

Appendix 27

**approved by the Polish Financial Supervision Authority on 19 January 2016,
to the Base Prospectus of mBank Hipoteczny S.A.
approved by the Polish Financial Supervision Authority
on October 28th 2009**

In connection with the entry into force, as of January 1st 2016, of the Act of July 24th 2015 on the Amendment of the Act on Covered Bonds and Mortgage Banks and Certain Other Acts (Dz.U. of 2015, item 1259), amending, inter alia, the provisions of the Act on Covered Bonds and Mortgage Banks of August 29th 1997 (Dz. U. of 2003, No. 99, item 919, as amended), hereinafter referred to as the “Covered Bond Act”, through the introduction of a statutory requirement to overcollateralise covered bonds, maintain sufficient liquidity buffers, and increase the limits on refinancing of future mortgage loans through covered bonds and in connection with the Issuer's intention to conduct further offerings of the mortgage bonds on the basis of the above-mentioned Prospectus, the Prospectus is hereby amended as follows:

In Chapter III Risk Factors, Section 1 Risk Factors Related to the Issuer’s Business, Subsection 1.1 Credit Risk, subsection “High Share of Commercial Loans in the Loan Portfolio” after the existing text, the following text is added:

“As at January 1st 2015, as the Bank is a mortgage bank, the credit risk which it can take is limited by the provisions of the Covered Bond Act, including:

- the concept of the mortgage lending value of real estate and the rules for determining that value,
- a limit on the share of loans exceeding 60% of the mortgage lending value of real estate in the total loan portfolio, the value of which may not exceed 30% of the loan portfolio value (Art. 13.1),
- a limit on refinancing of loans through covered bonds of up to 60% of the mortgage lending value of real estate (Art. 14) – a mortgage bank may apply proceeds from covered bond issues to refinance mortgage-backed loans and claims acquired from other banks under mortgage-backed loans originated by those banks; however, the amount of such refinancing with respect to a single loan or a single claim may not exceed the equivalent of 60% of the mortgage lending value of real estate, and with respect to residential real estate within the meaning of Art. 4.1.75 of the CRR – 80% of the mortgage lending value of real estate,
- a limit on the share of loans secured with real estate under construction (Art. 23.1) – receivables secured with mortgages created during the execution of construction projects may not exceed 10% of the aggregate value of the mortgage-backed receivables which are the basis for issuing mortgage covered bonds,

and of the CRR:

- a limit of exposure to a single client or a group of connected clients, of up to 25% of the Bank’s eligible capital within the meaning of the CRR (Art. 395.1, first sentence),
- a limit of exposure to a client being a credit institution or an investment firm, or to a group of connected clients which includes one or more credit institutions or investment firms, of up to 25% of the Bank’s eligible capital or EUR 150m, whichever the higher (Art. 395.1, second sentence).

As at June 30th 2015, none of the limits imposed under the Covered Bond Act (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 refinancing 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 under the CRR were exceeded. In the first half of 2015, the Bank used 72.8% of the limit on liabilities imposed under Art. 15.2 of the Covered Bond Act; the limit was not exceeded.”.

In Chapter III Risk Factors, Section 1.2 Market Risk, Subsection Liquidity Risk

the following new paragraph is added after the existing text:

“In addition, as of January 1st 2016, pursuant to Art. 18.3a and Art. 18.3b of the Covered Bond Act, the Issuer is required to maintain, separately for mortgage covered bonds and public sector covered bonds, a surplus created from the funds referred to in Art. 18.3 of the Covered Bond Act, equal to or higher than the aggregate nominal value of interest on the outstanding mortgage covered bonds or public sector covered bonds, as applicable, due over the next six months. Such surplus funds may not serve as a basis for issuing covered bonds.”.

In Chapter III Risk Factors, Section 1.2 Market Risk, Subsection Interest Rate Risk

in the existing text of the first paragraph the following words are deleted:

“covering up to 10% of the bank’s receivables under the loans which are the basis for issuing Public Sector Covered Bonds or Mortgage Covered Bonds”;

at the end of the second paragraph the full stop is replaced by comma and the following words are added:

“provided that this is expressly permitted by the terms and conditions of the covered bond issue.”.

In Chapter III Risk Factors, Section 1.2 Market Risk, Subsection Investment Risk Related to Covered Bonds

after the existing text of the fourth paragraph the following text is added:

“In connection with the entry into force, as from 1 January 2016, of the Amendment Act, the security of investment in covered bonds follows from the following statutory requirements imposed on each issuer of covered bonds:

Requirements Pertaining to Mortgage Covered Bonds:

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

- The aggregate nominal value of the mortgage bank's mortgage-backed receivables as well as the rights and funds referred to in Art. 18.3 and Art. 18.4 of the Covered Bond Act, entered in the collateral register for covered bonds, forming the basis for issuing mortgage covered bonds, may not be lower than 110% of the aggregate par value of the outstanding mortgage covered bonds, with the aggregate nominal value of the mortgage bank's mortgage-backed receivables, forming the basis for issuing mortgage covered bonds, being not lower than 85% of the aggregate par value of the outstanding mortgage covered bonds.
- The mortgage bank's interest income, determined for mortgage covered bonds, on mortgage-backed receivables as well as the rights and funds referred to in Art. 18.3 and Art. 18.4 of the Covered Bond Act, which are the basis for issuing mortgage covered bonds, may not be lower than the interest expense on the outstanding mortgage covered bonds.
- Mortgage covered bonds may not be issued based on receivables secured with mortgages created on real estate which is used, according to its purpose, on a non-permanent basis and, in particular, on real estate comprising mineral deposits.
- The value of receivables secured with mortgages created during the execution of construction projects may not exceed in aggregate 10% of the total value of the mortgage-backed receivables which are the basis for issuing mortgage covered bonds. As part of the same limit, the value of receivables secured with mortgages created on real estate intended for development in accordance with the zoning plan may not exceed 10% of such mortgage-backed receivables.
- The total amount of receivables under mortgage-backed loans advanced or acquired by the mortgage bank over the threshold of 60% of the mortgage lending value of real estate may not exceed 30% of the total value of mortgage-backed receivables of the mortgage bank.

Requirements Pertaining to Public Sector Covered Bonds:

- The basis for the issue of public sector covered bonds may only be those receivables of a mortgage bank which are entered in the collateral register for public sector covered bonds. The following mortgage bank's receivables may be entered in the register of collateral for public sector covered bonds:
 - (i) the secured portion of loans with interest due and guarantees or sureties issued by the National Bank of Poland, the European Central Bank, the governments or central banks of member states of the European Union, the Organisation of Economic Cooperation and Development, excluding the states which are restructuring or have restructured their foreign debt in the last five years and guarantees or sureties of the State Treasury pursuant to the provisions of separate statutes; or
 - (ii) loans advanced to the entities listed in item (i) above, or
 - (iii) the secured portion of loans with interest due and guarantees or sureties of local government institutions, and loans advanced to local government institutions.

The entry or deletion of each claim in or from the collateral register for public sector covered bonds requires consent of the Trustee.

- In addition, public sector covered bonds may be issued based on the mortgage bank's cash in hand, cash deposited with the National Bank of Poland or invested in securities issued or guaranteed by the National Bank of Poland, the State Treasury, the European Central Bank, the governments or central banks of EU member states or the Organisation for Economic Cooperation and Development, excluding states which are restructuring or have restructured their debts in the last five years.
- The risk related to the financing of loans to local government institutions, and thus the risk of investing in public sector covered bonds secured with receivables under such loans, is also mitigated by the requirement for the mortgage bank to obtain, when advancing a loan to a local government institution or purchasing securities issued by a local government institution, an opinion from the regional chamber of accounts, valid as at the day of granting the loan or purchasing the securities, attesting to the possibility of loan repayment or securities repurchase, as such opinion is referred to in Art. 91.2 of the Public Finance Act dated August 27th 2009 (consolidated text: Dz.U. of 2013, item 885).
- The aggregate nominal value of the mortgage bank's receivables referred to in Art. 3.2 of the Covered Bond Act, as well as the rights and funds referred to in Art. 18.3 and Art. 18.4 of the Covered Bond Act entered in the collateral register for covered bonds, forming the basis for issuing public sector covered bonds, may not be lower than 110% of the aggregate par value of the outstanding public sector covered bonds, with the aggregate nominal value of the bank's mortgage-backed receivables referred to in Art 3.2 of the Covered Bond Act, forming the basis for issuing public sector covered bonds, being not lower than 85% of the aggregate par value of the outstanding public sector covered bonds.

- The mortgage bank's interest income, determined for public sector covered bonds, on receivables referred to in Art. 3.2 of the Covered Bond Act, as well as the rights and funds referred to in Art. 18.3 and Art. 18.4 of the Covered Bond Act, which are the basis for issuing public sector covered bonds, may not be lower than interest expense on the outstanding public sector covered bonds.

In addition, the Covered Bond Act introduces requirements and solutions which apply to both mortgage covered bonds and public sector covered bonds and are designed to increase the security of investing in such instruments:

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

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

- 1) liabilities under outstanding covered bonds are secured by the mortgage bank in accordance with the Covered Bond Act;
- 2) the mortgage lending value of real estate adopted by the mortgage bank has been determined in accordance with the real estate valuation rules applicable at the mortgage bank;
- 3) the mortgage bank does not breach the requirements specified in the Covered Bond Act; if the bank does breach the requirements, the Trustee is obliged to promptly notify the Financial Supervision Authority;
- 4) the results of the Coverage Balance Test and the Liquidity Test confirm that the mortgage bank's receivables, as well as the rights and funds entered in the covered bonds collateral register, are sufficient to satisfy all claims of the covered bond holders, and if the result of the Coverage Balance Test or the Liquidity Test is not positive, the Trustee is obliged to promptly notify the Financial Supervision Authority;
- 5) the mortgage bank keeps the covered bonds collateral register in a manner compliant with the Covered Bond Act;
- 6) the mortgage bank provides collateral for a planned issue of covered bonds in accordance with the Covered Bond Act, and inspects whether appropriate entries have been made in the covered bonds collateral register.”.

In Chapter VIII Business Overview, Section 2 Key Markets, Subsection 2.2 Market of Covered Bonds

after the last paragraph, a new paragraph is added reading as follows:

“As of January 1st 2016, the Act of July 24th 2015 on the Amendment Act has entered into force. It introduces amendments which, in the opinion of the Bank’s Management Board, may affect the market of covered bonds, including:

- 1) improvement of the security of investment in covered bonds – mortgage banks have been obliged to overcollateralise covered bonds in issue in an amount of at least 10% of the issue value, to maintain a liquidity buffer to secure the service of interest on covered bonds over six consecutive months and to perform coverage balance tests and liquidity tests; detailed rules governing creditor satisfaction and the procedure for a mortgage bank’s bankruptcy have also been laid down;
- 2) increase of the limit on refinancing housing loans with proceeds from covered bond issues from the existing level of 60% to 80% of the mortgage lending value of real estate; and
- 3) exemption of interest or discount on covered bonds from withholding tax.”.

In Chapter XVI Securities Note (Terms and Conditions of Covered Bond Issues under the Programme), Introduction – Terms and Conditions of the Covered Bond Issue

After the words: “In performance of the provisions of Art. 7.2 in conjunction with Art. 6.9 of the Covered Bond Act” the following words are added:

“(and as from 1 January 2016 - in performance of the provisions of Art. 6.9 of the Covered Bond Act)”.

In Chapter XVI Securities Note (Terms and Conditions of Covered Bond Issues under the Programme), Section 1 Form of Covered Bonds

in the first paragraph, after the words: “under Art. 3.1 and Art. 3.2 in connection with Art. 7.1 of the Covered Bond Act” the following words are added:

“(and as from 1 January 2016 - under Art. 3.1 and Art. 3.2 of the Covered Bond Act)”.

In Chapter XVI Securities Note (Terms and Conditions of Covered Bond Issues under the Programme), Section 2 Status of Covered Bonds

After the existing text of the second paragraph the following new text is added:

“In the event that the Issuer is declared bankrupt (as a result of bankruptcy proceedings initiated after December 31st 2015), the Issuer’s claims, rights and funds referred to in Art. 18.3, Art. 18.3a and Art. 18.4 of the Covered Bond Act, entered in the covered bonds collateral register, proceeds from the repayment of claims entered in the covered bonds collateral register and assets acquired in exchange for assets entered in the covered bonds collateral register constitute a separate pool of the bankrupt’s assets, which will be applied to satisfy the claims of creditors under covered bonds issued by the Issuer, including Covered Bonds issued as part of the Programme. After creditors’ claims under covered bonds are satisfied, any excess assets from the separate pool are included in the bankruptcy estate, serving to satisfy the claims of the Issuer’s creditors other than Holders of Covered Bonds (see Art. 442 of the Bankruptcy Law).”.

In Chapter XVI Securities Note (Terms and Conditions of Covered Bond Issues under the Programme), Section 10 Repurchase of Covered Bonds

After the existing text, the following text is added:

“In connection with the entry into force, as from 1 January 2016, of the Amendment Act, the terms of repurchase of the Covered Bonds are as follows. Covered Bonds of a given series shall be repurchased by the Issuer on the Maturity Date by paying the Maturity Amount. The Holder of a Covered Bond may not submit the Covered Bond for repurchase before the Maturity Date defined in the Supplement for Covered Bonds of a given series.

With regard to Covered Bonds issued before July 1st 2015, pursuant to Art. 24.3 of the Bond Act in conjunction with Art. 8.1.3 of the Covered Bond Act, in the event that the Issuer is liquidated, the Covered Bonds shall be subject to immediate repurchase as of the opening day of the liquidation proceedings.

With regard to Covered Bonds issued after June 30th 2015, pursuant to Art. 74.5 of the New Bond Act in conjunction with Art. 8.1.3 of the Covered Bond Act, in the event that the Issuer is liquidated, the Covered Bonds shall be subject to immediate repurchase as of the opening day of the liquidation proceedings. Pursuant to Art. 74.4 of the New Bond Act in conjunction with Art. 8.1.3 of the Covered Bond Act, in the event of the Issuer's merger with another entity, its division or transformation of its legal form, the Covered Bonds shall be subject to immediate repurchase if the entity which has assumed the Issuer's obligations under the Covered Bonds is not authorised to issue Covered Bonds under the Act."

For the terms and conditions of repurchase of Covered Bonds in the event that the Issuer is declared bankrupt, see Section 12a "The Terms and Conditions of Interest Payment and Covered Bond Repurchase in the Event that the Issuer is Declared Bankrupt".

In Chapter XVI Securities Note (Terms and Conditions of Covered Bond Issues under the Programme), Section 11 Purchase of Own Covered Bonds by the Issuer or Redemption of Covered Bonds

at the end of the first sentence of Subsection 2 the following text is added:

"and only provided that this is expressly permitted by the Terms and Conditions of the Issue of Covered Bonds of a given series.";

and in the third sentence, after the words: "maturing in more than five years" the following words are added:

"and with respect to which redemption has been permitted, shall be presented in the Supplement concerning Covered Bonds of a given series on a case-by-case basis."

In Chapter XVI Securities Note (Terms and Conditions of Covered Bond Issues under the Programme), after Section 12 Payments under Covered Bonds, a new Section 12a "Terms and Conditions of Interest Payment and Covered Bond Repurchase in the Event that the Issuer is Declared Bankrupt" is added, reading as follows:

"12a. Terms and Conditions of Interest Payment and Covered Bond Repurchase in the Event that the Issuer is Declared Bankrupt

1) Extension of Maturity Dates

Pursuant to Art. 446.1 of the Bankruptcy Law, as of the date of declaring the Issuer's bankruptcy, the maturity dates of its liabilities towards creditors under Covered Bonds are extended by 12 months.

Pursuant to Art. 446.2 of the Bankruptcy Law, liabilities towards creditors under Covered Bonds which had become due before the date of declaring the Issuer's bankruptcy, and which had not been paid by that date, shall be satisfied within 12 months from the bankruptcy declaration date, but no earlier than after the first announcement of the Coverage Balance Test results or the Coverage Balance Test results and the Liquidity Test results, unless the Coverage Balance Test result or the Liquidity Test result is not positive.

This 12-month postponement of payment shall not apply to interest on Covered Bonds. Pursuant to Art. 446.3 of the Bankruptcy Law, interest on claims under Covered Bonds payable by the Issuer shall be paid in the manner and within the time limits set forth in the relevant Terms and Conditions of the Issue of Covered Bonds presented in the Supplement concerning a given series.

2) Coverage Balance Tests and Liquidity Tests

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

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

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

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

3) Payments in the Case of Positive Result of the Coverage Balance Test and Positive Result of the Liquidity Test

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

- interest on the Covered Bonds shall be payable in the manner and within the time limits set forth in the relevant Terms and Conditions of the Issue of Covered Bonds presented in the Supplement concerning a given series;
- the claims of creditors under the principal amount of the Covered Bonds shall be satisfied in accordance with the Terms and Conditions of the Issue of Covered Bonds of a given series set forth in the Supplement to a given series, subject to the said Art. 446.1 of the Bankruptcy Law, that is satisfied within their maturity dates postponed by 12 months;
- at the same time, if the proceeds from sale of the assets of the separate pool, net of the total nominal value of interest on the outstanding covered bonds issued by the Bank, payable within subsequent six months, and the amounts of liabilities towards creditors under the covered bonds which had become due before the date of declaring the Issuer's bankruptcy, but which had not been paid by that date, represent at least 5% of the total par value of the outstanding covered bonds, the claims of creditors under the covered bonds may be satisfied pro rata to the amount of the claims, earlier than within their extended maturity dates. The funds shall be transferred to creditors under the Covered Bonds on the next interest payment date set forth in the Supplement, but no earlier than after 14 days from the day on which the judge-commissioner's decision approving the receiver's accounting report, referred to in Art. 168.5 of the Bankruptcy Law, becomes final.

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

- In addition, the meeting of creditors under covered bonds, no later than within two months from the date of announcing the test results, may pass a resolution requiring the receiver to take steps in order to sell all claims and rights of the bankrupt Issuer included in the separate pool of assets:
 - 1) to a mortgage bank, involving a transfer of all the bankrupt bank's liabilities towards the creditors under covered bonds, or
 - 2) to a mortgage bank or any other bank, without a transfer of the bankrupt bank's liabilities towards the creditors under covered bonds.

If a resolution is passed obliging the receiver to take steps in order to sell all the bankrupt Issuer's claims and rights included in the separate pool of the bankrupt's assets, referred to Art. 446b.2.2 of the Bankruptcy Law, claims for interest for the period until the date of selling the bankrupt Issuer's claims and rights shall be satisfied from the separate pool of assets.

4) Payments in the Case of Positive Result of the Coverage Balance Test and Lack of Positive Result of the Liquidity Test

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

- interest on the Covered Bonds shall be payable in the manner and within the time limits set forth in the relevant Terms and Conditions of the Issue of Covered Bonds presented in the Supplement concerning a given series;
- the maturity dates of the Issuer's liabilities towards creditors under the par value of Covered Bonds, including liabilities due but not paid before the date of declaring the Issuer's bankruptcy, shall be extended by three years, counting from the latest maturity date of a claim entered in the covered bonds collateral register (Art. 446c.1.1 of the Bankruptcy Law);
- early repayment of the creditors' claims under covered bonds from assets comprising the separate pool of the bankruptcy estate is possible if the assets, net of the total nominal value of interest on the outstanding covered

bonds due over the next six months, and the cost of proceedings concerning the separate pool of assets, following from the receiver's reports presented in accordance with Art. 168 in conjunction with Art. 432 of the Bankruptcy and Restructuring Law (Art. 446c.1.2 of the Bankruptcy Law), amount to at least 5% of the total par value of the outstanding covered bonds, such excess shall be paid pro rata to the creditors under covered bonds in repayment of the principal amount on the next interest payment date, falling no earlier than after 14 days from the date of approving the receiver's report;

- however, the meeting of creditors under covered bonds issued by the Bank, no later than within three months from the date of announcing the test results, may resolve not to apply this procedure or to apply the procedure described in the next subsection;
- the meeting of creditors under covered bonds issued by the Bank may resolve to agree on liquidation of the separate pool of the bankrupt's assets and sale of the assets entered in the collateral register for covered bonds. In such a case, the Bank's liabilities towards creditors under covered bonds shall become due on the date of such resolution;
- in the event that the resolution referred to in the subsection above is passed, it shall be possible to sell the assets entered in the collateral register for covered bonds:
 - 1) to any bank other than a mortgage bank, without a transfer of the bankrupt bank's liabilities towards the creditors under covered bonds;
 - 2) to an entity other than a bank – in the case of assets which may be held by entities other than banks;
- in the event of selling an asset entered in the covered bonds collateral register without a transfer to the acquirer of the bankrupt bank's liabilities towards the creditors under covered bonds, proceeds from the sale shall be used to satisfy the claims for interest on the covered bonds secured with that asset for the period until the sale date.

5) Payments in the Case of Lack of Positive Result of the Coverage Balance Test

If the result of the Coverage Balance Test is not positive, the same payment rules shall apply as those specified in Section 4 (*Payments in the Case of Positive Result of the Coverage Balance Test and Lack of Positive Result of the Liquidity Test*) above.

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

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

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

In Chapter XVI Securities Note (Terms and Conditions of Covered Bond Issues under the Programme), Section 15 Type, Scope, and Form of Collateral

At the end of the first sentence of the fifth paragraph, after the words: "a mortgage-backed loan" the following words are added:

"provided that in accordance with the Amendment Act, it relates to the state: (1) on the day it is advanced by the Issuer – in case of a mortgage-backed loan granted by the Issuer, or (2) on the day the Issuer acquires claims under such loan - in case the Issuer acquires such claims from other banks.";

In the last sentence of the last paragraph, after the words "Declaration of a mortgage bank bankruptcy" the following words are added:

"in the event that the insolvency proceedings have been initiated against the mortgage bank and have not been finished before the date of the entry into force of the Amendment Act";

and after the words: “cf. Art. 446 of the Bankruptcy Law” the following words are added:

“in the wording applicable before the entry into force of the Amendment Act”

after the last paragraph the following text is added:

“In connection with the entry into force, as from 1 January 2016, of the Amendment Act, if a mortgage bank is declared bankrupt, a separate pool of assets which will be applied to satisfy the claims of creditors under covered bonds, consists of:

- 1) claims of the mortgage bank, and rights and funds referred to in Art. 18 sec. 3, 3a and 4 of the Covered Bond Act;
- 2) funds received as a result of repayment of the claims recorded in the covered bonds collateral register;
- 3) assets received in exchange of the assets recorded in the covered bonds collateral register.

For a detailed description of the Terms and Conditions of Interest Payment and Covered Bond Repurchase in the Event that the Issuer is Declared Bankrupt, binding in connection with the Amendment Act, see Section 12a of this Chapter.”.

In Chapter XVI Securities Note (Terms and Conditions of Covered Bond Issues under the Programme), Section 16.3 Basis for the Covered Bond Issue

after the existing text of the second paragraph the following text is added:

“In connection with the entry into force, as from 1 January 2016, of the Amendment Act, pursuant to the provisions of the Covered Bond Act, Covered Bonds are issued on the basis of:

- (i) in the case of Mortgage Covered Bonds – the Issuer’s claims under mortgage-backed loans, entered in the covered bonds collateral register in accordance with the Covered Bond Act; Mortgage Covered Bond may be issued also on the basis of funds: (1) invested in securities issued or guaranteed by the National Bank of Poland, the European Central Bank, the governments or central banks of member states of the European Union, and the Organisation of Economic Cooperation and Development, excluding the states which are restructuring or have restructured their foreign debt during the last five years, or by the State Treasury; (2) placed with the National Bank of Poland; and (3) held in cash, with the proviso that the aggregate nominal value of the bank’s mortgage-backed receivables, forming the basis for issuing mortgage covered bonds, may be not lower than 85% of the aggregate par value of the outstanding mortgage covered bonds.
- (ii) in the case of Public Sector Covered Bonds – the Issuer’s claims under: a) (1) the secured portion of loans with interest due and guarantees or sureties issued by the National Bank of Poland, the European Central Bank, the governments or central banks of member states of the European Union, the Organisation of Economic Cooperation and Development, excluding the states which are restructuring or have restructured their foreign debt in the last five years and guarantees or sureties of the State Treasury pursuant to the provisions of separate statutes; or (2) loans advanced to the entities listed in item (1) above, or (3) the secured portion of loans with interest due and guarantees or sureties of local government institutions, and loans advanced to local government institutions. Public Sector Covered Bond may be issued also on the basis of funds: (1) invested in securities issued or guaranteed by the National Bank of Poland, the European Central Bank, the governments or central banks of member states of the European Union, and the Organisation of Economic Cooperation and Development, excluding the states which are restructuring or have restructured their foreign debt during the last five years, or by the State Treasury; (2) placed with the National Bank of Poland; and (3) held in cash, with the proviso that the aggregate nominal value of the bank’s receivables referred to in Art. 3.2 of the Covered Bond Act, forming the basis for issuing public sector covered bonds, may be not lower than 85% of the aggregate par value of the outstanding public sector covered bonds.”.

In Chapter XVI Securities Note (Terms and Conditions of Covered Bond Issues under the Programme), Section 18 Rules Governing the Taxation of Income Connected with the Holding of and Trade in Covered Bonds on a Regulated Market

at the end of the existing text of the introduction the following words are added:

“unless this Prospectus expressly indicates that it refers to tax laws in force after the date of this Prospectus.”.

In Chapter XVI Securities Note (Terms and Conditions of Covered Bond Issues under the Programme), Section 18 Rules Governing the Taxation of Income Connected with the Holding

of and Trade in Covered Bonds on a Regulated Market, Subsection 18.1.2 Taxation of Interest Income from Covered Bonds Earned by Foreign Natural Persons

after the last paragraph, a new paragraph is added reading as follows:

“Pursuant to Art. 21.1.130a of the Polish Personal Income Tax Act, in effect as of January 1st 2016, interest accrued and discount on covered bonds are exempt from income tax if they are obtained by natural persons not domiciled in the Republic of Poland.”.

In Chapter XVI Securities Note (Terms and Conditions of Covered Bond Issues under the Programme), Section 18 Rules Governing the Taxation of Income Connected with the Holding of and Trade in Covered Bonds on a Regulated Market, Subsection 18.1.4 Taxation of Interest Income from Covered Bonds Earned by Foreign Legal Persons

after the last paragraph, a new paragraph is added reading as follows:

“Pursuant to Art. 17.1.50a of the Polish Corporate Income Tax Act, in effect as of January 1st 2016, interest accrued and discount on covered bonds are exempt from income tax if they are obtained by legal persons not having their registered office or management in the Republic of Poland.”.

In Chapter XVI Securities Note (Terms and Conditions of Covered Bond Issues under the Programme), Section 20 Covered Bond Collateral Register

after the existing text of the first paragraph, the following new text is added:

“As from 1 January 2016, the Issuer manages and keeps the Covered Bonds Collateral Register. The Issuer’s claims, as well as the rights and funds referred to in Art. 18.3 and Art. 18.4 of the Covered Bond Act, forming a basis for the issue of Covered Bonds, as well as the surplus funds referred to in Art. 18.3a of the Covered Bond Act, are entered as separate items into the Register. The Covered Bonds Collateral Register is maintained separately for Mortgage Covered Bonds and Public Sector Covered Bonds. Whenever a mortgage securing the Issuer’s claim entered into the Collateral Register for Mortgage Covered Bonds is established, an appropriate entry should be made in the relevant Land and Mortgage Register. Detailed rules governing the maintenance of the Covered Bonds Collateral Register are defined in the relevant rules of procedure applied by the Issuer. The form of the Register is based on the form defined under the Polish Financial Supervision Authority’s Resolution passed on the basis of Art. 24.6 of the Covered Bond Act.”;

after the last paragraph, a new paragraph is added reading as follows:

“As of January 1st 2016, the act of creating security for the Issuer’s liabilities, involving the Issuer’s receivables, or the rights or funds referred to in Art. 18.3, Art 18.3a and Art. 18.4 of the Covered Bond Act, entered in the covered bonds collateral register, shall be invalid, unless it was taken to secure the Issuer’s liabilities for the purpose of:

- 1) hedging instruments referred to in Art. 18.4 of the Covered Bond Act, entered into the covered bonds collateral register;
- 2) the payment system and the securities settlement system of which the mortgage bank is a participant, and settlement of financial collateral created in accordance with the provisions of the Act of April 2nd 2004 on Certain Financial Collateral Arrangements (Dz.U. of 2012, items 942 and 1166, and Dz.U. of 2013, item 1036).”.

In Chapter XVI Securities Note (Terms and Conditions of Covered Bond Issues under the Programme)

after Section 21 Computation of Covered Bond Yield, a new Section 22 “Covered Bond Collateral Evaluation” is added reading as follows:

“The Issuer shall evaluate covered bond collateral in order to monitor long-term compliance with the requirements referred to in Art. 18.1, Art. 18.1a and Art. 18.2 of the Covered Bond Act. Such evaluation shall be made on each business day.

The Issuer shall also perform, separately for mortgage covered bonds and public sector covered bonds:

- 1) at least every six months – a Coverage Balance Test in order to determine whether the Issuer’s receivables entered in the covered bonds collateral register are sufficient to satisfy all claims of the holders of covered bonds issued by the Bank, and
- 2) at least every three months – a Liquidity Test in order to determine whether the receivables are sufficient to satisfy the claims within the extended maturity dates referred to in Art. 446.1 of the Bankruptcy Law.

If the result of the Coverage Balance Test or the Liquidity Test is not positive, the Trustee promptly notifies the Financial Supervision Authority, in accordance with Art 30a of the Covered Bond Act.”.

In Chapter XX Definitions

new definitions are added after the definition of IFRS, reading as follows:

“Amendment Act

The Act of July 24th 2015 on the Amendment of the Act on Covered Bonds and Mortgage Banks and Certain Other Acts (Dz.U. of 2015, item 1259).

CRR

Regulation No. 575/2013 of the European Parliament and of the Council of June 26th 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 OJ L 176 of 27.06.2013, p. 1, as amended).”.

a new definition is added after the definition of Supplement, reading as follows:

“Liquidity Test

a test carried out in the manner specified in the regulation of the minister competent for financial institutions, issued on the basis of Art. 25.7 of the Covered Bond Act, with the objective of determining whether, at the date of such determination, the mortgage bank’s receivables as well as the rights and funds referred to in Art. 18.3, Art. 18.3a and Art. 18.4 of the Covered Bond Act, entered into the covered bonds collateral register, are sufficient to satisfy all claims of the covered bond holders within the extended maturity dates referred to in Art. 446.1 of the Bankruptcy Law.

Coverage Balance Test

a test carried out in the manner specified in the regulation of the minister competent for financial institutions, issued on the basis of Art. 25.7 of the Covered Bond Act, with the objective of determining whether, at the date of such determination, the mortgage bank’s receivables as well as the rights and funds referred to in Art. 18.3, Art. 18.3a and Art. 18.4 of the Covered Bond Act, entered into the covered bonds collateral register, are sufficient to satisfy all claims of the covered bond holders.”.

In Chapter XXI Appendices, in the appendix Supplement “Final Terms and Conditions of Series [•] [Mortgage] [Public Sector] Covered Bonds (“CB”)”

after the line “CB Redemption Notification Date”, new lines are added reading as follows:

Provisions Governing the Manner and Time Limits of Interest Payment in the Event that the Issuer is Declared Bankrupt

Interest Payment Dates	[•]
Payment Method	[•]

Provisions Governing the Time Limits and Terms of CB Repurchase in the Event that the Issuer is Declared Bankrupt

Time Limits and Terms of Repurchase	[•]”.
-------------------------------------	-------

after the the existing text of the “Representation by the Trustee”:

“REPRESENTATION BY THE TRUSTEE

In performance of the provisions of Art. 7.2 in conjunction with Art. 6.9 of the Act on Covered Bonds and Mortgage Banks of August 29th 1997 (Dz.U. of 2003, No. 99, item 919, as amended), I [●], as the Trustee of BRE Bank Hipoteczny S.A., represent that the issue of Series [●] [mortgage] [public sector] covered bonds which this Supplement concerns is secured by the Issuer in accordance with the said Act. The Issuer has made appropriate entries in the collateral register for [mortgage] [public sector] covered bonds. I also represent that the issue of Series [●] [mortgage] [public sector] covered bonds does not exceed the limits specified in Art. 18 of the said Act as at [●].

Warsaw, [date]”

the following text is added:

“[applicable for the Covered Bonds issued from 1 January 2016]

REPRESENTATION BY THE TRUSTEE

In performance of the provisions of Art. 6.9 of the Act on Covered Bonds and Mortgage Banks of August 29th 1997 (Dz.U. of 2003, No. 99, item 919, as amended), I [●], as the Trustee [Deputy Trustee] of mBank Hipoteczny S.A., represent that the issue of Series [●] [mortgage] [public sector] covered bonds to which this Supplement relates is secured by the Issuer in accordance with the said Act. The Issuer has made appropriate entries in the collateral register for [mortgage] [public sector] covered bonds. I also represent that the issue of Series [●] [mortgage] [public sector] covered bonds does not breach the requirements specified in Art. 18 of the said Act as at [●]. [Furthermore, the results of the coverage balance test performed on [●] and of the liquidity test performed on [●] confirm that the Issuer’s receivables, as well as the rights and funds referred to in Art. 18.3, Art. 18.3a and Art. 18.4 of the said Act, entered in the [mortgage][public sector] covered bonds collateral register, are sufficient to satisfy all claims of the [mortgage][public sector] covered bond holders.]¹

Warsaw, [date]”.

¹ Applicable after the date on which the Issuer performs the first coverage balance test and liquidity test in accordance with Art. 25 of the Covered Bond Act and in accordance with the regulation issued on the basis of Art. 25.7 of the Covered Bond Act.