BRE Bank Securities

RESEARCH REPORT
BZ WBK

Banks

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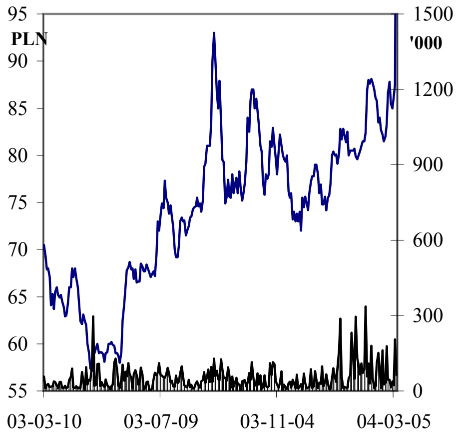
Even a Good Student has to do His Homework



- BZ WBK remains the leading bank in terms of the income / assets ratio (the annualised income / asset ratio in 4Q was 6.76% against 6.29% for Pekao and an average of 6.09%). The bank owes its high level of income to substantial fee and commission income (accounting for 1/3 of total income), which is growing dynamically due to sales of new products (including cards and loans), and not only to raising fees (the bank is able to provide value added for its clients).

- However, due to high costs (annualised costs in 4Q amounted to 4.82% against an average of 4.13%) BZ WBK is no longer among the group of banks with a high operating profit / assets ratio and is now one of the least profitable banks, along with Kredyt Bank and Millennium. In BZ WBK's defence, the weak 2003 result, and particularly the weak 4Q result, is due to costs of restructuring, the purpose of which was limiting costs. Normalised operating profit (excluding costs of restructuring and extraordinary profits, with dividend income evenly spread out) grew systematically throughout 2003, from PLN 97 mn in 1Q to PLN 115 mn in 4Q.

- In 2003, BZ WBK made up a portion of its "arrears" and increased the assets per employee and income per employee ratios, but is still not a leader in terms of effectiveness. Despite this, limiting costs, which we estimate at PLN 100 mn, together with the growth in fee and commission income (PLN +75 mn), higher income from CU dividends (approximately PLN +32 mn) and the absence of restructuring costs (PLN +33 mn), should lead to a significant improvement in operating profit in 2004 (PLN +229 mn, or PLN 627 mn) as well as net profit (PLN +242 mn, or PLN 371 mn).

- Due to slower than we expected growth in lending activity as well as growing market competition (threatening margins in market segments on which the bank is focused) we have lowered forecasts for 2005-2006.

- The generally good situation on the market will favour the bank's share price in the short-term, and the improvement in the result in comparison to last year in the medium term. However, due to the over-valuation of the share price as well as our expectation of a correction on the Warsaw Stock Exchange within the next four weeks, we are downgrading our investment recommendation to REDUCE.

Recommendation	**REDUCE**
Price	**87,5**
Valuation	**72,0**

Basic Data	
Number of shares (mn)	73,0
Free float (PLN mn)	1 885
Market cap (PLN mn)	6 384

Shareholders Structure	
AIB	70,5%
Others	29,5%

Analyst

Andrzej Powierża
Andrzej.Powierza@breinwest.com.pl
tel (22) 697 47 42
fax (22) 697 47 43

Dom Inwestycyjny BRE Banku S.A.
ul. Wspólna 47/49
00-490 Warszawa, skr. poczt. 21

www.brebrokers.com.pl

	Net interest income (PLN mn)	PBA (PLN mn)	Gross profit (PLN mn)	Net profit (PLN mn)	No. Shares (mn)	EPS (PLN)	EPS growth (%)	P/E	BVPS (PLN)	P/BV	DPS (PLN)	Dividend rate
2001	622	1 582	122	149	73	2,04	11,1%	43,0	29,53	3,0	0,42	0,5%
2002	819	1 709	389	273	73	3,74	83,6%	23,4	34,48	2,5	0,74	0,8%
2003F	829	1 636	260	129	73	1,77	-52,7%	49,5	34,85	2,5	0,32	0,4%
2004F	835	1 730	479	371	73	5,09	188,0%	17,2	39,62	2,2	1,00	1,1%
2005F	947	1 997	643	523	73	7,17	41,0%	12,2	50,59	1,7	1,20	1,4%

The report comprises an analysis of the bank's consolidated quarterly results. Until the consolidated annual report is published, the company's annual report is the basis for assumptions in regard to preparing forecasts for the years ahead.

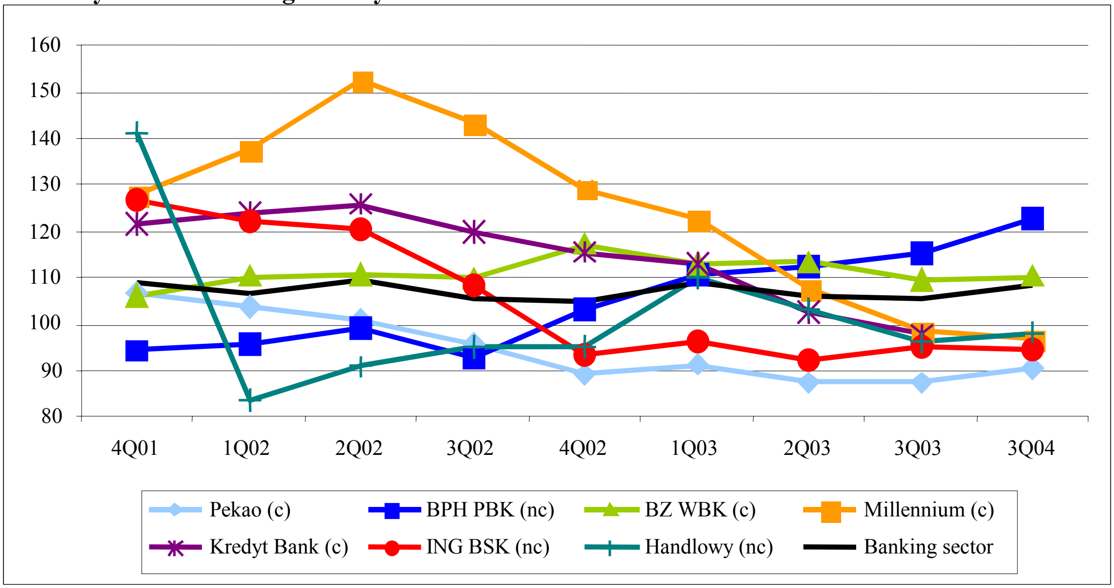
Quarterly Results

The bank points to costs of restructuring (PLN 34 mn) and high taxes (tax assets encumbered Group results with PLN 56 mn) as the reason for the weak results, but the level of income is also disappointing (profit on banking activity, excluding the result on sales, fell 2.6% q/q and 9.2% y/y). A brief analysis of 4Q results, and primarily in comparison with 3Q, is presented below.

Balance sheet items

BZ WBK's loan portfolio is growing at a steady rate. Annual growth in December amounted to 10.2%, and therefore was slightly higher than the previous quarter (9.5%), while among large publicly traded banks, BZ WBK can boast the second highest dynamic of lending activity. However, it should also be pointed out that in comparison with earlier achievements (+17% in 2002) as well as in relation to the leader (BPH PBK increased the loan portfolio by 23% in 2003), the performance of BZ WBK is increasingly less impressive.

Annual dynamic of lending activity of selected banks

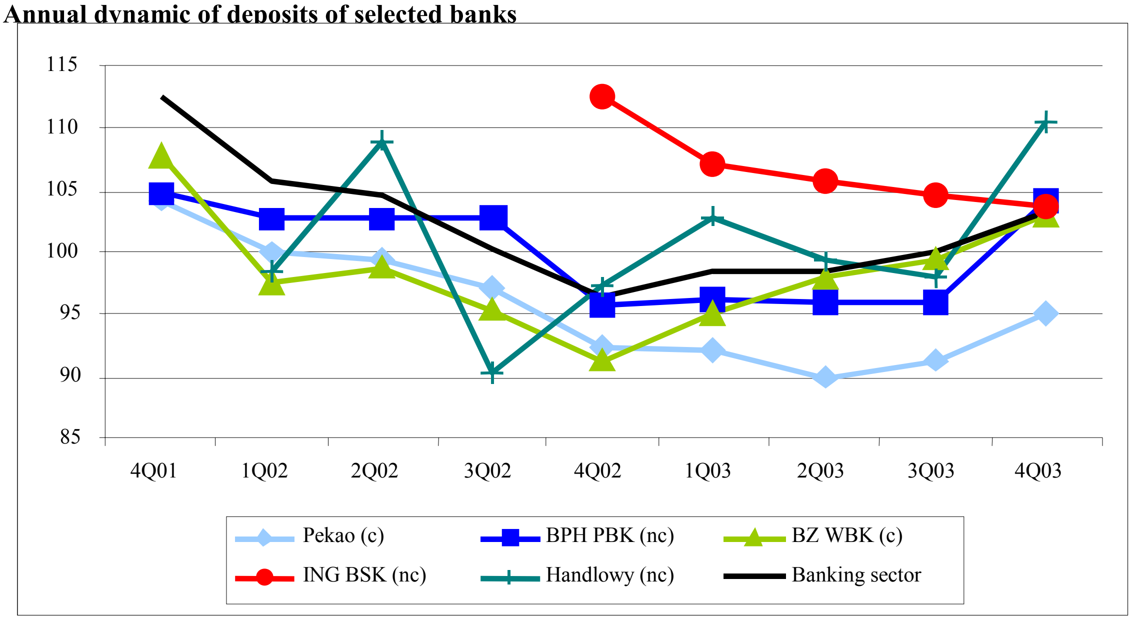


Source: banks, BRE Bank Securities

The growth in BZ WBK's loan portfolio is driven by the increase in residential mortgage loans (+35% y/y), leasing debts (+54% y/y) and business lending (+10% y/y). As opposed to BPH PBK, the share of loans for the budget sector is small (accounting for only 4% of total net loans, against 10% in the case of BPH PBK), but it should also be pointed out that, in both banks, the growth rate of loans for the budget sector exceeded the overall growth of the loan portfolio in annual terms (growing 27% in BZ WBK and 44% in BPH PBK). Moreover, debts of the non-financial and budget sectors account for approximately 57% of total assets in BZ WBK against 51% in BPH PBK, and therefore BZ WBK remains, proportional to its assets, a bank more committed to lending activity than its Kraków-Warsaw-based competitor.

BZ WBK has nothing to be ashamed of in regard to deposit activity as well, as it is the most consistent among the analysed banks in rebuilding the deposit base. Although in terms of annual dynamic, in December 2003 it was overtaken not only by the long-term leader (ING BSK) but also by Bank Handlowy and BPH PBK, it appears that in the case of these banks the seasonal effect (growth in corporate deposits) was stronger.

Annual dynamic of deposits of selected banks



Source: banks, BRE Bank Securities

Income

In regard to income in 4Q, the only bright spots were commission income (PLN 144 mn, +2% q/q, +16% y/y) and the result on sales, including **profits from asset management** (PLN 17 mn vs. PLN 12 mn in 3Q).

It should be stressed that the **sound structure of the increase in net fee and commission income** (commissions on loans grew 16%, on cards 16%, and fees for servicing accounts 9%), shows that the bank is selling more products and not collecting higher fees from a smaller number of clients (as in the case of Pekao).

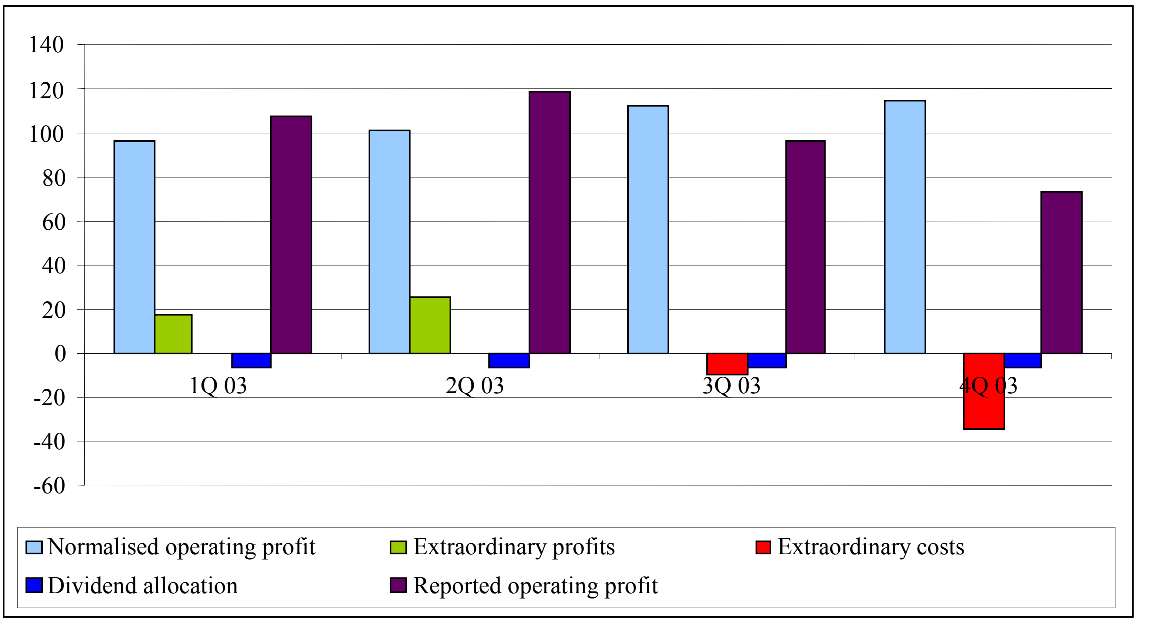
Interest income fell slightly (-1% q/q and -1% y/y), but the bank's **interest margin remains high** (3.4% excluding SWAP operations) despite the significant dynamics in the loan portfolio - BPH PBK, which has recently been very actively acquiring market share, is noting a lower margin (the "pure" interest margin in 4Q amounted to 2.9%, and the margin including SWAP operations – 3.2%).

Exchange rate differences were higher than one year ago (+8%), but lower than the result noted the previous quarter (-5%). The result on financial operations plunged sharply (PLN 7 mn vs. PLN 16 mn in 3Q 2003 and PLN 59 mn in 4Q 2002), mainly due to lower income from SWAP operations and losses on the bond market. However, the **Treasury Department met its financial plan for 2003** and the lower 4Q result as a sort of natural consequence following the very good results noted in previous quarters (but this means that, even without the significant commotions that occurred on the financial market last year, it would be difficult to expect much higher profits in 2004 from Treasury Department operations).

Costs of restructuring were high (PLN 34 mn, including PLN 11 mn shown in general expenses and PLN 23 mn in other operating costs), while a decline was noted in other costs. Losses from revaluating real estate designated for sale down to the level of market prices was the largest item (approximately PLN 24 mn) of restructuring costs. General expenses fell 10% in comparison to 4Q 2002 due to lower costs of operating the IT systems, insurance as well as postal and telecommunications fees.

Operating profit was on the lowest level since the beginning of 2002 (PLN 74 mn), but excluding the negative effect of restructuring costs (and including ¼ of last year's income from dividends) it would have amounted to PLN 114 mn and therefore would have been just higher than that noted in previous quarters.

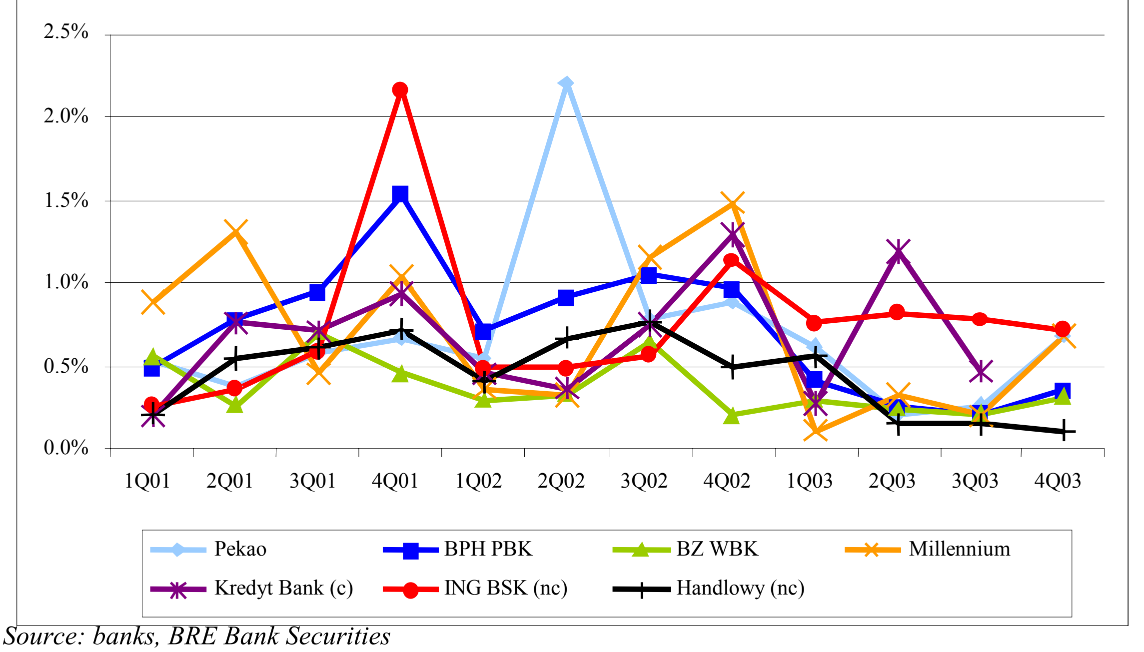
Operating profit of BZ WBK



Source: bank, BRE Bank Securities

Costs of provisions grew (PLN -43 mn vs. PLN -29 mn in 3Q and PLN -25 mn in 4Q 2002), showing that it is difficult to note such low costs connected with credit risk as the average that BZ WBK noted in previous quarters. In our opinion, this should be a warning for shareholders of other banks showing low net provisions despite the quality of assets being lower.

Net provisions as a % of the loan portfolio



Source: banks, BRE Bank Securities

As in the case of other banks, BZ WBK managed to partly neutralise the effect of revaluating tax assets and despite the resultant encumbrance of PLN 56 mn, taxes totalled PLN 50 mn.

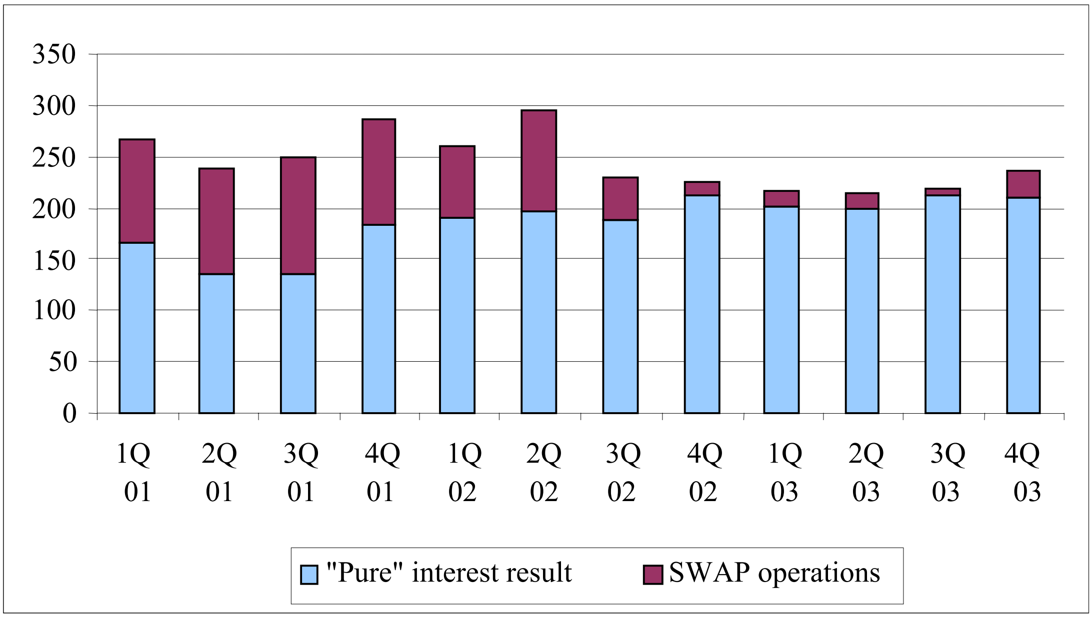
Annual Non-consolidated Results

The net interest margin ("pure", i.e. excluding SWAP operations) in 2003 remained virtually unchanged from that noted the previous year (falling 0.5%). This was due to a stabile margin: as a result of the decline in interest, the margin on interest-bearing assets fell, but costs of obtaining revenues fell to a similar degree.

	2002	2003
Margin on interest-bearing assets	8.5%	6.6%
Cost of interest-bearing liabilities	4.9%	2.9%
Spread	**3.6%**	**3.7%**
Interest margin (on total assets)	3.2%	3.2%
Interest margin (on interest-bearing assets)	3.7%	3.8%

How can this be squared with the bank's statements that the decline in total income resulted from pressure on margins, being the result of rate reductions? The answer is income from SWAP operations, which fell throughout the entire sector in the previous quarter. In the case of BZ WBK, income from SWAP operations, shown in the result on financial operations, fell from PLN 222.5 mn in 2002 to PLN 60.7 mn. The quarterly decline in this income is illustrated in the chart below.

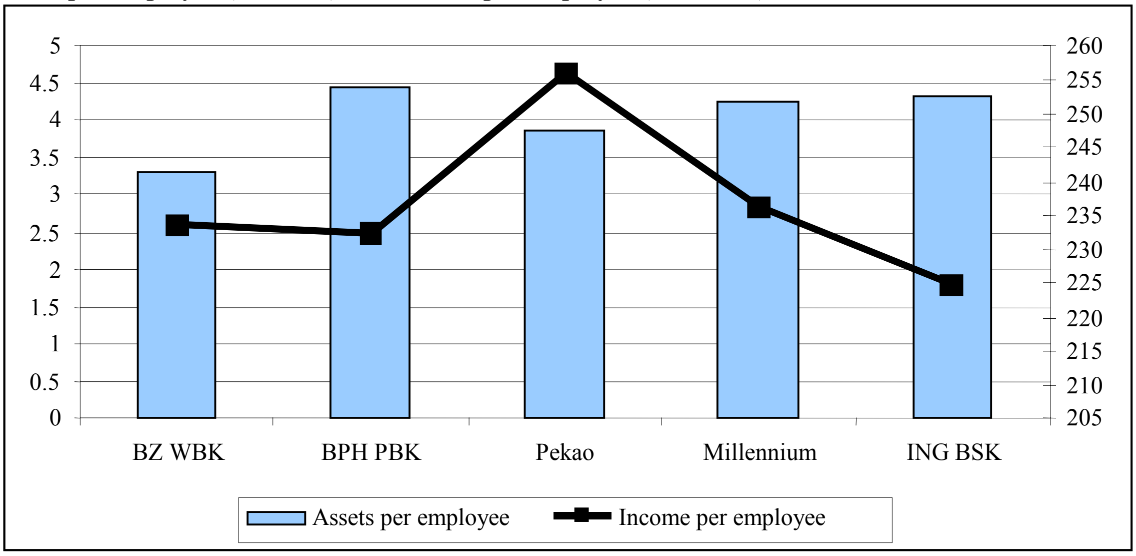
Income from interest and SWAP operations (PLN mn)



Source: bank, BRE Bank Securities
(BZ WBK did not publish profit from SWAP operations in 4Q 03 – BRE Bank Securities estimate is presented in the chart)

Average employment in the bank fell in 2003 from 9504 in 2002 to 8308 in 2003, and employment **at the end of 2003 was 7417**, or 1699 fewer positions than one year earlier. Employment in the group fell to a similar degree. Moreover, 32 branches (i.e., 7%) were closed. Due to the reduction in employment the **assets per employee ratio increased** from PLN 2.5 mn to PLN 2.9 mn, and income per employee increased from PLN 182 thous. to PLN 194 thous. Nevertheless, it should be kept in mind that **these are not impressive accomplishments considering the achievements of the competition**.

Assets per employee (PLN mn) and income per employee (PLN '000)



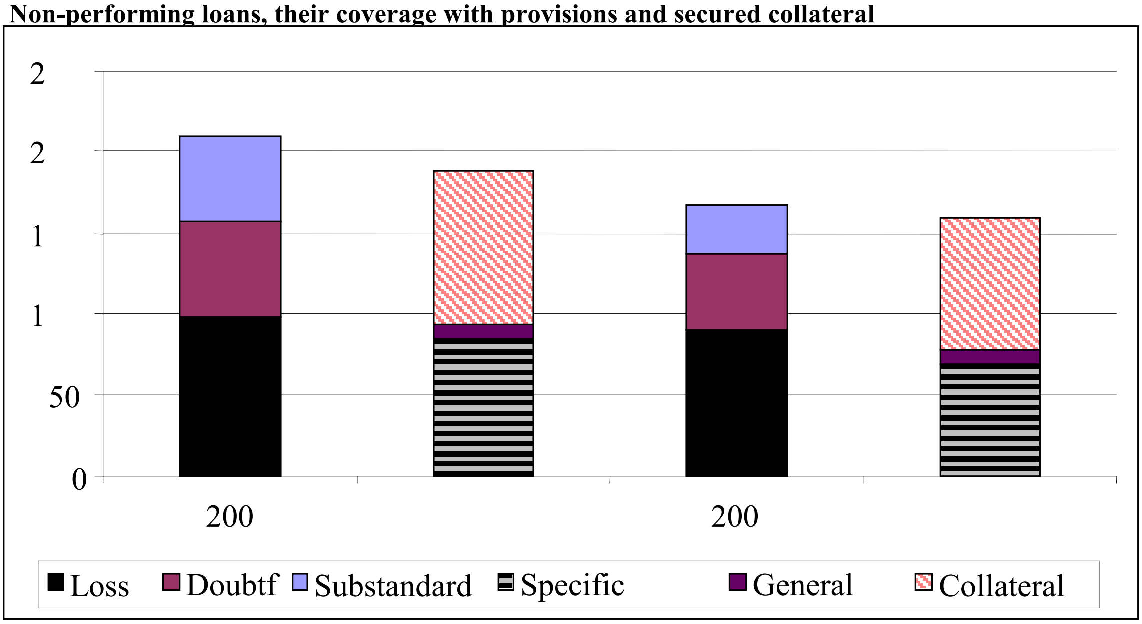
Source: banks, BRE Bank Securities

The bank's strong point remains credit risk management. The quality of the portfolio continued to improve in 2003. Non-performing loans declined not only in terms of their share in total loans (from 17.4% to 13.0% in the bank itself and from 16.7% to 12.1% in the capital group), but also in absolute terms (-20%, or PLN 426 mn).

Quality of the loan portfolio

	2002	2003	Change (PLN mn)	Dynamic (%)
Normal	**7 733**	**9 070**	**1 336**	**17%**
Under observation	**2 214**	**2 146**	**-68**	**-3%**
Substandard	528	299	-228	-43%
Doubtful	593	471	-122	-21%
Loss	977	901	-76	-8%
Total NPLs	**2 097**	**1 671**	**-426**	**-20%**
Gross loans	**12 044**	**12 886**	**842**	**7%**

Non-performing loans, their coverage with provisions and secured collateral



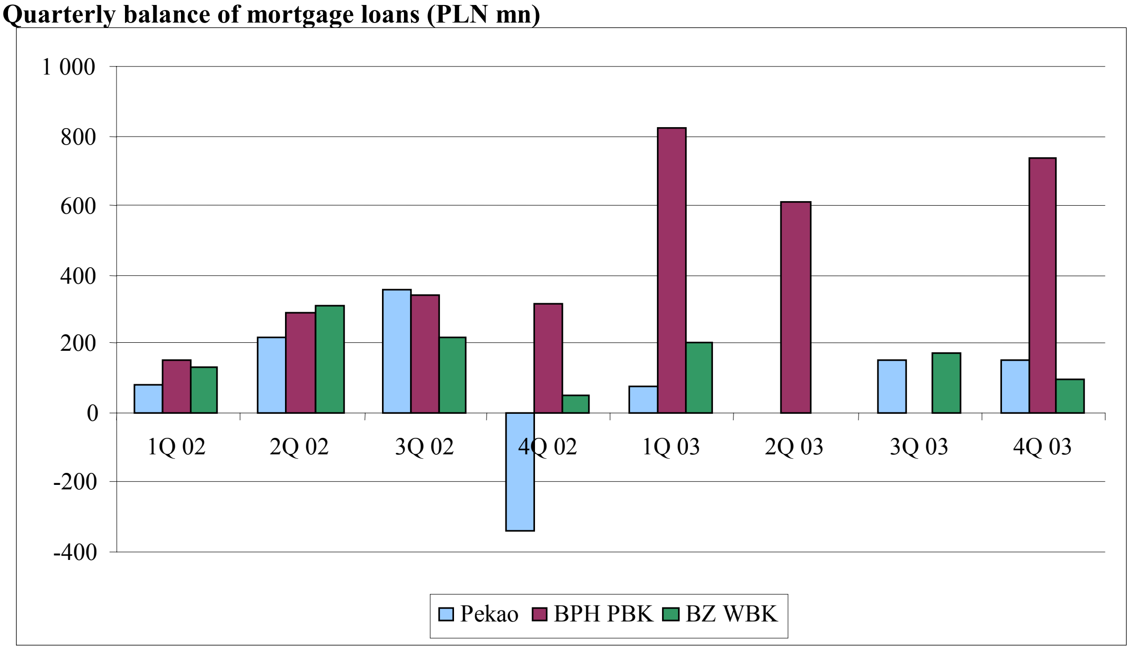
Source: bank, BRE Bank Securities

Provisions at the end of 2003 were PLN 160 mn lower than one year earlier, and fell from 7.7% to 6.0% in relation to gross loans, but provisioned non-performing loans increased, amounting to 46.3% (44.5% in 2002). Despite the creation of provisions throughout the year, the **decline in the size of provisions results from remitted, booked and overdue debts amounting to PLN 301 mn**. Without these operations, the provisioning of gross loans would have amounted to 7.4%, and non-performing loans 49.8%.

Prospects for 2004 and beyond

Despite the slight decline in income (-1% q/q), **BZ WBK remains the leader in terms of generating income**. This is **proof of the bank's effectiveness in offering clients value added** and confirms the opinion that BZ WBK is one of the best managed banks in Poland. On the other hand, we perceive this as a threat, as due to other banks modernising their offers **BZ WBK will lose its advantages resulting from its position as market leader.** The offensive by small banks observed recently (of which the expansion of GBG following its takeover by Getin could be its next manifestation), as well as the fact that the giants are beginning to stir, threatens the profitability of the financial market segments selected by BZ WBK (credit cards, automobile leasing). The situation that occurred on the market of residential mortgage loans, where BZ WBK is losing out in terms of growth dynamic to more aggressive players (which can accept lower margins due to their lower cost base), could well be repeated on these markets. For example, we believe that the bank's second place position on the market of credit cards is threatened, because both large banks (PKO BP, BPH PBK) and small banks (e.g., Raiffeisen, Eurobank) are entering this segment in a serious way.

Quarterly balance of mortgage loans (PLN mn)



Source: banks, BRE Bank Securities

It appears that due to relatively "smooth sailing" throughout 2002, which for banks with lower quality of credit risk management was a catalyst for change, **BZ WBK neglected to take an interest in costs** and without implementing cost restructuring had no chance to regain its former level of profitability. The bank finally "**learned its lesson" in 2003.** However, the question remains, **how much lower can costs be in 2004 than in 2003?**

We assume **year-end costs will fall 8%, or approximately PLN 100 mn.** We concur with the bank's statements that costs of amortisation will be slightly lower (-2%), personnel costs will fall about 15% (which with a 20% reduction in employment is not too much to expect), and tangible costs will decline 3%. In other words, this means quarterly costs (excluding amortisation) on an average level of PLN 236 mn (and therefore 7% lower than 4Q costs, excluding costs of restructuring). We forecast that **BZ WBK will maintain costs of risk at 100 bp.**

In regard to income, it appears that a growth in income from foreign exchange differences and from financial operations should not be expected, and there will be no profit from the sale of Polsoft. **Dividends from subsidiary companies will be larger than one year ago.** The bank will receive PLN 52.8 mn from the CU Group alone (including PLN 15.0 mn from PTE and PLN 37.7 mn from CU TUnŻ).

Net interest income, including SWAP operations, should not note any radical changes. Interest rates are difficult to predict, but we do not believe that any possible rate hikes by the Monetary Policy Council would allow banks to increase the interest margin in a sustainable way. We assume that in the initial phase of economic recovery competition will strengthen among banks for attractive borrowers, which despite a favourable macroeconomic environment will lead to squeezing margins, but which in turn will be compensated by a greater volume. We forecast that the final balance will be positive and interest income will increase approximately PLN 7 mn. This is not a significant item in relation to the possible growth in fee and commission income and therefore **we believe that the struggle to note a good 2004 result will be played out on the field of fee and commission income.**

Should income from fees and commissions continue to grow at last year's rate (16%), it would increase PLN 86 mn. Unfortunately, **BZ WBK**, as opposed to other large banks, **does not present the precise structure of commission income and costs.** As this income accounts for 1/3 of total income, and a 1 pp growth in commission income corresponds to a 1.2 pp growth in net profit, **the transparency of the bank's result is greatly reduced.** It is difficult to evaluate whether maintaining last year's dynamic is likely, but considering the earlier mentioned healthy manner of increasing income from fees and commissions in 2003, we assume a 14% growth in 2004, expecting commissions on loans and card operations to remain the motor driving this growth.

Based on the above assumptions, we forecast a consolidated gross profit in 2004 of PLN 479 mn and a net profit of PLN 371 mn (assuming that the effective tax rate will be higher than the statutory rate). This means a symbolic increase in our forecast relative to expectations from the beginning of February, and therefore prior to the publication of quarterly results (PLN 369 mn) and a substantial increase in forecasts in comparison to our expectations formulated on the spot while commenting on the quarterly results. As opposed to earlier forecasts, we believe that the main source of improvement in 2003 results was lower costs. However, this means that we expect a lower dynamics of profit in the years ahead and therefore our forecast for 2005 was reduced from PLN 578 mn to PLN 438 mn (i.e., 32%). With a prospective ROE of 13.7% in 2004, 14.2% in 2005 and 15.1% in 2006, our "terminal" ROE on a level of 15.9% appears to be a reasonable forecast. However, this corresponds to a valuation of PLN 71, and therefore significantly below the market price.

Continuation of the growth trend on the Warsaw Stock Exchange and investor focus on positives (economic recovery, entry into EU), while ignoring negatives (continually low dynamic of lending and deposit activity, accumulating currency risk on the mortgage loan portfolio, macroeconomic instability) will have a favourable influence on the bank's share price in the very short term. In the medium-term perspective, 1Q 2004 results (publication planned for 7 May) showing an improvement due to lowering costs, may leave the market with a positive impression of the bank. However, in the meantime, we believe a correction awaits the Warsaw Stock Exchange. This, together with the overvaluation of the bank's shares (according to our valuation, the present value of a BZ WBK share is PLN 72), induced us to downgrade the investment recommendation from Hold to REDUCE.

CONSOLIDATED PROFIT AND LOSS ACCOUNT (PLN mn)

	2000	2001	2002	2003 F	2004 F	2005 F	2006 F
Net interest income	**874**	**622**	**819**	**829**	**835**	**871**	**947**
Interest income	2 780	2 650	1 835	1 422	1 641	1 720	1 894
Interest expenses	(1 906)	(2 029)	(1 016)	(593)	(805)	(849)	(946)
Non-interest income	**761**	**960**	**890**	**807**	**894**	**968**	**1 050**
Net fee and commission income	359	402	464	536	612	685	767
Foreign exchange differences	128	137	148	145	145	145	145
Result on financial operations	274	422	277	126	138	138	138
Profit on banking activity	**1 635**	**1 582**	**1 709**	**1 636**	**1 730**	**1 839**	**1 997**
Other operating income	37	(9)	75	27	63	69	76
Total banking income	**1 672**	**1 573**	**1 784**	**1 663**	**1 793**	**1 908**	**2 073**
Non-interest costs	**(1 154)**	**(1 244)**	**(1 229)**	**(1 265)**	**(1 165)**	**(1 214)**	**(1 265)**
Personnel costs	(540)	(620)	(548)	(556)	(471)	(490)	(509)
Amortisation	(142)	(135)	(161)	(225)	(225)	(237)	(249)
Other costs	(473)	(489)	(520)	(484)	(469)	(488)	(508)
Operating profit before costs of provisions	**518**	**330**	**555**	**398**	**627**	**694**	**808**
Net provisions	(286)	(205)	(169)	(141)	(148)	(156)	(165)
Gross profit	**228**	**122**	**389**	**260**	**479**	**538**	**643**
Income tax	(94)	26	(113)	(123)	(110)	(102)	(122)
Consolidation adjustments	(0)	0	(2)	(8)	2	2	3
Net profit	**134**	**149**	**273**	**129**	**371**	**438**	**523**
Dividends paid	(45)	(31)	(54)	(23)	(73)	(88)	(109)

CORE RATIOS

	2000	2001	2002	2003 F	2004 F	2005 F	2006 F
Net interest margin (total assets)	4.2%	2.6%	3.3%	3.4%	3.3%	3.1%	3.1%
Net interest margin (working assets)	4.6%	2.9%	3.7%	3.7%	3.6%	3.4%	3.3%
Interest spread	3.7%	2.2%	3.3%	3.5%	3.3%	3.1%	3.0%
Costs / Income	69.0%	79.1%	68.9%	76.1%	65.0%	63.6%	61.0%
Costs / Assets	5.6%	5.3%	4.9%	5.2%	4.6%	4.4%	4.1%
Personnel costs / Income	32.3%	39.4%	30.7%	33.4%	26.3%	25.7%	24.6%
Net provisions / Operating profit	55.3%	62.2%	30.5%	35.4%	23.5%	22.5%	20.4%
Net provisions / Total loans	3.0%	2.0%	1.5%	1.1%	1.0%	0.9%	0.8%
Non-interest income / Total income	47.7%	60.5%	54.1%	50.1%	53.4%	54.3%	54.3%
Operating profit / Assets	2.5%	1.4%	2.2%	1.6%	2.5%	2.5%	2.6%
ROE	**7.0%**	**7.1%**	**11.7%**	**5.1%**	**13.7%**	**14.2%**	**15.1%**
ROA	**0.6%**	**0.6%**	**1.1%**	**0.5%**	**1.5%**	**1.6%**	**1.7%**

ANNUAL GROWTH RATE

	2000	2001	2002	2003 F	2004 F	2005 F	2006 F
Net profit	(24.7%)	11.1%	83.6%	(52.7%)	188.0%	18.0%	19.6%
Operating profit	(7.1%)	(36.4%)	68.3%	(28.3%)	57.7%	10.7%	16.5%
Total banking income	11.8%	(5.9%)	13.4%	(6.8%)	7.8%	6.5%	8.7%
Net interest income	0.5%	(28.9%)	31.8%	1.2%	0.7%	4.3%	8.7%
Non-interest income	27.5%	19.2%	1.4%	(13.6%)	14.8%	8.3%	8.6%
Non-interest costs	23.0%	7.8%	(1.2%)	2.9%	(7.9%)	4.2%	4.2%

CONSOLIDATED BALANCE SHEET (PLN mn)

	2000	2001	2002	2003 F	2004 F	2005 F	2006 F
Cash and Central Bank balances	898	1 316	1 389	1 161	1 224	1 285	1 350
Due from financial sector	5 381	6 461	2 699	1 079	672	882	820
Debt securities	4 612	4 022	5 890	6 139	6 446	5 802	5 512
Customer loans	9 865	10 630	12 450	13 725	15 784	18 940	22 349
Equity investments	439	438	540	493	532	564	598
Fixed assets	832	1 086	1 166	997	1 067	1 142	1 223
Other assets	562	834	778	574	603	633	665
Total assets	**22 589**	**24 788**	**24 913**	**24 169**	**26 328**	**29 249**	**32 516**
Liabilities to financial sector	2 000	1 999	2 734	1 507	1 613	1 726	1 898
Deposits	17 287	18 885	17 250	17 790	19 035	20 939	23 033
Securities	2	0	382	793	1 189	1 664	2 164
Subordinated debt	10	10	0	0	0	0	0
Other liabilities	1 242	1 740	2 023	1 521	1 585	1 649	1 715
Share equity	2 047	2 154	2 516	2 543	2 891	3 255	3 691
Share capital	730	730	730	730	730	730	730
Total equity and liabilities	**22 589**	**24 788**	**24 913**	**24 169**	**26 328**	**29 249**	**32 516**

ASSET ANALYSIS

	2000	2001	2002	2003 F	2004 F	2005 F	2006 F
Share of NPLs in total loans	18.1%	20.4%	16.8%	15.4%	13.7%	12.1%	10.3%
NPLs / Assets	8.4%	9.2%	8.7%	9.0%	8.9%	8.4%	7.6%
Provisions / NPLs	53.1%	50.5%	44.7%	45.5%	46.5%	48.2%	53.0%
Provisions / Total loans	9.6%	10.3%	7.5%	7.0%	6.4%	5.8%	5.4%
Provisions / Assets	4.5%	4.6%	3.9%	4.1%	4.1%	4.1%	4.0%
Non-provisioned NPLs / Equity	43.3%	52.4%	47.5%	48.0%	44.6%	40.1%	31.7%

BALANCE SHEET RATIOS

	2000	2001	2002	2003 F	2004 F	2005 F	2006 F
Equity /Assets	9.1%	8.7%	10.1%	10.5%	11.0%	11.1%	11.4%
Loans / Assets	43.7%	42.9%	50.0%	56.8%	59.9%	64.8%	68.7%
Deposits / Assets	76.5%	76.2%	69.2%	73.6%	72.3%	71.6%	70.8%
Loans / Deposits	57.1%	56.3%	72.2%	77.1%	82.9%	90.5%	97.0%
Growth rate of loans	3.9%	7.8%	17.1%	10.2%	15.0%	20.0%	18.0%
Growth rate of deposits	17.7%	9.2%	(8.7%)	3.1%	7.0%	10.0%	10.0%
Growth rate of assets	20.2%	9.7%	0.5%	(3.0%)	8.9%	11.1%	11.2%

Previous recommendations issued for BZ WBK

recommendation	Hold	Hold
date issued	2003-12-09	2003-09-10
price on day of recommendation	76.00	79.50
WIG on day of recommendation	20066.46	19983.97

Department of Institutional Sales and Analysis:

Tomasz Mazurczak tel. (+48 22) 697 47 35
Director
Tomasz.Mazurczak@breinwest.com.pl
Strategic analysis

Grzegorz Domagała tel. (+48 22) 697 48 03
Assistant Director
Grzegorz.Domagala@breinwest.com.pl

Sales:
Michał Skowroński tel. (+48 22) 697 49 68
Michal.Skowronski@breinwest.com.pl
Emil Onyszczuk tel. (+48 22) 697 49 63
Emil.Onyszczuk@breinwest.com.pl
Marzena Łempicka tel. (+48 22) 697 48 95
Marzena.Lempicka@breinwest.com.pl
Grzegorz Stępień tel. (+48 22) 697 48 62
Grzegorz.Stepien@breinwest.com.pl
Tomasz Roguwski tel. (+48 22) 697 48 82
Tomasz.Roguwski@breinwest.com.pl

Analysts:

Hanna Kędziora tel. (+48 22) 697 47 37
Hanna.Kedziora@breinwest.com.pl
Chemicals, pharmaceuticals, household appliances, foodstuff industry

Michał Marczak tel. (+48 22) 697 47 38
Michal.Marczak@breinwest.com.pl
Telecommunications, raw materials, metals, media

Andrzej Powierża tel. (+48 22) 697 47 42
Andrzej.Powierza@breinwest.com.pl
Banks, insurance, others

Witold Samborski tel. (+48 22) 697 47 36
Witold.Samborski@breinwest.com.pl
IT, construction, others

Przemysław Smoliński tel. (+48 22) 697 49 64
Przemyslaw.Smolinski@breinwest.com.pl
Assistant Analyst, technical analysis

List of abbreviations and ratios contained in the report.
EV *– net debt + market value (EV – economic value)*
EBIT *– Earnings Before Interest and Taxes*
EBITDA *– EBIT + Depreciation and Amortisation*
PBA *– Profit on Banking Activity*
P/CE *– price to earnings with amortisation*
MC/S *– market capitalisation to sales*
EBIT/EV *– operating profit to economic value*
P/E *– (Price/Earnings) – price divided by annual net profit per share*
ROE *– (Return on Equity) – annual net profit divided by average equity*
P/BV *– (Price/Book Value) – price divided by book value per share*
Net debt *– credits + debt papers + interest bearing loans – cash and cash equivalents*
EBITDA margin *– EBITDA/Sales*

Recommendations of BRE Bank Securities
A recommendation is valid for a period of 3-6 months, unless a subsequent recommendation is issued within this period.
BUY – we expect that the rate of return from an investment in a company's shares will be at least 15% higher than the WIG
ACCUMULATE – we expect that the rate of return from an investment in a company's shares will be 5%-15% higher than the WIG
HOLD – we expect that the rate of return from an investment in a company's shares will be within +/-5% in relation to the WIG
REDUCE – we expect that the rate of return from an investment in a company's shares will be 5%-15% lower than the WIG
SELL – we expect that the rate of return from an investment in a company's shares will be at least 15% lower in relation to the WIG

The present report expresses the knowledge as well as opinions of the authors on day the report was prepared.

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Strong and weak points of valuation methods used in recommendations:
DCF – acknowledged as the most methodologically correct method of valuation; it consists in discounting financial flows generated by a company; its weak point is the significant susceptibility to a change of forecast assumptions in the model
Multiple – based on a comparison of valuation multipliers of companies from a given sector; simple in construction, reflects the current state of the market better than DCF; weak points include substantial variability (fluctuations together with market indices) as well as difficulty in the selection of the group of comparable companies.