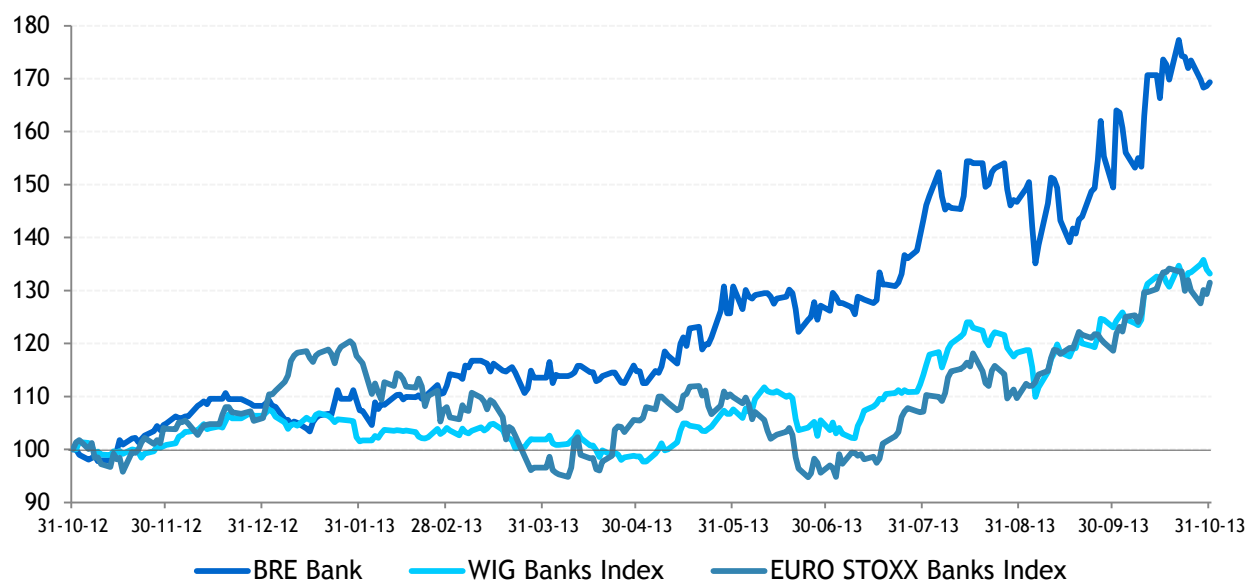




In October BRE Bank's share price increased by 13.31%, while the WIG Banks index increased by 8.25%. The EURO STOXX Banks Index increased by 10.87% in the same period.

Share price performance summary - last 12 months

Source: Bloomberg; as of October 31, 2013



change in the period	Q4'12	2012	Q1'13	Q2'13	Q3'13	YtD
BRE Bank	3.23%	32.52%	4.91%	11.99%	17.52%	56.44%
WIG Banks Index	5.87%	22.64%	-4.20%	3.60%	16.58%	25.26%
EURO STOXX Banks Index	10.63%	11.98%	-8.81%	-1.04%	24.11%	24.17%

Consensus estimates for BRE Bank Group's results

P&L item (in PLN M)	2011FY	2012FY	2013E		2014E	
			estimate	Δ vs. 2012A	estimate	Δ vs. 2013E
Net interest income	2 167	2 234	2 127	-4.8%	2 334	+9.7%
F&C income	840	840	845	+0.7%	890	+5.2%
Total income	3 521	3 578	3 543	-1.0%	3 788	+6.9%
Costs	-1 680	-1 661	-1 704	+2.6%	-1 759	+3.3%
LLPs	-373	-445	-434	-2.3%	-455	+4.7%
Profit before tax	1 467	1 472	1 403	-4.7%	1 570	+11.9%
Net Income	1 135	1 203	1 123	-6.6%	1 251	+11.4%
Loans	67 852	67 059	71 367	+6.4%	75 686	+6.1%
Assets	98 876	102 266	106 889	+4.5%	111 994	+4.8%
Deposits	54 244	57 984	62 088	+7.1%	66 702	+7.4%

Contributing research (released after May 1, 2013) by: Citi Research, Deutsche Bank, Goldman Sachs, Millennium DM, BoA Merrill Lynch, Raiffeisen, UniCredit, ING Securities, DM BZ WBK, IDM SA, J.P. Morgan, Wood & Company, KBW, Morgan Stanley, PKO DM, Erste Group, Espirito Santo, DM Banku BPS.

◀ Special topic: Q3 2013 BRE Bank Group's results compared to analysts' consensus ▶

Item (in PLN M)	Minimum	Average	Median	Maximum	Actual results	Difference to consensus
Net interest income	538.0	554.7	555.5	573.0	556.4	+0.30%
Net commission income	204.0	214.6	216.5	223.7	216.6	+0.95%
Total operating income	885.0	915.5	919.0	939.0	933.2	+1.94%
Total operating expense	(429.0)	(421.4)	(422.0)	(410.0)	(416.8)	-1.08%
Result before provisions	456.0	494.1	495.0	521.0	516.4	+4.52%
Loan Loss Provisions	(180.0)	(154.0)	(159.5)	(95.0)	(173.6)	+12.74%
Pre-tax profit	291.0	340.1	342.4	365.0	342.8	+0.80%
Net profit	233.0	272.7	275.0	295.2	279.1	+2.35%

Based on estimates of 16 analysts: ING Securities, Citi Research, J.P. Morgan, Morgan Stanley, Espirito Santo, UniCredit, DM BZ WBK, Deutsche Bank, DM Banku BPS, IDM SA, DM PKO BP, Millennium DM, Wood & Company, KBW Securities, Raiffeisen, BoA Merrill Lynch.

◀ Key news regarding BRE Bank Group ▶

Major developments of BRE Bank Group in Q3 2013

During Q3 2013, BRE Bank Group generated a profit before income tax of PLN 342.8 million, representing a decrease of 1.8% QoQ. Net profit attributable to the shareholders of BRE Bank amounted to PLN 279.1 million and increased by 2.4% QoQ, driven by a lower effective tax rate.

The results of the Group in Q3 2013 were predominantly driven by:

- **Stable revenues** of PLN 933.2 million (+0.7% QoQ) supported by an increase in net interest income to PLN 556.4 million (+4.0% QoQ) and the dividend paid by PZU, while net fee and commission income decreased by 2.2% QoQ to PLN 216.6 million.
- **Strong efficiency underpinned by stable operating expenses** compared to the previous quarter, which stood at PLN 416.8 million (including depreciation and amortisation). Consequently, the cost/income ratio after Q3 2013 improved to 46.0% (44.7% in Q3 2013).
- **Increase of risk costs** to 98 bps in Q3 2013 (70 bps YtD). Net impairment losses on loans and advances increased by PLN 14.1 million. The change was driven mainly by higher provisions in the Retail Banking segment.
- **Continued organic growth and business expansion** as demonstrated by: **growing retail customer base**, which reached 4,326 thou. (an increase of 57 thou. customers QoQ and 192 thou. from the beginning of 2013) and **an increase in the number of corporate customers** to a record high of 16,001 clients (+399 compared to Q2 2013 and +906 from the beginning of 2013).

Gross loans and advances to customers in Q3 2013 stood at PLN 72,073 million (-3.3% QoQ and +0.3% YoY). The reduction was driven by a decrease of the volume of corporate loans by 7.1% (mainly due to a decrease of volume of reverse repo / buy-sell-back transactions) to PLN 30,211 million. Loans to individual clients remained at a level similar to Q2 2013 and amounted to PLN 38,961 million. **Amounts due to customers** decreased to PLN 60,085 million (-3.4% QoQ and +5.0% YoY). As a result, the loans to deposits ratio of BRE Bank Group remained broadly unchanged compared to the previous quarter at 115.4%. The changes in the Group's financial results translated into Gross ROE of 15.6% and Net ROE of 12.6%.

The Group's capital ratios remained at a sound and safe level. The capital adequacy ratio stood at 19.17% at the end of September 2013 and Core Tier 1 ratio amounted to 14.02%.

BRE Bank's analysts expect the first interest rate hike to take place in Q4 2014



The last releases of CPI, average wages, employment, industrial and construction output came in a rather mixed tone. Both the labour market and the industrial output data disappointed and inflation surprisingly fell, driven by a one-off. However, it should not be interpreted as a harbinger of easing growth momentum, BRE Bank's analysts still think that the recovery is proceeding.

In September CPI inflation accidentally decreased from 1.1% to 1.0% YoY. The reason for the drop is a one-off effect in educational services (-6.9% MoM) - according to new law, it is forbidden to charge for extracurricular activities in public kindergartens. All other categories behaved as expected: fuel prices recorded a modest increase (1.8% MoM), food prices were unchanged. In the coming months the CPI will be driven mainly by base effects and changes of administered prices such as the increase of excise tax on spirits. BRE Bank's economists expect CPI to reach the inflation target in the middle of 2014. Even though inflation is going to accelerate in the coming months on base effects, the times of good old demand-driven inflationary pressures are yet about to come.

Labour market remains stable with annual growth of corporate wages increased from 2.0% to 3.6%. Low wage dynamics is now a part of the landscape, since Polish enterprises are constantly forced to control their costs. Employment in enterprise sector went up on monthly basis by around 1k which is rather a meager number. Although it was sufficient to boost annual growth from -0.5% to -0.3%, it does not really fit to a continuation of short-term upward trend. Business activity indicators are reaching new highs and elasticity of employment with respect to growth has recently risen.

Industrial output grew by 6.2% YoY in September, below market consensus. Adjusted for the seasonal patterns and working day effects, industrial output grew by 5% YoY and 1.4% MoM - although higher than last month's data, it implies that the momentum of industrial production has somewhat weakened. The distribution of output growth by sector suggests that export-oriented branches still fare better than the domestic ones.

Taken altogether, Q3 data on industrial and construction output indicate that economic growth accelerated from the second quarter - BRE Bank's analysts stand by their forecast of +1.5%. Real retail sales accelerated from 1.3% to 4.0% YoY in the third quarter, strengthening the case for strong contribution of household consumption in Q3. However, current re-acceleration of household consumption should not result in rising inflationary pressures. BRE Bank's estimates indicate that demand-driven inflation will begin to appear at the turn of 2014 and 2015. Usual lags in monetary policy transmission, on the other hand, imply that the first rate hike might occur in late 2014.

BRE Bank launched Poland's first corporate bond index - mBank PCBI



On October 17th, 2013, the mBank Polish Corporate Bond Index was launched as the first such indicator in Poland. It has been designed to track the performance of corporate bonds in Poland. The Index represents performance on a total-return basis and is based only on liquid and semi-liquid bonds which trade on the Catalyst market. The mBank PCBI is a market-value weighted index subject to monthly rebalancing.

BRE Bank has built its total return index (price and accrued interest) on a selective gathering of 34 current issuers with the highest liquidity on the Catalyst bond market. The underlying value of bonds included in the index stands at PLN 1.7 billion. Constituent issues must be Catalyst-listed, at least one-month in trade, with initial tenor of at least two years and 6M to 10Y to maturity, with at least PLN 10 million still in trade and meeting liquidity criteria. Convertible bonds and mortgage bonds are excluded. Daily historical levels are available from 1st October 2012.

The BRE Bank's intention was to tap into the Poland's expected corporate bond issuance boom by starting the first index that monitors the papers' performances. The Polish corporate bond universe,

as measured through the perspective of the Catalyst market, has grown rapidly since the beginning of 2011 in both primary issuance and secondary volumes. Notional of corporate bonds outstanding has grown from PLN 4.6 billion at the beginning of 2011 to PLN 24.2 billion at the end of September 2013 (excl. BGK, covered bonds, debt of cooperative banks). In the same time period, the number of issuers placing bonds in this market has increased more than five-fold, from 25 to 134. Liquidity, as measured by volume and number of trades has increased in a similar manner.

Annual Report of BRE Bank Group recognized as *The Best of the Best*



On October 18th, 2013, BRE Bank was awarded twice at gala of the 8th edition of "The Best Annual Report 2012" contest, organised by the Tax and Accounting Institute (IRiP). The bank came first in the "on-line financial report" category and won a prestigious award for the best annual report 2012 - "The Best of the Best". It is a consecutive year when BRE Bank is appreciated by the jury.

The competition aims at establishing market-wide standards of preparing annual reports under the International Financial Reporting Standards (IFRS) and in accordance with recommendations and good practices in this regard, and thus at promoting such annual reports that deliver the highest practical value to shareholders and investors.

So far, BRE bank has climbed on the top step of the podium four times in the category of financial institutions (1st place for 2006, 2007 and 2009 annual reports; in 2010 Bank won a special award "The Best of the Best"). Moreover, the annual consolidated financial statements of BRE Bank Group for 2005 were appreciated for the best application of the IFRS. In last year's edition, BRE Bank ranked second in the category "Banks and financial institutions" and won a distinction in the "on-line financial report" category.

Awarded BRE Bank Group's on-line annual report includes also BRE Analyzer, which is an innovative solution on Polish market, allowing users to analyze and customise the financial and business data of BRE Bank Group in a variety of sizes.

The new mBank recognized as the most disruptive innovation in the world



On October 16th, 2013, during the Efma Convention, nine financial institutions were awarded for their innovative projects in retail financial services. In the global contest "Distribution and Marketing Innovation Awards", the new mBank outdistanced 158 banks from 54 countries on five continents and was named the best on-line and mobile bank ("Digital and Mobile Excellence" category) and awarded with a statuette for an institution which significantly changes the face of global banking ("The Most Disruptive Innovation" category).

Co-organizers of the contest are Efma which is an organization of 3.3 thousand banks and financial companies from more than 150 countries, and Accenture. Its aim is to select the best and the most disruptive projects in retail banking area from all over the world. This year over 150 banks with nearly 330 projects entered the competition, in which the best banking initiatives are reviewed. The winners are selected by a combination of votes from a panel of several dozen judges composed exclusively of senior retail bankers from around the world, and on-line votes of Efma members.

mBank was the only awarded bank from Poland and what is more, it was the only winner that received two statuettes. The fact that the mBank project involved many innovative solutions and functions that have not been used in financial services yet (parallel implementation of eleven financial technological innovations) was particularly appreciated.

⟨ Forthcoming corporate access events ⟩

- November 6th, 2013 - TFI, OFE and PTE mini roadshow in Warsaw at the Bank's HQ

⟨ Forthcoming reporting events ⟩

- February 6th, 2014: BRE Bank's Group Financial Report for Q4 2013
- March 4th, 2014: BRE Bank's Group Consolidated Annual Report for 2013

BRE Bank's share code:

ISIN: PLBRE0000012

Reuters: BREP.WA

Bloomberg: BRE PW

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