

Getin Noble Bank

Is client base GNB's Achilles' heel?

We downgrade GNB from Neutral to SELL with a new FV of PLN 2.0 (was PLN 3.2). We lower our 2014-2016 pretax income forecasts by 30%/46%/37% respectively due to lower expected balance sheet growth as GNB solvency's is tight, more conservative assumptions on the repricing of deposits following a disappointing 2Q14 and a strong negative impact of lower interest rates (esp. Lombard rate). While we see the direction of balance sheet changes as right, we believe it will be a drawn-out process. In our opinion GNB is learning the hard way that banking is a balance sheet rather than transactional business. In this note we work under the assumption that GNB will not be able to reprice its deposits because of its fickle deposit client base and note our 2015E/2016E net income forecasts are 25%/33% below BBG consensus.

Client loyalty is Achilles' feet – clients follow the higher rates.

Owing to the nature of its client base, we are concerned that GNB will not be able to bring its average deposit prices much closer to the average rate offered in Poland (in 2Q14 on average GNB paid 3.52% for deposits, whereas the average rate in Poland was 2.52%). Our perception is that GNB's deposit rates are not attractive enough for retail clients to save more money with GNB and because generally rates are at low levels so clients are less likely to move. If there is little interest from new clients, GNB will be forced to keep offering high rates to lessen churn back to their primary bank (GNB tends to be second choice for deposits for most clients).

NIM-wise we highlight the positive trend in current retail deposits, which were PLN 3.6bn in 2009, PLN 2.7bn in 2012, PLN 5.9bn in 2013 and PLN 5.6bn in 1H14. We estimate every new PLN 1.0bn of current retail deposits saves GNB c. PLN 30m annually, however it requires an initial investment to acquire new clients (e.g. promotional deposits) and then further efforts to keep clients on board.

Capital position and need to control deposit prices should keep balance sheet growth low

With a 2Q14 Core Tier 1 of 8.9% GNB was below the 9% minimum level required by the PFSA. Consequently it has limited ability to either increase RWA or pay a dividend. Therefore we expect GNB to limit sales of large ticket corporate loans and keep decreasing sales of mortgages so that the more profitable retail, car and leasing business is not affected.

We note that in Jul'14 GNB announced its 2014-2016 dividend policy, assuming a pay-out of no more than 50% of annual net income and indicated the potential to pay PLN 120-220m in 2015 (DY of 1.5%-2.7%), PLN 180-300m in 2016 (DY of 2.2%-3.7%). For 2015 we in fact see more of a risk of a capital increase materializing than a dividend owing to the low core tier ratio.

Lower Lombard rate could remove PLN 120m from interest revenue

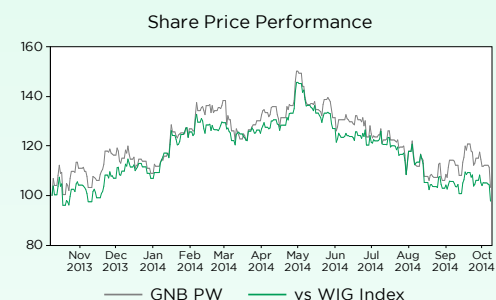
GNB has PLN 3.9bn of consumer loans on its balance sheet. We estimate most need to be repriced down by up to 4% at the beginning of 4Q14 when the MPC cut the Lombard rate to 3% and limited the max rate on retail loans to 12% (vs 16% before).

SELL 21% downside
Fair Value PLN 2.00

Bloomberg ticker **GNB PW**
Share Price PLN 2.52
Market Capitalisation PLN 6,678.36m
Free Float 44%

PLN m Y/E 31-Dec	2012A	2013A	2014E	2015E
Net Income (adjusted)	287.4	272.4	378.0	392.2
Net Income (reported)	371.1	399.7	526.9	485.1
Shareholders' Equity	4718.7	4775.1	5343.6	5810.7
Total Assets (PLN bn)	58.8	63.6	66.8	67.5
Net Interest Margin (NIM, %)	2.30%	2.21%	2.36%	2.22%
Loss Provisions/ avg. Loans (%)	2.27%	1.35%	1.32%	1.23%
CAR (%)	12.2%	12.4%	12.8%	12.7%
Core Tier 1 ratio (%)	9.9%	9.0%	9.2%	9.2%

Y/E 31-Dec	2012A	2013A	2014E	2015E
P/E (adjusted) (x)	16.5	26.0	17.7	17.0
P/E (reported) (x)	12.8	17.7	12.7	13.8
P/TBV (reported) (x)	1.0	1.5	1.3	1.2
ROE (adjusted) (%)	6.5%	5.7%	7.5%	7.0%
DY (%)	0.0%	0.0%	0.0%	0.0%
DPS (PLN)	0.00	0.00	0.00	0.00
EPS (adjusted) (PLN)	0.11	0.10	0.14	0.15
BVPS / share (PLN)	1.78	1.80	2.02	2.19



All share price data as at close on 9-Oct-2014

Source: BESI Research, Company Data, Bloomberg

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SUMMARY FINANCIAL INFORMATION

Getin Noble Bank

Rating	SELL
Fair Value:	2.00
Share Price (9 Oct. 2014, PLN):	2.52
Upside / Downside potential	-21%
Previous Fair Value	3.20
Change to current Fair Value	-38%
Bloomberg	GNB PW
Reuters	GNB.WA

Shares in Issue (m)	2,650
Market Cap (PLN m)	6,678
Free Float (%)	44.0%
BV 2014E (PLN m)	5,344
BVPS 2014E (PLN)	2.02
EPS 2014E (PLN)	0.14
DPS from 2013 NI (PLN)	0.00

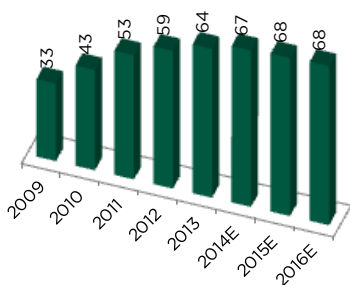
Forthcoming Catalysts

3Q14 financial report	14/Nov/14
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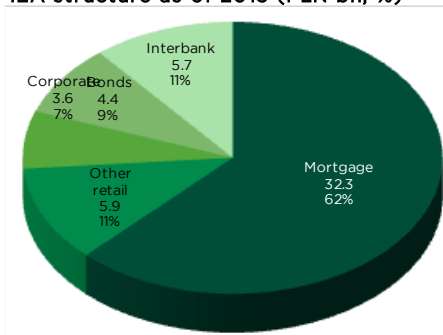
ES Equity Research Analysts

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Total assets (PLN bn)



IEA structure as of 2013 (PLN bn, %)



Valuation Metrics (Year end Dec)	2010	2011	2012	2013	2014E	2015E	2016E
P/E (adjusted) (x)	8.0x	11.8x	16.5x	26.0x	17.7x	17.0x	13.1x
P/E (reported) (x)	8.0x	3.8x	12.8x	17.7x	12.7x	13.8x	13.1x
P/BV (adjusted) (x)	1.2x	0.9x	1.0x	1.5x	1.3x	1.2x	1.1x
P/BV (reported) (x)	1.1x	0.9x	1.0x	1.5x	1.2x	1.1x	1.1x
ROE (adjusted) (%)	14.6%	8.4%	6.5%	5.7%	7.5%	7.0%	8.4%
ROE (reported) (%)	14.6%	25.8%	8.5%	8.4%	10.4%	8.7%	8.4%
Dividend Yield (%)	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EPS (adjusted) (PLN)	0.19	0.13	0.11	0.10	0.14	0.15	0.19
DPS (from previous year) (PLN)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BVPS (PLN)	1.4	1.7	1.8	1.8	2.0	2.2	2.4

Key Ratios (%)	2010	2011	2012	2013	2014E	2015E	2016E
Net Interest Margin (NIM)	2.86%	2.87%	2.30%	2.21%	2.36%	2.22%	2.34%
Provisions/ avg. cust. loans	3.50%	3.18%	2.27%	1.35%	1.32%	1.23%	1.29%
NPLs/customer loans eop	8.0%	10.7%	12.8%	13.9%	14.1%	14.2%	14.6%
Coverage ratio (%)	71%	68%	67%	65%	63%	69%	76%
Cost income ratio	32%	35%	39%	48%	46%	47%	44%
Loan to deposit	92%	90%	87%	91%	90%	90%	90%
Tier 1 ratio	9.9%	9.4%	9.9%	9.0%	9.2%	9.2%	9.2%
CAR	9.9%	9.9%	12.2%	12.4%	12.8%	12.7%	12.7%

P&L Summary (PLN m)	2010	2011	2012	2013	2014E	2015E	2016E
Net Interest Income	1,052	1,344	1,248	1,298	1,481	1,439	1,533
Fees & Commissions	962	869	769	419	433	450	514
Trading Income	219	199	120	124	143	140	172
Total Revenue	2,258	2,405	2,144	1,844	2,046	2,046	2,235
Operating Expenses	733	833	834	880	943	952	973
Operating Income	1,525	1,572	1,310	964	1,103	1,094	1,262
Net Loan Loss Provisions	1,057	1,208	975	624	637	603	633
Pre-tax Profit	467	1,086	456	388	471	490	629
Net Attributable Income (reported)	450	950	371	400	527	485	510
Net Attributable Income (adjusted)	450	307	287	272	378	392	510

DuPont analysis (%)	2010	2011	2012	2013	2014E	2015E	2016E
NII / assets	2.77%	2.80%	2.23%	2.12%	2.27%	2.14%	2.26%
CoR / assets	-2.79%	-2.52%	-1.74%	-1.02%	-0.98%	-0.90%	-0.93%
F&C / assets	2.53%	1.81%	1.37%	0.68%	0.66%	0.67%	0.76%
Other rev / assets	0.64%	0.57%	0.29%	0.08%	-0.02%	0.23%	0.28%
Costs / assets	-1.93%	-1.74%	-1.49%	-1.44%	-1.45%	-1.42%	-1.44%
Tax & minorities / assets	-0.04%	-0.28%	-0.15%	0.02%	0.09%	-0.01%	-0.18%
ROA	1.19%	0.64%	0.51%	0.44%	0.58%	0.72%	0.75%
Leverage (x)	12.3x	13.0x	12.8x	12.9x	12.9x	12.0x	11.2x
ROE	14.6%	8.4%	6.5%	5.7%	7.5%	8.7%	8.4%

Balance Sheet Summary (PLN bn)	2010	2011	2012	2013	2014E	2015E	2016E
Total Asset	42.8	53.1	58.8	63.6	66.8	67.5	67.9
Customer loans	34.2	41.8	44.2	48.0	48.9	49.1	49.0
Securities portfolio	2.8	4.4	7.2	9.0	10.0	10.5	11.0
Customer deposits	37.1	46.7	51.0	52.9	54.3	54.6	54.5
Shareholders' Equity	3.3	4.1	4.7	4.8	5.3	5.8	6.3
Mortgage loans - net	25.8	32.3	33.1	33.8	32.8	31.4	30.1
Other retail loans - net	6.0	5.9	6.5	6.8	7.4	8.3	8.8
Corporate loans - net	2.4	3.6	4.7	7.4	8.7	9.4	10.2

Growth rates (%)	2010	2011	2012	2013	2014E	2015E	2016E
Net Attributable Income (adjusted)	46%	-32%	-6%	-5%	39%	4%	30%
Shareholders' Equity	14%	23%	16%	1%	12%	9%	9%
Total Asset	29%	24%	11%	8%	5%	1%	1%
Total Revenue	30%	7%	-11%	-14%	11%	0%	9%
Operating Expenses	17%	14%	0%	6%	7%	1%	2%
Net Loan Loss Provisions	33%	14%	-19%	-36%	2%	-5%	5%
NPLs	75%	46%	14%	10%	3%	4%	2%

Source: BESI Research for estimates, Company data, Bloomberg.

3Q14 preview

GNB (PLN m)	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14E	4Q14E	QoQ	YoY	9M12	9M13	9M14E	YoY	2010	2011	2012	2013	2014E	YoY	YoY change
Net Interest Income	317.7	322.1	311.1	346.9	363.7	364.5	380.8	372.5	4%	22%	994	951	1,109	17%	1,052	1,344	1,248	1,298	1,481	14%	184
Fees & commissions	96.9	93.9	112.4	116.0	112.8	106.6	102.6	102.6	-4%	-9%	626	303	322	6%	962	869	769	419	425	1%	5
Trading Income	26.8	47.1	18.9	31.3	22.4	60.2	30.0	30.0	-50%	59%	23	93	113	22%	219	199	214	124	143	15%	19
Other Net	14.7	-11.0	5.7	-6.5	0.9	-20.7	4.0	4.0	-119%	-30%	0	10	-16	-266%	24	-7	7	3	-12	-497%	-15
Total Revenue	456.1	452.0	448.2	487.7	499.8	510.6	517.3	509.0	1%	15%	1,644	1,356	1,528	13%	2,258	2,405	2,144	1,844	2,037	10%	193
Personnel Costs	89.4	95.2	95.5	98.0	98.1	106.5	100.0	100.0	-6%	5%	273	280	305	9%	297	351	364	378	405	7%	26
General Expenses	101.6	104.5	106.2	115.7	115.9	114.6	115.0	120.0	0%	8%	303	312	346	11%	382	422	406	428	466	9%	38
Depreciation and Amortisation	17.2	17.2	19.2	20.2	20.7	16.2	18.0	18.0	11%	-6%	47	54	55	2%	54	60	64	74	73	-1%	-1
Operating Expenses	208.3	217.0	220.9	233.9	234.7	237.3	233.0	238.0	-2%	5%	623	646	705	9%	733	833	834	880	943	7%	63
Operating Income	247.8	235.1	227.3	253.8	265.1	273.2	284.3	271.0	4%	25%	1,021	710	823	16%	1,525	1,572	1,310	964	1,094	13%	130
Net Loan Loss Provisions	197.6	143.1	131.6	152.1	157.1	163.3	163.3	153.5	0%	24%	762	472	484	2%	1,057	1,208	975	624	637	2%	13
Associate income	-3.2	1.5	4.9	1.9	0.5	5.1	0.0	0.0			13	3	6	73%	-1	10	27	5	6	10%	1
Others	21.5	21.9	0.0	0.0	0.0	0.0	0.0	0.0			94	43	0	-100%	0	713	94	43	0	-100%	-43
Pre-tax Profit	68.6	115.3	100.6	103.5	108.5	115.0	121.1	117.5	5%	20%	367	284	345	21%	467	1,086	456	388	462	19%	74
Corporate Income Tax	18.1	15.1	11.4	-59.0	-21.7	-20.9	-5.8	-7.7	-72%	-151%	53	45	-48	-209%	7	137	70	-14	-56	287%	-42
Net Income	50.5	100.2	89.2	162.6	130.2	136.0	126.9	125.2	-7%	42%	314	240	393	64%	460	950	386	402	518	29%	116
Minority interests	0.2	0.2	0.1	2.3	0.1	0.1	0.0	0.0			4	0	0	-54%	10	0	15	3	0	-93%	-3
Net Attributable Income (stated)	50.3	100.0	89.1	160.2	130.1	135.9	126.9	125.2	-7%	42%	310	240	393	64%	450	950	371	400	518	30%	118
Net Attributable Income (excl. one-offs)	28.8	78.2	89.1	76.2	86.8	92.0	96.9	94.0	5%	9%	227	196	276	41%	450	307	287	272	370	36%	97
Group Balance Sheet Figures																					
PLN m	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14E	4Q14E	QoQ	YoY	9M12	9M13	9M14E	YoY	2010	2011	2012	2013	2014E	YoY	
Net client lending	45.4	47.4	47.8	48.0	48.4	48.8	48.8	48.9	0%	2%	43.7	47.8	48.8	2%	34.2	41.8	44.2	48.0	48.9	2%	
Bonds	7.3	9.6	10.4	8.9	11.2	10.7	9.8	10.0	-8%	-6%	5.7	10.4	9.8	-6%	2.8	4.4	7.2	8.9	10.0	13%	
Customer deposits	49.9	52.1	53.0	51.5	54.4	54.4	52.2	52.2	-4%	-2%	49.7	53.0	52.2	-2%	37.0	46.3	50.2	51.5	52.2	1%	
Total assets	59.8	63.3	64.9	63.6	67.5	68.3	66.5	66.8	-3%	2%	57.4	64.9	66.5	2%	42.8	53.5	58.8	63.6	66.8	5%	
Equity ex minorities	4.8	4.8	4.8	4.8	4.9	5.1	5.2	5.3	3%	9%	4.4	4.8	5.2	9%	3.3	4.1	4.7	4.8	5.3	12%	
Group Key Ratios																					
1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14E	4Q14E	QoQ	YoY	9M12	9M13	9M14E	YoY	2010	2011	2012	2013	2014E	YoY		
Net Interest Margin	2.23%	2.17%	2.01%	2.25%	2.32%	2.24%	2.34%	2.31%	10 bps	33 bps	2.48%	2.13%	2.36%	23 bps	2.79%	2.87%	2.30%	2.21%	2.36%	15 bps	
Cost to Income	46%	48%	49%	48%	47%	46%	45%	47%	-1.4 pp	-4.2 pp	38%	48%	46%	-1.5 pp	32%	35%	39%	48%	46%	-1.4 pp	
Cost of risk [bps]	176	123	111	127	130	134	134	126	-1 bps	23 bps	237	137	133	-3 bps	346	318	227	135	132	-4 bps	
Loans to deposits ratio	91%	91%	90%	93%	89%	90%	93%	94%	3.5 pp	3.2 pp	88%	90%	93%	3.2 pp	92%	90%	88%	93%	94%	0.5 pp	
ROE (excl. one-offs)	2.4%	6.6%	7.5%	6.4%	7.2%	7.4%	7.5%	7.1%	0.2 pp	0.1 pp	7.2%	5.5%	7.4%	1.9 pp	13.7%	8.4%	6.5%	5.7%	7.3%	1.6 pp	

Source: Company data, , BESI Research for estimates.

Forecast changes

We have materially cut our expectations for GNB's 2014-2016 pretax income by 30%/46%/37% respectively due to lower expected balance sheet growth as GNB's solvency is tight and also more conservative assumptions about the repricing of deposits following a disappointing 2Q14. Also we factor in an expected reference rate cut by 100 bps during 4Q14-1Q15 (of which 50bps already happened on 8 October 2014).

FORECAST CHANGES, PLN M

	2014E				2015E				2016E			
	New	Old	Ch.%	Ch. PLN	New	Old	Ch.%	Ch. PLN	New	Old	Ch.%	Ch. PLN
Valuation Metrics (Year end Dec)	2014E	2014E			2015E	2015E			2016E	2016E		
ROE (adjusted) (%)	7.5%	10.7%			7.0%	12.8%			8.4%	12.9%		
ROE (reported) (%)	10.4%	12.6%			8.7%	13.7%			8.4%	12.9%		
EPS (adjusted) (PLN)	0.14	0.21			0.15	0.28			0.19	0.31		
DPS (from previous year) (PLN)	0.00	0.00			0.00	0.00			0.00	0.09		
BVPS (PLN)	2.0	2.0			2.2	2.3			2.4	2.5		
Key Ratios (%)	2014E	2014E			2015E	2015E			2016E	2016E		
Net Interest Margin (NIM)	2.36%	2.50%			2.22%	2.63%			2.34%	2.66%		
Provisions/ avg. cust. loans	1.32%	1.27%			1.23%	1.21%			1.29%	1.22%		
NPLs/customer loans eop	14.1%	14.1%			14.2%	13.4%			14.6%	14.4%		
Coverage ratio (%)	63%	66%			69%	68%			76%	71%		
Cost income ratio	46%	41%			47%	39%			44%	38%		
Loan to deposit	90%	90%			90%	90%			90%	90%		
Tier 1 ratio	9.2%	9.7%			9.2%	10.7%			9.2%	11.2%		
CAR	12.8%	12.9%			12.7%	13.4%			12.7%	13.8%		
P&L Summary (PLN m)	2014E	2014E			2015E	2015E			2016E	2016E		
Net Interest Income	1,481	1,577	-6%	(96)	1,439	1,746	-18%	(307)	1,533	1,823	-16%	(290)
Fees & Commissions	433	479	-9%	(45)	450	512	-12%	(62)	514	564	-9%	(50)
Trading Income	143	131	9%	12	140	138	1%	2	172	140	23%	32
Total Revenue	2,046	2,203	-7%	(157)	2,046	2,417	-15%	(371)	2,235	2,547	-12%	(312)
Operating Expenses	943	913	3%	30	952	936	2%	16	973	965	1%	8
Operating Income	1,103	1,290	-15%	(188)	1,094	1,481	-26%	(387)	1,262	1,582	-20%	(320)
Net Loan Loss Provisions	637	624	2%	13	603	580	4%	23	633	591	7%	42
Pre-tax Profit	471	672	-30%	(201)	490	915	-46%	(424)	629	1,005	-37%	(376)
Net Attributable Income (reported)	527	638	-17%	(112)	485	786	-38%	(301)	510	813	-37%	(303)
Net Attributable Income (adjusted)	378	543	-30%	(165)	392	732	-46%	(339)	510	813	-37%	(303)
Balance Sheet Summary (PLN bn)	2014E	2014E			2015E	2015E			2016E	2016E		
Total Asset	66.8	67.6	-1%	(0.8)	67.5	69.8	-3%	(2.3)	67.9	72.0	-6%	(4.1)
Customer loans	48.9	50.7	-3%	(1.8)	49.1	52.0	-5%	(2.9)	49.0	53.4	-8%	(4.3)
Securities portfolio	10.0	10.7	-7%	(0.7)	10.5	11.4	-8%	(0.9)	11.0	12.1	-9%	(1.1)
Customer deposits	54.3	56.3	-3%	(2.0)	54.6	57.7	-5%	(3.2)	54.5	59.3	-8%	(4.8)
Shareholders' Equity	5.3	5.4	-1%	(0.1)	5.8	6.0	-4%	(0.2)	6.3	6.6	-4%	(0.2)
Mortgage loans - net	32.8	33.5	-2%	(0.7)	31.4	33.8	-7%	(2.4)	30.1	34.0	-12%	(4.0)
Other retail loans - net	7.4	7.8	-5%	(0.4)	8.3	8.0	4%	0.3	8.8	8.1	8%	0.6
Corporate loans - net	8.7	9.3	-7%	(0.6)	9.4	10.2	-8%	(0.8)	10.2	11.2	-9%	(1.0)

Source: BESt Research for estimates.

Financial tables (1/2)

P&L (PLN m)	2010	2011	2012	2013	2014E	2015E	2016E	1Q14	2Q14	3Q14E	4Q14E	1Q15E	2Q15E	3Q15E	4Q15E
Net interest income	1,052	1,344	1,248	1,298	1,481	1,439	1,533	364	364	381	372	335	355	367	382
Fees and commissions	962	869	769	419	433	450	514	113	115	103	103	107	111	115	119
Trading Income	219	199	120	124	143	140	172	22	60	30	30	32	34	36	38
Other revenues and expenses (Net)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total revenue	2,258	2,405	2,144	1,844	2,046	2,046	2,235	500	519	517	509	478	504	522	542
Personnel costs	297	351	364	378	405	410	426	98	107	100	100	101	102	103	104
General expenses	382	422	406	428	466	470	475	116	115	115	120	117	116	116	121
Depreciation and amortisation	54	60	64	74	73	72	72	21	16	18	18	18	18	18	18
Operating expenses	733	833	834	880	943	952	973	235	237	233	238	236	236	237	243
Operating income	1,525	1,572	1,310	964	1,103	1,094	1,262	265	282	284	271	242	268	285	299
Net Provisioning	1,057	1,208	975	624	637	603	633	157	163	163	154	147	150	152	154
Associate Income	(1)	10	27	5	6	0	0	0	5	0	0	0	0	0	0
Other (one-off)	0	713	94	43	0	0	0	0	0	0	0	0	0	0	0
Pre-tax Profit	467	1,086	456	388	471	490	629	108	124	121	118	95	118	132	145
Corporate Income Tax	7	137	70	(14)	(56)	5	120	(22)	(21)	(6)	(8)	(4)	0	3	5
Net Income before Minorities	460	950	386	402	527	485	510	130	145	127	125	99	118	129	139
Minority Interests	10	(0)	15	3	0	0	0	0	0	0	0	0	0	0	0
Net Attributable Income (stated)	450	950	371	400	527	485	510	130	136	127	125	99	118	129	139
Net Attributable Income (adjusted)	450	307	287	272	378	392	510	87	99	97	95	77	96	107	117

P&L growth rates (%)	2010	2011	2012	2013	2014E	2015E	2016E	1Q14	2Q14	3Q14E	4Q14E	1Q15E	2Q15E	3Q15E	4Q15E
Net interest income	34.2%	27.7%	-7.2%	4.0%	14.1%	-2.8%	6.5%	-17.6%	0.2%	4.5%	-2.2%	-9.9%	5.9%	3.4%	4.0%
Fees and commissions	34.6%	-9.6%	-11.6%	-45.5%	3.4%	3.9%	14.2%	-180.9%	2.4%	-11.2%	0.0%	3.9%	3.8%	3.6%	3.5%
Trading Income	1.8%	-9.2%	-40.0%	3.7%	15.1%	-1.9%	22.9%	-28.3%	168.4%	-50.2%	0.0%	6.7%	6.3%	5.9%	5.6%
Total revenue	30.3%	6.5%	-10.9%	-14.0%	10.9%	0.0%	9.3%	8.8%	3.9%	-0.4%	-1.6%	-6.1%	5.4%	3.6%	3.9%
Operating expenses	17.0%	13.7%	0.1%	5.5%	7.2%	1.0%	2.2%	0.3%	1.1%	-1.8%	2.1%	-0.8%	-0.1%	0.6%	2.6%
Operating income	37.8%	3.1%	-16.7%	-26.4%	14.4%	-0.8%	15.5%	17.6%	6.4%	0.8%	-4.7%	-10.7%	10.8%	6.2%	5.1%
Net Provisioning	32.9%	14.3%	-19.3%	-36.0%	2.0%	-5.3%	5.0%	3.3%	3.9%	0.0%	-6.0%	-4.3%	2.0%	1.6%	1.4%
Net Attributable Income (stated)	45.7%	111.1%	-60.9%	7.7%	31.8%	-7.9%	5.1%	-5.2%	4.6%	-6.7%	-1.3%	-20.9%	18.9%	9.7%	7.8%
Net Attributable Income (adjusted)	45.7%	-31.8%	-6.4%	-5.2%	38.8%	3.8%	30.0%	63.1%	14.3%	-2.3%	-1.7%	-19.1%	24.3%	11.9%	9.4%

Balance Sheet (PLN m)	2010	2011	2012	2013	2014E	2015E	2016E	1Q14	2Q14	3Q14E	4Q14E	1Q15E	2Q15E	3Q15E	4Q15E
Cash and central bank	1,976	2,390	2,907	2,630	4,189	4,189	4,189	3,077	4,189	4,189	4,189	4,189	4,189	4,189	4,189
Interbank placements	2,601	3,301	2,105	1,380	1,503	1,503	1,503	1,694	1,503	1,503	1,503	1,503	1,503	1,503	1,503
Net client lending	34,193	41,835	44,228	47,952	48,893	49,119	49,018	48,414	48,827	48,752	48,893	49,009	49,071	49,109	49,119
Securities portfolio	2,842	4,407	7,248	9,027	9,987	10,484	10,992	11,388	11,206	9,845	9,987	10,126	10,231	10,353	10,484
Fixed and intangible assets	405	279	424	538	557	557	557	541	557	557	557	557	557	557	557
Other assets	782	904	1,882	2,090	1,687	1,687	1,687	2,387	2,051	1,687	1,687	1,687	1,687	1,687	1,687
Total assets	42,798	53,116	58,794	63,617	66,817	67,539	67,946	67,501	68,332	66,533	66,817	67,071	67,238	67,399	67,539
Interbank borrowing	713	581	795	3,140	4,021	4,021	4,021	3,544	4,021	4,021	4,021	4,021	4,021	4,021	4,021
Client deposits	37,107	46,723	50,964	52,877	54,325	54,577	54,465	55,933	56,104	54,169	54,325	54,454	54,523	54,566	54,577
Other liabilities	1,682	1,776	1,127	1,052	1,032	1,032	1,032	1,103	1,032	1,032	1,032	1,032	1,032	1,032	1,032
Subordinated debt	0	400	1,187	1,768	2,090	2,090	2,090	2,001	2,090	2,090	2,090	2,090	2,090	2,090	2,090
Minorities	2	4	3	5	4	8	12	2	2	4	4	5	6	7	8
Shareholders' Equity	3,294	4,059	4,719	4,775	5,344	5,811	6,326	4,917	5,082	5,217	5,344	5,468	5,566	5,683	5,811
Total liabilities	42,798	53,542	58,794	63,617	66,817	67,539	67,946	67,501	68,332	66,533	66,817	67,071	67,238	67,399	67,539

BS growth rates (%)	2010	2011	2012	2013	2014E	2015E	2016E	1Q14	2Q14	3Q14E	4Q14E	1Q15E	2Q15E	3Q15E	4Q15E
Net client lending	30.7%	22.4%	5.7%	8.4%	2.0%	0.5%	-0.2%	1.0%	0.9%	-0.2%	0.3%	0.2%	0.1%	0.1%	0.0%
Securities portfolio	-26.2%	55.1%	64.5%	24.5%	10.6%	5.0%	4.8%	26.1%	-1.6%	-12.1%	1.4%	1.4%	1.0%	1.2%	1.3%
Total assets	29.2%	24.1%	10.7%	8.2%	5.0%	1.1%	0.6%	6.1%	1.2%	-2.6%	0.4%	0.4%	0.3%	0.2%	0.2%
Client deposits	27.4%	25.9%	9.1%	3.8%	2.7%	0.5%	-0.2%	5.8%	0.3%	-3.4%	0.3%	0.2%	0.1%	0.1%	0.0%
Shareholders' Equity	14.0%	23.2%	16.3%	1.2%	11.9%	8.7%	8.9%	3.0%	3.4%	2.6%	2.4%	2.3%	1.8%	2.1%	2.3%
Total liabilities	29.2%	25.1%	9.8%	8.2%	5.0%	1.1%	0.6%	6.1%	1.2%	-2.6%	0.4%	0.4%	0.3%	0.2%	0.2%

General Ratios (%)	2010	2011	2012	2013	2014E	2015E	2016E	1Q14	2Q14	3Q14E	4Q14E	1Q15E	2Q15E	3Q15E	4Q15E
NI/Total Revenues	46.6%	55.9%	58.2%	70.4%	72.4%	70.4%	68.6%	72.8%	70.2%	73.6%	73.2%	70.2%	70.5%	70.4%	70.4%
F&C/Total Revenue	42.6%	36.1%	35.9%	22.7%	21.2%	22.0%	23.0%	22.6%	22.2%	19.8%	20.2%	22.3%	22.0%	22.0%	21.9%
Trading/Total Revenue	9.7%	8.3%	5.6%	6.7%	7.0%	6.8%	7.7%	4.5%	11.6%	5.8%	5.9%	6.7%	6.7%	6.9%	7.0%
Cost/Income Ratio	32.5%	34.6%	38.9%	47.7%	46.1%	46.5%	43.5%	47.0%	45.7%	45.0%	46.8%	49.4%	46.8%	45.5%	44.9%
Cost/ Average Interest Earning Assets	1.8%	1.6%	1.5%	1.4%	1.5%	1.5%	1.5%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Loans/Deposit Ratio	92.1%	89.5%	86.8%	90.7%	90.0%	90.0%	90.0%	86.6%	87.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%

Source: Company data, , BESI Research for estimates.

Financial tables (2/2)

	2010	2011	2012	2013	2014E	2015E	2016E	1Q14	2Q14	3Q14E	4Q14E	1Q15E	2Q15E	3Q15E	4Q15E
Net Interest Margin (%)															
Interest Revenues (PLN m)	2,877	3,635	4,291	3,817	3,628	3,179	3,168	902	915	927	884	811	788	789	791
Interest cost (PLN m)	1,825	2,291	3,043	2,519	2,146	1,740	1,635	539	550	546	512	476	433	422	409
Asset yield	7.82%	7.77%	7.91%	6.50%	5.78%	4.90%	4.84%	5.75%	5.62%	5.70%	5.49%	5.02%	4.86%	4.85%	4.85%
Asset spread	3.99%	3.33%	3.09%	3.57%	3.17%	2.29%	2.23%	3.14%	3.01%	3.19%	3.72%	3.25%	3.09%	3.09%	3.09%
Funding costs	5.39%	5.36%	6.05%	4.55%	3.63%	2.87%	2.70%	3.61%	3.56%	3.56%	3.39%	3.15%	2.86%	2.79%	2.70%
Funding spread	-1.56%	-0.92%	-1.23%	-1.63%	-1.02%	-0.26%	-0.09%	-1.01%	-0.95%	-1.05%	-1.63%	-1.38%	-1.09%	-1.02%	-0.93%
Net interest spread	2.43%	2.41%	1.87%	1.95%	2.15%	2.02%	2.14%	2.14%	2.06%	2.14%	2.10%	1.87%	2.00%	2.07%	2.15%
Net interest margin	2.86%	2.87%	2.30%	2.21%	2.36%	2.22%	2.34%	2.32%	2.24%	2.34%	2.31%	2.07%	2.19%	2.26%	2.34%
WIBOR 3M	3.83%	4.44%	4.82%	2.92%	2.61%	2.61%	2.61%	2.61%	2.61%	2.51%	1.76%	1.76%	1.76%	1.76%	1.76%

	2010	2011	2012	2013	2014E	2015E	2016E	1Q14	2Q14	3Q14E	4Q14E	1Q15E	2Q15E	3Q15E	4Q15E
Cost of risk (PLN m)															
Gross client lending	36,811	45,463	48,345	52,308	53,241	54,071	54,603	52,573	52,858	52,956	53,241	53,504	53,715	53,907	54,071
Risk provisions	2,619	3,628	4,117	4,355	4,348	4,951	5,585	4,159	4,031	4,205	4,348	4,495	4,645	4,797	4,951
Net client lending	34,193	41,835	44,228	47,952	48,893	49,119	49,018	48,414	48,827	48,752	48,893	49,009	49,071	49,109	49,119
Net Loan Loss Provisions	1,057	1,208	975	624	637	603	633	157	163	163	154	147	150	152	154
Risk cost over average loans (%)	3.50%	3.18%	2.27%	1.35%	1.32%	1.23%	1.29%	1.30%	1.34%	1.42%	1.18%	1.20%	1.22%	1.24%	1.26%
Other provisions	0	0	0	0	0	0	0	0	0	(10)	10	0	0	0	0
NPLs (PLN m)	3,676	5,367	6,135	6,749	6,919	7,190	7,344	6,424	6,799	6,824	6,919	7,005	7,075	7,137	7,190
NPL ratio (%)	10.0%	11.8%	12.7%	12.9%	13.0%	13.7%	13.5%	12.2%	12.9%	12.9%	13.0%	13.1%	13.2%	13.2%	13.3%
NPL coverage (%)	71.2%	67.6%	67.1%	64.5%	62.8%	68.9%	76.0%	64.8%	59.3%	61.6%	62.8%	64.2%	65.6%	67.2%	68.9%

	2010	2011	2012	2013	2014E	2015E	2016E	1Q14	2Q14	3Q14E	4Q14E	1Q15E	2Q15E	3Q15E	4Q15E
Solvency															
BIS Tier 1 capital (PLN m)	3,294	4,059	4,719	4,251	5,344	5,811	6,326		4,523	5,217	5,344	5,468	5,566	5,683	5,811
BIS Tier 2 capital (PLN m)	0	400	1,187	1,591	2,090	2,090	2,090		1,851	2,090	2,090	2,090	2,090	2,090	2,090
BIS Tier 3 capital (PLN m)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total capital requirement (PLN m)	2,434	3,000	3,528	3,794	4,164	4,183	4,175		4,073	4,152	4,164	4,174	4,179	4,183	4,183
RWA (PLN m)	28,356	35,342	41,433	44,309	47,863	48,084	47,985		47,798	47,725	47,863	47,976	48,037	48,075	48,084
CAR (%)	9.9%	11.8%	12.2%	12.4%	12.8%	12.7%	12.9%		12.5%	12.8%	12.8%	12.7%	12.7%	12.7%	12.7%
CTI ratio (%)	9.9%	9.4%	9.9%	9.0%	9.2%	9.2%	9.2%		8.9%	9.2%	9.2%	9.2%	9.2%	9.2%	9.2%

	2010	2011	2012	2013	2014E	2015E	2016E	1Q14	2Q14	3Q14E	4Q14E	1Q15E	2Q15E	3Q15E	4Q15E
Profitability Ratios (%)															
ROE (reported) (%)	14.6%	25.8%	8.5%	8.4%	10.4%	8.7%	8.4%	10.7%	10.9%	9.9%	9.5%	7.3%	8.5%	9.2%	9.7%
ROE (adjusted) (%)	14.6%	8.4%	6.5%	5.7%	7.5%	7.0%	8.4%	7.2%	7.9%	7.5%	7.2%	5.7%	6.9%	7.6%	8.2%
ROTE (reported) (%)	15.7%	27.1%	8.7%	8.7%	10.9%	9.1%	8.7%	11.2%	11.4%	10.3%	9.9%	7.6%	8.9%	9.6%	10.1%
ROTE (adjusted) (%)	15.7%	8.8%	6.7%	5.9%	7.8%	7.3%	8.7%	7.5%	8.3%	7.9%	7.5%	5.9%	7.2%	7.9%	8.5%
ROA (reported) (%)	1.19%	1.97%	0.66%	0.65%	0.81%	0.72%	0.75%	0.79%	0.80%	0.75%	0.75%	0.59%	0.70%	0.77%	0.83%
ROA (adjusted) (%)	1.19%	0.64%	0.51%	0.44%	0.58%	0.58%	0.75%	0.53%	0.58%	0.57%	0.57%	0.46%	0.57%	0.64%	0.69%
RORWA (reported) (%)	1.80%	2.98%	0.97%	0.93%	1.14%	1.01%	1.06%	2.31%	2.25%	1.06%	1.05%	0.83%	0.98%	1.08%	1.16%
RORWA (adjusted) (%)	1.59%	0.87%	0.69%	0.61%	0.79%	0.82%	1.06%	54.07%	0.83%	0.81%	0.80%	0.64%	0.80%	0.89%	0.98%

	2010	2011	2012	2013	2014E	2015E	2016E
Multiples (x)							
P/E (reported) (x)	8.0	3.8	12.8	17.7	12.7	13.8	13.1
P/E (adjusted) (x)	8.0	11.8	16.5	26.0	17.7	17.0	13.1
P/BV (x)	1.10	0.89	1.01	1.48	1.25	1.15	1.06
P/TBV (x)	1.18	0.92	1.03	1.55	1.30	1.19	1.09

	2010	2011	2012	2013	2014E	2015E	2016E
Dividend (PLN m)							
Net Income reported	450.1	950.1	371.1	399.7	526.9	485.1	509.7
Payout ratio (%)	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend from previous year (PLN m)	6.0	0.0	0.0	0.0	0.0	0.0	0.0
Number of shares (m)	2,390.0	2,390.0	2,650.1	2,650.1	2,650.1	2,650.1	2,650.1
DPS from previous year (PLN)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Share price eop (PLN)	1.5	1.5	1.8	2.7	2.5	2.5	2.5
Dividend yield (%)	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

BESI versus consensus

	2014E	2015E	2016E
Net Income estimates (PLN m)			
BESI estimates	526.9	485.1	509.7
Bloomberg consensus	519.5	647.0	756.5
<i>variation (PLN m)</i>	<i>7.4</i>	<i>-161.9</i>	<i>-246.8</i>
variation %	1%	-25%	-33%

Source: Company data, , BESI Research for estimates.

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Valuation Methodology

We use a Dividend Discount Model (DDM) with a 50% weighting and a Polish banks' peer multiples analysis with a 50% weighting to value the bank. Our FV is based on the weighted average of these two methodologies.

For our DDM, our fair value estimates are derived as a sum of: (i) total discounted dividends from 2014E to 2016E; and (ii) a discounted terminal value in 2016E calculated from a Basic Perpetuity Model (BPM). For the DDM, we apply a cost of equity of 9.2% (vs. 10.4% before). For the calculation, we use an equity risk premium of 5.0%, Beta of 1.2 (unchanged) and a risk-free rate of 3.2% (vs. 4.4% before), equivalent to the average yield-to-maturity on Polish 10-year benchmark Treasuries over Jul'14-Sep'14. For the terminal value calculation, we apply a perpetuity growth rate (g) of 4.0% (unchanged) and respective ROEs expected in 2016E as constant returns on equity. We provide two sensitivity analyses for our fair value estimates wherein we examine two sets of variables: (i) ROEs and perpetuity growth rates; and (ii) equity risk premium and the risk-free rate.

We base our multiples analysis on an equal weighting of current year (2014E) and one-year forward (2015E) P/E ratios.

Getin Noble Bank- VALUATION (PLN per share)

	2012A	2013A	2014E	2015E	2016E	
Dividend discount model						
ROE (adjusted)		6.5%	5.7%	7.5%	7.0%	8.4%
Cost of Equity				9.2%	9.2%	9.2%
Long term growth assumption (g)				4.0%	4.0%	4.0%
Target P/NAV multiple (x)				0.7	0.6	0.9
NAV per share (PLN)						2.4
Target Value Per Share (PLN)						2.0
Months to discount				2	14	26
Discounted Value Per Share (PLN)						1.69
DPS (PLN) from previous year				0.0	0.0	0.0
Discounted DPS (PLN)				0.0	0.0	0.0
Sum of discounted DPS (PLN)						0.00
DDM derived fair value (50% valuation weight)						1.69
Multiple analysis						
EPS (adjusted for one-offs)				0.14	0.15	
Sector average PE				16.7	16.0	
Weight				50%	50%	
Multiples derived fair value (50% valuation weight)						2.37
Weighted Valuation						2.03
Premium/ discount						
Fair Value						2.00

Source: BESI Research for estimates.

Valuation sensitivity (PLN)

Long term growth (g)	2016E ROE				
	6.4%	7.4%	8.4%	9.4%	10.4%
1.0%	1.80	1.90	2.00	2.10	2.20
2.0%	1.80	1.90	2.00	2.10	2.20
4.0%	1.80	1.90	2.00	2.20	2.30
4.0%	1.80	2.00	2.10	2.30	2.40
5.0%	1.80	2.00	2.20	2.40	2.60

Source: BESI Research for estimates.

Valuation sensitivity (PLN)

Risk Free Rate	Equity Risk Premium				
	4.0%	4.5%	5.0%	5.5%	6.0%
1.2%	3.30	2.90	2.70	2.40	2.30
2.2%	2.70	2.50	2.30	2.10	2.00
3.2%	2.40	2.20	2.00	1.90	1.80
4.2%	2.10	2.00	1.90	1.80	1.70
5.2%	1.90	1.80	1.70	1.60	1.60

Source: BESI Research for estimates.

Cost of capital

Cost of Equity Calculation	2014E	2015E	2016E
Cost of Equity	9.2%	9.2%	9.2%
Risk Free Rate	3.2%	3.2%	3.2%
Beta	1.2	1.2	1.2
Market Risk Premium	5.0%	5.0%	5.0%

Source: BESI Research for estimates.

Peer multiples (as of 9 Oct. 2014)

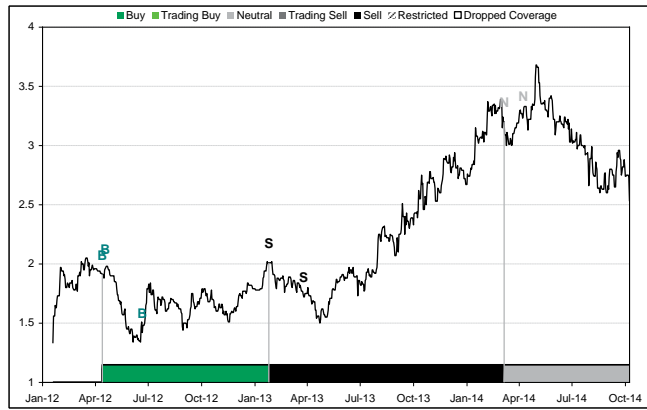
	LCU	Last Recommendation Date	Rating	Fair Value	Potential	Current price	Avg daily 3m turnover (EUR m)	Market cap (EUR m)	P/E (x)		
									14E	15E	16E
POLISH BANKS								50,405			
PKO BP	PLN	2014-04-08	BUY	48.0	31%	36.6	23.5	10,943	14.1	12.8	10.8
PEKAO	PLN	2014-04-08	BUY	230.0	24%	185.3	17.8	11,643	17.5	15.3	13.0
BZ WBK	PLN	2014-04-08	SELL	350.0	-9%	383.0	8.0	9,101	18.1	17.8	15.1
MBANK	PLN	2014-04-08	NEUTRAL	510.0	6%	481.0	3.6	4,862	16.8	15.0	13.3
BANK HANDLOWY	PLN	2014-04-08	SELL	99.0	-21%	124.7	0.9	3,902	16.8	21.0	18.6
ING BSK	PLN	2014-04-08	BUY	150.0	3%	145.0	0.5	4,517	19.6	17.4	14.5
ALIOR BANK	PLN	2014-10-10	SELL	60.0	-23%	78.0	2.5	1,307	19.1	17.4	15.8
BANK MILLENNIUM	PLN	2014-10-10	BUY	10.00	15%	8.71	1.1	2,530	15.8	13.7	12.8
GETIN NOBLE BANK	PLN	2014-10-10	SELL	2.00	-21%	2.52	0.9	1,599	12.7	13.8	13.1
								AVERAGE	16.7	16.0	14.1

Source: BESI Research for estimates. Bloomberg for prices.

[

Risks to Fair Value

- 'Getin Up' strategy assumes **2015E net income of PLN 1.0bn**. We are materially below this number and expect 2015E net income of PLN 485m.
- **Tax relief is temporary**; as a reminder, in 4Q13 GNB announced that it had explored CIT tax optimization possibilities resulting from operating its leasing business as a limited joint-stock partnership (S.K.A. - Spolka Komandytowo-Akcyjna). This will result in GNB reporting materially lower CIT until the end of 2015; further out tax should normalize at c. 20%.
- **GNB's Core Tier 1 is at 8.9% as of end 2Q14** (9.1% including 1H14 earnings), which is the lowest capital position among the banks we cover. This suggests there is a risk of a capital increase.
- **Deposit cost at GNB is materially higher than at peers**. If GNB succeeds at repricing its deposits to the average level on the market, earnings of GNB would benefit strongly.
- **Cost of risk on mortgages** is much higher at GNB (80bps in 1H14, PLN 141m in 1H14) than in the market (c. 30bps). Any improvement here could benefit GNB's earnings a lot.



Report date	Recommendation	Fair value	Share price
2014 April 8	Neutral	PLN 3.20	PLN 3.27
March 6	Neutral	PLN 3.30	PLN 3.24
2013 March 26	Sell	PLN 1.55	PLN 1.77
January 25	Sell	PLN 1.70	PLN 2.01
2012 June 21	Buy	PLN 1.77	PLN 1.51
April 18	Buy	PLN 2.31	PLN 1.92
April 13	Buy	PLN 2.30	PLN 1.90

Source: Bloomberg, BESI Research

Please visit our website at www.EspiritoSantoIB.co.uk for up to date recommendation charts.

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BUY	Analyst expects at least 10% upside potential to fair value, which should be realized in the next 12 months
NEUTRAL	Analyst expects upside/downside potential of between +10% and -10% to fair value, which should be realized in the next 12 months
SELL	Analyst expects at least 10% downside potential to fair value, which should be realized in the next 12 months

TRADING RATING	DEFINITION
TRADING BUY	Analyst expects a positive short-term movement in the share price (max duration 3 months from the time Trading Buy is announced) and may move out of line with the fair value estimate during that period
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	Count	% of Total	Count	% of IBC	% of Total
Recommendation					
12 Month Rating:					
Buy	205	46.8%	31	86.1%	7.1%
Neutral	141	32.2%	4	11.1%	0.9%
Sell	90	20.5%	0	0.0%	0.0%
Restricted	1	0.2%	1	2.8%	0.2%
Under Review	1	0.2%	0	0.0%	0.0%
Trading Rating:					
Trading Buy	0	0.0%	0	0.0%	0.0%
Trading Sell	0	0.0%	0	0.0%	0.0%
Total recommendations	438	100%	36	100%	8.2%

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