



BANKOWEMU BEZPRAWIU

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Moody's Investors Service Limited, Polish Branch

Metropolitan

Pl. Pilsudskiego 3

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Poland

Refers to the Moody's document: "Sector Comment: Poland's New Framework for Foreign-Currency Mortgages Is Credit Positive for Banks".

Dear Moody's,

We are Polish community of people having mortgages denominated in foreign-currency and we are really worry about financial stability of our country. With concern, we are asking you to consider change your recommendation about restructure problematic foreign-currency mortgage portfolios in Poland.

We suggest to recommend immediate mandatory conversion of banks' foreign-currency mortgages into Polish zloty by parliamentary law based on fair act draft submitted by Parliamentary Club Kukiz' 15. Only such solution diminish the systemic risk from foreign-currency mortgage loans.

Explanation

According to Polish National Institute for Strategic Studies (NISS) estimation, Polish economy losing 22 billion zloty every year due to unsolved foreign-currency mortgage problem. This is main reason why Poland needs mandatory conversion of banks' foreign-currency mortgages into Polish zloty by parliamentary law. In 2010 International Monetary Fund published document "FX Swaps: Implications for Financial and Economic Stability" by Bergljot B. Barkbu i Li Lian Ong, so that we know that banks in Poland have significant share in increasing currency risk for clients. Thus, banks' role in creating the dangerous problem for foreign-currency mortgages clients and banking system in Poland is evident.

People having mortgages denominated in foreign-currency deserve deal which is fair convert foreign-currency mortgages to polish zloty, but banks in Poland wasn't able to provide such solution so far. In our opinion Polish Financial Stability Committee (KSF) recommendation is not enough to



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convert foreign-currency mortgages. During last year, clients do not received a fair mortgage conversion offer from banks. Till now, this caused thousands of lawsuits against banks and this number is growing. New capital requirements for mortgages denominated in foreign-currency issued by Polish KSF are not enough to create fair alternative to court path for consumers.

Table 1. Banks in Poland most exposed to mortgage legal risk.

Bank	CHF denominated loans [bln PLN]	Total assets [bln PLN]	% loans exposed to mortgage legal risk
PKO	31.3	266.9	12%
mbank	19.8	123.5	16%
Millenium	18.6	66.2	28%
BPH	13.2	31.3	42%
Getin Noble	13.1	70.8	19%
Raiffeisen POLBANK	12.1	61.9	20%
BZ WBK	10.8	139.7	8%
BGŻ PARIBAS	7.3	65.4	11%
PEKAO	4.3	165.7	3%

Line of case law in Poland is on the consumer side, as is the European Union law. In consequence, mass mortgage contracts cancellations by courts are more dangerous for financial stability then conversion of banks' foreign-currency mortgages into Polish zloty by parliamentary law.

Polish Financial regulator (KNF) did not calculated costs of mortgage contract cancellations by courts. In our opinion that cost may be twice higher than conversion of banks' foreign-currency mortgages into Polish zloty by parliamentary law. Thus, only mandatory conversion of banks' foreign-currency mortgages by parliamentary law protects from serious financial risk for banking sector in Poland.



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Currently, most exposed banks for mortgage legal risk are in our opinion: Millenium Bank sued by more than 6 thousand consumers in class action and mbank owned by Commerzbank with a few class actions.

The market better and better evaluates the legal risk of CHF mortgages, as Raiffeisen Bank has been struggling with debuting on the Warsaw Stock Exchange.

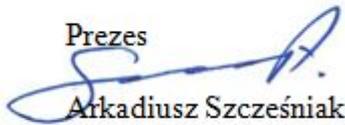
You can follow most recent lawsuits against banks and Polish courts decisions on nawigator.bankowebezprawie.pl

We hope Moody's will warn investors about serious legal risk caused by mortgages denominated in foreign-currency.

With kind regards,

Arkadiusz Szcześniak

President of Stop Banking Lawlessness Association

Prezes

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