



(a joint-stock company with its registered office in Warsaw, address: al. Armii Ludowej 26, 00-609 Warsaw, entered in the business register of the National Court Register under No. KRS 000003753)

## Supplement 7

approved by decision of the Polish Financial Supervision Authority on 8th April 2019

to the Base Prospectus of mBank Hipoteczny S.A.

approved by the Polish Financial Supervision Authority

on 26th August 2016

(the “Prospectus”)

This supplement 7 (“Supplement 7”) to the Base Prospectus of mBank Hipoteczny S.A. has been prepared in connection with the publication by the Issuer on 27th March 2019 of the financial statements for 2018 and must be read in conjunction with the Prospectus.

This Supplement 7 has been drawn up to update the Prospectus with historical financial information for 2018 and with information on trends prevailing in the period from 1st January 2019 to 31st January 2019.

In the opinion of the Issuer’s Management Board, in 2018 there were no changes in the Bank’s financial situation which would be materially inconsistent with the trends in the financial position of mBank Hipoteczny S.A. and the related information presented in the Prospectus. The Issuer’s Management Board believes that the financial information contained in the financial statements for the period from 1st January 2018 to 31st December 2018 has no material bearing on the assessment of mBank Hipoteczny S.A.

Based on this Supplement 7, the Issuer’s financial statements for 2018 (the “Financial Statements for 2018”), published on 27th March 2019 and available on the Issuer’s website at <https://www.mhipoteczny.pl/relacje-inwestorskie/raporty-okresowe/>, are included in the Prospectus by reference.

All terms which are capitalised in this document are defined in the Prospectus in the *Definitions and Abbreviations* section.

Therefore, in view of the foregoing, the Prospectus of mBank Hipoteczny S.A. is hereby amended as follows:

### **Amendment 1: page 1, Prospectus cover page**

*At the end of the paragraph which begins: “Interest amounts payable under Covered Bonds” the following text is added:*

As at the date of Supplement 7, ICE was included in the register maintained by the European Securities and Markets Authority in accordance with Article 36 of the Benchmarks Regulation. As at the date of Supplement 7, neither EMMI nor GPW Benchmark were entered in the register.

### **Amendment 2: pages 8–10, Chapter I, Element B.12**

*The following new table is added under the “Selected financial data of the Issuer (PLN ‘000)” table:*

	Dec 31 2018	Dec 31 2017
<b>ASSETS</b>		
Cash and balances with the central bank	16,294	1,351

Amounts due from other banks	na	18,737
Financial assets held for trading and derivative hedging instruments	36,658	48,973
Loans and advances to clients	na	10,766,911
Non-trading financial assets mandatorily measured at fair value through profit or loss, including:	208,181	na
Loans and advances to clients	208,181	na
Investment securities available for sale	na	1,277,127
Financial assets at fair value through other comprehensive income	1,069,392	na
Financial assets at amortised cost, including:	10,988,966	na
Amounts due from other banks	58,432	na
Loans and advances to clients	10,930,534	na
Intangible assets	40,021	25,527
Tangible fixed assets	8,678	8,295
Deferred income tax assets	12,586	10,572
Other assets, including:	5,132	10,676
- inventories	na	3,432
<b>Total assets</b>	<b>12,385,908</b>	<b>12,168,169</b>

	Dec 31 2018	Dec 31 2017
<b>LIABILITIES AND EQUITY</b>		
Financial liabilities held for trading and derivative hedging instruments	2,032	548
Financial liabilities at amortised cost, including:	11,253,826	11,077,766
Amounts due to other banks	3,179,878	3,830,026
Amounts due to clients	3,099	4,131
Debt securities in issue	7,870,443	7,043,125
Subordinated liabilities	200,406	200,484
Provisions	2,557	204
Current income tax liability	12,704	7,682
Other liabilities	28,842	25,568
<b>Total liabilities</b>	<b>11,299,961</b>	<b>11,111,768</b>

<b>Share capital</b>	<b>734,719</b>	<b>734,719</b>
- Registered share capital	321,000	321,000
- Share premium	413,719	413,719
<b>Retained earnings</b>	<b>345,748</b>	<b>317,882</b>
- Profit from the previous years	304,511	290,053
- Current period profit/(loss)	41,237	27,829
<b>Other components of equity</b>	<b>5,480</b>	<b>3,800</b>
<b>Total equity</b>	<b>1,085,947</b>	<b>1,056,401</b>

<b>Total equity and liabilities</b>	<b>12,385,908</b>	<b>12,168,169</b>
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Source: Issuer's financial statements

The following new table is added under the "Off-balance-sheet items (PLN '000)" table:

	Dec 31 2018	Dec 31 2017
<b>Off-balance-sheet commitments received and granted</b>	<b>2,596,327</b>	<b>2,651,356</b>
<b>Commitments granted:</b>	<b>1,515,637</b>	<b>1,571,536</b>
Financial commitments and liabilities	1,515,637	1,571,536
<b>Commitments received:</b>	<b>1,080,690</b>	<b>1,079,820</b>
Financial commitments and liabilities	1,080,690	1,079,820
<b>Derivative financial instruments (notional value of contracts)</b>	<b>6,786,709</b>	<b>5,145,727</b>
Interest-rate derivatives	5,261,340	2,776,680
Foreign exchange derivatives	1,525,369	2,369,047
<b>Total off-balance-sheet items</b>	<b>9,383,036</b>	<b>7,797,083</b>

Source: Issuer's financial statements

The following new table is added under the "Selected data of income statement (PLN '000)" table:

	Jan 1 – Dec 31 2018	Jan 1 – Dec 31 2017
Interest income, including:	427,181	390,074
Interest income calculated using the effective interest rate method	387,812	365,573
Revenue similar to interest on assets at fair value through profit or loss	39,369	24,501
Interest expense	-250,904	-234,065
<b>Net interest income</b>	<b>176,277</b>	<b>156,009</b>
Fee and commission income	3,038	1,822
Fee and commission expense	-5,540	-7,581
<b>Net fee and commission income</b>	<b>-2,502</b>	<b>-5,759</b>
<b>Net trading income, including:</b>	<b>1,210</b>	<b>-3,385</b>
Foreign exchange, net	2,286	-3,332
Gains or losses on financial assets held for trading	916	1,263
Gains or losses on hedge accounting	-1,992	-1,316
Net result of non-material modification	-3,312	na
Gain (loss) on derecognition of financial instruments not measured at fair value through profit or loss	1,627	73
Gains or losses on non-trading financial assets mandatorily measured at fair value through profit or loss	-4,556	na
Other income	1,202	1,132
Impairment losses or reversal of impairment losses on financial assets not measured at fair value through profit or loss	-16,712	-20,225
Overhead costs	-59,849	-64,361
Amortisation and depreciation	-3,798	-3,196
Other expenses	-1,325	-1,089
<b>Operating result</b>	<b>88,262</b>	<b>59,199</b>
Tax on the Bank's assets	-27,568	-24,426
<b>Pre-tax profit</b>	<b>60,694</b>	<b>34,773</b>
Income tax	-19,457	-6,944

<b>Net profit</b>	<b>41,237</b>	<b>27,829</b>
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Source: Issuer's financial statements

The following is added under the existing text below the "Selected data of income statement (PLN '000)" table:

Since the date of publication of the Issuer's audited separate financial statements for 2018, there have been no adverse changes affecting the Issuer's future prospects.

Between 31st December 2018 and the date of authorisation of Supplement 7, there occurred the following major changes in the financial and business position of the Issuer:

- With effect from 31st December 2018, Mr Grzegorz Trawiński resigned as Member of the Management Board. As of 1st January 2019, the composition of the Management Board of mBank Hipoteczny S.A. is as follows: Piotr Cyburt – President of the Management Board, Andrzej Kulik – Member of the Management Board, and Marcin Wojtachnio – Member of the Management Board.
- On 1st February 2019, a portfolio transfer agreement was executed between mBank S.A. and mBank Hipoteczny S.A., under which mBank Hipoteczny S.A. acquired from mBank S.A. a portfolio of mortgage-backed loans with a total fair value of PLN 716,225 thousand.
- On 22nd February 2019, the Bank issued covered bonds for a total amount of PLN 100,000 thousand under the Polish mortgage covered bond programme.
- Between 28th January and 26th February 2019, a comprehensive inspection was carried out at the Bank by the Polish Financial Supervision Authority, on the basis of a notification dated 10th January 2019. As at the date of this Supplement 7, the Bank had not received a post-inspection report.
- On 7th March 2019, the Extraordinary General Meeting of mBank Hipoteczny S.A. passed Resolution No. 1 to increase the share capital of mBank Hipoteczny S.A. and disapply a shareholder's pre-emptive rights. The share capital was increased by PLN 15,000 thousand, to PLN 336,000 thousand, through the issue of 150,000 Series I ordinary registered shares with a par value of PLN 100 per share and an issue price of PLN 1,000 per share. The new shares were offered for subscription to mBank S.A. in a private placement. The shares were paid for in full on 20th March 2019.

#### **Amendment 3: pages 10–11, Chapter I, Element B.13**

The following text is added after the existing text:

- On 11th February 2019, Fitch Ratings Ltd. maintained its rating of the mortgage covered bonds issued by the Bank at A, while changing the outlook from positive to stable.

#### **Amendment 4: page 18, Chapter II, Section 1.1.1**

After the existing text of the paragraph beginning "As at 30th June 2018 no limit resulting from the Covered Bond Act (...)", the following text is added:

As at 31st December 2018, none of the limits provided for in the Covered Bond Act or the CRR was exceeded. In 2018, the limit on liabilities imposed under Art. 15.2 of the Covered Bond Act was not exceeded.

#### **Amendment 5: page 21, Chapter II, Section 1.1.3 a)**

After the existing text of the paragraph beginning "The Issuer monitors all liquidity norms (...)", the following new sentence is added:

None of the liquidity norms were exceeded in 2018 or 2017.

#### **Amendment 6: page 22, Chapter II, Section 1.1.3 c)**

After the second sentence of the paragraph beginning "The Issuer manages the interest rate gap by matching dates of assets and liabilities revaluation (...)", the following text is added:

As at the end of December 2018, Earnings at Risk (EaR) reached a safe level of 3.96%.

**Amendment 7: page 25, Chapter II, Section 1.2.2**

After the existing text of the second paragraph, beginning “The Bank’s own funds as at 30th June 2018 amounted to PLN 1,089,933 thousand (...),” the following new paragraph is added:

The Bank’s own funds as at 31st December 2018 were PLN 1,133,394 thousand (as at 31st December 2017: PLN 1,104,182 thousand). The limit of exposure towards one entity or group of related entities amounts to 25% of the value of recognised equity of the Bank pursuant to CRR Regulation, therefore it cannot exceed PLN 283,348 thousand in the case of the Issuer.

**Amendment 8: page 38, Chapter V, Section 2**

Before the paragraph beginning: “The Issuer’s condensed financial statements for the first half of 2018 were reviewed by an auditor (...),” the following new sentence is added:

The Issuer’s financial statements for 2018 have been audited. The auditor’s report on the audit of these financial statements was not negative, and the auditor’s opinion was not qualified.

**Amendment 9: page 40, Chapter VI, Section 1.4**

After the paragraph beginning: “The Bank’s registered office is situated in Warsaw, Poland, at the following address: (...),” a new paragraph is added reading as follows:

On 19th February 2019, the name of the street on which the Issuer’s registered office is situated was changed from “ul. Lecha Kaczyńskiego” to “al. Armii Ludowej.” Since that date, the Bank’s registered address is as follows:

mBank Hipoteczny S.A.  
al. Armii Ludowej 26  
00-609 Warsaw  
Poland

**Amendment 10: page 43, Chapter VII, Section 1.2**

Before the paragraph beginning: “The financial information presented below has been compiled on basis of the Issuer’s reviewed condensed financial statements for the first half of 2018, prepared in accordance with the IFRS (...),” the following new sentence is added:

The financial information presented below has been compiled based on the audited financial statements for 2018, prepared in accordance with the IFRS as endorsed by the European Union, containing comparative data for the financial year ended 31st December 2017.

**Amendment 11: pages 43-44, Chapter VII, Section 1.2**

The following new table is added under Table 1e:

**Table 1f Selected financial data of the Issuer (PLN ‘000)**

	Dec 31 2018	Dec 31 2017
<b>ASSETS</b>		
Cash and balances with the central bank	16,294	1,351
Amounts due from other banks	na	18,737
Financial assets held for trading and derivative hedging instruments	36,658	48,973
Loans and advances to clients	na	10,766,911
Non-trading financial assets mandatorily measured at fair value through profit or loss, including:	208,181	na
Loans and advances to clients	208,181	na

Investment securities available for sale	na	1,277,127
Financial assets at fair value through other comprehensive income	1,069,392	na
Financial assets at amortised cost, including:	10,988,966	na
Amounts due from other banks	58,432	na
Loans and advances to clients	10,930,534	na
Intangible assets	40,021	25,527
Tangible fixed assets	8,678	8,295
Deferred income tax assets	12,586	10,572
Other assets, including:	5,132	10,676
- inventories	na	3,432
<b>Total assets</b>	<b>12,385,908</b>	<b>12,168,169</b>

Source: Issuer's financial statements

### **Amendment 12: page 44, Chapter VII, Section 1.2**

The following new table is added under Table 2e:

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

	Dec 31 2018	Dec 31 2017
<b>LIABILITIES AND EQUITY</b>		
Financial liabilities held for trading and derivative hedging instruments	2,032	548
Financial liabilities at amortised cost, including:	11,253,826	11,077,766
Amounts due to other banks	3,179,878	3,830,026
Amounts due to clients	3,099	4,131
Debt securities in issue	7,870,443	7,043,125
Subordinated liabilities	200,406	200,484
Provisions	2,557	204
Current income tax liability	12,704	7,682
Other liabilities	28,842	25,568
<b>Total liabilities</b>	<b>11,299,961</b>	<b>11,111,768</b>
<b>Share capital</b>		
- Registered share capital	321,000	321,000
- Share premium	413,719	413,719
<b>Retained earnings</b>	<b>345,748</b>	<b>317,882</b>
- Profit from the previous years	304,511	290,053
- Current period profit/(loss)	41,237	27,829
<b>Other components of equity</b>	<b>5,480</b>	<b>3,800</b>
<b>Total equity</b>	<b>1,085,947</b>	<b>1,056,401</b>
<b>Total equity and liabilities</b>	<b>12,385,908</b>	<b>12,168,169</b>

Source: Issuer's financial statements

**Amendment 13: pages 44-45, Chapter VII, Section 1.2**

Under the existing text below Table 2e, beginning: "The Bank's balance-sheet total (...)," the following new text is added:

As at the end of December 2018, the Bank's balance-sheet total was PLN 12,385,908 thousand, having increased by PLN 217,739 thousand on the end of 2017. Loans to non-financial sector were the largest item of assets, accounting for 89.93% of total assets.

As at the end of December 2018, the Bank's loan portfolio totalled PLN 12,645,144 thousand (on-balance-sheet and off-balance-sheet exposure), 2.57% above the level reported at the end of 2017. As at 31st December 2018, 49.26% of loans granted to non-financial sector (on-balance-sheet and off-balance-sheet exposure) were loans to corporate clients, and 49.05% were loans to retail clients.

In 2018, the increase in the total loan portfolio (by PLN 316,707 thousand relative to 31st December 2017) was financed mainly through an increase in liabilities under debt securities in issue (up by PLN 827,318 thousand). Amounts due to other banks decreased relative to the end of 2017 (down 16.98%, to PLN 3,179,878 thousand). Amounts due to the Bank's clients also fell, from PLN 4,131 thousand as at the end of 2017 to PLN 3,099 thousand as at the end of December 2018.

Debt securities in issue, comprising covered bonds and bonds, were still the main item of the Issuer's liabilities, accounting for 63.54% of the balance-sheet total as at 30th June 2018 (57.88% as at the end of 2017). Followed by amounts due to other banks, which represented 25.67% of the balance-sheet total as at 31st December 2018 (31st December 2017: 31.48%). Amounts due to clients accounted for mere 0.03% of the balance-sheet total as at 30th June 2018 (compared with 0.03% as at 31st December 2017).

**Amendment 14: page 45, Chapter VII, Section 1.2**

The following new table is added under Table 3e:

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

	Dec 31 2018	Dec 31 2017
<b>Off-balance-sheet commitments received and granted</b>	<b>2,596,327</b>	<b>2,651,356</b>
<b>Commitments granted:</b>	<b>1,515,637</b>	<b>1,571,536</b>
Financial commitments and liabilities	1,515,637	1,571,536
<b>Commitments received:</b>	<b>1,080,690</b>	<b>1,079,820</b>
Financial commitments and liabilities	1,080,690	1,079,820
<b>Derivative financial instruments (notional value of contracts)</b>	<b>6,786,709</b>	<b>5,145,727</b>
Interest-rate derivatives	5,261,340	2,776,680
Foreign exchange derivatives	1,525,369	2,369,047
<b>Total off-balance-sheet items</b>	<b>9,383,036</b>	<b>7,797,083</b>

Source: Issuer's financial statements

**Amendment 15: page 45, Chapter VII, Section 1.2**

The following new table is added under Table 4e:

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

	Jan 1 – Dec 31 2018	Jan 1 – Dec 31 2017
Interest income, including:	427,181	390,074

Interest income calculated using the effective interest rate method	387,812	365,573
Revenue similar to interest on assets at fair value through profit or loss	39,369	24,501
Interest expense	-250,904	-234,065
<b>Net interest income</b>	<b>176,277</b>	<b>156,009</b>
Fee and commission income	3,038	1,822
Fee and commission expense	-5,540	-7,581
<b>Net fee and commission income</b>	<b>-2,502</b>	<b>-5,759</b>
<b>Net trading income, including:</b>	<b>1,210</b>	<b>-3,385</b>
Foreign exchange, net	2,286	-3,332
Gains or losses on financial assets held for trading	916	1,263
Gains or losses on hedge accounting	-1,992	-1,316
Net result of non-material modification	-3,312	na
Gain (loss) on derecognition of financial instruments not measured at fair value through profit or loss	1,627	73
Gains or losses on non-trading financial assets mandatorily measured at fair value through profit or loss	-4,556	na
Other income	1,202	1,132
Impairment losses or reversal of impairment losses on financial assets not measured at fair value through profit or loss	-16,712	-20,225
Overhead costs	-59,849	-64,361
Amortisation and depreciation	-3,798	-3,196
Other expenses	-1,325	-1,089
<b>Operating result</b>	<b>88,262</b>	<b>59,199</b>
Tax on the Bank's assets	-27,568	-24,426
<b>Pre-tax profit</b>	<b>60,694</b>	<b>34,773</b>
Income tax	-19,457	-6,944
<b>Net profit</b>	<b>41,237</b>	<b>27,829</b>

Source: Issuer's financial statements

### **Amendment 16: pages 45-46, Chapter VII, Section 1.2**

Under the existing text below Table 4e, beginning: "The main item of the Bank's income was interest on banking transactions. (...)", the following is added:

In 2018, the Issuer posted a pre-tax profit of PLN 60,694 thousand, up PLN 25,921 thousand on 2017.

As at 31st December 2018, the Bank saw its core business figures grow compared with a year earlier. Net interest income in 2018 was PLN 176,277 thousand, up 12.99% relative to 2017. In 2018, net fee and commission income was negative at PLN -2,502 thousand, but still the loss was lower than in 2017, when it amounted to PLN -5,759 thousand. This improvement was driven by higher revenue (up 66.74%) as well as lower costs of servicing credit products and a drop in the costs related to the debt securities issue programme (down by 26.63% and 41.23%, respectively). The Bank's net trading income (foreign exchange, net other trading income and result on hedge accounting) for 2018 was PLN 1,210 thousand, while in 2017 the Bank posted a trading loss of PLN -3,385 thousand.

The improved pre-tax profit (up 74.54%) in 2018 compared with 2017 was primarily attributable to: i) higher net interest income (up by PLN 18,283 thousand relative to the net interest income in 2017); ii) trading income of PLN 1,210 thousand in 2018 vs PLN -3,385 thousand trading loss in 2017; iii) a drop in general and administrative expenses, which went down by PLN 4,512 thousand, from PLN 64,361 thousand in 2017 to PLN 59,849 thousand



in 2018, chiefly on the back of lower personnel costs (PLN 30,448 thousand in 2018 vs PLN 34,009 thousand in 2017, down by 10.47%). The decrease in personnel costs was attributable to changes in workforce: in 2018, the average workforce was 170 compared with 208 a year earlier. In 2018, the Bank also saw a slight increase in its other income, which reached PLN 1,202 thousand, compared with PLN 1,332 thousand in 2017. Pre-tax profit for 2018 was much higher than for 2017, despite the increase in tax on the Bank's on-balance-sheet items charged in accordance with the provisions of the Act on Tax on Certain Financial Institutions, dated 15th January 2016 (up 12.86% on 2017). The Issuer's operating profit (before tax) was PLN 88,262 thousand, relative to PLN 59,199 thousand in 2017 (up 49.09%). Net profit for 2018 was PLN 41,237 thousand, up by PLN 13,408 thousand on 2017. The cost-to-income ratio fell to 36.78%, relative to 45.99% at the end of 2017.

In 2018, due to a PLN 48.18% increase in net profit relative to 2017, the Bank recorded higher profitability ratios, calculated as the ratio of net profit or pre-tax profit to a given financial item.

As at 31st December 2018, book value per share rose to PLN 338.30, compared with PLN 329.10 as at 31st December 2017. Earnings per share for 2018 rose to PLN 12.85 from PLN 8.72 in 2017.

#### **Amendment 17: page 46, Chapter VII, Section 1.2**

The following new table is added under Table 5e:

**Table 5f Issuer's performance indicators**

	<b>Dec 31 2018</b>	<b>Dec 31 2017</b>
Return on assets gross (ROA gross)	0.49%	0.30%
Return on equity gross (ROE gross)	5.85%	3.46%
Cost to income ratio (C/I)	36.78%	45.99%
Net interest margin	1.44%	1.36%
Cost of risk	0.19%	0.20%
Total capital ratio	16.25%	15.79%

Source: Issuer

#### **Amendment 18: page 46, Chapter VII, Section 1.2**

The following new sentence is added under Table 5f:

The Issuer's performance indicators (identified as Alternative Performance Measures in accordance with the ESMA Guidelines effective from 3rd July 2016) relating to the Financial Statements for 2018 and the Directors' Report on the Bank's operations in 2018, published on the Issuer's website at <https://www.mhipoteczny.pl/relacje-inwestorskie/raporty-okresowe/>.

#### **Amendment 19: pages 46-48, Chapter VII, Section 1.2**

The following new table is added before the table entitled "Methods (definitions) of calculation of performance indicators and justification for the use of performance indicator":

<i>Performance indicator</i>	<i>Definitions</i>	<i>Calculation methodology</i>	<i>Justification for the use of the indicator (reasons for the use of specific Alternative Performance Measure)</i>
Return on assets gross (ROA gross)	ROA gross = gross profit / average assets	Average assets (as at 31st December 2018) - calculated as the sum of the value of assets as at 31st December 2017, and as at the last day of each month in the period from 1st January 2018 to 31st December 2018 / 13 months  Average assets (as at 31st December 2017) - calculated as the sum of the value of assets as at 31st December 2016 and as at the last day of each month in the period from 1st January 2017 to 31st December 2017 / 13 months	Basic indicator of the bank's effectiveness. 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. The indicator is also presented in the periodic Directors' Reports.

Return on equity gross (ROE gross)	$ROE \text{ gross} = \text{gross profit} / \text{average equity}$	<p><b>Average equity (as at 31st December 2018) - calculated as the sum of the value of equity as at 31st December 2017 and as at the last day of each month in the period from 1st January 2018 to 31st December 2018 / 13 months</b></p> <p>Average equity (as at 31st December 2017) - calculated as the sum of the value of equity as at 31st December 2016 and as at the last day of each month in the period from 1st January 2017 to 31st December 2017 / 13 months</p>	Basic indicator of the bank's effectiveness. Changes in the value of the indicator in time illustrate the trends in the rate of return on capital invested by the shareholders. Commonly used for comparative analysis of the competition. The indicator is also presented in the periodic Directors' Reports.
Cost to income ratio (C/I)	$C/I \text{ (Cost to income ratio)} = (\text{overhead costs} + \text{amortisation and depreciation}) / \text{total income}$	Total income = net interest income + net fee and commission income + net trading income + other income - other 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 income earned, and allow a comparison of different banks in terms of cost effectiveness. The indicator is also presented in the periodic Directors' Reports.
Net interest margin	$\text{Net interest margin} = \text{net interest income} / \text{average interest-earning assets}$	<p><b>Average interest-earning assets (as at 31st December 2018) - calculated as the sum of the value of interest-earning assets as at 31st December 2017 and as at the last day of each month in the period from 1st January 2018 to 31st December 2018 / 13 months</b></p> <p>Average interest-earning assets (as at 31st December 2017) - calculated as the sum of the value of interest-earning assets as at 31st December 2016 and as at the last day of each month in the period from 1st January 2017 to 31st December 2017 / 13 months</p>	Basic indicator to assess effectiveness of the bank's operations at the net interest income level, which is of key importance due to the mortgage bank business profile. The indicator is also presented in the periodic Directors' Reports.
Cost of risk	$\text{Cost of risk} = \text{net impairment write-downs on loans and advances} / \text{average balance of loans and advances to clients}$	<p><b>Average loans and advances to clients (as at 31st December 2018) - calculated as the sum of the value of loans and advances to clients as at 31st December 2017, and as at the end of each month in the period from 1st January 2018 to 31st December 2018 / 13 months</b></p> <p>Average loans and advances to clients (as at 31st December 2017) - calculated as the sum of the value of loans and advances to clients as at 31st December 2016, and as at the end of each month in the period from 1st January 2017 to 31st December 2017 / 13 months</p>	Basic indicator illustrating the level of impairment write-downs; given the mortgage bank business profile, it is the second, next to net interest income, key driver of the bank's overall result. The indicator is also presented in the periodic Directors' Reports.
Total capital ratio	$\text{Total capital ratio} = \text{own funds} / \text{total risk exposure amount}$	<p><b>The total risk exposure amount calculated as at 31st December 2018 is the sum of: (i) risk weighted exposures for credit risk, established based on the IRB approach and with the use of supervisory slotting approach to assign specialised lending exposures to risk categories (ii) the operational risk requirement multiplied by 12.5, (iii) risk weighted exposures in relation to counterparty risk with respect to derivatives.</b></p> <p>The total risk exposure amount calculated as at 31st December 2017 is the sum of: (i) risk weighted exposures for credit risk, established based on the IRB approach and with the use of supervisory slotting approach to assign specialised lending exposures to risk categories (ii) the operational risk requirement multiplied by 12.5, (iii) risk weighted exposures in relation to counterparty risk with respect to derivatives.</p>	Basic regulatory indicator. The indicator is also presented in the periodic Directors' Reports.

**Amendment 20: page 48, Chapter VII, Section 1.2**

After the paragraph beginning: "The performance indicators specified by the Issuer which are Alternative Performance Measures provide (...)", before the sentence beginning: "Total capital ratio at 30th June 2018 amounted to (...)", the following new sentence is added:

As at 31st December 2018, the total capital ratio was 16.25% (compared with 15.79% at the end of 2017).

**Amendment 21: page 48, Chapter VII, Section 1.2**

Before the paragraph beginning with: “The measures taken by the Issuer help to maintain the cost of risk, a material indicator monitored by the Bank, (...)” the following text is added:

Following the implementation, as of 1st January 2018, of International Accounting Standard IFRS 9 and a change in the form of data presentation, the Issuer does not have any comparative data on the share of impaired loans in its total portfolio or on the share of unimpaired overdue loans in its total portfolio as at 31st December 2018.

After the paragraph beginning: “Following the implementation, as of 1st January 2018, of International Accounting Standard IFRS 9 (...)”, the following two new paragraphs are added:

The share of non-performing loans as at the end of December 2018 rose to 3.59% of the Bank’s total loan portfolio (compared with 2.99% as at the end of December 2017), with non-performing commercial loans and non-performing retail loans accounting for 7.62% and 0.31%, respectively, of the portfolio. As at the end of December 2017, non-performing commercial loans and non-performing retail loans accounted for 6.23% and 0.15%, respectively, of the Bank’s total loan portfolio. The increased share of non-performing loans in the total loan portfolio is attributable to reclassification of two commercial exposures as non-performing loans. Most of the liabilities are repaid in a timely manner and borrowers with a higher risk profile are subject to enhanced monitoring.

The measures taken by the Issuer help to maintain the cost of risk, a material indicator monitored by the Bank, at a very good level: as at 31st December 2018 the cost of risk was 0.42% for commercial loans and 0.04% for retail loans (compared with 0.38% and 0.02% as at the end of December 2017).

**Amendment 22: page 48, Chapter VII, Section 1.3**

The following text is inserted at the beginning of the paragraph beginning: “The volume of the loan portfolio (including off-balance-sheet items) at the end of June 2018 (...)”:

As at the end of December 2018, the volume of the loan portfolio (including off-balance-sheet items) increased by PLN 316,707 thousand relative to the end of 2017. The total on-balance-sheet and off-balance-sheet exposures reached PLN 12,645,144 thousand as at the end of 2018 (commercial loans, housing loans, loans to local government units), and loans advanced in 2018 amounted to PLN 2,426,824 thousand.

The following text is inserted at the beginning of the paragraph beginning: “Commercial loans at the end of June 2018 accounted for 49.87% (...)”:

At the end of December 2018, commercial loans accounted for 49.26% of the Bank’s total loan portfolio. In terms of currency, PLN-denominated loans had a dominant share in the total portfolio, followed by EUR-denominated loans. As at the end of 2018, PLN-denominated loans accounted for 68.02% and foreign currency loans for 31.98% of the total loan portfolio (Table 7f).

**Amendment 23: pages 48-49, Chapter VII, Section 1.3**

The following new table is added under Table 6e:

**Table 6f Total loan portfolio by product group (PLN ‘000)\***

Product	Dec 31 2018	Dec 31 2017	Change (%) Dec 31 2018/ Dec 31 2017	
<b>Commercial loans</b>	<i>On-balance-sheet exposure</i>	4,747,604	4,698,808	1.0%
	<i>Off-balance-sheet exposure</i>	1,481,698	1,347,389	10.0%
	<b>Total exposure</b>	<b>6,229,302</b>	<b>6,046,197</b>	<b>3.0%</b>
<b>Housing loans</b>	<i>On-balance-sheet exposure**</i>	6,177,906	5,853,706	5.5%
	<i>Off-balance-sheet exposure</i>	24,730	214,137	-88.5%
	<b>Total exposure</b>	<b>6,202,636</b>	<b>6,067,843</b>	<b>2.2%</b>
	<i>On-balance-sheet exposure</i>	181,262	201,386	-10.0%

<b>Loans granted to local government units</b>	<i>Off-balance-sheet exposure</i>	0	0	0.0%
	<b>Total exposure</b>	<b>181,262</b>	<b>201,386</b>	<b>-10.0%</b>
<b>Total</b>	<i>On-balance-sheet exposure***</i>	11,138,715	10,766,911	3.5%
	<i>Off-balance-sheet exposure</i>	1,506,428	1,561,525	-3.5%
	<b>Total exposure</b>	<b>12,645,144</b>	<b>12,328,436</b>	<b>2.6%</b>

Source: Issuer

\*Unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts. The above data relate to the portfolio value including loan interest, net of impairment write-downs.

\*\*Housing loans includes other amounts due from non-financial sector, which stood at PLN -1,120.08 thousand as at 30th June 2018 and PLN -2,111.53 thousand as at 31st December 2017.

\*\*\*In addition to commercial loans, housing loans and loans granted to local government units, the Bank's loan portfolio includes a security deposit of PLN 31,943.14 thousand as at 30th June 2018 and PLN 13,010.24 thousand as at 31st December 2017.

### **Amendment 24: page 49, Chapter VII, Section 1.3**

The following new table is added under Table 7e:

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

<b>Product</b>	<b>Dec 31 2018</b>			<b>Dec 31 2017</b>		
	<b>PLN</b>	<b>EUR</b>	<b>USD</b>	<b>PLN</b>	<b>EUR</b>	<b>USD</b>
Commercial loans	35.48%	63.92%	0.60%	36.48%	62.54%	0.98%
Housing loans**	99.76%	0.20%	0.04%	99.73%	0.23%	0.04%
Loans granted to local government units	100.00%	0.00%	0.00%	100.00%	0.00%	0.00%
<b>Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)***</b>	<b>68.02%</b>	<b>31.67%</b>	<b>0.31%</b>	<b>68.68%</b>	<b>30.82%</b>	<b>0.50%</b>

Source: Issuer

\*Unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

\*\*Housing loans includes other amounts due from non-financial sector, which stood at PLN -1,120.08 thousand as at 31st December 2018 and at PLN -2,111.53 thousand as at 31st December 2017.

\*\*\*Total loan portfolio does not include a security deposit of PLN 31,943.14 thousand as at 31st December 2018 and of PLN 13,010.24 thousand as at 31st December 2017.

### **Amendment 25: pages 49-50, Chapter VII, Section 1.3**

The following new table is added under Table 8e:

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

<b>Product</b>	<b>Jan 1 2018-Dec 31 2018</b>	<b>Jan 1 2017-Dec 31 2017</b>
	<b>value</b>	<b>value</b>
Commercial loans	<b>1,823,870</b>	<b>1,812,354</b>
Housing loans (retail – Agency Model and Pooling Model)**	<b>602,954</b>	<b>1,855,808</b>
<b>Total</b>	<b>2,426,824</b>	<b>3,668,161</b>

Source: Issuer

\*Unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

\*\* On 22nd July 2017, the retail loan sales were transferred from mBank Hipoteczny to mBank. The model based on the sale of retail mortgage loans directly by mBank Hipoteczny was replaced with the model based on the purchase of receivables from mBank S.A. (the Pooling Model).

### **Amendment 26: page 51, Chapter VII, Section 1.3.1**

Before the paragraph beginning with: "The total portfolio of commercial loans at the end of the first half of 2018 (...)", the following new sentence is added:

The total commercial loan portfolio (on-balance-sheet and off-balance-sheet exposure) as at the end of 2018 increased in comparison with the end of 2017 and reached PLN 6,229,302 thousand.

Before the paragraph beginning with: “In the first half of 2018 in the area of commercial real estate the Bank financed (...)”, the following new sentence is added:

In 2018, the commercial real estate projects financed by the Bank included chiefly office buildings and retail space projects.

Before the paragraph beginning with: “In the first half of 2018, the average loan repayment period was 8.7 years. (...)”, the following new sentence is added:

In 2018, the average commercial loan repayment period was 8.4 years. Loans bearing interest at variable rates prevailed in the portfolio. Foreign currency loans had the largest share in the total commercial loan portfolio: 64.52% as at the end of December 2018.

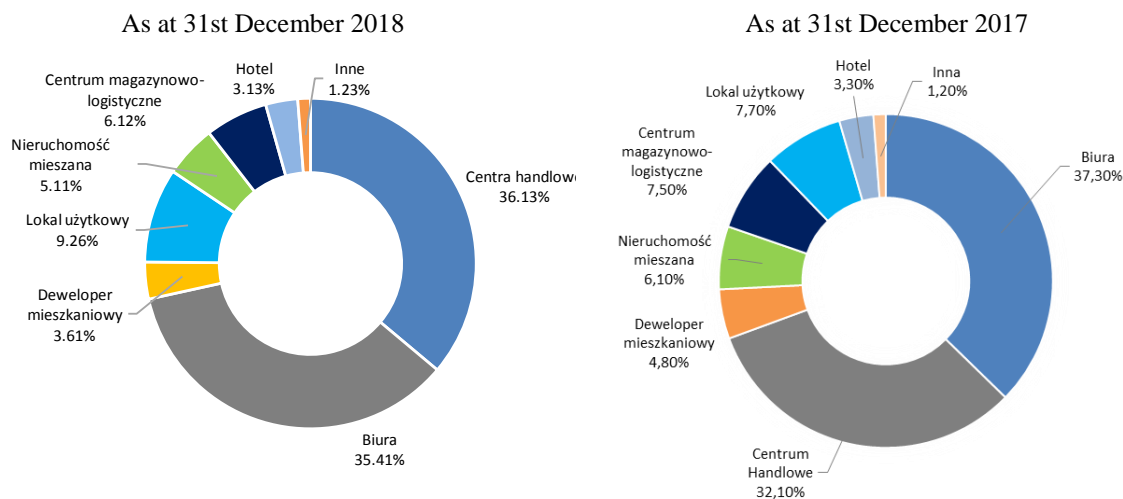
The following text is inserted at the beginning of the paragraph beginning: “In the corporate loan portfolio (...)”:

At the end of December 2018, retail centres, accounting for 36.13% of the commercial loan portfolio, had the largest share in the portfolio of loans for corporate clients (up by 4.03pp from the end of 2017). Loans granted to finance office properties accounted for 35.41% of the portfolio as at the end of December 2018 (down by 1.98pp compared with 31st December 2017). As at the end of December 2018, the share of commercial premises rose to 9.26%, compared with 7.70% as at 31st December 2017. Loans granted to finance warehousing and logistics centres accounted for 6.12% of the commercial loan portfolio in 2018 (down by 1.38pp year on year). In addition, the share of loans financing residential developers fell by 1.19pp (from 4.80% as at the end of December 2017 to 3.61% as at the end of December 2018) and the share of loans financing mixed-use real estate decreased by 0.99pp (from 6.10% in 2017 to 5.11% in 2018).

**Amendment 27: page 52, Chapter VII, Section 1.3.1**

The following new graph is added under Graph 1e:

**Graph 1f Loans to corporate clients by type of financed property as at 31st December 2018 and 31st December 2017\***



Source: Issuer

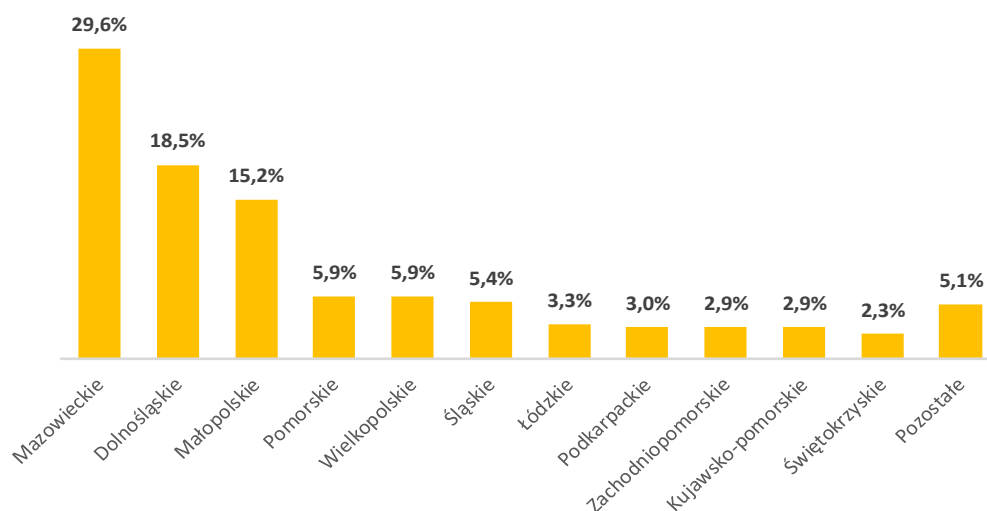
\*Unaudited operating and financial data sourced from the Issuer’s management accounts.

Hotel	Hotel
Inna	Other
Biura	Office
Lokal użytkowy	Commercial

Centrum magazynowo- logistyczne	Warehouse and logistics
Nieruchomość mieszana	Mixed-use
Deweloper mieszkaniowy	Residential development
Centrum handlowy	Retail

**Amendment 28: page 52, Chapter VII, Section 1.3.1**

The following new graph is added under Graph 2e:

**Graph 2f Commercial loans – geographical breakdown as at 31st December 2018\***

Source: Issuer

\*Unaudited operating and financial data sourced from the Issuer's management accounts.

**Amendment 29: page 52, Chapter VII, Section 1.3.1**

Before the sentence: "In line with the concentration limits, as at 30th June 2018 the financing of any single entity or a group of entities with equity or organisational links did not exceed 25% of the Bank's own funds, i.e. PLN 272,483 thousand.", the following text is added:

In line with the concentration limits, as at 31st December 2018 the financing of any single entity or a group of entities with equity or organisational links did not exceed 25% of the Bank's recognised equity, i.e. PLN 283,348 thousand.

In the second half of 2018, the Bank did not bring any new lawsuits, but it filed three bankruptcy petitions regarding corporate clients. By 31st December 2018, the petitions were not examined by the court. As set out below, on 24th May 2018 another entity filed for bankruptcy of a company owning a property which went to auction. The court decision of 25th July 2018, mentioned below, declaring the company bankrupt, became final on 6th December 2018. In H2 2018, a property in Lublin was sold in an auction, for PLN 4.8m plus a VAT of 23%. As at the date of Supplement 7, the Bank awaited a partial plan of distribution of the auction proceeds.

In the retail lending segment, two lawsuits with a total amount of PLN 615.3 thousand were filed in the second half of 2018. The lawsuits relate to the new portfolio (two pooling loans). As at the date of Supplement 7, the Bank had obtained an enforcement title in one of the cases brought to the court in the first half of the year. Other cases are pending.

**Amendment 30: page 53, Chapter VII, Section 1.3.1**

*After the paragraph beginning: “As part of the commercial pooling, the Bank buys the receivables (...)”, the following text is added:*

In 2018, due to the work on implementation of IFRS 9, the Bank did not carry out any commercial pooling.

**Amendment 31: page 54, Chapter VII, Section 1.3.2**

*The following text is inserted at the beginning of the paragraph beginning with: “The value of the housing loans portfolio (...)”:*

At the end of December 2018, the value of the housing loan portfolio rose by 2.22% compared with the end of December 2017, to PLN 6,202,363 thousand (on-balance-sheet and off-balance-sheet exposure).

*At the end of the paragraph beginning with words: “In 2017, mBank S.A. decided to transfer the sale of retail loans (...)”, the following new sentence is added:*

Throughout 2018, the Bank’s only source of loans financing retail assets were pooling transactions (Pooling Model).

**Amendment 32: pages 54-55, Chapter VII, Section 1.3.3**

*In the second paragraph, before the sentence beginning with “Lack of new contracts in the first half of 2018 (...)”, the following new sentence is added:*

With no new agreements signed in 2018 and large amounts of early repayments, the on-balance-sheet exposure attributable to these loans fell by 10.0% as at 31st December 2018 (relative to 31st December 2017).

*The following new sentence is inserted at the beginning of the paragraph starting with “At the end of June 2018, the total balance-sheet and off-balance-sheet exposure (...)”:*

As at the end of December 2018, the total on-balance-sheet and off-balance-sheet exposure to the public sector reached PLN 181,262 thousand and represented 1.43% of the total credit exposure. Loans with an average repayment term of 14.8 years account for the majority of the portfolio of loans to local government institutions.

**Amendment 33: page 55, Chapter VII, Section 1.5**

*After the paragraph beginning: “As at 31st July 2018, the value of all outstanding covered bonds of mBank Hipoteczny (...)”, the following new sentence is added:*

As at 31st January 2019, the total value of all outstanding covered bonds issued by mBank Hipoteczny was in excess of PLN 7.16bn which, according to the Bank’s estimates, represented about 30.76% of the entire market of such securities Poland, which is worth more than PLN 23.26bn.

In 2018, mBank Hipoteczny placed three series of mortgage covered bonds on the market, with an aggregate nominal value of approximately PLN 1.60bn as at 31st December 2018. In April, the Bank’s first foreign issue took place, marking a historic event in the 20 years of the Bank’s operations. The EUR 300 million bonds (small benchmark) mature in seven years. In June, the second series of mortgage covered bonds, with the principal amount of PLN 300 million and a six-year maturity period, was issued. The third series of mortgage covered bonds, also with a six-year maturity period, worth PLN 10 million, was issued in October. The PLN 10 million issue was carried out for the purpose of its consolidation with the PLN 300 million issue of June 2018. The rights of the covered bond holders are the same for both consolidated series. The transaction was the first ever consolidation of two covered bond series in the Polish capital market.

Furthermore, as part of debt restructuring, in 2018 the Bank repurchased on the secondary market one series of mortgage covered bonds with a value of PLN 400 million, issued in a private placement.

As at the end of 2018, the Bank did not have any liabilities under public sector covered bonds.

**Amendment 34: pages 55-56, Chapter VII, Section 1.5**

The following new table is added under Table 9d:

**Table 9e Mortgage covered bonds issued by mBank Hipoteczny S.A., traded on a regulated market (denominated in PLN) as at 31st January 2019**

Issue date	Maturity date	Series	Currency	Value ('000)	Rating by Fitch Ratings Ltd.
Jun 20 2013	Jun 21 2019	HPA21	PLN	80.000	A
Jul 28 2014	Jul 28 2022	HPA22	PLN	300.000	A
Aug 4 2014	Feb 20 2023	HPA23	PLN	200.000	A
Feb 20 2015	Apr 28 2022	HPA24	PLN	200.000	A
Apr 15 2015	Oct 16 2023	HPA25	PLN	250.000	A
Sep 17 2015	Sep 10 2020	HPA26	PLN	500.000	A
Dec 02 2015	Sep 20 2021	HPA27	PLN	255.000	A
Mar 9 2016	Mar 5 2021	HPA28	PLN	300.000	A
Apr 28 2016	Apr 28 2020	HPA29	PLN	50.000	A
May 11 2016	Apr 28 2020	HPA30	PLN	100.000	A
Sep 29 2017	Sep 10 2022	HPA31	PLN	500.000	A
Oct 11 2017	Nov 15 2023	HPA32	PLN	1.000.000	A
Jun 22 2018	Jun 10 2024	HPA33	PLN	300.000	A
Oct 15 2018	Jun 10 2024	HPA34	PLN	10.000	A
<b>TOTAL</b>			<b>PLN</b>	<b>4.045.000</b>	

Source: Issuer

**Amendment 35: page 56, Chapter VII, Section 1.5**

The following new table is added under Table 10d:

**Table 10e Mortgage covered bonds issued by mBank Hipoteczny S.A., traded on a regulated market (denominated in EUR), as at 31st July 2018**

Issue date	Maturity date	Series	Currency	Value ('000)	Rating by Fitch Ratings Ltd.
Jul 26 2013	Jul 28 2020	HPE2	EUR	30.000	A
Feb 28 2014	Feb 28 2029	HPE5	EUR	8.000	A
Mar 17 2014	Mar 15 2029	HPE6	EUR	15.000	A
May 30 2014	May 30 2029	HPE7	EUR	20.000	A
Nov 28 2014	Oct 15 2019	HPE9	EUR	50.000	A
Feb 25 2015	Feb 25 2022	HPE10	EUR	20.000	A
Apr 24 2015	Apr 24 2025	HPE11	EUR	11.000	A
Jun 24 2015	Jun 24 2020	HPE12	EUR	50.000	A
Mar 23 2016	Jun 21 2021	HPE13	EUR	50.000	A
Sep 28 2016	Sep 20 2026	HPE14	EUR	13.000	A
Oct 26 2016	Sep 20 2026	HPE15	EUR	35.000	A
Feb 01 2017	Feb 01 2024	HPE16	EUR	24.900	A
Oct 30 2017	Jun 22 2022	HPE17	EUR	100.000	A



Apr 26 2018	Mar 05 2025	1	EUR	300.000	A
<b>TOTAL</b>			<b>EUR</b>	<b>726.900</b>	

Source: Issuer

#### **Amendment 36: page 57, Chapter VII, Section 1.5**

After the paragraphs under Table 11c, under the heading “General description of receivables from loans underlying issue of the mortgage covered bonds as at 30th June 2018 (PLN ‘000)”, the following new heading and new text describing the receivables portfolio as at 31st December 2018 is inserted:

*General description of receivables from loans underlying the issue of mortgage covered bonds as at 31st December 2018 (PLN ‘000)*

As at 31st December 2018, mortgage covered bonds were secured with receivables of PLN 9,349.4 million, arising under a total of 20,937 loans. The register of collateral of the Issuer’s public sector covered bonds as at 31st December 2018 did not contain any exposures (the value of loans granted was PLN 0). As a consequence, the latest available data on granted loans which are pledged as collateral for public sector mortgage bonds, previously presented by the Issuer, are now included in Supplement 3 to the Prospectus of mBank Hipoteczny SA (data as at 31st December 2016).

Besides the debt claims, the collateral register for the mortgage covered bonds included additional security in the form of government bonds with a nominal value of PLN 200 million.

As at 31st December 2018, overcollateralisation of the mortgage covered bonds was 32.05%.

#### **Amendment 37: page 57, Chapter VII, Section 1.5**

The following new table is added under Table 12e:

**Table 12f The currency structure and amount ranges of portfolio receivables provided as financial collateral of the mortgage covered bonds\* as at 31st December 2018**

Value range (PLN ‘000)	Percentage by reference to portfolio (PLN ‘000)	Value of loans granted in EUR expressed in thousands of PLN	Value of loans granted in USD expressed in thousands of PLN	Total
<= 250	1,706,939	4,148	926	1,712,013
250.1 - 500	2,497,842	7,431	464	2,505,736
500.1 - 1,000	924,543	12,634	505	937,681
1,000.1 - 5,000	247,044	143,034	0	390,078
5,000.1 – 10,000	188,138	140,826	0	328,965
10,000.1 – 15,000	129,123	265,707	25,043	419,872
15,000.1 – 20,000	211,603	239,231	0	450,834
20,000.1 – 30,000	124,147	400,082	0	524,229
30,000.1 – 40,000	99,373	342,536	0	441,909
40,000.1 – 50,000	0	386,842	0	386,842
>50,000.1	56,819	1,194,414	0	1,251,233
<b>Total</b>	<b>6,185,571</b>	<b>3,136,884</b>	<b>26,937</b>	<b>9,349,392</b>
<b>Percentage by reference to loan portfolio</b>	<b>66.16%</b>	<b>33.55%</b>	<b>0.29%</b>	<b>100.00%</b>

Source: Issuer

\*Unaudited and unreviewed operating and financial data sourced from the Issuer’s management accounts.

**Amendment 38: pages 57-58, Chapter VII, Section 1.5**

The following new table is added under Table 13e:

**Table 13f The portfolio of receivables provided as financial collateral of the mortgage covered bonds by borrower type\* as at 31st December 2018**

<b>Borrower</b>	<b>Value (PLN '000)</b>	<b>Percentage by reference to portfolio</b>
Legal person / natural persons conducting economic activity	4,086,327	43.71%
Natural persons	5,263,065	56.29%
<b>Total</b>	<b>9,349,392</b>	<b>100.00%</b>

Source: Issuer

\*Unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

**Amendment 39: page 58, Chapter VII, Section 1.5**

The following new table is added under Table 14e:

**Table 14f The structure of portfolio of receivables provided as financial collateral of the mortgage covered bonds according to the intended use\* as at 31st December 2018**

<b>Intended use</b>	<b>Value (PLN '000)</b>	<b>Percentage by reference to portfolio</b>
Commercial real estate	4,016,436	42.96%
Residential real estate	5,332,956	57.04%
<b>Total</b>	<b>9,349,392</b>	<b>100.00%</b>

Source: Issuer

\*Unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

**Amendment 40: page 58, Chapter VII, Section 1.5**

The following new table is added under Table 15e:

**Table 15f The portfolio of receivables provided as financial collateral of the mortgage covered bonds by interest rate type\* as at 31st December 2018**

<b>Interest rate type</b>	<b>Value (PLN '000)</b>	<b>Percentage by reference to portfolio</b>
Variable interest rate	<b>9,349,392</b>	100.00%
Fixed interest rate	0	0.00%
<b>Total</b>	<b>9,349,392</b>	<b>100.00%</b>

Source: Issuer

\*Unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

**Amendment 41: page 58, Chapter VII, Section 1.5**

The following new table is added under Table 16e:

**Table 16f The portfolio of receivables provided as financial collateral of the mortgage covered bonds by maturity date\* as at 31st December 2018**

<b>Time range (in years)</b>	<b>Value (PLN '000)</b>	<b>Percentage by reference to portfolio</b>
0-2 years	89,005	0.95%

2–3 years	31,176	0.34%
3–4 years	424,617	4.54%
4–5 years	585,161	6.26%
5–10 years	1,669,156	17.85%
> 10 years	6,550,278	70.06%
<b>TOTAL</b>	<b>9,349,392</b>	<b>100.00%</b>

Source: Issuer

\*Unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

#### **Amendment 42: pages 58-59, Chapter VII, Section 1.5**

The following new table is added under Table 17e:

**Table 17f The portfolio of receivables provided as financial collateral of the mortgage covered bonds by geographic location\* as at 31st December 2018**

<b>Voivodeship</b>	<b>Value (PLN '000)</b>	<b>Percentage</b>
Lower Silesia (Dolnośląskie)	1,375,179	14.71%
Kujawy-Pomerania (Kujawsko - Pomorskie)	256,576	2.74%
Lublin (Lubelskie)	153,763	1.64%
Lubuskie (Lubuskie)	48,189	0.52%
Łódź (Łódzkie)	331,400	3.54%
Małopolskie (Małopolskie)	1,241,989	13.28%
Mazovia (Mazowieckie)	3,119,135	33.36%
Opole (Opolskie)	92,444	0.99%
Podkarpacie (Podkarpackie)	196,888	2.11%
Podlasie (Podlaskie)	245,400	2.62%
Pomerania (Pomorskie)	703,202	7.52%
Silesia (Śląskie)	503,422	5.38%
Świętokrzyskie (Świętokrzyskie)	83,517	0.89%
Warmia-Masuria (Warmińsko – Mazurskie)	124,344	1.33%
Wielkopolskie (Wielkopolska)	624,783	6.68%
West Pomerania (Zachodniopomorskie)	249,161	2.66%
<b>TOTAL</b>	<b>9,349,392</b>	<b>100.00%</b>

Source: Issuer

\*Unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

#### **Amendment 43: page 59, Chapter VII, Section 1.5**

The following new table is added under Table 18e:

**Table 18f The portfolio of receivables provided as financial collateral of the mortgage covered bonds by advancement of investment execution\* as at 31st December 2018**

	<b>Value (PLN '000)</b>	<b>Percentage by reference to portfolio</b>
Building projects still in process	553,668	5.92%
Completed properties	8,795,724	94.08%
<b>Total</b>	<b>9,349,392</b>	<b>100.00%</b>

Source: Issuer

\*Unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

**Amendment 44: page 72, Chapter IX, Section 1**

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

The Issuer declares that there has been no material adverse change in the Issuer's development prospects since the publication of its most recent audited financial statements (for 2018). The financial data for the period from 1st January 2019 to 31st January 2019 has not been reviewed or audited.

**Amendment 45: pages 72-75, Chapter IX, Section 2.1**

*After the existing heading of Section 2.1c "General description of the Issuer's financial position in the period from 1st January 2018 to 31st January 2018" and the text that follows, the following new section heading and text describing the Issuer's financial position in the period from 1st January 2019 to 31st January 2019 are added:*

**2.1d General description of the Issuer's financial position in the period from 1st January 2019 to 31st January 2019**

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 has been published, i.e. from 1st January 2019 to 31st January 2019.

As at the end of January 2019, the volume of the loan portfolio (including off-balance-sheet items) increased by PLN 50,940 thousand (up 0.40%) relative to the end of 2018. The total on-balance-sheet and off-balance-sheet exposure reached PLN 12,696,084 thousand as at the end of January 2019 (commercial loans, housing loans, loans to local government units), with loans advanced before 31st January 2019 amounting to PLN 174,000 thousand (Table 25d). The sale figures for 2019 are attributable to loan applications filed in 2018 whose processing was completed in 2019 (starting from January 2019, the sale of commercial loans was transferred to mBank).

The total commercial loan portfolio grew by 1.47% on the end of December 2018, totalling PLN 6,321,108 thousand as at the end of January 2019. As at the end of January 2019, loans for the financing of commercial real estate accounted for 49.79% of the Bank's entire loan portfolio.

The total housing loan portfolio fell to PLN 6,021,493 thousand as at the end of January 2019, by 0.63% on the end of December 2018. Housing loans accounted for 48.55% of the Bank's total loan portfolio as at 31st January 2018.

The total portfolio of loans to local government units as at the end of January 2019 was PLN 180,221 thousand, having shrunk 0.57% from the level reported at the end of December 2018. Loans to local government units accounted for 1.42% of the Issuer's total loan portfolio as at 31st January 2018.

The general trend in the currency structure of the total loan portfolio is a high share of loans denominated in PLN, which accounted for 68.46% of total loans as at the end of January 2019. On the other hand, foreign currency loans accounted for 31.54% of the total loan portfolio, and included mainly loans in EUR (31.23% of the portfolio) (Table 26d).

The value of loan agreements signed in January 2019 was PLN 174,000 thousand (Table 27d). The sale figures for 2019 are attributable to loan applications filed in 2018 whose processing was completed in 2019 (starting from January 2019, the sale of commercial loans was transferred to mBank).

**Amendment 46: page 73, Chapter IX, Section 2.1**

The following new table is added under Table 25c:

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

Product		31 Jan 2019***	31 Dec 2018	Change (%) 31 Jan 2018/ 31 Dec 2018
<b>Commercial loans</b>	<i>On-balance-sheet exposure</i>	4,784,489	4,747,604	0.78%
	<i>Off-balance-sheet exposure</i>	1,536,619	1,481,698	3.71%
	<b>Total exposure</b>	<b>6,321,108</b>	<b>6,229,302</b>	<b>1.47%</b>
<b>Housing loans</b>	<i>On-balance-sheet exposure</i>	6,142,620	6,177,906	-0.57%
	<i>Off-balance-sheet exposure</i>	20,952	24,730	-15.28%
	<b>Total exposure</b>	<b>6,163,572</b>	<b>6,202,636</b>	<b>-0.63%</b>
<b>Loans granted to local government units</b>	<i>On-balance-sheet exposure</i>	180,221	181,262	-0.57%
	<i>Off-balance-sheet exposure</i>	0	0	-
	<b>Total exposure</b>	<b>180,221</b>	<b>181,262</b>	<b>-0.57%</b>
<b>Total</b>	<i>On-balance-sheet exposure**</i>	11,138,513	11,138,715	-0.00%
	<i>Off-balance-sheet exposure</i>	1,557,570	1,506,428	3.39%
	<b>Total exposure</b>	<b>12,696,084</b>	<b>12,645,144</b>	<b>0.40%</b>

Source: Issuer

\*Unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts. The above data relate to the portfolio value including loan interest, net of impairment losses.

\*\*In addition to commercial loans, housing loans and loans granted to local government units, the Bank's loan portfolio includes a security deposit of PLN 31,183.06 thousand as at 31st January 2018.

\*\*In addition to commercial loans, housing loans and loans granted to local government units, the Bank's loan portfolio includes a security deposit of PLN 31,943.14 thousand as at 31st December 2018.

\*\*\* In accordance with IFRS 9.

**Amendment 47: pages 73-74, Chapter IX, Section 2.1**

The following new table is added under Table 26c:

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

Product	31 Jan 2019			31 Jan 2018		
	PLN	EUR	USD	PLN	EUR	USD
Commercial loans	37.04%	62.38%	0.58%	36.40%	62.67%	0.93%
Housing loans	99.77%	0.20%	0.03%	99.73%	0.20%	0.04%
Loans granted to local government units	100.00%	0.00%	0.00%	100.00%	0.00%	0.00%
<b>Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)</b>	<b>68.46%</b>	<b>31.23%</b>	<b>0.31%</b>	<b>68.64%</b>	<b>30.88%</b>	<b>0.48%</b>

Source: Issuer

\*Unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

**Amendment 48: page 73, Chapter IX, Section 2.1**

The following new table is added under Table 27c:

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

Product	1 Jan 2019-31 Jan 2019	1 Jan 2018-31 Jan 2018
	value**	value**
Commercial loans****	174,000	56,685
Housing loans***	0	0
<b>Total</b>	<b>174,000</b>	<b>56,685</b>

Source: Issuer

\*Unaudited and unreviewed operating and financial data sourced from the Issuer’s management accounts.

\*\*The value of agreements corresponds to the loan amounts as per agreement, translated at historical exchange rates.

\*\*\*In July 2017, the retail portfolio sales were transferred from mBank Hipoteczny to mBank S.A.

\*\*\* As of January 2019, the sale of commercial loans is handled by mBank (sales of PLN 174m are attributable to applications filed in 2018 whose processing was completed in 2019).

**Amendment 49: pages 75-76, Chapter IX, Section 2.2**

After the heading beginning with: “No significant changes in the Issuer’s financial position took place after the end of the first half of 2018” and subsequent paragraphs, the following text is added:

The following significant changes in the Issuer’s financial position took place after the end of 2018:

- With effect from 31st December 2018, Mr Grzegorz Trawiński resigned as Member of the Management Board. As of 1st January 2019, the composition of the Management Board of mBank Hipoteczny S.A. is as follows: Piotr Cyburt – President of the Management Board, Andrzej Kulik – Member of the Management Board, and Marcin Wojtachnio – Member of the Management Board.
- On 1st February 2019, a portfolio transfer agreement was executed between mBank S.A. and mBank Hipoteczny S.A., under which mBank Hipoteczny S.A. acquired from mBank S.A. a portfolio of mortgage-backed loans with a total fair value of PLN 716,225 thousand.
- On 22nd February 2019, the Bank issued covered bonds for a total amount of PLN 100,000 thousand under the Polish mortgage covered bond programme.
- Between 28th January and 26th February 2019, a comprehensive inspection was carried out at the Bank by the Polish Financial Supervision Authority, on the basis of a notification dated 10th January 2019. As at the date of this Supplement 7, the Bank had not received a post-inspection report.
- On 7th March 2019, the Extraordinary General Meeting of mBank Hipoteczny S.A. passed Resolution No. 1 to increase the share capital of mBank Hipoteczny S.A. and disapply a shareholder’s pre-emptive rights. The share capital was increased by PLN 15,000 thousand, to PLN 336,000 thousand, through the issue of 150,000 Series I ordinary registered shares with a par value of PLN 100 per share and an issue price of PLN 1,000 per share. The new shares were offered for subscription to mBank S.A. in a private placement. The shares were paid for in full on 20th March 2019.

**Amendment 50: page 77, Chapter IX, Section 3.1.1**

The following is added before the existing text:

- According to the Central Statistical Office’s preliminary estimates, in the fourth quarter of 2018 Poland’s GDP grew by 4.9% year on year, compared with a 5.0% growth recorded in the fourth quarter of 2017.

According to the most recent forecasts published by the National Bank of Poland on 13th November 2018, Poland's GDP growth is expected to slightly decelerate to 3.6% and 3.4% respectively in 2019 and 2020<sup>1</sup>. Continued strong macroeconomics and economic growth maintained at such rates may have a positive effect on the construction industry, and consequently on the commercial and residential property segment, boosting employment and wages, which ultimately may stimulate the demand for mortgage loans provided by the Issuer (both commercial and residential).

- According to data published by the Central Statistical Office, the unemployment rate in Poland was 5.8% as at the end of 2018, down 0.8pp relative to 2017.<sup>2</sup> The continuing decline in the unemployment rate may have a positive effect on demand for residential properties, and thus spur interest in mortgage loans.
- The inflation rate in January – December 2018 was 1.6%.<sup>3</sup> According to the latest NBP projections of November 2018, the average inflation rate is expected to be 3.2% in 2019 and 2.9% in 2020.
- The Monetary Policy Council has maintained interest rates unchanged since March 2015, the time of the most recent interest rates cut, which has translated into lower interest rates on loans granted by the Issuer. As at 31st January 2019, the NBP interest rates remained unchanged. The reference rate of 1.50% has a positive effect on sales of mortgages and timely repayment of loans by borrowers.
- Exchange rates are another factor of key importance for the development of the Bank's loan portfolio. This is connected with foreign exchange gains/losses, which – in the case of loans advanced in foreign currencies – result from exchange rate fluctuations and thus might increase borrowers' debt. A large portion (64.52% as at 31st December 2018) of the commercial loans granted by the Issuer are advanced in foreign currencies, which might adversely affect the borrowers' ability to repay the loans should a currency crisis occur. The high share of foreign currency loans is attributable to their interest rates, which are lower than in the case of PLN-denominated loans, as well as the fact that rents in commercial developments are established in foreign currencies.
- As at the end of 2018, the base interest rate in the eurozone remained unchanged, at 0.00% (and has remained that since March 2016)<sup>4</sup>. In 2018, the US Federal Reserve raised the interest rate four times: on March 21st 2018 to 1.75%, on 13th June 2018 to 2.0%, on 26th August 2018 to 2.25%, and on 19th December 2018 to 2.5%<sup>5</sup>.

#### **Amendment 51: pages 78-79, Chapter IX, Section 3.1.2**

*The following is added before the existing text:*

- After 2017, which was a record-breaking year in terms of the number of dwellings sold (72.8 thousand), in 2018 the number of dwellings sold in the six largest Polish cities was 64.8 thousand (a decline of 11% on 2017). However, due to higher selling prices, the value of the executed dwelling sale agreements was only 4% lower year on year. The number of dwellings marketed in 2018 was 65.7 thousand, down by 2.7% year on year, which was a consequence of investment decisions made by developers in earlier periods<sup>6</sup>. At the end of 2018, the number of dwellings offered was 50.7 thousand (up 5.0% on the end of 2017).
- According to Central Statistical Office's data, in January-December 2018 the number of dwelling completions was 184.7 thousand (up 3.7% year on year), of which private individuals completed 66.7 thousand dwellings (down 19.3% year on year), and property developers – 111.6 thousand dwellings (38.0% more year on year). In 2018, there were a total of 257.1 thousand building permits issued and notifications registered (an increase of 2.7% year on year), of which 159.9 thousand permits were issued to developers (up 24.5% year on year).

<sup>1</sup>NBP, Projections of inflation and economic growth published by the National Bank of Poland, based on the NECMOD model, 13th November 2018.

<sup>2</sup>Central Statistical Office, Information on the Labour Market as at the End of 2018.

<sup>3</sup> Central Statistical Office, Consumer Price Index provisional estimate for June 2018, notice of 2nd July 2018

<sup>4</sup> The European Central Bank, <https://www.ecb.europa.eu/stats/monetary/rates/html/index.en.html>

<sup>5</sup> FED, <http://www.global-rates.com/interest-rates/central-banks/central-bank-america/fed-interest-rate.aspx>

<sup>6</sup>REAS, Residential Market in Poland, Q4 2018.

year, representing 62.2% of all the issued permits) and 91.5 thousand permits were issued to individuals (down 20.4% year on year, representing 35.6% of all the issued permits). In 2018, the number of housing starts was 221.9 thousand, i.e. 7.7% more than in 2017<sup>7</sup>.

- In H1 2018, the value of all investment transactions on the commercial property market reached EUR 3.24bn. According to estimates by Colliers, given the number and stage of completion of transactions which were underway at that time, at the end of 2018 the value of investment transactions on the commercial property market may be equal to or even higher than the record level recorded in 2017. What is more, Savills estimate that the annual volume of transactions in 2018 may exceed EUR 6bn, which would represent an increase of nearly 20% on 2017<sup>8</sup>.

- At the end of H1 2018, the total supply of office space in the nine main office markets in Poland exceeded 10.0 million square metres. Considerable interest in office space leads to increased activity of building developers in Poland. In H1 2018, the newly completed office space reached 430.2 thousand square metres. Demand for office space remained high – the aggregate space leased in that period was almost 686.5 thousand square metres. The average vacancy rate was 10.2% (slightly more than the 10.1% rate recorded at the end of Q1 2018). The rent rates remained stable. The amount of modern office space under construction is growing dynamically and has now reached over 1,7 million square metres (as at the end of H1 2018), including 734 thousand square metres in Warsaw, Poland's largest market.<sup>9</sup> New office space built in Warsaw in H1 2018 was 173.7 thousand square metres. The total stock of office space in Warsaw at the end of June 2018 was ca. 5.4 million square metres. Gross demand during the period was 424.7 thousand square metres. The vacancy rate in Warsaw rose to 11.1%, compared with 10.8% as at the end of March 2018. Investors' interest not only in the capital city, but also in regional markets, emerged as a visible trend, with vacancy rates continuously falling and developers maintaining the high level of activity. Kraków, Wrocław and the Gdańsk-Gdynia-Sopot agglomeration stand out in terms of the number of ongoing projects, with the amount of office space under construction at the end of June 2018 totalling 644.0 thousand square metres<sup>10</sup>.

- At the end of H1 2018, the stock of retail space in Poland totalled 11.7 million square metres. According to Colliers data, the total retail space completed in H1 2018 was 170 thousand square metres. At the end of June 2018, approximately 425 thousand square metres of retail space was under construction. The average vacancy rate for the 18 largest Polish cities was about 3.2% at the end of June 2018.

- Following strong performance in 2017, the warehouse space market continued to grow rapidly in H1 2018. Forecasts for the warehouse space market are optimistic given the strong attractiveness of this market segment to foreign investors. In H1 2018, the total supply of warehouse space delivered to the market was 741 thousand square metres, and the total stock of warehouse space increased from 13.5 million square metres at the end of 2017 to 14.4 million square metres. The largest amount of new warehouse space was completed in Central Poland (approximately 259 thousand square metres). In the first half of 2018, demand for storage space reached 2.2 million square metres, up by approximately 16% on the corresponding period of 2017, when the demand was 1.9 million square metres. As at the end of June 2018, ca. 2.2 million square metres of modern warehouse space was under construction. The vacancy rate hit a record low of 4.3% (down from 5.4% at the end of 2017). Rents in main markets remained relatively stable, with the highest rents in Warsaw (Zone I) and Kraków, of EUR 3.5–4.4 and EUR 2.5–3.2, respectively<sup>11</sup>.

#### **Amendment 52: page 80, Chapter IX, Section 3.1.3**

*Before the paragraph beginning with: “The value of all covered bonds in trading at the end of the first half of 2018 (...)”, the following text is added:*

<sup>7</sup>Central Statistical Office, Residential Construction in January–December 2018, Residential Construction in January–December 2017.

<sup>8</sup>Colliers International, Market Insights, Polska, first half of 2018 – Investment market; Savills, Think outside the big box Report

<sup>9</sup>Colliers International, Market Insights, first half of 2018 – Office space market

<sup>10</sup>Colliers International, Market Insights, first half of 2018 – Retail space market

<sup>11</sup>Colliers International, Market Insights, first half of 2018 – Warehouse space market



- As at the end of 2018, the total value of all covered bonds in trading was PLN 21.18 billion, of which covered bonds worth PLN 7.17 billion were issued by the Bank (a market share of 33.86%). The remainder were covered bonds issued by PKO Bank Hipoteczny (PLN 12.82 billion, a market share of 60.55%) and Pekao Bank Hipoteczny (PLN 1.18 billion, a market share of 5.59%). The maturities of most of outstanding covered bonds range from five to seven years.

**Amendment 53: pages 80-81, Chapter IX, Section 3.1.4**

*The following text is added after the last paragraph:*

- On 11th February 2019, Fitch Ratings Ltd. maintained its rating of the mortgage covered bonds issued by the Bank at A, while changing the outlook from positive to stable.

**Amendment 54: pages 83-85, Chapter IX, Section 4**

*The following paragraph is added after the existing text of Section 4:*

The Bank's strategic business objectives for 2019-2022 are:

- To maximise the use of covered bonds in refinancing the Bank's long-term mortgage loan portfolio.
- To ensure a strong growth of the portfolio of residential and commercial property loan assets meeting the criteria of collateral for covered bonds, in line with the adopted risk management strategy.
- To optimally use the resources and competencies available at the Bank, mBank S.A. and other mBank Group entities to generate synergies ensuring an efficient issue process while observing the principles of safe and prudent management of the Bank so as to ensure that the Bank is a safe, effective and efficient issuer of covered bonds.

**Amendment 55: page 85, Chapter IX, Section 5**

*The following new sentence is added before the existing text:*

From 31st December 2018 to the date of authorisation of Supplement 7, no significant changes occurred in the financial and economic position of the Issuer other than those described in Section 2.2 of this Chapter.

**Amendment 56: page 91, Chapter XII, Section 1**

*A new paragraph is added at the end:*

The Issuer's Financial Statements for 2018 have been audited by auditor Maja Mandela (Reg. No. 11942), representing Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp.k. of Warsaw, Rondo ONZ 1, 00-124 Warsaw, Poland.

**Amendment 57: page 92, Chapter XIII**

*After the paragraph reading: "The historical financial information of the Issuer has been incorporated into the Prospectus by reference to the periodic reports of the Bank" the following new paragraph is added:*

The Issuer's financial statements for 2018, along with the auditor's report on the audit of the financial statements, have been included in this Prospectus by reference to the Issuer's 2018 annual report, issued on 27th March 2019 and posted on the Issuer's website at: <https://www.mhipoteczny.pl/relacje-inwestorskie/raporty-okresowe/>.

**Amendment 58: page 94, Chapter XV**

*A new indent is added at the end:*

- The Issuer's audited financial statements for 2018 together with the audit report.

**Amendment 59: page 94, Chapter XV**

*In the paragraph beginning: “During the validity period of this Prospectus, the following documents will be available for inspection”, after the words “ul. Lecha Kaczyńskiego 26, 00-609 Warsaw”, the following words are added:*

(as of 19th February 2019) – at al. Armii Ludowej 26, 00-609 Warsaw.

**Amendment 60: page 82, Chapter IX, Section 3.1.5**

*The following text is added after the last paragraph:*

On 1st January 2019, the amendments introduced by the Act Amending the Personal Income Tax Act, the Corporate Income Tax Act, the Tax Legislation and Certain Other Laws, dated 23rd October 2018, came into force (Dz.U. of 2018, item 2193, as amended). The new laws provide for, among others, a new withholding tax mechanism applicable to payments (including interest and discount payments) made to non-residents.

The key changes in this respect relate to:

- imposition on tax remitters who make certain payments (including payments of interest), up to the amount of PLN 2 million to the same taxpayer in a tax year of the entity making the payments, of the obligation to charge withholding tax on such payments on the date they are made and the obligation to exercise due care when checking the fulfilment of conditions to apply a withholding tax rate other than the statutorily defined general rate (20% in the case of interest and discount) or to apply an exemption, or of conditions for not charging the withholding tax, for instance under special statutory regulations; and
- imposition on the tax remitter of the obligation to charge withholding tax on the date such payments are made at the statutorily defined rate if the PLN 2 million threshold is exceeded (20% in the case of interest and discount), on excess above the amount of PLN 2 million, without taking into account any exemptions or rates provided for in special regulations; in accordance with the new regulations, in the event that the amount of payments made to the same taxpayer cannot be determined, such amount should be presumed to have exceeded PLN 2 million.

At the same time, a new mechanism was introduced for WHT refund claimed by the tax payer or tax remitter. The amount of the refund is to be determined on the basis of applicable exemptions or tax rates provided for in special regulations or double taxation treaties.