

**This is an unofficial translation from Polish of the original Prospectus dated 26 August 2016, provided for reference only, and should not be read in substitution of the original Prospectus. This translation of the original Prospectus dated 26 August 2016 does not constitute an offer of, or invitation by or on behalf of the Issuer to induce an offer to subscribe or purchase of any of the Covered Bonds.**

## **BASE PROSPECTUS**

Bearer Mortgage Covered Bond Programme  
with the total par value of PLN 15,000,000,000



mBank Hipoteczny S.A.  
with its registered office in Warsaw

This base prospectus concerning the Covered Bonds issued under the Programme (the "**Prospectus**") has been drawn up pursuant to art. 21.2.2 of the Act on Public Offering in connection with the intention to conduct a public offering and to seek admission of the Covered Bonds to trading on a regulated market for debt securities operated by BondSpot S.A. or on the regulated market (parallel market) for debt securities operated by Giełda Papierów Wartościowych w Warszawie S.A. and the introduction of the Covered Bonds to trading on at least one of the above-mentioned markets. The Issuer may apply for admission of any series of the Covered Bonds to trading on other markets, including the markets operating outside Poland.

The Covered Bonds are issued under the Programme in cycles comprising at least two offerings executed at intervals not longer than 12 months. All the Covered Bonds issued under the Programme shall be offered in a public offering within the meaning of the Act on Public Offering.

The Covered Bonds have not been and are not presently anticipated to be registered under the US Securities Act of 1933, as amended (the "**Securities Act**"), or any other securities commission of any state or territory under the jurisdiction of the United States of America and, subject to certain exceptions, may not be offered or sold within the United States of America, nor for account or benefit of US persons (as defined in Regulation S contained in the US Securities Act), unless they are offered or sold within certain transactions exempt from registration as provided in the US Securities Act.

INVESTING IN THE SECURITIES OFFERED UNDER THIS PROSPECTUS INVOLVES RISKS TYPICAL OF CAPITAL MARKET INSTRUMENTS AND RISKS RELATED TO THE ISSUER'S BUSINESS AND THE ENVIRONMENT IN WHICH THE ISSUER OPERATES. A DETAILED DISCUSSION OF THE RISK FACTORS WITH WHICH INVESTORS SHOULD FAMILIARISE THEMSELVES IS PROVIDED IN CHAPTER II (RISK FACTORS).

This Base Prospectus has been approved by the Polish Financial Supervision Authority on 26 August 2016 (the "**Prospectus Date**").

Offeror of the Covered Bonds under this Prospectus

**mBank S.A.**  
ul. Senatorska 18, 00-950 Warsaw, Poland

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## I. SUMMARY

This summary is made up of disclosure elements, named as "Elements". Elements are numbered and divided into sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for securities of the type of the Covered Bonds and for the issuer of the type of the Issuer. There may be gaps in numbering sequence of Elements, because some Elements are not required to be addressed.

Even though an Element may be required to be inserted in the summary because of the type of issued securities and Issuer, it is possible that no relevant information can be given regarding the Element.. In such case, the Summary will contain short description of the Element together with explanation why it does not apply.

### Section A – Introduction and warnings

| Element | Disclosure requirement  |
|---------|---|
| A.1     | <p>This summary should be read as the introduction to the Prospectus.</p> <p>Every decision to invest in the Covered Bonds should be based on consideration of the Prospectus as a whole by the investor.</p> <p>Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus, or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in Covered Bonds.</p>   |
| A.2     | <p>The Issuer agrees to the use of Prospectus and takes responsibility for the content of the Prospectus in case of subsequent resale of Covered Bonds or its final placements by financial intermediary, who was allowed by the Prospectus.</p> <p>The Prospectus on the Date of the Prospectus does not contain information on the period of each offer, which will be made on its basis, but in any case, the period of validity of the offer for which the consent to use the Prospectus referred to below is given will not extend beyond the period of validity of the Prospectus. Financial intermediaries can make subsequent resale of securities or final placement for the duration of each of the tenders carried out on the basis of the Prospectus, the period shall not extend beyond the period of validity of the Prospectus.</p> <p>Financial intermediary may use the Prospectus in any subsequent resale of securities or final placement of securities on the territory of the Republic of Poland.</p> <p><b>The financial intermediary is obliged to provide information to investors on the terms and conditions of the offer at the time the offer is made. <i>Information contained in the summary of the individual issue:</i></b></p> <p>Validity period of the offer, during which financial intermediary may subsequently resale the Covered Bonds or can accomplish final placement of the Covered Bonds: [●]</p> <p>The conditions under which the consent may be given, which are applicable to the Prospectus: [●]</p> <p>The list and indication of (name and address) financial intermediaries, which are allowed to use the Prospectus: [●]</p> |

## Section B - Issuer

| Element     | Disclosure requirement  |
|-------------|---|
| <b>B.1</b>  | <p><b>The legal name and the trade name of the issuer.</b></p> <p>The legal name of the Issuer is mBank Hipoteczny Spółka Akcyjna. The trade name of the Issuer is mBank Hipoteczny S.A.</p>  |
| <b>B.2</b>  | <p><b>The domicile and legal form of the issuer, the legislation under which the issuer operates and its country of incorporation.</b></p> <p>The Issuer's domicile is located in Warsaw, Poland.</p> <p>The Issuer is a mortgage bank, operating as a joint stock company under the provisions of the Commercial Companies Code, the Act on Covered Bonds and the Banking Law.</p>   |
| <b>B.4b</b> | <p><b>A description of the most significant recent trends affecting the issuer and the industries in which it operates.</b></p> <p>External factors:</p> <ul style="list-style-type: none"> <li>▪ the economic decline projected in 2017 may contribute to a decrease in demand for mortgage loans financing property acquisition granted by the Issuer;</li> <li>▪ decrease in unemployment can have a positive impact on the demand for residential properties, and thus result in an increase in demand for mortgage loans;</li> <li>▪ low inflation and maintaining low interest rates has a positive effect on sales of mortgage loans and the timely fulfillment of obligations under the loans by borrowers;</li> <li>▪ the changeability of exchange rates may have impact on the loan portfolio of the Issuer;</li> <li>▪ the development of real estate market may contribute to generating demand for facilities granted by the mortgage banks in order to finance the purchase of property;</li> <li>▪ changes in the legal regulations concerning the covered bonds should have a positive impact on the size and liquidity of the covered bond market in Poland;</li> <li>▪ potential increase of number of mortgage banks in Poland may affect the increase in the cost of financing the loans with covered bonds by the Issuer.</li> </ul> <p>Internal factors:</p> <ul style="list-style-type: none"> <li>▪ Issuer's ability to maintain its leading position among the mortgage banks issuing covered bonds in Poland, by: (i) the maintenance of experienced and qualified staff; (ii) the ability to create and to properly use operational procedures; (iii) quality management of modern and developed information and communication systems, (iv) strengthening its position on the commercial and residential properties financing market; (v) improving processes and risk management systems in order to improve the safety of operations of the Issuer; (vi) activity on the financial forum;</li> <li>▪ works related to the implementation of internal methodologies for credit policy and recommendations of the Polish Financial Supervision Authority.</li> </ul> |
| <b>B.5</b>  | <p><b>If the issuer is part of a group, a brief description of the group and the issuer's position within the group.</b></p> <p>The Issuer is a part of a group, where the dominant position is held by mBank S.A. mBank S.A. is the sole shareholder of the Issuer. The structure of the group, to which Issuer belongs, is provided on the diagram below (presented percentages refer to the share of equity held by mBank SA in the share</p>  |

| Element     | Disclosure requirement  |
|-------------|---|
|             | <p>capital of a subsidiary in the total share capital of that company and the number of votes at the general meeting or, as appropriate, the shareholders' meeting of that subsidiary):</p> <pre> graph TD     mBank[mBank S.A.]     mBank -- 100% --&gt; mBankHipoteczny[mBank Hipoteczny S.A.]     mBank -- 100% --&gt; mLeasing[mLeasing Sp. z o.o.]     mBank -- 100% --&gt; mFaktoring[mFaktoring S.A.]     mBank -- 100% --&gt; mCentrum[mCentrum Operacji Sp. z o.o.]     mBank -- 100% --&gt; mLocum[mLocum S.A.]     mBank -- 100% --&gt; TeleTech[Tele-Tech Investment Sp. z o. o.]     mBank -- 100% --&gt; mLeasing     mBank -- 100% --&gt; mCentrum     mBank -- 100% --&gt; Garbary[Garbary Sp. z o. o.]     mBankHipoteczny -- 100% --&gt; mFaktoring     mLeasing -- 99,998% --&gt; mFinance[mFinance France S.A.]     mFaktoring -- 100% --&gt; mCentrum     mLocum -- 79,99% --&gt; BDH[BDH Development Sp. z o.o.]     TeleTech -- 100% --&gt; Garbary </pre> |
| <b>B.9</b>  | <p><b>Where a profit forecast or estimate is made, state the figure.</b></p> <p>Not applicable – the Prospectus does not contain forward-looking estimation of profits. The Issuer did not publish any projections and estimation of profits.</p>   |
| <b>B.10</b> | <p><b>A description of the nature of any qualifications in the audit report on the historical financial information.</b></p> <p>Not applicable – the opinion expressed by the auditor is without reservations.</p>  |

| Element  | Disclosure requirement   |                   |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
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| <b>B.12</b>  | <p><b>Selected historical key financial information regarding the issuer, presented for each financial year of the period covered by the historical financial information, and any subsequent interim financial period accompanied by comparative data from the same period in the prior financial year except that the requirement for comparative balance sheet information is satisfied by presenting the year-end balance sheet information.</b></p> <p><b>Include a statement that there has been no material adverse change in the prospects of the issuer since the date of its last published audited financial statements or a description of any material adverse change.</b></p> <p><b>Include a description of significant changes in the financial or trading position subsequent to the period covered by the historical financial information.</b></p> <p>Selected financial data of the Issuer (PLN '000)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: right; width: 10%;">31.12.2015</th> <th style="text-align: right; width: 10%;">31.12.2014</th> </tr> </thead> <tbody> <tr> <td colspan="3"><b>ASSETS</b></td> </tr> <tr> <td>Cash and balances with the central bank</td> <td style="text-align: right;">7 521</td> <td style="text-align: right;">7 669</td> </tr> <tr> <td>Amounts due from other banks</td> <td style="text-align: right;">205 180</td> <td style="text-align: right;">30 972</td> </tr> <tr> <td>Derivative financial instruments</td> <td style="text-align: right;">32 212</td> <td style="text-align: right;">37 291</td> </tr> <tr> <td>Loans and advances to clients</td> <td style="text-align: right;">7 391 743</td> <td style="text-align: right;">5 325 741</td> </tr> <tr> <td>Investment securities available for sale</td> <td style="text-align: right;">748 505</td> <td style="text-align: right;">735 220</td> </tr> <tr> <td>Intangible assets</td> <td style="text-align: right;">8 152</td> <td 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related to fair value of hedged items | 21 530 | 25 763 | Debt securities in issue | 4 164 902 | 3 171 588 | Subordinated liabilities | 200 899 | 100 257 | Other liabilities and provisions | 20 438 | 14 089 | <b>Total liabilities</b> | <b>7 636 789</b> | <b>5 551 785</b> | <b>Equity</b> |  |  | Share capital | 514 856 | 374 938 | - Registered share capital | 299 000 | 285 000 | - Share premium | 215 856 | 89 938 | <b>Retained earnings</b> | <b>266 631</b> | <b>247 840</b> | - Profit from the previous years | 247 840 | 225 469 | - Profit from the current year | 18 791 | 22 371 |
|  | 31.12.2015   | 31.12.2014        |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| <b>ASSETS</b>  |  |                   |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| Cash and balances with the central bank                            | 7 521  | 7 669             |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| Amounts due from other banks                                       | 205 180  | 30 972            |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| Derivative financial instruments                                   | 32 212   | 37 291            |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| Loans and advances to clients                                      | 7 391 743  | 5 325 741         |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| Investment securities available for sale                           | 748 505  | 735 220           |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| Intangible assets  | 8 152  | 5 074             |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| Tangible fixed assets  | 7 523  | 7 241             |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| Deferred income tax assets   | 7 213  | 11 426            |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| Current income tax assets  | 1 597  | 1 002             |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| Other assets, including:   | 9 479  | 14 690            |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| - inventories  | 6 768  | 8 192             |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| <b>Total assets</b>  | <b>8 419 125</b>   | <b>6 176 326</b>  |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| <hr/>  |  |                   |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
|  | <b>31.12.2015</b>  | <b>31.12.2014</b> |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| <b>LIABILITIES AND EQUITY</b>                                      |  |                   |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| Amounts due to other banks   | 2 959 741  | 1 980 634         |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| Derivative financial instruments                                   | 3 770  | 9 442             |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| Amounts due to clients   | 265 509  | 250 012           |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| Hedge accounting adjustments related to fair value of hedged items | 21 530   | 25 763            |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| Debt securities in issue   | 4 164 902  | 3 171 588         |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| Subordinated liabilities   | 200 899  | 100 257           |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| Other liabilities and provisions                                   | 20 438   | 14 089            |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| <b>Total liabilities</b>   | <b>7 636 789</b>   | <b>5 551 785</b>  |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| <b>Equity</b>  |  |                   |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| Share capital  | 514 856  | 374 938           |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| - Registered share capital   | 299 000  | 285 000           |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| - Share premium  | 215 856  | 89 938            |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| <b>Retained earnings</b>   | <b>266 631</b>   | <b>247 840</b>    |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| - Profit from the previous years                                   | 247 840  | 225 469           |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |
| - Profit from the current year                                     | 18 791   | 22 371            |  |            |            |               |  |  |   |       |       |                              |         |        |                                  |        |        |                               |           |           |  |         |         |                   |       |       |                       |       |       |                            |       |        |                           |       |       |                          |       |        |               |       |       |                     |                  |                  |       |  |  |  |                   |                   |                               |  |  |                            |           |           |                                  |       |       |                        |         |         |  |        |        |                          |           |           |                          |         |         |                                  |        |        |                          |                  |                  |               |  |  |               |         |         |                            |         |         |                 |         |        |                          |                |                |                                  |         |         |                                |        |        |



| Element  | Disclosure requirement   |                   |
|--|--|-------------------|
| Other components of equity   | 849  | 1 763             |
| <b>Total equity</b>  | <b>782 336</b>   | <b>624 541</b>    |
| <b>Total liabilities and equity</b>  | <b>8 419 125</b>   | <b>6 176 326</b>  |
| <i>Source: Financial statements of the Issuer</i>  |  |                   |
| Off-balance sheet items (PLN '000)   |  |                   |
| <b>Off balance-sheet liabilities</b>   | <b>31.12.2015</b>  | <b>31.12.2014</b> |
| Liabilities granted  | 990 932  | 1 085 818         |
| Interest-rate derivatives  | 1 456 852  | 2 492 788         |
| Foreign exchange derivatives   | 1 223 730  | 1 308 022         |
| Financial liabilities received   | 170 767  | 170 179           |
| <b>Total off-balance sheet items</b>   | <b>3 842 281</b>   | <b>5 056 807</b>  |
| <i>Source: Financial statements of the Issuer</i>  |  |                   |
| Selected data of income statement (PLN '000)   |  |                   |
|  | <b>31.12.2015</b>  | <b>31.12.2014</b> |
| Interest income  | 256 317  | 218 996           |
| Interest expenses  | -145 555   | -132 813          |
| <b>Net interest income</b>   | <b>110 762</b>   | <b>86 183</b>     |
| Fee and commission income  | 12 636   | 9 632             |
| Fee and commission expenses  | -6 107   | -5 586            |
| <b>Net fee and commission income</b>   | <b>6 529</b>   | <b>4 046</b>      |
| <b>Net trading income, including:</b>  | <b>-434</b>  | <b>12 292</b>     |
| <i>Foreign exchange result</i>   | 2 036  | 3 862             |
| <i>Other net trading income and result on hedge accounting</i>   | -2 470   | 8 430             |
| <i>Other operating income</i>  | 763  | 1 143             |
| <i>Net impairment write-downs on loans and advances</i>  | -24 775  | -20 945           |
| Overhead costs   | -57 876  | -46 839           |
| Amortisation   | -4 699   | -4 310            |
| Other operating expenses   | -3 473   | -2 095            |
| <b>Operating result</b>  | <b>26 797</b>  | <b>29 475</b>     |
| <b>Profit before income tax</b>  | <b>26 797</b>  | <b>29 475</b>     |
| Income tax   | -8 006   | -7 104            |
| <b>Net profit</b>  | <b>18 791</b>  | <b>22 371</b>     |
| <i>Source: The financial statements of the Issuer</i>  |  |                   |
| From the date of publication of the audited financial statements of the Issuer for the year 2015, there was no material adverse change in the prospects of the Issuer. |  |                   |
| From 31 December 2015 to the Prospectus Date, there were no significant changes in the financial or trading position of the Issuer, except for the below mentioned:    |  |                   |
| ▪  | authorization by the Polish Financial Supervision Authority to include into Tier II capital of the Issuer's cash in the amount of 100,000 thousand ; |                   |

| Element     | Disclosure requirement  |
|-------------|---|
|             | <ul style="list-style-type: none"> <li>▪ refund of a part of receivable of the Issuer (PLN 906.5 thousand), which previously was entirely created an impairment loss of value in connection with the bankruptcy of the debtor;</li> <li>▪ increase of the international long-term rating of the Issuer from "BBB- " to "BBB", increase of the short-term international rating of the Bank from "F3" to "F2", increase of the rating for mortgage covered bonds from "BBB+" to "A" and for the Bank's public covered bonds from "BBB" to the level of "BBB+", confirming the support rating at "2";</li> <li>▪ issue by the Bank of four series of mortgage covered bonds in the amount of PLN 300 million, PLN 50 million , PLN 50 million and PLN 100 million.</li> </ul>  |
| <b>B.13</b> | <p><b>A description of any recent events particular to the issuer which are to a material extent relevant to the evaluation of the issuer's solvency.</b></p> <p>On 19 May 2015 due to the downgrade of Commerzbank AG rating IDR from "A +" to "BBB" and mBank S.A. from "A" to "BBB-" credit rating agency Fitch Ratings Ltd. downgraded the long-term international rating IDR ("<i>Issuer Default Rating</i>") of the Issuer from "A" (negative outlook) to the level of "BBB- "(positive outlook). As a result of the above, the short-term international IDR rating was lowered from "F1" to "F3" and support rating from "1" to "2".</p> <p>In addition, on 20 and 21 May 2015 Fitch Ratings Ltd. downgraded the rating for public and mortgage covered bonds of the Issuer from "A" (negative outlook) to the level of "BBB" (positive outlook). The change of the ratings of the Bank's covered bonds resulted from the lower international long-term IDR rating of the Issuer from 'A' to 'BBB-'. The above described action did not result from changes in the financial position of the Bank or the quality of assets constituting a cover for the issued covered bonds .</p> <p>On 7 January 2016 Fitch Ratings Ltd. placed the rating of mortgage covered bonds issued by the Issuer on the watch list with the positive indication due to the changes in legal regulations of covered bonds which enter into force on 1<sup>st</sup> January 2016.</p> <p>On 7 March 2016 Fitch Ratings Ltd. raised the long-term international rating IDR (Issuer Default Rating) of mBank Hipoteczny S.A. from ' BBB- ' (positive outlook) to the level of "BBB" (stable outlook), following the increase of the IDR rating of Commerzbank AG from "BBB" to "BBB +" and of mBank S.A. from "BBB-" to "BBB". As a result, the short-term international IDR rating of the Bank was increased from "F3" to "F2" and the support rating was confirmed at "2".</p> <p>On 7 March 2016 Fitch Ratings Ltd. raised the rating for the mortgage covered bonds and public covered bonds issued by the Bank , from "BBB" (positive outlook ) to the level of "BBB+" (positive outlook for mortgage covered bonds with a stable outlook for the public covered bonds) . Change of the ratings of Bank's covered bonds resulted from an increase of long-term international rating IDR ("<i>Issuer Default Rating</i>") of the Issuer and the fact, that Bank's statutory requirement of maintaining a 10% level of covered bonds overcollateralization was taken into account in the assessment of Fitch Ratings Ltd.</p> <p>On 4 May 2016 Fitch Ratings Ltd. confirmed its rating for public mortgage covered bonds issued by the Bank at "BBB +" (stable outlook).</p> <p>And on 20 May 2016 Fitch Ratings Ltd. confirmed its rating for mortgage covered bonds issued by the Bank at "BBB + " ( positive outlook).</p> <p>On 30 June 2016 Fitch Ratings Ltd. made the decision (published on 1<sup>st</sup> July 2016) to increase the rating of Bank's mortgage covered bonds from "BBB+" to "A" and maintained a positive outlook. The upgrade was a result of changes in the Covered Bond Act, which entered into force on 1 January 2016. Positive outlook of the mortgage covered bonds reflects the expectations of Fitch Ratings Ltd. for mitigation of (on an annual basis) credit risk and currency risk of receivables from granted and purchased mortgage backed loans entered in collateral register for mortgage covered bonds. As a</p> |

| Element     | Disclosure requirement   |
|-------------|--|
|             | result of the above changes, the rating of mortgage covered bonds issued by the Bank ranks in the scale of investment in the category "A" denoting high creditworthiness.  |
| <b>B.14</b> | <p><b>If the issuer is dependent upon other entities within the group, this must be clearly stated.</b></p> <p>The Issuer is part of a group in which the parent company is mBank S.A. The Issuer is dependent from mBank S.A., mBank S.A. is the sole shareholder of the Issuer.</p>  |
| <b>B.15</b> | <p><b>A description of the issuer's principal activities.</b></p> <p>The core business of the Issuer is to provide commercial loans (for traders and institutional clients investing in the purchase, construction or modernization of commercial real estate,) mortgage loans to individuals and issuing covered bonds.</p>   |
| <b>B.16</b> | <p><b>To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control.</b></p> <p>The Issuer is an entity controlled by the mBank S.A., mBank S.A. is the sole shareholder of the Issuer.</p>  |
| <b>B.17</b> | <p><b>Credit ratings assigned to an issuer or its debt securities at the request or with the cooperation of the issuer in the rating process.</b></p> <p>Fitch Ratings Ltd. has granted the Issuer and its debt securities rated as follows :</p> <ul style="list-style-type: none"> <li>▪ 'BBB' (stable outlook) / 'F2' - long- and short-term international rating;</li> <li>▪ '2' – support rating; and</li> <li>▪ 'BBB+' (stable outlook) - rating of public covered bonds;</li> <li>▪ 'A' (positive outlook) - rating of mortgage covered bonds.</li> </ul> <p>Fitch Ratings Ltd. is headquartered in London and is listed on the list of credit rating agencies registered in accordance with the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.</p> |

### Section C - Securities

| Element    | Disclosure requirement   |
|------------|--|
| <b>C.1</b> | <p><b>A description of the type and the class of the securities being offered or admitted to trading, including, any security identification number.</b></p> <p>The Covered Bonds issued under the Programme will be bearer mortgage covered bonds having no form of a document.</p> <p><i>Information included in summary of the individual issue:</i></p> <p>Series: [●]</p> <p>International Security Identification Number (ISIN): [●]</p> |

| Element | Disclosure requirement  |
|---------|---|
| C.2     | <p><b>Currency of the securities issue.</b></p> <p>The Covered Bonds may be denominated in Polish zloty, US dollar or in euro.</p> <p><i>Information included in summary of the individual issue:</i></p> <p>Currency of the issue: [Polish zloty]/[euro]/[US dollar]</p>   |
| C.5     | <p><b>A description of any restrictions on the free transferability of the securities.</b></p> <p>Not applicable –there are no restrictions on the free transferability of the Covered Bonds.</p>   |
| C.8     | <p><b>A description of the rights attached to the securities, including any limitations of those rights.</b></p> <p><b>Description of the rights and its limitations</b></p> <p>The Covered Bonds will entitle their holders to receive from the Issuer a certain financial benefit, involving the payment of interest calculated at a variable or fixed interest rate, and repurchase of the Covered Bonds in the manner and time limits set out in the terms of issue. Rights of the Covered Bonds' holders to receive benefits under the Covered Bonds are not limited.</p> <p><b>Ranking</b></p> <p>The Covered Bonds constitute direct and unconditional obligations of the Issuer to fulfill in favour of the holders benefits set out in the terms of issue. The Issuer's obligations under the Covered Bonds have equal priority with the obligations of all other mortgage covered bonds, which have been or will be issued by the Issuer.</p>   |
| C.9     | <p><b>The nominal interest rate, the date from which interest becomes payable and the due dates for interest, where the rate is not fixed, a statement setting out the type of underlying and a description of the underlying on which it is based, maturity date and arrangements for the amortisation of the loan, including the repayment procedures, an indication of yield, name and surname (name) of the person representing holders of debt securities.</b></p> <p><b>Interest rate</b></p> <p>The Covered Bonds shall bear interest at a fixed or variable interest rate.</p> <p><i>Information included in summary of the individual issue:</i></p> <p>[The Covered Bonds bear interest rate at a fixed rate equal to [●] per cent per annum. Interest payment dates: [●], [●] and [●].] / [The Covered Bonds bear interest rate at a variable interest rate which is the sum of [WIBOR]/[EURIBOR]/[LIBOR] for [●]-month deposits [and the margin of [●] per annum].Interest payment dates: [●], [●] and [●].]</p> <p><b>Maturity</b></p> <p>The Covered Bonds of relevant series will be repurchased by the Issuer on the maturity date set in Final Terms of that series.</p> <p><i>Information included in summary of the individual issue:</i></p> <p>The Covered Bonds will be repurchased on [●].</p> <p><b>Arrangements for the amortisation</b></p> <p>Not applicable – the Covered Bonds will not be ammortised.</p> <p><b>Yield</b></p> <p>Yield of the Covered Bonds of a given series with fixed interest rate will be determined as at the</p> |

| Element     | Disclosure requirement  |
|-------------|---|
|             | <p>date of issue of each series and made public before the subscription of the relevant series of the Covered Bonds in the relevant Final Terms.</p> <p><b>Information included in summary of the individual issue:</b></p> <p>Profitability is [●].</p> <p><b>Name and surname (name) of the person representing holders</b></p> <p>Not applicable – no person was appointed as the person representing holders of the Covered Bonds.</p>  |
| <b>C.10</b> | <p><b>If the security has a derivative component in the interest payment, provide a clear and comprehensive explanation to help understand how the value of their investment is affected by the value of the underlying instrument(s), especially if the risk is significant.</b></p> <p>Not applicable – interest on the Covered Bonds does not have derivative component.</p>   |
| <b>C.11</b> | <p><b>An indication as to whether the securities offered are or will be the object of an application for admission to trading, with a view to their distribution in a regulated market or other equivalent markets with indication of the markets in question</b></p> <p>The Issuer intends, depending on the series of the Covered Bonds, to introduce the Covered Bonds to trading on a regulated market operated by the Warsaw Stock Exchange S.A. or regulated market operated by BondSpot S.A. The Issuer may apply for admission of each series of the Covered Bonds to trading on other markets.</p> <p><b>Information included in summary of the individual issue:</b></p> <p>The Issuer [intends to file] application for admission of the Covered Bonds to listing and introduce the Covered Bonds to trading on [the regulated market (parallel market) operated by the Warsaw Stock Exchange in Warsaw S.A.]/[ regulated market operated by BondSpot S.A.]/[indicate another entity].</p> |

#### Section D - Risks

| Element    | Disclosure requirement   |
|------------|--|
| <b>D.2</b> | <p><b>Key information on the key risks that are specific to the issuer .</b></p> <p>The main risk factors specific to the Issuer include:</p> <ul style="list-style-type: none"> <li>▪ credit risk involving the possibility of failure of a counterparty to fulfill its obligations towards the Issuer in full amount and on due dates, which may have a negative impact on the financial results of the Issuer, as well as the ability to service and repurchase of the Covered Bonds;</li> <li>▪ the risk of concentration, in particular by excessive credit exposure to a single entity, affiliated entities, entities from a specific geographical area or industry - exceeding concentration limits may adversely affect the financial condition or operational results of the Issuer;</li> <li>▪ the risk associated with the shareholding structure of the Issuer, arising from the fact that the sole shareholder of the Issuer is mBank S.A., which cause that future adverse effects related to the activities of mBank S.A., as well as the mBank S.A.'decision on the sale of shares in the Issuer may have a negative impact on the financial results of the Issuer;</li> <li>▪ the risk associated with the structure of assets and liabilities of the Issuer and resulting from this structure a greater dependence of the Issuer, as compared to a universal bank, on the</li> </ul> |

|            |   |
|------------|---|
|            | <p>possibility of obtaining funding on the financial markets, which means that the reduction of these opportunities may adversely affect the financial results of the Issuer;</p> <ul style="list-style-type: none"> <li>▪ the risk associated with purchasing another bank's receivables and the consequent possibility of using by the borrowers of their set-off right, which could affect the overall amount of the Issuer's proceeds from the purchased receivables, and consequently, its financial results;</li> <li>▪ the risk associated with a long and costly credit debt recovery from established collaterals, which may have a negative impact on the financial results of the Issuer;</li> <li>▪ the risk associated with the impact of lowering the credit rating of the Issuer on increase of costs of financing;</li> <li>▪ risk associated with a decrease in demand and prices on the property market, the factors which may contribute to a decline in collateral for loans granted by the Issuer and a decline in sales of mortgage loans by the Issuer, which may have a negative impact on its financial results.</li> </ul>  |
| <b>D.3</b> | <p><b>Key information on the key risks that are specific to the securities.</b></p> <p>The main risk factors specific to the Covered Bonds include:</p> <ul style="list-style-type: none"> <li>▪ the foreign currency risk associated with the acquisition of the Covered Bonds denominated in euro and US dollar, which in connection with counting the profitability of investments in the Covered Bonds in Polish zlotys, could have a negative impact on the performance of the Covered Bonds on the secondary market ;</li> <li>▪ low liquidity of the Covered Bonds on the secondary market, which may cause difficulties with the sale of the Covered Bonds at the price acceptable to the investor or with one-time sale of a significant tranche of the Covered Bonds;</li> <li>▪ the Covered Bonds may not be presented for the earlier repurchase even if any event that may have a negative impact on the Issuer has occurred,</li> <li>▪ the risk of the Issuer's bankruptcy and, as a consequence, change of the Covered Bonds maturity date;</li> <li>▪ the risk that the public offering will be withheld or will be prevented from being commenced or that the admission to trading of the securities on the regulated market will be withheld or will be prevented by the Polish Financial Supervision Authority, which may have a negative influence on the liquidity of the Covered Bonds;</li> <li>▪ the risk that any series of the Covered Bonds will not be admitted to trading on a regulated market or will not be introduced to trading on the regulated market of the WSE or BondSpot, which may adversely affect the liquidity and value of the Covered Bonds;</li> <li>▪ the risk of delay in the introduction of the Covered Bonds to trading on the regulated market, which could adversely affect the liquidity of the Covered Bonds;</li> <li>▪ the risk associated with issuing of a decision to suspend trading of the Covered Bonds on the regulated market, which could adversely affect the liquidity and value of the Covered Bonds;</li> <li>▪ the risk associated with issuing of a decision to exclude the Covered Bonds from trading on the regulated market, which could adversely affect the liquidity and value of the Covered Bonds.</li> </ul> |

### Section E – The Offer

| Element     | Disclosure requirement  |
|-------------|---|
| <b>E.2b</b> | <b>Reasons for the offer and use of proceeds when different from making profit and/or hedging</b> |

|     |  |
|-----|--|
|     | <p><b>certain risks.</b></p> <p>The net proceeds from a each issue of the Covered Bonds will be used to finance the Issuer's activity, in accordance with the Covered Bond Act.</p> <p>Pursuant to the Covered Bond Act (article 12 point 1, 2 and 3) a mortgage bank may apply the proceeds from an issue of Covered Bonds towards: (1) granting of mortgage-backed loans, (2) granting of non-mortgage-backed loans, which are referred to in article 3 paragraph 2 of the Covered Bond Act, (3) purchase of other banks receivables arising under mortgage-backed loans granted by such banks and receivables under non-mortgage-backed loans, which are referred to in point 2. Pursuant to article 16 the Covered Bond Act any free cash not applied towards the refinancing of the activities described in article 12 point 1 and 2 of the Covered Bond Act may be applied by to: (1) to place deposits at banks with share capital not lower than the PLN equivalent of EUR10.000.000 calculated on the basis of the average exchange rate announced by the National Polish Bank, (2) acquire the Covered Bonds issued by it in order to deposit them under the supervision of the Trustee, if this is related to fulfillment by the mortgage bank of requirement specified in article 18 of the Covered Bond Act or to redeem them, (3) acquire securities issued or guaranteed by entities, which are referred to in article 3 paragraph 2 point 1of the Covered Bond Act, (4) to acquire securities issued by local government units, (5) to purchase covered bonds issued by other mortgage banks.</p>  |
| E.3 | <p><b>A description of the terms and conditions of the offer.</b></p> <p>The Covered Bonds will be subject to the public offering on territory of the Republic of Poland. The Covered Bonds may be offered during the validity period of this Prospectus. Detailed terms and conditions of each offer of Covered Bonds will be specified for a given series of the Covered Bonds in the Final Terms relating to that series of the Covered Bonds.</p> <p><b><i>Information included in summary of the individual issue:</i></b></p> <p>Type of the Covered Bonds: The Covered Bonds in bearer form, dematerialized, bearing interest at a [variable]/[fixed] interest rate. A number of the offered Covered Bonds: [●]</p> <p>A nominal value of one Covered Bond is: [●].</p> <p>Information of interest rate of the Covered Bonds: [●].</p> <p>Issue price [(sale price)] of a Covered Bond is [●].</p> <p>Offer period: [●].</p> <p>Procedure of the offer: [●].</p> <p>Description of the subscription process: [●].</p> <p>Customer service points accepting the subscription: [●].</p> <p>Details concerning minimum and maximum amount of subscription: [●].</p> <p>The allocation rules: [●].</p> <p>Details regarding the payments date and payment mechanism: [●].</p> <p>Date of public announcement of offering result: [●].</p> <p>Process for notification to investors on the allotment of the Covered Bonds: [●].</p> <p>Costs and taxes incurred by the investors subscribing for the Covered Bonds: [●]</p> <p>Name and address of paying agents and depository agents: [●]</p> <p>Name and address of the entities that have agreed to underwrite the issue on a firm commitment basis, and name and address of the entities that have agreed to place the issue without a firm commitment or under “best efforts” arrangements; substantive conditions of such agreements: [●]</p> |

|            |   |
|------------|---|
|            | A date when the underwriting agreement has been or will be finalised: [●]   |
| <b>E.4</b> | <p><b>A description of any interest, including conflicting ones that is material to the issue/offer.</b></p> <p>The remuneration of the Offeror, which is partially commission remuneration, is partly dependent on the success of the Offer. mBank S.A., which is acting as the offeror at the public offering of the Covered Bonds, is the sole shareholder of the Issuer.</p> <p><b><i>Information included in summary of the individual issue:</i></b></p> <p>[Except as indicated above], as far as the Issuer is aware, no person involved in the issuance of the Covered Bonds has no material interest in connection with the offer or there is no conflict of interest .</p>   |
| <b>E.7</b> | <p><b>Estimated expenses charged to the investor by the issuer or the offeror.</b></p> <p>An investor subscribing for the Covered Bonds offered by the Issuer does not incur any additional costs associated with the subscription beyond the possible commission, which can be collected by investment firm accepting the subscription. There might be some additional costs, including the cost of establishing and running an investment account. It should also be noted that payments for the Covered Bonds made by the investors do not bear interest, and in the case of return of the payment made to the investor he is not entitled to receive interest or claim damages.</p> |



## II. RISK FACTORS

*Before deciding to purchase the Covered Bonds, investors should note the risk factors described below, regardless of the information contained in other parts of the Prospectus.*

*The following risk factors are not the only ones that may affect the Issuer and which may affect the ability of the Bank to fulfill its obligations under the Covered Bonds and be relevant to the offered Covered Bonds. In the future, there may occur risks difficult to predict at the moment, for instance resulting from fortuitous or extraordinary events, on which now, at the time of preparation of the Prospectus, the Issuer has no influence. The Issuer has presented below risk factors that may affect the Issuer's ability to fulfill its obligations under the Covered Bonds and the risks of significant importance for the offered Covered Bonds.*

*By presenting the risk factors in the following order, the Issuer is not guided by the probability of their occurrence or the assessment of their validity*

### 1. Risk factors that may affect the Issuer's ability to fulfill its obligations under the Covered Bonds

#### 1.1 Risks relating to the operations of the Issuer

##### 1.1.1. Credit Risk

The Issuer is exposed to credit risk, involving the possibility that its counterparty will not fulfill its obligations towards the Issuer in full and at their due dates. Credit risk also includes a possible decline in the value of liabilities of the Issuer as a result of changes in real estate prices. In order to reduce credit risk, the Issuer conducts lending activity in accordance with internal procedures and policies relating to credit decision-making, as well as credit risk assessment. If the adopted procedures for credit risk management proved to be ineffective or errors in risk management and control exercised in terms of risk occurred, it could have a negative impact on the Issuer's operations, financial performance and thus on its ability to service and repurchase of the all issued Covered Bonds.

The Issuer cannot guarantee that the quality of the Bank's loan portfolio will not be deteriorated in the future, as a result of such factors as deterioration of the overall economic situation, a decline in real estate prices, an increase of capitalization rates required by investors or worsening of financial situation of borrowers, including reducing their creditworthiness and willingness to repay liabilities.

On 11<sup>th</sup> May 2015 in mBank Group, to which the Issuer belongs, the approach to the financing of commercial real estate revenue (CRE) was unified. As a result, preferred directions of acquisitions have been set, and higher risk cases, which has been classified as "exceptions to the policy", "out of policy" or excluded from the financing irrespective at what level a credit decision was taken, have been described.

As on 31<sup>st</sup> December 2015 no limit resulting from the Covered Bond Act or the CRR Regulation was exceeded. In 2015 the limit on the obligations provided by article 15 sec. 2 of the Covered Bond Act has not been exceeded.

Credit risk of the Bank (as a mortgage bank) is limited by a number of provisions of the Covered Bond Act, including the following:

- The institution of the mortgage lending value and the rules for its estimation,
- The overall limit of share of loans exceeding 60% of the mortgage lending value in the mortgage-backed loan portfolio cannot exceed 30% of the loan portfolio value (article 13 paragraph 1),
- The limit of refinancing loans from the Covered Bonds up to the 60% of the mortgage lending value (article 14) – from the funds raised from the issue of covered bonds, a mortgage bank may refinance loans secured by a mortgage and purchased receivables of other banks from mortgage backed loans granted by those banks; refinancing of a single loan or an individual debt may not exceed the equivalent of 60 % of the

mortgage lending value, and in the case of residential real estate within the meaning of article 4 paragraph 1 point 75 of the CRR Regulation - 80 % of the mortgage lending value,

- The limit of share of loans secured on the real estate under construction (article 23 paragraph 1) – claims secured by the mortgages established on real estates under construction may not exceed 10% of the total value of claims secured by mortgage, which constitute the basis of the issue of mortgage covered bonds,

and the CRR Regulation:

- The limit exposure to one entity or group of related entities is 25% of the value of recognized capital of the Bank within the meaning of the CRR Regulation (article 395 paragraph 1, first sentence),
- The limit exposure to the entity which is a credit institution or investment firm, or to a group of related entities, which includes at least one credit institution or investment firm, is 25 % of the recognized capital of the Bank or the amount of EUR 150 million, depending on which one of them is higher of (article 395, section 1, second sentence).

The risk of deterioration of the loan portfolio of the Issuer and the Bank's ability to effectively manage credit risk may have a negative impact on the Bank's financial results as well as on the Issuer's ability to service and repurchase the Covered Bonds.

#### 1.1.2. Risk of Concentration

##### a) Geographic Concentration Risk

In accordance with the principles of the credit policy, the real estate financed by the Bank should have a privileged location designated by the possibilities of disposal in the long term perspective. These factors are reflected in the geographic concentration of the loan portfolio of the Issuer.

Focusing on the loan portfolio on a given area of the country may, in the case of extraordinary and fortuitous events (such as natural disasters), adversely affect the Issuer's financial results, and in consequence could adversely affect the Issuer's ability to service and repurchase of the issued Covered Bonds.

##### b) Risk of large commitments concentration and the risk of concentration of commitments

The concentration risk is the risk that may affect the stability and security of the Bank's operations through the default of a single entity, entities related by capital or management, as well as by a group of entities, where the probability of default of this commitment is dependent on the factors they have in common.

The measurement of concentration risk is performed by determining the size of the commitment that generates concentration risk, and referring this size to the limits set by the provisions of law and internal limits.

The Issuer reduces the risk of concentration by means of internal concentration limits specified in internal procedures, which take into account such factors as:

- the macroeconomic situation in the country,
- the situation on real estate market in the country,
- the situation on financial market in the country,
- implementation of the Bank's credit policy in previous years,
- the results of restructuring and debt collection by the Bank,
- information from reliable sources (academic centers) on the economic situation of entities, industries, industry sectors,

- information on the economic and quality management process in entities in which the Bank has a commitment which shows the risk concentration,
- factors resulting from the other risks associated with the identified exposures, which indicate on concentration risk (including interest rate, liquidity, operational and political risk), which may have a negative impact on increase of concentration risk,
- stress tests results.

Internal commitment limits are determined in relation to the size of the Bank's own funds and in relation to the sum of commitments of the Issuer.

As part of management of concentration risk the Bank identifies, measure , monitor and report this risk . The Bank conducts monthly reporting of the monitored concentration risk in relation to:

- monitoring the capital groups,
- monitoring exposure limits,
- monitoring the limit of loans granted to entities associated with the Bank,
- monitoring internal limits.

On 22<sup>nd</sup> December 2015 the Issuer has introduced provisions relating to the maximum rate of LTC, geographical restrictions and substitute investors, in order to secure the Bank's position in the case of the expected overall decline in the availability of housing loans and reduced demand for housing in the near future. Furthermore, on 22<sup>nd</sup> December 2015 in order to reduce the concentration risk the Issuer's Management Board has introduced limits for new exposures set at PLN 115 million in the segment of commercial real estate revenue (CRE) and 95 million PLN in the segment of residential developers. Granting of a new commitment above the set limit is an "exception to policy" and requires a decision of the Extended Management Board Credit Committee (RKKB), after receiving the recommendation of the Credit Committee of the mBank Group (KKG).

Exceeding the size of the concentration limits that have been set may have a negative impact on the financial results and stability and secure operation of the Issuer, which may adversely affect the ability to service and repurchase of issued Covered Bonds.

c) **Risk of Concentration within Industry**

The Issuer focuses on providing loans secured by a mortgage on a real estate to legal entities and mortgage loans to individuals.

Regardless of the external limits of the concentration of credit, the Management Board sets internal limits associated with, among others:

- industry concentration by type of real estate,
- financing real estate under construction and purchase of land,
- share of different funding of individual types of real estate in the loan portfolio,
- geographical concentration, currency concentration,
- type of interest rates used in the Bank's (fixed and variable interest rate),
- large retail exposures,
- length of the credit period.

A deterioration of the macroeconomic situation in the country, in particular a decline in economic growth, could contribute to a deterioration of the financial situation of individuals and the condition of individual industries, whose activities are financed by the Issuer and thus may lead to borrowers' failure to fulfill their obligations towards the Bank under loan agreements on time. These factors may adversely affect the current operations of the Issuer and its financial results.

### 1.1.3. Market Risk

The Issuer is exposed to market risk understood as the risk of changes in the current valuation of the financial instruments held in the bank's portfolio, resulting from changes in prices and changes in value of market parameters. The Bank's exposure to market risk is generated from open positions in interest rate instruments, currency instruments, which are exposed to changes in the market value of the relevant risk factors, and in particular to changes in interest rates, foreign exchange rates and the volatility of these risk factors. The nature of the Bank's operations means that market risk should be kept as low as possible.

In respect of the market risk, the Issuer is exposed in particular to: liquidity risk, currency risk and interest rate risk.

#### a) Liquidity Risk

Liquidity risk is the risk of inability to finance assets and to timely fulfill obligations in the normal course of business of the Bank or other conditions that can be predicted without incurring losses.

Liquidity risk management is conducted at the level of the current, short-term, medium-term and long-term liquidity payments. Long-term assets are financed first by mortgage and public sector covered bonds with long maturities, then long-term deposits. The Issuer satisfies its current financial needs on the interbank market and by issuing short-term bonds, receiving deposits from customers and from current accounts services. The Issuer also increases security in terms of liquidity by keeping the liquidity reserves of liquid assets (which can be quickly liquidated) in case of unforeseen events.

In order to maintain liquidity indicators at the appropriate level, to bridge the mismatch between the assets and the liabilities and to enhance the stability of funding sources, the Issuer seeks to replace short-term funding with financing through new issue of covered bonds with a maturity of 5 years or more.

The Issuer monitors all liquidity norms (M1, M2, M3 and M4) defined by the Polish Financial Supervision Authority in the resolution no. 386/2008 dated 17 December 2008. Both in 2015 and 2014 none of the liquidity norms was exceeded.

The Bank has a contingency plan in the event of a liquidity crisis, which describes the events causing a threat of a loss of liquidity, identifies a reserve funding sources of the Bank and indicates the procedure to be adopted by the Issuer in a crisis situation.

The Issuer is required to maintain, separately for mortgage covered bonds and public sector covered bonds, a surplus created from the funds referred to in article 18 paragraph 3 of the Covered Bond Act in an amount not less than the total nominal value of interest from the mortgage or public covered bonds in trading, payable within the subsequent 6 months. Funds allocated to the surplus may not form the basis for issue of covered bonds.

The need to obtain additional funds for the timely fulfillment of the Bank's obligations can lead to an increase of the costs of the Issuer's activity, and thus may adversely affect the Issuer's ability to service and repurchase the Covered Bonds issued by the Bank and its financial results.

#### b) Currency Risk

Foreign exchange risk is due to an exposure of current value of the Issuer's assets, liabilities and off-balance sheet items denominated in PLN to the adverse effects of changes in market foreign exchange rates.

The Bank does not maintain a significant currency mismatch of assets and liabilities (currency position) in connection with the prohibition of speculative activity resulting from Covered Bond Act. The Issuer adjusts the

currency structure of lending and funding sources, and closes the open foreign exchange positions of derivative contracts. Measuring of the scale and structure of currency risk is based on a current currency position of the Bank. Monitoring is also subject to currency position, which takes into account the anticipated repayments and disbursements of loans and payment. Foreign exchange risk is mitigated through currency position limits for each currency.

The risk of the negative impact of exchange rate changes on the financial result of the Issuer and the Bank's ability to service and repurchase the issued Covered Bonds is limited and procedures for auditing and reporting existing in the Bank significantly eliminate that possibility.

c) **Interest Rate Risk**

The interest rate risk results from exposure to current and future earnings and capital of the Bank to the adverse effects of changes in interest rates. Changes in interest rates can adversely affect the transaction costs incurred by the Bank, which can adversely affect the balance sheet and off-balance sheet items sensitive to interest rate changes. Interest rates level also affects the borrowers' cost of servicing loans granted by the Issuer. Hence, an increase in interest rates can have a negative impact on their ability to fulfill payment obligations under the disbursed loans.

The Issuer manages the interest rate gap by matching dates of assets and liabilities revaluation. The sensitivity of the Bank's portfolio at the extreme disorder of interest rates is determined on the basis of stress tests and scenario analyzes. The interest rate risk arises from mismatch between the re-pricing periods and earnings at risk (EaR) determined on that basis, which at the end of 2015 reached a safe level of 6.56 %. Items in the bank portfolio exposed to interest rate risk are hedged with linear interest-rate derivatives (hedging instruments in a form of an interest rate swap – IRS).

It is likely that mortgage banks in Poland hit a significant mismatch between the re-pricing periods of risk for covered bonds and mortgage loans. This entails direct exposure to the high interest rate risk, which is eliminated by the Bank by using derivative hedging instruments. This applies in particular to mortgage loan with a fixed interest rate.

A risk that a loan is repaid before its maturity is a risk directly related to the interest rate risk. This risk exists particularly in the case of long-term mortgages with a fixed interest rate when the borrower - in the case of lowering the interest rates on the interbank market - may decide on early repayment of the loan. To prevent this, the Bank maintains a surplus of principal and interest flows on receivables entered in the collateral register of covered bonds in relation to the covered bonds issued by the Issuer.

The Covered Bond Act (article 18 paragraph 3) provides for the possibility to use the substitute collateral, stating that the basis for the issue of covered bonds may also be cash held by a mortgage bank in the National Bank of Poland or in securities issued by or with the guarantee of the National Bank of Poland, the State Treasury, the European Central Bank, governments or central banks of the European Union Member States and the Organization for Economic Cooperation and Development, with the exception of countries that are restructuring or restructured their debt over the past 5 years. In addition, in order to mitigate this risk, the Bank charges a commission payment in the case of early repayment of a loan.

According to the Covered Bond Act, if the maturity of a covered bond is longer than 5 years, the Bank may redeem covered bonds, but not earlier than five years from the issue date in order to ensure compliance with the provisions of article 18 of the Covered Bond Act, if the terms of issue of covered bonds expressly provide that option.

d) **Investment Portfolio Risk**

The Issuer does not invest speculatively in securities, and the acquisition of shares in other companies is limited only to the entities supporting the operations of the Issuer and limited to 10% of the Issuer's own funds.

e) **Risk of debt roll-over from the issued Covered Bonds**

The Issuer's core business is advancing commercial loans and loans to retail customers. In order to conduct the credit activity the Bank refinances debt under covered bonds. The Issuer's refinancing costs may be increased due to such factors as the rating of the Bank, a macroeconomic situation in the country, the condition of the domestic and global financial market, which in turn may adversely affect the Issuer's financial results and its ability to service and repurchase the Covered Bonds issued by the Issuer.

The Issuer reduces the risk of refinancing maturing covered bonds by choosing long-term maturity dates and by avoiding the concentration of maturities of significant redemption amounts in one period.

1.1.4. **Operating Risk**

Operating risk is defined as the probability of incurring losses as a result of inadequate or incorrect internal processes or systems, employee errors or actions, or as a result of external events. Operating risk includes legal risk, but excludes reputational and strategic risk.

Legal risk is defined as the probability of incurring financial or non- financial losses resulting from incorrect legal relationships with customers, unfavorable decisions made by courts or public administration authorities which resolve disputes arising out of legal relationships bidding the Issuer with other entities, changes in judicial decisions and their inconsistency, incorrect interpretation of laws by legal services or entities engaged by the Issuer as well as employee errors resulting from insufficient knowledge and legal awareness.

Operating risk incurred by the Issuer is also related to the processing of large amounts of data. Inefficient procedures or IT systems used by the Issuer to collect, process and store documents or data and to gather the necessary information may in certain circumstances disrupt the functioning of the Issuer. In order to mitigate that risk, the Issuer has internal security procedures designed to protect the IT systems as well as business continuity plans.

In 2014 the Business Continuity Plan (in accordance with ISO 22301 and the recommendations arising from the Recommendation D) was implemented. This plan is tested at least twice a year, and the list of critical processes is analyzed and updated at least once every two years. Business Continuity Plan and emergency procedures adopted by the Bank provide the ability to conduct current operations and limit losses in case of adverse internal or external events, which could seriously disrupt the business of the Issuer.

Due to expansion of the products offered by the Bank by mortgage retail loans, some changes occurred in the Issuer's operating profile. Currently external entities (entities that carry out activities on behalf of the Bank on the basis of outsourcing contracts in the business and information technology area) have a significant share in the Issuer's activities. In connection with the extension of its activity by the sale of retail loans, the Issuer can expect a growth of complaints and claims submitted by individuals to the Bank and an increased number of loan frauds (phishing loans by individuals). Operating risk is also associated with the possibility of an error made by the employee. Specific risk management procedures implemented by the Issuer reduces that risk. The Bank has implemented systems, event monitoring and notification together with internal security procedures for individual systems, for which there is an assessment of the risk of IT systems security (under the IT service model management).

An occurrence of adverse events that might lead to a temporary impossibility to run a business, or disruptions in the Issuer's current activity may have a negative impact on its financial results and the ability of the Issuer to service and repurchase the Covered Bonds.

1.1.5. **Risk related to the Issuer's shareholding structure**

On the Prospectus Date, mBank S.A. directly holds 100 % shares in the Bank's share capital, giving the right to 100 % of votes at the General Meeting of Shareholders of the Issuer. Consequently, mBank S.A. has a sufficient number of votes to pass resolutions at the General Meeting and may significantly affect the activities of the Issuer.

In addition, the Issuer and the mBank S.A. cooperate in the field of: (i) distribution within the sale network of mBank S.A. and the mBank S.A. Group of residential mortgage loans granted by the Issuer, which can then form the basis for the issue of mortgage covered bonds (Agency Model), and (ii) the acquisition by the Issuer of mBank S.A.'s receivables under mortgage loans (residential and commercial) granted by mBank S.A., which can then form the basis for the issue of mortgage covered bonds (Pooling Model).

Any future adverse effects associated with the activities of mBank S.A., may have a negative impact on development prospects, the achieved results and financial position of the Issuer and its ability to service and repurchase the issued Covered Bonds. Additionally, any potential decision to dispose of some or all of the shares of the Issuer made by mBank S.A., may have a negative impact on the Bank's financial results and its ability to service and repurchase the issued Covered Bonds.

#### **1.1.6. Risk related to asset and liability structure**

The structure of assets and liabilities of the mortgage bank is different from the structure of assets and liabilities of a universal bank. The Issuer is dependent upon obtaining financing on financial markets, in connection with any issues of covered bonds. Any negative factors affecting the situation of the capital market may adversely affect the demand for covered bonds of the Bank. Thus, it may reduce lending activity of the Issuer and, in consequence, has an adverse effect on the situation and the financial results of the Bank and its ability to service and repurchase the Covered Bonds.

#### **1.1.7. Risk related to acquisition of receivables of other banks**

The Issuer has purchased and plans to acquire receivables arising under mortgage backed loans granted by mBank S.A.. Borrowers are notified of the purchase of receivables by the Issuer. There is a risk that a borrower will exercise its right (pursuant to article 513 § 2 of the Civil Code in connection with article 498 of the 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.

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 purchased 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.

### **1.2 Risk factors related to the environment in which the Issuer operates**

#### **1.2.1. Risk associated with deterioration of the macroeconomic situation in Poland**

The current economic situation in Poland has a bearing on the Issuer's standing. The Bank's financial performance is affected by such factors as GDP growth, inflation, a level of unemployment, demographic indicators of the population, political situation and state fiscal policy.

As at the Prospectus Date the Issuer grants loans aimed to finance projects exclusively on the Polish territory and acquires funds to finance its operations mainly on the Polish financial market. Therefore, the current economic situation in Poland affects the situation of the Issuer. Any adverse changes in macroeconomic factors in the country, in particular the slowdown in economic growth, causing a decline in demand for banking products and adversely affecting the level of demand in the property market, political instability, currency crisis or a crisis of public finances, may adversely affect the financial condition and operations of the Issuer and the Issuer's ability to service and repurchase the issued Covered Bonds.

#### **1.2.2. Risk related to competition in banking sector**

In connection with the development of the banking services market in Poland, competition from domestic universal banks, which in the segment of commercial loans - compared to the mortgage banks - have lower refinancing costs, more developed sales networks, and their brand is better known by borrowers, is increasing. Universal banks compete to attract new customers also in the segment of retail loans. Additionally, the Issuer is exposed to the competition of large universal banks in the financing of very large commercial enterprises. In such cases universal banks enjoy a competitive edge due to their access to larger capital sources.

The Bank's own funds as at 31st December 2015 amounted to PLN 740,012 thousand (as at 31<sup>st</sup> December 2014 they amounted to PLN 563,947 thousand). Exposure limit towards one entity or group of entities amounts to 25% of value of recognized equity of the Bank pursuant to CRR Regulation, therefore it cannot exceed PLN 185,003 thousand in case of the Issuer.

Due to the limits for new exposures (defined at the level of PLN 115 million in the segment of commercial real estate (CRE) and PLN 95 million in the segment of house developers) introduced by the Issuer's Management Board on 22 December 2015, which are aimed at reducing the concentration risk, the Bank may finance large projects only as a member of bank syndicates.

Competition in the market of covered bonds issued by domestic and foreign issuers and growing number of mortgage banks in Poland may also have a negative impact on the financial position and business activity of the Issuer, including the value of covered bonds which the Bank plans to issue and, consequently, the possibility of financing the Issuer's lending activity and the Issuer's ability to service and repurchase the outstanding Covered Bonds.

#### **1.2.3. Risk connected with the enforcement of claims from collaterals**

In the event a borrower stops repaying a loan, carrying out enforcement actions is a long-lasting process because of the provisions of insolvency law, the existing judicial procedures and low liquidity of the secondary property market in Poland. The low liquidity of real estate market, especially in the economic turmoil, may hinder the sale of real estate or lead to obtaining a lower price than expected.

Long-lasting and quite costly enforcement proceedings may hinder a full recovery of the funds granted to the borrower by the Issuer. These factors may have a negative impact on the financial results of the Issuer and the ability to service and repurchase the Covered Bonds.

#### **1.2.4. Risk related to downgrading Issuer's credit rate and its impact on increase of financing costs**

Lowering the credit rating granted to the Issuer may increase the cost on which the Issuer can obtain financing on the capital market, which could have a negative impact on the market position of the Issuer, as well as the level of confidence of market participants to the Bank.

#### **1.2.5. Risk related to decrease of demand and prices on real estate market**

The basic security for repayment of loans granted by the Issuer is a mortgage on the property which is financed by the loan. Therefore, the adverse trends in the commercial real estate market and housing, including in particular a decrease in demand and property prices may have a direct impact on lower -than-planned sales of mortgage loans by the Issuer, as well as contribute to a decline in the collateral value of loans granted by the Bank. In addition, a significant and sustained decline in real estate values may cause that the Mortgage Lending



Value, as previously established by the Bank will need to be changed. These factors may have a negative impact on the financial results of the Issuer and the ability to service and repurchase the Covered Bonds issued by the Issuer.

#### **1.2.6. Risk of changes in financial reporting, including international accounting standards**

The Issuer's financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted for use in the European Union. The use of the Issuer's rules of reporting under IFRS means that the Bank's financial statements present all significant positions allowing for accurate and reliable presentation of the financial position of the Issuer. The presentation of the Issuer's financial data can translate into possible investment decisions of other market participants (lenders, investors, creditors of the Issuer).

With regard to standards and interpretations which are waiting for approval by the European Union after the last balance sheet date of the Issuer, and which according to the interpretation of the Bank will apply to its financial reporting such standards and interpretations include: the new standard IFRS 9 Financial Instruments (effective for annual periods beginning on 1<sup>st</sup> January 2018 or after that date) and IFRS 16: Leases (effective for annual periods beginning on 1<sup>st</sup> January 2019 or after that date). The Issuer believes that the application of the new IFRS 9 will have an impact on the presentation and valuation of financial instruments in the financial statements as well as the calculation of impairment. In relation to the IFRS 16, a new standard will have an impact on the recognition, presentation, valuation and disclosure of assets held under operating leases and the corresponding liabilities in the financial statements of the Bank as a lessee. In the case of other new standards (approved by the European Union that have entered or will enter into force after the balance sheet date of the Issuer or awaiting approval, or approved by the European Union, but which are, or will enter into force after the balance sheet date), the Issuer believes that their application will not have any significant impact on the financial statements in the initial period of their application.

Any amendments to the IFRS, which will be approved by the European Union in the future, and which will concern the valuation of the balance sheet, off-balance sheet items, disclosures or creating write-downs and provisions, may have a negative impact on the presentation of financial and economic situation of the Issuer and consequently on its ability to service and repurchase the Covered Bonds.

#### **1.2.7. Risk of occurrence of extraordinary events, beyond the Issuer's control**

Extraordinary events beyond the Bank's control, such as terrorist attacks, acts of war, epidemics, natural catastrophes and natural disasters and their consequences can have an adverse effect on the Issuer's operations, its financial situation and development prospects. The Issuer's losses occurred as a result of extraordinary events may relate to real estates, movables, financial assets and key employees. In addition, the occurrence of extraordinary events may cause a significant disruption of the country's economy, including a negative impact on the situation of the financial market, reduce the ability of market participants to settle its obligations, hinder the ability to obtain new financing, which may have adverse effect on the business of the Issuer and lead to a loss. An occurrence of extraordinary events and losses associated with them is difficult to predict by the Issuer. Unforeseen events can also generate additional operating costs associated with higher insurance contributions and the implementation of additional safety systems. In addition, the insurance of certain risks may not be available, and the inability of the Issuer to manage such risks may have a negative impact on the Bank's operations, its financial situation and development prospects.

## **2. Risk factors relevant for the covered bonds, and for assessing market risk linked with these securities**

### **2.1 Risks related to the Covered Bonds**

#### **2.1.1. The risk of investment in the Covered Bonds**

The Covered Bonds are a financial instrument with a low investment risk, guaranteed by the Covered Bond Act, requiring the Issuer to maintain legal security of their issue and circulation. Conservative policy conducted by

the Issuer for many years, regarding valuation of the property, on which are laid down mortgage debt as collateral of mortgage bank also contributes to high security of investing in mortgage covered bonds.

At the core of the safety of investments in the Covered Bonds are following legal requirements towards the Issuer acting as a mortgage bank:

- Only those receivables of a mortgage bank which are entered in the collateral register for mortgage covered bonds may be used as a basis for issuing mortgage covered bonds. Only receivables which are secured with mortgage created on the ownership title or perpetual usufruct right to real estate located in Poland may be entered in the collateral register for mortgage covered bonds. Mortgage serving as collateral for receivables, which is to be entered in the collateral register for mortgage covered bonds, must be entered in the land and mortgage register in the first position. Each entry or deletion of receivables from the collateral register for mortgage covered bonds is subject to the Trustee's consent. The Trustee conducts ongoing monitoring of the correctness of maintaining the covered bonds collateral register.
- Additionally, mortgage covered bonds may be issued based on the mortgage bank's cash in hand, cash deposited with the National Bank of Poland or invested in securities issued or guaranteed by the National Bank of Poland, the State Treasury, the European Central Bank, the governments or central banks of EU member states or the Organisation for Economic Cooperation and Development, excluding states which are restructuring or have restructured their debts in the last five years.
- The value of real estate (on which mortgages serving as collateral for the mortgage bank's receivables are created) is measured by estimating its mortgage lending value. The mortgage lending value is estimated based on a valuation report prepared by the mortgage bank or by an entity engaged by the mortgage bank in consultation with the borrower, which may be, in particular, an expert appraiser licensed to perform real estate valuations or an entrepreneur referred to in Art. 174.2 and 6 of the Real Estate Management Act of August 21st 1997 (Dz.U. of 2000, No. 46, item 543, as amended). Real estate valuation is performed with due care and diligence. The mortgage lending value of real estate is determined taking into account only those features of the real estate and related income which, on the assumption of reasonable use, may be of permanent nature to each holder of the real estate. The valuation report should ensure appropriate control, to be exercised by the Financial Supervision Authority and the Trustee, of the risk incurred by the mortgage bank and associated with the real estate serving as collateral for loans advanced by the mortgage bank. The detailed rules of determining the mortgage lending value are set out in the valuation rules adopted by the mortgage bank. The valuation rules, as well as any amendment thereto, are subject to approval by the Financial Supervision Authority.
- The value of a single mortgage-backed loan advanced by a mortgage bank may not exceed the mortgage lending value of the real estate, with the proviso that, as of January 1<sup>st</sup> 2016, this limit refers to the values as at: (1) the date on which the loan is advanced – in the case of mortgage-backed loans, or (2) the date of acquisition of claims under such loans – in the case of acquired claims of other banks under mortgage-backed loans advanced by such banks.
- The aggregate nominal value of the mortgage bank's mortgage-backed receivables as well as the rights and funds referred to in Art. 18.3 and Art. 18.4 of the Covered Bond Act, entered in the collateral register for covered bonds, forming the basis for issuing the mortgage covered bonds, may not be lower than 110% of the aggregate par value of the outstanding mortgage covered bonds, with the aggregate nominal value of the mortgage bank's mortgage-backed receivables, forming the basis for issuing mortgage covered bonds, being not lower than 85% of the aggregate par value of the outstanding mortgage covered bonds.
- The mortgage bank's interest income, determined for mortgage covered bonds, on mortgage-backed receivables as well as the rights and funds referred to in Art. 18.3 and Art. 18.4 of the Covered Bond Act, which are the basis for issuing mortgage covered bonds, may not be lower than the interest expense on the outstanding mortgage covered bonds.
- Receivables secured by mortgages established on real estate which is used, according to its purpose, on a non-permanent basis and, in particular, on real estate comprising mineral deposits can not form the basis of the issue of mortgage covered bonds.

- Claims of mortgage bank secured by the mortgages created during the execution of construction projects may not exceed in aggregate 10 % of the total value of the mortgage-backed receivables which are the basis for issuing mortgage covered bonds. As part of the same limit, the value of receivables secured with mortgages created on real estate intended for development in accordance with the zoning plan may not exceed 10% of such mortgage-backed receivables.
- The total amount of receivables under mortgage-backed loans advanced or acquired by the mortgage bank over the threshold of 60% of the mortgage lending value of real estate may not exceed 30% of the total value of mortgage-backed receivables of the mortgage bank.
- In addition, as of January 1st 2016, pursuant to Art. 18.3a and Art. 18.3b of the Covered Bond Act, the Issuer is required to maintain, separately for mortgage covered bonds and public sector covered bonds, a surplus created from the funds referred to in Art. 18.3 of the Covered Bond Act, equal to or higher than the aggregate nominal value of interest on the outstanding mortgage covered bonds or public sector covered bonds, as applicable, due over the next six months. Such surplus funds may not serve as a basis for issuing covered bonds.

Additionally:

- The total par value of outstanding mortgage covered bonds and public sector covered bonds may not be higher than forty times the value of the mortgage bank's equity.
- The mortgage bank is obliged to manage and keep a register of collateral for covered bonds, in which the mortgage bank's receivables as well as other rights and funds permitted under the Covered Bond Act and serving as the basis for issuing covered bonds, as well as the surplus funds referred to in Art. 18.3a of the Covered Bond Act, are entered as separate items. Separate collateral registers are kept for mortgage covered bonds and for public sector covered bonds. A disposal to be made by the mortgage bank with respect to a receivable entered in the collateral register for covered bonds requires consent of the Trustee.
- The mortgage bank is also obliged to evaluate covered bonds collateral in order to monitor long-term compliance with the requirements applying to covered bonds, as specified in the Covered Bond Act. Such evaluation shall be made on each business day.
- The mortgage bank is also obliged to perform, separately for mortgage covered bonds and for public sector covered bonds: (1) at least every six months – a Coverage Balance Test, and (2) at least every three months – a Liquidity Test.
- Not later than three months after the end of each financial year, the mortgage bank is obliged to publish in Monitor Sądowy i Gospodarczy:
  - (i) the total par value of covered bonds issued by the bank and outstanding as at the last day of a given financial year;
  - (ii) the total amount of the Bank's receivables and funds entered in the covered bonds collateral register as at the last day of a given financial year.

A Trustee and at least one Deputy Trustee are appointed by the Financial Supervision Authority for each mortgage bank. The Trustee and the Deputy Trustee are independent, not governed by their appointing body, and cannot be employees of the mortgage bank. The Trustee monitors, on an ongoing basis, whether the mortgage bank complies with the requirements for covered bonds issues, as set forth in the Covered Bond Act.

The Issuer cannot exclude the occurrence of unforeseen events that could have an adverse impact on the safety of investments in a Covered Bond, and thus cause for the Issuer difficulties in fulfillment of the obligations arising under the Covered Bonds.

### 2.1.2. **Foreign currency risk related to acquisition of the Covered Bonds denominated in EUR and USD**

In the case of purchase of the Covered Bonds denominated in EUR and USD, investors may be exposed to the risk of exchange rate fluctuations due to the fact that benefits will be paid by the Issuer in EUR and USD. The assessment of profitability of investments in covered bonds calculated in PLN may therefore differ significantly from the profitability calculated in EUR and USD. Such a situation could also have a negative impact on the prices of the Covered Bonds on the secondary market.

### 2.1.3. **Low liquidity of the Covered Bonds on the secondary market**

Secondary trading of the Covered Bonds will take place on the regulated exchange market, i.e. Giełda Papierów Wartościowych w Warszawie S.A. or on the regulated market operated by BondSpot S.A. However, investors purchasing the Covered Bonds should take into account the risks associated with possible difficulties with the resale of the Covered Bonds held by them at an acceptable price, or one-off sales of large blocks of the Covered Bonds, due to the low liquidity of the market.

### 2.1.4. **Change of the Covered Bonds prices on the secondary market**

An investor holding the Covered Bonds shall bear the risk associated with changes in prices of the Covered Bonds traded in the secondary market. The Covered Bonds with fixed interest rates are exposed to the risk related with a volatility of the current value due to changes in interest rates to a much higher extent than the Covered Bonds with variable interest rates. An increase of interest rates, and in the particular case, increase above the interest rate of the Covered Bonds with fixed interest rates, could adversely affect the current value of the Covered Bonds.

### 2.1.5. **Redemption of the Covered Bonds before maturity date**

In the situations described in the Final Terms of the relevant series of the Covered Bonds, the Issuer redeems the Covered Bonds of such series before their maturity date. As a result of such redemption, the investor may not be able to invest the funds obtained from the redemption of the Covered Bonds in a manner that would ensure investor rate of return in such amount as the rate of return from the Covered Bonds being subject of such redemption.

## 2.2 **Legal risk related to the Covered Bonds**

### 2.2.1. **The Covered Bonds may not be presented for an earlier redemption**

The Final Terms of Covered Bonds does not contain provisions concerning the events of default, which is a catalogue of events, the occurrence of which would entitle the holder of a Covered Bond to require the earlier redemption of the Covered Bonds by the Issuer. Therefore, even if there are events that can have a negative impact on the Issuer and do not result in immediate maturity of the Covered Bonds as described in provisions of law, holders will not be entitled to demand from the Issuer the earlier repurchase of the Covered Bonds.

### 2.2.2. **The risk relating to the Issuer's bankruptcy and extension of the Covered Bonds' maturity date**

From the date of declaration of bankruptcy of the mortgage bank, in accordance with the provisions of the Insolvency Law, maturity dates of mortgage bank's liabilities to creditors under the covered bonds remain, as a rule, extended by 12 months.

In addition, claims of creditors of the covered bonds that became due before the bankruptcy of a mortgage bank and have not been paid before that date, are payable within 12 months from the date of declaration of bankruptcy of a mortgage bank, but not earlier than after the first announcement of the results of the Coverage Balance Test and Liquidity Test, unless the outcome of Coverage Balance Test and Liquidity Test is not positive.

In addition, in the cases specified in the provisions of the Insolvency Law maturity dates of liabilities of mortgage bank to creditors under the covered bonds due to the nominal value of these covered bonds, including the obligations due and unpaid before the bankruptcy of a mortgage bank, shall be extended by three years from the latest maturity debt entered in the register of security of covered bonds.

Abovementioned 12 -month deferral of payments does not apply to interest on covered bonds.

Therefore, there is a risk that in case of the Issuer's bankruptcy liabilities under the nominal amounts of the Covered Bonds will not be recovered within the original maturity date.

**2.2.3. The risk of Polish Financial Supervision Authority giving an order the commencement of a public offering be withheld or that a public offering be interrupted or the order of holding the securities from being accepted for a market circulation**

According to the article 16 of the Act on Public Offering, in the event of infringement or suspected infringement of the law in connection with the public offering, subscription or sale being committed on the basis of this offer, on the territory of the Republic of Poland made by the issuer, seller, or other entities participating in the offer, subscription or sales in the name or on the order of the issuer or seller, or in the event of a reasonable suspicion that such an infringement may occur, the Polish Financial Supervision Authority may:

- a) order that the commencement of the public offering be withheld or that the public offering be interrupted for a period not exceeding 10 business days, or
- b) prohibit the commencement or continuation of the public offering, subscription or sales, or
- c) publish, at the expense of the issuer or the seller, information concerning the illegal activities with respect to the public offering, subscription or sales.

In connection with that offer in respect of a public offering, subscription or sale, the Financial Supervision Authority may repeatedly apply the measure provided in items a) and b ) above.

In addition, in accordance with article 17 of the Act on Public Offering, if the issuer, or any other entity acting on behalf of, or on instructions from, the issuer, violates the law in connection with the seeking of admission of securities to trading on a regulated market in the Republic of Poland, or there is a reasonable suspicion that such violation has occurred or may occur, the Financial Supervision Authority may:

- a) order that the seeking admission or introduction of the securities to trading on a regulated market be withheld for a period of not more than 10 business days;
- b) proscribe seeking admission or introduction of the securities to trading on a regulated market;
- c) publish, at the expense of the issuer, information concerning the illegal activities with respect to seeking of admission or introduction of securities to trading on a regulated market.

With respect to given seeking admission or introduction of the securities to trading on a regulated market, the Polish Financial Supervision Authority may repeatedly apply the measure provided for in items b) and c ) above.

It should also be noted, that in accordance with article 18 of the Act on Public Offering, the Polish Financial Supervision Authority may apply the measure provided above also if:

- a) the public offering, subscription or sales of securities on the basis of this offer, or admission of the securities to trading on a regulated market would materially compromise investors' interests;
- b) circumstances exist that, in the context of legislation in force, may lead to termination of legal status of the issuer;
- c) activities of the issuer were, or are, conducted in gross violation of applicable laws, which may have material impact on the assessment of issuer's securities, or, in the context of legislation in force, may lead to termination of legal status or to the bankruptcy of the issuer; or
- d) the legal status of the securities does not comply with applicable laws, and in the context of those laws there is a risk that the securities would be considered nonexistent or burdened with a legal defect having material impact on their assessment.

**2.2.4. The risk of lack of admission of each series of the Covered Bonds into trading on regulated market or the risk of the issued Covered Bonds not being introduced into trading on the regulated market by Warsaw Stock Exchange or BondSpot**

The Issuer intends to introduce the Covered Bonds to trading on the stock exchange regulated market operated by the Warsaw Stock Exchange in Warsaw S.A. or regulated market operated by BondSpot S.A. According to the regulation of WSE, or respectively of BondSpot, admission of securities to trading on the Warsaw Stock Exchange or respectively on BondSpot, requires adoption of resolution by the Management Board of the Warsaw Stock Exchange or the Management Board of the BondSpot. The Management Board of the Warsaw Stock Exchange or respectively of BondSpot is obliged to adopt a resolution on the matter within 14 days from the date of the Issuer's relevant application.

In accordance with § 8 of the BondSpot Regulated Market Rules, when examining an application for the admission of debt securities to trading on the market, the Management Board of BondSpot takes into account:

- a) the issuer's ability to service debt , particularly in the case of an issuer whose debt instruments of other issue (series ) have been admitted to organized trading, current fulfillment of obligations arising from these instruments,
- b) the characteristics of debt instruments of a given issue (series) and their conditions of issue and redemption,
- c) other circumstances that may affect the safety of trading and interests of trading participants, in particular in the case of an issuer whose debt instruments of other issue (series) have been admitted to trading on a market or organized by BondSpot alternative trading system, previous performance of disclosure obligations.

In accordance with § 10 of the WSE Rules, when examining an application for the admission of debt securities to trading on the market, the Management Board of WSE takes into account

- a) the issuer's financial condition and its prognosis, especially profitability, liquidity and ability to service debt, as well as other factors affecting the financial results of the issuer,
- b) the perspective of the issuer's development, especially the assessment of the feasibility of investment projects, taking into account the sources of their funding,
- c) the experience and qualifications of the members of management and supervisory bodies of the issuer,
- d) the conditions under which the financial instruments were issued and their compliance with the rules referred to in § 35of the WSE Rules,
- e) the security of trading and interests of its participants.

Therefore, there is a risk that the Management Board of the WSE or BondSpot refuse acceptance of a particular series of the Covered Bonds to trading on the regulated market. In addition, there is a risk that, despite the prior admission of each series of the Covered Bonds to trading on the regulated market, the Management Board of the WSE or the Management Board of BondSpot will not give its consent for introduction of a respective series of the Covered Bonds issued under the Programme, to trading on a regulated market.

In the Issuer's opinion, the likelihood of occurrence of these risks should be assessed as very low.

**2.2.5. The risk of delay to introduce the Covered Bonds to trading on the regulated market**

The process of introducing a series of the Covered Bonds to trading on the regulated market will require completion of many formalities required by the WSE or BondSpot. It cannot be ruled out, that due to the complexity of this process, it will be extended, which in turn will delay the introduction of a series of the Covered Bonds for trading.

**2.2.6. Risk connected with issuing a decision to suspend the Covered Bonds from trading on the regulated market**

Pursuant to article 20 paragraph 3 of the Act on Trading in Financial Instruments, at the demand of the Polish Financial Supervision Authority, a company operating a regulated market shall exclude from trading the securities or other financial instruments indicated by the Polish Financial Supervision Authority, if the trading in such securities or other financial instruments materially threatens the proper operation of the regulated market or the security of trading on such a market, or compromises investors' interests.

Pursuant to §30 of the WSE Regulated Market Rules the Management Board of the WSE may suspend trading in financial instruments for a period of up to three months: (1) if so requested by the issuer, (2) if it considers this necessary to protect the interests and safety of trading participants, (3) if the issuer is in breach of the regulations governing the exchange. The Management Board of the WSE shall suspend trading in financial instruments for a period of maximum one month upon request of the Polish Financial Supervision Authority made in accordance with the Act on Trading in Financial Instruments.

Pursuant to §22 of the BondSpot Regulated Market Rules, the Management Board of the BondSpot may suspend trading in debt instruments for not more than 3 months: (1) at the request of the issuer, in order to ensure general and equal access to information for investors, or (2) if the issuer violates rules being in effect on the market. The Management Board of the BondSpot suspend trading in debt instruments for a period of up to 3 months if it recognizes that such suspension is required due to the interest of the trading participants or the security of trading. In addition, the Management Board of the BondSpot suspends trading in debt instruments for a period not longer than 1 month at the request of the Financial Supervision Authority made in accordance with the provisions of the Act on Trading in Financial Instruments. The authorized employee of the BondSpot may suspend trading in debt instruments for a period of one day, in the cases referred to in § 22 paragraph 1 and 2 of the BondSpot Regulated Market Rules. In case of emergency, preventing the use of the equipment and technical means of the market by at least five members, the BondSpot may suspend trading in all debt instruments.

One cannot exclude the occurrence of such a situation in the future in relation to the Covered Bonds. Suspension of trading of the Covered Bonds on the regulated market may lead to a reduction of the Covered Bonds' liquidity.

**2.2.7. Risk connected with issuing a decision to exclude the Issuer's Covered Bonds from trading on the regulated market**

Pursuant to article 175 paragraph 1 of the Act on Trading in Financial Instruments, if the issuer or the selling shareholder fails to perform or unduly performs the obligations referred to in article 157, article 158, or the obligations under regulations issued under article 160 of the Act on Trading in Financial Instruments, the Polish Financial Supervision Authority may: (1) issue a decision that the relevant securities be excluded from trading on the regulated market, (2) impose a pecuniary penalty of up to PLN 1,000,000, or (3) issue a decision that the securities will be, for a definite or indefinite period, excluded from trading on the regulated market and impose the pecuniary penalty up to PLN 1,000,000.

Pursuant to article 20 paragraph 3 of the Act on Trading in Financial Instruments, at the demand of the Polish Financial Supervision Authority, a company operating a regulated market shall exclude from trading the securities or other financial instruments indicated by the Polish Financial Supervision Authority, if the trading in such securities or other financial instruments materially threatens the proper operation of the regulated market or the security of trading on such a market, or compromises investors' interests.

In situations described in article 96 of the Act on Public Offering, the Polish Financial Supervision Authority may issue a decision excluding the securities from trading on a regulated market for a definite or indefinite period, or impose, taking into account in particular the financial standing of the entity on which the penalty is to be imposed, a fine of up to PLN 1,000,000, or apply both these sanctions jointly.

In situations described in the WSE Regulated Market Rules, the Management Board of the WSE may make the delisting of financial instruments. Pursuant to § 31 paragraph 1, the Management Board of the WSE may exclude securities from stock exchange trading if: (1) its transferability has become restricted, (2) upon request of the

PFSA made in accordance with the Act on Trading in Financial Instruments, (3) if they are no longer dematerialised, (4) if they are delisted from trading on the regulated market by a relevant supervision authority.

Additionally, § 31 paragraph 2 of the WSE Rules states that the Management Board of WSE may delist a financial instrument in the following situations:

- if the financial instrument no longer meets the requirements for admission to exchange trading on a given market,
- if the issuer is persistently in breach of the regulations governing the exchange,
- if so requested by the issuer,
- if the issuer's bankruptcy is declared or the petition in bankruptcy is dismissed by the court because the issuer's assets are insufficient to cover the costs of the proceedings,
- if it considers this necessary to protect the interests and safety of trading participants,
- following a decision on a merger, split or transformation of the issuer,
- if within the last three months no exchange transactions were effected with respect to the financial instrument,
- if the issuer starts a business that is illegal under applicable laws,
- if the issuer is placed in liquidation.

According to § 23 paragraph 1 the Management Board of the BondSpot may delist a debt instrument if: 1) if its transferability has become restricted, 2) upon request of the PFSA, 3) if they are no longer dematerialised, 4) if it considers this necessary to protect the interests and safety of trading participants 5) if they are delisted from trading on the regulated market by a relevant supervision authority.

According to § 23 paragraph 2 the Management Board of BondSpot may delist a debt instrument also when:

- Issuer is persistently breaching regulations that are in force on the market,
- if the issuer's bankruptcy is declared or the petition in bankruptcy is dismissed by the court because the issuer's assets are insufficient to cover the costs of the proceedings,
- the opening of issuer's liquidation,
- when the issuer submits a request

- under the condition, however, that this does not result in a serious breach of investors' interests or a threat to the proper operation of the market. One cannot exclude the occurrence of such a situation in the future in relation to the Covered Bonds. Exclusion of the Covered Bonds from trading on a regulated market may lead to a reduction of liquidity of the Covered Bonds or to a decrease of their value.



### **III. REASONS FOR THE OFFER, USE OF PROCEEDS FROM ISSUE OF THE COVERED BONDS**

The net proceeds from each issue of the Covered Bonds will be used to finance the Issuer's activity, in accordance with the Covered Bond Act.

Pursuant to the Covered Bond Act (article 12 point 1, 2 and 3) a mortgage bank may apply the proceeds from an issue of the Covered Bonds towards: (1) granting of mortgage-backed loans, (2) granting of non-mortgage-backed loans, which are referred to in article 3 paragraph 2 of the Covered Bond Act, (3) purchase of other banks receivables arising under mortgage-backed loans granted by such banks and receivables under non-mortgage-backed loans, which are referred to in point 2. Pursuant to article 16 the Covered Bond Act any free cash not applied towards the refinancing of the activities described in article 12 point 1 and 2 of the Covered Bond Act may be applied by to: (1) to place deposits at banks with share capital not lower than the PLN equivalent of EUR10.000.000 calculated on the basis of the average exchange rate announced by the National Polish Bank, (2) acquire the Covered Bonds issued by it in order to deposit them under the supervision of the Trustee, if this is related to fulfillment by the mortgage bank of requirement specified in article 18 of the Covered Bond Act or to redeem them, (3) acquire securities issued or guaranteed by entities, which are referred to in article 3 paragraph 2 point 1 of the Covered Bond Act, (4) to acquire securities issued by local government units, (5) to purchase covered bonds issued by other mortgage banks.

#### IV. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE OR OFFERING

Entities listed below are involved in the issue or the offering. There is no conflict of interest in the entities involved in the issue or the offering.

##### 1. Issuer

The Issuer is interested in the subscription of a maximum number of the Covered Bonds and obtaining a maximum selling price. Therefore, the Issuer's employees involved in the work on the issue are also interested in the subscription of a maximum number of the Covered Bonds at a maximum selling price, as required by their duty to protect the employer's interests. The Issuer's employees involved in the work on the issue, and in particular in the work on the Prospectus, have no direct financial interest in a successful completion of the Covered Bonds issue, i.e. no bonuses or salary rises are contingent upon its successful completion.

##### 2. Legal Counsel

The Legal Counsel is associated with the Issuer by virtue of the contract mandating the Legal Counsel to perform the function of the Issuer's adviser in the execution of the public offering of the Covered Bonds. In accordance with the concluded contract, the Legal Counsel provides legal services to the Issuer related to preparation of legal documents necessary for the issue of the Covered Bonds. Furthermore, the Legal Counsel provides ongoing legal consultancy services to the Issuer. The Legal Counsel has no financial interest contingent upon a successful completion of the Public Offering.

##### 3. Financial Adviser

The Financial Adviser is associated with the Issuer by virtue of a contract whereby it acts as the Issuer's adviser in the execution of the public offering of the Covered Bonds. Moreover, the Financial Adviser is a member of the same group of companies as the Issuer. Accordingly to the contract, Financial Adviser provides services related to preparation of the Prospectus. The Financial Adviser's fee is not contingent upon the selling price or the number of the Covered Bonds sold.

##### 4. mBank S.A.

mBank S.A. is associated with the Issuer to the extent resulting from the agreement to act as advisor to the Issuer (the offeror) and firm commitment underwriter (where acting as the firm commitment underwriter in relation to a particular series of the Covered Bonds will require the conclusion of separate firm commitment underwriting agreement between the Issuer and mBank S.A. and prior consent of relevant bodies of mBank S.A.) in relation to the publish offering of the Covered Bonds. mBank S.A., acting as the firm commitment underwriter, is responsible for the preparation and conduct of the Offer. mBank S.A. as the firm commitment underwriter is bound to purchase in its own name the Covered Bonds covered by the Offer in order to re-sale them, pursuant to the underwriting agreement. Remuneration of mBank S.A. as the offeror (and as the firm commitment underwriter) is partially commission-based remuneration, which is why he is interested in selling as many the Covered Bonds of the respective series and obtaining the highest possible price.

mBank S.A. is the sole shareholder of the Issuer, mBank S.A. has provided the Issuer with subordinated loans, and certain employees and some members of the Management Board of mBank S.A. are also members of the Supervisory Boards of the Issuer. mBank S.A. also works with the Issuer in terms of deposits, financial market instruments, foreign transactions, issuance of debt securities and loans. In particular, mBank S.A. and the Issuer shall cooperate in: (i) distribution within the residential mortgage credit sale channels of mBank S.A., which are granted by the Issuer, whose claims may give rise to the issue of the mortgage covered bonds, and (ii) the acquisition by the Issuer of mBank S.A. receivables from mortgage loans (residential and commercial) granted by mBank S.A., which may give rise to the issue of the mortgage covered bonds.

The financial results of mBank S.A. are consolidated with the financial results of the Issuer. Accordingly, mBank S.A. is also interested in maximizing the effectiveness of the Issuer, including the issue of the Covered Bonds.

## V. ADDITIONAL INFORMATION

### 1. Scope of advisers' activity

The scope of the advisers' activity is discussed in Chapter V.

### 2. Other information examined by auditors

The Issuer's financial statements for 2014 and for 2015 have been audited. None of the auditors refused to express an opinion on the audited financial statements. The opinions expressed by the auditors were not negative and they did not contain objections. In addition to examining the financial statements of the Issuer referred to above, no other information contained in the Prospectus have not been reviewed or audited by the auditor.

### 3. Statement of reports by experts

The Issuer did not provide statements or reports of experts in the Prospectus.

### 4. Confirmation that information sourced from a third party has been accurately reproduced

In this Prospectus, the Issuer included information obtained from third parties. Third party sources of information are: the Institute of Market Economy Research (*Instytut Badań nad Gospodarką Rynkową*), Cushman & Wakefield (Marketbeat Report - Fall 2015), Knight Frank (Report Poland - The commercial market 2015/2016), REAS spółka z ograniczoną odpowiedzialnością sp.k. (Residential Market in Poland - the fourth quarter of 2015), Getin Noble Bank S.A., the Central Statistical Office of Poland and Eurostat.

The Issuer confirms that information has been accurately reproduced and that as far as it is aware and is able to ascertain from information published by the third party, no facts have been omitted which would render the reproduced information misleading.

### 5. Credit ratings assigned to an Issuer or its debt securities at the request or with the cooperation of the Issuer in the rating process. A brief explanation of the meaning of the ratings if this has previously been published by the rating provider.

Fitch Ratings Ltd. has granted the Issuer and its debt securities the following ratings:

- **'BBB'** (stable perspective)/**'F2'** – long-term and short-term international rating;
- **'2'** – support rating ("**2**" in 5-grade rating system means a substantial likelihood of receiving external support granted by high rating entity when needed);

and

- **'BBB+'** (stable perspective) – rating of public sector covered bonds;
- **'A'** (positive perspective) – rating of mortgage covered bonds.

Fitch Ratings Ltd. is credit rating agency headquartered in London and is listed on the list of credit rating agencies registered in accordance with the Regulation (EC) no 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. Fitch Ratings Ltd. admits its assessment according to the following scale (decreasingly):

- long-term international rating: AAA, AA, A, BBB, BB, B, CCC, CC, C, RD, D
- short-term international rating: F1, F2, F3, B, C, RD, D
- support rating (indicates likelihood of receiving external support granted by high rating entity when needed): 1, 2, 3, 4, 5

**6. Statements made by the Issuer regarding its competitive position**

The competitive position of the Issuer was estimated according to the knowledge and opinions of the Management Board of the Issuer. That estimates take into account publicly available information and internal analysis of the Issuer.

## VI. INFORMATION ABOUT THE ISSUER

### 1. History and development of the Issuer:

#### 1.1 The legal name and the trade name of the Issuer

mBank Hipoteczny Spółka Akcyjna is the legal name of the Issuer.

mBank Hipoteczny Spółka Akcyjna is the name of the Issuer in accordance with § 2 point 1 of Articles of Association.

mBank Hipoteczny S.A. is a commercial name of the Issuer.

In accordance with § 2 point 2 of the Statutes the Issuer may use the abbreviated name of mBank Hipoteczny S.A.

#### 1.2 The place of registration of the Issuer and its registration number

Under the decision issued by the District Court for the Capital City of Warsaw on 16<sup>th</sup> April 1999, mBank Hipoteczny S.A. (then operating under the name of Rheinhyp-BRE Bank Hipoteczny S.A.) was entered into the Commercial Register under number 56623 and became an incorporated organisation as of that date. Under the decision issued by the District Court for the Capital City of Warsaw on 26<sup>th</sup> March 2001, the Issuer was entered into the Register of Entrepreneurs of the National Court Register under number KRS 3753. The Issuer's registration file is maintained by the XII Commercial Division of the aforementioned court.

#### 1.3 Date of incorporation and length of life of the Issuer

The Issuer has been established under the act of incorporation of 18<sup>th</sup> March 1999 and became legal entity with effect from 16<sup>th</sup> April 1999.

The Issuer has been established for an indefinite period.

#### 1.4 The domicile and legal form of the Issuer, the legislation under which the issuer operates, its country of incorporation and the address and telephone number of its registered office (or principal place of business if different from its registered office)

The Bank's registered office is located in Warsaw at the following address:

mBank Hipoteczny S.A.  
Al. Armii Ludowej 26  
00-609 Warsaw  
Poland  
Telephone: + 48 22 579 75 00/01

The Bank's registered office is also its principal place of business.

The Issuer operates as a joint stock company under the provisions of the Commercial Companies Code, the Covered Bond Act and the Banking Law.

#### 1.5 Any recent events particular to the Issuer and which are to a material extent relevant to the evaluation of the Issuer's solvency

The Bank's financial credibility is evaluated by the international rating agency - Fitch Ratings Ltd., which in the first half of 2015 has lowered the ratings awarded to the Bank and the covered bonds issued by the Bank.

On 19<sup>th</sup> May 2015 due to the downgrade of IDR rating of Commerzbank AG from "A +" to "BBB" and mBank S.A from "A" to "BBB-", credit rating agency Fitch Ratings Ltd. downgraded the long-term international rating IDR ("*Issuer Default Rating*") of mBank Hipoteczny S.A. from "A" (negative outlook) to the level of "BBB-"

(positive outlook). As a result of the above action, the short-term international rating IDR of Bank has been lowered from "F1" to "F3" as well as the support rating, which has been lowered from "1" to "2".

In addition, on 20<sup>th</sup> and 21<sup>st</sup> May 2015 Fitch Ratings Ltd. downgraded rating for public and mortgage covered bonds issued by the Bank from "A" (negative outlook) to the level of "BBB" (positive outlook).

Rating changes of Bank's covered bonds resulted from lowering long-term international rating IDR of mBank Hipoteczny S.A. from "A" to "BBB-".

The aforementioned credit rating operation did not result from changes in the financial position of the Bank or the quality of assets pledged as collateral for issued covered bonds.

Moreover, on 7<sup>th</sup> January 7 2016 Fitch Ratings Ltd. placed the rating of mortgage covered bonds issued by mBank Hipoteczny S.A. under review with positive indication due to the Amendment coming into force as at 1st January 2016. Legislative changes had no impact on the rating of public sector covered bonds issued by the Bank.

On 7<sup>th</sup> March 2016 Fitch Ratings Ltd. raised the long-term international IDR rating ("Issuer Default Rating") of mBank Hipoteczny S.A. from "BBB-" (positive outlook) to the level "BBB" (stable outlook) following the increase of IDR rating of Commerzbank AG from "BBB" to "BBB +" and mBank S.A. from "BBB-" to "BBB". As a result of the aforementioned credit rating operation the short-term international IDR rating of Bank was increased from "F3" to "F2" and support rating was affirmed at '2'.

According to Fitch Ratings Ltd. forecast, there is a high probability of support from Commerzbank AG and mBank S.A. for the Issuer if there is a need.

After the change the long-term rating of mBank Hipoteczny S.A. is in the scale of investment in the category of "BBB", which denotes good creditworthiness.

On 7 March 2016 Fitch Ratings Ltd. upgraded the rating for the appropriate mortgage covered bonds and public sector covered bonds issued by the Bank, from "BBB" (positive outlook) to the level of "BBB +" (positive outlook for mortgage covered bonds, stable outlook for public sector covered bonds). Change in the ratings of covered bonds of the Bank resulted from an increase in international long-term rating IDR ("*Issuer Default Rating*") of mBank Hipoteczny S.A. and taking into account in the assessment of Fitch Ratings Ltd. statutory requirement to maintain the Bank's minimum level of 10% over-collateralization of covered bonds.

The ratings for public and mortgage covered bonds of mBank Hipoteczny S.A. after the change are in the scale of investment in the category of "BBB +" denoting good financial credibility.

On 4<sup>th</sup> May 2016 Fitch Ratings Ltd. confirmed its rating for public sector covered bonds issued by the Bank at "BBB+" (stable perspective).

On 20 May 2016 the credit rating agency Fitch Ratings Ltd. affirmed the rating of the mortgage covered bonds issued by Bank at „BBB+” (positive perspective).

On 30<sup>th</sup> June 2016 Fitch Ratings Ltd. made the decision (published on 1<sup>st</sup> July 2016) to increase the rating of Bank's mortgage covered bonds from "BBB+" to "A" and maintained a positive outlook. The upgrade was a result of changes in the Covered Bond Act, which entered into force on 1 January 2016. Positive outlook of mortgage covered bonds reflects the expectations of Fitch Ratings Ltd. for mitigation of (on an annual basis) credit risk and currency risk of receivables from granted and purchased mortgage backed loans entered in collateral register for mortgage covered bonds. As a result of the above changes, the rating of mortgage covered bonds issued by the Bank ranks in the scale of investment in the category "A" denoting high creditworthiness.

## VII. BUSINESS OVERVIEW

### 1. Principal activities

#### 1.1 Overview

mBank Hipoteczny S.A. is the biggest specialist mortgage bank, which plays a leading role in the commercial real estate market and the largest issuer of covered bonds, holding, in the Bank's assessment, 75 % of the market share. The Issuer is a member of the mBank Group, within which the company and individual customers can take advantage of a wide range of products and services ready to meet their financial needs. Leasing, factoring and full range of brokerage services completes the offer of the mBank Group.

The Bank's offer is based on three business areas. Commercial loans, under which the Issuer finances commercial real estates and residential real estates, represent the first area. Commercial loans are granted to corporate and institutional clients investing in the purchase, construction or modernization of commercial real estate, such as office building, shopping centers, hotels, warehousing and distribution areas as well as residential apartments and houses, carried out by residential developers.

The second area of lending activity of the Issuer are the mortgage loans for private individuals, which Bank re-introduced to its portfolio in 2013 (retail loans in the Agency Model ). In 2014 the Issuer enhanced its offer with retail loans in the Pooling Model, under which the Issuer assumes mortgages granted by mBank S.A. which could form the basis for the issue of covered bonds.

Loans for local government units are the third area of the Issuer's lending activity. In accordance with the current business strategy, the Bank has not financed local government units and other entities with a guarantee of local government units since 2012. This is due to the risk profile of this segment and inadequate credit spreads. However, the Issuer has a portfolio of historical transactions executed in previous years. Bank-financed investments in this area include the municipal construction, construction and repair of roads, sewage treatment plants, educational institutions and other facilities, as well as the refinancing of municipal properties.

#### 1.2 Financial information

The following financial data are compiled on the basis of the audited financial statements for the financial year ended on 31 December 2015 prepared in accordance with IFRS as adopted by the European Union containing comparative data for the financial year which ended on 31 December 2014. These data were supplemented by selected operational and financial data of the Issuer (sourced from management data) unaudited and not reviewed by auditors.

**Table 1 Selected data of the Issuer (PLN'000)**

|  | <b>31.12.2015</b> | <b>31.12.2014</b> |
|--|-------------------|-------------------|
| <b>ASSETS</b>                            |                   |                   |
| Cash and balances with central bank      | 7 521             | 7 669             |
| Amounts due from other banks             | 205 180           | 30 972            |
| Derivative financial instruments         | 32 212            | 37 291            |
| Loans and advances to clients            | 7 391 743         | 5 325 741         |
| Investment securities available for sale | 748 505           | 735 220           |
| Intangible assets                        | 8 152             | 5 074             |
| Tangible fixed assets                    | 7 523             | 7 241             |
| Deferred income tax assets               | 7 213             | 11 426            |
| Current income tax assets                | 1 597             | 1 002             |
| Other assets, including:                 | 9 479             | 14 690            |
| - inventories                            | 6 768             | 8 192             |
| <b>Total assets</b>                      | <b>8 419 125</b>  | <b>6 176 326</b>  |

Source: Financial statements of the Issuer



**Table 2 Selected data of the Issuer (PLN'000)**

|  | <b>31.12.2015</b> | <b>31.12.2014</b> |
|--|-------------------|-------------------|
| <b>LIABILITIES AND EQUITY</b>                                      |                   |                   |
| Amounts due to other banks   | 2 959 741         | 1 980 634         |
| Derivative financial instruments                                   | 3 770             | 9 442             |
| Amounts due to clients   | 265 509           | 250 012           |
| Hedge accounting adjustments related to fair value of hedged items | 21 530            | 25 763            |
| Debt securities in issue   | 4 164 902         | 3 171 588         |
| Subordinated liabilities   | 200 899           | 100 257           |
| Other liabilities and provisions                                   | 20 438            | 14 089            |
| <b>Total liabilities</b>   | <b>7 636 789</b>  | <b>5 551 785</b>  |
| <b>Equity</b>  |                   |                   |
| Share capital  | 514 856           | 374 938           |
| - Registered share capital   | 299 000           | 285 000           |
| - Share premium  | 215 856           | 89 938            |
| <b>Retained earnings</b>   | <b>266 631</b>    | <b>247 840</b>    |
| - Profit from the previous years                                   | 247 840           | 225 469           |
| - Profit for the current year                                      | 18 791            | 22 371            |
| Other components of equity   | 849               | 1 763             |
| <b>Total equity</b>  | <b>782 336</b>    | <b>624 541</b>    |
| <b>Total liabilities and equity</b>                                | <b>8 419 125</b>  | <b>6 176 326</b>  |

Source: Financial statements of the Issuer

The Bank's balance sheet total at the end of 2015 amounted to PLN 8,419,125,000 and it was higher than at the end of 2014 by PLN 2,242,799,000. Loans and borrowings granted to customers were the principal item in the asset structure, whose share was 87.80 % of total assets. As of 31<sup>st</sup> December 2014, the share of loans and borrowings granted to customers amounted to 86.23 %.

At the end of 2015 the total loan portfolio value of the Issuer amounted to PLN 8,371,710,000 (balance sheet and off-balance), which meant an increase of 30.75 % compared to the level at the end of 2014 . At the end of 2015, 63.19 % of granted loans and borrowings (balance exposure and off-balance sheet) was related to corporate customers and the remaining 36.81% related to individual clients and the public sector. The value of the total loan portfolio as of 31<sup>st</sup> December 2014 amounted to PLN 6,402,709,000 (balance sheet and off-balance sheet commitments), representing an increase of 27.68 % compared to 2013. At the end of 2014, 79.86 % of loans and borrowings (balance exposure and off-balance sheet) granted to customers related to corporate customers, while the remaining 20.14% related to individual clients and the public sector.

In 2015 an increase in total loan portfolio (growth by PLN 1,969,001,000 compared to 31.12.2014) was funded primarily by an increase in liabilities due to other banks by PLN 979,107,000 and the debt securities in issue (growth by PLN 993,314,000 in tax liabilities).

The Issuer's liabilities are dominated by liabilities due to debt securities issue, which at 31<sup>st</sup> December 2015 made up 49.47 % of total assets, compared to 51.35 % at the end of 2014. This item includes the issues of covered bonds and bonds. Liabilities due to other banks were the second position of liabilities, which share as of 31<sup>st</sup> December 2015 made up 35.15 % of total assets (this share amounted to 32,07 % as of 31<sup>st</sup> December 2014). Liabilities due to customers made up 3.15 % of total assets as of 31<sup>st</sup> December 2015. (4.05 % on 31<sup>st</sup> December 2014).

**Table 3 Off-balance sheet liabilities (PLN'000)**

| <b>Off-balance sheet liabilities granted and received</b> | <b>31.12.2015</b> | <b>31.12.2014</b> |
|---|-------------------|-------------------|
| Financial liabilities                                     | 990 932           | 1 085 818         |
| Interest rate derivatives                                 | 1 456 852         | 2 492 788         |
| Foreign exchange derivatives                              | 1 223 730         | 1 308 022         |
| Financial liabilities received                            | 170 767           | 170 179           |
| <b>Total off-balance sheet items</b>                      | <b>3 842 281</b>  | <b>5 056 807</b>  |

Source: Financial statements of the Issuer

**Table 4 Selected data of income statement (PLN'000)**

|  | <b>31.12.2015</b> | <b>31.12.2014</b> |
|--|-------------------|-------------------|
| Interest income  | 256 317           | 218 996           |
| Interest expense   | -145 555          | -132 813          |
| <b>Net interest income</b>                                 | <b>110 762</b>    | <b>86 183</b>     |
| Fee and commission income                                  | 12 636            | 9 632             |
| Fee and commission expenses                                | -6 107            | -5 586            |
| <b>Net fee and commission income</b>                       | <b>6 529</b>      | <b>4 046</b>      |
| <b>Net trading income, including:</b>                      | <b>-434</b>       | <b>12 292</b>     |
| <i>Foreign exchange net</i>                                | 2 036             | 3 862             |
| <i>Other trading income and result on hedge accounting</i> | -2 470            | 8 430             |
| Other operating income                                     | 763               | 1 143             |
| Net impairment write-downs on loans and advances           | -24 775           | -20 945           |
| Overhead costs   | -57 876           | -46 839           |
| Amortisation and depreciation                              | -4 699            | -4 310            |
| Other operating expenses                                   | -3 473            | -2 095            |
| <b>Operating result</b>                                    | <b>26 797</b>     | <b>29 475</b>     |
| <b>Profit before income tax</b>                            | <b>26 797</b>     | <b>29 475</b>     |
| Income tax   | -8 006            | -7 104            |
| <b>Net profit</b>  | <b>18 791</b>     | <b>22 371</b>     |

Source: Financial statements of the Issuer

Interest income from banking operations was the main source of the Bank's income. Similarly, expenses are dominated by interest expenses. These financial parameters, and to a lesser extent, general administrative costs and the level of net write-offs for impairment losses on loans and advances had a decisive influence on the formation of the gross profit, which in 2015 amounted to PLN 26,797,000 and it was lower by PLN 2,678,000 than profit generated in 2014. In contrast, gross profit in 2014 amounted to PLN 29,475,000 and it was higher by PLN 24,578,000 than profit generated in 2013.

Due to the specific profile of activity, where the interest income is the main source of the Issuer result, low interest rates had a large impact on the financial result in 2015. In spite of this, the Bank recorded a growth of income from its core activity in comparison to the corresponding period in 2014. Net interest income increased by PLN 24,579,000, while net fee and commission income was higher by PLN 2,483,000. In addition, net trading income (foreign exchange net and other trading income and result on hedging accounting) for 2015 reached -PLN 434,000 and was significantly lower in comparison to 2014, when it reached PLN 12,292,000.

Lower (by 9.09 %) gross profit in 2015 compared to 2014 was primarily related to significantly lower than in 2014 result on trading activities and a higher level of write-offs for impairment losses on loans (growth by

18.29 % than at the end of 2014). In 2015 there has also been an increase in administrative expenses by 23.56 % compared to the previous year.

The high level of gross profit in 2014 (an increase of 501.90 % compared to 2013) was driven by impact of a high score of trading income and result on hedge accounting, which amounted to PLN 12,292,000, higher fee income (by 8.72 %) compared to 2013 and lower impairment write-downs on loans (39.93 % less in relation to the end of 2013).

The net profit for 2015 reached PLN 18,791,000 and it was lower by PLN 3,580,000 as compared to 2014. In 2014 net profit amounted to PLN 22,371,000.

In 2015, due to the decline in net profit by PLN 3,580,000 (about 16.00%) in comparison with 2014, the Bank recorded a decline in profitability ratios calculated as the ratio of net income or gross profit to the financial volume. In 2014 net profit increased by PLN 20,217,000 (i.e. by 938.58 %) in comparison to 2013 and therefore, the Issuer recorded a rise in profitability ratios.

The book value per 1 share on 31<sup>st</sup> December 2015 rose to 261,65 PLN compared to 219,14 PLN at the end of 2014. Profit per 1 share for 2015 decreased to PLN 6,46 compared to PLN 8,11 for the year 2014. Natomiast book value per 1 share for 2014 amounted to 219,14 PLN to 182,53 PLN in 2013. Net profit per one share for 2014 increased to PLN 8.11 in comparison to a profit for 2013, which amounted to PLN 0.78.

**Table 5 Issuer's performance indicators**

|  | <b>31.12.2015</b> | <b>31.12.2014</b> |
|--|-------------------|-------------------|
| Return on assets gross (ROA gross <sup>1</sup> ) | 0.37%             | 0.57%             |
| Return on equity gross (ROE gross <sup>2</sup> ) | 3.91              | 5.72%             |
| Cost to income ratio (C/I <sup>3</sup> )         | 54.82%            | 50.36%            |
| Net interest margin <sup>4</sup>                 | 1.55%             | 1.69%             |
| Cost of risk <sup>5</sup>                        | 0.39%             | 0.47%             |
| Capital adequacy ratio <sup>6</sup>              | 13.81%            | 13.31%            |

Source: The Issuer

Methods (definitions) of calculation of performance indicators and justification for the use of performance indicator:

| <i>Performance indicator name</i>         | <i>Definition</i>                                | <i>Calculation methodology</i>  | <i>Justification for using performance indicator (justification for using the particular Alternative performance measurement)</i>  |
|---|--|---|--|
| <i>Return on assets gross (ROA gross)</i> | <i>ROA gross = gross result / average equity</i> | <p><i>Average assets (on 31.12.2015) - calculated as the sum of the value of assets as at 31.12.2014 and the value of assets as of the last day of each month in the period 01.01.2015 - 31.12.2015 / 13 months</i></p> <p><i>Average assets (on 31.12.2014) - calculated as the sum of the value of assets as at 31.12.2013 and the value of assets as of the last day of each month in the period 01.01.2014 - 31.12.2014 / 13 months</i></p> | <p><i>Basic indicator of the effectiveness of the bank. Changes in the value of the indicator in time illustrate trends in the capacity of assets to generate income. Commonly used for comparative analysis of the competition. Indicator also presented in the periodic Management Board Reports on the performance.</i></p> |

|                                    |   |   |  |
|------------------------------------|---|---|--|
| Return on equity gross (ROE gross) | ROE gross = gross profit/ average equity  | <p>Average equity (on 31.12.2015) - calculated as the sum of the value of equity as at 31.12.2014 and the value of equity as of the last day of each month in the period 01.01.2015 - 31.12.2015 / 13 months</p> <p>Average equity (on 31.12.2014) - calculated as the sum of the value of equity as at 31.12.2013 and the value of equity as of the last day of each month in the period 01.01.2014 - 31.12.2014 / 13 months.</p>  | Basic indicator of the effectiveness of the bank. Changes in the value of the indicator in time illustrate the trends in the rate of return on invested capital by the shareholders. Commonly used for comparative analysis of the competition. Indicator also presented in the periodic Management Board Reports on the performance.        |
| Cost to income ratio (C/I)         | C/I (cost to income ratio) = (overhead costs + amortisation and depreciation) / total income                                | Total income = net interest income + net fee and commission income + net trading income+ other operating income – other operating expenses  | Basic indicator of the cost effectiveness. Changes in the value of the indicator in time illustrate trends in the amount of costs incurred in relation to earned income, and allow a comparison of the different banks in terms of cost effectiveness. Indicator also presented in the periodic Management Board Reports on the performance. |
| Net interest margin                | Net interest margin = net interest income / average interest-earning assets   | <p>Average interest-earning assets (on 31.12.2015) - calculated as the sum of the value of interest-earning assets as at 31.12.2014 and the value of interest-earning assets as of the last day of each month in the period 01.01.2015 - 31.12.2015 / 13 months.</p> <p>Average interest-earning assets (on 31.12.2014) - calculated as the sum of the value of interest-earning assets as at 31.12.2013 and the value of interest-earning assets as of the last day of each month in the period 01.01.2014 - 31.12.2014 / 13 months.</p>   | Basic indicator to assess the effectiveness of net interest income, which due to the profile of the mortgage bank is of key importance. Indicator also presented in the periodic Management Board Reports on the performance.  |
| Cost of risk                       | Cost of risk = net write-downs for impairment of credit and loans / average balance of credits and loans granted to clients | <p>Average balance of credits and loans granted to clients (on 31.12.2015) - calculated as the sum of the value of credits and loans granted to clients as at 31.12.2014 and the value of credits and loans granted to clients as of the last day of each month in the period 01.01.2015 - 31.12.2015 / 13 months</p> <p>Average balance of credits and loans granted to clients (on 31.12.2014) - calculated as the sum of the value of credits and loans granted to clients as at 31.12.2013 and the value of credits and loans granted to clients as of the last day of each month in the period 01.01.2014 31.12.2014 / 13 months</p>   | Basic indicator illustrating the level of write-downs for impairment, which due to the profile of the mortgage bank is the second, next to the net interest income, key element in shaping the overall result of the bank. Indicator also presented in the periodic Management Board Reports on the performance.                             |
| Capital adequacy ratio             | Capital adequacy ratio = own funds / total risk exposure amount)  | <p>The total risk exposure amount calculated as at 31.12.2015 is the sum of: (i) the risk weighted exposure amounts for credit risk using the IRB slotting approach method by using supervisory approach in terms of assignments of exposures due to specialist crediting to risk categories (ii) the requirement from operational risk multiplied by 12.5, (iii) risk weighted exposure amounts in relation to counterparty risk with respect to derivatives</p> <p>The total risk exposure calculated amount as at 31.12.2014 is the sum of: (i) the risk weighted exposure amounts for credit risk using the IRB slotting approach method by using supervisory approach in terms of assignments of exposures due to specialist crediting to risk categories (ii) the requirement from operational risk multiplied by 12.5, (iii) risk weighted exposure amounts in relation to counterparty risk with respect to derivatives</p> | Basic regulatory indicator. Indicator also presented in the periodic Management Board Reports on the performance.  |

Specified by the Issuer performance indicators which are Alternative performance measurements provide users of Prospectus with appropriate and useful information about the financial performance of the Issuer. Rate of the indicator is a direct consequence of operational decisions taken by the Issuer and is not dependent on external

factors over which the Issuer has no influence. It is a commonly used tool for comparative analysis of the competition.

Capital adequacy ratio at 31<sup>st</sup> December 2015 amounted to 13.81 % (against 13.31 % at the end of 2014). In 2013 this ratio was 14.92 %. The minimum level of capital adequacy ratio, in accordance with applicable banking law, should be at the level of 8%. The minimum capital adequacy ratio recommended by the Polish Financial Supervision Authority on 31 December 2015 reached 12 %.

At 31<sup>st</sup> December 2015 the share of the impaired portfolio in the Bank's total portfolio decreased to 2.73 % compared to 3.42 % at the end of 2014. In contrast as the end of 2015, past due loans not impaired fell to the level of 2.70 % (the quality of the loan portfolio measured by position without loss of value in relation to the total value of gross loans and advances to customers) compared to 4.41 % at the end of 2014.

### 1.3 Credit activity

Credit activity of the Issuer is focused on three areas of business: commercial loans (for business entities and institutional clients investing in the purchase, construction or modernization of commercial real estate), mortgage loans for individuals ( in the Agency Model and the Pooling Model) and loans to local government units (arisen in previous years the portfolio of credit transactions for this segment, which is the basis for issuance of covered bonds). The Bank is also a leader in covered bonds issue, through which refinances its lending activities.

The volume of the loan portfolio (including off-balance sheet items) at the end of 2015 increased by PLN 1,969,001 thousands in comparison to a level at the end of 2014. The total commitment balance sheet and off-balance sheet reached at the end of December 2015 level equal to PLN 8,371,710 thousands (commercial loans, residential loans, loans to local government units), while the value of loans granted in 2015 amounted to PLN 3,545,150 thousands. In 2014, the volume of the loan portfolio (including off balance sheet items) increased by PLN 1,387,910 thousands in comparison to a level at the end of 2013., and a total balance sheet and off-balance sheet commitment reached at the end of 2014 level of PLN 6,402,709 thousands (commercial loans, housing loans, loans to local government units), while the value of loans granted in the period January-December 2014 amounted to PLN 2,407,027 thousands (Table 8).

Commercial loans at the end of December 2015 accounted for 63.19% of the total loan portfolio of the Bank. The currency structure of the total portfolio was dominated by loans in PLN, and subsequently in EUR. At the end of December 2015 loans in PLN accounted for 62.34% of the total loan portfolio, while the foreign currency loans accounted for 37.66% of the total loan portfolio value (Table 7).

On the other hand, in 2014 the share of commercial loans accounted for 79.90 % of the total loan portfolio of the Bank. Just like in 2015, loans in PLN, with the share in the total loan portfolio amounting to 54.18 % at the end of December 2014, constitute a majority. Foreign currency loans accounted for 45.82 % of the loan portfolio (Table 7).

**Table 6 Bank's total loan portfolio by products (000'PLN)\***

| <b>Product</b>                                 |                                   | <b>31.12.2015</b> | <b>31.12.2014</b> | <b>Dynamics<br/>31.12.2015/<br/>31.12.2014</b> |
|--|-----------------------------------|-------------------|-------------------|--|
| <b>Commercial loans</b>                        | <i>Balance sheet exposure</i>     | 4 429 610         | 4 086 369         | 8.40%  |
|  | <i>Off-balance sheet exposure</i> | 860 369           | 1 027 066         | -16.23%  |
|  | <b>Total commitment</b>           | <b>5 289 979</b>  | <b>5 113 435</b>  | <b>3.45%</b>                                   |
| <b>Housing loans</b>                           | <i>Balance sheet exposure</i>     | 2 601 184         | 818 811           | 217.68%  |
|  | <i>Off-balance sheet exposure</i> | 119 598           | 49 902            | 139.67%  |
|  | <b>Total commitment</b>           | <b>2 720 782</b>  | <b>868 713</b>    | <b>213.20%</b>                                 |
| <b>Loans granted to local government units</b> | <i>Balance sheet exposure</i>     | 360 855           | 420 561           | -14.20%  |
|  | <i>Off-balance sheet exposure</i> | 0                 | 0                 | 0.00%  |
|  | <b>Total commitment</b>           | <b>360 855</b>    | <b>420 561</b>    | <b>-14.20%</b>                                 |

|              |                                   |                  |                  |               |
|--------------|-----------------------------------|------------------|------------------|---------------|
| <b>Total</b> | <i>Balance sheet exposure</i> **  | 7 391 743        | 5 325 741        | 38.79%        |
|              | <i>Off-balance sheet exposure</i> | 979 967          | 1 076 968        | -9.01%        |
|              | <b>Total commitment</b>           | <b>8 371 710</b> | <b>6 402 709</b> | <b>30.75%</b> |

Source: The Issuer

\* Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors. This data refer to loan portfolio value together with interest rate less by impairment write-offs.

\*\*Loan portfolio, except from commercial loans, housing loans and loans granted to local government units, includes margin deposits in the amount of PLN 94,520 as of 31<sup>st</sup> December 2015.

**Table 7 Currency structure of the total loan portfolio by product groups\***

| Product  | 31.12.2015    |               |              | 31.12.2014    |               |              |
|--|---------------|---------------|--------------|---------------|---------------|--------------|
|  | PLN           | EUR           | USD          | PLN           | EUR           | USD          |
| Commercial loans   | 40.84%        | 57.69%        | 1.47%        | 43.12%        | 55.38%        | 1.50%        |
| Housing loans  | 99.15%        | 0.68%         | 0.17%        | 97.06%        | 2.38%         | 0.56%        |
| <b>Loans granted to local government units</b>                               | 100.00%       | 0.00%         | 0.00%        | 100.00%       | 0.00%         | 0.00%        |
| <b>Total loan portfolio (balance sheet and off-balance sheet commitment)</b> | <b>62.34%</b> | <b>36.67%</b> | <b>0.99%</b> | <b>54.18%</b> | <b>44.55%</b> | <b>1.27%</b> |

Source: The Issuer

\* Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors.

**Table 8 Sale of loans –value and number of signed loan agreements – by product groups including pooling transactions (Pooling Model) (000'PLN)\***

| Product  | 01.01.2015-31.12.2015 |              | 01.01.2014-31.12.2014 |              |
|--|-----------------------|--------------|-----------------------|--------------|
|  | value**               | number       | value***              | number       |
| <b>Commercial loans</b>  | <b>1 619 524</b>      | <b>76</b>    | <b>1 579 540</b>      | <b>80</b>    |
| Including for:   |                       |              |                       |              |
| - construction projects  | 71 571                | 8            | 120 572               | 5            |
| - real estate refinancing                                      | 955 907               | 40           | 755 025               | 48           |
| - land purchase  | 0                     | 0            | 0                     | 0            |
| - loans to residential developers                              | 592 046               | 28           | 703 943               | 27           |
| <b>Housing loans (retail – Agency Model and Pooling Model)</b> | <b>1 925 627</b>      | <b>6 818</b> | <b>827 487</b>        | <b>3 411</b> |
| <b>Loans granted to local government units</b>                 | <b>0</b>              | <b>0</b>     | <b>0</b>              | <b>0</b>     |
| <b>Total</b>   | <b>3 545 150</b>      | <b>6 894</b> | <b>2 407 027</b>      | <b>3 491</b> |

Source: The Issuer

\* Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors.

\*\*Value of sale in period between 01.01.2015-31.12.2015 includes annexes to loan agreements increasing total amount of credit from previous years in the amount of PLN 1,039,500. The value of agreements is based on total amount of credit specified in agreement, calculated on the basis of historical rates.

\*\*\* Sale value in period 01.01.2014-31.12.2014 includes annexes to loan agreements increasing total amount of credit from previous years in the amount of PLN 29,794,150. The value of agreements is based on total amount of credit specified in agreement, calculated on the basis of historical rates.

### 1.3.1. Commercial loans

The Bank offers commercial loans to business entities for financing of office buildings, retail space and warehouses, logistics centers and services, hotels, and other commercial properties. Granted loans are intended to implement new investments, real estate purchase or refinancing of completed properties (repayment of loans taken for investment or release of own funds invested in the implementation of the project).

The Issuer's offer in the area of commercial loans includes in particular:

- A mortgage loan for the purchase of commercial real estate,
- A construction loan for the implementation of new commercial investment,
- A refinancing loan to refinance existing real estates.

The Bank finances the purchase and financing commercial real estate such as: logistics centers, shopping centers, hotels and office buildings.

Refinancing can apply to both repayment of the outstanding bank loans, borrowings from shareholders as well as release of own resources involved in the past in the implementation of the project. The loan is granted on the basis of executed lease agreements, and can be applied for any purpose specified by the borrower.

Financial analysis of the project includes verification of the concluded leases. Signed lease agreement should be concluded for a definite period and guarantee the debt service level at the minimum level of 120% (so called debt coverage ratio – DSCR).

The main advances of refinancing loan are:

- the ability to release frozen funds in real estate and to apply them for any purpose,
- possibility of repayment of a short-term loan, contracted for the construction or purchase and due to the long period of loan reducing the monthly charges, and thus more free funds at the disposal of the borrower.

Project finance is a typical legal and financial structure used in credit transactions by the Bank to finance real estate projects.

Project financing associated with the formation of special purpose entities (SPV), i.e. especially established structures dedicated to specific projects. A SPV is the owner and administrator of the financed real estate, and its scope of activities is limited to activities related to its ownership and management. This is the only area of business activity of such company.

This formula reduces the risk of both the Bank and the borrower, which allows to:

- separation of cash flows associated with the project from cash flows related to other projects,
- off-balance sheet nature of the debt of the special purpose vehicle from the point of view of its shareholders.
- higher level of leverage in the project financing,
- higher level of legal security (SPV bankruptcy does not mean the bankruptcy of its shareholders),
- flexibility in terms of external financial resources.

### **Maximum lending term**

Duration of the loan for commercial real estate is up to 15 years.

### **Loan currency**

The Issuer grants commercial loans denominated in EUR and PLN.

### **Own funds**

25% of the total investment cost is the minimum own funds of the borrower.

## Security

Basic security required by the Bank includes:

- the highest priority mortgage established for the benefit of the Bank on the ownership or the right of perpetual usufruct of the property,
- assignment of rights from insurance against fire and other perils for real estate which is the subject of credit or the registered pledge on those rights,
- assignment of rights from the insurance contract against all risks of building construction (CAR) in the case of real estate lending in construction or pledge on such rights.

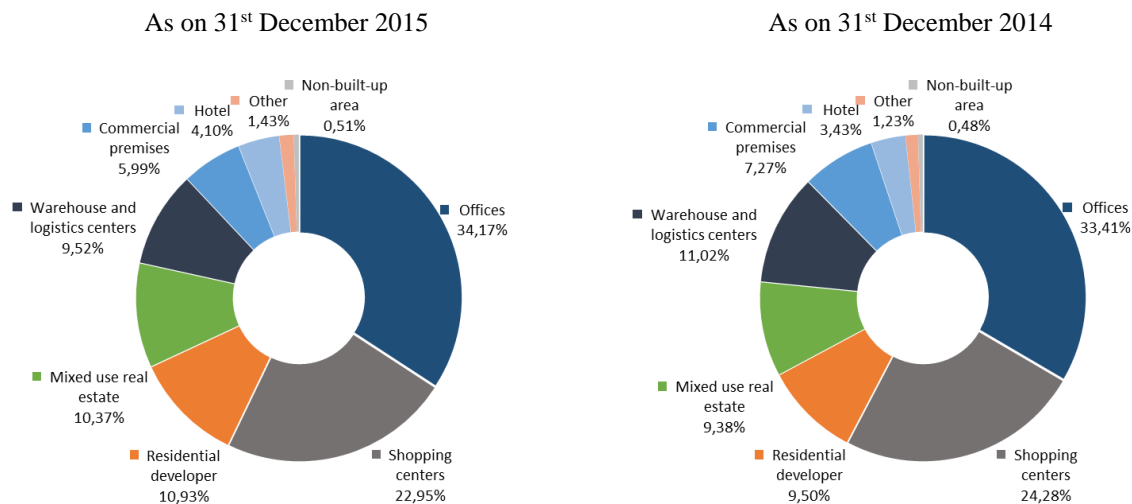
The total portfolio of commercial loans at the end of 2015 has increased in comparison with the end of 2014 and reached PLN 5,289,979,000(balance sheet and off-balance sheet). In contrast, total loan portfolio amounted to PLN 5,113,435,000 at the end of 2014.

In 2015 in the area of commercial real estate Bank financed, in particular, office buildings and commercial facilities. Issuer focused on financing the purchase or refinancing of completed facilities with a suitable standard and financing of the construction process, after which the construction loan is converted into long-term mortgage.

The average repayment period of loans was 10.9 years. Most of the loans were with variable interest rate. Most of the portfolio of loans for commercial entities included foreign currency loans, with a share of 59.16% at the end of 2015.

Office properties, which accounted for 33.41% of the portfolio of commercial loans (a decrease of 0.76 p.p. compared to the end of 2014), had the largest share at the end of December 2015. The share of financing of shopping centers amounted to 24.28 p.p. at the end of 2015 (an increase of 1.33 percentage points compared to the end of 2014) and storage centers and logistics amounted to 11.02% of the commercial loans portfolio in 2015 (an increase of 1.50 percentage points compared to 2014). In addition, the share of financing residential developers has decreased by 1.43 p.p. (from 10.93% in 2014 to 9.50% in 2015) and the share in financing mixed use real estate decreased by 0.99 p.p. (from 10.37% in 2014 to 9.38% in 2015).

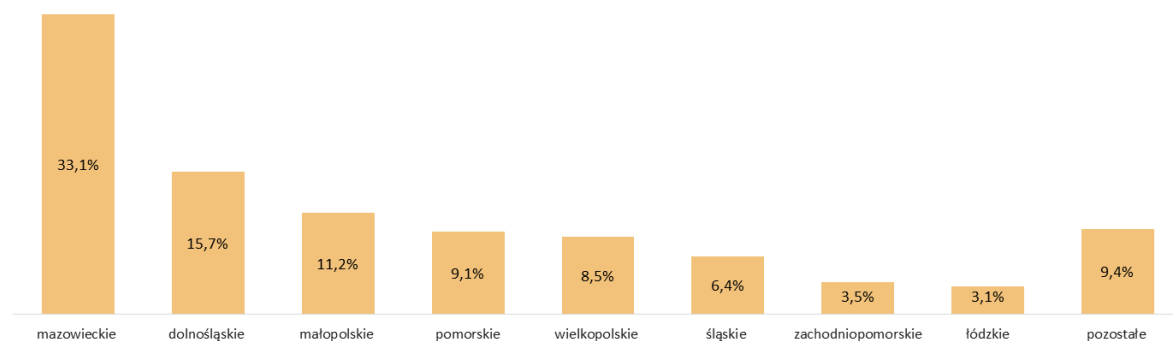


**Graph 1 Loans for economic entities by type of financed property in period between 2014-2015\***

Source: The Issuer

\* Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors.

Regional differences in lending are noticeable. The biggest amount of financed projects was concentrated in three voivodeships: Masovia, Lower Silesia and Małopolskie. Commercial loans granted in these voivodeships accounted for 60% of the balance-sheet credit exposure.

**Graph 2 Commercial loans – geographical breakdown as of 31<sup>st</sup> December 2015\***

Source: The Issuer

\* Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors.

According to the concentration limit the amount of funding to a single entity or group of entities related by capital or management did not exceed 25% of the Bank's own funds, i.e. did not exceed the amount of PLN 185,003,000 (as of 31.12.2015.).

In 2015 Bank issued one enforcement title (banking enforcement title, i.e. BTE), which concerned a commercial loan. The amount of debt covered by the banking enforcement title amounted to EUR 1,975,800.

### Loans for residential developers

mBank Hipoteczny S.A. specializes in investments financing in the area of commercial housing (residential housing, housing estates and segments, apartment buildings and residences and other residential buildings for sale or rent, developed by experienced developers with an established financial position and reputation).

### **Maximum maturity**

Construction period and additional 2 years for subsequent sale of premises.

### **Loan currency**

The Issuer grants commercial loans denominated in EUR and PLN.

### **Own funds**

25% of the total project cost, including cost of land purchase and work on project, is the minimum own funds of the borrower

### **Security**

Basic security required by the Bank includes:

- the highest priority mortgage entered into the land and mortgage register maintained for specific property,
- the register pledge established over shares in special purpose vehicle,
- assignment of rights from insurance against fire and other perils for real estate which is the subject of credit or the registered pledge on those rights,
- assignment of rights from the insurance contract against all risks of building construction (CAR) in the case of real estate lending in construction or pledge on such rights, after obtaining occupancy permit.
- other possible securities (deposits, securities, shareholders guarantees, suretyship).

Additionally, in the case of housing development projects, the Issuer uses the escrow account, on which developer's resources are deposited, including payments from flat buyers. It is used to control all cash flows related to financing investment, which guarantees financial transparency and reduces the risk of the project.

In the case of housing development projects, which started selling apartments from 29 April 2012, bank also runs a closed housing trust account (ZMRP), as defined in the Act of 16 September 2011 on the Protection of Rights of the Buyer of a Housing Unit or Single-Family Home (the so-called "Developers Act"). On closed residential escrow account (ZMRP) are collected payments made by the flat buyers and a one-off payment of the relevant part of these resources to the developer - the borrower, when the flat is delivered and sold to a given purchaser.

As part of the i.e. commercial pooling the Bank buys the receivables under the commercial loan agreements from mBank S.A., which may give rise to the issue of covered bonds.

#### **1.3.2. Housing loans for individual clients**

Loans to individuals (in the Agency Model and the Pooling Model) are designed for residential use and secured by a mortgage. In September 2013 the Issuer launched a mortgage lending for individuals within the agency agreement, which are offered through the mBank sale channels, as well as through external sales channels to which belong Aspiro S.A., brokers, partners and other intermediaries. This applies to loans that meet the criteria for entry to the collateral register for covered bonds and potentially forming the basis of their issuance (the Agency Model). In addition, since 2014, Bank has been buying receivables under loan agreements for housing purposes from mBank S.A., which may give rise to the issue of covered bonds (the Pooling Model).

Housing loans for individual customers are granted for the purchase, construction or renovation of an apartment or house. There is a possibility to get a loan for refinancing of housing loans granted by other banks. Borrowers may prepay the mortgage.

When applying for a mortgage borrower shall submit a single application, which is in the first place considered by the Bank, and if it does not meet the required criteria for by the Issuer, shall be forwarded to the mBank.

**Maximum maturity**

The Bank in its offer for individuals proposes loans with the maturity of up to 35 years.

**Loan currency**

The Issuer grants loans for individuals denominated in PLN.

The value of the housing loans portfolio increased by 213.20 % at the end of December 2015 in comparison to the end of 2014, i.e., up to PLN 2,720,782,000 (balance sheet and off-balance sheet commitment). The adoption of the new strategy of the Issuer for 2016-2019 is related to the further enlargement of the spectrum of action of the Bank on lending activity in the retail area.

The Bank continues lending activity in the retail area, sale within the agency agreement, primarily through the mBank Group sale channels. Moreover, in 2014 the Issuer launched a retail pooling, under which the Bank acquires loans granted by mBank which may constitute the basis for the issue of the covered bonds. The sum of capital transferred in 2015 (in four tranches) in pooling transactions (retail loans) amounted to PLN 468.7 million (the value of the transfer).

In 2015, a platform for the sale of financial products owned by Aspiro Group which is a member of mBank Group (responsible for 61 % of sales), was the main channel for the sale of retail loans to individuals, sales through the brokerage firm stood at 24 %, and through the Financial Services Centre (ie . mBank stem branches) was 10 % . Sales of loans in partner entity amounted to 5 %.

In 2015 the Issuer took steps to expand sale through external sale channels (outside the mBank Group). These measures include the establishment in the Bank of the substantive support for brokers and improvement of application process and communication outside of the mBank Group entities.

The entry into force of the Amendment has a significant impact on the segment of loans for individual customers. Therefore, the procedure for establishing collateral for housing loans in the primary market was simplified, which allow mortgage banks for active crediting of premises since January 2016. Following the establishment of separate ownership of such premises and setting up for them the land and mortgage registry together with first priority mortgage in favour of the Bank, loans for the purchase of such premises may be entered in the collateral register for the mortgage covered bonds and form the basis for the issue of mortgage covered bonds. The Issuer has already (in the second half of 2015 year) taken measures to develop cooperation with credited developers in the second half of 2015 years in the context of commercial activities, in order to develop scale of lending to individuals who are purchasing premises from those developers whose investments were financed by the Issuer.

**1.3.3. Loans for local governmental units**

The Issuer includes loans granted to local government units (municipalities, counties, voivodships) as well as loans secured by a guarantee of local government units (commercial companies established by local government units, independent public health care institutions) to the segment of loans to the public sector.

The Bank since the end of 2012 has not financed local government units and other entities with a guarantee of local government units, due to the risk profile of this segment and inadequate credit spreads. The Issuer however, has a portfolio of historical transactions concluded in previous years. Lack of new contracts in 2015 together with significant earlier repayments, is reflected in a lower balance sheet commitment of these loans (by 14.20 %) in comparison to 2014. In 2014 growth of loans to local government units amounted to -13.72 % in comparison to the previous year.

At the end of 2015 value of the total balance sheet and off-balance sheet commitment in the public sector accounted for 4.31 % of the total credit exposure and amounted to PLN 360,855,000. Loans with an average repayment period ratio of 16.7 years prevail in the portfolio of loans granted to local government units.

#### 1.4 Deposits

The Issuer offers to corporate clients, implementing investment projects in cooperation with the Bank, term deposits to enable more efficient spare cash management - preferred interest-bearing term deposits with the possibility of negotiating interest in the amount of at least 1,000 PLN, USD 1,000 or 1,000 EUR into fixed or variable interest rate.

Time deposit accounts with fixed interest rates can be opened for the period from 1 day to 1 year. Time deposit accounts with variable interest rates can be opened for the period from 2 months to 1 year.

The interest rate is determined on the basis of the reference rate - WIBOR for PLN less the Bank's margin, or LIBOR for USD and EURIBOR for EUR, decreased or increased by the Bank's margin.

#### 1.5 Issues of covered bonds

The Bank during its more than 15 - year history, made dozens of covered bond issues, both public and non-public. Since the introduction of the covered bonds on the Polish capital market in 2000, the Bank, according to the Issuer's knowledge, remains their largest issuer, with about 75 % market share at the end of December 2015.

As of the Prospectus Date, the value of all covered bonds of mBank Hipoteczny S.A. in trading exceeded PLN 4.5 billion. Covered bonds with four and five-year maturity prevail in the Bank's offer. In 2015 and in the period between 31.12.2015 to the Prospectus Date, mBank Hipoteczny S.A. placed on the market eleven issues of covered bonds with a total nominal value around 2,206 million of PLN as of the Prospectus Date. The value of seven issues in the national currency amounted to PLN 1,655, including a record issue of PLN 500 million dated 17 September 2015, which then was the largest offer of covered bonds in the history of mortgage banking in Poland. The Bank also issued three series of covered bonds denominated in EUR with a value of EUR 131 million.

Covered bonds of the Issuer are the instruments characterized by low levels of investment risk as a result of statutory requirement of multi-stage security collateral for their issue and trade.

This is confirmed by the ratings assigned by the rating agency Fitch Ratings Ltd. for public sector covered bonds and mortgage covered bonds issued by the Bank. Description of ratings assigned to the Issuer is set out in Chapter V (Additional Information), point 5.

**Table 9 Issues of mortgage covered bonds of mBank Hipoteczny S.A. listed on the regulated market (denominated in PLN) as at the Prospectus Date**

| Issue date | Maturity date | Series | Currency   | Value in thousands | Rating by Fitch Ratings Ltd. |
|------------|---------------|--------|------------|--------------------|------------------------------|
| 15.06.2011 | 16.06.2017    | HPA15  | PLN        | 200.000            | A                            |
| 20.04.2012 | 20.04.2017    | HPA18  | PLN        | 200.000            | A                            |
| 15.06.2012 | 15.06.2018    | HPA19  | PLN        | 200.000            | A                            |
| 30.11.2012 | 15.11.2016    | HPA20  | PLN        | 100.000            | A                            |
| 20.06.2013 | 21.06.2019    | HPA21  | PLN        | 80.000             | A                            |
| 28.07.2014 | 28.07.2022    | HPA22  | PLN        | 300.000            | A                            |
| 04.08.2014 | 20.02.2023    | HPA23  | PLN        | 200.000            | A                            |
| 20.02.2015 | 28.04.2022    | HPA24  | PLN        | 200.000            | A                            |
| 15.04.2015 | 16.10.2023    | HPA25  | PLN        | 250.000            | A                            |
| 17.09.2015 | 10.09.2020    | HPA26  | PLN        | 500.000            | A                            |
| 02.12.2015 | 20.09.2021    | HPA27  | PLN        | 255.000            | A                            |
| 09.03.2016 | 05.03.2021    | HPA28  | PLN        | 300.000            | A                            |
| 28.04.2016 | 28.04.2020    | HPA29  | PLN        | 50.000             | A                            |
| 11.05.2016 | 28.04.2020    | HPA30  | PLN        | 100.000            | A                            |
| <b>SUM</b> |               |        | <b>PLN</b> | <b>2.935.000</b>   |                              |

Source: The Issuer

**Table 10 Issues of the mortgage covered bonds of mBanku Hipoteczny S.A. listed on the regulated market (denominated in EUR) as at Prospectus Date**

| Issue date | Maturity date | Series | Currency   | Value in thousands | Rating by Fitch Ratings Ltd. |
|------------|---------------|--------|------------|--------------------|------------------------------|
| 19.10.2012 | 19.10.2017    | HPE1   | EUR        | 10,000             | A                            |
| 26.07.2013 | 28.07.2020    | HPE2   | EUR        | 30,000             | A                            |
| 22.11.2013 | 22.10.2018    | HPE3   | EUR        | 50,000             | A                            |
| 17.02.2014 | 15.02.2018    | HPE4   | EUR        | 7,500              | A                            |
| 28.02.2014 | 28.02.2029    | HPE5   | EUR        | 8,000              | A                            |
| 17.03.2014 | 15.03.2029    | HPE6   | EUR        | 15,000             | A                            |
| 30.05.2014 | 30.05.2029    | HPE7   | EUR        | 20,000             | A                            |
| 22.10.2014 | 22.10.2018    | HPE8   | EUR        | 20,000             | A                            |
| 28.11.2014 | 15.10.2019    | HPE9   | EUR        | 50,000             | A                            |
| 25.02.2015 | 25.02.2022    | HPE10  | EUR        | 20,000             | A                            |
| 24.04.2015 | 24.04.2025    | HPE11  | EUR        | 11,000             | A                            |
| 24.06.2015 | 24.06.2020    | HPE12  | EUR        | 50,000             | A                            |
| 23.03.2016 | 21.06.2021    | HPE13  |            | 50,000             | A                            |
| <b>SUM</b> |               |        | <b>EUR</b> | <b>341,500</b>     |                              |

Source: The Issuer

**Table 11 Issues of public covered bonds of mBank Hipoteczny S.A. listed on regulated market as at Prospectus Date**

| Issue date | Maturity date | Currency   | Value in thousands | Rating by Fitch Ratings Ltd. |
|------------|---------------|------------|--------------------|------------------------------|
| 28.09.2012 | 28.09.2016    | PLN        | 150,000            | BBB+                         |
| <b>SUM</b> |               | <b>PLN</b> | <b>150,000</b>     |                              |

Source: The Issuer

Date of the allotment of covered bonds of a given series is indicated in Tables 9,10,11 as the "Issue Date".

**General description of receivables from loans underlying issue of the mortgage covered bonds as at 31.12.2012 (PLN'000)**

According to the Covered Bond Act, debt entered into the collateral register for covered bonds, which is secured by mortgages (entered as first priority security into the land and mortgage register maintained for a particular real estate) on perpetual usufruct or ownership of real estate, is the basis for issue of the mortgage covered bonds represent.

Receivables from loans granted to local government units and loans guaranteed by local government units are the security for public covered bonds.

As at the date of 31st December 2015 the issues were secured by the following claims:

- the mortgage covered bonds were backed-up by claims with the total value of 5,403.8 mln of PLN from 7,896 loans,
- the public covered bonds were backed-up by claims with the total value of 361.9 mln PLN from 59 loans.

Besides the debt, the collateral register for covered bonds included additional security in the form of government bonds with a nominal value of PLN 60 million (for the mortgage covered bonds) and 6 million PLN (for the public covered bonds).

As of 31st December 2015 the over-collateralisation of the mortgage covered bonds reached level of 39.13%, whereas for the public covered bonds over-collateralisation reached 145.27% (with an additional security).

**Table 12 The currency structure and amount ranges of portfolio receivables provided as financial collateral of the mortgage covered bonds as at 31.12.2015.**

| <b>Value range<br/>(PLN'000)</b>                         | <b>Value of loans<br/>(PLN'000)</b> | <b>Value of loans<br/>granted in EUR<br/>expressed in<br/>thousands of PLN</b> | <b>Value of loans<br/>granted in USD<br/>expressed in<br/>thousands of PLN</b> | <b>Sum</b>       |
|--|-------------------------------------|--|--|------------------|
| <= 250   | 686 463                             | 6 786  | 2 123  | 695 372          |
| 250,1 - 500  | 769 278                             | 8 126  | 649  | 778 053          |
| 500,1 - 1 000  | 303 663                             | 9 550  | 1 209  | 314 422          |
| 1 000,1 - 5 000  | 174 659                             | 183 787  | 9 809  | 368 255          |
| 5000,1 – 10 000  | 159 535                             | 120 619  | 23 258   | 303 412          |
| 10 000,1 – 15 000  | 183 576                             | 249 465  | 28 858   | 461 899          |
| 15 000,1 – 20 000  | 109 357                             | 216 595  | 16 212   | 342 164          |
| 20 000,1 – 30 000  | 241 606                             | 414 605  | 0  | 656 211          |
| 30 000,1 – 40 000  | 149 387                             | 352 062  | 0  | 501 449          |
| 40 000,1 – 50 000  | 88 284                              | 307 262  | 0  | 395 546          |
| >50 000,1  | 0                                   | 586 974  | 0  | 586 974          |
| <b>Sum</b>   | <b>2 865 808</b>                    | <b>2 455 831</b>   | <b>82 118</b>  | <b>5 403 757</b> |
| <b>Percentage by<br/>reference to loan<br/>portfolio</b> | <b>53.03%</b>                       | <b>45.45%</b>  | <b>1.52%</b>   |                  |

Source: The Issuer

\* Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors.

**Table 13 The portfolio of receivables provided as financial collateral of the mortgage covered bonds by borrower type as at 31.12.2015 r.**

| <b>Type of the borrower</b>  | <b>Value<br/>(PLN'000)</b> | <b>Percentage by reference to<br/>portfolio</b> |
|--|----------------------------|---|
| <b>Legal person / natural persons conducting<br/>economic activity</b> | 3 589 645                  | 66.43%  |
| <b>Natural persons</b>   | 1 814 112                  | 33.57%  |
| <b>Sum</b>   | <b>5 403 757</b>           | <b>100.00%</b>                                  |

Source: The Issuer

\* Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors

**Table 14 The structure of portfolio of receivables provided as financial collateral of the mortgage covered bonds according to the intended use as at 31.12.2015.**

| <b>Intended use</b>            | <b>Value (PLN'000)</b> | <b>Percentage by reference to<br/>portfolio</b> |
|--------------------------------|------------------------|---|
| <b>commercial real estate</b>  | 3 428 339              | 63.44%  |
| <b>Residential real estate</b> | 1 975 418              | 36.56%  |
| <b>Sum</b>                     | <b>5 403 757</b>       | <b>100.00%</b>                                  |

Source: The Issuer

\* Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors.

**Table 15 The portfolio of receivables provided as financial collateral of the mortgage covered bonds by interest rate type as at 31.12.2015.**

| Interest rate type     | Value (PLN'000)  | Percentage by reference to portfolio |
|------------------------|------------------|--------------------------------------|
| variable interest rate | 5 403 757        | 100.00%                              |
| fixed interest rate    | 0                | 0.00%                                |
| <b>Sum</b>             | <b>5 403 757</b> | <b>100.00%</b>                       |

Źródło: The Issuer

\* Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors.

**Table 16 The portfolio of receivables provided as financial collateral of the mortgage covered bonds by maturity date as at 31.12.2015.**

| Time range (in years) | Value (PLN'000)  | Percentage by reference to portfolio |
|-----------------------|------------------|--------------------------------------|
| 0 -2 years            | 257 791          | 4.77%                                |
| 2 - 3 years           | 88 463           | 1.64%                                |
| 3 – 4 years           | 112 411          | 2.08%                                |
| 4 - 5 years           | 99 136           | 1.83%                                |
| 5 - 10 years          | 513 656          | 9.51%                                |
| > 10 years            | 4 332 300        | 80.17%                               |
| <b>SUM</b>            | <b>5 403 757</b> | <b>100.00%</b>                       |

Source: The Issuer

\* Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors.

**Table 17 The portfolio of receivables provided as financial collateral of the mortgage covered bonds by geographic location as at 31.12.2015.**

| Voivodeship                                      | Value (PLN'000)  | Percentage     |
|--|------------------|----------------|
| Lower Silesia ( <i>Dolnośląskie</i> )            | 786 712          | 14.56%         |
| Kujawy-Pomerania ( <i>Kujawsko - pomorskie</i> ) | 92 296           | 1.71%          |
| Lublin ( <i>Lubelskie</i> )                      | 125 938          | 2.33%          |
| Lubuskie ( <i>Lubuskie</i> )                     | 17 695           | 0.32%          |
| Łódź ( <i>Łódzkie</i> )                          | 190 728          | 3.53%          |
| Małopolskie ( <i>Małopolskie</i> )               | 457 209          | 8.46%          |
| Mazovia ( <i>Mazowieckie</i> )                   | 1 975 169        | 36.55%         |
| Opole ( <i>Opolskie</i> )                        | 97 534           | 1.80%          |
| Podkarpacie ( <i>Podkarpackie</i> )              | 80 321           | 1.49%          |
| Podlasie ( <i>Podlaskie</i> )                    | 22 088           | 0.41%          |
| Pomerania ( <i>Pomorskie</i> )                   | 403 539          | 7.47%          |
| Silesia ( <i>Śląskie</i> )                       | 345 282          | 6.39%          |
| Świętokrzyskie ( <i>Świętokrzyskie</i> )         | 75 044           | 1.39%          |
| Warmia-Masuria ( <i>Warmińsko – mazurskie</i> )  | 58 219           | 1.08%          |
| Wielkopolskie ( <i>Wielkopolska</i> )            | 461 626          | 8.54%          |
| West Pomerania ( <i>Zachodniopomorskie</i> )     | 214 357          | 3.97%          |
| <b>SUM</b>                                       | <b>5 403 757</b> | <b>100.00%</b> |

Source: The Issuer

\* Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors.

**Table 18 The portfolio of receivables provided as financial collateral of the mortgage covered bonds by advancement of investment execution as at 31.12.2015.**

|                                    | Value (PLN'000)  | Percentage by reference to portfolio |
|------------------------------------|------------------|--------------------------------------|
| Building projects still in process | 399 275          | 7.39%                                |
| Completed properties               | 5 004 482        | 92.61%                               |
| <b>Sum</b>                         | <b>5 403 757</b> | <b>100.00%</b>                       |

Source: The Issuer

\* Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors.

**General description of receivables from loans underlying issue of public sector covered bonds as at 31.12.2015 r. (PLN'000):****Table 19 Amount ranges of portfolio receivables provided as financial collateral of the public covered bonds as at 31.12.2015.**

| Value eanges (PLN'000) | Value of loans (PLN'000) | Percentage     | Number of agreements |
|------------------------|--------------------------|----------------|----------------------|
| <= 500                 | 1 579                    | 0.44%          | 7                    |
| 500,1 - 1 000          | 6 567                    | 1.81%          | 10                   |
| 1 000,1 - 2 000        | 11 245                   | 3.11%          | 8                    |
| 2 000,1 - 3 000        | 26 897                   | 7.43%          | 11                   |
| 3 000,1 - 5 000        | 40 783                   | 11.27%         | 10                   |
| 5 000,1 - 10 000       | 54 083                   | 14.94%         | 8                    |
| 10 000,1 - 15 000      | 0                        | 0.00%          | 0                    |
| 15 000,1 - 20 000      | 46 898                   | 12.96%         | 3                    |
| > 20 000,1             | 173 859                  | 48.04%         | 2                    |
| <b>SUM</b>             | <b>361 911</b>           | <b>100.00%</b> | <b>59</b>            |

Source: The Issuer

\* Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors.

**Table 20 The portfolio of receivables provided as financial collateral of public sector covered bonds by maturity date as at 31.12.2015.**

| Bands due to maturity date | Value (PLN'000) | Percentage by reference to portfolio |
|----------------------------|-----------------|--------------------------------------|
| 0 - 2 years                | 9 176           | 2.53%                                |
| 2 - 3 years                | 4 398           | 1.22%                                |
| 3 - 4 years                | 14 355          | 3.97%                                |
| 4 - 5 years                | 8 926           | 2.47%                                |
| 5 - 10 years               | 43 628          | 12.05%                               |
| 10 - 15 years              | 32 667          | 9.03%                                |
| 15 - 20 years              | 18 878          | 5.22%                                |
| > 20 years                 | 229 883         | 63.51%                               |
| <b>SUM</b>                 | <b>361 911</b>  | <b>100.00%</b>                       |

Source: The Issuer

\* Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors.



**Table 21 The portfolio of receivables provided as financial collateral of the public covered bonds by geographic location as at 31.12.2015.**

| Voivodeship                                      | Value (PLN'000) | Percentage    |
|--|-----------------|---------------|
| Lower Silesia ( <i>Dolnośląskie</i> )            | 110 493         | 30.53%        |
| Kujawy-Pomerania ( <i>Kujawsko - pomorskie</i> ) | 24 257          | 6.70%         |
| Lublin ( <i>Lubelskie</i> )                      | 10 974          | 3.03%         |
| Lubuskie ( <i>Lubuskie</i> )                     | 1 598           | 0.44%         |
| Łódź ( <i>Łódzkie</i> )                          | 12 320          | 3.40%         |
| Małopolskie ( <i>Małopolskie</i> )               | 6 477           | 1.79%         |
| Mazovia ( <i>Mazowieckie</i> )                   | 23 158          | 6.40%         |
| Opole ( <i>Opolskie</i> )                        | 0               | 0.00%         |
| Podkarpacie ( <i>Podkarpackie</i> )              | 537             | 0.15%         |
| Podlasie ( <i>Podlaskie</i> )                    | 0               | 0.00%         |
| Pomerania ( <i>Pomorskie</i> )                   | 7 060           | 1.95%         |
| Silesia ( <i>Śląskie</i> )                       | 117 700         | 32.52%        |
| Świętokrzyskie ( <i>Świętokrzyskie</i> )         | 0               | 0.00%         |
| Warmia-Masuria ( <i>Warmińsko – mazurskie</i> )  | 15 017          | 4.15%         |
| Wielkopolskie ( <i>Wielkopolska</i> )            | 10 418          | 2.88%         |
| West Pomerania ( <i>Zachodniopomorskie</i> )     | 21 902          | 6.05%         |
| <b>SUM</b>                                       | <b>361 911</b>  | <b>100.0%</b> |

Source: The Issuer

\* Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors.

**Table 22 The receivables portfolio as financial collateral of public sector covered bonds by interest rate type\* as on 31.12.2015.**

| Interest rate type     | Value (PLN'000) | Percentage by reference to portfolio |
|------------------------|-----------------|--------------------------------------|
| variable interest rate | 361 911         | 100.00%                              |
| fixed interest rate    | 0               | 0.00%                                |
| <b>SUM</b>             | <b>361 911</b>  | <b>100.00%</b>                       |

Source: The Issuer

\* Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors

**Table 23 The receivables portfolio as financial collateral of public sector covered bonds by type of the borrower \* as on 31.12.2015.**

| Borrower                               | Value (000'PLN) | Percentage     |
|--|-----------------|----------------|
| directly to local governmental units   | 92 704          | 25.62%         |
| guaranteed by local governmental units | 269 207         | 74.38%         |
| <b>SUM</b>                             | <b>361 911</b>  | <b>100.00%</b> |

Source: The Issuer

\* Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors

## 2. Principal markets

### 2.1 Characteristics of real estate market in Poland

#### 2.1.1. Macroeconomic situation in Poland

The table below presents the basic macroeconomic indicators for the Polish economy in the period covered by the historical financial information for period between 2013-2015, along with a forecast for the years 2016-2017.

**Table 24 Main macroeconomic indicators**

| List   | 2013    | 2014 | 2015 | 2016P* | 2017P* |
|--|---------|------|------|--------|--------|
| <b>GDP</b> (y-o-y change, %)                                     | 1.6     | 3.3  | 3.6  | 3.6    | 3.1    |
| <b>Domestic demand</b> (y-o-y change, %)                         | -0.2    | 4.4  | 3.4  | 3.4    | 2.7    |
| <b>Investments</b> (y-o-y change, %)                             | -0.2    | 9.2  | 6.1  | 6.0    | 5.3    |
| <b>CPI inflation</b> (y-o-y change, %)                           | 0.9     | 0.0  | -0.9 | 0.7    | 2.2    |
| <b>Gross wages</b> (y-o-y change, %)                             | 3.4     | 3.4  | 4.2  | 4.1    | 3.5    |
| <b>Registered unemployment rate</b> (as of the end of period, %) | 13.4    | 11.5 | 9.8  | 8.8    | 9.5    |
| <b>Average EUR exchange rate</b>                                 | 4.2     | 4.19 | 4.18 | 4.3    | 4.2    |
| <b>Average USD exchange rate</b>                                 | 3.2     | 3.16 | 3.77 | 4.0    | 3.9    |
| <b>Reference rate NBP</b>  | 4.0-2.5 | 2.0  | 1.5  | 1.5    | 1.75   |

Source: Instytut Badań nad Gospodarką Rynkową „Stan i prognoza koniunktury gospodarczej” no 89 (january 2016) – report drafted on basis of historical data provided by GUS, NBP, \*estimate data provided by IBnGR ([http://www.ibngr.pl/content/download/2148/20007/file/PROGNOZY\\_2016.1.pdf](http://www.ibngr.pl/content/download/2148/20007/file/PROGNOZY_2016.1.pdf)),

Since joining the European Union, Poland is on the path of economic growth and is among the fastest growing countries of the European Union. The economic growth rate in 2013 dropped to the level of 1.6% as a result of the difficult economic situation in the EU countries. By contrast, GDP growth in 2014 was at the level of 3.3% and was the highest growth rate since 2011, which allowed placing Poland amongst fourth fastest growing economies in the EU. Poland has overtaken only countries such as Ireland (4.8%), Hungary (3.6%) and Malta (3.5%). For comparison, the growth rate of Germany amounted to 1.6%, and 2.8% of the UK. In turn, in 2015. There was a further improvement in economic growth, which reached 3.6% compared to the same period of the previous year. The main growth driver in the whole of 2015 was domestic demand (3.4%), and its growth was influenced by: an increase in total consumption in 2015 (3.2%) and capital expenditures (6.1% throughout 2015). According to forecasts IBnGR in 2016 the growth rate of gross domestic product will remain at level of 3.6%, while in 2017 the economic situation will deteriorate, and the projected growth of GDP will reach level of 3.1%.

Dynamics of the investment growth in Poland fell to 0.2 % in 2013. Year 2014 brought a significant improvement in the level of investment, which has increased by 9.2%. Capital expenditures were the fastest growing component of domestic demand in 2014. In 2015 capital expenditures decreased to 6.1%. IBnGR predicts that in 2016 investment will slightly decrease to 6.0%. Funds from the European Union for the financing of infrastructure projects will be a supporting investments factor. In 2017 domestic demand will grow much more slowly (2.7%) due to lower private consumption (2.5%) and lower investment (5.3%).

In the long term, sustained and rapid economic development of Poland will be largely dependent on the economic situation of the world's largest economies and the condition of the financial markets. Forecasts in the development of the EUR predict stabilization of the exchange rate of 4.3 PLN / EUR in 2016 and 4.2 PLN / EUR in 2017. However, in the case of the USD exchange rate of 4.0 PLN / USD in 2016 and 3.9 PLN / USD in 2017.

Expected rate of unemployment in the years 2016 and 2017 will amount to 8.8% and 9.5 %, compared to 9.8 % at the end of 2015. In 2015 there was a significant increase in real wages, but in 2016-2017 there is the projected decline in growth rates in this regard.

### 2.1.2. Real estate market in Poland

In the environment of low interest rates, falling unemployment, stable economic growth and positive forecasts, the Polish real estate market is entering a mature phase. The situation in the housing market remains stable with slight fluctuations, and the commercial real estate market hit in 2015 the best score since 2006 in terms of transaction volume. The great interest from foreign investors, which is particularly evident in the case of commercial real estate market, confirms attractiveness of the Polish real estate market

### 2.1.3. Situation on housing market

In 2015, the housing market remained in a stabilization phase, thanks to a very good macroeconomic indicators and increased interest in buying fund government subsidies "Apartment for the young." In 2015 sale amounted to nearly 52,000 apartments (43 thousand of apartments were sold in 2014). The fourth quarter of 2015 was the last in which the buyer could take out a loan with a 10% own funds without additional insurance. Concerns about the upcoming government bank tax, and consequently an increase in the margin on mortgage loans were another factors which influence decision-making process in 2015. The increase in interest in apartments in the last quarter of 2015 was greatly influenced by the governmental mortgage loan subsidy program (high interest from large families and acceleration of the decision to purchase apartments which date of put into use is set in 2016, in connection with the financing flat buyers in the secondary market)<sup>1</sup>. Under the influence of favourable macroeconomic factors, the purchase of apartments for rent was also welcomed with great interest.

**Chart 1 Housing construction in Poland (in thousands of flats)**



\*As an "apartment" are understood all housing units, including single-family houses.

Source: GUS, elaboration by mBank Hipoteczny S.A., Report Spring 2016 (<https://mhipoteczny.pl/raporty/>)

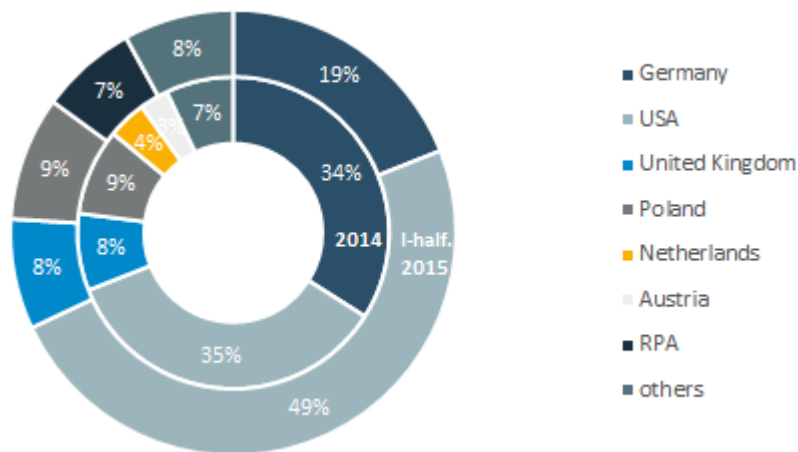
Throughout the 2015 more apartments were completed by 3,2% than last year. The number of apartments under construction significantly increased (13.7 % y- o- y). In addition, more building permits or notifications in accordance with the construction were made (by 20.5%).(source: GUS, opracowanie "Housing construction I-IV quarter of 2015 available on: <http://stat.gov.pl/obszary-tematyczne/przemysl-budownictwo-srodki-trwale/budownictwo/budownictwo-mieszkalniowe-i-iv-kwartal-2015-r-,4,24.html>).

<sup>1</sup> REAS sp. z o.o. sp.k., Housing market in Poland – IV quarter of 2015 (<http://www.reas.pl/landing/rynek-mieszkalniowy-w-polsce-iv-kwartal-2015-r-portal>)

#### 2.1.4. Situation on commercial real estate market

Thanks to the favorable macro-economic environment and funds from the EU, the significant investors' interest in the Polish commercial real estate market is noticeable, which transforms the already mature market. Year 2015 was the best since 2006 in terms of completed transactions in the commercial real estate. The most active investors were evident in the retail sector and office space. The entities with the German capital and the US capital, which both in 2014 and in the first half of 2015 accounted for approx. 70 % of the volume of transactions, were the most active investors on the Polish market.

**Chart 2 The volume of transactions in the commercial real estate market by capital origin**



Source: Cushman & Wakefield, Report "MarketBeat – Autumn 2015", (<http://www.cushmanwakefield.pl/pl-pl/research-and.../2015/marketbeat-autumn-2015>)

In the period 2010 - 2014 the value of investment transactions made on the commercial real estate market in Poland has increased steadily from approx. EUR 1 billion to approx. EUR 3 billion. Transactions with a total value of more than EUR 4 billion (an increase of 35 % y / y) were completed, which allowed to rank Poland as the first of the five main markets in Central Europe (source: elaboration by mBank Hipoteczny S.A., Report Spring 2016; <https://mhipoteczny.pl/raporty/>). The record value of transaction concluded on the Polish market only in the fourth quarter of 2015 amounted to 2.44 billion of EUR, which represented more than three-quarters of the total trading volume in the Central Europe in that period.

The value of transactions carried out in Poland in 2015 on the commercial space market amounted to EUR 2.2 billion, which accounted for 54 % of all transactions in the commercial real estate market. However, in the office sector, transactions with a value of EUR 1.3 billion, corresponding to 33% of the volume of all transactions on the commercial market were completed. Sales of warehouse real estate accounted for 0,46 million EUR, i.e. 11% of all completed investment transactions in the commercial market.<sup>2</sup>

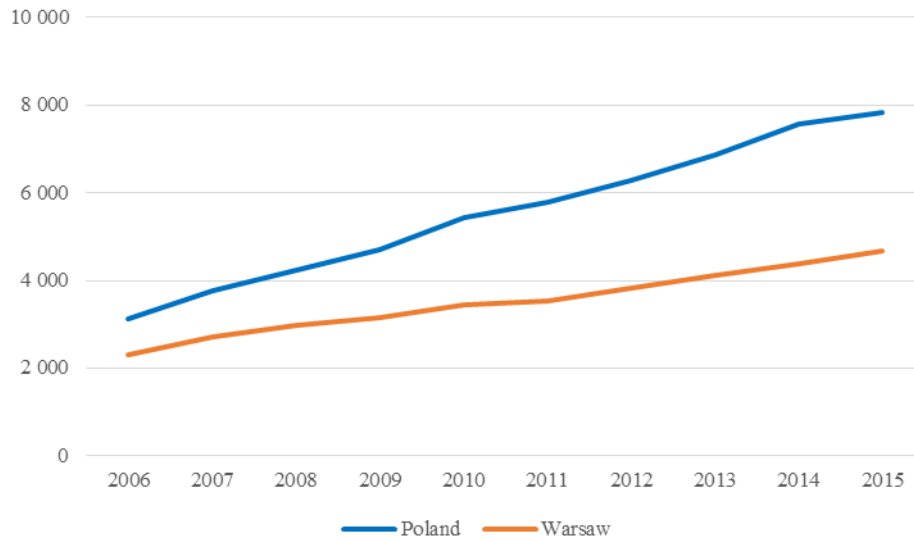
#### 2.1.5. Situation on the office space market

Year 2015 hit a record in terms of volume of modern space provided on the largest office markets in Poland. Around 620 thousand of square metres (an increase of 5 % compared to 2014), which increased the total office space stock in major Polish cities to 7.8 million square metres, were completed during the twelve months of 2015. It is recently noticeable that investment activity on the office market moves from Warsaw to regional cities. In 2015, investments in regional cities represented 66% of all investment transactions carried out on the office market.

<sup>2</sup> Knight Frank, "Raport Poland – Commercial Market 2015/2016", (<http://www.knightfrank.com.pl/resources/plreports/2015-polska-rynek-komercyjny.pdf>).

Resources of the Warsaw office space market at the end of 2015 amounted to approx. 4.6 million square metres (which accounted for 60% of the main office space centres in Poland).

**Chart 3 Office space in Poland (in thousands of square metres)**



source: mBank Hipoteczny S.A., Report on condition of real estate market – Spring 2016, <https://mhipoteczny.pl/raporty/>.

In Warsaw throughout 2015 office space of approximately 650 thousand square meters was completed and it was a result similar to the one of 2014 (a decline of only 1% y – o – y). In 2015 only 20% of completed space were in the central locations, in part due also to the diminishing supply of attractive locations for construction of office buildings. Increasing supply of office space, both in existing buildings, as well as projects under construction, and also a pressure on effective rental rates contributed to the reduction of starting new investments in the Warsaw (the lowest in 3 years scale of launched office investments, i.e. 102 thousand square meters, which represents a decrease by as much as 73% compared to 2014). At the end of 2015 there were office buildings with a total area of up to 650 thousand square meters under construction, which will result in a significant increase in vacant space for rent in the coming years. Along with the record supply of new space and the observed predominance of supply, there was a decline in rental rates in Warsaw. It also contributed to the observed increase in the vacancy rate, which amounted to approx. 12.3% at the end of December 2015 ( drop of 1.5 p.p. compared to the end of 2014). Due to the large amount of available space in the existing buildings and ongoing projects, rental rates decreased, which at the end of 2015 were between EUR 15-23 / square meter / month in central locations and 10,5-18 EUR / square meter / month outside of the city center. Along with the difficulties associated with lease of new space, building owners were forced to use additional incentives in the form of few month rent exemptions or contribution to the surface finish.

The largest investment activity among the regional cities was observed in Cracow with office space stock of approx. 779 thousand square meters, Wrocław (684 thousand square meters) and Trójmiasto (551 thousand square meters). Office supply of other regional markets stood at about 400 thousand square meters at the end of 2015. In all regional cities throughout the 2,015 was completed new office space for a total of 340 thousand square meters, which is part of the current trend in the market. The largest increases were recorded in Gdańsk and Wrocław, while the lowest in Łódź. Estimated supply of office space under construction in regional cities, fluctuates around 695 thousand square meters, of which in Wrocław approx. 120 thousand square meters and in Krakow about 150 thousand square meters.

With the increase in supply demand also increases, resulting in a stable level of rental rates of prime type, which are in the range of EUR 11 / square meter / month in Łódź to EUR 15.5 / square meter / month in Kraków and Wrocław. While average rent in seven major markets analyzed was EUR 13.5 / square meter / month. Despite the high growth on the supply side, the vacancy rate fell on most markets and amounted to 11.2% of the total office space in the main regional cities (a decrease of 0.4 p.p. comparing to the level at the end of 2014). The

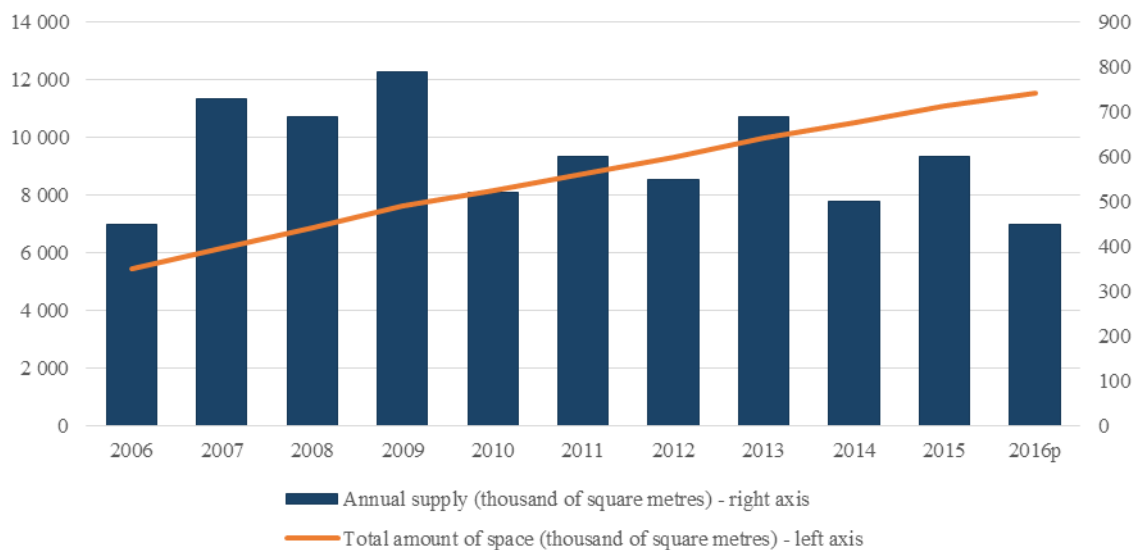
main driving force of the regional office market is developing in Poland sector of modern business services (BPO - Business Process Outsourcing / SSC - Shared Services Centers).

According to forecasts, further increase in the vacancy rate and a progressive decline in rents in less attractive and older buildings is possible on the Warsaw market and regional markets. The mismatch of supply and demand, will create tenants market (especially in Warsaw), which will require building owners to adapt to their needs and the use of additional incentives. You can expect a reduced number of started projects as a result of increased competition and market density<sup>3</sup>.

#### 2.1.6. Situation on commercial space market

Polish commercial space market has become a mature market. The total resources of commercial space at the end of 2015 amounted to approx. 11 million square meters. Throughout the year, increase to approx. 600 thousand square meters of new space was observed, which was the result of delivering for use of 13 new facilities and extension of the existing ones. Smaller cities (up to 100 thousand square meters) accounted for 25% of delivered commercial space and regional cities (100 - 400 thousand square meters) for 35% of the space, which together gave the highest share of 60% in the total supply of new flats. While 40% of new supply delivered in 2015 accounted for the eight major agglomerations of the country and it was growth up to 500% compared to the commercial space delivered for use in 2014, which means that the biggest cities again fall in the areas of interest of the investors. Format of traditional shopping centers was dominant in 2015 (23 new shopping malls accounted for 85% of the delivered for use commercial space).

**Chart 4 Commercial space in Poland (between 2006-2015 with forecast for 2016)**



source: mBank Hipoteczny S.A., Report on condition of real estate market – Spring 2016, <https://mhipoteczny.pl/raporty/>

The largest density of commercial space occurs in the main cities (Warsaw, cities of Upper Silesia and Trójmiasto, Wrocław, Poznań, Łódź, Kraków) and amounts to more than 750 square meter / 1000 inhabitants. Traditional shopping malls are predominant and accounts for nearly 90% of the commercial space. This is the result of their popularity in major Polish cities. However, in small towns most popular are retail parks or small commercial buildings.

There is an increasing interest of developers in solutions integrated with the points of communication in smaller cities. A part of the investments are the extensions and adaptations of older buildings to the current conditions, to allow them to compete with modern retail space. Noticeable trend is to combine commercial venues with cultural

<sup>3</sup> mBank Hipoteczny S.A., Report on condition of real estate market – Spring 2016, (<https://mhipoteczny.pl/raporty/>)

facilities / forms (libraries, galleries, museums, concert halls). There is also a growing popularity of the projects connecting office functions with commercial.

Polish economic indicators are positive, the purchasing power per capita shows an upward trend, resulting in trade development what encourages new tenants to expansion. With the growing competition, managers of shopping centers are becoming more willing to introduce new technologies to facilitate shopping. Mobile applications, beacons, or indoor location tracking are used to encourage customers to visit the facility and to obtain additional data on final customers, which allows the creation of better adjusted sales offer

Rental rates remain stable, without major fluctuations. Only in Warsaw and Poznań you can observe an increase in rental rates. In Warsaw, prime rents in the best locations, are at a level of approx. EUR 110-130 / square meter / month. In other cities, these rates are much lower, ranging from EUR 41 to 50 / square meter / month. For the premises in main commercial routes tenant have to pay much more, from EUR 75 to 90 / square meter / month. In the outlet centers the rates are lower and amount to approx. EUR 23 / square meter / month in the capital and approx. EUR 19 / square meter / month in other cities. Cheapest premises can be found in retail parks, where tenants pay from EUR 8 to 15 / square meter / month. The vacancy rate remains low at 1.5% - 4%.

Forecasts for the market of commercial space indicate the growing interest of developers in building shopping centers in major agglomerations (55% of commercial space remaining in the building at the end of 2015) and a decrease in developers' activity in smaller cities with less than 100 thousand residents. The vacancy rate and the level of rental rates are expected to remain stable, although rents in older buildings and located in cities with a high level of saturation of retail space may experience the downward trend. In order to increase the number of visits shopping centers will try to go beyond the traditional model, offering additional elements of entertainment and cultural events. Given the dynamic growth of Internet commerce, you can expect the development of multi-channel sales, combining features of Internet sales, along with the traditional (omnichannel)<sup>4</sup>.

#### **2.1.7. The situation on the market of warehouse space**

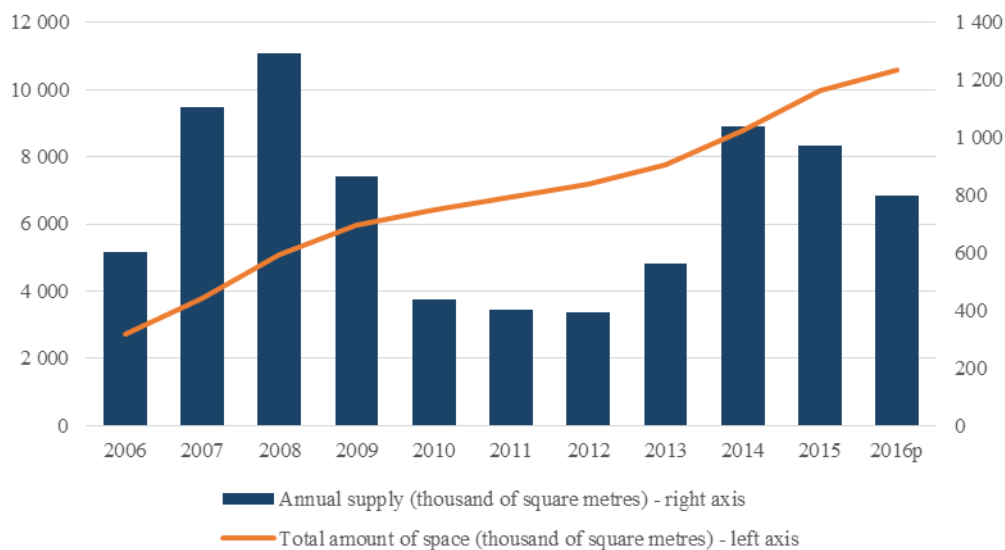
The warehouse property market was marked in 2015 by very good results, both on the demand side and the supply side. Record low vacancy rates and stable rents were additional elements that support the dynamic development of this sector.

The main warehouse space markets in Poland are regions of Central Poland (Warsaw and surrounding areas), Upper and Lower Silesia and Poznań. The factors influencing the localization of warehouse space include the proximity to major transportation hubs, major urban areas or ports. The improvement of road infrastructure in Poland has a positive effect on the market of warehouse space. The most common forms to increase investors interest in a given area are the tax incentives in the framework of the Special Economic Zones (SEZ) and other investment incentives.

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<sup>4</sup> mBank Hipoteczny S.A., *Report on condition of real estate market – Spring 2016*, (<https://mhipoteczny.pl/raporty/>)



**Chart 5 Warehouse space stock in Poland (in period 2006-2015 with estimate for 2016)**

source: mBank Hipoteczny S.A., Report on condition of real estate market – Spring 2016, <https://mhipoteczny.pl/raporty/>

In 2015 the increase in warehouse space amounted to approx. 1 million square meters (decrease by 7% y – o - y), which at the end of this period resulted in an increase in the value of assets to approx. 9.7 million square meters. Most of new spaces were delivered in Poznań, Upper Silesia and the North Poland region. Most of the projects were build-to-suit objects, resulting in a decreasing vacancy rate, which at the end of 2015 amounted to 5%. Most vacancies occurs mature markets, which means Warsaw (in the urban zone 10.4%, and in the vicinity of the capital 8.7%) and Trójmiasto (9.9%). The vacancy rate in other markets does not exceed 6%.

Rents rates vary depending on the location, the infrastructure, and standards, however they remain stable. Discernible trend is the growing popularity of warehouse facilities that integrate warehouse functions with the office functions, which in comparison to large-size establishments are much cheaper to build. This type of facilities are located mainly in Warsaw, Wrocław and Łódź, and usually are located within the city limits, unlike the large warehouse facilities that are being built generally outside of urban areas. Lease agreements are usually concluded for a period of 3 to 7 years, while in the case of build-to-suit facilities it is a longer period of time, 10 to 15 years.

Thanks to the modernization of road connections, on the Polish warehouse market arose new, hitherto insignificant locations, such as Toruń, Bydgoszcz, Szczecin, Rzeszów or Lublin. Their competitive advantages are lower labor costs and, in the case of Eastern Poland low land prices, an educated workforce and the presence of special economic zones.

Forecasts for the nearest future are very positive due to the high attractiveness of the Polish warehouse market for foreign investors. The year 2016 will bring about 800 thousand square meters of new space, enabling to exceed 10 million square meters of warehouse supply in Poland. Thanks to a decreasing vacancy levels in the major markets of the country, a growing number of speculative investments (in 2016 they will represent approx. 35% of new space) rents should remain at the current level, with a possible slight rise resulting from record high tenant demand. Within the cities develop small warehouse units development is expected (SBU), which will be used by the e-commerce industry enterprises<sup>5</sup>.

## 2.2 The covered bond market

Bank in its more than 15 - year history have worked on several dozen of the covered bonds (both of public sector and non-public) issues. In the opinion of the Issuer, since the re-launch of the covered bonds in 2000 on the Polish capital market, the Bank remains the largest the covered bonds' Issuer.

<sup>5</sup> mBank Hipoteczny S.A., Raport o stanie rynku nieruchomości – Wiosna 2016, (<https://mhipoteczny.pl/raporty/>)



The value of all bonds in trading amounted to PLN 5.37 billion as of 31<sup>st</sup> December 2015, of which PLN 4.08 billion was issued by the Bank, representing (in the opinion of the Issuer) over 75 % of the market share. The remainder of this were the covered bonds issued by Pekao Bank Hipoteczny S.A. ( PLN 1.29 billion - less than 24 % of the market share) and PKO Bank Hipoteczny S.A. (PLN 30 million - less than 1 % of the market share). Covered bonds with a maturity of 4 to 7 years dominate the market of the covered bonds in trading.

In addition to covered bonds, the Bank issued public sector covered bonds, where claims in respect of loans granted to local governments or public health authorities guaranteed by local government units constituted the basis for the issue. The last Bank's issue of public sector covered bonds took place in September 2012. As of 31<sup>st</sup> December 2015, the total value of public sector covered bonds in trading reached 150 million PLN.

In 2015 Polish mortgage banks issued the covered bonds for a total amount of PLN 1.77 billion. More than 87% of this value accounted for seven issues of the mortgage covered bonds by the Bank (for a total amount of PLN 1.55 billion), including four issues denominated in PLN, with a total value of PLN 1 205 million and three series denominated in PLN for a total amount of EUR 81 million.

Additionally, Pekao Bank Hipoteczny S.A. conducted 2 issues of the mortgage covered bonds of the total value of EUR 45 million, and PKO Bank Hipoteczny S.A. in December 2015 conducted the first issue of mortgage covered bonds for the amount PLN 30 million.

In March and April 2015 two universal banks (Raiffeisen Polbank S.A. and Getin Noble Bank S.A.) filed in the Polish Financial Supervision Authority requests for authorization to establish a new mortgage bank. According to the information available on the website of Getin Noble Bank S.A. (*source: Getin Noble Bank S.A., <http://gnb.pl/aktualnosci/id/4104>*), Getin Noble Bank S.A. requested the amendment in the Articles of Association of the subsidiary BPI Polish Investment Bank S.A. and establishment on its basis of a mortgage bank, which will commence its activities in 2017. There is no further information regarding the application submitted by Raiffeisen Polbank S.A.

The Covered bonds are characterized by a low level of investment risk, what is proved also by the higher rating granted to those instruments comparing to the rating granted to their Issuers. At the Prospectus Date, mBank Hipoteczny S.A. has an international long-term rating at the level of "BBB", granted by the rating agency Fitch Ratings Ltd., and the covered bonds issued by the Bank are rated, respectively, with "BBB+" for the public covered bonds and with "A" for the mortgage covered bonds. Pekao Bank Hipoteczny S.A. was rated by the credit rating agency Fitch Ratings Ltd. with "A-", and covered bonds issued by this bank were rated "A". While, PKO Bank Hipoteczny S.A. was rated with long-term credit rating of "Baa1" and short-term credit rating of "Prime-2" by the rating agency Moody 's Investors Service Ltd.

As of January 1st 2016, the Amendment entered into force. The Amendment imposes on mortgage banks a number of new prudential requirements, including maintaining an appropriate level of covered bonds overcollateralisation and appropriate liquidity buffers. The amended Covered Bonds Act also enhances one of the limits of future mortgage loans and covered bonds refinancing.

In the opinion of the Issuer's Management Board, the following amendments introduced by above-mentioned Amendment may affect the market of covered bonds:

- Increasing safety of investment in covered bonds

Mortgage banks have been obliged to overcollateralise covered bonds in issue in an amount of at least 10% of the issue value, to maintain a liquidity buffer to secure the service of interest on covered bonds over six consecutive months and to perform coverage balance tests and liquidity tests. Detailed rules governing creditor satisfaction and the procedure for a mortgage bank's bankruptcy have also been laid down.

- Raising of the limit of re-financing

According to the amendment of the act, limit on refinancing housing loans with proceeds from covered bond issues from the existing level of 60% to 80% of the mortgage lending value of real estate was increased.

- exemption of interest or discount on covered bonds from withholding tax.

## VIII. ORGANISATIONAL STRUCTURE

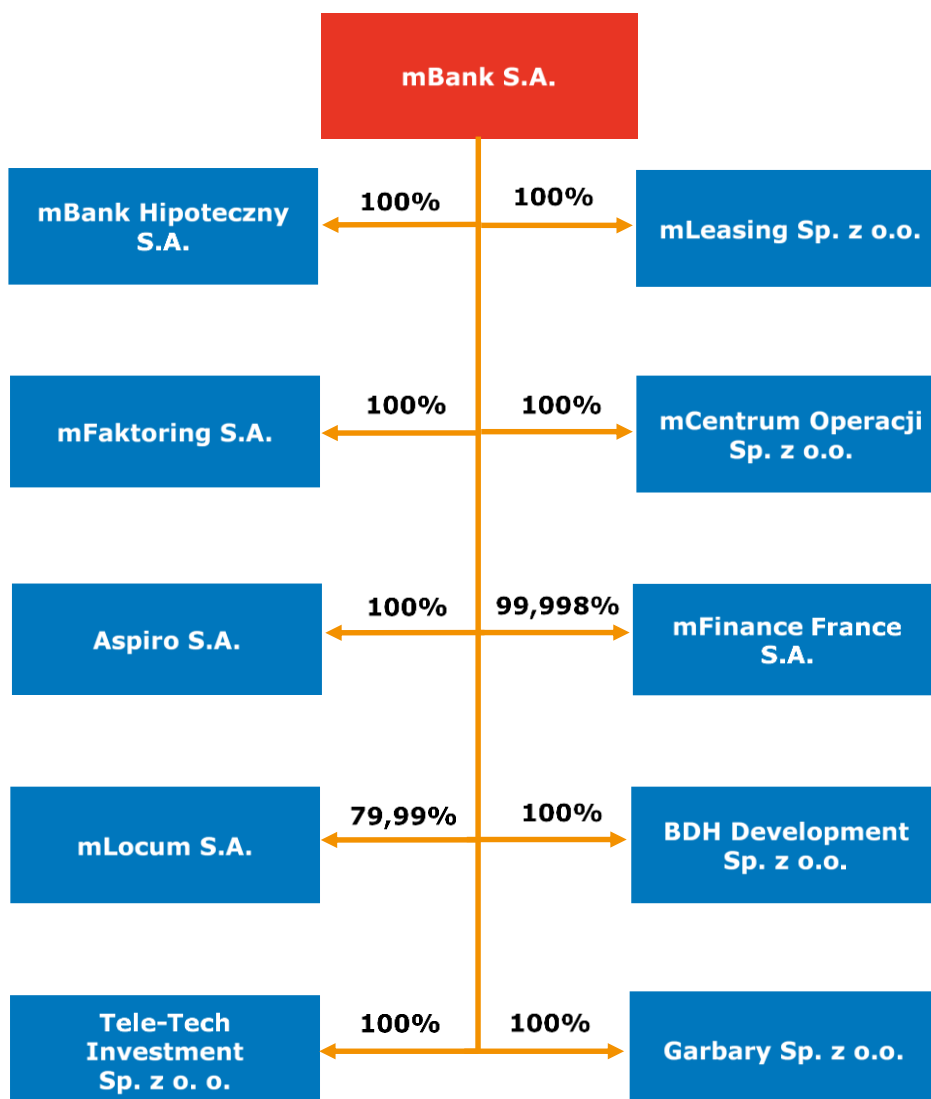
### 1. Brief description of the group and the Issuer's position within the group

The Issuer is a member of mBank S.A. capital group.

mBank S.A. capital group consists of entities controlled by mBank S.A. and with different functional areas: (i) strategic - shares and equity interests in companies supporting particular business lines of mBank S.A. (corporates and financial markets segment, retail banking and other) with an investment horizon not shorter than three years, and (ii) other - shares of companies acquired in exchange for receivables resulting from settlements and agreements with debtors, to recover part or total loans and advances and companies in liquidation or bankruptcy.

mBank SA, a joint stock company registered in Poland, being also a part of Commerzbank AG Group, is the parent company of the capital group. Commerzbank AG is a strategic shareholder of mBank and at 31<sup>st</sup> March 2016 held 69.49 % of the share capital and votes at the general meeting of mBank S.A.

Companies in the mBank Group as of 31st May 2016 are as follows (stated percentages refer to the share of equity held by mBank S.A. in the share capital of a subsidiary in the total capital of the company and the number of votes at the general meeting or respectively, as the general meeting of shareholders of a subsidiary):



**2. If the Issuer is dependent upon other entities within the group, this must be clearly stated together with an explanation of this dependence**

The Issuer is a subsidiary of the mBank, the dominating entity within the capital group. mBank has a 100 % stake in the Issuer's share capital and 100 % of votes at the General Meeting of the Issuer .

The Issuer and the mBank cooperate with each other in accordance with the cooperation agreement of 28 August 2013 (with amendments). The above mentioned agreement of cooperation sets out the rules under which mBank provides the Issuer with comprehensive services related to credit product maintenance and the terms of cooperation of the Issuer and mBank in the organization of joint credit sale channels.

mBank activities within the framework of the abovementioned cooperation agreement (entrusted to mBank by the Issuer) do not include risk management activity related to conducting business operations by the Issuer, including asset and liability management, assessing creditworthiness and credit risk analysis and internal audit .

## IX. TREND INFORMATION

### 1. Declaration of non-occurrence of a material adverse change in the prospects of the Issuer since the date of its last published audited financial statements

The Issuer declares that there has been no material adverse change in development of the Issuer since its last published financial statements (for 2015) examined by the auditor. Financial data for the period from 1<sup>st</sup> January 2016 until 29<sup>th</sup> February 2016 were excluded from the subject of the auditor's review.

### 2. Significant change in the Issuer's financial position

#### 2.1 General description of the Issuer's financial position in the period from 1<sup>st</sup> January 2016 until 29<sup>th</sup> February 2016

Below is a general description of the financial situation of the Issuer in the period from the end of the last financial period for which audited financial information have been published, i.e. from 01 January 2016 to 2 February 2016.

The volume of the loan portfolio (including off-balance sheet items) at the end of February 2016 increased by PLN 107,692,000 (increase of 1.29 %) in comparison to the level as at the end of 2015. The total balance sheet and off-balance sheet commitment reached the value of PLN 8,479,402,000 (commercial loans, housing loans and loans to local government units) at the end of February 2016, while the value of loans granted until 29.02.2016 amounted to PLN 287,364,000 (Table 25).

The total portfolio of commercial loans at the end of February 2016 in comparison to the end of December 2015, has slightly increased (by 0.30 %) reaching the value of PLN 5,305,865,000 at the end of February 2016. Loans for the financing of commercial real estate as at the end of February 2016 accounted for 62.57 % of the total loan portfolio of the Bank.

The total portfolio of housing loans at the end of February 2016 in comparison to the end of December 2015 has increased by 3.53 % and amounted to PLN 2,816,760,000. The share of housing loans in the total portfolio of the Bank amounted to 33.22 % as of 29.02.2016.

The total portfolio of loans to local government units (LGU) at the end of February 2016 in comparison to the end of December 2015 has decreased by 1.14 %, reaching a value of PLN 356,736,000. Loans to local government units accounted for 4.21 % of the total loan portfolio of the Issuer as of 29.02.2016.

The general trend in the currency structure of the total loan portfolio is a high share of loans denominated in PL , which accounted for 60.69 % of total loans at the end of February 2016. On the other hand, foreign currency loans accounted for 39.31 % of the total loan portfolio, while this group was dominated by loans in EUR (38.33 % of the portfolio) (Table 26).

The average LTV (*loan to value*) for commercial loans granted in the period between January - February 2016 amounted to 87.08 %.

MLV Ratio (the Mortgage Lending Value)/the market value of commercial loans granted in period between January –February 2016 amounted to 89.13% and was lower than the same ratio for loans in the same period of 2015 when it reached 94.46 %.

The value of the loan agreements signed in 2016 amounted to PLN 287,364,000, with PLN 156,035,000 accounted for 3 commercial credit agreement. The largest share in the portfolio of commercial loans concluded in the period from January to February 2016 have 2 signed agreements for loans to refinance the property, which value on the 29th February 2016 amounted to PLN 84,600,000. The value of the third loan agreement signed in 2016 to finance construction projects amounted to PLN 71,435,000. In period from January to February 2016 they were also signed 432 home loans with a value of PLN 131,329,000 (Table 27).

**Table 25 Bank's total loan portfolio by product groups (000'PLN)\***

| Products                                       |                                     | 29.02.2016       | 31.12.2015       | Dynamics<br>29.02.2016/<br>31.12.2015 |
|--|-------------------------------------|------------------|------------------|---------------------------------------|
| <b>Commercial loans</b>                        | <i>Balance sheet commitment</i>     | 4 509 542        | 4 429 610        | 1.80%                                 |
|  | <i>Off-balance sheet commitment</i> | 796 323          | 860 369          | -7.44%                                |
|  | <b>Total commitment</b>             | <b>5 305 865</b> | <b>5 289 979</b> | <b>0.30%</b>                          |
| <b>Housing loans</b>                           | <i>Balance sheet commitment</i>     | 2 707 133        | 2 601 184        | 4.07%                                 |
|  | <i>Off-balance sheet commitment</i> | 109 627          | 119 598          | -8.34%                                |
|  | <b>Total commitment</b>             | <b>2 816 760</b> | <b>2 720 782</b> | <b>3.53%</b>                          |
| <b>Loans granted to local government units</b> | <i>Balance sheet commitment</i>     | 356 736          | 360 855          | -1.14%                                |
|  | <i>Off-balance sheet commitment</i> | 0                | 0                | 0.00%                                 |
|  | <b>Total commitment</b>             | <b>356 736</b>   | <b>360 855</b>   | <b>-1.14%</b>                         |
| <b>Total</b>                                   | <i>Balance sheet commitment**</i>   | 7 573 452        | 7 391 743        | 2.46%                                 |
|  | <i>Off-balance sheet commitment</i> | 905 950          | 979 967          | -7.55%                                |
|  | <b>Total commitment</b>             | <b>8 479 402</b> | <b>8 371 710</b> | <b>1.29%</b>                          |

Source: The Issuer

\*Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors. This data refer to loan portfolio value together with interest rate less by impairment write-offs.

\*\* Loan portfolio, except from commercial loans, housing loans and loans granted to local government units, includes margin deposits in the amount of PLN 41,320 as of 29.02.2016. Loan portfolio, except from commercial loans, housing loans and loans granted to local government units, includes margin deposits in the amount of PLN 94,520 as of 31.12.2015.

**Table 26 Currency structure of total loan portfolio by main product groups\***

| Product  | 29.02.2016    |               |              | 31.12.2015    |               |              |
|--|---------------|---------------|--------------|---------------|---------------|--------------|
|  | PLN           | EUR           | USD          | PLN           | EUR           | USD          |
| Commercial loans   | 37.62%        | 60.90%        | 1.49%        | 40.84%        | 57.69%        | 1.47%        |
| Housing loans  | 99.17%        | 0.66%         | 0.16%        | 99.15%        | 0.68%         | 0.17%        |
| Loans for local government units   | 100.00%       | 0.00%         | 0.00%        | 100.00%       | 0.00%         | 0.00%        |
| <b>Total loan portfolio (balance sheet and off-balance sheet commitment)</b> | <b>60.69%</b> | <b>38.33%</b> | <b>0.98%</b> | <b>62.34%</b> | <b>36.67%</b> | <b>0.99%</b> |

Source: The Issuer

\* Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors.

**Table 27 Sale of loans –value and number of signed loan agreements – by product groups including pooling transactions (Pooling Model) (000'PLN)\***

| Product                           | 01.01.2016-29.02.2016 |            | 01.01.2015-28.02.2015 |            |
|-----------------------------------|-----------------------|------------|-----------------------|------------|
|                                   | value**               | number     | value***              | number     |
| <b>Commercial loans</b>           | <b>156 035</b>        | <b>3</b>   | <b>53 924</b>         | <b>4</b>   |
| including:                        |                       |            |                       |            |
| - construction projects           | 71 435                | 1          | 0                     | 0          |
| - real estate refinancing         | 84 600                | 2          | 25 394                | 3          |
| - land purchase                   | 0                     | 0          | 0                     | 0          |
| - loans to residential developers | 0                     | 0          | 28 530                | 1          |
| <b>Housing loans</b>              | <b>131 329</b>        | <b>432</b> | <b>251 658</b>        | <b>907</b> |
| <b>Public sector</b>              | <b>0</b>              | <b>0</b>   | <b>0</b>              | <b>0</b>   |
| <b>Total</b>                      | <b>287 364</b>        | <b>435</b> | <b>305 581</b>        | <b>911</b> |

Source: The Issuer

\* Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors.

\*\*Value of sale in period between 01.01.2016-29.02.2016 does not include annexes to loan agreements increasing total amount of credit from previous years. The value of agreements is based on total amount of credit specified in agreements, calculated on the basis of historical rates.

\*\*\* Value of sale in period between 01.01.2015-28.02.2015 includes annexes to loan agreements increasing total amount of credit from previous years in the amount of PLN 893,670. The value of agreements is based on total amount of credit specified in agreements, calculated on the basis of historical rates.

**Table 28 Issuer's performance indicators**

|  | 29.02.2016 | 28.02.2015 |
|--|------------|------------|
| Return on assets gross (ROA gross <sup>1</sup> ) | 0.55%      | 0.75%      |
| Return on equity gross (ROE gross <sup>2</sup> ) | 6.04%      | 7.72%      |
| Cost to income ratio (C/I <sup>3</sup> )         | 42.95%     | 55.13%     |
| Net interest margin <sup>4</sup>                 | 1.41%      | 1.94%      |
| Cost of risk <sup>5</sup>                        | 0.30%      | 0.42%      |
| Capital adequacy ratio <sup>6</sup>              | 15.23%     | 12.83%     |

Source: The Issuer

\* Operational and financial data of the Issuer (sourced from management data of the Issuer) unaudited and not reviewed by auditors.

The Issuer's performance indicators, identified as Alternative Performance Measures in accordance with the ESMA Guidelines entered into force of 3 July 2016.

Methods (definitions) of calculation of performance indicators and justification for the use of performance indicator:

| Performance indicator name         | Definitions  | Calculation methodology  | Justification for the use of the indicator (reasons for the use of specific Alternative Performance Measure)   |
|------------------------------------|--|--|--|
| Return on assets ratio (ROA gross) | ROA gross = gross profit / average assets  | Average assets (on 29.02.2016) - calculated as the sum of the value of assets as at 31.12.2015, 31.01.2016 and 29.02.2016 / 3 months<br><br>Average assets (on 28.02.2015) - calculated as the sum of the value of assets as at 31.12.2014, 31.01.2015 and 28.02.2016 / 3 months   | Basic indicator of the effectiveness of the bank. Changes in the value of the indicator in time illustrate trends in the capacity of assets to generate income. Commonly used for comparative analysis of the competition. Indicator also presented in the periodic Management Board Reports on the performance.                             |
| Return on equity ratio (ROE gross) | ROE gross = gross profit / average equity  | Average equity (on 29.02.2016) – average balance sheet amounts calculated as the sum of the value of equity as at 31.12.2015, 31.01.2016 and 29.02.2016 / 3 months<br><br>Average equity (on 28.02.2015) - average balance sheet amounts calculated as the sum of the value of equity as at 31.12.2014, 31.01.2015 and 28.02.2016 / 3 months | Basic indicator of the effectiveness of the bank. Changes in the value of the indicator in time illustrate the trends in the rate of return on invested capital by the shareholders. Commonly used for comparative analysis of the competition. Indicator also presented in the periodic Management Board Reports on the performance.        |
| Cost to income ratio (C/I)         | C/I (Cost to income ratio) = (overhead costs + amortisation and depreciation) / total income | Total income = net interest income + net fee and commission income + net trading income + other operating income - other operating expenses  | Basic indicator of the cost effectiveness. Changes in the value of the indicator in time illustrate trends in the amount of costs incurred in relation to earned income, and allow a comparison of the different banks in terms of cost effectiveness. Indicator also presented in the periodic Management Board Reports on the performance. |

|                        |   |  |  |
|------------------------|---|--|--|
| Net interest margin    | Net interest margin = net interest income / average interest-earning assets   | Average interest-earning assets (on 29.02.2016) - calculated as the sum of the value of interest-earning assets as at 31.12.2015, 31.01.2016 and 29.02.2016 / 3 months<br><br>Average interest-earning assets (on 28.02.2015) - calculated as the sum of the value of interest-earning assets as at 31.12.2014, 31.01.2015 and 28.02.2016 / 3 months   | Basic indicator of the cost effectiveness. Changes in the value of the indicator in time illustrate trends in the amount of costs incurred in relation to earned income, and allow a comparison of the different banks in terms of cost effectiveness. Indicator also presented in the periodic Management Board Reports on the performance. |
| Cost of risk           | Cost of risk = net write-downs for impairment of credit and loans / average balance of credits and loans granted to clients | Average balance of credits and loans granted to clients (on 29.02.2016) - calculated as the sum of the value of credits and loans granted to clients in the period 01.12.2015 - 29.02.2016 / 3 months<br><br>Average balance of credits and loans granted to clients (on 28.02.2016) - calculated as the sum of the value of credits and loans granted to clients in the period 01.12.2014 - 28.02.2015 / 3 months   | Basic indicator illustrating the level of write-downs for impairment, which due to the profile of the mortgage bank is the second, next to the net interest income, key element in shaping the overall result of the bank. Indicator also presented in the periodic Management Board Reports on the performance.                             |
| Capital adequacy ratio | Capital adequacy ratio = own funds / total risk exposure amount   | The total risk exposure amount calculated as at 29.02.2016 is the sum of: (i) the risk weighted exposure amounts for credit risk using the IRB slotting approach method by using supervisory approach in terms of assignments of exposures due to specialist crediting to risk categories (ii) the requirement from operational risk multiplied by 12.5, (iii) risk weighted exposure amounts in relation to counterparty risk with respect to derivatives<br><br>The total risk exposure calculated amount as at 28.02.2015 is the sum of: (i) the risk weighted exposure amounts for credit risk using the IRB slotting approach method by using supervisory approach in terms of assignments of exposures due to specialist crediting to risk categories (ii) the requirement from operational risk multiplied by 12.5, (iii) risk weighted exposure amounts in relation to counterparty risk with respect to derivatives | Basic regulatory indicator. Indicator also presented in the periodic Management Board Reports on the performance.  |

## 2.2 Significant change in the Issuer's financial position since 1st January 2016

After the end of 2015 the following significant events have taken place:

The Polish Financial Supervision Authority in the decision dated 7 January 2016 gave consent to include cash in the amount of PLN 100,000,000 to the Tier II capital of mBank Hipoteczny S.A., granted according to the terms of the subordinated loan no. 35/2015 dated 12 November 2015 .concluded between mBank Hipoteczny S.A. and mBank S.A.

As of 31<sup>st</sup> December 2015 the Bank had a claim in the amount of PLN 1,734,000, which, in 100%, was included in a write-down for impairment in connection with the bankruptcy of counterparty (the information contained in Note 13 of the Financial Statements of the Issuer for 2015). On 7<sup>th</sup> January 2016 as a result of the final distribution plan of the bankruptcy estate funds, according to the court decision dated 4<sup>th</sup> January 2016, the Bank received reimbursement of a part of the debt in the amount of PLN 906,500 from the contractor.

Moreover, on 7<sup>th</sup> January 7 2016 Fitch Ratings Ltd. placed the rating of mortgage covered bonds issued by mBank Hipoteczny S.A. under review with positive indication due to the Amendment coming into force as of 1<sup>st</sup> January 2016. Legislative changes had no impact on the rating of public sector covered bonds issued by the Bank.

On 7<sup>th</sup> March 2016 Fitch Ratings Ltd. raised the long-term international IDR rating ("*Issuer Default Rating*") of mBank Hipoteczny S.A. from 'BBB-' (positive outlook) to the level "BBB" (stable outlook) following the increase of IDR rating of Commerzbank AG from "BBB" to "BBB +" and mBank S.A. from "BBB-" to "BBB".



As a result of the aforementioned credit rating operation, the short-term international IDR rating of Bank was increased from "F3" to "F2" and support rating was affirmed at level "2".

According to Fitch Ratings Ltd. there is a high probability of support from Commerzbank AG and mBank S.A. for the Issuer if there is a need.

Long-term rating of mBank Hipoteczny S.A. after the change is in the scale of investment in the category of "BBB" denoting good creditworthiness.

On 7 March 2016 Fitch Ratings Ltd. upgraded the rating for the appropriate mortgage covered bonds and public sector covered bonds issued by the Bank, from "BBB" (positive outlook) to the level of "BBB +" (positive outlook for mortgage covered bonds, stable outlook for public sector covered bonds). Change in the ratings of covered bonds of the Bank resulted from an increase in international long-term rating IDR ("*Issuer Default Rating*") of mBank Hipoteczny S.A. and taking into account in the assessment of Fitch Ratings Ltd. statutory requirement to maintain the Bank's minimum level of 10% over-collateralization of covered bonds.

Ratings for the public covered bonds and for the mortgage covered bonds issued by mBank Hipoteczny S.A. after the change are in the scale of investment in the category of "BBB +" denoting good financial credibility.

On 4<sup>th</sup> May 2016 Fitch Ratings Ltd. confirmed its rating for the public covered bonds issued by the Bank at "BBB +" (stable outlook).

On 20<sup>th</sup> May 2016 Fitch Ratings Ltd. confirmed its rating for the mortgage covered bonds issued by the Bank at "BBB +" (positive outlook).

On 30<sup>th</sup> June 2016 Fitch Ratings Ltd. made the decision (published on 1st July 2016) to increase the rating of Bank's mortgage covered bonds from "BBB+" to "A" and maintained a positive outlook. The upgrade was a result of changes in the Covered Bond Act, which entered into force on 1 January 2016. Positive outlook of mortgage covered bonds reflects the expectations of Fitch Ratings Ltd. for mitigation of (on an annual basis) credit risk and currency risk of receivables from granted and purchased mortgage backed loans entered in collateral register for mortgage covered bonds. As a result of the above changes, the rating of mortgage covered bonds issued by the Bank ranks in the scale of investment in the category "A" denoting high creditworthiness.

On 9<sup>th</sup> March 2016 the Bank made a public issue of five-year mortgage covered bonds with a nominal value of PLN 300 million at a variable rate.

On 23<sup>rd</sup> March 2016 the Issuer has made a public, five-year issue of the mortgage covered bonds with a nominal value of EUR 50 million at a variable rate.

On 28<sup>th</sup> April 2016 the Bank made a public, four-year issue of the mortgage covered bonds with a nominal value of PLN 50 million at a fixed rate.

On 11<sup>th</sup> May 2016 the Issuer made a public, four-year issue of mortgage covered bonds with a nominal value of PLN 100 million at a fixed rate.

### **3. Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for at least the current financial year**

In the opinion of the Issuer following significant trends, uncertainties, demands, commitments or events may have an impact on the development prospects of the Issuer, at least until the end of the current financial year, broken down into:

- external factors – beyond the Issuer's control,
- internal factors – closely connected with the Bank's activity.

### 3.1 External factors

#### 3.1.1. Macroeconomic factors

- The dynamics of economic development and growth prospects of the economy affects and will affect the real estate market in Poland, and therefore the mortgage market. As a result, these factors have a significant impact on the Issuer. The increase in gross domestic product in Poland in 2015 reached 3.6% on an annual basis, compared with an increase on the level of 3.3% in 2014. According to the forecasts IBnGR for 2016, the growth rate of gross domestic product remain at level 3,6%, while in 2017 the economic situation will deteriorate, and the projected rate of GDP growth will amount to 3.1% (source: *Instytut Badań nad Gospodarką Rynkową „Stan i prognoza koniunktury gospodarczej” nr 89 (styczeń 2016)* [http://www.ibngr.pl/content/download/2148/20007/file/PROGNOZY\\_2016.1.pdf](http://www.ibngr.pl/content/download/2148/20007/file/PROGNOZY_2016.1.pdf)). The fall in economic growth may adversely affect the situation of the construction industry, and therefore the segment of commercial real estate and may contribute to a decrease in employment and wage levels, which in turn may contribute to a decrease in demand for mortgage loans granted by the Issuer to purchase real estate (both commercial and residential estate).
- According to the analyzes of the Institute for Market Economics, the unemployment rate in Poland in 2015 was lower compared to 2014 and amounted to 9.8%. It is estimated that in 2016 the labor market situation will continue to improve, what will be the result of continued relatively high rate of economic growth in the first half of the year. The fall of unemployment can have a positive impact on the demand for residential properties , and thus an increase in demand for mortgage loans
- The average annual inflation rate at the end of 2015 amounted to -0.9 % , which meant deflation or fall in the average level of consumer prices. Deflation also maintained in the first quarter of 2016. In subsequent quarters of 2016 slight increase in prices is projected, which will achieve the level of inflation of 0.7 % over all 2016. (source: *IBnGR "Status and forecast of economic situation " No. 89 ( January 2016)*).
- In March 2015 the Monetary Policy Council lowered the basic interest rates of the Polish National Bank, which resulted in a decrease in interest on loans granted by the Issuer. In January 2016 new members of the Monetary Policy Council were elected, but at the first meeting in the new composition of the Council interest rates have not been changed, what positively affects the sales of mortgage loans and the timely fulfillment of credit commitments of borrowers.
- Exchange rates have a decisive influence on the Bank's credit portfolio. This is due to exchange rate differences, which in case of loans granted in foreign currencies are the result of exchange rate fluctuations and consequently can charge borrowers. Commercial loans are largely provided by the Issuer in foreign currencies (59.16 % on 31.12.2015), which in the case of a currency crisis may have a negative impact on the ability to repay loans. The high share of foreign currency loans results from lower interest rates compared to loans in zlotys and the fact that the rent in commercial properties is set in foreign currencies.
- At the end of 2015 the main interest rate in the euro area was 0.05 % and in the USA interest rate until 16 December 2015 had been 0.25 % . On that day, the US central bank raised interest rates to 0.5 % .
- At the end of 2015 the main interest rate in the euro area was 0.05 % <sup>6</sup>, and in the USA until 16 December 2015 the interest rate had been 0.25%. On that day, the USA central bank raised interest rates to 0.5%<sup>7</sup>.

#### 3.1.2. The prospects for real estate market development in Poland<sup>8</sup>

- Residential real estate market in 2015 remained in a stabilization phase, thanks to a very good macroeconomic indicators and increased demand for buying fund government subsidies "Apartment for

<sup>6</sup> The European Central Bank, <https://www.ecb.europa.eu/stats/monetary/rates/html/index.en.html>

<sup>7</sup> FED, <http://www.global-rates.com/interest-rates/central-banks/central-bank-america/fed-interest-rate.aspx>

<sup>8</sup> On the basis of mBank Hipoteczny S.A. report, Report on real estate market – Spring 2016, (<https://mhipoteczny.pl/raporty/>) and article *Home Broker*, author Marcin Krasoń, *Home Broker*, dated 15.12.2015 r. (<https://homebroker.pl/artykuly/analizy/1490-podsumowanie-roku-w-nieruchomosciach-i-prognozy-na-2016>)

Young" The fourth quarter of 2015 was the last, in which the buyer could take out a loan with a 10% own funds without additional insurance. An increase in the amount and availability of real estate for large families and inclusion of real estate from secondary market had a positive influence on this segment of the market. Increased activity of buyers of real estate for investment purposes was also noticeable. The increase in demand was also influenced by the implementation in 2016 of Bank's tax and the related fears of potential borrowers on growing margins of banks providing the financing.

- In addition, 2015 hit a record in terms of developers purchasing land for housing real estate. The activity of developers in buying plots should translate into an increase in the number of building permits obtained and commenced new projects in 2016. According to data from the Central Statistical Office for 2015, building permits number received by developers increased by 20.5 % y-o-y.
- Commercial real estate market peaked in 2015 the best result since 2006 in terms of transaction volume. Most active investors were evident in the retail and office sector. The value of transactions carried out in 2015 on the retail market accounted for 54 % of all transactions in the commercial real estate market in the past year. While office properties accounted for 33 % of transactions in commercial real estate. Warehouse market accounted for only 11 % of the volume of transactions. The attractiveness of the Polish real estate market confirms the great interest from foreign investors, especially in the commercial real estate market.
- In 2015 there was a record supply of office space, which contributed to a decline in rental rates and the increase in vacancy rates. These factors discouraged potential investors to invest their capital in this type of property. The largest office market in Poland is located in Warsaw with the total resources of 4.6 million m<sup>2</sup> (at the end of 2015). However, in the capital the suspension of new investments was noticeable (only 27% of the volume of new investments started at the end of 2015 in comparison to 2014). Increasing investor interest not only capital, but also in regional markets is a visible trend in the office market.
- Retail space market in Poland is becoming a mature market. In large cities there is a high concentration of retail space. Therefore, the interest of developers in commercial objects and convenience in smaller cities was noticeable. In 2015 however, there has been a reversal of this trend - there was an increase in launching housing constructions in the major metropolitan areas, whose share at the end of 2015 reached 55%. There was a decrease in development activity in smaller cities, with less than 100 thousand of residents. In order to adapt to market requirements of older commercial buildings owners carry out the expansion, remodeling and recommercialisation these objects. Projects combining the functions of retail, office and cultural (i.e. *mixed use real estate*) are increasingly more popular. The vacancy rate in the segment of commercial real estate remains low at level 1.5%-4%.
- On the other hand, forecasts for the warehouse space market are very positive due to the high attractiveness of this segment for foreign investors. The total resources of warehouse space at the end of 2015 amounted to 9.7 million of m<sup>2</sup>. The activity of developers, pursuing new investments remains high. Most new warehouse space was delivered in 2015 in Poznan, Upper Silesia and in the region of northern Poland. The warehouse property market is dominated by projects made under the specific purchaser (BTS - *Build To Suit*). Growing popularity of small objects combining functions of office and warehouse is also noticeable. Tenant demand is focused on three regions: Central Poland, near Warsaw and Upper Silesia (together representing approximately 59 % of the total gross demand as of 30 September 2015). The vacancy rate at the end of 2015 fell to record low levels on average 5%.
- Among the most significant market trends on commercial real estate financing in 2015 the Issuer counts:
  - (i) the increase in investor activity in the field of real estate trading,
  - (ii) limiting exposure to individual entities and projects, and consequently more prone to risk-sharing through participation in interbank consortium,
  - (iii) increase of office space investment in regional cities,
  - (iv) banks offering low credit spreads, even below the level 2.0%.

- In the area of financing of commercial housing lending noticeable are:
  - (i) increase in developers' activity in project implementation,
  - (ii) a liberal approach of banks to assess the projects, especially in terms of their own funds and pre- along with converging expectations of some developers,
  - (iii) a pressure on banks to decrease margins even below the level of 2.5%.
- Development forecasts for real estate market for 2016 are moderately optimistic. Further interest in investing in real estate by entities with capital resources is expected, which will help building demand for loans granted by mortgage banks to finance the purchase of real estate.
- In 2016 the situation of the real estate market, especially residential real estate will be affected by such factors as: programme "Apartment for Young" and in the case of a large interest in the program into the possible use of funds limit that can be paid in a given year in the first half of 2016., the level of interest rates and increase of borrowers own funds to finance own condo in accordance with Recommendation S (from the current 10 % to 15 % of own funds).
- The introduction of a bank tax (amounting to 0.44% of the value of assets), and thus any changes in profit margins of banks providing financing for the purchase of real estate, is also significant for the whole industry.
- New Act on Shaping of the Agricultural System is in force since the beginning of 2016, which imposed significant difficulties in land trade, which could have an impact on purchases of plots for development in the coming years.

### 3.1.3. Covered bonds market

- The covered bond market in Poland has a large growth potential, both in the existing and future portfolio of mortgage loans. The Amendment, effective from 1 January 2016, aims to develop the Polish covered bonds market. The covered bonds as long-term securities, allow you to increase the stability of the domestic financial sector, which now is faced with the liquidity gap resulting from the bank financing housing loans by short-term deposits and i.e. deposits on current accounts. At the same time, banks were given the opportunity to obtain cheaper mortgage loans financing through the covered bonds.
- The Amendment removes the barriers on investment in the Polish covered bonds, both by polish and foreign investors. The Amendment also introduces mechanisms to improve the safety of investments in covered bonds and raises the limits on refinancing mortgage loans granted by banks by covered bonds. Changes introduced in the Amendment should positively influence the size and liquidity of the covered bonds market in Poland.
- The value of all covered bonds in trading amounted to PLN 5.37 billion at the end of 2015, where PLN 4.08 billion of these covered bonds was issued by the Bank, which is, in the opinion of the Issuer, over 75% market share. The remaining part was issued by Pekao Bank Hipoteczny (PLN 1.29 billion - less than 24% market share) and PKO Bank Hipoteczny S.A. (PLN 30 million - less than 1% market share). The majority of the covered bonds in trading are covered bonds with maturity from 4 to 7 years.
- In March and April 2015 two universal banks (Raiffeisen Polbank S.A. and Getin Noble Bank S.A.) filed in the Polish Financial Supervision Authority requests for a permit to establish the mortgage bank. According to the information given on the website of Getin Noble Bank S.A. (*source: Getin Noble Bank S.A., <http://gnb.pl/aktualnosci/id/4104>*), Getin Noble Bank S.A. applied for amendment of the statute of BPI Bank Polskich Inwestycji S.A. (its subsidiary) and the establishment of a mortgage bank on this basis, which will start business activity in 2017. There is no further information regarding the applications submitted by Raiffeisen Polbank S.A. A possible increase in the number of mortgage banks in Poland may affect the increase in the supply of the covered bonds and growing competition. As a result, this may affect the increase in the cost of financing loans by the covered bonds by the Issuer.

### 3.1.4. Rating

- On 7 January 2016 Fitch Ratings Ltd. placed the rating of the mortgage covered bonds issued by mBank Hipoteczny S.A. (currently at the level "BBB") under review with positive indication due to the Amendment of the Covered Bond Act coming into force as of 1st January 2016. Legislative changes had no impact on the rating of the public covered bonds issued by the Bank (currently at the level "BBB").
- However, on 7 March 2016 Fitch Ratings Ltd. raised the long-term international IDR rating ("*Issuer Default Rating*") of mBank Hipoteczny S.A. from "BBB-" (positive outlook) to the level "BBB" (stable outlook) following the increase of IDR rating of Commerzbank AG from "BBB" to "BBB +" and mBank S.A. from "BBB-" to "BBB". As a result of the aforementioned credit rating operation the short-term international IDR rating of Bank was increased from "F3" to "F2" and support rating was affirmed at "2". According to Fitch Ratings Ltd. there is a high probability of support from Commerzbank AG and mBank S.A. for the Issuer if there is a need. Long-term rating of mBank Hipoteczny S.A. after the change is in the scale of investment in the category of "BBB" denoting good creditworthiness.
- On 7 March 2016 Fitch Ratings Ltd. upgraded the rating for the mortgage covered bonds and the public covered bonds issued by the Bank, from "BBB" (positive outlook) to the level of "BBB +" (positive outlook for mortgage covered bonds, stable outlook for public sector covered bonds). Change in the ratings of covered bonds of the Bank resulted from an increase in international long-term rating IDR ("*Issuer Default Rating*") of mBank Hipoteczny S.A. and taking into account in the assessment of Fitch Ratings Ltd. statutory requirement to maintain the Bank's minimum level of 10% over-collateralization of covered bonds. The ratings for public and mortgage covered bonds of mBank Hipoteczny S.A. after the change are in the scale of investment in the category of "BBB +" denoting good financial credibility.
- On 4 May 2016 Fitch Ratings Ltd. confirmed its rating for public mortgage covered bonds issued by the Bank at "BBB +" (stable outlook).
- And on 20 May 2016 Fitch Ratings Ltd. confirmed its rating for mortgage covered bonds issued by the Bank at "BBB +" (positive outlook).
- On 30 June 2016 Fitch Ratings Ltd. made the decision to increase the rating of Bank's mortgage covered bonds from "BBB+" to "A" and maintained a positive outlook. The upgrade was a result of changes in the Covered Bond Act, which entered into force on 1 January 2016. Positive outlook of the mortgage covered bonds reflects the expectations of Fitch Ratings Ltd. for mitigation of (on an annual basis) credit risk and currency risk of receivables from granted and purchased mortgage backed loans entered in collateral register for mortgage covered bonds. As a result of the above changes, the rating of mortgage covered bonds issued by the Bank ranks in the scale of investment in the category "A" denoting high creditworthiness

### 3.1.5. Legal environment

The Amendment, adopted on 24 July 2015, significantly improves the legal infrastructure on mortgage banking, and in particular increases the safety of mortgage banks' operations and strengthens the rights of the covered bonds' holders.

The most substantive changes relate to:

- a) the rules of mortgage banks' business activity:
  - introduction of the 10% statutory overcollateralization for covered bonds in the form of assets entered in the register of security of covered bonds,
  - introduction of statutory protection for 6 monthly interest payments of covered bonds in the form of assets entered in the register of security of covered bonds but not forming effective basis for the issue of covered bonds,
  - introduction of an obligation for a mortgage bank to carry out coverage balance test and liquidity test in order to determine, whether the assets entered in the collateral register for covered bonds are sufficient to

fully satisfy the creditors of the covered bonds and to fully satisfy the holders of covered bonds with extended maturity dates referred to in the Insolvency Law;

- introduction of an obligation for the trustee to notify the PFSA in the case of negative results of the abovementioned tests, which guarantees an immediate response of the supervisor,
- further limitation of the possibility of earlier redemption of covered bonds by the issuer, where issue terms and conditions so provide,
- increasing the scale of refinancing loans secured on residential property from 60% of the mortgage lending value to the level of 80% of the mortgage lending value through the covered bonds.

b) the procedures and principles of insolvency proceedings in relation to mortgage banks and, in the event of bankruptcy of a mortgage bank, payment to the creditors of the covered bonds, through:

- detailed regulation of bankruptcy proceedings and all its stages, as well as the competence of the participants, which is separate for mortgage banks,
- introduction of the obligation for the official receiver to carry out coverage balance test and liquidity test, the results of which indicate the mode of satisfying creditors of covered bonds,
- initial extension of maturity date of covered bonds with one year from the original maturity date (basic procedure in case of a positive result of both of the above tests),
- introduction of the i.e. procedures for pass-through in case of a negative result of at least one of the above tests, which means that the maturity bonds shifts, but they should be supported at this time in terms of interest payments, and as well they should be repaid earlier,
- strengthening of the rights of holders of covered bonds in the event of bankruptcy of a mortgage bank,
- regulation of charging interest on covered bonds in the event of bankruptcy of a mortgage bank.

c) introduction of necessary changes in the tax law:

- exemption from withholding tax to interest payments or discount on covered bonds,
- equal tax treatment of loans acquired by the mortgage bank from loans granted by the bank (including provisions are an deductible cost for the bank).

d) increasing to 5% limit of the acceptable level of investment in covered bonds by pension funds.

The above changes entered into force on 1 January 2016. From 1 January 2016 the Ordinance of the Finance Minister dated 30 December 2015 on conduct of account security of covered bonds and the balance test coverage and liquidity test also came into force (Dz. U. dated 31 December 2015).

In July 2015 the following supervisory recommendations directed to mortgage banks have been changed: Recommendation F on the basic criteria applied by the Polish Financial Supervision Authority for the approval of the regulations (issued by mortgage banks) for determining the mortgage lending value of the property and Recommendation K on the rules of maintaining by mortgage banks of mortgage collateral register for covered bonds. The latter has also been changed in February 2016 in order to make it compliant with the new wording of the Covered Bond Act.

### 3.2 Internal factors

The purpose of the Issuer is to develop an effective mechanism for financing the real estate market through the issue of long-term debt securities. The main internal factor determining the development of the Bank is its ability to maintain its leading position among the banks issuing covered bonds in Poland. The Bank builds its market position and internal stability based on a number of factors, which in the future will have an impact on the

implementation of the strategy and business objectives of the Issuer, and thus on the business and financial results. These include among others:

- Maintenance of experienced and educated staff of the Bank in all key areas of activity of the Issuer,
- Strengthening position in the financing of commercial real estate market and housing real estate market,
- High quality management of modern and comprehensive IT systems,
- Improving processes and risk management systems in order to improve the safety of operations of the Issuer,
- Activity on financial forum (the Bank is a member of the Polish Bank Association as well as the Mortgage Credit Foundation).

**The other internal factors affecting the development prospects of the Issuer are as follows:**

- The ability to create and properly use operational procedures, in particular in connection with the extension of the scope of the Bank's business activity to include mortgage retail loans and outsourcing to external entities the substantial scale of conducted operations,
- The adopted by the Issuer in June 2015 updated strategy for the years 2016-2019. The main directions of development and strategic goals remain consistent with conditions laid down in the previous version of the strategy from 2013. Assumptions of Bank's development strategy for the period from 2016 to 2019 are described below in Section 4 of this Chapter.
- The introduced by the Issuer in May 2015 change in the methodology for estimating i.e. the portfolio provision (IBNR) for loans from the commercial business line. The primary purpose of the changes was to better adapt the method to the requirements of the Polish Financial Supervision Authority recommending the use of *Point In Time* approach to estimating the probability of losing the ability to service the debt (PD - *probability of default*). In particular, loss identification period (LIP - *loss identification period*) increased from six to eight months. As a result of these changes the level of reserves increased at the end of 2015.
- The amendments to the Credit Policy of mBank Hipoteczny S.A. introduced by the Management Board in May 2015, included the unification of the mBank Group approach to the financing of revenue, commercial real estate (CRE). As a result of the changes, the preferred directions of the acquisition were designated, as well as defined events of high-risk credit decisions.
- Ongoing work related to the implementation of the internal ratings based approach (IRB), as a task of high priority and long-term nature. Seven internal models in the area of commercial granted conditional approval of PSFA on 27.08.2012. Three other rating models for hotels and business establishments were approved by the German Financial Supervisory Authority BaFin and the PFSA on 10.04.2014 r. Positive conditional decision on the extension of the use of method for the above models allowed us to use, with immediate effect, the IRB (*slotting approach*) to calculate capital requirements for credit risk on a consolidated basis (Commerzbank Group), sub-consolidated basis (the mBank Group) and the individual (mBank Hipoteczny S.A.)
- The implementation by the Issuer in September 2015 of the last Recommendation D published by Polish Financial Supervision Authority. The initiative on data management (*Data Governance*) of the Bank is to ensure the safety of information systems created and used by the Issuer. Introduced standards for data management will, inter alia, maintain the high reliability of the Issuer to investors and credit rating agencies.
- Introduction by the Bank in December 2015 of provisions concerning the maximum rate of LTC (*Loan to Cost*), geographical restrictions and project supervisors, and introduced limits for new committed credit (115 million PLN in the segment of revenue commercial real estate (CRE) and 95 million PLN in segment of residential developers), which will allow the Issuer to reduce credit risk and concentration risk in 2016 and subsequent years.

- Ultimately, the subject of the work is also taking method LTC for retail portfolio based on the adaptation of the models used in mBank S.A. Submission of Application for the use of statistical methods to calculate capital requirements for credit risk in relation to retail exposures obtained in cooperation with mBank is planned in the second half of 2016.
- Work on the implementation of Recommendation W of the Polish Financial Supervision Authority on the risk management models of banks. The analysis of gaps was conducted and work schedule was adopted, according to which the full implementation of the Recommendation W will be completed by 30 June 2016.

#### 4. **The Issuer's development strategy**

Maintenance of the achieved position among domestic mortgage banks as well as realization of significant mission in the area of commercial real estate and the leader of covered bonds is Bank's strategic in the coming years.

In June 2015 the Bank adopted amendment in business strategy for years 2016-2019. The main directions of development and strategic goals identified in the previous version of the strategy from 2013 remain valid.

Issuer's business strategy formulates two main strategic goals for the Bank for years 2016-2019, i.e.:

- Build the largest possible portfolio of real estate assets under the current risk management strategies that meet the criteria of security of covered bonds,
- Maximum use of the covered bonds as a tool for long-term refinancing of the portfolio of mortgage loans.

Since 2013 the Bank carries out a strategic project, based on a model of cooperation with mBank in the construction and refinancing of retail portfolio by issuing covered bonds. In September 2013 the Bank launched a mortgage lending to individuals, which was offered primarily through the sales network of the mBank Group. This applies to the loans which meet the criteria for entry to the collateral register for the covered bonds and potentially form the basis of their issue. In the third quarter of 2014, the construction of the retail loan portfolio was further supported by the implementation of pooling model, which involves the takeover of an existing portfolio of retail mortgages of mBank. The first transactions of this type took place in September and October 2014.

In 2015 the Bank continued to work to build a new portfolio of mortgage retail loans acquired in the formula of cooperation with mBank, improving the credit process, taking over the retail loan portfolio of mBank within the pooling model (four consecutive four pooling transactions) and the refinancing of the portfolio by the covered bonds issue.

In the period from 2016 to 2019, the Bank will gradually restrict the financing of projects below 10 million PLN and will focus its attention on the financing of projects with a value exceeding 10 million PLN (including a limit on derivative transactions), and falling below the limit concentration of credit (currently 35 million). The Bank's priority will be financing commercial real estate with low-risk investment and high standards, located in large and medium-sized urban center, while in the smaller - only for prime locations. The Bank will finance, in particular, the property consisting of the following segments: office buildings, warehouses and commercial spaces.

The main purpose of the sales is to refinance or finance the purchase of finished, commercialized objects. Secondly, the Bank will focus on acquiring customers in the area of financing commercial developers. These loans after the completion of the construction phase will be converted to long-term refinancing loans.

Moreover, in period 2016 to 2019 the Bank, using past experience in the financing of housing investments, will continue to credit projects to finance residential developers. The loan will be offered to developers with a market success, which could demonstrate experience, practice, market timing and well-prepared projects tailored to the needs of the market. First of all, the Bank will continue to work with developers, which previously completed successful residential projects.



In implementing the strategy for the years 2016-2019, the Bank will develop its activity in the retail area for the construction of a portfolio of mortgage loans to individuals, either through the sale of new loans, as well as the transfer of the existing portfolio of loans from mBank and the refinancing by covered bonds.

The Bank will use its own experience and the experience of the mBank Group in this market, following eligibility criteria for loans being the basis for covered bonds issue. mBank Group aspires to increase its participation in financing the mortgage market for individuals to about 10 % in the 2019.

The Bank's activities in the years 2016-2019 will be financed from the six major sources:

- covered bonds, including:
  - (i) those secured by mortgage backed retail loans (in PLN),
  - (ii) those secured by mortgage backed commercial loans (in PLN, EUR),
- own bonds,
- long-term credit line (in PLN, EUR)
- term deposits and current deposits,
- subordinated loan granted by mBank S.A.
- own funds.

The Issuer will try, through the increase of balance sheet total in the coming years, to build such a structure of assets, which allows for issuance of the greatest possible volume of mortgage covered in accordance with the law.

Planned issues are denominated both in PLN and EUR. According to current practice, the maturity of each tranches will range between 5 to 10 years.

#### **5. Material changes in the Issuer's financial and economic position**

From period starting on 31 December 2015 to the Prospectus Date there were no significant changes in financial and economic situation of the Issuer except for the changes described in Section 2.2 of this Chapter. Significant trends that occurred in the period from the date of preparation of the recent financial statements are discussed in Section 3 of this Chapter.

As at the Prospectus Date, the Issuer is not aware of any trends, uncertainties, demands, commitments or events, apart from those mentioned in paragraph 2 and 3 of this Chapter that are reasonably likely to have a significant impact on the Issuer's prospects for at least the current financial year.

**X. THE PROFIT FORECAST OR ESTIMATES**

The Issuer did not publish, and decided not to present in the Prospectus, financial forecasts or estimated financial results.

**XI. ADMINISTRATIVE, MANAGING AND SUPERVISORY ENTITIES. SHAREHOLDERS****1. Administrative, managing and supervisory entities****1.1 Management**

The names and surnames of the members of the management board of the Issuer, as of the Prospectus Date, are provided below including the information on the business address, position in the Issuer and the information about principal activities performed outside the Issuer, where these are significant with respect to the Issuer (if such activity is performed by that person).

| <b>Name and surname</b> | <b>Position in the Issuer</b>     | <b>Business address</b>  | <b>Principal activities performed outside the Issuer, where these are significant with respect to the Issuer</b>   |
|-------------------------|-----------------------------------|--|--|
| Piotr Cyburt            | President of the Management Board | mBank Hipoteczny S.A.<br>Al. Armii Ludowej 26, 00-609 Warsaw   | 1/ Vice-chairman of the Supervisory Board of mLocum S.A.<br>2/ Member of the Supervisory Board of Hochtief Polska S.A.<br>3/ Member of the Board of Związek Banków Polskich<br>4/ Vice-chairman of the Programme Council of Fundacja na rzecz Kredytu Hipotecznego<br>5/ Vice-chairman of the Supervisory Board of BDH Development Sp. z o.o.<br>6/ Member of the Supervisory Board of Poznańska Korporacja Budowlana Pekabex S.A. |
| Marcin Romanowski       | Member of the Management Board    | mBank Hipoteczny S.A.<br>Al. Armii Ludowej 26, 00-609 Warsaw   | 1/ Member of the Supervisory Board of mLocum S.A.<br>2/ Member of the Supervisory Board of BDH Development Sp. z o.o.  |
| Marcin Wojtachnio       | Member of the Management Board    | mBank Hipoteczny S.A.<br>Al. Armii Ludowej 26, 00-609 Warsaw   | Not applicable   |
| Grzegorz Trawiński      | Member of the Management Board    | mBank Hipoteczny S.A.<br>Al. Armii Ludowej 26, 00-609 Warszawa | 1/ Member of the Management Board of Stowarzyszenia Polska Rada Centrów Handlowych   |

## 1.2 Supervisory Board

Names and surnames of members of the supervisory board of the Issuer, as of the Prospectus Date, are provided below including the information on the business address, position in the Issuer and the information about principal activities performed outside the Issuer, where these are significant with respect to the Issuer (if such activity is performed by that person).

| <b>Name and surname</b> | <b>Position in the Issuer</b>          | <b>Business address</b>                        | <b>Principal activities performed outside the Issuer, where these are significant with respect to the Issuer</b>   |
|-------------------------|--|--|--|
| Hans-Dieter Kemler      | Chairman of the Supervisory Board      | mBank S.A.<br>ul. Senatorska 18, 00-950 Warsaw | Vice-President of the Management Board responsible for Financial Markets, mBank S.A.   |
| Lidia Jabłonowska-Luba  | Vice-chairman of the Supervisory Board | mBank S.A.<br>ul. Senatorska 18, 00-950 Warsaw | 1/ Vice-President of the Management Board of mBank S.A.<br>2/ Director of Risk Management  |
| Jörg Hessenmüller       | Member of the Supervisory Board        | mBank S.A.<br>ul. Senatorska 18, 00-950 Warsaw | 1/ Vice-President of the Management Board responsible for Finance, mBank S.A.<br>2/ Vice-chairman of the Supervisory Board of mLeasing Sp. z o.o.<br>3/ Chairman of the Supervisory Board of mLocum S.A.<br>4/ Chairman of the Supervisory Board of BDH Development Sp. z o.o. |
| Cezary Kocik            | Member of the Supervisory Board        | mBank S.A.<br>ul. Senatorska 18, 00-950 Warsaw | 1/ Vice-President of the Management Board of mBank S.A.<br>2/ Chairman of the Supervisory Board of Aspiro S.A.<br>3/ Chairman of the Supervisory Board of BRE Property Partner Sp. z o.o.  |
| Michał Popiołek         | Member of the Supervisory Board        | mBank S.A.<br>ul. Senatorska 18, 00-950 Warsaw | 1/ Director of the Department of Structured Finance and Mezzanine in mBank S.A.  |
| Dariusz Solski          | Member of the Supervisory Board        | mBank S.A.<br>ul. Senatorska 18, 00-           | Director of the Department of Credit Products in mBank S.A.  |

| <b>Name and surname</b> | <b>Position in the Issuer</b>   | <b>Business address</b>  | <b>Principal activities performed outside the Issuer, where these are significant with respect to the Issuer</b> |
|-------------------------|---------------------------------|--|--|
|                         |                                 | 950 Warsaw   |  |
| Mariusz Tokarski        | Member of the Supervisory Board | Bazy i Systemy Bankowe Sp. z o.o.<br>ul. Kasprzaka 3<br>85-321 Bydgoszcz | 1/ President of the Management Board of Bazy i Systemy Bankowe Sp. z o.o.  |

### 1.3 Conflict of interests

Neither conflict of interests nor potential conflict of interest exists between any duties of the members of the Management Board of the Issuer and the members of the Supervisory Board of the Issuer to the Issuer and their private interests or other duties.

In the opinion of the Issuer a potential conflict of interest does not occur even though the President of the Management Board of the Issuer Mr. Piotr Cyburt is a member of the supervisory board of Hochtief Poland Sp. z o.o., BDH Development Sp. z o.o. and Poznańska Korporacja Budowlana Pekabex S.A. and that Marcin Romanowski as the Member of the Management Board of the Issuer and Jörg Hessenmüller as the Member of the Supervisory Board of the Issuer are members of the supervisory board of the company BDH Development Sp. z o.o.

The companies BDH Development Sp. z o.o., Poznańska Korporacja Budowlana Pekabex S.A. and Hochtief Polska Sp. z o.o. are entities that are or may be potential borrowers of the Bank. However, the decisions of the Bank, including those related to its credit activity, are made solely on the basis of a detailed assessment of an investment project, taking into account its profitability and safety. When preparing an analysis of investment projects and decisions about their financing no economic entities are preferred.

## 2. Major Shareholders

### 2.1 Information about the entity holding shares in the Issuer and controlling the Issuer; the nature of this control and the existing mechanisms that prevent its abuse

The sole shareholder of the Issuer is the mBank. As at the Prospectus Date the mBank has a total of 3,090,000 registered shares in the Issuer's share capital with a nominal value of PLN 100 each (including 500,000 ordinary shares of series A, 850,000 ordinary shares of series B, 400,000 ordinary shares of series C, 1,000,000 ordinary shares of series D, 100,000 ordinary shares of series E shares, 140,000 ordinary shares of series F and 100,000 ordinary shares of series G). Each share gives one vote at the General Meeting of Shareholders of the Issuer.

Commerzbank AG is a strategic shareholder of the mBank and as of 31 March 2016 held 69.49% of the share capital and votes at the general meeting of mBank S.A.

Besides the mechanisms set out in the generally applicable provisions of law, in particular the provisions of the Commercial Companies Code (art. 6 of the Commercial Companies Code (the right to request information about the occurrence of a dominance relationship), art. 20 of the Commercial Companies Code (the obligation of equal treatment of shareholders), art. 385 § 3 of the Commercial Companies Code (the right to submit applications for appointment of Members of the Supervisory Board in voting groups), art. 422 § 1 of the Commercial Companies Code (right to bring a claim for annulment of the resolution of the General Meeting of Shareholders), the Bank does not implement any additional mechanisms to remedy abuse of control in the Bank by the dominant entity.

**2.2 Description of any arrangements known to the Issuer, which may at a subsequent date result in a change of control of the Issuer**

As at the Prospectus Date there are no arrangements known to the Issuer, the implementation of which could at a subsequent date result in a change of control of the Issuer.

**XII. AUDITORS IN THE PERIOD OF TIME COVERED BY THE HISTORICAL FINANCIAL INFORMATION**

**1. Names and surnames (name) and addresses of the auditors of the Issuer in the period of time covered by the historical financial information – last 2 financial years (including their membership in professional organizations)**

Financial statement of the Issuer for 2014 was audited by auditor Arkadiusz Krasowski (registration no. 10018), representing Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw at ul. Rondo ONZ 1, 00-124 Warsaw.

Financial statement of the Issuer for 2015 was audited by auditor Arkadiusz Krasowski (registration no. 10018), representing Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw at ul. Rondo ONZ 1, 00-124 Warsaw.

**2. Information about the change of auditor**

In the period of time covered by the historical financial information, there has been no change of auditor.

### XIII. FINANCIAL INFORMATION

The historical financial information of the Issuer has been incorporated into the Prospectus by reference to the periodic reports of the Bank.

The audited financial statements of the Issuer for the period of time from 01.01.2015 to 31.12.2015, together with the independent auditor's opinion on these financial statements have been included in the Prospectus by reference to the annual report of the Issuer for 2015, available on the Issuer's website: [www.mhipoteczny.pl/relacje-inwestorskie/raporty-okresowe](http://www.mhipoteczny.pl/relacje-inwestorskie/raporty-okresowe).

The audited financial statements of the Issuer for the period of time from 01.01.2014 to 31.12.2014, together with the independent auditor's opinion on these financial statements have been included in the Prospectus by reference to the annual report of the Issuer for 2014, available on the Issuer's website: [www.mhipoteczny.pl/relacje-inwestorskie/raporty-okresowe](http://www.mhipoteczny.pl/relacje-inwestorskie/raporty-okresowe).

In case financial information in the Prospectus is not extracted from Issuer's financial statements audited by the auditor, any such information in the Prospectus has been given the appropriate data source, and this information has been tagged as "unaudited".



## **XIV. MATERIAL AGREEMENTS. LEGAL AND ADMINISTRATIVE PROCEEDINGS**

### **1. Legal and Arbitration Proceedings**

In the past 12 months the Issuer did not participate or does not participate in proceedings before governmental authorities, judicial or arbitration proceedings which may have, or have had in the recent past a significant impact on the financial position or profitability of the Issuer or its capital group. According to the knowledge of the Issuer as of the date of this Prospectus, there are no such proceedings.

### **2. Material Agreements**

Apart from the cooperation agreement concluded with mBank and described on page 68 of the Prospectus, the Issuer has not entered into any other material agreements that were not included in the normal course of business of the Issuer.

## **XV. DOCUMENTS MADE AVAILABLE FOR INSPECTION**

During the validity period of this Prospectus, the following documents will be available for inspection (in paper or electronic form) in Business Days from 9.00 am to 5 pm at the Issuer's registered office in Warsaw at Al. Armii Ludowej 26, 00-609 Warsaw:

- a copy of the uniform text of the Articles of Association of the Issuer;
- copies of this Prospectus, together with all Annexes and updating announcements and documents incorporated in the Prospectus by reference;
- a copy of the Issuer's financial statements for 2015, audited by the auditor together with the opinion and report on the audit and a copy of the Issuer's financial statements for 2014, audited by the auditor together with the opinion and report on the audit;
- the annual financial statements of the Issuer for subsequent financial years, which will end before the expiry date of this Prospectus.

## XVI. TERMS AND CONDITIONS OF THE COVERED BONDS ISSUED UNDER THE PROGRAMME

The Terms and Conditions (the "Terms and Conditions") contained in this Chapter specify the rights and obligations arising under the Covered Bonds issued under the Programme. The Terms and Conditions for a given series of the Covered Bonds shall be supplemented with the Final Terms for a given series of the Covered Bonds. The form of the Final Terms is attached thereto in Chapter XXI (Attachments) of this Prospectus.

The full information on the Issuer and on the Covered Bonds of a given series is only available on the basis of the combination of the Prospectus and the Final Terms of the Covered Bonds of such series.

### 1. Definitions

In these Terms and Conditions:

**Reference Banks** means no fewer than three banks selected by the Issuer and indicated as such in the Final Terms of the Covered Bonds of a given series.

**BondSpot** means BondSpot S.A. with its registered office in Warsaw.

**Relevant Time** means on or about 11:00 am (but not sooner than 10:00 am and not later than 12:00 pm), Warsaw time, or such other time at which the Relevant Rate is to be displayed on the Screen, in accordance with the information provided on the Screen, or the time specified as the "Relevant Time" in the Final Terms.

**Deposit** means a system of registration of the dematerialised securities maintained by the Depository.

**Depository** means the entity that maintains the deposit of the Covered Bonds set out in point 4.1 of the Terms and Conditions.

**Issue Date** means the day indicated as such in the Final Terms of the Covered Bonds of a given series.

**Interest Payment Date** means the date or dates specified in the Final Terms concerning the Covered Bonds of a given series as "Interest Payment Dates". If the Interest Payment Dates are not indicated as provided above in the Final Terms, the Interest Payment Date shall mean any date which falls after a specific number of months or after a specific date indicated in the Final Terms, counting from the previous Interest Payment Date or – in the case of the first Interest Payment Date – from the Interest Commencement Date, and if no such date exists in a given month – the last Business Day of that month after the specific number of months or the specific date.

**Business Day** means any day on which banks in Warsaw or the Depository perform settlements of money transactions.

**Interest Commencement Date** means, in relation to the Covered Bonds of a given series, the Issue Date of that Covered Bond series or another date specified as the "Interest Commencement Date" in the Final Terms relating to that series.

**Reference Period Commencement Date** means any date specified in the Final Terms as the "Reference Period Commencement Date", and if no such date is specified – the first day of a given Interest Period to which that Reference Period relates.

**Redemption Date** means, in relation to the Covered Bonds of a given series, any date on which the Covered Bonds of that series are redeemed prior to their Maturity Date, falling five years from the Issue Date of that Covered Bond series, if the Final Terms provide the possibility for earlier repurchase of the Covered Bonds by the Issuer in order to redeem them.

**Interest Fixing Date** means, in relation to a given Interest Period, the date falling two Business Days prior to the first day of that Interest Period, or other date specified as the "Interest Fixing Date" in the Final Terms.

**Record Date** means any date specified in accordance with the regulations of the Depository on which the rights to receive specific payments under a Covered Bond are determined.

**Maturity Date** means the maturity date of the Covered Bonds of a given series, specified in the Final Terms relating to that Covered Bond series.

**Issuer** means mBank Hipoteczny S.A. with its registered office in Warsaw.

**Business Day Convention** means any of the conventions described in these Terms and Conditions, in section 10 (*Business Day Convention*), and in relation to Covered Bonds of a given series – one of the conventions specified in the Final Terms relating to that Covered Bond series.

**Next Business Day Convention** means the Business Day Convention specified in these Terms and Conditions, in section 10 (*Business Day Convention*), subsection (b), and in relation to the Covered Bonds of a given series the Next Business Day Convention shall have the meaning assigned to it in the Final Terms relating to that Covered Bond series.

**Day Count Convention** with respect to the computation of the Interest Amount accrued under a given Covered Bond for a given period, including the first day thereof, but excluding the last day thereof (whether or not such a period corresponds with the Interest Period it shall be referred to in this definition as the “**Calculation Period**”):

- a) if the relevant Final Terms specify conventions “Actual/365” or “Actual/Actual-ISDA<sup>9</sup>” – means the actual number of days in the Calculation Period divided by 365 (or, if part of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in the Calculation Period which fall in a leap year divided by 366, and (B) the actual number of days in the Calculation Period which do not fall in a leap year divided by 365);
- b) if the relevant Final Terms specify convention:
  - (i) „Actual/365 (Fixed)” – means the actual number of days in the Calculation Period divided by 365,
  - (ii) „Actual/360” – means the actual number of days in the Calculation Period divided by 360, and
- c) if the “Actual/Actual- ICMA<sup>10</sup>” convention is specified in the relevant Final Terms, and
  - (i) the Calculation Period is equal to the Interest Period or is shorter than the Interest Period during which it falls – means the number of days in the Calculation Period divided by the product of (x) the number of days in that Interest Period and (y) the number of Interest Periods falling in a given year; or
  - (ii) if the Calculation Period is longer than the Interest Period – means the sum of:
    - the number of days in the Calculation Period falling in the Interest Period in which that Calculation Period starts divided by the product of (x) the number of days in that Interest Period and (xx) the number of Interest Periods falling in a given year; and
    - the number of days in the Calculation Period falling in the next Interest Period divided by the product of (x) the number of days in that Interest Period and (xx) the number of Interest Periods falling in a given year.

**Variable Interest Rate Convention** means the Business Day Convention specified in these Terms and Conditions, in section 10 (*Business Day Convention*), subsection (1), and in relation to the Covered Bonds of a

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<sup>9</sup> ISDA means International Swaps and Derivatives Association – an international association of swaps and derivatives market participants; Actual/Actual-ISDA is an interest day count convention.

<sup>10</sup> ICMA means International Capital Markets Association – an international association of capital market participants; Actual/Actual-ICMA is an interest day count convention.

given series, the Variable Interest Rate Convention shall have the meaning assigned to it in the Final Terms relating to that Covered Bond series.

**GPW** means Giełda Papierów Wartościowych w Warszawie S.A.

**Interest Amount** means the interest amount payable on a Covered Bond in respect of a given Interest Period.

**Fixed Interest Amount** means, in relation to the Covered Bonds bearing interest at the Fixed Interest Rate, any interest amount payable on a Covered Bond specified as the "Fixed Interest Amount" in the relevant Final Terms (if specified).

**Maturity Amount** means, in relation to a given Covered Bond, the amount equal to its par value.

**Redemption Amount** means, in relation to the Covered Bonds of a given series, the amount specified as the "Redemption Amount" in the Final Terms relating to that Covered Bond series or an amount computed in accordance with the formula provided in the Final Terms, at which one Covered Bond is redeemed at the Redemption Date set for that series.

**Covered Bonds** means mortgage covered bonds issued by the Issuer under the covered bonds issue programme pursuant to the Resolution no. 93/2016 of the Issuer's Management Board dated 26 July 2016.

**Margin** means a value (expressed as percentage per annum) specified in the Final Terms as the "Margin".

**Relevant Rate** means value of the Reference Rate (expressed as percentage) for a period equal to the Reference Period (if applicable or appropriate for the Reference Rate), starting on the Reference Period Commencement Date.

**Interest Period** means the period beginning on the Interest Commencement Date (including that date) and ending on the first Interest Payment Date (but excluding that date) and any subsequent period beginning on a given Interest Payment Date (including that date) and ending on the next Interest Payment Date (but excluding that date), unless the relevant Final Terms provide any other definition.

**Reference Period** means in relation to the Variable Interest Rate which is to be determined on a given Interest Fixing Date, the period equal to the relevant Interest Period or other period specified as such in the Final Terms.

**Final Terms** means final terms of the issue prepared for the Covered Bonds of a given series.

**Holder** means, in relation to a Covered Bond, a person holding from time to time the securities account (in the meaning of Article 4 sec. 1 of the Act on Trading in Financial Instruments) in which that Covered Bond is registered or a person entitled under a Covered Bond registered on the omnibus account (in the meaning of Article 8a of the Act on Trading in Financial Instruments), pursuant to the Act on Trading in Financial Instruments.

**Insolvency Law** means the act of 28 February 2003 – the Insolvency Law (unified text: Dz. U. of 2015, item 233, as amended).

**Programme** means repeated, in cycles covering at least two issues within the period not longer than 12 months, issues of Covered Bonds.

**Fixed Interest Rate** means a fixed interest rate, expressed as a percentage per annum, specified in the Final Terms concerning the Covered Bonds of a given series.

**Interest Rate** means the sum of the Variable Interest Rate and the Margin per annum.

**Reference Rate** means, in relation to a given series of the Covered Bonds bearing interest at the Variable Interest Rate, the interest rate specified in the Final Terms relating to that series: the WIBOR rate, if the currency of a given series of the Covered Bonds is PLN, or, LIBOR or EURIBOR, as applicable, if the currency of a given series of the Covered Bonds is USD or EUR, relevant for the Reference Period for that series.

**Screen** means the relevant screen, section, column or other part of a specific information service (including the Reuter Monitor Money Rates service or the Bloomberg Professional service), which may be indicated by the Issuer in the Final Terms for the purposes of determining the Reference Rate or the Relevant Rate, or another screen, section or column or other part replacing such screen in the information service, or another information service, in each case designated by the person or the organisation providing or sponsoring the provision of information to that service for the purposes of obtaining rates or prices comparable with the Relevant Rate.

**Liquidity Test** means a test carried out in the manner specified in the regulation of the minister competent for financial institutions, issued on the basis of Article 25 sec. 7 of the Covered Bond Act, with the objective of determining whether, at the date of such determination, the mortgage bank's receivables as well as the rights and funds referred to in Article 18 sec. 3, 3a and 4 of the Covered Bond Act, entered into the covered bonds collateral register, are sufficient to satisfy all claims of the covered bond holders within the extended maturity dates referred to in Article 446 sec. 1 of the Insolvency Law.

**Coverage Balance Test** means a test carried out in the manner specified in the regulation of the minister competent for financial institutions, issued on the basis of Article 25 sec. 7 of the Covered Bond Act, with the objective of determining whether, at the date of such determination, the mortgage bank's receivables as well as the rights and funds referred to in Article 18 sec. 3, 3a and 4 of the Covered Bond Act, entered into the covered bonds collateral register, are sufficient to satisfy all claims of the covered bond holders.

**Covered Bond Act** means the act of 29 August 1997 on covered bonds and mortgage banks (unified text: Dz. U. of 2015, item 1588, as amended).

**Bond Act** means the act of 15 January 2015 on bonds (Dz.U. of 2015, item 238).

**Act on Trading in Financial Instruments** means the act of 29 July 2005 on trading in financial instruments (unified text: Dz. U. of 2014, item 94, as amended).

**Act on the Personal Income Tax** means the act of 26 July 1991 on the personal income tax (unified text: Dz. U. of 2012, item 361, as amended).

**Act on the Corporate Income Tax** means the act of 15 February 1992 on the corporate income tax (unified text: Dz. U. of 2014, item 851, as amended).

**Relevant Market** means, in relation to:

- a) PLN-denominated Covered Bonds – the Warsaw interbank market;
- b) EUR-denominated Covered Bonds – the Brussels interbank market;
- c) USD-denominated Covered Bonds – the London interbank market.

**Amended Next Business Day Convention** means the Business Day Convention specified in these Terms and Conditions, in section 10 (Business Day Convention), subsection (c), and in relation to a given series of the Covered Bonds – the Amended Next Business Day Convention which shall have the meaning assigned to it in the Final Terms relating to that Covered Bond series.

**Variable Interest Rate** means, a variable interest rate expressed as percentage per annum, determined separately for each Interest Period in accordance with section 8.2 of the Terms and Conditions.

## 2. Status of the Covered Bonds

2.1 The Covered Bonds are securities issued under Article 3 sec. 1 of the Covered Bond Act.

2.2 Covered Bonds shall be issued against the Issuer's receivables under the credit facilities secured by mortgages which are entered into the covered bond collateral register pursuant to the Covered Bond Act. The Covered Bonds may also be issued against the Issuer's funds: (1) invested in securities issued or guaranteed by

the National Bank of Poland, the European Central Bank, governments and central banks of the European Union member states, the Organisation for Economic Co-operation and Development, except for states which are currently in the process of restructuring or have restructured their foreign debts within the last five years, and the State Treasury; (2) deposited in the National Bank of Poland, and; (3) held in cash, provided that the sum of the receivables secured by mortgages, constituting the cover for the mortgage covered bonds, may not be less than 85% of the total amount of nominal value of mortgage covered bonds in trading.

In accordance with Article 26 of the Covered Bond Act the Issuer shall publish, Not later than three months after the end of each financial year, in Monitor Sądowy i Gospodarczy: (i) the total par value of the covered bonds issued by the bank and outstanding as at the last day of a given financial year; and (ii) the total amount of the mortgage bank's receivables and funds entered in the collateral register for the covered bonds as at the last day of a given financial year.

### **3. Legal Basis for the Covered Bond Issue**

The Covered Bonds are issued pursuant to the Covered Bond Act and, in connection with Article 8 sec. 1 point 3 of the Covered Bond Act, pursuant to the Bond Act, and in accordance with the Issuer's Management Board resolution no.45/2016 dated 12 April 2016.

### **4. Form of the Covered Bonds**

4.1 The Covered Bonds are issued as dematerialised bearer securities.

4.1.1. Determination of rights arising under the Covered Bonds and transferring of the Covered Bonds registered in the deposit held by Krajowy Depozyt Papierów Wartościowych S.A. is made pursuant to the provisions of the Act on Trading in Financial Instruments.

4.1.2. The Deposit of the Covered Bonds is maintained by Krajowy Depozyt Papierów Wartościowych S.A., 00-498 Warszawa, ul. Książęca 4.

### **5. Ranking**

The Covered Bonds are a direct and unconditional commitment of the Issuer to provide the Holders of the Covered Bonds with the benefits specified in these Terms and Conditions and in the Final Terms. The Issuer's liabilities under the Covered Bonds rank *pari passu* with those under any other mortgage covered bonds that have been or will be issued by the Issuer.

### **6. Currency of the Covered Bonds**

The Covered Bonds shall be denominated in the zloty. The Covered Bonds may also be denominated in American dollars or euro. The currency of issue of a given Covered Bond series shall be each time determined and published prior to the subscription of a given Covered Bond series in an appropriate Final Terms.

### **7. Monetary Liabilities under the Covered Bonds**

The Issuer is obliged under the Covered Bonds to pay to the Holders monetary benefits in the form of the Interest Amount and the Maturity Amount.

### **8. Interest**

The Covered Bonds are interest-bearing instruments. The interest rate for all the Covered Bonds of a single series shall be the same.

Interest accrues on the par value of each Covered Bond from the Interest Commencement Date until (and including) the day immediately preceding the Maturity Date for the Covered Bonds of a given series. Interest on a Covered Bond shall cease to accrue on the date on which such Covered Bond is redeemed or repurchased.

Interest on the Covered Bonds of a given series shall accrue at the Fixed Interest Rate or the Variable Interest Rate, as specified in the Final Terms for the Covered Bonds of the given series.

#### **8.1 Interest on the Covered Bonds with the Fixed Interest Rate**

If pursuant to the detailed terms and conditions of a the Covered Bond issue, as laid down in the Final Terms, the interest on the Covered Bonds of a given series is based on the Fixed Interest Rate, then the interest on the Covered Bonds of such series shall accrue (according to the rules described in detail in section 8.3) at an annual rate (expressed as a percentage) equal to the Fixed Interest Rate and shall be payable in arrears on each Interest Payment Date. If the Final Terms specify the Fixed Interest Amounts, the Interest Amount payable on each Interest Payment Date shall be equal to the Fixed Interest Amount assigned to such Interest Payment Date.

#### **8.2 Interest on the Covered Bonds with the Variable Interest Rate**

If pursuant to the final terms and conditions of a the Covered Bond issue, as laid down in the Final Terms, the interest on the Covered Bonds of a given series is based on the Variable Interest Rate, the Interest Rate for a given Interest Period shall be set individually for each Interest Period in a manner described below, and the interest on the Covered Bonds of such series shall accrue (according to the rules described in detail in section 8.3) at an annual rate (expressed as a percentage) equal to the Variable Interest Rate and shall be payable in arrears on each Interest Payment Date. The Variable Interest Rate shall be set individually for each Interest Period. The Variable Interest Rate applicable to a given Interest Period shall be determined by the Issuer as:

- a) the Relevant Rate published on the Screen (based on a set of quotations or customarily obtained from one source), or
- b) the arithmetic mean of the Relevant Rates quoted by the entities whose Relevant Rates are published on the Screen,

in each case taken from the Screen at the Relevant Time on the Interest Fixing Date relevant for a given Interest Period, or, if the Variable Interest Rate is established based on item (1) and no Relevant Rate is published on the Screen at the Relevant Time on the Interest Fixing Date, or if the Variable Interest Rate is established based on item (2) and fewer than two Relevant Rates are published on the Screen at the Relevant Time on the Interest Fixing Date, subject to the provisions presented below, the Issuer shall compute the Variable Interest Rate as the arithmetic mean of the Relevant Rates offered by the Reference Banks to the leading banks in Warsaw at the Relevant Time on the Interest Fixing Date, with the computation of the arithmetic mean based on the quotations by three Reference Banks remaining after excluding two extreme quotations. If the Relevant Rates are offered by four Reference Banks, the Issuer shall exclude the quotation of such Reference Bank which offers the highest interest rate. If the Relevant Rates are offered only by three Reference Banks, the computations shall be based on all the quotations.

Subject to the provisions presented below, if the Issuer finds that the Relevant Rates are offered by fewer than three Reference Banks, the Variable Interest Rate shall be computed as the arithmetic mean of the annual rates (expressed as a percentage) which – in the opinion of the Issuer – are offered to leading banks operating in the Relevant Market at or about 11am (yet not earlier than at 10am and not later than at 12pm) on the date on which interest rates are usually quoted for the period starting on the Reference Period Commencement Date whose length corresponds to the Reference Period, by at least two of five leading banks operating in the Relevant Market and selected by the Issuer. In accordance with the provisions presented above, if fewer than two of the banks selected by the Issuer offer interest rates to leading banks operating in the Relevant Market, the Variable Interest Rate shall be the same as set on the previous Interest Fixing Date.



### 8.3 Computation of Interest Amount

If the Final Terms do not specify the Fixed Interest Amount, the Interest Amount payable under a given Covered Bond for a given Interest Period shall be established based on the following formula:

$$O = N * SO * FOD$$

where:

**O** - means the Interest Amount for a given Interest Period;

**N** - means the par value of a Covered Bond specified in the Final Terms;

**SO** – means:

- a) the Fixed Interest Rate for a given Interest Period, specified in the Final Terms, or
- b) the Interest Rate for a given Interest Period, computed in accordance with the Final Terms, provided that, if: (i) the Variable Interest Rate for a given Interest Period is below zero, and (ii) the Interest Rate then calculated for such Interest Period was below zero as well, the Interest Rate for such Interest Period shall be zero;

**FOD** - the amount computed in accordance with the Day Count Convention (specified in the Final Terms) and the number of days in a given Interest Period.

### 8.4 Round-Offs

In the computation of payments under the Covered Bonds:

- a) all amounts expressed in percentage terms shall be rounded off to 0.001 percentage point (0.0005% and more shall be rounded up to 0.001%); and
- b) all payments expressed in PLN shall be rounded off to the nearest PLN 0.01 (PLN 0.005 and more shall be rounded up); and
- c) all payments expressed in EUR or USD shall be rounded off to the nearest EUR/USD 0.01 (EUR/USD 0.005 and more shall be rounded up).

### 8.5 Interest Rate and Interest Amount

If the Covered Bonds of a given series bear interest at the Fixed Interest Rate, such rate shall be specified in the Final Terms concerning the Covered Bonds of such series.

If the Covered Bonds bear interest at the Variable Interest Rate, on the Interest Fixing Date for a relevant Interest Period or on the next Business Day, the Issuer shall announce:

- a) the Variable Interest Rate for a given Interest Period;
- b) the Interest Rate for a given Interest Period, computed based on the Variable Interest Rate;
- c) the first day of a given Interest Period;
- d) the Interest Payment Date for a given Interest Period; and
- e) the Interest Amount in a given Interest Period for one Covered Bond.

The above information shall be published on the website of the Issuer ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie) or another website replacing it).

Notwithstanding the foregoing, the Issuer shall additionally provide the information specified in items (1)-(5) above and concerning the values and dates of payments under the Covered Bonds to the Depository and the Warsaw Stock Exchange or the BondSpot, or other entity maintaining the market on which the Covered Bonds are traded - depending on what market is specified in the Final Terms as the market on which the Covered Bonds are traded) in line with the deadlines and dates defined in the internal regulations of these entities.

The Issuer may appoint a domestic or foreign bank or another credit institution (depending on the currency of the Covered Bond issue) to act as the calculation agent for the Covered Bonds of a given series. The Calculation Agent's duties include providing information on the matters described in items 1-5 of this section 8.5.

The information on such appointment shall be provided in the Final Terms.

## 9. **Payments under the Covered Bonds**

9.1 Payments under the Covered Bonds shall be made by the Issuer to the persons holding the Covered Bonds on the Record Date set for a given payment.

9.2 In each case, the payments shall be made with the intermediation of the Depository and in a manner specified in the regulations of the Depository and effective on the dates of particular payments. The Holders shall be entitled to interest on overdue payments; the interest shall be equal to the statutory interest for the period starting on (and including) the date on which the payment becomes due and ending on the date the payment is made (excluding that date).

9.3 Payments under the Covered Bonds shall be made without any set-off or counterclaim.

## 10. **Business Day Convention**

If payment under the Covered Bonds is due on a day which is not a Business Day, then – if the Business Day Convention, as specified in the Final Terms, is:

a) **the Variable Interest Rate Convention** - then such payment or action shall be postponed to the next Business Day, unless the day falls in the next calendar month; if such a day falls in the next calendar month then (1) the payment date shall be moved to the day immediately preceding the Business Day, and (2) any consecutive payment date shall be the last Business Day of the month in which such date would occur if it was not adjusted;

b) **the Next Business Day Convention** – then such payment or action shall be postponed to the next Business Day;

c) **the Amended Next Business Day Convention** – then such payment or action shall be postponed to the next Business Day, unless such day falls in the next calendar month; if such payment date falls in the next calendar month, the payment or action shall be moved to the immediately preceding Business Day;

with the proviso that each next date shall be adjusted in accordance with the relevant Business Day Convention whether or not the previous date was adjusted in accordance with the rules set out above.

Actions performed on a date adjusted in accordance with the rules set out above shall be deemed performed on due dates.

## 11. **Repurchase of the Covered Bonds**

11.1 The Covered Bonds of a given series shall be repurchased by the Issuer on the Maturity Date by paying the Maturity Amount.

11.2 The Holder of a Covered Bond may not submit its Covered Bond for repurchase before the Maturity Date defined in the Final Terms for the Covered Bonds of a given series, except for the situation described in

Article 74 sec. 5 of the Bond Act in conjunction with Art. 8.1.3 of the Covered Bond Act - in the event that the Issuer is liquidated, the Covered Bonds shall be subject to immediate repurchase as of the opening day of the liquidation proceedings, and the situation described in Article 74 sec. 4 of the Bond Act in conjunction with Art. 8.1.3 of the Covered Bond Act – in the event that the Issuer is subject to a merger, division or transformation, the Covered Bonds shall be subject to immediate repurchase, if the entity which has taken over the Issuer's obligations under the Covered Bonds, is not entitled, under the law, to issue them.

11.3 The Issuer may redeem the Covered Bonds of a given series before their Maturity Date, provided that the following conditions are jointly met:

- a) the redemption is made in order to ensure that the Issuer fulfills the obligations specified in Art. 18 of the Covered Bond Act;
- b) the Redemption Date of the Covered Bonds of a given series falls after 5 years from their Issue Date;
- c) such redemption is expressly permitted by the Final Terms concerning the Covered Bonds of such series.

11.4 To redeem the Covered Bonds of a given series, the Issuer shall notify the Holders of the redemption, specifying in its notice the series of the Covered Bonds to be redeemed, the Redemption Date and the Redemption Amount.

11.5 The early repurchase of the Covered Bonds shall be conducted pursuant to the relevant regulations of the Depositary.

## **12. Terms and Conditions of Interest Payment and the Covered Bond Repurchase in the event that the Issuer is declared bankrupt**

### **12.1 Extension of maturity dates**

Pursuant to Article 446 sec. 1 of the Insolvency Law, as of the date of declaring the Issuer's bankruptcy, the maturity dates of its liabilities towards creditors under the Covered Bonds are extended by 12 months.

Pursuant to Article 446 sec. 2 of the Insolvency Law, liabilities towards creditors under the Covered Bonds which had become due before the date of declaring the Issuer's bankruptcy, and which had not been paid by that date, shall be satisfied within 12 months from the bankruptcy declaration date, but no earlier than after the first announcement of the Coverage Balance Test results or the Coverage Balance Test results and the Liquidity Test results, unless the Coverage Balance Test result or the Liquidity Test result is not positive.

The above 12-month postponement of payment shall not apply to interest on the Covered Bonds. Pursuant to Article 446 sec. 3 of the Insolvency Law, interest on claims under the Covered Bonds payable by the Issuer shall be paid in the manner and within the time limits set forth in the Final Terms.

### **12.2 Coverage Balance Tests and Liquidity Tests**

Further procedures shall be determined by the results of Coverage Balance Tests and Liquidity Tests performed by a receiver with respect to a separate pool of the bankrupt's assets.

In line with Article 446a sec. 1 of the Insolvency Law, the receiver shall promptly, and no later than within three months from the date of the Issuer's bankruptcy declaration, perform a Coverage Balance Test with respect to the separate pool of the bankruptcy estate and, if the Coverage Balance Test result is positive, it shall also perform a Liquidity Test.

Subsequent Liquidity Tests are performed at least every three months, and subsequent Coverage Balance Tests – at least every six months. If the result of the Coverage Balance Test is not positive, no further tests are performed.

The results of the Coverage Balance Test and Liquidity Test are deemed positive if, upon performance of the tests, it has been determined that the separate pool of the bankruptcy estate is sufficient to satisfy all claims of the holders of the covered bonds issued by the Issuer.

### **12.3 Payments in the Case of Positive Result of the Coverage Balance Test and Positive Result of the Liquidity Test**

If the results of the Coverage Balance Test and the Liquidity Test are positive:

- a) interest on the Covered Bonds shall be payable in the manner and within the time limits set forth in the Final Terms;
- b) the claims of creditors under the principal amount of the Covered Bonds shall be satisfied on the Maturity Date, subject to the said Article 446 sec. 1 of the Insolvency Law, that is satisfied within their maturity dates postponed by 12 months;
- c) at the same time, if the proceeds from sale of the assets of the separate pool, net of the total nominal value of interest on the outstanding covered bonds issued by the Issuer, payable within subsequent six months, and the amounts of liabilities towards creditors under the covered bonds which had become due before the date of declaring the Issuer's bankruptcy, but which had not been paid by that date, represent at least 5% of the total par value of the outstanding covered bonds, the claims of creditors under the covered bonds may be satisfied pro rata to the amount of the claims, earlier than within their extended maturity dates. The funds shall be transferred to creditors under the Covered Bonds on the next interest payment date set forth in the Final Terms, but no earlier than after 14 days from the day on which the judge-commissioner's decision approving the receiver's accounting report, referred to in Article 168 sec. 5 of the Insolvency Law, becomes final.

The pro rata satisfaction and the condition of achieving a 5% excess shall not apply to the full and timely payments of interest under the Covered Bonds.

In addition, the meeting of creditors under the covered bonds, no later than within two months from the date of announcing the test results, may pass a resolution requiring the receiver to take steps in order to sell all claims and rights of the bankrupt Issuer included in the separate pool of assets:

- a) to a mortgage bank, involving a transfer of all the bankrupt bank's liabilities towards the creditors under the covered bonds, or
- b) to a mortgage bank or any other bank, without a transfer of the bankrupt bank's liabilities towards the creditors under the covered bonds.

If a resolution is passed obliging the receiver to take steps in order to sell all the bankrupt Issuer's claims and rights included in the separate pool of the bankrupt's assets, referred to in Article 446b sec. 2 point 2 of the Insolvency Law, claims for interest for the period until the date of selling the bankrupt Issuer's claims and rights shall be satisfied from the separate pool of assets.

### **12.4 Payments in the Case of Positive Result of the Coverage Balance Test and Lack of Positive Result of the Liquidity Test**

If the result of the Coverage Balance Test is positive but the result of the Liquidity Test is not positive:

- a) interest on the Covered Bonds shall be payable in the manner and within the time limits set forth in the Final Terms;
- b) the maturity dates of the Issuer's liabilities towards creditors under the par value of the Covered Bonds, including liabilities due but not paid before the date of declaring the Issuer's bankruptcy, shall be extended by three years, counting from the latest maturity date of a claim entered in the covered bonds collateral register (Art. 446c sec.1 point 1 of the Insolvency Law);

- c) early repayment of the creditors' claims under covered bonds from assets comprising the separate pool of the bankruptcy estate is possible if the assets, net of the total nominal value of interest on the outstanding covered bonds due over the next six months, and the cost of proceedings concerning the separate pool of assets, following from the receiver's reports presented in accordance with Article 168 in conjunction with Article 432 of the act – Insolvency and Restructuring Law (Art. 446c sec. 1 point 2 of the Insolvency Law), amount to at least 5% of the total par value of the outstanding covered bonds, such excess shall be paid pro rata to the creditors under covered bonds in repayment of the principal amount on the next interest payment date, falling no earlier than after 14 days from the date of approving the receiver's report;
- d) however, the meeting of creditors under covered bonds issued by the Issuer, no later than within three months from the date of announcing the test results, may resolve not to apply this procedure or to apply the procedure described in the next subsection;
- e) the meeting of creditors under the covered bonds issued by the Issuer may resolve to agree on liquidation of the separate pool of the bankrupt's assets and sale of the assets entered in the collateral register for covered bonds. In such a case, the Issuer's liabilities towards creditors under covered bonds shall become due on the date of such resolution;
- f) in the event that the resolution referred to in the subsection above is passed, it shall be possible to sell the assets entered in the collateral register for covered bonds:
- to any bank other than a mortgage bank, without a transfer of the bankrupt bank's liabilities towards the creditors under covered bonds;
  - to an entity other than a bank – in the case of assets which may be held by entities other than banks;
- g) in the event of selling an asset entered in the collateral register for covered bonds without a transfer to the acquirer of the bankrupt bank's liabilities towards the creditors under the covered bonds, proceeds from the sale shall be used to satisfy the claims for interest on the covered bonds secured with that asset for the period until the sale date.

### 12.5 Payments in the Case of Non-Positive Result of the Coverage Balance Test

If the result of the Coverage Balance Test is not positive, the same payment rules shall apply as those specified in section 12.4 (*Payments in the Case of Positive Result of the Coverage Balance Test and Lack of Positive Result of the Liquidity Test*) above.

In line with Art. 448 of the Insolvency Law, the following claims shall be satisfied from the separate pool of the bankrupt's assets in the order indicated: (1) costs of liquidation of the separate pool of assets, which include the administrator's fees as well as interest and other incidental claims under covered bonds; (2) the covered bonds according to their par value.

If the separate pool is not sufficient to satisfy all claims of the covered bond holders, the missing amount is covered with funds distributed from the bankruptcy estate. The amount used to satisfy the claims of covered bond holders shall be transferred from the bankruptcy estate to the separate pool.

The manner and time limits for interest payment and the time limits and terms and conditions for repurchase of the Covered Bonds applied in the case of declaring the Issuer's bankruptcy shall be specified in detail in the Final Terms.

## 13. Type, Scope, Form and Subject of Collateral

13.1 The Covered Bonds shall be issued against claims and other funds specified in section 2 (*Status of Covered Bonds*) of these Terms and Conditions. The issue of the Covered Bonds may only be based on claims entered into the covered bond collateral register maintained for mortgage covered bonds.

13.2 The Issuer maintains the Covered Bond Collateral Register. The Issuer's claims, as well as the rights and funds referred to in Art. 18 sec. 3 and 4 of the Covered Bond Act and forming a basis for the issue of covered bonds, as well as the funds creating the surplus referred to in Art. 18 sec. 3a of the Covered Bond Act, are entered into the register. The Covered Bond Collateral Register is maintained separately for mortgage covered bonds and public sector covered bonds.

13.3 Whenever a mortgage securing the Issuer's claim entered into the collateral register for mortgage covered bonds is established, an appropriate entry should be made in the relevant land and mortgage register. Detailed rules governing the maintenance of the Covered Bond Collateral Register are defined in the relevant rules of procedure applied by the Issuer and the form of the register is based on the form defined under the Polish Financial Supervision Authority's resolution issued pursuant to Article 24 sec. 6 of the Covered Bond Act.

13.4 The credit facilities against which the Covered Bonds are issued are secured by mortgage over the ownerships right or perpetual usufruct right to real estate located in Poland. The mortgages securing such credit facilities are entered into the relevant land and mortgage registers as first-ranking mortgages (giving the Issuer priority over other mortgages, if any, created on the same real estate).

13.5 In accordance with the Covered Bond Act, the amount of a mortgage-backed loan - in case of the mortgage-backed loan granted by the Issuer as at the day it is advanced by the Issuer, or as at the day the receivables under such loan are acquired by the Issuer from other bank, may not exceed the mortgage lending value of mortgaged real estate.

13.6 The portion of the total amount of the Issuer's claims under mortgage-backed loans granted by the Issuer and acquired claims under mortgage-backed loans advanced by other banks, which is in excess of 60% of the mortgage lending value of real estate may not exceed 30% of the total amount of the Issuer's mortgage-backed claims.

13.7 The Issuer shall evaluate covered bonds collateral in order to monitor long-term compliance with the requirements applying to covered bonds, as specified in Article 18 sec. 1, 1a and 2 of the Covered Bond Act. Such evaluation shall be made on each business day. The Issuer shall also perform, separately for mortgage covered bonds and for public sector covered bonds:

- a) at least every six months – a Coverage Balance Test, in order to determine whether, the receivables entered into the covered bonds collateral register are sufficient to satisfy all claims of the covered bond holders , and
- b) at least every three months – a Liquidity Test, in order to determine whether, the receivables are also sufficient to satisfy all claims of the covered bond holders within the extended maturity dates referred to in Article 446 sec. 1 of the Insolvency Law.

If the result of the Coverage Balance Test or the Liquidity Test is not positive, the trustee shall promptly notify the Financial Supervision Authority (*Komisja Nadzoru Finansowego*), pursuant to Article 30a of the Covered Bond Act.

#### 14. **Taxes**

14.1 Income tax payable by legal persons having their registered offices in the Republic of Poland on their income from interest under the Covered Bonds is collected in accordance with the rules stipulated in the Act on the Corporate Income Tax Act and the Personal Income Tax Act.

14.2 All amounts payable in respect of the Covered Bonds will be paid free and clear of any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of the relevant tax authorities, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. The Issuer will not make any additional payment to compensate the tax withheld or deducted, if the withholding or deduction of such taxes, duties, assessments or governmental charges is required in connection with payments under the Covered Bonds.

**15. An indication of a regulated market on which the Covered Bonds are intended to be admitted to trading, including an indication of the intended date on which Covered Bonds will be admitted to trading on such market**

15.1 The Issuer intends – depending on the Covered Bond series – to have the Covered Bonds admitted to trading on the regulated market operated by Warsaw Stock Exchange or the regulated market operated by BondSpot. In view of the above, as soon as possible taking into account the regulations of the Depositary and WSE or BondSpot, the Issuer will apply for registration and admission of Covered Bonds of a given series to trading on the regulated market operated by WSE or the regulated market operated by BondSpot, depending on the provisions contained in the Final Terms. The Issuer may apply for admission of the Covered BondSpot given series to trading on other markets, including the markets operating outside Poland.

15.2 The Issuer intends that Covered Bonds issued in series are admitted to trading on the regulated market indicated in the relevant Final Terms.

**16. Method of Computation of the Covered Bond Yield**

The yield on the Covered Bonds of given series with the fixed rate interest will be determined as at the Issue Date individually for each series of the Covered Bonds (depending on the issue price (selling price) and the interest rate on a given series of the Covered Bonds, based on the method described in the relevant Final Terms), and published in the relevant Final Terms prior to the opening of the subscription for a given series of the Covered Bonds.

**17. Notices**

**17.1 Notices to Holders**

All notices from the Issuer to Holders will be published on the Issuer's website [www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie) or any other website replacing it.

**17.2 Notices to the Issuer**

All notices from a Holder to the Issuer must be delivered to the registered address of the Issuer as revealed in the National Court Register in person, by registered mail or courier mail.

**18. Miscellaneous**

18.1 The Issuer may, to the extent permitted by law and pursuant to the internal regulations of the Depositary, consolidate two or more series of the Covered Bond into one series.

18.2 The Covered Bonds are issued under and governed by the Polish law.

18.3 The Polish courts applicable for the registered office of the Issuer shall have the jurisdiction for the purposes of any suit, action or proceeding arising out of or relating to the Covered Bonds.

## **XVII. INFORMATION ON THE TERMS AND CONDITIONS OF THE OFFERING AND ADMISSION TO TRADING**

### **1.1 Information on Terms and Conditions of the Offering**

#### **1.1.1. Terms and Conditions**

This Prospectus was drawn up in connection with the intended public offering and seeking admission of the Covered Bonds with a total par value of up to PLN 15,000,000,000, issued under Program, to trading on a Regulated Market.

Program includes issues of two or more series of the Covered Bonds carried out at intervals of not more than 12 months, pursuant to this Prospectus, run for a period of validity of this Prospectus.

All Covered Bonds issued under Program shall be offered by way of public offering within the meaning of the Act on Public Offering.

Nominal value of one Covered Bond and a final number of the Covered Bonds of a given series to be offered shall be published in the Final Terms and Conditions concerning the Covered Bonds of that series disclosed to the public prior to the opening of the subscription.

Particular series of the Covered Bonds under the Program shall be issued pursuant to Resolution no. 93/2016 of the Issuer's Management Board dated 26 July 2016 on establishing the Program.

The Final Terms and Conditions concerning the Covered Bonds of a given series shall be published in the manner in which the Prospectus was made available, i.e. on the website of the Issuer ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)).

Final Terms and Conditions concerning the Covered Bonds of a given series shall be made available at such time to make it possible for investors to review them, not later than before the commencement of the subscription of the Covered Bonds of a given series.

Information contained in Final Terms and Conditions in relation to particular series of the Covered Bonds should be read in conjunction with the information contained in this Prospectus and together with the supplements and updating announcements to the Prospectus.

#### **1.1.2. Issue Size**

Nominal value of one Covered Bond and final number of the Covered Bonds of a given series to be offered shall be published in the Final Terms and Conditions concerning the Covered Bonds of that series.

If subscription of the Covered Bonds of a given series will be preceded by the Order Book building process, the results will be the primary criterion for determining the number of the Covered Bonds offered in that series.

Furthermore, additional criteria shall be taken into account in determining the number of the Covered Bonds of a given series to be offered. Such additional criteria include the level of WIBOR, LIBOR, EURIBOR rates, interest rates on deposits, investors' expectations regarding the level of interest/discount to the nominal value of the Covered Bonds, cost of the Public Offering. Other criteria may also be considered including such that may follow from changes in the regulations governing the capital market as well as in the regulations of PFSA, NDS, WSE etc.

#### **1.1.3. Opening and Closing Dates of the Offering**

The Covered Bonds may be offered during the period of validity of this Prospectus.

The Prospectus will remain valid until completion of the issue of the Covered Bonds issued under the Prospectus.



the validity of the Prospectus shall expire on the date of:

- allotment of the Covered Bonds within the last public offering provided by the Issuer or the Offeror to perform on the basis of this Prospectus; or
- admission to trading on the Regulated Market of all the Covered Bonds covered by this Prospectus,

whichever is later.

Furthermore, validity of the Prospectus shall expire on the date of:

- delivering by the Issuer and the Offeror to the FSA of statement of resignation respectively to make all public offerings which are the subject of this Prospectus or of resignation from applying for admission of all the Covered Bonds to trading on the Regulated Market on the basis of the Prospectus, which is not yet available to the public; or
- announcing by the Issuer, on the website of the Issuer ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)), information about the cancellation of all public offerings which are the subject of this Prospectus or, respectively, about resignation from applying for admission of all the Covered Bonds to trading on the regulated market on the basis of the Prospectus that has already been made available to the public.

#### 1.1.4. Possible procedures of the Covered Bonds offering

The Covered Bonds may be offered within the Firm Commitment Underwritten Offering, the Ordinary Procedure or the Cascade Offer Procedure, depending which procedure is indicated in the Final Terms and Conditions concerning the Covered Bonds of a given series.

#### 1.1.5. Firm Commitment Underwritten Offering

##### a) Dates and places of acceptance of subscription orders for the Covered Bonds in a Firm Commitment Underwritten Offering

The timing of acceptance of subscription orders for the Covered Bonds purchased from the Firm Commitment Underwriter shall be set separately for each series and shall be published in the Final Terms and Conditions concerning the Covered Bonds of a given series.

The timing of the Order Book building process shall be specified in the invitations to submit the Covered Bonds purchase declarations, issued to investors by the Offeror or Firm Commitment Underwriter. The Firm Commitment Underwriter, in consultation with the Issuer, reserves the right to change the timing of the Order Book building process for the Covered Bonds of a given series. Information on such change, if any, shall be provided to the investors who were sent invitations to submit the Covered Bonds purchase declarations.

##### b) Rules governing placement of Subscription Orders for the Covered Bonds to be acquired from Firm Commitment Underwriter

###### *The Order Book building process*

Subscription of each series of the Covered Bonds issued in Firm Commitment Underwritten Offering shall be preceded by the Order Book building process.

As part of the Order Book building process, Firm Commitment Underwriter invites certain Institutional Investors to submit purchase declarations of the Covered Bonds of a given series.

The decision which parameter of the Covered Bonds will be established in the Order Book building process on the basis of the purchase declarations concerning the Covered Bonds shall be made in each case prior to the opening of the Order Book building process.

Based on the Order Book results following from the submitted purchase declarations concerning the Covered Bonds, the Firm Commitment Underwriter shall decide, in consultation with the Issuer, on the final parameters (the selling price or the interest rate over the reference rate) and the number of the Covered Bonds of a given series to be offered. In addition, the Firm Commitment Underwriter shall select Institutional Investors to be sent invitations to place subscription orders for a specified number of the Covered Bonds of a given series.

#### ***Rules Governing Placement of Subscription Orders***

Each Firm Commitment Underwritten Offering shall be preceded by the Order Book building process and invited Institutional Investor, whom Invitations were sent to place subscription orders, shall be entitled to subscribe for the number of the Covered Bonds specified in the Invitation, not higher than the number of the Covered Bonds whose purchase the investor proposed in a declaration, and if the investor places a subscription order, such investor will be obliged to make a payment for the Covered Bonds.

Placement by an invited Institutional Investor of an order for a number of the Covered Bonds lower than specified in the invitation or payment by an investor for a number of the Covered Bonds lower than specified in the Invitation may lead to a situation where the investor will be sold no Covered Bonds. Nonetheless, the Firm Commitment Underwriter, in consultation with the Issuer, may decide to allot the Covered Bonds to the investor in the number corresponding to the amount paid.

If an Institutional Investor places a subscription order for a number of the Covered Bonds greater than specified in the Invitation, such an order shall be treated as an order for the number of the Covered Bonds indicated in the Invitation.

Institutional Investors who did not participate in the Order Book building process, or who participated in it, but did not receive an invitation to place subscription orders for the Covered Bonds, may place subscription orders under general rules for the minimum number of the Covered Bonds specified for a given series in the Final Terms and Conditions and no greater than the number of the Covered Bonds offered in that series of the Covered Bonds.

Institutional Investors, who have placed a subscription offer for the Covered Bonds under general rules (i.e. irrespective of the fact of participation in the Order Book building process and irrespective of the fact of receiving an invitation to place a subscription offers for the Covered Bonds) should familiarize themselves with the rules of allotment of the Covered Bonds described in this Prospectus and the Final Terms and Conditions.

In the case of each series of the Covered Bonds, subscription orders for the Covered Bonds under the Public Offering preceded by the Order Book building process may be submitted at the offices of the Offeror. Invited Institutional Investors are obliged to place subscription offers for the Covered Bonds at the offices of the Offeror.

Subscription orders may be placed by remote means of communication (i.e. in particular, by telephone or via the Internet), if indicated in Final Terms and Conditions or so has been agreed between the invited Institutional Investor and the Offeror.

A subscription order for the Covered Bonds shall be unconditional, irrevocable and may not contain any reservations. The Investor placing the subscription order shall be bound by it as of the date of placing the subscription until the date of registering the Covered Bonds on the securities account, excluding the situation described in art. 51a of the Act on Public Offering, mentioned in the section 'Terms of avoiding the legal effect of a subscription order' below.

Final Terms and Conditions of each series of the Covered Bonds shall indicate detailed information on:

- minimum and maximum size of a single subscription order,
- multiplicity of a subscription orders for the Covered Bonds, provided that in each case the total number of the Covered Bonds resulting from subscription orders submitted by a single investor at the offices of

the Offeror shall not exceed the number of the Covered Bonds of a given series to be offered for acquisition.

Placing a subscription order, the investor shall sign a representation to the effect that the investor:

- agrees to the processing of his or her personal data in accordance with the Act on Personal Data Protection in the scope necessary for execution of Public Offering of the Covered Bonds and states that the data were provided voluntarily and acknowledges that he or she has the right to access and update his or her personal data; and
- agrees to the transfer of data and information constituting professional secrecy and information linked to the placed subscription order for the Covered Bonds by investment firm accepting the subscription order – to the Offeror and the Issuer to the extent necessary to conduct the sale of the Covered Bonds and authorizes these entities to obtain such information.

Settlement of acquisition of the Covered Bonds of a given series from Firm Commitment Underwriter shall be followed by clearing conducted by the NDS and settlement of transactions concluded under the Offering, leading to registering the Covered Bonds on the recording accounts of participants at the same time with debiting of their cash accounts, i.e. in the manner provided on the Prospectus Date in § 11 of the Detailed Rules of the NDS, and payment for the Covered Bonds of a given series shall take place by an exchange of settlement instructions by the operator of the investment account of the investor and the Firm Commitment Underwriter (on the principle of *delivery versus payment*). In such case, the indication of the investor's investment account for the financial settlement and the Covered Bonds settlement is obligatory, and failing to indicate shall cause invalidity of the subscription.

Investor is required to hold an investment account with the entity which accepts its subscription order and together with placing a subscription order is required to submit an instruction to deposit the Covered Bonds. In such an instruction, the investor shall specify the number of the investment account, the name of the investment company keeping the account and commits itself to inform the investment company in which the subscription order is placed, of any changes to the account. The instruction shall be unconditional, irrevocable and may not contain any reservations. Instruction to deposit shall be included in the subscription order form.

Investor placing a subscription order shall present documents which indicate its legal status and the rules of representation. Persons placing orders on behalf of a legal person or an unincorporated organisational unit should, no later than at the time of placing the order, provide valid documents confirming their authorisation to represent the investor, unless such documents have been already provided in connection with another transaction and can be regarded as valid and up to date.

Investors may place subscription order through a proxy. Detailed rules for placing orders that have not been regulated in this Prospectus, including the rules for placing subscription through proxy, shall be indicated in the Final Terms and Conditions.

Placing a subscription order for the Covered Bonds purchased from Firm Commitment Underwriter by an entity managing a securities package of a third party for orders involves the submission by this entity a subscription form and attaching a list of investors, on whose behalf the subscription order is placed. Such a list must contain, in respect of each investor, the data required in the subscription form and must be signed by a person authorized to represent the entity managing a securities package for orders.

An investor should pay the necessary attention to the costs indirectly connected with subscribing for the Covered Bonds, including in particular the cost of brokerage commission for submitting an order / subscription, the cost of opening and maintaining an investment account, related to making payments for the Covered Bonds, the possible costs of exchange of foreign currencies to PLN, etc. However, it should be noted by investors that payments for the Covered Bonds made by investors shall bear no interest, and in the case of a return of payment, an investor shall not be entitled to any interest or compensation.

c) **Terms of evasion of the legal effects of the subscription order made**

In the event the Annex is published after the opening of the subscription, a person who submitted a subscription order before the Annex is made available may evade the legal effects of the subscription order made, pursuant to Art. 51a of the Act on Public Offering. Evasion of the legal effects of the subscription order shall be done by submitting a relevant written statement to one of the Customer Service Points of the investment firm accepting the order within the period specified in the Annex, but not shorter than two business days following the date on which the Annex was made available.

The right to evade the legal effects of the subscription order made does not apply if the Annex is made available in connection with any misstatements in the Prospectus of which the issuer or the selling shareholder became aware following the allotment of securities or circumstances arising, or of which the issuer or the selling shareholder became aware, following such allotment.

The form of appropriate statement shall be available at the Customer Service Points of the investment firm accepting the order.

In the case the Annex refers to the information on one or more series of the Covered Bonds, the right to evade the legal effects of subscription order made applies only to the subscriptions for the series of the Covered Bonds, which the Annex concerns.

The Firm Commitment Underwriter may allot securities no earlier than following the end of the period during which an investor may avoid the legal effect of the subscription order.

In the case of publishing the Annex entitling to submit statements on evasion of the legal effects of the subscription order made, in which the date for which investors are entitled to evade the legal effects is later than the date of allotment specified in the Final Terms and Conditions, the Annex shall contain information on a change of the date of allotment, the date of determining the rights to benefits from the Covered Bonds, the date of payment of benefits from the Covered Bonds, as well as about a change of the date of determination of the base rate, in the case of floating interest rate, published in the Final Terms and Conditions of that series of the Covered Bonds.

Should the content of the published Final Terms and Conditions of that series of the Covered Bonds following publication of the Annex, as referred above, an amended Final Terms and Conditions shall be made public by the Issuer in the manner in which the Final Terms and Conditions and the Prospectus were published, i.e. on Issuer's website: ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)).

Those who have not submitted, in due time, a statement on evasion of the legal effects of the subscription order following the publication of the Annex, are bound by placed subscription order for the Covered Bonds of a given series under the terms of the Final Terms and Conditions of a given series of the Covered Bonds.

In case of evasion of legal effects of the subscription order, the investment company, which has accepted the order, shall return the investor the amount paid in the manner specified in the subscription form and in accordance with the procedures of that entity within seven working days, without any interest or compensation.

**d) Terms of cancellation, withdrawal from the execution, cancellation, suspension or failure to effect of the Offering**

***Information on cancellation of the Offering***

The Firm Commitment Underwriter, in consultation with the Issuer and upon the recommendation of the Offeror, until the opening of the subscription of the Covered Bonds of a given series may decide to cancel the Offering. The decision to cancel the Offering may be taken for any reason.

Information on cancellation of the Offering of a given series of the Covered Bonds shall be made public in the form of an updating announcement in the manner in which the Prospectus was published.

In the situation when, in the opinion of the Issuer, cancellation of the Offering of a given series of the Covered Bonds could constitute a significant factor which may affect the evaluation of the Covered Bonds, information

about such change shall be made public in the form of an annex to the Prospectus, in the manner in which the Prospectus was published.

The Issuer, upon the recommendation of the Offeror, may decide to cancel all public offerings of the Covered Bonds which are the subject of the Prospectus and to refrain from applying for admission to trading on the regulated market, on the basis of this Prospectus, of all the Covered Bonds, and that information shall be made public in the manner in which the Prospectus was published, i.e. on the website of the Issuer ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)).

#### ***Information on suspending of the Offering***

The Issuer, upon the recommendation of the Offeror, may decide to suspend the Offering, after it has been started, in case of the events that could adversely affect the success of the Offering or cause an increased investment risk for investors purchasing the Covered Bonds, with the proviso that such a decision of the Issuer may be taken no later than the time of delivery to NDS settlement instruction issued by the Firm Commitment Underwriter to register the Covered Bonds on the recording accounts of participants at the same time with debiting of their cash accounts, i.e. in the manner provided on the Prospectus Date in § 11 of the Detailed Rules of the NDS and information on suspension of the Offering shall be made public in the manner in which the Prospectus was published, i.e. on the website of the Issuer ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)) and in the form of the Annex.

The decision to suspend the Offering may be made without the simultaneous indication of the new terms of the Offering, which can be determined and made public at a later date in the form of updating announcement in accordance with Art. 52 (2) of the Act on Public Offering.

If the decision to suspend the Offering will be taken during the subscription of the Covered Bonds submitted by the investors declarations of acquisition, subscriptions for the Covered Bonds and payments made by investors shall be deemed valid, however, investors may avoid the legal effect of the subscription, by submitting a relevant written statement to one of the Customer Service Points of the investment firm accepting the order within the period specified in the Annex, but not less than two business days following the date on which the Annex was made available. In the aforementioned case, payments made by investors shall be returned without any interest or compensation, no later than seven working days from the date of submission of the statement.

#### ***Information on withdrawal from the Offering***

After the commencement of the subscription for the Covered Bonds, the Issuer, upon the recommendation of the Offeror may withdraw from the execution of the Offering for substantive reasons only, - with the proviso that such a decision of the Issuer may be taken no later than the time of delivery to the NDS settlement instruction issued by the Firm Commitment Underwriter to register the Covered Bonds on the recording accounts of participants at the same time with debiting of their cash accounts, i.e. in the manner provided on the date of Prospectus Date in § 11 of the Detailed Rules of the NDS and information on suspension of the Offering shall be made public in the manner in which the Prospectus was published, i.e. on the website of the Issuer ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)).

Such substantive reasons may include:

- sudden changes in the economic or political situation of the country, region or the world, which may have a material adverse effect on the financial markets, the Polish economy, Offering of the Covered Bonds of a given series or the Issuer's operations;
- sudden changes in the Issuer's situation, which may have a material adverse impact on its business;
- sudden changes in the environment of the Issuer having a direct impact on its operational activities;
- occurrence of other unforeseen circumstances causing that the Offering and allocation of the Covered Bonds of a given series would be impossible or detrimental to the interests of the Issuer.

In case of withdrawal from the execution of the Offering all the submitted subscriptions will be deemed void and payments made by investors shall be returned without any interest or compensation, no later than seven working days from the announcement of the withdrawal from the execution of the Offering.

In case of withdrawal from the execution of all public offerings of the Covered Bonds which are the subject of the Prospectus and refraining from applying for admission to trading on the regulated market, on the basis of this Prospectus, of all the Covered Bonds, such information shall be made public in the manner in which the Prospectus was published, i.e. on the website of the Issuer ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)).

#### ***Failure to effect of the Offering***

An Offering of the Covered Bonds of a given series may not take effect when:

- The Issuer withdraws from the execution of the Offering of the Covered Bonds of a given series; or
- The NDS refuses to register a given series of the Covered Bonds.

Information that the Offering of the Covered Bonds of a given series will not take effect shall be made public in the manner in which the Prospectus was published, i.e. on the website of the Issuer ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)).

#### **e) Reduction of subscription orders and return of overpayments to investors**

If an investor purchasing the Covered Bonds makes a payment in an amount exceeding the product of the allotted the Covered Bonds and their selling price (equal to the issue price), the overpayment shall be returned by the investment company with which the investor placed the subscription order to the account specified by the investor in the subscription order or to the investment account used to place the subscription order no later than seven business days from the allotment of the Covered Bonds of a given series.

Due to the method of payment for the Covered Bonds on the principle of delivery versus payment, i.e. as a result of the exchange of settlement instructions on the terms described in detail, on the Prospectus Date, in paragraph 11 of the Detailed Rules of the NDS, there should not be overpayment by the investor acquiring the Covered Bonds.

The Covered Bonds will be allotted to the investors in accordance with the principles described in the Final Terms and Conditions, in particular the allocation can be discretionary and may be determined by prior investor's participation in the Order Book building process.

Offering of a given series of the Covered Bonds shall be preceded by the Order Book building process and the Covered Bonds issued in a given series shall first be allotted to invited Institutional Investors who participated in the Order Book building process and on the basis of the invitation to subscribe for the Covered Bonds of a given series properly submitted and paid subscriptions for the Covered Bonds. With regard to those invited Institutional Investors Covered Bonds will be allotted in accordance with placed subscriptions or at the discretion of the Firm Commitment Underwriter, depending on the provisions of the relevant Final Terms and Conditions. Subsequently, the Covered Bonds may be allotted at the discretion of the Firm Commitment Underwriter to the rest of Institutional Investors.

#### **f) Minimum and Maximum Size of a Subscription Order**

The Final Terms and Conditions of each series of the Covered Bonds shall contain detailed information on:

- minimum and maximum size of a subscription order
- multiplicity of a subscription orders for the Covered Bonds, provided that in each case the total number of the Covered Bonds resulting from subscription orders submitted by a single investor in a given investment company accepting the subscriptions shall not exceed the number of the Covered Bonds of a given series to be offered for acquisition.

In the absence of a maximum size of subscription order, the order for a greater number than the number of the Covered Bonds issued under the series will be regarded as a subscription order for all the Covered Bonds issued in a given series.

Due to the preceding of the Offering by the Order Book building process, the number of the Covered Bonds, for which invited Institutional Investor shall be entitled to place a subscription, shall be equal to the number of the Covered Bonds specified in the invitation for placing a subscription orders sent to him, which shall not exceed the number of the Covered Bonds declared by the investor to purchase in the Order Book building process.

g) **Time and manner of payment; delivery of securities**

*Time and manner of payment*

The full payment is understood as an amount equal to a product of the number of the Covered Bonds of a given series subscribed for by an investor, and the price at which the Covered Bonds of that series will be acquired by the investor (equal to the issue price of the Covered Bonds in this series).

Payments for the Covered Bonds shall not bear interest.

Payment for the Covered Bonds of a given series shall take place by an exchange of settlement instructions by the operator of the investment account of the investor and the entity representing the Issuer (on the principle of delivery versus payment). Therefore, in order to pay for the subscribed Covered Bonds investor shall be required to issue a specific settlement instruction in the period and with the parameters indicated by the Offeror.

Information on the exact time and manner of payment for each series of the Covered Bonds shall be made public each time in the Final Terms and Conditions.

*Delivery of securities*

Settlement of acquisition of the Covered Bonds of a given series from Firm Commitment Underwriter shall be followed by clearing conducted by the NDS and settlement of transactions concluded under the Offering, leading to registering the Covered Bonds on the recording accounts of participants at the same time with debiting of their cash accounts, i.e. in the manner provided, on the Prospectus Date, in § 11 of the Detailed Rules of the NDS and registration shall take place after delivery to the NDS of a settlement instruction by the investment company operating the investment account of the investor (with simultaneous payment for the Covered Bonds) in accordance with settlement instruction issued by the Firm Commitment Underwriter.

The Covered Bonds shall be deposited in the investors' investment accounts in accordance with their instructions.

Registration mode shall be each time described in the Final Terms and Conditions relating to the given series of the Covered Bonds.

h) **Manner and time of publishing information on the results of the Public Offering**

The Issuer will make available on its website ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)), information on the results of the Offering of a given series of the Covered Bonds within the time limits specified in applicable regulations.

i) **Pre-emptive right exercise procedure**

Issuance of the Covered Bonds is not related to any pre-emptive rights or the right to subscribe for securities.

#### 1.1.6. Ordinary Procedure

##### a) Dates and place of acceptance of subscription orders for the Covered Bonds

The timing of acceptance of subscription orders for the Covered Bonds to be acquired shall be set separately for each series and shall be published in the Final Terms and Conditions concerning the Covered Bonds of that series.

The timing of the Order Book building process shall be specified in the invitations to submit the Covered Bonds purchase declarations, issued to investors by the mBank. Issuer reserves the right to change the timing of the Order Book building process for the Covered Bonds of a given series. Information on such change, if any, shall be provided by the mBank to the investors who were sent invitations to submit the Covered Bonds purchase declarations.

##### b) Rules governing placement of subscription orders for the Covered Bonds

###### *The Order Book building process*

Subscription of the Covered Bonds of a given series shall be preceded by the Order Book building process.

As part of the Order Book building process, the mBank acting on behalf of Issuer shall invite certain Institutional Investors to submit purchase declarations of the Covered Bonds of a given series.

The decision which parameter of the Covered Bonds will be established on the basis of the purchase declarations concerning the Covered Bonds, shall be made in each case prior to the opening of the Order Book building process.

Based on the Order Book results following from the submitted purchase declarations concerning the Covered Bonds, the Issuer shall decide, in consultation with the mBank, on the final parameters (the issuing price or the interest rate over the reference rate) and the number of the Covered Bonds of a given series to be offered. In addition, Issuer, in consultation with the mBank, shall select Institutional Investors to be sent invitations to place subscription orders for a specified number of the Covered Bonds of a given series.

###### *Rules Governing Placement of Subscription Orders*

Within each series of the Covered Bonds subscription orders may be submitted by investors purchasing the Covered Bonds at the Offeror.

Subscription orders may be placed by remote means of communication (i.e. in particular, by telephone or via the Internet), if indicated in the Final Terms and Conditions or so has been agreed between the invited Institutional Investor and the Offeror.

A subscription order for the Covered Bonds shall be unconditional, irrevocable and may not contain any reservations. The Investor placing the subscription order shall be bound by it as of the date of placing the subscription until the date of registering the Covered Bonds on the securities account, excluding the situation described in art. 51a of the Act on Public Offering, mentioned in the section "Terms of avoiding the legal effect of a subscription order" below.

The Final Terms and Conditions of each series of the Covered Bonds shall contain detailed information on:

- minimum and maximum size of a single subscription order,
- multiplicity of a subscription orders for the Covered Bonds, provided that in each case the total number of Covered Bonds resulting from subscription orders submitted by a single investor at the offices of the Offeror shall not exceed the number of the Covered Bonds of a given series to be offered for acquisition.



Institutional Investors will be provided by the Offeror with the template of the Covered Bonds subscription form in terms of subscription for the Covered Bonds of a given series.

Placing a subscription order, the investor shall sign a representation to the effect that the investor:

- agrees to the processing of his or her personal data in accordance with the Act on Personal Data Protection in the scope necessary for execution of Public Offering of the Covered Bonds and states that the data were provided voluntarily and acknowledges that he or she has the right to access and update his or her personal data; and
- agrees to the transfer of data and information constituting professional secrecy and information linked to the placed subscription order for the Covered Bonds by investment firm accepting the subscription order – to the Offeror and the Issuer to the extent necessary to conduct the sale of the Covered Bonds and authorizes these entities to obtain such information.

Registration of the Covered Bonds of a given series in the NDS shall be followed by clearing conducted by the NDS and settlement of transactions concluded under the Offering, leading to registering the Covered Bonds on the recording accounts of participants at the same time with debiting of their cash accounts, i.e. in the manner provided on the Prospectus Date in § 11 of the Detailed Rules of the NDS, and payment for the Covered Bonds of a given series shall take place by an exchange of settlement instructions by the operator of the investment account of the investor and the NDS participant who has been authorized by the Issuer to issue such instructions (on the principle of *delivery versus payment*). In such case, the indication of the investor's investment account for the financial settlement and the Covered Bonds settlement is obligatory, and failing to indicate shall cause invalidity of the subscription.

Investor is required to hold an investment account with the entity which accepts its subscription order and together with placing a subscription order is required to submit an instruction to deposit the Covered Bonds. In such an instruction, the investor shall specify the number of the investment account, the name of the investment company keeping the account and commits itself to inform the investment company in which the subscription order is placed, of any changes to the account. The instruction shall be unconditional, irrevocable and may not contain any reservations. Instruction to deposit shall be included in the subscription order form.

Investor placing a subscription order shall present documents which indicate its legal status and the rules of representation. Persons placing orders on behalf of a legal person or an unincorporated organisational unit should, no later than at the time of placing the order, provide valid documents confirming their authorisation to represent the investor, unless such documents have been already provided in connection with another transaction and can be regarded as valid and up to date.

Investors may place subscription order through a proxy. Detailed rules for placing orders that have not been regulated in this Prospectus, including the rules for placing subscription through proxy, shall be indicated in the Final Terms and Conditions.

Placing a subscription order for the Covered Bonds purchased from Firm Commitment Underwriter by an entity managing a securities package of a third party for orders involves the submission by this entity a subscription form and attaching a list of investors, on whose behalf the subscription order is placed. Such a list must contain, in respect of each investor, the data required in the subscription form and must be signed by a person authorized to represent the entity managing a securities package for orders.

An investor should pay the necessary attention to the costs indirectly connected with subscribing for the Covered Bonds, including in particular the cost of brokerage commission for submitting an order / subscription, the cost of opening and maintaining an investment account, related to making payments for the Covered Bonds, the possible costs of exchange of foreign currencies to PLN, etc. However, it should be noted by investors that payments for the Covered Bonds made by investors shall bear no interest, and in the case of a return of payment, an investor shall not be entitled to any interest or compensation

***Additional rules governing placement of subscription orders in terms of the Order Book building process***

In case where the Offering will be preceded by the Order Book building process, the invited Institutional Investor, to whom an invitation to subscribe will be sent, will be entitled to place subscription order for the number of the Covered Bonds as specified in the invitation, which shall not exceed the number of the Covered Bonds declared to acquisition by the investor in the purchase declaration, and in the case of the subscription will be obliged to make payments for the Covered Bonds.

Institutional Investor making subscription for a smaller number of the Covered Bonds than the number specified in invitation or making payment for the Covered Bonds in the amount smaller than indicated in the invitation may result in situation, where Institutional Investor is not allotted the Covered Bonds, in which case the Issuer in agreement with the Offeror may decide to allot investor the Covered Bonds in the number resulting from the payment.

In case of the subscription order made for a greater number than the number of the Covered Bonds specified in invitation, such subscription order will be regarded as made for the number of the Covered Bonds indicated in the invitation.

Institutional Investors who have not participated in the Order Book building process or who have participated in that process, but were not invited to make subscription order for the Covered Bonds, may place subscription order on the general terms for the minimum size of subscription order specified for a given series in the Final Terms and Conditions and not bigger than the number of the Covered Bonds of a given series to be offered.

Institutional Investors who have not made subscription orders for the Covered Bonds on general terms (i.e. irrespective of the fact of participation in the Order Book building process and regardless of the fact of receiving an invitation to subscribe for the Covered Bonds) should familiarize themselves with the rules of allocation of the Covered Bonds described in this Prospectus and the Final Terms and Conditions.

For each series of Covered Bonds, subscription for the Covered Bonds under the Offer preceded by the Order Book building process may be submitted at the Offeror. The Invited Institutional Investors are required to subscribe for the Covered Bonds at the Offeror.

**c) Terms of evasion of the legal effects of the subscription order made**

In the event the Annex is published after the opening of the subscription, a person who submitted a subscription order before the Annex is made available may evade the legal effects of the subscription order made, pursuant to Art. 51a of the Act on Public Offering. Evasion of the legal effects of the subscription order shall be done by submitting a relevant written statement to one of the Customer Service Points of the investment firm accepting the order within the period specified in the Annex, but not shorter than two business days following the date on which the Annex was made available.

The right to evade the legal effects of the subscription order made does not apply if the Annex is made available in connection with any misstatements in the Prospectus of which the issuer or the selling shareholder became aware following the allotment of securities or circumstances arising, or of which the issuer or the selling shareholder became aware, following such allotment.

The form of appropriate statement shall be available at the Customer Service Points of the investment firm accepting the order.

In the case the Annex refers to the information on one or more series of the Covered Bonds, the right to avoid the legal effects of subscription order applies only to the subscriptions for the series of the Covered Bonds, which the Annex concerns.

The Firm Commitment Underwriter may allot securities no earlier than following the end of the period during which an investor may avoid the legal effect of the subscription order.

In the case of publishing the Annex entitling to submit statements on evasion of the legal effects of the subscription order made, in which the date for which investors are entitled to avoid the legal effects of the

subscription is later than the date of allotment specified in the Final Terms and Conditions, the Annex shall contain information on a change of the date of allotment, the date of determining the rights to benefits from the Covered Bonds, the date of payment of benefits from the Covered Bonds, as well as about a change of the date of determination of the base rate, in the case of floating interest rate, published in the Final Terms and Conditions of that series of the Covered Bonds.

Should the content of the published the Final Terms and Conditions of that series of the Covered Bonds following publication of the Annex, as referred above, an amended Final Terms and Conditions shall be made public by the Issuer in the manner in which Final Terms and Conditions and the Prospectus were published, i.e. On Issuer's website: ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)).

Those who have not submitted, in due time, a statement on evasion of the legal effects of the subscription order following the publication of the Annex, are bound by placed subscription order for the Covered Bonds of a given series under the terms of the Final Terms and Conditions of a given series of the Covered Bonds.

In case of evasion of legal effects of the subscription order, the investment company, which accepted the order shall return the investor the amount paid in the manner specified in the subscription form and in accordance with the procedures of that entity within seven working days, without any interest or compensation.

**d) Terms of cancellation, withdrawal from the execution, cancellation, suspension or failure to effect of the Offering**

***Information on cancellation of the Offering***

The Firm Commitment Underwriter, in consultation with the Issuer and upon the recommendation of the Offeror, until the opening of the subscription of the Covered Bonds of a given series may decide to cancel the Offering. The decision to cancel the Offering may be taken for any reason.

Information on cancellation of the Offering of a given series of the Covered Bonds shall be made public in the form of an updating announcement in the manner in which the Prospectus was published.

In the situation when, in the opinion of the Issuer, cancellation of the Offering of a given series of the Covered Bonds could be a significant element in the evaluation of the Covered Bonds, information about such change shall be made public in the form of an annex to the Prospectus, in the manner in which the Prospectus was published.

The Issuer, upon the recommendation of the Offeror, may decide to cancel all public offerings of the Covered Bonds which are the subject of the Prospectus and to refrain from applying for admission to trading on the regulated market, on the basis of this Prospectus, of all the Covered Bonds, and that information shall be made public in the manner in which the Prospectus was published, i.e. on the website of the Issuer ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)).

***Information on suspending of the Offering***

The Issuer, upon the recommendation of the Offeror, may decide to suspend the Offering, after it has been started, in case of the events that could adversely affect the success of the Offering or cause an increased investment risk for investors purchasing the Covered Bonds, with the proviso that such a decision of the Issuer may be taken no later than the time of delivery to the NDS of a settlement instruction issued by the Firm Commitment Underwriter to register the Covered Bonds on the recording accounts of participants at the same time with debiting of their cash accounts, i.e. in the manner provided on the Prospectus Date in § 11 of the Detailed Rules of the NDS and information on suspension of the Offering shall be made public in the manner in which the Prospectus was published, i.e. on the website of the Issuer ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)) and in the form of the Annex.

The decision to suspend the Offering may be made without the simultaneous indication of the new terms of the Offering, which can be determined and made public at a later date in the form of updating announcement in accordance with Art. 52 (2) of the Act on Public Offering.

If the decision to suspend the Offering will be taken during the subscription of the Covered Bonds submitted by the investors declarations of acquisition, subscriptions for the Covered Bonds and payments made by investors shall be deemed valid, however, investors may avoid the legal effect of the subscription, by submitting a relevant written statement to one of the Customer Service Points of the investment firm accepting the order within the period specified in the Annex, but not less than two business days following the date on which the Annex was made available. In the aforementioned case, payments made by investors shall be returned without any interest or compensation, no later than seven working days from the date of submission of the statement.

#### ***Information on withdrawal from the execution of the Offering***

After the commencement of the subscription for the Covered Bonds, the Issuer, upon the recommendation of the Offeror may withdraw from the execution of the Offering for substantive reasons only, - with the proviso that such a decision of the Issuer may be taken no later than the time of delivery to the NDS of a settlement instruction issued by the Firm Commitment Underwriter to register the Covered Bonds on the recording accounts of participants at the same time with debiting of their cash accounts, i.e. in the manner provided on the Prospectus Date in § 11 of the Detailed Rules of the NDS and information on suspension of the Offering shall be made public in the manner in which the Prospectus was published, i.e. on the website of the Issuer ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)).

Such substantive reasons may include:

- sudden changes in the economic or political situation of the country, region or the world, which may have a material adverse effect on the financial markets, the Polish economy, Offering of the Covered Bonds of a given series or the Issuer's operations;
- sudden changes in the Issuer's situation, which may have a material adverse impact on its business;
- sudden changes in the environment of the Issuer having a direct impact on its operational activities;
- occurrence of other unforeseen circumstances causing that the Offering and allocation of the Covered Bonds of a given series would be impossible or detrimental to the interests of the Issuer.

In case of withdrawal from the execution of the Offering all the submitted subscriptions will be deemed void and payments made by investors shall be returned without any interest or compensation, no later than seven working days from the announcement of the withdrawal from the execution of the Offering.

In case of withdrawal from the execution of all public offerings of the Covered Bonds which are the subject of the Prospectus and refraining from applying for admission to trading on the regulated market, on the basis of this Prospectus, of all the Covered Bonds, such information shall be made public in the manner in which the Prospectus was published, i.e. on the website of the Issuer ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)).

#### ***Failure to effect the Offering***

An Offering of the Covered Bonds of a given series may not take effect when:

- The Issuer withdraws from the execution of the Offering of the Covered Bonds of a given series; or
- The NDS refuses to register a given series of the Covered Bonds.

Information that the Offering of the Covered Bonds of a given series will not take effect shall be made public in the manner in which the Prospectus was published, i.e. on the website of the Issuer ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)).

e) **Reduction of Subscription Orders and return of overpayments to investors**

If an investor purchasing the Covered Bonds makes a payment in an amount exceeding the product of the allotted Covered Bonds and their selling price (equal to the issue price), the overpayment shall be returned by the investment company with which the investor placed the subscription order to the account specified by the investor in the subscription order or to the investment account used to place the subscription order no later than seven business days from the allotment of the Covered Bonds of a given series.

Due to the method of payment for the Covered Bonds on the principle of delivery versus payment, i.e. as a result of the exchange of settlement instructions on the terms described in detail, on the Prospectus Date, in paragraph 11 of the Detailed Rules of the NDS, there should not be overpayment by the investor purchasing the Covered Bonds.

The Covered Bonds will be allotted to the investors in accordance with the principles described in the Final Terms and Conditions, in particular the allocation can be discretionary and may be determined by prior investor participation in the Order Book building process.

Offering of a given series of the Covered Bonds shall be preceded by the Order Book building process and the Covered Bonds issued in a given series shall first be allotted to invited Institutional Investors who participated in the Order Book building process and on the basis of the invitation to subscribe for the Covered Bonds of a given series properly submitted and paid subscriptions for the Covered Bonds. With regard to those invited Institutional Investors the Covered Bonds will be allotted in accordance with placed subscriptions or at the discretion of the Firm Commitment Underwriter, depending on the provisions of the relevant Final Terms and Conditions. Subsequently, the Covered Bonds may be allotted at the discretion of the Firm Commitment Underwriter to the rest of Institutional Investors.

f) **Minimum and maximum size of a Subscription Order**

The Final Terms and Conditions of each series of the Covered Bonds shall contain detailed information on:

- minimum and maximum size of a subscription order, and
- multiplicity of a subscription orders for the Covered Bonds, provided that in each case the total number of the Covered Bonds resulting from subscription orders submitted by a single investor in a given investment company accepting the subscriptions shall not exceed the number of the Covered Bonds of a given series to be offered for acquisition.

In the absence of a maximum size of subscription order, the order for a greater number than the number of Covered Bonds issued under the series will be regarded as a subscription order for all the Covered Bonds issued in a given series.

Due to the preceding of the Offering by the Order Book building process, the number of the Covered Bonds, for which invited Institutional Investor shall be entitled to place a subscription, shall be equal to the number of the Covered Bonds specified in the invitation for placing a subscription orders, which shall not exceed the number of the Covered Bonds declared by the investor to purchase in the Order Book building process.

g) **Time and manner of payment; delivery of securities**

***Time and manner of payment***

A full payment is understood as the product of the number of the Covered Bonds of a given series subscribed for by an investor, and the price at which the Covered Bonds of that series will be acquired by the investor (equal to the issue price of Bonds in this series).

Payments for the Covered Bonds shall not bear interest.

Payment for the Covered Bonds of a given series shall take place by an exchange of settlement instructions by the operator of the investment account of the investor and the entity representing the Issuer (on the principle of delivery versus payment). Therefore, in order to pay for the subscribed Covered Bonds investor shall be required to issue a specific settlement instruction in the period and with the parameters indicated by the Offeror.

Information on the exact time and manner of payment for each series of the Covered Bonds shall be made public each time in the Final Terms and Conditions.

#### ***Delivery of securities***

Settlement of acquisition of the Covered Bonds of a given series from Firm Commitment Underwriter shall be followed by clearing conducted by the NDS and settlement of transactions concluded under the Offering, leading to registering the Covered Bonds on the recording accounts of participants at the same time with debiting of their cash accounts, i.e. in the manner provided, on the Prospectus Date, in § 11 of the Detailed Rules of the NDS and registration shall take place after delivery to the NDS of a settlement instruction by the investment company operating the investment account of the investor (with simultaneous payment for the Covered Bonds) in accordance with settlement instruction issued by the Firm Commitment Underwriter.

The Covered Bonds shall be deposited in the investors' investment accounts in accordance with their instructions.

Registration mode shall be each time described in the Final Terms and Conditions relating to a given series of the Covered Bonds.

#### **h) Manner and time of publishing information on the results of the Public Offering**

The Issuer will make available on its website ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)), information on the results of the Offering of a given series of the Covered Bonds within the time limits specified in applicable regulations.

#### **i) Pre-emptive right exercise procedure**

Issuance of the Covered Bonds is not related to any pre-emptive rights or the right to subscribe for securities.

#### **1.1.7. Cascade Offer Procedure**

In case of the Offering of the Covered Bonds conducted in the Cascade Offer Procedure, the Covered Bonds may be acquired by the Institutional Investors, including the Cascade Offer Procedure Participants (indicated in the Final Terms and Conditions concerning the Covered Bonds of that series).

The Final Terms and Conditions of a given series of the Covered Bonds shall also indicate the period during which the Cascade Offer Procedure Participants may sell the Covered Bonds of a certain series in public offering pursuant to the Prospectus and the Final Terms and Conditions of the Covered Bonds of that series.

The Cascade Offer Procedure Participant, who will acquire issued the Covered Bonds and intends to further sale the acquired Covered Bonds in a public offering is obliged to publish before the sale the Offering Information on the Covered Bonds to be sold by that Cascade Offer Procedure Participant.

It shall be permissible that during the period of the Cascade Offer Procedure (indicated by the Issuer in the Final Terms and Conditions of a given series) was held more than one sale of the Covered Bonds conducted by the Cascade Offer Procedure Participant (or Cascade Offer Procedure Participants) in the public offering and in case of conducting more than one sale of the Covered Bonds in the public offering, such public offerings may be conducted at the same time or at different times.

Public offering of the Covered Bonds of a given series by the Cascade Offer Procedure Participant takes place within time frames and conditions specified and set forth in the Offering Information.

The Offering Information shall contain, inter alia, the following information regarding the public offering of the Covered Bonds of a given series conducted by the Cascade Offer Procedure Participant: (i) time frames, including any possible amendments, of the offer conducted by the Cascade Offer Procedure Participant and description of procedure of submitting the subscription orders for the Covered Bonds offered by the Cascade Offer Procedure Participant; (ii) a description of the possibility to reduce subscription orders for the Covered Bonds offered by the Cascade Offer Procedure Participant and the manner for refunding excess amount paid by investors; (iii) details of the minimum or maximum amount of subscription order for the Covered Bonds offered by the Cascade Offer Procedure Participant (whether in number of securities or aggregate amount to invest); (iv) method and time limits for paying up the Covered Bonds of a given series offered by the Cascade Offer Procedure Participant and method of delivery of that Covered Bonds; (v) a full description of the manner and date in which results of the offer are to be made public; (vi) the procedure for the exercise of any right of pre-emption, the negotiability of the Covered Bonds subscription rights and the treatment of the Covered Bonds subscription rights not exercised; (vii) process for notification to applicants of the amount allotted and indication whether dealing may begin before notification is made (viii) the method of determining the price and the process for its disclosure.

The Offering Information shall be made public by a given Cascade Offer Procedure Participant, pursuant to art. 15a (4) of the Act on Public Offering.

a) **Dates and place of acceptance of subscription orders for the Covered Bonds to be acquired from the Issuer**

The timing of acceptance of subscription orders for the Covered Bonds acquired from the Issuer shall be set separately for each series and shall be published in the Final Terms and Conditions concerning the Covered Bonds of that series.

Issuer reserves the right to change the time frames of subscriptions set for a given series of the Covered Bonds. In case of change of these time frames appropriate information shall be made public by the Issuer on the website of the Issuer.

b) **Rules governing placement of subscription orders for the Covered Bonds to be acquired from the Issuer**

***Rules governing placement of subscription orders***

Taking up by a given Institutional Investor (including Cascade Offer Procedure Participant) Covered Bonds issued in the Cascade Offer Procedure shall be exercised by submitting a subscription order by a given Institutional Investor (including the Cascade Offer Procedure Participant) to investment company indicated in the Final Terms and Conditions, in the manner described in the Final Terms and Conditions of a given series. Settlement of transaction of taking up the Covered Bonds shall be executed in the manner described in the Final Terms and Conditions of a given series.

c) **Terms of evasion of the legal effects of the subscription order made**

In the event the Annex is published after the opening of the subscription for the Covered Bonds, the Institutional Investor (including the Cascade Offer Procedure Participant) may evade the legal effects of the subscription order made, pursuant to Art. 51a of the Act on Public Offering.

Evasion of the legal effects of the subscription order made shall be done by submitting a relevant written statement within the period specified in the Annex, but not shorter than two business days following the date on which the Annex was made available.

The right to evade the legal effects of the subscription order made does not apply if the Annex is made available in connection with any misstatements in the Prospectus of which the Issuer became aware following the allotment of securities or circumstances arising, or of which the Issuer became aware, following such allotment.

In case the Annex refers to the information on one or more series of the Covered Bonds, the right to evade the legal effects of subscription order made applies only to the subscriptions for the series of Covered Bonds, which the Annex concerns.

The Issuer may allot the Covered Bonds no earlier than following the end of the period during which an investor may avoid the legal effect of the subscription order.

If the content of the published Final Terms and Conditions of that series of the Covered Bonds is amended following publication of the Annex, as referred above, the amended Final Terms and Conditions shall be made public by the Issuer in the manner in which Final Terms and Conditions and the Prospectus were published, i.e. on Issuer's website: ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)).

**d) Terms of cancellation, withdrawal from the execution, cancellation, suspension or failure to effect of the Offering**

Terms of cancellation, withdrawal from the execution, cancellation, suspension or failure to effect of the Offering directed by the Issuer shall be indicated in the Final Terms and Conditions regarding that given series of the Covered Bonds offered in the Cascade Offer Procedure.

**e) Description of the possibility to reduce subscription orders and the manner for refunding excess amount paid by investors**

Issues of reducing subscription orders and refunding excess amount paid shall be described in Final Terms and Conditions regarding that series of the Covered Bonds offered in the Cascade Offer Procedure.

**f) Information on minimum and maximum size of a subscription order submitted by the Cascade Offer Procedure Participant**

The Final Terms and Conditions of each series of the Covered Bonds shall contain detailed information on:

- minimum and maximum size of a single subscription order submitted by Institutional Investor (including Cascade Offer Procedure Participant), and
- multiplicity of a subscription orders for the Covered Bonds, provided that in each case the total number of Covered Bonds resulting from subscription orders submitted by a single Institutional Investor (including Cascade Offer Procedure Participant) in a given investment company accepting the subscriptions shall not exceed the number of the Covered Bonds of a given series to be offered for acquisition.

In the absence of a maximum size of subscription order, the order for a greater number than the number of the Covered Bonds issued in a given series will be regarded as a subscription order for all the Covered Bonds issued in that series.

**g) Time and manner of payment; delivery of securities**

***Time and manner of payment***

A full payment is understood as the product of the number of the Covered Bonds of a given series subscribed for and the price at which the Covered Bonds of that series will be acquired by the Institutional Investor (including Cascade Offer Procedure Participant). Payments for the Covered Bonds shall not bear interest.

Information on the exact time and manner of payment by Institutional Investor (including Cascade Offer Procedure Participant) for acquired Covered Bonds of a given series issued by the Issuer shall be executed on the terms described in Final Terms and Conditions regarding that series of the Covered Bonds offered in Cascade Offer Procedure.



### ***Delivery of securities***

The method of settlement of acquisition by the Institutional Investor (including Cascade Offer Procedure Participant) of the Covered Bonds of a given series issued by the Issuer shall be executed on the terms described in Final Terms and Conditions regarding that series of the Covered Bonds offered in Cascade Offer Procedure.

#### **h) Manner and time of publishing information on the results of the Public Offering**

The Issuer will make available on its website ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)), information on the results of the Offering of a given series of the Covered Bonds within the time limits specified in applicable regulations.

#### **i) Pre-emptive right exercise procedure**

Issuance of the Covered Bonds is not related to any pre-emptive rights or the right to subscribe for securities, with the restriction that the Covered Bonds issued by the Issuer may be, in Primary Trading, taken up also by Cascade Offer Procedure Participants indicated in Final Terms and Conditions regarding given series of the Covered Bonds offered in Cascade Offer Procedure.

### **1.2 Rules on distribution and allocation**

#### **1.2.1. Types of investors to whom the offer is addressed**

In case of Firm Commitment Underwritten, Offering and Offering in Ordinary Procedure, the Offering of the Covered Bonds is addressed to Institutional Investors, i.e. legal persons, third party securities portfolio managers upon order (including managers of securities portfolio upon order of natural persons), and organizational units of that persons without legal personality, both to residents and non-residents within the meaning of Foreign Exchange Law, which may submit a subscription order for the Covered Bonds on the terms and in accordance with the principles described in the Prospectus.

In case of Cascade Offer Procedure, the Covered Bonds issued by the Issuer may be acquired exclusively by Institutional Investor (including Cascade Offer Procedure Participants indicated in Final Terms and Conditions regarding that series of Covered Bonds). Cascade Offer Procedure Participants may next be able to conduct public offering of acquired Covered Bonds of specified series exclusively to the Institutional Investors.

Particular series of the Covered Bonds may be issued split into tranches, where the Final Terms and Conditions regarding that series of the Covered Bonds so provide. In case of issuing series of the Covered Bonds split into tranches, Offering shall be directed only to Institutional Investors (including Cascade Offer Procedure Participants). On the Prospectus Date, Issuer does not intend to conduct offerings simultaneously in two or more countries. Offerings of particular series of the Covered Bonds may be executed at the same time outside the country, after the fulfillment of any additional requirements provided for in the legislation of the other countries. If the offering of a given series of the Covered Bonds will be conducted simultaneously in two or more countries and for any of these markets will be reserved tranche, such tranche shall be indicated in Final Terms and Conditions for that series of the Covered Bonds.

The right to acquire offered the Covered Bonds shall not be transferable. Non-exercised right to acquire offered the Covered Bonds shall expire with the date of their implementation.

#### **1.2.2. Notification of the number of the allotted Covered Bonds**

An investor is entitled to receive information on the number of the Covered Bonds the investor was allotted at the offices of the entity keeping the investor's investment account in accordance with the rules of procedure followed by that entity.

Investors should take into account that no notifications of the allotment shall be sent unless such a requirement follows from the rules of procedure effective at the entity with which the investor's subscription order was placed.

In particular, trading of the Covered Bonds acquired by investors may commence before they obtain information on the number of the Covered Bonds allotted to them, since the commencement of trading in the Covered Bonds is not contingent upon notifying the subscribers of the number of the Covered Bonds allotted to them. Investors are therefore advised to contact the entities keeping their investment accounts in order to obtain information on the allotment size.

### 1.3 Price of the Covered Bonds

Final Price of the Covered Bonds shall be set separately for each series of the Covered Bonds issued under the Program.

The issue price (and respectively, interest rate and margin) of particular series of the Covered Bonds shall be each time determined and published prior to the opening of subscription for a given series of the Covered Bonds in Final Terms and Conditions of that series of the Covered Bonds.

Maximum issue price per Covered Bond shall not be higher than the maximum price amounting 110% of the nominal value of a single Covered Bond.

The selling price by the Firm Commitment Underwriter shall be equal to the issue price.

The selling price in case of public offering conducted by the Cascade Offer Procedure Participant shall be determined by the Cascade Offer Participant in Offering Information.

An investor placing a subscription order for the Covered Bonds issued by the Issuer or sold by Firm Commitment Underwriter shall not bear any additional costs related to such order placement, except for commissions, if any, which the entities accepting the subscription orders are entitled to collect. There may also be other costs indirectly connected with the placement of subscription orders for the Covered Bonds, including the cost of opening and maintaining an investment account. However, it should be noted that payments for the Covered Bonds made by investors shall bear no interest, and in the case of a return of payment, an investor shall not be entitled to any interest or compensation.

### 1.4 Placement and underwriting

#### 1.4.1. Names and addresses of lead managers of the entire Offering and its particular party

The only Offeror is mBank S.A., with its registered office at ul. Senatorska 18, Warsaw, Poland.

#### 1.4.2. Providing deposit services and agency services related to making payments of cash benefits from the Covered Bonds (names and addresses of paying agents and entities providing deposit services)

The entity providing deposit services with regard to a given series of the Covered Bonds is the National Depository for Securities, with its registered office at ul. Książęca 4, Warsaw, Poland, unless otherwise specified in the Final Terms and Conditions of that series of the Covered Bonds.

The payments of cash benefits from the Covered Bonds shall be made by the Issuer with the intermediation of the National Depository for Securities, with its registered office at ul. Książęca 4, Warsaw, Poland, and in a manner specified in the regulations of the National Depository for Securities and effective on the dates of particular payments, unless otherwise specified in the Final Terms and Conditions of that series of the Covered Bonds.

#### 1.4.3. Names and addresses of entities which agreed to underwrite the issue on a firm commitment basis; names and addresses of entities which agreed to place the offering with no firm commitment or on a best efforts basis

Names and addresses of entities which agreed to underwrite the issue of the Covered Bonds of a given series on a firm commitment basis and names and addresses of entities which agreed to place the offering with no firm

commitment or on a best efforts basis shall be indicated in the Final Terms and Conditions of that series of the Covered Bonds.

The Final Terms and Conditions shall also indicate material features of contracts referred to in paragraph above, including the underwriting level. In a situation, where not all of the issue is underwritten, a statement of the portion not covered shall be indicated in the Final Terms and Conditions. In the Final Terms and Conditions for a given series of the Covered Bonds shall also be indicated the overall amount of the underwriting commission and the placing commission for the Covered Bonds of a given series.

#### 1.4.4. Underwriting agreement execution date

Underwriting agreement execution date relating to an issue of the Covered Bonds of a given series shall be indicated in the Final Terms and Conditions of that series of the Covered Bonds.

## 2. Admission of securities to trading and trading-related arrangements

2.1 The Issuer will apply for admission and introduction of each series of the Covered Bonds to trading on the regulated market operated by BondSpot or regulated market operated by the WSE. The Issuer will submit relevant applications for admission and introduction of the Covered Bonds to trading in the time frames indicated in Final Terms and Conditions regarding the Covered Bonds of particular series. Issuer may apply for admission of particular series of the Covered Bonds to trading on other markets, including the markets outside Poland, after the fulfillment of requirements provided for in the regulations of the other markets.

2.2 All regulated markets or equivalent markets on which, to the Issuer's knowledge, securities of the same class as the Covered Bonds that are being offered or admitted to trading shall be indicated in Final Terms and Conditions regarding the Covered Bonds of particular series.

On the date of the Prospectus under the program of public and mortgage bearer bonds with a total value of PLN 6,000,000,000 approved by Polish Financial Supervision Authority decision DEM/WE/410/36/24/09 of 28 October 2009, Bank issued following series of covered bonds that have been admitted to trading on the regulated over-the-counter market for debt securities operated by BondSpot S.A. or on the regulated market for debt securities operated by Warsaw Stock Exchange:

#### 2.2.1. mortgage covered bonds:

- series HPA8 in the amount of PLN 25,000,000, listed under the code PLRHNHP00151
- series HPA9 in the amount of PLN 25,000,000, listed under the code PLRHNHP00169
- series HPA10 in the amount of PLN 200,000,000, listed under the code PLRHNHP00177
- series HPA11 in the amount of PLN 100,000,000, listed under the code PLRHNHP00185
- series HPA12 in the amount of PLN 100,000,000, listed under the code PLRHNHP00193
- series HPA13 in the amount of PLN 200,000,000, listed under the code PLRHNHP00219
- series HPA14 in the amount of PLN 100,000,000, listed under the code PLRHNHP00227
- series HPA15 in the amount of PLN 200,000,000, listed under the code PLRHNHP00235
- series HPA16 in the amount of PLN 100,000,000, listed under the code PLRHNHP00243
- series HPA17 in the amount of PLN 200,000,000, listed under the code PLRHNHP00250
- series HPA18 in the amount of PLN 200,000,000, listed under the code PLRHNHP00268
- series HPA19 in the amount of PLN 200,000,000, listed under the code PLRHNHP00276
- series HPE1 in the amount of EUR 10,000,000, listed under the code PLRHNHP00300
- series HPA20 in the amount of PLN 100,000,000, listed under the code PLRHNHP00318
- series HPA21 in the amount of PLN 80,000,000, listed under the code PLRHNHP00326
- series HPE2 in the amount of EUR 30,000,000, listed under the code PLRHNHP00334
- series HPE3 in the amount of EUR 50,000,000, listed under the code PLRHNHP00342
- series HPE4 in the amount of EUR 7,500,000, listed under the code PLRHNHP00359

- series HPE5 in the amount of EUR 8,000,000, listed under the code PLRHNHP00367
- series HPE6 in the amount of EUR 15,000,000, listed under the code PLRHNHP00375
- series HPE7 in the amount of EUR 20,000,000, listed under the code PLRHNHP00383
- series HPA22 in the amount of PLN 300,000,000, listed under the code PLRHNHP00391
- series HPA23 in the amount of PLN 200,000,000, listed under the code PLRHNHP00409
- series HPE8 in the amount of EUR 20,000,000, listed under the code PLRHNHP00417
- series HPE9 in the amount of EUR 50,000,000, listed under the code PLRHNHP00425
- series HPA24 in the amount of PLN 200,000,000, listed under the code PLRHNHP00433
- series HPE10 in the amount of EUR 20,000,000, listed under the code PLRHNHP00441
- series HPA25 in the amount of PLN 250,000,000, listed under the code PLRHNHP00458
- series HPE11 in the amount of EUR 11,000,000, listed under the code PLRHNHP00466
- series HPE12 in the amount of EUR 50,000,000, listed under the code PLRHNHP00474
- series HPA26 in the amount of PLN 500,000,000, listed under the code PLRHNHP00482
- series HPA27 in the amount of PLN 255 million, listed under the code PLRHNHP00490
- series HPA28 in the amount of PLN 300,000,000, listed under the code PLRHNHP00508
- series HPE13 in the amount of EUR 50,000,000, listed under the code PLRHNHP00516
- series HPA29 in the amount of PLN 50,000,000, listed under the code PLRHNHP00524
- series HPA30 in the amount of PLN 100,000,000, listed under the code PLRHNHP00532

**2.2.2. public sector covered bonds :**

- series PUA5 in the amount of PLN 100,000,000, listed under the code PLRHNHP00201
- series PUA6 in the amount of PLN 100,000,000, listed under the code PLRHNHP00284
- series PUA7 in the amount of PLN 150,000,000, listed under the code PLRHNHP0029,

while at the Prospectus Date the following series of covered bonds mentioned above were redeemed by the Issuer in accordance with the terms of the issue:

- series HPA8 in the amount of PLN 25,000,000, listed under the code PLRHNHP00151
- series HPA17 in the amount of PLN 200,000,000, listed under the code PLRHNHP00250
- series HPA9 in the amount of PLN 25,000,000, listed under the code PLRHNHP00169
- series HPA10 in the amount of PLN 200,000,000, listed under the code PLRHNHP00177
- series HPA12 in the amount of PLN 100,000,000, listed under the code PLRHNHP00193
- series HPA14 in the amount of PLN 100,000,000, listed under the code PLRHNHP00227
- series HPA16 in the amount of PLN 100,000,000, listed under the code PLRHNHP00243
- series PUA6 in the amount of PLN 100,000,000, listed under the code PLRHNHP00284
- series HPA11 in the amount of PLN 100,000,000, listed under the code PLRHNHP00185
- series PUA5 in the amount of PLN 100,000,000, listed under the code PLRHNHP00201
- series HPA13 in the amount of PLN 200,000,000, listed under the code PLRHNHP00219.

2.3 Name and address of the entities which have a firm obligations to act as intermediaries in secondary trading, providing liquidity by quoting bid and offer, and the description of the basic terms of their obligations will be indicated in the Final Terms relating to the Covered Bonds of each series.

**3. Limitation of claims under the Covered Bonds**

Claims arising from the Covered Bonds shall expire after 10 years with the exception of claims for regular benefits and claims related to business activity for which the limitation period is 3 years.

## **XVIII. RULES GOVERNING THE TAXATION OF INCOME CONNECTED WITH HOLDING OF AND TRADE IN THE COVERED BONDS ON REGULATED MARKET**

The information provided below is of a general nature and is based exclusively on the legal regulations in force at the time when this Prospectus was prepared.

The information on taxation contained in this Prospectus does not constitute legal or tax advice but is of a general nature, selectively presenting particular problems and does not address all situations in which investor may find himself. Potential investors are recommended to seek professional advice of tax and legal advisors with regard to tax consequences occurring in their individual cases

### **1. Taxation of interest income from the Covered Bonds**

#### **1.1 Taxation of interest income from the Covered Bonds earned by domestic natural persons**

The income tax on interest income from the Covered Bonds payable by natural persons who are domiciled within the territory of Poland, is collected in accordance with the following rules stipulated in the Personal Income Tax Act:

- a) interest on Covered Bonds is deemed income from monetary capital (Art. 17.1.3 of the Personal Income Tax Act);
- b) interest income is subject to a flat-rate tax of 19% of the income earned (Art. 30a.1.2 of the Personal Income Tax Act);
- c) interest income is subject to a flat-rate tax of 19% of the income earned (Art. 30a.1.2 of the Personal Income Tax Act);
- d) income tax is charged on the full amount of income (not reduced by tax-deductible costs);
- e) the interest income tax is remitted by the entity paying out the interest (the Issuer), whereas:
  - (i) in the case of the Covered Bonds recorded on the securities account entities maintaining securities accounts for taxpayers collect tax, as payers, if the income (revenue) has been received on Polish territory and is associated with securities recorded on these accounts, and payment of benefits to the taxpayer takes place through these entities (Art. 41.4d of the Personal Income Tax Act),
  - (ii) in the case of the Covered Bonds recorded in omnibus accounts tax-payers are entities maintaining omnibus accounts, through which the receivables from these titles are paid; a tax is collected on the date of the transfer of receivables from a given title to the disposal of the omnibus account holder.
- f) the tax remitter withholds flat-rate income tax on amounts paid out or made available to a taxpayer and transfers it to the account of the relevant tax office by the 20th day of the month immediately following the month in which the tax was withheld;
- g) by the end of February of the year immediately following the fiscal year in which the income was earned, the tax remitter is also obliged to send personal information on the income amount, prepared in a predefined format, to the taxpayer and the relevant tax office.
- h) According to the Art. 3.1a of the Personal Income Tax Act a person residing within the territory of the Republic of Poland is any natural person who:
  - (i) has the centre of their personal or economic interests (centre of life interests) within the territory of Poland; or

- (ii) is physically present in the Republic of Poland for more than 183 days during a taxable year.

#### 1.2 **Taxation of interest income from the Covered Bonds earned by foreign natural persons**

In accordance with Art. 21.1.130a of the Personal Income Tax Act interest or discount from the Covered Bonds earned by natural persons, if they do not reside within the territory of the Republic of Poland are exempt from income tax.

#### 1.3 **Taxation of interest income from the Covered Bonds earned by domestic legal persons**

Corporate income tax payable by legal persons with their office or board located in the territory of the Republic of Poland is collected in accordance with the rules stipulated in the Corporate Income Tax Act. Interest income from the Covered Bonds is aggregated with other income and is subject to taxation in accordance with general rules. The Issuer is not obliged to withhold and transfer tax prepayments with respect to benefits from the Covered Bonds.

Pursuant to Art. 19 of the Corporate Income Tax Act, corporate income tax is payable at the rate of 19% of the tax base.

Under Art. 25.1 of the Corporate Income Tax Act, a legal person earning interest income on the Covered Bonds is obliged to disclose the income in a monthly tax return (subject to the provisions of Art. 25.1b of the Corporate Income Tax Act), specifying the amount of income earned (or loss incurred) since the beginning of the fiscal year, and to transfer a monthly tax prepayment to the tax office account. The prepayment is calculated as the difference between the tax payable on income earned since the beginning of the fiscal year and the sum of payments made in the previous months of a given year.

#### 1.4 **Taxation of Interest Income from Covered Bonds Earned by Foreign Legal Persons**

In accordance with Art. 17.1.50a of the Corporate Income Tax Act interest or discount from covered bonds earned by legal persons not having their registered seat or board located in the territory of the Republic of Poland are exempt from income tax.

### 2. **Taxation of income from disposal of the Covered Bonds**

#### 2.1 **Taxation of domestic natural persons**

Income earned by domestic natural persons (i.e. natural persons domiciled in the territory of the Republic of Poland in accordance with Art. 3.1a of the Personal Income Tax Act) on the disposal of securities is subject to taxation under the general rules stipulated in the Personal Income Tax Act.

Income from the sale of securities represents any surplus amount obtained on this income, i.e. the value of the securities expressed in the price of sale over costs, i.e. the expenses incurred on their acquisition.

Income from the disposal of securities should be disclosed following the end of the fiscal year in a separate tax return. Pursuant to Art. 45.1a of the Personal Income Tax, such a return should be submitted to the tax office competent for the taxpayer's place of residence by April 30th of the year immediately following the fiscal year in which the income was earned. By the same date, the taxpayer is obliged to pay the personal income tax due, as disclosed in such a tax return. The tax rate applicable to income from the disposal of securities amounts to 19%

#### 2.2 **Taxation of foreign natural persons**

Income earned by foreign natural persons (i.e. natural persons who do not reside within the territory of the Republic of Poland) from the disposal of securities is subject to taxation in accordance with the rules described in Section 18.2.1, unless a double-tax treaty to which the Republic of Poland is a party provides otherwise.

As a rule, double-tax treaties stipulate that income earned from the disposal of the Covered Bonds by tax residents of the countries which have concluded double-tax treaties with Poland is exempt from tax in Poland.

### **2.3 Taxation of domestic legal persons**

Income earned by legal persons with their office or board located in the territory of the Republic of Poland from the disposal of the Covered Bonds is subject to taxation in accordance with general rules stipulated in the Corporate Income Tax Act. Tax is calculated on the income defined as the difference between the proceeds, that is the amount received from the disposal of the Covered Bonds, and the costs incurred in connection with the acquisition of the Covered Bonds. Income from the disposal of the Covered Bonds is aggregated with other income and subject to taxation in accordance with general rules.

The tax rate and manner of tax collection are as described in the Section 1.3 on the taxation of interest income earned by domestic legal persons.

### **2.4 Taxation of foreign legal persons**

Income earned by foreign legal persons from the disposal of securities is subject to taxation in accordance with the rules described in Section 2.3, unless a double-tax treaty to which the Republic of Poland is a party provides otherwise.

As a rule, double-tax treaties stipulate that income earned from the disposal of the Covered Bonds by tax residents of the countries which have concluded double-tax treaties with Poland is exempt from tax in Poland.

## **3. Duty on actions under civil law**

In principle, pursuant to Art. 7.1.1.b) of the Polish Act on Tax on Civil Law Activities, the sale of the Covered Bonds is subject to duty on actions under civil law at the rate of 1% of the market value of securities being disposed of.

Sale of the Covered Bonds:

- a) to the investment firms and foreign investment firms,
- b) conducted through investment companies or foreign investment companies,
- c) conducted in the framework of organized trading,
- d) outside of the organized trading by investment firms and foreign investment firms, if such rights were acquired by these companies within the framework of organized trading - within the meaning of the Act on Trading in Financial Instruments is exempt from duty on actions under civil law (Art. 9 Section 9 of the Polish Act on Tax on Civil Law Activities).

Exchange of the Covered Bonds is also, in principle, a subject to duty on actions under civil law in the amount of 1% of the market value of the property or property right that is exchanged, which is the subject of a higher tax.

Pursuant to Art. 2.4 of the Polish Act on Tax on Civil Law Activities, civil law activities are not subject to the duty on actions under civil law if at least one of the parties to such an action is obliged to pay value-added tax on such an action or such a party is exempt from VAT.

## **XIX. ADDITIONAL INFORMATION – CONSENT GRANTED IN ACCORDANCE TO ART. 3 POINT 2 OF THE PROSPECTUS DIRECTIVE**

### **1. The consent of the Issuer to use the Prospectus and statement of acceptance of responsibility**

The Issuer agrees to the use the Prospectus by the Participant of the Cascade Offer and accepts responsibility for the content of the Prospectus also in relation to a subsequent resale of the Covered Bonds of a given Series or their final placement by the Participant of the Cascade Offer specified in the Final Terms of a given Series of Covered Bonds.

### **2. Indication of the period of time for which a consent use of the Prospectus was issued**

Permission to use the Prospectus is granted for a period of time equal to the period of validity of the Prospectus.

### **3. The period of validity of the offer, during which the Participants of the Cascade Offer can make the subsequent resale of the Covered Bonds or their final placement**

The period of validity of the offer, during which the Participants of the Cascade Offer can make the subsequent resale of the Covered Bonds of a given series or their final placement will be indicated in the Final Terms for a given series of the Covered Bonds

### **4. Indication of the member states, in which Participants of the Cascade Offer can use the Prospectus for a subsequent resale of the Covered Bonds or their final placement**

The Participants of the Cascade Offer can use the Prospectus for subsequent resale of the Covered Bonds or their final placement on the territory of Republic of Poland.

### **5. Any other clear and objective conditions on which a consent is dependent, which apply to the use of the Prospectus**

Any conditions on which the consent is dependent, which apply to the use of the Prospectus in respect of the subsequent resale of the Covered Bonds of a given Series or their final placement by the Participant of the Cascade Offer will be indicated in the Final Terms for this series of the Covered Bonds.

### **6. Information for investors on providing information about the terms of the offer**

In the case of submitting an offer by the financial intermediary this financial intermediary will provide investors with information about the terms of the offer at the time of the offer.

According to article 15a point 4 of the Act on Public Offering the Participant of the Cascade Offer performing a public offering shall provide information for the public about its terms and conditions, together with a statement of the truth, accuracy and completeness of this information. Providing the foregoing information to the public takes place by placing them on the selected website: website of the Issuer, the investment firm offering the Covered Bonds or the company operating the regulated market on which the Covered Bonds are or will be admitted to trading.

### **7. Names and addresses of the Participants of the Cascade Offer**

The permission to use the Prospectus is given only to certain financial intermediaries indicated in the relevant Final Terms. The consent is not given to all financial intermediaries.



The names and addresses of a financial intermediary or financial intermediaries that are allowed to use the Prospectus for a subsequent resale of the Covered Bonds of a given series or their final placement will be indicated in the Final Terms for these series of the Covered Bonds.

**8. A method of publication, and a place where you can get any new information on financial intermediaries**

Any new information on financial intermediaries, which were not known as of the Prospectus Date or the publication of the Final Terms will be made public in the manner in which the Prospectus was announced, that is on the Issuer's website ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)).

## XX. PERSONS RESPONSIBLE FOR THE INFORMATION PROVIDED IN THE PROSPECTUS

### 1. Issuer

mBank Hipoteczny S.A. with its registered office in Warsaw is responsible for truthfulness, reliability, completeness and adequacy of information contained in this base prospectus issued by mBank Hipoteczny S.A.

#### Statement of mBank Hipoteczny S.A.

Acting on behalf of mBank Hipoteczny S.A. we declare that to the best of our knowledge and having taken all reasonable care to ensure that such is the case, the information contained in this base prospectus is true, reliable and in accordance with the facts and that this base prospectus does not omit anything likely to affect its import.



(podpis)  
Piotr Cyburt – Prezes Zarządu



(podpis)  
Marcin Romanowski – Członek Zarządu



(podpis)  
Marcin Wojtachnio – Członek Zarządu



(podpis)  
Grzegorz Trawiński – Członek Zarządu

2. **Firm Commitment Underwriter and the Oferror (mBank S.A.)**

mBank S.A. with its registered office in Warsaw as a firm commitment underwriter is responsible for the information on the firm commitment underwriter provided in this base prospectus of mBank Hipoteczny S.A. and the subscription or sale of securities made by him as well as the entity involved in the preparation of the information contained in Chapter IV "Interest of natural and legal persons involved in the issue", Point 4 "mBank S.A."; Chapter XVII, "Information on the terms and conditions of the offering and admission to trading", part: "Information on the terms and conditions of the offering" in this base prospectus, is responsible for the truthfulness, accuracy and completeness of the information contained in Chapter IV "Interest of natural and legal persons involved in the issue", Point 4 "mBank S.A." and Chapter XVII, "Information on the terms and conditions of the offering and admission to trading"; part: "Information on Terms and Conditions of the Offering" in this base prospectus of mBank Hipoteczny S.A.

**Statement of mBank S.A.**

Acting on behalf of mBank S.A. with its registered office in Warsaw, we hereby declare that to the best of our knowledge and having taken all reasonable care to ensure that such is the case, the information contained in the parts of the Prospectus for which mBank S.A. is responsible, that is in the following parts of the Prospectus: (i) Chapter IV "Interest of natural and legal persons involved in the issue", Point 4 "mBank S.A."; and (ii) Chapter XVII, "Information on the terms and conditions of the offering and admission to trading" is true, reliable and in accordance with the facts and that the parts of the Prospectus do not omit anything likely to affect its import.

wiceprezes zarządu  
mBank S.A.  
  
Przemysław Gdański

wiceprezes zarządu  
mBank S.A.  
  
Hans-Dieter Kemler

### 3. Legal Advisor

Hogan Lovells (Warszawa) LLP (Spółka partnerska) Oddział w Polsce with its registered office in Warsaw, as the entity preparing the information contained in Chapter II "Risk Factors", point 2.2 "Legal risk related to Covered Bonds", Chapter IV "Interest of natural and legal persons involved in the issue", point 2 "Legal Advisor" and Chapter XVI "Terms and Conditions of the Covered Bonds issued under the Programme" is responsible for the truthfulness, accuracy and completeness of the information contained Chapter II "Risk Factors" in the "Legal risks", Chapter IV "Interest of natural and legal persons involved in the issue" point 2 "Legal Advisor" and Chapter XVI "Terms and Conditions of the Covered Bonds issued under the Programme" in this base prospectus SA mBank .

#### **Statement of Hogan Lovells (Warszawa) LLP (Spółka partnerska) Oddział w Polsce**

Acting on behalf of Hogan Lovells (Warszawa) LLP (Spółka partnerska) Oddział w Polsce with its registered office in Warsaw as a legal counsel, we hereby declare that the best of our knowledge and having taken all reasonable care to ensure that such is the case , the information contained in the parts of the Prospectus, for which the legal counsel is responsible as a person involved in their preparation, i.e. in the following parts of this Prospectus: (i) Chapter II "Risk Factors", point 2.2 "Legal risk related to Covered Bonds", (ii) Chapter IV "Interest of natural and legal persons involved in the issue" point 2 "Legal Advisor ", and (iii) Chapter XVI "Terms and Conditions of the Covered Bonds issued under the Programme" are true, reliable and in accordance with the facts and contains no omission likely to affect its import.



**Piotr Zawislak**

Partner

## XXI. DEFINITIONS AND ABBREVIATIONS

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| <b>Accounting Act</b>                          | means the Accounting Act of 29 September 1994 (consolidated text: Dz. U. of 2013, item 330, as amended).  |
| <b>Act on Public Offering</b>                  | means the Act on public offering, conditions governing the introduction of financial instruments to organised trading, and public companies of 29 July 2005 (consolidated text: Dz. U. of 2013, item 1382, as amended).   |
| <b>Act on Trading in Financial Instruments</b> | means the Act on Trading in Financial Instruments of 29 July 2005, (consolidated text: Dz. U. of 2014, item 94, as amended).  |
| <b>Agency Model</b>                            | means a model of cooperation between the Issuer and mBank which relies on sales within the distribution network of mBank and the mBank Group of residential retail mortgage loans granted by the Issuer, whose claims can then form the basis for the issue of coverage bonds.  |
| <b>Amendment</b>                               | means the Act of 24 July 2015 amending the Covered Bond Act and certain other acts (Dz. U. from 2015, position 1259).   |
| <b>Annex</b>                                   | means annex to the Prospectus in accordance with art. 51 of the Act on Public Offering  |
| <b>Articles of Association</b>                 | means Articles of Association of the Issuer.  |
| <b>Bank or Issuer</b>                          | means mBank Hipoteczny S.A. with its registered office in Warsaw  |
| <b>Banking Law</b>                             | means the Polish Banking Law of 29 August 1997 (consolidated text: Dz.U. of 2015, item 128, as amended).  |
| <b>Insolvency Law</b>                          | means the Polish Insolvency Law of February 28th 2003 (Dz.U. No. 60, item 535, as amended)  |
| <b>MLV or Mortgage Lending Value</b>           | means the mortgage lending value.   |
| <b>Bond Act</b>                                | means the Bond Act of 15 January 2015 (Dz. U. of 2015, item 238).   |
| <b>BondSpot</b>                                | means the company BondSpot S.A. with its registered office in Warsaw  |
| <b>BondSpot Regulated Market Rules</b>         | means the rules of trading on BondSpot regulated over-the-counter market adopted by Supervisory Board resolution no 22/13 dated 9 may 2013, as amended.   |
| <b>Business Day</b>                            | means any date on which banks in Warsaw or the National Depository for Securities perform settlements of money transactions.  |
| <b>Cascade Offer Procedure</b>                 | means the offer, under which Covered Bonds shall be offered by the Issuer to the Cascade Offer Procedure Participants and finally offered by the Cascade Offer Procedure Participants to the investors in a public offering conducted on the basis of the Prospectus in accordance with art. 15a of the Act on Public Offering.   |
| <b>Cascade Offer Procedure Participant</b>     | means, in respect to the issue of Covered Bonds of a given series, a bank, a credit institution, investment company, a foreign investment company or a consortium of such entities, which the Issuer has granted written permission for sale by these entities of Covered Bonds of that series, in their name and on their behalf, in a public offering, on the basis of this Prospectus, as indicated in the Final Terms and Conditions of that series of Covered Bonds. |
| <b>Civil Code</b>                              | means the Civil Code dated 23 April 1964 (unified text: Dz.U. from 2016, item 380 as amended).  |

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| <b>Collective Account</b>                        | Means the collective account in the meaning of art. 8a of Act on Trading in Financial Instruments.   |
| <b>Commercial Companies Code</b>                 | means the Commercial Companies Code dated 15 September 2000 (unified text: Dz.U. from 2013, item 1030 as amended).   |
| <b>Commercial Loan, the Commercial Credit</b>    | means any loan advanced to entrepreneurs to finance real estate generating income from the lease of usable space.  |
| <b>Commission Regulation (EC) No 809/2004</b>    | means Commission Regulation (EC) No 809/2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (OJ of the EU L 149, of April 30th 2004, p. 307, as amended).   |
| <b>Corporate Income Tax Act</b>                  | means Corporate Income Tax Act of February 15th 1992 (Dz. U. of 2014, item 851, as amended).   |
| <b>Coverage Balance Test</b>                     | Coverage Balance Test means a test carried out in the manner specified in the regulation of the minister competent for financial institutions, issued on the basis of Article 25 sec. 7 of the Covered Bond Act, with the objective of determining whether, at the date of such determination, the mortgage bank's receivables as well as the rights and funds referred to in Article 18 sec. 3, 3a and 4 of the Covered Bond Act, entered into the covered bonds collateral register, are sufficient to satisfy all claims of the covered bond holders. |
| <b>Covered Bond Act</b>                          | means the Act on Covered Bonds and Mortgage Banks of 29 August 1997 (consolidated text: Dz. U. of 2015, item 1588 as amended).   |
| <b>Covered Bonds</b>                             | Means mortgage covered bonds issue by the Bank on the basis of the Management Board Resolution no 45/2016 dated 12 April 2016.   |
| <b>CPI</b>                                       | means consumer price index which measure changes in the price level of a market basket of consumer goods and services  |
| <b>CRR Regulation</b>                            | means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ of the EU L 176, of June 27th 2013, p. 1, as amended).  |
| <b>Detailed Rules of the NDS</b>                 | means Detailed Rules of the Polish National Depository for Securities, published by the NDS.   |
| <b>Dz. U.</b>                                    | means the Journal of Laws of the Republic of Poland.   |
| <b>EUR, Euro</b>                                 | means the European currency established pursuant to legislative acts of the European Union regarding the implementation of the third stage of the Economic and Monetary Union created in the Treaty establishing the European Union, as amended.   |
| <b>EURIBOR</b>                                   | means the interest rate adopted in the interbank market for the euro area interbank loans (Euro Inter Bank Offered Rate).  |
| <b>Final Terms or Final Terms and Conditions</b> | Means final terms of issue for each series of Covered Bonds, according to the specimen constituting appendix to this Prospectus.   |
| <b>Financial Adviser</b>                         | means mCorporate Finance S.A. with its registered office in Warsaw   |
| <b>Firm Commitment Underwriter</b>               | means the mBank or any other entity (being a bank, investment firm or foreign investment firm), which enters into a firm commitment underwriting agreement with the Issuer, referred to in art. 15 of the Act on Public Offering in respect of the issue of the Covered Bonds of a given series and specified in the Final Terms and   |

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|  | Conditions regarding that series of the Covered Bonds.  |
| <b>Firm Commitment Underwritten Offering</b>                   | means the offer, under which Covered Bonds shall be offered under the firm commitment underwriting agreement, on the terms described in this Prospectus and the Final Terms and Conditions.   |
| <b>Foreign Exchange Law</b>                                    | means the Polish Foreign Exchange Act of 27 July 2002 (Dz.U. of 2012, item 826, as amended)   |
| <b>FSA, PFSA or the Polish Financial Supervision Authority</b> | means Komisja Nadzoru Finansowego.  |
| <b>GDP</b>   | means gross domestic product  |
| <b>GUS, the Central Statistical Office</b>                     | means the Central Statistical Office.   |
| <b>Holder</b>  | means in relation to a Covered Bond, a person holding at a certain time the securities account in which that Covered Bond is registered or the person authorised under Covered Bond registered on the Collective Account, in accordance with the Act on Trading in Financial Instruments.   |
| <b>Housing Loan</b>  | means any loan advanced to natural persons to meet their housing needs.   |
| <b>IBnGR or Institute for Market Economics</b>                 | means the Institute for Market Economics ( <i>Instytut Badań nad Gospodarką Rynkową</i> ).  |
| <b>IDR, or the Issuer Default Rating</b>                       | means the international rating provided by the rating agency Fitch Ratings Ltd.   |
| <b>Institutional Investors</b>                                 | means legal persons, an entity managing a securities package of a third party for orders or organisational units without legal personality, both residents and non-residents within the meaning of the Foreign Exchange Act, who may submit subscriptions for Covered Bonds on terms and in accordance with rules described in the Prospectus.  |
| <b>ISIN</b>  | means the International Security Identification Number, that is an international identification code assigned to securities issued in financial markets   |
| <b>JST or LGU</b>  | means government local units.   |
| <b>Legal Counsel</b>   | means Hogan Lovells (Warszawa) (Spółka partnerska) Oddział w Polsce with its registered office in Warsaw.   |
| <b>LIBOR</b>   | means the interest rate adopted at the London interbank market for interbank loans (London Inter Bank Offered Rate).  |
| <b>Liquidity Test</b>  | means a test carried out in the manner specified in the regulation of the minister competent for financial institutions, issued on the basis of Article 25 sec. 7 of the Covered Bond Act, with the objective of determining whether, at the date of such determination, the mortgage bank's receivables as well as the rights and funds referred to in Article 18 sec. 3, 3a and 4 of the Covered Bond Act, entered into the covered bonds collateral register, are sufficient to satisfy all claims of the covered bond holders within the extended maturity dates referred to in Article 446 sec. 1 of the Insolvency Law. |
| <b>LTC</b>   | means the ratio between the amount of the loan and the financing costs of the project ( <i>loan to cost</i> ).  |
| <b>LTV</b>   | means the ratio between the amount of the loan and the collateral value of the loan   |

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|   | (loan to value).  |
| <b>mBank</b>  | means mBank S.A. with its registered office in Warsaw.  |
| <b>mBank Group</b>                                      | means the mBank's capital group.  |
| <b>MSSF or IFRS</b>                                     | means the International Financial Reporting Standards whose legal basis is contained in Regulation 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards.  |
| <b>NBP or National Bank of Poland</b>                   | means the National Bank of Poland (in Polish: <i>Narodowy Bank Polski</i> ).  |
| <b>NDS or Polish National Depository for Securities</b> | means Krajowy Depozyt Papierów Wartościowych S.A. with its registered office in Warsaw.   |
| <b>Offering Information</b>                             | means, in respect to the offering of Covered Bonds in Cascade Offer Procedure, information about the terms and conditions of the public offering conducted by the Cascade Offer Procedure Participant on the basis of the Prospectus referred to in art. 15a of the Act on Public Offering. |
| <b>Offering or Public Offering</b>                      | means the public offering in the meaning of the Act on the Public Offering, conducted on the basis of this Prospectus and the Final Terms   |
| <b>Offeror</b>  | means mBank S.A. acting via its brokerage office.   |
| <b>OJ of the EU</b>                                     | means the Official Journal of the European Union.   |
| <b>Ordinary Procedure</b>                               | means the offer not aimed to Cascade Offer Procedure Participants, under which Covered Bonds not covered by the firm commitment underwriting agreement shall be offered, on the terms described in this Prospectus and the Final Terms and Conditions.                                      |
| <b>Order Book</b>                                       | means the list of investors, who submitted valid subscriptions for purchase of Covered Bonds.   |
| <b>Personal Income Tax Act</b>                          | means the Personal Income Tax Act of 26 July 1991 (Dz. U. of 2012, item 361, as amended).   |
| <b>PLN, zloty</b>                                       | means the legal currency in the Republic of Poland, introduced into monetary circulation as of 1 January 1995 by virtue of the Act on Denomination of the Polish Zloty of 7 July 1994 (Dz.U. No. 84, item 386, as amended).   |
| <b>Polish Act on Tax on Civil Law Activities</b>        | means the Act of 9 September 2000 on Tax on Civil Law Activities (consolidated text: Dz. U. of 2016, item 223).   |
| <b>Pooling Model</b>                                    | means a model of cooperation between the Issuer and mBank involving the acquisition by the Issuer of mBank receivables from mortgage loans (residential and commercial) granted by mBank, which can then form the basis for the issue of coverage bonds.                                    |
| <b>Primary Trading</b>                                  | means the primary trading in meaning given in article 4 point 3 of the Act on Public Offering.  |
| <b>Programme</b>  | means the repeated in cycles, including at least two issues carried out at an interval of not more than 12 months, the issue of covered bonds.  |
| <b>Prospectus Date</b>                                  | means the date on which the Polish Financial Supervision Authority approved the Prospectus  |
| <b>Prospectus Directive</b>                             | means the Directive 2003/71/EC of the European Parliament and of the Council of 4   |



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|  | November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading.   |
| <b>Prospectus or Issuing Prospectus</b>  | means this document, being the basic issuing prospectus for the Programme, together with Annexes.   |
| <b>Recommendation D</b>                  | means recommendation on the management of information technology and ICT environment security at banks, issued by the Polish FSE on the basis of art. 137 sec. 5 of Banking Law.  |
| <b>Recommendation F</b>                  | means recommendation on the basic criteria used by Polish FSE to approve rules for determining value of real estate by mortgage banks, issued by the Polish FSE on the basis of art. 137 sec. 5 of Banking Law.   |
| <b>Recommendation K</b>                  | means recommendation on the rules for maintaining the collateral register of covered bonds by mortgage banks, issued by the Polish FSE on the basis of art. 137 sec. 5 of Banking Law.  |
| <b>Recommendation S</b>                  | means recommendation on good practices related to mortgage backed credit exposures, issued by the Polish FSE on the basis of art. 137 sec. 5 of Banking Law.  |
| <b>Recommendation W</b>                  | means recommendation on management of risk models at banks, issued by the Polish FSE on the basis of art. 137 sec. 5 of Banking Law.  |
| <b>Regulated Market</b>                  | means regulated OTC market for debt securities operated by BondSpot or regulated market (parallel market) for debt securities operated by the WSE.  |
| <b>Secondary Trading</b>                 | means the secondary trading in meaning given in article 3 point 7 of the Act on Public Offering   |
| <b>Securities Account</b>                | Means the securities account of art. 4 paragraph 1 of Act on Trading in Financial Instruments.  |
| <b>Terms and Conditions of the Issue</b> | means Terms and Conditions of the Issue of Covered Bonds, contained in Chapter XVI (Terms and Conditions of Covered Bonds issued under the Programme) of this Prospectus, together with the supplementary terms contained in the Final Terms and Conditions of a given series of Covered Bonds. |
| <b>Trustee</b>                           | means the person appointed by the Polish Financial Supervision Authority at the request of the Supervisory Board of a mortgage bank as a trustee of the mortgage bank in accordance with the Covered Bond Act.  |
| <b>US Securities Act</b>                 | means the Securities Act of 1933 – the US Securities Act of 1933, as amended  |
| <b>USD</b>                               | means the United States dollars.  |
| <b>WIBOR</b>                             | means interest rate adopted at the Polish interbank market for interbank loans (Warsaw Inter Bank Offered Rate).  |
| <b>WSE or Warsaw Stock Exchange</b>      | means Giełda Papierów Wartościowych w Warszawie S.A., a company with its registered office in Warsaw.   |
| <b>WSE Regulated Market Rules</b>        | means the WSE Rules in the meaning adopted by the Board of the WSE in resolution no 1/1110/2006 dated 4 January 2006, as amended.   |

**XXII. APPENDICES**

**APPENDIX 1  
ARTICLES OF ASSOCIATION**

**Consolidated Text of the Articles of Association of  
mBank Hipoteczny S.A. adopted by the Resolution No. 3  
of the Extraordinary General Meeting of mBank Hipoteczny S.A.  
dated 2 June 2016**

**"THE ARTICLES OF ASSOCIATION  
OF  
mBank Hipoteczny  
Spółka Akcyjna**

**I. GENERAL PROVISIONS**

Par. 1

mBank Hipoteczny Spółka Akcyjna, hereinafter referred to as the "Bank", is a bank operating under the Act on Covered Bonds and Mortgage Banks (hereinafter referred to as the "Act"), the Banking Law, the Commercial Companies Code, other applicable laws, and these Articles of Association.-----

Par. 2

The Bank's name shall be: mBank Hipoteczny Spółka Akcyjna.-----  
The Bank may use the abbreviated name of: mBank Hipoteczny S.A.-----

Par. 3

1. The Bank shall operate in the territory of the Republic of Poland and, subject to applicable permits and approvals, outside the Republic of Poland.-----
2. The Bank's registered office shall be situated in the capital city of Warsaw, Poland.-----
3. The Bank shall be incorporated for an unspecified period.-----

Par. 4

The Bank was founded by: Bank Rozwoju Eksportu Spółka Akcyjna of Warsaw, Poland, and RHEINHYP Rheinische Hypothekenbank Aktiengesellschaft of Frankfurt am Main, the Federal Republic of Germany.

**II. BUSINESS SCOPE**

Par. 5

1. The Bank's business shall consist in the provision of banking services within the scope defined in the Act and these Articles of Association (PKD 2007 – 6419 Z).-----
2. The Bank shall offer its services to natural persons, legal entities and unincorporated organisational units, both in zloty and foreign currencies.-----

Par. 6

The Bank's core business shall include:-----

- 1) origination of mortgage-backed loans; -----
- 2) origination of non-mortgage-backed loans specified in Art. 3.2 of the Act, -----
- 3) acquisition of other banks' claims under mortgage-backed loans originated by those banks and claims under non-mortgage-backed loans specified in item 2; -----
- 4) issue of mortgage covered bonds based on the Banks' claims under: -----
  - a) mortgage-backed loans originated by the Bank, and -----
  - b) other banks' claims under mortgage-backed loans originated by those banks, purchased by the Bank; -----
- 5) issue of public sector covered bonds based on: -----
  - a) the Bank's claims under non-mortgage-backed loans referred to in item 2 and originated by the Bank, -----
  - b) other banks' claims under non-mortgage-backed loans originated by those banks, referred to in item 2, purchased by the Bank. -----

## Par. 7

1. In addition to the operations listed in Par. 6, the Bank may only: -----
  - 1) accept term deposits; -----
  - 2) draw loans and borrowings; -----
  - 3) issue bonds, with a proviso that any funds acquired as specified in items 1) – 3) may be used by the Bank only to refinance the activities listed in Par. 6; -----
  - 4) hold securities; -----
  - 5) purchase or acquire shares or equity interests in other entities whose legal form limits the Bank's liability to the funds invested, provided that it is conducive to the Bank's activities, as defined by the provisions of the Act, -----
  - 6) maintain bank accounts for the purposes of servicing investment projects executed with the support of loans advanced by the Bank, -----
  - 7) deliver consultancy and advisory services related to the real estate market, including services related to determining the mortgage lending value of real estate, -----
  - 8) manage the Bank's claims and other banks' claims under the loans referred to in Par. 6 as well as originate such loans on behalf of other banks under agreements concluded with such banks. -----
1. The Bank may use any free funds to: -----
  - 1) place deposits and acquire securities within the scope specified in Art. 16.1.1, 16.1.3 and 16.1.4 of the Act; -----
  - 2) purchase covered bonds issued by the Bank on the terms and conditions defined in Art. 16.1.2 of the Act, and, -----
  - 3) purchase covered bonds issued by other mortgage banks. -----
2. The Bank may purchase real estate only to prevent losses under mortgage-backed loans originated by the Bank and only if it is necessary for the purposes of the Bank's operations. -----

## Par.8

1. The Bank may undertake the following steps supporting the activities listed in Par. 6 and Par. 7.1.1–7.1.3 and 7.1.5: -----
  - 1) sell and buy foreign currencies and receivables denominated in foreign currencies and intermediate in money transfers and foreign-exchange trading settlements, -----
  - 2) perform activities mitigating currency risk and interest-rate risk, subject to Par. 8.2. -----
2. If covered bonds are issued in a currency other than the currency of the Bank's claims serving as collateral for such bonds or the currency of the funds referred to in Art. 18.3 of the Act, the Bank shall undertake actions to limit its exposure to foreign exchange risk. -----
3. Any operations which under the applicable laws require specific permits or authorisations shall be executed by the Bank upon obtaining such permits and authorisations. -----

**III. ORGANISATION OF THE BANK**

## Par. 9

1. The Bank shall conduct its operations through its Head Office, branches, regional representative offices and other organisational units in Poland and abroad. -----

2. The Bank may open and close branches, regional representative offices and other organisational units in Poland and abroad.-----
3. Decisions on opening and closing of branches and regional representative offices abroad shall require prior approval of the Supervisory Board.-----
4. The organisational structure of the Head Office shall comprise divisions, departments, offices and advisors (appointed, if there is such need).-----
5. The detailed organisational structure of the Bank shall be provided for in the Organisational Rules of the Bank.

Par. 10

1. The Bank shall operate a management system based on a set of rules and tools designed to support decision-making processes at the Bank and evaluate the Bank's operations.-----
2. The management system at the Bank shall comprise in particular: -----
  - 1) a risk management system, -----
  - 2) an internal control system.-----
3. The Management Board shall design and implement the management system and shall ensure its proper functioning.-----
4. The Supervisory Board shall oversee the implementation of the management system and shall assess its adequacy and efficiency.-----
5. Detailed rules governing the operation of the management system shall be provided for in the Bank's internal regulations.-----

Par.10a

1. The risk management system shall be used to identify, measure or estimate, and monitor the risk inherent in the Bank's operations in order to ensure that the process of setting and attaining particular objectives related to the Bank's operations functions properly.-----
2. As part of the risk management system, the Bank shall: -----
  - 1) apply formal rules designed to measure risk exposures, and risk management rules,-----
  - 2) apply formal procedures to identify, measure or estimate, and monitor the risk inherent in the Bank's operations, which account for risk exposures expected in the future,-----
  - 3) apply formal limits to mitigate the risk, and rules of conduct to be followed in the event that the limits are exceeded,-----
  - 4) apply the adopted management reporting system to monitor the risk,-----
  - 5) have an organisational structure adjusted to the size and nature of the Bank's risk exposure.-----

Par.10b

1. The Bank shall operate an internal control system designed to support decision-making processes in order to ensure: -----
  - 1) effectiveness and efficiency of the Bank's operations,-----
  - 2) reliability of the financial reporting,-----
  - 3) compliance with applicable laws and internal regulations.-----
2. The internal control system shall comprise: -----
  - 1) risk control mechanisms,-----
  - 2) assessment of the Bank's compliance with legal provisions and internal regulations,-----
  - 3) internal audit function designed to assess and evaluate, in an independent and unbiased manner, the adequacy and effectiveness of the internal control system and to issue opinions on the Bank management system, including on the effectiveness of the system used to manage the risk inherent in the Bank's operations.-----
3. Detailed rules governing the operation of the internal control system shall be provided for in the rules adopted by the Bank's Management Board and approved by the Supervisory Board.-----

Par. 11

1. Internal regulations of the Bank are issued in the form of: -----
  - 1) resolutions of the Bank’s Management Board in cases where the regulations are issued pursuant to the mandatory provisions of the law or supervisory recommendations, -----
  - 2) orders of the President of the Management Board in cases concerning basic rules of the Bank’s operation,-----
  - 3) instruction letters issued by heads of the Bank’s organisational units in cases which are not reserved for the competence of the Bank’s Management Board or other governing bodies of the Bank;-----
  - 4) organisational regulations of the Bank's organisational units issued by heads of such organisational units after approval by a supervising Management Board member. -----
2. Detailed rules regarding the issue of the Bank's internal regulations are provided in a regulation on internal legislation. -----

**IV. GOVERNING BODIES**

Par. 12

- The Bank’s governing bodies shall be: -----
- 1) General Meeting -----
  - 2) Supervisory Board-----
  - 3) Management Board -----

General Meeting

Par. 13

1. The General Meeting shall be convened as an Ordinary General Meeting or an Extraordinary General Meeting. -----
2. The Ordinary General Meeting shall be convened by the Bank’s Management Board once a year, by the end of May. -----
3. The Extraordinary General Meeting may be convened as required, by the Bank’s Management Board at its initiative or upon the motion of the Supervisory Board or on the demand of shareholders representing in total at least 1/10 (one tenth) of the share capital. -----
4. The Supervisory Board shall have the right to convene the General Meeting if the Bank’s Management Board fails to do so, in accordance with the rules and within the timeframe provided for in these Articles of Association. -----

Par. 14

1. The following issues shall require a resolution of the General Meeting:-----
  - 1) review and approval of the Directors’ Report on the Bank’s operations and the financial statements for the preceding financial year; -----
  - 2) approval of performance of duties by the members of the Bank’s governing bodies,-----
  - 3) distribution of the Bank’s net profit or coverage of loss;-----
  - 4) amendments to the Articles of Association; -----
  - 5) appointment and removal from office of the Supervisory Board members and determination of the rules of their remuneration;-----
  - 6) increase or reduction of the Bank’s share capital; -----
  - 7) liquidation or sale of the entire enterprise of the Bank or merger with another bank;-----
  - 8) selection of liquidators and determination of their remuneration; -----
  - 9) decisions concerning claims for damages caused in the course of establishment, management or supervision of the company; -----
  - 10) determination of the dividend payment date;-----
  - 11) sale or encumbrance of the Bank’s real estate where its governing bodies are located; -----
  - 12) issues submitted for consideration by the Supervisory Board; -----
  - 13) issues submitted for consideration by the shareholders in accordance with the procedure provided for in the Articles of Association; -----
  - 14) other issues requiring a resolution of the General Meeting in accordance with the applicable laws or

these Articles of Association. -----

2. Purchase, encumbrance or sale of a real estate, a right of perpetual usufruct and a share in a real estate shall not require consent of the General Meeting if the purchase or sale is made within the enforcement proceedings, bankruptcy proceedings, restructuring proceedings or other arrangement with the Bank's debtor. In such cases a resolution of the Management Board is required. -----

Par. 15

1. Issues to be discussed at the General Meeting should be earlier presented by the Bank's Management Board to the Supervisory Board for consideration. -----
2. A shareholder or shareholders intending to submit to the General Meeting a motion concerning the Bank's affairs should submit it in writing to the Bank's Management Board at least one month prior to the General Meeting. -----
3. Any motions submitted by the Bank shareholders shall be presented by the Bank's Management Board, together with its opinion, to the Supervisory Board. -----
4. The Supervisory Board, at its sole discretion, may decide whether a given motion should be presented to the General Meeting; however, a motion submitted at least a month prior to the meeting date by the shareholders holding jointly at least 1/10 (one tenth) of the share capital must be presented to the General Meeting. -----

Par. 16

1. The shareholders may participate in the General Meeting personally or through their proxies. -----
2. The powers of proxy to participate and vote at the General Meeting shall be null and void unless made in writing. -----

Par. 17

1. Unless the provisions of the Commercial Companies Code provide otherwise, the General Meeting shall be valid irrespective of the number of shares represented. -----
2. Resolutions of the General Meeting shall be adopted by an absolute majority of votes cast, unless the provisions of the Commercial Companies Code and Par.17.3 below provide otherwise. -----
3. Resolutions concerning the issues listed in Par. 14.1, 14.2, 14.3, 14.4, 14.6, 14.7 shall be adopted by a majority of at least three-quarters of votes cast. -----

Par. 18

The provisions of Art. 420.1 and Art. 420.2 of the Commercial Companies Code shall not apply to voting at the General Meeting. -----

Par. 19

1. The General Meeting shall be opened by the chairman or deputy chairman of the Supervisory Board. In their absence, the General Meeting shall be opened by one of the members of the Supervisory Board or the President of the Management Board. -----
2. The General Meeting shall appoint its chairman from among the persons entitled to participate in the General Meeting. -----

Supervisory Board

Par. 20

1. The Supervisory Board shall be composed of five to nine members appointed by the General Meeting for a joint term of office. -----
2. The mandates of the Supervisory Board members shall expire no later than on the day of the General Meeting approving the financial statements for the last full financial year of membership on the Supervisory Board. The mandate of a Supervisory Board member shall also expire in the event of his/her death, resignation or removal from the Supervisory Board, as of the date of the event causing expiry, unless the resolution on the removal specifies other expiry date. -----

3. Members of the first-term Supervisory Board shall be appointed for a period of one year. The subsequent terms of office of Supervisory Board members shall be two years.-----
4. Members of the Supervisory Board may be re-appointed.-----
5. The mandates of the Supervisory Board members appointed mid-term shall expire upon the end of the term of office of the Supervisory Board. -----
6. The Supervisory Board or its individual members may be removed from office by the General Meeting before the end of the term. -----
7. The Bank shall inform the Banking Supervision Commission of the composition of the Supervisory Board and of any changes to the Supervisory Board promptly after the Supervisory Board is appointed or its composition is changed. -----

Par. 21

The Supervisory Board members may perform their duties only in person. -----

Par. 22

The Supervisory Board shall appoint its chairman and deputy chairman from among its members. -----

Par. 23

The Supervisory Board shall operate pursuant to the rules adopted by the Supervisory Board and approved by the General Meeting. -----

Par. 24

1. Resolutions adopted by the Supervisory Board are valid provided that all of its members have been invited and at least half of its members are present at the meeting. -----
2. Resolutions adopted by the Supervisory Board, including resolutions concerning elections, shall be adopted by an absolute majority of votes and in the event of a voting tie the Chairman of the Supervisory Board shall have the casting vote. -----
3. Each member of the Supervisory Board shall have one vote.-----
4. Supervisory Board resolutions shall be recorded in the minutes.-----
5. The Supervisory Board members may participate in adoption of resolutions by casting their votes in writing with the intermediation of another Supervisory Board member. Written votes may not be cast on any matters placed on the agenda during the Supervisory Board meeting. -----
6. The Supervisory Board may also adopt resolutions in writing or via means of remote communication. A resolution shall be valid if all of the Supervisory Board members have been informed of the text of the draft resolution and participated in voting by casting their votes. -----
7. The procedure for adoption of resolutions specified in Par. 24.5 and Par. 24.6 may not be applied to appoint the chairman or deputy chairman of the Supervisory Board, a member of the Management Board or to remove such persons from office or suspend them from duties. -----

Par. 25

1. The Supervisory Board shall meet as required, but at least three times in a financial year. -----
2. The Supervisory Board meetings shall be convened by the chairman of the Supervisory Board, acting on his/her own initiative or at the request of the Bank's Management Board or a Supervisory Board member. -

Par. 26

The Supervisory Board shall exercise ongoing supervision over the Bank's business. The powers of the Supervisory Board shall include in particular: -----

- 1) approving the Bank's policy, in particular with respect to lending and issue activities, management of assets and liabilities and risk management; -----
- 2) approving the Bank's annual financial plans and long-term development programmes;-----
- 3) approving the Management Board's requests concerning the opening and closing of branches and regional representative offices abroad; -----
- 4) granting consent to the Bank's Management Board to purchase, encumber or sell real estate, a right of



- perpetual usufruct, a share in a real estate, and shares in other companies; provided that the consent is not required if the purchase or sale of a real estate, right of perpetual usufruct, a share in a real estate, shares in other companies is carried out under enforcement, bankruptcy or restructuring proceedings or other arrangement with the Bank's debtors; in such a case the Bank's Management Board shall inform the Supervisory Board of the above actions; -----
- 5) issuing or approving the Bank's internal rules reserved by the law for the competence of the Supervisory Board, in particular approving the rules issued by the Bank's Management Board concerning internal control and assessment of a mortgage lending value of the property; the rules on the assessment of a mortgage lending value of the property shall come into effect upon approval by the Financial Supervision Authority;-----
  - 6) reviewing the Directors' Report on the Bank's operations and the financial statements for the previous financial year in terms of their consistency with the accounting books, documents and the actual state of affairs and reviewing the motions submitted by the Bank's Management Board concerning profit distribution or coverage of loss, and submitting to the General Meeting annual written reports on the findings of such reviews,-----
  - 7) considering other motions and issues which require resolutions by the General Meeting;
  - 8) appointing, at the request of the Bank's Management Board, an auditor to audit the Bank's financial statements; -----
  - 9) determining the terms and conditions of the contracts and remuneration for the members of the Bank's Management Board and representing the Bank during execution of the agreements with the Management Board members; and -----
  - 10) approving the Management Board's motions concerning the Bank's future activities abroad. -----

Par. 27

1. The Supervisory Board shall appoint and remove from office the members of the Management Board, including the President of the Management Board.-----
2. Two members of the Management Board, including the President, shall be appointed subject to approval of the Banking Supervision Commission. The Supervisory Board shall apply for the approval. -----
3. The Supervisory Board shall notify the Banking Supervision Commission of the composition of the Management Board and of any changes to the Management Board promptly after the Management Board is appointed or its composition is changed. The Supervisory Board shall also provide the Banking Supervision Commission with information on the members of the Management Board who, as part of the division of powers within the Management Board, are responsible for, in particular, risk management and the internal audit unit.-----

Management Board

Par. 28

1. The Bank's Management Board shall be composed of three to four members. -----
2. The Management Board shall be composed of the President of the Management Board and other members of the Management Board.-----
3. The President and other members of the Management Board shall be appointed for a joint three-year term of office. -----
4. The mandates of the Management Board members shall expire no later than on the day of the General Meeting approving the financial statements for the last full financial year of membership on the Management Board. The mandate of a Management Board member shall also expire in the event of his/her death, resignation or removal from the Management Board, as of the date of the event causing expiry, unless the resolution on the removal specifies another expiry date. -----
5. The Management Board members may be at any time removed from office before their term of office expires. -----
6. The Management Board may adopt resolutions provided that all the members of the Management Board have been duly notified of the Management Board's meeting. In order for the decisions of the Management Board to be valid, at least two members of the Management Board shall be present. -----
7. Resolutions of the Management Board shall be adopted by an absolute majority of votes. -----
8. The Management Board may adopt resolutions in writing or via means of remote communication. A resolution shall be valid if all of the Management Board members have been informed of the text of the draft resolution. -----
9. Decisions on assumption of liabilities or disposal of assets whose total value with respect to one entity exceeds 5% of the Bank's equity shall be made by the Management Board. This shall not apply to any

activities reserved for other governing bodies of the Bank. -----  
10. The Management Board’s resolutions shall be recorded in the minutes. -----

Par. 29

1. The Management Board shall represent the Bank and manage its affairs, in particular it makes decisions in the matters relating to the covered bonds and bonds issues within the operating strategy and the annual financial plans approved by the Supervisory Board. The scope of activities of the Management Board shall include all issues not reserved for other governing bodies of the Bank under the Articles of Association or applicable laws. -----
2. The Management Board shall operate pursuant to the rules adopted by the Management Board and approved by the Supervisory Board. -----

Par. 30

1. The powers and duties of the individual members of the Management Board and the scope of their actions shall be defined in a resolution of the Supervisory Board, subject to Par. 30.2. -----
2. The scope of powers and duties of the President of the Management Board shall include, in particular, supervision over the Bank’s internal control and its activity related to issues of covered bonds and bonds. A Management Board member whose appointment is subject to approval by the Financial Supervision Authority shall be responsible, in particular, for risk management. -----
3. In addition, the President of the Management Board shall manage the work of the Management Board and represent the Management Board before the General Meeting and the Supervisory Board. -----

Par. 31

1. Powers of attorney shall be granted by: -----
  - 1) two members of the Management Board acting jointly, or -----
  - 2) one member of the Management Board acting jointly with a proxy, -----
  - 3) two proxies acting jointly. -----
2. Powers of attorney may be granted to a person to represent the Bank independently or jointly with another authorised person. -----

Par. 32

- The following persons shall be authorised to make representations and sign documents on behalf of the Bank:
- 1) two members of the Management Board acting jointly or a member of the Management Board and a proxy acting jointly, or each of these persons acting jointly with an attorney-in-fact, -----
  - 2) proxies – acting within the scope of their authority as provided by the law relating to a proxy, acting jointly with a member of the Management Board, a proxy or an attorney-in-fact who acts within the scope of its authority; -----
  - 3) attorneys-in-fact acting independently or jointly within their respective powers. -----

Par. 33

1. The Management Board shall prepare the Directors’ Report on the Bank’s operations and ensure for the annual financial statements to be prepared not later than within three months after the end of a given financial year. -----
2. The Management Board shall submit the Directors’ Report and annual financial statements to the Supervisory Board for review and then to the General Meeting for approval. -----

**V. SHARE CAPITAL, SHARES**

## Par. 34

1. The share capital shall amount to PLN 309,000,000 (three hundred and nine million zloty) and shall be divided into 3,090,000 (three million and ninety thousand) registered shares with a par value of PLN 100 (one hundred zloty) per share, including: 500,000 (five hundred thousand) Series A ordinary registered Shares numbered from 000001 to 500000, 850,000 (eight hundred and fifty thousand) Series B ordinary registered Shares numbered from 000001 to 850000, 400,000 (four hundred thousand) Series C ordinary registered Shares numbered from 000001 to 400000, 1,000,000 (one million) Series D ordinary registered Shares numbered from 0000001 to 1 000000, 100,000 (one hundred thousand) Series E ordinary registered Shares numbered from 000001 to 1 00000, 140,000 (one hundred forty thousand) Series F ordinary registered Shares numbered from 000001 to 140000 and 100,000 (one hundred thousand) Series G ordinary registered Shares numbered from 000001 to 100000. Each share confers the right to one vote at the General Meeting. -----
2. The Bank's share capital shall be covered with cash paid in full prior to the registration of the Bank or prior to the registration of a capital increase at the Bank.
3. The shares may be redeemed. The redemption shall be effected either through share capital reduction or with the funds from net profit. -----

## Par. 35

The Bank shares shall be transferable. -----

**VI. FUNDS, FINANCIAL MANAGEMENT AND ACCOUNTING**

## Par. 36

1. The Bank's equity shall comprise:-----
  - 1) basic capital,-----
  - 2) supplementary capital in an amount not exceeding the Bank's basic capital,-----
2. The Bank's basic capital shall comprise: -----
  - 1). paid in and registered share capital,-----
  - 2). statutory reserve funds,-----
  - 3). capital reserve,-----
  - 4). general banking risk fund,-----
  - 5). retained profit,-----
  - 6). profit pending approval and net profit for current reporting period, computed in compliance with applicable accounting policies and limitations provided for in the Banking Law,-----
  - 7). other balance-sheet items reported by the Bank, as specified by the Banking Supervision Commission reduced by the items provided for in the Banking Law. -----

## Par. 37

1. Statutory reserve funds shall be created to cover any net loss which might arise in connection with the Bank's business. At least 8% of the net profit disclosed in annual financial statements shall be transferred to the statutory reserve funds until their amount has reached at least one-third of the share capital. -----
2. Share premium, net of the cost of share delivery, shall also be transferred to the statutory reserve funds.
3. Statutory reserve funds shall also comprise additional contributions made by shareholders in return for attaching special preferences to their existing shares without a share capital increase, unless such contributions are used to cover extraordinary write-offs or losses. -----
4. The General Meeting shall decide on the application of statutory reserve funds, with the proviso that a part of statutory reserve funds in the amount of one-third of the share capital may be applied exclusively to cover a net loss. -----

## Par. 38

In addition to statutory reserve funds, part of the net profit shall be used to create a capital reserve to be applied

towards covering the Bank's special losses or expenses. -----  
The General Meeting shall decide on the application of capital reserve. -----

Par. 39

1. A general banking risk fund shall be created in accordance with the rules stipulated in the Banking Law. ----
2. The general banking risk fund shall be applied towards covering losses connected with banking activities. --
3. The Bank's Management Board shall decide on the use of the general banking risk fund referred to in Par. 39.1. -----

Par. 40

The annual net profit shall be applied, in line with a resolution of the Ordinary General Meeting, towards: -----

- 1) statutory reserve funds,-----
- 2) capital reserve,-----
- 3) general banking risk fund,-----
- 4) other reserves or accounts,-----
- 5) dividend for shareholders,-----
- 6) other purposes.-----

Par. 41

1. The Bank's financial management shall be performed based on and in line with financial plans approved by the Supervisory Board. -----
2. The Bank's Management Board shall define detailed rules of financial management, based on criteria approved by the Supervisory Board. -----

Par. 42

1. Starting from January 1st 2006, the Bank shall maintain its accounting records in accordance with the International Accounting Standards and the International Financial Reporting Standards; any matters not regulated under those Standards shall be governed by the Polish accounting standards.-----
2. The Bank shall maintain a separate Covered Bond Collateral Account in order to monitor long-term compliance with the requirements referred to in Art. 18 of the Act. -----
3. The Bank's Management Board shall define the detailed rules for and organisation of the Bank's accounting procedures. -----

Par. 43

The calendar year shall be the Bank's financial year. Should the Bank commence its activity in the second half of a calendar year, the Bank may combine the accounting books and financial statements relating to the remaining part of such a year with the accounting books and financial statements relating to the next year.-----

**VII. FINAL PROVISIONS**

Par. 44

Copies of the Directors' Report on the Bank's activities, annual financial statements and the Supervisory Board's report shall be made available to shareholders for inspection at their request, not later than 15 days prior to the annual General Meeting. -----

Par. 45

Dividend shall be payable on the dates specified by the General Meeting. The Bank shall not pay interest on dividend not collected in due time. -----

Par. 46

The Bank's announcements required under the law shall be published in *Monitor Sądowy i Gospodarczy*, unless Polish law provide otherwise. -----

Par. 47

Not later than three months after the end of each financial year, the Bank shall publish in *Monitor Sądowy i Gospodarczy*: -----

- 1). the total par value of covered bonds issued by the Bank and outstanding as at the last day of a given financial year; -----
- 2). the total amount of the Bank's claims and funds entered into the Covered Bond Collateral Register as at the last day of a given financial year. -----

Par. 48

Any issues not regulated under these Articles of Association shall be governed by applicable laws, including in particular the Commercial Companies Code, the Banking Law, and the Act." -----

**APPENDIX 2**  
**FORM OF THE FINAL TERMS AND CONDITIONS**

[Place], [Date]

**mBANK HIPOTECZNY S.A.**

Issue of mortgage covered bearer bonds for a total nominal value of [*total nominal value of the Series*] [PLN]/[USD]/[EUR] series [●] issued under the mortgage covered bonds issue program of up to PLN 15,000,000,000.

**PART A – INFORMATION ON OBLIGATIONS**

This document ("**Final Terms and Conditions**") constitutes the final terms and conditions of [●] series mortgage covered bonds issued in bearer form of a total nominal value of [PLN]/[USD]/[EUR] within the meaning of art. 5.4 of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and has to be read together with the base prospectus of mBank Hipoteczny S.A., which was approved by the Financial Supervision Authority decision No. [●] of [●], [as amended by [Annex no. 1 of [●] and of [●]] ("**Prospectus**").

Full information on the Issuer and on the Covered Bonds is only available on the basis of the combination of these Final Terms and Conditions and the Prospectus.

Summary for the issue of the Covered Bonds of [●] series ("**CB**") is attached to these Final Terms and Conditions.

The capitalised terms presented in these Final Terms and Conditions have the meaning defined in the Terms and Conditions provided in the Prospectus.

The Prospectus has been published on the Issuer's website ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)). These Final Terms and Conditions have been published on the Issuer's website ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie)).

- |    |  |   |
|----|--|---|
| 1. | Issuer:                                  | mBank Hipoteczny S.A., with its registered office in Warsaw |
| 2. | Series number:                           | [●]   |
| 3. | Number of CB:                            | [●]   |
| 4. | Nominal value of one CB:                 | [●]   |
| 5. | Total nominal value of CB:               | [●]   |
| 6. | Issue price [(selling price)] of one CB: | [●]   |
| 7. | Issue Date:                              | [●]   |
| 8. | [Reference Period Commencement Date:]    | [●]   |
| 9. | Interest Commencement Date:              | [●]   |

10. Maturity Date: [●]
11. Interest: [Fixed Interest Rate] / [fixed interest rate up to Amount of Fixed Interest] / [Variable Interest Rate increased by Margin]  
(detailed provisions in paragraph [14]/[15] below)
12. Maturity basis: : [Subject to early repurchase of the Covered Bonds by the Issuer,] the Covered Bonds shall be repurchased on the Maturity Date.
13. **Redemption:** [Applicable]/[Not applicable]  
(If you have chosen "Not applicable" all other subsections of this section shall be deleted.)
- 13.1 Redemption Date: [●]
- 13.2 Redemption Amount: [●]  
[●]
- 13.3 Redemption notification date:
14. **Provisions on the CB with the Fixed Interest Rate:** [Applicable]/[Not applicable]  
(If you have chosen "Not applicable" all other subsections of this section shall be deleted.)
- 14.1 Fixed Interest Rate: [●] % per annum
- 14.2 Interest Payment Date: [●] [adjusted in line with [specify a Business Day Convention]]
- 14.3 [Fixed Interest Amount:] [●] for each [●] nominal value of 1 CB for one Interest Period
- 14.4 Interest payable on one Covered Bond for incomplete Interest Period [Applicable]/[Not applicable]  
(If you have chosen "Applicable" amount of interest for incomplete Interest Period shall be indicated, if it is different than Fixed Interest Amount and specify Interest Periods for incomplete amounts)
- 14.5 Other provisions concerning the method of calculating interest on CB with the Fixed Interest Rate: [Not applicable/ specify details]
- 14.6 Yield: [●] % per annum, computed according to the following formula:  
[●].  
Yield of the Covered Bonds is computed on the basis of the issue price rate of the Covered Bonds applicable as at the Issue Date and is not indicative of the yield of the Covered Bonds in the future.
15. **Provisions concerning the Covered Bonds with Variable Interest Rate:** [Applicable]/[Not applicable]  
(If you have chosen "Not applicable" all other subsections of this section shall be deleted.)
- 15.1 Reference Rate: [WIBOR]/[EURIBOR]/[LIBOR] for [●] months deposits

- 15.2 Margin: [●] % per annum.
- 15.3 Interest Period:: [●]
- 15.4 Reference Period: [●] / [equal to Interest Period]
- 15.5 Day Count Convention: [Actual/365]/[Actual/Actual-  
ISDA]/[Actual/365(Fixed)]/[Actual/360]/[Actual/Actual-ICMA]
- 15.6 Interest Payment Dates: [●] [adjusted in line with [specify a Business Day Convention]]
- 15.7 Interest payable on 1 CB for incomplete Interest Period: [Applicable]/[Not applicable]  
  
(If you have chosen "Applicable" amount of interest payable for Interest Period the length of which is different than the standard length of the Interest Period for that series of the Covered Bonds shall be indicated.)
- 15.8 Business Day Convention [Next Business Day Convention] / [Amended Next Business Day Convention] / [Variable Rate Convention]
- 15.9 Relevant Time: [●]
- 15.10 Interest Fixing Date: [●]
- 15.11 Screen: [●]
- 15.12 Reference Banks: [●]
- 16. Provisions concerning method and dates of payment of interest in the event of the Issuer bankruptcy**
- 16.1 Interest Payment Dates: [●]
- 16.2 Method of payment [●]
- 17. Provisions concerning terms and dates of CB maturity in the event of the Issuer bankruptcy**
- 17.1 Terms and dates of maturity: In the event of the bankruptcy of the Issuer, the CB maturity date shall be extended until [●], subject to the exceptions indicated in the Terms and Conditions included in the Prospectus.
18. Other provisions: [●]

**mBANK HIPOTECZNY S.A.**

\_\_\_\_\_  
(signature)

Name and surname: \_\_\_\_\_

Position: \_\_\_\_\_

\_\_\_\_\_  
(signature)

Name and surname: \_\_\_\_\_

Position: \_\_\_\_\_



### REPRESENTATION BY THE TRUSTEE

In performance of the provisions of art. 6.9 of the Covered Bond Act of August 29th 1997 (Dz.U. of 2003, No. 99, item 919, as amended), I [●], as the Trustee of mBank Hipoteczny S.A., represent that the issue of series [●] the mortgage covered bonds which this Final Terms and Conditions concerns is secured by the Issuer in accordance with the said Act. The Issuer has made appropriate entries in the collateral register for the mortgage covered bonds. I also represent that the issue of series [●] the mortgage covered bonds does not exceed the limits specified in Art. 18 of the said Act as at [●].

[In addition, the results of the coverage balance test as at [●] and liquidity test as at [●] confirm that the debts of the Issuer and the rights and remedies, as referred to in art. 18 (3), (3a) and (4) of the above-mentioned act, entered in the collateral register for the mortgage covered bonds are sufficient to fully satisfy the mortgage covered bonds holders.]<sup>11</sup>

Warsaw, [date]

[Trustee signature]

---

<sup>11</sup> Is applicable after the date of conducting by the Issuer the first coverage balance test and liquidity test in accordance with art.25 of the Covered Bond Act and in accordance with regulation issued pursuant to art. 25 (7) of the Covered Bond Act.

**PART B – OTHER PROVISIONS**

19. Listing of the Covered Bonds and the Covered Bonds trading      The Issuer [submitted]/[will submit] application for admission of the Covered Bonds to listing and introduction of the Covered Bonds to trading on [the regulated market operated by BondSpot S.A.]/[regulated market (parallel market) operated by the WSE]/[specify other market]. Issuer expects that the first day of trading of the Covered Bonds will take place on [●].
20. Ratings      The Covered Bonds were assigned following ratings [description of ratings, credit ratings agencies]. [Each of [names of credit rating agencies]]/[name of credit rating agency] is listed in the credit rating agencies register, listed in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies. Rating of the Covered Bonds of series [●] shall be confirmed on the Issue Date.

**INVOLVEMENT OF NATURAL AND LEGAL PERSONS IN THE OFFER**

The person involved in the offer is mBank S.A. as the Offeror.

[The person involved in the offer is also mBank S.A. as the Firm Commitment Underwriter.]

Apart from the Offeror [and Firm Commitment Underwriter, who will receive commission for offering [or, respectively, underwriting commission] paid by the Issuer, in accordance with the state of Issuer's knowledge, there are no persons involved in the offer, which would have essential interests in relation to the offer. The Offeror, [Firm Commitment Underwriter], [his/their] affiliates and related entities may be involved financial transactions with the Issuer and may in [his/their] course of business provide other services to the Issuer, its affiliates and related entities.

**ESTIMATED NET PROCEEDS AND EXPENDITURE ARISING OUT OF THE OFFER**

21. Estimated net proceeds: [●]
22. Estimated expenditures arising out of the offer: [●]
23. The amount of commission for placement [; the amount of commission paid to commitment underwriter]: [●]

**INFORMATION CONCERNING THE SECURITIES TO BE OFFERED OR ADMITTED TO TRADING**

24. The resolutions underlying the issue of the Covered Bonds      Resolution No. 45/2016 of the Issuer's Management Board of April 12th 2016 [[●]]
25. ISIN Code: [●]
26. All the regulated markets (equivalent markets) on which, to the knowledge of the Issuer, securities of the same class are admitted to trading [●]

27. Name and address of the entities which have a firm commitment to act as intermediaries in secondary trading; the basic conditions of their obligations [●]/[not applicable]

#### INFORMATION CONCERNING THE OFFER

28. Number of the offered the Covered Bonds: [●]
29. Nominal value of one Covered Bond: [●]
30. Total nominal value of the Covered Bonds: [●]
31. [Issue price] / [selling price] of one Covered Bond: [●]
32. The period of the offer: [●]
33. Offer procedure: [Firm Commitment Underwritten Offering: [●]]/[Ordinary Procedure: [●]]/[Cascade Offer Procedure: [●]]
34. The time periods related to the offer: [●]
35. Description of the subscription process, including rules for subscription by proxy: [●]
36. List of customer service points in which the subscriptions will be accepted: [●]
37. Details concerning minimum and maximum volume of subscription and multiplicity of subscription: [●]
38. Description of the rules of allotment: [●]
39. The details of the payment date and payment mechanism: [●]
40. Date of public announcement of offering result: [●]
41. Process for notification to applicants of the amount of the allotted Covered Bonds: [●]
42. Procedure for delivery of the Covered Bonds and settlement of [issue price] / [selling price] for the Covered Bonds: [●]
43. The costs and taxes to be collected from the subscriber: [●]
44. Name and address of paying agents and depository agents: [●]
45. Name and address of the entities agreeing to underwrite the issue on a firm commitment basis, and name and address of the entities agreeing to place the issue without a firm commitment or under “best efforts” arrangements; substantive conditions of agreements: [●]

46. Essential features of the agreements referred to in paragraph [45] above, and the quotas: [●]
47. When the underwriting agreement has been or will be reached: [●]
48. In the event the offer is being conducted simultaneously in the markets of two or more countries and if for any of these markets has been or is being reserved tranche indication of such tranches: [not applicable]/[●]

**INFORMATION REQUIRED TO BE GIVEN WITH REGARD TO THE CONSENT OF THE ISSUER OR THE PERSON RESPONSIBLE FOR THE PREPARATION OF THE PROSPECTUS**

49. The period of validity of the offer, during which the Cascade Offer Procedure Participants can make subsequent resale of the Covered Bonds or their final placement: [●]
50. The conditions to which the consent is subject, which are applicable to the use of the Prospectus: [●]/[not applicable]
51. A list and indication (name and address) of the Cascade Offer Procedure Participants (the financial intermediaries who are allowed to use the Prospectus): [●]

**APPENDIX 3**  
**COPY OF THE ISSUER'S RESOLUTION ON THE COVERED BONDS ISSUE**

**Uchwała Nr 93 /2016**  
**Zarządu mBanku Hipotecznego Spółka Akcyjna**  
**z siedzibą w Warszawie**  
**z dnia 26 lipca 2016r.**  
**w sprawie emisji hipotecznych listów zastawnych**  
**w ramach programu emisji do kwoty 15.000.000.000 PLN**

Na podstawie §29 ust. 1 Statutu mBanku Hipotecznego S.A. z siedzibą w Warszawie ("**Bank**") oraz §2 ust. 2 pkt 16 Regulaminu Zarządu Banku, Zarząd uchwala co następuje:

**§1**

1. Bank wyemituje hipoteczne listy zastawne na okaziciela ("**Listy Zastawne**") do łącznej wartości nominalnej 15.000.000.000 PLN (słownie: piętnaście miliardów złotych) w ramach powtarzających się emisji, stosownie do postanowień art. 21 ust. 2 pkt 2 ustawy z dnia 29 lipca 2005r. o ofercie publicznej i warunkach wprowadzania instrumentów finansowych do zorganizowanego obrotu oraz o spółkach publicznych (ze zmianami, "**Ustawa o Ofercie Publicznej**"), ("**Program**").
2. Podstawę emisji Listów Zastawnych będą stanowiły wierzytelności Banku, o których mowa w art. 12 pkt 4 w związku z art. 3 ust. 1 ustawy z dnia 29 sierpnia 1997 roku o listach zastawnych i bankach hipotecznych (ze zmianami, "**Ustawa o Listach Zastawnych**").
3. Listy Zastawne będą nominowane w złotych polskich. Listy zastawne mogą być nominowane także w euro, dolarach amerykańskich Stanów Zjednoczonych Ameryki Północnej lub innej walucie. W takim przypadku łączna wartość nominalna Listów Zastawnych dla określenia limitu wykorzystania maksymalnej kwoty Programu określonej w paragrafie 1 ustęp 1 niniejszej uchwały zostanie przeliczona na złote polskie: (i) po średnim kursie Narodowego Banku Polskiego z dnia podjęcia decyzji o emisji danej serii Listów Zastawnych, albo (ii) w razie niemożności ustalenia średniego kursu Narodowego Banku Polskiego w takim dniu, po ostatnio publikowanym średnim kursie Narodowego Banku Polskiego waluty emisji Listów Zastawnych do złotych polskich.
4. Listy Zastawne nie będą miały formy dokumentu.
5. Listy Zastawne będą oprocentowane według stałej stopy procentowej lub zmiennej stopy procentowej.
6. Listy Zastawne zostaną zaoferowane w drodze oferty publicznej w rozumieniu art. 3 ust. 1 Ustawy o Ofercie Publicznej, na podstawie prospektu emisyjnego podstawowego sporządzonego przez Bank, po jego zatwierdzeniu przez Komisję Nadzoru Finansowego albo w drodze oferty, która nie stanowi oferty publicznej w rozumieniu Ustawy o Ofercie Publicznej.
7. Bank będzie ubiegać się o dopuszczenie poszczególnych serii Listów Zastawnych do obrotu na rynku regulowanym prowadzonym przez BondSpot S.A. ("**BondSpot**") lub Giełdę Papierów Wartościowych w Warszawie S.A. ("**GPW**").

## § 2

Ustala się podstawowe warunki emisji Listów Zastawnych, stanowiące Załącznik 1 do niniejszej uchwały.

## § 3

Zarząd określi, w drodze odrębnych uchwał, szczegółowe warunki emisji dla emisji każdej serii Listów Zastawnych w ramach Programu, w granicach określonych w §1.

## § 4\*

Na podstawie odrębnej uchwały Zarząd upoważnił określone osoby, w ramach posiadanych przez nie pełnomocnictw, do:

1. podjęcia w imieniu Banku wszelkich czynności wymaganych do:
  - a) zatwierdzenia przez Komisję Nadzoru Finansowego prospektu emisyjnego podstawowego dotyczącego Programu oraz jakichkolwiek aneksów do wyżej wskazanego prospektu;
  - b) rejestracji poszczególnych serii Listów Zastawnych w Krajowym Depozycie Papierów Wartościowych S.A. ("KDPW"), oraz
  - c) wprowadzenia Listów Zastawnych do obrotu na rynku regulowanych prowadzonym przez BondSpot lub GPW.
2. podpisywania, w imieniu Banku, umów i innych dokumentów związanych z emisją Listów Zastawnych, w tym w szczególności:
  - a) umowy lub umów o oferowanie Listów Zastawnych z podmiotami i na warunkach określonych przez pełnomocników;
  - b) umowy lub umów o subemisję usługową lub inwestycyjną z podmiotami i na warunkach określonych przez pełnomocników;
  - c) umowy lub umów o rejestrację Listów Zastawnych w depozycie papierów wartościowych;
  - d) ostatecznych warunków emisji Listów Zastawnych poszczególnych serii;
  - e) oświadczeń o przydziale Listów Zastawnych poszczególnych Serii;
  - f) zgody, o której mowa w art. 15a Ustawy o Ofercie Publicznej;
  - g) oświadczeń o wysokości oprocentowania ustalonego na dany okres odsetkowy, oraz
  - h) innych oświadczeń kierowanych do inwestorów i posiadaczy Listów Zastawnych.
3. innych czynności, które okażą się niezbędne dla prawidłowego przeprowadzenia procesu emisji Listów Zastawnych oraz ich późniejszej obsługi.

\*point 2 of § 4 has been amended by the resolution of the Issuer's Management Board no. 95/2016 dated 18 August 2016, so that: (1) after the words: "documents relating to the Covered Bonds' issue" the following words have been added: "(except for the final terms of the Covered Bonds)", and (2) sub-point (d) has been deleted.

§ 5

Uchwała wchodzi w życie z dniem podjęcia. Z tym dniem niniejsza Uchwała zastępuje w całości uchwałę nr 45/2016 Zarządu mBanku Hipotecznego Spółka Akcyjna z siedzibą w Warszawie z dnia 12 kwietnia 2016 roku.



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Piotr Cyburt – Prezes Zarządu



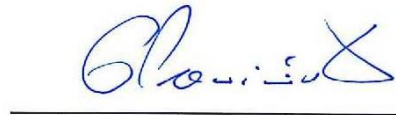
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Marcin Romanowski – Członek Zarządu



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Marcin Wojtachnio – Członek Zarządu



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Grzegorz Trawiński – Członek Zarządu



**Załącznik nr 1**  
**do Uchwały nr 93 / 2016 Zarządu mBanku Hipotecznego S.A.**  
**z dnia 26/07/ 2016r.**

**Podstawowe Warunki Emisji**

Zamieszczone poniżej Warunki Emisji ("**Warunki Emisji**") określają prawa i obowiązki wynikające z Listów Zastawnych emitowanych w ramach Programu. Warunki Emisji będą, w odniesieniu do danej serii Listów Zastawnych uzupełniane ostatecznymi warunkami dla danej serii Listów Zastawnych.

**1. Definicje**

W niniejszych Warunkach Emisji:

**Banki Referencyjne** oznacza nie mniej niż trzy banki wybrane przez Emitenta i wskazane jako takie w Ostatecznych Warunkach danej serii Listów Zastawnych.

**BondSpot** oznacza BondSpot S.A. z siedzibą w Warszawie.e.

**Czas Właściwy** oznacza godzinę 11:00 lub około tej godziny (jednak nie wcześniej niż godzina 10:00 i nie później niż godzina 12:00) czasu warszawskiego lub inną godzinę, o której Odnośna Stopa zostanie zamieszczona na Stronie zgodnie z informacją podaną na tejże Stronie, albo godzinę wskazaną jako „Czas Właściwy” w Ostatecznych Warunkach.

**Depozyt** oznacza system rejestracji zdematerializowanych papierów wartościowych prowadzony przez Depozytariusza.

**Depozytariusz** oznacza podmiot prowadzący depozyt Listów Zastawnych wskazany w punkcie 4.1.2 niniejszych Warunków Emisji.

**Dzień Emisji** oznacza dzień wskazany w Ostatecznych Warunkach danej serii Listów Zastawnych.

**Dzień Płatności Odsetek** oznacza dzień lub dni wskazane w Ostatecznych Warunkach danej serii Listów Zastawnych jako „Dni Płatności Odsetek”. Jeśli Dni Płatności Odsetek nie są wskazane w ten sposób w Ostatecznych Warunkach, wówczas Dzień Płatności Odsetek oznacza każdy dzień przypadający po upływie określonej liczby miesięcy albo po upływie innego terminu, wskazanego w Ostatecznych Warunkach, liczonego od poprzedniego Dnia Płatności Odsetek albo (w przypadku pierwszego Dnia Płatności Odsetek) od Dnia Rozpoczęcia Naliczania Odsetek, a jeżeli w danym miesiącu nie ma takiego dnia, wówczas ostatni Dzień Roboczy tego miesiąca, po upływie określonej liczby miesięcy albo po upływie innego terminu.

**Dzień Roboczy** oznacza dzień, w którym banki w Warszawie oraz Depozytariusz prowadzą rozliczenia transakcji pieniężnych.

**Dzień Rozpoczęcia Naliczania Odsetek** oznacza, w odniesieniu do danej serii Listów Zastawnych, Dzień Emisji tej serii albo inny dzień określony jako „Dzień Rozpoczęcia Naliczania Odsetek” w Ostatecznych Warunkach dotyczących tej serii.

**Dzień Rozpoczęcia Okresu Referencyjnego** oznacza dzień określony w Ostatecznych Warunkach jako „Dzień Rozpoczęcia Okresu Referencyjnego”, a w braku takiego określenia - pierwszy dzień danego Okresu Odsetkowego, do którego ten Okres Referencyjny się odnosi.

**Dzień Umorzenia** oznacza, w odniesieniu do danej serii Listów Zastawnych, dzień, w którym następuje umorzenie wszystkich Listów Zastawnych tej serii przed Dniem Wykupu, przypadający po upływie 5 lat od Dnia Emisji tej serii, o ile w Ostatecznych Warunkach zastrzeżono możliwość wcześniejszego wykupu Listów Zastawnych przez Emitenta w celu umorzenia.

**Dzień Ustalenia Oprocentowania** oznacza w odniesieniu do danego Okresu Odsetkowego, dzień przypadający na dwa Dni Robocze przed pierwszym dniem tego Okresu Odsetkowego albo inny dzień określony jako „Dzień Ustalenia Oprocentowania” w Ostatecznych Warunkach.

**Dzień Ustalania Praw** oznacza określony zgodnie z regulacjami Depozytariusza dzień, w którym następuje ustalenie uprawnień do otrzymania określonych płatności z Listu Zastawnego.

**Dzień Wykupu** oznacza wskazany w Ostatecznych Warunkach danej serii Listów Zastawnych dzień wykupu Listów Zastawnych tej serii.

**Emitent** oznacza mBank Hipoteczny S.A. z siedzibą w Warszawie.e.

**Formuła Dnia Roboczego** oznacza każdą z formuł opisanych w niniejszych Warunkach Emisji, w punkcie 10 (Formuła Dnia Roboczego), a w odniesieniu do danej serii Listów Zastawnych jedna z tych formuł określona w Ostatecznych Warunkach dotyczących tej serii.

**Formuła Kolejnego Dnia Roboczego** oznacza Formułę Dnia Roboczego opisaną w niniejszych Warunkach Emisji, w punkcie 10 (Formuła Dnia Roboczego), podpunkt (b), a w odniesieniu do danej serii Listów Zastawnych Formuła Kolejnego Dnia Roboczego ma znaczenie nadane w Ostatecznych Warunkach dotyczących tej serii.

**Formuła Obliczania Dni** w odniesieniu do obliczenia Kwoty Odsetek przypadających od danego Listu Zastawnego za dany okres od pierwszego dnia tego okresu włącznie, lecz z wyłączeniem ostatniego dnia tego okresu (niezależnie od tego czy okres taki odpowiada Okresowi Odsetkowemu, zwany jest w niniejszej definicji „**Okresem Obliczeniowym**”):

- a) jeżeli we właściwych Ostatecznych Warunkach jest wskazana formuła „Actual/365” albo „Actual/Actual-ISDA<sup>1</sup>” – oznacza rzeczywistą liczbę dni w Okresie Obliczeniowym podzieloną przez 365 (albo, jeśli część tego Okresu Obliczeniowego przypada w roku przestępnym, sumę: (A) rzeczywistej liczby dni w Okresie Obliczeniowym, które przypadają w roku przestępnym, podzielonej przez 366, oraz (B) rzeczywistej liczby dni w Okresie Obliczeniowym, które nie przypadają w roku przestępnym, podzielonej przez 365);
- b) jeżeli we właściwych Ostatecznych Warunkach jest wskazana formuła:
  - (i) „Actual/365 (Fixed)” – oznacza rzeczywistą liczbę dni w Okresie Obliczeniowym podzieloną przez 365,
  - (ii) „Actual/360” – oznacza rzeczywistą liczbę dni w Okresie Obliczeniowym podzieloną przez 360, oraz
- c) jeżeli formuła „Actual/Actual-ICMA<sup>2</sup>” jest wskazana w odnośnych Ostatecznych Warunkach, oraz

<sup>1</sup> ISDA oznacza stowarzyszenie działające pod nazwą *International Swaps and Derivatives Association Markets Association* - międzynarodowe stowarzyszenie skupiające uczestników rynku swapów i derywatów; Actual/Actual-ISDA oznacza konwencję obliczania dni odsetkowych.

<sup>2</sup> ICMA oznacza stowarzyszenie działające pod nazwą *International Capital Markets Association* - międzynarodowe stowarzyszenie skupiające uczestników rynków kapitałowych; Actual/Actual-ICMA oznacza konwencję obliczania dni odsetkowych.

- (i) jeżeli Okres Obliczeniowy jest równy Okresowi Odsetkowemu albo krótszy od Okresu Odsetkowego, w ciągu którego przypada, oznacza liczbę dni w Okresie Obliczeniowym podzieloną przez iloczyn (x) liczby dni w tym Okresie Odsetkowym oraz (y) liczbę Okresów Odsetkowych przypadających w danym roku; lub
- (ii) jeżeli Okres Obliczeniowy jest dłuższy od Okresu Odsetkowego – oznacza sumę:
  - liczby dni w Okresie Obliczeniowym przypadających w Okresie Odsetkowym, w którym rozpoczyna się ten Okres Obliczeniowy podzieloną przez iloczyn (x) liczby dni w tym Okresie Odsetkowym oraz (xx) liczby Okresów Odsetkowych przypadających w danym roku; oraz
  - liczby dni w Okresie Obliczeniowym przypadających w następnym Okresie Odsetkowym, podzieloną przez iloczyn (x) liczby dni w tym Okresie Odsetkowym oraz (xx) liczby Okresów Odsetkowych przypadających w danym roku.

**Formuła Zmiennej Stopy Procentowej** oznacza Formułę Dnia Roboczego opisaną w niniejszych Warunkach Emisji, punkcie 10 (Formuła Dnia Roboczego), podpunkt (a), a w odniesieniu do danej serii Listów Zastawnych Formuła Zmiennej Stopy Procentowej ma znaczenie nadane w Ostatecznych Warunkach dotyczących tej serii.

**GPW** oznacza Giełdę Papierów Wartościowych w Warszawie S.A.

**Kwota Odsetek** oznacza kwotę odsetek płatną od danego Listu Zastawnego za dany Okres Odsetkowy.

**Kwota Odsetek Stałych** oznacza, w odniesieniu do danej serii Listów Zastawnych oprocentowanych w oparciu o Stałą Stopę Procentową, każdą z kwot odsetek od jednego Listu Zastawnego, określoną jako „Kwota Odsetek Stałych” w Ostatecznych Warunkach dotyczących tej serii Listów Zastawnych (jeśli takie kwoty określono).

**Kwota Wykupu** oznacza, w odniesieniu do danego Listu Zastawnego, kwotę równą jego wartości nominalnej.

**Kwota Umorzenia** oznacza, w odniesieniu do danej serii Listów Zastawnych, kwotę wskazaną jako „Kwota Umorzenia” w Ostatecznych Warunkach dotyczących tej serii albo obliczoną zgodnie z formułą zawartą w takich Ostatecznych Warunkach, po której następuje wykup jednego Listu Zastawnego w Dniu Umorzenia tej serii.

**Listy Zastawne** oznacza hipoteczne listy zastawne emitowane przez Emitenta w ramach programu emisji listów zastawnych na podstawie Uchwały nr [\*\*\*] Zarządu Emitenta z dnia [\*\*\*].

**Marża** oznacza wartość (wyrażoną w procentach, w stosunku rocznym) określoną w Ostatecznych Warunkach jako „Marża”.

**Oдноśna Stopa** oznacza wartość Stopy Referencyjnej (wyrażoną w procentach) na okres równy Okresowi Referencyjnemu (jeśli ma zastosowanie lub jest odpowiedni dla Stopy Referencyjnej), rozpoczynający się w Dniu Rozpoczęcia Okresu Referencyjnego.

**Okres Odsetkowy** oznacza okres rozpoczynający się w Dniu Rozpoczęcia Naliczania Odsetek (i obejmujący ten dzień) i kończący się w pierwszym Dniu Płatności Odsetek, ale z wyłączeniem tego dnia oraz każdy następny okres rozpoczynający się w danym Dniu Płatności Odsetek (i obejmujący ten dzień) i kończący się w następnym Dniu Płatności Odsetek, ale z wyłączeniem tego dnia, jeżeli w danych Ostatecznych Warunkach nie zawarto odmiennej definicji.

**Okres Referencyjny** oznacza w odniesieniu do Zmiennej Stopy Procentowej, która ma być ustalana w danym Dniu Ustalenia Oprocentowania, okres równy odnośnemu Okresowi Odsetkowemu albo inny określony jako taki w Ostatecznych Warunkach.

**Ostateczne Warunki** oznacza ostateczne warunki emisji sporządzone dla danej serii Listów Zastawnych.

**Posiadacz** oznacza, w stosunku do Listu Zastawnego, osobę, która jest w danym czasie posiadaczem rachunku papierów wartościowych (w rozumieniu art. 4 ust. 1 Ustawy o Obrocie Instrumentami Finansowymi), na którym jest zapisany ten List Zastawny albo osobę uprawnioną z Listu Zastawnego zapisanego na rachunku zbiorczym (w rozumieniu art. 8a Ustawy o Obrocie Instrumentami Finansowymi), zgodnie z Ustawą o Obrocie Instrumentami Finansowymi.

**Prawo Upadłościowe** oznacza ustawę z dnia 28 lutego 2003 r. – Prawo upadłościowe (tekst jednolity: Dz. U. z 2015r., poz. 233, z późn. zm.).

**Program** oznacza powtarzające się, w cyklach obejmujących co najmniej dwie emisje dokonywane w odstępie nie dłuższym niż 12 miesięcy, emisje Listów Zastawnych.

**Stała Stopa Procentowa** oznacza stałą stopę procentową, wyrażoną procentowo w stosunku rocznym, wskazaną w Ostatecznych Warunkach danej serii Listów Zastawnych.

**Stopa Oprocentowania** oznacza sumę Zmiennej Stopy Procentowej oraz Marży liczonej w stosunku rocznym.

**Stopa Referencyjna** oznacza, dla danej serii Listów Zastawnych, których oprocentowanie oparte jest o Zmienną Stopę Procentową, stopę procentową określoną w Ostatecznych Warunkach dotyczących tej serii: stopę WIBOR - w przypadku, gdy walutą emisji danej serii Listów Zastawnych jest PLN lub odpowiednio LIBOR lub EURIBOR - w przypadku, gdy walutą emisji danej serii Listów Zastawnych jest USD lub EUR, właściwą dla Okresu Referencyjnego ustalonego dla tej serii Listów Zastawnych.

**Strona** oznacza odpowiednią stronę, sekcję, kolumnę lub inną część określonego serwisu informacyjnego (w tym, serwisu Reuter Monitor Money Rates lub Bloomberg Professional, jaki może zostać wskazany przez Emitenta w danych Ostatecznych Warunkach dla ustalenia Stopy Referencyjnej lub Odnośnej Stopy, albo inną stronę, sekcję lub kolumnę, lub inną część, która ją zastąpi w tym serwisie informacyjnym, albo inny serwis informacyjny, w każdym przypadku wyznaczone przez osobę lub organizację dostarczającą lub sponsorującą dostarczanie tam informacji w celu ukazania stóp albo cen porównywalnych z Odnośną Stopą).

**Test Płynności** oznacza przeprowadzany w sposób określony w rozporządzeniu ministra właściwego do spraw instytucji finansowych, wydanym na podstawie art. 25 ust. 7 Ustawy o Listach Zastawnych, test mający na celu ustalenie, czy, na dzień takiego ustalenia, wierzytelności banku hipotecznego oraz prawa i środki, o których mowa w art. 18 ust. 3, 3a i 4 Ustawy o Listach Zastawnych, wpisane do rejestru zabezpieczenia listów zastawnych, wystarczają na pełne zaspokojenie posiadaczy listów zastawnych w przedłużonych terminach wymagalności, o których mowa w art. 446 ust. 1 Prawa Upadłościowego.

**Test Równowagi Pokrycia** oznacza przeprowadzany w sposób określony w rozporządzeniu ministra właściwego do spraw instytucji finansowych, wydanym na podstawie art. 25 ust. 7 Ustawy o Listach Zastawnych, test mający na celu ustalenie, czy, na dzień takiego ustalenia, wierzytelności banku hipotecznego oraz prawa i środki, o których mowa w art. 18 ust. 3, 3a i 4 Ustawy o Listach Zastawnych, wpisane do rejestru zabezpieczenia listów zastawnych, wystarczają na pełne zaspokojenie posiadaczy listów zastawnych.

**Ustawa o Listach Zastawnych** oznacza ustawę z dnia 29 sierpnia 1997 r. o listach zastawnych i bankach hipotecznych (tekst jednolity: Dz. U. z 2015 r., poz. 1588, z późn. zm.).

**Ustawa o Obligacjach** oznacza ustawę z dnia 15 stycznia 2015 roku o obligacjach (Dz.U. z 2015r., poz. 238).

**Ustawa o Obrocie Instrumentami Finansowymi** oznacza ustawę z dnia 29 lipca 2005 r. o obrocie instrumentami finansowymi (tekst jednolity: Dz. U. z 2014 r., poz. 94, z późn. zm.).

**Ustawa o Podatku Dochodowym od Osób Fizycznych** oznacza ustawę z dnia 26 lipca 1991 r. o podatku dochodowym od osób fizycznych (tekst jednolity: Dz. U. z 2012 r., poz. 361, z późn. zm.).

**Ustawa o Podatku Dochodowym od Osób Prawnych** oznacza ustawę z dnia 15 lutego 1992 r. o podatku dochodowym od osób prawnych (tekst jednolity: Dz. U. z 2014 r., poz. 851, z późn. zm.).

**Właściwy Rynek** oznacza dla Listów Zastawnych:

- a) nominowanych w PLN - rynek międzybankowy w Warszawie;
- b) nominowanych w EUR - rynek międzybankowy w Brukseli;
- c) nominowanych w USD - rynek międzybankowy w Londynie.

**Zmieniona Formuła Kolejnego Dnia Roboczego** oznacza Formułę Dnia Roboczego opisaną w niniejszych Warunkach Emisji, punkt 10 (Formuła Dnia Roboczego), podpunkt (c), a w odniesieniu do danej serii Listów Zastawnych Zmienioną Formułę Kolejnego Dnia Roboczego ma znaczenie nadane w Ostatecznych Warunkach dotyczących tej serii.

**Zmienna Stopa Procentowa** oznacza, ustalaną zgodnie z punktem 8.2 Warunków Emisji, odrębnie dla każdego Okresu Odsetkowego, zmienną stopę procentową, wyrażoną procentowo w stosunku rocznym.

## 2. Status Listów Zastawnych

2.1 Listy Zastawne są papierami wartościowymi, emitowanymi na podstawie art. 3 ust. 1 Ustawy o Listach Zastawnych.

2.2 Podstawę emisji Listów Zastawnych stanowią wierzytelności Emitenta z tytułu kredytów zabezpieczonych hipotekami wpisane do rejestru zabezpieczenia listów zastawnych zgodnie z Ustawą o Listach Zastawnych. Podstawą emisji Listów Zastawnych mogą być również środki Emitenta: (1) ulokowane w papierach wartościowych emitowanych lub gwarantowanych przez Narodowy Bank Polski, Europejski Bank Centralny, rządy lub banki centralne państw członkowskich UE, Organizacji Współpracy Gospodarczej i Rozwoju, z wyłączeniem państw, które restrukturyzują lub restrukturyzowały swoje zadłużenie zagraniczne w ciągu ostatnich 5 lat, oraz Skarbu Państwa; (2) ulokowane w Narodowym Banku Polskim oraz; (3) posiadane w gotówce, przy czym suma nominalnych kwot wierzytelności banku hipotecznego zabezpieczonych hipoteką, stanowiących podstawę emisji hipotecznych listów zastawnych, nie może być niższa niż 85% łącznej kwoty nominalnych wartości znajdujących się w obrocie hipotecznych listów zastawnych.

Zgodnie z art. 26 Ustawy o Listach Zastawnych Emitent ogłasza w Monitorze Sądowym i Gospodarczym, nie później niż przed upływem trzech miesięcy od zakończenia roku obrotowego: (i) łączną kwotę nominalnych wartości wyemitowanych przez Emitenta listów zastawnych, jakie znajdowały się w obrocie na ostatni dzień roku obrotowego; oraz (ii) łączną kwotę wierzytelności

banku hipotecznego i środków wpisanych do rejestru zabezpieczenia listów zastawnych według stanu na ostatni dzień roku obrotowego.

### 3. **Podstawa prawna emisji Listów Zastawnych**

Listy Zastawne są emitowane na podstawie Ustawy o Listach Zastawnych oraz, w związku z art. 8 ust. 1 pkt 3 Ustawy o Listach Zastawnych, na podstawie Ustawy o Obligacjach oraz na podstawie uchwały Zarządu Emitenta nr [\*\*\*] z dnia [\*\*\*] 2016 roku.

### 4. **Forma Listów Zastawnych**

4.1 Listy Zastawne emitowane są jako papiery wartościowe na okaziciela i nie mają formy dokumentu.

4.1.1. Ustalenie praw z Listów Zastawnych oraz przenoszenie Listów Zastawnych wpisanych do depozytu prowadzonego przez Krajowy Depozyt Papierów Wartościowych S.A. następuje zgodnie z postanowieniami Ustawy o Obrocie Instrumentami Finansowymi.

4.1.2. Depozyt Listów Zastawnych prowadzony jest przez Krajowy Depozyt Papierów Wartościowych S.A., 00-498 Warszawa, ul. Książęca 4.

### 5. **Ranking**

Listy Zastawne stanowią bezpośrednio i bezwarunkowo zobowiązania Emitenta do spełnienia na rzecz Posiadaczy Listów Zastawnych świadczeń określonych w niniejszych Warunkach Emisji oraz Ostatecznych Warunkach. Zobowiązania Emitenta wynikające z Listów Zastawnych mają równe pierwszeństwo ze zobowiązaniami z wszystkich innych hipotecznych listów zastawnych, które zostały lub zostaną wyemitowane przez Emitenta.

### 6. **Waluta emisji Listów Zastawnych**

Listy Zastawne mogą być nominowane w złotych polskich, w dolarach amerykańskich lub w euro. Waluta emisji danej serii Listów Zastawnych będzie każdorazowo ustalana i podawana do publicznej wiadomości przed rozpoczęciem subskrypcji danej serii Listów Zastawnych w odpowiednich Ostatecznych Warunkach.

### 7. **Zobowiązania pieniężne z Listów Zastawnych**

Z tytułu Listów Zastawnych Emitent zobowiązany jest do spełnienia na rzecz Posiadaczy świadczeń pieniężnych w postaci zapłaty Kwoty Odsetek i Kwoty Wykupu.

### 8. **Oprocentowanie**

Listy Zastawne są oprocentowane. Oprocentowanie wszystkich Listów Zastawnych jednej serii jest jednakowe.

Oprocentowanie naliczane jest od wartości nominalnej każdego Listu Zastawnego począwszy od Dnia Rozpoczęcia Naliczania Odsetek do dnia poprzedzającego Dzień Wykupu (włącznie), określonego dla danej serii Listów Zastawnych. Odsetki od Listu Zastawnego przestaną być naliczane w dniu, w którym przypada wykup albo umorzenie takiego Listu Zastawnego.

Oprocentowanie Listów Zastawnych danej serii naliczane jest w oparciu o Stałą Stopę Procentową albo o Zmienną Stopę Procentową, zgodnie z informacją zawartą w Ostatecznych Warunkach Listów Zastawnych tej serii.

#### 8.1 **Oprocentowanie Listów Zastawnych o Stałej Stopie Procentowej**

Jeżeli szczegółowe warunki emisji Listów Zastawnych zawarte w Ostatecznych Warunkach stanowią, że oprocentowanie Listów Zastawnych danej serii jest oparte o Stałą Stopę Procentową, odsetki od Listów Zastawnych tej serii naliczane będą (zgodnie z zasadami opisanymi szczegółowo w punkcie 8.3) według stopy w stosunku rocznym, wyrażonej procentowo, równej Stałej Stopie Procentowej i płatne z dołu w każdym Dniu Płatności Odsetek. Jeśli w Ostatecznych Warunkach zostały określone Kwoty Odsetek Stałych, Kwota Odsetek płatna w każdym Dniu Płatności Odsetek będzie odpowiadała Kwocie Odsetek Stałych przypisanej temu Dniu Płatności Odsetek.

## 8.2 Oprocentowanie Listów Zastawnych o Zmiennej Stopie Procentowej

Jeżeli szczegółowe warunki emisji Listów Zastawnych zawarte w Ostatecznych Warunkach stanowią, że oprocentowanie Listów Zastawnych danej serii jest oparte o Zmienną Stopę Procentową, Zmienna Stopa Procentowa ustalana jest odrębnie dla każdego Okresu Odsetkowego w sposób określony poniżej, a odsetki od Listów Zastawnych tej serii naliczane będą (zgodnie z zasadami opisanymi szczegółowo w punkcie 8.3) według stopy w stosunku rocznym, wyrażonej procentowo, równej Stopie Oprocentowania i płatne z dołu w każdym Dniu Płatności Odsetek. Zmienna Stopa Procentowa obowiązująca w danym Okresie Odsetkowym zostanie określona przez Emitenta, jako:

- a) Odnośna Stopa zamieszczona na Stronie (na podstawie zestawienia kwotowań albo zwyczajowo pobierana z jednego źródła) albo
- b) średnia arytmetyczna Odnośnych Stóp kwotowanych przez podmioty, których Odnośne Stopy są zamieszczane na tej Stronie,

w każdym przypadku odczytana z tej Strony w Czasie Właściwym w Dniu Ustalenia Oprocentowania właściwym dla danego Okresu Odsetkowego, albo jeśli przy ustalaniu Zmiennej Stopy Procentowej stosuje się punkt (a) i w Czasie Właściwym w Dniu Ustalenia Oprocentowania na Stronie nie zostanie zamieszczona żadna Odnośna Stopa albo jeśli przy ustalaniu Zmiennej Stopy Procentowej stosuje się punkt (b) i w Czasie Właściwym w Dniu Ustalenia Oprocentowania na Stronie zostaną zamieszczone mniej niż dwie Odnośne Stopy, z zastrzeżeniem postanowień zawartych poniżej, Zmienna Stopa Procentowa zostanie obliczona przez Emitenta jako średnia arytmetyczna Odnośnych Stóp oferowanych przez Banki Referencyjne wiodącym bankom w Warszawie w Czasie Właściwym w Dniu Ustalenia Oprocentowania, przy czym za podstawę obliczenia średniej będą brane kwotowania trzech Banków Referencyjnych, pozostałe po odrzuceniu dwóch kwotowań skrajnych. Jeżeli cztery Banki Referencyjne zaoferują Odnośne Stopy, odrzuceniu ulegnie kwotowanie Banku Referencyjnego, który zaoferował najwyższe oprocentowanie. e. W sytuacji, w której Odnośne Stopy zostaną zaoferowane tylko przez trzy Banki Referencyjne za podstawę obliczenia średniej zostaną wzięte wszystkie kwotowania.

Jeżeli Emitent stwierdzi, że mniej niż trzy Banki Referencyjne zaoferowały Odnośne Stopy, z zastrzeżeniem postanowień zawartych poniżej, Zmienna Stopa Procentowa zostanie obliczona jako średnia arytmetyczna stóp w stosunku rocznym (określonych procentowo), jakie Emitent uzna za stopy, które są oferowane wiodącym bankom działającym na Właściwym Rynku, o godzinie 11:00 lub około tej godziny (jednak nie wcześniej niż o godzinie 10:00 i nie później niż o godzinie 12:00) w dniu, w którym zwykle kwotowane są stopy procentowe na okres rozpoczynający się w Dniu Rozpoczęcia Okresu Referencyjnego dla okresu odpowiadającego długością Okresowi Referencyjnemu, przez nie mniej niż dwa spośród pięciu wiodących banków na Właściwym Rynku, wybranych przez Emitenta. Jeżeli mniej niż dwa banki spośród banków wybranych przez Emitenta, zaoferują stopy procentowe wiodącym bankom działającym na Właściwym Rynku, zgodnie z postanowieniami zawartymi powyżej, Zmienna Stopa Procentowa będzie określona w wysokości, w jakiej została określona w poprzednim Dniu Ustalenia Oprocentowania.

### 8.3 Obliczanie Kwoty Odsetek

Jeżeli w Ostatecznych Warunkach nie określono Kwoty Odsetek Stałych, Kwota Odsetek płatna od danego Listu Zastawnego za dany Okres Odsetkowy zostanie obliczona według następującej formuły:

$$O = N * SO * FOD$$

gdzie:

**O** - oznacza Kwotę Odsetek za dany Okres Odsetkowy;

**N** - oznacza wartość nominalną Listu Zastawnego określoną w Ostatecznych Warunkach;

**SO** – oznacza:

a) Stałą Stopę Procentową dla odnośnego Okresu Odsetkowego, określoną w Ostatecznych Warunkach, albo

b) Stopę Oprocentowania dla odnośnego Okresu Odsetkowego, obliczoną zgodnie z Ostatecznymi Warunkami, przy czym jeżeli: (i) Zmienna Stopa Procentowa dla odnośnego Okresu Odsetkowego będzie niższa niż zero, oraz (ii) Stopa Oprocentowania obliczona wówczas dla tego Okresu Odsetkowego byłaby również niższa niż zero, to Stopa Oprocentowania dla tego Okresu Odsetkowego będzie równa zero;

**FOD** - oznacza wartość obliczoną na podstawie: Formuły Obliczania Dni (określonej w Ostatecznych Warunkach) oraz liczby dni w danym Okresie Odsetkowym.

### 8.4 Zaokrąglenia

Przy dokonywaniu obliczeń płatności z Listów Zastawnych:

a) wszystkie wielkości określone w procentach będą zaokrąglane do jednej tysięcznej punktu procentowego (0,0005% i więcej będzie zaokrąglane w górę do 0,001%); oraz

b) wszystkie płatności określone w złotych będą zaokrąglane do najbliższego grosza (pół grosza i więcej będzie zaokrąglane w górę); oraz

c) wszystkie płatności określone w EUR lub USD będą zaokrąglone do najbliższego centa (pół centa i więcej będzie zaokrąglane w górę).

### 8.5 Informacje o wysokości Stopy Procentowej, Stopy Oprocentowania i Kwocie Odsetek

W przypadku oprocentowania Listów Zastawnych danej serii według Stałej Stopy Procentowej, jej wysokość zostanie udostępniona w Ostatecznych Warunkach tej serii Listów Zastawnych.

W przypadku oprocentowania Listów Zastawnych według Zmiennej Stopy Procentowej, w Dniu Ustalenia Oprocentowania dla tego Okresu Odsetkowego lub następnego Dnia Roboczego, Emitent będzie informował o:

a) wysokości Zmiennej Stopy Procentowej na dany Okres Odsetkowy;

b) wysokości Stopy Oprocentowania na dany Okres Odsetkowy obliczonej w oparciu o Zmienną Stopę Procentową;

c) pierwszym dniem danego Okresu Odsetkowego;



- d) Dniu Płatności Odsetek za dany Okres Odsetkowy; oraz
- e) Kwocie Odsetek za dany Okres Odsetkowy od jednego Listu Zastawnego.

Informacje w powyższym zakresie będą udostępnione na stronie internetowej Emitenta ([www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie) lub każdej innej, która ją zastąpi).

Niezależnie od powyższego, Emitent będzie przekazywał informacje określone w podpunktach (a) – (e) powyżej dotyczące wysokości i terminów, w jakich przypadają płatności z Listów Zastawnych do Depozytariusza oraz GPW lub BondSpot lub innego podmiotu prowadzącego rynek, na którym Listy Zastawne będą notowane – w zależności od rynku notowań Listów Zastawnych określonym w Ostatecznych Warunkach – w terminach wynikających z ich regulacji wewnętrznych.

Emitent może zlecić bankowi krajowemu lub bankowi zagranicznemu lub innej instytucji kredytowej (w zależności od waluty emisji Listów Zastawnych) pełnienie funkcji agenta kalkulacyjnego dla danej serii Listów Zastawnych w zakresie udzielania informacji co do czynności opisanych w podpunktach (a) – (e) niniejszego punktu 8.5.

Informacja o takim zleceniu zostanie zamieszczona w Ostatecznych Warunkach.

## 9. Płatności z Listów Zastawnych

9.1 Płatności z Listów Zastawnych będą dokonywane przez Emitenta na rzecz osób, które były Posiadaczami Listów Zastawnych w Dniu Ustalenia Praw określonym dla danej płatności.

9.2 W każdym przypadku płatności będą dokonywane za pośrednictwem Depozytariusza i w sposób zgodny z regulacjami Depozytariusza, obowiązującymi w terminach dokonywania poszczególnych płatności. Od płatności niedokonanych w terminie Posiadaczom będą przysługiwały odsetki w wysokości odsetek ustawowych za okres od dnia, w którym płatność ta była wymagalna (włącznie z tym dniem) do dnia jej zapłaty (bez tego dnia).

9.3 Płatności świadczeń z tytułu Listów Zastawnych będą dokonywane bez potrącenia jakichkolwiek wierzytelności Emitenta z wierzytelnościami Posiadaczy.

## 10. Formuła Dnia Roboczego

Jeżeli dzień, w którym ma przypaść płatność z Listów Zastawnych nie jest Dniem Roboczym, wówczas, jeżeli określona w Ostatecznych Warunkach Formuła Dnia Roboczego jest:

- a) **Formuła Zmiennej Stopy Procentowej** - wtedy taka płatność lub czynność zostanie przesunięta na kolejny Dzień Roboczy, chyba że dzień ten przypada w następnym miesiącu kalendarzowym, w którym to przypadku: (i) termin taki zostanie przesunięty na bezpośrednio poprzedzający Dzień Roboczy i (ii) każdy kolejny termin będzie ostatnim Dniem Roboczym miesiąca, w którym przypadłby ten termin, gdyby nie podlegał korekcie;
- b) **Formuła Kolejnego Dnia Roboczego** - wtedy taka płatność lub czynność zostanie przesunięta na kolejny Dzień Roboczy;
- c) **Zmieniona Formuła Kolejnego Dnia Roboczego** - wtedy taka płatność lub czynność zostanie przesunięta na kolejny dzień będący Dniem Roboczym, chyba że byłby to dzień przypadający w następnym miesiącu kalendarzowym, a wówczas taka płatność lub czynność zostanie przeniesiona na bezpośrednio poprzedzający Dzień Roboczy;

przy czym w każdym wypadku, kolejny termin będzie podlegać korekcie zgodnie z odpowiednią Formułą Dnia Roboczego bez względu na to, czy wcześniejszy termin podlegał korekcie, określonej powyżej.

Dokonanie czynności w terminie skorygowanym zgodnie z powyższymi zasadami będzie uważane za dokonanie jej w terminie.

## 11. **Wykup Listów Zastawnych**

11.1 Listy Zastawne danej serii będą wykupione przez Emitenta w Dniu Wykupu poprzez zapłatę Kwoty Wykupu.

11.2 Posiadaczowi Listu Zastawnego nie przysługuje prawo przedstawienia Listu Zastawnego do wykupu przed Dniem Wykupu określonym w Ostatecznych Warunkach danej serii Listów Zastawnych, z wyjątkiem sytuacji opisanych w art. 74 ust. 5 Ustawy o Obligacjach w związku z art. 8 ust. 1 pkt 3 Ustawy o Listach Zastawnych - w razie likwidacji Emitenta, Listy Zastawne podlegają natychmiastowemu wykupowi z dniem otwarcia likwidacji, oraz sytuacji opisanej w art. 74 ust. 4 Ustawy o Obligacjach w związku z art. 8 ust. 1 pkt 3 Ustawy o Listach Zastawnych - w przypadku połączenia Emitenta z innym podmiotem, jego podziału lub przekształcenia formy prawnej, Listy Zastawne podlegają natychmiastowemu wykupowi, jeżeli podmiot, który wstąpił w obowiązki Emitenta z tytułu Listów Zastawnych, zgodnie z ustawą nie posiada uprawnień do ich emitowania.

11.3 Emitent może dokonać umorzenia Listów Zastawnych danej serii przed Dniem Wykupu, w przypadku gdy zostaną łącznie spełnione następujące warunki:

- a) umorzenie zostanie dokonane dla zapewnienia zgodności działania Emitenta z przepisami art. 18 Ustawy o Listach Zastawnych;
- b) Dzień Wykupu Listów Zastawnych danej serii przypada po upływie 5 lat od Dnia Emisji tej serii Listów Zastawnych;
- c) umorzenie będzie dokonane nie wcześniej niż po upływie 5 lat od Dnia Emisji tej serii Listów Zastawnych;
- d) w Ostatecznych Warunkach tej serii Listów Zastawnych wyraźnie zastrzeżono taką możliwość.

11.4 W celu umorzenia Listów Zastawnych danej serii Emitent zawiadomi Posiadaczy o umorzeniu, wskazując w zawiadomieniu serię Listów Zastawnych podlegających umorzeniu, Dzień Umorzenia oraz Kwotę Umorzenia.

11.5 Wcześniejszy wykup Listów Zastawnych zostanie przeprowadzony zgodnie z odpowiednimi regulacjami Depozytariusza.

## 12. **Zasady wypłaty odsetek oraz wykupu Listów Zastawnych w przypadku ogłoszenia upadłości Emitenta**

### 12.1 **Przedłużenie terminów wymagalności**

Zgodnie z art. 446 ust. 1 Prawa Upadłościowego z dniem ogłoszenia upadłości Emitenta terminy wymagalności jego zobowiązań wobec wierzycieli z Listów Zastawnych ulegają przedłużeniu o 12 miesięcy.

Zgodnie z art. 446 ust. 2 Prawa Upadłościowego zobowiązania wobec wierzycieli z Listów Zastawnych, które stały się wymagalne przed ogłoszeniem upadłości Emitenta, a nie zostały

zapłacone przed tym dniem, zaspokaja się w terminie 12 miesięcy od dnia ogłoszenia upadłości, nie wcześniej jednak niż po pierwszym obwieszczeniu o wynikach Testu Równowagi Pokrycia albo Testu Równowagi Pokrycia i Testu Płynności, chyba że wynik Testu Równowagi Pokrycia albo Testu Płynności nie jest pozytywny.

Wyżej wskazane 12-miesięczne odroczenie płatności nie dotyczy odsetek od Listów Zastawnych. Zgodnie z art. 446 ust. 3 Prawa Upadłościowego odsetki od wierzytelności z Listów Zastawnych należne od Emitenta będą wypłacane w sposób i terminach określonych w Ostatecznych Warunkach.

## 12.2 Testy Równowagi Pokrycia i Testy Płynności

Dalszy tryb postępowania determinują wyniki Testów Równowagi Pokrycia i Testów Płynności przeprowadzanych przez syndyka w odniesieniu do osobnej masy upadłości.

Zgodnie z art. 446a ust. 1 Prawa Upadłościowego syndyk niezwłocznie, nie później niż w terminie 3 miesięcy od dnia ogłoszenia upadłości Emitenta, przeprowadzi w odniesieniu do osobnej masy upadłości Test Równowagi Pokrycia, a jeżeli wynik Testu Równowagi Pokrycia jest pozytywny - Test Płynności.

Kolejne Testy Płynności przeprowadza się nie rzadziej niż co 3 miesiące, a kolejne Testy Równowagi Pokrycia - nie rzadziej niż co 6 miesięcy. Jeżeli wynik Testu Równowagi Pokrycia nie jest pozytywny, dalszych testów nie przeprowadza się.

Wyniki Testu Równowagi Pokrycia i Testu Płynności uznaje się za pozytywne, jeżeli po ich przeprowadzeniu ustalono, że osobna masa upadłości wystarcza na pełne zaspokojenie posiadaczy listów zastawnych wyemitowanych przez Emitenta.

## 12.3 Płatności w przypadku pozytywnego wyniku Testu Równowagi Pokrycia i pozytywnego wyniku Testu Płynności

W przypadku pozytywnego wyniku Testu Równowagi Pokrycia i pozytywnego wyniku Testu Płynności:

- a) odsetki od Listów Zastawnych są wypłacane w sposób i terminach określonych w Ostatecznych Warunkach;
- b) roszczenia wierzycieli z Listów Zastawnych z tytułu należności głównej zaspokajane są w Dniu Wykupu, z uwzględnieniem wyżej wskazanego art. 446 ust. 1 Prawa Upadłościowego, tj. zaspokajane są zgodnie z odroczonymi o 12 miesięcy terminami ich wymagalności;
- c) jednocześnie, jeżeli wpływy z tytułu sprzedaży składników osobnej masy upadłości pomniejszone o łączną kwotę nominalnych wartości odsetek od znajdujących się w obrocie listów zastawnych wyemitowanych przez Emitenta, przypadających do wypłaty w okresie kolejnych 6 miesięcy, oraz kwoty zobowiązań wobec wierzycieli z listów zastawnych, które stały się wymagalne przed ogłoszeniem upadłości Emitenta, a nie zostały zapłacone przed tym dniem, wyniosą co najmniej 5% łącznej kwoty nominalnych wartości znajdujących się w obrocie listów zastawnych, roszczenia wierzycieli z listów zastawnych mogą być zaspokojone proporcjonalnie do wysokości tych roszczeń, w terminach wcześniejszych niż w przedłużonych terminach wymagalności. Powyższe środki są przekazywane wierzycielom z Listów Zastawnych w najbliższym terminie płatności odsetek określonym w Ostatecznych Warunkach, jednak nie wcześniej niż po upływie 14 dni od dnia uprawomocnienia się postanowienia sędziego-komisarza w sprawie zatwierdzenia sprawozdania rachunkowego syndyka, o którym mowa w art. 168 ust. 5 Prawa Upadłościowego.

Proporcjonalność zaspokojenia oraz uwarunkowanie osiągnięciem 5% nadwyżki nie dotyczy terminowych i pełnych wypłat odsetek od Listów Zastawnych.

Dodatkowo, zgromadzenie wierzycieli z listów zastawnych, nie później niż w terminie 2 miesięcy od dnia obwieszczenia o wynikach testów, może podjąć uchwałę o zobowiązaniu syndyka do podjęcia działań w celu sprzedaży wszystkich wierzytelności i praw upadłego Emitenta należących do osobnej masy upadłości:

- a) na rzecz banku hipotecznego wraz z przejściem całości zobowiązań upadłego banku wobec wierzycieli z listów zastawnych, albo
- b) na rzecz banku hipotecznego albo innego banku bez przejścia zobowiązań upadłego banku wobec wierzycieli z listów zastawnych.

W przypadku podjęcia uchwały o zobowiązaniu syndyka do podjęcia działań w celu sprzedaży wszystkich wierzytelności i praw upadłego Emitenta należących do osobnej masy upadłości, o której mowa w art. 446b ust. 2 pkt 2 Prawa Upadłościowego, z osobnej masy upadłości zaspokajane są roszczenia o odsetki za okres do dnia sprzedaży wierzytelności i praw upadłego Emitenta.

#### **12.4 Płatności w przypadku pozytywnego wyniku Testu Równowagi Pokrycia i braku pozytywnego wyniku Testu Płynności**

W przypadku pozytywnego wyniku testu równowagi pokrycia i braku pozytywnego wyniku testu płynności:

- a) odsetki od Listów Zastawnych są wypłacane w sposób i terminach określonych w Ostatecznych Warunkach;
- b) terminy wymagalności zobowiązań Emitenta wobec wierzycieli z Listów Zastawnych z tytułu nominalnej wartości tych listów, w tym zobowiązań wymagalnych, a niezapłaconych przed dniem ogłoszenia upadłości Emitenta, ulegają przedłużeniu o 3 lata od najpóźniejszego terminu wymagalności wierzytelności wpisanej do rejestru zabezpieczenia listów zastawnych (art. 446c ust. 1 pkt 1 Prawa Upadłościowego);
- c) możliwa jest wcześniejsza spłata wierzycieli z listów zastawnych, ze środków tworzących osobną masę upadłości, jeżeli środki te, po pomniejszeniu o wysokość łącznej kwoty nominalnych wartości odsetek od znajdujących się w obrocie listów zastawnych, przypadających do wypłaty w okresie kolejnych 6 miesięcy oraz kosztów prowadzenia postępowania w zakresie osobnej masy upadłości, wynikające ze sprawozdań syndyka przedstawianych zgodnie z art. 168 w zw. z art. 432 ustawy - Prawo upadłościowe i naprawcze (art. 446c ust. 1 pkt 2 Prawa Upadłościowego) wyniosą co najmniej 5% łącznej kwoty nominalnych wartości znajdujących się w obrocie listów zastawnych; nadwyżka taka jest proporcjonalnie wypłacana wierzycielom uprawnionym z listów zastawnych tytułem spłaty należności głównej w najbliższym terminie płatności odsetek, przypadającym jednak nie wcześniej niż 14 dni od daty zatwierdzenia sprawozdania syndyka;
- d) zgromadzenie wierzycieli z listów zastawnych wyemitowanych przez Emitenta, nie później niż w terminie 3 miesięcy od dnia obwieszczenia o wynikach testów, może jednak podjąć uchwałę o niestosowaniu procedury wskazanej w podpunktach (b) i (c), albo o zastosowaniu procedury, o której mowa w podpunkcie (e) poniżej;
- e) zgromadzenie wierzycieli z listów zastawnych wyemitowanych przez Emitenta może podjąć uchwałę o wyrażeniu zgody na likwidację osobnej masy upadłości i sprzedaży składników majątkowych wpisanych do rejestru zabezpieczenia listów zastawnych. W takim przypadku

zobowiązania Emitenta wobec wierzycieli z listów zastawnych staną się wymagalne z dniem podjęcia tej uchwały;

f) w przypadku podjęcia uchwały, o której mowa w podpunkcie powyżej, możliwa jest sprzedaż składników majątkowych wpisanych do rejestru zabezpieczenia listów zastawnych:

- na rzecz banku innego niż bank hipoteczny bez przejścia na nabywcę zobowiązań upadłego banku wobec wierzycieli z listów zastawnych;
- na rzecz podmiotu innego niż bank - w przypadku składników, których posiadanie nie jest zastrzeżone dla banków;

g) w przypadku sprzedaży składnika majątkowego wpisanego do rejestru zabezpieczenia listów zastawnych bez przejścia na nabywcę zobowiązań upadłego banku wobec wierzycieli z listów zastawnych, ze środków uzyskanych ze sprzedaży zaspokajane są roszczenia o odsetki z listów zastawnych zabezpieczonych tym składnikiem za okres do dnia sprzedaży.

### 12.5 Płatności w przypadku braku pozytywnego wyniku Testu Równowagi Pokrycia

W przypadku braku pozytywnego wyniku Testu Równowagi Pokrycia zastosowanie mają te same zasady płatności co opisane w punkcie 12.4 (Płatności w przypadku pozytywnego wyniku Testu Równowagi Pokrycia i braku pozytywnego wyniku Testu Płynności) powyżej.

Zgodnie z art. 448 Prawa Upadłościowego z osobnej masy upadłości zaspokajają się kolejno: (1) koszty likwidacji osobnej masy upadłości, które obejmują także wynagrodzenie kuratora, oraz odsetki i inne należności uboczne z listów zastawnych; (2) listy zastawne według ich wartości nominalnej.

Jeżeli osobna masa upadłości nie wystarcza na pełne zaspokojenie posiadaczy listów zastawnych, pozostała suma podlega zaspokojeniu w podziale funduszy masy upadłości. Sumę na zaspokojenie posiadaczy listów zastawnych z funduszu masy upadłości przekazuje się do funduszu osobnej masy upadłości.

Sposób i terminy wypłaty odsetek oraz terminy i warunki wykupu Listów Zastawnych stosowanych w przypadku ogłoszenia upadłości Emitenta określone zostaną szczegółowo w Ostatecznych Warunkach.

## 13. Rodzaj, zakres, forma i przedmiot zabezpieczeń

13.1 Listy Zastawne emitowane są w oparciu o wierzytelności i inne środki opisane w punkcie 2 (Status Listów Zastawnych) niniejszych Warunków Emisji. Podstawę emisji Listów Zastawnych mogą stanowić jedynie wierzytelności, które zostały wpisane do rejestru zabezpieczenia hipotecznych listów zastawnych.

13.2 Emitent prowadzi rejestr zabezpieczenia listów zastawnych, do którego wpisywane są w odrębnych pozycjach wierzytelności Emitenta oraz prawa i środki, o których mowa w art. 18 ust. 3 i 4 Ustawy o Listach Zastawnych, stanowiące podstawę emisji listów zastawnych, a także środki tworzące nadwyżkę, o której mowa w art. 18 ust. 3a Ustawy o Listach Zastawnych. Rejestr zabezpieczenia listów zastawnych prowadzony jest odrębnie dla hipotecznych Listów Zastawnych i dla publicznych Listów Zastawnych.

13.3 W przypadku ustanowienia hipoteki zabezpieczającej wierzytelność Emitenta wpisaną do rejestru zabezpieczenia hipotecznych listów zastawnych, należy uczynić o tym wpis w księdze wieczystej. Szczegółowe zasady prowadzenia rejestru zabezpieczenia listów zastawnych określa

odpowiedni regulamin Emitenta, a wzór rejestru oparty jest na wzorze określonym uchwałą Komisji Nadzoru Finansowego wydaną na podstawie art. 24 ust. 6 Ustawy o Listach Zastawnych.

13.4 Kredyty stanowiące podstawę emisji Listów Zastawnych są zabezpieczone hipotekami na prawie własności lub prawie użytkowania wieczystego nieruchomości położonej w Polsce. Hipoteki zabezpieczające takie kredyty są hipotekami wpisanymi w odnośnych księgach wieczystych na pierwszym miejscu (dającymi Emitentowi pierwszeństwo przed ewentualnymi innymi hipotekami na tych samych nieruchomościach).

13.5 Zgodnie z Ustawą o Listach Zastawnych, wysokość pojedynczego kredytu zabezpieczonego hipoteką w dniu jego udzielenia - w przypadku udzielenia przez Emitenta kredytu zabezpieczonego hipoteką, lub w dniu nabycia przez Emitenta wierzytelności innego banku z tytułu takiego kredytu nie może przekroczyć bankowo-hipotecznej wartości nieruchomości, na której ustanowiona jest hipoteka.

13.6 Ogólna kwota wierzytelności Emitenta z tytułu kredytów udzielonych przez Emitenta i zabezpieczonych hipoteką jak również nabytych wierzytelności z tytułu kredytów zabezpieczonych hipoteką udzielonych przez inne banki, w części przekraczającej 60% bankowo-hipotecznej wartości nieruchomości nie może przekroczyć 30% ogólnej kwoty wierzytelności Emitenta zabezpieczonych hipoteką.

13.7 Emitent przeprowadza rachunek zabezpieczenia listów zastawnych w celu monitorowania wypełniania w perspektywie długookresowej wymogów, o których mowa w art. 18 ust. 1, 1a i 2 Ustawy o Listach Zastawnych. Rachunek jest przeprowadzany w każdym dniu roboczym. Emitent przeprowadza również, odrębnie dla hipotecznych listów zastawnych i dla publicznych listów zastawnych wyemitowanych przez Emitenta:

- a) nie rzadziej niż co 6 miesięcy, Test Równowagi Pokrycia - w celu ustalenia, czy wierzytelności Emitenta wpisane do rejestru zabezpieczenia wystarczają na pełne zaspokojenie posiadaczy listów zastawnych wyemitowanych przez Bank, oraz
- b) nie rzadziej niż co 3 miesiące, Test Płynności, w celu ustalenia, czy wystarczają na ich zaspokojenie w przedłużonych terminach wymagalności, o których mowa w art. 446 ust. 1 Prawa Upadłościowego.

Gdy wynik Testu Równowagi Pokrycia lub Testu Płynności nie jest pozytywny, powiernik niezwłocznie zawiadamia o tym Komisję Nadzoru Finansowego, zgodnie z art. 30a Ustawy o Listach Zastawnych.

## 14. **Podatki**

14.1 Opodatkowanie podatkiem dochodowym od osób prawnych, mających siedzibę na terytorium Rzeczypospolitej Polskiej przychodów z tytułu odsetek od Listów Zastawnych odbywa się na zasadach określonych w Ustawie o Podatku Dochodowym od Osób Prawnych oraz Ustawie o Podatku Dochodowym od Osób Fizycznych.

14.2 Wszelkie płatności z tytułu Listów Zastawnych zostaną dokonane bez potrąceń lub odliczeń z tytułu lub na poczet obecnych lub przyszłych podatków lub jakiegokolwiek rodzaju należności publicznoprawnych wymierzonych lub nałożonych przez odpowiednie władze podatkowe lub w ich imieniu, chyba że potrącenia lub odliczenia tych podatków lub należności publicznoprawnych wymagają bezwzględnie obowiązujące przepisy prawa. Emitent nie będzie płacił kwot wyrównujących pobrane podatki lub należności publicznoprawne, jeżeli z jakąkolwiek płatnością z tytułu Listów Zastawnych związany będzie obowiązek pobrania i zapłaty jakiegokolwiek podatku lub innej należności publicznoprawnej.

**15. Wskazanie rynku regulowanego, na który Emitent planuje wprowadzić Listy Zastawne do obrotu, ze wskazaniem planowanego terminu rozpoczęcia obrotu oraz decyzji dotyczących dopuszczenia Listów Zastawnych do obrotu na tym rynku**

15.1 Zamiarem Emitenta jest – w zależności od serii Listów Zastawnych wprowadzenie Listów Zastawnych do obrotu na regulowanym rynku giełdowym prowadzonym przez GPW lub pozagiełdowym prowadzonym przez BondSpot. W tym celu w możliwie krótkim terminie wynikającym z regulacji Depozytariusza oraz GPW lub BondSpot, Emitent wystąpi z wnioskami o rejestrację Listów Zastawnych oraz dopuszczenie danej Serii Listów Zastawnych do obrotu, w zależności od ustaleń zawartych w Ostatecznych Warunkach, na regulowanym rynku giełdowym prowadzonym przez GPW lub pozagiełdowym prowadzonym przez BondSpot. Emitent może ubiegać się o dopuszczenie poszczególnych serii Listów Zastawnych do obrotu na innych rynkach, w tym na rynkach działających poza granicami Polski.

15.2 Intencją Emitenta jest, aby Listy Zastawne emitowane w poszczególnych seriach wprowadzane były każdorazowo do obrotu na rynku wskazanym w Ostatecznych Warunkach.

**16. Metoda obliczenia rentowności Listów Zastawnych**

Rentowność Listów Zastawnych danej serii o stałym oprocentowaniu na Dzień Emisji będzie każdorazowo ustalana (w zależności od ceny emisyjnej (ceny sprzedaży) oraz poziomu oprocentowania Listów Zastawnych danej serii w oparciu o metodę obliczania rentowności opisaną w odpowiednich Ostatecznych Warunkach) i podawana do publicznej wiadomości przed rozpoczęciem subskrypcji danej serii Listów Zastawnych w odpowiednich Ostatecznych Warunkach.

**17. Zawiadomienia**

**17.1 Zawiadomienia do Posiadaczy**

Wszelkie zawiadomienia Emitenta kierowane do Posiadaczy będą umieszczane na stronie internetowej Emitenta [www.mhipoteczny.pl/relacje-inwestorskie](http://www.mhipoteczny.pl/relacje-inwestorskie) lub każdej innej, która ją zastąpi.

**17.2 Zawiadomienia do Emitenta**

Wszelkie zawiadomienia Posiadaczy kierowane do Emitenta powinny być dokonywane osobiście, listem poleconym lub pocztą kurierską na adres Emitenta wskazany w Krajowym Rejestrze Sądowym.

**18. Inne postanowienia**

18.1 Emitent może, w granicach dopuszczalnych prawem oraz wynikających z wewnętrznych regulacji Depozytariusza, dokonywać asymilacji poszczególnych serii Listów Zastawnych, tak aby tworzyły one jedną serię.

18.2 Listy Zastawne są emitowane zgodnie z prawem polskim i temu prawu będą podlegać.

18.3 Wszelkie związane z Listami Zastawnymi spory będą rozstrzygane wyłącznie w postępowaniu przed polskim sądem powszechnym właściwym dla siedziby Emitenta.