

Announcement of Periodic Review: Moody's announces completion of a periodic review of ratings of mBank S.A.

30 Sep 2020

Frankfurt am Main, September 30, 2020 -- Moody's Investors Service ("Moody's") has completed a periodic review of the ratings of mBank S.A. and other ratings that are associated with the same analytical unit. The review was conducted through a portfolio review in which Moody's reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), recent developments, and a comparison of the financial and operating profile to similarly rated peers. The review did not involve a rating committee. Since 1 January 2019, Moody's practice has been to issue a press release following each periodic review to announce its completion.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Credit ratings and outlook/review status cannot be changed in a portfolio review and hence are not impacted by this announcement. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Key rating considerations are summarized below.

mBank's A3 deposit ratings reflect the bank's baa3 Baseline Credit Assessment (BCA), one notch of uplift resulting from Moody's assumption of a moderate likelihood of support from its parent bank, Commerzbank AG (Commerzbank, A1, baa2) and two further notches of rating uplift following the application of Moody's Advanced Loss Given Failure (LGF) analysis. The probability of government support from Poland (A2) is low, and hence the deposit ratings do not include government support uplift.

mBank's baa3 BCA reflects its moderate asset risk with a large legacy portfolio of more risky foreign-currency mortgages, which are subject to heightened legal risk following a borrower friendly ruling of the European Court of Justice in October 2019, a key social risk. mBank's BCA also captures the bank's generally strong but currently weakening profitability given the current adverse environment and legal provisions. The bank's adequate capital buffers and its reliance on derivatives and wholesale borrowings to fund the foreign-currency mortgage book are also captured in its baa3 BCA.

mBank Hipoteczny S.A. (MBH; mortgage bank fully owned by mBank) Baa2 issuer ratings are positioned one notch below the rating level that would have been assigned to mBank's senior unsecured debt in the absence of a full and irrevocable guarantee obligation of mBank to stand in for MBH's liabilities. At the same time, the positioning of the issuer ratings at Baa2 reflects mBank's strategic fit and high operational integration within the group, as well as its public commitment to maintain the capital and liquidity of its subsidiary at satisfactory levels, meeting all regulatory requirements.

This document summarizes Moody's view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was Banks Methodology published in November 2019. Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

This announcement applies only to EU rated and EU endorsed ratings. Non EU rated and non EU endorsed ratings may be referenced above to the extent necessary, if they are part of the same analytical unit.

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