Appendix 29
approved by the Polish Financial Supervision Authority on April 5th 2016,
to the Base Prospectus of mBank Hipoteczny S.A.
approved by the Polish Financial Supervision Authority
on October 28th 2009

This Appendix 29 has been drawn up to update the Issue Prospectus by supplementing it with historical financial information for 2015 and with information on trends prevailing in the period from January 1st 2016 to February 29th 2016, in connection with the publication of the 2015 financial statements of mBank Hipoteczny S.A. on March 31st 2016 and in connection with the Issuer's intention to carry out further offerings of covered bonds under the Issue Prospectus.

Chapter II

Section 1

The following text is added at the beginning:

The financial information has been compiled based on the audited financial statements for the financial year ended December 31st 2015, prepared in compliance with the IFRS as endorsed by the European Union, containing comparative data for the year ended December 31st 2014. The financial information is supplemented with selected unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

Sub-Section 1.1

The following text is added at the beginning:

At the end of 2015, the loan portfolio volume (including off-balance-sheet items) grew by PLN 1,969,001 thousand relative to the end of 2014. Total on-balance-sheet and off-balance-sheet exposure (commercial loans, housing loans and loans to local government institutions) reached PLN 8,371,710 thousand at the end of 2015, and the value of loans granted from January to December 2015 was PLN 3,545,150 thousand (value as per agreements, translated at historical exchange rates) (Table 3k).

As at the end of 2015, loans for the financing of commercial real estate accounted for 63.19% of the Issuer's entire loan portfolio. In terms of currency, PLN-denominated loans had a dominant share in the total portfolio, followed by EUR-denominated loans. As at the end of 2015, PLN-denominated loans accounted for 62.34% and foreign currency loans for 37.66% of the aggregate loan portfolio (Table 2k).

The following new table is added under Table 1j:

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

Product		**Dec 31 2015**	**Dec 31 2014**	**Change (%) Dec 31 2015/ Dec 31 2014**
Commercial loans	*On-balance-sheet exposure*	4,429,610	4,086,369	8.40%
	Off-balance-sheet exposure	860,369	1,027,066	-16.23%
	Total exposure	**5,289,979**	**5,113,435**	**3.45%**
Housing loans	*On-balance-sheet exposure*	2,601,184	818,811	217.68%
	Off-balance-sheet exposure	119,598	49,902	139.67%
	Total exposure	**2,720,782**	**868,713**	**213.20%**
Loans to local government institutions	*On-balance-sheet exposure*	360,855	420,561	-14.20%
	Off-balance-sheet exposure	0	0	0.00%
	Total exposure	**360,855**	**420,561**	**-14.20%**
Total	*On-balance-sheet exposure***	7,391,743	5,325,741	38.79%
	Off-balance-sheet exposure	979,967	1,076,968	-9.01%
	Total exposure	**8,371,710**	**6,402,709**	**30.75%**

Source: the Issuer.

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

****In addition to commercial loans, housing loans and loans to local government institutions, the Bank's loan portfolio includes a security deposit of PLN 94.52 thousand as at December 31st 2015.*

The following new table is added under Table 2j:

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

Product	**Dec 31 2015**			**Dec 31 2014**		
	PLN	**EUR**	**USD**	**PLN**	**EUR**	**USD**
Commercial loans	40.84%	57.69%	1.47%	43.12%	55.38%	1.50%
Housing loans	99.15%	0.68%	0.17%	97.06%	2.38%	0.56%
Loans to local government institutions	100.00%	0.00%	0.00%	100.00%	0.00%	0.00%
Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)	**62.34%**	**36.67%**	**0.99%**	**54.18%**	**44.55%**	**1.27%**

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 3j:

Table 3k Sales of loans – value as per loan agreement and number of executed loan agreements, by product groups, including the pooling transactions (pooling model) (PLN '000)*

Product	**Jan 1 2015-Dec 31 2015**		**Jan 1 2014-Dec 31 2014**	
	value**	**number**	**value*****	**number**
Commercial loans	**1,619,524**	**76**	**1,579,540**	**80**
Including loans for:				
- construction projects	71,571	8	120,572	5
- refinancing of real estate	955,907	40	755,025	48
- land purchase	0	0	0	0
- loans to residential developers	592,046	28	703,943	27
Housing loans (retail – agency model and pooling model)	**1,925,627**	**6,818**	**827,487**	**3,411**
Loans to local government institutions	**0**	**0**	**0**	**0**
Total	**3,545,150**	**6,894**	**2,407,027**	**3,491**

Source: the Issuer.

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

***The value of sales in the period January 1st–December 31st 2015 accounts for annexes to loan agreements under which the principal amounts of previous years' loans were increased by PLN 1,039.53 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 2014 accounts for annexes to loan agreements under which the principal amounts of previous years' loans were increased by PLN 29,794.15 thousand. The value of agreements corresponds to the loan amounts as per agreement, translated at historical exchange rates.*

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

The following text is added after the existing wording:

The total commercial loan portfolio (on-balance-sheet and off-balance-sheet exposure) increased from PLN 5,113,435 thousand at the end of 2014 to PLN 5,289,979 thousand at the end of 2015.

In 2015, the commercial real estate projects financed by the Bank included chiefly office buildings and retail space projects. The Issuer mainly financed the purchase of or refinanced completed projects that met relevant standards, and financed the construction of projects on completion of which the construction loans were converted into long-term mortgage loans.

The average loan repayment period was 10.9 years. Loans bearing interest at variable rates prevailed in the portfolio. Foreign currency loans had the largest share in the total commercial loan portfolio – 59.16% as at the end of 2015.

Sub-Section 1.1.2: Loans to Local Government Institutions

The following text is added at the beginning:

Loans to the public sector include loans granted to local government institutions (communes, counties, provinces) as well as loans secured with guarantees or sureties provided by local government institutions (to companies under commercial law established by local government institutions, independent public healthcare centres).

As of the end of 2012, the Bank no longer provides financing to local government institutions or other entities covered by sureties from local government institutions, due to the segment's risk profile and inadequate lending margins. However, the Issuer holds a portfolio of historical transactions executed in previous years. Lack of new agreements in 2015 coupled with a significant level of early repayments translated into a lower on-balance-sheet exposure attributable to these loans compared with 2014 (down 14.20%).

As at the end of December 2015, the total on-balance-sheet and off-balance-sheet exposure to the public sector reached PLN 360,855 thousand and represented 4.31% of the total credit exposure. Loans with an average repayment term of 16.7 years accounted for the majority of the portfolio of loans to local government institutions.

Sub-Section 1.1.3: Housing Loans to Retail Customers

The following text is added after the second paragraph:

At the end of December 2015, the value of the housing loan portfolio rose by 213.20% compared with the end of 2014, to PLN 2,720,782 thousand (on-balance-sheet and off-balance-sheet exposure). The adoption of a new strategy for 2016-2019 by the Issuer is connected with the expansion of its business into retail lending.

The Bank continued its lending activity in the retail segment, selling products under an agency agreement, mostly through the mBank Group's sales network. In 2014, the Issuer launched a retail pooling scheme, as part of which it takes over loans advanced by mBank that may serve as a basis for issuing covered bonds. As at the end of December 2015, the total principal amount of loans transferred as part of the pooling transactions (retail loans) amounted to PLN 468.7m (loan principal value as at the transfer date).

In 2015, the most important sales channel for retail loans for individuals was the Aspiro financial product sales platform, owned by mBank Group (which accounted for 61% of the total sales), followed by sales through a brokerage firm (24%) and sales through the Financial Services Centre (i.e. mBank's outlets - 10%). Loan sales through partner outlets represented 5% of the total sales.

In 2015, the Issuer took steps to expand the share of sales made through external channels (outside the mBank Group). These steps included setting up a professional support team for brokers within the Bank and streamlining application and communication processes outside mBank outlets.

Also the introduction of the amended Covered Bond and Mortgage Banks Act has had significant implications for the segment of retail loans. The amended Act simplifies the procedure for creating security for primary market housing loans, allowing mortgage banks to actively offer loans to customers on this market starting from January 2016. After a financed dwelling is built and entered in the Land and Mortgage Register with a mortgage for the Bank's benefit, the loan provided to finance the acquisition of the dwelling may be entered in the Covered Bonds Collateral Register and may be the basis for the issuance of mortgage covered bonds. Already in the second half of 2015, the Issuer took steps to intensify its cooperation with the residential developers it finances as part of its commercial lending activities, with a view to increasing the scale of its lending to individuals purchasing dwellings from those developers.

2. Financial Information

The following text is added at the beginning:

The financial information has been compiled based on the audited financial statements for the financial year ended December 31st 2015, prepared in compliance with the IFRS as endorsed by the European Union, containing comparative data for the financial year ended December 31st 2014. The financial information is supplemented with selected unaudited and unreviewed operating and financial data sourced from the Issuer's management accounts.

The following new table is added under Table 9j:

Table 9k Financial highlights of the Issuer (PLN '000)

	Dec 31 2015	Dec 31 2014
ASSETS		
Cash and transactions with Central Bank	7,521	7,669
Amounts due from other financial institutions	205,180	30,972
Derivative financial instruments	32,212	37,291
Amounts due from non-financial sector	7,391,743	5,325,741
Investment securities available for sale	748,505	735,220
Intangible assets	8,152	5,074
Property, plant and equipment	7,523	7,241
Deferred tax assets	7,213	11,426
Current income tax asset	1,597	1,002
Other assets	9,479	14,690
- inventories	6,768	8,192
Total assets	**8,419,125**	**6,176,326**

Source: the Issuer's financial statements.

The following new table is added under Table 10j:

Table 10k Financial highlights of the Issuer (PLN '000)

	Dec 31 2015	Dec 31 2014
EQUITY AND LIABILITIES		
Amounts due to other financial institutions	2,959,741	1,980,634
Derivative financial instruments	3,770	9,442
Amounts due to non-financial sector	265,509	250,012
Hedge accounting differences relating to fair value of hedged items	21,530	25,763
Liabilities under debt securities in issue	4,164,902	3,171,588
Subordinated liabilities	200,899	100,257
Other liabilities and provisions	20,438	14,089
Total liabilities	**7,636,789**	**5,551,785**

Equity		
Share capital	514,856	374,938
- Registered share capital	299,000	285,000
- Share premium	215,856	89,938
Retained earnings	**266,631**	**247,840**
- Profit/(loss) brought forward	247,840	225,469
- Net profit/(loss) for period	18,791	22,371
Other equity items	849	1,763
Total equity	**782,336**	**624,541**
Total equity and liabilities	**8,419,125**	**6,176,326**

Source: the Issuer's financial statements.

The following text is added under Table 10k:

As at the end of 2015, the Bank's balance-sheet total stood at PLN 8,419,125 thousand, up PLN 2,242,799 thousand on the end of 2014. Loans to the non-financial sector were the key item of assets as at the end of 2015, accounting for 87.80% of the total. As at December 31st 2014, loans to the non-financial sector represented 86.23% of the total assets.

As at the end of 2015, the Issuer's total loan portfolio was PLN 8,371,710 thousand (on-balance-sheet and off-balance-sheet exposure), up by 30.75% relative to the end of 2014. As at the end of 2015, 63.19% of amounts due from non-financial sector (on-balance-sheet and off-balance-sheet exposure) were amounts due from corporate clients, while the remaining 36.81% – from retail customers and the public sector.

Liabilities under debt securities in issue were the main item of the Issuer's liabilities, accounting for 49.47% of the balance-sheet total as at December 31st 2015 (51.35% as at the end of 2014). The debt securities in issue comprise covered bonds and bonds. The next largest items were amounts due to other financial institutions (with a 35.15% share in the balance-sheet total as at December 31st 2015, compared with 32.07% as at December 31st 2014) and amounts due to the non-financial sector, which accounted for 3.15% of the balance-sheet total as at the end of 2015 (4.05% as at December 31st 2014).

The following new table is added under Table 11j:

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

Contingent liabilities and commitments granted and received	**Dec 31 2015**	**Dec 31 2014**
Financial commitments assumed	990,932	1,085,818
Interest rate derivatives	1,456,852	2,492,788
Foreign currency derivatives	1,223,730	1,308,022
Financial commitments received	170,767	170,179
Total off-balance sheet items	**3,842,281**	**5,056,807**

Source: the Issuer's financial statements.

The following new table is added under Table 12j:

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

	2015	***2014***
Interest income	256,317	218,996
Interest expense	-145,555	-132,813
Net interest income	**110,762**	**86,183**
Fee and commission income	12,636	9,632
Fee and commission expense	-6,107	-5,586
Net fee and commission income	**6,529**	**4,046**
Trading profit, including:	**-434**	**12,292**
Foreign exchange gains/(losses)	*2,036*	*3,862*
Profit/(loss) on other trading activities and hedge accounting	*-2,470*	*8,430*
Other income	763	1,143
Net impairment losses on loans and advances	-24,775	-20,945
Administrative expenses	-57,876	-46,839
Amortisation and depreciation	-4,699	-4,310
Other expenses	-3,473	-2,095
Operating profit	**26,797**	**29,475**
Pre-tax profit	**26,797**	**29,475**
Corporate income tax	-8,006	-7,104
Net profit	**18,791**	**22,371**

Source: financial statements of the Issuer.

The following text is added under Table 12k:

The main item of the Bank's income was interest on banking transactions. 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 26,797 thousand in 2015 and was PLN 2,678 thousand lower than the pre-tax profit generated in 2014 (PLN 29,475 thousand).

Given the nature of the Issuer's business, where interest income is the main source of earnings, the Issuer's performance in 2015 was strongly affected by low interest rates. Nonetheless, compared with 2014, the Bank reported improved performance in its core business. Net interest income rose by PLN 24,579 thousand, and the net fee and commission income was higher by PLN 2,483 thousand. Furthermore, the Bank generated a loss on trading activities (foreign exchange gains/(losses) and profit/(loss) on other trading activities and hedge accounting) of PLN -434 thousand in 2015, a result significantly lower than in 2014 (a profit of PLN 12,292 thousand).

The 9.09% lower pre-tax profit in 2015 compared with 2014 was attributable to a much lower result on trading activities relative to 2014 and higher impairment losses on loans (18.29% more compared with the impairment losses recognised as at the end of 2014). Also administrative expenses rose in 2015, by 23.56% year on year.

Net profit for 2015 reached PLN 18,791 thousand and was PLN 3,580 thousand lower than in 2014. In 2014, net profit amounted to PLN 22,371 thousand.

3. Growth Strategy

The following text is added after the existing wording:

The Bank's strategic objective for the next few years is to maintain its current position among Polish mortgage banks, while pursuing its mission of a major lender on the commercial real estate market and the leading issuer of covered bonds.

In June 2015, the Bank adopted an updated strategy for 2016-2019, which retains the key development directions and strategic objectives defined in the Issuer's previous strategy of 2013.

The two principal strategic objectives set for the Issuer in the business strategy for 2016-2019 are:

- to build the largest possible portfolio of property assets meeting the criteria of collateral for covered bonds in line with the adopted risk management strategy,
- to maximise the use of covered bonds for the refinancing of the Bank's long-term mortgage loan portfolio.

Since 2013, the Bank has been implementing 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 2013, 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 Q3 2014, the process of building the retail loan portfolio was additionally supported by the implementation of a pooling model, which consists in taking over the existing portfolio of mBank's retail mortgage loans. The first pooling transactions were completed in September and October 2014.

In 2015, the Bank continued to build a new portfolio of retail mortgage loans acquired as part of its cooperation with mBank, refine the lending process, take over the retail loan portfolio from mBank under the pooling model (another four pooling transactions) and refinance the portfolio through covered bond issues.

In 2016‒2019, the Bank will be gradually reducing the financing of projects with a value of less than PLN 10m, and instead it will focus on projects with a value in excess of PLN 10m (including the limit for derivative transactions) that do not exceed the credit concentration limit (currently at EUR 35m). The Bank's priority will be to finance high-quality commercial properties with low investment risk, located in large and mid-sized cities or in small towns, but in the latter case only in premium locations. In particular, the Bank will finance office, warehouse, and retail properties.

The key sales objective will be to finance or refinance purchases of finished, commercialized properties.

As its second priority, the Bank will focus on acquiring customers from the commercial property development financing segment. Loans in this segment will be converted into long-term refinancing facilities on completion of the construction phase.

In 2016‒2019, building on its previous experience in financing residential projects, the Bank will continue to provide loans to residential developers. Loans will be offered to developers with proven track-records, experience, know-how, a good understanding of the market and well-prepared projects suited to market needs. First and foremost, the Bank will continue to work with developers with whom it has successfully implemented residential projects before.

Implementing its strategy for 2016‒2019, mBank Hipoteczny will develop its retail business by building a portfolio of mortgage loans for individuals both through sales of new loans and transfer of the existing loan portfolio from mBank and its refinancing with covered bonds.

The Bank will rely on its own experience and the experience of the mBank Group in this market, ensuring that the loans in its portfolio meet collateral eligibility criteria for covered bonds. The mBank Group's goal will be to increase its share in the retail mortgage lending market to 10% by 2019.

mBank Hipoteczny will finance its operations in 2016‒2019 from the following six main sources:

- covered bonds, including:
  - backed by retail mortgage loans (denominated in PLN),
  - backed by commercial mortgage loans (denominated in PLN, EUR),
- own bonds,
- long-term credit lines (denominated in PLN, EUR)
- term and current deposits,
- a subordinated loan from mBank S.A.
- equity.

Growing its total assets in the coming years, the Issuer will seek to build an asset structure which will allow it to issue the largest possible volumes of covered bonds in conformity with applicable laws and regulations.

The Bank is planning issues denominated in the złoty and the euro. In accordance with the current practice, maturities of the individual tranches will range between five and ten years.

Chapter III.
Section 1.1: Credit Risk

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

Owing to improving market conditions, the share of impaired loans in the Bank's total loans fell to 2.73% as at December 31st 2015 (loan portfolio quality measured as impaired loans to total gross value of loans advanced). The share of unimpaired overdue loans fell to 2.70% (loan portfolio quality measured as unimpaired loans to total gross value of loans and advances to customers).

A new table is added under Table 13j:

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

	Dec 31 2015		**Dec 31 2014**	
Amounts due from non-financial sector	**Exposure (PLN '000)**	**Share/ Coverage (%)**	**Exposure (PLN '000)**	**Share/ Coverage (%)**
Not past due, not impaired	7,082,378	94.57%	4,989,802	92.17%
Overdue, unimpaired	202,459	2.70%	238,774	4.41%
Impaired	204,295	2.73%	184,864	3.42%
Total gross loans	**7,489,132**	**100.00%**	**5,413,440**	**100.00%**
Impairment charge (on impaired loans and provision for unimpaired loans)	-97,389	1.30%	-87,699	1.62%
Total net loans	**7,391,743**	**98.70%**	**5,325,741**	**98.38%**

Source: the Issuer's financial statements.

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

The following text is added after the existing wording:

As at December 31st 2015, the share of commercial loans in the Issuer's total loan portfolio (on-balance-sheet and off-balance-sheet exposure) was 63.19%.

As at December 31st 2015, 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. In 2015, the Bank used 74.1% of the limit on liabilities imposed under Art. 15.2 of the Covered Bond and Mortgage Banks Act. The limit was not exceeded.

Chapter V

Section 6

A new paragraph is added:

Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością s. k. audited the Issuer’s financial statements for the year ended December 31st 2015 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 has been compiled based on the audited financial statements for the financial year ended December 31st 2015, prepared in compliance with the IFRS as endorsed by the European Union, containing comparative data for the year ended December 31st 2014. The financial information is supplemented with selected unaudited and unreviewed operating and financial data sourced from the Issuer’s management accounts.

The following new table is added under Table 16j:

Table 16k Selected financial data of the Issuer (PLN ‘000)

	Dec 31 2015	**Dec 31 2014**
ASSETS		
Cash and transactions with Central Bank	7,521	7,669
Amounts due from other financial institutions	205,180	30,972
Derivative financial instruments	32,212	37,291
Amounts due from non-financial sector	7,391,743	5,325,741
Investment securities available for sale	748,505	735,220
Intangible assets	8,152	5,074
Property, plant and equipment	7,523	7,241
Current income tax asset	1,597	1,002
Deferred tax assets	7,213	11,426
Other assets	9,479	14,690
- inventories	6,768	8,192
Total assets	**8,419,125**	**6,176,326**

Source: the Issuer’s financial statements.

The following new table is added under Table 17j:

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

	Dec 31 2015	Dec 31 2014
EQUITY AND LIABILITIES		
Amounts due to other financial institutions	2,959,741	1,980,634
Derivative financial instruments	3,770	9,442
Amounts due to non-financial sector	265,509	250,012
Liabilities under debt securities in issue	4,164,902	3,171,588
Hedge accounting differences relating to fair value of hedged items	21,530	25,763
Subordinated liabilities	200,899	100,257
Other liabilities and provisions	20,438	14,089
Total liabilities	**7,363,789**	**5,551,785**
Share capital	514,856	374,938
- Registered share capital	299,000	285,000
- Share premium	215,856	89,938
Retained earnings	266,631	247,840
- Profit/(loss) brought forward	247,840	225,469
- Current year profit/(loss)	18,791	22,371
Other equity items	849	1,763
Total equity	**782,336**	**624,541**
Total equity and liabilities	**8,419,125**	**6,176,326**

Source: the Issuer's financial statements.

The following text is added under Table 17k:

As at the end of 2015, the Bank's balance-sheet total stood at PLN 8,419,125 thousand, up PLN 2,242,799 thousand on the end of 2014. Loans to non-financial sector were the key item of assets, accounting for 87.80% of the total.

As at the end of 2015, the Issuer's total loan portfolio was PLN 8,371,710 thousand (on-balance-sheet and off-balance-sheet exposure), up by 30.75% relative to the end of 2014. As at the end of 2015, 63.19% of amounts due from non-financial sector (on-balance-sheet and off-balance-sheet exposure) were amounts due from corporate clients, while the remaining 36.81% – from retail customers and the public sector.

Liabilities under debt securities in issue were the main item of the Bank's liabilities, accounting for 49.47% of the balance-sheet total as at December 31st 2015. The debt securities in issue comprise covered bonds and bonds. The next largest items were amounts due to other financial institutions (with a 35.15% share in the balance-sheet total) and amounts due to non-financial sector, which accounted for 3.15% of the balance-sheet total as at the end of 2015.

The following new table is added under Table 18j:

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

Contingent liabilities and commitments granted and received	Dec 31 2015	Dec 31 2014
Financial commitments and liabilities	990,932	1,085,818
Interest rate derivatives	1,456,852	2,492,788
Foreign currency derivatives	1,223,730	1,308,022
Financial commitments received	170,767	170,179
Total off-balance sheet items	**3,842,281**	**5,056,807**

Source: the Issuer's financial statements.

The following new table is added under Table 19j:

Table 19k Selected income statement items (PLN '000)

	2015	2014
Interest income	256,317	218,996
Interest expense	-145,555	-132,813
Net interest income	**110,762**	**86,183**
Fee and commission income	12,636	9,632
Fee and commission expense	-6,107	-5,586
Net fee and commission income	**6,529**	**4,046**
Trading profit, including:	**-434**	**12,292**
Foreign exchange gains/(losses)	*2,036*	*3,862*
Profit/(loss) on other trading activities and hedge accounting	*-2,470*	*8,430*
Other income	763	1,143
Net impairment losses on loans and advances	-24,775	-20,945
Administrative expenses	-57,876	-46,839
Amortisation and depreciation	-4,699	-4,310
Other expenses	-3,473	-2,095
Pre-tax profit	**26,797**	**29,475**
Corporate income tax	-8,006	-7,104
Net profit	**18,791**	**22,371**

Source: financial statements of the Issuer.

The following text is added under Table 19k:

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 26,797 thousand in 2015 and was PLN 2,678 thousand lower than the pre-tax profit generated in 2014.

Given the nature of the Issuer's business, where interest income is the main source of earnings, the Issuer's performance in 2015 was strongly affected by low interest rates. Nonetheless, compared with 2014, the Bank reported improved performance in its core business. Net interest income rose by PLN 24,579 thousand, and the net fee and commission income was higher by PLN 2,483 thousand. Furthermore, the Bank generated a loss on trading activities (foreign exchange gains/(losses) and profit/(loss) on other trading activities and hedge accounting) of PLN -434 thousand in 2015, a result significantly lower than in 2014 (a profit of PLN 12,292 thousand).

The 9.09% lower pre-tax profit in 2015 compared with 2014 was attributable to a much lower result on trading activities relative to 2014 and higher impairment losses on loans (18.29% more compared with the impairment losses recognised as at the end of 2014). Also administrative expenses rose in 2015, by 23.56% year on year.

The following text is added after the existing wording:

Net profit for 2015 reached PLN 18,791 thousand and was PLN 3,580 thousand lower than in 2014. In 2014, net profit amounted to PLN 22,371 thousand.

In 2015, due to a decrease of PLN 3,580 thousand in net profit relative to 2014 (down 16%), the Bank recorded lower profitability ratios, calculated as the ratio of net profit or gross profit to a given financial figure.

As at December 31st 2015, book value per share rose to PLN 261.65, compared with PLN 219.14 at the end of 2014. Earnings per share for 2015 fell to PLN 6.46, from PLN 8.11 in 2014.

As at December 31st 2015, the capital adequacy ratio was 13.81% (compared with 13.31% at the end of 2014). According to the banking law, the minimum level of capital adequacy ratio should be 8%. The minimum capital adequacy ratio as recommended by the Polish Financial Supervision Authority as at December 31st was 12%.

The share of impaired loans in the Bank's total loans fell to 2.73% as at December 31st 2015 (loan portfolio quality measured as impaired loans to total gross value of loans advanced). The share of unimpaired overdue loans fell to 2.70% (loan portfolio quality measured as unimpaired loans to total gross value of loans and advances to customers).

Section 1.4. Lending Activities

The following text is added at the beginning:

At the end of 2015, the loan portfolio volume (including off-balance-sheet items) grew by PLN 1,969,001 thousand relative to the end of 2014. Total on-balance-sheet and off-balance-sheet exposure (commercial loans, housing loans, loans to local government institutions) reached PLN 8,371,710 thousand at the end of December 2015, and the value of loans granted in 2015 was PLN 3,545,150 thousand (Table 23k).

At the end of December 2015, commercial loans accounted for 63.19% of the Bank's total loan portfolio. In terms of currency, PLN-denominated loans had a dominant share in the total portfolio, followed by EUR-denominated loans. As at the end of December 2015, PLN-denominated loans accounted for 62.34% and foreign currency loans for 37.66% of the aggregate loan portfolio (Table 22k).

The following new table is added under Table 21j:

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

Product		Dec 31 2015	Dec 31 2014	Change (%) Dec 31 2015/ Dec 31 2014
Commercial loans	*On-balance-sheet exposure*	4,429,610	4,086,369	8.40%
	Off-balance-sheet exposure	860,369	1,027,066	-16.23%
	Total exposure	**5,289,979**	**5,113,435**	**3.45%**
Housing loans	*On-balance-sheet exposure*	2,601,184	818,811	217.68%
	Off-balance-sheet exposure	119,598	49,902	139.67%
	Total exposure	**2,720,782**	**868,713**	**213.20%**
Loans to local government institutions	*On-balance-sheet exposure*	360,855	420,561	-14.20%
	Off-balance-sheet exposure	0	0	0.00%
	Total exposure	**360,855**	**420,561**	**-14.20%**
Total	*On-balance-sheet exposure***	7,391,743	5,325,741	38.79%

Off-balance-sheet exposure	979,967	1,076,968	-9.01%
Total exposure	**8,371,710**	**6,402,709**	**30.75%**

Source: the Issuer.

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

***In addition to commercial loans, housing loans and loans to local government institutions, the Bank's loan portfolio includes a security deposit of PLN 94.52 thousand as at December 31st 2015.*

The following new table is added under Table 22j:

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

Product	**Dec 31 2015**			**Dec 31 2014**		
	PLN	**EUR**	**USD**	**PLN**	**EUR**	**USD**
Commercial loans	40.84%	57.69%	1.47%	43.12%	55.38%	1.50%
Housing loans	99.15%	0.68%	0.17%	97.06%	2.38%	0.56%
Loans to local government institutions	100.00%	0.00%	0.00%	100.00%	0.00%	0.00%
Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)	**62.34%**	**36.67%**	**0.99%**	**54.18%**	**44.55%**	**1.27%**

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 23j:

Table 23k Sales of loans – value as per loan agreement and number of executed loan agreements, by product groups, including the pooling transactions (pooling model) (PLN '000)*

Product	**Jan 1 2015-Dec 31 2015**		**Jan 1 2014-Dec 31 2014**	
	value**	**number**	**value*****	**number**
Commercial loans	**1,619,524**	**76**	**1,579,540**	**80**
Including loans for:				
- construction projects	71,571	8	120,572	5
- refinancing of real estate	955,907	40	755,025	48
- land purchase	0	0	0	0
- loans to residential developers	592,046	28	703,943	27
Housing loans (retail – agency model and pooling model)	**1,925,627**	**6,818**	**827,487**	**3,411**
Loans to local government institutions	**0**	**0**	**0**	**0**
Total	**3,545,150**	**6,894**	**2,407,027**	**3,491**

Source: the Issuer.

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

***The value of sales in the period January 1st–December 31st 2015 accounts for annexes to loan agreements under which the principal amounts of previous years' loans were increased by PLN 1,039.5 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 2014 accounts for annexes to loan agreements under which the principal amounts of previous years' loans were increased by PLN 29,794.15 thousand. The value of agreements corresponds to the loan amounts as per agreement, translated at historical exchange rates.*

Section 1.4.1
Sub-Section: Loans for Purchase or Refinancing of Existing Real Estate (Including Purchase of Shares in Special Purpose Vehicles Owning Real Estate)

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

The total commercial loan portfolio (on-balance-sheet and off-balance-sheet exposure) increased from PLN 5,113,435 thousand at the end of December 2014 to PLN 5,289,979 thousand at the end of 2015.

In 2015, the commercial real estate projects financed by the Bank included chiefly office buildings and retail centres. The Bank mainly financed the purchase of or refinanced completed projects that met relevant standards, and financed the construction of projects on completion of which the construction loans were converted into long-term mortgage loans.

The average loan repayment period was 10.9 years. Loans bearing interest at variable rates prevailed in the portfolio. Foreign currency loans had the largest share in the total commercial loan portfolio – 59.16% as at the end of 2015.

At the end of December 2015, office properties, accounting for 33.41% of the commercial loan portfolio, had the largest share in the portfolio of loans for corporate clients (down by 0.76% from the end of 2014). Financing of retail centres accounted for 24.28% of the commercial loan portfolio at the end of 2015 (up by 1.33% relative to the end of 2014), while financing of warehousing and logistics centres − for 11.02% (up by 1.50% compared with 2014). Furthermore, the share of financing of residential property developers fell by 1.43% (from 10.93% in 2014 to 9.50% in 2015) and the share of financing of mixed development projects decreased by 0.99% (from 10.37% in 2014 to 9.38% in 2015).

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 69.1% of the Bank's total on-balance-sheet exposure.

In line with the concentration limits, as at December 31st 2015 the financing of any single entity or a group of entities with equity or organisational links did not exceed 25% of the Issuer's equity, i.e. PLN 185,003 thousand.

In 2015, the Bank issued one enforced collection order (ECO), relating to a commercial loan. The ECO was issued with respect to debt of EUR 1,975.8 thousand.

Sub-Section 1.4.2 Loans to Local Government Institutions

The following text is added at the beginning:

In 2015, the Bank provided no financing to local government institutions. Lack of new agreements in 2015 coupled with a significant level of early repayments translated into a lower on-balance-sheet exposure attributable to these loans compared with the end of 2014 (down 14.20%).

As at the end of 2015, the total on-balance-sheet and off-balance-sheet exposure to the public sector reached PLN 360,855 thousand and represented 4.31% of the total credit exposure. Loans with an average repayment term of 16.7 years accounted for the majority of the portfolio of loans to local government institutions.

Sub-Section 1.4.3 Housing Loans to Retail Customers

The following text is added after the second paragraph:

At the end of 2015, the value of the housing loan portfolio rose by 213.20% compared with the end of 2014, to PLN 2,720,782 thousand (on-balance-sheet and off-balance-sheet exposure). The adoption of a new strategy for 2016-2019 by the Issuer is connected with the expansion of its business into retail lending.

The Bank continued its lending activity in the retail segment, selling products under an agency agreement, mostly through the mBank Group's sales network. In 2014, the Issuer launched a retail pooling scheme, as part of which it takes over loans advanced by mBank that may serve as a basis for issuing covered bonds. As at the end of December 2015, the total principal amount of loans transferred as part of the pooling transactions (retail loans) amounted to PLN 468.7m (loan principal value as at the transfer date).

In 2015, the most important sales channel for retail loans for individuals was the Aspiro financial product sales platform, owned by mBank Group (which accounted for 61% of the total sales), followed by sales through a brokerage firm (24%) and sales through the Financial Services Centre (i.e. mBank's outlets - 10%). Loan sales through partner outlets represented 5% of the total sales.

In 2015, the Issuer took steps to expand the share of sales made through external channels (i.e. channels outside the mBank Group). These steps included setting up a professional support team for brokers within the Bank and streamlining application and communication processes outside mBank outlets.

Also the introduction of the amended Covered Bond Act has had significant implications for the segment of retail loans. The amended Act simplifies the procedure for creating security for primary market housing loans, allowing mortgage banks to actively offer loans to customers on this market starting from January 2016. After a financed dwelling is built and entered in the Land and Mortgage Register with a mortgage for the Bank's benefit, the loan provided to finance the acquisition of the dwelling may be entered in the Covered Bonds Collateral Register and may be the basis for the issuance of mortgage covered bonds. Already in the second half of 2015, the Issuer took steps to intensify its cooperation with the residential developers it finances as part of its commercial lending activities, with a view to increasing the scale of its lending to individuals purchasing dwellings from those developers.

Section 1.6 Issues of Covered Bonds

The following text is added above Table 25:

Over more than 15 years of its presence on the market, mBank Hipoteczny carried out several dozen issues of covered bonds, both in public offerings and private placements. To the Issuer's knowledge, the Bank has been the largest issuer of covered bonds since they were first introduced into the Polish capital market in 2000, and its market share at the end of December 2015 was approximately 75%.

As at December 31st 2015, the total value of all outstanding covered bonds issued by mBank Hipoteczny was in excess of PLN 4bn. The Bank offers chiefly covered bonds with four- and five-year maturities.

In 2015, the Bank issued seven series of mortgage covered bonds with an aggregate nominal value of about PLN 1,550m as at December 31st 2015. The value of four issues denominated in the Polish currency amounted to PLN 1,205m, including the record-breaking PLN 500m issue of September 17th 2015, which was the largest offering of covered bonds in the history of mortgage banking in Poland. The Bank also issued three series of mortgage covered bonds denominated in the euro, for an aggregate amount of EUR 81m.

The Bank's creditworthiness is assessed by international rating agency Fitch Ratings Ltd., which in the first half of 2015 downgraded the previous ratings assigned to the Bank and its covered bonds.

On May 19th 2015, Fitch lowered the Long-term Issuer Default Rating of mBank Hipoteczny S.A. from A (outlook: negative) to BBB- (outlook: positive), on the back of the downgrade of Commerzbank AG's Issuer Default Rating from A+ to BBB, and of mBank S.A.'s downgrade from A to BBB-. As a result of the rating action, the Bank's Short-term Issuer Default Rating was lowered as well, from F1 to F3, while the Support rating was downgraded from 1 to 2.

Moreover, on May 20th and 21st 2015, Fitch Ratings Ltd. also lowered the ratings of public sector and mortgage covered bonds issued by the Bank, from A (outlook: negative) to BBB (outlook: positive). The ratings assigned to the Bank's covered bonds were revised as a result of the downgrade of mBank Hipoteczny S.A.'s IDR long-term international rating from A to BBB-.

The rating action was not caused by changes in the Bank's financial standing or the quality of the Bank's assets securing the covered bonds.

Presented below are the ratings assigned by Fitch Ratings Ltd., attesting to the high level of security offered by the Bank and the instruments it issues:

BBB-/F3 - long- and short-term international rating

2 - support rating

BBB - for public-sector covered bonds

BBB - 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

Moreover, on January 7th 2016, Fitch Ratings Ltd. placed the rating of the mortgage covered bonds issued by mBank Hipoteczny S.A. (currently at 'BBB') on credit watch positive in connection with the entry into force, as of January 1st 2016, of the amended Covered Bond and Mortgage Banks Act.

The legislative changes had no effect on the rating of the public sector covered bonds issued by the Bank (also 'BBB').

On March 7th 2016, Fitch Ratings Ltd. raised the Long-term Issuer Default Rating of mBank Hipoteczny S.A. from BBB- (outlook: positive) to BBB (outlook: stable), on the back of the upgrade of Commerzbank AG's Issuer Default Rating from BBB to BBB+, and of mBank S.A.'s upgrade from BBB- to BBB. As a result of the rating action, the Bank's Short-term Issuer Default Rating was increased as well, from F3 to F2, and the Support rating was affirmed at 2.

In the agency's opinion, there is a high probability that the Issuer will receive support from Commerzbank AG and mBank S.A. in case of need.

The long-term rating of mBank Hipoteczny S.A. after the change is in the BBB investment-grade category, which indicates good credit quality.

On March 7th 2016, Fitch Ratings Ltd. upgraded its rating of the mortgage covered bonds and public sector covered bonds issued by the Bank from BBB (outlook: positive) to BBB+ (outlook: positive for mortgage covered bonds and stable for public sector covered bonds). The change in the rating of the Bank's covered bonds was an effect of the upgrade of the Issuer Default Rating of mBank Hipoteczny S.A. and of Fitch taking into account in its evaluation the statutory requirement binding on the Bank to maintain a minimum overcollateralisation of 10% with respect to its covered bonds.

Following the change, the ratings of the public sector and mortgage covered bonds of mBank Hipoteczny S.A. are in the BBB+ category on the investment scale, meaning 'good credit quality'.

The following text is added above Table 29k:

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

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

As at December 31st 2015:

- mortgage covered bonds were secured with claims of PLN 5,403.8m arising under a total of 7,896 loans,
- public-sector covered bonds were secured with claims of PLN 361.9m arising under a total of 59 loans.

In addition to these assets, treasury bonds with a nominal value of PLN 60m (for mortgage covered bonds) and PLN 6m (for public-sector covered bonds) were entered in the covered bond collateral register as security for the bonds.

As at December 31st 2015, overcollateralisation of the mortgage covered bonds and the public sector covered bonds was 39.13% and 145.27%, respectively (taking into account additional collateral).

The following new table is added under Table 29j:

Table 29k Portfolio of receivables securing mortgage covered bonds, by currency and amounts as at December 31st 2015*

Value ranges (PLN '000)	Value of loans advanced (PLN '000)	Value of loans advanced in EUR (PLN '000)	Value of loans advanced in USD (PLN '000)	Total
<= 250	686,463	6,786	2,123	**695,372**
250.1 - 500	769,278	8,126	649	**778,053**
500.1 – 1,000	303,663	9,550	1,209	**314,422**
1,000.1 – 5,000	174,659	183,787	9,809	**368,255**
5,000.1 – 10,000	159,535	120,619	23,258	**303,412**
10,000.1 – 15,000	183,576	249,465	28,858	**461,899**
15,000.1 – 20,000	109,357	216,595	16,212	**342,164**
20,000.1 – 30,000	241,606	414,605	0	**656,211**
30,000.1 – 40,000	149,387	352,062	0	**501,449**
40,000.1 – 50,000	88,284	307,262	0	**395,546**
> 50 000.1	0	586,974	0	**586,974**
Total	**2,865,808**	**2,455,831**	**82,118**	**5,403,757**
Share in the claims portfolio (%)	***53.03%***	***45.45%***	***1.52%***	

Source: the Issuer.

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

The following new table is added under Table 30j:

Table 30k Portfolio of receivables securing mortgage covered bonds, by type of borrower as at December 31st 2015*

Borrower	Value PLN '000	Share in the portfolio (%)
Legal persons/sole traders	3,589,645	66.43%
Natural persons	1,814,112	33.57%
Total	**5,403,757**	**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 31j:

Table 31k Portfolio of receivables securing mortgage covered bonds, by type of financed project as at December 31st 2015*

Use of funds	Value (PLN '000)	Share in the portfolio (%)
Commercial real estate	3,428,339	63.44%
Residential real estate	1,975,418	36.56%
Total	**5,403,757**	**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 32j:

Table 32k Portfolio of receivables securing mortgage covered bonds, by type of interest rate as at December 31st 2015*

Interest rate type	Value (PLN '000)	Share in the portfolio (%)
Variable interest rate	5,403,757	100.00%
Fixed interest rate	0	0.00%
Total	**5,403,757**	**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 33j:

Table 33k Portfolio of receivables securing mortgage covered bonds, by maturity as at December 31st 2015*

Term range (in years)	Value (PLN '000)	Share in the portfolio (%)
0–2 years	257,791	4.77%
2–3 years	88,463	1.64%
3–4 years	112,411	2.08%
4–5 years	99,136	1.83%
5–10 years	513,656	9.51%
> 10 years	4,332,300	80.17%
Total	**5,403,757**	**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 35j:

Table 35k Portfolio of receivables securing mortgage covered bonds by progress of investment project as at December 31st 2015*

Progress of investment project	Value (PLN '000)	Share in the portfolio (%)
Projects under construction	399,275	7.39%
Completed projects	5,004,482	92.61%
Total	**5,403,757**	**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 36j:

Table 36k Value ranges of receivables securing public-sector covered bonds as at December 31st 2015*

Value range (PLN '000)	Value of loans advanced (PLN '000)	Share (%)	No. of agreements
<= 500	1,579	0.44%	7
500.1 – 1,000	6,567	1.81%	10
1,000.1 – 2,000	11,245	3.11%	8
2,000.1 – 3,000	26,897	7.43%	11
3,000.1 – 5,000	40,783	11.27%	10
5,000.1 – 10,000	54,083	14.94%	8
10,000.1 – 15,000	0	0.00%	0
15,000.1 – 20,000	46,898	12.96%	3
> 20 000.1	173,859	48.04%	2
Total	**361,911**	**100.00%**	**59**

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 37j:

Table 37k Portfolio of receivables securing public-sector covered bonds, by maturity as at December 31st 2015*

Term range (in years)	Value (PLN '000)	Share in the portfolio (%)
0–2 years	9,176	2.53%
2–3 years	4,398	1.22%
3–4 years	14,355	3.97%
4–5 years	8,926	2.47%

5–10 years	43,628	12.05%
10–15 years	32,667	9.03%
15–20 years	18,878	5.22%
> 20 years	229,883	63.51%
Total	**361,911**	**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 39j:

Table 39k Portfolio of receivables securing public-sector covered bonds, by type of interest rate as at December 31st 2015*

Interest rate type	Value (PLN '000)	Share in the portfolio (%)
Variable interest rate	361,911	100.00%
Fixed interest rate	0	0.00%
Total	**361,911**	**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 40j:

Table 40k Portfolio of receivables securing public-sector covered bonds, by type of borrower as at December 31st 2015*

Borrower	Value (PLN '000)	Share in the portfolio (%)
advanced directly to local government institutions	92,704	25.62%
guaranteed by local government institutions	269,207	74.38%
Total	**361,911**	**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.*

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, the Issuer represents that no material adverse changes in the Issuer's growth prospects have occurred since the publication of the most recent audited financial statements of the Issuer, prepared for the financial year 2015. The financial data for the period January 1st–February 29th 2016 have not been audited or reviewed by the auditor.

Pursuant to Section 11.7 of Commission Regulation (EC) No. 809/2004 of April 29th 2004, below we provide a description of all material changes in the Issuer's financial standing since the end of the most recent financial period for which audited financial information was published, that is the period from January 1st to February 29th 2016.

As at the end of February 2016, the total commercial loan portfolio grew slightly (by 0.30%) on the end of December 2015, totalling PLN 5,305,865 thousand. Loans for the financing of commercial real estate accounted for 62.57% of the Bank's entire loan portfolio as at the end of February 2016.

The total housing loan portfolio grew as at February 29th 2016 to PLN 2,816,760 thousand, up by 3.53% on December 31st 2015. Housing loans accounted for 33.22% of the Bank's total loan portfolio as at the end of February 2016.

The total portfolio of loans to local government institutions as at the end of February 2016 was PLN 356,736 thousand, having shrunk 1.14% from the level reported at the end of December 2015. Loans to local government institutions accounted for 4.21% of the Issuer's total loan portfolio as at February 29th 2016.

The share of PLN-denominated loans remained high and accounted for 60.69% of the Bank's total loan portfolio as at the end of February 2016.

The average LTV ratio in the case of commercial loans advanced in the period January–February 2016 stood at 87.08%.

The ratio of mortgage lending value to market value for commercial loans advanced in the period January–February 2016 amounted to 89.13% and was lower than the level reported for loans advanced in the same period of 2015, when it stood at 94.46%.

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

Product		**Feb 29 2016**	**Dec 31 2015**	**Change (%) Feb 29 2016/ Dec 31 2015**
Commercial loans	*On-balance-sheet exposure*	4,509,542	4,429,610	1.80%
	Off-balance-sheet exposure	796,323	860,369	-7.44%
	Total exposure	**5,305,865**	**5,289,979**	**0.30%**
Housing loans	*On-balance-sheet exposure*	2,707,133	2,601,184	4.07%
	Off-balance-sheet exposure	109,627	119,598	-8.34%
	Total exposure	**2,816,760**	**2,720,782**	**3.53%**
Loans to local government institutions	*On-balance-sheet exposure*	356,736	360,855	-1.14%
	Off-balance-sheet exposure	0	0	0.00%
	Total exposure	**356,736**	**360,855**	**-1.14%**
Total	*On-balance-sheet exposure*	7,573,452	7,391,743	2.46%
	Off-balance-sheet exposure	905,950	979,967	-7.55%
	Total exposure	**8,479,402**	**8,371,710**	**1.29%**

Source: the Issuer.

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

***In addition to commercial loans, housing loans and loans to local government institutions, the Bank's loan portfolio includes a security deposit of PLN 94.52 thousand as at December 31st 2015 and of PLN 41.3 thousand as at February 29th 2016.*

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

Product	Feb 29 2016			Dec 31 2015		
	PLN	EUR	USD	PLN	EUR	USD
Commercial loans	37.62%	60.90%	1.49%	40.84%	57.69%	1.47%
Housing loans	99.17%	0.66%	0.16%	99.15%	0.68%	0.17%
Loans to local government institutions	100.00%	0.00%	0.00%	100.00%	0.00%	0.00%
Total loan portfolio (on-balance-sheet and off-balance-sheet exposure)	**60.69%**	**38.33%**	**0.98%**	**62.34%**	**36.67%**	**0.99%**

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 43k Sales of loans – value and number of executed loan agreements, by product groups, including the pooling transactions (pooling model) (PLN '000)*

Product	Jan 1 2016 - Feb 29 2016		Jan 1 2015 - Feb 28 2015	
	Value**	number	Value***	Number
Commercial loans	**156,035**	**3**	**53,924**	**4**
Including loans for:				
- construction projects	71,435	1	0	0
- refinancing of real estate	84,600	2	25,394	3
- land purchase	0	0	0	0
- residential developers	0	0	28,530	1
Housing loans (retail – agency model and pooling model)	**131,329**	**432**	**251,658**	**907**
Public sector	**0**	**0**	**0**	**0**
Total	**287,364**	**435**	**305,581**	**911**

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–February 29th 2016 does not account for annexes to loan agreements under which the principal amounts of previous years' loans were increased. 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–February 28th 2015 accounts for annexes to loan agreements under which the principal amounts of previous years' loans were increased by PLN 893.67 thousand. The value of agreements corresponds to the loan amounts as per agreement, translated at historical exchange rates.*

The following text is added under Table 43k:

After the end of 2015, the following important events took place:

By virtue of its decision of January 7th 2016, the Polish Financial Supervision Authority approved the inclusion in mBank Hipoteczny S.A.'s Tier II capital of PLN 100,000 thousand of cash obtained by the Bank in accordance with the terms of subordinated loan No. 35/2015, dated November 12th 2015, between mBank Hipoteczny S.A. and mBank S.A.

As at December 31st 2015: The Bank carried receivables of PLN 1,734 thousand in respect of which an impairment loss was recognised (for 100% of the amount) following declaration of the client's bankruptcy (for more information, see Note 13 to the Issuer's Financial Statements for 2015). On January 7th 2016, based on the final plan of distribution of the bankruptcy estate and in accordance with the court's decision of January 4th 2016, the Bank received PLN 906.5 thousand from the client as partial repayment of the debt.

On January 7th 2016, Fitch Ratings Ltd. placed the rating of the mortgage covered bonds issued by mBank Hipoteczny S.A. (currently at 'BBB') on credit watch positive in connection with the entry into force, as of

January 1st 2016, of the amended Covered Bond Act. The legislative changes will have no effect on the rating of the public sector covered bonds issued by the Bank.

On March 7th 2016, Fitch Ratings Ltd. raised the Long-term Issuer Default Rating of mBank Hipoteczny S.A. from BBB- (outlook: positive) to BBB (outlook: stable), on the back of the upgrade of Commerzbank AG's Issuer Default Rating from BBB to BBB+, and of mBank S.A.'s upgrade from BBB- to BBB. As a result of the rating action, the Bank's Short-term Issuer Default Rating was increased as well, from F3 to F2, and the Support rating was affirmed at 2.

In the agency's opinion, there is a high probability that the Issuer will receive support from Commerzbank AG and mBank S.A. in case of need.

The long-term rating of mBank Hipoteczny S.A. after the change is in the BBB investment-grade category, which indicates good credit quality.

On March 7th 2016, Fitch Ratings Ltd. upgraded its rating of the mortgage covered bonds and public sector covered bonds issued by the Bank from BBB (outlook: positive) to BBB+ (outlook: positive for mortgage covered bonds and stable for public sector covered bonds). The change in the rating of the Bank's covered bonds was an effect of the upgrade of the Issuer Default Rating of mBank Hipoteczny S.A. and of Fitch taking into account in its evaluation the statutory requirement binding on the Bank to maintain a minimum overcollateralisation of 10% with respect to its covered bonds.

Following the change, the ratings of the public sector and mortgage covered bonds of mBank Hipoteczny S.A. are in the BBB+ category on the investment scale, meaning 'good credit quality'.

On March 9th 2016, the Bank carried out a public issue of five-year variable interest mortgage covered bonds with the nominal value of PLN 300m.

On March 23rd 2016, the Issuer carried out a public issue of five-year variable rate mortgage covered bonds with a nominal value of EUR 50m.

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:

- The economic growth rate and prospects affect and will continue to affect the Polish property market, and consequently also the mortgage loan market. Therefore, these factors have a significant bearing on the Issuer's situation. In 2015, Poland's GDP grew by 3.6% year on year, compared with a 3.3% growth recorded in 2014. According to forecasts by the Gdańsk Institute for Market Economics (IBnGR), the GDP growth rate will continue at 3.6%, while in 2017 the economic conditions are expected to deteriorate, with the forecast GDP growth rate decelerating to 3.1%. The slower economic growth may have an adverse effect on the conditions in the construction industry, and consequently on the commercial property segment, and may bring down the employment rate and salaries, which ultimately may diminish the demand for mortgage loans provided by the Issuer to finance the purchase of properties (both commercial and residential).
- In 2015, the unemployment rate in Poland stood at 9.8%, and was lower than in 2014. In 2016, the situation on the job market is expected to continue improving on the back of the continuing relatively high rate of economic growth in the first half of the year. Lower unemployment may have a positive effect on demand for residential properties, and thus spur interest in mortgage loans.
- As at the end of 2015, the average annual inflation rate was -0.9% (a deflation, i.e. a decrease in the average level of consumer prices). Deflation has continued also into the first quarter of 2016. In the following quarters of 2016, prices are forecast to grow slightly, allowing inflation to reach 0.7% for the entire year 2016.
- In March 2015, the Monetary Policy Council cut the base interest rates applied by the National Bank of Poland, triggering a reduction of the interest rates charged on the loans provided by the Issuer. In January 2016, new members of the Monetary Policy Council were elected. At their first meeting, the new Council members decided to keep the interest rates unchanged, which has had a positive effect on the sale of mortgage loans and timely discharge of obligations by borrowers.

- Exchange rates are another factor of key importance for development of the Bank's loan portfolio. This is connected with foreign exchange gains/losses, which – in the case of loans advanced in foreign currencies – result from exchange rate fluctuations and thus might increase borrowers' debt. A large portion (59.16% as at December 31st 2015) 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 2015, the base interest rates were 0.05% in the euro zone and 0.25% (until December 16th 2015) in the United States. On December 16th 2015, the US central bank raised interest rates to 0.5%.

Property market in Poland:

In 2015, the Bank had to operate amid growing competition on the commercial property financing market, dominated by strong universal banks. Key trends in commercial projects included:

- growing investor activity in property trading,
- reduced exposures to individual entities and projects, and, accordingly, greater willingness to share risk by forming bank syndicates,
- in the case of office space − growing investment in large cities (regional centres),
- banks offering low margins on loans, even below 2.0%.

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

- developers' growing activity in project implementation,
- the banks' taking a liberal approach to project evaluation, especially with respect to the borrower's downpayment and pre-sales, consistent with some developers' expectations,
- the pressure on banks to reduce margins, even below 2.5%.

The forecasts of the property market development in 2016 are moderately optimistic. It is expected that investment on the property market will enjoy growing interest on the part of entities holding capital resources, which will stimulate demand for loans advanced by mortgage banks to finance property purchases.

In 2016, the situation on the market of real estate, in particular that of residential properties, will be determined by factors such as the "Mieszkanie dla Młodych" (MdM, Home for the Young) scheme (in the event of considerable interest in the programme, the amount of funds available under the programme in a given year may be used already in the first half of 2016), interest rates, and an increase (in accordance with Recommendation S) in the amount of the downpayment required to be made by persons purchasing a dwelling with a home loan (the required borrower's downpayment was raised from 10% to 15%).

Conditions across the sector may also be affected by the introduction of the bank tax (0.44% of assets value), and consequently by potential changes in the margins charged by banks providing financing for the purchase of property.

The new Act on the Structuring of the Agrarian System came into force early in 2016. The Act has led to significant constraints in land trading, which may have a bearing on development land purchase transactions in the coming years.

Legal environment:

On July 24th 2015, the amended Act on Covered Bonds and Mortgage Banks and Certain Other Acts was passed. The amended Act materially improves the legal framework governing mortgage banking, and in particular improves the security of these activities and strengthens the rights of covered bond holders.

Key changes relate to:

1) rules of conducting operations by mortgage banks:
    - introduction of the statutory 10% overcollateralization of covered bonds in the form of assets entered in the Covered Bond Collateral Register,
    - introduction of statutory collateral covering six-month interest payments on covered bonds, in the form of assets which are entered in the Covered Bond Collateral Register but which, effectively,

are not the basis for the issuance of the covered bonds; imposition of the obligation on a mortgage bank to carry out asset coverage tests and liquidity tests with a view to determining whether the assets entered in the Covered Bond Collateral Register are sufficient to fully satisfy creditors under covered bonds and to fully satisfy covered bond holders in the periods up to postponed maturity dates as referred to in the Bankruptcy Law,

- imposition of an obligation on the cover pool monitor to notify the PFSA should the results of the above tests prove negative, to guarantee a quick reaction from the market regulator,
- additional limitation of the issuer's ability to redeem covered bonds early: early redemption only in cases permitted by the terms and conditions of covered bonds,
- increasing the level of the covered bond refinancing of loans secured by residential property, from 60% to 80% of the mortgage lending value of the property.

2) the bankruptcy procedure with respect to mortgage banks and satisfaction of creditors under covered bonds in case of a mortgage bank's bankruptcy; the amended act has introduced:
   - detailed regulation of the bankruptcy procedure specific to mortgage banks, defining in detail all its stages and the powers and duties of the procedure participants,
   - the obligation on the bankruptcy receiver to carry out asset coverage tests and − if necessary − liquidity tests, the results of which determine the manner of satisfaction of creditors under covered bonds,
   - initial postponement of the maturity date of covered bonds by one year from the original maturity date (the main procedure applicable if both tests mentioned above yield positive results),
   - the *pass-through* procedure, applicable if at least one of the above tests yields a negative result: if the maturity date of the covered bonds is deferred, during the extended period of their maturity interest on the covered bonds should be paid and the bonds should be repaid earlier, if possible,
   - strengthening of the rights of covered bond holders in the event of a mortgage bank's bankruptcy,
   - regulation of the accrual of interest on covered bonds in the event of a mortgage bank's bankruptcy.
3) introduction of the necessary changes to tax laws:
   - exemption of interest or discount on covered bonds from withholding tax,
   - equal tax treatment of the loans acquired by a mortgage bank and the loans provided by such bank (e.g. provisions represent tax deductible expenses for a mortgage bank);
4) increase of the limit for pension funds' investment in covered bonds to 5%.

The above changes came into force on January 1st 2016. Also on January 1st 2016, the Regulation of the Minister of Finance on performance of the matching cover calculations and the asset coverage and liquidity tests, dated December 30th 2015 (Dz.U. of December 31st 2015), came into force.

In July 2015, certain regulatory recommendations for mortgage banks changed, including Recommendation F, which covers the basic criteria applied by the Polish Financial Supervisory Authority in approving mortgage banks' rules of determination of the mortgage lending value of properties, and Recommendation K, which concerns the rules for maintenance of the Covered Bond Collateral Register by mortgage banks. Recommendation K was further amended in February 2016 to align its provisions with the amended Covered Bond Act.

2.1. Internal Factors

The following text is added after the existing wording:

The Issuer's objective is to develop an effective property market financing mechanism involving the issuance of long-term debt securities. The key internal factor determining the Bank's development is its ability to maintain the leading position among the mortgage banks issuing covered bonds in Poland. The Bank has been building its position on the market and its internal stability based on a number of factors which in the future will have a bearing on the implementation of its strategy and business objectives and, consequently, on its activities and financial performance. These include:

- Maintaining experienced and highly competent staff to work in all key areas of the Bank's business,

- The ability to develop and properly apply operating procedures, in particular in connection with the Bank's embarking on the retail mortgage loan business and outsourcing of a material portion of its operations,
- Strengthening the Bank's position in the market of financing of commercial and residential properties,
- High quality of management of the Bank's modern and extensive IT systems,
- Improving the risk management procedures and systems with a view to enhancing the security of the Issuer's operations,
- Activity in financial and international spheres.

Other internal factors with a bearing on the Issuer's development prospects include:

- The updated operational strategy for 2016-2019, adopted by the Issuer in June 2015, which retains the key development directions and strategic objectives identified in the previous version of the document. The assumptions underlying the Bank's development strategy for 2016-2019 are described below in Chapter X Section 3 of this Supplement.
- Change to the methodology for estimating the IBNR provision for the Issuer's commercial loan portfolio, introduced in May 2015. The principal objective of the change was to better adjust the applied methodology to the requirements imposed by PFSA, which recommends adopting the Point In Time approach to estimating the probability of default (PD). In particular, the loss identification period (LIP) was extended from six to eight months. As a result of these changes, provisions rose as at the end of the year.
- Change of mBank Hipoteczny S.A.'s lending policy by the Bank's Management Board in May 2015, consisting in harmonisation of the approach to the financing of commercial real estate (CRE) across the mBank Group. As a result of these changes, preferred acquisition directions were identified, and cases of increased risk in making the lending decision were defined.
- The work is underway on the implementation of an internal rating-based approach (IRB), a long-term project with a high-priority status. Seven internal rating models, designed for the Bank's commercial segment, received conditional approval from the PFSA on August 27th 2012. Another three rating models, for hotels and commercial properties, received approval from the BaFin and the PFSA on April 10th 2014. The conditional positive decision concerning the extension of application of the methodology to include the models specified above allowed the Bank to immediately start applying the IRB method (*slotting approach*) to calculate the capital requirements in respect of credit risk on the consolidated (the Commerzbank Group), sub-consolidated (the mBank Group) and stand-alone (mBank Hipoteczny S.A.) basis.
- Implementation by the Issuer in September 2015 of the last initiative under PFSA's Recommendation D. The objective of the Banks' data governance initiative is to improve the safety of the IT systems developed and used by the Issuer. The data governance standards that have been introduced will help the Issuer to maintain its high credibility among investors and rating agencies.
- Introduction by the Bank, in December 2015, of provisions concerning the maximum LTC (*Loan to Cost*) ratio, geographical limitations and project managers, as well as limits on new loan exposures (PLN 115m in the CRE segment and PLN 95m in the residential developer segment), which will allow the Issuer to limit credit risk and concentration risk in 2016 and beyond.
- The goal is also to include the retail portfolio in the scope of application of the LTC method, based on models adapted from mBank S.A. An application for permit to use statistical methods to calculate capital adequacy requirements with respect to the retail exposures acquired in cooperation with mBank is planned to be submitted in the second half of 2016.
- Work related to the implementation of PFSA's Recommendation W, concerning management of model risk at banks. A gap analysis was performed and a work schedule was adopted pursuant to which Recommendation W is to be fully implemented by June 30th 2016.
- In 2014, the Bank implemented fair value hedge accounting with respect to its outstanding fixed-rate mortgage covered bonds. The Bank uses fixed-to-variable interest rate swaps as hedges. As at December 31st 2015, the Bank was party to seven hedging relationships. Accordingly, the Bank designated instruments hedging interest rate risk. Net result on hedge accounting for 2015 amounted to PLN -2,392 thousand. By using hedging instruments, the Bank wants to mitigate the interest rate risk inherent in fixed-rate covered bond issues.

As at December 31st 2015, the composition of the Supervisory Board of mBank Hipoteczny S.A. was as follows:

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

Except for Mr Mariusz Tokarski, the above persons were appointed on April 11th 2014 to serve as members of the Supervisory Board of the ninth term by the General Meeting of mBank Hipoteczny S.A. Mr Mariusz Tokarski was appointed as a Member of the Supervisory Board on July 3rd 2014.

The Annual General Meeting of mBank Hipoteczny S.A. also resolved that the members of the Supervisory Board of the ninth term would not receive remuneration.

As at December 31st 2015, the composition of the Management Board of mBank Hipoteczny was as follows:

1. Piotr Cyburt – President of the Management Board

1. Marcin Romanowski – Member of the Management Board
2. Grzegorz Trawiński – Member of the Management Board
3. Marcin Wojtachnio – Member of the Management Board

3. Growth Strategy

The following text is added after the existing wording:

The Bank's strategic objective for the next few years is to maintain its current position among Polish mortgage banks, while pursuing its mission of a major lender on the commercial real estate market and the leading issuer of covered bonds.

In June 2015, the Bank adopted an updated strategy for 2016-2019, which retains the key development directions and strategic objectives defined in the Issuer's previous strategy of 2013.

The two principal strategic objectives set for the Bank in its business strategy for 2016-2019 are:

- to build the largest possible portfolio of property assets meeting the criteria of collateral for covered bonds in line with the adopted risk management strategy,
- to maximise the use of covered bonds for the refinancing of the Bank's long-term mortgage loan portfolio.

Since 2013, the Bank has been implementing 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 2013, the Bank started to grant mortgage loans to natural persons, which are offered mostly through the mBank Group 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 Q3 2014, the process of building the retail loan portfolio was additionally supported by the implementation of a pooling model, which consists in taking over the existing portfolio of mBank's retail mortgage loans. The first pooling transactions were completed in September and October 2014.

In 2015, the Bank continued to build a new portfolio of retail mortgage loans acquired as part of its cooperation with mBank, refine the lending process, take over the retail loan portfolio from mBank under the pooling model (another four pooling transactions) and refinance the portfolio through covered bond issues.

In 2016‒2019, the Bank will be gradually reducing the financing of projects with a value of less than PLN 10m, and instead it will focus on projects with a value in excess of PLN 10m (including the limit for derivative transactions) that do not exceed the credit concentration limit (currently at EUR 35m). The Bank's priority will be to finance high-quality commercial properties with low investment risk, located in large and mid-sized cities or in small towns, but in the latter case only in premium locations. In particular, the Bank will finance office, warehouse, and retail properties.

The key sales objective will be to finance or refinance purchases of finished, commercialized properties. As its second priority, the Bank will focus on acquiring customers from the commercial property development financing segment. Loans in this segment will be converted into long-term refinancing facilities on completion of the construction phase.

In 2016−2019, building on its previous experience in financing residential projects, the Bank will continue to provide loans to residential developers. Loans will be offered to developers with proven track-records, experience, know-how, a good understanding of the market and well-prepared projects suited to market needs. First and foremost, the Bank will continue to work with developers with whom it has successfully implemented residential projects before.

Implementing its strategy for 2016−2019, the Bank will develop its retail business by building a portfolio of mortgage loans for individuals both through sales of new loans and transfer of the existing loan portfolio from mBank and its refinancing with covered bonds.
The Bank will rely on its own experience and the experience of the mBank Group in this market, ensuring that the loans in its portfolio meet collateral eligibility criteria for covered bonds. The mBank Group's goal will be to increase its share in the retail mortgage lending market to 10% by 2019.

The Bank will finance its operations in 2016−2019 from the following six main sources:

- covered bonds, including:
  - backed by retail mortgage loans (denominated in PLN),
  - backed by commercial mortgage loans (denominated in PLN, EUR),
- own bonds,
- long-term credit lines (denominated in PLN, EUR)
- term and current deposits,
- a subordinated loan from mBank S.A.
- equity.

Growing its total assets in the coming years, the Issuer will seek to build an asset structure which will allow it to issue the largest possible volumes of covered bonds in conformity with applicable laws and regulations.

The Bank is planning issues denominated in the złoty and the euro. In accordance with the current practice, maturities of the individual tranches will range between five and ten years.

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

The following text is added after the existing wording:

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

Chapter XII Auditors in the Period Covered by Historical Financial Information

Section 2
The following text is added after the existing wording:

The services contracted under the agreement with Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością s. k. of June 15th 2015 include:

- audit of the Company's financial statements for the period January 1st−December 31st 2015
- audit of the Company's consolidation packages prepared for the purpose of preparation of the mBank Group consolidated financial statements for the period January 1st−December 31st 2015
- review of the Company's condensed financial statements for the six months ended June 30th 2015,
- review of the Company's reporting packages for the purposes of consolidated financial statements of the mBank Group for the six months ended June 30th 2015.

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 2015, along with the auditor's opinion on the audit of the financial statements, have been included in this Prospectus by reference to the Issuer's 2015 annual report, released on March 31st 2016 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 2015, no court, arbitration or administrative proceedings were pending concerning the Bank's or its subsidiary's liabilities with a value equal to or exceeding 10% of the Bank's equity.

As at December 31st 2015, a case was pending before the Regional Court of Poznań brought by the Bank against its limited debtor, who had purchased a mortgaged property from the Bank's borrower. The amount of the claim sought by the claimant was PLN 11,692 thousand. The Regional Court of Poznań suspended the proceedings due to the lack of a body at the company authorised to represent the company. On December 8th 2015, the Bank filed an application with the District Court of Poznań, Commercial Division of the National Court Register, requesting that a guardian ad litem be appointed.

The Bank is the assignee under an agreement on assignment of receivables under an insurance policy. The assignment was created to secure a loan advanced by the Bank to a borrower. As a result of a fire at the property, the borrower incurred a loss. The compensation paid by the insurer did not fully cover the loss. As the beneficiary under the insurance policy, the Bank raised a claim for compensation, first by sending a payment demand notice, and then, on February 4th 2014, by filing a claim against the Insurer with the Regional Court of Warsaw, XX Commercial Division, demanding payment of PLN 18,494 thousand. After the suit was filed by the Bank, the Insurer voluntarily satisfied a portion of the Bank's claim by making a payment of PLN 6,523 thousand net. On February 24th 2014, the Court issued a payment order for the Insurer to pay the Bank PLN 18,494 thousand along with statutory interest. On March 26th 2014, the Insurer effectively lodged an objection against the payment order. On June 10th 2014, the Bank filed its response to the Issuer's objection and raised its claim by an amount of PLN 1,324 thousand corresponding to compounded interest and statutory interest accrued from the date of filing the payment claim to the actual payment date. In November 2014, the dispute was referred to mediation, but neither party agreed to take part in the mediation process. At the first hearing, held on September 17th 2015, the witnesses indicated by the Bank were heard. At the second hearing, held on January 21st 2016, the witness appointed by the Insurer was heard. The date of the next hearing was set for May 16th 2016.

As at December 31st 2015, a case was pending before the Regional Court of Warsaw, 24th Civil Division, filed by the Capital City of Warsaw against mBank Hipoteczny S.A., for payment of PLN 39 thousand in statutory interest on the annual perpetual usufruct charge for 2012 in respect of a property foreclosed by the Bank (perpetual usufruct right awarded by the court), located at ul. Nałęczowska 33/35 in Warsaw. On May 20th 2015, the Regional Court of Warsaw issued a decision to discontinue the proceedings as to the principal claim (which had been satisfied by the Bank), dismissed the Warsaw Municipality's claim for payment of PLN 39 thousand in statutory interest, and awarded costs of the proceedings, of PLN 9 thousand, against the Bank. On June 23rd 2015, the Bank lodged a complaint against the cost award, requesting that the court's decision ordering the Bank to pay the costs of litigation be reversed. Claimant Warsaw Municipality timely lodged an appeal against the decision in the part concerning dismissal of the claim for interest. As at December 31st 2015, both the complaint concerning the cost award and the appeal concerning interest were awaiting the setting of dates at the Warsaw Court of Appeals. In connection with the above, as at December 31st 2015 the Bank held a provision of PLN 55.5 thousand, of which PLN 18 thousand was expensed in 2016 (see Note 13 to the Issuer's Financial Statements for 2015). The rest of the provision amount was expensed in the second half of 2014.

On December 30th 2015, the Bank brought an action requesting that a payment order for EUR 2,002 thousand be issued against a borrower, in view of the lack of repayment of the loan following termination of the loan agreement.

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

The following text is added after the existing wording:

(xiii) the Issuer’s financial statements for 2015, prepared in accordance with the EU-endorsed IFRSs, audited by qualified auditor Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością s.k., along with the auditor’s opinion and report.

Chapter XIX

The following text is added after the existing wording:

11. the Issuer’s 2015 annual report, issued on March 31st 2016 and published on the Issuer’s website at: www.mhipoteczny.pl, containing the Issuer’s financial statements for the period January 1st–December 31st 2015 along with the auditor’s opinion on those statements;