



CONSOLIDATED FINANCIAL STATEMENTS OF BANK OCHRONY ŚRODOWISKA S.A. GROUP FOR THE THIRD QUARTER 2019

Warsaw, November 2019

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SUMMARY RESULTS OF THE BOŚ S.A. GROUP

The Capital Group of Bank Ochrony Środowiska S.A. consists of BOŚ S.A., the dominating entity controlling its direct subsidiaries: Dom Maklerski BOŚ S.A. and BOŚ Leasing – Eko Profit S.A. as well as an indirect subsidiary MS Wind Sp. z o.o.

Since 2016 Bank Ochrony Środowiska S.A. has been effectively executing its Restructuring Proceedings Program. Following the completion of cost restructuring, balance sheet optimisation and improvement of its capital and liquidity positions in the past years, BOŚ S.A. is gradually improving its financial results. Following the remodelling of its business formula and significant improvement of credit decision competence, along with strong controls within the area of risk, the Bank grants loans characterised by better quality and higher margins. Actions undertaken in the areas of the network functioning and organisation and implementation of a new business model allowed the Bank to significantly improve its sales results. A number of strategic actions were launched in relation to the Bank's environmental mission. In the 3rd quarter 2019 the Bank completed works involving implementation of a new internet banking system. The Bank also adjusted its systems to comply with the PSD2 directive.

An important element of the Strategy remains building of ecological know-how and behaviours of employees and strengthening of their pro-social commitment to fulfil Bank's environmental mission and ensure top-quality services and products. The Bank aims at ensuring high standards of pro-customer corporate culture.

Positive results of the restructuring process may be observed in the Group's financial results. From 1 Jan. through 30 Sep. 2019 BOŚ S.A. Group achieved the following:

- **increase of Group's net results by 15.3%** versus the same period in 2018; net profit totalled 67.6m PLN,
- **increase of Group's interest margin by 11.5%**. Interest results totalled 314.9m PLN versus 282.4m PLN over three quarters in 2018,
- **increase of commission results by 1.8%** compared to the same period in 2018,
- **increase of Group's interest margin up to 2.3%** versus 2.0% in the entire 2018,
- **ROE increase up to 3.4%** versus 3.2% in 2018,
- **higher loan sales** – the Bank granted 99.3% more loans and advances (new sales) than in three quarters of 2018,
- **Bank risk costs retained** at 0.9% for the past 12 months,
- **lower Group's overheads excluding BFG contribution** – decrease by 2.4%, including decrease of employee benefits by 4.2% versus the same period in 2018,
- **improved Group's C/I ratio** – to 60.5%, or by 3.0 p.p. versus the 2018 level,
- **secure capital base of the Group** – total capital ratio of the Group equalled 16.90% at the end of 3Q2019 and 17.95% at the end of 2018,

During the first three quarters of 2019 BOŚ S.A. Group generated net profit of 67.6m PLN, which is 15.3% higher than in the same period in 2018. BOŚ S.A. Group strongly improved the result on core operations: interest margin and commission income.

A selection of balance sheet positions and financial ratios

| | | 1-3Q2019 | 1-3Q2018 | Change % |
|--|-----|---------------|---------------|-------------|
| Net interest and similar income | [1] | 314 867 | 282 440 | 11,5 |
| Net fee and commission income | | 74 936 | 73 631 | 1,8 |
| Net income on financial instruments measured at fair value through P/L | | 28 840 | 59 331 | - 51,4 |
| Net impairment result | | -79 144 | -87 373 | - 9,4 |
| Administrative expenses, including: | [2] | -276 605 | -273 095 | 1,3 |
| – contribution and payments to BFG | | -37 383 | -27 942 | 33,8 |
| NET PROFIT/ LOSS | | 67 618 | 58 664 | 15,3 |

[1] Interest margin was 32.4m PLN higher in the Jan.-Sep. 2019 period than in the same period the year before. The biggest impact on higher interest income came from reduction of interest costs of debt instruments issued by the Bank itself by 18.9m PLN, or by 57.1%. Expenses of bank accounts and deposits of individual customers dropped by 10.7m PLN, or by 10.0%. Expenses of bank accounts and deposits of corporate

customers dropped by 7.4m PLN, or by 17.2%. Interest income changed slightly despite lower credit balance resulting from rearrangement of the credit portfolio and higher share of loans with bigger margins, which translated into higher loan credit portfolio income.

- [2] Group's total administrative expenses were 3.5m PLN or 1.3% higher compared to the same period last year as a result of the one-off contribution to the mandatory restructuring fund (BFG) being 14.9m PLN higher. The negative impact of this factor has not been fully neutralised by reduction of other cost items. Costs of employee benefits of BOŚ S.A. Group in the Jan.-Sep. 2019 period were reduced by 5.3m PLN, or 4.2%, while the number of BOŚ S.A. employees dropped by 11.7% and in the entire Group – by 10.6% compared to the figures from the end of 3Q2018.

Financial ratios

| | 1-3Q2019 | 2018 | Change p.p. |
|--|----------|-------|-------------|
| Return on equity (ROE) | 3,4 | 3,2 | 0,2 |
| Return on assets (ROA) | 0,4 | 0,3 | 0,1 |
| Interest on total assets | 2,3 | 2,0 | 0,3 |
| Costs/income upon including one-off BFG contribution | 60,5 | 63,5 | -3,0 |
| Risk costs | -0,9 | -0,9 | 0,0 |
| Total capital ratio (solvency ratio) | 12,9 | 13,0 | -0,1 |
| Return on equity (ROE) | 16,90 | 17,95 | -1,05 |

In the period from 1 January through 30 September 2019 the Bank improved its core financial ratios. It is worth stressing that the interest margin increased up to 2.3%, from 2.0% in 2018 and that the costs/income ratio (C/I) dropped down to 60.5% from 63.5% in 2018.

New loans

From 1 January to 30 September 2019 the Bank granted loans and advances (new sale) for a total amount of 3.4bn PLN, or by 99.3% higher than in the same period the year before. As a result of implementing the new business model, sales to corporate clients increased by 105.7%, and to individuals – by 47.8%. Further, while executing its Strategy, the Bank is increasing the share of pro-ecology loans. The amount of new loans in the pro-ecology segment totalled 1.2bn PLN and was 73.2% higher than in the same period last year. A vast majority of new pro-ecology loans targeted corporate clients.

Ecology activities

The share of loans granted for pro-environmental purposes and sustainable development projects constituted 34.8% of total loans at the end of 3Q2019. As of 30 Sep. 2019 pro-ecology loan balance totalled 4.4bn PLN.

In 3Q2019 BOŚ S.A. cooperation with its major shareholder - National Fund for Environment Protection and Water Management (NFOŚiGW) – comprised operational maintenance of top-priority programs implemented in the Bank in past years, mainly of Prosument II program and offering funding to entities which apply for or obtained direct subsidies from the NFOŚiGW within aid programs, either EU or domestic. Actions focused primarily on the heating companies whose investment projects are currently financed by NFOŚiGW within the Infrastructure and Environment Program 2014-2020, including the "Poviat Heating" pilot undertaking. An example of actions undertaken in the ecology area is an agreement signed on 22 October 2019 between BOŚ S.A. and the City of Nowy Sącz, the main purpose of which is to support the dwellers of the city and the region in replacing their heating systems with new environment-friendly ones, thermal insulation of buildings and performance of other undertakings complementary to the central government's program "Clean Air". As part of cooperation with the Voivodship Funds for Environment Protection and Water Management the Bank financed pro-ecology projects related mainly to protecting the air from pollution, i.e. renewable energy sources, thermal insulation of buildings and replacement of heating systems with environment-friendly solutions.

Rating

On 15 October 2019 Fitch Ratings Ltd (Agency) confirmed its BOŚ S.A. ratings increased in the first quarter of this year and upheld Bank's outlook. The Agency reviewed BOŚ S.A. ratings as part of a wider process of assessing risks which Polish banks with commitments to foreign currency mortgage loans are exposed to and following the judgement of the Court of Justice of the European Union (CJEU) on 3 October 2019. The Agency concluded that the risk of incurring losses on foreign currency mortgage loans is not a key factor in the rating of BOŚ S.A., however, there is uncertainty regarding the impact of external factors on Bank's profitability, which will depend on the trend of rulings issued by Polish courts as a result of the CJEU's judgement.

Impact of the judgement of the Court of Justice of the European Union (CJEU) in Case C-260/18 and changes of legal environment on foreign currency loan portfolio

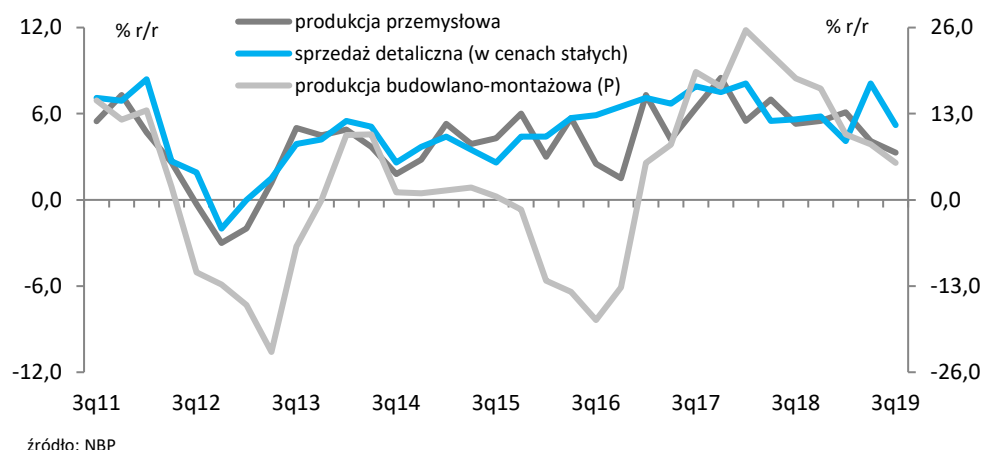
In the Bank's opinion, the wide scope of issues which according to the CJEU's judgement are subject to the assessment of national courts and the doubt regarding the interpretation of the CJEU's judgement result in a situation where it is not possible at the moment to rationally assess the impact of this judgement on court proceedings in progress. The scale of lawsuits filed is not significant. At the end of the third quarter 2019 there were 74 court lawsuits against the Bank. The total value of the subject of litigation equalled 12.8m PLN. To date, an overwhelming majority of rulings in such lawsuits was positive to the Bank.

CJEU's judgement on consumer's right to reduce the loan cost as a result of early repayment of amounts due under the loan agreement

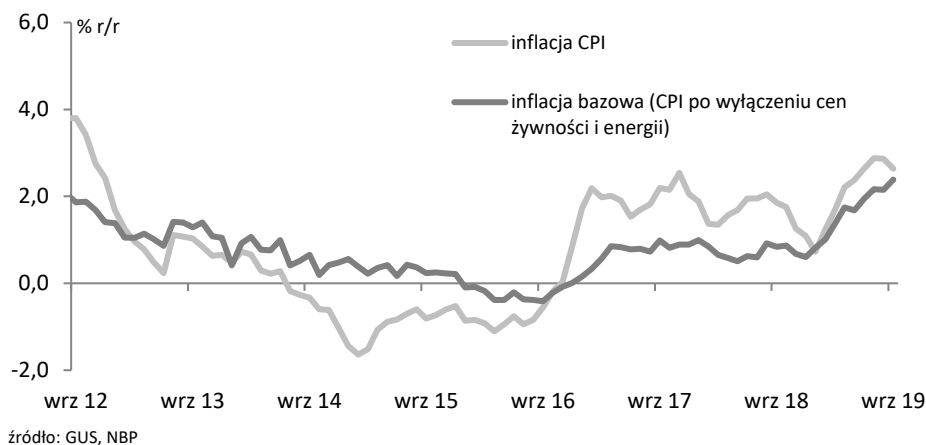
At the moment the scale of claims is slim. The Bank is now analysing the actual consequences of the CJEU's judgement to the business operations and financial situation.

1. Macroeconomic situation

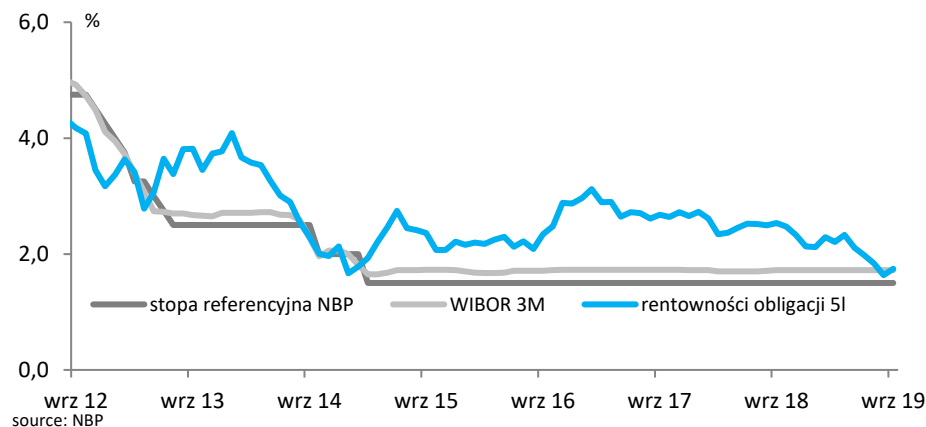
In 3Q2019, according to data published on a monthly basis, the activity of the Polish economy gradually slowed down. In 3Q2019 the dynamics of industrial output dropped (down to 3.3% y/y versus 4.1% y/y in 2Q), just like construction output (down to 5.6% y/y versus 8.4% y/y) and retail sales (down to 5.2% y/y versus 8.1% y/y in the previous quarter). In the third quarter, the good labour market situation continued to prevail though the hiring trend slightly slowed down just like remunerations in the corporate sector. In the third quarter employment grew at about 2.6% y/y while salaries (real income) grew by about 4.0% y/y on average. In September the registered unemployment rate totalled 5.1% versus 5.7% in the same period in 2018, while the number of the unemployed dropped at the end of 3Q2019 by 96,000 versus the same period the year before.



After a rapid increase of inflation in 2Q2019 up to 2.6% y/y, during 3Q2019 inflation continued to grow to reach, in August, the peak of 2.9%, to drop in September down to 2.6% y/y. In 3Q2019 further growth of inflation was contributed to by the increase of food prices (mainly prices of vegetables due to drought and prices of meat due to ASF in China). In the third quarter a factor contributing to the higher CPI was also the gradual growth of core inflation (CPI excluding food and energy prices) due to a strong demand within the economy and growth of administered prices. The CPI drop at the end of 3Q2019 resulted from the weakening of some price effects in the food market (mainly due to dropping vegetable prices) and lower fuel price dynamics.



In 3Q2019 the Monetary Policy Council (RPP) kept interest rates stable – NBP reference rate remained at 1.5%. Despite the current and expected growth of inflation, continuous economic downturn in the euro zone and looser monetary policies of main central banks in the world resulted in the RPP's continuation of soft rhetoric and keeping their intention to stabilize the monetary policy in subsequent quarters. In this situation, interest rates on loans in the interbank market was stable – WIBOR 3M remained at 1.72% over the entire 3rd quarter.



In 3Q2019 global aversion towards risk continued to grow as a result of accumulation of risk factors following the global economic crisis: announcements of further increase of duty for goods imported to the USA from China and the growing risk of no-deal Brexit. At the same time, published macroeconomic data revealed deepening slowdown of global economic growth.

At the end of the quarter, the market situation started to stabilize following the curbing of earlier risk factors: easing tensions in the USA-China trade relations and announcements to renew talks on the trade deal in October, reduction of the risk of a chaotic Brexit once the British parliament adopted the opposition's application to obligate the prime minister to postpone the country's exit from the EU if no deal is concluded between the EU and the UK.

Following the worsening of economic activity, mainly in the context of worse economic prospects in the light of accumulated risk factors, in the third quarter most major central banks in the world eased their monetary policies: - FOMC reduced interest rates by 50 base points - EBC reduced the deposit rate by 10 base points and announced to renew the program of asset repurchase, China's central bank reduced the mandatory reserve rate by 50 base points and the primary loan rate.

Central banks' decisions were an important factor which slowed down the growing risk aversion. In response to the easing of the monetary policy, profitability of treasury bonds in core markets (USA, Germany) clearly dropped down to local minimums.

Given the global growth of risk aversion, in the Polish market in 3Q2019, the volatility of PLN rates increased, while PLN found itself in a clear depreciation trend. At the end of the quarter, PLN was additionally encumbered with uncertainties following the judgement of the Court of Justice of the European Union (3 October) on the interpretation of abusive clauses in foreign currency loan agreements.

As a result, in 3Q2019 the PLN to USD weakened by 7.1% to reach 4.00 PLN/USD at the end of September, PLN to swiss franc – by 5.1% to 4.03 PLN/CHF, and PLN to EUR – by 2.9% to 4.37 PLN/EUR.

In the third quarter the domestic market of treasury bonds was dominated by the decreases of treasury bond rates, particularly bonds with longer maturity periods. The profitability of Polish treasury bonds decreased following the quotations of the bonds in core markets. Within the quarter, profitability of 5-year bonds dropped by 20 base points below 1.80% at the end of September, while 10-year bonds – by nearly 40 base points, below 2.0% at the end of the third quarter.

2. Financial results of the Group

2.1. Balance sheet of the Group

| | '000 PLN | 3Q2019 | 3Q2018 | 1-3Q2019 | 1-3Q2018 | Change % | |
|---|----------|----------------|---------------|----------------|----------------|---------------|--------------------|
| | | | | | | 3Q19/ 3Q18 | 1-3Q19 /1-3Q 18 |
| Interest and similar income | | 157 993 | 159 666 | 471 972 | 474 745 | - 1,0 | - 0,6 |
| Interest expense and similar charges | | - 52 732 | - 59 738 | - 157 105 | - 192 305 | - 11,7 | - 18,3 |
| Net interest income | | 105 261 | 99 928 | 314 867 | 282 440 | 5,3 | 11,5 |
| Fee and commission income | | 30 333 | 31 425 | 100 922 | 101 624 | - 3,5 | - 0,7 |
| Fee and commission expense | | - 7 630 | - 10 065 | - 25 986 | - 27 993 | - 24,2 | - 7,2 |
| Net fee and commission income | | 22 703 | 21 360 | 74 936 | 73 631 | 6,3 | 1,8 |
| Dividend income | | 911 | 194 | 6 442 | 6 040 | 369,6 | 6,7 |
| Income from financial instruments measured at fair value through P/L (including amounts due from customers) | | 9 952 | 15 343 | 28 840 | 59 331 | - 35,1 | - 51,4 |
| Investment securities income | | - 9 | 523 | 582 | 2 167 | - 101,7 | - 73,1 |
| Net hedge accounting income | | - 325 | 588 | - 189 | 1 421 | - 155,3 | - 113,3 |
| Foreign exchange result | | 9 419 | 1 559 | 17 281 | 16 045 | 504,2 | 7,7 |
| Other operating income | | 3 301 | 6 950 | 15 131 | 14 700 | - 52,5 | 2,9 |
| Other operating expense | | - 3 399 | - 1 254 | - 13 004 | - 13 292 | 171,1 | - 2,2 |
| Net impairment gains | | - 40 079 | - 20 955 | - 79 144 | - 87 373 | 91,3 | - 9,4 |
| Administrative expenses | | - 81 572 | - 86 202 | - 276 605 | - 273 095 | - 5,4 | 1,3 |
| Profit before tax | | 26 163 | 38 034 | 89 137 | 82 015 | - 31,2 | 8,7 |
| Tax charges | | - 2 664 | - 13 549 | - 21 519 | - 23 351 | - 80,3 | - 7,8 |
| NET PROFIT | | 23 499 | 24 485 | 67 618 | 58 664 | - 4,0 | 15,3 |

In three quarters of 2019 BOŚ S.A. Group generated net profit of 67.6m PLN, versus 58.7m PLN in the same period the year before. The results generated from January through September 2019 were higher by 9.0m PLN, or 15.3% than in the same period in 2018.

In three quarters of 2018 BOŚ S.A. Group generated interest income of 314.9m PLN. The results were higher by 32.4m PLN, or 11.5% than in the same period in 2018.

Interest and similar income dropped by 2.8mn PLN or by 0.6% in the three quarters of 2019 compared to the same period the year before. Interest income on account of loans from retail customers dropped by 6.6m PLN, or by 6.5%, while interest income from corporate customers increased by 9.4%, or by 3.5%.

Lower interest income resulted mainly from dropping interest income from debt instruments. Interest income from loans increased, despite the decrease of loan volume by 0.3bn PLN on average, as a result of higher interest rates on loans.

| | '000 PLN | 1-3Q2019 | 1-3Q2018 | Change % |
|--|----------|----------------|----------------|---------------|
| Total interest and similar income on account of: | | 471 972 | 474 745 | - 0,6 |
| Loans from banks and Central Bank | | 2 946 | 2 558 | 15,2 |
| Loans from corporate customers | | 275 422 | 266 005 | 3,5 |
| Loans from retail customers | | 93 973 | 100 536 | - 6,5 |
| Non-trading investment debt instruments | | 98 949 | 105 188 | - 5,9 |
| Trading financial instruments | | 682 | 458 | 48,9 |
| Total interest and similar expense on account of: | | 157 105 | 192 305 | - 18,3 |

in thousands PLN

| | | | |
|--|----------------|----------------|-------------|
| Bank accounts and deposits from banks | 749 | 1 078 | - 30,5 |
| Bank accounts and deposits of corporate customers | 35 329 | 42 685 | - 17,2 |
| Bank accounts and deposits of retail customers | 96 152 | 106 833 | - 10,0 |
| Loans and advances from banks | - | 239 | - 100,0 |
| Loans and advances from customers | 670 | 848 | x |
| Funds entrusted to use for lending (JESSICA) | 193 | 294 | - 34,4 |
| Financial instruments – debt securities from own issue | 14 192 | 33 107 | - 57,1 |
| Hedging transactions | 6 824 | 7 221 | - 5,5 |
| IFRS 16 leases | 2 886 | - | x |
| Other | 110 | - | x |
| NET INTEREST INCOME | 314 867 | 282 440 | 11,5 |

The average interest rate on loans granted by the Bank increased in the first three quarters of 2019 (excluding impairment adjustment of interest) and totalled 4.45% versus 4.24% in the same period in 2018 but:

- in PLN it totalled 5.02%, versus 4.76% in the first three quarters of 2018,
- in foreign currencies it totalled 2.52%, versus 2.33% in the first three quarters of 2018.

Interest expenses dropped by 35.2m PLN, or by 18.3% compared to the same period in 2018. The decrease is primarily owed to lower costs of financial instruments – debt securities from own issue by 18.9m PLN, or by 57.1%. Costs of bank accounts and deposits of retail customers dropped by 10.7m PLN, or by 10.0%. Costs of bank accounts and deposits of corporate customers dropped by 7.4m PLN, or by 17.2%.

Interest expenses dropped both as a result of lower average balance of amounts due to clients (by 0.3bn PLN, or by 4.4%) and lower interest rates.

An average interest rate on deposits acquired by the network of Bank outlets in three quarters of 2019:

- in PLN totalled 1.39%, versus 1.51% in the three quarters of 2018,
- in foreign currencies totalled 0.51% versus 0.58% in the three quarters of 2018.

The Group's income from fees and commissions increased by 1.3mn PLN, i.e. by 1.8% during the period of January-September 2019, compared to the same period in 2018 as a result of commission expenses dropping faster than income.

| | '000 PLN | 1-3Q2019 | 1-3Q2018 | Change % |
|---|----------|----------------|----------------|--------------|
| Net fee and commission income | | 100 922 | 101 624 | - 0,7 |
| Brokerage service fees | | 45 657 | 47 416 | - 3,7 |
| Client account maintenance fees, other settlements at home and abroad | | 26 723 | 30 445 | - 12,2 |
| Commissions on loans | | 24 408 | 20 208 | 20,8 |
| Commissions on guarantees and letters of credit | | 3 875 | 3 201 | 21,1 |
| Portfolio management fees and other management fees | | 258 | 353 | - 26,9 |
| Other fees | | 1 | 1 | - |
| Total fee and commission expense | | 25 986 | 27 993 | - 7,2 |
| Brokerage service fees, including: | | 16 653 | 16 250 | 2,5 |
| - custody activity | | 267 | 275 | - 2,9 |
| Payment card fees | | 5 354 | 6 118 | - 12,5 |
| Current account fees | | 875 | 1 340 | - 34,7 |
| Euronet service fees | | 828 | 817 | 1,3 |
| Commissions paid for amounts due to customers | | 486 | 517 | - 6,0 |
| Commissions paid to other banks in cash turnover | | 2 | 289 | - 99,3 |
| Other fees and commissions | | 1 788 | 2 662 | - 32,8 |
| NET FEE AND COMMISSION INCOME | | 74 936 | 73 631 | 1,8 |

Fee and commission income dropped by 0.7m PLN. The decrease of client account maintenance fees, other settlements at home and abroad by 3.7m PLN or by 12.2% and the decrease of brokerage service fees by 1.8m PLN or by 3.7% was almost entirely compensated for by commissions from loans higher by 4.2m PLN or 20.8% and commissions on guarantees and letters of credit higher by 0.7m PLN or 21.1%.

Fee and commission expenses dropped by 2.0m PLN or 7.2% following the decrease of other fees expenses by 0.9m PLN or 32.8%, payment card fees by 0.8m PLN or 12.5% and current account fees by 0.5m PLN or 34.7% and commissions paid to other banks in cash turnover by 0.3m PLN or 99.3%, while the brokerage service fees increased by 0.4m PLN or 2.5%.

The dividend income contributed to by the dividend from Kemipol Sp. z o.o. of 5.4m PLN. In the same period in 2018 the dividend paid by Kemipol Sp. z o.o. totalled 5.8m PLN.

Income from financial instruments measured at fair value through profit and loss account totalled 28.8m PLN versus 59.3m PLN in the first three quarters of 2018. During the period of January-September last year, loans and advances obligatorily priced at fair value through P/L increased this figure by 16.7m PLN. Income from derivative financial instruments measured at fair value through P/L was also higher.

Group's result on investment securities totalled 0.6m PLN in the three quarters of 2019 while in the same period last year this figure totalled 2.2m PLN. Such lower result on investment securities was caused by lower results on the sale of securities priced at fair value.

The foreign currency exchange result totalled 17.3m PLN versus 16m PLN last year, which means it was 7.7% higher than in the first three quarters of 2018, due to higher income from customer transactions.

In the first three quarters of 2019 the net impairment result totalled -79.1m PLN versus -87.4m PLN in the same period in 2018. Better impairment result is owed to impairments in the retail customer division lower by 17.4m PLN, while the impairments in the corporate division were 8.8m PLN higher.

Administrative expenses of the Group increased by 3.5m PLN or 1.3% compared to the same period the year before mainly due to the higher BFG contribution. The total annual contribution for the BFG forced restructuring of banks fund for 2019 in the amount of 29.3m PLN encumbered the 1Q2019 results. In the same period last year this contribution totalled 14.4m PLN. In total, BFG contributions charged against the first three quarters of 2019 total 37.4m PLN versus 27.9m PLN in the same period last year.

Material costs in the January-September 2019 period, compared to the same months in 2018, were 13.8m PLN or 16.3% lower.

| | '000 PLN | 1.03Q2019 | 1.03Q2018 | Change % |
|---|----------|----------------|----------------|-------------|
| Employee benefits | | 120 201 | 125 463 | - 4,2 |
| Administrative expense, of which: | | 114 506 | 117 885 | - 2,9 |
| – material costs | | 70 756 | 84 544 | - 16,3 |
| – taxes and duties | | 4 036 | 3 702 | 9,0 |
| - contribution and payments to Bank Guarantee Fund (BFG) | | 37 383 | 27 942 | 33,8 |
| - contribution and payments to Polish Financial Supervision Authority (KNF) | | 2 177 | 1 382 | 57,5 |
| - contribution to cover Financial Ombudsman expenses | | 86 | 106 | - 18,9 |
| - contribution to support the Chamber of Brokerage Houses | | 68 | 68 | - |
| - other | | - | 141 | x |
| Amortization and depreciation of: | | 41 898 | 29 747 | 40,8 |
| – fixed assets | | 9 317 | 10 609 | - 12,2 |
| – intangible assets | | 19 596 | 19 138 | 2,4 |
| – IFRS 16 leases | | 12 985 | - | x |
| TOTAL ADMINISTRATIVE EXPENSES | | 276 605 | 273 095 | 1,3 |

Employee benefits expense of the BOŚ S.A. Group in the first three quarters of 2019 totalled 120.2m PLN versus 125.5m PLN in the same period last year. The decrease is owed mainly to lower number of employees in BOŚ S.A. – by 11.7%, and by 10.6% in the whole Group compared to the end of 3Q2018.

| FTEs | 30 Sep. 2019 | 31 Dec. 2018 | 30 Sep. 2018 | Change % | |
|--|--------------|--------------|--------------|-------------------------------|-------------------------------|
| | | | | 30 Sep. 2019/ 30 Sep. 2018 | 30 Sep. 2019/ 31 Dec. 2018 |
| Employment BOŚ S.A. | 1 096 | 1 209 | 1 241 | -11,7 | -9,3 |
| Employment subsidiaries | 242 | 260 | 255 | -5,1 | -6,8 |
| Total employment BOŚ S.A. Group | 1 338 | 1 469 | 1 496 | -10,6 | -8,9 |

2.2. Group Assets

The Group's balance sheet total as of 30 September 2019 totalled 18,417.8m PLN and was 0.9% higher versus 31 Dec. 2018.

2.2.1. Changes to Group asset structure

As at 30 September 2019 the biggest portion of assets, 63.5%, was constituted by amounts due from customers. Their share in the assets since the beginning of 2019 dropped by 1.2 p.p. However, the share of amounts due from other banks and Central Bank increased by 0.5 p.p.

| | '000 PLN | 30 Sep. 2019 | 30 Jun. 2019 | 31 Dec. 2018 | Change % | |
|---|----------|-------------------|-------------------|-------------------|-------------------------------|-------------------------------|
| | | | | | 30 Sep. 2019/ 30 Jun. 2019 | 30 Sep. 2019/ 31 Dec. 2019 |
| Cash and balances with the Central Bank | | 279 497 | 212 505 | 186 736 | 31,5 | 49,7 |
| Amounts due from other banks | | 287 478 | 149 707 | 196 104 | 92,0 | 46,6 |
| Trading securities, of which: | | 88 728 | 158 963 | 87 761 | - 44,2 | 1,1 |
| <i>equity securities</i> | | 8 820 | 21 495 | 9 131 | - 59,0 | - 3,4 |
| <i>debt securities</i> | | 2 932 | 66 806 | 2 903 | - 95,6 | 1,0 |
| <i>derivative instruments</i> | | 76 976 | 70 662 | 75 727 | 8,9 | 1,6 |
| Derivative hedging instruments | | - | - | - | x | x |
| Investment securities: | | 5 515 126 | 5 760 744 | 5 476 293 | - 4,3 | 0,7 |
| <i>equity securities valued at fair value though other total income</i> | | 85 532 | 85 026 | 85 027 | 0,6 | 0,6 |
| <i>debt securities valued at fair value through other total income</i> | | 4 057 510 | 4 292 154 | 4 015 998 | - 5,5 | 1,0 |
| <i>debt securities valued at amortized cost</i> | | 1 372 084 | 1 383 564 | 1 375 268 | - 0,8 | - 0,2 |
| Amounts due from customers, of which: | | 11 702 489 | 11 649 346 | 11 809 527 | 0,5 | - 0,9 |
| <i>valued at amortized cost</i> | | 11 616 403 | 11 559 575 | 11 704 874 | 0,5 | - 0,8 |
| <i>valued at fair value through P/L</i> | | 86 086 | 89 771 | 104 653 | - 4,1 | - 17,7 |
| Intangible assets | | 110 354 | 113 507 | 120 050 | - 2,8 | - 8,1 |
| Property and equipment | | 67 995 | 66 593 | 68 396 | 2,1 | - 0,6 |
| Right of use - leasing | | 81 606 | 85 650 | - | - 4,7 | x |
| Income tax assets: | | 109 622 | 95 706 | 99 867 | 14,5 | 9,8 |
| <i>current</i> | | 390 | 727 | 1 124 | - 46,4 | - 65,3 |
| <i>deferred</i> | | 109 232 | 94 979 | 98 743 | 15,0 | 10,6 |
| Other assets | | 174 950 | 186 216 | 206 291 | - 6,0 | - 15,2 |
| ASSETS | | 18 417 845 | 18 478 937 | 18 251 025 | - 0,3 | 0,9 |

2.2.2. Amounts due from customers

The balance sheet value of the amounts due from Group customers, as at the end of 3Q2019 totalled 11,702.5m PLN and was 0.9% lower than the figure as at 31 December 2018.

As at the end of the third quarter 2019, compared to 31 December 2018, the volume of amounts valued at amortized cost from retail customers dropped by 75.7m PLN or 2.0% and the volume of amounts due from corporate customers – by 11.9m PLN or 0.1%.

| | '000 PLN | 30 Sep. 2019 | 30 Jun. 2019 | 31 Dec. 2018 | Change % | |
|---|----------|-------------------|-------------------|-------------------|-------------------------------|-------------------------------|
| | | | | | 30 Sep. 2019/ 30 Jun. 2019 | 30 Sep. 2019/ 31 Dec. 2019 |
| Valuation at amortized cost | | 11 612 260 | 11 556 118 | 11 699 841 | 0,5 | -0,7 |
| Amounts due from retail customers | | 3 631 526 | 3 587 165 | 3 707 238 | 1,2 | -2,0 |
| overdraft facilities | | 2 369 | 2 914 | 494 | -18,7 | 379,6 |
| cash loans | | 337 406 | 301 364 | 275 675 | 12,0 | 22,4 |
| housing loans | | 2 989 202 | 2 964 682 | 3 070 781 | 0,8 | -2,7 |
| other loans and advances | | 302 549 | 318 205 | 360 288 | -4,9 | -16,0 |
| Amounts due from corporate customers | | 7 980 734 | 7 968 953 | 7 992 603 | 0,1 | -0,1 |
| revolving loans | | 490 136 | 458 639 | 449 806 | 6,9 | 9,0 |
| term loans and advances | | 6 991 444 | 6 999 916 | 6 773 000 | -0,1 | 3,2 |
| factoring amounts due | | 378 131 | 389 477 | 402 760 | -2,9 | -6,1 |
| leasing amounts due | | 66 368 | 62 848 | 55 534 | 5,6 | 19,5 |
| repurchased dues | | 54 655 | 58 073 | 68 791 | -5,9 | -20,5 |
| commercial securities | | - | - | 242 712 | x | x |
| Valuation at fair value through P/L | | 86 086 | 89 771 | 104 653 | -4,1 | -17,7 |
| Amounts due from retail customers | | 2 204 | 2 448 | 3 101 | -100,0 | -100,0 |
| housing loans and advances | | 706 | 768 | 904 | -8,1 | -21,9 |
| other loans and advances | | 1 498 | 1 680 | 2 197 | -10,8 | -31,8 |
| Amounts due from corporate customers | | 83 882 | 87 323 | 101 552 | -3,9 | -17,4 |
| revolving loans | | 191 | 193 | 181 | -1,0 | 5,5 |
| term loans and advances | | 83 691 | 87 130 | 101 371 | -3,9 | -17,4 |
| Total | | 11 698 346 | 11 645 889 | 11 804 494 | 0,5 | -0,9 |
| Collateral deposits | | 4 118 | 3 457 | 5 023 | 19,1 | -18,0 |
| Other dues | | 25 | - | 10 | x | 150,0 |
| TOTAL AMOUNTS DUE FROM CUSTOMERS | | 11 702 489 | 11 649 346 | 11 809 527 | 0,5 | -0,9 |

The highest share in total amounts due of 68.2% is constituted by amounts due from corporate customers valued at amortized cost. This is 0.5 p.p. more than at the end of 2018. Amounts due from corporate customers totalled 7,980.7m PLN.

The share of amounts due from retail customers valued at amortized cost in total dues dropped by 0.4 p.p. down to 31.0%. The amount of loans of retail customers valued at amortized cost totalled 3,631.5m PLN at the end of the third quarter 2019 versus 3,707.2m PLN at the end of 2018.

The main item is constituted by housing loans, the balance sheet value of which totalled 2,990.0m PLN at the end of 3Q2019 versus 3,071.7m PLN at the end of 2018.

The highest share in housing loans, 54,0%, is constituted by foreign currency loans (54.8% at the end of 2018). The share of CHF housing loans in the total portfolio of BOŚ S.A. Group (net) totalled 8.1%.

| | '000 PLN | 30 Sep. 2019 | 30 Jun. 2019 | 31 Dec 2018 | Change % | |
|--|----------|------------------|------------------|------------------|-------------------------------|-------------------------------|
| | | | | | 30 Sep. 2019/ 30 Jun. 2019 | 30 Sep. 2019/ 31 Dec. 2019 |
| Loans and advances valuated at amortized cost | | 2 989 202 | 2 964 682 | 3 070 781 | 0,8 | -2,7 |
| Housing loans in PLN | | 1 373 519 | 1 371 089 | 1 388 664 | 0,2 | -1,1 |
| Housing loans in CHF | | 947 167 | 926 384 | 974 202 | 2,2 | -2,8 |
| Housing loans in EUR | | 625 777 | 626 663 | 664 489 | -0,1 | -5,8 |
| Housing loans in USD | | 42 739 | 40 546 | 43 426 | 5,4 | -1,6 |
| Loans and advances valuated at fair value through P/L | | 706 | 768 | 904 | -8,1 | -21,9 |
| Housing loans in PLN | | 706 | 768 | 904 | -8,1 | -21,9 |
| TOTAL HOUSING LOANS | | 2 989 908 | 2 965 450 | 3 071 685 | 0,8 | -2,7 |

New sales – loans granted in the first three quarters of 2019 versus the same period last year.

| | '000 PLN | 1-3Q2019 | 1-3Q2018 | Change % |
|--|----------|------------------|------------------|-------------|
| Loans granted to corporate customers in the three quarters | | 3 150 579 | 1 531 758 | 105,7 |
| Loans granted to retail customers in the three quarters | | 282 978 | 191 443 | 47,8 |
| LOANS GRANTED TO CUSTOMERS IN THE THREE QUARTERS | | 3 433 557 | 1 723 201 | 99,3 |

In the period of January-September 2019 the Bank granted loans and advances (new sales) for an amount of 3.4m PLN which is 99.3% more than in the same period in 2018 (by principal value at loan granting date). Sales to corporate customers increased by 105.7% and to retail customers -by 47.8%.

The sale of pro-ecology loans in the three quarters of 2019 totalled 1,247m PLN and was 73.2% higher than in the same period in 2018, mainly thanks to loans granted to corporate customers.

| | '000 PLN | 1-3Q2019 | 1-3Q2018 | Change % |
|--|----------|------------------|----------------|-------------|
| Pro-ecology loans granted to corporate customers in three quarters | | 1117 892 | 645 455 | 73,2 |
| Pro-ecology loans granted to retail customers in three quarters | | 129 112 | 74 320 | 73,7 |
| PRO-ECOLOGY LOANS GRANTED IN THREE QUARTERS | | 1 247 004 | 719 775 | 73,2 |

2.2.3. Loan portfolio quality

| | '000 PLN | 30 Sep. 2019 | % | 31 Dec. 2018 | % |
|--|----------|--------------|------|--------------|------|
| Loans and advances valuated at amortised cost | | | | | |
| Amounts due from customers not qualifying for posting as impaired, of which: | | 10 688 703 | 83,9 | 10 314 827 | 80,9 |
| - exposures for which since the start of recognition there have been no significant growth of credit risk (Basket 1) | | 8 304 733 | 65,2 | 8 291 717 | 65,1 |
| - exposures for which since the start of recognition there has been a significant growth of risk (Basket 2), of which: | | 2 383 970 | 18,7 | 2 023 110 | 15,9 |
| – wind farms | | 1 363 667 | 10,7 | 1 039 500 | 8,2 |
| Amounts due from customers qualifying for posting as impaired (Basket 3) but not qualifying for posting as impaired due to estimated cash flows, of which: | | 411 011 | 3,2 | 772 254 | 6,1 |
| – wind farms | | 243 865 | 1,9 | 603 282 | 4,7 |
| Amounts due from customers qualifying for posting as impaired and actually impaired (Basket 3), of which: | | 1 645 709 | 12,9 | 1 656 193 | 13,0 |
| - wind farms | | 31 823 | 0,2 | 124 874 | 1,0 |

| | | | | |
|--|--------------------|--------------|--------------------|--------------|
| Amounts due from customers valuated at amortized cost (gross) | 12 745 423 | 100,0 | 12 743 274 | 100,0 |
| Write-downs on expected losses on: | | | | |
| amounts from customers – (Basket 1) | - 60 343 | | - 59 012 | |
| amounts from customers – (Basket 2), of which: | - 144 888 | | - 107 416 | |
| – wind farms | - 52 028 | | - 36 867 | |
| amounts from customers – (Basket 3) not revealing impairment, of which: | - 11 393 | | - 23 346 | |
| – wind farms | - 9 302 | | - 21 378 | |
| amounts from customers – (Basket 3) revealing impairment, of which: | - 916 539 | | - 853 659 | |
| – wind farms | - 10 829 | | - 31 876 | |
| Total write-downs on losses | - 1 133 163 | | - 1 043 433 | |
| Total amounts due from customers valuated at amortized cost (net) | 11 612 260 | 91,1 | 11 699 841 | 91,8 |
| Amount due from customers valuated at fair value through P/L | | | | |
| Fair value, of which: | 86 086 | | 104 653 | |
| – wind farms | 44 709 | | 53 083 | |
| Total amounts due from customers valuated at fair value through P/L | 86 086 | | 104 653 | |
| Collected collateral deposits | 4 118 | | 5 023 | |
| Other amounts due | 25 | | 10 | |
| AMOUNTS DUE FROM CUSTOMERS NET | 11 702 489 | | 11 809 527 | |

At the end of 3Q2019 the balance of impairment losses totalled 1,133.2m PLN. Amounts due from customers revealing impairment losses constituted 12.9% of the total portfolio as of 31 September 2019, compared to 13.0% at the end of 2018.

2.3. Total equity and liabilities of the Group

2.3.1. Changes to total equity and liabilities structure of the Group

| | '000 PLN | 30 Sep. 2019 | 30 Jun. 2019 | 31 Dec. 2018 | Change % | |
|---|----------|-------------------|-------------------|-------------------|-------------------------------|-------------------------------|
| | | | | | 30 Sep. 2019/ 30 Jun. 2019 | 30 Sep. 2019/ 31 Dec. 2019 |
| Amounts owed to Central Banks and other banks | | 577 325 | 551 783 | 571 784 | 4,6 | 1,0 |
| Derivative financial instruments | | 81 130 | 60 087 | 54 336 | 35,0 | 49,3 |
| Hedging derivative instruments | | 18 899 | 29 386 | 18 298 | - 35,7 | 3,3 |
| Amounts owed to clients | | 14 840 325 | 14 857 991 | 14 799 109 | - 0,1 | 0,3 |
| Debt securities issued | | - | 46 590 | 46 590 | - 100,0 | - 100,0 |
| Subordinated debt | | 369 264 | 371 535 | 370 672 | - 0,6 | - 0,4 |
| Provisions | | 35 746 | 32 754 | 35 773 | 9,1 | - 0,1 |
| Income tax liabilities | | 7 690 | 1 671 | 4 972 | 360,2 | 54,7 |
| <i>current</i> | | 6 502 | 1 034 | 4 497 | 528,8 | 44,6 |
| <i>deferred</i> | | 1 188 | 637 | 475 | 86,5 | 150,1 |
| IFRS 16 leases | | 84 771 | 87 662 | - | - 3,3 | x |
| Other liabilities | | 205 824 | 266 912 | 211 925 | - 22,9 | - 2,9 |
| Total equity | | 2 196 871 | 2 172 566 | 2 137 566 | 1,1 | 2,8 |
| TOTAL EQUITY AND LIABILITIES | | 18 417 845 | 18 478 937 | 18 251 025 | - 0,3 | 0,9 |

At the end of the third quarter 2019 the amounts owed to customers constituted the largest portion of the equity and liabilities balance, i.e. 80.6%. Their share decreased by 0.5 p.p. versus the level as of 31 Dec. 2018. However, leasing liabilities increased by 0.5 p.p.

2.3.2. Liabilities of the Group

| | '000 PLN | 30 Sep. 2019 | 30 Jun. 2019 | 31 Dec. 2018 | Change % | |
|---|----------|-------------------|-------------------|-------------------|-------------------------------|-------------------------------|
| | | | | | 30 Sep. 2019/ 30 Jun. 2019 | 30 Sep. 2019/ 31 Dec. 2019 |
| Retail clients | | 9 020 216 | 9 084 820 | 8 825 702 | -0,7 | 2,2 |
| – current/ settlement accounts | | 3 990 435 | 3 990 386 | 3 983 914 | 0,0 | 0,2 |
| – term deposits | | 5 029 781 | 5 094 434 | 4 841 788 | -1,3 | 3,9 |
| Corporate clients | | 4 876 872 | 4 800 990 | 4 942 446 | 1,6 | -1,3 |
| – current/ settlement accounts | | 2 720 403 | 2 783 549 | 3 081 552 | -2,3 | -11,7 |
| – term accounts | | 2 156 469 | 2 017 441 | 1 860 894 | 6,9 | 15,9 |
| Other clients | | 103 602 | 139 325 | 92 448 | -25,6 | 12,1 |
| Loans and advances received from international financial institutions | | 782 293 | 778 072 | 881 593 | 0,5 | -11,3 |
| Money supplied by funds for lending purposes | | 57 342 | 54 784 | 56 920 | 4,7 | 0,7 |
| TOTAL AMOUNTS OWED TO CLIENTS | | 14 840 325 | 14 857 991 | 14 799 109 | -0,1 | 0,3 |

The Group financed its activities mostly with liabilities owed to clients, specifically:

- cash deposits taken by the Bank outlets,
- loans and advances from international financial institutions,

- cash received from external donors to finance lending in the form of direct lines or principal subsidies (the National Fund for Environmental Protection and Water Management (Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej), Regional Funds for Environmental Protection and Water Management (Wojewódzkie Fundusze Ochrony Środowiska i Gospodarki Wodnej), European Fund for the Development of Polish Villages (Europejski Fundusz Rozwoju Wsi Polskiej), and JESSICA (Joint European Support for Sustainable Investment in City Areas).

BOŚ S.A. Group liabilities to clients as at 30 September 2019 totalled 14,840.3m PLN and were 0.3% higher than at the end of 2018.

Amounts due to retail customers increased by 194.5m PLN, or by 2.2% versus the end of 2018. However, amounts owed to corporate clients dropped by 65.6m PLN, i.e. by 1.3%.

3. Ratios

| | 1-3Q2019 | 2018 | Change in p.p. |
|---|----------|------|----------------|
| Return on equity (ROE) ¹ | 3,4 | 3,2 | 0,2 |
| Return on assets (ROA) ² | 0,4 | 0,3 | 0,1 |
| Interest margin on total assets ³ | 2,3 | 2,0 | 0,3 |
| Cost of risk ⁴ | -0,9 | -0,9 | 0,0 |
| Cost / income (C/I) ⁵ assuming even distribution over the whole year of cost of one-off BFG contribution | 60,5 | 63,5 | -3,0 |

1) net profit of the last four quarters to average equity,

2) net profit of the last four quarters to average assets,

3) net annualised interest income of the last four quarters to average assets,

4) ratio of net impairment write-downs including valuation at fair value for the last 12 months to averaged balance of loans and advances in the period,

5) total administrative expense and other operating expense to net interest income, net fee and commission income, dividends received, net trading income, income from financial instruments measured at fair value through P/L excluding measurement of amounts due, net securities trading, net hedge accounting, net FX income and other operating income;

Interest margin on total assets, calculated as the annualised ratio of net interest income of the last four quarters to averaged assets balance totalled 2.3% versus 2.0% for 2018, primarily in effect of asset structure improvement and lower costs of BOŚ SA Group's liabilities, as well as higher results on loans.

The cost/income ratio, assuming even distribution over the whole year of cost of one-off BFG contribution to forced banks' restructuring fund, totalled 60.5% versus 63.5% in 2018.

4. Capital management

The Group decided, for the purpose of capital adequacy, to apply transitional arrangements during the transition period to mitigate the impact of IFRS 9 on its equity under Art. 1 section 9 of Regulation (EU) of the European Parliament and of the Council of 12 December 2017 (Regulation) Amending Regulation (EU) 575/2013. Additionally, a decision was made not to apply the provisions of section 4 of art. 1 of the Regulation.

Taking into consideration the impact of IFRS 9, both with and without applying transitional arrangements, the Bank and the Group fulfil the capital norms as of 30 September 2019.

Following the decision to apply transitional arrangements effective from 1 Feb. 2018 the Group shall present equity, capital ratios and the leverage ratio, both with and without applying transitional arrangements specified in art. 473a of Regulation (EU) 575/2013.

Group's balances of equity, risk-weighted assets, capital ratios and leverage ratio were as follows:

| | 30 Sep. 2019 | 31 Dec. 2018 |
|---|--------------|--------------|
| Available capital | | |
| Common Equity Tier I | 2 124 569 | 2 094 575 |
| Common Equity Tier I – excluding IFRS 9 transitional arrangements | 2 027 392 | 1 985 965 |
| Tier I capital | 2 124 569 | 2 094 575 |
| Tier I capital – excluding IFRS 9 transitional arrangements | 2 027 392 | 1 985 965 |
| Equity | 2 470 666 | 2 453 560 |
| Equity – excluding IFRS 9 transitional arrangements | 2 373 488 | 2 344 951 |
| Risk-weighted assets | | |
| Total risk-weighted assets total | 14 619 274 | 13 671 845 |
| Total risk-weighted assets total – excluding IFRS 9 transitional arrangements | 14 527 564 | 13 559 014 |
| Capital ratios | | |
| Common Equity Tier I capital ratio | 14,53 | 15,32 |
| Common Equity Tier I capital ratio - excluding IFRS 9 transitional arrangements | 13,96 | 14,65 |
| Tier I capital ratio | 14,53 | 15,32 |
| Tier I capital ratio – excluding IFRS 9 transitional arrangements | 13,96 | 14,65 |
| Total capital ratio | 16,90 | 17,95 |
| Total capital ratio - excluding IFRS 9 transitional arrangements | 16,34 | 17,29 |
| Leverage ratio | | |
| Exposures | 20 196 588 | 19 439 206 |
| Leverage ratio | 10,5 | 10,8 |
| Leverage ratio - excluding IFRS 9 transitional arrangements | 10,1 | 10,3 |

According to art. 92 of CRR the Group is obligated to keep the total capital ratio at the level of at least 8%. Tier I capital ratio and Common Equity Tier I capital ratio should total at least 6% and 4.5% respectively.

According to CRR and the act of 5 August 2015 on macroprudential supervision of financial systems and crisis management in the financial system, financial institutions are obligated to maintain additional capital buffers for capital ratios. Since 1 January 2019 the capital conservation buffer has totalled 2.5 p.p. The systemic risk buffer is at 3 p.p., while the countercyclical buffer equals 0 p.p. Bank Ochrony Środowiska S.A. and BOŚ S.A. Capital Group were not covered by buffers of other systemically important institutions.

On 29 November 2018 the Financial Supervision Authority recommended that the BOŚ S.A. Group maintain its own funds to provide for an additional capital requirement against risk resulting from currency-denominated mortgage loans and advances for households, at a level of 0.50 p.p. above the total capital ratio referred to in art. 92 section 1 letter c in the CRR, which should be composed at least in 75% of Tier I capital (corresponding to capital requirement at a level of 0.37 p.p. above the value of Tier 1 capital ratio referred to in art. 92 section 1 letter b in the CRR Regulation) and at least in 56% of Common Equity Tier 1 capital ratio (corresponding to capital requirement at a level of 0.28 p.p. above the value of Common Equity Tier 1 capital ratio referred to in art. 92 section 1 letter a in the CRR).

As a result, since 1 January 2019 the minimum capital ratios recommended by the KNF have totalled 11.87% for Tier I capital ratio and 14.00% for total TCR capital ratio.

Bank's balances of equity, risk-weighted assets, capital ratios and leverage ratio were as follows:

| | 30 Sep. 2019 | 31 Sep. 2018 |
|---|--------------|--------------|
| Available capital | | |
| Common Equity Tier I | 2 072 166 | 2 045 922 |
| Common Equity Tier I – excluding IFRS 9 transitional arrangements | 1 974 989 | 1 937 313 |
| Tier I capital | 2 072 166 | 2 045 922 |
| Tier I capital – excluding IFRS 9 transitional arrangements | 1 974 989 | 1 937 313 |
| Equity | 2 418 262 | 2 404 908 |
| Equity – excluding IFRS 9 transitional arrangements | 2 321 085 | 2 296 298 |
| Risk-weighted assets | | |
| Total risk-weighted assets total | 14 039 777 | 13 341 379 |
| Total risk-weighted assets total – excluding IFRS 9 transitional arrangements | 13 948 693 | 13 228 648 |
| Capital ratios | | |
| Common Equity Tier I capital ratio | 14,76 | 15,34 |
| Common Equity Tier I capital ratio - excluding IFRS 9 transitional arrangements | 14,16 | 14,64 |
| Tier I capital ratio | 14,76 | 15,34 |
| Tier I capital ratio – excluding IFRS 9 transitional arrangements | 14,16 | 14,64 |
| Total capital ratio | 17,22 | 18,03 |
| Total capital ratio - excluding IFRS 9 transitional arrangements | 16,64 | 17,36 |
| Leverage ratio | | |
| Exposures | 20 119 489 | 19 331 438 |
| Leverage ratio | 10,3 | 10,6 |
| Leverage ratio - excluding IFRS 9 transitional arrangements | 9,9 | 10,1 |

On 15 October 2018 the Financial Supervision Authority recommended that the BOŚ S.A. Group maintain its own funds to provide for an additional capital requirement against risk resulting from currency-denominated mortgage loans and advances for households, at a level of 0.52 p.p. above the total capital ratio referred to in art. 92 section 1 letter c in the CRR, which should be composed at least in 75% of Tier I capital (corresponding to capital requirement at a level of 0.39 p.p. above the value of Tier 1 capital ratio referred to in art. 92 section 1 letter b in the CRR Regulation) and at least in 56% of Common Equity Tier 1 capital ratio (corresponding to capital requirement at a level of 0,29 p.p. above the value of Common Equity Tier 1 capital ratio referred to in art. 92 section 1 letter a in the CRR).

As a result, since 1 January 2019 the minimum capital ratios recommended by the KNF have totalled 11.89% for Tier I capital ratio and 14.02% for total TCR capital ratio.

5. Selected operational data of the Group

| | '000 | 30 Sep. 2019 | 31 Dec. 2018 | Change % |
|---|------|--------------|--------------|----------|
| BANK OCHRONY ŚRODOWISKA S.A. | | | | |
| Number of clients | | 243,5 | 247,2 | -1,5 |
| Number of retail clients ¹ | | 223,9 | 226,9 | -1,3 |
| Number of corporate clients ¹ | | 19,6 | 20,3 | -3,4 |
| Number of clients using electronic channels | | 125,2 | 125,3 | -0,1 |
| Number of savings-current accounts ² | | 246,6 | 249,8 | -1,3 |
| Payment cards and credit cards total | | 88,1 | 92,3 | -4,6 |
| Number of outlets | | 53 | 57 | -7,0 |
| DOM MAKLERSKI BOŚ S.A. | | | | |
| Number of securities accounts | | 103,0 | 101,1 | 1,9 |
| of which online accounts | | 99,1 | 96,7 | 2,5 |
| Number of outlets | | 11 | 13 | -15,4 |

1) following change of customer classification, 2018 data was adjusted to be comparable

2) including savings accounts

Following optimisation of Bank outlets' overheads in 3Q2019, 3 Operational Branches were closed – in Puławy, Jelenia Góra, and Konin.

As of 30 September 2019 the Bank had 53 outlets, including:

- 13 Business Centres,
- 40 Operational Branches.

6. Bank development lines

On 28 November 2018 the Supervisory Board of Bank Ochrony Środowiska S.A. approved the updated "BOŚ S.A. Framework Development Strategy for 2018-2021". The starting point for modifying this Strategy were the current market and macroeconomic conditions as well as circumstances arising from the updated Recovery Proceedings Program approved by the KNF.

Upon the approval of the updated Strategy, works started to communicate and operationalise it. The Bank produced assumptions for strategic undertakings to be accomplished within the developed 10 Strategic Programs. A number of strategic actions were initiated in relation to Bank's ecological mission, some of them were finalised in the 3rd quarter, others are in progress.

The Bank is implementing key strategic projects involving, among other things, strengthening of the electronic distribution channels and adjusting them to today's market challenges and expectations of target Customer segments. Works were completed on the implementation of new internet banking and as required, on 14 September 2019, the Bank adjusted its systems to PSD2 requirements. The Bank continues to carry out works to implement new mobile banking and rearrange its web sites.

In the third quarter 2019 the Bank initiated obligatory undertakings and effectiveness-boosting projects, such as ensuring compliance with the requirements of the Act of 12 April 2019 on amending the act on goods and services and selected other acts (so-called "White List") or with EBA Guidelines on outsourcing of 25 February 2019 as well as preparing and implementing a tool for setting capital requirements and prudential reporting at individual and consolidated levels.

The Bank intensified actions to popularize knowledge and pro-ecology attitudes, strengthen social commitment of employees and limit Bank's environmental impact. According to the established strategic lines the Bank performs client-centric activities, particularly acquires and uses Customer feedback, which will translate into implementing a pro-client business culture and tools ensuring better Customer experience when contacting the Bank.

7. Significant events in the third quarter 2019

■ Awards and honorary mentions

- In the July edition of cash loan ranking Money.pl classified BOŚ EKO Loan „Letni luz” as no. 1 on the market. The analysis covered cash loans of 30,000 PLN with a repayment period of 60 months. The web site analysed granting the loan to a married couple, whose total salaries combined total 5,273 PLN net earned under employment contracts concluded for an indefinite period of time.
- BOŚ ecological mortgage loan was classified in September 2019 as the best offer in the loan ranking of “Rzeczpospolita” daily. “Among mortgage loans granted in a standard formula – a loan without any additional products – the winner is Bank Ochrony Środowiska,” the daily wrote in its mortgage loan ranking published in September. The newspaper verified financial terms offered to those interested in a loan of 300,000 PLN granted for 25 years, with one child, working under employment contracts and no financial obligations. As a consequence, they may present a good credit history with no late payments in the record. From among twelve bank offers, the best one was ecological mortgage loan offered by Bank Ochrony Środowiska.
- In September 2019 BOŚ won an award called Zielony Laur 2018 granted by The Polish Economic Chamber „Ekorozwój” for effective support of pro-ecology investment projects. The contest is a national event organised by the Polish Economic Chamber „EKOROZWÓJ”. It is to promote companies, local governments, scientific institutions, organisations and people with special achievements in the field of ecological development, popularization or support of environmental protection and all those whose actions produce exceptionally valuable results for the environment.
- BOŚ S.A. Head Office was granted the Green Office Certificate. The certificate is a confirmation of pro-ecology standards of office management and is granted by independent auditors from international Foundation for Ecological Education. Implementation of these standards contributes to generating savings through rational use of resources and higher ecological awareness of employees.

■ Rating confirmed and outlook of BOŚ S.A. rating upheld

On 15 October 2019 (Current Report RB 14/2019) Fitch Ratings Ltd (Agency) confirmed its ratings and upheld outlook for the Bank.

These are the ratings of BOŚ S.A.:

- Long-term Foreign Currency IDR confirmed at ‘BB-’, outlook stable,
- Short-term Foreign Currency IDR confirmed at ‘B’,
- National Long-term Rating confirmed at ‘BBB-(pol)’, outlook stable,
- National Short-term Rating confirmed at ‘F3(pol)’,
- Viability Rating confirmed at ‘bb-’,
- Support Rating confirmed at ‘4’,
- Support Rating Floor confirmed at ‘B’,
- Long-term senior unsecured bond programme of up to 2 billion PLN confirmed at ‘BBB-(pol)’,
- Short-term senior unsecured bond programme of up to 2 billion PLN confirmed at ‘F3 (pol)’,
- Rating for subordinated R1 series bonds of 83 million PLN confirmed at ‘BB+(pol)’.

The Agency reviewed BOŚ S.A. ratings as part of a more extensive assessment of risks posed to the Polish banks which hold foreign currency mortgage loan commitments and following the judgement of the Court of Justice of the European Union (CJEU) of 3 October 2019. The Agency concluded that the risk of losses generated on foreign currency mortgage loans is currently not a key factor in BOŚ S.A. rating assessment, however, there is uncertainty about the judgment’s impact on the Bank’s profitability, which will depend on the ruling practice of the Polish courts of law in the context of the CJEU’s judgement. Further, the Agency stressed that it will continue to observe the process of potential changes occurring in the banking sector and analyse their potential impact on the Bank’s condition.

8. Core products, services and areas of operations of the Group

Corporate Client Division

BOŚ S.A. has a wide range of settlement, deposit and loan products on the basis of which it may build, for each client, a custom offer adjusted to specific needs. In its settlement offer the Bank maintains standard current accounts, offering settlement functionalities and used for collecting money and perform domestic and international settlement transactions.

Accounts for the Corporate Segment and SME may be maintained in PLN, USD, EUR, GBP, CHF, SEK, HUF, RUB, CZK, NOK and DKK. Bank's offer allows the customers to benefit from module-based packages of settlement services. The offer provides for three options of Konto Wyjątkowe Biznes accounts, adjusted to the Customer's transaction volumes, accompanied by the following modules: settlement module and FX module, available as options depending on the Customer's business profile.

Accounts for micro-business Customers, housing communities and non-governmental organisations may be maintained in PLN, USD, EUR, GBP, CHF, SEK. Within its offer the Bank provides additional settlement services. Micro-businesses are offered – Konto Elastyczne, while housing communities – Konto Wspólnota – providing for the seasonal nature of the business activity or adjustment to the Client's transaction volumes.

In the area of settlement and electronic banking products, in the third quarter 2019 the Bank:

- implemented a process of acquiring data of Customers interested in cooperation with BOŚ and forwarding this data to account managers,
- continued works to adjust the Bank to the regulations of 10 May 2018 on amendment of the act on payment services and other selected acts ("Act") implementing PSD2 requirements.
- implemented a solution to make the Bank compliant with the requirements of the amended Tax Ordinance act regarding the transfer of information about Corporate Customers' data, their accounts and transactions to the Information and Communication System of the Clearing House.

With regard to loan products, in the 3rd quarter 2019 the Bank:

- continued to perform actions to optimise and automate the loan process at various levels: customer acquisition, evaluation of a loan application, loan-decision making, disbursement of funds or loan monitoring and administration. The project, among other things, involves implementation of a tool supporting the evaluation process and development of rating systems taking into account the peculiarity of pro-ecology products,
- boosted attractiveness of terms and conditions of revolving loan products for micro-businesses. Changes were made to increase attractiveness of availability and attractiveness of the product for self-employed entities called "Kredyt dla Firm", in particular:
 - loan amount was increased up to 500,000 PLN,
 - the set of collaterals and security was modified: for loan amounts of over 100,000 PLN, COSME guarantee was used as a form of collateral,
 - obligatory documentation was reduced,
 - a special promotional offer with reduced interest rate was introduced.

Further, the Bank modified the process of granting loans to micro-businesses in order to optimise it.

In the 3rd quarter 2019 the Bank started works to introduce a simplified loan process for investment loans – for the same customer segment – "Kredyt na zakupy dla firmy" (Loan for Purchases for Businesses), which will be included in the Bank's offer in the fourth quarter 2019. It will allow financing of purchases of specific fixed assets used in the business operations with a support of a loan of up to 500,000 PLN with a long repayment period. The promotional pricing offer will support pro-ecology projects.

In the third quarter 2019 the Bank modified its promotional offer "Wspólnota z premią" (Housing Community with Bonus) offering promotional prices for customers applying for investment loans or loans with BGK bonus. The modification involved introduction of better pricing terms for Customers and longer promotional period.

Local government units

The Bank cooperates with local government units. It provides comprehensive banking services supporting their budgets, provides effective fund management services. Local government units are serviced in a procedure specified in the Public Procurement Act.

To public finance clients the Bank offers all standard deposit and loan products in its offer. A specific portion of BOŚ S.A. offer is constituted by products for the financing of pro-ecology projects (preferential and commercial loans) as well as loans granted out of foreign banks' credit lines for the financing of environment protection and infrastructure investment projects, such as the European Offer which is a package of products targeting entrepreneurs, local government units and municipal companies.

Retail Client Division

The Retail Client Division services primarily the individual client segment. BOŚ S.A. offer for Retail Clients, the biggest group of Bank Customers, is comprehensive and comprises all major products and services offered in the Polish banking market (bank accounts, settlement products, payment cards, services and products involving investment of cash surpluses, e-banking and loan products) and a wide selection of pro-ecology products supporting the financing of environmental solutions and services for VIP customers provided by specialised account managers.

In the third quarter 2019 the Bank implemented a new electronic banking system – BOŚ Bank24. The new internet platform upgraded the customer service process and provided ground for further development through gradual addition of subsequent functions. The internet banking system offers new authorisation tools, according to PSD2 requirements for strong authentication. Launching such a functional platform made it easier for the customers to cooperate with the Bank and increased security of their financial transactions.

In the third quarter 2019 the Bank migrated all the payment cards maintained by the Bank to a new Clearing Centre and to new Personalization Service Provider (plastic card supplier). The purpose of this entire process was to extend the possibilities to launch new services to Clients of all segments. Parameterisation of the authorisation monitoring system was completed so the Bank may monitor, in real time, each card transaction. Implementing stronger transaction authentication (3DS) on all cards raised security of all Clients who use internet transactions. The Bank is working on implementing a new card system, which, along with new suppliers will allow implementation of new card functionalities.

The Bank continued to develop the offer of open investment funds to diversify solutions available to the client, tailored to individual investment needs and acceptable investment risk profile. Bank clients were offered services of over 300 open investment funds. The Bank was also pursuing its business goal to increase product saturation of clients and to increase the sales income in the retail segment.

Amounts owed to retail customers

Actions undertaken by the Bank in the third quarter 2019 regarding deposit products for retail clients were focused on:

- building permanent relations with Clients by promoting those Customers who actively use savings and clearing accounts as the foundation of the Client-Bank relationship
- caring for the optimisation of costs of the deposit portfolio and continuous adjustment to the changing macroeconomic environment,
- maintaining the balance of the Retail deposits in accordance with the Bank's liquidity needs.

The major deposit products for retail customers that built the deposit balance included:

- current accounts, including personal accounts with the basic EKOkonto bez Kosztów account and savings accounts with the new EKOkonto Oszczędnościowe PLN account,
- promotional time deposits: e-lokata na Plusie, EKOllokata Na Dobry Początek, EKOllokata Zyskowna, EKOllokata Rentowna EKOllokata Plus, EKOllokata na Lata and EKOllokata 5 na 5,
- FX time deposit: EKOllokata z Frankiem in CHF.

Bank activities related to accounts:

- focused on continuing to provide a transparent offer of accounts by keeping, in the offer, savings and clearing

accounts: EKOkonto bez Kosztów and EKOkont VIP and EKOkonto oszczędnościowe (savings account) in three options tailored to Customer needs and encouraging to active use of savings and clearing account and to regularly saving even small amounts on the savings account. EKOkonto oszczędnościowe account is available in PLN as well as in EUR and CHF. In 3Q2019 the Bank continued to promote accounts for beneficiaries of the government's Rodzina 500+ program,

- the Bank worked on reaching compliance with Regulation (EU) 2019/518 of the European Parliament and of the Council of 19 March 2019 amending Regulation (EC) No 924/2009 as regards certain charges on cross-border payments in the Union and currency conversion charges.

Insurance products

The Bank is consistently developing its insurance product operations. In the third quarter 2019 the Bank offered insurance of the credited item to its customers, life insurance to borrowers, job-loss insurance and insurance packages for payment cards. BOŚ S.A. sells insurance products as an agent of insurance companies.

Loan products – retail customers

Major loan products for retail customers include:

- pro-ecology loans,
- cash advance,
- credit cards,
- pro-ecology mortgage loan,
- stock-exchange loan

The Bank supports pro-ecology solutions by, among other things, granting mortgage loans for the construction of prefabricated timber-frame houses. The Bank actively participates housing fairs organised in various cities of Poland and presents its mortgage loan offer there.

In August the Bank extended promotional periods for loan products financing prosumer solar systems: „Energia ze Słońca” and „Pożyczka na Fotowoltaikę”.

This July the Bank started strategic partnership with PGNiG Obrót Detaliczny to improve air quality in Poland. Within this cooperation the Bank offers the Partner's Clients promotional loans “Pełnym Oddechem” for purposes like replacement of heating systems and thermal insulation projects.

In the third quarter 2019 the Bank started a promotional campaign for cash loan “Jesienna energia” with an attractive pricing offer.

Pro-ecology activities

The Bank continues to increase its share in the total sale of loans for financing pro-ecology initiatives. The amount of new pro-ecology loans granted in the first three quarters of 2019 totalled 1,247.0m PLN and was 73.2% higher than in the same period last year. A definite majority of the pro-ecology loans were targeted at corporate customers.

Segment structure of pro-ecology loans (by principal value)

| | 30 Sep. 2019 | 31 Dec. 2018 | Change % |
|--|------------------|------------------|-------------------------------|
| '000 | | | 30 Sep. 2019 vs. 31 Dec. 2018 |
| Pro-ecology loans granted to corporate clients | 4 110 298 | 4 238 425 | -3,0 |
| Pro-ecology loans granted to retail clients | 267 392 | 177 980 | 50,2 |
| PRO-ECOLOGY LOANS | 4 377 689 | 4 416 405 | -0,9 |

BOŚ S.A. was developing its activity on the market of financing pro-ecology projects. The balance of pro-ecology loans as of 30 Sep. 2019 totalled 4,377.7m PLN. The share of loans granted for purposes related to environment protection and sustainable development in the total loan portfolio amounted to 34.8% of Bank's total loans.

Development of cooperation with the National and Voivodship Funds for Environment Protection and Water Management

In the third quarter 2019 cooperation with Bank's major shareholder – NFOŚiGW – focused on operational maintenance of top-priority projects implemented in the Bank in past years, mainly the Prosumer II program and on acquiring new customers for financing of pro-ecology projects, who are applying for or have been granted direct support of NFOŚiGW within subsidy, EU or national programs.

In the case of corporate clients, actions focused mainly on companies in the heating industry, whose investment projects are financed now by NFOŚiGW both within the Operational Program Infrastructure and Environment 2014-2020 and national programs, including pilot "Poviat Heating". Another important line of financing is projects falling into the NFOŚiGW program: „Energia Plus” and „Samowystarczalność energetyczna” (Energy Independence) to be implemented shortly.

As regards retail clients, the Bank actively participates in consultations the purpose of which is to convince the banking sector to implement the NFOŚiGW program "Czyste powietrze" (Clean Air), the goal of which is to improve the quality of life and health of the people of Poland by elimination of air pollution.

The Bank in its offer has a loan called "Przejrzysta Pożyczka" (Transparent Loan) granted on preferential terms. It allows financing costs of non-qualified projects performed within the abovementioned program or bridge financing until the investor is granted subsidies. An example here may be an agreement signed on 22 October 2019 between BOŚ S.A. and the City of Nowy Sącz, the main purpose of which is to support the dwellers of the city and the region in replacing their heating systems with new environment-friendly ones, thermal insulation of buildings and performance of other undertakings complementary to the central government's program "Clean Air". As part of cooperation with the Voivodship Funds for Environment Protection and Water Management the Bank financed pro-ecology projects related mainly to protecting the air from pollution, i.e. renewable energy sources, thermal insulation of buildings and replacement of heating systems with environment-friendly solutions.

BOŚ Capital Group is a natural partner of entrepreneurs who develop their operations within the realm of environment protection. In order to develop partner product offers, within which the Bank would provide financing for pro-ecology projects, BOŚ S.A. carries out negotiations with multiple large entities. Bank's main lines of interest involve replacement of heating systems, RES systems (particularly PV) and replacement of lighting.

Development of brokerage services

In the third quarter 2019 conditions for brokerage services were still unfavourable. Turnover on the stock market of the Warsaw Stock Exchange and activity of domestic investors were low. As a result, after three quarters of 2019 trading volumes on WSE dropped and, following the growing share of foreign investors in the trading, the position of remote market members became stronger. The record low investment activity of local retail investors negatively affected the volume of trading conducted by the Clients of BOŚ S.A. Brokerage House. From January till September this year, session transactions carried out by BOŚ Brokerage House consisted in trading lower by over 25, while forward transactions – by nearly 20% lower.

The market share of BOŚ Brokerage House in the WSE stock market after the third quarter 2019 totalled 3.20%. On the forward transaction market, BOŚ Brokerage House remained the market leader with a share of 21.07%. After the third quarter 2019 the company was also the vice-leader of the NewConnect market, with a share of 16.74%.

In 3Q2019 BOŚ Brokerage House was the offerer in the issues of two ETF funds, i.e. Beta ETF mWig40TR, which it additionally introduced to WSE in that period, and Beta ETF Wig20short, and also participated in a distribution consortium of another series of bonds of Kruk S.A. During the period of January-September 2019 BOŚ Brokerage House introduced two issuers into WSE major market (DataWalk SA and XTPL SA) and 2 ETF funds (Beta ETF Wig20TR and Beta ETF mWig40TR), for which the Company is also the market maker. BOŚ Brokerage House was also the entity offering stocks of Carbon Studio S.A, participated in distribution consortia in the issues of stocks of BoomBit S.A. and CI Games S.A., and issues of bonds of Echo Investment S.A., Ghelamco Invest Sp. z o.o., PCC Rokita S.A. and Kruk S.A.

In the first half of 2019 BOŚ S.A. Brokerage House started cooperation with PKN Orlen on a loyalty program prepared by the public company which targets individual investors. As a result, Clients of BOŚ Brokerage House may join the "Orlen w Portfelu" program.

On the OTC market, according to the KNF decision, BOŚ Brokerage House introduced a new status of an Experienced Client for retail customers which enables the investor, among other things, to use a higher financial leverage for selected financial instruments.

Sale of debts

During the period of January-September 2019 the Bank sold a portfolio of retail amounts due of 18.7m PLN and corporate amounts due of 23.0m PLN (leasing dues). The impact of selling the retail debts on the Bank's P/L accounted for -1.0m PLN gross, while the impact of selling the corporate debts was neutral.

9. Segment reporting

According to IFRS 8 requirements operational segments have been defined on the basis of internal reports of components of the business entity subject to periodic reviews conducted by a member of management responsible for undertaking operational decisions. A description of the principles applied when preparing reports on segments of operations have been described in Note 48 of the Annual consolidated financial statement for the year ended 31 December 2018. The results of operational segments for the same period last year were adjusted for comparison purposes. Below find consolidated financial results of BOŚ S.A. Group for the period of three months ended 30 September 2019 and 30 September 2018 falling to the classified segments.

| Item | Statement presenting items of consolidated profit and loss account for the 9 months ended 30 September 2019 | CORPORATE CLIENT DIVISION | RETAIL CLIENT DIVISION | TREASURY AND INVESTMENT OPERATIONS | BROKERAGE ACTIVITY | OTHER (NOT ALLOCATED TO SEGMENTS) | BOŚ GROUP |
|--------------|---|---------------------------|------------------------|------------------------------------|--------------------|-----------------------------------|-------------------|
| I. | Net interest income | 151 162 | 67 161 | 92 443 | 4 996 | -895 | 314 867 |
| 1. | Interest and similar income from: | 359 989 | 230 702 | -114 576 | 7 031 | 13 | 483 159 |
| | – sale to external clients | 281 943 | 93 699 | 95 600 | 730 | 0 | 471 972 |
| | – sale to other segments | 78 046 | 137 003 | -210 176 | 6 301 | 13 | 11 187 |
| 2. | Interest and similar expense attributed to: | -208 827 | -163 541 | 207 019 | -2 035 | -908 | -168 292 |
| | – sale to external clients | -35 279 | -95 591 | -25 377 | -856 | -2 | -157 105 |
| | – sale to other segments | -173 548 | -67 950 | 232 396 | -1 179 | -906 | -11 187 |
| II. | Fee and commission income | 40 856 | 5 985 | 1 | 29 262 | -1 168 | 74 936 |
| III. | Dividend income | - | - | 6 277 | 165 | - | 6 442 |
| IV. | Income from financial instruments measured at fair value through P/L | -283 | 203 | 6 925 | 21 995 | - | 28 840 |
| V. | Net hedge accounting income | - | - | -189 | - | - | -189 |
| VI. | Investment securities income | - | - | 582 | - | - | 582 |
| VII. | Foreign exchange result | 7 381 | 2 514 | 7 444 | -34 | -24 | 17 281 |
| VIII. | Result on banking operations | 199 116 | 75 863 | 113 483 | 56 384 | -2 087 | 442 759 |
| IX. | Result on other operating income and expense | 197 | -332 | - | -920 | 3 182 | 2 127 |
| X. | Net impairment gains | -55 727 | -22 686 | -718 | - | -13 | -79 144 |
| XI. | Net income from financing activities | 143 586 | 52 845 | 112 765 | 55 464 | 1 082 | 365 742 |
| 1. | Direct expense | -19 785 | -19 480 | - | -42 103 | -776 | -82 144 |
| | Result including direct expense | 123 801 | 33 365 | 112 765 | 13 361 | 306 | 283 598 |
| 2. | Indirect and mutual services | -49 795 | -49 730 | -9 288 | - | - | -108 813 |
| | Result including direct and indirect expense | 74 006 | -16 365 | 103 477 | 13 361 | 306 | 174 785 |
| 3. | Amortization and depreciation | -15 335 | -18 178 | -1 603 | -5 859 | -923 | -41 898 |
| 4. | Depreciation of right of use IFRS 16 | -22 164 | -18 819 | -117 | -2 410 | -240 | -43 750 |
| XII. | Other expenses (taxes, BFG, KNF) | 36 507 | -53 362 | 101 757 | 5 092 | -857 | 89 137 |
| XIII. | Total gains and losses before tax before ALM result allocation | 46 337 | 51 862 | -98 200 | - | 1 | 0 |
| XIV. | Allocated ALM result | 82 844 | -1 500 | 3 557 | 5 092 | -856 | 89 137 |
| XV. | Total gains and losses before tax after ALM result allocation | | | | | | -21 519 |
| XVI. | Tax charges | | | | | | 67 618 |
| | Total gains/ losses after tax | 8 284 582 | 3 631 840 | 6 120 358 | 224 047 | 157 018 | 18 417 845 |
| | Assets of segment | 4 630 042 | 8 512 450 | 4 030 798 | 890 656 | 353 899 | 18 417 845 |
| | Liabilities of segment | 5 089 | 5 175 | 535 | 3 512 | 1 | 14 312 |

| Item | Statement presenting items of consolidated profit and loss account for the 9 months ended 30 September 2018 | CORPORATE CLIENT DIVISION | RETAIL CLIENT DIVISION | TREASURY AND INVESTMENT OPERATIONS | BROKERAGE ACTIVITY | OTHER (NOT ALLOCATED TO SEGMENTS) | BOŚ GROUP |
|--------------|---|---------------------------|------------------------|------------------------------------|--------------------|-----------------------------------|-------------------|
| I. | Net interest income | 142 561 | 80 242 | 55 798 | 4 774 | -935 | 282 440 |
| 1. | Interest and similar income from: | 361 888 | 258 005 | -142 042 | 6 471 | 10 | 484 332 |
| | – sale to external clients | 273 119 | 100 150 | 100 789 | 687 | - | 474 745 |
| | – sale to other segments | 88 769 | 157 855 | -242 831 | 5 784 | 10 | 9 587 |
| 2. | Interest and similar expense attributed to: | -219 327 | -177 763 | 197 840 | -1 697 | -945 | -201 892 |
| | – sale to external clients | -42 619 | -106 313 | -42 748 | -625 | - | -192 305 |
| | – sale to other segments | -176 708 | -71 450 | 240 588 | -1 072 | -945 | -9 587 |
| II. | Fee and commission income | 38 075 | 6 155 | -797 | 31 519 | -1 321 | 73 631 |
| III. | Dividend income | - | - | 5 932 | 108 | - | 6 040 |
| IV. | Income from financial instruments measured at fair value through P/L | 16 654 | 57 | 16 352 | 26 268 | - | 59 331 |
| V. | Net hedge accounting income | - | - | 1 421 | - | - | 1 421 |
| VI. | Investment securities income | 14 | - | 2 153 | - | - | 2 167 |
| VII. | Foreign exchange result | 6 139 | 3 325 | 6 065 | 470 | 46 | 16 045 |
| VIII. | Result on banking operations | 203 443 | 89 779 | 86 924 | 63 139 | -2 210 | 441 075 |
| IX. | Result on other operating income and expense | 723 | 183 | - | 1 391 | -889 | 1 408 |
| X. | Net impairment gains | -46 936 | -40 119 | -318 | - | - | -87 373 |
| XI. | Net income from financing activities | 157 230 | 49 843 | 86 606 | 64 530 | -3 099 | 355 110 |
| 1. | Direct expense | -24 652 | -22 192 | - | -47 873 | -911 | -95 628 |
| | Result including direct expense | 132 578 | 27 651 | 86 606 | 16 657 | -4 010 | 259 482 |
| 2. | Indirect and mutual services | -48 386 | -56 575 | -9 418 | - | - | -114 379 |
| | Result including direct and indirect expense | 84 192 | -28 924 | 77 188 | 16 657 | -4 010 | 145 103 |
| 3. | Amortization and depreciation | -10 393 | -12 349 | -1 603 | -4 519 | -883 | -29 747 |
| 4. | Depreciation of right of use IFRS 16 | -15 873 | -14 330 | -94 | -2 794 | -250 | -33 341 |
| XII. | Other expenses (taxes, BFG, KNF) | 57 926 | -55 603 | 75 491 | 9 344 | -5 143 | 82 015 |
| XIII. | Total gains and losses before tax before ALM result allocation | 25 184 | 43 775 | -68 959 | - | - | - |
| XIV. | Allocated ALM result | 83 110 | -11 828 | 6 532 | 9 344 | -5 143 | 82 015 |
| XV. | Total gains and losses before tax after ALM result allocation | | | | | | -23 351 |
| XVI. | Tax charges | | | | | | 58 664 |
| | Total gains/ losses after tax | 8 364 817 | 3 774 572 | 5 880 603 | 242 417 | 134 939 | 18 397 348 |
| | Assets of segment | 4 581 754 | 8 346 743 | 4 351 100 | 802 528 | 315 223 | 18 397 348 |
| | Liabilities of segment | 8 218 | 9 084 | 957 | 4 829 | - | 23 088 |

10. Factors likely to affect performance at least in the next quarter

29 August 2019 was the effective date of amended Res Act which allows further development of RES investment projects: organisation, still this year, other RES auctions and development of micro-scale energy systems comprising investment projects of entrepreneurs using RES systems for generating energy for their own needs.

On 2 September 2019 the Ministry of Energy published its regulations comprising key parameters of the new mechanism supporting electricity from high efficiency cogeneration. New solutions – auctions and systems of guaranteed tariffs enables further development of cogeneration in Poland.

Implemented solutions will contribute to the development of the RES market and cogeneration, within which Bank Ochrony Środowiska is a recognized financial partner.

Risks which are significant from Group's perspective in the area of financing RES

Risks identified by BOŚ Group in relation to the financing of wind farm projects described below, have been allocated to the model of wind-farm exposure valuation applied by BOŚ Group. BOŚ Group assesses the risk of Clients from the wind-farm energy sector and premises for the loss value of credit exposures assumed in this assessment include a potential funds' deficit and a negative evaluation of the company in a scenario of potential debt restructuring in the long-term perspective modelled by the Group. The projects are priced on a monthly basis in a model which allows simulation of cashflows for individual projects with provided pricing parameters (updated regularly), which include:

- 1) productivity of individual projects,
- 2) pricing curves for electrical energy and property rights (green certificates) adopted by the Group on the basis of the Group's internal analysis produced on the basis of reports of external companies which BOŚ Group has been cooperating with since 2016 (independent experts)
- 3) weighted-average cost of capital (WACC),
- 4) pricing scenarios setting individual probability, for each project, of regular repayments, restructuring and debt collection,
- 5) amount of accrued property tax.

Risk of green certificate price decline

The risk of the declining prices of electrical energy and property rights has been addressed in the pricing model for individual exposures through implementation of pricing curves forecasted by the Group in the medium and long term. The pricing curves are set in accordance with prudent valuation rules, on the basis of independent experts' reports. An important element is also the fact that the market opened up to Power Purchase Agreements (PPA) which guarantee prices for at least a year.

Another factor mitigating the seasonal decrease of income generated by clients is funds deposited on reserve accounts, used for current handling of principal and interest payments; relevant clauses in agreements obligate the customers to supplement account balances when the reserve set aside for debt repayment is consumed.

Risk of legal dispute between Bank Customers and Energa – Obrót S.A.

Actions of Energa - Obrót S.A. undertaken in September 2017 resulted in termination of execution of CPAs (Certificate Purchase Agreement) and filing lawsuits against contractors and banks in order to declare null and void the conditions of the concluded agreements, applied to 8 Customers credited by the Group. In two cases initiated by lawsuits of Energa Obrót S.A., BOŚ S.A. and its Customers acted as defendants, however, once the Bank and clients concluded assignment contracts reversing from CPA agreements, Energa lost a legal interest and withdrew its lawsuits against the Bank.

Now BOŚ S.A. is not directly participating as Co-Defendant in any court disputes. Therefore, the Group does not anticipate any additional costs to be incurred by the Bank as a result of court disputes conducted by Customers.

As at 30 September 2019, there are lawsuits being conducted against 6 customers, whose total commitment towards the Group amounts to 120.9m PLN, which is 7.1% of total commitment arising from wind farm portfolio exposures. The Group is continuously monitoring the status of these court disputes; it is also continuously in touch with the shareholders and sponsors of the Projects. Rulings so far issued in disputes initiated by Energa Obrót S.A. involve six verdicts positive to the Customers of the Group, i.e. repealing the litigation of Energa Obrót S.A., while five of the rulings were issued by a common court of the first instance, and one by an Arbitration Court as a final decision.

Debts arising from the loans granted to those customers are repaid timely despite temporary liquidity problems arising from partial suspension of sale of green certificates during the court disputes and having to incur costs of legal services within the conducted disputes.

The share of wind farm portfolio in the corporate customer segment, as gross value in BOŚ S.A. Group, as at 30 September 2019 amounted to 18.8%, which equals 13.1% of the loan portfolio.

Wind farm portfolio:

| | '000 PLN | 30 Sep. 2019 | 31 Dec. 2018 |
|---|----------|------------------|------------------|
| Amounts due from customers valued at amortized cost | | | |
| Amounts due from customers not qualifying for posting as impaired, of which: | | | |
| <i>exposures for which since the start of recognition there has been a significant growth of risk (Basket 2)</i> | | 1 363 667 | 1 039 500 |
| Amounts due from customers qualifying for posting as impaired (Basket 3) but not qualifying for posting as impaired due to estimated cash flows | | 243 865 | 603 282 |
| Amounts due from customers qualifying for posting as impaired and actually impaired (Basket 3) | | 31 823 | 124 874 |
| Total amounts due from customers | | 1 639 355 | 1 767 656 |
| Write-downs on losses: | | | |
| <i>Amounts from customers – Basket 2</i> | | - 52 028 | -36 867 |
| <i>Amounts from customers – Basket 3 not revealing impairment</i> | | - 9 302 | -21 378 |
| <i>Amounts from customers – Basket 3 revealing impairment</i> | | - 10 829 | -31 876 |
| Total write-downs on losses | | - 72 159 | -90 121 |
| Total amounts due from customers – valued at amortized cost net | | 1 567 196 | 1 677 535 |
| Total amounts due from customers valued at fair value through P/L | | | |
| Fair value | | 44 709 | 53 083 |
| Total amounts due from customers valued at fair value through P/L | | 44 709 | 53 083 |
| TOTAL AMOUNTS DUE FROM CUSTOMERS NET | | 1 611 905 | 1 730 618 |

■ **impact of the judgement of the Court of Justice of the European Union (CJUE) in Case C-260/18 and changes of legal environment on foreign currency loan portfolio**

There are no court legal actions in progress against the Bank arising from the Act of 17 December 2009 on lodging claims in collective actions.

As at 30 September 2019 the courts are conducting 74 lawsuits against the Bank involving denominated loans and advances, mainly denominated to CHF, the value of litigation of which amounts to 12.8m PLN. Reserves for the legal risk related to these disputes have been set aside in the amount of 2.8m PLN.

Claims formulated in these lawsuits on the basis of denominated loan and advance agreements generally involve demands to deem the loan/ advance agreement null and void or optionally, to deem a part of those agreements null and void with regard to the indexation clauses.

The total account of officially closed court cases regarding denominated loans and advances is beneficial to the Bank.

The foreign currency mortgage loan portfolio comprises a risk related to rulings of Polish courts in lawsuits filed by borrowers with FX mortgage loans against the Bank.

On 3 October 2019 the Court of Justice of the European Union (CJEU) issued, in a preliminary ruling procedure, a judgement in case C-260/18 Kamil Dziubak, Justyna Dziubak against Raiffeisen Bank International AG domiciled in Vienna, pursuing operations in Poland in the form of a branch named Raiffeisen Bank International AG Oddział w Polsce, former Raiffeisen Bank Polska S.A. domiciled in Warsaw, which comprises an interpretation of Council Directive 93/13/EEC of 5 April 1993 *on unfair terms in consumer contracts* in response to a request for a preliminary ruling filed by a Polish court following an analysis of provisions of a contract for an CHF denominated loan.

According to the wording of the ruling, the CJEU did not address the issue of unfair nature of contract terms indicating that investigation of occurrence of all abusive clauses and evaluation of contract provisions in each individual case remains within the competence of domestic courts.

The CJEU, when interpreting the directive, concentrated on issues related to the consequences which may be brought about by a domestic court adjudicating upon whether a loan agreement contains abusive clauses. The CJEU did not decide unambiguously on the consequences of a domestic court deeming an FX rate clause abusive, but pointed to the fact that the contract may be either terminated or continued to be executed.

A domestic court, when accepting the borrower's will and the consequences of nullification of the agreement towards the borrower will evaluate whether the agreement comprising provisions deemed abusive may still be executed or whether it must be deemed null and void.

The CJEU provided for application of the dispositive norm (in the Bank's judgement art. 358 of the Civil Code pointing to NBP's average exchange rate) if deeming the agreement null and void would be unfavourable to the borrower.

According to the current rules, domestic courts take into account CJEU's interpretative indications when adjudicating upon cases.

A wide range of issues which, according to the CJEU's ruling fall into the competence of domestic courts and doubts about the interpretation of the very judgement of the CJEU resulted in a situation where it is not possible to rationally assess the impact of such judgement onto the lawsuits in progress.

As at this report date, it is still not possible to estimate a potential impact of legal consequences related to the CJEU's judgement onto the market, because the judgement was announced on 3 October 2019 and after its publication no rulings were issued by domestic courts, which could suggest any trend for the future. At the moment, it may not be concluded that a ruling trend has been formed which could allow measurable estimations of the legal risk posed by loans denominated to foreign currencies.

When assessing the legal risk posed by loans indexed by a foreign currency exchange rate one must take into account that this CJEU's judgement and rulings of Polish courts in similar cases may, in the future, result in an increasing number of court cases.

To date, a definite majority of rulings in this type of cases was favourable to the Bank. However, one must not discard the risk that the ruling trend so far beneficial to the Bank (and banks, in general) may change as a result of which rulings in court lawsuits may be not favourable to the Bank. If materialized, this risk could have a negative impact on the results of BOŚ S.A. and other banks with foreign currency mortgage loan portfolios.

- **risk of negative impact on Bank's results of CJEU's judgement on the prosumer's right to reduced cost of loan upon earlier repayment of the amounts due under a loan agreement**

There is no legal action against the Bank in progress resulting from the procedure specified in the act of 17 December 2009 on lodging claims in collective actions.

As at 30 September 2019 the courts are conducting 2 cases against the Bank involving demands to return some of costs of consumer loans as a result of earlier repayment thereof, the value of litigation of which amounts to 4,900 PLN.

The lodged claims involved payback of a portion of costs of a loan following an early repayment. Reserves for the legal risk posted by such disputes have been set aside in 100 per cent of the disputable amounts, following an evaluation of the legal risk of each individual case. The account of closed court cases involving demands to return some of the loan costs is favourable to the Bank.

On 11 September 2019 the CJEU issued, in a preliminary ruling procedure, a judgement in case C – 383/18 Lexitor versus SKOK Stefczyka, Santander Consumer Bank and mBank, which comprises an interpretation of the provisions of Directive 2008/48/EC of the European Parliament and of the Council of 23 April 2008 on credit agreements for consumers and repealing Council Directive 87/102/EEC.

In response to a request for a preliminary ruling filed by a Polish court, the CJEU adjudicated that the consumer's right to reduce the total cost of the loan upon an early repayment of that loan applies to any and all costs imposed onto the customer.

The Bank estimates that this judgement may, in future quarters, result in a growth of consumers' claims for compensation of some costs of early repayment of loans and a consequent increase of the number of court cases.

However, the number thereof is slim. The Bank is now analysing the actual consequences of the CJEU's judgement to the conducted business operations and financial condition.

- **risk of PLN's serious weakening against CHF and EUR**

Such an event would result in an increase of foreign currency loans volume, which means growing capital requirement regarding these loans. Any permanent, significant depreciation of PLN against foreign currencies, particularly CHF, would mean one should expect deterioration of the quality of FX mortgage loan portfolio;

- **risk of growing volatility on global financial markets and of lowering ratings of Poland and of the Bank**

Consequences for the Bank may comprise, among other things, growing costs of external financing, impaired access to international financing sources, or difficulties in handling transactions in respect of foreign currency and interest rate risk management.

- **risk of enduring low interest rates or further interest cuts in PLN and foreign currency products**

Any further interest rate cuts, if put in place, would curtail the net interest margin now in effect and would push down net interest result, as regulatory restrictions already put caps on rates, any further lowering of interest rates on current accounts is no longer possible or agreement clauses.

11. Non-standard factors and events affecting performance

In the third quarter 2019 no non-standard events occurred at BOŚ S.A. that would be relevant for an assessment of its human resources, assets, financial position, financial performance, and changes thereof, or for an assessment of the issuer's capacity to meet its obligations.

12. Management Board position on the feasibility of the published forecasts

The BOŚ S.A. Group published no financial forecast in 3Q2019.

13. Seasonal or cyclical developments

No significant trends of seasonal or cyclical nature are known to occur in the business of the Bank. The performance of the Dom Maklerski BOŚ S.A. brokerage depends on the situation on the Warsaw Stock Exchange (WSE).

14. Issuance, redemption and payment of debt securities or equity securities

In the third quarter 2019 the Bank did not conduct any issue of securities.

On 12 August 2019 the Bank repurchased 46,000 U-series ordinary bonds for a total amount of 46m PLN plus interest due. The repurchased bonds were redeemed on the repurchase day.

15. Dividends

In the third quarter 2019 the Bank did not pay or declare payment of any dividends.

16. Transactions with related entities

From 1 July 2019 through 30 September 2019 either the Bank or its subsidiaries did not conclude any transactions with related entities which could individually or jointly be significant or concluded under non-market terms and conditions.

17. Loan or cash advance sureties or guarantees granted, where the total of running sureties or guarantees is equivalent to not less than 10% of issuer's equity

In the third quarter 2019 the Bank granted no collateral for a loan, advance or guarantee such as the total thereof would be equivalent to not less than 10% of issuer's equity.

18. Ongoing judicial or administrative proceedings

As at 30 September 2019 Bank Ochrony Środowiska S.A. was involved:

- as plaintiff in 551 judicial cases for a total amount of 86.5m PLN,
- as defendant in 118 judicial cases for a total amount of 42.2m PLN.

As at 30 September 2019 the Bank conducted no judicial proceedings in excess of 10% of the equity of the Bank.

19. Shareholders holding directly or indirectly, through subsidiaries, at least 5% of the total number of votes at Issuer's General Meeting

The following Shareholders held at least 5% of the total number of votes and of the share capital:

- Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej [National Fund for Environmental Protection and Water Resource Management, NFOŚiGW] held a total of 53,951,960 shares, which represents 58.05% of equity of the Bank and of total votes at the General Meeting,
- Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych held a total of 8,000,000 shares, which represents 8.61% of equity of the Bank and of total votes at the General Meeting,
- Dyrekcja Generalna Lasów Państwowych [Directorate General of State Forests authority] held a total of 5,148,000 shares, which represents 5.54% of equity of the Bank and of total votes at the General Meeting.

The total number of votes attached to all shares issued by BOŚ S.A. is 92,947,671. All shares are ordinary bearer shares of PLN 10 nominal value per share.

20. BOŚ S.A. shares held by members of executive and supervisory bodies

Members of the Bank Management Board and Members of the Bank Supervisory Boards hold no BOŚ S.A. shares or rights to such shares.

21. Other information issuer deems necessary for assessments of its human resources, assets, financial position, financial performance, and changes thereof, and information relevant to issuer

In the third quarter 2019 no other events occurred at BOŚ S.A. that would be relevant for an assessment of its human resources, assets, financial position, financial performance, and changes thereof, or for an assessment of the issuer's capacity to meet its obligations.

22. Bank Supervisory Board

As at 30 September 2019 the Supervisory Board's composition was as follows:

- 1) Wojciech Wardacki – Chairman
- 2) Katarzyna Lewandowska – Vice Chairman
- 3) Andrzej Matysiak – Secretary
- 4) Iwona Duda
- 5) Janina Goss
- 6) Ireneusz Purgacz
- 7) Radosław Rasała

- 8) Piotr Sadownik
- 9) Paweł Sałek
- 10) Emil Ślęzak (temporarily delegated to Bank Supervisory Board)

From 1 July 2019 through 30 September 2019 there were no changes made to the composition of the Supervisory Board.

23. Bank Management Board

As at 30 September 2019 the Management Board's composition was as follows:

- 1) Bogusław Białowąs, President of the Management Board,,
- 2) Arkadiusz Garbarczyk, Vice President – First Vice President of the Management Board,
- 3) Emil Ślęzak, Supervisory Board Member delegated to temporarily fulfil the obligations of a Management Board Member (from 18 June through 18 September 2019 and from 20 September through 3 November 2019).

In the third quarter 2019 there were no changes made to the composition of the Management Board, however, at the meeting of 11 September 2019 the Supervisory Board:

- following a qualification procedure, appointed – effective from 4 November 2019 – to the position of Vice President of the Bank Management Board Mr Jerzy Zań;
- following the necessity to ensure full composition of the Management Board compliant with the provisions of art. 22a of the Banking Act, the Supervisory Board delegated Mr Emil Ślęzak, a member of the Bank Supervisory Board, to fulfil obligations of a Bank Management Board Member for the period from 20 September 2019 through 3 November 2019.

ABRIDGED INTERIM CONSOLIDATED FINANCIAL STATEMENT OF BOŚ S.A. CAPITAL GROUP**Abridged interim consolidated profit and loss account statement**

| Continued operations | 3rd quarter from 1 Jul. 2019 to 30 Sep. 2019 | for 9 months ended 30 Sep. 2019 | 3rd quarter from 1 Jul. 2018 to 30 Sep. 2018 | for 9 months ended 30 Sep. 2018 |
|---|--|---------------------------------------|--|---------------------------------------|
| Interest and similar income, of which: | 157 993 | 471 972 | 159 666 | 474 745 |
| <i>assets measured at amortised cost</i> | 131 985 | 396 071 | 131 675 | 388 184 |
| <i>assets measured at fair value through other total income</i> | 25 081 | 72 961 | 26 968 | 82 788 |
| <i>financial assets measured obligatorily at fair value through P/L</i> | 927 | 2 940 | 1 023 | 3 773 |
| Interest expense and similar charges, of which: | - 52 732 | - 157 105 | - 59 738 | - 192 305 |
| <i>financial liabilities measured at amortized cost</i> | - 50 729 | - 150 281 | - 57 283 | - 185 084 |
| <i>financial liabilities measured obligatorily at fair value through P/L</i> | - 2 003 | - 6 824 | - 2 455 | - 7 221 |
| Net interest income | 105 261 | 314 867 | 99 928 | 282 440 |
| Fee and commission income | 30 333 | 100 922 | 31 425 | 101 624 |
| Fee and commission expense | - 7 630 | - 25 986 | - 10 065 | - 27 993 |
| Net fee and commission income | 22 703 | 74 936 | 21 360 | 73 631 |
| Dividend income | 911 | 6 442 | 194 | 6 040 |
| Income from financial instruments measured at fair value through P/L (including amounts due from customers) | 9 952 | 28 840 | 15 343 | 59 331 |
| Investment securities income | - 9 | 582 | 523 | 2 167 |
| Net hedge accounting income | - 325 | - 189 | 588 | 1 421 |
| Foreign exchange result | 9 419 | 17 281 | 1 559 | 16 045 |
| Other operating income | 3 301 | 15 131 | 6 950 | 14 700 |
| Other operating expense | - 3 399 | - 13 004 | - 1 254 | - 13 292 |
| Net impairment gains | - 40 079 | - 79 144 | - 20 955 | - 87 373 |
| Administrative expenses | - 81 572 | - 276 605 | - 86 202 | - 273 095 |
| Profit before tax | 26 163 | 89 137 | 38 034 | 82 015 |
| Tax charges | - 2 664 | - 21 519 | - 13 549 | - 23 351 |
| Net profit | 23 499 | 67 618 | 24 485 | 58 664 |
| of which attributable to: | | | | |
| <i>equity holders of the Bank</i> | | 67 618 | | 58 664 |
| <i>non-controlling equity holders</i> | | - | | - |
| Earnings per share attributable to the Bank's equity holders during the period (in PLN) | | | | |
| <i>basic</i> | | 0,73 | | 0,81 |
| <i>diluted</i> | | 0,73 | | 0,81 |

No discontinued operations during the 9 months ended 30 September 2019 and in 2018.

Abridged interim consolidated comprehensive income statement

| Continued operations | 3rd quarter from 1 Jul. 2019 to 30 Sep. 2019 | for 9 months ended 30 Sep. 2019 | 3rd. quarter from 1 Jul. 2018 to 30 Sep. 2018 | for 9 months ended 30 Sep. 2018 |
|--|--|------------------------------------|---|---------------------------------------|
| Net profit | 23 499 | 67 618 | 24 485 | 58 664 |
| Positions which may be reclassified to profit and loss account statement | 798 | - 8 378 | - 3 605 | - 5 417 |
| Fair value of financial assets measured at fair value through other total income, before tax | 985 | - 10 343 | - 4 450 | - 6 687 |
| Deferred tax | - 187 | 1 965 | 845 | 1 270 |
| Positions not transferred to income profit and loss account statement | - | - | - | - |
| Total gains and losses | 24 297 | 59 240 | 20 880 | 53 247 |
| Of which attributable to: | | | | |
| <i>equity holders of the Bank</i> | 24 297 | 59 240 | 20 880 | 53 247 |
| <i>non-controlling equity holders</i> | - | - | - | - |

Abridged interim consolidated financial position statement

| Assets | 30 Sep. 2019 | 31 Dec. 2018 |
|--|-------------------|-------------------|
| Cash and balances with the Central Bank | 279 497 | 186 736 |
| Amounts due from other banks | 287 478 | 196 104 |
| Trading securities of which: | 88 728 | 87 761 |
| <i>capital market securities</i> | 8 820 | 9 131 |
| <i>debt securities</i> | 2 932 | 2 903 |
| <i>derivative instruments</i> | 76 976 | 75 727 |
| Investment securities: | 5 515 126 | 5 476 293 |
| <i>capital market securities measured at fair value through other total income</i> | 85 532 | 85 027 |
| <i>debt securities measured at fair value through other total income</i> | 4 057 510 | 4 015 998 |
| <i>debt securities measured at amortised cost</i> | 1 372 084 | 1 375 268 |
| Amounts due from customers, of which: | 11 702 489 | 11 809 527 |
| <i>measured at amortized cost</i> | 11 616 403 | 11 704 874 |
| <i>measured at fair value through P/L</i> | 86 086 | 104 653 |
| Intangible assets | 110 354 | 120 050 |
| Property and equipment | 67 995 | 68 396 |
| Right of use – leasing | 81 606 | - |
| Income tax assets: | 109 622 | 99 867 |
| <i>current</i> | 390 | 1 124 |
| <i>deferred</i> | 109 232 | 98 743 |
| Other assets | 174 950 | 206 291 |
| Total assets | 18 417 845 | 18 251 025 |

| Liabilities | 30 Sep. 2019 | 31 Dec. 2018 |
|--|-------------------|-------------------|
| Amounts owed to Central Bank and other banks | 577 325 | 571 784 |
| Trading derivative financial instruments | 81 130 | 54 336 |
| Hedging derivative instruments | 18 899 | 18 298 |
| Amounts owed to clients | 14 840 325 | 14 799 109 |
| Debt securities issued | - | 46 590 |
| Subordinate debt | 369 264 | 370 672 |
| Provisions | 35 746 | 35 773 |
| Income tax liabilities | 7 690 | 4 972 |
| <i>current</i> | 6 502 | 4 497 |
| <i>deferred</i> | 1 188 | 475 |
| IFRS 16 leasing right liabilities | 84 771 | - |
| Other liabilities | 205 824 | 211 925 |
| Total liabilities | 16 220 974 | 16 113 459 |

| Equity | 30 Sep. 2019 | 31 Dec. 2018 |
|--|-------------------|-------------------|
| Equity attributable to equity holders of the Bank: | | |
| Core capital: | 1 461 036 | 1 461 036 |
| <i>Share capital</i> | 929 477 | 929 477 |
| <i>Own shares</i> | -1 292 | -1 292 |
| <i>Supplementary capital from sale of shares above par</i> | 532 851 | 532 851 |
| Revaluation reserve | 49 012 | 57 390 |
| Retained earnings | 686 823 | 619 140 |
| Total equity | 2 196 871 | 2 137 566 |
| Total equity and liabilities | 18 417 845 | 18 251 025 |

Abridged interim changes in equity statement

| | Equity attributable to holders of the Bank equity | | | | | | | | |
|--|---|----------------|---|---------------------|-----------------------------|-----------------------|-------------------|-------------------------|------------------|
| | Core capital | | | Retained earnings | | | | | |
| | Share capital | Own shares | Supplementary capital from sale of shares above par | Revaluation reserve | Other supplementary capital | Other reserve capital | General risk fund | Accumulated profit/ los | Total equity |
| As at 1 Jan. 2019 | 929 477 | - 1 292 | 532 851 | 57 390 | 624 393 | 23 605 | 48 302 | - 77 160 | 2 137 566 |
| Net profit | - | - | - | - | - | - | - | 67 618 | 67 618 |
| Other total income | - | - | - | - 8 378 | - | - | - | - | - 8 378 |
| Total gains and losses | - | - | - | - 8 378 | - | - | - | 67 618 | 59 240 |
| Income from sale of securities classified under IFRS 9 | - | - | - | - | - | - | - | 65 | 65 |
| Profit/loss distribution, including: | - | - | - | - | 70 010 | - | - | - 70 010 | - |
| Profit/loss allocated to other equity | - | - | - | - | 70 010 | - | - | - 70 010 | - |
| As at 30 Sep. 2019 | 929 477 | - 1 292 | 532 851 | 49 012 | 694 403 | 23 605 | 48 302 | - 79 487 | 2 196 871 |
| As at 1 Jan. 2018 | 628 732 | - 1 292 | 532 851 | 59 652 | 594 874 | 23 605 | 48 302 | - 112 005 | 1 774 719 |
| Net profit | - | - | - | - | - | - | - | 63 728 | 63 728 |
| Other total income | - | - | - | - 2 262 | - | - | - | - | - 2 262 |
| Total gains/ losses | - | - | - | - 2 262 | - | - | - | 63 728 | 61 466 |
| Income from sale of securities classified under IFRS 9 | - | - | - | - | - | - | - | 2 223 | 2 223 |
| Series V stocks issue | 300 745 | - | - | - | - | - | - | - | 300 745 |
| Stock issue expenses | - | - | - | - | - | - | - | - 1 587 | - 1 587 |
| Profit/loss distribution, including: | - | - | - | - | 29 519 | - | - | - 29 519 | - |
| Profit/loss allocated to other equity | - | - | - | - | 36 482 | - | - | - 36 482 | - |

| | | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|---------------|---------------|------------------|------------------|
| U-series stocks issue expenses | - | - | - | - | - 6 963 | - | - | 6 963 | - |
| As at 31 Dec. 2018 | 929 477 | - 1 292 | 532 851 | 57 390 | 624 393 | 23 605 | 48 302 | - 77 160 | 2 137 566 |
| As at 1 Jan. 2018 | 628 732 | - 1 292 | 532 851 | 59 652 | 594 874 | 23 605 | 48 302 | - 112 005 | 1 774 719 |
| Net profit | - | - | - | - | - | - | - | 58 664 | 58 664 |
| Other total income | - | - | - | - 5 417 | - | - | - | - | - 5 417 |
| Total gains/ losses | - | - | - | - 5 417 | - | - | - | 58 664 | 53 247 |
| Income from sale of securities classified under IFRS 9 | - | - | - | - | - | - | - | 2 223 | 2 223 |
| V-series stocks issue | 300 745 | - | - | - | - | - | - | - | 300 745 |
| Stock issue expenses | - | - | - | - | - | - | - | - 1 545 | - 1 545 |
| Profit/loss distribution, including: | - | - | - | - | 29 519 | - | - | - 29 519 | - |
| Profit/loss allocated to other equity | - | - | - | - | 36 482 | - | - | - 36 482 | - |
| U-series stocks issue expenses | - | - | - | - | - 6 963 | - | - | 6 963 | - |
| As at 30 Sep. 2018 | 929 477 | - 1 292 | 532 851 | 54 235 | 624 393 | 23 605 | 48 302 | - 82 182 | 2 129 389 |

No non-controlling shares for the 9 months ended 30 September 2019 and in 2018.

Abridged interim consolidated cash flow statement

| Indirect method | for 9 months ended 30 Sep. 2019 | for 9 months ended 30 Sep. 2018 |
|--|------------------------------------|------------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before tax | 89 137 | 82 015 |
| Total adjustment: | 43 647 | - 312 808 |
| Amortization and depreciation | 41 898 | 29 747 |
| Net interest on investment activities | - 46 066 | - |
| Gains/ losses on investment activities | - 109 | 18 |
| Net interest on financing activities | 16 238 | 33 092 |
| Dividends received, of which: | - 6 442 | - 6 040 |
| <i>from trading financial instruments</i> | 165 | 108 |
| <i>from investment securities</i> | 6 277 | 5 932 |
| Change in the balance of: | 59 852 | - 358 051 |
| <i>amounts due from other banks</i> | - 40 280 | - 17 052 |
| <i>trading securities</i> | 282 | 4 267 |
| <i>assets and liabilities due to valuation of derivative financial and hedging instruments</i> | 26 146 | 73 434 |
| <i>investment securities</i> | - 92 289 | - 41 062 |
| <i>amounts due from customers</i> | 107 038 | 326 481 |
| <i>right of use – leasing</i> | - 94 591 | - |
| <i>other assets and income tax</i> | 26 591 | 126 264 |
| <i>amounts owed to Central Bank and other banks</i> | 5 541 | 57 862 |
| <i>amounts owed to clients</i> | 41 216 | - 749 713 |
| <i>provisions</i> | - 27 | 9 919 |
| <i>IFRS 16 leasing liabilities</i> | 84 771 | - |
| <i>other liabilities and tax income</i> | - 4 546 | - 148 451 |
| Income tax paid | - 28 166 | - 17 614 |
| Net cash flow from operating activities | 132 784 | - 230 793 |
| CASH FLOW FROM INVESTMENT ACTIVITIES | | |
| Inflows | 49 714 | 3 |
| Sale of material fixed assets | 464 | 3 |
| Interest received from maturities valued at amortized cost | 49 250 | - |
| Outflows | - 14 401 | - 23 070 |
| Acquisition of intangible assets | - 9 900 | - 18 135 |
| Acquisition of material fixed assets | - 4 501 | - 4 935 |
| Net cash flow from investment activities | 35 313 | - 23 067 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Inflows | - | 300 745 |
| Inflows generated by stocks issue and capital payments | - | 300 745 |
| Outflows | - 64 236 | - 737 734 |
| Redemption of bonds issued by BOŚ Group | - 46 000 | - 700 000 |

| | | |
|---|------------------|------------------|
| Interest paid on bonds issued by BOŚ Group, of which: | - 18 236 | - 36 189 |
| <i>subordinated bonds</i> | - 16 075 | - 21 401 |
| Other financial expenses | - | - 1 545 |
| Net cash flow from financing activities | - 64 236 | - 436 989 |
| TOTAL NET CASH FLOW | 103 861 | - 690 849 |
| BALANCE SHEET CHANGE IN CASH AND CASH EQUIVALENTS | 103 861 | - 690 849 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 1 733 481 | 2 530 339 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 1 837 342 | 1 839 490 |
| Cash and cash equivalents with limited disposability | 196 853 | 210 089 |

ABRIDGED INTERIM SEPARATE FINANCIAL STATEMENTS OF BOŚ S.A.

Abridged interim separate profit and loss account statement

| Continued operations | 3rd quarter from 1 Jul. 2019 to 30 Sep. 2019 | for 9 months ended 30 Sep. 2019 | 3rd quarter from 1 Jul. 2018 to 30 Sep. 2018 | for 9 months ended 30 Sep. 2018 |
|---|--|---------------------------------------|--|------------------------------------|
| Interest and similar income, of which: | 158 696 | 472 853 | 159 411 | 473 875 |
| <i>assets measured at amortised cost</i> | 132 723 | 397 055 | 131 458 | 387 447 |
| <i>assets measured at fair value through other total income</i> | 25 081 | 72 961 | 26 968 | 82 788 |
| <i>financial assets measured obligatorily at fair value through P/L</i> | 892 | 2 837 | 985 | 3 640 |
| Interest expense and similar charges, of which: | - 54 852 | - 162 639 | - 61 433 | - 197 736 |
| <i>financial liabilities measured at amortized cost</i> | - 52 849 | - 155 815 | - 58 978 | - 190 515 |
| <i>financial liabilities measured obligatorily at fair value through P/L</i> | - 2 003 | - 6 824 | - 2 455 | - 7 221 |
| Net interest income | 103 844 | 310 214 | 97 978 | 276 139 |
| Fee and commission income | 17 186 | 56 538 | 18 850 | 56 215 |
| Fee and commission expense | - 2 972 | - 9 440 | - 4 711 | - 11 742 |
| Net fee and commission income | 14 214 | 47 098 | 14 139 | 44 473 |
| Dividend income | 830 | 6 277 | 136 | 5 932 |
| Income from financial instruments measured at fair value through P/L (including amounts due from customers) | 3 186 | 7 366 | 5 643 | 33 305 |
| Investment securities income | - 9 | 582 | 523 | 2 167 |
| Net hedge accounting income | - 325 | - 189 | 588 | 1 421 |
| Foreign exchange result | 9 242 | 17 330 | 1 891 | 15 528 |
| Other operating income | 582 | 6 697 | 998 | 3 034 |
| Other operating expense | - 2 324 | - 9 822 | - 1 169 | - 10 460 |
| Net impairment gains | - 39 309 | - 77 762 | - 23 075 | - 87 839 |
| Administrative expenses | - 63 180 | - 220 958 | - 65 312 | - 211 887 |
| Profit before tax | 26 751 | 86 833 | 32 340 | 71 813 |
| Tax charges | - 5 198 | - 22 916 | - 7 534 | - 18 825 |
| Net profit | 21 553 | 63 917 | 24 806 | 52 988 |
| Earnings per share attributable to the Bank's equity holders during the period (in PLN) | | | | |
| <i>basic</i> | | | 0,69 | 0,73 |
| <i>diluted</i> | | | 0,69 | 0,73 |

No discontinued operations during the 9 months ended 30 September 2019 and in 2018.

Abridged interim separate income statement of the Bank

| Continued operations | 3rd quarter from 1 Jul. 2019 to 30 Sep. 2019 | for 9 months ended 30 Sep. 2019 | 3rd quarter from 1 Jul. 2018 to 30 Sep. 2018 | for 9 months ended 30 Sep. 2018 |
|--|--|---------------------------------------|--|---------------------------------------|
| Net profit | 21 553 | 63 917 | 24 806 | 52 988 |
| Positions which may be reclassified to profit and loss account statement | 798 | - 8 378 | - 3 605 | - 5 418 |
| Fair value of financial assets measured at fair value through other total income, before tax | 985 | - 10 343 | - 4 450 | - 6 688 |
| Deferred tax | - 187 | 1 965 | 845 | 1 270 |
| Positions not transferred to income profit and loss account statement | - | - | - | - |
| Total gains and losses | 22 351 | 55 539 | 21 201 | 47 570 |

Abridged interim separate financial position statement of the Bank

| Assets | 30 Sep. 2019 | 31 Dec. 2018 |
|--|-------------------|-------------------|
| Cash and balances with the Central Bank | 279 489 | 186 720 |
| Amounts due from other banks | 269 231 | 170 494 |
| Trading securities, of which: | 59 033 | 68 773 |
| <i>derivative instruments</i> | 59 033 | 68 773 |
| Investment securities: | 5 515 126 | 5 476 293 |
| <i>capital market securities measured at fair value through other total income</i> | 85 532 | 85 027 |
| <i>debt securities measured at fair value through other total income</i> | 4 057 510 | 4 015 998 |
| <i>debt securities measured at amortised cost</i> | 1 372 084 | 1 375 268 |
| Amounts due from customers, of which: | 11 724 368 | 11 854 887 |
| <i>measured at amortized cost</i> | 11 638 282 | 11 750 234 |
| <i>measured at fair value through P/L</i> | 86 086 | 104 653 |
| Investments in subsidiaries | 102 590 | 77 590 |
| Intangible assets | 99 669 | 110 546 |
| Property and equipment | 22 232 | 24 102 |
| Right of use – leasing | 74 824 | - |
| Income tax assets: | 99 379 | 91 934 |
| <i>deferred</i> | 99 379 | 91 934 |
| Other assets | 27 883 | 20 704 |
| Total assets | 18 273 824 | 18 082 043 |

| Liabilities | 30 Sep. 2019 | 31 Dec. 2018 |
|--|-------------------|-------------------|
| Amounts owed to Central Bank and other banks | 577 325 | 571 784 |
| Trading derivative financial instruments | 79 216 | 53 444 |
| Hedging derivative instruments | 18 899 | 18 298 |
| Amounts owed to clients | 14 845 998 | 14 809 321 |
| Debt securities issued | - | 46 590 |
| Subordinate debt | 369 264 | 370 672 |
| Provisions | 35 287 | 35 201 |
| Income tax liabilities | 6 401 | 4 497 |
| <i>current</i> | 6 401 | 4 497 |
| IFRS 16 leasing right liabilities | 77 765 | - |
| Other liabilities | 132 059 | 96 230 |
| Total liabilities | 16 142 214 | 16 006 037 |

| Equity | 30 Sep. 2019 | 31 Dec. 2018 |
|--|-------------------|-------------------|
| Equity attributable to equity holders of the Bank: | | |
| Core capital: | 1 460 364 | 1 460 364 |
| <i>Share capital</i> | 929 477 | 929 477 |
| <i>Own shares</i> | - 1 294 | - 1 294 |
| <i>Supplementary capital from sale of shares above par</i> | 532 181 | 532 181 |
| Revaluation reserve | 49 012 | 57 390 |
| Retained earnings | 622 234 | 558 252 |
| Total equity | 2 131 610 | 2 076 006 |
| Total equity and liabilities | 18 273 824 | 18 082 043 |

Abridged interim changes in equity statement of the Bank

| | Core capital | | | | Retained earnings | | | Total equity |
|--|----------------|----------------|---|---------------------|-----------------------|-------------------|----------------------------|------------------|
| | Share capital | Own shares | Supplementary capital from sale of shares above par | Revaluation reserve | Other reserve capital | General risk fund | Accumulated profit/ losses | |
| As at 1 Jan. 2019 | 929 477 | - 1 294 | 532 181 | 57 390 | 580 519 | 48 302 | - 70 569 | 2 076 006 |
| Net profit | - | - | - | - | - | - | 63 917 | 63 917 |
| Other total income | - | - | - | - 8 378 | - | - | - | - 8 378 |
| Total gains and losses | - | - | - | - 8 378 | - | - | 63 917 | 55 539 |
| Income from sale of securities classified under IFRS 9 | - | - | - | - | - | - | 65 | 65 |
| Profit/loss distribution, including: | - | - | - | - | 65 012 | - | - 65 012 | - |
| Profit/loss allocated to other equity | - | - | - | - | 65 012 | - | - 65 012 | - |
| As at 30 Sep. 2019 | 929 477 | - 1 294 | 532 181 | 49 012 | 645 531 | 48 302 | - 71 599 | 2 131 610 |
| As at 1 Jan. 2018 | 628 732 | - 1 294 | 532 181 | 59 653 | 563 058 | 48 302 | - 117 307 | 1 713 325 |
| Net profit | - | - | - | - | - | - | 65 012 | 65 012 |
| Other total income | - | - | - | - 2 263 | - | - | - | - 2 263 |
| Total gains/ losses | - | - | - | - 2 263 | - | - | 65 012 | 62 749 |
| Income from sale of securities classified under IFRS 9 | - | - | - | - | - | - | 2 223 | 2 223 |
| Series V stocks issue | 300 745 | - | - | - | - | - | - | 300 745 |
| Stock issue expenses | - | - | - | - | - | - | - 3 036 | - 3 036 |
| Profit/loss distribution, including: | - | - | - | - | 17 461 | - | - 17 461 | - |
| Profit/loss allocated to other equity | - | - | - | - | 24 424 | - | - 24 424 | - |
| U-series stocks issue expenses | - | - | - | - | - 6 963 | - | 6 963 | - |
| As at 31 Dec. 2018 | 929 477 | - 1 294 | 532 181 | 57 390 | 580 519 | 48 302 | - 70 569 | 2 076 006 |
| As at 1 Jan. 2018 | 628 732 | - 1 294 | 532 181 | 59 653 | 563 058 | 48 302 | - 109 711 | 1 720 921 |

| | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|---------------|-----------------|------------------|
| Net profit | - | - | - | - | - | - | 52 988 | 52 988 |
| Other total income | - | - | - | - 5 418 | - | - | - | - 5 418 |
| Total gains/ losses | - | - | - | - 5 418 | - | - | 52 988 | 47 570 |
| Income from sale of securities classified under IFRS 9 | - | - | - | - | - | - | 2 223 | 2 223 |
| V-series stocks issue | 300 745 | - | - | - | - | - | - | 300 745 |
| Stock issue expenses | - | - | - | - | - | - | - 2 995 | - 2 995 |
| Profit/loss distribution, including: | - | - | - | - | 17 461 | - | - 17 461 | - |
| Profit/loss allocated to other equity | - | - | - | - | 24 424 | - | - 24 424 | - |
| U-series stocks issue expenses | - | - | - | - | - 6 963 | - | 6 963 | - |
| As at 30 Sep. 2018 | 929 477 | - 1 294 | 532 181 | 54 235 | 580 519 | 48 302 | - 74 956 | 2 068 464 |

No non-controlling shares for the 9 months ended 30 September 2019 and in 2018.

Abridged interim separate cash flow statement of the Bank

| Indirect method | for 9 months ended 30 Sep. 2019 | for 9 months ended 30 Sep. 2018 |
|--|------------------------------------|------------------------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before tax | 86 833 | 71 813 |
| Total adjustment: | 56 990 | -305 014 |
| Amortization and depreciation | 34 816 | 23 888 |
| Net interest on investment activities | -46 066 | - |
| Gains/ losses on investment activities | -12 | 18 |
| Net interest on financing activities | 16 238 | 33 101 |
| Dividends received, of which: | -6 277 | - 5 932 |
| <i>from investment securities</i> | 6 277 | 5 932 |
| Change in the balance of: | 78 506 | - 345 767 |
| <i>amounts due from other banks</i> | -58 431 | - 10 388 |
| <i>assets and liabilities due to valuation of derivative financial and hedging instruments</i> | 36 113 | 70 627 |
| <i>investment securities</i> | -92 288 | - 41 509 |
| <i>amounts due from customers</i> | 130 519 | 335 852 |
| <i>right of use – leasing</i> | -86 311 | - |
| <i>other assets and income tax</i> | -6 995 | 10 777 |
| <i>amounts owed to Central Bank and other banks</i> | 5 541 | 57 862 |
| <i>amounts owed to clients</i> | 36 677 | - 757 341 |
| <i>provisions</i> | 86 | 11 470 |
| <i>IFRS 16 leasing liabilities</i> | 77 765 | - |
| <i>other liabilities and tax income</i> | 35 830 | - 23 117 |
| Income tax paid | -26 492 | - 16 254 |
| Net cash flow from operating activities | 143 823 | -233 201 |
| CASH FLOW FROM INVESTMENT ACTIVITIES | | |
| Inflows | 49 264 | 3 |
| Sale of material fixed assets | 14 | 3 |
| Interest received from maturities valued at amortized cost | 49 250 | - |
| Outflows | -35 769 | -18 241 |
| Acquisition of stocks from subsidiary | -25 000 | - |
| Acquisition of intangible assets | -7 186 | -16 227 |
| Acquisition of material fixed assets | -3 583 | -2 014 |
| Net cash flow from investment activities | 13 495 | -18 238 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Inflows | - | 300 745 |
| Inflows generated by stocks issue and capital payments | - | 300 745 |
| Outflows | -64 236 | -739 184 |
| Redemption of bonds issued by BOŚ Group | -46 000 | -700 000 |

| | | |
|---|------------------|------------------|
| Interest paid on bonds issued by Bank, of which: | -18 236 | -36 189 |
| <i>subordinated bonds</i> | -16 075 | -21 401 |
| Other financial expenses | - | -2 995 |
| Net cash flow from financing activities | -64 236 | -438 439 |
| TOTAL NET CASH FLOW | 93 082 | -689 878 |
| BALANCE SHEET CHANGE IN CASH AND CASH EQUIVALENTS | 93 082 | -689 878 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 1 726 005 | 2 524 536 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 1 819 087 | 1 834 658 |
| Cash and cash equivalents with limited disposability | 196 853 | 210 089 |

I. Information on accounting principles (policy) adopted when preparing the abridged interim consolidated financial statement

Basis for statement and declaration of compliance

The abridged interim consolidated financial statement of Bank Ochrony Środowiska S.A. Capital Group comprises:

- 1) interim consolidated profit and loss account statement for the 9 months ended 30 September 2019 and reference data for the period of 9 months ended 30 September 2018, as well as data for the 3 months ended 30 September 2019 and reference data for the 3 months ended 30 September 2018.
- 2) interim consolidated comprehensive income statement for the 3 months ended 30 September 2019 and reference data for the period of 9 months ended 30 September 2018, as well as data for the 3 months ended 30 September 2019 and reference data for the 3 months ended 30 September 2018.
- 3) interim consolidated financial position statement as at 30 September 2019 and reference data as at 31 December 2018,
- 4) interim changes in equity statement for the 9 months ended 30 September 2019, for the period of 12 months ended 31 December 2018, and reference data for the 3 months ended 31 March 2018, and reference data for the 9 months ended 30 September 2018.
- 5) interim consolidated cash flow statement for the 9 months ended 30 September 2019 and reference data for the period of 9 months ended 31 September 2018, and reference data for the 9 months ended 30 September 2018.
- 6) additional explanations.

This abridged interim consolidated financial statement has been drawn in the Polish zlotys (PLN) rounded to thousands PLN ('000 PLN).

This abridged interim consolidated financial statement has been drawn in compliance with the International Financial Reporting Standards (IFRS) in the version approved by the European Union (EU), in particular, with International Accounting Standard 34 "Interim financial reporting", effective as at the reporting date, i.e. 30 September 2019 upon application of the same accounting principles to each period in accordance with the historical cost concept, except for the following positions valued at fair value:

Changes to fair value valuated through:

| | |
|---|--------------------|
| Trading financial instruments | P/L |
| Hedging derivative instruments | P/L |
| Amounts due from customers whose cash flows do not comply with cash flow test requirements | P/L |
| Debt investment securities in a business model the purpose of which is to generate contract cash flows or sales | other total income |
| Capital investment securities | other total income |

Dom Maklerski BOŚ S.A., BOŚ Leasing – Eko Profit S.A. and MS Wind sp. z o.o., prepare financial statements in accordance with the International Financial Reporting Standards in the version approved by the European Union.

This interim abridged consolidated financial statement of the Group and interim abridged financial statement of the Bank for the 9 months ended 30 September 2019 does not comprise all disclosures required in annual financial statements and must be read along with the annual financial statements of BOŚ Group and of the Bank, drawn for the financial year ended 31 December 2018.

This abridged interim consolidated financial statement has been drawn on the basis of the same accounting rules as ones applied when drawing the annual consolidated financial statement of BOŚ Group for the year ended on 31 December 2018, with the exception of the accounting rules applicable to lease agreements. Since 1 January 2019 BOŚ Group has been applying IFRS 16 principles to lease agreements.

Other standards and interpretations and changes implemented for the first time in 2019 did not have any significant impact on this financial statement of BOŚ Group and of the Bank.

As at the date of approval of the abridged interim consolidated financial statement, there were no circumstances which would indicate a threat to the continuation, by the Bank and BOŚ Group companies, within at least 12 months past the balance sheet date, as a result of an intended or forced inaction or limitation of the current activities. Therefore, this interim consolidated financial statement has been drawn with the assumption of continuation of economic activity, by the Bank and BOŚ Group companies, within foreseeable future, i.e. at least 12 months past the balance sheet date.

IFRS 16

IFRS 16 was published by the International Accounting Standards Board on 13 January 2016 and was approved by the European Union on 31 October 2017. IFRS 16 applies to annual periods starting on 1 January 2019 or later. Identification of the lease agreements according to IFRS 16 uses the principle of control. The agreement is classified as a lease agreement, if the lessee controls the provided asset component in exchange for a fee for a specific period of time. IFRS 16 introduces new principles for classifying leasing. The main change for the lessee is elimination of the division of the lease into operational and financial lease and introducing a single accounting model for lease agreements. The lessor continues to divide lease agreements as operational or financial lease. BOŚ Group as a lessor classifies leasing in its financial position statement as a component of assets constituting the right of use and a liability corresponding to it on the day when the leased item is available for use. The financial cost is classified in the profit and loss account for the lease period. The asset item related to the right of use is amortized in accordance with the straight-line method.

According to IFRS 16 BOŚ Group as a lessee classified, as at 1 Jan. 2019, lease agreement liabilities of 74,174 thousand PLN. These agreements were classified as “operational lease” according to IFRS 17. Lease agreement liabilities were measured at fair value of future leasing fees, discounted at BOŚ Group’s borderline interest rate as at 1 Jan. 2019.

The right of use of the assets under lease agreements were valued at the amount equal to lease liabilities i.e. 74,174 thousand PLN.

BOŚ Group and the Bank apply the following solutions allowed by IFRS 16:

- 1) application of one discount rate to the portfolio of lease agreements of relatively similar characteristics as of IFRS 16 introduction date,
- 2) exclusion of initial direct costs in order to measure the value of assets related to the right of use as of the IFRS 16 introduction date,
- 3) using judgement when determining the remaining lease period, if the agreement provides for an option to extend or terminate the lease agreement,
- 4) exclusions provide for by IFRS 16:
 - a) using low-value asset,
 - b) using an asset for a period of max. 12 months.

| | |
|--|---------------|
| Operational leasing liabilities disclosed as at 31 Dec. 2018* | 87 610 |
| Discount estimated when applying borderline interest rate for BOŚ Group | -10 472 |
| (Reductions): short-term leasing classified according to straight line method as expense | -2 442 |
| (Reductions): short-term leasing recognized according to straight line method as expense | -394 |
| Lease liabilities as at 1 Jan. 2019 | 74 174 |

* disclosed in annual financial statement of the Group for the financial year ended 31 December 2018.

Implementation, on 1 Jan. 2019, of a new standard – IFRS 16 – increased the balance sheet total amount by 74.1m PLN, while did not affect retained earnings and equity of BOŚ Group and of the Bank.

II. Financial assets and liabilities at fair value

| | Balance sheet value as at 30 Sep. 2019 | Fair value as at 30 Sep. 2019 | Balance sheet value as at 31 Dec. 2018 | Fair value as at 31 Dec. 2018 |
|--|--|-------------------------------|--|-------------------------------|
| FINANCIAL ASSETS | | | | |
| Amounts due from other banks | 287 478 | 292 580 | 196 104 | 197 639 |
| Amounts due from customers, of which: | 11 702 489 | 11 633 085 | 11 809 527 | 11 734 365 |
| - Loans in PLN | 8 812 661 | 8 760 044 | 9 050 026 | 8 980 787 |
| - Loans in foreign currencies | 2 889 828 | 2 873 041 | 2 759 501 | 2 753 578 |
| Investment securities valued at amortized cost | 1 372 084 | 1 421 154 | 1 375 268 | 1 409 156 |
| Debt securities, of which: | 1 372 084 | 1 421 154 | 1 375 268 | 1 409 156 |
| - State Treasury | 1 372 084 | 1 421 154 | 1 375 268 | 1 409 156 |
| FINANCIAL LIABILITIES | | | | |
| Amounts owed to Central Bank and other banks | 577 325 | 577 325 | 571 784 | 571 784 |
| Amounts owed to clients, including: | 14 840 325 | 14 851 433 | 14 799 109 | 14 805 470 |
| - Corporate clients | 4 934 214 | 4 935 086 | 4 999 366 | 5 000 003 |
| - Retail clients | 9 020 216 | 9 029 430 | 8 825 702 | 8 829 997 |
| - Other clients | 103 602 | 103 602 | 92 448 | 92 448 |
| - International financial statements | 782 293 | 783 315 | 881 593 | 883 022 |
| Liabilities on account of securities issued | - | - | 46 590 | 46 612 |
| Subordinated debt | 369 264 | 459 786 | 370 672 | 444 568 |

Amounts due from other banks

Amounts due from other banks include interbank term deposits, nostro accounts, loans and credits. Fair value of interbank time deposits, due to short maturity (up to 6 months interbank time deposits bearing fixed interest rate), equals the balance sheet value. Bonds issued by banks were valued at fair value, taking into account the loan rate spread set on the basis of comparable issues conducted by similar banks.

Amounts due from customers

Amounts due from customers were presented after deducting impairment write-offs. Amounts due from customers and other banks, on the balance sheet level, are valued mainly at amortized cost at the effective interest rate (99% of the balance sheet value of loans).

Fair value of loans is assumed to reflect their value resulting from current valuation of future principal and interest flows (separately for loans in foreign currencies and for those in PLN) calculated at the effective interest rate for each loan (except for loans with unspecified repayment schedules or non-performing loans for which the balance sheet value is taken to be their fair value) discounted at averaged effective interest rate of loans extended over the last twelve months. For mortgage loans, advance payments were taken into account. For loans in foreign currencies that Bank has ceased selling, averaged effective interest rate for corresponding loans extended in PLN adjusted for the difference between rate levels in the particular currencies and in PLN, were used.

Investment securities valued at amortized cost

Investment securities valued at amortized cost include State Treasury bonds classified into the HtC business model. The fair value of bonds taken is the current evaluation from market quotations increased by accrued interest.

Amounts owed to Central Bank and other banks

Amounts owed to the Central Bank and liabilities arising from repurchase transactions were presented at balance sheet value. Liabilities arising on repurchase transactions were presented at balance sheet value as no market data are available to calculate the basic repo transaction of the Bank with the counterparty at fair value. Interbank deposits, as short-term products, were presented at balance sheet value, and cash advances (principal and interest) were discounted by averaged effective interest rate.

Amounts owed to clients

Liabilities in the balance sheet are valued at depreciation cost at an effective interest rate. The fair value of such items applied is their value resulting from discounting principal and interest for all deposits by averaged weighted interest rate applicable to deposits taken in September 2019. As no specified schedules for current accounts are available these items are presented at their balance sheet value.

Amounts due (principal and interest) to international financial institutions were discounted by the average effective interest rate (for EUR) or the last transaction concluded in a given currency (for PLN).

Liabilities on account of securities issued

Liabilities on account of securities issued were valued at fair value adjusted for changing loan spreads for bonds in PLN determined based on issue in PLN the Bank launched in 2015.

Subordinated liabilities

Subordinated debt at fair value was presented as adjusted for changing load spread determined based on the issue the Bank launched in 2017.

III. Changes in consolidated contingent liabilities and assets

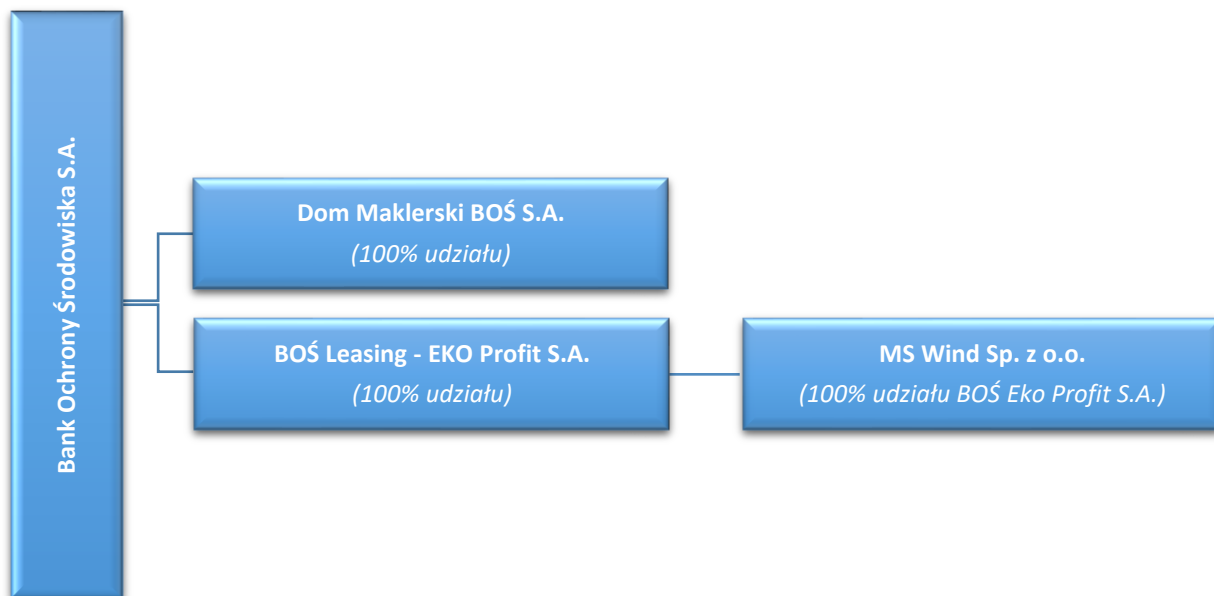
| | 30 Sep. 2019 | 31 Dec. 2018 |
|--|------------------|------------------|
| Contingent liabilities: | 2 836 505 | 1 806 671 |
| Financial, of which: | 2 524 637 | 1 477 738 |
| – open credit lines, of which: | 2 489 927 | 1 461 556 |
| – revocable | 2 211 940 | 1 206 274 |
| – irrevocable | 277 987 | 255 282 |
| – open import letters of credit | 17 830 | 14 065 |
| – promises of loan, of which: | 16 880 | 2 117 |
| – irrevocable | 16 880 | 2 117 |
| Guarantees, of which: | 300 590 | 328 933 |
| – loan payment endorsements and guarantees | 13 079 | 14 833 |
| – performance guarantees | 287 511 | 314 100 |
| Securities to be received | 11 278 | - |
| Contingent assets: | 586 919 | 611 322 |
| Financial, of which: | 196 812 | 193 500 |
| – open credit lines | 196 812 | 193 500 |
| Guarantees | 377 019 | 405 854 |
| Other | 13 088 | 11 968 |
| Total contingent assets and liabilities | 3 423 424 | 2 417 993 |

IV. Organization of Capital Group**Structure of Capital Group**

The Capital Group of Bank Ochrony Środowiska S.A., as at 30 September 2019, was made up of Bank Ochrony Środowiska S.A., acting as the parent entity towards direct subsidiaries: Dom Maklerski BOŚ S.A. and BOŚ Leasing – Eko Profit S.A. and an indirect subsidiary MS Wind Sp. z o.o. (subsidiary of BOŚ Leasing – Eko Profit S.A.).

Structure of Capital Group

Bank Ochrony Środowiska S.A. Capital Group accomplished its objective to optimise its structure by reducing the number of entities composing the Group.



Type of operations conducted by BOŚ S.A. Subsidiaries:

- Dom Maklerski BOŚ S.A. - Brokerage House, brokerage services, capital market operations
- BOŚ Leasing -Eko Profit S.A. - leasing, financial and consultancy activity, supplementing Bank's service offer
- MS Wind sp. z o. o. - wind farm project management.

Capital investments

In 2019:

- on 5 February 2019 the Bank Management Board adopted a resolution on acquiring the shares of Polskie Domy Drewniane S.A. The company was established under a notarial deed on 5 March 2019 by the Bank and the National Fund for Environment Protection and Water Management. The Bank holds 1% of shares in the Company's share capital, or 500 registered shares worth 1,000 PLN each – i.e. a total of 500 thousand PLN. The company was registered with the National Court Register on 4 September 2019;
- on 21 March 2019 the Management Board of BOŚ Eko Profit S.A. (since 10 March 2019 called BOŚ Leasing-Eko Profit S.A.) requested the Bank, as its sole shareholder, with a request for capital increase by 25m PLN. On 29 March 2019 an Extraordinary General Meeting of the company was held and adopted a resolution on increasing the Company's share capital through an issue of new shares and acquiring them following a closed subscription addressed to the Bank as the company's sole shareholder. The Bank made the payment for the shares. On 6 August 2019 the Court registered share capital increase with the National Court Register.

V. Major events past the date of this report

On 15 October 2019 Fitch Ratings Ltd (Current Report RB 14/2019) confirmed its ratings and upheld Bank's outlook.

Signatures of BOŚ S.A. Management Board Members

| Date | Name | Position/ Role | Signature |
|------------|----------------------|---|-----------|
| 13.11.2019 | Bogusław Białowąs | Management Board President | |
| 13.11.2019 | Arkadiusz Garbarczyk | Vice President - First Vice President of the Management Board | |
| 13.11.2019 | Jerzy Zań | Vice President | |