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Appendix 20
approved by the Polish Financial Supervision Authority on April 4th 2014, to the Base Prospectus of mBank Hipoteczny S.A. (formerly BRE Bank Hipoteczny S.A.), approved by the Polish Financial Supervision Authority on October 28th 2009

This Appendix 20 has been drawn up to update the Issue Prospectus by supplementing it with historical financial information for 2013 and with information on trends prevailing in the period from January 1st 2014 to February 28th 2014, in connection with the publication of financial statements of mBank Hipoteczny S.A. for 2013.

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 2013, prepared in compliance with the IFRS as endorsed by the EU, containing comparative data for the year ended December 31st 2012. The financial information is supplemented by 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 2013, the loan portfolio volume (including off-balance-sheet items) grew by PLN 118,211 thousand relative to the end of 2012. Total on-balance-sheet and off-balance-sheet exposure (commercial loans, housing loans, loans to local government institutions) reached PLN 5,014.8m at the end of 2013, and the value of loans granted from January to December 2013 was PLN 1,077,107 thousand (Table 3g).

As at the end of 2013, loans for financing of commercial real estate accounted for 89.3% of the Bank's entire loan portfolio. In terms of currency, EUR-denominated loans had a dominant share in the total portfolio, followed by PLN-denominated loans. As at the end of 2013, foreign currency loans accounted for 52.4% of the aggregate loan portfolio (Table 2g).

The following table is added under Table 1f:

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

Product		Dec 31 2013	Dec 31 2012	Change (%) Dec 31 2013/ Dec 31 2012
Commercial loans	*On-balance-sheet exposure*	3,518,831	3,500,111	0.53%
	Off-balance-sheet exposure	961,467	745,486	28.97%
	Total exposure	**4,480,298**	**4,245,598**	**5.53%**
Housing loans	*On-balance-sheet exposure*	46,670	45,849	1.79%
	Off-balance-sheet exposure	382	1,105	-65.43%
	Total exposure	**47,051**	**46,954**	**0.21%**
Loans to local government institutions	*On-balance-sheet exposure*	479,491	561,883	-14.66%
	Off-balance-sheet exposure	7,950	41,841	-81.00%
	Total exposure	**487,441**	**603,724**	**-19.26%**
Total	*On-balance-sheet exposure***	4,045,000	4,108,155	-1.54%
	Off-balance-sheet exposure	969,798	788,433	23.00%
	Total exposure	**5,014,799**	**4,896,588**	**2.41%**

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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 above data relate to the portfolio value including loan interest, net of impairment losses.*
***The loan portfolio as at the end of December 2013 and the end of December 2012 includes other amounts due from non-financial sector (instalment sale of foreclosed flats) of PLN 8 thousand (end of December 2013) and PLN 312 thousand (end of December 2012).*

The following new table is added under Table 2f:

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

Product	Dec 31 2013			Dec 31 2012		
	PLN	EUR	USD	PLN	EUR	USD
Commercial loans	42.0%	56.0%	2.0%	50.1%	47.5%	2.4%
Housing loans	40.5%	49.2%	10.3%	33.1%	54.3%	12.6%
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)	**47.6%**	**50.5%**	**1.9%**	**56.1%**	**41.7%**	**2.2%**

Source: the Issuer.

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

The following table is added under Table 3f:

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

Product	Jan 1 2013 - Dec 31 2013		Jan 1 2012 - Dec 31 2012	
	value**	number	value***	number
Commercial loans	**1,070,756**	**52**	**892,050**	**45**
Including loans for:				
- construction projects	537,038	15	184,708	6
- refinancing of real estate	360,381	28	251,216	25
- land purchase				
- loans to residential developers	173,337	9	456,126	14
Housing loans (retail – agency model)	**6,351**	**34**	**0**	**0**
Loans to local government institutions	**0**	**0**	**3,950**	**2**
advanced directly to local government institutions	0	0	3,950	2
guaranteed by local government institutions	0	0	0	0
Total	**1,077,107**	**86**	**896,000**	**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 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.*
****The value of sales in the period January 1st–December 31st 2012 accounts for annexes to loan agreements under which the principal amounts of previous years' loans were increased by PLN 12,465 thousand. The value of agreements corresponds to the loan amounts as per agreement, translated at historical exchange rates.*

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

The following text is added after the existing wording:

As at the end of 2013, the total commercial loan portfolio increased on the end of December 2012, from PLN 4,245,598 thousand to PLN 4,480,298 thousand (on-balance sheet and off-balance sheet exposure).

In 2013, 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. As far as loans to residential developers are concerned, the Bank sought to position itself as a provider of financing for medium-sized projects (up to 100 flats) in attractive locations.

The average loan repayment period was 12.6 years. Loans bearing interest at variable rates prevailed in the portfolio. Foreign currency loans represented the largest proportion of the total commercial loan portfolio, with a 58.0% share as at the end of 2013.

Sub-Section 1.1.2: Loans to Local Government Institutions

The following text is added at the beginning:

As at the end of 2013, the total on-balance-sheet and off-balance-sheet exposure to the public sector reached PLN 487,441 thousand and represented 9.7% of the total credit exposure. Loans with an average repayment term of 16.5 years accounted for the majority of the portfolio of loans to local government institutions.

Similarly to 2012, the Bank was scaling down sales of loans to local government institutions in 2013. Lack of new agreements in 2013 coupled with a significant level of early repayments translated into a lower on-balance-sheet exposure attributable to these loans compared with the previous year (down 14.66% y-o-y).

Sub-Section 1.1.3: Housing Loans to Retail Customers

The following text is added after the second paragraph:

The value of the housing loan portfolio was slightly up, to PLN 47,051 thousand as at the end of 2013 (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 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.

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 2013, prepared in compliance with the IFRS as endorsed by the EU, containing comparative data for the year ended December 31st 2012. The financial information is supplemented by selected unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

This is a translation from the original Appendix 20 dated 04.04.2014 and should not be read in substitution of the original Appendix 20. This translation of the original Appendix 20 dated 04.04.2014 does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Offer or to subscribe or purchase of any of the Mortgage and Public Sector Covered Bonds.

The following new table is added under Table 9f:

Table 9g Financial highlights of the Issuer (PLN ’000)

	Dec 31 2013	Dec 31 2012
ASSETS		
Cash and transactions with Central Bank	7,378	3,069
Amounts due from other financial institutions	22,377	10,282
Derivative financial instruments	12,913	11,128
Amounts due from non-financial sector	4,045,000	4,108,155
Investment securities	605,824	566,258
Investments in subsidiaries	-	65
Intangible assets	3,548	1,384
Property, plant and equipment	9,110	9,171
Deferred tax assets	13,058	9,960
Current income tax asset	620	-
Other assets	62,615	90,240
Total assets	**4,782,443**	**4,809,712**

Source: the Issuer’s financial statements.

**The comparative data for 2012 have been restated so as to reflect the presentation changes made in the financial statements for the year ended December 31st 2013.*

The following new table is added under Table 10f:

Table 10g Financial highlights of the Issuer (PLN ’000)

	Dec 31 2013	Dec 31 2012
EQUITY AND LIABILITIES		
Amounts due to other financial institutions	1,203,488	1,172,467
Derivative financial instruments	278	461
Amounts due to non-financial sector	295,167	179,033
Liabilities under debt securities in issue	2,661,407	2,852,445
Subordinated liabilities	100,268	100,316
Other liabilities and provisions	19,872	4,122
Current income tax liability	-	163
Total liabilities	**4,280,480**	**4,309,007**

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Equity	**501,963**	**500,705**
Share capital	275,000	275,000
- Registered share capital	275,000	175,000
- Unregistered share capital paid up	-	100,000
Retained earnings	225,469	223,315
- Profit/(loss) brought forward	223,315	214,028
- Current year profit/(loss)	2,154	9,287
Other equity items	1,494	2,390
Total equity	**501,963**	**500,705**
Total equity and liabilities	**4,782,443**	**4,809,712**

Source: the Issuer's financial statements.

**The comparative data for 2012 have been restated so as to reflect the presentation changes made in the financial statements for the year ended December 31st 2013.*

The following text is added under Table 10g:

As at the end of 2013, the Bank's balance-sheet total stood at PLN 4,782,443 thousand, down PLN 27,269 thousand on the end of 2012. Amounts due from non-financial sector were the key item of assets, accounting for 84.6% of the total.

As at the end of 2013, the Bank's total loan portfolio was PLN 5,014,799 thousand (on-balance-sheet and off-balance-sheet exposure), up by 2.4% relative to the end of 2012. As at the end of 2013, 89.3% of amounts due from non-financial sector (on-balance-sheet and off-balance-sheet exposure) were amounts due from corporate clients, while the remaining 10.7% – from the budget sector and retail customers.

Liabilities under debt securities in issue were the main item of the Bank's liabilities, accounting as at December 31st 2013 for 55.6% 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 25.2% of the balance-sheet total.

The following new table is added under Table 11f:

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

Contingent liabilities and commitments granted and received	Dec 31 2013	Dec 31 2012
Financial commitments and liabilities	979,471	798,623
Interest rate derivatives	663,552	976,353
Foreign currency derivatives	1,327,909	1,582,082
Financial commitments received	169,033	218,958
Total off-balance sheet items	**3,139,965**	**3,576,016**

Source: the Issuer.

The following new table is added under Table 12f:

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

	2013	2012
Interest income	227,065	275,292
Interest expense	(152,286)	(198,134)

Net interest income	**74,779**	**77,158**
Fee and commission income	5,277	5,432
Fee and commission expense	(1,584)	(1,647)
Net fee and commission income	**3,693**	**3,785**
Trading profit, including:	**3,185**	**3,114**
Foreign exchange gains/(losses)	4,186	2,278
Profit/(loss) on other trading activities	(1,001)	836
Gain/(loss) on investments in subsidiaries	63	-
Other income	7,297	674
Net impairment losses on loans and advances	(34,866)	(26,260)
Administrative expenses	(39,189)	(36,867)
Amortisation and depreciation	(4,162)	(3,748)
Other expenses	(5,903)	(3,757)
Pre-tax profit	**4,897**	**14,099**
Corporate income tax	(2,743)	(4,812)
Net profit	**2,154**	**9,287**

Source: financial statements of the Issuer.

**The comparative data for 2012 have been restated so as to reflect the presentation changes made in the financial statements for the year ended December 31st 2013.*

The following text is added under Table 12g:

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 4,897 thousand in 2013 and was PLN 9,202 thousand lower than pre-tax profit generated in 2012.

The lower pre-tax profit in 2013 (down 65.3% relative to 2012) was mainly attributable to the PLN 8,606 thousand increase in impairment losses on loans and advances. Other factors which affected pre-tax profit were higher operating costs related to reorganisation of the Bank's business and a year-on-year decline in net interest income, led mainly by a decrease in the loan portfolio value and interest rate cuts. Other factors which contributed to the lower pre-tax profit included:

- sale agreement with BDH Development Sp. z o.o. of December 23rd 2013, as amended by notarial deed of January 3rd 2014, for a total net amount of PLN 15,644 thousand, which, due to the fact that the property sold under the agreement was VAT-exempt, is equivalent to the gross (VAT-inclusive) price; in line with the provisions of the agreement, the amount was paid to the Bank in January 2014; the carrying amount of the property was PLN 18,500 thousand; in connection with the sale transaction, an impairment loss of PLN 1,093 thousand previously recognised on the property was reversed; the accounting loss was PLN (1,762) thousand and the tax loss − PLN (2,855) thousand,
- sale agreement with BDH Development Sp. z o.o. of December 23rd 2013, for a total gross (VAT-inclusive) amount of PLN 14,333 thousand and net (VAT-exclusive) amount of PLN 13,182 thousand; in line with the provisions of the agreement, the amount was paid to the Bank in January 2014; the carrying amount of the property was PLN 15,727 thousand; in connection with the sale transaction, an impairment loss of PLN 1,389 thousand previously recognised on the property was reversed; the accounting loss was PLN (1,156) thousand, and the tax loss – PLN (2,545) thousand.

The factors which reduced pre-tax profit were partly offset by higher other income (up by PLN 6,623 thousand compared with 2012). Other income included mainly income from sale of receivables (PLN 841 thousand) and profit from sale of inventories (PLN 5,658 thousand).

On December 2nd 2013, the Bank entered into an agreement for sale of receivables which had been previously written off. Following the sale transaction, the Bank recognised an income of PLN 841 thousand, which was presented in other income.

The profit on sale of inventories was generated following an agreement for sale of two properties foreclosed in 2012:

- sale agreement with BDH Development Sp. z o.o. of December 12th 2013 for a total gross (VAT-inclusive) amount of PLN 48,462 thousand and net (VAT-exclusive) amount of PLN 39,400 thousand; in accordance with the provisions of the agreement, the amount was paid to the Bank in 2013; the value of the property in the Bank's books was PLN 35,145 thousand; the accounting profit on the transaction was PLN 4,255 thousand, and the tax profit – PLN 6,503 thousand; the difference between the accounting profit and tax profit represented non-deductible expenses,
- sale agreement with BDH Development Sp. z o.o. of December 23rd 2013 for a total gross (VAT-inclusive) amount of PLN 22,784 thousand and net (VAT-exclusive) amount of PLN 18,524 thousand; in accordance with the provisions of the agreement, the amount was to be paid in the following manner: PLN 18,779 thousand was to be paid within 21 days of the agreement date (the amount was paid in January 2014), PLN 4,005 thousand was initially supposed to be paid by March 31st 2014, but under a notary deed executed on March 26th 2014 its payment deadline was postponed until June 15th 2014; the value of the property in the Bank's books was PLN 17,760 thousand; income arising on reversal of the impairment loss on the property was PLN 640 thousand; the accounting profit on the transaction was PLN 1,403 thousand, and the tax profit – PLN 763 thousand.

3. Growth Strategy

The following text is added after the existing wording:

In June 2013, the Bank's Management Board adopted a strategy for 2014-2017, setting out new directions for the Bank's activity and development, as the foundation for strengthening the Bank's market position in its demanding competitive environment.

In Q3 2013, the Bank embarked on a strategic project based on cooperation with mBank with respect to the building of a retail loan portfolio and its refinancing through covered bond issues. In September last year, the Bank started to grant mortgage loans to natural persons, which are offered through the mBank sales network. These are loans which meet the criteria to be entered in the covered bond collateral register and may potentially provide a basis for issues of covered bonds.

In pursuit of this project, in 2013 the Bank implemented an agency model, and its plans for 2014 envisage putting in place a pooling model which would involve taking over mBank's existing retail mortgage loan portfolio with a view to its refinancing with covered bond issues.

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.

Chapter III.
Section 1.1: Credit Risk

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

As a result of the challenging market environment, the share of impaired loans in the Bank's total loans increased to 5.31% as at December 31st 2013 (loan portfolio quality measured as impaired loans to total gross value of loans advanced).

A new table is added under Table 13f:

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

	Dec 31 2013		Dec 31 2012	
Loans to non-financial sector	**Exposure (PLN '000)**	**Share/ Coverage (%)**	**Exposure (PLN '000)**	**Share/ Coverage (%)**
Not yet overdue, unimpaired	3,568,460	86.60%	3,759,439	90.49%
Overdue, unimpaired	333,463	8.09%	217,857	5.24%
Impaired	218,665	5.31%	177,105	4.27%
Total gross loans	4,120,588	100.00%	4,154,401	100.00%
Provision (for impaired and unimpaired loans)	-75,588	1.83%	-46,246	1.11%
Total net loans	4,045,000	98.17%	4,108,155	98.89%

Source: the Issuer.

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

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

The following text is added after the existing wording:

As at December 31st 2013, the share of commercial loans in the Issuer's total loan portfolio (on-balance-sheet and off-balance-sheet exposure) was 89.3%.

As at December 31st 2013, 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.

Chapter V

Section 6

A new paragraph is added:

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. (formerly Ernst & Young Audit sp. z o.o.) audited the Issuer's financial statements for the year ended December 31st 2013 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 2013, prepared in compliance with the IFRS as endorsed by the EU, containing comparative data for the year ended December 31st 2012. The financial information is supplemented by selected unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

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The following new table is added under Table 16f:

Table 16g Financial highlights of the Issuer (PLN ’000)

	Dec 31 2013	**Dec 31 2012**
ASSETS		
Cash and transactions with Central Bank	7,378	3,069
Amounts due from other financial institutions	22,377	10,282
Derivative financial instruments	12,913	11,128
Amounts due from non-financial sector	4,045,000	4,108,155
Investment securities	605,824	566,258
Investments in subsidiaries	-	65
Intangible assets	3,548	1,384
Property, plant and equipment	9,110	9,171
Deferred tax assets	13,058	9,960
Current income tax asset	620	-
Other assets	62,615	90,240
Total assets	**4,782,443**	**4,809,712**

Source: the Issuer’s financial statements.

**The comparative data for 2012 have been restated so as to reflect the presentation changes made in the financial statements for the year ended December 31st 2013.*

The following new table is added under Table 17f:

Table 17g Financial highlights of the Issuer (PLN ’000)

	Dec 31 2013	**Dec 31 2012**
EQUITY AND LIABILITIES		
Amounts due to other financial institutions	1,203,488	1,172,467
Derivative financial instruments	278	461
Amounts due to non-financial sector	295,167	179,033
Liabilities under debt securities in issue	2,661,407	2,852,445
Subordinated liabilities	100,268	100,316
Other liabilities and provisions	19,872	4,122
Current income tax liability	-	163

Total liabilities	**4,280,480**	**4,309,007**
Equity	**501,963**	**500,705**
Share capital	275,000	275,000
- Registered share capital	275,000	175,000
- Unregistered share capital paid up	-	100,000
Retained earnings	225,469	223,315
- Profit/(loss) brought forward	223,315	214,028
- Current year profit/(loss)	2,154	9,287
Other equity items	1,494	2,390
Total equity	**501,963**	**500,705**
Total equity and liabilities	**4,782,443**	**4,809,712**

Source: the Issuer's financial statements.

**The comparative data for 2012 have been restated so as to reflect the presentation changes made in the financial statements for the year ended December 31st 2013.*

The following text is added under Table 17g:

As at the end of 2013, the Bank's balance-sheet total stood at PLN 4,782,443 thousand, down PLN 27,269 thousand on the end of 2012. Amounts due from non-financial sector were the key item of assets, accounting for 84.6% of the total.

As at the end of 2013, the Bank's total loan portfolio was PLN 5,014,799 thousand (on-balance-sheet and off-balance-sheet exposure), up by 2.4% relative to the end of 2012. As at the end of 2013, 89.3% of amounts due from non-financial sector (on-balance-sheet and off-balance-sheet exposure) were amounts due from corporate clients, and the remaining 10.7% – from the budget sector and retail customers.

Liabilities under debt securities in issue were the main item of the Bank's liabilities, accounting as at December 31st 2013 for 55.6% 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 25.2% of the balance-sheet total.

The following new table is added under Table 18f:

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

Contingent liabilities and commitments granted and received	Dec 31 2013	Dec 31 2012
Financial commitments and liabilities	979,471	798,623
Interest rate derivatives	663,552	976,353
Foreign currency derivatives	1,327,909	1,582,082
Financial commitments received	169,033	218,958
Total off-balance sheet items	**3,139,965**	**3,576,016**

Source: the Issuer.

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

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The following new table is added under Table 19f:

Table 19g Selected items of the income statement (PLN ’000)

	2013	2012
Interest income	227,065	275,292
Interest expense	(152,286)	(198,134)
Net interest income	**74,779**	**77,158**
Fee and commission income	5,277	5,432
Fee and commission expense	(1,584)	(1,647)
Net fee and commission income	**3,693**	**3,785**
Trading profit, including:	**3,185**	**3,114**
Foreign exchange gains/(losses)	4,186	2,278
Profit/(loss) on other trading activities	(1,001)	836
Gain/(loss) on investments in subsidiaries	63	-
Other income	7,297	674
Net impairment losses on loans and advances	(34,866)	(26,260)
Administrative expenses	(39,189)	(36,867)
Amortisation and depreciation	(4,162)	(3,748)
Other expenses	(5,903)	(3,757)
Pre-tax profit	**4,897**	**14,099**
Corporate income tax	(2,743)	(4,812)
Net profit	**2,154**	**9,287**

Source: financial statements of the Issuer.

**The comparative data for 2012 have been restated so as to reflect the presentation changes made in the financial statements for the year ended December 31st 2013.*

The following text is added under Table 19g:

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 4,897 thousand in 2013 and was PLN 9,202 thousand lower than pre-tax profit generated in 2012.

The lower pre-tax profit in 2013 (down 65.3% relative to 2012) was mainly attributable to the PLN 8,606 thousand increase in impairment losses on loans and advances. Other factors which affected pre-tax profit were higher operating costs related to reorganisation of the Bank’s business and a year-on-year decline in net interest income, led mainly by a decrease in the loan portfolio value and interest rate cuts. Other factors which contributed to the lower pre-tax profit included:

- sale agreement with BDH Development Sp. z o.o. of December 23rd 2013, as amended by notarial deed of January 3rd 2014, for a total net amount of PLN 15,644 thousand, which, due to the fact that the property sold under the agreement was VAT-exempt, is equivalent to the gross (VAT-inclusive) price; in line with the provisions of the agreement, the amount was paid to the Bank in January 2014; the carrying amount of the property was PLN 18,500 thousand; in connection with the sale transaction, an impairment loss of PLN 1,093 thousand previously recognised on the property was reversed; the accounting loss was PLN (1,762) thousand and the tax loss − PLN (2,855) thousand,
- sale agreement with BDH Development Sp. z o.o. of December 23rd 2013, for a total gross (VAT-inclusive) amount of PLN 14,333 thousand and net (VAT-exclusive) amount of PLN 13,182 thousand; in line with the provisions of the agreement, the amount was paid to the Bank in January 2014; the carrying amount of the property was PLN 15,727 thousand; in connection with the sale transaction, an

impairment loss of PLN 1,389 thousand previously recognised on the property was reversed; the accounting loss was PLN (1,156) thousand, and the tax loss – PLN (2,545) thousand.

The factors which reduced pre-tax profit were partly offset by higher other income (up by PLN 6,623 thousand compared with 2012). Other income included mainly income from sale of receivables (PLN 841 thousand) and profit from sale of inventories (PLN 5,658 thousand).

On December 2nd 2013, the Bank entered into an agreement for sale of receivables which had been previously written off. Following the sale transaction, the Bank recognised an income of PLN 841 thousand, which was presented in other income.

The profit on sale of inventories was generated following an agreement for sale of two properties foreclosed in 2012:

- sale agreement with BDH Development Sp. z o.o. of December 12th 2013 for a total gross (VAT-inclusive) amount of PLN 48,462 thousand and net (VAT-exclusive) amount of PLN 39,400 thousand; in accordance with the provisions of the agreement, the amount was paid to the Bank in 2013; the value of the property in the Bank's books was PLN 35,145 thousand; the accounting profit on the transaction was PLN 4,255 thousand, and the tax profit – PLN 6,503 thousand; the difference between the accounting profit and tax profit represented non-deductible expenses,
- sale agreement with BDH Development Sp. z o.o. of December 23rd 2013 for a total gross (VAT-inclusive) amount of PLN 22,784 thousand and net (VAT-exclusive) amount of PLN 18,524 thousand; in accordance with the provisions of the agreement, the amount was to be paid in the following manner: PLN 18,779 thousand was to be paid within 21 days of the agreement date (the amount was paid in January 2014), PLN 4,005 thousand was initially supposed to be paid by March 31st 2014, but under a notary deed executed on March 26th 2014 its payment deadline was postponed until June 15th 2014; the value of the property in the Bank's books was PLN 17,760 thousand; income arising on reversal of the impairment loss on the property was PLN 640 thousand; the accounting profit on the transaction was PLN 1,403 thousand, and the tax profit – PLN 763 thousand.

The following text is added after the existing wording:

In 2013, due to a decrease of PLN 7,133 thousand in net profit relative to 2012 (down 76.8%), the Bank recorded lower profitability ratios, calculated as the ratio of net profit or pre-tax profit to a given financial figure.

In 2013, book value per share rose to PLN 182.53, compared with PLN 182.07 at the end of 2012. Earnings per share fell in 2013 to PLN 0.78, from PLN 5.00 in 2012.

As at the end of 2013, the capital adequacy ratio stood at 14.92% (versus 11.97% as at the end of 2012). The year-on-year rise in capital adequacy ratio at the end of 2013 was attributable to the fact that additional share capital of PLN 100,000 thousand was registered in January 2013 and included in the Bank's equity. According to the banking law, the minimum level of capital adequacy ratio should be 8%. The minimum adequacy ratio as recommended by the Polish Financial Supervision Authority is 12%.

As at December 31st 2013, the share of impaired loans in the total on-balance-sheet credit exposure stood at 5.31%.

Section 1.4. Lending Activities

The following text is added at the beginning:

At the end of 2013, the loan portfolio volume (including off-balance-sheet items) grew by PLN 118,211 thousand relative to the end of 2012. Total on-balance-sheet and off-balance-sheet exposure (commercial loans, housing loans, loans to local government institutions) reached PLN 5,014.8m at the end of 2013, and the value of loans granted from January to December 2013 was PLN 1,077,107 thousand (Table 23g).

As at the end of 2013, loans for financing of commercial real estate accounted for 89.3% of the Bank's entire loan portfolio. In terms of currency, EUR-denominated loans had a dominant share in the total portfolio, followed by PLN-denominated loans. As at the end of 2013, foreign currency loans accounted for 52.4% of the aggregate loan portfolio (Table 22g).

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The following new table is added under Table 21f:

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

Product		**Dec 31 2013**	**Dec 31 2012**	**Change (%) Dec 31 2013/ Dec 31 2012**
Commercial loans	*On-balance-sheet exposure*	3,518,831	3,500,111	0.53%
	Off-balance-sheet exposure	961,467	745,486	28.97%
	Total exposure	**4,480,298**	**4,245,598**	**5.53%**
Housing loans	*On-balance-sheet exposure*	46,670	45,849	1.79%
	Off-balance-sheet exposure	382	1,105	-65.43%
	Total exposure	**47,051**	**46,954**	**0.21%**
Loans to local government institutions	*On-balance-sheet exposure*	479,491	561,883	-14.66%
	Off-balance-sheet exposure	7,950	41,841	-81.00%
	Total exposure	**487,441**	**603,724**	**-19.26%**
Total	*On-balance-sheet exposure***	4,045,000	4,108,155	-1.54%
	Off-balance-sheet exposure	969,798	788,433	23.00%
	Total exposure	**5,014,799**	**4,896,588**	**2.41%**

Source: the Issuer.

** Operating and financial data sourced from the Issuer's management accounts, which have not been audited or reviewed by the auditor. The above data relate to the portfolio value including loan interest, net of impairment losses.*
***The loan portfolio as at the end of December 2013 and the end of December 2012 includes other amounts due from non-financial sector (instalment sale of foreclosed flats) of PLN 8 thousand (end of December 2013) and PLN 312 thousand (end of December 2012).*

The following new table is added under Table 22f:

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

Product	**Dec 31 2013**			**Dec 31 2012**		
	PLN	**EUR**	**USD**	**PLN**	**EUR**	**USD**
Commercial loans	42.0%	56.0%	2.0%	50.1%	47.5%	2.4%
Housing loans	40.5%	49.2%	10.3%	33.1%	54.3%	12.6%
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)	**47.6%**	**50.5%**	**1.9%**	**56.1%**	**41.7%**	**2.2%**

Source: the Issuer.

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

The following new table is added under Table 23f:

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

Product	**Jan 1 2013 - Dec 31 2013**		**Jan 1 2012 - Dec 31 2012**	
	value**	**number**	**value*****	**number**
Commercial loans	**1,070,756**	**52**	**892,050**	**45**
Including loans for:				
- construction projects	537,038	15	184,708	6
- refinancing of real estate	360,381	28	251,216	25

- land purchase				
- loans to residential developers	173,337	9	456,126	14
Housing loans (retail – agency model)	**6,351**	**34**	**0**	**0**
Loans to local government institutions	**0**	**0**	**3,950**	**2**
advanced directly to local government institutions	0	0	3,950	2
guaranteed by local government institutions	0	0	0	0
Total	**1,077,107**	**86**	**896,000**	**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 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.*
****The value of sales in the period January 1st–December 31st 2012 accounts for annexes to loan agreements under which the principal amounts of previous years' loans were increased by PLN 12,465 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:

As at the end of 2013, the total commercial loan portfolio increased on the end of December 2012, from PLN 4,245,598 thousand to PLN 4,480,298 thousand (on-balance sheet and off-balance sheet exposure).

In 2013, 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. As far as loans to residential developers are concerned, the Bank sought to position itself as a provider of financing for medium-sized projects (up to 100 flats) in attractive locations.

The average loan repayment period was 12.6 years. Loans bearing interest at variable rates prevailed in the portfolio. Foreign currency loans represented the largest proportion of the total commercial loan portfolio, with a 58.0% share as at the end of 2013.

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 73.3% of the Bank's total on-balance-sheet exposure.

In line with the concentration limits, as at December 31st 2013 the financing of any single entity or a group of entities with equity or organisational links did not exceed 25% of the Bank's equity, i.e. PLN 149,052 thousand.

In 2013, the Bank issued four enforced collection orders (ECO), including three ECO relating to commercial loans and one ECO relating to a housing loan. The total amount of outstanding debt to which the ECO related was EUR 3,266.86 thousand and PLN 4,716.02 thousand. The total value of the collateral (current market value of the properties) is EUR 1,561 thousand and PLN 21,749 thousand. There is no liquid collateral.

Sub-Section 1.4.2 Loans to Local Government Institutions

The following text is added at the beginning:

As at the end of 2013, the total on-balance-sheet and off-balance-sheet exposure to the public sector reached PLN 487,441 thousand and represented 9.7% of the total credit exposure. Loans with an average repayment term of 16.5 years accounted for the majority of the portfolio of loans to local government institutions.

Similarly to 2012, the Bank was scaling down sales of loans to local government institutions in 2013. Lack of new agreements in 2013 coupled with a significant level of early repayments translated into a lower on-balance-sheet exposure attributable to these loans compared with the previous year (down 14.66% y-o-y).

Sub-Section 1.4.3 Housing Loans to Retail Customers

The following text is added after the second paragraph:

The value of the housing loan portfolio was slightly up, to PLN 47,051 thousand as at the end of 2013 (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 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.

The Bank focused on acquiring a specific group of clients whose loan applications – in accordance with the statutory requirements – qualified for consideration by a mortgage bank and met the conditions to serve as collateral for covered bond issues. Considerable difficulties were caused by the implementation of Recommendation S in late 2013, which imposed stricter limitations on the maximum LTV ratio and lending period. This boosted market demand for high-LTV loans, which in accordance with statutory requirements could not be granted by mBank Hipoteczny.

Section 1.6 Issues of Covered Bonds

The following text is added above Table 25:

mBank Hipoteczny carried out a few dozen issues of covered bonds, including public-sector and mortgage covered bonds, maintaining the leading position on the Polish covered bonds market as at the end of December 2013. The total value of all outstanding covered bonds issued by mBank Hipoteczny was in excess of PLN 2.3bn. The Bank offers chiefly covered bonds with four- and five-year maturities.

To the Issuer's knowledge, mBank Hipoteczny S.A. 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 December 2013 was approximately 71%.

In 2013, the Bank issued one series of złoty-denominated mortgage covered bonds for a total amount of PLN 80m and two series of euro-denominated mortgage covered bonds for a total amount of EUR 80m.

In 2013, 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

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 covered bond ratings withdrawn by Moody's on May 21st 2013 were as follows:

- Baa2 with a negative outlook for mortgage covered bonds;
- Baa1 with a negative outlook for public-sector covered bonds.

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The following new table is added under Table 29f:

Table 29g Portfolio of receivables securing mortgage covered bonds, by currency and amounts as at December 31st 2013*

Value ranges (PLN '000)	Value of loans (PLN '000)	Value of loans advanced in EUR (PLN '000)	Value of loans advanced in USD (PLN '000)	Total
<= 250	7,578	9,626	2,209	**19,413**
250.1 - 500	3,445	7,628	1,220	**12,293**
500.1 – 1,000	7,730	11,934	2,223	**21,886**
1,000.1 – 5,000	140,067	171,135	8,128	**319,329**
5,000.1 – 10,000	116,846	133,820	22,232	**272,898**
10,000.1 – 15,000	122,108	168,158	38,468	**328,734**
15,000.01 – 20,000	105,269	67,450	16,431	**189,150**
20,000.1 – 30,000	148,291	395,163	0	**543,454**
30,000.1 – 40,000	105,758	171,111	0	**276,869**
40,000.1 – 50,000	87,326	269,886	0	**357,212**
> 50,000.1	0	63,480	0	**63,480**
Total	**844,417**	**1,469,391**	**90,909**	**2,404,717**
Share in the portfolio (%)	**35.12%**	**61.10%**	**3.78%**	

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 table is added under Table 30f:

Table 30g Portfolio of receivables securing mortgage covered bonds, by type of borrower as at December 31st 2013*

Borrower	Value (PLN '000)	Share in the portfolio (%)
Legal persons/sole traders	2 373 330	98.69%
Natural persons	31 387	1.31%
Total	**2 404 717**	**100.00%**

Source: the Issuer.

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

The following new table is added under Table 31f:

Table 31g Portfolio of receivables securing mortgage covered bonds, by type of financed project as at December 31st 2013*

Use of funds	Value (PLN '000)	Share in the portfolio (%)
Commercial real estate	2,178,992	90.61%
Residential real estate	225,725	9.39%
Total	**2,404,717**	**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 32f:

Table 32g Portfolio of receivables securing mortgage covered bonds, by type of interest rate as at December 31st 2013*

Interest rate type	Value (PLN '000)	Share in the portfolio (%)
Variable interest rate	2,403,617	99,95%
Fixed interest rate	1,100	0,05%
Total	**2,404,717**	**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 33f:

Table 33g Portfolio of receivables securing mortgage covered bonds, by maturity as at December 31st 2013*

Term range (in years)	Value (PLN '000)	Share in the portfolio (%)
0–2 years	198,532	8.26%
2–3 years	39,727	1.65%
3–4 years	15,348	0.64%
4–5 years	1,328	0.06%

5–10 years	312,785	13.01%
> 10 years	1,836,997	76.38%
Total	**2,404,717**	**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 35f:

Table 35g Portfolio of receivables securing mortgage covered bonds by progress of investment project as at December 31st 2013*

Progress of investment project	Value (PLN '000)	Share in the portfolio (%)
Projects under construction	184,495	7.67%
Completed projects	2,220,222	92.33%
Total	**2,404,717**	**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 36f:

Table 36g Value ranges of receivables securing public-sector covered bonds as at December 31st 2013*

Value range (PLN '000)	Value of loans advanced (PLN '000)	Share (%)	Number of agreements
<= 500	2,054	0.4%	7
500.1 – 1,000	12,092	2.5%	16
1,000.1 – 2,000	14,120	2.9%	10
2,000.1 – 3,000	32,213	6.7%	12
3,000.1 – 5,000	41,221	8.6%	11
5,000.1 – 10,000	102,754	21.4%	15
10,000.1 – 15,000	32,878	6.8%	3
15,000.01 – 20,000	34,366	7.2%	2
> 20,000.1	208,906	43.5%	3
TOTAL	**480,604**	**100%**	**79**

Source: the Issuer.

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

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The following table is added under Table 37f:

Table 37g Portfolio of receivables securing public-sector covered bonds, by maturity as at December 31st 2013*

Term range (in years)	Value (PLN '000)	Share in the portfolio (%)
0–2 years	21,476	4.5%
2–3 years	24,289	5.1%
3–4 years	6,412	1.3%
4–5 years	10,538	2.2%
5–10 years	69,860	14.5%
10–15 years	65,410	13.6%
15–20 years	33,081	6.9%
> 20 years	249,539	51.9%
TOTAL	**480,604**	**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 39f:

Table 39g Portfolio of receivables securing public-sector covered bonds, by type of interest rate as at December 31st 2013*

Interest rate type	Value (PLN '000)	Share in the portfolio (%)
Variable interest rate	480,604	100.0%
Fixed interest rate	0	0.0%
TOTAL	**480,604**	**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 40f:

Table 40g Portfolio of receivables securing public-sector covered bonds, by type of borrower as at December 31st 2013*

Borrower	Value (PLN '000)	Share in the portfolio (%)
advanced directly to local government institutions	150,887	31.4%
guaranteed by local government institutions	329,717	68.6%
TOTAL	**480,604**	**100%**

Source: the Issuer.

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 2013. The financial data for the period January 1st–February 28th 2014 have not been 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 2014.

As at the end of February 2014, the total commercial loan portfolio decreased slightly (by 0.99%) on the end of December 2013, totalling PLN 4,964,955 thousand.

The total portfolio of loans to local government institutions as at the end of February 2014 shrunk 2.64%, to PLN 474,575 thousand, relative to the end of December 2013.

As far as the currency structure of loans is concerned, foreign-currency denominated loans prevail: as at February 28th 2014, they accounted for 52.0% of the Bank's total loan portfolio.

The average LTV ratio in the case of commercial loans advanced in the period January–February 2014 stood at 79.2%.

The ratio of mortgage lending value to market value for commercial loans advanced in the period January–February 2014 amounted to 97.1% and was higher than the level reported for loans advanced in the same period of 2013, which stood at 95.1%.

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

Product		**Feb 28 2014**	**Dec 31 2013**	**Change (%) Feb 28 2014/ Dec 31 2013**
Commercial loans	*On-balance-sheet exposure*	3,572,585	3,518,831	1.53%
	Off-balance-sheet exposure	857,611	961,467	-10.80%
	Total exposure	**4,430,196**	**4,480,298**	**-1.12%**
Housing loans	*On-balance-sheet exposure*	58,652	46,670	25.67%
	Off-balance-sheet exposure	1,532	382	301.54%
	Total exposure	**60,184**	**47,051**	**27.91%**
Loans to local government institutions	*On-balance-sheet exposure*	466,625	479,491	-2.68%
	Off-balance-sheet exposure	7,950	7,950	0.00%
	Total exposure	**474,575**	**487,441**	**-2.64%**
Total	*On-balance-sheet exposure***	4,097,862	4,045,000	1.31%
	Off-balance-sheet exposure	867,093	969,798	-10.59%
	Total exposure	**4,964,955**	**5,014,799**	**-0.99%**

Source: the Issuer.

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

***The loan portfolio as at the end of February 2014 and the end of December 2013 includes other amounts due from non-financial sector (instalment sale of foreclosed flats) of PLN 0.76 thousand (end of February 2014) and PLN 8 thousand (end of December 2013).*

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

Product	**Feb 28 2014**			**Dec 31 2013**		
	PLN	**EUR**	**USD**	**PLN**	**EUR**	**USD**
Commercial loans	42.4%	55.9%	1.7%	42.0%	56.0%	2.0%
Housing loans	54.2%	37.9%	7.9%	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)	**48.0%**	**50.3%**	**1.7%**	**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.*

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

Product	**Jan 1 2014 - Feb 28 2014**		**Jan 1 2013 - Feb 28 2013**	
	Value**	**number**	**Value****	**Number**
Commercial loans	**65,774**	**4**	**47,000**	**1**
Including loans for:				
- construction projects	34,040	2	47,000	1
- refinancing of real estate	0	0	0	0
- land purchase	0	0	0	0
- loans to residential developers	31,734	2	0	0
Housing loans (retail – agency model)	**13,875**	**61**	**0**	**0**
Public sector	**0**	**0**	**0**	**0**
advanced directly to local government institutions	0	0	0	0
guaranteed by local government institutions	0	0	0	0
Total	**79,650**	**65**	**47,000**	**1**

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

The following text is added under Table 43g:

After the end of 2013, the following important events took place:

In January 2014, mBank Hipoteczny S.A. carried out two issues of five-year bonds, including bonds with a nominal value of PLN 20,000 thousand on January 16th 2014 and bonds with a nominal value of PLN 60,000 thousand on January 28th 2014.

In February and March 2014, mBank Hipoteczny S.A. issued three series of mortgage covered bonds denominated in the euro. On February 17th 2014, the Bank issued 7.5m EUR worth of four-year mortgage covered bonds with a variable coupon. On February 28th and March 17th 2014, the Bank issued mortgage covered bonds bearing interest at a fixed rate, with record-long maturities of 15 years, for the respective amounts of EUR 8m and EUR 15m. With the exception of treasury bonds, these bonds are the longest-maturity euro-denominated securities available in the Polish market of debt instruments.

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 the claim against the Insurer with the Regional Court of Warsaw, demanding payment of PLN 18,494 thousand.

On March 28th 2014, Fitch Ratings Ltd. confirmed:
1. long-term foreign currency Issuer Default Rating for mBank Hipoteczny S.A. at "A", with an outlook revised from stable to negative,
2. short-term foreign currency IDR rating for the Bank at "F1",
3. support rating at "1".
The revision of mBank Hipoteczny S.A.'s rating outlook was made as a result of revision of the long-term rating outlook for Commerzbank AG from stable to negative on March 26th 2014.
Fitch Ratings Ltd. carried out a global review of its state support ratings for European banks, and downgraded its long-term rating outlooks to negative in the case of 18 commercial banks.

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 2013, Poland's GDP grew by 1.6% year on year, compared with a 1.9% growth recorded in 2012.
- In December 2013, the unemployment rate was the same as in December 2012, at 13.4%. 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 2013, the inflation rate stood at 0.9% (y-o-y). As at the end of February 2014, the reference rate published by the National Bank of Poland stood at 2.50%.
- Exchange rates decisively affect the Bank's loan portfolio. This is connected with foreign exchange gains/losses, which – in the case of loans advanced in foreign currencies – result from exchange rate fluctuations and thus might increase borrowers' debt. A large portion of commercial loans are advanced in foreign currencies, which might adversely affect borrowers' ability to repay the loans should a currency crisis occur. The high share of foreign currency loans is attributable to their interest rates, which are lower than in the case of PLN-denominated loans, as well as the fact that rents in commercial developments are established in foreign currencies.
- As at the end of February 2014, the base interest rates in the eurozone and in the US was 0.25%.

In 2013, the Bank had to operate 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.

As Poland's economic growth has decelerated, the real estate market has been showing signs of weakening, with its geographic variations becoming more salient, although the market as a whole remains stable, which provides a promising foundation for further growth of the Bank's lending business.

Since 2010, as Poland has been gradually recovering from the effects of the global economic crisis, the real estate market has been steadily growing, as demonstrated by the increase in the number of new projects, new space, and transaction volumes. The residential property market is more predictable and stable than during the 2006–2008 boom, and the continuing oversupply of flats will be the factor driving the market in the years to come.

2.1. Internal Factors

Under Resolution No. 13/2013 of the Management Board of mBank Hipoteczny S.A. of March 12th 2013, an additional contribution of PLN 650 thousand was made to the equity of BDH. The additional contribution was recognised in the Bank's books as an increase of its equity interest in BDH. Until November 28th 2013, the value of the Bank's equity interest in BDH, as disclosed in the Bank's books, was PLN 715 thousand.

In the first half of 2013, there were changes in the composition of the Bank's Management Board. As of the date of the General Meeting, i.e. April 29th 2013, Sven-Torsten Kain ended his service as a Member of the Management Board. From May 1st to July 4th 2013, Sven-Torsten Kain acted as an adviser to the Management Board.

By virtue of its Resolution No. 12/2013 of April 29th 2013, the Supervisory Board appointed a new Management Board of mBank Hipoteczny S.A., comprising:

Piotr Cyburt	-	President of the Management Board
Marcin Romanowski	-	Member of the Management Board
Marcin Wojtachnio	-	Member of the Management Board

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. The loans are recognised in the accounts of mBank Hipoteczny S.A.

On November 26th 2013, the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register, registered the new name of Bankowy Dom Hipoteczny Sp. z o.o. Since November 26th 2013, the company has operated under the name of BDH Development Spółka z ograniczoną odpowiedzialnością.

On November 28th 2013, a share sale agreement was made between mBank Hipoteczny S.A. and mBank S.A., under which all the shares in BDH Development Spółka z ograniczoną odpowiedzialnością were sold for PLN 778 thousand. Gain on the sale of shares in BDH Development Spółka z ograniczoną odpowiedzialnością was presented in the income statement under "Gain/(loss) on investments in subsidiaries", at PLN 63 thousand.

3. Growth Strategy

The following text is added after the existing wording:

In June 2013, the Bank's Management Board adopted a strategy for 2014-2017, setting out new directions for the Bank's activity and development, as the foundation for strengthening the Bank's market position in its demanding competitive environment. The strategy articulates the Bank's key strategic objectives, including first of all:

- to increase the balance-sheet total through a rapid growth in loan assets, achieved by expanding commercial lending activities and building a new retail mortgage loan portfolio,
- to develop a model for cooperation with the universal parent bank in the building of a retail mortgage loan portfolio and its refinancing through covered bond issues. Being the first project of this kind in the Polish banking sector, it assumes that the Bank will provide the services of a covered bond issuer for the mBank Group.

In Q3 2013, the Bank embarked on the strategic project based on cooperation with mBank with respect to the building of a retail loan portfolio and its refinancing through covered bond issues. In September last year, the Bank started to grant mortgage loans to natural persons, which are offered through the mBank sales network. These are loans which meet the criteria to be entered in the covered bond collateral register and may potentially provide a basis for issues of covered bonds.

The project is to be implemented in two stages:

- Stage 1 – launch of retail lending activities based on operational cooperation with mBank, the mBank sales force and consistent lending policies. The retail mortgage loan portfolio of mBank Hipoteczny will consist exclusively of loans which meet the criteria making them eligible for entry in the covered bond collateral register and which may be used to issue covered bonds.
- Stage 2 – issue of covered bonds on the basis of the developed retail mortgage loan portfolio.

In pursuit of this project, in 2013 the Bank implemented an agency model, and its plans for 2014 envisage putting in place a pooling model which would involve taking over mBank's existing retail mortgage loan portfolio with a view to its refinancing with covered bond issues.

The Bank's other 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 maintain credit risk exposures at the safest possible level by diversifying the portfolio in terms of exposure volumes and geographic regions. The Bank's risk management policy assumes increasing the share of lower value loans in the commercial loan portfolio.
- to significantly grow the issuing business and build a new sales model for the covered bonds that would draw on the practices of developed European markets. The aim of this initiative is to reach new institutional buyers and 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.

One of the strategic changes in 2013 was the change of the Bank's name, made as part of a rebranding operation that covered all entities across the BRE Bank Group. Starting from November 29th 2013, the Bank has operated under a new name of mBank Hipoteczny S.A., in accordance with the up-to-date entry in the register of entrepreneurs.

The decision to rename the Bank was made in connection with the mBank Group's development strategy and introduction of a single brand across the Group. The choice of the mBank brand was determined by its value, high recognition rate and growth potential. It is one of Poland's strongest brands, with a high market value. Accordingly, the Bank celebrated its 15th anniversary under the new name.

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 agreement for audit of the Company's financial statements was entered into with Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. (formerly Ernst & Young Audit Sp. z o.o.) on June 17th 2013.

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 2013, along with the auditor's opinion, have been included in this Prospectus by reference to the Issuer's 2013 annual report, released on March 31st 2014 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 2013, 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. The total amount of claims under all court, arbitration or administrative proceedings concerning the Bank's liabilities which were pending as at December 31st 2013 did not exceed 10% of the Bank's equity, either.

As at December 31st 2013, 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.

As at December 31st 2012, a case was pending before the Regional Court of Warsaw, 20th Commercial Division, seeking refund of a bank commission paid in connection with early repayment of a loan. As at December 31st 2012, the Bank carried a provision of PLN 189 thousand in connection with this case. On May 15th 2013, a settlement was signed on the basis of which the Bank paid PLN 150 thousand out of the provision; the balance of the provision, of PLN 39 thousand, was reversed.

As at February 28th 2014, the Bank brought an action against one legal person, for PLN 13,121 thousand.

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

The following text is added after the existing wording:

(xi) the Issuer's financial statements for 2013, prepared in accordance with the IFRS, audited by qualified auditor Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. (formerly Ernst & Young Audit sp. z o.o.), along with the auditor's opinion and report.

Chapter XIX

The following text is added after the existing wording:

11. the Issuer's 2013 annual report, released on March 31st 2014 and published on the Issuer's website at: www.mhipoteczny.pl, containing the Issuer's financial statements for the period January 1st–December 31st 2013 along with the auditor's opinion;