

Appendix 22
approved by the Polish Financial Supervision Authority on January 23rd 2015
to the Base Prospectus of
mBank Hipoteczny S.A. approved by the Polish Financial Supervision Authority
on October 28th 2009

The purpose of this Appendix 22 is to indicate a new legal risk affecting the offered covered bonds, which arose after the date of approval of the issue prospectus in connection with the acquisition by the Issuer of another bank's claims under mortgage-backed loans granted by that bank and the entry of the first portion of those claims in the covered bond collateral register on January 20th 2015.

Chapter III – Risk Factors

Section 1. Risk Factors Related to the Issuer's Business

After Sub-section 1.3 "Operating Risk", new Sub-section 1.4 shall be added, reading as follows:

"1.4 Legal Risk Related to the Acquisition of Another Bank's Claims

The Issuer has acquired from mBank S.A. claims under mortgage-backed loans granted by mBank S.A. to natural persons. The total nominal amount of the claims is PLN 307.66m as at the acquisition date. On January 20th 2015, the first portion of the claims was entered in the covered bond collateral register. The borrowers were notified of the Issuer's acquisition of the claims. There is a risk that the borrowers will exercise their right (under Art. 513.2 in conjunction with Art. 498 of the Polish Civil Code) to set off their monetary claims against mBank S.A. which existed at the time the borrower was notified of the assignment and which by the time the borrower was notified of the assignment became due and payable, or became due and payable after the borrower was notified of the same, but not later than by the time the claim acquired by the Issuer became due and payable. According to the information provided by mBank S.A. to the Issuer, the estimated amount of the borrowers' claims qualifying for the set-off against the claims under the loans acquired by the Issuer did not exceed PLN 19m as at the date the borrowers were notified of the acquisition.

The exercise of the set-off right by the borrowers may affect the aggregate amount of the Issuers' proceeds from the acquired loan claims. The Issuer limited that risk by requiring mBank S.A. to undertake a contractual obligation towards the Issuer to cover any amount set off by the borrowers and by taking the maximum amount of that risk into account when determining the basis for the issue of mortgage covered bonds, in an amount equal to the total amount of the borrowers' claims qualifying for the set-off against the claims under loans acquired by the Issuer as at the date of the notification referred to above.

Under the loan agreements representing the basis of the acquired claims, the borrowers may use a 'balancing mechanism' whereunder the basis for calculating interest on the loan principal is the difference between the amount of debt outstanding under a loan and the average monthly balance of funds deposited in the borrower's bank account opened by mBank S.A. (balancing account), computed as at the date of repayment of the principal/principal instalment. Given the above, there is a risk that if the borrower uses the balancing mechanism, the Issuer's interest income on the acquired claims will be lower than originally estimated in accordance with the general terms and conditions of the loan agreements. This risk is limited by the mBank S.A.'s contractual obligation to cover the difference between the interest amount paid by the borrower and calculated using the balancing mechanism and the interest amount specified in the repayment schedule to the loan agreement and payable if the balancing mechanism is not applied or if there are no funds in the balancing account throughout the entire monthly settlement period. In addition, the Issuer intends to take the level of this risk into account when determining the basis for the issue of mortgage covered bonds.

In the future, the Issuer plans to acquire further portfolios of claims under mortgage-backed loans granted by mBank S.A., with respect to which a similar risk (following from the set-off right and use of the balancing mechanism) may arise. In such case, the Issuer will apply appropriate measures to mitigate such risks, as described above."