Appendix 21
approved by the Polish Financial Supervision Authority on September 4th 2014,
to the Base Prospectus of mBank Hipoteczny S.A. (formerly BRE Bank Hipoteczny S.A.),
approved by the Polish Financial Supervision Authority
on October 28th 2009

This Appendix 21 has been drawn up to update the Issue Prospectus by supplementing it with historical financial information for H1 2014 and with information on trends in the period from January 1st to July 31st 2014, in connection with the publication of condensed financial statements of mBank Hipoteczny S.A. for H1 2014 on August 29th 2014.

Chapter II

Section 1

The following text is added at the beginning:

The financial information presented below is based on audited financial statements for the financial year ended December 31st 2013, prepared in accordance with the IFRS as endorsed by the EU, including comparative data for the financial year ended December 31st 2012, and on reviewed condensed financial statements for H1 2014, prepared in accordance with IAS 34 Interim Financial Reporting, including comparative data for H1 2013. The financial information is supplemented by selected unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

Sub-Section 1.1

The following text is added at the beginning:

At the end of June 2014, the loan portfolio volume (including off-balance-sheet items) grew by PLN 196,980 thousand relative to the end of 2013. Total on-balance-sheet and off-balance-sheet exposure (commercial loans, housing loans, loans to local government institutions, and other amounts due from non-financial sector) reached PLN 5,211.8m at the end of June 2014, and the value of loans granted in H1 2014 was PLN 649,842 thousand (value as per agreements, translated at historical exchange rates) (Table 3h).

As at the end of June 2014, the loans used to finance commercial real estate accounted for 88.2% of the Bank's total loan portfolio. In terms of currency, EUR-denominated loans had a dominant share in the total portfolio, followed by PLN-denominated loans. As at the end of June 2014, foreign currency loans accounted for 51.9% of the aggregate loan portfolio (Table 2h).

The following new table is added under Table 1g:

Table 1h Total loan portfolio by product group (PLN '000)*

Product		**Jun 30 2014**	**Dec 31 2013**	**Change (%) Jun 30 2014 /Dec 31 2013**
Commercial loans	*On-balance-sheet exposure*	3,527,422	3,518,831	0.24%
	Off-balance-sheet exposure	1,071,950	961,467	11.49%
	Total exposure	**4,599,372**	**4,480,298**	**2.66%**
Housing loans	*On-balance-sheet exposure***	149,104	46,670	219.49%
	Off-balance-sheet exposure	16,297	382	4,170.99%
	Total exposure	**165,400**	**47,051**	**251.53%**
Loans to local government institutions	*On-balance-sheet exposure*	440,467	479,491	-8.14%
	Off-balance-sheet exposure	4,330	7,950	-45.53%
	Total exposure	**444,798**	**487,441**	**-8.75%**
Total	*On-balance-sheet exposure****	4,119,202	4,045,000	1.83%

Off-balance-sheet exposure	1,092,577	969,798	12.66%
Total exposure	**5,211,779**	**5,014,799**	**3.93%**

Source: the Issuer.

** Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor. The above data relate to the portfolio value including loan interest, net of impairment losses.*
*** The housing loan portfolio (on-balance-sheet exposure) as at June 30th 2014 includes housing loans in the agency model, which account for a balance-sheet exposure of PLN 110,520.3 thousand.*
**** In addition to commercial loans, housing loans and loans to local government institutions, the Bank's loan portfolio includes other amounts due from non-financial sector, which stood at PLN 8 thousand as at December 31st 2013 and at PLN 2,209 thousand as at June 30th 2014.*

The following new table is added under Table 2g:

Table 2h Total loan portfolio by currency and main product groups*

Product	Jun 30 2014			Dec 31 2013		
	PLN	**EUR**	**USD**	**PLN**	**EUR**	**USD**
Commercial loans	41.8%	56.7%	1.5%	41.9%	56.0%	2.1%
Housing loans	83.9%	13.3%	2.8%	40.5%	49.2%	10.3%
Loans to local government institutions	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)	**48.1%**	**50.5%**	**1.4%**	**47.6%**	**50.5%**	**1.9%**

Source: the Issuer.

** Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor.*

The following new table is added under Table 3g:

Table 3h Sales of loans – value as per loan agreement and number of executed loan agreements, by product groups (PLN '000)*

Product	Jan 1−Jun 30 2014		Jan 1–Jun 30 2013	
	value**	**number**	**value**	**number**
Commercial loans	**529,107**	**26**	**249,996**	**16**
Including loans for:				
- construction projects	86,186	3	66,870	4
- refinancing of real estate	188,705	13	102,126	10
- land purchase	0	0	0	0
- loans to residential developers	254,217	10	81,000	2
Housing loans (retail – agency model)	**120,735**	**487**	**0**	**0**
Loans to local government institutions	**0**	**0**	**0**	**0**
Total	**649,842**	**513**	**249,996**	**16**

Source: the Issuer.

** Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor.*
*** The value of sales in the period January 1st–June 30th 2014 accounts for annexes to loan agreements under which the principal amounts of previous years' loans were increased by PLN 11,151 thousand. The value of agreements corresponds to the loan amounts as per agreement, translated at historical exchange rates.*

Sub-Section: Loans for Purchase or Refinancing of Existing Real Estate (Including Purchase of Shares in Special Purpose Vehicles Owning Real Estate)

The following text is added after the existing wording:

The total commercial loan portfolio (on-balance-sheet and off-balance-sheet exposure) increased from PLN 4,480,298 thousand at the end of December 2013 to PLN 4,599,372 thousand at the end of June 2014.

In H1 2014, the commercial real estate projects financed by the Bank included chiefly office buildings and retail centres. The Bank mainly financed the purchase of or refinanced completed projects that met relevant standards, and financed the construction of projects on completion of which the construction loans were converted into long-term mortgage loans. As far as loans to residential developers are concerned, the Bank sought to position itself as a provider of financing for medium-sized projects (up to 100 flats) in attractive locations.

The average loan repayment period was 12.7 years. Loans bearing interest at variable rates prevailed in the portfolio. Foreign currency loans represented the largest proportion of the total commercial loan portfolio, with a 58.2% share as at the end of June 2014.

Sub-Section 1.1.2 Loans to Local Government Institutions

The following text is added at the beginning:

In H1 2014, the Bank discontinued the provision of financing to local government institutions. Lack of new agreements in 2014 coupled with a significant level of early repayments translated into a lower on-balance-sheet exposure attributable to these loans compared with the end of 2013 (down 8.1%).

As at the end of June 2014, the total on-balance-sheet and off-balance-sheet exposure to the public sector reached PLN 444,798 thousand and represented 8.5% of the total credit exposure. Loans with an average repayment term of 16.9 years accounted for the majority of the portfolio of loans to local government institutions.

Sub-Section 1.1.3 Housing Loans to Retail Customers

The following text is added after the second paragraph:

At the end of June 2014, the value of the housing loan portfolio rose by 251.5% compared with the end of 2013, to PLN 165,400 thousand (on-balance-sheet and off-balance-sheet exposure). The adoption of a new strategy by the Issuer entails expansion of its business into retail lending. In September 2013, the Bank resumed its lending activity in the retail segment, and started to sell products under an agency agreement with mBank S.A., through the latter's sales network.

The range of mortgage loans offered to natural persons was extended to include loans for the purchase of properties on the primary market (subject to obtaining the developer's consent for the creation of security before the project's completion). In April 2014, the Bank commenced cooperation with external companies ACONS and Emmerson with respect to outsourcing of valuation of real property (preparation of the BHWN (mortgage lending value) expert appraisals) to improve the efficiency of the application analysis process. As of July 1st 2014, the Bank has implemented the recommendations contained in the second part of Recommendation S, pursuant to which PLN-denominated loans may only be advanced to those applicants who earn the majority of their income in PLN.

Section 2 Financial Information

The following text is added at the beginning:

The financial information presented below is based on audited financial statements for the financial year ended December 31st 2013, prepared in accordance with the IFRS as endorsed by the EU, including comparative data for the financial year ended December 31st 2012, and on reviewed condensed financial statements for H1 2014, prepared in accordance with IAS 34 Interim Financial Reporting, including comparative data for H1 2013.

The financial information is supplemented by selected unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

The following new table is added under Table 9g:

Table 9h Selected financial data of the Issuer (PLN '000)

	Jun 30 2014	Dec 31 2013
ASSETS		
Cash and transactions with Central Bank	5,369	7,378
Amounts due from other financial institutions	3,465	22,377
Derivative financial instruments	19,610	12,913
Amounts due from non-financial sector	4,119,202	4,045,000
Investment securities available for sale	523,140	605,824
Intangible assets	3,882	3,548
Property, plant and equipment	7,668	9,110
Deferred tax assets	11,480	13,058
Current income tax asset	0	620
Other assets	12,785	62,615
Total assets	**4,706,601**	**4,782,443**

Source: the Issuer's financial statements.

The following new table is added under Table 10g:

Table 10h Selected financial data of the Issuer (PLN '000)

	Jun 30 2014	Dec 31 2013
EQUITY AND LIABILITIES		
Amounts due to other financial institutions	998,198	1,203,488
Derivative financial instruments	959	278
Amounts due to non-financial sector	255,269	295,167
Hedge accounting differences relating to fair value of hedged items	5,463	0
Liabilities under debt securities in issue	2,817,776	2,661,407
Subordinated liabilities	100,252	100,268
Other liabilities and provisions	12,775	19,872
Current income tax liability	200	0
Total liabilities	**4,190,892**	**4,280,480**

Share capital	275,000	275,000
- Registered share capital	275,000	275,000
Retained earnings	239,285	225,469
- Profit/(loss) brought forward	225,469	223,315
- Net profit/(loss) for period	13,816	2,154
Other equity items	1,424	1,494
Total equity	**515,709**	**501,963**
Total equity and liabilities	**4,706,601**	**4,782,443**

Source: the Issuer's financial statements.

The following text is added under Table 10h:

As at the end of June 2014, the Bank's balance-sheet total stood at PLN 4,706,601 thousand and was PLN 75,842 thousand lower than as at the end of 2013. Loans to non-financial sector were the key item of assets, accounting for 87.5% of the total.

As at the end of June 2014, the Bank's total loan portfolio was PLN 5,211,779 thousand (on-balance-sheet and off-balance-sheet exposure), up by 3.9% relative to the end of 2013. As at the end of June 2014, 88.2% of amounts due from non-financial sector (on-balance-sheet and off-balance-sheet exposure) were amounts due from corporate clients, while the remaining 11.8% – from the public sector and retail customers.

The main item of the Bank's liabilities is liabilities under debt securities in issue, which as at June 30th 2014 accounted for 59.9% of the balance-sheet total. The debt securities in issue comprise covered bonds and bonds. Liabilities also included amounts due to other financial institutions, which accounted for 21.2% of the balance-sheet total.

The following new table is added under Table 11g:

Table 11h Off-balance-sheet items (PLN '000)*

Contingent liabilities and commitments granted and received	**Jun 30 2014**	**Dec 31 2013**
Financial commitments and liabilities	1,101,285	979,471
Interest rate derivatives	1,632,318	663,552
Foreign currency derivatives	1,309,876	1,327,909
Financial commitments received	169,134	169,033
Total off-balance sheet items	**4,212,613**	**3,139,965**

Source: the Issuer.

* *Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor.*

The following new table is added under Table 12g:

Table 12h Selected items of the income statement (PLN '000)

	H1 2014	**H1 2013**
Interest income	104,113	123,532
Interest expense	-62,402	-86,414
Net interest income	**41,711**	**37,118**
Fee and commission income	4,946	2,436
Fee and commission expense	-1,833	-722
Net fee and commission income	**3,113**	**1,714**
Trading profit, including:	**7,797**	**3,883**

Foreign exchange gains/(losses)	*1,797*	*3,970*
Profit/(loss) on other trading activities and hedge accounting	*6,000*	*-87*
Other income	522	443
Net impairment losses on loans and advances	-9,099	-12,696
Administrative expenses	-21,699	-19,824
Amortisation and depreciation	-2,330	-1,950
Other expenses	-1,426	-1,223
Pre-tax profit	**18,589**	**7,465**
Corporate income tax	-4,773	-2,831
Net profit	**13,816**	**4,634**

Source: financial statements of the Issuer.

The following text is added under Table 12h:

Interest income was the main source of the Bank's revenue. Similarly, expenses were dominated by interest expense. These items and, to a lesser extent, general and administrative expenses and net impairment losses on loans and advances were the main drivers of pre-tax profit, which amounted to PLN 18,589 thousand in H1 2014 and was PLN 11,124 thousand higher than pre-tax profit generated in H1 2013.

The 149.0% year-on-year increase in pre-tax profit reported in H1 2014 was mainly led by much higher than expected trading profit (high valuations of hedging instruments) and net fee and commission income. Also, lower than expected impairment losses on loans (down 28% on the end of H1 2013) were another important driver of the pre-tax profit growth.

Section 3 Growth Strategy

The following text is added after the existing wording:

In 2013, the Bank's Management Board adopted a strategy for 2014–2017, setting out new directions for the Bank's activity and development, as the foundation for strengthening the Bank's market position in its demanding competitive environment.

In Q3 2013, the Bank embarked on the strategic project based on cooperation with mBank with respect to the building of a retail loan portfolio and its refinancing through covered bond issues. In September last year, the Bank started to grant mortgage loans to natural persons, which are offered through the mBank sales network. These are loans which meet the criteria to be entered in the covered bond collateral register and may potentially provide a basis for issues of covered bonds.

In pursuit of this project, in 2013 the Bank implemented an agency model, which is to be supplemented in H2 2014 with a pooling model that will involve taking over mBank's existing retail mortgage loan portfolio with a view to its refinancing with covered bond issues.

Refinancing or financing of purchase of completed, commercialised properties, mainly office, retail and warehouse buildings, continues to be the Bank's main sales objective. The Bank wants to be an active lender operating in the segment of prestigious, medium-scale commercial projects financed with loans of up to EUR 25m.

As far as its market position is concerned, the Bank will continue to pursue the same objectives of maintaining its lead in the area of mortgage banking for corporate clients and strengthening its position as the top issuer of covered bonds by increasing the scale of its covered bond issuance activity.

Chapter III

Section 1.1 Credit Risk

After the second paragraph, a new paragraph is added reading as follows:

As a result of the challenging market environment, the share of impaired loans in the Bank's total loans increased to 4.35% as at June 30th 2014 (loan portfolio quality measured as impaired loans to total gross value of loans advanced).

The following new table is added under Table 13g:

Table 13h Quality of the Bank's loan portfolio*

	Jun 30 2014		Jun 30 2013	
Amounts due from non-financial sector	**Exposure (PLN '000)**	**Share/ Coverage (%)**	**Exposure (PLN '000)**	**Share/ Coverage (%)**
Not yet overdue, unimpaired	3,703,810	88.26%	3,545,267	85.62%
Overdue, unimpaired	310,051	7.39%	407,306	9.84%
Impaired	182,718	4.35%	187,985	4.54%
Total gross loans	**4,196,579**	**100.00%**	**4,140,558**	**100.00%**
Provision (for impaired and unimpaired loans)	-79,586	1.90%	-58,942	1.42%
Total net loans	**4,116,993**	**98.10%**	**4,081,616**	**98.58%**

Source: the Issuer.

* *Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor.*

Sub-Section: High Share of Commercial Loans in the Loan Portfolio

The following text is added after the existing wording:

As at June 30th 2014, the share of commercial loans in the Issuer's total loan portfolio (on-balance-sheet and off-balance-sheet exposure) was 88.2%.

As at June 30th 2014, none of the limits imposed under the Covered Bond and Mortgage Banks Act of August 29th 1997 (including the limit on the share of loans exceeding 60% of the mortgage lending value of real estate in the total loan portfolio, the limit on the loan amount refinanced with proceeds from covered bonds set at 60% of the mortgage lending value of real estate, and the limit on the share of loans secured by real estate under construction) or the Banking Law of August 29th 1997 (the limit on exposure concentration of a single entity or a group of entities with equity or organisational links) were exceeded.

Chapter V

Section 6

A new paragraph is added:

Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością sp. k. (formerly Ernst & Young Audit Sp. z o.o.) reviewed the Issuer's condensed financial statements for H1 2014.

Chapter VIII

Section 1.3

The following text is added at the beginning:

The financial information presented below is based on audited financial statements for the financial year ended December 31st 2013, prepared in accordance with the IFRS as endorsed by the EU, including comparative data for the financial year ended December 31st 2012, and on reviewed condensed financial statements for H1 2014, prepared in accordance with IAS 34 Interim Financial Reporting, including comparative data for H1 2013. The financial information is supplemented by selected unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

The following new table is added under Table 16g:

Table 16hSelected financial data of the Issuer (PLN '000)

	Jun 30 2014	Dec 31 2013
ASSETS		
Cash and transactions with Central Bank	5,369	7,378
Amounts due from other financial institutions	3,465	22,377
Derivative financial instruments	19,610	12,913
Amounts due from non-financial sector	4,119,202	4,045,000
Investment securities available for sale	523,140	605,824
Intangible assets	3,882	3,548
Property, plant and equipment	7,668	9,110
Deferred tax assets	11,480	13,058
Current income tax asset	0	620
Other assets	12,785	62,615
Total assets	**4,706,601**	**4,782,443**

Source: the Issuer's financial statements.

The following new table is added under Table 17g:

Table 17h Selected financial data of the Issuer (PLN '000)

	Jun 30 2014	Dec 31 2013
EQUITY AND LIABILITIES		
Amounts due to other financial institutions	998,198	1,203,488
Derivative financial instruments	959	278
Amounts due to non-financial sector	255,269	295,167
Hedge accounting differences relating to fair value of hedged items	5,463	0
Liabilities under debt securities in issue	2,817,776	2,661,407

Subordinated liabilities	100,252	100,268
Other liabilities and provisions	12,775	19,872
Current income tax liability	200	0
Total liabilities	**4,190,892**	**4,280,480**
Share capital	275,000	275,000
- Registered share capital	275,000	275,000
Retained earnings	239,285	225,469
- Profit/(loss) brought forward	225,469	223,315
- Net profit/(loss) for period	13,816	2,154
Other equity items	1,424	1,494
Total equity	**515,709**	**501,963**
Total equity and liabilities	**4,706,601**	**4,782,443**

Source: the Issuer's financial statements.

The following text is added under Table 17g:

As at the end of June 2014, the Bank's balance-sheet total stood at PLN 4,706,601 thousand and was PLN 75,842 thousand lower than as at the end of 2013. Loans to non-financial sector were the key item of assets, accounting for 87.5% of the total.

As at the end of June 2014, the Bank's total loan portfolio was PLN 5,211,779 thousand (on-balance-sheet and off-balance-sheet exposure), up by 3.9% relative to the end of 2013. As at the end of June 2014, 88.2% of amounts due from non-financial sector (on-balance-sheet and off-balance-sheet exposure) were amounts due from corporate clients, while the remaining 11.8% – from the public sector and retail customers.

The main item of the Bank's liabilities is liabilities under debt securities in issue, which as at June 30th 2014 accounted for 59.9% of the balance-sheet total. The debt securities in issue comprise covered bonds and bonds. Liabilities also included amounts due to other financial institutions, which accounted for 21.2% of the balance-sheet total.

The following new table is added under Table 18g:

Table 18h Off-balance-sheet items (PLN '000)*

Contingent liabilities and commitments granted and received	Jun 30 2014	Dec 31 2013
Financial commitments and liabilities	1,101,285	979,471
Interest rate derivatives	1,632,318	663,552
Foreign currency derivatives	1,309,876	1,327,909
Financial commitments received	169,134	169,033
Total off-balance sheet items	**4,212,613**	**3,139,965**

Source: the Issuer.

** Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor.*

The following new table is added under Table 19g:

Table 19h Selected items of the income statement (PLN '000)

	H1 2014	H1 2013
Interest income	104,113	123,532
Interest expense	-62,402	-86,414
Net interest income	**41,711**	**37,118**
Fee and commission income	4,946	2,436
Fee and commission expense	-1,833	-722
Net fee and commission income	**3,113**	**1,714**
Trading profit, including:	**7,797**	**3,883**
Foreign exchange gains/(losses)	*1,797*	*3,970*
Profit/(loss) on other trading activities and hedge accounting	*6,000*	*-87*
Other income	522	443
Net impairment losses on loans and advances	-9,099	-12,696
Administrative expenses	-21,699	-19,824
Amortisation and depreciation	-2,330	-1,950
Other expenses	-1,426	-1,223
Pre-tax profit	**18,589**	**7,465**
Corporate income tax	-4,773	-2,831
Net profit	**13,816**	**4,634**

Source: financial statements of the Issuer.

The following text is added under Table 19h:

Interest income was the main source of the Bank's revenue. Similarly, expenses were dominated by interest expense. These items and, to a lesser extent, general and administrative expenses and net impairment losses on loans and advances were the main drivers of pre-tax profit, which amounted to PLN 18,589 thousand in H1 2014 and was PLN 11,124 thousand higher than pre-tax profit generated in H1 2013.

The 149.0% year-on-year increase in pre-tax profit reported in H1 2014 was mainly led by much higher than expected trading profit (high valuations of hedging instruments) and net fee and commission income. Also, lower than expected impairment losses on loans (down 28% on the end of H1 2013) were another important driver of the pre-tax profit growth.

The following text is added after the existing wording:

In H1 2014, due to a PLN 9,182 thousand (198.1%) increase in net profit relative to H1 2013, the Bank recorded higher profitability ratios, calculated as the ratio of net profit or pre-tax profit to a relevant given financial item.

In H1 2014, book value per share rose to PLN 187.53, compared with PLN 183.56 at the end of June 2013. Earnings per share went up in H1 2014 to PLN 5.02, from PLN 1.69 in H1 2013.

As at the end of H1 2014, the capital adequacy ratio stood at 14.98% (versus 14.92% as at the end of 2013). According to the banking law, the minimum level of the capital adequacy ratio should be 8%. The minimum adequacy ratio as recommended by the Polish Financial Supervision Authority is 12%.

As at June 30th 2014, the share of impaired loans in the total on-balance-sheet credit exposure stood at 4.35%.

Section 1.4 Lending Activities

The following text is added at the beginning:

At the end of June 2014, the loan portfolio volume (including off-balance-sheet items) grew by PLN 196,980 thousand relative to the end of 2013. Total on-balance-sheet and off-balance-sheet exposure (commercial loans, housing loans, loans to local government institutions, and other amounts due from non-financial sector) reached PLN 5,211.8m at the end of June 2013, and the value of loans granted in H1 2014 was PLN 649,842 thousand (Table 23h).

As at the end of June 2014, the loans used to finance commercial real estate accounted for 88.2% of the Bank's total loan portfolio. In terms of currency, EUR-denominated loans had a dominant share in the total portfolio, followed by PLN-denominated loans. As at the end of June 2014, foreign currency loans accounted for 51.9% of the aggregate loan portfolio (Table 22h).

The following new table is added under Table 21g:

Table 21h Total loan portfolio by product group (PLN '000)*

Product		Jun 30 2014	Dec 31 2013	Change (%) Jun 30 2014/ Dec 31 2013
Commercial loans	*On-balance-sheet exposure*	3,527,422	3,518,831	0.24%
	Off-balance-sheet exposure	1,071,950	961,467	11.49%
	Total exposure	**4,599,372**	**4,480,298**	**2.66%**
Housing loans	*On-balance-sheet exposure***	149,104	46,670	219.49%
	Off-balance-sheet exposure	16,297	382	4170.99%
	Total exposure	**165,400**	**47,051**	**251.53%**
Loans to local government institutions	*On-balance-sheet exposure*	440,467	479,491	-8.14%
	Off-balance-sheet exposure	4,330	7,950	-45.53%
	Total exposure	**444,798**	**487,441**	**-8.75%**
Total	*On-balance-sheet exposure****	4,119,202	4,045,000	1.83%
	Off-balance-sheet exposure	1,092,577	969,798	12.66%
	Total exposure	**5,211,779**	**5,014,799**	**3.93%**

Source: the Issuer.

** Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor. The above data relate to the portfolio value including loan interest, net of impairment losses.*
*** The housing loan portfolio (on-balance-sheet exposure) as at June 30th 2014 includes housing loans sold through the agency model, which account for a balance-sheet exposure of PLN 110,520.3 thousand.*
**** In addition to commercial loans, housing loans and loans to local government institutions, the Bank's loan portfolio includes other amounts due from non-financial sector, which stood at PLN 8 thousand as at December 31st 2013 and at PLN 2,209 thousand as at June 30th 2014.*

The following new table is added under Table 22g:

Table 22h Total loan portfolio by currency and main product groups*

Product	Jun 30 2014			Dec 31 2013		
	PLN	**EUR**	**USD**	**PLN**	**EUR**	**USD**
Commercial loans	41.8%	56.7%	1.5%	41.9%	56.0%	2.1%
Housing loans	83.9%	13.3%	2.8%	40.5%	49.2%	10.3%
Loans to local government institutions	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)	**48.1%**	**50.5%**	**1.4%**	**47.6%**	**50.5%**	**1.9%**

Source: the Issuer.

* *Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor.*

The following new table is added under Table 23g:

Table 23h Sales of loans – value as per loan agreement and number of executed loan agreements, by product groups (PLN '000)*

Product	**Jan 1 2014- Jun 30 2014**		**Jan 1–Jun 30 2013**	
	value**	**number**	**value**	**number**
Commercial loans	**529,107**	**26**	**249,996**	**16**
Including loans for:				
- construction projects	86,186	3	66,870	4
- refinancing of real estate	188,705	13	102,126	10
- land purchase	0	0	0	0
- loans to residential developers	254,217	10	81,000	2
Housing loans (retail – agency model)	**120,735**	**487**	**0**	**0**
Loans to local government institutions	**0**	**0**	**0**	**0**
Total	**649,842**	**513**	**249,996**	**16**

Source: the Issuer.

* *Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor.*
** *The value of sales in the period January 1st–June 30th 2014 accounts for annexes to loan agreements under which the principal amounts of previous years' loans were increased by PLN 11,151 thousand. The value of agreements corresponds to the loan amounts as per agreement, translated at historical exchange rates.*

Section 1.4.1
Sub-Section: Loans for Purchase or Refinancing of Existing Real Estate (Including Purchase of Shares in Special Purpose Vehicles Owning Real Estate)

The following text is added before Chart 6-1b:

The total commercial loan portfolio (on-balance-sheet and off-balance-sheet exposure) increased from PLN 4,480,298 thousand at the end of December 2013 to PLN 4,599,372 thousand at the end of June 2014.

In H1 2014, the commercial real estate projects financed by the Bank included chiefly office buildings and retail centres. The Bank mainly financed the purchase of or refinanced completed projects that met relevant standards, and financed the construction of projects on completion of which the construction loans were converted into long-term mortgage loans. As far as loans to residential developers are concerned, the Bank sought to position itself as a provider of financing for medium-sized projects (up to 100 flats) in attractive locations.

The average loan repayment period was 12.7 years. Loans bearing interest at variable rates prevailed in the portfolio. Foreign currency loans represented the largest proportion of the total commercial loan portfolio, with a 58.2% share as at the end of June 2014.

A geographical diversification was clearly visible in the structure of lending activity. Most of the projects financed by the Bank were located in the Provinces of Warsaw, Wrocław, Kraków, and Gdańsk; commercial loans advanced in these provinces accounted for 72.3% of the Bank's total on-balance-sheet exposure.

In line with the concentration limits, the financing of any single entity or a group of entities with equity or organisational links did not exceed 25% of the Bank's equity, i.e. PLN 127,532 thousand (as at June 30th 2014).

In H1 2014, the Bank issued two enforced collection orders (ECO), both relating to commercial loans. The debt covered by the ECOs totalled EUR 7,199.3 thousand; after the ECOs were issued, the debt was sold for PLN 10,804.3 thousand, with the underlying collateral value (present market value of real properties) amounting to PLN 9,990.0 thousand; an impairment loss was recognised on these assets.

Sub-Section 1.4.2 Loans to Local Government Institutions

The following text is added at the beginning:

In H1 2014, the Bank discontinued the provision of financing to local government institutions. Lack of new agreements in 2014 coupled with a significant level of early repayments translated into a lower on-balance-sheet exposure attributable to these loans compared with the end of 2013 (down 8.1%).

As at the end of June 2014, the total on-balance-sheet and off-balance-sheet exposure to the public sector reached PLN 444,798 thousand and represented 8.5% of the total credit exposure. Loans with an average repayment term of 16.9 years accounted for the majority of the portfolio of loans to local government institutions.

Sub-Section 1.4.3 Housing Loans to Retail Customers

The following text is added after the second paragraph:

At the end of June 2014, the value of the housing loan portfolio rose by 251.5% compared with the end of 2013, to PLN 165,400 thousand (on-balance-sheet and off-balance-sheet exposure). The adoption of a new strategy by the Issuer entails expansion of its business into retail lending.

In September 2013, the Bank resumed its lending activity in the retail segment, and started to sell products under an agency agreement with mBank S.A., through the latter's sales network.

The Bank focused on acquiring a specific group of clients whose loan applications – in accordance with the statutory requirements – qualified for consideration by a mortgage bank and met the conditions to serve as collateral for covered bond issues. Considerable difficulties were caused by the implementation of Recommendation S in late 2013, which imposed stricter limitations on the maximum LTV ratio and lending period. This boosted market demand for high-LTV loans, which in accordance with statutory requirements could not be granted by mBank Hipoteczny.

Section 1.6 Issues of Covered Bonds

The following text is added above Table 25:

Over more than 15 years of its presence on the market, mBank Hipoteczny carried out several dozen issues of covered bonds, both in public offerings and private placements. To the Issuer's knowledge, the Bank has been the largest issuer of covered bonds since they were first introduced into the Polish capital market in 2000, and its market share as at the end of June 2014 was approximately 71%.

As at June 30th 2014, the total value of all outstanding covered bonds issued by mBank Hipoteczny was in excess of PLN 2.5bn. The Bank offers chiefly covered bonds with four- and five-year maturities.

In H1 2014, the Bank issued four series of EUR-denominated mortgage covered bonds for a total amount of EUR 50.5m, including three series of fixed rate mortgage covered bonds with record-long 15-year maturities.

In H1 2014, Fitch Ratings Ltd affirmed the previous ratings assigned to the Bank and its covered bonds, attesting to the high level of the Bank's security.

Ratings from Fitch Ratings Ltd. are as follows:

A/F1 - long- and short-term international rating
1 - support rating
A - for public-sector covered bonds
A - for mortgage covered bonds

On March 28th 2014, Fitch Ratings Ltd. ("Fitch") revised its outlook on mBank Hipoteczny S.A.'s "A" long-term foreign currency Issuer Default Rating from stable to negative.
It was an effect of a downgrade, on March 26th 2014, of the outlook on Commerzbank AG's long-term rating from stable to negative, following global review by Fitch of sovereign support for European banks, which led the agency to revise its long-term outlook to negative on 18 commercial banks.

Furthermore, on April 7th 2014, Fitch Ratings Ltd. revised its outlook on the "A" rating of the Bank's mortgage covered bonds and public sector covered bonds from stable to negative.

Fitch Ratings Ltd assigns its ratings on the following descending scale:

- long-term international ratings: AAA, AA, A, BBB, BB, B, CCC, CC, C, RD, D
- short-term international ratings: F1, F2, F3, B, C, RD, D
- support ratings: 1, 2, 3, 4, 5

The following new table is added under Table 29g:

Table 29h Portfolio of receivables securing mortgage covered bonds by currency and amounts as at June 30th 2014*

Value ranges (PLN '000)	Value of loans advanced (PLN '000)	Value of loans advanced in EUR (PLN '000)	Value of loans advanced in USD (PLN '000)	Total
<= 250	9,350	9,065	2,446	**20,861**
250.1 – 500	3,847	8,406	1,220	**13,472**
500.1 – 1,000	9,025	11,757	2,070	**22,852**
1,000.1 – 5,000	135,326	173,351	7,889	**316,567**
5,000.1 – 10,000	112,463	151,803	21,429	**285,695**
10,000.1 – 15,000	123,473	193,067	38,012	**354,552**
15,000.01 – 20,000	66,998	92,635	0	**159,633**
20,000.1 – 30,000	176,484	396,583	0	**573,067**
30,000.1 – 40,000	139,569	211,408	0	**350,977**
40,000.1 – 50,000	48,354	314,322	0	**362,676**
> 50,000.1	0	305,045	0	**305,045**
Total	**824,890**	**1,867,442**	**73,065**	**2,765,397**
Share in the portfolio (%)	**29.83%**	**67.53%**	**2.64%**	

Source: the Issuer.

** Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor.*

The following new table is added under Table 30g:

Table 30h Portfolio of receivables securing mortgage covered bonds by type of borrower as at June 30th 2014*

Borrower	**Value (PLN ‘000)**	**Share in the portfolio (%)**
Legal persons/sole traders	2,730,133	98.72%
Natural persons	35,264	1.28%
Total	**2,765,397**	**100.00%**

Source: the Issuer.

** Operating and financial data sourced from the Issuer’s management accounts, which have not been audited or reviewed by the auditor.*

The following new table is added under Table 31g:

Table 31h Portfolio of receivables securing mortgage covered bonds by type of financed project as at June 30th 2014*

Use of funds	**Value (PLN ‘000)**	**Share in the portfolio (%)**
Commercial real estate	2,581,314	93.34%
Residential real estate	184,083	6.66%
Total	**2,765,397**	**100.00%**

Source: the Issuer.

** Operating and financial data sourced from the Issuer’s management accounts, which have not been audited or reviewed by the auditor.*

The following new table is added under Table 32g:

Table 32h Portfolio of receivables securing mortgage covered bonds by type of interest rate as at June 30th 2014*

Interest rate type	**Value (PLN ‘000)**	**Share in the portfolio (%)**
Variable interest rate	2,759,932	99.80%
Fixed interest rate	5,465	0.20%
Total	**2,765,397**	**100.00%**

Source: the Issuer.

** Operating and financial data sourced from the Issuer’s management accounts, which have not been audited or reviewed by the auditor.*

The following new table is added under Table 33g:

Table 33h Portfolio of receivables securing mortgage covered bonds by maturity as at June 30th 2014*

Term range (in years)	**Value (PLN '000)**	**Share in the portfolio (%)**
0–2 years	154,462	5.59%
2–3 years	27,410	0.99%
3–4 years	13,293	0.48%
4–5 years	10,288	0.37%
5–10 years	285,218	10.31%
> 10 years	2,274,726	82.26%
Total	**2,765,397**	**100.00%**

Source: the Issuer.

* *Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor.*

The following new table is added under Table 35g:

Table 35h Portfolio of receivables securing mortgage covered bonds by progress of investment project as at June 30th 2014*

Progress of investment project	**Value (PLN '000)**	**Share in the portfolio (%)**
Projects under construction	237,874	8.60%
Completed projects	2,527,523	91.40%
Total	**2,765,397**	**100.00%**

Source: the Issuer.

* *Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor.*

The following new table is added under Table 36g:

Table 36h Value range of receivables securing public sector covered bonds as at June 30th 2014*

Value range (PLN '000)	**Value of loans advanced (PLN '000)**	**Share (%)**	**Number of agreements**
<= 500	2,418	0.5%	9
500.1 – 1,000	10,920	2.5%	15

1,000.1 – 2,000	15,751	3.6%	10
2,000.1 – 3,000	28,381	6.4%	11
3,000.1 – 5,000	36,363	8.2%	9
5,000.1 – 10,000	87,597	19.9%	13
10,000.1 – 15,000	21,170	4.8%	2
15,000.01 – 20,000	53,379	12.1%	3
> 20,000.1	185,049	42.0%	2
Total	**441,027**	**100%**	**74**

Source: the Issuer.

* *Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor.*

The following new table is added under Table 37g:

Table 37h Portfolio of receivables securing public sector covered bonds by maturity as at June 30th 2014*

Term range (in years)	**Value (PLN '000)**	**Share in the portfolio (%)**
0–2 years	15,487	3.5%
2–3 years	17,306	3.9%
3–4 years	1,807	0.4%
4–5 years	6,845	1.6%
5–10 years	64,594	14.6%
10–15 years	53,632	12.2%
15–20 years	36,077	8.2%
> 20 years	245,279	55.6%
Total	**441,027**	**100%**

Source: the Issuer.

* *Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor.*

The following new table is added under Table 39g:

Table 39h Portfolio of receivables securing public sector covered bonds by type of interest rate as at June 30th 2014*

Interest rate type	**Value (PLN '000)**	**Share in the portfolio (%)**
Variable interest rate	441,027	100.0%
Fixed interest rate	0	0.0%
Total	**441,027**	**100%**

Source: the Issuer.

* *Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor.*

The following new table is added under Table 40g:

Table 40h Portfolio of receivables securing public sector covered bonds by type of borrower as at June 30th 2014*

Borrower	**Value (PLN '000)**	**Share in the portfolio (%)**
advanced directly to local government institutions	124,374	28.2%
guaranteed by local government institutions	316,653	71.8%
Total	**441,027**	**100%**

Source: the Issuer.

* *Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor.*

Chapter X

Section 1 Material Trends Observed since the Date of the Last Audited Financial Statements

The following text is added after the existing wording:

Pursuant to Section 7.1 of Commission Regulation (EC) No. 809/2004 of April 29th 2004, we represent that no material adverse changes in the Issuer's growth prospects have occurred since the publication of its most recent audited financial statements, prepared for the financial year 2013. The financial data for the period January 1st–June 30th 2014 have been reviewed by the auditor. The financial data for the period July 1st–July 31st 2014 have not been reviewed or audited by the auditor.

Pursuant to Section 11.7 of Commission Regulation (EC) No. 809/2004 of April 29th

2004, below we provide a description of all material changes in the Issuer's financial standing since the end of the most recent financial period for which audited financial information was published, that is the period from January 1st to July 31st 2014.

As at the end of July 2014, the total commercial loan portfolio increased slightly (by 5.77%) on the end of December 2013, totalling PLN 4,738,824 thousand.

The total portfolio of loans to local government institutions as at the end of July 2014 was PLN 439,424 thousand, having shrunk 9.85% from the level reported at the end of December 2013.

The share of PLN-denominated loans remained high and accounted for 51.2% of the Bank's total loan portfolio as at July 31st 2014.

The average loan to value ratio (LTV) in the case of commercial loans advanced from January to July 2014 was 72.29%.

The ratio of mortgage lending value to market value for commercial loans advanced in the period January–July 2014 amounted to 98.0% and was higher than the level reported for loans advanced in the same period of 2013, which stood at 96.1%.

Table 41h Total loan portfolio by product group (PLN '000)*

Product		Jul 31 2014	Dec 31 2013	Change (%) Jul 31 2014 /Dec 31 2013
Commercial loans	*On-balance-sheet exposure*	3,685,096	3,518,831	4.73%
	Off-balance-sheet exposure	1,053,728	961,467	9.60%
	Total exposure	**4,738,824**	**4,480,298**	**5.77%**
Housing loans	*On-balance-sheet exposure***	196,678	46,670	321.43%
	Off-balance-sheet exposure	24,656	382	6 361.78%
	Total exposure	**221,334**	**47,051**	**370.41%**
Loans to local government institutions	*On-balance-sheet exposure*	439,424	479,491	-8.36%
	Off-balance-sheet exposure	0	7,950	-100.00%
	Total exposure	**439,424**	**487,441**	**-9.85%**
Total	*On-balance-sheet exposure****	4,322,858	4,045,000	6.87%
	Off-balance-sheet exposure	1,078,383	969,798	11.20%
	Total exposure	**5,401,242**	**5,014,799**	**7.71%**

Source: the Issuer.

** The above data relate to the portfolio value net of loan interest and before impairment losses. Unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.*
*** The housing loan portfolio (on-balance-sheet exposure) as at July 31st 2014 includes housing loans sold through the agency model, which account for a balance-sheet exposure of PLN 110,520.3 thousand.*
**** In addition to commercial loans, housing loans and loans to local government institutions, the Bank's loan portfolio (on-balance-sheet exposure) includes other amounts due from non-financial sector, which stood at PLN 1,160 thousand as at July 31st 2014 and at PLN 8 thousand as at December 31st 2013.*

Table 42h Total loan portfolio by currency and main product groups*

Product	Jul 31 2014			Dec 31 2013		
	PLN	**EUR**	**USD**	**PLN**	**EUR**	**USD**
Commercial loans	44.9%	53.6%	1.5%	41.9%	56.0%	2.1%
Housing loans	88.1%	9.8%	2.1%	40.5%	49.2%	10.3%
Loans to local government institutions	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)	**51.2%**	**47.4%**	**1.4%**	**47.6%**	**50.5%**	**1.9%**

Source: the Issuer.

** Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor.*

Table 43h Sales of loans – value and number of executed loan agreements, by product groups (PLN '000)*

Product	**Jan 1 2014- Jul 31 2014**		**Jan 1–Jul 31 2013**	
	Value**	**number**	**Value*****	**Number**
Commercial loans	**829,905**	**40**	**441,788**	**24**
Including loans for:				
- construction projects	120,572	5	171,320	5
- refinancing of real estate	243,307	18	140,668	13
- land purchase	0	0	0	0
- loans to residential developers	466,025	17	129,800	6
Housing loans (retail – agency model)	**177,096**	**682**	**0**	**0**
Public sector	**0**	**0**	**0**	**0**
Total	**1,007,001**	**722**	**441,788**	**24**

Source: the Issuer.

** Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor.*
*** The value of sales in the period January 1st–July 30th 2014 accounts for annexes to loan agreements under which the principal amounts of previous years' loans were increased by PLN 11,151 thousand. The value of agreements corresponds to the loan amounts as per agreement, translated at historical exchange rates.*
**** The value of agreements corresponds to the loan amounts as per agreement, translated at historical exchange rates.*

The following text is added under Table 43h:

After the end of H1 2014, the following important events took place:

In July and August 2014, mBank Hipoteczny S.A. issued two series of variable-rate PLN-denominated mortgage covered bonds. PLN 300m-worth of 8-year mortgage covered bonds and PLN 200m-worth of mortgage covered bonds with over 8-year maturities were issued by the Bank on July 28th 2014 and August 4th 2014, respectively.

Mr Mariusz Tokarski was appointed to the Supervisory Board of mBank Hipoteczny S.A., effective from July 3rd 2014.

Two committees operate within the Supervisory Board: the Audit Committee and the Risk Committee.

As at June 30th 2014, the Audit Committee comprised:

1. Joerg Hessenmueller – Chairman of the Audit Committee
2. Dariusz Solski – Member of the Audit Committee.

Mr Hans-Dieter Kemler and Mr Mariusz Tokarski were appointed to the Audit Committee as of July 2nd 2014 and July 16th 2014, respectively.

On July 2nd 2014, the following persons were appointed to the Risk Committee for a new term of office:

1. Lidia Jabłonowska-Luba – Chairperson of the Risk Committee
2. Michał Popiołek – Member of the Risk Committee
3. Hans-Dieter Kemler – Member of the Risk Committee
4. Joerg Hessenmueller – Member of the Risk Committee

Section 2 Factors with a Material Bearing on the Issuer's Growth Prospects

Section 2.1 External Factors

Macroeconomic Factors

The following text is added after the existing wording:

- In Q1 2014, Poland’s GDP grew by 3.4% year on year, compared with a 1.6% growth rate reported in 2013.
- In June 2014, the unemployment rate was 12.0%, compared with 13.4% at the end of 2013. A potential increase in the unemployment rate or more stringent conditions of mortgage lending to retail customers would adversely affect the demand for residential real estate.
- In June 2014, the inflation rate stood at 0.3% (y-o-y). As at the end of June 2014, the reference rate published by the National Bank of Poland stood at 2.50%.
- Exchange rates decisively affect the Bank’s loan portfolio. This is connected with foreign exchange gains/losses, which – in the case of loans advanced in foreign currencies – result from exchange rate fluctuations and thus might increase borrowers’ debt. A large portion of commercial loans are advanced in foreign currencies, which might adversely affect borrowers’ ability to repay the loans should a currency crisis occur. The high share of foreign currency loans is attributable to their interest rates, which are lower than in the case of PLN-denominated loans, as well as the fact that rents in commercial developments are established in foreign currencies.
- As at the end of June 2014, the base interest rates were 0.15% in the euro zone and 0.25% in the U.S.

In H1 2014, the Bank had to operate amid growing competition on the commercial property financing market, which was dominated by strong universal banks. Key trends on the market included:

- more rigorous project assessment criteria and, consequently, greater selectivity in the choice of projects qualifying for financing; a similar approach was adopted by most banks regarding key investment project parameters such as borrower’s down payment, or occupancy and presale rates,
- reduced exposures to individual entities and projects, and, accordingly, greater willingness to share risk by forming bank syndicates,
- financing period shortened to 5–7 years, and use of bullet repayments.

Tendencies and developments in the segment of financing commercial residential developments included:

- withdrawal of some banks from the financing of projects in this segment,
- stricter project selection criteria,
- higher lending margins,
- increased credit risk.

Since 2010, as Poland has been gradually recovering from the effects of the global economic crisis, the real estate market has been steadily growing, as demonstrated by the increase in the number of new projects, new space, and transaction volumes. The residential property market is more predictable and stable than during the 2006–2008 boom, and the continuing oversupply of flats is gradually reduced. In the last quarter, sales of flats were relatively high.

Section 2.1 Internal Factors

The following text is added after the existing wording:

The Bank is pursuing its strategic objectives in the area of sales of mortgage loans to individuals in partnership with mBank S.A. The range of mortgage loans offered to natural persons was extended to include loans for the purchase of properties on the primary market (subject to obtaining the developer's consent for the creation of security before the project's completion). In April 2014, the Bank commenced cooperation with external companies ACONS and Emmerson with respect to outsourcing of valuation of real property (preparation of the BHWN (mortgage lending value) expert appraisals) to improve the efficiency of the application analysis process. As of July 1st 2014, the Bank has implemented the recommendations contained in the second part of Recommendation S, pursuant to which PLN-denominated loans may only be advanced to those applicants who earn the majority of their income in PLN.

Currently, work in underway at the Bank on the implementation of an internal rating methodology. This long-term project has a high-priority status. Seven internal rating models, designed for the Bank's commercial segment, received conditional approval from the Polish Financial Supervision Authority on August 27th 2012. Another three rating models, for hotels and commercial properties, received approval from the BaFin and the Polish Financial Supervision Authority on April 10th 2014.

In H1 2014, the Bank implemented fair value hedge accounting with respect to the fixed-rate mortgage covered bonds in issue. The Bank uses fixed-to-variable interest rate swaps as hedges. Hedge accounting has been applied by the Bank since May 19th 2014. As at June 30th 2014, the Bank had four hedging relationships. Accordingly, the Bank designated instruments hedging interest rate risk. Net result on hedge accounting amounted to PLN -1,040 thousand. By using hedging instruments, the Bank wants to mitigate the interest rate risk inherent in fixed-rate covered bond issues.

On April 11th 2014, the Annual General Meeting of mBank Hipoteczny S.A. appointed the following persons to the Supervisory Board of mBank Hipoteczny S.A. of the ninth term:

1. Cezary Kocik – Chairman of the Supervisory Board
2. Hans-Dieter Kemler – Deputy Chairman of the Supervisory Board
3. Lidia Jabłonowska-Luba – Member of the Supervisory Board
4. Joerg Hessenmueller – Member of the Supervisory Board
5. Michał Popiołek – Member of the Supervisory Board
6. Dariusz Solski – Member of the Supervisory Board

Furthermore, Mr Mariusz Tokarski was appointed to the Supervisory Board of mBank Hipoteczny S.A., effective from July 3rd 2014.

The Annual General Meeting of mBank Hipoteczny S.A. also resolved that the members of the Supervisory Board of the ninth term would not receive remuneration.

Section 3 Growth Strategy

The following text is added after the existing wording:

In 2013, the Bank's Management Board adopted a strategy for 2014‒2017, setting out new directions for the Bank's activity and development, as the foundation for strengthening the Bank's market position in its demanding competitive environment. The strategy articulates the Bank's key strategic objectives, including first of all:

- to increase the balance-sheet total through a rapid growth in loan assets, achieved by expanding commercial lending activities and building a new retail mortgage loan portfolio,
- to develop a model for cooperation with the universal parent bank in the building of a retail mortgage loan portfolio and its refinancing through covered bond issues. Being the first project of this kind in the Polish banking sector, it assumes that the Bank will provide the services of a covered bond issuer for the mBank Group.

In Q3 2013, the Bank embarked on the strategic project based on cooperation with mBank with respect to the building of a retail loan portfolio and its refinancing through covered bond issues. In September last year, the Bank started to grant mortgage loans to natural persons, which are offered through the mBank sales network. These are loans which meet the criteria to be entered in the covered bond collateral register and may potentially provide a basis for issues of covered bonds.

The project is to be implemented in two stages:

- Stage 1 – launch of retail lending activities based on operational cooperation with mBank, the mBank sales force and consistent lending policies. The retail mortgage loan portfolio of mBank Hipoteczny will consist exclusively of loans which meet the criteria making them eligible for entry in the covered bond collateral register and which may be used to issue covered bonds.
- Stage 2 – issue of covered bonds on the basis of the developed retail mortgage loan portfolio.

In pursuit of this project, in 2013 the Bank implemented an agency model, which is to be supplemented in H2 2014 with a pooling model that will involve taking over mBank's existing retail mortgage loan portfolio with a view to its refinancing with covered bond issues.
The Bank's other strategic objectives are:

- to significantly expand the commercial loan portfolio based on a new lending policy, consistent credit risk management policy and optimised loan origination process that takes into account the prevailing market conditions,

- to change the business refinancing structure by significantly increasing the share of covered bonds as secured long-term debt,
- to maintain credit risk exposures at the safest possible level by diversifying the portfolio in terms of exposure volumes and geographic regions. The Bank’s risk management policy assumes increasing the share of lower value loans in the commercial loan portfolio.
- to significantly grow the issuing business and build a new sales model for the covered bonds that would draw on the practices of developed European markets. The aim of this initiative is to reach new institutional buyers and gain a foothold in new market segments.

Refinancing or financing of purchase of completed, commercialised properties, mainly office, retail and warehouse buildings, continues to be the Bank’s main sales objective. The Bank wants to be an active lender operating in the segment of prestigious, medium-scale commercial projects financed with loans of up to EUR 25m.

As far as its market position is concerned, the Bank will continue to pursue the same objectives of maintaining its lead in the area of mortgage banking for corporate clients and strengthening its position as the top issuer of covered bonds by increasing the scale of its covered bond issuance activity.

In 2013, mBank Hipoteczny redefined its strategic objectives, vision and directions for growth, as well as its target positioning on the banking market. A number of steps and decisions were taken in the period under review to improve the Bank's operational efficiency and build its growth momentum through optimal use of the available resources and market potential, as well as to define the Bank's role and area of competence within the mBank Group, where it is seeking to consolidate position as a strategic company and an issuer bank. The Bank is pursuing safe growth through specialisation, which, given the nature and the narrow scope of the Bank's business, is a source of its competitive advantage and strong market position.

The adoption of the new strategy by the Issuer entailed expansion of its business into retail lending and substantial increase in its role and position as an issuer of covered bonds, both within the mBank Group and on the Polish covered bond market generally. The Bank has been building a new business model, working in close cooperation with its parent, a universal bank, and drawing on its specialist competencies and market experience as a mortgage bank. To achieve its strategic objectives and grow its business in the new areas, the Bank will have to make a number of changes and adjust its organisational structure and staffing levels to the current needs and business challenges, including by appropriate allocation of resources and remodelling of its IT infrastructure.

In mid-2013, the Bank opened a new office in Łódź, dedicated to its new retail mortgage lending business, run in partnership with mBank. Other important adjustments include upscaling IT systems and infrastructure, which is indispensable for the implementation of the new business plan. The IT systems and infrastructure need improvements to achieve compatibility and integrity with the mBank systems so that optimum interoperability between the two banks' systems in joint business projects is ensured.

In connection with the launch of retail lending activities, the Bank is working to develop a range of mortgage loans for individuals, based on the Bank's business objectives and market research findings. The Bank intends to build its retail portfolio relying on mBank's long-standing experience in this market segment.

Section 4 Significant Changes in the Issuer’s Financial and Economic Standing

The following text is added after the existing wording:

The key trends which occurred since the date of the last audited financial statements are discussed in Chapter X, Section 1.

Chapter XII Auditors in the Period Covered by Historical Financial Information

Section 2

The following text is added after the existing wording:

The services contracted under the agreement with Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. (formerly Ernst & Young Audit sp. z o.o.) of June 17th 2013 include:

- review of the Company's condensed financial statements for the six months ended June 30th 2014,

- review of the Company's reporting packages prepared for the needs of the consolidated financial statements of the mBank Group for the six months ended June 30th 2014.

Chapter XIII Financial Information

The following text is added after the existing wording:

The Issuer’s condensed financial statements for H1 2014, along with the auditor’s report on the review of the financial statements, are included in the Prospectus by reference to the Issuer’s half-year report for H1 2014, released on August 29th 2014 and posted on the Issuer’s website at: www.mhipoteczny.pl.

Chapter XIV

Section: Arbitration and Court Proceedings

The following text is added after the existing wording:

As at June 30th 2014, no court, arbitration or administrative proceedings were pending concerning the Bank’s or its subsidiary’s liabilities with a value equal to or exceeding 10% of the Bank’s equity.

As at June 30th 2014, a case was pending before the Regional Court of Poznań brought by the Bank against its limited debtor, who had purchased a mortgaged property from the Bank’s borrower. The amount of the claim sought by the claimant was PLN 11,692 thousand.

The Bank is the assignee under an agreement on assignment of receivables under an insurance policy. The assignment was created to secure a loan advanced by the Bank to a borrower. As a result of a fire at the property, the borrower incurred a loss. The compensation paid by the insurer did not fully cover the loss. As the beneficiary under the insurance policy, the Bank raised a claim for compensation, first by sending a payment demand notice, and then, on February 4th 2014, by filing a claim against the Insurer with the Regional Court of Warsaw, XX Commercial Division, demanding payment of PLN 18,494 thousand. On June 10th 2014, the Bank filed a suit seeking its claim to be raised by PLN 1,324 thousand in compounded interest and statutory interest accrued from the date of filing the payment claim to the actual payment date. After the suit was filed by the Bank, the Insurer voluntarily satisfied a portion of the Bank's claim by making a payment of PLN 6,523 thousand net. On February 24th 2014, the Court issued a payment order for the Insurer to pay the Bank PLN 18,494 thousand along with statutory interest. As at June 30th 2014, the date of the first hearing had not yet been set.

Chapter XV and the second page of the cover, last paragraph

The following text is added after the existing wording:

(xii) the Issuer’s condensed financial statements for H1 2014, prepared in accordance with IAS 34 Interim Financial Reporting, containing comparative data for H1 2013 and reviewed by Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością sp.k. (formerly Ernst & Young Audit Sp. z o.o.), along with the review report;

Chapter XIX

The following text is added after the existing wording:

11. the Issuer’s report for H1 2014, released on August 29th 2014 and published on the Issuer’s website at www.mhipoteczny.pl, containing the Issuer’s condensed financial statements for the period January 1st–June 30th 2014, along with the auditor’s report on the review of the financial statements,