SGB Bank

Management Report 2024

SGB Bank

Table of contents

1

About us

We are a bank that unites, cooperates with, and acts on behalf of SGB Cooperative Banks. Together, we form the Cooperative Banking Group.

At the end of 2024, our Association consisted of SGB-Bank and 174 SGB Cooperative Banks, which operate for the benefit of local communities and their future. We focus on reciprocity – what we gain, we give back to the local community. As an associating bank, we prioritize the well-being of the group. We provide SGB Cooperative Banks with modern and secure financial solutions that meet the needs of local communities and help achieve their goals – based on partnership, maintaining dialogue, and fostering friendly relations.
In 2024, the organisational structure of our bank was based on four divisions:
- the CEO,
- Business,
- Technology and Operations,
- Risk and Finances.

The organisational structure of the bank as of 31 December 2024 is included as Annex 1 to the report.

In the fourth quarter of 2024, the Management Board decided to change the organisational structure. The change came into force on 1 January 2025, and its aim was to strengthen the area of risk management and to increase business and process efficiency.

As of 31 December 2024, we conducted operational activities in 9 branches, including 6 regional branches and 3 reporting branches.

The role of our branches is to create and strengthen the image of the bank and the Group on the local market as the Association providing modern services of the highest quality.

To this end, our branches cooperate with cooperative banks and support them in handling large clients (consortia with cooperative banks), as well as actively acquire new institutional clients (in particular, large enterprises and corporate clients) for the bank.

List of branches as of 31 December 2024 is included as Annex 2 to the report.

The Authorities of SGB-Bank

The Management Board of SGB-Bank

In May 2024, the Supervisory Board appointed the Management Board for a new term, which began on the date of the General Meeting of Shareholders, i.e., 20 June 2024. The composition of the Management Board in 2024 was as follows:
- from 1 January 2024 to 19 June 2024:
  - Mirosław Skiba – CEO,
  - Andrzej Chmielecki – Deputy CEO,
  - Błażej Mika – Deputy CEO,
  - Karol Wolniakowski – Deputy CEO.
- from 20 June 2024 to 31 December 2024:
  - Mirosław Skiba – CEO,
  - Ewelina Pałubicka – Deputy CEO,
  - Błażej Mika – Deputy CEO,
  - Karol Wolniakowski – Deputy CEO.

Supervisory Board of SGB-Bank

The Supervisory Board exercised continuous oversight over the SGB-Bank's activities in all areas of its operations.

In 2024, the composition of the Supervisory Board remained unchanged:
- Jan Grzesiek – Chair of the Board,
- Marek Byzdra – Deputy Chair,
- Adam Trzos – Secretary Board,
- Roman Dawidowski – Member of the Board,
- Grzegorz Karbowiak – Member of the Board,
- Maciej Kłosowski – Member of the Board,
- Krzysztof Michalczyk – Member of the Board,
- Piotr Pniewski – Member of the Board,
- Halina Wilk – Member of the Board.

General Meeting of Shareholders

Pursuant to the Articles of Association, the Management Board convened the General Meeting of Shareholders of SGB-Bank on 20 June 2024.

The General Meeting of Shareholders, among others:
- approved the financial statements along with the report on the bank's activities for 2023,
- approved the report on the activities of the Supervisory Board of the bank for 2023,
- granted a vote of approval to members of the bank's authorities for 2023,
- made a decision on the distribution of the bank's profit for 2023.

Shareholding

As of 31 December 2024, 211 entities conducting business activities were registered in the Shareholder Register. This group included:
- 174 SGB Cooperative Banks, whose total share in the bank's share capital amounted to 98.52%,
- 35 unaffiliated cooperative banks, whose total share in the bank's share capital amounted to 0.44%,
- 2 other entities, whose total share in the bank's share capital amounted to 1.04%.

In the financial year, our bank disposed of all held treasury shares, i.e., shares previously issued by the bank and acquired in 2023 from Shareholders who applied to the Supervisory Board for consent to sell the bank's shares and, with such consent, sold them to the bank. The bank disposed of:
- 92,899 treasury shares,
- with a nominal value of PLN 100 (in words: one hundred zloty) each,
- which constituted 1.52% of the share capital,
- for a total price of PLN 9,289,900.

People

In line with the "Opening the Future" strategy, the area of human resources management has become a key component of our bank's strategic development. At the heart of digital transformation, improved service quality, and the building of a strong market position remains the human factor – competent, engaged, collaborative in teams, and responsible.

Labour market challenges, hybrid work, the need for flexibility, and upholding the work-life balance principle have required our organisation to adopt modern HR practices. This has meant developing an organisational culture based on trust, partnership and shared responsibility – values deeply embedded in the DNA of cooperative banking.

At our bank, HR activities are not merely a supporting function – they form one of the main elements of the transformation we have undergone in recent years. Leadership development, competence building, diversity management, and care for employee wellbeing are now genuine sources of competitive advantage in the financial sector.

In 2024, we continued to invest in staff development, implemented modern e-learning tools, launched development programmes for leaders, and carried out initiatives supporting employee wellbeing. At the same time, we strengthened cooperation with cooperative banks in the HR area, sharing knowledge, tools, and inspiration in a spirit of community and responsibility. More on this can be found in the ESG section.

Employment structure

As at 31 December 2024, the bank employed 697 people under employment contracts, corresponding to a total of 691.7 full-time equivalents. The table below presents changes in the bank's employment structure in 2023–2024.
The increase in the number of employees was primarily due to the development of services offered to the Association.

Table 1. Employment in SGB-Bank in the years 2023-2024

	31/12/2024	31/12/2023
Full-time	691.7	674.7
Persons	697	679

Staff turnover at the bank

Acquiring, retaining, and developing competencies in a competitive market requires seeking and implementing various actions that build an attractive workplace. We continually analyse the turnover rate. This enables us to carry out development activities that ensure continuity of operations and foster a friendly work environment aligned with values such as collaboration, effective communication, engagement, and responsibility. The table below shows how the turnover rate has evolved over the past two years.

Table 2. Total turnover rate at SGB-Bank in 2023–2024

	2024	2023
Total turnover rate	10.39%	14.22%

The total turnover rate at the bank shows a steady decline, reaching 10.39% in 2024.

The following tables present new hires and terminations by gender, age, and employment location. In 2024, slightly more men than women were newly hired, while more women left employment. In the youngest age group (up to 30 years), the number of leavers was lower than new hires. In the largest age group (30–50 years), the number of leavers was slightly lower than the number of new hires.

Table 3. New hires and terminations of employment contracts in 2024 by gender

Gender of employees	New hires	Termination of employment contracts
Women	37	42
Men	47	31
Total	94	73

Table 4. New hires and terminations of employment contracts in 2023 by gender

Gender of employees	New hires	Termination of employment contracts
Women	64	37
Men	45	59
Total	109	96

Table 5. New hires and terminations of employment contracts in 2024 by age group

Age group of employees	New hires	Termination of employment contracts
up to 30 years	35	14
30-50 years	47	36
over 50 years	2	23
Total	94	73

Table 6. New hires and terminations of employment contracts in 2023 by age group

Age group of employees	New hires	Termination of employment contracts
up to 30 years	33	10
30-50 years	66	62
over 50 years	12	25
Total	111	97

The decline in employee turnover at the bank has been significantly influenced by measures such as:

- salary reviews,
- offering attractive employee benefits (Employee Pension Scheme, medical insurance, social fund, benefit cafeteria),
- providing opportunities for professional development,
- numerous initiatives enhancing the attractiveness of working at the bank (flexible working hours, hybrid work),
- ongoing initiatives fostering a friendly work environment and development programmes.

The table below presents the employment structure at the bank. The vast majority of employees are employed under permanent contracts, accounting for 90.2% of all employment contract holders. Women account for 60.9% of all bank employees.

Table 7. Employees by type of employment and gender as at 31/12/2024

Employees by type of employment and gender as at 31/12/2024	Women	Men	Total
Employment contract (headcount)	420	277	697
of which permanent contracts	391	238	629
of which fixed-term contracts	29	39	68
of which part-time	11	2	13
Contract of mandate (headcount)	3	2	5
Contract for specific work (headcount)	0	0	0

Table 8. Employees by type of employment and gender as at 31/12/2023

Employees by type of employment and gender as at 31/12/2023	Women	Men	Total
Employment contract (headcount)	422	257	679
of which permanent contracts	395	231	627
of which fixed-term contracts	19	22	41
of which part-time	7	2	9
Contract of mandate (headcount)	1	2	3
Contract for specific work (headcount)	0	0	0

In 2024, we pursued goals based on the results of the engagement survey conducted in November 2023. Actions were taken both at the team level and across the entire bank. 92% of our employees identified in their responses the areas on which we should focus our attention to further strengthen a positive work environment. Our aim is for every team member to feel part of a shared mission, with our efforts having a real impact on the bank's development and employee wellbeing.

We carried out numerous projects supporting employee development in line with the bank's values, including:

- the RozwijaMY managerial competence development programme,
- a sales skills development programme,
- 7 association-wide conferences organised jointly with the Banking Advisory and Education Centre (BODiE): Business, Technology, HR, Marketing Forum, Security, Risk, and Accounting & Finance,
- the Association Development Programme, including the Personal, Managerial, and Leadership Academies for Boards,
- the "Dzieci poznają bank" [Children get to know the bank] initiative,
- a tree-planting campaign,
- Employee Appreciation Day,
- Book Lovers' Day,
- two internship programme editions – with 13 individuals hired after their internships,
- "Wiedzownik" (the aim of this initiative is to create a space for sharing knowledge and experiences among employees, which helps build a stronger and more integrated community within the bank),
- "Poznajmy się" (an original idea by participants of the development programme "Talenty na bank", involving the organisation of workshops among employees).

We also promoted our bank at universities in Poznań and during the Talent Days at Poznań job fairs.

As at the end of 2024, we cooperated with 43 individuals providing services under B2B contracts, outsourcing arrangements, or the so-called "body-leasing" formula (e.g., consultants from external companies supporting the bank in specific areas). Among them were 14 women and 29 men.

Employees of our bank are not covered by collective labour agreements, and there are no trade unions operating within our organisation. Nevertheless, we place great emphasis on creating a friendly and supportive work environment where everyone has equal opportunities for professional growth. Our goal is to jointly foster a positive organisational culture based on core values such as cooperation, responsibility, engagement, and effective communication. Through these values, we create a space where our employees can develop their skills, achieve ambitious career goals, and contribute to the bank's continued growth.

We offer our employees a broad and diverse range of benefits and perks, significantly enhancing work comfort and positively influencing the employment experience at our company. Our offering includes:

- a pension scheme, enabling the building of a stable financial future,
- private medical care, ensuring comprehensive health coverage,
- life insurance,
- an extensive range of benefits under the employee welfare fund, including:
  - the MyBenefit cafeteria,
  - co-financing of sports activities,
  - support for holiday arrangements.

Our priority is to provide employees with access to solutions that not only support their health and safety but also help maintain a balance between work and personal life. We want our employees to feel cared for, appreciated, and motivated to achieve their best results in an atmosphere of support and trust.

Health and safety at work

We observe occupational health and safety (OHS) regulations, with detailed practices outlined in the "Occupational Health and Safety Instructions". Reports on the functioning of the OHS system in the bank are submitted annually to the Operational Risk Committee in the form of an OHS status analysis within the organisation. We offer employees partial reimbursement of the cost of purchasing glasses or contact lenses, if occupational medicine or ophthalmological examinations (outside of occupational medicine) indicate the need for corrective lenses for work with a screen.

Employees commencing employment with the organisation undergo mandatory initial OHS training. Additionally, during the course of employment, they complete periodic OHS training to refresh and expand their knowledge in this area.

We also periodically organise first aid training for designated individuals from each team. Records of employees trained to support others in emergency health situations are available to colleagues. We have also implemented an emergency evacuation procedure, and trial evacuation drills are carried out once every two years.

We maintain a register of workplace accidents and related documentation in accordance with applicable legal regulations. In 2024, one workplace accident was recorded, with no accidents occurring during commuting to or from work.

Diversity of management bodies and employees

The Management Board of the bank comprises four individuals: three men and one woman. Data from the table shows that women account for 60.27% of the total workforce, while men represent 39.74%. In terms of age, the largest share of employees falls within the 30–50 age group, representing 59.55% of all employees, of which 36.91% are women and 22.67% are men. The 50+ age group constitutes 27.14% of the total, including 17.34% women and 9.75% men. The smallest proportion of employees is in the under-30 age group, accounting for 13.35% overall, with 6.02% being women and 7.32% men.

The table also shows that women predominate in almost every age group, particularly within the 30–50 age range, where they constitute a significant majority.

Employees with a recognised degree of disability are guaranteed a working schedule of 7 hours per day and 35 hours per week, and are entitled to additional leave. Each disabled employee's workstation is individually assessed by an OHS specialist to ensure it is appropriately adapted to their condition. All employees are also informed of the principles of equal treatment.

Table 9. Diversity of all employees on employment contracts in 2024

Diversity of all employees on employment contracts (% based on FTEs)	Women	Men	Total
up to 30 years	6.0%	7.3%	13.3%
30-50 years	36.9%	22.7%	59.6%
over 50 years	17.3%	9.8%	27.1%
Total	60.2%	39.8%	100.0%

Table 10. Diversity of all employees on employment contracts in 2023

Diversity of all employees on employment contracts (% based on FTEs)	Women	Men	Total
up to 30 years	6.6%	6.0%	12.6%
30-50 years	37.4%	22.2%	59.6%
over 50 years	18.0%	9.8%	27.8%
Total	62.0%	38.0%	100.0%

Number of discrimination cases and remedial actions taken

Our priority is to create and maintain a friendly, safe workplace where every employee feels respected and valued. In 2024, we received two reports in which employees notified us of discrimination, harassment, and bullying. Both cases were thoroughly investigated, and in neither case was there any breach of law in the area covered by the report.

Ratio of basic salary of women to men

The employee gender pay gap indicator for 2024 stood at 7.61% – meaning that, on average, women employed by the organisation earned 7.61% less than men employed in the bank. This indicator was calculated in accordance with EBA/GL/2022/06 guidelines.

Parental leave

In 2024, 11 women made use of parental leave, while no men took advantage of this form of leave. In the same year, 6 women returned to work.

2
Macroeconomic environment

Our operations in 2024 were largely shaped by the macroeconomic situation in the country and the global economy, and also reflected the state of the financial market in Poland.

2024 brought moderate economic growth in Poland, with a recorded GDP increase of 2.9%. This growth was driven mainly by rising domestic demand, although the balance of foreign trade remained negative. Investments, which were expected to be a key growth driver, rose only slightly by 0.1% compared with the previous year.

The labour market showed stability, with a slight decrease in the number of employed persons by 0.1% and an unemployment rate of 5.0%. The average gross monthly wage in the enterprise sector increased by 11.0%, reaching PLN 8,265.92.

Inflation showed a downward trend over the year, stabilising at 4–5%, and stood at 4.7% at the end of the year. In the global context, the Polish economy demonstrated resilience to disruptions. Nevertheless, geopolitical tensions and disturbances in trade exchange presented a significant risk to economic growth.

Our bank operates in a volatile macroeconomic environment, and therefore a key task was to adapt our strategy to the prevailing market conditions. We focused on investments in new technologies and the development of digital services, which allowed us to strengthen our market position and better respond to customer needs in a dynamically changing economic and regulatory environment.

Global economy

In 2024, inflation in most countries began returning towards levels observed before the outbreak of the COVID-19 pandemic. However, it remained persistent. The main cause was the elevated rate of price increases in services, particularly evident in the United States and euro area countries. As a result, the monetary authorities of some countries became more cautious in the easing of monetary policy that began in 2024.

In the United States, the Federal Open Market Committee decided at its meetings in September, November, and December 2024 to lower the federal funds rate to the range of 4.25–4.50%. Following the final cut, the Committee concluded there was no urgency to further adjust monetary policy.

Meanwhile, the Governing Council of the European Central Bank cut key interest rates in the euro area at its meetings in September, October, and December 2024. The Council reduced the reference rate from 4.25% to 3.15% in total. The European Central Bank Governing Council expressed concerns over the pace of economic growth and considered that a more accommodative monetary policy stance would support demand.

Table 11. Key interest rates as of 31 December 2024

Central Bank	Bank of England	Bank of Switzerland	European Central Bank	Fed
Base interest rate	4.75%	0.50%	3.15%	4.25-4.50%
Date of the last interest rate change	November 2024	December 2024	December 2024	December 2024

Polish economy

According to a preliminary estimate, gross domestic product in 2024 was 2.9% higher in real terms compared with 2023, following a 0.1% increase in 2023 (at constant prices of the previous year). Household consumption rose by 3.1%, and gross fixed capital formation increased by 1.3%. The investment rate in the national economy in 2024 stood at 17.4%.

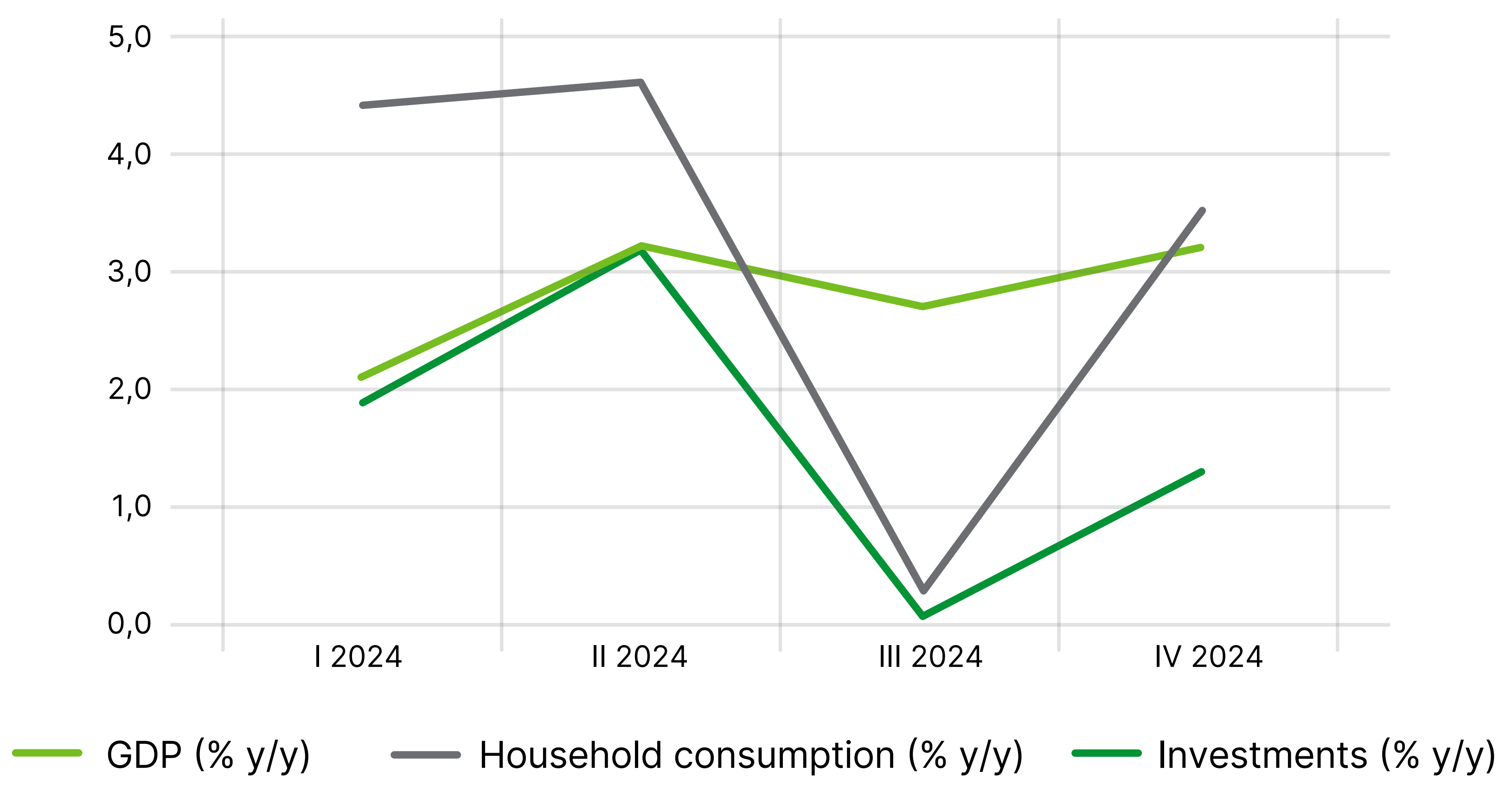
The dynamics of sold industrial production remained moderate in 2024. According to preliminary estimates by the Polish Central Statistical Office (GUS), total sold industrial production in 2024 was 0.3% higher than in 2023 (when an annual increase of 0.3% was also recorded). In 2024, the increase in sold production was only observed in the manufacturing of durable and non-durable consumer goods – increasing by 3.6% year-on-year and 3.3% year-on-year, respectively. In other main industrial groupings (production of intermediate goods, energy-related goods, and capital goods), production sales were lower than in 2023.

According to the GUS data, total construction and assembly output (including enterprises employing up to 9 persons) decreased by around 8.0% in 2024 compared with the previous year (following a 4.1% increase in 2023). Output fell across all divisions, with the steepest decline occurring among units primarily carrying out specialised construction works. The smallest decline was recorded in enterprises specialising in the construction of civil engineering and water infrastructure, which may be attributed to stronger absorption of EU funds. The weakest growth was observed in the building construction segment.

The dynamics of consumer goods and services prices remain lower compared to the dynamics of average monthly gross wages in the enterprise sector. The average gross monthly wage in the enterprise sector (in units employing more than 9 persons) in 2024 was PLN 8,265.92 and was 11.0% higher year-on-year. Its purchasing power increased by 7.0% (compared with a 0.5% increase in 2023).

The sustained wage dynamics were supported by a stable labour market. It was reflected in the stabilisation of the registered unemployment rate, which hovered around 5.0%.

Figure 1. Growth rates of selected macroeconomic indicators in 2024 (%)



Financial market in Poland

The Polish Monetary Policy Council (RPP) last changed the key interest rates of the National Bank of Poland (NBP) in September and October 2023, when it decided to lower them by a total of 100 basis points. Since then, the reference rate has stood at 5.75%. At its meetings in 2024, the RPP communicated that the current level of interest rates supports the achievement of the inflation target in the medium term. The RPP also stated that, once the impact of rising energy prices subsides, inflation should return to the medium-term target, although it viewed the influence of higher energy prices on inflation expectations as a factor of uncertainty.

At the end of 2024, the NBP's key interest rates were as follows:

- reference rate: 5.75%,
- lombard rate: 6.25%,
- deposit rate: 5.25%,
- bill rediscount rate: 5.80%,
- bill discount rate: 5.85%.

At the end of 2024, yields on Polish government bonds increased. This was influenced by an adjustment in expectations regarding the timing of the start of the monetary policy easing cycle in Poland. A decline in bond valuations was also supported by a high supply of treasury securities on the primary market, due to substantial borrowing needs. However, the scale of the sell-off was curbed by stable ratings from international agencies for domestic currency obligations.

Table 12. WIBOR rates (Warsaw Interbank Offered Rates) and government bond yields in the years 2023-2024 (%)

Date	31/12/2024	29/12/2023	Change (percentage points)
O/N	5.25	3.64	+1.61
1W	5.83	5.84	-0.01
1M	5.82	5.80	+0.02
3M	5.84	5.88	-0.04
6M	5.80	5.82	-0.02
12M	5.61	5.79	-0.18
yield of 2-year bonds	5.10	5.06	+0.04
yield of 5-year bonds	5.50	5.07	+0.43

In the Polish foreign exchange market at the end of 2024, the Polish zloty strengthened against the euro and weakened against the US dollar. The Polish currency was supported by the start of the monetary policy easing cycle in the euro area, as well as interest rate cuts in other countries in the region. However, at the end of 2024, the Polish zloty weakened slightly against the US dollar following the presidential elections in the United States.

As a result, at the end of 2024, the average NBP exchange rates stood at 4.1012 USD/PLN and 4.2730 EUR/PLN. This represented, respectively, a depreciation of 4.2% and an appreciation of 1.7% year-on-year.

Table 13. National Bank of Poland (NBP) exchange rates in 2023–2024 in PLN

Currency pair	31/12/2024	29/12/2023	Change
EUR/PLN	4.2730	4.3480	-0.0750
USD/PLN	4.1012	3.9350	+0.1662

Financial Results

We operate within the territory of Poland, and therefore the results we achieved in 2024 were most affected by domestic events or external events impacting the Polish economy.

Our business model is determined by services provided to affiliated cooperative banks. We primarily finance our operations using funds obtained from affiliated cooperative banks and ensure liquidity for both the bank and the association by investing the acquired funds in liquid financial instruments (money bills, government bonds). Funds not allocated to liquid financial instruments are invested in loans. Remaining funds are invested in other debt securities and interbank deposits.

In 2024, we implemented and proposed a range of business and technological solutions for cooperative banks, aimed at cost optimisation, risk management support, cybersecurity, and joint campaigns promoting the brand. We developed the competencies necessary to implement the joint strategy of the SGB Association. An increasing number of cooperative banks also use the SGB Services System, which serves as both a core IT system and a range of services provided for affiliated banks.

Basic financial data

At the end of 2024, the bank's balance sheet total amounted to PLN 35,014,034 thousand and was higher than in 2023 by PLN 3,385,879 thousand. The main reason for the increase in the balance sheet total was the growth in liabilities to the financial sector by PLN 3,536,880 thousand. The funds raised were primarily invested in debt securities, which increased year-on-year by PLN 2,782,755 thousand. The balance on the current account with the Central Bank also increased by PLN 508,538 thousand. There were no significant changes in the structure of liabilities in 2024 compared to previous years. Liabilities to financial institutions continued to dominate, accounting for 91%. Among them, the most notable increase was in term deposits from cooperative banks. Equity and subordinated liabilities accounted for 5% of total liabilities. In 2024, there was an increase in the revaluation reserve, which was offset by amortisation of subordinated liabilities. Liabilities to non-financial and public entities accounted for approximately 3% of total liabilities. The decrease in the level and share of these liabilities to non-financial and public entities compared to 2023 resulted from a decline in term deposits from these sectors.
Debt securities were the predominant asset group on the bank's balance sheet. They accounted for 73% in 2024. Investments were made mainly in money market bills, government bonds and bank-issued bonds.
The treasury activities are primarily aimed at securing the liquidity of the bank and the association as a whole and investing surpluses in the financial market. Our activity consists mainly of engaging spare funds in debt securities and interbank deposits. The value of funds managed on the financial market in 2024 compared to 2023 increased by 13%. The securities portfolio consisted primarily of Treasury securities and NBP cash vouchers. These accounted for 69% of the securities portfolio at the end of 2024. The remaining portion comprised commercial papers and municipal bonds.
When investing in long-term fixed-rate instruments, we used IRS transactions to hedge interest rate risk.

In 2024, we increased the bank's activity in the money market segment. Our operations in this area included placing surplus funds in the interbank market and carrying out currency exchange transactions.

The share of funds engaged in treasury operations in the total balance amounted to 75% as of 31 December 2024 (73% at the end of 2023).

Figure 2. Liquid securities in the context of the securities portfolio

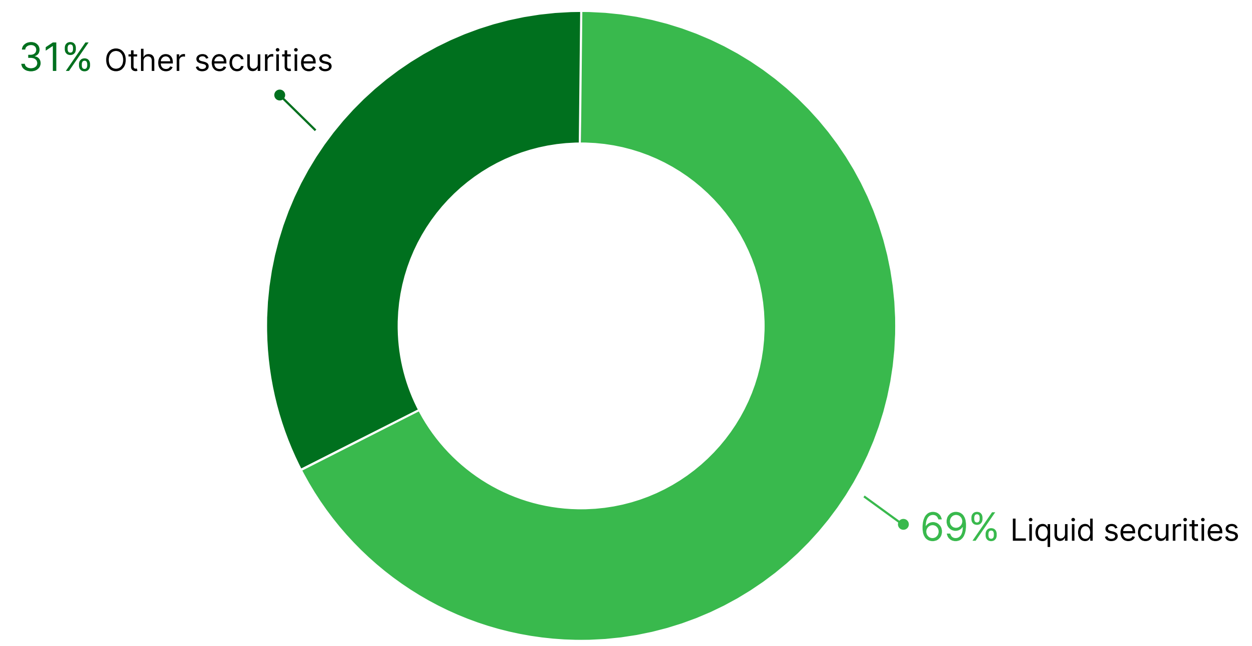
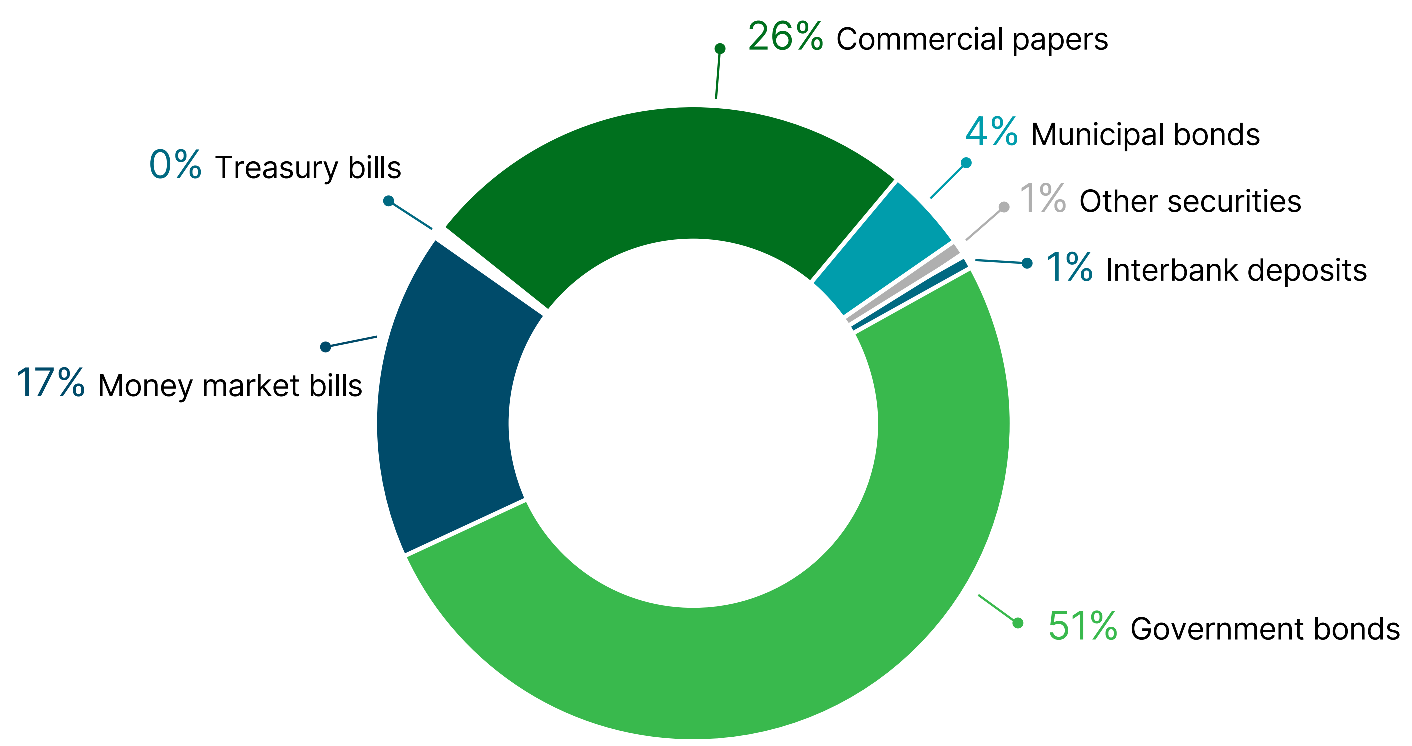


Figure 3. Structure of assets placed on the financial market in 2024



Receivables from non-financial and public sector entities accounted for 13%. In 2024, compared to 2023, there was an increase in the loan portfolio, especially in financing local government units. Despite the growth of the loan portfolio, its share in the bank's assets declined compared to 2023 due to the faster increase in the share of debt securities during this period. The share of financial receivables in total assets decreased year-on-year to 4%, due to a reduction in nostro account balances. There was an increase in interbank deposits in this asset category, which contributed to improved operational efficiency.

Table 14. Key balance sheet data (in thous. PLN)

Description	31/12/2024	31/12/2023	Dynamics	Change
Balance sheet total	35,014,034	31,628,155	110.7%	3,385,879
Receivables from the financial sector	1,532,729	1,615,112	94.9%	-82,383
Receivables of the non-financial sector and the budget	4,533,220	4,431,210	102.3%	102,010
Debt securities	25,675,586	22,892,830	112.2%	2,782,755
Liabilities to the financial sector	31,777,594	28,240,714	112.5%	3,536,880
Liabilities of the non-financial sector and the budget	1,142,443	1,268,330	90.1%	-125,887

The net interest income generated for 2024 amounted to PLN 316,848 thousand and was higher year-on-year by PLN 16,517 thousand. The increase in net interest income resulted from an expanded scale of operations and lower interest costs related to the financial sector and securities operations.
In 2024, net commission income amounted to PLN 62,228 thousand, which was higher by PLN 4,221 thousand compared to 2023, mainly due to higher commissions from card transactions.
Net foreign exchange income increased by PLN 4,653 thousand, i.e. by 31.2%, compared to 2023 and amounted to PLN 19,550 thousand. The increase in the result from foreign exchange operations was due to a smaller appreciation of the zloty against the euro in 2024 compared to 2023. Due to the structure of the bank's foreign exchange transactions, the appreciation of the zloty had an adverse impact on the valuation of the bank's foreign currency positions.
Net income from financial operations for 2024 amounted to PLN 3,036 thousand and was higher than in 2023 by PLN 980 thousand. The achieved level of the result from financial operations was influenced by a higher valuation of shares and the sale of investment fund units.
As a result, net income from banking operations in 2024 amounted to PLN 403,510 thousand and increased compared to 2023 by PLN 26,695 thousand.
The bank's operating expenses amounted to PLN 286,552 thousand, which was PLN 39,184 thousand higher than in 2023. The increase of the bank's operating expenses was mainly due to higher

IT expenses (by PLN 19,402 thousand) and staff costs (by PLN 14,080 thousand). The increase in IT costs was mainly related to investments in technology and the development of services for affiliated cooperative banks, the growing number of systems and applications required for uninterrupted business processes, and fees for purchased support services. The increase in staff costs was mainly related to increased employment and wage adjustments in response to dynamic market changes and growing wage pressure, as well as the need to secure a highly qualified workforce.

Net other operating income amounted to PLN 34,749 thousand and decreased slightly compared to 2023 by PLN 239 thousand.

The difference in provisions and impairment amounted to PLN 28,753 thousand and was PLN 55,171 thousand lower than in 2023. The lower level of created provisions was related to the decrease in the level of non-performing loans, resulting from the restructuring and recovery measures undertaken, as well as the improvement in their structure.

The gross profit generated for 2024 amounted to PLN 75,995 thousand and was higher compared to 2023 by PLN 32,313 thousand, while the net profit amounted to PLN 50,437 thousand and was higher than in 2023 by PLN 23,987 thousand. The main reason for the improved financial result was a higher banking activity result and a lower result from provisions.

Table 15. Key profit and loss account data (in thous. PLN)

Description	31/12/2024	31/12/2023	Dynamics	Change
Net interest income	316,848	300,331	105.5%	16,517
Net commission income	62,228	58,007	107.3%	4,221
Net income from financial operations	3,036	2,056	147.7%	980
Net foreign exchange income	19,550	14,897	131.2%	4,653
Net income from banking operations	403,510	376,815	107.1%	26,695
Net other operating income	34,749	34,988	99.3%	-239
Bank operating expenses	286,552	247,369	115.8%	39,184
Amortisation and depreciation	46,958	36,827	127.5%	10,131
Difference in provisions and impairment	28,753	83,924	34.3%	-55,171
Gross profit (loss)	75,995	43,683	174.0%	32,313
Net profit (loss)	50,437	26,450	190.7%	23,987

In 2024, we continued restructuring and debt recovery activities aimed at reducing the level of the non-performing loan ratio. The gross non-performing loan ratio year-on-year decreased from 9.87% to 8.50% and settled at a level compliant with the standards set by the SGB Institutional Protection Scheme. Due to the lasting improvement of the ratio and the achievement of all adopted assumptions, we completed the implementation of the Internal Recovery Plan.

The provision coverage ratio remained at a safe level above 61%.

The cost-to-income (C/I) ratio increased year-on-year by 7.09 pp and settled at 76.10%. The return on assets (ROA) ratio was at the level of 0.16%, and the return on equity (ROE) ratio amounted to 3.60%.

The bank's operational efficiency, measured by the ROE and ROA ratios, improved compared to 2023, due to a faster increase in net profit than in core capital and total assets.

The C/I ratio was higher than the market average, while the ROA and ROE ratios diverged from the levels presented by commercial banks. This was due to the specific nature of the associating bank, whose activity is mainly focused on the development of associating services. We are implementing, among others, technological solutions that affect the competitiveness of the Association. As a result of these actions, there is an increase in synergy within the Association, as well as integration and automation of processes. Thanks to the implemented solutions, the affiliated cooperative banks can focus to a greater extent on business activities. The continued implementation of IT and product solutions contributes to the expansion of the offering of affiliated cooperative banks.

Table 16. Key economic and financial indicators (in percentage points)

Description	31/12/2024	31/12/2023	Dynamics	Change
ROA	0.16%	0.09%	171.1%	0.07
ROE	3.60%	2.72%	132.3%	0.88
C/I	76.10%	69.01%	110.3%	7.09
Non-performing loan ratio	8.50%	9.87%	86.2%	-1.37
Coverage ratio for non-performing loans	61.06%	61.37%	99.5%	-0.31

Own funds and capital adequacy

As of 31 December 2024, the bank's own funds amounted to PLN 1,749,678 thousand, which was PLN 20,424 thousand higher than at the end of 2023. The following factors influenced the level of own funds in 2024:

- an increase in the revaluation reserve mainly due to a rise in the valuation of treasury bonds (PLN 26,681 thousand),
- allocation of the 2023 profit to increase equity (PLN 26,450 thousand),
- a decrease in subordinated liabilities as a result of amortisation and early redemption (-PLN 32,990 thousand).

Details of the changes impacting the level of own funds and capital ratios are presented in the Table 17.

Our objective is to maintain a capital level adequate to the type and scale of the activities conducted as well as the level of risk incurred.
In 2024, the growth rate of own funds was 101.2%, compared to the growth rate of risk exposures at 105.9%. This affected the level of capital ratios. The total capital ratio at the end of 2024 was 29.93%, a decrease year-on-year by 1.39 percentage points. The TIER 1 capital ratio was 24.27%, down year-on-year by 0.46 percentage points; while the TIER 1 core capital ratio was 17.26%, decreasing year-on-year by 0.04 percentage points. Despite the slight decline in capital ratios in 2024, related to the increase in total capital requirements, their levels remained significantly above the minimum values required by law. The leverage ratio was 4.02%, decreasing year-on-year by 0.25 percentage points due to a larger increase in total exposure compared to TIER 1 core capital.
Compared to 2023, the total capital requirement was higher by PLN 25,919 thousand and as of 31 December 2024 amounted to PLN 467,611 thousand. The requirement for credit risk increased by PLN 18,707 thousand, and the operational risk requirement rose by PLN 7,212 thousand. At the end of 2024, no capital requirement for foreign exchange risk was recorded.

Table 17. Changes affecting the amount of own funds (in thous. PLN)

Description	31/12/2024	31/12/2023	Change
TIER 1 core capital	1,008,845	955,431	53,414
Share capital included in CET1	613,260	613,260	0
Supplementary capital	306,565	294,294	12,271
Reserve capital	31,490	16,490	15,000
General banking risk fund	38,244	38,244	0
Revaluation reserve	86,064	59,383	26,681
Own instruments in Tier 1 core capital	0	-8,469	8,469
Intangible assets	-53,277	-45,265	-8,012
Own funds adjustment due to AVA	-5,645	-5,437	-208
Shortfall in coverage of non-performing exposures	-7,857	-7,069	-788
Additional TIER 1 capital	409,961	409,961	0
Subordinated loans	409,961	409,961	0
TIER 2 capital	330,872	363,862	-32,990
General risk reserve	8,572	8,572	0
Subordinated liabilities	322,300	355,290	-32,990
Own funds	1,749,678	1,729,254	20,424

Table 18. Capital ratios and requirements (in thous. PLN, %)

Description	31/12/2024	31/12/2023	Change
Total capital requirement	467,611	441,692	25,919
Total capital ratio	29.93%	31.32%	-1.39
TIER 1 capital ratio	24.27%	24.73%	-0.46
TIER 1 core capital ratio	17.26%	17.30%	-0.04
Leverage ratio	4.02%	4.27%	-0.25

3

Implementation of the SGB-Bank strategy

Our bank's ambition is to create, together with the SGB Cooperative Banks, a group of highly technologically advanced banks whose strength lies in joint action, business flexibility, and close, friendly relationships with local communities.

New technologies have become a defining feature of banking and determine the pace of development across the entire industry. We have made "digital power" one of the pillars of our growth, to provide customers with the best possible experience in their dealings with banks, offering efficient processes for quickly opening accounts and financing activities without the need to visit bank branches, improving operational efficiency, and, above all, ensuring the security of banking operations.

This is served by the SGB Service System, our SGB Mobile app is designed accordingly, and these are the reasons behind the implementation of further functionalities and the construction of an efficient anti-fraud system. At the same time, innovative technological solutions are intended to help banks improve their operational efficiency, reduce costs – for example, in reporting – and build relationships with clients.

For our bank, the main clients are the SGB Cooperative Banks. This is also one of the pillars of our strategy for 2021–2024. Additionally, we have focused on corporate clients – they are the primary recipients of our services. The individual clients primarily benefit from the activities we perform on behalf of the SGB Cooperative Banks.

The actions we carried out in 2024 fit within the long-term communication strategy for the SGB Cooperative Banks brand. Its fundamental assumption is to present brand differentiators important from the perspective of clients – both individual and corporate. This year, we focused on business clients and the youngest customers.

We implemented two campaigns in nationwide media:

- The first one, conducted from the end of March to the end of May, concerned partnership for business. The final advert in this series of spots, featuring a journalist, showed that SGB Cooperative Banks serve clients from a wide range of industries and thus have diverse and tailored offers, united by excellent service. We emphasised our differentiator, which is highlighted by customers in every survey – individual approach and engaged advisors.
- The second one, carried out from the end of September to the end of December and targeted at parents and guardians, concerned the youngest customers (0–18 years old), whom we called "Young Wolves". This was a completely new concept, chosen after focus groups with young people and their parents. It showed that SGB Cooperative Banks understand the needs of young customers and offer services useful in everyday life – card payments, phone payments, BLIK, account balance control, etc. The spot itself was colourful, dynamic, and depicted specific situations where having a bank account allows a "Young Wolf" to practise financial independence. The actors chosen for the advert were diverse and authentic, which contributed to a very positive reception. Both employees of the Cooperative Banks and clients noticed the advert and interpreted it as intended. During school visits, banks heard they are the banks of the "Young Wolves".

The campaigns were broadcast in national media – television and internet. They were medium-intensity campaigns allowing the brand to remain present in consumers' minds. In the "Young Wolves" campaign, we applied precise media selection targeting the audience (nominally fewer airings but on programmes watched by young people and parents). The activities were financed, in accordance with the principles adopted in the association, from the budgets of the SGB Cooperative Banks and the central bank.

In addition to media campaigns, we also conducted other promotional activities for both the SGB Cooperative Banks and SGB-Bank. We partnered with major conferences such as Impact and Local Trends, as well as smaller, more local events like #Być kobietą on tour, through which we showcase the feminine side of cooperative banking. We present banks as managed by female leaders, which is a significant differentiator in the Polish banking sector.

We were also partners of initiatives aimed at entrepreneurs – Agroshow, meetings organised by Chambers of Crafts, and others.

We consistently and coherently present Cooperative Banks operating according to distinctive values and the slogan: "Dobrze dbać o siebie nawzajem." (It is good to take care of each other.).

Strategy and Projects

The past year was a breakthrough for the bank – we completed the implementation of the 2021–2024 strategy and developed a new strategy for 2025–2028. A key element in achieving our strategic goals were technological projects that supported the SGB Cooperative Banks with modern and secure digital services.

In 2024, we completed 22 technological projects, including:
- introduction of an offer for the youngest clients in the SGB Mobile app,
- improving the security of card transactions for SGB Cooperative Banks' clients by implementing a new system for monitoring transactions and preventing fraud,
- development and optimisation of the SGB Platform system, which includes modules for current accounts, business accounts, and personal loans,
- implementation of a new sales model using a modern sales recorder,
- expansion of the SGB Service System (SUS) with additional technological solutions supporting banks and clients,
- development and optimisation of online and mobile banking channels.

Some strategic projects will be completed in 2025, including:
- optimisation of banking operating costs through the implementation of digital signatures and a digital file repository,
- implementation of a new system streamlining the corporate loan granting process,
- migration of data from SGB Cooperative Banks to the cloud to enhance processing capabilities and utilisation of information.

In 2024, we also completed 16 regulatory projects aimed at adapting the SGB Association to changing legal requirements.

SGB Service System (SUS)

In 2024, we continued the development of the SGB Service System (SUS). Our bank's operating model focuses on enabling SGB Cooperative Banks to concentrate on business activities, while SGB-Bank takes over the handling of administrative and IT processes.

Currently, SUS includes over 20 services such as:
- Integrated Association Solution (ZRZ): transactional system, online and mobile banking,
- Regulatory and management reporting, including data from the Polish Credit Information Bureau (BIK),
- IT infrastructure management,
- AML and Fraud Detection System (FDS),
- SGB Mobile app for individual, corporate, and young clients,
- Call Centre,
- SGB Platform: servicing loans, individual and institutional accounts,
- Online currency exchange office in online and mobile banking,
- My SGB Documents: a system for permanent storage of clients' documents,
- Selfie Account: enables fully remote account opening,
- Online card issuance in mobile banking,
- SGB ID (My ID, Trusted Profile),
- SGB Sphere: a service allowing secure file exchange within the Association,
- Vulnerability management,
- Association Wholesale Data in the Public Cloud.

In 2024, we simplified the financing rules for SUS, which facilitated settlements and engaged cooperative banks in the system development process.

In 2024, 9 new SGB Cooperative Banks were integrated into SUS, and by the end of the year, approximately 40% of all SGB Association accounts were serviced via SUS.

Plans for the coming years

- increase the number of SUS implementations,
- optimise the technology deployment process (faster and easier transition to modern solutions),
- further development of digital services and process automation (more efficient operations while preserving full commercial freedom),
- implementation of the new strategy will ensure dynamic bank growth, increase operational efficiency, and strengthen its position in the financial market. At the same time, we support the development of Cooperative Banks through innovative and scalable technological solutions.

Cybersecurity

Cybersecurity is one of the cornerstones of the development strategy of our bank and the SGB Cooperative Banks. Worldwide, in the face of the extremely rapid development of digital technologies, ensuring the highest level of cybersecurity has become a priority for financial institutions. At the bank, we treat data protection and the safeguarding of clients' money as one of the main pillars of our activities, focusing on delivering modern and secure solutions for the cooperative banks affiliated with SGB, and thereby for all clients of our Group.

According to data from Check Point Technologies, the number of cyberattacks in Poland in 2024 exceeded a record-breaking 110,000. Every week, Polish organisations in the most vulnerable sectors are attacked on average over 2,150 times. The precision and effectiveness of these attacks have been enhanced by the use of artificial intelligence. Financial losses related to criminal incidents have reached unprecedented levels.

In response to these challenges, we continued efforts to strengthen our cybersecurity infrastructure. We cooperate with experts in modern technologies to create uniform and consistent protection systems for the entire SGB Association. Our goal is not only to secure our clients' data but also to support cooperative banks in building their own defence mechanisms, which ultimately translates into the security of their clients.

Global trends in cybersecurity indicate the growing role of artificial intelligence in both offensive and defensive operations. These technologies are used to automate data analysis and threat detection, enabling faster and more precise responses to incidents.

Our commitment to the development and implementation of advanced anti-fraud systems, such as card transaction monitoring within the FDS system, demonstrates our determination in the fight against cybercrime. Through cooperation with the cooperative banks affiliated with SGB, we develop solutions that not only protect our institutions but above all ensure financial security for clients.

The past year was a period of intensive efforts for client security. We concentrated on modern technologies and the effectiveness of implemented solutions.

Advanced transaction monitoring

We enhanced the supervision system for card transactions, which allows for quicker detection of suspicious operations and immediate reaction. We use algorithms that operate in real time and increase the effectiveness of fraud prevention.

Behavioural biometrics

We implemented a system analysing client behaviour in online banking, which identifies unusual activities and enables rapid response to potential threats. This significantly raises the level of security.

Compliance with the DORA Regulation

The biggest challenge was adapting the bank to the DORA Regulation concerning the operational resilience of the digital financial sector. We implemented standards increasing security levels, including updating the Information Security Policy and related regulations, and adjusting them to new requirements.

Vulnerability management and penetration testing

In 2024, we launched a project on vulnerability management for banks within SUS. As part of these operations:

- we expanded the offer to other banks in the Association,
- we purchased tools for automated penetration testing of infrastructure and web applications,
- we enabled more frequent testing, which resulted in increased cybersecurity levels,
- we launched a new vulnerability management service, which has already been joined by several dozen banks.

Anti-Money Laundering and Countering the Financing of Terrorism (AML)

As of 1 May 2024, we withdrew the occasional transactions service and we also:

- conducted risk assessments of the SGB Cooperative Banks,
- updated the bank's Money Laundering and Terrorism Financing Risk Assessment,
- implemented a new AML risk management strategy,
- organised a series of webinars for cooperative banks,
- included AML topics in the SGB Association security conference.

We continually work on new solutions that will meet the challenges of the digital world and provide clients with the highest level of protection. Security remains our priority.

Individual client

Optimisation of payment card service processes in 2024

In 2024, we focused on improving payment card service processes within the Cooperative Banking Group and implemented a number of changes, including:

- we optimised the fee calculation mechanism and introduced changes to the fee structure for prepaid and debit cards. This made it easier for cooperative bank employees to manage fee profiles during the migration of clients from the old offer to the new one,
- we improved the card transaction authorisation process by reducing the risk of transaction rejection or unauthorised overdraft in the event of no online connection,
- we added the possibility for bank employees to manage cards added to digital wallets, which allows for easy status changes of such cards,
- we made it possible for clients to track shipments of cards dispatched to them. As a result, clients can track their deliveries, which reduces the risk of returns and the need for re-dispatch,
- we introduced a new tool for diagnosing payment issues. Bank employees received a tool enabling them to quickly identify the reasons behind problems with card payment processing,
- we implemented integration with the Bezcenne Chwile loyalty programme. Clients can register their Mastercard cards for the loyalty programme directly within the card system. Thanks to these changes, we improved the convenience and efficiency of managing payment cards for both clients and cooperative bank employees.

New debit card designs

In September 2024, we provided cooperative banks with new debit card designs for adult users:

Offer for young people

Throughout 2024, we worked on implementing segmentation and an offer for young customers in cooperative banks – "Takie konto spoko" account along with Visa and Mastercard Junior cards.

Number of Cooperative Banks with remote account opening via SGB Mobile **31**

Number of "Takie konto spoko" accounts opened remotely **416**

Number of "Takie konto spoko" accounts opened at Cooperative Bank Branches **2491**

Number of Junior cards issued in Cooperative Banks **3083**

New features in the BS GO app

In December 2024, in cooperation with Asseco, we implemented new card functionalities in the BS GO application, including:

- online card issuance,
- 3DS service,
- the possibility to set a PIN for the card.

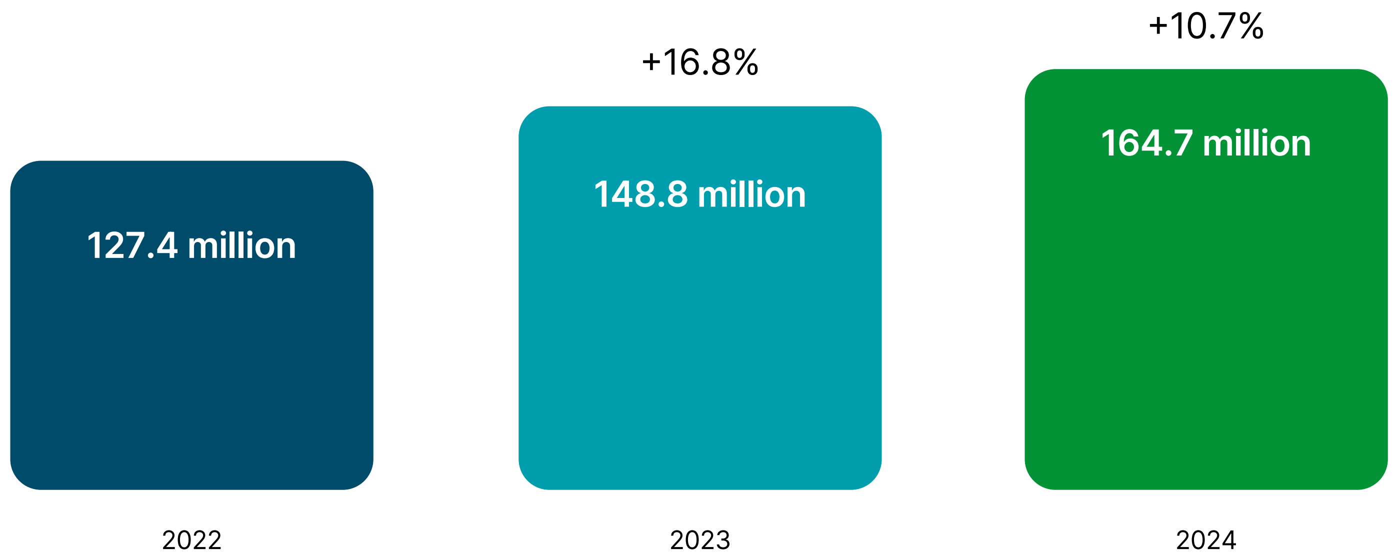
As a result, users gained better tools for managing their cards, which translates into greater satisfaction with their use.

Card and ATM transactions in the Association in figures

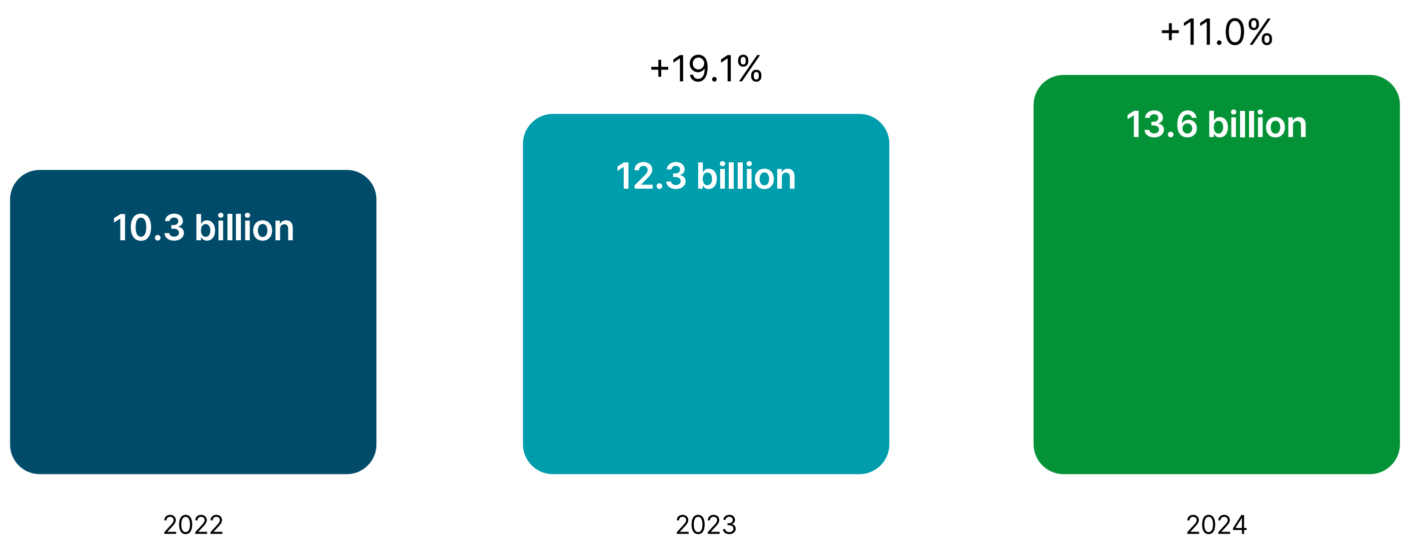
In 2024, with regard to payment cards

- Increase in the number of cashless transactions – 10.7%
- Increase in the value of cashless transactions – 11.0%
- Growth of the card portfolio – 1.9%

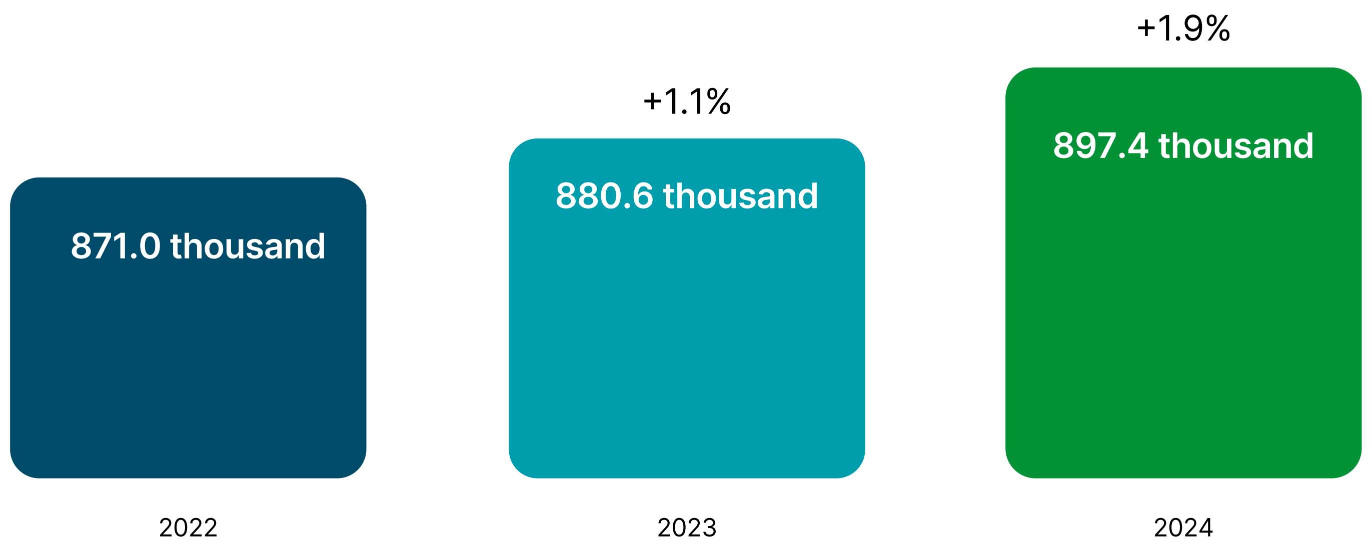
Number of cashless transactions [million units]



Value of cashless transactions [bbillion PLN]



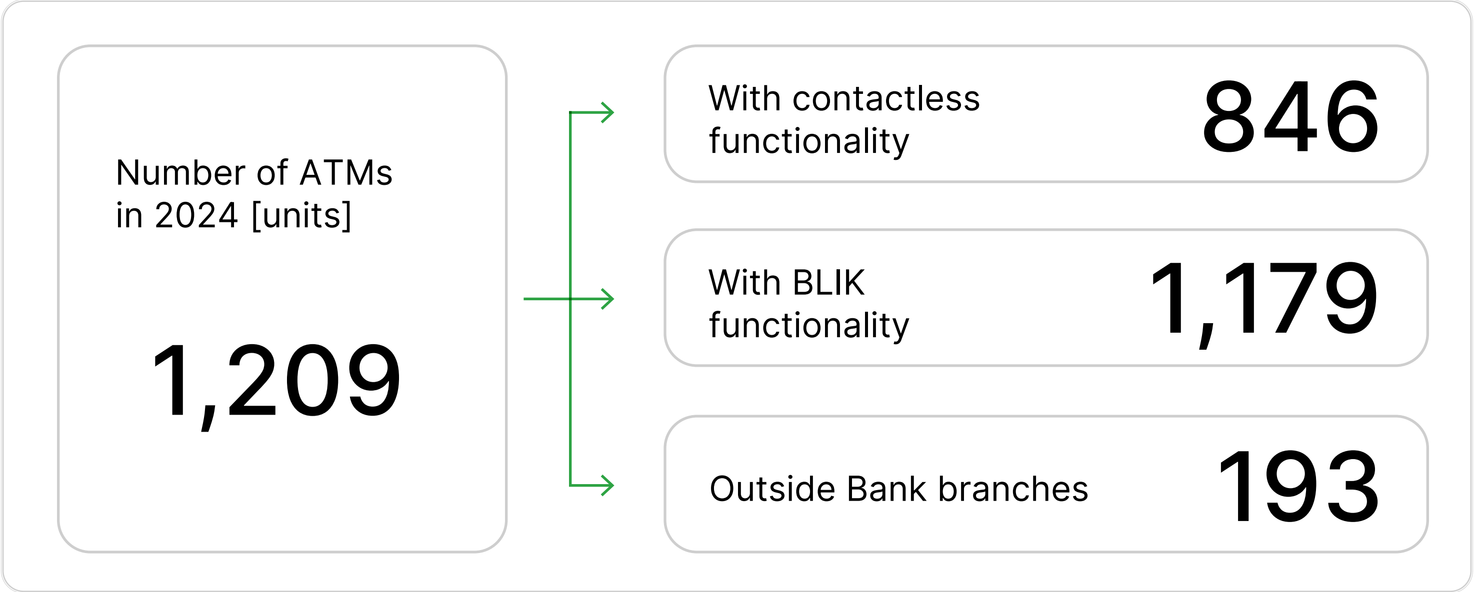
Card portfolio [thousand units]



In 2024, with regard to ATM operations:

- Number of financial transactions in 2024: 27,089,619 (including 2.1 million BLIK transactions).
- Total value of withdrawals in 2024: PLN 16,602,447,382 (including PLN 619 million via BLIK).
- Total value of deposits in the "Wpłata SGB" system in 2024: PLN 1,458,734,250.
- Number of non-financial transactions in 2024: 2,951,844.

Additionally, the Customers within the association have the benefit of making cash withdrawals without any fees from devices owned by Bank Polskiej Spółdzielczości and Krakowski Bank Spółdzielczy. Altogether, they have access to over 3,300 devices across the entire country.



Summary of the implementation of PESEL (Personal ID No.) number verification in the PESEL Number Reservation Register

In line with our strategy, we do not focus on the development of retail banking, but rather support SGB Cooperative Banks in this area. In 2024, we carried out a key project related to the implementation of the statutory obligation to verify PESEL numbers in the PESEL Number Reservation Register.

The aim of the implementation was to enhance customer protection against the consequences of identity theft. As a result of the implementation:

- we reduced the risk of incurring liabilities (e.g. loans) using stolen data,
- we made it more difficult for criminals to open bank accounts for illegal purposes,
- we minimised the effects of "grandchild scams" by controlling the withdrawal of larger amounts of cash,
- we provided employees with a fully automated solution compliant with legislative requirements.

Thanks to this project, we increased customer security and the efficiency of banking processes by eliminating risks related to financial fraud.

In 2024, we also introduced a number of other improvements and automations that enhanced customer service efficiency and regulatory compliance. Key changes included:

- integration of the SGB Platform with the BIK-Przedsiębiorca system: implementation of automatic downloading of customer corporate liability data, eliminating the need for manual queries and logging into a separate system,

- optimisation of product regulations: removal of the rules and regulations document from the credit process, simplifying formalities and speeding up the processing of loan applications,
- addition of a new customer income source: introduction of the ability to recognise the 800+ benefit as a source of loan repayment,
- retrieval of credit cost data at the offer preparation stage: automatic data collection from the def3000/CB system, eliminating discrepancies in the APR between the offer and the final loan agreement,
- preparation for the WIBOR index reform: adaptation of systems and processes to upcoming regulatory changes,
- exclusion of consolidated liabilities from creditworthiness: streamlining the analysis of customer creditworthiness,
- adaptation to statutory requirements regarding suspension of mortgage repayments: implementation of a process enabling customers to apply for suspension of up to 4 instalments, as well as preparation of the def3000/CB system and online banking to handle such applications. Banks also received relevant regulations and online training.

All implementations aimed to increase process automation, improve customer convenience and optimise banking service.

Changes to regulations concerning the Borrower Support Fund

We introduced legal changes that increased the availability of the Borrower Support Fund for individuals experiencing difficulties in repaying loans. The new regulations include:
- Lowering eligibility thresholds – easing the requirements related to loan instalment burden,
- Raising the monthly support amount – increasing the maximum assistance amount from PLN 2,000 to PLN 2,500,
- Extending the support period – increasing the support duration from 36 to 40 months,
- Changing the repayment schedule – increasing the number of monthly instalments for repayment of the support or loan from 144 to 200.

Additional support for customers affected by flooding

In 2024, we implemented special support mechanisms for individuals affected by flooding. As part of these efforts, we launched:
- Borrower Support Fund for flood victims: a programme of non-repayable assistance for repayment of mortgage instalments,
- Loan moratorium: under the initiative of the Polish Bank Association, customers could defer loan repayments for up to 3 months.

The new solutions aim to increase borrower protection and provide greater flexibility in difficult financial situations.

The process of granting mortgage loans has been extended to include the requirements of Recommendation S issued by the Polish Financial Supervision Authority (KNF).

Institutional Client

SGB RES Loan – Financing of Renewable Energy Sources

In 2024, we introduced the SGB RES Loan, which enables the financing and refinancing of almost any type of renewable energy source, along with the accompanying infrastructure, such as:
- photovoltaics,
- wind turbines,
- biogas plants,
- small hydroelectric power plants.

Cooperation with ARiMR and BGK

In 2024, our bank, together with the SGB Cooperative Banks, granted the highest total value of loans supported by ARiMR (Agency for Restructuring and Modernisation of Agriculture) among banks cooperating with the Agency. These loans included interest subsidies and partial capital repayment. Total value of SGB loans granted with the support of ARiMR as at 15/01/2025: PLN 1,908,672,238.03 (16,029 loans).

Leader in FGR guarantees under cooperation with BGK

In 2024, our bank, together with the SGB Cooperative Banks, was the leader in granted FGR (Agricultural Guarantee Fund) guarantees. Below is the information received from BGK on FGR guarantees granted in 2024, as at 15/01/2025:

	2024			
Bank cooperating with BGK	Value of guarantees	Number of guarantees	Market share by value	Market share by number
SGB	99,740,380	871	35.63%	37.16%

Cumulatively to 31/12/2024:			
Value of guarantees	Number of guarantees	Market share by value	Market share by number
920,138,401	7,134	38.47%	42.17%

Development of the special programmes offer in 2024

In 2024, we signed cooperation agreements with BGK, introducing three new portfolio guarantee lines:

- FGR PLUS: support for the agricultural sector with the possibility of interest subsidies,
- FG FENG: includes Biznesmax Plus and Ekomax guarantees for SMEs, with subsidies for interest or capital,
- Investmax: guarantees for SMEs with re-guarantee from the European Investment Fund under the InvestEU Programme.

Treasury Operation

Corporate client service

We offer corporate clients of the bank and the SGB Cooperative Banks the possibility to conclude foreign exchange transactions, both spot and forward. Clients may execute such transactions electronically via the IPTFX currency platform or by negotiating with corporate dealers over the phone. We enable the conclusion of transactions in EUR, USD, GBP, CHF, CZK, NOK, SEK and DKK for spot transactions, and in EUR, USD and GBP for forward transactions. In 2024, we executed 9,740 foreign exchange transactions.

In the local government and corporate segment, we provide bond issuance agent services and underwriting of issued securities. In 2024, we prepared 27 bond issues, the vast majority of which were municipal bonds.

Significant equity investments

The companies in which we hold significant equity stakes provide additional services to both the bank's clients and the affiliated cooperative banks:

- SGB Leasing Sp. z o.o.: the company provides comprehensive leasing services, financing, among other things, vehicles, agricultural machinery, medical equipment, devices using renewable energy sources, and technological lines. It actively sells leasing products through the bank's branches and affiliated cooperative banks. In 2024, the company generated a positive financial result (PLN 2.2 million).
- SGB Faktoring S.A.: the company provides factoring services, targeting small, medium and large production, trade, service and agri-food enterprises that sell with deferred payment terms. The offer includes financing under recourse factoring (with partial risk), non-recourse factoring (with full risk), and reverse factoring (supplier financing). In 2024, the company generated a favourable financial result (PLN 1.4 million), which will contribute to the building of its own capital.
- Bankowy Ośrodek Doradztwa i Edukacji Sp. z o.o.: the company conducts educational activities in the organisation of training and conferences that support the acquisition and development of competences for employees of the bank, cooperative banks and staff from other companies and institutions in the cooperative and financial sector. In 2024, the company generated a positive financial result (PLN 1.0 million).

- FORTUNE S.A.: the company operates in the field of restructuring and subsequent sale of held assets, the acquisition of which is most often related to the takeover (through enforcement) of collateral from the bank's portfolio. In 2024, the company improved its financial result, reducing the annual loss (–PLN 0.1 million).

Table 19. Significant equity investments (in thous. PLN; %)

Name of entity	Share capital	Bank's share in the share capital
SGB Faktoring SA	30,490	100.00%
Fortune SA	8,500	100.00%
BODiE Sp. z o.o.	1,156	74.05%
SGB Leasing Sp. z o.o.	15,278	24.99%

4
Financial statement

Introduction to the Financial Statements

Entity identification data

Name	SGB-Bank Spółka Akcyjna
Registered office:	
Street, no.	ul. Szarych Szeregów 23a
Postcode, city / town	60-462 Poznań
Voivodeship	wielkopolskie
Tax Identification Number (NIP)	7770005362
National Court Register (KRS) number	0000058205

Scope of activity

SGB-Bank S.A., with its registered office in Poznań, provides banking services to natural persons, legal entities, organisational units without legal personality, including business entities and local government authorities. It acts as the associating bank for cooperative banks which have entered into an association agreement with the Bank. As at 31 December 2024, 174 cooperative banks had signed an association agreement. The Bank carries out banking operations in both PLN and foreign currencies, focusing mainly on lending activities, also in consortia with cooperative banks.

As at 31 December 2024, SGB-Bank S.A. conducted its operational activities through 10 bank offices: the Head Office and 9 branches, which do not prepare separate financial statements.

Financial statements for the previous financial year

The financial statements for 2023 were approved by the General Meeting of Shareholders on 20 June 2024.

Period covered by the financial statements

The financial statements cover the period from 1 January to 31 December 2024. Comparative data is presented for the period from 1 January to 31 December 2023.

Going concern assumption

The financial statements have been prepared on the assumption that the Bank will continue its operations in the foreseeable future.

In the opinion of the Bank's Management Board, there are no circumstances indicating any threat to the Bank's ability to continue its operations. In assessing the Bank's ability to continue its activities for at least the next year, i.e., 12 months from the balance sheet date, the Management Board of the Bank took into account all available information as at the date of preparation of the financial statements.

Mergers of entities

No mergers of entities occurred in 2024.

Accounting policies

The accounting policies applied at SGB-Bank S.A. are described in the accounting policy adopted by Resolution No. 438/2023 of the Management Board of SGB-Bank S.A. dated 28 November 2023.

Method of preparing the financial statements

The most important accounting principles applied by the Bank, in accordance with which the financial statements for 2024 have been prepared, include:

1. continuity principle – involves the continuous application of adopted accounting principles in subsequent periods, i.e. the classification of business transactions in accounts, the valuation of

assets (including depreciation write-offs), liabilities, the determination of the financial result and the preparation of financial statements are carried out in the same manner; the Bank may, from the new financial year, change the accounting solutions used to other solutions permitted by the Accounting Act – in such a case, the Bank is obliged to provide in the notes to the financial statements for the financial year in which these changes occurred, the reasons for such changes, quantify their impact on the financial result, and ensure the comparability of financial statement data for the year preceding the financial year in which the changes were made;
2. going concern principle – assumes that the Bank will continue, on an ongoing basis, its operations in the foreseeable future (at least in the following year) without significantly reducing their scope; in assessing the Bank's ability to continue its operations, the Management Board takes into account all information available as at the date of preparation of the financial statements;
3. accrual principle, i.e. completeness of recognition – means that the Bank is obliged to recognise in the costs and revenues of the reporting periods all transactions that occurred within them, regardless of whether the settlements arising from them were made in the given period;
4. prudence principle – means that the financial result, regardless of its amount, includes:
   a. decreases in the utility and market value of assets, including those made in the form of depreciation or amortisation write-offs,
   b. only the unquestionable remaining operating income,
   c. all incurred other operating costs,
   d. provisions, including specific provisions, for known risks, impending losses and the effects of other events;
5. materiality principle – means that, in applying accounting principles, simplifications may be adopted by the Bank, provided that this does not significantly adversely affect the achievement of a defined objective;
6. no-netting principle – means that the value of individual components of assets and liabilities, revenues and related costs, is determined separately; the Bank does not offset the values of different types of assets and liabilities, nor the revenues and costs related thereto;
7. substance-over-form principle – means that events, including business transactions, are recognised by the Bank in the accounting books and presented in the financial statements according to their economic substance.

Methods of valuation of assets and liabilities (including depreciation)

Receivables and liabilities

Receivables and liabilities arising from loans, credits and other receivables are measured at amortised cost using the effective interest rate method and taking into account the regulations on the principles for creating provisions for risks related to banking activities. The required provisions for credit exposures and impairment allowances on receivables related to those exposures are established at the end of each reporting period.

Transactions denominated in currencies other than the Polish zloty and provisions for receivables denominated in foreign currencies are translated into Polish zloty at the average exchange rate announced for the given currency by the National Bank of Poland.

When classifying credit exposures and the related receivables into risk categories, the Bank applies two independent criteria: the timeliness of capital or interest repayments, and the debtor's economic and financial situation. Based on the regulations concerning the creation of provisions for risks related to banking activities, the Bank may, when assigning a risk category, take into account the collateral securing such exposures.

Specific provisions and impairment allowances are created in relation to credit exposures and receivables associated with those exposures classified as:
- "normal" category – in respect of credit exposures arising from retail loans and advances,
- "under special monitoring" category,
- "non-performing" group – including the "substandard", "doubtful" and "loss" categories.

Specific provisions and impairment allowances for receivables related to credit exposures classified into the above categories are created based on an individual risk assessment of the exposure, but not less than the required level of provisions and allowances, which is:
- 1.5% of the basis for creating specific provisions and impairment allowances for receivables related to such exposures – in the case of the "normal" category classified as retail exposures and the "under special monitoring" category,
- 20% of the basis for creating specific provisions and impairment allowances for receivables related to such exposures – in the case of the "substandard" category,

- 50% of the basis for creating specific provisions and impairment allowances for receivables related to such exposures – in the case of the “doubtful” category,
- 100% of the basis for creating specific provisions and impairment allowances for receivables related to these exposures – in the case of the “loss” category.

The Bank may reduce the basis for creating specific provisions for receivables classified as “under special monitoring”, “substandard”, “doubtful”, and “loss” by the value of collateral, applying the provisions specified in the Regulation of the Minister of Finance on the principles of creating provisions for risks related to banking activities, whereby the collateral is taken into account firstly in the capital of the exposure, then in the receivables related to these exposures, and finally in off-balance sheet liabilities. In the classification of receivables and liabilities, the Bank also applies an internal procedure concerning the creation of provisions for risks related to its activities.

Interest on retail loans, under special monitoring, and on the “non-performing” group is recognised in the financial result and automatically covered by an impairment allowance at the rate applicable to credit exposures.

Loans and advances for which the dates and amounts of future cash flows have been determined (a repayment schedule for the loan has been specified) are measured at amortised cost using the effective interest rate method.

Shares and equity interests

Shares and equity interests in subsidiaries are measured at purchase price less impairment allowances; other shares and equity interests classified as equity investments are measured in accordance with the valuation rules applicable to available-for-sale financial assets. The effects of this valuation are recognised in the revaluation reserve.

Financial assets held for trading

Financial assets held for trading, in particular equity securities and non-equity (debt) securities, as well as derivative instruments including options, are measured at fair value determined as the amount obtainable in a transaction conducted under market conditions. Changes in value are recognised, as appropriate, in financial operating expenses or income. This category includes securities for which the intention at the moment of acquisition is their sale in the short term to obtain a benefit.

Financial assets held to maturity

Financial assets held to maturity, in particular debt securities recognised at purchase price adjusted for accrued interest, discount, and premium, are measured at amortised cost using the effective interest rate method; changes in value are recognised, as appropriate, in interest expenses or income. The Bank permits the sale or reclassification of financial assets held to maturity to available-for-sale financial assets in exceptional cases, provided that the value of the financial assets sold or reclassified does not exceed 1% of the total carrying amount of assets held in the held-to-maturity portfolio. The effects of the valuation determined as the difference between the carrying amount of reclassified financial assets according to the accounting records and their fair value are recognised by the Bank in the revaluation reserve.

Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value. The effects of changes in the value of available-for-sale financial assets are recognised in the revaluation reserve. In the case of debt securities held in the available-for-sale portfolio and measured at fair value, the difference between fair value and amortised cost is recognised in the revaluation reserve. The fair value of available-for-sale financial assets is determined based on quotations on active markets. Available-for-sale financial assets for which there is no active market are measured at fair value using the Bank’s own valuation models based on available variables.

Tangible fixed assets

Tangible fixed assets are measured at purchase price or cost of production, taking into account depreciation and impairment write-offs. Tangible fixed assets, with the exception of land, are depreciated on a straight-line basis over the estimated period of their economic useful life, or over the shorter of the two periods: the economic useful life or the period of the right to use.

Other liabilities

Non-financial liabilities are measured at the amount payable, while financial liabilities are measured at amortised cost. Liabilities arising from derivative instruments are measured at fair value. Liabilities arising from received subordinated liabilities are measured at the amount payable.

Determination of financial result

The financial result includes:
- interest due to the Bank, received and not received, including discount and capitalised interest from all categories of receivables,
- interest received in previous periods, including discount, attributable to the current reporting period,
- fee and commission income in the portion attributable to the given reporting period,
- accrued and paid costs on due and undue liabilities,
- other costs actually incurred in the given reporting period regardless of the payment date,
- fee and commission expenses. Interest income and expenses generated by financial assets and liabilities are recognised in the profit and loss account at amortised cost using the effective interest rate method.

The most significant items of interest income and expenses include the costs of servicing deposits, funds held in current accounts, and the costs of servicing debt securities issued by the Bank. On the income side, significant items include interest income from granted loans and advances, as well as income from fixed-income securities Only those commissions and fees that are not directly related to the effective interest rate are included in the result from commissions and fees. These are costs and revenues recognised over time using the straight-line method or recognised on a one-off basis.

Commissions recognised on a straight-line basis over time include fees received from overdraft facilities, revolving credit facilities, and issued guarantees. All commissions and fees related to account maintenance and other infrequent charges are recognised on a one-off basis.

The financial operations result includes expenses and income from the sale of securities as well as expenses and income from the valuation of securities.

The foreign exchange result includes realised and unrealised foreign exchange gains and losses. Foreign exchange differences arise from the valuation of financial assets and liabilities denominated in foreign currencies.

Interest income and discount received in advance and attributable to future reporting periods are not included in the financial result.

In other operating income and expenses, the Bank includes income and expenses that are not directly related to banking activities. These are, in particular, income and expenses from the sale or disposal of tangible fixed assets, assets held for sale, penalty costs, and compensations. This group of income and expenses also includes incidental income and expenses related to the rental and lease of premises, machinery, and equipment, as well as income and expenses related to the operation of payment cards.

Information on errors and corrections

In 2024, there were no indications that would justify making an error correction in individual items of the financial statements.

Information on financial data

The financial data in the financial statements are presented in thousands of Polish zlotys.

Information on the remuneration of the auditor or entity authorised to audit financial statements

The remuneration of the entity authorised to audit the financial statements, Grant Thornton Polska Prosta spółka akcyjna, ul. abpa A. Baraniaka 88E, 61-131 Poznań, for the mandatory annual audit of the Bank for 2024, in accordance with the agreement dated 31 August 2023, amounted to PLN 297 thousand (excluding VAT).

Other assurance services

In addition to the audit of the financial statements for 2024, Grant Thornton, based on a separate agreement dated 20 March 2025, is conducting an audit regarding the safekeeping of clients' assets by SGB-Bank S.A. The service fee amounts to PLN 34.3 thousand (excluding VAT). The completion date of the work is 31 May 2025.

Additionally, based on the agreement dated 7 January 2025, Grant Thornton is conducting an assurance engagement at SGB-Bank regarding sustainability reporting. The remuneration for this service amounts to PLN 210 thousand (excluding VAT).

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

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

For the Shareholders of SGB-Bank Spółka Akcyjna

Report on the Audit of the Annual Financial Statements

Opinion

We have audited the annual financial statements of SGB-Bank Spółka Akcyjna (Bank) with its registered office in Poznań, ul. Szarych Szeregów 23a, which comprise the introduction to the annual financial statements, the balance sheet as of 31 December 2024, the profit and loss account, the statement of changes in equity (fund), the cash flow statement for the financial year then ended, and the additional information and explanations to the financial statements.

In our opinion, the attached annual financial statements:
- present a true and fair view of the financial position of the Bank as of 31 December 2024, and its financial performance and cash flows for the financial year then ended, in accordance with the provisions of the Accounting Act of 29 September 1994 (Accounting Act) and the adopted accounting principles (policies),
- have been prepared based on properly maintained accounting records,
- are in accordance in form and content with the applicable legal regulations and the provisions of the Bank's statute.

This opinion is consistent with the additional report to the Audit Committee issued on the same date as this audit report.

Basis of the Opinion

We conducted our audit in accordance with:
- the Act of 11 May 2017 on statutory auditors, audit firms and public oversight (Act on Statutory Auditors),
- The National Auditing Standards aligned with the International Auditing and Assurance Standards adopted by resolutions of the National Council of Statutory Auditors and the Polish Agency for Audit Oversight (KSB),
- 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 (Regulation 537/2014).

Our responsibility under these standards is further described in the section of our report titled *Auditor's Responsibility for the Audit of the Annual Financial Statements*.
We are independent of the Bank in accordance with the *International Code of Ethics for Professional Accountants* (including the *International Independence Standards*) of the International Ethics Standards Board for Accountants (IESBA Code), adopted by resolution of the National Council of Statutory Auditors as the ethical standards for auditors, and with other ethical requirements applicable to the audit of financial statements in Poland. In particular, during the audit process, the key statutory auditor and the auditing firm remained independent of the Bank in accordance with the independence requirements stipulated in the Act on Statutory Auditors and Regulation 537/2014. Furthermore, we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance during the audit of the annual financial statements for the current reporting period. These include the most significant assessed types of risks of material misstatement, including assessed risks of material misstatement due to fraud. We addressed these matters in the context of our audit of the annual financial statements as a whole and considered them when formulating our opinion on these statements. Below, we have also summarised our response to these types of risks, and where appropriate, we have provided key observations related to these risks. We do not express a separate opinion on these matters.

Valuation of Receivables

Description

In the financial statement prepared as of 31 December 2024, the Bank presented receivables from financial, non-financial, and public sectors totalling 6 066 million Polish zloty, which constituted 17% of the Bank's total assets as of the balance sheet date. The size and quality of the Bank's receivables portfolio reflect the scale and effectiveness of its lending activities and significantly influence the overall assessment of the financial statements.

Receivables pose risks from the moment credit is extended. Reducing the risk which the receivables shown in the balance sheet do not exist requires an appropriately designed and operational credit approval process. Receivables are also exposed to the risk of impairment. The assessment of indicators for impairment of individual receivables and the quantification of the impairment risk are reflected in specific provisions for credit risk associated with credit exposures and impairment allowances on receivables related to these exposures, established by the Bank's Management in accordance with accounting policies based on relevant regulations governing banking activities. Incorrect assessment and quantification of impairment risk, as well as improper management of the risk of existence of receivables, can lead to overstatement of receivable values in the Bank's financial statements.

The main assumptions regarding the valuation of receivables, including the creation of specific provisions and impairment allowances, as well as the scale of these provisions and allowances as of the end of 2024 and the previous year, were presented by the Management of the Bank in the Introduction to the financial statements and in Notes 10-12 of Additional Information and Explanations.

Statutory Auditor's Response

During the audit conducted to address the risk of overstatement of receivables presented in the Bank's financial statements, we performed the following procedures:

- identification, understanding, and description of the credit approval process established by the Bank,
- identification of key controls established by the Bank in the credit approval process and verification of their effectiveness through compliance testing,
- evaluation of the accounting policy regarding the creation of specific provisions and impairment allowances for receivables, including compliance of the policy with applicable legal regulations and adequacy relative to the current structure of the Bank's receivables portfolio.

Moreover, concerning the selected sample of credit exposures, we conducted procedures including:

- confirmation of the existence of receivable balances,
- verification of the correct classification of individual credit exposures into risk categories established by relevant regulations for the purpose of creating specific provisions and impairment allowances, including the accuracy of assessing the timeliness of receivable repayments and the economic and financial situation of debtors,
- analysis of the methodology adopted for determining the level of specific provisions and impairment allowances, and reassessment of these provisions and allowances,
- assessment of the justification for using the opportunity to reduce specific provisions and impairment allowances in relation to established collateral,
- verification of the quality and valuation of collateral which forms the basis for reducing specific provisions and impairment allowances for receivables.

Additionally, based on the entire receivables portfolio, we conducted procedures including:
- evaluation of the accuracy and completeness of interest accruals on receivables,
- analysis of the development of receivable levels in relation to the revenues reported in the Bank's financial statements concerning these receivables in 2024 compared to the previous year.

Responsibility of the Management Board and Supervisory Board of the Bank for the Annual Financial Statements

The Management Board of the Bank is responsible for preparing, based on properly maintained accounting records, the annual financial statements which present a true and fair view of the Bank's financial position, financial performance, and cash flows in accordance with the Accounting Act, executive regulations issued under it, adopted accounting policies, other applicable legal regulations, as well as the Bank's statute. The Management Board of the Bank is also responsible for internal control, which it considers essential for preparing the annual financial statements free from material misstatement due to fraud or error.

While preparing the annual financial statements, the Management Board of the Bank is responsible for assessing the Bank's ability to continue as a going concern, disclosing, where applicable, matters related to going concern considerations, and adopting the going concern assumption, except in situations where the Management intends to liquidate the Bank, cease operations, or has no realistic alternative to liquidation or cessation of operations.

According to the Accounting Act, the Management Board and Members of the Supervisory Board of the Bank are required to ensure that the annual financial statements meet the requirements stipulated in the Accounting Act. Members of the Supervisory Board are responsible for overseeing the financial reporting process of the Bank.

Responsibility of the Statutory Auditor for Auditing the Annual Financial Statements

Our objective is to obtain reasonable assurance that the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report containing our opinion. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with KSB will always detect material misstatements that may exist. Misstatements can arise from fraud or error and are considered material if it is reasonably expected that individually or collectively they could influence economic decisions made by users based on these annual financial statements.

The scope of the audit does not include assurance about the future profitability of the Bank or the efficiency or effectiveness of its management by the Bank's Management Board currently or in the future.

During the audit conducted in accordance with the Polish Agency for Audit Oversight (KSB), we apply professional judgment and maintain professional scepticism, as well as:
- we identify and assess the risks of material misstatement in the annual financial statements due to fraud or error, design and perform audit procedures to respond to these risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting material misstatement due to fraud is greater than that arising from error because fraud may involve collusion, intentional omissions, misrepresentations, or circumvention of internal controls;
- we obtain an understanding of relevant internal controls for audit purposes 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 controls;
- we evaluate the appropriateness of the accounting principles (policies) applied and the reasonableness of accounting estimates and related disclosures made by the Bank's Management Board;
- we assess the appropriateness of the Management's adoption of the going concern assumption and, based on the audit evidence obtained, whether there is significant 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 significant uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the 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 annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated to the Supervisory Board, we identified those matters that were of most significance in the audit of the financial statements for the current financial year and are therefore considered to be the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure or, in exceptional circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such disclosure.

Other Information, Including the Management Report

Other information includes the report on the Bank's activities for the financial year ended 31 December 2024, together with the sustainability reporting, which constitutes a separate part of this management report on activities.

Responsibility of the Management Board and the Supervisory Board

The Management Board of the Bank is responsible for preparing other information in accordance with the Accounting Act and other applicable legal regulations. Additionally, the Management Board and Members of the Supervisory Board of the Bank are required to ensure that the management report meets the requirements specified in the Accounting Act.

Responsibility of the Statutory Auditor

Our opinion on the annual financial statements does not extend to the other information, and we do not express any form of assurance on it in accordance with KSB. As part of the audit of the annual financial statements, it is our responsibility to review the other information and during this process, consider whether it is materially inconsistent with the annual financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on our work, we identify material misstatements in the other information, we are required to report this in our audit report. Our obligation under the Audit Act is also to issue an opinion on whether the management report, in the part not relating to sustainability reporting, has been prepared in accordance with the regulations and is consistent with the information contained in the annual financial statements. Additionally, according to Article 111a, section 3 of the Banking Law of August 29, 1997 (Banking Law), we are required to examine the information specified in Article 111a, section 2 of the Banking Law.

We have nothing to report in respect of the other information.

Opinion on the Management Report

In our opinion, the management report, in the part not relating to sustainability reporting, has been prepared in accordance with applicable regulations, namely the provisions of Article 49 of the Accounting Act and Article 111a sections 1 and 2 of the Banking Law, and it is consistent with the information contained in the attached annual financial statements. Furthermore, we declare that based on our knowledge of the Bank and its environment obtained during the audit of the annual financial statements, we have not identified, in the part not relating to sustainability reporting, any material misstatements in the management report.

Information on Sustainability Reporting and its Attestation

The Bank's sustainability reporting, presented as a separate part of the Bank's management report on activities and set out in Chapter VI Sustainability Statement of this report, is subject to a separate attestation engagement carried out by our audit firm and by the same key statutory auditor who conducted the audit of the financial statements.

Report on Other Legal Requirements and Regulations

Information on Compliance with Prudential Regulations

The Bank's Management Board is responsible for ensuring compliance of the Bank's operations with prudential regulations as defined in separate provisions, particularly for accurately determining capital adequacy ratios.

The purpose of the annual financial statement audit was not to express an opinion on the Bank's compliance with prudential regulations; therefore, we do not express an opinion in this regard. As part of the annual financial statement audit of the Bank, we conducted procedures aimed at identifying breaches by the Bank of prudential regulations specified in separate provisions, particularly regarding the accuracy of the Bank's determination of capital adequacy ratios presented in Note 1 of the Additional Information and Explanations to the attached annual financial statement, which could have a significant impact on this annual financial statement.

We inform that we did not identify any instances of the Bank breaching prudential regulations applicable to it from 1 January 2024 to 31 December 2024, particularly regarding the accuracy of the Bank's determination of capital adequacy ratios as of 31 December 2024, which could have had a significant impact on the audited financial statements.

Statement Regarding Non-Audit Services Provide

According to our best knowledge and belief, we declare that we have not provided non-audit services which are prohibited by the provisions of Article 136 of the Act on Statutory Auditors and Article 5 section 1 of Regulation 537/2014.

Choosing an Auditing Firm

We were appointed to audit the annual financial statements of the Bank for the years 2023 and 2024 by the resolution of the Bank's Supervisory Board No. 42/2023 dated 30 May 30 2023. We have been auditing the financial statements of the Bank continuously since the fiscal year ended on 31 December 2016, which covers nine consecutive fiscal years. For the audit of the fiscal year 2016, we were appointed separately, and subsequently, we have been selected for two-year terms: for the years 2017 and 2018, for the years 2019 and 2020, for the years 2021 and 2022, and for the years 2023 and 2024.

Paweł Zaczyński

Statutory Auditor no. 13290
Key auditor conducting the audit on behalf
Grant Thornton Polska Prosta spółka akcyjna
Poznań, ul. Abpa Antoniego Baraniaka 88 E, adit firm no. 4055

Poznań, 23 May 2025

Financial Statements of SGB-Bank S.A. for the year 2024 in thous. PLN

Balance Sheet – Assets

Assets	31/12/2024	31/12/2023
Cash and balances with the Central Bank	**2,515,090**	**1,987,942**
Current account	2,412,105	1,903,567
Other balances	102,985	84,376
Receivables from the financial secto	**1,532,729**	**1,615,112**
Current account	1,179,606	1,493,866
Term deposits	353,124	121,246
Receivables from the non-financial sector	**2,847,846**	**2,861,332**
Current account	282,218	271,207
Term deposits	2,565,628	2,590,126
Receivables from the public sector	**1,685,373**	**1,569,878**
Term deposits	1,685,373	1,569,878
Debt securities	**25,675,586**	**22,892,830**
Banks	10,564,986	8,454,059
Central and local government institutions	14,481,197	13,354,510
Other	629,403	1,084,262
Valuation adjustments from hedge accounting	**395**	**177**
Hedged item	0	153
Hedging instrument	395	24
Shares or equity interests in subsidiaries	**16,446**	**13,374**
In financial institutions	7,612	4,413
In other entities	8,834	8,961
Shares or equity interests in other entitie	**40,192**	**34,230**
In financial institutions	40,153	34,191
In other entities	38	40
Other securities and other financial assets	**305,440**	**289,995**
Intangible assets	**127,110**	**103,373**
Other intangible assets	108,739	87,719
Expenditure on intangible asset	18,371	15,654
Tangible fixed assets	**88,737**	**77,906**
Real property	51,091	46,702
Other tangible fixed assets	34,892	23,665
Fixed assets under construction	2,755	7,539
Other assets	**18,900**	**21,515**
Assets taken over – for sale	6,914	12,299
Other	11,986	9,216
Prepayments and accrued income	**160,190**	**152,022**
Deferred income tax assets	140,470	140,419
Other prepayments and accrued income	19,720	11,603
Own shares	**0**	**8,469**
TOTAL ASSETS	**35,014,034**	**31,628,155**

Financial Statements of SGB-Bank S.A. for the year 2024 in thous. PLN

Balance Sheet – Liabilities

Liabilities	31/12/2024	31/12/2023
Liabilities to the financial sector	**31,777,594**	**28,240,714**
Current account	10,407,109	6,931,985
Term deposits	21,370,485	21,308,729
Liabilities to the non-financial sector	**940,972**	**1,083,881**
Liabilities to the non-financial sector	818,253	1,011,269
a) current accounts	624,479	739,527
b) term deposits	193,774	271,743
Other, including:	122,719	72,612
a) current accounts	53,698	18,053
b) erm deposits	69,021	54,559
Liabilities to the public sector	**201,471**	**184,449**
Current	66,233	54,216
Term deposits	135,238	130,233
Liabilities arising from the issue of debt securities	**0**	**837**
Other liabilities from financial instruments	**1,042**	**504**
Valuation adjustments from hedge accounting	**458**	**219**
Hedged item	444	94
Hedging instrument	14	125
Special-purpose funds and other liabilities	**50,831**	**73,796**
Special-purpose funds	556	425
Other liabilities	50,275	73,371
Accruals and deferred income	**14,176**	**14,458**
Accruals	3,947	2,508
Other deferred income	10,229	11,951
Provisions	**143,745**	**130,252**
Deferred income tax provisions	115,617	102,233
Other provisions	28,127	28,020
Subordinated liabilities	**755,025**	**847,999**
Share capital	**613,260**	**613,260**
Supplementary capital	**306,565**	**294,294**
Revaluation reserve	**88,725**	**62,307**
Other reserve capitals	**69,734**	**54,734**
General banking risk fund	38,244	38,244
Other	31,490	16,490
Net profit (loss)	**50,437**	**26,450**
TOTAL LIABILITIES AND EQUITY	35,014,034	31,628,155
CAPITAL ADEQUACY RATIO	29,93%	31,32%

Financial Statements of SGB-Bank S.A. for the year 2024 in thous. PLN

Off-Balance Sheet Items

	31/12/2024	31/12/2023
Contingent liabilities granted and received	**1,002,502**	**1,047,351**
Liabilities granted:	824,153	872,958
a) financial	811,801	852,542
b) guarantees	12,352	20,416
Liabilities received:	178,349	174,393
a) guarantees	178,349	174,393
Liabilities related to purchase/sale transactions	**194,259**	**184,732**
Other	**2,000**	**18,050**

Financial Statements of SGB-Bank S.A. for the year 2024 in thous. PLN

Profit and Loss Account

	1/01/2024-31/12/2024	1/01/2023-31/12/2023
Interest income	**1,845,165**	**1,853,056**
Interest from the financial sector	65,089	47,560
From the non-financial sector	244,356	274,414
From the public sector	122,576	97,929
From fixed-income securities	1,413,143	1,433,153
Interest expense	**1,528,317**	**1,552,725**
From the financial sector	1,461,671	1,467,102
Interest from the non-financial sector	8,724	7,937
From the public sector	5,655	6,371
Securities	52,268	71,315
Net interest income	**316,848**	**300,331**
Commission income	**69,428**	**64,859**
Commission expense	**7,200**	**6,851**
Net commission income	**62,228**	**58,007**
Income from shares or equity interests, other securities, and other variable-yield financial instruments	**1,848**	**1,524**
from subsidiaries	296	222
from other entities	1,552	1,302
Net trading income	**3,036**	**2,056**
Securities and other financial instruments	3,036	2,056
Net foreign exchange income	**19,550**	**14,897**
Net income from banking operations	**403,510**	**376,815**
Other operating income	**114,148**	**107,287**
Other operating expenses	**79,399**	**72,299**
Bank operating expenses	**286,553**	**247,369**
Salaries	89,313	77,495
Social security contributions and other benefits	23,010	20,747
Other	174,230	149,126
Depreciation and amortisation of tangible fixed assets and intangible assets	**46,958**	**36,827**
Provisions and impairment allowances	**249,115**	**394,089**
Specific provisions	234,820	374,713
Revaluation of financial assets	14,295	19,376
Release of provisions and revaluation	**-220,362**	**-310,165**
Release of specific provisions	-212,465	-310,004
Release of provisions for revaluation of financial assets	-7,897	-162
Difference in provisions and revaluation	**28,753**	**83,924**
Operating result	**75,995**	**43,683**
Gross profit (loss)	**75,995**	**43,683**
Income tax	**-25,559**	**-17,233**
NET PROFIT	**50,437**	**26,450**

Financial Statements of SGB-Bank S.A. for the year 2024 in thous. PLN

Statement of Changes in Equity

	1/01/2024-31/12/2024	1/01/2023-31/12/2023
Opening balance of equity	**1,051,045**	**968,149**
adjustments for fundamental errors	**0**	**0**
Opening balance of equity after adjustment	**1,051,045**	**968,149**
Opening balance of share capital	**613,260**	**613,260**
Changes in share capital	0	0
Closing balance of share capital	**613,260**	**613,260**
Opening balance of supplementary capital	**294,294**	**271,171**
Changes in supplementary capital	12,271	23,123
increases due to:	12,271	23,123
difference between the selling price and purchase price of own shares	821	0
profit distribution (statutory)	11,450	23,123
Closing balance of supplementary capital	**306,565**	**294,294**
Opening balance of revaluation reserve	**62,307**	**5,861**
Changes in revaluation reserve	26,418	56,446
increases due to:	26,418	56,446
valuation of available-for-sale assets	26,418	56,446
Closing balance of revaluation reserve	**88,725**	**62,307**
Opening balance of general banking risk fund	**38,244**	**38,244**
Changes in general banking risk fund	0	0
Closing balance of general banking risk fund	**38,244**	**38,244**
Opening balance of other reserve capital	**16,490**	**16,490**
Changes in other reserve capitals	15,000	0
increases due to:	15,000	0
profit distribution	15,000	0
Closing balance of other reserve capital	**31,490**	**16,490**
Opening balance of retained earnings	**26,450**	**23,123**
Opening balance of retained earnings, after adjustment	26,450	23,123
Change in retained earnings	-26,450	-23,123
decreases due to:	26,450	23,123
allocation to supplementary capital	11,450	23,123
allocation to reserve capital	15,000	0
Closing balance of retained earnings	**0**	**0**
Net profit (loss)	**50,437**	**26,450**
Net profit	50,437	26,450
Closing balance of equity	**1,128,721**	**1,051,045**
Equity including proposed profit distribution	**1,128,721**	**1,051,045**

Financial Statements of SGB-Bank S.A. for the year 2024 in thous. PLN

Cash Flow Statement

Cash flows from operating activities	1/01/2024-31/12/2024	1/01/2023-31/12/2023
Net profit (loss)	**50,437**	**26,450**
Total adjustments:	**319,411**	**847,495**
Amortisation and depreciation	46,958	36,827
Interest and profit sharing (dividend)	-1,848	-1,524
Profit (loss) on investing activities	245	-4,207
Change in provisions	13,492	11,408
Change in debt securities	-2,785,978	-3,347,368
Change in receivables from the financial sector	-244,670	47,117
Change in receivables from the non-financial and public sectors	-102,010	-130,175
Change in shares or equity interests, other securities and other financial (trading) assets	11,006	11,204
Change in liabilities to the financial sector	3,536,880	4,013,761
Change in liabilities to the non-financial and public sectors	-125,887	222,760
Change in other liabilities	-22,188	16,985
Change in prepayments and accrual	-6,729	-23,233
Change in deferred income	-1,722	7,078
Other adjustments	1,862	-13,138
Net cash flows from operating activities	**369,848**	**873,945**
Cash flows from investing activities		
Inflows	7,815	14,012
Disposal of shares or equity interests in other entities, other securities and other financial assets	4,692	0
Disposal of intangible assets and tangible fixed assets	1,275	12,488
Other investing inflows	1,848	1,524
Outflows	90,722	70,149
Acquisition of shares or equity interests in other entities, other securities and other financial assets	10,753	0
Acquisition of intangible assets and tangible fixed assets	79,969	70,149
Net cash flow from investing activities	**-82,907**	**-56,137**
Cash flow from financing activities		
Inflows	9,289	409,347
Increase in subordinated liabilities	0	409,347
Net proceeds from the issue of shares and capital contributions	9,289	0
Outflows	96,135	8,469
Payments of liabilities under finance lease agreements	2,324	0
Decrease in subordinated liabilities	93,811	0
Acquisition of own shares	0	8,469
Net cash flows from financing activities	**-86,846**	**400,878**
Total net cash flows	**200,095**	**1,218,686**
Balance sheet change in cash	**200,095**	**1,218,686**
Opening balance of cash	**3,302,844**	**2,084,159**
Closing balance of cash	**3,502,939**	**3,302,845**

SGB Bank