

**Rating Action: Powszechna Kasa Oszczednosci Bank Polski S.A.**

**Moody's reviews eight banks in Poland for possible downgrade**

London, 26 May 2009 -- Moody's Investors Service has placed the ratings of eight Polish banks on review for possible downgrade. The affected entities are Powszechna Kasa Oszczednosci Bank Polski, Bank Polska Kasa Opieki, Bre Bank, Bre Bank Hipoteczny, Bank Zachodni WBK, Bank Gospodarki Zywnosciowej, Lukas Bank, Europejski Fundusz Leasingowy. The outlook for the long-term deposit ratings of ING Bank Slaski was changed to negative from stable.

The deposit ratings of Bank Handlowy w Warszawie (A3/P-2/C-) and Bank Millennium (A3/P-2/D) were already placed on review for downgrade following rating actions on their parents in March and April 2009, respectively. All ratings of Bank BPH (Baa2/P-2/D-) remain on review for possible upgrade pending the merger with GE Money Polska. The ratings of Getin Bank (Ba3/NP/D-), which are already on negative outlook, were not affected by this rating action. The full list of rating actions can be found below.

As regards the Bank Financial Strength Ratings (BFSR) that were put on review, Moody's noted that with the Polish economy entering a downturn the likelihood of increased number of corporate defaults is rising and therefore the losses in bank's corporate loan portfolios are expected to grow. In the meantime rising unemployment and the decline in house prices are expected to result in increased losses also in the retail portfolios. These losses are expected to weaken the capital positions of most Polish banks over the next two years. Moody's said that it has been incorporating expected losses on bank loan portfolios into its ratings for some time. However, it has considerably increased the level of expected losses because of the continuing deterioration in the Polish operating environment.

Commenting on the rating actions on deposit and debt ratings Moody's noted that most governments are at least as likely, if not more likely, to support their banking systems as they are to service their own debts -- a view that has traditionally led to bank ratings often benefiting from significant uplift due to systemic support. However, as the financial crisis wears on, the capacity of a country and its central bank to support the nation's banks converges with, and is constrained by, the government's own debt capacity. As such, Moody's will be reassessing the level of systemic support for the banks listed above to determine whether the systemic support they receive needs to be more closely aligned to the government's local currency bond rating. For more information, see Moody's recent report "Financial Crisis More Closely Aligns Bank Credit Risk and Government Ratings in Non-Aaa Countries" available on [www.moodys.com](http://www.moodys.com).

Moody's said that it will review the specific circumstances of Poland to determine the appropriate systemic support for Polish bank ratings and the implications for the banks that have been identified as being potentially affected. Factors that the rating agency will consider in its assessment of systemic support include the size of the banking system in relation to government resources, the level of stress in the banking system, the foreign currency obligations of the banking systems relative to the government's own foreign exchange resources, and changes to government political patterns and priorities.

Finally, given the more difficult operating environment faced by the Polish banks, and indeed in many cases by their foreign parents, Moody's will also evaluate if the currently used support assumptions, where applicable, appropriately reflect the parent's willingness and ability to support their Polish subsidiaries. However, the impact on ratings from the reassessment of the parental support input is likely to be limited.

**Powszechna Kasa Oszczednosci Bank Polski (PKO BP)**

Moody's placed on review for possible downgrade the C BFSR of PKO BP. Although the bank has a dominant retail position and diversified loan book, the recent rapid growth rates in FX mortgages remain a cause for concern.

The long-term debt ratings of Aa2 and local currency deposit rating of Aa2 were also placed on review for possible downgrade due to the reassessment of the level of systemic support. The long-term foreign currency deposit rating of A2 and the short-term debt and deposit ratings of P-1 were affirmed.

**Bank Polska Kasa Opieki (Pekao)**

Moody's placed on review for possible downgrade the C BFSR of Pekao. Even though the bank is not exposed to FX risk to the same extent as other banks and maintains high capital adequacy ratios we expect

that due to its corporate profile Pekao's financial fundamentals could be negatively influenced by the economic downturn.

The bank's Aa3 local currency deposit ratings was also placed on review for possible downgrade due to the reassessment of the level of systemic support. The long-term foreign currency deposit rating of A2 and the short-term rating of P-1 were affirmed.

#### Bre Bank

Moody's placed on review for possible downgrade the A3 long-term deposit ratings of Bre Bank due to the reassessment of the level of systemic support. The D BFSR and the short-term rating P-2 were affirmed. Although we note that Bre Bank's Tier1 ratio is lowest among the rated peers, we consider that the current BFSR is sufficiently low to accommodate a reasonable degree of volatility in its financial fundamentals.

#### Bre Bank Hipoteczny

Moody's placed on review for possible downgrade the D- BFSR of Bre Bank Hipoteczny. Given its profile as a specialized commercial mortgage lender Moody's expects a larger degree of negative impact from the deteriorating Polish real-estate market compared to more diversified banks.

Moody's however said that it considers that the bank enjoys a strong support from its ultimate parent (Commerzbank AG rated at Aa3/P-1/C-) and the long-term and short-term deposit ratings of Baa3/P-3 should be resilient in case of the volatility in the BFSR and therefore were affirmed with a stable outlook.

#### Bank Zachodni WBK

Moody's placed on review for possible downgrade the C- BFSR of Bank Zachodni WBK. The bank's profitability is expected to be negatively influenced by the current economic downturn. Moody's also notes a larger portion of exposure to the commercial real estate market in the bank's loan book. The local and foreign currency deposit ratings of A2/P-1 were placed on review for possible downgrade due to the reassessment of the level of systemic support as well as potential negative pressure due to the volatility of the BFSR.

#### Bank Gospodarki Zywnosciowej (BGZ)

Moody's placed on review for possible downgrade the local and foreign currency deposit ratings of A2/P-1 of BGZ. The bank deposit ratings could be negatively impacted due to the reassessment of the level of systemic support. The D BFSR was affirmed since in Moody's opinion it is currently well placed to reflect BGZ's focused franchise on agribusiness and reasonable financial fundamentals.

#### Lukas Bank

Moody's placed on review for possible downgrade the C- BFSR of Lukas Bank. As a specialized consumer lender which experienced fast growth in its loan portfolio Lukas Bank is likely to be affected by the deteriorating environment. We estimate that a possible downgrade in the BFSR will put local and foreign currency deposit ratings of A2/P-1 under pressure, which were also placed on review for possible downgrade.

#### Europejski Fundusz Leasingowy (EFL)

Moody's placed on review for possible downgrade the issuer rating A2 of EFL. The financial fundamentals of the largest leasing company in Poland are expected to be affected by the deteriorating operating environment and increasing delinquencies in the Polish leasing market.

#### ING Bank Slaski

Moody's changed the outlook on long-term deposit rating A2 to negative from stable. Other ratings were not affected. Moody's notes that in light of the reassessment of the level of systemic support the negative outlook on the parent's BFSR (ING Bank NV rated at Aa3/P1/C+) is likely to take precedent and influence ING Slaski's long-term deposit rating.

#### PREVIOUS RATING ACTION AND PRINCIPAL METHODOLOGIES

Moody's last rating action on Powszechna Kasa Oszczednosci Bank Polski was on 15 September 2008 when Moody's assigned Aa2/Aa3/P-1 to PKO BP SA's EUR3 billion Loan Participation Note Programme.

Headquartered in Warsaw, Poland, Powszechna Kasa Oszczednosci Bank Polski reported consolidated IFRS net income of PLN3.1 billion (EUR757.9 million) in 2008 and total assets of PLN134.6 billion (EUR32.7

billion) as of 31 December 2008.

Moody's last rating action on Bank Polska Kasa Opieki was on 6 November 2008 when Moody's changed the outlook on the BFSR of C to stable from positive given the worsening macroeconomic climate in Poland.

Headquartered in Warsaw, Poland, Bank Polska Kasa Opieki reported consolidated IFRS net income of PLN3.5 billion (EUR1 billion) in 2008 and total assets of PLN131.9 billion (EUR32 billion) as of 31 December 2008.

Moody's last rating action on Bre Bank was on 2 March 2009 when Moody's downgraded long-term deposit ratings to A3 from A2. The rating action was triggered by downgrade of the BFSR rating of parent bank Commerzbank AG (Aa3/P-1/C-)

Headquartered in Warsaw, Poland, Bre Bank reported consolidated IFRS net income of PLN857 million (EUR208.1 million) in 2008 and total assets of PLN82.6 billion (EUR20.1 billion) as of 31 December 2008.

Moody's last rating action on Bre Bank Hipoteczny was on 2 March 2009 when Moody's downgraded long-term deposit ratings to Baa3 from Baa1. The rating action was triggered by downgrade of the BFSR rating of parent bank Commerzbank AG (Aa3/P-1/C-)

Headquartered in Warsaw, Poland, Bre Bank Hipoteczny reported consolidated IFRS net income of PLN43 million (EUR10.4 million) in 2008 and total assets of PLN4.7 billion (EUR1.1 billion) as of 31 December 2008.

Moody's last rating action on Bank Zachodni WBK was on 12 February 2009 when Moody's downgraded long-term deposit ratings to A2 from A1. The rating action was triggered by downgrade of the BFSR rating of parent bank Allied Irish Banks (Aa3/P-1/D)

Headquartered in Warsaw, Poland, Bank Zachodni WBK reported consolidated IFRS net income of PLN855 million (EUR207.6 million) in 2008 and total assets of PLN57.8 billion (EUR14.1 billion) as of 31 December 2008.

Moody's last rating action on Bank Zachodni WBK was on 12 February 2009 when Moody's downgraded long-term deposit ratings to A2 from A1. The rating action was triggered by downgrade of the BFSR rating of parent bank Allied Irish Banks (Aa3/P-1/D)

Headquartered in Warsaw, Poland, Bank Zachodni WBK reported consolidated IFRS net income of PLN855 million (EUR207.6 million) in 2008 and total assets of PLN57.8 billion (EUR14.1 billion) as of 31 December 2008.

Moody's last rating action on Bank Gospodarki Zywnosciowej was on 3 April 2007 when Moody's implemented refinement of JDA methodology.

Headquartered in Warsaw, Poland, Bank Gospodarki Zywnosciowej reported consolidated IFRS net income of PLN213 million (EUR51.7 million) in 2008 and total assets of PLN24.1 billion (EUR5.8 billion) as of 31 December 2008.

Moody's last rating action on Lukas Bank was on 4 February 2009 when Moody's downgraded local currency deposit rating downgraded to A2 from A1 following rating action on its parent Credit Agricole S.A. (Aa1/P-1B-).

Headquartered in Wroclaw, Poland, Lukas Bank reported consolidated IFRS net income of PLN234 million (EUR56.8 million) in 2008 and total assets of PLN11.3 billion (EUR2.7 billion) as of 31 December 2008.

Moody's last rating action on Europejski Fundusz Leasingowy was on 4 February 2009 when Moody's downgraded issuer rating to A2 from A1 following rating action on its parent Credit Agricole S.A. (Aa1/P-1B-).

Headquartered in Wroclaw, Poland, Europejski Fundusz Leasingowy reported consolidated IFRS net income of PLN110 million (EUR26.7 million) in 2008 and total assets of PLN6.2 billion (EUR1.5 billion) as of 31 December 2008.

Moody's last rating action on ING Bank Slaski was on 28 January 2009 when Moody's downgraded local currency deposit rating downgraded to A2 from A1 following rating action on its parent ING Bank N.V. (Aa3/P-1/C+).

Headquartered in Katowice, Poland, ING Bank Slaski reported consolidated IFRS net income of PLN445 million (EUR108.1 million) in 2008 and total assets of PLN69.6 billion (EUR16.9 billion) as of 31 December 2008.

The principal methodologies used in rating these banks were "Bank Financial Strength Ratings: Global Methodology" (February 2007) and "Incorporation of Joint-Default Analysis into Moody's Bank Ratings: A Refined Methodology" (March 2007), which can be found at [www.moodys.com](http://www.moodys.com) in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

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