S&P Global Ratings

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Bank Polska Kasa Opieki S.A.

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Bank Polska Kasa Opieki S.A.

SACP	bbb+	+	Support	0	+	Additional Factors	0

SACP component	Assessment	Adjustment
Anchor	bbb-	
Business Position	Strong	+1
Capital and Earnings	Strong	+1
Risk Position	Adequate	0
Funding	Average	0
Liquidity	Strong	

Support	
ALAC Support	0
GRE Support	0
Group Support	0
Sovereign Support	0

Issuer Credit Rating
BBB+/Negative/A-2

Major Rating Factors

Strengths:	Weaknesses:
• Strong franchise in the Polish banking market, which benefits the bank's funding profile. • Strong capitalization and solid earnings capacity. • Better-than-average credit loss experience and low exposure to foreign currency mortgage loans.	• Some single-name concentration in the corporate loan book, albeit decreasing. • Geographic concentration in Poland.

Outlook: Negative

The negative outlook on Bank Polska Kasa Opieki S.A. (Pekao) indicates S&P Global Ratings' view that there is a one-in-three possibility of a downgrade, driven by our anticipation of the introduction of the EU Bank Recovery and Resolution Directive (BRRD) resolution framework in Poland in 2016.

We expect that the implementation of the BRRD in Poland in 2016 will likely decrease the potential for extraordinary government support for systemically important banks. We also consider that the possible introduction of a single resolution framework for cross-border banking groups, such as UniCredit SpA, within the EU could lead to an increased bail-in risk on the subsidiary in the event of a resolution of the parent.

If we did not factor in systemic support from the Polish government, we would rate Pekao above its parent UniCredit SpA only if we considered Pekao to be:

- Insulated (substantially protected from adverse parental effects or intervention); or
- Eligible for consideration of additional loss-absorbing capacity (ALAC) once Poland has adopted the BRRD, and we consider it to have an effective resolution regime where Pekao is subject to a separate resolution process from its parent.

The negative outlook also incorporates the possibility of a downgrade following a further negative rating action on Poland. If we lowered the long-term foreign-currency rating on Poland, which now carries a negative outlook, we would likely cap the rating on Pekao at the level of the long-term foreign-currency sovereign rating.

Although the operating conditions for Polish banks are becoming more demanding, we consider that Pekao holds sound enough capital levels to withstand potentially adverse developments in the economy and that its exposure to Swiss franc (CHF)-denominated mortgage loans is comparatively low.

We could revise the outlook on Pekao to stable if we consider that potential extraordinary government support for the bank's senior unsecured creditors is unchanged in practice; or if we consider Pekao to be subject to a separate resolution process from its parent and having a sufficient buffer of subordinated instruments eligible for ALAC, fully offsetting the increased bail-in risks. An outlook revision to stable would also hinge on a similar rating action on the sovereign.

Rationale

The rating on Pekao reflects the 'bbb-' anchor that we apply to commercial banks operating in Poland. It also reflects our view of Pekao's strong business position, strong capital and earnings, adequate risk position, average funding, and strong liquidity. The stand-alone credit profile (SACP) is 'bbb+', the highest of the banks we rate in Poland.

We consider Pekao to have high systemic importance in the Republic of Poland (foreign currency BBB+/Negative/A-2, local currency A-/Negative/A-2). However, given the current 'A-' local currency long-term rating on Poland, this does not translate into additional support notches, in line with our criteria, and therefore the issuer credit rating on Pekao is at the same level as its SACP.

Anchor: 'bbb-' for banks operating in Poland

Under our methodology for rating banks, we use our Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating on a bank. The anchor for a commercial bank operating in Poland is 'bbb-'.

In our view, the Polish economy is well diversified and resilient, and has a strong manufacturing sector and competitive workforce. We expect that this will support sound GDP growth of 3.3%-3.5% in 2016-2017. Economic imbalances that built up over the past decade, notably in the housing market, should continue to reduce, leading to decreasing credit losses in 2016-2017. The main sources of credit risk for Polish financial institutions continue to stem from banks' high volumes of mortgages in Swiss francs and their exposure to the weak construction sector. We believe that households' ability to repay their elevated foreign currency-denominated debt could weaken if economic prospects fade and private sector debt capacity in foreign currency terms stagnates.

We believe Polish banking regulation has improved in recent years and is gradually approaching international best practices. While Polish banks' underlying business stability remains sound, the new bank asset tax and regulatory costs will, in our view, meaningfully reduce the sector's profitability in the next two years. We expect that this will reduce the banking sector's capital buffers, its ability to absorb losses, and its capacity to internally generate sufficient capital for new business, especially for smaller banks. We anticipate that the banking sector's structure could also change over time owing to further consolidation pressure and strategic considerations by foreign parents. The industry's reliance on external funding is gradually declining, as Polish banks have been able to replace parental funding with domestic customer deposits and, to a lesser extent, other wholesale funding. That said, we believe the foreign parents remain committed to their Polish subsidiaries and would provide extraordinary support, if needed.

Table 1

Bank Polska Kasa Opieki S.A. Key Figures					
		--Year ended Dec. 31--			
(Mil. PLN)	**2016***	**2015**	**2014**	**2013**	**2012**
Adjusted assets	159,080	168,149	166,998	157,895	150,280
Customer loans (gross)	122,894	122,982	114,777	106,390	99,772
Adjusted common equity	22,526	20,220	20,253	20,223	20,065
Operating revenues	1,829	7,183	7,441	7,650	8,064
Noninterest expenses	782	3,668	3,391	3,568	3,721
Core earnings	662	2,456	2,856	2,766	2,960

*Data as of March 31. PLN--Polish zloty.

Business position: Solid franchise in Poland and conservative management strategy

Pekao benefits from its strong market position in Poland and solid franchise, which has given it broad access to retail funding and resulted in stable market shares in both loans and deposits. We therefore assess Pekao's business position as strong.

Pekao, with total assets of Polish zloty (PLN) 159.7 billion (€36.3 billion) as of March 31, 2016, is the second-largest bank in the Polish banking sector. It had market shares of 13% in customer loans and customer deposits of 11% as of March 31, 2016. Pekao's revenues mix is well balanced between retail and commercial banking activity, with retail representing about 55%-60% and commercial about 30%-35% of revenues. The bank holds a strong position in the corporate business, where its market share is about 16%-17% in both lending and deposits. The product offer is complemented by the mutual funds business, with a volume of PLN16.0 billion (€3.6 billion) where Pekao holds a market share of 17.4% in Poland. We understand that Pekao will target further growth principally in retail lending (mortgages and consumer lending) and in the SME segment in 2016-2017.

Similar to most Polish banks, Pekao's geographic diversification is limited, and we do not expect the bank to expand abroad.

We view Pekao's development strategy as conservative and well implemented by a stable management team. UniCredit SpA, which owns a 40.1% shareholding in Pekao following the disposal of 10% of its controlling stake as of July 12, 2016, continues to be widely represented in Pekao's top management and has provided a high degree of know-how and management expertise. However, we consider Pekao to be fairly independent from the parent in its daily operations, owing to its own information technology infrastructure, its local product offering, and its own treasury and funding operations.

We expect Pekao to follow a balanced growth model and continue to demonstrate a successful track record in keeping costs under control and maintaining a lower risk appetite than the system average.

Table 2

Bank Polska Kasa Opieki S.A. Business Position

		--Year ended Dec. 31--			
(%)	**2016***	**2015**	**2014**	**2013**	**2012**
Loan market share in country of domicile	12.7	12.9	12.9	12.7	12.3
Deposit market share in country of domicile	10.6	11.3	14.5	15.1	14.0
Total revenues from business line (mil. PLN)	1,830	7,195	7,443	7,686	8,086
Commercial banking/total revenues from business line	26.1	30.7	28.3	26.5	22.7
Retail banking/total revenues from business line	53.4	56.0	57.7	63.3	60.1
Commercial & retail banking/total revenues from business line	79.5	86.7	86.0	89.9	82.8
Trading and sales income/total revenues from business line	6.6	5.9	6.0	6.1	6.3
Asset management/total revenues from business line	13.2	5.4	6.8	2.5	6.0
Other revenues/total revenues from business line	0.7	1.9	1.3	1.6	4.9
Investment banking/total revenues from business line	6.6	5.9	6.0	6.1	6.3
Return on equity	9.7	9.7	11.4	11.9	13.2

*Data as of March 31. PLN--Polish zloty.

Capital and earnings: Strong capitalization, supported by solid earnings

Our assessment of Pekao's capital and earnings as strong reflects primarily our expectation that its capitalization, as measured by our projected risk-adjusted capital (RAC) ratio before diversification adjustments will remain in the range of 11.0%-11.5% over the next 18-24 months, compared with 11.8% as of year-end 2015.

In our projected RAC ratio for the next 18-24 months, we incorporate our view that:

- At best stable operating revenues in 2016, followed by a 2%-3% recovery starting from 2017;
- Continuous improvement in the cost of credit risk to about 45 basis point (bps)-50bps in 2016-2017, compared with 44bps in 2015, thus remaining significantly below the system average;
- Lower bottom-line profitability in the range of PLN1.8 billion-PLN2.0 billion in 2016-2018, burdened additionally by the new bank asset tax introduced in February 2016 and increased regulatory costs;

- The dividend payout ratio will remain high, at around 90%-100%; and
- Above-market loan volume growth will result in a moderate increase in the S&P Global Ratings' risk-weighted assets ratio in 2016-2017.

We expect the faster-than-system-average increase in business volumes and the repricing of the loan portfolio to result in a recovery of the net interest income only in 2017. We also anticipate fee income will gradually improve in 2017 because higher business volumes are likely to counterbalance the drop in 2016 (reduced interchange fees in the card business and lower fees from mutual funds and brokerage). In addition, we expect the bank to be able to maintain its outstanding cost-to-income ratio, which was 51% in 2015 (the bank targets 42% by 2020), by continuing to optimize its cost base. This would bring the bank further in line with the best-in-class efficiency ratios for commercial banks in Europe.

We view Pekao's quality of capital, consisting only of core Tier 1 capital in the form of share capital, a capital surplus, and reserves, to be high. We believe that the bank's earnings capacity will remain strong, owing to relatively stable operating revenues, planned cost cuts, and our expectation of low loan losses. This is reflected in our three-year average earnings buffer of about 135bps-140bps for the bank, which compares favorably with its rated peers.

We note that both Pekao's common equity Tier 1 (CET1) ratio and its total capital ratio equaled 18.4% at the consolidated level as of March 31, 2016, comfortably meeting the regulatory requirement of a CET1 if at least 10.25% and the total capital ratio at least of 13.25%.

Table 3

Bank Polska Kasa Opieki S.A. Capital And Earnings

		--Year ended Dec. 31--			
(%)	**2016***	**2015**	**2014**	**2013**	**2012**
Tier 1 capital ratio	18.4	17.7	17.3	18.6	18.5
S&P Global Ratings RAC ratio before diversification	N.M.	11.8	12.6	14.6	14.4
S&P Global Ratings RAC ratio after diversification	N.M.	10.6	11.7	14.1	14.2
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	58.5	58.0	60.0	58.9	59.6
Fee income/operating revenues	25.3	27.9	27.5	28.0	28.0
Market-sensitive income/operating revenues	14.7	9.2	9.4	9.8	9.3
Noninterest expenses/operating revenues	42.7	51.1	45.6	46.6	46.1
Preprovision operating income/average assets	2.6	2.1	2.5	2.6	2.9
Core earnings/average managed assets	1.6	1.5	1.8	1.8	2.0

*Data as of March 31. N.M.--Not meaningful.

Table 4

Bank Polska Kasa Opieki S.A. Risk-Adjusted Capital Framework Data

(Mil. PLN)	**Exposure***	**Basel II RWA**	**Average Basel II RW (%)**	**S&P Global Ratings' RWA**	**Average S&P Global Ratings' RW (%)**
Credit risk					
Government and central banks	40,283	2,615	6	6,471	16
Institutions	11,518	3,622	31	4,067	35

Table 4

Bank Polska Kasa Opieki S.A. Risk-Adjusted Capital Framework Data (cont.)

Corporate	76,940	49,122	64	85,107	111
Retail	67,567	39,536	59	44,356	66
Of which mortgage	42,483	12,884	30	19,116	45
Securitization	0	0	0	0	0
Other assets	7,220	9,164	127	10,897	151
Total credit risk	203,527	104,058	51	150,899	74
Market risk					
Equity in the banking book¶	529	752	198	5,426	1,026
Trading book market risk	--	795	--	1,192	--
Total market risk	--	1,547	--	6,618	--
Insurance risk					
Total insurance risk	--	--	--	0	--
Operational risk					
Total operational risk	--	7,060	--	13,651	--
(Mil. PLN)		**Basel II RWA**		**S&P Global Ratings' RWA**	**% of S&P Global Ratings' RWA**
Diversification adjustments					
RWA before diversification		114,450		171,169	100
Total adjustments to RWA		--		19,666	11
RWA after diversification		114,450		190,835	111
(Mil. PLN)		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings' RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		20,210	17.7	20,220	11.8
Capital ratio after adjustments§		20,210	17.7	20,220	10.6

*Exposure at default. €Securitisation Exposure includes the securitisation tranches deducted from capital in the regulatory framework. ¶Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. §Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital. PLN--Poland Zloty. Sources: Company data as of Dec. 31, 2015, S&P Global Ratings.

Risk position: Sound asset quality and loan loss track record but some single-name concentration

In our view, Pekao's risk position balances the bank's comparatively favorable asset quality metrics and track record of credit losses--when compared with the industry average--with some concentration in the loan book. As result, we assess the bank's risk position as adequate.

Pekao's loan portfolio of PLN127.4 billion (€30.4 billion) as of March 31, 2016, is balanced between retail loans, representing about 42%, and corporate loans, representing 58% of the total portfolio. We believe that the share of retail lending will continue to increase as a result of Pekao's strategic focus.

Pekao has, in our view, maintained high underwriting standards, which have enabled it to preserve better-than-system-average asset quality. Pekao's reported gross nonperforming loans (NPLs) represented a stable 6.5% of total customer loans as of March 31, 2016, compared with 7.4% for the Polish banking system (as of year-end 2015). We believe that Pekao could sell further NPL portfolios, as demonstrated by the sale of a PLN1.8 billion portfolio in February 2016, leading to a further improvement in the asset quality.

Additionally, the bank benefits from its better-than-peers' track record of credit losses. In 2015, Pekao's cost of credit risk was about 44bps compared with about 88bps for the industry average. While the majority of credit losses still come from the construction and real estate sector, we understand that the bank's exposures to these sectors remain below the system averages, at about 6% of corporate loans to the construction sector and 10.5% to the real estate sector, which somewhat mitigates the risk.

We anticipate that Pekao will contain credit losses at about 45bps-50bps in 2016-2017 as demonstrated in the first quarter of 2016, benefiting from a more benign domestic economic environment. We consider the level of reserve coverage of nonperforming assets to be one of the highest among peers, especially taking into account the bank's bias toward the corporate sector, as demonstrated by a ratio at close to 74% as of March 31, 2016.

As indicated by the adjustments for concentrations in our RAC framework, we believe that, due to Pekao's corporate focus, single-name risks exist. However, we acknowledge that the 20 largest exposures represent only about a fifth of the nonbank exposures and that they are gradually decreasing.

We see as positive that the bank's loans in foreign currency remain lower than the system average, representing about 18% of the total loan book at the end of March 2016. Another positive factor is that Pekao's residual stock of foreign currency-denominated mortgages (mainly in Swiss francs resulting from the merger of the spun-off part of Bank BPH in 2007) represented a limited PLN4.6 billion or 4.0% of total loans (or about 11% of the retail mortgage loans) as of March 31, 2016, and remains substantially below the market average. We consider that a potential forced conversion of Swiss franc-denominated loans into local currency represents a political risk for domestic banks, including Pekao. However, given Pekao's limited exposure, we believe the potential costs would be manageable for the bank.

Table 5

Bank Polska Kasa Opieki S.A. Risk Position

		--Year ended Dec. 31--			
(%)	**2016***	**2015**	**2014**	**2013**	**2012**
Growth in customer loans	(0.3)	7.1	7.9	6.6	1.5
Total diversification adjustment / S&P Global Ratings' RWA before diversification	N.M.	11.5	7.6	3.2	2.1
Total managed assets/adjusted common equity (x)	7.1	8.3	8.3	7.8	7.5
New loan loss provisions/average customer loans	0.4	0.4	0.5	0.6	0.7
Gross nonperforming assets/customer loans + other real estate owned	6.5	6.5	7.2	7.4	7.8
Loan loss reserves/gross nonperforming assets	71.9	71.0	67.8	63.5	59.9

*Data as of March 31. N.M.--Not meaningful.

Funding and liquidity: Funding profile dominated by stable customer deposits base and strong liquidity position

We consider Pekao's funding as average. Our view is based on Pekao's sound franchise and proximity to customers, which should continue to provide the bank with a relatively stable and granular inflow of core customer deposits (95% of funding as of March 31, 2016).

Pekao's loan-to-deposits ratio was 96% on March 31, 2016, which compares favorably with the industry average and with that of most of its peers in CEE. The deposit base's structure is well balanced between corporate and retail clients, and does not show single-name concentration risk, despite the bank's corporate focus. Additionally, the funding profile is balanced, with the long-term funding ratio at 98% as of March 31, 2016. The bank does not depend on interbank or parental funding, which we consider positive. Therefore, we expect Pekao to maintain its favorable, stable funding ratio in the range of 110%-120% (116.5% as of Dec. 31, 2015) over the next two years.

Pekao's sizable securities portfolio of PLN27.1 billion, which mainly comprises Polish government securities, represents a comfortable liquidity buffer. By our measures, Pekao's one-year liquidity ratio (broad liquid assets to short-term wholesale funding), at 4.2x as of Dec. 31, 2015, is, in our view, commensurate with a strong liquidity assessment. We believe that in financial crises Pekao would benefit from customers' flight to quality and its strong liquidity coverage would allow it to withstand a lack of access to wholesale funding for more than 12 months.

Table 6

Bank Polska Kasa Opieki S.A. Funding And Liquidity

		--Year ended Dec. 31--			
(%)	**2016***	**2015**	**2014**	**2013**	**2012**
Core deposits/funding base	94.7	90.9	91.0	91.3	88.0
Customer loans (net)/customer deposits	96.1	93.3	88.6	85.9	89.6
Long term funding ratio	97.9	94.9	94.8	95.5	92.1
Stable funding ratio	117.7	116.5	124.5	129.9	122.3
Short-term wholesale funding/funding base	2.5	6.0	6.1	5.3	9.4
Broad liquid assets/short-term wholesale funding (x)	9.6	4.2	5.2	6.6	3.6
Net broad liquid assets/short-term customer deposits	23.3	21.0	26.8	32.5	28.1
Short-term wholesale funding/total wholesale funding	47.7	65.7	67.3	61.2	78.0
Narrow liquid assets/3-month wholesale funding (x)	N/A	N/A	5.0	6.7	4.4

*Data as of March 31. N/A--Not applicable.

External support: No notches of uplift to the SACP

The disposal of 10% of its controlling stake in Pekao diminished UniCredit SpA's shareholding to 40.1% of the bank's share capital as of July 12, 2016. Combined with the uncertainties regarding the potential future strategic decision of the group's presence in different CEE markets, in our view, this reduces Pekao's strategic importance to the wider group. We now consider Pekao to be a strategically important subsidiary of UniCredit SpA. We believe that UniCredit SpA, as controlling shareholder, continues to be committed to Pekao, and to Poland, which remains one of the key CEE markets where UniCredit SpA operates. In our view, a disposal of UniCredit SpA's stake in Pekao is unlikely. That said, the parent has launched an in-depth strategic review of all major areas, including the CEE operations.

However, we do not incorporate any notches of parental support in the long-term rating in our analysis of Pekao, given our current assessment of UniCredit SpA's group credit profile (GCP) of 'bbb-'. The ratings on Pekao reflect the bank's SACP. Although subsidiaries are generally not rated higher than our GCP for a given group, we may assign a higher rating if the subsidiary meets the conditions, including having highly systemic importance in a country, that we consider to be supportive toward its banking system. In Pekao's case, we rate it two notches higher than the GCP for UniCredit SpA to reflect our expectation that, in a severe stress scenario, the Polish regulatory authorities would intervene to protect Pekao and preserve its creditworthiness. However, the implementation of BRRD in Poland could affect our view of this type of support in the future. Specifically, a possible introduction of a single resolution framework for cross-border banking groups, such as UniCredit SpA, within the EU could lead to an increased bail-in risk on the subsidiary in the event of a resolution of the parent. We will explore in due time if the Polish regulator and the resolution authority were to implement measures making this route less realistic; once we have gained full understanding of the Polish approach, we will assess the potential downside risk on Bank Pekao.

We consider the Polish government to be supportive of its banking sector and Pekao to be of high systemic importance for Poland. Consequently, we evaluate the likelihood of extraordinary support for Pekao, if needed, from the Polish government as moderately high. However, we do not factor in any uplift from the SACP into the long-term rating on Pekao, given the current local currency sovereign ratings on Poland.

If we perceive that support for senior unsecured creditors is less predictable under the BRRD framework, expected to be implemented in 2016 in Poland, we would most likely revise our assessment of Polish government support to private-sector commercial banks to uncertain from our current supportive assessment.

Additional rating factors:None

No additional factors affect this rating.

Related Criteria And Research

Related Criteria

- Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Group Rating Methodology, Nov. 19, 2013
- Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Revised Market Risk Charges For Banks In Our Risk-Adjusted Capital Framework, June 22, 2012
- Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- Bank Capital Methodology And Assumptions, Dec. 6, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Commercial Paper I: Banks, March 23, 2004

Related Research

- Banking Industry Country Risk Assessment Update: July 2016, July 22, 2016
- Italy-Based UniCredit And Polish Pekao Ratings Affirmed On Announced Stake Disposal; Outlooks Are Unchanged, July 20, 2016
- Banking Industry Country Risk Assessment: Poland, July 4, 2016
- Poland Foreign Currency Rating Affirmed At 'BBB+'; Outlook Negative, July, 1, 2016
- Polish Banking Industry Country Risk Now Negative; Bank Pekao and mBank Ratings Affirmed With Negative Outlooks, Feb. 3, 2016

- Poland-Based Bank Pekao Affirmed At 'BBB+/A-2' Following Sovereign Rating Action; Outlook Negative. Jan. 19, 2016
- Poland-Based Pekao Outlook Revised To Negative On Potential Government Support Review; 'BBB+/A-2' Ratings Affirmed, June 30, 2015

Anchor Matrix

Industry Risk	Economic Risk									
	1	2	3	4	**5**	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	**bbb-**	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of July 29, 2016)

Bank Polska Kasa Opieki S.A.	
Counterparty Credit Rating	BBB+/Negative/A-2
Counterparty Credit Ratings History	
30-Jun-2015	BBB+/Negative/A-2
14-Feb-2012	BBB+/Stable/A-2
07-Dec-2011	A-/Watch Neg/A-2
Sovereign Rating	
Poland (Republic of)	
Foreign Currency	BBB+/Negative/A-2
Local Currency	A-/Negative/A-2
Related Entities	
AO UniCredit Bank	
Issuer Credit Rating	BB+/Negative/B
Senior Unsecured	BB+
BA-CA Finance (Cayman) (2) Ltd.	
Preferred Stock	BB-
BA-CA Finance (Cayman) Ltd.	
Junior Subordinated	BB-
HVB Capital LLC I	
Junior Subordinated	BB-
HVB Capital LLC II	
Junior Subordinated	BB-

Ratings Detail (As Of July 29, 2016) (cont.)	
HVB Capital LLC III	
Junior Subordinated	BB-
HVB Funding Trust I	
Junior Subordinated	BB-
HVB Funding Trust II	
Junior Subordinated	BB-
HVB Funding Trust III	
Junior Subordinated	BB-
UniCredit Bank AG	
Issuer Credit Rating	BBB/Negative/A-2
Senior Secured	AAA
Senior Secured	AAA/Negative
Senior Unsecured	BBB
Subordinated	BB+
UniCredit Bank Austria AG	
Issuer Credit Rating	BBB/Negative/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB
Subordinated	BB+
UniCredit Bulbank AD	
Issuer Credit Rating	BB+/Stable/B
UniCredit Leasing SpA	
Issuer Credit Rating	BBB-/Negative/A-3
UniCredit Luxembourg S.A.	
Issuer Credit Rating	BBB/Negative/A-2
UniCredit SpA	
Issuer Credit Rating	BBB-/Stable/A-3
Certificate Of Deposit	A-3
Junior Subordinated	B+
Junior Subordinated	BB-
Senior Unsecured	BBB-
Subordinated	BB
Yapi ve Kredi Bankasi A.S.	
Issuer Credit Rating	BB/Negative/B
Turkey National Scale	trAA-/--/trA-1
Zagrebacka banka dd	
Issuer Credit Rating	BB/Negative/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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