Report of the Management Board on the Activities of Millennium Bank Hipoteczny S.A.

for a period of 6 months ended 30 June 2026.

This document is a translation of a document originally issued in polish.

The only binding version is the original polish version.

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1. INTRODUCTION

1.1. BRIEF DESCRIPTION OF THE BANK AND THE BANK MILLENNIUM GROUP

Millennium Bank Hipoteczny Spółka Akcyjna (the "Bank") was established by the memorandum of association by Bank Millennium S.A. ("Bank Millennium") on 9 July 2020. The Bank commenced its operating activity on 14 June 2021.

The Bank's address: 02-593 Warsaw, 2A Stanisława Żaryna Street, www.millenniumbh.pl

KRS number: 0000852039 District Court for m.st. Warsaw, XIII Commercial Division of the National Court Register

Statistical REGON number: 386797947

Tax identification number NIP: 521-390-45-67

Parent company: Bank Millennium S.A., 02-593 Warsaw, Stanisława Żaryna 2A, which prepares consolidated financial statements, including, inter alia, reporting on the sustainable development of the Bank Millennium Group, prepared on the basis of and in accordance with the applicable regulations, including Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council with regard to reporting standards on European Sustainability Reporting Standards ("ESRS") and including, among others, Millennium Bank Hipoteczny. Therefore, the Bank does not prepare sustainability reporting using the exemption in accordance with Article 63u of the Accounting Act.

The Group's reports are published on the Bank Millennium website:
https://www.bankmillennium.pl/documents/d/guest/1_sprawozdanie_zarzadu_millennium_2025?mv=10

The Bank's share capital - after the increase in the 1st half of 2026 by PLN 33,000,000 - amounts to PLN 196,000,000 and was fully covered by Bank Millennium S.A. with a cash contribution. 196,000,000 ordinary registered shares with a nominal value of PLN 1 per share were acquired by Bank Millennium at the issue price of PLN 3 per share.

Millennium Bank Hipoteczny S.A. is part of the Bank Millennium S.A. Group ("Bank Millennium Group", "Group"), one of the most modern financial groups in Poland, serving over 3 million active customers. The Bank Millennium Group, with total assets of over PLN 150 billion, is one of the leaders of the Polish financial market, among others in the area of innovation and customer service quality.

Bank Millennium was established in 1989 under the name Bank Inicjatyw Gospodarczych S.A. and was the first bank listed on the Warsaw Stock Exchange S.A. Currently, it directs its services to all market segments through a network of branches, individual advisors and electronic banking channels (call centre, Millenet Internet system, mobile application, ATMs). Bank Millennium's offer is complemented by the offer of the following companies: Millennium Leasing Sp. z o.o. (leasing activity), Millennium Towarzystwo Funduszy Inwestycyjnych S.A. (investment funds) and Millennium Goodie Sp. z o.o. (smartshopping platform).

The parent company of Bank Millennium is Banco Comercial Portugues – a leading Portuguese bank listed on the Lisbon Stock Exchange.

The purpose of establishing the Bank and its mission is to provide the Group with stable and long-term financing of mortgage loans in the form of covered bonds secured by mortgage receivables originated by Bank Millennium.

1.2. SIGNIFICANT EVENTS IN H1 2026

The most important events in the period covered by this report included:

- March 31, 2026 – decision by the Annual General Meeting to retain the entire profit for 2025 (PLN 38.3 million) in the Bank's equity and to increase the Bank's equity through the issuance of Series F shares with an issue value of PLN 99 million, registered by the National Court Register on May 28, 2026.
- April 9, 2026 – the eleventh transfer of receivables from Bank Millennium in the amount of PLN 791 million.
- April 17, 2026 – an amendment to the financing agreement with Bank Millennium
- June 30, 2026 – issuance on the domestic market of the second series of covered bonds under the international program (EMTN) with a value of PLN 500 million.

1.3. MAJOR BUSINESS AND FINANCIAL ACHIEVEMENTS

In the first half of 2026, the Bank continued to pursue its main strategic objective — the issuance of mortgage covered bonds. At the end of June, the Bank placed another series (its fifth since inception) of mortgage covered bonds worth PLN 500 million on the domestic institutional investor market as part of an international issuance program (EMTN) with a total value of up to 3 billion euros or the equivalent in other currencies. As with previous issuances, the mortgage covered bonds were admitted to trading and are listed on the parallel regulated market operated by the Warsaw Stock Exchange (GPW), and their interest rate—determined through a book-building process—consists of a fixed spread over the 3-month WIBOR variable rate. The Bank's new covered bonds, like the previous ones, received an AAA rating (negative outlook) from Fitch Ratings.

In the first half of 2026, the Bank carried out its eleventh transfer of mortgage loans originated by Bank Millennium and, as of the end of the half-year, held 18,8 ths. loans in its portfolio with a total carrying amount of PLN 4.8 billion. At the same time, the Bank continued work on preparing subsequent transfers. This work primarily involves determining the mortgage lending value of a real estate ("MLV") for the loans earmarked for future transfers. All loans scheduled for transfer meet a number of criteria set by the Bank, the most important of which are:

- ✓ loan currency in PLN
- ✓ intended for residential purposes
- ✓ ownership title with a mortgage established in favour of Bank Millennium in 1st place
- ✓ no impairment triggers
- ✓ loan balance lower than mortgage value (MLV)

In the first half of 2026, the Bank reported a net profit of 14.4 million PLN.

The Bank's total assets as of June 30, 2026, amounted to 5,322 million PLN.

The primary source of funding for the Bank's operations, aside from equity of PLN 633 million and mortgage covered bonds totaling PLN 3,110 million (including accrued interest), was financing provided by Bank Millennium in the amount of PLN 1,571 million at the end of the period.

The Bank's mortgage loan portfolio is characterized by high quality. The share of Stage 3 loans accounted for 0.16% of the total portfolio value at the end of the reporting period.

The Bank maintains its liquidity and solvency ratios at very high, safe levels. At the end of the reporting period, the Total Capital Ratio (TCR) stood at 38.6%.

1.4. DIRECTIONS OF THE BANK'S DEVELOPMENT

The high proportion of mortgage loans in the Bank Millennium Group's portfolio justifies the need to ensure stable, long-term financing in the form of mortgage covered bonds, which is the Bank's primary objective. The pursuit of this objective, successfully launched in 2024, will continue in the coming years. The growth rate of the value of mortgage-backed securities issued by the Bank will depend on the growth rate of the Group's mortgage loan portfolio, as well as on the final form of the Polish Financial Supervision Authority's (KNF) Recommendation establishing a new requirement in the form of the long-term funding ratio (WFD).

The issuance of covered bonds requires holding an appropriate amount of mortgage loan receivables entered in the mortgage bond security register ("the Register"), in accordance with the requirements of the Act of August 29, 1997, on Covered Bonds and Mortgage Banks. A prerequisite for entering the receivables into the Register is the establishment of a mortgage in favor of the Bank by amending the terms of the mortgages originally established in favor of Bank Millennium. Once the relevant entries have been made by the courts, the mortgage receivables will be included in the Register, enabling the issuance of covered bonds.

The Bank will carry out the above activities on a regular basis. Subsequent tranches of mortgage loans granted by Bank Millennium will undergo the MLV determination process and will then be transferred to the Bank. Only mortgage loans granted in zlotys to individuals for housing purposes will be transferred to the Bank.

Initially, the source of funding for the purchased loans will be—as before—a bank loan and deferred payment. In order to properly manage interest rate risk, the Bank will continue to take out loans bearing both variable and fixed interest rate.

Once the change of creditor is recorded in the land and mortgage registers, the transferred loans will increase the pool of receivables in the Register, thereby enabling further issuances of mortgage covered bonds, which will allow for the repayment of loans taken out to purchase the portfolios.

The Bank has not granted and does not intend to grant mortgage loans on its own.

2. MARKET CONDITIONS

2.1. MACROECONOMIC SITUATION

2Q26 was dominated by the armed conflict in the Middle East. In response to military operations, Iran maintained restrictions on shipping through the Strait of Hormuz for most of the quarter, significantly limiting the transportation of energy commodities from the Persian Gulf. This resulted in elevated volatility in global oil and natural gas markets. Brent crude oil prices reached a local peak in May, temporarily approaching USD 120 per barrel, a level previously observed following the outbreak of the war in Ukraine. Higher energy commodity prices contributed to increased inflation across many economies. Against this backdrop, the European Central Bank raised its key policy rate by 25 basis points. At the same time, the U.S. Federal Reserve, under the leadership of its new Chair Kevin Warsh, adopted a more hawkish stance, citing increased concerns about inflation. Despite higher energy prices and elevated geopolitical uncertainty, global economic activity remained resilient.

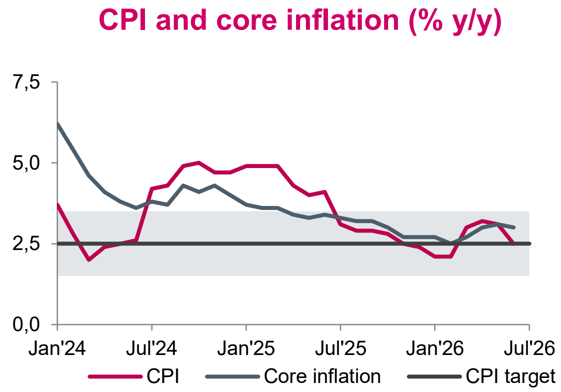
Sentiment improved following the agreement reached on 16 June 2026 between the United States and Iran regarding a temporary suspension of military operations and the restoration of shipping through the Strait of Hormuz. As a result, oil prices returned to pre-conflict levels. Developments in the European natural gas market were different, with prices remaining elevated due to constrained supply and expectations of only a gradual recovery of damaged extraction and transmission infrastructure.

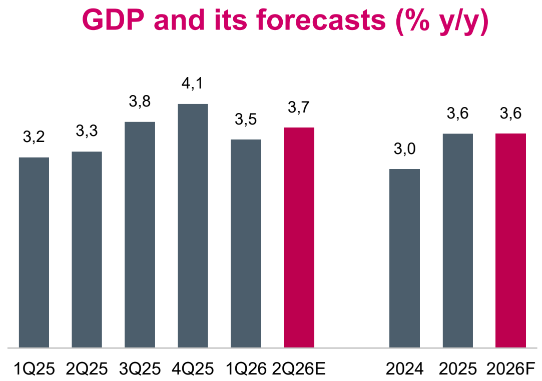
Inflation in Poland was in April and May also higher than at the beginning of the year, mainly due to rising fuel prices and the partial pass-through of higher costs to some goods and services. However, the impact was concentrated in categories most closely linked to fuel prices, such as transport and tourism-related services. The increase in prices was mitigated by the government's "CPN – Lower Fuel Prices" programme, which introduced temporary price caps on gasoline and diesel fuel and reduced fuel taxation (excise duty and VAT). As oil prices declined and conditions in global energy markets improved, the programme was phased out at the end of June 2026. At the same time, CPI inflation fell in June to a level consistent with the inflation target of the National Bank of Poland, confirming the reversal of part of the earlier price increases and easing companies' concerns regarding cost pressures.

The Polish economy demonstrated considerable resilience to higher fuel prices and elevated geopolitical uncertainty. In 2Q26, construction output rebounded strongly following substantial weather-related declines recorded at the beginning of the year. Industrial production growth also accelerated, supported by stronger demand stemming from concerns about the future availability and cost of raw materials. Retail sales growth, however, moderated. This reflected weaker household sentiment, the normalisation of labour market conditions and wage growth slightly below its long-term average. According to the Bank Millennium's estimates, GDP growth in 2Q26 amounted to approximately 3.7% y/y, compared with 3.5% y/y in the previous quarter.

Given the resilience of the domestic economy and inflation remaining — despite a temporary increase — within the permissible deviation band around the inflation target, the Monetary Policy Council kept interest rates unchanged throughout 2Q26 and at the beginning of 3Q26 following the rate cut implemented in March. The Council's communication indicated that future decisions would remain dependent on incoming data and information.

Conditions in the banking sector remained stable in 2Q26. Household deposit growth remained relatively strong (around 10% y/y), supported by positive real interest rates, an elevated propensity to save among households and likely still solid corporate performance. Lending volumes to non-financial corporations and households also continued to grow at a stable pace. At the same time, credit growth to financial sector companies accelerated, potentially reflecting increased bank financing provided to leasing and factoring companies.





Source: Macrobond, GUS, MinFin, Bank Millennium, E - estimate, F - forecast

The outlook for the Polish economy points to a scenario of stable economic growth, with the main challenge remaining the high budget deficit and the public debt ratio, which continues to rise relative to GDP. Bank Millennium expects economic growth in 2H26 to remain broadly similar to that observed in 1H26. Investments are expected to play an increasingly important role in economic activity, including projects co-financed by European Union Cohesion Policy funds, the National Recovery and Resilience Plan and the SAFE programme. Household consumption will remain an important pillar of GDP growth, although slower wage growth and the absence of new fiscal programmes supporting household incomes may lead to a gradual moderation in its pace. In 2H26, net exports are expected to make a negative contribution to GDP growth as a result of weaker demand in the euro area and intensifying competition from China, which is reducing orders across European supply chains. Economic growth is likely to slow in 2027 alongside the expected moderation in investment demand growth.

Stable economic growth, the absence of significant tensions in the labour market and the return of inflation expectations to levels observed before the outbreak of the conflict in the Middle East do not currently create conditions conducive to a lasting pass-through of higher fuel prices to other goods and services. As a result, despite the expiry of the "CPN – Lower Fuel Prices" programme, Bank Millennium estimates that inflation should remain within the National Bank of Poland's range of the inflation target in the coming quarters. Under such conditions, Bank Millennium continues to view stable NBP interest rates through the end of 2026 as the most likely scenario. Bank Millennium also assumes the possibility of modest rate cuts in 2027. However, the dovish tone of NBP Governor Adam Glapiński's press conference following the July meeting of the Monetary Policy Council has increased the likelihood of further, albeit limited, monetary policy easing in Poland already in 2026.

The situation in the Middle East remains the main risk factor for the Bank Millennium's macroeconomic scenario. The agreement reached between the United States and Iran reduced short-term uncertainty and enabled the restoration of part of the energy commodity supply flows. However, developments at the beginning of 3Q26 suggest that the agreement remains fragile, and the risk of renewed disruptions to shipping through the Strait of Hormuz is still elevated. Any renewed tensions could once again affect energy commodity prices, inflation and economic growth prospects in both Poland and the global economy.

The above text incorporates data and information available as of 10 July 2026.

2.2. HOUSING AND MORTGAGE MARKET

In 1Q 2026, property development companies listed on the Warsaw Stock Exchange recorded, based on preliminary sales data, a 16.1% year-on-year increase in the number of residential units sold. Between January and March 2026, moderate activity was observed in the residential construction sector. According to Statistics Poland (GUS), the number of dwellings for which building permits were issued or notifications with a construction design were filed increased by 7.4% compared with the corresponding period of the previous year. The number of dwellings whose construction commenced was 11.4% lower year-on-year. Preliminary data for 1Q 2026 also indicate a 1.4% year-on-year decline in the number of dwellings completed. Individual investors put 17.9 thousand dwellings into use, while property developers put 26.1 thousand dwellings into use, representing a year-on-year increase of 6.0% and a decrease of 5.9%, respectively.

According to NBP data, in 1Q 2026 transaction prices of residential units on the primary market in the 10 largest Polish cities increased by 3.3% year-on-year and by 2.0% quarter-on-quarter, indicating a continued slowdown of the strong upward trend observed in previous periods. As a result, household purchasing power, as measured by the housing affordability index, has gradually improved. Approximately 58% of residential property purchases were financed with buyers' own funds.

Following the record volume of residential mortgage loans granted in 2025 (PLN 103 billion), driven by NBP interest rate cuts and strong competition among banks, data for 1Q 2026 indicate that lending activity continued to grow at a strong pace. According to the Nationwide Report on Housing Loans and Transaction Prices of Real Estate (1/2026) published by AMRON-SARFiN, 73.1 thousand mortgage loans with a total value of PLN 33.4 billion were granted during the period under review, representing year-on-year increases of 63.8% and 52.0%, respectively. At the same time, the share of refinancing loans increased significantly, from 8% in 1Q 2025 to 28% in 1Q 2026, with most refinancing transactions occurring between banks and involving mortgage loans with temporarily fixed interest rates. According to AMRON-SARFiN data, loans with periodically fixed interest rates accounted for approximately 64% of the number of mortgage loans granted in 1Q 2026.

BIK data indicate that in May 2026 the number of individuals applying for residential mortgage loans increased by 16.9% year-on-year, largely as a result of improved creditworthiness among borrowers. However, the growth rate of this indicator is expected to gradually moderate in the coming months due to the high base effect. At the same time, the average value of a residential mortgage loan application amounted to PLN 505.59 thousand in May 2026, representing an increase of 8.1% compared with May 2025. The observed growth in the above-mentioned indicators continued to reflect rising residential property prices and improved household creditworthiness.

In addition to the slowdown in the growth of residential property transaction prices, a significant contribution to the improvement in creditworthiness came from the series of NBP interest rate cuts implemented by the Monetary Policy Council in 2025 and 2026.

The outlook for the domestic housing market remains favourable, regardless of economic cycles, particularly given the shortage of housing stock in Poland. In the long term, the market may face challenges arising from the projected decline in the population, especially among age groups with the highest propensity to purchase residential property. Nevertheless, this impact is expected to be offset by increasing immigration.

2.3. COVERED BOND MARKET

Covered bonds issuances are currently carried out in more than twenty European countries as well as in countries such as Canada, Australia, Brazil and South Korea. In Poland, the covered bond market has been operating for more than twenty years.

The domestic covered bond market is characterized by both a relatively small size in terms of the volume of outstanding covered bonds and low liquidity in the secondary market.

At the end of 2024, covered bonds issued by domestic issuers accounted for only 0.2% of the outstanding covered bonds in the European market, while the countries leading this market, Denmark, France and Germany, reached shares of 19.7%, 17.0% and 13.4%[1], respectively.

[1] Source: EMF Hypostat 2025.

As at 30 June 2026, five mortgage banks were operating in Poland: Millennium Bank Hipoteczny S.A., ING Bank Hipoteczny S.A., mBank Hipoteczny S.A., Pekao Bank Hipoteczny S.A., and PKO Bank Hipoteczny S.A.

Covered bonds issued by domestic issuers are listed not only on the Warsaw Stock Exchange but also on the Luxembourg Stock Exchange. Issuances are conducted both in the domestic currency and in EUR.

As at 30 June 2026, the total value of mortgage covered bonds issued by Polish mortgage banks and outstanding amounted to PLN 25.2 billion (+36.7% y/y). In 1H 2026, domestic mortgage banks conducted five issuances of mortgage covered bonds in PLN with a nominal value of PLN 3.5 billion (including one issuance by Millennium Bank Hipoteczny S.A. with a value of PLN 0.5 billion) and one EUR-denominated issuance with a value of EUR 500 million. At the same time, in 1H 2026, three series of PLN-denominated covered bonds with a total nominal value of PLN 1.2 billion were redeemed.

At the end of 1H 2026, the largest market shares in terms of the total volume of outstanding mortgage covered bonds were held by PKO Bank Hipoteczny S.A. (41.8%) and mBank Hipoteczny S.A. (25.7%). Millennium Bank Hipoteczny S.A. followed, with a market share of 12.3%.

In 2H 2026, mortgage covered bonds with a total nominal value of PLN 1.7 billion and EUR 0.1 billion will reach maturity on the domestic market, with maturities predominantly concentrated in the series issued by PKO Bank Hipoteczny S.A. and mBank Hipoteczny S.A.

As at the end of May 2026, covered bonds issued by Polish mortgage banks accounted for 4.5% of the value of outstanding residential mortgage loans, which continued to represent a relatively low level compared with European markets. According to data as at the end of 2024, the average share of covered bonds in the funding of mortgage loans in Europe amounted to 27.0%[2], while in Poland it stood at 3.3%.

The low share of covered bonds in the funding of residential mortgage loans in the Polish market provides scope for an increase in issuance volumes by domestic entities. The scale of such issuance will continue to depend on both domestic and external factors, including, in particular, developments in the geopolitical environment, investors’ risk appetite, the stance of domestic and international monetary policy, as well as planned regulatory changes, particularly the entry into force of new limits for banks introduced under the WFD Recommendation (Long-Term Funding Ratio).

2.4. LEGAL AND REGULATORY ENVIRONMENT

Throughout the first half of 2026, the Bank continuously monitored changes in the legal and regulatory environment, particularly by preparing periodic legal updates highlighting—among other things—the introduction of new laws or amendments to generally applicable legal provisions and supervisory regulations (including those drafted by the Polish Financial Supervision Authority) that could impact the Bank’s operations (i.e., necessitate changes to the Bank’s internal regulations or require the Bank to take other measures to ensure compliance).

In light of the above, the Bank undertook a series of actions aimed, among other things, at:

1/ further analysis—including for purposes related to the Bank’s gradual implementation—of regulatory changes resulting from the EU’s publication on June 19, 2024, of the so-called AML/CFT regulatory package; this package comprises three legal acts that will enter into force successively and are intended, inter alia, to harmonize and coordinate the application of existing EU AML/CFT regulations.

2/ ongoing monitoring of the benchmark reform process, including the anticipated replacement of the WIBOR benchmark with the POLSTR benchmark.

[2] Source: EMF Hypostat 2025. Average for the following countries: Belgium, Czech Republic, Finland, France, Germany, Hungary, Ireland, Italy, Poland, Portugal, Spain, Sweden, United Kingdom.

2.5. UNCERTAINTY FACTORS FOR THE ECONOMY AND THE BANK

The following overview presents the most significant negative risk factors assessed by the Bank related to the macroeconomic and international environment over the coming quarters.

- **Global geopolitical and military situation**

The main risks relate to the situation in the Middle East, the security of transport routes—particularly through the Strait of Hormuz—and developments in global markets for energy commodities, fuels, natural gas and chemical products. Despite periodic signs of stabilisation, geopolitical tensions remain elevated, and any further escalation of conflicts could lead to renewed disruptions in transportation and commodity supplies. Additional uncertainty stems from the possibility of a significant escalation of military operations between Russia and Ukraine, as well as persistent tensions in other regions of the world. A deterioration in the geopolitical environment could result in prolonged disruptions to energy commodity supplies and higher commodity prices. For Poland, this could translate into higher inflation, weaker economic activity and trade, as well as a deterioration in household and business sentiment. Under such conditions, risk aversion could increase, accompanied by greater concerns regarding public and private sector indebtedness. This could result in a significant weakening of the Polish zloty and higher domestic bond yields.

- **Debt-related problems in major economies and a correction in global financial markets**

Potential debt-related problems in the public and private sectors of some major economies, as well as asset price corrections in financial markets, represent important risk factors for the global economic outlook. Elevated valuations of U.S. technology companies — particularly those related to artificial intelligence — combined with a high concentration of investor positions, increase the risk of significant market corrections. China remains another potential source of risk, as slower economic growth, imbalances in the real estate sector and high levels of indebtedness may undermine the stability of its financial system. Should these risks materialize, global investor sentiment would likely deteriorate and risk premia increase. Under such conditions, portfolio capital could flow out of emerging markets, increasing uncertainty, weakening the Polish zloty, driving up domestic bond yields, including covered bonds.

- **Further tightening of trade policies and competitive pressure on Polish companies**

Rising protectionism and continued uncertainty regarding the trade policies of the world's largest economies could lead to further fragmentation of global trade, disruptions in global supply chains and weaker corporate investment activity. At the same time, worsening access of Chinese manufacturers to selected developed markets, particularly the United States, could result in exports being redirected to other regions, including Europe. This could intensify price competition in selected trade and manufacturing sectors, increasing pressure on margins and profitability among some Polish companies. Such developments could weaken economic growth in Poland, worsen labour market conditions and increase credit risk in selected segments of the corporate sector. These factors could also result in lower inflation than assumed in the baseline scenario and deeper interest rate cuts by the central bank.

- **Fiscal risk in Poland**

The condition of public finances in Poland remains another risk factor. A persistently high general government deficit, rising government borrowing needs and rapid debt accumulation could lead to higher government bond yields, impacting also covered bonds. Against the backdrop of the parliamentary elections scheduled for 2027, there is a risk that fiscal consolidation measures may be delayed, which could increase investor concerns and lead to a deterioration in Poland's perceived creditworthiness. At the same time, elevated deficit and debt levels would limit the government's ability to support the economy should a negative macroeconomic scenario materialize.

A more favourable scenario than the Bank's baseline assumption is also possible. Such a scenario could materialize if the situation in the Middle East normalizes on a lasting basis, geopolitical tensions ease and military hostilities in Ukraine come to an end. The Polish economy could also benefit from a faster absorption of EU funds, stronger corporate investment activity, improved consumer sentiment and a stronger-than-expected economic recovery among Poland's key trading partners, particularly Germany. Under such a scenario, economic growth in Poland could exceed expectations, supported by a stronger labour market, higher private investment and better prospects for the banking sector's results.

3. FINANCIAL SITUATION OF THE BANK

3.1. KEY INDICATORS

In the first half of 2026, the bank reported a net income of 14.4 million zlotys, which was lower than the 16.7 million zlotys recorded in the first half of 2025 due to an increase in tax and regulatory burdens (higher corporate income tax, the banking tax, and contribution to the BFG resolution fund).

The result generated a return on equity (ROE) of 5.2%. Cost efficiency, as measured by the C/I ratio (excluding the BFG contribution), stood at 32% and is so favorable thanks, among other things, to the significant synergies achieved through cooperation with Bank Millennium, including in the areas of IT systems and operations.

Capital utilization ratios (capital adequacy: 38.6% and leverage: 11.6%) remain at a very safe level. The ratio of Stage 3 loans remains at a very low level of 0.16%, reflecting the consistently high quality of the Bank's loan portfolio. As a result, the cost of loan loss provisions relative to the average loan balance remains at a very low level of 2 bps annually.

The table below presents the Bank's key ratios for the first half of 2026 compared to the previous year's figures:

Key indicators for the period	1st half 2026	1st half 2025
Costs/Income (C/I)*	32%	32%
Return on assets (ROA)**	0,6%	1,0%
Return on equity (ROE)**	5,2%	8,0%

**) Costs without impairment write-offs and BFG contribution*

***) Net profit to average equity/assets for each month of the reporting period*

Key indicators	30.06.2026	30.06.2025
Total Capital Ratio (TCR)*	38,6%	36,0%
Leverage (LR)	11,6%	12,9%
Stage/Phase 3 Share (NPL)	0,16%	0,15%
Cost of Risk (CoR) per annum **	0,02%	0,02%

**) Detailed information on capital adequacy is presented in Section 4.2 of this Report*

***) Total risk write-offs to the average balance of loans in individual months of the reporting period (net)*

3.2. PROFIT AND LOSS ACCOUNT

The Bank's interest income in the first half of 2026 amounted to 142.5 million PLN, consisting mainly of income from mortgage loans, which constitute the majority of the Bank's assets (133.8 million PLN). Interest expenses on loans taken out to purchase the loan portfolio and on covered bonds amounted to PLN 106.7 million in the reporting period. The net result from commissions and fees, as well as other operating income and expenses, was immaterial. The Bank's total net operating income for the reporting period amounted to PLN 35.9 million, representing a 16% increase compared to net income in the previous period. The increase in the average value of the Bank's loan portfolio offset the decline in PLN interest rates.

The table below presents the Bank's financial results in 1H 2026 compared to the data from 1H of the previous year:

Profit and loss account (PLN thousand)	1st half 2026	1st half 2025	Change (%)
Interest income	142 511	124 576	14
Interest expense	-106 663	-93 548	14
Net interest income	**35 848**	**31 027**	**16**
Net commission income	149	-88	-269
Other	-102	77	-233
Net operating income	**35 895**	**31 015**	**16**
Employee costs	-5 773	-5 318	9
Non-employee costs *	-6 808	-4 757	43
Administrative costs	**-12 581**	**-10 076**	**25**
Risk allowances**	-1 054	-301	250
Operating Income	**22 260**	**20 638**	**8**
Banking tax	-689	0	-
Profit before tax	**21 571**	**20 638**	**5**
Income tax	-7 158	-3 974	80
Net result	**14 413**	**16 665**	**-14**

**) including depreciation*
***) together with the result of the modification*

The Bank's administrative expenses and depreciation in the first half of 2026 totaled PLN 12.6 million, an increase of 25% year-over-year. The main component was personnel expenses: PLN 5.8 million, up 9% year-over-year. The relatively modest increase in personnel costs stems from the stability of the Bank's organizational structure and headcount. As of June 30, 2026, the Bank employed 40 people (including management) and added 2 employees during the first half of the year. A detailed breakdown of personnel costs is provided in Section 7.1, "Employment and Compensation Policy." Other administrative expenses (including depreciation) amounted to PLN 6.8 million and increased by 43% compared to the previous period, primarily due to the commencement of payments to the Bank Guarantee Fund (under general terms, in the amount of PLN 1.1 million). Another significant cost item for the Bank is outsourcing services provided by Bank Millennium (cost of PLN 3.3 million in the first half of the year).

The breakdown of non-employee costs into main categories is presented in the table below:

Non-employee costs with depreciation (PLN thousand)	1st half 2026	1st half 2025	Change (%)
Costs of outsourcing to Bank Millennium	-3 293	-2 449	34
ICT costs – other providers	-618	-616	0
Costs of consulting and audit services *)	-402	-417	-3
Other administrative expenses (inc. BFG)	-2 187	-917	138
Depreciation	-308	-359	-14
Total	**-6 808**	**-4 757**	**43**

**) includes the remuneration of the Trustees*

The total value of credit risk impairment and modifications in the first half of 2026 amounted to PLN 1.05 million, representing a cost of risk of only 0.02% of the average loan portfolio balance. The quality of the Bank's loan portfolio remains at a very good level: the Non-Performing Loan (NPL) ratio stood at 0.16%, and it was 96% covered by total balance sheet write-offs as of the end of the period.

In addition to the contribution to the Bank Guarantee Fund (BFG), the Bank paid a banking tax (PLN 0.7 million) and income tax (at the increased rate of 30% applicable to all banks) in the amount of PLN 7.2 million in the first half of 2026. As a result of the above figures, the Bank reported a gross profit of PLN 21.6 million and a net profit of PLN 14.4 million.

3.3. BALANCE SHEET

The Bank's total assets as of June 30, 2026, amounted to PLN 5,322 million, an increase of 43% compared with the end of the previous half-year.

Assets *(PLN thousand)*	**30.06.2026**	**31.12.2025**	**30.06.2025**	**Change y/y (%)**
Loan portfolio	4 831 406	4 618 221	3 407 553	41,8
Securities and shares	459 404	244 701	312 763	46,9
Deposits and bank accounts	28 957	2 918	4 602	529,2
Fixed and intangible assets	1 050	1 344	1 696	-38,1
Income tax assets	0	0	1 091	-100,0
Other assets	1 559	818	1 360	14,7
Total	**5 322 376**	**4 868 001**	**3 729 064**	**42,7**

The Bank's main asset item consists of mortgage loan receivables purchased from Bank Millennium. In the first half of 2026, the Bank carried out one loan transfer, as a result of which the balance sheet value of these loans at the end of the period amounted to PLN 4,831 million. This represents a 42% increase in this item over the course of the year. The average effective interest rate on the Bank's mortgage loan portfolio during 2026 was 6.1%.

The second-largest item was liquid debt securities (primarily Treasury bonds and NBP money market bills) with a total value of PLN 459 million. The balance in bank accounts at the end of the period was PLN 29 million, the value of fixed assets was PLN 1 million, and the balance of other assets was PLN 1.6 million.

Liabilities *(PLN thousand)*	**30.06.2026**	**31.12.2025**	**30.06.2025**	**Change y/y (%)**
Mortgage covered bonds	3 109 607	2 611 630	1 605 445	93,7
Financial liabilities	1 571 490	1 730 288	1 620 266	-3,0
Other liabilities	8 510	7 323	6 515	30,6
Equity	**632 769**	**518 761**	**496 838**	**27,4**
Equity	196 000	163 000	163 000	20,2
Supplementary capital	356 722	290 722	290 722	22,7
Other comprehensive income	746	151	-142	n/a
Net result	79 301	64 888	43 258	83,3
Total	**5 322 376**	**4 868 001**	**3 729 064**	**42,7**

On the liabilities side, the largest item at the end of the reporting period were covered bonds, with a total balance of PLN 3,110 million. Following a successful debut on the domestic covered bonds market in 2024, the Bank conducted two issuances in 2025 and, at the end of June of this year, another issuance worth PLN 500 million. Thanks to these covered bonds issuances, financial liabilities to Bank Millennium began to decline, reaching PLN 1,571 million at the end of the period.

Another source of funding for the Bank's operations was equity, consisting of initial capital increased by new share issuances and retained earnings from prior years, totaling PLN 633 million as of June 30, 2026.

The Bank's other liabilities amounted to PLN 8.5 million at the end of the reporting period (including, among others, provisions for material costs, pension provisions, and liabilities to the government).

3.4. FINANCING STRUCTURE

The Bank's financing of the purchase of mortgage receivables is based on funding from Bank Millennium and the issuance of mortgage covered bonds.

In 2021, the Bank entered into a Financing Agreement with Bank Millennium S.A. Pursuant to the latest annex to the Agreement, signed on 17 April 2026, the credit facility with Bank Millennium was extended until 30 June 2028. The annex confirmed the possibility of financing the Bank in the form of a revolving loan up to a maximum amount of PLN 4.0 billion and in the form of working capital loans based on a fixed interest rate up to a maximum amount of PLN 2.5 billion. The total debt limit was maintained at PLN 4.0 billion. As at 30 June 2026, the utilization of the total debt limit amounted to PLN 1,570 million, including the balance of fixed-rate loans amounting to PLN 730 million.

In addition, the Bank partially finances the purchase of mortgage loan portfolios from Bank Millennium in the form of deferred payment. In the first half of 2026. The Bank used this form of financing during the execution of the 11th transfer of receivables on 9 April. The deferred payment in the amount of PLN 101 million was repaid on 22 May this year.

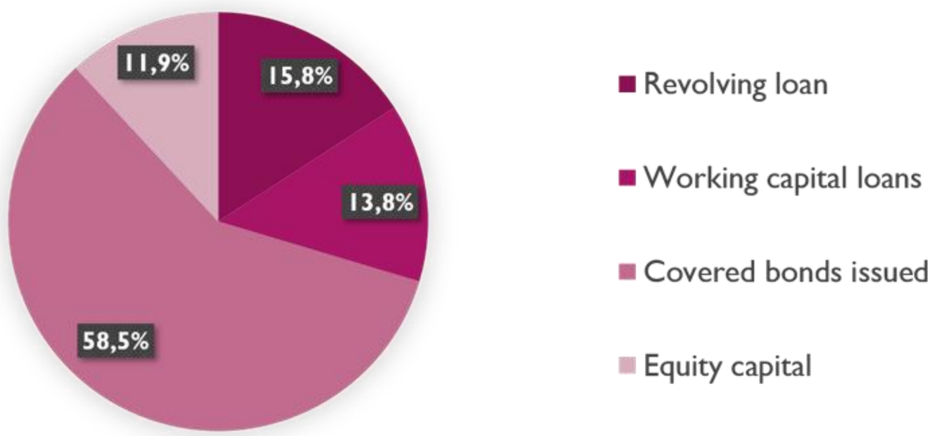
Another important source of the Bank's financing are mortgage covered bonds. In the first half of 2026 the Bank carried out one bonds issue on 30 June, in the amount of PLN 500 million.

As at 30 June 2026, the Bank's total debt under covered bonds issued amounted to PLN 3.1 billion. The table below presents the parameters of all active issues of the Bank:

Series	ISIN Code	Issue date	Maturity date	Face value	Currency	Base rate	Margin	Coupon payments
1	PLMLNBH00014	2024-06-12	2027-06-11	300 000 000,00	PLN	WIBOR 3M	0,57%	quarterly
2	PLMLNBH00022	2024-11-05	2029-11-05	500 000 000,00	PLN	WIBOR 3M	0,80%	quarterly
3	PLMLNBH00030	2025-03-12	2030-03-12	800 000 000,00	PLN	WIBOR 3M	0,89%	quarterly
EMTN 1	PLL381300010	2025-11-04	2030-11-04	1 000 000 000,00	PLN	WIBOR 3M	0,93%	quarterly
EMTN 2	PLL381300028	2026-06-30	2031-06-30	500 000 000,00	PLN	WIBOR 3M	0,78%	quarterly

All issues are AAA rated with a negative outlook (Fitch Ratings).

The structure of the Bank's liabilities as at 30 June 2026 is as follows:



4. RISK MANAGEMENT

4.1. Risk Management Review

The mission of risk management at the Bank, in line with the approach applied within the Bank Millennium Group, is to ensure that all types of risk are identified, managed, monitored and controlled in a manner adequate to the adopted risk profile and to the nature and scale of the Bank's operations.

Risk management objectives are achieved through the following activities:

- developing a risk management strategy, credit policy, processes and procedures defining the principles for accepting the permissible level of individual types of risk,
- using IT tools to identify, control and measure risk,
- building employees' awareness of responsibility for proper risk management at every level of the Bank's organisational structure.

Risk management at the Bank takes into account the need to achieve the assumed profitability, as well as to maintain an adequate relationship between the level of risk taken and the level of capital required to cover it. A broad range of methods, both qualitative and quantitative, is used as part of risk management.

When defining its business objectives, the Bank takes into account the established risk appetite framework to ensure that the structure and development directions correspond to the assumed risk profile, characterised by a number of parameters such as:

- growth in the volume of transferred loans,
- credit portfolio structure,
- portfolio quality indicators,
- rules for maintaining the cover pool register for covered bonds,
- cost of risk,
- level of capital requirements/internal capital,
- required level and structure of liquidity,
- levels of limits specific to mortgage banks.

The Bank's risk management and control model is based on the following fundamental principles:

- ensuring comprehensive quantification and parameterisation of various types of risk in order to optimise the structure of the Bank's balance sheet and off-balance sheet items, taking into account the assumed level of profitability of the conducted business; the main areas of analysis include: credit risk, liquidity risk, market risk and operational risk,
- all types of risk are monitored and controlled in relation to the profitability of the conducted business and the level of capital necessary to ensure the safety of the Bank's operations and compliance with capital requirements; the results of risk measurements are regularly reported within the management information system,
- separation of the risk-taking, risk management and independent risk control functions

The Bank's risk management process is presented in the following diagram:

The division of responsibilities for risk management is as follows:

- *The Supervisory Board* is responsible for overseeing the consistency of the Bank's risk-taking policy with its strategy and financial plan,
- *The Management Board* is responsible for the effectiveness of the risk management system, the internal capital assessment process and reviews of the process of assessing and maintaining internal capital, capital management and planning, and the internal control system,
- *Assets and Liabilities Committee* is responsible for optimising the structure of the Bank's balance sheet and for the ongoing management of various types of banking risk, in particular market risk, interest rate risk in the banking book and liquidity risk, within the model established by the Management Board,
- *Risk Department* is responsible for the independent identification, measurement, analysis, monitoring and reporting of individual types of risk at the Bank; the Risk Department also prepares financial risk management principles and relevant procedures, as well as presents information and proposes courses of action necessary for decisions on financial risk management to be taken by the Assets and Liabilities Committee and the Bank's Management Board,
- *Treasury Department* manages liquidity and market risk on an ongoing basis,
- *Credit Decisions Department* is responsible for making credit decisions, preparing draft credit decisions for individual decision-making levels and making credit decisions within defined limits, monitoring repayments and the process of recovering overdue receivables from the Bank's customers,
- *Compliance Department* is responsible for ensuring compliance with legal provisions and regulatory rules, related regulatory standards, market rules and standards, and the Bank's internal regulations, including the code of ethics,
- *Corporate Services Department* is responsible for coordinating and monitoring the ICT risk management process, including developing ICT risk management practices, as well as monitoring arrangements with external ICT service providers,
- *Legal Office* is responsible for handling the Bank's litigation matters, with the support of external law firms and legal experts where necessary.

The Bank has developed and implemented a comprehensive risk management strategy (Risk Strategy), which defines the risk profile, expressed in monetary terms or by type of risk to which the Bank may be exposed, and the risk appetite, understood as the maximum level or type of risk that the Bank is able to accept in order to achieve its financial and strategic objectives.

This document is reviewed and updated annually. It is adopted by the Management Board and approved by the Bank's Supervisory Board. The Risk Strategy is closely linked to other strategic documents, such as the budget, liquidity plan and capital plan.

The Risk Strategy is based on the following key concepts defined by the Bank:

1. risk profile: the current level of risk expressed as an amount or type of risk to which the Bank is currently exposed; the Bank should also assess how the risk profile may change in the future, taking into account expected and stressed scenarios, in line with the risk appetite,
2. risk appetite: the maximum level or type of risk that the Bank is able to accept and tolerate in order to achieve its financial and strategic objectives. For this purpose, three tolerance zones have been defined, specifying warning levels and levels requiring action.

The Risk Strategy is one of the key elements determining the Bank's risk profile.

When defining business objectives in terms of profitability, it is necessary to determine the level of risk tolerance to ensure that the structure of operations and growth take into account the future risk profile, which is reflected in indicators grouped into several areas, such as:

- solvency,
- liquidity and funding,
- credit risk, including ESG,
- operational and ICT risk,

- profitability and business mix,
- operational activity and reputation,
- sustainable development.

The Bank's risk management framework results primarily from the principles and objectives set out in the Risk Strategy and is supplemented by principles and guidelines contained in internal regulations.

The Bank has defined tolerance zones for risk appetite measures (based on a "traffic light" approach). For the tolerance zones, the following have been defined:

- risk appetite status – the green zone means that the measure is within the risk appetite, the orange zone indicates an increased risk of exceeding the risk appetite, and the red zone indicates that the risk appetite has been exceeded,
- the escalation process for actions taken or decisions made – the organisational units or governing bodies of the Bank responsible for decisions and the execution of actions in individual zones,
- risk appetite monitoring procedures.

In the first half of 2026, the Bank did not introduce any significant changes to the risk management system.

4.2. CAPITAL MANAGEMENT

Capital management and planning

Capital management relates to two areas: capital adequacy management and capital allocation.

The objectives of capital adequacy management are to meet the requirements set out in external regulations (regulatory capital adequacy) and to ensure solvency under normal and stressed conditions (economic capital adequacy/internal capital). In pursuing these objectives, the Bank aims to achieve the internal long-term capital limits (targets) defined in the Risk Strategy.

The objective of capital allocation is to create value for the owner by maximising the return on risk-weighted activities, taking into account the established risk appetite.

The capital planning process is also carried out as part of capital management. The purpose of this process is to determine own funds (the capital base defining the capacity to take risk) and capital utilisation (regulatory capital requirements and economic capital) in such a way as to ensure compliance with capital limits (targets), assuming the implementation of the expected business strategy and risk profile – under normal and stressed economic conditions.

Regulatory capital adequacy

The Bank is legally required to meet the minimum own funds requirements set out in Article 92 of Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (CRR Regulation). At the same time, when setting capital limits/targets, in addition to the basic capital ratio requirements under Article 92 of the CRR Regulation, the following levels, recommendations and buffers were taken into account:

- combined buffer requirement – defined in the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system (the Act on macroprudential supervision) – consisting of:
  - capital conservation buffer of 2.5%,
  - other systemically important institution buffer (O-SII) of 0%,
  - systemic risk buffer of 0%,
  - countercyclical buffer of 1%.

The table below presents these amounts as at 30 June 2026.

Minimum capital ratio levels	
Common Equity Tier 1 capital ratio (CET1 ratio)	
Minimum	4,50%
Capital conservation buffer	*2,50%*
Other systemically important institution buffer (O-SII)	*0,00%*
Systemic risk buffer	*0,00%*
Countercyclical buffer	*1,00%*
Combined buffer requirement	3,50%
Total CET1 capital requirements	**8,00%**
Tier 1 capital ratio (T1 ratio)	
Minimum	6,00%
Capital conservation buffer	*2,50%*
Other systemically important institution buffer (O-SII)	*0,00%*
Systemic risk buffer	*0,00%*
Countercyclical buffer	*1,00%*
Combined buffer requirement	3,50%
Total T1 capital requirements	**9,50%**
Total capital ratio (TCR)	
Minimum	8,00%
Capital conservation buffer	*2,50%*
Other systemically important institution buffer (O-SII)	*0,00%*
Systemic risk buffer	*0,00%*
Countercyclical buffer	*1,00%*
Combined buffer requirement	3,50%
Total TCR capital requirements	**11,50%**

On 25 November 2025, the Polish Financial Supervision Authority (KNF) recommended that the Bank limit the risk arising from the Bank's activities by maintaining own funds to cover an additional capital add-on to absorb potential losses resulting from the occurrence of stressed conditions (**P2G add-on**). The requirement was set at **1.70 p.p.** above each of the own funds requirements referred to in Article 92(1)(a)-(c) of the CRR Regulation, increased by the additional own funds requirement referred to in Article 138(2)(2) of the Banking Law and by the combined buffer requirement referred to in Article 55(4) of the Act on macroprudential supervision. The additional add-on should consist entirely of Common Equity Tier 1 capital. The minimum levels of capital ratios including regulatory requirements and the supervisory P2G add-on are as follows: CET1 ratio – 9.70%, T1 ratio – 11.20%; TCR – 13.20%.

Capital risk expressed through the above capital objectives and limits is subject to regular measurement and monitoring. Certain minimum ranges have been established for all target capital values. Capital ratios within a given range determine the need to take appropriate management decisions or actions. Regular monitoring of capital risk is based on classifying capital ratios into the relevant ranges, followed by an assessment of trends and factors affecting the level of capital adequacy.

Internal capital

The Bank defines internal capital, in accordance with the Banking Law, as the amount necessary to cover all identified material types of risk arising from the Bank's activities and changes in the economic environment, taking into account the expected future level of risk.

Internal capital is used in capital management, in the processes of managing economic capital adequacy and capital allocation. The Bank has defined the process for calculating internal (economic) capital. For this purpose, mathematical and statistical methods are used for measurable types of risk.

Maintaining economic capital adequacy means covering (securing) internal capital (the aggregated risk measure) with available financial resources (own funds). The obligation to secure risk in this way follows directly from the Banking Law, which is reflected in the Bank's capital objectives/limits – the economic capital buffer and the stressed economic capital buffer.

Capital adequacy assessment

The Bank's capital adequacy is presented in the table below:

Capital adequacy *(PLN thousand)*	30.06.2026	31.12.2025
Risk-weighted assets	**1 602 461**	**1 739 883**
Own funds requirements, including:	**128 197**	**139 191**
- for credit and counterparty risk	*122 347*	*135 425*
- for market risk	*0*	*0*
- for operational risk	*5 850*	*3 766*
Own funds, including:	**617 912**	**479 947**
- Common Equity Tier 1 capital	*617 912*	*479 947*
- Tier 2 capital	*0*	*0*
Total capital ratio (TCR)	38,56%	27,59%
Minimum required level (OCR)	11,50%	11,50%
Surplus (+) / shortfall (-) in TCR capital adequacy (p.p.)	+27,06	+16,09
Minimum recommended level (OCR + P2G)	13,20%	13,20%
Surplus (+) / shortfall (-) against the recommended TCR level (p.p.)	+25,36	+14,39
Tier 1 capital ratio	38,56%	27,59%
Minimum required level (OCR)	9,50%	9,50%
Surplus (+) / shortfall (-) in T1 capital adequacy (p.p.)	+29,06	+18,09
Minimum recommended level (OCR + P2G)	11,20%	11,20%
Surplus (+) / shortfall (-) against the recommended T1 level (p.p.)	+27,36	+16,39
Common Equity Tier 1 capital ratio (CET1)	38,56%	27,59%
Minimum required level (OCR)	8,00%	8,00%
Surplus (+) / shortfall (-) in CET1 capital adequacy (p.p.)	+30,56	+19,59
Minimum recommended level (OCR + P2G)	9,70%	9,70%
Surplus (+) / shortfall (-) against the recommended CET1 level (p.p.)	+28,86	+17,89
Leverage ratio	11,61%	9,86%
Minimum required level	3,00%	3,00%
Surplus (+) / shortfall (-) in the leverage ratio (p.p.)	+8,61	+6,86

As at 30 June 2026, the Bank's capital adequacy remained at a safe level. The total capital ratio (TCR) was 38.56% and was equal to the Tier 1 capital ratio and the CET1 ratio. Accordingly, the minimum capital ratio levels for the Bank were achieved with a surplus, also taking into account the additional capital add-on intended to absorb potential losses resulting from the occurrence of stressed conditions (P2G). Compared with the end of 2025, the total risk exposure amount decreased, while own funds increased as a result of capital injection from the parent entity and the inclusion of the 2025 profit. These factors contributed to an increase in capital ratios.

The leverage ratio stood at a safe level of 11.61% and significantly exceeded the minimum regulatory level of 3%.

The Bank did not make any significant changes to its capital management objectives, policies or processes compared with the previous year.

4.3. Credit risk

Credit risk means uncertainty regarding the client's fulfilment of the financing agreements concluded with the Bank, i.e. the repayment of principal and interest within a specified period of time, which may result in a financial loss for the Bank.

The Bank's objective of credit risk management is to ensure the high quality of the loan portfolio by controlling and mitigating the risk of impaired credit exposures. The overriding task carried out as part of the credit risk management process is to support the implementation of business plans while maintaining a certain level of risk appetite.

The process and methods of credit risk management have been regulated in the Risk Strategy and procedures approved by the Management Board and the Supervisory Board. The procedures are adequate to the scale of the Bank's operations and are subject to improvement by adapting them to the factors that materially change the risk identified on an ongoing basis.

The Bank's credit policy is based on a set of the following principles:

- the use of models based on data from the Bank, the Bank Millennium Group and from the domestic market (if applicable) in order to properly assess the client's creditworthiness,
- functional separation of business activities, credit policy, credit decisions and credit monitoring to avoid conflicts of interest,
- use of IT tools (workflows) to support the credit process at all stages,
- regular monitoring of the loan portfolio,
- use of the credit exposure limit and sub-limit structure to avoid risk concentration and promote the diversification effect of the loan portfolio,
- decision levels are determined depending on a total amount of exposure and client's rating,
- each client should be assigned a rating before making any credit decision.

Elements determining credit decisions regarding changes in the terms of the loan agreement:

- risk filters,
- assessment of the client's creditworthiness,
- client rating,
- level of risk mitigation, in particular through the safeguards in place.

The risk acceptance thresholds for a loan portfolio have been defined to ensure a positive outcome on that portfolio after taking into account the expected cost of risk and capital.

The Bank strives to diversify its loan portfolio in such a way as to avoid excessive concentration towards a single client or in a uniform group of customers.

Monitoring the loan portfolio is a key element in the early detection of potential losses. As part of credit risk management, stress tests are carried out to quantify the potential impact of adverse changes in the Bank's financial situation in its environment.

Impairment measurement

The Bank applies the Group's standards in the process of estimating impairment for credit exposures. The impairment measurement is carried out in accordance with the principles of IFRS 9, based on the concept of expected credit loss, taking into account forecasts and expected future economic conditions in the context of the credit risk assessment of exposures.

Due to the specificity of the Bank's operations, the process of estimating impairment of exposures is carried out exclusively in the collective analysis mode. The Bank has a homogeneous portfolio of PLN mortgage loans secured by residential real estate.

The Bank recognises exposures to the State Treasury, the Central Bank and Bank Millennium S.A. as instruments with *low credit risk*.

Taking into account forward looking information (FLI)

In the process of calculating expected credit loss, the Bank uses information on future macroeconomic events, both in the estimation of PD *(Probability of Default)*, LGD (*Loss Given Default)*, EAD *(Exposure at Default)*, as well as in the process of identifying a significant increase in credit risk (SICR) and allocating exposures to Basket 2 (transfer logic). The Bank uses only forecasts prepared by the Macroeconomic Analysis Bureau of Bank Millennium, which prepares three macroeconomic scenarios (baseline, optimistic and pessimistic) and determines the probabilities of their occurrence. Forecasts translate directly and indirectly into the values of estimated parameters and exposures, and their impact varies depending on the model, rating class, etc. Forecasts are provided quarterly over a three-year time horizon. As with any macroeconomic forecast, both forecasts and estimated probabilities are subject to a high degree of uncertainty, and actual outcomes may differ significantly from those projected.

Assumptions about macroeconomic variables

The key assumptions made for the ECL estimation as at 30 June 2026 are presented below:

	Scenario	2026	2027	2028
Gross Domestic Product	Base	103,6	103,1	103,0
	Optimistic	104,0	104,5	104,2
	Pessimistic	102,8	101,8	102,2
Retail Sales	Base	104,7	104,3	104,1
	Optimistic	106,2	107,0	106,4
	Pessimistic	104,4	102,9	103,4
Unemployment Rate	Base	5,9	5,9	5,8
	Optimistic	5,7	5,1	5,0
	Pessimistic	6,2	7,0	7,4

The weights assigned to each of the macroeconomic scenarios as at 30 June 2026 were as follows:

	Base	Optimistic	Pessimistic
Weight used	**55%**	**10%**	**35%**

Maximum exposure to credit risk

(PLN thousand)	30.06.2026	31.12.2025
Exposures to credit risk related to on-balance sheet assets:	**5 319 763**	**4 865 836**
Deposits, credits and loans to banks and other monetary institutions	28 957	2 918
Credits and loans to customers:	4 831 406	4 618 221
Priced at amortized cost:	4 831 406	4 618 221
Loans for individual customers	4 831 406	4 618 221
Mortgage loans	4 831 406	4 618 221
Debt securities measured at fair value by other comprehensive income (State Treasury bonds)	289 489	224 707
Other financial assets (NBP bills)	169 911	19 991
Credit risk related to off-balance sheet items:	**0**	**0**
TOTAL	**5 319 763**	**4 865 836**

The table above presents the structure of the Bank's credit risk exposure as at 30 June 2026 and 31 December 2025. For on-balance sheet assets, the exposures presented above are based on the net amounts presented on the balance sheet.

Credit quality of financial assets

(PLN thousand) as at 30 June 2026	Stage 1 (12-month loss)	Stage 2 (lifetime loss)	Stage 3 (lifetime loss)	POCI	Total
On-balance sheet exposures exposed to credit risk	**5 219 124**	**100 323**	**7 750**	**0**	**5 327 197**
Balance sheet allowance	**3 709**	**1 836**	**1 889**	**0**	**7 433**
Credits and loans for banks	28 957	0	0	0	28 957
Credits and loans for individual customers (according to the Master Scale)	**4 730 767**	**100 323**	**7 750**	**0**	**4 838 839**
▪ 1-3 Highest quality	4 112 303	16 604	0	0	4 128 907
▪ 4-6 Good quality	446 027	49 812	0	0	495 839
▪ 7-9 Average quality	154 646	27 345	0	0	181 991
▪ 10-12 Low quality	17 791	4 514	0	0	22 305
▪ 13-14 Under observation	0	2 048	0	0	2 048
▪ 15 Default	0	0	7 750	0	7 750
Impairment	**3 709**	**1 836**	**1 889**	0	**7 433**
HTC&FS debt securities (Treasury bonds)	289 489	0	0	0	289 489
HTC debt securities (NBP bills)	169 911	0	0	0	169 911

The table above presents the breakdown of financial assets into baskets to which individual credit exposures have been classified in accordance with IFRS 9 and the assigned assessment of the probability of default based on the internal rating model. At the end of June 2026, the share of Stage 3 exposures to the entire gross loan portfolio was 0.16%. Stage 3 coverage with impairment allowances amounted to 24.4%, and taking into account the total sum of impairment losses, it is 96%.

Gross carrying amount (PLN thousand)				
Individuals:	Stage 1	Stage 2	Stage 3	Total
As of 31.12.2025	4 533 169	86 390	5 174	4 624 733
Increase on acquisition	778 549	0	0	778 549
Repaid loans	-555 362	-8 710	-370	-564 443
Transfers between stages	-25 589	22 643	2 946	0
As of 30.06.2026	4 730 767	100 323	7 750	4 838 839
Balance sheet allowance (PLN thousand)				
As of 31.12.2025	3 628	1 597	1 287	6 512
Increase on acquisition	664	0	0	664
Repaid loans	-371	-153	-63	-587
Transfers between stages /change in credit risk	-212	392	664	844
As of 30.06.2026	3 709	1 836	1 889	7 433

Below is the distribution of the portfolio by stage 1/2 and PD intervals, as well as by stage 3/POCI and duration in the default situation. The Bank's entire loan portfolio is presented, which is homogeneous (data in PLN million). Compared to the end of 2025, the risk parameters of the portfolio remained stable. The average 12-month PD for the portfolio in stage 1/2 remained at 0.54%, while the average LGD increased slightly from 16.13% to 16.18%.

Until the reporting date, there were no POCI assets in the Bank.

	PD Scale	Gross balance sheet exposures	Off-balance sheet exposures	Number of exposures	Average maturity (in years)	EAD*	Average PD (%)	Average LGD (%)	ECL**
2026-06-30									
Basket/Stage 1	0% - 0.14%	-	-	-	-	-	-	-	-
	0.15% - 0.24%	-	-	-	-	-	-	-	-
	0.25% - 0.49%	3905,1	0,0	15 792	19,1	3957,1	0,4%	16,2%	2,2
	0.50% - 0.74%	381,8	0,0	1 253	20,4	387,5	0,6%	16,2%	0,4
	0.75% - 2.49%	393,2	0,0	1 224	21,1	399,3	1,1%	16,2%	0,7
	2.50% - 9.99%	48,8	0,0	133	22,7	49,6	4,4%	16,0%	0,3
	10.00% - 44.99%	1,8	0,0	6	23,5	1,8	13,0%	14,9%	0,03
	45.00% - 100.00%	-	-	-	-	-	-	-	-
	Total Stage 1	**4730,8**	**0,0**	**18 408**	**19,4**	**4795,3**	**0,49%**	**16,16%**	**3,7**
Basket/Stage 2	0% - 0.14%	-	-	-	-	-	-	-	-
	0.15% - 0.24%	-	-	-	-	-	-	-	-
	0.25% - 0.49%	8,7	0,0	32	21,1	8,8	0,4%	17,2%	0,1
	0.50% - 0.74%	18,0	0,0	77	18,8	18,3	0,6%	16,9%	0,2
	0.75% - 2.49%	62,3	0,0	240	20,5	63,2	1,2%	16,7%	1,0
	2.50% - 9.99%	6,8	0,0	32	19,8	6,9	4,4%	17,1%	0,2
	10.00% - 44.99%	4,5	0,0	19	20,5	4,6	23,9%	16,1%	0,3
	45.00% - 100.00%	-	-	-	-	-	-	-	-
	Total Stage 2	**100,4**	**0,0**	**400**	**20,2**	**101,8**	**2,25%**	**16,78%**	**1,8**
	Total Stage 1+2	**4831,1**	**0,0**	**18 808**	**19,4**	**4897,0**	**0,54%**	**16,18%**	**5,5**
2025-12-31									
Basket/Stage 1	0% - 0.14%	-	-	-	-	-	-	-	-
	0.15% - 0.24%	-	-	-	-	-	-	-	-
	0.25% - 0.49%	3765,4	0,0	14 852	19,7	3824,3	0,4%	16,1%	2,3
	0.50% - 0.74%	354,1	0,0	1 153	20,9	360,0	0,7%	16,2%	0,4
	0.75% - 2.49%	375,2	0,0	1 132	21,7	381,8	1,1%	16,2%	0,7
	2.50% - 9.99%	36,0	0,0	107	22,4	36,6	4,6%	16,1%	0,3
	10.00% - 44.99%	2,5	0,0	9	21,1	2,5	13,0%	16,4%	0,05
	45.00% - 100.00%	-	-	-	-	-	-	-	-
	Total Stage 1	**4533,2**	**0,0**	**17 253**	**19,9**	**4605,2**	**0,50%**	**16,12%**	**3,6**

Basket/Stage 2	0% - 0.14%	-	-	-	-	-	-	-	-
	0.15% - 0.24%	-	-	-	-	-	-	-	-
	0.25% - 0.49%	8,6	0,0	32	20,5	8,6	0,4%	16,7%	0,1
	0.50% - 0.74%	15,1	0,0	59	19,0	15,4	0,7%	17,2%	0,1
	0.75% - 2.49%	53,4	0,0	209	20,6	54,3	1,2%	16,7%	0,9
	2.50% - 9.99%	5,0	0,0	23	19,6	5,1	4,9%	17,0%	0,2
	10.00% - 44.99%	4,2	0,0	16	21,9	4,3	25,4%	16,5%	0,3
	45.00% - 100.00%	0,1	0,0	1	6,7	0,1	74,4%	13,9%	0,0
	Total Stage 2	**86,4**	**0,0**	**340**	**20,3**	**87,8**	**2,49%**	**16,81%**	**1,6**
	Total Stage 1+2	**4619,6**	**0,0**	**17 593**	**19,9**	**4693,0**	**0,54%**	**16,13%**	**5,2**

) EAD after credit risk mitigation and credit conversion rate** *) For Stage 2 - ECL Lifetime**

in PLN million

2026-06-30

	Time in default	Number of exposures	EAD*	Average LGD (%)	ECL**
Basket/Stage 3	<12 months	16	4,5	16,1%	0,7
	13 - 24 months	8	2,0	22,9%	0,5
	25 - 36 months	1	0,3	24,8%	0,1
	37 - 48 months	4	0,8	59,0%	0,6
	49 - 60 months	-	-	-	-
	61 - 84 months	-	-	-	-
	> 84 months	-	-	-	-
	Total Stage 3	**29**	**7,6**	**22,9%**	**1,9**

2025-12-31

	Time in default	Number of exposures	EAD*	Average LGD (%)	ECL**
Basket/Stage 3	<12 months	13	3,7	17,9%	0,7
	13 - 24 months	2	0,5	21,5%	0,1
	25 - 36 months	2	0,4	42,8%	0,2
	37 - 48 months	2	0,4	53,1%	0,3
	49 - 60 months	-	-	-	-
	61 - 84 months	-	-	-	-
	> 84 months	-	-	-	-
	Total Stage 3	**19**	**5,1**	**15,1%**	**1,3**

Sectors of the economy

(PLN thousand) as of 30.06.2026	Financial intermediation	Industry and construction	Wholesale and retail trade	Transport and communication	Public sector	Mortgage loans	Consumer loans*	Other industries	Total
Credits and loans for banks	28 957	0	0	0	0	0	0	0	28 957
Credits and loans to customers (amortized cost)	0	0	0	0	0	4 831 406	0	0	4 831 406
Instruments measured at amortised cost	0	0	0	0	169 911	0	0	0	169 911
Instruments measured at fair value through other comprehensive income	0	0	0	0	289 489	0	0	0	289 489
Total Net Value	28 957	0	0	0	459 401	4 831 406	0	0	5 319 763

The table above presents the breakdown of the Bank's main categories of credit exposures, broken down into components, by sectors of the economy (categories of clients).

Main parameters of the loan portfolio

As at 30 June 2026, the volume-weighted average maturity of loans in the Bank's portfolio is 19 years and 5 months, while the volume-weighted average value of the current loan-to-collateral (LTV) ratio at market valuation is 39.5%.

The structure of the loan portfolio by LTV as at 30 June 2026 is as follows:

LTV by BHWN	Structure %
up to 50%	32,4%
50%-60%	23,5%
60%-70%	20,9%
70%-80%	13,2%
80%-100%	9,9%
Total	**100,0%**

LTV by market value	Structure %
up to 30%	23,9%
30%-40%	26,7%
40%-50%	27,1%
50%-60%	17,9%
60%-80%	4,4%
Total	**100,0%**

Collateral

The Bank's collateral is used to reduce credit risk and its main role is to minimize the loss in the event of the client's failure to repay the loan transaction in the agreed amount and on time, by providing an alternative source of coverage of due receivables. The collateral accepted is in accordance with the principles of the credit policy. It defines the types, types and legal forms of collateral accepted in the Bank. Residential real estate is accepted as the main collateral in a mortgage bank. The value of mortgage collateral is determined on the basis of the Bank's and Mortgage Value of Real Estate (MLV) expertise, which is prepared in accordance with the Act on Mortgage Banks and Covered Bonds, Recommendation "F" of the Polish Financial Supervision Authority and the Regulations for determining the BHWN in Millennium Mortgage Bank S.A., approved by the Polish Financial Supervision Authority. The Bank monitors collateral in terms of their compliance with contractual conditions, including the final establishment of the final collateral for the transaction, as well as the renewal of assigned insurance policies. The value of the collateral is also monitored during the loan transaction.

The value of collateral (according to MLV) for the Bank's loan portfolio as at 30.06.2026 amounted to PLN 9,452.7 million.

4.4. Market and interest rate risk in the Bank Book

Market risk includes the current and potential impact on the financial result or capital of changes in the value of the Bank's portfolio as a result of adverse changes in market parameters (prices).

The market risk management system is reflected in the procedures in force at the Bank. The implemented system of limits to limit market risk is updated at least once a year, taking into account, among m.in, changes in the size of own funds, the current and anticipated balance sheet structure, as well as the market situation. All possible exceedances of internal limits on market risk are reported, documented and ratified at the appropriate level of competence.

In the reporting period, the limits of market risk and IRRBB applicable in the Bank were not exceeded.

Interest rate risk in the Banking Book

Interest rate risk in the Banking Book (IRRBB) is defined as the current or future risk to both the Bank's income and economic value resulting from adverse changes in interest rates. These risks include gap risk, underlying risk, and client option risk.

Fluctuations in market interest rates have an impact on the Bank's net interest income, both in the short and medium term, also affecting its economic value in the long term. The aim of interest rate risk management is to limit potential losses due to changes in market interest rates by selecting the appropriate risk profile, as well as appropriately shaping the structure of on-balance sheet and off-balance sheet items.

Interest rate risk is measured in the Banking Book in particular by monitoring the sensitivity of net interest income (NII) and the economic value of the Bank's capital (EVE). In addition to the NII and EVE measures in measuring interest rate risk, the Bank uses the BPV measure, the interest rate gap and stress tests.

The interest rate gap represents the difference between the values of cash flows resulting from asset positions and liabilities sensitive to interest rate risk, which are subject to revaluation over a given time frame.

Interest rate gap PLN million 30.06.2026	up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	above 3 years	Total
Assets	1 438,6	2 554,9	280,4	176,4	923,4	12,5	5 386,2
Liabilities	-846,2	-3 142,4	-8,7	-17,5	-761,0	-	-4 775,8
Interest rate gap	592,3	-587,5	271,7	159,0	162,5	12,5	610,4

The Bank conducts an analysis of the sensitivity of net interest income and the economic value of the Bank's capital using changes in interest rates determined by supervisory authorities and internally defined.

The sensitivity of NII and EVE in the event of a parallel shift in interest rates by 100 b.p. up and down is presented below.

Change as a result of the change in rates +/- 100 b.p. in PLN thousand (*)	30.06.2026	31.12.2025
Net interest income (NII)	-3 115	-311
Economic value of capital (EVE)	-1 409	-6 343

*) *The more unfavorable of the above scenarios*

Currency risk

Currency risk, as a component of market risk, has been defined as the risk of loss caused by changes in exchange rates.

Currency risk is measured and assessed by limiting the currency positions held by the Bank. The limits of currency risk have been set in such a way that this risk is of an intangible nature.

The Bank regularly monitors and reports on the level of currency risk measures, the degree of utilization of internal limits, as well as exposure to currency risk in stressed conditions. As at 30 June 2026, the foreign exchange position resulted from a stake held in another entity.

Currency position expressed in PLN thousand	30.06.2026	31.12.2025
EUR	3,2	3,2

An analysis of the sensitivity of a currency position to profit and loss due to arbitrarily adopted changes in the exchange rate is presented below:

Change in the value of a currency position in PLN thousand	30.06.2026
EUR/PLN exchange rate increase by 10%	0,3
EUR/PLN exchange rate down 10%	-0,3

A decrease in the exchange rate causes a change of the same absolute value as the increase in the exchange rate, but with the opposite sign. A negative amount in the table reflects a potential negative impact on the profit and loss account, while a positive amount reflects a potential positive impact.

4.5. LIQUIDITY RISK

Financial liquidity in the Bank means the ability to finance the growth of assets and the fulfilment of the Bank's financial obligations within their maturity, as well as to take advantage of business opportunities (financing without incurring unacceptable losses). Liquidity risk has been defined as the threat of loss of ability to effectively regulate both expected and unexpected current and future cash flows, as well as collateral needs without affecting the Bank's day-to-day operations or financial condition.

The Bank's planning and budgeting process includes the preparation of a liquidity plan to ensure that business growth is supported by an appropriate financing structure and that supervisory requirements for quantitative liquidity measures are met.

The Bank regularly measures, monitors and reports liquidity risk using both measures set by supervisory authorities and internal ratios for which limits have been set.

The measurement is complemented by stress tests to assess the liquidity risk profile and ability to meet obligations in the event of stress. Stress tests include sensitivity analysis, reverse tests, and stress scenarios (idiosyncratic, systemic, and a combination of both).

In the reporting period, the limits on liquidity risk in force in the Bank were not exceeded.

The Bank applies a policy of investing excess liquidity mainly in the portfolio of liquid assets, in particular in low-risk Polish securities denominated in PLN (treasury securities, treasury bills, NBP bills and securities guaranteed by the State Treasury or the National Bank of Poland) and deposits in Bank Millennium. The portfolio of liquid assets and funds accumulated in current accounts are treated as a liquidity buffer of the Bank, which will allow it to survive possible crisis situations.

Covered bond issues remain the Bank's main source of financing, and their growing share in the financing structure reflects the implementation of the Bank's long-term strategy. The table below presents the structure of financing.

Source of funding	30.06.2026	31.12.2025
Funds from Bank Millennium	29,6%	35,6%
Covered bond issues	58,4%	53,6%
Equity	11,9%	10,7%
Other	0,1%	0,1%
Total	100%	100%

In accordance with the CRR Regulation, the Bank determines the net outflow coverage ratio (LCR) and the net stable financing ratio (NSFR) on a daily basis. During the reporting period, the indicators were well above the supervisory minimum of 100%.

The values of liquidity ratios as at 30 June 2026 are presented in the table below:

	LCR (%)	NSFR (%)
Indicator level	16 294%	128%
Regulatory limit	100%	100%

In addition, the Bank uses an internal analysis of structural liquidity on the basis of accumulated adjusted liquidity gaps (i.e. assuming the probability of cash flow).

The cumulative results of the adjusted liquidity gap as at 30 June 2026 are presented in the table below:

Adjusted liquidity gap (PLN million) 30.06.2026	up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Above 5 years
Adjusted on-balance sheet assets	376,7	393,9	278,5	544,3	1032,7	2 636,1	1 314,0
Adjusted balance-sheet liabilities	6,2	49,0	55,0	409,1	380,8	3 760,7	1 479,7
Total gap	370,4	344,9	223,5	135,2	652,0	-1 124,6	-165,6
Cumulative total gap	370,4	715,3	938,8	1 074,0	1 726,0	601,3	435,7

The Bank also has contingency procedures in place in the event of increased liquidity risk in the form of a Liquidity Contingency Plan, which sets out concepts, priorities, responsibilities and specific measures to be taken in the event of a liquidity crisis. The Liquidity Contingency Plan is reviewed and tested at least annually.

4.6. Operational risk

The main objective of operational risk management is to optimize the Bank's operational efficiency by limiting the level of operating losses and ensuring an adequate and quick response of the Bank to external events.

Operational risk management in the Bank is based on the process structure implemented in the Group, which overlaps with the traditional organizational structure. The operational risk management system uses a process approach to management, which is based on a dynamic process management structure, defined for all the Bank's activities.

The operational risk management system is adapted to the scale and profile of the Bank's operations. It is in line with the operational risk management system adopted at the level of the Bank Millennium Group. As part of the system, the Bank uses in particular the following operational risk management tools: a database of operational events, *Key Risk Indicators*, *Risk Self Assessment* and scenario analysis.

The Bank's operational risk management process includes identification, measurement, mitigation, including control and monitoring, as well as reporting on various types of risks that fall within the scope of operational risk. In the management and control of operational risk, the Bank applies clear principles, practices and control mechanisms that ensure the proper division of functions and determine the limits of tolerance for exposure to this risk.

The Risk Department – the organizational unit responsible for risk management in the Bank – performs the operational risk management function, which supports the Management Board in developing and promoting a sound operational risk culture, as well as is responsible for creating, proposing, enforcing and controlling the implementation of tools and methodologies to ensure a proper assessment of risk exposure. Within this organizational unit, the fraud prevention function is implemented.

4.7. Model risk management

The Bank defines model risk as the risk of incurring a potential loss as a result of decisions made essentially on the basis of data obtained from the use of models, due to errors in the development, implementation or application of such models. The model risk management process at the Bank is consistent with the Bank Millennium Group's solutions, taking into account the scale and profile of the Bank's operations.

The risk level of a given model is determined in the following dimensions:

- inherent risk – assessed on the basis of the key risk factors of the model: complexity, uncertainty and materiality of the model,
- effectiveness of risk mitigation – assessed on the basis of controls, mitigation measures and other risk management measures applied to the model.

Model risk assessment is designed to determine the scale of risks associated with model risk. The assessment is carried out at the level of a single model, as well as in an aggregated perspective at the level of the Bank. The purpose of model risk control is to actively manage and effectively mitigate model risk so that the aggregate risk level of models does not exceed the applicable tolerance level.

4.8. CONCENTRATION RISK

The Bank defines concentration risk as the risk resulting from excessive concentrations due to exposures to individual clients, groups of related clients, clients operating in the same geographic region, credit risk mitigation techniques and large indirect credit exposures, such as a single security issuer, with the potential to generate losses large enough to jeopardise the Bank's financial condition or ability to conduct core business or lead to a material change in the Bank's risk profile.

The Bank's concentration risk management process is consistent with the requirements of Recommendation C of the Polish Financial Supervision Authority and consistent with the methodology used in the Group. The Bank will endeavour to maintain the highest possible diversification of assets in such a way as to prevent a high level of concentration risk, which may result in a significant reduction in the Bank's own funds or financial result.

The Bank's loan portfolio consists exclusively of retail loans, which allows for its high diversification. As of June 30, 2026, the share of the 20 clients with the highest credit exposure in the entire portfolio was 0.4%. At the same time, the portfolio is well diversified in terms of geography. The share of individual voivodeships, with the separation of the capital city of Warsaw, according to the location of the property collateral for the loan as at 30 June 2026 is presented in the table below:

Location	Share in the loan portfolio (in value)
Pomeranian Voivodeship	15,0%
Masovian Voivodeship	13,3%
Lower Silesian Voivodeship	12,6%
Warsaw	12,1%
Greater Poland Voivodeship	10,9%
Silesian Voivodeship	6,6%
Lesser Poland Voivodeship	6,2%
Kuyavian-Pomeranian Voivodeship	5,2%
Warmian-Masurian Voivodeship	3,6%
West Pomeranian Voivodeship	3,6%
Łódź Voivodeship	3,5%
Lubusz Voivodeship	1,7%
Lublin Voivodeship	1,5%
Podlaskie Voivodeship	1,4%
Opole Voivodeship	1,1%
Świętokrzyskie Voivodeship	0,9%
Subcarpathian Voivodeship	0,8%

5. COVERED BOND SECURITY SYSTEM

5.1. VALUATION OF MORTGAGE LOAN COLLATERAL (MLV)

Tasks related to the valuation of mortgage loan collateral are carried out by the Bank on the basis of the following external and internal legal acts:

- The Act of 29 August 1997 on Covered Bonds and Mortgage Banks,
- The Act of 6 July 1982 on Land and Mortgage Registers and Mortgage,
- The Act of 29 August 1997 Banking law,
- recommendations and guidance of the Polish Financial Supervision Authority, including in particular Recommendations F, S and J,
- the provisions of the Bank's internal regulations, in particular the Regulation for Determining Mortgage Value of Properties in Millennium Bank Hipoteczny S.A. ("Regulation"), approved by the decision of the Polish Financial Supervision Authority of 2 February 2021.

The so-called Mortgage Lending Value (MLV) is a key element in the process of valuation of mortgage loan collateral, which is used as collateral for the issue of covered bonds. This value reflects the Bank's assessment of the level of risk related to real estate, which is used as collateral for the repayment of mortgage loan receivables purchased by the Bank. The determination of the MLV serves as the basis for deciding whether the credit receivable can be purchased by the Bank.

On the basis of the Regulation, the Bank determines the MLV for each property separately on the basis of the Mortgage Lending Value Expertise of the property (MLV Expertise). The MLV Expertise takes into account all possible types of risk (precautionary approach) which, as a result of our experience, analyses and forecasts, may have a negative impact on the MLV. It is prepared with due diligence and caution, taking into account only those parameters that are long-term, permanent and will be achievable by any real estate owner under the assumption of rational use. The MLV Expertise, prepared for a specific date, documents and justifies the assumptions and parameters used in the analysis. The procedure for determining the MLV and the MLV proposal determined on its basis are also included in the MLV Expertise.

The MLV Expertise also includes analyses and forecasts concerning parameters specific to a property, which have a significant impact on the assessment of the risk associated with accepting real estate as collateral for the Bank's receivables, as well as general factors, such as: business cycles, changes in the purchasing value of money, demography, unemployment rate, local spatial development plans.

The process of determining the mortgage value implemented at the Bank includes the following stages:

1) verification of the legal status of the property, including verification of the current owner of the property, mentions, encumbrances and mortgages entered in the land and mortgage register of this property;
2) inspection of the property documented by appropriate photographic documentation and an analysis of the local real estate market;
3) preparation of the MLV Expertise, including, among others, analysis of risks related to the property as loan collateral and presentation of the MLV proposal;
4) verification of the MLV Expertise in terms of formal and substantive aspects;
5) determination of the MLV based on the verified the MLV Expertise and the MLV proposal contained therein.

The implementation of activities under the second stage is carried out by real estate valuers who know the local real estate market and have appropriate experience and ability to estimate banking risk in the field of securing housing loans. The remaining stages of the process are carried out by people with documented high qualifications and professional experience working in the Collateral Management Department at the Bank.

5.2. COVERED BOND COLLATERAL REGISTER

In accordance with the applicable legal regulations, the Bank maintains and stores the Covered Bond Security Register (“the Register”). The Bank's receivables under purchased mortgage loans secured by a mortgage, as well as the rights and funds referred to in Article 18(3) and (4) of the Covered Bonds and Mortgage Banks Act, constituting the basis for the issue of covered bonds, as well as funds constituting the surplus referred to in Article 18(3a) of the Covered Bonds and Mortgage Banks Act, are entered in the Register. The register is kept in electronic form.

In order to ensure that the Register is kept and stored in accordance with the regulations, the Bank complies with the requirements set out in the following regulations:

- Act of 29 August 1997 on covered bonds and mortgage banks,
- Resolution No. 633/2015 of the Polish Financial Supervision Authority of 1 December 2015 on the determination of the template of the registered collateral for covered bonds,
- Recommendation K of the Polish Financial Supervision Authority of 9 February 2016 on the rules for mortgage banks to keep a register of covered bond collateral.

Ongoing control over the correctness of the Bank's maintenance of the Register is exercised by the trustee and the Deputy Trustee appointed at the Bank by the Polish Financial Supervision Authority.

The value of receivables secured by a mortgage and other assets referred to in the Act on Covered Bonds and Mortgage Banks (basic assets and substitute assets) amounted to PLN 4,459.5 million as at 30 June 2026.

The basic data on the Register as at 30 June 2026 are presented in the table below:

Covered bond security register	30.06.2026
Total value of the Register (PLN million)	4 459,5
Including receivables secured by a mortgage (PLN million)	*4 249,5*
State Treasury bonds (PLN million)	
by face value	*210,0*
by market value	*205,9*
Number of credits	17 251
Average loan value (PLN thousand)	246,3
Average maturity (years)	19,2
Average LtV (relative to market valuation)	39,0%
Average LtV (in relation to BHWN)	57,6%

5.3. TRUSTEES

Pursuant to the Act on Covered Bonds and Mortgage Banks, at the request of the supervisory board of that bank, the Polish Financial Supervision Authority appoints a trustee and at least one deputy trustee at each mortgage bank.

The tasks of the trustee and the deputy trustee include controlling the collateral of covered bonds issued by the Bank, in particular checking whether:

- liabilities arising from outstanding covered bonds are secured by the Bank in accordance with the provisions of the Act on covered bonds and mortgage banks
- the mortgage value adopted by the Bank has been established by the Bank in accordance with the Regulations in force at the Bank,
- The Bank complies with the requirements set out in Article 18 of the Act on Covered Bonds and Mortgage Banks.
- the results of the coverage test and the liquidity test confirm that the Bank's receivables and the rights and resources referred to in Article 18(3), (3a) and (4) of the Act on Covered Bonds and Mortgage Banks, entered in the Register, are sufficient to fully satisfy the holders of covered bonds issued by the Bank,
- the manner in which the Bank maintains the Register meets the conditions of the Act on Covered Bonds and Mortgage Banks,
- the Bank provides collateral for the planned issue of covered bonds in accordance with the provisions of the Act on Covered Bonds and Mortgage Banks and ensures control of whether appropriate entries have been made in the Register.

The trustee and deputy trustee are also required to immediately notify the Polish Financial Supervision Authority of any cases of non-compliance by the Bank with its obligations under the Act on Covered Bonds and Mortgage Banks listed in the third and fourth points above.

After considering the motion of the Bank's Supervisory Board of 30 September 2020, the Polish Financial Supervision Authority, in its decision of 20 May 2021, appointed Mr. Jacek Bartkiewicz as a Trustee at Millennium Bank Hipoteczny S.A. for a period of 6 years.

After considering the motion of the Bank's Supervisory Board of 26 April 2022, the Polish Financial Supervision Authority, in its decision of 23 June 2022, appointed Ms. Dorota Podedworna-Tarnowska as Deputy Trustee at Millennium Bank Hipoteczny S.A. for a period of 6 years.

5.4. STATUTORY LIMITS

The table below presents specific limits that Millennium Bank Hipoteczny S.A. is obliged to monitor in accordance with the Act on Covered Bonds and Mortgage Banks.

No.	Limit description	Limit level	Limit execution	Legal basis
1.	Ratio of proceeds from the issue of outstanding mortgage covered bonds for the refinancing of purchased receivables of other banks under mortgage-backed loans to the sum of 80% of the mortgage value of individual residential properties within the meaning of Article 4(1)(75) of Regulation (EU) No 575/2013 securing a single receivable	no more than 100%	**66%**	Article 14
2.	Ratio of the total value of acquired shares of other entities to the Bank's own funds	no more than 10%	**0%**	Article 15(1)(5)
3.	Ratio of total liabilities under loans and borrowings and bonds issued by the Bank to the Bank's own funds	no more than 10 times	**2,5**	Article 15(2)
4.	Ratio of the total nominal amount of the outstanding mortgage covered bonds to the Bank's own funds and general risk provision	no more than 40 times	**5,0**	Article 17
5.	Ratio of the sum of the nominal amounts of the Covered Bond Collateral Assets entered in the Collateral Register, less the Surplus*) and constituting the basis for the issue of mortgage covered bonds, excluding the covered bond collateral assets in default within the meaning of Article 178 of Regulation (EU) No 575/2013 to the total nominal amount of the outstanding mortgage covered bonds	not less than 105%	**143%**	Article 18(1), Part I
6.	Ratio of the sum of the nominal amounts of mortgage receivables underlying the issue of mortgage covered bonds, excluding the assets securing covered bonds in default within the meaning of Article 178 of Regulation (EU) No 575/2013, to the total nominal value of outstanding mortgage covered bonds	not less than 85%	**137%**	Article 18(1), Part II
7.	Ratio of interest expense on outstanding mortgage covered bonds to the Bank's income from interest on the Covered Bond Collateral Assets entered in the Collateral Register, less the Surplus*) excluding the covered bond collateral assets in default within the meaning of Article 178 of Regulation (EU) No 575/2013 underlying the issue of mortgage covered bonds.	no more than 100%	**52%**	Article 18(2)
8.	Ratio of the value of mortgage receivables secured by mortgages established during the execution of construction projects to the total value of mortgage receivables constituting the basis for the issue of covered bonds	no more than 10%	**0%**	Article 23(1), sentence 1
9.	Ratio of the value of mortgage receivables secured by mortgages established on real estate designated for development, in accordance with the zoning plan, to the total value of mortgage receivables constituting the basis for the issue of covered bonds	no more than 10%	**0%**	Article 23(1), sentence 2

**) within the meaning of Article 18(3a) of the Act on Covered Bonds and Mortgage Banks*

In accordance with the Act on Covered Bonds and Mortgage Banks, the Bank is additionally required to carry out a covered bond collateral account, a coverage test and a liquidity test. The results of all tests were positive.

5.5. Rating Information

The rating of mortgage covered bonds issued by the Bank is carried out by Fitch Ratings.

The first rating was issued on 12 June 2024, when Fitch Ratings assigned the Series 1 mortgage covered bonds of Millennium Bank Hipoteczny S.A. an AA+ rating with a "positive" outlook. This rating was upgraded from 3 July 2024 to AAA with a "stable" outlook, which resulted from the increase on 28 June 2024 of the Long-Term Issuer Default Rating (IDR) of Bank Millennium S.A., i.e. the parent bank, from BB to BB+ ("positive" outlook).

The rating at the AAA level with a "stable" outlook was maintained for the Bank's Series 2 mortgage covered bonds issued on 5 November 2024 and for the Bank's Series 3 mortgage covered bonds issued on 12 March 2025.

On 9 September 2025, Fitch Ratings maintained the rating for Millennium Bank Hipoteczny covered bonds at AAA and at the same time changed the outlook from "stable" to "negative". The change in the rating outlook was a consequence of the revision of the outlook for Polish's rating in the domestic currency in the category of the issuer's long-term insolvency rating (LT IDR) from "stable" to "negative".

A rating of AAA with a "negative" outlook was maintained for Series 1 mortgage covered bonds issued on November 4, 2025 under the International Mortgage Covered Bond Issue Program (EMTN).

On 2 April 2026, as part of the periodic review of the rating, the rating agency Fitch Ratings held the rating for Millennium Bank Hipoteczny covered bonds at the AAA level with a "negative" outlook.

This rating was maintained for Series 2 mortgage covered bonds issued on 30 June 2026 under the International Mortgage Covered Bond Issue Programme (EMTN).

The AAA rating is the highest rating possible on the Fitch Ratings scale.

The high rating of covered bonds issued by Millennium Bank Hipoteczny S.A. takes into account the positive assessment of the quality of the mortgage covered bond collateral register, the high level of overcollateral and membership in a large international banking group.

As at 30 June 2026, the Bank did not have an issuer rating.

6. DESCRIPTION OF CORPORATE GOVERNANCE PRINCIPLES

6.1. CORPORATE GOVERNANCE PRINCIPLES

In accordance with applicable law, the Management Board and the Supervisory Board of the Bank have expressed their intention to apply, to the fullest extent practicable, the Corporate Governance Principles for Supervised Institutions (the "Principles"), having due regard to the principle of proportionality and the comply-or-explain principle. The Principles were adopted by the Polish Financial Supervision Authority pursuant to its Resolution of 22 July 2014 and entered into force on 1 January 2015.

The Principles are available on the website of the Polish Financial Supervision Authority at: https://www.knf.gov.pl/dla_rynku/regulacje_i_praktyka/zasady_ladu_korporacyjnego?articleId=48880&p_id=18 and on the Bank's website at: www.millenniumbh.pl

Having regard to the scale, nature and specific characteristics of the Bank's operations, the Bank does not apply the following Principles:

- **§ 8(4), § 9(6) and § 31(3)** – not applicable, as all shares in the Bank are held by a sole shareholder.
- **§ 11(3)** – not applicable, as all shares in the Bank are held by a sole shareholder who is represented on the Supervisory Board, which, in specified circumstances, makes decisions regarding related-party transactions.
- **§ 24(1)** – not applied, as the Supervisory Board has concluded that the members' proficiency in English ensures full mutual understanding and an appropriate level of communication during Supervisory Board meetings.
- **§ 28(3) and (4)** – not applied by the Bank, as the Bank's sole shareholder is represented on the Supervisory Board and the Bank's management information system adequately safeguards the shareholder's interests.
- **§ 32, § 33, § 34** and **§ 36** – not applicable in light of the nature of the Bank's operations and its business model, under which the Bank does not pursue customer acquisition activities or utilise advertising communications.
- **§ 49(4) and § 52(2)** – not applicable, as the Bank has established an Internal Audit Function and a Compliance Function.
- **§§ 53-57** – not applicable in view of the nature of the Bank's operations, which do not encompass the activities referred to in those Principles.

The Supervisory Board, by Resolution adopted on 5 March 2026, conducted a positive assessment of the Bank's application of the Principles in 2025.

The Annual General Meeting, by Resolution of 31 March 2026, approved the Report on the Activities of the Supervisory Board of Millennium Bank Hipoteczny S.A. for 2025, including an assessment of the Bank's application of the Principles.

6.2. GOVERNING BODIES OF THE BANK

The Bank's authorities are the General Meeting, the Supervisory Board and the Management Board.

General Meeting

The only shareholder represented at the General Meeting is Bank Millennium S.A., which holds 100% of the total number of shares and votes at the General Meeting.
The competences of the General Meeting include, in particular:

- consideration and approval of the financial statements and the report on activities for the previous financial year,
- adoption of a resolution on the distribution of profits or coverage of losses,
- granting discharge to the members of the Bank's authorities for the performance of their duties,
- creating and abolishing capital and funds and adopting resolutions on their use,
- granting the Management Board prior permission to acquire, encumber or dispose of real estate, a share in real estate or the right of perpetual usufruct of real estate; the permit is not required if the acquisition of the real estate being sold, a share in the real estate or perpetual usufruct of the real estate takes place as part of enforcement, bankruptcy, restructuring proceedings or another agreement with the Bank's debtor,

On 31 March 2026, the Ordinary General Meeting of the Bank was held. The meeting was attended by the sole shareholder representing 100% of the Bank's share capital and holding 100% of votes at the General Meeting - Bank Millennium S.A.

The Ordinary General Meeting adopted resolutions on:

1. Approval of the Supervisory Board's report on the Bank's activities in 2025, including, inter alia, the results of the assessment of the Bank's financial statements for the period of 12 months ended 31 December 2025 and the Management Board's report on the Bank's activities for the period of 12 months ended 31 December 2025, as well as the assessment of the Bank's remuneration policy, and also the assessment of the adequacy of the Bank's regulations regarding the functioning of the Supervisory Board and the effectiveness of the Supervisory Board's operations.
2. Considerations and approvals:
   a. Financial statements of Millennium Bank Hipoteczny S.A. for the period of 12 months ended 31 December 2025,
   b. Report of the Management Board on the activities of Millennium Bank Hipoteczny S.A. for the period of 12 months ended 31 December 2025.
3. Adoption of a resolution on the distribution of profit for the period of 12 months ended 31 December 2025.
4. Granting discharge to the members of the Management Board and members of the Supervisory Board for the performance of their duties in the financial year 2025.
5. Adoption of a resolution on the increase of the Bank's share capital from PLN 163,000,000 (one hundred and sixty-three million zlotys) to PLN 196,000,000 (one hundred and ninety-six million zlotys) with simultaneous deprivation of the pre-emptive rights of the existing shareholders.
6. Adoption of a resolution on the amendment of the Bank's Articles of Association.

On June 2, 2026, the Bank held an Extraordinary General Meeting. The meeting was attended by the sole shareholder representing 100% of the Bank's share capital and 100 votes at the General Meeting – Bank Millennium S.A
The Extraordinary General Meeting adopted resolutions on the following matters:

1. Assessment of the individual suitability of a candidate for a member of the Supervisory Board of Millennium Bank Hipoteczny S.A. in connection with the planned appointment to the Bank's Supervisory Board for the current term.
2. Assessment of the individual suitability of a candidate for a member of the Supervisory Board of Millennium Bank Hipoteczny S.A. in connection with the planned appointment to the Bank's Supervisory Board for the current term
3. Assessment of the collective suitability of the Supervisory Board of Millennium Bank Hipoteczny S.A. in connection with the initial assessment of the suitability of candidates for

a member of the Bank's Supervisory Board and the planned appointment to the Bank's Supervisory Board for the current term.
4. Appointment of a Member of the Supervisory Board of Millennium Bank Hipoteczny S.A.
5. Appointment of a Member of the Supervisory Board of Millennium Bank Hipoteczny S.A.

Supervisory Board

The Supervisory Board operates on the basis of the law, supervisory regulations, the Bank's Articles of Association, resolutions of the General Meeting and the Bylaws of the Supervisory Board. The Supervisory Board consists of at least 5 members appointed by the General Meeting for a joint three-year term of office, with the proviso that the mandates of the Supervisory Board members expire on the date of the General Meeting approving the financial statements and the activity report for the last full financial year of performing the functions of members of the Supervisory Board.
Meetings of the Supervisory Board are convened as needed, but not less frequently than once a quarter. For the resolutions of the Supervisory Board to be valid, it is required that all its members be invited and that at least half of them are present. Resolutions of the Supervisory Board are adopted by a simple majority of votes - in the event of an equality of votes, the vote of the Chairman of the Supervisory Board prevails.
The Supervisory Board exercises constant supervision over the Bank's operations, including in particular the functioning of risk management and internal control systems, directly and through the Audit Committee. In particular, the Supervisory Board's competences include decisions on:

- approving the Bank's long-term development programmes and the Bank's annual economic and financial plans,
- approving the principles of prudent and stable management of the Bank, risk management strategy, including the general level of risk of the Bank,
- approving the regulations issued by the Management Board regarding the determination of the bank-mortgage value of real estate (as well as any change thereto), which enters into force after approval by the Polish Financial Supervision Authority,
- approving the Bank's Management Board's motions regarding the Bank's accession as a shareholder to another bank, enterprise or other organisational unit, the issue of bonds or other securities (with the exception of the issue of covered bonds), the acquisition, encumbrance and disposal by the Bank of real estate, perpetual usufruct or interest in real estate; approval is not required if the acquisition of the real estate being sold, a share in the real estate or perpetual usufruct of the real estate takes place as part of enforcement, bankruptcy, restructuring proceedings or another agreement with the Bank's debtor,
- expressing opinions on transactions with entities related to the Bank, which – in accordance with the Bank's internal regulations – are qualified as transactions having a material impact on the financial or legal situation or leading to the acquisition or disposal or other disposal of significant assets,
- selection of a statutory auditor for the audit of the Bank's financial statements,
- consent for the Bank's Management Board to pay the shareholders an advance towards the expected dividend at the end of the financial year.

The Supervisory Board also considers all motions and matters requiring resolutions of the General Meeting.

On June 14, 2023, the Bank's Annual General Meeting elected the Supervisory Board for a new joint three-year term. Following the resignation of two Members from their positions as Members of the Bank's Supervisory Board, the Bank's Extraordinary General Meeting on June 2, 2026, appointed two new Members to the Bank's Supervisory Board for the current term. The Bank's Supervisory Board currently consists of seven Members, including five men and two women. The Supervisory Board election procedure was conducted in compliance with the Bank's "Diversity Policy at Millennium Bank Hipoteczny S.A."

Two Supervisory Board Members, due to their resignations, ceased to serve in their positions: Antonio Pinto (effective April 24, 2026) and Wojciech Haase (effective May 31, 2026).

Therefore, the composition of the Supervisory Board as of 30 June 2026 was as follows:

1. Fernando Bicho - Supervisory Board Chairperson,
2. Marta Penczar - Supervisory Board Secretary – independent Member,
3. Marcin Dubno - Supervisory Board Member from 2 June 2026

4. Jarosław Hermann - Supervisory Board Member,
5. Grzegorz Jędrys - Supervisory Board Member – independent Member,
6. Aleksandra Przegalińska – Supervisory Board Member - independent Member
7. Hugo Resende - Supervisory Board Member from 2 June 2026

In the first half of 2026 the Bank's Supervisory Board held 2 meetings.

Members of the Supervisory Board receive only a fixed remuneration for their work in the Board or for participation in the meeting of the Audit Committee, the amount of which is adequate to their function and the scale of the Bank's operations. In accordance with the "Rules for Remuneration of Members of the Supervisory Board of Millennium Bank Hipoteczny S.A.", Members of the Supervisory Board may resign from all or part of the remuneration due. Declarations regarding not receiving the full remuneration were submitted by the Members of the Supervisory Board performing their duties within the Bank Millennium S.A. Group. The total remuneration of the Supervisory Board Members, including other benefits, in the first half of 2026 amounted to PLN 224,48 thousand. The Members of the Bank's Supervisory Board did not conclude any agreements with the Bank; they also do not hold the Bank's shares.

Audit Committee of the Supervisory Board (Audit Committee)

The Audit Committee operates on the basis of the Rules of Procedure adopted by this Committee and approved by the Supervisory Board.
The tasks of the Audit Committee include, in particular, monitoring:
- financial reporting process,
- the effectiveness of internal control and risk management systems and internal audit, including financial reporting,
- performing financial audit activities, in particular conducting audits by the audit firm, taking into account all conclusions and findings of the Polish Audit Supervision Agency resulting from the audit conducted in the audit firm.

The composition of the Audit Committee of the Bank's Supervisory Board as of 30 June 2026 was as follows:

1. Grzegorz Jędrys – Chairman of the Audit Committee - Independent Member,
2. Fernando Bicho – Member of the Audit Committee,
3. Marta Penczar – Member of the Audit Committee – Independent Member,
4. Aleksandra Przegalińska – Member of the Audit Committee – Independent Member.

In the first half of 2026, the Audit Committee held 2 meetings.

Management Board

The Bank's Management Board is an executive body, representing the Bank externally and managing the Bank's overall operations. The Bank's Management Board operates on the basis of the Commercial Companies Code, the Banking Law and other legal provisions, supervisory recommendations, the Bank's Articles of Association, resolutions of the Bank's General Meeting and the Bank's Supervisory Board, as well as the Bylaws of the Bank's Management Board.
The Chairman of the Management Board (and in his place the Deputy Chairman of the Management Board or another designated Member of the Management Board):
- manages the work of the Bank's Management Board,
- convenes meetings of the Management Board and chairs the meetings,
- presents the position of the Management Board towards the Bank's authorities and in external relations.

At its meeting held on 14 June 2023, the Bank's Supervisory Board appointed the Bank's Management Board, including the Chairman, in an unchanged composition. The procedure for selecting the composition of the Bank's Management Board was carried out in accordance with the provisions of the applicable "Diversity Policy at Millennium Bank Hipoteczny S.A.", which stipulates that the Management Board will consist of at least 1 woman.

Therefore, the composition of the Bank's Management Board as of 30 June 2026 was as follows:
1. Agata Chrzanowska - Chairman of the Management Board,

2. Adam Berent - Member of the Management Board responsible for supervision of risk management material in the Bank's operations,
3. Artur Kulesza – Member of the Management Board.

In the first half of 2026 the Bank's Management Board held 19 meetings.

Members of the Bank's Management Board are employed on the basis of employment contracts. The Management Board members have not concluded any contracts with the Bank other than employment contracts and related employment agreements at the Bank. The total remuneration of the Management Board members, including provisions for the payment of bonuses and other benefits, in the first half of 2026 amounted to PLN 878,08 thousand. Members of the Management Board do not hold shares in the Bank.

6.3. Organisational structure of the Bank

Pursuant to the Bank's Articles of Association, the Supervisory Board approved the Bank's organisational framework on 17 September 2020. On 23 March 2021, the Management Board adopted the Organisational Rules of Millennium Bank Hipoteczny S.A., which set out the Bank's detailed organisational structure and established the following organisational units:

1. reporting directly to the President of the Management Board:
   - Internal Audit Department,
   - Compliance Department,
   - Corporate Services Department,
   - Legal Office,

2. reporting directly to the Member of the Management Board responsible for oversight of the management of risks material to the Bank's operations:
   - Risk Department,
   - Credit Decision Department,
   - Collateral Management Department,

3. reporting directly to a Member of the Management Board other than the President of the Management Board and the Member of the Management Board referred to above:
   - Customer Service Department,
   - Information Technology Department,
   - Finance and Reporting Department,
   - Treasury Department.

At its inaugural meeting on 14 June 2023, the newly appointed Management Board confirmed that the internal allocation of responsibilities within the Management Board, established pursuant to a Resolution of the Management Board dated 8 September 2020 and approved by a Resolution of the Supervisory Board dated 17 September 2020, remained appropriate and in force. The Management Board also confirmed that the allocation of the Bank's organisational units to individual Members of the Management Board, as established pursuant to a Resolution of the Management Board dated 23 March 2021, remained unchanged and appropriate.

The function of the Data Protection Officer within the meaning of the GDPR is performed by an employee designated by the Management Board.

The Bank's organisational structure is aligned with the size and risk profile of the Bank and remains adequate to the scale and nature of the Bank's operations.

Assets and Liabilities Comittee

The Assets and Liabilities Committee was established by the Management Board on 11 May 2021 pursuant to the Bank's Articles of Association. The Committee is responsible for optimising the Bank's balance sheet structure, as well as for monitoring and managing the risks arising therefrom, in particular credit risk, market risk and liquidity risk.

6.4. INTERNAL CONTROL SYSTEM IN THE BANK

The Bank's internal control system is one of the elements of the Bank's management, the principles and objectives of which are described in:

- Banking Law of 29 August 1997 - Journal of Laws 2026 item 38;
- Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021, subsequently amended on 16 January 2025, on the risk management system and internal control system and remuneration policy in banks;
- Recommendation H of the Polish Financial Supervision Authority of 2017 on the internal control system in banks.

The main objectives of the internal control system are to ensure:

- the effectiveness and efficiency of the Bank's operations;
- the reliability of financial reporting;
- compliance with the Bank's risk management rules;
- compliance of the Bank's operations with the law, internal regulations and market standards.

Within the scope of the general objectives of the internal control system, the Bank distinguishes the specific objectives of the internal control system, which it has linked to the processes operating in the Bank. As part of the internal control system, the Bank ensures the correct and reliable functioning of the financial reporting process. To this end, it designed and implemented control mechanisms supported by internal regulations and functionalities of the reporting system. Verification of the correctness of the preparation of financial statements is carried out continuously and is coordinated with accounting books, analytical data and documentation.

In accordance with internal regulations, the financial reporting process is subject to cyclical verification in terms of accounting and substantive compliance, as well as the correctness and reliability of the information presented. Annual reports are adopted by the Bank's Management Board and are subject to the opinion of the Audit Committee, and then they are approved by the Supervisory Board that appointed it.

Role of the Bank's Management Board, Supervisory Board and Audit Committee of the Supervisory Board

The Bank has defined the tasks of the Bank's Management Board, the Supervisory Board and the Audit Committee of the Supervisory Board in the internal control system.

The Bank's Management Board
The Management Board of the Bank designs, implements and ensures the functioning of an adequate and effective internal control system and creates an appropriate organizational and financial framework for their independent and efficient operation. In the event of detecting irregularities by the internal control system, the Management Board of the Bank takes appropriate actions to remove the identified irregularities The Management Board of the Bank ensures the cooperation of all employees within the framework of the internal control system, in particular with the Internal Audit Department and the Compliance Department.

Supervisory Board
The Supervisory Board supervises the introduction of the internal control system and annually assesses its adequacy and effectiveness. Monitoring the effectiveness of the internal control system is based on information obtained from the Compliance Department, the Internal Audit Department and the Management Board of the Bank and the Audit Committee of the Supervisory Board.

Audit Committee of the Supervisory Board
The Supervisory Board is supported by the Audit Committee of the Supervisory Board, which monitors the effectiveness of the internal control system and the risk management system, the implementation of the financial reporting process, including cooperation with the statutory auditor, as well as the performance of the internal audit function market. The Audit Committee performs advisory and advisory functions for the Bank's Supervisory Board in the scope of tasks related to the functioning of the internal control system.

Organization of the internal control system within three lines of defence

As part of the three lines of defence, in accordance with the Recommendation on the internal control systemin banks, the Bank has designed, implemented and ensures the functioning of an internal control system adequate to the structure and scale of operations, which covers all organisational units. The Bank has established criteria for assessing the adequacy and effectiveness of this system and has published, in a publicly available manner, a description of the internal control system.

I line of defence
It is mainly responsible for the development, implementation and application of control mechanisms within the framework of the performance of the service obligations and the achievement of business objectives, as well as for monitoring compliance with control mechanisms using ongoing verification and testing. The line of defence is constituted by all organisational units of the Bank.

II line of defence
It performs risk management tasks and tasks arising from the control function of the second line of defence (such as independent monitoring and reporting on the results of this monitoring), is responsible for providing up-to-date information in the matrix of control functions and supports the first line of defence in achieving the objectives of the internal control system. The second line of defence consists of the Risk Department, which is responsible for the management of the various types of risk present in the Bank and the Compliance Department in the field of compliance risk management.

III line of defence
The third line of defence is the activity of the Internal Audit Department, whose task is, as part of its independent and objective assurance and advisory activities, to provide the Bank's Management Board, the Audit Committee of the Bank's Supervisory Board and the Bank's Supervisory Board with an assessment of the adequacy and effectiveness of the Bank's risk management system and internal control system, including risk control and control mechanisms, as well as to add value and improve processes functioning in the Bank.

Control function

The control function is an element of the internal control system, which consists of all control mechanisms implemented in the Bank's processes, independent monitoring of their compliance, including ongoing verification and testing, and reporting as part of the control function. The control function includes positions, organizational units responsible for the implementation of tasks assigned to this function.

Location, scope of tasks, independence of Compliance and Internal Audit Departments

Compliance Department

The Bank has an independent unit responsible for ensuring compliance – the Compliance Department – supervised directly by the President of the Bank's Management Board. Compliance risk management includes identification, assessment, control and monitoring of the size and profile of compliance risk. In order to ensure the Bank's compliance with generally applicable law, the Compliance Department undertakes a number of activities, such as: supervising the periodic review of all internal normative acts in force in the Bank in terms of compliance with applicable regulations and standards, analysing new products and services, measuring the risk of non-compliance in the Bank's processes, issuing opinions, formulating rules of conduct and regulations internal audit offices, participation in key implementation projects or training of employees. Periodically, it submits reports on the risk of non-compliance to the Management Board of du Bank, the Supervisory Board and the Audit Committee of the Supervisory Board.

Internal Audit Department

The Internal Audit Department is an independent entity, supervised directly by the President of the Bank's Management Board, and reports the results of its activities to the Bank's Management Board, the Audit Committee of the Supervisory Board and the Bank's Supervisory Board. The activity of internal audit is the activity of a plan, a strong effort resulting from the implementation of the mission and objectives and the adoption of this strategy of the department, based on the annual audit plan. Internal audit performs independent and objective assurance and advisory activities. Assurance activities are carried out as part of process audits, independent review functions, preventive audits and investigations. Assurance activities include assessing the adequacy and effectiveness of the risk management system and the internal control system in all areas of banking activity. As part of its advisory activities, the Chamber brings value and improvement in relation to the Bank's operations.

Ensuring independence

The independence of the Compliance Department and the Internal Audit Department results, m.in, from the Bank's Articles of Association. These units have direct contact with the members of the Management Board and the Supervisory Board and the opportunity to participate in their meetings, as well as in the meetings of the Audit Committee of the Supervisory Board.

7. HUMAN RESOURCE MANAGEMENT AND OUTSOURCING

7.1. EMPLOYMENT AND REMUNERATION POLICY

As of 30 June 2026 Millennium Bank Hipoteczny S.A. employed 40 people (including three Management Board members). Employment levels are aligned with the current organizational structure, the scope of outsourcing, and the scale of the Bank's operations.

Employee costs *(PLN thousand)*	1st half 2026	1st half 2025	Change (%)
Salary	-4 585,9	-4 253,2	8
Salary on-costs	-951,9	-862,2	10
Other benefits for employees	-140,3	-129,3	8
Costs resulting from the HR process support agreement *	-95,3	-73,4	30
Total	-5 773,4	-5 318,2	9

*) *implemented by Bank Millennium as described in chapter 7.2*

The Bank has a "Remuneration Policy in Millennium Bank Hipoteczny S.A." (hereinafter also referred to as the "Remuneration Policy"), the purpose of which is to provide a formal framework for shaping the remuneration practices of all Bank employees, taking into account the perspective of corporate governance, safety, as well as the appropriateness of remuneration to the Bank's condition, scale of operations, and development potential. The Remuneration Policy ensures that the Bank's remuneration policies should be formulated in such a way that, among other things, they are gender-neutral. Issues related to the gender neutrality of remuneration policies and the goals set in this regard are included in the "Diversity Policy in Millennium Bank Hipoteczny S.A." In accordance with the aforementioned regulations, the Bank pursues a hiring and remuneration policy based on the assessment of employees' qualifications and performance quality, regardless of gender. As of 30 June 2026 women constituted the majority of Millennium Bank Hipoteczny S.A. employees (including Management Board Members) – 65%.

The Bank's Management Board consists of one woman, serving as Chairman of the Management Board, and two men, serving as Management Board Members. The Supervisory Board comprises five men and two women. Four Supervisory Board Members have submitted declarations of non-remuneration. Therefore, remuneration for serving as Supervisory Board Members, set at the same amount for each Supervisory Board Member, was received by two women and one man.

The Remuneration Policy also outlines the assumptions used to determine the fixed and variable remuneration components for all Bank employees. According to the Remuneration Policy, the primary source of employee income is base pay, as defined in the employment contract. Variable remuneration is an additional, motivating element of total remuneration and cannot exceed 100% of base pay. Employee base remuneration is determined by the tasks performed within a given organizational unit, scope of responsibility, qualifications, and impact on the risk profile.

The Bank conducts periodic position and remuneration reviews. Based on the financial condition and business environment, the Bank's Management Board may decide to allocate a pool of funds to adjust employee base salaries. Remuneration levels are reviewed based on periodic performance assessments and individual employee skills.

Variable remuneration is determined by a bonus system designed to motivate employees to pursue the Bank's development plans. The Bank's periodic assessment criteria are tailored to the specific performance of employees in individual organizational units. The amount of bonus budgets allocated for bonus payments is determined based on the degree of task completion in each unit. Individual bonuses cannot exceed 100% of the total annual base salary. Bonuses are awarded within the bonus pool based on an assessment of performance quality and the degree of commitment to achieving employee goals.

The Supervisory Board approves the "Remuneration Policy in Millennium Bank Hipoteczny S.A." and supervises its compliance.

The Bank attaches importance to the proper remuneration of individuals who have a significant impact on the Bank's risk profile (so-called Risk Takers). The principles for awarding remuneration to Risk Takers are defined in the regulation "Remuneration Policy for Individuals Having a Significant Impact on the Risk Profile ("Risk Takers") at Millennium Bank Hipoteczny S.A." (hereinafter also referred to as the "Risk Takers Remuneration Policy"). The Risk Takers Remuneration Policy provides a formal framework for determining the remuneration of individuals identified as having a significant impact on the Bank's risk profile from the perspective of corporate governance, institutional security, and the adequacy of remuneration to the Bank's condition, scale of operations, and development potential. This policy is subject to annual review by the Bank's Management Board.

Risk Takers in the Bank include Members of the Bank's Supervisory Board, Members of the Bank's Management Board, and other employees identified as having a significant impact on the Bank's risk profile in accordance with the Bank's identification principles.

The Bank applies non-business criteria regarding performance quality and the achievement of individual business goals to evaluate their performance. The variable component of Risk Takers' remuneration is a bonus paid in cash.

The "Remuneration Policy for Individuals Having a Significant Impact on the Risk Profile ("Risk Takers") in Millennium Bank Hipoteczny S.A." and any amendments thereto are approved by the Bank's Supervisory Board.

7.2 STRATEGIC COOPERATION WITH BANK MILLENNIUM

The Bank's operating model assumes strategic cooperation with the founder and parent entity of Bank Millennium S.A. and is largely based on the acquisition of services provided by Bank Millennium. Due to the specificity of the Bank's business model, the purpose of adopting such a solution is to ensure continuity of service to borrowers whose receivables are subject to transfer to the Bank. The strategic cooperation with Bank Millennium is aimed at limiting the impact of the mortgage loan transfer process on borrowers by maintaining as much as possible the standard of service to which they are accustomed and enabling them to use all communication channels available to them so far. An important objective of cooperation with Bank Millennium is also to achieve business synergies, translating not only into the effectiveness of the Bank's operations, but also into the security of the processes handled and compliance with group standards.

The services purchased by the Bank from Bank Millennium relate primarily to operational customer service, IT services, and other selected support services in individual areas of the Bank's operations that are already operating in Bank Millennium.

The principles of cooperation between the two banks are governed by an outsourcing agreement, on the basis of which the Bank entrusted Bank Millennium in particular with the performance - on behalf of and for the benefit of the Bank - of factual and legal activities related to the Bank's banking activities, provided in accordance with the provisions of Articles 6a-6d of the Banking Law Act (banking outsourcing). This agreement, as well as other agreements entrusting Bank Millennium with the provision of services, include, in particular, the following types of activities:

- servicing the mortgage loan portfolio and performing other factual activities related to the Bank's operations.
- activities in the area of human resources management, which include HR administration, recruitment, training, and development, as well as settlements and employee benefits,
- activities as part of the process of purchasing and selecting other service providers,

- activities within the processes related to the ICT area, including in particular the provision and management of ICT infrastructure, telecommunications services, provision of supporting applications,
- activities related to ensuring physical security and cybersecurity for the Bank,
- activities related to the administration of the Bank's website.

Transfers of mortgage receivables from Bank Millennium and their financing are governed by agreements signed between the Bank and Bank Millennium. These agreements provide for the following instruments for financing loan transfers:

- revolving credit,
- working capital loan,
- overdraft,
- deferred payment for purchased receivables.

Bank Millennium (brokerage house) also provided covered bond offering services for the Bank as the lead arranger, together with a co-consortium member.

8. DECLARATIONS

8.1. SELECTION OF THE ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS

On 28 March 2025, the Bank's Supervisory Board, by Resolution No. 11/2025, selected BDO spółka z ograniczoną odpowiedzialnością Sp.k. as the audit firm to audit the Bank's financial statements for the years 2025-2026. The audit contract was concluded on May 26, 2025.

The selection of this firm by the Bank's Supervisory Board was preceded by the issuance of an appropriate recommendation by the Audit Committee of the Supervisory Board, preceded by actions taken by this committee in accordance with the "Policy of selection and cooperation with audit firms in Millennium Bank Hipoteczny S.A.". The firm and the statutory auditors auditing the report in question have met the conditions necessary to issue an impartial and independent audit report, in accordance with the relevant provisions of national law, standards of professional practice and professional ethics.

Auditor Compensation *(PLN thousand, gross)*	**1st half of 2026**	**1st half of 2025**
Statutory audit under meaning of Article 2(1) of Statutory Auditors Act	147,6	184,5
Other services	0,0	0,0
TOTAL	147,6	184,5

8.2. STATEMENT OF THE MANAGEMENT BOARD

To the best of our knowledge, the financial statements of Millennium Bank Hipoteczny S.A. for the period of 6 months ended 30 June 2026 have been prepared in accordance with the applicable accounting principles and reflect in a true, fair and clear manner the assets and financial position of Millennium Bank Hipoteczny S.A. and its financial result. This semi-annual report of the Management Board on the activities of Millennium Bank Hipoteczny S.A. provides a true picture of the Bank's development, achievements and situation.

Signatures of Members of the Management Board of Millennium Bank Hipoteczny S.A.

date	name and surname	Position/Function	signature
27.07.2026	Agata Chrzanowska	Chair of the Management Board	signed with a qualified electronic archive
27.07.2026	Adam Berent	Member of the Management Board	signed with a qualified electronic archive
27.07.2026	Artur Kulesza	Member of the Management Board	signed with a qualified electronic archive