DIRECTORS' REPORT ON THE OPERATIONS OF THE BANK OCHRONY ŚRODOWISKA GROUP IN THE SIX MONTHS ENDED JUNE 30TH 2022

Warsaw, August 2022

Contents

I. SUMMARY OF THE FINANCIAL RESULTS OF THE GROUP

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

Results of the Group

In the six months ended June 30th 2022, the BOŚ Group earned a net profit of PLN 83.9 million, compared with PLN 6.9 million in the first half of 2021. The BOŚ Group's results improved mainly in terms of net interest income.

Selected items of the statement of profit or loss (PLN thousand)	H1 2022	H1 2021	Change (%)
Net interest income	334,029	177,520	88.2
Net fee and commission income	68,559	69,794	-1.8
Gain (loss) on financial instruments measured at fair value through profit or loss	21,187	30,952	-31.5
Gain (loss) on foreign exchange transactions	21,339	13,394	59.3
Net other income	718	-4,644	x
Legal risk costs of mortgage loans denominated in foreign currencies	-4,983	-9,050	-44.9
Net impairment losses	-92,452	-63,149	46.4
Administrative expenses	-237,308	-197,060	20.4
Profit before tax	111,089	17,757	525.6
NET PROFIT	**83,877**	**6,864**	**1,122.0**

The Group generated net interest income of PLN 334.0 million, an increase of PLN 156.5 million on the six months ended June 30th 2021. Interest income went up by PLN 237.1 million. The largest increases were recorded in interest income from institutional clients, interest on investment debt securities, and interest income from amounts due from retail clients. The main factor behind the income growth were the Monetary Policy Council's decisions to raise interest rates. Total interest expense went up by PLN 80.6 million relative to the six months ended June 30th 2021. Interest expense rose by less than interest income due to the continually high share of current accounts and low-interest rate deposit products. The Bank offered its clients term deposits with terms reflecting the rising interest rates. In June 2022, the Bank increased the interest rates on its 3-, 6- and 12-month *EKOlokata Promocyjna* term deposits, distributed via electronic channels and the Bank's branch network, as well as the interest rate on its *EKOkonto Oszczędnościowe* account. The highest interest bearing product (7%) was the 3-month *EKOlokata Promocyjna* term deposit, available via remote channels. The interest rate offered on this deposit gave the Bank a leading market position compared with other banks. As a result of the increase in interest rates on deposits and a resulting rise in amounts due to retail clients, interest expense is expected to go up in the coming months.

The Group's net fee and commission income was PLN 68.6 million, which represents a year-on-year decrease of PLN 1.2 million. There was a decline in fee and commission income from brokerage services due to a downturn affecting the stock exchange market. On the other hand, there was a rise in commission fees on guarantees and letters of credit, fees for maintaining client accounts, and other domestic and international payment transactions.

Gain (loss) on financial instruments measured at fair value through profit or loss was PLN 21.2 million, compared with PLN 31.0 million in the six months ended June 30th 2021.

In the six months ended June 30th 2022, impairment losses totalled PLN -92.5 million, relative to PLN -63.1 million in the first half of 2021, due mainly to higher impairment losses in the institutional clients segment.

Administrative expenses of the Group increased by PLN 40.2 million, or 20.4%, relative to the same period of 2021, due mainly to a PLN 17.6 million increase in employee benefits expense. Costs of salaries and wages increased mainly in business development, as well as security, AML and IT areas. The Bank completed a job evaluation process, with one of its objectives being to link compensation in individual jobs to current market benchmarks, which led to an increase in salaries and wages. In addition, the Bank recognised provisions for bonus payments also for employees not eligible for the sales bonus, whereas in 2021 such provisions were only recognised at year-end, when it became reasonably probable that net profit would be generated above the budgeted amount. Administrative expenses were also driven by contributions and payments to the Bank Guarantee Fund, which increased by PLN 11.8 million. Material expenses increased by PLN 6.7 million.

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

As at June 30th 2022, the nominal (gross) amount of housing mortgage loans denominated in CHF was PLN 850 million. The provision recognised by the Bank for the legal risk of the CHF loans was PLN 461.4 million as at June 30th 2022 (December 31st 2021: PLN 427 million).

The total amount of the provision for foreign currency mortgage loans as at June 30th 2022 was PLN 481.4 million (December 31st 2021: PLN 462 million), of which PLN 413.2 million (December 31st 2021: PLN 408.1 million) was presented as a provision for the legal risk related to foreign currency mortgage loans and PLN 68.3 million was presented as additional allowances for expected credit losses.

The provisions also cover the cost of the Compromise and Settlement Programme for clients repaying foreign currency mortgage loans as proposed by the Chairman of the Polish Financial Supervision Authority. The Bank launched the Programme on January 31st 2022. In the six months ended June 30th 2022, the Bank entered into 126 settlement agreements concerning foreign currency mortgage loans, and received 598 applications for settlement. The outstanding pre-conversion balance of these loans was PLN 83.8 million.

Financial ratios

Financial ratios	H1 2022	2021	Change in percentage points
Return on capital (ROE)	6.6	2.5	4.1
Return on assets (ROA)	0.6	0.2	0.4
Interest margin on total assets	2.6	1.8	0.8
Cost of risk	-1.0	-0.8	-0.2
Cost/income (C/I), assuming uniform distribution of the cost of the one-time contribution to the Bank Guarantee Fund over the year	52.0	64.9	-12.9
Tier 1 capital ratio	13.21	13.26	-0.05
Total capital ratio	14.32	14.61	-0.29

Return on equity (ROE), calculated as the ratio of net profit for the last 12 months to average equity, stood at 6.6%, compared with 2.5% for the entire year 2021.

Interest margin on total assets, calculated as the ratio of net interest income for the last 12 months to average assets, was 2.6%, compared with 1.8% for the entire year 2021. The improvement was achieved on the back of the increase in interest rates, driving a corresponding rise in interest margin, caused mainly by improved profitability of interest-earning assets over liabilities, and in deposit margin on non-interest bearing current accounts.

The cost to income ratio (C/I) improved significantly, to 52.0%, compared with 64.9% in 2021, mainly as a result of income growing faster than costs.

The capital adequacy ratio of the Group was above the levels recommended by the Polish Financial Supervision Authority, both with and without the application of IFRS 9 transitional arrangements. As at June 30th 2022, the Bank and the Group met the applicable capital standards. Tier 1 capital ratio stood at 13.21% and the total capital ratio was 14.32%.

More ambitious strategic objectives

On June 22nd 2022, the Bank's Supervisory Board resolved to approve a revised version of BOŚ S.A.'s Strategy for 2021–2023 (Current Report No. 19/2021 of June 22nd 2021).

The Strategy update was prompted by changes in the Bank's external environment, including market and macroeconomic conditions, which will result in the Bank setting itself more ambitious financial goals.

The Bank's existing business model and strategic development directions remained unchanged.

The Bank's objectives defined in the Strategy, to be achieved by the end of 2023, are as follows:

- Net banking income above PLN 734 million,
- ROE of 6.3%,
- C/I ratio of approximately 54%,
- 50% share of green loans in the total loan volume,
- 58% employee engagement.

The Strategy contains forward-looking statements which were based on the expectations of the Bank's Management Board, but which are dependent on various factors beyond the control of the Bank's Management Board. As a result, actual data may significantly differ from those presented in the forward-looking statements.

Higher share of green loans

In the six months ended June 30th 2022, green loans accounted for 50.1% of total loan sales. In the six months ended June 30th 2022, the value of new green loans was PLN 938 million, up by 49% year on year. The vast majority (in value terms) of the new green loans were made to institutional clients (97%). Loans for industrial sector projects represented the largest share of the total (47% of total green loans in volume terms).

The balance of green loans as at June 30th 2022 was 5,037 million, an increase of 5.8% on December 31st 2021. Green loans accounted for 39.4% of the Bank's total lending portfolio (vs 37.1% as at December 31st 2021).

Issuance of bonds

On June 14th 2022, the Management Board of the Bank passed a resolution to set up a Debt Issuance Programme for a total amount of up to PLN 1 billion.

Debt instruments issued under the Programme may be structured in a way allowing them to be included in the issuer's Tier 2 capital within the meaning of Regulation (EU) No 575/2013 of the European Parliament and of the Council of June 26th 2013 or in eligible liabilities within the meaning of the Polish Act on the Bank Guarantee Fund, Deposit Guarantee Scheme and Resolution Regime of June 10th 2016, as applicable, The Programme provides for the issuance of debt instruments by way of a private placement to a single investor or by way of a public offer not subject to the obligation to draw up a prospectus addressed only to qualified investors within the meaning of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14th 2017.

Impact of the war in Ukraine on operations

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

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

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

With the current developments under the stress scenario for the ongoing Russian-Ukrainian conflict, the Bank has not experienced any liquidity problems or adverse impact on other financial risks. Despite short-lasting liquidity problems on the interbank market and a temporary sharp increase in cash withdrawals, no major threats to the Bank's liquidity have been observed.

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

The Bank continuously monitors clients likely to be adversely affected by the political and economic situation in Ukraine. Based on a portfolio review performed after the outbreak of the war in Ukraine, the Bank identified 27 clients with organisational, commercial or trade links to Ukraine, Russia and/or Belarus, accounting for an aggregate exposure of PLN 1.2 billion as at June 30th 2022. Business Centres are engaged in an ongoing dialogue with clients, and the Bank's Management Board is updated on the situation of clients on a regular basis. However, the above-mentioned portfolio has not had any material effect on the level of impairment losses, loan portfolio quality or capital adequacy so far.

The international situation – ever since the outbreak of the war – has had an impact on the Bank's cybersecurity. Since February 2022, there have been more numerous attempted attacks on the Bank's online banking services. Most frequently, those have been attempts to break through the security systems using known (recently communicated to the public) vulnerabilities. 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, either. Cybersecurity is ensured by 24/7 monitoring of cyberspace events by the Bank's Security Operation Centre. The Head of the Bank's Cybersecurity Department actively engages in the activities of the financial sector groups sharing information on current international developments.

Aid and communication activities

In support of Ukraine, the Bank waived fees for transfers to Ukrainian accounts for retail clients as well as foundations and associations. The zero-fee policy applies to transfers to banks in Ukraine, as well as to payments made to accounts of foundations and associations to aid Ukraine or Ukrainian citizens.

In view of the challenging humanitarian situation in Ukraine and the need for any possible aid, the Bank organised six donation drives among its employees during the six months ended June 30th 2022. Donated items included first-aid supplies for those fighting in Ukraine, sanitary products and dressings, cosmetics, food with long expiration dates, torch lamps, power banks, thermal cups for Ukrainian refugees, and medical products to support hospitals in Ukraine.

In addition, the Bank's Foundation opened a special Aid to Ukraine account to receive payments in support of Ukraine and its citizens. Every payment made by a BOŚ employee was doubled by BOŚ S.A. No commission was charged on the deposits. All funds were provided to beneficiaries through the Polish Red Cross.

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

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

- informing clients how to access the Bank's branches and encouraging them to use e-banking systems (BOŚBank24 and iBOSS24), as well as reminding them that they could withdraw cash from the ATM network;
- publishing information about the security of banking systems on: https://www.bosbank.pl/klient-indywidualny/aktualnosci/polskie-banki-sa-bezpieczne;
- responding to media inquiries about the Bank's precautionary procedures on an ongoing basis.

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

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

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

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

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

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 2021–2022, is to support purchases of zero-emission vehicles. Under the agreement, PLN 100 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 2021–2022.

In the period from December 6th 2021 to July 11th 2022, the Bank received over 2.8 thousand subsidy applications for a total amount of PLN 89.2 million. The Management Board of the National Fund for Environmental Protection and Water Management approved 28 collective subsidy applications for 2,175 projects (vehicles). The total amount of subsidies under the approved applications is PLN 66.1 million, representing 66.1% of the funds made available to BOŚ for 2021–2022.

On July 12th 2022, the Bank applied for another round of subsidy funding of PLN 100 million.

Factoring

In the six months ended June 30th 2022, the value of factoring turnover at BOŚ was PLN 3 billion, up by 49.1% relative to the first half of 2021. The increase surpassed that for the factoring market as a whole, with the value of turnover recorded by member companies of the Polish Factor Association up by 33.2% over the same period.

During and after the pandemic, factoring guarantees provided by BGK significantly facilitated business financing arrangements, securing mainly reverse factoring transactions.

II. I. FACTORS AND EVENTS AFFECTING THE FINANCIAL CONDITION OF THE GROUP

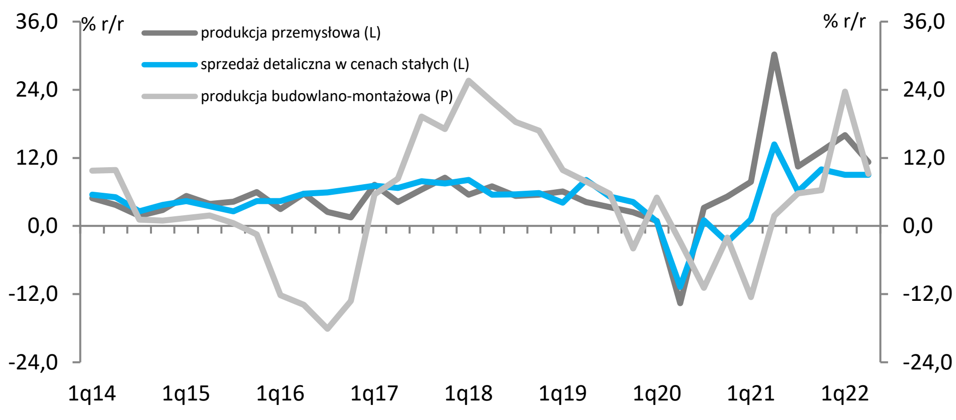
1. Macroeconomic situation

The Russian invasion of Ukraine launched on February 24th 2022 brought about a major change in global economic prospects, especially for the European economy. The conflict in Ukraine has badly impacted both business and consumer sentiment, mainly across Europe, after economic activity in the US and Europe (particularly in the services sector) revived in the first quarter of the year, supported by the lifting of pandemic-related restrictions. The main source of the deteriorated sentiment was a surge in commodity prices, particularly steep in the case of energy carriers, and the risk that the European market may be undersupplied in terms of energy (mainly gas), with a resulting threat of a significant decline in economic activity, mainly in Europe.

In Poland, the manufacturing, construction and retail output weakened gradually over the second quarter of 2022. Manufacturing production grew in the period by 11.3% year on year, down from 16.0% in the first quarter, while construction output saw a 9.2% year-on-year increase, down from 23.7% in the previous quarter. Retail sales in the second quarter went up 9% year on year, a rate of growth broadly comparable with the first quarter. While the economic activity readings in Poland were significantly affected by seasonal and statistical base effects, especially the data for June suggested that Polish economy was in for a slowdown. Towards the end of the second quarter of 2022, both wages and employment rates in the business sector showed the first signs of weakening relative to the very strong first quarter.

In the first half of the year, the main global economies saw inflation rates spiralling to levels unseen for decades. Inflation was driven by: - a surge in commodity prices across global markets as a result of the conflict in Ukraine; - continuing post-pandemic disruptions in global supply chains, which pushed up prices of components used in production processes; - strong demand as economies were re-opening. At the end of the second quarter, CPI reached 8.6% year on year in the US and 8.1% year on year in the eurozone.

Production and retail sales dynamics in Poland

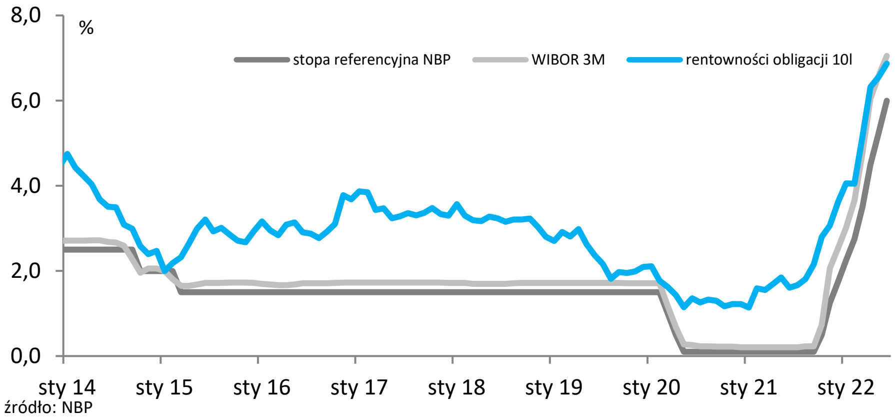


Produkcja przemysłowa (L)	Manufacturing output (L)
Sprzedaż detaliczna w cenach stałych (L)	Retail sales at constant prices (L)
Produkcja budowlna-montażowa (P)	Construction and assembly output (R)

In the six months ended June 30th 2022, CPI in Poland also continued to grow steeply, to 15.5% at the end of the second quarter, driven mainly by a hike in fuel prices, pushed up by the soaring prices of crude oil globally, combined with a strong rise in food prices. There was also an increase in the core inflation rate a result of, among other things, increased demand due to the lifting of epidemic restrictions and supply-side constraints caused by worldwide problems in logistics supply chains.

In the first two quarters and at the beginning of the third quarter, the Monetary Policy Council continued the policy tightening cycle. From January to July, the interest rates of the National Bank of Poland were increased by 4.75 percentage points: the NBP reference interest rate to 6.50%, the deposit rate to 6.00%, and the lombard rate to 7.00%. The Monetary Policy Council justified its tightening measures with growing concerns about persistent inflation in the future.

Interest rates in Poland

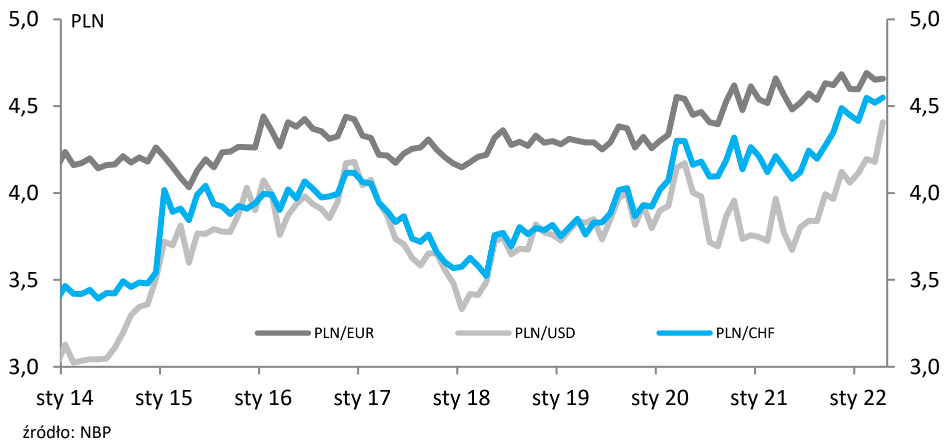


Stopa referencyjna NBP	NBP reference rate
WIBOR 3M	3M WIBOR
Rentowności obligacji 10l	10-year treasury yield
Źródło: NBP	Source: NBP

In the first and for most of the second quarter, the global financial market was dominated by expectations of further tightening measures by the main central banks to counter the surge in inflation. At the same time, concerns arose over the medium-term impact of the higher inflation, restrictive monetary policy and war in Ukraine on economic activity. The second quarter was marked by growing concerns across the financial markets over a possible economic recession, particularly in Europe, dragging down the prices of especially European financial assets.

Against this background, stock indices fell significantly. On the other hand, following a rapid climb in treasury bond yields over most of the first half of the year, at the end of the second and beginning of the third quarter they fell off from the highs recorded in the second quarter of 2022.

PLN exchange rates



PLN/EUR	PLN/EUR
PLN/USD	PLN/USD
PLN/CHF	PLN/CHF
Źródło: NBP	Source: NBP

In the Polish treasury bond market, most of the first half of 2022 saw a continued strong increase in yields under the pressure from rising inflation and expectations of a tighter monetary policy. In the late second and early third quarters, bond yields declined significantly reflecting trends on the underlying markets and lower expectations as to the scale of further rate hikes by the Monetary Policy Council in the light of incoming data suggesting that Poland's economic activity was losing momentum. From the beginning of the year to the end of June, 2-year bond yields rose by 446 basis points, to 7.76%, while yields on 10-year bonds increased by 323 basis points, to 6.87%. The tightening of the NBP's monetary policy caused money market interest rates to spike. From the beginning of the year to the end of June, the 3M WIBOR rate rose by 451 basis points, to 7.05%.

Since the beginning of this year, the value of the Polish currency has been highly volatile. In the first quarter, the depreciation pressure on the złoty was a result of strong overall uncertainty triggered by Russia's invasion of Ukraine, while in the second and early third quarters, of uncertainties about the prospects of European economy in the context of cut down gas supplies from Russia. As a result, in early March the PLN/EUR exchange rate was 4.96, the PLN/CHF exchange rate was 4.94, and the PLN/USD exchange rate – 4.57. Following a temporary appreciation in the second quarter, in July the złoty weakened again – at times to above PLN 4.80 per EUR, PLN 4.90 per CHF and PLN 4.80 per USD.

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

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

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

The situation is affecting and will continue to affect Polish economy, its effects being felt on the commodity market (constrained availability and high prices of energy carriers) and in international trade, and in the area of confidence, affecting, among other things, investors' sentiment and consumers' willingness to spend.

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

In particular, the higher geopolitical risk means:

- weakening of economic activity in Poland, which will become more pronounced in the second half of 2022;
- higher volatility of the labour market in the context of migration flows – on the one hand, in some sectors the supply of workers will increase (e.g., trade, services, hospitality) due to a significant inflow of refugees from Ukraine (mainly women), while on the other hand, the availability of workers in other sector (construction, transport) will decline as a result of outflows of Ukrainian citizens to their home country;
- high CPI inflation, fuelled by a global increase in commodity prices;
- NBP interest rates, raised amid high inflation readings, maintained at the high level by the Monetary Policy Council;
- increased volatility of prices of Polish financial assets;
- subdued demand for credit in an environment of economic uncertainty and higher interest rates;
- increased volatility of deposits in the banking sector.

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

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

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

The Bank's performance in the third quarter of 2022 will be affected by loan payment holidays and an additional contribution to the Borrowers' Support Fund. July 29th 2022 was the date of entry into force of the Business Crowdfunding and Support for Borrowers Act of July 7th 2022, introducing, among other things:

- a possibility for borrowers to suspend repayment of mortgage loans granted in the Polish currency for up to eight months in 2022–2023 ("loan payment holidays"); and
- an obligation for the banking sector to make additional contributions to the Borrowers' Support Fund totalling PLN 1.4 billion.

The Bank estimates that if eligible borrowers take advantage of the loan payment holidays it will suffer a one-off reduction in pre-tax profit of PLN 55 million in the third quarter of 2022. This estimate has been made on the assumption that the loan payment holidays will be used by 80% of eligible borrowers. The relevant calculations have been made using an interest rate on the loans as at the date of the estimate that is based on the market interest rate growth path and the rules for recalculating base rates under the loan agreements. Given the reported increase in market interest rates, the total cost of the loan payment holidays following recalculation of base rates under the loan agreements may increase to PLN 83 million by year-end 2023.

The amount of an additional contribution to the Borrowers' Support Fund will be determined by a decision of the Borrowers' Support Fund Board. As at the date of this Report, the Bank did not receive the relevant decision of the Borrowers' Support Fund Board concerning the amount of such additional contribution, if any, attributable to the Bank.

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

3.1. Banking products

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 client service.

Institutional clients

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

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

In the area of payment products, in the six months ended June 30th 2022:

- Internal systems and regulations were changed and amended to bring the Bank into compliance with Regulation (EU) 2019/518 of the European Parliament and of the Council of March 19th 2019 amending Regulation (EC) No 924/2009 as regards certain fees for cross-border payments in the Community and currency conversion fees;
- The Bank continued work on the SInF Act compliance project, designed to bring it into compliance with the requirements of the Financial Information System Act (SInF). The entry into force of the Act will entail a new reporting obligation aimed at preventing money laundering and financing of terrorism. The Act incorporates Directive 2018/843 into Polish law, which will result in the creation of a Financial Information System for collecting, processing and providing access to information on broadly defined open and closed accounts of institutional and retail clients, as well as on safety deposit box services. The Financial Information System is another reporting obligation in the Polish legislation that aims to prevent money laundering and financing of terrorism. Its launch is also intended to contribute to curbing financial crime through the supervision of all accounts by authorised bodies.
  Bringing the Bank into compliance with the requirements of the Financial Information System Act will involve implementing changes to the Bank's reporting systems, which at present are used to fulfil reporting obligations under STIR;
- On April 6th 2022, the Bank introduced new settlement arrangements for ATM transactions in the Euronet network. Previously, cash withdrawals from almost 7 thousand Euronet ATMs had been settled by the Payment Organisations. The introduction of settlements via the National Settlement System (KSR) on a host-to-host basis (excluding the Payment Organisations) will lead to significant savings in settling ATM transactions, up to a gross amount of PLN 40 thousand per month. The solution is transparent from the point of view of users of the Bank’s debit and credit cards within all segments.

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

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

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

Being fully aware of the need to integrate environmental, social and corporate governance (ESG) factors into risk management and investment policies, the Bank took steps to support global climate change mitigation targets through its lending activities. It implemented a new element into the credit risk assessment process by examining the ESG risk profiles of potential borrowers.
The Bank adopted regulations for the conduct of transactions designed to support the achievement of ESG goals by its clients.

In the area of lending products:

- The Bank offered its clients loans for thermal insulation and renovation projects with a bonus from the Thermal Insulation and Renovation Fund;
- In selected provinces, the Bank offered preferential loans for environmentally-friendly projects in cooperation with the Provincial Funds for Environmental Protection and Water Management.
- The Bank took steps to optimise and automate the lending process, from client acquisition, to assessment of credit application and credit decision-making, to disbursement of funds, credit monitoring and credit administration.

Local government units

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

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

Retail clients

The Bank's 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) as well as a broad range of green products to finance environmentally-friendly solutions, and services to VIP clients provided by dedicated account managers.

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

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

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

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

In the second quarter, the Bank launched a promotion to mark its 30th anniversary together with Mastercard and the Priceless Specials Programme. The promotion was for both new and existing clients, who received points ultimately redeemable for prizes.

Together with Mastercard, the Bank promoted cashless transactions by distributing forest tree saplings.

On April 6th 2022, the Bank introduced new settlement arrangements for ATM transactions in the Euronet network. Previously, cash withdrawals from almost 7 thousand Euronet ATMs had been settled by the Payment Organisations. The introduction of settlements via the National Settlement System (KSR) on a host-to-host basis (excluding the Payment Organisations) will lead to significant savings in settling ATM transactions, up to a gross amount of PLN 40 thousand per month. The solution is transparent from the point of view of users of the Bank's debit and credit cards within all segments.

Amounts due to retail clients

In the six months ended June 30th 2022, measures taken by the Bank with respect to deposit products for retail clients were aimed at:

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

The key deposit products for retail clients were:

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

In view of the changing market conditions in the first half of 2022, including the series of rate hikes by the Monetary Policy Council, the Bank focused its strategy of building the retail deposit base on promoting the *EKOlokata Promocyjna* and 24-month *EKOlokata* products. The distinctive feature of *EKOlokata Promocyjna* is the high maximum amount (PLN 500 thousand) and simple terms of the promotion (the only requirement is for the client to give their consent to receiving electronic communications).

In the first quarter of 2022, the Bank launched a special offer of *EKOkonto Oszczędnościowe bez ograniczeń*, which stood out in the market as a savings account with no additional conditions attached for the client to benefit from a higher interest rate (no requirement to have a checking account or to deposit new funds).

Additionally, in April 2022 the Easy Savings promotion was launched, releasing the holders of *EKOkonto Oszczędnościowe*, *EKOprofit* and *Więcej za Mniej* accounts from fees for internal transfers to a deposit placed by the client in the same relation (the client being its sole holder or joint holder with the same person). This measure supported sales of *EKOlokata Promocyjna* and the management of the deposit portfolio through savings accounts.

In the pursuit of its pro-environmental mission, the Bank also created a promotional offer to help clients take care of the environment as well as their private finances. Besides the attractive interest rates on *EKOlokata Promocyjna*, 24-month *EKOlokata* and negotiated deposits, the Bank made a commitment that, in cooperation with the State Forests, it would plant one tree for each PLN 20 thousand placed on deposit under the 'Forest of Savings' project. The higher the amount placed on deposit, the greater the benefit in the form of a greener and carbon free world.

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

In order to support sales of credit products for retail clients, the Bank retained the following Cash Loan products:

- for any purpose:
  - *Portfel zapasowy* (Spare Wallet), continuation of the medium-amount cash product with the financing provided for any purpose, also offered with insurance;
- for environmental purposes:
  - *Nasza woda* (Our Water), continuation of the promotional offer designed to support investments aimed at preventing and countering the effects of drought, a complementary product to the government's *Moja woda* (My Water) programme and the only Climate Leadership-certified loan product of its kind;
  - *Pełnym oddechem* (Full breath), an affinity product for PGNiG's existing and future clients, supporting them in replacing heating sources and other stop-smog initiatives. The offering was part of the Bank's portfolio throughout the year;
  - *Przejrzysta Pożyczka* (Transparent Loan), the Bank's leading loan product to support environmental projects (EKOInwestycje) pursued by both commercial clients and those who are beneficiaries of the *Czyste Powietrze* (Clean Air) governmental programme;
  - *EKOMobilni* product dedicated to advancing zero-emission transport, intended to finance purchases of any types of green vehicles for personal use (e.g. electric cars, motorcycles, scooters); *Energia ze słońca* (Energy from the Sun), continuation of the offer dedicated to renewable energy sources, designed mainly to provide financing for purchase and installation of photovoltaic systems, extended to cover purchase and installation of heat pumps.

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

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

In the six months ended June 30th 2022, to improve the effectiveness and competitiveness of the Bank's mortgage lending portfolio, another special offer was launched designated as *Kredyt hipoteczny bez prowizji:* clients can obtain an exemption from the arrangement fee if they purchase one of two insurance packages from TU Europa S.A. and TU na Życie Europa S.A. providing borrowers with life and loss of income insurance cover, and maintain all marketing consents over the entire lending period. With the promotion, the offering of the Bank's mortgage loan products became even more attractive and competitive.

Until June 30th 2022, the *Mniej płacisz, więcej zyskujesz* (Pay Less, Get More) promotional offer was also available, with reduced margin rates on mortgage loans thanks to bundled sales. The purpose of the offer was to enhance client loyalty by encouraging the Bank's clients to purchase and maintain for at least five years a checking account with a credit card.

The most recognisable product in the Bank's mortgage lending portfolio is the Green Mortgage Loan. In response to client expectations and the fast changing market conditions, the list of environmental criteria required to be met to obtain a green mortgage loan was revised to align them with the Environmental Risk Assessment Principles.

Insurance products and additional services

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

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

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

In partnership with TU Europa S.A. and TU na Życie Europa S.A., the Bank rolled out two insurance packages providing borrowers with life and loss of income insurance cover.

3.2. Brokerage business

The first half of 2022 was a period of a strong downturn on the Warsaw Stock Exchange sparked by the war in Ukraine and the toll it took on the global economy. During the period, all the main stock indices recorded steep losses. The range of the declines was from -13.82% (sWig80) to -25.19% (Wig20). As a result, the broadest WIG index dropped by 22.69%. The continued downturn in session trades was accompanied by a decline in investor activity on the regulated equity market of the WSE and on the NewConnect market, coupled with increased activity on the futures market. DM BOŚ recorded a year-on-year decrease of 38.72% in the volume of trading on the equity market and 53.61% on the NewConnect market, as well as a 12.07% increase in the volume of trading on the futures market.

In the six months ended June 30th 2022, Dom Maklerski BOŚ S.A. strengthened its position on the NewConnect market, claiming a market share of 17.80% (up from 14.94% in the first half of 2021). DM BOŚ's share in the equity market in the six months ended June 30th 2022 was 2.72%, while its share in the futures market came to 14.37%. In the six months ended June 30th 2022, DM BOŚ was the leader of NewConnect.

The first half of this year was also a weak period on the IPO market, with only one IPO brought to the regulated market of the WSE by a company listed on NewConnect. During that period, only two entities made their debuts on the WSE, 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 Marvipol Development S.A. (P2021A Series), Kruk S.A. (AM2 Series), MCI Capital ASI S.A. (T2 Series), Best S.A. (W3 Series) and Dekpol S.A. (P2021B Series). DM also served as an issue arranger in the share offering of MPWiW S.A. and member of the distribution syndicate for Creotech Instruments S.A. shares. DM BOŚ actively participated in the development of the green bonds market as the sole arranger of the PLN 60 million issue of green bonds of Respect Energy S.A. At the same time, DM BOŚ developed its cooperation with AgioFund TFI Beta Securities Poland S.A. to promote the domestic market for investment certificates. In 2022, DM introduced certificates of Beta ETF TBSP funds to trading on the regulated market. Currently, nine Polish Beta ETF certificates are being traded on the WSE, for which DM acts as an offering broker and market maker.

The six months ended June 30th 2022 saw a further increase in the number of investment accounts kept by DM BOŚ. The total number of new investment accounts opened at DM BOŚ was 5,320, of which 3,918 were investment accounts registered with the CSDP.

The outbreak of the war in Ukraine heightened market volatility, which during the initial stage of the conflict led to a short-term increase in activity of DM BOŚ investors, translating into higher income from brokerage fees. However, in the following months, the ongoing conflict in Ukraine firmly entrenched the market downturn, limiting the activity of DM clients. If the conflict continues in the coming months, the risk of a potential further downturn on the WSE will rise and the clients' risk aversion will strengthen. If this is the case, the DM clients' trading volumes may gradually decline, affecting the amount of brokerage fees, with a negative effect on DM's current financial condition.

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

BGK portfolio guarantees

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 the 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 the 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).

On June 29th 2022, the Bank signed Portfolio Guarantee Line Agreement under the Government Housing Fund No. 7/PLG-RFM/2022 with BGK, for the provision of guarantees with respect to the down payment requirement and family repayments. The *Mieszkanie bez wkładu własnego* (Home without down payment) programme of loan guarantees was introduced by the Act on Guaranteed Housing Loans of October 1st 2021 (Dz. U. of 2021, item 2133). The Act entered into force on May 27th 2022, and the programme will be run until the end of 2030. The purpose of the solution proposed by the government is to increase the availability of loans for financing an own home purchase or construction. The scheme is dedicated to borrowers with incomes sufficient to repay a housing loan, but lacking funds to cover the required down payment. Expected timing of the product launch by the Bank – third quarter of 2022.

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

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

As from April 30th 2022 it is no longer possible to issue COSME guarantees for any new loans or to increase the amount of loans secured with COSME guarantees (it will be possible to extend the term of the COSME guarantees within the basic validity term of the guarantees and within periods permitted as part of restructuring).

Use of BGK portfolio guarantees:

BGK GUARANTEES				New guarantees		
Guarantee, PLN thousand	available limit	limit used	limit remaining to be used	Guarantee amount	Loan amount	Number
				January – June 2022; new guarantees, based on BGK–Zlecenia		
DE MINIMIS guarantee	800,000	767,710	32,290	134,977	239,309	101
COSME guarantee	65,000	48,180	16,820	0	0	0
BIZNESMAX guarantee	285,000	261,755	23,245	60,161	121,105	35
PGF LGF guarantee	2,500,000	1,776,162	723,838	428,190	565,887	29
Factoring guarantee	406,000	384,097	21,903	98,938	138,673	16
Total amount (PLN)	4,056,000	3,237,903	818,097	722,266	1,064,973	181
FGR guarantee – *Czyste Powietrze* (Clean Air)	28,800	10,225	18,575	5,565	4,452	112
TOTAL	**4,084,800**	**3,248,128**	**836,672**	**727,831**	**1,069,426**	**293**

JESSICA, JEREMIE

In the six months ended June 30th 2022, BOŚ provided ongoing support with respect to loans advanced earlier under the JESSICA and JEREMIE schemes (no new loans were advanced).

3.4. Distinctions and awards

- June 2022 – BOŚ was awarded the title of 'Sustainable Finance Leader' by the 'Sustainable Economy Award' judging panel. In the jury' opinion, the Bank is a perfect example of how financial institutions can contribute to sustainable development goals. Also appreciated was the Bank's continuously growing engagement in financing green capital projects, commitment to green bond issues, and raising awareness among retail and corporate clients about ecology, healthy lifestyle and concern for the environment;
- April 2022 – Bank Ochrony Środowiska was listed third in the 'Cash Loan' and 'Mortgage Loan' categories of the 'Golden Banker' ranking for the pricing terms and flexibility of the offered products.
- May 2022 – as many as 32 BOŚ employees were distinguished during the 58th ceremony of the Polish Bank Association's Certificates of Qualifying Standards in the Polish Banking System, held at the Warsaw Banking Club.
- April 2022 – DM BOŚ received two WSE awards in the derivatives market category: for the most active player in the futures market in 2021, and in the 'Market Maker of 2021' category, for the largest number of underlying instruments in the futures market with respect to which it provides market-making services. Award winners were entities with the best performance in 2021, which significantly contributed to the development of the Polish capital market;
- April 2022 – the Bank was distinguished as 'Financial Brand of 2022' for its consistent support to green transition of the Polish market;
- March 2022 – DM BOŚ won the Invest Cuffs award in the 'Brokerage House of 2021' category, granted by the Invest Cuffs Foundation, and the Finance Order from the editorial board of the Home&Market monthly for the DM BOŚ's new bossaStaticaTrader transaction app, which was recognised as one of the best financial products;
- March 2022 – 17 of the Bank' branches were awarded the title of the 'Best Banking Outlet' in Poland in the 7th edition of the annual 'Institution of the Year' ranking. A year earlier, nine of the Bank's outlets were awarded. The purpose of the ranking is to enhance service quality and meet growing and changing client expectations;
- February 2022 – for the third consecutive year, DM BOŚ was ranked first in the 19th edition of the National Investors' Survey carried out by the Polish Association of Retail Investors (SII). The investors' votes won DM BOŚ three stars – the highest possible rating awarded by the SII;
- January 2022 – the team of DM BOŚ analysts was ranked 3rd in the general classification of the 20th edition of the parkiet.com portal's ranking of analysts. DM BOŚ experts took the 1st place in 5 out of 15 categories.

4. Cooperation with foreign financial institutions in BOŚ S.A.

The Bank has continued cooperation with international financial institutions, including the European Investment Bank (EIB), which is one of its most important lenders.

Lender	Loan amount (thousand)	Available amount (thousand)	Currency	Contract date	Principal repayment date
Council of Europe Development Bank, Paris	50,000	-	EUR*	March 17th 2008	Tranche 1 April 25th 2023 Tranches 2 and 3 October 25th 2023
Council of Europe Development Bank, Paris	50,000	-	EUR	March 8th 2010	Tranche 1 April 22nd 2025
Council of Europe Development Bank, Paris	75,000	-	EUR	March 26th 2012	Tranche 1 July 26th 2021 Tranche 2 October 21st 2022 Tranche 3 December 1st 2023
European Investment Bank, Luxembourg	75,000	-	EUR	March 5th 2015	Tranche 1 June 15th 2023 Tranche 2 December 15th 2023
European Investment Bank, Luxembourg	75,000	-	EUR	June 13th 2017	Tranche 1 December 15th 2028 Tranche 2 December 15th 2029 Tranche 3 December 15th 2030
European Investment Bank, Luxembourg	-	75,000	EUR	October 28th 2021	maturity up to 12 years from the date of disbursement

5. Selected data on the Group's business

(thousand)	Jun 30 2022	Dec 31 2021	Change (%)
BANK OCHRONY ŚRODOWISKA S.A.			
Number of clients	176.7	176.4	0.2
Number of retail clients	164.3	162.0	1.4
Number of microenterprise clients	8.3	10.1	-17.8
Number of institutional clients	4.1	4.3	-4.7
Number of clients using electronic channels	102.3	102.8	-0.5
Number of checking accounts[1]	157.1	169.7	-7.4
Debit and credit cards in total	65.7	68.7	-4.4
Number of branches	58	50	16.0
DOM MAKLERSKI BOŚ S.A.			
Number of investment accounts	140.9	135.6	3.9
including online accounts	137.6	132.3	4.0
Number of branches	8	9	-11.1

1) together with the savings accounts

In early 2022, following an analysis of the efficiency of the branch network, a new organisational model of the sales network was put in place at the Bank. Retail activities (Retail Client Team) were separated from the business centres and new branches dedicated to retail clients were created, thus enabling the business centres to focus on the corporate and SME segments. At the same time, a difficult decision was made to restructure the sales network, i.e. close down some of the Bank's retail outlets, namely the branches in Bełchatów, Ełk, Leżajsk, Nowy Sącz, Nowy Targ, Suwałki and Zawiercie. Affected employees were offered aid packages, some of them also new positions elsewhere the Bank. In the second quarter of 2022, three new business centres in Kielce, Opole and Zielona Góra were established. As at the end of June 2022, the Bank had 58 outlets, including:

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

6. Development directions for the Bank

Development Strategy

On June 22nd 2022, the Supervisory Board adopted a new 'Development Strategy of Bank Ochrony Środowiska for 2021–2023 – based on revised financial projections'. The decision to update the Strategy was prompted by changes in the Bank's external environment, especially the macroeconomic landscape and market conditions. The projected changes include a decrease in GDP and investment levels, an increase in interest rates, a fall in consumption and unemployment, as well as a continued upward pressure on wages. 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's objectives defined in the revised Strategy, to be achieved by the end of 2023, with a new set of financial projections based on more ambitious financial goals, are as follows:

- Net banking income above PLN 734 million,
- ROE of 6.3%,
- C/I ratio of approximately 54%,
- 50% share of green loans in the total loan volume,
- 58% employee engagement.

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

"We support green transition in an innovative and effective manner" and in the Bank's vision:

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

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

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 LGUs
- 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:

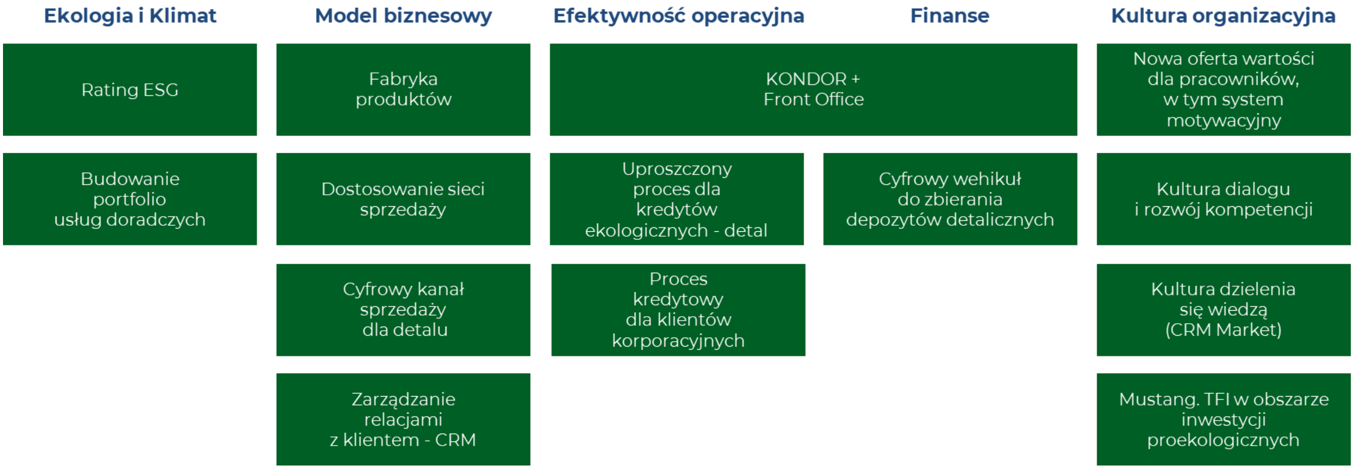
- Bring cultural change to the organisation - increase employee engagement and provide opportunities for professional development;
- Implement a new agile and hybrid model of work.

Finance - key objectives:

- Implement a sustainably profitable business model and improve the Bank's rating
- Exit the Group Recovery Plan
- Diversify the sources of financing and gradually reduce funding from the retail segment
- Actively include financing from external sources

Activities undertaken as part of the Strategy

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



Ekologia i Klimat	Environment and climate
Rating ESG	ESG rating
Budowanie portfolio usług doradczych	Building a portfolio of consulting services
Model biznesowy	Business model
Fabryka produktów	Product Factory project
Dostosowanie sieci sprzedaży	Adjustment of sales network
Cyfrowy kanał sprzedaży dla detalu	Digital retail sale channel
Zarządzanie relacjami z klientem CRM	Client Relationship Management (CRM)
Efektywność operacyjna	Operational efficiency
KONDOR+ Front Office	KONDOR+ Front Office
Uproszczony proces dla kredytów ekologicznych detal	Simplified credit process for green retail loans
Proces kredytowy dla klientów korporacyjnych	Credit process for corporate clients
Cyfrowy wehikuł do zbierania depozytów detalicznych	Digital tool for taking retail deposits
Kultura organizacyjna	Organisational culture
Nowa oferta wartości dla pracowników, w tym system motywacyjny	New values proposed to employees, including a new incentive system
Kultura dialogu i rozwój kompetencji	Culture of dialogue and competence development
Kultura dzielenia się wiedzą (CRM market)	Knowledge sharing culture (CRM market)
Mustang, TFI w obszarze inwestycji proekologicznych	Mustang, TFI offer for environmental investment projects

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

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

Other organisational culture transformation initiatives are: a new set of values proposed to employees along with an incentive system, a culture of dialogue and competence development, and a culture of knowledge sharing. In the six months ended June 30th 2022, a job valuation process was completed, new remuneration and bonus rules were adopted, and a new employee evaluation system was put in place. To get an objective view of the effectiveness of these efforts, another opinion survey is planned among employees at the end of 2022.

Strategy operationalisation efforts in the second half of the year focused on detailed analysis of the Bank's product offering. Products were evaluated for consistency with the new Strategy. A Product Factory was developed, as part of which a new offering of deposits (including a deposit taking vehicle) was created and product applications were made available on the Bank's website. Being a set of project flows aimed to implement a catalogue of retail and corporate client services supporting remote handling and sales through electronic and mobile banking channels, and to actively contribute to achieving the Bank's business objectives.

Concurrently, a number of projects were completed with a view to optimising the current processes. Improvements are made in the credit process, such as the deployment of a new tool encompassing process efficiency measures for individual client segments identified in the Strategy.

In the six months ended June 30th 2022, work was carried on to deploy a new CRM system. In June, a CRM module for corporate banking was finally implemented. As regards a retail banking module, preparations for pre-implementation studies began.

A new front office system, KONDOR+, has been purchased under one of the strategic initiatives. When implemented, it will result in improved efficiency and quality of services and automation of liquidity, market and credit risk management processes.

7. Organisation of the Group

Structure of the Group

Consolidated subsidiaries of the BOŚ Group as at June 30th 2022:

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

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

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

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

Other companies in which BOŚ S.A. holds equity interest as at June 30th 2022.

- Wodkan Przedsiębiorstwo Wodociągów i Kanalizacji S.A. - 29.48%.
- Polskie Domy Drewniane S.A. - 0.42% - a decrease from 1% held in 2020 as a result of capital increase in which BOŚ S.A. did not participate.
- Kemipol Sp. z o.o. - 15.03%.

III. FINANCIAL RESULTS AND OPERATIONS

1. Financial results of the Group

1.1. Statement of profit or loss

Statement of profit or loss of the Group, PLN thousand	H1 2022	H1 2021	Change (%)
Interest and similar income	443,093	205,991	115.1
Interest expense and similar charges	-109,064	-28,471	283.1
Net interest income	**334,029**	**177,520**	**88.2**
Fee and commission income	90,531	90,490	0.0
Fee and commission expense	- 21,972	-20,696	6.2
Net fee and commission income	**68,559**	**69,794**	**-1.8**
Dividend income	7,025	6,324	11.1
Gain (loss) on financial instruments measured at fair value through profit or loss (including amounts due from clients)	21,187	30,952	-31.5
Gain (loss) on hedge accounting	425	228	86.4
Gain (loss) on foreign exchange transactions	21,339	13,394	59.3
Other income	19,710	14,674	34.3
Other expenses	- 26,442	-25,870	2.2
Effect of legal risk of mortgage loans denominated in foreign currencies	- 4,983	-9,050	-44.9
Net impairment losses	- 92,452	-63,149	46.4
Administrative expenses	- 237,308	-197,060	20.4
Profit/(loss) before tax	**111,089**	**17,757**	**525.6**
Income tax expense	- 27,212	-10,893	149.8
NET PROFIT	**83,877**	**6,864**	**1,122.0**

In the six months ended June 30th 2022, the BOŚ Group earned a net profit of PLN 83.9 million, compared with a net profit of PLN 6.9 million in the first half of 2021.

The Group generated net interest income of PLN 334.0 million, an increase of PLN 156.5 million, or 88.2%, on the first half of 2021. The main reason behind its growth were the Monetary Policy Council's decisions to embark on a policy tightening cycle. As a result of an increase in policy rates and WIBOR market rates, the Bank posted an increase in income on loans and net gain on securities, with a substantial share of short-term securities. The improvement in interest margin was driven by a lower increase in expenses due to a continued relatively significant share of current accounts and low-interest deposit products.

Interest and similar income in the six months ended June 30th 2022 was up by PLN 237.1 million, or 115.1% year on year, driven mainly by an increase of PLN 112.3 million, or 89.6%, in interest income from institutional clients, of PLN 83.1 million, or 259.7%, in interest on non-trading investment debt securities, and of PLN 21.0 million, or 46.8%, in interest income from retail clients.

The average base interest rate applicable to PLN-denominated loans granted by the Bank (net of the impairment interest adjustment) was 6.23% compared with 3.06% in the first half of 2021, and to foreign currency-denominated loans – 2.74% compared with 2.25% in the first half of 2021.

Interest expense and similar charges increased by PLN 80.6 million, or 283.1%, on the six months ended June 30th 2021, driven mainly by an increase in expense related to bank accounts and deposits from institutional clients (up by PLN 46.6 million, or 6,180%) and retail clients (by PLN 31.7 million, or 200.5%). Costs of financial instruments (own debt securities) rose by PLN 4.5 million, or 75.6%, and costs of hedging transactions decreased by PLN 3.3 million.

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 the six months ended June 30th 2022 was:

- 1.60%, compared with 0.22% in the first half of 2021, for PLN deposits,
- 0.14%, compared with 0.16% in the first half of 2021, for foreign currency deposits.

Net interest income, PLN thousand	H1 2022	H1 2021	Change (%)
Interest and similar income:	**443,093**	**205,991**	**115.1**
Amounts due from banks and central bank	20,468	2,127	862.3
Amounts due from institutional clients	237,680	125,375	89.6
Amounts due from retail clients	65,848	44,860	46.8
Non-trading investment debt securities	115,144	32,007	259.7
Financial instruments held for trading	1,846	1,622	13.8
Hedging transactions	2,107	-	x
Interest expense and similar charges on:	**109,064**	**28,471**	**283.1**
Bank accounts and deposits from banks	1,057	513	106.0
Bank accounts and deposits from institutional clients	47,351	754	6180.0
Bank accounts and deposits from retail clients	47,570	15,828	200.5
Borrowings from banks	-	-	x
Borrowings from clients	114	83	37.3
Lending support funds (JESSICA)	420	28	1400.0
Financial instruments – own debt securities	10,514	5,987	75.6
Hedging transactions	-	3,303	x
Lease liabilities	2,035	1,953	4.2
Other	3	22	-86.4
NET INTEREST INCOME	**334,029**	**177,520**	**88.2**

The Group's net fee and commission income was PLN 68.6 million, which means a decrease of PLN 1.2 million, or 1.8%, year on year, attributable to the fact that the fee and commission expense grew while the fee and commission income remained stable.

There was a decline in fee and commission income from brokerage services – down by PLN 1.0 million (2.1%). An increase was recorded mainly in commission fees on guarantees and letters of credit – up by PLN 0.9 million, or 29.6%.

Fee and commission expense increased by PLN 1.3 million, or 6.2%, driven mainly by higher brokerage fees (up by PLN 1.3 million, or 8.5%).

Net fee and commission income, PLN thousand	H1 2022	H1 2021	Change (%)
Fee and commission income	**90,531**	**90,490**	**0.0**
Brokerage service fees	49,580	50,626	-2.1
Fees for maintaining client accounts, other domestic and international settlement transactions	18,229	17,986	1.4
Commission fees on loans	18,379	18,423	-0.2
Commission fees on guarantees and letters of credit	4,076	3,144	29.6
Fees for portfolio management services and other management fees	263	310	-15.2
Other fees	4	1	300.0
Fee and commission expense	**21,972**	**20,696**	**6.2**
Brokerage fees, including:	16,564	15,269	8.5
for custody services	327	310	5.5
Payment card fees	3,872	3,688	5.0
Current account fees	675	794	-15.0
ATM service charges	466	613	-24.0
Fees on amounts due from clients	74	52	42.3
Other fees	321	280	14.6
TOTAL NET FEE AND COMMISSION INCOME	**68,559**	**69,794**	**-1.8**

Gain (loss) on financial instruments measured at fair value through profit or loss was PLN 21.2 million, compared with PLN 31.0 million in the same period of 2021. The decrease was mainly attributable to a lower result of Dom Maklerski BOŚ, which led to a decrease in this revenue stream.

In the six months ended June 30th 2022, dividend income was PLN 7.0 million, compared with PLN 6.3 million in the same period of 2021. The main factor was dividend from Kemipol sp. z o.o., which amounted to PLN 6.7 million, compared with PLN 6.3 million in 2021.

Gain (loss) on foreign exchange transactions stood at PLN 21.3 million; in the same period of 2021 it was PLN 13.4 million.

In the six months ended June 30th 2022, impairment losses totalled PLN -92.5 million, relative to PLN -63.1 million in the first half of 2021, due mainly to higher impairment losses in the institutional clients segment.

Administrative expenses, PLN thousand	H1 2022	H1 2021	Change (%)
Employee benefits	109,682	92,112	19.1
Administrative expenses, including:	97,128	77,500	25.3
material costs	58,222	51,528	13.0
taxes and charges	4,187	3,323	26.0
contribution and payments to BGF	33,127	21,366	55.0
contribution and payments to PFSA	1,446	1,168	23.8
contribution to cover operating expenses of Financial Ombudsman	100	69	44.9
contribution to Chamber of Brokerage Houses (Izba Domów Maklerskich, IDM)	46	46	0.0
Amortisation and depreciation, including:	30,498	27,448	11.1
depreciation of property, plant and equipment	7,431	6,861	8.3
amortisation of intangible assets	14,563	13,480	8.0
depreciation of rights-of-use assets	8,504	7,107	19.7
TOTAL ADMINISTRATIVE EXPENSES	**237,308**	**197,060**	**20.4**

Administrative expenses of the Group rose by PLN 40.2 million, or 20.4%, relative to the same period of 2021. This growth was attributable chiefly to a PLN 17.6 million, or 19.1%, increase in salaries and wages, as well as a PLN 11.8 million, or 55.0%, increase in contributions to the Bank Guarantee Fund.

The reported amount of administrative expenses included the entire annual contribution to the mandatory bank restructuring fund calculated by the Bank Guarantee Fund for 2022, which amounted to PLN 21.9 million, compared with PLN 15.7 million for 2021. The total contribution to the Bank Guarantee Fund charged to expenses in the six months ended June 30th 2022 amounted to PLN 33.1 million, compared with PLN 21.4 million in the same period of the previous year.

Costs of salaries and wages increased mainly in business development, as well as security, AML and IT areas. The Bank completed a job evaluation process, with one of its objectives being to link compensation in individual jobs to current market benchmarks, which led to an increase in salaries and wages. In addition, there was a change in the recognition of bonus payments relative to 2021, when such payments were accrued in the case of employees eligible for the sales bonus and for the remaining part were recognised at year-end, once it became reasonably probable that net profit would be generated above the budgeted amount.

As at June 30th 2022, the Bank employed 1,163 persons (FTEs), compared with 1,137 at the end of the first half of 2021. The headcount at the Bank was 2.3% higher. At the Group level, the number of employees increased by 2.9% on June 30th 2021. The table below presents employment (FTEs) at the Bank and its subsidiaries.

Employment, full-time equivalents	Jun 30 2022	Jun 30 2021	Change (%)
Employment at BOŚ S.A.	1,163	1,137	2.3
Employment at subsidiaries	278	262	6.1
EMPLOYMENT AT THE BOŚ GROUP	**1440**	**1,399**	**2.9**

Efficiency and security of the Group's operations

Presented below are the key profitability and efficiency ratios for the Group, with calculation methodology.

Financial ratios	H1 2022	2021	Change in percentage points
Return on equity (ROE)[1]	6.6	2.5	4.1
Return on assets (ROA)[2]	0.6	0.2	0.4
Interest margin on total assets[3]	2.6	1.8	0.8
Cost of risk[4]	-1.0	-0.8	-0.2
Cost/income (C/I)[5], assuming uniform distribution of the cost of the one-time contribution to the Bank Guarantee Fund over the year	52.0	64.9	-12.9

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 last 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 to average assets, was 2.6%, compared with 1.8% in 2021. 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.

The cost/income ratio in the six months ended June 30th 2022 was 52.0%, compared with 64.9% in 2021, mainly as a result of income growing faster than administrative expenses.

Capital ratios

Capital ratios	Jun 30 2022	Dec 31 2021	Change in percentage points
Common equity Tier 1 capital ratio	13.21	13.26	-0.05
Common equity Tier 1 capital ratio – without IFRS 9 transitional provisions	12.98	12.89	0.09
Tier 1 capital ratio	13.21	13.26	-0.05
Tier 1 capital ratio – without IFRS 9 transitional provisions	12.98	12.89	0.09
Total capital ratio	14.32	14.61	-0.29
Total capital ratio – without IFRS 9 transitional provisions	14.09	14.24	-0.15

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

As a result, as at June 30th 2022 the minimum capital ratios recommended by the Polish Financial Supervision Authority for the Group are 9.35% for Tier 1 capital ratio and 11.51% for the TCR ratio.

The capital adequacy ratio of the Group as at June 30th 2022 was above the levels recommended by the Polish Financial Supervision Authority, both with and without the application of IFRS 9 transitional arrangements.

1.2. Statement of financial position of the Group

Total assets of the Group as at June 30th 2022 were PLN 23,609.6 million, having increased by PLN 3,023.8 million, or 14.7% compared with year-end 2021.

Changes in the structure of the Group's assets

As at June 30th 2022, at 49.6%, amounts due from clients had the highest share in total assets. The share fell by 8.0 percentage point on year-end 2021. The share of amounts due from other banks decreased by 0.8 percentage point, and of cash and balances with central bank – by 0.2 percentage point. On the other hand, the share of investment securities increased by 8.4 percentage points.

Assets, PLN thousand	Jun 30 2022	Dec 31 2021	Change (%)
Cash and balances with central bank	379,245	361,581	4.9
Amounts due from banks	280,753	400,747	-29.9
Financial assets held for trading	298,961	155,705	92.0
Derivative hedging instruments	31,113	9,121	241.1
Investment securities:	10,141,689	7,108,931	42.7
Amounts due from clients, including:	11,713,954	11,855,647	-1.2
measured at amortised cost	11,705,420	11,841,536	-1.1
measured at fair value through profit or loss	8,534	14,111	-39.5
Intangible assets	116,272	112,861	3.0
Property, plant and equipment	89,489	84,082	6.4
Right of use – leases	70,037	78,538	-10.8
Tax assets:	172,578	151,072	14.2
Other assets	315,472	267,455	18.0
TOTAL ASSETS	**23,609,563**	**20,585,740**	**14.7**

Amounts due from clients

The carrying amount of amounts due from clients of the Group as at June 30th 2022 was PLN 11,714.0 million, a decrease of 1.2% on December 31st 2021. The main reason for the decline was limited client interest in housing loans amid high rate rates and expectations of an economic slowdown.

As at June 30th 2022, amounts due from retail clients measured at amortised cost decreased on year-end 2021 by PLN 144.4 million, or 4.4%, mainly due to a decrease in housing and cash loans. Amounts due from institutional clients measured at amortised cost increased by PLN 9.9 million, or 0.1%.

Amounts due from clients

Amounts due from clients, PLN thousand	Jun 30 2022	Dec 31 2021	Change (%)
Measured at amortised cost	11,669,539	11,804,018	-1.1
Amounts due from retail clients	3,130,225	3,274,642	-4.4
overdraft facilities	1,325	224	491.5
cash loans	268,663	300,926	-10.7
housing loans	2,597,873	2,728,093	-4.8
other credit facilities	262,364	245,399	6.9
Amounts due from institutional clients	8,539,314	8,529,376	0.1
working capital facilities	893,232	648,741	37.7
term facilities	6,534,664	6,771,966	-3.5
factoring receivables	566,937	599,966	-5.5
lease receivables	161,818	136,642	18.4
purchased receivables	103,635	127,311	-18.6
commercial paper	279,028	244,750	14.0
Measurement at fair value through profit or loss	8,534	14,111	-39.5
Amounts due from retail clients	425	651	-34.7
overdraft facilities	25	-	x
housing loans	150	257	-41.6
other credit facilities	250	394	-36.5
Amounts due from institutional clients	8,109	13,460	-39.8
working capital facilities	-	19	x
term facilities	8,109	13,441	-39.7
Total	11,678,073	11,818,129	-1.2
Security deposits	31,550	32,768	-3.7
Other amounts due from clients	4,331	4,750	-8.8
TOTAL AMOUNTS DUE FROM CLIENTS	**11,713,954**	**11,855,647**	**-1.2**

Amounts due from institutional clients measured at amortised cost accounted for the highest share of total amounts due from clients, at 72.9%. Their share increased by 1.0 percentage points on year-end 2021. Amounts due from institutional clients measured at amortised cost were PLN 8,539.3 million.

The share of amounts due from retail clients measured at amortised cost in total amounts due decreased by 0.9 percentage points, to 26.7%. The amount of retail loans measured at amortised cost was PLN 3,130.2 million as at June 30th 2022, compared with PLN 3,274.6 million at year-end 2021. Housing loans are the largest item among loans advanced to retail clients. As at June 30th 2022, they amounted to PLN 2,597.9 million, down by 4.8% on December 31st 2021.

Housing loans

Housing loans, PLN thousand	Jun 30 2022	Dec 31 2021	Change (%)
Loans measured at amortised cost	**2,597,873**	**2,728,093**	**-4.8**
Housing loans in PLN	1,343,250	1,408,756	-4.6
Housing loans in CHF	726,923	767,387	-5.3
Housing loans in EUR	495,570	520,349	-4.8
Housing loans in USD	32,130	31,601	1.7
Loans measured at fair value through profit or loss	150	257	-41.6
Housing loans in PLN	150	257	-41.6
TOTAL HOUSING LOANS	**2,598,023**	**2,728,350**	**-4.8**

Foreign currency loans accounted for 48.3% of total housing loans (48.4% year-end 2021). The share of housing loans denominated in CHF in the total loan portfolio of the Group (net) was 6.2%, having decreased by 0.3 percentage point on year-end 2021.

Balance of green loans

The balance of green loans as at June 30th 2022 was 5,037 million, an increase of 5.8% on December 31st 2021. Green loans accounted for 39.37% of the Bank's total lending portfolio (vs 37.12% as at December 31st 2021).

Green loans, PLN thousand	Jun 30 2022	Dec 31 2021	Change
Green loans to institutional clients	4,551,283	4,256,415	6.9
Green loans to retail clients	486,212	503,238	-3.4
GREEN LOANS	**5,037,495**	**4,759,653**	**5.8**

*by principal amount

Lending products sold in the reporting period

In the six months ended June 30th 2022, the Bank made new loans and advances for a total amount of PLN 1,869.8 million, an increase of 1.1% on the first half of 2021 (at principal amount upon origination). Sales to institutional clients increased by 9.1%, and to retail clients – fell by 64.4%.

Lending products sold in the period, PLN thousand	H1 2022	H1 2021	Change (%)
Loans to institutional clients in the period	1,798,291	1,648,677	9.1
Loans to retail clients in the period	71,550	201,051	-64.4
LOANS MADE DURING H1	**1,869,841**	**1,849,728**	**1.1**

Over 50% of the loans and advances made in the six months ended June 30th 2022 were green loans.

Green loans advanced during the reporting period

Green loans advanced during the period, PLN thousand	H1 2022	H1 2021	Change
Loans to institutional clients in the period	910,977	545,299	67.1%
Loans to retail clients in the period	26,577	83,403	-68.1%
GREEN LOANS MADE DURING H1	**937,554**	**628,702**	**49.1%**

In the six months ended June 30th 2022, the value of new green loans was PLN 938 million, up by 49% year on year. The vast majority (in value terms) of the new green loans were made to institutional clients (97%). Loans for industrial sector projects represented the largest share of the total (47% of total green loans in volume terms).

Quality of the Group's loan portfolio

At the end of 2021, impairment losses amounted to PLN 1,254.8 million. The share of amounts due from clients with indications of impairment in the entire portfolio measured at amortised cost was 15.0% as at June 30th 2022, compared with 13.6% as at the end of 2021.

Quality of the loan portfolio	Jun 30 2022	%	Dec 31 2021	%
Amounts due from clients measured at amortised cost				
Amounts due from clients without indications of impairment, including:	10,970,332	84.9	11,146,432	86.2
exposures without significant credit risk increase since initial recognition (Bucket 1)	9,273,619	71.8	9,883,695	76.5
exposures with significant increase in risk since initial recognition (Bucket 2)	1,696,713	13.1	1,262,737	9.8
Amounts due from clients with indication of impairment (Bucket 3) but with no impairment identified given the estimated cash flows	19,958	0.2	22,382	0.2
Amounts due from clients with indication of impairment, impaired (Bucket 3)	1,934,049	15.0	1,757,830	13.6
Total amounts due from clients measured at amortised cost (gross)	**12,924,339**	**100.0**	**12,926,644**	**100.0**
Impairment losses on:				
amounts due from clients – (Bucket 1)	-89,693		- 88,097	
amounts due from clients – (Bucket 2)	-89,197		- 80,534	
amounts due from clients – (Bucket 3) with no indication of impairment	-388		- 588	
amounts due from clients – (Bucket 3) with indication of impairment	-1,075,522		- 953,407	
Total impairment losses	-1,254,800		- 1,122,626	
Total amounts due from clients measured at amortised cost (net)	**11,669,539**	**90.4**	**11,804,018**	**91.3**
Amounts due from clients measured at fair value through profit or loss				
Fair value	8,534		14,111	
Total amounts due from clients measured at fair value through profit or loss	8,534		**14,111**	
Security deposits	31,550		32,768	
Other amounts due from clients	4,331		4,750	
AMOUNTS DUE FROM CLIENTS	**11,713,954**		**11,855,647**	

Equity and liabilities of the Group

Equity and liabilities of the Group, PLN thousand	Jun 30 2022	Dec 31 2021	Change (%)
Amounts due to central bank and other banks	356,296	420,389	-15.2
Financial liabilities held for trading	174,490	99,659	75.1
Derivative hedging instruments	-	-	x
Amounts due to clients	19,979,047	17,007,863	17.5
Subordinated liabilities	372,965	369,107	1.0
Provisions	458,937	450,803	1.8
Tax liabilities	13,121	8,810	48.9
Lease liabilities	72,747	81,170	-10.4
Other liabilities	293,300	282,144	4.0
Total equity	**1,888,660**	**1,865,795**	**1.2**
TOTAL EQUITY AND LIABILITIES	**23,609,563**	**20,585,740**	**14.7**

As at June 30th 2022, amounts due to clients represented the largest share (84.6%) of total equity and liabilities. The share increased by 2.0 percentage points on December 31st 2021. There was also an increase in the share of financial liabilities held for trading by 0.3 percentage point.

The share of equity decreased by 1.1 percentage points, amounts due to the central bank and other banks fell by 0.5 percentage point, and subordinated liabilities went down by 0.2 percentage point.

Equity as at June 30th 2022 amounted to PLN 1,888.7 million. The increase in equity of 1.2% was mainly attributable to the current year net profit, despite a negative effect of a downward revaluation of securities measured at fair value through other comprehensive income, gross, reflecting the increase in market interest rates.

Amounts due to clients, PLN thousand	Jun 30 2022	Dec 31 2021	Change (%)
Retail clients	11,611,565	8,515,701	36.4
current/checking accounts	3,882,629	4,942,698	-21.4
term deposits	7,728,936	3,573,003	116.3
Institutional clients	7,744,675	7,799,099	-0.7
current/checking accounts	4,612,047	6,255,578	-26.3
term deposits	3,132,628	1,543,521	103.0
Other clients	83,366	84,032	-0.8
Borrowings from international financial institutions	499,890	510,954	-2.2
Lending support funds	39,551	98,077	-59.7
TOTAL LIABILITIES	**19,979,047**	**17,007,863**	**17.5**

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 June 30th 2022, amounts due to clients of the Group were PLN 19,979.0 million, having increased by PLN 2,971.2 million, or 17.5% on year-end 2021.

Amounts due to retail clients went up in the six months ended June 30th 2022 by PLN 3,095.9 million. The increase in this item was attributable to an increase in the interest rates on the 3-, 6- and 12-month *EKOlokata Promocyjna* term deposits, distributed via electronic channels and the Bank's branch network, as well as the interest rate on *EKOkonto Oszczęściowe* savings accounts. *EKOlokata Promocyjna* for 3 months, available through remote channels, is the deposit product most attractive to clients bearing interest at 7%. The interest rates offered on deposits gave the Bank a leading market position compared with other banks.

Amounts due to institutional clients decreased by PLN 54.4 million, or 0.7%.

Obtained borrowings, sureties and guarantees not related to the Group's operating activities

In the six months ended June 30th 2022, the Group did not take out any credit facilities or sign any borrowing, surety or guarantee agreements not related to its operating activities.

1.3. Contingent assets and contingent liabilities of the Group

Contingent assets and contingent liabilities of the Bank , PLN thousand	Jun 30 2022	Dec 31 2021	Change (%)
Contingent liabilities:	**3,092,916**	**3,264,122**	**-5.2**
Financial, including:	2,647,319	2,814,089	-5.9
open credit lines, including:	2,608,841	2,793,138	-6.6
revocable	2,280,160	2,337,580	-2.5
irrevocable	328,681	455,558	-27.9
open import letters of credit	38,478	20,951	83.7
Guarantees, including:	445,597	450,033	-1.0
credit repayment sureties and guarantees	12,739	12,739	0.0
performance bonds	432,858	437,294	-1.0
Contingent assets:	**2,145,862**	**2,143,824**	**0.1**
Financial, including:	351,045	344,955	1.8
open lines of credit	351,045	344,955	1.8
Guarantees	1,776,069	1,781,345	-0.3
Other	18,748	17,524	7.0
Total contingent assets and contingent liabilities	5,238,778	5,407,946	-3.1

Total contingent liabilities of the Group as at June 30th 2022 were PLN 3,092.9 million, including financial liabilities of PLN 2,647.3 million. As at June 30th 2022, total outstanding guarantees and sureties provided by the Bank, disclosed off-balance sheet, were PLN 445.6 million:

- all guarantees were provided by the Bank to residents,
- the highest guarantee was for PLN 59,650 thousand,
- in value terms, most of the guarantees (85.7%) were domestic performance bonds (37.1%), other domestic guarantees (26.8%), and domestic payment guarantees (21.8%).

As at June 30th 2022, the guarantees were issued at the request of (in value terms):

- non-financial entities – 99.5%
- central and local government institutions – 0.4%
- 0.1% – retail clients.

Compared with December 31st 2021, guarantees fell by PLN 4,436 thousand, or 1.0%.

Sureties and guarantees granted and obtained in the financial year

In the six months ended June 30th 2022, the Bank granted 60 guarantees and sureties for a total amount of PLN 228.3 million, of which 40 guarantees and sureties for a total amount of PLN 75.8 million were outstanding as at June 30th 2022 (2021: 162 guarantees and sureties granted for a total amount of PLN 183.2 million, of which 112 guarantees and sureties for a total amount of PLN 173.3 million were outstanding as at December 31st 2021).

Maturities of the outstanding guarantees and sureties were as follows (in value terms):

- from 1 month to 3 years – 87.9%,
- more than 5 years – 6.8%,
- 3 to 5 years – 5.3%.

2. Difference between financial forecasts and actual results

The BOŚ Group did not publish any financial forecasts.

IV. RISK MANAGEMENT AT THE GROUP

1. Credit risk

The key objective of credit risk management in the six months ended June 30th 2022, especially in asset quality management, was to improve the quality and structure of the loan portfolio.

The efforts to improve the quality of the loan portfolio focused on maintaining a policy of moderate risk appetite to achieve a cost of risk close to the sector's average.

In order to improve the structure of the loan portfolio, the Bank continued efforts to reduce individual exposures and concentration risk.

In June 2022, the Bank adopted a revised set of financial projections included in its strategy for 2021–2023 ('Development Strategy of Bank Ochrony Środowiska for 2021–2023 – based on revised financial projections'). The Strategy update was prompted by changes in the Bank's external environment, including market and macroeconomic conditions, which will result in the Bank setting itself more ambitious financial goals. The Bank's existing business model and strategic development directions remained unchanged.

The Bank financed transactions that were compliant with generally applicable laws and regulations.

In accordance with its lending policy, the Bank did not engage in transactions that:

- could pose a risk to its reputation,
- may cause risk-bearing debt of one entity or entities with equity or organisational links to exceed concentration levels provided in external regulations,
- would violate the provisions of the Environmental Protection Law or be a potential source of damage to the natural environment,
- would be effected for clients without reliable, fixed and stable income.

The Bank made lending decision conditional on:

- the borrower's ability to repay the requested facility in accordance with the schedule agreed upon with the Bank,
- provision of collateral in the form and in the amount acceptable to the Bank in so far as internal regulations require,
- fulfilment by the borrower of other criteria, such as, in particular, results of the client's relationship with the Bank to date and assessment of the client's credit history in the banking sector.

The client and the transaction were subject to a comprehensive credit risk assessment, taking into account the market and pandemic-related situation.

The Bank carried out credit risk assessment using rating and scoring models depending on the client and the transaction type. The models were built, developed, monitored and supervised by the Risk Area, taking into account internal and external requirements.

The credit risk assessment model for individuals applying for funding not related to business activities comprised:

- a quantitative analysis - the determination of the value and stability of loan repayment sources and
- a qualitative analysis - evaluation of retail clients' characteristics affecting considerably the client's willingness to repay the loan at such dates as specified in the agreement, including scoring and assessment of the client's behaviour on the basis of information obtained from Biuro Informacji Kredytowej S.A. (Credit Information Bureau).

The assessment process took into account the provisions of Recommendations T and S of the PFSA, in particular with respect to the levels of DtI/DStI and LtV ratios.

In the client assessment process, the Bank used information from various sources, including information from external databases.

The credit risk assessment model for retail clients seeking financing for business purposes or for statutory activity (municipal borrowers) focused on two areas: assessment of the client and assessment of the transaction (rating).

Client assessment involved quantitative and qualitative elements. The quantitative assessment focused on the key areas of the client's business with a bearing on profit generation capacity and financial liquidity. The qualitative assessment included analysis of development plans, experience and skills of the managing personnel, and quality of relations with external stakeholders, including the Bank.

The model for assessing the risk of local government units included analysis of the client based on assessment of key budget indicators, debt ratios as well as analysis of the credit transaction, including assessment of the projected debt ratios, the quality of collateral and the duration of the transaction.

The assessment of credit risk related to financing sought by institutional clients included an ESG risk analysis.

Where financing was sought by an entity operating within a group of related parties, the Bank assessed the credit risk taking into account the economic and financial standing of the related parties.

The transaction was assessed in particular on the basis of an assessment of the purpose of the financing, the length of the facility term and the value of the collateral. The Bank proposed financing structures that ensured risk sharing between borrowers and the Bank, mainly through involvement of the borrowers' own funds adequate to the scale of the risk.

The risk assessment was verified by a credit risk expert – an employee specialised in risk identification and selection of adequate forms of risk mitigation who was independent from the sales functions.

The Bank monitored the credit risk throughout the life of the credit transaction.

If the Bank identified a situation that could jeopardize timely repayment, the Bank used reminders and took restructuring measures using, among other things, solutions implemented in the early warning system (EWS).

The Bank analysed all credit exposures on a monthly basis in order to:

- identify non-performing exposures,
- measure impairment,
- recognise impairment losses or provisions.

The Bank employed both individualised and group approach to measure impairment of credit exposures and to recognise allowances or provisions. In view of the pandemic-related situation, the Bank applied an expert adjustment as part of the group approach to reflect the sensitivity of individual sectors to the COVID-19 crisis and a higher weight of the worst case macroeconomic scenario.

The powers to make credit decisions at the Bank depend on:

- the type and value of the transaction,
- the amount of the Bank's total credit exposure to the group of related entities to which the client belongs,
- the level of risk generated by the client and the transaction.
- possible departure from standard lending procedures affecting credit risk.

The Bank operated a credit decision-making system based on the principle that the higher the risk of a transaction resulting due to its complexity, the amount of exposure or the client's economic and financial standing, the higher the decision-making level at which the credit decision must be made. The decision-making levels with the highest authority are the Head Office Credit Committee and the Management Board of the Bank. Where there is a departure from standard lending procedures that affects the credit risk, credit decisions are made by a decision-making body with higher authority.

In credit decisions on transactions concluded with members of the Bank's bodies or persons holding managerial positions at the Bank, or entities affiliated with them through equity or organisational links, the Bank was guided by the requirements of the Banking Law Act.

The Bank accepted both physical assets as well as personal guarantees as collateral.

The Bank preferred collateralised transactions, with the proviso that in the retail segment the maximum amount of unsecured transactions was determined taking into account features of the lending products, the client segment, the impact of such transactions on the Bank's profit or loss and the amount of potential losses.

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

In determining the amount of the required collateral, the Bank was guided by the principle of prudent valuation.

When selecting the form of security, the Bank took into account:

- adequate protection of the Bank's interests,
- the amount of costs related to establishing the security,
- the ability to quickly liquidate collateral.

The Bank had in place a Policy for Managing Non-Performing Exposures, which defines a strategy of action to achieve reduction, within a prescribed time limit, of non-performing exposures, and an action plan that supports the implementation of the strategy.

In order to limit the negative impact of economic consequences of the COVID-19 pandemic on the quality of the loan portfolio, the Bank applied specific financing and client monitoring policies, adapting them to the current market and epidemic situation.

The Bank identified, measured, monitored and reported the concentration risk of the engagements on the following levels:

- individual client and transaction,
- the loan portfolio.

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

On the level of loan portfolio, engagement concentration management was performed by complying with internal limits or warning values, approved by the Bank's Management Board or Supervisory Board for limits through which the Bank sets the acceptable level of credit risk appetite.

In particular, the Bank applied the following limits:

- geographical limits – limit of exposure to other countries;
- product-specific limits – e.g., maximum LTV;
- limits for the portfolio of mortgage loans and loans financing real property – in compliance with the PFSA Recommendations,
- limits for selected sectors of the economy,
- limits concerning the share of foreign currency loans in the Bank's portfolio,
- limits for the aggregate exposure to related entities/groups of related entities with respect to which the Bank's exposure exceeds 10% of the Tier 1 capital,
- limits for the aggregate exposure to related entities/groups of related entities, depending on the rating of the related entity/group of related entities,
- the total exposure to the Bank’s subsidiaries.
- limit for exposures under credit transactions to which special funding rules were applied in connection with the COVID-19 pandemic,
- limit for transactions with derogation from the credit rules set out in internal procedures that result in increased credit risk.

In the concentration risk management process, the Bank used a warning level system that applied to all internal limits for credit risk. The system is based on distinguishing three levels of limit utilisation and gradual implementation of measures mitigating the risk of exceeding the limit.

The utilisation of the limits was monitored and reported to the Bank's governing bodies on a regular basis, in accordance with the Bank's internal regulations.

In line with the requirements set out by the Polish Financial Supervision Authority in Recommendation C, Recommendation T and Recommendation S, the Bank performed stress tests in the field of credit risk for its retail and corporate loan portfolios, including in respect of the largest exposures.

Information regarding the credit risk level in the Bank's loan portfolio was presented to the Management Board on a monthly basis and to the Supervisory Board at least on a quarterly basis.

In its lending process, the Bank complied with regulatory requirements, good banking practices and internal procedures.

2. Financial risk

The financial risk in the Group is concentrated mainly at the Bank and at Dom Maklerski BOŚ S.A. and includes:

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

Liquidity risk and interest rate risk occur mainly at the Bank, and currency risk – at DM BOŚ S.A. (in the trading book and the non-trading book) and at the Bank (in the trading book; currency risk from the banking book is transferred to the trading book). DM BOŚ S.A. is also exposed to equity risk, commodity price risk and position risk at collective investment undertakings.

The key principles of financial risk management at Bank Ochrony Środowiska S.A. and at the Group are set out in the Banking Risk Management Strategy. This strategy is an integral part of the Bank's Strategy.

The risk management system at the Group includes examination of individual risks related to both the Bank's and the Group's operations. The Bank, as the parent, oversees the risk management system at the Group. The risk management process is subject to periodic reviews aimed at adapting the process to changes in the environment and taking into account changes occurring within the Bank and the Group.

The Bank manages risks on the basis of the risk appetite and tolerance determined by the Supervisory Board using a set of internal limits. The Group has in place policies to manage liquidity risk, interest rate risk in the banking book and market risk in the trading book, which define, among other things, maximum levels of financial risk, consistent with the risk appetite adopted by the Supervisory Board of the Bank. Based on these, an early warning system has been established which focuses on identifying, measuring, monitoring, controlling and reporting the risks.

Transactions in the banking book represent the core business of the Bank, which means that they result from commercial operations, including raising financing and efficient management of financial liquidity. The banking book includes positions which are not included in the trading book, in particular:

a. granted credit facilities and guarantees, as well as accepted deposits, including term deposits,
b. liquidity- and interest-rate hedges of transactions carried in the banking book,
c. purchase of securities for non-trading purposes.

In line with the Group's strategy, the trading book business is complementary to the banking book business. The trading book contains transactions that were entered into by the Bank on its own account for trading purposes, i.e., to gain financial profits in short-term periods due to actual or expected differences between bid and offer prices in the market, as well as other movements of prices or price parities, including in particular interest rates and foreign exchange rates. Transactions held in the trading book are not sold for liquidity purposes. The purpose of the trading book is to ensure the highest quality of services for clients. To this end, the Bank and Dom Maklerski BOŚ S.A. maintain open positions within the applicable risk limits.

The purpose of risk management by the Group is to maintain individual risks at the level consistent with the approved risk appetite and tolerance in order to protect the value of shareholders' capital, maintain the safety of client deposits and achieve adequate efficiency of the Group's operations, including ensuring the Group's ability to adapt its operations to changing market conditions, competence and commitment of managers and employees, and the quality of management information systems.

In the six months ended June 30th 2022, the Group monitored the economic and market situation associated with the COVID-19 pandemic and the war in Ukraine and analysed its impact on financial risks, including the market and liquidity risks. Although the levels of individual risks have increased compared to the pre-pandemic period, they have generally remained within the limits adopted by the Group.

In the six months ended June 30th 2022, the main objectives, principles and organisation of the financial risk management process at the Group did not change. The level and profile of financial risk is monitored on a regular basis by the Financial Risk Department (2nd line of defence) of the Bank and by the Risk Management Department of DM BOŚ S.A. and reported to The Bank's Supervisory Board, the Supervisory Board of DM BOŚ S.A., the Risk Committee (at the Supervisory Board of the Bank), the Management Board of the Bank, the Management Board of DM BOŚ S.A., the Committee of Assets and Liabilities Management (ALCO) and the ALCO Liquidity and Market Risk Committee (ALCO LMRC).

Impact of the war in Ukraine on financial risk, including liquidity risk

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

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

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

With the current developments under the stress scenario for the ongoing Russian-Ukrainian conflict, the Bank has not experienced any liquidity problems or adverse impact on other financial risks. Despite short-lasting liquidity problems on the interbank market and a temporary sharp increase in cash withdrawals, no major threats to the Bank's liquidity have been observed.

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

2.1. Liquidity risk

The purpose of liquidity management by the Group is to maintain the ability to finance assets and pay liabilities in a timely manner and to maintain a sustainable structure of assets and liabilities, which ensures a safe liquidity profile in specific time bands, split into liquidity in PLN and the main foreign currencies, but mostly – for the total liquidity position. Liquidity risk is generated primarily at the Bank.

The liquidity risk management strategy and processes are tailored to the Bank's business profile and scale. The liquidity risk management strategy is defined in the Liquidity Strategy of BOŚ S.A., approved by the Supervisory Board. The strategy defines the Bank's risk appetite, designates key directions and quantitative targets for selected volumes, and is an integral part of the Bank's Framework Strategy. The liquidity risk tolerance, adjusted to the Bank's risk appetite through a system of internal limits and warning values, is set out in the Liquidity Management Policy approved by the Supervisory Board.

The structure and organisation of the liquidity risk management function include all levels of the Bank's organisational structure, operating within three lines of defence. A particular role in the liquidity risk management process is played by the Management Board of the Bank and the ALCO Committee.

The Bank's liquidity is analysed over the following time horizons:

- intra-day liquidity – during the day;
- current liquidity – in the period up to 7 days;
- short-term liquidity – in the period up to 1 month;
- medium-term liquidity – in the period of above 1 month to 12 months;
- long-term-term liquidity – in the period of more than 12 months.

To measure the liquidity and intra-day, current and short-term liquidity risk, the Bank uses the following measures and tools:

1. the level of intraday liquidity – reflects the level of funds required to be maintained in the Bank's account with the National Bank of Poland to enable the Bank to pay its liabilities during the day, in both normal and stress situations,
2. liquid assets (excess liquidity) – a buffer for expected and unexpected outflows over a period of 30 days,
3. liquidity reserve – which measures the level of liquid assets less expected and unexpected outflows, determined for a period of 30 days, including a concentration margin,
4. net liquidity coverage ratio (%)
5. assessment of the stability of the deposit base,
6. short-term liquidity gap (for PLN, EUR, CHF and USD) – showing the level of mismatch in foreign currency funding structures; the gap consists primarily of flows from wholesale and derivatives transactions,
7. stress tests (which enable the Bank to, among other things, verify its ability to maintain liquidity in a defined time horizon under particular scenarios).

For the purpose of measuring liquidity as well as the medium- and long-term liquidity risk, the Bank sets and monitors:

1. the contractual and actual liquidity gap (which is supplemented by regular analyses of the stability of the deposit base, the concentration of the deposit base, the amount of loan prepayments and the level of deposit breakage),
2. the non-current assets to non-current liabilities ratio;
3. the coverage of loans used by clients to finance long-term needs with the most stable sources of funding (LKD);
4. the net stable funding ratio (NSFR),
5. the forecast of LCR, NSFR and liquid assets.

In order to assess the effectiveness of the liquidity risk management process, for most of the above measures, alert limits or values are set within a set of internal liquidity risk limits whose structure is hierarchical (i.e., they are set at the level of the Supervisory Board, the Management Board and the ALCO Committee). The limits and warning values in place are reviewed regularly so that liquidity can be monitored effectively. The limits and warning values define the framework for the Bank's liquidity tolerance and are consistent with the Bank's risk appetite. The shaping of an appropriate liquidity risk profile is supported by taking into account the cost of liquidity under the Bank's transfer pricing system.

The measures and tools used by the Bank are reviewed on a regular basis and are regularly updated to better map the liquidity profile. The process of monitoring liquidity and liquidity risk in the Bank is supported by a dedicated IT system (used in particular to generate reports on contractual and actual liquidity gaps, on regulatory liquidity measures and on internal limits, and to prepare mandatory reports). At least once a year, the Bank prepares a review of the Internal Liquidity Adequacy Assessment Process (ILAAP), in compliance with the EBA/GL/2016/10

Guidelines on ICAAP and ILAAP information collected for SREP (Supervisory Review and Evaluation Process) purposes. The ALCO Committee gives its opinion on the review, and the document requires approval by the Management Board and the Supervisory Board of the Bank. The ILAAP review carried out by the Bank as at December 31st 2021 showed compliance of the process with the Bank's internal regulations and external guidelines.

Liquidity risk reports are presented to all the Bank's units involved in the liquidity risk management process. Results of the risk analysis, the degree of utilization of regulatory standards and internal limits, as well as results of stress tests are presented in reports prepared for the ALCO Committee (on a weekly basis), for the Management Board and the ALCO Committee (on a monthly basis), and for the Supervisory Board and its Risk Committee (on a quarterly basis). The reports are part of the Management Information System, the purpose of which is to support the Bank's management, streamline the performance of its tasks and ensure the security and stability of its operations.

Overall liquidity risk profile

The main source of funding for the Bank continues to be a systematically built and diversified deposit base with a considerable share of stable retail deposits (supplemented by deposits from corporate clients and the public sector), followed by loans from international financial institutions (which, together with long-term bilateral interest rate swap agreements secured by debt papers and FX swap transactions, constitute a source of liquidity funding in foreign currencies). The Bank monitors the risk of concentration of the deposit base on an ongoing basis. The internal liquidity measures take into account an additional concentration surcharge on stable funds, calculated on the basis of deposit balances for large deposits and deposits of large clients (classified in accordance with the definitions applied at the Bank).

The Bank's liquid assets (excess liquidity) are primarily held in the form of highly liquid NBP bills (as at June 30th 2022, representing 64% of the liquid portfolio of unsecured securities) and treasury bonds (June 30th 2022: 36%), posing a low specific risk. The portfolio of these securities is supplemented with cash and funds held with the National Bank of Poland (above the declared obligatory reserves) and in nostro accounts with other banks. As at June 30th 2022, liquid assets amounted to approximately PLN 9 billion. Liquid assets constitute a buffer to secure liquidity in potential crisis situations, i.e., they can be pledged, liquidated under repo transactions or sold at any time without significant loss of value. The Bank's ability to sell liquid assets (product liquidity risk) is monitored on a regular basis. The primary considerations in these analyses are issue size, market turnover, and bid/ask price volatility.

In accordance with the recommendations of the Polish Financial Supervision Authority and the National Bank of Poland, the Bank may use additional sources of funding in the form of a technical loan and a lombard loan from the NBP, and may apply for a refinancing facility from the NBP.

The Bank determines internal capital for liquidity risk, which is considered a significant constant risk, in accordance with the applicable internal capital estimation process. This capital is estimated on the basis of the cost of restoring regulatory and internal measures and liquidity limits under the conditions of stress test scenarios.

Measures of liquidity risk

The Bank determines regulatory measures of liquidity in accordance with the following regulations: The CRR Regulation and Regulation 2019/876 on prudential requirements for credit institutions and investment undertakings (amending Regulation 575/2013 Regulation) and related delegated and implementing regulations as regards liquidity.

The currently applicable norms regarding short-term liquidity include the liquidity coverage requirement – LCR (the ratio of liquid assets to net outflows (i.e., the difference between net outflows and net inflows) for a 30-day period of extreme conditions). The LCR is calculated on an aggregated basis for all currencies (translated into PLN) and separately for significant currencies, i.e., for PLN and EUR. For the ratio in EUR, the Bank identifies a currency mismatch related to the method of financing long-term loans granted in this currency.

The Bank is required to satisfy a stable funding requirement, which as of June 2021 is referred to as the net stable funding ratio (NSFR) requirement. It is calculated as the ratio of the institution's available stable funding to the amount of the stable funding required. The NSFR ratio, as the LCR ratio, should be maintained at a minimum of 100%.

The Bank, in accordance with Commission Implementing Regulation (EU) 2021/451 of December 17th 2020 regarding the reporting of additional liquidity monitoring metrics, prepares and submits ALMM reports to the NBP.

In accordance with EBA/GL/2017/01 Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013, the Bank presents quantitative and qualitative data on the net liquidity coverage ratio, the net stable funding ratio and the liquidity risk in the Information on BOŚ Group. Such disclosures comply with the instructions given by the European Banking Authority.

The Bank also performs an in-depth analysis of its long-term liquidity. Results of these analyses are used to manage the Bank's liquidity. At the same time, the process of preparing short- and long-term financial plans of the Bank includes assessment of liquidity, to ensure an adequate financing structure and compliance with the supervisory liquidity measures.

In the six months ended June 30th 2022, the supervisory liquidity measures, i.e., LCR and NSFR, were calculated daily (i.e., every working day), and remained at a safe level, significantly above the regulatory requirements. As at June 30th 2022, these measures were as follows:

Metric	Jun 30 2022	Dec 31 2021
LCR	213%	141%
NSFR	161%	133%

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

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

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

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

As part of its analysis, the Bank also carries out a sensitivity analysis for individual factors generating liquidity risk, as well as reverse tests. The contingency liquidity plan shall be regularly reviewed and updated so as to ensure that the Bank is operationally prepared to activate potential measures that can be taken in the event of a liquidity risk. The contingency liquidity scenario analysis is carried out a semi-annual basis and stress tests – on a monthly basis. The assumptions adopted for stress tests are regularly reviewed to account for conclusions of the scenario-based contingency liquidity analysis. The assumptions for each stress test scenario reflect the expected negative effects of the COVID-19 pandemic, such as increased cash and deposit outflows, a rise in the level of term deposit breakage and higher EUR/PLN and CHF/PLN exchange rates. Conclusions from the tests are used in managing liquidity and liquidity risk and are the basis for building the structure of assets and liabilities.

In its analyses, the Bank also takes into account the possibility of unfavourable changes in foreign exchange rates, in particular CHF and EUR, potentially triggering increased liquidity needs.

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

Some of the agreements include provisions relating to a rating downgrade or withdrawal by one of the internationally recognised credit rating agencies. Such provisions allow the counterparty to invoke the right of early termination of the agreement. Another clause with a similar effect concerns a reduction in the number of shares held by the National Fund for Environmental Protection and Water Management to below 51% or with respect to the shares value to a level which deprives the Fund of the right to 51% of the total vote at the General Meeting.

The stress tests performed in the six months ended June 30th 2021, as in 2020, show that the Bank has a stable liquidity position and its liquid assets (excess liquidity) allow it to survive the assumed stress scenarios in which the Bank assumes survival over a certain period of time.

In the six months ended June 30th 2022, as in 2021, the Group's liquidity position was monitored on a regular basis and remained safe.

Effect of the COVID-19 pandemic on the Bank's liquidity

In the highly uncertain environment caused by the COVID-19 pandemic, the Bank keeps monitoring the economic developments, assessing their potential impact on the condition of the Bank and its clients, especially in terms of liquidity. Information on the situation within specific sectors and client behaviour is also analysed, which includes monitoring of cash and deposit outflows, upward movements in EUR/PLN and CHF/PLN exchange rates, and their impact on individual areas of the Bank's business. The Bank reviewed its assumptions adopted for stress tests to factor in specific risks associated with the pandemic.

In the six months ended June 30th 2022, there were no material adverse impacts of pandemic-related events on the Bank's liquidity.

In the current situation, the Bank is monitoring the balances of deposits and loans, especially in light of the changing interest rates and facilities for borrowers introduced under the government's anti-crisis shield. The Bank is taking steps to correlate demand for credit capital with funding obtained, while ensuring a safe liquidity buffer.

2.2. Interest rate risk

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

Interest rate risk in the banking book

The main purpose of interest rate risk management in the banking book is to seek stabilization and optimization of net interest income ('NII') while limiting the negative effect of market interest rate movements on economic value of equity ('EVE').

To achieve this, the Bank uses two tools: the investment portfolio held and derivative transactions entered into as part of hedge accounting. The investment portfolio, built in the banking book, should help to, among others, secure net interest income generated by the Bank's equity and to secure core deposits in current accounts insensitive to interest rate movements. On the other hand, this portfolio is a source of volatility of the revaluation reserve.

The Bank applies fair value hedge accounting. Its purpose is to secure the fair value of the fixed-rate Treasury bonds, which are part of the HtC&S bond portfolio and also serve as the Bank's liquidity buffer. IRS hedging transactions reduce the extent of capital fluctuations caused by movements in interest rates.

Monitoring of interest rate risk in the banking book is supported by a dedicated IT system which the Bank uses in particular to determine/perform:

1. repricing gap, presenting the values of assets, liabilities and on-balance-sheet items sensitive to interest rate movements at maturity or repricing,
2. simulation of net interest income – a dynamic analysis reflecting the projection of net interest income over a given period of time, based on the Bank's growth scenarios, as well as assumptions regarding market factors,
3. net present value (NPV) simulation, presenting values of all cash flows discounted at given market parameters; results of the NPV analysis are used to calculate EVE,
4. price shocks for basis risk analysis, the purpose of which is to estimate the impact on the net interest income of varying changes in interest rates of products whose interest rates are based on different base rates,
5. yield curve risk analysis, which aims to estimate the impact on the economic value of equity of unparallel movements in the shape of the yield curve,
6. client option risk analysis, whose objective is to assess the impact of client options embedded in interest bearing products on the Bank's financial result,
7. stress tests, including reverse tests and the Supervisory Outlier Test – the objective is to determine how extreme changes in market factors affect the net interest income and the economic value of equity,
8. the level of internal capital for interest rate risk in the banking book.

Measures of interest rate risk in the banking book

In order to control the interest rate risk in the banking book, the Bank uses two measures: sensitivity of net interest income to interest rate movements by +/-100 bps (NII) and sensitivity of the economic value of capital to interest rate movements by +/-200 bps (EVE). Interest rate risk in the banking book is measured on the basis of product characteristics (capital flow schedules, interest rate re-pricing, embedded options), resulting from contracts with counterparties. For current products where the client may flexibly determine, among other things, the repayment schedule or use of funds, the Bank builds replicating portfolios that reflect the economic timing of capital flows. In the replicating portfolios, the average maturity of deposits with undetermined maturity is 6 months, and the maximum maturity is 12 months. The Bank also takes into consideration client behaviour patterns, such as: early credit repayment levels or deposit breakage levels, which are estimated in accordance with internal regulations of the Bank. The assumptions are consistent with the EBA/GL/2018/02 Guidelines on the management of interest rate risk arising from non-trading book activities.

The following table provides a comparison of the NII and EVE measures between June 30th 2022 and December 31st 2021:

Date	ΔNII		ΔEVE	
	-100 bps	+100 bps	-200 bps	+200 bps
Jun 30 2022	-44,042	29,570	98,362	-97,609
Dec 31 2021	-68,395	41,247	84,372	-102,232
Change	**24,353**	**-11,677**	**13,990**	**4,623**

In the six months ended June 30th 2022, both NII and EVE were within limit/at warning levels consistent with the risk appetite approved by the Supervisory Board. Changes in the values of these measures have a certain cyclical nature, which is due to the regular approximation of the timing of the repricing of floating rate positions and the maturity of fixed rate positions. The lower sensitivity of net interest income in the six months ended June 30th 2022 to a 100 bps decrease in market interest rates was caused, among other factors, by six interest rate rises implemented by the Monetary Policy Council, which resulted in a decision by the Bank to increase interest rates on its term deposits and savings accounts only towards the end of the first half of the year. Another factor behind the decrease in sensitivity of net interest income was a significant increase in the balance of client term deposits driven by the Bank's promotional campaign. The asymmetrical impact of interest rate movements on NII in the scenarios of falling and rising interest rates results from the characteristics of interest rates on specific items sensitive to interest rate movements, including reduction of interest rates on certain sources of financing to 0%, under the conditions of the analysed market interest rate movements (i.e. by -100 bps).The decrease in sensitivity of EVE to interest rate hikes was attributable, among other factors, to a rise in retail deposits and a fall in the balance of corporate securities.

In accordance with the EBA/GL/2018/02 Guidelines on the management of interest rate risk arising from non-trading book activities the Bank is obliged to carry out a Supervisory Outlier Test (SOT).

Results of (SOT) for the six standard shock scenarios related to interest rate risk specified in the Guidelines are presented in the table below as at June 30th 2022 and December 31st 2021, along with their change:

Date	ΔEVE in a given SOT scenario					
	parallel shock up	parallel shock down	steepener shock	flattener shock	short rates shock up	short rates shock down
Jun 30 2022	-82,317	33,949	-133	-34,345	-60,947	12,752
Dec 31 2021	-81,118	21,719	5,598	-64,604	-89,159	5,843
Change	**-1,199**	**12,230**	**-5,731**	**30,259**	**28,212**	**6,909**

The results of the SOT analysis indicate that the Bank is most vulnerable to a decline in the economic value of equity (EVE) in the parallel shock up scenario. The level of sensitivity of the economic value of equity is clearly below the supervisory warning levels, which indicates moderate exposure to interest rate risk.

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

1. sensitivity of the net interest income (NII):
   - scenarios of parallel shifts of interest rate curves within the range of [-500 bps, +500 bps],
   - scenarios of exchange rate movements by ±5%, ±10% and ±25%,
   - scenarios of cumulative changes in the parallel shifts of interest rate curves by ±100 bps and ±500 bps, and foreign exchange rates by ±5%, ±10% and ±25%,
2. sensitivity of the economic value of equity (EVE):
   - scenarios of parallel shifts of interest rate curves within the range of [-500 bps, +500 bps],
   - scenarios of exchange rate movements by ±5%, ±10% and ±25%,
   - scenarios of cumulative changes in the parallel shifts of interest rate curves by ±200 bps and ±500 bps, and foreign exchange rates by ±5%, ±10% and ±25%,
3. sensitivity of revaluation reserve in scenarios of interest rates movements within the range [-500 bps., +500 bps],
4. sensitivity of the present value of the bond portfolio in scenarios of interest rate movements within the range of [-500 bps, +500 bps] – by issuer (SP&NBP (excluding FVH), corporations, local governments) and by portfolio (H2C&S (excluding FVH), H2C).

The Bank also conducts reverse tests:

1. for the EVE – tests of the impact of changes in market factors, the purpose of which is to show when the sensitivity of the EVE falls below 20% of equity,
2. for the NII:
   - tests to show when the projected interest income falls below zero,
   - tests designed to identify areas of vulnerability to risks arising from collateral and risk management strategies and behavioural responses of clients.

The results of the stress test as at June 30th 2022 show that, in extremely adverse market conditions and the Bank's increased exposure to instruments sensitive to interest rate risk, the banking book risk remained at a safe level.

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

In order to hedge the interest rate risk of 10-year fixed-rate PLN 150 million BGK bonds (issued to the COVID-19 Fund and guaranteed by the State Treasury) held within the HtC&S business model, as of July 2020 the Bank applies the option of measurement at fair value through profit or loss (the FVPL option). The related IRS hedging transactions enable the Bank to change interest on the bonds accrued at a fixed interest rate into interest accrued at WIBOR 6M plus margin, which hedges the Bank's position against adverse effects of potential increase in market interest rates.

Results of monitoring the banking book interest rate risk are presented in weekly reports prepared for the Liquidity and Market Risk ALCO Committee, in monthly reports prepared for the Assets and Liabilities Committee and the Management Board, and in quarterly reports prepared for the Risk Committee and the Supervisory Board (quarterly).

Interest rate risk in the trading book

The objective of interest rate risk management in the trading book is to achieve a financial result in this line of business in keeping with the financial plan, at an acceptable level of exposure of the Bank to the risk, and to minimise the adverse effects of holding interest rate-sensitive instruments in the trading book.

Measures of interest rate risk in the trading book

In order to monitor the interest rate risk, the Bank uses:
1. the value at risk (VaR) model determined for the 99% confidence level based on daily volatility of interest rates for 250 business days preceding the date of analysis,
2. the basis point value (BPV), i.e., sensitivity of securities and derivative instruments generating the interest rate risk to a 1 pp movement of interest rates,
3. a system of limits,
4. stress tests.

In the six months ended June 30th 2022, there were no significant changes in the techniques applied to measure the interest rate risk of the Bank's trading book.

The value of interest rate VaR in the trading book and the impact of the stress test scenario – parallel movement of IRS and BOND yield curves by ±200 bps – on the Bank's profit or loss in semi-annual periods are presented below (maximum, minimum, mean and as at the reporting date).

Date	10-day VaR				Stress tests ±200 bps
	mean	max	min	as at	as at
Jan 1 2022	413	1,093	128	553	-1,766
Jan 1 2021	164	413	49	64	-2,609

In order to verify the value-at-risk model, the Bank performs a back-testing analysis on a monthly basis, calculated by comparing the maximum losses from the VaR model with actual gains and losses and theoretical changes in profit or loss resulting from revaluation of positions. Results of monthly back-testing are presented in management reports.

The system of interest rate risk limits in the trading book includes:
1. the 10-day VaR limit,
2. the BPV limit for instruments generating interest rate risk in the trading book, both intra-day and end-of-day, separately for positions in debt securities and for IRS, and combined for these instruments,
3. maximum, two-day and monthly trailing loss limits for assets in the trading book.

The utilisation of each limit is calculated and monitored as at each business day, and for BPV limits – also during the day, and reported to the management on a regular basis.

Once a month, the Bank conducts stress testing analysis, examining the development of the interest rate risk in the banking and trading book in case of materialisation of extreme changes in risk factors.
In the trading book, the Bank examines the impact of extreme adverse movements of market interest rates on the Bank's profit or loss as well as the volatility of interest rates over 250 business days and the correlation between the interest rate volatility and VaR using both the historical and parametric methods. The historical method took into account the volatility of interest rates caused by the COVID-19 pandemic.

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

1. historical:
   - parallel movements of the yield curves (including fat tails and spread),
   - curvature of the yield curves,
   - changes in the slope of yield curves,
2. parametric:
   - parallel movement of the yield curves,
   - increase in interest rate volatility,
   - extremely adverse changes in the correlation of interest rates.

Stress test scenarios are also run for market liquidity changes and for situations where positions cannot be closed.

Results of the analysis show that in the event of extremely adverse market conditions and the Bank's increased exposure to instruments sensitive to the interest rate risk both the Bank's banking and trading positions are maintained at a safe level.

Results of monitoring the interest rate risk in the banking book and the trading book are reported: weekly to the Liquidity and Market Risk ALCO Committee, monthly to the ALCO Committee and the Management Board, and quarterly to the Risk Committee and the Supervisory Board (with the results of the stress tests). Additionally, results of the analysis of interest rate risk in the trading book are communicated to members of the Management Board and the ALCO Committee as part of daily reports.

The interest rate volatility caused by the COVID-19 pandemic did not lead to any material increase in interest rate risk. The measures of interest rate risk in the trading book were monitored on an ongoing basis, and although their levels generally increased they remained within the limits applied by the Bank.

2.3. Currency risk

Currency risk is understood as the risk of loss to the Group due to changes in exchange rates. This risk is generated by DM BOŚ S.A. (in the trading and non-trading book) and in the Bank (mainly in the trading book).

The objective of the Bank's currency risk management policy for the banking book is to not maintain open individual positions. Foreign currency exposures arising in the banking book are transferred systematically to the trading book on the same day or on the following business day at the latest.

The Bank's main currency positions are denominated in PLN, USD, EUR and CHF.

The currency risk in DM BOŚ S.A.'s non-trading book is attributable to deposits of foreign currency cash in the accounts of foreign brokers who buy and sell financial instruments on foreign exchanges on behalf of DM BOŚ clients. DM BOŚ S.A. has open currency positions in USD and EUR in the non-trading book, and the portfolio's currency risk is managed within the limit of the total currency position for the trading book and the non-trading book.

A currency position resulting from transactions in the banking book which has not been transferred on a given day to the trading book is controlled with end-of-day limits of open currency positions in the banking book.

Currency risk in the trading book is generated by both the Bank and DM BOŚ S.A. The currency risk in the trading book was primarily attributable to DM BOŚ S.A., and to a lesser extent to the Bank. Open currency positions in DM BOŚ S.A.'s trading book result from the provision of services to clients in the derivatives trading market and from the provision of services on a regulated market.

The BOŚ Group has a consistent currency risk management system, with the risk calculated separately for the Bank and DM BOŚ S.A.

Measures of currency risk

In order to monitor the currency risk of open foreign exchange positions (on- and off-balance-sheet) in the trading book of the Bank, the following measures are used:

1. the value at risk (VaR) model determined for the 99% confidence level based on daily volatility of foreign exchange rates for 250 business days preceding the date of analysis,
2. a system of limits,
3. stress testing.

The value of foreign exchange VaR in the trading book of the Bank and of the Group and the impact of the stress test scenario – a 30% decline in the exchange rates of all currencies in relation to PLN – on the Group's profit or loss in semi-annual periods are presented below (maximum, minimum, mean and as at the reporting date).

Date	10-day VaR						Stress tests of the Group – increase/decrease of foreign exchange rates by 30%
	Bank				DM	Group	
	mean	max	min	as at	as at	as at	as at
Jan 1 2022 Jun 30 2022	296	1,357	12	1,357	3,510	2,764	-296
Jan 1 2021 Jun 30 2021	279	1,700	16	193	2,132	2,101	-4,187

In order to verify the value-at-risk model, the Group performs a back-testing analysis on a monthly basis, calculated by comparing the maximum losses from the VaR model with actual gains and losses and theoretical changes in profit or loss resulting from revaluation of positions. Results of monthly back-testing are presented in management reports.

The system of foreign exchange risk limits in the trading book includes:

1. the 10-day VaR limit,
2. limits on the amount per total position and per individual position for the main currencies, both intra-day and end-of-day,
3. daily and monthly trailing loss limits for currency exchange transactions.

Utilisation of the limits is monitored every business day, and for total position and individual limits in the Bank's main currencies – also during the day. During the day, the Bank also monitors additional limits for client transactions, within the amount limits for foreign exchange positions. Information on the utilization of limits is regularly reported to the management of the Bank.

Analyses show that the BOŚ Group's foreign exchange risk during the audited period remained at the moderate level.

Once a month, the Bank conducts stress testing analysis, examining the development of the currency risk in the banking book and the trading book in case of materialisation of extreme changes in risk factors. The Bank tests mainly the impact of extremely unfavourable movements in the exchange rates against PLN and cross currency pairs EUR/USD and EUR/CHF on gain (loss) on foreign exchange transactions and changes in volatility of exchange rates during the 250-business-day period and correlation between the volatility and the level of VaR, using both the historical and parametric methods. The historical method took into account the volatility of foreign exchange rates caused by the COVID-19 pandemic.

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

1. historical:
   - historical increase/decrease in foreign exchange rates against PLN (including fat tails),
   - Increase/decrease in cross currency EUR/CHF and EUR/USD rates,
2. parametric:
   - a 30% increase/decrease in foreign exchange rates against PLN,
   - increase in volatility of foreign exchange rates,
   - extremely adverse changes in the correlation of foreign exchange rates.

Stress test scenarios are also run for market liquidity changes and for situations where positions cannot be closed.

Results of the stress test analysis show that under extremely unfavourable market conditions and increased exposures, the Bank's foreign exchange risk remains at a safe level.

Results of the analysis of currency risk in the trading book are communicated to members of the Management Board and the ALCO Committee as part of daily reports. They are also reported weekly to the Liquidity and Market Risk ALCO Committee, monthly to the Management Board and the ALCO Committee, and quarterly to the Supervisory Board and the Risk Committee.

The volatility of exchange rates caused by the COVID-19 pandemic did not significantly increase the level of currency risk. The measures of currency risk were monitored on an ongoing basis, and although their levels generally increased they remained within the limits applied by the Bank.

2.4. Other market risks

Other market risks are general and specific risk of equity instruments, commodities risk and position risk (related to collective investment undertakings). These risks arise from the effect of movements in prices of equity and commodities and investment certificates on the risk of impairment of assets, increase in liabilities or change in profit or loss.

These risks are mainly attributable to DM BOŚ S.A.'s trading book.

Transactions in equity instruments executed for own account by DM BOŚ S.A. relate to DM BOŚ S.A.'s activities as market maker and in most cases are closed at the end of the day. Significant exposure to equity instruments exists only in the case of hedged (arbitrage) transactions opened by DM BOŚ S.A., including as part of short selling. Hedged (arbitrage) transactions involve taking advantage of temporary price imbalances between two markets (e.g. between the prices of derivative financial instruments and the prices of the underlying instruments). This risk is limited by total exposure limits for hedged (arbitrage) and unhedged transactions. These limits are monitored on a daily basis. DM BOŚ S.A. also executed transactions (as a market maker) in four investment certificates (BETA ETF WIG20TR Portfelowy FIZ, BETA ETF WIG20Short Portfelowy FIZ, BETA ETF WIG20Lev Portfelowy FIZ and BETA ETF mWIG40 Portfelowy FIZ). As a result, DM BOŚ S.A. recorded the risk of positions in collective investment undertakings, and the risk of profit or loss resulting from holding those positions was mitigated by taking opposite positions on WIG20 and mWIG40 futures contracts.

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

The COVID-induced volatility of equity and commodity prices and investment certificates had no material adverse effect on the level of other market risks. The measures of these risks were monitored on an ongoing basis, and although their levels generally increased they remained within the limits applied by DM BOŚ S.A.

3. Operational risk and compliance risk

3.1. Operational risk

Operational risk is defined in the Bank as a risk related to the loss resulting from inadequate or failed internal processes, people and systems, or from external events, including also legal risk, taking into account operational risk events characterized by low frequency but huge losses. Reputational and strategic risks are not part of operational risk.

The ongoing and systemic management of operational risk was made using a system built on qualitative and quantitative methods, focused mainly on prevention and reducing the Bank's exposure to the subject risk. In particular, it was reduced by:

- organizing processes in a manner reducing the number of operational risk events,
- monitoring the operational risk level items, in particular, the use of operational risk tolerance limits and operational risk appetite,
- periodic reviews of operational risk based on self-assessment process,
- gathering information in the operational risk events database used for monitoring operational risk as well as measuring and estimating losses arising from such events,
- monitoring the operational risk level based on the key risk indicator (KRI) methodology,
- periodic stress tests for potential operational risk events losses,
- monitoring the risk of cooperation with third parties, in particular regarding outsourcing,
- ongoing, efficient problems resolving arising from operational risk events so that they do not have a significant effect on the Bank's operations,
- regular reporting on operational risk, covering in particular the level and profile of operational risk, the level of utilization of operational risk limits and the amount of losses from operational risk events at the Bank and the Subsidiaries deemed material from the point of view of operational risk.

Information on operational risk is part of periodic management information addressed to Operational Risk Committee, Bank's Management Board, Supervisory Board and Risk Committee (in cooperation with the Supervisory Board).

Considering the Bank's profile and the level of development of the operational risk management system, the Bank calculates the capital requirements arising from operational risk using the standard method.

In the six months ended June 30th 2022, a number of tasks were completed as part of the risk management system organisation efforts, including: (1) review and approval of the operational risk appetite and tolerance limits for 2022, (2) periodic monitoring of utilisation of the limits adopted, (3) development of the Operational Risk Map for 2022 on the basis of self-assessment of organisational units of the Bank's Head Office, (4) assessment of significance of subsidiaries of the BOŚ Group in terms of operational risk generated, (5) review of the Key Operational Risk Indicators (KRI).

The Bank also focused its activities on raising the employees' awareness of operational risk. To that end, a new information campaign on operational risk events was launched, and a webinar was held to address operational risk issues.

The Bank continues to include every new employee in the obligatory e-learning programme on operational risk management at BOŚ S.A. In the six months ended June 30th 2022, another edition of the training programme was held covering all of the Bank's employees.

In the six months ended June 30th 2022, in terms of operational risk, there were no non-recurring events generating extraordinary and unanticipated losses that would materially affect the safety of the Bank's and the Group's operations. No significant COVID-19-induced operational risks were identified. Operational risk events were investigated and measures aimed to reduce potential losses were implemented. The most significant operational risk factor affecting the level of this risk in the six months ended June 30th 2022 were court cases filed by the Bank's clients and related to mortgage loans denominated in and indexed to foreign currencies. In order to mitigate the risk involved, the Bank has in place the Compromise and Settlement Programme, to reach settlements with clients who have taken out mortgage loans denominated in and indexed to foreign currencies.

3.2. Compliance risk

Compliance risk is defined as a risk of effects of failure to comply with laws, internal regulations and market standards.

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

The basic rules for ensuring compliance as part of the compliance risk management function and process are defined in the Compliance Policy of Bank Ochrony Środowiska S.A., prepared by the Management Board and approved by the Supervisory Board, and its implementing acts, including:

- Principles of compliance risk management at Bank Ochrony Środowiska S.A.,
- Principles of internal control at Bank Ochrony Środowiska S.A.

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

The compliance risk management process, carried out by the compliance function assisted by other organizational units of the first and second line of defence, includes:

- identification of compliance risks, particularly at the stage of developing new products and internal regulations,
- assessment of compliance risk,
- control and monitoring of compliance risk,
- reporting risk of non-compliance of the Bank's operations with applicable laws, internal regulations and market standards.

The compliance unit also manages anonymous reporting of violations of law and ethical procedures and standards followed by Bank Ochrony Środowiska S.A.

The Bank identifies the following key compliance areas:

- implementing and monitoring compliance with laws and market standards,
- implementing and monitoring compliance with ethical standards,
- accepting/giving benefits or gifts,
- advertising and marketing activities,
- offering products, including in particular implementation of new products,
- handling client complaints,
- preventing and managing conflicts of interest,
- preventing money laundering and terrorist financing (AML),
- trading in financial instruments.

In the six months ended June 30th 2022, there were no events which would have a material impact on the level of compliance risk, and the Bank focused its efforts on preventing the occurrence of compliance risk, with due regard to preventing money laundering and terrorist financing.

IV. ADDITIONAL INFORMATION

1. Assessment of financial resources management

Financial resources management is the key element of the Bank's operating activities. It includes shaping balances and structure of the balance sheet items, i.e. assets, liabilities, as well as off-balance sheet items so as to allow achieving a stable income stream whilst maintaining required level of business security. The policy of assets and liabilities management in the Bank is being developed by the ALCO and Bank's Management Board.

The core ability of the BOŚ S.A. to repay liabilities is measured by its liquidity and capital adequacy ratio. The Bank made decisions in advance aimed at acquiring long-term finance and increasing stability of its deposit base that ensured the required balance sheet structure and facilitated performing the budget.

With the current maturity structure of assets and liabilities, the Bank is able to finance its liabilities and further growth. In the period under analysis, the growth was carried out, while a safe solvency ratio was maintained.

The quality of balance management, which is strictly linked with realization of liabilities of the Bank is also influenced by the manner of managing the interest rate risk and the currency risk. The manner of managing currency and interest rate risk and monitoring them show the Bank's ability to repay the Bank's liabilities at the appropriate level.

2. Dependence on partners

During the period under analysis, the Group's entities did not have clients whose share in the sales revenue reached 10% or more.

3. Related party transactions

Related party transactions are described in Note 16 to the interim condensed financial statements of BOŚ S.A. for the six months ended June 30th 2022.

The Bank and its subsidiaries did enter into any related party transactions on non-arms' length terms.

4. Seasonal or cyclical nature of the business

The business operations of BOŚ S.A. do not involve significant events that would be subject to seasonal or cyclical variations.

5. The Bank's agreements

5.1. Significant agreements

In the six months ended June 30th 2022, the Bank did not enter into any significant agreement.

5.2. Agreements with the Central Bank and regulatory bodies

In the six months ended June 30th 2022, the Bank did not enter into any agreements with the National Bank of Poland.

On November 18th 2021, the Bank concluded an Agreement with the NBP regarding the terms and conditions of opening and maintaining a euro account in the TARGET2-NBP system.

5.3. Contracts for audit of financial statements

Contract with the independent auditor

On June 15th 2022, a contract was signed with Mazars Audyt Sp. z o.o. to review and audit the financial statements for 2022 and 2023.

The previous contract was executed on July 12th 2019 with Mazars Audyt Sp. z o.o. The scope of the contract was the review and audit of the financial statements of the Bank and the BOŚ Group for the years 2019–2021.

On April 19th 2021, the contract was amended to include assurance services. As part of the assurance engagement, the auditor is to express an opinion on the compliance of the consolidated financial statements with the requirements of the Regulation on the regulatory technical standards of the specifications of the single electronic reporting format (ESEF).

Information of the Bank's Management Board on appointment of the audit firm

Pursuant to Par. 70.1.7 and Par. 71.1.7 of the Minister of Finance's Regulation on current and periodic information (...) of March 29th 2018, based on a representation of the Supervisory Board of Bank Ochrony Środowiska S.A. on the selection and appointment of the audit firm to audit the full-year separate financial statements and the consolidated financial statements in accordance with the applicable laws, the Management Board of the Bank reports that Mazars Audyt Sp. z o.o., which audited the full-year separate financial statements and the consolidated financial statements, was selected in accordance with the applicable laws, including the rules governing selection and appointment of the audit firm, and that:

- the audit firm and the auditors who performed the audit met the conditions required to issue an unbiased and independent audit report on the full-year separate financial statements and the consolidated financial statements, in accordance with the applicable laws and regulations, professional standards, and principles of professional ethics;
- the laws governing rotation of audit firms and lead auditors and mandatory cooling-off periods are observed;
- the Bank has in place a policy governing the selection and appointment of an audit firm and a policy governing the provision of non-audit services, including permissible non-audit services, by an audit firm, its affiliates and members of its network.

6. Non-recurring factors and events

In the six months ended June 30th 2022, the interest rate hikes by the Monetary Policy Council had a material effect on the Bank, improving its net interest income, while also leading to a downward revaluation of securities measured at fair value through other comprehensive income, gross.

In the six months ended June 30th 2022, there were no other events at the Bank that would be material for the assessment of its human resources, assets, financial position, financial result and any changes thereto, as well as for the assessment of the Bank's ability to fulfil its obligations.

7. Court proceedings and legal risks

Lawsuits – total

As at June 30th 2022, Bank Ochrony Środowiska S.A. was:

- a claimant in 1,096 lawsuits for a total amount of PLN 94.0 million;
- a respondent in 888 lawsuits for a total amount of PLN 278.5 million.

As at June 30th 2022, the Bank was not involved in any material proceedings pending before any court, arbitration body or public administration authority where the amount of the Bank's liabilities or claims would represent at least 10% of the Bank's equity.

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

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

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

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

As at June 30th 2022, five court proceedings were pending against the Bank for reimbursement of consumer credit costs on account of early repayment.

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

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. Some of the courts hearing cases involving foreign exchange-linked mortgages have made further requests to the CJEU for preliminary rulings. The view expressed by the CJEU, particularly as regards restitution claims of banks, will affect further case law 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 in similar cases 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 in response to questions posed by the Financial Ombudsman, and reiterated the position that if a credit agreement is found invalid, each party is entitled to a separate claim for reimbursement of the performance obligation rendered and indicated that the agreement may be deemed definitively ineffective only if the consumer is duly informed of the effects of the agreement's invalidity and does not agree to be bound by the provision deemed abusive. The Supreme Court has yet to resolve on the legal question submitted by the First President of the Supreme Court concerning, among other things, the possibility of replacing an exchange rate from the exchange rate tables of banks with a different rate.

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

Having obtained approval of the Extraordinary General Meeting (Resolution No. 4/2021 of December 8th 2021), on January 31st 2022 the Bank started to roll out the BOŚ S.A. Compromise and Settlement Programme based on the framework communicated by the Chairman of the PFSA. Until June 30th 2022, 126 settlements were concluded under the Programme and 598 were under way.

The total amount of the provision for foreign currency mortgage loans was PLN 481.4 million as at June 30th 2022, of which PLN 413.2 million was presented as a provision for judicial proceedings and legal risk related to foreign currency mortgage loans, and PLN 68.3 million was presented as additional allowances for expected credit losses.

As at June 30th 2022, there were 817 court cases pending against the Bank, concerning loans tied to foreign currencies, mainly CHF, with the total value of claims of PLN 265.3 million. The claims raised in the lawsuits generally involve declaring the credit/loan agreement invalid and awarding repayment of loan instalments paid or, alternatively, declaring the denomination clauses abusive and awarding payment.

Changes in the legal environment of the PLN loan portfolio, including loan payment holidays

The Bank has introduced a number of special solutions and products for borrowers put under financial strain by the COVID-19 pandemic and is engaging in projects and initiatives designed to support both businesses and individuals.

The currently available facilities for borrowers include:

1. **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)**

The performance of a loan agreement may be suspended by natural persons being consumers – within the meaning of Art. 221 of the Civil Code of April 23rd 1964 – who entered into a loan agreement with the Bank before March 13th 2020 and the loan maturity date specified therein falls six months after that date, if they lost their job or other main source of income after March 13th 2020 (where only one of the co-borrowers lost their job or other main source of income, they are still eligible for loan payment suspension).

An application for loan payment holidays may be submitted by clients with respect to agreements falling into one of the following three 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),
- mortgage loan agreements (for purchases of real property or for other purposes) within the meaning of the Act on Mortgage Loans and Supervision of Mortgage Intermediaries and Agents of March 23rd 2017,
- 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.

2. **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.

3. **Loan payment holidays under the Business Crowdfunding and Support for Borrowers Act of July 7th 2022**

On June 9th 2022, the Polish Parliament passed the Business Crowdfunding and Support for Borrowers Act, providing, inter alia, for loan payment holidays available to consumers.

The Act provides for the possibility of suspending repayments of mortgage loans granted to consumers in the Polish currency to finance purchases of real property or for other purposes, to the exclusion of loans indexed to or denominated in a currency other than the Polish currency (in this respect an amendment was made to the original draft, which did not expressly state that it did not apply to loans indexed to or denominated in a currency other than the Polish currency).

Consumers have the right to have their loan repayments suspended for the following periods:
- 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.

For consumers being party to more than one loan agreement with a given lender, it was determined that an application for loan payment holidays may only be made with respect to one of those agreements concluded to meet the consumer's own housing needs (and not as originally proposed, to purchase real property intended to meet the consumer's own housing needs). This means that statutory support will also be extended to loans granted to maintain title to residential property or to finance the construction or alteration of a residential building or dwelling.

A 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, a consumer is not obliged to make any payments under the loan agreement except for any related insurance payments. No interest or fees other than those indicated in the confirmation will be charged during the suspension period, either.

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 payment suspension period.

Loan payment 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 1st 2023 (in accordance with the draft law: "six months after July 1st 2022").

Eligible to claim loan payment holidays are all holders of mortgage loans, regardless of their incomes, and an application for suspension of repayments may be made by a single borrower. Despite having to do so at short notice, on July 29th 2022 Bank Ochrony Środowiska S.A. launched all the possible channels for submitting client applications. The amendments were implemented in a timely manner, and since that date the Bank has accepted client applications through its online banking platform, website and branch network.

The Bank intends to modify the solution so as to enable clients to submit applications covering the entire availability period of the loan payment holidays. This modification is in line with expectations of the Polish Office of Competition and Consumer Protection. The Bank's previous interpretation of the statutory provisions allowed the management of client instructions on a quarterly basis, which seemed a more optimal approach from the operational perspective, including the management of changes in client instructions (withdrawal of payment suspension).

A new IT solution to the central system (supporting the repayment suspension mechanism) proved to pose a major challenge. A sub-standard measure was to shorten the solution testing time, which poses a risk of errors that may be revealed during the loan payment holidays. The Bank is working to improve the new solutions with a view to providing the best possible client service despite the unrealistic *vacatio legis* of two weeks. Client feedback regarding the operation of the solution is being monitored on an ongoing basis.

8. Changes in significant management policies

In the six months ended June 30th 2022, there were no changes in significant management policies at the Bank.

9. Information about dividend

No dividend was paid or declared in the six months ended June 30th 2022.

On June 30th 2022, the Annual General Meeting of Bank Ochrony Środowiska S.A. passed a resolution to allocate the Bank's entire net profit for the period January 1st–December 31st 2021 of PLN 48,714 thousand to statutory reserve funds.

10. Value of collateral

As at the end of June 2022, the value of significant collateral other than blank promissory notes and assignment of an insurance policy for movable or non-movable property amounted to PLN 28,155.0 million. Real estate mortgages remain the most important type of collateral (PLN 11,853.6 million, or 42.1%). The amount of pledges was PLN 9,263.0 million, or 32.9% of the total value of collateral. The amount of guarantees and sureties was PLN 5,038.4 million, or 17.9% of the total value of collateral. The amount of assignments of receivables by counterparties based in an OECD-member country was PLN 1,338.8 million, or 4.8% of the total value of collateral. The amount of insurance contracts with KUKE was PLN 324.7 million, or 1.2% of the total value of collateral. Other types of collateral did not exceed 1.0% of the total value of collateral.

11. Shareholding structure and rights attached to shares

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

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.

11.2. Treasury shares

As at December 31st 2021, the Bank held 37,775 treasury shares, representing 0.04% of the share capital and 0.04% of total voting in the Bank.

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

11.3. Agreements concerning future changes in the shareholding structure

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

11.4. Holders of special control rights attached to securities

All shares of the Bank are equal and each share entitles to one vote at the General Shareholders Meeting and the same dividend rights.

11.5. Limitations to exercising of voting rights and to transfer of ownership of shares

In accordance with the Bank's Articles of Association, in the event of pledging or granting the right to use a registered share, the pledgee and the pledger are not entitled to exercise the voting rights. At present, there are no registered shares in the Bank's share capital.

11.6. Rules of amending the Articles of Association of the Bank

Amendments to the Articles of Association of the Bank are made by the General Meeting of the Bank. A resolution on amendment of the Articles of Association is passed by three fourths of all votes.

12. Governing bodies

12.1. Supervisory Board of the Bank

As at December 31st 2021, the composition of the Supervisory Board was as follows:

- Emil Ślązak, Chair of the Supervisory Board
- Ireneusz Purgacz, Deputy Chair of the Supervisory Board
- Mr Paweł Sałek, Secretary of the Supervisory Board
- Leszek Banaszak
- Robert Czarnecki
- Zbigniew Dynak
- Janina Goss
- Marcin Jastrzębski
- Andrzej Matysiak
- Piotr Wróbel.

The term of office of the Supervisory Board expired on June 30th 2022, the date of the Annual General Meeting of BOŚ S.A. The Annual General Meeting appointed the Supervisory Board of the new 12th term of office. At its meeting held on June 30th 2022, the Supervisory Board elected from among its members the Chair, Deputy Chair and Secretary of the Supervisory Board.

Following the changes, the composition of the Supervisory Board is as follows:

- Emil Ślązak – Chair
- Iwona Maria Marciniak – Deputy Chair
- Andrzej Matysiak – Secretary
- Piotr Bielarczyk
- Janina Goss
- Piotr Sadownik

- Paweł Sałek
- Aleksandra Świderska
- Tadeusz Wyrzykowski.

Independent members
Based on representations made by members of the Supervisory Board, including forms submitted by them as part of initial or subsequent suitability assessments, the independence criteria are met by five members of the Supervisory Board:

- Emil Ślązak
- Janina Goss
- Piotr Sadownik
- Paweł Sałek
- Aleksandra Świderska

12.2. Management Board of the Bank

In the six months ended June 30th 2022, the following changes took place in the composition of the Management Board of the Bank:

- Ms Marzena Koczut resigned as Vice President of the Management Board, effective May 23rd 2022.

Therefore, as at June 30th 2022, the Management Board was composed of:

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

The rules of operation, powers and tasks of the Management Board are laid down in §§ 21 - 23 of the Articles of Association and in the Rules of Procedure of the Management Board (the documents are available on the Bank's website www.bosbank.pl in the "Investor Relations" section).

13. Control systems deployed in financial reporting

Internal control system
BOŚ S.A. has implemented a suitable and effective internal control system forming a part of the Bank's overall management system endorsed in resolutions of the Bank's Supervisory Board. The internal control system supports the Bank's Supervisory Board, Internal Audit Committee, Management Board and employees in the proper, efficient and effective performance of their duties.

It combines closely interrelated multifaceted management processes covering all areas of the Bank's operations and is intrinsically and comprehensively integrated with the overall Bank's management system.

The Bank's internal control system is tailored to the organisational structure of BOŚ S.A. and encompasses the Bank's organisational units and subsidiaries. The Bank's risk management and internal control systems are organised on three independent levels:

- Level 1 comprises operational risk management;
- Level 2 comprises at least:
  - risk management by employees or functions specifically appointed/established for that purpose, independent of operational risk management,
  - activities of the compliance function;
- Level 3 comprises the activities of internal audit function.

The Bank's three-level internal control structure includes:

- The control function, operating at all three levels, particularly at Level 1, i.e. as part of the Bank's operations. The control function is designed to ensure compliance with controls and covers positions, groups of people, or organisational units in charge of the tasks assigned to the function;
- Level 2 compliance function, complementing risk management by employees or functions specifically appointed/established for that purpose. The compliance function is responsible for identification, assessment, control and monitoring of the Bank’s risk of non-compliance with law, internal regulations and market standards, and related reporting;
- Level 3 internal audit function. The role of the internal audit function is to independently and impartially examine and evaluate the adequacy and effectiveness of the risk management system and the internal control system, excluding the internal audit function.

The effectiveness of the internal control system depends on the effectiveness of each level.

The Bank deploys various controls to reduce the likelihood of risk materialisation, detect and remedy incidents that have occurred, and eliminate their consequences.

Independence of the internal audit function and compliance function are ensured by specially designed measures which are described in the Resolution of the Management Board and Supervisory Board on "Internal Control System at BOŚ S.A.".

The Bank has a compliance function managing the compliance risk through: designing a compliance risk management policy and rules, organising a compliance risk management system, identifying, assessing, controlling, monitoring and reporting compliance risk, cooperating with other Group entities in the area of compliance risk management. The function reports directly to the President of the Bank's Management Board.

The Bank has an internal audit function which evaluates processes implementation and contributes to process streamlining, including in particular business, risk management and management processes as well as controls involved in these processes. The function conducts, among other things, a periodic review of the Bank’s internal controls and related internal control procedures. The role of the internal audit function is to independently and impartially examine and evaluate the adequacy and effectiveness of the risk management system and internal control system (excluding the internal audit function) of the Bank and its subsidiaries. The findings of the reviews and audits carried out by the internal audit function are presented to the Bank's Management Board, the Internal Audit Committee and the Supervisory Board as part of the annual report on the effectiveness of the internal control system.

The internal audit function, reporting directly to the President of the Bank's Management Board, is an integral and independent element of the Bank's internal control system. The internal audit function is supervised by the Internal Audit Committee. The role of the internal audit function is to independently and impartially examine and evaluate the correctness, adequacy and effectiveness of the risk management system and the internal control system related to the operations of the Bank and its subsidiaries.

The internal audit function performs its tasks in accordance with applicable laws and the Bank's internal regulations, following best practices included in the International Standards for the Professional Practice of Internal Auditing recommended by the Institute of Internal Auditors and the Code of Ethics of the Institute of Internal Auditors (IIA).

Controls applied in financial reporting

The Bank applies various controls in order to ensure reliability and accuracy of financial reporting (i.e. the process of preparing financial statements). They are incorporated in the functionality of reporting systems and internal regulations, and include, among other things: ongoing validation and reconciliation of the reporting data with the accounting books as well as underlying analytical and other documents serving as a basis for the preparation of financial statements, and with generally applicable accounting and financial reporting laws and regulations.

The process of preparing financial statements is subject to a review, in particular for correctness of reconciliations and substantive analysis and for reliability of information. Annual financial statements are reviewed by the Internal Audit Committee, approved by the Supervisory Board and accepted for publication by the Management Board of BOŚ S.A.

In addition, the Supervisory Board performs an annual review of the full-year consolidated financial statements of the BOŚ Group, full-year financial statements of the Bank and of the Directors' Report on the operations of the BOŚ Group prepared together with the Directors' Report on the operations of BOŚ S.A., for their conformity with the books, documents and facts, in accordance with Art. 382.3 of the Commercial Companies Code.

The role of the Internal Audit Committee (IAC) is to support the Supervisory Board through exercising direct supervision over the Bank's management system, in particular, the internal control system and the financial reporting and audit processes.

The IAC's duties include, in particular, the monitoring of:

- financial reporting process,
- effectiveness of internal control and risk management systems, and of internal audit, including with respect to financial reporting,
- financial audits activities, in particular audits conducted by audit firms, taking into consideration all recommendations and findings of the Audit Oversight Commission, related to the audit carried out at the audit firm.

14. Conflicts of interest at BOŚ S.A.

The Bank applies conflicts of interest management procedures, including the rules for preventing conflicts of interest. The Rules of Procedure of the Management Board and the Supervisory Board define the procedures for excluding members of these bodies from participating in discussions or decisions on matters involving a conflict of interest. Where a conflict of interest exists or may arise, the persons concerned are obliged to disclose this fact.

Moreover, the Bank applies internal regulations on acceptance of benefits or gifts that could influence the impartiality and neutrality of decisions concerning clients or entities cooperating with the Bank.

15. Remuneration policy at BOŚ S.A.

15.1. Management Remuneration Policy

In order to meet the requirements set out in the Regulation of the Minister Finance, Development Funds and Regional Policy of June 8th 2021 on banks' risk management and internal control systems, and on remuneration policy, and in accordance with Directive 2013/36/EU of the European Parliament and of the Council of June 26th 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, the Bank has implemented a Remuneration Policy, approved by the Supervisory Board of BOŚ S.A..

The Remuneration and Appointments Committee of the Supervisory Board gives its opinion on the Remuneration Policy, gives its opinion an and drafts rules of compensation of members of the Management Board, gives its opinion on the amount of variable remuneration for managers, gives its opinion on and monitors the amount of variable remuneration for managers at the Bank responsible for second-level risk management, management of the compliance function and management of the internal audit function.

The maximum amount of variable remuneration for each managing person may not exceed 100% of the person's fixed remuneration. The General Meeting of Bank Ochrony Środowiska S.A. may give its consent to increasing the maximum level of variable remuneration up to 200% of the fixed remuneration, in accordance with the procedure provided for in Par. 25.3.4.b) and Par. 25.3.4.c) of the Regulation of the Minister of Finance, Development Funds and Regional Policy. The increase in the maximum amount of variable remuneration referred to in the preceding sentence does not apply to members of the Management Board.

During the reporting period:

- upon the lapse of the retention period, the phantom shares awarded to members of the Management Board as the first portion of deferred variable remuneration for 2019 and the second portion of deferred variable remuneration for 2018 in the total gross amount of PLN 90.0 thousand (11,814 phantom shares at the value per phantom share equalling the arithmetic mean of the closing prices at the first five sessions following the lapse of the retention period, i.e. PLN 7.6200) were converted into cash and paid out;
- variable remuneration for 2021 for managing persons holding positions with a material impact on the Bank's risk profile (excluding members of the Management Board) was determined and paid out. The total gross amount of variable remuneration payable to the Bank's managing personnel for 2021 was PLN 1,620,070, plus social security contributions and similar charges. Given its amount, the variable remuneration for 2021 was fully payable in cash without the need for its partial settlement in Bank shares and deferral.

Variable remuneration payable to members of the Management Board for 2021 has not yet been determined and awarded.

15.2. Management Stock Option Plan and Employee Share Plan

There was no Employee Share Plan in place at the Bank in 2021 and in the six months ended June 30th 2022.

15.3. Bank's shares held by members of the Management Board and the Supervisory Board

The Bank reported that as at June 30th 2022 none of the members of the Bank's Management Board and none of the members of the Bank's Supervisory Board held:
- any Bank shares or rights thereto;
- any shares in the Bank's affiliates.

15.4. Training and development

Professional development is focused on building business competencies in support of the Bank's transformation and delivery of the strategic objectives set out in the 2021–2023 Framework Strategy of BOŚ S.A.

The overriding goals of the training and development activities undertaken at the Bank are to:
- enhance the knowledge and skills necessary to achieve the objectives defined in the Bank's Strategy and the business plans of individual business areas;
- support the efforts aimed at cultural transformation and implementation of an organisational culture based on the values upheld by the Bank;
- develop managerial skills and knowledge necessary for modern and effective management.

The total of 4,913 persons participated in on-site and online trainings, of whom 2,159 attended external trainings and 2,754 internal ones.

Development of leadership
The BOŚ Strategy comprises a range of challenges that call for informed and strong leadership. Therefore, since 2021, the Bank has run the Management Academy – a development programme for senior and middle level managers. It helps develop the leadership competencies necessary to build committed and effective teams, teaches strategic thinking and management, methods of motivating and enhancing employee engagement, as well as the formation and reinforcement of attitudes consistent with the Bank's values.

Culture of dialogue and feedback
The Bank has implemented a new performance evaluation system (#SOOP) which – while serving an evaluative role – is also a development support tool. Its purpose is to evaluate the performance and attitude of employees. The process relies on regular feedback between employees and managers achieved through constant monitoring of employees' performance against targets and their demonstrated attitude. The process is based on a partnership in which both the manager and the employee are responsible for the quality of achievement and attitude. In the #SOOP process, we focus on professional development. Working with their line manager, every employee defines their own Individual Development Plan designed to support their daily work. While the new SOOP # was being implemented, internal training sessions were held for managers and employees, teaching the new process and highlighting the value of performance monitoring and regular feedback.

Knowledge sharing and upskilling
Our 'Reach for Development' HR Academy series is a soft skills cafeteria learning programme led by in-house experts. The initiative provides a range of opportunities to expand knowledge and competencies and to share knowledge with colleagues. It aims to promote a lifelong learning and upskilling mindset at the Bank. We want employees to have access to development content in many forms tailored to their needs and capabilities. This is our way of building a learning-centred organisation where the value of 'professionalism' translates into real action.

Commitment to employee well-being
With our employees in mind we have developed the 'Out For Well-Being' programme, including a wide range of activities to help our employees find themselves in the challenging and fast changing reality. A number of webinars were held under the programme, including 'Stay Strong. How to strengthen mental resilience', as well as webinars devoted to the current situation in Ukraine: 'Leadership in troubled times', 'Preserving balance – practical ways of dealing with stress under threat', and 'How to talk with children about war'.

Training activities:
Trainings were provided in the following areas:

- sales network:
  banking systems, applications, products and processes; selling standards; client service quality; bank's security policies; online banking; domestic/foreign currency cashier training; amended RES act; RES support systems; waste management market development; environmental projects; basic knowledge of how solar PV systems are made, Clean Air Programme – receiving and handling applications for subsidies from the National Fund for Environmental Protection and Water Management, etc.;
- risks:
  key changes with respect to risk management and capital adequacy, and the potential impact on the banking sector of CRR3, CRDVI, MREL and IFRS 9 (impairment), New Recommendation R and new definition of default, traditional and synthetic securitisation, MREL requirement – substance, level and implications for the banking sector, etc.,
- security:
  GDPR basics, standard documentation with respect to personal data protection under GDPR,
  implementation of cloud solutions at banks, risk management in information security systems in accordance with ISO/IEC 27005:2018, etc.
- IT:
  syntax of the Structured Query Language (SQL) in Oracle, Cloud Architecture, Cloud Native, Data&AI&ML, Security&Compliance, Adoption&Change Management, Business Solutions, IT implementation agreements – legal and practical aspects, etc.
- development of managerial skills, development training for employees.

E-learning

The e-learning library was accessed by 1,075 users; yet, as some of them attended more than training course, the total number of visitors to the library was 3,807.

The same model was used to conduct product and environmental knowledge surveys and competence surveys, and to provide training in personal development and soft skills (covering such topics as well-being, the Polish Deal, risk culture and talking with children about war).

All training courses provided by the bank are continuously evaluated for efficiency, participant satisfaction and the level of knowledge gained by participants, and constantly improved.

16. BOŚ Foundation's social activities

Over the past 13 years, the Foundation has been involved in projects of importance to Bank Ochrony Środowiska and aimed at educating the public on environmental protection and promoting healthy behaviours and lifestyles, good eating habits and physical activity, especially among children and young people.

In the six months ended June 30th 2022, the Foundation continued its long-term projects and commenced new ones.

'Bet on the Sun' project – 8th edition
The project, run by the Foundation since September 2014, promotes renewable energy sources, in particular solar photovoltaics. It includes two competitions for elementary and high school students: a research and film competition. In the research competition, young people gain knowledge in the field of renewable energy micro-systems, prepare designs of solar PV installations for single-family houses and school buildings, and then share their knowledge with the local community. In the film competition, students' task is to create a film showing renewable energy sources, local renewable energy installations, or explaining how selected renewable technologies work.

Entries to the 8th edition of the project were submitted by 215 student teams (1,085 participants). They created 308 micro-system designs. The film competition produced 28 films promoting renewable energy sources.

'Green Bench' project – 8th edition
'Green Bench' is a nationwide social outreach grant project addressed to residents of open housing estates managed by housing cooperatives, housing communities or local governments in cities with populations of over 10 thousand. It supports the transformation of neglected areas in the housing estates into mini-gardens with a bench. It results in the revitalisation of areas around blocks of flats, creating space for rest and socialising, and shows residents the importance of joint action and the effects it can produce. Expert partners of the project are the Department of Landscape Architecture and the Department of Landscape Art at Warsaw University of Life Sciences.

In the 8th edition of the project, launched in April 2022, teams may receive co-financing of up to PLN 2 thousand if their concepts have micro-water retention features or PLN 1.5 thousand without such features. A park bench will also be provided with each grant. Entries to the project were made by 83 neighbourhood teams. At present, their submissions are being evaluated.

'It's Dirty Here' ('Brudno Tu' application)
The objective of the project is to assist local governments in the fight against illegal dumping of rubbish. Anyone who downloads the free 'Brudno Tu' app available on Google Play and the App Store to their smartphone can send a report if they spot a site where rubbish has been illegally dumped in forests, parks and other places anywhere in Poland. After a report with a photo and a brief description is entered in the app, the system automatically locates the site and sends information to the relevant local government and the entity that is responsible for waste disposal on its behalf, in accordance with applicable regulations.

'Traditional Orchard' project - 5th edition
The objective of the 'Traditional Orchard' project is to restore and promote native varieties of fruit crops that have been replaced by new generation varieties. The project supports maintenance of traditional old fruit trees and draws attention of the participants and consumers to the need to increase biodiversity, which serves to protect natural ecosystems. The task of the participants in this grant competition is to create a mini-orchard consisting of at least five trees in a publicly accessible area, e.g. next to a school or presbytery, or on a plot of land owned by the

municipality.

At the beginning of 2022, the 5th edition of the 'Traditional Orchard' project was launched, focused on old cherry strains. Honorary patronage for the project was provided by: The Minister of Education and Science, the Minister of Climate and Environment, the Minister of Agriculture and Rural Development, the Institute of Horticulture in Skierniewice, and the University Centre for Environmental Studies and Sustainable Development. 178 schools (1,310 participants) from all over the country took part in the project, and 110 received a grant from the Foundation to establish a mini-orchard. As a result, 110 mini-orchards were created and about 581 old-variety trees were planted. An additional stage was the creation of a Pomological Map of Poland, which is still under way. To identify places with historical varieties of fruit trees – apple, pear, plum, and cherry.

'World in the Eyes of the Young' project - 5th edition

'World in the Eyes of the Young' is a creative competition. In 2017–2020 it involved the design of postage stamps, each edition addressing an important social issue. In April 2022, the competition was resumed in a revamped form: its fifth edition focused on the design of ecomurals presenting biodiversity.

The competition is addressed to all kinds of schools (elementary, secondary and higher), as well as to community centres, libraries and other institutions of education or culture.

The application round was closed on June 30th 2022, having attracted 250 mural designs from 143 institutions. The competition panel composed of artists and representatives of the Foundation will select the best five projects, which will receive co-financing of up to PLN 15 thousand for creating the murals. The results will be announced on July 15th 2022, and the murals are expected to be painted by mid-October 2022.

'Fit Diet, Fit Brain' project – 12th edition

'Fit Diet, Fit Brain' is another countrywide project of the BOŚ Foundation addressed to the youngest students (reception classes and grades 1–3 of elementary schools). For 11 years, the BOŚ Foundation has been involved in the project, which from its very beginning has sought to improve the health of the younger generation. Divided into stages corresponding to the seasons, it lasts throughout the school year and has the form of a nationwide inter-school team competition. Its main goal is to promote health-oriented attitudes among children by encouraging healthy eating habits. Since the 7th edition, the project has been under the honorary patronage of Agata Kornhauser-Duda, the wife of the President of Poland.

In September 2021 its 12th edition was launched, running until June 2022. It was joined by more than 2,300 competition teams comprising over 47,000 students and teachers. Competition participants were tasked with passing on what they have learnt to their peers at school and to their parents. In this way, approximately 100,000 students and 30,000 of their parents and guardians were educated about healthy habits. 26 top teams from 26 schools across Poland, comprising almost 37 teachers and 499 students, were selected during the project.

'Cooking with a Plan' (PlanujeGotuje.pl) project

PlanujeGotuje.pl is a website and application featuring a range of recipes created during the implementation of the Foundation's projects. The website contains almost a thousand recipes for cooking enthusiasts, whatever their eating preferences or diet. The special 'FIT' section presents healthy diet plans prepared by nutritionists. A tool called Good Taste Creator allows users to plan their own diet using a calorie counter as well as dairy-free, gluten-free or vegan diets.

'Active Means Healthy' (Aktywniepozdrowie.pl) project

The www.aktywniepozdrowie.pl website is another element of the entire 'Health' programme and a compendium of knowledge concerning healthy eating habits, physical activity and environmental protection. The articles available on the website were written by scientists from leading Polish research centres and universities, making it a reliable source of knowledge about environmental protection and healthy lifestyle, frequently used by netizens. In the six months ended June 30th 2022, the website was viewed almost 15,000 times .

'CHARITY AND VOLUNTEERING' PROGRAMME AT THE BOŚ GROUP

In addition to environmental education and promotion of healthy lifestyles in 2021 the Foundation was also developing initiatives aimed to increase the social commitment of the Bank's employees. As part of the Foundation's activities, we support a charity programme, as well as initiatives undertaken under the BOŚ Group's Employee Volunteering Programme, run in partnership with Dom Maklerski BOŚ S.A.

'Micro-subsidies' project

BOŚ Group employees can apply for funds under the Micro-subsidies project to finance initiatives addressed to a specific local community and are carried out by employees in cooperation with selected non-governmental organisations or public institutions.

'Helping All Year Round' project

'Helping All Year Round' – regular charity initiatives of BOŚ Group employees and the Foundation. The project was created in response to the needs of the BOŚ Group's employees wanting to help their colleagues who are in difficult personal circumstances and to raise funds for charitable causes.

Thanks to the generosity of the Bank's and DM BOŚ's employees, scholarships for talented young people from low income families were also awarded under the project. Three students under the care of the Santa Claus Foundation, with which the BOŚ Foundation has been working for several years now, received support in the 2021/2022 school year.

Fundraising for Ukraine

For the whole of March, the Foundation was raising funds among employees of the BOŚ Group. The sum collected was in excess of PLN 50 thousand. That amount was doubled by Bank Ochrony Środowiska, while Dom Maklerski BOŚ additionally donated PLN 100 thousand. As a result, total funds transferred to the account of the Polish Red Cross amounted to PLN 211 thousand.
The donation was applied to aid war refugees from Ukraine, by providing them with food vouchers, childcare, psychological and linguistic support, creating Integration Centres, etc.

Book collection for Zaczytani.org

As a joint initiative with the Zaczytani.org Foundation, in June 2022 a collection of books, both second-hand and new ones, was run among employees of the BOŚ Group. The collection will last until the end of July 2022, and the books will be donated to the Foundation's libraries in hospitals, children's homes and other institutions across Poland.

Cooperation with the Copernicus Science Centre

At the end of 2021, the Foundation engaged in cooperation with the Copernicus Science Centre (CNK) in Warsaw – Poland's largest institution promoting science among children and teenagers. The purpose of the cooperation is to support the CNK's most extensive and oldest educational programme called The Young Explorer's Club (KMO), where children can conduct scientific experiments and discover the laws of physics and chemistry under the supervision of tutors, gaining knowledge and developing competencies of the future. Already international in scope, the programme covers a number of scientific disciplines and is intended for all educational levels. Nearly 1,000 clubs has been established as part of the programme, in Poland and abroad.

Cooperation with the Zaczytani.org Foundation

In April 2022, the Foundation engaged in cooperation with the Zaczytani.org Foundation. As a result, on May 9th 2022, a sponsored library of the Foundation was opened at the St. Brother Albert's Shelter for Homeless Men in Wrocław.

Through the Bank's partnership with the Zaczytani.org Foundation, people in the crisis of homelessness have gained free access to works of literature. Each of them will be able to pick out a book they like, without having to worry about its return. The Zaczytani.org Foundation will keep on adding new books to the library, giving them a new life.

Guitar World Record

In May 2022, the Foundation joined the Guitar World Record initiative organising a Green Guitar Zone. The event took place in Wrocław, with a simple idea of combining music with environmental protection.

SOS food banks in Warsaw
As part of its cooperation with the SOS Bank Food in Warsaw, the Foundation helped finance a food distribution centre in the capital city's district of Wola.

University of Warsaw – Science Festival
In 2021, the Foundation partnered with the University of Warsaw as a donor in the 25th anniversary edition of the Science Festival. In 2022, the cooperation will be continued. The 26th edition of the Science Festival has been scheduled for September 2022.

Social Media
Since December 2021, the Foundation has focused on expanding its reach on Facebook. It has begun to publish regular postings, mainly of the educational and informational kind. Other materials shared by the Foundation on Facebook include valuable articles on environmental protection, ecology and healthy nutrition.

Its profile on Instagram is also developed, featuring some of the content that can be found on Facebook. Ultimately, Social Media are to be the main place of promotion of the Foundation's projects, replacing more expensive forms.

Support for small water retention projects of local governments
The Foundation intends to expand its offering for Local Government Units (LGUs). To this end, in 2022 it plans to develop an experience and knowledge sharing platform for LGUs, create a good practice base and organise a series of conferences involving representatives of local governments, public institutions and water retention experts.

17. Events after the reporting date

Loan payment holidays and additional contribution to the Borrowers' Support Fund

July 29th 2022 was the date of entry into force of the Business Crowdfunding and Support for Borrowers Act of July 7th 2022, introducing, among other things:

- a possibility for borrowers to suspend repayment of mortgage loans granted in the Polish currency for up to eight months in 2022–2023 ("loan payment holidays"); and
- an obligation for the banking sector to make additional contributions to the Borrowers' Support Fund totalling PLN 1.4 billion.

The Bank estimates that if eligible borrowers take advantage of the loan payment holidays it will suffer a one-off reduction in pre-tax profit of PLN 55 million in the third quarter of 2022. This estimate has been made on the assumption that the loan payment holidays will be used by 80% of eligible borrowers. The relevant calculations have been made using an interest rate on the loans as at the date of the estimate that is based on the market interest rate growth path and the rules for recalculating base rates under the loan agreements. Given the reported increase in market interest rates, the total cost of the loan payment holidays following recalculation of base rates under the loan agreements may increase to PLN 83 million by year-end 2023.

The amount of an additional contribution to the Borrowers' Support Fund will be determined by a decision of the Borrowers' Support Fund Board. As at the date of this Report, the Bank did not receive the relevant decision of the Borrowers' Support Fund Board concerning the amount of such additional contribution, if any, attributable to the Bank.

VI. REPRESENTATION ON THE RELIABILITY OF FINANCIAL STATEMENTS

The Management Board of Bank Ochrony Środowiska S.A. represents that, to the best of its knowledge, the Interim Consolidated Financial Statements of the Bank Ochrony Środowiska Group for the six months ended June 30th 2022 and the Full-Year Financial Statements of Bank Ochrony Środowiska S.A. have been prepared in compliance with the applicable accounting policies and give a true, fair and clear view of the assets, financial condition and financial performance of the Bank Ochrony Środowiska Group and Bank Ochrony Środowiska S.A., and that the Directors' Report on the operations of the Bank Ochrony Środowiska Group in the six months ended June 30th 2022 gives a true view of the development, achievements and condition of the Group and the Bank, and includes a description of key risks and threats.

Signatures of Members of the Management Board

Date	Name and surname	Position held	Signature
August 9th 2022	Wojciech Hann	President of the Management Board	Signed with qualified e-signature
August 9th 2022	Arkadiusz Garbarczyk	Vice President of the Management Board – First Deputy of President of the Management Board	Signed with qualified e-signature
August 9th 2022	Robert Kasprzak	Vice President of the Management Board	Signed with qualified e-signature
August 9th 2022	Jerzy Zań	Vice President of the Management Board	Signed with qualified e-signature