

**Management Board Report  
on the Performance of mBank Hipoteczny  
S.A.  
in H1 2025**

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

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## 1. Introduction

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

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

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

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

In connection with the implementation of the mBH strategy 2023 – 2026, the Bank focused its activities in H1 2025 on executing the strategic initiatives grouped around five pillars:

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

An integral part of the mBank Hipoteczny Strategy is the mBH Sustainability Strategy which covers environmental, social, and governance factors in the Bank's business.

Together with mBank, we are implementing the sustainability agenda for the Group as an integral part of our business. As a Group, we want to remain a leader in sustainable banking in Poland. We are aware of our responsibility for the climate, society, the financial health of our customers, and sustainability. In the first half of 2025, the mBank Group received approval for its CO2 emission reduction plans, following the submission of an application to the Science

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Based Targets Initiative (hereinafter: SBTi) at the end of 2024. The foundation of the mBank Group's plan, and thus mBank Hipoteczny's plan, are carbon dioxide emission reduction targets according to the science based approach provided by the SBTi. The mBank Group's plan covers both mBH's operational and portfolio emissions.

### **Key projects**

In H1 2025, the Bank continued to implement its strategy through the following projects:

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

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

- 2) Decarbonisation (Pillar: mBH ESG)

Within the mBank Group, mBH participated in the preparation of the submission to the Science Based Targets initiative, which was accepted in H1 2025. This corresponds to our aspirations to integrate sustainability factors into the Bank's business.

- 3) IBS – Integration of security services within the mBank group (Pillar: Technology and security)

The dynamically changing environment and the rapid development of technology are not only drivers for growth but also a source of cyber threats. The Bank is carrying out continuous and project-based activities and improving and enhancing the level of security. As an important part of these efforts, the Bank joined the Integration of Security Services (IBS) project. We will use mBank's experience and human and technological resources to further improve the level of data security.

- 4) New application architecture (Pillar: Technology and security)

The Bank continues to work on modernising the applications, improving the technology and business usability. The project is ongoing and aims to align the application architecture's business usability and technology with the changes in mBH business, with a particular focus on synergies and maximising the use of mBank Group services.

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5) BMR (Pillar: Pooling, covered bonds)

In H1 2025, as part of a joint mBank Group project, the Bank continued to implement the solutions arising from Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts... (BMR).

Work on WIBOR benchmark reform is carried out by the National Working Group on Benchmark Reform (NGR) set up by the Office of the Polish Financial Supervision Authority (KNF). On 3 March 2024, the Steering Committee of the National Working Group on Benchmark Reform published a communiqué on the decision to start the process of reviewing and analysing RFR-type benchmarks as an alternative to WIBOR. The Steering Committee decided to select an index of the WIRF family, technically known as WIRF– (based on unsecured deposits of Credit Institutions and Financial Institutions), as the target interest-rate benchmark to replace WIBOR. On 24 January 2025, the index was named POLSTR (Polish Short Term Rate).

On 28 March 2025, the Steering Committee of the National Working Group approved the updated Roadmap for the replacement of WIBOR and WIBID. The Steering Committee kept unchanged the final deadline for the completion of the benchmark reform, set for the end of 2027.

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

The Bank is awaiting confirmation as to whether the recommendations concerning WIRON will apply to the new benchmark.

In 2023, the Bank launched a wide-ranging communication campaign addressed to its customers, proposing amendments to loan agreements that did not contain fall-back clauses. As a result, part of the portfolio was covered by annexes already in 2023. The process was resumed in March 2025. Customers have the option to sign an annex introducing a fall-back clause to existing agreements at any time. The decision to conclude an annex is entirely up to the customer.

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6) Automating the pooling process (Pillar: Pooling)

mBH, together with mBank, mBH continued work on the development of the pooling process. Further modifications to the process address the growing demand for a more accurate portfolio selection in line with current business requirements (e.g. the range of loans granted by mBank for the purchase of real estate or the construction of a house with documented low energy consumption and including loans with a periodically fixed interest rate in pooling). The Bank is also implementing clear and transparent electronic communication with customers in order to comply with the provisions of the Act of 26 April 2024 on ensuring compliance with the accessibility requirements of certain products and services by business entities.

7) Implementation of amendments to the Act on Mortgage Loans and Supervision of Mortgage Loan Intermediaries and Agents and the Act of 26 April 2024 on ensuring compliance with the accessibility requirements of certain products and services by business entities (Pillar – Pooling)

In H1 2025, the Bank implemented the provisions of the Act of 20 December 2024 on entities servicing loans and loan purchasers. Amendments to the Mortgage Loan Act (Article 68) introduced the obligation to inform customers 30 days in advance of any changes to the loan agreement on a durable medium.

8) Implementation of the Act of 26 April 2024 on ensuring compliance with the accessibility requirements of certain products and services by business entities (Pillar – ESG mBH)

In H1 2025, as part of an mBank Group project, the Bank continued its activities related to the implementation of the Act of 26 April 2024 on ensuring compliance with the accessibility requirements of certain products and services by business entities. The work focused on adapting documents and customer communications to use simple language and the graphic standard adopted by the group, as well as adapting the Bank's website to meet the requirements of accessibility, perceptibility, uniformity, and compatibility.

### **Credit rating**

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

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On 10 April 2025, Moody's Investors Service upgraded the long-term rating assigned to mBank Hipoteczny from Baa2 to Baa1 and changed the rating outlook from positive to stable.

The counterparty risk ratings (CRR) were raised to A2/P-1 from A3/P-2 and the counterparty risk assessment ratings (CRA) to A2(cr)/P-1(cr) from A3(cr)/P-2(cr). Short-term ratings remained at P-2.

The upgrade of mBH's rating reflects the improvement in the ratings of its parent entity and the continued high level of support and operational integration with mBank.

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

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

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## **2. External Conditions**

### **2.1. Macroeconomic and Legal Environment**

When assessing the macroeconomic environment, we use information sourced from mBank's Chief Economist.

The first half of 2025 was characterised by a strongly disinflationary path, with inflationary risks largely receding for some time. The growth rate continued to accelerate, although the pace of recovery in some sectors, such as industrial manufacturing and construction, was somewhat disappointing. From a market perspective, the performance of the Polish zloty was mixed as the currency strengthened against the US dollar but remained largely stable against the euro. Inflationary pressure is also easing in the global economy, with the US economy holding up well and the euro area showing signs of a brighter outlook.

In the first quarter of 2025, GDP growth was exactly 3.2% year on year. The details of Q1 growth were promising, with a significant surprise in investments, which rose by 6.3% year on year. Private consumption growth was somewhat subdued at 2.5% year on year, although retail sales data suggest a more dynamic start to the second quarter, pointing to the potential for positive surprises. The contribution of inventories was positive at 1.5 percentage points, while net exports contributed a negative 1.1 percentage points. The acceleration in investment activity is a positive sign, and history suggests that when it starts to grow significantly, the cycle begins. Hence, investments are expected to grow at over 10% year on year in the second half of 2025. The Bank expects GDP growth of 3.8% this year.

The disinflationary trend continued throughout the first half of the year. Although the CPI rose to 4.1% year on year in June, we still see clear signs of sustained disinflation. Core inflation, although temporarily accelerating to 0.4% month on month in May, does not suggest a change in trend. Declining wage growth is contributing to the stabilisation of service prices, removing key cyclical inflationary pressures. The short-term effects of lower fuel prices are expected to be temporary. Lower gas tariffs are set to come into effect in July, and the government has promised to maintain current low electricity prices for households until the end of 2025. The Bank's forecasts suggest CPI of 2.9% for 2025 as a whole.

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In the first half of the year, the Monetary Policy Council (RPP) cut interest rates in May, held off on cuts in June, and then cut rates again by 25 basis points in July. The Polish central bank's communication remains somewhat mixed. While the short-term inflation outlook is seen as justifying further rate cuts, the latest statement also highlighted medium-term risks related to fiscal policy, the economic cycle, the labour market, and energy prices. We expect further rate cuts of 25 basis points each in September and November 2025. The forecast for the end of the current cycle remains at 4%. According to the National Bank of Poland's projections, inflation will continue to decline and by the end of 2027 may be 0.5 percentage points below the NBP's target of 2.5%.

The first half of 2025 brought mixed market performance. The zloty continued its good run against the US dollar, with the exchange rate falling below 3.60, mainly due to the rise in the EURUSD exchange rate. However, the zloty remained largely stable against the euro. The Bank expects the zloty to strengthen further against the dollar but weaken against the single currency, with a EURPLN forecast of 4.40 in the second half of 2026, taking into account lower interest rates in PLN. As at the end of June, the Ministry of Finance financed approximately 75% of its gross borrowing needs for 2025. The interest rate cuts initiated by the NBP are a positive stimulus for mortgage lending.

## **Legal environment**

### **WFD Recommendation**

On 15 July 2024, the Polish Financial Supervision Authority (KNF) adopted a resolution on the issuance of a Recommendation on the Long-Term Funding Ratio ("WFD Recommendation"). The Polish Financial Supervision Authority expects commercial banks to maintain a ratio of at least 40% from 31 December 2026 onwards. The introduction of the Recommendation is expected to ensure an increase in the funding of long-term mortgage loans primarily with long-term debt instruments (including, in particular, covered bonds) that cannot be redeemed within a period of at least one year.

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### **AML Package**

It was officially adopted and published in the EU Official Journal in June 2024. A large part of the provisions will come into force in July 2027. In addition to internal AML/CFT procedures and policies, it will be necessary to review IT processes and solutions. In the implementation of the package, a draft law amending the Act on Anti-Money Laundering and Counter-Terrorist Financing was published in the first half of 2025. The draft provides for changes to the Central Register of Beneficial Owners and the implementation of a new ICT system to combat money laundering and terrorist financing (SIGIIF 2.0 draft).

### **Accessibility Act**

One important element of the legal environment for banks in the first half of 2025 was the Act of 26 April 2024 on ensuring compliance with the accessibility requirements of certain products and services by business entities (Journal of Laws of 2024, item 731). It sets out measures to ensure the accessibility of products and services to persons with special needs (in particular persons with disabilities) and the obligations of economic operators in this regard. In practice, compliance with the requirements of the Act means that:

- (1) at least two sensory channels will be available in customer service (the possibility of replacing one sense with another, e.g. sight with hearing);
- (2) documents and communication addressed to customers must be written in simple language and meet appropriate graphic standards;
- (3) the bank's website and electronic communication with customers must meet accessibility criteria (ensured by the WCAG – Web Content Accessibility Guidelines).

The Act entered into force on 28 June 2025 and provides for a transitional period until 28 June 2030 for contracts for the offering or provision of services concluded before the date of entry into force of the Act: they may continue to apply unchanged until their expiry date, but not longer than 28 June 2030.

### **Court disputes concerning WIBOR**

An important element of the Bank's legal environment are court disputes concerning the structure of variable interest rate clauses based on the WIBOR reference rate. In their claims, customers argue that they were not properly informed about the risks associated with variable interest rate clauses and raise doubts about the WIBOR reference rate. Borrowers are seeking to have the variable interest rate clause declared invalid and, consequently, to have the loan

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interest rate determined solely on the basis of the bank's fixed margin or no interest rate at all. Claims for the entire agreement to be declared invalid are, in principle, contingent claims and not primary claims. In 2024, preliminary questions were referred to the Court of Justice of the European Union concerning important issues of case law in WIBOR cases. On 11 June 2025, a hearing was held before the Court of Justice of the European Union concerning the WIBOR benchmark. The Advocate General will prepare an opinion to be presented on 11 September 2025. The Court's judgment will be delivered at the earliest a few months after the Advocate General's opinion is delivered (first half of 2026). The CJEU's ruling will be crucial for shaping case law in Poland. The judgments handed down so far in WIBOR cases have generally been favourable to banks. According to statistics of the Polish Bank Association (ZBP) as at the end of May 2025, out of 116 judgments handed down in the second instance, only one was unfavourable to the bank, due to circumstances other than those relating to the WIBOR rate itself.

In the first half of 2025, sustainability regulations were an important part of the changing legal environment and analyses conducted at mBH. The Omnibus package of regulations proposed by the European Commission will delay reporting obligations for sustainability reporting. The „Stop-the-clock” Directive<sup>1</sup> has delayed the bank's reporting obligation by two years. The implementation of the Directive is to be ensured by a government draft amending the Act on the amendment of the Accounting Act, the Act on Statutory Auditors, Audit Firms and Public Oversight and certain other acts, which was submitted to the Sejm on 17 June 2025 (print 1375). The Bank would therefore be required to prepare sustainability reporting only for 2027. However, there is also a pending proposal for another Directive in the Omnibus package,<sup>2</sup> which provides for changes in the scope of entities subject to the sustainability reporting obligation. These would include entities (including issuers) employing at least 1,000 employees. With this wording, the Bank would not be subject to the obligation to prepare sustainability reporting. The Bank also takes into account and analyses the EBA Guidelines/GL/2025/01 on the management of environmental, social and governance (ESG) risks, issued on 8 January 2025,

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<sup>1</sup> Directive (EU) 2025/794 of the European Parliament and of the Council of 14 April 2025 amending Directives (EU) 2022/2464 and (EU) 2024/1760 as regards the dates from which Member States are to apply certain corporate sustainability reporting and due diligence requirements

<sup>2</sup> Directives of the European Parliament and of the Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements

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which are to apply from January 2026, and monitors the proposed draft amendments to the Banking Law concerning, among others, sustainability.

In the first half of 2025, the Bank finalised its work on adapting to the Act of 18 November 2020 on electronic delivery (Journal of Laws 2020, item 2320). The obligation to use e-Delivery, including the operation of an e-Delivery box for entrepreneurs entered in the National Court Register (KRS), came into force on 1 April 2025. The Bank finalised work on concluding an agreement for the establishment and operation of an e-Delivery box and was ready to comply with the obligation on 1 April 2025.

2025 is another year when important elements of the Bank's legal environment concerned IT solutions and cybersecurity. The Bank implemented the requirements of DORA<sup>3</sup> and the NIS2 Directive<sup>4</sup> into its internal legal system.

The analysis also covered the following:

The government draft act amending certain acts in connection with ensuring the digital operational resilience of the financial sector and the issuance of European green bonds (Sejm print 1262). The Act adopted on 25 June 2025 aims to align national law with the requirements of DORA by specifying and clarifying the provisions of Polish law.

#### **AI Act<sup>5</sup>**

It applies to entities that are providers or recipients of technical solutions based on artificial intelligence. The Bank is not currently a provider of such solutions. However, the impact of the AI Act on the Bank's operations needs to be analysed in view of the services provided to the Bank, should they be based on AI solutions.

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<sup>3</sup> Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011

<sup>4</sup> Directive (EU) 2022/2555 of the European Parliament and of the Council of 14 December 2022 on measures for a high common level of cybersecurity across the Union

<sup>5</sup> Regulation (EU) 2024/1689 of the European Parliament and of the Council of 13 June 2024 laying down harmonised rules on artificial intelligence and amending Regulations (EC) No 300/2008, (EU) No 167/2013, (EU) No 168/2013, (EU) 2018/858, (EU) 2018/1139 and (EU) 2019/2144 and Directives 2014/90/EU, (EU) 2016/797 and (EU) 2020/1828 (Artificial Intelligence Act)

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## 2.2. Mortgage Covered Bond Market

Covered bonds are an instrument that supports financial institutions in obtaining long-term financing for their mortgage lending activities. They have been issued in nearly 30 different European countries for almost 200 years. The great popularity of this type of instrument in Europe has contributed to its popularisation outside Europe as well. It has become a global product, with issuers in countries such as Australia, Canada and New Zealand. Covered bonds are also issued in Latin American countries (e.g. Panama and Brazil), as well as Asian countries (e.g. Japan and South Korea).

Most jurisdictions have a specific legal or regulatory framework to facilitate and regulate the covered bond market. These frameworks may prescribe the segregation of the underlying assets, by law or contract, from the issuer's other assets. However, there are some countries, such as China, where covered bond issuance standards differ from international standards in key respects, including the lack of specific regulations and segregation of assets, the type of issuing entities, and the assets used to secure covered bonds.

Denmark, France and Germany remain the largest issuers of covered bonds issued on an international standard basis. Their issues amount to €441 billion, €347 billion and €295 billion respectively, representing 14.9%, 11.7% and 10.0% of the European market (according to ECBC: European Covered Bond Fact Book 2024).

In Poland, the covered bond market has been operating for nearly 25 years, mainly due to the pioneering mBH issues. Polish mortgage banks have a reputation not only in the domestic market but also abroad. The Bank is one of the issuers whose covered bonds are listed on the Warsaw Stock Exchange and on the Luxembourg Stock Exchange. Buyers of covered bonds mainly include investment funds, pension funds and banks.

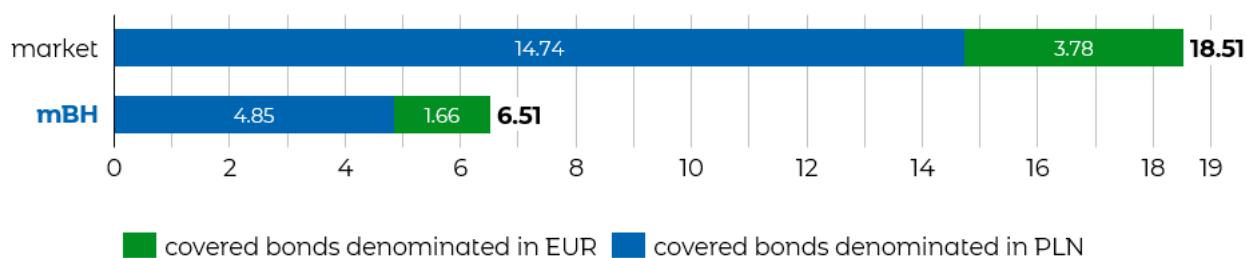
Pursuant to Article 2b of the Act of 29 August 1997 on covered bonds and mortgage banks, mortgage banks in Poland may issue mortgage covered bonds and public covered bonds.

mBank Hipoteczny focuses its activities on issuing mortgage covered bonds. Currently, only one mortgage bank, out of the five operating in Poland, issues public covered bonds. The volume of Polish mortgage covered bonds outstanding at the end of H1 2025 approximately PLN 18.5 billion (EUR 4.4 billion).

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Mortgage covered bonds traded domestically and internationally as at 30 June 2025 (in PLN billion)



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

As at 30 June 2025, the Bank had PLN 656 billion of outstanding covered bonds, representing a 35.2% market share.

The currently perceived limited demand for covered bonds in Poland is due to the lack of systemic incentives for investing in covered combined with high overliquidity of the financial sector. The WFD Recommendation adopted in July 2024 by KNF, described above and in section 2.1, provides an opportunity to change this situation.

Mortgage banks’ support for the 17 UN Sustainable Development Goals is also a key issue. In the absence of regulation to date, the covered bond market has, in line with other debt market instruments, adopted the principles and standards set out by ICMA in the Green Bond Principles (GBP). This is the prevailing standard. The Principles are voluntary guidelines and are applied widely in the market.

In addition, ICMA has published framework documentation to help market participants translate their investment objectives into Sustainable Development Goals. Market analysis shows that the following categories are the most popular among green covered bond issuers:



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The majority of issuers of green mortgage covered bonds, i.e. mortgage covered bonds which comply with *The Green Bond Principles*, focus primarily on the goals “Affordable and clean energy” (Goal 7), “Sustainable cities and communities” (Goal 11) and “Climate action” (Goal 13).

As at the end of H1 2025, none of the five mortgage banks had ICMA-compliant green covered bonds outstanding.

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

Regulation (EU) 2023/2631 of the European Parliament and of the Council on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and sustainability-linked bonds entered into force on 22 November 2023. The Regulation provides harmonised requirements under which issuers of environmentally sustainable bonds could use the label “European Green Bond” or “EuGB”. The main requirement for green bonds is to align projects with the EU taxonomy. This would indicate which assets and projects are needed for the transition to a low-carbon economy. According to the Regulation, its provisions apply as of 21 December 2024.

As at the end of H1 2025, none of the five mortgage banks had any outstanding green bonds compliant with the Regulation.

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## 2.3. Housing Property Market

The situation on the residential property market was primarily determined by market participants' expectations regarding the implementation of a new government housing support programme in Poland and the long-awaited cycle of interest rate cuts. In February 2025, the Ministry of Economic Development and Technology published information on the framework of a new housing development programme, "Klucz do mieszkania" (Key to Housing), which is to be based on three main components: support for municipal, social, and proprietary housing. According to the government's announcement, the programme is scheduled to start in the second half of 2025. In the first half of 2025, the Monetary Policy Council (RPP) announced a decision to cut interest rates, with the main reference rate of the National Bank of Poland being lowered from 5.75% to 5.25%.

In Q1 2025, according to data published by the NBP in its quarterly reports (real estate market), there was a decline in price growth compared to Q1 2024. It was also the third consecutive quarter of a slowdown in the year-on-year growth of residential property prices.

According to data from the Central Statistical Office (GUS), in the period January-April 2025, 3.3% fewer flats were completed than in the same period of 2024. There was also a decrease in the number of flats for which building permits were issued or construction designs were submitted (-14.7%) and in the number of flats whose construction was started (-6.8%).

Developers completed 37,700 dwellings (-2.9% less than a year ago), while individual investors completed 22,900 dwellings (-4.5% less than a year ago). These two forms of construction accounted for 97.5% of all new dwellings. A total of 1,500 dwellings were completed in other forms of construction.

In Q1 2025, demand for flats weakened slightly, which was reflected in price stabilisation, although slight declines were recorded in some cities. According to the AMRON-SARFiN report, in Q1 2025, the average transaction price per square metre in Warsaw was PLN 15,007 (+1.46%/Q4 2024; +7.30%/Q1 2024), PLN 14,351 in Kraków (+2.10%/Q4 2024; +16.53%/Q1 2024), PLN 12,091 in Wrocław (-0.51%/Q4 2024; +10.49%/Q1 2024), PLN 10,483 in Poznań (-1.01%/Q4 2024; +6.92%/Q1 2024), PLN 11,767 in Gdańsk (-0.77%/Q4 2024; +5.84%/Q1 2024), PLN 7,859 in Łódź (+2.0%/Q4 2024; +1.48%/Q1 2024).

After periods of dynamic price growth, market forecasts for 2025 suggest a stabilisation of prices on the primary market, with possible local variations; slight declines may occur, particularly in areas with high supply. A moderate decline in prices on the secondary market is possible, caused by the need to adjust inflated offers to market realities and lower interest in older energy-inefficient properties.

## **2.4. Housing Loan Market**

According to a report by the Credit Information Bureau (BIK), mortgage lending amounted to PLN 29 billion between January and April 2025, down 14.9% compared to the same period in 2024. In Q1 2025, the value of newly granted housing loans amounted to PLN 20.4 billion (-24.10%/Q1 2024). During this period, new sales were dominated by loans with fixed interest rates, which accounted for 78.87% by value (AMRON – SARFiN report).

A gradual recovery in sales has been observed since March 2025. According to BIK data, banks granted over PLN 8.25 billion in housing loans in May 2025, a figure not seen since 2021, except for the period of support for borrowers purchasing a flat/house under the “Bezpieczny Kredyt 2%” (Safe 2% Loan) programme.

According to the AMRON-SARFiN report, the number of active mortgage loan agreements in Poland was 2,192,000 loans with a total value of PLN 494 billion at the end of Q1 2025 (-0.14% q/q; +2.11% y/y). Compared to the end of the record-breaking 2021, this represents a decline in the number of active loans by over 14%, or 356,000 loans in nominal terms.

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## 3. Financial results

### 3.1. Key financial indicators

|                                       | 30.06.2025 | 31.12.2024 |
|---------------------------------------|------------|------------|
| Net ROA <sup>1)</sup>                 | 0.15%      | -0.05%     |
| Gross ROA <sup>2)</sup>               | 0.25%      | 0.01%      |
| Net ROE <sup>3)</sup>                 | 2.00%      | -0.61%     |
| Gross ROE <sup>4)</sup>               | 3.27%      | 0.07%      |
| C/I (cost/income ratio) <sup>5)</sup> | 56.34%     | 55.80%     |
| Net interest margin <sup>6)</sup>     | 1.07%      | 1.06%      |
| Cost of risk <sup>7)</sup>            | 0.08%      | 0.04%      |
| Total capital ratio                   | 19.51%     | 19.51%     |

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

## 3.2. Statement of financial position

| PLN '000                                                          | 30.06.2025        | 31.12.2024        | % Change     |
|-------------------------------------------------------------------|-------------------|-------------------|--------------|
| <b>Assets</b>                                                     | <b>11 445 473</b> | <b>11 019 975</b> | <b>3.86%</b> |
| Loans and advances to customers measured at amortised cost        | 10 340 802        | 9 562 831         | 8.14%        |
| Financial assets at fair value through other comprehensive income | 940 320           | 1 285 083         | -26.83%      |
| Other assets                                                      | 164 351           | 172 061           | -4.48%       |
| <b>LIABILITIES AND EQUITY</b>                                     | <b>11 445 473</b> | <b>11 019 975</b> | <b>3.86%</b> |
| Liabilities from the issue of debt securities                     | 6 522 485         | 6 614 785         | -1.40%       |
| Liabilities to banks                                              | 4 015 993         | 3 511 970         | 14.35%       |
| Share capital                                                     | 727 362           | 727 362           | 0.00%        |
| Other liabilities                                                 | 179 633           | 165 858           | 8.31%        |

As at 30 June 2025, mBH's total assets amounted to PLN 11.45 billion, an increase of 3.86% compared to the end of 2024. This was mainly due to the completion of four pooling tranches totalling approximately PLN 1.5 billion. The net value of the loan portfolio as at 30 June 2025 was PLN 10.34 billion compared to PLN 9.56 billion as at 31 December 2024.

On the liabilities side, the carrying amount of debt securities outstanding as at 30 June 2025 was 1.40% lower than in December 2024. During this period, the Bank issued 2 series of covered bonds with a total value of PLN 1.25 billion.

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### 3.3. Profit and loss account

| PLN'000                                                                                         | Period from<br>01.01.2025 to<br>30.06.2025 | Period from<br>01.01.2024 to<br>30.06.2024 | % Change |                 |
|-------------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|----------|-----------------|
| Net interest income                                                                             | 59 180                                     | 56 345                                     | ↑        | +5.03%          |
| Net fee and commission income                                                                   | (3 111)                                    | (2 650)                                    | ↓        | +17.40%         |
| Trading income                                                                                  | 1 744                                      | 1 653                                      | ↑        | +5.51%          |
| Result from non-material modification                                                           | 185                                        | (59 873)                                   |          | +/-             |
| Net impairment losses on loans and advances                                                     | (3 844)                                    | (1 787)                                    | ↑        | +115.11%        |
| General administrative costs                                                                    | (31 050)                                   | (30 524)                                   | ↑        | +1.72%          |
| Depreciation                                                                                    | (6 429)                                    | (5 965)                                    | ↑        | +7.78%          |
| <b>Operating profit</b>                                                                         | <b>25 945</b>                              | <b>(34 578)</b>                            | ↓        | <b>-175.03%</b> |
| Tax on the Bank's balance sheet items                                                           | (12 184)                                   | (10 571)                                   | ↑        | +15.26%         |
| <b>Gross profit / loss</b>                                                                      | <b>13 761</b>                              | <b>(45 149)</b>                            | ↓        | <b>-130.48%</b> |
| Income tax                                                                                      | (5 324)                                    | 390                                        |          | +/-             |
| <b>Net profit / loss</b>                                                                        | <b>8 437</b>                               | <b>(44 759)</b>                            | ↓        | <b>-118.85%</b> |
| Weighted average number of ordinary shares / diluted weighted average number of ordinary shares | 2 200 000                                  | 2 200 000                                  |          | 0%              |
| Net earnings per ordinary share / Diluted earnings per ordinary share (in PLN)                  | 3,84                                       | (20,35)                                    | ↓        | -118.87%        |

In 2025, the Bank's results were primarily influenced by:

- (1) increase of the loan portfolio in connection with the implementation of four pooling tranches for a total amount of approximately PLN 1.5 billion;

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- (2) compensation for the Retail Pooling plan not implemented in previous years based on the “Pooling Agreement” concluded with mBank in 2022, which added PLN 8.8 million to the operating profit;
  - (3) increased trading profit compared to the same period in 2024;
  - (4) reduced contribution to the Forced Restructuring Fund (BFG) relative to 2024.

In H1 2025, the Bank’s income, calculated as the sum of net interest income, net fee and commission income, trading income, other operating income and other operating expenses, amounted to PLN 66,333 thousand (H1 2024: PLN 63,249 thousand). The income is derived entirely from operations in the Republic of Poland.

## **4. Business of mBH**

### **4.1. Lending**

The Bank’s lending business focused exclusively on the retail lending area in H1 2025. The business model of mBH, consistently implemented since 2013, is largely based on the outsourcing of activities to external entities, mainly mBank, on the basis of outsourcing agreements.

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

In 2025, the Bank continued to work actively with mBank to develop products and maximise mBank’s sales of retail loans which meet the criteria for transfer to mBH: statutory criteria, risk criteria, and business criteria.

The Bank monitors the volume of home loan sales in the market, including mBank’s market share, as this is a key factor in building pooling potential.

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mBH carried out 4 pooling transactions of retail loans in H1 2025 for an amount of approximately 1.5 billion in accordance with the approved 2005 pooling plan.

## 4.2. Issuance of Covered Bonds and Refinancing

mBank Hipoteczny is the only entity in the Group with the authority to issue covered bonds, which it successfully places on both the domestic and foreign capital markets. As a result, it provides stable and long-term financing for loans secured by real estate.

The value of mortgage covered bonds issued by the Bank outstanding at the reporting date was PLN 6.5 billion, representing 35.2% of the total market.

Mortgage covered bond issues admitted (or to be admitted) to trading:

| Issue date   | Maturity date | Currency   | Value              | Moody's rating |
|--------------|---------------|------------|--------------------|----------------|
| 22.02.2019   | 20.12.2028    | PLN        | 100 000 000        | Aa1            |
| 12.06.2025   | 12.06.2028    | PLN        | 750 000 000        | Aa1            |
| <b>TOTAL</b> |               | <b>PLN</b> | <b>850 000 000</b> |                |
| Issue date   | Maturity date | Currency   | Value              | Moody's rating |
| 28.02.2014   | 28.02.2029    | EUR        | 8 000 000          | Aa1            |
| 17.03.2014   | 15.03.2029    | EUR        | 15 000 000         | Aa1            |
| 30.05.2014   | 30.05.2029    | EUR        | 20 000 000         | Aa1            |
| 28.09.2016   | 20.09.2026    | EUR        | 13 000 000         | Aa1            |
| 26.10.2016   | 20.09.2026    | EUR        | 35 000 000         | Aa1            |
| 12.11.2019   | 15.09.2025    | EUR        | 300 000 000        | Aa1            |
| <b>TOTAL</b> |               | <b>EUR</b> | <b>391 000 000</b> |                |

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Bank's mortgage covered bonds issued in an offering without prospectus:

| Issue date   | Maturity date | Currency | Value                | Moody's rating |
|--------------|---------------|----------|----------------------|----------------|
| 03.09.2021   | 03.09.2026    | PLN      | 100 000 000          | n/a            |
| 10.09.2021   | 10.12.2026    | PLN      | 500 000 000          | n/a            |
| 24.02.2022   | 10.09.2027    | PLN      | 500 000 000          | n/a            |
| 22.06.2022   | 22.06.2027    | PLN      | 200 000 000          | n/a            |
| 15.09.2023   | 12.09.2028    | PLN      | 1 000 000 000        | n/a            |
| 05.03.2024   | 05.09.2029    | PLN      | 500 000 000          | n/a            |
| 10.06.2024   | 21.09.2026    | PLN      | 200 000 000          | n/a            |
| 13.09.2024   | 13.09.2029    | PLN      | 500 000 000          | n/a            |
| 04.03.2025   | 04.03.2030    | PLN      | 500 000 000          | n/a            |
| <b>TOTAL</b> |               | PLN      | <b>4 000 000 000</b> |                |

As at the reporting date, the Bank had no outstanding series of unsecured bonds.

In H1 2025, mBH issued two series of mortgage covered bonds in an offering without prospectus with a total nominal value of PLN 1.25 billion. The first issue took place on 4 March 2025 and amounted to PLN 500 million. Like the previous issues, issued by the Bank since 2021, it was addressed to institutional investors without the intention of introducing it to trading on the market.

The second issue of covered bonds, which took place on 12 June 2025 and reached a value of PLN 750 million, was addressed to a wide range of institutional investors for the first time since 2019. The Bank's intention was to introduce a series of mortgage covered bonds to the alternative trading system (ATS) operated by the Warsaw Stock Exchange (GPW). The satisfactory parameters of the issue represented a consensus that took into account market participants' expectations regarding the tenor in relation to the Bank's expectations regarding the price level.

The Bank issued no bonds in H1 2025.

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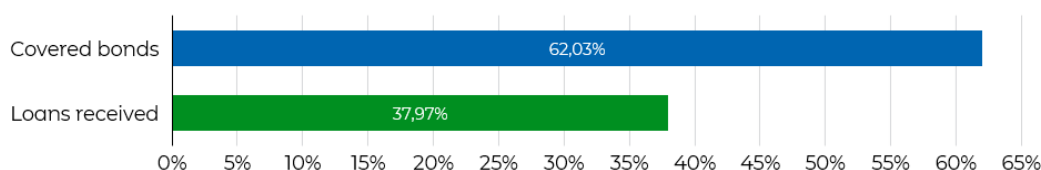


Historically, the Bank has proven its ability to place covered bonds on the European market. The Bank's strategy continues to be to arrange issues of this type.

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

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

**Refinancing structure of the Bank's business**



Source: own study based on data as at 30 June 2025

**Agreements signed and repaid**

On 22 May 2025, the Bank signed an annex to the PLN 500 million loan agreement of 20 May 2016 extending the term of the agreement.

On 14 April 2025, in connection with a loan agreement of 7 February 2024 with mBank for PLN 510 million, the Bank submitted an application to KNF in order to include the loan funds as liquidity inflows in the NSFR.

On 7 May 2025, KNF issued a positive decision in the above case.

**Basis for the issue of covered bonds**

Pursuant to the Act on Covered Bonds and Mortgage Banks, the basis for the issuance of mortgage covered bonds are receivables registered in the covered bond collateral register,

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secured by mortgages established on the right of perpetual usufruct or the right of ownership of real estate, registered in the land and mortgage registers with top priority.

| Mortgage covered bonds (PLN'000)                                                                                             | 30.06.2025 | 31.12.2024 |
|------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| 1. Outstanding covered bonds                                                                                                 | 6 508 583  | 6 599 646  |
| 2. Primary assets in the cover pool                                                                                          | 8 506 083  | 8 250 312  |
| 3. Substitution assets in the cover pool                                                                                     | 250 000    | 300 000    |
| 4. Derivative contracts in the cover pool                                                                                    | -6 360     | 2 970      |
| 5. Level of coverage of covered bonds with primary assets in the cover pool (2/1)                                            | 130,69%    | 125,01%    |
| 6. Total level of coverage of covered bonds (2+3+4) / 1                                                                      | 134,43%    | 129,60%    |
| 7. Receivables used as collateral for covered bond issues up to 60% of the mortgage lending value for commercial properties  | -          | -          |
| 8. Receivables used as collateral for covered bond issues up to 80% of the mortgage lending value for residential properties | 8 316 502  | 8 031 848  |

| Allowed value of collateral in substitution assets (PLN'000)                                                              | 30.06.2025 | 31.12.2024 |
|---------------------------------------------------------------------------------------------------------------------------|------------|------------|
| 1. Assets listed in Article 18(3) of the Act entered in the covered bond collateral register (at nominal value)           | 250 000    | 300 000    |
| 2. Maximum cumulative net liquidity outflow over the next 180 days in accordance with Article 18(3a) of the Act (Surplus) | -          | -          |
| 3. Allowed value of collateral in substitution assets (1-2)                                                               | 250 000    | 300 000    |

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As at the reporting date, the collateral for the issue of mortgage covered bonds comprised receivables to the value of approximately PLN 8.51 billion from a total of 34,189 mortgage loans in PLN. All loans forming the basis of the covered bond issue were Retail Loans, secured by real estate.

In addition to receivables under loans, government bonds with a nominal value of PLN 250 million and a CIRS hedging transaction with a nominal value of EUR 300 million were entered in the covered bond collateral register.

The level of overcollateralisation of mortgage covered bonds was 134.43% (including substitute collateral), which was sufficient to maintain the covered bond rating at Aa1, the highest available for Polish issuers (issued by Moody's).

### **4.3. Risks of Investing in Covered Bonds**

In H1 2025, the risk profile of investments in covered bonds issued by mBH did not change relative to the beginning of 2024.

The absence of EUR-denominated loans makes it necessary to hedge the currency position in connection with covered bonds issued in EUR.

In addition to the Bank's compliance with a number of statutory requirements, the conservative policy of valuing the real estate used as collateral pursued by the Bank over many years also contributes to the high safety of covered bonds investments. In accordance with the Act on Covered Bonds and Mortgage Banks, the minimum level of overcollateralisation of mortgage and public covered bonds at the reporting date was 5%.

## **5. Risk Management**

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

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

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

The risk management system consists of:

- (1) risk identification;
- (2) risk measurement or assessment;
- (3) risk control;
- (4) risk forecasting and monitoring;
- (5) risk reporting;
- (6) management activities.

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

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

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

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

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

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

## **5.1. Credit Risk**

Due to the nature of the Bank's business, credit risk is the most significant risk.

### **Loan portfolio**

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

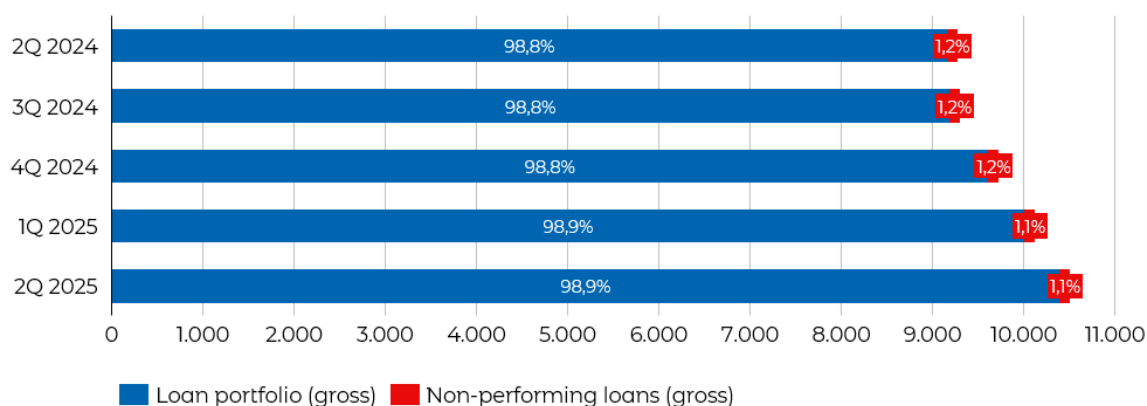
The share of non-performing loans in the Bank's loan portfolio decreased from 1.21% to 1.12% in H1 2025. The majority of liabilities are repaid on time. The level of NPLs is adequate for the Bank's business profile. The share of forborne loans in the portfolio decreased from 1.43% to 1.25% in H1 2025.

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The coverage of non-performing debt with provisions was 27%. The median LTV ratio of the entire exposure portfolio was 42% with a noticeable downward trend over time, mainly due to the cyclical massive revaluation of collateral.

### Quality of the loan portfolio



The Retail Loan portfolio is characterised by very good quality. As at the reporting date, there were 375 recorded impairments. Retail Loans are monitored on a monthly basis in terms of the timeliness of repayments and the regularity of the effective mortgage collateral provided. The fulfilment of all the customer's contractual obligations (including property insurance and assignment of policy rights) is monitored over the same period.

In the case of the Retail Loan portfolio, write-offs increased in H1 2025 compared to the end of 2024 due to the increase in the LGD parameter for the impairment criteria, steady increase of total assets, and updates of macroeconomic forecasts in long-term models.

## 5.2. Market Risk

The risk of incurring a loss due to unfavourable changes in market parameters from the point of view of the maturity structure of the Bank's portfolio positions is kept as low as possible due

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to the nature of the Bank's business, the efficient risk mitigation and management system in place at the operational level. Market risk is the second largest risk in the Bank after credit risk.

In order to mitigate market risk, mBH aligns the currency structure and repricing structure of its funding sources with the structure of its loan receivables, uses linear derivative instruments, makes spot and forward FX buy/sell transactions and FX SWAP and CIRS transactions.

The amount of market risk to which the Bank is exposed over a daily horizon is determined using the Value at Risk (VaR) method at a confidence level of 97.5%. As at the reporting date, VaR amounted to PLN 1.47 million. Other risks calculated by this measure amounted to: interest rate risk PLN 1.66 million, credit spread risk PLN 1.66 million, foreign exchange risk PLN 0.02 million.

|                       | Risk amount |            |
|-----------------------|-------------|------------|
|                       | 30.06.2025  | 31.12.2024 |
| Credit spread risk    | 1 664 645   | 1 236 416  |
| Interest rate risk    | 1 664 275   | 1 607 065  |
| Foreign exchange risk | 16 038      | 38 484     |
| Total VaR             | 1 473 153   | 1 791 892  |

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

As at 30 June 2025, the risk amount under the extended scenario amounted to PLN 24.88 million (as at 31 December 2024: PLN 35.26 million), while the average risk amount for this scenario in 2024 amounted to PLN 29.97 million.

The level of risk measures is lower than in the previous period, mainly due to lower exposure to foreign exchange risk.

Interest rate risk arises from the exposure of the Bank's earnings and capital to the adverse impact of changes in interest rates. The Bank manages the interest rate gap by adjusting the repricing dates of assets and liabilities. The sensitivity of the Bank's portfolio to interest rate disruptions is determined by the results of stress tests and scenario analyses. The decrease in the Bank's economic value of equity under the most adverse scenario (Supervisory Outlier Test – SOT EVE) in relation to the Bank's own funds, as at the reporting date, was 3.4%. Interest rate risk is also measured in relation to the Bank's net interest income. Earnings at Risk (EaR) and Net Interest Income (NII) were 2.4% (EaR) and 8.1% (NII) of the net interest income budgeted for 2025, lower than in the previous period. The Bank's portfolio positions exposed to interest rate risk are hedged with linear interest rate derivatives.

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

## **5.3. Liquidity Risk**

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

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

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

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

As at the reporting date, the liquidity reserve represented approximately 6.62% of total assets.

The Bank's long-term liquidity position is stable. A significant share of the funding of long-term loans is made up of borrowings received from mBank.

Due to the need to maintain liquidity ratios at an appropriate level, the need to address the mismatch between the structure of assets and the liabilities that finance them and to increase the stability of funding sources, mBH will continue its efforts to convert short-term funding into funding in the form of new covered bond issues with a maturity from 3 to 5 years or more depending on the needs and the market conditions.

The coverage ratio of net outflows with liquid assets over a stress period of 30 calendar days (LCR), was 1473.3%. As mentioned above, this is due to preparations for the redemption of maturing issues of covered bonds.

The ratio of the Bank's own funds and stable liabilities that provide stable funding to non-liquid assets and receivables that require stable funding (NSFR) was 118.4%.

The utilisation level of the commitment limit under Article 15(2) of the Act on Covered Bonds and Mortgage Banks as at the date of the report was 48%. In H1 2025, this limit was not exceeded.

The average residual maturity of mortgage covered bonds issued was 2.47 years, while the average maturity of loans received from other banks was 2.40 years.

The Bank has a management information system based on banking systems and applications to support the measurement and monitoring of liquidity risk. This system ensures the receipt of information on liquidity risk, enables the assessment of the impact of management decisions

and serves to monitor risks and control limits. Liquidity risk reports are prepared at the Bank on a daily, monthly and quarterly basis. The liquidity risk reports, which include information on liquidity risk exposure and information on the use of limits for this risk, are presented to the ALCO Committee at least once every two months and to the Bank's Management Board and Supervisory Board on a quarterly basis. In order to better manage and supervise liquidity risk, the Bank's Management Board and those responsible for liquidity risk management have ongoing access to daily reports.

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

## **5.4. Operational Risk**

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

The Bank maintains a business model in which it bases the development of its portfolio exclusively on retail mortgage loans in close cooperation with mBank, which reduces the operational risk associated with the loan sales stage. This has the effect of reducing the level of the Bank's operational risk, but nevertheless increases the materiality of the outsourced activities related to the loan acquisition processes through pooling and the maintenance of the loan portfolio. Outsourced processes are subject to continuous monitoring.

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

Operational risk is complex in nature, which can have a significant impact on the Bank's operations and position. In addition to the environment and external events, its source is the

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Bank itself. External and internal factors affecting operational risk are changing rapidly. We observe, among other things:

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

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

Due to the dynamic changes in the factors influencing operational risk, the key elements of the process of managing operational risk are: identification, assessment, control and monitoring, prevention of risk materialisation, and reporting.

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

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

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### **Tools and measures**

Due to the dynamic changes in the factors influencing operational risk, the key elements of the process of managing operational risk are: identification, assessment, control and monitoring, prevention of risk materialisation, and reporting.

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

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

- (1) Self-Assessment of Operational Risk. This process aims to identify and assess risk and implement adequate risk mitigation actions;
- (2) Operational Loss Register, which is a database of losses resulting from operational events. Analysis of the recorded data takes place in the Analysis and Risk Management Department and allows for the ongoing assessment of the risk profile;
- (3) Key Risk Indicators (KRI) which support ongoing risk monitoring. Thanks to a system of warning and alert thresholds, the KRIs make it possible to determine the level of risk tolerance;
- (4) Operational risk scenarios, which analyse the risks associated with the occurrence of rare but potentially serious operational events;
- (5) Issuing opinions on new products or their modifications before their implementation and risk assessment of outsourcing contracts.

With operational risk tools, the Bank monitors and improves the working methods in the tasks performed by employees in hybrid mode.

### **Operational losses**

The Bank was particularly faced with losses related to legal risks associated with the retail loan portfolio. All of the Bank's operational losses in H1 2025 related to the Retail Banking line.

The table below shows the distribution of actual gross losses incurred by the Bank in H1 2025 and 2024 by operational risk category.

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| Operational event category                                      | Total gross loss (PLN'000) |                |
|-----------------------------------------------------------------|----------------------------|----------------|
|                                                                 | 30.06.2025                 | 31.12.2024     |
| Customers, products and business practices for banking products | 451.12                     | 1 215.9        |
| Process execution, delivery and management                      | 5.31                       | 60.4           |
| <b>Total</b>                                                    | <b>456.4</b>               | <b>1 276.3</b> |

The significant share of losses in the category “Customers, products and business practices for banking products” was mainly due to the cost of provisions against litigation concerning foreign currency loans (this relates to the period of lending at mBank, before currency conversion and transfer to mBH under pooling).

We monitor the level of operational risk losses on an ongoing basis and report it to the Management Board of the Bank and the Supervisory Board. When operational loss thresholds are exceeded, escalation mechanisms are in place. These ensure that operational events are analysed appropriately and corrective actions triggered. In the case of events in the categories: Process execution, delivery and management, corrective actions focus on improving the control function by designing a control mechanism or increasing the effectiveness of existing controls. In the category: Customers, products and business practices for banking products, which includes incidents involving disputes, the WIBOR-based floating interest rate clause has become the subject of litigation in addition to the foreign exchange clause challenged by consumers. The Bank responds on an ongoing basis and submits replies to the lawsuits. The register of operating losses includes lawsuits for which provisions have been set up for disputed cases due to the increased likelihood of a judgment unfavourable for the Bank.

The distribution of losses does not include events related to the CJEU judgment of 11 September 2019 in the case concerning consumer credit repaid in full early – as at 30 June 2025, the Bank recognised an estimated impact of the CJEU judgment of PLN 9.5 million.

For detailed information on the CJEU judgment, please refer to the section “Significant estimates and judgements made in connection with the application of accounting policies” in the Bank’s H1 2025 Financial Statements.

We stress that we monitor and analyse any changes affecting the operational risk profile.

## **5.5. Model Risk**

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

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

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

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

## **6. Internal Control System**

The Bank has implemented an internal control system to support the organisation in the effective and efficient operation of its business processes. It covers all the Bank's organisational

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units and defines the principles of cooperation between them, and the principles of information flow and monitoring of activities within the Bank. The principles and objectives of the internal control system derive from the Banking Law, the Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on the risk management system and internal control system and remuneration policy in banks, and KNF Recommendation H concerning the internal control system in banks. The internal control system is organised in the Bank in three lines of defence, where:

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

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

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

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

- a. internal procedures relating to the Bank's business;
- b. reviews of reports by the Management Board of the Bank;
- c. reviews by heads of departments/independent posts;
- d. physical security;
- e. system of limits and rules for controlling them;
- f. credit decision rules and the proxy system;
- g. rules for verifying the details of transactions and activities and the results of risk management models;
- h. activities aimed at checking the quality and correctness of the execution of tasks.

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

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

- a. it manages compliance risk (understood as the risk of the consequences of the Bank's non-compliance with laws, internal regulations and market standards) by identifying, assessing, controlling, monitoring and reporting on the risk of non-compliance with laws, internal regulations and market standards;
- b. it performs horizontal monitoring within the compliance function and vertical monitoring within the second line of defence. It ensures the Bank's compliance with laws, internal regulations and market standards;
- c. it performs other tasks insofar as this does not compromise the operational efficiency and independence of the unit.

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

- a. anti-money laundering and countering the financing of terrorism;
- b. sanctions policy;
- c. protection of personal data;
- d. outsourcing;
- e. prevention of conflicts of interest, fraud and corruption;
- f. overseeing the process of handling customer complaints;
- g. inside information within the meaning of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse.

- (2) **Internal Audit Position** - an independent internal audit function to examine and assess, in an independent and objective manner, the adequacy of the risk management and internal control system. Internal Audit supports the Bank in achieving its objectives through a systematic and disciplined approach to examining, evaluating and improving the effectiveness of its risk management, control and governance processes.

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

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- a. assurance - involving the objective evaluation of evidence by internal auditors to provide an independent opinion and conclusions on a process, system or other matter;
- b. advisory - comprising consultancy and related service activities, whose nature and scope are agreed in detail with the client, and which are intended to add value and improve organisational governance, risk management and internal control processes.

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

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

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

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## 7. Remuneration Policy

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

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

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

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

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

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

### **The Bank's mission**

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

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

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

### **The Bank's vision**

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

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

Strategic initiatives at mBH are grouped around five pillars:

- (1) sourcing retail mortgages from mBank;
- (2) financing them with regular issues of primarily green covered bonds;
- (3) improving the IT platform and data security;
- (4) risk management;

- (5) fostering an organisational culture based on shared values, ensuring respect for diversity, the professional development of employees and satisfying working conditions.

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

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

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

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

## **9. Bank Authorities**

### **Shareholders**

The total number of ordinary shares at the reporting date was 2.2 million with a nominal value of PLN 100 per share.

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

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

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| Shareholder  | Registered share capital<br>(PLN) | Shares           |            | Votes            |            |
|--------------|-----------------------------------|------------------|------------|------------------|------------|
|              |                                   | #                | %          | #                | %          |
| mBank S.A.   | 220 000 000                       | 2 200 000        | 100        | 2 200 000        | 100        |
| <b>Total</b> | <b>220 000 000</b>                | <b>2 200 000</b> | <b>100</b> | <b>2 200 000</b> | <b>100</b> |

### Management Board

In H1 2025, mBH's Management Board consisted of:

|                       | Position                                             |
|-----------------------|------------------------------------------------------|
| Piotr Petelewicz      | President of the Management Board                    |
| Katarzyna Dubaniewicz | Member of the Management Board                       |
| Andrzej Kulik         | Member of the Management Board (up to 14 April 2025) |
| Adrian Kaim           | Member of the Management Board (from 14 April 2025)  |

On the date of the General Meeting of the Bank approving the financial statements for the financial year 2024, i.e. on 14 April 2025, the joint term of office of the Management Board, composed of the following persons, ended: Piotr Petelewicz – President of the Management Board, Andrzej Kulik – Member of the Management Board supervising the management of significant risks in the Bank's operations, Katarzyna Dubaniewicz – Member of the Management Board.

In view of the end of the joint term of office of the Management Board, on 31 March 2025, the Supervisory Board appointed: Piotr Petelewicz as President of the Management Board, Katarzyna Dubaniewicz as Member of the Management Board, and Adrian Kaim as Member of the Management Board for a joint three-year term of office commencing on the date of the Bank's General Meeting approving the financial statements for the financial year 2024.

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The Supervisory Board entrusted Adrian Kaim with the duties of the Member of the Management Board supervising the management of significant risks at the Bank, subject to obtaining the consent of the Polish Financial Supervision Authority.

Appointment and removal of management board members and their powers:

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

The appointment of two members of the Management Board, including the President of the Management Board and the member of the Management Board responsible for risk, requires the approval of the KNF.

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

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**Supervisory Board**

In H1 2025, the Bank's Supervisory Board consisted of:

|                    | Position                                                     |
|--------------------|--------------------------------------------------------------|
| Marek Lusztyn      | Chairman of the Supervisory Board                            |
| Pascal Ruhland     | Deputy Chairman of the Supervisory Board                     |
| Paweł Graniewski   | Independent Member of the Supervisory Board                  |
| Mariusz Tokarski   | Independent Member of the Supervisory Board                  |
| Łukasz Maculewicz  | Member of the Supervisory Board (up to 1 April 2025)         |
| Grzegorz Ostrowski | Member of the Supervisory Board                              |
| Michał Popiołek    | Member of the Supervisory Board                              |
| Marta Żyndul       | Member of the Supervisory Board                              |
| Monika Bączyńska   | Member of the Supervisory Board                              |
| Łukasz Czekajewski | Member of the Supervisory Board (appointed on 14 April 2025) |

On 12 March 2025, Łukasz Maculewicz resigned from his position as a member of the Supervisory Board with effect from 1 April 2025.

On 14 April 2025, the General Meeting of Shareholders appointed Łukasz Czekajewski to the Supervisory Board.

Pursuant to § 14 (1) (5) of mBH's Articles of Association:

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

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Pursuant to § 3 (9) and (10) of the Rules of the Supervisory Board of mBH:

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

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

Audit Committee

- (1) Paweł Graniewski – Chairman of the Committee
- (2) Pascal Ruhland - Member of the Committee
- (3) Mariusz Tokarski - Member of the Committee

In H1 2025, the Audit Committee met on 24 February, 28 March and 24 June.

Remuneration and Nomination Committee

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

In H1 2025, the Remuneration and Nomination Committee met on 24 March. The Committee adopted one resolution by circulation in May 2025.

Risk Committee

- (1) Marta Żyndul – Chairwoman of the Committee
- (2) Marek Lusztyn – Member of the Committee
- (3) Michał Popiołek – Member of the Committee

In H1 2025, the Risk Committee met on 17 March and 23 June.

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**Procedure for convening and powers of the General Meeting**

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

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

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

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## 10. Other Information

### **Loans and their interest rates**

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

In accordance with Recommendation S, the Bank introduced the possibility of converting floating interest rates into periodically fixed interest rates for a period of 5 years. As at 30 June 2025, the share of loans with periodically fixed interest rates in the loan portfolio was 4.31%.

### **Related party transactions**

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

The transactions concluded in H1 2025 between the Bank and related parties were typical and routine transactions, concluded on terms that did not deviate from market conditions, and their nature and terms resulted from the day-to-day operational activities conducted by the Bank. Transactions with related parties carried out in the ordinary course of business include loans, deposits, liabilities under issued debt securities and derivative transactions.

### **Information on amendments to the Articles of Association**

No amendments were made to the Bank's Articles of Association in H1 2025.

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

On 31 March 2025, the Supervisory Board performed a review and concluded that the Members of the Management Board comprised of Piotr Petelewicz – President of the Management Board, Katarzyna Dubaniewicz – Member of the Management Board, and Adrian Kaim – Member of the Management Board, individually and collectively, met the requirements set out in Article 22aa of the Banking Law.

On 14 April 2025, the General Meeting performed a review and concluded that the existing Supervisory Board Members met the requirements set out in Article 22aa of the Banking Law.

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**Proceedings pending before a court, an authority competent to conduct arbitration proceedings or a public administration body**

Information on pending proceedings can be found in the selected explanatory data section in point 15 of the H1 2025 Financial Statements.

**Financial support from public funds**

In H1 2025, the Bank did not receive any financial support from public funds, in particular under the Act of 12 February 2009 on the granting of support to financial institutions by the State Treasury (Journal of Laws 2014, item 158).

**Cooperation with international institutions**

The Bank does not cooperate with international public institutions.

**Guarantees and sureties granted by the Bank**

The Bank did not issue any guarantees or sureties in H1 2025.

**Events after the balance sheet date**

There were no material events after the balance sheet date that would require additional disclosure in this management board report.

## **11. Statements by the Management Board**

### **Corporate governance**

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

On 16 December 2014, the Management Board and on 19 January 2015, the Supervisory Board adopted for application the Corporate Governance Principles for Supervised Institutions ("Principles"), adopted by the Financial Supervisory Authority on 22 July 2014, with the exception of the Principles set out in § 8.4, § 29, §53-57.

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

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

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

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

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*§ 29: The Bank does not comply with the Principle:*

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

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

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

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

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

As required by § 27 of the Corporate Governance Principles for Supervised Institutions, on 31 March 2025, the Bank's Supervisory Board assessed the application of the Principles at the Bank in 2024. The Supervisory Board of mBank Hipoteczny S.A. approved the assessment of the application by mBank Hipoteczny S.A. in 2024 of the "Corporate Governance Principles for Supervised Institutions" introduced by the Polish Financial Supervision Authority. Based on the information received from the Management Board of mBank Hipoteczny S.A., the Supervisory Board confirms that the Bank has implemented and complies with the Corporate Governance Principles. The Bank has implemented an Internal Governance Policy, which sets out the basic principles and good practices for the different areas of internal governance.

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These principles are available on the website:

[https://www.knf.gov.pl/dla\\_rynku/regulacje\\_i\\_praktyka/zasady\\_ladu\\_korporacyjnego](https://www.knf.gov.pl/dla_rynku/regulacje_i_praktyka/zasady_ladu_korporacyjnego)

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

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

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

[https://www.knf.gov.pl/knf/pl/komponenty/img/Rekomendacja\\_Z\\_70998.pdf](https://www.knf.gov.pl/knf/pl/komponenty/img/Rekomendacja_Z_70998.pdf)

### **Rules for the appointment and removal of managers**

The Supervisory Board appoints and dismisses members of the Bank's Management Board, including the President of the Management Board, taking into account the assessment of the fulfilment of the requirements referred to in Article 22aa of the Banking Law. The appointment of the President of the Management Board and the member of the Management Board supervising the management of the significant risk in the Bank's operations, as well as the assignment of the function of the member of the Management Board supervising the management of the significant risk in the Bank's operations to the appointed member of the Management Board requires the consent of the KNF. The consent is requested by the Supervisory Board. The Supervisory Board, immediately after the appointment of the Management Board and after any change in its composition, submits to the KNF information on the composition of the Management Board, as well as information resulting from the assessment referred to in section 1 on the fulfilment by the members of the Management Board of the requirements referred to in Article 22aa of the Banking Law. The assessment is carried out on the basis of the Policy on the assessment of qualifications (suitability), appointment and dismissal of members of the Bank's Body in force at the Bank (Suitability Policy). In addition, the Supervisory Board informs the KNF of the approval and change of the internal division of competences in the Bank's Management Board. The Bank's Management Board consists of President of the Bank's Management Board and other members of the Bank's Management

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Board. The internal division of competences in the Bank's Management Board is determined by the Management Board and approved by the Supervisory Board. The President and the other members of the Bank's Management Board are appointed for a joint term of office of 3 years (the current term of office ends in 2028). The terms of office of the members of the Management Board expire at the latest on the date of the General Meeting approving the financial statements for the last full financial year of their function as members of the Management Board. In addition, the mandate of a member of the Management Board expires due to death, resignation or dismissal from the Management Board by the Supervisory Board. Members of the Bank's Management Board may be dismissed by the Supervisory Board before the expiry of their term of office at any time. The Management Board manages the Bank's affairs and represents the Bank. The Management Board adopts annual financial plans and an operating strategy, which are approved by the Supervisory Board. The Management Board determines the maximum volume of covered bonds and bonds issued in a given year in its annual financial plans and operating strategy.

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

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

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

The Audit Committee operates on the basis of the Audit Committee Rules introduced by Resolution No. 31/2023 of the Supervisory Board of 27 March 2023 updated by Resolution No. 65/2024 of the Supervisory Board of 2 December 2024. The composition of the Audit Committee of the current term was appointed by Resolution No. 42/2023 of the Supervisory Board of 22 May 2024. All members of the Committee meet the requirements for having knowledge and skills in banking and finance and in accounting or auditing, which they have acquired through experience and education.

The basic tasks of the Audit Committee derive from the provisions of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Supervision, the Bank's Articles of Association, the

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Rules of the Supervisory Board, the “Recommendations on the functioning of the Audit Committee” adopted by the KNF.

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

The Audit Committee, by Resolution No. 19/2023 of 6 December 2023, adopted the “Policy on the selection of the audit firm and on the provision by the audit firm conducting the audit, by affiliates of the audit firm and by a member of the audit firm’s network of permitted services that are not an audit of the financial statements of mBank Hipoteczny S.A.”

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

The policy on the selection of the audit firm takes into account the principle of auditor rotation. The maximum uninterrupted duration of the statutory audit engagements referred to in Article 17(1) second paragraph of Regulation No. 537/2014 carried out by the same audit firm or an audit firm affiliated with that audit firm or any member of the network operating in countries of the European Union to which those audit firms belong shall not exceed 10 years. The key auditor may perform another statutory audit of a bank after a period of at least 3 years from the completion of the last statutory audit. In the case of a statutory audit, the first statutory audit contract shall be concluded with the audit firm for a period of not less than two years, renewable for a further period of at least two years.

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

- (1) any prohibited non-audit services during the period between the beginning of the period audited and the issuing of the audit report;

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- (2) any services of designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems.

The following are not prohibited services under Article 136 of the Act on Statutory Auditors:

- (1) services involving:
  - a. due diligence procedures on the economic and financial condition;
  - b. issuing comfort letters in connection with prospectuses issued by the audited entity, in accordance with the national standard for related services and involving agreed procedures;
- (2) assurance services on pro forma financial information, earnings forecasts or estimated results, included in the audited entity's prospectus;
- (3) study of historical financial information for the prospectus;
- (4) verification of consolidation packages;
- (5) confirming the fulfilment of the terms and conditions of the concluded loan agreements on the basis of an analysis of financial information from the financial statements audited by the audit firm;
- (6) assurance services on corporate governance, risk management and corporate social responsibility reporting;
- (7) services to assess the compliance of financial institutions' and investment firms' disclosures with capital adequacy and variable remuneration disclosure requirements;
- (8) certifications concerning reports or other financial information intended for the supervisory authorities, the supervisory board or any other supervisory body of the company or the owners, going beyond the scope of the statutory audit and intended to assist those bodies in fulfilling their statutory duties.

The audit firm reviewing the annual financial statements for 2024 did not provide mBH with any prohibited services or permitted non-audit services other than the review of consolidation packages.

**Diversity policy at mBH**

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

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

The representation of women in management positions accounts for 47% of total management positions. We are committed to creating equal opportunities regardless of gender.

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

**Truthfulness and reliability of the reports presented**

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

- (1) the financial statements and comparative data have been prepared in accordance with the applicable accounting principles and give a true, fair and clear view of the Bank's assets, financial position and profit or loss;
- (2) the Management Board's report gives a true picture of the Bank's situation, including a description of the main risks and threats.

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

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

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

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

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