

Fitch Takes Various Rating Actions on 6 Polish Financial Institutions Following Sovereign Action

Fitch Ratings-Warsaw/London/Moscow-04 August 2016: Fitch Ratings has downgraded the Poland's Bank Gospodarstwa Krajowego's (BGK) Long-Term Local Currency Issuer Default Rating (IDR) to 'A-' from 'A' and affirmed its National Ratings. The Outlook is Stable. Fitch has also upgraded the National Ratings of four other Polish banks and a leasing company.

The downgrade of the Long-term Local Currency IDR of BGK, which is 100%-owned by the Polish state, follows Fitch's downgrade of Poland's Long-Term Local Currency IDR to 'A-' from 'A', as a result of which the latter is now equalised with the sovereign Long-Term Foreign Currency IDR. This was driven by the change in Fitch's sovereign rating criteria (for more details see 'Fitch Applies Criteria Changes to Poland's Ratings' dated 22 July 2016 at www.fitchratings.com).

The upgrades of the National Long-Term Ratings for Bank Millennium (Millennium, ultimate parent Banco Comercial Portugues, S.A. BB-/Stable), Bank Zachodni WBK S.A. (BZ WBK, ultimate parent Banco Santander, S.A. A-/Stable), Eurobank S.A. (Eurobank, ultimate parent Societe Generale, A/Stable), Pekao Bank Hipoteczny SA (PBH, 100% owned by Bank Pekao SA, A-/Stable) and Europejski Fundusz Leasingowy S.A. (EFL, ultimate parent Credit Agricole, A/Positive) are driven by the recalibration of the National Rating scale for Poland due to the change in the sovereign's Long-Term Local Currency IDR.

The Long-Term Foreign Currency IDRs, Viability Ratings (VR), Support Ratings and Support Rating Floors of all these entities remain unaffected by these rating actions.

KEY RATING DRIVERS AND SENSITIVITIES - LOCAL CURRENCY IDR AND SENIOR DEBT OF BGK
BGK's Long-Term Local and Foreign Currency IDRs and senior debt ratings are equalised with the sovereign and reflect Fitch's view of an extremely high probability of support from the Polish state (A-/Stable), in case of need. This view is predominantly based on BGK's policy role, which in turn is underpinned by the 100% ownership by the government. BGK is the only Polish bank with state bank status.

BGK's ratings are sensitive to changes to the Polish sovereign ratings and to a change in the bank's status as a policy bank. Fitch does not believe that the state's strong propensity to support BGK is likely to change in the foreseeable future.

KEY RATING DRIVERS AND SENSITIVITIES - NATIONAL LONG-TERM RATINGS AND NATIONAL DEBT RATINGS OF ALL BANKS AND EFL

The affirmation of BGK's National Long-Term Rating and National debt rating at the 'AAA(pol)' level reflects our view that relative to other issuers or obligations in Poland, it has the lowest expectation of default risk. It is driven by the same factors as the IDRs and is sensitive to changes in Fitch's view of support available to the bank from the Polish sovereign. This in turn would be sensitive to changes in BGK's ownership or status as a policy bank. Fitch views these as unlikely in the foreseeable future.

The upgrades of the National Long-Term Ratings for Millennium, BZ WBK, Eurobank, PBH and EFL and of the National debt rating for BZ WBK reflect the recalibration of the Polish National Rating scale. The National Long-Term Ratings of these entities are sensitive to changes in their Long-Term Local Currency IDRs. These in turn would be sensitive to:

- Fitch's view of support available to them from their respective parents (Eurobank, PBH and EFL);
- for Millennium a change in the Viability Rating (VR) or
- for BZ WBK changes to the support available from parent bank and the VR as the IDRs for BZ WBK are currently driven by support available from the parent, but also underpinned by BZ WBK's VR.

The rating actions are as follows:

BGK:

Long-Term Foreign Currency IDR: unaffected at 'A-'; Stable Outlook

Short-Term Foreign Currency IDR: unaffected at 'F2'

Long-Term Local Currency IDR: downgraded to 'A-' from 'A'; Stable Outlook

Support Rating: unaffected at '1'

Support Rating Floor: unaffected at 'A-'

National Long-Term Rating: affirmed at 'AAA(pol)'; Stable Outlook

National Short-Term Rating: affirmed at 'F1+(pol)'

Senior unsecured debt issuance programme long-term foreign currency rating: unaffected at 'A-'

Senior unsecured debt issuance programme long-term local currency rating: downgraded to 'A-' from 'A'

Senior unsecured debt issuance programme National long-term rating: affirmed at 'AAA(pol)'

Senior unsecured bonds long-term local currency rating: downgraded to 'A-' from 'A'

Senior unsecured bonds National long-term rating: affirmed at 'AAA(pol)'

State-guaranteed senior bonds long-term foreign currency rating: unaffected at 'A-'

BZ WBK:

Long-Term Foreign Currency IDR: unaffected at 'BBB+', Outlook Stable

Short-Term Foreign Currency IDR: unaffected at 'F2'

Viability Rating: unaffected at 'bbb+'

Support Rating: unaffected at '2'

National Long-Term Rating: upgraded to 'AA(pol)' from 'AA-(pol)', Outlook Stable

Senior unsecured debt: upgraded to 'AA(pol)' from 'AA-(pol)'

Eurobank:

Long-Term Foreign Currency IDR: unaffected at 'A-'; Outlook Stable

Short-Term Foreign Currency IDR: unaffected at 'F1'

Viability Rating: unaffected at 'bb'

Support Rating: unaffected at '1'

National Long-Term Rating: upgraded to 'AA+(pol)' from 'AA(pol)'; Outlook Stable

National Short-Term Rating: affirmed at 'F1+(pol)'

Millennium:

Long-Term Foreign Currency IDR: unaffected at 'BBB-'; Outlook Stable

Short-Term Foreign Currency IDR: unaffected at 'F3'

Viability Rating: unaffected at 'bbb-'

Support Rating: unaffected at '4'

National Long-Term Rating: upgraded to 'A(pol)' from 'A-(pol)'; Outlook Stable

PBH:

Long-Term Foreign Currency IDR: unaffected at 'A-', Outlook Stable

Short-Term Foreign Currency IDR: unaffected at 'F2'

Support Rating: unaffected at '1'

National Long-Term Rating: upgraded to 'AA+(pol)' from 'AA(pol)', Outlook Stable

National Short-Term Rating: affirmed at 'F1+(pol)'

EFL:

Long-Term Foreign Currency IDR: unaffected at 'A-'; Outlook Positive

Short-Term Foreign Currency IDR: unaffected at 'F1'

Support Rating: unaffected at '1'

National Long-Term Rating: upgraded to 'AA+(pol)' from 'AA(pol)'; Outlook Positive

National Short-Term Rating: affirmed at 'F1+(pol)'

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Applicable Criteria

Global Bank Rating Criteria (pub. 15 Jul 2016)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=884135)
Global Non-Bank Financial Institutions Rating Criteria (pub. 15 Jul 2016)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=884128)
National Scale Ratings Criteria (pub. 30 Oct 2013)
(https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=720082)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form
(https://www.fitchratings.com/creditdesk/press_releases/content/ridf_frame.cfm?pr_id=1009952)
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