



# **REPORT OF THE BANK OCHRONY ŚRODOWISKA GROUP FOR THE THIRD QUARTER OF 2022**

**Warsaw, November 2022**

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## FINANCIAL HIGHLIGHTS

THE GROUP	(PLN thousand)		(EUR thousand)	
Figures from the interim condensed consolidated financial statements of the BOŚ Group	9 months ended Sep 30 2022	9 months ended Sep 30 2021	9 months ended Sep 30 2022	9 months ended Sep 30 2021
Interest and similar income	774,505	306,745	165,210	67,289
Fee and commission income	129,217	134,576	27,563	29,521
Gain (loss) on financial instruments measured at fair value through profit or loss	38,325	46,793	8,175	10,265
Gain (loss) on investment securities	-	-	-	-
Profit before tax	150,410	47,492	32,084	10,418
Net profit	115,903	30,739	24,723	6,743

THE GROUP	(PLN thousand)		(EUR thousand)	
	Sep 30 2022	Dec 31 2021	Sep 30 2022	Dec 31 2021
Total assets	22,254,723	20,585,740	4,569,946	4,475,745
Amounts due to central bank and other banks	388,977	420,389	79,875	91,401
Amounts due to clients	18,483,582	17,007,863	3,795,553	3,697,844
Equity attributable to owners of parent	1,926,233	1,865,795	395,547	405,661
Common equity	1,461,036	1,461,036	300,020	317,658
Number of shares	92,947,671	92,947,671		
Capital ratio	13.91	14.61		

BANK	(PLN thousand)		(EUR thousand)	
Figures from the interim condensed financial statements of BOŚ S.A.	9 months ended Sep 30 2022	9 months ended Sep 30 2021	9 months ended Sep 30 2022	9 months ended Sep 30 2021
Interest and similar income	769,736	301,494	164,193	66,137
Fee and commission income	62,245	62,651	13,278	13,743
Gain (loss) on financial instruments measured at fair value through profit or loss	13,728	19,499	2,928	4,277
Gain (loss) on investment securities	-	-	-	-
Profit before tax	143,216	43,283	30,549	9,495
Net profit	116,225	30,583	24,792	6,709

BANK	(PLN thousand)		(EUR thousand)	
	Sep 30 2022	Dec 31 2021	Sep 30 2022	Dec 31 2021
Total assets	22,139,112	20,449,968	4,546,206	4,414,075
Amounts due to central bank and other banks	388,977	420,389	79,875	90,740
Amounts due to clients	18,517,281	17,012,146	3,802,473	3,672,030
Equity attributable to owners of parent	1,925,049	1,864,289	395,304	402,402
Common equity	1,460,364	1,460,364	299,882	315,216
Number of shares	92,947,671	92,947,671		
Capital ratio	13.69	14.81		

# SUMMARY OF THE FINANCIAL RESULTS OF THE GROUP

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

## Development Strategy

On November 3rd 2022, the Supervisory Board approved an update of the Development Strategy of Bank Ochrony Środowiska for 2021–2023. The Strategy update was prompted by changes in the Bank's external environment, including regulatory aspects (statutory 'loan repayment holidays', contributions to the Borrowers' Support Fund), macroeconomic conditions (interest rate changes) and the market. The Development Strategy of BOŚ S.A. takes into account the economic consequences of the COVID-19 pandemic, the war in Ukraine, as well as EU and national projects aimed at achieving climate neutrality.

The <sup>1</sup>Bank's strategic objectives, to be achieved by the end of 2023, are as follows:

- net banking income above PLN 787 million,
- ROE of 9.2%,
- C/I ratio of approximately 52%,
- 50% share of green loans in the total loan volume,
- 58% employee engagement.

## Results of the Group

In the period from January 1st to September 30th 2022, the BOŚ Group earned a net profit of PLN 115.9 million, compared with PLN 30.7 million reported for the corresponding period of 2021.

In the three months to September 30th 2022 alone, the BOŚ Group's net profit came in at PLN 32.0 million, compared with PLN 60.5 million in the second quarter of 2022.

The Group's performance improved mainly in terms of net interest income, although the item reflected the cost of the 'loan repayment holidays'. The Group's performance was also negatively affected by the cost of contribution to the Borrowers' Support Fund and additional provisions recognised for foreign currency housing loans.

## Impact of statutory 'loan repayment holidays' on performance

In connection with the Business Crowdfunding and Support for Borrowers Act, which introduced a scheme called 'loan repayment holidays' for various types of mortgage loans and mortgage-backed cash loans, the Bank recognised a provision of PLN 52.1 million and charged it to its profit or loss for the period ended September 30th 2022.

In accordance with that statutory measure, borrowers are allowed to suspend repayment of their PLN-denominated mortgage loans/mortgage-backed cash loans for two months per quarter between August 1st 2022 and December 31st 2022 and for one month per quarter between January 1st 2023 and December 31st 2023 (a total of up to eight monthly instalments). The repayment freeze covers both principal and interest. The Bank estimated the impact of the statutory repayment moratorium on the profitability of its loan portfolio and on its overall performance in line with the adopted accounting policies and recognised that impact on a one-off basis, assuming a conservative 80% participation rate by eligible borrowers.

As at the end of September, the Bank recorded an actual client participation rate of 41% measured by the number of loan agreements and 49% measured by the value of suspended repayments. This may suggest that the 80% participation rate assumed to calculate the provision was sufficiently conservative. On the other hand, it must be noted that clients can avail themselves of the payment freeze option in subsequent periods, seeing especially that the CPI reading for September of 17.2% increased the probability that interest rates would be

<sup>1</sup>The Strategy contains forward-looking statements which are based on the current expectations of the Bank's Management Board, but which are dependent on various factors beyond the control of the Bank's Management Board. As a result, actual data may significantly differ from those presented in the forward-looking statements.

maintained at a high level. As a consequence, client interest in the 'loan repayment holidays' scheme may go up. However, the Bank believes it should not exceed the 80% threshold assumed for the calculation.

Therefore, the Bank will re-estimate the provision at monthly intervals. This prudential approach means that if clients do not opt for the loan repayment freeze at the assumed rate the Bank will reverse a corresponding part of the provision. Revisions to the 80% assumption will be made by the end of 2022 if the positive trend persists.

### Impact of additional contribution to the Borrowers' Support Fund on performance

On September 15th 2022, the Bank received a letter from the Borrowers' Support Fund Board stating that the amount of an additional contribution due from the Bank to the Borrowers' Support Fund was close to PLN 10 million. On September 30th 2022, the Bank decided to set up a provision of PLN 25 million to fund the additional contribution to the Borrowers' Support Fund due in the fourth quarter of 2022.

The contribution paid to the Borrowers' Support Fund for the third quarter and the provision for the contribution due in the fourth quarter had a negative effect on profit or loss for the three months ended September 30th 2022 totalling PLN 35 million.

### Selected items of the statement of profit or loss

Selected items of the statement of profit or loss (PLN thousand)	Q1-Q3 2022	Q1-Q3 2021	Change (%)
Net interest income	501,690	266,053	88.6
Net fee and commission income	97,674	104,945	-6.9
Gain (loss) on financial instruments measured at fair value through profit or loss	38,325	46,793	-18.1
Gain (loss) on foreign exchange transactions	37,678	19,651	91.7
Net other income	-5,029	6,779	x
Legal risk costs of mortgage loans denominated in foreign currencies	-17,590	-15	117,166.7
Net impairment losses	-120,281	-106,420	13.0
Administrative expenses	-382,057	-290,294	31.6
Profit before tax	150,410	47,492	216.7
<b>NET PROFIT</b>	<b>115,903</b>	<b>30,739</b>	<b>277.1</b>

Between January 1st and September 30th 2022, the BOŚ Group generated net interest income of PLN 501.7 million, an increase of PLN 235.6 million on the nine months ended September 30th 2021.

In the three quarters of 2022, interest income rose by PLN 467.8 million year on year. The largest increases were recorded in interest income from institutional clients and interest on investment debt securities, with a concurrent decline in interest income on amounts due from retail clients reflecting the provision for the 'loan repayment holidays' scheme. A key reason behind the higher income was an increase in the WIBOR benchmark following a decision by the Monetary Policy Council to raise interest rates.

Total interest expense went up by PLN 232.1 million relative to the nine months ended September 30th 2021. Interest expense rose by less than interest income due to the continually high share of current accounts and low-interest rate deposit products. The Bank offered its clients term deposit products adjusted to the rising interest rates. As of June 2022, the Bank significantly raised the rates of interest offered on retail deposits sold via electronic channels and the Bank's branch network. The interest rates offered on selected deposits gave the Bank a leading market position compared with other banks.

The Group's net fee and commission income was PLN 97.7 million, which represents a year-on-year decrease of PLN 7.3 million. There was a decline in fee and commission income from brokerage services due to a downturn affecting the stock exchange market. This was partly offset by a rise in commission fees on guarantees and letters of credit and in commission fees on loans.

Gain (loss) on financial instruments measured at fair value through profit or loss was PLN 38.3 million, compared with PLN 46.8 million in the same period of 2021.

Net impairment losses totalled PLN -120.3 million, relative to PLN -106.4 million in the nine months ended September 30th 2021, due mainly to higher impairment losses in the institutional clients segment.

Administrative expenses of the Group went up by PLN 91.8 million, or 31.6%, relative to the same period of 2021, due mainly to a PLN 35 million total contribution to the Borrowers' Support Fund. The contribution to the Bank Guarantee Fund was PLN 15 million higher.

Employee benefits expense also increased, by PLN 27.0 million, or 19.6%. Costs of salaries and wages increased mainly in business development, as well as security, AML and IT areas. The Bank carried out a job valuation process, with one of its objectives being to link compensation in individual jobs to current market benchmarks, which led to an increase in salaries and wages.

Another significant driver of administrative expenses were material costs, which increased by PLN 8.2 million, or 10.3%.

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

Gross CHF mortgage loans totalled PLN 862.9 million as at September 30th 2022. The provision recognised by the Bank for the legal risk of CHF mortgage loans was PLN 491.0 million as at September 30th 2022 (December 31st 2021: PLN 427 million).

The total amount of the provision for foreign currency mortgage loans as at September 30th 2022 was PLN 510.7 million (December 31st 2021: PLN 462 million), of which PLN 432.6 million (December 31st 2021: PLN 408 million) was presented as a provision for the legal risk related to foreign currency mortgage loans and PLN 78.1 million was presented as additional allowances for expected credit losses.

The provisions also cover the cost of the Compromise and Settlement Programme for clients repaying foreign currency mortgage loans as proposed by the Chairman of the Polish Financial Supervision Authority. The Bank launched the Programme on January 31st 2022. Until September 30th 2022, the Bank received 731 applications for settlement concerning foreign currency mortgage loans. The outstanding balance of those loans was PLN 89 million. 253 settlement agreements were signed.

### Financial ratios

FINANCIAL RATIOS	Sep 30 2022	Dec 31 2021	Change in percentage points
Return on equity (ROE)	6.9	2.5	4.4
Return on assets (ROA)	0.6	0.2	0.4
Interest margin on total assets	3.1	1.8	1.3
Cost of risk	-1.0	-0.8	-0.2
Cost/income (C/I), assuming uniform distribution of the cost of the one-time contribution to the Bank Guarantee Fund over the year	56.2	64.9	-121.1
Tier 1 capital ratio	12.95	13.26	-0.05
Total capital ratio	13.91	14.61	-0.29

Interest margin on total assets, calculated as the annualised ratio of net interest income in the period January 1st–September 30th 2022 to average assets, was 3.1%, compared with 1.8% in the same period of 2021. The improvement was achieved largely a result of the increase in interest rates, partly offset by a negative impact of the provision for statutory 'loan repayment holidays'.

The cost to income (C/I) ratio improved significantly, to 56.2%, compared with 64.9% in 2021, mainly because income grew faster than costs.



The capital adequacy ratio of the Group was above the levels recommended by the Polish Financial Supervision Authority, both with and without the application of IFRS 9 transitional arrangements. As at September 30th 2022, the Bank and the Group met the applicable capital standards. Tier 1 capital ratio stood at 12.95% and the total capital ratio was 13.91%.

### **Impact of the war in Ukraine on operations**

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

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

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

With the current developments under the stress scenario for the ongoing Russian-Ukrainian conflict, the Bank has not experienced any liquidity issues or adverse impact on other financial risks. Despite short-lasting liquidity problems on the interbank market and a temporary sharp increase in cash withdrawals (in the first quarter of 2022), no major threats to the Bank's liquidity have been observed.

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

The portfolio of the largest trading and organisational exposures to the conflict zone was being closely monitored but no indications of impairment were identified in the three months to September 30th 2022. An increase in credit risk identified for that portfolio led to reallocation of a small part of the exposures to Bucket 2.

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

The international situation – ever since the outbreak of the war – has had an impact on the Bank's cybersecurity. Since February 2022, there have been more numerous attempted attacks on the Bank's online banking services. Most frequently, those have been attempts to break through the security systems exploiting vulnerabilities recently communicated to the public. No successful security breach has been identified. The Bank has not reported any successful DDoS (distributed denial-of-service) attacks against its online banking services, either, although on the night of October 1st 2022 a DDoS attack was attempted against the [www.bosbank.pl](http://www.bosbank.pl) website. Cybersecurity is ensured by 24/7 monitoring of cyberspace events by the Bank's Security Operation Centre. The Head of the Bank's Cybersecurity Department actively engages in the activities of the financial sector groups sharing information on current international developments.

### **BOŚ's credit ratings and stable outlook affirmed**

On October 19th 2022, the rating agency Fitch Ratings Ltd (the "Agency") affirmed the Bank's credit ratings, determining that the outlook on those ratings was stable. The ratings are presented below:

- Long-Term Foreign Currency Issuer Default Rating at 'BB-', outlook stable,
- Short-Term Foreign Currency Issuer Default Rating at 'B',
- National Long-Term Rating at 'BBB-(pol)', outlook stable,
- National Short-Term Rating at 'F3(pol)',
- Viability Rating at 'bb-', Government Support Rating at 'b',
- National Long-Term Rating for senior unsecured bonds 'at BBB- (pol)',
- Rating for subordinated bonds at 'BB(pol)',
- National Short-Term Rating for senior unsecured bonds at 'F3 (pol)'.

The definitions of ratings are available on the Agency's website at [www.fitchratings.com](http://www.fitchratings.com), which also contains the tables of ratings, as well as the relevant evaluation criteria and methodologies.





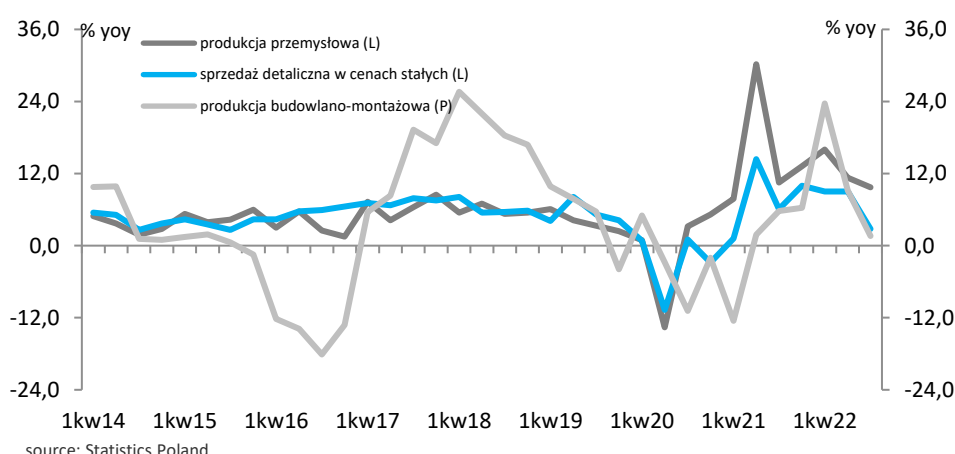
# 1. Macroeconomic situation

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

In Poland, the manufacturing, construction and retail output weakened gradually over the three quarters of 2022. In the third quarter of 2022, manufacturing output grew 9.7% year on year, relative to an 11.3% year-on-year increase recorded in the second quarter, retail sales rose 2.8% year on year, compared with a 9.0% increase in the previous quarter, while construction output went up 1.6% year on year, compared with its 9.2% year-on-year growth in the three months to June 30th. Despite the weakening economic activity, the labour market remained stable, as both employment in the enterprise sector and wages rose year on year by an average of 2.3% and 14.3%, respectively, in the third quarter of 2022.

Despite signs of a decline in economic activity in the third quarter of 2022, the main global economies saw inflation rates spiralling to levels unseen for decades. The soaring inflation was driven by a combination of factors affecting the economy over the past year or so, including post-pandemic problems with global supply chains, which stimulated an increase in the prices of production inputs (albeit the impact of that factor has been weakening gradually over 2022); - strong demand as economies were re-opening following the pandemic; - a surge in commodity prices across global markets as a result of the military conflict in Ukraine. At the end of the third quarter of 2022, CPI reached 8.2% year on year in the US and 9.9% year on year in the eurozone.

Production and retail sales dynamics in Poland



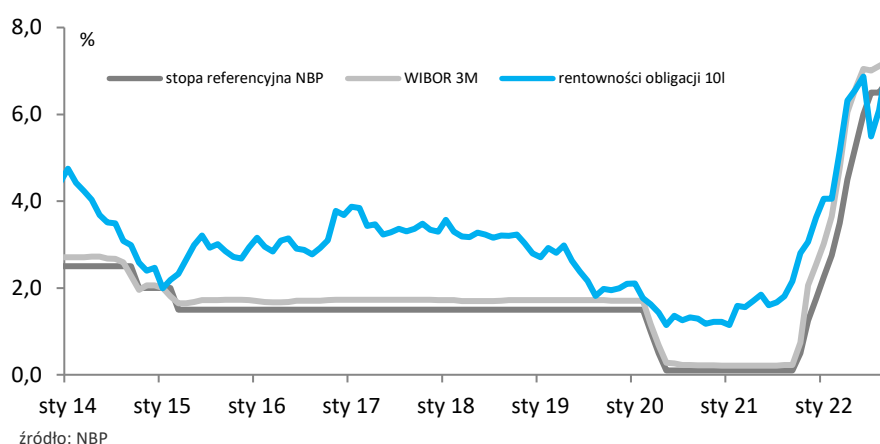
Produkcja przemysłowa (L)	industrial production (L)
Sprzedaż detaliczna w cenach stałych (L)	retail sales at constant prices (L)
Produkcja budowlano-montażowa (P)	construction and assembly production (P)
r/r	y/y

In the nine months ended September 30th 2022, CPI in Poland also continued to grow steeply, to 17.2% in September, driven mainly by a hike in fuel prices, pushed up by the soaring prices of crude oil globally, combined with a strong rise in food and energy prices. There was also a pronounced increase in the core inflation rate a result of, among other things, increased demand due to the lifting of epidemic restrictions and supply-side constraints caused by worldwide problems in logistics supply chains.

During 2022, the Monetary Policy Council continued a policy tightening cycle launched at the end of 2021. From January to September, the interest rates of the National Bank of Poland were increased by 5.0 percentage points: the NBP reference interest rate to 6.75%, the deposit rate to 6.25%, and the lombard rate to 7.25%. The Monetary Policy Council justified its tightening measures with growing concerns about persistent inflation in the future.

The tightening of the NBP's monetary policy caused interest rates on interbank deposits to spike. From the beginning of the year to the end of September, the 3M WIBOR rate rose by 467 basis points, to 7.21%.

Interest rates in Poland



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

Since the beginning of the year, the global financial market has been influenced by expectations as to the extent of monetary tightening measures by the main central banks in an effort to curb the soaring inflation. At the same time, there have been rising concerns over the medium-term impact of the higher inflation, restrictive monetary policy and the war in Ukraine on economic activity. These opposite trends triggered strong volatility across the global financial market in the first three quarters of the year. The second quarter was marked by growing concerns across the financial markets over a possible economic recession, particularly in Europe, dragging down the prices of especially European financial assets.

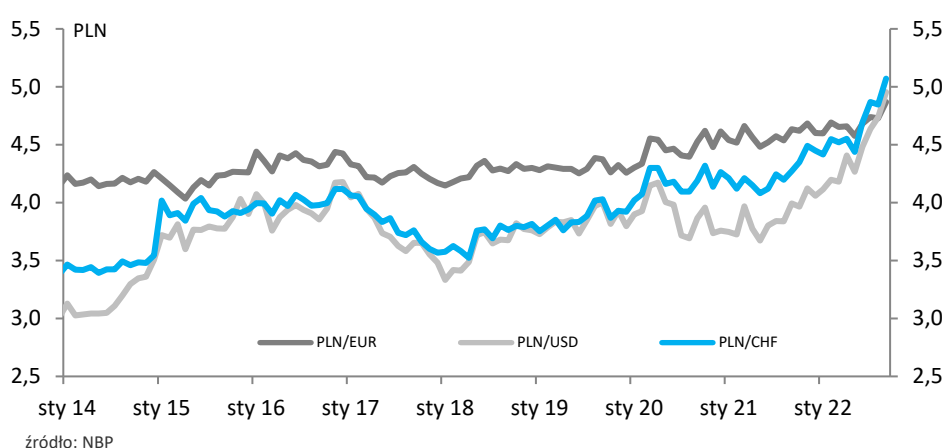
After a steep increase in treasury bond yields on the underlying markets persisting for most of the first half of the year, the pressure on bond yields finally eased off between the second and third quarters. However, due to the continued aggressive tightening of monetary policy by both Fed and the ECB combined with the hawkish rhetoric of the banks' representatives, the trend of growing bond yields returned in the third quarter driving them up to new local highs.

In the Polish treasury bond market, most of the first half of 2022 saw a continued strong increase in yields under the pressure from rising inflation and expectations of a tighter monetary policy. In the late second and early third quarters, bond yields declined temporarily reflecting trends on the underlying markets and lower expectations as to the scale of further rate hikes by the Monetary Policy Council. However, during the third quarter, treasury bond yields were again on an upward trend. From the beginning of the year to the end of September 2022, 2-year bond yields rose by more than 400 basis points, to 7.37%, while yields on 10-year bonds increased by over 350 basis points, to 7.13%.

During the first three quarters of 2022, the Polish currency depreciated while exhibiting significant volatility. In the first quarter of 2022, the depreciation pressure on the złoty was a result of strong overall uncertainty

triggered by Russia's invasion of Ukraine, while in the second and third quarters – of uncertainty over the prospects of European economy in the context of cut down gas supplies from Russia, compounded in the third quarter by heightened risk aversion globally amid uncertainty over the prospects of the global economy, policy course to be followed by the main central banks and a resurgence of geopolitical risk. In the first three quarters of the year, the effective nominal value of the złoty (relative to the currency basket) fell by nearly 7%. At the end of September, the PLN/EUR exchange rate was 4.87 (depreciation of 6% on the end of 2021), the PLN/CHF exchange rate was 5.07 (down by 14.0%) and the PLN/USD exchange rate was 4.95 (down by 22%).

PLN exchange rates



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

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

The most important factor that is shaping and will continue to shape the macroeconomic and market situation is the escalation of geopolitical risk as a consequence of the Russian military invasion of Ukraine on February 24th 2022 and the economic sanctions imposed by the European Union, the US and other countries on Russia and Belarus. This is causing supply and demand disruptions for European economies, including Poland's.

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

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

In particular, the higher geopolitical risk means:

- weakening activity of Polish economy;
- high CPI inflation, fuelled by a global increase in commodity prices;
- NBP interest rates, raised amid high inflation readings, maintained at a high level in the second half of the year;
- increased volatility of prices of Polish financial assets;
- subdued demand for credit in an environment of economic uncertainty and high interest rates.

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



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

#### **Expansion of banking business**

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

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

#### **Institutional clients**

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

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

In the area of payment products, during the third quarter of 2022 the Bank continued work on the SInF Act compliance project, designed to bring it into compliance with the requirements of the Financial Information System Act (SInF). The entry into force of the Act will entail a new reporting obligation aimed at preventing money laundering and financing of terrorism. The Act implements Directive 2018/843 into Polish law, which will result in the creation of a Financial Information System for collecting, processing and providing access to information on broadly defined open and closed accounts of institutional and retail clients, as well as on safety deposit box services. The Financial Information System is another reporting obligation in the Polish legislation that aims to prevent money laundering and financing of terrorism. Its launch is also intended to contribute to curbing financial crime through the supervision of all accounts by authorised bodies.

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

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

The Bank continued to offer free payment processing services with respect to payment orders from foundations and associations related to the current situation in Ukraine:

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

#### **Credit products for institutional clients**

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

In the area of lending products, the Bank:

- offered its clients loans for thermal insulation and renovation projects with a bonus from the Thermal Insulation and Renovation Fund;
- in selected provinces – offered preferential loans for environmental sustainability projects in cooperation with the Provincial Funds for Environmental Protection and Water Management;
- took steps to optimise and automate the lending process, from client acquisition, to assessment of credit application and credit decision-making, to disbursement of funds, credit monitoring and credit administration;
- continued efforts aimed to implement the EU Regulation concerning benchmark rates – WIBOR, LIBOR, EURIBOR, e.g. through participation in the work on developing measures to replace WIBOR and LIBOR USD with substitute rates.

### Local government units

The Bank is expanding its relationships with local government units, mainly municipalities. Thanks to EIB funds received under the ELENA (European Local ENergy Action) initiative, the Bank may co-finance technical documentation drawn up in connection with environmental sustainability projects (such as energy efficiency improvement or street lighting upgrade projects). The Bank has also developed a new loan product for local government units (*EKOpożyczka dla samorządów*) to help them meet the equity contribution requirement for EU grants.

### Retail clients

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

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

In September 2022, a new functionality was launched on the BOŚBank24 platform called client retention deposit. A user who intends to order a transfer of funds above a specific threshold outside of BOŚ or breaks a term deposit may receive a notification (displayed as a pop-up screen) with information on the attractive terms of a tailored deposit. Provided via the BOŚBank24 system for desktop computers and the mobile application, the functionality is currently available for external transfers of funds above a specific threshold set by the Bank. In addition, web positioning has been launched with respect to deposit products to enhance their promotion and support marketing activities.

The Bank continued to offer free processing of the following transactions for retail clients in view of the current situation in Ukraine:

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

### Amounts due to retail clients

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

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

The key deposit products for retail clients were:

- current accounts, including personal accounts (*EKOkonto bez Kosztów*), and savings accounts (*EKOkonto Oszczędnościowe*) in PLN;

- promotional term deposits, including *EKOlokata Promocyjna*, standard term deposits and negotiated term deposits.

In view of the changing market conditions in the period ended September 30th 2022, including the series of rate hikes by the Monetary Policy Council, the Bank focused its strategy of building the retail deposit base on promoting the *EKOlokata Promocyjna* and 24-month *EKOlokata* products. The distinctive feature of *EKOlokata Promocyjna* is the high maximum amount (PLN 500 thousand) and simple terms of the promotion (the only requirement is for the client to give their consent to receiving electronic communications).

In the three months to September 30th 2022, the Bank continued to promote *EKOkonto Oszczędnościowe*, its savings account product, adjusting the interest rates offered to changing market conditions and responding to client expectations. The product remains among the highest interest-bearing payment and savings accounts. An added feature enhancing its competitive advantage on the market is the absence of additional conditions attached for the client to benefit from a higher interest rate (no requirement to have a checking account or to deposit new funds).

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

September 2022 saw the end of the 'Forest of Savings' promotional offer aligned with the Bank's mission to engage in pro-environmental initiatives. The Bank had made a commitment that, in cooperation with the State Forests, it would plant one tree for each PLN 20 thousand placed on deposit. As a result, more than 200 thousand trees will be planted in areas affected by natural disasters.

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

### Credit products for retail clients

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

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

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



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

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

The Bank continues to offer its promotional product designated as *Kredyt hipoteczny bez prowizji*, featuring an arrangement fee waiver for clients who purchase one of two insurance packages from TU Europa S.A. and TU na Życie Europa S.A. providing borrowers with life and loss of income insurance cover, and maintain all marketing consents over the entire lending period. With the promotion, the offering of the Bank's mortgage loan products became even more attractive and competitive.

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

### Insurance products and additional services

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

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

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

In association with PZU S.A. the Bank rolled out a new insurance product called 'Green equipment cover'.

### Expansion of brokerage activities

The third quarter of 2022 was a period of severe downturn on the Polish stock exchange market. The most important stock indices fell, their declines ranging from -18.9% (Wig30) to -8.0% (sWig80). Alongside the plunge in stock prices quoted on the WSE, there was a decrease in investor activity, which shifted towards the futures market. Session stock trading volumes fell 5.1% compared with the previous quarter, but rose 1.2% year on year. In the futures market, trading volumes grew 25.0% quarter on quarter and 82.2% year on year. Relative to the overall market, the activity of Dom Maklerski BOŚ S.A. investors demonstrated positive trends. In the third quarter of 2022, the volume of trades executed through Dom Maklerski BOŚ S.A. on the regulated stock market grew 16.0% quarter on quarter and 17.0% year on year. In the futures market, the volume of DM BOŚ's trading increased by 30.5% quarter on quarter and 40.5% year on year.

The market share held by Dom Maklerski BOŚ S.A. in terms of session trades on the regulated stock market after the three quarters of 2022 was 2.76%. In the futures segment, DM BOŚ's market share after the nine months to September 30th was 14.37%. On the other hand, DM BOŚ's share in trading on the NewConnect market after the three quarters of 2022 gave it the runner-up position, with a market share of 15.69%.

As at September 30th 2022, Dom Maklerski BOŚ maintained a total of 144,221 investment accounts. In the third quarter of 2022, the balance of open investment accounts was 3,334, compared with 2,203 in the same period of the previous year. After the first nine months of this year, the balance of open accounts was 8,654, of which 6,467 were stock exchange accounts registered with the Central Securities Depository of Poland.

In the three months to September 30th 2022, Dom Maklerski BOŚ was a member of distribution syndicates involved in the issues of bonds by Echo Investment SA (Series O) and Kruk SA (Series AM4).

In the third quarter of 2022, Dom Maklerski BOŚ was actively involved in advancing technological capabilities supporting its brokerage services related to foreign markets. In August 2022, functionalities of the bossaStaticaTrader application were expanded to include access to foreign stock prices.

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

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

### ***Mój Elektryk (My EV) programme***

On September 8th 2021, an agreement was signed with the National Fund for Environmental Protection and Water Management (NFOŚiGW) for subsidies to leases of zero-emission vehicles under the 'My EV' Priority Programme. The purpose of the Programme, to be run over the period 2021–2022, is to support purchases of zero-emission vehicles. Under the agreement, PLN 200 million was made available to the Bank as a total pool of funds to subsidise lease payments for zero-emission vehicles under the 'My EV' Priority Programme. The funds are available for use in 2021–2023.

Until September 30th 2022, the Bank concluded cooperation agreements with 24 leasing companies. The list of partner companies is available at <https://www.bosbank.pl/moj-elektryk>. Applications from seven more companies are being reviewed. In the near future, the Bank expects to sign cooperation agreements with SGB Leasing Sp. z o.o., Alior Leasing Sp. z o.o. and Athlon Car Lease Polska Sp. z o.o., among others. Between December 6th 2021 and September 30th 2022, the Bank received over 4.2 thousand applications for a total amount of PLN 136 million, which means an average of 99 applications per week with an average value of PLN 3.17 million.

Until September 30th 2022, the Management Board of the National Fund for Environmental Protection and Water Management approved 40 collective subsidy applications for 3,713 projects (vehicles). The total amount of subsidies under the approved applications is PLN 119.83 million, representing 59% of the total pool of funds made available to BOŚ for 2021–2023. The Bank signed subsidy agreements in respect of 1,794 applications for an amount of PLN 55.96 million.

### **ELENA grant**

Pursuant to Agreement No. ELENA-2019-157 signed between the Bank and the European Investment Bank (EIB) in February 2022 under the ELENA initiative, the Bank received a grant of EUR 2.6 million.

The grant is intended to finance the following costs:

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

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

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

Eligible for support will be public sector entities (local government units and municipal companies), housing sector entities (housing cooperatives and housing communities) and businesses (SMEs and Mid-caps).

Support under the grant will consist in financing 90% of the cost of technical documentation necessary to execute projects in the areas specified above.

Support will be distributed along two paths, i.e.:

- reimbursement of 90% of the cost of technical documentation for projects carried out by housing sector entities,
- co-financing of 90% of the cost of technical documentation for projects implemented in areas other than energy upgrades of residential buildings.

The objective behind the agreement with the EIB is to support project owners in the execution of projects designed to enhance energy efficiency, its achievement to be measured by the total budgets of projects delivered in the designated areas and specific environmental performance metrics to be achieved over the term of the agreement. The agreement between the BOŚ and the EIB remains in effect until February 28th 2025.

### **JESSICA initiative**

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

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

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

As at September 30th 2022:

- there were 53 contracts in place for an amount of PLN 422 million,
- principal repaid: PLN 219 million; outstanding balance: PLN 204 million.

### **JEREMIE initiative**

Since 2017, the Bank has been a Financial Intermediary under the JEREMIE Initiative in the Province of Szczecin. On August 28th 2018, the implementation of the JEREMIE II instrument in the Province of Szczecin was completed. The purpose of the JEREMIE Initiative in the Province of Szczecin is to increase the socio-economic potential of the cities and to develop the urban areas with a view to making them more attractive as economic and cultural centres and places to live. BOŚ S.A. contracted 100% of the funds for projects eligible to receive loans for a total amount of PLN 80 million, including PLN 40 million to be committed by BOŚ S.A. Ultimately, 4 contracts are in place for an amount of PLN 65 million, of which PLN 33 million are funds committed by BOŚ S.A. The cumulative fee received for managing Jeremie funds since 2017 amounted to PLN 2.5 million (as at September 30th 2022).

### **BGK portfolio guarantees**

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

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

On June 29th 2022, the Bank signed Portfolio Guarantee Line Agreement under the Government Housing Fund No. 7/PLG-RFM/2022 with BGK, for the provision of guarantees with respect to the down payment requirement and family repayments. The *Mieszkanie bez wkładu własnego* (Home without down payment) programme of loan guarantees was introduced by the Act on Guaranteed Housing Loans of October 1st 2021 (Dz. U. of 2021, item 2133). The Act entered into force on May 27th 2022, and the programme will be run until the end of 2030. The purpose of the solution proposed by the government is to increase the availability of loans

for financing an own home purchase or construction. The scheme is dedicated to borrowers with incomes sufficient to repay a housing loan, but lacking funds to cover the required down payment. Given a massive decline in demand for mortgage loans due, among other things, to the interest rate hike, the implementation of the guaranteed housing loan was initially postponed until the second quarter of 2023.

## Highlights of the third quarter of 2022

### 'Animal friendly BOŚ' campaign

As part of the campaign targeted at the Bank's employees and clients, clients who visited a BOŚ outlet with their pets received a set of green animal care products. In parallel, the Bank organised training for employees in the provision of first aid to animals. The purpose of the initiative was to raise awareness of the importance of pet hygiene and care, but also to remind clients that all pets are welcome at BOŚ branches and business centres. The campaign is a continuation of the Bank's earlier projects.

### Publication of ESG report for 2021

BOŚ published its ESG report for 2021, presenting information on the Bank's impacts on its external stakeholders, especially across the environmental, social and governance spheres, as well as its sustainability activities which go beyond the information and data included in traditional financial reporting. The Bank has developed an ESG strategy that is closely aligned with and expands on its existing business strategy for 2021–2023. The document sets out the general course of action and contains a broad catalogue of activities to which fully measurable targets have been assigned, including the objective of climate neutrality.

## Distinctions and awards in the third quarter of 2022

- In the seventh edition of the '17 Goals' Responsible Film Festival, BOŚ was awarded in the Business category for its corporate film 'We are investing in a green future'. This year, the judges evaluated 40 films in the Business category. The '17 Goals' Responsible Film Festival is Poland's only festival dedicated to documentaries and promotional films revolving around the topics of sustainable development and corporate social responsibility (CSR). The title refers to the UN Agenda and its 17 Global Sustainable Development Goals (SDGs).
- The Bank was awarded the title of 'Responsible Employer – HR Leader 2022'. In the Bank's opinion, the Judging Panel paid particular attention to the following criteria: continued presence on the labour market with an increasingly attractive employee value proposition; an extensive training system in terms of the amount and content of training as well as the number of employees involved; highest standards of the proposed incentive scheme; an impressive scope of corporate social responsibility activities; special focus on employee activation in the area that is, especially at present, of crucial importance, namely that of broad-based environmental protection and commitment.

## 4. Selected data on the Group's business

	(thousand)	Sep 30 2022	Dec 31 2021	Change (%)
<b>BANK OCHRONY ŚRODOWISKA S.A.</b>				
Number of clients		164.4	176.4	-6.8
Number of retail clients		152.3	162.0	-6.0
Number of microenterprise clients		8.0	10.1	-20.8
Number of institutional clients		4.1	4.3	-4.7
Number of clients using electronic channels		101.4	102.8	-1.4
Number of checking accounts <sup>1</sup>		156.2	169.7	-8.0
Debit and credit cards in total		64.0	68.7	-6.8
Number of branches		54	50	8.0
<b>DOM MAKLERSKI BOŚ S.A.</b>				
Number of investment accounts		144.2	135.6	6.3
including online accounts		141.0	132.3	6.6

Number of branches	8	9	-11.1
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1) together with the savings accounts

As at the end of September 2022, the Bank had 54 outlets, including:

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

In January 2022, a new organisational model of the sales network was put in place at the Bank. Retail sales activities (Retail Client Team) were separated from the business centres and new branches dedicated to retail clients were created, thus enabling the business centres to focus on the corporate and SME segments. In September 2022, selected branches in cities with more than one retail outlet of BOŚ S.A. were transformed into Client Service Points (CSPs). As a result, four branches forming the Bank's organisational units were liquidated and transformed into four Client Service Points. The newly established Client Service Points were incorporated into the respective branches, becoming remote organisational units of those branches.

## 5. Development directions for the Bank

### Development Strategy

On November 3rd 2022, the Supervisory Board approved a new 'Update of the Development Strategy of Bank Ochrony Środowiska for 2021–2023'. The Strategy update was prompted by changes in the Bank's external environment, including regulatory aspects (statutory 'loan repayment holidays', the Borrowers' Support Fund), macroeconomic conditions (interest rate changes) and the market. The Bank's development plan takes into account the economic consequences of the COVID-19 pandemic, the war in Ukraine, as well as EU and national projects aimed at achieving climate neutrality.

The Bank's objectives<sup>2</sup> defined in the revised Strategy, to be achieved by the end of 2023, with a new set of financial projections based on more ambitious financial goals, are as follows:

- net banking income above PLN 787 million,
- ROE of 9.2%,
- C/I ratio of approximately 52%,
- 50% share of green loans in the total loan volume,
- 58% employee engagement.

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

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

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

<sup>2</sup>The Strategy contains forward-looking statements which are based on the current expectations of the Bank's Management Board, but which are dependent on various factors beyond the control of the Bank's Management Board. As a result, actual data may significantly differ from those presented in the forward-looking statements.

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

**Environment and climate - key objectives:**

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

**Business model - key objectives:**

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

**Operational efficiency - key objectives:**

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

**Organisational culture - key objectives:**

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

**Finance - key objectives:**

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

**Activities undertaken as part of the Strategy**

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

Ekologia i Klimat	Model biznesowy	Efektywność operacyjna	Finanse	Kultura organizacyjna
Rating ESG	Fabryka produktów	KONDOR + Front Office		Nowa oferta wartości dla pracowników, w tym system motywacyjny
Budowanie portfolio usług doradczych	Dostosowanie sieci sprzedaży	Uproszczony proces dla kredytów ekologicznych - detal	Cyfrowy wehikuł do zbierania depozytów detalicznych	Kultura dialogu i rozwój kompetencji
	Cyfrowy kanał sprzedaży dla detalu	Proces kredytowy dla klientów korporacyjnych		Kultura dzielenia się wiedzą (CRM Market)
	Zarządzanie relacjami z klientem - CRM			Mustang, TFI w obszarze inwestycji proekologicznych

Ekologia i Klimat	Environment and climate
Rating ESG	ESG rating
Budowanie portfolio usług doradczych	Building a portfolio of consulting services
Model biznesowy	Business model

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

A number of activities to transform the organisational culture (including webinars, a training programme for middle management, development of an education cafeteria plan called 'EduSfera: Level Up Your Career') were defined during the operationalisation phase. The Management Board's intention is for the Bank to be a modern and flexible organisation, while nurturing its most precious values: respect for others and the environment, commitment, cooperation and professionalism.

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

Following an efficiency assessment of the retail network, a difficult decision was made to restructure the sales network and close down some of the Bank's retail outlets. Affected employees were offered aid packages, some of them also new positions elsewhere at the Bank. At the same time, three new Business Centres opened in Kielce, Opole and Zielona Góra, enabling the Bank to strengthen its regional presence in the business and LGU segments.

In the three months to September 30th 2022, an interactive request for services (used to apply for 'loan repayment holidays' and other services) was implemented as part of the online banking development programme. Also, a client retention deposit and a promotional pop-up campaign for deposit products were launched. Product Factory is a set of project flows aimed to implement a catalogue of retail and corporate client services supporting remote handling and sales through electronic and mobile banking channels, and to actively contribute to achieving the Bank's business objectives.

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

In the six months ended June 30th 2022, work was carried on to deploy a new CRM system. In June, a CRM module for corporate banking was finally implemented. Development of the retail banking module is in progress with a go-live planned by the end of this year. Plans are in place to further develop the system next year, including by developing a module supporting sales processes at the Call Centre.

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



## 6. Financial results of the Group

### 6.1. Statement of profit or loss

STATEMENT OF PROFIT OR LOSS OF THE GROUP (PLN thousand)	Q3 2022	Q2 2022	Q1-Q3 2022	Q1-Q3 2021	Change (%) Q3 2022/ Q2 2022	Change (%) Q1-Q3 2022/ Q1-Q3 2021
Interest and similar income	331,412	272,894	774,505	306,745	21.4	152.5
Interest expense and similar charges	-163,751	-78,896	-272,815	-40,692	107.6	570.4
<b>Net interest income</b>	<b>167,661</b>	<b>193,998</b>	<b>501,690</b>	<b>266,053</b>	<b>-13.6</b>	<b>88.6</b>
Fee and commission income	38,686	39,677	129,217	134,576	-2.5	-4.0
Fee and commission expense	-9,571	-9,624	-31,543	-29,631	-0.6	6.5
<b>Net fee and commission income</b>	<b>29,115</b>	<b>30,053</b>	<b>97,674</b>	<b>104,945</b>	<b>-3.1</b>	<b>-6.9</b>
Dividend income	125	7,024	7,150	6,706	-98.2	6.6
Gain (loss) on financial instruments measured at fair value through profit or loss (including amounts due from clients)	17,138	17,063	38,325	46,793	0.4	-18.1
Gain (loss) on hedge accounting	187	753	612	293	-75.2	108.9
Gain (loss) on foreign exchange transactions	16,339	13,568	37,678	19,651	20.4	91.7
Other income	6,625	9,303	26,335	26,449	-28.8	-0.4
Other expenses	-12,684	-13,219	-39,126	-26,669	-4.0	46.7
Effect of legal risk of mortgage loans denominated in foreign currencies	-12,607	-3,942	-17,590	-15	219.8	117166.7
Net impairment losses	-27,829	-67,547	-120,281	-106,420	-58.8	13.0
Administrative expenses	-144,749	-111,705	-382,057	-290,294	29.6	31.6
Profit/(loss) before tax	39,321	75,349	150,410	47,492	-47.8	216.7
Income tax expense	-7,295	-14,859	-34,507	-16,753	-50.9	106.0
<b>NET PROFIT</b>	<b>32,026</b>	<b>60,490</b>	<b>115,903</b>	<b>30,739</b>	<b>-47.1</b>	<b>277.1</b>

In the period from January 1st to September 30th 2022, the BOŚ Group earned a net profit of PLN 115.9 million, compared with PLN 30.7 million reported in the corresponding period of 2021.

In the three months to September 30th 2022 alone, the BOŚ Group's net profit came in at PLN 32.0 million, compared with PLN 60.5 million in the second quarter of 2022.

In the nine months to September 30th 2022, the BOŚ Group generated net interest income of PLN 501.7 million, an increase of PLN 235.6 million, or 88.6%, year on year. The main reason behind its growth were the Monetary Policy Council's decisions to embark on a policy tightening cycle. As a result of an increase in policy rates and WIBOR market rates, the Bank posted an increase in income on loans and net gain on securities, with a substantial share of short-term securities related to higher deposits posted by the Bank. The improvement in interest margin was driven by a lower increase in expenses due to a continued relatively significant share of current accounts and low-interest deposit products.

In the nine months to September 30th 2022, interest and similar income was up by PLN 467.8 million, or 152.5% year on year, driven mainly by an increase of PLN 235.3 million, or 126.1%, in interest income from institutional clients, an increase of PLN 204.7 million, or 426.7%, in interest on non-trading investment debt securities, and a decrease of PLN 15.1 million, or 22.8%, in interest income from retail clients. Interest income on amounts due from retail clients was reduced by provisions recognised in respect of the 'loan repayment holidays' scheme enacted by the Business Crowdfunding and Support for Borrowers Act of July 7th 2022, which introduced, among other things, an option for borrowers to suspend repayment of mortgage loans granted in the Polish currency for up to eight months in 2022–2023 ("loan repayment holidays").

The average base interest rate applicable to PLN-denominated loans granted by the Bank (net of the impairment interest adjustment) was 7.27% compared with 3.07% in the same period of last year, and to foreign currency-denominated loans – 3.02% compared with 2.23% in the same period of 2021.

NET INTEREST INCOME (PLN thousand)	Q1-Q3 2022	Q1-Q3 2021	Change (%)
<b>Interest and similar income:</b>	<b>774,505</b>	<b>306,745</b>	<b>152.5</b>
Amounts due from banks and central bank	38,725	3,514	1002.0
Amounts due from institutional clients	421,942	186,621	126.1
Amounts due from retail clients	51,116	66,187	-22.8
Non-trading investment debt securities	252,727	47,983	426.7
Financial instruments held for trading	3,169	2,440	29.9
Hedging transactions	6,826	-	x
<b>Interest expense and similar charges on:</b>	<b>272,815</b>	<b>40,692</b>	<b>570.4</b>
Bank accounts and deposits from banks	2,278	759	200.1
Bank accounts and deposits from institutional clients	106,764	1,042	10,146.1
Bank accounts and deposits from retail clients	140,541	21,702	547.6
Borrowings from banks	-	-	x
Borrowings from clients	484	122	296.7
Lending support funds (JESSICA)	618	43	1,337.2
Financial instruments – own debt securities	19,094	9,024	111.6
Hedging transactions	-	4,986	-100.0
Lease liabilities	3,021	3,011	0.3
Other	15	3	400.0
<b>NET INTEREST INCOME</b>	<b>501,690</b>	<b>266,053</b>	<b>88.6</b>

Interest expense and similar charges increased by PLN 232.1 million, or 570.4%, on the first nine months of 2021, driven mainly by a PLN 118.8 million (547.6%) increase in interest expense on borrowings from retail clients and an increase in expense related to bank accounts and deposits from institutional clients (up PLN 105.7 million, or 10,146.1%). Costs of financial instruments (own debt securities) rose by PLN 10.1 million, or 111.6%, whereas costs of hedging transactions decreased by PLN 5.0 million.

The increase in interest expense was mainly attributable to higher interest rates on deposits. The average base interest rate on deposits placed with the Bank branches in January 1st to September 30th 2022 was as follows:

- - 2.50% in PLN, compared with 0.20% in the same period of 2021,
- - 0.15% in foreign currencies, compared with 0.16% in the same period of 2021.

NET FEE AND COMMISSION INCOME (PLN thousand)	Q1-Q3 2022	Q1-Q3 2021	Change (%)
<b>Fee and commission income</b>	<b>129,217</b>	<b>134,576</b>	<b>-4.0</b>
Brokerage service fees	67,893	73,796	-8.0
Fees for maintaining client accounts, other domestic and international payment transactions	27,058	27,389	-1.2
Commission fees on loans	28,344	28,171	0.6
Commission fees on guarantees and letters of credit	5,536	4,768	16.1
Fees for portfolio management services and other management fees	380	449	-15.4
Other fees	6	3	100.0
<b>Fee and commission expense</b>	<b>31,543</b>	<b>29,631</b>	<b>6.5</b>
Brokerage fees, including:	23,684	21,624	9.5
for custody services	482	479	0.6
Payment card fees	5,892	5,376	9.6
Current account fees	860	1,211	-29.0
ATM service charges	513	919	-44.2
Fees on amounts due from clients	94	61	54.1
<b>Other fees</b>	<b>500</b>	<b>440</b>	<b>13.6</b>
<b>NET FEE AND COMMISSION INCOME</b>	<b>97,674</b>	<b>104,945</b>	<b>-6.9</b>

The Group's net fee and commission income was PLN 97.7 million, which means a decrease of PLN 7.3 million, or 6.9%, year on year, attributable to a decrease in fee and commission income and an increase in fee and commission expense.

Specifically, there was a decline in fee and commission income from brokerage services – down PLN 5.9 million (8.0%). In contrast, commission fees on guarantees and letters of credit went up by PLN 0.8 million, or 16.1%, and commission fees on loans grew by PLN 0.2 million, or 0.6%.

Fee and commission expense increased by PLN 1.9 million, or 6.4%, driven mainly by higher brokerage fees (up by PLN 2.1 million, or 9.5%).

Gain (loss) on financial instruments measured at fair value through profit or loss was PLN 38.3 million, compared with PLN 46.8 million in the same period of 2021. The decrease was mainly attributable to a lower result of Dom Maklerski BOŚ, which led to a decrease in this income stream.

In the nine months to September 30th 2022, dividend income was PLN 7.2 million, compared with PLN 6.7 million in the same period of 2021. The main contributor was dividend from Kemipol sp. z o.o., which amounted to PLN 6.7 million, compared with PLN 6.3 million in 2021.

Gain (loss) on foreign exchange transactions stood at PLN 37.7 million, compared with PLN 19.7 million in the same period of 2021, with the change attributable mainly to reserve revaluation.

In the nine months ended September 30th 2022, net impairment losses totalled PLN -120.3 million, relative to PLN -106.4 million in the nine months of 2021, due mainly to higher impairment losses in the institutional clients segment.

Administrative expenses of the Group went up by PLN 91.8 million, or 31.6%, relative to the same period of 2021, due mainly to the payment and recognition of a provision for additional contributions to the Borrowers' Support Fund totalling PLN 35.0 million.

The amount comprises the PLN 10.0 million contribution set by the Borrowers' Support Fund Board and a provision of PLN 25.0 million recognised by the Bank for the contribution due to be paid in the fourth quarter.

ADMINISTRATIVE EXPENSES (PLN thousand)	Q1-Q3 2022	Q1-Q3 2021	Change (%)
Employee benefits	164,545	137,540	19.6
Administrative expenses, including:	171,423	111,331	54.0
material costs	88,108	79,890	10.3
taxes and charges	6,329	4,750	33.2
contribution and payments to BGF	39,277	24,304	61.6
contribution and payments to PFSA	2,486	2,202	12.9
contribution to cover operating expenses of Financial Ombudsman	156	117	33.3
contribution to Borrowers' Support Fund	34,999		x
contribution to Chamber of Brokerage Houses (Izba Domów Maklerskich, IDM)	68	68	0.0
other	-	-	x
Amortisation and depreciation, including:	46,089	41,423	11.3
depreciation of property, plant and equipment	11,306	10,135	11.6
amortisation of intangible assets	22,284	20,201	10.3
depreciation of rights-of-use assets	12,499	11,087	12.7
<b>ADMINISTRATIVE EXPENSES</b>	<b>382,057</b>	<b>290,294</b>	<b>31.6</b>

A significant driver of administrative expenses were higher salaries and wages, which increased PLN 27.0 million, or 19.6%. Costs of salaries and wages increased mainly in business development, as well as security, AML and IT areas. The Bank completed a job valuation process, with one of its objectives being to link compensation in individual jobs to current market benchmarks, which led to an increase in salaries and wages.

Administrative expenses also increased due to higher contributions to the Bank Guarantee Fund, up PLN 15.0 million, or 61.6%. The reported amount of administrative expenses included the entire annual contribution to the mandatory bank restructuring fund calculated by the Bank Guarantee Fund for 2022, which amounted to PLN 21.9 million, compared with PLN 15.7 million for 2021. The total contribution to the Bank Guarantee Fund charged to expenses in the nine months ended September 30th 2022 amounted to PLN 39.3 million, compared with PLN 24.3 million in the same period of the previous year.

As at September 30th 2022, the Bank employed 1,173 persons (FTEs), compared with 1,135 at the end of the third quarter of 2021. Headcount rose by 3.2% at the Bank and 18.2% at the subsidiaries relative to September 30th 2021. The table below presents employment (FTEs) at the Bank and its subsidiaries. Headcount at the BOŚ Group increased 6.1% relative to the end of the third quarter of last year.

EMPLOYMENT, FULL-TIME EQUIVALENTS	Sep 30 2022	Sep 30 2021	Change (%)
Employment at BOŚ S.A.	1,171	1,135	3.2
Employment at subsidiaries	318	269	18.2
<b>EMPLOYMENT AT THE BOŚ GROUP</b>	<b>1,489</b>	<b>1,404</b>	<b>6.1</b>

## 6.2. The Group's assets

As at September 30th 2022, the Group's total assets stood at PLN 22,254.7 million, up 8.1% on December 31st 2021.

### Changes in the structure of the Group's assets

As at September 30th 2022, at 53.2%, amounts due from clients had the highest share in total assets. The share fell by 4.4 percentage points on year-end 2021. The share of investment securities as well as cash and balances with central bank rose by 2.5 and 2.2 percentage points, respectively.

ASSETS (PLN thousand)	Sep 30 2022	Dec 31 2021	Change (%)
Cash and balances with central bank	870,237	361,581	140.7
Amounts due from banks	170,946	400,747	-57.3
Financial assets held for trading	343,615	155,705	120.7
Derivative hedging instruments	33,855	9,121	271.2
Investment securities:	8,237,346	7,108,931	15.9
Amounts due from clients, including:	11,840,264	11,855,647	-0.1
measured at amortised cost	11,834,455	11,841,536	-0.1
measured at fair value through profit or loss	5,809	14,111	-58.8
Intangible assets	116,539	112,861	3.3
Property, plant and equipment	89,048	84,082	5.9
Right of use – leases	66,989	78,538	-14.7
Tax assets:	189,029	151,072	25.1
Other assets	296,855	267,455	11.0
<b>ASSETS</b>	<b>22,254,723</b>	<b>20,585,740</b>	<b>8.1</b>

### Amounts due from clients

The carrying amount of amounts due from clients of the Group at September 30th 2022 was PLN 11,840.3 million, a decrease of 0.1% on December 31st 2021. The main reason for the decline was limited client interest in housing loans amid high rate rates and expectations of an economic slowdown.

As at September 30th 2022, amounts due from retail clients measured at amortised cost decreased on year-end 2021 by PLN 234.1 million, or 7.1%. Amounts due from institutional clients measured at amortised cost, notably working capital facilities, increased PLN 226.0 million, or 2.6%.

Amounts due from institutional clients measured at amortised cost accounted for the highest share of total amounts due from clients, at 73.9%. Their share increased by 2.0 percentage points on year-end 2021. Amounts due from institutional clients measured at amortised cost were PLN 8,755.4 million.

AMOUNTS DUE FROM CLIENTS (PLN thousand)	Sep 30 2022	Dec 31 2021	Change (%)
Measured at amortised cost	11,795,894	11,804,018	-0.1
Amounts due from retail clients	3,040,524	3,274,642	-7.1
overdraft facilities	1,479	224	560.3
cash loans	266,964	300,926	-11.3
housing loans	2,527,853	2,728,093	-7.3
other credit facilities	244,228	245,399	-0.5
Amounts due from institutional clients	8,755,370	8,529,376	2.6
working capital facilities	916,655	648,741	41.3
term facilities	6,709,140	6,771,966	-0.9
factoring receivables	578,699	599,966	-3.5
lease receivables	178,915	136,642	30.9
purchased receivables	97,619	127,311	-23.3
commercial paper	274,342	244,750	12.1
Measurement at fair value through profit or loss	5,809	14,111	-58.8
Amounts due from retail clients	341	651	-47.6
overdraft facilities	23	-	x
housing loans	119	257	-53.7
other credit facilities	199	394	-49.5
Amounts due from institutional clients	5,468	13,460	-59.4
working capital facilities	-	19	x
term facilities	5,468	13,441	-59.3
Total	11,801,703	11,818,129	-0.1
Security deposits	33,712	32,768	2.9
Other amounts due from clients	4,849	4,750	2.1
<b>AMOUNTS DUE FROM CLIENTS</b>	<b>11,840,264</b>	<b>11,855,647</b>	<b>-0.1</b>

The share of amounts due from retail clients measured at amortised cost in total amounts due decreased by 1.9 percentage points, to 25.7%. The amount of retail loans measured at amortised cost was PLN 3,040.5 million at September 30th 2022, compared with PLN 3,274.6 million at year-end 2021.

Housing loans are the largest item among loans advanced to retail clients. As at September 30th 2022, they amounted to PLN 2,527.9 million, down by 7.3% on December 31st 2021.

HOUSING LOANS, PLN thousand	Sep 30 2022	Dec 31 2021	Change (%)
<b>Loans measured at amortised cost</b>	<b>2,527,853</b>	<b>2,728,093</b>	<b>-7.3</b>
Housing loans in PLN	1,260,641	1,408,756	-10.5
Housing loans in CHF	729,026	767,387	-5.0
Housing loans in EUR	503,746	520,349	-3.2
Housing loans in USD	34,440	31,601	9.0
<b>Loans measured at fair value through profit or loss</b>	<b>119</b>	<b>257</b>	<b>-53.7</b>
Housing loans in PLN	119	257	-53.7
<b>HOUSING LOANS</b>	<b>2,527,972</b>	<b>2,728,350</b>	<b>-7.3</b>

Foreign currency loans accounted for 50.1% of total housing loans (48.4% at year-end 2021). The share of housing loans denominated in CHF in the total loan portfolio of the Group (net) was 6.2%, having decreased by 0.3 percentage point on year-end 2021.

### Balance of green loans

The balance of green loans as at September 30th 2022 was PLN 5,154.1 million, an increase of 8.3% on December 31st 2021. Green loans accounted for 39.73% of the Bank's total lending portfolio by nominal value (vs 37.12% as at December 31st 2021).

GREEN LOANS (PLN thousand)	Sep 30 2022	Dec 31 2021	Change
Green loans to institutional clients	4,683,157	4,256,415	10.0
Green loans to retail clients	470,941	503,238	-6.4
<b>GREEN LOANS</b>	<b>5,154,098</b>	<b>4,759,653</b>	<b>8.3</b>

### Loan sales

TOTAL LOAN SALES (PLN thousand)	Q1-Q3 2022	Q1-Q3 2021	Change (%)
Loans to institutional clients in Q1-Q3	2,840,557	2,689,630	5.6
Loans to retail clients in Q1-Q3	94,532	296,281	-68.1
<b>LOANS ADVANCED IN Q1-Q3</b>	<b>2,935,089</b>	<b>2,985,911</b>	<b>-1.7</b>

From January 1st to September 30th 2022, the BOŚ Group advanced loans of PLN 2.9 billion, 1.7% less year on year. The decrease in new loans was driven mainly by a drop in mortgage loans as clients were reluctant to incur new obligations and their borrowing capacity fell given high interest rates and the PFSA's recommendation of March 7th 2022 (a 5-percentage point increase of the interest rate in borrowing capacity assessments).

Green loans accounted for 47.4% of total loan sales in the nine months to September 30th 2022. In the first nine months of 2022, the value of new green loans was PLN 1,391.8 million, up 18.4% year on year.

SALES OF GREEN LOANS (PLN thousand)	Q1-Q3 2022	Q1-Q3 2021	Change
Green loans to institutional clients in Q1-Q3	1,357,545	1,043,707	30.1%
Green loans to retail clients in Q1-Q3	34,280	132,183	-74.1%
<b>GREEN LOANS ADVANCED IN Q1-Q3</b>	<b>1,391,825</b>	<b>1,175,890</b>	<b>18.4%</b>

The vast majority (in value terms) of the new green loans were made to institutional clients (98%). Industrial sector projects accounted for 35% while energy and municipal services projects accounted for 33% of the total volume of green loans originated during the period.



## Quality of the loan portfolio

QUALITY OF THE LOAN PORTFOLIO	Sep 30 2022	%	Dec 31 2021	%
AMOUNTS DUE FROM CLIENTS MEASURED AT AMORTISED COST				
Amounts due from clients without indications of impairment, including:	10,972,978	84.0	11,146,432	86.2
exposures without significant credit risk increase since initial recognition (Bucket 1)	9,573,364	73.3	9,883,695	76.5
exposures with significant credit risk increase since initial recognition (Bucket 2)	1,399,614	10.7	1,262,737	9.8
Amounts due from clients with indication of impairment (Bucket 3) but with no impairment identified given the estimated cash flows	-	-	22,382	0.2
Amounts due from clients with indication of impairment, impaired (Bucket 3)	2,089,979	16.0	1,757,830	13.6
Total amounts due from clients measured at amortised cost (gross)	13,062,957	100.0	12,926,644	100.0
Impairment losses on:				
amounts due from clients – (Bucket 1)	-87,799		-88,097	
amounts due from clients – (Bucket 2)	-68,441		-80,534	
amounts due from clients – (Bucket 3) with no indication of impairment	-		-588	
amounts due from clients – (Bucket 3) with indication of impairment	- 1,110,823		-953,407	
Total impairment losses	- 1,267,063		- 1,122,626	
Total amounts due from clients measured at amortised cost (net)	11,795,894		11,804,018	
AMOUNTS DUE FROM CLIENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS				
Fair value	5,809		14,111	
Total amounts due from clients measured at fair value through profit or loss	5,809		14,111	
Security deposits	33,712		32,768	
Other amounts due from clients	4,849		4,750	
<b>TOTAL AMOUNTS DUE FROM CLIENTS</b>	<b>11,840,264</b>		<b>11,855,647</b>	

As at September 30th 2022, impairment losses amounted to PLN 1,267.1 million. The share of amounts due from clients with indications of impairment in the entire portfolio measured at amortised cost was 16.0% as at September 30th 2022, compared with 13.6% at year-end 2021.

### 6.3. The Group's total equity and liabilities

EQUITY AND LIABILITIES (PLN thousand)	Sep 30 2022	Dec 31 2021	Change (%)
Amounts due to central bank and other banks	388,977	420,389	-7.5
Financial liabilities held for trading	187,086	99,659	87.7
Derivative hedging instruments	-	-	x
Amounts due to clients	18,483,582	17,007,863	8.7
Liabilities arising from issue of bank securities	-	-	x
Subordinated liabilities	373,296	369,107	1.1
Provisions	503,805	450,803	11.8
Tax liabilities	1,035	8,810	-88.3
Lease liabilities	69,298	81,170	-14.6
Other liabilities	321,411	282,144	13.9
<b>Total equity</b>	<b>1,926,233</b>	<b>1,865,795</b>	<b>3.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>22,254,723</b>	<b>20,585,740</b>	<b>8.1</b>

As at September 30th 2022, amounts due to clients represented the largest share (83.1%) of total equity and liabilities. The share increased by 0.4 percentage point on December 31st 2021. There was also an increase in the share of financial liabilities held for trading by 0.4 percentage point.

The share of equity decreased by 0.4 percentage point, of amounts due to the central bank and other banks fell by 0.3 percentage point, and of subordinated liabilities went down by 0.1 percentage point.

Equity was PLN 1,926.2 million at the end of September 2022, up PLN 60.4 million or 3.2%. The increase was mainly attributable to the current year net profit, despite a negative effect of a downward revaluation of securities measured at fair value through other comprehensive income, gross, reflecting the increase in market interest rates.

#### The Group's liabilities

AMOUNTS DUE TO CLIENTS (PLN thousand)	Sep 30 2022	Dec 31 2021	Change (%)
Retail clients	9,850,524	8,515,701	15.7
current/checking accounts	4,259,375	4,942,698	-13.8
term deposits	5,591,149	3,573,003	56.5
Institutional clients	7,966,469	7,799,099	2.1
current/checking accounts	4,895,388	6,255,578	-21.7
term deposits	3,071,081	1,543,521	99.0
Other clients	100,580	84,032	19.7
Borrowings from international financial institutions	520,322	510,954	1.8
Lending support funds	45,687	98,077	-53.4
<b>TOTAL LIABILITIES</b>	<b>18,483,582</b>	<b>17,007,863</b>	<b>8.7</b>

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

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

As at September 30th 2022, amounts due to clients of the Group were PLN 18,483.6 million, having increased 8.7% on year-end 2021.

Amounts due to retail clients increased by PLN 1,334.8 million, or 15.7%, in the nine months to September 30th 2022. The increase in this item was attributable to an increase (from June 2022) of the interest rates offered on the 3-, 6- and 12-month *EKOlokata Promocyjna* term deposits, distributed via electronic channels and the Bank's branch network, as well as the interest rate on *EKOkonto Oszczędnościowe* savings accounts.

Amounts due to institutional clients increased by PLN 167.4 million, or 2.1%.

## 7. Key financial ratios

	Sep 30 2022	Dec 31 2021	Change in percentage points
Return on equity (ROE) <sup>1</sup>	6.9	2.5	4.4
Return on assets (ROA) <sup>2</sup>	0.6	0.2	0.4
Interest margin on total assets <sup>3</sup>	3.1	1.8	1.3
Cost of risk <sup>4</sup>	-1.0	-0.8	-0.2
Cost/income (C/I) <sup>5</sup> , assuming uniform distribution of the cost of the one-time contribution to the Bank Guarantee Fund over the year	56.2	64.9	-121.1

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

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

3) Annualised net interest income for nine months to average assets,

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

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

Interest margin on total assets, calculated as the ratio of net interest income to average assets, was 3.1%, compared with 1.8% in 2021. For the most part, the improvement was attributable to an increase in the average interest rate on loans resulting from the interest rate rises implemented by the Monetary Policy Council, as well as higher return on interest-earning assets and deposit margins on current accounts, despite a negative impact of the provision for 'loan repayment holidays'.

The cost-to-income ratio in the nine months ended September 30th 2022 was 56.2%, compared with 64.9% in 2021, mainly as a result of income growing faster than administrative expenses.

## 8. Capital management

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

Taking into account the impact of IFRS 9 both with and without the transitional arrangements, the Bank and the Group met the applicable capital standards as at September 30th 2022.

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

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

Item (PLN thousand)	Sep 30 2022	Dec 31 2021
Available capital		
Common equity Tier 1 capital	1,738,306	1,741,535
Common equity Tier 1 capital – without IFRS 9 transitional provisions	1,703,020	1,706,844
<b>Tier 1 capital</b>	<b>1,738,306</b>	<b>1,741,535</b>
Tier 1 capital – without IFRS 9 transitional provisions	1,703,020	1,706,844
Own funds	1,866,248	1,887,882
<b>Own funds – without IFRS 9 transitional provisions</b>	<b>1,830,962</b>	<b>1,853,192</b>
Risk-weighted assets		
Total amount of risk-weighted assets	13,420,422	13,179,229
<b>Total amount of risk-weighted assets – without IFRS 9 transitional provisions</b>	<b>13,394,445</b>	<b>13,153,362</b>
Capital ratios		
Common equity Tier 1 capital ratio	12.95	13.21
Common equity Tier 1 capital ratio – without IFRS 9 transitional provisions	12.71	12.98
<b>Tier 1 capital ratio</b>	<b>12.95</b>	<b>13.21</b>
Tier 1 capital ratio – without IFRS 9 transitional provisions	12.71	12.98
Total capital ratio	13.91	14.32
<b>Total capital ratio – without IFRS 9 transitional provisions</b>	<b>13.67</b>	<b>14.09</b>
Leverage ratio		
Exposure value	24,387,348	25,648,152
Leverage ratio	7.10	6.80
<b>Leverage ratio – without IFRS 9 transitional provisions</b>	<b>7.00</b>	<b>6.70</b>

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

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

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

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

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

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

Item (PLN thousand)	Sep 30 2022	Dec 31 2021
Available capital		
Common equity Tier 1 capital	1,603,267	1,616,517
Common equity Tier 1 capital – without IFRS 9 transitional provisions	1,567,981	1,581,231
<b>Tier 1 capital</b>	<b>1,603,267</b>	<b>1,616,517</b>
Tier 1 capital – without IFRS 9 transitional provisions	1,567,981	1,581,231
Own funds	1,731,208	1,762,865
<b>Own funds – without IFRS 9 transitional provisions</b>	<b>1,695,923</b>	<b>1,727,579</b>
Risk-weighted assets		
Total amount of risk-weighted assets	12,641,199	12,449,947
<b>Total amount of risk-weighted assets – without IFRS 9 transitional provisions</b>	<b>12,615,619</b>	<b>12,424,459</b>
Capital ratios		
<i>Common equity Tier 1 capital ratio</i>	<i>12.68</i>	<i>12.98</i>
Common equity Tier 1 capital ratio – without IFRS 9 transitional provisions	12.43	12.73
<b>Tier 1 capital ratio</b>	<b>12.68</b>	<b>12.98</b>
Tier 1 capital ratio – without IFRS 9 transitional provisions	12.43	12.73
Total capital ratio	13.69	14.16
<b>Total capital ratio – without IFRS 9 transitional provisions</b>	<b>13.44</b>	<b>13.90</b>
Leverage ratio		
Exposure value	23,923,441	25,167,000
Leverage ratio	6.7	6.4
<b>Leverage ratio – without IFRS 9 transitional provisions</b>	<b>6.6</b>	<b>6.3</b>

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

capital which is referred to in Article 92 (1) letter b) of the CRR Regulation) and of at least 56% of the common equity Tier I capital (which corresponds to the capital requirement at the level of 0.37 percentage point above the common equity Tier I capital ratio referred to in Article 92 (1) letter a) of the CRR Regulation).

As a result, as at September 30th 2022 the minimum capital ratios recommended by the Polish Financial Supervision Authority for the Bank were 9.38% for Tier 1 capital ratio and 11.54% for the TCR ratio.

## 9. Segment reporting

In accordance with IFRS 8, operating segments are determined on the basis of internal reports on components of an enterprise that are subject to periodic reviews by the management responsible for taking operational decisions. For a description of the policies applied in segment reporting, see Note 50 to the full-year consolidated financial statements for the year ended December 31st 2021. The operating segments' results for the corresponding period of the previous year were restated to ensure comparability. Below are presented the consolidated financial results of the BOŚ Group for the nine months ended September 30th 2022 and September 30th 2021 attributable to the segments.

No.	Statement of items of profit or loss for 9 months ended September 30th 2022	INSTITUTIONAL CLIENTS	RETAIL BANKING	TREASURY AND INVESTMENTS	BROKERAGE BUSINESS	OTHER (NOT ALLOCATED TO SEGMENTS)	GROUP
I.	<b>Net interest income</b>	<b>190,544</b>	<b>128,150</b>	<b>132,248</b>	<b>51,963</b>	<b>-1,215</b>	<b>501,690</b>
1.	Interest and similar income, including:	690,952	362,433	-271,121	60,705	7	842,976
	<i>transactions with external clients</i>	429,281	60,402	281,496	3,326	-	774,505
	<i>transactions with other segments</i>	261,671	302,031	-552,617	57,379	7	68,471
2.	Interest expense and similar charges, including:	-500,408	-234,283	403,369	-8,742	-1,222	-341,286
	<i>transactions with external clients</i>	-98,037	-139,555	-29,598	-5,600	-25	-272,815
	<i>transactions with other segments</i>	-402,371	-94,728	432,967	-3,142	-1,197	-68,471
II.	<b>Net fee and commission income</b>	<b>45,789</b>	<b>7,620</b>	<b>-</b>	<b>44,589</b>	<b>-324</b>	<b>97,674</b>
III.	Dividend income	181	-	6,743	226	-	7,150
IV.	Gain (loss) on financial instruments measured at fair value through profit or loss	-	6	14,692	23,627	-	38,325
V.	Gain (loss) on hedge accounting	-	-	612	-	-	612
VI.	Gain (loss) on investment securities	-	-	-	-	-	-
VIII.	Gain (loss) on foreign exchange transactions	14,661	3,021	19,835	164	-3	37,678
IX.	<b>Net banking income</b>	<b>251,175</b>	<b>138,797</b>	<b>174,130</b>	<b>120,569</b>	<b>-1,542</b>	<b>683,129</b>
X.	Net other income and expenses	672	881	-	-17,276	2,932	-12,791
XI.	Effect of legal risk of mortgage loans denominated in foreign currencies	-	-17,590	-	-	-	-17,590
XII.	Net impairment losses	-90,630	-29,828	177	-	-	-120,281
1.	<b>Net finance income (costs)</b>	<b>161,217</b>	<b>92,260</b>	<b>174,307</b>	<b>103,293</b>	<b>1,390</b>	<b>532,467</b>
	Direct costs	-30,121	-17,371	-1,866	-61,030	-930	-111,318
2.	<b>Profit (loss) after direct costs</b>	<b>131,096</b>	<b>74,889</b>	<b>172,441</b>	<b>42,263</b>	<b>460</b>	<b>421,149</b>
	Indirect costs and mutual services	-65,251	-63,948	-12,136	-	-	-141,335
3.	<b>Profit (loss) after direct and indirect costs</b>	<b>65,845</b>	<b>10,941</b>	<b>160,305</b>	<b>42,263</b>	<b>460</b>	<b>279,814</b>
5.	Amortisation/depreciation	-17,966	-18,076	-1,686	-7,082	-1,279	-46,089
XIII.	Other costs (taxes, BFG, PFSA)	-44,191	-33,704	-523	-4,669	-228	-83,315
XIV.	<b>Profit (loss) before tax</b>	<b>3,688</b>	<b>-40,839</b>	<b>158,096</b>	<b>30,512</b>	<b>-1,047</b>	<b>150,410</b>
XV.	Allocated profit (loss) of ALM	36,872	118,167	-155,039	-	-	-
XVI.	<b>Profit (loss) before tax after ALM allocation</b>	<b>40,560</b>	<b>77,328</b>	<b>3,057</b>	<b>30,512</b>	<b>-1,047</b>	<b>150,410</b>
XVII.	Income tax expense						-34,507
	<b>Net profit (loss)</b>						<b>115,903</b>
	<b>Segment assets</b>	<b>8,868,764</b>	<b>3,040,865</b>	<b>9,754,090</b>	<b>330,526</b>	<b>260,478</b>	<b>22,254,723</b>
	including amounts due from banks and clients						-
	<b>Segment liabilities</b>	<b>6,924,504</b>	<b>8,929,928</b>	<b>3,376,476</b>	<b>2,159,662</b>	<b>864,153</b>	<b>22,254,723</b>



	Expenditure on property, plant and equipment and intangible assets	17,703	15,294	1,863	7,407	-	42,267
No.	Statement of items of profit or loss for 9 months ended September 30th 2021	INSTITUTIONAL CLIENTS	RETAIL BANKING	TREASURY AND INVESTMENTS	BROKERAGE BUSINESS	OTHER (NOT ALLOCATED TO SEGMENTS)	GROUP
I.	<b>Net interest income</b>	<b>123,391</b>	<b>36,333</b>	<b>107,724</b>	<b>-795</b>	<b>-600</b>	<b>266,053</b>
1.	Interest and similar income, including:	200,856	97,487	16,479	81	2	314,905
	<i>transactions with external clients</i>	190,331	66,643	49,690	81	-	306,745
	<i>transactions with other segments</i>	10,525	30,844	-33,211	-	2	8,160
2.	Interest expense and similar charges, including:	-77,465	-61,154	91,245	-876	-602	-48,852
	<i>transactions with external clients</i>	-1,038	-21,710	-17,769	-175	-	-40,692
	<i>transactions with other segments</i>	-76,427	-39,444	109,014	-701	-602	-8,160
II.	<b>Net fee and commission income</b>	<b>47,308</b>	<b>5,422</b>	<b>-</b>	<b>52,621</b>	<b>-406</b>	<b>104,945</b>
III.	Dividend income	241	-	6,286	179	-	6,706
IV.	Gain (loss) on financial instruments measured at fair value through profit or loss	24	52	19,856	26,861	-	46,793
V.	Gain (loss) on hedge accounting	-	-	293	-	-	293
VI.	Gain (loss) on investment securities	-	-	-	-	-	-
VIII.	Gain (loss) on foreign exchange transactions	13,525	13,231	-7,024	-76	-5	19,651
IX.	<b>Net banking income</b>	<b>184,489</b>	<b>55,038</b>	<b>127,135</b>	<b>78,790</b>	<b>-1,011</b>	<b>444,441</b>
X.	Net other income and expenses	-4,069	-5,016	11,047	-1,391	-791	-220
XI.	Effect of legal risk of mortgage loans denominated in foreign currencies	-	-15	-	-	-	-15
XII.	Net impairment losses	-58,450	-46,322	-1,648	-	-	-106,420
1.	<b>Net finance income (costs)</b>	<b>121,970</b>	<b>3,685</b>	<b>136,534</b>	<b>77,399</b>	<b>-1,802</b>	<b>337,786</b>
	Direct costs	-25,744	-17,227	-1,943	-51,435	-992	-97,341
2.	<b>Profit (loss) after direct costs</b>	<b>96,226</b>	<b>-13,542</b>	<b>134,591</b>	<b>25,964</b>	<b>-2,794</b>	<b>240,445</b>
	Indirect costs and mutual services	-53,437	-56,328	-10,324	-	-	-120,089
3.	<b>Profit (loss) after direct and indirect costs</b>	<b>42,789</b>	<b>-69,870</b>	<b>124,267</b>	<b>25,964</b>	<b>-2,794</b>	<b>120,356</b>
5.	Amortisation/depreciation	-15,078	-17,530	-1,554	-5,982	-1,279	-41,423
XIII.	Other costs (taxes, BFC, PFSA)	-16,194	-11,892	-325	-2,816	-214	-31,441
XIV.	<b>Profit (loss) before tax</b>	<b>11,517</b>	<b>-99,292</b>	<b>122,388</b>	<b>17,166</b>	<b>-4,287</b>	<b>47,492</b>
XV.	Allocated profit (loss) of ALM	67,658	40,013	-107,671	-	-	-
XVI.	<b>Profit (loss) before tax after ALM allocation</b>	<b>79,175</b>	<b>-59,279</b>	<b>14,717</b>	<b>17,166</b>	<b>-4,287</b>	<b>47,492</b>
XVII.	Income tax expense						-16,753
	<b>Net profit (loss)</b>						<b>30,739</b>
	<b>Segment assets</b>	<b>8,292,975</b>	<b>3,328,130</b>	<b>7,359,538</b>	<b>328,353</b>	<b>189,390</b>	<b>19,498,386</b>
	including amounts due from banks and clients						-

	Segment liabilities	5,824,598	7,565,133	3,405,910	1,987,578	715,167	19,498,386
	Expenditure on property, plant and equipment and intangible assets	8,512	7,924	1,089	5,023	-	22,548

## 10. Pending proceedings and changes in law

### Lawsuits – total

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

- a claimant in 913 lawsuits for a total amount of PLN 90.92 million;
- a respondent in 954 lawsuits for a total amount of PLN 305.73 million.

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

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

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

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

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

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

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

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

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

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

On May 7th 2021, the Supreme Court, sitting in a panel of seven judges, adopted a resolution having the effect of a legal rule in response to questions posed by the Financial Ombudsman, stating that if a credit agreement is found invalid, each party is entitled to a separate claim for reimbursement of the performance obligation rendered. The Supreme Court indicated that the agreement may be deemed definitively ineffective only if the

consumer is duly informed of the effects of the agreement's invalidity and does not agree to be bound by the provision deemed abusive. The Supreme Court has yet to resolve on the legal question submitted by the First President of the Supreme Court concerning, among other things, the possibility of replacing an exchange rate from the exchange rate tables of banks with a different rate.

Together with a group of other banks, BOŚ S.A. embarked on a task to draft settlement agreements that would be executed with clients on a voluntary basis, whereby loans denominated in foreign currencies would be repaid as if they had been originated as PLN-denominated loans in the first place, with an interest rate calculated as WIBOR plus a reasonable margin.

Having obtained the approval of the Extraordinary General Meeting (Resolution No. 4/2021 of December 8th 2021), on January 31st 2022 the Bank implemented the BOŚ S.A. Compromise and Settlement Programme based on a framework communicated by the President of the PFSA. Until September 30th 2022, 731 applications were received and 253 settlement agreements were signed under the Programme.

The total amount of the provision for foreign currency mortgage loans was PLN 510.7 million as at September 30th 2022, of which PLN 432.6 million was presented as a provision for judicial proceedings and legal risk related to foreign currency mortgage loans, and PLN 78.2 million was presented as additional allowances for expected credit losses.

As at September 30th 2022, there were 883 court cases pending against the Bank, concerning loans denominated in foreign currencies, mainly CHF, with the value of the claims totalling PLN 292.6 million. The claims raised in the lawsuits generally involve declaring the credit/loan agreement invalid and awarding repayment of loan instalments paid or, alternatively, declaring the denomination clauses abusive and awarding payment.

### **Loan repayment holidays**

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

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

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

- 1) from August 1st 2022 to September 30th 2022, for a period of two months;
  - 2) from October 1st 2022 to December 31st 2022, for a period of two months;
  - 3) from January 1st 2023 to December 31st 2023, for one month per quarter.
- Thus, the consumer may suspend the repayment of a loan for up to eight months.

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

A solution was enacted whereby repayments will be suspended as of the date of delivery to the lender of a relevant application requesting loan suspension for a period indicated therein. During the suspension period, the consumer is not obliged to make any payments under the loan agreement except for any related insurance payments.

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

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

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

Since the Act first came into effect, the President of the Office of Competition and Consumer Protection (the "President of UOKiK") has expressed strong interest in how banks are performing their obligations under the Act relating to the 'loan repayment holidays' scheme, including those related to receiving and processing of loan suspension applications. In late July 2022, the President of UOKiK initiated an investigation against several banks, including BOŚ S.A., to provisionally determine whether a breach occurred justifying the opening of proceedings concerning practices infringing collective consumer interests. In the course of the investigation, the President of UOKiK issued a series of letters to the Bank asking about the rules applied by the Bank to grant suspension of mortgage loan repayments to consumers. The Bank replied to each of those letters within the prescribed time limits. No letters from the President of UOKiK communicating the opening of proceedings against BOŚ S.A. concerning practices infringing collective consumer interests were received by the Bank as at September 30th 2022 (similar proceedings were initiated against several banks).

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

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

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

In the three months to September 30th 2022, the BOŚ Group did not publish any performance forecasts.

## **13. Seasonal or cyclical nature of the business**

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

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

The Bank did not issue or redeem any BOŚ S.A. securities in the three months to September 30th 2022.

## **15. Information about dividend**

In the three months to September 30th 2022, the Bank did not make or declare any dividend payments.

## **16. Related party transactions**

In the period from January 1st to September 30th 2022, the Bank and its subsidiaries did not enter into any related party transactions which, individually or in the aggregate, would be material and executed on non-arm's length terms.

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

In the three months to September 30th 2022, the Bank did not issue any credit repayment sureties or guarantees whose aggregate amount represents 10% or more of its equity.

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

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

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

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

As at September 30th 2022, the Bank held 37,775 treasury shares, representing 0.04% of its share capital and 0.04% of total voting rights in the Bank.

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

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

## **19. Bank shares held by management and supervisory personnel**

According to statements made by members of the Management and Supervisory Boards, none of them held any shares in the Bank or any of its related entities as at September 30th 2022.

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

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

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

## **21. Supervisory Board**

The composition of the Supervisory Board did not change in the three months ended September 30th 2022.

- Emil Ślęzak, Chair of the Supervisory Board
- Iwona Marciniak – Deputy Chair of the Supervisory Board
- Andrzej Matysiak – Secretary of the Supervisory Board

Members:

- Piotr Bielarczyk
- Janina Goss
- Piotr Sadownik
- Paweł Sałek
- Aleksandra Świdorska
- Tadeusz Wyrzykowski.

## **22. Management Board**

The composition of the Bank's Management Board did not change in the three months ended September 30th 2022.

As at September 30th 2022, the Management Board consisted of:

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

# INTERIM CONDENSED FINANCIAL STATEMENTS OF THE BOŚ GROUP

## Interim consolidated statement of profit or loss of the BOŚ Group

Continuing operations	for 3 months ended Sep 30 2022	for 9 months ended Sep 30 2022	for 3 months ended Sep 30 2021	for 9 months ended Sep 30 2021
Interest and similar income, including:	331,412	774,505	100,754	306,745
<i>financial assets measured at amortised cost</i>	211,274	557,386	90,194	274,726
<i>assets measured at fair value through other comprehensive income</i>	113,935	206,643	9,580	29,025
<i>financial assets measured at fair value through profit or loss</i>	6,203	10,476	980	2,994
Interest expense and similar charges, including:	-163,751	-272,815	-12,221	-40,692
<i>financial liabilities measured at amortised cost</i>	-163,751	-272,815	-10,538	-35,706
<i>financial liabilities measured at fair value through profit or loss</i>	-	-	-1,683	-4,986
<b>Net interest income</b>	<b>167,661</b>	<b>501,690</b>	<b>88,533</b>	<b>266,053</b>
Fee and commission income	38,686	129,217	44,086	134,576
Fee and commission expense	-9,571	-31,543	-8,935	-29,631
<b>Net fee and commission income</b>	<b>29,115</b>	<b>97,674</b>	<b>35,151</b>	<b>104,945</b>
Dividend income	125	7,150	382	6,706
Gain (loss) on financial instruments measured at fair value through profit or loss (including amounts due from clients)	17,138	38,325	15,841	46,793
Gain (loss) on hedge accounting	187	612	65	293
Gain (loss) on foreign exchange transactions	16,339	37,678	6,257	19,651
Other income	6,625	26,335	11,775	26,449
Other expenses	-12,684	-39,126	-799	-26,669
Effect of legal risk of mortgage loans denominated in foreign currencies	-12,607	-17,590	9,035	-15
Net impairment losses	-27,829	-120,281	-43,271	-106,420
Administrative expenses	-144,749	-382,057	-93,234	-290,294
<b>Profit before tax</b>	<b>39,321</b>	<b>150,410</b>	<b>29,735</b>	<b>47,492</b>
Income tax expense	-7,295	-34,507	-5,860	-16,753
<b>Net profit</b>	<b>32,026</b>	<b>115,903</b>	<b>23,875</b>	<b>30,739</b>
<b>of which attributable to:</b>				
<i>owners of parent</i>	32,026	115,903	23,875	30,739
<b>Earnings per share attributable to owners of parent during period (PLN)</b>				
<i>basic</i>		1.25		0.33
<i>diluted</i>		1.25		0.33

No operations were discontinued in the nine months ended September 30th 2022 or in 2021.



## Interim consolidated statement of comprehensive income of the BOŚ Group

Continuing operations	for 3 months ended Sep 30 2022	for 9 months ended Sep 30 2022	for 3 months ended Sep 30 2021	for 9 months ended Sep 30 2021
<b>Net profit</b>	<b>32,026</b>	<b>115,903</b>	<b>23,875</b>	<b>30,739</b>
<b>Items that may be reclassified to profit or loss:</b>	<b>5,548</b>	<b>-55,463</b>	<b>-8,532</b>	<b>-23,600</b>
Fair value of financial assets measured at fair value through other comprehensive income, gross	6,849	-68,473	-10,533	-29,136
Deferred tax	-1,301	13,010	2,001	5,536
<b>Items that will not be reclassified to profit or loss:</b>	<b>- 1</b>	<b>- 2</b>	<b>-</b>	<b>-</b>
Fair value of equity instruments measured at fair value through other comprehensive income, gross	- 2	- 3	-	-
Deferred tax	1	1	-	-
<b>Total comprehensive income</b>	<b>37,573</b>	<b>60,438</b>	<b>15,343</b>	<b>7,139</b>
<b>Of which attributable to:</b>				
<i>owners of parent</i>	37,573	60,438	15,343	7,139

## Interim consolidated statement of financial position of the BOŚ Group

Assets	Sep 30 2022	Dec 31 2021
Cash and balances with central bank	870,237	361,581
Amounts due from banks	170,946	400,747
Financial assets held for trading, including:	343,615	155,705
<i>equity securities</i>	20,799	13,308
<i>debt securities</i>	34,447	5,321
<i>derivative instruments</i>	288,369	137,076
Derivative hedging instruments	33,855	9,121
Investment securities:	8,237,346	7,108,931
<i>equity securities measured at fair value through other comprehensive income</i>	85,496	85,483
<i>debt securities measured at fair value through other comprehensive income</i>	6,258,198	5,311,853
<i>debt securities measured at amortised cost</i>	1,789,797	1,582,366
<i>debt securities measured at fair value through profit or loss</i>	103,855	129,229
Amounts due from clients, including:	11,840,264	11,855,647
<i>measured at amortised cost</i>	11,834,455	11,841,536
<i>measured at fair value through profit or loss</i>	5,809	14,111
Intangible assets	116,539	112,861
Property, plant and equipment	89,048	84,082
Right of use – leases	66,989	78,538
Tax assets:	189,029	151,072
<i>current</i>	5,896	-
<i>deferred</i>	183,133	151,072
Other assets	296,855	267,455
<b>Total assets</b>	<b>22,254,723</b>	<b>20,585,740</b>

Liabilities	Sep 30 2022	Dec 31 2021
Amounts due to central bank and other banks	388,977	420,389
Financial liabilities held for trading, including:	187,086	99,659
<i>equity securities</i>	5,154	-
<i>derivative instruments</i>	181,932	99,659
Amounts due to clients	18,483,582	17,007,863
Subordinated liabilities	373,296	369,107
Provisions	503,805	450,803
Tax liabilities:	1,035	8,810
<i>current</i>	939	8,335
<i>deferred</i>	96	475
Lease liabilities	69,298	81,170
Other liabilities	321,411	282,144
<b>Total liabilities</b>	<b>20,328,490</b>	<b>18,719,945</b>

Equity	Sep 30 2022	Dec 31 2021
<b>Equity attributable to owners of parent</b>		
Common equity:	1,461,036	1,461,036
<i>Share capital</i>	929,477	929,477
<i>Treasury shares</i>	-1,292	-1,292
<i>Share premium</i>	532,851	532,851
Revaluation reserve	-82,427	-26,962
Retained earnings	547,624	431,721
<b>Total equity</b>	<b>1,926,233</b>	<b>1,865,795</b>
<b>Total equity and liabilities</b>	<b>22,254,723</b>	<b>20,585,740</b>

## Interim consolidated statement of changes in equity of the BOŚ Group

	Equity attributable to owners of the Bank								Total equity
	Common equity			Revaluation reserve	Retained earnings				
	Share capital	Treasury shares	Share premium		Other statutory reserve funds	Other capital reserves	General risk fund	Undistribut ed profit (loss)	
As at Jan 1 2022	929,477	-1,292	532,851	-26,962	398,628	23,605	48,302	-38,814	1,865,795
Net profit	-	-	-	-	-	-	-	115,903	115,903
Other comprehensive income	-	-	-	-55,465	-	-	-	-	-55,465
Total comprehensive income	-	-	-	-55,465	-	-	-	115,903	60,438
Profit distribution, including:	-	-	-	-	58,851	-	-	-58,851	-
Transfer of net profit to reserves	-	-	-	-	58,851	-	-	-58,851	-
As at Sep 30 2022	929,477	-1,292	532,851	-82,427	457,479	23,605	48,302	18,238	1,926,233
As at Jan 1 2021	929,477	-1,292	532,851	67,869	776,085	23,605	48,302	-463,727	1,913,170
Net profit	-	-	-	-	-	-	-	47,456	47,456
Other comprehensive income	-	-	-	-94,831	-	-	-	-	-94,831
Total comprehensive income	-	-	-	-94,831	-	-	-	47,456	-47,375
Profit distribution, including:	-	-	-	-	-377,457	-	-	377,457	-
Offset of prior year losses	-	-	-	-	-374,421	-	-	374,421	-
Offset of 2018 issue costs against statutory reserve funds	-	-	-	-	-3,036	-	-	3,036	-
As at Dec 31 2021	929,477	-1,292	532,851	-26,962	398,628	23,605	48,302	-38,814	1,865,795

<b>As at Jan 1 2021</b>	<b>929,477</b>	<b>-1,292</b>	<b>532,851</b>	<b>67,869</b>	<b>776,085</b>	<b>23,605</b>	<b>48,302</b>	<b>-463,727</b>	<b>1,913,170</b>
Net profit	-	-	-	-	-	-	-	30,739	30,739
Other comprehensive income	-	-	-	-23,600	-	-	-	-	-23,600
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-23,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,739</b>	<b>7,139</b>
<b>Profit distribution, including:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-377,457</b>	<b>-</b>	<b>-</b>	<b>377,457</b>	<b>-</b>
Offset of prior year losses	-	-	-	-	-374,421	-	-	374,421	-
Offset of 2018 issue costs against statutory reserve funds	-	-	-	-	-3,036	-	-	3,036	-
<b>As at Sep 30 2021</b>	<b>929,477</b>	<b>-1,292</b>	<b>532,851</b>	<b>44,269</b>	<b>398,628</b>	<b>23,605</b>	<b>48,302</b>	<b>-55,531</b>	<b>1,920,309</b>

There were no non-controlling interests in the nine months ended September 30th 2022 or in 2021.

## Interim consolidated statement of cash flows of the BOŠ Group

Indirect method	for 9 months ended Sep 30 2022	for 9 months ended Sep 30 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>150,410</b>	<b>47,492</b>
<b>Total adjustments:</b>	<b>1,280,378</b>	<b>19,288</b>
Amortisation/depreciation	46,089	41,423
Interest on investing activities	-80,674	-39,394
Gain (loss) on investing activities	-24	11
Interest on financing activities	22,111	12,074
Dividends received:	-7,150	-6,706
<i>on securities held for trading</i>	226	179
<i>on investment securities</i>	6,924	6,527
Change in:		
<i>amounts due from banks</i>	7,050	56,392
<i>assets on securities held for trading</i>	-36,617	-9,944
<i>assets and liabilities from measurement of derivative and hedging financial instruments</i>	-93,754	-57,899
<i>investment securities</i>	-44,090	593,917
<i>amounts due from clients</i>	15,383	348,064
<i>other assets and income tax</i>	-35,116	58,147
<i>amounts due to central bank and other banks</i>	-31,412	-321,558
<i>amounts due to clients</i>	1,475,719	-618,578
<i>liabilities arising from securities held for trading</i>	5,154	-
<i>provisions</i>	53,002	5,817
<i>other liabilities and income tax</i>	41,738	-34,361
Income tax paid	-64,181	-14,823
<b>Net cash flows from (used in) operating activities</b>	<b>1,430,788</b>	<b>66,780</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Inflows</b>	<b>249,205</b>	<b>40,749</b>
Cash receipts from sale of property, plant and equipment	24	14
Cash receipts from redemption of securities measured at amortised cost	187,921	-
Interest income on securities measured at amortised cost	61,260	40,735
<b>Outflows</b>	<b>-418,053</b>	<b>-92,882</b>
Payments for acquisition of securities measured at amortised cost	-375,938	-70,595
Payments for acquisition of intangible assets	-25,961	-16,606
Payments for acquisition of property, plant and equipment	-16,154	-5,681
<b>Net cash flows from (used in) investing activities</b>	<b>-168,848</b>	<b>-52,133</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Inflows</b>	<b>-</b>	<b>-</b>
<b>Outflows</b>	<b>-30,666</b>	<b>-24,795</b>
Interest paid on bonds issued by the Group, including:	-14,901	-9,804
<i>subordinated bonds</i>	-14,901	-9,804
Lease payments, IFRS 16	-15,765	-14,991

Net cash flows from (used in) financing activities	-30,666	-24,795
<b>TOTAL NET CASH FLOWS</b>	<b>1,231,274</b>	<b>-10,148</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>3,605,927</b>	<b>2,479,832</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>4,837,201</b>	<b>2,469,684</b>
Restricted cash and cash equivalents	654,719	31,594

# INTERIM CONDENSED FINANCIAL STATEMENTS OF BOŚ S.A.

## Interim statement of profit or loss of the Bank

Continuing operations	for 3 months ended Sep 30 2022	for 9 months ended Sep 30 2022	for 3 months ended Sep 30 2021	for 9 months ended Sep 30 2021
Interest and similar income, including:	329,371	769,736	99,144	301,494
<i>financial assets measured at amortised cost</i>	209,256	552,686	88,595	269,494
<i>assets measured at fair value through other comprehensive income</i>	113,935	206,643	9,580	29,025
<i>financial assets measured at fair value through profit or loss</i>	6,180	10,407	969	2,975
Interest expense and similar charges, including:	-188,854	-324,750	-12,170	-40,516
<i>financial liabilities measured at amortised cost</i>	-188,854	-324,750	-10,487	-35,530
<i>financial liabilities measured at fair value through profit or loss</i>	-	-	-1,683	-4,986
<b>Net interest income</b>	<b>140,517</b>	<b>444,986</b>	<b>86,974</b>	<b>260,978</b>
Fee and commission income	20,610	62,245	21,372	62,651
Fee and commission expense	-2,429	-7,787	-2,568	-7,971
<b>Net fee and commission income</b>	<b>18,181</b>	<b>54,458</b>	<b>18,804</b>	<b>54,680</b>
Dividend income	-	6,924	241	6,527
Gain (loss) on financial instruments measured at fair value through profit or loss (including amounts due from clients)	10,063	13,728	8,774	19,499
Gain (loss) on hedge accounting	187	612	65	293
Gain (loss) on foreign exchange transactions	16,467	37,269	6,116	19,907
Other income	3,187	7,514	8,193	13,951
Other expenses	-3,962	-14,492	-1,796	-19,972
Effect of legal risk of mortgage loans denominated in foreign currencies	-12,607	-17,590	9,035	-15
Net impairment losses	-27,560	-119,073	-43,030	-102,218
Administrative expenses	-116,979	-300,329	-69,715	-222,160
Share of profit (loss) of equity-accounted entities	9,007	29,209	4,992	11,813
<b>Profit before tax</b>	<b>36,501</b>	<b>143,216</b>	<b>28,653</b>	<b>43,283</b>
Income tax expense	-4,721	-26,991	-4,496	-12,700
<b>Net profit</b>	<b>31,780</b>	<b>116,225</b>	<b>24,157</b>	<b>30,583</b>

Earnings per share attributable to owners of parent during period (PLN)				
<i>basic</i>		1.25		0.33
<i>diluted</i>		1.25		0.33

No operations were discontinued in the nine months ended September 30th 2022 or in 2021.



## Interim statement of comprehensive income of the Bank

Continuing operations	for 3 months ended Sep 30 2022	for 9 months ended Sep 30 2022	for 3 months ended Sep 30 2021	for 9 months ended Sep 30 2021
<b>Net profit</b>	<b>31,780</b>	<b>116,225</b>	<b>24,157</b>	<b>30,583</b>
<b>Items that may be reclassified to profit or loss:</b>	<b>5,548</b>	<b>-55,463</b>	<b>-8,532</b>	<b>-23,600</b>
Fair value of financial assets measured at fair value through other comprehensive income, gross	6,849	-68,473	-10,533	-29,136
Deferred tax	-1,301	13,010	2,001	5,536
<b>Items that will not be reclassified to profit or loss:</b>	<b>- 1</b>	<b>- 2</b>	<b>-</b>	<b>-</b>
Fair value of equity instruments measured at fair value through other comprehensive income, gross	-2	- 3	-	-
Deferred tax	1	1	-	-
<b>Total comprehensive income</b>	<b>37,327</b>	<b>60,760</b>	<b>15,625</b>	<b>6,983</b>

## Interim statement of financial position of the Bank

Assets	Sep 30 2022	Dec 31 2021
Cash and balances with central bank	870,221	361,564
Amounts due from banks	168,388	390,452
Financial assets held for trading, including:	288,066	119,310
<i>debt securities</i>	34,241	4,200
<i>derivative instruments</i>	253,825	115,110
Derivative hedging instruments	33,855	9,121
Investment securities:	8,237,346	7,108,931
<i>equity securities measured at fair value through other comprehensive income</i>	85,496	85,483
<i>debt securities measured at fair value through other comprehensive income</i>	6,258,198	5,311,853
<i>debt securities measured at amortised cost</i>	1,789,797	1,582,366
<i>debt securities measured at fair value through profit or loss</i>	103,855	129,229
Amounts due from clients, including:	11,884,196	11,872,238
<i>measured at amortised cost</i>	11,878,387	11,858,127
<i>measured at fair value through profit or loss</i>	5,809	14,111
Investments in subsidiaries	218,580	199,371
Intangible assets	103,326	99,793
Property, plant and equipment	44,113	39,322
Right of use – leases	62,241	72,671
Tax assets:	179,893	144,947
<i>current</i>	5,896	-
<i>deferred</i>	173,997	144,947
Other assets	48,887	32,248
<b>Total assets</b>	<b>22,139,112</b>	<b>20,449,968</b>

Liabilities	Sep 30 2022	Dec 31 2021
Amounts due to central bank and other banks	388,977	420,389
Derivative financial instruments held for trading	177,770	93,879
Amounts due to clients	18,517,281	17,012,146
Subordinated liabilities	373,296	369,107
Provisions	497,301	444,594
Tax liabilities:	-	7,433
<i>current</i>	-	7,433
Lease liabilities	64,750	75,314
Other liabilities	194,688	162,817
<b>Total liabilities</b>	<b>20,214,063</b>	<b>18,585,679</b>

Equity	Sep 30 2022	Dec 31 2021
Common equity:	1,460,364	1,460,364
<i>Share capital</i>	929,477	929,477
<i>Treasury shares</i>	-1,294	-1,294
<i>Share premium</i>	532,181	532,181
Revaluation reserve	-82,427	-26,962
Retained earnings	547,112	430,887
<b>Total equity</b>	<b>1,925,049</b>	<b>1,864,289</b>
<b>Total equity and liabilities</b>	<b>22,139,112</b>	<b>20,449,968</b>

## Interim statement of changes in equity of the Bank

	Common equity			Revaluation reserve	Retained earnings			Total equity
	Share capital	Treasury shares	Share premium		Other statutory reserve funds	General risk fund	Undistributed profit (loss)	
<b>As at Jan 1 2022</b>	<b>929,477</b>	<b>-1,294</b>	<b>532,181</b>	<b>-26,962</b>	<b>333,871</b>	<b>48,302</b>	<b>48,714</b>	<b>1,864,289</b>
Net profit	-	-	-	-	-	-	116,225	116,225
Other comprehensive income	-	-	-	-55,465	-	-	-	-55,465
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-55,465</b>	<b>-</b>	<b>-</b>	<b>116,225</b>	<b>60,760</b>
<b>Profit distribution, including:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>48,714</b>	<b>-</b>	<b>-48,714</b>	<b>-</b>
Transfer of net profit to reserves	-	-	-	-	48,714	-	-48,714	-
<b>As at Sep 30 2022</b>	<b>929,477</b>	<b>-1,294</b>	<b>532,181</b>	<b>-82,427</b>	<b>382,585</b>	<b>48,302</b>	<b>116,225</b>	<b>1,925,049</b>
<b>As at Jan 1 2021</b>	<b>929,477</b>	<b>-1,294</b>	<b>532,181</b>	<b>67,869</b>	<b>726,193</b>	<b>48,302</b>	<b>-392,322</b>	<b>1,910,406</b>
Net profit	-	-	-	-	-	-	48,714	48,714
Other comprehensive income	-	-	-	-94,831	-	-	-	-94,831
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-94,831</b>	<b>-</b>	<b>-</b>	<b>48,714</b>	<b>-46,117</b>
<b>Profit distribution, including:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-392,322</b>	<b>-</b>	<b>392,322</b>	<b>-</b>
Offset of prior year losses	-	-	-	-	-389,286	-	389,286	-
Offset of 2018 issue costs against statutory reserve funds	-	-	-	-	-3,036	-	3,036	-
<b>As at Dec 31 2021</b>	<b>929,477</b>	<b>-1,294</b>	<b>532,181</b>	<b>-26,962</b>	<b>333,871</b>	<b>48,302</b>	<b>48,714</b>	<b>1,864,289</b>

<b>As at Jan 1 2021</b>	<b>929,477</b>	<b>-1,294</b>	<b>532,181</b>	<b>67,869</b>	<b>726,193</b>	<b>48,302</b>	<b>-392,322</b>	<b>1,910,406</b>
Net profit	-	-	-	-	-	-	30,583	30,583
Other comprehensive income	-	-	-	-23,600	-	-	-	-23,600
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-23,600</b>	<b>-</b>	<b>-</b>	<b>30,583</b>	<b>6,983</b>
<b>Profit distribution, including:</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-392,322</b>	<b>-</b>	<b>392,322</b>	<b>-</b>
Offset of prior year losses	-	-	-	-	-389,286	-	389,286	-
Offset of 2018 issue costs against statutory reserve funds	-	-	-	-	-3,036	-	3,036	-
<b>As at Sep 30 2021</b>	<b>929,477</b>	<b>-1,294</b>	<b>532,181</b>	<b>44,269</b>	<b>333,871</b>	<b>48,302</b>	<b>30,583</b>	<b>1,917,389</b>

There were no non-controlling interests in the nine months ended September 30th 2022 or in 2021.

## Interim statement of cash flows of the Bank

Indirect method	for 9 months ended Sep 30 2022	for 9 months ended Sep 30 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before tax</b>	<b>143,216</b>	<b>43,283</b>
<b>Total adjustments:</b>	<b>1,273,926</b>	<b>-155</b>
Share in (profit) loss of equity-accounted subordinated entities	-29,209	-11,813
Amortisation/depreciation	37,036	33,793
Interest on investing activities	-80,674	-39,394
Gain (loss) on investing activities	-	-8
Interest on financing activities	21,904	11,959
Dividends received:	-6,924	-6,527
<i>on investment securities</i>	6,924	6,527
Change in:		
<i>amounts due from banks</i>	4,764	61,428
<i>securities held for trading</i>	-30,041	-
<i>assets and liabilities from measurement of derivative and hedging financial instruments</i>	-79,558	-48,693
<i>investment securities</i>	-43,520	593,917
<i>amounts due from clients</i>	-11,958	325,762
<i>other assets and income tax</i>	-22,656	3,960
<i>amounts due to central bank and other banks</i>	-31,412	-321,558
<i>amounts due to clients</i>	1,505,135	-612,880
<i>provisions</i>	52,707	3,550
<i>other liabilities and income tax</i>	38,026	11,682
Income tax paid	-56,618	-11,860
<b>Net cash flows from (used in) operating activities</b>	<b>1,417,142</b>	<b>43,128</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Inflows</b>	<b>259,181</b>	<b>56,745</b>
Cash receipts from sale of property, plant and equipment	-	10
Interest income on securities measured at amortised cost	61,260	40,735
Cash receipts from redemption of securities measured at amortised cost	187,921	-
Dividends received	10,000	16,000
<b>Outflows</b>	<b>-410,266</b>	<b>-87,435</b>
Payments for acquisition of securities measured at amortised cost	-375,938	-70,595
Payments for acquisition of intangible assets	-22,839	-14,181
Payments for acquisition of property, plant and equipment	-11,489	-2,659
<b>Net cash flows from (used in) investing activities</b>	<b>-151,085</b>	<b>-30,690</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Inflows</b>	<b>-</b>	<b>-</b>
<b>Outflows</b>	<b>-28,761</b>	<b>-22,982</b>
Interest paid on bonds issued by the Bank, including:	-14,901	-9,804
<i>subordinated bonds</i>	-14,901	-9,804
Lease payments	-13,860	-13,178
<b>Net cash flows from (used in) financing activities</b>	<b>-28,761</b>	<b>-22,982</b>

<b>TOTAL NET CASH FLOWS</b>	<b>1,237,296</b>	<b>-10,544</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>3,599,583</b>	<b>2,475,299</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>4,836,879</b>	<b>2,464,755</b>
Restricted cash and cash equivalents	654,719	31,594

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

### I.1. Basis of preparation and statement of compliance

The interim condensed consolidated financial statements of the Group include:

- 1) interim condensed consolidated statement of profit or loss for the nine months ended September 30th 2022 and comparative data for the nine months ended September 30th 2021, as well as data for the three months ended September 30th 2022 and comparative data for the three months ended September 30th 2021,
- 2) interim condensed consolidated statement of comprehensive income for the nine months ended September 30th 2022 and comparative data for the nine months ended September 30th 2021, as well as data for the three months ended September 30th 2022 and comparative data for the three months ended September 30th 2021,
- 3) interim condensed consolidated statement of financial position as at September 30th 2022 and comparative data as at December 31st 2021,
- 4) interim condensed consolidated statement of changes in equity for the nine months ended September 30th 2022 and comparative data for the nine months ended September 30th 2021 and the twelve months ended December 31st 2021,
- 5) interim condensed consolidated statement of cash flows for the nine months ended September 30th 2022 and comparative data for the nine months ended September 30th 2021,
- 6) notes to the financial statements.

The interim condensed financial statements of the Bank include:

- 1) interim condensed statement of profit or loss for the nine months ended September 30th 2022 and comparative data for the nine months ended September 30th 2021, as well as data for the three months ended September 30th 2022 and comparative data for the three months ended September 30th 2021,
- 2) interim condensed statement of comprehensive income for the nine months ended September 30th 2022 and comparative data for the nine months ended September 30th 2021, as well as data for the three months ended September 30th 2022 and comparative data for the three months ended September 30th 2021,
- 3) interim condensed statement of financial position as at September 30th 2022 and comparative data as at December 31st 2021,
- 4) interim condensed statement of changes in equity for the nine months ended September 30th 2022 and comparative data for the nine months ended September 30th 2021 and the twelve months ended December 31st 2021,
- 5) interim condensed statement of cash flows for the nine months ended September 30th 2022 and comparative data for the nine months ended September 30th 2021,
- 6) notes to the financial statements.

These interim condensed consolidated financial statements of the BOŚ Group and the interim condensed financial statements of the Bank have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), effective as at the reporting date, i.e., September 30th 2022, using the same accounting policies for each period, and on a historical cost basis, except for the following items measured at fair value:

## Recognition of changes in fair value through:

Financial instruments held for trading	profit or loss
Fair value hedging derivatives	profit or loss
Amounts due from clients whose cash flows fail to meet the SPPI (solely payment of	profit or loss
Investment debt securities held within a business model whose objective is achieved	other comprehensive
Investment equity securities	other comprehensive

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

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

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

These interim condensed consolidated financial statements of the BOŚ Group and the interim condensed financial statements of the Bank for the nine months ended September 30th 2022 do not include all the disclosures required to be included in the full-year financial statements and should be read in conjunction with the BOŚ Group's and the Bank's full-year financial statements for the financial year ended December 31st 2021.

These interim condensed consolidated financial statements of the BOŚ Group and the interim condensed financial statements of the Bank for the nine months ended September 30th 2022 follow the same accounting policies as those used in the preparation of the full-year financial statements for the year ended December 31st 2021.

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



## II. Fair value of financial assets and liabilities

	Carrying amount as at Sep 30 2022	Fair value as at Sep 30 2022	Carrying amount as at Dec 31 2021	Fair value as at Dec 31 2021
<b>FINANCIAL ASSETS</b>				
Amounts due from banks	170,946	172,622	400,747	402,886
Amounts due from clients, including:	11,840,264	11,769,893	11,855,647	11,814,926
- PLN loans	9,006,419	9,013,437	9,353,758	9,372,279
- Foreign currency loans	2,833,845	2,756,456	2,501,889	2,442,647
Investment securities – measured at amortised cost	1,789,797	1,583,715	1,582,366	1,544,358
Debt securities, including:	1,789,797	1,583,715	1,582,366	1,544,358
- State Treasury	1,582,164	1,429,180	1,373,528	1,362,035
- Other	207,633	154,535	208,838	182,323
<b>FINANCIAL LIABILITIES</b>				
Amounts due to central bank and other banks	388,977	388,977	420,389	420,389
Amounts due to clients, including:	18,483,582	18,440,351	17,007,863	17,015,812
- institutional clients	8,012,156	8,010,590	7,897,176	7,897,249
- retail clients	9,850,524	9,829,112	8,515,701	8,523,304
- other clients	100,580	100,580	84,032	84,032
- international financial institutions	520,322	500,069	510,954	511,227
Liabilities arising from issue of bank securities	0	0	0	0
Subordinated liabilities	373,296	360,009	369,107	356,419

### Amounts due from banks

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

### Amounts due from clients

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

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

### **Investment securities measured at amortised cost**

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

### **Amounts due to central bank and other banks**

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

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

### **Amounts due to clients**

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

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

### **Liabilities arising from issue of securities**

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

### **Subordinated liabilities**

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

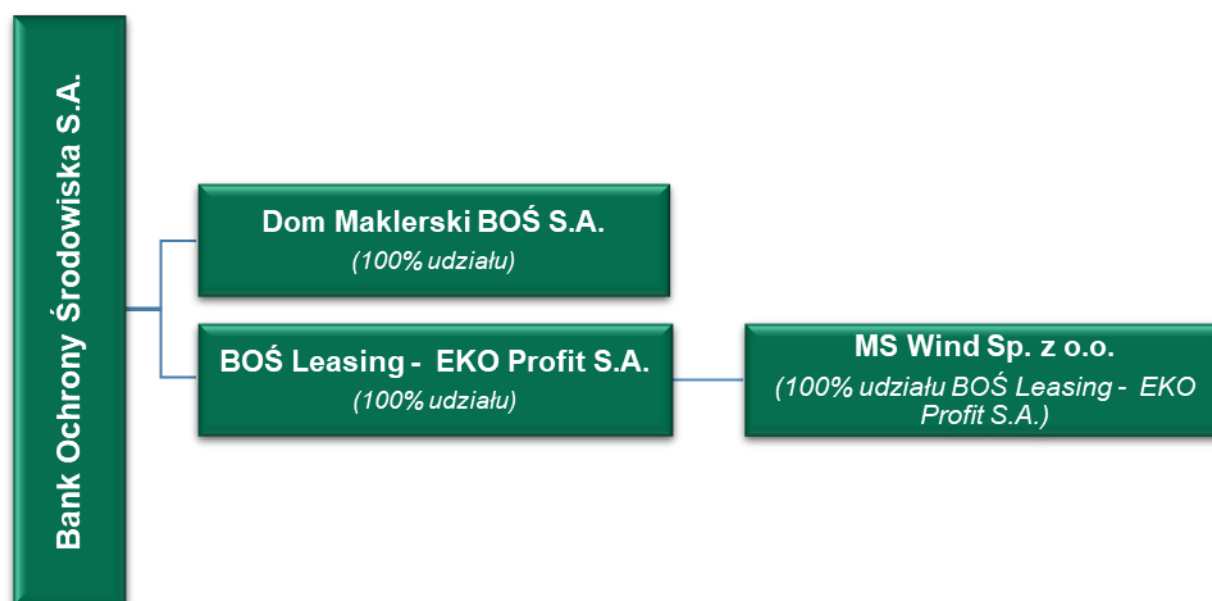
### III. Consolidated contingent liabilities and assets

Contingent assets and liabilities, PLN thousand	Sep 30 2022	Dec 31 2021	Change (%)
<b>Contingent liabilities:</b>	<b>2,975,133</b>	<b>3,264,122</b>	<b>-8.9</b>
Financial, including:	2,533,289	2,814,089	-10.0
open credit lines, including:	2,492,826	2,793,138	-10.8
revocable	2,181,947	2,337,580	-6.7
irrevocable	310,879	455,558	-31.8
open import letters of credit	40,463	20,951	93.1
Guarantees, including:	441,844	450,033	-1.8
credit repayment sureties and guarantees	12,739	12,739	0.0
performance bonds	429,105	437,294	-1.9
<b>Contingent assets:</b>	<b>2,340,794</b>	<b>2,143,824</b>	<b>9.2</b>
Financial, including:	365,235	344,955	5.9
open lines of credit	365,235	344,955	5.9
Guarantees	1,956,126	1,781,345	9.8
Other	19,433	17,524	10.9

### IV. Organisation of the Group

#### Structure of the Group

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



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

No.	Subordinated entities	Registered office	% equity interest as at Sep 30 2022	% voting interest as at Sep 30 2022	Consolidation method
Direct subsidiaries					
1.	Dom Maklerski BOŚ S.A.	Warsaw	100%	100%	Full consolidation
2.	BOŚ Leasing - EKO Profit S.A.	Warsaw	100%	100%	Full consolidation
Indirect subsidiary (subsidiary of BOŚ Leasing - Eko Profit S.A.)					
1.	MS Wind sp. z o.o.	Warsaw	100%	100%	Full consolidation

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

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

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

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

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

## V. Key events subsequent to the date of this report

### Strategy update

On November 3rd 2022 (Current Report No. 16/2022), 'Update of the Strategy of Bank Ochrony Środowiska S.A. for 2021– 2023' was approved by way of a resolution of the Bank's Supervisory Board. For more information, see Section 5 'Development directions for the Bank'.

## Signatures of Members of the Management Board

Date	Name and surname	Position held	Signature
November 8th 2022	Wojciech Hann	President of the Management Board	Signed with qualified e-signature
November 8th 2022	Arkadiusz Garbarczyk	Vice President of the Management Board – First Deputy of President of the Management Board	Signed with qualified e-signature
November 8th 2022	Robert Kasprzak	Vice President of the Management Board	Signed with qualified e-signature
November 8th 2022	Jerzy Zań	Vice President of the Management Board	Signed with qualified e-signature