



**CONSOLIDATED FINANCIAL  
STATEMENTS OF BANK OCHRONY  
ŚRODOWISKA S.A. GROUP FOR THE  
FIRST QUARTER 2019**

**Warsaw, May 2019**

**Contents**

SUMMARY RESULTS OF THE BOŚ S.A. GROUP.....	3
1. Macroeconomic situation.....	5
2. Financial results of the Group.....	7
2.1. Balance sheet of the Group.....	7
2.2. Group Assets.....	10
2.3. Total equity and liabilities of the Group.....	15
3. Ratios.....	16
4. Capital management.....	17
5. Selected operational data of the Group.....	19
6. Bank development lines.....	19
7. Significant events in 1Q2019.....	20
8. Core products, services and areas of operations of the Group.....	21
8. Segment reporting.....	26
9. Factors likely to affect performance at least in the next quarter.....	29
10. Non-standard factors and events affecting performance.....	31
11. Management Board position on the feasibility of the published forecasts.....	32
12. Seasonal or cyclical developments.....	32
13. Issuance, redemption and payment of debt securities or equity securities.....	32
14. Dividends.....	32
15. Transactions with related entities.....	32
16. Loan or cash advance sureties or guarantees granted, where the total of running sureties or guarantees is equivalent to not less than 10% of issuer's equity.....	32
17. Ongoing judicial or administrative proceedings.....	32
18. Shareholders holding directly or indirectly, through subsidiaries, at least 5% of the total number of votes at Issuer's General Meeting.....	33
19. BOŚ S.A. shares held by members of executive and supervisory bodies.....	33
20. Other information issuer deems necessary for assessments of its human resources, assets, financial position, financial performance, and changes thereof, and information relevant to issuer .....	33
21. Bank Supervisory Board.....	34
22. Bank Management Board.....	34
I. Information on accounting principles (policy) adopted when preparing the abridged interim consolidated financial statement.....	49
II. Financial assets and liabilities at fair value.....	51
III. Changes in consolidated contingent liabilities and assets.....	53
IV. Organisation of Capital Group.....	53
V. Major events past the date of this report.....	55

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

BOŚ S.A., upon implementation of cost restructuring, balance sheet optimisation, and improvement of the capital and liquidity positions, is now entering the stage of sustainable development involving accomplishment of goals arising from a new business model and a new role of the Bank in government's environmental activities. The Bank is cooperating with its main shareholder the National Fund for Environment Protection and Water Management and with Voivodship Funds for Environment Protection and Water Management, Państwowe Gospodarstwo Leśne (State Forest Administration) and the Environment Ministry in order to expand the offer of pro-ecology products.

BOŚ S.A. Framework Development Strategy provides for the following objectives in 2021:

- Net profit of over 180m PLN,
- ROE exceeding 7.7%,
- C/I below 47%.

As a result of effective restructuring, the BOŚ S.A. Group, in the 1<sup>st</sup> quarter 2019, reported:

- **increase of Group's net results** by 4.5% versus 1Q2018; net profit totalled 17.1m PLN,
- **the best interest result in Group's history** of 102.9m PLN, versus 102.1m PLN in 4Q2018 and 88.9m PLN in 1Q2018,
- **increase of Group's interest margin** up to 2.3% in 1Q2019 compared to 2.0% during the entire year 2018,
- **significant reduction of Group's overheads, excluding BFG contribution** – decrease by 8.2%, including decrease of employee benefits by 6.0% compared to 1Q2018,
- **decrease of Group's C/I** – down to 60.2% in 1Q2019, or by 3.3 p.p. compared to 2018 level,
- **secure capital base of the Group** – total capital ratio of the Group equalled 17.28% at the end of the first quarter 2019 and 17.95% at the end of 2018,
- **reduction of Bank's risk cost** down to 0.84% for the past 12 months.
- **higher loan sales** – the Bank granted 90.3% more loans and credits (new sales) than in the first quarter 2018.

In 1Q2019 Fitch Ratings Ltd increased Bank's rating. In its report, as the main reasons for its decision, the Agency pointed to, among other things, strengthening of Bank's capital buffers, realisation of assumptions specified in the strategy and mitigation of the risk of concentrating Bank's commitment to wind farm exposures in comparison to the previous review. Among the factors which may contribute to increasing the rating the Agency mentioned further improvement of profitability and asset quality;

In 1Q2019 BOŚ S.A. Group generated net profit of 17.1m PLN versus 16.3m PLN in the same period last year. The 1Q2019 result was higher by 0.7m PLN, or by 4.5% than in 1Q2018. BOŚ S.A. Group improved its interest result, dividend income, results on investment securities, other income and operating expenses and net impairment result.

It must be stressed that the 1Q2019 result was encumbered with a one-off annual contribution to the Bank Guarantee Fund (BFG) for forced restructuring of banks amounting to 29.3m PLN. The forced restructuring fund contribution was 14.9m PLN higher than last year and was classified as a one-off cost of the 1<sup>st</sup> quarter. Together with the bank guarantee fund contribution, the sum of BFG contributions charged against 1Q2019 expenses amounted to 31.1m PLN, i.e. 13.1m PLN more than last year.

**A selection of balance sheet positions and financial ratios**

		1Q2019	1Q2018	Change %
Net interest and similar income	[1]	102 859	88 850	15,8
Net fee and commission income		26 967	27 122	- 0,6
Net income on financial instruments measured at fair value through P/L		4 953	10 667	- 53,6
Net impairment result		-7 944	-9 129	- 13,0
Administrative expenses, including:	[2]	-106 448	-99 967	6,5
– contribution and payments to BFG		-32 052	-18 953	69,7
<b>NET PROFIT/LOSS</b>		<b>17 084</b>	<b>16 347</b>	<b>4,5</b>

[1] The biggest impact on higher interest income came from reduction of interest costs of debt instruments issued by the Bank itself by 9.0m PLN or by 65.5%. Expenses of bank accounts and deposits of individual customers dropped by 3.9m PLN or by 11.1%. Expenses of bank accounts and deposits of corporate customers dropped by 1.8m PLN, i.e. by 13.2%. Interest income changed slightly despite lower credit balance resulting from rearrangement of the credit portfolio and higher share of loans with bigger margins.

[2] As a result of the contribution for the forced restructuring of banks higher by 14.9m PLN, administrative expenses of the Group were higher by 6.5m PLN versus 1Q2018. The negative impact of higher BFG contribution was partly neutralized by cuts of other costs. Material costs were reduced by 4.1m PLN or by 15.3% and impairment dropped by 0.3m PLN or 3.2%. Costs of employee benefits of BOŚ S.A. Group in the first quarter 2019 were lower by 2.5m PLN or 6.0% while the number of BOŚ S.A. employees dropped by 11.5% and in the entire Group – by 10.0% compared to the figures from the end of the first quarter last year.

**Financial ratios**

	1Q2019	2018	Change p.p.
Return on equity (ROE)	3,3	3,2	0,1
Return on assets (ROA)	0,3	0,3	0,0
Interest on total assets	2,3	2,0	0,3
Costs/income after splitting the one-off BFG contribution over the whole year	60,2	63,5	-3,3
Risk costs	-0,8	-0,9	0,1
Total capital ratio (solvency ratio)	17,28	17,95	-0,67

In the first quarter 2019 the Bank improved its main financial ratios: interest margin increased up to 2.3% from 2.0% in 2018 and Cost/ Income ratio totalled 60.2% versus 63.5% in 2018.

**New loans**

In the first quarter 2019 the Bank granted loans and advances (new sale) for the amount of 1.1bn PLN, which is 90.3% more than in the same period in 2018. As a result of the new business model, sales to corporate clients increased by 100.5%, to individuals – by 13%. Further, while executing its Strategy, the Bank is increasing the share of pro-ecology loans. The amount of new loans in the EKO segment totalled 629.0m PLN and was 122.2% higher than in the same period last year. A vast majority of new pro-ecology loans targeted corporate clients.

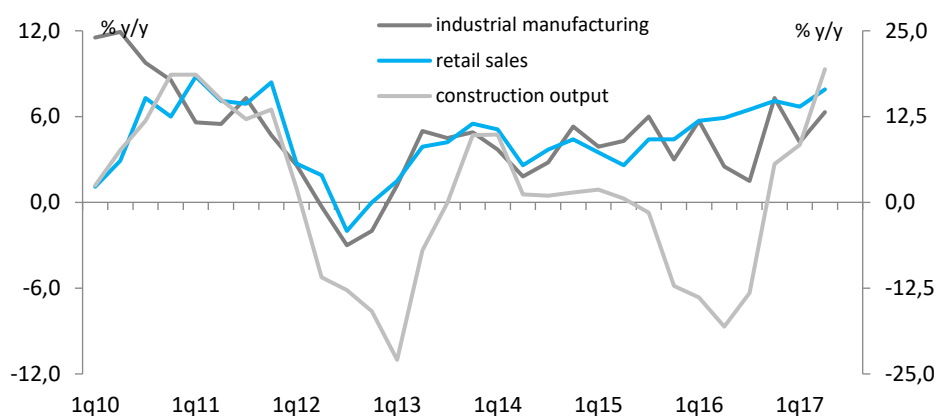
**Ecology activities**

The share of loans granted for pro-environmental purposes and sustainable development projects constituted 34.77% of total loans at the end of 1Q2019. Pro-ecology loans, as at 31 March 2019, amounted to 4,394.9m PLN. The Bank continues to cooperate with the National and Voivodship Funds for Environment Protection and Water Management (NFOŚiGW and

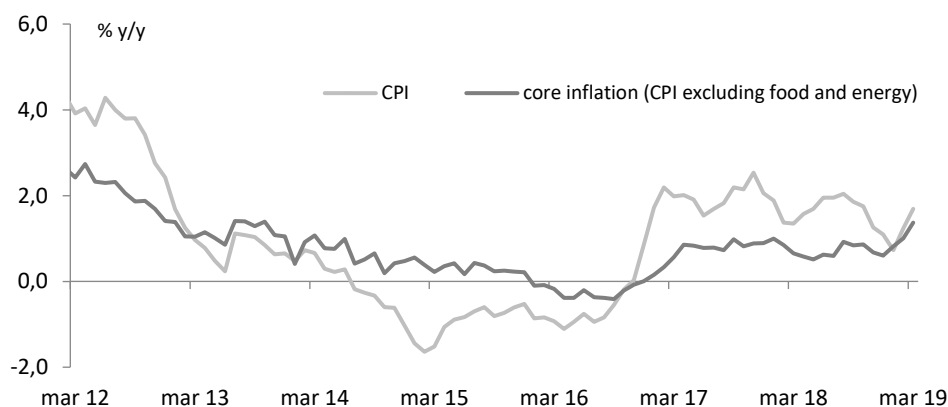
WFOŚiGW). The purpose of conducted activities is to attract entities that conduct projects both within EU and national programs offered by the Funds, particularly those from the heating industry and entities carrying out investment projects to reduce negative impact of companies on the natural environment through, for instance, improving air quality.

## 1. Macroeconomic situation

In 1Q2019, according to data published on a monthly basis, the activity of Poland's economy slightly slowed down. The dynamics of construction output dropped (down to 9.9% y/y versus 16.8% y/y in 4Q2018) just like retail sales (down to 4.1% y/y versus 5.8% y/y a quarter before). At the same time, industrial output dynamics increased (up to 6.1% y/y versus 5.5% y/y in 4Q2018). In the first quarter good labour market condition preserved, with an average 3 per cent growth of employment and over 5 per cent increase of salaries (real income) in the corporate sector. In March registered unemployment rate totalled 5.9% versus 6.6% in the same period last year and the number of unemployment dropped by over 170 thousand at the end of the first quarter compared to the same period the year before.

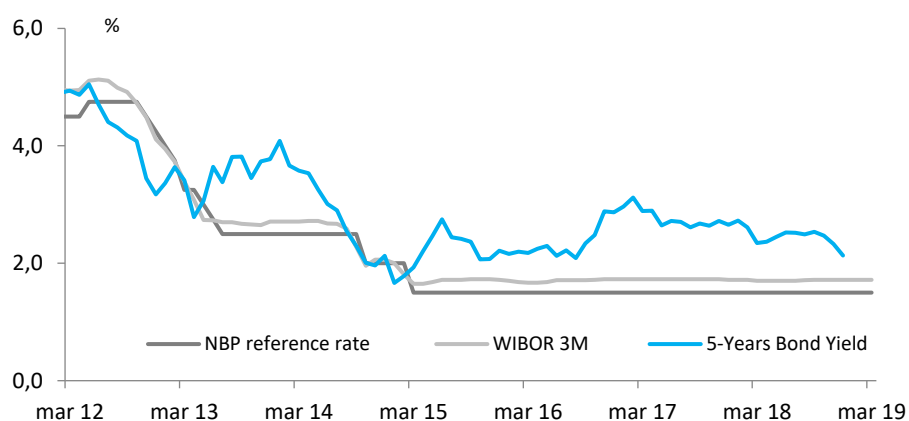


After a temporary decrease of the Consumer Price Index this January down to local minimum at 0.7% y/y, it grew up in subsequent months up to 1.7% y/y, which is a level similar to annual average inflation rate in 2018.



In 1Q2019 the Monetary Policy Council (RPP) kept interest rates stable – NBP reference rate remained at 1.5%. The Council upheld an intention to stabilise the monetary policy

parameters in subsequent quarters. In this situation, interest rates on loans in the interbank market was stable WIBOR 3M remained at 1.72% over the entire 1<sup>st</sup> quarter.



In 1Q2019 the global financial market witnessed raised volatility. Despite lower forecasts for the world economy's growth and uncertain situation around Brexit, the prices of assets with higher risk profile – stocks, for instance – significantly increased. The cause of the better market climate was curbing of concerns about protectionism in global trade and consequently mid-term forecasts of the global economic growth resulting from good information about trade negotiations between the USA and China. Market moods were also improved by a common change of rhetoric of the main central banks (FED in particular) announcing postponement of stricter monetary policy. Better prospects in the global financial market favoured stock growth in the Polish market. The main WSE WIG index increased in 1Q2019 by 4.8%.

PLN rate was stable towards Euro revolving around 4.30 PLN/EUR. Greater volatility was reported for PLN rate towards Swiss franc and US dollar. Over the quarter the PLN rate weakened towards the franc by nearly 1%, while towards the dollar – by 2%.

## 2. Financial results of the Group

### 2.1. Balance sheet of the Group

Continued operations	1Q2019	1Q2018	Change %
Interest and similar income	153 862	154 727	- 0,6
Interest expense and similar charges	- 51 003	- 65 877	- 22,6
<b>Net interest income</b>	<b>102 859</b>	<b>88 850</b>	<b>15,8</b>
Fee and commission income	36 253	36 262	- 0,0
Fee and commission expense	- 9 286	- 9 140	1,6
<b>Net fee and commission income</b>	<b>26 967</b>	<b>27 122</b>	<b>- 0,6</b>
Dividend income	5 447	-	x
Income from financial instruments measured at fair value through P/L (including amounts due from customers)	4 953	10 667	- 53,6
Investment securities income	301	- 67	- 549,3
Net hedge accounting income	119	489	- 75,7
Foreign exchange result	5 413	6 658	- 18,7
Other operating income	5 355	4 922	8,8
Other operating expense	- 4 324	- 4 499	- 3,9
Net impairment gains	- 7 944	- 9 129	- 13,0
Depreciation of right of use IFRS 16	- 4 432	-	x
Administrative expenses	- 106 448	- 99 967	6,5
<b>Profit before tax</b>	<b>28 266</b>	<b>25 046</b>	<b>12,9</b>
Tax charges	- 11 182	- 8 699	28,5
<b>NET PROFIT</b>	<b>17 084</b>	<b>16 347</b>	<b>4,5</b>

In 1Q2019 the BOŚ S.A. Group generated net profit of 17.1m PLN versus 16.3m PLN in 1Q2018. The 1Q2019 result was 0.7m PLN or 4.5% higher than in 1Q2018.

	1Q2019	1Q2018	Change %
<b>Total interest and similar income on account of:</b>	<b>153 862</b>	<b>154 727</b>	<b>-0,6</b>
Loans from banks and Central Bank	1 562	963	62,2
Loans from corporate customers	88 023	87 321	0,8
Loans from retail customers	32 290	34 044	-5,2
Non-trading investment debt instruments	31 805	31 712	0,3
Trading financial instruments	182	687	-73,5
<b>Total interest and similar expense on account of:</b>	<b>51 003</b>	<b>65 877</b>	<b>-22,6</b>
Bank accounts and deposits from banks	325	472	-31,1
Bank accounts and deposits of corporate customers	11 775	13 571	-13,2
Bank accounts and deposits of retail customers	31 374	35 305	-11,1
Loans and advances from banks	35	40	-12,5
Loans and advances from customers	255	293	-13,0
Funds entrusted to use for lending (JESSICA)	61	91	-33,0
Financial instruments – debt securities from own issue	4 745	13 735	-65,5
Hedging transactions	2 398	2 370	1,2
Other	35	-	x
<b>NET INTEREST INCOME</b>	<b>102 859</b>	<b>88 850</b>	<b>15,8</b>

In 1Q2019 the BOŚ S.A. Group generated interest income of 102.9m PLN, which is by 14.0m PLN or 15.8% higher than in the same period in 2018.

Net and similar income dropped by 0.9m PLN, i.e. by 0.6%, in the 1<sup>st</sup> quarter 2019 in comparison to the same period last year. Interest income from retail loan portfolio dropped by 1.8m PLN or 5.2%, while interest income from the corporate portfolio grew by 0.7m PLN or 0.8%.

The interest income fell down mainly as a result of dropping the average balance of loan volume by 0.4bn PLN, or 3.2%. The average interest rate on loans granted by the Bank increased in 1Q2019 (excluding impairment adjustment of interest) totalled 4.36% versus 4.22% in the 1<sup>st</sup> quarter 2018, including:

- in PLN the rate was 4.89%, versus 4.73% in 1Q2018,
- in foreign currencies the rate was 2.53%, versus 2.25% in 1Q2018.

Interest expenses dropped by 14.9m PLN or 22.6% compared to the same period in 2018. This decrease is primarily owed to lower costs of financial instruments – debt securities from own issue by 9.0m PLN or 65.5%. Expenses of bank accounts and deposits of retail customers decreased by 3.9m PLN or 11.1%. Costs of bank accounts and deposits of corporate customers dropped by 1.8m PLN or 13.2%.

Interest expenses dropped both as a result of lower average balance of amounts due to clients (by 0.7bn PLN or 4.4%) and lower interest rates. An average interest rate on deposits acquired by the network of Bank outlets in the first quarter 2018:

- in PLN totalled 1.40%, versus 1.44% in 1Q2018,
- in foreign currencies totalled 0.56%, versus 0.52% in 1Q2018.

	1Q2019	1Q2018	Change %
<b>Net fee and commission income</b>	<b>36 253</b>	<b>36 262</b>	<b>0,0</b>
Brokerage service fees	16 117	17 488	-7,8
Client account maintenance fees, other settlements at home and abroad	9 163	10 398	-11,9
Commissions on loans	9 580	7 152	33,9
Commissions on guarantees and letters of credit	1 274	1 122	13,5
Portfolio management fees and other management fees	119	102	16,7
<b>Total fee and commission expense</b>	<b>9 286</b>	<b>9 140</b>	<b>1,6</b>
Brokerage service fees, including:	5 334	5 617	-5,0
- custody activity	422	470	-10,2
Payment card fees	1 669	1 777	-6,1
Current account fees	378	376	0,5
Euronet service fees	215	204	5,4
Commissions paid for amounts due to customers	195	172	13,4
Commissions paid to other banks in cash turnover	2	106	-98,1
Other fees and commissions	1 493	888	68,1
<b>NET FEE AND COMMISSION INCOME</b>	<b>26 967</b>	<b>27 122</b>	<b>-0,6</b>

Group's net fee and commission income dropped by 0.2m PLN or 0.6% in the first quarter 2019 compared to the same period of 2018.

The total fee and commission income remained at the same level. Income from brokerage services lower by 1.4m PLN or 7.8% and lower client account maintenance fees, other settlements at home and abroad by 1.2m PLN or 11.9% was compensated for by commissions from loans higher by 2.4m PLN or 33.9% and higher commissions for guarantees and letters of credit by 0.2m PLN or 13.5%.

Fee and commission expenses increased by 0.2m PLN or 1.6% as a result of costs of other fees and commissions higher by 0.6m PLN, while brokerage service fees were down by 0.3m PLN



or 5%, payment card fees down by 0.1m PLN or 6.1% and commissions paid to other banks for cash turnover – by 0.1m PLN or 98.1%.

Dividend income for 1Q2019 was affected by the dividend paid by Kemipol Sp. z o.o. in the amount of 5.4m PLN. In the same period of 2018 the Group did not collect any dividend.

The result on financial instruments measured at fair value through P/L totalled 5.0m PLN versus 10.7m PLN in the first quarter of 2018.

Group's result on investment securities totalled 0.3m PLN in 1Q2019 while in the same period last year it amounted to 0.67m PLN.

The foreign currency exchange result totalled 5.4m PLN and was 1.2m PLN or 18.7% lower than in 1Q2018 due to lower income from negotiable customer transactions.

Within 1Q2019 the net impairment result was -7.9m PLN versus -9.1m PLN in 1Q2018. The net impairment result is owed to 2.8m PLN lower impairment losses in the retail customer division. Impairment losses in the corporate division totalled -4.5m PLN versus -6.0m PLN in the first quarter 2018.

Administrative expenses of the Group increased by 6.5m PLN or 6.5% versus the same period last year mainly as a result of a higher contribution to the Bank Guarantee Fund (BFG). The total annual contribution for the BFG forced restructuring of banks fund for 2019 in the amount of 29.3m PLN encumbered the 1Q2019 result. In the same period last year this contribution totalled 14.4m PLN. In total, BFG contributions charged against 1Q2019 expenses total 32.1m PLN versus 19.0m PLN in the same period last year.

Material costs in the first quarter 2019, compared to the same period in 2018, were lower by 4.1m PLN or 15.3%.

	1Q2019	1Q2018	Change %
<b>Employee benefits</b>	<b>39 911</b>	<b>42 443</b>	<b>-6,0</b>
<b>Administrative expense, of which:</b>	<b>56 880</b>	<b>47 550</b>	<b>19,6</b>
- material costs	22 873	27 016	-15,3
- taxes and duties	1 272	1 192	6,7
- contribution and payments to Bank Guarantee Fund (BFG)	32 052	18 953	69,1
- contribution and payments to Polish Financial Supervision Authority (KNF)	641	325	97,2
- contribution to cover Financial Ombudsman expenses	18	35	-48,6
- contribution to support the Chamber of Brokerage Houses	23	23	0,0
- other	1	6	-83,3
<b>Amortization and depreciation of:</b>	<b>9 657</b>	<b>9 974</b>	<b>-3,2</b>
- fixed assets	3 196	3 572	-10,5
- intangible assets	6 461	6 402	0,9
<b>TOTAL ADMINISTRATIVE EXPENSE</b>	<b>106 448</b>	<b>99 967</b>	<b>6,5</b>

Employee benefits expense of the BOŚ S.A. Group in the first quarter 2019 totalled 39.9m PLN versus 42.4m PLN in the same period last year. This drop results mainly from 11.5% fewer employees in BOŚ S.A. and 10.0% in the whole group versus the end of 1Q2018.

FTEs	31 March 2019	31 March 2018	Change %
Employment BOŚ S.A.	1 162	1 314	-11,5
Employment subsidiaries	250	256	-2,3
<b>Total employment BOŚ S.A. Group</b>	<b>1 412</b>	<b>1 570</b>	<b>-10,0</b>

## 2.2. Group Assets

The Group's balance sheet total as of 30 March 2019 totalled 18,455.8m PLN and was 1.1% higher versus 31 Dec. 2018.

### 2.2.1. Changes to Group asset structure

As at 31 March 2019 the highest portion of assets, 63.8%, was constituted by amounts due from customers. Their share in the assets since the beginning of 2019 has decreased by 0.9 p.p. However, the share of investment securities increased by 0.5 p.p. and of trading financial assets by 0.2 p.p.

Assets	31 March 2019	31 Dec. 2018	Change %
Cash and balances with the Central Bank	192 261	186 736	3,0
Amounts due from other banks	175 398	196 104	-10,6
Trading securities, of which:	125 606	87 761	43,1
– equity securities	13 892	9 131	52,1
– debt securities	40 935	2 903	1 310,1
– derivative instruments	70 779	75 727	-6,5
Investment securities:	5 632 299	5 476 293	2,8
– equity securities valued at fair value through other total income	85 028	85 027	0,0
– debt securities valued at fair value through other total income	4 170 707	4 015 998	3,9
– debt securities valued at amortized cost	1 376 564	1 375 268	0,1
Amounts from customers, of which:	11 777 561	11 809 527	-0,3
– valued at amortized cost	11 676 385	11 704 874	-0,2
– valued at fair value through P/L	101 176	104 653	-3,3
Intangible assets	117 160	120 050	-2,4
Property and equipment	68 298	68 396	-0,1
Right of use - leasing	69 551	-	x
Income tax assets:	97 419	99 867	-2,5
– current	1 124	1 124	0,0
– deferred	96 295	98 743	-2,5
Other assets	200 227	206 291	-2,9
<b>ASSETS</b>	<b>18 455 780</b>	<b>18 251 025</b>	<b>1,1</b>

## 2.2.2. Amounts due from customers

	31-03-2019	31-12-2018	Zmiana %
<b>Valuation at amortized cost</b>	<b>11 673 609</b>	<b>11 699 841</b>	<b>-0,2</b>
<b>Amounts due from retail customers</b>	<b>3 669 773</b>	<b>3 707 238</b>	<b>-1,0</b>
overdraft facilities	484	494	-2,0
cash loans	285 369	275 675	3,5
housing loans	3 030 769	3 070 781	-1,3
other loans and advances	353 151	360 288	-2,0
<b>Amounts due from corporate customers</b>	<b>8 003 836</b>	<b>7 992 603</b>	<b>0,1</b>
revolving loans	391 687	449 806	-12,9
term loans and advances	6 987 066	6 773 000	3,2
factoring amounts due	410 934	402 760	2,0
leasing amounts due	55 695	55 534	0,3
repurchased dues	64 122	68 791	-6,8
commercial securities	94 332	242 712	-61,1
<b>Valuation at fair value through P/L</b>	<b>101 176</b>	<b>104 653</b>	<b>-3,3</b>
<b>Amounts due from retail customers</b>	<b>2 730</b>	<b>3 101</b>	<b>-12,0</b>
housing loans and advances	832	904	-8,0
other loans and advances	1 898	2 197	-13,6
<b>Amounts due from corporate customers</b>	<b>98 446</b>	<b>101 552</b>	<b>-3,1</b>
revolving loans	199	181	9,9
term loans and advances	98 247	101 371	-3,1
<b>Total</b>	<b>11 774 785</b>	<b>11 804 494</b>	<b>-0,3</b>
Collateral deposits	2 776	5 023	-44,7
Other dues	-	10	-100,0
<b>TOTAL AMOUNTS DUE FROM CUSTOMERS</b>	<b>11 777 561</b>	<b>11 809 527</b>	<b>-0,3</b>

The balance sheet value of the amounts due from Group customers, as at the end of 1Q2019 totalled 11,778m PLN and was 0.3% lower than the figure reported as at 31 Dec. 2018.

As at the end of the first quarter 2019, in comparison to the balance of 31 Dec. 2018, the volume of amounts valued at amortized cost from retail customers dropped by 37.5m PLN, or 1.0% while the volume of amounts due from corporate customers increased by 11.2m PLN or 0.1%.

The biggest share in total amounts due, i.e. 68.0%, involves amounts due from corporate customers valued at amortized cost, whose share increased by 0.3 p.p. versus the results as at the end of 2018. The share of amounts due from retail customers valued at amortized cost in total dues dropped by 0.2 p.p. down to 31.2%. The amount of loans of retail customers valued at amortized cost totalled 3,669.8m PLN at the end of the first quarter 2019 versus 3,707.2m PLN at the end of 2018.

The main item is constituted by housing loans, the balance sheet value of which totalled 3,031.6m PLN at the end of 1Q2019 roku, versus 3,071.7m PLN at the end of 2018.

The highest share in housing loans – 54.6% – is constituted by foreign currency loans (54.8% at the end of 2018). CHF housing loans make up 8.1% of the total loan portfolio of the BOŚ S.A. Group (net). The share of FX housing loans in total loans gradually decreases.

	31 March 2019	31 Dec. 2018	Change %
<b>Loans and advances valued at amortized cost</b>	<b>3 030 769</b>	<b>3 070 781</b>	<b>-1,2</b>
Housing loans in PLN	1 376 280	1 388 664	-0,7
Housing loans in CHF	958 924	974 202	-1,6
Housing loans in EUR	652 275	664 489	-1,8
Housing loans in USD	43 290	43 426	-0,3
<b>Loans and advances valued at fair value through P/L</b>	<b>832</b>	<b>904</b>	<b>-7,4</b>
Housing loans in PLN	832	904	-7,4
<b>TOTAL HOUSING LOANS</b>	<b>3 031 601</b>	<b>3 071 685</b>	<b>-1,2</b>

## New sales – loans granted in the first quarter 2019 versus the same period last year.

Item	1Q2019	1Q2018	Change %
Loans granted to corporate customers in the quarter	1 046	522	100,5
Loans granted to retail customers in the quarter	78	69	13,0
<b>LOANS GRANTED TO CUSTOMERS IN THE QUARTER</b>	<b>1 124</b>	<b>591</b>	<b>90,3</b>

In 1Q2019 the Bank granted loans and advances (new sales) for an amount of 1.1bn PLN, i.e. by 90.3% more than in the same period in 2018 (by principal value at loan granting date). Sales to corporate customers increased by 100.5% while to retail customers – by 13%.

## Pro-ecology loans

### Segment structure of pro-ecology loans (by principal value)

BOŚ S.A. developed its operations in the market of financing pro-ecology loans. The balance of pro-ecology loans as of 31 March 2019 totalled 4,394.9m PLN versus 4,416.4m PLN as of 31 Dec. 2018. Loans granted for environmental activities and supporting sustainable development constitute 34.77% of Bank's total loan portfolio (as of the end of 2018 this share totalled 34.85%).

	31 March 2019	31 Dec. 2018	Change %
Pro-ecology loans granted to corporate customers	4 207 753	4 238 425	-0,7
Pro-ecology loans granted to retail customers	187 157	177 980	5,2
<b>PRO-ECOLOGY LOANS</b>	<b>4 394 910</b>	<b>4 416 405</b>	<b>-0,5</b>

The sales of pro-ecology loans in 1Q2019 revolved around 629.0m PLN and was 122.2% higher than in the same period in 2018, mainly thanks to loans granted to corporate customers.

Sales	1Q2019	1Q2018	Change %
Pro-ecology loans granted to individuals in the quarter	25 852	25 667	0,7
Pro-ecology loans granted to corporate customers in the quarter	603 134	257 383	134,3
<b>PRO-ECOLOGY LOANS GRANTED IN THE QUARTER</b>	<b>628 986</b>	<b>283 050</b>	<b>122,2</b>

## **Type of cooperation with the National and Voivodship Funds for Environment Protection and Water Management**

The Bank is cooperating with the National Fund for Environment Protection and Water Management (NFOŚiGW) using the synergy of BOS Group entities – BOŚ Eko Profit S.A. – an entity specialising in preparing applications for NFOŚiGW funds within the programs offered by the fund and Bank – an entity offering a financial scheme to fully cover the costs of the project (bridge, refinance, supplementary loans). The purpose of these activities is to attract customers conducting projects both within EU programs and national programs offered by NFOŚiGW, particularly companies from the heating industry, which benefit from support of a pilot program called “Ciepłownictwo powiatowe (Powiat Heating)” and entities making investments to reduce negative impact of businesses on the environment, for instance, through improvement of air quality, which obtain support within a new NFOŚiGW program called “Energia Plus”. The customers are presented a comprehensive offer, comprising support for the completion of the project from the technical side by Krajowa Agencja Poszanowania Energii S.A., with which BOŚ S.A. started continuous cooperation. BOŚ S.A. also holds talks with Voivodship Funds in order to develop cooperation related to financing projects conducted by micro, small and medium businesses.

### 2.2.3. Loan portfolio quality

	31 March 2019	%	31 Dec. 2018	%
<b>Loans and advances valued at amortised cost</b>				
Amounts due from customers not qualifying for posting as impaired, of which:	10 326 067	81,1	10 314 827	80,9
- exposures for which since the start of recognition there have been no significant growth of credit risk (Basket 1)	8 240 655	64,7	8 291 717	65,1
- exposures for which since the start of recognition there has been a significant growth of risk (Basket 2), of which:	2 085 412	16,4	2 023 110	15,9
- wind farms	1 046 973	8,2	1 039 500	8,2
Amounts due from customers qualifying for posting as impaired (Basket 3) but not qualifying for posting as impaired due to estimated cash flows, of which:	753 326	5,9	772 254	6,1
- wind farms	584 892	4,6	603 282	4,7
Amounts due from customers qualifying for posting as impaired and actually impaired (Basket 3), of which:	1 654 949	13,0	1 656 193	13,0
- wind farms	122 821	1,0	124 874	1,0
<b>Amounts due from customers valued at amortized cost (gross)</b>	<b>12 734 342</b>	<b>100,0</b>	<b>12 743 274</b>	<b>100,0</b>
<b>Write-downs on expected losses on:</b>				
amounts from customers – (Basket 1)	- 57 243		- 59 012	
amounts from customers – (Basket 2), of which:	- 113 345		- 107 416	
- wind farms	- 37 133		- 36 867	
amounts from customers – (Basket 3) not revealing impairment, of which:	- 22 690		- 23 346	
- wind farms	- 20 721		- 21 378	
amounts from customers – (Basket 3) revealing impairment, of which:	- 867 455		- 853 659	
- wind farms	- 28 498		- 31 876	
<b>Total write-downs on losses</b>	<b>- 1 060 733</b>		<b>- 1 043 433</b>	
<b>Total amounts due from customers valued at amortized cost (net)</b>	<b>11 673 609</b>	<b>91,7</b>	<b>11 699 841</b>	<b>91,8</b>
<b>Amount due from customers valued at fair value through P/L</b>				
Fair value, of which:	101 176		104 653	
- wind farms	53 083		53 083	
<b>Total amounts due from customers valued at fair value through P/L</b>	<b>101 176</b>		<b>104 653</b>	
Collected collateral deposits	-		5 023	
Other amounts due	2 776		10	
<b>AMOUNTS DUE FROM CUSTOMERS NET</b>	<b>11 777 561</b>		<b>11 809 527</b>	

At the end of 1Q2019 the balance of impairment losses totalled 1,060.7m PLN. Amounts due from customers revealing impairment losses constituted 12.9% of the total portfolio as of 31 March 2019, compared to 12.9% at the end of 2018.

## 2.3. Total equity and liabilities of the Group

### 2.3.1. Changes to total equity and liabilities structure of the Group

	31 March 2019	31 Dec. 2018	Change %
Amounts owed to Central Banks and other banks	605 273	571 784	5,9
Derivative financial instruments	62 691	54 336	15,4
Hedging derivative instruments	27 395	18 298	49,7
Amounts owed to clients	14 885 457	14 799 109	0,6
Debt securities issued	46 196	46 590	-0,8
Subordinated debt	369 172	370 672	-0,4
Provisions	29 644	35 773	-17,1
Income tax liabilities	2 865	4 972	-42,4
– current	1 701	4 497	-62,2
– deferred	1 164	475	145,1
Liabilities arising from IFRS 16 leasing	70 000	-	x
Other liabilities	215 460	211 925	1,7
Total equity	2 141 627	2 137 566	0,2
<b>Total equity and liabilities</b>	<b>18 455 780</b>	<b>18 251 025</b>	<b>1,1</b>

At the end of the first quarter 2019 the amounts owed to customers constituted the largest portion of the equity and liabilities balance, i.e. 80.7% was constituted by amounts due to Customers. Their share decreased by 0.4 p.p. versus the level as of 31 Dec. 2018. However, leasing liabilities and dues to Central Bank and other banks increased by 0.4 p.p. and 0.1 p.p. respectively.

### 2.3.2. Liabilities of the Group

The Group financed its activities mostly with liabilities owed to clients, specifically:

- cash deposits taken by the Bank outlets,
- loans and advances from international financial institutions,
- cash received from external donors to finance lending in the form of direct lines or principal subsidies (the National Fund for Environmental Protection and Water Management (Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej), Regional Funds for Environmental Protection and Water Management (Wojewódzkie Fundusze Ochrony Środowiska i Gospodarki Wodnej), European Fund for the Development of Polish Villages (Europejski Fundusz Rozwoju Wsi Polskiej), and JESSICA (Joint European Support for Sustainable Investment in City Areas).

Amounts due to customers	31 March 2019	31 Dec. 2018	Change %
Retail clients	8 759 603	8 825 702	-0,7
– current/ settlement accounts	3 979 858	3 983 914	-0,1
– term deposits	4 779 745	4 841 788	-1,3
Corporate clients	5 056 800	4 942 446	2,3
– current/ settlement accounts	3 491 122	3 081 552	13,3
– term accounts	1 565 678	1 860 894	-15,9
Other clients	146 473	92 448	58,4
Loans and advances received from international financial institutions	868 418	881 593	-1,5
Money supplied by funds for lending purposes	54 163	56 920	-4,8
<b>TOTAL AMOUNTS OWED TO CLIENTS</b>	<b>14 885 457</b>	<b>14 799 109</b>	<b>0,6</b>

BOŚ S.A. Group liabilities to clients as at 31 March 2019 totalled 14,885.5m PLN and were 0.6% higher than at the end of 2018.

Amounts due to corporate customers increased by 114.4m PLN or 2.3% versus the end of 2018. However, amounts due to retail clients dropped by 66.1m PLN or 0.7%.

### 3. Ratios

	1Q2019	2018	Change p.p.
Return on equity (ROE) <sup>1</sup>	3,3	3,2	0,1
Return on assets (ROA) <sup>2</sup>	0,3	0,3	0,0
Interest margin on total assets <sup>3</sup>	2,3	2,0	0,3
Cost of risk <sup>4</sup>	-0,8	-0,9	0,1
Cost / in come (C/I) <sup>5</sup> assuming even distribution over the whole year of cost of one-off BFG contribution	60,2	63,5	-3,3

1) net profit of the last four quarters to average equity,

2) net profit of the last four quarters to average assets,

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

4) ratio of net impairment write-downs including valuation at fair value for the last 12 months to averaged balance of amounts due to clients in the period,

5) total administrative expense and other operating expense to net interest income, net fee and commission income, dividends received, net trading income, income from financial instruments measured at fair value through P/L excluding measurement of amounts due, net securities trading, net hedge accounting, net FX income and other operating income; ratio calculated assuming even distribution over the whole year of cost of one-off BFG contribution.

Interest margin on total assets, calculated as the annualised ratio of net interest income to averaged assets balance at the beginning and end of the first quarter totalled 2.3% versus 2.0% at the end of 2018, primarily in effect of asset structure improvement and lower costs of BOŚ SA Group's liabilities, as well as higher results on loans.

The cost/income ratio, calculated for the first quarter 2019, assuming even distribution over the whole year of cost of one-off BFG contribution, totalled 60.2% versus 63.5% in 2018.



## 4. Capital management

The Group decided, for the purpose of capital adequacy, to apply transitional arrangements during the transition period to mitigate the impact of IFRS 9 on its equity under Art. 1 section 9 of Regulation (EU) of the European Parliament and of the Council of 12 December 2017 (Regulation) Amending Regulation (EU) 575/2013. Additionally, a decision was made not to apply the provisions of section 4 of art. 1 of the Regulation.

Taking into consideration the impact of IFRS 9, both with and without applying transitional arrangements, the Bank and the Group fulfil the capital norms as of 31 March 2019.

Following the decision to apply transitional arrangements effective from 1 Feb. 2018 the Group shall present equity, capital ratios and the leverage ratio, both with and without applying transitional arrangements specified in art. 473a of Regulation (EU) 575/2013.

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

	31 March 2019	31 Dec. 2018
<b>Available capital</b>		
Common Equity Tier I	2 072 318	2 094 575
Common Equity Tier I – excluding IFRS 9 transitional arrangements	1 975 141	1 985 965
Tier I capital	2 072 318	2 094 575
Tier I capital – excluding IFRS 9 transitional arrangements	1 975 141	1 985 965
Equity	2 429 702	2 453 560
Equity – excluding IFRS 9 transitional arrangements	2 332 525	2 344 951
<b>Risk-weighted assets</b>		
Total risk-weighted assets total	14 058 195	13 671 845
Total risk-weighted assets total – excluding IFRS 9 transitional arrangements	13 955 159	13 559 014
<b>Capital ratios</b>		
Common Equity Tier I capital ratio	14,74	15,32
Common Equity Tier I capital ratio - excluding IFRS 9 transitional arrangements	14,15	14,65
Tier I capital ratio	14,74	15,32
Tier I capital ratio – excluding IFRS 9 transitional arrangements	14,15	14,65
Total capital ratio	17,28	17,95
Total capital ratio - excluding IFRS 9 transitional arrangements	16,71	17,29
<b>Leverage ratio</b>		
Exposures	19 796 673	19 439 206
Leverage ratio	10,5	10,8
Leverage ratio - excluding IFRS 9 transitional arrangements	10,0	10,3

According to art. 92 of CRR the Group is obligated to keep the total capital ratio at the level of at least 8%. Tier I capital ratio and Common Equity Tier I capital ratio should total at least 6% and 4.5% respectively.

According to CRR and the act of 5 August 2015 on macroprudential supervision of financial systems and crisis management in the financial system, financial institutions are obligated to maintain additional capital buffers for capital ratios. Since 1 January 2019 the capital conservation buffer has totalled 2.5 p.p. The systemic risk buffer is at 3 p.p., while the

countercyclical buffer equals 0 p.p. Bank Ochrony Środowiska S.A. and BOŚ S.A. Capital Group were not covered by buffers of other systemically important institutions.

On 29 November 2018 the Financial Supervision Authority recommended that the BOŚ S.A. Group maintain its own funds to provide for an additional capital requirement against risk resulting from currency-denominated mortgage loans and advances for households, at a level of 0.50 p.p. above the total capital ratio referred to in art. 92 section 1 letter c in the CRR, which should be composed at least in 75% of Tier I capital (corresponding to capital requirement at a level of 0.37 p.p. above the value of Tier 1 capital ratio referred to in art. 92 section 1 letter b in the CRR Regulation) and at least in 56% of Common Equity Tier 1 capital ratio (corresponding to capital requirement at a level of 0.28 p.p. above the value of Common Equity Tier 1 capital ratio referred to in art. 92 section 1 letter a in the CRR).

As a result, since 1 January 2019 the minimum capital ratios recommended by the KNF have totalled 11.87% for Tier I capital ratio and 14.00% for total TCR capital ratio.

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

	31 March 2019	31 Dec. 2018
<b>Available capital</b>		
Common Equity Tier I	2 024 168	2 045 922
Common Equity Tier I – excluding IFRS 9 transitional arrangements	1 926 990	1 937 313
Tier I capital	2 024 168	2 045 922
Tier I capital – excluding IFRS 9 transitional arrangements	1 926 990	1 937 313
Equity	2 381 551	2 404 908
Equity – excluding IFRS 9 transitional arrangements	2 284 374	2 296 298
<b>Risk-weighted assets</b>		
Total risk-weighted assets total	13 482 310	13 341 379
Total risk-weighted assets total – excluding IFRS 9 transitional arrangements	13 379 358	13 228 648
<b>Capital ratios</b>		
Common Equity Tier I capital ratio	15,01	15,34
Common Equity Tier I capital ratio - excluding IFRS 9 transitional arrangements	14,40	14,64
Tier I capital ratio	15,01	15,34
Tier I capital ratio – excluding IFRS 9 transitional arrangements	14,40	14,64
Total capital ratio	17,66	18,03
Total capital ratio - excluding IFRS 9 transitional arrangements	17,07	17,36
<b>Leverage ratio</b>		
Exposures	19 678 231	19 331 438
Leverage ratio	10,3	10,6
Leverage ratio - excluding IFRS 9 transitional arrangements	9,8	10,1

On 15 October 2018 the Financial Supervision Authority recommended that the BOŚ S.A. Group maintain its own funds to provide for an additional capital requirement against risk resulting from currency-denominated mortgage loans and advances for households, at a level of 0.52 p.p. above the total capital ratio referred to in art. 92 section 1 letter c in the CRR, which should be composed at least in 75% of Tier I capital (corresponding to capital requirement at a level of 0.39 p.p. above the value of Tier 1 capital ratio referred to in art. 92 section 1 letter b in the CRR Regulation) and at least in 56% of Common Equity Tier 1 capital ratio (corresponding to capital requirement at a level of 0,29 p.p. above the value of Common Equity Tier 1 capital ratio referred to in art. 92 section 1 letter a in the CRR).

As a result, since 1 January 2019 the minimum capital ratios recommended by the KNF have totalled 11.89% for Tier I capital ratio and 14.02% for total TCR capital ratio.

## 5. Selected operational data of the Group

	31 March 2019	31 Dec. 2018 in '000 PLN	Change %
<b>BANK OCHRONY ŚRODOWISKA S.A.</b>			
Number of clients	245,1	247,2	-0,8
Number of retail clients <sup>1</sup>	225,0	226,9	-0,8
Number of corporate clients <sup>1</sup>	20,1	20,3	-1,0
Number of clients using electronic channels	124,8	125,3	-0,4
Number of savings-current accounts <sup>2</sup>	248,0	249,8	-0,7
Payment cards and credit cards total	90,8	92,3	-1,6
Number of outlets	57	57	0,0
<b>DOM MAKLERSKI BOŚ S.A.</b>			
Number of securities accounts	101,9	101,1	0,8
of which online accounts	97,6	96,7	0,9
Number of outlets	13	13	0,0

1) following change of customer classification, 2018 data was adjusted to be comparable

2) including savings accounts

## 6. Bank development lines

On 28 November 2018 the Supervisory Board of Bank Ochrony Środowiska S.A. approved the updated "BOŚ S.A. Framework Development Strategy for 2018-2021". The starting point for modifying this Strategy were the current market and macroeconomic conditions as well as circumstances arising from the updated Recovery Proceedings Program approved by the KNF.

Strategic goals of Bank's updated Strategy for 2021 provide for:

- ROE above 7.7%,
- Net profit of over 180m PLN,
- C/I below 47%,
- share of pro-ecology loans in total loans over 40%,
- cost of risk below 0.75%.

Instantly upon approval, works started in relation to communication and operability of the approved updated Strategy. The bank prepared assumptions for strategic activities and projects to be performed within 10 defined Strategic Programs.

In the first quarter 2019, continued to work on key strategic projects that were implemented in previous years. In parallel, the Bank aims at strengthening the role of electronic distribution channels and adjusting traditional distribution channels to current market challenges and expectations of target customer segments (electronic ecological platform, rearrangement of the web site, electronic and mobile banking for retail customers). The bank is also conducting obligatory undertakings (including adjustment of Bank's systems to PSD2 requirements) and effectiveness-oriented initiatives (optimisation of Agreement registration process).

The Bank started initiatives to popularize knowledge and pro-ecology attitudes, strengthen social commitment of employees and limit Bank's environmental impact. According to the established strategic lines the Bank performs client-centric activities, particularly acquires and uses Customer feedback, which will translate into implementing a pro-client business culture and tools ensuring better Customer experience when contacting the Bank.

## 7. Significant events in 1Q2019

### ■ Awards and honorary mentions

- Economists of Bank Ochrony Środowiska: Łukasz Tarnawa and Aleksandra Świątkowska, won a competition organized by "Parkiet" Stock Exchange and Investors Magazine (Gazeta Giełdy i Inwestorów "Parkiet") for the best forecasts of macroeconomic and market indexes in 2018. The two BOŚ economic forecasters won for the second time in a row and for the third time in the competition history.
- BOŚ Bank Mortgage Loan won a ranking organised by Bankier.pl portal. The February ranking of mortgage loans presented the best banks' offers for those who are planning to buy a pre-owned apartment in Gdańsk. The first place was taken by Bank Ochrony Środowiska, offering – in February, as the ranking presented – the cheapest mortgage loan with minimum down payment.
- 12 Good Practices of Bank Ochrony Środowiska were presented in Report "Responsible Business in Poland. Good Practices 2018" prepared by the Responsible Business Forum (Forum Odpowiedzialnego Biznesu). CSR projects were carried out by Bank employees – volunteers and ecologists – and by BOŚ Foundation.

### ■ Higher rating

On 11 January 2019 (Current Report No. 2/2019), Fitch Ratings Ltd (Agency) increased its rating and affirmed the outlook for the Bank:

- Long-term Foreign Currency IDR was increased to 'BB-' from 'B+' outlook stable,
- Short-term Foreign Currency IDR was upheld at 'B',
- National Long-term Rating raised to 'BBB-(pol)' from 'BB+(pol)', outlook stable,
- National Short-term Rating was affirmed at 'F3(pol)',
- Viability Rating was raised to 'bb-' from 'b+',
- Support Rating remains at '4',
- Support Rating Floor remains at 'B',
- Long-term senior unsecured bond programme worth up to 2 billion PLN increased to 'BBB-(pol)' from 'BB+(pol)',
- Short-term senior unsecured bond programme worth up to 2 billion PLN was affirmed at 'F3 (pol)',
- Rating for subordinated RI series bonds of 83 million PLN increased to 'BB+(pol)' from 'BB-(pol)'.

In its report, as key reasons for this decision the Agency listed, among other things, strengthening of Bank's capital buffers, accomplishment of strategy assumptions and curbing the risk of Bank's commitment being concentrated in windfarms' exposures compared to the previous review of the Bank.

The current ratings result from the Agency's stance regarding the limited possibility of the Bank being supported by the State, mainly in the light of the BRRD (Bank Recovery

and Resolution Directive). However, the Agency admitted that state institutions could undertake preliminary measures to avoid Bank's exceeding regulatory capital requirements due to the State's indirect capital involvement in the Bank and its role in financing pro-ecological projects in Poland.

Among factors which may contribute to raising the ratings the Agency listed further improvement of profitability and asset quality.

## ■ Significant agreement

On 3 January 2019 (Current Report No. 1/2019) the Bank concluded a loan agreement in relation to the construction of office building "Mennica Legacy Tower" in Warsaw with MENNICA TOWERS GGH MT SPÓŁKA Z OGRANICZONĄ ODPOWIEDZIALNOŚCIĄ SPÓŁKA KOMANDYTOWO-AKCYJNA (MENNICA TOWERS GGH MT Limited Liability Company Partnership Limited by Shares) within a framework of a syndicate – (mBank SA, Santander Bank Polska SA, Bank Ochrony Środowiska SA) for a total amount of 131,500,000 EUR – construction/ investment loan and 28,000,000 PLN loan for VAT. The share of Bank Ochrony Środowiska SA in the construction loan amounts to 43.8m EUR and 12m for VAT (total amount incl. VAT exceeds 200m PLN). The agreement's validity period expires on 30 Sep. 2025. The agreement provides for a collateral in the form of a mortgage and other standard collaterals for this type of transaction. The loan is granted for the co-financing of the costs of accomplishment of the investment project involving the construction of office building "MENNICA LEGACY TOWER" in Warsaw.

The interest rate on the construction/ investment loan is based on EURIBOR plus the Bank's margin, the interest rate on the loan for VAT is based on WIBOR plus the Bank's margin. The price terms of the loan do not deviate from market terms for such a type of transaction. Disbursement of the loan funds depends on the Borrower's fulfilment of relevant prerequisites for the use of the loan.

## 8. Core products, services and areas of operations of the Group

### Corporate Client Division

BOŚ S.A. has a wide range of settlement, deposit and loan products on the basis of which it may build, for each client, a custom offer adjusted to specific needs. In its settlement offer the Bank maintains standard current accounts, offering settlement functionalities and used for collecting money and perform domestic and international settlement transactions.

Accounts for the Corporate Segment and SME may be maintained in PLN, USD, EUR, GBP, CHF, SEK, HUF, RUB, CZK, NOK and DKK. Bank's offer allows the customers to benefit from module-based packages of settlement services. The offer provides for three options of Konto Wyjątkowe Biznes accounts, adjusted to the Customer's transaction volumes, accompanied by the following modules: settlement module and FX module, available as options depending on the Customer's business profile.

Accounts for micro-business Customers, housing communities and non-governmental organisations may be maintained in PLN, USD, EUR, GBP, CHF, SEK. Within its offer the Bank

provides additional settlement services. Micro-businesses are offered – Konto Elastyczne, while housing communities – Konto Wspólnota – providing for the seasonal nature of the business activity or adjustment to the Client's transaction volumes.

In the area of settlement and electronic banking products, in the first quarter 2019 the Bank:

- implemented a process of acquiring data of Customers interested in cooperation with BOŚ and forwarding this data to account managers,
- continued works to adjust the Bank to the regulations of 10 May 2018 on amendment of the act on payment services and other selected acts ("Act") implementing PSD2 requirements.

With regard to loan products in 1Q2019, the Bank

- continued to perform actions to optimise and automate the loan process at various levels: customer acquisition, evaluation of a loan application, loan-decision making, disbursement of funds or loan monitoring and administration. The project, among other things, involves implementation of a tool supporting the evaluation process and development of rating systems taking into account the peculiarity of pro-ecology products,
- The Bank initiated a process to boost attractiveness of terms and conditions of loan products for micro-businesses.

In 3Q2018 the Bank included, in its offer, a loan for sole proprietorships – Kredyt dla Firm (Loan for Companies). This product facilitates microbusinesses' everyday operations and planning of further stages of development, allows the business to maintain financial liquidity and invest in newer equipment and various innovations. To make the product more available, the Bank started efforts to change the product parameters. The key changes introduced include:

- increasing the loan amount to 500,000 PLN,
- providing COSME loan guarantee facility as a form of collateral from 100,000 PLN,
- limit the scope of required documentation.

In the first quarter 2019 the Bank launched a promotional offer "Wspólnota z premią" (Housing Community with Bonus) offering promotional prices for customers applying for investment loans or loans with BGK bonus.

### **Local government units**

The Bank cooperates with local government units. It provides comprehensive banking services supporting their budgets, provides effective fund management services. Local government units are serviced in a procedure specified in the Public Procurement Act.

To public finance clients the Bank offers all standard deposit and loan products in its offer. A specific portion of BOŚ S.A. offer is constituted by products for the financing of pro-ecology projects (preferential and commercial loans) as well as loans granted out of foreign banks' credit lines for the financing of environment protection and infrastructure investment projects, such as the European Offer which is a package of products targeting entrepreneurs, local government units and municipal companies.

## Factoring

The Bank offers:

- recourse factoring in domestic and international trade,
- factoring with insurance policy in domestic and international trade,
- reverse factoring.

## Retail Client Division

The Retail Client Division services primarily the individual client segment (including VIP customers).

BOŚ S.A. offer for Retail Clients, the biggest group of Bank Customers, is comprehensive and comprises all major products and services offered in the Polish banking market (bank accounts, settlement products, payment cards, services and products involving investment of cash surpluses, e-banking and loan products) and a wide selection of pro-ecology products supporting the financing of environmental solutions and services for VIP customers provided by specialised account managers.

In 1Q2019 the Bank introduced, in its card services offer, Mastercard Automatic Billing Updater service dedicated to Customers using automatic recurring payments, i.e. subscriptions, loan instalments or utility payments. The Bank is planning to launch, in the nearest future, 3D Secure services – strong authentication of internet payments made with all card types – and Cash back service, i.e. an option to withdraw cash when doing shopping. A new transaction monitoring system will be launched (PRM) to allow real-time verification of authorisation and offer additional authorisation alert functionalities.

In 1Q2019 the Bank made changes to its retail deposit offer in order to adjust it to the dynamic external changes and in order to address business and liquidity needs.

The Bank The Bank continued to develop the offer of open investment funds to diversify solutions available to the client, tailored to individual investment needs and acceptable investment risk profile. Bank clients were offered services of over 300 open investment funds. The Bank was also pursuing its business goal to increase product saturation of clients and to increase the sales income in the retail segment, particularly VIP.

## Amounts owed to retail customers

Actions undertaken by the Bank in the first quarter 2019 regarding deposit products for retail clients are focused on:

- building permanent relations with Clients by promoting those Customers who actively use savings and clearing accounts as the foundation of the Client-Bank relationship
- caring for the optimisation of costs of the deposit portfolio and continuous adjustment to the changing macroeconomic environment,
- maintaining the balance of the Retail deposits in accordance with the Bank's liquidity needs.

The major deposit products for retail customers that built the deposit balance in 1Q2019 included:

- current accounts, including personal accounts with the basic EKOkonto bez Kosztów account and savings accounts with the new EKOkonto Oszczędnościowe PLN account,



- promotional time deposits: e-lokata na Plusie, EKOkokata Na Dobry Początek, EKOkokata Zyskowa, EKOkokata Rentowna EKOkokata Plus, EKOkokata na Lata and EKOkokata 5 na 5,
- FX time deposit: EKOkokata z Frankiem in CHF.

Bank activities related to accounts:

- savings-clearing accounts – focused on continuing to provide a transparent offer of accounts by keeping, in the offer, savings and clearing accounts: EKOkokonto bez Kosztów and EKOkokont VIP and EKOkokonto oszczędnościowe (savings account) in three options tailored to Customer needs and encouraging to active use of savings and clearing account and to regularly saving even small amounts on the savings account. EKOkokonto oszczędnościowe account is available in PLN as well as in EUR and CHF. In 1Q2019 the Bank continues to promote accounts for beneficiaries of the government's Rodzina 500+ program,
- current accounts – the Bank started to enrich the offer of bank accounts by adding non-banking services boosting the attractiveness of the offer.

### **Insurance products**

The Bank is consistently developing its insurance product operations. In the first quarter 2019 the Bank offered insurance of the credited item to BOŚ S.A. customers, life insurance to borrowers, job-loss insurance and insurance packages for payment cards.

BOŚ S.A. sells insurance products as an agent of insurance companies.

### **Loan products – retail customers**

Major loan products for retail customers include:

- pro-ecology loans,
- cash advance,
- credit cards,
- pro-ecology mortgage loan,
- stock-exchange loan.

The Bank supports pro-ecology solutions by, among other things, granting mortgage loans for the construction of prefabricated timber-frame houses.

To support the sales process and build standing relations with customers, the Bank launched a pre-calculated offer.

In 1Q2019 the Bank initiated actions to support and promote the Przejrzysta Pożyczka (Transparent Loan) offer, with which Customers may care for a cleaner atmosphere around them by carrying out thermal insulation works and replacing heating devices with more environment-friendly solutions.

In March 2019 the maximum loan amount was increased which significantly boosted market attractiveness of this product.

### **Development of brokerage services**

In 1Q2019 the turnover on the stock market of Warsaw Stock Exchange remained low (-4.6% y/y). In session transactions turnover generated by the Company on the stock market



was 7.6% lower than in the same period in 2018, but still 6.7% higher than in the previous quarter.

The market share of Dom Maklerski BOŚ S.A. on WSE stock market in 1Q2019 in session transactions totalled 4.33%, which is higher than in 4Q2018 (4.25%). On the forward and futures contract market Dom Maklerski BOŚ S.A. remained the market leader with a share of 22.97%. In 1Q2019 the company was also second leading company in the NewConnect market with a share of 15.54%.

On the main WSE market, in 1Q2019, there were three debuts – two companies and one ETF. Dom Maklerski BOŚ S.A. was the offeror of all this year's newcomers. In this period, it brought the following companies into the WSE regulated market: DataWalk SA and XTPL SA, and also ETF Agio Beta – the first Polish ETF, for which the DM is also an animator. Dom Maklerski BOŚ S.A. also participated in distribution syndicates in the issues of bonds of: Echo Investment S.A. and Ghelamco Invest S.A.

A strong market position and a high quality of the provided services once more contributed to the Company's winning industry awards. In 1Q2019 Dom Maklerski BOŚ S.A. was awarded WSE award in the category of "Derivative Instruments Market Leader" for the biggest activity in the forward and futures market in 2018 and a statue of Platinum Megawatt (Platynowy Megawat) – an award granted by TGE for the biggest activity in the gas market from among brokerage houses in 2018. Dom Maklerski BOŚ S.A. was also declared the Financial Brand of the Year for the offered services and products of the top quality in the investment market.

## 8. Segment reporting

According to IFRS 8 requirements operational segments have been defined on the basis of internal reports of components of the business entity subject to periodic reviews conducted by a member of management responsible for undertaking operational decisions. A description of the principles applied when preparing reports on segments of operations have been described in Note 48 of the Annual consolidated financial statement for the year ended 31 December 2018. The results of operational segments for the same period last year were adjusted for comparison purposes. Below find consolidated financial results of BOŚ S.A. Group for the period of three months ended 31 March 2019 and 31 March 2018 falling to the classified segments.

Statement presenting items of consolidated profit and loss account for the 3 months ended 31 March 2019		CORPORATE CLIENT DIVISION	RETAIL CLIENT DIVISION	TREASURY AND INVESTMENT OPERATIONS	BROKERAGE ACTIVITY	OTHER (NOT ALLOCATED TO SEGMENTS)	BOŚ GROUP
<b>I.</b>	<b>Net interest income</b>	<b>48 108</b>	<b>22 326</b>	<b>31 246</b>	<b>1 477</b>	<b>-298</b>	<b>102 859</b>
1.	Interest and similar income from:	117 470	76 102	-38 789	2 178	3	156 964
	– sale to external clients	92 214	31 406	29 995	247	0	153 862
	– sale to other segments	25 256	44 696	-68 784	1 931	3	3 102
2.	Interest and similar expense attributed to:	-69 362	-53 776	70 035	-701	-301	-54 105
	– sale to external clients	-11 736	-31 181	-7 816	-270	0	-51 003
	– sale to other segments	-57 626	-22 595	77 851	-431	-301	-3 102
II.	Fee and commission income	15 719	1 735	1	10 902	-1 390	26 967
III.	Dividend income	0	0	5 447	0	0	5 447
IV.	Income from financial instruments measured at fair value through P/L	0	-20	-1 137	6 110	0	4 953
V.	Net hedge accounting income	0	0	119	0	0	119
VI.	Investment securities income	0	0	301	0	0	301
VII.	Foreign exchange result	1 205	750	3 603	-146	1	5 413
<b>VIII.</b>	<b>Result on banking operations</b>	<b>65 032</b>	<b>24 791</b>	<b>39 580</b>	<b>18 343</b>	<b>-1 687</b>	<b>146 059</b>
IX.	Result on other operating income and expense	226	172	0	298	335	1 031
X.	Net impairment gains	-4 473	-3 215	-256	0	0	-7 944
<b>XI.</b>	<b>Net income from financing activities</b>	<b>60 785</b>	<b>21 748</b>	<b>39 324</b>	<b>18 641</b>	<b>-1 352</b>	<b>139 146</b>
1.	Direct expense	-5 822	-5 388	0	-14 561	-350	-26 121
	<b>Result including direct expense</b>	<b>54 963</b>	<b>16 360</b>	<b>39 324</b>	<b>4 080</b>	<b>-1 702</b>	<b>113 025</b>
2.	Indirect and mutual services	-16 387	-17 249	-3 026	0	0	-36 662
	<b>Result including direct and indirect expense</b>	<b>38 576</b>	<b>-889</b>	<b>36 298</b>	<b>4 080</b>	<b>-1 702</b>	<b>76 363</b>
3.	Amortization and depreciation	-5 213	-6 093	-599	-1 493	-294	-13 692
4.	Depreciation of right of use IFRS 16	-1 769	-2 111	-155	-397	0	-4 432
5.	Other expenses (taxes, BFG, KNF)	-16 147	-13 144	119	-721	-80	-29 973
<b>XII.</b>	<b>Total gains and losses before tax before ALM result allocation</b>	<b>15 447</b>	<b>-22 237</b>	<b>35 663</b>	<b>1 469</b>	<b>-2 076</b>	<b>28 266</b>
XIII.	Allocated ALM result	16 533	18 926	-35 459	0	0	0
<b>XIV.</b>	<b>Total gains and losses before tax after ALM result allocation</b>	<b>31 980</b>	<b>-3 311</b>	<b>204</b>	<b>1 469</b>	<b>-2 076</b>	<b>28 266</b>
XV.	Tax charges						-11 182
<b>XVI.</b>	<b>Total gains/ losses after tax</b>						<b>17 084</b>
	<b>Assets of segment</b>	<b>8 358 120</b>	<b>3 669 982</b>	<b>6 025 401</b>	<b>251 559</b>	<b>150 718</b>	<b>18 455 780</b>
	<b>Liabilities of segment</b>	<b>4 834 657</b>	<b>8 274 931</b>	<b>4 127 864</b>	<b>851 450</b>	<b>366 878</b>	<b>18 455 780</b>
	<b>Fixed and intangible assets expenditure</b>	<b>2 897</b>	<b>2 337</b>	<b>195</b>	<b>1 045</b>	<b>0</b>	<b>6 474</b>

Statement presenting items of consolidated profit and loss account for the 3 months ended 31 March 2018		CORPORATE CLIENT DIVISION	RETAIL CLIENT DIVISION	TREASURY AND INVESTMENT OPERATIONS	BROKERAGE ACTIVITY	OTHER (NOT ALLOCATED TO SEGMENTS)	BOŚ GROUP
<b>I.</b>	<b>Net interest income</b>	<b>42 624</b>	<b>30 484</b>	<b>14 309</b>	<b>1 422</b>	<b>11</b>	<b>88 850</b>
1.	Interest and similar income from:	114 690	90 913	-50 115	2 015	325	157 828
	– sale to external clients	88 692	35 605	30 204	226	0	154 727
	– sale to other segments	25 998	55 308	-80 319	1 789	325	3 101
2.	Interest and similar expense attributed to:	-72 066	-60 429	64 424	-593	-314	-68 978
	– sale to external clients	-12 873	-35 803	-16 985	-216	0	-65 877
	– sale to other segments	-59 193	-24 626	81 409	-377	-314	-3 101
<b>II.</b>	<b>Fee and commission income</b>	<b>11 334</b>	<b>4 511</b>	<b>-157</b>	<b>11 973</b>	<b>-539</b>	<b>27 122</b>
III.	Dividend income	0	0	0	0	0	0
IV.	Income from financial instruments measured at fair value through P/L	0	0	4 539	6 128	0	10 667
V.	Net hedge accounting income	0	0	489	0	0	489
VI.	Investment securities income	14	0	-81	0	0	-67
VII.	Foreign exchange result	1 953	1 046	3 772	-127	14	6 658
<b>VIII.</b>	<b>Result on banking operations</b>	<b>55 925</b>	<b>36 041</b>	<b>22 871</b>	<b>19 396</b>	<b>-514</b>	<b>133 719</b>
IX.	Result on other operating income and expense	197	115	0	1 276	-1 165	423
X.	Net impairment gains	-3 126	-6 010	6	0	1	-9 129
<b>XI.</b>	<b>Net income from financing activities</b>	<b>52 996</b>	<b>30 146</b>	<b>22 877</b>	<b>20 672</b>	<b>-1 678</b>	<b>125 013</b>
1.	Direct expense	-8 573	-8 914	0	-15 465	-900	-33 852
	<b>Result including direct expense</b>	<b>44 423</b>	<b>21 232</b>	<b>22 877</b>	<b>5 207</b>	<b>-2 578</b>	<b>91 161</b>
2.	Indirect and mutual services	-14 796	-17 568	-3 243	0	0	-35 607
	<b>Result including direct and indirect expense</b>	<b>29 627</b>	<b>3 664</b>	<b>19 634</b>	<b>5 207</b>	<b>-2 578</b>	<b>55 554</b>
3.	Amortization and depreciation	-3 390	-4 067	-545	-1 506	-466	-9 974
4.	Depreciation of right of use IFRS 16	-9 734	-9 861	-49	-752	-138	-20 534
<b>XII.</b>	<b>Other expenses (taxes, BFG, KNF)</b>	<b>16 503</b>	<b>-10 264</b>	<b>19 040</b>	<b>2 949</b>	<b>-3 182</b>	<b>25 046</b>
XIII.	<b>Total gains and losses before tax before ALM result allocation</b>	<b>6 864</b>	<b>12 837</b>	<b>-19 701</b>	<b>0</b>	<b>0</b>	<b>0</b>
XIV.	Allocated ALM result	<b>23 367</b>	<b>2 573</b>	<b>-661</b>	<b>2 949</b>	<b>-3 182</b>	<b>25 046</b>
XV.	<b>Total gains and losses before tax after ALM result allocation</b>						<b>-8 699</b>
XVI.	Tax charges						<b>16 347</b>
	<b>Total gains/ losses after tax</b>	<b>8 352 919</b>	<b>3 982 706</b>	<b>6 673 799</b>	<b>268 648</b>	<b>133 315</b>	<b>19 411 387</b>
	<b>Assets of segment</b>	<b>4 713 104</b>	<b>9 101 270</b>	<b>4 694 153</b>	<b>799 573</b>	<b>103 287</b>	<b>19 411 387</b>
	<b>Liabilities of segment</b>	<b>826</b>	<b>934</b>	<b>88</b>	<b>2 250</b>	<b>0</b>	<b>4 098</b>

## 9. Factors likely to affect performance at least in the next quarter

### Risks which are significant from Group's perspective in the area of financing wind farm customers

Specific categories of regulatory, legal and market risks identified in past periods by the Group in relation to the loans granted for financing land wind power sector, remained relevant in the first quarter 2019.

These risks, described below, have been allocated to a relevant wind farm exposure pricing model applied in the Group which allows simulation of cashflows for individual projects with provided modifiable (variable and regularly updated) pricing parameters, which include:

- property tax rate,
- productivity,
- electrical energy price curves and green certificate price curves adopted by the Bank on the basis of Group's internal analysis and based on reports of bank's renowned business partners,
- pricing scenarios setting individual probability, for each project, of regular repayments, restructuring and debt collection,
- weighted average cost of capital (WACC) adopted for the restructuring scenario at a level of an effective interest rate for individual exposures and for the debt collection scenario at the level of 10.9%.

### Risk of green certificate price decline

As part of an analysis of creditworthiness of wind farm companies, carried out prior to granting loans, the Bank conducted analysis of individual projects' sensitivity to changes of income-cost parameters, particularly the decrease of prices of green certificates, while at the same time, adopting a conservative scenario for the projects' productivity (P90). In order to compensate for the seasonal income decline, a standard approach in the projects being financed was to set aside a reserve in the form of a Debt Payment Reserve Account, on which funds amounting to multiple monthly instalments (principal plus interest) were deposited. Relevant provisions of the agreement obligate the Customer to supplement the account balance upon using the reserve to repay the debt.

In accordance with prudent valuation rules, when estimating future cash flows, the Group adopts the green certificate prices during the forecasted period below today's market value.

### Risk of change of property tax base calculation

The amendment to the act amending the Act on renewable energy sources and other selected acts, published on 29 June 2018, which made it possible to restore earlier regulations, more beneficial to investors, regarding rules of taxation of wind farms with property tax, effective prior to 1 January 2017, did not eliminate doubts regarding correctness of rules of calculating property tax for 2017. Therefore, during the period ended 31 March 2019 the Group applied a prudent approach to property tax calculation in the wind farm valuation model within selected projects.

**Risk of legal dispute between Bank Customers and Energa – Obrót S.A.**

On 11 September 2017 Energa S.A. published a current report no. 37/2017 in which it informed about an intention to file lawsuits in order to declare null and void legal conditions arising from conclusion, by subsidiary Energa Obrót S.A. with RES energy producers, of twenty-two framework agreements for the collection of property rights arising from RES certificates (“green certificates”) as the agreements’ wording had been formulated contrary to the public procurement act (“CPA agreements”). As a consequence of the above, the Management Board of Energa Obrót S.A. decided to cease execution of the CPA agreements and file lawsuits to relevant courts of law to declare the agreements null and void – the lawsuits were filed against contractors and banks – assignees, due to the concluded contracts for the assignment of amounts due from CPA agreements (one of collaterals for the loans granted for the accomplishment of projects to construct wind farms).

Actions of Energa – Obrót S.A. undertaken in September 2017 applied to 8 Customers credited by the Group; in two cases initiated by lawsuits of Energa Obrót S.A., BOŚ S.A. and its Customers acted as defendants, however, once the Bank and clients concluded assignment contracts reversing from CPA agreements, Energa lost a legal interest and withdrew its lawsuits against the Bank.

Now BOŚ S.A. is not directly participating as Co-Defendant in any court disputes. Therefore, the Group does not anticipate any additional costs to be incurred by the Bank as a result of court disputes conducted by Customers.

As at 31 March 2019 there are lawsuits in common courts and in an Arbitration Court being conducted against 6 customers, whose total commitment towards the Group amounts to 127.7m PLN, which is 6.96% of total commitment arising from wind farm portfolio exposures. The Group precisely monitors the economic and financial situation of these Customers and the status of their court disputes; it is also continuously in touch with the shareholders and sponsors of the Projects. Rulings so far issued in disputes initiated by Energa Obrót S.A. involve three verdicts positive to the Customers of the Group, i.e. repealing the litigation of Energa Obrót S.A., while two of the rulings were issued by a common court of the first instance, and one by an Arbitration Court. Debts arising from the loans granted to those customers are repaid timely despite temporary liquidity problems arising from partial suspension of sale of green certificates during the court disputes and having to incur costs of legal services within the conducted disputes. A factor mitigating the risk of not generating sufficient cash flows to cover the principal-interest payments may be the use of funds deposited on the projects’ reserve accounts which the Group set as standard collateral for financing granted within the project finance formula. Depending on the individual strategy of dispute management applied by the Sponsors, affecting the Customers’ situation and the generated cashflows, the Group may also agree with the Customer to temporarily adjust the terms of the financing to the current cashflows generated by the project.

Taking into account the identified risks related to wind farm exposures, the Group continued to monitor Customers’ financial situation and changes in the legal and regulatory environment affecting the operations of the RES and wind energy sector, implementing mitigation controls whenever needed.

Other factors likely to impact the Bank's performance in the coming quarters include:

- **effects of a possible regulatory solution of the problem of housing loans denominated in CHF or other foreign currencies**

At the time of publication of this report the final shape of a regulatory solution to the problem of

housing loans denominated in foreign currencies is not known. Should suggested conversion proposals in respect of mortgage loans extended in foreign currencies be enacted, the financial results of the banking sector at large, and of BOŚ S.A., may be affected adversely;

- **risk of PLN's serious weakening against CHF and EUR**

Such an event would result in an increase of foreign currency loans volume, which means growing capital requirement regarding these loans. Any permanent, significant depreciation of PLN against foreign currencies, particularly CHF, would mean one should expect deterioration of the quality of FX mortgage loan portfolio;

- **risk of growing volatility on global financial markets and of lowering ratings of Poland and of the Bank**

Consequences for the Bank may comprise, among other things, growing costs of external financing, impaired access to international financing sources, or difficulties in handling transactions in respect of foreign currency and interest rate risk management.

- **risk of enduring low interest rates or further interest cuts in PLN and foreign currency products**

Any further interest rate cuts, if put in place, would curtail the net interest margin now in effect and would push down net interest result, as regulatory restrictions already put caps on rates, any further lowering of interest rates on current accounts is no longer possible or agreement clauses.

## 10. Non-standard factors and events affecting performance

The total amount of annual contribution to the fund of forced restructuring of banks set by BFG for 2019, i.e. 29.3m PLN, has been accounted for, as one-off item, as 1Q2019 expense. Along with the contribution to the banks guarantee fund in the amount of 2.7m PLN, BFG contributions booked against the 1Q2019 result amount to 31.1m PLN.

In the first quarter 2019 no non-standard events occurred at BOŚ S.A. that would be relevant for an assessment of its human resources, assets, financial position, financial performance, and changes thereof, or for an assessment of the issuer's capacity to meet its obligations.

## **11. Management Board position on the feasibility of the published forecasts**

The BOŚ S.A. Group published no financial forecast in 1Q2019.

## **12. Seasonal or cyclical developments**

No significant trends of seasonal or cyclical nature are known to occur in the business of the Bank. The performance of the Dom Maklerski BOŚ S.A. brokerage depends on the situation on the Warsaw Stock Exchange (WSE).

## **13. Issuance, redemption and payment of debt securities or equity securities**

In the first quarter 2019 the Bank did not conduct any issue, redemption, payment of debt securities or equity securities.

## **14. Dividends**

In the first quarter 2019 the Bank did not pay or declare payment of any dividends.

## **15. Transactions with related entities**

From 1 January 2019 through 31 March 2019 either the Bank or its subsidiaries did not conclude any transactions with related entities which could individually or jointly be significant or concluded under non-market terms and conditions.

## **16. Loan or cash advance sureties or guarantees granted, where the total of running sureties or guarantees is equivalent to not less than 10% of issuer's equity**

In the first quarter 2019 the Bank granted no collateral for a loan, advance or guarantee such as the total thereof would be equivalent to not less than 10% of issuer's equity.

## **17. Ongoing judicial or administrative proceedings**

As at 31 March 2019 Bank Ochrony Środowiska S.A. was involved:



- as plaintiff in 731 judicial cases for a total amount of 81.6m PLN,
- as defendant in 93 judicial cases for a total amount of 40.7m PLN.

As at 31 March 2019 the Bank conducted no judicial proceedings in excess of 10% of the equity of the Bank.

## **18. Shareholders holding directly or indirectly, through subsidiaries, at least 5% of the total number of votes at Issuer's General Meeting**

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

- Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej [National Fund for Environmental Protection and Water Resource Management, NFOŚiGW] held a total of 53,951,960 shares, which represents 58.05% of equity of the Bank and of total votes at the General Meeting,
- Fundusz Inwestycji Polskich Przedsiębiorstw Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych held a total of 8,000,000 shares, which represents 8.61% of equity of the Bank and of total votes at the General Meeting,
- Dyrekcja Generalna Lasów Państwowych [Directorate General of State Forests authority] held a total of 5,148,000 shares, which represents 5.54% of equity of the Bank and of total votes at the General Meeting.

The total number of votes attached to all shares issued by BOŚ S.A. is 92,947,671. All shares are ordinary bearer shares of PLN 10 nominal value per share.

## **19. BOŚ S.A. shares held by members of executive and supervisory bodies**

Members of the Bank Management Board and Members of the Bank Supervisory Boards hold no BOŚ S.A. shares or rights to such shares.

## **20. Other information issuer deems necessary for assessments of its human resources, assets, financial position, financial performance, and changes thereof, and information relevant to issuer**

In the first quarter 2019 no other events occurred at BOŚ S.A. that would be relevant for an assessment of its human resources, assets, financial position, financial performance, and changes thereof, or for an assessment of the issuer's capacity to meet its obligations.

## 21. Bank Supervisory Board

As at 31 December 2018 the Supervisory Board's composition was as follows:

- 1) Wojciech Piotr Wardacki – Chairman
- 2) Andrzej Matysiak – Vice Chairman
- 3) Emil Ślqzak – Secretary
- 4) Iwona Duda
- 5) Janina Kazimiera Goss
- 6) Piotr Sadownik
- 7) Marian Szotucha
- 8) Dariusz Wasilewski

In the first quarter 2019 the composition of the Supervisory Board did not change.

## 22. Bank Management Board

As at 31 December 2018 the Management Board's composition was as follows:

- 1) Bogusław Białowqś, President of the Management Board,
- 2) Arkadiusz Garbarczyk, Vice President – First Vice President of the Management Board,
- 3) Konrad Raczkowski, Vice President of the Management Board.

In the first quarter 2019 the composition of the Management Board did not change.

**ABRIDGED INTERIM CONSOLIDATED FINANCIAL STATEMENT OF BOŚ S.A. CAPITAL GROUP****Abridged interim consolidated profit and loss account statement**

Continued operations	for 3 months ended 31 March 2019	for 3 months ended 31 March 2018
Interest and similar income, of which:	153 862	154 727
<i>assets measured at amortised cost</i>	129 610	129 157
<i>assets measured at fair value through other total income</i>	23 255	24 830
<i>financial assets measured obligatorily at fair value through P/L</i>	997	740
Interest expense and similar charges, of which:	- 51 003	- 65 877
<i>financial liabilities measured at amortized cost</i>	- 48 570	- 63 507
<i>financial liabilities measured obligatorily at fair value through P/L</i>	- 2 398	- 2 370
<i>IFRS 16 leasing liabilities</i>	- 35	-
<b>Net interest income</b>	<b>102 859</b>	<b>88 850</b>
Fee and commission income	36 253	36 262
Fee and commission expense	- 9 286	- 9 140
<b>Net fee and commission income</b>	<b>26 967</b>	<b>27 122</b>
Dividend income	5 447	-
Income from financial instruments measured at fair value through P/L (including amounts due from customers)	4 953	10 667
Investment securities income	301	- 67
Net hedge accounting income	119	489
Foreign exchange result	5 413	6 658
Other operating income	5 355	4 922
Other operating expense	- 4 324	- 4 499
Net impairment gains	- 7 944	- 9 129
Depreciation of right of use IFRS 16	- 4 432	-
Administrative expenses	- 106 448	- 99 967
<b>Profit before tax</b>	<b>28 266</b>	<b>25 046</b>
Tax charges	- 11 182	- 8 699
<b>Net profit</b>	<b>17 084</b>	<b>16 347</b>
<b>of which attributable to:</b>		
<i>equity holders of the Bank</i>	17 084	16 347
<i>non-controlling equity holders</i>	-	-
<b>Earnings per share attributable to the Bank's equity holders during the period (in PLN)</b>		
<i>basic</i>	0,18	0,26
<i>diluted</i>	0,18	0,26

No discontinued operations during the 3 months ended 31 March 2019 and in 2018.

**Abridged interim consolidated comprehensive income statement**

<b>Continued operations</b>	<b>for 3 months ended 31 March 2019</b>	<b>for 3 months ended 31 March 2018</b>
<b>Net profit</b>	<b>17 084</b>	<b>16 347</b>
<b>Positions which may be reclassified to profit and loss account statement</b>	<b>- 13 042</b>	<b>8 854</b>
Fair value of financial assets measured at fair value through other total income, before tax	- 16 101	10 911
Deferred tax	3 059	- 2 057
<b>Positions not transferred to income profit and loss account statement</b>	<b>-</b>	<b>-</b>
<b>Total gains and losses</b>	<b>4 042</b>	<b>25 201</b>
<b>Of which attributable to:</b>		
<i>equity holders of the Bank</i>	4 042	25 201
<i>non-controlling equity holders</i>	-	-

**Abridged interim consolidated financial position statement**

Assets	31 March 2019	31 Dec. 2018
Cash and balances with the Central Bank	192 261	186 736
Amounts due from other banks	175 398	196 104
Trading securities of which:	125 606	87 761
<i>capital market securities</i>	13 892	9 131
<i>debt securities</i>	40 935	2 903
<i>derivative instruments</i>	70 779	75 727
Hedging derivatives	-	-
Investment securities:	5 632 299	5 476 293
<i>capital market securities measured at fair value through other total income</i>	85 028	85 027
<i>debt securities measured at fair value through other total income</i>	4 170 707	4 015 998
<i>debt securities measured at amortised cost</i>	1 376 564	1 375 268
Amounts due from customers, of which:	11 777 561	11 809 527
<i>measured at amortized cost</i>	11 676 385	11 704 874
<i>measured at fair value through P/L</i>	101 176	104 653
Intangible assets	117 160	120 050
Property and equipment	68 298	68 396
Right of use – leasing	69 551	-
Income tax assets:	97 419	99 867
<i>current</i>	1 124	1 124
<i>deferred</i>	96 295	98 743
Other assets	200 227	206 291
<b>Total assets</b>	<b>18 455 780</b>	<b>18 251 025</b>

<b>Liabilities</b>	<b>31 March 2019</b>	<b>31 Dec. 2018</b>
Amounts owed to Central Bank and other banks	605 273	571 784
Trading derivative financial instruments	62 691	54 336
Hedging derivative instruments	27 395	18 298
Amounts owed to clients	14 885 457	14 799 109
Debt securities issued	46 196	46 590
Subordinate debt	369 172	370 672
Provisions	29 644	35 773
Income tax liabilities	2 865	4 972
<i>current</i>	1 701	4 497
<i>deferred</i>	1 164	475
IFRS 16 leasing right liabilities	70 000	-
Other liabilities	215 460	211 925
<b>Total liabilities</b>	<b>16 314 153</b>	<b>16 113 459</b>

<b>Equity</b>	<b>31 March 2019</b>	<b>31 Dec. 2018</b>
<b>Equity attributable to equity holders of the Bank:</b>		
Core capital:	1 461 036	1 461 036
<i>Share capital</i>	929 477	929 477
<i>Own shares</i>	-1 292	-1 292
<i>Supplementary capital from sale of shares above par</i>	532 851	532 851
Revaluation reserve	44 348	57 390
Retained earnings	636 243	619 140
<b>Total equity</b>	<b>2 141 627</b>	<b>2 137 566</b>
<b>Total equity and liabilities</b>	<b>18 455 780</b>	<b>18 251 025</b>

**Abridged interim changes in equity statement**

	Equity attributable to holders of the Bank equity									
	Core capital					Retained earnings				Total equity
	Share capital	Own shares	Supplementary capital from sale of shares above par	Revaluation reserve	Other supplementary capital	Other reserve capital	General risk fund	Accumulated profit/losses		
<b>As at 1 Jan. 2019</b>	<b>929 477</b>	<b>- 1 292</b>	<b>532 851</b>	<b>57 390</b>	<b>624 393</b>	<b>23 605</b>	<b>48 302</b>	<b>- 77 160</b>	<b>2 137 566</b>	
Net profit	-	-	-	-	-	-	-	17 084	17 084	
Other total income	-	-	-	- 13 042	-	-	-	-	- 13 042	
<b>Total gains and losses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>- 13 042</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17 084</b>	<b>4 042</b>	
Income from sale of securities classified under IFRS 9	-	-	-	-	-	-	-	19	19	
<b>As at 31 March 2019</b>	<b>929 477</b>	<b>- 1 292</b>	<b>532 851</b>	<b>44 348</b>	<b>624 393</b>	<b>23 605</b>	<b>48 302</b>	<b>- 60 057</b>	<b>2 141 627</b>	
<b>As at 1 Jan. 2018</b>	<b>628 732</b>	<b>- 1 292</b>	<b>532 851</b>	<b>59 652</b>	<b>594 874</b>	<b>23 605</b>	<b>48 302</b>	<b>- 112 005</b>	<b>1 774 719</b>	
Net profit	-	-	-	-	-	-	-	63 728	63 728	
Other total income	-	-	-	- 2 262	-	-	-	-	- 2 262	
<b>Total gains and losses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>- 2 262</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63 728</b>	<b>61 466</b>	
Income from sale of securities classified under IFRS 9	-	-	-	-	-	-	-	2 223	2 223	
Issue of V series shares	300 745	-	-	-	-	-	-	-	300 745	
Share issue expense	-	-	-	-	-	-	-	- 1 587	- 1 587	
<b>Total gains/ losses distribution, of which:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29 519</b>	<b>-</b>	<b>-</b>	<b>- 29 519</b>	<b>-</b>	
Gains/ losses transferred to other capital	-	-	-	-	36 482	-	-	- 36 482	-	
Coverage of U series share issue expense	-	-	-	-	- 6 963	-	-	6 963	-	
<b>As at 31 Dec. 2018</b>	<b>929 477</b>	<b>- 1 292</b>	<b>532 851</b>	<b>57 390</b>	<b>624 393</b>	<b>23 605</b>	<b>48 302</b>	<b>- 77 160</b>	<b>2 137 566</b>	
<b>As at 1 Jan. 2018</b>	<b>628 732</b>	<b>- 1 292</b>	<b>532 851</b>	<b>59 652</b>	<b>594 874</b>	<b>23 605</b>	<b>48 302</b>	<b>- 112 005</b>	<b>1 774 719</b>	

Net profit	-	-	-	-	-	-	-	16 347	16 347
Other total income	-	-	-	8 854	-	-	-	-	8 854
<b>Total gains/ losses</b>	-	-	-	<b>8 854</b>	-	-	-	<b>16 347</b>	<b>25 201</b>
Income from sale of securities classified under IFRS 9	-	-	-	-	-	-	-	2 164	2 164
<b>As at 31 March 2018</b>	<b>628 732</b>	<b>- 1 292</b>	<b>532 851</b>	<b>68 506</b>	<b>594 874</b>	<b>23 605</b>	<b>48 302</b>	<b>- 93 494</b>	<b>1 802 084</b>

No non-controlling shares for the 3 months ended 31 March 2019 and in 2018.



**Abridged interim consolidated cash flow statement**

Indirect method	for 3 months ended 31 March 2019	for 3 months ended 31 March – 2018
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	28 266	<b>25 046</b>
<b>Total adjustment:</b>	<b>22 326</b>	<b>167 952</b>
Amortization and depreciation	9 657	9 974
Net interest on investment activities	- 27 094	- 6 882
Gains/ losses on investment activities	- 16	- 73
Net interest on financing activities	4 742	13 716
Dividends received, of which:	- 5 447	-
<i>from investment securities</i>	5 447	-
Change in the balance of:	42 809	153 375
<i>amounts due from other banks</i>	- 21 294	- 7 799
<i>trading securities</i>	- 42 793	- 18 608
<i>assets and liabilities due to valuation of derivative financial and hedging instruments</i>	22 400	54 606
<i>investment securities</i>	- 70 995	- 20 607
<i>amounts due from customers</i>	31 966	161 103
<i>right of use – leasing</i>	- 69 551	-
<i>other assets and income tax</i>	5 152	102 035
<i>amounts owed to Central Bank and other banks</i>	33 489	- 109 303
<i>amounts owed to clients</i>	86 348	112 969
<i>provisions</i>	- 6 129	10 691
<i>IFRS 16 leasing liabilities</i>	70 000	-
<i>other liabilities and tax income</i>	4 216	- 131 712
<i>Income tax paid</i>	- 7 772	- 2 158
<b>Net cash flow from operating activities</b>	<b>50 592</b>	<b>192 998</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
<b>Inflows</b>	<b>25 814</b>	<b>43 655</b>
Sale of material fixed assets	16	74
Interest received from maturities valued at amortized cost	25 798	43 581
<b>Outflows</b>	<b>- 6 448</b>	<b>- 4 091</b>
Acquisition of intangible assets	- 3 572	- 2 360
Acquisition of material fixed assets	- 2 876	- 1 731
<b>Net cash flow from investment activities</b>	<b>19 366</b>	<b>39 564</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>Inflows</b>	<b>-</b>	<b>-</b>
<b>Outflows</b>	<b>- 6 636</b>	<b>- 109 109</b>
Redemption of bonds issued by BOŚ Group		- 100 000
Interest paid on bonds issued by BOŚ Group, of which:	- 6 636	- 9 109
<i>subordinated bonds</i>	- 5 852	- 6 801
<b>Net cash flow from financing activities</b>	<b>- 6 636</b>	<b>- 109 109</b>
<b>TOTAL NET CASH FLOW</b>	<b>63 322</b>	<b>123 453</b>
<b>BALANCE SHEET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>63 322</b>	<b>123 453</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>1 733 481</b>	<b>2 530 339</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>1 796 803</b>	<b>2 653 792</b>
Cash and cash equivalents with limited disposability	197 028	515 716

**ABRIDGED INTERIM SEPARATE FINANCIAL STATEMENTS OF BOŚ S.A.****Abridged interim separate profit and loss account statement**

<b>Continued operations</b>	<b>for 3 months ended 31 March 2019</b>	<b>for 3 months ended 31 March 2018</b>
Interest and similar income, of which:	153 750	154 442
<i>assets measured at amortised cost</i>	129 532	128 928
<i>assets measured at fair value through other total income</i>	23 255	24 830
<i>financial assets measured obligatorily at fair value through P/L</i>	963	684
Interest expense and similar charges, of which:	- 52 711	- 67 555
<i>financial liabilities measured at amortized cost</i>	- 50 313	- 65 185
<i>financial liabilities measured obligatorily at fair value through P/L</i>	- 2 398	- 2 370
<b>Net interest income</b>	<b>101 039</b>	<b>86 887</b>
Fee and commission income	20 226	19 355
Fee and commission expense	- 4 087	- 3 521
<b>Net fee and commission income</b>	<b>16 139</b>	<b>15 834</b>
Dividend income	5 447	-
Income from financial instruments measured at fair value through P/L (including amounts due from customers)	- 935	4 762
Investment securities income	301	- 67
Net hedge accounting income	119	489
Foreign exchange result	5 558	6 771
Other operating income	1 719	1 193
Other operating expense	- 3 305	- 3 690
Net impairment gains	- 7 767	- 9 601
Depreciation of right of use IFRS 16	- 4 035	-
Administrative expenses	- 88 047	- 80 016
<b>Profit before tax</b>	<b>26 233</b>	<b>22 562</b>
Tax charges	- 10 226	- 8 316
<b>Net profit</b>	<b>16 007</b>	<b>14 246</b>
<b>Earnings per share attributable to the Bank's equity holders during the period (in PLN)</b>		
<i>basic</i>	0,17	0,23
<i>diluted</i>	0,17	0,23

No discontinued operations during the 3 months ended 31 March 2019 and in 2018.

**Abridged interim separate income statement of the Bank**

Continued operations	for 3 months ended 31 March 2019	for 3 months ended 31 March 2018
<b>Net profit</b>	<b>16 007</b>	<b>14 246</b>
<b>Positions which may be reclassified to profit and loss account statement</b>	<b>- 13 042</b>	<b>8 853</b>
Fair value of financial assets measured at fair value through other total income, before tax	- 16 101	10 930
Deferred tax	3 059	- 2 077
<b>Positions not transferred to income profit and loss account statement</b>	<b>-</b>	<b>-</b>
<b>Total gains and losses</b>	<b>2 965</b>	<b>23 099</b>

**Abridged interim separate financial position statement of the Bank**

Assets	31 March 2019	31 Dec. 2018
Cash and balances with the Central Bank	192 253	186 720
Amounts due from other banks	154 948	170 494
Trading securities of which:	96 160	68 773
<i>capital market securities</i>	38 004	-
<i>derivative instruments</i>	58 156	68 773
Hedging derivatives	-	-
Investment securities:	5 632 299	5 476 293
<i>capital market securities measured at fair value through other total income</i>	85 028	85 027
<i>debt securities measured at fair value through other total income</i>	4 170 707	4 015 998
<i>debt securities measured at amortised cost</i>	1 376 564	1 375 268
Amounts due from customers, of which:	11 839 913	11 854 887
<i>measured at amortized cost</i>	11 738 737	11 750 234
<i>measured at fair value through P/L</i>	101 176	104 653
Investments in subsidiaries	77 590	77 590
Intangible assets	107 199	110 546
Property and equipment	24 573	24 102
Right of use – leasing	64 770	-
Income tax assets:	89 721	91 934
<i>deferred</i>	89 721	91 934
Other assets	31 238	20 704
<b>Total assets</b>	<b>18 310 664</b>	<b>18 082 043</b>

Liabilities	31 March 2019	31 Dec. 2018
Amounts owed to Central Bank and other banks	605 273	571 784
Trading derivative financial instruments	61 326	53 444
Hedging derivative instruments	27 395	18 298
Amounts owed to clients	14 890 824	14 809 321
Debt securities issued	46 196	46 590
Subordinate debt	369 172	370 672
Provisions	28 998	35 201
Income tax liabilities	1 701	4 497
<i>current</i>	1 701	4 497
IFRS 16 leasing right liabilities	65 241	-
Other liabilities	135 548	96 230
<b>Total liabilities</b>	<b>16 231 674</b>	<b>16 006 037</b>

Equity	31 March 2019	31 Dec. 2018
<b>Equity attributable to equity holders of the Bank:</b>		
Core capital:	1 460 364	1 460 364
<i>Share capital</i>	929 477	929 477
<i>Own shares</i>	- 1 294	- 1 294
<i>Supplementary capital from sale of shares above par</i>	532 181	532 181
Revaluation reserve	44 348	57 390
Retained earnings	574 278	558 252
<b>Total equity</b>	<b>2 078 990</b>	<b>2 076 006</b>
<b>Total equity and liabilities</b>	<b>18 310 664</b>	<b>18 082 043</b>

**Abridged interim changes in equity statement of the Bank**

	Core capital		Supplementary capital from sale of shares above par	Revaluation reserve	Other reserve capital	Retained earnings		Total equity
	Share capital	Own shares				General risk fund	Accumulated profit/ losses	
<b>As at 1 Jan. 2019</b>	<b>929 477</b>	<b>- 1294</b>	<b>532 181</b>	<b>57 390</b>	<b>580 519</b>	<b>48 302</b>	<b>- 70 569</b>	<b>2 076 006</b>
Net profit	-	-	-	-	-	-	16 007	16 007
Other total income	-	-	-	- 13 042	-	-	-	- 13 042
<b>Total gains and losses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>- 13 042</b>	<b>-</b>	<b>-</b>	<b>16 007</b>	<b>2 965</b>
Income from sale of securities classified under IFRS 9	-	-	-	-	-	-	19	19
<b>As at 31 March 2019</b>	<b>929 477</b>	<b>- 1294</b>	<b>532 181</b>	<b>44 348</b>	<b>580 519</b>	<b>48 302</b>	<b>- 54 543</b>	<b>2 078 990</b>
<b>As at 1 Jan. 2018</b>	<b>628 732</b>	<b>- 1294</b>	<b>532 181</b>	<b>59 653</b>	<b>563 058</b>	<b>48 302</b>	<b>- 117 307</b>	<b>1 713 325</b>
Net profit	-	-	-	-	-	-	65 012	65 012
Other total income	-	-	-	- 2 263	-	-	-	- 2 263
<b>Total gains and losses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>- 2 263</b>	<b>-</b>	<b>-</b>	<b>65 012</b>	<b>62 749</b>
Income from sale of securities classified under IFRS 9	-	-	-	-	-	-	2 223	2 223
Issue of V series shares	300 745	-	-	-	-	-	-	300 745
Share issue expense	-	-	-	-	-	-	- 3 036	- 3 036
<b>Total gains/ losses distribution, of which:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17 461</b>	<b>-</b>	<b>- 17 461</b>	<b>-</b>
Gains/ losses transferred to other capital	-	-	-	-	24 424	-	- 24 424	-
Coverage of U series share issue expense	-	-	-	-	- 6 963	-	6 963	-
<b>As at 31 Dec. 2018</b>	<b>929 477</b>	<b>- 1294</b>	<b>532 181</b>	<b>57 390</b>	<b>580 519</b>	<b>48 302</b>	<b>- 70 569</b>	<b>2 076 006</b>

<b>As at 1 Jan. 2018</b>	<b>628 732</b>	<b>- 1 294</b>	<b>532 181</b>	<b>59 653</b>	<b>563 058</b>	<b>48 302</b>	<b>- 117 307</b>	<b>1 713 325</b>
Net profit	-	-	-	-	-	-	14 246	14 246
Other total income	-	-	-	8 853	-	-	-	8 853
<b>Total gains/ losses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8 853</b>	<b>-</b>	<b>-</b>	<b>14 246</b>	<b>23 099</b>
Income from sale of securities classified under IFRS 9	-	-	-	-	-	-	2 164	2 164
<b>As at 31 March 2019</b>	<b>628 732</b>	<b>- 1 294</b>	<b>532 181</b>	<b>68 506</b>	<b>563 058</b>	<b>48 302</b>	<b>- 100 897</b>	<b>1 738 588</b>

No non-controlling shares for the 3 months ended 31 March 2019 and in 2018.

**Abridged interim separate cash flow statement of the Bank**

Indirect method	for 3 months ended 31 March 2019	for 3 months ended 31 March - 2018
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>26 233</b>	<b>22 562</b>
<b>Total adjustment:</b>	<b>26 422</b>	<b>168 842</b>
Amortization and depreciation	7 734	8 020
Net interest on investment activities	-27 094	-6 882
Gains/ losses on investment activities	-1	-
Net interest on financing activities	4 742	13 721
Dividends received, of which:	-5 447	-
<i>from investment securities</i>	5 447	-
Change in the balance of:	48 790	154 710
<i>amounts due from other banks</i>	-22 855	-7 221
<i>trading securities</i>	-38 004	-13 967
<i>assets and liabilities due to valuation of derivative financial and hedging instruments</i>	27 596	49 652
<i>investment securities</i>	-70 994	-21 054
<i>amounts due from customers</i>	14 974	174 899
<i>right of use – leasing</i>	-64 770	-
<i>other assets and income tax</i>	-10 505	4 644
<i>amounts owed to Central Bank and other banks</i>	33 489	-109 303
<i>amounts owed to clients</i>	81 503	101 079
<i>provisions</i>	-6 203	10 676
<i>IFRS 16 leasing liabilities</i>	65 241	-
<i>other liabilities and tax income</i>	39 318	-34 695
Income tax paid	-7 749	-727
<b>Net cash flow from operating activities</b>	<b>52 655</b>	<b>191 404</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
<b>Inflows</b>	<b>25 799</b>	<b>43 581</b>
Sale of material fixed assets	1	-
Interest received from maturities valued at amortized cost	25 798	43 581
<b>Outflows</b>	<b>-4 888</b>	<b>-1 841</b>
Acquisition of intangible assets	-2 636	-1 763
Acquisition of material fixed assets	-2 252	-78
<b>Net cash flow from investment activities</b>	<b>20 911</b>	<b>41 740</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>Inflows</b>	<b>-</b>	<b>-</b>
<b>Outflows</b>	<b>-6 636</b>	<b>-109 109</b>
Redemption of bonds issued by BOŚ Group	-	-100 000
Interest paid on bonds issued by BOŚ Group, of which:	-6 636	-9 109
<i>subordinated bonds</i>	-5 852	-6 801
<b>Net cash flow from financing activities</b>	<b>-6 636</b>	<b>-109 109</b>
<b>TOTAL NET CASH FLOW</b>	<b>66 930</b>	<b>124 035</b>
<b>BALANCE SHEET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>66 930</b>	<b>124 035</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>1 726 005</b>	<b>2 524 536</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>1 792 935</b>	<b>2 648 571</b>
Cash and cash equivalents with limited disposability	197 028	515 716



## I. Information on accounting principles (policy) adopted when preparing the abridged interim consolidated financial statement

### Basis for statement and declaration of compliance

The abridged interim consolidated financial statement of Bank Ochrony Środowiska S.A. Capital Group comprises

- 1) interim consolidated profit and loss account statement for the 3 months ended 31 March 2019 and reference data for the period of 3 months ended 31 March 2018,
- 2) interim consolidated comprehensive income statement for the 3 months ended 31 March 2019 and reference data for the period of 3 months ended 31 March 2018,
- 3) interim consolidated financial position statement as at 31 March 2019 and reference data as at 31 March 2018,
- 4) interim changes in equity statement for the 3 months ended 31 March 2019, for the period of 12 months ended 31 December 2018, and reference data for the 3 months ended 31 March 2018,
- 5) interim consolidated cash flow statement for the 3 months ended 31 March 2019 and reference data for the period of 3 months ended 31 March 2018,
- 6) Additional explanations.

This abridged interim consolidated financial statement has been drawn in compliance with the International Financial Reporting Standards (IFRS) in the version approved by the European Commission effective as at the reporting date, i.e. 31 March 2019, upon application of the same accounting principles to each period in accordance with the historical cost concept, except for the following positions valued at fair value:

Changes to fair value valued through:	
Trading financial instruments	P/L
Hedging derivative instruments	P/L
Amounts due from customers whose cash flows do not comply with cash flow test requirements	P/L
Debt investment securities in a business model the purpose of which is to generate contract cash flows or sales	other total income
Capital investment securities	other total income

IFRS comprise standards and interpretations approved by the International Accounting Standards Board and International Financial Reporting Interpretations Committee.

Subsidiaries included in the consolidated statements, i.e. Dom Maklerski BOŚ S.A., BOŚ Eko Profit S.A. and MS Wind sp. z o.o., prepare financial statements in accordance with the International Financial Reporting Standards in the version approved by the European Union.

This abridged interim consolidated financial statement is drawn in Polish zlotys (PLN), rounded up to a thousand PLN. As at the date of approval of the abridged interim consolidated financial statement, there were no circumstances which would indicate a threat to the continuation, by the Bank and BOŚ Group companies, within at least 12 months past the balance sheet date, as a result of an intended or forced inaction or limitation of the current activities. Therefore, this interim consolidated financial statement has been drawn with the assumption of continuation of economic activity, by the Bank and BOŚ Group companies, within foreseeable future, i.e. at least 12 months past the balance sheet date.

This abridged interim consolidated financial statement has been drawn on the basis of the same accounting rules as ones applied when drawing the annual consolidated financial statement of BOŚ Group for the year ended on 31 December 2018, with the exception of the accounting rules applicable to lease agreements. Since 1 January 2019 BOŚ Group has been applying IFRS 16 principles to lease agreements.

This abridged interim consolidated financial statement of the Group and interim financial statement of the Bank for the period of 3 months ended 31 March 2019 does not comprise all the disclosures required in annual financial statements and must be read together with annual financial statements of the Group and of the Bank for the financial year ended 31 December 2018 .

### **IFRS 16**

IFRS 16 was published by the International Accounting Standards Board on 13 January 2016 and was approved by the European Union on 31 October 2017. IFRS 16 applies to annual periods starting on 1 January 2019 or later.

Identification of the lease agreements according to IFRS 16 uses the principle of control. The agreement is classified as a lease agreement, if the lessee controls the provided asset component in exchange for a fee for a specific period of time. IFRS 16 introduces new principles for classifying leasing. The main change for the lessee is elimination of the division of the lease into operational and financial lease and introducing a single accounting model for lease agreements. The lessor continues to divide lease agreements as operational or financial lease.

BOŚ Group as a lessor classifies leasing in its financial position statement as a component of assets constituting the right of use and a liability corresponding to it on the day when the leased item is available for use. The financial cost is classified in the profit and loss account for the lease period. The asset item related to the right of use is amortized in accordance with the straight line method.

According to IFRS 16 BOŚ Group as a lessee classified, as at 1 Jan. 2019, lease agreement liabilities of 74,174 thousand PLN. These agreements were classified as "operational lease" according to IFRS 17. Lease agreement liabilities were measured at fair value of future leasing fees, discounted at BOŚ Group's borderline interest rate as at 1 Jan. 2019.

The right of use of the assets under lease agreements were valued at the amount equal to lease liabilities i.e. 74,174 thousand PLN.

BOŚ Group and the Bank apply the following solutions allowed by IFRS 16:

- 1) application of one discount rate to the portfolio of lease agreements of relatively similar characteristics as of IFRS 16 introduction date,
- 2) exclusion of initial direct costs in order to measure the value of assets related to the right of use as of the IFRS 16 introduction date,
- 3) using judgement when determining the remaining lease period, if the agreement provides for an option to extend or terminate the lease agreement,
- 4) exclusions provide for by IFRS 16:
  - a) using low-value asset,
  - b) using an asset for a period of max. 12 months.

<b>Operational leasing liabilities disclosed as at 31 Dec. 2018*</b>	<b>87 610</b>
Discount estimated when applying borderline interest rate for BOŚ Group	-10 472
(Reductions): short-term leasing classified according to straight line method as expense	-2 442
(Reductions): short-term leasing recognized according to straight line method as expense	-394
<b>Lease liabilities as at 1 Jan. 2019</b>	<b>74 174</b>

\* disclosed in annual financial statement of the Group for the financial year ended 31 December 2018.

Implementation, on 1 Jan. 2019, of a new standard – IFRS 16 – increased the balance sheet total amount by 74.1m PLN, while did not affect retained earnings and equity of BOŚ Group and of the Bank.

## II. Financial assets and liabilities at fair value

	Balance sheet value as at 31 March 2019	Fair value as at 31 March 2019	Balance sheet value as at 31 Dec. 2018	Fair value as at 31 Dec. 2018
<b>FINANCIAL ASSETS</b>				
Amounts due from other banks	175 398	180 560	196 104	197 639
Amounts due from customers, of which:	11 777 561	11 682 828	11 809 527	11 734 365
– in PLN	9 066 848	8 987 741	9 050 026	8 980 787
– in foreign currencies	2 710 713	2 695 087	2 759 501	2 753 578
Debt securities valued at amortized cost	1 376 564	1 405 236	1 375 268	1 409 156
Debt securities, of which:	1 376 564	1 405 236	1 375 268	1 409 156
– State Treasury	1 376 564	1 405 236	1 375 268	1 409 156
<b>FINANCIAL LIABILITIES</b>				
Amounts owed to Central Bank and other banks	605 273	605 273	571 784	571 784
Amounts owed to clients, including:	14 885 457	14 892 351	14 799 109	14 805 470
– Corporate clients	5 110 963	5 111 871	4 999 366	5 000 003
– Retail clients	8 759 603	8 764 303	8 825 702	8 829 997
– Other clients	146 473	146 473	92 448	92 448
– International financial statements	868 418	869 704	881 593	883 022
Liabilities on account of securities issued	46 196	46 204	46 590	46 612
Subordinated debt	369 172	445 410	370 672	444 568

**Amounts due from other banks**

Amounts due from other banks include interbank term deposits, nostro accounts, loans and credits. Fair value of interbank time deposits, due to short maturity (up to 6 months interbank time deposits bearing fixed interest rate), equals the balance sheet value. Bonds issued by banks were valued at fair value, taking into account the loan rate spread set on the basis of comparable issues conducted by similar banks.

**Amounts due from customers**

Amounts due from customers were presented after deducting impairment write-offs. Amounts due from customers and other banks, on the balance sheet level, are valued mainly at amortized cost at the effective interest rate (99% of the balance sheet value of loans).

Fair value of loans is assumed to reflect their value resulting from current valuation of future principal and interest flows (separately for loans in foreign currencies and for those in PLN) calculated at the effective interest rate for each loan (except for loans with unspecified repayment schedules or non-performing loans for which the balance sheet value is taken to be their fair value) discounted at averaged effective interest rate of loans extended over the last twelve months. For mortgage loans, advance payments were taken into account. For loans in foreign currencies that Bank has ceased selling, averaged effective interest rate for corresponding loans extended in PLN adjusted for the difference between rate levels in the particular currencies and in PLN, were used.

**Investment securities valued at amortized cost**

Investment securities valued at amortized cost include State Treasury bonds classified into the HtC business model. The fair value of bonds taken is the current evaluation from market quotations increased by accrued interest.

**Amounts owed to Central Bank and other banks**

Amounts owed to the Central Bank and liabilities arising on repurchase transactions were presented at balance sheet value. Liabilities arising on repurchase transactions were presented at balance sheet value as no market data are available to calculate the basic repo transaction of the Bank with the counterparty at fair value.

Interbank deposits, as short-term products, were presented at balance sheet value, as cash advances (principal and interest) were discounted by averaged effective interest rate for liabilities arising in 2018.

**Amounts owed to clients**

Liabilities in the balance sheet are valued at depreciation cost at an effective interest rate. The fair value of such items applied is their value resulting from discounting principal and interest for all deposits by averaged weighted interest rate applicable to deposits taken in March 2019. As no specified schedules for current accounts are available these items are presented at their balance sheet value.

Amounts due (principal and interest) to international financial institutions were discounted by the average effective interest rate on amounts due taken in 2018 (for EUR) or the last transaction concluded in a given currency (for PLN).

**Liabilities on account of securities issued**

Liabilities on account of securities issued were valued at fair value adjusted for changing loan spreads

for bonds in PLN determined based on issue in PLN the Bank launched in 2015.

**Subordinated liabilities**

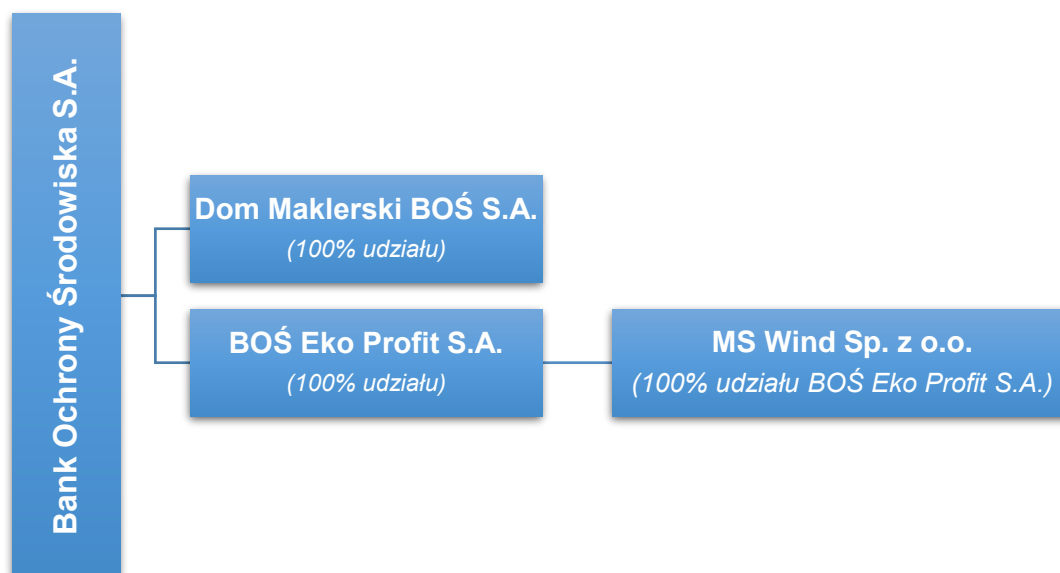
Subordinated debt at fair value was presented as adjusted for changing load spread determined based on the issue the Bank launched in 2017.

**III. Changes in consolidated contingent liabilities and assets**

Item	31 March 2019	31 Dec. 2018
<b>Contingent liabilities:</b>	<b>1 992 369</b>	<b>1 806 671</b>
Financial, of which:	1 673 255	1 477 738
– open credit lines, of which:	1 657 437	1 461 556
– revocable	1 399 918	1 206 274
– irrevocable	257 519	255 282
– open import letters of credit	15 818	14 065
– promises of loan, of which:	0	2 117
– irrevocable	-	2 117
Guarantees, of which:	319 114	328 933
– loan payment endorsements and guarantees	14 833	14 833
– performance guarantees	304 281	314 100
<b>Contingent assets:</b>	<b>604 968</b>	<b>611 322</b>
Financial, of which:	193 558	193 500
– open credit lines	193 558	193 500
Guarantees	399 105	405 854
Other	12 305	11 968
<b>Total contingent assets and liabilities</b>	<b>2 597 337</b>	<b>2 417 993</b>

**IV. Organisation of Capital Group****Structure of Capital Group**

The Capital Group of Bank Ochrony Środowiska S.A., as at 31 March 2019, was made up of Bank Ochrony Środowiska S.A., acting as the parent entity towards direct subsidiaries: Dom Maklerski BOŚ S.A. and BOŚ Eko Profit S.A. and an indirect subsidiary MS Wind Sp. z o.o. (subsidiary of BOŚ Eko Profit S.A.).



### Type of operations conducted by BOŚ S.A. Subsidiaries:

- Dom Maklerski BOŚ S.A. – brokerage services, capital market operations
- BOŚ Eko Profit S.A. – leasing, financial and consultancy activity, supplementing Bank's service offer
- MS Wind sp. z o. o. – wind farm project management.

### Capital investments

In 1Q2019:

- on 5 February 2019 the Bank Management Board adopted a resolution on acquiring the shares of Polskie Domy Drewniane S.A. The company was established under a notarial deed on 5 March 2019 by the Bank Bank and the National Fund for Environment Protection and Water Management. The Bank shall hold 1% of shares in the Company's share capital, or 500 registered shares worth 1,000 PLN each – i.e. a total of 500 thousand PLN;
- on 21 March 2019 the Management Board of BOŚ Eko Profit S.A. requested the Bank, as its sole shareholder, with a request for capital increase by 25m PLN. On 29 March 2019 an Extraordinary General Meeting of the company was held and adopted a resolution on increasing the Company's share capital through an issue of new shares and acquiring them following a closed subscription addressed to the Bank as the company's sole shareholder. As at the report date, the Bank has not acquired the Company shares.

## V. Major events past the date of this report

On 16 April 2019 the Management Board of BOŚ S.A. publicised information (Current Report No. 5/2019) that the amount of the Bank's annual contribution to BFG's bank compulsory resolution fund for 2019 totals 2.3m PLN (including the adjustment of the paid 2018 contribution in the amount of 8,500 PLN).

In total, the contributions to BFG booked against the 1Q2019 cost amount to 32,1m PLN, including 1Q2019 contribution to the banks' guarantee fund set by BFG in the amount of 2,7m PLN. According to Report 15/2019 of 25 Apr. 2018, the total contributions to BFG charged against 1Q2018 costs totalled 19m PLN.

### Signatures of BOŚ S.A. Management Board Members

Date	Name	Position/ Role	Signature
14.05.2019	Bogusław Białowąs	Management Board President	.....
14.05.2019	Arkadiusz Garbarczyk	Vice President – First Vice President of the Management Board	.....
14.05.2019	Konrad Raczkowski	Vice President	.....