

Appendix 23
approved by the Polish Financial Supervision Authority on April 2nd 2015,
to the Base Prospectus of mBank Hipoteczny S.A.
approved by the Polish Financial Supervision Authority
on October 28th 2009

This Appendix 23 has been drawn up to update the Issue Prospectus by supplementing it with historical financial information for 2014 and with information on trends prevailing in the period from January 1st 2015 to February 28th 2015, in connection with the publication of the financial statements of mBank Hipoteczny S.A. for 2014 on March 31st 2015.

Chapter II

Section 1

The following text is added at the beginning:

The financial information is based on the audited financial statements for the financial year ended December 31st 2014, prepared in compliance with the IFRS as endorsed by the EU, containing comparative data for the year ended December 31st 2013. The financial information is supplemented with selected unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

Sub-Section 1.1

The following text is added at the beginning:

At the end of 2014, the loan portfolio volume (including off-balance-sheet items) grew by PLN 1,387,910 thousand relative to the end of 2013. Total on-balance-sheet and off-balance-sheet exposure (commercial loans, housing loans and loans to local government institutions) reached PLN 6,402.7m at the end of 2014, and the value of loans granted from January to December 2014 was PLN 2,407,027 thousand (value as per agreements, translated at historical exchange rates) (Table 3i).

As at the end of 2014, loans for the financing of commercial real estate accounted for 79.9% of the Issuer's entire 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 2014, PLN-denominated loans accounted for 54.2% and foreign currency loans for 45.8% of the aggregate loan portfolio (Table 2i).

The following new table is added under Table 1h:

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

Product		Dec 31 2014	Dec 31 2013	Change (%) Dec 31 2014/Dec 31 2013
Commercial loans	<i>On-balance-sheet exposure</i>	4,086,369	3,518,831	16.13%
	<i>Off-balance-sheet exposure</i>	1,027,066	961,467	6.82%
	Total exposure	5,113,435	4,480,298	14.13%
Housing loans	<i>On-balance-sheet exposure</i>	818,811	46,670	1,654.47%
	<i>Off-balance-sheet exposure</i>	49,902	382	1,2963.35%
	Total exposure	868,713	47,051	1,746.32%
Loans to local government institutions	<i>On-balance-sheet exposure</i>	420,561	479,491	-12.29%
	<i>Off-balance-sheet exposure</i>	0	7,950	-100.00%
	Total exposure	420,561	487,441	-13.72%
Total	<i>On-balance-sheet exposure**</i>	5,325,741	4,045,000	31.66%
	<i>Off-balance-sheet exposure</i>	1,076,968	969,798	11.05%

Total exposure **6,402,709** **5,014,799** **27.68%**

Source: the Issuer.

* Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor. The above data relate to the portfolio value including loan interest, net of impairment losses.

***In addition to commercial loans, housing loans and loans to local government institutions, the Bank's loan portfolio includes other amounts due from non-financial sector, which stood at PLN 8 thousand as at December 31st 2013.

The following new table is added under Table 2h:

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

Product	Dec 31 2014			Dec 31 2013		
	PLN	EUR	USD	PLN	EUR	USD
Commercial loans	43.1%	55.4%	1.5%	41.9%	56.0%	2.1%
Housing loans	97.1%	2.4%	0.5%	40.5%	49.2%	10.3%
Loans to local government institutions	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)	54.2%	44.6%	1.2%	47.6%	50.5%	1.9%

Source: the Issuer.

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

The following new table is added under Table 3h:

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

Product	Jan 1 2013 - Dec 31 2014		Jan 1 2013 - Dec 31 2013	
	value**	number	value***	number
Commercial loans	1,579,540	80	1,070,756	52
Including loans for:				
- construction projects	120,572	5	537,038	15
- refinancing of real estate	755,025	48	360,381	28
- land purchase	0	0	0	0
- loans to residential developers	703,943	27	173,337	9
Housing loans	827,487	3,411	6,351	34
Loans to local government institutions	0	0	0	0
Total	2,407,027	3,491	1,077,107	86

Source: the Issuer.

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

**The value of sales in the period January 1st–December 31st 2014 accounts for annexes to loan agreements under which the principal amounts of previous years' loans were increased by PLN 29,794.15 thousand. The value of agreements corresponds to the loan amounts as per agreement, translated at historical exchange rates.

***The value of sales in the period January 1st–December 31st 2013 accounts for annexes to loan agreements under which the principal amounts of previous years' loans were increased by PLN 34,963.5 thousand. The value of agreements corresponds to the loan amounts as per agreement, translated at historical exchange rates.

Sub-Section 1.1.1: Loans for Purchase or Refinancing of Existing Real Estate (Including Purchase of Shares in Special Purpose Vehicles Owning Real Estate)

The following text is added after the existing wording:

The total commercial loan portfolio (on-balance-sheet and off-balance-sheet exposure) increased from PLN 4,480,298 thousand at the end of December 2013 to PLN 5,113,435 thousand at the end of 2014.

In 2014, the commercial real estate projects financed by the Issuer included chiefly office buildings and retail centres. The Bank mainly financed the purchase of or refinanced completed projects that met relevant standards, and financed the construction of projects on completion of which the construction loans were converted into long-term mortgage loans.

The Issuer has been expanding its cooperation with mBank Corporate Branches, with 16% of its projects secured through the Branches. A significant growth was recorded in net result on derivative transactions executed by mBank on the Issuer's projects and in the number of the Issuer's clients opening accounts with mBank, which provides an opportunity for mBank consultants to offer a comprehensive service within the Group.

In cooperation with a number of mBank business units, the Issuer launched a commercial pooling scheme (one project has been transferred, whose value as at the transfer date stood at EUR 8.6m). Under the scheme, credit exposures will be transferred from mBank's balance sheet onto the Bank's balance sheet to facilitate their refinancing with long-term instruments (mortgage covered bonds).

The average commercial loan repayment period was 12.8 years. Loans bearing interest at variable rates prevailed in the portfolio. Foreign currency loans represented the largest proportion of the total commercial loan portfolio, with a 56.9% share as at the end of 2014.

Sub-Section 1.1.2: Loans to Local Government Institutions

The following text is added at the beginning:

In H1 2014, the Issuer discontinued the provision of financing to local government institutions. Lack of new agreements in 2014 coupled with a significant level of early repayments translated into a lower on-balance-sheet exposure attributable to these loans compared with the end of 2013 (down 12.3%).

As at the end of 2014, the total on-balance-sheet and off-balance-sheet exposure to the public sector reached PLN 420,561 thousand and represented 6.6% of the total credit exposure. Loans with an average repayment term of 16.8 years accounted for the majority of the portfolio of loans to local government institutions.

Sub-Section 1.1.3: Housing Loans to Retail Customers

The following text is added after the second paragraph:

At the end of 2014, the value of the housing loan portfolio rose more than seventeen times compared with the end of 2013, to PLN 868,713 thousand (on-balance-sheet and off-balance-sheet exposure). The adoption of a new strategy by the Issuer entails expansion of its business into retail lending. In September 2013, the Issuer resumed its lending activity in the retail segment, and started to sell its products under an agency agreement with mBank S.A., through the latter's sales network.

The Issuer commenced the implementation of its retail pooling scheme. In 2014, the value of pooling transactions in the retail segment amounted to PLN 301.1m (data as at the transfer date).

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

2. Financial Information

The following text is added at the beginning:

The financial information is based on the audited financial statements for the financial year ended December 31st 2014, prepared in compliance with the IFRS as endorsed by the EU, containing comparative data for the year ended December 31st 2013. The financial information is supplemented with selected unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

The following new table is added under Table 9h:

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

	Dec 31 2014	Dec 31 2013
ASSETS		
Cash and transactions with Central Bank	7,669	7,378
Amounts due from other financial institutions	30,972	22,377
Derivative financial instruments	37,291	12,913
Amounts due from non-financial sector	5,325,741	4,045,000
Investment securities available for sale	735,220	605,824
Intangible assets	5,074	3,548
Property, plant and equipment	7,241	9,110
Current income tax asset	1,002	620
Deferred tax assets	11,426	13,058
Other assets	14,690	62,615
- inventories	8,192	8,192
Total assets	6,176,326	4,782,443

Source: the Issuer's financial statements.

The following new table is added under Table 10h:

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

	Dec 31 2014	Dec 31 2013
EQUITY AND LIABILITIES		
Amounts due to other financial institutions	1,980,634	1,203,488
Derivative financial instruments	9,442	278
Amounts due to non-financial sector	250,012	295,167
Liabilities under debt securities in issue	3,171,588	2,661,407
Hedge accounting differences relating to fair value of hedged items	25,763	0

Subordinated liabilities	100,257	100,268
Other liabilities and provisions	14,089	19,872
Total liabilities	5,551,785	4,280,480
Share capital	374,938	275,000
- Registered share capital	285,000	275,000
- Share premium	89,938	0
Retained earnings	247,840	225,469
- Profit/(loss) brought forward	225,469	223,315
- Current year profit/(loss)	22,371	2,154
Other equity items	1,763	1,494
Total equity	624,541	501,963
Total equity and liabilities	6,176,326	4,782,443

Source: the Issuer's financial statements.

The following text is added under Table 10i:

As at the end of 2014, the Bank's balance-sheet total stood at PLN 6,176,326 thousand, up PLN 1,393,883 thousand on the end of 2013. Loans to non-financial sector were the largest item of assets, accounting for 86.2% of total assets.

As at the end of 2014, the Issuer's total loan portfolio was PLN 6,402,709 thousand (on-balance-sheet and off-balance-sheet exposure), up by 27.7% relative to the end of 2013. As at the end of 2014, 79.9% of amounts due from non-financial sector (on-balance-sheet and off-balance-sheet exposure) were amounts due from corporate clients, while the remaining 20.1% – from the public sector and retail customers.

Liabilities under debt securities in issue were the main item of the Bank's liabilities, accounting as at December 31st 2014 for 51.4% of the balance-sheet total. The debt securities in issue comprise covered bonds and bonds. Liabilities also included amounts due to other financial institutions, which accounted for 32.1% of the balance-sheet total.

The following new table is added under Table 11h:

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

Contingent liabilities and commitments granted and received	Dec 31 2014	Dec 31 2013
Financial commitments and liabilities	1,085,818	979,471
Interest rate derivatives	2,492,788	663,552
Foreign currency derivatives	1,308,022	1,327,909
Financial commitments received	170,179	169,033
Total off-balance sheet items	5,056,807	3,139,965

Source: the Issuer's financial statements.

The following new table is added under Table 12h:

Table 12i Selected items from the income statement (PLN '000)

	2014	2013
Interest income	218,996	227,065
Interest expense	-132,813	-152,286
Net interest income	86,183	74,779
Fee and commission income	9,632	5,277
Fee and commission expense	-5,586	-1,584
Net fee and commission income	4,046	3,693
Trading profit, including:	12,292	3,185
Foreign exchange gains/(losses)	3,862	4,186
Profit/(loss) on other trading activities and hedge accounting	8,430	-1,001
Gain/(loss) on investments in subsidiaries	0	63
Other income	1,143	7,297
Net impairment losses on loans and advances	-20,945	-34,866
Administrative expenses	-46,839	-39,189
Amortisation and depreciation	-4,310	-4,162
Other expenses	-2,095	-5,903
Pre-tax profit	29,475	4,897
Corporate income tax	-7,104	-2,743
Net profit	22,371	2,154

Source: financial statements of the Issuer.

The following text is added under Table 12i:

Interest income was the main source of the Bank's revenue. Similarly, expenses were dominated by interest expense. These items and, to a lesser extent, administrative expenses and net impairment losses on loans and advances were the main drivers of pre-tax profit, which amounted to PLN 29,475 thousand in 2014 and was PLN 24,578 thousand higher than pre-tax profit generated in 2013.

The year-on-year rise in pre-tax profit by 501.9% was chiefly attributable to net interest income having increased relative to 2013 on portfolio value growth. The year-on-year increase in pre-tax profit reported in 2014 was also driven by higher trading profit (high valuations of hedging instruments) and higher net fee and commission income compared with 2013. Also, lower impairment losses on loans (down 40% on the end of 2013) were another important driver of the pre-tax profit growth.

3. Growth Strategy

The following text is added after the existing wording:

In 2014, the Issuer focused on building a new portfolio of retail mortgage loans originated through cooperation with mBank, refining the loan process and taking steps towards refinancing the new loan portfolio with covered bonds. As a result, the first issues of covered bonds backed by the new portfolio of retail mortgage loans were carried out.

In pursuit of this project, in 2013 the Bank implemented an agency model, which was supplemented in the third quarter of 2014 with a pooling model that involves taking over mBank's existing retail mortgage loan portfolio. The first two pooling transactions were carried out in September and October 2014, with more planned to be

executed in the coming years under the adopted strategy. The pooled portfolio of mortgage loans will be refinanced with future covered bond issues.

The Issuer's other major strategic objectives are:

- to significantly expand the commercial loan portfolio based on a new lending policy, consistent credit risk management policy and optimised loan origination process that takes into account the prevailing market conditions,
- to change the business refinancing structure by significantly increasing the share of covered bonds as secured long-term debt,
- to achieve the safest possible level of credit risk exposure through diversification of the portfolio by loan value and region; the risk management policy envisages increasing the share of lower-value loans in the commercial loan portfolio,
- to significantly scale up the issuance business and to develop a new sales model drawing on models used in developed European markets; the aim of this initiative is to reach new institutional buyers and to gain a foothold in new market segments.

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

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

Chapter III.

Section 1.1: Credit Risk

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

Owing to improving market conditions, the share of impaired loans in the Bank's total loans fell to 3.42% as at December 31st 2014 (loan portfolio quality measured as impaired loans to total gross value of loans advanced). As a result of measures taken by the Issuer to manage substandard loans and following expansion of the loan portfolio, as at the end of 2014 non-performing loans accounted for 6.86% of the Bank's total loan portfolio.

The following new table is added under Table 13h:

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

Amounts due from non-financial sector	Dec 31 2014		Dec 31 2013	
	Exposure (PLN '000)	Share/ Coverage (%)	Exposure (PLN '000)	Share/ Coverage (%)
Not past due, not impaired	4,989,802	92.17%	3,568,460	86.60%
Overdue, unimpaired	238,774	4.41%	333,463	8.09%
Impaired	184,864	3.42%	218,665	5.31%
Total gross loans	5,413,440	100.00%	4,120,588	100.00%
Impairment charge (on impaired loans and provision for unimpaired loans)	-87,699	1.62%	-75,588	1.84%
Total net loans	5,325,741	98.38%	4,045,000	98.16%

Source: the Issuer's financial statements.

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

The following text is added after the existing wording:

As at December 31st 2014, the share of commercial loans in the Issuer's total loan portfolio (on-balance-sheet and off-balance-sheet exposure) was 79.9%.

As at December 31st 2014, none of the limits imposed under the Covered Bond and Mortgage Banks Act of August 29th 1997 (including the limit on the share of loans exceeding 60% of the mortgage lending value of real estate in the total loan portfolio, the limit on the loan amount refinanced with proceeds from covered bonds set at 60% of the mortgage lending value of real estate, and the limit on the share of loans secured by real estate under construction) or the Banking Law of August 29th 1997 (the limit on exposure concentration to a single entity or a group of entities with equity or organisational links) was exceeded.

As at November 30th 2014, the Bank exceeded the limit on exposure concentration to a group of related entities, imposed under Art. 71.1 of the Banking Law. The total exposure to that group of entities represented 29.1% of the Issuer's equity. The limit of 25% of the Bank's equity was exceeded for technical reasons and did not increase the Bank's risk exposure. No limits were exceeded as at December 31st 2014.

Chapter V

Section 6

A new paragraph is added:

Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością s. k. audited the Issuer's financial statements for the year ended December 31st 2014 and issued an audit opinion on those financial statements.

Chapter VIII

Section 1.3

The following text is added at the beginning:

The financial information is based on the audited financial statements for the financial year ended December 31st 2014, prepared in compliance with the IFRS as endorsed by the EU, containing comparative data for the year ended December 31st 2013. The financial information is supplemented with selected unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

The following new table is added under Table 16h:

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

	Dec 31 2014	Dec 31 2013
ASSETS		
Cash and transactions with Central Bank	7,669	7,378
Amounts due from other financial institutions	30,972	22,377
Derivative financial instruments	37,291	12,913
Amounts due from non-financial sector	5,325,741	4,045,000
Investment securities available for sale	735,220	605,824
Intangible assets	5,074	3,548
Property, plant and equipment	7,241	9,110
Current income tax asset	1,002	620

Deferred tax assets	11,426	13,058
Other assets	14,690	62,615
- inventories	8,192	8,192
Total assets	6,176,326	4,782,443

Source: the Issuer's financial statements.

The following new table is added under Table 17h:

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

	Dec 31 2014	Dec 31 2013
EQUITY AND LIABILITIES		
Amounts due to other financial institutions	1,980,634	1,203,488
Derivative financial instruments	9,442	278
Amounts due to non-financial sector	250,012	295,167
Liabilities under debt securities in issue	3,171,588	2,661,407
Hedge accounting differences relating to fair value of hedged items	25,763	0
Subordinated liabilities	100,257	100,268
Other liabilities and provisions	14,089	19,872
Total liabilities	5,551,785	4,280,480
Share capital	374,938	275,000
- Registered share capital	285,000	275,000
- Share premium	89,938	-
Retained earnings	247,840	225,469
- Profit/(loss) brought forward	225,469	223,315
- Current year profit/(loss)	22,371	2,154
Other equity items	1,763	1,494
Total equity	624,541	501,963
Total equity and liabilities	6,176,326	4,782,443

Source: the Issuer's financial statements.

The following text is added under Table 17i:

As at the end of 2014, the Bank's balance-sheet total stood at PLN 6,176,326 thousand, up PLN 1,393,883 thousand on the end of 2013. Loans to non-financial sector were the largest item of assets, accounting for 86.2% of total assets.

As at the end of 2014, the Issuer's total loan portfolio was PLN 6,402,709 thousand (on-balance-sheet and off-balance-sheet exposure), up by 27.7% relative to the end of 2013. As at the end of 2014, 79.9% of amounts due

from non-financial sector (on-balance-sheet and off-balance-sheet exposure) were amounts due from corporate clients, while the remaining 20.1% – from the public sector and retail customers.

Liabilities under debt securities in issue were the main item of the Bank's liabilities, accounting as at December 31st 2014 for 51.4% of the balance-sheet total. The debt securities in issue comprise covered bonds and bonds. Liabilities also included amounts due to other financial institutions, which accounted for 32.1% of the balance-sheet total.

The following new table is added under Table 18h:

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

Contingent liabilities and commitments granted and received	Dec 31 2014	Dec 31 2013
Financial commitments and liabilities	1,085,818	979,471
Interest rate derivatives	2,492,788	663,552
Foreign currency derivatives	1,308,022	1,327,909
Financial commitments received	170,179	169,033
Total off-balance sheet items	5,056,807	3,139,965

Source: the Issuer's financial statements.

The following new table is added under Table 19h:

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

	2014	2013
Interest income	218,996	227,065
Interest expense	-132,813	-152,286
Net interest income	86,183	74,779
Fee and commission income	9,632	5,277
Fee and commission expense	-5,586	-1,584
Net fee and commission income	4,046	3,693
Trading profit, including:	12,292	3,185
Foreign exchange gains/(losses)	3,862	4,186
Profit/(loss) on other trading activities and hedge accounting	8,430	-1,001
Gain/(loss) on investments in subsidiaries	0	63
Other income	1,143	7,297
Net impairment losses on loans and advances	-20,945	-34,866
Administrative expenses	-46,839	-39,189
Amortisation and depreciation	-4,310	-4,162
Other expenses	-2,095	-5,903
Pre-tax profit	29,475	4,897
Corporate income tax	-7,104	-2,743
Net profit	22,371	2,154

Source: financial statements of the Issuer.

The following text is added under Table 19i:

Interest income was the main source of the Bank's revenue. Similarly, expenses were dominated by interest expense. These items and, to a lesser extent, administrative expenses and net impairment losses on loans and advances were the main drivers of pre-tax profit, which amounted to PLN 29,475 thousand in 2014 and was PLN 24,578 thousand higher than pre-tax profit generated in 2013.

The year-on-year rise in pre-tax profit by 501.9% was chiefly attributable to net interest income having increased relative to 2013 on portfolio value growth. The year-on-year increase in pre-tax profit reported in 2014 was also driven by higher trading profit (high valuations of hedging instruments) and higher net fee and commission income compared with 2013. Also, lower impairment losses on loans (down 40% on the end of 2013) were another important driver of the pre-tax profit growth.

The following text is added after the existing wording:

In 2014, due to a PLN 20,217 thousand (938.6%) increase in net profit relative to 2013, the Issuer recorded higher profitability ratios, calculated as the ratio of net profit or pre-tax profit to a given financial item.

In 2014, book value per share rose to PLN 219.14, compared with PLN 182.53 at the end of 2013. Earnings per share rose in 2014 to PLN 8.11, from PLN 0.78 in 2013.

As at the end of 2014, the capital adequacy ratio stood at 13.31% (versus 14.92% as at the end of 2013). According to the banking law, the minimum level of the capital adequacy ratio should be 8%. The minimum adequacy ratio as recommended by the Polish Financial Supervision Authority is 12%.

As at December 31st 2014, the share of impaired loans in the total on-balance-sheet credit exposure stood at 3.42%. As a result of measures taken by the Issuer to manage substandard loans and following expansion of the loan portfolio, as at the end of 2014 non-performing loans accounted for 6.86% of the Bank's total loan portfolio.

Section 1.4. Lending Activities

The following text is added at the beginning:

At the end of 2014, the loan portfolio volume (including off-balance-sheet items) grew by PLN 1,387,910 thousand relative to the end of 2013. Total on-balance-sheet and off-balance-sheet exposure (commercial loans, housing loans and loans to local government institutions) reached PLN 6,402,709 thousand at the end of 2014, and the value of loans granted from January to December 2014 was PLN 2,407,027.4 thousand (Table 23i).

As at the end of 2014, loans for the financing of commercial real estate accounted for 79.9% of the Bank's entire 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 2014, PLN-denominated loans accounted for 54.2% and foreign currency loans for 45.8% of the aggregate loan portfolio (Table 22i).

The following new table is added under Table 21h:

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

Product		Dec 31 2014	Dec 31 2013	Change (%) Dec 31 2014/Dec 31 2013
Commercial loans	<i>On-balance-sheet exposure</i>	4,086,369	3,518,831	16.13%
	<i>Off-balance-sheet exposure</i>	1,027,066	961,467	6.82%
	Total exposure	5,113,435	4,480,298	14.13%
Housing loans	<i>On-balance-sheet exposure</i>	818,811	46,670	1,654.47%
	<i>Off-balance-sheet exposure</i>	49,902	382	12,963.35%
	Total exposure	868,713	47,051	1,746.32%
Loans to local government institutions	<i>On-balance-sheet exposure</i>	420,561	479,491	-12.29%

	<i>Off-balance-sheet exposure</i>	0	7,950	-100.00%
	Total exposure	420,561	487,441	-13.72%
Total	<i>On-balance-sheet exposure**</i>	5,325,741	4,045,000	31.66%
	<i>Off-balance-sheet exposure</i>	1,076,968	969,798	11.05%
	Total exposure	6,402,709	5,014,799	27.68%

Source: the Issuer.

* Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor. The above data relate to the portfolio value including loan interest, net of impairment losses.

***In addition to commercial loans, housing loans and loans to local government institutions, the Bank's loan portfolio as at the end of December 2013 included other amounts due from non-financial sector, which stood at PLN 8 thousand as at December 31st 2013.

The following new table is added under Table 22h:

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

Product	Dec 31 2014			Dec 31 2013		
	PLN	EUR	USD	PLN	EUR	USD
Commercial loans	43.1%	55.4%	1.5%	41.9%	56.0%	2.1%
Housing loans	97.1%	2.4%	0.5%	40.5%	49.2%	10.3%
Loans to local government institutions	100.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)	54.2%	44.6	1.2%	47.6%	50.5%	1.9%

Source: the Issuer.

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

The following new table is added under Table 23h:

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

Product	Jan 1 2014–Dec 31 2014		Jan 1 2013–Dec 31 2013	
	value**	number	value***	number
Commercial loans	1,579,540	80	1,070,756	52
Including loans for:				
- construction projects	120,572	5	537,038	15
- refinancing of real estate	755,025	48	360,381	28
- land purchase	0	0	0	0
- loans to residential developers	703,943	27	173,337	9
Housing loans	827,487	3,411	6,351	34
Loans to local government institutions	0	0	0	0
Total	2,407,027	3,491	1,077,107	86

Source: the Issuer.

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

**The value of sales in the period January 1st–December 31st 2014 accounts for annexes to loan agreements under which the principal amounts of previous years' loans were increased by PLN 29,794.15 thousand. The value of agreements corresponds to the loan amounts as per agreement, translated at historical exchange rates.

***The value of sales in the period January 1st–December 31st 2013 accounts for annexes to loan agreements under which the principal amounts of previous years' loans were increased by PLN 34,963.5 thousand. The value of agreements corresponds to the loan amounts as per agreement, translated at historical exchange rates.

Section 1.4.1

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

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

The total commercial loan portfolio (on-balance-sheet and off-balance-sheet exposure) increased from PLN 4,480,298 thousand at the end of December 2013 to PLN 5,113,435 thousand at the end of 2014.

In 2014, the commercial real estate projects financed by the Bank included chiefly office buildings and retail centres. The Bank mainly financed the purchase of or refinanced completed projects that met relevant standards, and financed the construction of projects on completion of which the construction loans were converted into long-term mortgage loans.

The average loan repayment period was 12.8 years. Loans bearing interest at variable rates prevailed in the portfolio. Foreign currency loans represented the largest proportion of the total commercial loan portfolio, with a 56.9% share as at the end of 2014.

A geographical diversification was clearly visible in the structure of lending activity. Most of the projects financed by the Bank were located in the Provinces of Warsaw, Wrocław, Kraków, and Gdańsk; commercial loans advanced in these provinces accounted for 71.4% of the Bank's total on-balance-sheet exposure.

In line with the concentration limits, as at December 31st 2014 the financing of any single entity or a group of entities with equity or organisational links did not exceed 25% of the Issuer's equity, i.e. PLN 140,986.7 thousand.

In 2014, the Bank issued two enforced collection orders (ECO), both relating to commercial loans. The debt covered by the first ECO totalled EUR 7,199.3 thousand; after the ECO was issued, this debt was sold. The debt covered by the other ECO totalled PLN 10,804.3 thousand; the value of the underlying collateral (the present market value of real estate) amounted to PLN 9,990.0 thousand – an impairment loss was recognised on these assets.

Sub-Section 1.4.2 Loans to Local Government Institutions

The following text is added at the beginning:

In 2014, the Bank discontinued the provision of financing to local government institutions. Lack of new agreements in 2014 coupled with a significant level of early repayments translated into a lower on-balance-sheet exposure attributable to these loans compared with the end of 2013 (down 12.3%).

As at the end of 2014, the total on-balance-sheet and off-balance-sheet exposure to the public sector reached PLN 420,561 thousand and represented 6.6% of the total credit exposure. Loans with an average repayment term of 16.8 years accounted for the majority of the portfolio of loans to local government institutions.

Sub-Section 1.4.3 Housing Loans to Retail Customers

The following text is added after the second paragraph:

At the end of 2014, the value of the housing loan portfolio rose seventeen times compared with the end of 2013, to PLN 868,713 thousand (on-balance-sheet and off-balance-sheet exposure). The adoption of a new strategy by the Issuer entails expansion of its business into retail lending.

The Issuer commenced the implementation of its retail pooling scheme. In 2014, the value of pooling transactions in the retail segment amounted to PLN 301.1m (data as at the transfer date).

In September 2013, the Bank resumed its lending activity in the retail segment, and started to sell products under an agency agreement with mBank S.A., through the latter's sales network. In 2014, the Bank focused on scaling up its mortgage-backed retail lending activities, working closely with mBank on the product offering and sales network. The Bank is building its retail loan portfolio by securing new accounts and by taking over loans from mBank's existing retail loan portfolio. The Bank selects only such loans that may serve as cover assets for mortgage cover bonds.

Section 1.6 Issues of Covered Bonds

The following text is added above Table 25:

Over more than 15 years of its presence on the market, mBank Hipoteczny carried out several dozen issues of covered bonds, both in public offerings and private placements. To the Issuer's knowledge, the Bank has been the largest issuer of covered bonds since they were first introduced into the Polish capital market in 2000, and its market share as at the end of 2014 was approximately 70%.

As at December 31st 2014, the total value of all outstanding covered bonds issued by mBank Hipoteczny was in excess of PLN 3bn. The Bank offers chiefly covered bonds with four- and five-year maturities.

In 2014, the Bank issued eight series of mortgage covered bonds with an aggregate nominal value of PLN 1.014bn (data as at December 31st 2014). The value of six issues denominated in the euro amounted to EUR 120.5m, and included three series of fixed-rate mortgage covered bonds with record-long maturities of 15 years.

The value of two PLN-denominated mortgage covered bond issues carried out in late July and early August 2014 totalled PLN 500m; they represented the largest offering of covered bonds in the history of mortgage banking in Poland.

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

Ratings from Fitch Ratings Ltd. are as follows:

A/F1 - long- and short-term international rating

1 - support rating

A - for public-sector covered bonds

A - for mortgage covered bonds

On March 28th 2014, Fitch Ratings Ltd. ("Fitch") revised its outlook on mBank Hipoteczny S.A.'s "A" long-term foreign currency Issuer Default Rating from stable to negative.

It was an effect of a downgrade, on March 26th 2014, of the outlook on Commerzbank AG's long-term rating from stable to negative, following global review by Fitch of sovereign support for European banks, which led the agency to revise its long-term outlook to negative on 18 commercial banks.

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

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

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

The following text is added above Table 29i:

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

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

As at December 31st 2014:

- mortgage covered bonds were secured with claims of PLN 3,263.9m arising under a total of 1,148 loans,
- public-sector covered bonds were secured with claims of PLN 421.8m arising under a total of 71 loans.

In addition to these assets, treasury bonds with a nominal value of PLN 30m (for public-sector covered bonds) and PLN 160m (for mortgage covered bonds) were entered in the covered bond collateral register as security for the bonds.

The following new table is added under Table 29h:

Table 29i Portfolio of receivables securing mortgage covered bonds, by currency and amounts as at December 31st 2014*

Value ranges (PLN '000)	Value of loans advanced (PLN '000)	Value of loans advanced in EUR (PLN '000)	Value of loans advanced in USD (PLN '000)	Total
<= 250	70,936	7,821	2,307	81,064
250.1 - 500	55,086	8,257	1,942	65,284
500.1 – 1,000	23,023	11,630	655	35,309
1,000.1 – 5,000	139,596	160,857	9,715	310,168
5,000.1 – 10,000	83,374	165,234	23,424	272,032
10,000.1 – 15,000	108,135	192,282	27,434	327,851
15,000.01 - 20,000	85,152	148,328	15,257	248,737
20,000.1 – 30,000	196,175	389,200	0	585,375
30,000.1 – 40,000	146,159	280,190	0	426,348
40,000.1 – 50,000	0	264,754	0	264,754
> 50,000.1	100,589	546,347	0	646,935
Total	1,008,224	2,174,900	80,734	3,263,858
Share in the portfolio (%)	30.89%	66.64%	2.47%	

Source: the Issuer.

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

The following new table is added under Table 30h:

Table 30i Portfolio of receivables securing mortgage covered bonds, by type of borrower as at December 31st 2014*

Borrower	Value (PLN '000)	Share in the portfolio (%)
Legal persons/sole traders	3,101,421	95.02%
Natural persons	162,437	4.98%

Total	3,263,858	100.00%
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Source: the Issuer.

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

The following new table is added under Table 31h:

Table 31i Portfolio of receivables securing mortgage covered bonds, by type of financed project as at December 31st 2014*

Use of funds	Value (PLN '000)	Share in the portfolio (%)
Commercial real estate	3,073,486	94.17%
Residential real estate	190,373	5.83%
Total	3,263,858	100.00%

Source: the Issuer.

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

The following new table is added under Table 32h:

Table 32i Portfolio of receivables securing mortgage covered bonds, by type of interest rate as at December 31st 2014*

Interest rate type	Value (PLN '000)	Share in the portfolio (%)
Variable interest rate	3,263,185	99.98%
Fixed interest rate	674	0.02%
Total	3,263,858	100.00%

Source: the Issuer.

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

The following new table is added under Table 33h:

Table 33i Portfolio of receivables securing mortgage covered bonds, by maturity as at December 31st 2014*

Term range (in years)	Value (PLN '000)	Share in the portfolio (%)
0–2 years	125,086	3.83%
2–3 years	7,727	0.24%
3–4 years	16,580	0.51%
4–5 years	6,356	0.19%

5–10 years	364,827	11.18%
> 10 years	2,743,282	84.05%
Total	3,263,858	100.00%

Source: the Issuer.

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

The following new table is added under Table 35h:

Table 35i Portfolio of receivables securing mortgage covered bonds by progress of investment project as at December 31st 2014*

Progress of investment project	Value (PLN '000)	Share in the portfolio (%)
Projects under construction	313,254	9.60%
Completed projects	2,950,604	90.40%
Total	3,263,858	100.00%

Source: the Issuer.

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

The following new table is added under Table 36h:

Table 36i Value ranges of receivables securing public-sector covered bonds as at December 31st 2014*

Value range (PLN '000)	Value of loans advanced (PLN '000)	Share (%)	No. of agreements
<= 500	3,119	0.7%	12
500.1 – 1,000	8,945	2.1%	12
1,000.1 – 2,000	11,642	2.8%	8
2,000.1 – 3,000	27,940	6.6%	11
3,000.1 – 5,000	39,814	9.4%	10
5,000.1 – 10,000	83,344	19.8%	12
10,000.1 – 15,000	15,000	3.6%	1
15,000.01 – 20,000	51,132	12.1%	3
> 20,000.1	180,870	42.9%	2

Total	421,805	100%	71
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Source: the Issuer.

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

The following new table is added under Table 37h:

Table 37i Portfolio of receivables securing public-sector covered bonds, by maturity as at December 31st 2014*

Term range (in years)	Value (PLN '000)	Share in the portfolio (%)
0–2 years	23,193	5.5%
2–3 years	1,807	0.4%
3–4 years	6,029	1.4%
4–5 years	18,175	4.3%
5–10 years	54,336	12.9%
10–15 years	38,848	9.2%
15–20 years	39,718	9.4%
> 20 years	239,698	56.8%
Total	421,805	100%

Source: the Issuer.

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

The following new table is added under Table 39h:

Table 39i Portfolio of receivables securing public-sector covered bonds, by type of interest rate as at December 31st 2014*

Interest rate type	Value (PLN '000)	Share in the portfolio (%)
Variable interest rate	421,805	100.0%
Fixed interest rate	0	0.0%
Total	421,805	100%

Source: the Issuer.

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

The following new table is added under Table 40h:

Table 40i Portfolio of receivables securing public-sector covered bonds, by type of borrower as at December 31st 2014*

Borrower	Value (PLN '000)	Share in the portfolio (%)
advanced directly to local government institutions	114,318	27.1%
guaranteed by local government institutions	307,487	72.9%
Total	421,805	100%

Source: the Issuer.

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

Chapter X

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

The following text is added after the existing wording:

Pursuant to Section 7.1 of Commission Regulation (EC) No. 809/2004 of April 29th 2004, we represent that no material adverse changes in the Issuer's growth prospects have occurred since the publication of its most recent audited financial statements, prepared for the financial year 2014. The financial data for the period January 1st–February 28th 2015 have not been audited or reviewed by the auditor.

Pursuant to Section 11.7 of Commission Regulation (EC) No. 809/2004 of April 29th 2004, below we provide a description of all material changes in the Issuer's financial standing since the end of the most recent financial period for which audited financial information was published, that is the period from January 1st to February 28th 2015.

As at the end of February 2015, the total commercial loan portfolio decreased slightly (by 2.69%) on the end of December 2014, totalling PLN 4,975,968 thousand.

The total portfolio of loans to local government institutions as at the end of February 2015 was PLN 415,497 thousand, having shrunk 1.2% from the level reported at the end of December 2014.

The share of PLN-denominated loans remained high and accounted for 56.3% of the Bank's total loan portfolio as at February 28th 2015.

The average LTV ratio in the case of commercial loans advanced in the period January–February 2015 stood at 79.18%.

The ratio of mortgage lending value to market value for commercial loans advanced in the period January–February 2015 amounted to 94.46% and was lower than the level reported for loans advanced in the same period of 2014, which stood at 97.1%.

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

Product		Feb 28	Dec 31	Change (%)
		2015	2014	Feb 28 2015/ Dec 31 2014
Commercial loans	<i>On-balance-sheet exposure</i>	4,125,310	4,086,369	0.95%
	<i>Off-balance-sheet exposure</i>	850,658	1,027,066	-17.18%
	Total exposure	4,975,968	5,113,435	-2.69%
Housing loans	<i>On-balance-sheet exposure</i>	1,064,110	818,811	29.96%
	<i>Off-balance-sheet exposure</i>	49,692	49,902	-0.42%
	Total exposure	1,113,802	868,713	28.21%
Loans to local government institutions	<i>On-balance-sheet exposure</i>	415,497	420,561	-1.20%
	<i>Off-balance-sheet exposure</i>	0	0	0.00%
	Total exposure	415,497	420,561	-1.20%
Total	<i>On-balance-sheet exposure</i>	5,604,917	5,325,741	5.24%
	<i>Off-balance-sheet exposure</i>	900,350	1,076,968	-16.40%
	Total exposure	6,505,267	6,402,709	1.60%

Source: the Issuer.

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

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

Product	Feb 28 2015			Dec 31 2014		
	PLN	EUR	USD	PLN	EUR	USD
Commercial loans	43.4%	55.0%	1.6%	43.1%	55.4%	1.5%
Housing loans	97.8%	1.8%	0.4%	97.1%	2.4%	0.5%
Loans to local government institutions	100.0%	0.0%	0.0%	100.00%	0.00%	0.00%
Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)	56.3%	42.4%	1.3%	54.2%	44.6%	1.2%

Source: the Issuer.

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

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

Product	Jan 1 2014 - Feb 28 2015		Jan 1 2014 - Feb 28 2014	
	Value**	number	Value***	Number
Commercial loans	53,924	4	65,774	4
Including loans for:				
- construction projects	0	0	34,040	2
- refinancing of real estate	25,394	3	0	0
- land purchase	0	0	0	0
- loans to residential developers	28,530	1	31,734	2
Housing loans	251,658	907	13,875	61
Public sector	0	0	0	0
Total	305,581	911	79,650	65

Source: the Issuer.

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

***The value of sales in the period January 1st–December 31st 2015 accounts for annexes to loan agreements under which the principal amounts of previous years' loans were increased by PLN 893.7 thousand. The value of agreements corresponds to the loan amounts as per agreement, translated at historical exchange rates.

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

The following text is added under Table 43i:

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

On January 30th 2015, a portfolio transfer agreement was executed between mBank S.A. and mBank Hipoteczny S.A., under which mBank Hipoteczny acquired from mBank S.A. a portfolio of mortgage-backed loans with a fair value of PLN 114,917 thousand.

On February 3rd 2015, by virtue of Resolution No. 10/2015, the Management Board of mBank Hipoteczny S.A. resolved to terminate the cash bonus agreement of January 7th 2014 between mBank Hipoteczny S.A. and BRE Ubezpieczenia sp. z o.o. The agreement with BRE Ubezpieczenia Sp. z o.o. will be terminated by mutual consent of the parties with effect from March 31st 2015.

In February 2015, mBank Hipoteczny S.A. issued two series of mortgage covered bonds. On February 20th 2015, the Bank carried out a public issue of 7-year variable-rate mortgage covered bonds with the nominal value of PLN 200m, and on February 25th 2015 it carried out a public issue of 7-year fixed-rate mortgage covered bonds with the nominal value of EUR 20m.

On February 25th 2015, the Bank entered into a new hedging relationship to hedge against interest rate risk. The hedged item is the fixed-rate mortgage covered bonds with the nominal value of EUR 20m issued on February 25th 2015. The hedge is an IRS contract with the nominal value of EUR 20m, which exchanges fixed-rate interest payments for floating-rate interest payments.

Respectively on December 16th 2014 and January 19th 2015, the Management Board and the Supervisory Board adopted the Corporate Governance Rules for Regulated Entities (the "Rules") approved by the Polish Financial Supervision Authority on July 22nd 2014, with the exception of the rules set out in Section 8.4, Section 25.1, Section 29, and Sections 53–57.

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

2.1. External Factors

Macroeconomic Factors

The following text is added after the existing wording:

- In 2014, Poland's GDP grew by 3.3% year on year, compared with a 1.6% growth recorded in 2013.
- In December 2014, the unemployment rate was 11.5% compared with 13.4% in December 2013. A potential increase in the unemployment rate or more stringent conditions of mortgage lending to retail customers would adversely affect the demand for residential real estate.
- In 2014, the inflation rate stood at -1.00% (y-o-y). As at the end of February 2015, the reference rate published by the National Bank of Poland stood at 2.00%.
- Exchange rates decisively affect the Bank's loan portfolio. This is connected with foreign exchange gains/losses, which – in the case of loans advanced in foreign currencies – result from exchange rate fluctuations and thus might increase borrowers' debt. A large portion of commercial loans are advanced in foreign currencies, which might adversely affect borrowers' ability to repay the loans should a currency crisis occur. The high share of foreign currency loans is attributable to their interest rates, which are lower than in the case of PLN-denominated loans, as well as the fact that rents in commercial developments are established in foreign currencies.
- As at the end of February 2015, the base interest rates were 0.05% in the euro zone and 0.25% in the U.S.

In 2014, the Bank had to conduct its commercial lending activities and pursue its objectives amid growing competition on the commercial property financing market, which was dominated by strong universal banks. Key trends on the market included:

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

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

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

2.1. Internal Factors

The following text is added after the existing wording:

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

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

In H1 2014, the Bank implemented fair value hedge accounting with respect to the fixed-rate mortgage covered bonds in issue. The Bank uses fixed-to-variable interest rate swaps as hedges. Hedge accounting has been applied by the Bank since May 19th 2014. As at December 31st 2014, the Bank was a party to five hedging relationships. Accordingly, the Bank designated instruments hedging interest rate risk. By using hedging instruments, the Bank wants to mitigate the interest rate risk inherent in fixed-rate covered bond issues.

On November 13th 2014, mBank Hipoteczny S.A. carried out a private placement of 100,000 ordinary registered shares with the total par value of PLN 10m. The existing shareholders' pre-emptive rights were disappplied with respect to the shares. The new shares were fully paid up. On December 30th 2014, a new amount of the Bank's share capital was entered in the National Court Register following the issue of new shares. The new shares were acquired by mBank S.A. and, as a result, its shareholding in mBank Hipoteczny S.A. rose from 24.29% to 26.94%.

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

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

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

The Annual General Meeting of mBank Hipoteczny S.A. also resolved that the members of the Supervisory Board of the ninth term of office would not receive remuneration, except for Ms Jolanta Daniewska, who, as a

member of the Supervisory Board of the previous term, received remuneration due for the period until expiry of that term in 2014, and Mr Mariusz Tokarski, who received remuneration due for the period from his appointment date until December 31st 2014.

3. Growth Strategy

The following text is added after the existing wording:

In 2014, the Bank focused on building a new portfolio of retail mortgage loans originated through cooperation with mBank, refining the loan process and taking steps towards refinancing the new loan portfolio with covered bonds. As a result, the first issues of covered bonds backed by the new portfolio of retail mortgage loans were carried out.

In pursuit of this project, in 2013 the Bank implemented an agency model, which was supplemented in the third quarter of 2014 with a pooling model that involves taking over mBank's existing retail mortgage loan portfolio. The first two pooling transactions were carried out in September and October 2014, with more planned to be executed in the coming years under the adopted strategy. The pooled portfolio of mortgage loans will be refinanced with future covered bond issues.

The Bank's other major strategic objectives are:

- to significantly expand the commercial loan portfolio based on a new lending policy, consistent credit risk management policy and optimised loan origination process that takes into account the prevailing market conditions,
- to change the business refinancing structure by significantly increasing the share of covered bonds as secured long-term debt,
- to achieve the safest possible level of credit risk exposure through diversification of the portfolio by loan value and region; the risk management policy envisages increasing the share of lower-value loans in the commercial loan portfolio,
- to significantly scale up the issuance business and to develop a new sales model drawing on models used in developed European markets; the aim of this initiative is to reach new institutional buyers and to gain a foothold in new market segments.

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

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

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

The following text is added after the existing wording:

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

Chapter XII Auditors in the Period Covered by Historical Financial Information

Section 2

The following text is added after the existing wording:

The services contracted under the agreement with Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością s. k. of June 17th 2013 include:

- audit of the Company's financial statements for the period January 1st–December 31st 2014
- audit of the Company's reporting packages prepared for consolidation purposes for the period January 1st–December 31st 2014

- review of the Company's financial statements for the period January 1st–June 30th 2014 and the Company's reporting packages for the period January 1st–December 31st 2014.

Chapter XIII Financial Information

The following text is added after the existing wording:

The Issuer's financial statements for the period January 1st–December 31st 2014, along with the auditor's opinion on the audit of the financial statements, have been included in this Prospectus by reference to the Issuer's 2014 annual report, released on March 31st 2015 and posted on the Issuer's website at: www.mhipoteczny.pl.

Chapter XIV

Section: Arbitration and Court Proceedings

The following text is added after the existing wording:

As at December 31st 2014, no court, arbitration or administrative proceedings were pending concerning the Bank's or its subsidiary's liabilities with a value equal to or exceeding 10% of the Bank's equity.

As at December 31st 2014, a case was pending before the Regional Court of Poznań brought by the Bank against its limited debtor, who had purchased a mortgaged property from the Bank's borrower. The amount of the claim sought by the claimant was PLN 11,692 thousand.

The Bank is the assignee under an agreement on assignment of receivables under an insurance policy. The assignment was created to secure a loan advanced by the Bank to a borrower. As a result of a fire at the property, the borrower incurred a loss. The compensation paid by the insurer did not fully cover the loss. As the beneficiary under the insurance policy, the Bank raised a claim for compensation, first by sending a payment demand notice, and then, on February 4th 2014, by filing a claim against the Insurer with the Regional Court of Warsaw, XX Commercial Division, demanding payment of PLN 18,494 thousand. After the suit was filed by the Bank, the Insurer voluntarily satisfied a portion of the Bank's claim by making a payment of PLN 6,523 thousand net. On February 24th 2014, the Court issued a payment order for the Insurer to pay the Bank PLN 18,494 thousand along with statutory interest. On March 26th 2014, the Insurer effectively lodged an objection against the payment order. On June 10th 2014, the Bank filed a suit seeking its claim to be raised by PLN 1,324 thousand in compounded interest and statutory interest accrued from the date of filing the payment claim to the actual payment date. In November 2014, the dispute was referred to mediation, but neither party agreed to take part in the mediation process. After December 31st 2014, one hearing was held in January and another hearing was scheduled for April.

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

The following text is added after the existing wording:

(xiii) the Issuer's financial statements for 2014, prepared in accordance with the EU-endorsed International Financial Reporting Standards, audited by qualified auditor Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością s. k., along with the auditor's opinion and report.

Chapter XIX

The following text is added after the existing wording:

11. the Issuer's 2014 annual report, released on March 31st 2015 and published on the Issuer's website at: www.mhipoteczny.pl, containing the Issuer's financial statements for the period January 1st–December 31st 2014 along with the auditor's opinion on those statements;