

18 November 2009

Update


**Banks**  
 Poland

<b>Current price</b>	<b>PLN 38.7</b>
<b>Target price</b>	<b>PLN 35.7</b>
Market cap	PLN 48.4bn*
Free float	PLN 23.6bn*
Avg daily trading volume (3M)	PLN 209.27m

incl. share allotment certificates (PDA)

**Shareholder Structure**

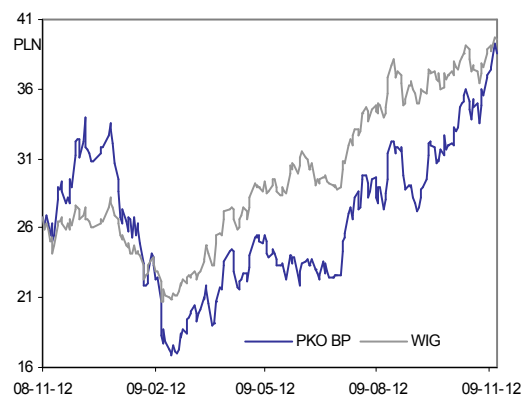
State Treasury	51.24%
Others	48.76%

**Sector Outlook**

As liquidity returns to financial markets, costs of financing decline, affecting the wholesale money market and the inclination of banks to vie for pricey deposits. Another important factor is a stronger zloty, which boosts the loans/deposits ratio, improves capital adequacy, reduces the share of F/X loans in overall portfolios and limits the future risk of mortgage write-offs (LTV). Banks are simultaneously curbing their lending business and benefiting from the expansion in deposits.

**Company Profile**

PKO BP is one of Poland's top two banks. In terms of individual volume categories, (e.g. retail loans and deposits), it remains the market leader. It is also still number one in terms of customers (over 6m retail clients compared to 4m for post-merger Pekao). At the end of Q1'09, the loans-to-deposits ratio stood at 96.5% and the capital adequacy ratio at 12.09%.

**PKO BP vs. WIG**

**Marta Jezewska**

(48 22) 697 47 37

marta.jezewska@dibre.com.pl

www.dibre.com.pl

# PKO BP

PKOB.WA; PKO.PW

## Reduce

(Downgraded)

### Increasing Growth Expectations Priced In

PKO BP's Q3 2009 earnings results reflected its stronger presence in the market of corporate banking. The bank plans to use the proceeds from the recent SPO to continue expanding its market share. We predict that PKO BP's loan portfolio will expand by nearly 10% next year, and deposits will increase 9% (the consensus estimates are 5% and 8.5% respectively). Going forward, market share expansion will be an increasing challenge in a changing competitive landscape. Many banks have recently tightened lending standards for businesses, and the resulting improved risk profile will help them gather competitive momentum. We are raising our earnings forecasts for PKO BP for the next two years by 18% (based on stronger volumes and fee income, and lower provisions). We set the new price target on the bank's shares at PLN 35.7 (raised from PLN 32/share), after factoring in raised earnings forecasts, reduced dilution of ownership, and a roll-forward of the month of fair value measurement. We give a reduce rating on the stock as we think that valuations of 16x FY10E EPS and 12x FY11E EPS already price in PKO BP's growth prospects. FY09-11 earnings CAGR is 32%.

**Q309 performance, Q409 outlook**

The third-quarter bottom line was 15% ahead of expectations, and operating income before provisions exceeded our estimate by 8%. A higher-than-expected fee income was the highlight of the third-quarter results. Loan-loss provisions were lower than predicted. In Q4 2009, we expect a seasonal increase in expenses (which are to be fueled by higher bonus allowances and higher expenses related to completed projects and end-of-year budget reviews), and an expansion in bad debt charges. For 2010, we predict an 11% increase in operating income before provisions (on higher revenues and steady costs), and a reduction in provisions thanks to slower expansion in non-performing loans.

**Dividends**

PKO BP's Q3 2009 announcement gave rise to speculation that the bank is not going to make an advance dividend payout for FY2009. Even if this is true, it has no impact on the bank's value, as the full payout will simply be made next year. We predict that the payout ratio will be two-thirds of this year's profits (ca. PLN 1.5bn). Our dividend projections for subsequent years remain unchanged (50% payout ratio in the next few years, 75% ultimately).

(PLN m)	2007	2008	2009F	2010F	2011F
Net interest income	4 647	6 127	5 050	6 005	6 579
NIM	4.4%	5.0%	3.5%	3.8%	3.8%
Income f/bank oper.	7 445	9 097	8 577	9 118	9 820
Operating income*	3 662	5 092	4 589	5 095	5 737
Pre-tax income	3 609	3 977	2 958	3 911	5 095
Net income**	2 904	3 121	2 304	3 087	4 021
ROE	26.4%	24.1%	13.5%	14.7%	17.5%
P/E	13.3	12.4	21.0**	15.7	12.0
P/BV	3.2	2.8	2.4	2.2	2.0
D/PS***	1.09	1.00	1.40	1.23	1.61
Dividend yield	2.8%	3.6%	3.6%	3.2%	4.2%

\* before provisions; \*\* annual earnings divided by 1.25 million shares; PKO BP issued 0.25m shares in October \*\*\* dividends for the fiscal year, paid out in the following year



## 2009 Third-Quarter Results

At PLN 639m, PKO BP's Q309 net income came 15% ahead of our estimate (PLN 555m), and exceeded the consensus estimate (PLN 566m). The main factors driving the bottom line in the period included a PLN 51m higher-than-expected income from banking operations, PLN 18m lower-than-expected expenses, and PLN 37m lower-than-expected loan loss provisions. Income from banking operations was chiefly supported by fee income (which exceeded our estimate of PLN 644m by PLN 57m, and beat even the highest analyst estimate of PLN 659m). Interest income also topped our estimate (PLN 1196m) and consensus (PLN 1167m), but mainly thanks to recognition in it of value-adjustment gains on derivatives (hedges) which had previously been booked under trading income. As a result of this reclassification, trading income fell far short of expectations at PLN 108m vs. PLN 252m. The capital adequacy ratio reached 10.94%, but it will increase considerably as a result of the Q409 stock offering (we predict that CAR will exceed 14.5%). Business volumes increased by ca. 3% relative to Q209 (loan volumes rose 3.7%, and deposit volumes gained 3.3%). The ratio of loans to deposits edged up from 94% in Q209 to 95% in Q309. All in all, PKO BP enjoyed strong financial performance in the third quarter of 2009, in particular in the fee-income department.

### Reported vs. forecasted results

(PLN m)	3Q09F	differ.	3Q09	change	3Q08	1-3Q09F	differ.	1-3Q09	change	1-3Q08
Net interest income	1 196	11.4%	1 332	-16.3%	1 592	3 497	3.9%	3 634	-19.4%	4 506
Net fee income	644	9.0%	701	18.0%	594	1 815	3.2%	1 873	6.0%	1 766
NIM	3.4%		3.7%		5.3%	3.3%		3.4%		5.2%
Income from banking operations	2 091	2.4%	2 142	-8.7%	2 345	6 270	0.8%	6 320	-6.4%	6 749
Operating expenses	-1 047	-1.7%	-1 029	-1.7%	-1 047	-3 122	-0.6%	-3 104	1.6%	-3 057
Operating income*	1 090	7.9%	1 177	-13.9%	1 366	3 350	2.6%	3 437	-11.4%	3 877
Provisions	-401	-9.1%	-364	44.9%	-251	-1 165	-3.1%	-1 128	163.6%	-428
Pre-tax income	694	17.3%	814	-27.1%	1 117	2 190	5.5%	2 310	-33.4%	3 469
Net income	555	15.0%	639	-29.4%	904	1 706	4.9%	1 789	-35.0%	2 753

Source: BRE Bank Securities, PKO BP

\* before provisions

A higher-than-expected interest income was largely an effect of implementation of hedge accounting as of July 1st, resulting in recognition of mark-to-market gains on derivatives in interest income instead of trading income (which displayed a huge unexpected drop). These gains boosted Q309 interest income by PLN 174m. In 2008, they were booked in trading income in their full amount, with PLN 77m booked in the first two quarters of 2009. Next year, we expect that the net interest margin (on total assets) will expand to 3.8% (taking into account the effect of hedges accounted for through interest income).

Fee income, which was the highlight of the third-quarter results, grew mainly on an account called "credit insurance and other". In our opinion, this is partly a reflection of a changed sales mix. PKO BP cross-sells loan and insurance products, meaning that an increase in one is accompanied by an increase the other (insurance fees are booked directly in fee income, not deferred like loan fees). We suspect that the bank may have intensified insurance cross-selling also for other loan products. Income from account and card management (credit accounts, bank account operations, debit and credit cards, cash payments) increased in line with expectations following revisions in account fees in Q209, and thanks to pro-active loan sales (including cash loans).

Operating expenses remained under control, and came in PLN 18m lower than we predicted. Payroll expenses were 11% higher than in Q209 (PLN 56m), and non-payroll expenses, which have been decreasing over past quarters, displayed a surprisingly strong q/q reduction of 6.5%. The increase in Q309 payroll expenses was fueled by salary raises, which in the past had been typically awarded in the second quarter. In the fourth quarter, expenses are subject to seasonal variations including higher bonus allowances and end-of-year operations.

**Cost breakdown**

(PLN m)	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09
Payroll expenses	555	604	587	683	573	523	579
Non-payroll expenses	291	353	353	441	393	356	333
Amortization & depreciation	102	106	107	114	115	114	116
<b>TOTAL</b>	<b>948</b>	<b>1 062</b>	<b>1 047</b>	<b>1 238</b>	<b>1 082</b>	<b>994</b>	<b>1 029</b>

Source: BRE Bank Securities, PKO BP

Loan-loss provisions amounted to a lower-than-expected PLN 364m (1.3% of net loans) in Q3 2009. The ratio of non-performing loans to total loans is still increasing, though at a slower pace (7.3% in Q309 vs. 3.6% in 2008 and 7.1% in Q209). We are concerned about the level of bad-debt provisioning (the ratio is down to 42% from 76% at the end of 2008), which the bank says is an effect of more stringent criteria for classifying loans as non-performing (loans that are being serviced can also be classified as NPL). The ratio of provisions to non-performing loans is expected to rise in future quarters on a modified provision structure: hedged corporate loans will make smaller, and unhedged cash loans (whose sales are growing) will make bigger, contributions to new NPLs. As for loan-loss provisions themselves, we expect them to decrease considerably in 2010.

Business volumes continued their expansion in Q309. Loans increased across all lines, with most robust growth was recorded in retail loans, home loans, and corporate loans. Corporate loans were also the main driving force behind the expanding deposit portfolio, surging over PLN 3 billion relative to Q209. The pace of other deposit lines, which expanded by a total of PLN 1 billion, could have been faster. The ratio of loans to deposits remained flat at a good level of 95%.

PKO BP's Ukrainian subsidiary Kredobank continued its streak of quarterly losses (PLN -20.3m Q309), though on a noticeably smaller scale (the 2009 first-half bottom-line loss totaled PLN 125.6m).

**Overview of quarterly results**

(PLN m)	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	Q/Q	Y/Y
Net loans	81 171	85 625	91 273	101 108	106 540	107 799	111 817	3.7%	22.5%
Deposits	90 692	92 611	95 225	102 939	110 372	114 116	117 888	3.3%	23.8%
Assets	113 805	117 788	122 103	134 636	139 388	142 259	146 579	3.0%	20.0%
Net interest income	1 427	1 487	1 592	1 621	1 193	1 108	1 332	20.2%	-16.3%
Net fee income	591	581	594	645	550	622	701	12.8%	18.0%
Trading income	80	238	159	81	356	349	108	-69.1%	-32.1%
Income from banking operations	2 098	2 306	2 345	2 348	2 099	2 080	2 142	3.0%	-8.7%
Other net operating income	64	53	68	107	46	110	64	-41.9%	-5.6%
Banking Income	2 162	2 359	2 413	2 455	2 145	2 190	2 206	0.7%	-8.6%
Operating costs, amortization and depreciation	-948	-1 062	-1 047	-1 240	-1 082	-994	-1 029	3.6%	-1.7%
Operating income before provisions	1 214	1 297	1 366	1 215	1 063	1 196	1 177	-1.6%	-13.9%
Provisions	-27	-150	-251	-702	-374	-390	-364	-6.7%	44.9%
Equity in income of associates	3	13	2	-4	5	-6	2	-131.1%	-27.3%
Pre-tax income	1 190	1 161	1 117	509	695	800	814	1.8%	-27.1%
Tax	-230	-258	-208	-142	-152	-183	-172	-6.2%	-17.2%
Minority interests	-9	-6	-5	1	-2	-7	-4	-45.2%	-26.9%
Net income	952	897	904	368	541	610	639	4.7%	-29.4%

Source: BRE Bank Securities, PKO BP



## Valuation

### Discounted Dividend Analysis

We based our valuation on the Gordon model formula:  $P/BV = (ROE - g) / (COE - g)$ , which we used to estimate the implied Price-to-Book multiple. The P/BV ratio depends on our assumed ROE (return on equity), COE (cost of equity), which is the sum of the risk-free rate and the risk premium entailed in the purchase of the bank's shares, and a long-term growth rate (g). Our earnings forecast horizon ends in FY2018. Long-term ROE is the ROE we expect the bank to reach in the last forecast year (2018).

#### Dividends

We learned that PKO BP is not going to pay advance dividends this year, contrary to what was suggested by earlier amendments made in the bank's Articles to facilitate such a payout. Since the advance payment was going to be small, and since it will be a part of a larger payout next year, its cancellation has no impact on PKO BP's value. We predict that the bank will distribute about PLN 1.5 billion (66%) out of FY2009 profits as dividends.

The payout ratios through FY2012 are expected to hover around 50% of annual profits. In a longer term, we expect dividend payments to increase to 75% of profits.

#### Cost of Equity

The risk-free-rate is equal to the yield on 10Y T-bonds prevailing on the date of valuation (6.11% as of 16 November 2009). The assumed risk premium is an unchanged 5%, and the beta for each of the banks in our coverage universe is 1.

The resulting COE is 11.11%.

**Discounted Dividend Model**

(PLN / share)	2009F	2010F	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	+
Risk-free rate	6.11%	6.11%	6.11%	6.11%	6.11%	6.11%	6.11%	6.11%	6.11%	6.11%	
Risk premium	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	
Beta	1	1	1	1	1	1	1	1	1	1	
Cost of equity	11.11%	11.11%	11.11%	11.11%	11.11%	11.11%	11.11%	11.11%	11.11%	11.11%	
EPS	1.8	2.5	3.2	3.5	3.9	4.1	4.4	4.6	4.8	4.9	
Pct. y/y change in EPS	-40.9%	34.0%	30.3%	9.8%	9.2%	7.5%	6.0%	4.7%	3.7%	3.4%	
BVPS	16.1	17.4	19.4	21.3	23.4	25.4	27.3	29.0	30.6	32.0	
Pct. y/y change in BVPS	15.6%	7.8%	11.4%	9.9%	9.8%	8.7%	7.5%	6.4%	5.3%	4.4%	
ROE	13.5%	14.7%	17.5%	17.4%	17.3%	17.0%	16.7%	16.3%	16.0%	15.8%	
Long-term ROE											15.8%
Growth rate											4.0%
Implied P/BV											1.66
Equity at year-end 2017											53.0
Equity at year-end 2016											47.7
Equity at year-end 2015											42.9
Equity at year-end 2014											38.6
Equity at year-end 2013											34.8
Equity at year-end 2012											31.3
Equity at year-end 2011											28.2
Equity at year-end 2010											25.3
Equity at year-end 2009											22.8
Equity at year-end 2008											20.5
Equity at year-end 2007											18.5
DPS	1.22	1.23	1.61	1.77	2.12	2.49	2.86	3.22	3.58	3.69	
DPS/EPS	66.0%	50.0%	50.0%	50.0%	55.0%	60.0%	65.0%	70.0%	75.0%	74.7%	
Discounted DPS	1.01	0.92	1.08	1.07	1.16	1.22	1.26	1.28	1.28	1.21	
Total discounted DPS											11.50
FV at November 2009											33.0
9MTP											35.7
current price											38.70
upside / downside potential											-7.7%

Source: BRE Bank Securities

\* risk-free rate = 10Y Treasury yield as of 16 November 2009

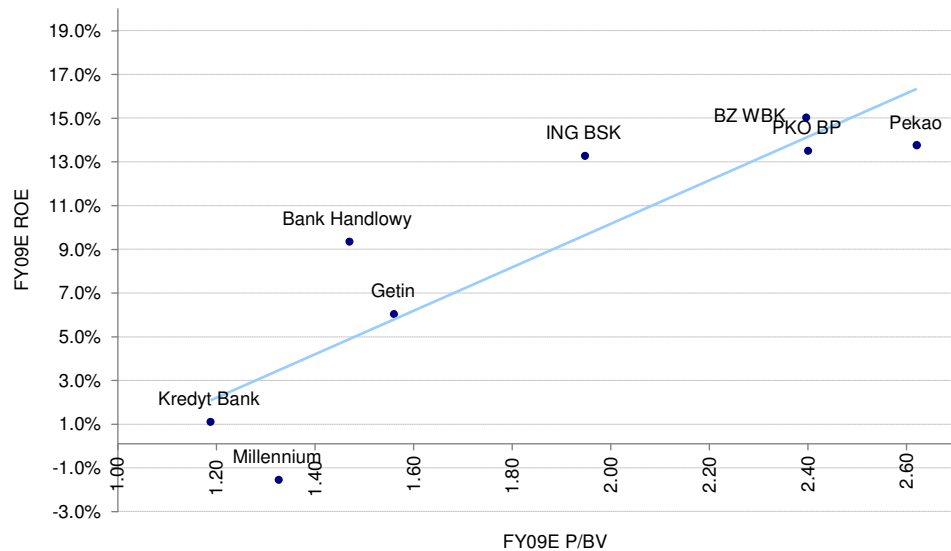


Overview of bank earnings

	price	P/BV			P/E			PBV/ROE		
		2009F	2010F	2011F	2009F	2010F	2011F	2009F	2010F	2011F
<b>BZ WBK</b>	<b>189.1</b>	<b>2.4</b>	<b>2.1</b>	<b>1.8</b>	<b>17.1</b>	<b>15.1</b>	<b>10.7</b>	<b>15.9</b>	<b>14.1</b>	<b>10.0</b>
<i>discount/premium to median</i>		53.6%	44.4%	30.6%	0.0%	0.0%	2.1%	0.0%	-5.1%	2.2%
<i>discount/premium to average</i>		32.6%	25.7%	22.4%	1.8%	-13.1%	4.0%	0.1%	-15.8%	2.6%
<b>Getin</b>	<b>8.38</b>	<b>1.6</b>	<b>1.4</b>	<b>1.2</b>	<b>26.6</b>	<b>13.3</b>	<b>7.6</b>	<b>25.8</b>	<b>12.6</b>	<b>7.0</b>
<i>discount/premium to median</i>		0.0%	-2.5%	-13.7%	55.2%	-11.8%	-27.4%	62.0%	-14.9%	-28.0%
<i>discount/premium to average</i>		-13.7%	-15.1%	-19.1%	58.1%	-23.3%	-26.1%	62.1%	-24.4%	-27.8%
<b>B. Handlowy</b>	<b>69.5</b>	<b>1.5</b>	<b>1.4</b>	<b>1.4</b>	<b>16.5</b>	<b>15.0</b>	<b>11.5</b>	<b>15.7</b>	<b>14.8</b>	<b>11.3</b>
<i>discount/premium to median</i>		-5.8%	0.0%	0.0%	-4.0%	-0.6%	10.0%	-1.4%	0.0%	15.6%
<i>discount/premium to average</i>		-18.7%	-12.9%	-6.3%	-2.3%	-13.6%	12.1%	-1.3%	-11.2%	16.0%
<b>ING BSK</b>	<b>722.0</b>	<b>1.9</b>	<b>1.7</b>	<b>1.5</b>	<b>15.6</b>	<b>13.9</b>	<b>10.5</b>	<b>14.7</b>	<b>13.0</b>	<b>9.8</b>
<i>discount/premium to median</i>		24.8%	19.3%	7.5%	-8.7%	-8.0%	0.0%	-8.0%	-12.1%	0.0%
<i>discount/premium to average</i>		7.8%	3.8%	0.7%	-7.1%	-20.0%	1.9%	-7.9%	-21.9%	0.3%
<b>Kredyt Bank</b>	<b>11.7</b>	<b>1.2</b>	<b>1.1</b>	<b>1.0</b>	<b>108.1</b>	<b>27.4</b>	<b>8.5</b>	<b>107.5</b>	<b>26.8</b>	<b>8.0</b>
<i>discount/premium to median</i>		-23.8%	-20.5%	-26.5%	530.4%	81.4%	-18.9%	574.1%	81.0%	-17.9%
<i>discount/premium to average</i>		-34.3%	-30.8%	-31.1%	542.0%	57.7%	-17.3%	574.7%	60.7%	-17.6%
<b>MILLENNIUM</b>	<b>4.33</b>	<b>1.3</b>	<b>1.3</b>	<b>1.1</b>	<b>-85.2</b>	<b>24.0</b>	<b>8.8</b>	<b>-85.9</b>	<b>23.4</b>	<b>8.3</b>
<i>discount/premium to median</i>		-15.0%	-12.2%	-19.5%	-597.2%	58.8%	-15.7%	-638.8%	57.6%	-15.0%
<i>discount/premium to average</i>		-26.6%	-23.6%	-24.5%	-606.3%	38.1%	-14.1%	-639.2%	39.9%	-14.7%
<b>PEKAO</b>	<b>183.00</b>	<b>2.6</b>	<b>2.4</b>	<b>2.3</b>	<b>20.4</b>	<b>16.4</b>	<b>14.2</b>	<b>19.0</b>	<b>15.8</b>	<b>13.7</b>
<i>discount/premium to median</i>		68.0%	71.1%	67.8%	18.8%	8.3%	35.0%	19.4%	6.8%	40.6%
<i>discount/premium to average</i>		45.0%	48.9%	57.3%	20.9%	-5.8%	37.6%	19.5%	-5.2%	41.0%
<b>Median</b>		<b>1.6</b>	<b>1.4</b>	<b>1.4</b>	<b>17.1</b>	<b>15.1</b>	<b>10.5</b>	<b>15.9</b>	<b>14.8</b>	<b>9.8</b>
<b>Average</b>		<b>1.8</b>	<b>1.6</b>	<b>1.5</b>	<b>16.8</b>	<b>17.4</b>	<b>10.3</b>	<b>15.9</b>	<b>16.7</b>	<b>9.7</b>
<b>PKO BP</b>	<b>38.70</b>	<b>2.4</b>	<b>2.2</b>	<b>2.0</b>	<b>21.0</b>	<b>15.7</b>	<b>12.0</b>	<b>17.8</b>	<b>15.1</b>	<b>11.4</b>
<i>discount/premium to median</i>		53.8%	55.5%	46.3%	22.5%	3.8%	14.7%	11.4%	2.0%	17.1%
<i>discount/premium to average</i>		32.8%	35.4%	37.1%	24.7%	-9.7%	16.9%	11.5%	-9.5%	17.4%

Source: BRE Bank Securities

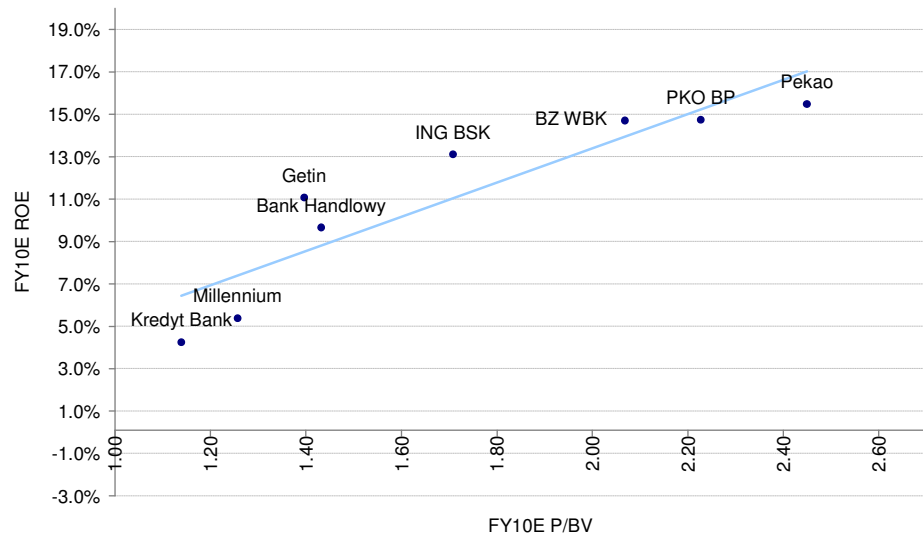
FY09E ROE vs. P/BV



Source: BRE Bank Securities



### FY10E ROE vs. P/BV



Source: BRE Bank Securities

**INCOME STATEMENT**

(PLN m)	2007	2008	2009F	2010F	2011F	2012F
Net interest income	4 647	6 127	5 050	6 005	6 579	7 128
Non-interest income	2 798	2 969	3 527	3 113	3 241	3 362
Net fee income	2 332	2 412	2 593	2 693	2 813	2 935
Trading income	466	558	934	420	428	428
Income from banking operations	7 445	9 097	8 577	9 118	9 820	10 490
Other net operating income	258	292	290	300	300	300
Total banking income	7 702	9 388	8 868	9 418	10 121	10 790
Non-interest expenses	-4 041	-4 296	-4 279	-4 323	-4 384	-4 503
Payroll expenses	-2 289	-2 429	-2 330	-2 317	-2 320	-2 375
Amortization & depreciation	-382	-430	-462	-474	-471	-471
Other expenses	-1 370	-1 437	-1 487	-1 532	-1 593	-1 657
Operating income before provisions	3 662	5 092	4 589	5 095	5 737	6 287
Provisions	-57	-1 130	-1 631	-1 184	-642	-694
Equity in income of associates	4	16	0	0	0	0
Pre-tax income	3 609	3 977	2 958	3 911	5 095	5 593
Tax	-668	-838	-631	-824	-1 074	-1 179
Minority interests	-38	-19	-23	0	0	0
Net income	2 904	3 121	2 304	3 087	4 021	4 414
Dividends paid	1 090	1 000	1 520	1 543	2 011	2 207

**CORE RATIOS**

Net interest margin (total assets)	4.4%	5.0%	3.5%	3.8%	3.8%	3.8%
Net interest margin (interest-bearing assets)	4.7%	5.4%	3.8%	4.0%	4.1%	4.0%
Interest spread	4.5%	5.1%	3.4%	3.6%	3.7%	3.6%
Costs / Income	52.5%	45.8%	48.3%	45.9%	43.3%	41.7%
Costs / Assets	3.8%	3.2%	2.8%	2.6%	2.4%	2.3%
Personnel costs / Income	29.7%	25.9%	26.3%	24.6%	22.9%	22.0%
Provisions / Operating income	-1.5%	-22.2%	-35.5%	-23.2%	-11.2%	-11.0%
Provisions / Loans	-0.1%	-1.3%	-1.5%	-1.0%	-0.5%	-0.5%
Non-interest income / Total income	39.7%	34.7%	43.1%	36.2%	35.0%	33.9%
Operating income / Assets	3.5%	4.2%	3.2%	3.2%	3.3%	3.4%
ROE	26.4%	24.1%	13.5%	14.7%	17.5%	17.4%
ROA	2.8%	2.6%	1.6%	2.0%	2.3%	2.4%

**ANNUAL GROWTH RATE**

Net income	35.1%	7.5%	-26.2%	34.0%	30.3%	9.8%
Operating income before provisions	35.3%	39.1%	-9.9%	11.0%	12.6%	9.6%
Total banking income	18.2%	21.9%	-5.5%	6.2%	7.5%	6.6%
Net interest income	21.3%	31.9%	-17.6%	18.9%	9.6%	8.3%
Non-interest income	13.8%	6.7%	17.1%	-10.6%	3.7%	3.4%
Non-interest expense	6.0%	6.3%	-0.4%	1.0%	1.4%	2.7%

**BALANCE SHEET**

(PLN m)	2007	2008	2009F	2010F	2011F	2012F
Cash and central bank balances	4 683	5 837	6 005	5 548	8 075	8 546
Receivables from financial institutions	5 261	3 364	6 672	6 165	8 973	9 496
Debt securities	15 202	14 572	16 925	18 608	19 908	21 759
Loans	76 417	101 108	112 834	124 057	132 720	145 058
Equity investments	1 767	3 940	3 229	3 550	3 798	4 151
Fixed assets	4 004	4 317	4 254	4 367	4 340	4 340
Other assets	1 204	1 499	1 256	1 381	1 477	1 615
<b>Total assets</b>	<b>108 538</b>	<b>134 636</b>	<b>151 176</b>	<b>163 676</b>	<b>179 291</b>	<b>194 965</b>
Liabilities to financial institutions	4 704	6 991	5 829	6 351	6 978	7 617
Deposits	86 580	102 939	116 581	127 017	139 556	152 332
Securities outstanding	179	212	190	190	190	190
Subordinated debt	1 615	1 619	1 619	1 619	1 619	1 619
Other debt	3 481	8 877	6 748	6 716	6 682	6 532
Equity	11 921	13 952	20 155	21 722	24 200	26 603
Share capital	1 000	1 000	1 000	1 000	1 000	1 000
<b>Total liabilities</b>	<b>108 538</b>	<b>134 636</b>	<b>151 176</b>	<b>163 676</b>	<b>179 291</b>	<b>194 965</b>

NPL / Loans	3.6%	4.2%	7.4%	9.0%	9.0%	9.0%
NPL / Assets	2.6%	3.1%	5.6%	6.9%	6.8%	6.8%
Provisions / NPL	86.2%	69.3%	46.9%	45.2%	47.5%	48.7%
Provisions / Loans	3.1%	2.9%	3.5%	4.1%	4.3%	4.4%
Provisions / Assets	2.2%	2.2%	2.6%	3.1%	3.2%	3.3%

**ASSET ANALYSIS**

Equity / Assets	11%	10%	13%	13%	13%	14%
Loans / Assets	70%	75%	75%	76%	74%	74%
Deposits / Assets	80%	76%	77%	78%	78%	78%
Loans / Deposits	88%	98%	97%	98%	95%	95%
Loan CAGR	30%	32%	12%	10%	7%	9%
Deposit CAGR	4%	19%	13%	9%	10%	9%
Asset CAGR	6%	24%	12%	8%	10%	9%



Michał Marczak tel. (+48 22) 697 47 38  
Managing Director  
Head of Research  
[michal.marczak@dibre.com.pl](mailto:michal.marczak@dibre.com.pl)  
Strategy, Telco, Mining, Metals, Media

**Research Department:**

Marta Jeżewska tel. (+48 22) 697 47 37  
Deputy Director  
[marta.jezewska@dibre.com.pl](mailto:marta.jezewska@dibre.com.pl)  
Banks

**Analysts:**

Kamil Kliszcz tel. (+48 22) 697 47 06  
[kamil.kliszcz@dibre.com.pl](mailto:kamil.kliszcz@dibre.com.pl)  
Fuels, Chemicals, Retail

Piotr Grzybowski tel. (+48 22) 697 47 17  
[piotr.grzybowski@dibre.com.pl](mailto:piotr.grzybowski@dibre.com.pl)  
IT, Media

Maciej Stokłosa tel. (+48 22) 697 47 41  
[maciej.stoklosa@dibre.com.pl](mailto:maciej.stoklosa@dibre.com.pl)  
Construction, Real-Estate Developers

Jakub Szkopek tel. (+48 22) 697 47 40  
[jakub.szkopek@dibre.com.pl](mailto:jakub.szkopek@dibre.com.pl)  
Manufacturers

**Sales and Trading:**

Piotr Dudziński tel. (+48 22) 697 48 22  
Director  
[piotr.dudzinski@dibre.com.pl](mailto:piotr.dudzinski@dibre.com.pl)

Marzena Łempicka-Wilim tel. (+48 22) 697 48 95  
Deputy Director  
[marzena.lempicka@dibre.com.pl](mailto:marzena.lempicka@dibre.com.pl)

**Traders:**

Emil Onyszczyk tel. (+48 22) 697 49 63  
[emil.onyszczyk@dibre.com.pl](mailto:emil.onyszczyk@dibre.com.pl)

Grzegorz Stępien tel. (+48 22) 697 48 62  
[grzegorz.stepien@dibre.com.pl](mailto:grzegorz.stepien@dibre.com.pl)

Tomasz Dudź tel. (+48 22) 697 49 68  
[tomasz.dudz@dibre.com.pl](mailto:tomasz.dudz@dibre.com.pl)

Michał Jakubowski tel. (+48 22) 697 47 44  
[michal.jakubowski@dibre.com.pl](mailto:michal.jakubowski@dibre.com.pl)

Tomasz Jakubiec tel. (+48 22) 697 47 31  
[tomasz.jakubiec@dibre.com.pl](mailto:tomasz.jakubiec@dibre.com.pl)

Grzegorz Strublewski tel. (+48 22) 697 48 76  
[grzegorz.strublewski@dibre.com.pl](mailto:grzegorz.strublewski@dibre.com.pl)

**"Private Broker"**

Jacek Szczepański tel. (+48 22) 697 48 26  
Director  
[jacek.szczepanski@dibre.com.pl](mailto:jacek.szczepanski@dibre.com.pl)

Paweł Szczepanik tel. (+48 22) 697 49 47  
Sales  
[pawel.szczepanik@dibre.com.pl](mailto:pawel.szczepanik@dibre.com.pl)

Dom Inwestycyjny  
BRE Banku S.A.  
ul. Wspólna 47/49  
00-950 Warszawa  
[www.dibre.com.pl](http://www.dibre.com.pl)

**List of abbreviations and ratios contained in the report:****EV** – net debt + market value**EBIT** – Earnings Before Interest and Taxes**EBITDA** – EBIT + Depreciation and Amortisation**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**

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Recommendations are updated at least once every nine months.

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**Previous recommendations issued for PKO BP**

Rating	Buy	Accumulate	Accumulate	Accumulate	Hold	Hold
Rating day	2009-03-05	2009-05-06	2009-05-19	2009-06-09	2009-08-05	2009-08-24
Price on rating day	20.65	28.40	26.97	25.25	32.60	34.99
WIG on rating day	22719.61	29777.06	29893.31	30835.06	35363.92	37915.39