



Fitch Revises Poland's Bank Pekao SA's Outlook to Stable; Upgrades Individual Rating to B/C

Fitch Ratings-London/Warsaw-03 February 2011: Fitch Ratings has revised the Outlook on Poland-based Bank Pekao SA's (Pekao) Long-term Issuer Default Rating (IDR) to Stable from Negative. At the same time, Fitch upgraded Pekao's Individual Rating to 'B/C' from 'C' and affirmed the bank's other ratings (see list below).

Fitch has also revised the Outlooks on Pekao's subsidiary, Pekao Bank Hipoteczny's (Pekao BH) Long-term Issuer Default Rating (IDR) and National Long-term rating to Stable from Negative. All Pekao BH's ratings were affirmed.

Pekao's Long- and Short-term IDRs are based equally on the extremely high potential support that it can expect to receive from its parent, UniCredit S.p.A. (UC, rated 'A/Stable/F1'), in case of need and on Pekao's intrinsic strength (for further details on recent rating actions on UC see 'Fitch Upgrades UniCredit's Individual Rating to 'B/C'; Revises Outlook to Stable', dated 3 February 2011 at www.fitchratings.com). The Stable Outlook on Pekao's Long-term IDR reflects UC's Stable Outlook as well as Fitch's view on the outlook for Pekao's standalone risk profile.

Pekao BH's ratings are based on the extremely high potential support it can expect to receive either directly from its 100% owner, Pekao, or from its ultimate parent, UC.

The upgrade of Pekao's Individual rating reflects Pekao's stable and diversified funding base, ample capitalisation and strong franchise as well as consistency in conservative credit and market risk management, which made Pekao more resilient to the deteriorated operating environment during the crisis compared with peers. It also reflects Fitch's view that the operating environment in Poland is stabilising and profitability should improve in 2011 driven by recovery of deposit margins, moderate lending growth and falling impairment charges.

Pekao is a universal bank with the second-largest market share in Poland by total assets, serving more than 4 million customers. It holds the second-largest market share in retail deposits. Pekao also directly owns UniCredit Bank in Ukraine. Apart from banking, Pekao offers leasing, factoring, brokerage and asset management services through its subsidiaries.

Pekao BH is a specialised mortgage lender involved in financing residential and commercial real estate through lending to private individuals and corporate customers. At end-H110, Pekao BH gross loans accounted for 2.2% of Pekao's consolidated gross loan book.

The rating actions are as follows:

Bank Pekao SA

Long-term foreign currency IDR: affirmed at 'A-'; Outlook revised to Stable from Negative

Short-term foreign currency IDR: affirmed at 'F2'

Individual Rating: upgraded to 'B/C' from 'C'

Support Rating: affirmed at '1'

Pekao Bank Hipoteczny

Long-term foreign currency IDR: affirmed at 'A-'; Outlook revised to Stable from Negative

Short-term foreign currency IDR: affirmed at 'F2'

Support Rating: affirmed at '1'

National Long-term rating: affirmed at 'AA'(pol); Outlook revised to Stable from Negative

National Short-term rating: affirmed at 'F1+'(pol)

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Additional information is available at 'www.fitchratings.com'.

Applicable criteria, 'Global Financial Institutions Rating Criteria' dated 16 August 2010, 'National Ratings Criteria', dated 19 January 2011, and 'Short-Term Ratings Criteria for Corporate Finance', dated 2 November 2010.

Note to Editors: Fitch's National ratings provide a relative measure of creditworthiness for rated entities in countries with relatively low international sovereign ratings and where there is demand for such ratings. The best risk within a country is rated 'AAA' and other credits are rated only relative to this risk. National ratings are designed for use mainly by local investors in local markets and are signified by the addition of an identifier for the country concerned, such as 'AAA(pol)' for National ratings in Poland. Specific letter grades are not therefore internationally comparable.

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