

## ANSWERS TO QUESTIONS ASKED BY A SHAREHOLDER AT THE ANNUAL GENERAL MEETING OF BANK OCHRONY ŚRODOWISKA S.A. HELD ON 19 JUNE 2024

1. *“Group Recovery Plan – I couldn't find any information on what happened in 2023 regarding the implementation of the Recovery Plan, its implementation status, and how close the Group is to completing this process. I would like the Management Board to provide information on this matter.”*

On 31 December 2021, the Bank decided to initiate the Group Recovery Plan (the “Plan”) approved by the Financial Supervision Authority (Current Report No. 34/2021 of 31 December 2021). The purpose of the corrective measures provided for in the Plan is to achieve sustainable profitability of the Bank. After the Advocate General of the Court of Justice of the European Union (CJEU) issued an opinion unfavourable to the banking sector on 16 February 2023, the Bank submitted a revised Group Recovery Plan with the Financial Supervision Authority in April 2023. The revised Plan reflected changes in the conditions on the banking market, especially the increased legal risks associated with foreign-currency mortgage loans. In October 2023, at the request of the Financial Supervision Authority, the Bank submitted another Plan update, including revised macroeconomic assumptions and, with respect to the loan portfolio quality, revised threshold values for the Non-Performing Loan (NPL) ratio. The Bank also outlined measures taken to improve the quality of its loan portfolio.

Throughout 2023, the Bank continued to implement the Plan. As at 31 December 2023, all primary indicators under the Plan, both on a standalone and consolidated basis, remained at safe levels. The Bank maintained its capital adequacy ratios above the levels recommended by the Polish Financial Supervision Authority. The Bank's liquidity was adequate and exceeded the regulatory requirements.

On 26 January 2024, the Polish Financial Supervision Authority approved the updated Group Recovery Plan of BOŚ S.A.

The Plan will be considered complete when all corrective measures are finalised and the Bank regains sustainable profitability, both in terms of earnings and credit portfolio quality. The Management Board is currently analysing factors affecting future net profit/loss, which is a primary indicator under the Plan. Furthermore, the structural and regulatory factors relevant to the Bank's ability to achieve and maintain sustainable profitability, as well as the results of the corrective measures taken to date, are being reviewed.

2. *“Decline in ROE – the Bank's strategies highlight and assume growth, but there has been a significant decline compared with 2022. While the entire banking sector shows substantial growth of around 6-13 percentage points, the BOŚ Group's ROE has fallen from 6 to about 3. Could you explain why we are struggling with this and what steps we plan to take to achieve the goals outlined in the strategy? What exactly caused this decline?”*

In 2023, the BOŚ Group reported a decrease in ROE relative to 2022, mainly due to lower net profit. The net profit in 2023 was PLN 78.4 million, down from PLN 128.2 million PLN in 2022, with the decline mainly attributable to the effect of legal risk related to foreign-currency

mortgage loans, which reached PLN (-284.4) million, compared with PLN (-144.3) million in 2022 (increase of PLN 140.1 million year on year). The change was due to the modifications in the parameters of the provision estimation model, implemented in response to a notable increase in the number of new disputes following the CJEU judgments unfavourable to banks.

This had a much stronger impact on the Bank's metrics than in other financial institutions, due to the relatively high interest expense related to maintaining the deposit base necessary for the Bank's ongoing operations. Another relevant item was the costs of compliance with supervisory regulations with respect to IT solutions implemented at the Bank.

- 3. "(...) In 2022, profit before tax was higher, but in 2023, there's a noticeable increase in income tax expense. What factors are causing this? Are there any tax expenses unrelated to profit before tax? Could this be a purely tax-related issue? (...) Could you please provide a brief comment on this?"*

The Bank calculates its income tax expense in accordance with the provisions of the Corporate Income Tax Act, which significantly differ from the International Financial Reporting Standards (IFRS) used in preparing statements of profit or loss for financial institutions. Specifically, certain expenses included in the statement of profit or loss cannot be considered tax-deductible when calculating taxable income. In the case of the Bank, these expenses mainly involve costs of legal disputes with customers, related to the declaration of invalidity of mortgage loans denominated in or indexed to foreign currencies. The substantial rise in these expenses in 2023 compared with 2022 translated into a lower profit before tax for 2023 and increased income tax expense.