**Appendix 26**
**approved by the Polish Financial Supervision Authority on September 2nd 2015,**
**to the Base Prospectus of**
**of mBank Hipoteczny S.A. (formerly BRE Bank Hipoteczny S.A.), approved by the Polish Financial Supervision Authority**
**on October 28th 2009**

This Appendix 26 has been drawn up to update the Issue Prospectus by supplementing it with historical financial information for H1 2015 and with information on trends in the period from January 1st to July 31st 2015, in connection with the publication of condensed financial statements of mBank Hipoteczny S.A. for H1 2015 on August 31st 2015.

## 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 2014, prepared in accordance with the IFRS as endorsed by the EU, including comparative data for the financial year ended December 31st 2013, and on reviewed condensed financial statements for H1 2015, prepared in accordance with IAS 34 Interim Financial Reporting, including comparative data for H1 2014. The financial information is supplemented with 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 2015, the loan portfolio volume (including off-balance-sheet items) grew by PLN 814,588 thousand relative to the end of 2014. Total on-balance-sheet and off-balance-sheet exposure (commercial loans, housing loans, loans to local government institutions) reached PLN 7,217.3m at the end of June 2015, and the value of loans granted in H1 2015 was PLN 1,450,071 thousand (value as per agreements, translated at historical exchange rates) (Table 3j).

As at the end of June 2015, the loans used to finance commercial real estate accounted for 70.90% of the Bank's total loan portfolio. In terms of currency, PLN-denominated loans had a dominant share in the total portfolio, followed by EUR-denominated loans. As at the end of June 2015, foreign currency loans accounted for 41.48% of the aggregate loan portfolio (Table 2j).

*The following new table is added under Table 1i:*

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

| **Product** | | **Jun 30 2015** | **Dec 31 2014** | **Change (%) Jun 30 2015/ Dec 31 2014** |
|---|---|---|---|---|
| **Commercial loans** | *On-balance-sheet exposure* | 4,207,858 | 4,086,369 | 2.97% |
| | *Off-balance-sheet exposure* | 909,133 | 1,027,066 | -11.48% |
| | ***Total exposure*** | **5,116,991** | **5,113,435** | **0.07%** |
| **Housing loans** | *On-balance-sheet exposure* | 1,624,959 | 818,811 | 98.45% |
| | *Off-balance-sheet exposure* | 78,298 | 49,902 | 56.90% |
| | ***Total exposure*** | **1,703,257** | **868,713** | **96.07%** |
| **Loans to local government institutions** | *On-balance-sheet exposure* | 397,048 | 420,561 | -5.59% |
| | *Off-balance-sheet exposure* | 0 | 0 | - |
| | ***Total exposure*** | **397,048** | **420,561** | **-5.59%** |

| | | | | |
|---|---|---|---|---|
| **Total** | *On-balance-sheet exposure* | 6,229,866 | 5,325,741 | 16.98% |
| | *Off-balance-sheet exposure* | 987,431 | 1,076,968 | -8.31% |
| | ***Total exposure*** | **7,217,297** | **6,402,709** | **12.72%** |

*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 following new table is added under Table 2i:*

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

| **Product** | **Jun 30 2015** | | | **Dec 31 2014** | | |
|---|---|---|---|---|---|---|
| | **PLN** | **EUR** | **USD** | **PLN** | **EUR** | **USD** |
| Commercial loans | 41.97% | 56.49% | 1.54% | 43.12% | 55.38% | 1.50% |
| Housing loans | 98.57% | 1.14% | 0.29% | 97.06% | 2.38% | 0.56% |
| Loans to local government institutions | 100.00% | 0.00% | 0.00% | 100.00% | 0.00% | 0.00% |
| **Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)** | **58.52%** | **40.32%** | **1.16%** | **54.18%** | **44.55%** | **1.27%** |

*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 3i:*

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

| **Product** | **Jan 1−Jun 30 2015** | | **Jan 1−Jun 30 2014** | |
|---|---|---|---|---|
| | **value**** | **number** | **value***** | **number** |
| **Commercial loans** | **592,679** | **35** | **529,107** | **26** |
| Including loans for: | | | | |
| - construction projects | 41,726 | 6 | 86,186 | 3 |
| - refinancing of real estate | 296,827 | 17 | 188,704 | 13 |
| - loans to residential developers | 254,126 | 12 | 254,217 | 10 |
| **Housing loans (retail – agency model)** | **857,392** | **3,163** | **120,735** | **487** |
| **Loans to local government institutions** | **0** | **0** | **0** | **0** |
| **Total** | **1,450,071** | **3,198** | **649,842** | **513** |

*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 2015 accounts for annexes to loan agreements under which the principal amounts of previous years' loans were increased by PLN 1,040 thousand. The value of agreements corresponds to the loan amounts as per agreement, translated at historical exchange rates.*
**** 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 5,113,435 thousand at the end of December 2014 to PLN 5,116,991 thousand at the end of June 2015.

As at the end of June 2015, the commercial real estate projects financed by the Bank included chiefly office buildings and retail premises. 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.

The average loan repayment period was 12.2 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 58.03% share as at the end of June 2015.

**Sub-Section 1.1.2: Loans to Local Government Institutions**

*The following text is added at the beginning:*

As of the end of 2012, the Bank no longer provides financing to local government institutions or other entities covered by sureties from local government institutions, due to the segment's risk profile and inadequate lending margins. Lack of new agreements in 2015 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 2014 (down 5.59%).

As at the end of June 2015, the total on-balance-sheet and off-balance-sheet exposure to the public sector reached PLN 397,048 thousand and represented 5.50% of the total credit exposure. Loans with an average repayment term of 16.8 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 2015, the value of the housing loan portfolio rose by 96.07% compared with the end of 2014, to PLN 1,703,257 thousand (on-balance-sheet and off-balance-sheet exposure). In line with the adopted revised strategy for 2016−2019, the Bank continued its lending activity in the retail segment, selling products under an agency agreement with mBank S.A., through the latter's sales network.

In the first half of 2015, the Issuer took steps to expand the share of sales made through external channels (channels outside the mBank Group), by improving process quality. These steps included setting up a professional support team for brokers within the Bank and streamlining application and communication processes in the area of third-party sales channels.

## 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 2014, prepared in accordance with the IFRS as endorsed by the EU, including comparative data for the financial year ended December 31st 2013, and on reviewed condensed financial statements for H1 2015, prepared in accordance with IAS 34 Interim Financial Reporting, including comparative data for H1 2014. The financial information is supplemented with selected unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

*The following new table is added under Table 9i:*

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

| | Jun 30 2015 unaudited | Dec 31 2014 |
|---|---|---|
| **ASSETS** | | |
| Cash and transactions with Central Ban | 6,872 | 7,669 |
| Amounts due from other financial institutions | 61,429 | 30,972 |
| Derivative financial instruments | 24,332 | 37,291 |
| Amounts due from non-financial sector | 6,229,866 | 5,325,741 |
| Investment securities available for sale | 870,046 | 735,220 |
| Intangible assets | 6,219 | 5,074 |
| Property, plant and equipment | 6,676 | 7,241 |
| Deferred tax assets | 11,670 | 11,426 |
| Current income tax asset | - | 1,002 |
| Other assets, including: | 14,249 | 14,690 |
| - inventories | 8,115 | 8,192 |
| **Total assets** | **7,231,359** | **6,176,326** |

*Source: the Issuer's financial statements.*

*The following new table is added under Table 10i:*

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

| | Jun 30 2015 unaudited | Dec 31 2014 |
|---|---|---|
| **EQUITY AND LIABILITIES** | | |
| Amounts due to other financial institutions | 2,429,053 | 1,980,634 |
| Derivative financial instruments | 21,981 | 9,442 |
| Amounts due to non-financial sector | 223,337 | 250,012 |
| Hedge accounting differences relating to fair value of hedged items | 12,888 | 25,763 |
| Liabilities under debt securities in issue | 3,792,086 | 3,171,588 |
| Subordinated liabilities | 100,227 | 100,257 |
| Other liabilities and provisions | 22,348 | 14,089 |
| Current income tax liability | 994 | - |
| **Total liabilities** | **6,602,914** | **5,551,785** |
| Share capital | 374,938 | 374,938 |
| - Registered share capital | 285,000 | 285,000 |

| | | |
|---|---|---|
| - Share premium | 89,938 | 89,938 |
| Retained earnings | 252,796 | 247,840 |
| - Profit/(loss) brought forward | 247,840 | 225,469 |
| - Net profit/(loss) for period | 4,956 | 22,371 |
| Other equity items | 711 | 1,763 |
| **Total equity** | **628,445** | **624,541** |
| **Total equity and liabilities** | **7,231,359** | **6,176,326** |

*Source: the Issuer's financial statements.*

*The following text is added under Table 10i:*

As at the end of June 2015, the Bank's balance-sheet total stood at PLN 7,231,359 thousand, up PLN 1,055,033 thousand on the end of 2014. Loans to non-financial sector were the largest item of assets, accounting for 86.15% of total assets.

As at the end of June 2015, the Bank's total loan portfolio was PLN 7,217,297 thousand (on-balance-sheet and off-balance-sheet exposure), up by 12.72% relative to the end of 2014. As at the end of June 2015, 70.90% of amounts due from non-financial sector (on-balance-sheet and off-balance-sheet exposure) were amounts due from corporate clients, while the remaining 29.10% – from the public sector and retail customers.

Liabilities under debt securities in issue were the main item of the Bank's liabilities, accounting as at June 30th 2015 for 52.44% 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 33.59% of the balance-sheet total.

*The following new table is added under Table 11i:*

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

| | **Jun 30 2015** unaudited | **Dec 31 2014** |
|---|---|---|
| Financial commitments assumed | 999,763 | 1,085,818 |
| Interest rate derivatives | 2,040,211 | 2,492,788 |
| Foreign currency derivatives | 1,437,904 | 1,308,022 |
| Financial commitments received | 170,327 | 170,179 |
| **Total off-balance sheet items** | **4,648,205** | **5,056,807** |

*Source: financial statements of the Issuer.*

*The following new table is added under Table 12i:*

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

| | **H1 2015** unaudited | **H1 2014** unaudited |
|---|---|---|
| Interest income | 120,387 | 104,113 |
| Interest expense | -69,183 | -62,402 |
| **Net interest income** | **51,204** | **41,711** |
| Fee and commission income | 6,547 | 4,946 |
| Fee and commission expense | -2,582 | -1,833 |
| **Net fee and commission income** | **3,965** | **3,113** |

| | | |
|---|---:|---:|
| **Trading profit, including:** | **-1,881** | **7,797** |
| *Foreign exchange gains/(losses)* | *707* | *1,797* |
| *Profit/(loss) on other trading activities and hedge accounting* | *-2,588* | *6,000* |
| Other income | 250 | 522 |
| Net impairment losses on loans and advances | -13,608 | -9,099 |
| Administrative expenses | -26,766 | -21,699 |
| Amortisation and depreciation | -2,276 | -2,330 |
| Other expenses | -2,583 | -1,426 |
| **Pre-tax profit** | **8,305** | **18,589** |
| Corporate income tax | -3,349 | -4,773 |
| **Net profit** | **4,956** | **13,816** |

*Source: financial statements of the Issuer.*

*The following text is added under Table 12j:*

Interest income was the main source of the Bank's revenue. Similarly, expenses were dominated by interest expense. Interest expense 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 8,305 thousand in H1 2015 and was PLN 10,284 thousand lower than pre-tax profit generated in H1 2014.

Given the nature of the Issuer's business profile, where interest income is the main source of earnings, the Issuer's performance in the first half of 2015 was strongly affected by low interest rates. Despite that, the Bank's results from core operations improved year on year, with net interest income up PLN 9,493 thousand and net fee and commissions up by 852 thousand. Furthermore, as at June 30th 2015, the Bank generated a loss on trading activities of PLN -1,881 thousand (compared with a trading profit of 7,797 thousand at the end of H1 2014), which had a strong negative effect on its pre-tax profit.

### 3. Growth Strategy

*The following text is added after the existing wording:*

In June 2015 the Bank adopted a revised strategy for 2016‒2019, which retains the key development directions and strategic objectives identified in the previous (2013) version of the document.

The two principal strategic objectives set for the Bank in the business strategy for 2016‒2019 are:

- to build the largest possible portfolio of property assets meeting the criteria of collateral for covered bonds in line with the adopted risk management strategy,
- maximise the use of covered bonds for the refinancing of its long-term mortgage loan portfolio.

Since 2013 the Bank has been implementing a 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 2013, 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 Q3 2014, the process of building the retail loan portfolio was additionally supported by the implementation of a pooling model, which consists in taking over the existing portfolio of mBank's retail mortgage loans. The first pooling transactions were completed in September and October 2014.

In the first half of 2015, the Bank continued to build a new portfolio of retail mortgage loans acquired as part of its cooperation with mBank, refine the lending process, take over the retail loan portfolio from mBank under the pooling model (another three pooling transactions) and refinance the portfolio through covered bond issues.

In 2016‒2019, the Bank will be gradually reducing the financing of projects with a value of less than PLN 10m, and instead it will focus on projects with a value in excess of PLN 10m (including the limit for derivative transactions) that do not exceed the credit concentration limit (currently at EUR 35m). The Bank's priority will be to finance high-quality commercial properties with low investment risk, located in large and midsize cities or in small towns, but in the latter case only in premium locations. In particular, the Bank will finance office, warehouse, and retail properties.

The key sales objective will be to finance or refinance purchases of finished, commercialized properties. As its second priority, the Bank will focus on acquiring customers from the commercial property development financing segment. Loans in this segment will be converted into long-term refinancing facilities on completion of the construction phase.

In 2016‒2019, building on its previous experience in financing residential projects, the Bank will continue to provide loans to residential developers. Loans will be offered to developers with proven track-records, experience, know-how, a good understanding of the market and well-prepared projects suited to market needs. First and foremost, the Bank will continue to work with developers with whom it has successfully implemented residential projects before.

Implementing its strategy for 2016‒2019, mBank Hipoteczny will develop its retail business by building a portfolio of mortgage loans for individuals both through sales of new loans and transfer of the existing loan portfolio from mBank and its refinancing with covered bonds.
The Bank will rely on its own experience and the experience of the mBank Group in this market, ensuring that the loans in its portfolio meet collateral eligibility criteria for covered bonds. The mBank Group's goal will be to increase its share in the retail mortgage lending market to 10% by 2019.

mBank Hipoteczny will finance its operations in 2016‒2019 from the following six main sources:

- covered bonds
- own bonds
- long-term credit lines (denominated in PLN, EUR)
- term and current deposits
- a subordinated loan from mBank S.A.
- equity.

Growing its total assets in the coming years, mBank Hipoteczny will seek to build an asset structure which will allow it to issue the largest possible volumes of covered bonds in conformity with applicable laws and regulations.

The Bank is planning issues denominated in the złoty and the euro. In accordance with the current practice, maturities of the individual tranches will range between five and ten years.

**Chapter III.**
**Section 1.1: Credit Risk**

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

Owing to improving market conditions, the share of impaired loans in the Bank's total loans fell to 2.82% as at June 30th 2015 (loan portfolio quality measured as impaired loans to total gross value of loans advanced). Thanks to measures taken by the Issuer to manage problem loans and given growth in the size of the loan portfolio, the share of non-performing loans as at the end of H1 2015 fell to 5.94% of the Bank's total loan portfolio (loan portfolio quality measured as unimpaired loans to total gross value of loans and advances to customers).

*The following new table is added under Table 13i:*

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

| | Jun 30 2015 | | Jun 30 2014 | |
|---|---|---|---|---|
| **Amounts due from non-financial sector** | **Exposure (PLN '000)** | **Share/ Coverage (%)** | **Exposure (PLN '000)** | **Share/ Coverage (%)** |
| Not yet overdue, unimpaired | 5,771,231 | 91.24% | 3,706,019 | 88.26% |
| Overdue, unimpaired | 375,885 | 5.94% | 310,051 | 7.39% |
| Impaired | 178,458 | 2.82% | 182,718 | 4.35% |
| **Total gross loans** | **6,325,574** | **100.00%** | **4,198,788** | **100.00%** |
| Provision (for impaired and unimpaired loans) | -95,708 | 1.51% | -79,586 | 1.90% |
| **Total net loans** | **6,229,866** | **98.49%** | **4,119,202** | **98.10%** |

*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 2015, the share of commercial loans in the Issuer's total loan portfolio (on-balance-sheet and off-balance-sheet exposure) was 70.90%.

As at June 30th 2015, 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. In the first half of 2015, the Bank used 72.8% of the limit on liabilities imposed under Art. 15.2 of the Covered Bond and Mortgage Banks Act; the limit was not exceeded.

**Chapter V**

**Section 6**

*A new paragraph is added:*

Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością sp. k. reviewed the Issuer's condensed financial statements for H1 2015.

**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 2014, prepared in accordance with the IFRS as endorsed by the EU, including comparative data for the financial year ended December 31st 2013, and on reviewed condensed financial statements for H1 2015, prepared in accordance with IAS 34 Interim Financial Reporting, including comparative data for H1 2014. The financial information is supplemented with selected unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

*The following new table is added under Table 16i:*

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

| | **Jun 30 2015** unaudited | **Dec 31 2014** |
|---|---|---|
| **ASSETS** | | |
| Cash and transactions with Central Bank | 6,872 | 7,669 |
| Amounts due from other financial institutions | 61,429 | 30,972 |
| Derivative financial instruments | 24,332 | 37,291 |
| Amounts due from non-financial sector | 6,229,866 | 5,325,741 |
| Investment securities available for sale | 870,046 | 735,220 |
| Intangible assets | 6,219 | 5,074 |
| Property, plant and equipment | 6,676 | 7,241 |
| Deferred tax assets | 11,670 | 11,426 |
| Current income tax asset | - | 1,002 |
| Other assets, including: | 14,249 | 14,690 |
| - inventories | 8,115 | 8,192 |
| **Total assets** | **7,231,359** | **6,176,326** |

*Source: the Issuer's financial statements.*

*The following new table is added under Table 17i:*

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

| | **Jun 30 2015** unaudited | **Dec 31 2014** |
|---|---|---|
| **EQUITY AND LIABILITIES** | | |
| Amounts due to other financial institutions | 2,429,053 | 1,980,634 |
| Derivative financial instruments | 21,981 | 9,442 |
| Amounts due to non-financial sector | 223,337 | 250,012 |
| Hedge accounting differences relating to fair value of hedged items | 12,888 | 25,763 |
| Liabilities under debt securities in issue | 3,792,086 | 3,171,588 |
| Subordinated liabilities | 100,227 | 100,257 |
| Other liabilities and provisions | 22,348 | 14,089 |
| Current income tax liability | 994 | - |
| **Total liabilities** | **6,602,914** | **5,551,785** |

| | | |
|---|---|---|
| Share capital | 374,938 | 374,938 |
| - Registered share capital | 285,000 | 285,000 |
| - Share premium | 89,938 | 89,938 |
| Retained earnings | 252,796 | 247,840 |
| - Profit/(loss) brought forward | 247,840 | 225,469 |
| - Net profit/(loss) for period | 4,956 | 22,371 |
| Other equity items | 711 | 1,763 |
| **Total equity** | **628,445** | **624,541** |
| **Total equity and liabilities** | **7,231,359** | **6,176,326** |

*Source: the Issuer's financial statements.*

*The following text is added under Table 17j:*

As at the end of June 2015, the Bank's balance-sheet total stood at PLN 7,231,359 thousand, up PLN 1,055,033 thousand on the end of 2014. Loans to non-financial sector were the largest item of assets, accounting for 86.15% of total assets.

As at the end of June 2015, the Bank's total loan portfolio was PLN 7,217,297 thousand (on-balance-sheet and off-balance-sheet exposure), up by 12.72% relative to the end of 2014. As at the end of June 2015, 70.90% of amounts due from non-financial sector (on-balance-sheet and off-balance-sheet exposure) were amounts due from corporate clients, while the remaining 29.10% – from the public sector and retail customers.

Liabilities under debt securities in issue were the main item of the Bank's liabilities, accounting as at June 30th 2015 for 52.44% 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 33.59% of the balance-sheet total.

*The following new table is added under Table 18i:*

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

| | **Jun 30 2015** unaudited | **Dec 31 2014** |
|---|---|---|
| Financial commitments assumed | 999,763 | 1,085,818 |
| Interest rate derivatives | 2,040,211 | 2,492,788 |
| Foreign currency derivatives | 1,437,904 | 1,308,022 |
| Financial commitments received | 170,327 | 170,179 |
| **Total off-balance sheet items** | **4,648,205** | **5,056,807** |

*Source: financial statements of the Issuer.*

*The following new table is added under Table 19i:*

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

| | **H1 2015** unaudited | **H1 2014** unaudited |
|---|---|---|
| Interest income | 120,387 | 104,113 |
| Interest expense | -69,183 | -62,402 |
| **Net interest income** | **51,204** | **41,711** |
| Fee and commission income | 6,547 | 4,946 |
| Fee and commission expense | -2,582 | -1,833 |
| **Net fee and commission income** | **3,965** | **3,113** |

| | | |
|---|---|---|
| **Trading profit, including:** | **-1,881** | **7,797** |
| *Foreign exchange gains/(losses)* | *707* | *1,797* |
| *Profit/(loss) on other trading activities and hedge accounting* | *-2,588* | *6,000* |
| Other income | 250 | 522 |
| Net impairment losses on loans and advances | -13,608 | -9,099 |
| Administrative expenses | -26,766 | -21,699 |
| Amortisation and depreciation | -2,276 | -2,330 |
| Other expenses | -2,583 | -1,426 |
| **Pre-tax profit** | **8,305** | **18,589** |
| Corporate income tax | -3,349 | -4,773 |
| **Net profit** | **4,956** | **13,816** |

*Source: financial statements of the Issuer.*

*The following text is added under Table 19j:*

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 8,305 thousand in H1 2015 and was PLN 10,284 thousand lower than pre-tax profit generated in H1 2014.

Given the nature of the Issuer's business profile, where interest income is the main source of earnings, the Issuer's performance in the first half of 2015 was strongly affected by low interest rates. Despite that, the Bank's results from core operations improved year on year, with net interest income up PLN 9,493 thousand and net fee and commissions up by 852 thousand. Also, as at June 30th 2015, the Bank generated a loss on trading activities of PLN -1,881 thousand (compared with a trading profit of 7,797 thousand at the end of H1 2014), which had a strong negative effect on its pre-tax profit.

*The following text is added after the existing wording:*

Due to a year-on-year decline in net profit (down PLN 8,860 thousand or 64.13%), in H1 2015 the Bank recorded lower profitability ratios, which are calculated as the ratio of net profit or pre-tax profit to a given financial figure.

In H1 2015, book value per share rose to PLN 220.51, compared with PLN 187.53 at the end of June 2014. Earnings per share fell in H1 2015 to PLN 1.74, from PLN 5.02 in H1 2014.

At the end of H1 2015, the capital adequacy ratio was 12.56% (compared with 13.31% at the end of 2014). According to the banking law, the minimum level of capital adequacy ratio should be 8%. The minimum capital adequacy ratio as recommended by the Polish Financial Supervision Authority is 12%.
As at June 30th 2015, the share of impaired loans in the total on-balance-sheet credit exposure stood at 2.82%. Thanks to measures taken by the Issuer to manage problem loans and given growth in the size of the loan portfolio, the share of non-performing loans as at the end of June 2015 fell to 5.94% of the Bank's total loan portfolio (loan portfolio quality measured as unimpaired loans to total gross value of loans and advances to customers).

**Section 1.4. Lending Activities**

*The following text is added at the beginning:*

At the end of June 2015, the loan portfolio volume (including off-balance-sheet items) grew by PLN 814,588 thousand relative to the end of 2014. Total on-balance-sheet and off-balance-sheet exposure (commercial loans, housing loans, loans to local government institutions) reached PLN 7,217.3m at the end of June 2015, and the value of loans granted in H1 2015 was PLN 1,405,071 thousand (Table 23j).

As at the end of June 2015, the loans used to finance commercial real estate accounted for 70.90% of the Bank's total loan portfolio. In terms of currency, PLN-denominated loans had a dominant share in the total portfolio, followed by EUR-denominated loans. As at the end of June 2015, foreign currency loans accounted for 41.48% of the aggregate loan portfolio (Table 22j).

*The following new table is added under Table 21i:*

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

| **Product** | | **Jun 30 2015** | **Dec 31 2014** | **Change (%) Jun 30 2015/ Dec 31 2014** |
|---|---|---|---|---|
| **Commercial loans** | *On-balance-sheet exposure* | 4,207,858 | 4,086,369 | 2.97% |
| | *Off-balance-sheet exposure* | 909,133 | 1,027,066 | -11.48% |
| | ***Total exposure*** | **5,116,991** | **5,113,435** | **0.07%** |
| **Housing loans** | *On-balance-sheet exposure* | 1,624,959 | 818,811 | 98.45% |
| | *Off-balance-sheet exposure* | 78,298 | 49,902 | 56.90% |
| | ***Total exposure*** | **1,703,257** | **868,713** | **96.07%** |
| **Loans to local government institutions** | *On-balance-sheet exposure* | 397,048 | 420,561 | -5.59% |
| | *Off-balance-sheet exposure* | 0 | 0 | - |
| | ***Total exposure*** | **397,048** | **420,561** | **-5.59%** |
| **Total** | *On-balance-sheet exposure* | 6,229,866 | 5,325,741 | 16.98% |
| | *Off-balance-sheet exposure* | 987,431 | 1,076,968 | -8.31% |
| | ***Total exposure*** | **7,217,297** | **6,402,709** | **12.72%** |

*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 following new table is added under Table 22i:*

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

| **Product** | **Jun 30 2015** | | | **Dec 31 2014** | | |
|---|---|---|---|---|---|---|
| | **PLN** | **EUR** | **USD** | **PLN** | **EUR** | **USD** |
| Commercial loans | 41.97% | 56.49% | 1.54% | 43.12% | 55.38% | 1.50% |
| Housing loans | 98.57% | 1.14% | 0.29% | 97.06% | 2.38% | 0.56% |
| Loans to local government institutions | 100.00% | 0.00% | 0.00% | 100.00% | 0.00% | 0.00% |
| **Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)** | **58.52%** | **40.32%** | **1.16%** | **54.18%** | **44.55%** | **1.27%** |

*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 23i:*

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

| **Product** | **Jan 1−Jun 30 2015** | | **Jan 1−Jun 30 2014** | |
|---|---|---|---|---|
| | **value**** | **number** | **value***** | **number** |
| **Commercial loans** | **592,679** | **35** | **529,107** | **26** |
| Including loans for: | | | | |

| | | | | |
|---|---|---|---|---|
| - construction projects | 41,726 | 6 | 86,186 | 3 |
| - refinancing of real estate | 296,827 | 17 | 188,704 | 13 |
| - loans to residential developers | 254,126 | 12 | 254,217 | 10 |
| **Housing loans (retail – agency model)** | **857,392** | **3,163** | **120,735** | **487** |
| **Loans to local government institutions** | **0** | **0** | **0** | **0** |
| **Total** | **1,450,071** | **3,198** | **649,842** | **513** |

*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 2015 accounts for annexes to loan agreements under which the principal amounts of previous years' loans were increased by PLN 1,040 thousand. The value of agreements corresponds to the loan amounts as per agreement, translated at historical exchange rates.*
**** 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 5,113,435 thousand at the end of December 2014 to PLN 5,116,991 thousand at the end of June 2015.

As at the end of June 2015, the commercial real estate projects financed by the Bank included chiefly office buildings and retail premises. 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.

The average loan repayment period was 12.2 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 58.03% share as at the end of June 2015.

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 69.73% 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 147,042 thousand (as at June 30th 2015).

**Sub-Section 1.4.2 Loans to Local Government Institutions**

*The following text is added at the beginning:*

As of the end of 2012, the Bank no longer provides financing to local government institutions or other entities covered by sureties from local government institutions, due to the segment's risk profile and inadequate lending margins. Lack of new agreements in 2015 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 2014 (down 5.59%).

As at the end of June 2015, the total on-balance-sheet and off-balance-sheet exposure to the public sector reached PLN 397,048 thousand and represented 5.50% of the total credit exposure. Loans with an average repayment term of 16.8 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 2015, the value of the housing loan portfolio rose by 96.07% compared with the end of 2014, to PLN 1,703,257 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.

The Bank continued its lending activity in the retail segment, selling products under an agency agreement with mBank S.A., through the latter's sales network. In 2014 the Issuer launched a retail pooling scheme, as part of which it takes over loans advanced by mBank that may serve as a basis for issuing covered bonds. In H1 2015, the nominal value of pooling transactions in the retail segment amounted to PLN 315.6m (data as at the transfer date).

In the first half of 2015, the Issuer took steps to expand the share of sales made through external channels (channels outside the mBank Group), by improving process quality. These steps included setting up a professional support team for brokers within the Bank and streamlining application and communication processes in the area of third-party sales channels.

**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 2015 was approximately 70%.

As at June 30th 2015, the total value of all outstanding covered bonds issued by mBank Hipoteczny was in excess of PLN 3bn. The Bank offers chiefly covered bonds with four- and five-year maturities.

In H1 2015, mBank Hipoteczny placed five series of mortgage covered bonds on the market, with an aggregate nominal value as at June 30th 2015 of approximately PLN 790m. The value of two issues denominated in the Polish currency amounted to PLN 450m; the Bank also issued three series of mortgage covered bonds denominated in the euro, for an aggregate amount of EUR 81m.

In H1 2015, Fitch Ratings Ltd downgraded the previous ratings assigned to the Bank and its covered bonds.

On May 19th 2015, Fitch lowered the Long-term Issuer Default Rating of mBank Hipoteczny S.A. from A (outlook: negative) to BBB- (outlook: positive), on the back of the downgrade of Commerzbank AG's Issuer Default Rating from A+ to BBB, and of mBank S.A.'s downgrade from A to BBB-. As a result of the rating action, the Bank's Short-term Issuer Default Rating was lowered as well, from F1 to F3, while the Support rating was downgraded from 1 to 2.

Moreover, on May 20th and 21st 2015, Fitch Ratings Ltd. also lowered the ratings of public sector and mortgage covered bonds issued by the Bank, from A (outlook: negative) to BBB (outlook: positive).

The ratings assigned to the Bank's covered bonds were revised as a result of the downgrade of mBank Hipoteczny S.A.'s IDR long-term international rating from A to BBB-.
The rating action was not caused by changes in the Bank's financial standing or the quality of the Bank's assets securing the covered bonds.

Presented below are the ratings assigned by Fitch Ratings Ltd., attesting to the high level of security offered by the Bank and the instruments it issues:

BBB-/F3 - long- and short-term international rating
2 - support rating
BBB - for public-sector covered bonds
BBB - for mortgage covered bonds

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 text is added above Table 29j:*

Pursuant to the Act on Covered Bonds and Mortgage Banks, mortgage covered bonds are issued against claims entered in the covered bond collateral register and secured with mortgages created on perpetual usufruct rights to real property or on ownership titles to real property which have been entered in the relevant land and mortgage registers as first-ranking mortgages.

The cover assets for public sector covered bonds are claims under loans advanced to, or guaranteed by, local government institutions.

As at June 30th 2015:

- public-sector covered bonds were secured with claims of PLN 398.3m arising under a total of 69 loans,
- mortgage covered bonds were secured with claims of PLN 4,583.9m arising under a total of 4,842 loans.

In addition to these assets, treasury bonds with a nominal value of PLN 20m were entered in the covered bond collateral register as security for public-sector covered bonds.

*The following new table is added under Table 29i:*

Table 29j Portfolio of receivables securing mortgage covered bonds by currency and amounts as at June 30th 2015*

| **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 | 418,688 | 7,482 | 2,230 | **428,400** |
| 250.1 - 500 | 412,673 | 7,673 | 1,175 | **421,521** |
| 500.1 – 1,000 | 160,907 | 10,836 | 1,200 | **172,943** |
| 1,000.1 – 5,000 | 176,842 | 179,529 | 9,948 | **366,319** |
| 5,000.1 – 10,000 | 140,150 | 154,976 | 23,799 | **318,925** |
| 10,000.1 – 15,000 | 163,034 | 251,953 | 28,648 | **443,635** |
| 15,000.01 – 20,000 | 143,653 | 233,728 | 16,012 | **393,393** |
| 20,000.1 – 30,000 | 178,482 | 310,190 | 0 | **488,672** |
| 30,000.1 – 40,000 | 175,984 | 348,874 | 0 | **524,858** |
| 40,000.1 – 50,000 | 45,748 | 494,398 | 0 | **540,146** |
| > 50,000.1 | 0 | 485,090 | 0 | **485,090** |

| | | | | |
|---|---|---|---|---|
| **Total** | **2,016,161** | **2,484,729** | **83,012** | **4,583,902** |
| **Share in the portfolio (%)** | **43.98%** | **54.21%** | **1.81%** | |

*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 30i:*

Table 30j Portfolio of receivables securing mortgage covered bonds by type of borrower as at June 30th 2015*

| **Borrower** | **Value (PLN '000)** | **Share in the portfolio (%)** |
|---|---|---|
| Legal persons/sole traders | 3,559,640 | 77.66% |
| Natural persons | 1,024,262 | 22.34% |
| **Total** | **4,583,902** | **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 31i:*

Table 31j Portfolio of receivables securing mortgage covered bonds by type of financed project as at June 30th 2015*

| **Use of funds** | **Value (PLN '000)** | **Share in the portfolio (%)** |
|---|---|---|
| Commercial real estate | 3,407,883 | 74.34% |
| Residential real estate | 1,176,019 | 25.66% |
| **Total** | **4,583,902** | **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 32i:*

Table 32j Portfolio of receivables securing mortgage covered bonds by type of interest rate as at June 30th 2015*

| **Interest rate type** | **Value (PLN '000)** | **Share in the portfolio (%)** |
|---|---|---|
| Variable interest rate | 4,583,412 | 99.99% |
| Fixed interest rate | 490 | 0.01% |
| **Total** | **4,583,902** | **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 33i:*

Table 33j Portfolio of receivables securing mortgage covered bonds by maturity as at June 30th 2015*

| Term range (in years) | Value (PLN '000) | Share in the portfolio (%) |
|---|---|---|
| 0–2 years | 151,506 | 3.31% |
| 2–3 years | 125,931 | 2.75% |
| 3–4 years | 16,371 | 0.36% |
| 4–5 years | 22,804 | 0.50% |
| 5–10 years | 457,772 | 9.98% |
| > 10 years | 3,809,518 | 83.10% |
| **Total** | **4,583,902** | **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 35i:*

Table 35j Portfolio of receivables securing mortgage covered bonds by progress of investment project as at June 30th 2015*

| Progress of investment project | Value (PLN '000) | Share in the portfolio (%) |
|---|---|---|
| Projects under construction | 433,445 | 9.46% |
| Completed projects | 4,150,457 | 90.54% |
| **Total** | **4,583,902** | **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 36i:*

Table 36j Value range of receivables securing public sector covered bonds as at June 30th 2015*

| Value range (PLN '000) | Value of loans advanced (PLN '000) | Share (%) | Number of agreements |
|---|---|---|---|
| <= 500 | 2,878 | 0.72% | 13 |
| 500.1 – 1,000 | 6,692 | 1.68% | 10 |
| 1,000.1 – 2,000 | 13,167 | 3.31% | 9 |
| 2,000.1 – 3,000 | 24,475 | 6.15% | 10 |
| 3,000.1 – 5,000 | 52,302 | 13.13% | 13 |

| | | | |
|---|---|---|---|
| 5,000.1 – 10,000 | 57,282 | 14.38% | 8 |
| 10,000.1 – 15,000 | 14,960 | 3.76% | 1 |
| 15,000.01 – 20,000 | 49,145 | 12.34% | 3 |
| > 20,000.1 | 177,363 | 44.53% | 2 |
| **Total** | **398,264** | **100.00%** | **69** |

*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 37i:*

Table 37j Portfolio of receivables securing public sector covered bonds by maturity as at June 30th 2015*

| Term range (in years) | Value (PLN '000) | Share in the portfolio (%) |
|---|---|---|
| 0–2 years | 12,933 | 3.25% |
| 2–3 years | 1,607 | 0.40% |
| 3–4 years | 5,214 | 1.31% |
| 4–5 years | 16,265 | 4.08% |
| 5–10 years | 51,199 | 12.86% |
| 10–15 years | 37,291 | 9.36% |
| 15–20 years | 38,965 | 9.78% |
| > 20 years | 234,790 | 58.95% |
| **Total** | **398,264** | **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 39i:*

Table 39j 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 | 398,264 | 100.00% |
| Fixed interest rate | 0 | 0.00% |
| **Total** | **398,264** | **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 40i:*

Table 40j Portfolio of receivables securing public sector covered bonds by type of borrower as at June 30th 2015*

| **Borrower** | **Value (PLN '000)** | **Share in the portfolio (%)** |
|---|---|---|
| advanced directly to local government institutions | 102,847 | 25.82% |
| guaranteed by local government institutions | 295,417 | 74.18% |
| **Total** | **398,264** | **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.*

**Chapter X**

**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 2014. The financial data for the period January 1st–June 30th 2015 have been reviewed by the auditor. The financial data for the period July 1st–July 31st 2015 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 2015.

As at the end of July 2015, the total loan portfolio increased by 13.63% on the end of December 2014, and totalled PLN 7,275,515 thousand.

The total portfolio of loans to local government institutions as at the end of July 2015 was PLN 394,052 thousand, having shrunk 6.30% from the level reported at the end of December 2014.

The share of PLN-denominated loans remained high and accounted for 60.14% of the Bank's total loan portfolio as at July 31st 2015.

The average loan to value ratio (LTV) in the case of commercial loans advanced from January to July 2015 was 80.14%.

The ratio of mortgage lending value to market value for commercial loans advanced in the period January–July 2015 amounted to 92.88% and was lower than the level reported for loans advanced in the same period of 2014, which stood at 98.00%.

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

| **Product** | | **Jul 31 2015** | **Dec 31 2014** | **Change (%) Jul 31 2015/ Dec 31 2014** |
|---|---|---|---|---|
| **Commercial loans** | *On-balance-sheet exposure* | 4,187,664 | 4,086,369 | 2.48% |
| | *Off-balance-sheet exposure* | 816,309 | 1,027,066 | -20.52% |
| | ***Total exposure*** | **5,003,973** | **5,113,435** | **-2.14%** |
| **Housing loans** | *On-balance-sheet exposure* | 1,782,596 | 818,811 | 117.71% |
| | *Off-balance-sheet exposure* | 94,894 | 49,902 | 90.16% |
| | ***Total exposure*** | **1,877,490** | **868,713** | **116.12%** |
| **Loans to local government institutions** | *On-balance-sheet exposure* | 394,052 | 420,561 | -6.30% |
| | *Off-balance-sheet exposure* | 0 | 0 | - |
| | ***Total exposure*** | **394,052** | **420,561** | **-6.30%** |
| **Total** | *On-balance-sheet exposure* | 6,364,312 | 5,325,741 | 19.50% |
| | *Off-balance-sheet exposure* | 911,203 | 1,076,968 | -15.39% |
| | ***Total exposure*** | **7,275,515** | **6,402,709** | **13.63%** |

*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 42j Total loan portfolio by currency and main product groups*

| **Product** | **Jul 31 2015** | | | **Dec 31 2014** | | |
|---|---|---|---|---|---|---|
| | **PLN** | **EUR** | **USD** | **PLN** | **EUR** | **USD** |
| Commercial loans | 42.52% | 55.90% | 1.58% | 43.12% | 55.38% | 1.50% |
| Housing loans | 98.73% | 1.02% | 0.25% | 97.06% | 2.38% | 0.56% |
| Loans to local government institutions | 100.00% | 0.00% | 0.00% | 100.00% | 0.00% | 0.00% |
| **Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)** | **60.14%** | **38.71%** | **1.15%** | **54.18%** | **44.55%** | **1.27%** |

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

| **Product** | **01.01.2015-31.07.2015** | | **01.01.2014-31.07.2014** | |
|---|---|---|---|---|
| | **Value**** | **number** | **Value***** | **Number** |
| **Commercial loans** | **637,582** | **39** | **829,905** | **40** |
| Including loans for: | | | | |
| - construction projects | 58,653 | 7 | 120,573 | 5 |
| - refinancing of real estate | 324,802 | 20 | 243,307 | 18 |
| - loans to residential developers | 254,127 | 12 | 466,025 | 17 |
| **Housing loans (retail – agency model)** | **1,036,818** | **3,771** | **177,096** | **682** |
| **Public sector** | **0** | **0** | **0** | **0** |
| **Total** | **1,674,400** | **3,810** | **1,007,001** | **722** |

*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 31st 2015 accounts for annexes to loan agreements under which the principal amounts of previous years' loans were increased by PLN 1,040 thousand. The value of agreements corresponds to the loan amounts as per agreement, translated at historical exchange rates.*

***The value of sales in the period January 1st–July 31st 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 following text is added under Table 43j:*

After the end of H1 2015, the following important events took place:

On July 24th 2015, the Extraordinary General Meeting of mBank Hipoteczny S.A. passed Resolution No. 1 to increase the Company's share capital and disapply the existing shareholders' pre-emptive rights. Under the resolution, the share capital of mBank Hipoteczny S.A. was increased by PLN 14,000 thousand, to PLN 299,000 thousand, through the issue of 140,000 ordinary registered shares with a par value of PLN 100 and issue price of PLN 1,000 per share. The new shares were offered for subscription to mBank S.A. in a private placement. The shares were fully paid-up on July 31st 2015.

Accordingly, as at the date of authorisation of the interim condensed financial statements, the Bank's share capital was as follows:

- paid-up share capital: PLN 299,000 thousand, including paid-up unregistered share capital of PLN 14,000 thousand,
- share premium: PLN 215,856 thousand.

Pursuant to a decision by the Polish Financial Supervision Authority of July 10th 2015, as of the date of the decision the Bank may classify equity instruments comprising 100,000 registered ordinary shares issued on November 13th 2014, with a par value of PLN 10,000 thousand and the issue price of PLN 1,000 per share, as Tier 1 capital. Accordingly, the following may be classified as Tier 1 capital in connection with the issue:

- share capital of PLN 10,000 thousand, and
- share premium of PLN 89,938 thousand.

As at June 30th 2015, the Bank's total capital ratio was 12.56%. If the instruments issued on November 13th 2014 had not been included in Tier 1 capital, the Tier 1 capital ratio would have been 8.29 %, and the Tier 1 capital ratio and total capital adequacy ratio would have remained unchanged as at June 30th 2015.

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

### 2.1. External Factors

Macroeconomic Factors

*The following text is added after the existing wording:*

- In Q1 2015, Poland's GDP grew by 3.6% year on year, compared with a 3.3% growth rate reported in 2014.
- In June 2015, the unemployment rate was 10.4%, compared with 11.5% at the end of 2014. 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 2015, the inflation rate stood at -0.8% (y-o-y). As at the end of June 2015, the reference rate published by the National Bank of Poland was 1.50%.
- 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 2015, the base interest rates were 0.05% in the euro zone and 0.25% in the U.S.

In H1 2015, the Bank had to operate amid growing competition on the commercial property financing market, which was dominated by strong universal banks. The following trends continue to have an impact on the market:

- 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,
- lending margins down to even below 2.0%.

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,
- margin stabilisation at 2.8%−3.0%.

### 2.1. Internal Factors

*The following text is added after the existing wording:*

In June 2015, mBank Hipoteczny S.A. updated its business strategy for 2016−2019. which retains the key development directions and strategic objectives identified in the previous version of the document.

In the first half of 2015, the Bank focused on developing its lending activity in the area of retail mortgage loans, working in cooperation with mBank. The Issuer continued to build its retail mortgage loan portfolio by securing new accounts and by gradually taking over loans from mBank's existing retail loan portfolio. 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.

On May 11th 2015, the Bank's Management Board resolved to make changes to mBank Hipoteczny S.A.'s lending policy, which consisted in the harmonisation of the approach to financing CRE (commercial real estate) across the mBank Group. As a result of these changes, preferred acquisition directions were identified, and cases of increased risk in making the lending decision were defined.

At the end of June 2015, the Issuer introduced a change to the methodology for estimating the IBNR provision for its commercial loan portfolio. The principal objective was to better adjust the applied methodology to the requirements imposed by PFSA, which recommends adopting the Point In Time approach to estimating the probability of default (PD). In particular, the loss identification period (LIP) was extended from six to eight months.
As a result of these changes, provisions rose as at the end of the first half of the year.

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 2015, the Bank had seven hedging relationships. Accordingly, the Bank designated instruments hedging interest rate risk. Net result on hedge accounting amounted to PLN -2,358 thousand. By using hedging instruments, the Bank wants to mitigate the interest rate risk inherent in fixed-rate covered bond issues.

As at June 30th 2015, the composition of the Bank's Supervisory Board was as follows:

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

Except for Mr Mariusz Tokarski, the above persons were appointed on April 11th 2014 to serve as members of the Supervisory Board of the ninth term by the General Meeting of mBank Hipoteczny S.A. Mr Mariusz Tokarski was appointed as a Member of the Supervisory Board on 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.

By virtue of Resolution No. 7/2015 of March 31st 2015, the Supervisory Board appointed Mr Grzegorz Trawiński as a member of the Management Board of mBank Hipoteczny S.A., with effect from April 1st 2015. As at June 30th 2015, the Issuer's Management Board was composed of four members, including:

1. Piotr Cyburt – President of the Management Board
2. Marcin Romanowski – Member of the Management Board
3. Grzegorz Trawiński – Member of the Management Board
4. Marcin Wojtachnio – Member of the Management Board

**3. Growth Strategy**

*The following text is added after the existing wording:*

In June 2015 the Bank adopted a revised strategy for 2016–2019, which retains the key development directions and strategic objectives identified in the previous (2013) version of the document.

The two principal strategic objectives set for the Bank in the business strategy for 2016–2019 are:

- to build the largest possible portfolio of property assets meeting the criteria of collateral for covered bonds in line with the adopted risk management strategy,
- maximise the use of covered bonds for the refinancing of its long-term mortgage loan portfolio.

Since 2013 the Bank has been implementing a 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 2013, 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 Q3 2014, the process of building the retail loan portfolio was additionally supported by the implementation of a pooling model, which consists in taking over the existing portfolio of mBank's retail mortgage loans. The first pooling transactions were completed in September and October 2014.

In the first half of 2015, the Bank continued to build a new portfolio of retail mortgage loans acquired as part of its cooperation with mBank, refine the lending process, take over the retail loan portfolio from mBank under the pooling model (another three pooling transactions) and refinance the portfolio through covered bond issues.

In 2016‒2019, the Bank will be gradually reducing the financing of projects with a value of less than PLN 10m, and instead it will focus on projects with a value in excess of PLN 10m (including the limit for derivative transactions) that do not exceed the credit concentration limit (currently at EUR 35m). The Bank's priority will be to finance high-quality commercial properties with low investment risk, located in large and midsize cities or in small towns, but in the latter case only in premium locations. In particular, the Bank will finance office, warehouse, and retail properties.

The key sales objective will be to finance or refinance purchases of finished, commercialized properties.
As its second priority, the Bank will focus on acquiring customers from the commercial property development financing segment. Loans in this segment will be converted into long-term refinancing facilities on completion of the construction phase.

In 2016‒2019, building on its previous experience in financing residential projects, the Bank will continue to provide loans to residential developers. Loans will be offered to developers with proven track-records, experience, know-how, a good understanding of the market and well-prepared projects suited to market needs. First and foremost, the Bank will continue to work with developers with whom it has successfully implemented residential projects before.

Implementing its strategy for 2016‒2019, mBank Hipoteczny will develop its retail business by building a portfolio of mortgage loans for individuals both through sales of new loans and transfer of the existing loan portfolio from mBank and its refinancing with covered bonds.
The Bank will rely on its own experience and the experience of the mBank Group in this market, ensuring that the loans in its portfolio meet collateral eligibility criteria for covered bonds. The mBank Group's goal will be to increase its share in the retail mortgage lending market to 10% by 2019.

mBank Hipoteczny will finance its operations in 2016‒2019 from the following six main sources:

- covered bonds
- own bonds
- long-term credit lines (denominated in PLN, EUR)
- term and current deposits
- a subordinated loan from mBank S.A.
- equity.

Growing its total assets in the coming years, mBank Hipoteczny will seek to build an asset structure which will allow it to issue the largest possible volumes of covered bonds in conformity with applicable laws and regulations.

The Bank is planning issues denominated in the złoty and the euro. In accordance with the current practice, maturities of the individual tranches will range between five and ten years.

**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. of June 15th 2015 include:

- review of the Company's condensed financial statements for the six months ended June 30th 2015,
- review of the Company's reporting packages for the purposes of consolidated financial statements of the mBank Group for the six months ended June 30th 2015.

**Chapter XIII Financial Information**

*The following text is added after the existing wording:*

The Issuer's condensed financial statements for the period January 1st–June 30th 2015, 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 2015, released on August 31st 2015 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:*

In H1 2015, the Issuer was not a party to any court, arbitration or administrative proceedings with a value equal to or exceeding 10% of the Issuer's equity.

As at June 30th 2015, 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. 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. On March 26th 2014, the Insurer effectively lodged an objection against the payment order. On June 10th 2014, the Bank filed its response to the Issuer's objection and raised its claim by an amount of PLN 1,324 thousand corresponding to compounded interest and statutory interest accrued from the date of filing the payment claim to the actual payment date. In November 2014, the dispute was referred to mediation, but neither party agreed to take part in the mediation process. The first hearing was set for September 17th 2015.

As at June 30th 2015, a case was pending before the Regional Court of Warsaw, 24th Civil Division, filed by the Capital City of Warsaw against mBank Hipoteczny S.A., for payment of PLN 39 thousand in statutory interest on the annual perpetual usufruct charge for 2012 in respect of a property foreclosed by the Bank (perpetual usufruct right awarded by the court), located at ul. Nałęczowska 33/35 in Warsaw. On May 20th 2015, the Regional Court of Warsaw issued a decision to discontinue the proceedings as to the principal claim (which had been satisfied by the Bank), dismissed the Warsaw Municipality's claim for payment of PLN 39 thousand in statutory interest, and awarded costs of the proceedings, of PLN 9 thousand, against the Bank. On June 23rd 2015, the Bank lodged a complaint against the cost award, requesting that the court's decision ordering the Bank to pay the costs of litigation be reversed. As at June 30th 2015, the Bank carried a provision for these potential costs of PLN 48 thousand, of which PLN 11 thousand was expensed in 2015 (Note 12), and the balance had been expensed in the second half of 2014.

**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 2015, prepared in accordance with IAS 34 Interim Financial Reporting, containing comparative data for H1 2014 and reviewed by Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością sp.k., along with the review report;

**Chapter XIX**

*The following text is added after the existing wording:*

11. the Issuer’s report for H1 2015, released on August 31st 2015 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 2015, along with the auditor’s report on the review of the financial statements.