



# **FULL-YEAR FINANCIAL STATEMENTS OF BANK OCHRONY ŚRODOWISKA S.A.**

FOR THE YEAR ENDED DECEMBER 31ST 2020

Warsaw, April 2021



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## Full-year profit or loss of the Bank

Continuing operations	Note	for the year ended	
		December 31st 2020	December 31st 2019
Interest income and similar income, including:		516,280	628,490
<i>financial assets measured at amortised cost</i>		445,594	529,353
<i>assets measured at fair value through other comprehensive income</i>		67,698	95,718
<i>financial assets measured at fair value through profit or loss</i>		2,988	3,419
Interest expense and similar charges, including:		- 148,985	- 215,201
<i>financial liabilities measured at amortised cost</i>		- 141,285	- 206,429
<i>financial liabilities mandatorily measured at fair value through profit or loss</i>		- 7,700	- 8,772
<b>Net interest income</b>	7	<b>367,295</b>	<b>413,289</b>
Fee and commission income		72,441	74,176
Fee and commission expense		- 9,745	- 12,583
<b>Net fee and commission income</b>	8	<b>62,696</b>	<b>61,593</b>
Dividend income	9	6,205	6,277
Gain (loss) on financial instruments measured at fair value through profit or loss (including amounts due from clients)	10	18,601	15,910
Gain (loss) on investment securities	11	4,239	582
Gain (loss) on hedge accounting	12	- 2,038	- 42
Gain (loss) on foreign exchange transactions	13	25,071	16,725
Other income	14	9,480	9,425
Other expenses	15	- 15,566	- 12,467
Legal risk costs of mortgage loans denominated in foreign currencies	34.38	- 353,021	- 21,221
Net impairment losses	16	- 165,714	- 100,773
Administrative expenses	17	- 285,778	- 285,871
Share of profit (loss) of equity-accounted entities		29,471	2,712
<b>Profit (loss) before tax</b>		<b>- 299,059</b>	<b>106,139</b>
Income tax expense	18	- 11,239	- 34,072
<b>Net profit (loss)</b>		<b>- 310,298</b>	<b>72,067</b>
Earnings (loss) per share attributable to owners of parent during period (PLN)	19		
<i>basic</i>		-3.34	0.78
<i>diluted</i>		-3.34	0.78

There were no discontinued operations in 2020 and 2019.

The notes presented on the following pages form an integral part of these financial statements.

## Full-year statement of comprehensive income

Continuing operations	for the year ended	
	December 31st 2020	December 31st 2019
<b>Net profit (loss)</b>	<b>- 310,298</b>	<b>72,067</b>
<b>Items that may be reclassified profit or loss:</b>	<b>20,403</b>	<b>- 9,599</b>
Fair value of financial assets measured at fair value through other comprehensive income, gross	25,189	- 11,850
Deferred tax	- 4,786	2,251
<b>Items that will not be reclassified to profit or loss:</b>	<b>- 229</b>	<b>- 96</b>
Fair value of equity instruments carried at fair value through other comprehensive income, gross	- 40	- 16
Deferred tax	8	3
Increase (decrease) in employee benefit obligations	- 243	- 103
Deferred tax	46	20
<b>Total comprehensive income</b>	<b>- 290,124</b>	<b>62,372</b>

The notes presented on the following pages form an integral part of these financial statements.



## Full-year statement of financial position of the Bank

Assets	Note	December 31st 2020	December 31st 2019	January 1st 2019
Cash and balances at central bank	20	266,532	297,862	186,720
Amounts due from banks	21	142,015	148,918	170,494
Financial assets held for trading, including:	22	79,827	100,513	68,773
<i>debt securities</i>		-	43,085	-
<i>derivative instruments</i>		79,827	57,428	68,773
Investment securities:	23	7,371,414	5,302,078	5,476,293
<i>equity securities measured at fair value through other comprehensive income</i>		85,480	85,510	85,027
<i>debt securities measured at fair value through other comprehensive income</i>		5,597,061	3,839,184	4,015,998
<i>debt securities measured at amortised cost</i>		1,535,239	1,377,384	1,375,268
<i>debt securities measured at fair value through profit or loss</i>		153,634	-	-
Amounts due from clients, including:	24	11,891,853	12,029,020	11,854,887
<i>measured at amortised cost</i>		11,866,339	11,990,735	11,750,234
<i>measured at fair value through profit or loss</i>		25,514	38,285	104,653
Investments in subsidiaries	26	193,803	167,389	139,677
Intangible assets	27	99,484	106,169	110,546
Property, plant and equipment	28	38,429	29,332	24,102
Right of use – leases	29	63,482	73,330	-
Tax assets:		124,127	104,171	91,934
<i>current</i>		8,433	-	-
<i>deferred</i>	35	115,694	104,171	91,934
Other assets	30	27,896	24,107	20,704
<b>Total assets</b>		<b>20,298,862</b>	<b>18,382,889</b>	<b>18,144,130</b>

Liabilities	Note	December 31st 2020	December 31st 2019	January 1st 2019
Amounts due to central bank and other banks	31	732,743	595,667	571,784
Derivative financial instruments held for trading	22	97,410	48,741	53,444
Derivative hedging instruments	42	24,497	16,869	18,298
Amounts due to clients	32	16,553,777	14,886,720	14,809,321
Liabilities arising from issue of bank securities		-	-	46,590
Subordinated liabilities	33	368,996	370,731	370,672
Provisions	34	415,070	57,872	35,201
Tax liabilities:		-	8,128	4,497
<i>current</i>		-	8,128	4,497
Lease liabilities	36	66,733	76,595	-
Other liabilities	37	129,230	121,036	96,230
<b>Total liabilities</b>		<b>18,388,456</b>	<b>16,182,359</b>	<b>16,006,037</b>

Equity	Note	December 31st 2020	December 31st 2019	January 1st 2019
<b>Equity attributable to owners of parent</b>				
Common equity:	39	1,460,364	1,460,364	1,460,364
<i>Share capital</i>		929,477	929,477	929,477
<i>Treasury shares</i>		- 1,294	- 1,294	- 1,294
<i>Share premium</i>		532,181	532,181	532,181
Revaluation reserve	40	67,869	47,695	57,390
Retained earnings	41	382,173	692,471	620,339
<b>Total equity</b>		<b>1,910,406</b>	<b>2,200,530</b>	<b>2,138,093</b>
<b>Total equity and liabilities</b>		<b>20,298,862</b>	<b>18,382,889</b>	<b>18,144,130</b>

The notes presented on the following pages form an integral part of these financial statements.

## Full-year statement of changes in equity of the Bank

Item	Common equity			Revaluation reserve	Retained earnings			Total equity
	Share capital	Treasury shares	Share premium		Other statutory reserve funds	General risk fund	Undistributed profit (loss)	
<b>As at January 1st 2020, adjusted</b>	<b>929,477</b>	<b>- 1,294</b>	<b>532,181</b>	<b>47,695</b>	<b>645,531</b>	<b>48,302</b>	<b>- 1,362</b>	<b>2,200,530</b>
Net profit (loss)	-	-	-	-	-	-	- 310,298	- 310,298
Other comprehensive income	-	-	-	20,174	-	-	-	20,174
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,174</b>	<b>-</b>	<b>-</b>	<b>- 310,298</b>	<b>- 290,124</b>
<b>Profit distribution, including:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>80,662</b>	<b>-</b>	<b>- 80,662</b>	<b>-</b>
Transfer of net profit to reserves	-	-	-	-	80,662	-	- 80,662	-
<b>As at December 31st 2020</b>	<b>929,477</b>	<b>- 1,294</b>	<b>532,181</b>	<b>67,869</b>	<b>726,193</b>	<b>48,302</b>	<b>- 392,322</b>	<b>1,910,406</b>
<b>As at January 1st 2019</b>	<b>929,477</b>	<b>- 1,294</b>	<b>532,181</b>	<b>57,390</b>	<b>580,519</b>	<b>48,302</b>	<b>- 70,569</b>	<b>2,076,006</b>
<b>changes in accounting policies</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,087</b>	<b>62,087</b>
<b>As at January 1st 2019, adjusted</b>	<b>929,477</b>	<b>- 1,294</b>	<b>532,181</b>	<b>57,390</b>	<b>580,519</b>	<b>48,302</b>	<b>- 8,482</b>	<b>2,138,093</b>
Net profit (loss)	-	-	-	-	-	-	72,067	72,067
Other comprehensive income	-	-	-	- 9,695	-	-	-	- 9,695
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>- 9,695</b>	<b>-</b>	<b>-</b>	<b>72,067</b>	<b>62,372</b>
Gain (loss) on disposal of securities reclassified in accordance with IFRS 9	-	-	-	-	-	-	65	65
<b>Profit distribution, including:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,012</b>	<b>-</b>	<b>- 65,012</b>	<b>-</b>
Transfer of net profit to reserves	-	-	-	-	65,012	-	- 65,012	-
<b>As at December 31st 2019, adjusted</b>	<b>929,477</b>	<b>- 1,294</b>	<b>532,181</b>	<b>47,695</b>	<b>645,531</b>	<b>48,302</b>	<b>- 1,362</b>	<b>2,200,530</b>

The notes presented on the following pages form an integral part of these financial statements.

## Full-year statement of cash flows of the Bank

Indirect method	for the year ended	
	December 31st 2020	December 31st 2019
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>		
<b>Profit (loss) before tax</b>	<b>-299,059</b>	<b>106,139</b>
<b>Total adjustments:</b>	<b>1,260,547</b>	<b>-70,855</b>
Share in (profit) loss of equity-accounted subordinated entities	-29,471	-2,712
Amortisation/depreciation	42,769	45,962
Interest income on investing activities	-54,758	-55,577
Gain (loss) on investing activities	-8	-13
Interest income on financing activities	16,248	22,329
Dividends received:	-6,205	-6,277
<i>on investment securities</i>	6,205	6,277
Change in:		
<i>amounts due from banks</i>	-23,643	-18,589
<i>securities held for trading</i>	43,085	-43,085
<i>assets and liabilities from measurement of derivative and hedging financial instruments</i>	33,898	5,213
<i>investment securities</i>	-1,026,215	44,541
<i>amounts due from clients</i>	137,167	-174,133
<i>other assets and income tax</i>	-12,184	-3,051
<i>amounts due to central bank and other banks</i>	137,076	23,883
<i>amounts due to clients</i>	1,667,057	77,399
<i>provisions</i>	356,955	22,568
<i>other liabilities and income tax</i>	17,702	24,814
Income tax paid	-45,131	-40,404
<b>Net cash flows from (used in) operating activities</b>	<b>961,488</b>	<b>35,284</b>

<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>		
<b>Inflows</b>	<b>60,556</b>	<b>53,476</b>
Cash receipts from sale of property, plant, and equipment	10	15
Interest income on securities measured at amortised cost	57,489	53,461
Dividends received	3,057	-
<b>Outflows</b>	<b>-192,361</b>	<b>-56,852</b>
Payments for acquisition of shares in subsidiary	-	-25,000
Payments for acquisition of securities measured at amortised cost	-160,586	-
Payments for acquisition of intangible assets	-15,338	-19,208
Payments for acquisition of property, plant and equipment	-16,437	-12,644
<b>Net cash flows from (used in) investing activities</b>	<b>-131,805</b>	<b>-3,376</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>		
<b>Inflows</b>	<b>-</b>	<b>-</b>
<b>Outflows</b>	<b>-31,442</b>	<b>-80,855</b>
Redemption of bonds issued by the Bank	-	-46,000
Interest paid on bonds issued by the Bank, including:	-14,440	-19,184
<i>subordinated bonds</i>	-14,440	-17,627
Lease payments	-17,002	-15,671
<b>Net cash flows from (used in) financing activities</b>	<b>-31,442</b>	<b>-80,855</b>
<b>TOTAL NET CASH FLOWS</b>	<b>798,241</b>	<b>-48,947</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>1,677,058</b>	<b>1,726,005</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>2,475,299</b>	<b>1,677,058</b>
Restricted cash and cash equivalents	31,408	195,497

The notes presented on the following pages form an integral part of these financial statements.

## Notes to the full-year financial statements

### 1. General information on Bank Ochrony Środowiska S.A.

#### 1.1. Bank Ochrony Środowiska S.A.

Bank Ochrony Środowiska S.A. (the “Bank”, “BOŚ S.A.”, the “Company”), with its registered office at ul. Żelazna 32 in Warsaw, was established by Decision No. 42 of the Governor of the National Bank of Poland September 15th 1990, and a notarial deed of incorporation of September 28th 1990.

The Bank is entered in the National Court Register of the District Court for the Capital City of Warsaw, 13th Commercial Division, under No. KRS 0000015525, and has Industry Identification Number (REGON) 006239498.

According to the Polish Classification of Business Activities (PKD), the Bank's activities are classified as PKD 6419Z.

The Bank was established for an indefinite period.

The Bank's primary objective is to effectively manage the shareholders' equity and funds entrusted by its clients, ensuring the profitability of its business and the security of the funds entrusted.

The Bank's business consists in banking activities, including collection of cash, provision of loans, effecting cash settlements, provision of other banking services, and provision of financial consulting and advisory services.

The Bank's mission is: The Polish bank combining business and environmental protection for the benefit of clients.

The Bank pursues its mission mainly by:

- providing banking services to retail and institutional clients, in particular those implementing environmentally-friendly projects or operating in the environmental protection and water management sectors, and to people who value eco-friendly lifestyles,
- effective participation in distribution of funds for environmental protection projects and sustainable development in Poland.

Since January 24th 1997 the Bank shares have been traded on the Warsaw Stock Exchange and listed in the finance/banking segment of the market.

These full-year financial statements of BOŚ S.A. were authorised by the Bank's Management Board for issue on the Warsaw Stock Exchange on April 29th 2021.

#### 1.2. Composition of the Management Board and Supervisory Board of BOŚ S.A.

##### Management Board

As at December 31st 2020, the composition of the Bank's Management Board was as follows:

- Wojciech Hann – Vice President of the Management Board, responsible for activities of the Management Board
- Arkadiusz Garbarczyk – Vice President of the Management Board, First Deputy President of the Management Board
- Jerzy Zań – Vice President of the Management Board
- Marzena Koczut – Member of the Supervisory Board delegated to temporarily perform the duties of Member of the Management Board.

As at December 31st 2019, the composition of the Bank's Management Board was as follows:

- Bogusław Białowąs, President of the Management Board
- Arkadiusz Garbarczyk – Vice President of the Management Board, First Deputy President of the Management Board
- Jerzy Zań – Vice President of the Management Board.

During the year, the following changes took place in the composition of the Management Board:

1. On June 17th 2020, i.e., the date of the Annual General Meeting of the Bank approving the financial statements of Bank Ochrony Środowiska S.A. for the year ended December 31st 2019, the mandates of all members of the Bank's Management Board expired.
2. On June 18th 2020, i.e., on the day following the date of approval by the Annual General Meeting of the Bank of the financial statements of Bank Ochrony Środowiska S.A. for the year ended December 31st 2019, having carried out a qualification procedure, the Supervisory Board appointed the Management Board for a new term of office with the following composition:
  - Arkadiusz Garbarczyk – as Vice President of the Management Board, First Deputy President of the Management Board
  - Jerzy Zań – as Vice President of the Management Board.

Also, since Mr Bogusław Białowąs declared that he would not stand for election to the Management Board for a new term of office and that President of the Management Board had not been elected in the course of the qualification procedure, the Supervisory Board:

- delegated Emil Ślęzak, Member of the Supervisory Board, to temporarily perform the duties of President of the Management Board, for a period not longer than until September 16th 2020;
  - at its meeting held on June 24th 2020 – passed a resolution to initiate a qualification procedure for the position of President of the Management Board;
3. on September 15th 2020 – made a decision to delegate again Emil Ślęzak to temporarily perform the duties of President of the Management Board from September 17th 2020, for a period not longer than until December 16th 2020;
  4. on November 6th 2020, as a result of the qualification procedure – appointed Wojciech Hann as Vice President of the Management Board effective as of November 9th 2020 to manage the activities of the Management Board for a definite period, i.e., until the effective date of the Supervisory Board's resolution on the appointment of President of the Management Board.

Upon the appointment of Wojciech Hann as Vice President of the Management Board, the delegation of Emil Ślęzak, Member of the Supervisory Board, to perform the duties of President of the Management Board ended;

5. on December 16th 2020 – made a decision to initiate a qualification procedure for the position of Member of the Management Board, and passed a resolution to delegate Marzena Koczut, Member of the Supervisory Board, to temporarily perform the duties of Member of the Management Board for a period from December 21st 2020 until the date of completion of the qualification procedure, but not longer than until March 21st 2021.

As at the date of these financial statements, the composition of the Management Board was as follows:

- Wojciech Hann – President of the Management Board
- Arkadiusz Garbarczyk – Vice President of the Management Board, First Deputy President of the Management Board
- Robert Kasprzak – Vice President of the Management Board
- Marzena Koczut – Vice President of the Management Board
- Jerzy Zań – Vice President of the Management Board.

After December 31st 2020, the following changes occurred in the composition of the Management Board:

1. On February 10th 2021, following a qualification procedure for the position of Member of the Management Board, the Supervisory Board appointed Marzena Koczut as Vice President of the Management Board, with effect as of February 10th 2021, for a joint three-year term of office which commenced on June 18th 2020, i.e., on the day following the date of approval by the Annual General Meeting of the financial statements of Bank Ochrony Środowiska S.A. for the year ended December 31st 2019.
2. On February 10th 2021, following a qualification procedure for the position of Member of the Management Board, the Supervisory Board appointed Robert Kasprzak as Vice President of the Management Board, with effect as of

February 15th 2021, for a joint three-year term of office which commenced on June 18th 2020, i.e., on the day following the date of approval by the Annual General Meeting of the financial statements of Bank Ochrony Środowiska S.A. for the year ended December 31st 2019.

3. On March 3rd 2021, in connection with the decision of the Polish Financial Supervision Authority dated March 3rd 2021, the Supervisory Board appointed Wojciech Józef Hann as President of the Management Board for the joint three-year term of office, which commenced on June 18th 2020, i.e., on the day following the date of approval by the Annual General Meeting of the financial statements of Bank Ochrony Środowiska S.A. for the year ended December 31st 2019.

## Supervisory Board

As at December 31st 2020, the composition of the Supervisory Board was as follows:

- Wojciech Wardacki – Chairman of the Supervisory Board
- Mr Ireneusz Purgacz – Deputy Chairman of the Supervisory Board
- Mr Paweł Sałek – Secretary of the Supervisory Board

Members of the Supervisory Board

- Leszek Banaszak
- Robert Czarnecki
- Janina Goss
- Marcin Jastrzębski
- Marzena Koczut (from December 21st 2020 delegated to temporarily perform the duties of Member of the Management Board member – for a period not longer than until March 21st 2021)
- Emil Ślązak
- Piotr Wróbel.

As at December 31st 2019, the composition of the of the Supervisory Board was as follows:

- Wojciech Wardacki – Chairman of the Supervisory Board
- Katarzyna Lewandowska – Deputy Chair of the Supervisory Board
- Andrzej Matysiak – Secretary

Members of the Supervisory Board

- Iwona Duda
- Janina Goss
- Ireneusz Purgacz
- Radosław Rasała
- Piotr Sadownik
- Paweł Sałek
- Emil Ślązak.

In 2020, the following changes occurred in the composition of the Supervisory Board:

1. Iwona Duda tendered her resignation from the Supervisory Board with effect as of May 12th 2020;
2. Katarzyna Lewandowska tendered her resignation from the Supervisory Board with effect as of June 15th 2020,
3. on June 16th 2020 and then on September 15th 2020 the Supervisory Board delegated Emil Ślązak, Member of the Supervisory Board, to temporarily perform the duties of President of the Management Board – for the period from June 18th 2020, not longer than until September 16th 2020, and then for the period from September 17th 2020, not longer than until December 16th 2020. The period of the delegation of Emil Ślązak, ended on November 9th 2020, i.e., upon appointment of Wojciech Hann as Vice President of the Management Board to manage the activities of the Management Board;
4. on August 5th 2020:
  - the Supervisory Board appointed Ireneusz Purgacz as its Deputy Chairman;
  - The Extraordinary General Meeting (convened for August 5th 2020 and subsequently continued after adjournment on August 17th and August 25th 2020):
    - removed Radosław Rasała from the Supervisory Board, with effect as of August 5th 2020;
    - appointed Przemysław Bednarski to the Supervisory Board, with effect as of August 5th 2020;



- appointed Piotr Wróbel to the Supervisory Board, with effect as of August 5th 2020;
  - appointed Marcin Jastrzębski to the Supervisory Board, with effect as of August 25th 2020;
5. Przemysław Bednarski tendered his resignation with effect from the Supervisory Board, with effect as of October 17th 2020;
  6. The Extraordinary General Meeting of BOŚ S.A. convened for October 14th 2020 and continued after adjournment on October 19th 2020:
    - removed Andrzej Matysiak from the Supervisory Board, with effect as of from October 19th 2020,
    - appointed the following persons to the Supervisory Board, with effect as of October 19th 2020:
      - Leszek Banaszak,
      - Robert Czarnecki,
      - Marzena Koczut;
  7. on October 28th 2020, the Supervisory Board appointed Paweł Sałka as Secretary of the Supervisory Board;
  8. on November 5th 2020, Piotr Sadownik tendered his resignation from the Supervisory Board with effect as of the date of conclusion of the Supervisory Board meeting held on November 6th 2020;
  9. on December 16th 2020 – made a decision to delegate Marzena Koczut, Member of the Supervisory Board, to temporarily perform the duties of Member of the Management Board for a period from December 21st 2020 until the date of completion of the qualification procedure, but not longer than until March 21st 2021.

As at the date of these financial statements, the composition of the Supervisory Board was as follows:

- Wojciech Wardacki – Chairman of the Supervisory Board
- Mr Ireneusz Purgacz – Deputy Chairman of the Supervisory Board
- Mr Paweł Sałek – Secretary of the Supervisory Board

Members of the Supervisory Board

- Leszek Banaszak
- Robert Czarnecki
- Janina Goss
- Marcin Jastrzębski
- Emil Ślęzak
- Piotr Wróbel.

After December 31st 2020, the following changes occurred in the composition of the of the Supervisory Board:

1. On February 10th 2021, Marzena Koczut, following her appointment as Vice President of the Management Board, tendered her resignation from the Supervisory Board.

## 2. Identification of the consolidated financial statements

The Bank Ochrony Środowiska Group also prepared consolidated financial statements for the year ended December 31st 2020, authorised by the Management Board for issue on April 28th 2021.

### 3. Statement of accounting policies

#### 3.1. Basis of preparation and statement of compliance

The full-year financial statements of the Bank include:

- statement of profit or loss for the 12 months ended December 31st 2020 and comparative data for the 12 months ended December 31st 2019,
- statement of comprehensive income for the 12 months ended December 31st 2020 and comparative data for the 12 months ended December 31st 2019,
- statement of financial position as at December 31st 2020 and comparative data as at December 31st 2019,
- statement of changes in equity for the 12 months ended December 31st 2020 and comparative data for the 12 months ended December 31st 2019,
- statement of cash flows for the 12 months ended December 31st 2020 and comparative figures for the 12 months ended December 31st 2019,
- notes to the financial statements.

These full-year financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), effective as at the reporting date, i.e., December 31st 2020, using the same accounting policies for each period, and on a historical cost basis, except for the following items measured at fair value:

Recognition of changes in fair value through:	
Financial instruments held for trading	profit or loss
Fair value hedging derivatives	profit or loss
Amounts due from clients whose cash flows fail to meet the SPPI (solely payment of principal and interest) test	profit or loss
Investment debt securities held within a business model whose objective is achieved by collecting contractual cash flows or selling financial assets	other comprehensive income
Equity investment securities	other comprehensive income

IFRSs comprise the standards and interpretations adopted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

These financial statements have been prepared in accordance with the same accounting policies as those applied in the preparation of the full-year financial statements for the year ended December 31st 2019, except for the change applied as of January 1st 2020 regarding the recognition and measurement of subsidiaries, the impact of which is presented in Note 3.2. *Comparability with prior period data* of these financial statements.

As of January 1st 2020, the Bank recognises investments in subsidiaries using the equity method.

In prior periods, investments in subsidiaries were recognised at cost.

The change is related to the consolidation of The Bank Ochrony Środowiska Group carried out in accordance with the Bank's Strategy and, in the opinion of the Management Board, better reflects the value of investments in subsidiaries in the Bank's separate financial statements.

These full-year financial statements have been prepared in the Polish złoty (PLN), rounded to PLN thousand (PLN' 000).

## 3.2. Comparability with prior period data

Due to the change in the accounting policy regarding the method of accounting for investments in subsidiaries, described in Note 3.11 *Investments in subsidiaries*, the Bank has restated the comparative data for the 12 months ended December 31st 2019 presented in these financial statements.

In the 2020 financial statements, the presentation of costs related to legal risks associated with foreign currency loans has been changed by extracting them to a separate line in the statement of profit or loss, due to the increase in the amount of this item and its significance in the statements.

### Restated full-year statement of profit or loss

Continuing operations	Data in the issued financial statements for the 12 months ended December 31st 2019	Adjustment for changes in accounting policies and presentation	Adjusted data in these financial statements for the 12 months ended December 31st 2019
Interest income and similar income, including:	628,490	-	628,490
<i>financial assets measured at amortised cost</i>	529,353	-	529,353
<i>assets measured at fair value through other comprehensive income</i>	95,718	-	95,718
<i>financial assets mandatorily measured at fair value through profit or loss</i>	3,419	-	3,419
Interest expense and similar charges, including:	- 215,201	-	- 215,201
<i>financial liabilities measured at amortised cost</i>	- 206,429	-	- 206,429
<i>financial liabilities mandatorily measured at fair value through profit or loss</i>	- 8,772	-	- 8,772
<b>Net interest income</b>	<b>413,289</b>	-	<b>413,289</b>
Fee and commission income	74,176	-	74,176
Fee and commission expense	- 12,583	-	- 12,583
<b>Net fee and commission income</b>	<b>61,593</b>	-	<b>61,593</b>
Dividend income	6,277	-	6,277
Gain (loss) on financial instruments measured at fair value through profit or loss (including amounts due from clients)	15,910	-	15,910
Gain (loss) on investment securities	582	-	582
Gain (loss) on hedge accounting	- 42	-	- 42
Gain (loss) on foreign exchange transactions	16,725	-	16,725
Other income	20,732	- 11,307	9,425
Other expenses	- 33,688	21,221	- 12,467
Legal risk costs of mortgage loans denominated in foreign currencies	-	- 21,221	- 21,221
Net impairment losses	- 100,773	-	- 100,773
Administrative expenses	- 285,871	-	- 285,871
Share of profit (loss) of equity-accounted subsidiaries	-	2,712	2,712
<b>Profit before tax</b>	<b>114,734</b>	<b>- 8,595</b>	<b>106,139</b>
Income tax expense	- 34,072	-	- 34,072
<b>Net profit</b>	<b>80,662</b>	<b>- 8,595</b>	<b>72,067</b>

## Restated full-year statement of comprehensive income

Continuing operations	Data in the issued financial statements for the 12 months ended December 31st 2019	Adjustment for changes in accounting policies	Adjusted data in these financial statements for the 12 months ended December 31st 2019
<b>Net profit</b>	<b>80,662</b>	<b>- 8,595</b>	<b>72,067</b>
<b>Items that may be reclassified profit or loss:</b>	<b>- 9,599</b>	<b>-</b>	<b>- 9,599</b>
Fair value of financial assets measured at fair value through other comprehensive income, gross	- 11,850	-	- 11,850
Deferred tax	2,251	-	2,251
<b>Items that will not be reclassified to profit or loss:</b>	<b>- 96</b>	<b>-</b>	<b>- 96</b>
Fair value of equity instruments carried at fair value through other comprehensive income, gross	- 16	-	- 16
Deferred tax	3	-	3
Increase (decrease) in employee benefit obligations	- 103	-	- 103
Deferred tax	20	-	20
<b>Total comprehensive income</b>	<b>70,967</b>	<b>- 8,595</b>	<b>62,372</b>

## Restated full-year statement of financial position

Assets	Data in the issued financial statements for the year ended December 31st 2019	Adjustment for changes in accounting policies	Adjusted data in these financial statements for the year ended December 31st 2019	Data in the issued financial statements for the year ended December 31st 2018	Adjustment for changes in accounting policies	Adjusted data in these financial statements as at January 1st 2019
Cash and balances at central bank	297,862	-	297,862	186,720	-	186,720
Amounts due from banks	148,918	-	148,918	170,494	-	170,494
Financial assets held for trading, including:	100,513	-	100,513	68,773	-	68,773
<i>debt securities</i>	43,085	-	43,085	-	-	-
<i>derivative instruments</i>	57,428	-	57,428	68,773	-	68,773
Investment securities:	5,302,078	-	5,302,078	5,476,293	-	5,476,293
<i>equity securities measured at fair value through other comprehensive income</i>	85,510	-	85,510	85,027	-	85,027
<i>debt securities measured at fair value through other comprehensive income</i>	3,839,184	-	3,839,184	4,015,998	-	4,015,998
<i>debt securities measured at amortised cost</i>	1,377,384	-	1,377,384	1,375,268	-	1,375,268
Amounts due from clients, including:	12,029,020	-	12,029,020	11,854,887	-	11,854,887
<i>measured at amortised cost</i>	11,990,735	-	11,990,735	11,750,234	-	11,750,234
<i>measured at fair value through profit or loss</i>	38,285	-	38,285	104,653	-	104,653
Investments in subsidiaries	113,897	53,492	167,389	77,590	62,087	139,677
Intangible assets	106,169	-	106,169	110,546	-	110,546
Property, plant and equipment	29,332	-	29,332	24,102	-	24,102
Right of use – leases	73,330	-	73,330	-	-	-
Tax assets:	104,171	-	104,171	91,934	-	91,934
<i>deferred</i>	104,171	-	104,171	91,934	-	91,934
Other assets	24,107	-	24,107	20,704	-	20,704
<b>Total assets</b>	<b>18,329,397</b>	<b>53,492</b>	<b>18,382,889</b>	<b>18,082,043</b>	<b>62,087</b>	<b>18,144,130</b>

Liabilities	Data in the issued financial statements for the year ended December 31st 2019	Adjustment for changes in accounting policies	Adjusted data in these financial statements for the year ended December 31st 2019	Data in the issued financial statements for the year ended December 31st 2018	Adjustment for changes in accounting policies	Adjusted data in these financial statements as at January 1st 2019
Amounts due to central bank and other banks	595,667	-	595,667	571,784	-	571,784
Derivative financial instruments held for trading	48,741	-	48,741	53,444	-	53,444
Derivative hedging instruments	16,869	-	16,869	18,298	-	18,298
Amounts due to clients	14,886,720	-	14,886,720	14,809,321	-	14,809,321
Subordinated liabilities	370,731	-	370,731	46,590	-	46,590
Provisions	57,872	-	57,872	370,672	-	370,672
Tax liabilities:	8,128	-	8,128	35,201	-	35,201
<i>current</i>	8,128	-	8,128	4,497	-	4,497
Lease liabilities, IFRS 16	76,595	-	76,595	-	-	-
Other liabilities	121,036	-	121,036	96,230	-	96,230
<b>Total liabilities</b>	<b>16,182,359</b>	<b>-</b>	<b>16,182,359</b>	<b>16,006,037</b>	<b>-</b>	<b>16,006,037</b>

Equity	Data in the issued financial statements for the year ended December 31st 2019	Adjustment for changes in accounting policies	Adjusted data in these financial statements for the year ended December 31st 2019	Data in the issued financial statements for the year ended December 31st 2018	Adjustment for changes in accounting policies	Adjusted data in these financial statements as at January 1st 2019
Equity attributable to owners of parent:						
Common equity:	1,460,364	-	1,460,364	1,460,364	-	1,460,364
<i>Share capital</i>	929,477	-	929,477	929,477	-	929,477
<i>Treasury shares</i>	- 1,294	-	- 1,294	- 1,294	-	- 1,294
<i>Share premium</i>	532,181	-	532,181	532,181	-	532,181
Revaluation reserve	47,695	-	47,695	57,390	-	57,390
Retained earnings	638,979	53,492	692,471	558,252	62,087	620,339
Total equity	2,147,038	53,492	2,200,530	<b>2,076,006</b>	<b>62,087</b>	<b>2,138,093</b>
<b>Total equity and liabilities</b>	<b>18,329,397</b>	<b>53,492</b>	<b>18,382,889</b>	<b>18,082,043</b>	<b>62,087</b>	<b>18,144,130</b>

## Restated full-year statement of cash flows

Indirect method	Data in the issued financial statements for the 12 months ended December 31st 2019	Adjustment for changes in accounting policies	Adjusted data in these financial statements for the 12 months ended December 31st 2019
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>			
Profit before tax	114,734	- 8,595	106,139
Total adjustments:	- 79,450	8,595	- 70,855
Share in (profit) loss of equity-accounted subordinated entities	-	- 2,712	- 2,712
Amortisation/depreciation	45,962	-	45,962
Interest income on investing activities	- 55,577	-	- 55,577
Gain (loss) on investing activities	- 13	-	- 13
Interest income on financing activities	22,329	-	22,329
Dividends received:	- 6,277	-	- 6,277
<i>on investment securities</i>	6,277	-	6,277
Change in:	- 51,747	11,307	- 40,440
<i>amounts due from banks</i>	- 18,589	-	- 18,589
<i>securities held for trading</i>	- 43,085	-	- 43,085
<i>assets and liabilities from measurement of derivative and hedging financial instruments</i>	5,213	-	5,213
<i>investment securities</i>	44,541	-	44,541
<i>amounts due from clients</i>	- 174,133	-	- 174,133
<i>other assets and income tax</i>	- 14,358	11,307	- 3,051
<i>amounts due to central bank and other banks</i>	23,883	-	23,883
<i>amounts due to clients</i>	77,399	-	77,399
<i>provisions</i>	22,568	-	22,568
<i>other liabilities and income tax</i>	24,814	-	24,814
Income tax paid	- 40,404	-	- 40,404
Net cash flows from (used in) operating activities	35,284	-	35,284



<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>			
Inflows	53,476	-	53,476
Cash receipts from sale of property, plant, and equipment	15	-	15
Interest income on securities measured at amortised cost	53,461	-	53,461
Outflows	- 56,852		- 56,852
Payments for acquisition of shares in subsidiary	- 25,000	-	- 25,000
Payments for acquisition of intangible assets	- 19,208	-	- 19,208
Payments for acquisition of property, plant and equipment	- 12,644	-	- 12,644
Net cash flows from (used in) investing activities	- 3,376	-	- 3,376
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>			
<b>Inflows</b>	-	-	-
<b>Outflows</b>	<b>- 80,855</b>	-	<b>- 80,855</b>
Redemption of bonds issued by the Bank	- 46,000	-	- 46,000
Interest paid on bonds issued by the Bank, including:	- 19,184	-	- 19,184
<i>subordinated bonds</i>	- 17,627	-	- 17,627
Lease payments	- 15,671	-	- 15,671
Net cash flows from (used in) financing activities	- 80,855	-	- 80,855
<b>TOTAL NET CASH FLOWS</b>	<b>- 48,947</b>	-	<b>- 48,947</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>1,726,005</b>	-	<b>1,726,005</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>1,677,058</b>	-	<b>1,677,058</b>
Restricted cash and cash equivalents	195,497	-	195,497

### 3.3. Standards, interpretations and amendments to standards first applied in 2020

IFRS	Amendment	Applicable from	Effect on the Bank
Conceptual Framework for Financial Reporting	<p>The Conceptual Framework was published by the IASB in March 2018. It provides a comprehensive overview of financial reporting matters, rules for setting standards and guidelines for entities developing consistent accounting policies, and facilitates understanding and interpretation of standards. The Conceptual Framework includes new concepts, updated definitions and criteria for recognition of assets and liabilities, as well as explanation of material concepts. It consists of eight sections.</p> <p>The conceptual framework was published together with the rationale for the changes. The Board also issued a separate document, <i>Amendments to References to the Conceptual Framework in IFRS Standards</i>, which sets out amendments to standards to update references to the Conceptual Framework. In most cases, the references in the standards were updated to reflect the references to the Conceptual Framework.</p>	January 1st 2020 or after that date	The amendment had no material effect on the financial statements.
Amendments to IFRS 3 <i>Business Combinations</i>	The amendments to IFRS 3 include a change in the definition of 'business'. Under the amended standard, the scope of the definition is narrower and will probably increase the proportion of acquisitions classified as asset acquisition.	January 1st 2020	The amendment had no material effect on the financial statements.
IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	The IASB published a new definition of "materiality". Amendments to IAS 1 and IAS 8 clarify the definition of materiality and increase consistency between the standards.	January 1st 2020	The amendments had no material effect on the financial statements.
Amendments to IFRS 9 <i>Financial Instruments</i> , IAS 39 <i>Financial Instruments: Recognition and Measurement</i> ; and IFRS 7 <i>Financial Instruments: Disclosures</i> .	Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7) regarding the consequences for the financial reporting of the interest rate benchmark reform in the period before the replacement of an existing interest rate benchmark with an alternative reference rate. The amendments provide for temporary and narrow derogations from the hedge accounting requirements in IAS 39 <i>Financial Instruments: Recognition and Measurement</i> and IFRS 9 <i>Financial Instruments</i> , which allow companies to continue to comply with the existing requirements provided that the existing benchmark interest rates do not change following the interbank deposit rate reform.	January 1st 2020	The amendment had no material effect on the financial statements.

### 3.4. Going concern

Due to the balance-sheet loss for 2015 and in connection with the requirements set out in Art. 142 of the Banking Law, on March 30th 2016 the Bank submitted to the Polish Financial Supervision Authority a Recovery Programme approved by the Bank's Supervisory Board (Recovery Programme). The Authority approved the programme, and presented its comments and other information in a letter sent to the Bank on December 14th 2016.

The Bank increased its share capital by PLN 400m in 2016 and by PLN 300.7m in 2018.

On February 23rd 2018, the Bank submitted an updated version of the Recovery Programme to the PFSA. The review of the programme was required as the Bank had failed to meet some of the minimum conditions set out in the document approved by the PFSA in December 2016, and therefore re-examination of the original assumptions concerning the business model and risk costs was necessary. The revisions mainly involved modifications in the Bank's business model, with a shift towards the core area of the Bank's mission, verification of allowances for credit losses to reflect the revised business model impairment losses, and update of the capital adequacy aspects of the programme.

The Polish Financial Supervision Authority approved the updated version of the Recovery Programme on May 24th 2018.

The period for implementation of the restructuring activities outlined in the programme was set for 2018-2021. The Bank prepared a Framework Strategy for BOŚ S.A., consistent with the Recovery Programme in terms of the assumptions, directions and objectives.

The key assumptions of the Strategy were communicated to the market in the form of a current report on April 20th 2016, followed by a current report on modification of the key assumption was published on March 22nd 2018, and a current report on the Strategy update published on November 28th 2018. Favourable market and macroeconomic conditions as well as the modification of the Bank's business model were the starting points for updating the Strategy.

The update of the Framework Strategy sets out the following objectives:

1. evolution of the business model towards focus on institutional banking, in particular for small and medium-sized enterprises, with a simultaneous profiling of the offer for retail clients – within the Bank's core area of interest, that is environmental protection, and in the context of opportunities offered by the market for financing environmental projects,
2. transition from the stabilisation and recovery in 2016-2018 to the business development stage, involving implementation of the new business model and the Bank's new role in the government's environmental protection policies,
3. taking advantage of the favourable conditions for growth in ecological projects through financing environmentally-friendly investments and efficient distribution of resources allocated to environmental protection and sustainable development.

On July 17th 2020, the Bank received a decision of the Polish Financial Supervision Authority in connection with the administrative proceedings initiated *ex officio* by the PFSA on May 12th 2020, whereby the Bank was ordered to prepare a group recovery plan for Bank Ochrony Środowiska S.A., pursuant to Article 141n.1 of the Act of August 29th 1997. On July 20th 2020, the Bank received the second decision of the Polish Financial Supervision Authority in connection with the administrative proceedings initiated *ex officio* by the PFSA on May 12th 2020 to limit the scope of the group recovery plan to entities of the BOŚ Group (i.e., Bank Ochrony Środowiska S.A., Dom Maklerski S.A., BOŚ Leasing EKO-Profit S.A. and MS Wind sp. z o.o.).

The Authority concluded that the most appropriate solution was to commit BOŚ S.A. to prepare a group recovery plan under Chapter XII of the amended Banking Law. Its approval by the Authority also means that the Bank is no longer bound by the obligations stemming from the previous rehabilitation measures, i.e., the recovery programme implemented pursuant to Article 142(1) of the Banking Law in the wording effective until October 08th 2016, in accordance with Article 381(4) of the Act of June 10th 2016 on the Bank Guarantee Fund, deposit guarantee scheme and forced restructuring.

The Bank prepared the Group Recovery Plan and submitted it to the FSA in October 2020. In a letter dated January 21st 2021, in connection with the administrative proceedings to approve the Group Recovery Plan, the Polish Financial Supervision Authority instructed the Bank to supplement and amend the Group Recovery Plan, with the audited financial data as at December 31st 2020 to be used as the point of reference.

During the COVID-19 pandemic, the Bank maintained its full operational capacity and the safety ratios significantly above the minimum regulatory requirements, with the pandemic having had not significant effect on the Bank's liquidity and capital adequacy. The decisions of the Monetary Policy Council (of March 17th, April 8th and May 28th 2020) to reduce interest rates by a total of 140 basis points had a negative effect on the Bank's interest income in 2020, which fell by PLN 46m year on year.

The Bank's financial results was also adversely affected by the recognition of a provision for risks related to mortgage loans denominated in or indexed to foreign currencies. As a result, the Bank recorded a balance sheet loss of PLN - 310,298 thousand. However, despite the loss, the Bank maintains the capital adequacy ratios Tier 1 and TCR at 13.17% and 14.98%, respectively. Both ratios remained above the levels recommended by the Polish Financial Supervision Authority (for details, see Note 5.3). The Bank's financial liquidity is adequate and exceeds the supervisory requirements (for details, see Note 6.2.1).

Taking into consideration the factors described above, as at the date of authorisation of these financial statements for issue, there are no circumstances that would indicate a threat to the Bank's ability to continue as a going concern for at least 12 months after the reporting date as a result of deliberate or compulsory discontinuation or limitation of its current operations.

## 3.5. Segment reporting

An operating segment is a component of the Bank:

1. that engages in business activities from which it may earn revenues and incur expenses,
2. whose operating results are regularly reviewed by the Bank's chief operating decision maker to make operational decisions and decisions about resources to be allocated to the segment,
3. for which discreet financial information is available.

Segment reporting is prepared on the same basis as internal reporting.

In accordance with IFRS 8, the Bank identified the following operating segments:

1. institutional clients,
2. retail clients,
3. treasury and investments,
4. other (not allocated to the segments).

The Bank's activities are not geographically diversified. For a detailed description of the segment reporting policies, see Note 48.

## 3.6. Measurement of items denominated in foreign currencies

### Functional currency

Items of the financial statements are measured in the functional currency, which is the currency of the primary economic environment in which the Bank operates.

The functional currency of the Bank is the Polish zloty.

### Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rate effective on the transaction date, and the result of such translation is recognised in profit or loss.

Monetary assets and liabilities denominated in/indexed to foreign currencies are translated at the exchange rate effective at the reporting date.

Non-monetary assets and liabilities measured at fair value are translated at the exchange rate effective as at the measurement date.

Non-monetary assets and liabilities measured at cost are translated at the exchange rate effective on the date these items arise.

## 3.7. Interest income and expense

All interest income on financial instruments measured at amortised cost using the effective interest rate method and interest income on interest-bearing financial assets measured at fair value through other comprehensive income or through profit or loss is recognised in the statement of profit or loss.

The effective interest rate method is a method of calculating the amortised initial amount of financial assets or liabilities and of allocating interest income or interest expense over the relevant period. An effective interest rate is the rate at which the discounted future payments or cash inflows are equal to the current net carrying amount of the asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows taking into account all contractual terms of a given financial instrument (e.g. early repayment options that are not separated from the host contract), without taking into account possible future losses on outstanding facilities. This calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, as well as transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income on the net carrying amount of those assets is recognised at the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

### 3.8. Fee and commission income and expense

Fee and commission income and expenses on amounts due from clients are recognised as interest income using the effective interest rate method. Fees and commissions for the grant of a credit product, collected prior to its disbursement, are deferred until funds are disbursed to the client. Fees for the provision of syndicated loans are recognised as revenue once the syndicate is formed, if the Bank has retained no part of the credit risk for itself or has retained a part at the same effective interest rate as other members of the syndicate.

Other fee and commission income is recognised in principle when the promised goods or services are transferred to the client. In the case of fees and commissions for credit limits, income is recognised at the end of the availability period.

Fee and commission expenses are recognised on an accrual basis, i.e., when the services are received from the service provider, with costs of mandatory legal fees being recognised at the moment the obligation to pay arises.

### 3.9. Recognition of income and expense related to bancassurance

The Bank recognises and accounts for income and expenses from insurance products in accordance with their economic substance. Due to the economic substance, the Bank distinguishes between the following types of fees:

1. fees which are an integral part of the consideration for the financial instrument additionally offered,
2. fees which are consideration for performing additional activities after the sale of the insurance product,
3. fees received for the provision of insurance intermediation services.

Consideration received or receivable by the Bank from sale of an insurance product with a financial instrument where the insurance product is directly linked to the financial instrument is an integral part of the consideration for the financial instrument and is accounted for over time as an integral part of interest rate and recognised as interest revenue in the statement of profit or loss.

A direct link exists in particular when at least one of the following two conditions is met:

1. a financial instrument is always offered by the Bank with an insurance product, i.e., both transactions are concluded at the same time or are concluded in a sequence in which each subsequent transaction follows from the previous one,
2. an insurance product is offered by the Bank exclusively with a financial instrument, i.e., the client cannot purchase from the Bank an insurance product identical in terms of its legal form, terms and economic content without buying a combined financial product.

If one of the conditions is not met, a detailed analysis of the economic content of the insurance product is carried out in order to determine whether the criteria for independence of insurance contracts from the financial instruments offered are met. The analysis of a direct link between an insurance product and a financial instrument may result in unbundling of the composite product, i.e., separating the fair value of the financial instrument from the fair value of the insurance product sold together with the instrument. In such a case, the consideration due to the Bank for the sale of the insurance product is divided between the part constituting an element of the amortised cost of the financial instrument and the part constituting consideration for the distribution of the insurance product.

The consideration is allocated in proportion to the fair value of the financial instrument and the fair value of the distribution service relative to the total of the fair values. The fair value of the financial instrument is calculated using the income approach, based on the calculation of the present value of the future amounts, taking into account the product's current profitability and cost. The fair value of the consideration for the intermediation (distribution) service is calculated using the market method by applying prices and other relevant information generated by identical or comparable market transactions.

The Bank recognizes the consideration as fee and commission income at the time of sale or renewal of the insurance product. The revenue from sale of insurance products is reduced by a provision for the Bank-estimated percentage of refunds made in periods after the sale of the insurance product (e.g. due to cancellation of the insurance by the client). If during the term of the insurance contract the Bank receives consideration for performing activities/services resulting from the sold insurance product or if performance of such activities/services is probable, the Bank accounts for the consideration during the contract term, in accordance with the principle of matching revenues with costs. The consideration is recognized as fee and commission income, based on progress towards complete satisfaction of the performance obligation. Where it is not possible to accurately determine the number of activities performed by the Bank over a specified period of time, the Bank accounts for the consideration on a straight-line basis over the life of the insurance product unless there is evidence that another method of accounting would better illustrate the degree of progress of the work.

The amount of anticipated returns and the proportion of revenue distribution based on the economic content of the revenue are reviewed each time relevant information on significant changes in this respect becomes available, but not less frequently than at the reporting date.

Costs directly related to the sale of an insurance product with a financial instrument are accounted for in accordance with the principle of matching revenues with costs:

1. as a component of the amortised cost of a financial instrument if all revenue from the sale of the insurance product is accounted for using the effective interest rate method,
2. if the consideration has been split – in the proportion applied to split the revenue into revenue recognised under the amortised cost calculation and revenue recognised on a one-off basis or settled over time.

Fixed costs or costs not related directly to the sale of insurance products or financial instruments are recognised in profit or loss when incurred.

### 3.10. Hedge accounting

Hedge accounting is used to offset changes in the fair value of hedged items and hedging items.

Under the transitional provisions of IFRS 9, the Bank decided to continue to apply IAS 39 to hedge accounting.

The Bank may decide to apply the hedge-accounting requirements of IFRS 9 at a later date. In accordance with the hedge accounting principles contained in IFRS 9, it is necessary to apply the requirements of IFRS 9 in the event of implementation of subsequent fair value or cash flow hedge accounting at the Bank.

The Bank applies hedge accounting provided that all of the following criteria specified in IAS 39 are met:

1. at the inception of the hedge there is formal designation and documentation of the hedging relationship and the Bank's risk management objective and strategy for undertaking the hedge; the documentation includes the identification of the hedging instrument, the hedged item, the nature of the hedged risk and the manner in which the Bank will assess the effectiveness of the hedging instrument in offsetting the threat of changes in the fair value of the hedged item;
2. the hedge is expected to be highly effective in offsetting changes in fair value, consistent with the risk management strategy originally documented for that particular hedging relationship,
3. the effectiveness of the hedge can be reliably measured, i.e., the fair value of the hedged item and the fair value of the hedging instrument can be reliably measured,
4. the hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

Hedge accounting is an integral part of the financial risk management process at BOŚ S.A.

Financial risk is managed as part of the risk management process in place at the Bank.

The Bank uses hedge accounting to hedge the fair value of financial instruments. Fair value hedge is a hedge against changes in the fair value of a recognized asset, liability or probable future liability or an identified portion of this recognized asset, liability or probable future liability, which can be attributed to a particular risk and can affect the profit or loss.

A fair value hedge that meets the conditions for hedge accounting in a given period is recognised by the Bank as follows:

- a. changes in fair value of a hedging instrument (i.e., derivative instrument designed and qualified as fair value hedge) is recognized in profit or loss,
- b. the gain or loss on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item and is recognised in profit or loss,
- c. interest on hedging derivatives is presented in the same line of the statement of profit or loss in which interest on the hedged instruments is presented, i.e., as interest income,
- d. measurement of a hedged financial asset classified as measured at fair value through other comprehensive income arising from factors other than the hedged risks is recognised in revaluation reserve until the asset is disposed of or has matured.

The Bank discontinues to apply hedge accounting in the event of expiry, sale, termination or execution of the hedging instrument/hedged item, or when the hedging relationship no longer meets the criteria for hedge accounting. When hedge accounting ceases to be applied, the measurement of hedged items that are measured at amortised cost (without applying hedge accounting policies) attributable to the hedged risk recognised in the periods when the hedge was effective is taken to profit or loss.

The Bank does not apply cash flow hedge accounting.

### 3.11. Investments in subsidiaries

In 2020, the Bank changed its approach to recognition and measurement of investments in subsidiaries in the Bank's books.

Investments in subsidiaries are recognised and measured using the equity method set out in IAS 28, including impairment losses.

The policy was changed due to the consolidation of the Group, carried out in accordance with the Strategy of the Bank. In formal and legal terms, it is implemented through mergers of subsidiaries; in business terms, it is implemented by having the subsidiaries focus on the capital and leasing markets and on providing financing advisory services for environmental protection projects. As of June 30th 2020 the Bank Ochrony Środowiska Group consists of two direct subsidiaries, i.e., Dom Maklerski SA and BOŚ Leasing EkoProfit SA, and one indirect subsidiary, i.e, MS WIND sp. z o. o. (a direct subsidiary of BOŚ Leasing EkoProfit SA).

All subsidiaries are wholly-owned by the Bank.

The Bank bears the economic risks of its subsidiaries on a regular basis as part of mutual transactions, including the financing provided, deposits received, and synergies of joint business activities.

### 3.12. Financial assets and liabilities

#### Initial recognition

The Bank recognises a financial asset and a financial liability in its statement of financial position when it becomes party to the contractual provisions for that financial instrument. Financial assets are recognised when the Bank acquires the right to receive cash flows, and financial liabilities – when it is required to pay cash. At initial recognition, financial assets and liabilities are classified in the appropriate measurement category.

At initial recognition, financial assets and liabilities are measured at fair value, which, in the case of items not measured at fair value in subsequent periods, is increased or reduced by direct transaction costs.

#### Measurement of financial assets after initial recognition

After initial recognition, the Bank measures financial assets in accordance with the classification rules, at amortised cost or at fair value.



Amortised cost is the amount at which a financial asset or a financial liability is measured on initial recognition, minus principal repayments, plus or minus the cumulative amortisation of any difference between the initial amount and the amount at maturity, calculated using the effective interest rate method, and minus any impairment losses. Penalty interest is recognised at amortised cost.

Fair value measurement involves determining the value that would be received to dispose of an asset or paid to transfer a liability in an arm's length transaction in the principal (or most advantageous) market at the measurement date in current market conditions (i.e., the exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

### Classification and measurement of financial assets

Under IFRS 9, financial assets are classified to the appropriate measurement model at initial recognition. The Bank's financial assets are classified to the following measurement categories:

1. Financial assets measured at amortised cost,
2. Financial assets measured at fair value through other comprehensive income,
3. Financial assets measured at fair value through profit or loss,
4. Financial assets measured at fair value through profit or loss.

Classification into the measurement categories is based on:

1. the business model within which the financial assets are managed, and
2. the test of characteristics of contractual cash flows (the SPPI test – solely payments of principal and interest).

### Business models

The business models are defined by the Bank's key management. The business models identified by the Bank reflect its operating activity, i.e., the method of managing a specific group of assets and the purpose for which these assets were recognised or acquired. Individual identified business models are groups of assets that are jointly managed, assessed and reported.

When identifying business models for each group of financial assets, the Group considers their qualitative aspects and quantitative criteria.

### Qualitative aspects

The qualitative aspects include analysis and assessment of:

1. the business objective for which the assets were recognised or acquired,
2. how the performance of assets within a given business model are assessed and reported to the Bank's key management and presented as part of external reporting,
3. the reasons for decisions to sell financial assets,
4. solutions and organizational structures within which specific groups of assets are recognised or acquired,
5. the type of risk affecting performance of individual asset groups,
6. the manner in which the managers of particular groups of assets are remunerated, in particular whether the remuneration is based in part or in whole on the fair value of the managed assets.

### Quantitative criteria

The quantitative criteria used in the identification and periodic review of business models relate to the assessment of materiality and frequency of sale of assets held within particular models. It is assumed that in the HtC business model, the sale of financial assets is allowed in particular in the following cases:

1. if the assessment of cash flow recoverability deteriorates, in order to limit the effects of credit risk,
2. close to the contractual maturity,
3. occasional sale (even if the amount of assets sold is significant),
4. insignificant value of the assets sold.

If the quantitative criteria, such as significant and frequent sale of financial assets with no deteriorated credit risk assessment, are not met, it is necessary to reassign the entire portfolio of financial assets, from which the sale was effected, and thus to change the classification of this portfolio to the value category.

Following analyses, the Bank's financial assets were allocated to the following business models:

- 1.** the Held to Collect (HtC) model,  
a model whose objective is achieved by collecting contractual cash flows. Assets held within the HtC model are credit facilities and loans, receivables purchased as part of the factoring business, and debt securities acquired for investment purposes.
- 2.** the HtCS (Held to Collect or Sell) model,  
a model whose objective is achieved by both collecting contractual cash flows and selling financial assets. Assets held within the HtCS model are debt securities acquired to secure current liquidity needs and the yield profile.
- 3.** Other business models  
Assets acquired within other business models are assets acquired trading purposes to generated profit from changes in their market value or to earn remuneration in the form of trading spread. These business models apply mainly to derivative financial instruments and securities.

### **SPPI test**

As required by IFRS 9, financial assets held within the HtC and HtCS models are subject to the SPPI test. The SPPI test should be performed for each financial asset in the HtC and HtCS models at initial recognition and when the asset is subject to significant modification.

The objective of the SPPI test is to confirm that contractual cash flows resulting from these financial assets are solely payments of principal and interest on the principal amount outstanding, where:

- 1.** the principal is the fair value of the financial asset at initial recognition.
- 2.** the interest consists of consideration for the time value of money, for the credit risk, for the liquidity risk, administrative costs, as well as a profit margin.

The SPPI test includes, in particular, an analysis of the cash flow characteristics in relation to early repayment and rollover terms, changes in the currency of the financial asset, terms that increase the volatility of cash flows beyond the volatility resulting from changes in market interest rates (e.g. leverage), terms that limit the possibility of financial redress against specific assets of the debtor.

### Classification of financial assets to measurement categories based on business models and the SPPI test

Business models	SPPI test	
	Cash flows are solely payments of the principal and interest	Cash flows are not solely payments of the principal and interest
HtC Model	measured at amortised cost	measurement at fair value through profit or loss
HtCS Model	measurement at fair value through other comprehensive income	measurement at fair value through profit or loss
Other business models	The SPPI test is not performed; obligatory measurement at fair value through profit or loss	

### Financial assets by measurement category

- 1. Financial assets at amortised cost**  
 This measurement category primarily includes amounts due from retail and institutional clients. It also includes receivables purchased as part of the factoring business, debt securities in the investment portfolio held to collect contractual cash flows, and amounts due from banks, including buy-sell back transactions.
- 2. Financial assets measured at fair value through other comprehensive income**  
 This measurement category includes debt securities acquired to secure current liquidity needs and the yield profile, held to collect contractual cash flows and for sale, as well as investment equity securities.
- 3. Financial assets measured at fair value through profit or loss**  
 This measurement category includes derivative financial instruments and debt securities purchased for trading purposes.  
 Credit facilities with interest rates structured as a multiplier of a reference rate, disclosed as amounts due from clients, constitute a separate item in this measurement category. This item includes preferential loans granted with support from the public sector.

Due to on-going discussions on the classification and measurement of financial instruments that include a multiplier, the above approach may change in the future.

### Change of measurement category of a financial instrument

A change of the financial assets measurement category can occur only as a result of a change of the business model. A change of business objectives related to a financial assets or a change in assignment of the asset to a given business line are not considered a change of the business model.

Change of a measurement category due to the business model change is recognized prospectively, i.e., as of its date.

Financial liabilities are not reclassified.

### Modification of financial assets

The Bank identifies a modification of a financial asset when there is a change in the contract under which the financial asset arose, affecting the amount and timing of cash flows. Cash flow changes resulting from the initial contract with the client are not recognised as modifications. A change in the contractual terms of repayment may be made for both credit risk management and commercial reasons.

The Bank distinguishes between significant and non-significant modifications of financial assets.

### Quantitative criterion

A significant modification consists of a change in contractual terms of payment for a given financial asset and gives rise to a difference of more than 10% between the amount of future cash flows resulting from the modified financial asset discounted with the original effective interest rate and the amount of future cash flows resulting from the financial asset before the modification discounted with the same interest rate. If difference is less than 10%, the modification is non-significant.

In the case of financial assets with identified evidence of impairment, a modification is deemed to be significant based on quantitative grounds if the amount of financing exceeds 50% of the amount of the financial asset as at the date of the modification.

### Qualitative criterion

A modification of financial assets under the circumstances presented below is recognised as a significant modification:

- addition of a feature that affects results of the SPPI test,
- a change in the currency of a facility not provided for in the initial contract terms,
- a change of the counterparty, which is considered a significant modification.

### Significant modification

A significant modification results in derecognition of the original asset from the statement of financial position, recognition in profit or loss account of unsettled costs and commissions, and initial recognition of a financial asset resulting from the modification. A new effective interest rate is established for the modified asset.

### Non-significant modification

A non-significant modification does not result in derecognition of the existing financial assets in the statement of financial condition. Gain (loss) on a non-significant modification is recognised in profit or loss.

### Impairment of financial assets

IFRS 9 introduced a new approach to estimating losses on financial assets measured at amortised cost and at fair value through other comprehensive income. This approach is usually based on determination of expected losses.

Recognition of expected losses depends on the change in the level of risk since the initial recognition of a financial asset. The Bank identifies three key buckets of financial assets in the context of changes in the level of risk:

- Bucket 1 – includes exposures for which there has been no significant increase in credit risk since initial recognition, understood as an increase in the probability of insolvency. For such exposures, expected losses are recognised for the next 12 months or until the maturity date of the exposure if it falls in less than 12 months.
- Bucket 2 – includes exposures for which there has been a significant increase in the level of risk since initial recognition, but the event of default has not yet become probable. For such exposures, expected losses are recognised for the remaining life of the exposure.
- Bucket 3 – includes exposures for which events of default have materialised (there is an indication of impairment). For such exposures, expected losses are recognised over the remaining life of the exposure.

The Bank also identifies POCI (Purchased or Originated Credit Impaired) assets, i.e., financial assets that were credit-impaired at the date of initial recognition. For POCI exposures, expected losses are recognised over the remaining life of the exposure.

For the purposes of estimating loss allowances, the Bank uses its own estimates of risk parameters based on internal models consistent with IFRS 9. Expected credit losses are the product of individual estimated values of PD, LGD and EAD parameters for each exposure, and the final amount of expected losses is the sum of expected losses in individual periods (depending on the bucket – over the next 12 months or over the remaining life), discounted using the effective interest rate. The parameters estimated in accordance with IFRS 9 are subject to adjustment on account of macroeconomic scenarios.

Measurement of allowances for expected credit losses, provisions for financial guarantees and financing commitments in the Polish and in foreign currencies (including currency exchange differences) is recognised as the Bank's expense or income arising from the allowances and provisions.

### **Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount is disclosed in the statement of financial position only when the Bank has a legally enforceable right to offset the recognised amounts and intends to settle on a net basis, or the realize the asset and the settle the liability simultaneously.

### **Financial liabilities**

Financial liabilities after initial recognition are measured at amortised cost using the effective interest rate method. The Bank derecognises a financial liability when it is extinguished, that is when the obligation specified in the contract is either discharged or cancelled or expires.

Liabilities arising from derivative financial instruments are measured at fair value through profit or loss.

### **Equity investments**

Equity investments are classified as measured at fair value through other comprehensive income. Classification of equity investments into this measurement category is irrevocable. Gains or losses resulting from the difference between the selling price and the purchase price or from a change in the fair value of these investments are not recognised in the statement of profit or loss even if an investment is sold. Only dividend income is recognised in the statement of profit or loss.

Equity investments were classified as measured at fair value through other comprehensive income because of their investment nature and the way economic benefits are achieved through dividends received.

Equity instruments classified as measured at fair value through other comprehensive income are measured using the capital asset pricing model. The model uses financial forecasts of individual companies and market parameters such as cost of capital and beta coefficient calculated based on data from comparable companies as well as discount, liquidity premium and control premium.

### **Sell and buy-back transactions**

Securities sold under repurchase agreements (repo transactions, sell-buy-back transactions) are disclosed in the financial statements as securities if the entity retains substantially all risk and rewards incidental to ownership of such securities. A liability to a counterparty is recognised in amounts due to other banks or amounts due to clients, as appropriate.

Securities purchased under agreements to resell (reverse repo transactions, buy-sell-back transactions) are recognised as amounts due from other banks or amounts due from clients, as appropriate. The difference between the selling price and the repurchase price is treated as interest and accounted for on a straight-line basis over the term of the agreement.

Securities lent to counterparties are not derecognised from the Bank's balance sheet.

Securities borrowed by the Bank are not recognised in the financial statements unless they are sold to third parties. In such a case, the purchase and sale transactions are recognised in the financial statements and the relevant gains and losses are taken to profit or loss on trading activities.

The obligation to return borrowed securities is recorded at fair value as amounts due to clients. The risk and rewards incidental to ownership of the securities are retained by the counterparty.

### **Trade receivables and contract assets**

In the case of trade receivables and contract assets, the Bank measures expected credit losses over the entire life of those assets.

## **3.13. Non-current assets held for sale**

Non-current assets are classified as "held for sale" and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The Bank does not carry assets held for sale.

## 3.14. Intangible assets

### Licenses and software

Purchased licenses and internally developed computer software are capitalized at the amount of the costs incurred to purchase and prepare the software for use. Capitalised costs are amortised over the estimated useful life of the software on a straight-line basis.

Expenses related to maintenance of computer programs are recognised as costs when incurred or as deferred costs. Useful lives of intangible assets range from 1 to 15 years.

### Expenditure on intangible assets

The Bank recognises expenditure on intangible assets incurred in the development phase of projects carried out internally only if the Bank has the appropriate technical and financial means to complete the development and use of the asset, and has the possibility to reliably determine the expenditure incurred that can be directly attributed to the creation, production and adaptation of the asset for use in the manner intended by the management.

Capitalised costs are amortised on a straight-line basis upon completion of development work. Estimated useful lives of such assets are determined on a case-by-case basis.

### Impairment testing

Intangible assets are tested for impairment whenever there are events or circumstances indicating that the carrying amount may not be recoverable. The carrying amount is immediately reduced to the recoverable amount if the carrying amount exceeds the estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

## 3.15. Property, plant and equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation. Historical cost includes expenditure directly related to the acquisition of the assets.

Subsequent expenditure is included in the carrying amount of an item of property, plant and equipment or recognised as a separate item of property, plant and equipment (where appropriate) only when it is probable that future economic benefits associated with the item will flow to the Bank and its cost can be measured reliably. All other repair and maintenance expenses are charged to profit or loss in the accounting period in which they are incurred. Land is not depreciated.

Property, plant and equipment are depreciated on a straight-line basis over their useful lives, which for each class of property, plant and equipment are:

1. Buildings – 40 years (depreciation rate: 2.5%),
2. Leasehold improvements – 2-12 years or less if the contract so requires (depreciation rate: 10%),
3. Equipment and vehicles – 3-20 years (depreciation rate: 10%-100%).

The residual value and useful lives of property, plant and equipment are also reviewed as at each reporting date.

Depreciable items of property, plant and equipment are tested for impairment whenever there are events or circumstances indicating that the carrying amount may not be recoverable. The carrying amount is immediately reduced to the recoverable amount if the carrying amount exceeds the estimated recoverable amount. The recoverable amount is the higher of the fair value of an item of property, plant and equipment less costs to sell and value in use.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds from sale with the respective carrying amounts and recognised in profit or loss.

Property, plant and equipment under construction include assets in the course of construction or assembly, and are measured at cost less any impairment losses. An item of property, plant and equipment under construction is not depreciated until the construction or assembly work is completed and the item is placed in use.

## 3.16. Leases

The Bank classifies as leases all contracts under which it uses or leases out non-current assets for a specified period in exchange for consideration.

### The Bank as the lessor

As the lessor, the Bank classifies lease contracts as finance leases or operating leases.

The Bank classifies contracts that transfer substantially all risks and rewards incidental to ownership of the leased assets as finance leases. Other lease contracts are classified as operating leases.

### The Bank as the lessee

At the inception of the lease, the Bank, as the lessee, recognises a right-of-use asset and a lease liability.

The liability arises from the present value of future cash flows (lease payments under the lease contract) discounted using the interest rate of the lease.

The Bank applies exemptions from the requirements of IFRS 16 concerning

1. use of low-value assets – the value of the asset does not exceed PLN 20 thousand,
2. short-term leases of up to 12 months.

For exempt contracts, the Bank does not recognise right-of-use assets asset and lease liabilities. Lease payments related to such contracts are recognised as expenses in the statement of profit or loss on a straight-line basis during the lease term.

When determining the lease term, the Bank determines the non-cancellable lease term, taking into account the period covered by the extension option, if the Bank assumes the option will be exercised, and by the termination option if the Bank assumes that it will not be exercised.

The Bank revises the lease term if there is a change in the non-cancellable period of the lease.

After the commencement date of the lease, the Bank measures the right-of-use asset at cost:

1. less any accumulated depreciation and impairment losses; and
2. adjusted for remeasurement of the lease liability.

After the commencement date, the Bank measures the lease liability by:

1. increasing the carrying amount to reflect interest expense on the lease liability;
2. reducing the carrying amount to reflect the lease payments made;
3. remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised fixed lease payments.

The Bank accounts for a lease modification as a separate lease if both:

1. the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
2. the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope.

For a lease modification that is not accounted for as a separate lease, the Bank remeasures the liability by discounting the updated lease payments using an updated discount rate and recognises the remeasurement by:

1. reducing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for modifications that decrease the scope of the lease;
2. making a corresponding adjustment to the right-of-use asset for other lease modifications.

## 3.17. Deferred tax

For the purposes of these financial statements, deferred tax is calculated using the balance-sheet liability method. The Bank recognises deferred tax liabilities and assets for temporary differences arising from different recognition

of revenue and costs in accordance with the applicable accounting principles and corporate income tax rules.

Main temporary differences arise from remeasurement of certain financial assets and liabilities, including derivative contracts, provisions for retirement and other post-employment benefits, as well as deductible tax losses.

Deferred tax provisions are recognized in full amount, with the exception of:

1. where the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss, and
2. in the case of taxable temporary differences arising from investments in subsidiaries or associates and interests in joint ventures – except where the timing of the reversal of the temporary difference is controlled by the investor and where it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised when it is probable that future taxable profit will be available against which the temporary differences can be utilised, except where a deferred tax asset arises from the initial recognition of an asset or liability arising from a transaction that:

1. is not a business combination; and
2. at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Income tax on items recognised in other comprehensive income is also recognised in other comprehensive income.

Deferred income tax is determined using the tax rates (and tax laws) that are expected to be effective when the related deferred tax assets are realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or whose future effect is certain as at the reporting date.

The Bank offsets deferred tax assets against deferred income tax liabilities only if it has a legally enforceable right to set off current income tax assets against current income tax liabilities and the deferred income tax is attributable to the same taxable entity and the same taxation authority.

### 3.18. Foreclosed assets

Foreclosed assets are initially recognized at their fair value. If the fair value of a foreclosed asset is higher than the amount of the debt, the difference constitutes an amount due to the borrower and is reimbursed to the account of the owner of the foreclosed asset, after deducting costs of the foreclosure, storage and valuation of the asset.

If the fair value of a foreclosed asset is lower than the amount of the debt, the difference constitutes an amount due from the borrower which may be subject to restructuring or collection.

The Bank has no assets repossessed for debt.

### 3.19. Prepayments, accruals and deferred income

Prepayments are costs incurred in the current financial year and relating to future periods. They are disclosed in the statement of financial position as 'Other assets'.

Accrued expenses are costs pertaining to the current period that will be incurred by the Bank in future periods. Accrued expenses and deferred income are disclosed in the statement of financial position as 'Other liabilities'.

### 3.20. Provisions for employee benefits

The Bank recognises provisions for retirement benefit obligations based on estimates of such obligations calculated using an actuarial model. The actuarial model applied by the entity to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, uses the projected unit credit method.

The projected unit credit method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.



The entire amount of actuarial gains and losses is recognised in other comprehensive income.

## 3.21. Provisions

Provisions are recognised when all of the following conditions are met:

1. as at the reporting date, the Bank has a present, legal or constructive obligation to spend funds resulting from past events, and legal opinions are used to determine the existence of this obligation,
2. when the probability of there being an expense to settle the claim is greater than the probability of there not being such an expense, and
3. when the amount of that expenditure can be reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation, taking into account the time value of money (if material) and the risks associated with the liability. When the amount of the expected expenditure is discounted, the increase in the provision due to the passage of time is recognised as interest expense.

## 3.22. Equity

Equity is composed of capital and reserves created in accordance with the legal regulations, i.e., the respective acts and the Bank's Articles of Association.

### Common equity

Common equity comprises registered share capital and share premium.

The share capital is stated at par, in accordance with the Articles of Association and the entry in the National Court Register.

The share premium account is created from the excess proceeds from the issue of shares above par value remaining after covering the issue costs.

### Treasury shares

Amounts paid for repurchases of treasury shares are charged to equity and disclosed in the separate line item 'Treasury shares' in the statement of financial position.

### Revaluation reserve

The revaluation reserve comprises the change in the amount value of financial assets classified as measured at fair value through other comprehensive income resulting from their measurement and deferred tax on items recognised in the revaluation reserve, gains or losses on a hedging instrument (cash flow hedge accounting) due to the effective portion of the hedge and gains and losses on a hedged item measured at fair value through other comprehensive income (fair value hedge accounting) due to factors other than the hedged item, as well as actuarial gains and losses on a defined benefit plan.

### Retained earnings

Retained earnings include undistributed profit or loss and other components of equity, i.e., other statutory reserve funds, other capital reserves and general risk fund.

Other components of equity are recognised in profit or loss and are used for the purposes specified in the Articles of Association or the applicable laws.

## 3.23. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise items maturing within three months of the acquisition date, including: cash in hand, unrestricted balances with central banks, Treasury bills and other eligible bills, amounts due from other banks and short-term Treasury securities.

### 3.24. New standards, interpretations and amendments thereto published and approved by the European Union but not yet effective and not yet applied by the Bank

IFRS	Amendment	Date of entry into force in the EU / approval by the EU	Effect on the Bank
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 15 – IBOR reform – Phase 2	The regulations published as part of Phase 2 of the IBOR reform relate to: – changes in contractual cash flows – addition to IFRS 9 of a solution that will enable recognition of modifications to contractual cash flows due to the IBOR reform by updating the effective interest rate of the contract to reflect the transition to an alternative reference rate (there will be no obligation to cease recognition or adjust the carrying amount of financial instruments); a similar solution applies to IFRS 16 with respect to recognition of lease modifications by lessees; – hedge accounting – there will be no need to discontinue hedge accounting simply because of the changes required by the reform if the hedge meets the other hedge accounting criteria; and – disclosures – entities will be required to disclose information about the new risks arising from the reform and how they are managing the transition to alternative reference rates.	January 1st 2021/ January 15th 2021	The amendment will have no material effect on the financial statements.
Amendments to IFRS 4 <i>Insurance Contracts – Deferral of IFRS 19</i>	The amendments provide for two optional solutions to reduce the impact of the different effective dates of IFRS 9 and IFRS 17.	January 1st 2021/ December 15th 2020	The amendment will have no material effect on the financial statements.
Amendments to IFRS 16 <i>Leases – COVID-19 Related Rent Concessions</i>	The amendment provides for the possibility for lessees not to assess rent concessions occurring as a direct consequence of the COVID-19 pandemic and meeting certain conditions as a lease modification.	June 1st 2021/October 9th 2020	The amendment will have no material effect on the financial statements.
Amendments to IFRS 3 <i>Business Combinations</i>	The amendments to IFRS 3 narrow and clarify the definition of a 'business'. They also allow for a simplified assessment of whether a set of assets and activities constitutes a group of assets rather than a business. The amendments will apply prospectively.	January 1st 2020/April 21st 2020	The amendment will have no material effect on the financial statements.
Amendments to IFRS 9 <i>Financial instruments</i> ,  IAS 39 <i>Financial Instruments: Recognition and Measurement</i> and IFRS 7 <i>Financial Instruments: Disclosure of IBOR Reform</i>	The amendments provide temporary and narrow exemptions to the hedge accounting requirements of IAS 39 and IFRS 9 so that companies can continue to meet the requirements, assuming that the existing interest rate benchmarks are not altered as a result of the interbank rate reform.	January 1st 2020/ January 15th 2020	The amendment will have no material effect on the financial statements.

Amendments to IAS 1 and IAS 8 – definition of the term 'material'	The amendments to IAS 1 and IAS 8 harmonise and clarify the definition of 'material' and provide guidance to improve the consistency of the use of the concept in International Financial Reporting Standards.	January 1st 2020 / November 29th 2019	The amendment will have no material effect on the financial statements.
Amendments to the Conceptual Framework for Financial Reporting	The purpose of the amendments is to update existing references in several standards and interpretations to previous frameworks with references to the revised conceptual framework.	January 1st 2020 / November 29th 2019	The amendment will have no material effect on the financial statements.

### 3.25. New standards, interpretations and amendments thereto, which have been published and are not endorsed by the European Union

IFRS	Amendment	Date of entry into force in the EU / approval by the EU	Effect on the Bank
IFRS 17 <i>Insurance Contracts</i> , amendments to IFRS 17	IFRS 17 <i>Insurance Contracts</i> will replace IFRS 4 <i>Insurance Contracts</i> , which currently allows continued recognition of insurance contracts in accordance with the accounting policies applicable in national standards and which, as a result, implies a number of different solutions. IFRS 17 requires consistent accounting for all insurance contracts. Contractual obligations will be recognised at present value rather than historical cost. The standard is to be applied on a full retrospective basis (if that is not practicable, the entity should use either the modified retrospective approach or the fair value approach). The purpose of the amendments is to: <ul style="list-style-type: none"> <li>– reduce costs by simplifying some of the standard requirements;</li> <li>- facilitate clarification of financial results; and</li> <li>– facilitate transition to the new standard by deferring the effective date of the standard until 2023 and introducing additional expedients to facilitate the first implementation of IFRS 17.</li> </ul>	January 1st 2023 / Not specified	The amendment will have no material effect on the financial statements.
Amendments to IAS 1 <i>Presentation of Financial Statements – Classification of Liabilities</i>	The amendments concern the presentation of liabilities in the statement of financial position. In particular, they clarify that the classification of liabilities as current or non-current should be based on the rights existing at the end of the reporting period. The amendments will apply prospectively.	January 1st 2023 / Not specified	The amendment will have no material effect on the financial statements.
Amendments to IFRS 3 <i>Business Combinations</i>	The amendments to IFRS 3 <i>Business Combinations</i> update the reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.	January 1st 2022 / Second half of 2021	The amendment will have no material effect on the financial statements.
Amendments IAS 16 <i>Property, Plant and Equipment</i>	The amendments to IAS 16 <i>Property, Plant and Equipment</i> prohibit deducting from the cost of property, plant and equipment the amounts received from the sale of items produced in preparation for the asset's intended use. Instead, the company should recognise proceeds from the sale and the corresponding costs in the statement of profit or loss.	January 1st 2022 / Second half of 2021	The amendment will have no material effect on the financial statements.
Amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i>	The amendments to IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> specify what costs an entity considers when assessing whether a contract will result in a loss.	January 1st 2022 / Second half of 2021	The amendment will have no material effect on the financial statements.

## 4. Corrections of prior period errors

In the twelve months ended December 31st 2020, there were no corrections to prior period errors.

## 5. Significant estimates and judgments

The preparation of the Bank's financial statements requires judgments, estimates and assumptions that affect the reported income, expenses, assets, and liabilities and related notes, as well as disclosure of contingent liabilities. Uncertainties related to these assumptions and estimates may result in changes to carrying amounts of assets and liabilities in the future. They also require exercising professional judgment in the process of applying the adopted accounting policies.

The Bank made the assumptions and estimates concerning the future based on historical data and its knowledge as at the time of preparation of these financial statements. The estimates and assumptions are reviewed on an ongoing basis. The assumptions and estimates may change in the future due to market developments or other events beyond the Bank's control. Changes in assumptions and estimates are recognised in the period of the change or in the period of the change and future periods if the change in estimates and assumptions relate to the current period and future periods.

The Bank recognises and measures current and deferred tax assets and liabilities in compliance with the requirements of IAS 12 *Income Taxes*, based on taxable income (tax loss), tax base, unused tax losses, unused tax credits and tax rates, taking into account the assessment of uncertainty related to tax settlements. Whenever there is uncertainty as to whether and to what extent a tax authority would accept a tax settlement, the Bank discloses such settlement taking into account the assessment of uncertainty.

### 5.1. Financial assets

#### Impairment of amounts due from clients

The Bank reviews all credit exposures on a monthly basis to identify credit exposures threatened with impairment and measures the impairment of credit exposures. The measurement of impairment is based mainly on estimating the probability of impairment based on historical analysis, estimating potential losses (LGD parameter) and assessing the macroeconomic environment in which the Bank operates.

The models used to estimate allowances for expected credit losses constructed in accordance with IFRS 9 consist of elements for which the Bank uses all available historical information and forecasts. When using these models, the Bank estimates the level of credit risk with the highest possible accuracy.

Expected credit losses are calculated using the survival model with monthly granularity, as well as the PG, LGD and EAD parameters determined individually for each exposure, taking into account the exposure's expected duration.

The resulting amount of expected credit losses is the sum total of expected losses in each period (over the 12-month horizon for Bucket 1 or the remaining lifetime for Bucket 2) discounted using the effective interest rate.

The structure of the models used to estimate expected credit losses includes modelling for the following parameters:

- PD (probability of default) – estimated probability of default over a given time horizon (12-month or lifetime),
- LGD (loss given default) – part of the exposure that would not be recovered in case of default,
- EAD (exposure at default) – expected amount of exposure at the time of default.

The model also contains a component comprising macroeconomic forecasts. Due to the significant share of unique credit exposures in the Group's portfolio, whose characteristics and structure indicate little connection between their risk and the macroeconomic environment, the historically observed impact of forecasts was not material to the valuation. Accordingly, the sensitivity of the estimated loss to changes in macroeconomic forecasts is very limited.

Because of the outbreak of the COVID-19 pandemic and the risk of deterioration in the quality of the Bank's loan portfolio, a decision was made to make an expert adjustment to the PD parameter to reflect the sensitivity of individual sectors of the economy to the COVID-induced crisis. The following three severity groups were defined:

1. clients whose business has not been affected by the pandemic;
2. clients whose industries/sectors have been affected by the pandemic to a limited extent;
3. clients from industries/sectors severely affected by the credit/default risk.

In 2020, a PLN 12.3m allowance for expected credit losses caused by the COVID-induced crisis recognised.

Due to the macroeconomic factors (mainly higher foreign exchange rates), a further PLN 4.5m of loss allowance was recognised for the retail portfolio. In 2020, a PLN 4.6m provision was recognised for statutory loan deferments. The deferments concerned PLN 17m of the retail portfolio's gross carrying amount, mainly mortgage-secured loans (PLN 14m). Other factors and their projected development (mainly employment trends) did not have a significant impact on the level of allowances.

More volatility in the amount of allowances is expected in the coming periods as a result of reallocation of exposures between Bucket 1 and Bucket 2; the higher volatility results from different expected loss horizons. Estimating expected credit losses over the life of an exposure is subject to greater estimation uncertainty than estimating losses over the next 12 months due, in principle, to the longer period over which unexpected factors affecting the risk of the exposure may occur. Moreover, the financial condition of some of the Bank's clients may deteriorate, despite the support and relief offered by the banking sector and the government to mitigate the effects of the COVID-19 pandemic.

Theoretical reallocation as at December 31st 2020 of 1% of the exposures from Bucket 1 with the highest risk level to Bucket 2 for each type of exposure would result in a PLN 33.36m increase in the amount of allowances.

In December 2020, the sensitivity of the amount of impairment allowances to changes in the LGD parameters was analysed using the group method. If recovery rates changed by +/- 10 percentage points, the estimated amount of loss allowances for clients would decrease by PLN 28.9m or increase by PLN 28.9m, respectively.

### SPPI test

The SPPI test is an assessment of whether the cash flows arising from financial assets held in the HtC and HtCS models constitute only payments of principal and interest on the principal. This assessment (in addition to the business model) determines the classification of financial assets into the category of measurement at amortised cost or fair value through other comprehensive income. Therefore, this assessment is crucial for the adoption of a correct measurement principle for loan agreements and other financial contracts that are the core business of the Bank.

Under IFRS 9, the amount of principal amount is the fair value the financial assets at initial recognition. Interest represents consideration for the time value of money, a margin for the credit risk and other risks incurred in holding the principal, and a profit margin.

The SPPI test includes an analysis of concluded contracts/agreements to determine cash flow characteristics resulting from these contracts/agreements. The SPPI test is considered to permit classification into the amortized cost or fair value through other comprehensive income measurement categories if there are no identified characteristics of cash flows whose timing or formula for determining their value depends on factors other than those that meet the definition of principal and interest on principal. The characteristics that do not meet this definition include:

- leverage,
- making the consideration contingent on conditions unrelated to the time value of money or the risk incurred,
- early repayment options, but early repayment in an amount equal to the unpaid portion of principal and interest including reasonable early repayment consideration is deemed to satisfy the SPPI test.

The Bank conducts the SPPI test for all financial assets subject to this assessment, with the SPPI test being conducted at the product group level for assets originated under standard documentation, while for negotiated assets it is conducted on a contract-by-contract basis. The SPPI test resulted in the identification of a portion of loan agreements where the interest rate is based on a multiplier formula (leverage). These are some of the preferential loans provided with support from the National Fund for Environmental Protection and Water Management. Accordingly, the loans were classified as measured at fair value through profit or loss.

## Business model

Assessment of the business model is an important estimation due to the fact that, under IFRS 9, it is one of the elements determining the classification of financial assets to an appropriate measurement category. The Bank establishes business models within which financial assets are managed, based primarily on their business objectives and the manner in which financial results are achieved. Changes in the business model may occur only in case of material internal or external changes in the activities of the Group, and will be determined by the management. Business models are expected to be changed rarely. Specifically, a change in business objective for a particular financial asset does not constitute a change in the business model.

## 5.2. Fair value of financial instruments

The value of financial instruments not listed in active markets is determined using valuation models accepted by the market. They take into account, among other things, the present value of future cash flows (discounted using a zero coupon curve with a margin), comparable transaction prices (if any), as well as reference to similar instruments quoted in active markets. In the rare cases where it is not possible to use such models and fair value cannot be determined reliably, financial instruments are carried at cost. For information on the sensitivity of financial instruments, see Note 47.

## 5.3. Provision for retirement benefits

Any employee who reaches retirement age is entitled to a retirement benefit.

Retirement benefits related to pre-retirement benefits or allowances and retirements as part of collective redundancies are not included in the calculation and if they occur in the future, the provision should be separately recalculated.

An employee who has acquired disability pension entitlements under social security due to permanent incapacity to work has a right to a disability benefit.

Both the retirement benefit and the disability benefit are calculated on the basis of the employee's remuneration, calculated as holiday pay, at the time when the benefit entitlement has been accrued.

Depending on the length of service at Bank Ochrony Środowiska S.A., the amount of retirement benefit is as follows:

- up to 10 years of service                      100%,
- more than 10 years of service              200%,
- more than 15 years of service              250%.

The calculation was based on employees' salaries and wages as at December 31st 2020.

## 5.4. Taxation

The Polish law on corporate income tax, personal income tax, value added tax or social security contributions is subject to frequent changes, resulting in the lack of well-established practice, ambiguity and inconsistency. This situation gives rise to differences in the interpretation of tax legislation by public authorities and taxpayers. Tax settlements and other settlements (e.g., settlement of customs duties) may be subject to inspection by competent authorities for up to six years. The competent authorities have the power to impose significant penalties with interest. There is a risk that the authorities bodies will take a different stance from that of the Company with respect to the interpretation of the regulations, which could affect the amount of public charges disclosed in the financial statements.

The Bank recognises a deferred tax asset based on the assumption that taxable profit will be earned in the future to allow the asset to be utilised. If taxable profit deteriorates in the future, this assumption may prove unwarranted.

## 5.5. Provision for legal risk concerning the portfolio of mortgage loans denominated in foreign currencies

In the consolidated financial statements as at December 31st 2020, the Bank recognised a provision for the risk related to mortgage loans denominated in foreign currencies. The provision was recognised in accordance with IAS 37 based on certain assumptions about cash outflows or decrease in amounts due from clients.

The provision covers the costs assumed in the adopted scenarios of possible resolution of the issue, i.e.,: reaching out-of-court settlements with clients or unfavourable court rulings. The provision also accounts for the impairment identified in accordance with the expected credit loss model (that is impairment of loans with respect to which the clients have filed court actions to have the agreements rescinded).

The total amount of the provision is PLN 399m, of which PLN 376m is disclosed as a provision for court proceedings and legal risk of claims related to foreign currency mortgages, and the balance of PLN 23m is disclosed as additional allowances for expected credit losses.

It is estimated that with respect to some of the loans in the currency mortgage portfolio the Bank may, in justified cases, enter into out-of-court settlements to mitigate the legal risk.

With respect to the scenario that takes into account the possibility of concluding out-of-court settlements with clients, it was assumed that the sector-wide resolution of the issue of foreign currency-denominated mortgage loans (particularly CHF-denominated mortgages) proposed by the Chairman of the Polish Financial Supervision Authority would materialise. These assumptions are based on conversion of the existing loans denominated in or indexed to a foreign currency into PLN-denominated products. It is further proposed that the hitherto repayments of the loans denominated in or indexed to foreign currencies would be settled as if they had been PLN-denominated products since the outset, i.e., based on repayment schedules with interest accruing at WIBOR rates plus margin. As a result of such conversion, the value of the existing portfolio of foreign currency-denominated loans will decrease, which is reflected in the amount of the provision.

In connection with recent unfavourable court rulings, probabilities were assigned to individual scenarios whereby final court decisions are unfavourable for the Bank. The scenarios of unfavourable outcomes are based on legal opinions and the Bank's experience to date and include invalidation of loan agreements, conversion of loans into PLN-denominated products, and refund by the Bank of the margin charged for currency conversion at loan disbursement or receipt of repayments. The provision calculation model also contains assumptions as to the forecast increase in the number of lawsuits filed by clients over a period of three years. The date of the loan, which determines the statute of limitations for claims, is also important in estimating financial loss.

At the time of issue of these consolidated financial statements, the number of court cases closed by a final court judgment is small and does not constitute a reliable basis for assessing the risk of a specific resolution scenario. Therefore, the estimate of legal risk provisions for the portfolio of mortgage loans denominated in or indexed to foreign currencies is uncertain and the amount of the provision may change in the future. The provision is subject to periodic monitoring and reviews.

The Bank performed a sensitivity analysis of the estimate of the litigation provision due to the change in key parameters related to the probability of the Bank losing court cases and the probability of the scenario whereby loan agreements are declared invalid.



PLNm

MODEL SENSITIVITY	PARAMETER CHANGE		
	-25 p.p.	BASE-CASE SCENARIO	+25 p.p.
PROBABILITY OF LOSING COURT CASE	-37	399	+28
PROBABILITY OF LOAN BEING DECARED INVALID	-12	399	+12
WILLINGNESS OF THE CLIENTS TO REACH AGREEMENT	-23	399	+23

Note 38 presents factors and circumstances that may have a material impact on the amount of the litigation provision for the portfolio of mortgage loans denominated in foreign currencies, such as the expected session of the Civil Chamber of the Supreme Court or the possible introduction of the Settlement Programme.

## 5.6. Provision for refund of loan costs in case of early repayment

The provision for reimbursement of consumer credit costs on account of early repayment was recognised in accordance with IAS 37, with the assumptions regarding early repayment of consumer credit made for the loan portfolio as at December 31st 2020.

As at December 31st 2020, ten court proceedings were pending against the Bank for reimbursement of consumer credit costs on account of early repayment. The amount of the provision for early repayment refunds was PLN 1.53m.

## 6. Risk management

### 6.1. Credit risk

#### Definition of credit risk

Credit risk is defined as the risk of potential loss due to default by a client or counterparty at a contractual date.

In 2020, in order to limit the negative impact of the economic consequences of the COVID-19 pandemic on the quality of the loan portfolio, the Bank applied specific financing and client monitoring policies, adapting them to the current market and epidemic situation. In the applied solutions, the Bank was guided by the Supervisory Stimulus Package for Security and Development prepared by the Polish Financial Supervision Authority (KNF), as well as the Position of banks with respect to harmonisation of rules of offering assistance tools for the banking sector (non-legislative moratorium) prepared in consideration of the European Banking Authority's Guidelines on legislative and non-legislative moratoria on loan repayment applied in the light of the COVID-19 crisis.

The Bank actively participated in assistance programmes carried out under the government's relief measures.

#### Credit risk management methods

The Bank pursues its credit risk management policy on an individual basis (credit transaction) and on a portfolio basis taking into account the level of risk appetite.

The risk appetite was determined within the limits set by prudent and stable risk management practices and is assumed to be moderate.

The credit risk management process at the Bank included in particular:

1. procedures for assessing the risk of a single transaction, establishing collateral and making credit decisions,
2. monitoring the level of risk, setting exposure limits, and stress-testing,
3. rating and scoring models applied to assess the risk of retail and institutional clients,
4. principles of responsibility in the credit risk assessment process,
5. portfolio-based assessment of credit risk,
6. rules for management of retail and mortgage-backed exposures,
7. rules for identifying impaired exposures and determining impairment losses,
8. rules of reporting to the Bank's management staff,
9. IT systems supporting the implementation of these tasks.

Credit risk at the transaction level was managed in accordance with the following rules:

1. each credit transaction required a comprehensive assessment of credit risk, reflected in an internal rating or scoring,
2. credit decisions were based on client's creditworthiness,
3. credit risk of potential and concluded credit transactions was measured at origination and was subsequently monitored,
4. the credit process ensured independence of the credit risk assessment functions from the sales function,
5. credit decisions were made by persons authorized to do so,
6. terms of credit transactions offered to clients depended on the level of credit risk associated with a given client and/or transaction.

The financing of a single transaction was conditional on:

1. the borrower's ability to repay the requested facility in accordance with the schedule agreed upon with the Bank,
2. provision of collateral in the form and in the amount acceptable to the Bank in so far as internal regulations require,
3. fulfilment by the borrower of other criteria, such as, in particular, results of the client's relationship with the Bank to date and assessment of the client's credit history in the banking sector.

The portfolio credit risk was managed using various methods of credit risk measurement and assessment, including:

1. assessment of the likelihood of insolvency,
2. assessment of the expected credit loss,
3. the matrix of migration between delinquency periods and classes of risk,
4. credit generation analysis (analysis of loans provided over a given period of time),
5. the share and structure of non-performing loans in the portfolio,
6. the share and structure of impaired exposures and exposures with indications of impairment.

The Bank has a Credit Risk Management Committee whose purpose is to shape the principles of credit risk management and monitoring, within the framework defined by the relevant strategy, policy or rules adopted by the Bank's Management Board or Supervisory Board.

The Committee operates in the following core areas:

1. credit risk management and credit process,
2. valuation of assets,
3. credit risk assessment models and methodologies.

In addition, the Supervisory Board is supported in its risk oversight functions by the Risk Committee. The Risk Committee is composed of members of the Supervisory Board. In particular, the Committee gives its opinion on the Bank's overall current and future risk appetite and risk management strategy, supports the Supervisory Board in the implementation of this strategy, and verifies whether the prices of assets and liabilities offered to clients are fully consistent with the Bank's business model and its risk strategy.

### **Processes established for risk management**

In 2020, the Bank continued efforts to improve the efficiency of its risk assessment processes, including optimisation of the credit monitoring, credit decision, and credit application processes, and took steps to reduce the credit portfolio concentration level.

As part of its risk monitoring process, the Bank performed risk assessments prior to the origination and throughout the life of loan transactions. For risk assessment principles, see 'Risk assessment techniques'.

The frequency and scope of risk monitoring depended on the level of the identified risk. The monitoring was carried out by a separate organisational unit within the credit risk assessment and management functions; the units responsibilities include monitoring of the loan portfolio and valuation of individually significant exposures.

The risk of untimely debt service or default as well as and the risk of loss or decrease in the value of collateral were mitigated using an early warning system, managed by the risk monitoring unit.

If the Bank identified a situation that could jeopardize timely debt repayment, the Bank used reminders and carried out restructuring procedures using appropriate IT tools.

The Bank had in place a Policy for Management of Non-Performing Exposures, which defines steps to be taken to achieve reduction, within a prescribed time limit, of non-performing exposures and an action plan that supports the implementation of this policy.

In the process of risk assessment and monitoring, the Bank used information from internal databases and external sources, including from Biuro Informacji Kredytowej S.A. (credit bureau), Krajowy Rejestr Długów (debt register) and Centralna Bazy Danych – Bankowy Rejestr (bank register).

The Bank assessed credit risk using rating and scoring models. The models were built, developed, monitored and supervised by the Risk Area, taking into account internal and external requirements. Significant models were subject to periodical validation at least annually, performed by an independent validation unit.

The Bank operated a multi-level credit decision-making system based on the principle that the higher the risk of a transaction resulting due to its complexity, the amount of exposure or the client's economic and financial situation, the higher the decision-making level at which the credit decision must be made. The decision-making levels with the highest authority are the Head Office Credit Committee and the Management Board of the Bank. Credit decisions are made upon prior verification of risk made by a risk assessment and management specialist, i.e., a risk expert from a separate organizational unit in the Bank's Head Office, independent from the sales functions.

In credit decisions on transactions concluded with members of the Bank's bodies or persons holding managerial positions at the Bank, or entities affiliated with them through equity or organisational links, the Bank was guided by the requirements of the Banking Law Act.

The Bank preferred collateralised transactions, with the proviso that in the retail segment the maximum amount of unsecured transactions was determined taking into account features of credit products, the impact of such transactions on the Bank's performance and the amount of potential losses.

The level of collateral depended on the level of risk generated by the transaction, including in particular the type of transaction and its duration.

In determining the amount of the required collateral, the Bank was guided by the principle of prudent valuation.

When selecting the form of security, the Bank took into account:

1. adequate protection of the Bank's interests,
2. the amount of costs related to establishing the security,
3. the ability to quickly liquidate collateral.

In assessing, monitoring, verifying and updating the value of collateral, the Bank uses external databases, including AMRON and Cenatorium.

### **Risk assessment techniques**

Clients and transactions were subject to a comprehensive credit risk assessment process incorporating the relevant supervisory requirements.

The Bank applied various risk assessment models, depending on the type of client and credit transaction.

The credit risk assessment model for retail clients (natural persons) seeking financing for non-business purposes included quantitative analysis (determination of the amount and stability of sources of funds for debt repayment) and qualitative analysis (assessment of characteristics of the client that have a material bearing on the client's willingness to repay the credit obligation in accordance with the agreed schedule, including scoring and assessment of the client's behaviour based on information from Biuro Informacji Kredytowej S.A.). The assessment process took into account the provisions of Recommendations T and S of the PFSA, in particular with respect to the levels of Dtl and LtV ratios and the applicability of the simplified credit assessment procedure.

The credit risk assessment model for retail clients seeking financing for business purposes or for statutory activity (municipal borrowers) focused on two areas: assessment of the client and assessment of the transaction.

Client assessment involved quantitative and qualitative elements. The quantitative assessment focused on the key areas of the client's business activity with a bearing on profit generation capacity and financial liquidity. Depending on the type of client, the qualitative assessment included analysis of development plans, experience and skills of the managing personnel, and quality of relations with external stakeholders, including the Bank.

To the extent specified in the Bank's internal regulations, client assessment was made against the background of the economic situation in the client's industry, on the local market and in the country. In addition, for selected transactions, the assessment took into account the scale of the client's exposure to negative effects of movements in interest rates and foreign exchange rates as well as the client's policy of hedging against foreign exchange and interest rate risks.

The model for assessing the risk of local government units included analysis of the client based on assessment of key budget indicators, debt ratios as well as analysis of the credit transaction, including assessment of the projected debt ratios, the quality of collateral and the duration of the transaction.

Where financing was sought by an entity operating within a group of related parties, the Bank assessed the credit risk taking into account the economic and financial condition of the group.

The transaction was assessed in particular on the basis of an assessment of the purpose of the financing, the length of the facility term and the value of the collateral. The Bank proposed financing structures that ensured risk sharing between borrowers and the Bank, mainly through involvement of the borrowers' own funds adequate to the scale of the risk.

### Impact of the COVID-19 pandemic on the Bank's credit risk

In order to mitigate the negative impact of the COVID-19 pandemic on the quality of the loan portfolio, the Bank implemented a number of restrictions on new loan applications, including:

1. blanket ban on funding for industries that were particularly affected by the pandemic,
2. reducing LtV limits for mortgage loans,
3. tighter criteria for retail lending.

The Bank also implemented a number of relief instruments and facilities for borrowers to mitigate the impact of the pandemic, including:

1. special rules governing financing and monitoring of clients, in line with the solutions proposed by the PFSA in the Supervisory Stimulus Package for Security and Development,
2. possibility of granting financing based on forward-looking creditworthiness and simplified liquidity projections, while adjusting the main measures of credit risk to the degree of economic uncertainty,
3. guidelines on specific procedures for processing loan-deferment applications and applications for renewal of revolving facilities based on non-statutory moratorium.

During the pandemic, the Bank modified the restrictions depending on market conditions, reducing or removing most of the restrictions on personal financing and the LtV limits for residential loans.

### Credit risk assessment tools

In order to measure credit risk, the Bank uses various tools/applications in which the applicable rating/scoring models and creditworthiness assessment methodology have been implemented.

The diversity of applications used is related to customer segmentation and/or types of credit transactions.

### Description of individual concentration risks, methods of their assessment and monitoring

The Bank managed concentration risk in accordance with the rules set out in the Concentration Risk Management Policy.

The Bank identified, measured, monitored and reported the concentration risk on the following levels:

1. an individual client/transaction, and
2. the loan portfolio.

At the client and transaction level, the concentration risk was managed in compliance with the supervisory exposure limits, in particular those under Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26th 2013 or the Banking Law, as well as by applying the principle that the risk assessment and monitoring process depends on the amount of credit exposure.

At the loan portfolio level, the concentration risk was managed by observing internal limits or warning values approved by the Bank's Management Board or Supervisory Board for limits used by the Bank to determine the acceptable level of appetite for credit risk.

In particular, the Bank applied the following limits:

- geographical limits – limit of exposure to other countries;
- product-specific limits – e.g., maximum LTV;
- limits for the portfolio of mortgage loans and loans financing real property – in compliance with the PFSA Recommendations,
- limits for selected sectors of the economy,
- limits concerning the share of foreign currency loans in the Bank's portfolio,
- limits for the aggregate exposure to related entities/groups of related entities with respect to which the Bank's exposure exceeds 10% of the Bank's eligible capital,
- limits for the aggregate exposure to related entities/groups of related entities, depending on the rating of the related entity/group of related entities,
- sector limits;
- limits for credit exposures towards the Bank's subsidiaries.

In 2020, the Bank introduced a limit on exposures under credit transactions to which special funding rules were applied in connection with the COVID-19 pandemic.

In the concentration risk management process, the Bank used an early warning system for internal limits. The system is based on distinguishing three levels of limit utilisation and gradual implementation of measures mitigating the risk of exceeding the limit.

The utilisation of the limits was monitored and reported to the Bank's governing bodies on a regular basis, in accordance with the Bank's internal regulations.

## 6.1.1. Methodology for recognising impairment of credit exposures

At each reporting date, the Bank reviews credit exposures, which consists in identification of credit exposures threatened with impairment and exposures with regard to which a significant increase in credit risk has been reported since their initial recognition – taking into account reasonable and supportable information, including forward-looking information. Subsequently, it designates an allowance for expected credit losses based on the allocation of the exposure to three Buckets depending on changes in credit quality. As a general rule, all new exposures other than POCI assets are allocated to Bucket 1 exposures.

Based on the amount and the risk profile, the Bank classifies credit exposures into exposures measured individually and exposures measured using the group method, and assesses them for any indications of impairment.

Apart from POCI assets, the Bank recognises as impaired those exposures for which there has been indications of impairment due to one or more events occurring after the initial recognition and the event giving rise to a loss affects the exposure's expected cash flows which can be reliably estimated.

In particular, the Bank recognises the following as indications of impairment:

1. a delay in repayment of principal or interest exceeding 90 days, excluding credit exposures to banks for which a delay in repayment of principal or interest exceeding seven days is considered to be an indication of impairment,
2. deterioration of the economic and financial situation of the debtor during the facility term which causes reclassification of the debtor to rating class 14 or worse, reflecting a threat to the repayment of the debt,
3. granting by the Bank to the client, for economic or legal reasons arising from the client's economic and financial difficulties, of a concession in the terms of financing (conclusion of a restructuring agreement),
4. deterioration of financial metrics, including liquidity and debt service capacity of the client,
5. declaration of bankruptcy, high probability of bankruptcy or other reorganisation affecting the debtor's financial condition and solvency,
6. occurrence of other events that are equivalent to the client's becoming insolvent, resulting in the client's inability to repay the debt on time.

Additionally, credit exposures related to the financing of wind farm projects are also considered to be impaired if there is a cash deficit during the term of the facility and if the company's valuation turns negative in the scenario of potential debt restructuring modelled by the Bank until the end of the financing period.

Measurement of impairment of credit exposures using the case-by-case approach is based on the calculation of the present value of expected future cash flows discounted at the original effective interest rate. For loans with collateral, the present value of expected future cash flows includes the cash flows that may be obtained from enforcement of the collateral, less the costs of enforcement and sale of the collateral. For credit exposures related to financing of wind farm projects, the present value of expected future cash flows is estimated on the basis of a valuation model which simulates individual cash flows that are likely to be generated by a given project based on specified, modifiable valuation parameters. If the present value of realisable cash flows declines, an allowance is recognised in the amount corresponding to the expected credit loss due to the debtor's failure to meet its obligations to the Bank.

The individual (case-by-case) approach to impairment assessment is applied to:

1. individually significant credit exposures:
  - a. which meet the criteria for recognition of individual impairment or which are quarantined; or
  - b. which are an exposure to a client to which the Bank has other credit exposures for which an indication of impairment has been identified (propagation of impairment); or

2. individually non-significant credit exposures for which an indication of impairment has been identified or exposures are quarantined, provided that at the time of recognition of impairment they were individually significant and met additional conditions specified by the Bank,
3. individual non-significant credit exposures with unique credit risk characteristics.

Impairment losses on receivables which are considered individually non-significant and for which evidence of impairment has been identified are calculated based on impairment measurement parameters estimated using statistical methods based on historical data for separate portfolios grouped for combined measurement of impairment according to similar credit risk characteristics. Historical loss trends are adjusted for non-recurring events.

As part of the group approach, the Bank applies a breakdown into the following eight homogeneous risk portfolios within the two client segments (retail and institutional):

1. retail mortgage loans (the portfolio is further segmented by level of LTV and loan currency),
2. retail cash loans,
3. retail mortgage-backed cash loans,
4. retail exposures to micro-enterprises (excluding mortgage-backed cash loans), except for micro-enterprises applying the accounting principles arising from the Accounting Act (full accounts) and classified as retail clients,
5. retail exposures to micro-enterprises applying the accounting principles arising from the Accounting Act (full accounts) and classified as retail clients,
6. other retail clients,
7. corporate clients, including financial institutions and environmental funds,
8. public finance clients.

Reversal of a loss, i.e., reclassification of a loan to unimpaired exposures is possible after the evidence of impairment ceases to exist and after the lapse of a quarantine period in which no impairment evidence is identified.

For the exposures for which no evidence of impairment has been identified, the Bank recognises loss allowance the group approach.

For the purposes of assessing whether there has been a significant increase in credit risk since initial recognition, the Bank compares the risk of default over the expected period of funding as at the reporting date and as at the date of initial recognition. The Bank considers that a significant increase in credit risk has been identified for an asset if the quantitative or qualitative criterion is met or if the time past due exceeds 30 days; the criteria are reviewed at the level of exposures.

### Quantitative criteria

The reference underlying the allocation of retail exposures to Bucket 2 is determined by the Bank as the difference between:

1. the current credit risk assessment defined as a lifetime PD in the time horizon from the reporting date to the maturity date, determined on the basis of risk characteristics applicable at the reporting date,
2. the initial credit risk assessment defined as a lifetime PD in the time horizon from the reporting date to the maturity date, determined on the basis of risk characteristics applicable at the date of initial recognition.

The Bank determines a significant deterioration in credit risk by comparing the observed value of a relative change in risk assessment with its theoretical value, which is the threshold above which the Bank considers a significant deterioration in credit risk to have occurred.

The allocation threshold at the level of a single exposure is determined using a statistical model based, among other things, on information about credit risk assessment as at the date of initial recognition and the time since the date of initial recognition.

For corporate exposures, allocation of exposures to Bucket 2 is based on the assumption that the rating of the exposure remains stable over time (the Bank did not expect the rating to improve over time) and occurs as a result of a deterioration in the debtor's economic and financial condition during the facility term, which is reflected in rating grade 12 or 13, or reallocation to a rating grade 9-11 if the rating assigned at initial recognition was lower than 6.

## Qualitative criteria

The Bank allocates exposures to Bucket 2 in the following cases:

1. there is a delay in repayment (beyond a specified material threshold) of more than 30 days as at the reporting date or such delay has been reported at least once on the last three reporting dates,
2. forbore exposure for which the evidence of impairment has ceased to exist and the quarantine period, during which the evidence was not identified, has expired,
3. an exposure become a forbore exposure.

In addition to the above criteria, the Bank defined other specific qualitative criteria, such as criteria specific to clients in a given sector, criteria identified in the course of monitoring of institutional clients (exposures with higher risk, exposures on watch list), or exposures identified through multi-factor and holistic credit risk analysis.

In accordance with paragraph 5.5.10 of IFRS 9, the Bank identifies exposures with low credit risk. A credit exposure has a low risk of default if the borrower has a strong short-term capacity to meet its contractual obligations and adverse changes in economic and business conditions over the longer term may – but not necessarily will – reduce the borrower's ability to meet its contractual cash flow obligations.

The Bank applies the Low Credit Risk approach to exposures from the public finance portfolio which do not meet the qualitative criteria for allocation to Bucket 2 and for which no evidence of impairment has been identified.

For the purposes of estimating impairment losses (expected credit losses), the Bank continues to use its own estimates of risk parameters based on internal models consistent with the requirements of IFRS 9 requirements (such as exposure lifetime estimates or forecasts of future macroeconomic conditions). The Bank has developed a parametrisation methodology and built models consistent with IFRS 9. Expected credit losses are the product of individual estimated values of PD, LGD, EAD and CCF parameters for each exposure, and the final amount of expected losses is the sum of expected losses in individual periods (depending on the Bucket – over the next 12 months or over the remaining life), discounted using the effective interest rate. The parameters estimated in accordance with IFRS 9 are subsequently adjusted to reflect expectations regarding the macroeconomic situation. The Bank adjusts risk parameters to take account of future macroeconomic information (such as GDP, unemployment rate, WIBOR, FX rates, inflation) for portfolios for which it has identified relevant relationships with such information. Internally developed scenarios are used. Forecasts prepared by the Bank's economic analysts are the source of macroeconomic inputs.

The amount of allowances for expected credit losses, provisions for financial guarantees and financing commitments in the Polish and in foreign currencies (including currency exchange differences) is recognised as the Bank's expense or income arising from the allowances and provisions.

The methodology and assumptions adopted by the Bank to estimate impairment are reviewed on a regular basis in order to reduce the difference between estimated and actual losses. Back-testing is performed to assess the adequacy of impairment losses determined using the group method and the case-by-case approach; results of back-testing are used to determine process improvement measures.



## 6.1.2. Amounts due from banks

Below are presented gross amounts due from other banks by rating groups assigned by Moody's, Fitch and Standard & Poor's (S&P):

Item	December 31st 2020	December 31st 2019
<b>Moody's</b>		
A1	49,465	46,281
A2	16,871	46,680
A3	3,045	2,030
Aa1	7,957	9,664
Aa2	864	417
Aa3	21,061	12,622
Baa1	3,016	5,898
Baa3	-	683
<b>Fitch</b>		
A-	25,090	10,090
BBB	-	516
BBB-	538	-
<b>unrated</b>		
	14,108	14,037
<b>Total</b>	<b>142,015</b>	<b>148,918</b>

Internal rating	Equivalent Moody's class	December 31st 2020	Equivalent Moody's class	December 31st 2019
E	Ba3, B1	14,108	Ba3, B1	14,037
<b>Total</b>		<b>14,108</b>		<b>14,037</b>

### 6.1.3. Amounts due from clients

Item	December 31st 2020	December 31st 2019
Amounts due from clients measured at amortised cost		
Amounts due from clients without indications of impairment, including:	10,991,922	11,152,839
<i>exposures without significant credit risk increase since initial recognition (Bucket 1)</i>	8,520,818	8,705,917
<i>exposures with significant increase in risk since initial recognition (Bucket 2), including:</i>	2,471,104	2,446,922
<i>wind farms</i>	1,168,694	1,292,781
Amounts due from clients with indication of impairment (Bucket 3) but with no impairment identified given the estimated cash flows, including:	358,808	425,446
<i>wind farms</i>	241,329	275,468
Amounts due from clients with indications of impairment, impaired (Bucket 3), including:	1,677,430	1,571,648
<i>wind farms</i>	13,434	13,553
<b>Total amounts due from clients measured at amortised cost (gross)</b>	<b>13,028,160</b>	<b>13,149,933</b>
<b>Impairment losses on:</b>		
<i>amounts due from clients – (Bucket 1)</i>	-85,011	- 80,025
<i>amounts due from clients – (Bucket 2), including:</i>	-128,655	- 125,160
<i>wind farms</i>	- 30,947	- 32,837
<i>amounts due from clients – (Bucket 3) with no indications of impairment, including:</i>	- 11,097	- 12,373
<i>wind farms</i>	- 9,586	- 10,495
<i>amounts due from clients – (Bucket 3) with indications of impairment, including:</i>	-971,361	- 945,957
<i>wind farms</i>	- 1,578	- 8,790
<b>Total impairment losses</b>	<b>- 1,196,124</b>	<b>- 1,163,515</b>
<b>Total amounts due from clients measured at amortised cost (net)</b>	<b>11,832,036</b>	<b>11,986,418</b>
<b>Amounts due from client measured at fair value through profit or loss</b>		
Fair value, including:	25,514	38,285
<i>wind farms</i>	-	-
<b>Total amounts due from clients measured at fair value through profit or loss</b>	<b>25,514</b>	<b>38,285</b>
Security deposits	31,704	4,317
Other receivables	2,599	-
<b>Total amounts due from clients</b>	<b>11,891,853</b>	<b>12,029,020</b>

**Classification of amounts due from clients by measurement category, by segment:**

December 31st 2020	Institutional clients	Retail clients	Retail client – housing loans	Retail clients – other loans	Total
<b>Amounts due from clients measured at amortised cost</b>					
Amounts due from clients without indications of impairment,	7,690,377	3,301,545	2,719,897	581,648	10,991,922
<i>exposures without significant credit risk increase since initial recognition (Bucket 1)</i>	5,421,590	3,099,228	2,556,871	542,357	8,520,818
<i>exposures with significant increase in risk since initial recognition (Bucket 2), including:</i>	2,268,787	202,317	163,026	39,291	2,471,104
<i>wind farms</i>	1,168,694	-	-	-	1,168,694
Amounts due from clients with indication of impairment (Bucket 3) but with no impairment identified given the estimated cash flows, including:	355,191	3,617	2,160	1,457	358,808
<i>wind farms</i>	241,329	-	-	-	241,329
Amounts due from clients with indications of impairment, impaired (Bucket 3), including:	1,185,000	492,430	309,245	183,185	1,677,430
<i>individually assessed</i>	1,130,569	120,045	100,001	20,044	1,250,614
<i>wind farms</i>	13,434	-	-	-	13,434
<b>Total amounts due from clients measured at amortised cost (gross)</b>	<b>9,230,568</b>	<b>3,797,592</b>	<b>3,031,302</b>	<b>766,290</b>	<b>13,028,160</b>

December 31st 2020	Institutional clients	Retail clients	Retail client – housing loans	Retail clients – other loans	Total
<b>Impairment losses on:</b>					
amounts due from clients – (Bucket 1)	-69,502	-15,509	-5,340	-10,169	-85,011
amounts due from clients – (Bucket 2), including:	-106,965	-21,690	-13,243	-8,447	-128,655
<i>wind farms</i>	-30,947	-	-	-	-30,947
amounts due from clients – (Bucket 3) with no indication of impairment, including:	-11,086	-11	-4	-7	-11,097
<i>wind farms</i>	-9,586	-	-	-	-9,586
amounts due from clients – (Bucket 3) with indications of impairment, including:	-672,002	-299,359	-166,842	-132,517	-971,361
<i>individually assessed</i>	-629,700	-63,600	-54,670	-8,930	-693,300
<i>wind farms</i>	-1,578	-	-	-	-1,578
<b>Total impairment losses</b>	<b>-859,555</b>	<b>-336,569</b>	<b>-185,429</b>	<b>-151,140</b>	<b>-1,196,124</b>
<b>Total amounts due from clients measured at amortised cost (net)</b>	<b>8,371,013</b>	<b>3,461,023</b>	<b>2,845,873</b>	<b>615,150</b>	<b>11,832,036</b>
<b>Amounts due from clients measured at fair value through profit or loss</b>					
Fair value, including:	24,322	1,192	427	765	25,514
<i>wind farms</i>	-	-	-	-	-
<b>Total amounts due from clients measured at fair value through profit or loss</b>	<b>24,322</b>	<b>1,192</b>	<b>427</b>	<b>765</b>	<b>25,514</b>
Security deposits	31,704	-	-	-	31,704
Other receivables	2,599	-	-	-	2,599
<b>Total amounts due from clients</b>	<b>8,429,638</b>	<b>3,462,215</b>	<b>2,846,300</b>	<b>615,915</b>	<b>11,891,853</b>

December 31st 2019	Institutional clients	Retail clients	Retail client – housing loans	Retail clients – other loans	Total
<b>Amounts due from clients measured at amortised cost</b>					
Amounts due from clients without indications of impairment,	7,683,986	3,468,853	2,826,680	642,173	11,152,839
<i>exposures without significant credit risk increase since initial recognition (Bucket 1)</i>	5,460,382	3,245,535	2,647,037	598,498	8,705,917
<i>exposures with significant increase in risk since initial recognition (Bucket 2), including:</i>	2,223,604	223,318	179,643	43,675	2,446,922
<i>wind farms</i>	1,292,781	-	-	-	1,292,781
Amounts due from clients with indication of impairment (Bucket 3) but with no impairment identified given the estimated cash flows, including:	423,005	2,441	1,561	880	425,446
<i>wind farms</i>	275,468	-	-	-	275,468
Amounts due from clients with indications of impairment, impaired (Bucket 3), including:	1,216,732	354,916	212,400	142,516	1,571,648
<i>individually assessed</i>	1,139,312	96,062	77,074	18,988	1,235,374
<i>wind farms</i>	13,553	-	-	-	13,553
<b>Total amounts due from clients measured at amortised cost (gross)</b>	<b>9,323,723</b>	<b>3,826,210</b>	<b>3,040,641</b>	<b>785,569</b>	<b>13,149,933</b>

December 31st 2019	Institutional clients	Retail clients	Retail client – housing loans	Retail clients – other loans	Total
<b>Impairment losses on:</b>					
<i>amounts due from clients – (Bucket 1)</i>	-62,088	-17,937	-5,883	-12,054	-80,025
<i>amounts due from clients – (Bucket 2), including:</i>	-98,348	-26,812	-16,790	-10,022	-125,160
<i>    wind farms</i>	-32,837	-	-	-	-32,837
<i>amounts due from clients – (Bucket 3) with no indication of impairment, including:</i>	-12,362	-11	-6	-5	-12,373
<i>    wind farms</i>	-10,495	-	-	-	-10,495
<i>amounts due from clients – (Bucket 3) with indications of impairment, including:</i>	-715,871	-230,086	-129,270	-100,816	-945,957
<i>    individually assessed</i>	-655,494	-48,082	-39,742	-8,340	-703,576
<i>    wind farms</i>	-8,790	-	-	-	-8,790
<b>Total impairment losses</b>	<b>-888,669</b>	<b>-274,846</b>	<b>-151,949</b>	<b>-122,897</b>	<b>-1,163,515</b>
<b>Total amounts due from clients measured at amortised cost (net)</b>	<b>8,435,054</b>	<b>3,551,364</b>	<b>2,888,692</b>	<b>662,672</b>	<b>11,986,418</b>
<b>Amounts due from clients measured at fair value through profit or loss</b>					
Fair value, including:	36,347	1,938	648	1,290	38,285
<i>    wind farms</i>	-	-	-	-	-
<b>Total amounts due from clients measured at fair value through profit or loss</b>	<b>36,347</b>	<b>1,938</b>	<b>648</b>	<b>1,290</b>	<b>38,285</b>
Security deposits	4,317	-	-	-	4,317
<b>Total amounts due from clients</b>	<b>8,475,718</b>	<b>3,553,302</b>	<b>2,889,340</b>	<b>663,962</b>	<b>12,029,020</b>

## Amounts due from clients measured at amortised cost (gross ) that are not past due and are not impaired

Amounts due from clients measured at amortized cost which are not past due (for even one day) are considered as not impaired if there is no other evidence of impairment. These are amounts due from clients with good economic and financial standing, with regular repayments for which there has been no indication of impairment, and impairment has been recognised for incurred but unidentified losses.

General characteristics of the rating classes are presented below:

<b>Rating 1</b>	Highest credit quality
<b>Rating 2</b>	Very high credit quality
<b>Rating 3</b>	High credit quality
<b>Ratings 4-5</b>	Very good credit quality
<b>Ratings 6-7</b>	Good credit quality
<b>Ratings 8-9</b>	Satisfactory credit quality
<b>Ratings 10-11</b>	Average and poor credit quality
<b>Ratings 12-13</b>	Very weak credit quality
<b>Ratings 14-16</b>	No creditworthiness (credit quality does not exist).

Below are presented gross amounts due from clients measured at amortised cost that were not past due and for which no impairment was recognised, by client classes:

Item	Rating	December 31st 2020	December 31st 2019
<b>Amounts due from institutional clients</b>	(1-3)	302	5,329
	(4-5)	122,542	249,216
	(6-7)	1,197,397	1,279,628
	(8-9)	3,014,878	2,443,113
	(10-11)	2,598,389	2,336,923
	(12-13)	642,253	1,320,691
	unrated	51,367	25,902
<b>Total amounts due from institutional clients</b>		<b>7,627,128</b>	<b>7,660,802</b>
Amounts due from retail clients	unrated	3,194,971	3,332,303
<b>Total amounts due from retail clients</b>		<b>3,194,971</b>	<b>3,332,303</b>
<b>Total</b>		<b>10,822,099</b>	<b>10,993,105</b>

The ratings are presented as at the reporting date.

\*\ The ratings are consistent with the Bank's internal classification, where "1" is the best rating and "16" is the worst rating.

## Amounts due from clients measured at amortised cost (gross) that are past due at the reporting date but not impaired, by client categories and days past due, with general description

Past-due exposure is the total of amounts due from clients in arrears for one or more days. No impairment is recognised for amounts due from clients past due less than 90 days, unless other available information provides evidence of impairment.

Below are presented gross amounts due from clients measured at amortised cost that were past due and for which no impairment was recognised, by client classes:

December 31st 2020 Days past due	Institutional clients	Retail clients	Total
from 1 to 30 days	16,653	84,433	101,086
from 31 to 60 days	46,546	16,831	63,377
from 61 to 90 days	50	5,043	5,093
over 90 days	-	267	267
<b>Total</b>	<b>63,249</b>	<b>106,574</b>	<b>169,823</b>

December 31st 2019 Days past due	Institutional clients	Retail clients	Total
from 1 to 30 days	22,313	108,826	131,139
from 31 to 60 days	607	20,012	20,619
from 61 to 90 days	264	7,708	7,972
over 90 days	-	4	4
<b>Total</b>	<b>23,184</b>	<b>136,550</b>	<b>159,734</b>

#### Amounts due from clients measured at amortised cost (gross) with recognised impairment , by client categories, with general description

Below are presented impaired amounts due from clients measured at amortised cost, by segment:

Item	December 31st 2020	December 31st 2019
Amounts due from institutional clients	1,185,000	1,216,732
Amounts due from retail clients	492,430	354,916
<b>Total</b>	<b>1,677,430</b>	<b>1,571,648</b>



## Rating/scoring groups of amounts due from clients (gross), by client segment

Item	Rating	December 31st 2020	December 31st 2019
Amounts due from institutional clients	(1-3)	302	5,329
	(4-5)	148,259	287,532
	(6-7)	1,229,350	1,318,577
	(8-9)	3,116,843	2,488,225
	(10-11)	2,842,556	2,528,734
	(12-13)	963,341	1,695,986
	(14-16)	863,809	961,728
	unrated	90,430	73,959
<b>Total amounts due from institutional clients</b>		<b>9,254,890</b>	<b>9,360,070</b>
Amounts due from retail clients	unrated	3,798,784	3,828,148
<b>Total amounts due from retail clients</b>		<b>3,798,784</b>	<b>3,828,148</b>
<b>Total</b>		<b>13,053,674</b>	<b>13,188,218</b>

The ratings are presented as at the reporting date.

\*\ The ratings are consistent with the Bank's internal classification, where "1" is the best rating and "16" is the worst rating.

### Description of collateral pledged for loans

The Bank accepted both physical assets as well as personal guarantees as collateral. The rules for establishing collateral provide that collateral must adequate to the level of risk generated by a transaction.

The Bank preferred loan collateral:

1. that would enable the Bank to reduce the amount of allowances,
2. that would be readily marketable, with proceeds from sale potentially enabling the Bank to recover the entire amount of the claim.

When selecting the form of security, the Bank reviews the key criteria determining its effectiveness, including:

1. marketability of the collateral, i.e., the ability to sell the collateral without a significant decrease in its price and with reasonable promptness, i.e., in the period of time which does not expose the Bank to a change in the value of the collateral due to price movements typical for a given assets,
2. amount that reasonably recoverable in debt collection proceedings, taking into account legal, economic and other constraints which may affect the actual ability of the Bank to satisfy its claims,
3. access and ability to control the collateral during the term of the exposure.

The principle applied in the Bank was to establish a legal collateral, if required, before facility disbursement.

The Bank adjusted the value of the collateral using adjustment rates determined on a case-by-case basis for each type of collateral. As a general rule, the value of the collateral was monitored over the entire lending period.

In the case of mortgage-backed exposures, the Bank followed Recommendation S regarding the maximum LTV and required that borrowers provide equity contribution.

In the process of monitoring the value of real property, the Bank would carry out portfolio revaluation on a regular basis, using statistical methods.

In the case of real estate collateral, the valuation of collateral was prepared by an expert with the necessary qualifications and experience in property appraisal. The Bank verified valuations using data from such sources as the AMRON System (system of analysis and monitoring of real estate transactions) and the Cenatorium Database.

### **Foreclosed assets**

The Bank classifies repossessed collateral as 'foreclosed assets' and measures them in accordance with the accounting policies specified in the Note 3.18 to the consolidated financial statements.

Prior to foreclosure, it is mandatory that the Bank has a plan how to use/dispose of the collateral assets once repossessed. A document specifying how the foreclosed asset is to be used/disposed of contains all the information that is relevant to make the foreclosure decision, and in particular:

- 1.** information on costs expected to be incurred for possible caretaking, storage, insurance, taxes, etc.
- 2.** information on the potential buyer, the negotiated price and the terms of payment – if the foreclosed asset is planned to be sold,
- 3.** profitability of the transaction.

In most cases, buyers for such assets were already identified at the time of foreclosure and the transactions were profitable for the Bank. Upon sale, the amount of the debt was reduced by the amount of proceeds rather than by the amount estimated by the appraiser (usually prices obtained in transactions to sell foreclosed assets are lower than the assets' value determined by the appraiser).

One of the forms of recovering debts is their sale. Selling price of debt claims depend, among other things, on property collateral. Where sale of loans (with debt collateralised by property assets) is more profitable than foreclosure and subsequent sale, the Bank sells the debt claims together with the underlying collateral.

As at December 31st 2020 and December 31st 2019, the Bank did not hold any foreclosed assets.

### **Credit exposure to wind farms**

As at December 31st 2020, the Bank's total exposure to the financing of wind farms was PLN 1,423.5m.

In 2020, the Bank did not provide any new financing in the wind farm sector.

### **Material risks arising from financing wind farm projects**

The risks identified by the Bank as affecting the economics of RES businesses, including the Bank's clients, in the context of loans granted in the past to finance construction of onshore wind farm project that rely on the green certificate support system are subject to continuous monitoring. All risks, including in particular market and regulatory risks, are taken into account in **the** monthly assessment and measurement of individual exposures by the Bank.

The exposures are measured with the use of a dedicated model which simulates cash flows for individual projects until the end of their planned life, with the assumed and updated measurement parameters, including:

1. project's productivity (volume of electricity produced and green certificates),
2. price paths for electricity and green certificates,
3. operating expenditure,
4. weighted average capital cost (WACC),
5. valuation scenarios.

The risk of volatility in market prices of electricity and green certificates is addressed by implementing in the valuation model the price paths projected by the Bank for the medium and long term. The projected price paths are regularly updated based on reports from reputable independent external experts the Bank has worked with since 2016. The most recent update of the forecast price paths took place in December 2020. An additional factor mitigating the risk of potential decline in revenues earned by the clients as a result of a temporary decrease in prices of energy and/or green certificates are the funds accumulated in reserve accounts used to support the current debt service. Relevant contractual provisions oblige the clients to supplement the funds in the accounts if they need to be used to repay debt.

### **Impact of the coronavirus pandemic on the business of RES clients**

The reduction in economic activity in Poland in 2020 caused by the COVID-19 outbreak dampened, as it did in other countries affected by the coronavirus pandemic, demand for electricity which in turn led to a decline in wholesale electricity prices, particularly in the first and second quarters of 2020.

However, it should be stressed that the economic downturn caused by COVID-19 has not affected, to date, the financial condition of the wind farm clients. Loans are serviced on a timely basis and in accordance with the agreed repayment schedules.

### **Risk arising from changes in property tax base**

The amendment to the Act on Amendments to the Act on Renewable Energy Sources and Certain Other Acts, published on June 29th 2018, restored, with retroactive effect from January 1st 2018, provisions governing taxation of wind power plants with property tax, in force before January 1st 2017. The amendment was favourable to wind farm project owners but

municipalities where wind farms are located were deprived of expected higher tax revenues. Under the amended legislation, project owners applied to tax authorities for correction of previously submitted tax returns with respect to the amount of the property tax due, or for refund of overpaid tax. Refusing to accept this state of affairs, ten municipalities filed a joint complaint to the Constitutional Court to examine the compliance of the new regulations with the Constitution.

The Constitutional Court ruled in its judgment of July 22nd 2020 that the provisions causing retroactive reduction of property tax liabilities on wind farms for 2018 were unconstitutional. At the same time, the Constitutional Tribunal set a deadline of 18 months for the legislator to introduce appropriate statutory solutions in order to compensate the communes for the losses suffered as a result of the enactment of the provisions resulting in lower revenues from the wind farm property tax.

The scale of potential additional tax burdens and their impact on the financial standing of the Bank's clients from the wind farm sector will depend on the legal solutions adopted by the legislator to ensure compliance of the amended RES Act with the Constitution.

### **Risk of legal dispute of Bank's clients with Energa-Obrót S.A.**

Actions taken by Energa Obrót S.A. in September 2017, resulting in the cessation of the performance of twenty-two framework CPA agreements for the collection of property rights under certificates of origin for RES energy (green certificates) and the filing with the competent courts of actions against trading partners and banks for declaration of absolute invalidity of the agreements affected eight clients financed by the Bank. In two lawsuits brought by Energa Obrót S.A., the Bank and its clients acted as respondents; however, after the Bank concluded reverse agreements under the CPAs with its clients and therefore lost its legal interest in the proceedings, Energa Obrót S.A. withdrew its lawsuits against the Bank.

At present, the Bank does not directly appear as a co-respondent in any of the pending court cases, and therefore the Bank does not identify a risk of having to incur any additional costs resulting from the litigation.

As at December 31st 2020, six of the Bank's clients were in litigation with Energa Obrót S.A. towards which the Bank's total exposure was PLN 97.6m, representing 6.9% of the total exposure in the wind farm portfolio. The Bank monitors the status of the pending court proceedings and remains in contact with shareholders and sponsors of the wind farm projects. The proceedings conducted to date have resulted in five disputes ended with complete dismissal of Energa Obrót S.A.'s claim under judgments issued by common courts of the first instance, and one dispute ended with the final judgment of the Court of Arbitration. Following appeals filed by Energa Obrót S.A. against the verdicts of the District Courts and the Court of Arbitration, further proceedings are pending before the Court of Appeal. At the previous four hearings held before the Court of Appeal in Warsaw, judgments were handed down in favour of the Bank's clients. In the case of the other clients, the Court of Appeal has not set the hearing dates yet.

All debts of the clients who are in litigation with Energa Obrót S.A. are serviced in a timely manner.

## Impairment losses recognised for the wind farm portfolio

Item	December 31st 2020	December 31st 2019
<b>Amounts due from client measured at amortised cost</b>		
Amounts due from clients without indications of impairment		
<i>exposures with significant increase in risk since initial recognition (Bucket 2)</i>	1,168,694	1,292,781
Amounts due from clients with indication of impairment (Bucket 3) but with no impairment identified given the estimated cash flows	241,329	275,468
Amounts due from clients with indications of impairment, impaired (Bucket 3)	13,434	13,553
<b>Total amounts due from clients measured at amortised cost (gross)</b>	<b>1,423,457</b>	<b>1,581,802</b>
<b>Impairment losses on:</b>		
<i>amounts due from clients – (Bucket 2)</i>	- 30,947	- 32,837
<i>amounts due from clients – (Bucket 3) with no indications of impairment</i>	- 9,586	- 10,495
<i>amounts due from clients – (Bucket 3) with indications of impairment</i>	- 1,578	- 8,790
<b>Total impairment losses</b>	<b>- 42,111</b>	<b>- 52,122</b>
<b>Total amounts due from clients measured at amortised cost (net)</b>	<b>1,381,346</b>	<b>1,529,680</b>
<b>Total amounts due from WIND FARM clients</b>	<b>1,381,346</b>	<b>1,529,680</b>

As at December 31st 2020, the share of the wind farm portfolio in the Bank's total (gross) institutional loans measured at amortised cost was 15.4%, representing 10.9% of the total lending portfolio; in absolute terms, the wind farm portfolio was PLN 1,423.5m.

As at December 31st 2020, the provision coverage ration in the institutional lending segment was 56.7%, and 11.7% in the wind farm portfolio.

## 6.1.4. Debt securities

### Securities by rating assigned to issuers

December 31st 2020	State Treasury	NBP	Banks	Public finance	Other financial institutions	Corporate	Total
AAA	-	-	-	-	49,654	-	49,654
A	3,584,451	-	249,650	-	-	-	3,834,101
A-	-	-	26,488	-	-	-	26,488
BBB+	-	-	558,741	-	184,862	-	743,603
none	-	2,179,952	-	147,739	304,397	-	2,632,088
<b>Total</b>	<b>3,584,451</b>	<b>2,179,952</b>	<b>834,879</b>	<b>147,739</b>	<b>538,913</b>	-	<b>7,285,934</b>

December 31st 2019	State Treasury	NBP	Banks	Public finance	Other financial institutions	Corporate	Total
AAA	-	-	-	-	49,518	-	49,518
A	3,652,141	-	-	-	-	-	3,652,141
BBB+	-	-	49,546	-	-	-	49,546
none	-	1,319,835	-	188,613	-	-	1,508,448
<b>Total</b>	<b>3,652,141</b>	<b>1,319,835</b>	<b>49,546</b>	<b>188,613</b>	<b>49,518</b>	-	<b>5,259,653</b>

The tables present a unified rating scale, as specified below. If an issuer is rated by more than one agency, the highest rating is presented.

Moody's	S&P	Fitch	Unified rating
Aaa	AAA	AAA	AAA
A2	A	A	A
A3	A-	A-	A-
Baa1	BBB+	BBB+	BBB+
Ba2	BB	BB	BB
Ba3	BB-	BB-	BB-

For municipal bonds for which there is no active market, internal ratings are assigned, in one of the following categories:

<b>5</b>	Very good credit quality
<b>Ratings 6-7</b>	Good credit quality
<b>8-9</b>	Satisfactory credit quality
<b>10</b>	Average and poor credit quality

Risk classes for issuers of municipal bonds serviced by the Bank are assigned in accordance with the credit rating methodology for local government units applied by the Bank .

Public finance		
Internal rating	December 31st 2020	December 31st 2019
5	6,586	9,819
6	12,299	3,838
7	93,902	39,021
8	21,363	79,272
9	5,662	56,663
10	7,927	-
<b>Total</b>	<b>147,739</b>	<b>188,613</b>

## 6.1.5. Concentration of exposures to industries and geographical markets, with assessment of the concentration risk

As at the 31st of December 2020, the 'Generation and supply of electricity, gas, steam, hot water and air for air conditioning systems' and 'Public administration and defence, compulsory social security' sectors had significant shares in the lending portfolio of the Bank of 13.7% and 11.7%, respectively.

### Exposure by industry

Industry	Credit risk exposure	December 31st 2020 % share in total
Generation and supply of electricity, gas, steam, hot water and air for air conditioning systems	1,791,432	13.7%
Real estate activities	1,528,906	11.7%
Wholesale trade, except trade in motor vehicles	892,147	6.8%
Construction of buildings	766,593	5.9%
Public administration and defence, compulsory social security	629,971	4.8%
Hospitality	534,683	4.1%
Sports, entertainment and recreational activities	336,853	2.6%
Manufacture of chemicals and chemical products	259,420	2.0%
Manufacture of food products	234,262	1.8%
Manufacture of fabricated metal products, except machinery and equipment	218,168	1.7%
Financial services, except insurance and pension funds	132,240	1.0%
Other sectors, including:	5,728,999	43.9%
retail clients	3,798,784	29.1%
<b>Total gross amounts due from clients</b>	<b>13,053,674</b>	<b>100.0%</b>
Impairment losses	- 1,196,124	
Security deposits	31,704	
Other receivables	2,599	
<b>Total net amounts due from clients</b>	<b>11,891,853</b>	



Industry	Credit risk exposure	December 31st 2019 % share in total
Generation and supply of electricity, gas, steam, hot water and air for air conditioning systems	1,720,758	13.1%
Real estate activities	1,575,797	11.9%
Wholesale trade, except trade in motor vehicles	888,282	6.7%
Public administration and defence, compulsory social security	872,409	6.6%
Construction of buildings	701,998	5.3%
Hospitality	442,860	3.4%
Sports, entertainment and recreational activities	251,312	1.9%
Manufacture of food products	244,758	1.9%
Manufacture of chemicals and chemical products	243,784	1.8%
Manufacture of fabricated metal products, except machinery and equipment	207,598	1.6%
Other sectors, including:	6,038,662	45.8%
retail clients	3,828,148	29.0%
<b>Total gross amounts due from clients</b>	<b>13,188,218</b>	<b>100.0%</b>
Impairment losses	- 1,163,515	
Security deposits	4,317	
Other receivables	-	
<b>Total net amounts due from clients</b>	<b>12,029,020</b>	

## 6.1.6. Concentration of exposure to particular entities and groups

As at December 31st 2020, the Bank had eight individual exposures equal to or exceeding 10% of common equity where the borrower was a single entity or a group of entities linked through equity or otherwise, with the total amount of such exposures at PLN 1,934,032 thousand, or 91.5% of the Bank's eligible capital.

**The largest exposures to a single entity or a group of entities linked through equity or otherwise are presented below.**

No.	Exposure*\December 31st 2020
1	285,398
2	271,207
3	257,230
4	250,778
5	221,947
6	220,081
7	215,456
8	211,935
<b>Total</b>	<b>1,934,032</b>

No.	Exposure*\December 31st 2019
1	293,512
2	268,993
<b>Total</b>	<b>562,505</b>

\*\ Exposure to an entity includes: gross credit exposures, contingent liabilities (i.e., open credit lines and guarantees), debt securities issued by the entity and FX Spot, FX Forward and FX Swap transactions.

## Ten largest client exposures, with risks assessment

December 31st 2020						
No.	Exposure	On-balance-sheet exposures*\	Debt under credit facilities – principal	Securities	Off-balance sheet exposures**\	Balance-sheet equivalent of derivative transactions
1	271,207	271,207	272,944	-	-	-
2	250,778	250,474	253,631	-	-	304
3	249,650	-	-	249,650	-	-
4	211,935	154,046	156,009	-	57,889	-
5	207,290	2,703	-	-	208,359	1,634
6	187,385	158,735	159,491	-	28,650	-
7	174,808	150,950	151,983	-	23,858	-
8	166,492	166,492	167,968	-	-	-
9	163,394	159,793	161,523	-	-	3,601
10	152,542	147,969	148,043	-	-	4,573
December 31st 2019						
No.	Exposure	On-balance-sheet exposures*\	Debt under credit facilities – principal	Securities	Off-balance sheet exposures**\	Balance-sheet equivalent of derivative transactions
1	293,512	292,610	293,867	-	-	902
2	268,993	265,495	268,731	-	-	3,498
3	196,548	81,146	82,907	-	115,402	-
4	195,251	194,943	194,692	-	308	-
5	186,322	186,322	188,526	-	-	-
6	182,608	182,608	184,355	-	-	-
7	164,692	120,631	121,339	-	44,061	-
8	155,620	126,447	127,371	-	29,173	-
9	147,470	144,019	144,074	-	-	3,451
10	138,431	96,976	97,058	-	41,196	259

\* On-balance-sheet credit exposures include principal, interest, outstanding fees, discount and other amounts due.

\*\* Off-balance-sheet exposures include credit lines, guarantees, open import letters of credit, accepted bills of exchange, confirmed letters of credit and other commitments.

## 6.1.7. Maximum exposure to credit risk

The credit risk exposure under particular categories of financial assets is presented below.

Item	December 31st 2020		
	Gross carrying amount	Impairment losses	Maximum credit risk exposure
<b>Amounts due from other banks</b>	<b>142,958</b>	<b>-943</b>	<b>142,015</b>
<b>Financial assets held for trading</b>	<b>79,827</b>	<b>-</b>	<b>79,827</b>
<i>debt securities</i>	79,827	-	79,827
<i>derivative instruments</i>	-	-	-
<b>Investment securities</b>	<b>5,302,185</b>	<b>-107</b>	<b>5,302,078</b>
<i>equity securities measured at fair value through other comprehensive income</i>	85,480	-	85,480
<i>debt securities measured at fair value through other comprehensive income</i>	5,597,061	-	5,597,061
<i>debt securities measured at amortised cost</i>	1,535,385	-146	1,535,239
<i>debt securities measured at fair value through profit or loss</i>	153,634	-	153,634
<b>Amounts due from clients</b>	<b>13,087,979</b>	<b>-1,196,126</b>	<b>11,891,853</b>
Measured at amortised cost	13,059,866	-1,196,126	11,863,740
<i>from institutional clients</i>	9,262,274	-859,557	8,402,717
<i>from retail clients</i>	3,797,592	-336,569	3,461,023
Measured at fair value through profit or loss	25,514	-	25,514
<i>from institutional clients</i>	24,322	-	24,322
<i>from retail clients</i>	1,192	-	1,192
Other receivables	2,599	-	2,599
<b>Other financial assets*\</b>	<b>24,595</b>	<b>-7,141</b>	<b>17,454</b>

\*\ Includes mainly cash surplus and amounts due from transactions in financial instruments.

Item	December 31st 2019		
	Gross carrying amount	Impairment losses	Maximum credit risk exposure
<b>Amounts due from other banks</b>	<b>149,955</b>	<b>-1,037</b>	<b>148,918</b>
<b>Financial assets held for trading</b>	<b>100,513</b>	<b>-</b>	<b>100,513</b>
<i>debt securities</i>	43,085	-	43,085
<i>derivative instruments</i>	57,428	-	57,428
<b>Investment securities</b>	<b>5,302,185</b>	<b>-107</b>	<b>5,302,078</b>
<i>equity securities measured at fair value through other comprehensive income</i>	85,510	-	85,510
<i>debt securities measured at fair value through other comprehensive income</i>	3,839,184	-	3,839,184
<i>debt securities measured at amortised cost</i>	1,377,491	-107	1,377,384
<b>Amounts due from clients</b>	<b>13,192,535</b>	<b>-1,163,515</b>	<b>12,029,020</b>
Measured at amortised cost	13,149,933	-1,163,515	11,986,418
<i>from institutional clients</i>	9,323,723	-888,669	8,435,054
<i>from retail clients</i>	3,826,210	-274,846	3,551,364
Measured at fair value through profit or loss	38,285	-	38,285
<i>from institutional clients</i>	36,347	-	36,347
<i>from retail clients</i>	1,938	-	1,938
Other receivables	4,317	-	4,317
<b>Other financial assets*\</b>	<b>22,581</b>	<b>-7,189</b>	<b>15,392</b>

\*\ Includes mainly cash surplus and amounts due from transactions in financial instruments.

## Credit risk exposure of particular to particular categories of contingent liabilities

Item	Maximum credit risk exposure December 31st 2020	Maximum credit risk exposure December 31st 2019
Contingent financial liabilities, including:	2,583,937	2,623,028
open lines of credit, including:	2,558,517	2,597,944
<i>revocable</i>	2,223,974	2,351,732
<i>irrevocable</i>	334,543	246,212
open import letters of credit	20,250	5,839
loan commitments, including:	5,170	19,245
<i>irrevocable</i>	5,170	19,245
Guarantees and sureties	372,847	308,145
Foreign exchange and interest rate transactions*	6,585,869	6,693,701

\*\ In 2020, the items included:

Foreign exchange and currency derivative transactions of PLN 1,097,009 thousand

Interest rate derivative transactions of PLN 5,230,860 thousand

Interest rate swap transactions of PLN 258,000 thousand

\*\ In 2019, the items included:

Foreign exchange and currency derivative transactions of PLN 1,227,723 thousand

Interest rate derivative transactions of PLN 4,997,978 thousand

Interest rate swap transactions of PLN 468,000 thousand

In accordance with the procedures in place at the Bank, contingent liabilities are subject to the same collateral and monitoring requirements as on-balance-sheet transactions.

The frequency of monitoring institutional clients (corporates) depends mainly on the size of credit exposure and the economic and financial standing of the client (rating).

Monitoring of institutional clients includes verification of:

1. rating of the client (including verification against selected external databases),
2. rating of the client's group,
3. assessment of the transaction (monitoring of collateral, contract terms (covenants) and project financed/co-financed by the Bank).

The frequency and scope of monitoring of institutional clients (micro-enterprises, housing communities) are dependent on the amount of exposure to the particular client.

Monitoring of micro-enterprises, housing communities includes:

1. monitoring of events subject to monitoring,
2. monitoring the economic and financial condition.

In the case of micro-enterprises, client verification against selected external databases is also performed.

## 6.1.8. Forbearance practices

The forbearance status is assigned to exposures where there has been a change in the contractual terms of the loan agreement, amounts due or investment measured at amortised cost if it results from:

1. the debtor's or the issuer's financial distress, or
2. where failure to amend the contractual terms would result in the exposure becoming non-performing, which would not have occurred had the debtor or the issuer not been in financial distress.

In particular, the following are considered forbearance facilities provided to clients:

1. payment holidays,
2. partial reduction of principal and / or partial waiver of incidental dues,
3. extension of the facility term,
4. reduced interest rate,
5. acceptance of non-performance of the contractual terms by the borrower the while the borrower fails to deliver financial projections,
6. the Bank's consent to sale or repossession of the collateral to repay the liability,
7. capitalisation of interest,
8. change of the debtor or the debt being taken over or acceded to by third parties.

If a forbearance agreement is properly performed, the debt becomes a performing exposure.

Restructuring is an indication of impairment.

For individually significant exposures the conclusion of a forbearance agreement due the debtor being in financial distress, the exposure must be tested for impairment to determine whether an impairment loss should be recognised.

For individually non-significant exposures the conclusion of a forbearance agreement due the debtor being in financial distress, an impairment loss must be recognised for the exposure.

Reversal of an impairment loss (i.e., reclassification to a healthy portfolio) is possible after the indicator of impairment ceased to exist and a 12-month quarantine period has elapsed. Restructured transactions for which the evidence of impairment ceased to exist, the quarantine period in which the evidence of impairment was not identified has passed, and in relation to which no impairment is recognised are allocated to Bucket 2. For such exposures, expected losses are recognised for the remaining life of the exposure.

Restructuring agreements are monitored on an ongoing basis for compliance with the contractual terms.

An exposure ceases to be classified as forborne (the forbearance status is removed) when all of the following conditions are met:

1. a loan agreement is considered a non-risk where the exposure was reclassified from the at-risk category, after assessment of the debtor's financial standing, which has confirmed sustainable improvement of the debtor's financial condition,
2. at least 24 months (trial period) have elapsed from the date when the exposure was considered as not being at risk, and during at least half of the trial period the debtor made regular payments of principal and interest, with delays not exceeding 30 days,
3. at the end of the trial period, none of the exposures to the debtor is past due for more than 30 days.

The accounting policies for forborne financial assets do not differ from those applied to other assets of the Bank. The Bank measures forborne facilities and amounts due at amortised cost, using the effective interest rate method. Where the terms of a loan, an amount due or investment measured at amortised cost are renegotiated due to financial distress of the debtor or the issuer, such exposure is measured using the original effective interest rate determined prior to the provision of any forbearance facilities.

Below is presented the credit risk exposure to of individual forborne transactions (with respect to which forbearance facilities have been provided):

December 31st 2020	Impaired receivables			Unimpaired receivables		
	Gross carrying amounts	Allowances for expected credit losses	Maximum credit risk exposure	Gross carrying amounts	Allowances for expected credit losses	Maximum credit risk exposure
<b>Total amounts due from clients</b>	<b>676,101</b>	<b>-419,801</b>	<b>256,300</b>	<b>89,461</b>	<b>-3,364</b>	<b>86,097</b>
Amounts due from retail clients, including:						
<i>individually measured*</i>	73,387	-37,024	36,363	-	-	-
Amounts due from institutional clients, including:						
<i>individually measured*</i>	493,661	-296,334	197,327	-	-	-

December 31st 2019	Impaired receivables			Unimpaired receivables		
	Gross carrying amounts	Allowances for expected credit losses	Maximum credit risk exposure	Gross carrying amounts	Allowances for expected credit losses	Maximum credit risk exposure
<b>Total amounts due from clients</b>	<b>699,791</b>	<b>-437,314</b>	<b>262,477</b>	<b>98,571</b>	<b>-4,047</b>	<b>94,524</b>
Amounts due from retail clients, including:						
<i>individually measured*</i>	60,806	-28,727	32,079	-	-	-
Amounts due from institutional clients, including:						
<i>individually measured*</i>	517,445	-317,368	200,077	-	-	-

\*\ Amounts due from clients with indication of impairment but with no impairment identified given the estimated cash flows are measured using the group method.

### 6.1.9. Effects of a possible regulatory solution of the issue of housing loans denominated in CHF and in other foreign currencies

As of the date of issue of this report, the final form of amendments to legal regulations which would offer a unified solution to the issue of housing loans denominated in foreign currencies was unknown.



## 6.2. Financial risk in the bank book and the trading book, and risk limits

The Bank's financial risk includes:

1. liquidity risk,
2. market risk, including:
  - a. interest rate risk (in the banking book and the trading book);
  - b. currency risk (primarily in the trading book; the banking book's currency risk is transferred to the trading book).

The key principles of financial risk management at Bank Ochrony Środowiska S.A. are set out in the Banking Risk Management Strategy. The banking risk management strategy is an integral part of the Bank's operating strategy.

The Bank manages the risk on the basis of the risk appetite and tolerance determined by the Supervisory Board using a set of internal limits. The Bank has in place policies to manage liquidity risk, interest rate risk in the banking book and market risk in the trading book, which define, among other things, maximum levels of financial risk, consistent with the risk appetite adopted by the Supervisory Board of the Bank. Based on these, an early warning system has been established which focuses on identifying, measuring, monitoring, controlling and reporting the risks.

Transactions in the banking book represent the core business of the Bank, which means that they result from commercial operations, including raising financing and efficient management of financial liquidity. The banking book includes positions which are not included in the trading book, in particular:

- granted credit facilities and guarantees, as well as accepted deposits, including term deposits,
- liquidity- and interest-rate hedges of transactions carried in the banking book,
- purchase of securities for non-trading purposes.

In line with the Bank's strategy, the trading book business is complementary to the banking book business. The trading book contains transactions that were entered into by the Bank on its own account for trading purposes, i.e., to gain financial profits in short-term periods due to actual or expected differences between bid and offer prices in the market, as well as other movements of prices or price parities, including in particular interest rates and foreign exchange rates. Transactions held in the trading book are not sold for liquidity purposes. The purpose of the trading book is to ensure the highest quality of services for clients. To this end, the Bank maintains open positions within the applicable risk limits.

The purpose of banking risk management by the Bank is to maintain risk at the level consistent with the approved risk appetite and tolerance in order to protect the value of shareholders' capital, maintain the safety of client deposits and achieve adequate efficiency of the Bank's operations, including ensuring the Bank's ability to adapt its operations to changing market conditions, competence and commitment of managers and employees, and the quality of management information systems.

In 2020, the Bank monitored the economic and market situation associated with the COVID-19 pandemic and analysed its impact on financial risks, including the market and liquidity risks. Although the levels of individual risks have increased compared to the pre-pandemic period, they have generally remained within the limits adopted by the Bank. In 2020, the main objectives, principles and organisation of the financial risk management process at the Bank did not change.

The level and profile of financial risk is monitored on a regular basis by the Financial and Operational Risk Department (2nd line of defence) and reported to: the Bank's Supervisory Board, the Risk Committee (at the Supervisory Board), the Bank's Management Board, the Assets and Liabilities Committee (the ALCO Committee) and the Liquidity and Market Risk ALCO Committee.

## 6.2.1. Liquidity risk

The purpose of liquidity management by the Bank is to maintain the Bank's ability to finance assets and pay liabilities in a timely manner and to maintain a sustainable structure of assets and liabilities, which ensures a safe liquidity profile in specific time bands, split into liquidity in PLN and the main foreign currencies, but mostly – for the total liquidity position.

The liquidity risk management strategy and processes are tailored to the Bank's business profile and scale. The liquidity risk management strategy is set out in the Liquidity Strategy of BOŚ S.A. approved by the Supervisory Board. The strategy defines the Bank's risk appetite, designates key directions and quantitative targets for selected volumes, and is an integral part of the Bank's Framework Strategy. The liquidity risk tolerance, adjusted to the Bank's risk appetite through a system of internal limits and warning values, is set out in the Liquidity Management Policy approved by the Supervisory Board.

The structure and organization of the liquidity risk management function includes all levels of the Bank's organizational structure and operates within the three lines of defence. A particular role in the liquidity risk management process is played by the Management Board of the Bank and the ALCO Committee.

The Bank's liquidity is analysed over the following time horizons:

1. intra-day liquidity – during the day;
2. current liquidity – in the period up to 7 days;
3. short-term liquidity – in the period up to 1 month;
4. medium-term liquidity – in the period of above 1 month to 12 months;
5. long-term-term liquidity – in the period of more than 12 months.

To measure the liquidity and intra-day, current and short-term liquidity risk, the Bank uses the following measures and tools:

1. the level of intraday liquidity – reflects the level of funds required to be maintained in the Bank's account with the National Bank of Poland to enable the Bank to pay its liabilities during the day, in both normal and stress situations,
2. liquid assets (excess liquidity) – a buffer for expected and unexpected outflows over a period of 30 days,
3. liquidity reserve – which measures the level of liquid assets less expected and unexpected outflows, determined for a period of 30 days, including a concentration margin,
4. assessment of the stability of the deposit base,
5. short-term liquidity gap (for PLN, EUR, CHF and USD) – showing the level of mismatch in foreign currency funding structures; the gap consists primarily of flows from wholesale and derivatives transactions,
6. stress tests (which enable the Bank to, among other things, verify its ability to maintain liquidity in a defined time horizon under particular scenarios).

For the purpose of measuring liquidity as well as the medium- and long-term liquidity risk, the Bank sets and monitors:

1. the contractual and actual liquidity gap (which is supplemented by regular analyses of the stability of the deposit base, the concentration of the deposit base, the amount of loan prepayments and the level of deposit breakage),
2. the non-current assets to non-current liabilities ratio;
3. the coverage of loans used by client to finance long-term needs with the most stable sources of funding;
4. forecasts of the LCR, NSFR, liquid assets and long-term liquidity measures.

In order to assess the effectiveness of the liquidity risk management process, for most of the above measures, alert limits or values are set within a set of internal liquidity risk limits whose structure is hierarchical (i.e., they are set at the level of the Supervisory Board, the Management Board and the ALCO Committee). The limits and warning values in place are reviewed regularly so that liquidity can be monitored effectively. The limits and warning values define the framework for the Bank's liquidity tolerance and are consistent with the Bank's risk appetite. The shaping of an appropriate liquidity risk profile is supported by taking into account the cost of liquidity under the Bank's transfer pricing system.

The measures and tools used by the Bank are reviewed on a regular basis and are regularly updated to better map

the liquidity profile. The process of monitoring liquidity and liquidity risk in the Bank is supported by a dedicated IT system (used in particular to generate reports on contractual and actual liquidity gaps, on regulatory liquidity measures and on internal limits, and to prepare mandatory reports). At least once a year, the Bank prepares a review of the Internal Liquidity Adequacy Assessment Process (ILAAP), in compliance with the EBA/GL/2016/10 Guidelines on ICAAP and ILAAP information collected for SREP (Supervisory Review and Evaluation Process) purposes. The ALCO Committee gives its opinion on the review, and the document requires approval by the Management Board and the Supervisory Board of the Bank. The ILAAP review carried out by the Bank as at December 31st 2020 showed compliance of the process with the Bank's internal regulations and external guidelines.

Liquidity risk reports are presented to all the Bank's units involved in the liquidity risk management process. Results of the risk analysis, the degree of utilization of regulatory standards and internal limits, as well as results of stress tests are presented in reports prepared for the ALCO Committee (on a weekly basis), for the Management Board and the ALCO Committee (on a monthly basis), and for the Supervisory Board and its Risk Committee (on a quarterly basis). The reports are part of the Management Information System the purpose of which is to support the Bank's management, streamline the performance of its tasks and ensure the safety and stability of its operations.

### Overall liquidity risk profile

The main source of funding for the Bank continues to be a systematically built and diversified deposit base with a considerable share of stable retail deposits (supplemented by deposits from corporate clients and the public sector), followed by loans from international financial institutions (which, together with long-term bilateral interest rate swap agreements secured by debt papers and FX swap transactions, constitute a source of liquidity funding in foreign currencies). The Bank monitors the risk of concentration of the deposit base on an ongoing basis. The internal liquidity measures take into account an additional concentration surcharge on stable funds, calculated on the basis of deposit balances for large deposits and deposits of large clients (classified in accordance with the definitions applied at the Bank).

The Bank's liquid assets (excess liquidity) are primarily held in the form of highly liquid NBP bills (as at December 31st 2020, representing 45% of the liquid portfolio of unsecured securities) and Treasury bonds (December 31st 2020: 55%), posing a low specific risk. The portfolio of these securities is supplemented with cash and funds held with the National Bank of Poland (above the declared obligatory reserves) and in nostro accounts with other banks. As at 31 December 2020, the amount of liquid assets was PLN 5,257m. Liquid assets constitute a buffer to secure liquidity in potential crisis situations, i.e., they can be pledged, liquidated under repo transactions or sold at any time without significant loss of value. The Bank's ability to sell liquid assets (product liquidity risk) is monitored on a regular basis. The primary considerations in these analyses are issue size, market turnover, and bid/ask price volatility.

In accordance with the recommendations of the Polish Financial Supervision Authority and the National Bank of Poland, the Bank may use additional sources of funding in the form of a technical loan and a lombard loan from the NBP and, exceptionally, it may apply for a refinancing facility from the NBP.

The Bank determines internal capital for liquidity risk, which is considered a significant constant risk, in accordance with the applicable internal capital estimation process. This capital is estimated on the basis of the cost of restoring regulatory and internal measures and liquidity limits under the conditions of stress test scenarios.

### Measures of liquidity risk

The Bank determines supervisory measures of liquidity in accordance with the following regulations: Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26th 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 and Delegated and Execution Regulations referring to the Regulation with regard to liquidity and Resolution No. 386/2008 of Polish Financial Supervision Authority of December 17th 2008 on setting liquidity standards for banks.

The currently applicable norms regarding short-term liquidity include the liquidity coverage requirement – LCR (the ratio of liquid assets to net outflows (i.e., the difference between net outflows and net inflows) for a 30-day period of extreme conditions). The LCR is calculated on an aggregated basis for all currencies (translated into PLN) and

separately for significant currencies, i.e., for PLN and EUR. For the ratio in EUR, the Bank identifies a currency mismatch related to the method of financing long-term loans granted in this currency.

In accordance with EBA/GL/2017/01 Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013, the Bank presents quantitative and qualitative data on the liquidity coverage ratio in the Information on BOŚ Group, disclosed in accordance with part eight of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 "Disclosure by Institutions". Such disclosures comply with the instructions given by the European Banking Authority.

The long-term standards include the following ratios: M3 (ratio of coverage of non-liquid assets with equity) and M4 (ratio of coverage of non-liquid assets and assets with limited liquidity with equity and stable external funds). The Bank calculates the Net Stable Funding Ratio (NSFR) and reports it the Polish Financial Supervision Authority and the National Bank of Poland; the Bank has an internal warning value for this indicator at the level of the target supervisory limit, i.e., 100%. As at December 31st 2020 the value of the ratio was 104%. In addition, in accordance with Commission Implementing Regulation (EU) 2016/313 of March 1st 2016 amending Implementing Regulation (EU) No 680/2014 with regard to additional monitoring metrics for liquidity reporting to the National Bank of Poland as part of mandatory reporting, the Bank prepares and submits ALMM reports.

Pursuant to Resolution No 386/2008 of the Financial Supervision Authority, the Bank also performs an in-depth analysis of its long-term liquidity. Results of these analyses are used to manage the Bank's liquidity. At the same time, the process of preparing short- and long-term financial plans of the Bank includes assessment of liquidity, to ensure an adequate financing structure and compliance with the supervisory liquidity measures.

In 2020, as in 2019, the supervisory liquidity measures, i.e., LCR and M3-M4, were calculated daily (i.e., every working day), and remained at a safe level, significantly above the regulatory levels. As at 31 December 2020, these measures were as follows:

Measure	December 31st 2020	December 31st 2019
LCR	158%	131%
M3	54.72	81.26
M4	1.41	1.30

The Bank has in place an Emergency Liquidity Action Plan approved by the Management Board, which sets out potential sources of deterioration/loss of liquidity, rules of conduct and contingency powers. It is intended to estimate the survival horizon as well as the ability and costs of restoring stable liquidity. This plan, in addition to a scenario analysis of liquidity in contingencies (the assumptions of which are consistent with the stress tests performed), also includes measurable and non-measurable symptoms ahead of contingencies, allowing for systematic monitoring of the sources of liquidity crises.

The contingency liquidity scenario analyses and stress tests include three types of scenarios:

1. internal crisis – its source is the loss of confidence in the Bank by market participants ("run on the Bank"), reduced availability of financing, materialisation of concentration risk and downgrading of the Bank's rating,
2. external crisis – assumes materialization of currency risk, rising interest rates, crisis in financial markets and possible second round effects,
3. mixed crisis – a combination of elements of both internal and external crises.

The stress tests enable the Bank to identify factors whose materialisation may generate liquidity risk and to develop actions necessary to be taken in the event of a crisis situation.

As part of its analysis, the Bank also carries out a sensitivity analysis for individual factors generating liquidity risk, as well as reverse tests. The contingency liquidity plan shall be regularly reviewed and updated so as to ensure that the Bank is operationally prepared to activate potential measures that can be taken in the event of a liquidity risk. The contingency liquidity scenario analysis is carried out a semi-annual basis and stress tests – on a monthly basis. The assumptions adopted for stress tests are regularly reviewed to account for conclusions of the scenario-based analysis contingency liquidity analysis. Conclusions from the tests are used in managing liquidity and liquidity risk

and are the basis for building the structure of assets and liabilities.

In its analyses, the Bank also takes into account the possibility of unfavourable changes in foreign exchange rates, in particular CHF and EUR, potentially triggering increased liquidity needs.

In accordance with annexes to the credit support master agreements with counterparties ((Credit Support Annex, CSA) and Credit Support Annex for Variation Margin (CSA VM)) the Bank, in case of adverse market changes (i.e., adverse movements in exchange rates), is obliged to provide additional variation margin, in accordance with position measurement. In case of favourable market movements, the Bank receives variation margin from the counterparties. The master agreements and annexes executed by the Bank do not contain any clauses which would trigger changes in margin amounts due to a change in the Bank's credit rating. This means that any rating downgrade would not affect the amount and method of calculating the variation margins.

The stress tests performed in 2020, as in 2019, show that the Bank has a stable liquidity position and its liquid assets (excess liquidity) allow it to survive the assumed stress scenarios in which the Bank assumes a survival over a certain period of time.

In 2020, as in 2019, the Bank's liquidity position was monitored on a regular basis and remained safe.

The tables below present the adjusted liquidity gap (carrying amounts):

<b>December 31st 2020</b>	<b>1M</b>	<b>1-3M</b>	<b>3-6M</b>	<b>6-12M</b>	<b>1-5Y</b>	<b>Over 5Y</b>	<b>Total</b>
Liquidity gap ratio	4.29	2.28	1.52	1.16	0.98	1.00	
Total assets	5,634,189	503,103	472,036	1,068,571	6,340,990	6,279,973	<b>20,298,862</b>
<i>of which amounts due from clients</i>	82,742	385,525	471,040	1,031,136	5,195,107	4,726,303	<b>11,891,853</b>
Total liabilities	1,312,149	1,380,035	1,666,964	2,232,315	7,732,524	5,974,875	<b>20,298,862</b>
<i>of which amounts due to clients</i>	960,904	1,221,598	1,404,513	2,126,290	6,790,400	4,050,072	<b>16,553,777</b>
Gap	4,322,040	-876,932	-1,194,928	-1,163,744	-1,391,534	305,098	-
Accumulated gap	4,322,040	3,445,108	2,250,180	1,086,436	-305,098	-	-

<b>December 31st 2019</b>	<b>1M</b>	<b>1-3M</b>	<b>3-6M</b>	<b>6-12M</b>	<b>1-5Y</b>	<b>Over 5Y</b>	<b>Total</b>
Liquidity gap ratio	2.95	1.68	1.19	0.93	0.87	1.00	
Total assets	3,596,737	419,355	547,419	1,081,285	6,202,607	6,481,994	<b>18,329,397</b>
<i>of which amounts due from clients</i>	105,049	312,595	541,997	1,005,722	5,219,295	4,844,362	<b>12,029,020</b>
Total liabilities	1,219,099	1,173,229	1,431,101	2,239,257	7,478,687	4,788,024	<b>18,329,397</b>
<i>of which amounts due to clients</i>	961,682	1,108,038	1,293,615	2,122,847	6,784,833	2,615,705	<b>14,886,720</b>
Gap	2,377,638	-753,874	-883,682	-1,157,972	-1,276,080	1,693,970	-
Accumulated gap	2,377,638	1,623,764	740,082	-417,890	-1,693,970	-	-

### Derivative instrument cash flows (gross settlements)

The table below presents the maturities of derivative instruments by contractual terms as at December 31st 2020 and December 31st 2019 (undiscounted amounts):

December 31st 2020	1M	1-3M	3-6M	6-12M	Over 1Y	Total
<b>Inflows, including:</b>	<b>663,217</b>	<b>113,790</b>	<b>155,329</b>	<b>140,614</b>	<b>154,801</b>	<b>1,227,751</b>
FX forward	94,734	19,658	20,345	51,098	33,118	218,953
FX Spot	186,468	-	-	-	-	186,468
FX Swap	375,620	88,476	129,386	65,664	32,442	691,588
IRS	6,395	5,656	5,598	23,852	89,241	130,742
<b>Outflows, including:</b>	<b>670,163</b>	<b>117,589</b>	<b>162,580</b>	<b>139,444</b>	<b>152,342</b>	<b>1,242,118</b>
FX forward	94,191	19,838	20,863	50,240	32,668	217,800
FX Spot	186,371	-	-	-	-	186,371
FX Swap	382,261	90,949	132,131	66,767	32,833	704,941
IRS	7,340	6,802	9,586	22,437	86,841	133,006

December 31st 2019	1M	1-3M	3-6M	6-12M	Over 1Y	Total
<b>Inflows, including:</b>	<b>463,507</b>	<b>255,235</b>	<b>245,091</b>	<b>314,710</b>	<b>137,235</b>	<b>1,415,778</b>
FX forward	48,870	41,189	8,822	18,031	17,095	134,007
FX Spot	210,983	-	-	-	-	210,983
FX Swap	197,183	207,543	225,444	252,563	-	882,733
IRS	6,471	6,503	10,825	44,116	120,140	188,055
<b>Outflows, including:</b>	<b>463,183</b>	<b>255,219</b>	<b>240,140</b>	<b>301,491</b>	<b>140,135</b>	<b>1,400,168</b>
FX forward	48,405	40,818	8,708	18,575	17,810	134,316
FX Spot	210,979	-	-	-	-	210,979
FX Swap	195,512	205,781	219,294	245,057	-	865,644
IRS	8,287	8,620	12,138	37,859	122,325	189,229

## 6.2.2. Interest rate risk

Interest rate risk is understood as a potential negative impact of changes in interest rates on the projected financial result, economic value of equity and present value of debt securities held. The interest rate risk is primarily generated in the Bank, both in the banking book and the trading book.

### Interest rate risk in the banking book

The main purpose of interest rate risk management in the banking book is to seek stabilization and optimization of net interest income ('NII') while limiting the negative effect of market interest rate movements on economic value of equity ('EVE').

To achieve this, the Bank uses two tools: the investment portfolio held and derivative transactions entered into as part of hedge accounting. The investment portfolio, built in the banking book, should help to, among others, secure net interest income generated by the Bank's equity and to secure core deposits in current accounts insensitive to interest rate movements. On the other hand, this portfolio is a source of volatility of the revaluation reserve.

The Bank applies fair value hedge accounting. Its purpose is to secure the fair value of the fixed-rate Treasury bonds, which are part of the HtC&S bond portfolio and also serve as the Bank's liquidity buffer. IRS hedging transactions reduce the extent of capital fluctuations caused by movements in interest rates.

Monitoring of interest rate risk in the banking book is supported by a dedicated IT system which the Bank uses in particular to determine/perform:

1. repricing gap, presenting the values of assets, liabilities and on-balance-sheet items sensitive to interest rate movements at maturity or repricing,
2. simulation of net interest income – a dynamic analysis reflecting the projection of net interest income over a given period of time, based on the Bank's growth scenarios, as well as assumptions regarding market factors,
3. net present value (NPV) simulation, presenting values of all cash flows discounted at given market parameters; results of the NPV analysis are used to calculate EVE,
4. price shocks for basis risk analysis, the purpose of which is to estimate the impact on the net interest income of varying changes in interest rates of products whose interest rates are based on different base rates,
5. yield curve risk analysis, which aims to estimate the impact on the economic value of equity of unparallel movements in the shape of the yield curve,
6. customer option risk analysis, whose objective is to assess the impact of customer options embedded in interest bearing products on the Bank's financial result,
7. stress tests, including reverse tests and the Supervisory Outlier Test – the objective is to determine how extreme changes in market factors affect the net interest income and the economic value of equity,
8. the level of internal capital for interest rate risk in the banking book.

### Measures of interest rate risk in the banking book

In order to control the interest rate risk in the banking book, the Bank uses two measures: sensitivity of net interest income to interest rate movements by +/-100 bps (NII) and sensitivity of the economic value of capital to interest rate movements by +/-200 bps (EVE). Interest rate risk in the banking book is measured on the basis of product characteristics (capital flow schedules, interest rate re-pricing, embedded options), resulting from contracts with counterparties. For current products where the client may flexibly determine, among other things, the repayment schedule or use of funds, the Bank builds replicating portfolios that reflect the economic timing of capital flows. In the replicating portfolios, the average maturity of deposits with undetermined maturity is 6 months, and the maximum maturity is 12 months. The Bank also takes into consideration client behaviour patterns, such as: early credit repayment levels or deposit breakage levels, which are estimated in accordance with internal regulations of the Bank. The assumptions are consistent with the EBA/GL/2018/02 Guidelines on the management of interest rate risk arising from non-trading book activities.

The following table provides a comparison of the NII and EVE measures between December 31st 2020 and December 31st 2019:



Date	ΔNII		ΔEVE	
	-100 bps	+100 bps	-200 bps	+200 bps
December 31st 2020	-95,408	39,378	67,413	-98,089
December 31st 2019	-43,737	33,718	29,975	-66,589
<b>Change</b>	<b>-51,671</b>	<b>5,660</b>	<b>37,433</b>	<b>-31,496</b>

In the first half of 2020, both NII and EVE were within limit/at warning levels consistent with the risk appetite approved by the Supervisory Board. Changes in the values of these measures have a certain cyclical nature, which is due to the regular approximation of the timing of the repricing of floating rate positions and the maturity of fixed rate positions. The increased sensitivity of net interest income in 2020 was caused by the three interest rate cuts by the Monetary Policy Council to counteract the negative economic effects of the COVID-19 pandemic, resulting in the Bank's decision to reduce interest rates on term deposits and savings accounts. The asymmetrical impact of interest rate movements on NII in the scenarios of falling and rising interest rates results from the characteristics of interest rates on specific items sensitive to interest rate movements, including reduction of interest rates on certain sources of financing to 0%, under the conditions of the analysed market interest rate movements (i.e., by -100 bps). Following the reduction of interest rates on term deposits and savings accounts and the higher utilisation of the NII limit, the impact of changes in the environment, the structure of the Bank's balance sheet and the product offering on the sensitivity of NII is monitored on an ongoing basis.

In accordance with the Guideline EBA/GL/2018/02 Guidelines on the management of interest rate risk arising from non-trading book activities the Bank is obliged to carry out a Supervisory Outlier Test (SOT).

Results of (SOT) for the six standard shock scenarios specified in the Guidelines are presented in the table below.

Date	ΔEVE in a given SOT scenario					
	parallel shock up	parallel shock down	steepener shock	flattener shock	short rates shock up	short rates shock down
December 31st 2020	-102,510	35,478	-2,987	-64,288	-94,813	3,316
December 31st 2019	-53,584	17,877	7,251	-37,277	-52,785	12,520
<b>Change</b>	<b>-48,926</b>	<b>17,601</b>	<b>-10,238</b>	<b>-27,011</b>	<b>-42,028</b>	<b>-9,204</b>

The results of the SOT analysis indicate that the Bank is most vulnerable to a decline in the economic value of equity (EVE) in the parallel shock up scenario. Despite an increase in the sensitivity of the economic value of equity between December 2019 and December 2020, the level of this measure is clearly below supervisory warning values, indicating moderate exposure of the Bank to interest rate risk.

Once a month, the Bank conducts stress testing analysis, examining the development of the interest rate risk in the banking and trading book in case of materialisation of extreme changes in risk factors. In the bank book, the Bank examines the impact of these scenarios on the following elements:

- sensitivity of the net interest income (NII):
  - scenarios of parallel shifts of interest rate curves within the range of [-500 bps, +500 bps],
  - scenarios of exchange rate movements by ±5%, ±10% and ±25%,
  - scenarios of cumulative changes in the parallel shifts of interest rate curves by ±100 bps and ±500 bps, and foreign exchange rates by ±5%, ±10% and ±25%,
- sensitivity of the economic value of equity (EVE):
  - scenarios of parallel shifts of interest rate curves within the range of [-500 bps, +500 bps],
  - scenarios of exchange rate movements by ±5%, ±10% and ±25%,
  - scenarios of cumulative changes in the parallel shifts of interest rate curves by ±200 bps and ±500 bps, and

foreign exchange rates by  $\pm 5\%$ ,  $\pm 10\%$  and  $\pm 25\%$ ,

3. sensitivity of revaluation reserve in scenarios of interest rates movements within the range [-500 p.b., +500 p.b.],
4. sensitivity of the present value of the bond portfolio in scenarios of interest rate movements within the range of [-500 bps, +500 bps] – by issuer (SP&NBP (excluding FVH), corporations, local governments) and by portfolio (H2C&S (excluding FVH), H2C).

The Bank also conducts reverse tests:

1. for the EVE – tests of the impact of changes in market factors, the purpose of which is to show when the sensitivity of the EVE falls below 20% of equity,
2. for the NII:
  - tests to show when the projected interest income falls below zero,
  - tests designed to identify areas of vulnerability to risks arising from collateral and risk management strategies and behavioural responses of clients.

The results of the stress test as at December 31st 2020 show that, in extremely adverse market conditions and the Bank's increased exposure to instruments sensitive to interest rate risk, the banking book risk remained at a safe level.

Given the nature of the Bank's business and the structure of its securities portfolio, the interest rate risk in the banking book is consistently significant. The Bank, as part of the ICAAP process, estimates internal capital for this risk. In accordance with supervisory and internal regulations, internal capital for interest rate risk in the banking book refers to both potential changes in the economic value of equity and net interest income due to adverse movements of interest rates and is adjusted to the structure and nature of the Bank's business.

In order to hedge the interest rate risk of 10-year fixed-rate PLN 150m BGK bonds (issued to the COVID-19 Fund and guaranteed by the State Treasury) held within the HtC&S business model, as of July 2020 the Bank applies the option of measurement at fair value through profit or loss (the FVPL option). The related IRS hedging transactions enable the Bank to change interest on the bonds accrued at a fixed interest rate into interest accrued at WIBOR 6M plus margin, which hedges the Bank's position against adverse effects of potential increase in market interest rates.

Results of monitoring the banking book interest rate risk are reported: weekly to the Liquidity and Market Risk ALCO Committee, monthly to the ALCO Committee and the Management Board, and quarterly to the Risk Committee and the Supervisory Board.

### Interest rate risk in the trading book

The objective of interest rate risk management in the trading book is to achieve a financial result in this line of business in keeping with the financial plan, at an acceptable level of exposure of the Bank to the risk, and to minimise the adverse effects of holding interest rate-sensitive instruments in the trading book.

### Measures of interest rate risk in the trading book

In order to monitor the interest rate risk, the Bank uses:

1. the value at risk (VaR) model determined for the 99% confidence level based on daily volatility of interest rates for 250 business days preceding the date of analysis,
2. the basis point value (BPV), i.e., sensitivity of securities and derivative instruments generating the interest rate risk to a 1 pp movement of interest rates,
3. a system of limits,
4. stress tests.

In 2020, there were no significant changes in the techniques applied to measure the interest rate risk of the Bank's trading book.

The value of interest rate VaR in the trading book and the impact of the stress test scenario – parallel movement of IRS and BOND yield curves by  $\pm 200$  bps – on the Bank's profit or loss in annual periods are presented below (maximum, minimum, mean and as at the reporting date).

Date	10-day VaR			Stress tests $\pm 200$ bps	
	mean	max	min	as at	as at
December 31st 2020	521	1,511	55	68	-1,387
December 31st 2019	422	612	177	355	-2,389

In order to verify the value-at-risk model, the Bank performs a back-testing analysis on a monthly basis, calculated by comparing the maximum losses from the VaR model with actual gains and losses and theoretical changes in profit or loss resulting from revaluation of positions. Results of monthly back-testing are presented in management reports.

The system of interest rate risk limits in the trading book includes:

1. the 10-day VaR limit,
2. the BPV limit for instruments generating interest rate risk in the trading book, both intra-day and end-of-day, separately for positions in debt securities and for IRS, and combined for these instruments,
3. maximum, two-day and monthly trailing loss limits for assets in the trading book.

The utilisation of each limit is calculated and monitored as at each business day, and for BPV limits – also during the day, and reported to the management on a regular basis.

Once a month, the Bank conducts stress testing analysis, examining the development of the interest rate risk in the banking and trading book in case of materialisation of extreme changes in risk factors.

In the trading book, the Bank examines the impact of extreme adverse movements of market interest rates on the Bank's profit or loss as well as the volatility of interest rates over 250 business days and the correlation between the interest rate volatility and VaR using both the historical and parametric methods. The historical method took into account the volatility of interest rates caused by the COVID-19 pandemic.

The Bank uses the following scenarios to analyse the impact of stress:

1. historical:
  - a. parallel movements of the yield curves (including fat tails and spread),
  - b. curvature of the yield curves,
  - c. changes in the slope of yield curves,
2. parametric:
  1. parallel movement of the yield curves,
  2. increase in interest rate volatility,
  3. extremely adverse changes in the correlation of interest rates.

Stress test scenarios are also run for market liquidity changes and for situations where positions cannot be closed.

Results of the analysis show that in the event of extremely adverse market conditions and the Bank's increased exposure to instruments sensitive to the interest rate risk both the Bank's banking and trading positions are maintained at a safe level.

Results of monitoring the interest rate risk in the banking book and the trading book are reported: weekly to the Liquidity and Market Risk ALCO Committee, monthly to the ALCO Committee and the Management Board, and quarterly to the Risk Committee and the Supervisory Board (with the results of the stress tests). Additionally, results of the analysis of interest rate risk in the trading book are communicated to members of the Management Board and the ALCO Committee as part of daily reports.

The three rate cuts by the Monetary Policy Council made in response to the COVID-19 pandemic did not lead to any material increase in the interest rate risk of the trading book. The measures of interest rate risk in the trading book were monitored on an ongoing basis, and although their levels generally increased they remained within the limits

applied by the Bank. The interest rate cuts had an adverse effect on profit or loss from interest rate transactions in the trading book due to a decrease in the fair value of IRS transactions in this portfolio.

### Derivative financial instruments

The following tables set out the decomposition of derivatives into underlying instruments in order to present their sensitivity to movements of rate movements (notional amounts).

December 31st 2020	1M	1-3M	3-6M	6-12M	Over 1Y	Total
<b>Assets</b>						
FX forward	94,734	19,658	20,345	51,098	33,118	218,953
FX Spot	186,468	-	-	-	-	186,468
FX Swap	375,620	88,476	129,386	65,664	32,442	691,588
IRS	1,013,802	1,153,291	1,234,460	518,980	1,568,329	5,488,862
<b>Total</b>	<b>1,670,624</b>	<b>1,261,425</b>	<b>1,384,191</b>	<b>635,742</b>	<b>1,633,889</b>	<b>6,585,871</b>
<b>Equity and liabilities</b>						
FX forward	94,191	19,838	20,863	50,240	32,668	217,800
FX Spot	186,371	-	-	-	-	186,371
FX Swap	382,261	90,949	132,131	66,767	32,833	704,941
IRS	753,801	1,068,025	1,232,753	421,000	2,013,280	5,488,859
Total	1,416,624	1,178,812	1,385,747	538,007	2,078,781	6,597,971
<b>Total</b>	<b>254,000</b>	<b>82,613</b>	<b>-1,556</b>	<b>97,735</b>	<b>-444,892</b>	

December 31st 2019	1M	1-3M	3-6M	6-12M	Over 1Y	Total
<b>Assets</b>						
FX forward	48,870	41,189	8,822	18,031	17,095	134,007
FX Spot	210,983	-	-	-	-	210,983
FX Swap	197,183	207,543	225,444	252,563	-	882,733
IRS	1,049,122	685,219	1,292,787	829,321	1,609,529	5,465,978
<b>Total</b>	<b>1,506,158</b>	<b>933,951</b>	<b>1,527,053</b>	<b>1,099,915</b>	<b>1,626,624</b>	<b>6,693,701</b>
<b>Equity and liabilities</b>						
FX forward	48,405	40,818	8,708	18,575	17,810	134,316
FX Spot	210,979	-	-	-	-	210,979
FX Swap	195,512	205,781	219,294	245,057	-	865,644
IRS	401,121	840,225	1,319,004	873,797	2,031,831	5,465,978
Total	856,017	1,086,824	1,547,006	1,137,429	2,049,641	6,676,917
<b>Total</b>	<b>650,141</b>	<b>-152,873</b>	<b>-19,953</b>	<b>-37,514</b>	<b>-423,017</b>	

## 6.2.3. Currency risks

Currency risk is defined as the risk of the Bank incurring losses resulting from movements in foreign exchange rates. The risk is generated primarily in the trading book of the Bank.

The objective of the Bank's currency risk management policy for the banking book is to not maintain open individual positions. Foreign currency exposures arising in the banking book are transferred systematically to the trading book on the same day or on the following business day at the latest. A currency position resulting from transactions in the banking book which has not been transferred on a given day to the trading book is controlled with end-of-day limits of open currency positions in the banking book.

The Bank's main currency positions are denominated in PLN, USD, EUR and CHF.

### Measures of currency risk

In order to monitor the currency risk of open foreign exchange positions (on- and off-balance-sheet) in the trading book of the Bank, the following measures are used:

1. the value at risk (VaR) model determined for the 99% confidence level based on daily volatility of foreign exchange rates for 250 business days preceding the date of analysis,
2. a system of limits,
3. stress testing.

The value of foreign exchange VaR in the trading book and the impact of the stress test scenario – a 30% decline in the exchange rates of all currencies in relation to PLN – on the Bank's profit or loss in annual periods are presented below (maximum, minimum, mean and as at the reporting date).

Date	10-day VaR				Stress tests – 30% increase/decrease in exchange rates as at
	mean	max	min	as at	
December 31st 2020	230	966	8	259	-1,962
December 31st 2019	213	575	5	133	-6,413

In order to verify the value-at-risk model, the Bank performs a back-testing analysis on a monthly basis, calculated by comparing the maximum losses from the VaR model with actual gains and losses and theoretical changes in profit or loss resulting from revaluation of positions. Results of monthly back-testing are presented in management reports.

The system of foreign exchange risk limits in the trading book includes:

1. the 10-day VaR limit,
2. limits on the amount per total position and per individual position for the main currencies, both intra-day and end-of-day,
3. daily and monthly trailing loss limits for currency exchange transactions.

Utilisation of the limits is monitored every business day, and for total position and individual limits in the Bank's main currencies – also during the day. During the day, the Bank also monitors additional limits for client transactions, within the amount limits for foreign exchange positions. Information on the utilisation of individual limits is regularly reported to the Bank's management.

Based on the analyses, the currency risk in the Bank was moderate during the reporting period.

Once a month, the Bank conducts stress testing analysis, examining the development of the currency risk in the banking book and the trading book in case of materialisation of extreme changes in risk factors. The Bank tests mainly the impact of extremely unfavourable movements in the exchange rates against PLN and cross currency pairs EUR/USD and EUR/CHF on gain (loss) on foreign exchange transactions and changes in volatility of exchange rates during the 250-business-day period and correlation between the volatility and the level of VaR, using both the historical and parametric methods. The historical method took into account the volatility of foreign exchange rates caused by the COVID-19 pandemic.

The Bank uses the following scenarios to analyse the impact of stress:

1. historical:
  1. historical increase/decrease in foreign exchange rates against PLN (including fat tails),
  2. Increase/decrease in cross currency EUR/CHF and EUR/USD rates,
2. parametric:
  1. a 30% increase/decrease in foreign exchange rates against PLN,
  2. increase in volatility of foreign exchange rates,
  3. extremely adverse changes in the correlation of foreign exchange rates.

Stress test scenarios are also run for market liquidity changes and for situations where positions cannot be closed.

Results of the stress test analysis show that under extremely unfavourable market conditions and increased exposures, the Bank's foreign exchange risk remains at a safe level.

Results of monitoring the currency risk in the trading book are reported: daily to members of the Management Board and the Alco Committee, weekly to the Liquidity and Market Risk ALCO Committee, monthly to the ALCO Committee and the Management Board, and quarterly to the Risk Committee and the Supervisory Board.

The volatility of exchange rates caused by the COVID-19 pandemic did not significantly increase the level of currency risk. The measures of currency risk were monitored on an ongoing basis, and although their levels generally increased they remained within the limits applied by the Bank.

Open foreign exchange positions as at December 31st 2020 and December 31st 2019 are presented below.

#### Currency risk (net carrying amounts)

December 31st 2020	PLN	EUR	USD	CHF	Other currencies	Total
<b>Assets</b>						
Cash and balances at central bank	253,151	12,309	721	195	156	266,532
Amounts due from banks	50,858	62,902	13,296	1,446	13,513	142,015
Financial assets held for trading, including:	79,509	295	23	-	-	79,827
<i>derivative instruments</i>	79,509	295	23	-	-	79,827
Investment securities, including:	7,371,414	-	-	-	-	7,371,414
<i>equity securities measured at fair value through other comprehensive income</i>	85,480	-	-	-	-	85,480
<i>debt securities measured at fair value through other comprehensive income</i>	5,597,061	-	-	-	-	5,597,061
<i>debt securities measured at amortised cost</i>	1,535,239	-	-	-	-	1,535,239
<i>debt securities measured at fair value through profit or loss</i>	153,634	-	-	-	-	153,634
Amounts due from clients	9,085,130	1,805,130	128,972	872,593	28	11,891,853
Other assets*\	544,684	1,264	225	870	178	547,221
<b>Total assets</b>	<b>17,384,746</b>	<b>1,881,900</b>	<b>143,237</b>	<b>875,104</b>	<b>13,875</b>	<b>20,298,862</b>
<b>Off-balance sheet items constituting foreign currency item</b>		<b>207,463</b>	<b>144,938</b>	<b>20,147</b>	<b>24,653</b>	

\*\ The item includes: intangible assets, property, plant and equipment, income tax assets and other assets

<b>Liabilities</b>						
Amounts due to central bank and other banks	822	240,999	677	490,245	-	732,743
Derivative financial instruments held for trading	97,254	156	-	-	-	97,410
Derivative hedging instruments	24,497	-	-	-	-	24,497
Amounts due to clients	14,872,717	1,398,136	184,354	61,110	37,460	16,553,777
Subordinated liabilities	368,996	-	-	-	-	368,996
Provisions	411,720	2,076	1,274	-	-	415,070
Other liabilities	186,216	7,780	1,890	5	72	195,963
<b>Total liabilities</b>	<b>15,962,222</b>	<b>1,649,147</b>	<b>188,195</b>	<b>551,360</b>	<b>37,532</b>	<b>18,388,456</b>
<b>Off-balance sheet items constituting foreign currency item</b>		<b>448,857</b>	<b>101,462</b>	<b>363,034</b>	<b>714</b>	
<b>On-balance sheet item</b>		<b>232,753</b>	<b>-44,958</b>	<b>323,744</b>	<b>-23,657</b>	
<b>Off-balance sheet item</b>		<b>-241,394</b>	<b>43,476</b>	<b>-342,887</b>	<b>23,939</b>	
<b>Bank's open currency position</b>		<b>-8,641</b>	<b>-1,482</b>	<b>-19,143</b>	<b>282</b>	

December 31st 2019	PLN	EUR	USD	CHF	Other currencies	Total
<b>Assets</b>						
Cash and balances at central bank	289,137	7,347	593	451	334	297,862
Amounts due from banks	32,332	81,438	19,769	5,693	9,686	148,918
Securities held for trading	42,928	135	22	-	-	43,085
Derivative financial instruments	57,120	308	-	-	-	57,428
Amounts due from clients	9,186,682	1,782,316	154,731	905,289	2	12,029,020
Investment securities, including:	5,302,078	-	-	-	-	5,302,078
<i>debt securities measured at fair value through other comprehensive income</i>	3,839,184	-	-	-	-	3,839,184
<i>debt securities measured at amortised cost</i>	1,377,384	-	-	-	-	1,377,384
<i>equity securities measured at fair value through other comprehensive income</i>	85,510	-	-	-	-	85,510
Investments in subsidiaries	113,897	-	-	-	-	113,897
Other assets*\	334,628	1,180	246	848	207	337,109
<b>Total assets</b>	<b>15,358,802</b>	<b>1,872,724</b>	<b>175,361</b>	<b>912,281</b>	<b>10,229</b>	<b>18,329,397</b>
<b>Off-balance sheet items constituting foreign currency item</b>		<b>137,824</b>	<b>58,642</b>	<b>-</b>	<b>26,034</b>	

\*\ The item includes: intangible assets, property, plant and equipment, income tax assets and other assets

<b>Liabilities</b>						
Amounts due to central bank and other banks	39,744	73,832	608	481,483		
Amounts due to clients	13,358,697	1,279,083	151,721	65,790	31,429	14,886,720
Derivative financial instruments	48,499	242	-	-	-	48,741
Derivative hedging instruments	16,869	-	-	-	-	16,869
Subordinated liabilities	370,731	-	-	-	-	370,731
Provisions	55,614	2,185	73	-	-	57,872
Other liabilities	192,331	7,620	5,540	-	268	205,759
<b>Total liabilities</b>	<b>14,082,485</b>	<b>1,362,962</b>	<b>157,942</b>	<b>547,273</b>	<b>31,697</b>	<b>16,182,359</b>
<b>Off-balance sheet items constituting foreign currency item</b>		<b>639,111</b>	<b>76,709</b>	<b>367,889</b>	<b>4,350</b>	
<b>On-balance sheet item</b>		<b>509,762</b>	<b>17,419</b>	<b>365,008</b>	<b>-21,468</b>	
<b>Off-balance sheet item</b>		<b>-501,287</b>	<b>-18,067</b>	<b>-367,889</b>	<b>21,684</b>	
<b>Bank's open currency position</b>		<b>8,475</b>	<b>-648</b>	<b>-2,881</b>	<b>216</b>	

The off-balance-sheet foreign exchange position results in particular from FX swap transactions that are used by the Bank to cover the liquidity mismatch in foreign currencies.



## 6.3. Capital management

For capital adequacy purposes, the Bank applies transitional arrangements to mitigate the impact of the first-time application of IFRS 9 on own funds, pursuant to Article 1(9) of Regulation (EU) 2017/2395 of the European Parliament and the Council dated December 12th 2017 (Regulation) amending Regulation (EU) No 575/2013. The Bank also made a decision not to apply the provisions of Art.1.4 of Regulation (EU) 2017/2395.

Taking into account the impact of IFRS 9 both with and without the transitional arrangements, the Bank met the applicable capital standards as at December 31st 2020.

Following the decision to apply the transitional provisions, as of February 1st 2018 the Bank discloses its own funds, capital ratios and leverage ratio, both with and without applying the transitional arrangements under Article 473a of Regulation (EU) No 575/2013.

The Bank's capital, risk-weighted assets, capital ratios, leverage ratio and internal capital were as follows:

Item	December 31st 2020	December 31st 2019
<b>Available capital</b>		
Common equity Tier 1 capital	1,858,426	2,063,995
Common equity Tier 1 capital – without IFRS 9 transitional provisions	1,759,626	1,966,818
Tier 1 capital	1,858,426	2,063,995
Tier 1 capital – without IFRS 9 transitional provisions	1,759,626	1,966,818
Own funds	2,114,009	2,392,802
Own funds – without IFRS 9 transitional provisions	2,015,209	2,295,625
<b>Risk-weighted assets</b>		
Total amount of risk-weighted assets	14,111,218	14,433,553
– Credit risk and counterparty credit risk	13,190,506	13,501,448
– Operational risk	875,594	886,197
– Market risk	36,989	30,316
– CVA risk	8,130	15,593
Total amount of risk-weighted assets – without IFRS 9 transitional provisions	14,013,272	14,350,159
<b>Capital ratios</b>		
Common equity Tier 1 capital ratio	13.17	14.30
Common equity Tier 1 capital ratio – without IFRS 9 transitional provisions	12.56	13.71
Tier 1 capital ratio	13.17	14.30
Tier 1 capital ratio – without IFRS 9 transitional provisions	12.56	13.71
Total capital ratio	14.98	16.58
Total capital ratio – without IFRS 9 transitional provisions	14.38	16.00
<b>Leverage ratio</b>		
Exposure value	22,001,072	20,234,791
Leverage ratio	8.4	10.2
Leverage Ratio – without IFRS 9 transitional provisions	8.0	9.8
<b>Internal capital</b>		
Internal capital	1,693,855	1,892,846

The amount of own funds and capital requirements were determined in accordance with Regulation (EU) No 575/2013 of June 26th 2013 on prudential requirements for credit institutions and investment firms, hereinafter referred to as CRR.

In order to mitigate the risk of a decrease in capital ratios, the Bank monitors the scale and structure of the Bank's business and factors that may adversely affect the level of the Bank's equity.

On a quarterly basis, the Bank estimates internal capital to cover:

- a. Pillar 1 risks:
- 1) for credit risk and counterparty credit risk – on the basis of the regulatory requirement taking into account an additional mark up for non-performing exposures (NPE) / non-performing loans (NPL),
  - 2) for specific types of risk within the market risk, including CVA risk and operational risk – based on the regulatory requirements,
- b. Pillar 2 risks:
- 1) for risks whose level has been assessed as significant.

In accordance with Article 92 of the CRR, the Bank is required to maintain the total capital ratio at a minimum of 8%. The Tier 1 capital ratio and Common equity Tier 1 capital ratio should amount at least to 6% and 4.5%, respectively.

According to the CRR Resolution, and the Act of August 5th 2015 on macro-prudential oversight of the financial system and crisis management in the financial system, financial institutions are required to maintain additional capital buffers for capital ratios. As of January 1st 2019, the capital conservation buffer is 2.5 bps, and the countercyclical buffer is 0 bps. The Bank is not required to maintain the buffer defined for other systemically important institution. The systemic risk buffer was released by decision of the Minister of Finance dated March 18th 2020.

On December 3rd 2020, the Polish Financial Supervision Authority recommended that the Bank maintains its own funds to cover additional capital requirements to hedge against the risk arising from foreign currency mortgage credits and household loans at the level of 0.51 p.p. above the TCR ratio referred to in Article 92 (1) letter c) of the CRR Regulation, which should be composed of, at least, 75% of the Tier I capital (which corresponds to the capital requirement at the level of 0.38 p.p. above the value of Tier I capital which is referred to in Article 92 (1) letter b) of the CRR Regulation) and of at least 56% of the common equity Tier I capital (which corresponds to the capital requirement at the level of 0.29 p.p. above the common equity Tier I capital ratio referred to in Article 92 (1) letter a) of the CRR Regulation).

As a result, as of December 31st 2020 the minimum capital ratios recommended by the Authority are 8.88% for Tier 1 capital ratio and 11.01% for the TCR ratio.

The capital adequacy ratio of the Bank as at December 31st 2020 was above the levels recommended by the Polish Financial Supervision Authority, both with and without the application of IFRS 9 transitional solutions.

In a letter from the Bank Guarantee Fund (“BFG”) dated December 10th 2020, the Bank was notified of an update of the minimum requirement for own funds and eligible liabilities (MREL). The target MREL level, calculated on the basis of separate (non-consolidated) data as at December 31st 2019, was 16.27% of the total risk exposure amount (RWA) or 12.87% of the total of own funds and liabilities.

The Bank is required to meet the minimum level of own funds and redeemable or convertible liabilities from January 1st 2024.

The BFG informed the Bank that in the next planning cycle MREL will be determined using a new methodology related to the adopted Banking Package which incorporates amendments to the BRRD, CRD IV and of the CRR Regulation.

## 6.4. Operational risk

Operational risk is understood as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk, taking into account operational risk events characterised by low frequency of occurrence but high losses. Reputational and strategic risks are not part of operational risk.

The Bank applies an operational risk management system under which the responsibility for the day-to-day operational risk management rests with all the Bank's employees, and in particular with the heads of organizational units/offices of the Head Office and Business Centres and Branches of the Bank – in accordance with respective responsibilities and tasks.

The Bank gathers information on significant operational risk events in the operational risk event database, in a dedicated IT application. This information is used to:

1. monitor the level of operational risk on an ongoing basis,
2. monitor activities of organisational units related to the operational risk events,
3. measure or estimate losses arising from operational risk,
4. generate reports on operational risk events, including reports for external institutions.

The Bank sets basic limits for operational risk, including in particular tolerance and appetite limits across the Bank, as well as a target operational risk profile. The degree of utilisation of the tolerance limits and appetite for operational risk is controlled by periodic monitoring of the amount of losses incurred due to operational risk events.

Operational risk is measured using quantitative, qualitative and mixed methods, including, but not limited to:

1. calculation of the capital requirement for operational risk in accordance with the standardised approach,
2. estimation and determination of internal capital for operational risk; as at December 31st 2020, the amount of internal capital was equal to the amount of capital requirements for operational risk,
3. calculation and monitoring of key risk indicators (KRI),
4. reviews of operational risk (self-assessment of potential operational risk),
5. stress tests.

At the Bank, stress tests for operational risk are carried out using three methods: sensitivity analysis, reverse analysis, and scenario analysis. Stress tests are conducted once a year. As a result of the stress tests carried out so far, the amount of losses assumed in the scenarios, compared with the amount of available capital in the form of a tolerance limit and capital requirement for operational risk, confirmed the ability of the Bank to absorb operational risk losses through its operational risk capital requirement and, under most of the scenarios – through the operational risk tolerance limit.

In order to reduce its exposure to operational risk, the Bank uses the following instruments (methods, techniques and tools):

1. organisation of work to mitigate the occurrence of operational risk by, among other things, separating executive and control functions, setting decision and transaction limits, and managing access rights to premises and systems to reduce the possibility of unauthorised actions,
2. the HR policy,
3. internal control functions,
4. strategic internal limits for operational risk, i.e., tolerance and appetite limits,
5. periodic reviews of operational risk based on the self-assessment process,
6. risk maps built to identify the sources of potential threats and assessment of related risk levels,
7. operational risk stress testing,
8. threshold values of key risk indicators (KRI),
9. clauses in contracts with third parties that mitigate operational risk,
10. insurance of bank property with specialized firms,
11. documenting the methodological, process, organisational and IT solutions applied by the Bank,
12. automation of activities with the use of IT solutions and increasing the quality of operations through the use of specialised software,
13. continuity and contingency plans developed for the critical business processes of the Bank,

- 14. analysis of the adequacy of the calculated capital requirements for operational risk to the actual operational risk incurred by the Bank,
- 15. internal training for the Bank's employees aimed at raising their awareness and understanding of the role, impact and ways of conduct with respect to operational risk.

The level and profile of operational risk, the utilisation of operational risk limits and the amount of losses arising from operational risk events are regularly monitored by the Department for Financial and Operational Risk and reported to: the Supervisory Board, the Risk Committee of the Supervisory Board, the Management Board and the Operational Risk Committee.

## 6.5. Non-compliance risk

Non-compliance risk is defined as a risk of effects of failure to comply with laws, internal regulations and market standards.

The Bank ensures compliance with laws, internal regulations and market standards through the control function (application of control mechanisms and monitoring their observance) and the compliance risk management process, which includes identification, assessment, control and monitoring of compliance risk and reporting in this respect to the Management Board and the Supervisory Board.

The basic rules for ensuring compliance as part of the compliance risk management function and process are defined in the Compliance Policy of Bank Ochrony Środowiska S.A., prepared by the Management Board and approved by the Supervisory Board, and its implementing acts, including:

- a. Principles of non-compliance risk management at Bank Ochrony Środowiska S.A.,
- b. Principles of internal control at Bank Ochrony Środowiska S.A.

The Bank has a separate, independent compliance function reporting directly to the President of the Management Board and responsible for performing its duties within the control function and tasks related to compliance risk management.

Compliance risk management at the Bank aims to:

- a. identify, assess and control the potential for negative consequences of non-compliance with laws, internal regulations and market standards, including in particular legal sanctions, financial losses, or loss of reputation that may result from non-compliance with laws, internal regulations and market standards,
- b. consolidate the Bank's image as an institution operating in compliance with the law, honest, reliable, environmentally friendly, credible and responsible in business.

The Bank identifies the following key compliance areas:

- 1. preventing illegal activities at the Bank, including counteracting money laundering and financing terrorism,
- 2. protecting information,
- 3. implementing and monitoring compliance with ethical standards,
- 4. accepting or giving benefits and gifts,
- 5. advertising and marketing activities,
- 6. offering products,
- 7. customer complaints,
- 8. managing conflicts of interest.

In 2020, there were no events which would have a material impact on the level of non-compliance risk, and the Bank focused its efforts on preventing the occurrence of non-compliance risk.

## 6.6. Model risk

Model risk is defined by the Bank in accordance with supervisory requirements as the potential loss an institution may incur, as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models (Art. 3.1, Section 11, CRD IV).

The process of identifying, assessing and monitoring model risk includes areas related to:

1. the risk of using incorrect and incomplete data,
2. the risk of erroneous assumptions of models, which are inadequate to the estimated process,
3. the methodological risks resulting from the use of inappropriate estimation methodologies and techniques in the model construction process,
4. the risk of insufficient monitoring, validation and update of models, also the risk of applying an incorrectly implemented but correct model.

Due to the widespread use of models supporting basic processes in the Bank, such as the credit process, the capital management processes, or the credit risk and market risk management processes, the Bank considers the model risk as consistently significant. Internal capital is estimated and established for model risk.

The Bank manages model risk in accordance with internal regulations, including the internal capital estimation and allocation rules, the model risk management policy, the model risk management methodology and the significant model validation methodologies. The policy defines the rules governing the processes related to estimation, verification and management of the level of model risk and regulates matters related to the construction, verification, implementation, validation and monitoring of models used at the Bank. Activities in this area are coordinated by an independent unit of the Model Validation Office and the Operational Risk Team in the Financial and Operational Risk Department, reporting directly to Vice President of the Management Board who coordinates organisation of the Risk Area.

In order to quickly and accurately identify model risk, the Bank has in place a standardized, comprehensive model risk management process, which includes:

1. the model life cycle,
2. the principles of assigning materiality grades to the models used by the Bank,
3. the principles of operation of model logs, which contain information regarding the models, sets of their parameters, changes to the models, their updates and reviews. The logs provide a baseline of information on the relevance of the models, monitoring results, validation and risk levels carried by the models,
4. the standards and principles of monitoring and reporting of model risk – material models are monitored on a quarterly basis, and non-material models – annually. In exceptional cases, due in particular to limited availability of the data or significant operational intensity of monitoring, models may be monitored less frequently (but not less frequently than once year for material models and not less frequently than once every three for non-material models). Model risk is reported on a quarterly basis. Implementation of the Policy is assessed on an annual basis and the assessment results are approved by the Supervisory Board,
5. the principles of model validation – models are validated by an independent Model Validation Office, at least once a year for material models. Certain types of material models may be validated less frequently than once year (but not less frequently than once every three years), if such frequency results directly from the nature of the model operation. Other models are validated on an ad-hoc basis when ordered by the Management Board or a relevant Committee, based on external or internal recommendations, or at the request of the model owner.

As at December 31st 2020, the Bank operated a total of 21 models, including seven material models and 14 immaterial models.

Risks of the Bank's models are assessed on a regular basis, in accordance with the standards adopted in internal regulations, taking into account the calculation of internal capital related to hedging the Bank against the model risk. Reporting on the status of model management and validation includes model risk assessment, risk tolerance level and the associated level of capital allocated to the model risk. Reports are prepared for the Supervisory Board, the Risk Committee of the Supervisory Board, the Management Board and the ALCO Committee. Reports on validation for material models are presented and approved during meetings of the relevant Committees appointed by the Management Board.

As at December 31st 2020, the aggregated risk of material models was moderate. None of the material models generated high risk. The aggregated model risk fell within the tolerance level determined and approved by the Supervisory Board.

## 7. Net interest income

Item	January 1st–December 31st 2020				January 1st–December 31st 2019			
	Interest income		Income similar to interest income	Total	Interest income		Income similar to interest income	Total
	Financial assets measured at amortised cost	Assets measured at fair value through other comprehensive income	Financial assets mandatorily measured at fair value through profit or loss		Financial assets measured at amortised cost	Assets measured at fair value through other comprehensive income	Financial assets mandatorily measured at fair value through profit or loss	
Amounts due from banks and the central bank	979	-	-	979	3,616	-	-	3,616
Amounts due from institutional clients	307,084	-	1,182	308,266	368,998	-	2,723	371,721
Amounts due from retail clients	107,572	-	10	107,582	122,011	-	37	122,048
Non-trading investment debt securities	29,959	67,698	-	97,657	34,728	95,718	659	131,105
Financial instruments held for trading	-	-	1,796	1,796	-	-	-	-
<b>Total</b>	<b>445,594</b>	<b>67,698</b>	<b>2,988</b>	<b>516,280</b>	<b>529,353</b>	<b>95,718</b>	<b>3,419</b>	<b>628,490</b>

Item	January 1st–December 31st 2020			January 1st 2019–December 31st 2019		
	Financial liabilities measured at amortised cost	Financial liabilities measured at fair value through profit or loss	Total	Financial liabilities measured at amortised cost	Financial liabilities measured at fair value through profit or loss	Total
Interest expense and similar charges on:						
Bank accounts and deposits from banks	178	-	178	1,023	-	1,023
Bank accounts and deposits from institutional clients	24,921	-	24,921	55,759	-	55,759
Bank accounts and deposits from retail clients	96,290	-	96,290	126,236	-	126,236
Borrowings from banks	-	-	-	-	-	-
Borrowings from clients	462	-	462	818	-	818
JESSICA lending support funds	177	-	177	261	-	261
Financial instruments – own debt securities	15,100	-	15,100	18,656	-	18,656
Hedging transactions	-	7,700	7,700	-	8,772	8,772
Lease liabilities	3,543	-	3,543	3,676	-	3,676
Litigation and claims related to foreign currency mortgage loans	614	-	614	-	-	-
<b>Total</b>	<b>141,285</b>	<b>7,700</b>	<b>148,985</b>	<b>206,429</b>	<b>8,772</b>	<b>215,201</b>



## 8. Net fee and commission income

Item	January 1st– December 31st 2020	January 1st 2019– December 31st 2019
<b>Fee and commission income</b>		
Fees for maintaining client accounts, other domestic and international settlement transactions	34,965	36,834
Commission fees on credit facilities	31,531	32,231
Commission fees on guarantees and letters of credit	5,943	5,098
Other fees	2	13
<b>Total</b>	<b>72,441</b>	<b>74,176</b>
<b>Fee and commission expense</b>		
Payment card fees	6,151	7,656
Current account fees	1,351	1,039
ATM service charges	1,225	1,134
Fees on amounts due from clients	213	617
Fees paid to other banks for cash transactions	-	1
Other fees	805	2,136
<b>Total</b>	<b>9,745</b>	<b>12,583</b>

## 9. Dividend income

Item	January 1st– December 31st 2020	January 1st 2019– December 31st 2019
Securities measured at fair value through other comprehensive income	6,205	6,277
<b>Total</b>	<b>6,205</b>	<b>6,277</b>

The amount of 2020 dividend includes dividends from:

- 1) Kemipol Sp. z o.o. of PLN 5,526 thousand (2019: PLN 5,447 thousand),
- 2) WODKAN Przedsiębiorstwo Wodociągów i Kanalizacji S.A. of PLN 679 thousand (2019: PLN 830 thousand).

## 10. Gain (loss) on financial instruments measured at fair value through profit or loss (including amounts due from clients)

Item	January 1st– December 31st 2020	January 1st 2019– December
Securities held for trading	991	592
Derivative financial instruments	13,989	13,669
Amounts due from clients	32	1,649
Securities measured at fair value through profit or loss	2,166	-
Derivative financial instruments measured at fair value through profit or loss	1,423	-
<b>Total</b>	<b>18,601</b>	<b>15,910</b>

## 11. Gain (loss) on investment securities

Item	January 1st– December 31st 2020	January 1st 2019– December 31st 2019
Gain (loss) on sale of securities measured at fair value through other comprehensive income	4,239	582
<b>Total</b>	<b>4,239</b>	<b>582</b>

## 12. Gain (loss) on hedge accounting

Item	January 1st– December 31st 2020	January 1st 2019– December 31st 2019
Gain (loss) on fair value measurement of fair value hedging transactions	- 10,463	457
Gain (loss) on measurement of hedged part of Treasury bonds covered by fair value hedge accounting	8,425	- 499
<b>Total</b>	<b>- 2,038</b>	<b>- 42</b>

## 13. Gain (loss) on foreign exchange transactions

Item	January 1st– December 31st 2020	January 1st 2019– December
Realised gain (loss) on valuation transactions	18,883	15,567

Unrealised gain (loss) on valuation transactions	6,188	1,158
<b>Total</b>	<b>25,071</b>	<b>16,725</b>

## 14. Other income

Item	January 1st– December	January 1st 2019–
Reversal of provisions for liabilities, including:	5,492	4,231
<i>provisions for liabilities and claims</i>	2,138	312
<i>other provisions</i>	3,354	3,919
Reversal of impairment losses on receivables	10	84
Recoveries of prescribed, cancelled or uncollectible receivables	177	1,873
Proceeds from sale or retirement of property, plant and equipment	23	23
Reimbursement of debt collection costs	748	1,235
Revenue from sale of goods and provision of services	756	520
Adjustment of interest on cancelled deposits from previous years	907	379
Income from damages, penalties and fines	60	17
Other	1,307	1,063
<b>Total</b>	<b>9,480</b>	<b>9,425</b>

## 15. Other expenses

Item	January 1st– December	January 1st 2019–
Retirement of property, plant and equipment and intangible assets	53	367
Donations made	1,036	960
Recognised provisions for liabilities and claims, including:	7,014	2,802
<i>provision for refund of commission fees due to early loan repayment</i>	1,269	1,183
<i>provision for other liabilities and claims</i>	5,745	1,619
Impairment losses on receivables	61	36
Costs of debt collection	2,944	4,347
Adjustment to interest and commission fees on previous years' loans	1,873	1,794
Costs of maintenance and administration of own leased premises	119	120
Costs of compensation	472	980
Other	1,994	1,061
<b>Total</b>	<b>15,566</b>	<b>12,467</b>

## 16. Net impairment losses

Item	January 1st– December	January 1st 2019–
Securities measured at fair value through other comprehensive income	- 4,650	9
Securities measured at amortized cost	- 40	- 2
Amounts due from banks	94	1,727
Amounts due from clients and off-balance-sheet liabilities, including:	- 161,118	- 102,507
on-balance-sheet receivables	- 157,618	- 95,586
<i>from retail clients</i>	- 50,494	- 43,092
<i>from institutional clients</i>	- 107,124	- 52,494
off-balance-sheet liabilities	- 3,500	- 6,921
<i>from retail clients</i>	- 104	497
<i>from institutional clients</i>	- 3,396	- 7,418
<b>Total</b>	<b>- 165,714</b>	<b>- 100,773</b>

### Net impairment losses on amounts due from clients:

Item	January 1st– December	January 1st 2019–
Individual assessment	- 81,465	- 81,991
Group assessment	- 76,153	- 13,595
<b>Total</b>	<b>- 157,618</b>	<b>- 95,586</b>

## 17. Administrative expenses

Item	January 1st– December	January 1st 2019–
Employee benefits	122,541	120,514
Administrative expenses, including:	120,468	119,395
<i>material costs</i>	81,320	74,917
<i>taxes and charges</i>	1,679	1,903
<i>contribution and payments to BGF</i>	35,441	39,874
<i>contribution and payments to PFSA</i>	1,866	2,595
<i>contribution to cover operating expenses of Financial Ombudsman</i>	162	106
Amortization and depreciation, including:	42,769	45,962
<i>depreciation of property, plant and equipment</i>	7,301	7,125
<i>amortisation of tangible assets</i>	22,023	23,585
<i>depreciation of rights-of-use assets</i>	13,445	15,252
<b>Total</b>	<b>285,778</b>	<b>285,871</b>

### Employee benefits

Item	January 1st– December	January 1st 2019–
Salaries and wages, including:	102,195	101,220
<i>retirement benefits</i>	289	291
Social security contributions	20,346	19,294
<b>Total</b>	<b>122,541</b>	<b>120,514</b>

The Bank does not fund retirement benefits based on defined benefit plans, except for retirement severance pay paid in accordance with the BOŚ S.A. Employee Remuneration Rules.

### Depreciation of right-of-use assets

Item	December 31st 2020	December 31st 2019
Real property	13,373	15,192
Vehicles	72	60
<b>Total</b>	<b>13,445</b>	<b>15,252</b>

## 18. Income tax expense

Item	January 1st– December	January 1st 2019–
Current tax	- 27,495	- 44,035
Deferred tax	16,256	9,963
<b>Total</b>	<b>- 11,239</b>	<b>- 34,072</b>
<b>Profit (loss) before tax</b>	<b>- 299,059</b>	<b>106,139</b>
Income tax at 19% tax rate	56,820	- 20,166
Permanent differences between profit before tax and tax base	- 69,067	- 13,906
- decreasing:	8,009	1,696
<i>reversed impairment losses</i>	443	330
<i>dividends received</i>	1,179	1,193
<i>valuation of equity-accounted companies</i>	5,864	-
<i>other</i>	523	173
increasing:	- 77,433	- 15,784
<i>recognised impairment losses</i>	- 1,454	- 1,557
<i>recognised provisions for other liabilities, including 'large TSUE'</i>	- 68,165	- 4,340
<i>valuation of equity-accounted subsidiaries</i>	- 265	- 1,633
<i>contributions to BGF</i>	- 6,734	- 7,576
<i>other</i>	- 815	- 678
deductions from taxable income:	357	182
<i>donations, R&amp;D relief</i>	357	182
<b>Tax expense on profit or loss for current year</b>	<b>- 12,247</b>	<b>- 34,072</b>
<b>Current and deferred tax for previous years</b>	<b>1,008</b>	<b>-</b>
<b>Total tax expense</b>	<b>- 11,239</b>	<b>- 34,072</b>
<b>Effective tax rate</b>	<b>- 4%</b>	<b>32%</b>

For detailed information on deferred tax, see Note 35.

## 19. Earnings (loss) per share

Basic earnings (loss) per share are calculated as the quotient of profit attributable to shareholders of the Bank and the weighted average number of ordinary shares during the year.

Item	01-01-2020 December	January 1st 2019
Net profit (loss)	- 310,298	72,067
Weighted average number of ordinary shares (thousand)	92,910	92,910
<b>Basic earnings (loss) per share (PLN)</b>	<b>- 3.34</b>	<b>0.78</b>

Diluted earnings (loss) per share are equal to basic earnings (loss) per share in the periods presented.

## 20. Cash and balances at central bank

Item	December 31st 2020	December 31st 2019
Cash in hand	21,762	26,606
Balances at central bank	244,770	271,256
<b>Total</b>	<b>266,532</b>	<b>297,862</b>

## 21. Amounts due from other banks

Item	December 31st 2020	December 31st 2019
Deposits with other banks, recognised as cash equivalents	28,815	59,361
Derivative hedging receivables	99,092	75,520
Debt securities classified as amounts due from other banks	15,051	15,074
Total gross	142,958	149,955
Impairment losses on debt securities classified as receivables from other banks	- 943	- 1,037
<b>Total net</b>	<b>142,015</b>	<b>148,918</b>

For information on amounts due from other banks by maturity, see Note 25.



**Change in gross carrying amount of amounts due from other banks:**

Item	Gross carrying amount of amounts due from				Total
	Bucket 1	Bucket 2	Bucket 3	POCI	
<b>At beginning of period January 1st 2020</b>	<b>134,881</b>	<b>15,074</b>	-	-	<b>149,955</b>
Change in gross carrying amount due to acquisition of financial assets	69,272	-	-	-	69,272
Change in gross carrying amount of existing portfolio	- 16,548	-23	-	-	- 16,571
Change in gross carrying amount due to derecognition of financial asset	- 59,698	-	-	-	- 59,698
<b>At end of period December 31st 2020</b>	<b>127,907</b>	<b>15,051</b>	-	-	<b>142,958</b>

Item	Gross carrying amount of amounts due from				Total
	Bucket 1	Bucket 2	Bucket 3	POCI	
<b>At beginning of period January 1st 2019</b>	<b>173,258</b>	-	-	-	<b>173,258</b>
Change in gross carrying amount due to acquisition of financial assets	66,782	-	-	-	66,782
Change in gross carrying amount of existing portfolio	- 1,880	-	-	-	- 1,880
Change in gross carrying amount due to derecognition of financial asset	- 88,205	-	-	-	- 88,205
Change in gross carrying amount due to reallocation of financial assets between Buckets	-15,074	15,074	-	-	-
Reallocation to Bucket 2	-15,074	15,074	-	-	-
<b>At end of period December 31st 2019</b>	<b>134,881</b>	<b>15,074</b>	-	-	<b>149,955</b>

## 22. Financial assets and liabilities held for trading

Assets	December 31st 2020	December 31st 2019
Derivative financial instruments, including:	79,827	57,428
<i>foreign exchange and currency derivative transactions</i>	3,899	13,406
<i>interest rate derivative transactions</i>	75,928	44,022
Securities held for trading	-	43,085
<b>Total financial assets held for trading</b>	<b>79,827</b>	<b>100,513</b>
Liabilities	December 31st 2020	December 31st 2019
Derivative financial instruments, including:	97,410	48,741
<i>foreign exchange and currency derivative transactions</i>	16,772	2,915
<i>interest rate derivative transactions</i>	80,638	45,826
<b>Total financial liabilities held for trading</b>	<b>97,410</b>	<b>48,741</b>

## 23. Investment securities

Item	December 31st 2020				December 31st 2019		
	measured at fair value through other comprehensive income	measured at amortised cost	measured at fair value through profit or loss	Total	measured at fair value through other comprehensive income	measured at amortised cost	Total
<b>Debt securities:</b>	<b>5,597,061</b>	<b>1,535,239</b>	<b>153,634</b>	<b>7,285,934</b>	<b>3,839,184</b>	<b>1,377,384</b>	<b>5,216,568</b>
Treasury bonds	2,026,964	1,397,710	-	3,424,674	2,281,190	1,327,866	3,609,056
Treasury bills	159,777	-	-	159,777	-	-	-
NBP money market bills – recognised as cash equivalents	2,179,952	-	-	2,179,952	1,319,835	-	1,319,835
municipal bonds	147,739	-	-	147,739	188,613	-	188,613
bonds of other banks	593,370	87,875	153,634	834,879	49,546	-	49,546
bonds of other financial institutions	489,259	49,654	-	538,913	-	49,518	49,518
<b>Equity securities</b>	<b>85,480</b>	<b>-</b>	<b>-</b>	<b>85,480</b>	<b>85,510</b>	<b>-</b>	<b>85,510</b>
listed	18,543	-	-	18,543	18,543	-	18,543
unlisted	66,937	-	-	66,937	66,967	-	66,967
<b>Total</b>	<b>5,682,541</b>	<b>1,535,239</b>	<b>153,634</b>	<b>7,371,414</b>	<b>3,924,694</b>	<b>1,377,384</b>	<b>5,302,078</b>

For information on investment securities by maturity, see Note 25.

Change in gross carrying amount and impairment losses on investment securities:

Item	Debt securities measured at fair value through other comprehensive income	Debt securities measured at amortised cost	Debt securities measured at fair value through profit or loss	Equity securities measured at fair value through other comprehensive income	Total
<b>At beginning of period January 1st 2020</b>	<b>3,839,184</b>	<b>1,377,491</b>	-	<b>85,510</b>	<b>5,302,185</b>
Increase due to purchase	105,267,786	160,586	149,625	-	105,577,997
Increase due to accrued interest, discount, premium	111,720	54,861	1,853	-	168,434
Valuation – value increase	279,804	693	30,821	12	311,330
Decrease due to sale and purchase	103,532,450	-	-	-	103,532,450
Decrease due to realized interest, premium	118,613	57,489	-	-	176,102
Valuation – decrease in value	250,409	757	28,665	42	279,873
Other changes	39	-	-	-	39
<b>At end of period December 31st 2020</b>	<b>5,597,061</b>	<b>1,535,385</b>	<b>153,634</b>	<b>85,480</b>	<b>7,371,560</b>

Item	Debt securities measured at fair value through comprehensive income	Debt securities measured at amortised cost	Debt securities measured at fair value through profit or loss	Equity securities measured at fair value through other comprehensive income	Total
<b>At beginning of period January 1st 2019</b>	<b>4,015,998</b>	<b>1,375,373</b>	-	<b>85,027</b>	<b>5,476,398</b>
Increase due to purchase	77,618,901	-	-	499	77,619,400
Increase due to accrued interest, discount, premium	132,977	55,837	-	-	188,814
Valuation – value increase	154,468	492	-	1	154,961
Decrease due to sale and purchase	77,777,627	-	-	-	77,777,627
Decrease due to realized interest, premium	138,991	53,461	-	-	192,452
Valuation – decrease in value	166,603	750	-	17	167,370
Other changes	61	-	-	-	61
<b>At end of period December 31st 2019</b>	<b>3,839,184</b>	<b>1,377,491</b>	-	<b>85,510</b>	<b>5,302,185</b>

**Change in impairment losses on investment securities:**

Item	Debt securities measured at amortised cost	Total
<b>At beginning of period January 1st 2020</b>	<b>107</b>	<b>107</b>
Recognised impairment losses	47	47
Reversed impairment losses	- 8	- 8
<b>At end of period December 31st 2020</b>	<b>146</b>	<b>146</b>

Item	Debt securities measured at amortised cost	Total
<b>At beginning of period January 1st 2019</b>	<b>105</b>	<b>105</b>
Recognised impairment losses	3	3
Reversed impairment losses	- 1	- 1
<b>At end of period December 31st 2019</b>	<b>107</b>	<b>107</b>

**Investment securities pledged as security:**

Item	December 31st 2020		December 31st 2019	
	measured at fair value through other comprehensive income	measured at amortised cost	measured at fair value through other comprehensive income	measured at amortised cost
<b>Security for loans received from banks and International Financial Organisations</b>	<b>361,668</b>	<b>598,119</b>	<b>513,193</b>	<b>592,154</b>
<i>up to 1 year</i>	82,129	-	10,431	-
<i>over 1 year</i>	279,539	598,119	502,762	592,154
<b>Security for Guaranteed Funds Protection Fund</b>	<b>-</b>	<b>60,849</b>	<b>5,056</b>	<b>70,998</b>
<i>over 1 year</i>	-	60,849	5,056	70,998
<b>Security for liabilities in the form of contributions to Guarantee Fund</b>	<b>11,992</b>	<b>12,325</b>	<b>7,292</b>	<b>8,455</b>
<i>up to 1 year</i>	4,006	-	-	-
<i>over 1 year</i>	7,986	12,325	7,292	8,455
<b>Security for liabilities in the form of contributions to Forced Restructuring Fund</b>	<b>17,017</b>	<b>13,590</b>	<b>16,891</b>	<b>8,744</b>
<i>up to 1 year</i>	5,609	-	-	-
<i>over 1 year</i>	11,408	13,590	16,891	8,744
<b>Collateral in REPO transactions</b>	<b>275,212</b>	<b>321,133</b>	<b>86,989</b>	<b>447,013</b>
<i>up to 1 year</i>	-	-	58,411	-
<i>over 1 year</i>	275,212	321,133	28,578	447,013
<b>Total</b>	<b>665,889</b>	<b>1,006,016</b>	<b>629,421</b>	<b>1,127,364</b>

## 24. Amounts due from clients

Item	December 31st 2020			December 31st 2019		
	Gross amounts due from clients	Impairment losses	Net amounts due from clients	Gross amounts due from clients	Impairment losses	Net amounts due from clients
<b>Measured at amortised cost</b>	<b>13,028,160</b>	<b>1,196,124</b>	<b>11,832,036</b>	<b>13,149,933</b>	<b>1,163,515</b>	<b>11,986,418</b>
<b>Amounts due from retail clients</b>	<b>3,797,592</b>	<b>336,569</b>	<b>3,461,023</b>	<b>3,826,210</b>	<b>274,846</b>	<b>3,551,364</b>
overdraft facilities	1,727	1,400	327	1,814	1,343	471
cash loans	474,414	110,114	364,300	445,405	77,921	367,484
housing loans	3,031,302	185,429	2,845,873	3,040,641	151,949	2,888,692
other facilities	290,149	39,626	250,523	338,350	43,633	294,717
<b>Amounts due from institutional clients</b>	<b>9,230,568</b>	<b>859,555</b>	<b>8,371,013</b>	<b>9,323,723</b>	<b>888,669</b>	<b>8,435,054</b>
working capital facilities	611,959	93,252	518,707	665,394	138,804	526,590
term facilities	8,108,821	758,011	7,350,810	8,068,392	738,256	7,330,136
factoring receivables	337,125	5,675	331,450	521,821	10,477	511,344
purchased receivables	97,470	1,347	96,123	68,116	1,132	66,984
commercial paper	75,193	1,270	73,923	-	-	-
<b>Measurement at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>25,514</b>	<b>-</b>	<b>-</b>	<b>38,285</b>
<b>Amounts due from retail clients</b>	<b>-</b>	<b>-</b>	<b>1,192</b>	<b>-</b>	<b>-</b>	<b>1,938</b>
housing loans	-	-	427	-	-	648
other facilities	-	-	765	-	-	1,290
<b>Amounts due from institutional clients</b>	<b>-</b>	<b>-</b>	<b>24,322</b>	<b>-</b>	<b>-</b>	<b>36,347</b>
working capital facilities	-	-	39	-	-	195
term facilities	-	-	24,283	-	-	36,152
<b>Total</b>	<b>-</b>	<b>-</b>	<b>11,857,550</b>	<b>-</b>	<b>-</b>	<b>12,024,703</b>
Security deposits	31,706	2	31,704	-	-	4,317
Other receivables	2,599	-	2,599	-	-	-
<b>Total amounts due from clients</b>	<b>-</b>	<b>-</b>	<b>11,891,853</b>	<b>-</b>	<b>-</b>	<b>12,029,020</b>



Amounts due from clients included preferential loans with subsidised interest from NFOŚiFW and WFOŚiGW; in the reporting period, the amounts were as follows (nominal values):

Item	December 31st 2020	December 31st 2019
<b>Preferential loans with subsidies, including:</b>	<b>93,488</b>	<b>136,575</b>
<i>measured at amortised cost</i>	69,525	102,031
<i>measured at fair value through profit or loss</i>	23,963	34,544

### Change in gross carrying amount of and impairment losses on amounts due from clients:

Item	Gross carrying amount of amounts due from retail clients					Gross carrying amount of amounts due from institutional clients				
	Bucket 1	Bucket 2	Bucket 3	POCI	Total	Bucket 1	Bucket 2	Bucket 3	POCI	Total
<b>At beginning of period 01-01-2020</b>	<b>3,245,535</b>	<b>223,318</b>	<b>357,357</b>	-	<b>3,826,210</b>	<b>5,460,381</b>	<b>2,223,604</b>	<b>1,639,738</b>	-	<b>9,323,723</b>
Change in gross carrying amount due to acquisition of financial assets	266,908	187	-	-	267,095	1,147,633	51,431	-	250	1,199,314
Change in gross carrying amount of existing portfolio	- 156,130	- 4,769	14,442	-	- 146,457	- 11,169	- 177,467	- 49,131	106	- 237,661
Change in gross carrying amount due to derecognition of financial asset including:	-137,380	- 6,873	- 5,003	-	- 149,256	- 571,027	- 264,102	- 219,678	-	1,054,807
<i>change in gross carrying amount due to financial instruments that were written off from the statement of financial position</i>	-	-	- 282	-	- 282	- 1	-	- 167,124	-	- 167,125
Change in gross carrying amount due to reallocation of financial assets between Buckets	- 119,600	- 9,648	129,248	-	-	- 617,485	448,579	168,906	-	-
Reallocation to Bucket 1	54,658	- 54,231	- 427	-	-	232,456	- 232,424	- 32	-	-
Reallocation to Bucket 2	- 64,317	75,311	- 10,994	-	-	- 774,157	775,755	- 1,598	-	-
Reallocation to Bucket 3	- 109,941	- 30,728	140,669	-	-	- 75,784	- 94,752	170,536	-	-
Other changes	- 105	102	3	-	-	13,257	- 13,258	-	-	- 1
<b>At end of period December 31st 2020</b>	<b>3,099,228</b>	<b>202,317</b>	<b>496,047</b>	-	<b>3,797,592</b>	<b>5,421,590</b>	<b>2,268,787</b>	<b>1,539,835</b>	<b>356</b>	<b>9,230,568</b>

Item	Allowances for amounts due from retail clients					Allowances for amounts due from institutional clients				
	Bucket 1	Bucket 2	Bucket 3	POCI	Total	Bucket 1	Bucket 2	Bucket 3	POCI	Total
<b>At beginning of period 01-01-2020</b>	<b>17,937</b>	<b>26,812</b>	<b>230,097</b>	-	<b>274,846</b>	<b>62,088</b>	<b>98,348</b>	<b>728,233</b>	-	<b>888,669</b>
Change in impairment losses due to acquisition of financial assets	3,423	21	-	-	3,444	16,382	1,868	-	3	18,253
Change in estimates of impairment losses	- 10,290	6,362	67,145	-	63,217	- 6,926	28,806	119,421	22	141,323
Change in impairment losses due to derecognition of financial asset	- 1,001	- 815	- 3,122	-	- 4,938	- 4,898	- 9,440	- 174,352	-	- 188,690
<i>including: change in impairment losses on financial instruments written-off from the statement of financial position</i>	-	-	- 282	-	- 282	- 1	-	- 167,124	-	- 167,125
Change in impairment losses due to reallocations of financial assets between Buckets	5,464	- 10,714	5,250	-	-	2,756	- 12,516	9,760	-	-
Reallocation to Bucket 1	7,297	- 7,129	- 168	-	-	16,432	- 16,423	- 9	-	-
Reallocation to Bucket 2	- 706	4,017	- 3,311	-	-	- 12,248	12,472	- 224	-	-
Reallocation to Bucket 3	- 1,127	- 7,602	8,729	-	-	- 1,428	- 8,565	9,993	-	-
Other changes	- 24	24	-	-	-	100	- 101	1	-	-
<b>At end of period December 31st 2020</b>	<b>15,509</b>	<b>21,690</b>	<b>299,370</b>	-	<b>336,569</b>	<b>69,502</b>	<b>106,965</b>	<b>683,063</b>	<b>25</b>	<b>859,555</b>

Item	Gross carrying amount of amounts due from retail clients					Gross carrying amount of amounts due from institutional clients				
	Bucket 1	Bucket 2	Bucket 3	POCI	Total	Bucket 1	Bucket 2	Bucket 3	POCI	Total
<b>At beginning of period January 1st 2019</b>	<b>3,431,422</b>	<b>161,325</b>	<b>352,464</b>	-	<b>3,945,211</b>	<b>4,895,907</b>	<b>1,868,143</b>	<b>2,075,888</b>	-	<b>8,839,938</b>
Change in gross carrying amount due to acquisition of financial assets	314,671	-	-	-	314,671	1,477,748	7,023	-	-	1,484,771
Change in gross carrying amount of existing portfolio	- 227,371	- 13,631	6,410	-	- 234,592	284,315	- 120,426	- 71,828	-	92,061
Change in gross carrying amount due to derecognition of financial asset including:	- 162,394	- 5,509	- 31,491	-	- 199,394	- 855,671	- 130,477	- 106,585	-	- 1,092,733
<i>change in gross carrying amount due to financial instruments that were written off from the statement of financial position</i>	-	- 34	- 20,931	-	- 20,965	-	-	- 6,575	-	- 6,575
Change in gross carrying amount due to reallocation of financial assets between Buckets	- 110,838	81,152	29,686	-	-	- 341,919	599,337	- 257,418	-	-
Reallocation to Bucket 1	16,851	- 15,876	- 975	-	-	223,454	- 223,001	- 453	-	-
Reallocation to Bucket 2	- 108,477	118,712	- 10,235	-	-	- 449,908	868,200	- 418,292	-	-
Reallocation to Bucket 3	- 19,212	- 21,684	40,896	-	-	- 115,465	- 45,862	161,327	-	-
Other changes	45	- 19	288	-	314	1	4	- 319	-	- 314
<b>At end of period December 31st 2019</b>	<b>3,245,535</b>	<b>223,318</b>	<b>357,357</b>	-	<b>3,826,210</b>	<b>5,460,381</b>	<b>2,223,604</b>	<b>1,639,738</b>	-	<b>9,323,723</b>

Item	Allowances for amounts due from retail clients					Allowances for amounts due from institutional clients				
	Bucket 1	Bucket 2	Bucket 3	POCI	Total	Bucket 1	Bucket 2	Bucket 3	POCI	Total
<b>At beginning of period January 1st 2019</b>	<b>11,328</b>	<b>7,065</b>	<b>221,364</b>	-	<b>239,757</b>	<b>48,569</b>	<b>100,633</b>	<b>650,989</b>	-	<b>800,191</b>
Change in impairment losses due to acquisition of financial assets	4,269	-	-	-	4,269	19,405	279	-	-	19,684
Change in estimates of impairment losses	3,071	19,456	34,080	-	56,607	- 5,685	- 371	110,156	-	104,100
Change in impairment losses due to derecognition of financial asset	- 864	- 466	- 24,559	-	- 25,889	- 5,901	- 5,975	- 23,328	-	- 35,204
<i>including: change in impairment losses on financial instruments written-off from the statement of financial position</i>	-	- 34	- 20,931	-	-20,965	-	-	- 6,575	-	- 6,575
Change in impairment losses due to reallocations of financial assets between Buckets	133	757	- 890	-	-	5,963	3,491	- 9,454	-	-
Reallocation to Bucket 1	888	- 663	- 225	-	-	17,152	- 17,031	- 121	-	-
Reallocation to Bucket 2	- 507	4,278	- 3,771	-	-	- 7,592	23,188	- 15,596	-	-
Reallocation to Bucket 3	- 248	- 2,858	3,106	-	-	- 3,597	- 2,666	6,263	-	-
Other changes			102	-	102	- 263	291	- 130	-	- 102
<b>At end of period December 31st 2019</b>	<b>17,937</b>	<b>26,812</b>	<b>230,097</b>	-	<b>274,846</b>	<b>62,088</b>	<b>98,348</b>	<b>728,233</b>	-	<b>888,669</b>

## 25. Financial assets by maturity

December 31st 2020	up to 1 month	over 1 month to 3 months	over 3 months to 6 months	over 6 months to 12 months	over 1 year and up to 5 years	over 5 years	undefined maturity date	Total
Amounts due from other banks (Note 21)	126,964	-	51	-	15,000	-	-	142,015
Securities held for trading (Note 22)	-	-	-	-	-	-	-	-
Securities measured at fair value through other comprehensive income (Note 23)	2,860,574	-	410,375	23,972	1,937,442	364,698	85,480	5,682,541
Securities measured at amortised cost (Note 23)	-	-	-	25,943	696,161	813,135	-	1,535,239
Securities measured at <i>fair value through profit or loss</i> (Note 23)	-	-	-	-	-	153,634	-	153,634
Amounts due from clients (Note 24)	171,982	351,544	530,402	1,360,052	4,532,438	4,945,435	-	11,891,853
<b>Total</b>	<b>3,159,520</b>	<b>351,544</b>	<b>940,828</b>	<b>1,409,967</b>	<b>7,181,041</b>	<b>6,276,902</b>	<b>85,480</b>	<b>19,405,282</b>

December 31st 2019	up to 1 month	over 1 month to 3 months	over 3 months to 6 months	over 6 months to 12 months	over 1 year and up to 5 years	over 5 years	undefined maturity date	Total
Amounts due from other banks (Note 21)	133,843	-	75	-	-	15,000	-	148,918
Securities held for trading (Note 22)	-	-	-	-	43,085	-	-	43,085
Securities measured at fair value through other comprehensive income (Note 23)	1,319,834	228	52,352	331,731	1,483,681	651,358	85,510	3,924,694
Securities measured at amortised cost (Note 23)	-	-	-	-	649,666	727,718	-	1,377,384
Amounts due from clients (Note 24)	178,423	267,099	498,186	1,155,281	4,605,860	5,324,171	-	12,029,020
<b>Total</b>	<b>1,632,100</b>	<b>267,327</b>	<b>550,613</b>	<b>1,487,012</b>	<b>6,782,292</b>	<b>6,718,247</b>	<b>85,510</b>	<b>17,523,101</b>

## 26. Investments in subsidiaries

Investments in subsidiaries are measured using the equity method.

Item	December 31st 2020	December 31st 2019
Dom Maklerski BOŚ S.A.	134,324	106,515
BOŚ Leasing - EKO Profit S.A.*\	59,479	60,874
<b>Total</b>	<b>193,803</b>	<b>167,389</b>

\*\valuation of BOŚ Leasing – EKO Profit includes valuation of an indirect subsidiary MS WIND sp. z o.o. (a direct subsidiary of BOŚ Leasing – Eko Profit S.A.).

### Change in carrying amount of investments in subsidiaries

Item	Dom Maklerski BOŚ S.A.	BOŚ Leasing - Eko Profit S.A.	Total
<b>Carrying amount as at January 1st 2019, at cost</b>	<b>32,342</b>	<b>45,248</b>	<b>77,590</b>
change in accounting policies for measurement of investments in subsidiaries	70,097	-8,010	62,087
<b>Carrying amount as of January 1st 2019 measured using equity method</b>	<b>102,439</b>	<b>37,238</b>	<b>139,677</b>
increase due to additional contribution to equity	-	25,000	25,000
reversal of reversed impairment loss on BLEP shares	-	11,307	11,307
changes due to measurement of equity-accounted investments	4,076	-12,505	-8,429
<b>Carrying amount as at December 31st 2019 measured using equity method</b>	<b>106,515</b>	<b>61,040</b>	<b>167,555</b>
Decrease due to dividend payment	-3,057	-	-3,057
changes due to measurement of equity-accounted investments	30,865	-1,560	29,305
<b>Carrying amount as at December 31st 2020 measured using equity method</b>	<b>134,323</b>	<b>59,480</b>	<b>193,803</b>

## 27. Intangible assets

Item	December 31st 2020	December 31st 2019
Licenses and software, including:	90,290	79,133
<i>internally produced software</i>	4,245	1,382
Intangible assets under development	9,194	27,036
<b>Total</b>	<b>99,484</b>	<b>106,169</b>

Intangible assets fully amortised, in continuous use:

December 31st 2020 131,209

December 31st 2019 119,785



With respect to intangible assets that are not yet available for use, i.e., their development has not been completed, the Bank monitors the assets for potential indications of impairment on an ongoing basis. Based on the review of the expenditure on intangible assets under development, no impairment indicators were identified as at December 31st 2020 and December 31st 2019.

### Change in intangible assets

Item	Licences and software	Intangible assets under development	Total
<b>As at January 1st 2020</b>			
Gross carrying amount	308,485	27,036	335,521
Amortisation	-229,352	-	-229,352
<b>Net carrying amount</b>	<b>79,133</b>	<b>27,036</b>	<b>106,169</b>
<b>Period ended December 31st 2020</b>			
Net carrying amount at beginning of year	79,133	27,036	106,169
Increase	33,180	11,896	45,076
<i>purchase</i>	3,442	11,896	15,338
<i>reclassification from investments</i>	29,738	-	29,738
Decrease	-	-29,738	-29,738
<i>reclassification from investments</i>	-	-29,738	-29,738
Amortisation charge	-22,023	-	-22,023
<b>Net carrying amount as at December 31st 2020</b>	<b>90,290</b>	<b>9,194</b>	<b>99,484</b>
<b>As at December 31st 2020</b>			
Gross carrying amount	341,665	9,194	350,859
Amortisation	-251,375	-	-251,375
<b>Net carrying amount as at December 31st 2020</b>	<b>90,290</b>	<b>9,194</b>	<b>99,484</b>

Item	Licences and software	Intangible assets under development	Total
<b>As at January 1st 2019</b>			
Gross carrying amount	296,817	19,496	316,313
Amortisation	-205,767	-	-205,767
<b>Net carrying amount</b>	<b>91,050</b>	<b>19,496</b>	<b>110,546</b>
<b>Period ended December 31st 2019</b>			
Net carrying amount at beginning of year	91,050	19,496	110,546
Increase	11,668	16,164	27,832
<i>purchase</i>	3,044	16,164	19,208
<i>reclassification from investments</i>	8,624	-	8,624
Decrease	-	-8,624	-8,624
<i>reclassification from investments</i>	-	-8,624	-8,624
Amortisation charge	-23,585	-	-23,585
<b>Net carrying amount at December 31st 2019</b>	<b>79,133</b>	<b>27,036</b>	<b>106,169</b>
<b>As at December 31st 2019</b>			
Gross carrying amount	308,485	27,036	335,521
Amortisation	-229,352	-	-229,352
<b>Net carrying amount as at December 31st 2019</b>	<b>79,133</b>	<b>27,036</b>	<b>106,169</b>

## 28. Property, plant and equipment

Item	December 31st 2020	December 31st 2019
Property, plant and equipment, including:	36,089	25,508
<i>land;</i>	182	182
<i>buildings and premises</i>	4,679	4,137
<i>leasehold improvements</i>	3,171	4,194
<i>computer hardware and technical equipment</i>	26,078	15,725
<i>vehicles</i>	9	24
<i>other property, plant and equipment</i>	1,970	1,246
Property, plant and equipment under construction	2,167	3,824
Advance payments	173	-
<b>Total</b>	<b>38,429</b>	<b>29,332</b>

As at December 31st 2020 and December 31st 2019, there were no assets withdrawn from active use and held for sale.

## Change in property, plant and equipment

Item	Land and buildings	Leasehold improvements	Technical equipment, vehicles and other equipment	Property, plant and equipment under construction	Advance payments	Total
<b>As at January 1st 2020</b>						
Gross carrying amount	7,822	28,545	81,196	3,824	-	121,387
Depreciation	-3,503	-24,351	-64,201	-	-	-92,055
<b>Net carrying amount</b>	<b>4,319</b>	<b>4,194</b>	<b>16,995</b>	<b>3,824</b>	<b>-</b>	<b>29,332</b>

<b>Period ended December 31st 2020</b>						
Net carrying amount at beginning of year	4,319	4,194	16,995	3,824	-	29,332
Increase:	733	335	16,854	11,791	173	29,886
<i>purchases</i>	-	-	4,473	11,791	173	16,437
<i>reclassification from investments</i>	733	335	12,381	-	-	13,449
Decrease:	-	-1,064	-11,079	-13,448	-	-25,591
<i>retirement/sale</i>	-	-1,064	-11,079	-	-	-12,143
<i>reclassification from investments</i>	-	-	-	-13,448	-	-13,448
Depreciation charge	-191	-1,358	-5,752	-	-	-7,301
Reversal of depreciation charge due to retirement/sale	-	1,064	11,039	-	-	12,103
<b>Net carrying amount as at December 31st 2020</b>	<b>4,861</b>	<b>3,171</b>	<b>28,057</b>	<b>2,167</b>	<b>173</b>	<b>38,429</b>

As at December 31st 2020						
Gross carrying amount	8,555	27,816	86,971	2,167	173	125,682
Amortisation	-3,694	-24,645	-58,914	-	-	-87,253
<b>Net carrying amount</b>	<b>4,861</b>	<b>3,171</b>	<b>28,057</b>	<b>2,167</b>	<b>173</b>	<b>38,429</b>

In the presented periods there were no temporarily unused assets with significant carrying amount.

Item	Land and buildings	Leasehold improvements	Technical equipment, vehicles and other equipment	Property, plant and equipment under construction	Total
<b>As at January 1st 2019</b>					
Gross carrying amount	7,822	32,847	84,892	1,291	126,852
Amortisation	-3,312	-28,705	-70,733	-	-102,750
<b>Net carrying amount</b>	<b>4,510</b>	<b>4,142</b>	<b>14,159</b>	<b>1,291</b>	<b>24,102</b>

<b>Period ended December 31st 2019</b>					
Net carrying amount at beginning of year	4,510	4,142	14,159	1,291	24,102
Increase:	-	1,721	8,340	9,037	19,098
<i>purchases</i>	-	65	3,542	9,037	12,644
<i>reclassification from investments</i>	-	1,656	4,798	-	6,454
Decrease:	-	-6,023	-12,036	-6,504	-24,563
<i>retirement/sale</i>	-	-6,023	-12,036	-	-18,059
<i>reclassification from investments</i>	-	-	-	-6,504	-6,504
Amortisation charge	-191	-1,460	-5,474	-	-7,125
Reversal of depreciation charge due to retirement/sale	-	5,814	12,006	-	17,820
<b>Net carrying amount at December 31st 2019</b>	<b>4,319</b>	<b>4,194</b>	<b>16,995</b>	<b>3,824</b>	<b>29,332</b>

<b>As at December 31st 2019</b>					
Gross carrying amount	7,822	28,545	81,196	3,824	121,387
Amortisation	-3,503	-24,351	-64,201	-	-92,055
<b>Net carrying amount</b>	<b>4,319</b>	<b>4,194</b>	<b>16,995</b>	<b>3,824</b>	<b>29,332</b>

## 29. Right of use – leases

Item	December 31st 2020	December 31st 2019
Real property	63,380	73,156
Vehicles	102	174
<b>Total</b>	<b>63,482</b>	<b>73,330</b>

### Change in right-of-use assets – leases

Change in right-of-use asset	Real property and land	Vehicles	TOTAL
<b>As at January 1st 2020</b>			
Gross carrying amount	88,338	221	88,559
Amortisation	- 15,182	-47	- 15,229
<b>Net carrying amount</b>	<b>73,156</b>	<b>174</b>	<b>73,330</b>
Net carrying amount at beginning of year	73,156	174	73,330
Increase	3,723	-	3,723
Decrease	- 919	-	- 919
Amortisation charge	- 13,373	-72	- 13,445
Reversal of depreciation charge	793	-	793
<b>Gross carrying amount at December 31st 2020</b>	<b>63,380</b>	<b>102</b>	<b>63,482</b>
<b>As at December 31st 2020</b>			
Gross carrying amount	91,142	221	91,363
Amortisation	- 27,762	- 119	- 27,881
<b>Net carrying amount</b>	<b>63,380</b>	<b>102</b>	<b>63,482</b>

Change in right-of-use asset	Real property and land	Vehicles	TOTAL
<b>As at January 1st 2019</b>			
Gross carrying amount	68,645	160	68,805
Amortisation	-	-	-
<b>Net carrying amount</b>	<b>68,645</b>	<b>160</b>	<b>68,805</b>
Net carrying amount at beginning of year	68,645	160	68,805
Increase	19,893	82	19,975
Decrease	- 200	-21	- 221
Depreciation charge	- 15,192	-60	- 15,252
Reversal of depreciation charge	10	13	23

<b>Gross carrying amount at December 31st 2019</b>	<b>73,156</b>	<b>174</b>	<b>73,330</b>
<b>As at 31 December 2019</b>			
Gross carrying amount	88,338	221	88,559
Depreciation	- 15,182	- 47	- 15,229
<b>Net carrying amount</b>	<b>73,156</b>	<b>174</b>	<b>73,330</b>

## 30. Other assets

Item	December 31st 2020	December 31st 2019
Up-front expenses	4,824	5,677
Cash surplus	1,307	1,978
Interbank settlements	1,733	904
Payment card settlements	251	252
Assorted debtors	4,150	1,965
Public charges	269	177
Accrued income	15,204	13,150
Other	158	4
<b>Total</b>	<b>27,896</b>	<b>24,107</b>

## 31. Amounts due to central bank and other banks

Item	December 31st 2020	December 31st 2019
Deposits from other banks	242,498	114,184
Repurchase transactions	490,245	481,483
<b>Total</b>	<b>732,743</b>	<b>595,667</b>

### Amounts due to central bank and other banks, by maturity:

Item	December 31st 2020	December 31st 2019
up to 1 month	144,937	50,271
over 1 month to 3 months	154,473	63,868
over 3 months to 6 months	255,834	137,246
over 6 months to 12 months	92,284	109,004
from 1 to 5 years	85,215	235,278
<b>Total</b>	<b>732,743</b>	<b>595,667</b>

## 32. Amounts due to clients

Item	December 31st 2020	December 31st 2019
Retail clients	8,414,930	8,377,446
<i>current/checking accounts</i>	4,240,548	3,453,892
<i>term deposits</i>	4,174,382	4,923,554
Institutional clients	7,262,493	5,601,652
<i>current/checking accounts</i>	6,080,790	3,572,203
<i>term deposits</i>	1,181,703	2,029,449
Other clients	74,763	64,654
Borrowings from International Financial Institutions	715,708	777,758
Lending support funds	85,883	65,210
<b>Total</b>	<b>16,553,777</b>	<b>14,886,720</b>

In 2020 and 2019, the Bank made all principal and interest payments on time, and did not breach any other contractual provisions regarding its payment obligations.

#### Amounts due to clients, by maturity:

Item	December 31st 2020	December 31st 2019
up to 1 month	11,575,025	8,444,331
over 1 month to 3 months	1,647,640	1,985,513
over 3 months to 6 months	1,203,745	1,551,159
over 6 months to 12 months	834,411	1,381,269
from 1 to 5 years	1,113,773	1,385,764
over 5 years	179,183	138,684
<b>Total</b>	<b>16,553,777</b>	<b>14,886,720</b>



### 33. Subordinated liabilities

Series	Currency	Interest rate	Maturity	Nominal value	Amount outstanding	Nominal value	Amount outstanding
				December 31st 2020		December 31st 2019	
AA1	PLN	6M WIBOR + margin (six-month coupons)	7 years (with early repayment option after 5 years)	34,214	34,884	34,214	35,096
AA2	PLN	6M WIBOR + margin (six-month coupons)	7 years (with early repayment option after 5 years)	65,786	66,259	65,786	66,414
P	PLN	6M WIBOR + margin (six-month coupons)	10 years (with early repayment option after 5 years)	150,000	151,834	150,000	152,897
RT	PLN	6M WIBOR + margin (six-month coupons)	10 years (with early repayment option after 5 years)	83,000	83,566	83,000	83,896
W	PLN	6M WIBOR + margin (six-month coupons)	7 years (with early repayment option after 5 years)	32,500	32,453	32,500	32,428
<b>Total</b>				<b>365,500</b>	<b>368,996</b>	<b>365,500</b>	<b>370,731</b>

## 34. Provisions

Item	December 31st 2020	December 31st 2019
Provisions for contingent liabilities, including:	31,733	28,233
<i>open lines of credit</i>	21,393	19,997
<i>guarantees</i>	10,340	8,236
Provision for employee benefits – retirement and disability benefits	2,976	2,767
Provision for legal proceedings and claims related to foreign currency mortgage loans	376,410	23,181
Provision for refund of commission fees due to early loan repayment	1,534	1,183
Provision for other liabilities and claims	2,417	2,508
<b>Total</b>	<b>415,070</b>	<b>57,872</b>

### Change in provisions

Item	December 31st 2020	December 31st 2019
<b>Provisions for contingent liabilities</b>		
<b>At beginning of period</b>	<b>28,233</b>	<b>21,322</b>
<i>recognition of provisions for impairment of off-balance-sheet liabilities</i>	71,875	72,023
<i>reversal of provisions for impairment of off-balance-sheet liabilities</i>	-68,375	-65,102
<i>Other</i>	-	-10
<b>At end of period</b>	<b>31,733</b>	<b>28,233</b>
<b>Provisions for employee benefits</b>		
<b>At beginning of period</b>	<b>2,767</b>	<b>2,630</b>
<i>recognition of provisions</i>	519	390
<i>use of provisions</i>	-310	-253
<b>At end of period</b>	<b>2,976</b>	<b>2,767</b>
<b>Provision for legal proceedings and claims related to foreign currency mortgage loans</b>		
<b>At beginning of period</b>	<b>23,181</b>	<b>2,033</b>
<i>recognition of provisions</i>	353,021	21,221
<i>accounting for provision discount</i>	614	-
<i>use of provisions</i>	-395	-
<i>reversal of provisions</i>	-11	-73
<b>At end of period</b>	<b>376,410</b>	<b>23,181</b>

<b>Provision for refund of commission fees due to early loan repayment</b>		
<b>At beginning of period</b>	<b>1,183</b>	<b>-</b>
<i>recognition of provisions</i>	1,269	1,183
<i>use of provisions</i>	-918	-
<b>At end of period</b>	<b>1,534</b>	<b>1,183</b>
<b>Provision for other liabilities and claims</b>		
<b>At beginning of period</b>	<b>2,508</b>	<b>9,216</b>
<i>recognition of provisions</i>	5,745	1,619
<i>use of provisions</i>	-3,700	-8,088
<i>reversal of provisions</i>	-2,136	-239
<b>At end of period</b>	<b>2,417</b>	<b>2,508</b>
<b>Total provisions at end of period</b>	<b>415,070</b>	<b>57,872</b>

**Present value of future retirement and disability benefit obligations to employees in employment as at December 31st 2020:**

<b>Item</b>	<b>December 31st 2020</b>	<b>December 31st 2019</b>
<b>Wage growth rate</b>	<b>2.5%</b> <b>(0% in 2020)</b>	<b>2.5%</b> <b>(0% in 2019)</b>
Interest rate for future obligations due to:		
<i>retirement and disability benefits</i>	1.50%	2.00%
Amounts recognised in comprehensive income with respect to the defined benefit plans:		
Cost of benefits:		
Current service cost	235	226
Net interest expense	42	61
<b>Components of defined benefit plan costs recognised in profit or loss</b>	<b>277</b>	<b>287</b>
Increase (decrease) in net defined benefit obligation:		
Actuarial gains and losses due to changes in financial assumptions	84	143
Actuarial gains and losses due to experience adjustments	158	-40
<b>Components of defined benefit plan costs recognised in other comprehensive income</b>	<b>242</b>	<b>103</b>
<b>Total</b>	<b>519</b>	<b>390</b>

## Defined benefit obligations

Item	December 31st 2020	December 31st 2019
Amounts recognised in comprehensive income with respect to the defined benefit plans:		
<b>At beginning of period</b>	<b>2,767</b>	<b>2,630</b>
Current service cost	235	226
Interest expense	42	61
(Gains) losses on revaluation:		
Actuarial gains and losses due to changes in financial assumptions	84	143
Actuarial gains and losses due to experience adjustments	158	-40
Benefits paid	-310	-253
<b>At end of period</b>	<b>2,976</b>	<b>2,767</b>

The calculation of the present value of future retirement and disability benefit obligations relates to the current population of Bank employees and does not take account of any future employees of the Bank. It consists in determining the employees' entitlement to a specified part of the severance benefit in the year following the calculation date using the projected unit credit method of calculating the actuarial present value of future obligations. The present value of an employee's entitlement to a certain part of the future severance benefit was calculated on the assumption that the employee would continue to be employed by the Bank until the benefit is paid, and was discounted at the moment of calculation.

The vested portion of the benefit entitlement is the quotient of the current length of service of the employee and the length of service required to receive the retirement or disability benefit.

Disability benefits are calculated as the sum of the products of the probabilities of becoming disabled in future years for a person of a certain age and the vested portion of the benefit in each year, over the entire projected period, and are discounted at the time of valuation. The vested portion of the disability benefit in each year is calculated by dividing the current length of service by the length of service in that future year.

The present value of the vested entitlements is calculated assuming an increase in the base amount of severance benefit until payment at the rate of salary increase.

As at December 31st 2020, the discount rate of 1.5% was used to estimate employee benefit obligations. Using the discount rate of 1.75%, employee benefit obligations would amount to PLN 2,933 thousand as at December 31st 2020, and at the discount rate of 1.25% the obligations would amount to PLN 3,020 thousand.

As at December 31st 2019, the discount rate of 2.0% was used to estimate employee benefit obligations. Using the discount rate of 2.25%, employee benefit obligations would amount to PLN 2,730 thousand as at December 31st 2019, while at the discount rate of 1.75% the obligations would amount to PLN 2,805 thousand.

The Bank estimates that the outflow of economic benefits resulting from the provision will occur in the presented periods:

Item	December 31st 2020	December 31st 2019
up to 1 year	678	676
from 1 to 5 years	818	796
from 5 to 10 years	710	659
from 10 to 20 years	687	570
over 20 years	83	66
<b>Total</b>	<b>2,976</b>	<b>2,767</b>

Provisions for court proceedings, claims and reimbursement of commission fees are recognised at the amount of expected outflows of economic benefits in the presented periods:

	January 1st 2020-December 31st 2020		January 1st 2019-December 31st 2019	
	Amount	Expected outflow of benefits	Amount	Expected outflow of benefits
Provision for other liabilities and claims	2,417		2,508	
	417	up to 1 year	1,717	up to 1 year
	2,000	over 1 year	791	over 1 year
Provision for legal proceedings and claims related to foreign currency mortgage loans	376,410		23,181	
	-	up to 1 year	3,650	up to 1 year
	376,410	over 1 year	19,531	over 1 year
Provision for refund of commission fees due to early loan repayment	1,534		1,183	
	-	up to 1 year	1,183	up to 1 year
	1,534	over 1 year	-	over 1 year
<b>Total</b>	<b>380,361</b>		<b>26,872</b>	

Total amount of claims under pending proceedings in the periods presented:

Item	December 31st 2020	December 31st 2019
Bank as respondent:	91,369	46,469
Bank as claimant:	93,357	76,313

In the opinion of the Management Board, materialisation of the risks arising from the proceedings, except for those provisioned for, is probable but not likely. All risks arising from proceedings pending before a court or public administration authority are adequately provisioned for.

As at December 31st 2020, the Bank was not involved in any material proceedings pending before any court, arbitration body or public administration authority where the amount of the Bank's liabilities or claims would represent at least 10% of the Bank's equity.

## 35. Deferred income tax

Deferred income tax is calculated on all temporary differences using an income tax rate of 19%.

### Balance of deferred income tax

Item	January 1st– December 31st 2020	January 1st 2019– December 31st 2019
<b>At beginning of period</b>	<b>104,171</b>	<b>91,934</b>
<b>Change, including:</b>	11,523	12,237
<i>impairment losses on receivables</i>	9,953	4,371
<i>valuation of assets</i>	- 3,225	1,379
<i>deferred expenses</i>	- 3,326	4,060
<i>interest received on securities previously purchased by the Bank</i>	- 1,124	- 75
<i>other differences</i>	719	- 847
<i>commission fees accounted for using effective tax rate</i>	1,995	1,749
<i>non-depreciated property, plant and equipment covered by investment tax relief</i>	800	1,827
<i>provisions for material and labour costs</i>	667	1,745
<i>accrued income</i>	4,815	- 2,221
<i>IBNR recognised as tax-deductible</i>	249	249
<b>At end of period</b>	<b>115,694</b>	<b>104,171</b>

### Deferred tax recognised in revaluation reserve:

Item	January 1st– December 31st 2020	January 1st 2019– December 31st 2019
<b>At beginning of period</b>	<b>- 11,188</b>	<b>- 13,462</b>
Change due to measurement of assets	- 4,732	2,274
<b>At end of period</b>	<b>- 15,920</b>	<b>- 11,188</b>

Deferred tax liabilities and assets are allocated to the following items:

Item	January 1st– December 31st 2020	January 1st 2019– December 31st 2019
<b>Deferred tax liabilities arising from:</b>		
<i>accrued income</i>	32,801	37,616
<i>increase on valuation of assets</i>	40,646	28,663
<i>non-depreciated property, plant and equipment covered by investment tax relief</i>	11,889	12,689
<i>paid commission fees to be accounted for using effective tax rate</i>	3,088	3,544
<i>IBNR recognised as tax-deductible in previous years</i>	993	1,244
<b>Total</b>	<b>89,417</b>	<b>83,756</b>

Item	January 1st– December 31st 2020	January 1st 2019– December 31st 2019
<b>Deferred tax assets due to:</b>		
<i>non-deductible impairment losses</i>	123,660	113,046
<i>received commission fees to be accounted for using effective tax rate</i>	17,974	16,436
<i>provisions for material, labour and other costs</i>	5,372	5,367
<i>deferred expenses</i>	19,069	22,395
<i>interest received on securities previously purchased by the Bank</i>	7,314	8,438
<i>decrease on valuation of assets</i>	24,380	15,622
<i>other temporary differences</i>	7,342	6,623
<b>Total</b>	<b>205,111</b>	<b>187,927</b>

The Bank analysed the sensitivity of recoverable deferred tax assets. As at December 31st 2020, deferred tax assets amounted to PLN 205,111 thousand, of which the most significant items were recognised impairment losses on non-performing credit exposures of PLN 123,660 thousand and valuation of non-current and current assets of PLN 24,380 thousand.



## Change in deferred tax in the period

Item	January 1st– December 31st 2020	January 1st 2019– December 31st 2019
<b>At beginning of period</b>	<b>104,171</b>	<b>91,934</b>
change in deductible temporary differences	17,186	8,893
change in taxable temporary differences	- 5,663	3,344
<b>Total change, including:</b>	<b>11,523</b>	<b>12,237</b>
change in revaluation reserve	- 4,732	2,274
change recognised in profit or loss	16,255	9,963
<b>At end of period</b>	<b>115,694</b>	<b>104,171</b>

## 36. Lease liabilities

As a lessee, the Bank recognises a lease in the statement of financial position as a right-of-use asset and a corresponding liability on the date on which the leased asset is available for use. Each lease payment is allocated between the reduction of the liability and the finance cost. The finance cost is recognised in the statement of profit or loss over the lease term. The right-of-use asset is depreciated using the straight-line method. Lease liabilities were measured at the present value of future lease payments, discounted using the Company's incremental borrowing rate as at January 1st 2019 of 5%. For contracts concluded in September 2020 and later for up to five years, the rate is 5%, and for contracts concluded for terms of over five to nine years the rate is 5.75%.

As a lessee, the Bank leases vehicles and real property.

The lease contracts are usually concluded for periods from one year to 10 years, with lease terms are negotiated on a case-by-case basis.

The lease contracts do not impose any obligations, but the leased assets cannot be used as collateral for borrowings.

### Maturity of lease liabilities

Item	December 31st 2020		
	Real property	Vehicles	Total
up to 1 year	919	13	932
from 1 to 5 years	5,044	92	5,136
over 5 years	60,665	-	60,665
<b>Total</b>	<b>66,628</b>	<b>105</b>	<b>66,733</b>

Item	December 31st 2019		
	Real property	Vehicles	Total
up to 1 year	2,544	-	2,544
from 1 to 5 years	8,026	173	8,199
over 5 years	65,852	-	65,852
<b>Total</b>	<b>76,422</b>	<b>173</b>	<b>76,595</b>

Liabilities arising from property lease contracts relate to commercial properties used by the Bank as part of its business activities.

For contracts denominated in the euro, the amount of monthly consideration is the PLN equivalent (calculated at the mid-rate quoted by the National Bank of Poland) of total fees and charges for the leased space, determined as the product of the net price, expressed in EUR per square metre, and the area actually leased, plus VAT.

For contracts denominated in the Polish zloty, the amount of monthly consideration is the total of fees and charges for the leased space, determined as the product of the net price per square metre, and the area actually leased, plus VAT.

Monthly consideration is value-adjusted by the rates and on the dates specified in the lease contracts. The contracts denominated in EUR are value-adjusted using the indices applicable in the European Union. The contracts denominated in PLN are value-adjusted using the consumer price index for the previous period announced by the President of Statistics Poland.

The contracts do not contain options to purchase the property.

The contracts are concluded for a definite period. Some of the contracts are not terminable, but some stipulate early termination or expiry if a party to the contract is dissolved, in which case a period of notice of 6 or 12 months applies. Some of the contracts may be extended on their current terms and conditions based on a declaration of will of the lessor made in writing six months before the expiry of the contract.

The Bank applied the exemptions allowed under IFRS 16 for:

1. leases of low-value assets,
2. short-term leases of up to 12 months.

Low-value lease contracts are contracts where the value of the underlying asset is low, i.e., does not exceed PLN 20 thousand.

Payments under the exempt contracts are recognised as an expense in the statement of profit or loss on a straight-line basis.

### Future minimum lease payments under IFRS 16-exempt contracts:

As at December 31st 2020:

Item	Real property	Vehicles	Total
low-value leases	285	466	751
short-term leases	1,063	-	1,063
<b>Total</b>	<b>1,348</b>	<b>466</b>	<b>1,814</b>

As at December 31st 2019:

Item	Real property	Vehicles	Total
low-value leases	78	747	825
short-term leases	1,184	-	1,184
<b>Total</b>	<b>1,262</b>	<b>747</b>	<b>2,009</b>

## 37. Other liabilities

Item	December 31st 2020	December 31st 2019
Interbank settlements	22,760	17,308
Accrued expenses and deferred income	20,249	20,862
Public charges	6,335	6,034
Trade liabilities	65,021	56,808
Deferred commissions	5,904	5,237
Payment card settlements	4,898	10,986
Provision for refund of commission fees due to early loan repayment	3,526	3,489
Other	537	312
<b>Total</b>	<b>129,230</b>	<b>121,036</b>

## 38. Contingent assets and liabilities

Item	December 31st 2020	December 31st 2019
<b>Contingent liabilities:</b>	<b>2,956,784</b>	<b>2,931,173</b>
Financial, including:	2,583,937	2,623,028
open credit lines, including:	2,558,517	2,597,944
<i>revocable</i>	2,223,974	2,351,732
<i>irrevocable</i>	334,543	246,212
open import letters of credit	20,250	5,839
loan commitments, including:	5,170	19,245
<i>irrevocable</i>	5,170	19,245
guarantees, including:	372,847	308,145
<i>credit repayment sureties and guarantees</i>	12,739	12,909
<i>performance bonds</i>	360,108	295,236
<b>Contingent assets:</b>	<b>899,975</b>	<b>466,615</b>
Financial, including:	-	85,170
<i>open lines of credit</i>	-	85,170
<i>guarantees</i>	899,975	381,445
<b>Total contingent assets and contingent liabilities</b>	<b>3,856,759</b>	<b>3,397,788</b>

### Litigation and other proceedings against the Bank concerning reimbursement of part of consumer credit costs on account of early repayment

On September 11th 2019, the ECJ issued a preliminary ruling in case C - 383/18 Lexitor v SKOK Stefczyka, Santander Consumer Bank and mBank, which contains an interpretation of the provisions of Directive 2008/48/EC of the European Parliament and of the Council of April 23rd 2008 on consumer credit agreements and repealing Council Directive 87/102/EEC.

In response to the request for preliminary ruling put forward by the national court, the ECJ ruled that the consumer's right to reduce the total cost of credit on account early repayment of the credit covers all costs imposed on the consumer.

No proceedings are pending against Bank for reimbursement of part of consumer credit costs under the Act on enforcement of claims in class action proceedings of December 17th 2009.

As at December 31st 2020, ten court proceedings were pending against the Bank for reimbursement of consumer credit costs on account of early repayment.

### Litigation against the Bank concerning loans denominated in or indexed to foreign currencies

On October 3rd 2019, the Court of Justice of the European Union ("CJEU") issued a preliminary ruling in Case C-260/18 Kamil Dziubak, Justyna Dziubak v Raiffeisen Bank International AG, Vienna, conducting business in Poland in the form of a branch under the name Raiffeisen Bank International AG Branch in Poland, formerly Raiffeisen Bank Polska S.A., with its registered office in Warsaw, which interprets the provisions of Council Directive 93/13/EEC of April 5th 1993 on unfair terms in consumer contracts, in response to questions referred for a preliminary ruling by the referring court after analysing the provisions of a credit agreement indexed to CHF.

According to the verdict, the CJEU did not address the issue of the prohibited nature of contractual clauses, indicating that it is for the national courts to examine the existence of all the indication of abusiveness and to assess contractual provisions in each individual case separately. At the same time, the CJEU did not rule out the possibility that the national court could recognise the possibility of the agreement's continued operation without the indexation mechanism (which would mean that the loan would be treated as a PLN loan bearing interest at LIBOR), however in the CJEU's opinion this solution was deemed to be uncertain. The CJEU ruled out the possibility of supplementing the content of a contract after eliminating abusive clauses with rules stemming from the general provisions of national law. However, the CJEU confirmed that it is possible to fill in gaps in the contract with rules resulting from an express dispositive provision or other rules agreed upon by the parties.

Since the CJEU verdict, there has been an increase in the number of court cases involving loan agreements linked to foreign exchange rates. The reasons for this phenomenon can be found in the intensified marketing campaign by entities representing borrowers in court proceedings, the constant presence of the subject matter in the media, as well as the evolving trends the national case law.

Most of the court judgments issued following the CJEU ruling of October 3rd 2019 are not favourable of banks, but the case law continues to be inconsistent in this respect. Some of the courts hearing cases involving foreign exchange-linked mortgages have made further requests to the CJEU for preliminary fullings. The position of the CJEU in this respect may have an impact on court rulings in the future.

The Bank monitors domestic case law on an ongoing basis when assessing the legal risks of foreign currency-indexed loans and takes into account in its analyses that the CJEU judgment of October 3rd 2019 and rulings by Polish courts in similar cases would increase the number of court proceedings and increase the value of claims sought.

As at the end of 2020, there were 307 court cases pending against the Bank concerning loans and advances denominated mainly in CHF, with the total value of the claims sought of PLN 63,664 thousand. In general, the claimants demand that loan agreements denominated in foreign currencies be recognised as invalid or, alternatively, that the denomination (currency translation) clauses be found/ruled abusive.

At present, it is still difficult to assess the final impact of the CJEU verdict on rulings by national courts in cases relating to loans linked to foreign currencies. A clear position of the Supreme Court could be of major importance in this respect.

A hearing of the full bench of the Supreme Court's Civil Chamber was set for May 11th 2021 (previously scheduled for March 25th and then April 13th) on the response to the legal questions presented by the First President of the Supreme Court, concerning significant issues related to the non-uniform decisions of the courts in cases of loans linked to foreign currencies. The date of the resolution of the panel of seven Supreme Court judges concerning the response to legal issues raised by the Financial Ombudsman, previously announced for April 15th this year, has also been changed to May 7th. The issues raised by the Ombudsman partially overlap with those presented by the First President of the Supreme Court.

The Bank will analyse resolutions of the Supreme Court once they are published, in particular their expected impact on further case law and the value of parameters used to determine the amount of provisions for the legal risk. At this point it is not possible to predict the content of the resolutions and their impact on the estimation of provisions. When determining the amount of the provision, the Bank relies on all information available as at the date of authorisation of the financial statements for issue.

At the same time, in January 2021 a group of banks, including Bank Ochrony Środowiska S.A., acting on the basis of assumptions of the proposal of the Chairman of the Polish Financial Supervision Authority (announced in December 2020), commenced cross-sectoral consultations to establish a catalogue of best practices to seek voluntary settlement with clients whereby loans linked to foreign currencies would be settled as if they had been originally denominated in the Polish zloty with interest accruing at WIBOR plus reasonable margin.

Due to the significant impact of the Settlement Programme prepared in accordance with the assumptions of the PFSA Chairman's proposal on the Bank's financial condition, the Management Board of the Bank submitted to the General Meeting a draft resolution on consent of the shareholders to enter into settlement agreements with consumers and on the rules of establishing and approving the terms of such agreements.

As at the date of these financial statements, the Bank has not implemented a general programme to offer settlements to its clients, and the Settlement Programme has not been voted on at the Annual Meeting. Nevertheless, when estimating the provision for court proceedings and claims for legal risk related to foreign currency mortgage loans, the Management Board of the Bank took into account a scenario where in justified cases settlement agreements are entered into with the Bank's clients, given the gradual emergence of the jurisprudence line that is unfavourable for banks and the high estimated willingness of the clients to reach agreement with the Bank.

For a description of the provision for legal risk related to loans denominated in or indexed to foreign currencies, see Note 5.5.

## 39. Common equity

### Registered share capital

As of December 31st 2020, the share capital was PLN 929,477 thousand and did not change relative to the amount as at December 31 2019.

Series/ issue	Type of shares	Type of preference	Number of shares	Par value of series/issue, PLN thousand	Method of payment for shares	Date of registration	Dividend right as of:
A	○	ordinary	236,700	2,367	cash	09-01-91	01-01-92
B	○	ordinary	1,263,300	12,633	cash	11-03-92	01-01-93
C	○	ordinary	477,600	4,776	cash	30-12-92	01-01-93
C	○	ordinary	22,400	224	in-kind contribution	30-12-92	01-01-93
D	○	ordinary	1,300,000	13,000	cash	30-12-93	01-01-94
E	○	ordinary	647,300	6,473	cash	30-06-94	01-01-95
E	○	ordinary	15,500	155	in-kind contribution	30-06-94	01-01-95
E	○	ordinary	37,200	372	in-kind contribution	30-06-94	01-01-95
F	○	ordinary	1,500,000	15,000	cash	30-12-94	01-01-95
G	○	ordinary	1,260,000	12,600	cash	30-06-95	01-01-96
H	○	ordinary	670,000	6,700	cash	30-06-95	01-01-96
I	○	ordinary	70,000	700	cash	30-06-95	01-01-96
J	○	ordinary	1,055,000	10,550	cash	21-06-96	01-01-96
K	○	ordinary	945,000	9,450	cash	21-06-96	01-01-96
L	○	ordinary	1,200,000	12,000	cash	29-11-96	01-01-96
M	○	ordinary	2,500,000	25,000	cash	07-05-98	01-01-97
N	○	ordinary	1,853,000	18,530	cash	13-06-07	01-01-07
O	○	ordinary	1,320,245	13,202	in-kind contribution	25-06-10	01-01-10
P	○	ordinary	6,500,000	65,000	cash	15-06-12	01-01-11
U	○	ordinary	40,000,000	400,000	cash	12-07-17	01-01-16
V	○	ordinary	30,074,426	300,744	cash	04-07-18	01-01-18
<b>Total number of shares</b>			<b>92,947,671</b>				
<b>Total par value of share capital</b>				<b>929,477</b>			
<b>Total share capital</b>				<b>929,477</b>			

Par value of share is PLN 10.

As at December 31st 2020, the total number of voting rights attached to all shares issued by the Bank was 92,947,671 and did not change relative to December 31st 2019.

Each share carries the right to one vote at the General Meeting.

Other shareholders hold in total 27.8% of shares in the Bank's share capital.

As at the date of these full-year financial statements, no changes in the ownership structure of major holdings were known.

### Shareholders holding directly and indirectly 5% or more of total voting rights in the Bank.

Shareholder	December 31st 2020		December 31st 2019	
	Number of voting rights (shares)	% voting interest (ownership interest)	Number of voting rights (shares)	% voting interest (ownership interest)
Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej (National Fund for Environmental Protection and Water Management)	53,951,960	58.05	53,951,960	58.05
Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Fund for Investments of Polish Enterprises Closed-End Fund for Non-Public Assets)	8,000,000	8.61	8,000,000	8.61
Dyrekcja Generalna Lasów Państwowych (Directorate General of State Forests)	5,148,000	5.54	5,148,000	5.54

### Treasury shares

As at December 31st 2020, the Bank held 37,775 treasury shares, representing 0.04% of the share capital and 0.04% of total voting in the Bank, including:

- 33,095 shares that the Bank acquired in 2012 as part of the stabilization measures related to the issue of Series P shares. These shares represent 0.035% of the share capital and total voting rights in the Bank; in accordance with the Commercial Companies Code, the Bank may not exercise the voting rights attached to the shares;
- 4,680 shares, representing 0.005% of the share capital and total voting rights in the Bank, acquired by the Bank in the period from June 22nd to July 6th 2015 during trading sessions on the main market of the Warsaw Stock Exchange. The shares were purchased on pursuant to Resolution 34/2015 of the Annual General Meeting dated June 10th 2015 on the Share Repurchase Programme of BOŚ S.A. to be offered to persons holding managerial positions with significant impact on the risk profile of the Bank. Due to the occurrence of circumstances provided for in Resolution No. 258/2011 of the PFSA and the variable remuneration components policy for persons holding management positions at BOŚ S.A., the Supervisory Board of the Bank made a decision to not grant variable remuneration for 2014 to members of the Management Board, and the variable remuneration for other persons holding management positions did not reach the threshold above which a part of the variable remuneration would be required to be paid in shares. Accordingly, the shares acquired for this purpose were not allocated.

In accordance with the Commercial Companies Code, the Bank may not exercise voting rights attached to its own shares.



## Share premium

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

As at December 31st 2020 and December 31st 2019, the share premium was PLN 532,181 thousand.

## 40. Revaluation reserve

Item	December 31st 2020	December 31st 2019
Remeasurement of financial assets measured at fair value through other comprehensive income	80,236	55,087
Increase (decrease) in employee benefit obligations	3,553	3,795
Deferred tax	-15,920	-11,187
<b>Total revaluation reserve</b>	<b>67,869</b>	<b>47,695</b>

### Change in revaluation reserve

Item	
<b>As at January 1st 2020</b>	<b>47,695</b>
Increase due to:	298,690
<i>measurement of investment securities</i>	298,690
Decrease due to:	-273,783
<i>measurement of investment securities</i>	-273,541
<i>increase (decrease) in employee benefit obligations</i>	-242
Deferred tax	-4,733
<b>As at December 31st 2020</b>	<b>67,869</b>

<b>As at January 1st 2019</b>	<b>57,390</b>
Increase due to:	172,454
<i>measurement of investment securities</i>	172,454
Decrease due to:	-184,423
<i>measurement of investment securities</i>	-184,423
<i>increase (decrease) in employee benefit obligations</i>	-103
Deferred tax	2,274
<b>As at 31 December 2019</b>	<b>47,695</b>

## 41. Retained earnings

Retained earnings comprise: other statutory reserve funds, general risk fund and undistributed profit or loss.

Item	December 31st 2020	December 31st 2019
<b>Other statutory reserve funds</b>	<b>726,193</b>	<b>645,531</b>
<i>statutory</i>	44,000	44,000
<i>created pursuant to the Articles of Association above the statutory minimum</i>	677,868	597,206
<i>other</i>	4,325	4,325
<b>General risk fund</b>	<b>48,302</b>	<b>48,302</b>
<b>Undistributed profit (loss)</b>	<b>- 392,322</b>	<b>-1,362</b>
<i>retained earnings</i>	- 82,024	- 73,429
<i>net profit (loss) for current period</i>	- 310,298	72,067
<b>Total retained earnings</b>	<b>382,173</b>	<b>692,471</b>

Statutory reserve funds are created from annual profit appropriations of at least 8% of net profit, until such time as the balance of the funds equals at least one third of the share capital. A portion of the of the reserve funds, amounting to one-third of the share capital, may be used exclusively for offsetting losses disclosed in the financial statements.

Other reserves are created by appropriating net profit for the year, irrespective of the statutory reserve funds, and are earmarked for covering specific losses and expenses.

The General Meeting makes decisions concerning the use of the statutory reserve funds and other reserves.

The general risk fund designated for unidentified risks in the Bank's business is created by appropriating net profit for the year, in accordance with the applicable provisions of the banking law.

On June 17th 2020, the Annual General Meeting of BOŚ S.A. passed a resolution on distribution of the Bank's net profit for 2019.

The Bank's net profit for 2019 of PLN 80,661.76 thousand was allocated to statutory reserve funds.

## 42. Hedge accounting

### Hedge accounting policies

Hedge accounting is an integral part of the financial risk management process. Financial risk is managed as part of the risk management process in place at the Bank.

The Bank hedges the interest rate risk in the banking book The Bank uses fair value hedges to hedge the fair value of fixed-rate Treasury bonds.

### Cash flow hedge accounting

As at December 31st 2020, the Bank did not apply cash flow hedge accounting.

### Fair value hedge accounting

During the hedging period, the Bank hedges the volatility of fair value of fixed-rate bonds , resulting from movements of market interest rates. The hedged item is part of the Treasury bonds held in the HtCS business model.

The hedging instrument is an Interest Rate Swap (IRS), under which the Bank makes a payment based on a fixed interest rate and receives a coupon based on a variable rate (6M WIBOR).

By establishing a hedging relationship, the netting effect of changes in the fair value of the hedging instrument and the hedged item is obtained in profit or loss. Only one type of risk (i.e., the risk of interest rate volatility) is hedged. The spread between quote prices of the Treasury bonds and the IRS transactions is not hedged.

The hedge is expected to be highly effective in offsetting fair value changes resulting from the hedged risk. The effectiveness of the hedge is verified by using prospective and retrospective hedge effectiveness tests. The prospective test is based on the analysis of BPV of the hedged item and the hedging instrument. The retrospective test is performed based on the direct offset method, which compares changes in the value of the hedging transaction and the hedged item resulting from changes in the hedged risk. The retrospective test is positive if the offset ratio is within the range <0.8;1.25>. The tests are performed on a quarterly basis. The Bank does not identify any significant sources of ineffectiveness the fair value hedging.

Changes in the fair value of the hedged item resulting from movements of market interest rates are recognised in the statement of profit or loss. Changes in the fair value of the bonds not attributable to changes in the hedged risk are recognised in revaluation reserve. Changes in the measurement of the hedging instrument are recognised in the statement of profit or loss.

As of December 31st 2020, the Bank had one fair value hedge relationship – a hedge established on October 20th 2015. The hedge established in July 2012 terminated due to the maturity of the hedged item, i.e., DS1020, in October 2020. The hedging instrument was reallocated to the trading book.

The hedged item within the hedging relationship established in 2015 includes PLN 240m of State Treasury bonds DS0725, maturing in July 2025.

As at 31 December 2020, an amount of PLN 4,332 thousand resulting from changes in fair value of the bonds due to movements of interest rates and changes in the fair value of the IRS transactions was recognised in profit or loss account. The amount of PLN -6,711 thousand was recognized in the revaluation reserve. It represented the sum of the impact of the bonds on equity as at the date the hedge relationship was established (PLN -11,345 thousand) and the change in the fair value of the bonds resulting from the unhedged part of the risk (spread between the quoted prices of the bonds and the IRS transactions).

Item	December 31st 2020			December 31st 2019		
	carrying amount	nominal value	fair value*\	carrying amount	nominal value	fair value*\
<b>Hedging instruments</b>						
Interest Rate Swap (IRS) – negative valuation	24,497	258,000	22,083	16,869	468,000	13,237
<b>Hedged items</b>						
Treasury bonds – positive valuation	273,804	240,000	26,415	439,183	412,000	17,990
<b>Total effect on profit or loss</b>			<b>4,332</b>			<b>4,753</b>

\*\for the hedged bonds it is an adjustment to the fair value

## 43. Share-based payments

### Remuneration policy for managing personnel at the Bank

In order to meet the requirements set out in the Regulation of the Minister of Development and Finance of March 6th 2017 on risk management and internal control systems, remuneration policy and detailed method of calculating internal capital in banks, and in accordance with Directive 2013/36/EU of the European Parliament and of the Council of June 26th 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, the Bank implemented a remuneration policy for the managing personnel, approved by the Supervisory Board.

The Remuneration and Nomination Committee, appointed by the Supervisory Board, gives its opinions on and monitors the remuneration policy and supports the Bank's bodies in developing and implementing this policy by:

1. giving opinions on the list of persons with significant influence on the Bank's risk profile and on the annual update of the list,
2. designing remuneration packages for members of the Management Board, including the amount and components of variable remuneration, factors determining variable remuneration and performance evaluation criteria, and recommending them to the Supervisory Board,
3. recommending to the Supervisory Board the award, limitation, withholding, refusal of payment or disbursement of variable remuneration of members of the Management Board,
4. giving opinions on variable remuneration for the managing personnel holding risk-management and compliance positions at the Bank,
5. giving opinions on and monitoring of variable remuneration for the managing personnel holding first- and second-line of defence risk-management positions other than those specified in item 4 above,
6. giving opinions on the remuneration policy of the Group and issuing opinions on assessment of the materiality of the subsidiaries' impact on the risk profile of the Bank.

The key assumptions of the remuneration policy include:

1. payment of at least 50% of the determined variable remuneration in shares of the Bank whose value is calculated as the weighted average price of the Bank shares in session trading on the WSE in the period from December 1st of the year preceding the year in which the variable remuneration is awarded to January 31st of the year in which the variable remuneration is awarded.

The terms 'shares' is understood to include:

- a. shares of Bank Ochrony Środowiska S.A. listed on the Warsaw Stock Exchange,
  - b. virtual, or phantom, shares with a value per phantom share equal to the price of the Bank shares listed on the Warsaw Stock Exchange;
2. payment of 40% of the variable remuneration in three deferred equal annual instalments, with at least 50% of each tranche paid in Bank shares and the balance paid in cash. The deferred part may be suspended, reduced or not paid or realised at all if the Bank's results differ significantly from the approved financial plan for a given year, or when the circumstance specified in Article 142.1 of the Banking Law occur;
  3. performance evaluation covering a three-year period so that the amount of performance-based remuneration takes into account the business cycle of the Bank and the risks involved in its business activity. The term 'performance' is understood to mean actual delivery of productivity, financial. sales and other targets set forth in the Bank's strategy or financial plan for a given year.

In addition, in the reporting period the Remuneration Policy was elaborated to include provisions taking into account a prudent approach to the payment of variable components of remuneration in justified cases, such as the occurrence of a crisis situation or events having an adverse impact on the economy, which may affect the financial market, the capital base of the Bank and/or its financial results. If such events occur, the variable remuneration – regardless of its amount – will be settled in accordance with the following principles:

- 40% of the accrued bonus will be non-deferred variable remuneration, payable in the year when the performance evaluation was made,
- 60% of the accrued bonus will be deferred variable remuneration, which will be divided into four equal tranches. Each tranche will be awarded and paid annually over for a period of four consecutive years following the year in which the non-deferred remuneration was awarded to the eligible person.

At least 50% of both the variable remuneration and each subsequent tranche of the deferred remuneration will be paid in Bank shares.

The above results from the position of the PFSA regarding conservative approach to the payment of variable remuneration, published in April 2020.

The maximum amount of variable remuneration for each managing person may not exceed 100% of the person's annual fixed remuneration. The General Meeting of Bank Ochrony Środowiska S.A. may give its consent to increasing the maximum level of variable remuneration up to 200% of the fixed remuneration, in accordance with the procedure provided for in §25(2)(4)(b) and (c) of the Regulation of the Minister of Development and Finance of March 6th 2017 on risk management and internal control systems, remuneration policy and detailed method of calculating internal capital in banks. The increase in the maximum amount of variable remuneration referred to in the preceding sentence does not apply to members of the Management Board.

During the reporting period:

- after the end of the retention period, the phantom shares awarded as part of the variable remuneration for 2018, with a total gross amount of PLN 309.6 thousand (46,790 phantom shares times the price equal to the arithmetic average of the closing prices at the first five sessions after the end of the retention period, i.e., PLN 6.616), were converted into cash and paid out,
- the first (of three) tranche of deferred variable remuneration for 2018 was settled; the total expected cost will amount to PLN 88.1 thousand gross, including payments in phantom shares constituting a short-term benefit to be paid after the lapse of the retention period, i.e., after a period of six months from the date of award of the variable component of remuneration, at the value per phantom share equal to the arithmetic mean of the closing prices at the first five sessions following the lapse of the retention period – 6,229 shares, and the amount of PLN 45.4 thousand gross was paid in cash as a short-term benefit,
- variable remuneration for 2019 for managing persons holding position with a material impact on the Bank's risk profile (including members of the Management Board) was determined. The projected total gross amount of variable remuneration for the Bank's managing personnel for 2019 is PLN 1,408 thousand.

Of the total amount:

- the gross amount of PLN 899.4 thousand was paid in cash as a short-term benefit,

- phantom shares were awarded as a short-term benefit, to be paid after the lapse of the retention period, i.e., after a period of six months from the date of the award of the variable component of remuneration, with the value per phantom share equal to the arithmetic mean of the closing prices at the first five sessions following the lapse of the retention period – 31,816 shares with a total gross amount of PLN 217.9 thousand,
- payment of the gross amount of PLN 290.6 thousand was deferred as a long-term benefit (including: PLN 145.3 thousand gross in cash and PLN 145.3 thousand in Bank shares); once awarded, the deferred tranches will be disbursed in three subsequent years, i.e., 2021, 2022 and 2023, in equal parts, however the disbursement of each tranche may be withheld or limited if the Bank's results materially deviate from the approved financial plan for a given year or if the circumstance referred to in , section 142.1 of the Banking Law Act occur.

The variable remuneration for 2020 has not yet been determined and awarded.

## 44. Notes to the statement of cash flows

### Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include the following highly liquid balances with maturities of less than three months.

Item	December 31st 2020	December 31st 2019
Cash and balances with central bank (Note 20)	266,532	297,862
Deposits with other banks, recognised as cash equivalents (Note 21)	28,815	59,361
Investment securities (Note 23)	2,179,952	1,319,835
<b>Total</b>	<b>2,475,299</b>	<b>1,677,058</b>

The balance of cash and cash equivalents includes the obligatory reserve maintained in the account with the NBP.

On June 21st 2018, the Management Board of the National Bank of Poland passed a resolution to exempt the Bank from the obligation to maintain 55% of the required minimum reserves. The exemption is effective from July 2nd 2018 to December 31st 2021.

In accordance with Par. 12 of NBP Resolution No. 40/2015, the Bank may use the funds held in the obligatory reserve for current cash settlements.

The amount of the obligatory reserve declared to be maintained in December 2020 was PLN 31,408 thousand (December 2019: PLN 195,497 thousand). The Bank is required to maintain the average cash balance per month above the declared obligatory reserve.

## Explanation of differences between changes in the statement of financial position and changes of the corresponding items disclosed in the statement of cash flows from operating activities

Item	for the year ended	
	December	December
Change in amounts due from other banks	6,903	21,576
Change in deposits with other banks, recognised as cash equivalents	-30,546	-40,165
<b>Total change in deposits with other banks and amounts due from other banks</b>	<b>-23,643</b>	<b>-18,589</b>
Change in investment securities	-2,069,336	174,215
Change in investment securities recognised in cash and cash equivalents	860,117	-119,924
Purchase of securities measured at amortised cost	160,586	-
Interest income on securities measured at amortised cost	-57,489	-53,461
Transfer of interest on securities measured at amortised cost to interest on investing activities	54,758	55,577
Remeasurement of financial assets measured at fair value through other comprehensive income	25,149	-11,866
<b>Total change in investment securities</b>	<b>-1,026,215</b>	<b>44,541</b>
Change in investments in subsidiaries	-26,414	-27,712
Purchase of shares	-	25,000
Valuation of shares using the equity method	29,471	2,712
Dividends received	-3,057	-
<b>Change in investments in subsidiaries</b>	<b>-</b>	<b>-</b>
Change in other assets and income tax	-23,745	-15,640
Deferred income tax expense disclosed in the statement of profit or loss	16,256	9,963
Deferred income tax on measurement of investment securities and employee benefits	-4,732	2,339
Non-monetary changes in intangible assets, property, plant and equipment and right-of-use assets – leases	37	287
<b>Change in other assets and income tax</b>	<b>-12,184</b>	<b>-3,051</b>
Change in provisions	357,198	22,671
Effect of actuarial valuation on revaluation reserve	-243	-103
<b>Total change in provisions</b>	<b>365,955</b>	<b>22,568</b>
Change in other liabilities and income tax	66	28,437
Current income tax expense	-27,495	-44,035
Income tax paid	45,131	40,404
Other changes	-	8
<b>Total change in other liabilities and income tax</b>	<b>17,702</b>	<b>24,814</b>
Change in liabilities arising from issue of bank securities	-1,735	-46,531

Redemption of bonds, including:	-	46,000
<i>ordinary</i>	-	46,000
Interest paid on bonds issued by the Bank, including:	14,440	19,184
<i>on subordinated bonds</i>	14,440	17,627
<i>on ordinary bonds</i>	-	1,557
Interest accrued on bonds issued by the Bank, including:	-12,705	-18,653
<i>on subordinated bonds</i>	-12,705	-17,686
<i>on ordinary bonds</i>	-	-967
<b>Total change in liabilities arising from issue of bank securities</b>	<b>-</b>	<b>-</b>



## 45. Description of derivative financial instruments and foreign exchange transactions

### Foreign exchange and currency derivative transactions:

Instrument	December 31st	December 31st 2019	December 31st	December 31st 2019	December 31st	December 31st 2019
	FX Swap		FX Forward		FX Spot	
<b>Description of the instrument</b>	A transaction that obligates the parties to a contract to enter into an initial exchange of currencies on a specified date and at a specified exchange rate and a forward (final) exchange rate for that currency on a specified date in the future (other than the first leg settlement) and at a rate agreed upon at the date of the transaction (usually different from the initial exchange rate). The currency that one counterparty is required to pay to the other as a result of the final exchange is the same currency that the counterparty received in the initial exchange.		A forward transaction to exchange a specified amount of currency for another currency on a specified date, at a fixed forward rate. This is a forward outright contract. All terms and conditions of the transaction are determined on the date of its execution.		A transaction to exchange a specific amount of currency for another currency, at a rate agreed upon at the time of the transaction. Typically, the transaction is settled within two business days of the execution date.	
<b>Purpose of acquisition or issue</b>	for trading/liquidity		for trading		for trading	
<b>Number of transactions</b>	44	44	97	95	94	122
<b>Notional amount (PLN thousand)</b>	672,825	869,957	220,458	133,027	187,206	210,980
<b>Fair value (PLN thousand)</b>	-13,833	10,263	872	227	88	1
<b>- positive</b>	113	12,526	2,926	763	860	117
<b>- negative</b>	-13,946	-2,263	-2,054	-536	-772	-116

Future income / payments	Variable		Variable		Variable	
Average maturity	2021-03-30	2020-05-02	2021-06-12	2020-05-03	2021-01-04	2020-01-02
<b>Early settlement</b>	None		At client's request		None	
<b>Exchange or conversion into another asset/liability</b>	None		None		None	
<b>Other terms</b>	None		None		None	
<b>Type of risk associated with the derivative instrument</b>	Operational risk, market risk, counterparty risk		Operational risk, market risk, counterparty risk		Operational risk, market risk, counterparty risk	

**Interest rate derivative transactions:**

Instrument	December 31st 2020	December 31st 2019	December 31st 2020	December 31st 2019	December 31st 2020	December 31st 2019	December 31st 2020	December 31st 2019
	Interest rate swaps (IRS)		Interest rate swaps (IRS hedging PLN)		Interest rate swaps (IRS hedging EUR)		Forward transactions in bonds	
<b>Description of the instrument</b>	A transaction that obligates both parties to exchange periodic interest payments on a specified notional amount over an agreed period of time. Interest payments made are expressed in the same currency and calculated at a fixed rate for each party (one rate may be fixed and the other variable or both may be variable but depend on different indices). This category also includes IRS transactions whose notional amount changes over time – amortised swaps.		A transaction that obligates both parties to exchange periodic interest payments on a specified notional amount over an agreed period of time. Interest payments made are expressed in the same currency and calculated at a fixed rate for each party (one rate may be fixed and the other variable or both may be variable but depend on different indices).		A transaction that obligates both parties to exchange periodic interest payments on a specified notional amount over an agreed period of time. Interest payments made are expressed in the same currency and calculated at a fixed rate for each party (one rate may be fixed and the other variable or both may be variable but depend on different indices).		A forward transaction to buy/sell a specified amount of a security on a specified date at a fixed forward price. All terms and conditions of the transaction are determined on the date of its execution.	
<b>Purpose of acquisition or issue</b>	for trading		as hedge (fair value hedge accounting)		as hedge (cash flow hedge accounting)		for trading	
<b>Number of transactions</b>	209	182	2	7	-	-	-	5
<b>Notional amount (PLN thousand)</b>	5,230,860	4,997,978	258,000	468,000	-	-	-	80,000

<b>Fair value (PLN thousand)</b>	-4,710	-1,924	-24,497	-16,869	-	-	-	120
<b>- positive</b>	75,928	43,902	-	-	-	-	-	120
<b>- negative</b>	-80,638	-45,826	-24,497	-16,869	-	-	-	-
<b>Future revenue / payments</b>	Variable		Variable		Variable		Variable	
<b>Average maturity</b>	2023-10-27	2022-06-29	2025-07-25	2023-05-31	-	-	-	2023-12-12
<b>Early settlement</b>	Generally none, but possible in transactions with non-banking clients where so specified in the contract. Possible, rarely used.		None		None		None	
<b>Exchange or conversion into another asset/liability</b>	None		None		None		None	
<b>Other terms</b>	None		None		None		None	
<b>Type of risk</b>	Operational risk, market risk, counterparty risk		Operational risk, market risk, counterparty risk		Operational risk, market risk, counterparty risk		Operational risk, market risk, counterparty risk	

#### Foreign exchange and currency derivative transactions:

Item	December 31st 2020	December 31st 2019
Notional value	1,080,489	1,213,964
<b>Total foreign exchange and currency derivative transactions:</b>		
<i>assets</i>	3,899	13,406
<i>liabilities</i>	-16,772	-2,915

#### Interest rate derivative transactions:

Item	December 31st 2020	December 31st 2019
Notional value	5,488,860	5,545,978
<b>Total interest rate derivative transactions:</b>		
<i>assets</i>	75,928	44,022
<i>liabilities</i>	-105,135	-62,695

#### Total derivative financial instruments:

Item	December 31st 2020	December 31st 2019
Notional value	6,569,349	6,759,942
<b>Total derivative financial instruments:</b>		
<i>assets</i>	79,827	57,428
<i>liabilities</i>	-121,907	-65,610

#### Offsetting financial assets and financial liabilities

The Bank does not offset its financial instruments in financial assets and liabilities recognised in the financial statements.

## 46. Fair value of financial assets and liabilities

The carrying amount and the fair value of financial assets and liabilities other than measured at fair value disclosed in the financial statements are presented below.

Item	Carrying amount as at December 31st 2020	Fair value as at December 31st 2020	Carrying amount as at December 31st 2019	Fair value as at December 31st 2019
<b>FINANCIAL ASSETS</b>				
Amounts due from other banks	142,015	145,212	148,918	152,338
Amounts due from clients including:	11,891,853	11,756,309	12,029,020	11,990,393
amounts due in PLN	9,085,130	8,997,950	9,186,682	9,161,292
amounts due in foreign currencies	2,806,723	2,758,359	2,842,338	2,829,101
Investment securities – measured at amortised cost	1,535,239	1,615,371	1,377,384	1,423,814
Debt securities, including:	1,535,239	1,615,371	1,377,384	1,423,814
<i>Treasury securities</i>	1,397,710	1,472,158	1,377,384	1,423,814
<i>other securities</i>	137,529	143,213	-	-
<b>FINANCIAL LIABILITIES</b>				
Amounts due to central bank and other banks	732,743	732,743	595,667	595,667
Amounts due to clients, including:	16,553,777	16,576,524	14,886,720	14,896,383
<i>institutional clients</i>	7,348,376	7,348,121	5,666,862	5,667,302
<i>retail clients</i>	8,414,930	8,437,386	8,377,446	8,385,759
<i>other clients</i>	74,763	74,763	64,654	64,654
<i>international financial institutions</i>	715,708	716,254	777,758	778,668
Subordinated liabilities	368,996	351,812	370,731	348,503

### **Amounts due from other banks**

Amounts due from other banks include interbank deposits, nostro accounts and loans and advances. Fair value of interbank deposits, due to their short-term nature (fixed-rate interbank deposits up to six months) is equal to their carrying amount. Bonds issued by banks were measured at fair value, after accounting for a change in the credit spread calculated on the basis of comparable issues by similar banks.

### **Amounts due from clients**

Amounts due from clients are disclosed net of impairment allowances. Amounts due from clients in the balance sheet are chiefly measured at amortised cost using the effective interest rate (99% of the carrying amount of credit facilities).

The fair value of credit facilities is assumed to be their value resulting from currently estimated future principal and interest cash flows (separately for facilities denominated in foreign currencies and for facilities denominated in PLN) calculated using the effective interest rate for each facility (except for facilities with an undetermined schedule or non-performing loans, for which the fair value is assumed to be the same as carrying amount) and discounted at the average effective interest rate of the facilities granted over the last twelve months. For mortgage loans, account was taken of prepayments. In the case of facilities in foreign currencies, which the Bank ceased to grant, an average effective interest rate on the corresponding facilities denominated in PLN was applied, adjusted for the difference between the rates in specific currencies and PLN.

### **Investment securities measured at amortised cost**

Investment securities measured at amortised cost include Treasury bonds, EIB bonds and BGK bonds guaranteed by the State Treasury and held within the HtC business model. The fair value of the bonds is assumed to be the current valuation derived from quoted market prices plus accrued interest.

### **Amounts due to central bank and other banks**

Amounts due to the central bank as well as liabilities arising from repo transactions are disclosed at carrying amount. Liabilities arising from repo transactions were recognised at carrying amount due to the lack of available market data necessary to calculate the fair value of basic repo transactions of the Bank with the counterparty.

Interbank deposits, due to short maturities, were disclosed at carrying amounts, and the borrowings (principal and interest) were discounted using the average effective interest rate.

### **Amounts due to clients**

Amounts due to clients disclosed in the statement of financial position are measured at amortised cost, using the effective interest rate method. The fair value of amounts due to clients is assumed to be their value resulting from discounting principal and interest for all deposits at the weighted average interest rate that was in effect for deposits accepted in December 2020. In the absence of payment schedules for current accounts, they were recognised at the carrying amount.

Amounts due to international financial institutions (principal and interest) were discounted using the average effective interest rate (for EUR) or the interest rate of the most recent transaction executed in a given currency (for PLN).

### **Liabilities arising from issue of securities**

Liabilities arising from issue of securities are measured at fair value taking into account change in credit spread for PLN-denominated bonds, determined based on the latest issue carried out by the Bank.

## Subordinated liabilities

Subordinated liabilities were measured at fair value, with the change in the credit spread determined on the basis of the latest issue made by the Bank.

## 47. Allocation of financial instruments measured at fair value based on the fair value measurement method

Under IFRS 13, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When estimating fair value, the Bank takes into account the adjustment for counterparty credit risk.

As at December 31st 2020 and December 31st 2019, the Bank allocated financial assets and liabilities measured at fair value into three categories (levels) based on the measurement method:

- 1. Level 1: mark-to-market valuation** directly from available quotations of instruments on the market. This applies to quoted equity and debt securities and NBP bills (quotations based on the reference rate),
- 2. Level 2: mark-to-model valuation approach**, with model parameterisation based on active market quotations for the type of instruments concerned or prices obtained in transactions concluded close to the reporting date on normal market terms. Fair value is also determined by reference to other, similar instruments, by analysing discounted cash flow and with other valuation methods commonly used by market participants, and in the case of financial instruments to which no valuation method can be applied – at cost. This applies to unlisted bank securities, equity securities and derivatives (including forward transactions for securities), except where they meet the criteria for allocation to Level 3. Due to the above, the fair value of these securities is based on the valuation model developed by the Company and using comparable values for businesses listed on the Warsaw Stock Exchange,
- 3. Level 3: mark-to-model valuation approach**, with model parameterisation based on active market quotes for a given type of instruments and the model parameters based on estimated risk factors. This applies to municipal securities (measured using the discounted cash flows method, with credit spreads used in the valuation determined on the basis of internal ratings), securities of other banks (prices are determined based on the margins of securities quoted in the market at the time of price determination, issued by selected issuers), unlisted equity securities and illiquid equity securities (measured using the discounted cash flows method).



**Financial instruments by fair-value hierarchy level:**

December 31st 2020	Level 1	Level 2	Level 3	Total
<b>Financial assets held for trading</b>	-	<b>79,827</b>	-	<b>79,827</b>
Derivative financial instruments	-	79,827	-	79,827
<b>Investment securities measured at fair value through other comprehensive income</b>	<b>4,385,236</b>	<b>153,634</b>	<b>1,297,305</b>	<b>5,836,175</b>
<i>debt securities</i>	4,366,693	153,634	1,230,368	5,750,695
<i>equity securities</i>	18,543	-	66,937	85,480
<b>Amounts due from other banks</b>	-	-	<b>145,212</b>	<b>145,212</b>
<b>Amounts due from clients</b>	-	-	<b>11,756,309</b>	<b>11,756,309</b>
<b>Investment securities measured at amortised cost</b>	<b>1,615,371</b>	-	-	<b>1,615,371</b>
<b>Total</b>	<b>6,000,607</b>	<b>233,461</b>	<b>13,198,826</b>	<b>19,432,894</b>

December 31st 2020	Level 1	Level 2	Level 3	Total
<b>Financial liabilities held for trading</b>	-	<b>97,410</b>	-	<b>97,410</b>
Derivative financial instruments	-	97,410	-	97,410
<b>Derivative hedging instruments</b>	-	<b>24,497</b>	-	<b>24,497</b>
<b>Amounts due to other banks</b>	-	-	<b>732,743</b>	<b>732,743</b>
<b>Amounts due to clients</b>	-	-	<b>16,576,524</b>	<b>16,576,524</b>
<b>Subordinated liabilities</b>	-	-	<b>351,812</b>	<b>351,812</b>
<b>Total</b>	-	<b>121,907</b>	<b>17,661,079</b>	<b>17,782,986</b>

Changes in securities measured at fair value through other comprehensive income				Level 3
At beginning of period January 1st 2020				305,126
Purchase				1,385,613
Sale and redemption				- 405,181
Total gains and losses				11,746
in profit or loss				- 6,799
in other comprehensive income				18,545
At end of period December 31st 2020				1,297,304

December 31st 2019	Level 1	Level 2	Level 3	Total
Financial assets held for trading – debt securities	43,085	-	-	43,085
Derivative financial and hedging instruments	-	57,428	-	57,428
Investment securities measured at fair value through other comprehensive income	3,619,568	-	305,126	3,924,694
<i>debt securities</i>	3,601,025	-	238,159	3,839,184
<i>equity securities</i>	18,543	-	66,967	85,510
Amounts due from other banks	-	-	152,338	152,338
Amounts due from clients	-	-	11,990,393	11,990,393
Investment securities measured at amortised cost	1,423,814	-	-	1,423,814
Total	5,086,467	57,428	12,447,857	17,591,752

December 31st 2019	Level 1	Level 2	Level 3	Total
Derivative financial and hedging instruments	-	65,610	-	65,610
Amounts due to other banks	-	-	595,667	595,667
Amounts due to clients	-	-	14,896,383	14,896,383
Subordinated liabilities	-	-	348,503	348,503
Total	-	65,610	15,940,943	16,006,553

Changes in securities measured at fair value through other comprehensive income				Level 3
At beginning of period January 1st 2019				318,109
Purchase				50,035
Sale and redemption				- 60,967
Total gains and losses				
in profit or loss				- 8,846
in other comprehensive income				6,795
At end of period December 31st 2019				305,126

Financial instruments may be reallocated between Level 1 and Level 2 based on the availability of quotations from an active market at the reporting date.

An instrument is reallocated from Level 2 to Level 3 when valuation changes from an observable factor to an unobservable factor or when a new unobservable risk factor is applied to the valuation that simultaneously results in a significant effect on the valuation of the instrument.

An instrument is reallocated Level 3 to Level 2 when valuation changes from an unobservable factor to an observable factor or when the effect of the unobservable factor on the valuation of the instrument ceases to be significant.

Reallocations between the measurement methods take place on the date and as at the end of the reporting period.

In the period from January 1st to December 31st 2020, there were no reallocations of instruments between the levels. Measurement of Level 3 instruments does not affect the statement of profit or loss. The fair value measurement of Level 3 instruments is disclosed in other comprehensive income. Net profit (loss) includes accrued interest, interest paid, discount or premium, foreign exchange differences and reversed provisions (in the case of equity securities).

As at December 31st 2020, the sensitivity of the valuation of municipal instruments allocated to Level 3 to a +/- 1 bp change in the credit spread (unobservable model parameter) was PLN 51 thousand (December 31st 2019: PLN 69 thousand).

## 48. Segment reporting

In accordance with IFRS 8, operating segments are determined on the basis of internal reports on components of an enterprise that are subject to periodic reviews by the management responsible for taking operational decisions. IFRS 8 defines an operating segment as a component of an entity:

1. that engages in business activities from which it may earn revenues and incur expenses,
2. whose operating results are regularly reviewed by the entity's chief operating decision maker,
3. for which discrete financial information is available.

The following is the policy for segment reporting applied in the periods ended December 31st 2020 and December 31st 2019, by the following lines of business:

1. institutional clients,
2. retail clients,
3. treasury and investments,
4. other (not allocated to the segments).

The Institutional Client business line covers transactions made through Business Centres, branches and the Bank's Head Office with corporate clients, small and medium-sized enterprises and micro-enterprises. The Retail Clients business line includes transactions with private individuals.

The Treasury and Investments business line includes transactions on the interbank market as well as transaction in debt securities, derivatives, and equity investments. Treasury and investment activities include management of the Bank's liquidity, foreign exchange and interest rate risks and fund transfer pricing settlements with other business divisions (segments).

Brokerage activities include services for retail and institutional clients.

Other activities (not allocated to segments) include items of the statement of profit or loss that are not allocated to any of the business areas listed in items 1-3, in particular income and expenses related to unclassified clients.

The financial data of BOŚ Leasing–EKO Profit S.A. and MS Wind Sp. z o.o. are classified into the institutional client segment.

The treasury and investment products include financial instruments, current and term deposits, interbank deposits and deposits from ALM clients, loans from other banks and loans granted to banks, debt and equity securities, and derivatives.

Brokerage activities mainly involve purchase and sale of securities for the banking book and for the trading book, maintaining securities accounts, fee-based management of third parties' securities portfolios, and offering securities the primary market or through initial public offerings.

Assets and liabilities of the areas specified in items 1-2 above have been separated on the basis of the Bank's lending and deposit base.

Net interest income includes transfer settlements between the Institutional client segment, the retail client segment, and the treasury and investment business. Transfer measurement of funds is based on reference rates and additional funding rates, taking into account currency, stability of funds and maturities, which are referenced to the yield curve. All relevant assets and interest-bearing liabilities, as well as off-balance sheet items that generate demand for liquidity are subject to transfer rates measurement. Measurement is performed on a monthly basis and is based on the (daily) average of individual interest-rate transactions allocated to a given division separately for each currency.

The operating result of the institutional client segment and the retail client segment is the result on banking activity of these divisions less administrative costs directly attributable to the segments' transactions or units and less costs and loss allowances allocated to the segments. The financial result also includes intersegment settlements arising from services provided to institutional clients by the Bank's branches (whose primary focus is the provision of services to retail clients).

Segment's net finance income (costs) comprises:

1. Net interest income, i.e., the sum of the difference between interest income on credit facilities and municipal bonds from clients and cost of funds received from ALM (treasury and investment activity) and income from the transfer of funds to ALM less interest expenses paid to the Bank's clients.
2. Net fee and commission income, i.e., the difference between fee and commission income and expenses allocated to a given transaction and allocated to the business area. The net result includes income and expenses both recognised on a one-off basis and accounted for on a straight-line basis, while transaction-related income and expenses accounted for at the effective interest rate are recognised in net interest income.
3. Gain (loss) on foreign exchange transactions, i.e., income on negotiated FX transactions (forwards and spots) and income on foreign exchange according to the Bank's exchange rate table. The item includes gain (loss) on derivative transactions.
4. Net impairment losses and measurement of receivables at fair value through profit or loss, i.e., gain (loss) on changes in impairment losses on loans, municipal and corporate bonds, and gain (loss) on loans, municipal and corporate bonds measured at fair value allocated to a given business area. The result includes changes in the portfolio of impaired foreign currency loans due to exchange rate fluctuations.

The financial result of the treasury and investment business area is the sum of the results of the treasury and equity investment business areas of the Bank, which include:

1. Interest income – calculated as the sum of interest income on transactions with external clients and the result of transfer pricing settlements between funds and other segments. External interest income and expense relate to transactions on the interbank market (deposits and loans), as well as debt securities purchased and issued. The result on transfer pricing settlements of funds is the difference between income from financing of assets of other segments and transfer costs for deposits received from other segments.
2. Gain (loss) on foreign exchange transactions includes gain (loss) on foreign exchange trading transactions, remeasurement of the provision for foreign-currency loans, and changes in the measurement of active currency forward hedges. This item includes gain (loss) on foreign exchange transactions not allocated to other segments.
3. Gain (loss) on hedge accounting includes gain (loss) on cash-flow hedging transactions and fair-value hedging transactions.
4. Gain (loss) on financial instruments measured at fair value through profit or loss, gain (loss) on transactions in the trading book and on transactions in financial instruments, including FX swaps.
5. Gain (loss) on investment securities – gain (loss) on shares and debt securities and on measurement of financial instruments.
6. Dividend income.
7. Difference in value of impairment allowances, gain (loss) on shares and exposures to financial institutions allocated to the treasury and investment business area.

Below are presented the financial results of the Bank for the periods ended December 31st 2020 and December 31st 2019 attributable to the reportable segments.

No.	Selected items of the statement of profit and loss for the 12 months ended 31 December 2020	INSTITUTIONAL CLIENTS	RETAIL CLIENTS	TREASURY AND INVESTMENTS	OTHER (NOT ALLOCATED TO SEGMENTS)	Total
<b>I.</b>	<b>Net interest income</b>	<b>199,634</b>	<b>57,102</b>	<b>110,559</b>	<b>-</b>	<b>367,295</b>
1.	Interest income and similar income, including:	366,025	226,171	- 75,916	-	516,280
	<i>transactions with external clients</i>	313,634	108,232	94,414	-	516,280
	<i>transactions with other segments</i>	52,391	117,939	- 170,330	-	-
2.	Interest expense and similar charges, including:	- 166,391	- 169,069	186,475	-	- 148,985
	<i>transactions with external clients</i>	- 24,924	- 96,298	- 27,763	-	- 148,985
	<i>transactions with other segments</i>	- 141,467	- 72,771	214,238	-	-
<b>II.</b>	<b>Net fee and commission income</b>	<b>54,776</b>	<b>8,670</b>	<b>2</b>	<b>- 752</b>	<b>62,696</b>
III.	Dividend income	679	-	5,526	-	6,205
IV.	Gain (loss) on financial instruments measured at fair value through profit or loss	15	18	18,568	-	18,601
V.	Gain (loss) on hedge accounting	-	-	- 2,038	-	- 2,038
VI.	Gain (loss) on investment securities	-	-	4,239	-	4,239
VII.	Gain (loss) on foreign exchange transactions	12,185	2,981	9,905	-	25,071
<b>VIII.</b>	<b>Net banking income</b>	<b>267,289</b>	<b>68,771</b>	<b>146,761</b>	<b>- 752</b>	<b>482,069</b>
IX.	Net other income and expenses	- 504	605	- 6	- 6,181	- 6,086
X.	Legal risk costs of mortgage loans denominated in foreign currencies	-	- 353,021	-	-	- 353,021
XI.	Net impairment losses	- 112,483	- 50,718	- 2,513	-	- 165,714
<b>XII.</b>	<b>Net finance income (costs)</b>	<b>154,302</b>	<b>- 334,363</b>	<b>144,242</b>	<b>- 6,933</b>	<b>- 42,752</b>

1.	Direct costs	- 20,552	- 23,229	-	-	- 43,781
	<b>Profit (loss) after direct costs</b>	<b>133,750</b>	<b>- 357,592</b>	<b>144,242</b>	<b>- 6,933</b>	<b>- 86,533</b>
2.	Indirect costs and mutual services	- 71,172	- 73,768	- 15,141	-	- 160,081
	<b>Profit (loss) after direct and indirect costs</b>	<b>62,578</b>	<b>- 431,360</b>	<b>129,101</b>	<b>- 6,933</b>	<b>- 246,614</b>
3.	Amortisation/depreciation	- 18,113	- 22,737	- 1,919	-	- 42,769
4.	Other costs (taxes, BFG, PFSA)	- 21,728	- 17,203	- 216	-	- 39,147
<b>XIII</b>	<b>Share of profit (loss) of equity-accounted entities</b>	<b>29,471</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,471</b>
<b>XIV.</b>	<b>Profit (loss) before tax</b>	<b>52,208</b>	<b>- 471,300</b>	<b>126,966</b>	<b>- 6,933</b>	<b>- 299,059</b>
XV.	Allocated profit (loss) of ALM	69,595	56,596	- 126,191	-	-
<b>XVI.</b>	<b>Gross profit (loss) after ALM allocation</b>	<b>121,803</b>	<b>- 414,704</b>	<b>775</b>	<b>- 6,933</b>	<b>- 299,059</b>
XVII.	Income tax expense					- 11,239
<b>XVIII.</b>	<b>Net profit (loss)</b>					<b>- 310,298</b>
	<b>Segment assets</b>	<b>8,543,073</b>	<b>3,462,215</b>	<b>7,945,149</b>	<b>348,425</b>	<b>20,298,862</b>
	<i>including amounts due from banks and clients</i>	8,395,335	3,462,215	173,719	2,599	12,033,868
	<b>Segment liabilities</b>	<b>7,262,493</b>	<b>8,414,930</b>	<b>3,935,643</b>	<b>685,796</b>	<b>20,298,862</b>
	<i>of which amounts due to banks and clients</i>	7,262,493	8,414,930	1,534,334	74,763	17,286,520
	<b>Expenditure on property, plant and equipment and intangible assets</b>	<b>14,629</b>	<b>15,226</b>	<b>1,920</b>	<b>-</b>	<b>31,775</b>

No.	Selected items of the statement of profit and loss for the 12 months ended 31 December 2019	INSTITUTIONAL CLIENTS	RETAIL CLIENTS	TREASURY AND INVESTMENTS	OTHER (NOT ALLOCATED TO SEGMENTS)	Total
<b>I.</b>	<b>Net interest income</b>	<b>203,695</b>	<b>87,238</b>	<b>122,356</b>	<b>-</b>	<b>413,289</b>
1.	Interest income and similar income, including:	479,275	303,848	-154,633	-	628,490
	<i>transactions with external clients</i>	380,429	121,686	126,375	-	628,490
	<i>transactions with other segments</i>	98,846	182,162	-281,008	-	-
2.	Interest expense and similar charges, including:	-275,580	-216,610	276,989	-	-215,201
	<i>transactions with external clients</i>	-55,739	-126,248	-33,214	-	-215,201
	<i>transactions with other segments</i>	-219,841	-90,362	310,203	-	-
<b>II.</b>	<b>Net fee and commission income</b>	<b>55,469</b>	<b>7,518</b>	<b>1</b>	<b>-1,395</b>	<b>61,593</b>
III.	Dividend income	-	-	6,277	-	6,277
IV.	Gain (loss) on financial instruments measured at fair value through profit or loss	1,428	221	14,261	-	15,910
V.	Gain (loss) on hedge accounting	-	-	-42	-	-42
VI.	Gain (loss) on investment securities	-	-	582	-	582
VII.	Gain (loss) on foreign exchange transactions	11,494	3,313	1,918	-	16,725
VIII.	Net banking income	272,086	98,290	145,353	-1,395	514,334
IX.	Net other income and expenses	1,595	- 850	-	- 3,787	- 3,042
X.	Legal risk costs of mortgage loans denominated in foreign currencies		- 21,221			- 21,221
XI.	Net impairment losses	-59,180	-42,650	1,057	-	-100,773



<b>XII.</b>	<b>Net finance income (costs)</b>	<b>214,501</b>	<b>33,569</b>	<b>146,410</b>	<b>- 5,182</b>	<b>389,298</b>
1.	Direct costs	- 22,811	- 27,215	-	-	- 50,026
	<b>Profit (loss) after direct costs</b>	<b>191,690</b>	<b>6,354</b>	<b>146,410</b>	<b>- 5,182</b>	<b>339,272</b>
2.	Indirect costs and mutual services	- 66,783	- 65,952	- 12,670	-	- 145,405
	<b>Profit (loss) after direct and indirect costs</b>	<b>124,907</b>	<b>- 59,598</b>	<b>133,740</b>	<b>- 5,182</b>	<b>193,867</b>
3.	Amortisation/depreciation	- 19,864	- 24,006	- 2,092	-	- 45,962
4.	Other costs (taxes, BFG, PFSA)	- 23,774	- 20,547	- 157	-	- 44,478
<b>XIII.</b>	<b>Share of profit (loss) of equity-accounted entities</b>	<b>2,712</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,712</b>
<b>XIV.</b>	<b>Profit (loss) before tax</b>	<b>83,981</b>	<b>- 104,151</b>	<b>131,491</b>	<b>- 5,182</b>	<b>106,139</b>
XV.	Allocated profit (loss) of ALM	62,037	65,407	- 127,444	-	-
<b>XVI.</b>	<b>Gross profit (loss) after ALM allocation</b>	<b>146,018</b>	<b>- 38,744</b>	<b>4,047</b>	<b>- 5,182</b>	<b>106,139</b>
<b>XVII.</b>	<b>Income tax expense</b>					<b>- 34,072</b>
<b>XVIII.</b>	<b>Net profit (loss)</b>					<b>72,067</b>
	<b>Segment assets</b>	<b>8,660,014</b>	<b>3,553,302</b>	<b>6,041,295</b>	<b>128,278</b>	<b>18,382,889</b>
	<i>including amounts due from banks and clients</i>	8,471,401	3,553,302	153,235	-	12,177,938
	<b>Segment liabilities</b>	<b>5,601,652</b>	<b>8,377,446</b>	<b>4,075,506</b>	<b>328,285</b>	<b>18,382,889</b>
	<i>of which amounts due to banks and clients</i>	5,601,652	8,377,446	1,438,635	64,654	15,482,387
	<b>Expenditure on property, plant and equipment</b>	<b>14,845</b>	<b>15,345</b>	<b>1,661</b>	<b>1</b>	<b>31,852</b>

## 49. Related-party transactions

As at December 31st 2020, Bank Ochrony Środowiska S.A. was the parent of Dom Maklerski BOŚ S.A., BOŚ Leasing–EKO Profit S.A., as well as MS Wind Sp. z o.o.

The National Fund for Environmental Protection and Water Management (NFOŚiGW) was the parent of the Bank.

The key management personnel are also considered to be related parties.

### **Transaction with the National Fund for Environmental Protection and Water Management, i.e., the main shareholder of the Bank**

As at December 31st 2020, the amount of funds provided by the NFOŚiGW for preferential loans under the Prosumpt program for the financing of purchase and installation of renewable energy sources was PLN 15,554 thousand (December 31st 2019: PLN 23,966 thousand).

In 2020, the NFOŚiGW did not subsidise clients' interest payments. In the 12 months ended December 31st 2019, the amount of such subsidies was PLN 232 thousand.

NFOŚiGW is a party related to the State Treasury. The Bank enters into transactions with entities related to the State Treasury, mainly with entities operating in the public finance sector.

### **Transactions with related entities:**

#### **Dom Maklerski BOŚ S.A.**

The Bank's branches maintain current accounts and fixed-term deposit accounts of Dom Maklerski BOŚ S.A. Transactions in current accounts are primarily payments and cash withdrawals by the company's clients. As at the end of each day, free cash is placed in O/N deposits bearing interest at WIBOR rates.

The Bank provided a revolving working capital facility to Dom Maklerski BOŚ S.A.

The above transactions are temporary in nature and were executed due to the Bank's internal needs and on market terms.

#### **BOŚ Leasing - EKO Profit S.A.**

The Bank maintains current accounts and fixed-term deposit accounts of BOŚ Leasing - EKO Profit S.A. The Bank provided to the company investment facilities and loans for the purchase of lease receivables. IRS transactions were also concluded.

In 2020, the Bank was a party to rental contracts with the company concerning:

- 1.** an office building in Warsaw – the contract was executed until January 2021,
- 2.** premises in Włocławek – the contract expired on May 31st 2020,
- 3.** premises in Gdańsk – the contract expired on January 31st 2021.

In 2020, BOŚ Leasing – EKO Profit S.A. concluded with the Bank agreements for purchase of lease receivables with recourse concerning two contractors and signed six agreements for purchase of lease receivables without recourse for an amount of PLN 46.6 million.

The above transactions and lease contracts were executed due to the Bank's internal needs and on an arm's length basis.

#### **MS Wind Sp. z o. o.**

The Bank maintains current accounts and term deposit accounts for MS Wind Sp. z o.o. The Bank provided to MS Wind Sp. z o.o. a facility to finance a wind farm project and entered into an IRS contract with the company.

As at December 31st 2020, the outstanding balance of the facility was PLN 21.7m. Eighty per cent of the facility amount is hedged with the IRS contract for fixed interest rate. The above transactions are temporary in nature and were executed due to the Bank's internal needs and on market terms.

Data on transactions with the subsidiaries are presented in the tables below.

As at December 31st 2020:

Item	Financial assets held for trading	Amounts due from clients	Other assets	Investments in subsidiaries	Amounts due to clients	Provisions	Other liabilities	Contingent liabilities
Subsidiaries								
Dom Maklerski BOŚ S.A.	510	35,431	-	134,324	1,399,314	449	148	44,071
BOŚ Eko Profit S.A.	1,682	72,236	-	59,313	10,445	1,631	22	49,557
Indirect subsidiaries								
MS Wind sp. z o.o.	-	20,804	-	-	4,180	-	-	-
<b>Total</b>	<b>2,192</b>	<b>128,471</b>	<b>-</b>	<b>193,637</b>	<b>1,413,939</b>	<b>2,080</b>	<b>170</b>	<b>93,628</b>

As at December 31st 2019:

Item	Financial assets held for trading	Amounts due from clients	Other assets	Investments in subsidiaries	Amounts due to clients	Provisions	Other liabilities	Contingent liabilities
Subsidiaries								
Dom Maklerski BOŚ S.A.	-	44,603	173	106,515	770,177	207	126	35,078
BOŚ Eko Profit S.A.	322	55,253	-	60,874	15,638	565	-	49,227
Indirect subsidiaries								
MS Wind sp. z o.o.	1,592	21,890	-	-	2,432	-	-	-
<b>Total</b>	<b>1,914</b>	<b>121,746</b>	<b>173</b>	<b>167,389</b>	<b>788,247</b>	<b>772</b>	<b>126</b>	<b>84,305</b>

Income and expenses for the 12 months ended December 31st 2020:

	Interest income and similar income	Interest expense and similar charges	Fee and commission income	Fee and commission expense	Gain (loss) on financial instruments measured at fair value through profit or loss (including amounts due from clients)	Other income	Net impairment losses	Administrative expenses	Share of profit (loss) of equity-accounted entities
Subsidiaries									
Dom Maklerski BOŚ S.A.	961	- 2,639	2,541	-	-	1	- 419	- 13	30,865
BOŚ Leasing - EKO Profit S.A.	1,946	- 43	10	-	305	296	- 2,744	- 451	- 1,394
Indirect subsidiaries									
MS Wind sp. z o.o.	686	- 18	27	-	650	-	10	-	-
<b>Total</b>	<b>3,593</b>	<b>- 2,700</b>	<b>2,578</b>	<b>-</b>	<b>955</b>	<b>297</b>	<b>- 3,153</b>	<b>- 464</b>	<b>29,471</b>

Income and expenses for the 12 months ended December 31st 2019:

	Interest income and similar income	Interest expense and similar charges	Fee and commission income	Fee and commission expense	Gain (loss) on financial instruments measured at fair value through profit or loss (including amounts due from clients)	Other income	Net impairment losses	Administrative expenses	Share of profit (loss) of equity-accounted entities
Subsidiaries									
Dom Maklerski BOŚ S.A.	1,509	-8,737	2,124	-	-	1	393	-11	4,077
BOŚ Leasing - EKO Profit S.A.	3,055	-221	34	-135	163	11,509	-516	-811	-1,365
Indirect subsidiaries									
MS Wind sp. z o.o.	893	-17	4	-	281	-	-25	-	-
<b>Total</b>	<b>5,457</b>	<b>-8,975</b>	<b>2,162</b>	<b>-135</b>	<b>444</b>	<b>11,510</b>	<b>-148</b>	<b>-822</b>	<b>2,712</b>

## Loans to and deposits from members of the Management Board and the Supervisory Board of the Bank

As part of the operating activities, transactions with members of the management body and the key management personnel comprise mainly loans and deposits. The balances of individual items of the statement of financial position as at December 31st 2020 and December 31st 2019 as well as income and expenses for the 12 months ended December 31st 2020 and December 31st 2019 are presented below:

### Key management personnel

Item	December 31st 2020	December 31st 2019
Loans	354	2
Line-of-credit commitments	5	-
Deposits	2,311	2,118
<b>Total</b>	<b>2,670</b>	<b>2,120</b>

Item	December 31st 2020	December 31st 2019
Interest expense on deposits	21	24
Interest income on loans	3	-

The credit and deposit products were provided to the key management personnel on the same terms as those offered by the Bank to the general public.

## Remuneration of the key management personnel of the Bank

Supervisory Board	Remuneration		For serving on governing bodies of subordinated entities	
	paid for 2020	paid for 2019	paid for 2020	paid for 2019
Janina Goss	126	120	-	-
Andrzej Matysiak <sup>7</sup>	116	135	-	-
Leszek Banaszak <sup>2</sup>	25	-	-	-
Piotr Wróbel <sup>1</sup>	50	-	-	-
Marzena Koczut <sup>2</sup>	21	-	-	-
Robert Czarnecki <sup>2</sup>	25	-	-	-
Przemysław Bednarski <sup>4</sup>	25	-	-	-
Marcin Jastrzębski <sup>3</sup>	43	-	-	-
Piotr Sadownik <sup>8</sup>	107	121	-	-
Emil Ślęzak	75	82	-	-
Wojciech Wardacki	181	169	-	-
Iwona Duda <sup>5</sup>	47	119	-	-
Ireneusz Purgacz	131	62	-	-
Radosław Rasała <sup>9</sup>	78	63	-	-
Paweł Sałek	131	64	-	-
Katarzyna Lewandowska <sup>6</sup>	66	73	-	-
Marian Szołucha <sup>10</sup>	-	55	-	-
Dariusz Wasilewski <sup>10</sup>	-	57	-	-
<b>Total <sup>11</sup></b>	<b>1,247</b>	<b>1,120</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Member of the Supervisory Board from August 5th 2020

<sup>2</sup> Member of the Supervisory Board from October 19th 2020

<sup>3</sup> Member of the Supervisory Board from August 25th 2020

<sup>4</sup> Member of the Supervisory Board from August 5th 2020 to October 17th 2020

<sup>5</sup> Member of the Supervisory Board until May 12th 2020

<sup>6</sup> Member of the Supervisory Board until June 15th 2020

<sup>7</sup> Member of the Supervisory Board until October 19th 2020

<sup>8</sup> Member of the Supervisory Board until November 6th 2020

<sup>9</sup> Member of the Supervisory Board until August 5th 2020

<sup>10</sup> Member of the Supervisory Board until June 18th 2019

<sup>11</sup> All payments were short-term employee benefits.

The total amount of remuneration paid to members of the Supervisory Board in 2020 included remuneration of Supervisory Board members, reimbursement of overpaid social security contributions and PPK contributions paid by BOŚ S.A.

Management Board	Remuneration		For serving on governing bodies of subordinated entities	
	paid for 2020	paid for 2019	paid for 2020	paid for 2019
Wojciech Hann <sup>1</sup>	93	-	-	-
Bogusław Białowąs <sup>2</sup>	653	744	-	-
Marzena Koczut <sup>5</sup>	16	-	-	-
Konrad Raczkowski <sup>3</sup>	89	423	-	-
Arkadiusz Garbarczyk	853	670	-	-
Emil Ślężak <sup>4</sup>	254	177	-	-
Jerzy Zań	526	77	-	-
<b>Total</b>	<b>2,484</b>	<b>2,091</b>	-	-

including:				
– short-term employee benefits;	2,024	1,981	-	-
– long-term employee benefits	-	-	-	-
– post-employment benefits	150	110	-	-
– termination benefits	-	-	-	-
– share-based payments (phantom shares)	310	-	-	-

<sup>1</sup> Member of the Management Board from November 9th 2020

<sup>2</sup> Member of the Management Board until June 17th 2020

<sup>3</sup> Member of the Management Board until June 18th 2019

<sup>4</sup> Member of the Management Board from June 18th to November 9th 2020

<sup>5</sup> Member of the Management Board from December 21st 2020

The total amount of remuneration paid to members of the Bank's Management Board in 2020 included remuneration under management services contracts, post-employment benefits, and contributions to the Employee Capital Plan paid by BOŚ S.A.

## 50. Disposal, liquidation and merger of companies

There were no business combinations, acquisitions or sale of subsidiaries in the Group in 2020. No long-term equity investments were made, none of the subsidiaries was subject to restructuring and none of the subsidiaries ceased trading in 2020.



## 51. Dividends paid (aggregate or per share) separately for ordinary shares and other shares

No dividend was paid or declared in 2020.

On June 17th 2020, the Annual General Meeting of Bank Ochrony Środowiska S.A. allocated the Bank's net profit for the period January 1st – December 31st 2019 of PLN 80,662 thousand to statutory reserve funds.

## 52. Events after the reporting date

### Changes in the composition of the Management Board and the Supervisory Board

At its meeting on February 10th 2021 (Current Report No. 3/2021) the Supervisory Board passed resolutions to:

- appoint Ms Marzena Koczut as Vice President of the Management Board of the Bank with effect as of February 10th 2021,
- appoint Mr Robert Kasprzak as Vice President of the Management Board of the Bank with effect as of February 15th 2021.

On February 10th 2021, Ms Marzena Koczut, member of the Supervisory Board, tendered her resignation from the Supervisory Board (Current Report No. 4/2021) upon her appointment as Vice President of the Management Board of the Bank.

On March 3rd 2021, the Polish Financial Supervision Authority gave a unanimous consent to the appointment of Mr Wojciech Hann as President of the Management Board (Current Report no. 7/2021). Accordingly, at its meeting held on March 3rd 2021, the Supervisory Board passed a resolution to appoint Mr Wojciech Hann as President of the Management Board of the Bank for a joint three-year term of office, which commenced on June 18th 2020, i.e., on the day following the date of approval of the Bank's financial statements for the year ended December 31st 2019. Pending consent of the Polish Financial Supervision Authority, Mr Wojciech Hann served as Vice President of the Bank and managed the work of the Management Board.

### Calculation of minimum requirement for own funds and eligible liabilities (MREL)

On February 23rd 2021, BOŚ S.A. received from the Bank Guarantee Fund ("BFG") a letter informing the Bank about the new designated MREL level, based on the Bank's financial data as at December 31st 2020 (Current Report no. 5/2021).

On a consolidated basis, the target MREL for the Bank is 12.75% of the total risk exposure amount and 4.50% of the total exposure measure (including 12.35% of the total risk exposure amount and 4.48% of the total exposure measure for own funds and subordinated liabilities).

In the same letter, a linear path was mapped for MREL to reach 11.87% and 12.31% of the total risk exposure amount on January 1st 2022 and January 1st 2023, respectively (and 3% and 3.75%, for the total exposure measure, respectively).

The Bank should meet the interim levels by the end of the calendar year during the period of reaching the MREL target.

The Bank is required to meet the MREL targets as of January 1st 2024.

The BFG also informed the Bank that in each subsequent calendar year the Fund will review the forced restructuring plan and adjust the target MREL to the changing capital requirements of the Bank. The Bank should maintain the level of MREL expressed as a percentage of TREA and TE on a continuous basis, i.e., in line with the changing value of the Bank's TREA and TE.

### Affirmation of credit ratings

On March 16th 2021, Fitch Ratings (the Agency) affirmed its rating (Current Report No. 9/2021) and maintained the outlook.

The ratings are presented below:

- Long-term Foreign Currency IDR was affirmed at BB-, with negative outlook,
- Short-term Foreign Currency IDR was affirmed at B,
- National Long-term Rating was affirmed at BBB- (pol), with negative outlook,
- National Short-term Rating was affirmed at F3 (pol),
- Viability Rating was affirmed at bb-,
- National senior unsecured bond rating was affirmed at BBB- (pol),
- National short-term senior unsecured bond rating was affirmed at F3 (pol),
- Subordinated bond rating was affirmed at BB (pol).

The definitions of ratings are available on the Agency's website at <https://www.fitchratings.com>.

The affirmation of the ratings reflects the Agency's view that the legal risk associated with the Bank's existing foreign currency mortgage exposures has increased since the Bank's last ratings review. However, the final effect on profit or loss is still highly uncertain. The Agency also expects that more information will be available after the announcement of the Supreme Court judgments and after the Bank makes final decisions regarding its participation in the voluntary conversion programme as proposed by the Chairman of the Polish Financial Supervision Commission.

## Signatures of Members of the Management Board

Date	Name and surname	Position held	Signature
April 28th 2021	Wojciech Hann	President of the Management Board	Signed with qualified e-signature
April 28th 2021	Arkadiusz Garbarczyk	Vice President of the Management Board – First Deputy President of the Management Board	Signed with qualified digital signature
April 28th 2021	Robert Kasprzak	Vice President of the Management Board	Signed with qualified digital signature
April 28th 2021	Marzena Koczut	Vice President of the Management Board	Signed with qualified digital signature
April 28th 2021	Jerzy Zań	Vice President of the Management Board	Signed with qualified digital signature

Signature of the person in charge of bookkeeping:

April 28th 2021	Andrzej Kowalczyk	Director of the Accounting Department	Signed with qualified e-signature
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