

4 The business plan for Russia

N. Sidorov, CEO KBC in Russia (Absolut Bank)



KBC Investor Day
Moscow, 5-6 June 2008

- ✓ Education: Master in Applied Mathematics – Moscow State University “Lomonosov”
Master in Finances and Credit – Financial Academy
- ✓ Previous positions:
 - 1994 Auditing company Finexport, Expert and Leading Expert
 - 1995 Commercial Bank Balchug, Deputy Chief Accountant
 - 1996 Absolut Bank, Deputy Chief Accountant
 - 1997 Absolut Bank, Deputy Chairman of the Management Board & Head of the Internal Audit Service
 - 2001 Absolut Bank, Senior Deputy Chairman of the Management Board
- ✓ Present position:
 - 2004 Absolut Bank, Chairman of the Management Board

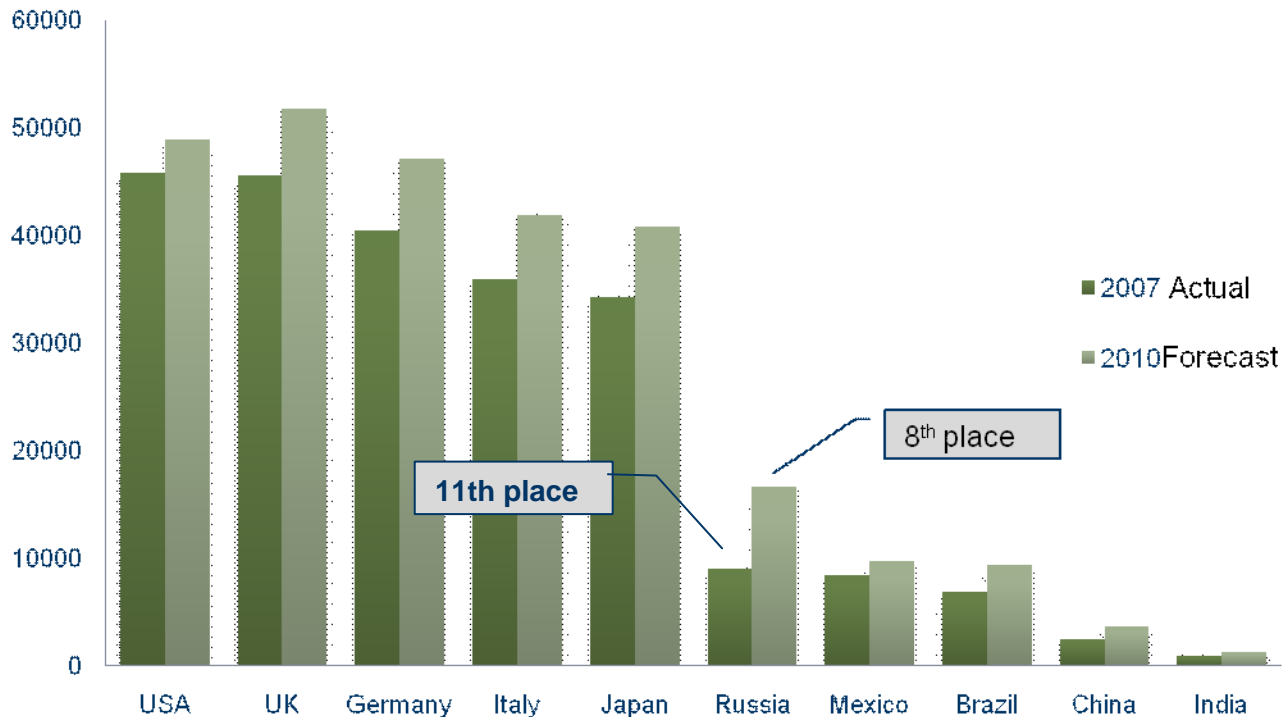
TODAY'S MESSAGES

- ✓ The Russian banking market is benefiting from strong growth and, with its focused strategy and ambitious branch expansion program, KBC is outgrowing many competitors in various fields
- ✓ Moreover, risks are closely monitored and KBC risk standards are being implemented
- ✓ If the business plan is executed properly, the market will contribute close to 100 million euros to group earnings by the beginning of the next decade



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Source: International Monetary Fund



BBB+

On 14/03/08, Standard & Poor's changed its forecast for Russia's rating from stable to positive

The Russian economy is the 11th largest in the world and is expected to significantly outgrow other large economies

...political stability and rising purchasing power...



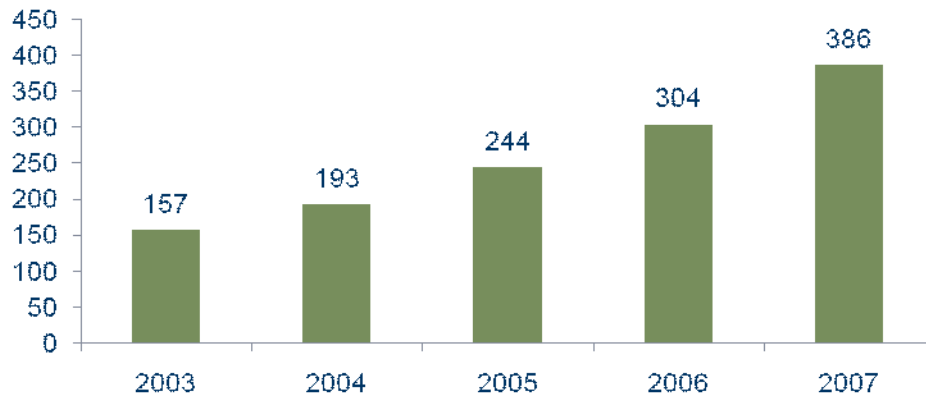
V.V. Putin

Continuity of authority

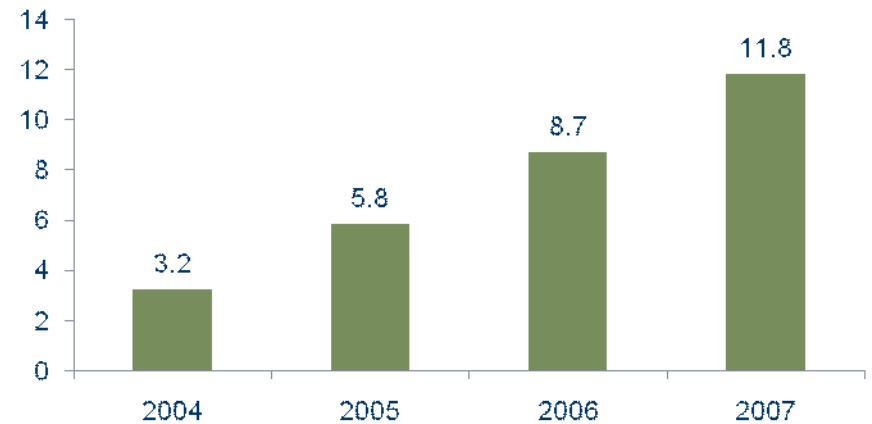


D.A. Medvedev

Average salary per month, in EUR



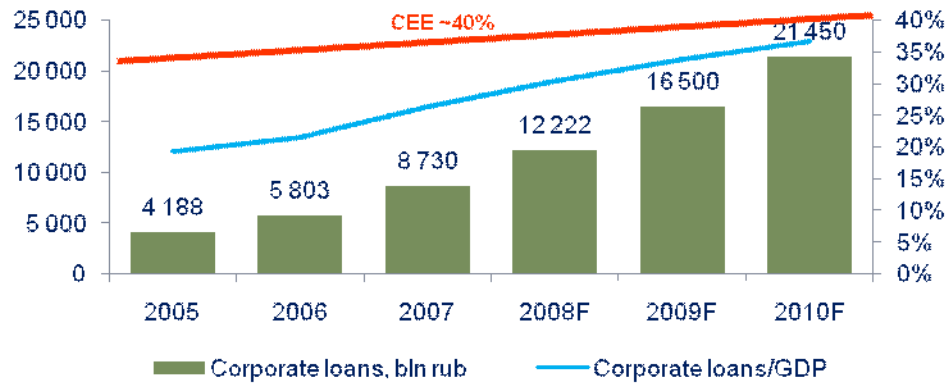
Share of the stabilisation fund in GDP, in %



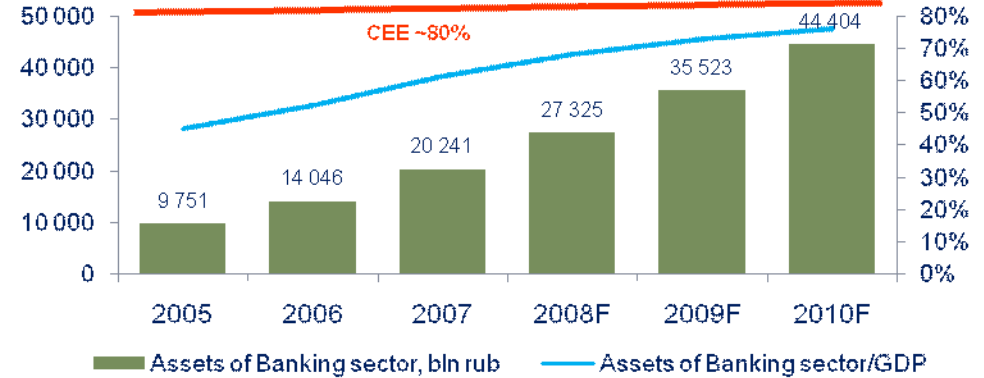


...provide a solid environment for an emerging retail banking industry

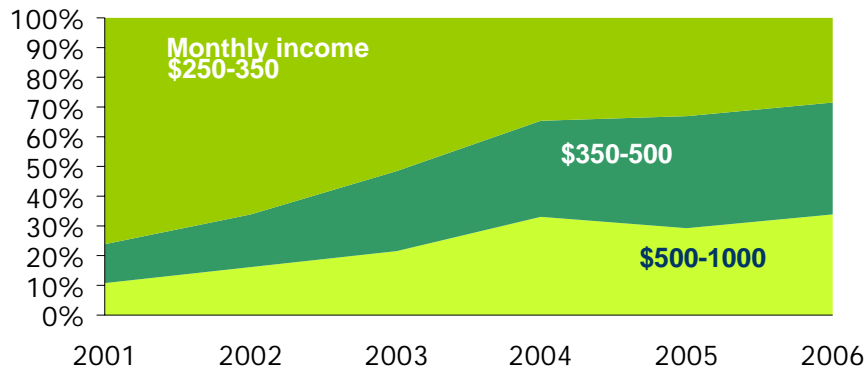
Corporate loans / GDP in Russia



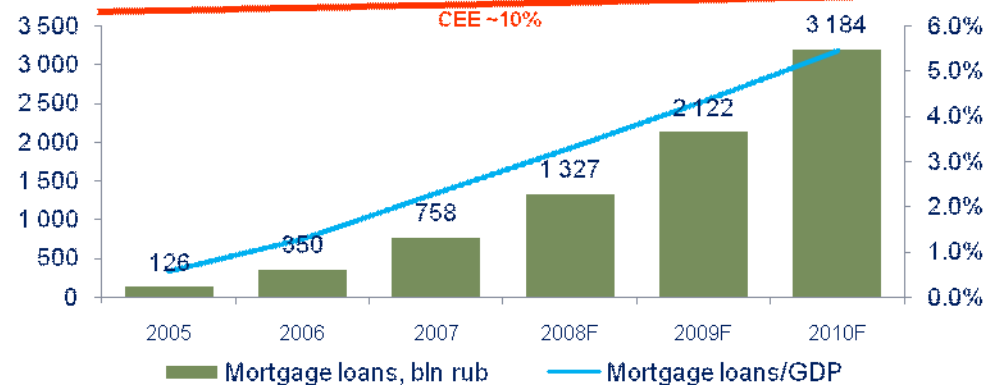
Assets of banking sector



Growing middle class in Russia



Mortgage loans



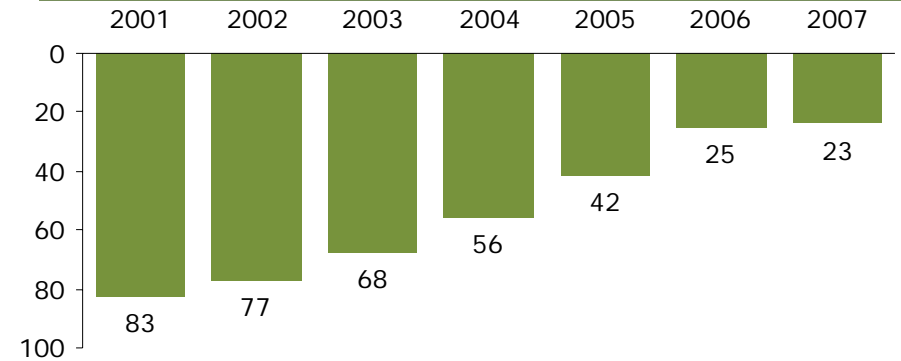


Doubling of size every year and continuous outperformance vs. many peers

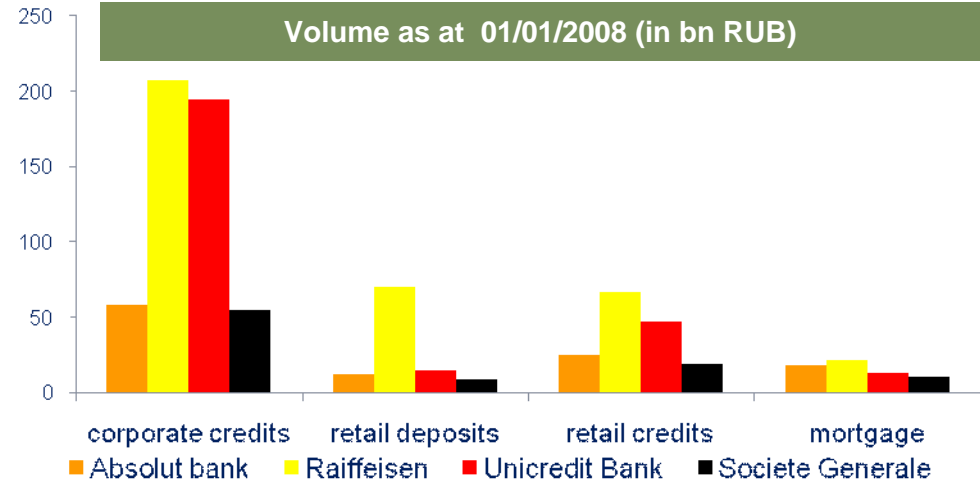
Growth compared with Russian Peers



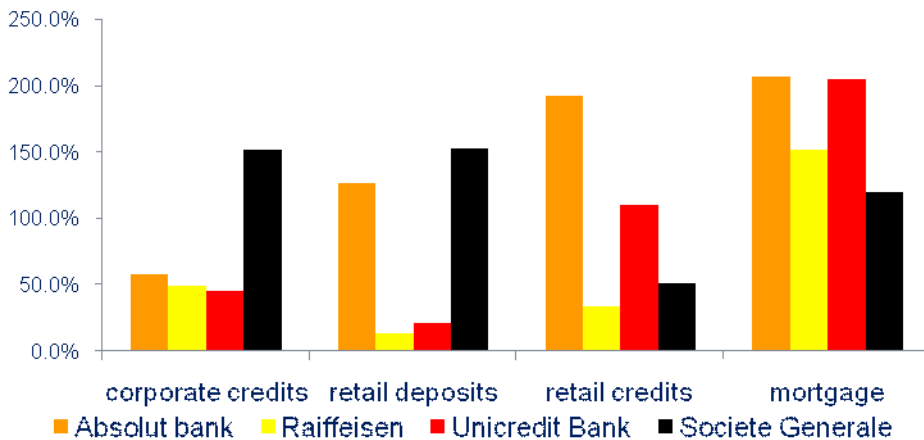
Ranking by Asset Size



Volume as at 01/01/2008 (in bn RUB)



Source: RBC rating



Adequate business profile and right strategy to maintain strong past performance

✓ STRATEGY

- ✓ Focus primarily on:
 - ✓ Retail customers from low-middle class and above
 - ✓ SMEs, mid-sized companies
- ✓ Focus on a selected number of regions that have the highest value-creation potential
- ✓ Provide a wide but not full product range that satisfy customer needs. Aim to build long-term relationships (“relationship-driven approach”)
- ✓ Build competitive advantage through service excellence

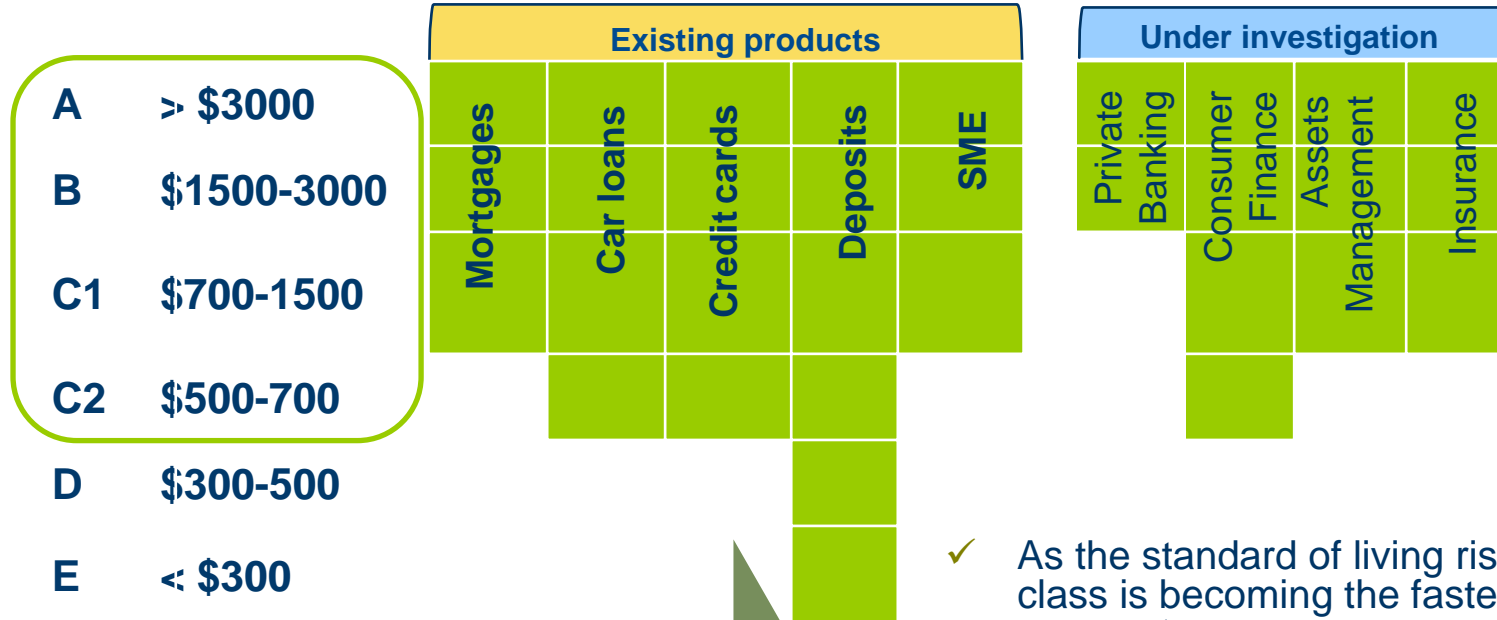


OBJECTIVES

- ✓ Become one of Russia’s top-15 banks by total assets
- ✓ Expand initially into 25 regions
- ✓ Achieve regional market share of 7.5% for target products: mortgages, car loans (5 years)
- ✓ Create an efficient and effective distribution network, focusing primarily on large industrial cities with a population of over 500 000 persons
- ✓ Absolut Bank is positioning itself as a Russian bank with foreign shareholders

Focused strategy requiring quick and effective execution

Targeted retail product development plan



Retail clients are divided into 6 segments per value of individual monthly income:
 A > \$3000 / B \$1500-3000 / C1 \$700-1500 / C2 \$500-700 / D \$300-500 / E < \$300

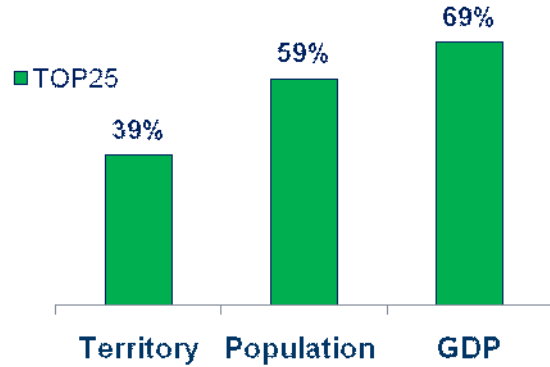
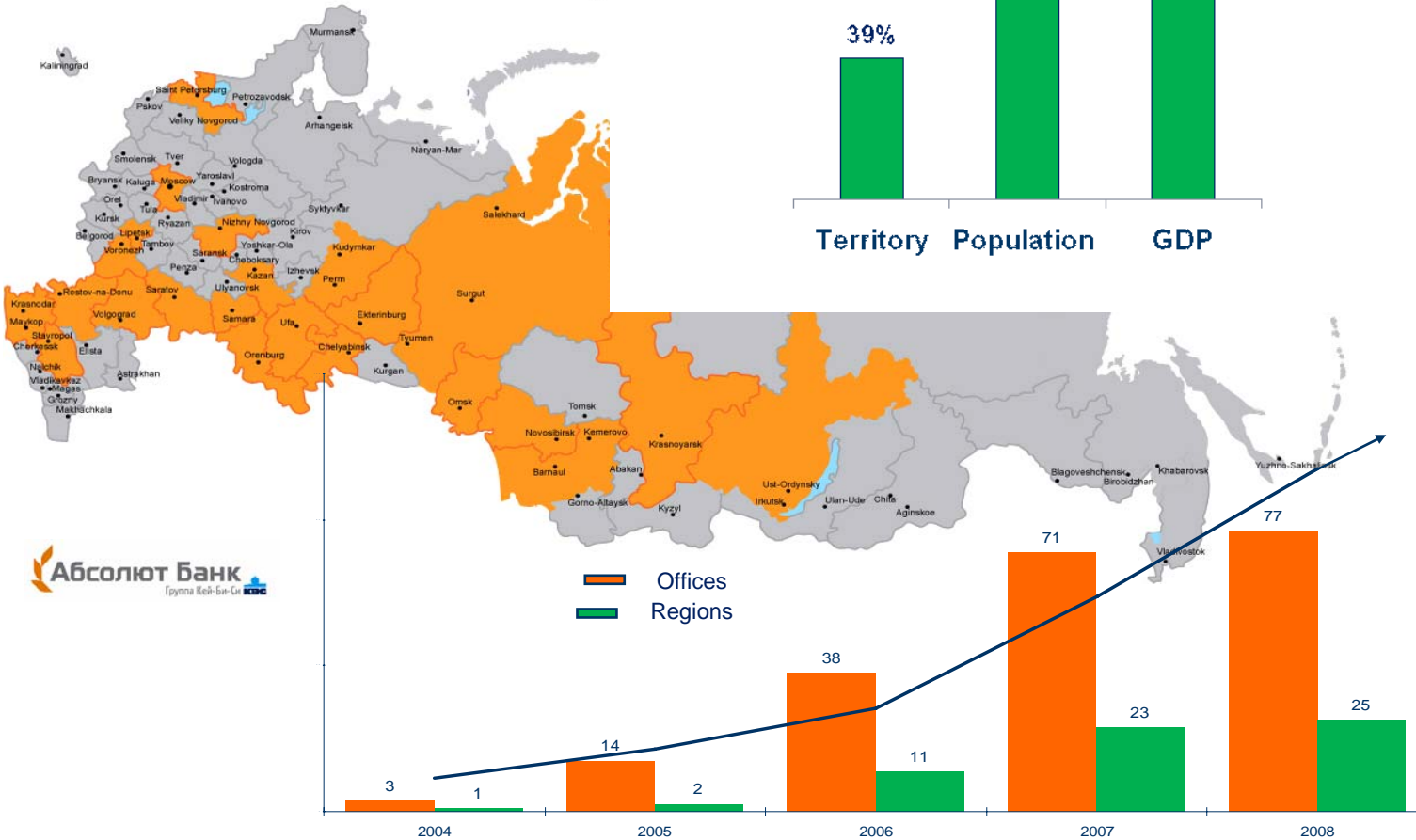


- ✓ As the standard of living rises, the middle class is becoming the fastest growing segment
- ✓ We are targeting the middle-class segment with traditional family values, while...
- ✓ ...aiming to build long-term relationships with clients throughout their life cycle and...
- ✓ ...to become a “family bank” in terms of range and quality of products/services



Strong expansion of branch network and regional coverage

Presence in the 25 most developed regions by 2Q 2008



Regional presence:

- Barnaul
- Chelyabinsk
- Ekaterinburg
- Kazan
- Kemerovo
- Krasnodar
- Krasnoyarsk
- Lipetsk
- Moscow
- Moscow Region
- Nizhniy Novgorod
- Novokuznetsk
- Novosibirsk
- Omsk
- Orenburg
- Perm
- Rostov-on-Don
- Saint-Petersburg
- Samara
- Stavropol
- Tyumen
- Ufa
- Volgograd
- Voronezh

Creation of a federal network

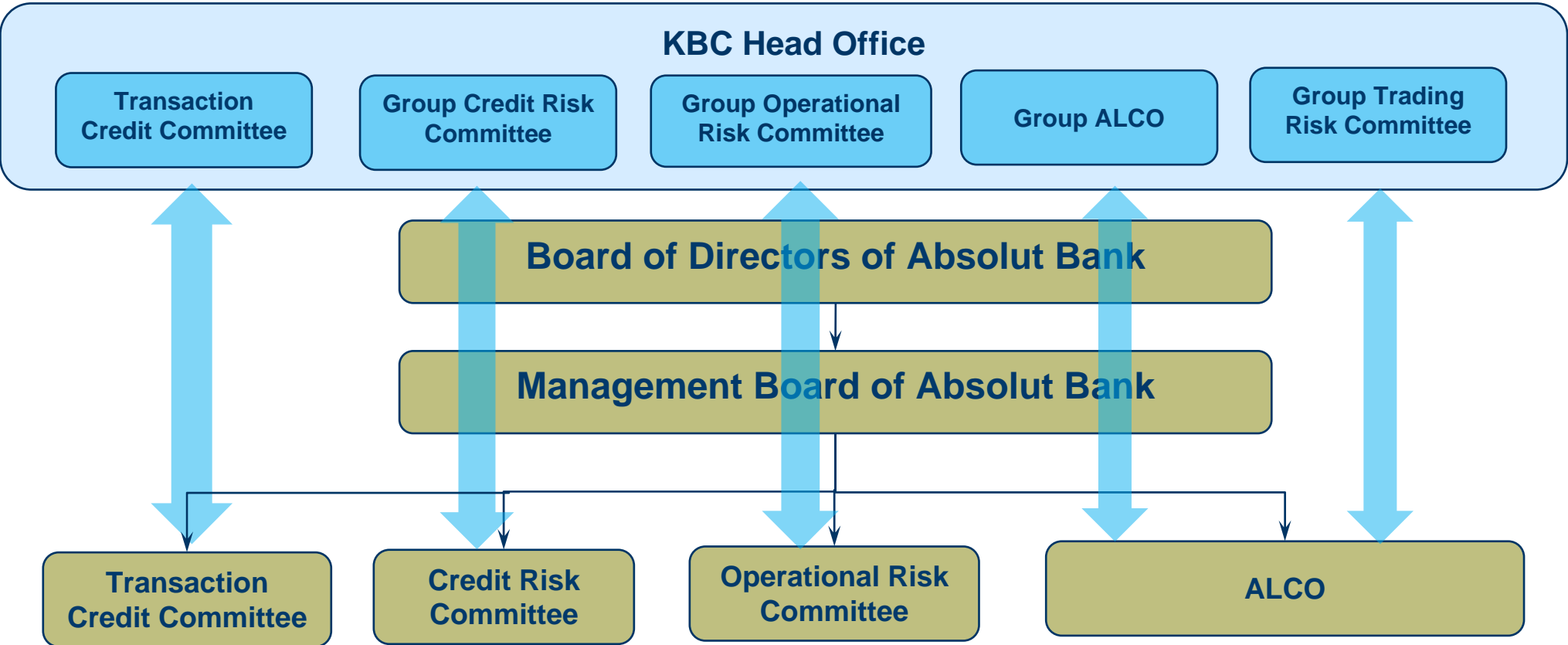


- ✓ April 2007: Signing of the acquisition
- ✓ July 2007: Closing of the acquisition
- ✓ April 2008: Completion of Integration Program
 - ✓ Strategy
 - ✓ Finance and reporting
 - ✓ Risk management
 - ✓ Audit and internal control
 - ✓ Compliance



Ongoing projects :

- ✓ Network reorganisation
- ✓ Development of the Credit department
- ✓ Strengthening of the Organisation department
- ✓ Review of credit delegation authorities
- ✓ Fine-tuning of strategy
- ✓ Alignment of IT & operations with business objectives



- ✓ Integrated risk reporting, incl. for Basel II capital requirements
- ✓ Action Plan to complete full alignment of risk management approach

Key issues

1. **Managing growth**
2. **Building retail deposit base**
3. **Competition for Talent**

Key opportunities

1. **Cross-selling**
2. **New products**
3. **Long term financing of infrastructure projects**



Financial ambitions

In m euros	2005	2006	2007	2007%
Customer loans	509	1 224	2 594	112%
- retail loans	72	248	804	223%
- business loans	436	975	1 790	84%
Customer deposits	193	554	820	48%
- retail deposits	68	194	417	116%
- business deposits	125	360	403	12%
Total income (top line)	43	78	121	57%
Cost/Income ratio (C/I)	41%	49%	63%	
Loan loss ratio (LLR)	2.40%	1.70%	0.70%	
Net profit (before minorities)	12	19	24	28%

Budget assumptions for the 2008 – 2010 period

Volume growth CAGR to be higher than 50%

Volume growth CAGR to be higher than 50%

Income growth CAGR to be higher than 50%

C/I ratio to decrease post-2008 to 55% by 2010

LLR ratio to increase due to strong loan growth (1.50 to 2.00% range)

Profit growth to accelerate in 2009 to reach a level close to 100m in 2010

All figures with stable 2007 RUB/EUR conversion rates

A minority share in profit of 5% applies

Tax rate assumption: 24%



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