



**REPORT  
OF THE BANK OCHRONY ŚRODOWISKA  
GROUP  
FOR THE THIRD QUARTER OF 2023**

**Warsaw, November 2023**

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## FINANCIAL HIGHLIGHTS

| THE GROUP<br>Data from condensed consolidated interim<br>financial statements of BOŚ Group | PLN thousand                     |                                  | EUR thousand                     |                                  |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
|  | 9 months<br>ended Sep 30<br>2023 | 9 months<br>ended Sep 30<br>2022 | 9 months<br>ended Sep 30<br>2023 | 9 months<br>ended Sep 30<br>2022 |
| Interest and similar income  | 1,220,000                        | 772,745                          | 266,533                          | 164,835                          |
| Fee and commission income  | 128,952                          | 129,217                          | 28,172                           | 27,563                           |
| Gain (loss) on financial instruments measured at fair<br>value through profit or loss      | 33,736                           | 38,325                           | 7,370                            | 8,175                            |
| Gain (loss) on investment securities   | -                                | -                                | -                                | -                                |
| Profit before tax  | 136,720                          | 150,410                          | 29,869                           | 32,084                           |
| Net profit   | 78,655                           | 115,903                          | 17,184                           | 24,723                           |

| THE GROUP                                   | PLN thousand |             | EUR thousand |             |
|---|--------------|-------------|--------------|-------------|
|   | Sep 30 2023  | Dec 31 2022 | Sep 30 2023  | Dec 31 2022 |
| Total assets                                | 21,998,078   | 22,006,181  | 4,745,465    | 4,518,909   |
| Amounts due to central bank and other banks | 169,764      | 141,143     | 36,622       | 28,983      |
| Amounts due to clients                      | 18,527,611   | 18,820,809  | 3,996,810    | 3,864,801   |
| Equity attributable to owners of parent     | 2,120,179    | 1,964,138   | 457,369      | 403,330     |
| Common equity                               | 1,461,036    | 1,461,036   | 315,177      | 300,020     |
| Number of shares                            | 92,947,671   | 92,947,671  |              |             |
| Capital ratio                               | 16.31        | 14.95       |              |             |

| BANK<br>Data from condensed interim financial statements<br>of BOŚ S.A.               | PLN thousand                     |                                  | EUR thousand                     |                                  |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
|   | 9 months<br>ended Sep 30<br>2023 | 9 months<br>ended Sep 30<br>2022 | 9 months<br>ended Sep 30<br>2023 | 9 months<br>ended Sep 30<br>2022 |
| Interest and similar income   | 1,207,431                        | 767,976                          | 263,787                          | 163,817                          |
| Fee and commission income   | 62,574                           | 62,245                           | 13,671                           | 13,278                           |
| Gain (loss) on financial instruments measured at fair<br>value through profit or loss | 3,827                            | 13,728                           | 836                              | 2,928                            |
| Gain (loss) on investment securities  | 0                                | 0                                | 0                                | 0                                |
| Profit before tax   | 107,026                          | 143,216                          | 23,382                           | 30,549                           |
| Net profit  | 64,765                           | 116,225                          | 14,149                           | 24,792                           |

| BANK  | PLN thousand |             | EUR thousand |             |
|---|--------------|-------------|--------------|-------------|
|   | Sep 30 2023  | Dec 31 2022 | Sep 30 2023  | Dec 31 2022 |
| Total assets                                | 21,881,012   | 21,915,238  | 4,720,211    | 4,672,858   |
| Amounts due to central bank and other banks | 169,764      | 141,143     | 36,622       | 30,095      |
| Amounts due to clients                      | 18,664,092   | 18,879,924  | 4,026,252    | 4,025,656   |
| Equity attributable to owners of parent     | 2,104,147    | 1,961,996   | 453,910      | 418,345     |
| Common equity                               | 1,460,364    | 1,460,364   | 315,032      | 311,385     |
| Number of shares                            | 92,947,671   | 92,947,671  |              |             |
| Capital ratio                               | 16.48        | 15.05       |              |             |

## SUMMARY OF THE FINANCIAL RESULTS OF THE GROUP

The BOŚ Group consists of Bank Ochrony Środowiska S.A., as the parent, two direct subsidiaries: Dom Maklerski BOŚ S.A. and BOŚ Leasing Eko Profit S.A., and MS Wind Sp. z o.o., an indirect subsidiary.

### Results of the Group

In the period from January 1st to September 30th 2023, the BOŚ Group earned a net profit of PLN 78.7 million, compared with PLN 115.9 million reported for the corresponding period of 2022. The Group's performance improved mainly in terms of net interest income. The results of the BOŚ Group were adversely impacted by the effect of legal risk of mortgage loans denominated in foreign currencies, which in the first nine months of 2023 was PLN -237.0 million, compared with PLN -17.6 million in the first nine months of 2022.

### Selected items of statement of profit or loss

| SELECTED ITEMS OF STATEMENT OF PROFIT OR LOSS, PLN thousand                        | Q1-Q3 2023    | Q1-Q3 2022     | Change (%)   |
|--|---------------|----------------|--------------|
| Net interest income  | 613,164       | 499,930        | 22.6         |
| Net fee and commission income  | 96,536        | 97,674         | -1.2         |
| Gain (loss) on financial instruments measured at fair value through profit or loss | 33,736        | 38,325         | -12.0        |
| Gain (loss) on foreign exchange transactions                                       | 19,698        | 37,678         | -47.7        |
| Net other income   | 4,811         | -3,269         | x            |
| Legal risk costs of mortgage loans denominated in foreign currencies               | -237,011      | -17,590        | 1247.4       |
| Net impairment losses  | -18,393       | -120,281       | -84.7        |
| Administrative expenses  | -375,821      | -382,057       | -1.6         |
| Profit before tax  | 136,720       | 150,410        | -9.1         |
| <b>NET PROFIT</b>  | <b>78,655</b> | <b>115,903</b> | <b>-32.1</b> |

Between January 1st and September 30th 2023, the BOŚ Group generated net interest income of PLN 613.2 million, up PLN 113.2 million on the nine months ended September 30th 2022.

Interest income rose by PLN 447.3 million year on year. The most significant growth was seen in interest earned on investment debt securities, as well as interest income from institutional clients and retail clients. The primary factor contributing to improved interest income was higher WIBOR rates compared with the corresponding period of 2022, due to the Monetary Policy Council's series of interest rate hikes implemented in the second and third quarters of the previous year, which included an increase in the NBP reference rate to 6.75%. In September 2023, the Monetary Policy Council reduced interest rates by 75 basis points, and then by another 25 basis points in October, to 5.75% for the NBP reference rate, but the effect of those cuts on the BOŚ Group's performance will only be seen in subsequent periods.

Total interest expense went up by PLN 334.0 million year on year. Due to the sustained high proportion of current accounts and low-interest rate deposits in total deposit products, the increase in interest expense was relatively lower than the increase in interest income. The Bank offered its clients term deposit products adjusted to the rising interest rates. Starting from June 2022, the Bank substantially increased the interest rates offered on retail deposits sold through the Bank's electronic channels and branch network. The interest rates offered on selected deposits gave the Bank a leading market position compared with other banks.

The Group's net fee and commission income was PLN 96.5 million, which represents a year-on-year decrease of PLN 1.1 million, driven mainly by lower brokerage fees. On the other hand, fees and commissions on credit products increased.

Gain (loss) on financial instruments measured at fair value through profit or loss was PLN 33.7 million, compared with PLN 38.3 million in the same period of 2022.

The effect of legal risk of mortgage loans denominated in foreign currencies was PLN -237.0 million, compared with PLN -17.6 million in the nine months ended September 30th 2022. The change is due to the modifications in the parameters of the provision estimation model, implemented in response to a notable increase in the

number of new cases and the judgment issued by the CJEU, which is unfavourable to banks. The Bank will continue to monitor emerging trends in case law, track the influx of new cases, and thoroughly study their effect on the parameters of the estimation model. Moreover, in the three months ended September 30th 2023, the amount of impairment losses was adversely affected by the introduction by the Bank, as of September 2023, of more favourable terms for clients entering into settlements concerning foreign currency housing loans. This had an effect on the estimation of the provision for settlement costs over a 60-month period in accordance with the Bank's provision estimation model.

In the period from January 1st to September 30th 2023, net impairment losses were PLN -18.4 million, compared with PLN -120.3 million in the corresponding period of 2022. The improvement was seen primarily in the corporate portfolio and was driven by the reversal of write-downs following loan repayments and execution of annexes and restructuring agreements.

Administrative expenses of the Group fell by PLN 6.2 million, or 1.6%, relative to the same period of 2022. In the previous year, the Group incurred the cost of a PLN 35.0 million contribution to the Borrower Support Fund, with no such costs reported in 2023. The Group also reported lower costs of contributions and payments to the Bank Guarantee Fund, down PLN 16.3 million. At the same time, employee benefit expense grew by PLN 26.0 million. In 2022, the Bank concluded a job evaluation process aimed at aligning compensation for individual positions with current market levels. Another significant driver of administrative expenses were material costs, which increased by PLN 8.5 million.

The Bank continuously implements measures to optimize administrative costs, both at the budgeting stage and as part of its day-to-day management. To mitigate the impact of high inflation and cost pressures across various areas, the Bank strives to maximize the utilization of its existing physical and personnel resources. This approach enables the Bank to effectively manage cost growth while ensuring the smooth and secure operation of the organization in compliance with applicable laws and supervisory requirements. The Bank also conducts regular evaluations of the efficiency and profitability of individual outlets within its network.

### **Loan repayment holidays**

The Business Crowdfunding and Borrowers Assistance Act of July 7th 2022 granted borrowers the right to temporarily suspend repayment of up to eight instalments of a mortgage loan granted in the Polish currency for their own housing needs between 2022 and 2023. This temporary suspension is commonly referred to as loan repayment holidays. As borrowers are likely to exercise this right, the Bank, acting in accordance with the applicable accounting policies, recognised the effect on a one-off basis in advance in the result for the third quarter of 2022.

As at September 30th 2023, the number of housing loan accounts covered by the loan repayment holidays reached 3,600, while the gross carrying amount of PLN housing loans, prior to any adjustments related to the statutory holidays, for which the Bank approved the application, totalled PLN 813.1 million.

### Provision for the legal risk of foreign currency mortgage loans; Settlement Programme

The adjustment to gross carrying amount and the provision recognised by the Bank for the legal risk of CHF-linked mortgage loans was PLN 634.2 million as at September 30th 2023 (December 31st 2022: PLN 490.2 million).

The total amount of the adjustment to gross carrying amount and the provision for foreign currency mortgages reached PLN 691.7 million as at September 30th 2023, compared with PLN 514.8 million as at the end of 2022.

The provisions recognised by the Bank for the risk of mortgage loans tied to foreign currency exchange rates cover the cost of the Settlement Programme for clients repaying foreign currency mortgage loans as proposed by the Chairman of the Polish Financial Supervision Authority. The Bank launched the Programme on January 31st 2022.

As at September 30th 2023, the Bank received 1,194 requests for settlement concerning foreign currency mortgage loans. 540 settlements were signed.

### Financial ratios

| FINANCIAL RATIOS   | Sep 30 2023 | Dec 31 2022 | Change in percentage points |
|--|-------------|-------------|-----------------------------|
| Return on capital (ROE)  | 5.3         | 6.7         | -1.4                        |
| Return on assets (ROA)   | 0.5         | 0.6         | -0.1                        |
| Interest margin on total assets  | 3.7         | 3.6         | 0.1                         |
| Cost/income (C/I), assuming uniform distribution of the cost of the one-time contribution to the Bank Guarantee Fund over the year | 48.3        | 52.9        | -4.6                        |
| Risks costs  | -0.04       | -0.79       | 0.80                        |
| Tier 1 capital ratio   | 15.83       | 14.11       | 1.72                        |
| Total capital ratio  | 16.31       | 14.95       | 1.36                        |

Return on equity (ROE), calculated as the ratio of annualised net profit to average equity, stood at 5.3%, compared with 6.7% in 2022.

The interest margin on total assets, calculated as the ratio of annualised net interest income to average assets, was 3.7%, compared with 3.6% for 2022. For the most part, the improvement was attributable to an increase in the average interest rate on loans resulting from the interest rate rises implemented by the Monetary Policy Council, as well as higher return on interest-earning assets and deposit margins on current accounts, despite lower interest income from retail clients who took advantage of loan repayment holidays.

The cost-to-income (C/I) ratio demonstrated a significant improvement, reaching 48.3% at the end of the nine months ended September 30th 2023, compared with 52.9% for the whole of 2022. This improvement can be primarily attributed to income growth outpacing the increase in costs during the period. Including the full-year contribution to the Bank Guarantee Fund charged to the costs of the reporting period, the C/I ratio stands at 49.0%.

The capital adequacy ratio of the Group was above the levels recommended by the Polish Financial Supervision Authority, both with and without the application of IFRS 9 transitional arrangements. As at September 30th 2023, the Bank and the Group met the applicable capital standards. Tier 1 capital ratio stood at 15.83% and the total capital ratio was 16.31%.

### Credit ratings

On October 6th 2023, Fitch Ratings maintained its long-term rating (IDR) unchanged at 'BB-', with a stable outlook (see Current Report No. 21/2023).

The ratings are presented below:

- Long-Term Foreign Currency Issuer Default Rating at 'BB-', outlook stable;
- Short-Term Foreign Currency Issuer Default Rating at 'B';

- National Long-Term Rating at 'BBB-(pol)', outlook stable;
- National Short-Term Rating at 'F3(pol)';
- Viability Rating at 'bb-';
- Government Support Rating at 'b';
- National Long-Term Rating for senior unsecured bonds at 'BBB- (pol)';
- Rating for subordinated bonds at 'BB(pol)';
- National Short-Term Rating for senior unsecured bonds at 'F3 (pol)'.

In its ratings action commentary, the Agency pointed out the Bank's generally stable funding and liquidity position, with moderate capital buffers in place despite the still weak asset quality.

### **Impact of the war in Ukraine on operations**

BOŚ monitored the economic and market situation, in particular the risk of major sudden external events likely to have a significant indirect impact on the Bank's situation.

As part of its stress tests, the Bank analysed the impact of these events on financial risk and assessed the consequences of possible negative scenarios.

The stress tests' results show a modest increase in exposure to liquidity risk, interest rate risk in the banking book, and counterparty credit risk; however the overall impact on risk exposure within what is expected by the Bank.

With the current developments under the stress scenario for the ongoing Russian-Ukrainian conflict, the Bank has not experienced any liquidity issues or adverse impact on other financial risks. Despite short-lasting liquidity problems on the interbank market and a temporary sharp increase in cash withdrawals seen during the initial phase of the conflict (in 2022), no major threats to the Bank's liquidity have been observed. 2023 did not see any other significant symptoms indicating an increase in financial risk as the domestic currency strengthened, with the exchange rates coming back to the pre-conflict levels, and the market anticipates a drop in PLN interest rates.

The Bank closely monitors the portfolio of its largest exposures associated with the conflict zone based on its established rules and guidelines. No indications of impairment were identified among these exposures.

The economic and financial conditions in Poland took a turn for the worse due to, among others, the energy crisis triggered directly by the war in Ukraine, which – as a critical factor behind the health of all Polish businesses, i.e., also the Bank's clients – is affecting the quality of its loan portfolio and the level of impairment losses. This impact is already noticeable, but not yet significant.

The international situation continues to affect the Bank's cyber security. The Bank continues to observe a trend of an increased number of attempted attacks on its electronic banking services. Most frequently, those have been attempts to break through the security systems exploiting vulnerabilities recently communicated to the public. No successful security breach has been identified. In the three months ended September 30th 2023, there were no DDoS attacks against the Bank's infrastructure. Cybersecurity is ensured by 24/7 monitoring of cyberspace events by the Bank's Security Operation Centre. The Head of the Cybersecurity Department plays an active role in the activities of the financial sector groups operating at the Polish Bank Association and participates in monthly meetings organised by the PFSA, sharing information on current international developments.

# 1. Macroeconomic situation

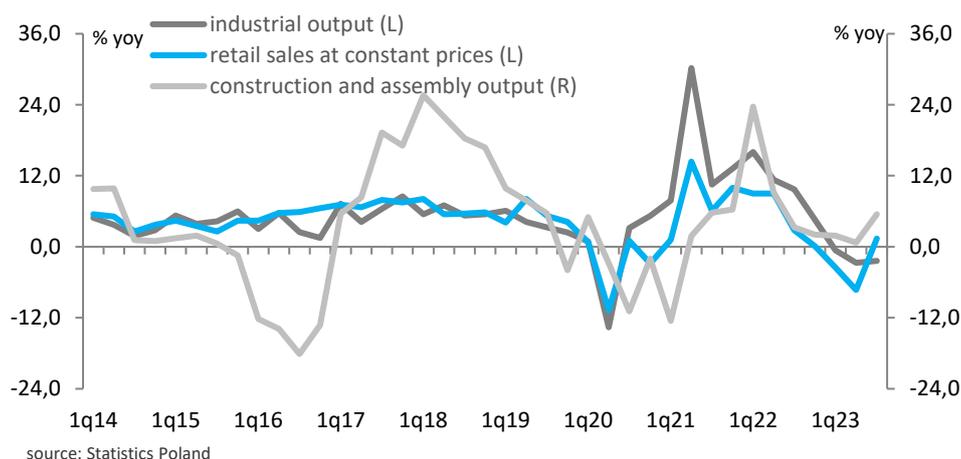
During the first nine months of 2023, the global economy persisted at a lower level of activity, significantly influenced by elevated levels of inflation. This inflationary environment reduced the purchasing power of household incomes, primarily driven by the earlier significant price increases in raw materials and commodities. At the same time, a clear downward correction of energy commodity prices (initiated at the end of 2022) significantly curtailed the slowdown in economic activity. During the period, sectoral differences in activity escalated, with a stronger economic slowdown in industry and an improvement in services. A significant geographical diversity continued, with disappointing data coming from Europe and China and surprisingly strong data from the United States.

The decline in commodity prices on the global market led to a sharp drop in consumer inflation from the peak levels seen in autumn 2022, but inflation ratios in major economies remained largely above the central banks' inflation targets.

As central banks saw a sustained risk of inflation stabilising above the inflation targets, with stable labour market conditions and a relatively high rate of pay growth, major central banks continued to tighten their monetary policies, increasing the rates to the highest levels in decades – the US Federal Reserve raised the federal funds rate to 5.50%, and the ECB reference rate was increased to 4.50%.

In Poland, during the first six months of 2023, the rate of GDP growth saw a marked deceleration caused by delayed effects of the earlier increases in raw material and commodity prices (largely through a rise in inflation that eroded private consumption), a global economic slowdown (particularly evident in the eurozone), and the cessation of previous post-pandemic effects, including stockpiling alongside structural shifts in global supply chains. A contributing factor to the stability of the national economic landscape was the sustained presence of robust investment. In the first quarter of 2023, the annual GDP growth rate fell to -0.3% year on year, and in the second quarter to -0.6% year on year. Monthly real data for the three months ended September 30th 2023 showed a marked increase in the growth rate of construction and assembly output, return to positive growth rates in retail sales, and stabilisation of the rate of decline in industrial output sold at levels similar to the second quarter.

Production and retail sales dynamics in Poland

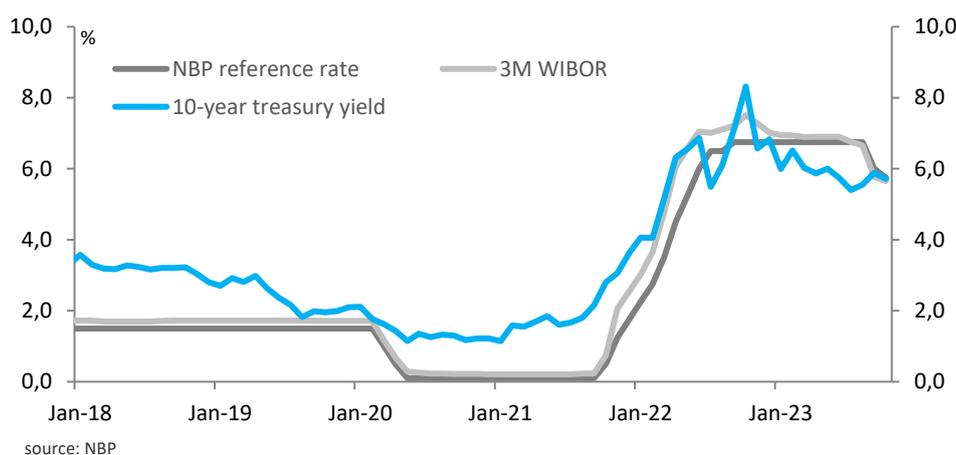


Following the peak in CPI inflation in February, when it reached 18.4% year on year, a downward trend in CPI inflation emerged starting from March. Driven by a downward correction in fuel and energy prices coupled with a decline in the food price growth rate, in September the CPI inflation rate was down to 8.2% year on year. The core inflation fell at a slower pace as there was a continued impact of higher operating costs incurred by businesses on the final prices of goods and services. After an increase in March to 12.3% year on year, the core inflation rate fell to 9.4% year on year by September.

In the first half of 2023, the Monetary Policy Council kept interest rates stable, including the NBP reference rate at 6.75%. The clear shift in its rhetoric in July in view of the growing likelihood of inflation receding to a single-digit figure in the third quarter fuelled expectations of the NBP monetary policy easing in 2023. Finally, in September, the Monetary Policy Council decided to cut interest rates by 75 basis points, and in October by another 25 basis points, to 5.75% for the NBP reference rate.

As a result of the NBP reference rate reduction, 3M WIBOR decreased to 6.65% at the end of October, compared with 6.90% at the end of 2022.

Interest rates in Poland

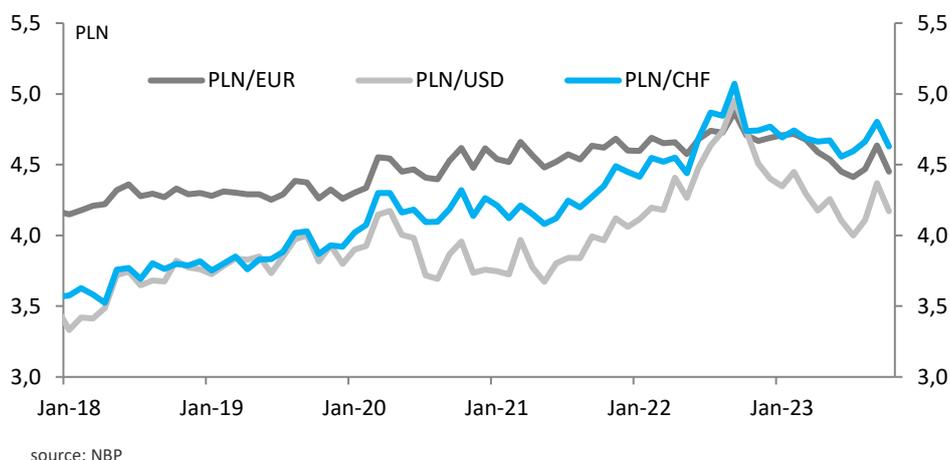


In the first half of 2023, global financial market sentiment revolved around the scale of anticipated monetary tightening measures from major central banks. March witnessed a temporary adjustment to interest rate growth projections, attributed to heightened concerns about the banking sector in the US and Europe. Beyond this, higher-than-expected core inflation levels and a favourable labour market environment brought expectations of intensified interest rate hikes, resulting in continued pressure on treasury bonds in the underlying markets.

Polish treasury securities were affected by two opposite trends: on one hand, market expectations of NBP interest rate cuts, and on the other hand, the prevailing conditions in the underlying markets, hindering a more substantial decline in yields. From the year's beginning until the close of the third quarter, yields on two-year and ten-year government bonds fell by 141 basis points and 94 basis points, setting at 5.18% and 5.89% respectively.

Following a period of heightened fluctuations in the exchange rate of the Polish currency throughout 2022, the first quarter of 2023 saw a marked reduction in the volatility. Subsequently, during the second and a major part of the third quarter, the zloty appreciated, supported by a global decrease in risk aversion and the stabilisation of the domestic economic landscape, with lower inflation and an improved current account balance. However, towards the end of the third quarter and at the beginning of the fourth quarter, the volatility of the zloty exchange rate increased again. In September, the exchange rate fell following the Monetary Policy Council's unexpectedly substantial interest rate cut of 75 basis points. In the second half of October, the zloty rebounded in response to the outcome of parliamentary elections, which heightened expectations of unlocking EU funds from the National Recovery Plan. Ultimately, at the end of October, the PLN exchange rates were as follows: EUR 1 = PLN 4.45 (up 5.1% on the end of 2022), USD 1 = PLN 4.20 (up 4.6%), and 1 CHF = PLN 3.77 (up 1.4% from the beginning of the year).

PLN exchange rates



## 2. Factors which will affect the Company's performance in the next quarter and beyond

The Group's business will be affected by macroeconomic factors and the situation in financial markets.

The prevailing geopolitical risk, primarily arising from the Russian-Ukrainian war and the economic sanctions imposed on Russia and Belarus by the European Union, the United States, and other countries, continues to be the most significant factor influencing the macroeconomic and market environment. These geopolitical tensions have implications for various aspects, including the commodities market, particularly the energy sector. An additional geopolitical risk factor is the developments in the Middle East.

In particular, the heightened geopolitical risk could mean:

- weaker activity in the Polish economy;
- high CPI inflation, fuelled by a global increase in commodity prices;
- increased volatility of prices of Polish financial assets;
- subdued demand for credit in an environment of economic uncertainty and high interest rates.

At the same time, geopolitical risk introduces heightened uncertainty when it comes to the future development of the macroeconomic and market environment.

In addition, the dynamic monetary tightening undertaken by major central banks in 2022 and 2023 is another important factor impacting the global economy. Thus far, the tightening of monetary policy has primarily had negative effects on real estate markets and has impacted credit supply. However, considering the magnitude and pace of interest rate hikes, which have been unprecedented in recent decades, the possibility of a stronger and more pronounced slowdown in global economic activity cannot be dismissed.

Legal risks associated with foreign currency housing loans continue to be a significant factor impacting the Bank's performance.

### 3. The Group's primary products, services and business areas

#### Banking products

The Bank has a wide range of payment, deposit and credit products, which can be used to build individual offers for each client, tailored to their specific needs.

As part of its range of payment products, the Bank offers standard current accounts that serve as payment accounts in domestic and international transactions but are also used to accumulate funds.

There is also a separate offering of bank accounts for institutional clients who are sole traders. The Bank launched the product in the performance of the requirements of the Act Amending Certain Acts to Reduce Regulatory Burdens of July 31st 2019 (the "Act on Reduction of Regulatory Burdens"), which instituted an entrepreneur-consumer.

Changes in payment products:

- The Bank completed work on the SInF Act compliance project. The purpose of the project was to bring the Bank into compliance with the requirements of the SInF Act. The entry into force of the Act entailed a new reporting obligation aimed at preventing money laundering and financing of terrorism. The Act incorporates Directive 2018/843 into Polish law, which will result in the creation of a Financial Information System for collecting, processing and providing access to information on broadly defined open and closed accounts of institutional and retail clients, as well as on safety deposit box services. The Financial Information System is another reporting obligation in the Polish legislation that aims to prevent money laundering and financing of terrorism. Its launch is also intended to contribute to curbing financial crime through the supervision of all accounts by authorised bodies. Bringing the Bank into compliance with the requirements of the Financial Information System Act involved implementing changes to the Bank's reporting systems, which at present are used to fulfil reporting obligations under STIR.
- The Bank optimised its offering and Tariff of Fees and Commissions for accounts during the first quarter of 2023. In February, the optimisation was implemented for institutional clients, while in March, it was extended to sole proprietors.
- The Bank continued work on adapting to the requirements of the new property development law, specifically the Law of May 20th 2021, which focuses on the protection of the rights of purchasers of dwellings or single-family houses and the establishment of the Developers Guarantee Fund.

#### Institutional clients

As regards the financing of small and medium-sized enterprises, in addition to the standard credit offering, the Bank continued the special offer implemented in 2022 – financing of Polish Strategic Investments.

On December 29th 2022, Cooperation Agreement No. 9/2022/KTEKO was signed with Bank Gospodarstwa Krajowego under the European Funds for Modern Economy 2021-2027 programme, Measure 2.32 Technology Credit, Priority 2 – Environment for Innovation, and Measure 3.1 Environmental Credit, Priority 3 – Greening of Enterprises. The Agreement sets out the rules for cooperation in the provision of technology and green credits to enterprises by the Lending Bank and the technology bonus and green bonus by Bank Gospodarstwa Krajowego (BGK).

Pursuant to the Agreement, changes were made regarding the technology credit and a new product – the environmental credit – was added to the Bank's offering:

- The FENG technology credit is a new edition of the technology credit offered as part of the POIG 2007-2013 programme and the technology innovation credit offered as part of the POIR 2014-2020 programme. This is offered as support for micro, small and medium-sized enterprises in the form of a technology bonus for repayment of part of the credit. The product is designed for SMEs that implement novel technologies and leverage them to initiate the production of innovative or substantially enhanced products, processes, or services.

The credit applications were accepted from March 23rd to May 31st 2023. The Bank signed conditional technology credit facility agreements with three clients, totalling approximately PLN 44.8 million, and issued one financing commitment letter for a PLN 23.9 million technology credit facility.

The FENG environmental credit is a grant for companies aiming to modernise their infrastructure (e.g., buildings, machinery and equipment). The effect of such modernisation must be reduction of primary energy consumption in the modernised area by at least 30% compared to current consumption. The product is intended for SMEs and for small mid-cap and mid-cap companies. As part of the competition, the Bank issued financing commitment letters and signed conditional credit facility agreements for five clients, with the cofinancing amount totalling PLN 3.2 million, and project value of PLN 7.2 million.

Webinars were organised for entrepreneurs interested in the technology and environmental credits with a specific focus on securing EU funding and presenting the terms of financing their investments through the credit offered by the Bank.

Moreover, in the area of lending products:

- The Bank offered its clients loans for energy retrofitting and renovation projects with a bonus from the Energy Retrofitting and Renovation Fund;
- In selected provinces, the Bank offered preferential loans for environmentally-friendly projects in cooperation with the Provincial Funds for Environmental Protection and Water Management;
- The Bank took steps to optimise and automate the lending process, from client acquisition, to assessment of credit application and credit decision-making, to disbursement of funds, credit monitoring and credit administration;
- The Bank continued efforts to implement the EU Regulation concerning benchmark rates – WIBOR, LIBOR, EURIBOR, which included:
  - participation in the work on developing measures to replace WIBOR and LIBOR USD with substitute rates;
  - implementation of the CME Term SOFR rate, which replaced LIBOR USD, in the Bank's offering of US dollar credit products for institutional clients.

## **Retail clients**

The Bank's offering for retail clients includes all basic products and services available on the Polish banking market (bank accounts, payment products, payment cards, products and services for managing surplus cash, electronic banking services, lending and bancassurance products) as well as a broad range of green products to finance environmentally-friendly solutions, and services to VIP clients provided by dedicated account managers.

As of September 1st, 2023, in accordance with the mObywatel Application Act of May 26th, 2023, the Bank implemented the possibility of client identification and identity verification through the use of an electronic ID card, i.e. a mobile document available in the mObywatel app (mDocument), confirming the identity of the app user in Poland.

In the third quarter of 2023, the Bank expanded its range of mortgage products with the 2% Safe Mortgage loan offered under a governmental programme. The eligible borrowers are individuals under 45 years of age who have never owned a flat, house or a cooperative right to a flat or house, and are not and have not been a party to a mortgage agreement executed in the 36 months preceding the application date (with certain exceptions provided for in the Act). In the case of married couples or parents of one or more shared children, the age condition must be met by at least one of the applying individuals. The maximum mortgage amount for one-person households is PLN 500 thousand. For a married couple or a parent or parents with a child, the maximum amount is PLN 600 thousand. The loan may be used to finance a purchase on either primary or secondary market. There is no price cap per square metre. The instalment subsidy amount is calculated in accordance with a formula set out in the Act on Family Housing Loans and 2% Safe Mortgage of October 1st 2021.

The subsidy is available for the initial 120 instalments, comprising principal and interest payments, that are repaid in accordance with the loan repayment schedule.

The Bank's special offers also include mortgage loans for holders of Large Family Cards, who are exempted from the arrangement fee or 50% of the arrangement fee with the margin reduced by 0.1pp relative to the standard margin. The preferential terms of the Bank's offering for the financial sector include a lower commission and margin compared with the standard mortgage loan offering. The offer is intended for employees of:

- banks;
- insurance companies;
- brokerage houses;
- fund management companies;
- other financial sector institutions.

The Bank conducted a number of promotional campaigns addressed to retail clients in the third quarter to support the sales of Cash Loan products:

- For environmental purposes:
  - *Energia ze słońca* (Energy from the Sun), an offering specifically designed to finance renewable energy sources, with a primary focus on supporting clients in the purchase and installation of photovoltaic systems;
  - *Pożyczka Zielona* (Green Loan) enabling the financing of the client's investments in five areas of green investment:
    - ✓ renewable energy sources;
    - ✓ energy efficiency/energy retrofitting;
    - ✓ waste management;
    - ✓ water management/small retention;
    - ✓ eco-vehicles.
- For any purpose:
  - *Pożyczka Elastyczna* (Flexible Loan) – a cash loan offered since March 2023, which can be used to satisfy client's current consumer needs. The product is also offered with insurance.

### **Amounts due to retail clients**

In the nine months ended September 30th 2023, measures taken by the Bank with respect to deposit products for retail clients were aimed at:

- adapting them to the changing market environment;
- maintaining the balance of deposits as needed to meet the Bank's liquidity needs.

The key deposit products for retail clients were:

- current accounts, including personal accounts (*EKOkonto bez Kosztów*), and savings accounts (*EKOkonto Oszczędnościowe*) in PLN;

promotional term deposits, including *EKOlokata Promocyjna*, standard term deposits and negotiated term deposits.

### **Credit products for micro-enterprises and housing communities**

The Bank's permanent offering also includes loan products specifically designed for micro-enterprises, including sole proprietorships using simplified accounting, as well as housing communities.

### **Insurance products and additional services**

The Bank offers insurance products, such as insurance of financed assets, including insurance of environmental protection equipment and installations, life and health insurance of borrowers, and insurance for payment card holders.

The Bank acts as an insurance agent for five insurance companies: To increase the safety and comfort of employees, in 2021 all insurance training and licence examinations were held online.

The range of services that complement banking products and generate extra commission income to the Bank includes *Mecenas Direct*, a legal assistance service for holders of personal accounts who receive professional legal assistance via email and telephone.

Thanks to a combination of two financial products, i.e. a subsidy and a credit facility, a significant portion of project costs may be repaid with government funding.

The Bank also cooperates Provincial Funds for Environmental Protection under existing agreements for the financing of green projects, involving mainly air-quality protection.

## 3.2. Brokerage business

The BOŚ Group conducts brokerage activities through a separate company Dom Maklerski BOŚ S.A.

The market share held by Dom Maklerski BOŚ S.A. (DM BOŚ) in terms of session trades on the stock market after the first three quarters of 2023 was 2.62%. In the futures segment, DM BOŚ's market share after the nine months to September 30th 2023 was 13.07%. Its share in total trades on the NewConnect market after the first three quarters gave it the runner-up position, with a market share of 17.20%.

As at September 30th 2023, DM BOŚ maintained a total of 166 investment accounts. The balance of open investment accounts in the third quarter of 2023 was 4.1 thousand, compared with 3.3 thousand in the same period of the previous year. After the first nine months of 2023, the balance of open accounts was 12.5 thousand, of which 10.4 thousand were stock market accounts registered with the CSDP. Both in the third quarter and in the first nine months of this year, DM BOŚ ranked second among all brokerage houses in terms of the balance of open stock market accounts registered with the CSDP.

The third quarter of 2023 was a volatile period on the Polish stock exchange market. Following increases in July, subsequent months witnessed a downturn in index prices. Throughout the quarter, fluctuations in major stock indices ranged from a -7.0% change in the WIG20 to a +1.7% change in the mWIG40, with the WIG index falling by 2.8%. Investor activity on the Warsaw Stock Exchange declined during the period under review. In comparison with the previous quarter, trading in session transactions on the stock market decreased by 4.8% (down 0.1% year on year). In the futures contract market, trading volume fell by 7.3% quarter on quarter and -22.7% year on year. Against this market backdrop, the activity of BOŚ DM brokerage house's investors mirrored these trends. In the third quarter of 2023, the volume of trades executed through BOŚ DM on the stock market dropped by 5.8% quarter on quarter and 13.7% year on year. In the futures market, the volume of DM BOŚ's trading decreased by 14.1% quarter on quarter and 33.6% year on year.

During the three months ended September 30th 2023, DM BOŚ was a member of distribution consortia involved in the issues of bonds by Dekpol SA (Series P2023B), Best SA (Series Z3 and Z4), Marvipol Development SA (Series P2022B) and Kruk SA (Series AO1 and AO2).

In the last quarter, DM BOŚ enhanced the price competitiveness of its brokerage services on foreign markets by reducing the minimum commission fee to PLN 14 per order, and introducing a temporary special offer where the minimum commission fee was reduced to PLN 5 per order for trades on the US stock markets.

The ongoing war in Ukraine did not have a direct impact on the stock market situation in the first quarter of 2023. It did, however, curtail the activity of domestic investors, including DM BOŚ clients. If the conflict persists, clients' risk aversion may evolve into a lasting trend. Should this be the case, DM BOŚ clients' trading volumes may continue to gradually decline, affecting the amount of fees.

### 3.3. Bank's participation in operational programmes and financial mechanisms, and related cooperation

#### **Mój Elektryk (My EV) programme**

On September 8th 2021, an agreement was signed with the National Fund for Environmental Protection and Water Management (NFOŚiGW) for subsidies to leases of zero-emission vehicles under the My EV Priority Programme. The purpose of the Programme, to be run over the period 2021–2025, is to support purchases of zero-emission vehicles. Under the agreement, PLN 400 million has been provided to the Bank as a total pool of funds to subsidise lease payments for zero-emission vehicles under the My EV Priority Programme. The funds are available for use in 2021–2025. The Bank collaborated with 29 lease companies. The list of collaborating companies is available at <https://www.bosbank.pl/moj-elektryk>.

From December 6th 2021 to September 30th 2023, the Bank received more than 11,500 applications for a total amount of more than PLN 383.83 million. Between January 1st and September 30th 2023, the Bank received over 5,800 applications with a total value of PLN 200.08 million.

From the launch of the Programme to September 30th 2023, the Management Board of the National Fund for Environmental Protection and Water Management approved applications for subsidies covering a total of 10,543 projects (vehicles). The total amount of subsidies under approved applications is PLN 353.79 million, representing 66% of the funds made available to BOŚ for 2021–2025.

The Bank signed subsidy agreements in respect of 7,553 applications for an amount of PLN 266.9 million.

#### **ELENA grant**

Pursuant to Agreement No. ELENA-2019-157 signed between the Bank and the European Investment Bank (EIB) in February 2022 under the ELENA initiative, the Bank received a grant of EUR 2.6 million.

The grant is intended to finance the following costs:

- cost of staff involved in the implementation of projects;
- cost of marketing activities undertaken to promote projects;
- cost of the required financial audits to be carried out by the Bank for projects;
- cost of the documentation necessary to execute energy efficiency improvement projects (90% of the costs eligible for financing under the grant).

The grant funds for energy efficiency improvement will be appropriated between project owners who invest in:

- energy retrofitting of residential buildings, public utility buildings and buildings constituting corporate property;
- heating networks;
- electric vehicle charging stations;
- street lighting.

The support is distributed along two paths:

- reimbursement of 90% of the cost of technical documentation for projects carried out by housing sector entities;
- co-financing of 90% of the cost of technical documentation for projects implemented in areas other than energy retrofitting of residential buildings.

The support is used by various entities, including public sector entities such as local government units and municipal companies (after the limit for local governments was reached, application acceptance was discontinued as of June 2023), housing sector entities like housing cooperatives and housing communities, as well as businesses including small and medium-sized enterprises (SMEs) and medium-sized capitalization companies (mid-caps).

Under the grant, support is provided in the form of financing 90% of the cost of the required technical documentation for projects in the specified areas. By the end of the third quarter of 2023, 26 agreements were signed, under which ELENA grants totalling PLN 3.5 million were provided to local government units. These agreements will facilitate the development and launch of 26 projects by local governments, valued at PLN 110.6 million. PLN 67 thousand was spent on the reimbursement of technical documentation costs for housing communities and housing cooperatives. All projects supported with ELENA grants are financed by BOŚ with loans with a bonus from Bank Gospodarstwa Krajowego (BGK).

The objective of the agreement with the European Investment Bank is to provide support to project owners in implementing energy efficiency projects. The success will be measured by the total budgets of the projects implemented in the designated areas and the specific environmental performance metrics to be achieved during the duration of the agreement. The agreement between the BOŚ and the EIB remains in effect until February 28th 2025.

### **JESSICA initiative**

BOŚ Bank has acted as the administrator of the Urban Development Fund in the following provinces:

- Province of Szczecin excluding the Szczecin Metropolitan Area – since 2010;
- Province of Gdańsk, excluding Tricity and the Słupsk region – since 2011;
- Province of Katowice – since 2011.

The purpose of the initiative is to increase the socio-economic potential of the cities and to foster urban development through investment in public transport services, and in infrastructure/amenities making them more attractive as economic and cultural centres and places to live.

In aggregate, the Bank signed 53 agreements for a total amount of PLN 422 million. The fee received in the nine months ended September 30th 2023 for managing the Jessica Initiative was PLN 1.1 million.

### **JEREMIE initiative**

Since 2017, the Bank has been a Financial Intermediary under the JEREMIE Initiative in the Province of Szczecin. On August 28th 2018, the implementation of the JEREMIE II instrument in the Province of Szczecin was completed.

The purpose of the JEREMIE Initiative in the Province of Szczecin is to increase the socio-economic potential of the cities and to develop the urban areas with a view to making them more attractive as economic and cultural centres and places to live.

BOŚ S.A. contracted 100% of the funds for projects eligible to receive loans for a total amount of PLN 80 million, including PLN 40 million to be committed by BOŚ S.A.

There are currently four facilities outstanding for a total amount of PLN 65.2 million, of which BOŚ funds are PLN 32.6 million.

As at September 30th 2023, the cumulative fee received for managing Jeremie funds since 2017 was PLN 3.2 million.

### BGK portfolio guarantees

BOŚ S.A., as a bank cooperating with Bank Gospodarstwa Krajowego (BGK), supports its clients by enabling them to secure their loans with BGK guarantees. These are instruments that improve the availability for day-to-day funding for SMEs and large enterprises, thereby fostering further growth for their businesses. Clients use specially tailored solutions using the guarantee systems outlined in the table below:

| BGK portfolio guarantees<br>PLN thousand  | DE MINIMIS<br>guarantee | FG POIR<br>Businessmax<br>guarantee | PLG FCK<br>guarantee<br>(liquidity – crisis) | LGF FCK<br>guarantee<br>(factoring – crisis) | Czyste<br>Powietrze<br>(Clean Air) |
|---|-------------------------|-------------------------------------|--|--|------------------------------------|
| <b>Allocated limit</b>  | 1,500,000               | 502,000                             | 1,500,000                                    | 500,000                                      | 28,800                             |
| <b>Availability period</b>  | until Aug 31<br>2024    | until Dec 31 2023                   | until Dec 31 2023                            | until Dec 31 2023                            | until Jun 30 2024                  |
| <b>Limit balance used as at Sep<br/>30 2023</b>   | <b>1,271,683.81</b>     | <b>501,642.09</b>                   | <b>1,311,002.41</b>                          | <b>276,749.86</b>                            | <b>21,395.73</b>                   |
| <b>Remaining limit balance</b>  | 228,316.19              | 357.91                              | 188,997.59                                   | 223,250.14                                   | 7,404.27                           |
| <b>Amount and number of new<br/>guarantees issued in 9<br/>months ended Sep 30 2023</b> | 275,999.99<br>(141)     | 172,542.42<br>(84)                  | 756,952.96<br>(43)                           | 190,949.86<br>(16)                           | 8,527.85<br>(178)                  |
| <b>Amount of loans secured by<br/>new guarantees in 9 months<br/>ended Sep 30 2023</b>  | 502,175.82              | 303,420.27                          | 1,037,538.70                                 | 261,187.32                                   | 10,659.81                          |

Based on BGK-Zlecenia.

### Czyste Powietrze (Clean Air) programme

Under the agreement on the provision of funds for the implementation of the *Czyste Powietrze* (Clean Air) Priority Programme, concluded on April 14th 2021 between BOŚ S.A., the National Fund for Environmental Protection and Water Management (NFOŚiGW) and 16 provincial environmental protection and water management funds, the Bank is involved in the implementation of the Programme.

Since mid-2021, BOŚ S.A. has been offering loans to individuals as part of the Programme's "banking path". These are loans with a loan principal repayment subsidy financed by the individual provincial environmental protection and water management funds. As part of the Programme, in the first nine months of 2023 BOŚ S.A. advanced loans to individuals for a total amount of over PLN 10 million.

## Selected events in Q1-Q3 2023

### Distinctions and awards

#### **BOŚ once again with the Friendly Workplace emblem**

The Friendly Workplace award is a prestigious recognition given by the editors of MarkaPracodawcy.pl to employers who demonstrate a modern approach in personnel policy and employee development. The Bank is dedicated to creating an inclusive and friendly workplace environment that prioritises the development of employees' potential and fosters their pro-environmental and pro-social attitudes in a thoughtful and consistent manner. Pursued HR activities aim to build and foster the Bank's organisational culture, which is rooted in values such as respect for others, ecological awareness, collaboration, professionalism, and commitment.

#### **BOŚ with the title of Top Employer 2023 Poland**

This award is given to companies that excel in creating engaging and fulfilling workplaces for their employees. This recognition affirms BOŚ's effective implementation of strategies aimed at enhancing the work environment and prioritizing employee satisfaction and well-being. BOŚ strives to be a reliable and caring employer, committed to implementing HR practices that align with the needs of its employees and incorporate the latest industry trends. The Bank has been recognized by the Top Employer Institute for various aspects, including its commitment to a green mission, strong values, sustainability efforts, ecological activities, environmental concern, community involvement, adherence to ethical principles, HR strategy, leadership development, employee benefits, recruitment process, diversity initiatives, onboarding, and employee development.

#### **BOŚ branches recognised in the Institution of the Year ranking**

Ten BOŚ branches have received individual awards and have been recognized as the "Best Banking Institution in Poland" as part of the Institution of the Year ranking. The eighth edition of the ranking was conducted based on the performance of 13 banks over the four quarters of 2022. The award-winning branches of BOŚ are: Bielsko-Biała, ul. 11 Listopada 23; Gdańsk, Al. Grunwaldzka 50; Gliwice, ul. Zwycięstwa 32; Katowice, Al. Korfantego 2; Kraków, ul. Królewska 82; Lublin, ul. Nałkowskich 107; Łódź, ul. Piotrkowska 166/168; Olsztyn, ul. Kopernika 38; Rzeszów, ul. Sokoła 6a; Warszawa, ul. Żelazna 32.

#### **A duo of economists from BOŚ – Łukasz Tarnawa and Aleksandra Świątkowska – once again recognised in the annual ranking of the Parkiet newspaper**

The economists from BOŚ were awarded the title of Best Economist in this year's edition of the Bulls and Bears forecasting contest organised by the *Parkiet* daily. Their forecasts and estimates for the challenging year 2022 demonstrated exceptional accuracy, positioning them as leaders in economic analysis and forecasting.

#### **BOŚ Brokerage House tops the 2022 Brokerage House Ranking**

For the fourth consecutive year, BOŚ Brokerage House was ranked first in the 20th edition of the National Investors' Survey carried out by the Polish Association of Retail Investors (SII). The investors' votes won DM BOŚ three stars – the highest possible rating awarded by the SII.

#### **WSE Award for the Brokerage House**

As part of the 2022 Stock Market Summary, BOŚ Brokerage House retained the WSE Award for the highest activity on the stock futures market. The Brokerage House was also awarded with the Platinum Megawatt statuette for active participation in the development of stock market products in 2022.

### **BOŚ Brokerage House awarded the Order of Finance**

BOŚ Brokerage House was awarded the prestigious Order of Finance by the editors of the Home&Market magazine. IKE/IKZE accounts, available as part of a brokerage account held with BOŚ Brokerage House, were named among the best financial products available in the market.

### **Financial Brand of the Year 2023**

BOŚ Brokerage House was honoured by Gazeta Finansowa with the prestigious title of Financial Brand of the Year 2023 in recognition of its commitment to providing high-quality products related to investing on Polish and foreign stock exchanges, and acknowledges its efforts to educate clients about responsible and conscious investing.

### **Eight BOŚ practices recognised in this year's 'Responsible Business in Poland 2022. Best Practice' report**

Eight practices applied as part of BOŚ Foundation's activities were recognised in the "Responsible Business in Poland 2022. Best practice" report: Green Bench (*Zielona Ławeczka*), Traditional Orchard (*Tradycyjny Sad*), Bet on the Sun (*Postaw na Słońce*), Helping All Year Round (*Pomagam Cały Rok*), It's Dirty Here (*BrudnoTu*), Fit Diet, Fit Brain (*Zdrowo jem, więcej wiem*), World in the Eyes of the Young (*Świat oczami młodych*).

### **BOŚ once more ranked among top three banking profiles on Facebook**

The Institute for Internet and Social Media Research prepared a report showing engagement on Facebook profiles of banks in March 2023. BOŚ Facebook profile ranked second among the most engaging bank profiles.

### **BOŚ again receives Silver CSR Leaf from *Polityka* weekly**

The organisers of the contest, i.e., the *Polityka* weekly in collaboration with the consultancy firm Deloitte and the Responsible Business Forum, evaluated companies' activities related to such areas as corporate governance, human rights, conduct vis-à-vis employees, environmental protection, customer care, business integrity, social engagement.

### **BOŚ awarded in the Polish Diversity Awards competition**

The Bank received nominations for the first Polish Diversity Awards in the AGE category. Alongside four other companies, BOŚ was recognized for its endeavours in fields including senior policy, the silver economy, and promoting intergenerational dialogue in the workplace. Polish Diversity Awards are awarded by the editorial board of the *My Company Polska* monthly to companies, organisations and people who promote diversity, equality and inclusiveness both within the organisation and in relation to the business environment.

### **BOŚ honoured as a Laureate of the Social Responsibility Leaders programme**

BOŚ once again won the Social Responsibility Leaders programme in three categories: Good Employer 2023, EKO Company 2023, and Good Company 2023.

### **Distinction for mortgage loans offered by BOŚ**

BOŚ came in third in the bankier.pl's ranking of variable-rate mortgage loans.

### **BOŚ recognised in the INDEX 500 Home&Market report**

H&M magazine recognised BOŚ as one of the 500 companies singled out for engaging in activities that align with the concept of corporate social responsibility. The purpose behind compiling the report was to highlight companies that prioritise corporate social responsibility practices. While previous publications primarily concentrated on CSR activities and projects (with BOŚ also featured in those reports), the current edition of INDEX 500 H&M primarily focuses on ESG.

## 4. Selected operational data of the Group

|   | thousand | Sep 30 2023 | Dec 31 2022 | Change (%) |
|---|----------|-------------|-------------|------------|
| <b>BANK OCHRONY ŚRODOWISKA S.A.</b>         |          |             |             |            |
| Number of clients                           |          | 156.0       | 160.5       | -2.8       |
| Number of retail clients                    |          | 145.3       | 148.9       | -2.4       |
| Number of microenterprise clients           |          | 7.0         | 7.7         | -9.1       |
| Number of institutional clients             |          | 3.7         | 3.9         | -5.1       |
| Number of clients using electronic channels |          | 101.7       | 101.4       | 0.3        |
| Number of checking accounts <sup>1</sup>    |          | 156.6       | 157.6       | -0.6       |
| Debit and credit cards in total             |          | 60.0        | 63.1        | -4.9       |
| Number of branches                          |          | 54          | 54          | 0.0        |
| <b>DOM MAKLERSKI BOŚ S.A.</b>               |          |             |             |            |
| Number of investment accounts               |          | 166.2       | 153.7       | 8.1        |
| including online accounts                   |          | 163.0       | 150.5       | 8.3        |
| Number of branches                          |          | 8           | 8           | 0.0        |

1) together with the savings accounts

As at the end of September 2022, the Bank had 54 outlets, including:

- 16 business centres serving corporate and SME clients only;
- 38 branches serving retail clients.

## 5. Development directions for the Bank

### Growth Strategy

The Bank aims to maintain long-term profitability by focusing on key strategic initiatives and reinforcing its position as a specialized green bank. This objective is aligned with its defined mission: “We support green transition in an innovative and effective manner” and vision “We provide comprehensive financing for green transition by offering unique products, dedicated experts and a variety of financial instruments”. The Bank’s ambition is to further specialise in the financing of green transition projects. BOŚ possesses distinctive expertise and capabilities in financing the broader “green” sector and facilitating the green transition. New financial products are being developed to help clients implement their business projects while respecting natural resources.

**The Bank’s operations will focus on five key pillars defined in the BOŚ Strategy:**

### Environment and climate – key objectives:

- Continue to develop competencies in environmental protection, technologies designed to reduce emissions, sector expertise and green financing;
- Provide clients with quality consulting on green transition, taxonomy, relevant technologies and available public financing.

### Business model – key objectives:

- Enhance cooperation with partners through digital channels which are perceived as the most convenient by clients and cost-effective for the Bank;
- Provide green transition financing solutions for corporate clients and local government institutions;
- Develop comprehensive advisory services and provide support to corporate clients throughout their investment projects.

### Operational efficiency – key objectives:

- Align the operating model with the Bank’s new business strategy;
- Optimise key front-office (e.g. loan granting process) and back-office processes.

### **Organisational culture – key objectives:**

- Bring cultural change to the organisation - increase employee engagement and provide opportunities for professional development;
- Implement a new agile and hybrid model of work.

### **Finance – key objectives:**

- Implement sustainably profitable business model and improve the Bank's rating;
- Exit from the Group Recovery Plan;
- Diversify the sources of funding.
- Actively integrate financing from external sources, including long-term financing.

### **Activities undertaken as part of the Strategy**

At the stage of operationalisation, a number of activities were defined for the area of organisational culture. Management Board's intention is for the Bank to be a modern and flexible organisation, nurturing such values as respect for others and the environment, commitment, cooperation and professionalism.

Other organisational culture transformation initiatives are: a new set of values proposed to employees along with an incentive system, a culture of dialogue and competence development, and a knowledge sharing culture.

In the third quarter of 2023, a training programme was organised to support individuals who have been internally promoted to the position of Team Manager in the development of leadership competencies. Beyond acquiring managerial skills, participants expanded their understanding of the Bank's internal processes crucial for effective team management. The training is conducted by trainers and internal experts in the various thematic areas. The programme consists of eight training sessions. and upon its completion participants receive a certificate.

Projects undertaken under the Well-Being Break programme included activities intended to improve the efficiency of company meetings. An educational campaign for employees #ShortBreak was carried out. In the third quarter, employees took part in a gamification project designed to promote good practices for company meetings.

Strategy operationalisation efforts focused on detailed analysis of the Bank's product offering. In the second quarter of 2023, an environmental credit was introduced as another support instrument, co-financed under the FENG programme (EU Funds for Modern Economy, 2021-2027). The credit is designed for micro, small and medium-sized enterprises and for small mid-caps. The support will be provided in the form of a green bonus, i.e., a co-financing to repay the principal part of the credit to be used by the beneficiary to finance expenditure on infrastructure modernisation in order to increase energy efficiency associated with the processes carried out in the company.

Simultaneously, project activities are underway to streamline credit processes concerning both corporate and retail clients.

Within the retail client area, implementation and integration with the Bank's databases and the anti-fraud platform automating the sale of PV eco-loans in branches were completed. It is also planned to incorporate the Cash Loan product and optimise further steps in the process.

In the area of the online sales channel and online partners, proposals for target processes and implementation of the Cash Loan and Instalment Loan products in the new tool were prepared. Efforts are currently underway to enhance product sales, streamline the work of account managers in branches, and reduce decision-making time while maintaining the necessary process security measures.

In the corporate client area, a thorough analysis of the credit decision-making process was conducted, bottlenecks and gaps in the process were pinpointed, and the amount and scope of documentation required from the client at the application and decision-making stage were simplified. Presently, efforts are being dedicated to the development of a novel tool for processing credit applications from corporate clients. The

objective is to expedite and enhance the corporate credit decision-making process, ensuring optimum efficiency and ergonomics of the process and the Bank's resources.

Modules supporting sales and service processes in the Call Centre were implemented. The production-implemented CRM system has proven to be beneficial for the Bank's sales staff, enabling them to monitor opportunities and sales campaigns in real-time, and ensure continuity in their interactions with clients. Currently, work is underway on additional CRM system functionalities for the corporate, retail and Call Centre areas, and a dedicated module for automating the profit calculator in accordance with the Risk Adjusted Performance Measure (RAPM) model, which was embedded in CRM structures in the third quarter of 2023.

## 6. Financial results of the Group

### 6.1. Statement of profit or loss

| STATEMENT OF PROFIT OR LOSS OF THE GROUP, PLN thousand  | Q1-Q3 2023     | Q1-Q3 2022     | Change (%)   |
|---|----------------|----------------|--------------|
| Interest and similar income   | 1,220,000      | 772,745        | 57.9         |
| Interest expense and similar charges  | -606,836       | -272,815       | 122.4        |
| <b>Net interest income</b>  | <b>613,164</b> | <b>499,930</b> | <b>22.6</b>  |
| Fee and commission income   | 128,952        | 129,217        | -0.2         |
| Fee and commission expense  | -32,416        | -31,543        | 2.8          |
| <b>Net fee and commission income</b>  | <b>96,536</b>  | <b>97,674</b>  | <b>-1.2</b>  |
| Dividend income   | 8,280          | 7,150          | 15.8         |
| Gain (loss) on financial instruments measured at fair value through profit or loss (including amounts due from clients) | 33,736         | 38,325         | -12.0        |
| Gain (loss) on hedge accounting   | -1,187         | 612            | x            |
| Gain (loss) on foreign exchange transactions  | 19,698         | 37,678         | -47.7        |
| Gain (loss) on derecognition of financial instruments   | 571            | 1,760          | -67.6        |
| Other income  | 31,023         | 26,335         | 17.8         |
| Other expenses  | -33,876        | -39,126        | -13.4        |
| Effect of legal risk of mortgage loans denominated in foreign currencies  | -237,011       | -17,590        | 1247.4       |
| Net impairment losses   | -18,393        | -120,281       | -84.7        |
| Administrative expenses   | -375,821       | -382,057       | -1.6         |
| <b>Profit (loss) before tax</b>   | <b>136,720</b> | <b>150,410</b> | <b>-9.1</b>  |
| Income tax expense  | -58,065        | -34,507        | 68.3         |
| <b>NET PROFIT (LOSS)</b>  | <b>78,655</b>  | <b>115,903</b> | <b>-32.1</b> |

In the period from January 1st to September 30th 2023, the BOŚ Group earned a net profit of PLN 78.7 million, compared with PLN 115.9 million reported in the corresponding period of 2022.

Net interest income generated by the BOŚ Group in the nine months ended September 30th 2023 was PLN 613.2 million, an increase of PLN 113.2 million, or 22.6%, year on year. Income from credit products increased, driven by higher interest and WIBOR rates. The improvement in the interest margin was driven by the increased profitability of interest-earning assets relative to the size of the Bank's capital. Additionally, expenses grew more slowly than income thanks to the quite significant proportion of current accounts and low-interest deposit products.

Interest and similar income grew by PLN 447.3 million, or 57.9%, year on year relative to the first three quarters of 2022. The growth was mainly attributable to an increase of PLN 185.3 million (73.3%) in interest on non-trading investment debt securities, PLN 131.0 million (31.2%) in interest income from institutional clients, PLN 110.7 million (216.5%) in interest income from retail clients, and PLN 11.6 million (30.1%) in income from amounts due from banks and the central bank.

The average base rate on the Bank's PLN-denominated loans (net of impairment adjustment of interest) was 9.98% in the nine months ended September 30th 2023, compared with 7.27% in the first three quarters of 2022; for foreign currency loans, the rate was 5.84%, compared with 3.02% in the corresponding period of 2022.

Interest expense and similar charges increased by PLN 334.0 million, or 122.4%, year on year, driven mainly by a PLN 215.0 million (153.0%) increase in interest expense on retail deposits, and a PLN 98.0 million (91.8%) increase in expenses on institutional accounts and deposits from institutional clients. The cost of borrowings from clients by PLN 13.0m, or 2.7 thousand %. Costs of financial instruments – own debt securities rose by PLN 6.7 million, or 35.1%.

| NET INTEREST INCOME, PLN thousand                     | Q1-Q3 2023       | Q1-Q3 2022     | Change (%)   |
|---|------------------|----------------|--------------|
| <b>Interest and similar income:</b>                   | <b>1,220,000</b> | <b>772,745</b> | <b>57.9</b>  |
| Amounts due from banks and the central bank           | 50,367           | 38,725         | 30.1         |
| Amounts due from institutional clients                | 551,144          | 420,164        | 31.2         |
| Amounts due from retail clients                       | 161,839          | 51,134         | 216.5        |
| Non-trading investment debt securities                | 438,006          | 252,727        | 73.3         |
| Financial instruments held for trading                | 2,889            | 3,169          | -8.8         |
| Hedging transactions                                  | 15,755           | 6,826          | 130.8        |
| <b>Interest expense and similar charges on:</b>       | <b>606,836</b>   | <b>272,815</b> | <b>122.4</b> |
| Bank accounts and deposits from banks                 | 2,307            | 2,278          | 1.3          |
| Bank accounts and deposits from institutional clients | 204,805          | 106,764        | 91.8         |
| Bank accounts and deposits from retail clients        | 355,568          | 140,541        | 153.0        |
| Borrowings from clients                               | 13,453           | 484            | 2679.5       |
| JESSICA lending support funds                         | 1,094            | 618            | 77.0         |
| Financial instruments – own debt securities           | 25,796           | 19,094         | 35.1         |
| Lease liabilities                                     | 2,561            | 3,021          | -15.2        |
| Other   | 1,252            | 15             | 8246.7       |
| <b>TOTAL NET INTEREST INCOME</b>                      | <b>613,164</b>   | <b>499,930</b> | <b>22.6</b>  |

The increase in interest expense was mainly attributable to higher interest rates on deposits. The average base interest rate on deposits placed with the Bank branches in January 1st to September 30th 2023 was as follows:

- 5.04% in PLN, compared with 2.50% in the same period of 2022;
- 0.38% in foreign currencies, compared with 0.15% in the same period of 2022.

The Group's net fee and commission income was PLN 96.5 million, which means a decrease of PLN 1.1 million (1.2%) year on year, caused by higher fee and commission expense.

The item that fell the most was fee and commission income from brokerage services – down PLN 1.0 million (1.5%). At the same time, credit commission fees rose by PLN 1.4 million (5.0%).

Fee and commission expense went up by PLN 0.9 million (2.8%), driven mainly by higher brokerage fees (up by PLN 2.1 million, or 8.7%). ATM service charges fell by PLN 0.5 million, current account fees by PLN 0.4 million, and payment card fees by PLN 0.3 million.

| NET FEE AND COMMISSION INCOME, PLN thousand  | Q1-Q3 2023     | Q1-Q3 2022     | Change (%)  |
|--|----------------|----------------|-------------|
| <b>Fee and commission income</b>   | <b>128,952</b> | <b>129,217</b> | <b>-0.2</b> |
| Brokerage service fees   | 66,886         | 67,893         | -1.5        |
| Fees for maintaining client accounts, other domestic and international settlement transactions | 26,637         | 27,058         | -1.6        |
| Commission fees on credit facilities   | 29,758         | 28,344         | 5.0         |
| Commission fees on guarantees and letters of credit  | 5,244          | 5,536          | -5.3        |
| Fees for portfolio management services and other management fees                               | 422            | 380            | 11.1        |
| Other fees   | 5              | 6              | -16.7       |
| <b>Fee and commission expense</b>  | <b>32,416</b>  | <b>31,543</b>  | <b>2.8</b>  |
| Brokerage fees, including:   | 25,737         | 23,684         | 8.7         |
| for custody services   | 628            | 482            | 30.3        |
| Payment card fees  | 5,623          | 5,892          | -4.6        |
| Current account fees   | 448            | 860            | -47.9       |
| ATM service charges  | -              | 513            | -100.0      |
| Fees on amounts due from clients   | 74             | 94             | -21.3       |
| Other fees   | 534            | 500            | 6.8         |
| <b>TOTAL NET FEE AND COMMISSION INCOME</b>   | <b>96,536</b>  | <b>97,674</b>  | <b>-1.2</b> |

Gain (loss) on financial instruments measured at fair value through profit or loss was PLN 33.7 million, compared with PLN 38.3 million in the same period of 2022.

The effect of legal risk of mortgage loans denominated in foreign currencies was PLN -237.0 million, compared with PLN -17.6 million in the nine months ended September 30th 2022. The increase stems from a change in estimation model parameters driven by a surge in the number of new cases and the CJEU judgment, unfavourable for banks, which increase the estimated costs of future cases over a five-year horizon and have translated into a significant change in this item. The Bank will continue to monitor emerging trends in case law, track the influx of new cases, and thoroughly study their effect on the parameters of the estimation model. Moreover, in the three months ended September 30th 2023, the amount of impairment losses was adversely affected by the introduction by the Bank, as of September 2023, of more favourable terms for clients entering into settlements concerning foreign currency housing loans. This had an effect on the estimation of the provision for settlement costs over a 60-month period in accordance with the Bank's provision estimation model.

In the nine months ended September 30th 2023, impairment losses totalled PLN -18.4 million, relative to PLN -120.3 million in the corresponding period of 2022. The improvement was seen primarily in the corporate portfolio and was driven by the reversal of write-downs following loan repayments and execution of annexes and restructuring agreements.

| NET IMPAIRMENT LOSSES, PLN thousand                                    | Q1-Q3 2023 | Q1-Q3 2022 | Change (%) |
|--|------------|------------|------------|
| Securities measured at fair value through other comprehensive income   | -16,073    | 2,065      | -878.4     |
| Securities measured at amortised cost                                  | -63        | -          | x          |
| Investments in subsidiaries  | -          | -          | x          |
| Amounts due from banks   | 75         | 60         | 25.0       |
| Amounts due from clients and off-balance-sheet liabilities, including: | -2,332     | -122,406   | -98.1      |
| on-balance-sheet receivables   | 4,407      | -117,882   | x          |
| from retail clients  | 6,773      | -30,032    | -122.6     |
| from institutional clients   | -2,366     | -87,850    | -97.3      |

|                                    |                |                 |              |
|------------------------------------|----------------|-----------------|--------------|
| off-balance-sheet liabilities      | -6,739         | -4,524          | x            |
| from retail clients                | -90            | 181             | x            |
| from institutional clients         | -6,649         | -4,705          | 41.3         |
| <b>TOTAL NET IMPAIRMENT LOSSES</b> | <b>-18,393</b> | <b>-120,281</b> | <b>-84.7</b> |

Administrative expenses of the Group decreased by PLN 6.2 million, or 1.6%, relative to the same period of 2022. In 2023, the Bank did not incur the cost of a contribution to the Borrower Support Fund, whereas in the corresponding period of the previous year this cost amounted to PLN 35.0m. The Group incurred lower costs of contributions and payments to the BFG: they fell by PLN 16.3 million (41.5%), due to BFG's decision to not collect contributions to the Guarantee Fund for 2023.

The item that grew the most was employee benefits expense, which rose by PLN 26.0 million, or 15.8%, driven by an increase in both average pay and number of employees. In 2022, the Bank concluded a job evaluation process aimed at aligning compensation for individual positions with current market levels. Another significant driver of administrative expenses were material costs, which increased by PLN 8.5 million, or 9.6%.

| ADMINISTRATIVE EXPENSES, PLN thousand                                     | Q1-Q3 2023     | Q1-Q3 2022     | Change (%)  |
|---|----------------|----------------|-------------|
| Employee benefits   | 190,559        | 164,545        | 15.8        |
| Administrative expenses, including:                                       | 130,697        | 171,423        | -23.8       |
| material expenses   | 96,601         | 88,108         | 9.6         |
| taxes and charges   | 7,995          | 6,329          | 26.3        |
| contribution and payments to BGF  | 22,980         | 39,277         | -41.5       |
| contribution and payments to PFSA   | 2,628          | 2,486          | 5.7         |
| contribution to Borrower Support Fund                                     | -              | 34,999         | x           |
| contribution to cover operating expenses of Financial Ombudsman           | 328            | 156            | 110.3       |
| contribution to Chamber of Brokerage Houses (Izba Domów Maklerskich, IDM) | 90             | 68             | 32.4        |
| payment to PFSA towards costs of capital market supervision               | 75             | -              | x           |
| Amortisation and depreciation, including:                                 | 54,565         | 46,089         | 18.4        |
| depreciation of property, plant and equipment                             | 14,702         | 11,306         | 30.0        |
| amortisation of intangible assets   | 27,468         | 22,284         | 23.3        |
| depreciation of rights-of-use assets                                      | 12,395         | 12,499         | -0.8        |
| <b>TOTAL ADMINISTRATIVE EXPENSES</b>                                      | <b>375,821</b> | <b>382,057</b> | <b>-1.6</b> |

As at September 30th 2023, the Bank employed 1,239 persons (FTEs), compared with 1,171 as at September 30th 2022. Headcount rose by 5.8% at the Bank, and did not change at the subsidiaries relative to September 30th 2022. The table below presents employment (FTEs) at the Bank and its subsidiaries. The workforce at the BOŚ Group increased by 4.6% relative to September 30th 2022.

| EMPLOYMENT, FTES                   | Sep 30 2023  | Sep 30 2022  | Change (%) |
|------------------------------------|--------------|--------------|------------|
| Employment at BOŚ S.A.             | 1,239        | 1,171        | 5.8        |
| Employment at subsidiaries         | 318          | 318          | 0.0        |
| <b>EMPLOYMENT AT THE BOŚ GROUP</b> | <b>1,558</b> | <b>1,489</b> | <b>4.6</b> |

## 6.2. The Group's assets

As at September 30th 2023, the Group's total assets stood at PLN 21,998.1 million, and did not change materially relative to December 31st 2022.

### Changes in the structure of the Group's assets

As at September 30th 2023, at 48.0%, amounts due from clients had the highest share in total assets. Their share in assets decreased by 2.6pp from the end of 2022, while the share of investment securities and cash and balances with central bank rose by 2.2pp and 1.0pp, respectively.

| ASSETS, PLN thousand                          | Sep 30 2023       | Dec 31 2022       | Change (%) |
|---|-------------------|-------------------|------------|
| Cash and balances with central bank           | 797,923           | 575,875           | 38.6       |
| Amounts due from banks                        | 175,094           | 242,831           | -27.9      |
| Financial assets held for trading             | 205,833           | 263,259           | -21.8      |
| Derivative hedging instruments                | 12,230            | 30,562            | -60.0      |
| Investment securities:                        | 9,480,313         | 9,008,118         | 5.2        |
| Amounts due from clients, including:          | 10,557,742        | 11,125,827        | -5.1       |
| measured at amortised cost                    | 10,557,568        | 11,122,777        | -5.1       |
| measured at fair value through profit or loss | 174               | 3,050             | -94.3      |
| Intangible assets                             | 127,643           | 132,983           | -4.0       |
| Property, plant and equipment                 | 88,047            | 91,670            | -4.0       |
| Right of use – leases                         | 54,725            | 65,839            | -16.9      |
| Tax assets:                                   | 179,998           | 175,900           | 2.3        |
| Other assets                                  | 318,530           | 293,317           | 8.6        |
| <b>TOTAL ASSETS</b>                           | <b>21,998,078</b> | <b>22,006,181</b> | <b>0.0</b> |

### Amounts due from clients

The carrying amount of amounts due from clients of the Group as at September 30th 2023 was PLN 10,557.7 million, a decrease of 5.1% on December 31st 2022.

Amounts due from institutional clients measured at amortised cost accounted for the highest share of total amounts due from clients, at 78.5%. Their share increased by 2.2pp on year-end 2022. Amounts due from institutional clients measured at amortised cost were PLN 8,292.9 million.

Amounts due from institutional clients measured at amortised cost decreased by PLN 198.0 million, or 2.3%. The Bank recorded a decline in balances of outstanding loans to institutional clients. High interest rates influence behaviour of the clients who choose to prioritise debt reduction by allocating their excess liquidity towards paying off loans. The Bank is focused on encouraging clients to utilise the products or services they have recently acquired. The volume of foreign currency receivables also decreased on account of a stronger złoty.

The share of amounts due from retail clients measured at amortised cost in total amounts due decreased by 2.2pp, to 21.1%. The amount of retail loans measured at amortised cost was PLN 2,222.5 million at September 30th 2023, compared with PLN 2,589.0 million at year-end 2022. Amounts due from retail clients measured at amortised cost decreased by PLN 366.6 million, or 14.2%.

| AMOUNTS DUE FROM CLIENTS, PLN thousand                  | Sep 30 2023       | Dec 31 2022       | Change (%)   |
|---|-------------------|-------------------|--------------|
| <b>Measured at amortised cost</b>                       | <b>10,515,389</b> | <b>11,079,957</b> | <b>-5.1</b>  |
| <b>Amounts due from retail clients</b>                  | <b>2,222,465</b>  | <b>2,589,036</b>  | <b>-14.2</b> |
| overdraft facilities                                    | 498               | 745               | -33.2        |
| cash loans  | 245,945           | 231,292           | 6.3          |
| housing loans   | 1,774,526         | 2,132,105         | -16.8        |
| other credit facilities                                 | 201,496           | 224,894           | -10.4        |
| <b>Amounts due from institutional clients</b>           | <b>8,292,924</b>  | <b>8,490,921</b>  | <b>-2.3</b>  |
| working capital facilities                              | 946,033           | 796,262           | 18.8         |
| term facilities   | 6,258,017         | 6,590,720         | -5.0         |
| factoring receivables                                   | 568,174           | 552,199           | 2.9          |
| lease receivables                                       | 235,269           | 196,949           | 19.5         |
| purchased receivables                                   | 80,058            | 91,923            | -12.9        |
| commercial paper  | 205,373           | 262,868           | -21.9        |
| <b>Measurement at fair value through profit or loss</b> | <b>174</b>        | <b>3,050</b>      | <b>-94.3</b> |
| <b>Amounts due from retail clients</b>                  | <b>139</b>        | <b>270</b>        | <b>-48.5</b> |
| overdraft facilities                                    | 1                 | 9                 | x            |
| housing loans   | 55                | 99                | -44.4        |
| other credit facilities                                 | 83                | 162               | -48.8        |
| <b>Amounts due from institutional clients</b>           | <b>35</b>         | <b>2,780</b>      | <b>-98.7</b> |
| working capital facilities                              | -                 | -                 | x            |
| term facilities   | 35                | 2,780             | -98.7        |
| Total   | 10,515,563        | 11,083,007        | -5.1         |
| Security deposits                                       | 35,216            | 36,251            | -2.9         |
| Other amounts due from clients                          | 6,963             | 6,569             | 6.0          |
| <b>TOTAL AMOUNTS DUE FROM CLIENTS</b>                   | <b>10,557,742</b> | <b>11,125,827</b> | <b>-5.1</b>  |

Housing loans are the largest item among retail loans measured at amortised cost. As at September 30th 2023, they amounted to PLN 1,774.5 million compared with PLN 2,132.1 million as at December 31st 2022.

The largest decline was in housing loans denominated in CHF and PLN. The decrease can be attributed to various factors, including changes to legal risk provisions for foreign currency loans, settlements reached with clients, and early repayments, with some clients choosing to allocate funds from suspended instalments towards loan overpayments.

| HOUSING LOANS, PLN thousand                                | Sep 30 2023      | Dec 31 2022      | Change (%)   |
|--|------------------|------------------|--------------|
| <b>Loans measured at amortised cost</b>                    | <b>1,774,526</b> | <b>2,132,105</b> | <b>-16.8</b> |
| Housing loans in PLN                                       | 1,189,858        | 1,267,780        | -6.1         |
| Housing loans in CHF                                       | 170,031          | 368,950          | -53.9        |
| Housing loans in EUR                                       | 394,623          | 467,772          | -15.6        |
| Housing loans in USD                                       | 20,014           | 27,603           | -27.5        |
| <b>Loans measured at fair value through profit or loss</b> | <b>55</b>        | <b>99</b>        | <b>-44.4</b> |
| Housing loans in PLN                                       | 55               | 99               | -44.4        |
| <b>TOTAL HOUSING LOANS</b>                                 | <b>1,774,581</b> | <b>2,132,204</b> | <b>-16.8</b> |

Foreign currency loans accounted for 32.9% of total housing loans (40.5% at year-end 2022). The share of housing loans denominated in CHF in the total loan portfolio of the Group (net) was 1.6%, having decreased by 1.7pp on year-end 2022.

As at September 30th 2023, the balance of green loans (at nominal value) was PLN 4,832.2 million, having decreased 5.0% on December 31st 2022. The green loans accounted for 40.52% of the Bank's total lending portfolio (vs 40.79% as at December 31st 2022).

| GREEN LOANS, PLN thousand            | Sep 30 2023      | Dec 31 2022      | Change (%)  |
|--------------------------------------|------------------|------------------|-------------|
| Green loans to institutional clients | 4,413,650        | 4,633,835        | -4.8        |
| Green loans to retail clients        | 418,584          | 454,832          | -8.0        |
| <b>GREEN LOANS</b>                   | <b>4,832,234</b> | <b>5,088,668</b> | <b>-5.0</b> |

\* nominal value

### Loan sales

| TOTAL LOAN SALES, PLN thousand          | Q1-Q3 2023       | Q1-Q3 2022       | Change (%) |
|---|------------------|------------------|------------|
| Loans to institutional clients in Q1-Q3 | 2,942,723        | 2,824,557        | 4.2        |
| Loans to retail clients in Q1-Q3        | 152,798          | 94,532           | 61.6       |
| <b>LOANS ADVANCED IN Q1-Q3</b>          | <b>3,095,521</b> | <b>2,919,088</b> | <b>6.0</b> |

From January 1st to September 30th 2023, the BOŚ Group advanced loans of PLN 3.1 billion, 6.0% more year on year. The increase in loan sales was observed both in the institutional client segment and in the retail segment.

| GREEN LOAN SALES, PLN thousand          | Q1-Q3 2023       | Q1-Q3 2022       | Change (%)    |
|---|------------------|------------------|---------------|
| Sales of loans to institutional clients | 1,206,895        | 1,357,545        | -11.1%        |
| Sales of green loans                    | 37,251           | 34,280           | 8.7%          |
| <b>SALES OF GREEN LOANS</b>             | <b>1,244,145</b> | <b>1,391,825</b> | <b>-10.6%</b> |

In the first three quarters of 2023, sales of green loans amounted to PLN 1,244 million, representing a decrease of 10.6% compared with the same period last year. The vast majority (in value terms) of the new green loans were made to institutional clients (97%). The largest portion of the funds was allocated to projects in the energy and municipal sectors, accounting for 37% of the total volume of green loans.

### Quality of the loan portfolio

The share of amounts due from clients with indications of impairment and impaired (Bucket 3) in the loan portfolio measured at amortised cost was 15.4% as at September 30th 2023, compared with 14.9% as at September 30th 2022. The increase was due to a decline in the total loan portfolio. The amount of total loans in Bucket 3 fell by PLN 38.5 million from year-end 2022.

As at September 30th 2023, the loan loss provision coverage ratio for Bucket 3 loans was 50.6% relative to 52.7% as at December 31st 2022.

| QUALITY OF THE GROUP'S LOAN PORTFOLIO  | Sep 30 2023       | %            | Dec 31 2022       | %            |
|--|-------------------|--------------|-------------------|--------------|
| <b>AMOUNTS DUE FROM CLIENTS MEASURED AT AMORTISED COST</b>   |                   |              |                   |              |
| Amounts due from clients without indications of impairment, including:   | 9,787,060         | 84.6         | 10,375,799        | 85.1         |
| exposures without significant credit risk increase since initial recognition (Bucket 1)  | 8,826,262         | 76.3         | 9,301,183         | 76.3         |
| exposures with significant credit risk increase since initial recognition (Bucket 2)   | 960,798           | 8.3          | 1,074,616         | 8.8          |
| Amounts due from clients with indication of impairment (Bucket 3) but with no impairment identified given the estimated cash flows | -                 | x            | -                 | x            |
| Amounts due from clients with indication of impairment, impaired (Bucket 3)  | 1,774,897         | 15.4         | 1,813,402         | 14.9         |
| <b>Total amounts due from clients measured at amortised cost (gross)</b>   | <b>11,561,957</b> | <b>100.0</b> | <b>12,189,201</b> | <b>100.0</b> |
| Impairment losses on:  |                   |              |                   |              |
| amounts due from clients – (Bucket 1)  | -99,400           |              | -97,079           |              |
| amounts due from clients – (Bucket 2)  | -49,264           |              | -57,275           |              |
| amounts due from clients – (Bucket 3) with no indication of impairment   | -                 |              | -                 |              |
| amounts due from clients – (Bucket 3) with indication of impairment  | -897,904          |              | -954,890          |              |
| Total impairment losses  | -1,046,568        |              | -1,109,244        |              |
| Total amounts due from clients measured at amortised cost (net)  | 10,515,389        |              | 11,079,957        |              |
| <b>AMOUNTS DUE FROM CLIENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>  |                   |              |                   |              |
| Fair value   | 174               |              | 3,050             |              |
| Total amounts due from clients measured at fair value through profit or loss   | 174               |              | 3,050             |              |
| Security deposits  | 3,495             |              | 36,251            |              |
| Other amounts due from clients   | 38,684            |              | 6,569             |              |
| <b>TOTAL AMOUNTS DUE FROM CLIENTS</b>  | <b>10,557,742</b> |              | <b>11,125,827</b> |              |

### 6.3. Total equity and liabilities of the Group

| EQUITY AND LIABILITIES , PLN thousand             | Sep 30 2023       | Dec 31 2022       | Change (%) |
|---|-------------------|-------------------|------------|
| Amounts due to central bank and other banks       | 169,764           | 141,143           | 20.3       |
| Financial liabilities held for trading            | 100,584           | 152,977           | -34.2      |
| Derivative hedging instruments                    | -                 | -                 | x          |
| Amounts due to clients                            | 18,527,611        | 18,820,809        | -1.6       |
| Liabilities arising from issue of bank securities | -                 | -                 | x          |
| Subordinated liabilities                          | 440,715           | 345,035           | 27.7       |
| Provisions  | 200,952           | 165,458           | 21.5       |
| Tax liabilities                                   | 2,188             | 449               | 387.3      |
| Lease liabilities                                 | 54,341            | 67,928            | -20.0      |
| Other liabilities                                 | 381,744           | 348,244           | 9.6        |
| <b>Total equity</b>                               | <b>2,120,179</b>  | <b>1,964,138</b>  | <b>7.9</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>               | <b>21,998,078</b> | <b>22,006,181</b> | <b>0.0</b> |

## Equity and liabilities of the Group

As at September 30th 2023, amounts due to clients represented the largest share (84.2%) of total equity and liabilities. Their share decreased by 1.3pp on December 31st 2022.

Equity was PLN 2,120.2 million as at the end of the third quarter of 2023, having increased by PLN 156.0 million, or 7.9%, mainly due to the net profit earned and a positive effect of an increase in the gross amount of securities measured at fair value through other comprehensive income.

## Liabilities of the Group

| TOTAL LIABILITIES, PLN thousand                      | Sep 30 2023       | Dec 31 2022       | Change (%)  |
|--|-------------------|-------------------|-------------|
| Retail clients                                       | 10,934,519        | 10,120,218        | 8.0         |
| current/checking accounts                            | 4,261,025         | 4,270,044         | -0.2        |
| term deposits  | 6,673,494         | 5,850,174         | 14.1        |
| Institutional clients                                | 6,892,763         | 7,944,141         | -13.2       |
| current/checking accounts                            | 3,649,260         | 5,645,340         | -35.4       |
| term deposits  | 3,243,503         | 2,298,801         | 41.1        |
| Other clients  | 100,606           | 118,584           | -15.2       |
| Borrowings from international financial institutions | 563,372           | 589,675           | -4.5        |
| Lending support funds                                | 36,351            | 48,191            | -24.6       |
| <b>TOTAL LIABILITIES</b>                             | <b>18,527,611</b> | <b>18,820,809</b> | <b>-1.6</b> |

The main source of financing the Group's activities were amounts due to clients, including:

- deposits obtained through the Bank's outlets;
- borrowings from international financial institutions;
- funds provided by external donors for lending activity in the form of direct facilities, interest subsidies or contributions to equity (National Fund for Environmental Protection and Water Management, Provincial Funds for Environmental Protection and Water Management, European Fund for the Development of Polish Villages and JESSICA – Urban Development Fund).

As at September 30th 2023, amounts due to clients of the Group were PLN 18.5 billion, having decreased by PLN 293.2 million, or 1.6%, on year-end 2022.

Amounts due to retail clients increased by PLN 814.3 million, or 8.0%, in the first nine months of 2023. Amounts due to institutional clients fell by PLN 1.1 billion, or 13.2%.

## 7. Key financial ratios

| FINANCIAL RATIOS   | Q1-Q3 2023 | 2022  | Change in percentage points |
|--|------------|-------|-----------------------------|
| Return on equity (ROE) <sup>1</sup>  | 5.3        | 6.7   | -1.4                        |
| Return on assets (ROA) <sup>2</sup>  | 0.5        | 0.6   | -0.1                        |
| Interest margin on total assets <sup>3</sup>   | 3.7        | 3.6   | 0.1                         |
| Risks costs <sup>4</sup>   | -0.04      | -0.79 | 0.75                        |
| Cost/income (C/I) <sup>5</sup> , assuming uniform distribution of the cost of the one-time contribution to the Bank Guarantee Fund over the year | 48.3       | 52.9  | -4.6                        |

1) annualised net profit to average equity;

2) annualised net profit to average assets;

3) annualised net interest income to average assets at the beginning and end of period;

4) Net impairment losses including measurement at fair value for the last 12 months to the average amount of the loan portfolio during the period;

5) total administrative expenses and costs of use to net interest income, net fee and commission income, dividend income, gain (loss) on financial instruments measured at fair value through profit or loss net of valuation of receivables, gain (loss) on investment securities, gain (loss) on hedge accounting, gain (loss) on foreign exchange transactions and gain (loss) on other operations.

The interest margin on total assets, calculated as the ratio of annualised net interest income to average assets, was 3.7%, compared with 3.6% for 2022. The improvement was attributable to an increase in the average interest rate on loans compared with 2022 resulting from the interest rate rises implemented by the Monetary Policy Council, as well as a relatively high return on interest-earning assets and deposit margins on current accounts, despite lower interest income from retail clients who took advantage of loan repayment holidays.

The cost-to-income ratio demonstrated a significant improvement, reaching 48.3% in the nine months ended September 30th 2023, compared with 52.9% for the whole of 2022. This improvement can be primarily attributed to income growth outpacing the increase in costs during the period. Inclusive of the full-year contribution to the Bank Guarantee Fund charged to the costs of the reporting period, the C/I ratio stands at 48.9%.

## 8. Capital management

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

| Item  | Sep 30 2023 | Dec 31 2022 |
|---|-------------|-------------|
| <b>Available capital</b>                            |             |             |
| Common equity Tier 1 capital (PLN thousand)         | 1,945,951   | 1,845,216   |
| Tier 1 capital (PLN thousand)                       | 1,945,951   | 1,845,216   |
| Own funds (PLN thousand)                            | 2,005,747   | 1,954,769   |
| <b>Risk-weighted assets</b>                         |             |             |
| Total amount of risk-weighted assets (PLN thousand) | 12,294,111  | 13,074,111  |
| <b>Capital ratios</b>                               |             |             |
| Common equity Tier 1 capital ratio (%)              | 15.83       | 14.11       |
| Tier 1 capital ratio (%)                            | 15.83       | 14.11       |
| Total capital ratio (%)                             | 16.31       | 14.95       |
| <b>Leverage ratio</b>                               |             |             |
| Exposure value (PLN thousand)                       | 24,005,451  | 24,062,778  |
| Leverage ratio (%)                                  | 8.1         | 7.7         |

In accordance with Article 92 of the CRR, the Group 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 on Macro-Prudential Oversight of the Financial System and Crisis Management in the Financial System of August 5th 2015, 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 27th 2022, the Polish Financial Supervision Authority recommended that own funds should be maintained, on a consolidated basis, to cover the additional capital add-on to absorb potential losses resulting from the occurrence of stress conditions, at the level of 1.34 percentage point above the total capital ratio referred to in Article 92(1)(c) of the CRR Regulation, increased by the additional own funds requirement referred to in Art. 138.2.2 of the Banking Law and by the combined buffer requirement referred to in Art. 55.4 of the Macroprudential Supervision Act. The additional add-on should consist entirely of Common Equity Tier 1 capital.

As a result, as at September 30th 2023, the minimum capital ratios recommended by the Polish Financial Supervision Authority for the Group were 9.84% for Tier 1 capital ratio and 11.84% for the TCR ratio.

The capital adequacy ratio of the Group as at September 30th 2023 was above the levels recommended by the Polish Financial Supervision Authority.

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

| Item  | Sep 30 2023 | Dec 31 2022 |
|---|-------------|-------------|
| <b>Available capital</b>                            |             |             |
| Common equity Tier 1 capital (PLN thousand)         | 1,815,947   | 1,730,105   |
| Tier 1 capital (PLN thousand)                       | 1,815,947   | 1,730,105   |
| Own funds (PLN thousand)                            | 1,875,743   | 1,839,659   |
| <b>Risk-weighted assets</b>                         |             |             |
| Total amount of risk-weighted assets (PLN thousand) | 11,385,262  | 12,221,934  |
| <b>Capital ratios</b>                               |             |             |
| Common equity Tier 1 capital ratio (%)              | 15.95       | 14.16       |
| Tier 1 capital ratio (%)                            | 15.95       | 14.16       |
| Total capital ratio (%)                             | 16.48       | 15.05       |
| <b>Leverage ratio</b>                               |             |             |
| Exposure value (PLN thousand)                       | 23,511,459  | 23,658,834  |
| Leverage ratio (%)                                  | 7.7         | 7.3         |

On December 27th 2022, the Polish Financial Supervision Authority recommended that own funds, on a separate basis, to cover the additional capital add-on to absorb potential losses resulting from the occurrence of stress conditions should be maintained at the level of 1.44 percentage point above the total capital ratio referred to in Article 92(1)(c) of the CRR Regulation, increased by the additional own funds requirement referred to in Art. 138.2.2 of the Banking Law and by the combined buffer requirement referred to in Art. 55.4 of the Macroprudential Supervision Act. The additional add-on should consist entirely of Common Equity Tier 1 capital.

As a result, as at September 30th 2023 the minimum capital ratios recommended by the Polish Financial Supervision Authority for the Bank were 9.94% for Tier 1 capital ratio and 11.94% for the TCR ratio.

The capital adequacy ratio of the Bank as at September 30th 2023 was above the levels recommended by the Polish Financial Supervision Authority.

## 9. 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. For a description of the policies applied in segment reporting, see Note 51 to the full-year consolidated financial statements for the year ended December 31st 2022. The results of the operating segments for the corresponding period of the previous year have been restated to ensure comparability. Below are presented the consolidated financial results of the BOŚ Group attributable to the segments for the three months ended September 30th 2023 and September 30th 2022.

| Statement of items of profit or loss for 9 months ended Sep 30 2023                | INSTITUTIONAL CLIENTS | RETAIL CLIENTS | TREASURY AND INVESTMENTS | BROKERAGE BUSINESS | OTHER (NOT ALLOCATED TO SEGMENTS) | BOŚ GROUP  |
|--|-----------------------|----------------|--------------------------|--------------------|-----------------------------------|------------|
| Net interest income  | 226,930               | 154,548        | 149,022                  | 84,110             | -1,446                            | 613,164    |
| Interest and similar income, including:  | 996,946               | 651,139        | -417,538                 | 111,932            | 34                                | 1,342,513  |
| transactions with external clients   | 570,642               | 161,768        | 480,241                  | 7,349              | -                                 | 1,220,000  |
| transactions with other segments   | 426,304               | 489,371        | -897,779                 | 104,583            | 34                                | 122,513    |
| Interest expense and similar charges, including:                                   | -770,016              | -496,591       | 566,560                  | -27,822            | -1,480                            | -729,349   |
| transactions with external clients   | -180,581              | -350,349       | -51,155                  | -24,727            | -24                               | -606,836   |
| transactions with other segments   | -589,435              | -146,242       | 617,715                  | -3,095             | -1,456                            | -122,513   |
| Net fee and commission income  | 46,948                | 8,447          | -                        | 41,571             | -430                              | 96,536     |
| Dividend income  | -                     | -              | 8,118                    | 162                | -                                 | 8,280      |
| Gain (loss) on financial instruments measured at fair value through profit or loss | -138                  | -203           | 4,015                    | 30,062             | -                                 | 33,736     |
| Gain (loss) on hedge accounting  | -                     | -              | -1,187                   | -                  | -                                 | -1,187     |
| Gain (loss) on investment securities   | -                     | -              | -                        | -                  | -                                 | -          |
| Gain (loss) on foreign exchange transactions                                       | 11,414                | 2,639          | 5,887                    | -242               | -                                 | 19,698     |
| Gain (loss) on derecognition of financial instruments                              | 571                   | -              | -                        | -                  | -                                 | 571        |
| Net banking income   | 285,725               | 165,431        | 165,855                  | 155,663            | -1,876                            | 770,798    |
| Net other income and expenses  | 4,477                 | -973           | -                        | -5,697             | -660                              | -2,853     |
| Effect of legal risk of mortgage loans denominated in foreign currencies           | -                     | -237,011       | -                        | -                  | -                                 | -237,011   |
| Net impairment losses  | -14,241               | 6,623          | -10,690                  | -                  | -85                               | -18,393    |
| Net finance income (costs)   | 275,961               | -65,930        | 155,165                  | 149,966            | -2,621                            | 512,541    |
| Direct costs   | -27,783               | -20,242        | -2,128                   | -45,390            | -1,027                            | -96,570    |
| Profit (loss) after direct costs   | 248,178               | -86,172        | 153,037                  | 104,576            | -3,648                            | 415,971    |
| Indirect costs and mutual services   | -82,254               | -68,645        | -13,319                  | -                  | -                                 | -164,218   |
| Profit (loss) after direct and indirect costs                                      | 165,924               | -154,817       | 139,718                  | 104,576            | -3,648                            | 251,753    |
| Amortisation and depreciation  | -22,410               | -20,597        | -2,089                   | -8,190             | -1,279                            | -54,565    |
| Other costs (taxes, BFG, PFSA)   | -15,601               | -12,749        | -510                     | -30,469            | -1,139                            | -60,468    |
| Profit (loss) before tax   | 127,913               | -188,163       | 137,119                  | 65,917             | -6,066                            | 136,720    |
| Allocated profit (loss) of ALM   | 35,104                | 113,540        | -148,644                 | -                  | -                                 | -          |
| Gross profit (loss) after ALM allocation   | 163,017               | -74,623        | -11,525                  | 65,917             | -6,066                            | 136,720    |
| Income tax expense   | -                     | -              | -                        | -                  | -                                 | -58,065    |
| Net profit (loss)  | -                     | -              | -                        | -                  | -                                 | 78,655     |
| Segment assets   | 8,367,626             | 2,222,604      | 10,807,339               | 342,786            | 257,723                           | 21,998,078 |
| Segment liabilities  | 6,898,677             | 9,838,990      | 3,374,090                | 1,842,895          | 43,426                            | 21,998,078 |
| Expenditure on property, plant and equipment and intangible assets                 | 12,807                | 11,062         | 1,633                    | 7,719              | -                                 | 33,221     |

| Statement of items of profit or loss for 9 months ended Sep 30 2022                | INSTITUTIONAL CLIENTS | RETAIL CLIENTS | TREASURY AND INVESTMENTS | BROKERAGE BUSINESS | OTHER (NOT ALLOCATED TO SEGMENTS) | BOŠ GROUP  |
|--|-----------------------|----------------|--------------------------|--------------------|-----------------------------------|------------|
| Net interest income  | 188,766               | 128,168        | 132,248                  | 51,963             | -1,215                            | 499,930    |
| Interest and similar income, including:  | 689,174               | 362,451        | -271,121                 | 60,705             | 7                                 | 841,216    |
| transactions with external clients   | 427,503               | 60,420         | 281,496                  | 3,326              | -                                 | 772,745    |
| transactions with other segments   | 261,671               | 302,031        | -552,617                 | 57,379             | 7                                 | 68,471     |
| Interest expense and similar charges, including:                                   | -500,408              | -234,283       | 403,369                  | -8,742             | -1,222                            | -341,286   |
| transactions with external clients   | -98,037               | -139,555       | -29,598                  | -5,600             | -25                               | -272,815   |
| transactions with other segments   | -402,371              | -94,728        | 432,967                  | -3,142             | -1,197                            | -68,471    |
| Net fee and commission income  | 45,789                | 7,620          | -                        | 44,589             | -324                              | 97,674     |
| Dividend income  | 181                   | -              | 6,743                    | 226                | -                                 | 7,150      |
| Gain (loss) on financial instruments measured at fair value through profit or loss | -                     | 6              | 14,692                   | 23,627             | -                                 | 38,325     |
| Gain (loss) on hedge accounting  | -                     | -              | 612                      | -                  | -                                 | 612        |
| Gain (loss) on investment securities   | -                     | -              | -                        | -                  | -                                 | -          |
| Gain (loss) on foreign exchange transactions                                       | 14,661                | 3,021          | 19,835                   | 164                | -3                                | 37,678     |
| Gain (loss) on derecognition of financial instruments                              | 1,778                 | -18            | -                        | -                  | -                                 | 1,760      |
| Net banking income   | 251,175               | 138,797        | 174,130                  | 120,569            | -1,542                            | 683,129    |
| Net other income and expenses  | 672                   | 881            | -                        | -17,276            | 2,932                             | -12,791    |
| Effect of legal risk of mortgage loans denominated in foreign currencies           | -                     | -17,590        | -                        | -                  | -                                 | -17,590    |
| Net impairment losses  | -90,630               | -29,828        | 177                      | -                  | -                                 | -120,281   |
| Net finance income (costs)   | 161,217               | 92,260         | 174,307                  | 103,293            | 1,390                             | 532,467    |
| Direct costs   | -30,121               | -17,371        | -1,866                   | -61,030            | -930                              | -111,318   |
| Profit (loss) after direct costs   | 131,096               | 74,889         | 172,441                  | 42,263             | 460                               | 421,149    |
| Indirect costs and mutual services   | -65,251               | -63,948        | -12,136                  | -                  | -                                 | -141,335   |
| Profit (loss) after direct and indirect costs                                      | 65,845                | 10,941         | 160,305                  | 42,263             | 460                               | 279,814    |
| Amortisation and depreciation  | -17,966               | -18,076        | -1,686                   | -7,082             | -1,279                            | -46,089    |
| Other costs (taxes, BFG, PFSA)   | -44,191               | -33,704        | -523                     | -4,669             | -228                              | -83,315    |
| Profit (loss) before tax   | 3,688                 | -40,839        | 158,096                  | 30,512             | -1,047                            | 150,410    |
| Allocated profit (loss) of ALM   | 36,872                | 118,167        | -155,039                 | -                  | -                                 | -          |
| Gross profit (loss) after ALM allocation   | 40,560                | 77,328         | 3,057                    | 30,512             | -1,047                            | 150,410    |
| Income tax expense   | -                     | -              | -                        | -                  | -                                 | -34,507    |
| Net profit (loss)  | -                     | -              | -                        | -                  | -                                 | 115,903    |
| Segment assets   | 8,868,764             | 2,670,567      | 9,754,090                | 330,526            | 260,478                           | 21,884,425 |
| Segment liabilities  | 6,924,504             | 8,559,630      | 3,376,476                | 2,159,662          | 864,153                           | 21,884,425 |
| Expenditure on property, plant and equipment and intangible assets                 | 17,703                | 15,294         | 1,863                    | 7,407              | -                                 | 42,267     |

## 10. Pending proceedings and changes in law

### Lawsuits – total

As at September 30th 2023, Bank Ochrony Środowiska S.A. was:

- a claimant in 761 lawsuits for a total amount of PLN 110.58m,
- a respondent in 1,469 lawsuits for a total amount of PLN 552.66m.

As at September 30th 2023, 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.

### Litigation against the Bank concerning loans denominated in or tied to foreign currencies

Since the ruling issued by the Court of Justice of the European Union ("CJEU") on October 3rd 2019 in Case C-260/18 Kamil Dziubak, Justyna Dziubak v Raiffeisen Bank International AG, Vienna, operating in Poland in the form of a branch under the name Raiffeisen Bank International AG Branch in Poland, there has been a growing number of lawsuits concerning loan agreements indexed to foreign exchange rates. This surge can be attributed to the CJEU's recent rulings, which generally favour consumers, and a shift in judgments by Polish courts that now lean to the disadvantage of banks.

Most of the court judgments issued following the CJEU ruling of October 3rd 2019 are not in favour of banks. In Poland, there remains inconsistency in court decisions on such cases, and due to the intricate nature of the legal matters involved, courts handling cases related to foreign exchange-linked mortgages frequently seek additional guidance from the CJEU through requests for preliminary rulings.

The Bank monitors both domestic case law and the CJEU's rulings on an ongoing basis when assessing the legal risks of foreign currency-indexed loans and takes into account in its analyses that the CJEU judgments and rulings by Polish courts to the disadvantage of banks result in a growing number of court proceedings and increase in the value of claims sought.

On May 7th 2021, the Supreme Court, sitting in a panel of seven judges, adopted a resolution having the effect of a legal rule in response to questions posed by the Financial Ombudsman, stating that if a credit agreement is found invalid, each party is entitled to a separate claim for reimbursement of the performance obligation rendered. The Supreme Court also indicated that the agreement may be deemed definitively ineffective only if the consumer is duly informed of the effects of the agreement's invalidity and does not agree to be bound by the provision deemed abusive.

On June 15th 2023, the CJEU issued a decision (in case No 520/21) regarding the scope of banks' or borrowers' restitution claims related to the payment of amounts corresponding to the value of a party's funds that have been used by the other party. The decision had been eagerly awaited by both the banking sector and borrowers.

With reference to mutual claims of consumers and banks relating to the use of the other party's capital by parties to loan agreements indexed to a foreign exchange rate after the agreement has been declared null and void, the CJEU stated that:

- 1) the provisions of Directive 93/13 must be interpreted as not precluding a judicial interpretation of national law according to which the consumer has the right to seek compensation from the credit institution going beyond reimbursement of the monthly instalments paid and the expenses paid in respect of the performance of that agreement together with the payment of default interest at the statutory rate from the date on which notice is served, provided that the objectives of Directive 93/13 and the principle of proportionality are observed, and
- 2) the provisions of Directive 93/13 must be interpreted as precluding a judicial interpretation of national law according to which the credit institution is entitled to seek compensation from the consumer going beyond reimbursement of the capital paid in respect of the performance of that agreement together with the payment of default interest at the statutory rate from the date on which notice is served.

In connection with the decision, the Bank is actively working to develop a concept for pursuing claims against borrowers that go beyond principal repayment after the nullification of the loan agreement. The Bank is currently analysing the concept of pursuing a claim for reimbursement of undue benefit, calculated as the value-adjusted amount of the capital paid by the Bank to the borrower. At the same time, the extent of borrower's claims for compensation beyond the reimbursement of nominal amounts paid by the borrowers, which may be filed against the Bank in connection with the CJEU ruling in Case C-520/21 is still unknown. Another expected ruling of the CJEU, regarding the indexation of performance amounts, will be of major importance here.

In 2021, BOŚ S.A. joined a group of other banks in an initiative to develop settlement agreements that could be voluntarily entered into with clients. These agreements aimed to address loans denominated in foreign currencies by restructuring them as if they were originally granted in the Polish zloty. The terms of the agreements involved recalculating the loans with an interest rate based on WIBOR plus a reasonable margin.

Having obtained the approval of the Extraordinary General Meeting (Resolution No. 4/2021 of December 8th 2021), on January 31st 2022 the Bank implemented the BOŚ S.A. Compromise and Settlement Programme based on a framework communicated by the President of the PFSA. As at September 30th 2023, the Bank received 1,194 requests for settlement concerning foreign currency mortgage loans. The outstanding balance of those loans was PLN 100 million. 540 settlements were signed.

The total risk provision for foreign currency-linked mortgages as at September 30th 2023 was PLN 691.7 million.

As at September 30th 2023, there were 1,384 court cases pending against the Bank, involving loans denominated mainly in CHF (as well as USD and EUR), with a total litigation value of PLN 508.22 million. In general, the claimants are seeking the declaration of their agreements on loans tied to foreign currency exchange rates as null and void, and request that the courts order the Bank to reimburse the repayment instalments that have been paid.

### **Changes in the legal environment of the PLN loan portfolio, including loan payment holidays and other forms of assistance to clients**

July 29th 2022 was the date of entry into force of the Business Crowdfunding and Borrowers Assistance Act of July 7th 2022 (the "Act"). The Act provides for assistance to consumers repaying mortgage loans denominated in PLN ("loan repayment holidays").

The Act provides consumers with an option to suspend the repayment of a mortgage loan advanced in PLN, excluding loans indexed to or denominated in currencies other than PLN. Pursuant to the Act, the suspension option is available for mortgage loans advanced under mortgage loan agreements, within the meaning of the Act on Mortgage Loans and Supervision of Mortgage Intermediaries and Agents, concluded to meet consumers' own housing needs. The statutory support is extended not only to mortgage loans taken out to acquire property but also to mortgage loans (including mortgage-backed cash loans) granted to maintain title to residential property or to finance the construction or alteration of a residential building or dwelling.

The Act grants the consumer the right to suspend repayment of a loan:

- from August 1st 2022 to September 30th 2022, for a period of two months;
- from October 1st 2022 to December 31st 2022, for a period of two months;
- from January 1st 2023 to December 31st 2023, for one month per quarter.

Consumers may suspend the repayment of a loan for up to eight months.

For consumers being party to more than one loan agreement with a given lender, it was determined that an application requesting repayment freeze may only be made with respect to one of those agreements concluded to meet the consumer's own housing needs.

The solution, modelled after the COVID-19 Act, is that repayments will be suspended as of the date of delivery to the lender of a relevant application requesting loan suspension for a period indicated therein. During the suspension period, the consumer is not obliged to make any payments under the loan agreement except for any related insurance payments.

The payment suspension period is not counted towards the loan maturity period. The loan maturity period and all the time limits specified in the agreement will be extended by the duration of the loan suspension period. No interest or fees will be charged during the suspension period except for insurance payments related to the loan agreement (such payments are included in the payment suspension notice given by the Bank to the borrower within 21 days of the date of delivery of the suspension request to the Bank).

'Loan repayment holidays' are available with respect to agreements concluded before July 1st 2022, including agreements concluded before the entry into force of the Act on Mortgage Loans and Supervision of Mortgage Intermediaries and Agents of March 23rd 2017, i.e. before July 22nd 2017, to the extent that the contractually specified loan maturity period falls on or after January 2nd 2023 (in accordance with the law: "six months after" July 1st 2022).

Loan repayment holidays are available to all mortgage borrowers, regardless of their income.

### **Act on State Aid in Saving for Housing Purposes of May 26th 2023**

On July 1st 2023, the Act on State Aid in Saving for Housing Purposes of May 26th 2023 came into force, introducing a special home savings account.

Regular contributions (11 or more contributions annually of PLN 500 or more) will guarantee an additional housing bonus from the state budget. Savings will earn additional interest in line with the bank's offering, with interest exempt from the capital gains tax.

The Act on State Aid in Saving for Housing Purposes also amends the Act on Family Housing Loans of October 1st 2021 by introducing a 2% Safe Mortgage with state aid for repayment of instalments. The regulations on the Safe Mortgage and home saving account entered into force on July 1st 2023.

The Safe Mortgage with a periodically fixed interest rate will be available for persons under the age of 45. If the mortgage is granted jointly to two persons running a household, the age condition will have to be met by at least one of them. The mortgage may be granted for the first flat only. Members of the borrower's household may not be, or may not have been, on the date of the mortgage or in the past, as appropriate, owners of a flat or a house or holders of a cooperative right to a flat or house. The amount of the Safe Mortgage may not exceed PLN 500 thousand or – if the borrower runs a household together with a spouse or has at least one child – PLN 600 thousand. The down payment may not be higher than PLN 200 thousand. If a borrower is unable to make the down payment in full or in part, a guarantee of Bank Gospodarstwa Krajowego may be used.

The instalment subsidy will be available for 10 years and the mortgage will be repaid as fixed principal instalments (decreasing principal and interest instalments) over that period. During the subsidy period, the borrower will pay a 2% interest on the mortgage, increased by a margin, commission and other bank fees (if applicable). Safe Mortgage loans will be extended by banks that enter into relevant agreements with Bank Gospodarstwa Krajowego (BGK).

On September 5th 2023, the Bank signed a cooperation agreement with BGK, which gives the Bank the right to enter into loan agreements with clients under the 2% Safe Mortgage programme. On September 6th 2023, the Bank started selling the 2% mortgage loans as part of its product offering. The loans are also to be offered through intermediaries.

### **Borrower Support Fund**

The Borrower Support Fund (FWK) is a mechanism providing assistance to borrowers under financial strain who are obliged to repay housing loans. Target beneficiaries include borrowers who sold the mortgaged property but the sale proceeds did not suffice to cover all outstanding liabilities under their housing loans (financing commitments or debt repayment loans).

The Borrower Support Fund is made up of contributions paid in by lenders. Support is provided for a period of up to 36 months, with the proviso that the amount of support determined on a case-by-case basis may not exceed PLN 2 thousand per month. The amount is transferred by Bank Gospodarstwa Krajowego to the borrower's bank that granted the housing loan.

Support obtained from the Fund may be used:

- to repay current instalments of the housing loan; or
- as a loan to repay the outstanding debt that remained following sale of the mortgaged property.

### **Suspension of instalment payments under the General Credit Rules**

The Bank provides borrowers with the additional right to suspend mortgage instalments, which allows them to temporarily halt the repayment of principal and interest instalments. A client is eligible to request the suspension of mortgage instalments once they have paid at least six consecutive mortgage instalments and meet the following conditions:

- the client must apply for the suspension no later than 14 calendar days prior to the due date of the instalment that they wish to suspend;
- the loan must not be in default.

The suspension can be applied to a maximum of three instalments per calendar year, with a total limit of 12 instalments throughout the loan term. The duration of suspension cannot exceed the maximum loan term.

## **11. Non-recurring factors and events with a bearing on financial performance**

In the three months ended September 30th 2023, there were no other events at the Bank that would be material to the assessment of its human resources, assets, financial position, financial result and any changes thereto, as well as for the assessment of the Bank's ability to fulfil its obligations.

## **12. Management Board's position on the ability to deliver on published forecasts**

In the three months to September 30th 2023, the BOŚ Group did not publish any performance forecasts.

## **13. Seasonal or cyclical nature of the business**

The Bank's business does not involve any significant events or factors that would be subject to seasonal or cyclical variations. Dom Maklerski BOŚ S.A.'s performance depends on the prevailing situation on the Warsaw Stock Exchange.

## 14. Issue, redemption and repayment of debt and equity securities

### September: PLN 100m raised through the issue of green bonds to support green transformation

The Bank issued PLN 100 million worth of Series AB subordinated bonds. The issue was settled on September 1st 2023. The proceeds will be used to finance or refinance sustainable projects implemented by the Bank's clients. It has been the first issue of green bonds in the history of BOŚ and one of the first offerings of this type in the Polish market.

The bonds were issued in accordance with the Green Bond Framework, which sets out the objectives of green financing and the types of investments which may be financed with green bond issue proceeds, including renewable energy sources, sustainable construction, energy retrofitting projects, pollution prevention, water protection, and water management. Projects financed with green bonds will be reviewed by the Polish National Energy Conservation Agency (KAPE), which will assess their compliance with applicable international standards, i.e. the Green Bond Principles developed by the International Capital Markets Association (ICMA). Alignment of the Bank's bond issue with the sustainability principles has been confirmed by a second party opinion. The bonds were issued as part of a private placement addressed to a qualified buyer. The issue was arranged by Dom Maklerski BOŚ S.A.

The Bank did not issue or redeem any other BOŚ S.A. securities in the three months to September 30th 2023.

## 15. Information about dividend

In the three months to September 30th 2023, the Bank did not make or declare any dividend payments.

## 16. Related party transactions

In the period from January 1st to September 30th 2023, the Bank and its subsidiaries did not enter into any related party transactions which, individually or in the aggregate, would be material and executed on non-arm's length terms.

## **17. Credit repayment sureties and guarantees where the aggregate value of existing sureties or guarantees represents 10% or more of the issuer's equity**

In the three months to September 30th 2023, the Bank did not issue any credit repayment sureties or guarantees whose aggregate amount represents 10% or more of its equity.

## **18. Shareholders holding directly and indirectly 5% or more of total voting rights in the issuer**

The following shareholders held at least 5% of the share capital and total voting rights:

- National Fund for Environmental Protection and Water Management – holding 53,951,960 shares, which represent 58.05% of the share capital and total voting rights.
- Polish Enterprises Closed-End Investment Fund for Non-Public Assets Management – holding 8,000,000 shares, which represent 8.61% of the share capital and total voting rights.
- Directorate General of State Forests Management – holding 5,148,000 shares representing 5.54% of the share capital and total voting rights.

The total number of shares and voting rights in BOŚ S.A. is 92,947,671. All shares are ordinary bearer shares with a par value of PLN 10 per share.

As at September 30th 2023, the Bank held 37,775 treasury shares, representing 0.04% of its share capital and 0.04% of total voting rights in the Bank.

In accordance with the Commercial Companies Code, the Bank may not exercise voting rights attached to the treasury shares.

The Bank is not aware of any agreements concerning future changes in the shareholding structure.

## **19. Bank shares held by management and supervisory personnel**

According to statements made by members of the Management and Supervisory Boards, none of them held any shares in the Bank or any of its related entities as at September 30th 2023.

## 20. Other information which the issuer believes to be material to the assessment of its human resources, assets, financial standing, financial performance and changes thereto, and information which is material to the issuer

In the three months ended September 30th 2023, there were no other events at the Bank that would be material to the assessment of its human resources, assets, financial position, financial result and any changes thereto, as well as for the assessment of the Bank's ability to fulfil its obligations.

## 21. Supervisory Board

Supervisory Board

As at June 30th 2023, the composition of the Supervisory Board was as follows:

- Piotr Sadownik – Chair
- Andrzej Matysiak – Secretary
- Piotr Bielarczyk – Member
- Wojciech Krawczyk – Member
- Marian Niemirski – Member
- Paweł Sałek – Member
- Aleksandra Świdorska – Member
- Waldemar Trelka – Member
- Paweł Trętowski – Member (delegated to temporarily act as Vice President of the Management Board)
- Tadeusz Wyrzykowski – Member

Changes in the composition of the Supervisory Board in the three months ended September 30th 2023:

- on September 6th 2023, the Supervisory Board appointed Tadeusz Wyrzykowski as Deputy Chairman of the Supervisory Board;
- on September 21st 2023, the Supervisory Board resolved to delegate Paweł Trętowski, with effect from September 25th 2023, to temporarily act as Vice President of the Management Board responsible for managing the Management Board's activities (until the date of completion of the recruitment procedure for the position of President of the Management Board of Bank Ochrony Środowiska S.A., but no longer than until December 25th 2023).

Following the changes, as at September 30th 2023 the composition of the Supervisory Board was as follows:

- Piotr Sadownik – Chair
- Tadeusz Wyrzykowski – Deputy Chair
- Andrzej Matysiak – Secretary
- Piotr Bielarczyk – Member
- Wojciech Krawczyk – Member
- Marian Niemirski – Member
- Paweł Sałek – Member
- Aleksandra Świdorska – Member
- Waldemar Trelka – Member
- Paweł Trętowski – Member (delegated to temporarily act as Vice President of the Management Board)

As the date of this report, the composition of the Supervisory Board did not change.

## 22. Management Board

As at June 30th 2023, the Management Board consisted of:

- Paweł Trętowski – Member of the Supervisory Board delegated to temporarily act as President of the Management Board
- Arkadiusz Garbarczyk – Vice President of the Management Board, First Deputy President of the Management Board
- Iwona Marciniak – Vice President of the Management Board

Changes in the composition of the Management Board in the three months ended September 30th 2023:

- on July 10th 2023, Sebastian Bodzenta became Vice President of the Management Board following his appointment under the Supervisory Board's resolution of June 29th 2023;
- on September 25th 2023, the Supervisory Board delegated Paweł Trętowski, Member the Supervisory Board, to temporarily act as Vice President of the Management Board, and entrusted him with the management of the Management Board's activities until the date of completion of the recruitment procedure for the position of President of the Management Board of Bank Ochrony Środowiska S.A., but no longer than until December 25th 2023.

Following the changes, as at September 30th 2023 the composition of the Management Board was as follows:

- Paweł Trętowski – member of the Supervisory Board delegated to temporarily act as Vice President of the Management Board responsible for managing the activities of the Management Board
- Arkadiusz Garbarczyk – Vice President of the Management Board, First Deputy President of the Management Board
- Sebastian Bodzenta – Vice President of the Management Board
- Iwona Marciniak – Vice President of the Management Board

As the date of this report, the composition of the management Board did not change.

# CONDENSED INTERIM FINANCIAL STATEMENTS OF THE BOŚ GROUP

## Consolidated interim statement of profit or loss of the BOŚ Group

| Continuing operations   | for 3 months ended Sep 30 2023 | for 9 months ended Sep 30 2023 | for 3 months ended Sep 30 2022 restated data | for 9 months ended Sep 30 2022 restated data |
|---|--------------------------------|--------------------------------|--|--|
| Interest and similar income, including:   | 408,944                        | 1,220,000                      | 330,874                                      | 772,745                                      |
| <i>financial assets measured at amortised cost</i>  | 288,382                        | 855,296                        | 210,736                                      | 555,626                                      |
| <i>assets measured at fair value through other comprehensive income</i>   | 114,437                        | 345,759                        | 113,935                                      | 206,643                                      |
| <i>financial assets measured at fair value through profit or loss</i>   | 6,125                          | 18,945                         | 6,203  | 10,476                                       |
| Interest expense and similar charges, including:  | -206,683                       | -606,836                       | -163,751                                     | -272,815                                     |
| <i>financial liabilities measured at amortised cost</i>   | -206,683                       | -606,836                       | -163,751                                     | -272,815                                     |
| <b>Net interest income</b>  | <b>202,261</b>                 | <b>613,164</b>                 | <b>167,123</b>                               | <b>499,930</b>                               |
| Fee and commission income   | 43,363                         | 128,952                        | 38,686                                       | 129,217                                      |
| Fee and commission expense  | -10,814                        | -32,416                        | -9,571                                       | -31,543                                      |
| <b>Net fee and commission income</b>  | <b>32,549</b>                  | <b>96,536</b>                  | <b>29,115</b>                                | <b>97,674</b>                                |
| Dividend income   | 120                            | 8,280                          | 125  | 7,150  |
| Gain (loss) on financial instruments measured at fair value through profit or loss (including amounts due from clients) | 7,232                          | 33,736                         | 17,138                                       | 38,325                                       |
| Gain (loss) on hedge accounting   | 55                             | -1,187                         | 187  | 612  |
| Gain (loss) on foreign exchange transactions  | 19,349                         | 19,698                         | 16,339                                       | 37,678                                       |
| Gain (loss) on derecognition of financial instruments   | -                              | 571                            | 538  | 1,760  |
| Other income  | 7,561                          | 31,023                         | 6,625  | 26,335                                       |
| Other expenses  | -11,273                        | -33,876                        | -12,684                                      | -39,126                                      |
| Effect of legal risk of mortgage loans denominated in foreign currencies  | -75,218                        | -237,011                       | -12,607                                      | -17,590                                      |
| Net impairment losses   | -24,421                        | -18,393                        | -27,829                                      | -120,281                                     |
| Administrative expenses   | -120,331                       | -375,821                       | -144,749                                     | -382,057                                     |
| <b>Profit before tax</b>  | <b>37,884</b>                  | <b>136,720</b>                 | <b>39,321</b>                                | <b>150,410</b>                               |
| Income tax expense  | -14,980                        | -58,065                        | -7,295                                       | -34,507                                      |
| <b>Net profit</b>   | <b>22,904</b>                  | <b>78,655</b>                  | <b>32,026</b>                                | <b>115,903</b>                               |
| <b>of which attributable to:</b>  |                                |                                |  |  |
| <i>owners of the parent</i>   | 22,904                         | 78,655                         | 32,026                                       | 115,903                                      |
| <b>Earnings per share attributable to owners of the parent during period (PLN)</b>                                      |                                |                                |  |  |
| <i>basic</i>  |                                | 0.85                           |  | 1.25   |
| <i>diluted</i>  |                                | 0.85                           |  | 1.25   |

No operations were discontinued in the nine months ended September 30th 2023 or in 2022.

## Consolidated interim statement of comprehensive income of the BOŚ Group

| Continuing operations  | for 3 months ended Sep 30 2023 | for 9 months ended Sep 30 2023 | for 3 months ended Sep 30 2022 | for 9 months ended Sep 30 2022 |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>Net profit</b>  | <b>22,904</b>                  | <b>78,655</b>                  | <b>32,026</b>                  | <b>115,903</b>                 |
| <b>Items that may be reclassified to profit or loss:</b>   | <b>23,700</b>                  | <b>77,384</b>                  | <b>5,548</b>                   | <b>-55,463</b>                 |
| Fair value of financial assets measured at fair value through other comprehensive income, gross  | 29,260                         | 95,536                         | 6,849                          | -68,473                        |
| Deferred tax   | -5,560                         | -18,152                        | -1,301                         | 13,010                         |
| <b>Items that will not be reclassified to profit or loss:</b>                                    | <b>-</b>                       | <b>2</b>                       | <b>-1</b>                      | <b>-2</b>                      |
| Fair value of equity instruments carried at fair value through other comprehensive income, gross | -                              | 3                              | -2                             | -3                             |
| Deferred tax   | -                              | -1                             | 1                              | 1                              |
| <b>Other comprehensive income</b>  | <b>23,700</b>                  | <b>77,386</b>                  | <b>5,547</b>                   | <b>-55,465</b>                 |
| <b>Total comprehensive income</b>  | <b>46,604</b>                  | <b>156,041</b>                 | <b>37,573</b>                  | <b>60,438</b>                  |
| <b>Of which attributable to:</b>   |                                |                                |                                |                                |
| <i>owners of the parent</i>  | 46,604                         | 156,041                        | 37,573                         | 60,438                         |

## Consolidated interim statement of financial position of the BOŚ Group

| Assets   | Sep 30 2023       | Dec 31 2022       |
|--|-------------------|-------------------|
| Cash and balances with central bank  | 797,923           | 575,875           |
| Amounts due from banks   | 175,094           | 242,831           |
| Financial assets held for trading, including:                                      | 205,833           | 263,259           |
| <i>equity securities</i>   | 23,138            | 16,602            |
| <i>debt securities</i>   | 17,178            | 20,643            |
| <i>derivative instruments</i>  | 165,517           | 226,014           |
| Derivative hedging instruments   | 12,230            | 30,562            |
| Investment securities:   | 9,480,313         | 9,008,118         |
| <i>equity securities measured at fair value through other comprehensive income</i> | 85,466            | 85,465            |
| <i>debt securities measured at fair value through other comprehensive income</i>   | 6,885,139         | 6,915,813         |
| <i>debt securities measured at amortised cost</i>                                  | 2,389,430         | 1,900,215         |
| <i>debt securities measured at fair value through profit or loss</i>               | 120,278           | 106,625           |
| Amounts due from clients, including:   | 10,557,742        | 11,125,827        |
| <i>measured at amortised cost</i>  | 10,557,568        | 11,122,777        |
| <i>measured at fair value through profit or loss</i>                               | 174               | 3,050             |
| Intangible assets  | 127,643           | 132,983           |
| Property, plant and equipment  | 88,047            | 91,670            |
| Right of use – leases  | 54,725            | 65,839            |
| Tax assets:  | 179,998           | 175,900           |
| <i>current</i>   | 8,845             | 2,445             |
| <i>deferred</i>  | 171,153           | 173,455           |
| Other assets   | 318,530           | 293,317           |
| <b>Total assets</b>  | <b>21,998,078</b> | <b>22,006,181</b> |

| Liabilities  | Sep 30 2023       | Dec 31 2022       |
|--|-------------------|-------------------|
| Amounts due to central bank and other banks        | 169,764           | 141,143           |
| Financial liabilities held for trading, including: | 100,584           | 152,977           |
| <i>equity securities</i>                           | 1,299             | 907               |
| <i>derivative instruments</i>                      | 99,285            | 152,070           |
| Amounts due to clients                             | 18,527,611        | 18,820,809        |
| Subordinated liabilities                           | 440,715           | 345,035           |
| Provisions   | 200,952           | 165,458           |
| Tax liabilities:                                   | 2,188             | 449               |
| <i>current</i>                                     | 1,780             | 449               |
| <i>deferred</i>                                    | 408               | -                 |
| Lease liabilities                                  | 54,341            | 67,928            |
| Other liabilities                                  | 381,744           | 348,244           |
| <b>Total liabilities</b>                           | <b>19,877,899</b> | <b>20,042,043</b> |

| Equity   | Sep 30 2023       | Dec 31 2022       |
|--|-------------------|-------------------|
| <b>Equity attributable to owners of the parent</b> |                   |                   |
| Common equity:                                     | 1,461,036         | 1,461,036         |
| <i>Share capital</i>                               | 929,477           | 929,477           |
| <i>Treasury shares</i>                             | -1,292            | -1,292            |
| <i>Share premium</i>                               | 532,851           | 532,851           |
| Revaluation reserve                                | 20,523            | -56,863           |
| Retained earnings                                  | 638,620           | 559,965           |
| <b>Total equity</b>                                | <b>2,120,179</b>  | <b>1,964,138</b>  |
| <b>Total equity and liabilities</b>                | <b>21,998,078</b> | <b>22,006,181</b> |

## Consolidated interim statement of changes in equity of the BOŚ Group

|  | Equity attributable to owners of the Bank |                 |                |                     |                               |                        |                   |                             | Total equity     |
|--|---|-----------------|----------------|---------------------|-------------------------------|------------------------|-------------------|-----------------------------|------------------|
|  | Common equity                             |                 |                | Revaluation reserve | Retained earnings             |                        |                   |                             |                  |
|  | Share capital                             | Treasury shares | Share premium  |                     | Other statutory reserve funds | Other capital reserves | General risk fund | Undistributed profit (loss) |                  |
| <b>As at Jan 1 2023</b>                | <b>929,477</b>                            | <b>-1,292</b>   | <b>532,851</b> | <b>-56,863</b>      | <b>457,479</b>                | <b>23,605</b>          | <b>48,302</b>     | <b>30,579</b>               | <b>1,964,138</b> |
| Net profit                             | -   | -               | -              | -                   | -                             | -                      | -                 | 78,655                      | 78,655           |
| Other comprehensive income             | -   | -               | -              | 77,386              | -                             | -                      | -                 | -                           | 77,386           |
| <b>Total comprehensive income</b>      | <b>-</b>                                  | <b>-</b>        | <b>-</b>       | <b>77,386</b>       | <b>-</b>                      | <b>-</b>               | <b>-</b>          | <b>78,655</b>               | <b>156,041</b>   |
| <b>Profit distribution, including:</b> | <b>-</b>                                  | <b>-</b>        | <b>-</b>       | <b>-</b>            | <b>142,130</b>                | <b>-</b>               | <b>-</b>          | <b>-142,130</b>             | <b>-</b>         |
| Transfer of net profit to reserves     | -   | -               | -              | -                   | 142,130                       | -                      | -                 | -142,130                    | -                |
| <b>As at Sep 30 2023</b>               | <b>929,477</b>                            | <b>-1,292</b>   | <b>532,851</b> | <b>20,523</b>       | <b>599,609</b>                | <b>23,605</b>          | <b>48,302</b>     | <b>-32,896</b>              | <b>2,120,179</b> |
| <b>As at Jan 1 2022</b>                | <b>929,477</b>                            | <b>-1,292</b>   | <b>532,851</b> | <b>-26,962</b>      | <b>398,628</b>                | <b>23,605</b>          | <b>48,302</b>     | <b>-38,814</b>              | <b>1,865,795</b> |
| Net profit                             | -   | -               | -              | -                   | -                             | -                      | -                 | 128,244                     | 128,244          |
| Other comprehensive income             | -   | -               | -              | -29,901             | -                             | -                      | -                 | -                           | -29,901          |
| <b>Total comprehensive income</b>      | <b>-</b>                                  | <b>-</b>        | <b>-</b>       | <b>-29,901</b>      | <b>-</b>                      | <b>-</b>               | <b>-</b>          | <b>128,244</b>              | <b>98,343</b>    |
| <b>Profit distribution, including:</b> | <b>-</b>                                  | <b>-</b>        | <b>-</b>       | <b>-</b>            | <b>58,851</b>                 | <b>-</b>               | <b>-</b>          | <b>-58,851</b>              | <b>-</b>         |
| Transfer of net profit to reserves     | -   | -               | -              | -                   | 58,851                        | -                      | -                 | -58,851                     | -                |
| <b>As at Dec 31 2022</b>               | <b>929,477</b>                            | <b>-1,292</b>   | <b>532,851</b> | <b>-56,863</b>      | <b>457,479</b>                | <b>23,605</b>          | <b>48,302</b>     | <b>30,579</b>               | <b>1,964,138</b> |

|  |                |               |                |                |                |               |               |                |                  |
|--|----------------|---------------|----------------|----------------|----------------|---------------|---------------|----------------|------------------|
| <b>As at Jan 1 2022</b>                | <b>929,477</b> | <b>-1,292</b> | <b>532,851</b> | <b>-26,962</b> | <b>398,628</b> | <b>23,605</b> | <b>48,302</b> | <b>-38,814</b> | <b>1,865,795</b> |
| Net profit                             | -              | -             | -              | -              | -              | -             | -             | 115,903        | 115,903          |
| Other comprehensive income             | -              | -             | -              | -55,465        | -              | -             | -             | -              | -55,465          |
| <b>Total comprehensive income</b>      | <b>-</b>       | <b>-</b>      | <b>-</b>       | <b>-55,465</b> | <b>-</b>       | <b>-</b>      | <b>-</b>      | <b>115,903</b> | <b>60,438</b>    |
| <b>Profit distribution, including:</b> | <b>-</b>       | <b>-</b>      | <b>-</b>       | <b>-</b>       | <b>58,851</b>  | <b>-</b>      | <b>-</b>      | <b>-58,851</b> | <b>-</b>         |
| Transfer of net profit to reserves     | -              | -             | -              | -              | 58,851         | -             | -             | -58,851        | -                |
| <b>As at Sep 30 2022</b>               | <b>929,477</b> | <b>-1,292</b> | <b>532,851</b> | <b>-82,427</b> | <b>457,479</b> | <b>23,605</b> | <b>48,302</b> | <b>18,238</b>  | <b>1,926,233</b> |

There were no non-controlling interests in the nine months ended September 30th 2023 or in 2022.

## Consolidated interim statement of cash flows of the BOŚ Group

| Indirect method  | for 9 months ended<br>Sep 30 2023 | for 9 months ended<br>Sep 30 2022<br>restated data |
|--|-----------------------------------|--|
| <b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>  |                                   |  |
| <b>Profit before tax</b>   | <b>136,720</b>                    | <b>150,410</b>                                     |
| <b>Total adjustments:</b>  | <b>-1,032,108</b>                 | <b>1,280,378</b>                                   |
| Amortisation and depreciation  | 54,565                            | 46,089   |
| Interest income on investing activities  | -155,479                          | -80,674  |
| Gain (loss) on investing activities  | 1                                 | -24  |
| Interest income on financing activities  | 28,351                            | 22,111   |
| Dividends received:  | -8,280                            | -7,150   |
| <i>on securities held for trading</i>  | 162                               | 226  |
| <i>on investment securities</i>  | 8,118                             | 6,924  |
| Change in:   |                                   |  |
| <i>amounts due from banks</i>  | 4,443                             | 7,050  |
| <i>assets on securities held for trading</i>   | -3,071                            | -36,617  |
| <i>assets and liabilities from measurement of derivative and hedging financial instruments</i> | 26,044                            | -93,754  |
| <i>investment securities</i>   | -1,256,013                        | -44,090  |
| <i>amounts due from clients</i>  | 568,085                           | 29,500   |
| <i>other assets and income tax</i>   | -32,075                           | -35,116  |
| <i>amounts due to central bank and other banks</i>   | 28,621                            | -31,412  |
| <i>amounts due to clients</i>  | -293,198                          | 1,475,719  |
| <i>liabilities arising from securities held for trading</i>                                    | 392                               | 5,154  |
| <i>provisions</i>  | 35,494                            | 38,885   |
| <i>other liabilities and income tax</i>  | 41,500                            | 41,738   |
| Income tax paid  | -79,768                           | -64,181  |
| <b>Net cash flows from (used in) operating activities</b>                                      | <b>-895,388</b>                   | <b>1,430,788</b>                                   |
| <b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>  |                                   |  |
| <b>Inflows</b>   | <b>159,946</b>                    | <b>249,205</b>                                     |
| Cash receipts from sale of property, plant, and equipment                                      | 3                                 | 24   |
| Cash receipts from redemption of securities measured at amortised cost                         | 9,833                             | 187,921  |
| Interest income on securities measured at amortised cost                                       | 150,110                           | 61,260   |
| <b>Outflows</b>  | <b>-526,837</b>                   | <b>-418,053</b>                                    |
| Payments for acquisition of securities measured at amortised cost                              | -493,679                          | -375,938   |
| Payments for acquisition of intangible assets  | -22,469                           | -25,961  |

|  |                   |                  |
|--|-------------------|------------------|
| Payments for acquisition of property, plant and equipment  | -10,689           | -16,154          |
| <b>Net cash flows from (used in) investing activities</b>  | <b>-366,891</b>   | <b>-168,848</b>  |
| <b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>      |                   |                  |
| <b>Inflows</b>   | <b>100,000</b>    | <b>-</b>         |
| Interest received on bonds issued by the Group, including: | 100,000           | -                |
| <i>subordinated bonds</i>                                  | 100,000           | -                |
| <b>Outflows</b>  | <b>-47,539</b>    | <b>-30,666</b>   |
| Interest paid on bonds issued by the Group, including:     | -30,110           | -14,901          |
| <i>subordinated bonds</i>                                  | -30,110           | -14,901          |
| Lease payments   | -13,078           | -12,598          |
| Lease interest paid  | -4,351            | -3,167           |
| <b>Net cash flows from (used in) financing activities</b>  | <b>52,461</b>     | <b>-30,666</b>   |
| <b>TOTAL NET CASH FLOWS</b>                                | <b>-1,209,818</b> | <b>1,231,274</b> |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>    | <b>5,254,792</b>  | <b>3,605,927</b> |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>          | <b>4,044,974</b>  | <b>4,837,201</b> |
| Restricted cash and cash equivalents                       | 623,121           | 654,719          |

## COMPARABILITY WITH PRIOR PERIOD DATA

### Restated consolidated interim statement of profit or loss as at September 30th 2022

In this report, the BOŚ Group has changed its presentation policy by separately presenting the line item 'Gain (loss) on derecognition of financial instruments' in the statement of profit or loss. In the report for the three months ended September 30th 2022, the Group accounted for gains and losses on the derecognition of financial instruments as part of interest income. Following the change in presentation, the Group restated the comparative data as at September 30th 2022.

The changes did not affect the Group's equity and the statement of financial position in the comparative periods presented in this report. Data on capital adequacy ratios for comparative periods were not restated.

| Continuing operations                                 | Data in issued financial statements for 3 months ended Sep 30 2022 | Adjustment due to presentation change | Adjusted data in these financial statements for 3 months ended Sep 30 2022 | Data in issued financial statements for 9 months ended Sep 30 2022 | Adjustment due to presentation change | Adjusted data in these financial statements for 9 months ended Sep 30 2022 |
|---|--|---------------------------------------|--|--|---------------------------------------|--|
| Interest and similar income, including:               | 331,412  | -538                                  | 330,874  | 774,505  | -1,760                                | 772,745  |
| <i>financial assets measured at amortised cost</i>    | 211,274  | -538                                  | 210,736  | 557,386  | -1,760                                | 555,626  |
| <b>Net interest income</b>                            | <b>167,661</b>   | <b>-538</b>                           | <b>167,123</b>   | <b>501,690</b>   | <b>-1,760</b>                         | <b>499,930</b>   |
| Gain (loss) on derecognition of financial instruments | -  | 538                                   | 538  | -  | 1,760                                 | 1,760  |
| <b>Profit before tax</b>                              | <b>39,321</b>  | <b>-</b>                              | <b>39,321</b>  | <b>150,410</b>   | <b>-</b>                              | <b>150,410</b>   |
| Income tax expense                                    | -7,295   | -                                     | -7,295   | -34,507  | -                                     | -34,507  |
| <b>Net profit</b>                                     | <b>32,026</b>  | <b>-</b>                              | <b>32,026</b>  | <b>115,903</b>   | <b>-</b>                              | <b>115,903</b>   |

## Restated consolidated interim statement of cash flows as at September 30th 2022

The change in accounting policies concerning the recognition of the effect of legal risk related to litigation related to foreign currency mortgage loans, as described in the full-year consolidated financial statements of the BOŚ Group for the year ended December 31st 2022, in Section 3.2 'Comparability with prior period data', affected the presentation of selected items in the statement of cash flows for comparative data as at September 30th 2022.

In addition, the presentation of lease expenses was modified to separately disclose lease interest payments of PLN 3,167 thousand.

The table below presents the restated data.

| Indirect method   | Data in issued financial statements for 9 months ended Sep 30 2022 | Adjustment for change in accounting policies/presentation change | Adjusted data in these financial statements for 9 months ended Sep 30 2022 |
|---|--|--|--|
| <b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>     |  |  |  |
| <b>Profit before tax</b>                                  | <b>150,410</b>   | -  | <b>150,410</b>   |
| <b>Total adjustments:</b>                                 | <b>1,280,378</b>   | -  | <b>1,280,378</b>   |
| <i>amounts due from clients</i>                           | 15,383   | 14,117   | 29,500   |
| <i>provisions</i>   | 53,002   | -14,117  | 38,885   |
| <b>Net cash flows from (used in) operating activities</b> | <b>1,430,788</b>   | -  | <b>1,430,788</b>   |
| <b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>     |  |  |  |
| <b>Outflows</b>   | <b>-30,666</b>   | -  | <b>-30,666</b>   |
| Lease payments  | -15,765  | 3,167  | -12,598  |
| Lease interest paid                                       | -  | -3,167   | -3,167   |
| <b>Net cash flows from (used in) financing activities</b> | <b>-30,666</b>   | -  | <b>-30,666</b>   |

## CONDENSED INTERIM FINANCIAL STATEMENTS OF BOŚ S.A.

### Interim statement of profit or loss of the Bank

| Continuing operations  | for 3 months ended Sep 30 2023 | for 9 months ended Sep 30 2023 | for 3 months ended Sep 30 2022 restated data | for 9 months ended Sep 30 2022 restated data |
|--|--------------------------------|--------------------------------|--|--|
| Interest and similar income, including:  | 403,088                        | 1,207,431                      | 328,833                                      | 767,976                                      |
| <i>financial assets measured at amortised cost</i>   | 282,535                        | 842,744                        | 208,718                                      | 550,926                                      |
| <i>assets measured at fair value through other comprehensive income</i>                                    | 114,437                        | 345,759                        | 113,935                                      | 206,643                                      |
| <i>financial assets measured at fair value through profit or loss</i>                                      | 6,116                          | 18,928                         | 6,180  | 10,407                                       |
| Interest expense and similar charges, including:   | -231,712                       | -685,812                       | -188,854                                     | -324,750                                     |
| <i>financial liabilities measured at amortised cost</i>  | -231,712                       | -685,812                       | -188,854                                     | -324,750                                     |
| <b>Net interest income</b>   | <b>171,376</b>                 | <b>521,619</b>                 | <b>139,979</b>                               | <b>443,226</b>                               |
| Fee and commission income  | 21,277                         | 62,574                         | 20,610                                       | 62,245                                       |
| Fee and commission expense   | -2,206                         | -6,638                         | -2,429                                       | -7,787                                       |
| <b>Net fee and commission income</b>   | <b>19,071</b>                  | <b>55,936</b>                  | <b>18,181</b>                                | <b>54,458</b>                                |
| Dividend income  | -                              | 8,118                          | -  | 6,924  |
| Gain (loss) on financial instruments measured at fair value through profit or loss (including amounts due) | -2,150                         | 3,827                          | 10,063                                       | 13,728                                       |
| Gain (loss) on hedge accounting  | 55                             | -1,187                         | 187  | 612  |
| Gain (loss) on foreign exchange transactions   | 19,331                         | 20,018                         | 16,467                                       | 37,269                                       |
| Gain (loss) on derecognition of financial instruments  | -                              | 571                            | 538  | 1,760  |
| Other income   | 3,420                          | 14,729                         | 3,187  | 7,514  |
| Other expenses   | -6,199                         | -19,601                        | -3,962                                       | -14,492                                      |
| Effect of legal risk of mortgage loans denominated in foreign currencies                                   | -75,218                        | -237,011                       | -12,607                                      | -17,590                                      |
| Net impairment losses  | -24,373                        | -29,100                        | -27,560                                      | -119,073                                     |
| Administrative expenses  | -87,719                        | -281,163                       | -116,979                                     | -300,329                                     |
| Share of profit (loss) of equity-accounted entities  | 14,318                         | 50,270                         | 9,007  | 29,209                                       |
| <b>Profit before tax</b>   | <b>31,912</b>                  | <b>107,026</b>                 | <b>36,501</b>                                | <b>143,216</b>                               |
| Income tax expense   | -10,332                        | -42,261                        | -4,721                                       | -26,991                                      |
| <b>Net profit</b>  | <b>21,580</b>                  | <b>64,765</b>                  | <b>31,780</b>                                | <b>116,225</b>                               |
| <b>Earnings per share attributable to owners of the parent during period (PLN)</b>                         |                                |                                |  |  |
| <i>basic</i>   |                                | 0.70                           |  | 1.25   |
| <i>diluted</i>   |                                | 0.70                           |  | 1.25   |

No operations were discontinued in the nine months ended September 30th 2023 or in 2022.

## Interim statement of comprehensive income of the Bank

| Continuing operations  | for 3 months<br>ended Sep 30<br>2023 | for 9 months<br>ended Sep 30<br>2023 | for 3 months<br>ended Sep 30<br>2022 | for 9 months<br>ended Sep 30<br>2022 |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Net profit</b>  | <b>21,580</b>                        | <b>64,765</b>                        | <b>31,780</b>                        | <b>116,225</b>                       |
| <b>Items that may be reclassified to profit or loss:</b>   | <b>23,700</b>                        | <b>77,384</b>                        | <b>5,548</b>                         | <b>-55,463</b>                       |
| Fair value of financial assets measured at fair value through other comprehensive income, gross  | 29,260                               | 95,536                               | 6,849                                | -68,473                              |
| Deferred tax   | -5,560                               | -18,152                              | -1,301                               | 13,010                               |
| <b>Items that will not be reclassified to profit or loss:</b>                                    | <b>-</b>                             | <b>2</b>                             | <b>-1</b>                            | <b>-2</b>                            |
| Fair value of equity instruments carried at fair value through other comprehensive income, gross | -                                    | 3                                    | -2                                   | -3                                   |
| Deferred tax   | -                                    | -1                                   | 1                                    | 1                                    |
| <b>Other comprehensive income</b>  | <b>23,700</b>                        | <b>77,386</b>                        | <b>5,547</b>                         | <b>-55,465</b>                       |
| <b>Total comprehensive income</b>  | <b>45,280</b>                        | <b>142,151</b>                       | <b>37,327</b>                        | <b>60,760</b>                        |

## Interim statement of financial position of the Bank

| Assets   | Sep 30 2023       | Dec 31 2022       |
|--|-------------------|-------------------|
| Cash and balances with central bank  | 797,915           | 575,865           |
| Amounts due from banks   | 174,974           | 240,885           |
| Financial assets held for trading, including:                                      | 151,632           | 222,944           |
| <i>debt securities</i>   | 16,601            | 20,225            |
| <i>derivative instruments</i>  | 135,031           | 202,719           |
| Derivative hedging instruments   | 12,230            | 30,562            |
| Investment securities:   | 9,480,313         | 9,008,118         |
| <i>equity securities measured at fair value through other comprehensive income</i> | 85,466            | 85,465            |
| <i>debt securities measured at fair value through other comprehensive income</i>   | 6,885,139         | 6,915,813         |
| <i>debt securities measured at amortised cost</i>                                  | 2,389,430         | 1,900,215         |
| <i>debt securities measured at fair value through profit or loss</i>               | 120,278           | 106,625           |
| Amounts due from clients, including:   | 10,576,151        | 11,173,579        |
| <i>measured at amortised cost</i>  | 10,575,977        | 11,170,529        |
| <i>measured at fair value through profit or loss</i>                               | 174               | 3,050             |
| Investments in subsidiaries  | 256,427           | 226,158           |
| Intangible assets  | 112,338           | 118,251           |
| Property, plant and equipment  | 43,707            | 45,987            |
| Right of use – leases  | 50,768            | 61,199            |
| Tax assets:  | 166,033           | 161,532           |
| <i>current</i>   | 8,845             | 2,445             |
| <i>deferred</i>  | 157,188           | 159,087           |
| Other assets   | 58,524            | 50,158            |
| <b>Total assets</b>  | <b>21,881,012</b> | <b>21,915,238</b> |

| Liabilities                                       | Sep 30 2023       | Dec 31 2022       |
|---|-------------------|-------------------|
| Amounts due to central bank and other banks       | 169,764           | 141,143           |
| Derivative financial instruments held for trading | 96,568            | 147,922           |
| Amounts due to clients                            | 18,664,092        | 18,879,924        |
| Subordinated liabilities                          | 440,557           | 345,035           |
| Provisions  | 196,368           | 159,357           |
| Lease liabilities                                 | 50,641            | 63,475            |
| Other liabilities                                 | 158,875           | 216,386           |
| <b>Total liabilities</b>                          | <b>19,776,865</b> | <b>19,953,242</b> |

| Equity                              | Sep 30 2023       | Dec 31 2022       |
|-------------------------------------|-------------------|-------------------|
| Common equity:                      | 1,460,364         | 1,460,364         |
| <i>Share capital</i>                | 929,477           | 929,477           |
| <i>Treasury shares</i>              | -1,294            | -1,294            |
| <i>Share premium</i>                | 532,181           | 532,181           |
| Revaluation reserve                 | 20,523            | -56,863           |
| Retained earnings                   | 623,260           | 558,495           |
| <b>Total equity</b>                 | <b>2,104,147</b>  | <b>1,961,996</b>  |
| <b>Total equity and liabilities</b> | <b>21,881,012</b> | <b>21,915,238</b> |

## Interim statement of changes in equity of the Bank

|  | 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 Jan 1 2023</b>                | <b>929,477</b> | <b>-1,294</b>   | <b>532,181</b> | <b>-56,863</b>      | <b>382,585</b>                | <b>48,302</b>     | <b>127,608</b>              | <b>1,961,996</b> |
| Net profit                             | -              | -               | -              | -                   | -                             | -                 | 64,765                      | 64,765           |
| Other comprehensive income             | -              | -               | -              | 77,386              | -                             | -                 | -                           | 77,386           |
| <b>Total comprehensive income</b>      | <b>-</b>       | <b>-</b>        | <b>-</b>       | <b>77,386</b>       | <b>-</b>                      | <b>-</b>          | <b>64,765</b>               | <b>142,151</b>   |
| <b>Profit distribution, including:</b> | <b>-</b>       | <b>-</b>        | <b>-</b>       | <b>-</b>            | <b>127,608</b>                | <b>-</b>          | <b>-127,608</b>             | <b>-</b>         |
| Transfer of net profit to reserves     | -              | -               | -              | -                   | 127,608                       | -                 | -127,608                    | -                |
| <b>As at Sep 30 2023</b>               | <b>929,477</b> | <b>-1,294</b>   | <b>532,181</b> | <b>20,523</b>       | <b>510,193</b>                | <b>48,302</b>     | <b>64,765</b>               | <b>2,104,147</b> |
| <b>As at Jan 1 2022</b>                | <b>929,477</b> | <b>-1,294</b>   | <b>532,181</b> | <b>-26,962</b>      | <b>333,871</b>                | <b>48,302</b>     | <b>48,714</b>               | <b>1,864,289</b> |
| Net profit                             | -              | -               | -              | -                   | -                             | -                 | 127,608                     | 127,608          |
| Other comprehensive income             | -              | -               | -              | -29,901             | -                             | -                 | -                           | -29,901          |
| <b>Total comprehensive income</b>      | <b>-</b>       | <b>-</b>        | <b>-</b>       | <b>-29,901</b>      | <b>-</b>                      | <b>-</b>          | <b>127,608</b>              | <b>97,707</b>    |
| <b>Profit distribution, including:</b> | <b>-</b>       | <b>-</b>        | <b>-</b>       | <b>-</b>            | <b>48,714</b>                 | <b>-</b>          | <b>-48,714</b>              | <b>-</b>         |
| Transfer of net profit to reserves     | -              | -               | -              | -                   | 48,714                        | -                 | -48,714                     | -                |
| <b>As at Dec 31 2022</b>               | <b>929,477</b> | <b>-1,294</b>   | <b>532,181</b> | <b>-56,863</b>      | <b>382,585</b>                | <b>48,302</b>     | <b>127,608</b>              | <b>1,961,996</b> |

|  |                |               |                |                |                |               |                |                  |
|--|----------------|---------------|----------------|----------------|----------------|---------------|----------------|------------------|
| <b>As at Jan 1 2022</b>                | <b>929,477</b> | <b>-1,294</b> | <b>532,181</b> | <b>-26,962</b> | <b>333,871</b> | <b>48,302</b> | <b>48,714</b>  | <b>1,864,289</b> |
| Net profit                             | -              | -             | -              | -              | -              | -             | 116,225        | 116,225          |
| Other comprehensive income             | -              | -             | -              | -55,465        | -              | -             | -              | -55,465          |
| <b>Total comprehensive income</b>      | <b>-</b>       | <b>-</b>      | <b>-</b>       | <b>-55,465</b> | <b>-</b>       | <b>-</b>      | <b>116,225</b> | <b>60,760</b>    |
| <b>Profit distribution, including:</b> | <b>-</b>       | <b>-</b>      | <b>-</b>       | <b>-</b>       | <b>48,714</b>  | <b>-</b>      | <b>-48,714</b> | <b>-</b>         |
| Transfer of net profit to reserves     | -              | -             | -              | -              | 48,714         | -             | -48,714        | -                |
| <b>As at Sep 30 2022</b>               | <b>929,477</b> | <b>-1,294</b> | <b>532,181</b> | <b>-82,427</b> | <b>382,585</b> | <b>48,302</b> | <b>116,225</b> | <b>1,925,049</b> |

There were no non-controlling interests in the nine months ended September 30th 2023 or in 2022.

## Interim statement of cash flows of the Bank

| Indirect method  | for 9 months ended<br>Sep 30 2023 | for 9 months ended<br>Sep 30 2022<br>restated data |
|--|-----------------------------------|--|
| <b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>  |                                   |  |
| <b>Profit before tax</b>   | <b>107,026</b>                    | <b>143,216</b>                                     |
| <b>Total adjustments:</b>  | <b>-1,032,251</b>                 | <b>1,273,926</b>                                   |
| Share in (profit) loss of equity-accounted subordinated entities                               | -50,270                           | -29,209  |
| Amortisation and depreciation  | 44,255                            | 37,036   |
| Interest income on investing activities  | -155,479                          | -80,674  |
| Gain (loss) on investing activities  | -                                 | -  |
| Interest income on financing activities  | 27,958                            | 21,904   |
| Dividends received:  | -8,118                            | -6,924   |
| <i>on investment securities</i>  | 8,118                             | 6,924  |
| Change in:   |                                   |  |
| <i>amounts due from banks</i>  | 2,624                             | 4,764  |
| <i>assets on securities held for trading</i>   | 3,624                             | -30,041  |
| <i>assets and liabilities from measurement of derivative and hedging financial instruments</i> | 34,666                            | -79,558  |
| <i>investment securities</i>   | -1,256,013                        | -43,520  |
| <i>amounts due from clients</i>  | 597,428                           | 2,159  |
| <i>other assets and income tax</i>   | -14,818                           | -22,656  |
| <i>amounts due to central bank and other banks</i>   | 28,621                            | -31,412  |
| <i>amounts due to clients</i>  | -215,832                          | 1,505,135  |
| <i>provisions</i>  | 37,011                            | 38,590   |
| <i>other liabilities and income tax</i>  | -48,667                           | 38,026   |
| Income tax paid  | -67,359                           | -56,618  |
| <b>Net cash flows from (used in) operating activities</b>                                      | <b>-925,225</b>                   | <b>1,417,142</b>                                   |
| <b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>  |                                   |  |
| <b>Inflows</b>   | <b>179,943</b>                    | <b>259,181</b>                                     |
| Interest income on securities measured at amortised cost                                       | 150,110                           | 61,260   |
| Cash receipts from redemption of securities measured at amortised cost                         | 9,833                             | 187,921  |
| Dividends received   | 20,000                            | 10,000   |
| <b>Outflows</b>  | <b>-519,068</b>                   | <b>-410,266</b>                                    |
| Payments for acquisition of securities measured at amortised cost                              | -493,679                          | -375,938   |
| Payments for acquisition of intangible assets  | -18,326                           | -22,839  |
| Payments for acquisition of property, plant and equipment                                      | -7,063                            | -11,489  |

|  |                   |                  |
|--|-------------------|------------------|
| <b>Net cash flows from (used in) investing activities</b>  | <b>-339,125</b>   | <b>-151,085</b>  |
| <b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>      |                   |                  |
| <b>Inflows</b>   | <b>100,000</b>    | <b>-</b>         |
| Interest received on bonds issued by the Group, including: | 100,000           | -                |
| <i>subordinated bonds</i>                                  | 100,000           | -                |
| <b>Outflows</b>  | <b>-45,459</b>    | <b>-28,761</b>   |
| Interest paid on bonds issued by the Bank, including:      | -30,110           | -14,901          |
| <i>subordinated bonds</i>                                  | -30,110           | -14,901          |
| Lease payments   | -11,234           | -10,900          |
| Lease interest paid  | -4,115            | -2,960           |
| <b>Net cash flows from (used in) financing activities</b>  | <b>54,541</b>     | <b>-28,761</b>   |
| <b>TOTAL NET CASH FLOWS</b>                                | <b>-1,209,809</b> | <b>1,237,296</b> |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>    | <b>5,254,664</b>  | <b>3,599,583</b> |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>          | <b>4,044,855</b>  | <b>4,836,879</b> |
| Restricted cash and cash equivalents                       | 623,121           | 654,719          |

## COMPARABILITY WITH PRIOR PERIOD DATA

### Restated interim statement or profit or loss of the Bank as at September 30th 2022

In this report, the Bank has changed its presentation policy by separately presenting the line item 'Gain (loss) on derecognition of financial instruments' in the statement of profit or loss. In the report for the three months ended September 30th 2022, the Bank accounted for gains and losses on the derecognition of financial instruments as part of interest income. Following the change in presentation, the Bank restated the comparative data as at September 30th 2022.

The changes did not affect the Bank's equity and the statement of financial position in the comparative periods presented in this report. Data on capital adequacy ratios for comparative periods were not restated.

| Continuing operations                                 | Data in issued financial statements for 3 months ended Sep 30 2022 | Adjustment due to presentation change | Adjusted data in these financial statements for 3 months ended Sep 30 2022 | Data in issued financial statements for 9 months ended Sep 30 2022 | Adjustment due to presentation change | Adjusted data in these financial statements for 9 months ended Sep 30 2022 |
|---|--|---------------------------------------|--|--|---------------------------------------|--|
| Interest income and similar income                    | 329,371  | -538                                  | 328,833  | 769,736  | -1,760                                | 767,976  |
| <i>financial assets measured at amortised cost</i>    | 209,256  | -538                                  | 208,718  | 552,686  | -1,760                                | 550,926  |
| <b>Net interest income</b>                            | <b>140,517</b>   | <b>-538</b>                           | <b>139,979</b>   | <b>444,986</b>   | <b>-1,760</b>                         | <b>443,226</b>   |
| Gain (loss) on derecognition of financial instruments | -  | 538                                   | 538  | -  | 1,760                                 | 1,760  |
| <b>Profit before tax</b>                              | <b>36,501</b>  | <b>-</b>                              | <b>36,501</b>  | <b>143,216</b>   | <b>-</b>                              | <b>143,216</b>   |
| Income tax expense                                    | -4,721   | -                                     | -4,721   | -26,991  | -                                     | -26,991  |
| <b>Net profit</b>                                     | <b>31,780</b>  | <b>-</b>                              | <b>31,780</b>  | <b>116,225</b>   | <b>-</b>                              | <b>116,225</b>   |

## Restated interim statement of cash flows of the Bank as at September 30th 2022

The change in accounting policies concerning the recognition of the effect of legal risk of litigation related to foreign currency mortgage loans, as described in the full-year financial statements of BOŚ S.A. for the year ended December 31st 2022, in Section 4.2 'Comparability with prior period data', affected the presentation of selected items in the statement of cash flows for comparative data as at September 30th 2022.

In addition, the presentation of lease expenses was modified to separately disclose lease interest payments of PLN 2,960 thousand.

The table below presents the restated data.

| Indirect method   | Data in issued financial statements for 9 months ended Sep 30 2022 | Adjustment for change in accounting policies/presentation change | Adjusted data in these financial statements for 9 months ended Sep 30 2022 |
|---|--|--|--|
| <b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>     |  |  |  |
| <b>Profit before tax</b>                                  | <b>143,216</b>   | -  | <b>143,216</b>   |
| <b>Total adjustments:</b>                                 | <b>1,273,926</b>   | -  | <b>1,273,926</b>   |
| <i>amounts due from clients</i>                           | -11,958  | 14,117   | 2,159  |
| <i>provisions</i>   | 52,707   | -14,117  | 38,590   |
| <b>Net cash flows from (used in) operating activities</b> | <b>1,417,142</b>   | -  | <b>1,417,142</b>   |
| <b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>     |  |  |  |
| <b>Outflows</b>   | <b>-28,761</b>   | -  | <b>-28,761</b>   |
| Lease payments  | -13,860  | 2,960  | -10,900  |
| Lease interest paid                                       | -  | -2,960   | -2,960   |
| <b>Net cash flows from (used in) financing activities</b> | <b>-28,761</b>   | -  | <b>-28,761</b>   |

## I. Accounting policies applied in preparing the condensed consolidated interim financial statements of the BOŚ Group and the condensed interim financial statements of the Bank

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

The condensed consolidated interim financial statements of the BOŚ Group include:

- 1) Condensed consolidated interim statement of profit or loss for the nine months ended September 30th 2023 and comparative data for the nine months ended September 30th 2022, as well as data for the three months ended September 30th 2023 and comparative data for the three months ended September 30th 2022;
- 2) Condensed consolidated interim statement of comprehensive income for the nine months ended September 30th 2023 and comparative data for the nine months ended September 30th 2022, as well as

data for the three months ended September 30th 2023 and comparative data for the three months ended September 30th 2022;

- 3) Condensed consolidated interim statement of financial position as at September 30th 2023 and comparative data as at December 31st 2022;
- 4) Condensed consolidated interim statement of changes in equity for the nine months ended September 30th 2023 and comparative data for the nine months ended September 30th 2022 and the twelve months ended December 31st 2022;
- 5) Condensed consolidated interim statement of cash flows for the nine months ended September 30th 2023 and comparative data for the nine months ended September 30th 2022;
- 6) Notes to the financial statements.

The condensed interim financial statements of the Bank include:

- 1) Condensed interim statement of profit or loss for the nine months ended September 30th 2023 and comparative data for the nine months ended September 30th 2022, as well as data for the three months ended September 30th 2023 and comparative data for the three months ended September 30th 2022;
- 2) Condensed interim statement of comprehensive income for the nine months ended September 30th 2023 and comparative data for the nine months ended September 30th 2022, as well as data for the three months ended September 30th 2023 and comparative data for the three months ended September 30th 2022;
- 3) Condensed interim statement of financial position as at September 30th 2023 and comparative data as at December 31st 2022;
- 4) Condensed interim statement of changes in equity for the nine months ended September 30th 2023 and comparative data for the nine months ended September 30th 2022 and the twelve months ended December 31st 2022;
- 5) Condensed interim statement of cash flows for the nine months ended September 30th 2023 and comparative data for the nine months ended September 30th 2022;
- 6) Notes to the financial statements.

These condensed consolidated interim financial statements of the BOŚ Group and the condensed interim financial statements of the Bank 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., September 30th 2023, 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 |
| Investment equity 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).

Dom Maklerski BOŚ S.A., BOŚ Leasing - EKO Profit S.A. and MS Wind Sp. z o.o. prepare their financial statements in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU).

These condensed interim financial statements have been prepared in the Polish złoty (PLN), rounded to PLN thousand.

These condensed consolidated interim financial statements of the BOŚ Group and the condensed interim financial statements of the Bank for the nine months ended September 30th 2023 do not include all the

disclosures required to be included in the full-year financial statements and should be read in conjunction with the BOŚ Group's and the Bank's full-year financial statements for the financial year ended December 31st 2022.

These condensed consolidated interim financial statements of the BOŚ Group and the condensed interim financial statements of the Bank for the nine months ended September 30th 2023 follow the same accounting policies as those used in the preparation of the full-year financial statements for the year ended December 31st 2022.

As at the date of authorisation of the condensed consolidated interim financial statements of the BOŚ Group and the condensed interim financial statements of the Bank for issue, there were no circumstances that would indicate a threat to the Bank's or the BOŚ Group companies' ability to continue as going concerns for at least 12 months after the reporting date as a result of voluntary or compulsory discontinuation or limitation of their existing operations. Therefore, these condensed consolidated interim financial statements of the BOŚ Group and the condensed interim financial statements of the Bank have been prepared on the assumption that the Bank and the BOŚ Group companies will continue as going concerns for the foreseeable future, i.e. for a period of at least 12 months from the reporting date.

## II. Fair value of financial assets and liabilities

|  | Carrying amount as at Sep 30 2023 | Fair value as at Sep 30 2023 | Carrying amount as at Dec 31 2022 | Fair value as at Dec 31 2022 |
|--|-----------------------------------|------------------------------|-----------------------------------|------------------------------|
| <b>FINANCIAL ASSETS</b>                            |                                   |                              |                                   |                              |
| Amounts due from banks                             | 175,094                           | 176,276                      | 242,831                           | 244,385                      |
| Amounts due from clients, including:               | 10,557,742                        | 10,544,876                   | 11,125,827                        | 11,159,557                   |
| - PLN loans  | 8,250,561                         | 8,236,984                    | 8,684,003                         | 8,747,366                    |
| - Foreign currency loans                           | 2,307,181                         | 2,307,892                    | 2,441,824                         | 2,412,191                    |
| Investment securities – measured at amortised cost | 2,389,430                         | 2,369,492                    | 1,900,215                         | 1,626,239                    |
| Debt securities, including:                        | 2,389,430                         | 2,369,492                    | 1,900,215                         | 1,626,239                    |
| - State Treasury                                   | 1,907,296                         | 1,915,027                    | 1,691,585                         | 1,465,902                    |
| - Other  | 482,133                           | 454,465                      | 208,630                           | 160,337                      |
| <b>FINANCIAL LIABILITIES</b>                       |                                   |                              |                                   |                              |
| Amounts due to central bank and other banks        | 169,764                           | 169,764                      | 141,143                           | 141,143                      |
| Amounts due to clients, including:                 | 18,527,611                        | 18,549,381                   | 18,820,809                        | 18,401,324                   |
| - institutional clients                            | 6,929,114                         | 6,931,315                    | 7,992,332                         | 7,991,372                    |
| - retail clients                                   | 10,934,519                        | 10,954,056                   | 10,120,218                        | 10,095,536                   |
| - other clients                                    | 100,606                           | 100,606                      | 118,584                           | 118,584                      |
| - international financial institutions             | 563,372                           | 563,404                      | 589,675                           | 195,832                      |
| Liabilities arising from issue of bank securities  | -                                 | -                            | -                                 | -                            |
| Subordinated liabilities                           | 440,715                           | 440,891                      | 345,035                           | 335,736                      |

### Amounts due from banks

Amounts due from 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 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 September 2023. 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.

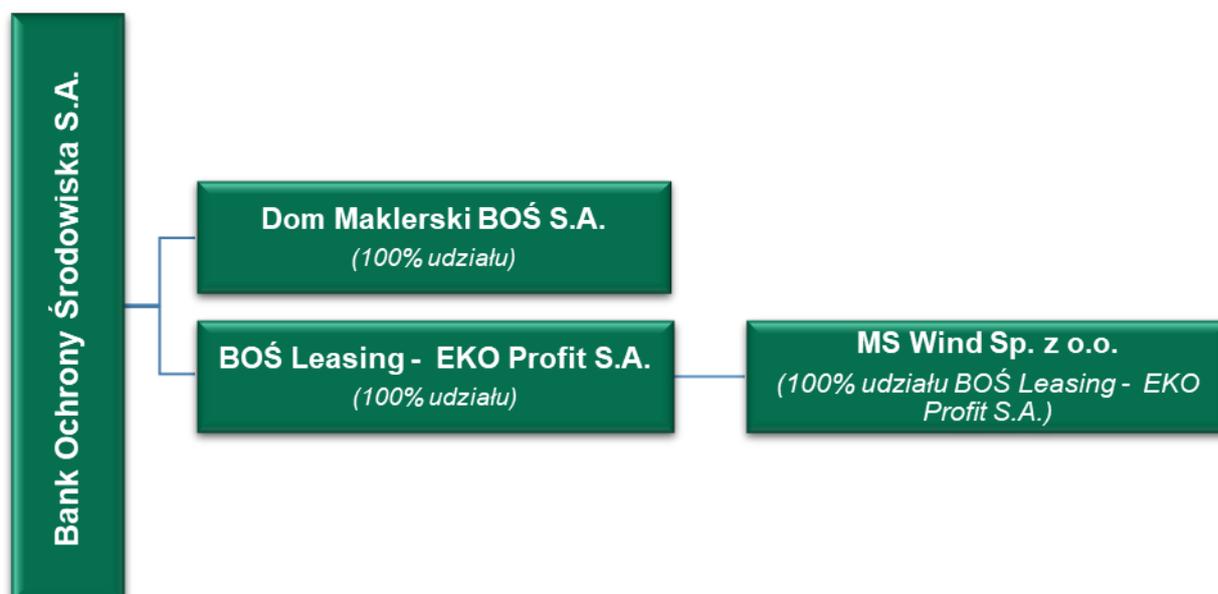
### III. Consolidated contingent liabilities and assets

| CONTINGENT ASSETS AND LIABILITIES, PLN thousand | Sep 30 2023      | Dec 31 2022      | Change (%)  |
|---|------------------|------------------|-------------|
| <b>Contingent liabilities:</b>                  | <b>3,282,180</b> | <b>3,138,890</b> | <b>4.6</b>  |
| Financial, including:                           | 2,761,490        | 2,672,372        | 3.3         |
| open lines of credit, including:                | 2,730,225        | 2,657,528        | 2.7         |
| revocable                                       | 2,306,209        | 2,195,331        | 5.1         |
| irrevocable                                     | 424,016          | 462,197          | -8.3        |
| open import letters of credit                   | 31,265           | 14,844           | 110.6       |
| Guarantees, including:                          | 520,690          | 466,518          | 11.6        |
| credit repayment sureties and guarantees        | 12,739           | 12,739           | 0.0         |
| performance bonds                               | 507,951          | 453,779          | 11.9        |
| <b>Contingent assets:</b>                       | <b>2,469,679</b> | <b>2,167,513</b> | <b>13.9</b> |
| Financial, including:                           | 152,975          | 154,767          | -1.2        |
| open lines of credit                            | 152,975          | 154,767          | -1.2        |
| Guarantees                                      | 2,294,925        | 2,010,194        | 14.2        |
| Other   | 21,779           | 2,552            | 753.4       |

### IV. Organisation of the Group

#### Structure of the Group

In the third quarter of 2023, the BOŚ Group comprised the following entities:



Consolidated subsidiaries of the BOŚ Group as at September 30th 2023:

| No.   | Subordinated entities         | Registered office | % equity interest as at Sep 30 2023 | % voting interest as at Sep 30 2023 | Consolidation method |
|---|-------------------------------|-------------------|-------------------------------------|-------------------------------------|----------------------|
| Direct subsidiaries   |                               |                   |                                     |                                     |                      |
| 1.  | Dom Maklerski BOŚ S.A.        | Warsaw            | 100%                                | 100%                                | Full consolidation   |
| 2.  | BOŚ Leasing - EKO Profit S.A. | Warsaw            | 100%                                | 100%                                | Full consolidation   |
| Indirect subsidiary (subsidiary of BOŚ Leasing - Eko Profit S.A.) |                               |                   |                                     |                                     |                      |
| 1.  | MS Wind sp. z o. o.           | Warsaw            | 100%                                | 100%                                | Full consolidation   |

Dom Maklerski BOŚ S.A. – a direct subsidiary operating on the capital market, provides mainly brokerage services;

BOŚ Leasing - EKO Profit S.A. – a direct subsidiary engaged in lease activities involving financing of environmental protection projects, also provider of financial and advisory services complementary to the Bank's service offering;

MS Wind Sp. z o.o. – an indirect subsidiary (wholly-owned by BOŚ Leasing - EKO Profit S.A.) engaged in the execution of a wind farm project.

Other companies in which BOŚ S.A. holds equity interests:

- Wodkan Przedsiębiorstwo Wodociągów i Kanalizacji S.A. – 29.48%.
- Polskie Domy Drewniane S.A. – 0.42%.
- Kemipol Sp. z o.o. – 15.03%.

## V. Key events subsequent to the date of this report

### BOŚ's credit ratings and stable outlook affirmed

On October 6th 2023, the rating agency Fitch Ratings (the "Agency"), affirmed the Bank's credit ratings and maintained the stable outlook.

### Recognition of Series AB subordinated bonds as Tier 2 instruments

On October 18th 2023, the Office of the Polish Financial Supervision Authority approved the recognition of the Bank's Series AB subordinated bonds with a par value of PLN 100 million as Tier 2 instruments.

### Resignation from the BOŚ S.A. Supervisory Board

On October 25th 2023, Paweł Sałek, Member of the Supervisory Board, resigned from his position on the Supervisory Board without stating the reasons.

## Signatures of Members of the Management Board

| Date              | Name and surname     | Position held   | Signature |
|-------------------|----------------------|---|-----------|
| November 7th 2023 | Paweł Trętowski      | Vice President of the Management Board, responsible for managing the work of the Management Board |           |
| November 7th 2023 | Arkadiusz Garbarczyk | Vice President of the Management Board – First Deputy of President of the Management Board        |           |
| November 7th 2023 | Sebastian Bodzenta   | Vice President of the Management Board  |           |
| November 7th 2023 | Iwona Marciniak      | Vice President of the Management Board  |           |