



**Report of the Management Board  
on the Activities of  
Millennium Bank Hipoteczny S.A.  
for a period of 12 months  
ended 31 December 2025**

*This document is a translation of a document originally issued in Polish.*

*The only binding version is the original Polish version.*

Dear Sir/Madam,

The year 2025 was a period of intensive development and significant business and organisational achievements for Millennium Bank Hipoteczny S.A. It was a record year in terms of the volume of transferred loans, the value of covered bonds issued and the net profit achieved.

One of the key achievements of the past year was the continued dynamic development of the mortgage portfolio. After the tenth transfer, we now hold a portfolio of almost 18 thousand loans with a total value of PLN 4.6 billion. This is proof of the predictability and effectiveness of the operating model developed by the Bank.

In 2025, we completed two issues – in March and November – with a total value of PLN 1.8 billion. In addition, we established an International Mortgage Covered Bond Issuance Programme and obtained approval of the Base Prospectus by the Commission de Surveillance du Secteur Financier in Luxembourg.

Last year we also achieved very good financial results. The Bank's operating income increased by 76% y/y, and the net profit was more than twice as high as a year ago, reaching PLN 38.3 million. This is the result of both the increase in the scale of operations and responsible management of costs and the loan portfolio.

In 2025, the Bank joined the Polish Bank Association, strengthening its position as an institution actively participating in the development of the covered bond market, and at the same time increasing its participation in the sectoral dialogue.

The year 2025 also brought an important step in the area of organisational management – we conducted the first employee satisfaction survey in our history. The results confirmed the high level of job satisfaction at the Bank, and the areas indicated as requiring attention will be the starting point for development priorities for 2026.

I would like to thank all the Bank employees for their commitment, responsibility, and professionalism. Each of the achievements of 2025 is the result of the effort of the entire team. I would also like to thank investors for their trust and interest in our covered bonds.

Together, we are building a strong and modern Mortgage Bank - today and in the future.

Yours sincerely,

Agata Chrzanowska

Chair of the Management Board

Millennium Bank Hipoteczny S.A

Table of contents

<b>1. Introduction</b>	<b>4</b>
1.1. Brief description of the Bank and the Bank Millennium Group	4
1.2. Significant events in 2025	5
1.3. Main business and financial achievements	5
1.4. Directions of the Bank's development	6
<b>2. Market conditions</b>	<b>7</b>
2.1. Macroeconomic situation	7
2.2. Residential property and mortgage loans market	9
2.3. Covered bonds market	9
2.4. Legal and regulatory environment	10
2.5. Factors of uncertainty for the economy and bank	11
<b>3. Financial situation of the Bank</b>	<b>13</b>
3.1. Key indicators	13
3.2. Profit and loss account	13
3.3. Balance sheet	15
3.4. Financing structure	16
<b>4. Risk management</b>	<b>17</b>
4.1. Risk management Review	17
4.2. Capital management	19
4.3. Credit risk	22
4.4. Other risks	28
<b>5. Covered Bond Security System</b>	<b>33</b>
5.1. Valuation of mortgage loan collateral (MLV)	33
5.2. Covered bond collateral register	34
5.3. Trustees	34
5.4. Statutory limits	35
5.5. Rating Information	36
<b>6. Statement on the Application of Corporate Governance</b>	<b>37</b>
6.1. Corporate Governance Principles	37
6.2. Governing bodies of the Bank	38
6.3. Organisational structure of the Bank	42
6.4. Internal Control System in the Bank	43
<b>7. Human Resource Management and Outsourcing</b>	<b>46</b>
7.1. Employment and remuneration policy	46
7.2. Strategic cooperation with Bank Millennium	47
<b>8. Declarations</b>	<b>49</b>
8.1. Selection of the entity authorised to audit financial statements	49
8.2. Statement of the Management Board	49

# 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 of Bank Millennium S.A. ("Bank Millennium") on 9 July 2020. The Bank commenced its operations on 14 June 2021.

Bank address: 02-593 Warsaw, 2A Stanisława Żaryna Street, [www.millenniumbh.pl](http://www.millenniumbh.pl)

KRS number: 0000852039 District Court for the Capital City of Warsaw, XIII Commercial Division of the KRS

REGON statistical number: 386797947

Tax identification number: 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 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 for sustainable development ("ESRS") and including, among others, Millennium Bank Hipoteczny. Therefore, the Bank does not prepare sustainability reporting, making use of the exemption in accordance with Article 63u. of the Accounting Act.

The Group's reports are published on the [www.bankmillennium.pl](http://www.bankmillennium.pl) website.

The Bank's share capital - after an increase in the first half of 2025 by PLN 33,000,000 - amounts to PLN 163,000,000 and has been fully paid up by Bank Millennium S.A. with a cash contribution. Ordinary registered shares in the amount of 163,000,000 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. Capital 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, including in the area of innovation and quality of customer service.

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. Currently, it directs its services to all market segments through a network of branches, individual advisers 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 activities), Millennium Towarzystwo Funduszy Inwestycyjnych S.A. (investment funds) and Millennium Goodie Sp. z o.o. (smartshopping platform).

The parent entity for Bank Millennium is Banco Comercial Portugues - a leading Portuguese bank listed on the Lisbon Stock Exchange.

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

## 1.2. SIGNIFICANT EVENTS IN 2025

The most significant events in the period covered by this report were:

- 12.03.2025 - issue of the 3rd series of covered bonds worth PLN 800 million issued under the National Issue Programme.
- 8.04.2025 - annex to the financing agreement from Bank Millennium (increasing the credit line to PLN 4,000 million).
- 8.04.2025 - decision of the Ordinary General Meeting of Shareholders to leave the entire profit for 2024 (PLN 17.1 million) in the Bank's capital and to increase the Bank's equity through the issue of series E shares with an issue value of PLN 99 million, registered by the National Court Register on 9.05.2025.
- 15.04.2025 - eighth transfer of receivables from Bank Millennium worth PLN 754 million.
- 15.07.2025 - ninth transfer of receivables from Bank Millennium worth PLN 814 million.
- 21.10.2025 - tenth transfer of receivables from Bank Millennium worth PLN 803 million.
- 04.11.2025 - issue of the 1st series of covered bonds worth PLN 1 billion issued under the international programme (EMTN).

## 1.3. MAIN BUSINESS AND FINANCIAL ACHIEVEMENTS

In 2025, the Bank successfully continued to achieve its main strategic objective - the issuance of mortgage covered bonds. In March 2025, the Bank placed the 3rd series of covered bonds worth PLN 800 million on the domestic market of institutional investors. Like previous issues, the issued covered bonds were admitted and are listed on the regulated parallel market operated by the WSE, and their interest rate - determined as a result of book-building - consists of a fixed margin over the variable WIBOR 3m rate. The Bank's new covered bonds, like the previous ones, received an AAA rating from Fitch Ratings. In September 2025, the Bank established a new international covered bond issue programme (EMTN) with a value of up to EUR 3 billion or the equivalent in other currencies. The Luxembourg CSSF Commission approved the base prospectus for this programme, allowing for the issue in PLN or EUR. In November, the Bank issued the 1st series of covered bonds of this programme worth PLN 1 billion on the domestic market of institutional investors. This series has been approved and is listed on the parallel regulated market operated by the WSE and on the Luxembourg Stock Exchange.

In 2025, the Bank carried out three transfers of mortgage loans granted by Bank Millennium and at the end of the year it had 17.6 thousand loans in its portfolio with a total carrying amount of PLN 4.6 billion. At the same time, the Bank continued to work on the preparation of further transfers. This work primarily involves determining the mortgage lending value for receivables to be held for future transfers. All loans to be transferred meet a number of criteria set by the Bank, the most important of which are:

- ✓ loan currency in PLN
- ✓ intended for residential purposes
- ✓ ownership legal title with an established mortgage in favour of Bank Millennium in 1st place
- ✓ without impairment triggers
- ✓ loan balance lower than the mortgage lending value.

The Bank closed 2025 with a net profit of PLN 38.3 million.

The Bank's balance sheet total as at 31 December 2025 amounted to PLN 4,868 million.

The main source of financing for the Bank's operations, apart from equity in the amount of PLN 519 million and covered bonds in the amount of PLN 2,612 million (with accrued interest), was financing granted by Bank Millennium in the amount of PLN 1,730 million at the end of the year.

The portfolio of mortgage loans held by the Bank is characterised by high quality. The share of stage 3 loans accounted for 0.1% of the total value of the portfolio at the end of the reporting period.

The Bank maintains liquidity and solvency ratios at very high, safe levels. At the end of the reporting period, the Total Capital Ratio (TCR) was 27.6%.

## **1.4. DIRECTIONS OF THE BANK'S DEVELOPMENT**

The high share of mortgage loans in the Bank Millennium Group's portfolio justifies the need to provide stable and long-term financing in the form of mortgage covered bonds, which is the Bank's main objective. The implementation of this goal, successfully launched in 2024, will continue in the coming years. The Bank will consider the possibility of issuing letters also on the European market in EUR.

The issue of covered bonds requires the possession of an appropriate amount of mortgage loan receivables entered in the register of covered bonds (the "Register"), in accordance with the requirements of the Act of 29 August 1997 on covered bonds and mortgage banks. The condition for entering the receivables in the register is the establishment of a mortgage in favour of the Bank by making a change in the content of the mortgages originally established in favour of Bank Millennium. After the appropriate entries are made by the courts, the mortgage receivables will be included in the Register, enabling the issuance of covered bonds.

The above activities will be carried out by the Bank on a regular basis. Subsequent tranches of mortgage loans granted by Bank Millennium will be subject to the process of determining the mortgage lending value and then transferred to the Bank. Only mortgage loans granted in PLN to natural persons for housing purposes will be transferred to the Bank.

The source of financing for purchased loans will initially be - as before - a bank loan and deferred payment. In order to properly manage interest rate risk, the Bank will take out loans with an interest rate at both variable and fixed interest rates.

After the change of creditor in the land and mortgage registers, the transferred loans will increase the pool of receivables in the Register, thus enabling further issues of covered bonds, which will allow for the repayment of loans taken out for the purchase of portfolios.

The Bank does not grant and does not intend to grant mortgage loans itself.

## 2. MARKET CONDITIONS

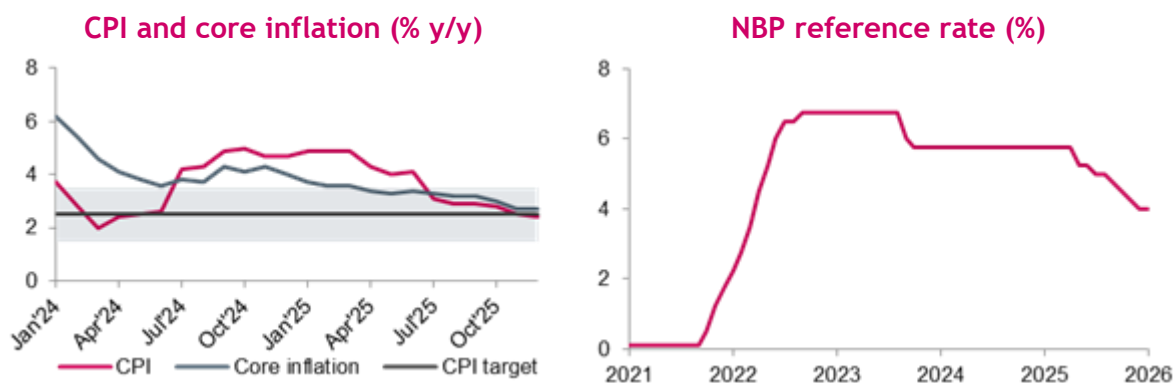
### 2.1. MACROECONOMIC SITUATION

2025 was marked by significant changes in global trade policy and growing geopolitical tensions. In August, the biggest changes in US customs policy in decades came into force. The new import tax rates have covered about 70 countries, including the European Union and China. In addition, sectoral tariffs were introduced, among others, on steel, copper, aluminium and cars. While the final solutions turned out to be softer than originally announced, tariffs worldwide have risen to their highest level in many years, forcing adjustments in international supply chains and prompting companies to seek new markets and cheaper suppliers.

Trade policy remained an important source of uncertainty; however, fiscal and geopolitical risks were gaining importance for the global economic outlook. In the United States, the deteriorating budget situation intensified concerns about the long-term sustainability of public finances. Similar challenges were observed in Europe: in France, rising fiscal pressures contributed to increased political instability. Consequently, both countries experienced sovereign credit rating downgrades.

Despite these adverse trends, the global economy showed resilience in 2025. According to the International Monetary Fund's estimates, global growth was 3.3%, similar to 2024, supported by a softer monetary policy. In the US, GDP growth remained solid at around 2.0%, supported by high consumption by higher-income households and growing infrastructure and technology investments, including those related to artificial intelligence. In China, economic activity was strong for most of the year, propelled by industry and exports, but 4Q25 brought a slowdown resulting from weakening domestic demand and a deepening imbalance in the residential real estate sector. In the euro area, economic growth was around 1.2%, slightly below the long-term average, despite the continued weakness of the German economy.

According to the IMF forecasts, the global economy is also expected to grow by 3.3% in 2026, matching the pace recorded in 2024-2025. However, the outlook for the eurozone - Poland's key trading partner - remains relatively weaker. As a result, in the coming quarters, foreign demand is unlikely to be a significant factor supporting Polish GDP growth.



Source: Macrobond, GUS, NBP, Bank Millennium

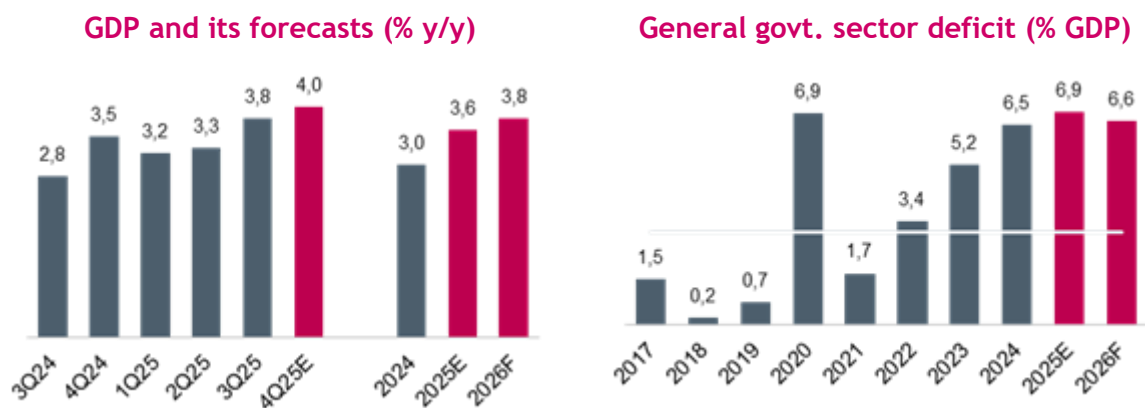
The Polish economy also remained resilient to changes in international trade conditions. After a weaker 1Q25, GDP growth gradually accelerated and, according to the Bank Millennium estimates, reached about 4.0% y/y in 4Q, and for the whole of 2025 amounted to 3.6% compared to 3.0% in 2024. The main driver of growth was private consumption, supported by rising household incomes and improved consumer sentiment. Investments, on the other hand, remained relatively weaker, which resulted from the initial phase of implementation of projects co-financed from EU funds. Net exports probably did not support growth, although export results turned out to be better than expected, among others, thanks to the diversification of Polish production and the expansion of enterprises to non-European markets.

Household consumption was significantly supported by a gradual decline in inflation in 2025, which turned out to be deeper than expected. In December 2025, CPI inflation fell to 2.4% y/y, i.e. below the NBP inflation target, and averaged 3.6% for the whole year. The decline in inflation was supported by slower wage growth amid weaker labour demand, a strong zloty and disinflation in the global economy. In view of the better inflation outlook in Poland, the Monetary Policy Council systematically lowered the interest rates of the National Bank of Poland, bringing the reference rate down from 5.75% at the beginning of the year to 4.00% in December.

A deeper-than-expected decline in inflation contributed to lower-than-planned state budget revenues. According to the 2026 budget bill, the general government deficit amounted to 6.9% of GDP in 2025 against plans of 5.4%. As a result, Fitch and Moody's have lowered the outlook for the Polish sovereign rating from stable to negative. The budget bill for 2026 provides for a deficit of 6.5% of GDP, which means the third year in a row with a deficit of more than 6%. Fiscal policy remains accommodative and the political calendar will not be conducive to consolidation efforts. However, a downgrade of the rating itself seems unlikely in the near future.

Positive real interest rates in 2025 contributed to dynamic growth in deposits. The value of deposits in the banking sector at the end of Dec'25 was PLN 198 billion higher than a year earlier, which means an increase of 9.5% y/y. Amid falling NBP interest rates and better consumer sentiment, an increase in the value of newly granted loans to households was recorded. In 2025, the value of new consumer loans increased by 25.8% y/y, and 2H25 also brought a faster increase in newly granted housing loans. By contrast, the value of new loans to non-financial corporations remained broadly unchanged compared with 2024, reflecting stable demand for bank financing.

Expectations for the Polish economy for 2026 are optimistic. According to Bank Millennium, GDP growth in 2026 will amount to approx. 3.8% y/y, exceeding the potential growth rate. The composition of growth will probably change. Investments should have a greater contribution, especially those implemented under the European Union's cohesion policy and the National Recovery Plan. According to Bank Millennium forecasts, consumption growth will ease as wage dynamics weaken, partly reflecting a more modest increase in the minimum wage in 2026 compared with recent years. Nevertheless, in the conditions of still expected low unemployment, consumption will remain an important support for the economy. At the same time, the slow recovery of the eurozone economy, especially in Germany, is likely to continue to limit the growth potential of the Polish economy, as in 2025.



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

The economy and the labour market are showing more signs of equilibrium. In view of these conditions and the expected favourable trends on global commodity markets, the Bank expects consumer price inflation in 2026 to be close to the NBP inflation target, and to average 2.4% y/y during the year. According to Bank Millennium, thanks to the decreasing risks to inflation in Poland, there will be room for monetary policy easing. Taking into account the expectations of growth above potential and accommodative fiscal policy, the scale of interest rate cuts is likely to be small. Bank Millennium assumes that in 2026 the reference rate will fall to 3.50% from 4.00% at the end of 2025.

The optimistic scenario for the domestic economy for 2026 is burdened, as in recent years, with increased uncertainty resulting primarily from factors from the external environment. They concern both the geopolitical situation as well as possible changes in the trade policy of the world's largest economies. In addition, the risk associated with high valuations of companies in the US and a strong concentration of investors in the technology sector are growing. In China, on the other hand, tensions remain over the debt of the real estate sector and local authorities, limiting the room for fiscal action and potentially leading, under an adverse scenario, to disruptions in the financial system.

## **2.2. RESIDENTIAL PROPERTY AND MORTGAGE LOANS MARKET**

In 2025, property development companies listed on the Warsaw Stock Exchange recorded, based on preliminary sales data, a 13.8% year-on-year decline in the number of residential units sold. Between January and December 2025, lower 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 decreased by 8.8% compared with the corresponding period of the previous year. In addition, the number of dwellings whose construction commenced was 9.2% lower year-on-year. An increase of 4.3% year-on-year was recorded only in the number of dwellings completed. Individual investors delivered 67.6 thousand units for use, representing a decrease of 2.8% compared with the previous year, while developers completed 134.1 thousand units, an increase of 7.6% year-on-year.

According to NBP data, in the third quarter of 2025 transaction prices of residential units on the primary market in the 10 largest Polish cities increased by 3.6% year-on-year and by 0.4% quarter-on-quarter, indicating a continued slowdown of the strong upward trend observed in previous periods. As a result, a gradual improvement in households' purchasing power is being observed, both relative to income levels and to the general price environment.

After a period of stabilisation in the residential mortgage market following the conclusion of the government "Bezpieczny Kredyt 2%" programme, lending activity began to accelerate in the second quarter of 2025 (up 16% q/q), continuing to grow in the third quarter of 2025 (up 17% q/q). At the same time, the average value of a residential mortgage loan increased significantly, reaching PLN 450.4 thousand at the end of September 2025, which represented a 6.8% year-on-year rise. This increase was driven by rising real estate prices and higher borrowing capacity of mortgage applicants.

An important factor contributing to the increase in borrowing capacity - apart from the slowdown in the growth of residential transaction prices - was the series of interest rate cuts implemented by the Monetary Policy Council in 2025.

Between the first and third quarter of 2025, banks granted a total of 168 thousand new residential mortgage loans with an aggregate value of PLN 73 billion, representing an 8% increase in volume and a 14% increase in value compared with the first three quarters of 2024. However, the number and value of loans used to refinance existing residential mortgage debt are likely increasing.

The outlook for the residential property market in 2026 remains positive, particularly in light of the expected continuation of the interest rate-cutting cycle in Poland, which should support sustained growth in borrowers' credit capacity and maintain strong demand for mortgage lending.

## **2.3. COVERED BONDS MARKET**

Covered bond 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 characterised by both a relatively small size in terms of the volume of outstanding covered bonds and low liquidity in the secondary market.

As 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%<sup>1</sup>, respectively.

As at 31 December 2025, 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 31 December 2025, the total value of mortgage covered bonds issued by Polish mortgage banks and outstanding amounted to PLN 20.7 billion (+21.6% y/y). In 2025, domestic mortgage banks conducted 10 issuances of mortgage covered bonds in PLN with a nominal value of PLN 7.3 billion (including two issuances by Millennium Bank Hipoteczny with a total value of PLN 1.8 billion) and one EUR-denominated issuance with a value of EUR 500 million. Among the PLN-denominated covered bonds was a series issued by PKO Bank Hipoteczny S.A. with a nominal value of PLN 1.2 billion addressed to retail investors - the high issuance amount indicates that the retail investor segment may become an important source of demand in future periods on the domestic covered bond market. At the same time, in 2025, nine series of covered bonds (five in PLN and four in EUR) with a total nominal value of PLN 0.9 billion and EUR 1.1 billion were redeemed.

As at the end of 2025, the largest market shares in terms of the total volume of outstanding mortgage covered bonds were held by PKO Bank Hipoteczny S.A. (40.4%) and mBank Hipoteczny S.A. (28.9%). Millennium Bank Hipoteczny S.A. followed, with a market share of 12.5%.

In 2026, mortgage covered bonds with a total nominal value of PLN 2.9 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 December 2025, covered bonds issued by Polish mortgage banks accounted for 4.0% 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%<sup>2</sup>, 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.

## 2.4. LEGAL AND REGULATORY ENVIRONMENT

In 2025, the Bank monitored the process of changes in the legal and regulatory environment on an ongoing basis, in particular by preparing periodic legal information indicating, among others, the introduction of new or generally applicable legal provisions and supervisory regulations, including those developed by the Polish Financial Supervision Authority, which may have an impact on the Bank's operations (i.e. result in the need to introduce changes in the Bank's internal regulations or to undertake other adaptation measures).

Therefore, in 2025 the Bank undertook a number of activities aimed at, among others:

1/ further analysis - including for the purposes of the gradual implementation in the Bank - of regulatory changes related to the publication by the EU on 19 June 2024 of the so-called AML/CFT

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<sup>1</sup> Source: EMF Hypostat 2025.

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

regulatory package, consisting of three legal acts that will enter into force successively and which are aimed at, among others, coherence and coordination of the application of the EU AML/CFT regulations issued so far.

2/ Completion of the implementation and commencement of the application process in the Bank - starting from 17 January 2025 - of the provisions of Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience of the financial sector (DORA) and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 (OJ L 1060/2014, p. EU L of 2022 No. 333) together with the implementing regulations (RTS and ITS) to this Regulation.

3/ Continuation of work aimed at implementing the provisions of the Act of 26 April 2024 on ensuring compliance with the requirements for the availability of certain products and services by business entities in the Bank.

4/ Ongoing monitoring of the course of the benchmark reform process, including, among others, the expected replacement of the WIBOR benchmark with the POLSTR benchmark.

In addition, in 2025 the Bank fulfilled a number of regulatory obligations, including those related to the issue of covered bonds on the basis of a prospectus approved by the Luxembourg supervisory authority, i.e. the Commission de Surveillance du Secteur Financier (CSSF), as well as continued the process of ongoing monitoring of information on court rulings in the area of questioning the WIBOR benchmark and the possible impact of this information on the Bank's factual and legal situation.

## 2.5. FACTORS OF UNCERTAINTY FOR THE ECONOMY AND BANK

The summary list below presents the most important negative risk factors, in the Bank's opinion, for the Bank Millennium Group, regarding the macroeconomic and international situation in 2026.

- **Global political and military situation**

The risks include social unrest, the possibility of escalating military action between Russia and Ukraine, and prolonged tensions in other regions of the world, e.g. the Middle East and Asia. A deterioration in the geopolitical situation could lead to negative supply shocks, increased uncertainty and risk aversion, disruptions in international trade, and an increase in public and private debt. This could result in a deterioration in consumer and business sentiment, leading to a slowdown in economic growth.

- **Debt problems in some main economies, as well as adjustment on global financial markets**

A risk factor for the global economic situation may be possible debt problems of the public and private sectors in some main economies, as well as an adjustment of asset prices on global financial markets. The high valuation of technology companies in the US - especially those based on artificial intelligence - and the concentration of investors increase the risk of significant market correction. China is also a significant source of risk, where slowdown in growth, imbalances in the real estate sector and high debt levels may undermine the stability of the country's financial system. The potential materialisation of these risks would have an impact on global investment sentiment and an increase in risk premium. In such conditions, portfolio capital could flow out of financial markets, increasing uncertainty, weakening the zloty, raising domestic bond yields and covered bonds.

- **Political, institutional and fiscal risks in Poland**

The lack of cooperation between the government and the president, as well as potential early elections, may delay the implementation of EU-funded projects. These factors could lead to a deterioration in the fiscal position, a weakening of the currency, and an increase in the risk premium.

- **Further tightening of trade policy**

Long-term protectionism may lead to disruptions in global supply chains, reduced economic efficiency and slowed growth, which would also translate into a deterioration in macroeconomic conditions in Poland.

- **High supply of debt instruments on the financial market**

The increased borrowing needs of Poland, and the resulting higher supply of debt instruments issued by the Ministry of Finance, may lead to an increase in the margin required by investors or necessitate offering covered bonds on international markets. These factors may contribute to higher funding costs for the Bank, thereby reducing its financial result.

A more optimistic scenario than the one adopted by the Bank as its baseline is also possible. It could materialize in the event of faster implementation of EU projects, an end to the war in Ukraine, an increase in consumer propensity to spend, increased investment activity by companies and a stronger economic recovery abroad -- in particular in Germany.

## 3. FINANCIAL SITUATION OF THE BANK

### 3.1. KEY INDICATORS

In 2025, the Bank recorded a financial result of PLN 38.3 million, which represents a more than twofold increase (124%) compared to the net profit for 2024 (PLN 17.1 million). As the Bank's balance sheet total increased by 55% last year, the return on average assets (ROA) increased only slightly: from 0.9% to 1%. The return on equity (ROE) ratio increased more significantly, to 8.3%. The Cost/Income ratio also improved significantly, falling from 42% in 2024 to below 30% last year.

Capital utilization ratios (solvency: 27.6% and leverage: 9.9%) remain at a very safe level. The share of basket 3 loans remains at a very low level of 0.1%, reflecting the consistently good quality of the Bank's loan portfolio. As a result, the cost of write-offs to the average loan balance decreased from 11 basis points a year ago to only 4 basis points last year.

The value of the Bank's key ratios achieved in 2025 compared to last year's ratios is presented in the table below:

Key indicators for the period	2025	2024
Costs/Income (C/I)*	30%	42%
Return on assets (ROA)**	0,96%	0,86%
Return on equity (ROE)**	8,32%	5,11%

\*) Costs without impairment write-offs

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

Key indicators	31.12.2025	31.12.2024
Total Capital Ratio (TCR)*	27,6%	23,1%
Leverage (LR)	9,9%	11,6%
Stage/Phase 3 Share (NPL)	0,11%	0,07%
Cost of Risk (CoR) per annum **	0,04%	0,11%

\*) 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 2025 amounted to PLN 276.6 million, mainly from mortgage loans on the Bank's balance sheet (PLN 259.3 million). Interest expenses on loans taken out to purchase the loan portfolio and on covered bonds amounted to PLN 206 million during the year. The balance of net commission and fee income, as well as other operating income and expenses, was immaterial and amounted to minus PLN 0.1 million. The Bank's total net operating income in 2025 amounted to PLN 70.4 million, which represents an increase of 76% compared to net income in 2024. The main reason for the increase in income was the growth of the Bank's loan portfolio as a result of subsequent transfers of mortgage receivables (by 60% compared to the end of 2024).

The table below presents the Bank's financial results for 2025 compared to the previous year's data:

<b>Profit and loss account</b> <i>(PLN thousand)</i>	<b>2025</b>	<b>2024</b>	<b>Change</b> <b>(%)</b>
Interest income	276 553	143 759	92
Interest expense	-206 034	-103 612	99
<b>Net interest income</b>	<b>70 519</b>	<b>40 147</b>	<b>76</b>
Net commission income	-52	-43	21
Other	-49	-134	-63
<b>Net operating income</b>	<b>70 418</b>	<b>39 970</b>	<b>76</b>
Employee costs	-10 860	-9 299	17
Non-employee costs *	-10 214	-7 610	34
<b>Administrative costs</b>	<b>-21 074</b>	<b>-16 909</b>	<b>25</b>
Risk allowances **	-1 537	-1 902	-19
<b>Operating result</b>	<b>47 807</b>	<b>21 159</b>	<b>126</b>
Bank tax	-426	0	-
<b>Profit before tax</b>	<b>47 381</b>	<b>21 159</b>	<b>124</b>
Income tax	-9 086	-4 089	122
<b>Net result</b>	<b>38 295</b>	<b>17 070</b>	<b>124</b>

\*) including depreciation

\*\*) together with the result of the modification

Own administrative costs and depreciation in 2025 totaled PLN 21.1 million, up 25% year-on-year. The main item was employee costs: PLN 10.9 million, up 17% year-on-year. The relatively small increase in employee costs is due to the stability of the Bank's organizational structure. As at December 31, 2025, the Bank employed 38 people (including the management board) and increased its headcount by only one person during the year. A detailed breakdown of employee costs is provided in section 7.1. *Employment and remuneration policy*. Other administrative costs (including depreciation) amounted to PLN 10.2 million, an increase of 34% compared to the previous year. This amount comprised a number of items, including the cost of outsourcing services provided by Bank Millennium in the amount of PLN 5.4 million.

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

<b>Non-employee costs with depreciation and amortisation</b> <i>(PLN thousand)</i>	<b>2025</b>	<b>2024</b>	<b>Change</b> <b>(%)</b>
Costs of outsourcing to Bank Millennium	-5 434	-3 280	66
ICT costs - other	-1 203	-1 179	2
Costs of consulting and audit services *)	-1 042	-941	11
Other administrative expenses	-1 825	-1 485	23
Depreciation	-711	-726	-2
<b>Total</b>	<b>-10 214</b>	<b>-7 610</b>	<b>34</b>

\*) includes the remuneration of the Trustees

The total value of credit risk write-offs in 2025 amounted to PLN 1.5 million, which means that the average cost of risk was only 0.04% of the loan portfolio. The quality of the Bank's loan portfolio remains very good: the share of basket 3 (NPL) was 0.1%, and its coverage by total balance sheet write-offs was 126% as at the end of 2025.

In 2025, the Bank began to pay bank tax (PLN 0.4 million) due to its balance sheet exceeding the amount allowing for exemption from this tax.

As a result of the above figures, the Bank achieved a gross profit of PLN 47.4 million and a net profit of PLN 38.3 million, which is more than twice the net profit for 2024.

### 3.3. BALANCE SHEET

The Bank's balance sheet total as at December 31, 2025 amounted to PLN 4,868 million, up 55% compared to the end of the previous year.

<b>Assets</b> <i>(PLN thousand)</i>	<b>31.12.2025</b>	<b>31.12.2024</b>	<b>Change</b> <i>(%)</i>
Loan portfolio	4 618 221	2 891 864	59,7
Securities (mainly Treasury bonds and NBP bills)	244 701	231 801	5,6
Deposits and bank accounts	2 918	6 803	-57,1
Fixed and intangible assets	1 344	2 038	-34,1
Income tax assets	0	1 689	-
Other assets	818	2 370	-65,5
<b>Total</b>	<b>4 868 001</b>	<b>3 136 565</b>	<b>55,2</b>

The main asset item is mortgage loan receivables purchased from Bank Millennium. In 2025, the Bank carried out three loan transfers, resulting in a balance sheet value of PLN 4,618 million at the end of December. This represents a 60% increase in this item over the year. The average effective interest rate on the mortgage loan portfolio held by the Bank in 2025 was 7.2%.

The second largest item was highly liquid Treasury bonds and NBP money market bills with a total value of PLN 245 million. The value of fixed assets at the end of the reporting period was PLN 1.3 million, and the balance of funds in bank accounts was PLN 2.9 million. The Bank's balance sheet was supplemented by the balance of other assets (PLN 0.8 million).

<b>Liabilities</b> <i>(PLN thousand)</i>	<b>31.12.2025</b>	<b>31.12.2024</b>	<b>Change</b> <i>(%)</i>
Mortgage covered bonds	2 611 630	804 752	224,5
Financial liabilities	1 730 288	1 944 076	-11,0
Other liabilities	7 323	6 049	21,1
<b>Equity</b>	<b>518 761</b>	<b>381 689</b>	<b>35,9</b>
<i>Equity</i>	163 000	130 000	25,4
<i>Supplementary capital</i>	290 722	224 722	29,4
<i>Accumulated other comprehensive income</i>	151	373	-59,6
<i>Net result</i>	64 888	26 593	144,0
<b>Total</b>	<b>4 868 001</b>	<b>3 136 565</b>	<b>55,2</b>

On the liabilities side, the largest item at the end of December 2025 was covered bonds with a total balance of PLN 2,612 million. Following a successful debut on the domestic covered bond market in 2024, the Bank carried out two covered bond issues in 2025 for a total amount of PLN 1,800 million. Thanks to the successful mortgage bond issues, financial liabilities to Bank Millennium fell to the second position on the Bank's liabilities, amounting to PLN 1,730 million at the end of the year.

Another source of financing for the Bank's operations was equity capital, derived from the initial capital increased by new share issues and retained earnings from previous years, totaling PLN 519 million as at December 31, 2025.

The Bank's other liabilities amounted to PLN 7.3 million at the end of the reporting period (including provisions for material costs, pension provisions, and liabilities to the budget).

### 3.4. FINANCING STRUCTURE

The Bank's financing for the purchase of mortgage receivables is based on loans from Bank Millennium and the issuance of mortgage covered bonds. In 2021, the Bank signed a Financing Agreement with Bank Millennium, which includes:

- a revolving credit facility based on a variable rate of 3M WIBOR + margin,
- an overdraft facility based on a variable rate of 3M WIBOR + margin.

Pursuant to the Annex to the Agreement, signed on April 8, 2025, the revolving credit facility was extended until April 30, 2027, and the total debt limit was increased from PLN 2,800 million to PLN 4,000 million. At the same time, the possibility of financing - up to a maximum of PLN 2,000 million - in the form of fixed-rate working capital loans was approved. The introduction of financing in the form of fixed-rate loans serves to better manage interest rate risk. As of December 31, 2025, the Bank's debt under working capital loans amounted to PLN 650 million, with the remaining PLN 1,079 million represented by a revolving loan.

Furthermore, the Bank partially finances the purchase of mortgage loan portfolios from Bank Millennium through deferred payments. In 2025, the Bank used this form of financing three times, during each of the transfers, with the maximum debt amounting to PLN 113 million.

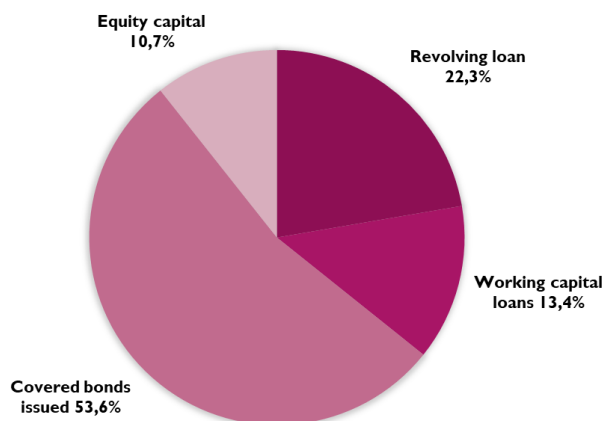
After financing each transfer with loans (plus deferred payments) from Bank Millennium, the Bank partially repays this debt with funds raised from the issuance of mortgage covered bonds. In 2025, the Bank conducted two issues - on March 12 and November 4 - totaling PLN 1,800 million. The latest issue, worth PLN 1,000 million, was carried out under the new international program (EMTN), for which the base prospectus was approved by the CSSF in Luxembourg in September 2025.

As of December 31, 2025, the Bank's total outstanding covered bonds amounted to PLN 2,612 million. The table below presents the parameters of all of the Bank's active issues:

Series	ISIN code	Issue date	Maturity date	Nominal	Interest	Stock market
1	PLMLNBH00014	2024-06-12	2027-06-11	300 mln PLN	WIBOR 3M + 57 pb.	Rynek równ. reg. GPW
2	PLMLNBH00022	2024-11-05	2029-11-05	500 mln PLN	WIBOR 3M + 80 pb.	Rynek równ. reg. GPW
3	PLMLNBH00030	2025-03-12	2030-03-12	800 mln PLN	WIBOR 3M + 89 pb.	Rynek równ. reg. GPW
EMTN 1	PLL381300010	2025-11-04	2030-11-04	1 000 mln PLN	WIBOR 3M + 93 pb.	Rynek równ. reg. GPW + LuxSE

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

The chart below shows the Bank's financing structure as of the end of 2025:



## 4. RISK MANAGEMENT

### 4.1. RISK MANAGEMENT REVIEW

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

The objectives of risk management are achieved through the implementation of the following activities:

- development of risk management strategies, credit policy, processes and procedures defining the rules for accepting the acceptable level of individual types of risk,
- use of IT tools for risk identification, control and measurement,
- building awareness among employees 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 appropriate risk-capital ratio, in the context of having an appropriate level of capital to cover the risk. A wide range of methods is used in risk management - both qualitative and quantitative.

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

- increase in the volume of transferred loans,
- structure of the loan portfolio,
- portfolio quality indicators,
- criteria for keeping a covered bond collateral register,
- cost of risk,
- the level of capital/internal capital requirements,
- the required liquidity size and structure,
- the development of limits specific to mortgage banks.

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

- ensuring comprehensive quantification and parameterisation of various types of risk in terms of optimizing the structure of the Bank's balance sheet and off-balance sheet items, taking into account the assumed level of profitability of the Bank's operations; 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 business and the level of capital necessary to ensure the security of operations from the point of view of capital requirements; the results of risk measurements are regularly reported as part of the management information system,
- separation of responsibilities in the field of risk creation, management and control.

The risk management process at the Bank is presented in the following scheme:



The division of responsibilities in the field of risk management is as follows:

- *The Supervisory Board* is responsible for supervising 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 process of estimating internal capital and reviewing the process of estimating and maintaining internal capital, capital management and planning, and the internal control system,
- *The Assets and Liabilities Committee* is responsible for optimising the structure of the Bank's balance sheet and day-to-day 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,
- *The Risk Department* is responsible for risk management, including identification, measurement, analysis, monitoring and reporting of individual types of risk at the Bank; the Risk Department also prepares risk management rules and appropriate procedures, as well as presents information and proposes courses of action necessary for the Assets and Liabilities Committee and the Bank's Management Board to make decisions on risk management,
- *The Treasury Department* manages liquidity and market risk on an ongoing basis,
- *The Credit Decisions Department* is responsible for making credit decisions, preparing draft credit decisions for individual decision-making levels and making credit decisions within specified limits, monitoring repayments and the process of recovering overdue receivables from the Bank's customers,
- *The Compliance Department* is responsible for ensuring compliance with the law and regulatory principles, related regulatory standards, market principles and standards, and the Bank's internal regulations, including the code of ethics,
- *The Corporate Services Department* is responsible for coordinating and monitoring the ICT risk management process, including the development of ICT risk management practices, as well as monitoring the arrangements made with ICT third-party service providers,
- *The Legal Office* is responsible for handling the Bank's disputes, if necessary with the support of external law firms and legal experts.

The Bank has developed and implemented a comprehensive risk management strategy at the Bank (Risk Strategy) including a definition of the risk profile expressed in terms of the amount or type of risk to which it may be exposed and the risk appetite, constituting the maximum level or type of risk that it will be able to accept to achieve the financial and strategic objective.

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

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

1. risk profile: the current level of risk expressed in terms of the amount or type of risk to which the Bank is currently exposed; the bank should also have a forward-looking view of how the

risk profile may change in the future, taking into account expected and extreme scenarios, in line with 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. To this end, three tolerance zones have been defined, defining warning levels and requiring action.

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

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

- solvency,
- liquidity and financing,
- credit risk, including ESG,
- operational and ICT risk,
- profitability and business mix,
- operating activity and reputation
- sustainable development.

The Bank's risk management is defined mainly by the principles and objectives set out in the Risk Strategy and additionally supplemented by the principles and guidelines presented in a number of internal regulations.

The Bank has defined tolerance zones for risk appetite measures (built on the principle of "traffic lights"). For the tolerance zones, the following are defined:

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

In 2025, the Bank made changes to risk management system, introducing a comprehensive ESG risk management framework in order to align with the Guidelines on environmental, social and corporate governance risk management (EBA/GL/2025/01). The Bank has also implemented the requirements of the EU DORA Regulation on the digital operational resilience of financial institutions and developed an ICT risk management framework for identifying, assessing and managing risks in the area of digital operations, including threats to security and business continuity.

## 4.2. CAPITAL MANAGEMENT

### Capital management and Planning

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

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

The purpose of capital allocation is to create value for the owner by maximizing the return on risky activities, taking into account the established risk appetite.

As part of capital management, the capital planning process is also carried out. The purpose of this process is to determine own funds (capital base determining the ability to take risks) and the use of capital (regulatory capital and economic capital requirements) in such a way as to ensure that the capital limits (targets) are met, assuming the implementation of the anticipated business strategy and risk profile - under normal and shock economic conditions.

## Regulatory capital adequacy

The Bank is required by law to meet the minimum requirements for own funds 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 determining the capital limits/targets, in addition to the basic requirements for capital ratios in accordance with Article 92 of the CRR Regulation, the following levels, recommendations and buffers were taken into account:

- combined buffer requirement - specified in the Act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system (Act on Macroprudential Supervision) - consisting of:
  - i. a capital collateral buffer of 2.5%,
  - ii. other systemically important institution (OSII) buffer of 0%,
  - iii. systemic risk buffer of 0%,
  - iv. countercyclical buffer of 1%.

The table below presents these quantities as at 31 December 2025.

<b>Minimum levels of capital ratios</b>	
<b>Common Equity Tier 1 Capital Ratio (CET1 Ratio)</b>	
Minimum	4.50%
<i>Capital preservation buffer</i>	2.50%
<i>Other systemically important institution (OSII) buffer</i>	0.00%
<i>Systemic risk buffer</i>	0.00%
<i>Countercyclical buffer</i>	1.00%
Combined buffer requirement	3.50%
<b>Total CET1 Capital Requirements</b>	<b>8.00%</b>
<b>Tier 1 Capital Ratio (T1 Ratio)</b>	
Minimum	6.00%
<i>Capital preservation buffer</i>	2.50%
<i>Other systemically important institution (OSII) buffer</i>	0.00%
<i>Systemic risk buffer</i>	0.00%
<i>Countercyclical buffer</i>	1.00%
Combined buffer requirement	3.50%
<b>Total capital requirements T1</b>	<b>9.50%</b>
<b>Total capital ratio (TCR)</b>	
Minimum	8.00%
<i>Capital preservation buffer</i>	2.50%
<i>Other systemically important institution (OSII) buffer</i>	0.00%
<i>Systemic risk buffer</i>	0.00%
<i>Countercyclical buffer</i>	1.00%
Combined buffer requirement	3.50%
<b>Total Capital Requirements TCR</b>	<b>11.50%</b>

On 25 November 2025, the Polish Financial Supervision Authority (KNF) recommended that the Bank mitigate the risk arising from the Bank's operations by maintaining own funds to cover an additional capital add-on in order to absorb potential losses resulting from the occurrence of stress conditions (**P2G add on**). The requirement was set at **1.70 p.p.** excess the value of 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 Act and the combined buffer requirement referred to in Article 55(4) of the Macroprudential Supervision Act. The additional add-on should consist entirely of Common Equity Tier 1 capital. The minimum levels of capital ratios, taking into account regulatory requirements and the P2G supervisory mark-up, are as follows: CET1 ratio - 9.70%, T1 ratio - 11.20%; TCR - 13.20%.

Capital risk expressed by the above objectives and capital limits is regularly measured and monitored. For all capital targets, certain minimum ranges have been set. Capital ratios in a given range determine the need to make appropriate decisions or management actions. Regular monitoring of capital risk is based on the classification of capital ratios into appropriate ranges, and then an assessment of trends and factors affecting the level of capital adequacy is carried out.

### Internal capital

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

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

Maintaining economic capital adequacy means covering (hedging) internal capital (aggregate risk measure) by available financial resources (own funds). The obligation to hedge the risk in this way results directly from the Banking Law, which is reflected in the Bank's capital objectives/limits - the economic capital buffer and the economic capital buffer under stress.

### Capital adequacy assessment

The capital adequacy for the Bank is presented in the table below:

Capital adequacy	31.12.2025	31.12.2024
<i>(PLN thousand)</i>		
Risk-weighted assets	1 739 883	1 572 115
Own funds requirements, including:	139 191	125 769
- credit and counterparty risk	135 425	121 241
- for market risk	0	0
- for operational risk	3 766	4 528
Own funds, including:	479 947	363 850
- Common Equity Tier 1 capital	479 947	363 850
- Tier 2 capital	0	0
Total capital ratio (TCR)	27.59%	23.14%
Minimum Level Required (OCR)	11.50%	10.50%

Surplus(+) / Shortfall(-) of capital adequacy TCR (p.p.)	+16.09	+12.64
Minimum recommended level (OCR + P2G)	13.20%	15.00%
Surplus(+) / Shortfall(-) against recommended TCR (p.p.)	+14.39	+8.14
Tier 1 capital ratio	27.59%	23.14%
Minimum Level Required (OCR)	9.50%	8.50%
Surplus(+) / Shortfall(-) of capital adequacy T1 (p.p.)	+18.09	+14.64
Minimum recommended level (OCR + P2G)	11.20%	13.00%
Surplus(+) / Shortfall(-) against recommended T1 level (p.p.)	+16.39	+10.14
Common Equity Tier 1 Capital Ratio (CET1)	27.59%	23.14%
Minimum Level Required (OCR)	8.00%	7.00%
Surplus(+) / Shortfall (-) of CET1 capital adequacy (p.p.)	+19.59	+16.14
Minimum recommended level (OCR + P2G)	9.70%	11.50%
Surplus(+) / Shortfall(-) against the recommended CET1 level (p.p.)	+17.89	+11.64
Leverage ratio	9.86%	11.60%
Minimum level required	3.00%	3.00%
Surplus(+) / Shortfall (-) of leverage (p.p.)	+6.86	+8.60

As at 31 December 2025, the Bank's capital adequacy remained at a safe level. The total capital ratio (TCR) was 27.59% and was equal to the Common Equity Tier 1 and CET1 capital ratios. Therefore, the minimum capital ratios for the Bank were exceeded in excess, also taking into account the additional capital add-on in order to absorb potential losses resulting from the occurrence of stress conditions (P2G). Compared to the end of 2024, the levels of total risk exposure (transfer of loans from the parent company) and own funds (recapitalization by the parent entity and qualification of profit for 2024) increased, and the values of capital ratios also increased.

The leverage ratio is at a safe level of 9.86% and is well above the minimum regulatory level of 3%.

From January 2025, the Bank calculates the own funds requirement, taking into account the changes resulting from CRR3. The impact of CRR3 on the level of capital requirement in 2025 results from the change in the risk weights for mortgage loans in the calculation of the credit risk requirement and from the implementation of a new standard method for calculating the operational risk requirement. The combined effect of these changes has a positive impact on the Bank's capital position by increasing the value of capital ratios.

Apart from the adjustments resulting from CRR3, in 2025 the Bank did not make any significant changes to its capital management objectives, policies and processes compared to the previous year.

### 4.3. CREDIT RISK

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

The objective of credit risk management at the Bank is to ensure high quality of the loan portfolio by controlling and mitigating the risk of credit exposures at risk of impairment. The overarching task of the credit risk management process is to support the implementation of business plans while maintaining a certain level of risk appetite.

The credit risk management process and methods are 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 will be continuously improved by adapting to the factors that significantly increase the risk identified on an ongoing basis.

The credit policy implemented at the Bank is based on a set of the following principles:

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

every customer should have a rating assigned before making any credit decision. Elements determining credit decisions regarding changes in the terms of the loan agreement:

- risk filters,
- assessment of the customer's creditworthiness,
- customer rating,
- level of risk mitigation, e.g. collateral.

The risk acceptance thresholds for the loan portfolio have been defined to ensure a positive outcome on this 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 customer 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 environment on its financial position.

### **Impairment measurement**

The Bank applies the Group's standards in the process of estimating impairment for credit exposures. Impairment is measured 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 assessment of the credit risk of the exposure.

Due to the specific nature of the Bank's operations, the process of estimating the impairment of exposures is carried out only 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 (LCR).

### **Taking into account forward looking information (FLI)**

In the process of calculating the expected credit loss, the Bank uses information on future macroeconomic events, both in the PD (Probability of Default), LGD (Loss Given Default), EAD (Exposure at Default) estimation, as well as in the process of identifying a significant increase in credit risk (SICR) and allocating exposures to Stage 2 (transfer logic). The Bank uses only forecasts prepared by the Macroeconomic Analysis Office of Bank Millennium, which prepares three

macroeconomic scenarios (baseline, optimistic and pessimistic) and determines the probability of their occurrence. Projections translate directly and indirectly into the values of the 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, so actual results may differ significantly from those predicted.

## Assumptions about macroeconomic variables

Key assumptions used for the estimation of ECL as at 31 December 2025 :

	Scenario	2026	2027	2028
Gross Domestic Product	Base	103.7	102.9	102.9
	Optimistic	104.9	104.5	104.2
	Pessimistic	101.6	101.6	102.3
Retail	Base	104.7	104.5	104.1
	Optimistic	107.1	107.2	106.5
	Pessimistic	102.7	103.0	103.5
Unemployment	Base	5.5	5.4	5.3
	Optimistic	4.9	4.6	4.6
	Pessimistic	6.5	7.0	6.9

The weights assigned to each of the macroeconomic scenarios as at 31 December 2025 were as follows:

	Baseline	Optimistic	Pessimistic
Weighted used	65%	10%	25%

## Maximum exposure to credit risk

(PLN thousand)	31.12.2025	31.12.2024
<b>Exposures to credit risk related to on-balance sheet assets:</b>	<b>4 865 836</b>	<b>3 130 465</b>
Deposits, loans and advances to banks and other monetary institutions	2 918	6 803
Loans and advances to customers:	4 618 221	2 891 864
Measured at amortised cost:	4 618 221	2 891 864
Loans for individual clients	4 618 221	2 891 864
Mortgages	4 618 221	2 891 864
Debt securities measured at fair value by other comprehensive income (FVOCI) ( Treasury bonds)	224 707	136 829
Other financial assets (NBP bills)	19 991	94 970
<b>Credit risk related to off-balance sheet items:</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>4 865 836</b>	<b>3 130 465</b>

The table above presents the structure of the Bank's credit risk exposure as at 31 December 2025 and 31 December 2024. For balance sheet assets, the exposures presented above are based on the net amounts presented in the balance sheet.

### Credit quality of financial assets

(PLN thousand) as of 31 December 2025	Stage 1 (12-month loss)	Stage 2 (lifetime loss)	Stage 3 (lifetime loss)	POCI	Amount
Balance sheet exposures to credit risk	4 780 784	86 390	5 174	0	4 872 348
Balance sheet provision	3 628	1 597	1 287	0	6 512
Loans and advances to banks	2 918	0	0	0	2 918
Loans and advances to individuals (according to the Master Scale)	4 533 169	86 390	5 174	0	4 624 733
▪ 1-3 Top Quality	3 979 038	14 568	0	0	3 993 606
▪ 4-6 Good Quality	416 493	46 063	0	0	462 556
▪ 7-9 Medium Quality	120 661	19 437	0	0	140 098
▪ 10-12 Low Quality	16 977	4 032	0	0	21 008
▪ 13-14 Watch	0	2 291	0	0	2 291
▪ 15 Default	0	0	5 174	0	5 174
Impairment	3 628	1 597	1 287	0	6 512
HTC & FS debt securities (Treasury bonds)	224 707	0	0	0	224 707
HTC debt securities (NBP bills)	19 991	0	0	0	19 991

The table above presents the breakdown of financial assets into stages to which individual credit exposures have been classified in accordance with IFRS 9 and the default probability assessment granted based on an internal rating model. At the end of December 2025, the share of stage 3 exposures to the total gross loan portfolio was 0,11%. The coverage of the stage of 3 with impairment provisions was 24.9%, and taking into account the total sum of impairment provisions, it is 126%.

Gross carrying amount (PLN thousand)				
Individuals:	Stage 1	Stage 2	Stage 3	Amount
as of 31.12.2024	2 817 061	77 695	2 080	2 896 837
Increase on acquisition	2 352 926	0	0	2 352 926
Repaid loans	-614 622	-10 067	-341	-625 030
Transfers between stages	-22 196	18 762	3 434	0
As of 31.12.2025	4 533 169	86 390	5 174	4 624 733
Balance sheet provisions (PLN thousand)				
as of 31.12.2024	2 898	1 560	515	4 973
Increase on acquisition	2 007	0	0	2 007
Repaid loans	-548	-201	-90	-839
Transfers between stages/change in credit risk	-729	238	862	371
As of 31.12.2025	3 628	1 597	1 287	6 512

Below is the distribution of the portfolio by basket 1/2 and PD intervals, as well as by basket 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 2024, the average 12-month PD for the portfolio in the 1/2 basket decreased from 0.68% to 0.54%, reflecting an improvement in the credit quality of the portfolio. The average LGD of the 1/2 basket also decreased slightly from 16.32% to 16.13%.

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

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2025-12-31									
	PD Scale	Gross balance sheet exposures	Off-balance sheet exposures	Number of exposures	Average maturity (in years)	EAD*	Average PD (%)	Average LGD (%)	ECL**
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%	-	-	-	-	-	-	-	-
<b>Sum Stage 1</b>	<b>4533,2</b>	<b>0,0</b>	<b>17 253</b>	<b>19,9</b>	<b>4605,2</b>	<b>0,50%</b>	<b>16,12%</b>	<b>3,6</b>	
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
<b>Sum Stage 2</b>	<b>86,4</b>	<b>0,0</b>	<b>340</b>	<b>20,3</b>	<b>87,8</b>	<b>2,49%</b>	<b>16,81%</b>	<b>1,6</b>	
<b>Sum Stage 1+2</b>	<b>4619,6</b>	<b>0,0</b>	<b>17 593</b>	<b>19,9</b>	<b>4693,0</b>	<b>0,54%</b>	<b>16,13%</b>	<b>5,2</b>	
2024-12-31									
Stage 1	0% - 0.14%	-	-	-	-	-	-	-	-
	0.15% - 0.24%	-	-	-	-	-	-	-	-
	0.25% - 0.49%	2302,2	0,0	9 881	19,5	2345,4	0,5%	16,3%	1,8
	0.50% - 0.74%	203,8	0,0	809	19,5	207,6	0,6%	16,4%	0,2
	0.75% - 2.49%	272,0	0,0	934	21,2	276,9	1,2%	16,4%	0,5
	2.50% - 9.99%	37,2	0,0	122	22,2	38,0	4,1%	16,3%	0,2
	10.00% - 44.99%	1,8	0,0	6	22,4	1,9	14,6%	16,3%	0,04
	45.00% - 100.00%	-	-	-	-	-	-	-	-
<b>Sum Stage 1</b>	<b>2817,1</b>	<b>0,0</b>	<b>11 752</b>	<b>19,7</b>	<b>2869,7</b>	<b>0,64%</b>	<b>16,29%</b>	<b>2,9</b>	
Stage 2	0% - 0.14%	-	-	-	-	-	-	-	-
	0.15% - 0.24%	-	-	-	-	-	-	-	-
	0.25% - 0.49%	6,4	0,0	24	21,6	6,5	0,5%	17,7%	0,1
	0.50% - 0.74%	12,1	0,0	55	19,4	12,3	0,7%	17,3%	0,1
	0.75% - 2.49%	48,2	0,0	196	20,4	49,1	1,2%	17,4%	0,8
	2.50% - 9.99%	8,7	0,0	38	21,7	8,9	4,5%	16,9%	0,3
	10.00% - 44.99%	2,4	0,0	9	22,8	2,4	29,3%	17,4%	0,2
	45.00% - 100.00%	-	-	-	-	-	-	-	-
<b>Sum Stage 2</b>	<b>77,7</b>	<b>0,0</b>	<b>322</b>	<b>20,6</b>	<b>79,1</b>	<b>2,31%</b>	<b>17,32%</b>	<b>1,6</b>	
<b>Sum Stage 1+2</b>	<b>2894,8</b>	<b>0,0</b>	<b>12 074</b>	<b>19,7</b>	<b>2948,9</b>	<b>0,68%</b>	<b>16,32%</b>	<b>4,5</b>	

\*) EAD after credit risk reduction and credit conversion rate \*\*) For stage 2 - ECL Lifetime

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2025-12-31					
	Time in default	Number	EAD*	Average LGD (%)	ECL**
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	-	-	-	-
	<b>Sum Stage 3</b>	<b>19</b>	<b>5,1</b>	<b>15,1%</b>	<b>1,3</b>

2024-12-31					
	Time in default	Number	EAD*	Average LGD (%)	ECL**
Stage 3	<12 months	5	1,0	17,0%	0,2
	13 - 24 months	3	0,6	26,8%	0,2
	25 - 36 miesięcy	2	0,5	29,1%	0,2
	37 - 48 months	-	-	-	-
	49 - 60 months	-	-	-	-
	61 - 84 months	-	-	-	-
	> 84 months	-	-	-	-
	<b>Sum Stage 3</b>		<b>10</b>	<b>2,0</b>	<b>22,7%</b>

### Economic sectors

(PLN thousand) as of 31.12.2025	Financial intermediation	Industry & Construction	Wholesale and retail trade	Transport and communication	Public sector	Mortgages	Consumer loans*	Other industries	Total
Loans and advances to banks	2 918	0	0	0	0	0	0	0	2 918
Loans and advances to customers (amortised cost)	0	0	0	0	0	4 618 221	0	0	4 618 221
Instruments measured at amortised cost	0	0	0	0	19 991	0	0	0	19 991
Instruments measured at fair value through other comprehensive income	0	0	0	0	224 707	0	0	0	224 707
<b>Total Net Worth</b>	<b>2 918</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>244 698</b>	<b>4 618 221</b>	<b>0</b>	<b>0</b>	<b>4 865 836</b>

The table above presents a breakdown of the main categories of the Bank's credit exposures, into component factors, by sectors of the economy (categories of customers).

### Main parameters of the loan portfolio

As at 31 December 2025, the volume-weighted average maturity of loans in the Bank's portfolio is 19 years and 11 months, while the volume-weighted average value of the current loan-to-collateral (LTV) ratio at market valuation is 41.9%.

The structure of the loan portfolio by LTV as at 31 December 2025 is as follows:

LTV at mortgage value	Structure %
do 50%	27.9%
50%-60%	22.4%
60%-70%	22.6%
70%-80%	15.3%
80%-100%	11.8%
<b>Suma</b>	<b>100.0%</b>

LTV at market vaule	Structure %
do 30%	19.3%
30%-40%	24.7%
40%-50%	27.1%
50%-60%	20.3%
60%-80%	8.6%
pow. 80%	0.0%
<b>Suma</b>	<b>100.0%</b>

### Collateral

The collateral accepted at the Bank is used to mitigate credit risk and its main role is to minimise the loss in the event of the customer's failure to repay the loan transaction in the agreed amount and date, by providing an alternative source of coverage of due receivables. It is accepted in accordance with the principles of the credit policy. It defines the types, kinds and legal forms of collateral accepted by 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 mortgage value expertise (BHWN), which is prepared in accordance with the Act on Mortgage Banks and Covered Bonds, Recommendation "F" of the PFSA and the Regulations for Determining Mortgage Value of Properties in Millennium Bank Hipoteczny S.A., approved by the PFSA. The Bank monitors the collateral in terms of its compliance with contractual conditions, including the legally binding establishment of the final security 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 mortgage value) for the Bank's loan portfolio as at 31.12.2025 amounted to PLN 8 640.2 million.

## 4.4. OTHER RISKS

### Market risk

Market risk includes the current and potential impact on the financial result or equity 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 mitigating market risk is updated at least once a year, taking into account, among other things, changes in the size of own funds, the current and expected balance sheet structure, as well as the market situation. All possible breaches of internal market risk limits are reported, documented and ratified at the appropriate level of competence.

In the reporting period, the limits for market risk and IRRBB applicable at 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 income and economic value of the Bank, 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 purpose of interest rate risk management is to mitigate potential losses due to changes in market interest rates by selecting the appropriate risk profile, as well as appropriate shaping of the structure of balance sheet and off-balance sheet items

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

The interest rate gap represents the difference between the value of cash flows resulting from asset items and liabilities sensitive to interest rate risk, subject to revaluation in a given time period.

Interest rate gap PLN million 31.12.2025	up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years	above 3 years	Total
Assets	1 168.1	2 346.6	229.7	112.6	1 082.3	46.1	4 985.4
Liabilities	-1 086.0	-2 638.6	-7.9	-15.7	-697.1	-	-4 445.3
Interest rate gap	82.1	-292.0	221.8	96.9	385.2	46.1	540.1

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

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

Change as a result of a change in interest rates +/- 100 bps in PLN thousand (*)	31.12.2025	31.12.2024
Net interest income (NII)	-311	-620
Economic Value of Capital (EVE)	-6 343	-7 716

\* more unfavourable 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 taken by the Bank. The currency risk limits have been set in such a way that the risk is non-material.

The Bank regularly monitors and reports the level of currency risk measures, the degree of utilisation of internal limits, as well as exposure to currency risk in stressed conditions. As at 31 December 2025, the currency position resulted from the interest held in another entity.

Currency position expressed in PLN thousand	31.12.2025	31.12.2024
EUR	3,2	3,2

The sensitivity test of the impact on the profit and loss account of the currency position due to arbitrary changes in the exchange rate is presented below:

Change in the value of a currency position in PLN thousand	31.12.2025
Increase in the EUR/PLN exchange rate by 10%	0,3
Decrease in the EUR/PLN exchange rate by 10%	-0,3

A decrease in the exchange rates causes the same change as an increase, only with the opposite sign. A negative amount in the table reflects a potential downside in the income statement, while a positive amount reflects a potential increase.

### Liquidity risk

Financial liquidity in the Bank means the ability to finance the growth of assets and the payment of the Bank's financial liabilities on their due dates, and to take advantage of business opportunities (financing without incurring unacceptable losses). Liquidity risk has been defined as the threat of losing the ability to effectively settle both expected and unexpected current and future cash flows and hedging needs without affecting the Bank's daily 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 funding structure and that supervisory requirements for quantitative liquidity measures are met.

The Bank regularly measures, monitors and reports liquidity risk using both measures defined 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 the ability to meet obligations in stress situations. Stress tests include sensitivity analysis, reverse testing and stress scenarios (idiosyncratic, systemic and a combination of these)

In the reporting period, the liquidity risk limits applicable at the Bank were not exceeded.

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

In 2025, covered bond issues became the Bank's main source of financing, which is in line with the Bank's long-term goal. The table below presents the structure of financing.

Source of financing	31.12.2025	31.12.2024
Funds from Bank Millennium	35.6%	62.1%
Covered bond issues	53.6%	25.5%
Equity	10.7%	12.2%
Other	0.1%	0.2%
<b>Total</b>	<b>100%</b>	<b>100%</b>

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

The values of liquidity ratios as at 31 December 2025 are presented in the table below:

	LCR (%)	NSFR (%)
Indicator level	3 950%	127%
Regulatory Limit	100%	100%

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

The cumulative results of the adjusted liquidity gap as at 31 December 2025 are presented in the table below:

Adjusted liquidity gap (PLN million) 31.12.2025	up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Above 5 years
Adjusted balance sheet assets	158.6	349.9	258.1	505.3	966.5	2 502.0	1 582.5
Adjusted balance sheet liabilities	7.0	46.9	51.9	105.0	1 352.4	3 456.8	524.6
Total gap	151.6	303.1	206.2	400.3	-385.9	-954.8	1 057.9
Total cumulative gap	151.6	454.7	660.9	1 061.3	675.4	-279.4	778.4

The Bank also has emergency procedures for situations of increased liquidity risk in the form of a Liquidity Contingency Plan, which sets out the 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.

## Operational risk

The main objective of operational risk management is to optimise the Bank's operational efficiency by reducing the level of operating losses and increasing the adequacy and speed of the Bank's response to external events.

Operational risk management at the Bank is based on the process structure implemented in the Group, overlapping with the traditional organisational structure. The operational risk management system uses a process-based approach to management, which is based on a dynamic process management structure defined for all activities of the Bank.

The operational risk management system is adapted to the scale and profile of the Bank's operations. It is consistent with the operational risk management system adopted at the level of the Bank Millennium Group. As part of the system, the Bank applies in particular the following operational risk management tools: operational event database, key risk indicator, risk self assessment and scenario analysis.

The operational risk management process at the Bank includes identification, measurement, mitigation, including control and monitoring, as well as reporting on various types of risk 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 appropriate division of functions and define the limits of tolerance of exposure to this risk.

The Risk Department, the organisational unit responsible for risk management at 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 proper risk exposure assessment. Within this organisational unit, the function for fraud prevention is performed.

## Model risk management

The Bank defines model risk as a potential loss that it may incur as a result of decisions that could generally be based on data obtained using 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 by the following dimensions:

- inherent risk assessment - this is an assessment of the key risk factors of the model: complexity, uncertainty and materiality of the model,
- risk mitigation assessment - this is an assessment of the controls, mitigations and other risk management activities applied to the model.

Model risk assessment aims to determine the scale of threats associated with the occurrence of model risk. The assessment is made at the level of a single model, as well as in aggregate at the level of the Bank. The objective of model risk control is to actively manage and effectively mitigate model risk so that the aggregated level of model risk does not exceed the applicable tolerance level.

### Concentration risk

The Bank defines concentration risk as a threat resulting from excessive concentrations due to exposures to individual customers, groups of related customers, customers operating in the same geographical region, due to the credit risk mitigation techniques used and large indirect credit exposures, such as a single collateral issuer, characterised by the potential to generate losses large enough to threaten the financial condition of the Bank or ability to conduct its core business or lead to a significant change in the Bank's risk profile.

At the Bank, the concentration risk management process is in line with the requirements of Recommendation C of the PFSA and consistent with the methodology used in the Group. The Bank will strive 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 of 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 at 31 Decemebr 2025, the share of 20 clients with the largest credit exposure in the entire portfolio was 0.5%. At the same time, the portfolio is well diversified geographically. The share of individual voivodeships, with a breakdown of the capital city of Warsaw, by the location of the real estate securing the loan as at 31 December 2025 is presented in the table below:

Location	Share in the loan portfolio (by value)
Pomeranian Voivodeship	15,3%
Masovian Voivodeship	13,2%
Capital City of Warsaw	12,7%
Lower Silesian Voivodeship	12,5%
Greater Poland Voivodeship	10,4%
Silesian Voivodeship	6,5%
Lesser Poland Voivodeship	6,4%
Kuyavian-Pomeranian Voivodeship	5,0%
Warmian-Masurian Voivodeship	3,6%
West Pomeranian Voivodeship	3,6%
Lodz Voivodeship	3,5%
Lubuskie Voivodeship	1,6%
Lublin Voivodeship	1,6%
Podlaskie Voivodeship	1,4%
Opole Voivodeship	1,1%
Świętokrzyskie Voivodeship	0,8%
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 Landing 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 Landing 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 Collateral Register (the Register). The Bank's receivables under purchased mortgage loans secured by mortgage and the rights and funds referred to in Article 18(3) and (4) of the Act on Covered Bonds and Mortgage Banks, constituting the basis for the issue of covered bonds, as well as funds creating a surplus referred to in Article 18(3a) of the Act on Covered Bonds and Mortgage Banks, 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 covered bond collateral register,
- Recommendation K of the Polish Financial Supervision Authority of 9 February 2016 on the rules for maintaining a register of covered bond collateral by mortgage banks.

Ongoing control over the correctness of keeping the Register by the Bank is exercised by the trustee and the deputy trustee appointed by the Bank by the Polish Financial Supervision Authority.

As at December 31st 2025, the value of mortgage-backed receivables and other funds entered in the Register (core assets and replacement assets) amounted to PLN 3,983.5 million.

Basic data on the Register as at December 31st 2025 are presented in the table below:

Covered bond collateral register	31.12.2025
Total value of the Register (PLN million)	3 983,5
including mortgage-backed receivables (PLN million)	3 803,5
including State Treasury bonds (PLN million)	
by nominal value	180,0
by market value	175,9
Number of loans	15 755
Average loan value (PLN thousand)	241,4
Average maturity (years)	19,9
Average LtV (relative to market valuation)	41,9%
Average LtV (relative to mortgage value)	58,9%

## 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%	58%	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	3,6	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	5,4	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%	153%	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%	146%	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 - 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 on 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 company, 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 Bank's covered bond rating at AAA and at the same time changed its 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".

The rating at the AAA level with a "negative" outlook was maintained for Series 1 mortgage covered bonds issued on 4 November 2025 in PLN 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 31 December 2025, the Bank did not have an issuer rating.

## 6. STATEMENT ON THE APPLICATION OF CORPORATE GOVERNANCE

### 6.1. CORPORATE GOVERNANCE PRINCIPLES

The Management Board and the Supervisory Board of the Bank, in compliance with the applicable law, have expressed their intention to apply, to the widest possible extent, the principles relating to the Bank's operations, taking into account the principle of proportionality and the "comply or explain" rule, as set out in the "Corporate Governance Principles for Supervised Institutions" ("Principles"), adopted by the Polish Financial Supervision Authority (KNF) by resolution of 22 July 2014, effective as of 1 January 2015.

The Principles are available on the KNF website at:

[https://www.knf.gov.pl/dla\\_rynku/regulacje\\_i\\_praktyka/zasady\\_ladu\\_korporacyjnego?articleId=48880&p\\_id=18](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](http://www.millenniumbh.pl)

**Principles excluded from application due to the scale, nature and specificity of the Bank's operations:**

- **§ 8(4), § 9(6), § 31(3)** - are not applicable due to the fact that 100% of the Bank's shares are held by a single shareholder.
- **§ 11(3)** - is not applicable due to the fact that 100% of the Bank's shares are held by a single shareholder, who has its representatives on the Supervisory Board, which in certain cases takes decisions regarding transactions with a related party.
- **§ 24(1)** - is not applied by the Bank, as the Supervisory Board is of the view that the members' knowledge of the English language ensures full mutual understanding and an adequate level of communication during meetings.
- **§ 28(3) and (4)** - are not applied by the Bank, as the Bank's sole shareholder is represented in the supervisory body of the Bank, and the management information system in place adequately safeguards the interests of the shareholder.
- **§ 32, § 33, § 34, § 36** - are not applicable due to the nature of the Bank's business and the adopted business model, in which the Bank does not engage in customer acquisition or the use of advertising communications.
- **§ 49(4) and § 52(2)** - are not applicable, as the Bank has internal audit units and a compliance function in place.
- **§ 53 - § 57** - are not applicable due to the nature of the Bank's activities, which do not include the activities indicated in these principles.

The Supervisory Board, by resolution adopted on 28 March 2025, issued a positive assessment of the Bank's compliance with the Principles in 2024.

The Ordinary General Meeting of the Bank, by resolution adopted on 8 April 2025, approved the Report on the Activities of the Supervisory Board of Millennium Bank Hipoteczny S.A. for 2024, including the assessment of the Bank's application of the "Corporate Governance Principles for Supervised Institutions".

The Management Board of the Bank, by resolution adopted on 17 February 2026, issued a positive assessment of the application of the Principles in 2025, which will be subject to approval at the next meeting of the Supervisory Board and at the Ordinary General Meeting in 2026.

## 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. As of 31 December 2025, the Bank's share capital amounted to PLN 163,000,000 and was divided into 163,000,000 equal and indivisible registered shares with a nominal value of PLN 1 per share. The Bank's shares are not preferred or restricted.

The General Meeting is the highest body of the Bank and operates in particular on the basis of the Commercial Companies Code and the Banking Law, as well as on the basis of the Bank's internal regulations, i.e. the Articles of Association and the Rules of Procedure of 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,
- amendment of the Bank's Articles of Association, including an increase and decrease of the share capital, except in cases specified in the Commercial Companies Code.

On 8 April 2025, 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 2024, including, inter alia, the results of the assessment of the Bank's financial statements for the period of 12 months ended 31 December 2024 and the Management Board's report on the Bank's activities for the period of 12 months ended 31 December 2024, 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 2024,
  - b. Report of the Management Board on the activities of Millennium Bank Hipoteczny S.A. for the period of 12 months ended 31 December 2024.
3. Adoption of a resolution on the distribution of profit for the period of 12 months ended 31 December 2024.

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 2024.
5. Adoption of a resolution on the increase of the Bank's share capital from PLN 130,000,000 (one hundred and thirty million zlotys) to PLN 163,000,000 (one hundred and sixty-three 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.
7. Change in the amount of remuneration of the Members of the Audit Committee of the Bank's Supervisory Board.

### 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 14 June 2023, the Ordinary General Meeting of the Bank elected the Supervisory Board for a new joint 3-year term of office. On 7 June 2024, the Extraordinary General Meeting of the Bank expanded

the composition of the Bank's Supervisory Board by a new independent Member. Therefore, the Bank's Supervisory Board of the current term of office consists of 7 Members, including 5 men and 2 women. The procedure for selecting the composition of the Bank's Supervisory Board was carried out in accordance with the provisions of the Bank's "Diversity Policy at Millennium Bank Hipoteczny S.A.", which stipulates that the Supervisory Board will be composed of at least 1 woman.

Therefore, the composition of the Supervisory Board as of 31 December 2025 was as follows:

1. Fernando Bicho - Chairman of the Supervisory Board,
2. Wojciech Haase - Deputy Chairman of the Supervisory Board,
3. Antonio Pinto Junior - Secretary of the Supervisory Board,
4. Jarosław Hermann - Member of the Supervisory Board,
5. Grzegorz Jędryś - Member of the Supervisory Board - Independent Member,
6. Marta Penczar - Member of the Supervisory Board - Independent Member,
7. Aleksandra Przegalińska - Member of the Supervisory Board - Independent Member.

In 2025, the Bank's Supervisory Board held 5 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 2025 amounted to PLN 463.4 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.

At its first meeting on 14 June 2023, the Supervisory Board of the new term of office elected the Members of the Audit Committee, including the Chairman, in an unchanged composition. In connection with the expansion of the composition of the Supervisory Board by a new independent Member - Ms. Marta Penczar, the Supervisory Board at its meeting held on 30 July 2024 decided to elect Ms. Marta Penczar as a Member of the Audit Committee of the Bank's Supervisory Board for the current term of office.

The composition of the Audit Committee of the Bank's Supervisory Board as of 31 December 2025 was as follows:

1. Grzegorz Jędryś - 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 2025, the Audit Committee held 5 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 Management Board of the Bank consists of at least 3 persons, including the Chairman and a member of the Management Board supervising the management of risk material in the Bank's operations, appointed by the Bank's Supervisory Board for a joint three-year term of office, with the proviso that the mandates of the Management Board members expire on the day 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 Management Board.

Resolutions of the Management Board are adopted by an absolute majority of votes of the Management Board Members participating in the voting - in the event of an equal number of votes, the vote of the Chairman of the Management Board is decisive, Resolutions may be adopted if at least half of the Management Board Members participate in the voting.

In accordance with the Bank's Articles of Association, the Management Board's competence also includes all matters not reserved for other bodies of the Bank.

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 first 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 31 December 2025 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.

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 2025 amounted to PLN 1,675.0 thousand.

Members of the Management Board do not hold shares in the Bank.

In 2025, the Bank's Management Board held 40 meetings.

### **6.3. ORGANISATIONAL STRUCTURE OF THE BANK**

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

- subordinate to the Chairman of the Management Board:
  - Internal Audit Department,
  - Compliance Department,
  - Corporate Services Department,
  - Legal Office,
- subordinate to the Member of the Management Board responsible for supervising the management of material risk in the Bank's operations:
  - Risk Department,
  - Credit Decisions Department,
  - Security Management Department,
- subordinate to a Member of the Management Board, other than the President of the Management Board and the Member indicated above:
  - Customer Service Department,
  - Department of Computer Science,
  - Finance and Reporting Department,
  - Treasury Department.

At its first meeting held on 14 June 2023, the Management Board of the Bank of the new term of office confirmed the validity of the internal division of competences in the Management Board, determined by the resolution of the Bank's Management Board of 8 September 2020 and approved by the resolution of the Bank's Supervisory Board of 17 September 2020, as well as the validity of the assignment of the Bank's organisational units to individual Members of the Management Board, determined by the resolution of the Bank's Management Board of 23 March 2021.

The function of the Data Protection Officer within the meaning of the GDPR is performed by an employee appointed by the Bank's Management Board.

The Bank's organisational structure in force is adapted to the size and risk profile of the Bank and is adequate to the scale and nature of the Bank's operations.

#### **Assets and Liabilities Committee**

The Bank also has an Assets and Liabilities Committee appointed by the Management Board on 11 May 2021 on the basis of the Bank's Articles of Association. This committee is responsible for optimising the Bank's balance sheet structure and for monitoring and managing the risks arising from this structure, in particular credit, market and liquidity risks.

## 6.4. INTERNAL CONTROL SYSTEM IN THE BANK

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

- the Banking Law Act of 29 August 1997,
- the Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system, the internal control system and the remuneration policy in banks,
- Recommendation H of the Polish Financial Supervision Authority (KNF) of 2017 concerning 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 principles,
- the Bank's compliance with legal provisions, internal regulations and market standards.

Within the general objectives of the internal control system, the Bank identifies specific internal control objectives, which are linked to the processes operating within 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 has designed and implemented control mechanisms supported by internal regulations and reporting system functionalities. Verification of the accuracy of financial statements is carried out on an ongoing basis and reconciled with the accounting books, analytical data and documentation.

In accordance with internal regulations, the financial reporting process is subject to periodic verification in terms of accounting accuracy, substantive correctness, and the reliability and integrity of the information presented.

Annual financial statements are approved by the Management Board of the Bank and are reviewed by the Audit Committee, and subsequently approved by the Supervisory Board that appointed it.

### **Role of the Management Board, the Supervisory Board and the Audit Committee of the Supervisory Board**

The Bank has defined the responsibilities of the Management Board, the Supervisory Board and the Audit Committee of the Supervisory Board within the internal control system.

#### **Management Board**

The Management Board designs, implements and ensures the functioning of an adequate and effective internal control system and establishes appropriate organisational and financial frameworks to enable its independent and efficient operation. In the event that irregularities are identified by the internal control system, the Management Board undertakes appropriate actions to eliminate the identified issues, including the application of corrective and disciplinary measures. The Management Board ensures the cooperation of all employees within the internal control system, in particular with the Internal Audit Department and the Compliance Department.

## **Supervisory Board**

The Supervisory Board oversees the implementation of the internal control system and conducts an annual assessment of its adequacy and effectiveness. Monitoring the effectiveness of the internal control system is based on information received from the Compliance Department, the Internal Audit Department, the Management Board and the Audit Committee of the Supervisory Board.

### **Audit Committee of the Supervisory Board**

The Supervisory Board is supported by the Audit Committee, which monitors the effectiveness of the internal control system and the risk management system, the performance of the financial reporting process, including cooperation with the external auditor, as well as the performance of the internal audit function. The Audit Committee acts as a consultative and advisory body to the Supervisory Board in matters related to the functioning of the internal control system.

### **Organisation of the Internal Control System within the Three Lines of Defence**

As part of the three lines of defence model, the Bank has designed, implemented and ensures the functioning of an internal control system that is adequate to the structure and scale of its operations and covers all organisational units. The Bank has established criteria for assessing the adequacy and effectiveness of this system and has published a publicly available description of the internal control system.

#### **First Line of Defence**

The first line of defence is primarily responsible for developing, implementing and applying control mechanisms as part of the performance of business duties and the achievement of business objectives, as well as for monitoring compliance with these control mechanisms through ongoing verification and testing. All organisational units of the Bank constitute the first line of defence.

#### **Second Line of Defence**

The second line of defence performs tasks related to risk management and responsibilities stemming from the control function assigned to this line (such as independent monitoring and reporting on the results of such monitoring). It is responsible for maintaining up-to-date information in the control function matrix and supports the first line of defence in achieving the objectives of the internal control system. The second line of defence includes: the Risk Department, responsible for managing various types of risks within the Bank, the Compliance Department, responsible for managing compliance risk.

#### **Third Line of Defence**

The third line of defence is performed by the Internal Audit Department, whose role – as part of its independent and objective assurance and advisory activities – is to provide the Management Board, the Audit Committee of the Supervisory Board and the Supervisory Board with assessments of the adequacy and effectiveness of the Bank's risk management system and internal control system, including risk control mechanisms and internal control mechanisms, as well as to add value and improve the processes operating within the Bank.

#### **Control Function**

The control function constitutes an element of the internal control system and consists of all control mechanisms implemented within the Bank's operational processes, the independent monitoring of their observance – including ongoing verification and testing – and reporting within the control

function. The control function encompasses positions and organisational units responsible for performing the tasks assigned to this function.

### **Placement, Scope of Duties and Independence of the Compliance Department and the Internal Audit Department**

#### **Compliance Department**

The Bank has an independent organisational unit responsible for ensuring compliance – the Compliance Department – which reports directly to the President of the Management Board. Compliance risk management includes the identification, assessment, control and monitoring of the level and profile of compliance risk. To ensure that the Bank's operations comply with applicable laws, the Compliance Department undertakes a range of activities, such as overseeing the periodic review of all internal normative acts to ensure their compliance with applicable laws and standards, analysing new products and services, measuring compliance risk in processes functioning within the Bank, issuing opinions, formulating internal rules and procedures, participating in key implementation projects, as well as providing training to employees. The Department periodically reports on compliance risk to the Management Board, the Supervisory Board and the Audit Committee of the Supervisory Board.

#### **Internal Audit Department**

The Internal Audit Department is an independent organisational unit reporting directly to the President of the Management Board. The results of its work are reported to the Management Board, the Audit Committee of the Supervisory Board and the Supervisory Board. Internal audit activity is planned and continuous, based on the mission, objectives and strategy adopted by the Department and executed through an annual audit plan. Internal audit performs independent and objective assurance and advisory activities. Assurance activities are carried out through process audits, independent review functions, preventive audits and investigative procedures. Assurance activities include assessing the adequacy and effectiveness of the Bank's risk management system and internal control system across all areas of the Bank's operations. As part of its advisory role, the Department adds value and contributes to improving the Bank's operations.

#### **Ensuring Independence**

The independence of both the Compliance Department and the Internal Audit Department is derived, among other things, from the Bank's Articles of Association. These units have ensured direct access to Members of the Management Board and the Supervisory Board, as well as the ability to participate in their meetings, including meetings of the Audit Committee of the Supervisory Board.

## 7. HUMAN RESOURCE MANAGEMENT AND OUTSOURCING

### 7.1. EMPLOYMENT AND REMUNERATION POLICY

As of 31 December 2025, Millennium Bank Hipoteczny S.A. employed 38 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)	2025	2024	Change %
Salary	-8 709,2	-7 471,6	17
Salary on-costs	-1 601,7	-1 319,0	21
Other benefits for employees	-381,0	-359,3	6
Costs resulting from the HR process support agreement *	-168,4	-149,4	13
<b>Total</b>	<b>-10 860,4</b>	<b>-9 299,3</b>	<b>17</b>

\*) 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 31 December 2025, women constituted the majority of Millennium Bank Hipoteczny S.A. employees (including Management Board Members) - 63%.

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.

Strategic cooperation with Bank Millennium enables the Bank to use modern solutions to support the Bank's processes and meet the growing market and supervisory requirements. An example of such cooperation was the Bank's participation in a group-wide project to adapt to the new EU Regulation on Digital Operational Resilience of Financial Institutions ("DORA"), which resulted in the full implementation of the new requirements applicable to all financial institutions from 17 January 2025.

As part of the DORA project, Bank implemented 22 adaptation initiatives, which included the following actions:

- analysis and assessment of the compliance of ICT processes with DORA requirements,
- verification and updating of the Bank's regulations in the area of ICT risk management, risk from ICT suppliers, ICT incidents, and digital operational resilience testing,
- identifying, verifying, and adapting to DORA the provisions of contracts with ICT suppliers, as well as keeping a separate register for these agreements,
- implementation of new reporting obligations to supervisory authorities.

In addition to the services provided by Bank Millennium on the basis of an outsourcing agreement and entrustment agreements, the Bank cooperates with Bank Millennium in the field of transfers of receivables and financing of the Bank's operations, including the issue of covered bonds.

Transfers of mortgage receivables from Bank Millennium are made on the basis of a framework sales agreement and individual sales agreements signed for each transfer. In addition, the financing of portfolio purchases is regulated by agreements signed by the Bank with Bank Millennium. They provide for the following instruments of financing the Bank's operating activities (including the purchase of mortgage receivables):

- revolving loan,
- working capital loan (from the 2nd half of 2025)
- overdraft,
- deferred payment for purchased receivables.

Bank Millennium S.A. acted as the Organiser and Calculation Agent, and the Brokerage Office of Bank Millennium S.A. acted as an Investment Company and Technical Agent in the issue of series 3 mortgage covered bonds as part of the national mortgage covered bond issue.

In addition, Bank Millennium acted as the Organiser, Calculation Agent and Issue Agent, and the Bank Millennium Brokerage Office as a Dealer in the issue of mortgage covered bonds of the first series under the international covered bond issue programme (EMTN) established in September 2025.

## 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.

<b>Auditor Compensation</b>		
<i>(PLN thousand, gross)</i>	2025	2024
Mid-year financial statement review	73,8	59,0
Statutory audit within the meaning of Article 2(1) of the Act on statutory auditors	246,0	173,7
Other services	0,0	0,0
<b>TOTAL</b>	<b>319,8</b>	<b>232,7</b>

### 8.2. STATEMENT OF THE MANAGEMENT BOARD

To the best of our knowledge, the financial statements of Millennium Bank Hipoteczny S.A. for the 12-month period ended December 31, 2025 has been prepared in accordance with 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 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
05.03.2026 r.	Agata Chrzanowska	Chair of the Management Board	
05.03.2026 r.	Adam Berent	Member of the Management Board	
05.03.2026 r.	Artur Kulesza	Member of the Management Board	