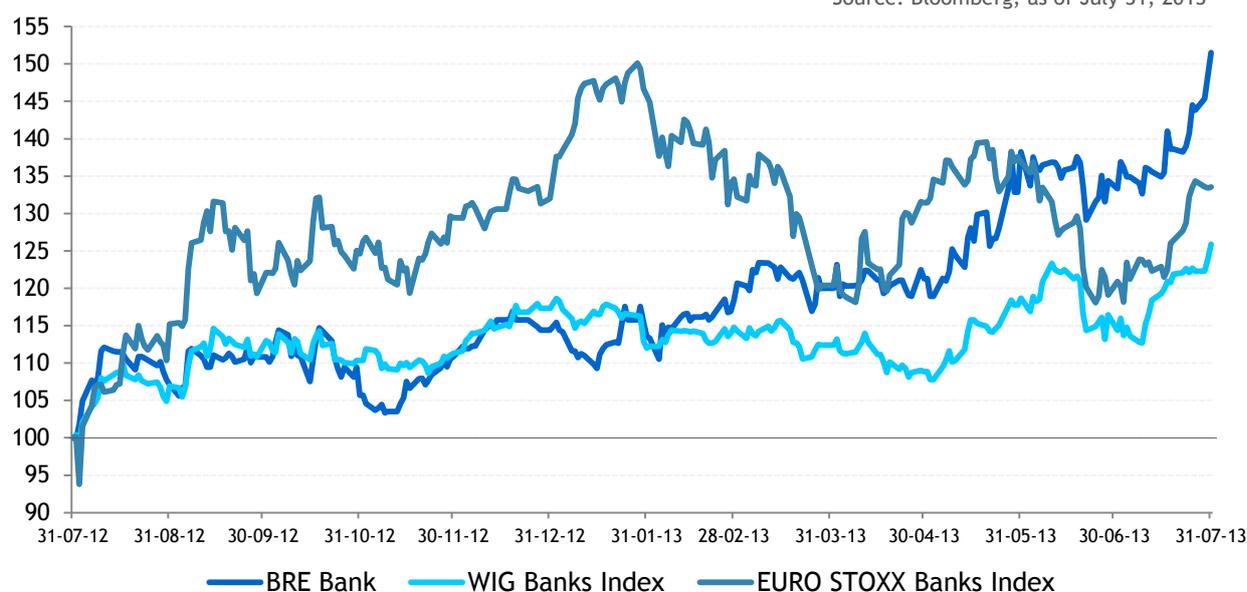




In June BRE Bank's share price increased by 12.74%, while the WIG Banks index increased by 8.10%. The EURO STOXX Banks Index increased by 12.09% in the same period.

### Share price performance summary - last 12 months

Source: Bloomberg; as of July 31, 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%	32.45%
WIG Banks Index	4.29%	5.87%	22.64%	-4.20%	3.60%	7.29%
EURO STOXX Banks Index	12.84%	10.63%	11.98%	-8.81%	-1.04%	1.15%

### 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	2 086	-6.6%	2 229	+6.9%
F&C income	840	840	832	-0.9%	879	+5.6%
<b>Total income</b>	<b>3 521</b>	<b>3 578</b>	<b>3 474</b>	<b>-2.9%</b>	<b>3 680</b>	<b>+5.9%</b>
Costs	-1 680	-1 661	-1 709	+2.9%	-1 755	+2.7%
LLPs	-373	-445	-428	-3.8%	-461	+7.8%
Profit before tax	1 467	1 472	1 336	-9.3%	1 460	+9.3%
<b>Net Income</b>	<b>1 135</b>	<b>1 203</b>	<b>1 065</b>	<b>-11.5%</b>	<b>1 165</b>	<b>+9.3%</b>
Loans	67 852	67 059	69 429	+3.5%	73 081	+5.3%
Assets	98 876	102 266	104 433	+2.1%	108 732	+4.1%
Deposits	54 244	57 984	61 379	+5.9%	65 440	+6.6%

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: Q2 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	481.8	513.3	515.0	538.3	535.2	+4.25%
Net commission income	198.0	206.4	205.0	224.0	221.5	+7.28%
<b>Total operating income</b>	<b>827.5</b>	<b>865.5</b>	<b>865.0</b>	<b>921.0</b>	<b>926.3</b>	<b>+7.03%</b>
<b>Total operating expense</b>	<b>(425.0)</b>	<b>(413.5)</b>	<b>(415.0)</b>	<b>(401.0)</b>	<b>(417.9)</b>	<b>+1.06%</b>
<b>Result before provisions</b>	<b>417.8</b>	<b>452.1</b>	<b>450.3</b>	<b>496.0</b>	<b>508.4</b>	<b>+12.45%</b>
Loan Loss Provisions	(168.0)	(137.1)	(145.0)	(77.0)	(159.5)	+16.31%
<b>Pre-tax profit</b>	<b>285.0</b>	<b>315.0</b>	<b>317.0</b>	<b>347.3</b>	<b>348.9</b>	<b>+10.78%</b>
<b>Net profit</b>	<b>228.0</b>	<b>253.0</b>	<b>258.0</b>	<b>280.6</b>	<b>272.5</b>	<b>+7.70%</b>

Based on estimates of 17 analysts: ING Securities, Citi Research, J.P. Morgan, Morgan Stanley, Ipopema, Espirito Santo, UniCredit, DM BZ WBK, Deutsche Bank, IDM SA, Erste Group, DM PKO BP, Millennium DM, Wood & Co., KBW Securities, Raiffeisen, BoA Merrill Lynch.

◀ Key news regarding BRE Bank Group ▶

Major developments of BRE Bank Group in Q2 2013

During the second quarter of 2013, BRE Bank Group generated total income amounting to PLN 348.9 million, representing a decrease of 12.7% QoQ. Net profit attributable to BRE Bank shareholders amounted to PLN 272.5 million and was down by 15.9% QoQ.

The results of the Group in Q2 2013 were predominantly driven by:

- **Increase of net interest income** to PLN 535.2 million (+6.3% QoQ), as interest expenses fell more rapidly than interest revenues. In this quarter, net interest income on loans and advances decreased by 4.6%, while interest costs on customer deposits decreased by 22.7% driven by active offer repricing conducted by the Bank.
- **Improvement of net fee and commission income** to PLN 221.5 million (i.e. 12.1%) resulting from better results of lending activity (+22.6%), insurance activity (+43.4%) and brokerage (+26.6%).
- **Increase of overhead costs** (including amortization and depreciation) to PLN 417.9 million (+4.0% QoQ) due to the increase in material costs in the field of marketing and IT. Consequently, the effectiveness of BRE Bank Group measured by the cost/income ratio reached 45.1% in Q2 2013.
- **Higher cost of risk** at 92 bps in Q2 2013 (55 bps YtD). Net impairment losses on loans and advances amounted to PLN 159.5 million.
- **Continued organic growth and business expansion** as demonstrated by: **growing retail customer base**, which reached 4,269 thou. (an increase of 41.3 thou. customers QoQ and 274 thou. YoY) and **an increase in the number of corporate customers** to a record high of 15,602 clients (+306 compared to Q1 2013 and +949 YoY).

Gross loans and advances to customers increased in Q2 2013 to PLN 74,534 million (+7.8% QoQ and +5.8% YoY) and amounts due to customers improved to PLN 62,195 million (+6.3% QoQ and +19.2% YoY). The loans to deposits ratio of the Group was at 115.6% at the end of Q2 2013. The changes in the Group's financial results translated into Gross ROE of 16.0% and Net ROE of 12.8%.

The Group's capital ratios remained at a sound and stable level. The capital adequacy ratio stood at 18.18% at the end of June 2013 and Core Tier I ratio amounted to 13.10%.

BRE Bank's analysts say to forget about rate cuts

Recent data filled the experts with cautious optimism on the Polish economy. Real sphere data are on the mend. BRE Bank's analysts link it to consumer behaviour (low interest rates and incentives to spend), somewhat looser attitude of the government towards expenditures, and some symptoms of a turnaround in the euro zone economy. With the real sphere improving and base effects on inflation ebbing BRE Bank's economists see a steeper CPI growth path.

CPI inflation declined from 0.5% to 0.2% in June. This is the lowest YoY dynamics ever recorded in Poland, dangerously close to the psychological barrier of zero. Delving into details, inflation has fallen again due to relatively low food price and stable prices in other categories. As far as core categories are concerned, most of them were unchanged (telecommunications, health services) or slightly lower (educational services, clothing and footwear) compared with the previous month. Fuel prices rose by 0.8%, slight increases were also recorded for recreational and cultural services, as well as hotels and restaurants. Core inflation ticked down from 1.0% YoY to 0.9% YoY.

Inflation should reaccelerate in 2014. BRE Bank's analysts estimate low statistical base to amount to over one percentage point. This, along with a rebound in the real sphere, should lead to inflation faster than 2% YoY at the end of 2014.

Annual growth of employment improved to -0.8% from -0.9%. BRE Bank's economists sustain their view that the trough in the labour market has been reached and it is possible that annual dynamics of employment will rear its head above zero until the end of the year. Such a view is corroborated by the momentum in disaggregated data and business tendency indicators as well. Wages grew by 1.4% YoY, significantly below market consensus.

Industrial output in June by 3.0% YoY beating market consensus (1.3%, BRE forecast 2.1%). Even more handsome is the growth in seasonally adjusted terms at +4.5% YoY. Moreover, the composition of output growth suggests the positive headline is something more than a pure luck as export sections lead the way. Speaking from experience, upswing in exports usually spills over onto other sections which are additionally poised for better results as domestic demand improves (with consumption improving first). Short-term perspectives are also optimistic. Next month is likely to bring output growth at 5-6% YoY.

Apart from inflation data, anything published in July fits nicely into growing expectations for monetary policy tightening in 2014. BRE Bank's analysts also think it is the final thrust to the remnants of further monetary easing that until recently can be still read in some reports. Subsequent data releases (slowly accelerating inflation and glacially improving real sphere) will be generating expectations for rate hikes. However, actual rate hike may be more distant than the current market pricing. Remember that the Polish economy is slowly recovering from very low growth, core inflation is going to stay relatively low. In such circumstances the MPC may find comfort in staying idle for longer rather than tightening prematurely. BRE Bank's experts think the MPC is going to begin raising rates in late 2014. However, this is not going to prevent market expectations from rising.

Launch of next functionality in New mBank: Online expert available 24 hours a day

Since July 1, mBank's customers with active access to the new version of the transactional system have been provided with a service of round-the-clock help of the online expert, through video call, voice call or communicating on the chat. A virtual branch, accessible via the transaction service, integrates the existing communication channels - call centre (mLinia), a traditional bank branch (MultiBank's branches) and chat information in the text form.

The online expert facilitates the use of electronic banking. Customers at any time, 24 hours a day, are able to be supported by a consultant - both for the purchase of new products, as well as in executing the daily operations with the bank. In addition, affluent clients, using the mBank's Premium Offer, are able to connect to the individual expert, assigned to their service.

Foreign currency exchange platform iBRE FX recognized as the best in Poland



For the second time in a row the prestigious magazine Global Finance recognized iBRE FX as the best trading platform for the currency exchange in Poland. In the annual contest "World's Best Corporate / Institutional Internet Banks in Central & Eastern Europe" BRE Bank was awarded in the category "Best in Online Treasury Services". Among the evaluation criteria were: a strategy of acquisition and serving clients, effectiveness in attracting new customers, tangible benefits from online activity, wide product range and functionality of the platform.

The winners were selected on the basis of applications evaluated by the specialists of Infosys - a world leader in consulting, information technology and outsourcing. The final decision was made by the editors of Global Finance magazine.

iBRE FX is fully integrated with the online corporate banking system iBRE. Its users may enter into transactions without the need to install additional software. The platform is an innovative tool with many useful features, such as online currency exchange, notification (via SMS or e-mail) on reaching the expected exchange rate, economic news in the form of SMS, quotes for over 100 currency pairs and individual assistance of the expert.

⟨ Forthcoming reporting events ⟩

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