

27 May 2019

Frankfurt am Main, May 27, 2019 -- Moody's Investors Service (Moody's) has today assigned Baa2 long-term and Prime-2 short-term issuer ratings to mBank Hipoteczny S.A. (MBH), a mortgage bank which is a subsidiary of one of the largest banks in Poland, mBank S.A. (mBank; A3 stable, baa3). Concurrently, the rating agency has assigned the bank A3(cr) long-term and Prime-2(cr) short-term Counterparty Risk Assessment (CR Assessment) and A3 long-term and Prime-2 short-term Counterparty Risk Ratings (CRRs). The outlook on the long-term issuer ratings is stable.

A full list of assigned ratings can be found at the end of this press release.

RATINGS RATIONALE

MBH's 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 (1) mBank's full ownership of MBH, as well as its strategic fit and high operational integration within the group; and (2) mBank's public commitment to maintain the capital and liquidity of its subsidiary at satisfactory levels, meeting all regulatory requirements.

MBH provides long-term funding to its parent mBank by issuing mortgage covered bonds, which under Polish regulations can only be issued through mortgage banks. This setup is expected to benefit the group by (1) reducing the maturity mismatch between assets and liabilities; (2) diversifying its sources of funding and (3) lowering the cost of wholesale funding.

Moody's sees MBH as a strategic part of the mBank group and a visible part of its business going forward. mBank, the parent bank, has a commitment to maintain the capital and liquidity ratios of its subsidiary at satisfactory levels and within the limits required by relevant banking regulation. In case of a breach of the relevant regulatory requirements, the Polish Financial Supervision Authority (PFSA) has the necessary powers under the Banking Act to command mBank to recapitalize or provide liquidity to its subsidiary. In case of refusal, it can intervene by limiting voting rights and dividend payments. Furthermore, MBH's operations are highly integrated within the group - issued covered bonds accounted for 6.5% of mBank's total liabilities and 45.8% of its total issued debt as of December 2018.

The stable outlook on the issuer ratings is driven by the stable outlook on mBank's ratings.

ASSIGNMENT OF COUNTERPARTY RISK ASSESSMENT

Moody's assigns a CR Assessment of A3(cr)/Prime-2(cr), one notch below the CR Assessment of its parent, mBank, similarly to the notching of the issuer ratings.

CR Assessment is an opinion of how counterparty obligations are likely to be treated if a bank fails and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than the likelihood of default and the expected financial loss suffered in the event of default; and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (e.g., swaps), letters of credit, guarantees and liquidity facilities.

WHAT COULD MOVE THE RATINGS UP/DOWN

MBH's ratings would experience positive or negative pressure in the event of changes in the ratings of mBank. Furthermore, Moody's could reconsider the ratings of MBH in case the relationship between the subsidiary and its parent changes to an extent that would materially reduce the level of integration between the two.

LIST OF AFFECTED RATINGS

Issuer: mBank Hipoteczny S.A.

..Assignments:

....Long-term Counterparty Risk Ratings, assigned A3

....Short-term Counterparty Risk Ratings, assigned P-2

....Long-term Issuer Ratings, assigned Baa2 Stable

....Short-term Issuer Ratings, assigned P-2

....Long-term Counterparty Risk Assessment, assigned A3(cr)

....Short-term Counterparty Risk Assessment, assigned P-2(cr)

..Outlook Action:

....Outlook changed to Stable from Rating Withdrawn

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in August 2018. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

REGULATORY DISCLOSURES

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