



**CAPITAL GROUP REPORT
OF BANK OCHRONY ŚRODOWISKA S.A.
FOR THE FIRST QUARTER OF 2021**

Warsaw, May 2021

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SELECTED FINANCIAL DATA

Data of the interim condensed consolidated financial statements of the BOŚ S.A. Group	GROUP	in thous. PLN		in thous. EUR	
		3 months ended 03/31/2021	3 months ended 31/03/2020	3 months ended 31/03/2021	3 months ended 31/03/2020
Interest and similar income		102,516	153,308	22,422.1	34,872
Fee and commission income		46,904	38,894	10,258.7	8,847
Result on financial instruments at fair value through profit or loss		24,295	10,303	5,313.8	2,344
Net income on investment securities		-	687	0.0	156
Gross profit		7,752	34,573	1695.5	7,864
Net profit		2,120	23,569	463.7	5,361

	GROUP	in thous. PLN		in thous. EUR	
		31/03/2021	31/12/2020	31/03/2021	31/12/2020
Total assets		19,941,157	20,505,829	4,278,943	4,443,492
Liabilities to the Central Bank and other banks		582,364	732,743	124,963	158,781
Liabilities to customers		16,066,735	16,560,715	3,447,575	3,588,609
Equity attributable to equity holders of the parent company		1,915,137	1,913,170	410,947	414,573
Share capital		1,461,036	1,461,036	313,507	316,598
Number of shares		92,947,671	92,947,671		
Capital ratio		15.53	14.86		

Data of the interim condensed financial statements of the BOŚ S.A.	BANK	in thous. PLN		in thous. EUR	
		3 months ended 31/03/2021	3 months ended 31/03/2020	3 months ended 31/03/2021	3 months ended 31/03/2020
Interest and similar income		101,809	152,885	22,267	34,776
Fee and commission income		19,922	17,951	4,357	4,083
Result on financial instruments at fair value through profit or loss		15,305	3,774	3,347	858
Net income on investment securities		0	687	0	156
Gross profit		6,054	33,518	1,324	7,624
Net profit		2,222	23,835	486.0	5,422

	BANK	in thous. PLN		in thous. EUR	
		31/03/2021	31/12/2020	31/03/2021	31/12/2020
Total assets		19,654,787	20,298,862	4,217,494	4,398,644
Liabilities to the Central Bank and other banks		582,364	732,743	124,963	158,781
Liabilities to customers		16,051,120	16,553,777	3,444,225	3,587,106
Equity attributable to equity holders of the parent company		1,912,475	1,910,406	410,376	413,974
Share capital		1,460,364	1,460,364	313,363	316,452

Number of shares	92,947,671	92,947,671		
Capital ratio	15.76	14.98		

SUMMARY OF THE RESULTS OF THE BOŚ S.A. GROUP

The Capital Group of Bank Ochrony Środowiska S.A. consists of Bank Ochrony Środowiska S.A., acting as a parent company over its direct subsidiaries: Dom Maklerski BOŚ S.A. and BOŚ Leasing - Eko Profit S.A. and indirect subsidiary MS Wind Sp. z o.o.

Results of BOŚ S.A. Group

In the first quarter of 2021, the BOŚ SA Group reported a net profit of PLN 2.1 million compared to PLN 23.6 million of net profit in the corresponding period of 2020.

The result was negatively affected by the reduction of interest rates by the Monetary Policy Council in 2020 by a total of 140 bps to mitigate the economic consequences of the pandemic. As a result of the reduction of interest rates, the BOŚ Group recorded a decrease in interest income, which in the first quarter of 2021 was PLN 15.6 million lower compared to the same period last year. In addition, also due to the effects of the pandemic, the Group's result was burdened by higher loan impairment charges. The results of the first quarter of 2021 were also affected by the one-off recognition of the annual contribution to the bank's fund for enforced restructuring for 2021 in the amount of PLN 15.7 million.

The Group's capital adequacy level, both with and without the application of IFRS 9 transitional solutions, as at March 31, 2021, was above the values recommended by the Polish Financial Supervision Authority. The Common Equity Tier I ratio was 13.78% and the total capital ratio was 15.54%.

Assumptions of the new Strategy

The Bank is preparing a new Strategy, which will be based on the assumption of strengthening the business model related to the focus on ecology and will emphasise the role of the Bank in the process of green transformation. One of the main assumptions of the new Strategy is further organic growth of the Bank in the area related to financing environmental protection projects.

Selected items of the income statement and ratios of BOŚ S.A. Group

	thous. PLN		Q1. 2021	Q1. 2020	Change %
Net interest income	[1]		87,470	103,043	-15.1
Net fee and commission income	[2]		36,029	29,695	21.3
Gains on financial instruments at fair value through profit or loss	[3]		24,295	10,303	135.8
Cost of legal risk of mortgage loans in foreign currencies			-	-3,228	x
Result on other activities			2,198	17,262	-87.3
Result of impairment allowances	[4]		-38,858	-22,738	70.9
General administrative costs	[5]		-103,382	-99,764	3.6
Gross profit			7,752	34,573	-77.6
NET PROFIT			2,120	23,569	-91.0

1. The interest result of the Group was lower by PLN 15.6 million, i.e. 15.1% than in the corresponding period of the previous year. Interest and similar income decreased by PLN 50.8 million, i.e. 33.1% compared to Q1. of 2020. Interest expense decreased by PLN 35.2 million, i.e. by 70.1%. The decline in interest income and expense was mainly a consequence of the MPC lowering interest rates.
2. Net fee and commission income grew by PLN 6.3m or 21.3% compared to Q1 2020, mainly as a result of an increase in commissions on brokerage services, higher income on fees for servicing client accounts, other domestic and foreign clearing operations and commissions on guarantees and letters of credit. ...

3. The result on financial instruments at fair value through profit or loss increased by PLN 14.0 million, i.e. by 135.8%, due to the higher result on derivative financial instruments measured at fair value through profit or loss.
4. The result of impairment losses amounted to PLN -38.9 million compared to PLN -22.7 million in the corresponding period of 2020, due to higher portfolio write-offs and impairment recognition for individually significant exposures in the institutional client segment.
5. The Group's general administrative expenses were higher by PLN 3.6 million, i.e. 3.6% compared to the corresponding period of 2020, mainly due to higher payroll costs (PLN 3.8 million, i.e. 9.5%).

Financial indicators of the BOŚ S.A. Group

	Q1. 2021	2020	Change in p.p.
Return on equity (ROE) ¹	0.1	-14.9	15.0
Return on assets (ROA) ²	0.01	-1.55	1.56
Interest margin on total assets ³	1.8	1.9	-0.1
Cost of risk ⁴	-1.3	-1.2	-0.1
Costs/Income (C/I) ⁵ assuming that the costs of a single BGF contribution are evenly distributed throughout the year	61.1	62.0	-0.9
Total capital ratio	15.54	14.86	0.68

The interest margin on total assets, calculated as the ratio of net interest income to average assets, amounted to 1.8% compared to 1.9% for 2020, mainly due to the Monetary Policy Council's reduction in interest rates, and as a consequence of a faster decline in loan profitability than costs deposits.

The impact of the COVID-19 pandemic on the operations and prospects of the BOŚ S.A. Group.

In Q1 2021, the BOŚ S.A. Group conducted its operations with a number of solutions aimed at reducing the epidemic risk, both for employees and customers using the branch network. A large part of the employees of BOŚ S.A. Group performed their duties remotely.

The Bank and the entities of the Group maintained the solvency and liquidity ratios at a level exceeding the minimum regulatory levels and did not notice a significant impact of the COVID-19 pandemic on liquidity and capital adequacy.

In the first quarter of 2021, the digital transformation process continued at BOŚ. A mobile payment card service for individual customers was launched in the G Pay application. The bank was working on registering the mobile card in the BOŚ mobile application. Work on the implementation of BLIK service software continued. The chatbot functionality was launched on the website www.bosbank.pl which will ultimately take over most of the matters related to the current customer service and product offer. In the future, it will also act as a virtual eco-advisor. Work continued on the scalability of the Bank's business process automation (RPA - Robotic Process Automation, a technology for automating repetitive business processes using computer programs commonly referred to as robots). In the first quarter of 2021, work was initiated towards the preparation of new robots that will improve the Bank's operational activity in terms of, among others, verification of the correctness of execution of direct debits and standing orders, or generation of letters to customers and public institutions.

Actions in favour of the Bank's customers to mitigate the negative effects of the COVID-19 pandemic and protect the quality of the credit portfolio

In the first quarter of 2021, the Capital Group offered its clients special solutions aimed at reducing the negative effects of the COVID-19 pandemic, including support in maintaining their financial liquidity. Customers took advantage of the opportunities offered by the Bank:

- receiving through BOŚ S.A. support in the form of financial subsidies offered under the Financial Shield 2.0 of the Polish Development Fund (PFR). In total, 126 applications for financial subsidies were approved under the PFR 2.0 Shield for the sum of PLN 43.9 million.
- obtaining a guarantee from the Portfolio Guarantee Line from the BGK Liquidity Guarantee Fund (PLG FGP) to secure a loan for the purpose of ensuring financial liquidity. The guarantee covered both newly granted loans and renewals of overdraft facilities and credit lines. The offer was addressed to the sector of medium and large enterprises. The total sales of loans covered by PLG FGP Guarantees amounted to PLN 173.8 million,
- obtaining guarantees from the de minimis guarantee programme implemented under the governmental programme "Supporting entrepreneurship with the use of BGK guarantees and sureties", implemented to improve access to financing. The total amount of loans covered by PLD-KFG's de minimis guarantees was PLN 17.7 million,
- obtaining the Biznesmax Guarantee granted from the funds of the Guarantee Fund of the BGK Smart Growth Operational Programme intended to support innovative undertakings in the SME sector. The total amount of loans covered by Biznesmax guarantees was PLN 99.0 million,
- obtain a guarantee of repayment of the factoring limit from the Portfolio Factoring Guarantee Line from the BGK Liquidity Guarantee Fund (LGF FGP). The guarantee is offered to SME customers and large enterprises affected by the COVID-19 pandemic for liquidity purposes - regardless of their sector of operation. The total amount of loans covered by the Factoring Guarantees was PLN 31.1 million,
- specific solutions for Jessica and Jeremie Borrowers to mitigate the negative effects of pandemic COVID-19.

New guarantee agreements

On 17 March 2021, the Bank entered into another agreement with Bank Gospodarstwa Krajowego regarding guarantees for entrepreneurs. The guarantees under the signed FGR portfolio guarantee line agreement are intended for micro, small and medium-sized enterprises (SMEs) operating in the agricultural sector.

On March 26, 2021 Bank Ochrony Środowiska signed with Dolnośląski Fundusz Gwarancyjny Sp. z o.o. A cooperation agreement in the field of granting credit and loan guarantees to micro, small and medium-sized enterprises running a business, having their registered office or carrying out investments in the Dolnośląskie Voivodeship.

Decline in net interest income compensated by good brokerage performance

In the first quarter of 2021, the decrease in net interest income as a result of the rate cut by the Monetary Policy Council in 2020, was significantly offset by an increase in income from other sources, mainly from brokerage activities. Low interest rates and the continued high market volatility resulted in a growing interest in the capital market from private customers looking for opportunities to earn positive returns.

Increase in the share of pro-ecological loans in the credit balance

The share of environmental loans, i.e. loans granted for environmental protection purposes and in support of sustainable development, in the total loan portfolio is growing. At the end of the first quarter of 2021, it accounted for 36.56% of the Bank's total loan balance compared to 36.34% at the end of 2020. The amount of pro-ecological loans as at March 31, 2020 was PLN 4.7 billion and was 0.1% higher than at the end of 2020.

Development of cooperation with the National Fund for Environmental Protection and Water Management (NFOŚiGW)

On 14 April 2021 an agreement was signed between BOŚ S.A. and NFOŚiGW for the provision of financial resources for the implementation of the Clean Air priority programme, which aims to improve the quality of life and health of Polish residents by eliminating air pollution emissions. The new version of the programme includes in the catalogue of available subsidies a grant for partial write-off of a bank loan. The Bank offers a "Transparent Loan", which on preferential terms allows for the financing of non-eligible costs of projects implemented under the above-mentioned programme or to provide bridge financing until the investor receives a subsidy.

In addition, the Bank cooperates with Provincial Environmental Protection Funds under contracts for financing pro-ecological projects, mainly in the field of air protection against pollution, including primarily the installation of solar panels and replacement of heat sources with ecological ones.

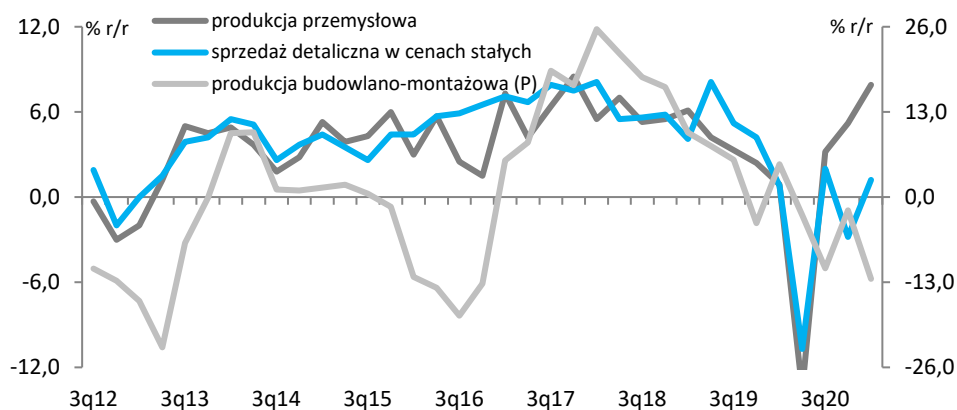
1. Macroeconomic situation

In the first quarter of 2021, the situation in the global and domestic economy was still determined by the COVID-19 pandemic lasting more than a year and the related restrictions on socio-economic operations affecting the results of economic activity. At the same time, the commencement and acceleration of the COVID-19 vaccination process during Q1 resulted in the strengthening of expectations that from Q2 the negative impact of the pandemic on the global economy will weaken, which will enable a return to the path of economic growth.

In the global economy, the results of economic activity in Q1 were a derivative of the epidemic situation and economic restrictions. In the case of the USA, the faster stabilization of the situation and the unfreezing of the economy along with the easing of fiscal policy resulted in a significant acceleration of GDP growth and the return of the annual dynamics to a positive level (+ 0.4% y/y). In the case of the euro area, the longer period and the wider scope of the restrictions translated into another quarter of GDP decline (on a quarterly basis) and only a reduction in the scale of GDP decline in annual terms, which was positively influenced only by the effects of a low reference base (-1.8% y/y). In the case of the Chinese economy, the increase in activity continued in the conditions of an epidemic that had been more stable for many months, additionally in Q1 strongly supported by a very low reference base (a sharp increase in GDP growth in Q1 to + 18.3% y/y).

In Poland, in the first quarter of 2021, the dynamic recovery in industrial activity continued in the context of the global effect of the recovery in foreign trade. Adverse weather effects inhibited further improvement of results in construction, while trade and consumer services were mainly influenced by administrative decisions on limiting and opening activities (mainly trade, culture and entertainment, accommodation). The annual growth rates of the real sphere data (industrial production up by 7.9 y/y and retail sales up by 1.2 y/y) increased more strongly in Q1 due to a lower base of reference, i.e. a sharp decline of economic activity in the second half of March 2020, during the initial period of pandemic-related restrictions of the operations. On the other hand, the lack of the effect of a lower reference base and weaker current data resulted in a stronger decline in construction & assembly production growth (to -12.5 y/y) in early 2021.

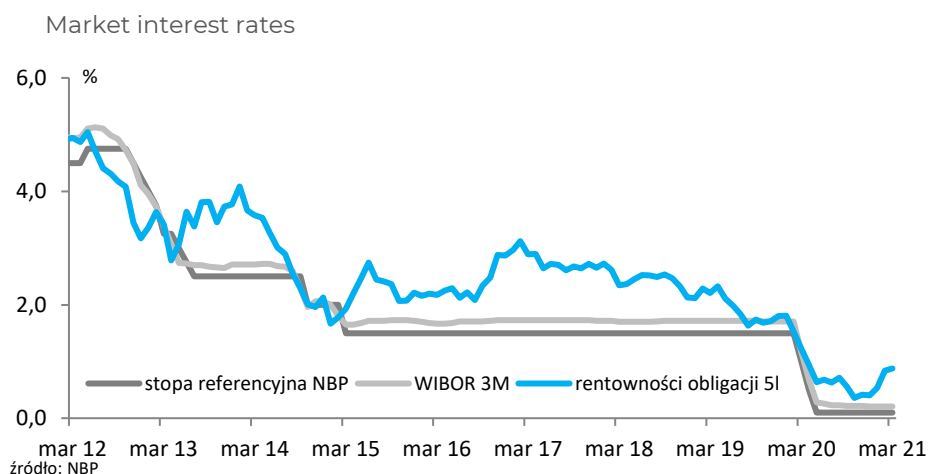
Changes in industrial production, construction and assembly production and retail sales



The base effects had a stronger impact on the labour market data only at the end of the quarter, while in the first months of the year the negative effect of the slowdown in economic activity on the situation on the labour market continued, which resulted in a deepening decline in employment growth in the enterprise sector and a sustained lower wage growth rate. In the first quarter of 2021, the level of the registered unemployment rate changed slightly, which in March amounted to 6.4%, with the number of unemployed close to 1.1 million people, 170 thousand more than a year ago.

In Q1 2021, the NBP continued its lax monetary policy. The NBP reference rate was kept at 0.10%; deposit rate 0.00%; lombard rate 0.50%, rediscount rate 0.11%; and the discount rate of 0.12%. At the same time, the central bank continued the financial asset purchase programme launched in March 2020. From the beginning of the programme, the NBP purchased assets worth PLN 123.80 billion.

In the first quarter of 2021, the government continued financial support for enterprises. The disbursement of further support under the Anti-Crisis Shield (referred to as the "Industry Shield") has started. The support was addressed to entities operating in one of approximately 60 sectors defined by PKD (hotel, event and tourism industry, but also education, medical and paramedical activities, retail sales, selected services). During Q1 of 2021 the value of support amounted to approx. PLN 6.4 billion, and the largest part was due to redemptions and exemptions from contributions (approx. PLN 2.5 billion). This amount also includes BGK programs (in the form of loan guarantees) worth approximately PLN 14.5 billion. Enterprises could also benefit from the new Financial Shield for SME (2.0) of the Polish Development Fund. The beneficiaries could be entities operating in one of approximately 55 PKD sectors (hotel, event and tourism industry, but also education, medical activities). In Q1 of 2021 about PLN 6.2 billion was disbursed under the PFR 2.0 financial shield, which benefited about 46.8 thousand entities employing about 357.7 thousand employees. In addition, enterprises from the SME sector (45 PKD codes) gained the possibility to redeem the full amount of the subsidy obtained under the Financial Shield 1.0 (the assumed value of the redemption will be approximately PLN 6.7 billion). Moreover, in March 2021, work began on extending the support under the "Industry Shield" for a larger number of entities for April (approx. 65 PKD codes).



Despite the difficult epidemic situation in some regions, the beginning of 2021 was dominated by optimism in financial markets supported by expectations of a recovery in activity with the expansion of the vaccination process and easing of fiscal policy in the United States. In the first four months of the year, the global stock exchange index increased by nearly 10% compared to the end of 2020.

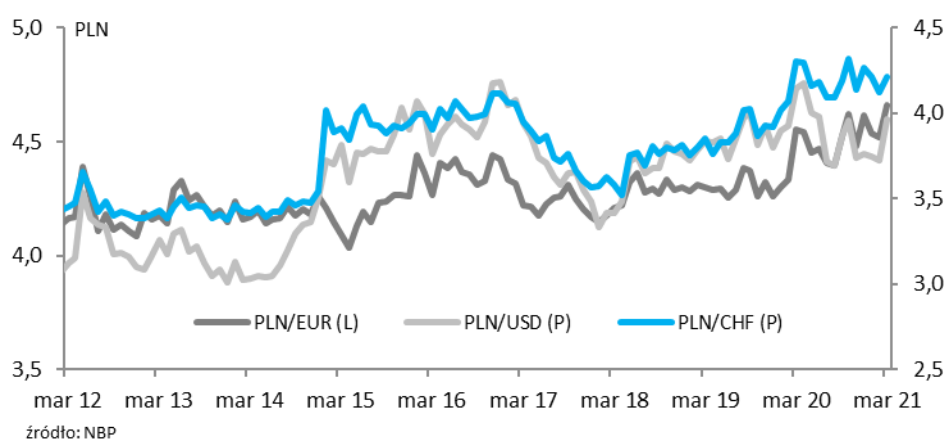
The improved outlook for global economic growth was accompanied by rising concerns about the inflation prospects, reinforced by a dynamic increase in raw material prices on the global market. As a result, the yields of treasury securities in the core markets (USA, Germany) at the longer end of the curve significantly increased, clearly rebounding from the lows recorded in 2020.

Improved moods on the global financial market resulted in a stronger domestic equity market and a stronger zloty. The main stock exchange index WIG increased by 6.6% from the beginning of the year to the end of April. By the end of April, the zloty exchange rate against the euro strengthened by over 1% to 4.57 PLN/EUR, the zloty gained against the Swiss franc (by 2.7% to 4.15 PLN / EUR), while it weakened slightly against the dollar. The appreciation of the zloty was also supported by the limitation of the pro-depreciation policy of the NBP, which burdened the zloty more heavily at the turn of 2020 and 2021.

The stability of the NBP's monetary policy translated into stable levels of money market interest rates in the first months of 2021. The WIBOR 3M rate remained in this period at the level of 0.21%.

In the conditions of a strong increase in the yields of government bonds in core markets, the first months of this year also saw an increase in the yields of domestic securities at the longer end of the curve. Yields on 10-year treasury bonds increased by 48 bps. to 1.70% at the end of April, while yields on 2-year bonds remained practically unchanged (0.05%).

PLN exchange rate in relation to USD, EUR and CHF



2. Bank's response to the COVID-19 pandemic and significant events

The Bank has introduced a number of special solutions and products for companies affected by the difficult situation related to the COVID-19 pandemic and participates in activities aimed at supporting and assisting both businesses and individuals.

- **Wider scope of the de minimis guarantee**

Pursuant to the provisions of the Annexes to the agreement on the de minimis portfolio guarantee line concluded with Bank Gospodarstwa Krajowego under the National Guarantee Fund, the Bank introduced special solutions for companies affected by the difficult situation related to the COVID-19 pandemic. The de minimis guarantee programme is implemented under the government programme "Supporting entrepreneurship with the use of guarantees and sureties of Bank Gospodarstwa Krajowego". De minimis guarantees were implemented to improve access to finance for companies from the SME sector and to provide an offer of commonly available guarantees supporting the development of enterprises. De minimis aid is a form of public aid permitted by the regulations of the European Union.

Detailed solutions:

- if the loan is covered by a guarantee or the amount of the loan covered by the guarantee is increased in the period from March 20, 2020 to June 30, 2021, the amount of the individual loan repayment guarantee shall not exceed 80% of the loan amount;
- in the case of covering with a guarantee a working capital loan or extension of a working capital loan covered by the guarantee in the period from March 20, 2020 to June 30, 2021, the guarantee is granted for a period not longer than 75 months;
- the possibility of covering with a guarantee investment loans for a period of 120 months;
- increasing the guarantee amount from PLN 3.5 million to the maximum amount resulting from EU regulations on de minimis aid, i.e. EUR 1.5 million,
- the possibility of covering with the guarantee also loans granted in a foreign currency,
- resignation from the commission fee on the guarantee by June 30, 2021.

- **A wider scope of the Biznesmax Guarantee from the Guarantee Fund of the Smart Growth Operational Programme**

The Biznesmax guarantee has been offered by BOŚ SA as part of cooperation with BGK since 2017. The broader range of Biznesmax guarantees is aimed at increasing access to current financing, as well as enabling further development of operations of companies from the SME sector.

The guarantee is free of charge and secures up to 80% of the loan amount for the financing of innovative ventures and projects with an environmental effect in the SME sector. The duration of the guarantee shall not exceed 20 years. Guarantee beneficiaries may benefit from an interest subsidy for the loan even for a period of 3 years. The subsidy consists of a refund of the interest paid.

In April, July and December 2020, the Bank signed Annexes introducing changes to the Biznesmax Guarantee.

Detailed solutions:

- the possibility of covering with a guarantee constituting de minimis aid for a revolving working capital loan, including a revolving loan in the current account (thus, the revolving loan will no longer be launched on the basis of financial and accounting documents, and documentation of expenses remains only at the customer's level)

- the period for a revolving working capital loan is a maximum of 39 months,
- in the case of guarantees constituting de minimis aid, the catalogue of eligible costs and the obligation for the Borrower to submit an investment project plan as an appendix to the agreement with BGK were abolished. In addition, as part of the subject evaluation path, an additional criterion was introduced as follows: "in the last 5 years I/we have implemented an ecological investment with an environmental effect". Thanks to this, the possibility of using a guarantee covering a revolving working capital loan was made available to eco-efficient companies,
- the possibility of covering with a guarantee constituting de minimis aid, a non-revolving working capital loan not related to the investment, which was combined with a revolving loan in the current account was called the "liquidity loan for the duration of the COVID-19 pandemic",
- the option to guarantee a liquidity loan for the duration of the COVID-19 pandemic in the case of a revolving loan and making the loan limit available for the next period or increasing the loan limit amount, provided that the terms of the loan agreement are changed, taking into account the Bank's acceptance of collateral in the form of a guarantee,
- the possibility to guarantee a loan, provided that it meets the terms and conditions of a loan that may be covered by a guarantee and is granted under the same rules, including the evaluation of the capacity to repay liabilities, as the rules applied by the Bank when granting loans for the same purposes, and the loan agreement has all the essential features of a loan agreement,
- extension of the validity period of 5% of the annual rate for the calculation of the loan interest subsidy until December 31, 2021, the subsidies also apply to revolving loans.

- **Portfolio Guarantee Line from the Liquidity Guarantee Fund (PLG FGP).**

On the basis of the agreement on the portfolio guarantee line of the Liquidity Guarantee Fund signed with BGK in April 2020, the Bank introduced BOŚ S.A. the Liquidity Guarantee addressed to the sector of medium and large enterprises. In December 2020, it concluded Annex No. 3, which maintained the conditions of the liquidity guarantee and extended its validity until June 30, 2021. The fund is part of the government's Anti-Crisis Shield. The guarantee is granted to secure a loan for the purpose of ensuring financial liquidity and may relate to both new loans granted and renewed overdrafts and credit lines, including those for which the loan agreements were concluded no earlier than 1 March 2020.

Basic parameters of the Liquidity Guarantee:

- guarantee coverage ratio - up to 80%,
- guarantee amount - up to PLN 200 million,
- the total amount of the loan for the entrepreneur with collateral from the Liquidity Guarantee Fund - up to PLN 250 million,
- guarantee period - maximum 27 months and not longer than the loan period + 3 months,
- the guarantee is granted until June 30, 2021,
- a commission fee due to BGK is charged from the customer for the guarantee, foreign currency loans may also be covered by the guarantee,
- the loan with BGK guarantee cannot be used to repay any other loan.

The bank, based on the Annex No. 1 to the Agreement, concluded in August 2020, introduced changes consisting in:

- the possibility of covering syndicated loans with a guarantee;
- adding an appendix to the application for a guarantee - "Form of information provided when applying for state aid related to preventing, counteracting and combating COVID-19 and its effects" in accordance with the model developed by the Office of Competition and Consumer Protection;

- concluding the Agreement defining the rules of cooperation between BGK and BOŚ S.A. in terms of granting the repayment guarantee for the loan made available by the Bank within the syndicated financing.

- **Changes to the COSME Guarantee**

The COSME Guarantee is another guarantee offered by the Bank to customers from the SME segment under a cooperation agreement with BGK.

In September and December 2020, Annexes No. 11 and No. 12 were signed to the Portfolio Agreement for the Guarantee Line with a counter-guarantee provided by the EIF under the COSME Programme No. 6/PLG-COSME/2015 of 23 October 2015.

The changes introduced by the Annexes mainly concern:

- extending from 27 to 39 months the duration of guarantees for working capital loans that have been or will be granted between April 6, 2020 and June 30, 2021;
- the possibility to extend the maximum rollover period of the revolving credit facility from 5 to 9 years;
- reduction to 0.7% of the guarantee fee for the aforementioned working capital loans for the period from April 6, 2020 to June 30, 2021;
- the introduction of extended restructuring periods for loans with a COSME guarantee.

- **Changes to the Creative Europe Guarantee**

BGK's Creative Europe guarantee is addressed to the cultural and creative sectors. Under the concluded Annex No. 3 to the Portfolio Guarantee Facility Agreement with counter-guarantee granted by the European Investment Fund under the Creative Europe Programme No. 5/PLG - Creative Europe/2019, (as amended), BGK reduced the commission fee payable under the guarantee in the period from January 1, 2021 to June 30, 2021, which is 0%.

- **Factoring Portfolio Guarantee Line from the Liquidity Guarantee Fund (LGF FGP)**

In 2020, BOŚ S.A. expanded BGK's portfolio guarantee offer by introducing a Factoring Guarantee under the LGF FGP Liquidity Guarantee Fund. The Guarantee was introduced as a result of the factoring portfolio guarantee line agreement signed with BGK on October 22, 2020 under the Liquidity Guarantee Fund No. 14/LGF-FGP/2020.

The Liquidity Guarantee Fund is part of the so-called government anti-crisis shield.

The LGF FGP Guarantee is designed for customers in the SME sector and large entrepreneurs affected by the COVID-19 pandemic to provide liquidity - regardless of their sector of operation.

Basic parameters of the LGF FGP Guarantee:

- the guarantee can cover both the new and the existing factoring limit up to 80% of its value;
- the guarantee may cover recourse and reverse factoring;
- a factoring limit granted in PLN and a foreign currency may be secured by a guarantee;
- the guarantee period shall be a maximum of 27 months;
- the total amount of factoring limits secured by LGF FGP guarantees granted to one entrepreneur may not exceed PLN 250 million.

Guarantees from the Liquidity Guarantee Fund will be issued until June 30, 2021.

- **FGR Portfolio Guarantee Line - Agricultural Guarantee**

On 17 March 2021, the Bank entered into another agreement with Bank Gospodarstwa Krajowego regarding guarantees for entrepreneurs. The guarantees under the signed FGR Portfolio Guarantee Line Agreement No. 12/PLG-FGR/2021 are intended for micro, small and medium-sized

enterprises (SMEs) operating in the agricultural sector. The limit granted by BGK for Agricultural Guarantees for BOŚ S.A. amounts to PLN 20 million and is available until January 31, 2022.

Basic parameters of the FGR Guarantee:

1. The guarantee may cover a loan granted in accordance with the rules applicable at BOŚ S.A. to the Borrower being:
 - a) a farmer or
 - b) a processor of agricultural products, or
 - c) a processor of non-agricultural products.
2. The guarantee may cover non-renewable and renewable investment and working capital loans, granted in PLN and intended to finance part or all of the investment costs or working capital.
3. The guarantee may not exceed 80% of the loan amount and may not be higher than:
 - a) PLN 5 million for a farmer or
 - b) PLN 10 million for the processor.

The working capital loan may be granted up to the amount not exceeding the PLN equivalent of EUR 200 thousand. ...

4. Guarantee period:
 - a) 183 months (or 120 months in the case of a de minimis aid guarantee) - for an investment loan,
 - b) 51 months - for a non-renewable loan;
 - c) 39 months - for a revolving working capital loan (including an overdraft facility).

5. The guarantee constitutes de minimis aid or public aid.

6. No commission fee for BGK.

In addition, Borrowers using loans secured by an agricultural guarantee until June 30, 2021 will benefit from the Interest Subsidy.

The interest rate subsidy will cover the loan period not longer than 12 months from the loan disbursement date and will amount to no more than 2% per annum of the loan amount.

• Lower Silesian Guarantee Fund

On March 26, 2021 Bank Ochrony Środowiska signed with Dolnośląski Fundusz Gwarancyjny Sp. z o.o. a Cooperation agreement in the field of granting credit and loan guarantees to micro, small and medium-sized enterprises running a business, having their registered office or carrying out investments in the Dolnośląskie Voivodeship.

In 2021, the Fund set the maximum annual exposure value for loan and loan guarantees granted to the Bank by the Fund:

- for PLN 1 million for sureties for repayment of credits and investment loans;
- for PLN 4 million for sureties for repayment of credits and working capital loans.

The surety may cover new loans granted in Polish zloty intended exclusively for financing business activity. However, the surety period covers the period of the loan or credit extended by maximum 6 months. The value of the surety cannot exceed 80% of the granted credit/loan amount.

• PFR Anti-Crisis Shield

On the basis of the Agreement for the provision of services under the "PFR Financial Shield" programme, signed with the Polish Development Fund S.A. (PFR), the Bank made available to its

clients the possibility of using funds under the aid programme launched by the PFR under the Anti-Crisis Shield. The programme targeted businesses affected by the COVID-19 pandemic. In accordance with the adopted program schedule, July 31, 2020 was the deadline for accepting applications for subsidies under the PFR 1.0 Financial Shield program for micro, small, and medium-sized businesses.

Applications for a financial subsidy under the PFR 1.0 Shield could be submitted by the Bank's customers until July 31, 2020. Customers could appeal the PFR decision until September 30, 2020. By January 31, 2021, Beneficiaries of the Programme were obliged to provide banks with documents confirming authorisation of persons submitting applications under the governmental programme of "Financial Shield of the Polish Development Fund for Small and Medium Companies 1.0"

In November 2020, PFR presented the assumptions of the Financial Shield 2.0 programme, which aims to provide financial aid to companies from 45 industries that had to limit or suspend their activities due to the epidemiological situation related to COVID-19.

On January 14, 2021, BOŚ S.A. signed an Agreement with PFR for the provision of services related to the process of granting financial subsidies by PFR to Entrepreneurs. The PFR Shield 2.0 programme was launched on January 15, 2021. The Bank's customers were given the opportunity to submit applications for a subsidy under the aid programme ANTI-CRISIS SHIELD 2.0 for companies during the pandemic. The applications were made available in the electronic banking BOŚBank24 and iBOSS24.

On February 5, 2021, PFR extended support for micro, small and medium-sized enterprises to 9 additional industries, especially affected by the situation related to COVID-19.

As part of the PFR 2.0 Shield, the Bank's customers could apply for a financial subsidy until February 28, 2021. The Bank accepted complaints about the negative decision of the PFR until April 15.

In total, under the PFR 2.0 Shield, 126 applications for financial subsidies totalling PLN 43.9 million were accepted by the PFR .

● **Loans granted under Jessica and Jeremie initiatives**

As a result of agreements made with the Fund Managers (Zachodniopomorska Agencja Rozwoju Regionalnego S.A. [The Western Pomeranian Regional Development Agency], Urząd Marszałkowski Województwa Śląskiego [Marshal's Office of the Silesian Voivodeship], Pomorski Fundusz Rozwoju Sp. z o.o. [Pomeranian Development Fund]) specific solutions for Jessica and Jeremie Borrowers were introduced to limit the negative effects of the COVID-19 pandemic, including:

- the possibility of introducing a six-month grace period in the repayment of capital instalments and a four-month grace period in the repayment of capital and interest instalments for clients of the Szczecin Business Centre using Jeremie and Jessica Zachodniopomorska loans I and II circulation,
- Obtaining individual approvals from the Marshal's Office of the Silesian Voivodeship to extend loan repayments for customers of the Bank's Business Centre in Katowice who use Jessica Śląska loans,
- the possibility of introducing changes to contracts for customers of Business Centre Gdańsk using Jessica Pomorska loans, in accordance with the signed Annex with PFR Sp. z o. o

In addition, on January 28, 2021, Annex 6 to the Agreement on depositing and managing funds was signed with the Marshal's Office. The provisions of the Annex enable the Bank's current customers holding JESSICA Loans that were granted under the JESSICA Initiative from the Regional Operational Programme of the Silesia Voivodeship to change the loan term from 15 years to 20 years.

- **Loan for technological innovation**

Bank Ochrony Środowiska S.A. is one of the banks granting technological loans under the Intelligent Development Operational Programme, Sub-measure 3.2.2 "Loan for technological innovations". The loan may be used by business entities conducting economic activity in the territory of the Republic of Poland and it may be allocated for the implementation of technological investments. The loan is characterised by financial support in the form of a technology bonus.

On July 3, 2020, an Annex to the Cooperation Agreement with BGK was signed. The most important changes that were introduced by the Annex are:

- removal of the maximum limit on the technology bonus. So far, the amount of co-financing in the form of a technology bonus that an entrepreneur could obtain to cover investment expenses was PLN 6 million;
- the opportunity to innovate on an enterprise scale, allowing the customer to introduce a product or service not previously offered to the company;
- the catalogue of eligible expenditure was extended;
- abolishing the obligation to make own contribution and allowing financing of up to 100% of eligible expenses of the project with a technological loan.

In connection with the changes introduced by BGK with regard to the amount of own contribution, for the Bank's customers who settle accounts with a rating not lower than 8, the Bank allows financing of up to 100% of eligible investment expenditure. For others, an own contribution of 10% is required.

Significant events

- **Rating grades of BOŚ S.A.**

On March 16, 2021, the Fitch Ratings agency (the Agency) confirmed the ratings and maintained the outlook of the Bank.

The ratings of BOŚ S.A. are presented below:

1. The Long-term Foreign Currency IDR rating was affirmed at 'BB-', outlook negative,
2. The Short-term Foreign Currency IDR rating was affirmed at 'B',
3. The National Long-term Rating was affirmed at 'BBB-(pol)', negative outlook,
4. The National Short-term Rating was affirmed at 'F3(pol)',
5. The individual rating (Viability Rating) was affirmed at 'bb-',
6. The country's long-term bond rating (senior unsecured) was affirmed at 'BBB-(pol)',
7. The national short-term senior unsecured rating was affirmed at 'F3 (pol)',
8. The rating for subordinated bonds was affirmed at 'BB (pol)'.

The affirmation of the ratings reflects the Agency's view that the legal risk associated with the Bank's existing foreign currency mortgage exposures has increased since the Bank's last ratings review. At the same time, the Agency expects that more information will be available after the announcement of the Supreme Court's judgments and after the Bank takes final decisions regarding its participation in the voluntary conversion program specified by the Chairman of the Polish Financial Supervision Authority (KNF).

- **Sale of receivables**

In the first quarter of 2021, an individual agreement was signed for the sale of receivables with a balance of PLN 3.8 million, secured with a mortgage on the property. The impact of the transaction on the Bank's result was neutral.

- **Activities aimed at customers and employees**

Due to the global COVID-19 pandemic, the Bank undertook a number of activities aimed at minimising the impact of this external situation on the functioning of the Bank and its perception by customers and employees, while ensuring the highest possible security standard.

The Bank informed clients about its activities via: the website (News and Press Service www.bosbank.pl) and social media (Facebook, LinkedIn, Twitter). The information posted on-line concerned: the availability of BOŚ facilities, shortening the time of operation of BOŚ facilities, warnings about thefts "on coronavirus", the #ZostanWdomu campaign, PFR 2.0 Financial Shield.

- **Honours and awards in the first quarter of 2021**

- In February 2021, Wojciech Hann, Vice-President of the Management Board, managing the work of the Management Board of BOŚ and Radosław Olszewski, President of the Management Board of Dom Maklerski BOŚ, were among the Financiers of the Year 2020 selected by Gazeta Finansowa.
- In February 2021, the Ecological mortgage loan (for PLN 656,000, for 30 years) offered by the bank took the first place in the list of "eco-loans" of mortgage loans by bankier.pl
- In January 2021, BOŚ economists for another year in a row were ranked in the lead in the competition for the most accurate macroeconomic and market forecasts in 2020 organised by the Gazeta Giełdy i Inwestorów "Parkiet". In March 2021, BOŚ economists took second place in the 13th edition of the competition for the best macroeconomic analysts organised by the editors of "Parkiet" and "Rzeczpospolita".
- In March 2021, the supply chain financing based on mixed factoring offered by BOŚ was awarded in the "Financial Order" plebiscite of the Home & Market magazine in the Factoring category. The editors award outstanding financial institutions and their products. Those that facilitate running a business, meet the expectations of customers and their changing preferences and needs.
- In the March 2021 Institution of the Year ranking, the My Banking [Moje Bankowanie] portal recognised nine branches of Bank Ochrony Środowiska (BOŚ) as the best in Poland. These are branches in Kielce, Koszalin, Kraków, Legnica, Łomża, Nowy Targ and business centres in Poznań, Warsaw and Wrocław. The purpose of the Institution of the Year competition organised by Moje Bankowanie is, inter alia, highlighting the best bank branches, thus improving the quality of customer service.
- At the beginning of March this year DM BOŚ was voted Best Brokerage House of 2020 by investors in the 18th Edition of the Nationwide Investor Survey conducted by the Association of Individual Investors. More than 3,000 investors participated in the survey. Investors rated the reliability of the transaction platform the highest. They also rated the IKE/IKZE and foreign markets offer very highly. It is the second time in a row when BOŚ DM ranks first, having always been in the top three. Also in March, DM BOŚ was awarded the Bull and Bear prize in the Best Brokerage House category by the editors of Gazeta Giełdy i Inwestorów "Parkiet". In the justification, the editors pointed out, inter alia, to the quick reaction of DM BOŚ to the impact of the pandemic and adjusting the work and customer service to the on-line channel. DM BOŚ once again received the Capital Market Leader statuettes for 2020 from the WSE for the highest activity on the futures market and for the highest share of the market maker in the session trading in NewConnect in 2020.

- **Hospital support**

The bank in February this year gave in the form of a donation 450 thousand surgical masks worth 68 thousand PLN gross for two hospitals in the Kuyavian-Pomeranian Voivodeship. Hospitals were designated by the Ministry of State Assets as part of the campaign to help health care institutions in the fight against the COVID-19 pandemic.

The aid was received by the Władysław Biegański Regional Specialist Hospital in Grudziądz and the Bl. Father Jerzy Popiełuszko Provincial Specialist Hospital in Włocławek. ...

3. Key products, services and activities of the Group

Institutional Clients Division

BOŚ S.A. has a wide range of settlement, deposit and credit products, on the basis of which an individual offer tailored to their specific needs can be built for each client. Within its offer of settlement services, the Bank maintains standard current accounts that have settlement functions and are used to gather funds and to effect domestic and international settlements.

In the area of settlement products, in order to mitigate the negative effects of the COVID-19 pandemic, the Bank has been gradually extending the possibilities of remotely executing orders.

From 1 January 2021, there is also a separate offer of bank accounts for institutional clients of Bank Ochrony Środowiska S.A. who are natural persons conducting business activity. This action fulfilled the requirements of the Act of July 31, 2019 amending certain acts in order to limit the regulatory burdens ("Act on the limitation of regulatory burdens"), which introduced the institution of the Entrepreneur-Consumer.

In the field of settlement products in Q1 2021:

- work continued to adapt the Bank to Regulation (EU) 2019/518 of the European Parliament and of the Council of 19 March 2019 amending Regulation (EC) No 924/2009 with regard to certain fees for cross-border payments in the Union and currency conversion fees,
- planned activities focus on extending the possibilities of remotely submitted implementation, including in particular - electronically, customer service instructions in the area of accounts and settlement products, in order to mitigate the negative effects of the COVID-19 pandemic,
- work was commenced to adapt the Bank's systems to the changes introduced by the Act of November 27, 2020 amending the Act on Goods and Services Tax and certain other acts, as well as the changes planned under the Draft Act on the Financial Information System as regards the provision enabling the updating of all or part of the data currently transferred to STIR,

In terms of credit products in Q1 2021:

- The bank offered clients a loan for thermomodernisation and renovation projects with a premium from the Thermomodernisation and Renovation Fund.
- In selected provinces, the Bank offers preferential loans for the implementation of pro-ecological projects in cooperation with Provincial Funds for Environmental Protection and Water Management.
- The bank carried out activities aimed at optimising and automating the credit process at its various stages: customer acquisition, credit application assessment, credit decision making, funds disbursement or credit monitoring and administration. The project involved, among other things, the implementation of a tool to support the evaluation process and the development of rating systems taking into account the specific nature of pro-ecological products.
- In the area of products for institutional customers, the product offering was modified. Due to the COVID-19 pandemic, the Bank extended the possibility to suspend the repayment of principal instalments for loan products (excluding stock exchange loans) without providing additional documents - a special mode of servicing COVID loans and credits - 19.

Local government units

The Bank cooperates with local government units. It provides comprehensive banking services for their budgets, enabling effective cash management. The service of local government units is carried out pursuant to the Public Procurement Law Act.

The Bank provides customers from the public finance segment with all standard deposit and loan products on offer. A special scope of the offer of BOŚ SA offer are products for financing pro-ecological projects (preferential and commercial loans), as well as loans from foreign bank lines for financing environmental protection and infrastructure investments, as well as the European Offer, which is a package of products addressed to entrepreneurs, local governments and municipal companies.

From May 2020, the Bank has introduced new terms and conditions for offering loans for thermomodernisation and renovation projects with a bonus from the Thermomodernisation and Renovation Fund. In the case of projects carried out in municipal buildings, including historic buildings, in which the investor is a commune or a commercial law company belonging to the commune, local government units may apply, inter alia, an increased renovation bonus of 50% or even 60% of the cost of the renovation project.

Individual Clients Division

The offer for individual clients of the Bank includes all the basic products and services available on the Polish banking market (bank accounts, settlement products, payment cards, services and products in the field of investing surplus cash, electronic banking services and credit products) as well as a wide range of pro-ecological products for financing pro-ecological solutions, as well as service of VIP clients by specialised Advisers.

In addition, the Bank continued its work to bring the Bank into compliance with Regulation (EU) 2019/518 of the European Parliament and of the Council of 19 March 2019 amending Regulation (EC) No 924/2009 as regards certain fees for cross-border payments within the Union and currency conversion fees.

The Bank developed the offer of open-end investment funds in order to diversify solutions available to the client, tailored to the investment needs and the investment risk profile acceptable to the client. The Bank's customers could use over 300 open-end investment funds. The Bank's business target was also met with respect to increasing the volume of its customers and sales revenues in the retail segment, in particular in the sub-segment of VIP customers.

Liabilities to individual customers

In the first quarter of 2021, the activities undertaken by the Bank in the field of deposit products for individual customers were focused on:

- care for cost optimisation of the deposit portfolio and ongoing adaptation to the changing market environment,
- maintaining the deposit balance in line with the Bank's liquidity needs.

The most significant deposit products for individual customers were:

- current accounts, including personal accounts with basic EKOkonto bez kosztów and savings accounts with EKOkonto Oszczędnościowe in PLN,
- promotional deposits: EKOklokata Na Dobry Początek, EKOklokata Zyskowna and standard deposits,
- foreign currency deposit: EKOklokata z Frankiem in CHF.

At the same time, the offer included products aimed at building lasting relationships with customers, e.g. those actively using current accounts.

In January 2021, the Bank reduced the standard interest rate on savings accounts (EKOkonto Oszczędnościowe, EKOpłacać and Więcej za Mniej [More for Less]), which contributed to lowering the Bank's interest costs.

Additionally, in January 2021, the Bank changed some of the fees in the Table of Fees and Commissions. The change involved:

- an increase in fees for account maintenance on EKOkonto bez kosztów and on accounts withdrawn from the sales offer,
- increase of the condition of cash receipt exempting from the fee for maintaining the EKOkonto VIP account,

which will contribute to the growth of the Bank's commission income.

The remaining activities of the Bank in the area of checking and savings accounts focused on maintaining a transparent offer by including the following accounts in the offer: EKOkonto bez kosztów, EKOkonto VIP, EKOkonto PRP and EKOkonto oszczędnościowe in three currencies: PLN, EUR and CHF.

To support the sales of credit products addressed to individual customers, promotional campaigns of the Cash Loan were carried out:

- for any purpose:
 - "Backup Portfolio", next edition introduced on March 16, 2021 - continuation of the idea of providing customers with financing for any purpose in the field of medium-value loans, product also offered with insurance,
- for ecological purposes:
 - "Our water", the continuation of the offer with a validity until May 31, 2021, in order to support investments aimed at preventing and counteracting the effects of drought, complements the government program "My Water" and is the only credit product of this type certified with the "Climate Leadership" mark.
 - "Full Breath", a partnership offer dedicated to current and future PGNiG customers, supporting customers' activities in the field of heat source replacement and other anti-smog measures. The offer was present in the Bank's portfolio.
 - "Transparent loan", the Bank's leading product dedicated to supporting EcoInvestment of customers, both in the commercial market and customers who are beneficiaries of the "Clean Air" government programme. The offer in its new form will be present in the Bank's portfolio throughout the first quarter of 2021,

"Energy from the sun", a continuation of the offer dedicated to renewable energy sources intended mainly for the purchase and installation of photovoltaic systems.

The standard offer of EkoKredyt PV was also modified, the loan period and the maximum loan amount were adjusted to customer expectations, the catalogue of product objectives was expanded and the security rules were simplified. This made the product more competitive.

The change in the parameters of the cash offer resulted in the award of the Złoty Bankier award to the second-place winner.

The Bank's offer includes a mortgage loan for holders of the Large Family Card. They are exempt from the preparatory commission or exempt from 50% of the preparatory commission together with a reduction in the margin by 0.1 p.p. compared to the standard margin.

As part of the preferential terms of the offer for the financial sector, the Bank offers a lower commission and margin compared to the standard mortgage and mortgage loan offer. The offer is addressed to employees of the following institutions:

- banks,
- insurance companies,
- brokerage houses,
- investment fund companies,
- other financial sector institutions.

The Bank's flagship mortgage product is the Green Mortgage Loan, whose advantages have been recognised, among others, by the jury of the "Złoty Bankier" ["Golden Banker"] competition. The Bank's mortgage loan offer was awarded a silver laurel.

Insurance products and additional services

The Bank offers insurance products such as: insurance of the object of the loan, including environmental protection equipment and installations, life and health insurance of borrowers and insurance packages for payment card holders.

BOŚ S.A. acts as an insurance agent for five insurance companies. In order to increase the safety and comfort of employees, all training and license exams in the field of insurance are carried out remotely.

As part of additional services to banking products generating additional commission income, the Bank offers the Mecenat Direct legal assistance service for holders of personal accounts, under which clients receive professional legal assistance via e-mail and telephone.

Environmental activities

	thous. PLN	Q1. 2021	Q1. 2020	Change
Credits granted to institutional clients in the first quarter		286,327	275,069	4.1
Credits granted to individual customers in the first quarter of the year		37,722	43,981	-14.2
CREDITS GRANTED TO CUSTOMERS DURING THE QUARTER		324,049	319,049	1.6

The amount of new pro-ecological credits in the first quarter of 2021 amounted to PLN 324.0 million and was 1.6% higher than in the corresponding period of the previous year. The vast majority (in terms of amounts) of new pro-ecological credits were addressed to institutional customers.

Segmental structure of the balance of pro-ecological credits (by capital value)

	in thous. PLN	31/03/2021	31/12/2020	Change %
Pro-ecological credits granted to institutional customers		4,238,787	4,245,699	-0.2
Pro-ecological credits granted to natural persons		427,192	414,726	3.0
PRO-ECOLOGICAL CREDITS		4,665,978	4,660,426	0.1

BOŚ S.A. developed its activity on the market of financing pro-ecological projects. The balance of pro-ecological credits as at March 31, 2021 was PLN 4,666.0 million. The share of credits granted for environmental protection and sustainable development activities in the loan portfolio accounts for 36.56% of the Bank's total credit balance (at the end of December 31, 2020, it was 36.34%).

Development of co-operation with the National and Provincial Funds for Environmental Protection and Water Management

In the first quarter of 2021, cooperation with the main shareholder of the Bank - NFOŚiGW, focused on the operational support of priority programmes implemented at the Bank in previous years (mainly the Prosumment programme) and on acquiring new clients who apply for or received direct support from the National Fund under EU aid programs or national, co-financing pro-ecological projects.

The Bank actively participates in works aimed at involving the banking sector in the implementation of the NFOŚiGW "Clean Air" programme, whose objective is to improve the quality of life and health of the Polish population by eliminating sources of air pollution emissions. The new version of the programme

includes in the catalogue of available subsidies a grant for partial write-off of a bank loan. The Bank offers a "Transparent Loan", which on preferential terms allows for the financing of non-eligible costs of projects implemented under the above-mentioned programme or to provide bridge financing until the investor receives a subsidy.

As part of the agreement concluded between the NFOŚiGW [NFEPWM] and the ZBP [Polish Bank Association], working groups were established. Among them is the Agreement Team, which negotiated: a draft agreement on the provision of funds for subsidies, the scope of activities and obligations of the Bank, the rules of admission. On February 2, 2021, the National Fund for Environmental Protection and Water Management announced admission for banks interested in joining the Clean Air Programme. BOŚ S.A. made a decision to enter the admission, and on April 14, an agreement was signed between BOŚ S.A. and the National Fund for Environmental Protection and Water Management to provide funds for the implementation of the Clean Air Priority Programme. The remaining Teams, i.e. for the IT Platform, the Guarantee Programme, Communications and Training, are continuing their work, scheduled for implementation in early July 2021. The final inclusion of banks in the Programme is scheduled for the second half of 2021.

In addition, the Bank cooperates with Provincial Environmental Protection Funds under contracts for financing pro-ecological projects, mainly in the field of air protection against pollution, including primarily the installation of solar panels and replacement of heat sources with ecological ones.

Development of brokerage activities

The first quarter of 2021 on the Warsaw Stock Exchange was a period of a sustained correction in the listings of the largest and most liquid companies, which resulted in a decline in the Wig20 index by 3.87%. At the same time, a strong upward trend continued in smaller companies, which was reflected in an increase in the sWig80 index in Q1 this year by 15.27%. As a result, the widest domestic index - Wig - increased by 1.85%. Trading on the WSE's equity market decreased by 8.8% year on year in Q4 but was 53.5% higher year on year in Q1. of 2020 DM BOŚ had a positive impact on the market in terms of investor activity. The turnover generated in this period at DM BOŚ on the regulated market for session shares increased by 5.7 quarter-on-quarter and was nearly two times higher year-on-year. On the NewConnect market, the turnover was more than 2 times higher year on year. A decline in DM activity in Q1 was visible in the futures segment (-8.1% q/q, -18.0% y/y).

The market share of DM BOŚ on the WSE stock market in Q1 2021 in session transactions amounted to 4.81%, which means that it was about 16% higher than in Q4 last year (4.15%) and by approx. 30% than in the first quarter of the previous year. (3,71%). In relation to the previous quarter, the DM (Brokerage House) improved its market position also in the segment of futures contracts, where the share of DM (Brokerage House) in session transactions amounted to 17.52% (in Q4 last year the share was 17.34%). In Q1 of this year DM BOŚ again became the leader of the futures market and ranked third on the NewConnect market with the share of 15.43%.

The first quarter of this year was a period of prosperity on the primary market, which was evidenced by high oversubscriptions for shares offered in the IPO. During this period, 5 entities debuted on the regulated market of the WSE, of which 2 conducted IPO offers in Q1 this year. DM BOŚ participated in distribution consortia in the issue of shares in the following companies: HUUUGE Inc., Bioceltix SA and Captor Therapeutics SA, as well as AK2 series bonds of Kruk SA. At the same time, the DM Brokerage House was developing cooperation with AgioFund TFI in the scope of the ETF offer. In Q1 of this year DM Brokerage House carried out the founding offer of series A certificates of the Beta ETF WigTech fund and introduced to listing on the regulated market the certificates of Beta ETF NASDAQ-100 PLN-Hedged and Beta ETF S&P 500 PLN-Hedged funds, for which the Brokerage House acts as the offering agent and market maker.

The first quarter of 2021 was a very successful period for DM BOŚ in terms of the number of investment accounts opened. The balance of open accounts amounted to 4,321, which means that it was 28.2% higher than in Q1 last year. (+3,370). In the number of securities accounts opened, registered with the NDS in Q1 of this year DM BOŚ was the vice-leader of the market.

DM BOŚ, in the face of the ongoing coronavirus epidemic, maintains full operational continuity and support for all key processes. DM introduced a number of solutions aimed at maintaining business continuity and reducing the epidemic risk, both in relation to its employees and clients using personal contact in DM facilities. A significant number of DM employees perform their duties remotely. In response to the exceptional epidemiological situation, DM BOŚ implemented the possibility of opening an online investment account. As a result of increased volatility caused by the Covid-19 pandemic, we observe an increase in both the activity of existing clients and the interest in opening new investment accounts, which has a positive impact on the Company's current financial results and liquidity. The Covid-19 pandemic did not change the goals, strategic orientation or liquidity risk management strategy of DM. During the first quarter of 2021, DM BOŚ did not use the support and did not apply for public support under the government's Anti-Crisis Shield programme, designed to protect against the crisis caused by the coronavirus pandemic.

4. Selected figures concerning the activities of the Group

	31/03/2021	31/12/2020	Change %
BANK OCHRONY ŚRODOWISKA S.A.			
Number of customers	200.8	216.8	-7.4
Number of individual customers	182.3	197.1	-7.5
Number of institutional customers	18.5	19.7	-6.1
Number of customers using electronic channels	110.6	119.0	-7.1
Number of savings and checking accounts ¹	189.1	208.9	-9.5
Payment and credit cards total	83.6	79.7	4.9
Number of facilities (units)	51	51	0.0
DOM MAKLEWSKI BOŚ S.A. [BROKERAGE HOUSE]			
Number of investment accounts	124.4	120.1	3.6
of which number of on-line accounts	121.1	116.8	3.7
Number of facilities (units)	9.0	9.0	0.0

1) including savings accounts

As of March 31, 2021, the number of Bank branches was 51, including:

- 13 Business Centres,
- 38 Operating Branches.

5. Directions of the Bank's development

Information on the adopted Strategy Development

The Supervisory Board of Bank Ochrony Środowiska S.A. approved in 2018 an update of the Framework Development Strategy of BOŚ S.A. for the period 2018-2021, which included market and macroeconomic conditions, as well as conditions resulting from the Recovery Programme approved by the Financial Supervision Authority.

The assumption was to achieve strategic goals through the implementation of three defined strategic directions, based on the existing and developed competitive advantages of the Bank:

Direction I

Increased financing of pro-ecological investments and synergies from cooperation with Partners - as part of the development vision, it is assumed, among others:

- BOŚ Bank has the best specialist products on the market in the field of financing environmental protection projects, offered from: own funds, NFOŚiGW/WFOŚiGW, foreign banks, government programs, incl. resulting from the Strategy for Responsible Development.
- The offer of pro-ecological products and services is comprehensive, it is addressed to both institutional and individual clients.
- The key competitive advantage is the market-leading processes of servicing domestic and foreign programs in the field of financing environmental protection projects.
- BOŚ Bank is renowned for the quality of its service and its innovative approach to implementing the Bank's green mission, as well as for having the best specialists in environmental engineering.

Direction II

Increase in efficiency of business operations - the development vision assumes, among other things:

- BOŚ Bank is a professional partner who understands and meets the specific needs of selected segments of institutional clients.
- The competitive advantage we have built is based on providing high quality, comprehensive products for institutional customers, especially SMEs.
- Competitive offer in the field of servicing individual clients interested in advantageous investment of their financial surplus.
- Modern distribution channels meet the expectations of target customer segments and market standards.
- Fast, relation-based and friendly sales and after-sales processes increase the satisfaction and loyalty of the Bank's customers.

Direction III

Building a culture of high performance and quality, based on the Bank's values - the growth vision includes:

- The corporate culture of BOŚ Bank is based on customer focus as well as quality and results orientation. It is made up of employees with a high level of commitment and pro-environmental, pro-social attitudes.
- An effective internal communication system allows Employees to be involved in the Bank's activities and to make them ambassadors of the promoted ideas.
- The Bank has a high level of cost efficiency commensurate with its business activities.
- BOŚ Bank is a reliable brand of an employer offering one of the best jobs in the sector for employees who represent values consistent with the Bank.

The Bank is well advanced in developing a new Strategy, which will strengthen its business model related to green focus and will emphasise the Bank's role in the green transformation process. The Bank plans to continue its organic growth in the area related to financing environmental protection projects.

Information on activities undertaken as part of the implementation of the Strategy

In the first quarter of 2021, the Bank's Development Strategy was implemented within the defined 10 Strategic Programs. They included numerous projects concerning, inter alia, increasing the role of electronic distribution channels and adapting traditional distribution channels to the current market challenges and expectations of target customer segments.

Following the implementation of the new Internet banking, work continued on the expansion of electronic and mobile banking with further new functionalities. The mobile payment card service for an individual customer in the G Pay application installed on the phone has been launched. The bank was

working on registering the mobile card in the BOŚ mobile application. In addition, work continued on the implementation of BLIK service software.

The chatbot functionality of the website www.bosbank.pl has also been launched. Its purpose is to help customers get answers to their questions and find the information they need. The BOŚ chatbot will answer the most frequently asked questions and will eventually address most topics related to the current service and product offer. In the future, it will also act as a virtual eco-advisor.

Work continued on the scalability of the Bank's business process automation (RPA - Robotic Process Automation, a technology for automating repetitive business processes using computer programs commonly referred to as robots). In the first quarter of 2021, work was initiated towards the preparation of new robots that will improve the Bank's operational activity in terms of, among others, verification of the correctness of execution of direct debits and standing orders, or generation of letters to customers and public institutions. All the works implemented last year (sending credit decisions, registration of insurance policies, issuing certificates of repaid loans, verification of promotional conditions for ecological loans) continue to not only relieve employees who perform tedious and repetitive business processes, but also improve customer service.

At the same time, in the first quarter of 2021, work was undertaken at the Bank on a new Strategy that will strengthen the business model related to green specialisation and will emphasise the Bank's role in the green transformation process. One of the main assumptions of the new Strategy is further organic growth of the Bank in the area related to financing environmental protection projects.

6. Financial results of the Group

6.1. Profit and loss account of the Group

	thous. PLN	Q1. 2021	Q1. 2020	Change
Interest and similar income		102,516	153,308	-33.1
Interest expenses and similar charges		- 15,046	- 50,265	-70.1
Net interest income		87,470	103,043	-15.1
Fee and commission income		46,904	38,894	20.6
Costs of fees and commissions		- 10,875	- 9,199	18.2
Net fee and commission income		36,029	29,695	21.3
Dividend income		3	1	200.0
Gains on financial instruments at fair value through profit or loss (including amounts due from customers)		24,295	10,303	135.8
Net income on investment securities		-	687	-100.0
Result on hedge accounting		340	333	2.1
Foreign exchange result		1,219	15,357	-92.1
Remaining operating revenues		7,455	6,965	7.0
Remaining operating costs		- 6,819	- 6,081	12.1
Cost of legal risk of mortgage loans in foreign currencies		-	- 3,228	-100.0
Result of impairment allowances		- 38,858	- 22,738	70.9
General administrative costs		- 103,382	- 99,764	3.6
Gross profit		7,752	34,573	-77.6
Tax burden		- 5,632	- 11,004	-48.8
NET PROFIT		2,120	23,569	-91.0

In Q1 2021, the BOŚ Group made a net profit of PLN 2.1 million compared to the PLN 23.6 million profit realised in the corresponding period of 2020.

The BOŚ SA Group generated a net interest income of PLN 87.5 million, i.e. lower by PLN 15.6 million, i.e. 15.1% than in the first quarter of 2020.

Interest and similar income decreased by PLN 50.8 million, i.e. 33.1% in Q1 2021 compared to the corresponding period of 2020, mainly due to a decrease in interest income from institutional clients by PLN 27.7 million PLN, i.e. 30.5% and a decrease in interest on investment debt securities not held for trading by PLN 15.1 million, i.e. 48.4%, as well as a decrease in interest income from receivables from individual clients by PLN 9.2 million, i.e. 30.0%.

The decrease in interest income was mainly due to the reduction in interest rates. The average basic interest rate on loans granted by the Bank in the first quarter of 2021 (without impairment of interest) was 3.02% compared to 4.35% in the corresponding period of 2020, where:

- in PLN amounted to 3.27%, compared to 4.93% in the first quarter of 2020,
- in foreign currencies amounted to 2.17%, compared to 2.43% in the first quarter of 2020.

	thous. PLN	Q1. 2021	Q1. 2020	Change %
Interest and similar income from:		102,516	153,308	-33.1
Receivables from banks and the Central Bank		1,068	595	79.5
Receivables from institutional customers		63,196	90,884	-30.5
Receivables from individual customers		21,342	30,500	-30.0
Non-trading investment debt securities		16,104	31,234	-48.4
Financial instruments intended for trading		806	95	748.4
Interest and similar expense from:		15,046	50,265	-70.1
Bank accounts and deposits from banks		268	122	119.7
Bank accounts and deposits of institutional customers		386	11,822	-96.7
Bank accounts and deposits of individual customers		8,762	30,461	-71.2
Loans and advances from banks		-	-	x
Loans and advances from customers		43	140	-69.3
Funds for loans (JESSICA)		14	77	-81.8
Financial instruments - debt securities of own issue		2,979	4,403	-32.3
Hedging transactions		1,639	1,927	-14.9
Lease obligations		943	941	0.2
Litigation and claims related to foreign currency mortgage loans.		-	-	x
Other		12	372	-96.8
NET INTEREST INCOME		87,470	103,043	-15.1

Interest and similar expenses decreased by PLN 35.2 million or 70.1 QoQ. The decrease was mainly due to lower costs of bank accounts and deposits of individual clients by PLN 21.7 million, i.e. 71.2%, and corporate clients by PLN 11.4 million, i.e. 96.7%. The costs of financial instruments - debt securities of own issue decreased by PLN 1.4 million, i.e. 32.3%, and the costs of hedging transactions decreased by PLN 0.3 million, i.e. 14.9%.

The decrease in interest expense occurred mainly due to lower interest rates. Average base interest rate on deposits acquired through the Bank's branch network in the first quarter of 2021:

- in PLN amounted to 0.25%, compared to 1.31% in the first quarter of 2020,
- in foreign currencies amounted to 0.16%, compared to 0.42% in the first quarter of 2020.

The Bank's net interest income was influenced by the decisions of the Monetary Policy Council of March 17, April 8 and May 28, 2020 to cut interest rates by a total of 140 basis points.

The Group's result on fees and commissions amounted to PLN 36.0 million, which means an increase by PLN 6.3 million, i.e. 21.3% compared to the corresponding period of 2020, as a result of a higher (20.6%) growth rate fee and commission income than the growth rate of fee and commission expenses (18.2%).

	in thous. PLN	Q1. 2021	Q1. 2020	Change %
Fee and commission income		46,904	38,894	20.6
Fees for brokerage services		27,972	21,371	30.9
Fees for servicing customer accounts, other settlement operations in domestic and foreign trade		10,080	8,249	22.2
Commissions on loans		6,962	7,823	-11.0
Commissions on guarantees and letters of credit		1,713	1,323	29.5
Portfolio management fees and other management fees		177	128	38.3
Costs of fees and commissions		10,875	9,199	18.2
Fees from brokerage activities, including:		8,345	6,762	23.4
<i>from fiduciary activities</i>		148	93	59.1
Fees for payment cards		1,615	1,651	-2.2
Fees on current accounts		447	63	609.5
Fees for ATM services		306	306	0.0
Commissions for amounts due from customers		39	63	-38.1
Other fees		123	354	-65.3
TOTAL NET FEE AND COMMISSION INCOME		36,029	29,695	21.3

Fee and commission income grew by PLN 8.0 million or 20.6%. The highest growth was recorded in revenues from brokerage services: by PLN 6.6 million or 30.9%. Also, fees for servicing customer accounts, other settlement operations in domestic and foreign trade increased by PLN 1.8 million, i.e. 22.2%, and commissions on guarantees and letters of credit by PLN 0.4 million, i.e. 29.5%. On the other hand, fee and commission income from loans decreased by PLN 0.9 million or 11%.

Fee and commission expenses increased by PLN 1.7 million or 18.2%. The increase was mainly due to higher brokerage fees by PLN 1.6 million, i.e. 23.4%.

The result on financial instruments at fair value through profit or loss amounted to PLN 24.3 million compared to PLN 10.3 million in the corresponding period of 2020. The Bank earned a higher result on derivative financial instruments measured at fair value through profit or loss.

The foreign exchange result amounted to PLN 1.2 million compared to PLN 15.4 million in the first quarter of 2020.

In Q1 2021, the result of impairment losses amounted to PLN -38.9 million compared to PLN -22.7 million in the corresponding period of 2020. The lower result was due to portfolio write-offs and impairment recognition for individually significant exposures in the institutional client's division.

Group's general administrative costs increased by PLN 36 million, i.e. by 3.6% as compared to the corresponding period of 2020, mainly due to higher salary costs by PLN 3.8 million, i.e. by 9.5%.

The entire annual contribution to the bank restructuring fund for 2021 in the amount of PLN 15.7 million, established by the BFG, was included in general administrative expenses. In total, contributions to the BFG included in the costs of the first quarter of 2021 amount to PLN 18.8 million compared to PLN 20.5 million in the same period last year.

in thous. PLN	Q1. 2021	Q1. 2020	Change %
Employee benefits	43,868	40,078	9.5
Administrative costs, including:	45,867	45,588	0.6
- material costs	24,724	23,234	6.4
- taxes and fees	1,720	1,236	39.2
- contribution and payments to the BFG	18,775	20,530	-8.5
- contribution and payments to the KNF	609	533	14.3
- contribution to cover the costs of Financial Ombudsman Service	16	32	-50.0
- contribution to the Chamber of Brokerage Houses	23	23	0.0
Depreciation and amortisation, including:	13,647	14,098	-3.2
of fixed assets	3,548	3,477	2.0
- of intangible assets	6,690	6,194	8.0
- usage rights	3,409	4,427	-23.0
TOTAL GENERAL ADMINISTRATIVE EXPENSES	103,382	99,764	3.6

In Q1 2021, employee benefit costs of the BOŚ Group amounted to PLN 43.9 million compared to PLN 40.1 million in the same period last year. Employment in the BOŚ SA Group increased by 3.5%.

Employment in FTEs	31/03/2021	31/03/2020	Change %
Employment in BOŚ S.A.	1,115	1,079	3.3
Employment in subsidiaries	253	242	4.6
EMPLOYMENT IN THE BOŚ S.A. GROUP	1,368	1,322	3.5

6.2. Group's assets

The Group's balance sheet total as at March 31, 2021 amounted to PLN 19,941.2 million and was lower by 2.8% compared to December 31, 2020.

Changes in the structure of the Group's assets

As at March 31, 2021, receivables from customers accounted for the largest share in assets, 59.0%. Their share in assets from the end of 2020 increased by 1.1 pp. On the other hand, the share of investment securities and the cash position decreased, funds in the Central Bank by 1.5 pp and 0.3 pp respectively.

	thous. PLN	31/03/2021	31/12/2020	Change
Cash in hand, funds at the Central Bank		209,204	266,552	-21.5
Amounts due from other banks		168,800	155,616	8.5
Financial assets held for trading		148,092	113,134	30.9
Derivative hedging instruments		-	-	x
Investment Securities:		6,864,235	7,371,414	-6.9
Receivables from customers, including:		11,769,570	11,887,297	-1.0
measured at amortised cost		11,746,882	11,861,783	-1.0
measured at fair value through profit or loss		22,688	25,514	-11.1
Intangible assets		108,735	110,902	-2.0
Tangible fixed assets		82,554	84,651	-2.5
Right of use - leasing		74,625	67,796	10.1
Income tax assets:		126,731	129,136	-1.9
Other assets		388,611	319,331	21.7
TOTAL ASSETS		19 941 157	20,505,829	-2.8

Receivables from customers

	thous. PLN	31/03/2021	31/12/2020	Change
Measurement at amortised cost		11,714,409	11,827,480	-1.0
Receivables from individual customers		3,413,605	3,463,724	-1.4
overdraft facilities		283	3,028	-90.7
cash loans		353,245	364,300	-3.0
housing loans		2,809,828	2,845,873	-1.3
other loans and borrowings		250,249	250,523	-0.1
Receivables from institutional customers		8,300,804	8,363,756	-0.8
working capital loans		525,600	518,709	1.3
term loans and advances		7,056,747	7,237,795	-2.5
factoring receivables		402,821	331,450	21.5
lease receivables		115,830	105,756	9.5
debts purchased		125,314	96,123	30.4
commercial securities		74,492	73,923	x
Valuation at fair value through profit or loss		22,688	25,514	-11.1
Receivables from individual customers		1,061	1,192	-11.0
housing loans and advances		381	427	-10.8
other loans and borrowings		680	765	-11.1
Receivables from institutional customers		21,627	24,322	-11.1
working capital loans		31	39	-20.5
term loans and advances		21,596	24,283	-11.1
Total		11,737,097	11,852,994	-1.0
Security deposits made		29,219	31,704	-7.8
Other receivables		3,254	2,599	x
TOTAL RECEIVABLES FROM CUSTOMERS		11,769,570	11,887,297	-1.0

The carrying amount of receivables from the Group's customers as at the end of Q1 2021 amounted to PLN 11,769.6 million and was 1.0% lower than as at 31 December 2020.

At the end of the first quarter of 2021, compared to December 31, 2020, the volume of receivables measured at amortised cost from individual customers decreased by PLN 50.1 million, i.e. by 1.4%, and the volume of receivables measured at amortised cost from institutional clients decreased by PLN 63.0 million, i.e. 0.8%.

The highest share in total receivables, amounting to 70.5%, was that of institutional clients' receivables measured at amortised cost. Their share increased by 0.2 p.p. compared to the end of 2020. Receivables from institutional clients measured at amortised cost amounted to PLN 8,300.8 million.

The share of receivables from individual customers measured at amortized cost in total receivables decreased by 0.1 pp to 29.0%. The amount of individual clients' loans measured at amortised cost amounted to PLN 3,413.6 million at the end of Q1 2021 compared to PLN 3,463.7 million at the end of 2020.

	thous. PLN	31/03/2021	31/12/2020	Change
Loans and advances measured at amortised cost		2,809,828	2,845,873	-1.3
Housing loans in PLN		1,375,442	1,367,273	0.6
Housing loans in CHF		824,052	860,971	-4.3
Housing loans in EUR		574,960	583,561	-1.5
Housing loans in USD		35,374	34,068	3.8
Loans and advances at fair value through profit or loss		381	427	-10.8
Housing loans in PLN		381	427	-10.8
TOTAL HOUSING LOANS		2,810,209	2,846,300	-1.3

Residential loans at amortised cost are the main item in retail loans, which amounted to PLN 2,809.8 million at the end of Q1 2021, compared to PLN 2,845.9 million at the end of 2020.

The largest share in the portfolio of housing loans are loans denominated in foreign currencies 51.0% (51.9% at the end of 2020). Share of housing loans in CHF in total loan portfolio of the BOŚ S.A. Group (net) amounted to 7.0% compared to 7.2% at the end of 2020.

New sales - loans granted in the first quarter of 2021 compared to the same period of the previous year.

	in thous. PLN	Q1. 2021	Q1. 2020	Change %
Loans granted to institutional customers in Q1		832,021	472,106	76.2
Loans granted to individual customers in Q1		97,293	99,381	-2.1
LOANS GRANTED DURING THE FIRST QUARTER		929,315	571,487	62.6

In the first quarter of 2021, the Bank granted loans (new sales) in the amount of PLN 929.3 million, i.e. 62.6% more than in the corresponding period of 2020 (according to the capital value at the time of granting the loan). Sales to institutional clients increased by 76.2% and to individual clients it decreased by 2.1%.

Sales of green loans in Q1 2021 amounted to PLN 324.0 million and were 1.6% higher than in the same period of 2020.

Quality of the credit portfolio

	31/03/2021	%	31/12/2020	%
Receivables from customers measured at amortised cost				
Receivables from customers without evidence of impairment, including:	10,864,942	83.8	10,983,679	84.3
<i>exposures for which no significant increase in credit risk has occurred since their initial recognition (Basket 1)</i>	8,475,354	65.4	8,582,957	65.9
<i>exposures for which a significant increase in risk has occurred since the initial recognition (Basket 2), including:</i>	2,389,588	18.4	2,400,722	18.4
<i>wind farms</i>	1,174,635	9.1	1,167,101	9.0
Receivables from customers with evidence of impairment (Basket 3) but not impaired due to estimated cash flows, including:	190,555	1.5	337,120	2.6
<i>wind farms</i>	180,662	1.4	219,641	1.7
Receivables from customers with evidence of impairment and showing impairment (Basket 3), including:	1,907,440	14.7	1,709,690	13.1
<i>wind farms</i>	13,431	0.1	13,434	0.1
Total receivables from customers measured at amortised cost (gross)	12,962,937	100.0	13,030,489	100.0
Impairment losses for:				
<i>receivables from customers - (Basket 1)</i>	- 80,711		-84,772	
<i>receivables from customers - (Basket 2), including:</i>	- 128,228		-126,123	
<i>wind farms</i>	- 31,152		-30,947	
<i>receivables from customers - (Basket 3) not showing impairment, including:</i>	- 7,272		-10,245	
<i>wind farms</i>	- 7,177		-8,734	
<i>receivables from customers - (Basket 3) impaired, of which:</i>	- 1,032,317		-981,869	
<i>wind farms</i>	- 1,983		-1,578	
Total of impairment allowances	- 1,248,528		-1,203,009	
Total receivables from customers measured at amortised cost (net)	11,714,409	90.4	11,827,480	90.8
Receivables from customers measured at fair value through profit or loss				
Fair value, including:	22,688		25,514	
<i>wind farms</i>	-		-	
Total receivables from customers measured at fair value through profit or loss	22,688		25,514	
Security deposits made	29,219		31,704	
Other receivables	3,254		2,599	
RECEIVABLES FROM CUSTOMERS	11,769,570		11,887,297	

At the end of the first quarter of 2021, the balance of impairment losses amounted to PLN 1,248.5 million. The share of impaired loans to customers in the entire portfolio measured at amortised cost was 14.7% as at March 31, 2021, compared to 13.1% at the end of 2020.

6.3. Total equity and liabilities of the Group

Changes in the Group's total equity and liabilities structure

thous. PLN	31/03/2021	31/12/2020	Change
Liabilities to the Central Bank and other banks	582,364	732,743	-20.5
Financial liabilities held for trading, of which:	77,335	103,316	-25.1
- equity securities	1,034	575	x
- debt securities	-	-	x
- derivatives	76,301	102,741	-25.7
Derivative hedging instruments	18,132	24,497	-26.0
Liabilities to customers	16,066,735	16,560,715	-3.0
Liabilities due to the issue of bank securities	-	-	x
Subordinated liabilities	368,142	368,996	-0.2
Reserves	419,949	418,534	0.3
Income tax liabilities:	1,561	1,103	41.5
Lease liabilities	77,443	71,229	8.7
Other liabilities	414,359	311,526	33.0
Total equity	1,915,137	1,913,170	0.1
Total equity and liabilities	19,941,157	20,505,829	-2.8

At the end of the first quarter of 2021, amounts due to customers had the highest share in the balance sheet total, i.e. 80.6%. Their share decreased by 0.2 p.p. compared to December 31, 2020. On the other hand, the share of other liabilities and provisions increased by 0.6 pp and 0.1 pp, respectively

Liabilities of the Capital Group

thous. PLN	31/03/2021	31/12/2020	Change %
Individual customers	9,156,240	9,380,943	-2.4
<i>current/settlement accounts</i>	5,017,465	5,206,561	-3.6
<i>term deposits</i>	4,138,775	4,174,382	-0.9
Institutional customers	6,048,191	6,305,999	-4.1
<i>current/settlement accounts</i>	4,893,568	5,126,798	-4.5
<i>term deposits</i>	1,154,623	1,179,201	-2.1
Other customers	69,377	72,182	-3.9
Loans and advances received from International Financial Institutions	708,133	715,708	-1.1
Fund appropriations for loans	84,794	85,883	-1.3
TOTAL AMOUNTS DUE TO CUSTOMERS	16,066,735	16,560,715	-3.0

The main source of financing of the Group's activities are liabilities to customers, including

- deposit funds obtained through the network of the Bank's branches,
- loans and advances from international financial institutions,
- funds obtained from external donors for lending activities in the form of direct lines, interest subsidies or capital subsidies (National Fund for Environmental Protection and Water Management, Provincial Funds for Environmental Protection and Water Management, European Fund for the Development of Polish Villages, JESSICA - Urban Development Fund).

Liabilities of the BOŚ SA Capital Group towards customers as at March 31, 2021 amounted to PLN 16,066.7 million and were lower by 3.0% compared to the end of 2020.

Liabilities to institutional clients decreased by PLN 257.8 million, i.e. 4.1%, and liabilities to individual clients decreased by PLN 224.7 million, i.e. 2.4% compared to the end of 2020.

7. Key financial indicators

	Q1. 2021	2020	Change in p.p.
Return on equity (ROE) ¹	0.1	-14.9	15.0
Return on assets (ROA) ²	0.0	-1.6	1.6
Interest margin on total assets ³	1.8	1.9	-0.1
Cost of risk ⁴	-1.3	-1.2	-0.1
Costs/Income (C/I) ⁵ assuming that the costs of a single BGF contribution are evenly distributed throughout the year	61.1	62.0	-0.9

1) the ratio of net profit to the average capital,

2) the ratio of net profit to average assets,

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

4) the relation of the result of impairment losses and fair value measurement for the last 12 months to the average balance of loans and advances during that period,

5) the relation of the sum of general administrative expenses and user costs to net interest income, net fee and commission income, dividend income, net income on financial instruments at fair value through profit or loss excluding valuation of receivables, net income on investment securities, net income on hedge accounting, net FX income, and net income on other operations.

The interest margin on total assets, calculated as the ratio of the net interest income to the average balance of assets, amounted to 1.8% compared to 1.9% for the period of 2020. The decrease was mainly caused by the lowering of market interest rates.

The cost/income ratio, assuming that the costs of the BGF contribution to the bank resolution fund are evenly distributed throughout the year, amounted to 61.1% compared to 62.0% in 2020.

8. Capital management

For the purposes of capital adequacy, the Group has decided to apply transitional measures during the transition period to mitigate the impact of IFRS 9 implementation on own funds based on Article 9 of Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017 (Regulation) amending Regulation (EU) No 575/2013. Additionally, it was decided not to apply paragraph 4 of Art. 1 of Regulation (EU) 2017/2395.

Taking into account the impact of the implementation of IFRS 9, both with and without the use of transition solutions, the Bank and the Group meet the applicable capital standards as at March 31, 2021.

In connection with the decision to apply the transitional provisions, as of February 1, 2018, the Group discloses its own funds, capital ratios and the leverage ratio, both with and without the application of transitional solutions under Article 473a of Regulation (EU) No 575/2013.

The level of capitals, risk-weighted assets, capital ratios and the leverage ratio in the Group was as follows:

	thous. PLN	31/03/2021	31/12/2020
Capital available			
Common Equity Tier I capital		1,869,086	1,889,750
Common Equity Tier I capital - without transitional provisions IFRS 9		1,811,923	1,809,722
Tier I capital		1,869,086	1,889,750
Tier I capital - without transitional provisions IFRS 9		1,811,923	1,809,722
Own funds		2,106,664	2,145,333
Equity - without transitional provisions IFRS 9		2,049,501	2,065,305
Risk-weighted assets			
Total amount of risk-weighted assets		13,559,073	14,438,751
Total risk-weighted assets - without transition provisions of IFRS 9		13,502,308	14,386,856
Capital ratios			
Common Equity Tier I ratio		13.78	13.09
Common Equity Tier I ratio - without transitional provisions IFRS 9		13.42	12.58
Tier I capital ratio		13.78	13.09
Tier I capital ratio - without transitional provisions IFRS 9		13.42	12.58
Total capital ratio		15.54	14.86
Total capital ratio - without transitional provisions of IFRS 9		15.18	14.36
Leverage ratio			
Exposure value		21,548,258	22,073,776
Leverage ratio		8.7	8.6
Leverage ratio - without transitional provisions IFRS 9		8.5	8.3

Pursuant to Art. 92 of the CRR, the Group is required to maintain a total capital ratio of at least 8%. Tier I capital ratio and Common Equity Tier I ratio should amount to at least 6% and 4.5% respectively.

Pursuant to the CRR Regulation and the Act of 5 August 2015 on macroprudential supervision over the financial system and crisis management in the financial system, financial institutions are required to maintain additional capital buffers for capital ratios. From January 1, 2019, the conservation buffer is 2.5 pp, and the countercyclical buffer is 0 pp Bank Ochrony Środowiska S.A. and the BOŚ S.A. Capital Group

were not covered by the buffers of another systemically important institution. By the decision of the Minister of Finance of March 18, 2020, the system buffer was dissolved.

On December 16, 2020, the Polish Financial Supervision Authority recommended that the Bank maintain its own funds at the consolidated level to cover the additional capital requirement in order to secure the risk arising from mortgage-secured foreign currency loans and advances to households, at the level of 0.50 pp above the total capital ratio referred to in Art. 92 sec. 1 lit. c of the CRR Regulation, which should consist of at least 75% of Tier I capital (which corresponds to the capital requirement at the level of 0.37 pp above the value of the Tier I capital ratio referred to in Article 92 (1) (b) of the CRR Regulation)) and at least 56% from Common Equity Tier I capital (which corresponds to the capital requirement at the level of 0.28 pp above the Common Equity Tier I capital ratio referred to in Article 92 (1) (a) of the CRR Regulation).

As a result, as of March 31, 2021, the minimum capital ratios recommended by the Commission are 8.87% for the Tier 1 capital ratio and 11.0% for the total capital ratio TCR.

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

	thous. PLN	31/03/2021	31/12/2019
Capital available			
Common Equity Tier I capital		1,823,792	1,858,426
Common Equity Tier I capital - without transitional provisions IFRS 9		1,753,220	1,759,626
Tier I capital		1,823,792	1,858,426
Tier I capital - without transitional provisions IFRS 9		1,753,220	1,759,626
Own funds		2,061,369	2,114,009
Equity - without transitional provisions IFRS 9		1,990,797	2,015,209
Risk-weighted assets			
Total amount of risk-weighted assets		13,080,628	14,111,218
Total risk-weighted assets - without transition provisions of IFRS 9		13,024,407	14,013,272
Capital ratios			
Common Equity Tier I ratio		13.94	13.17
Common Equity Tier I ratio - without transitional provisions IFRS 9		13.46	12.56
Tier I capital ratio		13.94	13.17
Tier I capital ratio - without transitional provisions IFRS 9		13.46	12.56
Total capital ratio		15.76	14.98
Total capital ratio - without transitional provisions of IFRS 9		15.29	14.38
Leverage ratio			
Exposure value		21,399,688	22,001,072
Leverage ratio		8.5	8.4
Leverage ratio - without transitional provisions IFRS 9		8.4	8.0

On December 3, 2020, the Polish Financial Supervision Authority recommended that the Bank maintains its own funds to cover the additional capital requirement in order to secure the risk resulting from mortgage-backed foreign currency loans and advances to households, at the level of 0.51 pp. over the value of the total capital ratio referred to in Art. 92 sec. 1 (c) of the CRR Regulation, which should consist of at least 75% of Tier I capital (which corresponds to the capital requirement at the level of 0.38 pp above the value of the Tier I capital ratio referred to in Article 92 (1) (b) of the CRR Regulation) and at least 56% from Common Equity Tier I capital (which corresponds to the capital requirement at the level of 0.29 pp above the Common Equity Tier I ratio referred to in Article 92 (1) (a) of the CRR Regulation).

As a result, as of March 31, 2021, the minimum capital ratios recommended by the Commission are 8.88% for the Tier 1 capital ratio and 11.01% for the total capital ratio TCR.

9. Segment reporting

In accordance with the requirements of IFRS 8, operating segments were determined on the basis of internal reports relating to the components of the business entity that are periodically reviewed by the member of management responsible for making operating decisions. The description of the principles applied in the preparation of reporting on the operating segments is described in note 47 of the consolidated financial statements for the year ended on December 31, 2020. The results of operating segments for the corresponding period of the previous year have been restated to ensure comparability. The consolidated financial results of the BOŚ S.A. Capital Group for the three-month period ended March 31, 2021 and March 31, 2020 in the adopted segments are presented below.

No.	Statement presenting the components of the income statement for the 3-month period ended March 31, 2021	INSTITUTIONAL DIVISION	INDIVIDUAL DIVISION	TREASURY AND INVESTMENT ACTIVITIES	BROKERAGE ACTIVITY	OTHER (NOT ALLOCATED IN SEGMENTS)	BOŚ GROUP
I.	Net interest income	42,239	11,553	34,138	- 261	- 199	87,470
1.	Interest and similar income, including:	69,527	33,477	3,589	10	2	106,605
	<i>sales to external customers</i>	64,583	21,733	16,190	10	-	102,516
	<i>sales to other segments</i>	4,944	11,744	- 12,601	-	2	4,089
2.	Interest and similar expenses, including:	- 27,288	- 21,924	30,549	- 271	- 201	- 19,135
	<i>sales to external customers</i>	- 386	- 8,765	- 5,836	- 59	-	- 15,046
	<i>sales to other segments</i>	- 26,902	- 13,159	36,385	- 212	- 201	- 4,089
II.	Net fee and commission income	14,546	1,782	-	19,804	- 103	36,029
III.	Dividend income	-	-	-	3	-	3
IV.	Result on financial instruments at fair value through profit or loss	24	2	15,524	8,745	-	24,295
V.	Result on hedge accounting	-	-	340	-	-	340
VI.	Net income on investment securities	-	-	-	-	-	-
VII.	Foreign exchange result	5,261	680	- 4,691	- 28	- 3	1,219
VIII.	Result on banking activity	62,070	14,017	45,311	28,263	- 305	149,356
IX.	Result of other operating income and expenses	573	66	-	- 1,004	1,001	636
X.	Cost of legal risk of mortgage loans in foreign currencies	-	-	-	-	-	-
XI.	Result of impairment allowances	- 27,591	- 9,976	- 1,291	-	-	- 38,858
XII.	Result on financing activities	35,052	4,107	44,020	27,259	696	111,134
1.	Direct costs	- 7,685	- 6,461	- 746	- 16,259	- 371	- 31,522
	Result after direct costs	27,367	- 2,354	43,274	11,000	325	79,612
2.	Indirect costs and mutual services	- 16,308	- 17,598	- 3,164	-	-	- 37,070
	Result after direct and indirect costs	11,059	- 19,952	40,110	11,000	325	42,542
3.	Depreciation and amortisation	- 4,908	- 5,801	- 504	- 2,007	- 427	- 13,647
5.	Other costs (taxes, BFG, KNF)	- 11,569	- 8,575	- 103	- 830	- 66	- 21,143
XIII.	Gross financial result	- 5,418	- 34,328	39,503	8,163	- 168	7,752
XIV.	Allocated ALM score	25,663	15,359	- 41,022	-	-	-
XV.	Gross financial result after allocation of ALM result	20,245	- 18,969	- 1,519	8,163	- 168	7,752
XVI.	Tax burden						- 5,632
XVII.	Net financial result						2,120
	Segment assets	8,484,961	3,410,917	7,388,746	461,901	194,632	19,941,157
	Segment liabilities	5,672,978	8,156,216	3,984,853	1,724,277	402,833	19,941,157
	Outlays on fixed assets and intangible assets	63,703	1,761	206	2,139	1	67,810

No.	Statement presenting the components of the income statement for	INSTITUTIONAL DIVISION	INDIVIDUAL DIVISION	TREASURY AND	BROKERAGE	OTHER	BOŚ GROUP
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the 3-month period ended March 31, 2021		INVESTMENT ACTIVITIES			ACTIVITY	(NOT ALLOCATED IN SEGMENTS)	
I.	Net interest income	51,082	21,745	28,756	1,752	- 292	103,043
1.	Interest and similar income, including:	119,198	74,299	- 39,197	2,477	4	156,781
	<i>sales to external customers</i>	92,307	30,705	30,052	244	-	153,308
	<i>sales to other segments</i>	26,891	43,594	- 69,249	2,233	4	3,473
2.	Interest and similar expenses, including:	- 68,116	- 52,554	67,953	- 725	- 296	- 53,738
	<i>sales to external customers</i>	- 11,898	- 30,342	- 7,680	- 345	-	- 50,265
	<i>sales to other segments</i>	- 56,218	- 22,212	75,633	- 380	- 296	- 3,473
II.	Net fee and commission income	12,824	2,464	1	14,737	- 331	29,695
III.	Dividend income	-	-	-	1	-	1
IV.	Result on financial instruments at fair value through profit or loss	20	4	3,046	7,233	-	10,303
V.	Result on hedge accounting	-	-	333	-	-	333
VI.	Net income on investment securities	-	-	687	-	-	687
VII.	Foreign exchange result	899	869	13,630	- 35	- 6	15,357
VIII.	Result on banking activity	64,825	25,082	46,453	23,688	- 629	159,419
IX.	Result of other operating income and expenses	17	3,447	- 6	- 1,221	- 1,353	884
X.	Cost of legal risk of mortgage loans in foreign currencies	-	- 3,228	-	-	-	- 3,228
XI.	Result of impairment allowances	- 8,724	- 13,723	- 291	-	-	- 22,738
XII.	Result on financing activities	56,118	11,578	46,156	22,467	- 1,982	134,337
1.	Direct costs	- 6,397	- 7,207	-	- 14,774	- 326	- 28,704
	Result after direct costs	49,721	4,371	46,156	7,693	- 2,308	105,633
2.	Indirect costs and mutual services	- 16,092	- 15,231	- 3,285	-	-	- 34,608
	Result after direct and indirect costs	33,629	- 10,860	42,871	7,693	- 2,308	71,025
3.	Depreciation and amortisation	- 4,917	- 6,194	- 511	- 2,055	- 421	- 14,098
5.	Other costs (taxes, BFG, KNF)	- 11,486	- 9,924	- 25	- 871	- 48	- 22,354
XIII.	Gross financial result	17,226	- 26,978	42,335	4,767	- 2,777	34,573
XIV.	Allocated ALM score	21,378	20,837	- 42,215	-	-	-
XV.	Gross financial result after allocation of ALM result	38,604	- 6,141	120	4,767	- 2,777	34,573
XVI.	Tax burden						- 11,004
XVII.	Net financial result						23,569
	Segment assets	8,586,997	3,627,221	6,946,974	322,104	- 10,696	19,472,600
	Segment liabilities	5,249,309	8,348,901	4,208,506	1,319,419	346,465	19,472,600
	Outlays on fixed assets and intangible assets	982	1,002	99	3,436	1	5,520

10. Other factors that will affect the results in the perspective of at least the next quarter

The risk of deterioration of the financial situation of some clients

Due to the negative impact of the pandemic on the economic activity in Poland, the Bank expects a deterioration in the financial condition of some customers, and thus the quality of the loan portfolio.

Risks significant from the point of view of the BOŚ Group in terms of financing customers from the wind farm portfolio

The risks identified by the BOŚ Group, affecting the economics of the operations of entities in the renewable energy sector, including the Group's customers in connection with loans granted in previous years to finance the construction of onshore wind farms, using the support system in the form of green certificates, are subject to ongoing monitoring. All risks, including in particular market and regulatory risks are taken into account in the process of individual assessment of exposure, carried out periodically by the Bank on a monthly basis, based on a dedicated assessment model allowing for simulation of cash flows for individual projects until the end of their planned life, with assumed and updated assessment parameters, which include

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

The risk of volatility of market prices of electricity and green certificates is addressed in the valuation model by implementing the price paths forecast by the BOŚ Group in the medium and long term. The price paths adopted for valuation are periodically updated based on reports from reputable independent external experts. The last update of the price path forecast took place in December 2020. An additional mitigating factor in a potential reduction in revenues generated by customers, as a result of a periodic drop in energy prices and/or green certificates, is the funds accumulated on reserve accounts, used to support ongoing loan servicing.

The economic slowdown caused by the COVID-19 epidemic has not had a significant impact on the financial situation of the wind farm portfolio clients so far. Loans are serviced on time, in accordance with agreed repayment schedules.

The risk of a legal dispute between the Bank's clients and Energa-Obrót S.A.

Actions of Energa - Obrót SA, undertaken in September 2017, resulting in the cessation of the implementation of twenty-two framework CPA agreements for the collection of property rights resulting from certificates of origin of energy from RES (green certificates) and referring to competent courts, actions against contractors and banks for absolute invalidity concluded agreements concerned eight clients financed by the Bank.

As of March 31, 2021, there were 6 BOŚ S.A. clients in court disputes with Energa Obrót SA, for which the total exposure of the BOŚ Group amounted to PLN 95.9 million, representing 7.0% of the total exposure from the wind farm portfolio. The current decisions of the pending proceedings include five disputes ended with dismissal of the claim of Energa Obrót S.A. pursuant to final judgments issued by the Court of Appeal. In the case of one client, the court was waiting for the date of the appeal hearing to be set.

Energa Obrót has brought cassation appeals against three judgements of the Court of Appeal, favourable to the Bank's clients. Further proceedings in these cases will be conducted before the Supreme Court.

The Bank monitors the status of pending court proceedings on an ongoing basis. Lending liabilities are serviced on time by all clients in court disputes with Energa Obrót SA.

As at March 31, 2021, BOŚ S.A. did not act as a co-respondent in any of the pending litigations with Energa Obrót S.A., and therefore the Group does not identify any risk of having to incur additional costs arising from the litigations to which the Group's clients are parties.

The risk of regulatory changes in the field of real estate tax

The amendment to the Act amending the Act on Renewable Energy Sources and Certain Other Acts, published on June 29, 2018, enabled the reinstatement, with retroactive effect from January 1, 2018, provisions favourable to investors regarding the principles of taxation of wind farms with real estate tax, in force before 1 January 2017.

The Constitutional Tribunal issued a judgement on July 22, 2020, according to which the provisions causing a retroactive reduction of real estate tax liabilities on wind farms for 2018 are inconsistent with the Constitution. At the same time, the Constitutional Tribunal set the legislator a period of 18 months to introduce appropriate statutory solutions in order to compensate municipalities for losses incurred as a result of the enactment of regulations, resulting in a reduction in their income from wind farm tax.

The scale of possible additional tax burdens and their impact on the financial situation of the Bank's clients from the wind farm portfolio will depend on the legal solutions adopted by the legislator, which should ensure compliance of the provisions of the amendment to the RES Act with the Constitution.

Wind farm portfolio

	31/03/2021	31/12/2020
Receivables from customers measured at amortised cost		
Receivables from customers without evidence of impairment		
- exposures for which there has been a significant increase in risk since initial recognition (Basket 2)	1,174,635	1,167,101
Receivables from customers with evidence of impairment (Basket 3) but not impaired due to estimated cash flows	180,662	219,641
Receivables from customers with evidence of impairment and showing impairment (Basket 3)	13,431	13,434
Total receivables from customers measured at amortised cost (gross)	1,368,728	1,400,176
Impairment losses for:		
<i>receivables from customers - (Basket 1)</i>	-	-
<i>receivables from customers - (Basket 2)</i>	- 31,152	- 30,947
<i>receivables from customers - (Basket 3) not showing impairment</i>	- 7,177	- 8,734
<i>receivables from customers - (Basket 3) impaired</i>	- 1,983	- 1,578
Total of impairment allowances	- 40,312	- 41,259
Total receivables from customers measured at amortised cost (net)	1,328,416	1,358,917
Receivables from customers measured at fair value through profit or loss		
Fair value	-	-
Total receivables from customers measured at fair value through profit or loss	-	-
Total receivables from customers	1,328,416	1,358,917

- **Risk of a negative impact of the judgement of the Court of Justice of the European Union (CJEU) in case C-260/18 and of changes in the legal environment on the portfolio of foreign currency loans**

Information on court proceedings initiated regarding loans and advances denominated in or indexed to foreign currencies

On October 3, 2019, the European Court of Justice ("CJEU") issued a preliminary ruling in the case C-260/18 Kamil Dziubak, Justyna Dziubak v Raiffeisen Bank International AG with its seat in Vienna, operating in Poland in the form of a branch under the name Raiffeisen Bank International AG Branch in Poland, formerly Raiffeisen Bank Polska S.A. with its registered office in Warsaw, which interprets the provisions of Council Directive 93/13/EEC of April 5, 1993 on unfair terms in consumer contracts in response to questions referred for a preliminary ruling by the national court after analysing the provisions of the loan agreement indexed to the CHF.

Pursuant to the judgement, the CJEU did not refer to the issue of the unlawful nature of contractual clauses, pointing out that the examination of the existence of all grounds for abusiveness and the assessment of contractual provisions in each individual case is a separate matter for domestic courts. At the same time, the CJEU did not rule out the possibility for the domestic court to recognize the possibility of the agreement continuing to function without the indexation mechanism (which would amount to treating the loan as a PLN loan with LIBOR rate), nevertheless, in the CJEU's opinion, this solution was considered uncertain. The CJEU ruled out the possibility of supplementing the content of the agreement after the elimination of abusive clauses with rules resulting from general provisions of

domestic law. However, the CJEU confirmed the possibility of filling the gaps in the contract with the rules resulting from an explicit optional provision or other rules agreed by the parties.

Since the CJEU judgement, there has been an increase in the number of court cases involving loan agreements linked to foreign exchange rates. The reasons for this phenomenon can be found in the intensified marketing campaign by entities representing borrowers in court proceedings and the constant presence of the subject in the media as well as the changing tendency in the jurisprudence of national courts.

Most court judgments following the CJEU ruling of October 3, 2019 are not favourable for banks, but the case law is still not uniform. Some courts dealing with cases concerning mortgage loans related to foreign exchange rates have asked the CJEU for further questions for a preliminary ruling. The position of the CJEU in this respect may have an impact on further judicial decisions.

The Bank monitors the domestic case law on an ongoing basis, assessing the legal risk related to loans indexed with the foreign currency exchange rate and takes into account in its analyses that the judgement of the CJEU of October 3, 2019 and the rulings of Polish courts in similar cases increase the number of court proceedings and increase the value of the claims pursued.

At present, it is still difficult to assess the final impact of the CJEU ruling on the jurisprudence in cases concerning loans linked to foreign currency. The position of the Supreme Court could be of significant importance in this respect.

As of May 11 this year, (previously assumed dates are March 25, and then April 13 this year) the date of the sitting of the Civil Chamber of the Supreme Court in full court was set to answer the legal issues presented by the First President of the Supreme Court, regarding important issues related to inconsistent court decisions in credit matters related to the exchange rate of foreign currencies. The date of the resolution of the seven-judge panel of the Supreme Court, previously announced for 15 April this year, concerning answers to the legal questions posed by the Financial Ombudsman, has also been changed to May 7. The issues raised by RO partially overlap with those presented by the First President of the Supreme Court. The postponement of the deadline for issuing decisions by the above-mentioned panels of the Supreme Court to May also resulted from the waiting for the Court of Justice of the European Union (CJEU) to issue a judgement in case C-19/20, which took place on April 29. However, this judgement did not clearly answer the key questions for the practice of resolving disputes between banks and foreign currency borrowers, hence it is necessary to wait for the way it is interpreted and translated into the realities of the Polish legal system by the Supreme Court in the rulings planned for May.

At the same time, also in January 2021, a group of banks, including Bank Ochrony Środowiska S.A., based on the assumptions of the Chairman of the Polish Financial Supervision Authority (announced in December 2020), began inter-sector consultations regarding the creation of a catalogue of best practices in order to strive for a settlement concluded with customers on the basis of a voluntary offer, under which loans based on foreign currencies would be settled as if from the beginning they were loans in PLN with interest according to the WIBOR rate and an appropriate margin.

Due to the significance of the impact of the implementation of the Settlement Programme, prepared in accordance with the assumptions of the Chairman of the Polish Financial Supervision Authority, on the financial situation of the Bank, the Management Board of the Bank submitted to the General Meeting a draft resolution on the consent to conclude agreements with consumers by the Bank and the rules for establishing and approving the terms of these agreements.

As of the date of this Report, the Bank has not implemented a programme to widely offer settlements to its customers, and the implementation of the Settlement Programme has not been voted on at the Annual Meeting. Nevertheless, the Bank's Management Board, when estimating the provision for litigation and claims for legal risk related to FX mortgage loans, took into account the scenario of concluding agreements with customers in justified cases due to the formation of a jurisprudence unfavourable for banks and a high estimated willingness of customers to conclude an agreement with the Bank.

The total provision for risk related to foreign currency-related mortgage loans as at December 31, 2020 amounts to PLN 399 million, of which PLN 376 million is presented as a provision for court proceedings and claims for legal risk related to FX mortgage loans, and PLN 23 million presented as additional write-offs for expected credit loss.

As at March 31, 2021, a total of 396 cases were pending before the courts against the Bank, concerning loans and borrowings denominated mainly to CHF, in which the value of the dispute was PLN 92.99 million. The claims raised in the lawsuits stemming from denominated credit and loan agreements generally concern declaring the credit/loan agreement invalid, and alternatively declaring the denomination (conversion) clauses abusive.

Other risk factors:

- **risk of a significant depreciation of the zloty against the CHF and EUR**

Such an event would cause an increase in the volume of foreign currency loans, which means an increase in the capital requirement for these loans. In the event of a permanent significant depreciation of PLN against foreign currencies, especially CHF, one would expect a deterioration in the quality of the portfolio of mortgage loans denominated in foreign currencies;

- **the risk of an increase in volatility in the global financial market and a downgrade of both the domestic and the Bank's ratings**

The consequences for the Bank may include, among other things, increased cost of external financing as well as difficulties in accessing foreign funding and in carrying out FX and interest rate risk management transactions;

- **the risk of interest rates remaining at a low level or further cuts in interest rates, both in PLN and foreign currencies**

Any further cuts in interest rates would lead to a narrowing of the realised net interest margin and a decrease in net interest income due to, inter alia, statutory restrictions on the amount of interest, no possibility of further lowering the interest rate on current accounts or contractual clauses.

11. Description of factors and unusual events affecting the financial results

In the first quarter of 2021, no other events occurred at BOŚ S.A. for the assessment of its personnel, property, financial situation, financial result and their changes, and for the assessment of the possibility of meeting its obligations.

12. The position of the Management Board regarding the possibility of implementing the published forecasts

The BOŚ S.A. Group did not publish any forecasts of financial results in the first quarter of 2021.

13. Seasonal or cyclical nature of the business

There are no significant phenomena that are subject to seasonal or cyclical fluctuations in the Bank's operations. The results of Dom Maklerski BOŚ S.A. Brokerage house are affected by the situation on the Warsaw Stock Exchange.

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

In the first quarter of 2021, the Bank did not issue or redeem any securities of BOŚ S.A.

15. Dividend information

The Bank did not pay or declare any dividends in the first quarter of 2021.

16. Related party transactions

In the period from January 1, 2021 to March 31, 2021, the Bank and its subsidiaries did not conclude one or more transactions with related entities that would be individually or jointly significant and concluded on terms other than market terms.

17. Information on sureties for a credit or loan or on granting a guarantee, if the total value of the existing sureties or guarantees is the equivalent of at least 10% of the issuer's equity

In the first quarter of 2021, the Bank did not grant sureties for a credit, loan or guarantee, the total value of which is the equivalent of at least 10% of equity.

18. Information on pending proceedings

Total litigation

As at March 31, 2021, Bank Ochrony Środowiska S.A. was:

- a plaintiff in 842 cases for a total of: PLN 74.34 million,
- a defendant in 464 cases for a total amount of: PLN 121.63 million.

As at 31 March 2021, the Bank was not involved in any material proceedings pending before any court, arbitration body or public administration authority, concerning the issuer's liabilities or receivables, i.e. proceedings whose value represents at least 10% of the Bank's equity.

19. Shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the general meeting of the issuer

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

- National Fund for Environmental Protection and Water Management - holding 53,951,960 shares, which constitutes 58.05% of the share capital and the total number of votes at the General Meeting,
- Fundusz Inwestycji Polskich Przedsiębiorstw, (Fund of Investments of Polish Enterprises Closed-end Non-Public Assets Investment Fund) - holding 8,000,000 shares, which constitutes 8.61% of the share capital and the total number of votes at the General Meeting,
- Dyrekcja Generalna Lasów Państwowych (State Forest Enterprise Directorate General) - holding 5,148,000 shares, which accounts for 5.54% share in the share capital and the total number of votes at the General Meeting.

The total number of shares and votes at the General Meeting of BOŚ S.A. is 92,947,671. All shares are ordinary bearer shares with a nominal value of PLN 10 each.

20. The list of the Bank shares held by executive managers and supervising directors

According to the information provided to the Bank, as at March 31, 2021, none of the Management Board members and none of the Supervisory Board members held any of the Bank's shares or rights to them.

Vice President - First Deputy President of the Management Board Arkadiusz Garbarczyk had:

- 19,190 phantom stocks of BOŚ S.A. in connection with the awarding of variable remuneration to Members of the Management Board for 2019,
- 2,917 phantom stocks of BOŚ S.A. in connection with granting the Management Board Members the first (out of three) tranche of deferred variable remuneration for the 2018 results.

Phantom stocks are a derivative instrument within the meaning of the regulations on trading in financial instruments, the underlying of which is the value of the Bank's shares on the WSE used by the Bank to realise the payment of the variable remuneration in accordance with the requirements of the Regulation of the Minister of Development and Finance of March 6, 2017 on the risk management system and internal control system, remuneration policy and the detailed method of estimating internal capital in banks.

21. Other information that, in the issuer's opinion, is significant for the assessment of its personnel, property, financial standing, financial result and their changes, as well as information significant for the issuer

In the first quarter of 2021, no other events occurred at BOŚ S.A. for the assessment of its personnel, property, financial situation, financial result and their changes, and for the assessment of the possibility of meeting its obligations.

22. Composition of the Bank's Supervisory Board

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

- 1) Wojciech Wardacki - Chairperson of the Supervisory Board
 - 2) Ireneusz Purgacz - Deputy Chairperson of the Supervisory Board
 - 3) Paweł Sałek - Secretary of the Supervisory Board
- Members

- 4) Leszek Banaszak
- 5) Robert Czarnecki
- 6) Janina Goss
- 7) Marcin Jastrzębski
- 8) Marzena Koczut (*from December 21, 2020, delegated to temporarily perform the duties of a Management Board Member - no longer than until March 21, 2021*)
- 9) Emil Ślązak
- 10) Piotr Wróbel

In Q1 2021, the composition of the Supervisory Board changed as follows:

Ms Marzena Koczut, delegated to temporarily perform the duties of a Member of the Bank's Management Board, was appointed the Vice-President of the Bank's Management Board on February 10, 2021.

Accordingly, the composition of the Supervisory Board as of March 31, 2021 was as follows:

- 1) Wojciech Wardacki - Chairperson of the Supervisory Board
 - 2) Ireneusz Purgacz - Deputy Chairperson of the Supervisory Board
 - 3) Paweł Sałek - Secretary of the Supervisory Board
- Members
- 4) Leszek Banaszak
 - 5) Robert Czarnecki
 - 6) Janina Goss
 - 7) Marcin Jastrzębski
 - 8) Emil Ślązak
 - 9) Piotr Wróbel

23. Composition of the Bank's Management Board

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

- 1) Wojciech Hann - Vice President of the Management Board, managing the work of the Management Board
- 2) Arkadiusz Garbarczyk - Vice President - First Deputy President of the Management Board
- 3) Jerzy Zań - Vice President of the Management Board
- 4) Marzena Koczut - Member of the Supervisory Board delegated to temporarily perform the duties of a Member of the Bank's Management Board.

In Q1 2021, the composition of the Management Board changed as follows:

- on February 10, 2021, the Supervisory Board of the Bank appointed Ms. Marzena Koczut as the Vice-President of the Management Board of the Bank;
- on February 15, 2021, the Bank's Supervisory Board appointed Mr. Robert Kasprzak to the position of Vice-President of the Bank's Management Board;
- on March 3, 2021, the Supervisory Board of the Bank, taking into account the consent of the Polish Financial Supervision Authority, appointed Mr. Wojciech Hann to the position of the President of the Bank's Management Board.

Accordingly, the composition of the Bank's Management Board as at March 31, 2021 was as follows:

- 1) Wojciech Hann - President of the Management Board,
- 2) Arkadiusz Garbarczyk - Vice President - First Deputy President of the Management Board,
- 3) Robert Kasprzak - Vice-President of the Management Board,

- 4) Marzena Koczut - Vice-President of the Management Board,
- 5) Jerzy Zań - Vice-President of the Management Board.

INTERIM CONDENSED FINANCIAL STATEMENTS OF THE BOŚ S.A. CAPITAL GROUP

Interim consolidated profit and loss account

Continued operations	for the period of 3 months ended 31/03/2021	for the period of 3 months ended 31/03/2020
Interest and similar income, including:	102,516	153,308
<i>financial assets measured at amortised cost</i>	91,603	130,264
<i>assets at fair value through other comprehensive income</i>	9,900	22,566
<i>financial assets that are obligatorily measured at fair value through profit or loss</i>	1,013	478
Interest and similar expenses, including:	- 15,046	- 50,265
<i>financial liabilities measured at amortised cost</i>	- 13,407	- 48,338
<i>financial liabilities at fair value through profit or loss</i>	- 1,639	- 1,927
Net interest income	87,470	103,043
Fee and commission income	46,904	38,894
Costs of fees and commissions	- 10,875	- 9,199
Net fee and commission income	36,029	29,695
Dividend income	3	1
Gains on financial instruments at fair value through profit or loss (including amounts due from customers)	24,295	10,303
Net income on investment securities	-	687
Result on hedge accounting	340	333
Foreign exchange result	1,219	15,357
Remaining operating revenues	7,455	6,965
Remaining operating costs	- 6,819	- 6,081
Cost of legal risk of mortgage loans in foreign currencies	-	- 3,228
Result of impairment allowances	- 38,858	- 22,738
General administrative costs	- 103,382	- 99,764
Gross profit	7,752	34,573
Tax burden	- 5,632	- 11,004
Net profit	2,120	23,569
of which attributable to:		
<i>shareholders of the parent company</i>	2,120	23,569
<i>non-controlling shareholders</i>	-	-
Earnings per share attributable to shareholders of the parent company during the period (in PLN)		
<i>baseline</i>	0.02	-4.20
<i>diluted</i>	0.02	-4.20

There were no discontinued operations in the 3-month period ended March 31, 2021 and in 2020.

Interim consolidated statement of comprehensive income

Continued operations	for the period of 3 months ended 31/03/2021	for the period of 3 months ended 31/03/2020
Net profit	2,120	23,569
Items that may be reclassified to the income statement:	- 153	- 5,532
Fair value of financial assets measured at fair value through other gross comprehensive income	- 189	- 6,829
Deferred tax	36	1,297
Items not subject to reclassification to the profit and loss account:	-	-
Total overall income	1,967	18,037
of which attributable to:		
<i>shareholders of the parent company</i>	1,967	18,037

Interim consolidated statement of financial position

Assets	31/03/2021	31/12/2020 audited
Cash in hand, funds at the Central Bank	209,204	266,552
Amounts due from other banks	168,800	155,616
Financial assets held for trading, of which:	148,092	113,134
<i>equity securities</i>	43,567	14,032
<i>debt securities</i>	-	805
<i>derivatives</i>	104,525	98,297
Derivative hedging instruments	-	-
Investment Securities:	6,864,235	7,371,414
<i>equity securities at fair value through other comprehensive income</i>	85,484	85,480
<i>debt securities at fair value through other comprehensive income</i>	5,016,494	5,597,061
<i>debt securities measured at amortised cost</i>	1,611,181	1,535,239
<i>debt securities measured at fair value with the valuation effect recognised in the profit and loss account</i>	151,076	153,634
Receivables from customers, including:	11,769,570	11,887,297
<i>measured at amortised cost</i>	11,746,882	11,861,783
<i>measured at fair value through profit or loss</i>	22,688	25,514
Intangible assets	108,735	110,902
Tangible fixed assets	82,554	84,651
Right of use - leasing	74,625	67,796
Income tax assets:	126,731	129,136
<i>current</i>	1,084	8,433
<i>deferred</i>	125,647	120,703
Other assets	388,611	319,331
Total assets	19,941,157	20,505,829

Liabilities	31/03/2021	31/12/2020 audited
Liabilities to the Central Bank and other banks	582,364	732,743
Financial liabilities held for trading, of which:	77,335	103,316
<i>equity securities</i>	1,034	575
<i>debt securities</i>	-	-
<i>derivatives</i>	76,301	102,741
Derivative hedging instruments	18,132	24,497
Liabilities to customers	16,066,735	16,560,715
Subordinated liabilities	368,142	368,996
Reserves	419,949	418,534
Income tax liabilities:	1,561	1,103
<i>current</i>	393	856
<i>deferred</i>	1,168	247
Lease liabilities	77,443	71,229
Other liabilities	414,359	311,526
Total liabilities	18,026,020	18,592,659

Capitals	31/03/2021	31/12/2020
Equity attributable to equity holders of the parent company:		
Basic capital:	1,461,036	1,461,036
<i>Share capital</i>	929,477	929,477
<i>Own shares</i>	-1,292	-1,292
<i>Reserve capital from the sale of shares above their nominal value</i>	532,851	532,851
Revaluation reserve	67,716	67,869
Retained earnings	386,385	384,265
Total equity	1,915,137	1,913,170
Total equity and liabilities	19,941,157	20,505,829

Interim consolidated statement of changes in equity

Specification	Capital attributable to the Bank's shareholders								Total equity
	Basic capital			Revaluation reserve capital	Retained earnings				
	Share capital	Own shares	Reserve capital from the sale of shares above their nominal value		Other reserve capital	Other reserve capitals	General risk fund	Undistributed financial result	
Status as of 01/01/2021	929,477	- 1,292	532,851	67,869	776,085	23,605	48,302	- 463,727	1,913,170
Net profit	-	-	-	-	-	-	-	2,120	2,120
Other comprehensive income	-	-	-	- 153	-	-	-	-	- 153
Total overall income	-	-	-	- 153	-	-	-	2,120	1,967
Breakdown of the result, including:	-	-	-	-	-	-	-	-	-
Status as of 31/03/2021	929,477	- 1,292	532,851	67,716	776,085	23,605	48,302	- 461,607	1,915,137
Status as of 01/01/2020	929,477	- 1,292	532,851	47,695	694,403	23,605	48,302	- 75,111	2,199,930
Net profit	-	-	-	-	-	-	-	- 306,934	- 306,934
Other comprehensive income	-	-	-	20,174	-	-	-	-	20,174
Total overall income	-	-	-	20,174	-	-	-	- 306,934	- 286,760
Breakdown of the result, including:	-	-	-	-	81,682	-	-	- 81,682	-
Transfer of the result to other capitals	-	-	-	-	81,682	-	-	- 81,682	-
Status as of 31/12/2020	929,477	- 1,292	532,851	67,869	776,085	23,605	48,302	- 463,727	1,913,170

Status as of 01/01/2020	929,477	- 1,292	532,851	47,695	694,403	23,605	48,302	- 75,111	2,199,930
Net profit	-	-	-	-	-	-	-	23,569	23,569
Other comprehensive income	-	-	-	- 5,532	-	-	-	-	- 5,532
Total overall income	-	-	-	- 5,532	-	-	-	23,569	18,037
Breakdown of the result, including:	-	-	-	-	-	-	-	-	-
Status as of 31/03/2020	929,477	- 1,292	532,851	42,163	694,403	23,605	48,302	- 51,542	2,217,967

There were no non-controlling interests in the three-month period ended March 31, 2021 and in 2020.

Interim consolidated statement of cash flows

Indirect method	for the period of 3 months ended 31/03/2021	for the period of 3 months ended 31/03/2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Gross profit	7,752	34,573
Total adjustments:	33,306	680,632
Depreciation and amortisation	13,647	14,098
Interest from investing activities	-24,415	-27,924
Profit/loss on investing activities	2	44
Interest on financing activities	3,918	5,338
Dividends received:	-3	-
<i>on securities held for trading</i>	3	1
<i>on investment securities</i>	-	-1
State Change:		
<i>receivables from other banks</i>	18,763	-105,797
<i>assets from securities held for trading</i>	-28,730	1,066
<i>assets and liabilities on account of valuation of derivative and hedging financial instruments</i>	-39,033	66,020
<i>investment securities</i>	582,967	-83,195
<i>receivables from customers</i>	117,727	-25,242
<i>other assets and income tax</i>	-62,727	-88,973
<i>liabilities to the Central Bank and other banks</i>	-150,379	2,951
<i>liabilities to customers</i>	-493,980	825,489
<i>liabilities on securities held for trading</i>	459	11,569
<i>reserves</i>	1,415	6,682
<i>other liabilities and income tax</i>	94,888	93,196
Income tax paid	-1,216	-14,690
Net cash flows from operating activities	41,058	715,205
CASH FLOWS FROM INVESTING ACTIVITIES		
Inflows	19,370	26,634
Disposal of property, plant and equipment	11	83
Interest received on securities measured at amortised cost	19,359	26,551
Expenses	-77,061	-5,560
Purchase of securities measured at amortised cost	-70,886	-
Acquisition of intangible assets	-4,522	-2,501
Purchase of property, plant and equipment	-1,653	-3,059

Net cash flows from investing activities	-57,691	21,074
CASH FLOWS FROM FINANCING ACTIVITIES		
Inflows	-	-
Expenses	-8,733	-10,762
Interest paid on bonds issued by the BOŚ Group, including	-3,829	-5,870
<i>subordinated bonds</i>	-14,440	-5,870
Lease payments IFRS 16	-4,904	-4,892
Net cash flows from financing activities	-8,733	-10,762
TOTAL NET CASH FLOW	-25,366	725,517
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,479,832	1,687,915
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,454,466	2,413,432
Restricted cash and cash equivalents	30,794	195,939

INTERIM ABBREVIATED FINANCIAL STATEMENTS OF BOŚ S.A.

Interim Profit and Loss Account of the Bank

Continued operations	for the period of 3 months ended 31/03/2021	for the period 3 months ended 31/03/2020 adjusted
Interest and similar income, including:	101,809	152,885
<i>financial assets measured at amortised cost</i>	90,905	129,858
<i>assets at fair value through other comprehensive income</i>	9,900	22,566
<i>financial assets that are obligatorily measured at fair value through profit or loss</i>	1,004	461
Interest and similar expenses, including:	- 14,989	- 51,928
<i>financial liabilities measured at amortised cost</i>	- 13,350	- 50,001
<i>financial liabilities at fair value through profit or loss</i>	- 1,639	- 1,927
Net interest income	86,820	100,957
Fee and commission income	19,922	17,951
Costs of fees and commissions	- 2,517	- 2,437
Net fee and commission income	17,405	15,514
Gains on financial instruments at fair value through profit or loss (including amounts due from customers)	15,305	3,774
Net income on investment securities	-	687
Result on hedge accounting	340	333
Foreign exchange result	646	15,357
Remaining operating revenues	3,807	2,581
Remaining operating costs	- 4,470	- 3,002
Cost of legal risk of mortgage loans in foreign currencies	-	- 3,228
Result of impairment allowances	- 36,728	- 22,285
General administrative costs	- 81,624	- 80,141
Share in profits (losses) of entities valued using the equity method	4,553	2,971
Gross profit	6,054	33,518
Tax burden	- 3,832	- 9,683
Net profit	2,222	23,835
Earnings per share attributable to shareholders of the parent company during the period (in PLN)		
<i>baseline</i>	0.02	0.26
<i>diluted</i>	0.02	0.26

There were no discontinued operations in the 3-month period ended March 31, 2021 and in 2020.

Interim statement of comprehensive income of the Bank

Continued operations	for the period 3 months finished 31/03/2021	for the period 3 months ended 31/03/2020 adjusted
Net profit	2,222	23,835
Items that may be reclassified to the income statement:	- 153	- 5,532
Fair value of financial assets measured at fair value through other gross comprehensive income	- 189	- 6,829
Deferred tax	36	1,297
Items not subject to reclassification to the profit and loss account:	-	-
Total overall income	2,069	18,303

Interim Statement of Financial Position of the Bank

Assets	31/03/2021	31/12/2020 audited
Cash in hand, funds at the Central Bank	209,187	266,532
Amounts due from other banks	152,289	142,015
Financial assets held for trading, of which:	78,859	79,827
<i>derivatives</i>	78,859	79,827
Investment Securities:	6,864,235	7,371,414
<i>equity securities at fair value through other comprehensive income</i>	85,484	85,480
<i>debt securities at fair value through other comprehensive income</i>	5,016,494	5,597,061
<i>debt securities measured at amortised cost</i>	1,611,181	1,535,239
<i>debt securities measured at fair value with the valuation effect recognised in the profit and loss account</i>	151,076	153,634
Receivables from customers, including:	11,788,352	11,891,853
<i>measured at amortised cost</i>	11,765,664	11,866,339
<i>measured at fair value through profit or loss</i>	22,688	25,514
Investments in subsidiaries	198,356	193,803
Intangible assets	97,235	99,484
Tangible fixed assets	36,196	38,429
Right of use - leasing	70,785	63,482
Income tax assets:	120,330	124,127
<i>current</i>	1,084	8,433
<i>deferred</i>	119,246	115,694
Other assets	38,963	27,896
Total assets	19,654,787	20,298,862

Liabilities	31/03/2021	31/12/2020 audited
Liabilities to the Central Bank and other banks	582,364	732,743
Derivative financial instruments held for trading	73,303	97,410
Derivative hedging instruments	18,132	24,497
Liabilities to customers	16,051,120	16,553,777
Subordinated liabilities	368,142	368,996
Reserves	415,678	415,070
Lease liabilities IFRS 16	73,582	66,733
Other liabilities	159,991	129,230
Total liabilities	17,742,312	18,388,456

Capitals	31/03/2021	31/12/2020 audited
Equity attributable to equity holders of the parent company:		
Basic capital:	1,460,364	1,460,364
<i>Share capital</i>	929,477	929,477
<i>Own shares</i>	- 1,294	- 1,294
<i>Reserve capital from the sale of shares above their nominal value</i>	532,181	532,181
Revaluation reserve	67,716	67,869
Retained earnings	384,395	382,173
Total equity	1,912,475	1,910,406
Total equity and liabilities	19,654,787	20,298,862

Interim Statement of Changes in the Bank's Equity

Specification	Basic capital			Revaluation reserve	Retained earnings			Total equity
	Share capital	Own shares	Reserve capital from the sale of shares above their nominal value		Other reserve capital	General risk fund	Undistributed financial result	
Status as of 01/01/2021	929,477	- 1,294	532,181	67,869	726,193	48,302	- 392,322	1,910,406
Net profit	-	-	-	-	-	-	2,222	2,222
Other comprehensive income	-	-	-	- 153	-	-	-	- 153
Total overall income	-	-	-	- 153	-	-	2,222	2,069
Breakdown of the result, including:	-	-	-	-	-	-	-	-
Status as of 31/03/2021	929,477	- 1,294	532,181	67,716	726,193	48,302	- 390,100	1,912,475
As of 01/01/2020 after adjustments	929,477	- 1,294	532,181	47,695	645,531	48,302	- 1,362	2,200,530
Net profit	-	-	-	-	-	-	- 310,298	- 310,298
Other comprehensive income	-	-	-	20,174	-	-	-	20,174
Total overall income	-	-	-	20,174	-	-	- 310,298	- 290,124
Breakdown of the result, including:	-	-	-	-	80,662	-	- 80,662	-
Transfer of the result to other capitals	-	-	-	-	80,662	-	- 80,662	-
Status as of 31/12/2020	929,477	- 1,294	532,181	67,869	726,193	48,302	- 392,322	1,910,406

As of 01/01/2020 after adjustments	929,477	- 1,294	532,181	47,695	645,531	48,302	- 1,362	2,200,530
Net profit	-	-	-	-	-	-	23,835	23,835
Other comprehensive income	-	-	-	- 5,532	-	-	-	- 5,532
Total overall income	-	-	-	- 5,532	-	-	23,835	18,303
Breakdown of the result, including:	-	-	-	-	-	-	-	-
As of 31/03/2020 after adjustments	929,477	- 1,294	532,181	42,163	645,531	48,302	22,473	2,218,833

Interim Statement of Cash Flows of the Bank

Indirect method	for the period of 3 months ended 31/03/2021	for the period 3 months ending 31/03/2020 adjusted
CASH FLOWS FROM OPERATING ACTIVITIES		
Gross profit	6,054	33,518
Total adjustments:	31,172	682,211
Share in net (profit) loss of subsidiaries measured by the equity method	-4,553	-2,971
Depreciation and amortisation	11,125	11,471
Interest from investing activities	-24,415	-27,924
Profit/loss on investing activities	2	-
Interest on financing activities	3,892	5,296
Change in state		
<i>receivables from other banks</i>	20,702	-99,147
<i>securities intended for trading</i>	-	-6,305
<i>assets and liabilities on account of valuation of derivative and hedging financial instruments</i>	-29,504	64,311
<i>investment securities</i>	582,967	-83,195
<i>receivables from customers</i>	103,501	-28,672
<i>other assets and income tax</i>	-3,530	-14,859
<i>liabilities to the Central Bank and other banks</i>	-150,379	2,951
<i>liabilities to customers</i>	-502,657	859,448
<i>reserves</i>	608	5,456
<i>other liabilities and income tax</i>	23,413	8,278
Income tax paid	-	-11,927
Net cash flows from operating activities	37,226	715,729
CASH FLOWS FROM INVESTING ACTIVITIES		
Inflows	19,359	26,551
Disposal of property, plant and equipment		
Interest received on securities measured at amortised cost	19,359	26,551
Expenses	-74,810	-2,081
Purchase of securities measured at amortised cost	-70,886	-
Acquisition of intangible assets	-3,790	-1,937
Purchase of property, plant and equipment	-134	-144
Net cash flows from investing activities	-55,451	24,470
CASH FLOWS FROM FINANCING ACTIVITIES		
Inflows	-	-
Expenses	-8,109	-10,115

Interest paid on bonds issued by the Bank, including:	-3,829	-5,870
<i>subordinated bonds</i>	-14,440	-5,870
Lease instalments	-4,280	-4,245
Net cash flows from financing activities	-8,109	-10,115
TOTAL NET CASH FLOW	-26,334	730,084
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	2,475,299	1,677,058
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	2,448,965	2,407,142
Restricted cash and cash equivalents	30,794	195,939

I. Information on the adopted accounting principles (policy) in the preparation of the interim condensed consolidated financial statements of the BOŚ Group and the Bank's interim condensed financial statements

Basis of preparation and statement of compliance

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

- 1) Interim condensed consolidated income statement for the 3-month period ended March 31, 2021 and comparative data for the 3-month period ended March 31, 2020,
- 2) Interim condensed consolidated statement of comprehensive income for the 3-month period ended March 31, 2021 and comparative data for the 3-month period ended March 31, 2020,
- 3) Interim condensed consolidated statement of financial position as at March 31, 2021 and comparative figures as at December 31, 2020,
- 4) Interim condensed consolidated statement of changes in equity for the 3-month period ended March 31, 2021 and comparative data for the 3-month period ended March 31, 2020 and for the 12-month period ended December 31, 2020
- 5) Interim condensed consolidated statement of cash flows for the 3 months ended March 31, 2021 and comparative data for the 3 months ended March 31, 2020,
- 6) additional explanatory notes.

The abbreviated interim financial statements of the Bank include:

- 1) Interim condensed income statement for the 3-month period ended March 31, 2021 and comparative data for the 3-month period ended March 31, 2020,
- 2) Interim condensed statement of comprehensive income for the 3 months ended March 31, 2021 and comparative figures for the 3 months ended March 31, 2020,
- 3) Interim condensed statement of financial position as at March 31, 2021 and comparative figures as at December 31, 2020,
- 4) Interim condensed statement of changes in equity for the 3-month period ended 31 March 2021 and comparative data for the 3-month period ended 31 March 2020, and for the 12-month period ended December 31, 2020
- 5) Interim condensed statement of cash flows for the 3 months ended March 31, 2021 and comparative data for the 3 months ended March 31, 2020,
- 6) additional explanatory notes.

These interim condensed consolidated financial statements of the BOŚ Group and the condensed financial statements of the Bank are prepared in Polish zlotys (PLN), rounded up to PLN thousand (PLN thousand).

The interim condensed consolidated financial statements of the Boś Group and the interim condensed financial statements of the Bank have been prepared in accordance with the International Financial

Reporting Standards (IFRS) in the version approved by the European Union (EU), and in particular in accordance with the International Accounting Standard 34 "Interim Financial Reporting" applicable at reporting date, i.e. March 31, 2021, using the same accounting principles for each period with the historical cost concept, except for the following items measured at fair value:

Method of accounting for changes in fair value by:	
Financial instruments intended for trading	financial result
Derivative financial instruments for fair value hedges	financial result
Receivables from customers whose cash flows do not meet the cash flow test	financial result
Investment debt securities held in a business model aimed at obtaining contractual cash flows or selling	other comprehensive income
Investment equity securities	other comprehensive income

Subsidiaries included in the scope of consolidation, i.e. Dom Maklerski BOŚ S.A., BOŚ Leasing - Eko Profit S.A. and MS Wind sp. z o.o., prepare financial statements in accordance with the International Financial Reporting Standards (IFRS), in the version approved by the European Union (EU).

These interim condensed consolidated financial statements of the Group and the interim condensed financial statements of the Bank for the three months ended March 31, 2021 do not include all disclosures required in the annual financial statements and should be read together with the annual financial statements of the BOŚ Group and the Bank for the financial year ended December 31, 2020.

When preparing the interim condensed consolidated financial statements of the BOŚ Group and the Bank's interim condensed financial statements, the same accounting principles were applied as in the preparation of the annual financial statements for the year ended December 31, 2020, where:

- In 2021, a presentation change was made to the BOŚ Group's interim consolidated profit and loss account and the Bank's interim profit and loss account by separating the costs of legal risk of foreign currency mortgage loans from other operating expenses and disclosing them in a separate line of the profit and loss account. This change did not change the net profit in the comparative data.
- In 2020, the Bank changed the accounting policy regarding the principles of valuation of investments in consolidated subsidiaries. The change consisted in applying the equity method to the valuation of these entities in accordance with IAS 28. Relevant disclosures, in particular the change in the Bank's equity as at the date of the first application of the equity method, i.e. January 1, 2019, were presented in the Bank's financial statements as at December 31, 2020. The above change in the accounting policy resulted in a change of comparative data in the profit and loss account. In the Bank's profit and loss account published in 2020 for the 3-month period ended on March 31, 2020, the net profit amounted to PLN 20,864 thousand PLN, while the net profit for the same period according to the comparative data in these financial statements of the Bank amounts to PLN 23,835 thousand PLN. The difference in the amount of 2,971 thousand PLN is the result from the valuation of subsidiaries for the 3-month period ended on March 31, 2020.

Standards and interpretations and amendments that were first applied in 2021 did not have a material impact on these financial statements of the BOŚ Group and the Bank.

As at the date of approving the interim condensed consolidated financial statements and interim condensed financial statements of the Bank there are no circumstances indicating a threat to the continuity of operations of the Bank and companies belonging to the BOŚ Group in the period of at least 12 months after the balance sheet date as a result of deliberate or compulsory discontinuation or limitation of current operations. Therefore, these interim condensed consolidated financial statements of the BOŚ Group and interim condensed financial statements of the Bank have been prepared on the assumption that the Bank

and the companies of the BOŚ Group will continue as a going concern in the foreseeable future i.e. at least 12 months from the balance sheet date.

II. Fair value of financial assets and liabilities

	Carrying value as of March 31, 2021	Fair value as of March 31, 2021	Carrying value as of December 31, 2020	Fair value as of December 31, 2020
FINANCIAL ASSETS				
Amounts due from other banks	168,800	172,103	155,616	158,813
Receivables from customers including:	11,769,570	11,651,970	11,887,297	11,751,753
- Loans in Polish zloty	9,050,882	8,963,153	9,080,574	8,993,394
- Loans in foreign currencies	2,718,688	2,688,817	2,806,723	2,758,359
Investment securities - valued at amortised cost	1,611,181	1,678,546	1,535,239	1,615,371
Debt securities, of which:	1,611,181	1,678,546	1,535,239	1,615,371
- State Treasury	1,401,867	1,468,810	1,397,710	1,472,158
- Other	209,315	209,736	137,529	143,213
FINANCIAL LIABILITIES				
Liabilities of the Central Bank and other banks	582,364	582,364	732,743	732,743
Due to customers, including:	16,066,735	16,085,416	16,560,715	16,583,462
- Institutional customers	6,132,985	6,132,463	6,391,882	6,391,627
- Individual customers	9,156,240	9,174,967	9,380,943	9,403,399
- Other customers	69,377	69,377	72,182	72,182
- International financial institutions	708,133	708,609	715,708	716,254
Liabilities due to the issue of bank securities	-	-	-	-
Subordinated liabilities	368,142	351,334	368,996	351,812

Amounts due from other banks

Receivables from other banks include interbank deposits, nostro accounts and loans and credits. Fair value of interbank deposits, due to their short term (fixed-rate interbank deposits up to 6 months), is equal to the carrying amount. Bonds issued by banks were measured at fair value taking into account the credit spread determined on the basis of comparable issues carried out by similar banks.

Receivables from customers

Receivables from customers are presented net of impairment allowances. Receivables from customers in the balance sheet are valued mainly at amortised cost using the effective interest rate (99% of the carrying amount of loans).

The fair value of loans is assumed to be their value resulting from the currently estimated future capital and interest flows (separately for currencies and separately for PLN) calculated on the basis of the effective interest rate for each loan (except for loans with an undetermined schedule or impaired loans for which the value of fair is the carrying amount) discounted at the average effective interest rate for loans granted in the last twelve months. Prepayments are included for mortgage loans. In the case of loans in foreign currencies, which the Bank discontinued foreign currency loans which were discontinued by the Bank, an average

effective interest rate on corresponding PLN loans was applied, adjusted by the difference between interest rates in specific currencies and PLN.

Investment securities measured at amortised cost

Investment securities measured at amortised cost include State Treasury bonds assigned to the HtC business model. The fair value of the bonds is assumed to be the current valuation derived from market quotations plus accrued interest.

Liabilities of the Central Bank and other banks

Liabilities to the Central Bank and liabilities under repo transactions have been recorded at carrying value. Liabilities due to repo transactions were recognised in the carrying amount due to the lack of available market data for the calculation of the fair value of the basic repo transaction of the Bank with the counterparty.

Due to the short term, interbank deposits were included in the carrying amount, and the loans taken (principal and interest) were discounted with the average effective interest rate.

Liabilities to customers

Liabilities in the balance sheet are measured at amortised cost using the effective interest rate. The fair value of liabilities is assumed to be their value resulting from discounting principal and interest for all deposits at the weighted average interest rate that was in effect for deposits accepted in December 2020. Due to the lack of schedules for current accounts, they were recognised at carrying amount.

Liabilities (principal and interest) towards the international financial institutions were discounted with the average effective interest rate (for EUR) or the last transaction concluded in a given currency (for PLN).

Liabilities from the issue of securities

Liabilities from the issue of securities measured at fair value, taking into account the credit spread change for PLN bonds, determined based on the latest issue carried out by the Bank.

Subordinated liabilities

Subordinated liabilities measured at fair value taking into account a change in the credit spread determined on the basis of the latest issue made by the Bank.

III. Information on changes in consolidated liabilities and contingent assets

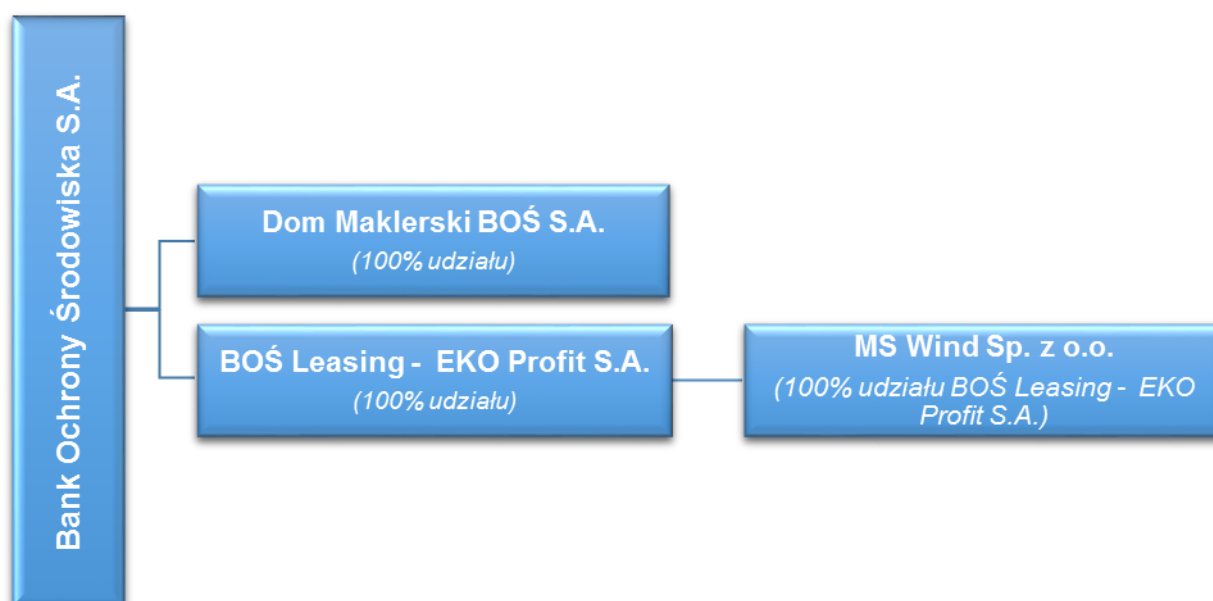
	31/03/2021	31/12/2020
Contingent liabilities:	3,095,956	2,863,156
Financial, including:	2,721,107	2,490,309
<i>open credit lines, including:</i>	2,670,138	2,464,889
<i>revocable</i>	2,336,309	2,130,346
<i>irrevocable</i>	333,829	334,543
<i>open import letters of credit</i>	47,484	20,250
<i>promises to grant a loan, including:</i>	3,485	5,170
<i>revocable</i>	-	-

<i>irrevocable</i>	3,485	5,170
<i>limits on FX transactions</i>	-	-
<i>other</i>	-	-
Guarantees, including:	374,849	372,847
<i>sureties and guarantees of loan repayment</i>	12,738	12,739
<i>performance bonds</i>	362,111	360,108
<i>guarantee for a subsidiary</i>	-	-
<i>promises to grant a guarantee</i>	-	-
<i>other</i>	-	-
Underwriting	-	-
Securities to be received	-	-
Contingent Assets:	1,014,356	915,199
Financial, including:	-	-
<i>open credit lines</i>	-	-
<i>liabilities from NFOŚiGW and WFOŚiGW due to syndicated loans</i>	-	-
<i>other</i>	-	-
Guarantee	998,579	899,975
Other	15,777	15,224
Total contingent assets and liabilities	4,110,312	3,778,355

IV. Organisation of the Capital Group

Structure of the Capital Group

In Q1 2021, the BOŚ S.A. Capital Group consisted of the following entities.



Type of activity conducted by subsidiaries of BOŚ S.A:

Dom Maklerski BOŚ S.A.- [Brokerage house]	-	brokerage services, operations on the capital market
BOŚ Leasing-EKO Profit S.A.	-	leasing activities and financial activities supplementing the Bank's service offer
MS Wind sp. z o. o.	-	implementation of a wind farm project

Capital investments

In Q1 2021, Bank Ochrony Środowiska S.A. did not acquire or dispose of any shares in companies.

V. Indication of the most important events that occurred after the date of this report

Annual contribution to the banks' forced restructuring fund for 2021

In connection with the receipt of information from the Bank Guarantee Fund on April 22, 2021, the Management Board of the Bank announced that the amount of the annual contribution set by the BFG to the Bank for the bank's compulsory restructuring fund for 2021 is PLN 15,288.5 thousand (taking into account the adjustment of the premium paid for 2020 in the amount of PLN -59.2 thousand). In total, the contributions to the BFG included in the costs of the first quarter of 2021 amount to PLN 18,775.0 thousand, including contribution to the bank guarantee fund set by the BFG in the amount of PLN 3,073.9 thousand. According to current report 6/2020 dated April 14, 2020, in total the contributions for BFG included in the costs of the first quarter of 2020 amounted to PLN 20,529.6 thousand. (Current Report 13/2021 dated April 22, 2021).

- **Provisions for legal risks related to foreign currency loans**

On 26 April 2021, the Management Board of BOŚ S.A. decided to establish a provision for legal risk related to mortgage loans denominated in foreign currencies. As at the publication date of the Report, the total amount of the provision was PLN 399 million. As at the report date, after taking into account the reduction of own funds, both the Bank and the Bank's Capital Group met the capital ratios recommended by KNF. (Current Report 16/2021 dated April 26, 2021).

On May 7, 2021, the Supreme Court adopted a resolution of seven judges, referring to the issues presented by the Financial Ombudsman, i.e. settlements of the parties in the event of invalidity or bankruptcy of an indexed or denominated loan agreement.

The Supreme Court did not decide that any indexed or denominated loan agreement should be annulled. The cancellation of long-term contracts, such as loan agreements, should be a last resort, as stressed by the CJEU on many occasions (also in the judgement of 29 April 2021 in case C-19/20). A finding that a contractual provision is abusive should, in principle, result in domestic courts applying solutions that restore the balance. National courts should therefore always assess: (i) first, whether the given loan agreement contains unfair terms, (ii) second, whether it can continue to be performed after the abusive clauses have been eliminated, and (iii) third, whether the sanction applied by the court restores the balance of the parties. In the Resolution, the Supreme Court definitively resolved the

following issues:

- If a contract containing prohibited provisions cannot be maintained, the parties are obliged to return the mutually fulfilled services. The parties' benefits should be settled according to the so-called the theory of two conditions (the borrower may demand the return of the provided benefits regardless of whether it is also the Bank's debtor due to the obligation to return the capital).
- The limitation period for the Bank's claims begins to run only when the failure of the agreement can be regarded as definite, i.e. when the borrower is objectively and comprehensively informed about the legal consequences of the ineffectiveness of the entire agreement and the consequences arising therefrom, and whether, being aware of those consequences, s/he demands that the agreement be declared ineffective in its entirety or whether s/he nevertheless consents to the existence of an abusive agreement.

The Supreme Court did not comment on whether the Bank may claim only the return of capital or also a benefit corresponding to the value of the use of this capital by the consumer (the so-called remuneration for the use of capital).

The aforementioned resolution of the Supreme Court of May 7, 2021 does not change the Bank's assessment of the adequacy of the provision for legal risks related to foreign currency loans, referred to above. On a current basis, the Bank analyses the impact of the Supreme Court's case law on the judgements in customer lawsuits.

Signatures of the members of the Management Board of BOŚ S.A.

Date	Name	Position/function	Signature
11/05/2021	Wojciech Hann	President of the Management Board	Signed with a qualified electronic signature
11/05/2021	Arkadiusz Garbarczyk	Vice-President of the Management Board first deputy of the President of the Management Board	Signed with a qualified electronic signature
11/05/2021	Robert Kasprzak	Vice-President of the Management Board	Signed with a qualified electronic signature
11/05/2021	Marzena Koczut	Vice-President of the Management Board	Signed with a qualified electronic signature
11/05/2021	Jerzy Zan	Vice-President of the Management Board	Signed with a qualified electronic signature