INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENT OF BANK OCHRONY ŚRODOWISKA S.A. CAPITAL GROUP AND INTERIM CONDENSED FINANCIAL STATEMENT OF BANK OCHRONY ŚRODOWISKA S.A.

FOR THE SIX-MONTH PERIOD ENDING ON 30 JUNE 2021

Warsaw, August 2021

Table of contents

I. Interim condensed consolidated financial statement of the BOŚ Group

Interim consolidated profit and loss account of the BOŚ Group

Continuing operations	Note	for the 3-month period ended on 30-06-2021 unaudited	for the 6-month period ended on 30-06-2021 unaudited	for the 3-month period ended on 30-06-2020 unaudited	for the 6-month period ended on 30-06-2020 unaudited
Interest and similar revenue, including:		103,475	205,991	139,880	293,188
financial assets measured at amortised cost		92,929	184,532	120,539	250,803
assets measured at fair value through other comprehensive income		9,545	19,445	18,924	41,490
financial assets measured at fair value through profit or loss		1,001	2,014	417	895
Interest and similar expenses, including:		- 13,425	- 28,471	- 41,682	- 91,947
financial liabilities measured at amortised cost		- 11,761	- 25,168	- 39,755	- 88,093
financial liabilities measured at fair value through profit or loss		- 1,664	- 3,303	- 1,927	- 3,854
Net interest income	6	**90,050**	**177,520**	**98,198**	**201,241**
Fee and commission revenue		43,586	90,490	42,368	81,262
Costs of fees and commissions		- 9,821	- 20,696	- 10,560	- 19,759
Net fee and commission income	7	**33,765**	**69,794**	**31,808**	**61,503**
Dividend revenue	8	6,321	6,324	5,559	5,560
Result on financial instruments measured at fair value through profit or loss (including receivables from customers)	9	6,657	30,952	24,396	34,699
Result on investment securities	10	-	-	3,039	3,726
Result on hedge accounting		- 112	228	- 305	28
Result on foreign exchange position		12,175	13,394	- 3,670	11,687
Other operating revenues	13	7,219	14,674	6,013	12,973
Other operating expenses	14	- 19,051	- 25,870	- 8,119	- 14,200
Result on legal risk of mortgage loans in foreign currency		- 9,050	- 9,050	- 5,325	- 8,548
Result of impairment allowances	15	- 24,291	- 63,149	- 40,287	- 63,025
G&A costs	16	- 93,678	- 197,060	- 87,188	- 186,952
Gross profit		**10,005**	**17,757**	**24,119**	**58,692**
Tax burden	18	- 5,261	- 10,893	- 8,006	- 19,010
Net profit		**4,744**	**6,864**	**16,113**	**39,682**

of which attributable to:

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

shareholders of the parent company			6,864		39,682

Earnings per share attributable to shareholders of the parent company during the period (in PLN)	19				
basic			0.07		0.43
diluted			0.07		0.43

There were no discontinued operations during the 6-month period ended on 30 June 2021 and in 2020.

The notes presented on pages 14 to 115 form an integral part of this financial statement.

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

Interim consolidated statement of comprehensive income of the BOŚ Group

Continuing operations	for the 3-month period ended on 30-06-2021	for the 6-month period ended on 30-06-2021	for the 3-month period ended on 30-06-2020	for the 6-month period ended on 30-06-2020
Net profit	**4,744**	**6,864**	**16,113**	**39,682**
Items that can be reclassified to the profit and loss account:	**- 14,915**	**- 15,068**	**24,302**	**18,770**
Fair value of financial assets measured at fair value through other gross comprehensive income	- 18,414	- 18,603	30,002	23,173
Deferred tax	3,499	3,535	- 5,700	- 4,403
Items not subject to reclassification to the profit and loss account:	**-**	**-**	**-**	**-**
Total comprehensive income	**- 10,171**	**- 8,204**	**40,415**	**58,452**
of which attributable to:				
shareholders of the parent company	- 10,171	- 8,204	40,415	58,452

The notes presented on pages 14 to 115 form an integral part of this financial statement.

in thousand PLN

Interim consolidated statement of financial position of the BOŚ Group

Assets	Note	30-06-2021 unaudited	31-12-2020
Cash in hand, cash at the Central Bank		224,494	266,552
Receivables from other banks	20	187,170	155,616
Financial assets held for trading, including:	21	144,854	113,134
equity securities		44,611	14,032
debt securities		-	805
derivatives		100,243	98,297
Investment securities:	22	7,031,975	7,371,414
equity securities measured at fair value through other comprehensive income		85,479	85,480
debt securities measured at fair value through other comprehensive income		5,185,556	5,597,061
debt securities measured at amortised cost		1,613,683	1,535,239
debt securities measured at fair value through profit or loss		147,257	153,634
Receivables from customers, including:	23	11,411,231	11,887,297
measured at amortised cost		11,391,392	11,861,783
measured at fair value through profit or loss		19,839	25,514
Intangible assets		106,161	110,902
Tangible fixed assets		81,630	84,651
Right of use - leasing		79,164	67,796
Income tax assets:		132,548	129,136
current		9,320	8,433
deferred		123,228	120,703
Other assets		275,776	319,331
Total assets		**19,675,003**	**20,505,829**

The notes presented on pages 14 to 115 form an integral part of this financial statement.

in thousand PLN

Liabilities	Note	30-06-2021 unaudited	31-12-2020
To the Central Bank and other banks		445,210	732,743
Financial liabilities held for trading, including:	21	64,325	103,316
equity securities		1,535	575
derivatives		62,790	102,741
Derivative hedging instruments		17,274	24,497
Liabilities to customers	30	16,050,198	16,560,715
Subordinated liabilities	31	368,943	368,996
Provisions	32	421,595	418,534
Income tax liabilities:		2,213	1,103
current		-	856
deferred		2,213	247
Leasing liabilities		81,596	71,229
Other liabilities	35	318,683	311,526
Total liabilities		**17,770,037**	**18,592,659**

Equity	Note	30-06-2021 unaudited	31-12-2020
Equity attributable to shareholders of the parent company:			
Share capital:	38	1,461,036	1,461,036
Issued capital		929,477	929,477
Own shares		-1,292	-1,292
Share premium account		532,851	532,851
Revaluation reserve		52,801	67,869
Retained earnings		391,129	384,265
Total equity		**1,904,966**	**1,913,170**
Total equity and liabilities		**19,675,003**	**20,505,829**

The notes presented on pages 14 to 115 form an integral part of this financial statement.

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

Interim consolidated statement of changes in equity of the BOŚ Group

	Capital attributable to the Bank's shareholders								Total equity
	Share capital			Revaluation reserve	Retained earnings				
	Issued capital	Own shares	Share premium account		Other supplementary capital	Other reserve capitals	General risk fund	Undistributed financial result	
As at 01-01-2021	**929,477**	**- 1,292**	**532,851**	**67,869**	**776,085**	**23,605**	**48,302**	**- 463,727**	**1,913,170**
Net profit	-	-	-	-	-	-	-	6,864	6,864
Other comprehensive income	-	-	-	- 15,068	-	-	-	-	- 15,068
Total comprehensive income	**-**	**-**	**-**	**- 15,068**	**-**	**-**	**-**	**6,864**	**- 8,204**
Profit appropriation, including:	**-**	**-**	**-**	**-**	**- 377,457**	**-**	**-**	**377,457**	**-**
Coverage of loss from previous years	-	-	-	-	- 374,421	-	-	374,421	-
Coverage of 2018 issue costs from supplementary capital	-	-	-	-	- 3,036	-	-	3,036	-
As at 30-06-2021	**929,477**	**- 1,292**	**532,851**	**52,801**	**398,628**	**23,605**	**48,302**	**- 79,406**	**1,904,966**

in thousand PLN

	Capital attributable to the Bank's shareholders								Total equity
	Share capital			Revaluation reserve	Retained earnings				
	Issued capital	Own shares	Share premium account		Other supplementary capital	Other reserve capitals	General risk fund	Undistributed financial result	
As at 01-01-2020	**929,477**	**- 1,292**	**532,851**	**47,695**	**694,403**	**23,605**	**48,302**	**- 75,111**	**2,199,930**
Net profit	-	-	-	-	-	-	-	- 306,934	- 306,934
Other comprehensive income	-	-	-	20,174	-	-	-	-	20,174
Total comprehensive income	**-**	**-**	**-**	**20,174**	**-**	**-**	**-**	**- 306,934**	**- 286,760**
Result on sale of securities re-classified under IFRS 9	-	-	-	-	-	-	-	65	65
Profit appropriation, including:	**-**	**-**	**-**	**-**	**81,682**	**-**	**-**	**- 81,682**	**-**
Transfer of profit or loss to other capitals	-	-	-	-	81,682	-	-	- 81,682	-
As at 31-12-2020	**929,477**	**- 1,292**	**532,851**	**67,869**	**776,085**	**23,605**	**48,302**	**- 463,727**	**1,913,170**
As at 01-01-2020	**929,477**	**- 1,292**	**532,851**	**47,695**	**694,403**	**23,605**	**48,302**	**- 75,111**	**2,199,930**
Net profit								39,682	39,682
Other comprehensive income				18,770					18,770
Total comprehensive income	**-**	**-**	**-**	**18,770**	**-**	**-**	**-**	**39,682**	**58,452**
Profit appropriation, including:	**-**	**-**	**-**	**-**	**81,682**	**-**	**-**	**- 81,682**	**-**
Transfer of profit or loss to other capitals					81,682			- 81,682	-
As at 30-06-2020	**929,477**	**- 1,292**	**532,851**	**66,465**	**776,085**	**23,605**	**48,302**	**- 117,111**	**2,258,382**

There were no non-controlling interests in the 6-month period ended on 30 June 2021 and in 2020.

The notes presented on pages 14 to 115 form an integral part of this financial statement.

in thousand PLN

Interim consolidated cash flow statement of the BOŚ Group

Indirect method	for the 6-month period ended on 30-06-2021	for the 6-month period ended on 30-06-2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Gross profit	**17,757**	**58,692**
Total adjustments:	**516,100**	**215,707**
Depreciation and amortisation	27,448	28,031
Interest on investment activities	-31,857	-37,535
Profit/loss on investment activities	12	49
Interest on financial activities	7,930	7,444
Dividends received:	-6,324	-5,560
from securities held for trading	38	34
from investment securities	6,286	5,526
Change of balance of:		
receivables from other banks	49,212	-51,882
assets from securities held for trading	-29,774	32,772
assets and liabilities from valuation of derivative and hedging financial instruments	-49,120	39,888
investment securities	819,313	-694,271
receivables from customers	476,066	-101,802
other assets and income tax	40,549	-92,540
liabilities to the Central Bank and other banks	-287,533	131,086
liabilities to customers	-510,517	841,098
liabilities from securities held for trading	960	10,609
provisions	3,061	20,271
other liabilities and income tax	9,867	108,269
Income tax paid	-9,517	-25,780
Net cash flows from operating activities	**533,857**	**274,399**

in thousand PLN

CASH FLOWS FROM INVESTMENT ACTIVITIES		
Receipts	**24,012**	**29,284**
Disposal of tangible fixed assets	4	140
Interest received on securities measured at amortised cost	24,008	29,144
Expenditures	**-83,144**	**-15,502**
Acquisition of securities measured at amortised cost	-70,595	-
Acquisition of intangible assets	-8,480	-7,364
Acquisition of tangible fixed assets	-4,069	-8,138
Net cash flows from investment activities	**-59,132**	**13,782**
CASH FLOWS FROM FINANCIAL ACTIVITIES		
Receipts	**-**	**-**
Expenditures	**-15,985**	**-15,779**
Redemption of bonds issued by the BOŚ Group	-	-
Interest paid on bonds issued by the BOŚ Group, including:	-6,035	-5,870
subordinated bonds	-6,035	-5,870
Lease payments IFRS 16	-9,950	-9,909
Net cash flows from financial activities	**-15,985**	**-15,779**
TOTAL NET CASH FLOWS	458,740	272,402
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	2,479,832	1,687,915
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	2,938,572	1,960,317
Cash and cash equivalents with limited disposability	30,765	28,142

The notes presented on pages 14 to 11 form an integral part of this financial statement.

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

Additional explanatory notes to the interim consolidated financial statement

1. Basic information on Bank Ochrony Środowiska S.A. and the Capital Group of Bank Ochrony Środowiska S.A.

1.1. Bank Ochrony Środowiska S.A.

Name of the reporting entity or other identification information	BOŚ S.A. Capital Group
Explanation of changes in the name of the reporting entity or other identification information since the end of the previous reporting period	-
Registered office of the entity	ul. Żelazna 32, 00-832 Warsaw
Legal form of the entity	Joint Stock Company
Country of registration	Poland
Address of the registered office of the entity	00-832 Warsaw, ul. Żelazna 32
Primary place of business	Poland
Nature and basic scope of the entity's business	The primary objective of the Bank is to effectively manage the shareholders' capital and funds entrusted by the customers, ensuring profitability of its operations and security of the funds entrusted. The scope of the Bank's business includes provision of banking services, including: accumulating funds, granting credits, effecting cash settlements, rendering other banking services and providing financial advisory and consulting services.
Name of the parent company	Bank Ochrony Środowiska S.A.
Name of the ultimate parent of the group	Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej (NFOŚiGW - National Fund for Environmental Protection and Water Management)

Bank Ochrony Środowiska S.A., hereinafter referred to as "the Bank", "BOŚ S.A.", "the Company", with its registered office in Warsaw, ul. Żelazna 32 00-832 Warsaw, was established on the basis of the Decision of the President of the National Bank of Poland (NBP) No. 42 of 15 September 1990 and the notarial deed of 28 September 1990 on the establishment of the Bank.

The Bank is entered in the National Court Register of the District Court for the capital city of Warsaw (Poland), 12th Commercial Division, under KRS number 0000015525, and has statistical number REGON 006239498.

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

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

The duration of the Bank is indefinite.

The Bank's mission is: to support green transformation in an innovative and effective way.

The Bank carries out its mission primarily by:
- providing banking services to individual and institutional customers, in particular those implementing environmentally-friendly projects or operating in the environmental protection and water management sectors, and to people who value an eco-friendly lifestyle,
- effectively participating in the distribution of funds earmarked for investments in environmental protection and sustainable development in Poland.

As of 24 January 1997, under a decision of the Management Board of the Warsaw Stock Exchange (GPW), the Bank's shares were admitted to trading on the Warsaw Stock Exchange and classified in the finance/banking sector.

This interim condensed consolidated financial statement of the BOŚ Group was approved on 10 August 2021 by the Management Board of the parent company to be published on the Warsaw Stock Exchange on 11 August 2021.

1.2. List of shareholders of Bank Ochrony Środowiska S.A.

As at 30 June 2021, the structure of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total votes at the General Meeting of Shareholders of the Bank, was:

Shareholder	30-06-2021 unaudited		31-12-2020	
	Number of votes at GM (shares)	% share in the total number of votes at the General Meeting (in the share capital)	Number of votes at GM (shares)	% share in the total number of votes at the General Meeting (in the share capital)
Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej (NFOŚiGW - National Fund for Environmental Protection and Water	53,951,960	58.05	53,951,960	58.05
Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych (Polish Enterprise Investment	8,000,000	8.61	8,000,000	8.61
Dyrekcja Generalna Lasów Państwowych (General Directorate of State Forests)	5,148,000	5.54	5,148,000	5.54

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

1.3. BOŚ S.A. Capital Group - list of consolidated entities.

List of consolidated subsidiaries of the BOŚ Group and the consolidation method as at 30 June 2021:

Item	Subordinated entities	Registered office	% share in the Company's capital as at	% share in the votes as at	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. - is a direct subsidiary operating on the capital market, in particular providing brokerage services.

BOŚ Leasing - EKO Profit S.A. - is a direct subsidiary undertaking, involved in leasing activities with respect to the financing of eco-friendly projects and financial and advisory services that complement the Bank's range of services.

MS Wind Sp. z o.o. - is an indirect subsidiary (a direct subsidiary of BOŚ Leasing - EKO Profit S.A.), involved in the implementation of wind farm projects.

1.4. Composition of the Management Board and Supervisory Board of BOŚ S.A.

Composition of the Bank's Management Board

As at 30 June 2021, the Bank's Management Board was composed of:
- Wojciech Hann - President of the Management Board
- Arkadiusz Garbarczyk - Vice-President - First Deputy President
- Robert Kasprzak - Vice-President of the Management Board
- Marzena Koczut - Vice-President of the Management Board
- Jerzy Zań - Vice-President of the Management Board.

As at 01 January 2021, the Bank's Management Board was composed of:
- Wojciech Hann - Vice-President of the Management Board managing the Management Board
- Arkadiusz Garbarczyk - Vice-President - First Deputy President
- Jerzy Zań - Vice-President of the Management Board
- Marzena Koczut - Member of the Supervisory Board delegated to temporarily perform the duties of a Member of the Bank's Management Board.

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

During the year, the composition of the Bank's Management Board changed as follows:
1. as of 10 February 2021, the Bank's Supervisory Board appointed Ms Marzena Koczut to the position of Vice-President of the Bank's Management Board,
2. as of 15 February 2021, the Bank's Supervisory Board appointed Mr Robert Kasprzak to the position of Vice-President of the Bank's Management Board,
3. as of 3 March 2021, taking into consideration the approval of the Polish Financial Supervision Authority, the Bank's Supervisory Board appointed Mr Wojciech Hann to the position of President of the Bank's Management Board.

As on the date of this statement, the Management Board is composed of:
- Wojciech Hann - President of the Management Board
- Arkadiusz Garbarczyk - Vice-President - First Deputy President
- Robert Kasprzak - Vice-President of the Management Board
- Marzena Koczut - Vice-President of the Management Board
- Jerzy Zań - Vice-President of the Management Board

Composition of the Bank's Supervisory Board

As at 30 June 2021, the Supervisory Board was composed of:
- Ireneusz Purgacz - Vice-Chairman of the Supervisory Board
- Paweł Sałek - Secretary of the Supervisory Board

Members of the Supervisory Board
- Leszek Banaszak
- Robert Czarnecki
- Zbigniew Dynak
- Janina Goss
- Marcin Jastrzębski
- Andrzej Matysiak
- Emil Ślązak
- Piotr Wróbel.

As at 1 January 2021, the Bank's Supervisory Board was composed of:
- Wojciech Wardacki - Chairman
- Ireneusz Purgacz - Vice-Chairman of the Supervisory Board
- Paweł Sałek - Secretary of the Supervisory Board

Members of the Supervisory Board
- Leszek Banaszak
- Robert Czarnecki
- Janina Goss
- Marcin Jastrzębski
- Marzena Koczut (as of 21 December 2020 delegated to temporarily perform the duties of Member of the Management Board - not longer than until 21 March 2021)
- Emil Ślązak
- Piotr Wróbel

Until 30 June 2021, there had been the following changes in the composition of the Supervisory Board:
1. on 10 February 2021, following her appointment as Vice-President of the Bank's Management Board as of that day, Ms Marzena Koczut resigned from the position of Member of the Supervisory Board of Bank Ochrony Środowiska S.A.
2. As of 23 June 2021, the Ordinary General Meeting of BOŚ S.A. dismissed Mr Wojciech Wardacki from the Supervisory Board and appointed Mr Zbigniew Dynak and Mr Andrzej Grzegorz Matysiak to the Supervisory Board.

On 13 July 2021, the Supervisory Board elected Mr Emil Ślązak as Chairman of the Supervisory Board.
In view of the above, the current composition of the Supervisory Board of Bank Ochrony Środowiska S.A. is as follows:

- Emil Ślązak - Chairman of the Supervisory Board
- Ireneusz Purgacz - Vice-Chairman of the Supervisory Board
- Paweł Sałek - Secretary of the Supervisory Board

Members of the Supervisory Board

- Leszek Banaszak
- Robert Czarnecki
- Zbigniew Dynak
- Janina Goss
- Marcin Jastrzębski
- Andrzej Matysiak
- Piotr Wróbel

2. Seasonality or frequency of operations in the interim period

In the operations of the BOŚ Group there are no significant phenomena subject to seasonal fluctuations or of a cyclic nature.

The performance of Dom Maklerski BOŚ S.A. is influenced by the stock market situation.

3. Information on the accounting principles (policy) adopted when preparing the financial statement

3.1 Basis of preparation and statement of compliance

The interim condensed consolidated financial statement of the BOŚ Group includes:

- the interim consolidated profit and loss account for the 6-month period ended on 30 June 2021 and the comparative data for the 6-month period ended on 30 June 2020, as well as the data for the 3-month period ended on 30 June 2021 and the comparative data for the 3-month period ended on 30 June 2020,
- the interim consolidated statement of comprehensive income for the 6-month period ended on 30 June 2021 and the comparative data for the 6-month period ended on 30 June 2020, as well as the data for the 3-month period ended on 30 June 2021 and the comparative data for the 3-month period ended on 30 June 2020,
- the interim consolidated statement of financial position as at 30 June 2021 and the comparative data as at 31 December 2020,
- the interim consolidated statement of changes in equity for the 6-month period ended on 30 June 2021 and the comparative data for the 6-month period ended on 30 June 2020 and for the 12-month period ended on 31 December 2020,
- the interim consolidated statement of cash flows for the 6-month period ended on 30 June 2021 and the comparative data for the 6-month period ended on 30 June 2020,
- additional explanatory notes.

This interim condensed consolidated financial statement has been drawn up in compliance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), in force as at the reporting date, i.e. 30 June 2021, using the same accounting principles for each period and the historical cost basis, except for the following items measured at fair value:

Method of presenting changes in fair value through:	
Financial instruments held for trading	financial result
Derivative financial instruments for fair value hedges	financial result
Receivables from customers whose cash flows do not pass the cash flow test	financial result
Investment debt securities held in the business model that is designed to generate contractual cash flows or to be sold	other comprehensive income
Investment equity securities	other comprehensive income

The IFRS include the standards and interpretations accepted 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. draw up their financial statements in accordance with the International Financial Reporting Standards (IFRS) in the version approved by the European Union (EU).

This interim condensed financial statement is presented in the Polish zloty (PLN) and rounded to the nearest thousand (thousand PLN).

This interim condensed consolidated financial statement of the BOŚ Group and the interim condensed financial statement of the Bank for the 6-month period ended on 30 June 2021 do not include all the disclosures required in the annual financial statements and should be read together with the annual financial statements of the BOŚ Group and the Bank prepared for the financial year ended on 31 December 2020.

In this interim condensed consolidated financial statement of the BOŚ Group and the interim condensed financial statement of the Bank for the 6-month period ended on 30 June 2021 the same accounting principles were applied as in the preparation of the annual financial statements for the year ended on 31 December 2020.

3.2 Comparability with the previous period data

In the 2020 financial statement, the presentation of expenses and revenues related to legal risk associated with foreign currency loans was changed by separating them to a separate line in the profit and loss account: "Result on legal risk of mortgage loans in foreign currencies", due to the increase in the value of this item and its weight in the statement.

Restated interim consolidated profit and loss account of the BOŚ Group

Continuing operations	Data in the published financial statement for the 3-month period ended on 30-06-2020 unaudited	Adjustment due to change in the presentation method	Adjusted data in this financial statement for the 3-month period ended on 30-06-2020 unaudited	Data in the published financial statement for the 6-month period ended on 30-06-2020 unaudited	Adjustment due to change in the presentation method	Adjusted data in this financial statement for the 6-month period ended on 30-06-2020 unaudited
Interest and similar revenue, including:	139,880	-	139,880	293,188	-	293,188
financial assets measured at amortised cost	120,539	-	120,539	250,803	-	250,803
assets measured at fair value through other comprehensive income	18,924	-	18,924	41,490	-	41,490
financial assets measured at fair value through profit or loss	417	-	417	895	-	895
Interest and similar expenses, including:	- 41,682	-	- 41,682	- 91,947	-	- 91,947
financial liabilities measured at amortised cost	- 39,755	-	- 39,755	- 88,093	-	- 88,093
financial liabilities measured at fair value through profit or loss	- 1,927	-	- 1,927	- 3,854	-	- 3,854
Net interest income	**98,198**	**-**	**98,198**	**201,241**	**-**	**201,241**
Fee and commission revenue	42,368	-	42,368	81,262	-	81,262
Costs of fees and commissions	- 10,560	-	- 10,560	- 19,759	-	- 19,759

in thousand PLN

Net fee and commission income	**31,808**	**-**	**31,808**	**61,503**	**-**	**61,503**
Dividend revenue	5,559	-	5,559	5,560	-	5,560
Result on financial instruments measured at fair value through profit or loss (including receivables from customers)	24,396	-	24,396	34,699	-	34,699
Result on investment securities	3,039	-	3,039	3,726	-	3,726
Result on hedge accounting	- 305	-	- 305	28	-	28
Result on foreign exchange position	- 3,670	-	- 3,670	11,687	-	11,687
Other operating revenues	6,013		6,013	12,978	- 5	12,973
Other operating expenses	- 13,444	5,325	- 8,119	- 22,753	8,553	- 14,200
Result on legal risk of mortgage loans in foreign currencies	-	- 5,325	- 5,325	-	- 8,548	- 8,548
Result of impairment allowances	- 40,287	-	- 40,287	- 63,025	-	- 63,025
G&A costs	- 87,188	-	- 87,188	- 186,952	-	- 186,952
Gross profit	**24,119**	**-**	**24,119**	**58,692**	**-**	**58,692**
Tax burden	- 8,006	-	- 8,006	- 19,010	-	- 19,010
Net profit	**16,113**	**-**	**16,113**	**39,682**	**-**	**39,682**

in thousand PLN

3.3 Standards and interpretations, and amendments to the standards applied for the first time in 2021

IFRS	Amendment	Applicable as of	Impact on the BOŚ Group
Amendments to IFRS 16 Leases - Extension	The amendments provide for the possibility to exempt lessees from recognising rent concessions as modifications under IFRS 16, if they meet certain conditions and result from COVID-19. One-year extension of the exemption applicability from 30 June 2021 (amended May 2020)	1 April 2021	The amendment had no material impact on the financial statement
IBOR Reform - Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16)	The amendments supplement the amendments implemented in Phase 1 and relate to the following areas: changes in financial flows, hedge accounting and disclosures. The change in financial flows resulting from the reform will only require an update to the ESP rate, with no impact on the gross balance sheet value of the financial instrument or the need to discontinue recognition.	1 January 2021	The amendment had no material impact on the financial statement

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

3.4 Going concern

Due to the balance sheet loss in 2015 and in connection with the requirements set out in Article 142 of the Banking Law, on 30 March 2016 the Bank submitted to the Polish Financial Supervision Authority the BOŚ S.A. Resolution Plan (RP) approved by the Bank's Supervisory Board. The Polish Financial Supervision Authority approved the aforementioned plan, taking into account the Commission's comments and information provided in the letter sent to the Bank on 14 December 2016.

In 2016 the Bank carried out a share capital increase by PLN 400 m, and in 2018 - by PLN 300.7 m.

On 23 February 2018, the Bank filed an updated RP with the KNF. The revision of the RP resulted from the failure to meet the boundary conditions of the document accepted by the KNF in December 2016, which meant that the assumptions adopted in the area of the business model and cost of risk had to be re-examined. The changes related mainly to the modification of the Bank's business model towards specialisation in line with the Bank's mission, revision of the write-down path for credit risk related to the adjustment of the business model and update of the elements related to capital adequacy.

The KNF approved the updated RP on 24 May 2018.

The period of implementation of the restructuring activities carried out by the Bank under the RP was defined as 2018 - 2021. The Bank has developed a Framework Strategy for BOŚ S.A., while maintaining consistency with the RP in terms of assumptions, directions and goals to be achieved.

On 22 June 2021, the Bank's Supervisory Board approved a new development strategy for the Bank for the years 2021 - 2023.
The Bank's objectives, defined in the Strategy at the end of 2023, are as follows:
- result on banking activities over PLN 600 m;
- ROE 3.5 - 5%;
- C/I approx. 54%;
- share of green loans in total loan volume of 50%;
- employee engagement 58%.

On 17 July 2020, the Bank received a decision from the Polish Financial Supervision Authority (KNF) in connection with the administrative proceedings initiated ex officio by the KNF on 12 May concerning the order to develop a group recovery plan for Bank Ochrony Środowiska S.A. - based on art. 141n(1) of the act of 29 August 1997. On 20 July 2020, the Bank received the second decision of the KNF in connection with the administrative proceedings initiated ex officio by the KNF on 12 May in order to limit the scope of the group recovery plan to entities belonging to the BOŚ Group (i.e. Bank Ochrony Środowiska S.A., Dom Maklerski S.A., BOŚ Leasing EKO-Profit S.A. and MS Wind sp. z o.o.).

The Commission concluded that the most appropriate solution was to require BOŚ S.A. to develop a group recovery plan, as referred to in Chapter XII of the amended Banking Law. The approval of it by the Commission, at the same time, signifies the termination of the obligations resulting from the curative actions carried out under the previous formula, i.e. the Recovery Programme implemented pursuant to Article 142(1) of the Banking Law in the wording in force until 8 October 2016, pursuant to Article 381(4) of the act of 10 June 2016 on the Bank Guarantee Fund, the deposit guarantee scheme and forced restructuring.

The Bank developed the Group Recovery Plan and filed it with the KNF in October 2020. The Polish Financial Supervision Authority, in its letter dated 21 January 2021, in connection with the administrative proceedings regarding the approval of the Group Recovery Plan for BOŚ S.A., requested the Bank to supplement and amend the Group Recovery Plan. The updated Group Recovery Plan was filed on 27 April 2021. However, in a letter of 15 June 2021, the KNF informed the Bank that the prerequisites dependent on BOŚ to issue a decision consistent with the party's request had not been met or demonstrated, i.e. the starting point for the GRP was not the audited financial data as at the end of 31 December 2020, and the requirement for it to be consistent with the Bank's new Strategy, which was under preparation, had not been met. The new deadline for filing the supplemented document was set for 16 July 2021. The Group Recovery Plan of the BOŚ S.A. Capital Group submitted by the Bank, according to the KNF's request, was corrected and modified regarding:

1. the update of the data constituting the starting point for the Group Recovery Plan based on the Bank's audited financial data as at 31 December 2020,
2. the consistency of the assumptions of the Group Recovery Plan with the Development Strategy of Bank Ochrony Środowiska S.A. for the years 2021-2023.

Despite the COVID-19 pandemic, the BOŚ Group maintained its full operational capacity in the first half of 2021. The Bank and the Group entities maintained the safety ratios above the minimum regulatory levels and did not experience a significant impact of the COVID-19 pandemic on the liquidity and capital adequacy.

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

3.5 New standards and interpretations, and amendments thereto, which have been published and approved by the European Union but have not yet entered into force and have not yet been applied by the Bank

IFRS	Amendment	Date of entry into force in the EU / approval by the EU	Impact on the Bank
Annual amendments to IFRS standards 2018-2020	The annual improvement project resulted in amendments to four IFRSs (IFRS 1, IFRS 9, IFRS 16, IAS 41). The amendments to IFRS 9 clarify what fees are taken into account when an entity applies the “10% test” to remove a financial asset from the balance sheet. As for IFRS 16, the example illustrating the treatment of lease incentives was changed to avoid confusion.	1 January 2022	The change will not have a material impact on the financial statement
Amendments to IAS 37 Provisions	The amendments clarify the scope of costs to be taken into account in assessing whether a contract is a chargeable contract	1 January 2022	The change will not have a material impact on the financial statement
Amendments to IAS 16 Property, Plant and Equipment	The amendments indicate, among others, that revenue from the sale of products manufactured in the course of bringing an asset to its desired location and condition cannot be deducted from the costs associated with that asset. Instead, such revenue should be recognised in the income statement along with the manufacturing cost of those products.	1 January 2022	The change will not have a material impact on the financial statement
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	The amendments to IAS 8 include the definition of accounting estimates, which should help distinguish accounting policies from accounting estimates.	1 January 2023	The change will not have a material impact on the financial statement
Amendments to IAS 12	Changes in deferred taxes for lease transactions and liquidation obligations.	1 January 2023	The change will not have a material impact on the financial statement

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

IFRS 17 Insurance Contracts	IFRS 17 "Insurance Contracts" was issued by the International Accounting Standards Board on 18 May 2017 and is effective for annual periods beginning on or after 1 January 2021. The new IFRS 17 "Insurance Contracts" will replace the current IFRS 4, which permits a variety of practices for accounting for insurance contracts. IFRS 17 will change the accountancy for all entities that deal with insurance and investment contracts, because it defines a new approach to the recognition, measurement, presentation and disclosure of insurance contracts. The main objective of IFRS 17 is to ensure transparency and comparability of financial statements of insurers.	1 January 2023	The change will not have a material impact on the financial statement
Amendments to IFRS 10 and IAS 28	The amendments to IFRS 10 and IAS 28 relate to the sale or contribution of assets between an investor and its associates or joint ventures. The amendments resolve the current inconsistency between IFRS 10 and IAS 28. Accounting treatment depends on whether non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. When non-monetary assets constitute a 'business', the investor will show a full profit or loss on the transaction. If the assets do not meet the definition of a business, the investor recognises the profit or loss excluding the portion representing the shares of other investors. The amendments were published on 11 September 2014.	The approval of the amendment has been postponed by the EU	The change will not have a material impact on the financial statement
Amendment to IAS 1	The amendments affect the requirements of IAS 1 regarding the presentation of liabilities. In particular, they explain one of the criteria for classifying a liability as non-current.	1 January 2023	The change will not have a material impact on the financial statement

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

4. Corrections of errors relating to previous periods

In this condensed consolidated financial statement the BOŚ Group did not correct any errors relating to financial statements from previous periods.

5. Major estimates and evaluations

The preparation of the financial statement of the BOŚ Group requires judgments, estimates and assumptions that affect the reported income, expenses, assets and liabilities and related notes, as well as disclosures of contingent liabilities. Uncertainty in these assumptions and estimates may result in adjustments of the balance sheet values of assets and liabilities in the future. It also requires the exercise of judgement in applying the adopted accounting principles.

The BOŚ Group has adopted assumptions and estimates about the future on the basis of historical data and knowledge possessed while preparing the financial statement. The estimates and assumptions are subject to ongoing reviews. The assumptions and estimates may change as a result of future events resulting from market changes or other events beyond the control of the BOŚ Group. Changes in the assumptions and estimates are recognised in the period in which the change took place or in the period of the change and future periods, if the change in the estimates and assumptions relates to the current and future periods.

The BOŚ Group recognises and measures current and deferred income tax assets or liabilities using the requirements of IAS 12 Income Taxes, based on the profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates, taking into account the assessment of uncertainties related to tax settlements. In case of an uncertainty as to whether and to what extent the tax authority will accept particular tax settlements of transactions, the BOŚ Group recognises such settlements taking into account the assessment of uncertainty.

5.1 Financial assets

Impairment of receivables from customers

On a monthly basis, the BOŚ Group reviews all credit exposures in order to identify the credit exposures threatened with impairment and measures the impairment of credit exposures. The impairment measurement is mainly based on the estimation of the probability of occurrence of impairment indication on the basis of historical analysis, estimation of potential losses (LGD parameter) and assessment of the macroeconomic environment in which the BOŚ Group operates.

The models for estimating write-offs for expected credit losses built in accordance with IFRS 9 consist of elements for which the BOŚ Group uses all available historical information and forecasts. Using these models, the BOŚ Group estimates the credit risk level with the highest possible accuracy.

Expected credit losses are calculated with a monthly granular life model using PD, LGD and EAD parameters individually determined for each exposure, taking into account the expected duration.

The final value of expected losses is the sum of expected losses in each period (depending on the basket - 12 months for basket 1 or the remaining life for basket 2), discounted at the effective interest rate.

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

- PD (probability of default) - an estimate of the probability of default in a given time horizon (12 months or the entire life of exposure),
- LGD (loss given default) - the part of an exposure that would not be recovered in the event of default,
- EAD (exposure at default) - expected amount of exposure at the time of default.

The model uses a macroeconomic forecast component to estimate write-offs. Due to a significant share of specific credit exposures in the BOŚ Group's portfolio, whose characteristics and design indicate a slight correlation between their risk and the macroeconomic environment, the historically observed impact of forecasts was not material to the valuation. The factors above indicate that the sensitivity of the estimated loss amount to changes in macroeconomic forecasts is highly limited.

Due to the ongoing COVID-19 pandemic, the Bank applies an expert adjustment to the PD parameter in estimating write-offs to reflect the sensitivity of specific industries to the impact of COVID-19. The industries are divided into three severity groups:

1. customers from industries not experiencing business restrictions,
2. customers from industries affected by the pandemic to a limited extent,
3. customers from industries particularly affected by default risk.

The assignment of industries to severity groups is verified on a quarterly basis. The composition of industry severity groups did not change significantly in the first half of 2021. Assuming no volatility of portfolio parameters during the COVID-19 pandemic, the amount of write-off estimated at the end of June 2021 is about PLN 10 m.

Theoretical reclassification of 1% of the exposures from Basket 1 with the highest risk level to Basket 2 for each exposure type would result in an increase of write-offs by PLN 37.3 m as at the end of June 2021.

In June 2021, an analysis of sensitivity of write-offs to changes in the LGD portfolio parameter was performed using the group method. In the event recovery rates change by +/-10 pps, the estimated amount of impairment write-offs on receivables from customers measured using the group method would decrease by PLN 25.2m or increase by PLN 25.2m, respectively.

SPPI test

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

Under IFRS 9, the principal amount is the fair value of financial assets at initial recognition. The interest, on the other hand, is payment for the time value of money, margin for the credit and other risks incurred in connection with holding the principal, and profit margin.

The SPPI test involves analysing the concluded contracts to determine the characteristics of cash flows resulting from them. The SPPI test is considered to enable classification into the amortised cost or fair value through other comprehensive income measurement categories if there are no identified characteristics of cash flows whose distribution over time or the formula for determining their value depends on factors other than those meeting the definition of the principal and interest on the principal. The features that do not meet this definition include:

- leverage,
- making remuneration subject to conditions not related to the time value of money or the risk incurred
- early repayment options, but early repayment in an amount equal to the unpaid portion of principal and interest including reasonable early repayment consideration is deemed to satisfy the SPPI test.

The BOŚ Group carries out the SPPI test for all financial assets covered by the assessment obligation, while for assets created based on the standard documentation it is conducted at the level of product groups, and for assets negotiated individually with customers it is conducted based on individual contracts.

As a result of the SPPI test, a part of credit contracts where the interest rate is based on a multiplier formula (leverage) was identified. This is part of the preferential loans granted with the support of the National Environmental Protection Fund. Therefore, they are classified as measured at fair value through profit or loss.

Business model

Assessment of the business model is an important estimation due to the fact that, in accordance with IFRS 9, it is one of the elements determining the assignment of an appropriate category for the valuation of financial assets. The BOŚ Group determines the business models under which financial assets are managed, based primarily on their business goals and the way they achieve financial results. The change of the business model can occur only in case of significant internal and external changes in the activities of the BOŚ Group, it will be determined by the management. The change of the business model is expected to occur rarely. In particular, the change in the business intentions with respect to individual financial assets does not constitute a change of the business model.

5.2 Fair value of financial instruments

The value of financial instruments not listed on active markets is determined using the valuation models adopted on the market. They take into account, among others, assessment of future cash flows discounted (using a zero coupon curve with margin) to the present value, comparable transaction prices (if any), and reference to similar instruments quoted in active markets. In rare cases when it is not possible to use such models and the fair value cannot be determined reliably, the financial instruments are carried at cost. Information on the sensitivity of financial instruments can be found in Note 45.

5.3 Taxes

The law in Poland with respect to corporate income tax, personal income tax, value added tax and social security contributions is subject to frequent changes, which results in a lack of established practice, as well as unclear and inconsistent regulations. This situation results in the possible differences in the interpretation of tax regulations by state bodies and taxpayers. Tax and other settlements (e.g. customs) can be audited for up to 6 years. The relevant inspection authorities have the power to impose significant penalties with interest. There is a risk that the inspection authorities take a different stance from that of the Company in terms of interpreting the regulations, which could have an impact on the amount of public law liabilities disclosed in the financial statement.

The BOŚ Group recognises the deferred tax asset based on the assumption that in the future a tax profit will be achieved allowing for its use. A deterioration of the tax results gained in the future could make this assumption unjustified.

5.4 Provision for legal risk related to the portfolio of mortgage loans denominated in foreign currencies

As at 30 June 2021, the BOŚ Group recognised a provision for the risk associated with foreign currency-linked mortgage loans in the consolidated financial statement. The provision was created in accordance with IAS 37 by making certain assumptions about cash outflows or reductions in the value of customer liabilities.

The provision created covers the costs related to the assumed scenarios of solving the problem of mortgage loans denominated in foreign currency, i.e.: concluding agreements with customers and unfavourable court judgements. The provision also includes an identified impairment under the expected credit loss model for which lawsuits have been filed to invalidate the loan agreement.

The total provision for risk related to foreign currency mortgage loans amounts to PLN 398 m, of which PLN 373 m is presented as a provision for litigation and claims for legal risk related to foreign currency mortgage loans, and PLN 24.8 m is presented as additional allowance for expected credit loss.

It is estimated that in case of a part of the credit portfolio the Bank may, in justified cases, enter into agreements with customers in order to limit the legal risk.

With regard to the scenario involving the possibility of reaching an agreement with customers, the assumptions of a sectoral solution to the problem of foreign currency mortgage loans, and in particular those linked to the CHF exchange rate, presented by the Chairman of the Polish Financial Supervision Authority, were adopted. These assumptions are based on the conversion of an existing credit or loan denominated or indexed to a foreign currency into a credit or loan denominated in PLN. It is envisaged that the existing repayments of a denominated or indexed loan or credit will be subject to settlement according to the loan or credit repayment schedule, as if they were PLN loans from the beginning, i.e. including interest rate according to the relevant WIBOR rate increased by a margin.

As a result of such conversion, the value of the existing portfolio of denominated loans and advances will decrease, which is reflected in the amount of the provision.

Due to unfavourable court decisions, the probability of final court decisions being unfavourable for the BOŚ Group was assumed for particular scenarios. The adopted scenarios of unfavourable decisions are based on legal opinions and previous experience of the BOŚ Group and take into account declaration of invalidity of agreements, conversion of the loan into PLN, return of the margin used for conversion of the loan amount and repayments received. In the model for calculating the provision, an assumption was also made as to the forecast increase in the number of lawsuits filed by customers over the next 3 years. The date of the loan, which determines the statute of limitations for claims, is also important for estimating the financial loss.

At the time of publication of this consolidated financial statement, the number of legally binding court judgements is not significant and it does not represent a reliable basis for assessing the risk of a specific scenario. Therefore, the estimate of the legal risk provision for the portfolio of mortgage loans denominated in or indexed to foreign currencies is uncertain, and the amount of the provision may change in the future. The provision is subject to periodic monitoring and updates.

The BOŚ Group conducted a sensitivity analysis of the estimated amount of the provision for litigation due to the change of the key parameters related to the probability of the Bank losing the lawsuits and the probability that the scenario of declaring a loan agreement invalid will materialise.

data in mln PLN

MODEL SENSITIVITY	PARAMETER CHANGE		
	-25 pps	BASIC SCENARIO	+25 pps
PROBABILITY OF LOSING IN COURT	-40	398	+31 *
PROBABILITY OF CANCELLATION**	-14	398	+14
WILLINGNESS TO ENTER INTO AGREEMENT	-23	398	+23

* in the case of the +25% variant, the maximum value of the parameter has been assumed, i.e. 100%
** increase/decrease in the costs due to the increase/decrease in the probability of cancellation at the expense of a reversal scenario (20%) and spread recovery (5%)

5.5 Provision for reimbursement of loan costs in case of early repayment

The provision for the reimbursement of loans in the event of early repayment has been created in accordance with IAS 37 by making assumptions about early repayments of consumer loans in respect of the loan portfolio as at 30 June 2021.

As at 30 June 2021, there are 6 proceedings pending before the courts against the Bank concerning the reimbursement of a portion of the costs of consumer loans due to early repayment. The provisions for early repayment of consumer loans amount to PLN 1.39 m.

6. Risk management

6.1 Credit risk

Definition of credit risk

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

In the first half of 2021, in order to limit the negative impact of the economic consequences of the COVID-19 pandemic on the quality of the loan portfolio, the BOŚ Group continued the specific financing and customer monitoring policies adopted in 2020, adapting them to the current market and epidemic situation. In the solutions applied, the Bank followed the Package of Supervisory Impulses for Safety and Growth prepared by the Polish Financial Supervision Authority, as well as the Banks' position regarding the unification of the rules of offering assistance tools for the banking sector (non-statutory moratorium) prepared in consideration of the European Banking Authority's Guidelines on statutory and non-statutory loan repayment moratoria applied in the wake of the crisis caused by COVID-19.

Risk management methods

The BOŚ Group implements the policy of credit risk management on an individual (credit transaction) and portfolio basis, taking into account the level of risk appetite.

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

The credit risk management process at the BOŚ Group included in particular:
1. the procedure for assessing the risk of a single transaction, establishing collateral and making credit decisions,
2. monitoring of the risk level, limiting and carrying out stress tests,
3. the rating and scoring models used in the risk assessment of individual and institutional customers,
4. the principles of responsibility in the credit risk assessment process,
5. the portfolio measurement of credit risk,
6. the rules for management of retail and mortgage-backed exposures,
7. the principles for identification of impaired exposures and calculation of revaluation write-offs,
8. the rules of reporting for the Bank's management staff,
9. the IT systems supporting the implementation of the above mentioned tasks.

The risk management of individual transactions was performed taking into account the following principles:
1. each credit transaction required a comprehensive assessment of the credit risk, reflected in an internal rating or scoring,
2. the basis for a positive credit decision was the customer's creditworthiness,
3. the credit risk of potential and concluded credit transactions was measured at the stage of granting and monitoring,
4. the credit process ensured independence of the credit risk assessment from the sales force,
5. credit decisions were made by persons authorised to do so,
6. the terms of a credit transaction offered to the customer depended on the level of credit risk associated with the customer and/or the transaction.

The funding for a single transaction depended on:
1. the borrower's creditworthiness to repay the requested debt at the dates agreed with the Bank,
2. presenting collateral for repayment in a form and of a value acceptable to the Bank, if internal regulations so require,
3. meeting other criteria conditioning the taking up of the financing, such as, in particular, the results of the customer's cooperation with the Bank to date and the customer's credit history in the banking sector.

The credit risk management on a portfolio basis was carried out using various credit risk measurement and valuation methods, including:

1. the probability of insolvency,
2. the expected credit loss,
3. the migration matrix between delay periods or risk classes,
4. the credit generation analysis (loans granted over a given period of time),
5. the share and structure of non-performing loans,
6. the share and structure of impaired exposures and those meeting the individual impairment premise.

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

The Committee operates in the following core areas:

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

In addition, the Risk Committee provides support to the Supervisory Board in overseeing the risk area. The Committee is composed of the members of the Supervisory Board. The Committee, in particular: gives its opinion on the overall current and future risk appetite of the Bank, gives its opinion on the risk management strategy in the Bank's activities, supports the Supervisory Board in the implementation of this strategy, and verifies whether the prices of assets and liabilities offered to customers fully reflect the Bank's business model and risk strategy.

Processes established for risk management

In the first half of 2021 the BOŚ Group continued its actions aimed at improving the effectiveness of the risk assessment processes, including optimising the monitoring process and the process of making credit decisions and handling credit applications, and took actions aimed at reducing the credit portfolio concentration level.

The BOŚ Group performed risk assessment before making a decision on engagement and throughout the life of a loan transaction, as part of the monitoring process. The principles of risk assessment are described in *Risk measurement techniques*.

The frequency and extent of the monitoring depended on the level of risk identified. The monitoring was conducted by a separate organisational unit, separated in the structures responsible for credit risk assessment and management, which monitored the credit portfolio and valued individually significant exposures.

The risk of failure to timely handle or repay debt, and the risk of loss or depreciation of the accepted collateral were mitigated with the use of an early warning system managed by the unit responsible for monitoring.

In case of identifying situations that may jeopardise the timely repayment, the BOŚ Group took reminder and restructuring actions using an appropriate IT tool.

The BOŚ Group had the Policy for the management of unmanaged exposures in place, which indicated directions of actions to achieve a time-defined reduction of unmanaged exposures and an operational plan supporting the implementation of this action.

In the process of risk assessment and monitoring, the Bank used information coming from the internal databases and external sources, including Biuro Informacji Kredytowej S.A. (Credit Information Bureau) and the National Debt Register or the Central Database - Bank Register.

The BOŚ Group assessed the credit risk using the rating and scoring models. The models were built, developed, monitored and supervised in the Risk Area taking into account the internal and external requirements in this respect. Significant models were subject to periodic validation carried out by an independent validation unit at least once a year.

The BOŚ Group had a multi-level credit decision-making system in place, based on the rule that the higher the transaction risk level resulting from its complexity, the exposure amount or the customer's economic and financial situation, the higher the decision-making level authorised to make decisions. The decision-making levels with the highest authority are the Head Office Credit Committee and the Bank's Management Board. Credit decisions are made after a prior verification of risk by a person specialising in risk assessment and mitigation, i.e. a risk expert from a separate organisational unit of the Bank's Head Office, independent of the Bank's business area.

When taking credit decisions on transactions concluded with members of the Bank's bodies, persons holding managerial positions at the Bank, or entities affiliated with them by capital or management, the Bank took into account the requirements of the Banking Law act.

The BOŚ Group preferred secured transactions with the reservation that in the retail segment the maximum level of unsecured transactions was set taking into account the product specificity, the impact of such transactions on the Bank's results and the amount of potential loss.

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

When establishing the value of the collateral, the Bank followed the prudent valuation principle.

When choosing the form of collateral, the BOŚ Group took into account:

1. the adequate protection of the Group's interest,
2. the amount of costs related to the establishment of the collateral in question,
3. the possibility of quick liquidation of a given collateral.

When assessing and monitoring the value of collateral, the BOŚ Group uses external databases, including, for the purpose of verification or updating the value of real estate - the AMRON database and the Cenatorium Sp. z o.o. database.

Risk measurement techniques

Customers and transactions were subject to a comprehensive credit risk assessment taking into account the supervisory requirements in this respect.

The BOŚ Group differentiated its risk assessment models depending on the type of the customer and credit transaction.

The credit risk assessment model for natural persons applying for financing for non-business purposes included a quantitative analysis consisting in determining the amount and stability of sources of credit liability repayment, and a qualitative analysis consisting in the assessing the customer's characteristics which materially affect the customer's willingness to repay the credit liability at the dates specified in the agreement, including the scoring and the customer behaviour assessment based on information from the Credit Information Bureau (Biuro Informacji Kredytowej S.A.). In the assessment process, the provisions of Recommendations T and S of the KNF were taken into account, in particular with regard to the introduction of adequate levels of DtI/DStI and LtV ratios.

The risk assessment model for customers seeking financing for business or statutory purposes (municipal companies) took into account two areas: customer assessment and transaction assessment.

The customer assessment was based on quantitative and qualitative elements. The quantitative assessment concerned the basic areas of the customer's business activity from the point of view of generating the financial result and maintaining liquidity. The qualitative assessment (depending on the customer type) included, among others, the assessment of: development plans, experience and skills of managers, quality of relations with the external environment, including the Bank.

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

The local government risk assessment model included a customer analysis based on an assessment of the key budget indicators, debt ratios and a transaction analysis based on an assessment of planned debt ratios, collateral quality and transaction duration.

In the case of financing for a customer operating within a group of affiliated entities, the Bank assessed credit risk taking into account the impact of the situation of the capital group.

The evaluation of transactions was based in particular on the assessment of the purpose of financing, the length of the loan period and the value of the collateral. The Bank established a financing structure so as to ensure risk sharing between the borrower and the Bank, mainly through involvement of the borrower's own funds appropriate to the risk scale.

The impact of the COVID-19 pandemic on the credit risk of the BOŚ Group

In order to mitigate the negative impact of the economic consequences of the COVID-19 pandemic on the quality of the loan portfolio, the Bank implemented a number of risk mitigation measures in 2020 and continued them in the first half of 2021, also for applications for new financing, among others:

1. a ban on financing industries particularly affected by the pandemic,
2. lowering the permissible LtV values for mortgage-backed loans,
3. tightening the criteria for lending to individuals.

The BOŚ Group also implemented a number of assistance instruments and facilities for Borrowers to mitigate the effects of the pandemic, including, among others:

1. specific principles of financing and monitoring customers, in the adopted solutions being guided by the Supervisory Impulse Package for Security and Development prepared by the KNF,
2. the possibility of granting financing based on forward-looking creditworthiness and simplified liquidity projections, while adjusting the basic credit risk measures to the degree of economic uncertainty,
3. guidelines on the specific procedure for processing applications for suspension of loan and credit instalments and for renewal of revolving loans based on non-statutory moratorium.

During the pandemic, the BOŚ Group modified the restrictions introduced depending on the market situation, reducing or removing most of the restrictions on financing individuals and LtV restrictions on residential properties.

Tools for measuring credit risk

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

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

Description of individual concentration risks and measurement and monitoring methods

The concentration risk is managed by the Bank according to the rules defined in the “Concentration Risk Management Policy”.

The BOŚ Group identified, measured, monitored and reported the exposure concentration risk at the level of:

1. a single customer/transaction and
2. the loan portfolio.

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

In connection with the entry into force, on 28 June 2021, of Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending the aforementioned Regulation 575/2013, the Bank introduced a new definition of large exposure and adjusted the level of maximum exposure to a customer or group of related customers to the Tier 1 capital.

At the credit portfolio level, the exposure concentration was managed by observing the internal limits or warning values approved by the Bank's Management Board or Supervisory Board in the case of limits through which the Bank determines the acceptable level of credit risk appetite.

In particular, the BOŚ Group used the following limits:
- geographical - engagement with other countries,
- related to product parameters - e.g. maximum LTV,
- related to the portfolio of mortgage-backed loans and real estate-financing loans - resulting from the KNF Recommendations,
- related to involvement in selected sectors of economic activity,
- regarding the share of foreign currency loans in the Bank's loan portfolio,
- regarding the total exposure to entities/groups of related entities to which the Bank's exposure exceeds 10% of the Bank's recognised capital,
- regarding the total exposure to entities/groups of related entities depending on the rating of the entity/group of related entities,
- industry limits,
- the limit for credit exposures to the Bank's subsidiaries,
- the exposure limit for credit transactions for which specific funding rules were applied in connection with the COVID-19 pandemic outbreak.

In the process of concentration risk management ,the BOŚ Group used a system of early warning indicators for internal limits. The basic assumption of the system is based on distinguishing three levels of limit utilisation and gradual implementation of measures mitigating the risk of exceeding the limit depending on the level of utilisation.

The limit utilisation level was monitored periodically and reported to the Bank's authorities in the manner resulting from the Bank's internal regulations .

6.1.1. Description of the methodology of credit exposure impairment recognition

At each reporting date, the BOŚ Group reviews credit exposures by identifying credit exposures threatened with impairment and exposures for which a significant increase in credit risk has been reported since their initial recognition - taking into account reasonable and documentable information, including future data. Next, it determines the allowance for the expected credit losses based on a breakdown of exposures into three Baskets, depending on changes in credit quality. In principle, all newly issued exposures excluding POCI assets are classified as Basket 1 exposures.

The BOŚ Group divides credit exposures, taking into account their size and risk characteristics, into exposures valued using individual and group methods, and performs an assessment of these exposures in terms of impairment evidence.

In addition to POCI assets, the BOŚ Group considers as impaired credit exposures the exposures for which there are indications of impairment resulting from one or more events occurring after the initial recognition of the exposure in the Group's books and the loss event affects the expected cash flows resulting from the exposure which can be reliably estimated.

The BOŚ Group considers the following as particular evidence of impairment:
1. delay in repayment of principal or interest exceeding 90 days, excluding credit exposures of banks for which the delay in repayment of principal or interest exceeding 7 days is adopted,
2. deterioration, during the credit period, of the economic and financial situation of the debtor, expressed in rating class 14 or worse, indicating a threat to the repayment of the debt,
3. granting a financing terms facility by the Bank to the customer, for economic or legal reasons arising from the customer's economic and financial difficulties (conclusion of a restructuring agreement),
4. deterioration of the financial ratios relating to, among others: customer liquidity and debt service capacity,
5. declaration of bankruptcy, high probability of bankruptcy or other reorganisation deteriorating the debtor's financial situation and solvency,

6. questioning the balance sheet credit exposure by the customer through court proceedings,
7. reasonable suspicion of credit fraud/credit fraud,
8. other events that are equivalent to the customer's entering into the state of insolvency, resulting in an inability to repay the debt on time.

In case of credit exposures related to the financing of wind power plant projects, in addition to the aforementioned, the occurrence of a cash deficit during the credit period and a negative valuation of the company for the scenario of a potential restructuring of the debt in the perspective modelled by the Bank until the end of the financing period are considered as evidence of impairment.

When applying facilities related to the negative impact of the Covid-19 pandemic, the Group applies a sectoral approach in line with the EBA guidelines and does not classify exposures with credit holidays granted under moratoria as restructured exposures. Customers with credit holidays granted under public moratoria (based on the government assistance program - Tarcza 4.0) classified in Basket 3 are an exception.

Exposures on account of mortgage loans granted in foreign currencies in the case of which only the premise of questioning the balance-sheet credit exposure by the customer through court proceedings has been identified are measured using the portfolio method.

The measurement of impairment of credit exposures using the individual approach is based on the calculation of the present value of expected future cash flows discounted using the original effective interest rate. In the case of loans for which collateral has been established, the present value of expected future cash flows includes cash flows that may be obtained from enforcement of the collateral, less the costs of enforcement and sale of the collateral. In case of credit exposures related to financing of wind power plant projects, the present value of expected future cash flows is estimated on the basis of the developed valuation model allowing for simulation of individual cash flows likely to be generated in the course of implementation of particular projects according to given, modifiable valuation parameters. As a result of a decrease in the present value of realisable cash flows, an impairment wrote-off is created, corresponding to the expected credit loss due to the debtor’s default.

The individual method of measuring impairment is used for:

1. individually significant credit exposures:
   - that are individually impaired or are in quarantine, or
   - concerning a customer to whom the Bank has other credit exposures for which individual impairment evidence has been recognised (propagation of impairment), or
2. individually insignificant credit exposures for which impairment evidence is identified or the exposures are in quarantine, provided that they were individually significant as at the moment of recognition of impairment and that they met additional conditions defined by the Bank,
3. insignificant credit exposures with atypical credit risk characteristics.

The level of impairment losses in respect of individually insignificant receivables for which evidence of impairment has been identified is determined on the basis of parameters for measuring impairment estimated with statistical methods on the basis of historical data for separated portfolios grouped for the purposes of collective measurement of impairment according to similar credit risk characteristics. The historical loss trends are cleared of non-recurring events.

In the group valuation, the Group applies a division into seven homogeneous risk portfolios within two customer segments (individual and institutional):

1. retail mortgage loans (the portfolio is further segmented by LtV level and by currency of the loan),
2. retail customers - cash loans,
3. retail customers - mortgage loans,
4. retail customers - credit exposures to micro-enterprises (excluding mortgage loans) which are retail customers,
5. other retail customers,
6. corporate clients, including financial institutions,
7. customers from the public finance segment.

Reversal of loss, i.e. reclassification of a loan as unimpaired, is possible after the occurrence of a criterion of evidence cessation and the expiry of the specified quarantine period during which the premise is not identified.

For the exposures for which no evidence of impairment was identified, the Bank creates an allowance for expected credit losses using the group method.

To assess whether there has been a significant increase in credit risk since the initial recognition of a financial asset, the Bank compares the level of risk of default over the expected term of the financing granted at the reporting date and at the initial recognition date. The Bank considers that a material increase in credit risk has been identified for a given asset if the quantitative or qualitative criterion is met or if the overdue exceeds 30 days, the occurrence of a given criterion is verified at the exposure level.

Quantitative criteria

The measure on the basis of which the classification into basket 2 is made in the case of retail customer exposures is determined by the Group the difference:

1. of the current credit risk assessment, defined as lifetime PDs from the reporting date to the maturity date, determined on the basis of the characteristics prevailing at the reporting date,
2. of the original credit risk assessment defined as lifetime PDs from the reporting date to the maturity date, determined on the basis of the characteristics prevailing at the initial recognition date.

The assessment of a material deterioration in credit risk is performed by comparing the observed value of a relative change in risk assessment with a theoretical value, which is the threshold above which the Group considers that the credit risk has significantly deteriorated.

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

The classification into basket 2 of corporate exposures is based on the assumption of a stable rating over time (the Bank does not expect the rating to improve over time) and occurs in case of a deterioration of the debtor's economic and financial standing during the credit period, which is reflected in rating grades 12 or 13, or in reclassification to rating grades 9-11 when the rating assigned at initial recognition was lower than 6.

Qualitative criteria

Classification into Basket 2 is made by the Bank in the following cases:

1. there is a delay in repayment (above the specified materiality threshold) of more than 30 days as of the reporting date, or at least once in the last three reporting dates,
2. restructured credit exposure for which the evidence of impairment has ceased to exist and the quarantine period, during which the evidence was not identified, has expired,
3. the occurrence of forborne status.

Apart from the above criteria, the BOŚ Group has defined other specific quality criteria e.g.: specific for customers from a given segment, identified within the monitoring of institutional clients (exposures with higher risk "watch list"), or identified as a result of multifactor and comprehensive credit risk analysis.

According to paragraph 5.5.10 of IFRS 9, the Bank separates exposures with low credit risk. The credit exposure entails a low risk of default, where the borrower has a strong short-term capacity to meet its contractual obligations, and adverse changes in the economic and business conditions in the longer term may, but not necessarily, reduce the borrower's ability to meet its contractual cash flow obligations.

The BOŚ Group applies the Low Credit Risk criterion for exposures of the State Treasury, the National Bank of Poland, Bank Gospodarstwa Krajowego, the Polish Development Fund, the Social Insurance Institution, central government institutions, clearing houses, the European Investment Bank, the National Depository for Securities and local government units which do not meet the qualitative factors for classification to Basket 2 and for which no evidence of impairment has been identified.

For the needs of estimating impairment write-offs (expected losses), the BOŚ Group continues to use its own estimates of risk parameters based on internal models that take into account the requirements of IFRS 9 (such as: estimation of parameters within the exposure life horizon or taking into account future macroeconomic conditions). The Bank developed a methodology for model parameters and built IFRS 9-compliant models. Expected credit losses are the product of individual estimated values of PD, LGD, EAD parameters and CCF for each exposure, and the final value of expected losses is the sum of expected losses in the individual periods (depending on the basket within the horizon of 12 months or remaining life) discounted with the effective interest rate. The parameters estimated in accordance with the assumptions of IFRS 9 are subject to adjustment on account of expectations regarding the macroeconomic situation. The Bank adjusts the risk parameters to take into account the future macroeconomic information (such as: GDP, unemployment rate, WIBOR, exchange rates, inflation) for portfolios for which a correlation has been identified. Internally developed scenarios were used. The source of information on the values of macroeconomic factors are forecasts prepared by the Bank's economic analysts.

The valuation of impairment write-offs (for expected loan losses), provisions for financial guarantees and granted commitments made in PLN and in foreign currencies (including foreign exchange differences) is charged to the Bank's costs or income on allowances and provisions, respectively.

The methodology and assumptions adopted by the Bank for impairment estimation are subject to regular analysis in order to reduce discrepancies between the estimated and actual losses. In order to assess the adequacy of impairment write-offs, determined both in a group analysis and individually, back-testing is carried out, the results of which are taken into account when determining the actions to improve the quality of the process.

6.1.2. Receivables from other banks

The gross amounts of receivables from other banks by rating group assigned by Moody's, Fitch and Standard & Poor's (S&P) are presented below:

Specification	30-06-2021 unaudited	31-12-2020
Moody's		
A1	19,371	49,465
A2	28,967	30,472
A3	3,339	3,045
Aa1	3,134	7,957
Aa2	887	864
Aa3	96,495	21,061
Baa1	4,091	3,016
Baa3	-	-
Fitch		
A-	16,290	25,090
BBB	-	-
BBB-	-	538
S&P		
BBB-	407	-
no rating		
	14,189	14,108
Total	**187,17o**	**155,616**

Internal rating	Corresponding Moody's class	30-06-2021 unaudited	Corresponding Moody's class	31-12-2020
E	Ba3, B1	14,189	Ba3, B1	14,108
Total		**14,189**		**14,108**

in thousand PLN

6.1.3. Receivables from customers

Specification	30-06-2021 unaudited	31-12-2020
Receivables from customers measured at amortised cost		
Receivables from customers without evidence of impairment, of which	10,776,168	10,983,679
exposures for which no significant increase in credit risk has occurred since their initial recognition (Basket 1)	8,274,068	8,582,957
exposures for which a significant increase in risk has occurred since the initial recognition (Basket 2), including:	2,502,100	2,400,722
wind farms	1,052,213	1,167,101
Receivables from customers showing evidence of impairment (Basket 3) but not impaired due to estimated cash flows, including:	19,722	337,120
wind farms	9,250	219,641
Receivables from customers showing evidence of impairment and impaired (Basket 3), including:	1,670,193	1,709,690
wind farms	6,148	13,434
Total receivables from customers measured at amortised cost (gross)	**12,466,083**	**13,030,489**
Impairment write-offs to:		
receivables from customers - (Basket 1)	- 77,253	- 84,772
receivables from customers - (Basket 2), including:	- 141,674	- 126,123
wind farms	- 27,873	- 30,947
receivables from customers - (Basket 3) not impaired, of which:	- 464	- 10,245
wind farms	- 367	- 8,734
receivables from customers - (Basket 3) impaired, of which:	- 886,045	- 981,869
wind farms	- 123	- 1,578
Total impairment write-offs	**- 1,105,436**	**- 1,203,009**
Total receivables from customers measured at amortised cost (net)	**11,360,647**	**11,827,480**
Receivables from customers measured at fair value through profit or loss		
Fair value, including:	19,839	25,514
wind farms	-	-
Total receivables from customers measured at fair value through profit or loss	**19,839**	**25,514**
Margin deposited	27,623	31,704
Other receivables	3,122	2,599
Total receivables from customers	**11,411,231**	**11,887,297**

for the six-month period ending on 30 June 2021 in thousand PLN

Classification of receivables from customers according to the valuation method by segments:

30-06-2021 unaudited	Institutional customer	Private customer	Private customer - housing loans	Private customer - other loans	Total
Receivables from customers measured at amortised cost					
Receivables from customers without evidence of impairment, of which	7,600,268	3,175,900	2,620,968	554,932	10,776,168
exposures for which no significant increase in credit risk has occurred since their initial recognition (Basket 1)	5,291,150	2,982,918	2,459,967	522,951	8,274,068
exposures for which a significant increase in risk has occurred since the initial recognition (Basket 2), including:	2,309,118	192,982	161,001	31,981	2,502,100
wind farms	1,052,213	-	-	-	1,052,213
Receivables from customers showing evidence of impairment (Basket 3) but not impaired due to estimated cash flows, including:	15,647	4,075	2,797	1,278	19,722
wind farms	9,250	-	-	-	9,250
Receivables from customers showing evidence of impairment and impaired (Basket 3), including:	1,249,625	420,568	290,820	129,748	1,670,193
evaluated individually	1,201,112	101,998	86,478	15,520	1,303,110
wind farms	6,148	-	-	-	6,148
Total receivables from customers measured at amortised cost (gross)	**8,865,540**	**3,600,543**	**2,914,585**	**685,958**	**12,466,083**

in thousand PLN

30-06-2021 unaudited	Institutional customer	Private customer	Private customer - housing loans	Private customer - other loans	Total
Impairment write-offs to:					
receivables from customers - (Basket 1)	-63,069	-14,184	-5,404	-8,780	-77,253
receivables from customers - (Basket 2), including:	-122,132	-19,542	-13,169	-6,373	-141,674
wind farms	-27,873	-	-	-	-27,873
receivables from customers - (Basket 3) not impaired, including:	-452	-12	-6	-6	-464
wind farms	-367	-	-	-	-367
receivables from customers - (Basket 3) impaired, including:	-653,322	-232,723	-145,493	-87,230	-886,045
evaluated individually	-615,768	-50,741	-44,986	-5,755	-666,509
wind farms	-123	-	-	-	-123
Total impairment write-offs	**-838,975**	**-266,461**	**-164,072**	**-102,389**	**-1,105,436**
Total receivables from customers measured at amortised cost (net)	**8,026,565**	**3,334,082**	**2,750,513**	**583,569**	**11,360,647**
Receivables from customers measured at fair value through profit or loss					
Fair value, including:	18,923	916	340	576	19,839
wind farms	-	-	-	-	-
Total receivables from customers measured at fair value through profit or loss	**18,923**	**916**	**340**	**576**	**19,839**
Margin deposited	27,623	-	-	-	27,623
Other receivables	3,122	-	-	-	3,122
Total receivables from customers	**8,076,233**	**3,334,998**	**2,750,853**	**584,145**	**11,411,231**

in thousand PLN

31-12-2020	Institutional customer	Private customer	Private customer - housing loans	Private customer - other loans	Total
Receivables from customers measured at amortised cost					
Receivables from customers without evidence of impairment, of which	7,679,433	3,304,246	2,719,897	584,349	10,983,679
exposures for which no significant increase in credit risk has occurred since their initial recognition (Basket 1)	5,481,028	3,101,929	2,556,871	545,058	8,582,957
exposures for which a significant increase in risk has occurred since the initial recognition (Basket 2), including:	2,198,405	202,317	163,026	39,291	2,400,722
wind farms	1,167,101	-	-	-	1,167,101
Receivables from customers showing evidence of impairment (Basket 3) but not impaired due to estimated cash flows, including:	333,503	3,617	2,160	1,457	337,120
wind farms	219,641	-	-	-	219,641
Receivables from customers showing evidence of impairment and impaired (Basket 3), including:	1,217,260	492,430	309,245	183,185	1,709,690
evaluated individually	1,162,829	120,045	100,001	20,044	1,282,874
wind farms	13,434	-	-	-	13,434
Total receivables from customers measured at amortised cost (gross)	**9,230,196**	**3,800,293**	**3,031,302**	**768,991**	**13,030,489**

in thousand PLN

31-12-2020	Institutional customer	Private customer	Private customer - housing loans	Private customer - other loans	Total
Impairment write-offs to:					
receivables from customers - (Basket 1)	-69,263	-15,509	-5,340	-10,169	-84,772
receivables from customers - (Basket 2), including:	-104,433	-21,690	-13,243	-8,447	-126,123
wind farms	-30,947	-	-	-	-30,947
receivables from customers - (Basket 3) not impaired, including:	-10,234	-11	-4	-7	-10,245
wind farms	-8,734	-	-	-	-8,734
receivables from customers - (Basket 3) impaired, including:	-682,510	-299,359	-166,842	-132,517	-981,869
evaluated individually	-640,208	-63,600	-54,670	-8,930	-703,808
wind farms	-1,578	-	-	-	-1,578
Total impairment write-offs	**-866,440**	**-336,569**	**-185,429**	**-151,140**	**-1,203,009**
Total receivables from customers measured at amortised cost (net)	**8,363,756**	**3,463,724**	**2,845,873**	**617,851**	**11,827,480**
Receivables from customers measured at fair value through profit or loss					
Fair value, including:	24,322	1,192	427	765	25,514
wind farms	-	-	-	-	-
Total receivables from customers measured at fair value through profit or loss	**24,322**	**1,192**	**427**	**765**	**25,514**
Margin deposited	31,704	-	-	-	31,704
Other receivables	2,599	-	-	-	2,599
Total receivables from customers	**8,422,381**	**3,464,916**	**2,846,300**	**618,616**	**11,887,297**

in thousand PLN

6.1.4. Breakdown of the portfolio of receivables from customers of the BOŚ Group (gross value) by rating/scoring, by customer segment

Specification	Rating	30-06-2021 unaudited	31-12-2020
Receivables from institutional customers	(1-3)	2,268	302
	(4-5)	160,732	148,259
	(6-7)	1,111,927	1,229,453
	(8-9)	2,399,259	3,063,796
	(10-11)	3,184,934	2,767,191
	(12-13)	903,261	985,144
	(14-16)	918,740	872,265
	no rating	203,342	188,108
Total receivables from institutional customers		**8,884,463**	**9,254,518**
Receivables from private customers	no rating	3,601,459	3,801,485
Total receivables from private customers		**3,601,459**	**3,801,485**
Total		**12,485,922**	**13,056,003**

The general characteristics of rating classes is as follows:

Rating 1	Highest credit rating
Rating 2	Very high credit rating
Rating 3	High credit rating
Ratings 4-5	Very good credit rating
Ratings 6-7	Good credit rating
Ratings 8-9	Satisfactory credit rating
Ratings 10-11	Average and poor credit rating
Ratings 12-13	Very poor credit rating
Ratings 14-16	No creditworthiness (no credit rating)

The rating classes are presented as at the reporting date.

*The ratings follow the Bank's internal classification, where "1" represents the best rating and "16" represents the worst rating.

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

6.1.5. Structure of concentration of exposure to business and geographical segments along with assessment of risk connected with such exposure

Sector	Credit risk exposure	30-06-2021 unaudited % share in total
Real estate activities	1,679,132	13.5%
Electricity, gas, steam, hot water and air conditioning generation and supply	1,431,826	11.5%
Wholesale trade, except motor vehicles	904,383	7.2%
Accommodation	598,076	4.8%
Public administration and defence, compulsory social security	551,760	4.4%
Construction of buildings	530,340	4.3%
Sports, entertainment and recreational activities	349,888	2.8%
Manufacture of food products	248,495	2.0%
Manufacture of chemicals and chemical products	198,807	1.6%
Crop and animal production, hunting and related service activities	176,754	1.4%
Financial service activities, except insurance and pension funding	165,561	1.3%
Manufacture of fabricated metal products, except machinery and equipment	162,959	1.3%
Other industries, including:	5,487,941	43.9%
private customers	3,601,459	28.8%
Total gross receivables from customers	**12,485,922**	**100.0%**
Impairment write-offs	- 1,105,436	
Margin deposited	27,623	
Other receivables	3,122	
Total net receivables from customers	**11,411,231**	

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

Sector	Credit risk exposure	31-12-2020 % share in total
Electricity, gas, steam, hot water and air conditioning generation and supply	1,768,313	13.6%
Real estate activities	1,536,646	11.8%
Wholesale trade, except motor vehicles	905,202	6.9%
Construction of buildings	768,867	5.9%
Public administration and defence, compulsory social security	629,971	4.8%
Accommodation	534,854	4.1%
Sports, entertainment and recreational activities	336,853	2.6%
Manufacture of chemicals and chemical products	261,836	2.0%
Manufacture of food products	260,424	2.0%
Manufacture of fabricated metal products, except machinery and equipment	221,035	1.7%
Financial service activities, except insurance and pension funding	134,415	1.0%
Other industries, including:	5,697,587	43.6%
private customers	3,801,485	29.1%
Total gross receivables from customers	**13,056,003**	**100.0%**
Impairment write-offs	- 1,203,009	
Margin deposited	31,704	
Other receivables	2,599	
Total net receivables from customers	**11,887,297**	

in thousand PLN

Involvement of the BOŚ Group in wind farms

Risks material from the BOŚ Group's point of view with regard to financing customers from the wind farm portfolio

A part of BOŚ S.A.'s corporate loan portfolio is comprised of exposures related to loans granted in the past years to finance onshore wind farms benefiting from the green certificate support system. The risks relating to the financing of this group of customers, identified by the Bank as part of its ongoing monitoring of the economic and financial standing, in particular the market and regulatory risk, are taken into account in the process of individual assessment of exposure, carried out on a monthly basis based on a dedicated valuation model.

The risk of volatility of market prices of electricity and green certificates is addressed in the valuation model by implementing the price paths forecast by the Bank in the medium and long term. The price paths adopted for the valuation are subject to periodical updates based on reports of renowned independent third-party experts; the last update of the price path forecasts took place in June 2021. The funds accumulated in the reserve accounts, used to support the on-going handling of loans, still mitigate the potential reduction of the revenues realised by the Customers as a result of periodical decreases in the prices of energy and/or green certificates.

Impact of the coronavirus pandemic on the business of customers from the wind farm portfolio

The economic downturn caused by the COVID-19 epidemic has not, to date, materially affected the financial position of customers from the wind farm portfolio. The loans are handled on time, in accordance with the agreed repayment schedules.

Risk of legal disputes between the Bank's customers and Energa - Obrót S.A.

The actions of Energa - Obrót S.A., taken in September 2017 and resulting in the discontinuation of twenty-two framework CPAs for the receipt of property rights resulting from green certificates and in instituting legal proceedings against the counterparties and banks for declaring the absolute invalidity of the agreements concluded, concerned eight customers financed by the Bank.

As at 30 June 2021, six customers of BOŚ S.A. were in litigation with Energa Obrót S.A., with a total exposure of the Group amounting to PLN 89.7 m, representing 8.2% of the total exposure on account of credit exposures from the wind farm portfolio. So far, the conducted proceedings have resulted in six disputes ended with dismissal of Energa Obrót S.A.'s claim by virtue of final judgments issued by the Court of Appeal.

Energa Obrót lodged cassation complaints against three judgments of the Court of Appeal that were favourable to the Bank's customers. Further proceedings in these cases will be conducted before the Supreme Court.

The Bank conducts an ongoing monitoring of the status of pending court proceedings. All customers being in litigation with Energa Obrót S.A. are handling their loan liabilities on time.

As at 30 June 2021, BOŚ S.A. did not act as a co-respondent in any of the pending court disputes with Energa Obrót S.A., therefore the Bank does not identify any risk of having to incur additional costs arising from the proceedings to which its customers are the parties.

Risk of regulatory changes with respect to property tax

The amendment to the Act on amending the renewable energy sources act and certain other acts, published on 29 June 2018, enabled the reinstatement, with retroactive effect as of 1 January 2018, of the provisions favourable to investors concerning the rules of property taxation for wind power plants, which had been in force before 1 January 2017.

On 22 July 2020 the Constitutional Court ruled that the regulations implementing the retroactive reduction of property tax liabilities on wind farms for 2018 were unconstitutional. At the same time, the Constitutional Tribunal set a deadline of 18 months for the legislator to introduce appropriate statutory solutions in order to compensate the communes for the losses suffered as a result of the enactment of the regulations resulting in lowering their income from the wind power plant tax.

The scale of potential additional tax burdens and their impact on the financial standing of the Bank's customers from the wind farms portfolio will depend on the legal solutions adopted by the legislator, which should ensure compliance of the amended RES Act with the Constitution.

Recognised impairment write-offs for the wind farm portfolio

Specification	30-06-2021 unaudited	31-12-2020
Receivables from customers measured at amortised cost		
Receivables from customers without evidence of impairment, for which there has been a significant increase in the risk since the initial recognition (Basket 2)	1,052,213	1,167,101
Receivables from customers showing evidence of impairment but not impaired due to estimated cash flows (Basket 3)	9,250	219,641
Receivables from customers showing evidence of impairment and impaired (Basket 3)	6,148	13,434
Total receivables from customers measured at amortised cost (gross)	**1,067,611**	**1,400,176**
Impairment write-offs to:		
receivables from customers - (Basket 2)	- 27,873	- 30,947
receivables from customers - (Basket 3) not impaired	- 367	- 8,734
receivables from customers - (Basket 3) impaired	- 123	- 1,578
Total impairment write-offs	**- 28,363**	**- 41,259**
Total receivables from customers measured at amortised cost (net)	**1,039,248**	**1,358,917**
Total receivables from customers	**1,039,248**	**1,358,917**

As at 30 June 2021, the share of the wind farm portfolio in the segment of institutional loans measured at amortised cost in gross value in the BOŚ Group amounted to 12.0%, which accounts for 8.6% of the loan portfolio, while in value terms the portfolio amounted to PLN 1,067.6 m.

The allowance coverage for impaired loans as at 30 June 2021 in the institutional loan segment is 50.8% (the allowance coverage for the entire Basket 3 is 50.3%), including 2.0% for the wind farm portfolio (the allowance coverage for the entire Basket 3 is 3.2%).

for the six-month period ending on 30 June 2021 in thousand PLN

6.1.6.Debt securities

Securities broken down by ratings assigned to their issuers

30-06-2021 unaudited	State Treasury	NBP	Banks	Public finance	Other financial institutions	Corporate	Total
AAA	-	-	-	-	50,401	-	50,401
A	2,923,517	-	146,888	-	-		3,070,405
A-			572,288				572,288
BBB+	-	-	-	-	134,970	-	134,970
none	-	2,599,984	-	146,059	372,389	-	3,118,432
Total	**2,923,517**	**2,599,984**	**719,176**	**146,059**	**557,760**	**-**	**6,946,496**

31-12-2020	State Treasury	NBP	Banks	Public finance	Other financial institutions	Corporate	Total
AAA	-	-	-	-	49,654	-	49,654
A	3,584,451	-	249,650	-	-	-	3,834,101
A-	-	-	26,488	-	-	-	26,488
BBB+	-	-	558,741	-	184,862	-	743,603
none	-	2,179,952	-	147,739	304,397	805	2,632,893
Total	**3,584,451**	**2,179,952**	**834,879**	**147,739**	**538,913**	**805**	**7,286,739**

The tables present a unified rating scale as set out below. If the issuer has received ratings from more than one agency, the highest rating is presented.

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

In case of municipal bonds for which there is no active market, internal ratings are assigned according to the following categories:

4-5 very good credit rating
6-7 good credit rating
8-9 satisfactory credit rating
10 average and poor credit rating

for the six-month period ending on 30 June 2021 in thousand PLN

The risk classes for issuers of municipal bonds serviced by the Bank are assigned in accordance with the Bank's methodology for evaluating creditworthiness of local government units.

Public finance		
Internal rating	**30-06-2021 unaudited**	**31-12-2020**
4	1,880	-
5	13,007	6,586
6	5,813	12,299
7	113,743	93,902
8	11,616	21,363
9	-	5,662
10	-	7,927
Total	**146,059**	**147,739**

6.2. Financial risk in the banking and trading books, and limits

The financial risk in the BOŚ Group is concentrated mainly in the Bank and in Dom Maklerski BOŚ S.A. (DM BOŚ S.A.), and includes:

1. the liquidity risk,
2. the market risk, including:
   a. the interest rate risk (in the banking book and in the trading book),
   b. the currency risk (primarily in the trading book, the currency risk from the banking book is transferred to the trading book),
   c. other risks (general and specific equity instrument price risk, commodity price risk and position risk in collective investment undertakings).

The liquidity risk and the interest rate risk occur primarily in the Bank, while the currency risk - in DM BOŚ S.A. (in the trading and in the non-trading book) and in the Bank (in the trading book, the currency risk from the banking book is transferred to the trading book). In DM BOŚ S.A., there is also the capital instrument price risk, the commodity price risk and the position risk in collective investment undertakings.

The basic rules of risk management in the Bank and in the BOŚ Group with respect to the financial risk are defined in the Bank Risk Management Strategy. This strategy is an integral part of the binding Strategy of the Bank.

The risk management system of the BOŚ Group includes examination of particular types of risk connected with the activity of the Bank and of the Companies belonging to the Group. As the parent entity, the Bank exercises supervision over the Group's risk management system. The risk management process is subject to periodic reviews aimed at adapting the process to changes in the environment and taking into account changes occurring within the Bank and the Group.

The risk management at the Bank is carried out on the basis of a risk appetite and tolerance set by the Supervisory Board, determined with a set of internal limits. The Bank has policies for managing the liquidity risk, the interest rate risk in the banking book and the market risk in the trading book, which define, among others, the maximum levels of the financial risk consistent with the risk appetite adopted by the Supervisory Board. Based on these, an early warning system has been established which focuses on identifying, measuring, monitoring, controlling and reporting risks.

The banking book transactions constitute the core business of the Bank, i.e. result from commercial activities, including: gaining financing sources and effective management of liquidity. The banking book includes items not included in the trading book, in particular:

a. loans granted, guarantees, borrowings, deposits, and accepted deposits,

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

b. transactions hedging the liquidity and the interest rate risk of transactions included in the banking book,
c. the purchase of securities for a purpose other than trading.

In line with the BOŚ Group's strategy, activities in the trading book complement those in the banking book. The trading book includes transactions made for own account with a trading purpose, i.e. the intention to obtain a financial benefit in the short term from the actual or expected differences between market purchase and sales prices or from other price or price parameter deviations, in particular of interest rates and exchange rates. The sale of the trading book transactions is not aimed at maintaining the liquidity. The task of the trading book is to provide customers with the highest quality of service. In order to achieve this, the Bank and DM BOŚ S.A. Keep open positions within the binding risk limits.

The goal of risk management at the BOŚ Group is to maintain individual types of risk at an assumed tolerance and appetite level in order to protect the value of shareholders' capital, maintain the safety of customer' deposits and achieve appropriate efficiency of the BOŚ Group's operations, including ensuring the ability to adapt the Group's operations to changing market conditions, competence and commitment of the management and staff, and quality of the management information systems.

In the first half of 2021, the BOŚ Group regularly monitored the economic and market situation related to the COVID-19 pandemic and analysed its impact on the financial risks, including the market risk and the liquidity risk. Although the levels of individual risks increased compared to the pre-pandemic period, they generally remained within the Group's accepted limits.

In the first half of 2021, the main objectives, principles and organisation of the financial risk management process in the Capital Group did not change. The level and profile of the financial risk is regularly monitored by the Bank's Financial Risk Department (2nd line defence department) and by DM BOŚ S.A.'s Risk Management Department, and reported to: the Bank's Supervisory Board, the Supervisory Board of DM BOŚ S.A., the Risk Committee (of the Supervisory Board), the Bank's Management Board, the Management Board of DM BOŚ S.A., the Assets and Liabilities Management Committee (ZAP Committee) and the ZAP Liquidity and Market Risk Committee (ZAP PiRR).

6.2.1. Liquidity risk

The goal of the BOŚ Group with respect to liquidity management is to maintain the ability to finance assets and settle liabilities on time, and to maintain a balanced structure of assets and liabilities to ensure a safe liquidity profile in particular time bands, broken down into liquidity in PLN and in major foreign currencies, and above all - for the total liquidity position. The liquidity risk is primarily generated at the Bank.

The liquidity risk management strategy and processes are adjusted to the Bank's business profile and scale. The liquidity risk management strategy is defined in the Bank's Liquidity Strategy approved by the Supervisory Board. The strategy determines the Bank's appetite for that risk, sets the main directions and quantitative targets for selected volumes and is an integral element of the Bank's Framework Strategy. The liquidity risk tolerance, adjusted to the adopted appetite, was defined in the Liquidity Management Policy approved by the Supervisory Board through the system of internal limits and warning values applied at the Bank.

The structure and organisation of the liquidity risk management functions covers all levels of the Bank's organisational structure and operates along three lines of defence. The Management Board and the Assets and Liabilities Management Committee play a special role in the liquidity risk management process.

The Bank's liquidity is considered over the following time horizon:

- intraday liquidity - during the day;
- current liquidity - over up to 7 days;
- short-term liquidity - over up to 1 month;
- medium-term liquidity - from 1 month to 12 months;
- long-term liquidity - over 12 months.

The Bank uses the following measures and tools to measure its intraday, current and short-term liquidity risk:

1. the intraday liquidity level - which reflects the level of funds needed to be maintained at the account with the NBP to meet the Bank's liabilities during the day, under normal and stressed conditions;
2. the liquid assets (liquidity surplus) - representing a buffer for expected and unexpected outflows over 30 days;
3. the liquidity reserve - which measures the level of liquid assets less expected and unexpected outflows, determined within 30 days, taking into account a concentration margin;
4. the assessment of the deposit base stability;
5. the short-term liquidity gap (for PLN, EUR, CHF and USD) - showing the level of misalignment in funding structures in foreign currencies; the gap primarily comprises cash flows from transactions on the wholesale market and from derivative transactions;
6. the stress tests (which, among others, enable the Bank to verify the ability to maintain liquidity in a defined time horizon in particular scenarios).

For the purpose of measuring the liquidity and the medium- and long-term liquidity risk, the Bank sets and monitors:
1. the contractual and actual liquidity gap (which is supplemented by regular analyses of: the stability of the deposit base, the concentration of the deposit base, the size of loan prepayments and the level of deposit breakage);
2. the ratios of coverage of long-term assets with long-term liabilities;
3. the ratio of coverage of loans used to finance customers' long-term needs by the most stable sources of finance;
4. the forecast of LCR, liquid assets and long-term liquidity measures (NSFR, among others).

In order to assess the effectiveness of the liquidity risk management process, for most of the measures above limits or alert values are set within the internal liquidity risk limits with a hierarchical structure (i.e. they are set at the level of the Supervisory Board, the Bank's Management Board and the Assets and Liabilities Committee). The existing limits and warning values are reviewed regularly to allow for effective monitoring of the liquidity. The limits and warning values define the framework for the Bank's liquidity tolerance and are consistent with the Bank's appetite for this risk. The development of an appropriate liquidity risk profile is supported by taking into account the cost of liquidity under the transfer pricing system applied by the Bank.

The measures and tools used by the Bank are reviewed and updated regularly, to ensure a better representation of the liquidity profile. The process of liquidity and liquidity risk monitoring at the Bank is supported by dedicated IT systems (in particular with regard to generating the contractual and realised liquidity gap, reporting on supervisory liquidity measures and internal limits and preparing mandatory reporting). At least once a year, the Bank prepares a review of the internal liquidity adequacy assessment process (ILAAP), in accordance with the EBA/GL/2016/10 Guideline on ICAAP and ILAAP information collected for the supervisory review and evaluation process (SREP). The review is subject to the ZAP Committee's opinion and approval by the Bank's Management Board and Supervisory Board. The Bank's ILAAP review as at 31 December 2020 showed that the process complies with the Bank's internal regulations and external guidelines.

Liquidity risk reports are presented to all the Bank's units involved in the liquidity risk management process. The results of the liquidity risk analysis, the utilisation rate of supervisory standards and internal limits, and the stress test results are presented in the reports prepared for the Asset and Liability Committee for Liquidity and Market Risk (in weekly cycles), the Bank's Management Board and the Asset and Liability Committee (in monthly cycles) and for the Bank's Supervisory Board and the Risk Committee of the Supervisory Board (in quarterly cycles). The reports are a part of the Management Information System (MIS), the purpose of which is to support the Bank's management, streamline the performance of its tasks and ensure the security and stability of its operations.

Overall liquidity risk profile

The basic source of funding for the Bank is still a systematically built and diversified deposit base with a considerable share of stable deposits from individual customers (supplemented by deposits from corporate customers and the public sector), which is supplemented, among others, by loans received from international financial institutions (which, together with long-term bilateral interest rate swap agreements secured by debt securities and FX swap transactions, constitute a source of liquidity funding in foreign currencies). The Bank monitors the deposit base concentration risk on an on-going basis. The internal liquidity measures include an additional surcharge on stable funds due to concentration, calculated on the basis of deposit balances for large deposits and deposits of large customers (classified in accordance with the definitions applied by the Bank).

The Bank's liquid assets (liquidity surplus) are primarily maintained in the form of highly liquid NBP bills (as at 30 June 2021 accounting for 50% of the portfolio of liquid unencumbered securities) and bonds representing receivables from or guaranteed by the State Treasury (as at 30 June 2021 - 50%), characterised by low specific risk. The portfolio of these securities is supplemented with cash and funds kept in the NBP (above the declared obligatory reserve level) and on nostro accounts in other banks. Liquid assets as at 30 June 2021 amounted to PLN 5,653 m. Liquid assets constitute a buffer to secure liquidity in potential crisis situations, i.e. they can be pledged, liquidated under repo transactions or sold at any time without a material loss in value. The ability to sell liquid assets (the product liquidity risk) is monitored on a regular basis. These analyses mainly take into account the issue size, the market turnover and the purchase/sale price volatility.

Under the recommendations of the Polish Financial Supervision Authority (KNF) and the National Bank of Poland (NBP), the Bank may use additional financing sources in the form of the technical loan and the lombard loan at the NBP, and may request refinancing from the NBP.

The Bank determines the internal capital for the liquidity risk, which is considered a permanently significant risk, in accordance with the binding internal capital estimation process. This capital is estimated based on the cost associated with restoring the supervisory and internal liquidity measures and limits under constructed stress test scenarios.

Liquidity risk measures

The Bank determines the supervisory liquidity measures in accordance with the following regulations: Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms amending Regulation (EU) No. 648/2012 taking into account the guidelines of Commission Delegated Regulation EU 2015/61 of 10 October 2014 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council as regards the requirement to cover net outflows for credit institutions and the delegated and implementing regulations relating thereto in respect of liquidity and Resolution No. 386/2008 of the Polish Financial Supervision Authority of 17 December 2008 on the setting of liquidity standards binding on banks.

The current short-term liquidity standards include the requirement to cover net outflows - LCR (the ratio of liquid assets to net outflows, i.e. the difference between outflows and inflows, over a stress period of 30 calendar days).

The LCR is calculated for all currencies in total (converted to PLN) and separately for significant currencies: PLN and EUR. As far as the EUR ratio is concerned, the Bank identifies the currency mismatch related to the method of financing long-term loans granted in this currency.

Long-term standards include the following coefficients: M3 (ratio of coverage of illiquid assets with own funds) and M4 (ratio of coverage of illiquid assets and assets with limited liquidity with own funds and stable external funds). The Bank determines the Net Stable Funding Ratio (NSFR) and reports it to the Polish Financial Supervision Authority (KNF) and the National Bank of Poland, and has an internal warning value for this indicator at the level of the target supervisory limit, i.e. 100%, as at 30 June 2021 the value of the ratio was 130%. In addition, in accordance with Commission Implementing Regulation (EU) 2016/313 of 1 March 2016 amending Implementing Regulation (EU) No. 680/2014 as regards additional monitoring indicators for liquidity reporting to the National Bank of Poland, as part of its mandatory reporting, the Bank prepares and sends ALMM reports.

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

In the first half of 2021 (as in 2020), the supervisory liquidity measures, i.e. LCR and M3-M4 were determined on a daily basis (i.e. on each business day) and remained at safe levels, well above the regulatory levels. As at 30 June 2021, these standards were as follows:

Measure	30-06-2021	31-12-2020
LCR	161%	158%
M3	56.54	62.01
M4	1.41	1.43

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

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

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

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

As part of the analyses, the Bank also carries out a sensitivity analysis for individual factors generating the liquidity risk and the so-called reverse tests. The action plan to maintain liquidity in emergency situations is regularly reviewed and updated to ensure that the Bank is operationally prepared to launch potential actions that might be taken in a liquidity risk situation. The contingency liquidity scenario analysis is developed on a semi-annual basis and the stress tests are developed on a monthly basis. The assumptions made in the stress tests are reviewed on a regular basis, in line with the conclusions arising from the scenario analysis of liquidity in emergency situations. The assumptions of particular scenarios of the stress tests conducted reflect the expected negative effects caused by the COVID-19 pandemic, such as, among others: an increased outflow of cash and deposits, an increase in term deposit withdrawals and an increase in the EUR/PLN and CHF/PLN exchange rates. The conclusions from the tests are taken into account in the ongoing management of liquidity and liquidity risk and are the basis for building the structure of assets and liabilities.

In the analyses, the Bank also takes into account the possibility of adverse changes in foreign exchange rates, especially CHF and EUR, which potentially may increase its liquidity needs.

On the interbank market, the Bank enters into transactions with financial counterparties based on agreements signed on templates provided by ISDA and GMRA or their equivalents prepared by the Polish Banks Association.

Some of the agreements include provisions relating to the downgrading of the rating held or discontinuance of the rating by one of the globally recognised rating agencies. These provisions allow the counterparty to invoke the right of early termination. Another clause with a similar effect is the reduction of the number of shares held by the NFOŚiGW below 51% or below their value in relation to the shares, which will deprive the Fund of the right to 51% of the votes at the General Meeting of Shareholders.

The stress tests performed in the first half of 2021, similarly as in 2020, show that the Bank has a stable liquidity position and its liquid assets (liquidity surplus) allow it to withstand the assumed stress scenarios, under which the Bank assumes its survival within a specified time horizon.

In the first half of 2021, as in 2020, the liquidity situation of the BOŚ Group was regularly monitored and remained at a safe level.

The impact of the COVID-19 pandemic on the Bank's liquidity

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

In the context of the high uncertainty caused by the COVID-19 pandemic, the Bank monitors the current economic situation and analyses its potential impact on the Bank's and its customers' situation, in particular the liquidity situation. Information on the sector situation and customer behaviour are also analysed: monitoring of the outflow of cash and deposits, an increase in the EUR/PLN and CHF/PLN exchange rates and their effect on specific areas of the Bank's business. The assumptions of the Bank's stress tests were reviewed to include the pandemic risk factors.

No material adverse impact of the pandemic events on the Bank's liquidity was observed in the first half of 2021.

In the current situation, the Bank monitors the balances of deposits and loans, especially in the context of interest rate changes and credit facilities introduced under the anti-crisis shield. The Bank takes measures aimed at correlating its demand for credit capital with the funding it obtains, while ensuring a safe level of the liquidity surplus.

6.2.2. Interest rate risk

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

Interest rate risk in the banking book

The main purpose of managing the interest rate risk in the banking book is to strive to stabilise and optimise the net interest income (NII), while limiting the negative impact of changes in the market interest rates on the economic value of equity (EVE).

To this end, the Bank uses two tools: its investment portfolio and derivative transactions concluded under hedge accounting. The investment portfolio built in the banking book should, among others, contribute to securing the interest income generated on the Bank's equity, as well as a stable portion of interest-rate insensitive deposits on current accounts. On the other hand, this portfolio causes volatility of the revaluation reserve.

The Bank applies fair value hedge accounting. Its purpose is to hedge the fair value of fixed-rate State Treasury bonds that are part of the bond portfolio in the HtC&S model and constitute the Bank's liquidity buffer. The concluded IRS hedging transactions limit the capital fluctuations related to the interest rate changes.

The process of monitoring the interest rate risk in the banking book is supported by a dedicated IT system by means of which the Bank, in particular, determines/carries out:

1. the repricing gap presenting the values of assets, liabilities and balance-sheet items sensitive to interest rate changes in the maturity or repricing periods,
2. the simulation of the net interest income - a dynamic analysis reflecting the projected NII in given time frames, based on the adopted scenarios of the Bank's development, as well as assumptions concerning the development of the market factors,
3. the net present value (NPV) simulation, presenting discounted values, according to given market parameters, of all cash flows; the EVE measure is determined based on the NPV analyses,
4. the price shocks under the basis risk analysis, the purpose of which is to estimate the impact on the net interest income of a diversified change in interest rates of products whose interest rates are based on different base rates,
5. the yield curve risk analysis, which is aimed at estimating the impact on the economic value of equity of uneven changes in the shape of the yield curve,
6. the customer option risk analysis, whose objective is to assess the impact of the customer options embedded in interest bearing products on the Bank's financial result,
7. the stress tests, including reverse tests and the Supervisory Outlier Test - the aim is to determine how extreme changes in market factors affect the net interest income and the economic value of equity,
8. the level of the internal capital for the interest rate risk in the banking book.

Measures of the interest rate risk in the banking book

In order to control the interest rate risk in the banking book, the Bank uses two measures: sensitivity of the net interest income to the interest rate changes by +/- 100 bps (NII) and sensitivity of the economic value of equity to the interest rate changes by +/- 200 bps (EVE). The interest rate risk in the banking book is measured on the basis of product characteristics (capital flow schedules, interest rate re-pricing, embedded options), resulting from agreements signed with counterparties. For current products for which the customer has the freedom to determine, among other things, the repayment schedule or disposition of funds, the Bank builds the so-called replication portfolios, which reflect the economic timing of capital flows. In the replication portfolios used, the average maturity of deposits with undetermined maturity is 6 months, while the maximum maturity is 12 months. In addition, the Bank takes into account the customers' behavioural patterns, such as early loan repayment levels or term deposit withdrawal levels, the estimation of which is defined in the Bank's internal regulations. The assumptions adopted are in line with Guideline EBA/GL/2018/02 on the management of interest rate risk from activities included in the banking book.

The following table shows a comparison of the NII and EVE measures between 30 June 2021 and 31 December 2020:

Date	ΔNII		ΔEVE	
	-100 pbs	+100 pbs	-200 pbs	+200 pbs
30-06-2021	-96,843	38,667	100,963	-114,301
31-12-2020	-95,408	39,378	67,413	-98,089
Change	**-1,435**	**-711**	**33,550**	**-16,212**

In the first half of 2021, both the NII and the EVE measures were within the warning limits/values consistent with the risk appetite adopted by the Supervisory Board. Changes in the values of the above-mentioned measures are characterised by a certain regularity, which is associated with regular approximation of the repricing date for floating-rate positions and maturity of fixed-rate positions. The asymmetrical impact of interest rate changes on NII in scenarios of a decrease and increase in interest rates results from the interest rate characteristics of specific items sensitive to interest rate changes, including, among others, limiting the decrease in interest rates on specific sources of financing to 0%, under the conditions of the examined change in market interest rates (i.e. by -100 bps). In connection with the reductions in interest rates on term deposits and savings accounts and higher utilisation of the NII limit, the impact of changes in the environment, the structure of the Bank's balance sheet and the offer to customers on the measure of the NII sensitivity is monitored on an ongoing basis.

In accordance with Guideline EBA/GL/2018/02 on the management of interest rate risk on activities included in the banking book, the Bank is obliged to carry out the Supervisory Outlier Test (SOT).

The results of the Supervisory Outlier Test (SOT) for the 6 standard shock scenarios for the interest rate risk, as defined in the Guideline, are presented in the table below as at 30 June 2021 and 31 December 2020, and the change:

Date	ΔEVE in a given SOT scenario					
	parallel increase in shock	parallel decrease in shock	steepening of the curve	flattening of the curve	increase in shock for short-term rates	decrease in shock for short-term rates
30-06-2021	-97,630	30,725	-2,875	-63,834	-94,533	3,606
31-12-2020	-102,510	35,478	-2,987	-64,288	-94,813	3,316
Change	**4,880**	**-4,753**	**112**	**454**	**280**	**290**

The results of the SOT analysis indicate that the Bank is most vulnerable to a decrease in the economic value of equity (EVE) in the Parallel Up scenario. The level of sensitivity of the economic value of equity is clearly below the supervisory warning values, indicating a moderate exposure to the interest rate risk.

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

1. sensitivity of the net interest income (NII):

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

- scenarios of a parallel shift of the interest rate curves in the range [-500 bps, +500 bps],
- scenarios of the exchange rate changes by ±5%, ±10% and ±25%,
- scenarios of cumulative changes in a parallel shift of the interest rate curves by ±100 bps and ±500 bps and in the exchange rates by ±5%, ±10% and ±25%,

2. sensitivity of the economic value of equity (EVE):
   - scenarios of a parallel shift of the interest rate curves in the range [-500 bps, +500 bps],
   - scenarios of the exchange rate changes by ±5%, ±10% and ±25%,
   - scenarios of cumulative changes in a parallel shift of the interest rate curves by ±200 bps and ±500 bps and in the exchange rates by ±5%, ±10% and ±25%,
3. sensitivity of the revaluation reserve in scenarios of changes in the interest rates in the range [-500 pbs, +500 pbs],
4. sensitivity of the present value of the bond portfolio in scenarios of changes in the interest rates in the range [-500 pbs, +500 pbs] - by issuer (SP&NBP (excluding FVH), corporates, local governments) and by portfolio (H2C&S (excluding FVH), H2C).

In addition, reverse tests are carried out at the Bank:

1. for the EVE measure - tests with regard to the impact of changes in the market factors, the purpose of which is to show when the sensitivity of the EVE falls below 20% of own funds,
2. for the NII measure -
   - tests to show when the projected interest income falls below zero,
   - tests to identify the areas of vulnerability arising from hedging and risk management strategies and customer behavioural responses.

The results of the stress test analysis as at 30 June 2021 show that under extremely adverse market conditions and the Bank's increased exposure to interest rate sensitive instruments, the business risk in the banking book is maintained at a safe level.

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

In order to hedge the interest rate risk of 10-year BGK bonds (issued in favour of the COVID-19 Prevention Fund, guaranteed by the State Treasury) with the nominal value of PLN 150 m, with a fixed interest rate in the HtC&S business model, from July 2020 the Bank has applied the option of measurement at fair value through profit or loss (FVPL option). The IRS hedging transactions entered into to this end enable the Bank to change interest on the bonds purchased, accrued at a fixed interest rate, into interest accrued according to the WIBOR 6M formula plus margin, which secures the Bank against a negative result in the case of an increase in the market interest rates.

The results of the monitoring of the interest rate risk in the banking book are presented in reports prepared for the ZAP Liquidity and Market Risk Committee (weekly), in reports prepared for the ZAP Committee and the Bank's Management Board (monthly) and for the Risk Committee and the Bank's Supervisory Board (quarterly).

Interest rate risk in the trading book

The objective of interest rate risk management in the trading book is to achieve a financial result in this area as provided for in the financial plan, at an acceptable level of exposure of the Bank to the risk in question and to minimise its negative effects on account of interest rate sensitive instruments held in the trading book.

Measures of the interest rate risk in the trading book

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

1. the VaR model determined for the 99% confidence level based on the daily interest rate volatility for 250 business days preceding the analysis date,

2. BPV (i.e. sensitivity of securities and derivatives generating the interest rate risk to a 1 bps change in the interest rates),
3. the limit system,
4. stress tests.

There were no material changes to the interest rate risk measurement techniques in the trading book in the first half of 2021.

The interest rate VaR in the trading book and the impact of the stress test scenario - a parallel shift of the IRS and BOND yield curves by ±200 bps - on the Bank's result in six-month periods, was as follows (the maximum, minimum and average value and the value as of the reporting date are given):

Date	10-day VaR				Stress tests ±200 bps
	average	max.	min.	as at	as at
01-01-2021 30-06-2021	164	413	49	64	-2,609
01-01-2020 30-06-2020	648	1511	161	526	-3,062

In order to verify the value-at-risk model, once a month the Bank carries out a back-testing analysis calculated by comparing the maximum losses determined from the VaR model with the actual profits and losses and theoretical changes in the result caused by the revaluation of items. The back-testing results are presented in monthly cycles in the management reports.

The limit system for the interest rate risk in the trading book includes:

1. a 10-day VaR limit,
2. the BPV limit for instruments generating the interest rate risk in the trading book, applicable both during the day and at the end of the day, separately for positions in debt securities and for IRS, and jointly for these instruments,
3. the maximum, two-day and carry-forward monthly loss limits on assets in the trading portfolio.

The calculation and monitoring of the utilisation level of the individual limits is carried out as at each business day, and in relation to BPV limits - also during the day, and reported to the management on a regular basis.

Once a month, the Bank conducts the stress testing analysis, examining the development of the interest rate risk level in the banking and trading books in case of materialisation of extreme changes in the risk factors.
The trading book examines the impact of extremely adverse changes in the level of the market interest rates on the Bank's results and the volatility of the interest rates over 250 business days and the correlation between the interest rate volatility and VaR, using both the historical and parametric methods. The historical method accounted for the interest rate volatility caused by the COVID-19 pandemic.

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

1. historical ones:
   - parallel shifts of the interest rate curves (including fat tails and spreads),
   - bending of the interest rate curves,
   - change in the slope of the interest rate curves,
2. parametric ones:
   - parallel shifts of the interest rate curves,
   - increase in the interest rate volatility,
   - an extremely adverse change in the correlation of the interest rates.

The stress test scenarios are also run assuming a change in the market liquidity and a lack of possibility of closing the positions.

The results of this analysis show that with the occurrence of extremely adverse market conditions and the Bank's increased positions in instruments sensitive to the interest rate risk, the activities in both the banking and trading books of the Bank remain at a safe level.

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

The results of the interest rate risk monitoring in the banking book and in the trading book are presented in weekly cycles in reports prepared for the ZAP Liquidity and Market Risk Committee, in monthly cycles - in reports prepared for the Bank's Management Board and the ZAP Committee and in quarterly cycles - for the Bank's Supervisory Board and the Risk Committee (along with the results of the stress tests carried out). Additionally, the results of the analysis of the interest rate risk in the trading book, as part of daily reports, are communicated to the members of the Bank's Management Board and the ZAP Committee.

The interest rate volatility associated with the COVID-19 pandemic did not increase significantly the level of the interest rate risk. The interest rate risk measures in the trading book were monitored on an ongoing basis and although their levels increased, they generally remained within the limits adopted by the Bank.

6.2.3. Foreign exchange risk

The foreign exchange risk is understood as the risk of the BOŚ Group's losses resulting from changes in the foreign exchange rates. This risk is generated in DM BOŚ S.A. (in the trading and non-trading books) and in the Bank (primarily in the trading book).

The Bank's objective in terms of the foreign exchange risk management in the banking book is not to keep individual positions open. The foreign currency exposures arising from the banking book activities are transferred regularly to the trading book on the same day or, at the latest, on the following business day.

The Bank's major foreign exchange positions include positions in PLN, USD, EUR and CHF.

The foreign exchange risk in the non-trading portfolio of DM BOŚ S.A. results from cash being deposited by DM BOŚ S.A. in foreign currencies on accounts of foreign brokers, who - at the request of DM BOŚ S.A.'s customers - buy and sell financial instruments on foreign exchanges. The foreign exchange risk in the non-trading book is also implied by positions related to the operations of DM BOŚ S.A. conducted in the Czech Republic branch, which are not included in the trading book. DM BOŚ S.A. has open foreign exchange positions in USD, EUR and CZK in its non-trading portfolio, and the foreign exchange risk in this portfolio is managed within the limit of the total foreign exchange position for the trading and non-trading books combined.

The foreign exchange position resulting from the Bank's activity in the banking book that has not been transferred to the trading book on a given day is controlled with the limits of open foreign exchange positions in the banking book at the end of the day.

The foreign exchange risk in the trading book is generated both in the Bank and in DM BOŚ S.A. The foreign exchange risk in the trading book was primarily related to DM BOŚ S.A., and to a smaller extent to the Bank. The open currency positions in the trading book of DM BOŚ S.A. result from rendering services to customers in the field of trading in derivative instruments and from performing services on the regulated market.

The BOŚ Group has a unified system of foreign exchange risk management, calculated separately for the Bank and for DM BOŚ S.A.

Measures of the foreign exchange risk

To monitor the foreign exchange risk on open currency positions in the trading book (on-balance sheet and off-balance sheet) at the Bank, similarly as in the case of the interest rate risk in the trading book, the following are used:

1. the value at risk model (VaR) determined for the 99% confidence level based on daily the exchange rate volatility for 250 business days preceding the analysis date,
2. the limit system,
3. stress test analyses.

The value of the exchange rate VaR in the trading book of the Bank and of the BOŚ Group and the impact of the stress test scenario - the drop of exchange rates of all currencies in relation to PLN by 30% - on the result of the BOŚ Group in half-year periods were as follows (the maximum, minimum and average values were given, and the value as at the reporting date):

Date	10-day VaR						The BOŚ Group's stress test increase/decrease of currency exchange
	Bank		DM		BOŚ Group		
	average	max.	min.	as at	as at	as at	as at
01-01-2021 30-06-2021	279	1,700	16	193	2,132	2,101	-4,187
01-01-2020 30-06-2020	230	755	8	203	6,956	6,605	-15,818

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

Once a month, in order to verify the value-at-risk model, the BOŚ Group performs back-testing analyses by comparing the maximum losses determined from the VaR model with the actual profits and losses and with theoretical changes in the result arising from the revaluation of positions. The back-testing results are presented in monthly cycles in the management reports.

The limit system for the foreign exchange risk in the trading book includes:
1. a 10-day VaR limit,
2. quota limits per total position and per individual positions for the main currencies, both intraday and end-of-day,
3. daily and carry-forward monthly loss limits on the foreign exchange transactions.

The control of utilization of the above limits is carried out every business day, and with regard to the limits for total position and individual positions for the Bank's main currencies - also during the day. During the day, the Bank also monitors additional limits for the handling of customer transactions, within the quota limits for foreign exchange positions. Information on the utilisation level of the individual limits is reported to the Bank's management on a regular basis.

The analyses show that in the analysed period the foreign exchange risk at the BOŚ Group was at a moderate level.

Once a month, the Bank carries out a stress test analysis, examining the development of the currency risk level in the event of materialisation of extreme changes in the risk factors. First of all, the impact of extremely adverse changes of exchange rates in relation to PLN and cross exchange rates of EUR/USD and EUR/CHF currency pairs on the FX position result is examined, as well as the impact of changes in exchange rate volatility over 250 business days and correlations between exchange rate volatilities on the VaR level, using both the historical and parametric methods. The historical method accounted for the exchange rate volatility caused by the COVID-19 pandemic.

The Bank uses the following scenarios to analyse the impact of stress:
1. historical ones:
   - historical increase/decrease of the exchange rates in relation to PLN (including fat tails),
   - an increase/decrease in cross-currency EUR/CHF and EUR/USD rates,
2. parametric ones:
   - an increase/decrease of the exchange rates in relation to PLN by 30%,
   - an increase in the exchange rate volatility,
   - an extremely adverse change in the exchange rate correlations.

The stress test scenarios are also run assuming a change in the market liquidity and a lack of possibility of closing the positions.

The results of the stress-testing analysis show that under extremely adverse market conditions and increased positions, the Bank's activity with regard to the currency risk remains at a safe level.

Results of the FX risk analysis in the trading book are presented in daily reports to the members of the Bank's Management Board and the ZAP Committee, in weekly cycles - to the ZAP Liquidity and Market Risk Committee, in monthly cycles - to the Bank's Management Board and the ZAP Committee and in quarterly cycles - to the Bank's Supervisory Board and the Risk Committee.

The exchange rate volatility associated with the COVID-19 pandemic did not increase significantly the currency risk level. The currency risk measures were monitored on an ongoing basis and although their levels increased slightly, they remained within the limits adopted by the Bank.

6.2.4. Other market risks

Other market risks are the general and specific equity instrument price risks, the commodity price risk and the position risk in collective investment undertakings. These risks result from the impact of changes in the prices of equity and commodity instruments and investment certificates on the risk of impairment of assets, increase in the level of liabilities or change in the financial result.

These risks occur mainly in the trading book business of DM BOŚ S.A.

Transactions in equity instruments executed on DM BOŚ S.A.'s own account relate to the operations of DM BOŚ S.A. as a market maker and in most cases are closed at the end of the day. Significant exposure to equity instruments occurs only in case of hedged (arbitrage) transactions opened by DM BOŚ S.A., including short sales. Hedged (arbitrage) transactions involve taking advantage of temporary price imbalances between two markets (e.g. between the prices of derivative financial instruments and the prices of the underlying instruments). This risk is mitigated through total exposure limits, both for secured (arbitrage) and unsecured transactions. these limits are monitored on a daily basis. Furthermore, DM BOŚ S.A. concluded transactions (acting as the market maker) on four investment certificates (BETA ETF WIG20TR Portfolio FIZ, BETA ETF WIG20Short Portfolio FIZ, BETA ETF WIG20Lev Portfolio FIZ and BETA ETF mWIG40 Portfolio FIZ). As a result, DM BOŚ S.A. recorded the position risk in collective investment undertakings and the financial result risk resulting from taking these positions was mitigated by taking opposite positions in futures contracts on WIG20 and mWIG40 indices.

The commodity price risk occurs mainly as part of operations on the OTC market, for transactions concluded with customers of DM BOŚ S.A. and hedging transactions with Saxo Bank A/S, X-Trade Brokers Dom Maklerski S.A. or Interactive Brokers (UK) Ltd.

Volatility in equity instrument prices and commodity prices, as well as of investment certificates, associated with the COVID-19 pandemic, did not increase materially the level of other market risks. The measures of these risks were monitored on an ongoing basis and although their levels increased slightly, they remained within the limits adopted by DM.

6.3. Capital management

The Group has decided, for capital adequacy purposes, to apply transitional arrangements during the transitional period, to mitigate the impact of the implementation of IFRS 9 on own funds based on Article 1(9) of Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017 (the Regulation) amending Regulation (EU) No. 575/2013. In addition, it was decided not to apply section 4 of Article 1 of Regulation (EU) 2017/2395.

Taking into account the impact of the implementation of IFRS 9 both with and without the transitional arrangements, the Group meets the applicable capital standards as at 30 June 2021.

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

The levels of the capital, the risk-weighted assets, the capital ratios, the leverage ratio and the internal capital in the Group were as follows:

Specification	30-06-2021 unaudited	31-12-2020
Available capital		
Share capital Tier 1	1,885,627	1,889,750
Common Equity Tier 1 capital - excluding transitional provisions of IFRS 9	1,828,464	1,809,722
Tier 1 capital	1,885,627	1,889,750
Tier 1 capital - excluding transitional provisions of IFRS 9	1,828,464	1,809,722
Own funds	2,104,998	2,145,333
Equity - excluding transitional provisions of IFRS 9	2,047,835	2,065,305
Risk-weighted assets		
Total amount of risk-weighted assets	13,249,427	14,438,751
- Credit and counterparty credit risk	11,697,725	13,022,337
- Operational risk	1,064,215	1,064,215
- Market risk	465,426	343,877
- CVA risk	22,062	8,323
Total risk-weighted assets - excluding transitional provisions of IFRS 9	13,199,948	14,386,856
Capital ratios		
Common Equity Tier 1 ratio	14.23	13.09
Common Equity Tier 1 ratio - excluding transitional provisions of IFRS 9	13.85	12.58
Tier 1 capital ratio	14.23	13.09
Tier 1 capital ratio - excluding transitional provisions of IFRS 9	13.85	12.58
Total capital ratio	15.89	14.86
Total capital ratio - excluding transitional provisions of IFRS 9	15.51	14.36
Leverage ratio		
Exposure value	21,818,446	22,073,776
Leverage ratio	8.6	8.6
Leverage ratio - excluding transitional provisions of IFRS 9	8.4	8.3
Internal capital		
Internal capital	1,500,623	1,720,983

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

In order to mitigate the risk of decrease of capital ratios, the BOŚ Group monitors the scale and structure of its operations, and the factors that may have an impact on decreasing the level of own funds of the BOŚ Group.

The BOŚ Group estimates the internal capital, on a quarterly basis, to cover:

in thousand PLN

1. pillar I risks:
    - for the credit risk and the credit counterparty - based on the regulatory requirement, taking into account an additional surcharge for non-performing loans (NPE)/impaired loans (NPL),
    - for individual risks comprising the market risk group, including CVA, and for the operational risk - based on regulatory requirements,
2. pillar II risks:
    - for risks whose level is assessed as significant.

Under Article 92 of the CRR Regulation, the Group is required to maintain a total capital ratio of at least 8%. The Tier 1 capital ratio and the Common Equity Tier 1 capital ratio should be at least 6% and 4.5%, respectively.

Pursuant to the CRR Regulation and the act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system, financial institutions are required to maintain additional capital buffers for capital ratios. As of 1 January 2019, the security buffer is 2.5 pps, and the countercyclical buffer is 0 pps. The Bank was not covered by a buffer of another systemically important institution. The system buffer was dissolved by decision of the Minister of Finance of 18 March 2020.

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

As a result, as at 30 June 2021, the minimum capital ratios recommended by the Commission are 8.87% for the Tier 1 capital ratio and 11.0% for the total capital ratio TCR.

The Group's level of capital adequacy both with and without the application of the transitional arrangements of IFRS 9 as at 30 June 2021 remained above the levels recommended by the Polish Financial Supervision Authority.

6.4. Operational risk

The operational risk management at the BOŚ Group focuses on the Bank and the Companies which, in accordance with the internal procedures, have been identified as significant in terms of the generated operational risk. As at 30 June 2021, the operational risk identified as material, apart from the Bank, was present in Dom Maklerski BOŚ S.A. and BOŚ Leasing - EKO Profit S.A.

Within the BOŚ Group, the Bank strives to develop a uniform operational risk management system covering identification, measurement, monitoring, reporting and control of the operational risk. The uniform approach is aimed, among others, at defining and introducing instruments in the BOŚ Group to organise the operational risk management, modelled on the instruments in force at the Bank. The Bank analyses information on the operational risk in the BOŚ Group, in particular on the operational risk losses, provides opinions on internal regulations of subsidiaries in this area, and submits recommendations on actions to be taken in the field of the operational risk management.

The operational risk is understood as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, including the legal risk, taking into account operational risk events with a low frequency but high losses; reputation and strategic risks are not included in the scope of the operational risk.

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

The Bank and its subsidiaries which are material as regards the generated operational risk collect information on material operational risk events. This information is collected by the Bank in a dedicated IT application and used for:

1. ongoing monitoring of the operational risk level,
2. monitoring of the follow-up of incidents,
3. measurement or estimation of the operational risk losses,
4. generating reports on operational risk events, including reports for the needs of external institutions.

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

The level of operational risk is measured using quantitative, qualitative and mixed methods, including, among others:

1. calculation of the capital requirement for the operational risk acc. to the standard method,
2. calculation and monitoring of the key operational risk indicators (KRIs),
3. operational risk reviews (self-assessment of potential operational risks),
4. conducting stress tests.

The Bank conducts the stress tests for the operational risk using three methods: sensitivity analysis, reverse analysis, scenario analysis. The stress tests are carried out once a year. As a result of the stress tests carried out so far, the amount of losses assumed in the scenarios confronted with the amount of the available capital in the form of a tolerance limit and capital requirement for the operational risk confirmed the ability to absorb operational risk losses by the capital requirement for the operational risk and, in the case of the majority of scenarios, also the operational risk tolerance limit.

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

1. organisation of work to mitigate the occurrence of the operational risk by, among others, separating the executive and control functions, setting limits for making decisions or performing operations at the Bank, managing the access rights to the premises and systems in order to reduce the risk of actions by unauthorised persons,
2. the personnel policy,
3. internal control,
4. strategic internal limits for the operational risk, i.e. tolerance and appetite limit,
5. periodic operational risk reviews based on a self-assessment process,
6. risk maps built to identify sources of potential threats and to assess the level of risk resulting from them,
7. operational risk stress tests,
8. threshold values for key operational risk indicators (KRIs),
9. clauses in contracts concluded with external entities limiting the operational risk,
10. insurance of the bank property in specialised companies,
11. documenting the methodical, process, organisational and IT solutions applied in the Bank,
12. automation of activities as a result of applying IT solutions and increasing the quality of operations through the use of specialised software,
13. business continuity and contingency plans developed for the Bank's critical business processes,
14. analysis of the adequacy of the calculated capital requirements for operational risk to the actual operational risk incurred by the Bank,
15. internal trainings for the Bank's employees aimed at making them aware of and understanding the role, impact and ways of dealing with the operational risk.

The level and profile of the operational risk, the level of utilisation of the operational risk limits, and the amount of losses from operational risk events are regularly monitored by the Operational Risk Office and reported to: the Supervisory Board, the Risk Committee of the Supervisory Board, the Bank's Management Board and the Operational Risk Committee.

In the first half of 2021, there was no significant increase in the overall operational events, due to the COVID-19 pandemic. There were few events related to interruptions in serving customers at branches caused by the COVID-19 pandemic. There were no losses from the operational risk events related to the COVID-19 pandemic.

6.5. Compliance risk

The compliance risk is understood as the risk of consequences of non-compliance with the law, internal regulations and market standards in the processes functioning at the Bank.

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

The basic rules for ensuring compliance in the Bank within the control function and the compliance risk management process are set out in the Compliance Policy of Bank Ochrony Środowiska S.A., as developed by the Management Board and approved by the Supervisory Board, as well as executive acts to the Policy, including:

a. the Principles of Compliance Risk Management at Bank Ochrony Środowiska S.A,
b. the Principles of Internal Control at Bank Ochrony Środowiska S.A.

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

The compliance risk management at the Bank aims to:

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

The Bank identifies the key areas for compliance:
1. preventing illegal activities at the Bank, including counteracting money laundering and financing terrorism,
2. information security,
3. implementation and monitoring of compliance with the ethical standards,
4. accepting or giving benefits and gifts,
5. advertising and marketing activities,
6. offering products,
7. customer complaints and claims,
8. conflict of interest management.

In the first half of 2021 there were no events that would materially affect the level of the compliance risk, the Bank focused its activities on preventing the occurrence of the compliance risk.

The Bank continued to implement the post-inspection recommendations of the KNF in the area of counteracting money laundering and terrorist financing. The KNF and the Bank's authorities are informed about the current status of the implementation of the recommendations on an ongoing basis.

6.6. Model risk

The model risk in the BOŚ Group is concentrated in the Bank. BOŚ Leasing - EKO Profit S.A. has only insignificant models, for which the risk is not assessed. As at 30 June 2021, Dom Maklerski BOŚ S.A does not use models in its operations.

The model risk is defined in the Bank in accordance with the supervisory requirements as the potential loss that may be incurred as a result of decisions based on data obtained in the processes of applying internal models, due to errors related to the development, implementation or application of such models (Art. 3(1)(11) of the CRDIV).

The process of identifying, assessing and monitoring the model risk includes the areas related to:
1. the risk of using incorrect, incomplete data,
2. the risk of incorrect model assumptions, assumptions that are inadequate for the process being estimated,
3. the methodological risk resulting from the use of inappropriate estimation methodologies and techniques in the model building process,
4. the risk of insufficient monitoring, validation and model update, as well as the risk of using a correct but wrongly implemented model.

Due to the extensive use of models supporting the core processes at BOŚ S.A., e.g.: the lending process, the capital management processes, the credit, market and financial risk management processes, the model risk is considered a constant material risk at the Bank. The internal capital is estimated and established for the model risk.

The model risk management is carried out in the Group in accordance with the internal regulations, including the internal capital estimation and allocation principles, the model risk management policy, the model risk management methodology and the material model validation methodologies. Activities in this area are coordinated by an independent unit of the Model Validation Office and the Operational Risk Office, which directly report to the Vice-President of the Bank's Management Board who organisationally coordinates the Risk Area tasks.

In order to quickly and accurately identify the model risk, the Bank has a standardised, comprehensive model risk management process, which covers:

1. the life cycle of models,
2. the principles of assessing the materiality of models functioning at the Bank,
3. the principles of functioning of model logs - model logs contain, among others, information on the functioning models, the set of parameters, the changes made to the models, their updates and reviews. The logs provide information on the relevance of the models, the monitoring results, validation and risk levels carried by the models,
4. the standards and rules for monitoring and reporting of the model risk - in case of significant models, the model monitoring takes place on a quarterly basis, for other models - on an annual basis. In exceptional cases, resulting, in particular, from limited data availability or significant labour-intensive nature of the monitoring, the frequency of monitoring may be smaller (however, not less than once a year for significant models and not less than once in three years for non-significant models). Reports are submitted on a quarterly basis. Additionally, an annual assessment of the Policy implementation is carried out and approved by the Bank's Supervisory Board,
5. the principles for conducting model validation - model validation is conducted by the independent Model Validation Office, in principle once a year in case of significant models. For some types of significant models, if it is directly related to their specific functioning, the validation may be conducted less than once a year (but not less than once every three years). Other models are validated as part of the so-called ad-hoc validation ordered by the Bank's Management Board, a competent Committee, based on external or internal recommendations, or at the request of the model owner.

As at 30 June 2021, the Group has 7 significant models in operation, out of 24 production models. The significant models function only at the Bank. The Bank's material model risks are assessed periodically, in accordance with the standards adopted in internal regulations, taking into account the calculation of internal capital related to hedging the Bank against the model risk. Reporting on the status of model management and validation activities includes the model risk assessment, the tolerance level and the associated level of capital allocated to the model risk. Reports on the validation of significant models are presented and accepted at meetings of competent Committees appointed by the Bank's Management Board.

The aggregate risk assessment of the material models as at 30 June 2021 is moderate. In addition, no single material model generates a high level risk. The aggregate risk level of the models falls within the risk tolerance level set and adopted by the Supervisory Board.

7. Net interest income

Specification	for the 6-month period ended on 30-06-2021 unaudited				for the 6-month period ended on 30-06-2020 unaudited			
	Interest revenues		Interest-like revenues		Interest revenues		Interest-like revenues	
	Financial assets measured at amortised cost	Assets measured at fair value through other comprehensi ve income	Financial assets mandatorily measured at fair value through profit or loss	Total	Financial assets measured at amortised cost	Assets measured at fair value through other comprehensive income	Financial assets mandatorily measured at fair value through profit or loss	Total
Receivables from banks and the Central Bank	2,127	-	-	2,127	693	-	-	693
Receivables from institutional customers	124,984	-	391	125,375	172,423	-	682	173,105
Receivables from private customers	44,859	-	1	44,860	60,314	-	8	60,322
Investment debt securities not held for trading	12,562	19,445	-	32,007	17,373	41,490	-	58,863
Financial instruments held for trading	-	-	1,622	1,622	-	-	205	205
Total	**184,532**	**19,445**	**2,014**	**205,991**	**250,803**	**41,490**	**895**	**293,188**

in thousand PLN

Specification	for the 6-month period ended on 30-06-2021 unaudited			for the 6-month period ended on 30-06-2020 unaudited		
Interest and similar expenses on:	**Financial liabilities measured at amortised cost**	**Financial liabilities measured at fair value through profit or loss**	**Total**	**Financial liabilities measured at amortised cost**	**Financial liabilities measured at fair value through profit or loss**	**Total**
Bank accounts and deposits from banks	513	-	513	218	-	218
Bank accounts and deposits of institutional customers	754	-	754	18,560	-	18,560
Bank accounts and deposits of individual customers	15,828	-	15,828	57,897	-	57,897
Credits and loans from banks	-	-	-	-	-	-
Credits and loans from customers	83	-	83	311	-	311
Funds for loans (JESSICA)	28	-	28	149	-	149
Financial instruments - own issue debt securities	5,987	-	5,987	8,576	-	8,576
Hedging transactions	-	3,303	3,303	-	3,854	3,854
Lease liabilities	1,953	-	1,953	1,847	-	1,847
Litigation and claims related to foreign currency mortgage loans	-	-	-	201	-	201
Other	22	-	22	334	-	334
Total	**25,168**	**3,303**	**28,471**	**88,093**	**3,854**	**91,947**

in thousand PLN

8. Net fee and commission income

Specification	for the 6-month period ended on 30-06-2021	for the 6-month period ended on 30-06-2020
Fee and commission revenue		
Fees for brokerage services	50,626	44,688
Fees for servicing customer accounts, other clearing operations in domestic and foreign trade	17,986	16,122
Commissions on loans	18,423	17,435
Commissions on guarantees and letters of credit	3,144	2,766
Portfolio management and other management fees	310	250
Other charges	1	1
Total	**90,490**	**81,262**
Costs of fees and commissions		
Fees from brokerage activities, including:	15,269	14,866
from fiduciary activities	310	194
Payment card fees	3,688	3,445
Fees on current accounts	794	210
ATM charges	613	612
Commission on receivables from customers	52	131
Commissions paid to other banks in cash transactions	-	-
Other charges	280	495
Total	**20,696**	**19,759**

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

9. Dividend revenue

Specification	for the 6-month period ended on 30-06-2021	for the 6-month period ended on 30-06-2020
Securities held for trading valued at fair value through profit or loss	38	34
Securities at fair value through other comprehensive income	6,286	5,526
Total	**6,324**	**5,560**

10. Result on financial instruments measured at fair value through profit or loss (including receivables from customers)

Specification	for the 6-month period ended on 30-06-2021	for the 6-month period ended on 30-06-2020
Securities held for trading	544	- 16,020
Derivative financial instruments	30,389	50,708
Receivables from customers	19	11
Total	**30,952**	**34,699**

11. Result on investment securities

Specification	for the 6-month period ended on 30-06-2021	for the 6-month period ended on 30-06-2020
Result on sales of securities valued at fair value through other comprehensive income	-	3,726
Total	**-**	**3,726**

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

12. Other operating revenues

Specification	for the 6-month period ended on 30-06-2021	for the 6-month period ended on 30-06-2020
Release of provisions for liabilities, including:	394	4,022
provisions for liabilities and claims	106	978
other provisions	288	3,044
Revenues on release of revaluation write-offs of receivables	2,524	946
Revenues from recovered time-barred, written-off and irrecoverable receivables	4	119
Revenues from sale or liquidation of tangible or intangible assets	133	29
Revenues from the reimbursement of debt collection costs	1,441	356
Revenues from sale of goods and services	8,236	4,368
Adjustment of interest on cancelled deposits from previous years	259	755
Revenues from damages, penalties and fines	11	141
Other	1,672	2,237
Total	**14,674**	**12,973**

in thousand PLN

13. Other operating expenses

Specification	for the 6-month period ended on 30-06-2021 unaudited	for the 6-month period ended on 30-06-2020 unaudited
Liquidation of tangible and intangible assets	60	21
Donations made	783	989
Creation of provisions for liabilities and claims, including:	868	6,801
provision for reimbursement of commission on early repayment of loans	-	1,056
provision for other liabilities and claims	868	5,745
Revaluation awrite-offs of receivables	4,514	1,615
Debt collection costs	1,658	1,036
Adjustment of interest and commissions on loans from previous years*	12,454	1,090
Costs of lease charges	1,298	595
Costs of maintenance and administration of own leased premises	2,034	58
Costs related to damages, penalties and fines	146	278
Costs of erroneous brokerage transactions	115	101
Other	1,940	1,616
Total	**25,870**	**14,200**

* The item "Adjustment of interest and commissions on loans from previous years" in 2021 includes adjustments of income from previous years, arising on settlement of the operation of debt portfolio sale.

for the six-month period ending on 30 June 2021 in thousand PLN

14. Result of impairment allowances

Specification	for the 6-month period ended on 30-06-2021	for the 6-month period ended on 30-06-2020
Securities at fair value through other comprehensive income	1,300	- 1,441
Securities measured at amortised cost	- 56	- 1
Receivables from banks	80	62
Receivables from customers and off-balance sheet liabilities, including:	- 64,473	- 61,645
balance sheet receivables	- 58,516	- 55,459
from private customers	- 19,027	- 15,860
from institutional customers	- 39,489	- 39,599
off-balance-sheet liabilities	- 5,957	- 6,186
from private customers	- 120	- 24
from institutional customers	- 5,837	- 6,162
Total	**- 63,149**	**-63,025**

Result of impairment write-offs on receivables from customers:

Specification	for the 6-month period ended on 30-06-2021	for the 6-month period ended on 30-06-2020
Individual pricing	- 39,815	- 29,456
Group pricing	- 18,701	- 26,003
Total	**- 58,516**	**-55,459**

for the six-month period ending on 30 June 2021 in thousand PLN

15. G&A costs

Specification	for the 6-month period ended on 30-06-2021	for the 6-month period ended on 30-06-2020
Employee benefits	92,112	82,253
Administrative expenses, including:	**77,500**	**76,668**
material costs	51,528	47,507
taxes and charges	3,323	2,211
contribution and payments to the BGF	21,366	25,609
contribution and payments to the KNF	1,168	1,214
contribution to the Financial Ombudsman's operating costs	69	81
contribution to the Chamber of Brokerage Houses	46	46
Other	-	-
Depreciation and amortisation, including:	**27,448**	**28,031**
fixed assets	6,861	6,976
intangible assets	13,480	12,587
rights of use	7,107	8,468
Total	**197,060**	**186,952**

for the six-month period ending on 30 June 2021 in thousand PLN

16. Tax burden

Specification	for the 6-month period ended on 30-06-2021 unaudited	for the 6-month period ended on 30-06-2020 unaudited
Current tax	- 7,917	- 23,398
Deferred tax	- 2,976	4,388
Total	**- 10,893**	**- 19,010**
Gross profit	**17,757**	**58,692**
Income tax at 19% rate	- 3,374	- 11,151
Permanent differences between the gross result and the tax base	- 7,519	- 7,734
reducing:	4,311	2,045
released revaluation write-offs	1,017	179
dividends received	1,202	1,056
valuation of companies	55	-
other	2,037	810
increasing:	- 12,493	- 9,967
revaluation write-offs created	- 5,455	- 1,263
provision for large EU Court of Justice	- 1,802	-
paid contributions to the BGF	- 4,054	- 5,338
valuation of companies	- 244	-
other	- 938	- 3,366
deductions from income:	663	188
tax loss	514	-
donations	149	188
Tax charges related to the current year's financial result	**- 10,893**	**- 18,885**
Change in tax charges of current year result relating to previous years	**-**	**- 125**
Total tax charges on financial result	**- 10,893**	**- 19,010**
Effective tax rate	**61%**	**32%**

The details of the deferred income taxes are presented in note 25.

for the six-month period ending on 30 June 2021 in thousand PLN

17. Earnings per share

The basic earnings per share are calculated by dividing the profit attributable to the Bank's shareholders by the weighted average number of ordinary shares during the year.

Specification	for the 6-month period ended on 30-06-2021	for the 6-month period ended on 30-06-2020
Net profit	6,864	39,682
Weighted average number of ordinary shares (in thousands)	92,910	92,910
Basic earnings per share (in PLN and grosz)	**0.07**	**0.43**

The diluted earnings per share are equal to the basic earnings per share for the periods presented.

18. Receivables from other banks

Specification	30-06-2021 unaudited	31-12-2020
Deposits in other banks included in cash equivalents	114,094	33,328
Deposits in other banks below 3 months	12,496	9,088
including: Deposits in other banks below 3 months (cash of customers of Dom Maklerski BOŚ S.A.)	12,496	9,088
Deposits in other banks over 3 months	-	-
Receivables due to derivative instrument hedging	46,392	99,092
Debt securities classified in the portfolio of receivables from other banks	15,051	15,051
Total gross	**188,033**	**156,559**
Impairment write-offs on debt securities classified as receivables from other banks	- 863	- 943
Total net	**187,170**	**155,616**

The receivables from other banks by maturity are presented in note 24.

19. Financial assets and liabilities held for trading

Specification of assets	30-06-2021 unaudited	31-12-2020
Derivative financial instruments, including:	100,243	98,297
foreign exchange transactions and currency derivative exchange transactions	12,749	7,756
transactions in interest rate derivatives	65,470	74,136
futures and options	22,024	16,405
Other	-	-
Securities held for trading	44,611	14,837
debt securities	-	805
equity securities	44,611	14,032
Total financial assets held for trading	**144,854**	**113,134**

Specification of liabilities	30-06-2021 unaudited	31-12-2020
Derivative financial instruments, including:	62,789	102,741
foreign exchange transactions and currency derivative exchange transactions	4,165	17,458
transactions in interest rate derivatives	54,927	80,638
futures and options	3,697	4,645
Other	-	-
Securities held for trading	1,536	575
equity securities	1,536	575
Total financial liabilities held for trading	**64,325**	**103,316**

for the six-month period ending on 30 June 2021 in thousand PLN

20. Investment securities

Specification	30-06-2021 unaudited				31-12-2020			
	Measured at fair value through other comprehensive income	Valued at amortised cost	Valued at fair value through profit or loss	Total	Measured at fair value through other comprehensive income	Valued at amortised cost	Valued at fair value through profit or loss	Total
Debt securities:	**5,185,556**	**1,613,683**	**147,257**	**6,946,496**	**5,597,061**	**1,535,239**	**153,634**	**7,285,934**
State Treasury bonds	1,518,044	1,405,473	-	2,923,517	2,026,964	1,397,710	-	3,424,674
State Treasury bills	-	-	-	-	159,777	-	-	159,777
NBP bills - recognised in cash equivalents	2,599,984	-	-	2,599,984	2,179,952	-	-	2,179,952
bonds of local government institutions	146,059	-	-	146,059	147,739	-	-	147,739
bonds of other banks	485,014	86,905	147,257	719,176	593,370	87,875	153,634	834,879
bonds of other financial institutions	436,455	121,305	-	557,760	489,259	49,654	-	538,913
Equity securities	**85,479**	**-**	**-**	**85,479**	**85,480**	**-**	**-**	**85,480**
quoted	18,543	-	-	18,543	18,543	-	-	18,543
unquoted	66,936	-	-	66,936	66,937	-	-	66,937
Total	**5,271,035**	**1,613,683**	**147,257**	**7,031,975**	**5,682,541**	**1,535,239**	**153,634**	**7,371,414**

The investment securities by maturity are presented in note 24.

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the year ending on 30 June 2021 PLN in thousand

21. Receivables from customers

Specification	30-06-2021 unaudited			31-12-2020		
	Gross receivables from customers	Impairment write-offs	Net receivables from customers	Gross receivables from customers	Impairment write-offs	Net receivables from customers
Valuation at amortised cost	**12,466,083**	**1,105,436**	**11,360,647**	**13,030,489**	**1,203,009**	**11,827,480**
Receivables from private customers	**3,600,543**	**266,461**	**3,334,082**	**3,800,293**	**336,569**	**3,463,724**
overdrafts	3,984	1,414	2,570	4,428	1,400	3,028
cash loans	412,125	73,775	338,350	474,414	110,114	364,300
housing loans	2,914,585	164,072	2,750,513	3,031,302	185,429	2,845,873
other credits and loans	269,849	27,200	242,649	290,149	39,626	250,523
Receivables from institutional customers	**8,865,540**	**838,975**	**8,026,565**	**9,230,196**	**866,440**	**8,363,756**
working capital facilities	639,238	88,141	551,097	611,961	93,252	518,709
time credits and loans	7,427,226	728,867	6,698,359	7,991,981	754,186	7,237,795
factoring receivables	447,185	7,147	440,038	337,125	5,675	331,450
lease receivables	142,628	11,562	131,066	116,466	10,710	105,756
purchased receivables	134,961	2,003	132,958	97,470	1,347	96,123
commercial securities	74,302	1,255	73,047	75,193	1,270	73,923
Valuation at fair value through profit or loss	**-**	**-**	**19,839**	**-**	**-**	**25,514**
Receivables from private customers	**-**	**-**	**916**	**-**	**-**	**1,192**
housing credits and loans	-	-	340	-	-	427
other credits and loans	-	-	576	-	-	765
Receivables from institutional customers	**-**	**-**	**18,923**	**-**	**-**	**24,322**
working capital facilities	-	-	33	-	-	39
time credits and loans	-	-	18,890	-	-	24,283
Total	**-**	**-**	**11,380,486**	**-**	**-**	**11,852,994**
Margin deposited	27,667	44	27,623	31,706	2	31,704
Other receivables	3,122	-	3,122	2,599	-	2,599
Total receivables from customers	**-**	**-**	**11,411,231**	**-**	**-**	**11,887,297**

in thousand PLN

The receivables from customers include preferential loans with interest subsidies from NFOŚiGW and WFOŚiGW, which, in the presented periods, amount to (nominal value):

Specification	30-06-2021 unaudited	31-12-2020
Preferential loans with subsidies, including:	**74,861**	**93,488**
measured at amortised cost	56,188	69,525
measured at fair value through profit or loss	18,673	23,963

in thousand PLN

Change in gross carrying amount and impairment write-offs on receivables from customers:

Specification	Gross value of receivables from private customers					Gross value of receivables from institutional customers				
	Basket 1	Basket 2	Basket 3	POCI	Total	Basket 1	Basket 2	Basket 3	POCI	Total
Opening balance as at 01-01-2021	**15,511**	**21,689**	**299,369**	**-**	**336,569**	**69,263**	**104,433**	**692,719**	**25**	**866,440**
Change in gross value due to acquisition of financial assets	1,581	28	-	-	1,609	10,483	392	110	-	10,985
Change in estimated write-offs	- 5,769	4,756	22,221	-	21,208	- 13,134	23,349	49,456	1	59,672
Change in gross value due to discontinued recognition of a financial asset	- 443	- 312	- 92,170	-	- 92,925	- 3,675	- 9,238	- 85,209	-	- 98,122
including: change of write-offs resulting from financial instruments written off from the statement of financial situation	-	-	- 88,976	-	- 88,976	-	-	- 79,495	-	- 79,495
Change in write-offs resulting from transfers of financial assets between baskets	3,307	- 6,620	3,313	-	-	20	3,308	- 3,328	-	-
Transfer to Basket 1	4,709	- 4,562	- 147	-	-	13,698	- 13,342	- 356	-	-
Transfer to Basket 2	- 733	3,620	- 2,887	-	-	- 11,064	19,918	- 8,854	-	-
Transfer to Basket 3	- 669	- 5,678	6,347	-	-	- 2,614	- 3,268	5,882	-	-
Other changes	- 3	1	2	-	-	112	- 112	-	-	-
Closing balance as at 30-06-2021	**14,184**	**19,542**	**232,735**	**-**	**266,461**	**63,069**	**122,132**	**653,748**	**26**	**838,975**

in thousand PLN

Specification	Provisions for receivables from individual customers					Provisions for receivables from institutional customers				
	Basket 1	Basket 2	Basket 3	POCI	Total	Basket 1	Basket 2	Basket 3	POCI	Total
Opening balance as at 01-01-2020	**17,937**	**26,812**	**230,097**	**-**	**274,846**	**61,245**	**98,136**	**736,786**	**-**	**896,167**
Change in write-offs resulting from acquisition of financial assets	2,000	18	-	-	2,018	7,220	312	-	-	7,532
Change in estimated write-offs	- 8,004	7,826	22,547	-	22,369	- 2,594	16,558	50,614	-	64,578
Change in write-offs resulting from discontinued recognition of a financial	- 523	- 271	- 2,181	-	- 2,975	- 3,436	- 5,686	- 1,653	-	- 10,775
including: change in write-offs resulting from financial instruments written off from the statement of financial position	-	-	- 196	-	- 196	-	-	- 5	-	- 5
Change in write-offs resulting from transfers of financial assets between	5,882	- 9,878	3,996	-	-	- 368	- 6,140	6,508	-	-
Transfer to Basket 1	7,052	- 7,023	- 29	-	-	6,899	- 6,897	- 2	-	-
Transfer to Basket 2	- 676	2,687	- 2,011	-	-	- 7,035	7,251	- 216	-	-
Transfer to Basket 3	- 494	- 5,542	6,036	-	-	- 232	- 6,494	6,726	-	-
Other changes	- 30	30	-	-	-	991	- 977	- 12	-	2
Closing balance as at 30-06-2020	**17,262**	**24,537**	**254,459**	**-**	**296,258**	**63,058**	**102,203**	**792,243**	**-**	**957,504**

in thousand PLN

22. Liabilities to customers

Specification	30-06-2021 unaudited	31-12-2020
Private customers	8,799,388	9,380,943
current/settlement accounts	4,957,080	5,206,561
term deposits	3,842,308	4,174,382
Institutional customers	6,449,325	6,305,999
current/settlement accounts	4,985,375	5,126,798
term deposits	1,463,950	1,179,201
Other customers	79,153	72,182
Credits and loans received from International Financial Institutions	633,809	715,708
Funds for loans	88,523	85,883
Total	**16,050,198**	**16,560,715**

In the first half of 2021 and in 2020, the BOŚ Group did not record any delays in payments of principal or interest instalments, and it did not breach any other contractual provisions resulting from its obligations.

23. Subordinated liabilities

Series	Currency	Interest rate terms	Maturity/redemption date	Nominal value	Balance of liabilities	Nominal value	Balance of liabilities
				30-06-2021 unaudited		31-12-2020	
Series AA1	PLN	WIBOR 6M + margin (6-month	7 years (with option to buy after 5 years)	34,214	34,870	34,214	34,884
Series AA2	PLN	WIBOR 6M + margin (6-month	7 years (with option to buy after 5 years)	65,786	66,265	65,786	66,259
Series P	PLN	WIBOR 6M + margin (6-month	10 years (with option to buy after 5 years)	150,000	151,781	150,000	151,834
Series R1	PLN	WIBOR 6M + margin (6-month	10 years (with option to buy after 5 years)	83,000	83,564	83,000	83,566
Series W	PLN	WIBOR 6M + margin (6-month	7 years (with option to buy after 5 years)	32,500	32,463	32,500	32,453
Total				**365,500**	**368,943**	**365,500**	**368 996**

in thousand PLN

24. Provisions

Specification	30-06-2021 unaudited	31-12-2020
Provisions for granted contingent liabilities, including:	35,611	29,653
open lines of credit	21,053	19,313
guarantees	14,558	10,340
Provision for employee benefits - retirement and pension severance payments	3,712	3,650
Provision for litigation and claims for legal risk related to foreign currency mortgage loans	372,825	376,410
Provision for reimbursement of commission on early repayment of loans	1,397	1,534
Provision for other liabilities and claims	8,050	7,287
Total	**421,595**	**418,534**

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

25. Deferred income tax

The deferred income tax is calculated on all temporary differences using the income tax rate of 19%.

The deferred tax liabilities and assets are attributed to the following items:

Specification	for the 6-month period ended on 30-06-2021 unaudited	for the 6-month period ended on 30-06-2020 unaudited
Deferred income tax liabilities due to:		
revenue to be received	32,419	45,799
increases due to valuation of assets	34,886	47,151
undepreciated fixed assets covered by investment tax credit	12,040	11,866
revenues from unsettled short sales	-	2,039
net value of lease agreements	36,423	14,191
commissions paid to be settled according to ESP	8,356	4,392
IBNR included in tax costs in previous years	870	1,119
other temporary differences	294	114
Total	**125,288**	**126,671**

Specification	for the 6-month period ended on 30-06-2021 unaudited	for the 6-month period ended on 30-06-2020 unaudited
Deferred income tax assets due to:		
revaluation write-offs for receivables	126,613	120,340
commissions received to be settled according to ESP	20,729	17,669
leased fixed assets	42,237	17,095
costs of unsettled short sales	-	2,040
provisions for material and personnel costs	7,599	5,697
costs to be paid	18,431	27,328
interest received on securities previously purchased by the Bank	6,207	8,464
decreases due to valuation of assets	16,288	27,376
tax loss	144	679
other temporary differences	8,055	7,609
Total	**246,303**	**234,298**

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

26. Other liabilities

Specification	30-06-2021 unaudited	31-12-2020
Interbank settlements	39,344	22,760
Liabilities to DM BOŚ counterparties	89,577	129,581
Accruals	88,022	51,231
Regulatory settlements	11,730	18,494
Trade liabilities	66,101	65,584
Commissions to be settled over time	5,922	5,904
Settlements of payment cards	889	4,898
Provision for reimbursement of commission on early repayment of loans	5,577	3,526
Other	11,521	9,548
Total	**318,683**	**311,526**

for the six-month period ending on 30 June 2021 in thousand PLN

27. Contingent assets and liabilities

Specification	30-06-2021 unaudited	31-12-2020
Contingent liabilities:	**3,177,074**	**2,863,156**
Financial, including:	2,760,076	2,490,309
open lines of credit, including:	2,714,327	2,464,889
cancellable	2,301,129	2,130,346
non-cancellable	413,198	334,543
open import letters of credit	42,264	20,250
credit promises, including:	3,485	5,170
non-cancellable	3,485	5,170
Guarantees, including:	416,998	372,847
sureties and guarantees of loan repayment	12,739	12,739
performance bonds	404,259	360,108
Contingent assets:	**1,220,521**	**915,199**
Financial, including:	-	-
open lines of credit	-	-
Warranty	1,204,164	899,975
Other	16,357	15,224
Total contingent assets and liabilities	**4,397,595**	**3,778,355**

Information on initiated court proceedings concerning credits and loans denominated in foreign currencies

As at 30 June 2021, there were a total of 488 cases pending before courts against the Bank, which concerned credits and loans denominated mainly to CHF, with the litigation value of PLN 133.06 m. The claims raised in the lawsuits stemming from the denominated credit and loan agreements generally concern declaring the credit/loan agreement invalid, and, alternatively, declaring the denomination (conversion) clauses abusive.

As at 30 June 2021, the provisions for legal risk related to foreign currency-linked mortgage loans amount to PLN 58,606 thousand for current litigation and PLN 314,219 thousand for future litigation and claims. The total provisions for legal risk related to credits and loans linked to foreign exchange rates amount to PLN 372,825 thousand.

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

28. Share capital

Registered share capital

As at 30 June 2021, the share capital amounted to PLN 929,477 thousand and remained unchanged as compared with the balance as at 31 December 2020.

Series/ issue	Share type	Type of preference	Number of shares	Value of series/issue at nominal value in thousand	Method of covering	Date of registration	Right to dividend (as of)
A	O	ordinary	236,700	2,367	paid	09-01-91	01-01-92
B	O	ordinary	1,263,300	12,633	paid	11-03-92	01-01-93
C	O	ordinary	477,600	4,776	paid	30-12-92	01-01-93
C	O	ordinary	22,400	224	contribution in kind	30-12-92	01-01-93
D	O	ordinary	1,300,000	13,000	paid	30-12-93	01-01-94
E	O	ordinary	647,300	6,473	paid	30-06-94	01-01-95
E	O	ordinary	15,500	155	contribution in kind	30-06-94	01-01-95
E	O	ordinary	37,200	372	contribution in kind	30-06-94	01-01-95
F	O	ordinary	1,500,000	15,000	paid	30-12-94	01-01-95
G	O	ordinary	1,260,000	12,600	paid	30-06-95	01-01-96
H	O	ordinary	670,000	6,700	paid	30-06-95	01-01-96
I	O	ordinary	70,000	700	paid	30-06-95	01-01-96
J	O	ordinary	1,055,000	10,550	paid	21-06-96	01-01-96
K	O	ordinary	945,000	9,450	paid	21-06-96	01-01-96
L	O	ordinary	1,200,000	12,000	paid	29-11-96	01-01-96
M	O	ordinary	2,500,000	25,000	paid	07-05-98	01-01-97
N	O	ordinary	1,853,000	18,530	paid	13-06-07	01-01-07
O	O	ordinary	1,320,245	13,202	contribution in kind	25-06-10	01-01-10
P	O	ordinary	6,500,000	65,000	paid	15-06-12	01-01-11
U	O	ordinary	40,000,000	400,000	paid	12-07-17	01-01-16
V	O	ordinary	30,074,426	300,744	paid	04-07-18	01-01-18
Number of shares, total			**92,947,671**				
Total share capital at nominal value				**929,477**			
Total share capital				**929,477**			

The nominal value of one share is PLN 10.

As at 30 June 2021, the total number of votes attached to all shares issued by the Bank was 92,947,671 and remained unchanged, as compared to 31 December 2020.

One share entitles to one vote at the General Meeting.

The other shareholders hold 27.8% shares in of the Bank's share capital.

As at the date of this interim condensed consolidated financial statement, no changes in the ownership structure of significant shareholdings were known .

Own shares

As at 30 June 2021, the Bank held 37,775 own shares, which represent 0.04% of the share capital and 0.04% of the total number of votes at the General Meeting of the Bank.
Pursuant to the provisions of the Code of Commercial Companies, the Bank is not entitled to exercise the voting rights attached to its own shares.

Share premium account

The share premium is created from the surplus of the issue price of shares above their nominal value remaining after covering the issue costs.

As at 30 June 2021 and 31 December 2020, the supplementary capital amounted to PLN 532,181 thousand.

29. Hedge accounting

Adopted hedge accounting principles

Among the entities of the BOŚ Group, the hedge accounting is applied only by the Bank.

The hedge accounting is an integral part of the financial risk management process. The financial risk management is carried out within the risk management process applied in the BOŚ Group.

The hedged risk is the interest rate risk in the banking book. The Bank applies the fair value hedge accounting for the State Treasury bonds with fixed interest rates.

Cash flow hedge accounting

As at 30 June 2021, the BOŚ Group did not apply the cash flow hedge accounting.

Fair value hedge accounting

During the hedging period, the Bank hedges the volatility of the fair value of fixed-interest bonds resulting from changes in changes in the market interest rates. The hedged item is the part of the State Treasury bonds held in the HtCS business model. The hedging instrument is the Interest Rate Swap (IRS) transactions, under which the Bank makes a payment based on a fixed interest rate and receives a coupon based on a floating rate (6-month WIBOR).

Thanks to the establishment of the hedging relationship, the effect of mutual offsetting of changes in the fair value of the hedging instrument and the hedged position due to the hedged risk is achieved in the profit and loss account. Only one type of the risk is hedged (i.e. the interest rate volatility risk). The spread between the quotations of the treasury bonds and the IRS transactions is excluded from the hedge.

The hedge is expected to be highly effective in offsetting changes in the fair value arising from the hedged risk. The effectiveness of the hedge is verified through prospective and retrospective effectiveness tests. The prospective test involves analysing the BPV measure of the hedged item and the hedging instrument. The retrospective test is performed based on the direct offset method, which compares changes in the value of the hedging transaction and the hedged position resulting from changes in the hedged risk factor. The retrospective test is positive if the effectiveness evaluation coefficient is in the range <0.8; 1.25>. The tests are performed on a quarterly basis. The Bank does not identify any significant sources of ineffectiveness of the fair value hedging.

Changes in the fair value of the hedged item resulting from changes in the market interest rates are recognised in the income statement. Changes in the fair value of bonds not attributable to changes in the hedged risk factor are recognised in the revaluation reserve. Changes in the valuation of the hedging instrument are recognised in the income statement.

As at 30 June 2021, the Bank had one fair value hedge relationship - a hedge established on 20 October 2015.

The hedged position under the hedging relationship established in 2015 comprises PLN 240 m of treasury bonds DS0725 maturing in July 2025.

As at 30 June 2021, an amount of PLN 4,560 thousand was posted to the profit and loss account, resulting from the changes in the fair value of bonds due to the interest rate risk and the fair value of IRS transactions. In the revaluation reserve an amount of PLN -4,652 thousand was recorded, being the sum of the impact on the bond capital from the moment of establishing a hedging relationship (PLN -11,345 thousand) and the change of the fair value of bonds resulting from the unsecured part of the risk (spread between prices of bonds and IRS transactions).

Specification	30-06-2021 unaudited			31-12-2020		
	carrying amount	nominal value	fair value*\	carrying amount	nominal value	fair value*\
Hedging instruments						
Interest Rate Swap (IRS) - negative valuation	17,274	258,000	11,701	24,497	258,000	22,083
Hedged item						
State Treasury bonds - positive valuation	268,478	240,000	16,261	273,804	240,000	26,415
Cumulative impact on the result			**4,560**			**4,332**

* For bonds that are hedged items, this is an adjustment to the fair value

30. Notes to the statement of cash flows

Cash and cash equivalents

For the purposes of the statement of cash flows, the cash and cash equivalents balance includes the following highly liquid balances with maturities of less than three months.

Specification	30-06-2021 unaudited	31-12-2020
Cash in hand, cash at the Central Bank (Note 19)	224,494	266,552
Deposits in other banks included in cash equivalents (note 20)	114,094	33,328
Investment securities (Note 22)	2,599,984	2,179,952
Total	**2,938,572**	**2,479,832**

The balance of cash and cash equivalents includes the obligatory reserve maintained on the NBP account.

On 21 June 2018, the Management Board of the National Bank of Poland adopted a resolution on exempting the Bank from the obligation to maintain 55% of the required mandatory reserve. The exemption above is binding from 2 July 2018 to 31 December 2021.

Pursuant to paragraph 12 of NBP Resolution No. 40/2015, the Bank may use the funds held in the mandatory reserve account for current monetary settlements.

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

The provision declared to be maintained in June 2021 amounted to PLN 30,765 thousand (June 2020 - PLN 28,530 thousand). The Bank is required to maintain the average cash balance per month above the declared reserve requirement.

Explanation of the differences between the balance sheet movements and the movements in the balance sheet items reported in the operating activities in the statement of cash flows:

Specification	for the 6-month period ended on 30-06-2021 unaudited	for the 6-month period ended on 30-06-2020 unaudited
Change in receivables from other banks	- 31,554	- 32,878
Change in deposits in other banks recognised in cash equivalents	80,766	- 19,004
Total change in deposits in other banks and receivables from other banks	**49,212**	**- 51,882**
Change in investment securities	339,439	- 1,165,986
Change in investment securities recognised as cash	420,032	440,151
Purchase of securities measured at amortised cost	70,595	-
Interest received on securities measured at amortised cost	- 24,008	- 29,144
Transfer of interest on securities measured at amortised cost to interest from investment activities	31,857	37,535
Revaluation of financial assets measured at fair value through other comprehensive income	- 18,602	23,173
Total change in investment securities	**819,313**	**- 694,271**
Change in other assets and income tax	40,143	- 92,060
Deferred income tax recognised in the profit and loss account	- 2,976	4,388
Deferred income tax on valuation of investment securities	3,534	- 4,403
Non-monetary changes in intangible assets and tangible fixed assets	- 46	- 465
Other changes due to leasing	- 106	-
Total change in other assets and income tax	**40,549**	**- 92,540**
Change in other liabilities and income tax	8,267	105,887
Current income tax charges	- 7,917	- 23,398
Income tax paid	9,517	25,780
Total change in other liabilities and income tax	**9,867**	**108,269**
Change in liabilities arising from the issue of bank securities and subordinated liabilities	- 53	- 273
Interest paid on own bonds, including:	6,035	5,870
on subordinated bonds	6,035	5,870
Interest accrued on own bonds, including:	- 5,982	- 5,597
on subordinated bonds	- 5,982	- 5,597
Total change in liabilities arising from the issue of bank securities	**-**	**-**

in thousand PLN

31. Fair value of financial assets and liabilities

The carrying amount and fair value of financial assets and liabilities other than those measured at fair value in the financial statement are presented below:

Specification	Carrying amount 30-06-2021	Fair value 30-06-2021	Carrying value 31-12-2020	Fair value 31-12-2020
FINANCIAL ASSETS				
Receivables from other banks	**187,170**	**190,133**	**155,616**	**158,813**
Receivables from customers including:	**11,411,231**	**11,313,570**	**11,887,297**	**11,751,753**
receivables in Polish zloty	8,822,081	8,750,860	9,080,574	8,993,394
receivables in foreign currency	2,589,150	2,562,710	2,806,723	2,758,359
Investment securities - measured at amortised cost	**1,613,683**	**1,663,204**	**1,535,239**	**1,615,371**
Debt securities, including:	1,613,683	1,663,204	1,535,239	1,615,371
State Treasury	1,405,473	1,457,039	1,397,710	1,472,158
Other	208,210	206,165	137,529	143,213
FINANCIAL LIABILITIES				
Liabilities of the Central Bank and other banks	**445,210**	**445,210**	**732,743**	**732,743**
Liabilities to customers, including:	**16,050,198**	**16,067,969**	**16,560,715**	**16,583,462**
institutional customers	6,537,848	6,537,668	6,391,882	6,391,627
private customers	8,799,388	8,816,956	9,380,943	9,403,399
other customers	79,153	79,153	72,182	72,182
international financial institutions	633,809	634,192	715,708	716,254
Subordinated liabilities	**368,943**	**355,490**	**368,996**	**351,812**

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

Receivables from other banks

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

Receivables from customers

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

The fair value of loans is assumed to equal their value resulting from the currently estimated future principal and interest flows (separately for currencies and for PLN), calculated on the basis of the effective interest rate for each loan (except for loans with an undetermined schedule or non-performing loans, for which the carrying amount is assumed as the fair value) discounted with the average effective interest rate for loans granted over the last twelve months. Down payments are included for mortgage loans. In case of loans in foreign currencies, which the Bank ceased to grant, an average effective interest rate on the corresponding loans in PLN was applied, adjusted by the difference between the rates in specific currencies and in PLN.

Investment securities measured at amortised cost

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

Liabilities of the Central Bank and other banks

Liabilities to the Central Bank and liabilities under repo transactions are recorded at the carrying value. Repo liabilities are recorded at the carrying amount due to lack of available market data to calculate the fair value of the Bank's primary repo transaction with the counterparty.

Inter-bank deposits, due to their short term, are recognised at the carrying amount, and loans (principal and interest) are discounted at the average effective interest rate.

Liabilities to customers

Liabilities in the balance sheet are measured at amortised cost using the effective interest rate. The fair value of liabilities is assumed to equal their value resulting from discounting the principal and interest for all deposits at the weighted average interest rate that was in effect for deposits accepted in June 2021. Due to the lack of schedules for current accounts, they are recognised at the carrying amount.

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

Liabilities arising from the issue of bank securities

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

Subordinated liabilities

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

32. Division of financial instruments measured at fair value depending on the fair value measurement method

In accordance with IFRS 13, the fair value is defined as the price that would be received for disposal of an asset or paid for the transfer of a liability in an arm's length transaction in the principal (or most advantageous) market at the measurement date in the current market conditions (i.e. the exit price), regardless of whether that price is directly observable or estimated using another valuation technique. When estimating the fair value, the Group takes into account an adjustment for the counterparty credit risk.

As at 30 June 2021 and 31 December 2020, the BOŚ Group classified financial assets and liabilities measured at fair value into three categories (levels) according to their valuation method:

1. Level 1: mark-to-market valuation method directly from the available quotations of instruments on the market. This applies to quoted equity and debt securities and NBP bills (quotations based on the reference rate),
2. Level 2: mark-to-model measurement method with model parameterisation based on quotes from the active market for a given type of instruments or prices obtained in transactions concluded close to the balance sheet date on normal market conditions. The fair value is also determined by reference to other, similar instruments, by discounted cash flow analysis and other valuation methods commonly used by market participants, and in the case of financial instruments for which valuation at cost is not possible. This includes unlisted bank securities, equity securities and derivatives (including forward transactions in securities) except where they meet the criteria for Level 3. Additionally, in the portfolio of assets available for sale DM BOŚ holds shares of the entity for which there is no active market. Considering the above, the fair value of these securities is based on the valuation model developed by the Company, which takes into account the comparable values for business entities listed on the Warsaw Stock Exchange,
3. Level 3: mark-to-model valuation method with model parameterisation based on active market quotes for a given type of instruments and model parameterisation based on estimated risk factors. This applies to municipal securities (the valuation is based on discounted flows, with credit spreads used for the valuation determined on the basis of the internal ratings), securities of other banks (the price is determined based on the margins of securities quoted on the market at the time of price determination, issued by appropriately selected issuers), unlisted equity securities and equity securities with low liquidity (valued using the discounted flow method). In case of DM BOŚ, these are financial instruments acquired with the intention to place them on a regulated market. The fair value is determined on the basis of an analysis of the company's financial position, taking into account the impairment losses.

Breakdown of financial instruments by level:

Specification	Level 1	Level 2	Level 3	Total
Financial assets held for trading	**45,291**	**99,563**	**-**	**144,854**
debt securities	-	-	-	-
equity securities	44,564	47	-	44,611
derivative financial instruments	727	99,516	-	100,243
Derivative hedging instruments	**-**	**-**	**-**	**-**
Measured at fair value through other comprehensive income	**4,136,571**	**147,256**	**1,134,465**	**5,418,292**
debt securities	4,118,028	147,256	1,067,529	5,332,813
equity securities	18,543	-	66,936	85,479
Receivables from other banks	**-**	**-**	**190,133**	**190,133**
Receivables from customers	**-**	**-**	**11,313,570**	**11,313,570**
Investment securities measured at amortised cost	**1,663,204**	**-**	**-**	**1,663,204**
Total	**5,845,066**	**246,819**	**12,638,168**	**18,730,053**

Specification	Level 1	Level 2	Level 3	Total
Financial liabilities held for trading	**1,828**	**62,497**	**-**	**64,325**
derivative financial instruments	293	62,497	-	62,790
equity securities	1,535	-	-	1,535
Derivative hedging instruments	**-**	**17,274**	**-**	**17,274**
Liabilities to other banks	**-**	**-**	**445,210**	**445,210**
Liabilities to customers	**-**	**-**	**16,067,969**	**16,067,969**
Subordinated liabilities	**-**	**-**	**355,490**	**355,490**
Total	**1,828**	**79,771**	**16,868,669**	**16,950,268**

Changes in securities measured at fair value by other comprehensive income	Level 3
Opening balance	**1,297,304**
Purchase	647,000
Sale and redemption	-801,750
Total profit or loss	-8,092
to financial result	-8,858
in other comprehensive income	766
Closing balance	**1,134,462**

for the six-month period ending on 30 June 2021 in thousand PLN

31-12-2020	Level 1	Level 2	Level 3	Total
Financial assets held for trading	**15,217**	**97,917**	**-**	**113,134**
debt securities	805	-	-	805
equity securities	13,985	47	-	14,032
derivative financial instruments	427	97,870	-	98,297
Derivative hedging instruments	**-**	**-**	**-**	**-**
Measured at fair value through other comprehensive income	**4,385,236**	**153,634**	**1,297,305**	**5,836,175**
debt securities	4,366,693	153,634	1,230,368	5,750,695
equity securities	18,543	-	66,937	85,480
Receivables from other banks	**-**	**-**	**158,813**	**158,813**
Receivables from customers	**-**	**-**	**11,751,753**	**11,751,753**
Investment securities measured at amortised cost	**1,615,371**	**-**	**-**	**1,615,371**
Total	**6,015,824**	**251,551**	**13,207,871**	**19,475,246**

31-12-2020	Level 1	Level 2	Level 3	Total
Financial liabilities held for trading	**790**	**102,526**	**-**	**103,316**
derivative financial instruments	215	102,526	-	102,741
equity securities	575	-	-	575
Derivative hedging instruments	**-**	**24,497**	**-**	**24,497**
Liabilities to other banks	**-**	**-**	**732,743**	**732,743**
Liabilities to customers	**-**	**-**	**16,583,462**	**16,583,462**
Subordinated liabilities	**-**	**-**	**351,812**	**351,812**
Total	**790**	**127,023**	**17,668,017**	**17,795,830**

Changes in securities measured at fair value by other comprehensive income	Level 3
Opening balance as at 01-01-2020	**305,126**
Purchase	1,385,613
Sale and redemption	-405,181
Total profit or loss	11,746
to financial result	- 6,799
in other comprehensive income	18,545
Closing balance as at 31-12-2020	**1,297,304**

Interim Condensed Consolidated Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

The transfer of instruments between Level 1 and Level 2 occurs based on the availability of quotes from the active market as at the end of the reporting period.
A transfer from Level 2 to Level 3 occurs when an observable factor is substituted in the valuation with an unobservable factor, or when a new unobservable risk factor is used in the valuation, which simultaneously results in a significant impact on the instrument valuation.
A transfer from Level 3 to Level 2 occurs when an unobservable factor is substituted in the valuation with an observable factor, or when the impact of the unobservable factor on the instrument valuation ceases to be significant.
Transfers between the valuation methods are made on the date and as at the end of the reporting period.

There were no transfers of instruments between the levels in the period from 1 January to 30 June 2021. For instruments classified as Level 3, their valuation has no impact on the income statement. The fair value measurement of instruments classified as Level 3 was included in other comprehensive income. Included in the financial result are accrued interest, interest paid, discount or premium, foreign exchange differences and released provisions (this relates to equity securities).

As at 30 June 2021, the sensitivity of the valuation of the municipal instruments classified as Level 3 to the change in the credit spread by +/- 1 bps (an unobservable model parameter) amounted to PLN 44 thousand (31 December 2020 - PLN 51 thousand).

33. Segment reporting

As required by IFRS 8, operating segments were determined on the basis of internal reports on the components of the enterprise subject to periodic review by the executive responsible for making operational decisions. IFRS 8 defines an operating segment as a part of an entity's activity that meets three criteria:

1. the segment conducts business activities in which it may earn revenues and incur expenses,
2. the operating results of the segment are reviewed on a regular basis by a person who makes the entity's chief operating decisions,
3. separate financial information for the segment is available.

The following are the principles of reporting by operating segments for the periods ended on 30 June 2021 and 30 June 2020, broken down into the following lines of business:

1. the institutional customer division,
2. the individual customer division,
3. the treasury and investment activities,
4. the brokerage activities,
5. other (not allocated to segments).

The institutional customer division covers transactions made through Business Centres, operating branches and the Bank's Head Office with corporate customers, small and medium-sized enterprises and micro-enterprises. The Bank's activity in the individual customer division concerns transactions with customers being natural persons.

The treasury and investment business area includes operations on the interbank, debt securities and derivatives markets, and in equity investments. The treasury and investment activities include management of the Bank's liquidity, the foreign exchange and interest rate risks and the fund transfer pricing settlements with other business divisions (segments).

The brokerage activities include services for individual and institutional customers.

The “other” (not allocated to segments) area includes the items of the income statement which have not been allocated to any of the business areas listed in items 1-4, in particular revenues and expenses related to non-classified customers.

The financial data of BOŚ Leasing - EKO Profit S.A. and MS Wind Sp. z o.o. companies is classified in the institutional customer division.

The products of the treasury and investment activity area include financial instruments, current and term deposits, interbank deposits and deposits of ALM customers, loans from other banks and loans granted to banks, debt and equity securities and derivatives.

The area of brokerage activities covers mainly acquisition and disposal of securities for another entity’s or on one's own account, keeping securities accounts, managing another entity's securities portfolio on request and offering securities in primary trading or in the first public offering.

The assets and liabilities of the areas specified in items 1-2 above have been separated on the basis of the Bank's credit and deposit base.

The net interest income includes transfer settlements between the institutional customer division or the individual customer division and the treasury and investment business area. The transfer valuation of the funds is based on reference rates and additional funding rates, taking into account the currency, stability of funds and term, among other factors, which are related to the yield curve. All material interest-bearing assets and liabilities as well as off-balance-sheet items generating liquidity needs are measured at the transfer rates. The valuation is made in a monthly cycle and is based on the average (daily) individual interest transactions assigned to a given division separately for each currency.

The operating result of the institutional customer division and the individual customer division is the result on the banking activities of those divisions reduced by the value of administrative expenses directly attributable to transactions or units of the given division, as well as allocated expenses and impairment write-offs. The financial result also includes the mutual settlements related to the service of customers of the institutional customer division by the Bank's operating branches (targeted at serving individual customers).

The result on the financial activities of the above mentioned divisions comprises, among others:

1. The net interest income, i.e. the sum of the difference between the interest income on loans and municipal bonds from customers and the costs for funds received from ALM (treasury and investment activities) and the income on transfer of funds to ALM less interest expenses paid to the Bank's customers.
2. The net fee and commission income, i.e. the difference between the fee and commission income and the expenses allocated to a given transaction and allocated to the business area. The income includes revenues and costs settled on a one-off basis and over time using the straight-line method, while the revenues and costs settled with the effective interest rate method are charged against the net interest income
3. The foreign exchange result, i.e. income on negotiated foreign exchange transactions (forward and SPOT) and income on exchange according to the Bank's foreign exchange table. This item includes the result on derivative transactions.
4. The result on impairment write-offs and the measurement of receivables at fair value through profit or loss, i.e. the result on change in impairment write-offs on loans and municipal and corporate bonds and the result on loans and municipal and corporate bonds measured at fair value attributable to the business area. The result includes changes on account of exchange rate fluctuations on the portfolio of impaired foreign currency loans.

The financial result of the treasury and investment business area is the sum of the results of the Bank's treasury and capital investment business areas, which include, among others:

1. Net interest income - calculated as the sum of the net interest income on transactions with external customers and the result of fund transfer pricing settlements with other segments. The external interest revenues and expenses relate to transactions on the interbank market (deposits and loans), as well as debt securities purchased and issued. The result of the fund transfer pricing settlements is the difference between revenues from financing other segments' assets and transfer costs for deposit funds received from other segments.
2. The foreign exchange result includes the result on foreign exchange trade transactions, revaluation of hedge positions for foreign currency loan provisions and changes in valuation of hedge positions for active foreign currency forward transactions. This item includes the foreign exchange result not allocated to other segments.
3. The result on hedge accounting includes the result on cash flow hedging transactions and fair value.
4. The result on financial instruments valued at fair value through profit or loss, the result on operations recorded in the Trading Book and on transactions in financial instruments, including FX SWAP.
5. The result on investment securities - the result relates to shares, holdings and debt securities, as well as valuation of financial instruments.
6. Dividend revenue
7. The difference in the value of impairment write-offs, the result relates to stocks and shares and exposures to financial institutions allocated to the treasury and investment activity areas.

The consolidated financial results of BOŚ S.A. Capital Group for the periods ended on 30 June 2021 and 30 June 2020 attributable to the adopted segments are presented below.

Item	Statement presenting the components of the profit and loss account for the 12-month period ended on 31 -06-2021 unaudited	INSTITUTIONAL DIVISION	INDIVIDUAL DIVISION	TREASURY AND INVESTMENT ACTIVITIES	BROKERAGE ACTIVITIES	OTHERS (NOT ALLOCATED TO SEGMENTS)	BOŚ GROUP
I.	**Net interest income**	**80,979**	**24,883**	**72,605**	**- 548**	**- 399**	**177,520**
1.	Interest and similar revenues, including:	134,219	67,063	11,302	29	2	212,615
	sales to external customers	125,979	45,182	34,801	29	-	205,991
	sales to other segments	8,240	21,881	- 23,499	-	2	6,624
2.	Interest and similar expenses, including:	- 53,240	- 42,180	61,303	- 577	- 401	- 35,095
	sales to external customers	- 758	- 15,833	- 11,758	- 122	-	- 28,471
	sales to other segments	- 52,482	- 26,347	73,061	- 455	- 401	- 6,624
II.	**Net fee and commission income**	**30,824**	**3,551**	**-**	**35,667**	**- 248**	**69,794**
III.	Dividend revenue	-	-	6,286	38	-	6,324
IV.	Result on financial instruments measured at fair value through profit or loss	18	1	11,013	19,920	-	30,952
V.	Result on hedge accounting	-	-	228	-	-	228
VI.	Result on investment securities	-	-	-	-	-	-
VII.	Result on foreign exchange position	8,470	12,463	- 7,364	- 171	- 4	13,394
VIII.	**Result on banking activities**	**120,291**	**40,898**	**82,768**	**54,906**	**- 651**	**298,212**
IX.	Result of other operating revenues and costs	- 5,723	- 4,995	-	- 3,710	3,232	- 11,196
X.	Result on legal risk of mortgage loans in foreign currencies	-	- 9,050	-	-	-	- 9,050
XI.	Result of impairment allowances	- 48,055	- 16,357	1,263	-	-	- 63,149
XII.	**Result on financial activities**	**66,513**	**10,496**	**84,031**	**51,196**	**2,581**	**214,817**

for the six-month period ending on 30 June 2021 in thousand PLN

1.	Direct costs	- 15,599	- 12,977	- 1,350	- 33,671	- 702	- 64,299
	Result after direct costs	**50,914**	**- 2,481**	**82,681**	**17,525**	**1,879**	**150,518**
2.	Indirect costs and mutual services	- 35,176	- 37,340	- 6,825	-	-	- 79,341
	Result after direct and indirect costs	**15,738**	**- 39,821**	**75,856**	**17,525**	**1,879**	**71,177**
3.	Depreciation and amortisation	- 9,945	- 11,621	- 1,026	- 4,004	- 852	- 27,448
5.	Other costs (taxes, BGF, KNF)	- 13,837	- 10,185	- 219	- 1,587	- 144	- 25,972
XIII.	**Gross financial result**	**- 8,044**	**- 61,627**	**74,611**	**11,934**	**883**	**17,757**
XIV.	Allocated ALM result	42,130	23,619	- 65,749	-	-	-
XV.	**Gross financial result after allocation of the ALM result**	**34,086**	**- 38,008**	**8,862**	**11,934**	**883**	**17,757**
XVI.	Tax burden						- 10,893
XVII.	**Net financial result**						**6,864**
	Segment assets	**8,188,972**	**3,332,710**	**7,589,363**	**347,266**	**216,692**	**19,675,003**
	including receivables from banks and customers	8,045,488	3,332,710	197,394	19,687	3,122	11,598,401
	Segment liabilities	**5,974,105**	**7,815,354**	**3,446,007**	**1,688,680**	**750,857**	**19,675,003**
	including liabilities to banks and customers	5,952,196	7,815,354	1,167,542	1,479,390	80,926	16,495,408
	Expenditure on fixed assets and intangible assets	**4,032**	**4,095**	**535**	**3,543**	**-**	**12,205**

in thousand PLN

Item	Statement presenting the components of the profit and loss account for the 12-month period ended on 30-06-2020 unaudited	INSTITUTIONAL DIVISION	INDIVIDUAL DIVISION	TREASURY AND INVESTMENT ACTIVITIES	BROKERAGE ACTIVITIES	OTHER (NOT ALLOCATED TO SEGMENTS)	BOŚ GROUP
I.	**Net interest income**	**108,464**	**39,322**	**52,219**	**1,795**	**- 559**	**201,241**
1.	Interest and similar expenses, including:	221,366	139,441	- 65,585	2,958	9	298,189
	sales to external customers	176,292	60,718	55,859	319	-	293,188
	sales to other segments	45,074	78,723	- 121,444	2,639	9	5,001
2.	Interest and similar expenses, including:	- 112,902	- 100,119	117,804	- 1,163	- 568	- 96,948
	sales to external customers	- 18,606	- 57,748	- 15,069	- 524	-	- 91,947
	sales to other segments	- 94,296	- 42,371	132,873	- 639	- 568	- 5,001
II.	**Net fee and commission income**	**27,268**	**4,643**	**2**	**30,072**	**- 482**	**61,503**
III.	Dividend revenue	-		5,526	34	-	5,560
IV.	Result on financial instruments at fair value through profit or loss	5	7	10,059	24,628	-	34,699
V.	Result on hedge accounting	-		28	-	-	28
VI.	Result on investment securities	-	-	3,726	-	-	3,726
VII.	Result on foreign exchange position	3,686	1,537	6,595	- 122	- 9	11,687
VIII.	**Result on banking activities**	**139,423**	**45,509**	**78,155**	**56,407**	**- 1,050**	**318,444**
IX.	Result of other operating income and expenses	65	- 332	- 6	- 311	- 643	- 1,227
X.	Result on legal risk of mortgage loans in foreign currencies	-	- 8,548	-	-	-	- 8,548
XI.	Result of impairment allowances	- 46,091	- 15,464	- 1,470	-	-	- 63,025
XII.	**Result on financing activities**	**93,397**	**21,165**	**76,679**	**56,096**	**- 1,693**	**245,644**

in thousand PLN

1.	Direct costs	- 12,789	- 13,076	-	- 30,710	- 636	- 57,211
	Result at direct expenses	**80,608**	**8,089**	**76,679**	**25,386**	**- 2,329**	**188,433**
2.	Indirect expenses and mutual services	- 33,003	- 32,597	- 6,949	-	-	- 72,549
	Result at direct and indirect services	**47,605**	**- 24,508**	**69,730**	**25,386**	**- 2,329**	**115,884**
3.	Depreciation and amortisation	- 9,903	- 12,177	- 1,027	- 4,074	- 850	- 28,031
5.	Other costs (taxes, BGF, KNF)	- 14,690	- 12,494	- 49	- 1,789	- 139	- 29,161
XIII.	**Gross financial result**	**23,012**	**- 49,179**	**68,654**	**19,523**	**- 3,318**	**58,692**
XIV.	Allocated ALM result	32,718	30,323	- 63,041	-	-	-
XV.	**Gross financial result after allocation of the ALM result**	**55,730**	**- 18,856**	**5,613**	**19,523**	**- 3,318**	**58,692**
XVI.	Tax burden						- 19,010
XVII.	**Net financial result**						**39,682**
	Segment assets	**8,717,283**	**3,558,396**	**6,941,098**	**335,640**	**173,420**	**19,725,837**
	including receivables from banks and customers	8,525,944	3,558,396	197,825	19,313	2,729	12,304,207
	Segment liabilities	**5,173,667**	**8,516,347**	**4,232,272**	**1,314,485**	**489,066**	**19,725,837**
	including liabilities to banks and customers	5,161,747	8,516,347	1,621,456	1,103,716	79,566	16,482,832
	Expenditure on fixed assets and intangible assets	**5,127**	**5,302**	**605**	**4,425**	**3**	**15,462**

in thousand PLN

34. Transactions with related parties

As at 30 June 2021, Bank Ochrony Środowiska S.A. held a dominant role over Dom Maklerski BOŚ S.A., BOŚ Leasing - EKO Profit S.A., and MS Wind Sp. z o.o.

The parent company of BOŚ S.A. was the National Fund for Environmental Protection and Water Management (NFOŚiGW).

The key management personnel are also considered related parties.

Description of transactions with the Bank's main shareholder, i.e. NFOŚiGW

As at 30 June 2021, under the Prosument program concerning the financing of the purchase and installation of renewable energy sources, the NFOŚiGW entrusted funds for preferential loans in the amount of PLN 12,383 thousand, while as at 31 December 2020 this amount was PLN 15,554 thousand.

NFOŚiGW is an entity affiliated with the State Treasury. The Bank makes transactions with entities related to the State Treasury - mainly with public finance sector entities.

Information on loans and deposits of the Members of the Management and Supervisory Boards of the BOŚ Group

Within the operational activities, transactions carried out with the members of the management body and the key management personnel consist primarily of loans and deposits. The balances of the individual balance sheet items as at 30 June 2021 and 31 December 2020 and costs and revenues for the 6-month period ended on 30 June 2021 and 31 December 2020 are presented below:

Key management personnel

Specification	30-06-2021 unaudited	31-12-2020
Loan balance	306	354
Commitments granted due to line of credit	-	5
Deposit balance	682	2,311
Total	**988**	**2,670**

Specification	for the 6-month period ended on 30-06-2021 unaudited	for the 6-month period ended on 30-06-2020 unaudited
Expense of interest on deposits	-	12
Revenues from interest on loans	1	-

The key management personnel benefit from loans and deposits under the general terms and conditions of the Bank's public offering.

Interim Condensed Financial Statement of BOŚ S.A. Capital Group for the six-month period ending on 30 June 2021 in thousand PLN

Remuneration of the key management personnel of BOŚ S.A.

Specification	for the 6-month period ended on 30-06-2021 unaudited	for the 6-month period ended on 30-06-2020 unaudited
Management Board of the Bank		
short-term employee benefits*	1,340	1,091
post-employment benefits	14	89
Total	**1,354**	**1,180**
Supervisory Board of the Bank		
short-term employee benefits**	641	642
Total	**641**	**642**

* Short-term employee benefits include: remuneration under contracts of mandate, refund of overpaid social insurance premiums, income on ECP premiums, remuneration for delegating a Member of the Supervisory Board to temporarily act as a Member of the Management Board.

** Short-term employee benefits include: remuneration for appointment to the Supervisory Board, reimbursement of overpaid contributions and reimbursement of travel expenses to Supervisory Board meetings, income from training courses attended, income from ECP premiums.

in thousand PLN

Remuneration policy for the management staff of the Bank

In order to meet the requirements set out in the Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on risk management system, internal control system and remuneration policy in banks, and also in line with the provisions of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, the Bank has implemented the Remuneration Policy for Executives approved by the Supervisory Board of Bank Ochrony Środowiska S.A.

The Remuneration and Nomination Committee appointed by the Bank's Supervisory Board gives its opinion on the Remuneration Policy, gives its opinion and drafts the rules of paying remuneration to the members of the Management Board, gives its opinion on the amount of variable remuneration of executives, gives its opinion and monitors the amount of variable remuneration of the Bank's executives responsible for risk management at the second level, management of the compliance function and management of the internal audit function.

In the reporting period, the Remuneration Policy was amended in connection with the need to implement the EU legislation on capital requirements for financial institutions, the so-called CRD V/CRR II package, which were introduced to the domestic legal order in the amended Banking Law act and in the amended Regulation of the Minister of Finance, Funds and Regional Policy of 8 June 2021 on risk management system, internal control system and remuneration policy in banks.

Among others, the revised Remuneration Policy provides for:

1. payment of at least 50% of the determined variable remuneration in shares of Bank Ochrony Środowiska S.A., whose value is determined as the weighted average price of the Bank's shares in session trading at WSE in the period from 1 December of the year preceding the year of bonus award until 31 January of the year in which the bonus is awarded,

   The shares are understood as:

- the shares of Bank Ochrony Środowiska S.A. listed on the Warsaw Stock Exchange,
- virtual shares, the so called phantom shares, with a value corresponding to the price of shares listed on the Warsaw Stock Exchange.

2. deferment of payment of 40% of the variable remuneration in five equal annual instalments, with at least 50% of each tranche being paid in the Bank's shares and the remainder in cash. The deferred part may be withheld, limited or the Bank may refuse to pay or realise it, among others, when the Bank's results significantly deviate from the approved financial plan for a given year or when the conditions referred to in Art. 142(1) of the Banking Law act are met,
3. performance appraisal covering a three-year period, so that the amount of the performance-based remuneration takes into account the business cycle of the Bank and the risk related to its business activity. Results are understood as the efficiency, financial, sales targets and individual tasks set out in the Bank's strategy or financial plan for a given year.

The principles above include the variable compensation for 2021.

The maximum level of variable remuneration of each executive does not exceed 100% of the fixed remuneration. The General Meeting of Bank Ochrony Środowiska S.A. may agree to increase the maximum variable remuneration by up to 200% in relation to the fixed remuneration, in accordance with the procedure provided for in § 25 (3)(4)(b) and (c) of the MFFiPR Regulation. The increase of the maximum variable remuneration referred to in the preceding sentence does not apply to the Members of the Bank's Management Board.

The variable remuneration for the 2020 results has not yet been settled and awarded.

In addition, the second (of three) tranche of deferred variable remuneration for the 2018 performance and the first (of three) tranche of deferred variable remuneration for the 2019 performance have not yet been granted during the reporting period.

After the reporting period and the end of the retention period, the phantom shares granted as part of the non-deferred variable remuneration for 2019 and as part of the first tranche of the deferred variable remuneration for 2018, in the total amount of PLN 306,795 (38,045 phantom shares at a price being the arithmetic average of the closing prices established at the first five sessions following the end of the retention period, i.e. PLN 8,064), were converted into cash and paid out.

35. The nature and amounts of the items affecting assets, liabilities, equity, net financial income or cash flows that are unusual because of their nature, size or effect

In the first half of 2021, there were no events that were unusual and had a significant impact on assets, liabilities, equity, net financial result or cash flows of the BOŚ Group.

36. The nature and amounts of changes in estimates of the amounts reported in the prior interim periods of the current financial year or changes in estimates reported in the prior financial years, if they have a material effect on the current interim period

In the first half of 2021, there were no changes in the assumptions underlying the calculation of the estimated amounts reported in the prior interim periods of the current financial year and the prior financial years.

37. Dividends paid (in total or per share), broken down inwo ordinary shares and other shares

No dividends were paid or declared in the first half of 2021. The bank incurred a loss for 2020.

On 23 June 2021, the Ordinary General Meeting of Bank Ochrony Środowiska S.A. passed a resolution to cover the Bank's loss for the period from 1 January to 31 December 2020 in the amount of PLN 310,298 thousand from the reserve capital.

38. Events after the balance sheet date

No events after the balance sheet date.

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

Date	Name	Position/function	Signature
10/08/2021	Wojciech Hann	President of the Management Board	Signed with qualified e-signature
10/08/2021	Arkadiusz Garbarczyk	Vice-President of the Management Board - First Deputy President of the Management Board	Signed with qualified e-signature
10/08/2021	Robert Kasprzak	Vice-President of the Management Board	Signed with qualified e-signature
10/08/2021	Marzena Koczut	Vice-President of the Management Board	Signed with qualified e-signature
10/08/2021	Jerzy Zan	Vice-President of the Management Board	Signed with qualified e-signature

Signature of the person responsible for bookkeeping:

10/08/2021	Andrzej Kowalczyk	Director of the Accounting Department	Signed with qualified e-signature

in thousand PLN

II. Interim Condensed Financial Statement of the Bank

Interim Profit and Loss Account of the Bank

Continuing operations	Note	for the 3-month period ended on 30-06-2021 unaudited	for the 6-month period ended on 30-06-2021 unaudited	for the 3-month period ended on 30-06-2020 unaudited	for the 6-month period ended on 30-06-2020 unaudited
Interest and similar revenue, including:		100,541	202,350	139,638	292,523
financial assets measured at amortised cost		89,994	180,899	120,318	250,176
assets measured at fair value through other comprehensive income		9,545	19,445	18,924	41,490
financial assets measured at fair value through profit or loss		1,002	2,006	396	857
Interest and similar expenses, including:		- 13,357	- 28,346	- 41,848	- 93,776
financial liabilities measured at amortised cost		- 11,693	- 25,043	- 39,921	- 89,922
financial liabilities measured at fair value through profit or loss		- 1,664	- 3,303	- 1,927	- 3,854
Net interest income	**6**	**87,184**	**174,004**	**97,790**	**198,747**
Fee and commission revenue		21,357	41,279	19,691	37,642
Costs of fees and commissions		- 2,886	- 5,403	- 2,456	- 4,893
Net fee and commission income	**7**	**18,471**	**35,876**	**17,235**	**32,749**
Dividend revenue	**8**	6,286	6,286	5,526	5,526
Result on financial instruments measured at fair value through profit or loss (including receivables from customers)	**9**	- 4,580	10,725	7,220	10,994
Result on investment securities		-	-	3,039	3,726
Result on hedge accounting		- 112	228	- 305	28
Result on foreign exchange position		13,145	13,791	- 3,601	11,756
Other operating revenues		1,951	5,758	3,982	6,558
Other operating expenses		- 13,706	- 18,176	- 8,069	- 11,071
Result on legal risk of mortgage loans in foreign currency		- 9,050	- 9,050	- 5,325	- 8,548
Result of impairment allowances	**15**	- 22,460	- 59,188	- 42,178	- 64,463
G&A costs		- 70,821	- 152,445	- 66,203	- 146,344
Share in profits (losses) of entities valued with the equity method		2,268	6,821	10,061	13,032
Gross profit		**8,576**	**14,630**	**19,172**	**52,690**
Tax burden		- 4,372	- 8,204	- 5,502	- 15,185
Net profit		**4,204**	**6,426**	**13,670**	**37,505**
Earnings per share attributable to shareholders of the parent company during the period (in PLN)					
basic			**0.07**		**0.40**
diluted			**0.07**		**0.40**

There were no discontinued operations during the 6-month period ended on 30 June 2021 and in 2020.

The notes presented on pages 124 to 149 form an integral part of this financial statement.

for the six-month period ending on 30 June 2021 in thousand PLN

Interim Statement of Comprehensive Income of the Bank

Continuing operations	for the 3-month period ended on 30-06-2021	for the 6-month period ended on 30-06-2021	for the 3-month period ended on 30-06-2020	for the 6-month period ended on 30-06-2020
Net profit	**4,204**	**6,426**	**13,670**	**37,505**
Items that can be reclassified to the profit and loss account:	**- 14,915**	**- 15,068**	**24,302**	**18,770**
Fair value of financial assets measured at fair value through other gross comprehensive income	-18,414	- 18,603	30,002	23,173
Deferred tax	3,499	3,535	- 5,700	- 4,403
Items not subject to reclassification to the profit and loss account:	-	-	-	-
Total comprehensive income	**- 10,711**	**- 8,642**	**37,972**	**56,275**

The notes presented on pages 124 to 149 form an integral part of this financial statement.

for the six-month period ending on 30 June 2021 in thousand PLN

Interim Statement of Financial Position of the Bank

Assets	Note	30-06-2021 unaudited	31-12-2020
Cash in hand, cash at the Central Bank	20	224,476	266,532
Receivables from other banks	21	169,771	142,015
Financial assets held for trading, including:	22	76,199	79,827
debt securities		-	-
derivatives		76,199	79,827
Investment securities:	23	7,031,975	7,371,414
equity securities measured at fair value through other comprehensive income		85,479	85,480
debt securities measured at fair value through other comprehensive income		5,185,556	5,597,061
debt securities measured at amortised cost		1,613,683	1,535,239
debt securities measured at fair value through profit or loss		147,257	153,634
Receivables from customers, including:	24	11,426,136	11,891,853
measured at amortised cost		11,406,297	11,866,339
measured at fair value through profit or loss		19,839	25,514
Investments in subsidiaries	26	184,624	193,803
Intangible assets	27	94,335	99,484
Tangible fixed assets	28	35,902	38,429
Right of use - leasing	29	75,142	63,482
Income tax assets:		126,806	124,127
current		8,867	8,433
deferred	35	117,939	115,694
Other assets	30	55,416	27,896
Total assets		**19,500,782**	**20,298,862**

The notes presented on pages 124 to 149 form an integral part of this financial statement.

for the six-month period ending on 30 June 2021 in thousand PLN

Liabilities	Note	30-06-2021 unaudited	31-12-2020
To the Central Bank and other banks	31	445,210	732,743
Derivative financial instruments held for trading	22	58,637	97,410
Derivative hedging instruments	42	17,274	24,497
Liabilities to customers	32	16,038,112	16,553,777
Liabilities arising from the issue of bank securities		-	-
Subordinated liabilities	33	368,943	368,996
Provisions	34	416,955	415,070
Income tax liabilities:		-	-
current		-	-
Leasing liabilities	36	77,608	66,733
Other liabilities	37	176,279	129,230
Total liabilities		**17,599,018**	**18,388,456**

Equity	Note	30-06-2021 unaudited	31-12-2020
Equity attributable to shareholders of the parent company:			
Share capital:	39	1,460,364	1,460,364
Issued capital		929,477	929,477
Own shares		- 1,294	- 1,294
Share premium account		532,181	532,181
Revaluation reserve	40	52,801	67,869
Retained earnings	41	388,599	382,173
Total equity		1,901,764	**1,910,406**
Total equity and liabilities		**19,500,782**	**20,298,862**

The notes presented on pages 124 to 149 form an integral part of this financial statement.

in thousand PLN

Interim Statement of Changes in the Bank's Equity

	Share capital			Revaluation reserve	Retained earnings			Total equity
	Issued capital	Own shares	Share premium account		Other supplementary capital	General risk fund	Undistributed financial result	
As at 01-01-2021	**929,477**	**1,294**	**532,181**	**67,869**	**726,193**	**48,302**	**392,322**	**1,910,406**
Net profit	-	-	-	-	-	-	6,426	6,426
Other comprehensive income	-	-	-	- 15,068	-	-	-	- 15,068
Total comprehensive income	**-**	**-**	**-**	**- 15,068**	**-**	**-**	**6,426**	**- 8,642**
Profit appropriation, including:	**-**	**-**	**-**	**-**	**– 392,322**	**-**	**392,322**	**-**
Coverage of loss from previous years	-	-	-	-	– 389,286	-	389,286	-
Coverage of 2018 issue costs from supplementary capital	-	-	-	-	– 3,036	-	3,036	-
As at 30-06-2021	**929,477**	**1,294**	**532,181**	**52,801**	**333,871**	**48,302**	**6,426**	**1,901,764**

in thousand PLN

	Share capital			Revaluation reserve	Retained earnings			Total equity
	Issued capital	Own shares	Share premium account		Other supplementary capital	General risk fund	Undistributed financial result	
As at 01-01-2020 after adjustments	**929,477**	**- 1,294**	**532,181**	**47,695**	**645,531**	**48,302**	**- 1,362**	**2,200,530**
Net profit	-	-	-	-	-	-	- 310,298	- 310,298
Other comprehensive income	-	-	-	20,174	-	-	-	20,174
Total comprehensive income	**-**	**-**	**-**	**20,174**	**-**	**-**	**- 310,298**	**- 290,124**
Profit appropriation, including:	**-**	**-**	**-**	**-**	**80,662**	**-**	**- 80,662**	**-**
Transfer of profit or loss to other capitals	-	-	-	-	80,662	-	- 80,662	-
As at 31-12-2020	**929,477**	**- 1,294**	**532,181**	**67,869**	**726,193**	**48,302**	**- 392,322**	**1,910,406**
As at 01-01-2020 after adjustments	**929,477**	**- 1,294**	**532,181**	**47,695**	**645,531**	**48,302**	**- 1,362**	**2,200,530**
Net profit	-	-	-	-	-	-	37,505	37,505
Other comprehensive income	-	-	-	18,770	-	-	-	18,770
Total comprehensive income	**-**	**-**	**-**	**18,770**	**-**	**-**	**37,505**	**56,275**
Profit appropriation, including:	**-**	**-**	**-**	**-**	**80,662**	**-**	**- 80,662**	**-**
Transfer of profit or loss to other capitals	-	-	-	-	80,662	-	- 80,662	-
As at 30-06-2020	**929,477**	**- 1,294**	**532,181**	**66,465**	**726,193**	**48,302**	**- 44,519**	**2,256,805**

There were no non-controlling interests in the 6-month period ended on 30 June 2021 and in 2020

The notes presented on pages 124 to 149 form an integral part of this financial statement.

in thousand PLN

Interim Statement of Cash Flows of the Bank

Indirect method	for the 6-month period ended on 30-06-2021	for the 6-month period ended on 30-06-2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Gross profit	**14,630**	**52,690**
Total adjustments:	**513,751**	**220,580**
Share in net (profit) loss of subsidiaries valued with the equity method	-6,821	-13,032
Depreciation and amortisation	22,355	22,805
Interest on investment activities	-31,857	-37,535
Profit/loss on investment activities	2	1
Interest on financial activities	7,882	7,367
Dividends received:	-6,286	-5,526
from investment securities	*6,286*	*5,526*
Change of balance of:		
receivables from other banks	52,620	-47,527
securities held for trading	-	31,396
assets and liabilities arising from valuation of derivative and hedging financial instruments	-42,368	36,358
investment securities	819,313	-694,271
receivables from customers	465,717	-88,436
other assets and income tax	-11,914	- 6,692
liabilities to the Central Bank and other banks	-287,533	131,086
liabilities to customers	-515,665	844,775
provisions	1,885	19,893
other liabilities and income tax	47,483	34,592
Income tax paid	-7,348	-20,200
Net cash flows from operating activities	**528,381**	**273,270**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Receipts	**24,008**	**29,144**
Disposal of tangible fixed assets		
Interest received on securities measured at amortised cost	24,008	29,144
Expenditures	**-79,253**	**-11,031**
Acquisition of securities measured at amortised cost	-70,595	-
Acquisition of intangible assets	-6,797	-6,088
Acquisition of tangible fixed assets	-1,861	-4,943
Net cash flows from investment activities	**-55,245**	**18,113**

for the six-month period ending on 30 June 2021 in thousand PLN

CASH FLOWS FROM FINANCIAL ACTIVITIES		
Receipts	**-**	**-**
Expenditures	**-14,784**	**-14,517**
Redemption of bonds issued by the Bank		
Interest paid on bonds issued by the Bank, including:	-6,035	-5,870
subordinated bonds	-6,035	-5,870
Lease instalments	-8,749	-8,647
Net cash flows from financial activities	**-14,784**	**-14,517**
TOTAL NET CASH FLOWS	**458,352**	**276,866**
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	**2,475,299**	**1,677,058**
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**2,933,651**	**1,953,924**
Restricted cash and cash equivalents	30,765	28,142

The notes presented on pages 124 to 149 form an integral part of this financial statement.

for the six-month period ending on 30 June 2021 in thousand PLN

Additional explanatory notes to the interim condensed consolidated financial statement of the Bank

1. Basic information on Bank Ochrony Environment Bank S.A.

The basic information on Bank Ochrony Środowiska S.A., including the changes to the composition of the Bank's Management Board, was described in Note 1 to the interim condensed consolidated financial statements of the BOŚ S.A. Capital Group for the six-month period ended on 30 June 2021.

2. Basis of preparation and statement of compliance

This interim condensed financial statement of BOŚ S.A. for the six-month period ended on 30 June 2021 was approved for publication by the Bank's Management Board on 11 August 2021.

This interim condensed financial statement of BOŚ S.A. is published together with the interim condensed consolidated financial statement of the BOŚ S.A. Capital Group for the six-month period ended on 30 June 2021. The information on the accounting principles (policy) adopted when preparing the financial statement is described in Note 3 to the interim condensed consolidated financial statement of the BOŚ S.A. Capital Group.

The Interim Condensed Financial Statement of Bank Ochrony Środowiska S.A. (Bank, BOŚ S.A.) includes:

- the interim profit and loss account for the 6-month period ended on 30 June 2021 and the comparative data for the 6-month period ended on 30 June 2020, and the data for the 3-month period ended on 30 June 2021 and the comparative data for the 3-month period ended on 30 June 2020,
- the interim statement of comprehensive income for the 6-month period ended on 30 June 2021 and the comparative data for the 6-month period ended on 30 June 2020, and the data for the 3-month period ended on 30 June 2021 and the comparative data for the 3-month period ended on 30 June 2020,
- the interim statement of financial position as at 30 June 2021 and the comparative data as at 31 December 2020,
- the interim statement of changes in equity for the 6-month period ended on 30 June 2021 and the comparative data for the 6-month period ended on 30 June 2020 and for the 12-month period ended on 31 December 2020,
- the interim statement of cash flows for the 6-month period ended on 30 June 2021 and the comparative data for the 6-month period ended on 30 June 2020,
- additional explanatory notes.

3. Comparability with the previous period data

In the 2020 financial statement, the presentation of expenses and revenues related to legal risk associated with foreign currency loans was changed by separating them to a separate line in the profit and loss account: "Result on legal risk of mortgage loans in foreign currencies", due to the increase in the value of this item and its weight in the statement.

Transformed Interim Profit and Loss Account of the Bank

Continuing operations	Data in the published financial statement for the 3-month period ended on 30-06-2020 unaudited	Adjustment due to change in the presentation method	Adjusted data in this financial statement for the 3-month period ended on 30-06-2020 unaudited	Data in the published financial statement for the 6-month period ended on 30-06-2020 unaudited	Adjustment due to change in the presentation method	Adjusted data in this financial statement for the 6-month period ended on 30-06-2020 unaudited
Interest and similar revenue, including:	139,638	-	139,638	292,523	-	292,523
financial assets measured at amortised cost	120,318	-	120,318	250,176	-	250,176
assets measured at fair value through other comprehensive income	18,924	-	18,924	41,490	-	41,490
financial assets measured at fair value through profit or loss	396	-	396	857	-	857
Interest and similar expenses, including:	- 41,848	-	- 41,848	- 93,776	-	- 93,776
financial liabilities measured at amortised cost	- 39,921	-	- 39,921	- 89,922	-	- 89,922
financial liabilities measured at fair value through profit or loss	- 1,927	-	- 1,927	- 3,854	-	- 3,854
Net interest income	**97,790**	**-**	**97,790**	**198,747**	**-**	**198,747**
Fee and commission revenue	19,691	-	19,691	37,642	-	37,642
Costs of fees and commissions	- 2,456	-	- 2,456	- 4,893	-	- 4,893
Net fee and commission income	**17,235**	**-**	**17,235**	**32,749**	**-**	**32,749**

in thousand PLN

Dividend revenue	5,526	-	5,526	5,526	-	5,526
Result on financial instruments measured at fair value through profit or loss (including receivables from customers)	7,220	-	7,220	10,994	-	10,994
Result on investment securities	3,039	-	3,039	3,726	-	3,726
Result on hedge accounting	- 305	-	- 305	28	-	28
Result on foreign exchange position	- 3,601	-	- 3,601	11,756	-	11,756
Other operating revenues	3,982	-	3,982	6,563	- 5	6,558
Other operating expenses	- 13,394	5,325	- 8,069	- 19,624	8,553	- 11,071
Result on legal risk of mortgage loans in foreign currencies	-	- 5,325	- 5,325	-	- 8,548	- 8,548
Result of impairment allowances	- 42,178	-	- 42,178	- 64,463	-	- 64,463
G&A costs	- 66,203	-	- 66,203	- 146,344	-	- 146,344
Share in profits (losses) of entities valued with the equity method	10,061	-	10,061	13,032	-	13,032
Gross profit	**19,172**	**-**	**19,172**	**52,690**	**-**	**52,690**
Tax burden	- 5,502	-	- 5,502	- 15,185	-	- 15,185
Net profit	**13,670**	**-**	**13,670**	**37,505**	**-**	**37,505**

in thousand PLN

4. Going concern

Due to the balance sheet loss in 2015 and in connection with the requirements set out in Article 142 of the Banking Law, on 30 March 2016 the Bank submitted to the Polish Financial Supervision Authority the BOŚ S.A. Resolution Plan (RP) approved by the Bank's Supervisory Board. The Polish Financial Supervision Authority approved the aforementioned plan, taking into account the Commission's comments and information provided in the letter sent to the Bank on 14 December 2016.

In 2016 the Bank carried out a share capital increase by PLN 400 m, and in 2018 - by PLN 300.7 m.

On 23 February 2018, the Bank filed an updated RP with the KNF. The revision of the RP resulted from the failure to meet the boundary conditions of the document accepted by the KNF in December 2016, which meant that the assumptions adopted in the area of the business model and cost of risk had to be re-examined. The changes related mainly to the modification of the Bank's business model towards specialisation in line with the Bank's mission, revision of the write-down path for credit risk related to the adjustment of the business model and update of the elements related to capital adequacy.

The KNF approved the updated RP on 24 May 2018.

The period of implementation of the restructuring activities carried out by the Bank under the RP was defined as 2018 - 2021. The Bank has developed a Framework Strategy for BOŚ S.A., while maintaining consistency with the RP in terms of assumptions, directions and goals to be achieved.

On 22 June 2021, the Bank's Supervisory Board approved a new development strategy for the Bank for the years 2021 - 2023.
The Bank's objectives, defined in the Strategy at the end of 2023, are as follows:

- result on banking activities over PLN 600 m;
- ROE 3.5 - 5%;
- C/I approx. 54%;
- share of green loans in total loan volume of 50%;
- employee engagement 58%.

On 17 July 2020, the Bank received a decision from the Polish Financial Supervision Authority (KNF) in connection with the administrative proceedings initiated ex officio by the KNF on 12 May concerning the order to develop a group recovery plan for Bank Ochrony Środowiska S.A. - based on art. 141n(1) of the act of 29 August 1997. However, on 20 July 2020, the Bank received the second decision of the KNF in connection with the administrative proceedings initiated ex officio by the KNF on 12 May in order to limit the scope of the group recovery plan to entities belonging to the BOŚ Group (i.e. Bank Ochrony Środowiska S.A., Dom Maklerski S.A., BOŚ Leasing EKO-Profit S.A. and MS Wind sp. z o.o.).

The Commission concluded that the most appropriate solution was to require BOŚ S.A. to develop a group recovery plan, as referred to in Chapter XII of the amended Banking Law. The approval of it by the Commission, at the same time, signifies the termination of the obligations resulting from the curative actions carried out under the previous formula, i.e. the Recovery Programme implemented pursuant to Article 142(1) of the Banking Law in the wording in force until 8 October 2016, pursuant to Article 381(4) of the act of 10 June 2016 on the Bank Guarantee Fund, the deposit guarantee scheme and forced restructuring.

The Bank developed the Group Recovery Plan and filed it with the KNF in October 2020. The Polish Financial Supervision Authority, in its letter dated 21 January 2021, in connection with the administrative proceedings regarding the approval of the Group Recovery Plan for BOŚ S.A., requested the Bank to supplement and amend the Group Recovery Plan. The updated Group Recovery Plan was filed on 27 April 2021. However, in a letter of 15 June 2021, the KNF informed the Bank that the prerequisites dependent on BOŚ to issue a decision consistent with the party's request had not been met or demonstrated, i.e. the starting point for the GRP was not the audited financial data as at the end of 31 December 2020, and the requirement for it to be consistent with the Bank's new Strategy, which was under preparation, had not been met. The new deadline for filing the supplemented document was set for 16 July 2021. The Group Recovery Plan of the BOŚ S.A. Capital Group submitted by the Bank, according to the KNF's request, was corrected and modified regarding:

1. the update of the data constituting the starting point for the Group Recovery Plan based on the Bank's audited financial data as at 31 December 2020,
2. the consistency of the assumptions of the Group Recovery Plan with the Development Strategy of Bank Ochrony Środowiska S.A. for the years 2021-2023.

Despite the COVID-19 pandemic, the BOŚ Group maintained its full operational capacity in the first half of 2021. The Bank and the Group entities maintained the safety ratios above the minimum regulatory levels and did not experience a significant impact of the COVID-19 pandemic on the liquidity and capital adequacy.

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

5. Corrections of errors relating to previous periods

In this condensed consolidated financial statement the BOŚ Group did not correct any errors relating to financial statements from previous periods.

6. Involvement of the Bank in wind farms

Risks material from the BOŚ Group's point of view with regard to financing customers from the wind farm portfolio

A part of BOŚ S.A.'s corporate loan portfolio is comprised of exposures related to loans granted in the past years to finance onshore wind farms benefiting from the green certificate support system. The risks relating to the financing of this group of customers, identified by the Bank as part of its ongoing monitoring of the economic and financial standing, in particular the market and regulatory risk, are taken into account in the process of individual assessment of exposure, carried out on a monthly basis based on a dedicated valuation model.

The risk of volatility of market prices of electricity and green certificates is addressed in the valuation model by implementing the price paths forecast by the Bank in the medium and long term. The price paths adopted for the valuation are subject to periodical updates based on reports of renowned independent third-party experts; the last update of the price path forecasts took place in June 2021. The funds accumulated in the reserve accounts, used to support the on-going handling of loans, still mitigate the potential reduction of the revenues realised by the Customers as a result of periodical decreases in the prices of energy and/or green certificates.

Impact of the coronavirus pandemic on the business of customers from the wind farm portfolio

The economic downturn caused by the COVID-19 epidemic has not, to date, materially affected the financial position of customers from the wind farm portfolio. The loans are handled on time, in accordance with the agreed repayment schedules.

Risk of legal disputes between the Bank's customers and Energa - Obrót S.A.

The actions of Energa - Obrót S.A., taken in September 2017 and resulting in the discontinuation of twenty-two framework CPAs for the receipt of property rights resulting from green certificates and in instituting legal proceedings against the counterparties and banks for declaring the absolute invalidity of the agreements concluded, concerned eight customers financed by the Bank.

As at 30 June 2021, six customers of BOŚ S.A. were in litigation with Energa Obrót S.A., with a total exposure of the Bank amounting to PLN 89.7 m, representing 8.2% of the total exposure on account of credit exposures from the wind farm portfolio. So far, the conducted proceedings have resulted in six disputes ended with dismissal of Energa Obrót S.A.'s claim by virtue of final judgments issued by the Court of Appeal.

Energa Obrót lodged cassation complaints against three judgments of the Court of Appeal that were favourable to the Bank's customers. Further proceedings in these cases will be conducted before the Supreme Court.

The Bank conducts an ongoing monitoring of the status of pending court proceedings. All customers being in litigation with Energa Obrót S.A. are handling their loan liabilities on time.

As at 30 June 2021, BOŚ S.A. did not act as a co-respondent in any of the pending court disputes with Energa Obrót S.A., therefore the Bank does not identify any risk of having to incur additional costs arising from the proceedings to which its customers are the parties.

Risk of regulatory changes with respect to property tax

The amendment to the Act on amending the renewable energy sources act and certain other acts, published on 29 June 2018, enabled the reinstatement, with retroactive effect as of 1 January 2018, of the provisions favourable to investors concerning the rules of property taxation for wind power plants, which had been in force before 1 January 2017.

On 22 July 2020 the Constitutional Court ruled that the regulations implementing the retroactive reduction of property tax liabilities on wind farms for 2018 were unconstitutional. At the same time, the Constitutional Tribunal set a deadline of 18 months for the legislator to introduce appropriate statutory solutions in order to compensate the communes for the losses suffered as a result of the enactment of the regulations resulting in lowering their income from the wind power plant tax.

The scale of potential additional tax burdens and their impact on the financial standing of the Bank's customers from the wind farms portfolio will depend on the legal solutions adopted by the legislator, which should ensure compliance of the amended RES Act with the Constitution.

Recognised impairment write-offs for the wind farm portfolio

Specification	30-06-2021 unaudited	31-12-2020
Receivables from customers measured at amortised cost		
Receivables from customers without evidence of impairment, for which there has been a significant increase in the risk since the initial recognition (Basket 2)	1,073,377	1,168,694
Receivables from customers showing evidence of impairment but not impaired due to estimated cash flows (Basket 3)	9,250	241,329
Receivables from customers showing evidence of impairment and impaired (Basket 3)	6,148	13,434
Total receivables from customers measured at amortised cost (gross)	**1,088,775**	**1,423,457**
Impairment write-offs to:		
receivables from customers - (Basket 2)	- 28,423	- 30,947
receivables from customers - (Basket 3) not impaired	- 367	- 9,586
receivables from customers - (Basket 3) impaired	- 123	- 1,578
Total impairment write-offs	**- 28,913**	**- 42,111**
Total receivables from customers measured at amortised cost (net)	**1,059,862**	**1,381,346**
Total receivables from customers	**1,059,862**	**1,381,346**

As at 30 June 2021, the share of the wind farm portfolio in the segment of institutional loans valued at amortised cost in gross value was 12.3%, representing 8.7% of the loan portfolio, while the value of the portfolio amounted to PLN 1,088.8 m.

As at 30 June 2021, the level of allowance coverage for impaired loans in the institutional loan segment is 52.8% (the level of allowance coverage for loans in Basket 3 is 52.2%), including 2.0% for the wind farm portfolio (the level of allowance coverage for loans in Basket 3 is 3.2%).

7. Capital management

The Bank has decided, for capital adequacy purposes, to apply transitional arrangements during the transitional period, to mitigate the impact of the implementation of IFRS 9 on own funds based on Article 1(9) of Regulation (EU) 2017/2395 of the European Parliament and of the Council of 12 December 2017 (the Regulation) amending Regulation (EU) No. 575/2013. In addition, it was decided not to apply section 4 of Article 1 of Regulation (EU) 2017/2395.

Taking into account the impact of the implementation of IFRS 9 both with and without the transitional arrangements, the Bank meets the applicable capital standards as at 30 June 2021.

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

for the six-month period ending on 30 June 2021 in thousand PLN

The levels of the capitals, the risk-weighted assets, the capital ratios, the leverage ratio and the internal capital in the Bank were as follows:

Specification	30-06-2021 unaudited	31-12-2020
Available capital		
Share capital Tier 1	1,861,756	1,858,426
Common Equity Tier 1 capital - excluding transitional provisions of IFRS 9	1,791,184	1,759,626
Tier 1 capital	1,861,756	1,858,426
Tier 1 capital - excluding transitional provisions of IFRS 9	1,791,184	1,759,626
Own funds	2,081,127	2,114,009
Equity - excluding transitional provisions of IFRS 9	2,010,555	2,015,209
Risk-weighted assets		
Total amount of risk-weighted assets	12,627,283	14,111,218
- Credit and counterparty credit risk	11,687,981	13,190,506
- Operational risk	875,594	875,594
- Market risk	41,289	36,989
- CVA risk	22,419	8,130
Total risk-weighted assets - excluding transitional provisions of IFRS 9	12,577,781	14,013,272
Capital ratios		
Common Equity Tier 1 ratio	14.74	13.17
Common Equity Tier 1 ratio - excluding transitional provisions of IFRS 9	14.24	12.56
Tier 1 capital ratio	14.74	13.17
Tier 1 capital ratio - excluding transitional provisions of IFRS 9	14.24	12.56
Total capital ratio	16.48	14.98
Total capital ratio - excluding transitional provisions IFRS 9	15.98	14.38
Leverage ratio		
Exposure value	21,445,982	22,001,072
Leverage ratio	8.7	8.4
Leverage ratio - excluding transitional provisions of IFRS 9	8.4	8.0
Internal capital		
Internal capital	1,450,315	1,693,855

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

In order to mitigate the risk of decrease of capital ratios, the Bank monitors the scale and structure of its operations, and the factors that may have an impact on decreasing the level of own funds of the Bank.

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

for the six-month period ending on 30 June 2021 in thousand PLN

1. pillar I risks:
   - for the credit risk and the credit counterparty - based on the regulatory requirement, taking into account an additional surcharge for non-performing loans (NPE)/impaired loans (NPL),
   - for individual risks comprising the market risk group, including CVA, and for the operational risk - based on regulatory requirements,
2. pillar II risks:
   - for risks whose level is assessed as significant.

Under Article 92 of the CRR Regulation, the Bank is required to maintain a total capital ratio of at least 8%. The Tier 1 capital ratio and the Common Equity Tier 1 capital ratio should be at least 6% and 4.5%, respectively.

Pursuant to the CRR Regulation and the act of 5 August 2015 on macroprudential supervision of the financial system and crisis management in the financial system, financial institutions are required to maintain additional capital buffers for capital ratios. As of 1 January 2019, the security buffer is 2.5 pps, and the countercyclical buffer is 0 pps. The Bank was not covered by a buffer of another systemically important institution. The system buffer was dissolved by decision of the Minister of Finance of 18 March 2020.

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

As a result, as at 30 June 2021, the minimum capital ratios recommended by the Commission are 8.88% for the Tier 1 capital ratio and 11.01% for the total capital ratio TCR.

The Banks's level of capital adequacy, both with and without the application of the transitional arrangements of IFRS 9, as at 30 June 2021 remained above the levels recommended by the Polish Financial Supervision Authority.

8. Net interest income

Specification	for the 6-month period ended on 30-06-2021 unaudited				for the 6-month period ended on 30-06-2020 unaudited			
	Interest revenues		Interest-like revenues	Total	Interest revenues		Interest-like revenues	Total
	Financial assets measured at amortised cost	Assets measured at fair value through other comprehensi ve income	Financial assets mandatorily measured at fair value through profit or loss		Financial assets measured at amortised cost	Assets measured at fair value through other comprehensive income	Financial assets mandatorily measured at fair value through profit or loss	
Receivables from banks and the Central Bank	2,127	-	-	2,127	685	-	-	685
Receivables from institutional customers	121,351	-	391	121,742	171,804	-	682	172,486
Receivables from private customers	44,859	-	1	44,860	60,314	-	8	60,322
Investment debt securities not held for trading	12,562	19,445	-	32,007	17,373	41,490	-	58,863
Financial instruments held for trading	-	-	1,614	1,614	-	-	167	167
Total	**180,899**	**19,445**	**2,006**	**202,35 0**	**250,176**	**41,490**	**857**	**292,523**

in thousand PLN

Specification	for the 6-month period ended on 30-06-2021 unaudited			for the 6-month period ended on 30-06-2020 unaudited		
Interest and similar expenses on:	**Financial liabilities measured at amortised cost**	**Financial liabilities measured at fair value through profit or loss**	**Total**	**Financial liabilities measured at amortised cost**	**Financial liabilities measured at fair value through profit or loss**	**Total**
Bank accounts and deposits from banks	461	-	461	218	-	218
Bank accounts and deposits of institutional customers	756	-	756	20,955	-	20,955
Bank accounts and deposits of individual customers	15,828	-	15,828	57,742	-	57,742
Credits and loans from banks	-	-	-	-	-	-
Loans and advances from customers	83	-	83	311	-	311
Funds for loans (JESSICA)	28	-	28	149	-	149
Financial instruments - own issue debt securities	5,987	-	5,987	8,576	-	8,576
Hedging transactions	-	3,303	3,303	-	3,854	3,854
Lease liabilities	1,900	-	1,900	1,770	-	1,770
Litigation and claims related to foreign currency mortgage loans	-	-	-	201	-	201
Other	-	-	-	-	-	-
Total	**25,043**	**3,303**	**28,346**	**89,922**	**3,854**	**93,776**

in thousand PLN

9. Net fee and commission income

Specification	for the 6-month period ended on 30-06-2021 unaudited	for the 6-month period ended on 30-06-2020 unaudited
Fee and commission revenue		
Fees for servicing customer accounts, other clearing operations in domestic and foreign trade	19,680	17,202
Commissions on loans	18,454	17,673
Commissions on guarantees and letters of credit	3,144	2,766
Other charges	1	1
Total	**41,279**	**37,642**
Costs of fees and commissions		
Payment card fees	3,688	3,445
Fees on current accounts	794	210
ATM charges	613	612
Commission on receivables from customers	52	131
Commissions paid to other banks in cash transactions	-	-
Other charges	256	495
Total	**5,403**	**4,893**

for the six-month period ending on 30 June 2021 in thousand PLN

10.Dividend revenue

Specification	for the 6-month period ended on 30-06-2021 unaudited	for the 6-month period ended on 30-06-2020 unaudited
Securities held for trading valued at fair value through profit or loss	-	-
Securities at fair value through other comprehensive income	6,286	5,526
Total	**6,286**	**5,526**

11. Result of impairment allowances

Specification	for the 6-month period ended on 30-06-2021 unaudited	for the 6-month period ended on 30-06-2020 unaudited
Securities at fair value through other comprehensive income	1,300	-1,441
Securities measured at amortised cost	- 56	-1
Receivables from banks	80	62
Receivables from customers and off-balance sheet liabilities, including:	- 60,512	-63,083
balance sheet receivables	- 55,301	-57,275
from private customers	- 16,233	-15,441
from institutional customers	- 39,068	-41,834
off-balance-sheet liabilities	- 5,211	-5,808
from private customers	- 120	-24
from institutional customers	- 5,091	-5,784
Total	**- 59,188**	**-64,463**

Result of impairment write-offs on receivables from customers:

Specification	for the 6-month period ended on 30-06-2021 unaudited	for the 6-month period ended on 30-06-2020 unaudited
Individual pricing	- 37,021	- 29,456
Group pricing	- 18,280	- 27,819
Total	**- 55,301**	**-57,275**

for the six-month period ending on 30 June 2021 in thousand PLN

12. Earnings per share

The basic earnings per share are calculated by dividing the profit attributable to the Bank's shareholders by the weighted average number of ordinary shares during the year.

Specification	for the 6-month period ended on 30-06-2021	for the 6-month period ended on 30-06-2020
Net profit	6,426	37,505
Weighted average number of ordinary shares (in thousands)	92,910	92,910
Basic earnings per share (in PLN and grosz)	**0.07**	**0.40**

The diluted earnings per share are equal to the basic earnings per share for the periods presented.

13. Receivables from customers

Specification	30-06-2021 unaudited			31-12-2020		
	Gross receivables from customers	Impairment write-offs	Net receivables from customers	Gross receivables from customers	Impairment write-offs	Net receivables from customers
Measurement at amortised cost	**12,470,888**	**1,095,336**	**11,375,552**	**13,028,160**	**1,196,124**	**11,832,036**
Receivables from private customers	**3,598,255**	**266,461**	**3,331,794**	**3,797,592**	**336,569**	**3,461,023**
overdrafts	1,696	1,414	282	1,727	1,400	327
cash loans	412,125	73,775	338,350	474,414	110,114	364,300
housing loans	2,914,585	164,072	2,750,513	3,031,302	185,429	2,845,873
other credits and loans	269,849	27,200	242,649	290,149	39,626	250,523
Receivables from institutional customers	**8,872,633**	**828,875**	**8,043,758**	**9,230,568**	**859,555**	**8,371,013**
working capital facilities	639,238	88,141	551,097	611,959	93,252	518,707
time credits and loans	7,576,947	730,329	6,846,618	8,108,821	758,011	7,350,810
factoring receivables	447,185	7,147	440,038	337,125	5,675	331,450
lease receivables	-	-	-	-	-	-
purchased receivables	134,961	2,003	132,958	97,470	1,347	96,123
commercial securities	74,302	1,255	73,047	75,193	1,270	73,923
Valuation at fair value through profit or loss	**-**	**-**	**19,839**	**-**	**-**	**25,514**
Receivables from private customers	**-**	**-**	**916**	**-**	**-**	**1,192**
housing credits and loans	-	-	340	-	-	427
other credits and loans	-	-	576	-	-	765
Receivables from institutional customers	**-**	**-**	**18,923**	**-**	**-**	**24,322**
working capital facilities	-	-	33	-	-	39
time credits and loans	-	-	18,890	-	-	24,283
Total	**-**	**-**	**11,395,391**	**-**	**-**	**11,857,550**
Margin deposited	27,667	44	27,623	31,706	2	31,704
Other receivables	3,122	-	3,122	2,599	-	2,599
Total receivables from customers	**-**	**-**	**11,426,136**	**-**	**-**	**11,891,853**

for the six-month period ending on 30 June 2021 in thousand PLN

The receivables from customers include preferential loans with interest subsidies from NFOŚiGW and WFOŚiGW, which, in the presented periods, amount to (nominal value):

Specification	30-06-2021 unaudited	31-12-2020
Preferential loans with subsidies, including:	**74,861**	**93,488**
measured at amortised cost	56,188	69,525
measured at fair value through profit or loss	18,673	23,963

in thousand PLN

Change in gross carrying amount and impairment write-offs on receivables from customers:

Specification	Gross value of receivables from private customers					Gross value of receivables from institutional customers				
	Basket 1	Basket 2	Basket 3	POCI	Total	Basket 1	Basket 2	Basket 3	POCI	Total
Opening balance as at 01-01-2021	**15,511**	**21,689**	**299,369**	**-**	**336,569**	**69,502**	**106,965**	**683,063**	**25**	**859,555**
Change in gross value due to acquisition of financial assets	1,581	28	-	-	1,609	10,345	1,376	-	-	11,721
Change in the gross value of the existing portfolio	- 5,769	4,756	22,221	-	21,208	- 16,093	22,566	49,248	1	55,722
Change in write-offs resulting from discontinued recognition of a financial asset	- 443	- 312	- 92,170	-	- 92,925	- 3,675	- 9,239	- 85,209	-	- 98,123
including: change in write-offs resulting from financial instruments written off from the statement of financial position	-	-	- 88,976	-	- 88,976	-	-	- 79,495	-	- 79,495
Change in write-offs resulting from transfers of financial assets between baskets	3,307	- 6,620	3,313	-	-	3,973	2,610	- 6,583	-	-
Transfer to Basket 1	4,709	- 4,562	- 147	-	-	15,296	- 14,940	- 356	-	-
Transfer to Basket 2	- 733	3,620	- 2,887	-	-	- 11,024	20,730	- 9,706	-	-
Transfer to Basket 3	- 669	- 5,678	6,347	-	-	- 299	- 3,180	3,479	-	-
Other changes	- 3	1	2	-	-	112	- 112	-	-	-
Closing balance as at 30-06-2021	**14,184**	**19,542**	**232,735**	**-**	**266,461**	**64,164**	**124,166**	**640,519**	**26**	**828,875**

in thousand PLN

Specification	Provisions for receivables from individual customers					Provisions for receivables from institutional customers				
	Basket 1	Basket 2	Basket 3	POCI	Total	Basket 1	Basket 2	Basket 3	POCI	Total
Opening balance as at 01-01-2020	**17,937**	**26,812**	**230,097**	**-**	**274,846**	**62,088**	**98,348**	**728,233**	**-**	888,669
Change in write-offs resulting from acquisition of financial assets	2,000	18	-	-	2,018	7,627	300	-	-	7,927
Change in estimated write-offs	- 8,004	7,827	22,546	-	22,369	- 2,933	18,631	50,303	-	66,001
Change in write-offs resulting from discontinued recognition of a financial	- 523	- 271	- 2,181	-	- 2,975	- 3,436	- 5,687	- 1,653	-	- 10,776
including: change in write-offs resulting from financial instruments written off from the statement of financial position	-	-	- 196	-	- 196	-	-	- 5	-	- 5
Change in write-offs resulting from transfers of financial assets between	5,882	- 9,878	3,996	-	-	- 1,541	- 4,967	6,508	-	-
Transfer to Basket 1	7,052	- 7,023	- 29	-	-	6,899	- 6,897	- 2	-	-
Transfer to Basket 2	- 676	2,687	- 2,011	-	-	- 8,208	8,424	- 216	-	-
Transfer to Basket 3	- 494	- 5,542	6,036	-	-	- 232	- 6,494	6,726	-	-
Other changes	- 30	30	-	-	-	991	- 977	- 12	-	2
Closing balance as at 30-06-2020	**17,262**	**24,538**	**254,458**	**-**	**296,258**	**62,796**	**105,648**	**783,379**	**-**	**951,823**

in thousand PLN

14. Provisions

Specification	30-06-2021 unaudited	31-12-2020
Provisions for granted contingent liabilities, including:	36,945	31,733
open lines of credit	22,387	21,393
guarantees	14,558	10,340
Provision for employee benefits - retirement and pension severance payments	3,038	2,976
Provision for litigation and claims for legal risk related to foreign currency mortgage loans	372,825	376,410
Provision for reimbursement of commission on early repayment of loans	1,397	1,534
Provision for other liabilities and claims	2,750	2,417
Total	**416,955**	**415,070**

15. Other liabilities

Specification	30-06-2021 unaudited	31-12-2020
Interbank settlements	39,344	22,760
Accruals	57,343	20,249
Regulatory settlements	5,156	6,335
Trade liabilities	63,577	65,021
Commissions to be settled over time	5,872	5,904
Settlements of payment cards	889	4,898
Provision for reimbursement of commission on early repayment of loans	3,441	3,526
Other	657	537
Total	**176,279**	**129,230**

for the six-month period ending on 30 June 2021** in thousand PLN

16. Contingent assets and liabilities

Specification	30-06-2020 unaudited	31-12-2020
Contingent liabilities:	**3,234,092**	**2,956,784**
Financial, including:	2,817,094	2,583,937
open lines of credit, including:	2,771,345	2,558,517
cancellable	2,358,147	2,223,974
non-cancellable	413,198	334,543
open import letters of credit	42,264	20,250
credit promises, including:	3,485	5,170
non-cancellable	3,485	5,170
guarantees, including:	416,998	372,847
sureties and guarantees of loan repayment	12,739	12,739
performance bonds	404,259	360,108
Contingent assets:	**1,204,164**	**899,975**
Financial, including:	-	-
open lines of credit	-	-
guarantee	1,204,164	899,975
Total contingent assets and liabilities	**4,438,256**	**3,856,759**

Information on initiated court proceedings concerning credits and loans denominated in foreign currencies

As at 30 June 2021, there were a total of 488 cases pending before courts against the Bank, which concerned credits and loans denominated mainly to CHF, with the litigation value of PLN 133.06 m. The claims raised in the lawsuits stemming from the denominated credit and loan agreements generally concern declaring the credit/loan agreement invalid, and, alternatively, declaring the denomination (conversion) clauses abusive.

As at 30 June 2021, the provisions for legal risk related to foreign currency-linked mortgage loans amount to PLN 58,606 thousand for current litigation and PLN 314,219 thousand for future litigation and claims. The total provisions for legal risk related to credits and loans linked to foreign exchange rates amount to PLN 372,825 thousand.

for the six-month period ending on 30 June 2021 in thousand PLN

17. Transactions with related entities

As at 30 June 2021, Bank Ochrony Środowiska S.A. held a dominant role over Dom Maklerski BOŚ S.A., BOŚ Leasing - EKO Profit S.A., and MS Wind Sp. z o.o.

The parent company of BOŚ S.A. was the National Fund for Environmental Protection and Water Management (NFOŚiGW).

The key management personnel are also considered related parties.

Description of transactions with the Bank's main shareholder, i.e. NFOŚiGW

As at 30 June 2021, under the Prosument program concerning the financing of the purchase and installation of renewable energy sources, the NFOŚiGW entrusted funds for preferential loans in the amount of PLN 12,383 thousand, while as at 31 December 2020 this amount was PLN 15,554 thousand.

NFOŚiGW is an entity affiliated with the State Treasury. The Bank makes transactions with entities related to the State Treasury - mainly with public finance sector entities.

The figures for transactions with subsidiaries are shown in the tables below.

As at 30-06-2021:

Specification	Financial assets held for trading	Receivables from customers	Other assets	Investments in subsidiaries	Liabilities to customers	Provisions	Other liabilities	Contingent liabilities
Subsidiaries								
Dom Maklerski BOŚ S.A.	-	56,077	16,005	126,286	1,454,209	235	118	23,078
BOŚ Eko Profit S.A.	314	83,459	-	58,338	9,187	1,099	-	33,940
Indirect subsidiaries								
MS Wind sp. z o.o.	1,183	20,498	-	-	3,908	-	-	-
Total	**1,497**	**160,034**	**16,005**	**184,624**	**1,467,304**	**1,334**	**118**	**57,018**

As at 31-12-2020:

Specification	Financial assets held for trading	Receivables from customers	Other assets	Investments in subsidiaries	Liabilities to customers	Provisions	Other liabilities	Contingent liabilities
Subsidiaries								
Dom Maklerski BOŚ S.A.	510	35,431	-	134,324	1,399,314	449	148	44,071
BOŚ Eko Profit S.A.	1,682	72,236	-	59,479	10,445	1,631	22	49,557
Indirect subsidiaries								
MS Wind sp. z o.o.	-	20,804	-	-	4,180	-	-	-
Total	**2,192**	**128,471**	**-**	**193,803**	**1,413,939**	**2,080**	**170**	**93,628**

for the six-month period ending on 30 June 2021** in thousand PLN

Revenues and expenses for the 6-month period ended on 30-06-2021:

Specification	Interest and similar revenues	Interest and similar expenses	Revenues from fees and commissions	Expenses due to fees and commissions	Result on financial instruments measured at fair value through profit or loss	Other operating revenues	Result of net impairment write-offs	G&A costs	Share in profits (losses) of entities valued with the equity method
Subsidiaries									
Dom Maklerski BOŚ S.A.	455	-	1,688	-	-	1	- 134	- 7	7,962
BOŚ Leasing - EKO Profit S.A.	814	-	16	-	- 124	180	999	- 40	- 1,141
Indirect subsidiaries						-			
MS Wind sp. z o.o.	245	- 2	21	-	- 183	-	302	-	-
Total	**1,514**	**- 2**	**1,725**	**-**	**- 307**	**181**	**1,167**	**- 47**	**6,821**

in thousand PLN

Revenues and expenses for the 6-month period ended on 30-06-2020:

Specification	Interest and similar revenues	Interest and similar expenses	Revenues due to fees and commissions	Expenses due to fees and commissions	Result on financial instruments measured at fair value through profit or loss	Other operating revenues	Result of net impairment write-offs	G&A costs	Share in profits (losses) of entities valued with the equity method
Subsidiaries									
Dom Maklerski BOŚ S.A.	639	- 2,639	1,310	-	-	1	513	- 7	14,168
BOŚ Leasing - EKO Profit S.A.	1,105	- 41	6	-	307	144	- 2,391	- 315	-1,136
Indirect subsidiaries				-					
MS Wind sp. z o.o.	411	- 9	2	-	616	-	21	-	-
Total	**2,155**	**-2,689**	**1,318**	**-**	**923**	**145**	**-1,857**	**-322**	**13,032**

in thousand PLN

18. Seasonality or frequency of operations in the interim period

In the operations of the Bank there are no significant phenomena subject to seasonal fluctuations or of a cyclic nature.

19. The nature and amounts of the items affecting assets, liabilities, equity, net financial income or cash flows that are unusual because of their nature, size or effect

In the first half of 2021, there were no events that were unusual and had a significant impact on assets, liabilities, equity, net financial result or cash flows of the Bank.

20. The nature and amounts of changes in estimates of the amounts reported in the prior interim periods of the current financial year or changes in estimates reported in the prior financial years, if they have a material effect on the current interim period

In the first half of 2021, there were no changes in the assumptions underlying the calculation of the estimated amounts reported in the prior interim periods of the current financial year and the prior financial years.

21. Dividends paid (in total or per share), broken down inwo ordinary shares and other shares

No dividends were paid or declared in the first half of 2021. The bank incurred a loss for 2020.

On 23 June 2021, the Ordinary General Meeting of Bank Ochrony Środowiska S.A. passed a resolution to cover the Bank's loss for the period from 1 January to 31 December 2020 in the amount of PLN 310,298 thousand from the reserve capital.

22. Events after the balance sheet date

No events after the balance sheet date.

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

Date	Name	Position/function	Signature
10/08/2021	Wojciech Hann	President of the Management Board	Signed with qualified e-signature
10/08/2021	Arkadiusz Garbarczyk	Vice-President of the Management Board - First Deputy President of the Management Board	Signed with qualified e-signature
10/08/2021	Robert Kasprzak	Vice-President of the Management Board	Signed with qualified e-signature
10/08/2021	Marzena Koczut	Vice-President of the Management Board	Signed with qualified e-signature
10/08/2021	Jerzy Zan	Vice-President of the Management Board	Signed with qualified e-signature

Signature of the person responsible for bookkeeping:

10/08/2021	Andrzej Kowalczyk	Director of the Accounting Department	Signed with qualified e-signature

for the six-month period ending on 30 June 2021** in thousand PLN