



**REPORT OF
THE BANK OCHRONY ŚRODOWISKA GROUP
FOR THE THREE MONTHS ENDED MARCH
31ST 2022**

Warsaw, May 2022

Contents

FINANCIAL HIGHLIGHTS	3
SUMMARY OF THE FINANCIAL RESULTS OF THE GROUP	4
1. Macroeconomic situation.....	7
2. Factors which will have a bearing on the results at least in the next quarter.....	9
3. The Group's primary products, services and business areas.....	10
4. Selected data on the Group's business.....	18
5. Development directions for the Bank	18
6. Financial results of the Group.....	21
6.1. Statement of profit or loss.....	21
6.2. The Group's assets.....	24
6.3. The Group's total equity and liabilities	28
7. Key financial ratios.....	29
8. Capital management	30
9. Segment reporting	32
10. Pending proceedings.....	35
11. Non-recurring factors and events with a bearing on financial performance	39
12. Management Board's position on the ability to deliver on published forecasts.....	39
13. Seasonal or cyclical nature of the business.....	39
14. Issue, redemption and repayment of debt and equity securities	39
15. Information about dividend.....	39
16. Related party transactions	39
17. Credit repayment sureties and guarantees where the aggregate value of existing sureties or guarantees represents 10% or more of the issuer's equity	39
18. Shareholders holding directly and indirectly 5% or more of total voting rights in the issuer	39
19. Bank shares held by management and supervisory personnel	40
20. Other information which the issuer believes to be material to the assessment of its human resources, assets, financial standing, financial performance and changes thereto, and information which is material to the issuer	40
21. Supervisory Board.....	40
22. Management Board	41
INTERIM CONDENSED FINANCIAL STATEMENTS OF THE BOŚ GROUP.....	42
I. Accounting policies applied in preparing the interim condensed consolidated financial statements of the BOŚ Group and the interim condensed financial statements of the Bank	57
1.1. Basis of preparation and statement of compliance.....	57
II. Fair value of financial assets and liabilities	59
III. Consolidated contingent liabilities and assets	61
IV. Organisation of the Group	61
V. Key events subsequent to the date of this report	62

FINANCIAL HIGHLIGHTS

THE GROUP	(PLN thousand)		(EUR thousand)	
Figures from the interim condensed consolidated financial statements of the BOŚ Group	3 months ended Mar 31 2022	3 months ended Mar 31 2021	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Interest income and similar income	170,199	102,516	36,624	22,422
Fee and commission income	50,854	46,904	10,943	10,259
Gain (loss) on financial instruments measured at fair value through profit or loss	4,124	24,295	887	5,314
Gain (loss) on investment securities	0	0	0	0
Profit before tax	35,740	7,752	7,691	1,696
Net profit	23,387	2,120	5032	464

THE GROUP	(PLN thousand)		(EUR thousand)	
	Mar 31 2022	Dec 31 2021	Mar 31 2022	Dec 31 2021
Total assets	20,371,100	20,585,740	4,378,528	4,475,745
Amounts due to central bank and other banks	455,683	420,389	97,944	91,401
Amounts due to clients	16,713,974	17,007,863	3,592,472	3,697,844
Equity attributable to owners of parent	1,848,331	1,865,795	397,277	405,661
Common equity	1,461,036	1,461,036	314,032	317,658
Number of shares	92,947,671	92,947,671		
Capital ratio	14.03	14.61		

BANK	(PLN thousand)		(EUR thousand)	
Figures from the interim condensed financial statements of BOŚ S.A.	3 months ended Mar 31 2022	3 months ended Mar 31 2021	3 months ended Mar 31 2022	3 months ended Mar 31 2021
Interest income and similar income	168,737	101,809	36,309	22,267
Fee and commission income	20,944	19,922	4,507	4,357
Gain (loss) on financial instruments measured at fair value through profit or loss	281	15,305	60	3,347
Gain (loss) on investment securities	0	0	0	0
Profit before tax	34,452	6,054	7,413	1,324
Net profit	24,099	2,222	5,186	486

BANK	(PLN thousand)		(EUR thousand)	
	Mar 31 2022	Dec 31 2021	Mar 31 2022	Dec 31 2021
Total assets	20,223,707	20,449,968	4,346,847	4,446,225
Amounts due to central bank and other banks	455,683	420,389	97,944	91,401
Amounts due to clients	16,719,032	17,012,146	3,593,559	3,698,775
Equity attributable to owners of parent	1,847,537	1,864,289	397,106	405,333
Common equity	1,460,364	1,460,364	313,888	317,512
Number of shares	92,947,671	92,947,671		
Capital ratio	13.99	14.81		

SUMMARY OF THE FINANCIAL RESULTS OF THE GROUP

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

Results of the Group

In the first quarter of 2022, the BOŚ Group earned a net profit of PLN 23.4 million, compared with PLN 2.1 million in the first quarter of 2021. The BOŚ Group’s results on its core business improved in terms of both net interest income and net commission income. The higher performance figures were reported despite the fact that the total amount of the annual contribution to the Bank Guarantee Fund (BFG, mandatory bank restructuring fund) for 2022 of PLN 21.9 million was charged to the profit or loss for the quarter.

Selected items of the statement of profit or loss (PLN thousand)	Q1 2022	Q1 2021	Change (%)
Net interest income	140,031	87,470	60.1
Net fee and commission income	38,506	36,029	6.9
Gain (loss) on financial instruments measured at fair value through profit or loss	4,124	24,295	-83.0
Legal risk costs of mortgage loans denominated in foreign currencies	-1,041	-	x
Net other income	4,628	2,198	110.6
Net impairment losses	-24,905	-38,858	-35.9
Administrative expenses	-125,603	-103,382	21.5
Profit before tax	35,740	7,752	361.0
NET PROFIT	23,387	2,120	1003.2

The BOŚ Group’s net interest income increased by PLN 52.6 million, or 60.1%, on the first quarter of 2021, mainly on the back of rising interest rates. Interest income was up by PLN 67.7 million, or 66.0%. The strongest growth was observed for interest income on loans to institutional clients and WIBOR-based debt securities.

Interest expense growth was slower, due to the continually high share of current accounts and low-interest rate deposit products. Interest expense increased by PLN 15.1m year on year. As the Bank is offering term deposits with terms reflecting the rising interest rates, the share of these products in the total balance is expected to expand, translating into higher interest expense in the coming months.

Net fee and commission income rose by PLN 2.5 million, or 6.9% year on year, mainly as a result of higher brokerage fees and commission fees on loans and guarantees, offset by lower revenue from fees for account handling and other payment transactions in domestic and foreign trade.

Gain (loss) on financial instruments measured at fair value through profit or loss was PLN 4.1 million, compared with PLN 24.3 million in the first quarter of 2022. The decrease was mainly attributable to lower volatility of financial markets, which affected the number of transactions executed by clients of Dom Maklerski BOŚ and led to a significant decrease in this revenue stream.

In 2021, impairment losses were PLN -24.9 million, compared with PLN -38.9 million in the first quarter of 2022, mainly due to lower impairment losses in the institutional clients segment.

Administrative expenses of the Group went up by PLN 22.2 million, or 21.5%, relative to the first quarter of 2021, driven mainly by a PLN 9.4 million, or 21.3%, increase in salaries and wages, mostly in business development areas, as well as the security, AML and IT areas. The Bank completed a job evaluation process, with one of its objectives being to link compensation in individual jobs to current market benchmarks. Administrative expenses were also driven by contributions and payments to the Bank Guarantee Fund, which increased by PLN 8.3m, or 44.3%.

Provision for the legal risk of foreign currency mortgage loans and Compromise and Settlement Programme

Gross CHF mortgage loans totalled PLN 860.5 million as at the end of the first quarter of 2022. The provision recognised by the Bank for the legal risk of the CHF loans was PLN 442.8 million as at March 31st 2022 (December 31st 2021: PLN 427 million).

The total amount of the provision for foreign currency mortgage loans as at March 31st 2021 was PLN 477.9 million (December 31st 2021: PLN 462 million), of which PLN 415.5 million (December 31st 2021: PLN 408 million) was presented as a provision for the legal risk related to foreign currency mortgage loans and PLN 64.5 million was presented as additional allowances for expected credit losses.

The provisions also cover the cost of the Compromise and Settlement Programme for clients repaying foreign currency mortgage loans as proposed by the Chairman of the Polish Financial Supervision Authority. The Bank launched the Programme on January 31st 2022. By the end of the first quarter of 2022, the Bank received 443 applications for settlement concerning foreign currency mortgage loans. The outstanding balance of these loans was PLN 79.1m.

Financial ratios

Financial ratios	Q1 2022	2021	Change in percentage points
Return on capital (ROE)	5.0	2.5	2.5
Return on assets (ROA)	0.5	0.2	0.3
Interest margin on total assets	2.7	1.8	0.9
Risks costs	-0.8	-0.8	0.0
Cost/income (C/I) ⁵ , assuming uniform distribution of the cost of the one-time contribution to the Bank Guarantee Fund over the year	58.3	64.9	-6.6
Tier 1 capital ratio	12.81	13.26	-0.4
Total capital ratio	14.03	14.61	-0.6

Interest margin on total assets, calculated as the annualised ratio of net interest income in the first quarter of 2022 to average assets, was 2.7%, compared with 1.8% in 2021. The improvement was achieved largely due to interest rate rises and increasing interest margins on current accounts.

The cost to income ratio improved significantly, to 58.3%, compared with 64.9% in 2021, mainly because income grew faster than costs.

The capital adequacy ratio of the Group was above the levels recommended by the Polish Financial Supervision Authority, both with and without the application of IFRS 9 transitional arrangements. As at March 31st 2022, the Bank and the Group met the applicable capital standards. CET 1 capital ratio stood at 12.81% and the total capital ratio was 14.03%.

Impact of the war in Ukraine on operations

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

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

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

With the current developments under the stress scenario for the ongoing Russian-Ukrainian conflict, the Bank has not experienced any liquidity problems or adverse impact on other financial risks. Despite short-lasting

liquidity problems on the interbank market and a temporary sharp increase in cash withdrawals, no major threats to the Bank's liquidity have been observed.

From the financial risk perspective, depreciation of the domestic currency and growing interest rates have no negative impact on the Bank's liquidity.

The Bank continuously monitors clients likely to be adversely affected by the political and economic situation in Ukraine. Based on a portfolio review performed after the outbreak of war in Ukraine, the Bank identified 29 clients with organisational, commercial or trade links to Ukraine, Russia and Belarus, with an aggregate exposure of PLN 1.4 billion. As a result of the monitoring activities, 4 clients were reclassified to Bucket 2. Business Centres are engaged in an ongoing dialogue with clients, and the Bank's Management Board is updated on the situation of clients on a regular basis. However, the above-mentioned PLN 1.4 billion portfolio has not had any material effect on the level of impairment losses, loan portfolio quality or capital adequacy so far.

Cyber security is ensured by 24/7 monitoring of cyberspace events by the Bank's Security Operation Centre. The Bank actively engages in the activities of the financial sector groups sharing information on current international events. In recent weeks, BOŚ S.A. has seen a significant increase in the number of attempted attacks on the Bank's electronic banking services. Most frequently, those were attempts to break through the security systems using known vulnerabilities. No successful security breach has been identified. The Bank has not reported any confirmed DDoS (distributed denial-of-service) attacks against its online banking services, either.

Aid and communication activities

In support of Ukraine, the Bank waived fees for transfers to Ukrainian accounts for retail clients as well as foundations and associations. The zero-fee policy applies to transfers to banks in Ukraine, as well as to payments made to accounts of foundations and associations to aid Ukraine or Ukrainian citizens. Retail clients of BOŚ will not be charged for card transactions in Ukraine, currency conversions or balance checks, either.

In view of the challenging humanitarian situation in Ukraine and the need for any possible aid, the Bank organised two donation drives among its employees. In addition, the Bank's Foundation opened a special Aid to Ukraine account to receive payments in support of Ukraine and its citizens. Every payment made by a BOŚ employee was doubled by BOŚ S.A. No commission was charged on the deposits. All funds were provided to beneficiaries through the Polish Red Cross.

As a lot of help is still needed, a dedicated email address has been created to which the Bank's employees can send their suggestions for initiatives to help people affected by the war, including donation drives or advertising of items that people give away or accept as part of support for Ukraine. These ads are published on the Bank's intranet.

In parallel with the aid measures, the Bank carried out communication activities, which included:

- informing Clients how to access the Bank's branches and encouraging them to use e-banking systems (BOŚBank24 and iBOŚ24), as well as reminding them that they could withdraw cash from the ATM network;
- publishing information about the security of banking systems on: <https://www.bosbank.pl/klient-indywidualny/aktualnosci/polskie-banki-sa-bezpieczne>;
- responding to media inquiries about the Bank's precautionary procedures on an ongoing basis.

The BOŚ Bank for Energy Efficiency project funded by a grant from the European Investment Bank

Since March 2022, the Bank has been implementing the BOŚ Bank for Energy Efficiency project supported by a grant from the European Investment Bank in the ELENA (European Local ENergy Action) initiative funded under the EU's programme Horizon 2020.

Under the ELENA Project, BOŚ may finance up to 90% of the costs of consultancy services necessary to implement energy efficiency projects.

The grant will make it possible to finance the analyses and technical documentation required to start projects that will contribute to improving energy efficiency by:

- improving the energy efficiency (including in combination with renewable energy systems) of residential (multi- and single-family) buildings and public utility buildings;
- improving the energy efficiency (including in combination with renewable energy systems) of businesses and other entities (e.g. universities);
- construction and upgrades of district heating networks;
- street lighting upgrades;
- construction of electric vehicle charging stations.

ELENA grant money will be available to:

- small and medium-sized enterprises;
- mid-cap companies;
- housing cooperatives;
- housing communities;
- local government units;
- municipal companies;
- universities and other entities.

Higher share of green loans

In the first quarter of 2022, green loans accounted for 58.6% of total loan sales. New green loans granted in the reporting period were worth PLN 413 million, up by 25% year on year. The vast majority (in value terms) of the new green loans were made to institutional clients (96%). Loans for energy and municipal utility projects represented the largest share of the total (51% of total green loans in value terms).

As at March 31st 2022, the ratio of green loans to total loans was 37.6% (December 31st 2021: 36.9%). The balance of green loans as at March 31st 2022 was 4.9 billion, an increase of 3.2% on December 31st 2021.

1. Macroeconomic situation

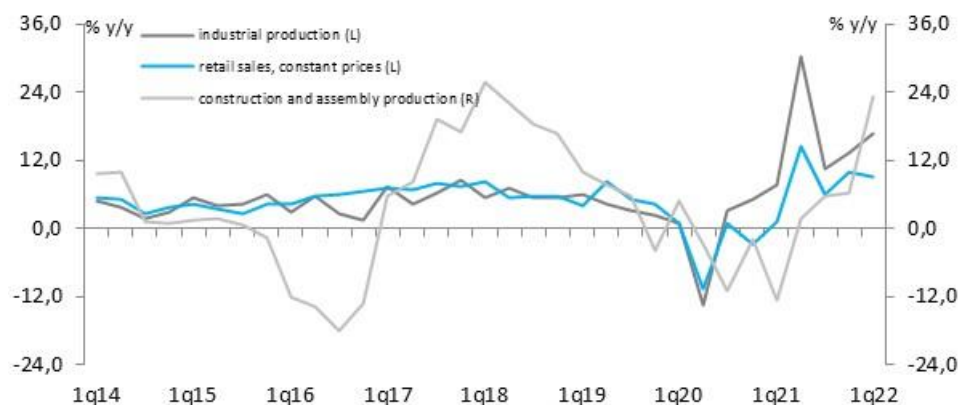
In the first quarter of 2022, lifting of COVID pandemic restrictions had a favourable effect on the economic situation in the US and in Europe, in particular in the service sector. On the other hand, the continuation of China's strict anti-pandemic policy led to weaker GDP growth and re-emergence of challenges in global trade.

In the first quarter, the industrial, construction and retail sectors in Poland continued their rapid recovery. Industrial production in the first quarter increased by 16.7% year on year, compared with 13.2% in the fourth quarter of 2021, growth in construction and assembly production accelerated to 23.2% year on year, compared with 6.3% in the fourth quarter, and retail sales went up by 9.0% year on year, compared with 10% in the fourth quarter of 2021.

The Russian invasion of Ukraine launched on February 24th brought about a major change to the global economic prospects. In the first quarter, its impact on the global economy took the form of surging commodity prices and deteriorated business and consumer sentiments, mainly in Europe.

Inflation continued to rise rapidly in the first quarter, reaching levels unseen for decades. Inflation was driven by: - a surge in commodity prices across global markets as a result of the conflict in Ukraine; - continuing post-pandemic disruptions in global supply chains, which pushed up prices of components used in production processes; - strong demand as economies were re-opening. At the end of the first quarter, CPI reached 8.5% year on year in the US and 7.4% year on year in the eurozone.

Production and retail sales dynamics in Poland

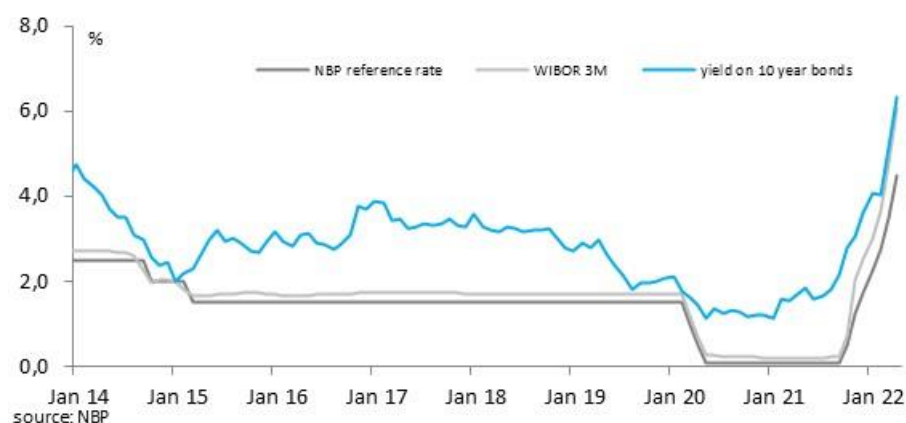


The Polish labour market continued to improve in the first quarter. The registered unemployment rate fell to 5.4% in March, from 6.4% in March 2021. The number of the unemployed fell by 176,000 during the twelve months, to 902,000 by the end of the first quarter of 2022.

The domestic CPI continued to grow rapidly in the first quarter, reaching 11.0% in March, compared with 8.6% in December 2021, mainly as a result of higher fuel prices, pushed by soaring prices of crude oil on the global market. Another inflation driver was fast-growing food prices. There was also an increase in the core inflation rate a result of, among other things, increased demand due to the lifting of epidemic restrictions and supply-side constraints caused by worldwide problems in logistics supply chains.

In the first and second quarters of 2022, the Monetary Policy Council continued monetary tightening. From January to May, the interest rates of the National Bank of Poland were increased by 3.50 percentage points: the NBP reference interest rate to 5.25%, the deposit rate to 4.75%, and the lombard rate to 5.75%. The Monetary Policy Council justified its tightening measures with growing concerns about persistent inflation in the future.

Interest rates in Poland

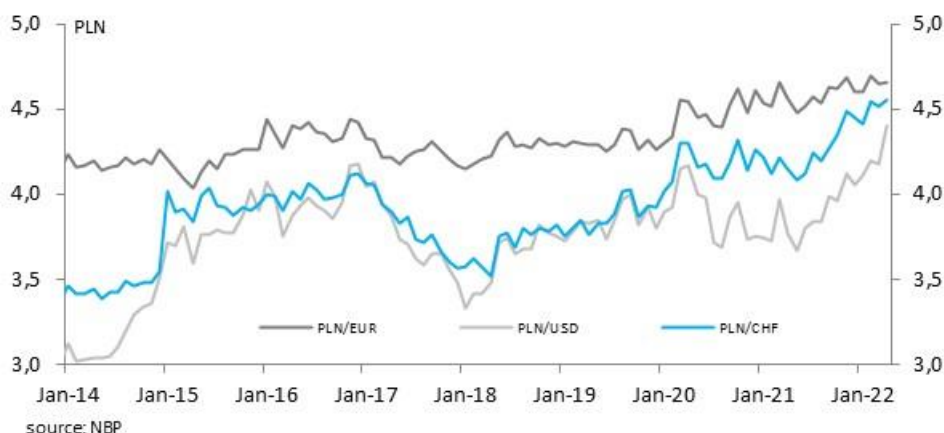


In the first quarter and at the beginning of the second quarter of 2022, the global financial market was mainly affected by expectations of a further tightening of monetary policy in response to a surge in inflation amid rising concerns about the impact of higher inflation, restrictive monetary policy and the consequences of war in Ukraine on economic activity in the medium term.

Against this background, stock indices fell significantly, while treasury bond yields climbed.

In the first three months of the year, especially in late February and early March, the volatility of financial asset prices rose sharply due to growing uncertainty caused by Russia's invasion of Ukraine.

PLN exchange rates



In the first four months of the year, the market saw another surge in the yields on Polish treasury bonds. From the beginning of the year to the end of April, 2-year bond yields rose by 320 basis points, to 6.53%, while yields on 10-year bonds increased by 270 basis points, to 6.32%.

The tightening of the NBP's monetary policy and expectations of further NBP rate hikes caused money market interest rates to spike. From the beginning of the year to the end of April, 3M WIBOR rose by 344 basis points, to 6.05%.

In the first four months of the year, the PLN exchange rate was highly volatile due to uncertainty caused by Russia's invasion of Ukraine. As a result, in early March the PLN/EUR exchange rate was 4.96, the PLN/CHF exchange rate was 4.94, and the PLN/USD exchange rate – 4.57. As the market sentiment improved in March, the Polish złoty gradually appreciated. At the end of April, the PLN/EUR exchange rate was 4.66 (depreciation of 1.3% on the end of 2021), the PLN/CHF exchange rate was 4.55 (down by 2.3%) and the PLN/USD exchange rate was 4.41 (down by 8.6%).

2. Factors which will have a bearing on the results at least in the next quarter

The Group's business in 2022 will be driven by macroeconomic factors and the situation in financial markets.

The most important factor that will currently shape the macroeconomic and market situation is the escalation of geopolitical risk as a consequence of the Russian military invasion of Ukraine on February 24th and the economic sanctions imposed by the European Union, the US and other countries on Russia and Belarus. This is causing supply and demand disruptions for European economies, including Poland's.

This situation will affect the Polish economy, with its effects being felt on the commodity market (availability and prices of energy carriers) and in international trade, and in the area of confidence, affecting, inter alia, investors' sentiment and consumers' willingness to spend.

Overall, the economic consequences of the conflict in Ukraine will include stronger price movements and weaker economic activity in Europe and Poland relative to pre-invasion forecasts.

In particular, the higher geopolitical risk means:

- weakening of economic activity in Poland, which will become more pronounced in the second half of 2022;
- higher volatility of the labour market in the context of migration flows – on the one hand, in some sectors the supply of workers will increase (e.g., trade, services, hospitality) due to a significant inflow of refugees from Ukraine (mainly women), while on the other hand, the availability of workers in other

sector (construction, transport) will decline as a result of accelerated outflows of Ukrainian citizens to their home country;

- higher CPI inflation, fuelled by a global increase in commodity prices;
- continued hikes of interest rates by the Monetary Policy Council at the end of the second and at the beginning of the third quarter in response to rising inflation;
- increased volatility of prices of Polish financial assets;
- the risk of subdued demand for credit in an environment of economic uncertainty and higher interest rates;
- the risk of increased volatility of deposits in the banking sector.

The escalation of geopolitical risk in Europe also implies a significant increase in uncertainty as to the macroeconomic and market environment going forward.

In addition to the geopolitical risk, economic activity will be affected by:

- persistent post-pandemic disruption of global supply chains;
- further developments on the COVID-19 pandemic front.

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

Expansion of banking business

The Bank offers products (including deposit, loan, and payment products) for all client groups, as well as products designed specifically for selected groups of the Bank's clients.

The terms and conditions of cooperation with specific client groups are adjusted by the Bank to changing market conditions and the needs of the users of the Bank's products, while taking into account a constant improvement of the efficiency of customer service.

Institutional clients

The Bank has a wide range of payment, deposit and credit products, which can be used to build individual offers for each client, tailored to their specific needs. As part of its range of payment products, the Bank offers standard current accounts that serve as payment accounts in domestic and international transactions but are also used to accumulate funds.

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

In the area of payment products, in the first quarter of 2022:

- Internal systems and regulations were changed and amended to bring the Bank into compliance with Regulation (EU) 2019/518 of the European Parliament and of the Council of March 19th 2019 amending Regulation (EC) No 924/2009 as regards certain fees for cross-border payments in the Community and currency conversion fees;
- The Bank continued work on the SInF Act compliance project, designed to bring it into compliance with the requirements of the Financial Information System Act (SInF). The entry into force of the Act will entail a new reporting obligation aimed at preventing money laundering and financing of terrorism. The Act incorporates Directive 2018/843 into Polish law, which will result in the creation of a Financial Information System for collecting, processing and providing access to information on broadly defined open and closed accounts of institutional and retail clients, as well as on safety deposit box services. The Financial Information System is another reporting obligation in the Polish legislation that aims to

prevent money laundering and financing of terrorism. Its launch is also intended to contribute to curbing financial crime through the supervision of all accounts by authorised bodies.

Bringing the Bank into compliance with the requirements of the Financial Information System Act will involve implementing changes to the Bank's reporting systems, which at present are used to fulfil reporting obligations under STIR.

In March, the Bank began to offer new attractive term deposits for corporate clients and SMEs.

Moreover, in view of the developments in Ukraine, payments to foundations and associations can now be made free of charge:

- free transfers to banks in Ukraine;
- free cash payments in support of Ukraine.

With respect to loan products, in the first three months of 2022:

- The Bank offered its clients loans for thermal insulation and renovation projects with a bonus from the Thermal Insulation and Renovation Fund.
- In selected provinces, the Bank offered preferential loans for environmentally-friendly projects in cooperation with the Provincial Funds for Environmental Protection and Water Management.
- The Bank took steps to optimise and automate the lending process, from client acquisition, to assessment of credit application and credit decision-making, to disbursement of funds, credit monitoring and credit administration. The project covered deployment of a tool to support the assessment process and development of rating systems taking into account the nature of environmentally-friendly products.
- With respect to products for institutional customers, in the first quarter of 2022 the offering of green products was modified and a special offer was launched to support the implementation of investment projects under the Polish Deal government fund: Strategic Investment Programme.

Local government units

The Bank provides banking services to local government units, offering a comprehensive range of solutions for efficient management of their budgets and funds. Services for local governments are provided under the Public Procurement Law.

Clients from the public finance sector have access to all standard deposit and lending products available in the Bank's offering. Products intended to finance environmental projects (preference and commercial credit facilities), credit facilities offered by foreign banks to fund environmental protection and infrastructural investments, and the European Offer – a package of products for entrepreneurs, local governments and municipal companies, hold a special place within the Bank's offering.

Retail clients

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

With respect to payment cards, the Bank continued to offer editions of debit cards with images of protected species, by which the Bank intends to draw the clients' attention to the endangered species of wild animals in Poland as well as wider environmental issues.

In February 2022, through the Bośbank24 mobile application BOŚ S.A. made available to clients the Google Pay service. Google Pay. The new functionality and its use is free of charge – all one needs to do is update the BOŚBank24 application from the Google Play store.

In view of the developments in Ukraine, retail clients were also offered:

- free transfers to banks in Ukraine;
- free cash payments to foundations' and associations' accounts to help Ukraine;
- free debit and credit card transactions in Ukraine.

In electronic banking, the myID service was modified on the BOŚBank24 platform in March 2022, providing functionalities for secure confirmation of identity online. The myID electronic identity (BOŚID) was

transformed from a means of one-off electronic identification into a means of long-term electronic identification, valid for three years. Clients can check the status and expiry date of the myID electronic identity (BOŚID) via BOŚBank24. Using their own online banking, clients may suspend or cancel their myID electronic identity (BOŚID) and check the History of Use – the “Manage” option on the tile in BOŚBank24. The Bank’s clients can use myID to:

- set up and use the Trusted Profile;
- confirm identity to use public services on the ePUAP platform – www.gov.pl, available in the My Gov service catalogue;
- confirm identity with commercial service providers, e.g., insurance, telecommunications or medical companies.

The pop-up functionality has been launched in the BOŚBank24 electronic banking system to enable effective communication with electronic banking users. Pop-ups can be used for:

- sending information about new products or special offers, reminding clients of existing products, etc.;
- gathering clients’ opinions using a questionnaire;
- obtaining clients’ consent to electronic communications (durable medium);
- obtaining consent from clients who are interested in the Bank’s offering to be contacted by a consultant.

New daily limits were introduced for Express Elixir instant transfers in the BOŚBank24 and iBOSS24 systems, with regard to the number of transfers and the amount to be transferred. The functionality improves security of the service by reducing the risk of fraud.

Amounts due to retail clients

In the first quarter of 2022, measures taken by the Bank with respect to deposit products for retail clients were aimed at:

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

The key deposit products for retail clients were:

- current accounts, including personal accounts (*EKOkonto bez Kosztów*), and savings accounts (*EKOkonto Oszczędnościowe*) in PLN;
- promotional term deposits, including *EKOlokata Promocyjna*, standard term deposits and negotiated term deposits.

In 2022, in response to the changing market conditions, including the increase in interest rates by the Monetary Policy Council, the Bank promoted the *EKOlokata Promocyjna* and the 24-month *EKOlokata* term deposits. The distinctive feature of *EKOlokata Promocyjna* was the high maximum amount (PLN 500 thousand) and simple terms of the promotion (the only requirement was for the client to give their consent to receiving electronic communications).

The Bank’s other activities with respect to checking accounts focused on maintaining a transparent offering by retaining the following checking accounts: *EKOkonto bez Kosztów*, *EKOkonto VIP*, *EKOkonto PRP* and *EKOkonto oszczędnościowe* in three currencies: PLN, EUR and CHF. In the first quarter of 2022, the Bank launched a special offer of *EKOkonto Oszczędnościowe bez ograniczeń*, which stood out in the market as a savings account with no additional conditions attached for the client to benefit from a higher interest rate (no requirement to have a checking account or to deposit new funds).

To support the sale of credit products to retail clients, the Bank continued to carry out promotional campaigns for the *Pożyczka Gotówkowa* cash loan, which were recognised and well received by the market:

- for any purpose:
 - *Portfel zapasowy* (Spare Wallet), a medium-amount cash product with the financing provided for any purpose, also offered with insurance.
- for environmental purposes:
 - *Przejrzysta Pożyczka* (Transparent Loan), the Bank’s leading loan product to support environmental projects (*EKOInwestycje*) pursued by both commercial clients and those who are beneficiaries of the *Czyste Powietrze* (Clean Air) governmental programme.

- o *Energia ze słońca* (Energy from the Sun), continuation of the offer dedicated to renewable energy sources, designed mainly to provide financing for the purchase and installation of solar photovoltaic systems, as well as energy storage facilities or external interfaces, such as a home EV charging stations.
- o *EKO Mobilni*, a special offer of *EKO Pożyczka Gotówkowa*, a cash loan that complements the Bank's EKO products. The loan is offered to clients interested in purchasing an electric vehicle, such as a car or a motorcycle with electric or hybrid drive.

The Bank's special offers include mortgage loans for holders of Large Family Cards, who are exempted from the arrangement fee or 50% of the arrangement fee with the margin reduced by 0.1pp relative to the standard margin.

The preferential terms of the Bank's offering for the financial sector include a lower commission and margin compared with the standard mortgage loan offering. The offer is intended for employees of:

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

In order to strengthen its offering, in January 2022 the Bank launched *Kredyt Hipoteczny* (Mortgage Loan) as part of the *Mniej płacisz, więcej zyskujesz* (Pay Less, Get More) bundled sale, which will be available until June 30th 2022.

The promotion consists in offering preferential margin rates on mortgage loans:

- reduction of the standard margin by no more than 0.10pp during the term of the loan provided that the borrower opens or maintains any type of checking account with a monthly deposit of minimum PLN 3,000 and maintains access to online banking for five years from the date of the loan agreement;
- reduction of the standard margin by up to 0.10pp during the term of the loan, provided that a credit card with a credit limit of no less than PLN 3,000 is purchased for at least five years from the date of the loan agreement. To improve the effectiveness and competitiveness of the Bank's mortgage lending portfolio, another special offer involving bundle sale was launched. Clients can obtain an exemption from the arrangement fee if they purchase from TU Europa S.A. and TU na Życie Europa S.A. one of two insurance packages providing borrowers with life and loss of income insurance cover, and maintain all marketing consents over the entire lending period. The products are sold at the Bank's branches and through cooperating Intermediaries.

A special offer of mortgage loans granted in cooperation with Dom Development Kredyty Sp. z o.o. is also being continued. It is dedicated to clients who choose to purchase a dwelling from Dom Development S.A., with Dom Development Kredyt Sp. z o.o. responsible for preparing a complete loan application and passing it on to the Bank for further processing. The special offer runs through May 31st 2022.

Insurance products and additional services

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

The Bank acts as an insurance agent for five insurance companies. In the first quarter of 2022, it expanded its mortgage loan insurance offering to include the *Hipoteka pod ochroną* (Protected Mortgage) insurance comprising life, health and loss of income insurance cover.

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

With such a combination of two financial products – a grant and a loan – project costs can be largely repaid with government funding.

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

Expansion of brokerage activities

The first quarter of 2022 on the Warsaw Stock Exchange was a period of continuing downturn and increased volatility caused by financial markets' response to the outbreak of war in Ukraine. During the quarter, all of the main stock indices went down, with the declines ranging from -1.71% (sWig80) to -9.71% (mWig40). As a result, the broadest WIG index dropped by 6.34%. The continuing downturn was accompanied by higher investor activity on the WSE regulated market (up by 17.2% quarter on quarter) and higher activity on the futures market (up by 37.2% quarter on quarter), as well as a drop on the NewConnect market (down by 14.2% quarter on quarter). DM BOŚ reported an increase in trading volumes across all of the key market segments during that period. Its trading volume on the WSE equity market was higher compared with the market as a whole, having increased 21.9% quarter on quarter, while the trading volumes on the NewConnect and futures markets rose by, respectively, 4.8% and 22.4% quarter on quarter.

In the first three months of 2022, DM BOŚ's share in session trades on the WSE equity market was 2.96%, having expanded quarter on quarter (2.84%). Compared with the previous quarter, DM BOŚ also secured a larger share of the NewConnect market (up from 15.43% in the fourth quarter of 2021 to 18.83% in the first quarter of 2022). Its share of the futures market fell from 16.68% in the fourth quarter of 2021 to 14.86% in the first quarter of 2022. In the three months ended March 31st 2022, DM BOŚ became the leader of the NewConnect market and ranked third on the futures market.

The first quarter of 2022 was a downturn period also on the primary market. There were no IPOs during that period, and only two entities, which moved from the NewConnect market without an IPO, made their debut on the regulated market of the WSE. For this reason, DM BOŚ participated in bond distribution syndicates only. It served as an issue arranger or a syndicate member in corporate debt offerings of Marvipol Development S.A. (P2021A Series), Kruk S.A. (AM2 Series), MCI Capital ASI S.A. (T2 Series), Best S.A. (W3 Series) and Dekpol S.A. (P2021B Series). DM BOŚ actively participated in the development of the green bonds market as the sole arranger of the PLN 60 million issue of green bonds of Respect Energy S.A. At the same time, DM BOŚ developed its cooperation with AgioFund TFI Beta Securities Poland S.A. to promote the domestic market for investment certificates. In the first quarter of 2022, DM introduced certificates of Beta ETF TBSP funds to trading on the regulated market. Currently, nine Polish Beta ETF certificates are being traded on the WSE, for which DM acts as an offering broker and market maker.

The first quarter of the year saw a further increase in the number of investment accounts kept by DM BOŚ. The total number of new investment accounts opened at DM BOŚ was 2,436, of which 1,833 were investment accounts registered with the CSDP.

The outbreak of war in Ukraine drove market volatility, which led to increased activity of DM BOŚ investors, translating into higher revenue from brokerage fees. However, if the conflict in Ukraine continues in the coming months, the risk of a potential downturn on the WSE will rise and the clients' risk aversion will strengthen. If this is the case, the clients' trading volumes may gradually decline, affecting the amount of brokerage fees.

Bank's participation in operational programmes and financial mechanisms, and related cooperation with EU financial institutions, international funds, organisations and national institutions

1) BGK portfolio guarantees

The Group offered special solutions for its clients designed to mitigate the negative effects of, among others, the COVID-19 pandemic, including support in maintaining financial liquidity. Clients used the option to obtain BGK guarantees using the Bank's services.

The use of BGK portfolio guarantees in the first quarter of 2022 (according to the BGK–Zlecenia website as at March 31st 2022) was as follows:

BGK GUARANTEES				January – March 2022; new guarantees, based on BGK– Zlecenia		
Guarantee (PLN '000)	available limit	limit used	limit remaining to be used	Guarantee amount	Loan amount	Numb er
DE MINIMIS guarantee	740,000	693,298	46,702	75,026	141,332	57
COSME guarantee	65,000	48,180	16,820	0	0	0
BIZNESMAX guarantee	250,000	226,304	23,696	25,610	55,575	17
PGF LGF guarantee	2,500,000	1,445,411	1,054,589	112,189	145,237	10
Factoring guarantee	387,000	286,859	100,141	3,300	4,500	3
Total amount (PLN)	3,942,000	2,700,052	1,241,948	216,125	346,644	87
FGR guarantee – <i>Czyste Powietrze</i> (Clean Air)	28,800	8,173	20,627	2,018	2,522	52
TOTAL	3,970,800	2,708,224	1,262,576	218,143	349,166	139

The first quarter of 2022 saw the termination by mutual agreement of two portfolio guarantee cooperation agreements with BGK:

- FGR Portfolio Guarantee Line Agreement No. 12/PLG FGR/2021 (the 'agricultural guarantee'); the agreement was terminated as there were no clients or transactions eligible for this type of guarantee (agricultural holdings and agri-food processing enterprises);
- Portfolio Guarantee Line Agreement No. 5/PLG-Kreatywna Europa/2019; the agreement was terminated due to the closing of the programme.

Additionally, in February BGK notified BOŚ of the planned closing of the COSME Guarantees programme as of April 30th 2022. This means that after April 30th 2022 it will not be possible to issue COSME guarantees for any new loans or to increase the amount of loans secured with COSME guarantees (it will be possible to extend the term of the COSME guarantees within the basic validity term of the guarantees and within periods permitted as part of restructuring).

2) *Czyste Powietrze* (Clean Air) loan

Based on a multilateral agreement signed with the National Fund for Environmental Protection and Water Management (NFOŚiGW) and Provincial Funds for Environmental Protection and Water Management (WFOŚiGW), the Bank grants loans subsidised under the *Czyste Powietrze* (Clean Air) programme. A loan extended under the programme must be secured by a *Czyste Powietrze* Guarantee provided by BGK under the Green Guarantee Fund (EFPiG) portfolio guarantee line. In the first quarter of 2022, the Bank concluded 52 loan agreements under the *Czyste Powietrze* programme for a total of PLN 2,522 thousand.

3) JESSICA facility

Based on agreements concluded with the European Investment Bank (EIB), the Bank has been managing the Urban Development Fund (i.e. the entity providing preferential loans co-financed from EU funds) in the following provinces: Province of Szczecin (except the Szczecin Metropolitan Area) – since 2010, Province of Gdańsk (except the Gdańsk-Gdynia-Sopot agglomeration and Słupsk sub-region) – since 2011, and Province of Katowice – since 2011. As the amount of funds provided to the Bank has already been utilised, currently its activities are focused on administrative tasks relating to the extended loans.

Loans granted under the JESSICA facility (PLN thousand)	Province of Gdańsk	Province of Katowice	Province of Szczecin (1st round)	Province of Szczecin (2nd round)	TOTAL
Value of loan agreements executed	69,670	263,841	68,037	20,688	422,236
Principal repaid	46,072	117,440	35,168	4,042	202,722
Balance to be repaid	23,598	146,401	32,869	16,646	219,514
Number of loan agreements executed	13	27	10	3	53

4) JEREMIE facility

Since 2017, the Bank has been a Financial Intermediary under the JEREMIE Initiative (an entity extending preferential loans to SMEs, co-financed from EU funds) in the Province of Szczecin. On August 28th 2018, the implementation of the JEREMIE II instrument in the Province of Szczecin was completed, and currently the Bank's activities are focused on administrative tasks relating to the extended loans.

The Bank is managing four loan agreements for a total of PLN 65.2 million, including PLN 32.6 million provided by the Bank and PLN 32.6 million provided by Zachodniopomorska Agencja Rozwoju Regionalnego S.A. (ZARR).

As at March 31st 2022:

- the repaid principal amount was PLN 5.1 million, including: the Bank's funds – PLN 2.6 million; the ZARR's funds – PLN 2.6 million;
- the balance to be repaid amounted to PLN 60.1 million, including: the Bank's funds – PLN 30.0 million; the ZARR's funds – PLN 30.0 million.

5) Polish Development Fund's (PFR) Financial Shield

- The PFR 1.0 Financial Shield – in the first quarter of 2022 the Bank's activities focused on monitoring the repayments made by the Bank's clients who received the PFR 1.0 Financial Shield advances, and on reporting the repayments to the PFR.
- The PFR 2.0 Financial Shield – on November 22nd 2021, the Bank commenced settlement of the PFR 2.0 Financial Shield advances. Advances made to the Bank's SME and microenterprise clients were settled and forgiven on an individual basis in Business Centres and branches and not via electronic banking channels. The settlement of advances made under the PFR 2.0 Financial Shield was completed on March 28th 2022. Only 1 out of 136 Bank's clients who had received the advances did not provide the required documents, The Bank could not contact the client (the business had been closed down).

6) The Bank's participation in the *Mój Elektryk* (My EV) programme

On September 8th 2021, the Bank signed agreement No. 871/2021/WF/US with the National Fund for Environmental Protection and Water Management on financing subsidies under the *Mój Elektryk* programme.

The purpose of the programme is to reduce air pollution emissions through co-financing of projects designed to reduce the consumption of high-emission fuels in transport by supporting the purchase or lease of zero-emission vehicles. It is administered by the National Fund for Environmental Protection and Water Management (NFOŚiGW) and is scheduled to run until 2026.

Two funding options are available under the programme:

- subsidies for the purchase of vehicles granted directly by NFOŚiGW;
- co-financing of vehicle lease provided through the intermediation of the Bank.

The programme is addressed to natural persons, businesses, public sector entities, research centres, associations, foundations, cooperatives, individual farmers, churches and other religious organisations.

It is implemented under a 'single window' procedure, where an application for a subsidy (lease co-financing) is filed via a leasing company. To date, the Bank has signed cooperation agreements with 18 leasing companies.

The enrolment procedure is on-going: the Bank accepts applications from leasing companies to join the programme.

The total amount of available co-financing is PLN 100 million, to be utilised by December 31st 2022.

Between mid-November 2021, when the Bank started operation of the programme and signed first agreements with leasing companies, and April 13th 2022, the Bank received co-financing applications for 1,417 electric vehicles worth PLN 42.7 million. The Management Board of NFOŚiGW has already granted co-financing for 945 vehicles, including 759 passenger vehicles of Category M1 and 183 commercial vehicles of Category N1. The subsidies granted totalled PLN 29.57 million.

The Bank has prepared and forwarded to leasing companies (for signing by their customers – lessees) co-financing agreements for the lease of 574 vehicles and signed co-financing agreements for 194 vehicles, totalling PLN 5.26 million.

Distinctions and awards in the first three months of 2022

- January 2022 – the team of DM BOŚ analysts was ranked 3rd in the general classification of the 20th edition of the parkiet.com portal's ranking of analysts. DM BOŚ experts took the 1st place in 5 out of 15 categories. Sylwia Jaśkiewicz was ranked 1st in the commercial and distribution companies sector, 2nd in the health and biotechnology sector, and 4th in the general classification. Tomasz Rodak again topped the ranking in the game sector. Sobiesław Pająk, who has led the tables in the IT sector for years, again took the first place. He also came in first in the prestigious Market Strategy category and second in the telecommunication/media sector. Łukasz Prokopiuk was again in the top three in the fuel and chemical industry.
- March 2022 – 17 of the Bank's branches were awarded the title of the 'Best Banking Outlet' in Poland in the 7th edition of the annual 'Institution of the Year' ranking. A year earlier, 9 of the Bank's outlets were awarded. The purpose of the ranking is to enhance service quality and meet growing and changing customer expectations. The 'Best Banking Outlet in Poland in 2021' title was awarded to the First, Fourth and Fifth Branch in Warsaw, as well as to the Branches in: Bielsko-Biała, Bydgoszcz, Chełm, Gdańsk, Gdynia, Gliwice, Gorzów Wlkp., Katowice, Kielce, Koszalin, Ostrów Wlkp., Poznań, Rzeszów and Szczecin.
- Apart from the 'Best Banking Outlet' category, the Bank was also rated in the following rankings:
 - Best mortgage services – 5th in the ranking and 2nd in the 2nd League;
 - Best remote account opening process – 10th in the ranking and 2nd in the 2nd League;
 - Best service in remote channels – 9th in the ranking and 3rd in the 2nd League;
 - Best mobile app – 11th in the ranking and 3rd in the 2nd League;
 - Best online banking – 13th in the ranking and 3rd in the 2nd League.
- February 2022 – for the third consecutive year, DM BOŚ was ranked first in the 19th edition of the National Investors' Survey carried out by the Polish Association of Retail Investors (SII). The investors' votes won DM BOŚ three stars – the highest possible rating awarded by the SII.
- March 2022 – DM BOŚ won the Invest Cuffs award in the 'Brokerage House of 2021' category, granted by the Invest Cuffs Foundation, and the Finance Order from the editorial board of the Home&Market monthly for the DM BOŚ's new bossaStatikaTrader transaction app, which was recognised as one of the best financial products.
- April 2022 – DM BOŚ received two WSE awards in the derivatives market category: for the most active player in the futures market in 2021, and in the 'Market Maker of 2021' category, for the largest number of underlying instruments in the futures market with respect to which it provides market-making

services. Award winners were entities with the best performance in 2021, which significantly contributed to the development of the Polish capital market.

- April 2022 – the Bank was distinguished as ‘Financial Brand of 2022’ for its consistent support to green transition of the Polish market.

4. Selected data on the Group’s business

	(thousand)	Mar 31 2022	Dec 31 2021	Change (%)
BANK OCHRONY ŚRODOWISKA S.A.				
Number of clients		176.5	176.4	0.1
Number of retail clients		172.2	172.1	0.1
Number of institutional clients		4.3	4.3	0.0
Number of clients using electronic channels		101.8	102.8	-1.0
Number of checking accounts ¹		168.7	169.7	-0.6
Debit and credit cards in total		66.7	68.7	-2.9
Number of branches		55	50	10.0
DOM MAKLEPSKI BOŚ S.A.				
Number of investment accounts		138.0	135.6	1.8
including online accounts		134.8	132.3	1.9
Number of branches		8	9	-11.1

1) together with the savings accounts

As at the end of March 2022, the Bank had 55 outlets, including:

- 13 business centres serving corporate and SME customers only;
- 42 branches serving retail customers.

Since January 2nd 2022, a new organisational model of the sales network has been in place at the Bank. Retail sales activities (Retail Customer Team) were separated from the business centres and new branches dedicated to retail clients were created, thus enabling the business centres to focus on the corporate and SME segments. Moreover, in the first quarter of 2022, some of the branches were closed down.

5. Development directions for the Bank

Growth Strategy

On June 22nd 2021, the Supervisory Board adopted a new ‘Strategy of Bank Ochrony Środowiska for 2021–2023’. The Strategy is consistent with the Group Recovery Plan approved by the Polish Financial Supervision Authority.

The Bank seeks to achieve sustainable profitability by pursuing key strategic initiatives and strengthening its position of a specialist lender, as reflected in the Bank’s new Mission Statement:

“We support green transition in an innovative and effective manner” and in the Bank’s vision:

“We provide comprehensive financing for green transition by offering unique products, dedicated experts and a variety of financial instruments”. The Bank’s ambition is to further specialise in the financing of green transition projects. Drawing on its unique environmental and business expertise in financing the green sector and, more broadly, green transition across all sectors of the economy, the Bank will seek to leverage its years of experience in environmental risk analysis. New financial products are being developed to help clients to implement their business projects while respecting natural resources.

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

- 1) Environment and climate – key objectives:

- Continue to develop competencies in environmental protection, technologies designed to reduce emissions, sector expertise and green financing.
 - Provide clients with quality consulting on green transition, taxonomy, relevant technologies and available public financing.
- 2) Business model – key objectives:
- Enhance cooperation with partners through digital channels which are perceived as the most convenient by clients and cost-effective for the Bank.
 - Provide green transition financing solutions for corporate clients and local government institutions.
 - Develop comprehensive advisory services and provide support to corporate clients throughout their investment projects.
- 3) Operational efficiency – key objectives:
- Align the operating model with the Bank's new business strategy.
 - Optimise key front-office (e.g. loan granting process) and back-office processes.
- 4) Organisational culture – key objectives:
- Bring cultural change to the organisation – increase employee engagement and provide opportunities for professional development.
 - Implement a new agile and hybrid model of work.
- 5) Finance – key objectives:
- Implement sustainably profitable business model and improve the Bank's rating.
 - Exit from the Recovery Plan.
 - Diversification of the sources of financing and gradual reduction of funding from the retail segment.
 - Active inclusion of financing from external sources.

Activities undertaken as part of the Strategy

Last year, as part of the operationalisation of the new Strategy, the Bank defined strategic initiatives aimed at its broadly understood transformation.

Environment and climate	Business model	Operational efficiency	Finance	Organisational culture
ESG rating	Product Factory project	KONDOR + Front Office		New values proposed to employees, including a new incentive system
Building a portfolio of consulting services	Adjustment of sales network	Simplified credit process for green retail loans	Digital tool for taking retail deposits	Culture of dialogue and competence development
	Digital tool for taking retail deposits	Credit process for corporate clients		Knowledge sharing culture (CRM market)
	Customer Relationship Management (CRM)			Mustang, TFI offer for environmental investment projects

In 2021, the Bank adopted the ESG Strategy and obtained an external ESG rating of 19.9 points, which means a low risk of material adverse impact of ESG factors ('Low Risk'). Concurrently with the adoption of the strategy and receipt of the ESG rating, the Bank published its first ESG report which contains an action plan to minimise the Bank's negative environmental impact. Between January and March 2022, the Rating Improvement Plan for 2022 was prepared, to be implemented in subsequent periods.

A model for environmental consulting was developed, creating a systematic approach to this service based on leveraging and commercialising the Bank's expertise. With the new model in place, in 2022 sales efforts will be carried out as part of the Bank's day-to-day activities.

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

Other organisational culture transformation initiatives are: a new set of values proposed to employees along with an incentive system, a culture of dialogue and competence development, and a culture of knowledge sharing. In the first quarter of 2022, a job valuation process was completed, new remuneration and bonus rules were adopted, and a new employee evaluation system was put in place. To get an objective view of the effectiveness of these efforts, another opinion survey is planned among employees at the end of 2022.

In keeping with the new strategy, an analysis of the efficiency of the branch network was carried out, resulting in a difficult decision to restructure the sales network, i.e., close down some of the Bank's retail outlets, namely the branches in Bełchatów, Ełk, Leżajsk, Nowy Sącz, Nowy Targ, Suwałki and Zawiercie. Affected employees were offered aid packages, some of them also new positions elsewhere the Bank. Concurrently, preparations are under way to launch new Business Centres in Kielce, Opole and Zielona Góra, in order to strengthen the Bank's presence in the corporate and local government institutions segments.

6. Financial results of the Group

6.1. Statement of profit or loss

(PLN thousand)	Q1 2022	Q1 2021	Change (%)
Interest income and similar income	160,717	119,328	34.7
Interest expense and similar charges	-30,168	-15,046	100.5
Net interest income	140,031	87,470	60.1
Fee and commission income	50,854	46,904	8.4
Fee and commission expense	-12,348	-10,875	13.5
Net fee and commission income	38,506	36,029	6.9
Dividend income	1	3	-66.7
Gain (loss) on financial instruments measured at fair value through profit or loss (including amounts due from clients)	4,124	24,295	-83.0
Gain (loss) on investment securities	0	0	x
Gain (loss) on hedge accounting	-328	340	-196.5
Gain (loss) on foreign exchange transactions	7,771	1,219	537.5
Other income	10,407	7,455	39.6
Other expenses	-13,223	-6,819	93.9
Effect of legal risk of mortgage loans denominated in foreign currencies	-1,041	0	x
Net impairment losses	-24,905	-38,858	-35.9
Administrative expenses	-125,603	-103,382	21.5
Profit before tax	35,740	7,752	361.0
Income tax expense	-12,353	-5,632	119.3
NET PROFIT	23,387	2,120	1,003.2

In the period from January 1st to March 31st 2022, the BOŚ Group earned a net profit of PLN 23.4 million, compared with PLN 2.1 million reported in the corresponding period of 2021.

In the first quarter of 2021, the BOŚ Group generated interest income of PLN 140.0 million, an increase of PLN 52.6 million, or 60.1%, year on year.

Interest and similar income was up by PLN 67.7 million, or 66.0% year on year, driven mainly by an increase of PLN 31.3 million, or 49.5%, in interest income from institutional clients, of PLN 23.8 million, or 148.1%, in interest on non-trading investment debt securities, and of PLN 6.7 million, or 21.4%, in interest income from retail clients.

The key factor behind the growth of interest income was a series of interest rate rises by the Monetary Policy Council. The average base interest rate on loans advanced by the Bank from January to March 2022 (excluding interest impairment adjustment) was 4.44%, compared with 3.01% in the corresponding period of the previous year, including:

- 4.94% (3.26% in 2021) for PLN loans,
- 2.57% (2.17% in 2021) for foreign currency loans.

NET INTEREST INCOME (PLN thousand)	Q1 2022	Q1 2021	Change (%)
Interest and similar income:	170,199	102,516	66.0
Amounts due from banks and central bank	6,332	1,068	492.9
Amounts due from institutional clients	94,476	63,196	49.5
Amounts due from retail clients	28,033	21,342	31.4
Non-trading investment debt securities	39,948	16,104	148.1
Financial instruments held for trading	837	806	3.8
Hedging transactions	573	0	
Interest expense and similar charges on:	30,168	15,046	100.5
Bank accounts and deposits from banks	288	268	7.5
Bank accounts and deposits from institutional clients	12,334	386	3,095.3
Bank accounts and deposits from retail clients	11,855	8,762	35.3
Borrowings from banks	0	0	x
Borrowings from clients	52	43	20.9
Lending support funds (JESSICA)	203	14	1350.0
Financial instruments – own debt securities	4,400	2,979	47.7
Hedging transactions	6	1,639	-99.6
Lease liabilities	1,028	943	9.0
Other	2	12	-83.3
NET INTEREST INCOME	140,031	87,470	60.1

Interest expense and similar charges increased by PLN 15.1 million, or 100.5%, on the first quarter of 2021, driven mainly by an increase in expense related to bank accounts and deposits of institutional clients (up by PLN 11.9 million, or 3,095%) and retail clients (by PLN 3.1 million, or 35.3%). Costs of financial instruments (own debt securities) rose by PLN 1.4 million, or 47.7%, and costs of hedging transactions decreased by PLN 1.6 million, or 99.6%.

The increase in interest expense was mainly attributable to higher interest rates on deposits. The average base interest rate on accounts and deposits opened with the Bank branches from January to March 2022 was:

- 0.93% in PLN, compared with 0.25% in the same period of 2021,
- 0.14% in foreign currencies, compared with 0.16% in the same period of 2021.

The level of the Bank's net interest income was influenced by the decisions of the Monetary Policy Council to increase interest rates in the fourth quarter of 2021 and in the first quarter of 2022.

The Group's net fee and commission income was PLN 38.5 million, which means an increase of PLN 2.5 million, or 6.9%, year on year, attributable to the fact that the fee and commission income grew at a higher rate than the fee and commission expense.

NET FEE AND COMMISSION INCOME (PLN thousand)	Q1 2022	Q1 2021	Change (%)
Fee and commission income	50,854	46,904	8.4
Brokerage service fees	30,274	27,972	8.2
Fees for maintaining client accounts, other domestic and international payment transactions	9,062	10,080	-10.1
Commission fees on loans	8,899	6,962	27.8
Commission fees on guarantees and letters of credit	2,480	1,713	44.8
Fees for portfolio management services and other management fees	137	177	-22.6
Other fees	2	-	x
Fee and commission expense	12,348	10,875	13.5
Brokerage fees, including:	9,708	8,345	16.3
for custody services	205	148	38.5
Payment card fees	1,760	1,615	9.0
Current account fees	356	447	-20.4
ATM service charges	306	306	0.0
Fees on amounts due from clients	55	39	41.0
Fees paid to other banks for cash transactions	-	-	x
Other fees	163	123	32.5
TOTAL NET FEE AND COMMISSION INCOME	38,506	36,029	6.9

Fee and commission income increased by PLN 4.0 million, or 8.4%. The item that grew the most was fee and commission income from brokerage services – up by PLN 2.3 million (8.2%). Commission fees on loans grew by PLN 1.9 million, or 27.8%, while commission fees on guarantees and letters of credit went up by PLN 0.8 million, or 44.8%. On the other hand, income from fees for maintaining client accounts and other domestic and international payment transactions declined by PLN 1.0 million, or 10.1%.

Fee and commission expense increased by PLN 1.5 million, or 13.5%, driven mainly by higher brokerage fees (up by PLN 1.4 million, or 16.3%).

Gain (loss) on financial instruments measured at fair value through profit or loss was PLN 4.1 million, compared with PLN 24.3 million in the same period of 2021.

Gain (loss) on foreign exchange transactions stood at PLN 7.8 million; in the same period of 2021 it was PLN 1.2 million.

In the first quarter of 2022, impairment losses totalled PLN -24.9 million, relative to PLN -38.9 million in the first quarter of 2021, mainly due to lower impairment losses in the institutional clients segment.

Administrative expenses of the Group rose by PLN 22.2 million, or 21.5%, relative to the same period of 2021. This growth was attributable chiefly to a PLN 9.4 million, or 21.3%, increase in salaries and wages, as well as a PLN 8.3 million, or 44.3%, increase in contributions to the Bank Guarantee Fund.

The reported amount of administrative expenses included the entire annual contribution to the mandatory bank restructuring fund calculated by the Bank Guarantee Fund for 2022, which amounted to PLN 21.9 million, compared with PLN 15.7 million for 2021. The total contribution to the Bank Guarantee Fund charged to expenses in the first quarter of 2022 amounted to PLN 27.1m, compared with PLN 18.8m in the same period of the previous year.

ADMINISTRATIVE EXPENSES (PLN thousand)	Q1 2022	Q1 2021	Change (%)
Employee benefits	53,231	43,868	21.3
Administrative expenses, including:	57,243	45,867	24.8
material expenses	27,361	24,724	10.7
taxes and charges	2,073	1,720	20.5
contribution and payments to BGF	27,092	18,775	44.3
contribution and payments to PFSA	644	609	5.7
contribution to cover operating expenses of Financial Ombudsman	50	16	212.5
contribution to Chamber of Brokerage Houses (Izba Domów Maklerskich, IDM)	23	23	0.0
other	0	0	x
Amortization and depreciation, including:	15,129	13,647	10.9
depreciation of property, plant and equipment	3,637	3,548	2.5
amortisation of intangible assets	7,236	6,690	8.2
depreciation of rights-of-use assets	4,256	3,409	24.8
ADMINISTRATIVE EXPENSES	125,603	103,382	21.5

The Group's employee benefits expense in the first quarter of 2022 was PLN 53.2 million, compared with PLN 43.9 million in the same period of the previous year. Costs of salaries and wages increased mainly in business development, as well as security, AML and IT areas. The Bank completed a job evaluation process, with one of its objectives being to link compensation in individual jobs to current market benchmarks.

The headcount at the BOŚ Group increased by 6.4%.

EMPLOYMENT (FULL-TIME EQUIVALENTS)	Mar 31 2022	Mar 31 2021	Change (%)
Employment at BOŚ S.A.	1,159	1,115	3.9
Employment at subsidiaries	297	253	17.4
EMPLOYMENT AT THE BOŚ GROUP	1,456	1,368	6.4

6.2. The Group's assets

The total assets of the Group as at March 31st 2022 stood at PLN 20,371.1 million, down by 1.0% on December 31st 2021.

Changes in the structure of the Group's assets

As at March 31st 2022, at 58.6%, amounts due from clients had the highest share in total assets. Their share in assets had increased by 1.0pp from the end of 2021, while the shares of investment securities and amounts due from banks had declined by 1.8pp and 0.5pp, respectively.

ASSETS (PLN thousand)	Mar 31 2022	Dec 31 2021	Change (%)
Cash and balances with central bank	482,824	361,581	33.5
Amounts due from banks	296,488	400,747	-26.0
Financial assets held for trading	220,987	155,705	41.9
Derivative hedging instruments	19,337	9,121	x
Investment securities:	6,662,603	7,108,931	-6.3
Amounts due from clients, including:	11,937,325	11,855,647	0.7
measured at amortised cost	11,926,011	11,841,536	0.7
measured at fair value through profit or loss	11,314	14,111	-19.8
Intangible assets	110,864	112,861	-1.8
Property, plant and equipment	83,832	84,082	-0.3
Right of use – leases	74,262	78,538	-5.4
Tax assets:	159,181	151,072	5.4
Other assets	323,397	267,455	20.9
TOTAL ASSETS	20,371,100	20,585,740	-1.0

Amounts due from clients

AMOUNTS DUE FROM CLIENTS (PLN thousand)	Mar 31 2022	Dec 31 2021	Change (%)
Measured at amortised cost	11,889,956	11,804,018	0.7
Amounts due from retail clients	3,232,409	3,311,676	-2.4
overdraft facilities	1,430	1,270	12.6
cash loans	283,173	300,926	-5.9
housing loans	2,677,071	2,728,093	-1.9
other credit facilities	270,735	281,387	-3.8
Amounts due from institutional clients	8,657,547	8,492,342	1.9
working capital facilities	862,020	647,695	33.1
term facilities	6,611,635	6,735,978	-1.8
factoring receivables	618,914	599,966	3.2
lease receivables	146,075	136,642	6.9
purchased receivables	121,299	127,311	-4.7
commercial paper	297,604	244,750	21.6
Measurement at fair value through profit or loss	11,314	14,111	-19.8
Amounts due from retail clients	560	704	-20.5
overdraft facilities	18	19	-5.3
housing loans	202	258	-21.7
other credit facilities	340	427	-20.4
Amounts due from institutional clients	10,754	13,407	-19.8
working capital facilities	0	0	x
term facilities	10,754	13,407	-19.8
Total	11,901,270	11,818,129	0.7
Security deposits	29,856	32,768	-8.9
Other amounts due from clients	6,199	4,750	30.5
TOTAL AMOUNTS DUE FROM CLIENTS	11,937,325	11,855,647	0.7

The carrying amount of amounts due from clients of the Group at the end of the first quarter of 2022 was PLN 11,937.3 million, up by 0.7% on December 31st 2021.

As at the end of the first quarter of 2022, amounts due from institutional clients measured at amortised cost increased by PLN 165.2 million, or 1.9%, vs. December 31st 2021. On the other hand, amounts due from retail clients measured at amortised cost decreased by PLN 79.3 million, or 2.4%.

Amounts due from institutional clients measured at amortised cost accounted for the highest share of total amounts due from clients, at 72.5%. Their share increased by 1.4 percentage points on year-end 2021. Amounts due from institutional clients measured at amortised cost were PLN 8,657.6 million.

The share of amounts due from retail clients measured at amortised cost in total amounts due decreased by 0.7 percentage points, to 27.1%. The amount of retail loans measured at amortised cost was PLN 3,232.4 million at the end of the first quarter of 2022, compared with PLN 3,311.7 million at year-end 2021.

HOUSING LOANS (PLN thousand)	Mar 31 2021	Dec 31 2021	Change (%)
Loans measured at amortised cost	2,677,071	2,728,093	-1.9
Housing loans in PLN	1,388,303	1,408,756	-1.5
Housing loans in CHF	745,794	767,387	-2.8
Housing loans in EUR	511,194	520,349	-1.8
Housing loans in USD	31,780	31,601	0.6
Loans measured at fair value through profit or loss	257	257	0.0
Housing loans in PLN	257	257	0.0
TOTAL HOUSING LOANS	2,677,272	2,728,350	-1.9

The largest item of retail loans are housing loans measured at amortised cost, which amounted to PLN 2,677.1 million as at the end of the first quarter of 2022, compared with PLN 2,728.1 million as at the end of 2021, down by PLN 51.0 million.

PLN loans account for a major part of the housing loan portfolio at 51.9% (51.6% as at the end of 2021). CHF loans accounted for 27.9% of housing loans (vs. 28.1% as at the end of 2021), and for 6.2% of the entire loan portfolio of the BOŚ Group (on a net basis), vs. 6.5% as at the end of 2021.

The balance of green loans as at March 31st 2022 was 4,878 million, an increase of 2.9% on March 31st 2021. Green loans accounted for 37.62% of the Bank's total lending portfolio (vs. 36.88% as at December 31st 2021).

New sales – loans advanced from January to March 2022 vs. the same period of the previous year

LOANS ADVANCED DURING THE QUARTER (PLN thousand)	Q1 2022	Q1 2021	Change (%)
Loans to institutional clients in the quarter	663,746	832,471	-20.3
Loans to retail customers in the quarter	40,367	97,242	-58.5
LOANS ADVANCED DURING THE QUARTER	704,113	929,713	-24.3

From January to March 2022, the Bank made new loans (new sales) for a total amount of PLN 704.1 million, a decrease of 24.3% on the corresponding period of 2021 (at principal amount upon origination).

Sale of green loans

GREEN LOANS ADVANCED DURING THE QUARTER (PLN thousand)	Q1 2022	Q1 2021	Change
Loans to institutional clients in the quarter	396,668	292,603	35.6%
Loans to retail customers in the quarter	16,224	37,722	-57.0%
GREEN LOANS ADVANCED DURING THE QUARTER	412,892	330,325	25.0%

Green loans accounted for 58.6% of total loan sales. In the first quarter of 2022, the value of new green loans was PLN 413 million, up by 25% year on year. The vast majority (in value terms) of the new green loans were

made to institutional clients (96%). Loans for energy and municipal utility projects represented the largest share of the total (51% of total green loans in value terms).

Quality of the loan portfolio

Quality of the loan portfolio	Mar 31 2022	%	Dec 31 2021	%
AMOUNTS DUE FROM CLIENTS MEASURED AT AMORTISED COST				
Amounts due from clients without indications of impairment, including:	11,351,243	86.9	11,146,432	86.2
exposures without significant credit risk increase since initial recognition (Bucket 1)	9,544,498	73.1	9,883,695	76.5
exposures with significant increase in risk since initial recognition (Bucket 2)	1,806,745	13.8	1,262,737	9.8
Amounts due from clients with indication of impairment (Bucket 3) but with no impairment identified given the estimated cash flows	16,708	0.1	22,382	0.2
Amounts due from clients with indication of impairment, impaired (Bucket 3)	1,689,838	12.9	1,757,830	13.6
Total amounts due from clients measured at amortised cost (gross)	13,057,789	100.0	12,926,644	100.0
Impairment losses on:				
amounts due from clients – (Bucket 1)	- 81,917		- 88,097	
amounts due from clients – (Bucket 2)	- 100,732		- 80,534	
amounts due from clients – (Bucket 3) with no indications of impairment	- 344		- 588	
amounts due from clients – (Bucket 3) with indication of impairment	- 984,840		- 953,407	
Total impairment losses	- 1,167,833		- 1,122,626	
Total amounts due from clients measured at amortised cost (net)	11,889,956		11,804,018	
AMOUNTS DUE FROM CLIENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS				
Fair value	11,314		14,111	
Total amounts due from clients measured at fair value through profit or loss	11,314		14,111	
Security deposits	29,856		32,768	
Other amounts due from clients	6,199		4,750	
TOTAL AMOUNTS DUE FROM CLIENTS	11,937,325		11,855,647	

At the end of the first quarter of 2022, impairment losses were PLN 1,167.8 million. The share of amounts due from clients with indications of impairment in the entire portfolio measured at amortised cost was 12.9% as at March 31st 2022, compared with 13.6% as at the end of 2021.

6.3. The Group's total equity and liabilities

Changes in structure

EQUITY AND LIABILITIES (PLN thousand)	Mar 31 2022	Dec 31 2021	Change (%)
Amounts due to central bank and other banks	455,683	420,389	8.4
Financial liabilities held for trading	134,880	99,659	35.3
Derivative hedging instruments	0	0	x
Amounts due to clients	16,713,974	17,007,863	-1.7
Liabilities arising from issue of bank securities	0	0	x
Subordinated liabilities	369,690	369,107	0.2
Provisions	455,136	450,803	1.0
Tax liabilities	8,150	8,810	-7.5
Lease liabilities	76,897	81,170	-5.3
Other liabilities	308,359	282,144	9.3
Total equity	1,848,331	1,865,795	-0.9
TOTAL	20,371,100	20,585,740	-1.0

At the end of the first quarter of 2022, amounts due to clients represented the largest share (82.0%) of total equity and liabilities. The share decreased by 0.6 percentage points vs. December 31st 2021. The share of amounts due to the Central Bank and amounts due to banks and the share of liabilities held for trading increased by 0.2 percentage point. The decrease in equity was mainly attributable to the downward revaluation of securities measured at fair value through other comprehensive income due to an increase in market interest rates. Net profit, on the other hand, contributed positively. Despite the net decrease, the equity to total assets ratio remained unchanged.

The Group's liabilities

LIABILITIES (PLN thousand)	Mar 31 2022	Dec 31 2021	Change (%)
Retail clients	9,084,213	8,515,701	6.7
current/checking accounts	4,543,901	4,942,698	-8.1
term deposits	4,540,312	3,573,003	27.1
Institutional clients	6,936,059	7,799,099	-11.1
current/checking accounts	5,240,540	6,255,578	-16.2
term deposits	1,695,519	1,543,521	9.8
Other clients	77,950	84,032	-7.2
Borrowings from international financial institutions	516,821	510,954	1.1
Lending support funds	98,931	98,077	0.9
TOTAL	16,713,974	17,007,863	-1.7

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

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

As at March 31st 2021, amounts due to clients of the Group were PLN 16,714.0 million, having decreased by 1.7% on year-end 2021.

Amounts due to institutional clients went down by PLN 863.0 million, or 11.1%, and amounts due to retail clients grew by PLN 568.5 million, or 6.7%, relative to year-end 2021.

7. Key financial ratios

FINANCIAL RATIOS	Q1 2022	2021	Change in percentage points
Return on equity (ROE) ¹	5.0	2.5	2.5
Return on assets (ROA) ²	0.5	0.2	0.3
Interest margin on total assets ³	2.7	1.8	0.9
Risks costs ⁴	-0.8	-0.8	0.0
Cost/income (C/I) ⁵ , assuming uniform distribution of the cost of the one-time contribution to the Bank Guarantee Fund over the year	58.3	64.9	-6.6

1) Annualised net profit to average equity.

2) Annualised net profit to average assets.

3) Annualised net interest income to average assets at the beginning and end of period.

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

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

Interest margin on total assets, calculated as the ratio of net interest income to average assets, was 2.7% in the first quarter of 2022, compared with 1.8% in 2021. The increase was mainly attributable to higher market interest rates.

Cost/income ratio, assuming uniform distribution of the cost of the one-time contribution to the Bank Guarantee Fund's Mandatory bank restructuring fund over the year, was 58.3% in the first quarter 2022, compared with 64.9% in 2021.

8. Capital management

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

Taking into account the impact of IFRS 9 both with and without the transitional arrangements, the Bank and the Group met the applicable capital standards as at March 31st 2022.

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

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

	Mar 31 2022	Dec 31 2021
Available capital		
Common equity Tier 1 capital	1,729,529	1,796,302
Common equity Tier 1 capital – without IFRS 9 transitional provisions	1,700,948	1,739,139
Tier 1 capital	1,729,529	1,796,302
Tier 1 capital – without IFRS 9 transitional provisions	1,700,948	1,739,139
Own funds	1,894,083	1,978,861
Own funds – without IFRS 9 transitional provisions	1,865,501	1,921,698
Risk-weighted assets		
Total amount of risk-weighted assets	13,501,349	13,544,071
Total amount of risk-weighted assets – without IFRS 9 transitional provisions	13,476,099	13,491,884
Capital ratios		
Common equity Tier 1 capital ratio	12.81	13.26
Common equity Tier 1 capital ratio – without IFRS 9 transitional provisions	12.62	12.89
Tier 1 capital ratio	12.81	13.26
Tier 1 capital ratio – without IFRS 9 transitional provisions	12.62	12.89
Total capital ratio	14.03	14.61
Total capital ratio – without IFRS 9 transitional provisions	13.84	14.24
Leverage ratio		
Exposure value	22,455,984	22,821,635
Leverage ratio	7.7	7.9
Leverage ratio – without IFRS 9 transitional provisions	7.6	7.6

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

According to the CRR Resolution, and the Act on Macro-Prudential Oversight of the Financial System and Crisis Management in the Financial System of August 5th 2015, financial institutions are required to maintain additional capital buffers for capital ratios. As of January 1st 2019, the capital conservation buffer is 2.5 percentage points, and the countercyclical buffer is 0 percentage points. Bank Ochrony Środowiska S.A. and the BOŚ Group are not required to maintain the buffer defined for other systemically important institution. The systemic risk buffer was released by decision of the Minister of Finance dated March 18th 2020.

On December 9th 2021, the Polish Financial Supervision Authority recommended that the Bank maintains consolidated own funds to cover additional capital requirements to hedge against the risk arising from foreign currency mortgage credits and household loans at the level of 0.63 p.p. above the TCR ratio referred to in Article 92 (1) letter c) of the CRR Regulation, which should be composed of, at least, 75% of the Tier I capital (which corresponds to the capital requirement at the level of 0.47 p.p. above the value of Tier I capital which is referred to in Article 92 (1) letter b) of the CRR Regulation) and of at least 56% of the common equity Tier I capital (which corresponds to the capital requirement at the level of 0.35 p.p. above the common equity Tier I capital ratio referred to in Article 92 (1) letter a) of the CRR Regulation).

On February 10th 2022, the Polish Financial Supervision Authority recommended that own funds should be maintained, both on a separate and consolidated basis, to cover the additional capital add-on to absorb potential losses resulting from the occurrence of stress conditions, at the level of 0.38 percentage point above the total capital ratio referred to in Article 92(1)(c) of the CRR Regulation, increased by the additional own funds requirement referred to in Art. 138.2.2 of the Banking Law and by the combined buffer requirement referred to in Art. 55.4 of the Macroprudential Supervision Act. The additional add-on should consist entirely of Common Equity Tier 1 capital.

As a result, as at March 31st 2022 the minimum capital ratios recommended by the Polish Financial Supervision Authority for the Group are 9.35% for Tier 1 capital ratio and 11.51% for the TCR ratio.

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

	Mar 31 2022	Dec 31 2021
Available capital		
Common equity Tier 1 capital	1,615,584	1,710,685
Common equity Tier 1 capital – without IFRS 9 transitional provisions	1,580,298	1,640,114
Tier 1 capital	1,615,584	1,710,685
Tier 1 capital – without IFRS 9 transitional provisions	1,580,298	1,640,114
Own funds	1,780,137	1,893,245
Own funds – without IFRS 9 transitional provisions	1,744,852	1,822,673
Risk-weighted assets		
Total amount of risk-weighted assets	12,723,329	12,785,759
Total amount of risk-weighted assets – without IFRS 9 transitional provisions	12,698,067	12,733,548
Capital ratios		
Common equity Tier 1 capital ratio	12.70	13.38
Common equity Tier 1 capital ratio – without IFRS 9 transitional provisions	12.45	12.88
Tier 1 capital ratio	12.70	13.38
Tier 1 capital ratio – without IFRS 9 transitional provisions	12.45	12.88
Total capital ratio	13.99	14.81
Total capital ratio – without IFRS 9 transitional provisions	13.74	14.31
Leverage ratio		
Exposure value	21,955,640	22,416,448
Leverage ratio	7.4	7.6
Leverage ratio – without IFRS 9 transitional provisions	7.2	7.3

On November 17th 2021, the Polish Financial Supervision Authority recommended that the Bank maintains own funds to cover additional capital requirements to hedge against the risk arising from foreign currency mortgage credits and household loans at the level of 0.66 p.p. above the TCR ratio referred to in Article 92 (1) letter c) of the CRR Regulation, which should be composed of, at least, 75% of the Tier I capital (which corresponds to the capital requirement at the level of 0.50 p.p. above the value of Tier I capital which is referred to in Article 92 (1) letter b) of the CRR Regulation) and of at least 56% of the common equity Tier I capital (which

corresponds to the capital requirement at the level of 0.37 p.p. above the common equity Tier I capital ratio referred to in Article 92 (1) letter a) of the CRR Regulation).

As a result, as at March 31st 2022 the minimum capital ratios recommended by the Polish Financial Supervision Authority for the Bank were 9.38% for Tier 1 capital ratio and 11.54% for the TCR ratio.

9. Segment reporting

In accordance with IFRS 8, operating segments are determined on the basis of internal reports on components of an enterprise that are subject to periodic reviews by the management responsible for taking operational decisions. For a description of the policies applied in segment reporting, see Note 50 to the full-year consolidated financial statements for the year ended December 31st 2021. The operating segments' results for the corresponding period of the previous year were restated to ensure comparability. Below are presented the consolidated financial results of the BOŚ Group for the nine months ended March 31st 2022 and March 31st 2021 attributable to the segments.

No.	Selected items of statement of profit and loss for 3 months ended Mar 31 2022	INSTITUTIONAL CLIENTS	RETAIL BANKING	TREASURY AND INVESTMENTS	BROKERAGE BUSINESS	OTHER (NOT ALLOCATED TO SEGMENTS)	GROUP
I.	Net interest income	48,986	40,604	41,426	9,318	- 303	140,031
1.	Interest and similar income, including:	140,430	73,258	- 41,780	10,604	1	182,513
	<i>transactions with external clients</i>	98,345	28,214	43,216	424	-	170,199
	<i>transactions with other segments</i>	42,085	45,044	- 84,996	10,180	1	12,314
2.	Interest expense and similar charges, including:	- 91,444	- 32,654	83,206	- 1,286	- 304	- 42,482
	<i>transactions with external clients</i>	- 11,425	- 11,628	- 6,398	- 708	- 9	- 30,168
	<i>transactions with other segments</i>	- 80,019	- 21,026	89,604	- 578	- 295	- 12,314
II.	Net fee and commission income	15,317	2,561	-	20,703	- 75	38,506
III.	Dividend income	-	-	-	1	-	1
IV.	Gain (loss) on financial instruments measured at fair value through profit or loss	-	-	758	3,366	-	4,124
V.	Gain (loss) on hedge accounting	-	-	- 328	-	-	- 328
VI.	Gain (loss) on foreign exchange transactions	4,546	1,002	2,389	- 164	- 2	7,771
VIII.	Net banking income	68,849	44,167	44,245	33,224	- 380	190,105
IX.	Net other income and expenses	- 2,114	262	-	- 3,009	2,045	- 2,816
X.	Effect of legal risk of mortgage loans denominated in foreign currencies	-	- 1,041	-	-	-	- 1,041
XI.	Net impairment losses	- 15,839	- 10,958	1,892	-	-	- 24,905
XII.	Net finance income (costs)	50,896	32,430	46,137	30,215	1,665	161,343
1.	Direct costs	- 9,274	- 5,645	- 617	- 20,715	- 296	- 36,547
	Profit (loss) after direct costs	41,622	26,785	45,520	9,500	1,369	124,796
2.	Indirect costs and mutual services	- 20,102	- 20,226	- 3,717	-	-	- 44,045
	Profit (loss) after direct and indirect costs	21,520	6,559	41,803	9,500	1,369	80,751
3.	Amortisation/depreciation	- 5,764	- 6,101	- 551	- 2,286	- 427	- 15,129
5.	Other costs (taxes, BFG, PFSA)	- 16,363	- 12,386	- 146	- 918	- 69	- 29,882
XIII.	Profit (loss) before tax	- 607	- 11,928	41,106	6,296	873	35,740
XIV.	Allocated profit (loss) of ALM	18,692	18,357	- 37,049	-	-	-
XV.	Profit (loss) before tax after ALM allocation	18,085	6,429	4,057	6,296	873	35,740
XVI.	Income tax expense						- 12,353
XVII.	Net profit (loss)						23,387
	Segment assets	8,777,978	3,232,969	7,779,084	357,861	223,208	20,371,100
	including amounts due from banks and clients	6,279,251	8,036,591	3,328,351	1,929,385	797,522	20,371,100
	Segment liabilities	3,376	2,904	329	2,017	-	8,626
	including amounts due to banks and clients	48,986	40,604	41,426	9,318	- 303	140,031
	Expenditure on property, plant and equipment and intangible assets	140,430	73,258	- 41,780	10,604	1	182,513

No.	Selected items of statement of profit and loss for 3 months ended Mar 31 2021	INSTITUTIONAL CLIENTS	RETAIL BANKING	TREASURY AND INVESTMENTS	BROKERAGE BUSINESS	OTHER (NOT ALLOCATED TO SEGMENTS)	GROUP
I.	Net interest income	41,812	11,979	34,139	- 261	- 199	87,470
1.	Interest and similar income, including:	68,875	34,129	3,589	10	2	106,605
	<i>transactions with external clients</i>	63,999	22,317	16,190	10	-	102,516
	<i>transactions with other segments</i>	4,876	11,812	- 12,601	-	2	4,089
2.	Interest expense and similar charges, including:	- 27,063	- 22,150	30,550	- 271	- 201	- 19,135
	<i>transactions with external clients</i>	- 356	- 8,795	- 5,836	- 59	-	- 15,046
	<i>transactions with other segments</i>	- 26,707	- 13,355	36,386	- 212	- 201	- 4,089
II.	Net fee and commission income	13,500	2,829	-	19,804	- 104	36,029
III.	Dividend income	-	-	-	3	-	3
IV.	Gain (loss) on financial instruments measured at fair value through profit or loss	24	2	15,524	8,745	-	24,295
V.	Gain (loss) on hedge accounting	-	-	340	-	-	340
VI.	Gain (loss) on foreign exchange transactions	5,129	813	- 4,692	- 28	- 3	1,219
VIII.	Net banking income	60,465	15,623	45,311	28,263	- 306	149,356
IX.	Net other income and expenses	594	46	-	- 1,004	1,000	636
X.	Effect of legal risk of mortgage loans denominated in foreign currencies	-	-	-	-	-	-
XI.	Net impairment losses	- 27,007	- 10,560	- 1,291	-	-	- 38,858
XII.	Net finance income (costs)	34,052	5,109	44,020	27,259	694	111,134
1.	Direct costs	- 7,685	- 6,461	- 746	- 16,259	- 371	- 31,522
	Profit (loss) after direct costs	26,367	- 1,352	43,274	11,000	323	79,612
2.	Indirect costs and mutual services	- 16,308	- 17,598	- 3,164	-	-	- 37,070
	Profit (loss) after direct and indirect costs	10,059	- 18,950	40,110	11,000	323	42,542
3.	Amortisation/depreciation	- 4,908	- 5,801	- 504	- 2,007	- 427	- 13,647
5.	Other costs (taxes, BFG, PFSA)	- 11,140	- 9,003	- 104	- 830	- 66	- 21,143
XIII.	Profit (loss) before tax	- 5,989	- 33,754	39,502	8,163	- 170	7,752
XIV.	Allocated profit (loss) of ALM	23,867	15,983	- 39,850	-	-	-
XV.	Profit (loss) before tax after ALM allocation	17,878	- 17,771	- 348	8,163	- 170	7,752
XVI.	Income tax expense						- 5,632
XVII.	Net profit (loss)						2,120
	Segment assets	8,438,727	3,457,151	7,388,746	461,901	194,632	19,941,157
	including amounts due from banks and clients	5,116,509	8,712,685	3,984,853	1,724,277	402,833	19,941,157
	Segment liabilities	63,683	1,781	206	2,139	1	67,810
	including amounts due to banks and clients	41,812	11,979	34,139	- 261	- 199	87,470
	Expenditure on property, plant and equipment and intangible assets	68,875	34,129	3,589	10	2	106,605

10. Pending proceedings

Lawsuits – total

As at March 31st 2022, Bank Ochrony Środowiska S.A. was:

- a claimant in 1,390 lawsuits for a total amount of PLN 101.0 million;
- a respondent in 805 lawsuits for a total amount of PLN 247.9 million.

As at March 31st 2022, the Bank was not involved in any material proceedings pending before any court, arbitration body or public administration authority where the amount of the Bank's liabilities or claims would represent at least 10% of the Bank's equity.

Litigation and other proceedings against the Bank concerning reimbursement of part of consumer credit costs on account of early repayment

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

In response to the request for preliminary ruling put forward by the national court, the ECJ ruled that the consumer's right to reduce the total cost of credit on account of early repayment of the credit covers all costs imposed on the consumer.

No proceedings are pending against Bank for reimbursement of part of consumer credit costs under the Act on Enforcement of Claims in Class Action Proceedings of December 17th 2009.

As at March 31st 2022, five court proceedings were pending against the Bank for reimbursement of consumer credit costs on account of early repayment.

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

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

According to the verdict, the CJEU did not address the issue of the prohibited nature of contractual clauses, indicating that it is for the national courts to examine the existence of all the indication of abusiveness and to assess contractual provisions in each individual case separately. At the same time, the CJEU did not rule out the possibility that the national court could recognise the possibility of the agreement's continued operation without the indexation mechanism (which would mean that the loan would be treated as a PLN loan bearing interest at LIBOR), however in the CJEU's opinion this solution was deemed to be uncertain. The CJEU ruled out the possibility of supplementing the content of a contract after eliminating abusive clauses with rules stemming from the general provisions of national law. However, the CJEU confirmed that it is possible to fill in gaps in the contract with rules resulting from an express dispositive provision or other rules agreed upon by the parties.

Since the CJEU verdict, there has been an increase in the number of court cases involving loan agreements tied to foreign exchange rates. The reasons for this phenomenon can be found in the intensified marketing campaign by entities representing borrowers in court proceedings, the constant presence of the subject matter in the media, as well as the evolving trends the national case law.

Most of the court judgments issued following the CJEU ruling of October 3rd 2019 are not favourable of banks, but the case law continues to be inconsistent in this respect. Some of the courts hearing cases involving foreign exchange-linked mortgages have made further requests to the CJEU for preliminary rulings. The position of the CJEU in this respect may have an impact on court rulings in the future.

The Bank monitors domestic case law on an ongoing basis when assessing the legal risks of foreign currency-indexed loans and takes into account in its analyses that the CJEU judgment of October 3rd 2019 and rulings by Polish courts in similar cases would increase the number of court proceedings and increase the value of claims sought.

On May 7th 2021, the Supreme Court, sitting in a panel of seven judges, adopted a resolution in response to questions posed by the Financial Ombudsman, and reiterated the position that if a credit agreement is found invalid, each party is entitled to a separate claim for reimbursement of the performance obligation rendered and indicated that the agreement may be deemed definitively ineffective only if the consumer is duly informed of the effects of the agreement's invalidity and does not agree to be bound by the provision deemed abusive. The questions put forward by the Financial Ombudsman overlapped only to some extent with the questions submitted to the Supreme Court by the First President of the Supreme Court. So far, the full panel of judges of the Civil Chamber of the Supreme Court has not passed a resolution that would answer all the questions raised by the First President of the Supreme Court. The session of the full panel of the Civil Chamber of the Supreme Court was set for May 11th 2021 (previously scheduled for March 25th 2021 and then April 13th 2021). However, the Supreme Court did not adopt the announced resolution by the specified dates, and requested the Ombudsman, the Children's Rights Ombudsman, the Office of the Banking Supervision Authority and the Governor of the National Bank of Poland to present their positions as to the directions of resolving the legal issues presented by the First President of the Supreme Court. The positions were presented to the Supreme Court. At the next meeting of the full panel of the Civil Chamber on September 2nd 2021, no substantive resolutions were adopted, either. A decision was made to refer questions to the Court of Justice of the European Union concerning the rules governing the appointment and disciplinary responsibility of judges. Turning to the CJEU with request for preliminary rulings on constitutional issues means that the next session of the entire Chamber will probably take place not earlier than in over ten months. At the same time, by order of July 29th 2021, the three-judge panel of the Supreme Court submitted to the extended panel of the Supreme Court (seven judges) a legal question related to issues of compensation for the use of capital. The date of the hearing has not been set.

At the same time, in January 2021 a group of banks, including Bank Ochrony Środowiska S.A., acting on the basis of assumptions of the proposal of the Chairman of the Polish Financial Supervision Authority (announced in December 2020), commenced cross-sectoral consultations to establish a catalogue of best practices to seek voluntary settlement with clients whereby loans tied to foreign exchange rates would be settled as if they had been originally denominated in the Polish zloty with interest accruing at WIBOR plus reasonable margin.

Having obtained the approval of the Extraordinary General Meeting (Resolution No. 4/2021 of December 8th 2021), on January 31st 2022 the Bank started to roll out the BOŚ S.A. Compromise and Settlement Programme based on a framework communicated by the President of the PFSA. By the end of the first quarter of 2022, the Bank received 443 applications for settlement concerning foreign currency mortgage loans. The outstanding balance of these loans was PLN 79.1m.

The total amount of the provision for foreign currency mortgage loans was PLN 477.9 million as at March 31st 2022, of which PLN 413.5 million was presented as a provision for judicial proceedings and legal risk related to foreign currency mortgage loans, and PLN 64.4 million was presented as additional allowances for expected credit losses.

As at March 31st 2022, there were 739 court cases pending against the Bank concerning loans denominated in foreign currencies, mainly CHF, with the total value of claims of PLN 235.20 million. In general, the claimants demand that loan agreements denominated in foreign currencies be recognised as invalid or, alternatively, that the denomination (currency translation) clauses be found/ruled abusive.

Credit exposure to wind farms

A part of the Bank's corporate loan portfolio consists of exposures originated in prior years to finance onshore wind farms benefiting from the support system in the form of certificates of origin ('green certificates'). The Bank's loan portfolio also includes exposures related to the financing of wind farm projects executed by special purpose vehicles which won auctions organised by the Energy Regulatory Office in 2020 and were awarded the right to sell electricity as part of an auction support system.

The total amount of the Bank's exposure to this group of clients as at March 31st 2022 was PLN 942.5 million, compared with PLN 1,010.5 million at year-end 2021. The main reason behind the approximately 6.7% decrease in the balance of the exposure was, apart from the regular amortisation of debt reflecting the contractual loan repayment schedules, voluntary and compulsory loan prepayments by borrowers as well as business decisions by some clients to repay the entire debt.

Material risks arising from financing wind farm projects

Risks related to financing of this group of clients, including in particular market and regulatory risks affecting their economic and financial standing, are identified by the Bank as part of ongoing monitoring and taken into account in the process of assessment of individual exposures carried out on a monthly basis with the use of a dedicated valuation model.

The risk of volatility in market prices of electricity and green certificates is addressed by implementing in the valuation model the price paths projected by the Bank for the medium and long term. The projected price paths are updated on a semi-annual basis based on reports from reputable independent external experts. The risk of potential periodic decline in revenue generated by the clients due to a periodic decline in energy prices and/or green certificates is additionally mitigated by reserve accounts, with funds deposited in such accounts intended to support day-to-day servicing of loans.

Impact of the coronavirus pandemic on the business of RES clients

The economic downturn caused by COVID-19 has not affected, to date, the financial condition of the wind farm clients. The loans are serviced on a timely basis and in accordance with the agreed repayment schedules.

Proposed legislative changes related to the 'RES obligation' for 2023

March 24th 2022 saw the publication of a draft Regulation of the Minister of Climate and Environment on a change of the volume share of total electricity from redeemed certificates of origin confirming generation of electricity from renewable energy sources in 2023, whereby the 'RES obligation' is to be reduced from 18.5% in 2022 to 10.0%. The rationale for the proposed revision of the RES obligation is to lower the costs resulting from the operation of the certificates of origin system which are borne by end users while ensuring profitability of RES assets and safety of participating producers.

Industry organisations believe that the RES obligation for 2023 set below 16% triggers the risk of another significant oversupply of green certificates, which may lead to a sharp decline in their market prices. The risk of a decline in revenue following a collapse on the market for certificates of origin may, to a certain extent, be mitigated by continuing high prices of electricity and the risk that they may stay high in the medium-term and beyond.

Risk arising from changes in property tax base

The amendment to the Act Amending the Act on Renewable Energy Sources and Certain Other Acts, published on June 29th 2018, restored, with retroactive effect as of January 1st 2018, the provisions governing taxation of wind power plants with property tax that had been in force before January 1st 2017.

The amended regulations deprived the municipalities where wind power plants are located of higher property tax revenue. Under the amended legislation, project owners applied to tax authorities for correction of previously submitted tax returns or for refund of overpaid tax. As a result, ten municipalities filed a joint complaint with the Constitutional Court to examine the compliance of the new regulations with the Constitution.

On July 22nd 2020, the Constitutional Court ruled that the retroactive reduction of property tax liabilities on wind farms for 2018 was unconstitutional. The Constitutional Tribunal obliged the legislator to enact appropriate legal solutions that would compensate local governments for the lost revenue.

Such solutions were introduced by the Act on the Compensation for Revenue Lost by Municipalities in 2018. Due to the Change in the Scope of Taxation of Wind Power Plants of November 17th 2021; the law came into force on February 5th 2022. Compensation payments will be funded from the special purpose reserve of the state budget.

Thus, the risk identified previously by the Bank that the borrowers would have to bear additional tax burdens in order to compensate the communes for the lost tax revenue was eliminated.

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

Actions taken by Energa Obrót S.A. in September 2017, resulting in the performance of twenty-two framework CPA agreements for the collection of property rights under certificates of origin for RES energy (green certificates) being discontinued and filing with the competent courts of actions against trading partners and banks for declaration of absolute invalidity of the agreements affected eight clients financed by the Bank.

All court proceedings involving clients of the Bank concluded with final judgments of the Court of Appeal dismissing Energa Obrót S.A.'s claims. Energa Obrót S.A. resumed performance of the contracts and purchases of property rights at contractual prices in accordance with the final judgements.

By the end of the first quarter of 2021, Energa Obrót S.A. filed a cassation appeal against five of the judgments that were favourable to the clients of the Bank, and in one case the Supreme Court refused to accept the appeal for examination. The decision is not appealable, therefore, the case was finally closed in favour of the client. Further proceedings in the remaining four cases are pending before the Supreme Court.

As at March 31st 2022, four of the Bank's clients were in litigation with Energa Obrót S.A.; the Bank's total exposure to the clients was PLN 21.1 million, representing 2.07% of the total exposure in the wind farm portfolio.

The Bank monitors the status of the pending proceedings. All debts of the clients who are in litigation with Energa Obrót S.A. are serviced in a timely manner.

As at March 31st 2022, Bank did not act as a co-respondent in any of the pending court disputes with Energa Obrót S.A., thus the Bank did not identify any risk of having to incur additional costs arising from the proceedings.

PFSA – administrative proceedings concerning an administrative penalty

In late July and early August 2018, the PFSA carried out an inspection concerning fulfilment of the Bank's obligations related to the prevention of money laundering and the financing of terrorism. After the inspection, the PFSA issued post-inspection recommendations and instigated ex officio proceedings to impose an administrative penalty, following which the Bank was fined PLN 1.2 million. The administrative decision is not final and Bank Ochrony Środowiska S.A. has filed a request for re-examination. The BOŚ Group recognised a provision for the amount of the fine. The proceedings are pending.

GIFI – administrative proceedings concerning an administrative penalty

In March 2019, the General Inspector of Financial Information (GIFI) carried out an inspection concerning fulfilment of the Bank's obligations related to the prevention of money laundering and the financing of terrorism. Following the inspection, the Bank received a positive assessment with an indication of irregularities. The GIFI instigated ex officio proceedings to impose an administrative penalty, following which the Bank was fined PLN 4.5 million. The Bank appealed against GIFI's decision to the Minister of Finance, who in December 2020 issued a decision revoking in whole GIFI's decision to impose a fine of PLN 4.5 million, appealed against by the Bank, and decided to impose a fine of PLN 3.7 million. The Bank filed an appeal against the Minister's decision with the Provincial Administrative Court. On July 21st 2021, the Provincial Administrative Court of Warsaw issued a judgment revoking the decision of the Ministry of Finance and the preceding decision of the GIFI.

The Bank's attorney was served with the Ministry's cassation complaint. The Bank filed a response to the cassation complaint.

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

In the first quarter of 2022, there were no other events at the Bank that would be material for the assessment of its human resources, assets, financial position, financial result and any changes thereto, as well as for the assessment of the Bank's ability to fulfil its obligations.

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

In the three months to March 31st 2022, the BOŚ Group did not publish any performance forecasts.

13. Seasonal or cyclical nature of the business

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

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

The Bank did not issue or redeem any BOŚ S.A. securities in the first three months of 2022.

15. Information about dividend

In the first quarter of 2022, the Bank did not make or declare any dividend payments.

16. Related party transactions

In the period from January 1st to March 31st 2022, the Bank and its subsidiaries did not enter into any related party transactions which, individually or in the aggregate, would be material and executed on non-arm's length terms.

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

In the first quarter of 2022, the Bank did not issue any credit repayment sureties or guarantees whose aggregate amount represents 10% or more of its equity.

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

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

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

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

As at March 31st 2022, the Bank held 37,775 treasury shares, representing 0.04% of its share capital and 0.04% of total voting rights in the Bank.

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

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

19. Bank shares held by management and supervisory personnel

According to statements made by members of the Management and Supervisory Boards, none of them held any shares in the Bank or any of its related entities as at the end of the first quarter of 2022.

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

A further tightening of the monetary policy by the Monetary Policy Council would adversely affect the value of securities measured at fair value through other comprehensive income, gross, reducing equity, own funds, and the Bank's and the Group's total income.

In the first quarter of 2022, there were no other events at the Bank that would be material to the assessment of its human resources, assets, financial standing, financial performance and changes thereto, as well as for the assessment of the Bank's ability to fulfil its obligations.

21. Supervisory Board

The composition of the Supervisory Board did not change in the first quarter of 2022.

As at March 31st 2022, the Supervisory Board consisted of:

- Emil Ślęzak, Chairman of the Supervisory Board
- Ireneusz Purgacz, Deputy Chairman of the Supervisory Board
- Paweł Sałek, Secretary of the Supervisory Board
- Leszek Banaszak
- Robert Czarnecki
- Zbigniew Dynak
- Janina Goss
- Marcin Jastrzębski

- Andrzej Matysiak

22. Management Board

The composition of the Bank's Management Board did not change in the first quarter of 2022.

As at March 31st 2022, the Management Board consisted of:

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

INTERIM CONDENSED FINANCIAL STATEMENTS OF THE BOŚ GROUP

Interim consolidated statement of profit or loss

Continuing operations	for 3 months ended Mar 31 2022	for 3 months ended Mar 31 2021
Interest and similar income, including:	170,199	102,516
<i>financial assets measured at amortised cost</i>	139,117	91,603
<i>assets measured at fair value through other comprehensive income</i>	29,519	9,900
<i>financial assets measured at fair value through profit or loss</i>	1,563	1,013
Interest expense and similar charges, including:	- 30,168	- 15,046
<i>financial liabilities measured at amortised cost</i>	- 30,162	- 13,407
<i>financial liabilities measured at fair value through profit or loss</i>	- 6	- 1,639
Net interest income	140,031	87,470
Fee and commission income	50,854	46,904
Fee and commission expense	- 12,348	- 10,875
Net fee and commission income	38,506	36,029
Dividend income	1	3
Gain (loss) on financial instruments measured at fair value through profit or loss	4,124	24,295
Gain (loss) on hedge accounting	- 328	340
Gain (loss) on foreign exchange transactions	7,771	1,219
Other income	10,407	7,455
Other expenses	- 13,223	- 6,819
Effect of legal risk of mortgage loans denominated in foreign currencies	- 1,041	-
Net impairment losses	- 24,905	- 38,858
Administrative expenses	- 125,603	- 103,382
Profit before tax	35,740	7,752
Income tax expense	- 12,353	- 5,632
Net profit	23,387	2,120
of which attributable to:		
<i>owners of parent</i>	23,387	2,120
<i>non-controlling interests</i>	-	-
Earnings per share attributable to owners of parent during period (PLN)		
<i>basic</i>	0.25	0.02
<i>diluted</i>	0.25	0.02

No operations were discontinued in the three months ended March 31st 2022 or in 2021.

Interim consolidated statement of comprehensive income

Continuing operations	for 3 months ended Mar 31 2022	for 3 months ended Mar 31 2021
Net profit	23,387	2,120
Items that may be reclassified to profit or loss:	- 40,850	- 153
Fair value of financial assets measured at fair value through other comprehensive income, gross	- 50,432	- 189
Deferred tax	9,582	36
Items that will not be reclassified to profit or loss:	- 1	-
Fair value of equity instruments measured at fair value through other comprehensive income, gross	- 1	-
Total comprehensive income	- 17,464	1,967
Of which attributable to:		
<i>owners of parent</i>	- 17,464	1,967

Interim consolidated statement of financial position

Assets	Mar 31 2022	Dec 31 2021 audited
Cash and balances with central bank	482,824	361,581
Amounts due from banks	296,488	400,747
Financial assets held for trading, including:	220,987	155,705
<i>equity securities</i>	23,460	13,308
<i>debt securities</i>	10,723	5,321
<i>derivative instruments</i>	186,804	137,076
Derivative hedging instruments	19,337	9,121
Investment securities:	6,662,603	7,108,931
<i>equity securities measured at fair value through other comprehensive income</i>	85,484	85,483
<i>debt securities measured at fair value through other comprehensive income</i>	4,870,011	5,311,853
<i>debt securities measured at amortised cost</i>	1,591,088	1,582,366
<i>debt securities measured at fair value through profit or loss</i>	116,020	129,229
Amounts due from clients, including:	11,937,325	11,855,647
<i>measured at amortised cost</i>	11,926,011	11,841,536
<i>measured at fair value through profit or loss</i>	11,314	14,111
Intangible assets	110,864	112,861
Property, plant and equipment	83,832	84,082
Right of use – leases	74,262	78,538
Tax assets:	159,181	151,072
<i>deferred</i>	159,181	151,072
Other assets	323,397	267,455
Total assets	20,371,100	20,585,740

Liabilities	Mar 31 2022	Dec 31 2021 audited
Amounts due to central bank and other banks	455,683	420,389
Financial liabilities held for trading, including:	134,880	99,659
<i>equity securities</i>	165	-
<i>derivative instruments</i>	134,715	99,659
Amounts due to clients	16,713,974	17,007,863
Subordinated liabilities	369,690	369,107
Provisions	455,136	450,803
Tax liabilities:	8,150	8,810
<i>current</i>	8,008	8,335
<i>deferred</i>	142	475
Lease liabilities	76,897	81,170
Other liabilities	308,359	282,144
Total liabilities	18,522,769	18,719,945

Equity	Mar 31 2022	Dec 31 2021 audited
Equity attributable to owners of parent		
Common equity:	1,461,036	1,461,036
<i>Share capital</i>	929,477	929,477
<i>Treasury shares</i>	- 1,292	-1,292
<i>Share premium</i>	532,851	532,851
Revaluation reserve	- 67,813	-26,962
Retained earnings	455,108	431,721
Total equity	1,848,331	1,865,795
Total equity and liabilities	20,371,100	20,585,740

Interim consolidated statement of changes in equity

Item	Equity attributable to owners of the Bank								Total equity
	Common equity			Revaluation reserve	Retained earnings				
	Share capital	Treasury shares	Share premium		Other statutory reserve funds	Other capital reserves	General risk fund	Undistributed profit (loss)	
As at January 1st 2022	929,477	- 1,292	532,851	- 26,962	398,628	23,605	48,302	- 38,814	1,865,795
Net profit	-	-	-	-	-	-	-	23,387	23,387
Other comprehensive income	-	-	-	- 40,851	-	-	-	-	- 40,851
Total comprehensive income	-	-	-	- 40,851	-	-	-	23,387	- 17,464
As at March 31st 2022	929,477	- 1,292	532,851	- 67,813	398,628	23,605	48,302	- 15,427	1,848,331

As at January 1st 2021	929,477	- 1,292	532,851	67,869	776,085	23,605	48,302	- 463,727	1,913,170
Net profit	-	-	-	-	-	-	-	47,456	47,456
Other comprehensive income	-	-	-	- 94,831	-	-	-	-	- 94,831
Total comprehensive income	-	-	-	- 94,831	-	-	-	47,456	- 47,375
Profit distribution, including:		-	-	-	- 377,457	-	-	377,457	-
Offset of prior year losses	-	-	-	-	- 374,421	-	-	374,421	-
Offset of 2018 issue costs against statutory reserve funds	-	-	-	-	- 3,036	-	-	3,036	-
As at December 31st 2021	929,477	- 1,292	532,851	- 26,962	398,628	23,605	48,302	- 38,814	1,865,795

As at January 1st 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 comprehensive income	-	-	-	- 153	-	-	-	2,120	1,967
Profit distribution, including:	-	-	-	-	-	-	-	-	-
As at March 31st 2021	929,477	- 1,292	532,851	67,716	776,085	23,605	48,302	- 461,607	1,915,137

There were no non-controlling interests in the three months ended March 31st 2022 or in 2021.

Interim consolidated statement of cash flows

Indirect method	for 3 months ended Mar 31 2022	for 3 months ended Mar 31 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	35,740	7,752
Total adjustments:	-413,821	33,306
Amortisation/depreciation	15,129	13,647
Interest income on investing activities	-30,616	-24,415
Gain (loss) on investing activities	-23	2
Interest income on financing activities	5,421	3,918
Dividends received:	-1	-3
<i>on securities held for trading</i>	1	3
Change in:		
<i>amounts due from banks</i>	9,040	18,763
<i>assets on securities held for trading</i>	-15,554	-28,730
<i>assets and liabilities from measurement of derivative and hedging financial instruments</i>	-24,888	-39,033
<i>investment securities</i>	4,790	582,967
<i>amounts due from clients</i>	-81,678	117,727
<i>other assets and income tax</i>	-55,689	-62,727
<i>amounts due to central bank and other banks</i>	35,294	-150,379
<i>amounts due to clients</i>	165	-493,980
<i>liabilities arising from securities held for trading</i>	-293,889	459
<i>provisions</i>	4,333	1,415
<i>other liabilities and income tax</i>	25,527	94,888
Income tax paid	-11,183	-1,216
Net cash flows from (used in) operating activities	-378,081	41,058
CASH FLOWS FROM INVESTING ACTIVITIES		
Inflows	21,917	19,370
Cash receipts from sale of property, plant and equipment	23	11
Interest income on securities measured at amortised cost	21,894	19,359
Outflows	-8,625	-77,061
Payments for acquisition of securities measured at amortised cost	-	-70,886
Payments for acquisition of intangible assets	-5,238	-4,522
Payments for acquisition of property, plant and equipment	-3,387	-1,653
Net cash flows from (used in) investing activities	13,292	-57,691
CASH FLOWS FROM FINANCING ACTIVITIES		

Inflows	-	-
Outflows	-9,014	-8,733
Interest paid on bonds issued by the Group, including:	-3,813	-3,829
<i>subordinated bonds</i>	-3,813	-14,440
Lease payments, IFRS 16	-5,201	-4,904
Net cash flows from (used in) financing activities	-9,014	-8,733
TOTAL NET CASH FLOWS	-373,803	-25,366
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,605,927	2,479,832
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,232,124	2,454,466
Restricted cash and cash equivalents	524,894	30,794

INTERIM CONDENSED FINANCIAL STATEMENTS OF BOŚ S.A.

Interim statement of profit or loss of the Bank

Continuing operations	for 3 months ended Mar 31 2022	for 3 months ended Mar 31 2021
Interest and similar income, including:	168,737	101,809
<i>financial assets measured at amortised cost</i>	137,676	90,905
<i>assets measured at fair value through other comprehensive income</i>	29,519	9,900
<i>financial assets mandatorily measured at fair value through profit or loss</i>	1,542	1,004
Interest expense and similar charges, including:	- 39,635	- 14,989
<i>financial liabilities measured at amortised cost</i>	- 39,629	- 13,350
<i>financial liabilities measured at fair value through profit or loss</i>	- 6	- 1,639
Net interest income	129,102	86,820
Fee and commission income	20,944	19,922
Fee and commission expense	- 2,614	- 2,517
Net fee and commission income	18,330	17,405
Gain (loss) on financial instruments measured at fair value through profit or loss (including amounts due from clients)	281	15,305
Gain (loss) on hedge accounting	- 328	340
Gain (loss) on foreign exchange transactions	7,831	646
Other income	2,150	3,807
Other expenses	- 6,603	- 4,470
Effect of legal risk of mortgage loans denominated in foreign currencies	- 1,041	-
Net impairment losses	- 24,054	- 36,728
Administrative expenses	- 99,008	- 81,624
Share of profit (loss) of equity-accounted entities	7,792	4,553
Profit before tax	34,452	6,054
Income tax expense	- 10,353	- 3,832
Net profit	24,099	2,222
Earnings per share attributable to owners of parent during period (PLN)		
<i>basic</i>	0.26	0.02
<i>diluted</i>	0.26	0.02

No operations were discontinued in the three months ended March 31st 2022 or in 2021.

Interim statement of comprehensive income of the Bank

Continuing operations	for 3 months ended Mar 31 2022	for 3 months ended Mar 31 2021
Net profit	24,099	2,222
Items that may be reclassified to profit or loss:	- 40,850	- 153
Fair value of financial assets measured at fair value through other comprehensive income, gross	- 50,432	- 189
Deferred tax	9,582	36
Items that will not be reclassified to profit or loss:	- 1	-
Fair value of equity instruments measured at fair value through other comprehensive income, gross	- 1	-
Total comprehensive income	- 16,752	2,069

Interim statement of financial position of the Bank

Assets	Mar 31 2022	Dec 31 2021 audited
Cash and balances with central bank	482,807	361,564
Amounts due from banks	287,759	390,452
Financial assets held for trading, including:	180,890	119,310
<i>debt securities</i>	9,491	4,200
<i>derivative instruments</i>	171,399	115,110
Derivative hedging instruments	19,337	9,121
Investment securities:	6,662,603	7,108,931
<i>equity securities measured at fair value through other comprehensive income</i>	85,484	85,483
<i>debt securities measured at fair value through other comprehensive income</i>	4,870,011	5,311,853
<i>debt securities measured at amortised cost</i>	1,591,088	1,582,366
<i>debt securities measured at fair value through profit or loss</i>	116,020	129,229
Amounts due from clients, including:	11,989,551	11,872,238
<i>measured at amortised cost</i>	11,978,237	11,858,127
<i>measured at fair value through profit or loss</i>	11,314	14,111
Investments in subsidiaries	207,163	199,371
Intangible assets	98,032	99,793
Property, plant and equipment	39,092	39,322
Right of use – leases	68,738	72,671
Tax assets:	149,850	144,947
<i>deferred</i>	149,850	144,947
Other assets	37,885	32,248
Total assets	20,223,707	20,449,968

Liabilities	Mar 31 2022	Dec 31 2021 audited
Amounts due to central bank and other banks	455,683	420,389
Derivative financial instruments held for trading	121,544	93,879
Amounts due to clients	16,719,032	17,012,146
Subordinated liabilities	369,690	369,107
Provisions	448,500	444,594
Tax liabilities:	5,333	7,433
<i>current</i>	5,333	7,433
Lease liabilities	71,581	75,314
Other liabilities	184,807	162,817
Total liabilities	18,376,170	18,585,679

Equity	Mar 31 2022	Dec 31 2021 audited
Equity attributable to owners of parent		
Common equity:	1,460,364	1,460,364
<i>Share capital</i>	929,477	929,477
<i>Treasury shares</i>	- 1,294	- 1,294
<i>Share premium</i>	532,181	532,181
Revaluation reserve	- 67,813	- 26,962
Retained earnings	454,986	430,887
Total equity	1,847,537	1,864,289
Total equity and liabilities	20,223,707	20,449,968

Interim statement of changes in equity of the Bank

Item	Common equity			Revaluation reserve	Retained earnings			Total equity
	Share capital	Treasury shares	Share premium		Other statutory reserve funds	General risk fund	Undistributed profit (loss)	
As at January 1st 2022	929,477	- 1,294	532,181	- 26,962	333,871	48,302	48,714	1,864,289
Net profit	-	-	-	-	-	-	24,099	24,099
Other comprehensive income	-	-	-	- 40,851	-	-	-	- 40,851
Total comprehensive income	-	-	-	- 40,851	-	-	24,099	- 16,752
Profit distribution, including:	-	-	-	-	-	-	-	-
As at March 31st 2022	929,477	- 1,294	532,181	- 67,813	333,871	48,302	72,813	1,847,537

As at January 1st 2021	929,477	- 1,294	532,181	67,869	726,193	48,302	- 392,322	1,910,406
Net profit	-	-	-	-	-	-	48,714	48,714
Other comprehensive income	-	-	-	- 94,831	-	-	-	- 94,831
Total comprehensive income	-	-	-	- 94,831	-	-	48,714	- 46,117
Profit distribution, including:	-	-	-	-	- 392,322	-	392,322	-
Offset of prior year losses	-	-	-	-	- 389,286	-	389,286	-
Offset of 2018 issue costs against statutory reserve funds	-	-	-	-	- 3,036	-	3,036	-
As at December 31st 2021	929,477	- 1,294	532,181	- 26,962	333,871	48,302	48,714	1,864,289

As at January 1st 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 comprehensive income	-	-	-	- 153	-	-	2,222	2,069
Profit distribution, including:	-	-	-	-	-	-	-	-
As at March 31st 2021	929,477	- 1,294	532,181	67,716	726,193	48,302	- 390,100	1,912,475

There were no non-controlling interests in the three months ended March 31st 2022 or in 2021.

Interim statement of cash flows of the Bank

Indirect method	for 3 months ended Mar 31 2022	for 3 months ended Mar 31 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	34,452	6,054
Total adjustments:	- 415,317	31,172
Share in (profit) loss of equity-accounted subordinated entities	-7,792	-4,553
Amortisation/depreciation	12,196	11,125
Interest income on investing activities	-30,616	-24,415
Gain (loss) on investing activities	-	2
Interest income on financing activities	5,372	3,892
Change in:		
<i>amounts due from banks</i>	6,942	20,702
<i>securities held for trading</i>	-5,291	-
<i>assets and liabilities from measurement of derivative and hedging financial instruments</i>	-38,840	-29,504
<i>investment securities</i>	5,360	582,967
<i>amounts due from clients</i>	-117,313	103,501
<i>other assets and income tax</i>	-5,638	-3,530
<i>amounts due to central bank and other banks</i>	35,294	-150,379
<i>amounts due to clients</i>	-293,114	-502,657
<i>provisions</i>	3,906	608
<i>other liabilities and income tax</i>	21,990	23,413
Income tax paid	-7,773	-
Net cash flows from (used in) operating activities	- 380,865	37,226
CASH FLOWS FROM INVESTING ACTIVITIES		
Inflows	21,894	19,359
Interest income on securities measured	21,894	19,359
Outflows	- 6,483	-74,810
Payments for acquisition of securities measured at amortised cost	-	- 70,886
Payments for acquisition of intangible assets	-4,539	-3,790
Payments for acquisition of property, plant and equipment	-1,944	-134
Net cash flows from (used in) investing activities	15,411	-55,451
CASH FLOWS FROM FINANCING ACTIVITIES		
Inflows	-	-
Outflows	- 8,311	-8,109
Interest paid on bonds issued by the Bank, including:	-3,813	-3,829
<i>subordinated bonds</i>	-3,813	-14,440
Lease payments	-4,498	-4,280

Net cash flows from (used in) financing activities	- 8,311	-8,109
TOTAL NET CASH FLOWS	- 373,765	-26,334
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	3,599,583	2,475,299
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,225,818	2,448,965
Restricted cash and cash equivalents	524,894	30,794

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

1.1. Basis of preparation and statement of compliance

The interim condensed consolidated financial statements of the Group include:

- 1) The interim condensed consolidated statement of profit or loss for the three months ended March 31st 2022 and comparative data for the three months ended March 31st 2021,
- 2) The interim condensed consolidated statement of comprehensive income for the three months ended March 31st 2022 and comparative data for the three months ended March 31st 2021,
- 3) The interim condensed consolidated statement of financial position as at March 31st 2022 and comparative data as at December 31st 2021,
- 4) The interim condensed consolidated statement of changes in equity for the three months ended March 31st 2021 and comparative data for the three months ended March 31st 2021 and the twelve months ended December 31st 2021,
- 5) The interim condensed consolidated statement of cash flows for the three months ended March 31st 2022 and comparative data for the three months ended March 31st 2021,
- 6) Notes to the financial statements.

The interim condensed financial statements of the Bank include:

- 1) The interim condensed statement of profit or loss for the three months ended March 31st 2022 and comparative data for the three months ended March 31st 2021,
- 2) The interim condensed statement of comprehensive income for the three months ended March 31st 2022 and comparative data for the three months ended March 31st 2021,
- 3) The interim condensed statement of financial position as at March 31st 2022 and comparative data as at December 31st 2021,
- 4) The interim condensed statement of changes in equity for the three months ended March 31st 2022 and comparative data for the three months ended March 31st 2021 and the twelve months ended December 31st 2021,
- 5) The interim condensed statement of cash flows for the three months ended March 31st 2022 and comparative data for the three months ended March 31st 2021,
- 6) Notes to the financial statements.

These 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) as endorsed by the European Union (EU), effective as at the reporting date, i.e., March 31st 2022, using the same accounting policies for each period, and on a historical cost basis, except for the following items measured at fair value:

Recognition of changes in fair value through:

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

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

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

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

These interim condensed consolidated financial statements of the BOŚ Group and the interim condensed financial statements of the Bank for the three months ended March 31st 2022 do not include all the disclosures required to be included in the full-year financial statements and should be read in conjunction with the BOŚ Group's and the Bank's full-year financial statements for the financial year ended December 31st 2021.

These interim condensed consolidated financial statements of the BOŚ Group and the interim condensed financial statements of the Bank for the three months ended March 31st 2022 follow the same accounting policies as those used in the preparation of the full-year financial statements for the year ended December 31st 2021.

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

II. Fair value of financial assets and liabilities

	Carrying amount as at Mar 31 2022	Fair value as at Mar 31 2022	Carrying amount as at Dec 31 2021	Fair value as at Dec 31 2021
FINANCIAL ASSETS				
Amounts due from banks	296,488	298,411	400,747	402,886
Amounts due from clients, including:	11,937,325	11,928,122	11,855,647	11,814,926
- PLN loans	9,476,268	9,535,648	9,353,758	9,372,279
- Foreign currency loans	2,461,057	2,392,474	2,501,889	2,442,647
Investment securities – measured at amortised cost	1,591,088	1,544,358	1,582,366	1,544,358
Debt securities, including:	1,591,088	1,544,358	1,582,366	1,544,358
- State Treasury	1,381,957	1,362,035	1,373,528	1,362,035
- Other	209,131	182,323	208,838	182,323
FINANCIAL LIABILITIES				
Amounts due to central bank and other banks	455,683	455,683	420,389	420,389
Amounts due to clients, including:	16,713,974	16,711,334	17,007,863	17,015,812
- institutional clients	7,523,170	7,522,308	7,897,176	7,897,249
- retail clients	8,596,033	8,594,025	8,515,701	8,523,304
- other clients	77,950	77,950	84,032	84,032
- international financial institutions	516,821	517,051	510,954	511,227
Liabilities arising from issue of bank securities	0	0	0	0
Subordinated liabilities	369,690	354,286	369,107	356,419

Amounts due from banks

Amounts due from banks include interbank deposits, nostro accounts and loans and advances. Fair value of interbank deposits, due to their short-term nature (fixed-rate interbank deposits up to six months) is equal to their carrying amount. Bonds issued by banks were measured at fair value, after accounting for a change in the credit spread calculated on the basis of comparable issues by similar banks.

Amounts due from clients

Amounts due from clients are disclosed net of impairment allowances. Amounts due from clients in the balance sheet are chiefly measured at amortised cost using the effective interest rate (99% of the carrying amount of credit facilities).

The fair value of credit facilities is assumed to be their value resulting from currently estimated future principal and interest cash flows (separately for facilities denominated in foreign currencies and for facilities denominated in PLN) calculated using the effective interest rate for each facility (except for facilities with an undetermined schedule or non-performing loans, for which the fair value is assumed to be the same as carrying amount) and discounted at the average effective interest rate of the facilities granted over the last twelve months. For mortgage loans, account was taken of prepayments. In the case of facilities in foreign currencies, which the Bank ceased to grant, an average effective interest rate on the corresponding facilities

denominated in PLN was applied, adjusted for the difference between the rates in specific currencies and PLN.

Investment securities measured at amortised cost

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

Amounts due to central bank and other banks

Amounts due to the central bank as well as liabilities arising from repo transactions are disclosed at carrying amount. Liabilities arising from repo transactions were recognised at carrying amount due to the lack of available market data necessary to calculate the fair value of basic repo transactions of the Bank with the counterparty.

Interbank deposits, due to short maturities, were disclosed at carrying amounts, and the borrowings (principal and interest) were discounted using the average effective interest rate.

Amounts due to clients

Amounts due to clients disclosed in the statement of financial position are measured at amortised cost, using the effective interest rate method. The fair value of amounts due to clients is assumed to be their value resulting from discounting principal and interest for all deposits at the weighted average interest rate that was in effect for deposits accepted in March 2022. In the absence of payment schedules for current accounts, they were recognised at the carrying amount.

Amounts due to international financial institutions (principal and interest) were discounted using the average effective interest rate (for EUR) or the interest rate of the most recent transaction executed in a given currency (for PLN).

Liabilities arising from issue of securities

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

Subordinated liabilities

Subordinated liabilities were measured at fair value, with the change in the credit spread determined on the basis of the latest issue made by the Bank.

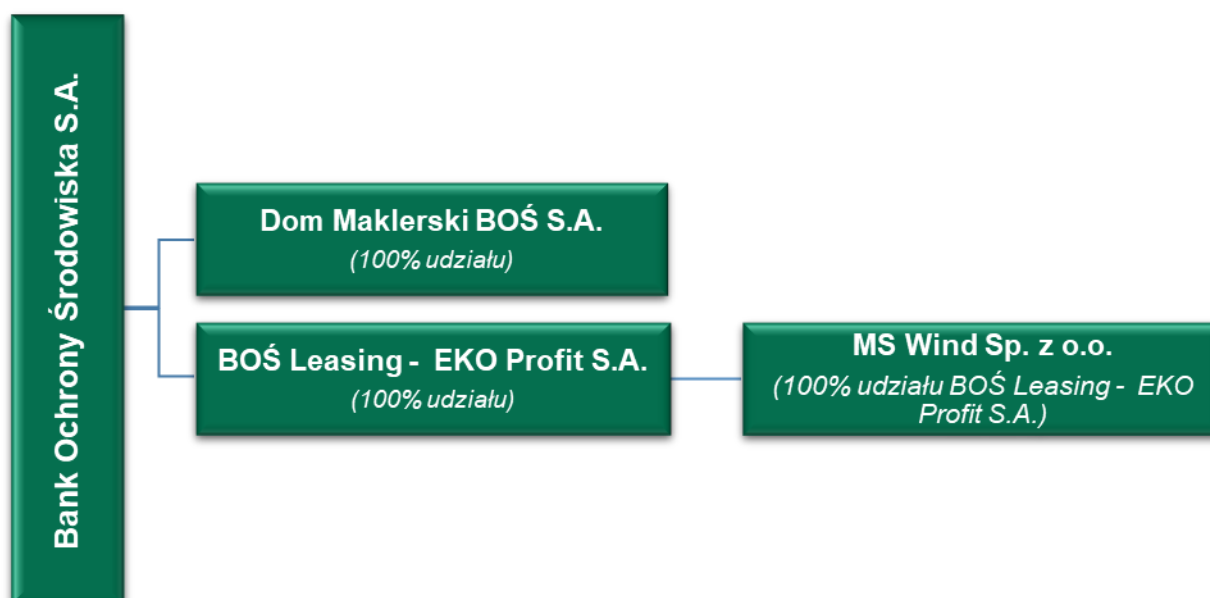
III. Consolidated contingent liabilities and assets

	Mar 31 2022	Dec 31 2021	Change (%)
Contingent liabilities:	3,001,533	3,264,122	-8.0
Financial, including:	2,448,399	2,814,089	-13.0
open credit lines, including:	2,397,290	2,793,138	-14.2
revocable	2,047,155	2,337,580	-12.4
irrevocable	350,135	455,558	-23.1
open import letters of credit	51,109	20,951	143.9
Guarantees, including:	553,134	450,033	22.9
credit repayment sureties and guarantees	12,739	12,739	0.0
performance bonds	540,395	437,294	23.6
Contingent assets:	2,122,883	2,143,824	-1.0
Financial, including:	348,937	344,955	1.2
open lines of credit	348,937	344,955	1.2
Guarantees	1,755,833	1,781,345	-1.4
Other	18,113	17,524	3.4

IV. Organisation of the Group

Structure of the Group

In the first quarter of 2022, the BOŚ Group comprised the following entities:



Consolidated subsidiaries of the Group as at March 31st 2022:

No.	Subordinated entities	Registered office	% equity interest as at Dec 31 2021	% voting interest as at Dec 31 2021	Consolidation method
Direct subsidiaries					
1.	Dom Maklerski BOŚ S.A.	Warsaw	100%	100%	Full consolidation
2.	BOŚ Leasing - EKO Profit S.A.	Warsaw	100%	100%	Full consolidation
Indirect subsidiary (subsidiary of BOŚ Leasing - Eko Profit S.A.)					
1.	MS Wind sp. z o. o.	Warsaw	100%	100%	Full consolidation

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

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

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

Other companies in which BOŚ S.A. holds equity interest as at March 31st 2022.

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

V. Key events subsequent to the date of this report

Effect of contribution to mandatory bank restructuring fund set by Bank Guarantee Fund on the first-quarter 2022 results

On April 19th 2022, the Bank received information (Current Report No. 4/2022) from the Bank Guarantee Fund that the amount of the Bank's annual contribution to the mandatory bank restructuring fund for 2022 was PLN 21.9 million. The annual contribution to the mandatory bank restructuring fund for 2021 was PLN 15.3 million.

The total amount of the annual contribution to the mandatory bank restructuring fund for 2022 was charged to the Bank's profit or loss for the first quarter of 2022.

Resignation from the Bank's Management Board

On April 26th 2022, Ms Marzena Kocut (Current Report No. 5/2022) resigned from the position of Vice President of the Management Board of Bank Ochrony Środowiska S.A. and from membership of the Management Board with effect from May 23rd 2022.

The reasons for the resignation were not given.

Signatures of Members of the Management Board

Date	Name and surname	Position held	Signature
May 10th 2022	Wojciech Hann	President of the Management Board	Signed with qualified e-signature
May 10th 2022	Arkadiusz Garbarczyk	Vice President of the Management Board – First Deputy of President of the Management Board	Signed with qualified e-signature
May 10th 2022	Robert Kasprzak	Vice President of the Management Board	Signed with qualified e-signature
May 10th 2022	Marzena Koczut	Vice President of the Management Board	Signed with qualified e-signature
May 10th 2022	Jerzy Zań	Vice President of the Management Board	Signed with qualified e-signature