



REPORT OF THE BANK OCHRONY ŚRODOWISKA GROUP FOR THE THREE MONTHS ENDED MARCH 31ST 2023

Warsaw, May 2023

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FINANCIAL HIGHLIGHTS

THE GROUP	(PLN thousand)		(EUR thousand)	
Data from the interim condensed consolidated financial statements of the BOŚ Group	3 months ended Mar 31 2023	3 months ended Mar 31 2022	3 months ended Mar 31 2023	3 months ended Mar 31 2022
Interest income and similar income	396,969	170,140	84,453	36,611
Fee and commission income	43,189	50,854	9,188	10,943
Gain (loss) on financial instruments measured at fair value through profit or loss	12,920	4,124	2,749	887
Gain (loss) on investment securities	-	-	-	-
Profit before tax	87,154	35,740	18,541	7,691
Net profit	56,987	23,387	12,124	5,032

THE GROUP	(PLN thousand)		(EUR thousand)	
	Mar 31 2023	Mar 31 2022	Mar 31 2023	Mar 31 2022
Total assets	22,259,721	22,006,181	4,760,928	4,729,969
Amounts due to central bank and other banks	129,087	141,143	27,609	30,337
Amounts due to clients	19,038,529	18,820,809	4,071,977	4,045,311
Equity attributable to owners of the parent	2,056,487	1,964,138	439,843	422,168
Common equity	1,461,036	1,461,036	312,488	314,032
Number of shares	92,947,671	92,947,671		
Capital ratio	14.92	14.95		

BANK	(PLN thousand)		(EUR thousand)	
Data from the interim condensed financial statements of BOŚ S.A.	3 months ended Mar 31 2023	3 months ended Mar 31 2022	3 months ended Mar 31 2023	3 months ended Mar 31 2022
Interest income and similar income	395,932	168,678	84,232	36,297
Fee and commission income	20,680	20,944	4,400	4,507
Gain (loss) on financial instruments measured at fair value through profit or loss	4,905	281	1,044	60
Gain (loss) on investment securities	-	-	-	-
Profit before tax	82,674	34,452	17,588	7,413
Net profit	57,193	24,099	12,167	5,186

BANK	(PLN thousand)		(EUR thousand)	
	Mar 31 2023	Mar 31 2022	Mar 31 2023	Mar 31 2022
Total assets	22,133,691	21,915,238	4,733,973	4,672,858
Amounts due to central bank and other banks	129,087	141,143	27,609	30,095
Amounts due to clients	19,087,398	18,879,924	4,082,429	4,025,656
Equity attributable to owners of the parent	2,054,551	1,961,996	439,429	418,345
Common equity	1,460,364	1,460,364	312,344	311,385
Number of shares	92,947,671	92,947,671		
Capital ratio	15.41	15.05		

SUMMARY OF THE FINANCIAL RESULTS OF THE GROUP

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

Development Strategy

On April 19th 2023, the Supervisory Board approved changes to the Bank's Development Strategy in terms of financial indicators and strategic metrics. In light of the ongoing assessment of the macroeconomic landscape and the Bank's external environment, adjustments have been made to the estimation of financial indicators and strategic metrics. This assessment takes into consideration various factors, including the legal environment regarding foreign currency housing loans, potential legislative changes that may impact the Bank's operating costs, the geopolitical environment, and its potential impact on the overall macroeconomic situation.

The Bank has set forth the following objectives, as outlined in the revised Strategy, to be achieved by the end of 2023, with a new set of financial projections:

- net banking income – at least PLN 800 million,
- ROE ratio – at least 7%,
- C/I ratio – less than 52%,
- share of green loans for institutional banking clients in the volume of total loans – at least 50%,
- employee engagement – at least 46%.

The Bank aims to attain sustainable profitability by pursuing key strategic initiatives and reinforcing its position as a specialist "green" lender.

Results of the Group

In the period from January 1st to March 31st 2023, the BOŚ Group earned a net profit of PLN 57.0 million, compared with PLN 23.4 million reported for the corresponding period of 2022. The Group's performance showed improvement primarily in the area of interest income. However, the first-quarter results were negatively affected by the substantial provision costs incurred due to legal risks associated with the portfolio of mortgages denominated in foreign currencies. The result for the period was also affected by the contribution made to the compulsory bank restructuring fund (BFG) for 2023.

Selected items of the statement of profit or loss

Selected items of the statement of profit or loss, PLN thousand	Q1 2023	Q1 2022	Change (%)
Net interest income	196,299	139,972	40.2
Net fee and commission income	32,536	38,506	-15.5
Gain (loss) on financial instruments measured at fair value through profit or loss	12,920	4,124	213.3
Gain (loss) on foreign exchange transactions	4,519	7,771	-41.8
Net other income	-425	-3,084	x
Effect of legal risk of mortgage loans denominated in foreign currencies	-43,156	-1,041	4,045.6
Net impairment losses	19,015	-24,905	x
Administrative expenses	-134,554	-125,603	7.1
Profit before tax	87,154	35,740	143.9
NET PROFIT	56,987	23,387	143.7

In the three months ended March 31st 2023, the BOŚ Group generated net interest income of PLN 196.3 million, PLN 56.3 million more compared with the three months ended March 31st 2022.

In the reporting quarter, interest income increased by PLN 226.8 million year on year. The most significant growth was seen in interest earned on investment debt securities, as well as interest income from institutional clients and retail clients. The primary factor contributing to higher interest income was the elevated WIBOR

rates compared to the first quarter of 2022. This was a direct outcome of the Monetary Policy Council's consecutive interest rate hikes implemented in the second and third quarters of the previous year.

Total interest expense went up by PLN 170.5 million year on year. Due to the sustained high proportion of current accounts and low-interest rate deposits in total deposit products, the increase in interest expense was relatively lower than the increase in interest income. The Bank offered its clients term deposit products adjusted to the rising interest rates. Starting from June 2022, the Bank implemented a substantial increase in the interest rates offered on retail deposits sold through both electronic channels and the Bank's branch network. The interest rates offered on selected deposits gave the Bank a leading market position compared with other banks.

The Group's net fee and commission income was PLN 32.5 million, which represents a year-on-year decrease of PLN 6.0 million. Revenue from brokerage services experienced a decline, primarily due to lower customer activity in the stock market. On the other hand, fees and commissions on credit products increased.

Gain (loss) on financial instruments measured at fair value through profit or loss was PLN 12.9 million, compared with PLN 4.1 million in the first quarter of 2022.

The effect of legal risk of mortgage loans denominated in foreign currencies was PLN -43.2 million, compared with PLN -1.0 million in the three months ended March 31st 2022. The increase in this item can be attributed to the modifications made to the parameters of the provision estimation model. These changes were implemented in response to a notable increase in new cases and an unfavourable opinion from the Advocate General of the CJEU. The Bank will continue to monitor emerging trends in case law, track the influx of new cases, and thoroughly study their effect on the parameters of the estimation model.

In the three months ended March 31st 2023, impairment losses totalled PLN 19.0 million, relative to PLN -24.9 million in the first quarter of 2022. The improvement was seen primarily in the corporate portfolio and was driven by the release of write-downs following loan repayments, as well as the signing of annexes and restructuring agreements.

Administrative expenses of the Group increased by PLN 9.0 million, or 7.1%, relative to the same period of 2022. The primary driver of the increase was the employee benefit expense, which grew by PLN 7.4 million, or 14.0%. In 2022, the Bank concluded a job evaluation process aimed at aligning compensation for individual positions with current market levels. Another significant driver of administrative expenses were material costs, which increased by PLN 2.7 million, or 9.9%. The Group incurred lower costs of contributions and payments to the BFG. The costs decreased by PLN 7.4 million, or 17.4%.

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

Loan repayment holidays

The Business Crowdfunding and Borrowers Assistance Act of July 7th 2022 granted borrowers the right to temporarily suspend repayment of up to eight instalments of a mortgage loan granted in the Polish currency for their own housing needs between 2022 and 2023. This temporary suspension is commonly referred to as loan repayment holidays. Due to the likelihood of borrowers exercising this right, the Bank recognizes, at the reporting date, an adjustment to the gross carrying amount of the loan relating to instalments that may be suspended in future periods. In estimating the adjustment to the gross carrying value, it was assumed that 58% of eligible instalments would be suspended. The suspension of instalments by clients was accounted for as a non-material modification to the loan agreements. Interest income from instruments measured at amortized cost includes an adjustment for loan repayment holidays, resulting in a reduction of the income. Due to the adjustment in the three months ended March 31st 2023, the provision for loan repayment holidays stood at PLN 13.9 million as of the end of March 2023, a decrease from the PLN 20.4 million reported at the end of 2022.

The number of home loan accounts covered by the loan repayment holidays reached 3,500, while the gross carrying amount of PLN housing loans, prior to any adjustments related to the statutory holidays, for which the Bank approved the application, totalled PLN 835.9 million.

Impact of annual contribution to banks' forced restructuring fund on the Bank's results

According to the information received by the Bank from the Bank Guarantee Fund on April 25th 2023, the amount of the Bank's annual contribution to the banks' forced restructuring fund for 2023, after adjustment for the 2022 premium, is PLN 22.0 million. Of this amount, PLN 21.9 million was charged to the Bank's financial result for the three months ended March 31st 2023.

The annual contribution to the forced restructuring fund for 2022 was PLN 21.9 million.

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

The provision recognised by the Bank for the legal risk of CHF mortgage loans was PLN 505.2 million as at March 31st 2023 (December 31st 2022: PLN 490.2 million).

The total amount of the provisions for foreign currency mortgages amounted to PLN 534.0 million as at March 31st 2023, compared with PLN 514.8 million at year-end of 2022.

The provisions also cover the cost of the Compromise and Settlement Programme for clients repaying foreign currency mortgage loans as proposed by the Chairman of the Polish Financial Supervision Authority. The Bank launched the Programme on January 31st 2022. By March 31st 2023, the Bank received 901 applications for settlement concerning foreign currency mortgage loans. 343 settlement agreements were signed.

Financial ratios

FINANCIAL RATIOS	Q1 2023	2022	Change in percentage points
Return on equity (ROE) ¹	8.3	6.7	1.6
Return on assets (ROA) ²	0.8	0.6	0.2
Interest margin on total assets ³	3.8	3.6	0.2
Risks costs ⁴	-0.5	-0.8	0.3
Cost/income (C/I) ⁵ , assuming uniform distribution of the cost of the one-time contribution to the Bank Guarantee Fund over the year	48.1	52.9	-4.8
Tier 1 capital ratio	14.21	14.11	0.10
Total capital ratio	14.92	14.95	-0.03

1) Net profit for the last 12 months to average equity,

2) Net profit for the last 12 months to average assets,

3) Net interest income for the 12 months to average assets,

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

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

Interest margin on total assets, calculated as the ratio of net interest income for the last 12 months to average assets, was 3.8%, compared with 3.6% in 2022. For the most part, the improvement was attributable to an increase in the average interest rate on loans resulting from the interest rate rises implemented by the Monetary Policy Council, as well as higher return on interest-earning assets and deposit margins on current accounts, despite lower interest income from retail customers who took advantage of loan repayment holidays.

The cost-to-income (C/I) ratio demonstrated a significant improvement, reaching 48.1% in the three months ended March 31st 2023, in comparison to 52.9% for the entire year of 2022. This improvement can be primarily attributed to income growth outpacing the increase in costs during the period. Including the full-year

contribution to the Bank Guarantee Fund charged to the costs of the reporting period, the C/I ratio stands at 54.85%.

The capital adequacy ratio of the Group was above the levels recommended by the Polish Financial Supervision Authority, both with and without the application of IFRS 9 transitional arrangements. As at March 31st 2023, the Bank and the Group met the applicable capital standards. Tier 1 capital ratio stood at 14.21% and the total capital ratio was 14.92%.

Impact of the war in Ukraine on operations

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

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

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

With the current developments under the stress scenario for the ongoing Russian-Ukrainian conflict, the Bank has not experienced any liquidity issues or adverse impact on other financial risks. Apart from a temporary disruption in interbank market liquidity and a notable increase in cash withdrawals during the first quarter of 2022, there were no other significant indicators suggesting a potential deterioration in the Bank's liquidity situation.

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

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

The international situation continues to affect the Bank's cyber security. The Bank continues to observe a trend of an increased number of attempted attacks on its electronic banking services. Most frequently, those have been attempts to break through the security systems exploiting vulnerabilities recently communicated to the public. No successful security breach has been identified. The Bank has not reported any successful DDoS (distributed denial-of-service) attacks against its online banking services or the information service available at www.bosbank.pl. Cybersecurity is ensured by 24/7 monitoring of cyberspace events by the Bank's Security Operation Centre. The Head of the Cybersecurity Department plays an active role in the activities of the financial sector groups operating at the Polish Bank Association and participates in monthly meetings organized by the PFSA. In these engagements, the Head of the department shares valuable insights and information regarding current international developments in the field of cybersecurity.

1. Macroeconomic situation

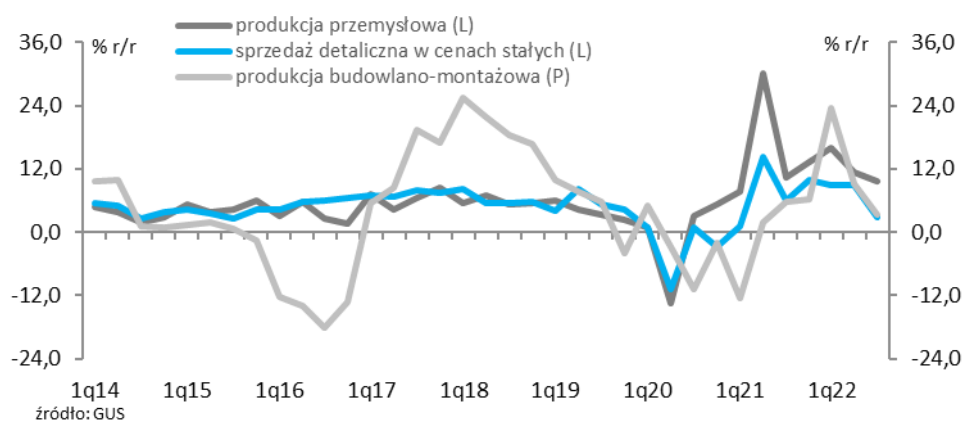
During the first quarter of 2023, the global economy persisted at a lower level of activity, significantly influenced by elevated levels of inflation. This inflationary environment has led to a reduction in the purchasing power of household incomes, primarily driven by earlier price increases in raw materials and commodities. Meanwhile, the noticeable downward adjustment in energy commodity prices observed in the fourth quarter of 2022 and the first quarter of 2023 served to alleviate the extent of the economic slowdown compared to initial expectations of a few months before.

The decline in global commodity prices in the first quarter of 2023 contributed to a further reduction in consumer inflation compared to the peaks seen in the fall of 2022. However, despite this decline, elevated levels of core inflation remained persistent. Given the circumstances, including a stable labour market and relatively robust wage growth in developed economies, major central banks opted to maintain a restrictive monetary policy stance at the beginning of the first quarter.

In March, the rhetoric of central banks underwent a notable shift in response to news of bank-related issues in both the U.S. (the bankruptcy of Silicon Valley Bank) and Europe (the takeover of Credit Suisse by UBS). While there is a prevailing belief that the recent tensions in the banking sector do not indicate an imminent systemic banking crisis, there has been an increase in expectations of tighter credit conditions by banks in the United States and Europe. These expectations have been accompanied by growing concerns about the potential negative consequences of rapid and substantial global monetary tightening.

In Poland, the slowdown in GDP growth continued from early 2023, influenced by the lagged effects of earlier increases in commodity and material prices (mainly weakening private consumption), as well as a very high statistical baseline. In the first quarter of 2023, it is expected that the annual GDP growth in Poland experienced a decline, potentially reaching a negative territory. This downturn was likely driven by various factors, including a significant decrease in retail sales by 3.5% year on year, a slight decline in industrial output sold by 0.6% year on year, and a marginal increase in construction and assembly output by 1.9% year on year.

Production and retail sales dynamics in Poland



Produkcja przemysłowa (L)	industrial production (L)
Sprzedaż detaliczna w cenach stałych (L)	retail sales at constant prices (L)
Produkcja budowlano-montażowa (P)	construction and assembly production (P)
r/r	y/y

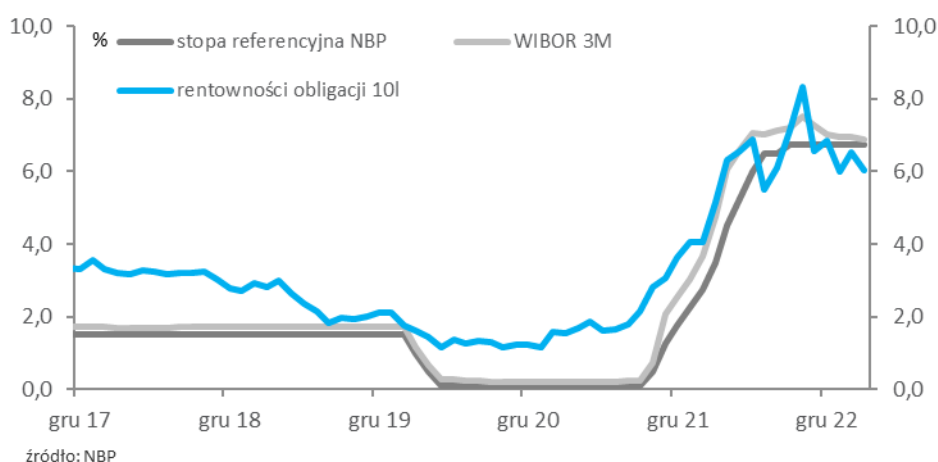
Following the peak in CPI inflation in February, where it reached 18.4% year on year, a downward trend in CPI inflation emerged starting from March. The downward adjustment in fuel and energy prices as well as the deceleration of food price increases, coupled with their sharp increase from March 2022, translated into a reduction in the inflation rate in March to 16.1%. In contrast, the core inflation rate continued to rise during the first quarter of 2023, reaching 12.3% year-on-year in March. This upward trend was primarily driven by the

sustained impact of higher business costs, particularly electricity prices, on the final prices of goods and services.

Against the backdrop of subdued CPI inflation growth and weaker economic indicators, coupled with persistently high inflation, the National Bank of Poland maintained its monetary policy unchanged. The MPC kept interest rates stable, including the NBP reference rate at 6.75%.

The stabilization of NBP interest rates and the efforts to contain inflationary pressures in late 2022 and early 2023 had a notable effect on market expectations. As a result, market expectations for further interest rate hikes diminished, leading to a slight decline in interbank market rates. The 3M WIBOR rate fell by 13 basis points on a quarterly basis, to 6.89% at the end of March.

Interest rates in Poland

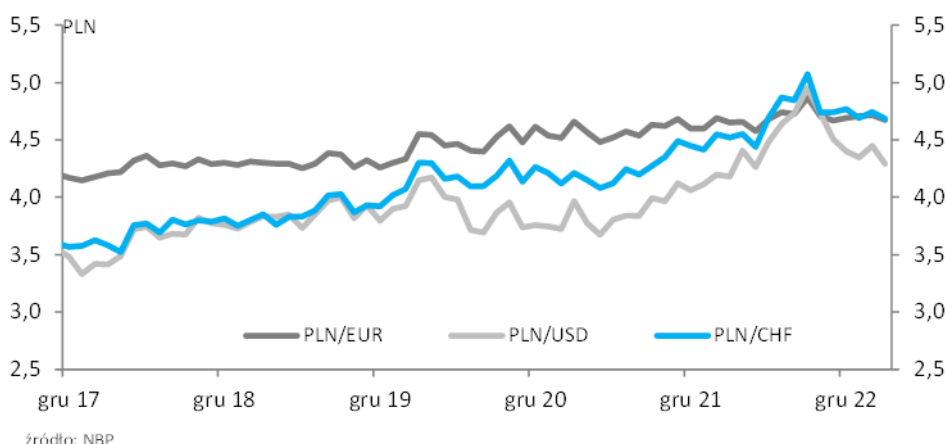


Stopa referencyjna NBP	NBP reference rate
WIBOR 3M	3M WIBOR
Rentowność obligacji 10	10-year treasury yields
Źródło: NBP	Source: NBP

Since the start of the year, sentiment on the global financial markets was shaped by expectations surrounding the extent of monetary tightening measures implemented by major central banks. During the initial two months of the year, the release of macroeconomic data further strengthened expectations of additional monetary tightening measures. This outlook, in turn, led to an increase in government bond yields in the underlying markets. In March, news of bank-related issues in the United States and Europe led to a significant revision in forecasts for the scale of future rate hikes and bond yields, the latter dropping below the levels observed towards the end of 2022.

The trends observed in global financial markets also influenced yields on domestic government bonds, although the upward pressure on yields was relatively limited at the beginning of the quarter due to the prevailing expectations that the Monetary Policy Council would conclude the cycle of interest rate hikes, which gained stronger conviction during the period. Throughout the quarter, the yields on 2-year Treasury bonds dropped by 66 basis points to 5.97%, while the yields on 10-year Treasury bonds fell by 80 basis points to 6.03%.

PLN exchange rates



In the first three months of 2023, the volatility of the zloty exchange rate declined markedly, with the currency's relatively high resilience to the volatility seen on the global financial markets. At the end of March, the zloty's exchange rate against the euro stood at PLN 4.68/EUR, indicating a strengthening of 0.3% compared to the end of 2022. The exchange rates of the zloty against the Swiss franc and the US dollar were more significantly influenced by stronger fluctuations in the quotations of these currencies on the global market. At the end of the first quarter of 2023, the zloty's exchange rate against the Swiss franc stood at PLN 4.69/CHF, indicating an appreciation of 1.7% compared to year-end 2022. Similarly, against the U.S. dollar, the zloty's exchange rate was PLN 4.29/USD, reflecting a 2.5% appreciation during the same period.

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

The Group's business in 2023 will be affected by macroeconomic factors and the situation in financial markets.

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

While the magnitude of geopolitical risk has decreased in recent months, leading to a decline in energy commodity prices, it is important to note that potential negative scenarios could still result in a resurgence of higher prices.

In particular, the heightened geopolitical risk could mean:

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

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

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

Legal risks associated with foreign currency housing loans continue to be a significant factor impacting the Bank's performance. On February 16th 2023, the Advocate General's Opinion regarding a preliminary question (C-520/21) was published by the Court of Justice of the European Union (CJEU). The question at hand pertains to the possibility of banks and consumers being able to claim additional benefits in the event of a credit agreement being deemed invalid. The case will now proceed to the next stage, which involves the Court of Justice of the European Union issuing the ruling. The ruling will have a significant impact on national jurisprudence and, depending on the wording of the judgment, could have negative consequences for the banking sector.

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

Expansion of banking business

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

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

Institutional clients

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

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

During the first quarter of 2023, in the area of payment products:

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

With respect to loan products, in the first three months of 2023:

- The Bank continued its efforts to comply with the "BMR Regulation" and implemented adjustment measures in response to the anticipated loss of representativeness of the USD 1M, 3M, and 6M LIBOR indices, which is scheduled to occur by the end of June 2023.
- The Bank introduced the EkoOszczędny loan with White Certificates. This product provides financing for energy efficiency projects and allows borrowers to benefit from the ELENA grant, which covers up to 90% of the costs associated with technical documentation preparation, such as energy audits. To further support the loan, the Bank offers a BusinessMax guarantee provided by BGK.
- Following the execution of Cooperation Agreement No. 9/2022/KTEKO with Bank Gospodarstwa Krajowego on December 29th 2022, under the European Funds for Modern Economy 2021-2027 programme, specifically Measure 2.32 Technology Credit, Priority 2 – Environment for Innovation, and Measure 3.1 Green Credit, Priority 3 – Greening of Enterprises, terms of the Technology Credit were modified. The Bank's clients can now apply for either a Technology Credit Promissory Note or a conditional Technology Credit Agreement to secure financing for their technology investments The

Technology Credit has a unique feature where a portion of the repayment is made through a technology bonus.

- The Bank remained committed to optimizing and automating the credit process, particularly in the areas of credit application evaluation and credit decision-making.

Local government units

The Bank collaborates closely with local government units, providing comprehensive support for their budgets and facilitating efficient management of their funds. Services for local governments are provided under the Public Procurement Law.

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

In January 2023, the Bank introduced a special offer for local government units - the EKOpożyczka loan for local governments. The product is specifically designed to facilitate the implementation of investments by local government units. This offering provides financial support for projects that are eligible for a 90% subsidy of the cost of preparing technical documentation through funds obtained from the ELENA grant.

Retail clients

The Bank's offering for retail clients includes all basic products and services available on the Polish banking market (bank accounts, payment products, payment cards, products and services for managing surplus cash, electronic banking services and lending products).

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

In the three months ended March 31st 2023, the Bank partnered with Mastercard to introduce a promotion called "Points to Start." The promotion, offered as part of the Priceless Moments loyalty programme, was available to both new and existing clients of the Bank.

In collaboration with Mastercard, the Bank promoted cashless transactions aimed at fostering customers' environmental awareness. This initiative included supporting the protection of rare wildlife and contributing to reforestation efforts by donating tree seedlings. As part of the promotion, clients were offered additional points redeemable for prizes and rewards.

On April 6th 2022, the Bank introduced new clearing arrangements for ATM transactions in the Euronet network. Since then, withdrawals from more than nearly 7,000 Euronet devices have been settled through the National Clearing System (NSS). The change is neutral for clients, and allows the Bank to achieve savings in the clearing processes for cash transactions made with all cards issued by the Bank.

In March 2023, the Bank launch a new deposit product called Lokata na nowe środki (new funds deposit), which is exclusively available at the Bank's branches. The initial edition of the deposit was offered starting April 4th 2023. The product offers clients an attractive interest rate in return for depositing new funds into an account with BOŚ S.A. The deposit is a non-renewable product and is denominated in PLN. Funds can be placed for terms of three, six or twelve months.

Amounts due to retail clients

In the three months ended March 31st 2023, measures taken by the Bank with respect to deposit products for retail clients were aimed at:

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

The key deposit products for retail clients were:

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

In the first quarter of 2023, the Bank focused on building retail deposit balances by promoting *EKOklokata* deposit products, specifically *EKOklokata Promocyjna*, as well as the standard *EKOklokata* with longer terms, including a 24-month option. *EKOklokata Promocyjna* stands out for its high maximum amount of PLN 500,000 and its straightforward promotion terms. The only requirement for clients is to provide their consent to receiving electronic communications.

In the first quarter of 2023, the Bank continued a special offer of *EKOkonto Oszczędnościowe bez ograniczeń* savings account, which stood out in the market as a savings product with no additional conditions attached for the client to benefit from a higher interest rate (no requirement to have a checking account or to deposit new funds).

During the first quarter of 2023, the Bank continued its Easy Savings promotion, offering fee exemptions for internal transfers to a deposit account for holders of *EKOkonto Oszczędnościowe*, *EKOprofit*, and *Więcej za Mniej* accounts. This promotion applies to transfers made by the client who is the sole holder or joint holder of an account within the same banking relationship. This measure supported sales of *EKOklokata Promocyjna* and the management of the deposit portfolio through savings accounts.

The Bank's other activities with respect to checking accounts focused on maintaining a transparent offering by retaining the following checking accounts: *EKOkonto bez Kosztów*, *EKOkonto VIP*, *EKOkonto PRP* and *EKOkonto oszczędnościowe* in three currencies: PLN, EUR and CHF.

Expansion of brokerage activities

The first quarter of 2023 on the Warsaw Stock Exchange was a period of fluctuating market conditions. During the quarter, there was significant growth in smaller-cap indices, with the sWIG80 index gaining 15.73%. However, large companies experienced declines, as reflected by the 1.87% retreat of the blue-chip WIG20 index. As a result, the broadest all-cap WIG index recorded a decline of 1.99% in the three months ended March 31st 2023. Investor activity in session trading decreased in the first quarter compared with the same period last year. In the stock market, there was a decline of 29.1% year on year, while the futures market saw a decrease of 11.3% year on year. The NewConnect market experienced the largest decline, with investor activity down by 38.4% year on year. DM BOŚ's activity during this period followed similar trends. On the WSE stock market, DM BOŚ recorded a decrease in the volume of session trading by 31.8% year on year. However, on a quarterly basis, the volume increased by 21.9%. In the futures market, DM BOŚ also saw a decline in turnover by 19.7% year on year. On the NewConnect market, the total turnover decreased by 39.8% year on year.

In the first three months of 2023, DM BOŚ's share in session trades on the WSE equity market was 2.84%, having expanded on the three months ended December 31st 2022 by 2.68%. Compared with the previous quarter, DM BOŚ also secured a larger share of the NewConnect market (up from 14.70% in the fourth quarter of 2022 to 17.62% in the first quarter of 2023). On the futures market, DM BOŚ's share in the three months ended March 31st 2023 was 13.45% compared with 15.69% in the last quarter of 2022. In the first quarter of 2023, DM BOŚ again became the leader of the NewConnect market and ranked second on the futures market.

The first quarter of 2023 was a period of continued downturn in the primary market. During that period, only four entities made their debuts on the regulated market, having transferred from the NewConnect market without a public offering. For this reason, DM BOŚ participated mainly in bond distribution syndicates. It served as an issue arranger or a syndicate member in corporate debt offerings of PragmaGo SA (B2 series), Kruk SA

(AN3 series), Best SA (Z2 series), Kredyt Inkaso SA (M1 series), and participated in the distribution syndicate in the sale of Series D shares of DB Energy SA.

The first quarter of the year saw a further increase in the number of investment accounts maintained by DM BOŚ. The number of active accounts was 4.6 thousand, compared with 2.4 thousand in the same period last year. Of this number, 3.7 thousand were exchange investment accounts registered with the Central Securities Depository of Poland.

The ongoing war in Ukraine had a significant impact on the Polish stock market, resulting in strong declines in the Polish stock indices. At the same time, with the downturn in the WSE, investment activity of DM clients decreased. If the conflict continues, the risk of a potential further downturn on the WSE will rise and the clients' risk aversion may become a permanent trend. If this is the case, the trading volumes of DM clients may continue to gradually decline, affecting the amount of brokerage fees, with a negative effect on DM's current financial condition.

Involvement of the Bank in national and regional operational programmes and in European and national financial mechanisms

Mój Elektryk (My EV) programme

On September 8th 2021, an agreement was signed with the National Fund for Environmental Protection and Water Management (NFOŚiGW) for subsidies to leases of zero-emission vehicles under the 'My EV' Priority Programme. The purpose of the Programme, to be run over the period 2021–2025, is to support purchases of zero-emission vehicles. Under the agreement, PLN 250 million was made available to the Bank as a total pool of funds to subsidise lease payments for zero-emission vehicles under the 'My EV' Priority Programme. The funds are available for use in 2021–2025. In the first quarter of 2023, the Bank entered into collaboration agreements with two leasing companies. As of March 31st 2023, the Bank had established partnerships with a total of 26 lease operators. The list of partner companies is available at <https://www.bosbank.pl/moj-elektryk>.

Between December 6th 2021 and March 31st 2023, the Bank received over 7,170 applications with a total value of PLN 228.7 million. This translates to an average of 103 applications per week, with an average value of PLN 3.31 million per week. Then, between January 1st 2023 and March 31st 2023, the Bank received over 1.4 thousand applications with a total value of PLN 44.95 million. This translates to an average of 109 applications per week, with an average value of PLN 3.46 million per week.

From the launch of the Programme until March 31st 2023, the Management Board of the National Fund for Environmental Protection and Water Management approved 67 collective applications for subsidies, covering a total of 6,483 projects (vehicles). The total amount of subsidies under the approved applications is PLN 210.25 million, representing 84% of the funds made available to BOŚ for 2021–2025.

The Bank signed subsidy agreements in respect of 4,848 applications for an amount of PLN 161.31 million. In the second quarter of 2023, the Bank intends to submit an application to the National Fund for Environmental Protection and Water Management to request an additional PLN 150 million for the aggregate subsidy pool.

ELENA grant

Pursuant to Agreement No. ELENA-2019-157 signed between the Bank and the European Investment Bank (EIB) in February 2022 under the ELENA initiative, the Bank received a grant of EUR 2.6 million. Of this amount, nearly EUR 140 thousand was disbursed by the end of the first quarter of 2023.

The grant is intended to finance the following costs:

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

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

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

The support is available to various entities, including public sector entities such as local government units and municipal companies, housing sector entities like housing cooperatives and housing communities, as well as businesses including small and medium-sized enterprises (SMEs) and medium-sized capitalization companies (mid-caps).

Under the grant, support is provided in the form of financing 90% of the cost of the required technical documentation for projects in the specified areas. As of the end of the first quarter of 2023, the support from ELENA funds facilitated 14 energy efficiency projects, totalling PLN 7.5 million. The support benefited a total of thirteen housing cooperatives and one municipality.

The support is distributed along two paths, i.e.:

- Reimbursement of 90% of the cost of technical documentation for projects carried out by housing sector entities. So far, the documentation cost for one project carried out by a housing cooperative has been reimbursed, amounting to approximately PLN 40 thousand;
- Co-financing of 90% of the cost of technical documentation for projects implemented in areas other than energy upgrades of residential buildings.

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

JESSICA initiative

BOŚ Bank has administered the Urban Development Fund in the following provinces:

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

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

In total, the Bank signed 53 agreements for a total of PLN 422 million. The fee received in the three months ended March 31st 2023 for managing the Jessica Initiative was PLN 373 thousand.

JEREMIE initiative

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

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

BOŚ S.A. contracted 100% of the funds for projects eligible to receive loans for a total amount of PLN 80 million, with the Bank committing to provide PLN 40 million of the total amount.

Ultimately, four financing agreements have been concluded for an amount of PLN 65 million, half of which are funds committed by BOŚ S.A. The outstanding balance of the facilities is PLN 53 million. The cumulative fee received for managing Jeremie funds since 2017 was PLN 2.9 million (as at March 31st 2022).

BGK portfolio guarantees available in the BOŚ offering

In view of the COVID-19 pandemic in 2022, the armed conflict in Ukraine and it being no longer possible to provide new liquidity guarantees and factoring guarantees under the Liquidity Guarantee Fund, BOŚ signed two new cooperation agreements with BGK:

- Portfolio Guarantee Line Agreement under Crisis Guarantee Fund No. 6/PLG-FGK/2022, for the provision of guarantees securing repayment of liquidity support and investment financing loans granted by BOŚ to medium-sized and large enterprises (agreement signed on June 30th 2022);
- Portfolio Factoring Guarantee Line Agreement under Crisis Guarantee Fund No. 3/LGF-FGK/2022, for the provision of guarantees securing repayment of liquidity support factoring limits granted by BOŚ to small, medium-sized and large enterprises (agreement signed on July 3rd 2022).

BGK portfolio guarantees (PLN thousand)	DE MINIMIS	FG POIR Businessmax	PLG FGK (liquidity – crisis)	LGF FGK (factoring – crisis)	Czyste Powietrze (Clean Air)
Allocated limit	1,050,000	447,000	1,000,000	395,000	28,800
Availability period	July 2018 to August 31st 2023	June 2017 to October 31st 2023	July 2022 to December 31st 2023	July 2022 to December 31st 2023	June 2021 to June 30th 2023
Remaining limit balance	852	77,411	443,962	276,638	14,358
Amount and number of new (in units) guarantees issued in the three months ended March 31st 2023	95,966 (47)	42,089 (16)	95,437 (10)	32,561 (4)	1,573 (38)
Amount of loans secured by new guarantees in the three months ended March 31st 2023	179,046	95,880	150,547	40,701	1,966

Data based on BGK–Zlecenia

Technology Credit and Environmental Credit

On December 29th 2022 the Bank signed an agreement with Bank Gospodarstwa Krajowego under the European Funds for Modern Economy 2021-2027 programme, specifically Measure 2.30 Technology Credit, Priority 2 – Environment for Innovation, and Measure 3.1 Green Credit, Priority 3 – Greening of Enterprises.

BGK plans to announce the call for applications for the technology bonus and environmental bonus in the first half of 2023.

Highlights of the first quarter of 2023

Distinctions and awards

BOŚ once again with the Friendly Workplace emblem

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

BOŚ with the title of Top Employer 2023 Poland

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

BOŚ branches recognised in the Institution of the Year ranking

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

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

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

DM BOŚ awarded the Order of Finance

DM BOŚ was awarded the prestigious Order of Finance by the editors of the Home&Market magazine. The recognition specifically highlighted the excellence of DM BOŚ's IKE/IKZE accounts, which were named among the best financial products available in the market.

Financial Brand of the Year 2023

DM BOŚ was honoured with the prestigious title of Financial Brand of the Year 2023 by Gazeta Finansowa. This recognition is a testament to BOŚ Brokerage's commitment to providing high-quality investment products and services related to Polish and foreign stock exchanges, and acknowledges the efforts made by DM BOŚ in educating clients about responsible and conscious investing.

4. Selected data on the Group's operations

SELECTED OPERATIONAL DATA, all amounts in thousands	Mar 31 2023	Dec 31 2022	Change (%)
BANK OCHRONY ŚRODOWISKA S.A.			
Number of clients	158.5	160.5	-1.2
Number of retail clients	147.2	148.9	-1.1
Number of microenterprise clients	7.5	7.7	-2.6
Number of institutional clients	3.8	3.9	-2.6
Number of clients using electronic channels	102.3	101.4	0.9
Number of checking accounts ¹	157.3	157.6	-0.2
Debit and credit cards in total	62.0	63.1	-1.7
Number of branches	54	54	0.0
DOM MAKLERSKI BOŚ S.A.			
Number of investment accounts	158.3	153.7	3.0
including online accounts	155.1	150.5	3.1
Number of branches	8	8	0.0

1) together with the savings accounts

As at the end of March 2023, the Bank had 54 outlets, including:

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

5. Development directions for the Bank

Development Strategy

On April 19th 2023, the Supervisory Board approved changes to the Bank's Development Strategy in terms of financial indicators and strategic metrics. In light of the ongoing assessment of the macroeconomic landscape and the Bank's external environment, adjustments have been made to the estimation of financial indicators and strategic metrics. This assessment takes into consideration various factors, including the legal environment regarding foreign currency housing loans, potential legislative changes that may impact the Bank's operating costs, the geopolitical environment, and its potential impact on the overall macroeconomic situation. The Bank remains committed to achieving its business growth targets, as reflected in the net banking income, and maintaining cost effectiveness, as measured by the cost-to-income (C/I) ratio. The Bank's development plan takes into account the economic consequences of the COVID-19 pandemic, the war in Ukraine, as well as EU and national projects aimed at achieving climate neutrality.

The Bank has set forth the following objectives, as outlined in the revised Strategy, to be achieved by the end of 2023, with a new set of financial projections:

- net banking income – at least PLN 800 million,
- ROE ratio – at least 7%,
- C/I ratio – less than 52%,
- share of green loans for institutional banking clients in the volume of total loans – at least 50%,
- employee engagement – at least 46%.

The Bank is dedicated to achieving sustained profitability by pursuing key strategic initiatives and solidifying its position as a specialized green bank. This commitment is aligned with the Bank's mission of innovatively and effectively supporting the green transition and the Bank's vision which emphasizes its goal of comprehensively financing the green transition through unique products, a dedicated team of experts, and diverse financial instruments. The Bank's ambition is to further specialise in the financing of green transition projects. BOŚ possesses distinctive expertise and capabilities in financing the broader "green" sector and facilitating the green transition. New financial products are being developed to help clients implement their business projects while respecting natural resources.

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

Environment and climate – key objectives:

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

Business model – key objectives:

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

Operational efficiency – key objectives:

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

Organisational culture – key objectives:

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

Finance – key objectives:

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

Activities undertaken as part of the Strategy

As part of the operationalisation of the new Strategy, the Bank defined strategic initiatives aimed at its broad transformation.

In 2022, the Bank received an overall ESG Risk rating of 14.2 ("Low Risk"). With this result, BOŚ moved up to the top 9% of the best-rated banks globally.

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

Other organisational culture transformation initiatives are: a new set of values proposed to employees along with an incentive system, a culture of dialogue and competence development, and a knowledge sharing culture. The Bank completed the job evaluation process, resulting in the adoption of new remuneration and bonus rules, and implementation of a new employee evaluation system.

Strategy operationalisation efforts focused on detailed analysis of the Bank's product offering. During the first half of 2022, the Bank developed and launched a new deposit offering, with information and applications for these products made available on the Bank's website. An interactive request for services (used to apply for 'loan repayment holidays' and other services) was implemented as part of the online banking development programme. Also, a client retention deposit and a promotional pop-up campaign for deposit products were launched. The Bank focused on achieving high operational efficiency in the remote acquisition of deposits from new clients through rigorous analytical work. In the coming months, the Bank will continue to refine the assumptions of the target solution and proceed with the implementation work.

Concurrently, a number of projects were completed with a view to optimising the current processes. The Bank was actively working on improving the credit process by implementing a new tool that includes process efficiency measures tailored to individual client segments identified in the Bank's strategy.

The Bank successfully completed the implementation of the Customer Relationship Management (CRM) module for both corporate banking and retail banking. Further development of this system is planned for the first half of 2023.

At the end of the first quarter of the year, a module was developed to support sales processes in the Call Centre. The production-implemented CRM system has proven to be beneficial for the Bank's sales staff, enabling them to monitor opportunities and sales campaigns in real-time, and ensure continuity in their interactions with clients.

A new front office system, KONDOR+, has been purchased under one of the strategic initiatives. Its implementation has improved the efficiency and quality of client service, as well as the automation of liquidity, market and credit risk management processes. The new system is now being utilized operationally, with a focus on key functionalities and integration, in line with the recommendation of the PFSA.

6. Financial results of the Group

6.1. Statement of profit or loss

Statement of profit or loss of the Group, PLN thousand	Q1 2023	Q1 2022	Change (%)
Interest income and similar income	396,969	170,140	133.3
Interest expense and similar charges	-200,670	-30,168	565.2
Net interest income	196,299	139,972	40.2
Fee and commission income	43,189	50,854	-15.1
Fee and commission expense	-10,653	-12,348	-13.7
Net fee and commission income	32,536	38,506	-15.5
Dividend income	-	1	x
Gain (loss) on financial instruments measured at fair value through profit or loss (including amounts due from clients)	12,920	4,124	213.3
Gain (loss) on hedge accounting	-463	-328	x
Gain (loss) on foreign exchange transactions	4,519	7,771	-41.8
Gain (loss) on derecognition of financial instruments	547	59	827.1
Other income	13,000	10,407	24.9
Other expenses	-13,509	-13,223	2.2
Effect of legal risk of mortgage loans denominated in foreign currencies	-43,156	-1,041	4045.6
Net impairment losses	19,015	-24,905	x
Administrative expenses	-134,554	-125,603	7.1
Profit (loss) before tax	87,154	35,740	143.9
Income tax expense	-30,167	-12,353	144.2
NET PROFIT / NET LOSS	56,987	23,387	143.7

In the three months ended March 31st 2023, the BOŚ Group earned a net profit of PLN 57.0 million, compared with PLN 23.4 million reported in the corresponding period of 2022.

In the three months to March 31st 2023, the BOŚ Group generated net interest income of PLN 196.3 million, an increase of PLN 56.3 million, or 40.2%, year on year. In the first quarter of the year, income from credit products increased due to higher interest rates and WIBOR rates compared with the same period in the previous year. The improvement in the interest margin was driven by the increased profitability of interest-earning assets relative to the size of the Bank's capital. Additionally, expenses grew more slowly than income, thanks to the significant proportion of current accounts and low-interest deposit products.

Interest expense and similar charges increased by PLN 226.8 million, or 133.3%, on the first quarter of 2022. The increase was mainly attributable to an increase in interest on non-trading investment debt securities by PLN 106.9 million, or 267.6%, in interest income from institutional clients by PLN 82.8 million, or 87.7%, in interest income from retail clients by PLN 20.6 million, or 73.3%, and in income from amounts due from banks and the central bank by PLN 11.7 million, or 185.2%. Interest income from amounts due from retail clients increased, despite some clients taking advantage of the loan repayment holidays under the Law of July 7th 2022 on Business Crowdfunding and Borrowers Assistance. Under the act, borrowers have the right to suspend repayment of mortgage loans granted in the Polish currency for up to eight months in 2022–2023.

The average base rate on the Bank's PLN-denominated loans (net of impairment adjustment of interest) was 10.19% in the first quarter of 2023, compared with 4.94% in the first quarter of 2022; for foreign currency loans, the rate was 5.14%, compared with 2.57% in the first quarter of 2022.

NET INTEREST INCOME, PLN THOUSAND	Q1 2023	Q1 2022	Change (%)
Interest and similar income:	396,969	170,140	133.3
Amounts due from banks and the central bank	18,057	6,332	185.2
Amounts due from institutional clients	177,208	94,406	87.7
Amounts due from retail clients	48,598	28,044	73.3
Non-trading investment debt securities	146,837	39,948	267.6
Financial instruments held for trading	911	837	8.8
Hedging transactions	5,358	573	835.1
Interest expense and similar charges on:	200,670	30,168	565.2
Bank accounts and deposits from banks	818	288	184.0
Bank accounts and deposits from institutional clients	67,710	12,334	449.0
Bank accounts and deposits from retail clients	118,964	11,855	903.5
Borrowings from clients	3,552	52	6,730.8
JESSICA lending support funds	311	203	53.2
Financial instruments – own debt securities	8,407	4,400	91.1
Hedging transactions	-	6	-100.0
Lease liabilities	905	1,028	-12.0
Other	3	2	50.0
NET INTEREST INCOME	196,299	139,972	40.2

Interest expense and similar charges increased by PLN 170.5 million, or 565.2%, on the first quarter of 2022, driven mainly by a PLN 107.1 million (903.5%) increase in interest expense on retail deposits and an increase in expenses on institutional accounts and deposits from institutional (up PLN 55.4 million, or 449.0%). Costs of financial instruments (own debt securities) increased by PLN 4.0 million, or 91.1%.

The increase in interest expense was mainly attributable to higher interest rates on deposits. The average base interest rate on deposits placed with the Bank branches in January 1st to March 31st 2023 was as follows:

- 5.13%, compared with 0.93% in the first quarter of 2022, for PLN deposits,
- 0.31%, compared with 0.14% in the first quarter of 2022, for foreign currency deposits.

The Group's net fee and commission income amounted to PLN 32.5 million, down PLN 6.0 million, or 15.5%, from the first quarter of 2022, as a result of a higher rate of decline in commission income than in fee and commission expense.

Specifically, there was a decline in fee and commission income from brokerage services – down PLN 7.6 million (25.0%). An increase was recorded in credit commission fees, by PLN 1.1 million, or 12.7%.

Fee and commission expense decreased by PLN 1.7 million, or 13.7%, mainly on lower brokerage fees (down by PLN 0.9 million, or 9.3%).

NET FEE AND COMMISSION INCOME (PLN thousand)	Q1 2023	Q1 2022	Change (%)
Fee and commission income	43,189	50,854	-15.1
Brokerage service fees	22,698	30,274	-25.0
Fees for maintaining client accounts, other domestic and international settlement transactions	8,662	9,062	-4.4
Commission fees on credit facilities	10,025	8,899	12.7
Commission fees on guarantees and letters of credit	1,670	2,480	-32.7
Fees for portfolio management services and other management fees	132	137	-3.6
Other fees	2	2	0.0
Fee and commission expense	10,653	12,348	-13.7
Brokerage fees, including:	8,803	9,708	-9.3
for custody services	203	205	-1.0
Payment card fees	1,528	1,760	-13.2
Current account fees	143	356	-59.8
ATM service charges	-	306	x
Fees on amounts due from clients	2	55	-96.4
Other fees	177	163	8.6
TOTAL NET FEE AND COMMISSION INCOME	32,536	38,506	-15.5

Gain (loss) on financial instruments measured at fair value through profit or loss was PLN 12.9 million, compared with PLN 4.1 million in the first quarter of 2022. The improvement was mainly due to the higher gain delivered by DM BOŚ in this area, driven by the high market volatility.

The effect of legal risk of mortgage loans denominated in foreign currencies was PLN -43.2 million, compared with PLN -1.0 million in the three months ended March 31st 2022. The increase in this item is a consequence of a change in the parameters of the model, dictated by a significant increase in new cases and the opinion of the Advocate General of the CJEU, which was unfavourable to banks. The Bank will continue to monitor emerging trends in case law, track the influx of new cases, and thoroughly study their effect on the parameters of the estimation model.

In the three months ended March 31st 2023, impairment losses totalled PLN 19.0 million, relative to PLN -24.9 million in the first quarter of 2022. The improvement was seen primarily in the corporate portfolio and was driven by the release of write-downs following loan repayments, as well as the signing of annexes and restructuring agreements.

ADMINISTRATIVE EXPENSES (PLN thousand)	Q1 2023	Q1 2022	Change (%)
Employee benefits	60,675	53,231	14.0
Administrative expenses, including:	56,120	57,243	-2.0
material expenses	30,079	27,361	9.9
taxes and charges	2,741	2,073	32.2
contribution and payments to BFG	22,366	27,092	-17.4
contribution and payments to PFSA	623	644	-3.3
contribution to Borrowers' Support Fund	-	-	x
contribution to cover operating expenses of Financial Ombudsman	281	50	462.0
contribution to Chamber of Brokerage Houses (Izba Domów Maklerskich, IDM)	30	23	30.4
Amortization and depreciation, including:	17,759	15,129	17.4
depreciation of property, plant and equipment	4,825	3,637	32.7
amortisation of intangible assets	8,677	7,236	19.9
depreciation of rights-of-use assets	4,257	4,256	0.0
TOTAL ADMINISTRATIVE EXPENSES	134,554	125,603	7.1

Administrative expenses of the Group increased by PLN 9.0 million, or 7.1%, relative to the same period of 2022. The primary driver of the increase was the employee benefit expense, which grew by PLN 7.4 million, or 14.0%. In 2022, the Bank concluded a job evaluation process aimed at aligning compensation for individual positions with current market levels. Another significant driver of administrative expenses were material costs, which increased by PLN 2.7 million, or 9.9%. The Group incurred lower costs of contributions and payments to the BFG. The costs decreased by PLN 7.4 million, or 17.4%, mainly due to the BFG's decision to not collect contributions to the Guarantee Fund for 2023.

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

As at March 31st 2023, the Bank employed 1,208 persons (FTEs), compared with 1,159 at the end of the first quarter of 2022. The headcount at the Bank increased by 4.2% compared to March 31st 2022, while the subsidiaries experienced a 7.6% growth in headcount during the same period. The table below presents employment (FTEs) at the Bank and its subsidiaries. The headcount at the BOŚ Group increased by 4.9% on March 31st 2022.

Employment, FTEs	Mar 31 2023	Mar 31 2022	Change (%)
Employment at BOŚ S.A.	1,208	1,159	4.2
Employment at subsidiaries	318	295	7.6
EMPLOYMENT AT THE BOŚ GROUP	1,526	1,454	4.9

6.2. The Group's assets

As at March 31st 2023, the Group's total assets stood at PLN 22,259.7 million, an increase of 1.2% on December 31st 2022.

Changes in the structure of the Group's assets

As at March 31st 2023, at 47.5%, amounts due from clients had the largest share in total assets. The share fell by 3.1 percentage points on year-end 2022. The share of investment securities as well as cash and balances with the central bank rose by 2.1 and 1.4 percentage points, respectively.

ASSETS (PLN thousand)	Mar 31 2023	Dec 31 2022	Change (%)
Cash and balances at central bank	885,013	575,875	53.7
Amounts due from banks	183,361	242,831	-24.5
Financial assets held for trading	239,717	263,259	-8.9
Derivative hedging instruments	19,538	30,562	-36.1
Investment securities:	9,578,679	9,008,118	6.3
Amounts due from clients, including:	10,572,303	11,125,827	-5.0
measured at amortised cost	10,572,032	11,122,777	-5.0
measured at fair value through profit or loss	271	3,050	-91.1
Intangible assets	131,604	132,983	-1.0
Property, plant and equipment	91,717	91,670	0.1
Right of use – leases	61,611	65,839	-6.4
Tax assets:	169,870	175,900	-3.4
Other assets	326,308	293,317	11.2
TOTAL ASSETS	22,259,721	22,006,181	1.2

Amounts due from clients

The carrying amount of amounts due from clients of the Group as at March 31st 2023 was PLN 10,572.3 million, a decrease of 5.0% on December 31st 2022.

Amounts due from institutional clients measured at amortised cost accounted for the highest share of total amounts due from clients, at 76.4%. Their share increased by 0.1 percentage points on year-end 2022. Amounts due from institutional clients measured at amortised cost were PLN 8,076.2 million.

Amounts due from institutional clients measured at amortised cost decreased by PLN 414.7 million, or 4.9%. In the first quarter of 2023, the Bank recorded a decline in balances of outstanding loans to institutional clients. High interest rates influence behaviour of the clients who choose to prioritize debt reduction by allocating their excess liquidity towards paying off loans. The Bank is focused on encouraging clients to utilize the products or services they have recently acquired.

The share of amounts due from retail clients measured at amortised cost in total amounts due decreased by 0.1 percentage points, to 23.2%. The amount of retail loans measured at amortised cost was PLN 2,453.3 million at the end of the first quarter of 2023, compared with PLN 2,589.0 million at year-end 2022. Amounts due from retail clients measured at amortised cost decreased by PLN 135.7 million, or 5.2%.

AMOUNTS DUE FROM CLIENTS (PLN thousand)	Mar 31 2023	Dec 31 2022	Change (%)
Measured at amortised cost	10,529,516	11,079,957	-5.0
Amounts due from retail clients	2,453,311	2,589,036	-5.2
overdraft facilities	713	745	-4.3
cash loans	228,654	231,292	-1.1
housing loans	2,006,152	2,132,105	-5.9
other credit facilities	217,792	224,894	-3.2
Amounts due from institutional clients	8,076,205	8,490,921	-4.9
working capital facilities	806,599	796,262	1.3
term facilities	6,246,124	6,590,720	-5.2
factoring receivables	510,997	552,199	-7.5
lease receivables	218,341	196,949	10.9
purchased receivables	84,926	91,923	-7.6
commercial paper	209,218	262,868	-20.4
Measurement at fair value through profit or loss	271	3,050	-91.1
Amounts due from retail clients	222	270	-17.8
overdraft facilities	8	9	-11.1
housing loans	82	99	-17.2
other credit facilities	132	162	-18.5
Amounts due from institutional clients	49	2,780	-98.2
working capital facilities	-	-	x
term facilities	49	2,780	-98.2
Total	10,529,787	11,083,007	-5.0
Security deposits	36,100	36,251	-0.4
Other amounts due from clients	6,416	6,569	-2.3
TOTAL AMOUNTS DUE FROM CLIENTS	10,572,303	11,125,827	-5.0

Housing loans are the largest item of loans measured at amortised cost. As at March 31st 2023, they amounted to PLN 2,006.2 million, a decrease of 5.9% on December 31st 2022.

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

HOUSING LOANS, PLN thousand	Mar 31 2023	Dec 31 2022	Change (%)
Loans measured at amortised cost	2,006,152	2,132,105	-5.9
Housing loans in PLN	1,225,607	1,267,780	-3.3
Housing loans in CHF	309,054	368,950	-16.2
Housing loans in EUR	451,094	467,772	-3.6
Housing loans in USD	20,397	27,603	-26.1
Loans measured at the fair value through profit or loss	82	99	-17.2
Housing loans in PLN	82	99	-17.2
TOTAL HOUSING LOANS	2,006,234	2,132,204	-5.9

Foreign currency loans accounted for 38.9% of total housing loans (40.5% at year-end 2022). The share of housing loans denominated in CHF in the total loan portfolio of the Group (net) was 2.9%, having decreased by 0.4 percentage points on year-end 2022.

As at March 31st 2023, the balance of green loans (at nominal value) was PLN 4,901.4 million, having decreased 3.7% on December 31st 2022. The green loans accounted for 41.03% of the Bank's total lending portfolio (vs 40.79% as at December 31st 2022).

GREEN LOANS PLN thousand	Mar 31 2023	Dec 31 2022	Change
Green loans to institutional clients	4,462,999	4,633,835	-3.7
Green loans to retail clients	438,433	454,832	-3.6
GREEN LOANS	4,901,432	5,088,668	-3.7

*nominal value

Total loan sales

SALES OF LOANS PLN thousands	Q1 2023	Q1 2022	Change (%)
Sales to institutional clients during the quarter	692,685	663,746	4.4
Sales to retail customers during the quarter	34,734	40,367	-14.0
SALES DURING THE QUARTER	727,418	704,113	3.3

In the period from January 1 to March 31 2023, the BOŚ Group granted loans amounting to PLN 727.4 million, which represents a 3.3% increase compared to the same period last year. The increase in loan activity was mainly observed in the institutional client segment, while there was a decrease in sales in the retail segment, which can be attributed to the stagnation in the housing loan market.

In the first quarter of 2023, sales of green loans amounted to PLN 364.8 million, representing a decrease of 14.3% compared to the same period last year. The main reason for the decline in the retail segment was a reduction in sales of green mortgages due to persistently high interest rates. Similarly, the high interest rates were also responsible for the decrease in new investments in the institutional segment. The vast majority (in value terms) of the new green loans were made to institutional clients (98%). The largest portion of the green loans was allocated to energy and utilities projects, accounting for 35% of the total volume, followed by construction projects, which represented 30% of the total volume of green loans.

SALES OF GREEN LOANS (PLN thousand)	Q1 2023	Q1 2022	Change
Sales of loans to institutional customers	357,447	409,558	-12.7
Sales of green loans	7,316	16,169	-54.8
SALES OF GREEN LOANS	364,763	425,727	-14.3

Quality of the loan portfolio

QUALITY OF THE LOAN PORTFOLIO	Mar 31 2023	%	Dec 31 2022	%
AMOUNTS DUE FROM CLIENTS MEASURED AT AMORTISED COST				
Amounts due from clients without indications of impairment, including:	9,864,320	84.7	10,375,799	85.1
exposures without significant credit risk increase since initial recognition (Bucket 1)	8,827,267	75.8	9,301,183	76.3
exposures with significant credit risk increase since initial recognition (Bucket 2)	1,037,053	8.9	1,074,616	8.8
amounts due from clients with indication of impairment (Bucket 3) but with no impairment identified given the estimated cash flows	-	x	-	x
Amounts due from clients with indications of impairment, impaired (Bucket 3)	1,783,959	15.3	1,813,402	14.9
Total amounts due from clients measured at amortised cost (gross)	11,648,279	100.0	12,189,201	100.0
Impairment losses on:				
amounts due from clients – (Bucket 1)	-91,368		-97,079	
amounts due from clients – (Bucket 2)	-51,072		-57,275	
amounts due from clients – (Bucket 3) with no indication of impairment	-		-	
amounts due from clients – (Bucket 3) with indication of impairment	-976,323		-954,890	
Total impairment losses	-1,118,763		-1,109,244	
Total amounts due from clients measured at amortised cost (net)	10,529,516		11,079,957	
AMOUNTS DUE FROM CLIENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS				
Fair value	271		3,050	
Total amounts due from clients measured at fair value through profit or loss	271		3,050	
Security deposits	36,100		36,251	
Other amounts due from clients	6,416		6,569	
TOTAL AMOUNTS DUE FROM CLIENTS	10,572,303		11,125,827	

The share of amounts due from clients with indications of impairment and impaired (Basket 3) in the loan portfolio measured at amortised cost was 15.3% as at March 31st 2023, compared with 14.9% as at year-end 2022. The increase was due to a decline in the total loan portfolio. The amount of total loans in Basket 3 fell by PLN 29.4 million from year-end 2022.

As of March 31st 2023, the loan loss provision coverage ratio for Basket 3 loans was 54.73%, reflecting an increase of 2.07 percentage points compared with December 31st 2022.

6.3. Total equity and liabilities of the Group

EQUITY AND LIABILITIES (PLN thousand)	Mar 31 2023	Dec 31 2022	Change (%)
Amounts due to central bank and other banks	129,087	141,143	-8.5
Financial liabilities held for trading	126,979	152,977	-17.0
Derivative hedging instruments	-	-	x
Amounts due to clients	19,038,529	18,820,809	1.2
Liabilities arising from issue of bank securities	-	-	x
Subordinated liabilities	340,088	345,035	-1.4
Provisions	156,423	165,458	-5.5
Tax liabilities	5,669	449	1162.6
Lease liabilities	63,237	67,928	-6.9
Other liabilities	343,222	348,244	-1.4
Total equity	2,056,487	1,964,138	4.7
TOTAL EQUITY AND LIABILITIES	22,259,721	22,006,181	1.2

Equity and liabilities of the Group

As at March 31st 2023, amounts due to clients represented the largest share (85.5%) of total equity and liabilities. Their share did not change compared with December 31st 2022.

Equity was PLN 2,056.5 million at the end of the first quarter of 2023, having increased by PLN 92.3 million, or 4.7%, mainly due to net profit and a positive effect of an increase in the gross amount of securities measured at fair value through other comprehensive income.

Liabilities of the Group

AMOUNTS DUE TO CLIENTS (PLN thousand)	Mar 31 2023	Dec 31 2022	Change (%)
Retail clients	10,383,805	10,120,218	2.6
current/checking accounts	4,469,794	4,270,044	4.7
term deposits	5,914,011	5,850,174	1.1
Institutional clients	7,925,489	7,944,141	-0.2
current/checking accounts	5,014,765	5,645,340	-11.2
term deposits	2,910,724	2,298,801	26.6
Other clients	84,704	118,584	-28.6
Borrowings from international financial institutions	588,086	589,675	-0.3
Lending support funds	56,445	48,191	17.1
TOTAL LIABILITIES	19,038,529	18,820,809	1.2

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

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

As at March 31st 2023, amounts due to clients of the Group were PLN 19,038.5 million, having increased by PLN 217.7 million, or 1.2% on year-end 2022.

Amounts due to retail clients increased by PLN 263.6 million, or 2.6%, in the first quarter of 2023. Amounts due to institutional clients decreased by PLN 18.7 million, or 0.2%.

7. Key financial ratios

FINANCIAL RATIOS	Mar 31 2023	Dec 31 2022	Change in percentage points
Return on equity (ROE) ¹	8.3	6.7	1.6
Return on assets (ROA) ²	0.8	0.6	0.2
Interest margin on total assets ³	3.8	3.6	0.2
Risks costs ⁴	-0.5	-0.8	0.3
Cost/income (C/I) ⁵ , assuming uniform distribution of the cost of the one-time contribution to the Bank Guarantee Fund over the year	48.1	52.9	-4.8

1) Net profit for the last 12 months to average equity,

2) Net profit for the last 12 months to average assets,

3) Net interest income for the 12 months to average assets,

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

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

Interest margin on total assets, calculated as the ratio of net interest income for the 12 months to average assets, was 3.8%, compared with 3.6% in 2022. For the most part, the improvement was attributable to an increase in the average interest rate on loans resulting from the interest rate rises implemented by the Monetary Policy Council, as well as higher return on interest-earning assets and deposit margins on current accounts, despite lower interest income from retail customers who took advantage of loan repayment holidays.

The cost-to-income (C/I) ratio demonstrated a significant improvement, reaching 48.1% in the three months ended March 31st 2023, in comparison to 52.9% for the entire year of 2022. This improvement can be primarily attributed to income growth outpacing the increase in costs during the period. Including the full-year contribution to the Bank Guarantee Fund charged to the costs of the reporting period, the C/I ratio stands at 54.85%.

8. Capital management

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

Item	Mar 31 2023	Dec 31 2022
Available capital		
Common equity Tier 1 capital	1,853,686	1,845,216
Tier 1 capital	1,853,686	1,845,216
Own funds	1,946,836	1,954,769
Risk-weighted assets		
Total amount of risk-weighted assets	13,049,230	13,074,111
Capital ratios		
Common equity Tier 1 capital ratio	14.21	14.11
Tier 1 capital ratio	14.21	14.11
Total capital ratio	14.92	14.95
Leverage ratio		
Exposure value	24,582,507	24,062,778
Leverage ratio	7.5	7.7

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

According to the CRR Resolution, and the Act on Macro-Prudential Oversight of the Financial System and Crisis Management in the Financial System of August 5th 2015, financial institutions are required to maintain additional capital buffers for capital ratios. As of January 1st 2019, the capital conservation buffer is 2.5 percentage points, and the countercyclical buffer is 0 percentage point. The Bank is not required to maintain the buffer defined for other systemically important institution. In accordance with the Decree of the Minister of Finance dated March 18th 2020 (Dz. U., of 2020, item 473), the systemic risk buffer was released.

On December 5th 2022, the Bank received a decision from the Financial Supervision Commission to exempt it from the additional capital requirement for hedging risks associated with mortgage-backed foreign currency loans to households at both the separate and consolidated levels.

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

As a result, as at March 31st 2023 the minimum capital ratios recommended by the Polish Financial Supervision Authority for the Group are 9.84% for Tier 1 capital ratio and 11.84% for the TCR ratio.

The capital adequacy ratio of the Group as at December 31st 2023 was above the levels recommended by the Polish Financial Supervision Authority.

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

Item	Mar 31 2023	Dec 31 2022
Available capital		
Common equity Tier 1 capital	1,724,460	1,730,105
Tier 1 capital	1,724,460	1,730,105
Own funds	1,817,610	1,839,659
Risk-weighted assets		
Total amount of risk-weighted assets	11,796,386	12,221,934
Capital ratios		
Common equity Tier 1 capital ratio	14.62	14.16
Tier 1 capital ratio	14.62	14.16
Total capital ratio	15.41	15.05
Leverage ratio		
Exposure value	24,020,983	23,658,834
Leverage ratio	7.2	7.3

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

As a result, as at March 31st 2023 the minimum capital ratios recommended by the Polish Financial Supervision Authority for the Bank were 9.94% for Tier 1 capital ratio and 11.94% for the TCR ratio.

The capital adequacy ratio of the Bank as at December 31st 2023 was above the levels recommended by the Polish Financial Supervision Authority.

9. Segment reporting

In accordance with IFRS 8, operating segments are determined on the basis of internal reports on components of an enterprise that are subject to periodic reviews by the management responsible for taking operational decisions. For a description of the policies applied in segment reporting, see Note 51 to the full-year consolidated financial statements for the year ended December 31st 2022. The results of the operating segments for the corresponding period of the previous year have been restated to ensure comparability. Below are presented the consolidated financial results of the BOŚ Group for the three months ended March 31st 2023 and March 31st 2022 attributable to the segments.

No.	Selected items of the statement of profit or loss for the three months ended Mar 31 2023	INSTITUTIONAL CLIENTS	RETAIL CLIENTS	TREASURY AND INVESTMENTS	BROKERAGE BUSINESS	OTHER (NOT ALLOCATED TO SEGMENTS)	GROUP
I.	Net interest income	74,948	44,549	49,484	27,815	-497	196,299
1.	Interest and similar income, including:	330,649	211,442	-140,118	37,399	8	439,380
	transactions with external clients	183,641	48,856	163,454	1,018	-	396,969
	transactions with other segments	147,008	162,586	-303,572	36,381	8	42,411
2.	Interest expense and similar charges, including:	-255,701	-166,893	189,602	-9,584	-505	-243,081
	transactions with external clients	-57,787	-118,264	-16,361	-8,250	-8	-200,670
	transactions with other segments	-197,914	-48,629	205,963	-1,334	-497	-42,411
II.	Net fee and commission income	15,667	2,970	-	14,027	-128	32,536
III.	Dividend income	-	-	-	-	-	-
IV.	Gain (loss) on financial instruments measured at fair value through profit or loss	-48	-32	4,931	8,069	-	12,920
V.	Gain (loss) on hedge accounting	-	-	-463	-	-	-463
VI.	Gain (loss) on investment securities	-	-	-	-	-	-
VII.	Gain (loss) on foreign exchange transactions	4,119	843	-350	-93	-	4,519
VIII.	Gain (loss) on derecognition of financial instruments	548	-1	-	-	-	547
IX.	Net banking income	95,234	48,329	53,602	49,818	-625	246,358
X.	Net other income and expenses	2,921	-620	-	-2,687	-123	-509
XI.	Effect of legal risk of mortgage loans denominated in foreign currencies	-	-43,156	-	-	-	-43,156
XII.	Net impairment losses	18,959	460	-404	-	-	19,015
XIII.	Net finance income (costs)	117,114	5,013	53,198	47,131	-748	221,708
1.	Direct costs	-10,412	-6,645	-647	-22,776	-272	-40,752
	Profit (loss) after direct costs	106,702	-1,632	52,551	24,355	-1,020	180,956
2.	Indirect costs and mutual services	-24,083	-21,751	-4,169	-	-	-50,003
	Profit (loss) after direct and indirect costs	82,619	-23,383	48,382	24,355	-1,020	130,953
3.	Amortisation/depreciation	-7,436	-6,611	-697	-2,588	-427	-17,759
4.	Other costs (taxes, BFG, PFSA)	-13,563	-10,630	-178	-1,329	-340	-26,040
XIV.	Profit (loss) before tax	61,620	-40,624	47,507	20,438	-1,787	87,154
XV.	Allocated profit (loss) of ALM	17,302	31,124	-48,426	-	-	-
XVI.	Gross profit (loss) after ALM allocation	78,922	-9,500	-919	20,438	-1,787	87,154
XVII.	Income tax expense						-30,167
XVIII.	Net profit (loss)						56,987
XIX.	Segment assets	8,170,790	2,453,533	11,037,756	349,702	247,940	22,259,721
	Segment liabilities	6,585,833	9,424,036	3,194,334	2,553,245	502,273	22,259,721
	Expenditure on property, plant and equipment and intangible assets	5,038	4,330	540	2,270	-	12,178

No.	Selected items of the statement of profit or loss for the three months ended Mar 31 2022	INSTITUTIONAL CLIENTS	RETAIL CLIENTS	TREASURY AND INVESTMENTS	BROKERAGE BUSINESS	OTHER (NOT ALLOCATED TO SEGMENTS)	GROUP
I.	Net interest income	48,916	40,615	41,426	9,318	-303	139,972
1.	Interest and similar income, including:	140,360	73,269	-41,780	10,604	1	182,454
	transactions with external clients	98,275	28,225	43,216	424	-	170,140
	transactions with other segments	42,085	45,044	-84,996	10,180	1	12,314
2.	Interest expense and similar charges, including:	-91,444	-32,654	83,206	-1,286	-304	-42,482
	transactions with external clients	-11,425	-11,628	-6,398	-708	-9	-30,168
	transactions with other segments	-80,019	-21,026	89,604	-578	-295	-12,314
II.	Net fee and commission income	15,317	2,561	-	20,703	-75	38,506
III.	Dividend income	-	-	-	1	-	1
IV.	Gain (loss) on financial instruments measured at fair value through profit or loss	-	-	758	3,366	-	4,124
V.	Gain (loss) on hedge accounting	-	-	-328	-	-	-328
VI.	Gain (loss) on investment securities	-	-	-	-	-	-
VII.	Gain (loss) on foreign exchange transactions	4,546	1,002	2,389	-164	-2	7,771
VIII.	Gain (loss) on derecognition of financial instruments	70	-11				59
IX.	Net banking income	68,849	44,167	44,245	33,224	-380	190,105
X.	Net other income and expenses	-2,114	262	-	-3,009	2,045	-2,816
XI.	Effect of legal risk of mortgage loans denominated in foreign currencies	-	-1,041	-		-	-1,041
XII.	Net impairment losses	-15,839	-10,958	1,892	-	-	-24,905
XIII.	Net finance income (costs)	50,896	32,430	46,137	30,215	1,665	161,343
1.	Direct costs	-9,274	-5,645	-617	-20,715	-296	-36,547
	Profit (loss) after direct costs	41,622	26,785	45,520	9,500	1,369	124,796
2.	Indirect costs and mutual services	-20,102	-20,226	-3,717	-	-	-44,045
	Profit (loss) after direct and indirect costs	21,520	6,559	41,803	9,500	1,369	80,751
3.	Amortisation/depreciation	-5,764	-6,101	-551	-2,286	-427	-15,129
4.	Other costs (taxes, BFG, PFSA)	-16,363	-12,386	-146	-918	-69	-29,882
XIV.	Profit (loss) before tax	-607	-11,928	41,106	6,296	873	35,740
XV.	Allocated profit (loss) of ALM	18,692	18,357	-37,049	-	-	-
XVI.	Gross profit (loss) after ALM allocation	18,085	6,429	4,057	6,296	873	35,740
XVII.	Income tax expense						-12,353
XVIII.	Net profit (loss)						23,387
XIX.	Segment assets	8,777,978	2,871,873	7,779,084	357,861	223,208	20,010,004
	Segment liabilities	6,279,251	7,675,495	3,328,351	1,929,385	797,522	20,010,004
	Expenditure on property, plant and equipment and intangible assets	3,376	2,904	329	2,017	-	8,626

10. Pending proceedings and changes in law

Lawsuits – total

As at March 31st 2023, Bank Ochrony Środowiska S.A. was:

- a claimant in 851 lawsuits for a total amount of PLN 105.89 million,
- a respondent in 1097 lawsuits for a total amount of: PLN 414.11 million.

As at March 31st 2023, the Bank was not involved in any material proceedings pending before any court, arbitration body or public administration authority where the amount of the Bank's liabilities or claims would represent at least 10% of the Bank's equity.

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

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

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

No proceedings are pending against Bank for reimbursement of part of consumer credit costs under the Act on enforcement of claims in class action proceedings of December 17th 2009.

As of March 31st 2023, there was one ongoing litigation case against the Bank related to the reimbursement of consumer credit costs due to early repayment.

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

Since the ruling issued by the Court of Justice of the European Union ("CJEU") on October 3rd 2019 in Case C-260/18 Kamil Dziubak, Justyna Dziubak v Raiffeisen Bank International AG, Vienna, conducting business in Poland in the form of a branch under the name Raiffeisen Bank International AG Branch in Poland, there has been a growing number of lawsuits concerning loan agreements indexed to foreign exchange rates. The reasons can be found in the intensified marketing campaign by entities representing borrowers in court proceedings, the constant presence of the subject matter in the media, as well as trends in the national case law evolving to the disadvantage of banks.

Most of the court judgments issued following the CJEU ruling of October 3rd 2019 are not in favour of banks, but the case law continues to be inconsistent in this respect. In Poland, courts hearing cases involving foreign exchange-linked mortgages have made further requests to the CJEU for preliminary rulings. The most awaited by the banking sector and borrowers alike is the position of the CJEU regarding restitution claims of banks, which is bound to have a major impact on future rulings of common courts.

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

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

Currently, a ruling is pending regarding whether the bank or the borrower has any additional claims beyond the return of the amounts paid in accordance with the agreement and the applicable statutory interest for any delays. Specifically, the question under consideration is whether there can be a claim for the value of the use of the other party's money or for the valorisation of the amount of monetary services provided. The validity of this additional claim has not yet been definitively resolved in case law. These issues are covered by the request of the First President of the Supreme Court for a resolution by the Supreme Court and are covered by preliminary questions to the CJEU.

In a case before the CJEU (520/21), the Advocate General issued an opinion stating:

- it is up to the Polish court to determine, under Polish law, whether the borrower has the right to claim from the bank, in addition to the return of the money paid under the agreement and the payment of statutory interest for delay, additional benefits. However, if the national court finds that national law gives the borrower the ability to demand additional benefits from the bank as well, EU law (Directive 93/13) does not prevent this,
- Directive 93/13 precludes the bank's claim beyond the return of the amount of capital disbursed plus statutory interest for delay.

The Advocate General's opinion is not binding on the Court. The CJEU's ruling may therefore be different from what the Advocate General has proposed.

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

Having obtained the approval of the Extraordinary General Meeting (Resolution No. 4/2021 of December 8th 2021), on January 31st 2022 the Bank implemented the BOŚ S.A. Compromise and Settlement Programme based on a framework communicated by the President of the PFSA. Until March 31st 2023, a total of 343 settlements were signed under the Programme. By the end of the first quarter of 2023, the Bank received 901 applications for settlement concerning foreign currency mortgage loans.

The total risk provision for foreign currency-linked mortgages as of March 31st 2023 was PLN 534.0 million, compared with PLN 514.8 million at year-end 2022.

As at March 31st 2023, there were 1,021 court cases pending against the Bank concerning loans denominated mainly in CHF (as well as USD and EUR), with a total value of claims of PLN 366.31 million. The claims raised in the lawsuits generally revolve around two main issues. Borrowers either seek to declare the credit/loan agreements invalid, thereby invalidating the contractual obligations and seeking repayment of loan instalments paid, or challenge the validity of the denomination clauses in the agreements, arguing that they are abusive, and seek a legal ruling to declare these clauses as invalid and request payment accordingly.

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

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

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

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

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

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

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

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

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

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

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

Between July 2022 and March 2023, the President of the Office of Competition and Consumer Protection (UOKiK) initiated several inquiries to BOŚ S.A. These inquiries were related to the Bank's compliance with its obligations under the Business Crowdfunding and Borrowers Assistance Act of July 7th 2022, also known as the Loan Repayment Holidays Act (Dz. U. of 2022, item 1488). The inquiries from the President of UOKiK focused on various aspects of the Bank's policies and practices related to the suspension of mortgage loan instalments. This included the procedures and processes involved in receiving and processing applications for loan repayment holidays, as well as the statistical data related to the number and characteristics of contracts where such repayment holidays were granted. Additionally, the inquiries also addressed the methods used for recalculating loan instalments after the suspension of repayments, as well as the procedures for preparing and providing new loan repayment schedules to customers at the end of the suspension period. The Bank responded to all letters received from the President of UOKiK within the statutory period of 14 days. As of March 31st 2023, the Bank had not received any new letters from the President of UOKiK regarding the specific subject area described earlier.

The enquiries related to the initiation of an investigation by the President of UOKiK against several banks, including BOŚ S.A. to determine whether any breaches occurred that would justify further proceedings related to practices that infringe on collective consumer interests and consumer interests.

Statutory loan payment holidays under the Act on Special Measures to Prevent, Counteract and Combat COVID-19, Other Infectious Diseases and Related Crisis Situations of March 2nd 2020 (Dz. U. of 2020, items 374, 567, 568, 695 and 875) (Shield 4.0 government aid scheme)

Under the provisions of Shield 4.0, natural persons who are consumers, as defined in Article 221 of the Civil Code of April 23rd 1964, and have entered into a loan agreement with the Bank before March 13th 2020, may be eligible to suspend the performance of the loan agreement. This applies if the loan maturity date specified in the agreement falls within six months after that date, and the borrower(s) have lost their job or other main source of income after March 13th 2020. Even if only one of the co-borrowers has lost their job or other main source of income, they are still eligible for the loan payment suspension.

An application for loan payment holidays may be submitted by clients with respect to agreements falling into one of the following categories:

- consumer credit agreements within the meaning of the Consumer Credit Act of May 12th 2011, including: *Przejrzysta Pożyczka* (Transparent Loan) cash loans, PV loans, checking account overdrafts, credit cards and preferential green loans granted by the Bank in association with green funding donors, such as NFOŚiGW, WFOŚiGWs or BGK (donor-supported green loans),
- credit agreements within the meaning of Art. 69 of the Banking Law of August 29th 1997, including cash loans for more than PLN 255,550, donor-supported preferential loans and stock market loans.

Support fund for borrowers under financial strain

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

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

Support obtained from the Fund may be used:

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

Suspension of instalment payments under the General Credit Rules.

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

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

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

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

In the three months ended March 31st 2023, there were no other events at the Bank that would be material for the assessment of its human resources, assets, financial position, financial result and any changes thereto, as well as for the assessment of the Bank's ability to fulfil its obligations.

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

In the three months to March 31st 2023, the BOŚ Group did not publish any performance forecasts.

13. Seasonal or cyclical nature of the business

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

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

The Bank did not issue or redeem any BOŚ S.A. securities in the first three months of 2023.

15. Information about dividend

In the three months ended March 31st 2023, the Bank did not make or declare any dividend payments.

16. Related party transactions

In the period from January 1st to March 31st 2023, the Bank and its subsidiaries did not enter into any related party transactions which, individually or in the aggregate, would be material and executed on non-arm's length terms.

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

In the three months ended March 31st 2023, the Bank did not issue any credit repayment sureties or guarantees whose aggregate amount represents 10% or more of its equity.

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

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

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

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

As at March 31st 2023, the Bank held 37,775 treasury shares, representing 0.04% of its share capital and 0.04% of total voting rights in the Bank.

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

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

19. Bank shares held by management and supervisory personnel

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

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

In the three months ended March 31st 2023, there were no other events at the Bank that would be material for the assessment of its human resources, assets, financial position, financial result and any changes thereto, as well as for the assessment of the Bank's ability to fulfil its obligations.

21. Supervisory Board

As at December 31st 2022, the composition of the Supervisory Board was as follows:

- | | |
|--------------------|--|
| • Piotr Sadownik | – Chairman of the Supervisory Board |
| • Iwona Marciniak | – Deputy Chairwoman of the Supervisory Board |
| • Andrzej Matysiak | – Member of the Supervisory Board |
| • Piotr Bielarczyk | – Member of the Supervisory Board |
| • Paweł Sałek | – Member of the Supervisory Board |

- Emil Ślęzak
 - Aleksandra Świdorska
 - Tadeusz Wyrzykowski.
- Member of the Supervisory Board, delegated to temporarily perform the duties of President of the Management Board
 - Member of the Supervisory Board
 - Member of the Supervisory Board

Changes in the composition of the Supervisory Board in the three months ended March 31st 2023:

On February 8th 2023, Mr. Emil Ślęzak, then member of the Supervisory Board, submitted his resignation from the Board. This decision was made in connection with his appointment as Vice President of the Bank's Management Board, which took effect on the same date. Following the change, as at March 31st 2023 the composition of the Supervisory Board was as follows:

- Piotr Sadownik
 - Iwona Marciniak
 - Andrzej Matysiak
 - Piotr Bielarczyk
 - Paweł Sałek
 - Aleksandra Świdorska
 - Tadeusz Wyrzykowski.
- Chairman of the Supervisory Board
 - Deputy Chairwoman of the Supervisory Board
 - Member of the Supervisory Board
 - Member of the Supervisory Board
 - Member of the Supervisory Board
 - Member of the Supervisory Board
 - Member of the Supervisory Board

22. Management Board

As at December 31st 2022, the composition of the Management Board was as follows:

- Emil Ślęzak
 - Arkadiusz Garbarczyk
 - Robert Kasprzak
 - Jerzy Zań
- Emil Ślęzak, Member of the Supervisory Board delegated to temporarily perform the duties of President of the Management Board
 - Vice President of the Management Board, First Deputy President of the Management Board
 - Vice President of the Management Board
 - Vice President of the Management Board

Effective February 8th 2023, Mr. Emil Ślęzak was appointed Vice President of the Bank's Management Board by the Supervisory Board, and entrusted with the responsibility for managing the work of the Management Board. At the same time, the Supervisory Board adopted a resolution to seek approval from the PFSA for the appointment of Mr. Emil Ślęzak as the President of the Management Board of Bank Ochrony Środowiska S.A.

Therefore, as at March 31st 2023, the Management Board was composed of:

- Emil Ślęzak
 - Arkadiusz Garbarczyk
 - Robert Kasprzak
 - Jerzy Zań
- Vice President of the Management Board, responsible for managing the work of the Management Board
 - Vice President of the Management Board, First Deputy President of the Management Board
 - Vice President of the Management Board
 - Vice President of the Management Board

Events after the reporting date: On April 18th 2023, Mr. Robert Kasprzak tendered his resignation as Vice President of the Management Board of Bank Ochrony Środowiska S.A., effective from April 30th 2023.

INTERIM CONDENSED FINANCIAL STATEMENTS OF THE BOŚ GROUP

Interim consolidated statement of profit or loss of the BOŚ Group

Continuing operations	3 months ended Mar 31 2023	3 months ended Mar 31 2022 restated data
Interest and similar income, including:	396,969	170,140
<i>financial assets measured at amortised cost</i>	270,963	139,058
<i>assets measured at fair value through other comprehensive income</i>	119,609	29,519
<i>financial assets measured at fair value through profit or loss</i>	6,397	1,563
Interest expense and similar charges, including:	-200,670	-30,168
<i>financial liabilities measured at amortised cost</i>	-200,670	-30,162
<i>financial liabilities measured at fair value through profit or loss</i>	-	-6
Net interest income	196,299	139,972
Fee and commission income	43,189	50,854
Fee and commission expense	-10,653	-12,348
Net fee and commission income	32,536	38,506
Dividend income	-	1
Gain (loss) on financial instruments measured at fair value through profit or loss (including amounts due from clients)	12,920	4,124
Gain (loss) on hedge accounting	-463	-328
Gain (loss) on foreign exchange transactions	4,519	7,771
Gain (loss) on derecognition of financial instruments	547	59
Other income	13,000	10,407
Other expenses	-13,509	-13,223
Effect of legal risk of mortgage loans denominated in foreign currencies	-43,156	-1,041
Net impairment losses	19,015	-24,905
Administrative expenses	-134,554	-125,603
Profit before tax	87,154	35,740
Income tax expense	-30,167	-12,353
Net profit	56,987	23,387
<i>of which attributable to owners of the parent</i>	56,987	23,387
<i>of which attributable to non-controlling interests</i>	-	-
Earnings per share attributable to owners of the parent for the period (PLN)		
<i>basic</i>	0.61	0.25
<i>diluted</i>	0.61	0.25

No operations were discontinued in the three months ended March 31st 2023 or in 2022.

Interim consolidated statement of comprehensive income

Continuing operations	3 months ended Mar 31 2023	3 months ended Mar 31 2022
Net profit	56,987	23,387
Items that may be reclassified to profit or loss:	35,361	-40,850
Fair value of financial assets measured at fair value through other comprehensive income, gross	43,656	-50,432
Deferred tax	-8,295	9,582
Items that will not be reclassified to profit or loss:	1	-1
Fair value of equity instruments carried at fair value through other comprehensive income, gross	1	-1
Other comprehensive income	35,362	-40,851
Total comprehensive income	92,349	-17,464
Of which attributable to:		
<i>owners of the parent</i>	92,349	-17,464

Interim consolidated statement of financial position

Assets	Mar 31 2023	Dec 31 2022 audited
Cash and balances at central bank	885,013	575,875
Amounts due from banks	183,361	242,831
Financial assets held for trading, including:	239,717	263,259
<i>equity securities</i>	26,235	16,602
<i>debt securities</i>	5,793	20,643
<i>derivative instruments</i>	207,689	226,014
Derivative hedging instruments	19,538	30,562
Investment securities:	9,578,679	9,008,118
<i>equity securities measured at fair value through other comprehensive income</i>	85,465	85,465
<i>debt securities measured at fair value through other comprehensive income</i>	7,171,776	6,915,813
<i>debt securities measured at amortised cost</i>	2,206,902	1,900,215
<i>debt securities measured at fair value through profit or loss</i>	114,536	106,625
Amounts due from clients, including:	10,572,303	11,125,827
<i>measured at amortised cost</i>	10,572,032	11,122,777
<i>measured at fair value through profit or loss</i>	271	3,050
Intangible assets	131,604	132,983
Property, plant and equipment	91,717	91,670
Right of use – leases	61,611	65,839
Tax assets:	169,870	175,900
<i>current</i>	-	2,445
<i>deferred</i>	169,870	173,455
Other assets	326,308	293,317
Total assets	22,259,721	22,006,181

Liabilities	Mar 31 2023	Dec 31 2022 audited
Amounts due to central bank and other banks	129,087	141,143
Financial liabilities held for trading, including:	126,979	152,977
<i>equity securities</i>	496	907
<i>derivative instruments</i>	126,483	152,070
Amounts due to clients	19,038,529	18,820,809
Subordinated liabilities	340,088	345,035
Provisions	156,423	165,458
Tax liabilities:	5,669	449
<i>current</i>	5,669	449
Lease liabilities	63,237	67,928
Other liabilities	343,222	348,244
Total liabilities	20,203,234	20,042,043

Equity	Mar 31 2023	Dec 31 2022 audited
Equity attributable to owners of the parent		
Common equity:	1,461,036	1,461,036
<i>Share capital</i>	929,477	929,477
<i>Treasury shares</i>	-1,292	-1,292
<i>Share premium</i>	532,851	532,851
Revaluation reserve	-21,501	-56,863
Retained earnings	616,952	559,965
Total equity	2,056,487	1,964,138
Total equity and liabilities	22,259,721	22,006,181

Interim consolidated statement of changes in equity

Item	Equity attributable to owners of the Bank								Total equity
	Common equity			Revaluation reserve	Retained earnings				
	Share capital	Treasury shares	Share premium		Other statutory reserve funds	Other capital reserves	General risk fund	Undistributed profit (loss)	
As at Jan 1 2023	929,477	-1,292	532,851	-56,863	457,479	23,605	48,302	30,579	1,964,138
Net profit	-	-	-	-	-	-	-	56,987	56,987
Other comprehensive income	-	-	-	35,362	-	-	-		35,362
Total comprehensive income	-	-	-	35,362	-	-	-	56,987	92,349
As at Mar 31 2023	929,477	-1,292	532,851	-21,501	457,479	23,605	48,302	87,566	2,056,487
As at Jan 1 2022	929,477	-1,292	532,851	-26,962	398,628	23,605	48,302	-38,814	1,865,795
Net profit	-	-	-	-	-	-	-	128,244	128,244
Other comprehensive income	-	-	-	-29,901	-	-	-	-	-29,901
Total comprehensive income	-	-	-	-29,901	-	-	-	128,244	98,343
Profit distribution, including:	-	-	-	-	58,851	-	-	-58,851	-
Transfer of net profit to reserves	-	-	-	-	58,851	-	-	-58,851	-
As at Dec 31 2022	929,477	-1,292	532,851	-56,863	457,479	23,605	48,302	30,579	1,964,138
As at Jan 1 2022	929,477	-1,292	532,851	-26,962	398,628	23,605	48,302	-38,814	1,865,795
Net profit	-	-	-	-	-	-	-	23,387	23,387
Other comprehensive income	-	-	-	-40,851	-	-	-	-	-40,851
Total comprehensive income	-	-	-	-40,851	-	-	-	23,387	-17,464
As at Mar 31 2022	929,477	-1,292	532,851	-67,813	398,628	23,605	48,302	-15,427	1,848,331

There were no non-controlling interests in the three months ended March 31st 2023 or in 2022.

Interim consolidated statement of cash flows

Indirect method	3 months ended Mar 31 2023	3 months ended Mar 31 2022 restated data
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Profit before tax	87,154	35,740
Total adjustments:	346,406	-413,821
Amortisation/depreciation	17,759	15,129
Interest income on investing activities	-88,069	-30,616
Gain (loss) on investing activities	-2	-23
Interest income on financing activities	9,308	5,421
Dividends received:	-	-1
<i>on securities held for trading</i>	-	1
Change in:		
<i>amounts due from banks</i>	4,820	9,040
<i>assets on securities held for trading</i>	5,217	-15,554
<i>assets and liabilities from measurement of derivative and hedging financial instruments</i>	3,762	-24,888
<i>investment securities</i>	-291,112	4,790
<i>amounts due from clients</i>	553,524	-76,763
<i>other assets and income tax</i>	-30,341	-55,689
<i>amounts due to central bank and other banks</i>	-12,056	35,294
<i>amounts due to clients</i>	217,720	-293,889
<i>liabilities arising from securities held for trading</i>	-411	165
<i>provisions</i>	-9,035	-582
<i>other liabilities and income tax</i>	-8,059	25,527
Income tax paid	-26,619	-11,183
Net cash flows from (used in) operating activities	433,560	-378,081
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Inflows	89,750	21,917
Cash receipts from sale of property, plant, and equipment	2	23
Cash receipts from redemption of securities measured at amortised cost	4,205	-
Interest income on securities measured at amortised cost	85,543	21,894
Outflows	-320,770	-8,625
Payments for acquisition of securities measured at amortised cost	-308,366	-
Payments for acquisition of intangible assets	-7,640	-5,238
Payments for acquisition of property, plant and equipment	-4,764	-3,387
Net cash flows from (used in) investing activities	-231,020	13,292
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Inflows	-	-
Outflows	-18,947	-9,014
Interest paid on bonds issued by the Group, including:	-13,350	-3,813
<i>subordinated bonds</i>	-13,350	-3,813
Lease payments	-4,186	-4,445

Lease interest paid	-1,411	-756
Net cash flows from (used in) financing activities	-18,947	-9,014
TOTAL NET CASH FLOWS	183,593	-373,803
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,254,792	3,605,927
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5,438,385	3,232,124
Restricted cash and cash equivalents	644,327	524,894

COMPARABILITY WITH PRIOR PERIOD DATA

Interim restated consolidated statement of profit or loss as at Mar 31 2022

In this report, the BOŚ Group has changed its presentation policy by separately presenting the line item 'Gain (loss) on derecognition of financial instruments' in the statement of profit or loss. In the report for the three months ended March 31st 2022, the Group accounted for any gain or loss on the derecognition of financial instruments as part of interest income. Following the change in presentation, the Group restated the comparative data as at March 31st 2022.

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

Continuing operations	Data in the issued financial statements for the three months ended Mar 31 2022	Adjustment due to presentation change	Adjusted data in these financial statements for the three months ended Mar 31 2023
Interest and similar income, including:	170,199	-59	170,140
<i>financial assets measured at amortised cost</i>	139,117	-59	139,058
Net interest income	140,031	-59	139,972
Gain (loss) on derecognition of financial instruments	-	59	59
Profit before tax	35,740	-	35,740
Income tax expense	-12,353	-	-12,353
Net profit	23,387	-	23,387

Interim restated consolidated statement of cash flows as at Mar 31 2022

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

In addition, the presentation of lease expenses was modified to separately disclose lease interest payments of PLN 756 thousand.

The table below presents the restated data.

Indirect method	Data in the issued financial statements for the three months ended Mar 31 2022	Adjustment for change in accounting policies/presentation change	Adjusted data in these financial statements for the three months ended Mar 31 2022
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Profit before tax	35,740	-	35,740
Total adjustments:	-413,821	-	-413,821
Change in:			
<i>amounts due from clients</i>	-81,678	4,915	-76,763
<i>amounts due to clients*</i>	-293,889	-	-293,889
<i>liabilities arising from securities held for trading**</i>	165	-	165
<i>provisions</i>	4,333	-4,915	-582
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Outflows	-9,014	-	-9,014
Lease payments	-5,201	756	-4,445
Lease interest paid	-	-756	-756
Net cash flows from (used in) financing activities	-9,014	-	-9,014
TOTAL NET CASH FLOWS	-373,803	-	-373,803

* In the first quarter of 2022, the value of 165 instead of -293,889 was published (editorial error).

** In the first quarter of 2022, the value of -293,889 was published instead of 165 (editorial error).

INTERIM CONDENSED FINANCIAL STATEMENTS OF BOŚ S.A.

Interim statement of profit or loss of the Bank

Continuing operations	3 months ended Mar 31 2023	3 months ended Mar 31 2022 restated data
Interest and similar income, including:	395,932	168,678
<i>financial assets measured at amortised cost</i>	269,930	137,617
<i>assets measured at fair value through other comprehensive income</i>	119,609	29,519
<i>financial assets mandatorily measured at fair value through profit or loss</i>	6,393	1,542
Interest expense and similar charges, including:	-228,927	-39,635
<i>financial liabilities measured at amortised cost</i>	-228,927	-39,629
<i>financial liabilities measured at fair value through profit or loss</i>	-	-6
Net interest income	167,005	129,043
Fee and commission income	20,680	20,944
Fee and commission expense	-1,824	-2,614
Net fee and commission income	18,856	18,330
Gain (loss) on financial instruments measured at fair value through profit or loss (including amounts due from clients)	4,905	281
Gain (loss) on hedge accounting	-463	-328
Gain (loss) on foreign exchange transactions	4,623	7,831
Gain (loss) on derecognition of financial instruments	547	59
Other income	6,162	2,150
Other expenses	-7,788	-6,603
Effect of legal risk of mortgage loans denominated in foreign currencies	-43,156	-1,041
Net impairment losses	19,654	-24,054
Administrative expenses	-104,386	-99,008
Share of profit (loss) of equity-accounted entities	16,715	7,792
Profit before tax	82,674	34,452
Income tax expense	-25,481	-10,353
Net profit	57,193	24,099
Earnings per share attributable to owners of the parent for the period (PLN)		
<i>basic</i>	0.62	0.26
<i>diluted</i>	0.62	0.26

No operations were discontinued in the three months ended March 31st 2023 or in 2022.

Interim statement of comprehensive income of the Bank

Continuing operations	3 months ended Mar 31 2023	3 months ended Mar 31 2022
Net profit	57,193	24,099
Items that may be reclassified to profit or loss:	35,361	-40,850
Fair value of financial assets measured at fair value through other comprehensive income, gross	43,656	-50,432
Deferred tax	-8,295	9,582
Items that will not be reclassified to profit or loss:	1	-1
Fair value of equity instruments carried at fair value through other comprehensive income, gross	1	-1
Other comprehensive income	35,362	-40,851
Total comprehensive income	92,555	-16,752

Interim statement of financial position of the Bank

Assets	Mar 31 2023	Dec 31 2022 audited
Cash and balances at central bank	885,005	575,865
Amounts due from banks	181,670	240,885
Financial assets held for trading, including:	182,047	222,944
<i>debt securities</i>	5,572	20,225
<i>derivative instruments</i>	176,475	202,719
Derivative hedging instruments	19,538	30,562
Investment securities:	9,578,679	9,008,118
<i>equity securities measured at fair value through other comprehensive income</i>	85,465	85,465
<i>debt securities measured at fair value through other comprehensive income</i>	7,171,776	6,915,813
<i>debt securities measured at amortised cost</i>	2,206,902	1,900,215
<i>debt securities measured at fair value through profit or loss</i>	114,536	106,625
Amounts due from clients, including:	10,606,790	11,173,579
<i>measured at amortised cost</i>	10,606,519	11,170,529
<i>measured at fair value through profit or loss</i>	271	3,050
Investments in subsidiaries	242,873	226,158
Intangible assets	116,485	118,251
Property, plant and equipment	46,884	45,987
Right of use – leases	57,505	61,199
Tax assets:	155,010	161,532
<i>current</i>	-	2,445
<i>deferred</i>	155,010	159,087
Other assets	61,205	50,158
Total assets	22,133,691	21,915,238

Liabilities	Mar 31 2023	Dec 31 2022 audited
Amounts due to central bank and other banks	129,087	141,143
Derivative financial instruments held for trading	120,278	147,922
Amounts due to clients	19,087,398	18,879,924
Subordinated liabilities	340,088	345,035
Provisions	150,095	159,357
Tax liabilities:	4,474	-
<i>current</i>	4,474	-
Lease liabilities	59,366	63,475
Other liabilities	188,354	216,386
Total liabilities	20,079,140	19,953,242

Equity	Mar 31 2023	Dec 31 2022 audited
Equity attributable to owners of the parent		
Common equity:	1,460,364	1,460,364
<i>Share capital</i>	929,477	929,477
<i>Treasury shares</i>	-1,294	-1,294
<i>Share premium</i>	532,181	532,181
Revaluation reserve	-21,501	-56,863
Retained earnings	615,688	558,495
Total equity	2,054,551	1,961,996
Total equity and liabilities	22,133,691	21,915,238

Interim statement of changes in equity of the Bank

Item	Common equity			Revaluation reserve	Retained earnings			Total equity
	Share capital	Treasury shares	Share premium		Other statutory reserve funds	General risk fund	Undistributed profit (loss)	
As at Jan 1 2023	929,477	-1,294	532,181	-56,863	382,585	48,302	127,608	1,961,996
Net profit	-	-	-	-	-	-	57,193	57,193
Other comprehensive income	-	-	-	35,362	-	-	-	35,362
Total comprehensive income	-	-	-	35,362	-	-	57,193	92,555
As at Mar 31 2023	929,477	-1,294	532,181	-21,501	382,585	48,302	184,801	2,054,551
As at Jan 1 2022	929,477	-1,294	532,181	-26,962	333,871	48,302	48,714	1,864,289
Net profit	-	-	-	-	-	-	127,608	127,608
Other comprehensive income	-	-	-	-29,901	-	-	-	-29,901
Total comprehensive income	-	-	-	-29,901	-	-	127,608	97,707
Profit distribution, including:	-	-	-	-	48,714	-	-48,714	-
Transfer of net profit to reserves	-	-	-	-	48,714	-	-48,714	-
As at Dec 31 2022	929,477	-1,294	532,181	-56,863	382,585	48,302	127,608	1,961,996
As at Jan 1 2022	929,477	-1,294	532,181	-26,962	333,871	48,302	48,714	1,864,289
Net profit	-	-	-	-	-	-	24,099	24,099
Other comprehensive income	-	-	-	-40,851	-	-	-	-40,851
Total comprehensive income	-	-	-	-40,851	-	-	24,099	-16,752
Profit distribution, including:	-	-	-	-	-	-	-	-
As at Mar 31 2022	929,477	-1,294	532,181	-67,813	333,871	48,302	72,813	1,847,537

There were no non-controlling interests in the three months ended March 31st 2023 or in 2022.

Interim statement of cash flows of the Bank

Indirect method	3 months ended Mar 31 2023	3 months ended Mar 31 2022 restated data
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Profit before tax	82,674	34,452
Total adjustments:	346,561	-415,317
Share in (profit) loss of equity-accounted subordinated entities	-16,715	-7,792
Amortisation/depreciation	14,462	12,196
Interest income on investing activities	-88,069	-30,616
Interest income on financing activities	9,228	5,372
Change in:		
<i>amounts due from banks</i>	3,170	6,942
<i>assets on securities held for trading</i>	14,653	-5,291
<i>assets and liabilities from measurement of derivative and hedging financial instruments</i>	9,624	-38,840
<i>investment securities</i>	-291,112	5,360
<i>amounts due from clients</i>	566,789	-112,398
<i>other assets and income tax</i>	-8,368	-5,638
<i>amounts due to central bank and other banks</i>	-12,056	35,294
<i>amounts due to clients</i>	207,474	-293,114
<i>provisions</i>	-9,262	-1,009
<i>other liabilities and income tax</i>	-30,477	21,990
Income tax paid	-22,780	-7,773
Net cash flows from (used in) operating activities	429,235	-380,865
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Inflows	89,748	21,894
Interest income on securities measured at amortised cost	85,543	21,894
Cash receipts from redemption of securities measured at amortised cost	4,205	-
Outflows	-318,499	-6,483
Payments for acquisition of securities measured at amortised cost	-308,366	-
Payments for acquisition of intangible assets	-6,095	-4,539
Payments for acquisition of property, plant and equipment	-4,038	-1,944
Net cash flows from (used in) investing activities	-228,751	15,411
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Inflows		-
Outflows	-18,284	-8,311
Interest paid on bonds issued by the Bank, including:	-13,350	-3,813
<i>subordinated bonds</i>	-13,350	-3,813
Lease payments	-3,595	-3,793

Lease interest paid	-1,339	-705
Net cash flows from (used in) financing activities	-18,284	-8,311
TOTAL NET CASH FLOWS	182,200	-373,765
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,254,664	3,599,583
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5,436,864	3,225,818
Restricted cash and cash equivalents	644,327	524,894

COMPARABILITY WITH PRIOR PERIOD DATA

Interim restated statement of profit or loss of the Bank as at Mar 31 2022

In this report, the Bank has changed its presentation policy by separately presenting the line item 'Gain (loss) on derecognition of financial instruments' in the statement of profit or loss. In the report for the three months ended March 31st 2022, the Bank accounted for any gain or loss on the derecognition of financial instruments as part of interest income. Following the change in presentation, the Bank restated the comparative data as at March 31st 2022.

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

Continuing operations	Data in the issued financial statements for the three months ended Mar 31 2022	Adjustment due to presentation change	Adjusted data in these financial statements for the three months ended Mar 31 2023
Interest and similar income, including:	168,737	-59	168,678
<i>financial assets measured at amortised cost</i>	137,676	-59	137,617
Net interest income	129,102	-59	129,043
Gain (loss) on derecognition of financial instruments	-	59	59
Profit before tax	34,452	-	34,452
Income tax expense	-10,353	-	-10,353
Net profit	24,099	-	24,099

Interim restated statement of cash flows of the Bank as at Mar 31 2022

The change in accounting policy described in the full-year financial statements of BOŚ S.A. for the year ended December 31st 2022 in Section 4.2 'Comparability with prior period data' regarding the recognition of the impact of legal risk associated with litigation related to foreign currency mortgage loans affected the presentation of selected items in the statement of cash flows as at March 31st 2022.

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

In addition, the presentation of lease expenses was modified to separately disclose lease interest payments of PLN 705 thousand.

The table below presents the restated data.

Indirect method	Data in the issued financial statements for the three months ended Mar 31 2022	Adjustment for change in accounting policies/presentation change	Adjusted data in these financial statements for the three months ended Mar 31 2022
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES			
Profit before tax	34,452	-	34,452
Total adjustments:	-415,317	-	-415,317
Change in:			
<i>amounts due from clients</i>	-117,313	4,915	-112,398
<i>provisions</i>	3,906	-4,915	-1,009
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES			
Outflows	-8,311	-	-8,311
Lease payments	-4,498	705	-3,793
Lease interest paid	-	-705	-705
Net cash flows from (used in) financing activities	-8,311	-	-8,311
TOTAL NET CASH FLOWS	-373,765	-	-373,765

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

1.1. Basis of preparation and statement of compliance

The interim condensed consolidated financial statements of the Group include:

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

The interim condensed financial statements of the Bank include:

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

These interim condensed consolidated financial statements of the BOŚ Group and the interim condensed financial statements of the Bank have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), effective as at the reporting date, i.e., March 31st 2023, using the same accounting policies for each period, and on a historical cost basis, except for the following items measured at fair value:

Recognition of changes in fair value through:

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

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

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

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

These interim condensed consolidated financial statements of the BOŚ Group and the interim condensed financial statements of the Bank for the three months ended March 31st 2023 do not include all the disclosures required to be included in the full-year financial statements and should be read in conjunction with the BOŚ Group's and the Bank's full-year financial statements for the financial year ended December 31st 2022.

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

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

II. Fair value of financial assets and liabilities

	Carrying amount as at Mar 31 2023	Fair value as at Mar 31 2023	Carrying amount as at Dec 31 2022	Fair value as at Dec 31 2022
FINANCIAL ASSETS				
Amounts due from banks	183,361	184,927	242,831	244,385
Amounts due from clients, including:	10,572,303	10,642,409	11,125,827	11,159,557
- PLN loans	8,144,958	8,229,537	8,684,003	8,747,366
- Foreign currency loans	2,427,345	2,412,872	2,441,824	2,412,191
Investment securities – measured at amortised cost	2,206,902	1,487,254	1,900,215	1,626,239
Debt securities, including:	2,206,902	1,487,254	1,900,215	1,626,239
- State Treasury	1,837,184	1,159,077	1,691,585	1,465,902
- Other	369,718	328,177	208,630	160,337
FINANCIAL LIABILITIES				
Amounts due to central bank and other banks	129,087	129,087	141,143	141,143
Amounts due to clients, including:	19,038,529	18,644,834	18,820,809	18,401,324
- institutional clients	7,981,934	7,982,046	7,992,332	7,991,372
- retail clients	10,383,805	10,382,655	10,120,218	10,095,536
- other clients	84,704	84,704	118,584	118,584
- international financial institutions	588,086	195,429	589,675	195,832
Liabilities arising from issue of bank securities	-	-	-	-
Subordinated liabilities	340,088	346,668	345,035	335,736

Amounts due from banks

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

Amounts due from clients

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

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

Investment securities measured at amortised cost

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

Amounts due to central bank and other banks

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

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

Amounts due to clients

Amounts due to clients disclosed in the statement of financial position are measured at amortised cost, using the effective interest rate method. The fair value of amounts due to clients is assumed to be their value resulting from discounting principal and interest for all deposits at the weighted average interest rate that was in effect for deposits accepted in March 2023. In the absence of payment schedules for current accounts, they were recognised at the carrying amount.

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

Liabilities arising from issue of securities

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

Subordinated liabilities

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

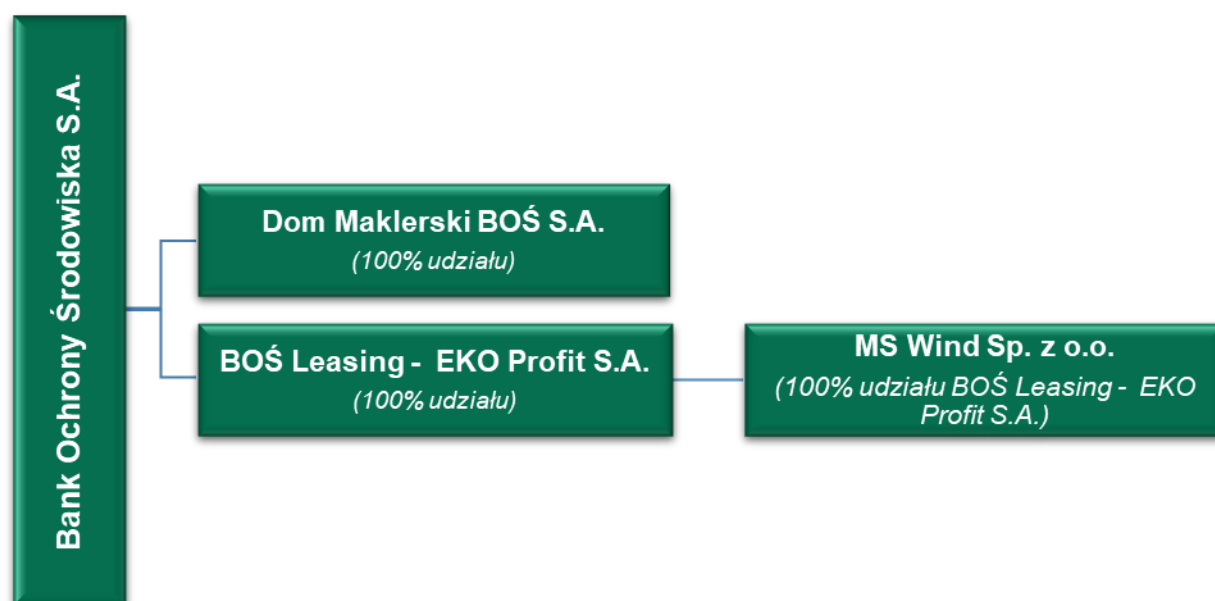
III. Consolidated contingent liabilities and assets

Contingent assets and contingent liabilities of the Bank , PLN thousand	Mar 31 2023	Dec 31 2022	Change (%)
Contingent liabilities:	3,374,916	3,138,890	7.5
Financial, including:	2,928,447	2,672,372	9.6
open credit lines, including:	2,916,892	2,657,528	9.8
revocable	2,417,824	2,195,331	10.1
irrevocable	499,068	462,197	8.0
open import letters of credit	11,555	14,844	-22.2
Guarantees, including:	446,469	466,518	-4.3
credit repayment sureties and guarantees	12,739	12,739	0.0
performance bonds	433,730	453,779	-4.4
Contingent assets:	2,228,697	2,167,513	2.8
Financial, including:	154,291	154,767	-0.3
open lines of credit	154,291	154,767	-0.3
Guarantees	2,053,766	2,010,194	2.2
Other	20,640	2,552	708.8

IV. Organisation of the Group

Structure of the Group

In the three months ended March 31st 2023, the BOŚ Group comprised the following entities:



Consolidated subsidiaries of the Group as at March 31st 2023:

No.	Subordinated entities	Registered office	% equity interest as at Mar 31 2023	% voting interest as at Mar 31 2023	Consolidation method
Direct subsidiaries					
1.	Dom Maklerski BOŚ S.A.	Warszawa	100%	100%	Full consolidation
2.	BOŚ Leasing - EKO Profit S.A.	Warszawa	100%	100%	Full consolidation
Indirect subsidiary (subsidiary of BOŚ Leasing - Eko Profit S.A.)					
1.	MS Wind sp. z o.o.	Warszawa	100%	100%	Full consolidation

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

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

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

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

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

V. Key events subsequent to the date of this report

Resignation by Member of the Management Board of BOŚ S.A.

On April 18th 2023, Mr Robert Kasprzak tender his resignation as Vice President of the Bank's Management Board with effect from April 30th 2023, citing personal reasons (Current Report No. 4/2023).

Change in financial indicators and strategic metrics in the Bank's Strategy

On April 19th 2023, the Bank's Management Board and Supervisory Board approved changes to the financial indicators and strategic metrics outlined in the Bank's Strategy (Current Report No. 5/2023). The reasons for the update are changes in the Bank's external environment, including the legal framework and related risks that lead to increased burdens on the banking sector, as well as the geopolitical situation and its impact on the macroeconomic climate. For more details, see Section 5 of this Report.

Effect of contribution to mandatory bank restructuring fund set by Bank Guarantee Fund on the first quarter 2023 results

The amount of the Bank's annual contribution to the banks' forced restructuring fund for 2023, after adjustment for the 2022 premium, is PLN 22.0 million. Of this amount, PLN 21.9 million was charged to the Bank's financial result for the three months ended March 31st 2023 (Current Report No. 6/2023).

Signatures of Members of the Management Board

Date	Name and surname	Position held	Signature
May 9th 2023	Emil Ślęzak	Vice President of the Management Board, responsible for activities of the Management Board	Signed with qualified e-signature
May 9th 2023	Arkadiusz Garbarczyk	Vice President of the Management Board – First Deputy of President of the Management Board	Signed with qualified e-signature
May 9th 2023	Jerzy Zań	Vice President of the Management Board	Signed with qualified e-signature

Signature of the person in charge of bookkeeping:

May 9th 2023	Andrzej Kowalczyk	Director of the Accounting Department	Signed with qualified e-signature
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