

Independent Auditor's Report on the Audit of the Annual Financial Statements of

VeloBank S.A.

with the registered office in Warsaw for the financial year

from September 5th, 2022 to December 31st, 2023

TRANSLATION

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Independent Auditor's Report of the annual separate financial statements to the General Assembly of VeloBank S.A.

Opinion on the financial statements

We have audited the accompanying annual financial statements of VeloBank S.A., with its registered office at Rondo I. Daszyńskiego 2c, 00-843 Warsaw, hereinafter referred to as the "Bank", for the financial year from September 5th, 2022 to December 31st, 2023, which comprise the statement of financial position as at December 31st, 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the period from September 5th, 2022 to December 31st, 2023, and notes comprising significant accounting policies and other explanatory information, hereinafter referred to as the "financial statements".

The financial statements were prepared as an electronic file named "velo_spr_financial_31.12.2023_signed.pdf" bearing the electronic signatures of the Bank's Management Board on February 26th, 2024.

The financial statements have been prepared in accordance to with the accounting and financial reporting principles set out in International Accounting Standards, International Financial Reporting Standards and related interpretations published as regulations of the European Commission, hereinafter referred to as "EU IFRS".

In our opinion, the accompanying financial statements of VeloBank S.A.:

- give a true and fair view of the Bank's financial position as at December 31st, 2023, its financial performance and its cash flows for the year then ended in accordance with the applicable EU IFRSs and the accounting policies adopted,
- comply, in all material respects as to the form and contents, with the law regulations applicable to the Bank as well as with the provisions of the Bank's Articles of Association affecting its content,
- has been prepared based on the properly kept accounting records pursuant to Chapter 2 of the Regulation on specific accounting principles for banks and Chapter 2 of the Accounting Act of 29 September 1994 applicable to the audit of financial statements prepared for periods ending as at December 31st, 2023, hereinafter the "Accounting Act".

Our opinion on the financial statements is consistent with the supplementary report to the Audit and Risk Committee (hereafter the Audit Committee), which we issued on February 26th, 2024.

Basis for opinion

We conducted our audit of the financial statements in accordance with the National Auditing Standards, being the International Standards on Auditing as adopted in Poland by the National Board of Certified Auditors and National Standard on Auditing 220 (Z) adopted by the Polish Agency for Audit Oversight, hereinafter referred to as the "National Standards on Auditing" ("NSA"), and with the Act dated May 11th, 2017 on statutory auditors, audit firms and public oversight, hereinafter referred to as the "Statutory Auditors Act", applicable to audits of financial statements prepared for periods ending December 31st, 2023, and Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16th, 2014 on specific requirements for statutory audits of public-interest entities, repealing Commission Decision 2005/909/EC (Official Journal of the EU L 158 of May 27th, 2014, p. 77 and Official Journal of the EU L 170 of June 11th, 2014, p. 66), hereinafter "Regulation 537/2014".

Our responsibilities under these standards are described in the section 'Auditor's Responsibilities for the Audit of the Financial Statements'.

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including the International Independence Standards), hereinafter the "IESBA Code", adopted by the National Board of Statutory Auditors, and with the independence requirements set out in the Statutory Auditors Act and Regulation 537/2014. We have also fulfilled our other ethical obligations set out in the Statutory Auditors Act and the IESBA Code. During the course of the audit, the key auditor and the audit firm remained independent of the Bank in accordance with the independence requirements set out in the Statutory Auditors Act and Regulation 537/2014.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Key Audit Matters(s)

Key audit matters are those matters that, in our professional judgement, were most significant during the audit of the financial statements for the current reporting period. They include the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud. We have addressed these matters in the context of our audit of the financial statements as a whole and in forming our opinion and have summarised our response to these risks and, where we considered it appropriate, provided key observations relating to these risks.

Simultaneously, Regulation 537/2014 requires from us to report on all the most significant risks of material misstatement in the audit report, including those that were not a key audit matter for us.

Significant risks of material misstatement are risks of material misstatement that we have identified which, in our judgement, require special consideration in the audit.

The key audit matters presented below include all the most significant risks of material misstatement referred to in Regulation 537/2014 and other matters that we have identified as key audit matters.

We do not express a separate opinion on these matters.

Key issue: estimating descriptions for expected credit losses for loans and credits to customers

Description of the key issue	How the case was addressed during the audit
<p>Loans and credits granted to customers (a.k.a. 'loans and credits' or 'credit exposures') measured at amortised cost are presented with an allowance for expected credit losses.</p> <p>In accordance with International Financial Reporting Standard no. 9 "Financial Instruments" ("IFRS 9"), the Management Board is required to determine the value of expected credit losses that may occur over a 12-month period or over the remaining whole life of a financial asset, depending on the classification of individual assets into risk categories ("baskets") taking into consideration the impact of future macroeconomic conditions on the level of expected credit losses.</p> <p>There are two main phases in the process of estimating expected credit losses:</p> <ul style="list-style-type: none"> -identifying the indications of impairment or the material increase in credit risk, -estimating expected credit losses. <p>In accordance with IFRS 9, the Bank distinguishes 4 baskets into which loans and credits are classified, depending on the level of credit risk assessment:</p> <ul style="list-style-type: none"> -Stage 3 loans and credits represent exposures for which the Bank has recognised an impairment indicator (so-called non-performing exposures or NPL non-performing loans). - Stage 2 loans and credits represent all exposures for which the Bank has not recognised an indication of impairment, but has recognised a material increase in credit risk since the date of initial recognition of the financial asset in its books. - Stage 4 loans and credits represent all exposures for which the Bank recognised impairment at initial recognition, the so-called POCI (purchased or created impaired) basket. - Stage 1 loans and credits are all exposures not classified to stage 2, 3 and 4. <p>The indications of impairment for basket 3 are identified in particular on the basis of the punctuality of debt service and the economic and financial situation of the debtors, determining their ability to service their debt without defaulting on the material amount of the exposure not exceeding 90 days. The rationale for classifying loans and credits into class 2 of financial assets is the assessment of the punctuality of repayment of credit obligations not exceeding 90 days and a significant change in the level of probability of default (PD, probability of default)</p>	<p>In response to the significant risks identified, we carried out a number of procedures. We have described below the procedures that are key in achieving our audit objectives:</p> <ul style="list-style-type: none"> - understanding of internal control policies and procedures for the recognition and calculation of expected credit losses, - testing the effectiveness of selected key controls implemented by the Bank: <ul style="list-style-type: none"> ✓ entering customer data used in the expected credit loss (ECL) calculation process, ✓ inputting of credit transaction data in the expected credit loss (ECL) calculation process, ✓ data transfer between IT systems and databases and the ECL calculation system, ✓ the punctuality and correctness of the identification of a material increase in credit risk (basket 2) and the occurrence of an impairment indicator (basket 3). - We reviewed and assessed, used by the Bank, methodology for estimating the allowance for expected losses in terms of compliance with the requirements of IFRS 9. In particular, the Bank's approach to default, probability of default ("PD") parameters, loss given default ("LGD") ratio and consideration of forecasted macroeconomic information in calculating expected credit losses. - We analysed and evaluated the Bank's types and methodologies of expert adjustments used in the process of estimating future credit losses (post model adjustments). - For loans and credits that are individually insignificant - assessed for impairment on a portfolio basis, we performed the following procedures: <ul style="list-style-type: none"> ✓ evaluation of the Bank's assumptions including adjustments and expert judgements used in the model, ✓ critical analysis of key judgements and assumptions, including the assumed probabilities of the various scenarios, ✓ critical assessment of macroeconomic assumptions, ✓ analysis and evaluation of the stability and adequacy of the model's performance, ✓ substantive audit procedures on a selected sample to check the classification of individual exposures into appropriate baskets.

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<p>compared to the value of this parameter at the time of initial recognition of the exposure in the Bank's books.</p> <p>Loans and credits to customers - the Bank's debt portfolio, consists of exposures for which the value of expected credit losses is estimated:</p> <ul style="list-style-type: none">- in the individual assessment process,- portfolio method (so-called group assessment) using statistical models and methods and the IFRS 9 risk parameters estimated with them, i.e. probability of default (PD), loss given default (LGD) and exposure at default (EAD). <p>For credits subject to the individual assessment there is the risk of: making unreasonable assumptions in the valuation of collateral, the assumed timings of planned cash flows from repayments and realisation of collateral, the timings of realisation of cash flows, erroneous paths (strategies) for cash flows realization and the probabilities of their occurrence in the process of calculating allowance.</p> <p>For exposures assessed using the portfolio approach (group approach) with statistical models, there is a risk of: classification into the wrong risk category (basket) and the adoption of inappropriate risk parameters such as probability of default (PD), loss at default (LGD), or exposure at default (EAD).</p> <p>A large amount of data is used in expected credit loss models and, therefore, their completeness and reliability can significantly affect the accuracy of the calculation of the allowance for credit losses.</p> <p>The Bank monitors the quality, completeness and integrity of the data used to estimate risk parameters, as well as the correctness of the estimates of individual risk parameters using statistical techniques and methods (so-called validations of IFRS 9 models and parameters). In addition, the Bank performs so-called backtesting (assessment of appropriateness) of the amount of estimated credit losses by comparing the estimated results of expected credit losses to the actual credit losses recognised in the Bank's the statement of profit or loss. The Bank adjusts the amount of risk parameters, by calibrating the models, revising or reconstructing them depending on the results of the validation and backtesting of the amount of the allowance for expected credit losses. The actions taken by the Bank are aimed at minimising the risk of misestimation of the level of expected credit losses.</p> <p>Determining the amount and timing of the recognition of expected credit losses requires the use of significant judgement and the adoption of complex expectations.</p> <p>We considered this area to be a key audit matter, given that the estimation of the allowance for expected credit losses involves a significant inherent risk of error, requires the Bank's Management Board to exercise significant judgement and, given the size of the loan portfolio, has a material impact on the financial statements.</p>	<ul style="list-style-type: none">- In the case of individually significant exposures, we implemented the following procedures:<ul style="list-style-type: none">✓ assessing the correctness of the identification of a material increase in credit risk and indications of impairment,✓ substantive audit procedures on a selected sample in regards to the correctness of the classification of customers into the relevant risk classes (baskets),✓ for impaired exposures, we critically assessed key assumptions, in particular: estimates of collateral values, projected scenarios and their assigned probabilities, timings and amounts of expected cash flows, including cash flows.- We assessed the adequacy and completeness of the disclosures in the separate financial statements in accordance with applicable accounting standards.- We analysed events after the balance sheet date with regard to the possible need to revise expected loss estimates and with regard to the classification of credit exposures.- We analysed the sensitivity analysis carried out by the Management Board of the level of allowance for expected credit losses due to deterioration or improvement in risk parameters.- We analysed and reconciled the selected input data used to determine default parameters and estimate expected credit losses.
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Responsibilities of the Management Board and Supervisory Board for the Financial Statements

The Bank's Management Board is responsible for the preparing, on the basis of properly kept books of accounts, financial statements that give a true and fair view of the Bank's property, financial situation and the financial result of the Bank in accordance with EU IFRS, the adopted accounting principles (policies) and the applicable laws and regulations and the Bank's Articles of Association.

The Bank's Management Board is also responsible for internal control as it determines is necessary to prepare of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank's Management Board is responsible for assessing the Bank's ability to continue as a going concern, disclosing, where applicable, matters related to going concern and using the going concern basis of accounting, unless the Board either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to liquidate or cease operations.

The Bank's Management Board and members of the Supervisory Board are responsible for ensuring that the financial statements meet the requirements of the Accounting Act. The members of the Supervisory Board are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above-mentioned standards will always detect an existing material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The scope of the audit does not include ensuring the future profitability of the Bank or the efficiency or effectiveness of conducting its affairs by the Bank's Management Board now or in the future.

During an examination in accordance with the National Standards on Auditing, we use professional judgement and maintain professional scepticism and furthermore:

- we identify and assess the risks of material misstatement of the financial statements due to fraud or error, design and perform audit procedures appropriate to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of undetected material misstatement resulting from fraud is greater than that resulting from error because fraud may involve collusion, forgery, deliberate omissions, misrepresentation or circumvention of internal control;
- we obtain an understanding of the internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- we assess the appropriateness of the accounting principles (policies) used, the reasonableness of the accounting estimates and related disclosures made by the Bank's Management Board;
- we conclude on the appropriateness of the Bank's Management Board's application of the going concern basis of accounting and, based on the audit evidence

obtained, whether there is a material uncertainty related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, we modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our auditor's report, however, future events or conditions may cause the Bank to cease to continue as a going concern;

- we evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements present the underlying transactions and events in a manner that achieves a fair presentation.

We communicate to the Supervisory Board and the Audit Committee, among other things, the planned scope and timing of the audit and the significant findings of the audit, including any significant deficiencies in internal control that we identify during the audit.

We make a statement to the Audit Committee that we have complied with the relevant ethical requirements for independence and that we will inform them of all relationships and other matters that could reasonably be considered to pose a threat to our independence and, where applicable, inform them of the safeguards in place.

From among the matters communicated to the Supervisory Board, we have identified those matters that were most significant during our audit of the financial statements for the current reporting period and therefore judged them to be key audit matters. We describe these matters in our auditor's report in the 'Key Audit Matter(s)' section, except for those matters in respect of which the laws and regulations prohibit their public disclosure, or where, in exceptional circumstances, we determine that the matter should not be presented in our report, as it could be reasonably expected that the negative consequence would outweigh the public benefit of disclosing such information.

Under the Statutory Auditors Act, we are also required to express in the audit report an opinion as to whether the financial statements comply in form and content, with the applicable laws as well as the Bank's Articles of Association and whether they have been prepared

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based on the properly kept accounting records. We formed our opinion in this respect based on the work performed in the course of the audit.

Other information, including a Management Report

Other information is financial and non-financial information other than the financial statements and the audit report. Other information includes the Management Report for the financial year ended on December 31st, 2023 and the report on non-financial information

referred to in Article 49b paragraph 9 of the Accounting Act for the year ended on that date.

Responsibility of the Management Board and Supervisory Board

The Bank's Management Board is responsible for the preparation of Other Information in accordance with the law.

The Bank's Management Board and the members of the Supervisory Board are obliged to ensure that the Management Report, including

its separate parts, comply with the requirements set in the Accounting Act.

Auditor's Responsibility

Our audit opinion on the financial statements does not include Other Information. In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, to consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If, based on the work performed, we identified that the Other Information is materially misstated, we are required to report this in our auditor's report.

Our responsibility in accordance with the requirements of the Statutory Auditors Act is also to express an opinion as to whether the Management Report has been prepared in accordance with the regulations and whether it is consistent with the information contained in the financial statements.

In addition, we are required to report whether the Bank has prepared a report on non-financial information.

Management Report

The Management Report of VeloBank S.A. has been prepared in the form of an electronic file named

"*velo_report_31.12.2023_signed.pdf*", bearing the electronic signatures of the Bank's Management Board on February 26th, 2024.

Opinion on the Management Report

In our opinion, based on the work performed in the course with the audit of the financial statements, the accompanying Management Report of VeloBank S.A. for the financial year ended on December 31st, 2023:

- has been prepared in accordance with Article 49 of the Accounting Act,

- the information presented in this report is consistent with the disclosures in the audited financial statements.

In light of our knowledge of the Bank and its environment obtained in the course our audit, we declare, that we have found no material misstatements in the Bank's Management Report.

Information on the Preparation of a Non-financial Information Statement

As required by the Statutory Auditors Act, we report that the Management Board of the Bank has included in the Management Report information on the preparation of a separate report on non-financial information as referred to in Article 49b, paragraph 9 of the Accounting Act and that the Management Board of the Bank has prepared such separate report. This report was prepared together

with the report on non-financial information of the VeloBank S.A. Group as a single document.

We have not performed any attestation work on a separate report on non-financial information and do not express any assurance on it.

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Report on Other Legal and Regulatory Requirements

Information on Compliance with Prudential Requirements

The Bank's Management Board is responsible for compliance with the applicable prudential regulations set out in separate rules, in particular for the correct determination of capital adequacy ratios.

Separate rules and regulations include, in particular:

- ✓ Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26th, 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No 648/2012, hereinafter the "CRR Regulation",
- ✓ Banking Act of August 29th, 1997,
- ✓ Act of August 5th, 2015 on macro-prudential oversight of the financial system and crisis management in the financial system,
- ✓ A decision of the Financial Supervision Authority authorising the establishment of a bridge institution specifying, for a period of three years from its establishment, the non-application to the Bank of the requirements set out in the provisions of Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26th, 2013 on prudential requirements for credit institutions and investment firms, the Banking Act, the Act on trading in financial instruments and the Act of August 5th, 2015 on macro-prudential oversight of the financial system and crisis management in the financial system,
- ✓ Act on the Bank Guarantee Fund, deposit guarantee scheme and forced restructuring (Journal of Laws 2022, item 2253, as amended).

applicable to financial statements prepared for periods ending December 31st, 2023.

We are required to report in the auditor's report whether the Bank complies with the applicable prudential regulations set out in the indicated rules and whether it has correctly determined the capital ratios.

The purpose of the audit of the financial statements is not to provide an opinion on compliance with the applicable prudential regulations set out in separate rules, in particular on the correctness of the determination and calculation of capital ratios, and we do not form such an opinion. Our procedures for auditing the financial statements included identifying non-compliance with laws and regulations, including prudential regulations, that could have a material impact on the audited financial statements.

Based on our audit work, we report that, as disclosed in note 38 of the "notes to the financial statements of VeloBank S.A." from October 3rd, 2023 onwards, the Bank's capital ratios are below the Bank's minimum capital requirements for capital ratios and leverage ratio set out in the CRR Regulation.

We did not identify any material misstatements in the Bank's determination of capital adequacy ratios as at December 31st, 2023 in accordance with these regulations.

Other Information and Statements required by Regulation 537/2014

Selection of the audit firm and overall uninterrupted period of the engagement

We were appointed to audit the Bank's financial statements by a resolution of the Supervisory Board dated May 17th, 2023. We

performed the audit of the Bank's financial statements as a public interest entity for the first time.

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Services that are not a statutory audit

To the best of our knowledge and belief, we declare that the non-audit services that we have provided to the Bank and its subsidiaries comply with the laws and regulations applicable in Poland and that we have not provided non-audit services that are prohibited by Article 5 paragraph 1 of Regulation 537/2014 and Article 136 of the Statutory Auditors Act during the periods indicated therein.

The non-audit services that we provided to the Bank and its subsidiaries during the audited period are listed in Note 37 of the Bank's Financial Statements.

Mariusz Kuciński
Statutory Auditor No. 9802

Key Statutory Auditor
on behalf of PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k.
the audit firm number 477

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Warsaw, February 26th, 2024