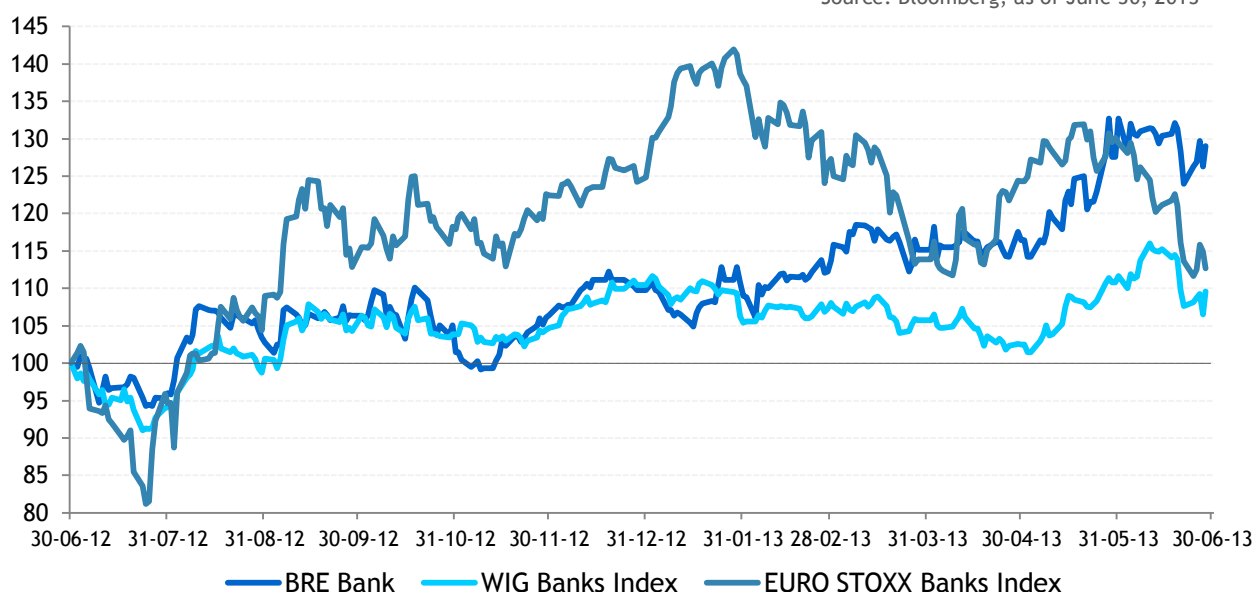




In June BRE Bank's share price decreased by 2.78%, while the WIG Banks index decreased by 1.87%. The EURO STOXX Banks Index decreased by 13.00% in the same period.

### Share price performance summary - last 12 months

Source: Bloomberg; as of June 30, 2013



| change in the period   | Q3'12  | Q4'12  | 2012   | Q1'13  | Q2'13  | YtD    |
|------------------------|--------|--------|--------|--------|--------|--------|
| BRE Bank               | 6.37%  | 3.23%  | 32.52% | 4.91%  | 11.99% | 17.48% |
| WIG Banks Index        | 4.29%  | 5.87%  | 22.64% | -4.20% | 3.60%  | -0.75% |
| EURO STOXX Banks Index | 12.84% | 10.63% | 11.98% | -8.81% | -1.04% | -9.76% |

### Consensus estimates for BRE Bank Group's results

| P&L item<br>(in PLN M) | 2011FY       | 2012FY       | 2013E        |               | 2014E        |               |
|------------------------|--------------|--------------|--------------|---------------|--------------|---------------|
|                        |              |              | estimate     | Δ vs. 2012A   | estimate     | Δ vs. 2013E   |
| Net interest income    | 2 167        | 2 234        | 2 101        | -5.9%         | 2 246        | +6.9%         |
| F&C income             | 840          | 840          | 839          | -0.2%         | 888          | +5.9%         |
| <b>Total income</b>    | <b>3 521</b> | <b>3 578</b> | <b>3 504</b> | <b>-2.1%</b>  | <b>3 711</b> | <b>+5.9%</b>  |
| Costs                  | -1 680       | -1 661       | -1 715       | +3.2%         | -1 763       | +2.8%         |
| LLPs                   | -373         | -445         | -459         | +3.2%         | -479         | +4.4%         |
| Profit before tax      | 1 467        | 1 472        | 1 329        | -9.7%         | 1 465        | +10.3%        |
| <b>Net Income</b>      | <b>1 135</b> | <b>1 203</b> | <b>1 058</b> | <b>-12.1%</b> | <b>1 168</b> | <b>+10.4%</b> |
| Loans                  | 67 852       | 67 059       | 69 689       | +3.9%         | 73 466       | +5.4%         |
| Assets                 | 98 876       | 102 266      | 104 482      | +2.2%         | 108 935      | +4.3%         |
| Deposits               | 54 244       | 57 984       | 61 521       | +6.1%         | 65 723       | +6.8%         |

Contributing research (released after January 1, 2013) by: Citi, Credit Suisse, Deutsche Bank, Goldman Sachs, Millennium DM, BoA Merrill Lynch, Raiffeisen, UniCredit, ING Securities, KBC Securities, DM BZ WBK, Ipopema, IDM SA, J.P. Morgan, Wood & Company, Morgan Stanley, PKO DM, Espirito Santo.

## ◀ Special topic: mBank - the future of bank branding ▶



The new brand for mBank brings cutting edge technology together with a user centric approach to create a modern organization that constantly adapts to evolving client needs. The idea of mBank's branding system is a synergy of:

### Flexibility

A logo shaped in the form of pictograms symbolizes the ability to adapt to the world of customers and their diverse needs.

### Scanning needs

Stripes resembling barcodes mean that mBank intelligently scans and recognizes individual needs. What is more, these belts give the bank a distinctive Polish look - they are like indigenous, folk and ludic Łowickie stripes (traditional, regional Polish patterns). Stripes also have a different and more internal meaning for mBank - coming together to create a ribbon express the appreciation of merit and dedication of the people who create mBank through their everyday actions.

### Cohesion and diversity

The icons change colours according to target group. Together they create a constantly changing platform for communication - each set of colour bars is completely distinctive and in the same time absolutely coherent - implementing the idea behind the brand. The system implements the principle of unity in diversity - demonstrates that the future of banking belongs to flexible and lean institutions able to individually address the needs of every single client.

mBank has started its operations under new brand since the official presentation of reinvented transactional system at the beginning of June. On November 25, 2013, there will be the 13th anniversary of mBank's launch and this symbolic date was chosen for the rebranding of BRE Bank and MultiBank. Also, the change of names and logotypes of BRE Bank Group's subsidiaries is scheduled for November 2013.

## ◀ Key news regarding BRE Bank Group ▶

### BRE Bank SA assigned 'BBB+/A-2' Ratings



On June 4, 2013, Standard & Poor's Ratings Services assigned its 'BBB+/A-2' counterparty credit ratings to BRE Bank SA. The outlook is negative. The stand-alone credit profile (SACP) is 'bbb-'.

The rating on BRE Bank reflects the 'bbb-' anchor, which the agency apply to commercial banks operating in Poland and its view of the bank's "adequate" business position, "adequate" capital and earnings, "adequate" risk position, "average" funding and "adequate" liquidity, as our criteria define these terms. The rating also benefits from two notches of uplift above the bank's SACP for potential support from Commerzbank AG, as BRE Bank is considered to be a "strategically important" subsidiary for its parent bank.

In view of S&P, BRE bank has a good local franchise and market position. The Bank has a traditional business model, with most of its revenues coming from retail and commercial banking. Geographic diversification is limited, a common feature of Polish banks. Its presence in the Czech Republic and Slovakia represented a negligible 2% of its loan book as of end-2012.

Despite the tougher operating environment in Poland in 2013, the agency expect that BRE Bank's capitalization, as measured by our projected risk-adjusted capital (RAC) ratio before adjustments

will remain in the 9.5%-10.0% range over the next 18-24 months. In its forecasts, S&P assumes the bank will be able to maintain its capitalization, despite lower net interest and fee income and still-high loan loss provisions pressuring profitability - especially in 2013. The agency therefore considers the bank's capital and earnings to be "adequate".

The assessment of BRE Bank's "adequate" risk position balances the view of the bank's better-than-average asset quality against its higher-than-system-average share of foreign currency loans in its loan portfolio, which may make it more vulnerable to risk from Polish zloty devaluations.

The bank's ratio of gross nonperforming assets remains well below the industry average of 9.0%. The NPA ratio stabilized in the first quarter 2013 and S&P expect only a marginal deterioration throughout 2013. The bank's credit losses have reduced significantly in recent years.

BRE Bank's funding and liquidity profiles benefit from its large retail customer deposit base and liquid securities portfolio. The agency therefore assess the bank's funding and liquidity as "average" and "adequate". S&P acknowledges that the bank has been gradually rebalancing its funding position over the past 12-18 months by increasing its retail deposit base.

The negative outlook on BRE Bank's credit rating mirrors that on Commerzbank. A deterioration in the bank's SACP to 'bb+' would not necessarily result in a lowering of the ratings.

### Real sphere weak enough to trigger the last cut in July, according to BRE Bank's analysts



The recent stream of data confirmed that disinflation continues, not only on the consumer's side, but also in terms of producer prices. Deceleration of prices is proceeding in an environment of stabilizing labour market and falling industrial output. Along with inflation projection which will be probably tailored in such a way that a final cut would be enough to bring inflation to target in mid-term perspective, the data provides a good support for a rate cut in July and it is set to be the final one in this cycle.

Inflation in May came out at 0.5% YoY (a tad below BRE Bank's forecast of 0.6% and significantly below market consensus of 0.7%). The decline is the aftermath of a large decline in fuel prices (-4.0% MoM), benign behaviour of food prices (+0.8% MoM) and drops recorded in telecommunications (telephone bills). Core inflation dropped to 1.0% YoY.

The labour market remains in stagnation. Employment in the enterprise sector was down 0.9% year on year. The good news is that employment stabilized its monthly growth around zero (much better than several-thousand drops recorded in recent months). Since wages are significantly lagging in the business cycle, BRE Bank analysts do not expect any substantial improvement in the coming months, even if their baseline scenario (a rebound in economic growth in the second half of the year) materializes. The pressure to reduce labour costs will stay with us for quarters, if not for years, as Poland will face increasingly fierce price competition with peripheral Eurozone countries (internal devaluation and a rise in exports). This also suggests that inflationary pressures will come only from food, commodities and changes in administered prices.

Output fell in 18 out of 34 sections, mostly in exports-oriented ones (machinery and equipment, metals, computers) which contradicts governor Belka's suggestions of a rebound in exports (Polish trade surpluses are due to weak imports). On the other hand, car production increased - here the trough has probably already happened. Data from Germany and euro-zone peripheries (where the age of unconditional austerity is over) indicates that Polish industry could pick up as well. In the coming months the slow recovery in domestic demand (including consumption) should provide additional boost.

According to BRE Bank's analysts, NBP's target will however not be reached within the forecast horizon. This will boost the case for another interest rate cut - although 25 bps is their baseline scenario. Having done that, the Council is likely to end the easing cycle and move to a neutral stance, as 225-250 bps of cumulative cuts will be regarded as sufficient for inflation to return to

target amid higher growth. As the economy slowly recovers in H2, BRE Bank's experts believe that limited fiscal stimulus (or at least the end of austerity) in Europe will strengthen growth and offer additional boost to the Polish economy - easing expectations will finally end. BRE Bank analysts think that the recent FX intervention and Fed's (conditional) announcement of QE tapering are not an obstacle for the cut.

#### MultiBank again the best in "Quality You Can Bank On" contest



In the second edition of the ranking "Quality You Can Bank On", prepared by TNS Poland in cooperation with the "Pulse of the Business" magazine, MultiBank again proved to be unbeatable. Just like last year, the bank took the first place in terms of the quality of service provided in its branches.

The ranking was based on studies carried out in May 2013, in nearly 1,600 retail branches of 20 banks and was performed using the "mystery shopper" method. The study also examined the level of knowledge possessed by the advisors on competitors' offer. In all these areas MultiBank's advisors were evaluated very positive and showed a high level of expertise. Consequently, MultiBank took the first place in the overall ranking.

Importantly, the MultiBank's result means that it not only defended its leadership, but also improved the outcome from last year, thereby increasing the dominance over the competitors. The bank's result of 83.3 percentage points is an increase of 1.5 percentage points from a year earlier.

A high standard of service in MultiBank's branches has become a flagship of the brand. Already, these highly qualified consultants are also available to support mBank's customers who are now offered support in the branches in the line with strategic integration of distribution network of BRE Bank Group.

⟨ Forthcoming reporting events ⟩

- August 1st, 2013: BRE Bank's Group Consolidated Financial Report for H1 2013
- October 31st, 2013: BRE Bank's Group Financial Report for Q3 2013

**BRE Bank's share code:**

ISIN: PLBRE0000012

Reuters: BREP.WA

Bloomberg: BRE PW

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