Management Board Report
on the Activity of mBank Hipoteczny S.A.
in the first half of 2026

This document is a translation from the original Polish version. In case of any discrepancies between the Polish and English versions, the Polish version shall prevail.

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Table of contents

1. Introduction

mBank Hipoteczny S.A. (Bank, mBH) is Poland's second largest specialist mortgage bank and a long-standing issuer of mortgage bonds. We have a reputation not only in the domestic market but also abroad.

We are part of the mBank Group, where companies and individual customers benefit from a wide range of financial products and services. We are also part of the Commerzbank Group, the second largest commercial bank in Germany.

As part of our cooperation agreement with mBank, we provide customer service using mBank's sales network. We maintain close relationships with investors and financial institutions both directly and in cooperation with mBank and Commerzbank.

The Bank started its operations by obtaining the first mortgage bank licence in Poland on 12 March 1999.

In connection with the implementation of the mBH Strategy 2023 - 2026, the Bank's activities in the first half of 2026 focused on the implementation of strategic initiatives around five pillars:

(1) sourcing retail mortgage loans from mBank;
(2) financing them with regular mortgage bond issues;
(3) improving the IT platform and data security;
(4) risk management;
(5) fostering an organisational culture based on shared values, ensuring respect for diversity, professional development of employees and satisfactory working conditions.

An integral part of the mBank Hipoteczny S.A. Strategy is the mBH Sustainability Strategy. The Bank has included environmental, social, and governance factors in the ESG Strategy.

Together with mBank, we are implementing sustainability initiatives as an integral part of the Group's business. As a Group, we want to remain a leader in sustainable banking in Poland. We are aware of our responsibility for the climate, society, the financial health of our customers, and sustainability.

We operate on the basis of the CO_2 emission reduction targets approved by the Science Based Targets initiative (SBTi) and the Group Transition Plan adopted in 2025. Based on the Group

Plan, we also adopted a standalone Transition Plan covering both operational and portfolio emissions generated by our activities.

In the first half of 2026, we further developed our approach to ESG risk management by extending its scope beyond environmental factors to also include social and governance considerations. These measures provide a foundation for the further development of the methodology and approach applied to the monitoring of ESG risks in our business activities.

Strategic projects

In the first half of 2026, the Bank continued to implement the strategy through the following projects:

1) Implementation of the AIRB approach (Pillar: risk management)

The Bank, together with mBank, continued the project to obtain supervisory approval for the AIRB approach for the mBH retail mortgage loan portfolio. The retail portfolio is the core business of the Bank.

2) BMR (Pillar: Pooling, covered bonds)

In 2025, as part of a joint mBank Group project, the Bank continued to implement the solutions arising from Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts (BMR).

Work on WIBOR benchmark reform is carried out by the National Working Group on Benchmark Reform (NGR) set up by the Office of the Polish Financial Supervision Authority. On 10 December 2024, the Steering Committee of the National Working Group reviewed its earlier decision of 2022 to select WIRON as the replacement for WIBOR. The Steering Committee of the National Working Group decided to select an index from the WIRF family, technically named WIRF- (based on unsecured deposits of Credit Institutions and Financial Institutions), as the target interest rate benchmark to replace the WIBOR benchmark. On 24 January 2025, the benchmark was named POLSTR (Polish Short Term Rate).

On 28 March 2025, the Steering Committee of the National Working Group approved the updated Roadmap for the process of replacing the WIBOR and WIBID benchmarks are possible. As the Steering Committee of the National Working Group stressed, without changing the final deadline for the completion of the benchmark reform, i.e. the end of 2027.

On 2 June 2025, the official calculation of the POLSTR Interest Rate Index and the POLSTR Composite Index Family began. POLSTR is administered by GPW Benchmark SA, an entity authorised by the Polish Financial Supervision Authority and entered in the register of benchmark administrators maintained by the European Securities and Markets Authority (ESMA).

On 2 September 2025, the POLSTR interest rate index was used for the first time, giving POLSTR the status of a benchmark in accordance with the requirements of the BMR.

In the second half of 2025, the Steering Committee of the National Working Group conducted public consultations and then published a recommendation on the use of POLSTR in bonds. In November 2025, the Ministry of Finance conducted the first issue of treasury bonds based on POLSTR.

Furthermore, with regard to derivatives, the Steering Committee of the National Working Group conducted public consultations, also in the second half of 2025, and then published recommendations on standard OIS transactions and on the conversion of interest rate derivatives.

On 18 May 2026, GPW Benchmark announced its decision to discontinue the WIBOR and WIBID rates through an orderly wind-down process. Following receipt from GPW Benchmark S.A. (the Administrator) of a notification of its intention to cease the determination of the WIBOR and WIBID benchmarks for the 1M, 3M and 6M fixing tenors, the Polish Financial Supervision Authority (KNF) concluded that the method adopted by the Administrator for discontinuing the WIBOR and WIBID benchmarks is compliant with the provisions of the BMR Regulation and the internal procedures of GPW Benchmark S.A. According to the information provided, the publication of the WIBOR and WIBID benchmarks for the 1M, 3M and 6M tenors will cease as of 1 January 2037.

On 22 June 2026, the Ministry of Finance published a draft Act amending certain acts with a view to developing the financial market and enhancing financial stability in that market (UC132). One of the objectives of the proposed regulation is to introduce provisions limiting exposure to a critical benchmark in respect of which a regulatory event has occurred. The draft legislation will be subject to a 30-day public consultation process.

The above changes to the benchmark in accordance with the BMR impact the Bank's operations through agreements concluded with clients and counterparties, changes in the valuation of financial instruments, and the need for changes in IT processes and systems. In recent years, the Bank has initiated extensive communication with its clients, proposing annexes to loan agreements that did not contain fall-back clauses. As a result, part of the portfolio was covered by annexes. The process was resumed in March 2025. Clients have the option of signing an annex introducing a fall-back clause to existing agreements at any time. The decision to conclude an annex is solely up to the client.

3) Responsible Outsourcing (Pillar: Outsourcing)

In 2026, the Bank continued the implementation of a project aimed at identifying processes that may be entrusted to entities within the mBank Group in areas offering synergy opportunities while maintaining regulatory compliance, operational security and cost efficiency. The project is intended to enhance the scalability of the Bank's operating model, standardise selected processes and optimise the cost base.

4) Covered Bond Issuances Addressed to Retail Investors (Pillar: Pooling, covered bonds)

The objective of the project is to prepare the Bank for the possibility of issuing covered bonds addressed to retail clients. The work is not limited to conducting a single issue but is aimed at expanding the range of products available to individual investors within the mBank Group by introducing an additional investment instrument – mortgage covered bonds – and increasing awareness of their specific characteristics. Their introduction into the product offering is consistent with the mBank Group's approach to healthy finances, under which clients are provided with access to a broad range of financial solutions.

5) Pooling of Periodically Fixed-Rate Mortgage Loans (Pillar: Pooling, covered bonds)

In the first half of 2026, work continued on a project aimed at preparing the Bank to acquire from mBank mortgage loans based on a periodically fixed interest rate. As part of the project, a framework for the future management of this portfolio following its transfer to the Bank is also being developed.

Financial credibility assessment - rating

The financial credibility of the Bank and the covered bonds it issues is assessed by the international rating agency Moody's Investors Service Ltd.

On 10 April 2025, Moody's Investors Service upgraded its long-term rating for mBank Hipoteczny from Baa2 to Baa1. The rating outlook was changed from positive to stable.

At the same time, counterparty risk ratings (CRR) were upgraded to A2/P-1 from A3/P-2, and counterparty ratings (CRA) to A2(cr)/P-1(cr) from A3(cr)/P-2(cr). Short-term ratings remained at P-2.

The upgrade of mBH's rating is a result of improved ratings at the parent entity level and continued high level of support and operational integration with mBank.

As at the reporting date, the following ratings were in force:

	rating	outlook	date	decision
Long-term Issuer Rating	Baa1	stable	10.04.2025	rating upgraded, outlook changed
Short-term Issuer Rating	Prime-2	-	10.04.2025	rating confirmed
Long-term Counterparty Risk Rating	A2	-	10.04.2025	rating upgraded
Short-term Counterparty Risk Rating	Prime-1	-	10.04.2025	rating upgraded
Long-term Counterparty Risk Assessment Rating	A2 (cr)	-	10.04.2025	rating upgraded
Short-term Counterparty Risk Assessment Rating	Prime-1	-	10.04.2025	rating upgraded
Covered bonds	Aa1	-	10.04.2025	rating confirmed

2. External Conditions

2.1. Macroeconomic and Legal Environment

Macroeconomic environment

In assessing the macroeconomic environment, we use information obtained from mBank's Chief Economist.

In the first half of 2026, inflation remained close to the NBP inflation target of 2.5% (+/- 1 percentage point), despite increased geopolitical uncertainty related to the conflict in the Middle East. At the same time, GDP growth slowed slightly, mainly due to the persistently relatively low level of investment activity. Financial markets experienced elevated volatility driven by geopolitical developments, which translated into higher government bond yields and a weakening of the Polish zloty against the euro compared with the beginning of the year. Inflationary pressures in the global economy remained moderate, although they increased temporarily due to higher fuel prices.

In the first quarter of 2026, GDP growth reached 3.5% year on year, compared with 4.1% year on year in the fourth quarter of 2025. The slowdown was primarily visible in investment activity, with annual growth declining to 2.4% year on year from 6.6% in the previous quarter. Private consumption also expanded at a slower pace, with growth declining to 3.3% from 4.3% in the preceding quarter. As a result, private and public consumption remained the main drivers of economic growth, while investment contributed slightly positively and inventories and net exports had a broadly neutral impact. Gradual acceleration in GDP growth and a significantly stronger increase in investment activity are expected in the subsequent quarters of 2026. The Bank forecasts average annual GDP growth of 3.7% in 2026.

At the turn of the first and second halves of 2026, inflation was characterised by elevated volatility. At the beginning of the year, the inflation rate stabilised at around 2% year on year, but in the following months it temporarily increased above 3% as a result of higher fuel prices driven by geopolitical tensions in the Middle East. June data indicated a renewed decline towards the NBP inflation target, supported mainly by lower food prices. At the same time, core inflation increased from approximately 2.5% to nearly 3%, although this rise was concentrated in a limited number of categories. Persistently moderate wage growth and the absence of signs of mounting wage pressure indicate a limited risk of inflation becoming entrenched at elevated levels. Inflation is expected to stabilise within the 2.5%–3.0% range in the second half of the year. According to the Bank's forecasts, CPI inflation will average 2.7% in 2026.

During the first half of the year, the Monetary Policy Council (MPC) lowered the reference rate by 25 basis points in March. In the following months, the central bank's communication became more dovish. Recent statements by Governor Glapiński suggested room for further interest rate cuts in 2026, although other MPC members appear more cautious in this regard. The NBP emphasised the significance of fiscal and external factors, including geopolitical developments, for the inflation outlook. In the Bank's assessment, the arguments supporting interest rate stability in the short term remain dominant. As a result, the Bank expects the next rate cut only in the third quarter of 2027, followed by a prolonged period with the reference rate unchanged at 3.5%. At the same time, inflation is expected to increase moderately in the second half of 2026 and then gradually decline to below 2.5% during 2027.

In the first half of 2026, the Polish zloty weakened against both the euro and the US dollar. The main factors affecting exchange rate movements were increased risk aversion related to the conflict in the Middle East and the divergence in monetary policy between the European Central Bank and the National Bank of Poland. The Bank expects the EUR/PLN exchange rate to stabilise around 4.30 in the coming quarters and the zloty to strengthen gradually against the US dollar to approximately 3.64 by the end of 2026. According to data as at the end of June, the Ministry of Finance had financed approximately 63% of this year's gross borrowing needs. The expected maintenance of relatively stable interest rates should support the continued growth of lending activity.

Since the beginning of the year, a further recovery has been observed in the credit market, both in the corporate and household segments. Increased activity was also visible on the deposits side, where annual growth continued to accelerate. In the coming quarters, a moderate slowdown in the growth rate of loans and deposits is expected in the corporate sector. In the household segment, lending and deposit volumes are expected to remain broadly stable.

Legal environment

The Bank's operations as a mortgage bank are significantly influenced by regulations governing credit institutions, capital markets, mortgage lending and consumer relations, land and mortgage registers and mortgages, cybersecurity, anti-money laundering (AML), sustainability (ESG) and employment law.

Regulations governing the activities of credit institutions

In 2025, most of the provisions of the CRD VI/CRR III package[1] entered into force. The package is intended to align the banking sector with the new capital and risk management requirements, including those relating to ESG risks. Work on the national implementation of these regulations is ongoing and includes, among other things, amendments relating to supervisory powers, sanctions and the activities of third-country branches. In addition, a draft amendment to the implementing regulations[2] introduces an obligation to take ESG risks into account when estimating internal capital.

In March 2026, work on the EU Crisis Management and Deposit Insurance (CMDI) package[3] reforming the framework for bank recovery and resolution, was completed. The changes concern, in particular, MREL requirements, deposit guarantee schemes, and recovery and resolution measures. The concept of the public interest justifying resolution action has been

[1] the CRD VI / CRR III package comprises:

- Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor;
- Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks;
- CRR III Regulation;
- CRD VI Directive.

[2] Draft Regulation of the Minister of Finance and Economy amending the Regulation on the detailed method for estimating internal capital and on banks' reviews of the strategies and procedures for the estimation and ongoing maintenance of internal capital.

[3] The CMDI package comprises:
- Regulation (EU) 2026/808 of the European Parliament and of the Council of 30 March 2026 amending Regulation (EU) No 806/2014 as regards early intervention measures, the conditions for initiating resolution proceedings, and the financing of resolution actions.

- Directive (EU) 2026/806 of the European Parliament and of the Council of 30 March 2026 amending Directive 2014/59/EU as regards early intervention measures, the conditions for initiating resolution proceedings, and the financing of resolution actions, and amending Directive 2014/24/EU as regards valuation services for resolution purposes.

clarified, and the "bridging the gap" mechanism[4] has been introduced. The Bank remains an institution subject to the resolution regime.

Changes to Recommendation WFD issued by the Polish Financial Supervision Authority are also of significant importance to the mortgage funding market. The amendments provide for a revised methodology for calculating the ratio[5], remove the deadline for the inclusion of long-term deposits while introducing limits on their recognition in the calculation, and reduce the expected Long-Term Funding Ratio level from 40% to 20%. This may reduce the pressure to issue covered bonds. Covered bonds continue to receive preferential treatment in the calculation of the WFD ratio compared with other debt instruments (only 30% is deducted instead of 100%); however, their regulatory attractiveness for domestic banks as investors is lower than under the 2024 version of the Recommendation.

[4] To gain access to external funding, investors and creditors of a failing bank must first absorb losses amounting to at least 8% of the bank's total liabilities and own funds.

[5] Only instruments classified as AT1 and Tier 2 are to be taken into account instead of the surplus above the minimum own funds requirement.

Capital markets regulations

Work is ongoing on the implementation of the *Listing Act* package, which is intended to simplify the functioning of capital markets and reduce regulatory burdens. The proposed legislation[6] provides, among other things, for simplifications relating to prospectus requirements and introduces supervision by the Polish Financial Supervision Authority (KNF) over ESG ratings.

At the same time, legislative work is under way on the draft Act on Individual Investment Accounts (OKI). The tax incentives[7] envisaged for certain assets, including covered bonds, may increase retail investors' interest in this instrument.

Mortgage loans and consumer relations

One of the most important issues remains the orderly transition away from the WIBOR benchmark. In line with the decisions adopted by GPW Benchmark and the Polish Financial Supervision Authority (KNF)[8], no new WIBOR-based agreements should be concluded from 2027 onwards, while the publication of the benchmark is scheduled to cease completely at the end of 2036. The process requires appropriate legislative[9] and contractual changes (including the proposed execution of amendments to agreements with clients), as well as market readiness to use an alternative benchmark. During the transitional period, it would still be possible to enter into derivatives transactions based on WIBOR.

[6] Draft Act amending certain acts in connection with improving the functioning of the capital market. The draft legislation transposes Directive (EU) 2024/2811 (the so-called Listing Act) into national law and provides for the application of Regulations (EU) 2024/2809 and (EU) 2024/3005.

[7] The draft legislation provides for an exemption from personal income tax (PIT) on income derived from investments held in an Individual Investment Account (OKI). In its place, a flat-rate tax based on the value of assets accumulated in the OKI will be introduced. Prior to the calculation of the tax, exemptions will apply to the first PLN 100 thousand of the average value of specified investment assets, including, among others, PLN-denominated covered bonds.

[8] GPW Benchmark S.A. (the administrator of the WIBOR benchmark) published a notice on 18 May 2026 announcing the discontinuation of the WIBID and WIBOR Reference Rates through an orderly wind-down process with effect from 1 January 2037. The Polish Financial Supervision Authority (KNF), acting as the supervisory authority, assessed the proposed approach and confirmed that the method of discontinuation adopted by the Administrator is compliant with the provisions of the BMR Regulation and the internal procedures of GPW Benchmark S.A.

[9] The draft Act of 18 June 2026 amending certain acts with a view to developing the financial market and increasing financial stability in that market introduces the legal framework required to implement the process described above. The draft legislation has been published by the Government Legislation Centre (RCL) under reference number UC132.

The proposed amendments concerning the Financial Ombudsman provide, among other things, for stricter consequences of failing to handle complaints within the prescribed time limits, including the deeming of such complaints to have been accepted, as well as an increase in administrative penalties.

With regard to disclosure obligations, the CJEU held that it is the administrator's responsibility to publish or otherwise make available the key elements of the methodology applicable to a benchmark. Banks are required to provide information on the benchmark's name, its administrator and the impact of increases in the benchmark on the loan interest rate. Banks' disclosure obligations arise from the standardised European Standardised Information Sheet (ESIS). The judgment reinforces the favourable line of domestic case law established to date in favour of banks[10]. Judgments concerning amendments containing unfair foreign currency clauses[11] and the limitation period applicable to banks' claims[12] also highlight the need to maintain an appropriate balance between consumer protection and the rights of financial institutions, as well as the need for an equitable settlement between the parties when a contract is declared invalid.

Land and mortgage registers and mortgages

In 2026, legislation was enacted enabling the issuance of electronic documents from land and mortgage registers. At the same time, work is under way on the further digitalisation of land and mortgage register proceedings, including the electronic submission of applications, registration proceedings, the issuance of decisions, correspondence with courts, as well as hybrid land and mortgage register files. These solutions may improve processes related to the establishment and servicing of mortgage collateral. Another legislative proposal[13] provides for the introduction of authenticated user verification when submitting a request to access and review a land and mortgage register. The purpose of this measure is to strengthen the protection of the personal data contained therein.

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[10] According to statistics published by the Polish Bank Association (ZBP) as at the end of May 2026, only one out of 215 final second-instance judgments in WIBOR-related cases was unfavourable to a bank.

[11] Judgment of the Court of Justice of the European Union of 30 April 2026 in Case C-246/25 Hańczynek.

[12] Judgment of the Court of Justice of the European Union in Joined Cases C-261/25 (Ścierbek) and C-262/25 (Drózdzik), concerning the key issue of the limitation period applicable to banks' claims for the repayment of capital. The judgment is consistent with the line of case law established by the CJEU judgments of 16 April 2026 in Cases C-752/24 (Jangielak), C-753/24 (Rzepacz) and C-901/24 (Falucka).

[13] Draft Act amending the Act on Land and Mortgage Registers and Mortgages (UD310).

Cybersecurity and technology

The amendment to the Act on the National Cybersecurity System implementing the NIS2 Directive expands banks' obligations with regard to cybersecurity risk management, incident reporting and the accountability of management bodies. It also strengthens the powers of supervisory authorities and sectoral CSIRT teams. In addition, it introduces an obligation for entities to determine whether they qualify as essential or important entities and to notify the relevant authorities accordingly.

The entry into force of the EU AI Act is also relevant to the Bank's operations. The AI Act applies to entities that provide or use technical solutions based on artificial intelligence. While the Bank is not currently a provider of such solutions, it is assessing the impact of the AI Act on its operations in view of the services provided to the Bank. At the same time, draft national legislation is being prepared to establish a supervisory framework for solutions making use of artificial intelligence.

Anti-Money Laundering (AML)

Work on the implementation of the EU AML package[14] is ongoing. The proposed changes include, among other things, new requirements concerning beneficial owners, AML IT systems, sanctions related to proliferation financing, and an expansion of the powers of the General Inspector of Financial Information (GIIF). The new regulations will require adjustments to the processes and tools used by the Bank.

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[14] The AML package comprises:

-The AML Regulation (AMLR), which introduces harmonised and directly applicable rules for financial institutions across the European Union, including requirements relating to customer due diligence measures and customer verification.

-The AML Directive (AMLD6), which requires Member States to adapt their national laws and procedures, including those relating to beneficial ownership registers and supervisory arrangements.

-The AMLA Regulation, which establishes the Anti-Money Laundering and Countering the Financing of Terrorism Authority (AMLA), a new supervisory and coordinating authority.

Sustainability (ESG)

The Omnibus regulatory package postponed the effective dates of certain reporting obligations[15] and reduced the scope of entities subject to sustainability reporting requirements. The second strand of the Omnibus package focused on reducing the scope of reporting obligations, including limiting the range of entities required to prepare sustainability reports[16]. The implementation of the package will result in the Bank no longer being subject to an individual obligation to prepare a sustainability report. At the same time, the Bank remains required to comply with the EBA Guidelines on the management of ESG risks.

Work is also under way on the implementation of the anti-greenwashing Directive[17] and on regulations requiring ESG risks to be incorporated into capital management and risk management processes.

[15] The "Stop-the-Clock" Directive, implemented into Polish law through the Act amending the Accounting Act, which entered into force on 14 March 2026, introduced the option provided for in the new EU Directive (the first part of the "Omnibus I" package). The Directive eases sustainability reporting (ESG/CSRD) requirements and postponed the Bank's sustainability reporting obligation by two years.

[16] Directive (EU) 2026/470 of the European Parliament and of the Council.

[17] [10] Directive (EU) 2024/825 of the European Parliament and of the Council of 28 February 2024 amending Directives 2005/29/EC and 2011/83/EU as regards empowering consumers for the green transition through better protection against unfair practices and through better information.

Employment Law

The most significant changes relate to the implementation of the Pay Transparency Directive[18], which introduces new disclosure obligations, gender pay gap reporting requirements and rules relating to remuneration policies[19].

At the same time, legislative work is under way on amendments to the regulations governing workplace bullying and discrimination, as well as on strengthening the powers of the National Labour Inspectorate, including with regard to determining the existence of an employment relationship.

[18] Directive (EU) 2023/970 of the European Parliament and of the Council of 10 May 2023 to strengthen the application of the principle of equal pay for men and women for equal work or work of equal value through pay transparency and enforcement mechanisms.

[19] Draft Act on strengthening the application of the right to equal pay for men and women for equal work or work of equal value (Reference No. UC127).

2.2. Mortgage Covered Bond Market

International market

Covered bonds are an instrument that supports financial institutions in obtaining long-term financing for their mortgage lending activities. This instrument has been present on the market for more than 200 years and constitutes an important component of real estate financing systems in many European countries. The development of the covered bond market and the high level of security offered by these instruments have contributed to their growing popularity outside Europe as well, including in Australia, Canada, New Zealand, Japan, South Korea and Latin American countries.

Most jurisdictions have dedicated legal frameworks governing the issuance of covered bonds. Common features of these frameworks include a high level of investor protection, public supervision and collateralisation of issues with a segregated pool of assets. Within the European Union, the functioning of the covered bond market has been further harmonised by the Covered Bond Directive, which has applied since July 2022.

According to data provided by the European Covered Bond Council (ECBC), the total volume of covered bonds outstanding worldwide amounted to approximately EUR 3.3 trillion at the end of 2024, of which approximately EUR 2.9 trillion related to Europe. France, Denmark and Germany remained the largest covered bond markets, with outstanding covered bonds amounting to EUR 501.6 billion, EUR 459.7 billion and EUR 399.5 billion respectively, representing approximately 17.3%, 15.9% and 13.8% of the European covered bond market.

With approximately EUR 11 billion of covered bonds outstanding, Poland remains a relatively small but steadily developing market, accounting for approximately 0.4% of the European covered bond market.

Local market

The covered bond market has been operating in Poland for nearly 25 years. Mortgage banks and Bank Gospodarstwa Krajowego are authorised to issue covered bonds. This authorisation stems from the Act of 29 August 1997 on covered bonds and mortgage banks and the Act of 14 March 2003 on Bank Gospodarstwa Krajowego (the Act on BGK).

Pursuant to Article 6a of the Act on BGK, Bank Gospodarstwa Krajowego may issue covered bonds, in particular for the purpose of implementing government programmes; pursuant to

Article 12 of the Act of 29 August 1997 on covered bonds and mortgage banks, the basic activities of a mortgage bank include the issuance of mortgage and public covered bonds.

There are currently five mortgage banks operating on the Polish market: mBank Hipoteczny S.A., PKO Bank Hipoteczny S.A., Pekao Bank Hipoteczny S.A., ING Bank Hipoteczny S.A. and Millennium Bank Hipoteczny S.A. The market remains relatively small compared with the largest European covered bond markets. As at the end of the first half of 2026, the total value of mortgage covered bonds outstanding amounted to PLN 25.25 billion, representing an increase of approximately PLN 4 billion compared with the end of 2025. All five Polish mortgage banks carried out at least one covered bond issue on the domestic market during the first half of 2026. Bank Gospodarstwa Krajowego did not make use of its statutory authority to issue covered bonds.

The prospects for further market development will largely depend on the regulatory environment and on measures aimed at increasing the attractiveness of covered bonds as a source of long-term funding for banks.

One of the factors limiting the development of the covered bond market in Poland is the lack of systemic incentives to invest in this type of instrument and the high liquidity of the financial sector. An opportunity to change this situation is presented by the WFD Recommendation adopted by the Polish Financial Supervision Authority in July 2024, as described in section 2.1. The aim of introducing the WFD Recommendation is to mitigate the risk associated with the current structure of mortgage financing and to change this structure by increasing the share of long-term debt instruments in banks' liabilities relative to the value of mortgage loans granted. At the end of 2025, the Polish Financial Supervision Authority presented a draft amendment to the WFD Recommendation. On 22 July 2026, the amended Recommendation was published. The revised framework may affect the volume of covered bond issues due to the reduction of the required WFD ratio from 40% to 20%. On the other hand, covered bonds benefit from preferential treatment compared with other securities acquired by domestic banks from other domestic banks.

One of the potential directions for the development of the Polish covered bond market is the increasing participation of retail investors. This trend was confirmed by the issue of mortgage covered bonds addressed to individual investors in October 2025, with a value of PLN 1.15 billion, which was the first issue of its kind on the Polish market in the 21st century. In April 2026, another issue of mortgage covered bonds addressed to retail investors took place, with a value of PLN 1 billion.

One of the factors in the development of the covered bond market is the issuance of green covered bonds. In the absence of detailed national regulations, the covered bond market has adopted the rules and standards set out by the International Capital Market Association (ICMA) in its Green Bond Principles (GBP). The GBP remain the dominant global standard for green bond issuance, promoting transparency, disclosure and integrity in market development by clarifying the approach to green instrument issuance. These principles are voluntary guidelines, but they are widely used and recognised by market participants.

ICMA has also developed master documentation supporting the linking of investment goals to Sustainable Development Goals, enabling issuers to report on the impact of their issues on the achievement of global priorities. As participants in the covered bond market, mortgage banks are playing an increasingly important role in building the potential of low-carbon real estate, which can serve as collateral for green instruments, thereby supporting the transition to a low-carbon economy.

Market analysis suggests that the most popular goals for issuers of green mortgage bonds compliant with GBP principles include "Sustainable cities and communities" (Goal 11) – 44% of the allocation of funds from the issues, "Affordable and clean energy" (Goal 7) – 17%, and "Climate action" (Goal 13) – 13%.[6]

An additional growth driver for the green debt instruments market is Regulation (EU) 2023/2631 of the European Parliament and of the Council on European Green Bonds (EuGB), which establishes harmonised requirements for issuers wishing to use the “European Green Bond” label. The main requirement under the standard is that financed projects are aligned with the EU Taxonomy. The provisions of the Regulation have applied since 21 December 2024.

The importance of green covered bonds continues to grow. According to ECBC data, the volume of sustainable covered bonds outstanding exceeded EUR 120 billion as at the end of June 2025,

[6] ECBC European Covered Bond Fact Book 2025, ECBC-Fact-Book-2025.pdf

with green covered bonds accounting for approximately 71% of the market. These instruments are used primarily to finance energy-efficient properties and projects supporting the reduction of greenhouse gas emissions.

As at the end of the first half of 2026, none of the Polish mortgage banks had green covered bonds issued in accordance with ICMA standards or bonds labelled as European Green Bonds (EuGB) in circulation.

The Bank is growing its issuance business based on the residential home loan portfolio that we are building in partnership with mBank. The mBank Group's objectives include, among others, reducing the greenhouse gas footprint of the loan portfolio, including mortgages, using SBTi-approved methods and offering mortgages for the purchase of property or the construction of a house with documented low energy consumption. Such loans, acquired in pooling transactions, can form the basis for the issuance of mBH green covered bonds.

2.3. Residential Property Market

The residential property market in the first half of 2026 continued the trend observed over the last several quarters, namely stabilisation and a slowdown in house price growth, accompanied by slight downward corrections in some Polish cities. Several factors are expected to influence market developments in the coming months of 2026, including limited housing supply, growing demand supported by rising wages, improved creditworthiness, the Monetary Policy Council's decision to cut interest rates by 25 basis points in March 2026, bringing the reference rate to 3.75%, while forecasts continue to indicate no further rate cuts before year-end,[20] as well as the geopolitical situation.

According to data published by Statistics Poland (GUS), the number of dwellings completed between January and April 2026 was 2.0% lower than in the corresponding period of the previous year. The number of housing units on which construction started also declined (by 1.9%), while the number of housing units for which building permits were issued or construction projects were registered increased by 15.8%.

[20] Forecasts of the Chief Economist of mBank S.A.

According to the preliminary data published by Statistics Poland (GUS), 60.6 thousand dwellings were completed between January and April 2026. Developers completed 35.8 thousand housing units, representing a decrease of 4.4% compared with the previous year, while individual investors completed 23.4 thousand housing units, an increase of 2.3%. These two forms of construction accounted for 97.7% of all newly completed dwellings. In other forms of construction, a total of 1.4 thousand dwellings were completed (compared with 1.5 thousand in the previous year).

According to the AMRON–SARFiN report, slight quarter-on-quarter nominal price corrections were recorded in the first quarter of 2026 in most of the six largest Polish cities analysed. In as many as five cities, the average transaction price per square metre declined. Taking into account average transaction prices, the price situation in the six largest Polish cities was as follows:

- Warsaw PLN 15,104 (-0.90% / Q4 2025; +0.64% / Q1 2025),
- Kraków PLN 14,009 (-0.71% / Q4 2025; -2.39% / Q1 2025),
- Wrocław PLN 11,685 (-0.64% / Q4 2025; -3.36% / Q1 2025),
- Poznań PLN 10,592 (-1.25% / Q4 2025; +1.04% / Q1 2025),
- Gdańsk PLN 12,543 (+2.22% / Q4 2025; +6.60% / Q1 2025),
- Łódź PLN 7,933 (-0.08% / Q4 2025; +0.94% / Q1 2025).

Market forecasts for 2026 indicate that price stability will be maintained, with slight increases expected in larger cities. Demand may remain at its current level or increase moderately, particularly in Warsaw. Supply may be constrained by regulatory changes related to the planning reform, the objective of which is to streamline the spatial planning process. In the short term, these changes may result in a limited availability of development land and an increase in project preparation costs. The introduction of new planning documents, more detailed development standards and the obligation to align local plans with the updated legal framework may prolong the process of obtaining administrative decisions. For some projects, this may require modifications to project schedules or additional financial outlays. As a consequence, the market may experience a temporary slowdown in the supply of new residential developments in 2026, particularly in areas where the process of updating planning documentation progresses more slowly.

At the same time, the reform may deliver positive effects over the longer term. More transparent spatial planning rules may improve the efficiency of the investment process and enhance predictability for developers and other entities involved in residential development projects.

In the international environment, the continuation of the conflict in the Middle East may lead to higher construction costs for new developments and, consequently, exert upward pressure on residential property prices.

2.4. Mortgage Loan Market

The mortgage lending market remained in a phase of strong, although gradually stabilising, recovery in 2026. Following a very strong performance in 2025, the first five months of 2026 brought a further increase in mortgage lending activity, both in terms of the number and value of loans granted. The key factors supporting the market include lower interest rates, improved creditworthiness, stabilisation of residential property prices and growing customer activity in mortgage refinancing.

According to data published by the Credit Information Bureau (BIK), the value of newly granted mortgage loans amounted to PLN 60.602 billion in the period from January to May 2026, representing an increase of 61.5% compared with the corresponding period of 2025. In May 2026 alone, banks and credit unions (SKOKs) granted 27.6 thousand mortgage loans with a total value of PLN 13.129 billion, representing increases of 46.9% in volume and 58.8% in value compared with May 2025.

Against the background of historical data, not only the increase in the number of loans but also the continued growth in their average value is noteworthy. In May 2026, the average mortgage loan amount stood at PLN 476.14 thousand, up 8.1% year on year. This is a historically high level, reflecting both residential property prices and the improving creditworthiness of borrowers. According to BIK, the main factors supporting demand for mortgage loans were the lower cost of financing compared with the previous year, continued wage growth and improved credit availability.

An important element of the current recovery is the growing importance of mortgage refinancing. According to BIK, refinancing transactions already account for around one-third of current mortgage lending activity, primarily due to the lower cost of newly originated loans and the expiry or approaching expiry of fixed-rate periods in loans granted in previous years. From the banking sector's perspective, this indicates that the increase in lending volumes is not driven solely by financing new residential property purchases, but also by customers actively managing the cost of their existing debt.

Despite the decline in interest rates, loans with periodically fixed interest rates continued to play an important role in new mortgage production. According to AMRON–SARFiN data, they accounted for approximately 75% of newly granted mortgage loans in the third quarter of 2025, both in terms of the number and value of loans. The persistently high share of periodically fixed-rate loans may indicate continued borrower caution and a preference for protection against the risk of future increases in borrowing costs.

The BIK data available for the first months of 2026 indicate a strong recovery in mortgage sales; however, these publications do not provide a breakdown of new lending by interest rate type. The outlook for the mortgage lending market in the remaining months of 2026 remains positive, although annual growth rates are expected to gradually moderate due to the increasingly high comparison base from 2025. BIK indicates that growth in both the number and value of mortgage loans granted is likely to slow in the coming months, as market performance will be compared with increasingly strong periods of the previous year. At the same time, the continued high quality of the loan portfolio, improved borrower creditworthiness and stabilisation of residential property prices create favourable conditions for the further, more sustainable development of the mortgage market.

The growth in the value of the mortgage lending market, the high quality of mortgage portfolios and the continuing activity of customers in the mortgage market support the Bank’s business model, which is based on acquiring retail mortgage loans from mBank and refinancing them through covered bond issues. At the same time, the growing importance of financing energy-efficient properties may increase the future potential for green covered bond issuance, in line with the ESG transformation objectives of the mBank Group.

3. Financial Results

3.1. Key Financial Indicators

	30.06.2026	31.12.2025
Net ROA[1)]	0,01%	0,05%
Gross ROA[2)]	0,21%	0,11%
Net ROE[3)]	0,16%	0,73%
Gross ROE[4)]	2,71%	1,47%
C/I (cost/income ratio)[5)]	67,54%	64,16%
Net interest margin[6)]	1,09%	1,03%
Cost of risk[7)]	-0,08%	0,03%
Total capital ratio	22,03%	21,45%

1) net profit / average assets, 2) gross profit / average assets, 3) net profit / average equity, 4) gross profit / average equity, 5) (general administrative expenses + depreciation) / total income (understood as net interest income excluding the impact of Credit Holidays + net fee and commission income + trading profit + other operating income - other operating expenses + other income), 6) net interest income / average interest earning assets, 7) net impairment losses on loans and advances (excluding loan guarantee valuation) / average loans and advances to customers

3.2. Statement of Financial Position

PLN'000	30.06.2026	31.12.2025	Change %
Assets	**11 684 595**	**11 007 296**	**6,15%**
Loans and advances to customers measured at amortised cost	10 858 145	10 086 051	7,66%
Financial assets measured at fair value through other comprehensive income	715 625	776 505	-7,84%
Other assets	110 825	144 740	-23,43%
LIABILITIES AND EQUITY	**11 684 595**	**11 007 296**	**6,15%**
Liabilities from the issue of debt securities	7 023 705	6 056 470	15,97%
Liabilities to banks	3 753 870	4 060 166	-7,54%
Share capital	727 362	727 362	0,00%
Other liabilities	179 658	163 298	10,02%

The total assets of mBH as at 30 June 2026 amounted to PLN 11.7 billion, representing an increase of 6.15% compared with the end of 2025. This growth was driven primarily by the execution of three pooling tranches with a total value of approximately PLN 1.6 billion. The net value of the loan portfolio amounted to PLN 10.86 billion as at the end of June 2026, compared with PLN 10.08 billion as at the end of December 2025.

On the liabilities side, the carrying amount of issued debt securities as at the end of June 2026 was 15.97% higher than at the end of December 2025. During this period, the Bank issued 1 series of covered bonds with a total value of PLN 500 million and two series of zero-coupon bonds with a total value of PLN 525 million.

3.3. Profit and Loss Account

PLN'000	Period from 01.01.2026 to 30.06.2026	Period from 01.01.2025 to 30.06.2025	Change %
Net interest income	60 090	59 180	+1,54%
Net fee and commission income	(3 984)	(3 111)	-28,06%
Trading income	(2 637)	1 744	+/-
Result on non-material modification	207	185	+/-
Net impairment losses on loans and advances to customers	3 918	(3 844)	+/-
General administrative costs	(36 549)	(31 050)	+17,71%
Depreciation and amortisation	(5 464)	(6 429)	-15,01%
Operating profit	**24 174**	**25 945**	**-6,83%**
Tax on the Bank's balance sheet items	(12 696)	(12 184)	+4,20%
Gross profit / loss	**11 478**	**13 761**	**-16,59%**
Income tax	(10 803)	(5 324)	+/-
Net profit / loss	**675**	**8 437**	**-92,00%**

The Bank's results in the first half of 2026 were primarily influenced by the following factors:

1) increased income resulting from the growth of the loan portfolio following the execution of three pooling tranches with a total value of approximately PLN 1.6 billion;
2) compensation received in respect of the Retail Pooling plan not executed in previous years, pursuant to the Pooling Assurance Agreement concluded with mBank in 2022, which increased the Bank's operating income by PLN 7.9 million;
3) continuation of the amortisation of the fair value adjustment of the hedged item under hedge accounting applied to portfolios of periodically fixed-rate loans. The change was introduced to provide greater transparency to the market as the fair value of the loan

portfolios converges towards their nominal value. In total, the amount recognised under this item will reach approximately PLN 4.4 million in 2026;

4) a PLN 2.8 million increase compared with 2025 in the contribution to the Bank Guarantee Fund (BGF) Resolution Fund.
5) the increase in the corporate income tax (CIT) rate from 19% to 30%.

In the first half of 2026, the Bank’s income, calculated as the sum of net interest income, net fee and commission income, trading income, other operating income and other operating expenses, amounted to PLN 61,989 thousand (2025: PLN 66,333 thousand). This income was generated entirely from activities conducted within the territory of the Republic of Poland.

4. mBH’s Business

4.1. Lending Business

In the first half of 2026, the Bank's lending business focused exclusively on the retail lending area. The business model of mBH, consistently implemented since 2013, is largely based on the outsourcing of activities to external entities, mainly mBank, on the basis of outsourcing agreements.

The most important agreement relating to the Bank's core business segment, i.e. the retail loan portfolio, was concluded in 2018. It regulates the process of acquiring retail loans and the rules for after-sales service, support for the credit risk management process and the provision of IT systems.

In 2026, the Bank continued to work actively with mBank to develop products and maximise the sales of retail loans on the mBank side meeting the transfer criteria to mBH, including statutory, risk and business criteria.

The Bank monitors the level of mortgage loan origination in the market, including mBank's market share, as this is a key factor in building pooling potential.

In the first half of 2026, mBH carried out three retail loan pooling transactions amounting to approximately PLN 1.6 billion, in accordance with the pooling plan adopted for 2026.

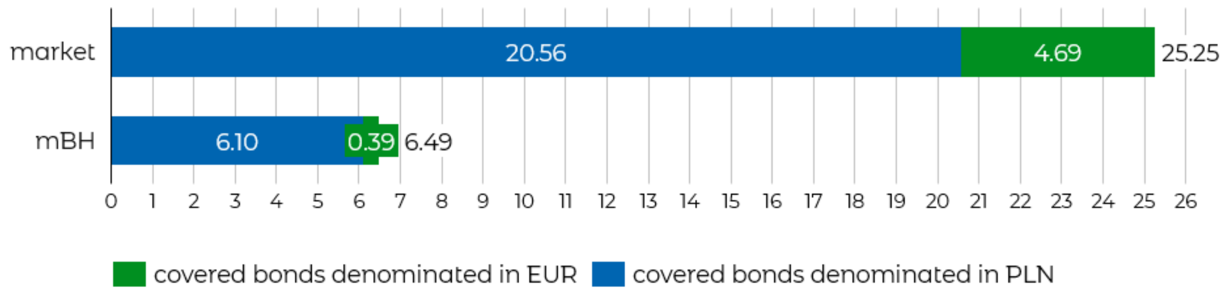
4.2. Issuance of Covered Bonds and Refinancing

mBank Hipoteczny S.A. is the only entity within the mBank Group authorised to issue covered bonds. The Bank successfully raises funding on both the domestic and international capital markets, providing a stable and long-term source of financing for mortgage-secured loans. Covered bonds issued by mBank Hipoteczny S.A. were listed on both the Warsaw Stock Exchange and the Luxembourg Stock Exchange. Investors in the Bank's covered bonds include primarily investment funds, pension funds and banks. On 20 May 2026, the Polish Financial Supervision Authority approved mBank Hipoteczny's base prospectus in connection with a mortgage covered bond issuance programme of up to PLN 10 billion. As a result, the Bank gained the ability to issue covered bonds addressed also to retail investors.

Pursuant to the Covered Bonds and Mortgage Banks Act, mortgage banks are authorised to issue both mortgage covered bonds and public covered bonds. mBank Hipoteczny S.A. focuses its issuance activity on mortgage covered bonds. Of the five mortgage banks currently operating in Poland, only one also issues public covered bonds.

As at the end of the first half of 2026, the value of mortgage covered bonds outstanding on the Polish market amounted to approximately PLN 25.25 billion, equivalent to approximately EUR 5.88 billion based on the average National Bank of Poland exchange rate of 30 June 2026.

The carrying amount of mortgage covered bonds issued by the Bank and outstanding as at the reporting date amounted to PLN **6.49** billion, representing **25.71%** of the total market.



Source: Financial statements of Polish mortgage banks and information on issues

PLN mortgage covered bond issues admitted to trading:

Date of issue	Redemption date	Currency	Value (PLN'000)	Moody's rating	Trading venue
22.02.2019	20.12.2028	PLN	100 000	Aa1	Bondspot, RR GPW
12.06.2025	12.06.2028	PLN	750 000	Aa1	ASO GPW
28.10.2025	17.09.2029	PLN	750 000	Aa1	ASO GPW
TOTAL		**PLN**	**1 600 000**		

EUR mortgage covered bond issues admitted to trading:

Date of issue	Redemption date	Currency	Value (EUR'000)	Moody's rating	Trading venue
28.02.2014	28.02.2029	EUR	8 000	Aa1	Bondspot, RR GPW
17.03.2014	15.03.2029	EUR	15 000	Aa1	Bondspot, RR GPW
30.05.2014	30.05.2029	EUR	20 000	Aa1	Bondspot, RR GPW
28.09.2016	20.09.2026	EUR	13 000	Aa1	Bondspot, RR GPW
26.10.2016	20.09.2026	EUR	35 000	Aa1	Bondspot, RR GPW
TOTAL		**EUR**	**91 000**		

PLN mortgage covered bond issues not admitted to trading:

Date of issue	Redemption date	Currency	Value (PLN'000)	Moody's rating	Trading venue
03.09.2021	03.09.2026	PLN	100 000	n/a	n/a
10.09.2021	10.12.2026	PLN	500 000	n/a	n/a
24.02.2022	10.09.2027	PLN	500 000	n/a	n/a
22.06.2022	22.06.2027	PLN	200 000	n/a	n/a
15.09.2023	12.09.2028	PLN	1 000 000	n/a	n/a
05.03.2024	05.09.2029	PLN	500 000	n/a	n/a
10.06.2024	21.09.2026	PLN	200 000	n/a	n/a
13.09.2024	13.09.2029	PLN	500 000	n/a	n/a
04.03.2025	04.03.2030	PLN	500 000	n/a	n/a
15.05.2026	16.06.2031	PLN	500 000	n/a	n/a
TOTAL		**PLN**	**4 500 000**		

As at the reporting date, the Bank had two series of outstanding unsecured bonds with a total nominal value of PLN 525 million. The series with a nominal value of PLN 300 million was issued on 24 April 2026 and matures on 10 August 2026. The series with a nominal value of PLN 225 million was issued on 22 May 2026 and matures on 8 September 2026.

In the first half of 2026, mBH issued one series of mortgage covered bonds in a non-prospectus offering with a nominal value of PLN 500 million. The issue took place on 15 May 2026 and matures on 16 June 2031. Similar to most issues carried out by the Bank since 2021, the issue was directed at institutional investors with no intention of introducing it to trading on the market.

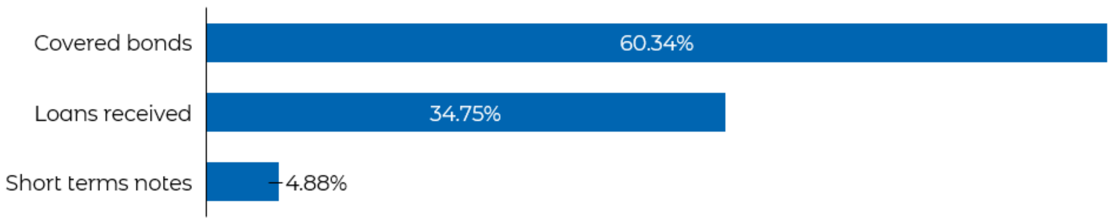
On 8 June 2026, the Bank launched a subscription for mortgage covered bonds addressed to retail investors with a maturity of three years and a floating interest rate based on the formula: the NBP reference rate plus a margin of 0.25%. As at the reporting date, the subscription process for the covered bond issue was still ongoing. Following the reporting date, the subscription period was completed and securities with a total value of PLN 105,976 thousand were allotted. The issue date was 14 July 2026.

Historically, the Bank has proven its ability to place covered bonds on the European market. The Bank's strategy continues to be to arrange issues of this type.

The Bank analyses changes in the legal and market environment and maintains issue readiness; therefore, it:

1) sustains relationships with institutional investors and relevant market participants (rating agencies, dealers and stock exchanges), in particular thanks to the support and visibility of mBank and Commerzbank;
2) maintains the necessary financial and organisational infrastructure;
3) has an adequate level of collateral in the form of high-quality mortgage loans.

Refinancing structure of the Bank's business: mortgage covered bonds, borrowings, bonds



Source: own elaboration based on data as at 30 June 2026.

Agreements signed and repaid

On 5 May 2026, the Bank entered into a credit facility agreement with mBank for PLN 500 million. The agreement enables the drawdown of fixed-rate loan tranches and is intended to finance the portfolio of retail loans with periodically fixed interest rates, while supporting the Bank's interest rate risk management. The agreement remains in force until 30 June 2032.

Basis for the issue of covered bonds

Pursuant to the Act on Covered Bonds and Mortgage Banks, the basis for the issuance of mortgage covered bonds are claims registered in the covered bond collateral register, secured by mortgages established on the right of perpetual usufruct or the right of ownership of real estate, registered in the land and mortgage registers in the first place.

Mortgage covered bonds (PLN'000)	30.06.2026	31.12.2025
1. Covered bonds in trading	6 490 963	5 984 630
2. Core assets in the pool of assets constituting collateral	8 794 954	8 918 890
3. Substitute assets in the pool of assets constituting collateral	170 000	170 000
4. Derivatives in the pool of assets constituting collateral	-	-
5. Coverage of covered bonds with core assets in the pool of assets constituting collateral (2/1)	135,5%	149,03%
6. Total coverage of covered bonds (2+3+4) / 1	138,11%	151,87%
7. Value of receivables securing mortgage covered bond issues in the part not exceeding 60% of the mortgage lending value of the real estate for commercial properties	-	-
8. Value of receivables securing mortgage covered bond issues in the part not exceeding 80% of the mortgage lending value of the real estate for residential properties	8 646 463	8 748 722

Permissible amount of collateral in the form of substitute assets (PLN'000)	30.06.2026	31.12.2025
1. Funds listed in Article 18(3) of the Act entered in the cover pool register (at nominal value)	220 000	220 000
2. Funds listed in Article 18(3) of the Act classified as surplus (at nominal value)	50 000	50 000
3. Permissible amount of substitute collateral (1-2)	170 000	170 000

As at the reporting date, the collateral for the issue of mortgage covered bonds comprised receivables with a value of approximately PLN 8.8 billion, consisting of 34,222 mortgage loans denominated in PLN. All loans forming the basis of the covered bond issue were retail loans secured by residential real estate.

In addition to the credit receivables, Treasury bonds with a nominal value of PLN 220 million were entered in the mortgage covered bond cover register, including PLN 170 million as substitute assets and PLN 50 million classified as surplus assets. The level of overcollateralisation of mortgage covered bonds amounted to 138.11% (including substitute assets). This was sufficient to maintain the covered bond rating at Aa1, the highest rating available to Polish issuers, as assigned by Moody's.

4.3. Risk of Investing in Covered Bonds

In the first half of 2026, the risk profile of investments in covered bonds issued by mBH remained unchanged compared with 2025.

Covered bonds continue to be the primary long-term source of funding for the Bank's mortgage loan portfolio. Their safety results both from the high quality of the mortgage receivables securing the issues and from the specific statutory regulations governing the activities of mortgage banks. An important factor mitigating risk is the Bank's conservative property valuation policy and the continuous monitoring of the quality of the loan portfolio.

Pursuant to the Covered Bonds and Mortgage Banks Act, the value of assets securing covered bond issues must amount to at least 105% of the nominal value of mortgage covered bonds outstanding, while mortgage-backed receivables must account for at least 85% of that value. The Bank also monitors compliance with the requirements relating to the coverage and liquidity of the covered bond cover pool.

In the first half of 2026, mBH continued to issue covered bonds addressed to both professional and retail investors. The expansion of the investor base did not affect the risk profile of the issued instruments or the level of their collateralisation. All covered bond series benefit from the same statutory protection mechanisms, are based on the same mortgage asset-backed funding model and are subject to the same supervisory and monitoring requirements. The safety of these investments continues to be supported by the high quality of the loan portfolio, an appropriate level of overcollateralisation and the maintenance of the required liquidity ratios.

Investment in covered bonds is associated primarily with issuer credit risk, interest rate risk and secondary market liquidity risk. In the case of foreign currency-denominated issues, investors are also exposed to foreign exchange risk, which is mitigated through the use of appropriate hedging instruments. The risk profile may also be affected by changes in the macroeconomic environment, interest rate levels and developments in the residential property market.

In the Bank's assessment, its financial standing, the quality of the loan portfolio and the level of collateral securing the outstanding covered bonds remained stable in the first half of 2026. A detailed description of the risks associated with investing in covered bonds is provided in the relevant issue documentation and prospectus.

5. Risk Management

Risk management at mBH is defined and governed by the strategy, policies and procedures adopted by the Management Board and approved by the Bank's Supervisory Board.

The Bank manages all identified banking risks and carries out ICAAP (Internal Capital Adequacy Assessment Process) and ILAAP (Internal Liquidity Adequacy Assessment Process) where:

1) risk management process is appropriate to the scale of the business and to the materiality. It takes into account the scale and complexity of the risks involved, and is continuously adapted to new risk factors and sources,
2) risk management methods, models and their assumptions and systems are adapted to the scale and complexity of the risks and periodically reviewed and validated,
3) organisational structure of risk management ensures the independence of the risk area,
4) risk management process is integrated into the planning and controlling processes and supports the implementation of the Bank's strategy, while complying with the risk management strategy, in particular with regard to the level of risk tolerance,
5) risk management process is consistent with the risk management principles of the mBank Group, including the use of group risk models adapted to the specifics of the Bank's operations.

The risk management system consists of:

1) risk identification,
2) risk measurement or assessment,
3) risk control,
4) risk forecasting and monitoring,
5) risk reporting,
6) management actions.

Due to their scale, scope and complexity, sustainability risks may affect the financial system and the economy as a whole, with potential systemic consequences. This is why we incorporate environmental, social and governance risks into the Bank's risk management system. Sustainability risk measures have been implemented in the Bank's procedures, including the Risk Management Strategy and the Environmental Risk Management Strategy. From the point of view of classification and practical approach to risk management, we do not treat sustainability risks as a separate type of risk, but as a horizontal risk that affects the Bank's traditional financial and non-financial risks to varying degrees and through different transmission channels. Due to the horizontal approach to sustainability risks as risks that may materialise in existing risk categories, we assess their significance in primary risks.

Risk management is overseen by the Bank's Supervisory Board, which receives regular updates on the risk profile and key risk management actions taken.

The Management Board is responsible for risk management, including overseeing and monitoring the Bank's risk management activities. The Management Board takes the most important decisions affecting the Bank's risk level and adopts internal regulations on risk management.

Risk management at the Bank is consistent with the mBank Group in terms of measures and methods.

The Bank, on an separate basis, discloses in the Financial Statements and the Management Board Report information in accordance with the provisions of the CRR and Recommendation M, in particular concerning:

1) own funds,
2) compliance with capital requirements,
3) credit risk mitigation techniques used,
4) capital buffers,
5) leverage,
6) credit risk adjustments applied,
7) existing remuneration policy for those with significant influence on the risk profile,
8) operational risks,
9) net outflow coverage ratio (LCR), liquidity buffers and net liquidity outflows,
10) net stable funding ratio (NSFR),
11) non-performing and forborne exposures.

For details on the scope of disclosures, how they are verified and how they are published, please refer to mBH's Disclosure Policy. Regarding capital adequacy and other information to be published, the document is available on the Bank's website (https://www.mhipoteczny.pl).

5.1. Credit Risk

Credit risk is the most significant risk due to the nature of the Bank's business.

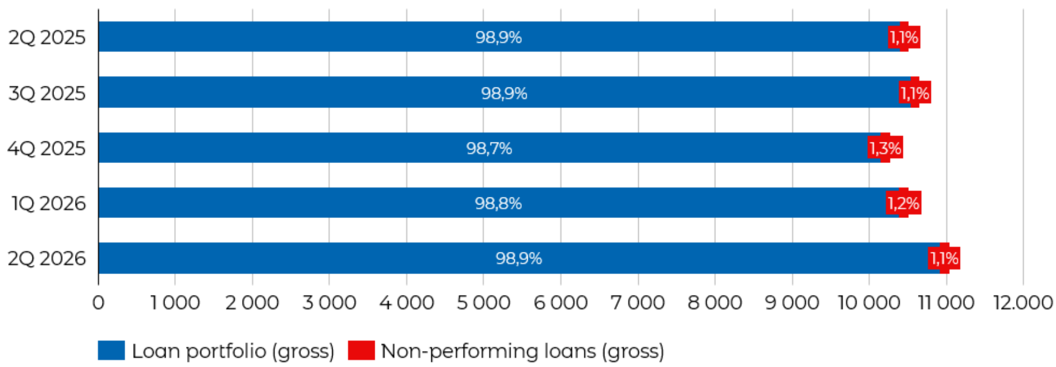
Loan portfolio

Lending rules are set out in the Bank's Credit Policy and the existing loan portfolio is managed mainly through the ongoing monitoring of credit exposures.

The share of non-performing loans in the Bank's loan portfolio decreased slightly in the first half of 2026, from 1.27% to 1.16%. The majority of liabilities are repaid on time. The level of NPLs is adequate for the Bank's business profile. The share of forborne loans in the portfolio also decreased during the same period, from 1.14% to 1.05%.

The level of provisioning coverage of non-performing receivables was 24.1%. The median LTV ratio of the entire exposure portfolio was 38% and did not change significantly compared with the end of 2025.

Quality of the loan portfolio: total gross portfolio and gross irregular loans



The Retail Loan portfolio is characterised by very good quality. As at the reporting date, there were 396 recorded impairments. Retail loans are monitored on a monthly basis in terms of the timeliness of repayments and the regularity of the effective mortgage collateral provided. The fulfilment of all the customer's contractual obligations (including property insurance and assignment of policy rights) is also monitored over the same period.

Write-downs for the Retail Loan portfolio decreased significantly in the first half of 2026 compared to the end of 2025 due to the low loss rate of the portfolio and the recalibration of models used for the calculation of provisions.

5.2. Market Risk

The risk of incurring a loss due to unfavourable changes in market parameters from the point of view of the maturity structure of the Bank's portfolio positions is kept as low as possible due to the nature of the Bank's business, the efficient risk mitigation and management system in place at the operational level. Market risk is the Bank's second largest risk after credit risk.

In order to mitigate market risk, mBH aligns the currency structure and repricing structure of its funding sources with the structure of its loan receivables, uses linear derivative instruments, carries out spot and forward foreign exchange transactions, and enters into FX SWAP and CIRS transactions.

The amount of market risk to which the Bank is exposed over a daily horizon is determined using the Value at Risk (VaR) method at a confidence level of 97.5%. Credit spread Value at Risk increased significantly compared with the end of 2025, which also contributed to an increase in total VaR. The remaining risk measures remained broadly unchanged.

	Value at Risk (PLN'000)	
	30.06.2026	31.12.2025
Credit spread risk	2 166 136,55	832 794,30
Interest rate risk	884 831,72	885 054,16
FX risk	12 571,66	18 093,01
Total VaR	2 059 843,55	601 136,68

An additional measure of market risk, supplementing the Value at Risk measurement, is the stress test, which shows a hypothetical change in the current valuation of the Bank's portfolio that would occur as a result of risk factors (exchange rates, interest rates and credit spreads) assuming extreme values over a one-day time horizon. The Bank uses standard and extended scenarios of large changes in the value of risk factors. Standard scenarios include changes in interest rates and exchange rates, while extended scenarios additionally include scenarios of changes in credit spreads for securities.

As at the reporting date, value at risk under the extended scenario amounted to PLN 27.68 million, compared with PLN 20.91 million at the end of 2025, while the average value at risk for this scenario in the first half of 2026 amounted to PLN 30.27 million.

The level of risk measures was higher than in the previous period, mainly due to higher exposure to credit spread risk.

Interest rate risk arises from the exposure of the Bank's earnings and capital to the adverse impact of changes in interest rates. The Bank manages the interest rate gap by adjusting the repricing dates of assets and liabilities. The sensitivity of the Bank's portfolio to interest rate disruptions is determined by the results of stress tests and scenario analyses. The decrease in the Bank's economic value of equity as a result of the materialisation of the most adverse scenario (Supervisory Outlier Test – SOT EVE) in relation to the Bank's own funds, as at the reporting date, was 3.5%. Interest rate risk is also measured in relation to the Bank's net interest income. The dNII 100 bps (change in net interest income resulting from a parallel shift of yield curves by 100 basis points) amounted to 2.6% of the Bank's budgeted net interest income for 2026 and was lower than in the previous period. The value of the Supervisory Outlier Test (SOT dNII) in relation to the Bank's own funds was 1.0%. The Bank's portfolio positions exposed to interest rate risk are hedged with linear interest rate derivatives.

Foreign exchange risk is mitigated by closing the foreign exchange position on an ongoing basis. The scale and structure of foreign exchange risk is measured on the basis of the Bank's current foreign exchange position. The foreign exchange position, which takes into account expected loan repayments and disbursements, is also monitored. Foreign exchange risk is mitigated through foreign exchange position limits established for each currency.

5.3. Liquidity Risk

In organising its liquidity risk management processes, the Bank complies with regulatory requirements and takes into account supervisory recommendations, in particular the KNF Recommendations and the EBA Guidelines, which relate to liquidity risk management.

mBH has a set of procedures, adapted to the scale and profile of the Bank's business, which defines the process and sets the framework for liquidity risk management. It defines the roles and responsibilities in the liquidity risk management process, and how liquidity risk is measured, monitored, limited, managed and controlled, and sets out the principles for setting and updating limits. In order to safeguard the Bank's liquidity, a surplus of unencumbered, high-quality liquid assets is maintained as a buffer in the event of internal or external stress conditions, or a combination of the above.

The Bank has included principles for developing liquidity stress scenarios in its stress testing (ST) rules. When conducting ST, the Bank assesses the potential change in liquidity risk exposure in the different time bands of the liquidity gap and the ability to cover the need for refinancing sources for each test scenario. In conducting stress tests, the Bank takes into account the impact on the Bank's economic situation of adverse events or fluctuations in macroeconomic and financial parameters and considers the credit factor. The results of the ST form the basis for determining the required liquidity reserve and internal limits.

Liquidity risk management is carried out at the level of intraday, short-, medium- and long-term payment liquidity, the absence of which would result in the inability to finance assets and meet obligations in a timely manner in the course of the Bank's normal operations.

As at the reporting date, the liquidity reserve represented approximately 4.6% of total assets.

The Bank's long-term liquidity position remains stable. A significant share of the funding of long-term credit receivables is provided through borrowings received from mBank.

Due to the need to maintain liquidity ratios at appropriate levels, mitigate the mismatch between the structure of assets and the liabilities that fund them, and ensure the stability of funding sources while improving cost efficiency, mBH intends to fund its operations, among other things, through mortgage covered bond issues with maturities ranging from 3 to 5 years as well as short-term funding instruments.

The coverage ratio of net cash outflows with liquid assets over a 30-day stress period (LCR) was 2,249% as at the end of the first half of 2026.

The ratio of the Bank's own funds and stable liabilities providing stable funding to illiquid assets and receivables requiring stable funding (NSFR) was 136% as at the end of the reporting period.

The utilisation level of the commitment limit under Article 15.2 of the Covered Bonds and Mortgage Banks Act as at the reporting date was 51%. This limit was not exceeded during the first half of 2026.

The average residual maturity of mortgage covered bonds issued decreased from 2.67 years at the end of 2025 to 2.39 years at the end of the first half of 2026, while the average maturity of loans received from other banks decreased from 5.59 years to 3.49 years.

The Bank has a management information system based on banking systems and applications to support the measurement and monitoring of liquidity risk. This system ensures the receipt of information on liquidity risk, enables the assessment of the impact of management decisions and serves to monitor risks and control limits. Liquidity risk reports are prepared at the Bank on a daily, monthly and quarterly basis. The liquidity risk reports, which include information on liquidity risk exposure and information on the use of limits for this risk, are presented to the Assets and Liabilities Management Committee at least once every two months and to the Bank's Management Board and Supervisory Board on a quarterly basis. In order to better manage and supervise liquidity risk, the Bank's Management Board and those responsible for liquidity risk management have ongoing access to daily reports.

At least once a year, the Bank conducts a review of the liquidity risk management system as part of the ILAAP process, which includes a review and assessment of the various elements of the liquidity risk management process in accordance with the Principles for Assessing the Adequacy of Liquidity Resources (ILAAP) at mBH.

5.4. Non-Financial Risks

Operational risk

The Bank has a simplified organisational structure and the products offered are in line with the specifics of a mortgage bank.

The Bank has maintained a business model in which it bases the development of its portfolio exclusively on retail mortgage loans in close cooperation with mBank, which reduces the operational risk associated with the loan sales stage, but nevertheless increases the materiality of the activities outsourced in the outsourced processes related to the loan acquisition processes through pooling and the maintenance of the loan portfolio and, consequently, IT maintenance.

The Bank organises its operational risk management process in accordance with the principles and requirements contained in external regulations, in particular, Recommendations M and H issued by the KNF, the CRR and the Regulation of the Minister of Finance and Economic Development (on the risk management system and internal control system and remuneration policy in banks), which provide the starting point for the framework of the Bank's internal control and operational risk management system.

Operational risk is complex in nature, which can have a significant impact on the Bank's operations and position. In addition to the environment and external events, its source is the Bank itself. External and internal factors affecting operational risk are changing rapidly. We observe, among other things:

1) increasing regulatory requirements, both at EU and national level, for which the bank should be prepared;
2) increasing risks of cyber threats, including those related to information security;
3) the level and increasing scale of regulatory burden with limited resources increases the risk of process errors;
4) increased importance of outsourcing of process operations;
5) corporate governance in the face of a changing socio-economic environment;
6) continued geopolitical uncertainty in the region.

Consequently, the importance of operational risk in the Bank is growing.

We take measures to protect the Bank from the effects of the materialisation of operational risk. Consequently:

1) we have established a proactive operational risk control and management system in the Bank at each level of the organisational hierarchy;
2) we proactively use tools, techniques to manage and control operational risk in the Bank's organisational units;
3) a designated department coordinates the methods and tools for operational risk control and management.

ICT risk

ICT Risk is defined as the risk arising from the use of information and communication technology (ICT), including risks related to its use, implementation, modification, failures, disruptions, malicious attacks or other incidents that may adversely affect the security and continuity of ICT systems and the confidentiality, integrity and availability of the data processed within them, and consequently the continuity of the provision of financial services using ICT systems.

Within ICT risk, the following three sub-categories are distinguished:

1) IT risk arises from failures or malfunctioning of IT systems, infrastructure or applications. It includes risks related to system outages, hardware or software failures, configuration errors, performance issues and inadequate change management within the IT environment. It may lead to disruptions in service delivery, data loss or deterioration in system performance, thereby affecting the Bank's ability to carry out its key operations;
2) Cyber risk means the risk of financial losses, operational disruptions or reputational damage resulting from cyberattacks or other malicious activities in cyberspace. It includes threats such as malware attacks, ransomware, phishing, distributed denial-of-service (DDoS) attacks and other forms of unauthorised access to, misuse of or disruption of ICT systems. This risk may affect the confidentiality, integrity and availability of data and systems and constitutes a key component of digital resilience;
3) Information security risk means the risk of unauthorised access to, disclosure, alteration or destruction of digital information, whether resulting from intentional or accidental actions. It includes risks related to the confidentiality, integrity and availability of digital data, as well as threats arising from inadequate access control mechanisms, identity and access management processes, and digital data protection measures. This risk relates to both internal and external threats.

Third-party risk

Third-party risk is understood as the risk of exposure to losses or disruptions arising from the involvement of external service providers (suppliers, contractors and business partners) in the Bank's operations, processes and systems. It encompasses a range of risk factors resulting from cooperation with external entities, including subcontractors. An important component of third-party risk is concentration risk, resulting from excessive dependence on a limited number of key external service providers. Such concentration may lead to increased vulnerability to operational disruptions, difficulties in ensuring business continuity and reduced flexibility in responding to market or regulatory changes.

Within third-party risk, the following sub-categories are distinguished:

1) ICT third-party risk – risk arising from the use of ICT services provided by external suppliers, which may affect the availability, integrity, confidentiality or continuity of IT systems and data. It includes, among other things, risks related to technical failures, cyberattacks, non-compliance with regulatory requirements (e.g. DORA), insufficient service levels (SLAs) and limited control over the service provider's infrastructure;

2) Outsourcing risk – risk arising from the Bank's entrustment to external entities, on a continuous or recurring basis, of specific operational functions or business processes that could otherwise be performed by the Bank itself. This risk includes potential losses and disruptions to the Bank's operations resulting from inadequate management of outsourcing relationships, including the failure by external entities to perform, or the improper performance of, the outsourced activities.

Conduct risk

Conduct risk arises from inappropriate behaviour by the Bank's employees. In particular, conduct risk includes mis-selling, i.e. offering services in a manner that is harmful to customers, contrary to law or good market practice, where the proposed services do not meet the customer's needs or are unnecessary and may, in particular, result in the customer withdrawing from an agreement with the Bank.

In addition, conduct risk relates to inappropriate conduct in the following areas:

1) anti-money laundering (AML);

2) counter-terrorist financing (CTF);
3) sanctions compliance;
4) market conduct;
5) consumer protection;
6) prevention of fraud, bribery and corruption;
7) tax avoidance;
8) personal data protection;
9) discrimination.

ICT risk, third-party risk and conduct risk are covered by the Bank's operational risk management processes and tools, in particular with regard to the identification and assessment of these risks in accordance with the operational risk definition. These risks are also reflected in the Bank's operational risk appetite, including through operational loss limits and economic capital allocated to operational risk.

Tools and measures

Due to the dynamic changes in factors affecting non-financial risks, the key elements of the non-financial risk management process are the identification, assessment, control and monitoring of risks, prevention of risk materialisation, and risk reporting.

To effectively manage operational risk, the bank uses quantitative and qualitative methods and tools. The Bank deploys them in connection with the control function, which is part of the internal control system.

The operational risk management process is implemented on the basis of a group of tools, which include:

1) Operational risk self-assessment. This process aims to identify and assess risk and implement adequate risk mitigation actions;
2) Operational Loss Register which is a database of losses resulting from operational events. Analysis of the recorded data takes place in the Analysis and Risk Management Department and allows for the ongoing assessment of the risk profile;
3) Key Risk Indicators (KRI) which support ongoing risk monitoring. Thanks to a system of warning and alert thresholds, the KRIs and RIs make it possible to determine the level of risk tolerance;

4) Operational risk scenarios, which analyse the risks associated with the occurrence of rare but potentially serious operational events;
5) Issuing opinions on new products or their modifications before their implementation and risk assessment of outsourcing contracts.

Operational losses

All mBH operating losses recorded in the first half of 2026 were in the retail banking line.

The table below shows the distribution of gross actual losses incurred by the Bank in the first half of 2026 and in 2025 by operational risk category.

Operational event category	Total gross loss (PLN'000)	
	30.06.2026	31.12.2025
Customers, products and business practices for banking products	90,73	931,39
Process execution, delivery and management	0	5,31
Total	**90,73**	**936,70**

The high share of losses is reported by the Bank in the category "Customers, products and business practices for banking products", mainly due to the costs of provisions for litigation (legal actions concerning the currency exchange provisions challenged by customers).

The level of operational risk losses is monitored on an ongoing basis and reported to the Management Board of the Bank and the Supervisory Board. When operational loss thresholds are exceeded, escalation mechanisms are in place. These ensure that operational events are analysed appropriately and trigger corrective actions. In the situation of events in the categories: Process execution, delivery and management, corrective actions focus on improving the control function by designing a control mechanism or increasing the effectiveness of existing controls. In the category: Customers, products and business practices for banking products, which includes mainly the impact of litigation, the Bank responds on an ongoing basis by responding to lawsuits and creating provisions where the risk of losing is at least 50%. In particularly justified cases, the Bank enters into settlements. We emphasise that we monitor and analyse all developments affecting the Bank's operational risk profile.

Operational risk requirement

As of 2025, the Bank has implemented a new standard method for calculating operational risk requirements in accordance with CRR3, which additionally introduces revised ranges used in the calculation of capital requirements for operational risk. In accordance with CRR3, the calculated requirement applies on an annual basis – from December of a given year to November of the following year.

The requirement for the first half of 2026 amounts to PLN 20,776 thousand and will apply until 30 November 2026.

5.5. Model Risk

The Bank has a Model Management Policy (MMP), which is subject to periodic review to ensure that it is up to date with the current conditions and organisation of the Bank's processes. The unit responsible for organising the model management process at the Bank is responsible for carrying out periodic reviews of this Policy and for supervising the correctness of this Policy.

The Bank's Management Board is responsible for approving the MMP which introduces uniform rules for the Bank's model management process, as well as for setting out in the strategy and operational plans the intentions for the scope of the models, taking into account the risk of the models and the nature of the mechanisms used in risk management. The Management Board oversees the process of controlling the risk of models and the correctness of their operation, delegating decision-making powers on key aspects of the operation of models to the Models Risk Committee. This Committee functions as a dedicated body responsible for overseeing the models risk management process, and its detailed responsibilities, composition and decision-making procedure are set out in the relevant internal documents.

The Bank also has other regulations in place to actively manage and effectively mitigate model risk so that the aggregate level of model risk does not exceed the applicable tolerance level.

Currently, all models in the Bank have a low risk exposure, which, combined with the materiality criterion of the models, means a low risk level of each model and a low aggregate risk level. The risk tolerance of the models has been maintained. Compared to the previous year, there is no change in the aggregate risk level of the models.

6. Internal Control System

The Bank has implemented an internal control system to support the organisation in the effective and efficient operation of its business processes. It covers all the mBH's organisational units and defines the principles of cooperation between them, and the principles of information flow and monitoring of activities within the Bank. The principles and objectives of the internal control system derive from the Banking Law, the Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and internal control system and remuneration policy in banks, and KNF Recommendation H concerning the internal control system in banks. The internal control system is organised in the Bank in three lines of defence, where:

(1) the first line of defence consists of the risk management of the Bank's operational activities, carried out by the Bank's organisational units/independent work posts;
(2) the second line of defence consists of:
   a. risk management by designated organisational units/designated staff of organisational units, independent of the first line of defence risk management;
   b. activities of the security function carried out by the IT and Security Department;
   c. activities of the Personal Data Protection Officer;
   d. activities of the compliance function carried out by the Compliance Department;
(3) the third line of defence consists of the activities of the internal audit function carried out by the staff of the Internal Audit function.

As part of the internal control system, the Bank distinguishes:

(1) **control function** - the control function consists of all controls in the processes operating in the Bank, independent monitoring of compliance with these controls and reporting as part of this function.

   Internal control mechanisms are an integral part of the Bank's daily operations and include:

   a. internal procedures relating to the Bank's business,
   b. reviews of the reports by the Bank's Management Board,
   c. reviews by heads of departments/independent posts,
   d. physical security,
   e. system of limits and rules for controlling them,
   f. credit decision rules and the proxy system,

g. rules for verifying the details of transactions and activities and the results of risk management models,
h. activities aimed at checking the quality and correctness of the execution of tasks.

The correct operation of the controls is checked on an ongoing basis by each employee as part of his or her functions and periodically as part of horizontal and vertical testing by heads of organisational units or their designated employees.

Compliance Department (DC) - the compliance function which performs the following tasks:

a. manages compliance risk (understood as the risk of the consequences of non-compliance with laws, internal regulations and market standards) by identifying, assessing, controlling, monitoring and reporting on the risk of non-compliance with laws, internal regulations and market standards;

b. performs horizontal monitoring within the compliance function and vertical monitoring within the second line of defence. It ensures the Bank's compliance with laws, internal regulations and market standards;

c. performs other tasks insofar as this does not compromise the operational efficiency and independence of the unit.

The Compliance Department is responsible for the implementation of the mBank Group's and indirectly Commerzbank AG's standards in the areas recognised as "compliance areas" according to the Group's standards, which include in particular:

a. Anti-Money Laundering and Countering the Financing of Terrorism,
b. application of the sanctions policy,
c. protection of personal data,
d. outsourcing,
e. prevention of conflicts of interest, fraud and corruption,
f. overseeing the process of handling customer complaints and grievances,
g. inside information within the meaning of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse.

(2) **Internal Audit Position** - an independent internal audit function to examine and assess, in an independent and objective manner, the adequacy of the risk management and internal control system. Internal Audit supports the Bank in achieving its objectives

through a systematic and disciplined approach to examining, evaluating and improving the effectiveness of its risk management, control and governance processes.

As part of its activities, internal audit provides the following services:

a. assurance - involving the objective evaluation of evidence by internal auditors to provide an independent opinion and conclusions on a process, system or other matter,

b. advisory - comprising consultancy and related service activities, the nature and scope of which are agreed in detail with the principal, and which are intended to add value and improve organisational governance, risk management and internal control processes.

The Internal Audit position, in respect of the functions performed, is subject to periodic evaluation by an independent competent entity from outside the Bank. The selection of the entity is made by the Bank's Management Board and approved by the Audit Committee. The assessment of the work includes internal audit's compliance with the IIA Standards, Recommendation H and best market practices.

An assessment of the adequacy and effectiveness of the internal control system is made on the basis of:

a. annual report on the activities of the Internal Audit function, including, inter alia, an assessment of the adequacy and effectiveness of the internal control and risk management system,
b. annual report of the Analysis and Risk Management Department, including an assessment of the effectiveness of the control function and taking into account the critical and significant deficiencies identified,
c. annual report of the Compliance Department on the management of compliance risk at the Bank,
d. information from the Bank's Management Board on the implementation of the tasks assigned to this body within the framework of the internal control system,
e. information obtained from the parent company, relevant from the point of view of the adequacy and effectiveness of the internal control system,
f. findings of the auditor,
g. KNF's annual supervisory review and examination process (SREP),
h. findings arising from the activities of the inspection bodies,

i. evaluations and opinions made by entities outside the Bank, relevant to the adequacy and effectiveness of the internal control system.

7. Remuneration Policy

The Bank operates a remuneration programme for the Bank's Management Board and employees with a significant impact on the Bank's risk profile based on cash-settled phantom shares.

In accordance with IAS 19, the projected unit credit method was used to determine the present value of employee benefit obligations. The provision for the deferred portion of variable remuneration for eligible employees of the Bank is calculated on the basis of the amount of the bonus that the Bank undertakes to pay under the Remuneration Policy for employees with a material impact on the Bank's risk profile.

Phantom shares are granted in the number resulting from the valuation of these shares for the assessment period. The valuation of phantom shares is calculated each time at the end of the reporting period as the quotient of the Bank's book value and the number of ordinary shares.

The conversion of phantom shares into cash to be paid out is carried out as follows: The number of phantom shares determined for the Bank's Risk Takers by virtue of the shares granted under the non-deferred portion and under the individual tranches of the deferred portion, respectively, is multiplied by the average value of one phantom share calculated as the sum of the value of the phantom share at the end of the last two annual periods preceding the payout date, divided by 2.

The final value of the bonus, equal to the product of the number of shares and their expected value at the balance sheet date preceding the realisation of each deferred tranche, is actuarially discounted. The actuarial discount means the product of the financial discount (time value of money) and the probability of each participant individually surviving until each of the deferred tranches becomes fully vested. The probabilities referred to above were determined using the Multiple Decrement Model, where the following three risks were taken into account: the possibility of redundancy, the risk of total incapacity and the risk of death

8. Development Directions and Key Elements of the Bank's Strategy

The Bank's mission

From the perspective of the real estate market, mBH's mission is to support the development of an effective mechanism for financing the real estate market in Poland by issuing long-term debt securities (covered bonds) as an instrument to refinance attractive forms of real estate lending based on strong competence, the longest market experience and the highest standard of service.

From the perspective of the mBank Group, mBH's mission is to provide stable, long-term and secure refinancing.

From the point of view of investors, mBH's mission focuses on providing long-term covered bonds with a high level of security.

The Bank's vision

mBH will focus on the issuance of covered bonds in Poland and on the international market in the most cost-effective business model possible, i.e. aimed at maximising synergies within the mBank Group, in particular using the free resources of each bank, primarily mBank, in accordance with their economic purpose, as well as the knowledge and experience within the mBank Group.

In view of the development of the covered bond market in Poland, the Bank's aspiration is to maintain its current position among the leading issuers of these instruments in the country.

Strategic initiatives at mBH are grouped around five pillars:

(1) sourcing retail mortgages from mBank;
(2) financing them with regular issues of covered bonds;
(3) improving the IT platform and data security;
(4) risk management;
(5) fostering an organisational culture based on shared values, ensuring respect for diversity, the professional development of employees and satisfactory working conditions.

Strengthening the mBank Group's self-reliance in financing its business and better matching the time horizon of financing to assets is a key element of the financing strategy. A factor supporting the financing of real estate business is the issuance of covered bonds.

The mBank Group assumes ongoing cooperation between mBank and mBH to implement the covered bond issuance strategy. The issuance of covered bonds allows the Bank to generate stable and long-term financing on attractively priced terms.

The Bank envisages issuing covered bonds secured by residential mortgages raised in cooperation with mBank using a pooling model.

The covered bonds may be issued in both zloty and euro and will have maturities ranging from 3 to 5 years.

9. Bank Authorities

Shareholders

The total number of ordinary shares at the reporting date was 2.22 million with a nominal value of PLN 100 per share.

The Bank has not issued any preference shares and there are no restrictions on the rights attached to the shares. All shares participate equally in the distribution of dividends. All issued shares are fully paid up. The Bank does not hold any treasury shares.

As at the reporting date, the ownership structure of the Bank's registered share capital was as follows:

Name of shareholder	Registered share capital in PLN	Shares		Votes at General Meeting	
		Number	%	Number	%
mBank S.A.	220 000 000	2 200 000	100	2 200 000	100
Total	**220 000 000**	**2 200 000**	**100**	**2 200 000**	**100**

Management board

In the first half of 2026, mBH's Management Board consisted of:

	Position
Piotr Petelewicz	President of the Management Board
Katarzyna Dubaniewicz	Member of the Management Board
Adrian Kaim	Member of the Management Board

Appointment and removal of Management Board members and their powers:

The Supervisory Board appoints and dismisses the members of the Bank's Management Board, including the President of the Management Board.

The appointment of two members of the Management Board, including the President of the Management Board and the member of the Management Board responsible for risk, shall be made with the approval of the KNF.

The Management Board manages the Bank's affairs and represents the Bank. The Management Board adopts annual financial plans and an operating strategy, which are approved by the Supervisory Board. In them, the Management Board determines the maximum volume of covered bonds and bonds issued in a given year. The scope of activities of the Bank's Management Board includes all matters not reserved for the competence of other bodies of the Bank, pursuant to the Articles of Association or legal regulations.

Supervisory Board

In the first half of 2026, the Bank's Supervisory Board consisted of:

	Position
Marek Lusztyn	Chairman of the Supervisory Board
Pascal Ruhland	Deputy Chairman of the Supervisory Board
Monika Bączyńska	Member of the Supervisory Board
Łukasz Czekajewski	Member of the Supervisory Board
Ilona Garanty	Member of the Supervisory Board
Paweł Graniewski	Independent Member of the Supervisory Board
Grzegorz Ostrowski	Member of the Supervisory Board
Anna Sibińska	Independent Member of the Supervisory Board
Marta Żyndul	Member of the Supervisory Board

Pursuant to § 14 (1) (5) of mBH's Articles of Association, the General Meeting decides in the form of a resolution on the election and dismissal of members of the Supervisory Board and the determination of the principles of their remuneration. The members of the Supervisory Board meet the suitability requirements determined on the basis of the Bank's Policy on the Assessment of the Qualifications (Suitability) of Members of the Supervisory Board, Management Board and Key Function Holders of mBH.

Pursuant to § 3(1)(9) and (10) of the Regulations of the Supervisory Board of mBH, the Supervisory Board has the power to appoint and dismiss the President of the Management Board, the members of the Management Board, as well as the power to entrust the function of the Vice-President of the Management Board and to entrust the function of the member of the Management Board who supervises the management of risks that are material to the Bank's operations, and to determine the terms and conditions of contracts and remuneration for the members of the Management Board of the Bank and to represent the Bank in concluding agreements with the members of the Management Board.

There were three Committees within the Supervisory Board: Audit Committee, Remuneration and Nomination Committee, Risk Committee.

Audit Committee

(1) Paweł Graniewski – Chairman of the Committee
(2) Pascal Ruhland – Member of the Committee
(3) Anna Sibińska – Member of the Committee

In the first half of 2026, the Audit Committee met on 16 March and 12 June.

Remuneration and Nomination Committee

(1) Marek Lusztyn – Chairman of the Committee
(2) Pascal Ruhland – Member of the Committee
(3) Paweł Graniewski – Member of the Committee

In the first half of 2026, the Remuneration and Nomination Committee met on 18 March.

Risk Committee

(1) Marta Żyndul – Chairman of the Committee
(2) Marek Lusztyn – Member of the Committee
(3) Ilona Garanty – Member of the Committee

In the first half of 2026, the Risk Committee met on 16 March and 10 June.

Procedure for convening and powers of the General Meeting

The General Meeting shall be convened as an ordinary or extraordinary general meeting in accordance with the Bank's Articles of Association and the provisions of the Commercial Companies Code.

The core competences of the General Meeting include the adoption of resolutions on the following matters:

(1) considering and approving the annual report on the Bank's operations and the financial statements for the previous financial year,
(2) granting discharge to the members of the Bank's governing bodies for the performance of their duties,
(3) distributing net profit or covering losses of the Bank,
(4) amending the articles of association,

(5) electing and dismissing members of the Supervisory Board and determining the principles of their remuneration,
(6) increasing or reducing the Bank's share capital,
(7) liquidation, disposal of the whole of the Bank's undertaking or merger with another bank,
(8) selection of liquidators and determination of their remuneration,
(9) provisions concerning claims for compensation for damage caused in the formation of the company or in the exercise of management or supervision,
(10) setting a date for the payment of dividends,
(11) disposal or encumbrance of the Bank's real estate on which its head office is located,
(12) matters brought before the Supervisory Board for consideration,
(13) matters brought for consideration by shareholders under the procedure provided for in the Articles of Association,
(14) giving consent for the Bank to acquire or dispose of shares or stocks, or to establish or join other business organisations, whereby consent is not required if the acquisition of shares or stocks in companies has taken place as part of enforcement, bankruptcy, restructuring or other agreement with the Bank's debtor and in the event of the disposal of shares or stocks acquired in the above manner; in such a case, the Bank's Management Board is obliged to inform the Supervisory Board of the above actions,
(15) other matters reserved by law or the Articles of Association.

10. Other Information

Loans and their interest rates

The floating interest rates applied by the Bank are based on WIBOR for PLN loans and EURIBOR for foreign currency loans. The Bank's interest rate on a given day is equal to the sum of the Bank's margin set in the agreement and the base rate.

In accordance with Recommendation S, the Bank introduced the possibility of converting floating interest rates into periodically fixed interest rates for a period of 5 years. As at 30 June 2026, the share of loans with periodically fixed interest rates in the loan portfolio was 3.46%.

Related party transactions

The direct parent of mBH is mBank. The direct parent of mBank is Commerzbank AG.

Transactions concluded in the first half of 2026 between the Bank and related parties were typical and routine transactions, concluded on terms that did not deviate from market conditions, and their nature and terms resulted from the day-to-day operational activities conducted by the Bank. Transactions with related parties carried out in the ordinary course of business include loans, liabilities under issued debt securities and derivative transactions.

Information on amendments to the articles of association

There were no amendments to the Articles of Association of the Bank in the first half of 2026.

Information on compliance by members of the Supervisory Board and the Management Board with the requirements set out in Article 22aa of the Banking Law

On 18 March 2026, the Supervisory Board conducted a review and concluded that the members of the Management Board, namely Piotr Petelewicz – President of the Management Board, Katarzyna Dubaniewicz – Member of the Management Board, and Adrian Kaim – Member of the Management Board, individually and collectively, meet the requirements set out in Article 22aa of the Banking Law.

On 20 March 2026, the General Meeting conducted a review and concluded that the members of the Supervisory Board, namely Marek Lusztyn, Pascal Ruhland, Monika Bączyńska, Łukasz Czekajewski, Ilona Garanty, Paweł Graniewski, Grzegorz Ostrowski, Anna Sibińska and Marta Żyndul, meet the requirements set out in Article 22aa of the Banking Law.

Financial support from public funds

In the first half of 2026, the Bank did not receive any financial support from public funds, in particular under the Act of 12 February 2009 on the granting of support to financial institutions by the State Treasury (Journal of Laws of 2014, item 158).

Cooperation with international institutions

The Bank does not cooperate with international public institutions.

Guarantees and sureties granted by the Bank

The Bank did not issue any guarantees or sureties in the first half of 2026.

Events after the balance sheet date

On 2 July 2026, the Bank executed an issuance of three-month zero-coupon own bonds with a maturity date of 28 September 2026. Subsequently, on 17 July 2026, the Bank carried out a further issuance of three-month zero-coupon own bonds maturing on 8 October 2026. Both transactions were undertaken as part of the Bank's balance sheet funding and liquidity management activities, with the objective of reducing refinancing costs through the

On 14 July 2026, the Bank issued three-year mortgage covered bonds maturing on 21 June 2029. The offer was addressed to retail investors. The purpose of the issue was to diversify funding sources and optimise the refinancing structure of the mortgage loan portfolio by obtaining funding on competitive terms.

11. Statements by the Management Board

Corporate governance

In its operations, the Bank is guided by the principles of corporate governance and good banking practices, setting high standards based on transparency of operations, business ethics and a balance between the interests of all stakeholders involved in the Bank.

On 27 January 2026, the Management Board, and subsequently on 23 February 2026 the Supervisory Board, adopted for application the Corporate Governance Principles for Supervised Institutions ("Principles"), adopted by the Polish Financial Supervision Authority on 22 July 2014, with the exception of the Principles set out in § 8(4), § 24(1), § 29 and § 53-57.

The Principles addressed to shareholders were presented by the Management Board at the Annual General Meeting of Shareholders of mBH on 22 April 2015, and the General Meeting on that date adopted Resolution 15 on the application of the Corporate Governance Principles for Supervised Institutions, in which it adopted the Principles for application insofar as they relate to the General Meeting (with the exception of section 29 of the Principles concerning remuneration for serving as a member of the Supervisory Board which is granted only to an independent member). This resolution entered into force on the date of its adoption.

Based on and to the extent of the aforementioned decision, the Bank exempted the following provisions of the Corporate Governance Principles for Supervised Institutions from application

§8(4) The supervised institution shall, where warranted by the number of shareholders, endeavour to facilitate the participation of all shareholders in the meeting of the governing body of the supervised institution, including by providing for the possibility of electronic active participation in meetings of the governing body.

The Bank does not comply with this principle. The Bank's shares are held directly and indirectly by its sole shareholder, mBank. General Meetings are held without being formally convened and 100% of the capital is always represented at the General Meeting. Therefore, the number of shareholders does not justify the need for electronic meetings.

§ 24(1) It is appropriate that meetings of the supervisory body be conducted in the Polish language. Where necessary, the assistance of an interpreter should be provided.

The Bank does not comply with this Principle. The departure from this Principle is justified by the fact that all members of the Supervisory Board are fluent in English. Conducting discussions and reaching decisions without the involvement of interpreters is more efficient and provides greater confidentiality when discussing matters constituting business secrets. Minutes of meetings and resolutions adopted by the Supervisory Board are prepared in both Polish and English. Accordingly, the Bank complies with the Principle set out in § 24(2) of the Corporate Governance Principles for Supervised Institutions.

§29: The Bank does not apply the Principle:

(1) The remuneration of members of the supervisory authority shall be determined in accordance with the function they perform and also in accordance with the scale of activity of the supervised institution. Members of the supervisory authority appointed to serve on committees, including the audit committee, should be remunerated commensurate with the additional tasks performed by the committee concerned.

(2) The remuneration of the members of the supervisory authority, unless such remuneration is prohibited by law, should be determined by the constituent body.

(3) The remuneration arrangements for members of the supervisory authority should be transparent and included in the relevant internal regulation of the supervised institution.

Remuneration for serving as a member of the Supervisory Board is granted by the General Meeting to the independent member. The other members of the Supervisory Board do not receive remuneration.

The Bank does not comply with the principles of § 53 - §57 of the Corporate Governance Principles for Supervised Institutions which relate to the activity of managing assets at the client's risk, as the Bank does not carry out this type of activity. The Bank does not apply any restrictions on the exercise of voting rights on securities. With regard to the transfer of ownership of securities, the only restriction is the indication in the prospectus that the issuance of covered bonds on the primary market is not addressed to individual (retail) investors and, in the case of covered bonds introduced to trading abroad, additionally that they are not addressed to Polish residents.

As required by § 27 of the Corporate Governance Principles for Supervised Institutions, on 18 March 2026, the Bank's Supervisory Board assessed the application of the Principles at the Bank in 2025. The Supervisory Board of mBank Hipoteczny S.A. approved the assessment of the application by mBank Hipoteczny S.A. in 2025 of the Corporate Governance Principles for

Supervised Institutions introduced by the Polish Financial Supervision Authority. Based on the information received from the Management Board of mBank Hipoteczny S.A., the Supervisory Board confirms that the Bank has implemented and applies the Corporate Governance Principles. The Bank has implemented an Internal Governance Policy which sets out the fundamental principles and good practices for the various areas of internal governance.

These Principles are available on the following website:

https://www.knf.gov.pl/dla_rynku/regulacje_i_praktyka/zasady_ladu_korporacyjnego

The Bank has implemented and complies with Recommendation Z on internal governance principles in banks in accordance with the principle of proportionality and adequacy arising from the scale, nature of its activities and the specific characteristics of the Bank.

The Bank declares that where the scope of Recommendation Z overlaps with the scope of the Corporate Governance Principles for Supervised Institutions, the provisions of Recommendation Z shall prevail. To the extent not covered by Recommendation Z, the Corporate Governance Principles for Supervised Institutions shall apply.

The text of Recommendation Z on the principles of internal governance in banks can be found on the website of the Polish Financial Supervision Authority:

https://www.knf.gov.pl/knf/pl/komponenty/img/Rekomendacja_Z_70998.pdf

Rules for the appointment and removal of managers

The Supervisory Board appoints and dismisses members of the Bank's Management Board, including the President of the Management Board, taking into account the assessment of the fulfilment of the requirements referred to in Article 22aa of the Banking Law. The appointment of the President of the Management Board and the member of the Management Board supervising the management of the significant risk in the Bank's operations, as well as the assignment of the function of the member of the Management Board supervising the management of the significant risk in the Bank's operations to the appointed member of the Management Board shall be made with the consent of the KNF. The consent is requested by the Supervisory Board. The Supervisory Board, immediately after the appointment of the Management Board and after any change in its composition, shall submit to the KNF information on the composition of the Management Board and on any change in its composition, as well as information resulting from the assessment referred to in section 1 on the fulfilment by the members of the Management Board of the requirements referred to in Article 22aa of the Banking Law. The assessment in question is carried out on the basis of the Policy on the assessment of qualifications (suitability), appointment and dismissal of members of the Bank's Body in force at the Bank (Suitability Policy). In addition, the Supervisory Board informs the KNF of the approval and change of the internal division of competences in the Bank's Management Board. The Bank's Management Board consists of President of the Bank's Management Board and other members of the Bank's Management Board. The internal division of competences in the Bank's Management Board is determined by the Management Board and approved by the Supervisory Board. The President and the other members of the Bank's Management Board are appointed for a joint term of office of 3 years (the current term of office ends in 2028). The terms of office of the members of the Management Board expire at the latest on the date of the General assembly of Shareholders approving the financial statements for the last full financial year of their function as members of the Management Board. In addition, the mandate of a member of the Management Board shall also expire due to death, resignation or dismissal from the Management Board by the Supervisory Board. Members of the Bank's Management Board may be dismissed by the Supervisory Board before the expiry of their term of office at any time. The Management Board manages the Bank's affairs and represents the Bank. The Management Board adopts annual financial plans and an operating strategy, which are approved by the Supervisory Board. The Management Board determines the maximum volume of mortgage bonds and bonds issued in a given year in its annual financial plans and operating strategy.

The Bank has also adopted a Policy on the Identification of Key Functions in the Bank, the Appointment and Removal of Employees Performing these Functions and the Assessment of their Qualifications (Suitability) in accordance with Recommendation Z.

Audit Committee of the Supervisory Board

The Bank complies with the regulations on the appointment, composition and functioning of the Audit Committee of the Supervisory Board (hereinafter: the Audit Committee), including that its members meet the independence criteria and the requirements for having knowledge and skills in banking and in accounting or auditing.

The Audit Committee operates on the basis of the Audit Committee Regulations introduced by Supervisory Board Resolution No. 31/2023 of 27 March 2023 and subsequently updated by Supervisory Board Resolution No. 65/2024 of 2 December 2024. The composition of the Audit Committee of the current term of office was appointed by Supervisory Board Resolution No. 40/2024 of 22 May 2024 and subsequently supplemented by Supervisory Board Resolution No. 29/2025 of 12 September 2025 appointing Anna Sibińska to the Committee. All members of the Audit Committee meet the requirements for having knowledge and skills in banking and finance and in accounting or auditing, which they have acquired through experience and education.

In accordance with the recommendation of the Audit Committee and the Bank's Policy on the Selection of the Audit Firm, on 23 February 2026 the Supervisory Board selected KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. to perform the audits of the Bank's annual financial statements and the reviews of the condensed interim financial statements for the years 2026–2027. The agreement with the audit firm was concluded on 17 April 2026.

The basic tasks of the Audit Committee derive from the provisions of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision, the Bank's Articles of Association, the Regulations of the Supervisory Board and the Recommendations on the Functioning of the Audit Committee issued by the KNF.

The Audit Committee performs the tasks provided for in the applicable legislation in the mode of day-to-day supervision on the basis of information provided by the Bank's Management Board, the Statutory Auditor, the Internal Audit Function, the Compliance Department and the Accounting and Settlement Department during its meetings.

The Audit Committee, by Resolution No. 19/2023 of 6 December 2023, adopted the Policy on the Selection of the Audit Firm and on the Provision by the Audit Firm Conducting the Audit, by Entities Related to the Audit Firm and by a Member of the Audit Firm's Network of Permitted Non-Audit Services at mBank Hipoteczny S.A.

The Policy aims to implement the obligations arising from the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision (hereinafter the *Act*) and Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC.

The Policy on the Selection of the Audit Firm takes into account the principle of auditor rotation. The maximum uninterrupted duration of the statutory audit engagements referred to in the second subparagraph of Article 17(1) of Regulation No. 537/2014 carried out by the same audit firm, an audit firm affiliated with that audit firm, or any member of the network operating in the European Union to which those audit firms belong, may not exceed 10 years. In accordance with Article 134(2) and (3) of the Act of 11 May 2017, the key audit partner may not audit the same public-interest entity (PIE) for a period longer than 5 years. The key audit partner may perform the statutory audit of the Bank again after a period of at least 3 years has elapsed since completion of the last statutory audit.

In the case of a statutory audit, the first audit engagement shall be concluded with the audit firm for a period of not less than two years. The agreement may be extended for subsequent periods of at least two years.

The statutory auditor or audit firm carrying out the statutory audit, and any member of the network to which the statutory auditor or audit firm belongs, shall not provide directly or indirectly to the audited entity, its parent undertaking or the entities controlled by it within the European Union:

1. any prohibited non-audit services during the period from the beginning of the audited period to the issuance of the audit report;
2. services consisting of the development and implementation of internal control or risk management procedures relating to the preparation or control of financial information or the development and implementation of technological systems relating to financial information.

Services not considered prohibited under Article 136 of the Act on Statutory Auditors include:

1. services:

a. involving the performance of due diligence procedures relating to the economic and financial condition;

b. involving the issuance of comfort letters in connection with the audited entity's prospectus, carried out in accordance with the national standard for related services and consisting of agreed-upon procedures;

1. assurance services relating to pro forma financial information, earnings forecasts or estimated results included in the audited entity's prospectus;
2. audits of historical financial information included in a prospectus;
3. verification of consolidation packages;
4. confirmation of compliance with the terms and conditions of loan agreements on the basis of an analysis of financial information derived from financial statements audited by the relevant audit firm;
5. assurance services relating to corporate governance, risk management and corporate social responsibility reporting;

6. services assessing the compliance of disclosures made by financial institutions and investment firms with capital adequacy and variable remuneration disclosure requirements;
7. certifications concerning reports or other financial information intended for supervisory authorities, the supervisory board or another supervisory body of the company, or the owners, going beyond the scope of the statutory audit and intended to assist those bodies in fulfilling their statutory duties.

The audit firm auditing the annual financial statements for 2026 did not provide mBH with any prohibited services or permitted non-audit services, except for interim reviews and the verification of consolidation packages.

Diversity policy at mBH

In its operations, the Bank complies with the mBank Group requirements for ensuring diversity. When deciding on the composition of the Bank's Management Board, the Supervisory Board aims to ensure its diversity, in particular with regard to age, education, professional experience and gender.

The same criteria are applied by the Bank's shareholder when deciding on the composition of the Supervisory Board.

The representation of women in management positions is 54% of all management positions. We are committed to creating equal opportunities regardless of gender.

The recommended number of women on the Management Board is a minimum of one. As at the reporting date, the proportion of women on the Bank's Management Board is 33%.

Truthfulness and reliability of the reports presented

The Management Board of mBH declares that, to the best of its knowledge:

(1) the financial statements and comparative data have been prepared in accordance with the applicable accounting principles and give a true, fair and clear view of the Bank's assets, financial position and profit or loss,

(2) the Management Board's report gives a true picture of the Bank's situation, including a description of the main risks and threats.

The process of preparing financial data for reporting purposes is automated and based on the Bank's accounting data. The preparation of data in the source systems is subject to formalised operational and acceptance procedures. The creation of a set of accounting balances based on the Bank's general ledger system follows a process that includes appropriate internal controls. Manual adjustments are subject to special controls.

The Bank continuously monitors changes in external laws and regulations related to the preparation of reports and updates internal regulations on an ongoing basis and adapts IT systems as necessary.

The preparation of financial statements at mBH is handled by the Financial Reporting Division in the Accounting and Settlement Department. The financial accounting and the administration of the model chart of accounts are the responsibility of the Accounting and Settlement Department.

The Bank prepares annual and condensed interim financial statements. At the same time, the financial statements are forwarded to the members of the Audit Committee of the Supervisory Board. The Audit Committee, after consultation with the external auditor, recommends to the Supervisory Board the acceptance or rejection of the annual financial statements.

The annual and condensed interim financial statements of mBH are subject to an audit and review by an independent statutory auditor, respectively. The selection of the Bank's auditor is made by resolution of the mBH Supervisory Board. A recommendation on the selection of the auditor is made by the Audit Committee of the Supervisory Board. In accordance with the Policy on the Selection of the Audit Firm. The Recommendation shall include a justification and at least two options for the selection of the audit firm together with a justified preference for one of them.