

**Rating Action: Moody's assigns Baa1 issuer ratings to ING Bank Hipoteczny S.A. with stable outlook**

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21 Aug 2019

Limassol, August 21, 2019 -- Moody's Investors Service ("Moody's") has today assigned Baa1 long-term and Prime-2 short-term local and foreign currency issuer ratings to ING Bank Hipoteczny S.A. (ING BH) a mortgage bank which is a fully owned subsidiary of the fifth largest bank in Poland, ING Bank Slaski S.A. (Deposits A2 stable, Baseline Credit Assessment baa2). Concurrently, the rating agency has assigned to the mortgage bank A2(cr) long-term and Prime-1(cr) short-term Counterparty Risk Assessments (CR Assessment) and A2 long-term and Prime-1 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**

In the absence of a full and irrevocable guarantee obligation of ING Bank Slaski to stand in for ING BH's obligations, ING BH's Baa1 issuer ratings are positioned one notch below the rating level that would have been assigned to ING Bank Slaski's senior unsecured debt. At the same time, the positioning of the issuer ratings at Baa1 reflects (1) ING Bank Slaski's full ownership of ING BH, as well as its strategic fit and high operational integration within the group; and (2) ING Bank Slaski's commitment to maintain the capital and liquidity of its subsidiary at satisfactory levels and in line with regulatory requirements.

ING BH was established in the first quarter of 2018 and according to its business plan the main function of the mortgage bank will be to provide long-term funding to the broader ING Bank Slaski group 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 its funding.

Moody's sees ING BH as a strategic part of the ING Bank Slaski group and a visible part of its business going forward. ING Bank Slaski, 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 parent bank has undertaken to the Polish Financial Supervision Authority to restore them promptly.

ING BH's operations are highly integrated within the group -- the mortgage bank benefits from ING Bank Slaski's extensive distribution network and has access to ING Bank Slaski's expertise and resources whereby based on a cooperation agreement ING BH relies on ING Bank Slaski for the servicing of loans as well as back-office functions and common IT tools and risk evaluations tools and models.

The stable outlook on the long-term issuer ratings is driven by the stable outlook on ING Bank Slaski's ratings.

**ASSIGNMENT OF COUNTERPARTY RISK ASSESSMENT AND COUNTERPARTY RISK RATING**

Moody's has also assigned a long-term CR Assessment of A2(cr) and a long-term CRR of A2, one notch below the long-term CR Assessment and CRR of its parent, ING Bank Slaski, similarly to the notching of ING BH's issuer ratings.

CR Assessment are opinions 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 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. CRRs reflect the expected loss on the uncollateralised portion of non-debt counterparty financial liabilities resulting from transactions with unrelated parties. Such liabilities include the uncollateralised portion of payables arising from derivatives transactions and the uncollateralised portion of liabilities under sale and repurchase agreements.

## WHAT COULD MOVE THE RATINGS UP/DOWN

ING BH's ratings would experience positive or negative pressure in tandem with changes in the ratings of ING Bank Śląski. Furthermore, Moody's could reconsider the ratings of ING BH 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 or in case the parent bank provides an explicit and irrevocable guarantee of the obligations of ING Bank Hipoteczny S.A.

## LIST OF AFFECTED RATINGS

..Issuer: ING Bank Hipoteczny S.A.

Assignments:

- ...Long-term Counterparty Risk Ratings, assigned A2
- ...Short-term Counterparty Risk Ratings, assigned Prime-1
- ...Long-term Issuer Ratings, assigned Baa1 Stable
- ...Short-term Issuer Ratings, assigned Prime-2
- ...Long-term Counterparty Risk Assessment, assigned A2(cr)
- ...Short-term Counterparty Risk Assessment, assigned Prime-1(cr)

..Outlook Assigned:

....Outlook Stable

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Banks published in August 2018. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

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