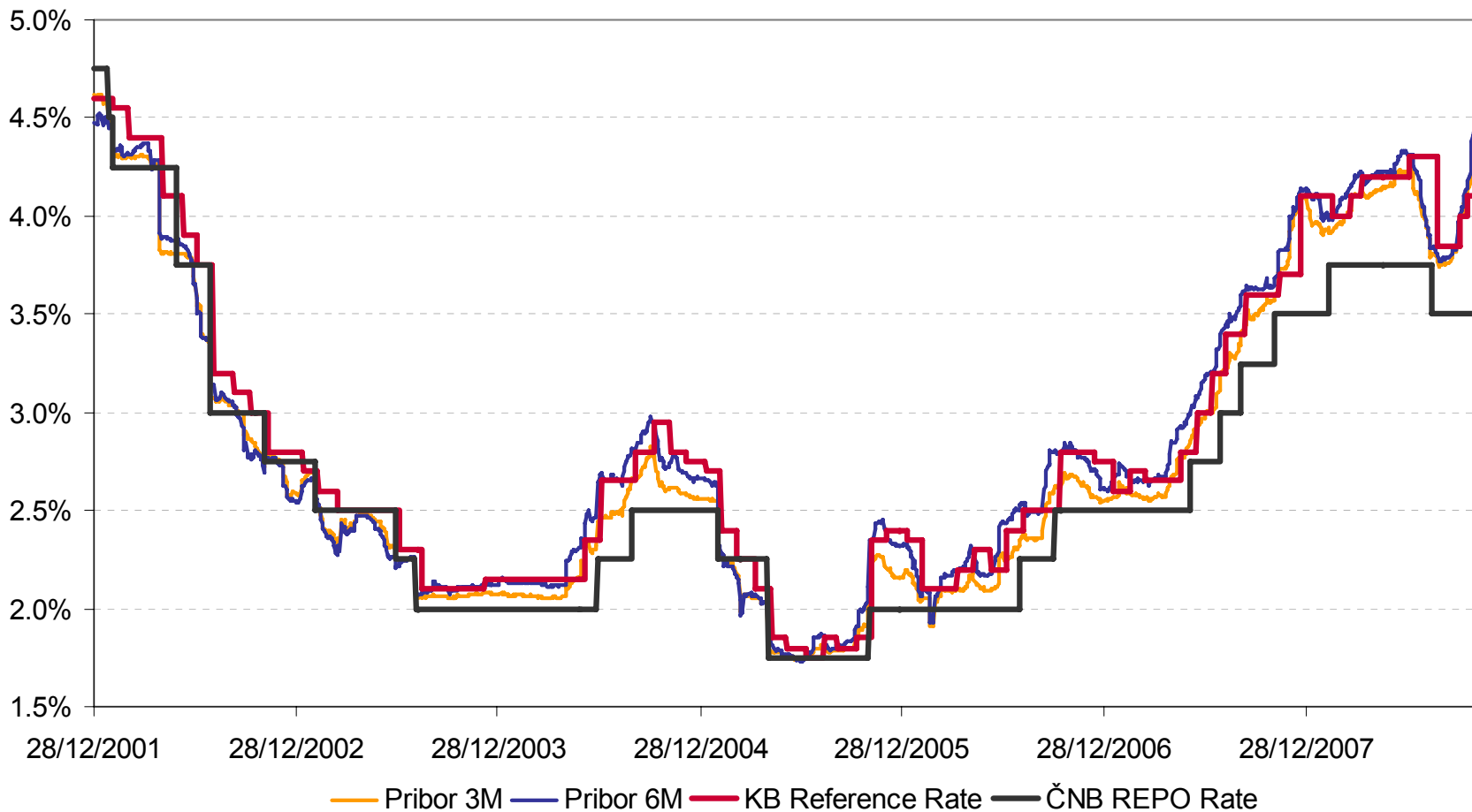
## Czech Republic

<b>Macroeconomic Indicators</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008*</b>	<b>2009*</b>
Real GDP (%)	6.3	6.8	6.6	4.3	3.8
Inflation (%)	1.9	2.5	2.8	6.6	3.5
Household income (%)	4.2	6.7	7.9	5.9	6.5
M2 (%)	8.0	9.9	13.2	14.0	13.5
3M PRIBOR (% , average)	2.0	2.3	3.1	4.0	4.0
<b>Potential of the market</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008*</b>
Loans / GDP (year-end)	36.3	38.7	41.9	47.4	51.0
Mortgages / GDP (year-end)	5.8	9.5	11.6	14.5	17.0
Deposits / GDP (year-end)	65.0	69.2	68.5	71.7	71.5
Household debt / GDP (year-end)	n/a	17.5	20.3	24.5	28.0

\* KB estimate



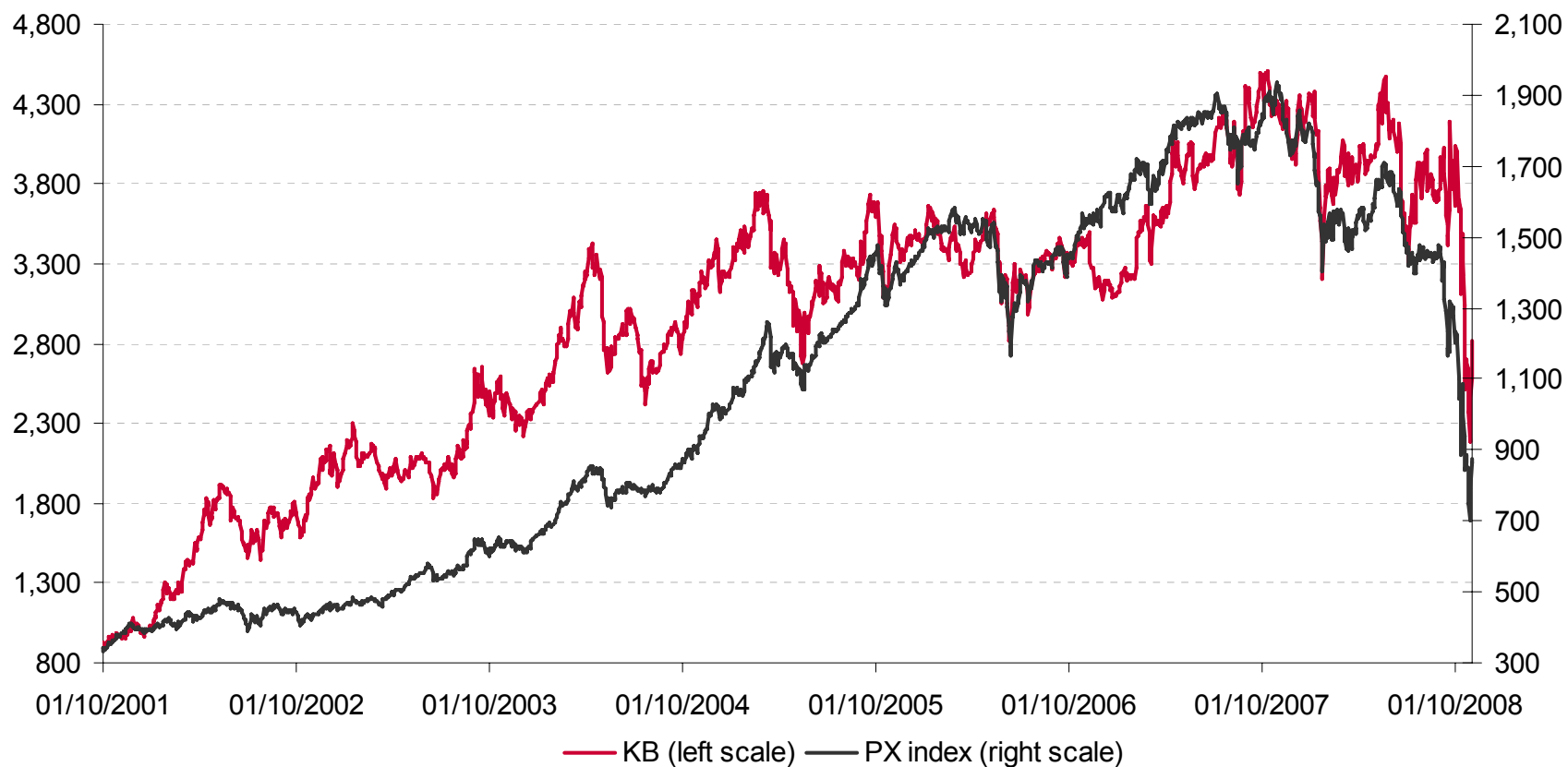
# Interest rates evolution (for the period 28 December 2001 – 31 October 2008)







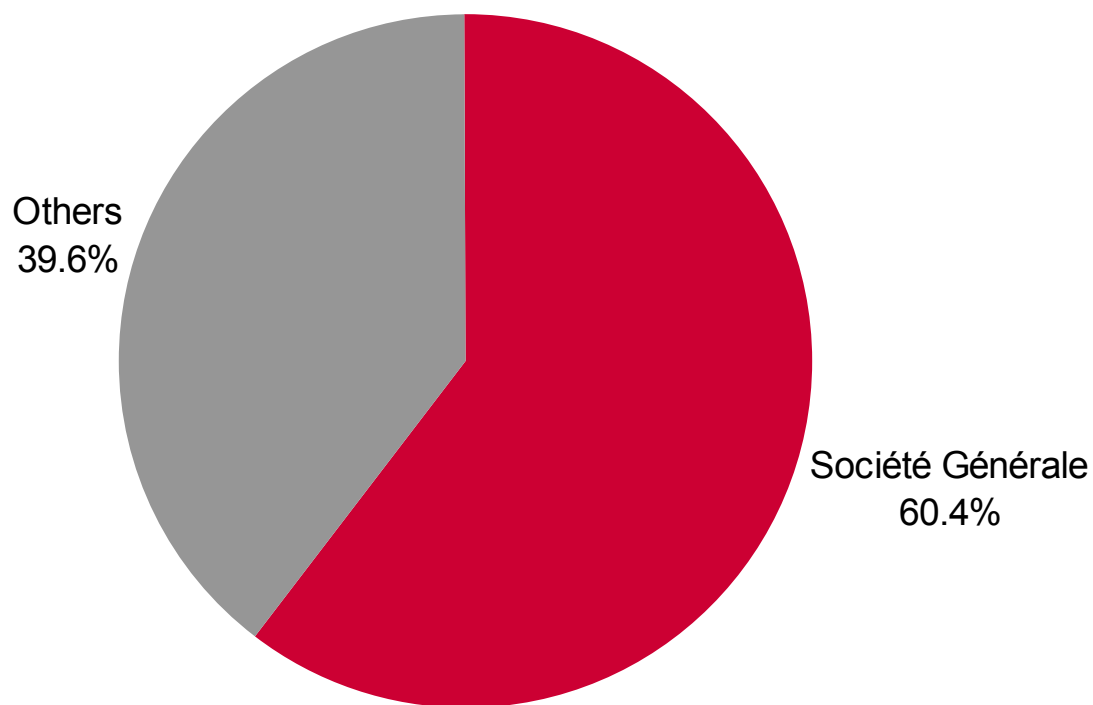
## Development of KB's share price and PX Index (for the period 1 October 2001 – 31 October 2008)





As at 30 September 2008

According to excerpt from the Securities centre





## **Investor Relations**

Jakub Černý, Olga Nevyhoštěná, Renáta Buchtová

Tel.: +420 955 532 155, 955 532 734, 955 532 156

E-mail: [investor\\_relations@kb.cz](mailto:investor_relations@kb.cz) - Internet: [www.kb.cz](http://www.kb.cz)