

**Banks**

Poland

Current price PLN 1.33**Target price** PLN 1.63

Market cap PLN 3.0bn

Free float PLN 1.3bn

Avg daily trading volume (3M) N/A

* price calculated based on Getin Holding stock price of PLN 6.81 per share on 4 January 2012

Shareholder Structure

Leszek Czarnecki 53.1%
Getin Holding 4.6%

Others 42.3%

Company profile

Get Bank is a group of banking companies with operations in Poland only. Leszek Czarnecki is its main shareholder. The Bank's main asset is a 94% stake in Getin Noble Bank. In addition, it owns a 100% stake in Allianz Bank. Getin Noble Bank was created through a merger of Getin Bank (a retail-oriented bank specializing in mortgages and cash loans) and Noble Bank (private banking, financial brokerage). The Bank focuses on the local market, primarily through deposits. A challenge it faces is the cost of financing (much higher than for peers), the cost of risk (higher than for other banks) and a relatively low capital adequacy ratio.

Get Bank

GTB PW

Buy

(New)

Buy Upon Debut on 20 January

Yesterday (4 January 2012) was the final day of trading in the Getin Holding stock with the Holding in the composition it has had so far, i.e. including a 94% stake in Getin Noble Bank. We are therefore withdrawing our PLN 7.30 valuation and hold rating for the Getin Holding stock. On 20 January, trading will start in the stock of Get Bank, which was created through the spin-off of a 94% stake in Getin Noble Bank to Allianz Bank. We initiate coverage of Get Bank with a Buy rating and a price target of PLN 1.63 per share, i.e. 23% above the theoretical opening price set at PLN 1.33 per share.

We are withdrawing our rating for Getin Holding, but we note the risk of a major depreciation after technical price adjustment

Yesterday (4 January 2012) was the final day of trading in the Getin Holding stock with the Holding in the composition it has had so far, i.e. including a 94% stake in Getin Noble Bank. As of today (5 January 2012), Getin Holding comprises only foreign assets (Carcade and Kubanbank in Russia, Idea Bank Ukraine and Sombelbank in Belarus), the Polish SME-focused Idea Bank and 'other' operations (including shares in MW Trade, Get Bank and TU Europa). Our valuation of the 'old' Getin Holding implied a value of PLN 2.54 per share for this new company, i.e. 13% below the theoretical opening price set at PLN 2.93 per share.

We advise buying Get Bank upon debut for up to PLN 1.63 per share

On 20 January 2012, trading will start in Get Bank, which comprises of a 100% stake in Allianz Bank and a 94% stake in Getin Noble Bank. We set the 9-month target price for Get Bank at PLN 1.63 per share, i.e. 23% above the theoretical opening price set at PLN 1.33 per share. Our valuation implies a P/BV ratio of 0.88x, with the pro-forma equity at PLN 4.1bn as of the end of Q3 2011.

Relative valuation discounts 2012 challenges

In our opinion, 2012 will be as difficult for Getin Noble Bank as 2011 was. We expect that its recurrent net income will fall by 5% to PLN 304m. In our opinion, the major challenges include a y/y reduction in lending, a pressure on the cost of financing and the capital base. On the other hand, our valuation of Get Bank implies a 13% discount to Millennium's current P/BV and a 1% premium to Kredyt Bank's, i.e. to banks facing similar challenges in 2012.

The forecasts and multiples shown below assume Getin Noble Bank price of PLN 3.65 per share.

(PLN m)	2009	2010	2011F	2012F	2013F
Interest income	784	1 052	1 358	1 543	1 692
Income f. banking oper.	1 714	2 233	2 430	2 454	2 626
Operating income*	1 106	1 525	2 296	1 557	1 675
Net income	309	450	969	304	481
Interest margin (%)	n/a	2.77	2.81	2.74	2.78
Costs / Income (%)	36.1	32.5	27.0	36.6	36.2
ROE (%)	n/a	14.6	25.4	6.8	9.9
EPS (PLN)	0.32	0.47	1.02	0.32	0.50
BVPS (PLN)	3.03	3.45	4.54	4.86	5.36
DPS (PLN)	0.00	0.00	0.00	0.00	0.00
P/E (x)	11.3	7.7	3.6	11.4	7.2
P/BV (x)	1.20	1.06	0.80	0.75	0.68
Dividend yield (%)**	0.0	0.0	0.0	0.0	0.0

*before provisions; ** dividend paid out in the following year

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Get Bank IPO, operational merger

Get Bank stock will debut on 20 January 2012

Getin Holding announced that the stock market debut of Get Bank will take place on 20 January 2012. One day before that, allotted shares will be recorded in the brokerage accounts of eligible Getin Holding shareholders and potential cash adjustments will be transferred to them.

Timeline of Getin Holding division and Get Bank flotation

Spin-off day: Get Bank share issue registered by court	RD - 5 working days	2 Jan 12
Reference day set	RD - 4 working days	3 Jan 12
Last day when holding Getin Holding stock entails holding it on Reference Day	RD - 3 working days	4 Jan 12
Getin Holding stock price adjusted to reference price (upon opening), theoretical opening price set for Get Bank	RD - 2 working days	5 Jan 12
Reference Day (RD): determination of the number of Get Bank shares to be allotted to Getin Holding shareholders	RD	10 Jan 12
Get Bank shares recorded on accounts of Getin Holding shareholders, cash adjustments transferred to eligible Getin Holding shareholders	RD + 7 working days	19 Jan 12
Get Bank shares make WSE stock market debut	RD + 8 working days	20 Jan 12

Source: Getin Holding, BRE Bank Securities

At a later date, Getin Noble Bank minority shareholders will be bought out ...

From the point of view of Get Bank shareholders, the stock's WSE debut does not conclude the process that began with the spin-off of a 94% stake in Getin Noble Bank to Allianz Bank. In accordance with previously announced plans, approximately by mid-2012, the minority shareholders in Getin Noble Bank will be bought out by Get Bank via a new stock issue. Using our relative valuation of Get Bank and Getin Noble Bank, we have estimated that Get Bank will have to issue 143.0m shares in order to buy 60.0m shares in Getin Noble Bank. Thus, the exchange ratio will amount to 2.3847 (one share in Getin Noble Bank for 2.3847 shares in Get Bank).

... and Getin Noble Bank and Get Bank will undergo operational merger

The final stage of the process will be the operational merger of Getin Noble Bank and Get Bank (the former Allianz Bank) and the renaming of the entire entity to Getin Noble Bank.

Valuation of Get Bank

Residual income valuation of Getin Noble Bank yields PLN 3.4bn

Our income-based valuation of Getin Holding is based on the discounted residual income model. It is based on adding the sum of discounted excess return on capital over the cost of capital (within the forecast horizon, 2012-2013 and in the transitional period, 2014-2020) and discounted residual value (after the forecast horizon) to equity as at the end of 2011.

Our terminal value calculations are based on the following assumptions:

- Risk-free rate is 5.9% (yield on 10Y Treasury bonds);
- Risk premium is 5.0%;
- Beta is 1.2x;
- The resulting cost of capital is 11.9%;
- Long term return on capital (ROE) is 10.8%, i.e. on a par with the average ROE forecasted for 2013-2016;
- Long-term profit growth (g) is 4.0%;
- The long-term dividend payout ratio is 62.8%, as determined using the formula: $1 - (g/ROE)$.

**Residual income valuation of Getin Noble Bank**

(PLN m)	2011F	2012F	2013F	2014F	2015F	2016F	2017F	2018F	2019F	2020F	+ FV
Net profit	969	304	481	582	675	757	825	879	923	959	
Y/Y pct. change	115.3	-68.6	58.1	21.0	16.0	12.0	9.0	6.5	5.0	4.0	4.0
Equity	4 329	4 633	5 114	5 696	6 319	6 955	7 576	8 158	8 687	9 149	
Dividend payout ratio (%)	0.0	0.0	0.0	9.0	17.9	26.9	35.9	44.9	53.8	62.8	62.8
ROE (%)	25.4	6.8	9.9	10.8	11.2	11.4	11.4	11.2	11.0	10.8	10.8
Cost of equity (%)	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9	11.9
Excess return (%)		-5.1	-2.0	-1.1	-0.6	-0.5	-0.5	-0.7	-0.9	-1.1	-1.1
Residual income		-227	-97	-59	-37	-30	-36	-54	-76	-98	-1 243
Discount factor		0.89	0.80	0.71	0.64	0.57	0.51	0.45	0.41	0.36	0.36
Present value of residual income		-202	-77	-42	-23	-17	-19	-25	-31	-35	-451

Equity at year-end 2010	4 329
Present value of expected 2011-2013 residual income	-279
Present value of expected 2014-2020 residual income	-191
Present value of terminal value	-451
Fair value	3 407

Source: Getin Noble Bank, BRE Bank Securities

Based on the assumptions laid out above, we have set the fair value of Getin Noble Bank at PLN 3407m.

We estimate the fair value of Get Bank at PLN 3.4bn

Our valuation of Get Bank as a segment spun off from Getin Holding is based on the sum of its parts:

1. We estimate the value of Allianz Bank based on the value of its net assets at the end of Q3 2011, i.e. PLN 166m;
2. We value the 93.7% stake in Getin Noble Bank based on the residual income model at PLN 3 193m.

In consequence, we have determined the fair value of Get Bank to be PLN 3 359m, or PLN 1.45 per share.

Sum of the parts valuation of Get Bank

(PLN m)	Fair value of 100% of equity	Equity stake attributable to Get Bank	Valuation
Allianz Bank	166	100.0%	166
Getin Noble Bank	3 407	93.7%	3 193
Total fair value			3 359
Number of shares in Get Bank (millions)			2 246
Fair value per share (PLN)			1.45
9M Target Price (PLN)			1.63
Current price of Get Bank* (PLN)			1.33
Upside potential (%)			23

Source: BRE Bank Securities; * theoretical opening price of Get Bank on 20 January 2012

Buy rating with a 9M per-share price target of PLN 1.63

We have set the 9-month target price for Get Bank at PLN 1.63 per share. Because it is 23% above the theoretical opening price of PLN 1.33, we recommend buying Get Bank stock upon its debut on 20 January 2012.

Financial forecasts for Getin Noble Bank

Income Statement

(PLN m)	2009	2010	2011F	2012F	2013F
Interest income	784	1 052	1 358	1 543	1 692
Fee income	714	962	879	829	843
Trading income	215	219	193	82	90
Income from banking operations	1 714	2 233	2 430	2 454	2 626
Other net operating income	19	24	713	1	1
Non-interest income	948	1 205	1 785	912	935
Total income	1 732	2 258	3 143	2 455	2 627
Payroll expenses	-225	-297	-352	-371	-392
D&A expenses	-48	-54	-62	-68	-73
Other administrative expenses	-353	-382	-434	-459	-486
Operating expenses	-626	-733	-847	-899	-951
Operating income before provisions	1 106	1 525	2 296	1 557	1 675
Provisions	-795	-1 057	-1 207	-1 187	-1 088
Equity in profits /losses of associates	0	-1	16	0	0
Pre-tax profit	311	467	1 105	369	587
Tax	3	-7	-141	-70	-112
Minority interests	-5	-10	5	5	6
Net profit	309	450	969	304	481
<i>Adjusted net income</i>	<i>95</i>	<i>356</i>	<i>322</i>	<i>304</i>	<i>481</i>
Retained earnings	309	450	969	304	481

Source: Getin Noble Bank, BRE Bank Securities

Annual rates of growth of key income lines

(%)	2010	2011F	2012F	2013F
Interest income	34	29	14	10
Non-interest income	27	48	-49	2
Total income	30	39	-22	7
Operating expenses	17	16	6	6
Operating income before provisions	38	51	-32	8
Net profit	46	115	-69	58

Source: Getin Noble Bank, BRE Bank Securities

Key profit and loss ratios

(%)	2010	2011F	2012F	2013F
Net interest margin (on total assets)	2.77	2.81	2.74	2.78
Net interest margin (on interest-bearing assets)	2.86	2.90	2.84	2.88
Interest spread	2.43	2.40	2.31	2.37
Non-interest income / Total income	53.4	56.8	37.1	35.6
Costs / Income	32.5	27.0	36.6	36.2
Costs / Assets	1.93	1.76	1.60	1.57
Provisions / Net loans	3.50	3.15	2.72	2.37
Effective tax rate	1.4	12.8	19.0	19.0
ROE	14.6	25.4	6.8	9.9
ROA	1.19	2.01	0.54	0.79

Source: Getin Noble Bank, BRE Bank Securities

**Balance Sheet**

(PLN m)	2009	2010	2011F	2012F	2013F
Cash and central bank balances	909	1 976	1 588	1 747	1 863
Financial sector receivables	1 069	2 601	4 745	6 415	7 886
Loans	26 152	34 193	42 319	45 070	46 979
Debt securities	3 849	2 838	3 264	3 591	3 950
Equities, shares, and other investments	0	0	680	714	750
Fixed assets	138	179	152	160	168
Intangible assets	148	151	53	55	58
Other assets	862	861	969	1 044	1 093
Total assets	33 127	42 798	53 770	58 796	62 746
Financial sector payables	738	713	820	861	861
Deposits	28 237	37 026	45 372	49 909	53 227
Outstanding securities	901	81	420	441	463
Subordinated loans	0	0	400	400	400
Other liabilities	362	1 684	2 429	2 552	2 681
Total liabilities	30 237	39 504	49 441	54 163	57 632
Equity	2 890	3 294	4 329	4 633	5 114
Equity and liabilities	33 127	42 798	53 770	58 796	62 746

Source: Getin Noble Bank, BRE Bank Securities

Annual rates of growth of key balance-sheet items

(%)	2009	2010	2011F	2012F	2013F
Loans		31	24	7	4
Total assets		29	26	9	7
Deposits		31	23	10	7
Equity		14	31	7	10

Source: Getin Noble Bank, BRE Bank Securities

Key balance sheet ratios

(%)	2009	2010	2011F	2012F	2013F
NPL / Total loans	7.6	10.0	12.7	14.5	14.1
Provisions / NPL	76.2	70.2	63.0	67.5	80.0
Loans / Assets	78.9	79.9	78.7	76.7	74.9
Deposits / Assets	85.2	86.5	84.4	84.9	84.8
Loans / Deposits	92.6	92.3	93.3	90.3	88.3
Equity / Assets	8.7	7.7	8.1	7.9	8.2
CAR	11.1	9.5	9.6	9.8	9.8
Tier-1 Ratio (%)	11.1	9.5	8.5	8.9	9.0

Source: Getin Noble Bank, BRE Bank Securities



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**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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BUY – we expect that the rate of return from an investment will be at least 15%**ACCUMULATE** – we expect that the rate of return from an investment will range from 5% to 15%**HOLD** – we expect that the rate of return from an investment will range from -5% to +5%**REDUCE** – we expect that the rate of return from an investment will range from -5% to -15%**SELL** – we expect that an investment will bear a loss greater than 15%

Recommendations are updated at least once every nine months.

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BRE Bank Securities did not issue any ratings for Get Bank in the past 9 months.