



Development Strategy of Bank Ochrony Środowiska S.A. for 2021-2023

- based on revised financial projections

We are full of green energy

June 22nd 2022





Executive summary

Market environment

Situation of BOŚ

Strategy for 2021-2023

Sustainable organisation

Our goals and ambitions





Executive summary

Executive summary | Sustained profitability through increased specialist focus on supporting the green transition and improved organisational efficiency (1/2)

2023

Profitability

- **Sustainably profitable business and operating model** - positive ROE in each of the three years covered by the Strategy
- **Target 2023 ROE** on a par with the current average for commercial banks in Poland - 6.3%
- Factors weighing negatively on profit in recent years - **CHF loans, high NPL levels** – should no longer affect the Bank's performance from 2021 onwards

Return on equity (ROE)

6.3%

Business model

- **Increased focus on supporting clients in their green transition efforts** by leveraging the prevailing environment as a great opportunity for the Bank's continued growth
- **Steady increase in** the share of loans for institutional banking clients
- In institutional banking: focus on serving **SMEs and local government units**
- **Specialisation and selective approach to preferred client sectors and technologies to be supported, based on** their assessed income generation potential, emission reduction outcomes and possibility of drawing on the supply of public funds (domestic and EU)
- In retail banking, the Bank intends to focus on 2 main products: **(1)** green loans and **(2)** digital term deposits. In addition, the Bank plans to take an opportunistic approach to mortgage lending so as to gain exclusive exposure to sustainable housing projects
- The Bank's main client acquisition channel in retail banking will comprise a mix of partners (for loans) and digital (for deposits), supported by an optimised branch network.

Share of green assets:

50%

Growth in total loans:

13.5%

Share of corpo assets:

80.8%

Growth in net banking income:

52.3%

Executive summary | Sustained profitability through increased specialist focus on supporting the green transition and improved organisational efficiency (2/2)

2023

Organisation and its expenses

- Aligning the organisation and its various functions with the new business model and **enhancing** key client processes (e.g. loan origination, client onboarding) C/I: **54%**
- Improving organisational efficiency** - significant business scale expansion handled without **increasing employment** and with C/I reduced to ~ 54% Employee commitment **58%**
- Transforming the organisational culture - adoption of agile methods and increased employee commitment

Group companies

- Growth of the BOSSA business by expanding the range of products and services targeted at advanced retail clients and by developing digital channels. **Synergies** with the Bank, to be achieved mainly within the **DCM business for institutional clients** Leader in the retail client segment
- BOŚ Leasing, **complementing the Bank's investment** finance offering in the case of simple and marketable assets and through the provision of advisory services Leader on the WSE futures market
- The Bank may seek to strengthen **its** asset management business by way of both organic growth and M&A activity on its own or as part of the Group Leading position among investment firms in the green bond market

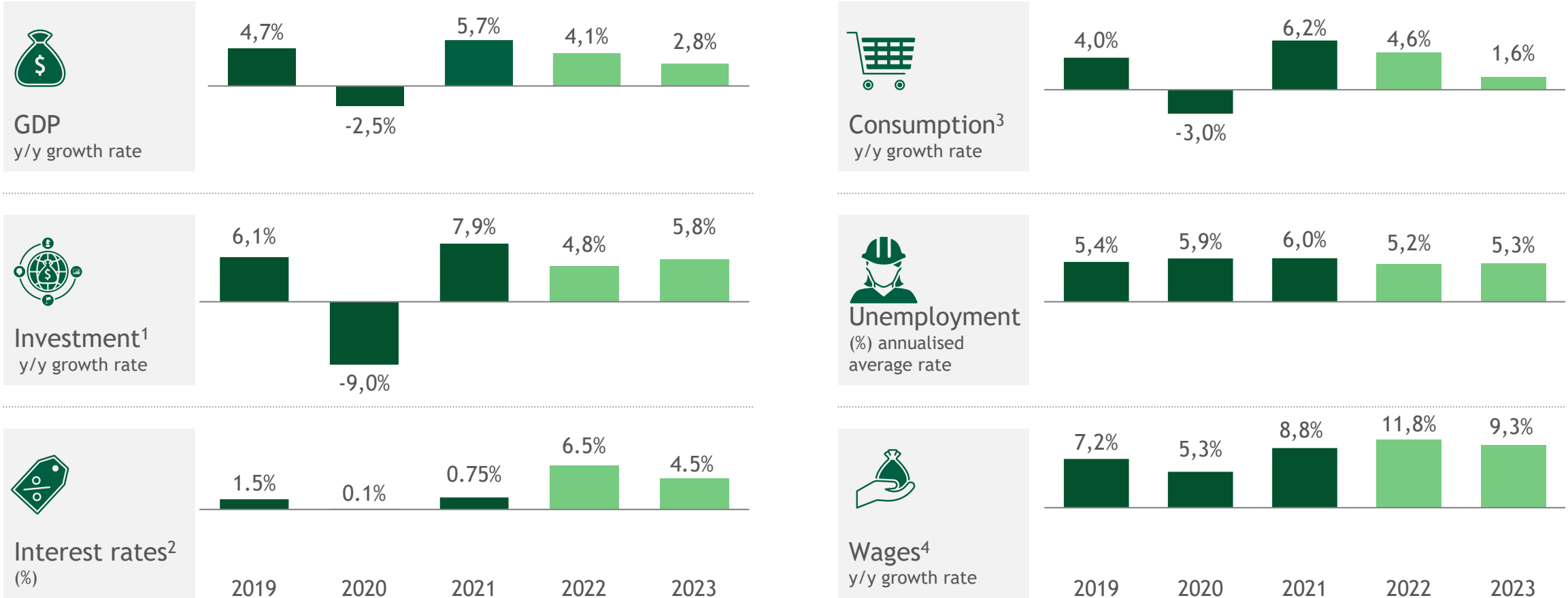
Capitals and sources of funding for the Bank

- Continued reliance on **existing sources of funding** (retail and corporate deposits), to be gradually diversified with funds raised **from financial institutions** Tier 1: **12-16.5%**
- Maintaining** a stable level of capitals: Tier 1 ranging between 12% and 16.5%
- Optimising the consumption of new asset capitals through the use of **domestic programmes** (e.g. BGK). If a scenario of rapid growth in profitable assets materialises and the Bank needs to be recapitalised, the Management Board (consulting closely with the shareholders) will take appropriate steps to address that need.



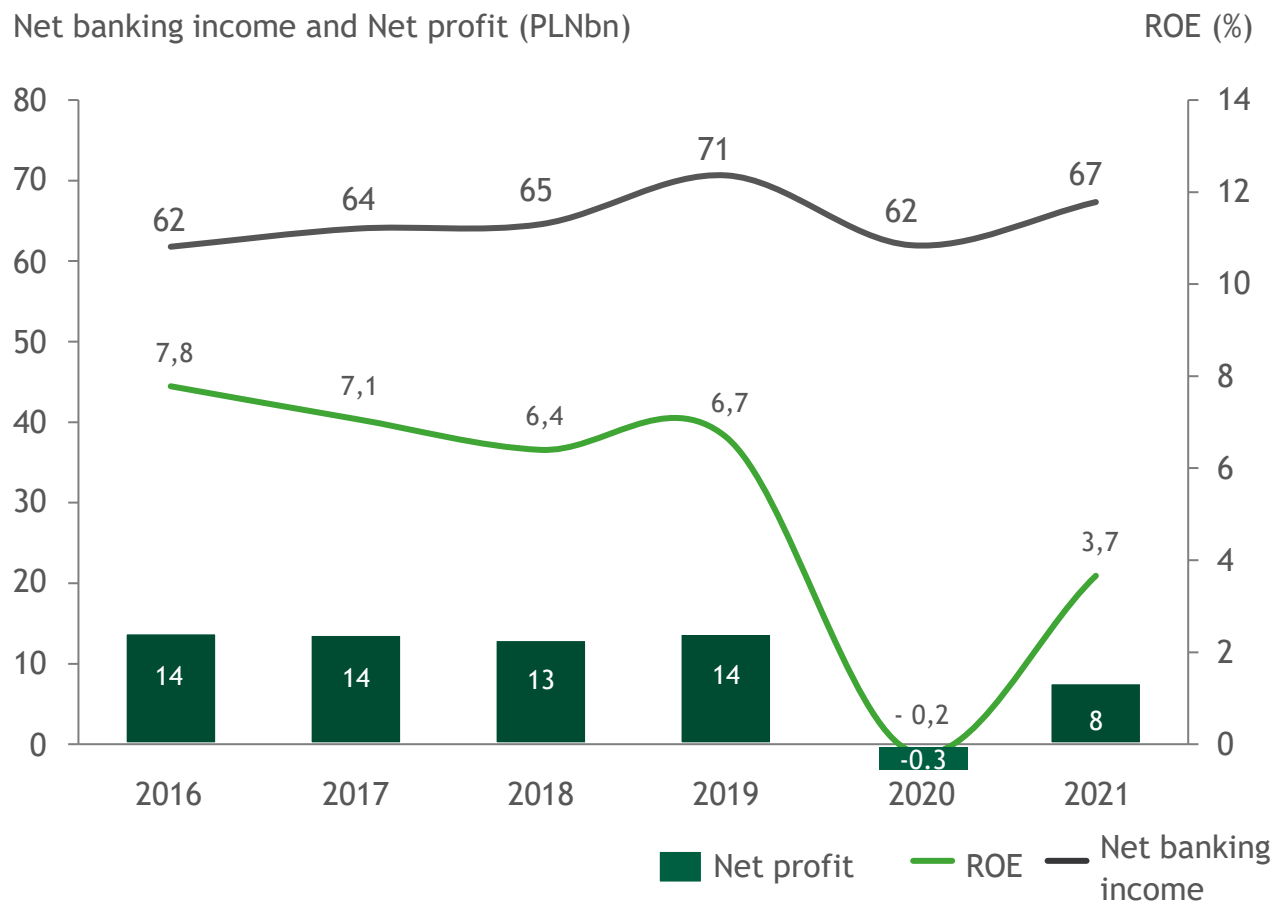
Market environment

Macroeconomic environment | Conservative macroeconomic assumptions - consistent with the Group Recovery Plan - basis of financial projections underlying the Strategy



Macroeconomic environment | Recent years have posed major challenges for the banking sector...

... due mainly to market volatility triggered by the Covid-19 pandemic, inflationary pressures and the war



Increase in loan loss provisions related to the pandemic



Additional provisions for legal risks arising from CHF loans



Variable interest income reflecting changes in the interest rates and lending activity growth



Need to seek commission income by revising the Fee and Commission Schedule and roll-out of beyond banking services


Green transition to affect all segments...

Institutional




Energy Transport & Logistics Industry

Public



Transport network Infrastructure Cities

Retail

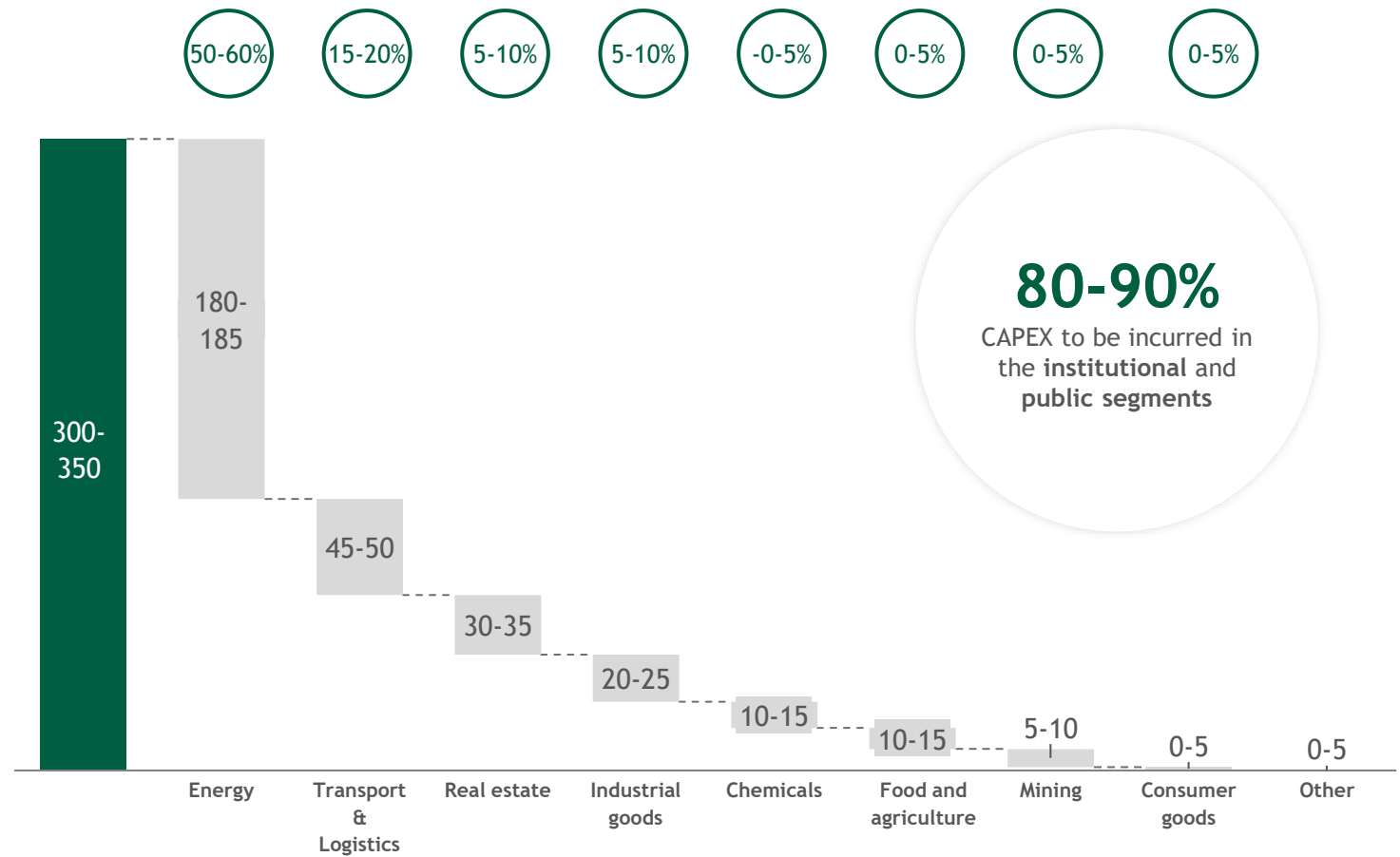


Thermal efficiency Heat pumps Photovoltaics



... . fuelling demand for investment finance especially in the energy, transport and industrial sectors

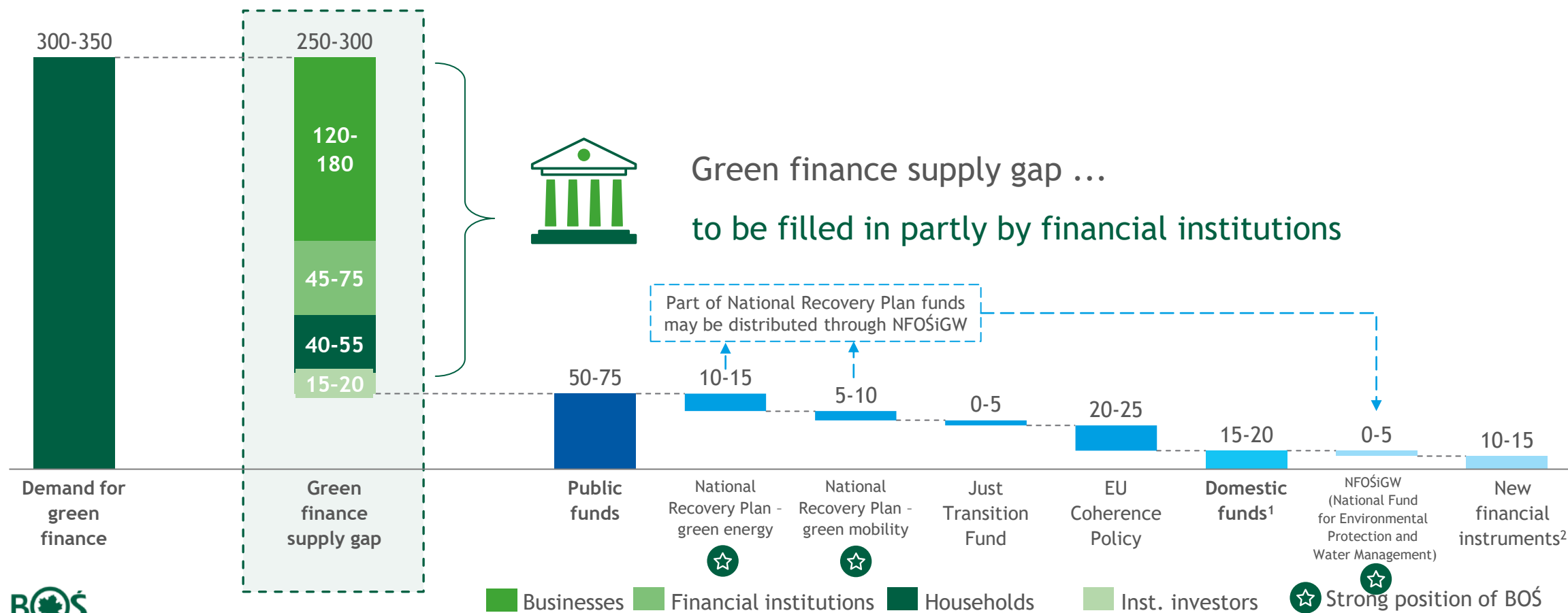
Green transition CAPEX required in Poland by 2030, EURbn



Source: UNFCCC data on GHG emissions 2018; BCG analysis

Despite an abundant supply of public funds, significant finance gap to be filled in by the financial sector

Sources of Poland's green transition until 2030, EURbn



Crucial role of banks in driving the green transition, going far beyond that of mere finance providers

LEADER



Banks as leaders of the green transition, spearheading change by setting the tone and character of green transition projects

ADVISOR



Banks as experts, combining financial expertise with sector-specific and environmental knowledge to select highest impact projects

INTERMEDIARY



Banks as promoters, acting as a transmission channel for both domestic and foreign funds

SOURCE OF FINANCE



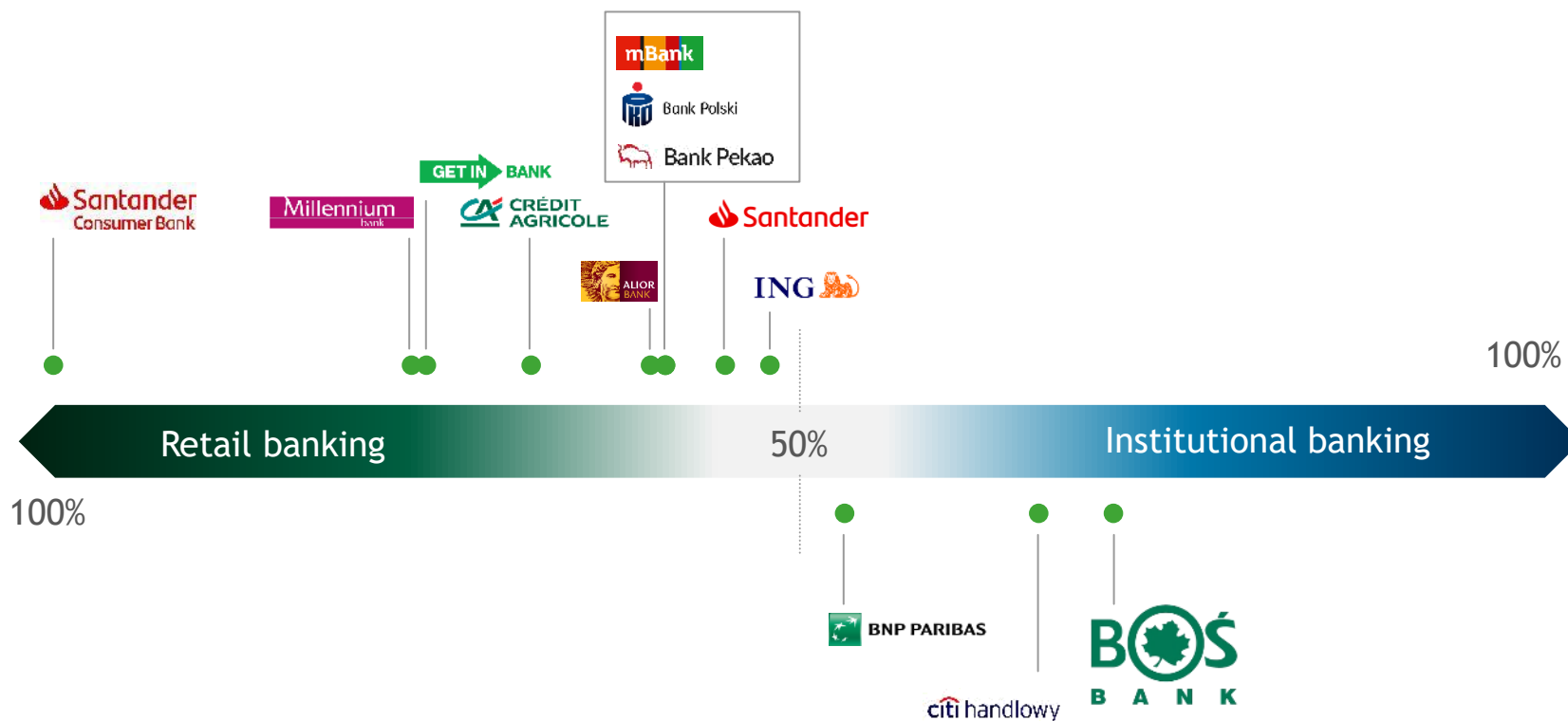
Banks as a source of finance for the green transition, in particular that locally based and driven by smaller entities



Situation of BOŠ

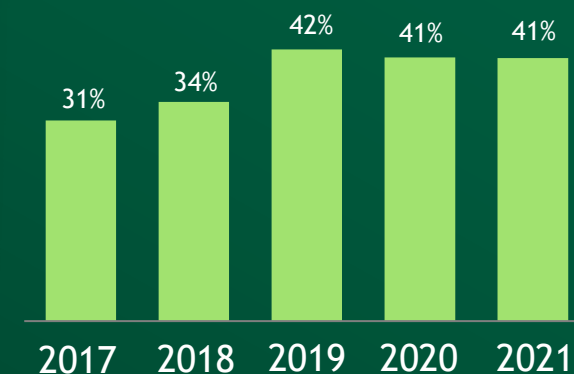
... and financing green solutions

Share of retail and corporate loan volumes (% , 2020)



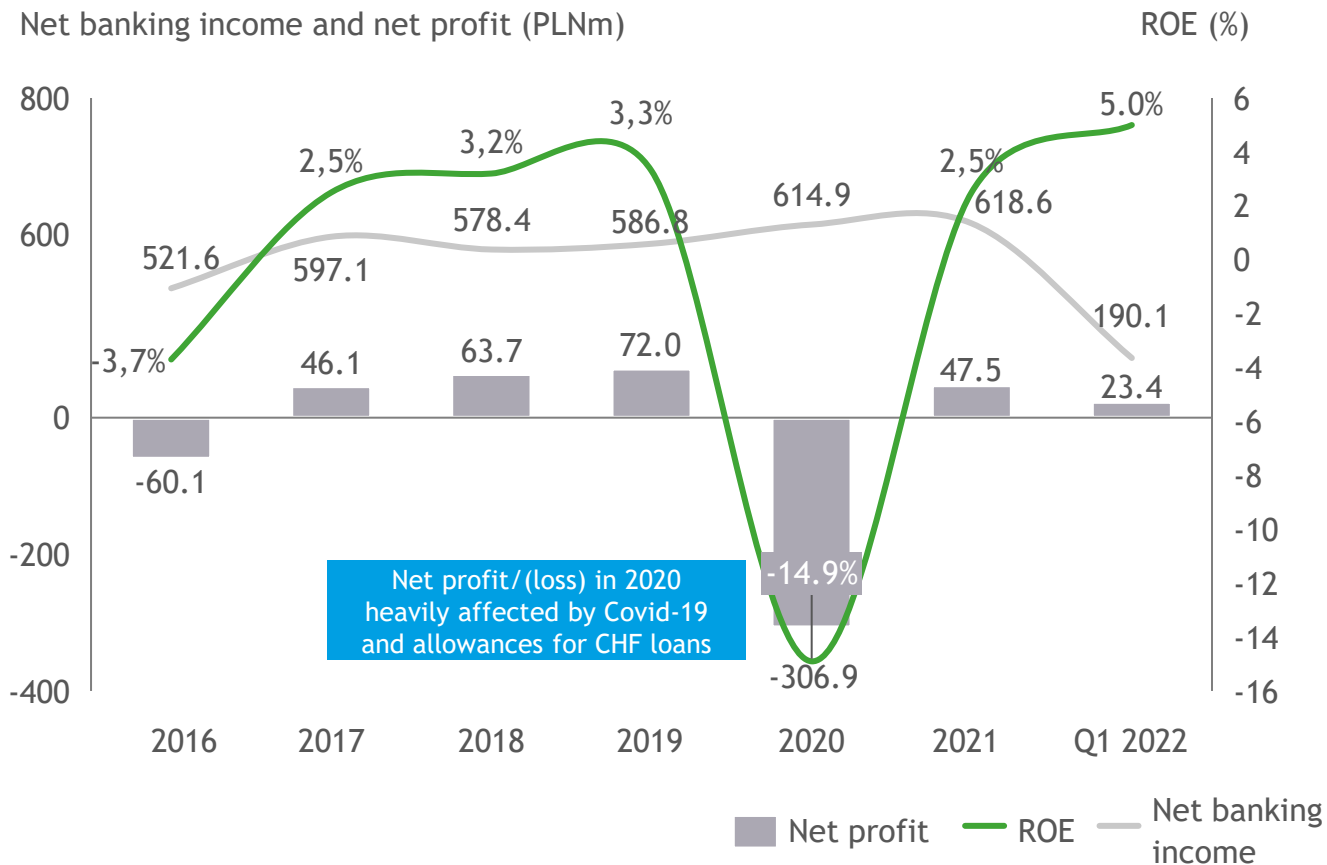
BOŚ Bank focused on institutional banking...

Share of green loans in total sales (%)



 Competitors with a share of green loans <5%

BOŚ Bank is undergoing restructuring



1. Consolidated data, Source: Directors' Report on the BOŚ Group's operations (consolidated data); BOŚ's internal data (consolidated data)

To date (in 2016-2021), there has been a significant improvement in cost discipline



employment reduced by more than 25%



number of branches reduced by almost a half

Further steps are planned to be taken



entering the next stage of business development - implementing a new business model



continued cost optimisation



progressing digitalisation

BOŚ Bank with solid foundations for the coming years



Green assets

~1/3 of green loans in the portfolio, compared with <5% among competitors



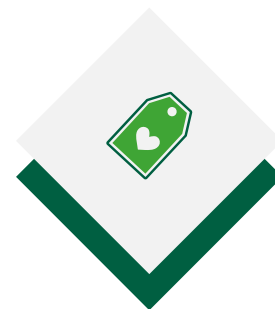
Environmental expertise

Ultimately, 16 environmental engineers and >20 experts with experience in advising on green transition projects, ESG policy and taxonomy



Ecosystem

Relations with key institutions involved in the green transition (e.g. NFOŚiGW - the National Fund for Environmental Protection and Water Management, Polish Development Fund, BGK)



Green brand

The Bank's name is **synonymous with environmental protection**, that brand identity being reinforced by activities such as carbon footprint measurement



Strong Brokerage House

5th place among brokerage houses in terms of the number of brokerage accounts, **1st place in non-equity trading** and the **highest-rated Brokerage House** by retail investors (SII - Polish Association of Retail Investors)

Building up environmental competence, new partnerships and active involvement in creating the environmental protection area by adopting a new business model

BOŚ Bank already has solid foundations...



Experience in green transactions

- Dedicated green products, including subscription for the first issue of PLN 75m worth of Green Bonds in 2020 in cooperation with DM BOSSA
- Green loans accounting for 37% of the total portfolio



Teams of experts in environmental protection as well as financing and commercialisation of projects

- Taxonomy, financing and green project commercialisation teams
- Ultimately, 16 environmental engineers, 20+ experts



Fixed position within the green ecosystem

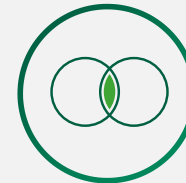
- Cooperation (including with the National Fund for Environmental Protection and Water Management) in distributing public funds for pro-environmental projects
- Initiating discussion on the green transition and law-making process
- Regular publication of an Environmental Report



ESG Strategy and ESG rating

- The first ESG rating of 19.9 - 'low risk' (given by an external rating agency)
- The second best ESG-rated commercial bank operating in Poland at the end of 2021

... which we intend to considerably strengthen in the coming years



Strengthening sectoral and technological expertise in environmental protection and climate issues

- Enhancing competence in environmental protection, technology and commercialisation of green transition projects (recruitment of new experts)
- Development of the professional skills of experts through training and seminars



Expanding the ecosystem of partners

- Building lasting relations with private partners (including Columbus, Nordex) and public institutions (including BGK, the National Fund for Environmental Protection and Water Management, EIB)
- Collaboration with leading scientific institutions in Poland



Active involvement in creating the environment and climate protection area in Poland

- Participation in working groups of public institutions (e.g. the Ministry of Climate and Environment)
- Experts' participation in debates and conferences on environmental and climate issues
- Partner in trade fairs (e.g. WodKan)



Further work on improving the ESG rating

- Focus on energy security



Strategy for 2021-2023

The new Strategy is based on five pillars of the Bank's development in 2021-2023.

BOŚ Strategy for 2021-2023

Mission: Support the green transition in an innovative and effective way

Vision: Provide comprehensive financing for the green transition by offering unique products, dedicated experts and diverse financial instruments



Environment and climate

- Continue to develop competence in environmental protection, technologies designed to reduce emissions, sectoral expertise and green financing
- Provide clients with quality consulting on the green transition, taxonomy, relevant technologies and available public financing



Business model

- Strongly expand the partner channel through digital means 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

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



Organisational culture

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



Finance

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

Sustainably profitable business and operating model ensuring completion of the Group Recovery Plan and an investment grade rating



BOŚ Bank continues to build unique environmental expertise by developing competence in priority sectors and technologies

Strategic priorities



Priority sectors as an indicator of competence development direction rather than a cut-off point

- Priority is given to expanding competence, relations, risk and financing expertise, and environmental consulting services. We do not rule out financing other sectors



The defined priorities are of a long-term nature; with key objectives already advanced by the existing portfolio structure

- When selecting sectors and technologies to support, the Bank goes beyond the Strategy timescale, taking a long-term approach which is consistent with that of key stakeholders of the green transition. We draw on BOŚ's existing experience in the selection process

Priority sectors and technologies



4 sectors with a significantly greater potential for reducing emissions and financial potential for the Bank

- Energy as well as Transport & Logistics are of strategic importance in terms of emission reduction potential and capital expenditure requirements. Construction and Industry with the largest net banking income¹ generation potential



Technological specialisation ensuring an advantage over competitors

- Selective approach to technologies building competitive advantages through tailored products and the support ecosystem
- Monitoring sub-segments and technologies, and selecting especially those offering growth opportunities, taking into account public support (financial and regulatory) schedules
- Focusing on mature technologies and supporting innovative, bankable solutions

Unique services



BOŚ Group stands out for its unique competence offered to clients as advisory services

- In addition to dedicated financial advisory services (debt advisory, including in raising public funds), support for institutional clients in the ECM area
- Competitive advantage in the provision of environmental and technology advisory services

Leveraging sectoral and technology specialisation

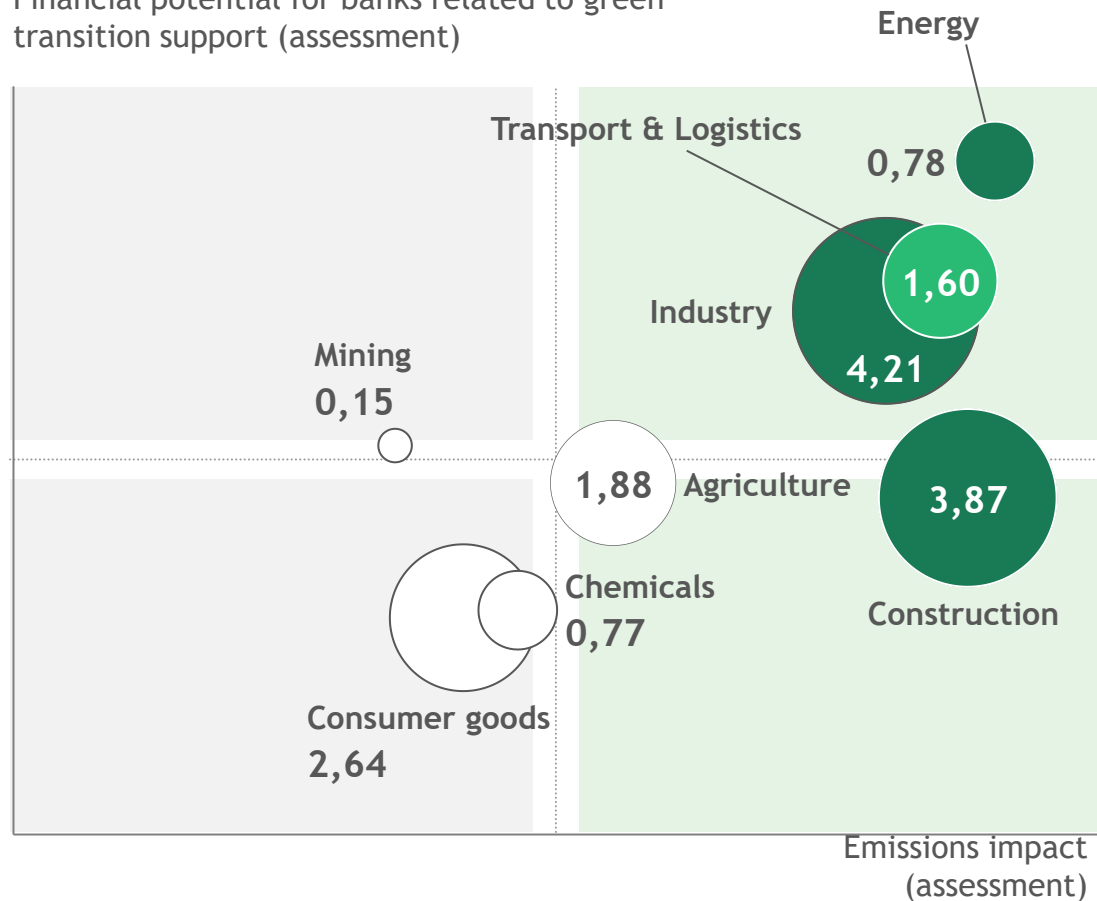
4 priority sectors and 13 sub-sectors

Competitive advantage thanks to unique advisory services

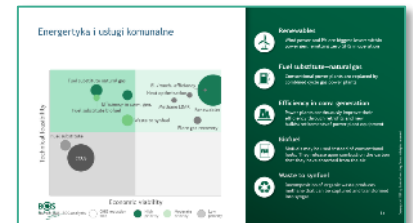
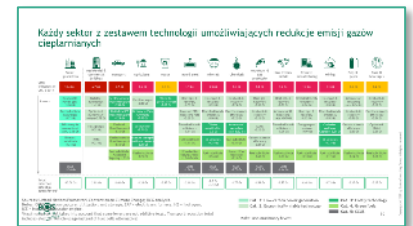


BOŚ to focus on specific technologies selected within the 4 priority sectoral ecosystems

Financial potential for banks related to green transition support (assessment)



- Within the sectors, a review of technologies with the **greatest potential for reducing greenhouse gas emissions**
- Assessment of the **maturity (readiness levels) and economic**
- Review of **public programmes** supporting the emissions reduction agenda in **public funding supply and regulation**



○ Total present net banking income generation potential of the sector (PLNbn)

Source: UNFCCC data on GHG emissions 2018; Sector size data for 2020, BCG analysis



High subsidies to BOŚ



Average subsidies to BOŚ



Low subsidies to BOŚ



The new business model adopted by BOŚ will be focused on promoting the green transition at SMEs and local government units, as well as increased support for pro-environmental solutions within retail



Corporate banking

- Corporate banking focused on serving **medium-sized** and **large** enterprises and **LGUs**
- Offering focused on **products** designed to support **the green transition** (green loans, environmental advice)
- Services provided through a chain of 16 Business Centres located in **province capital** cities



Retail banking

- Retail banking **products & services targeted at** environmentally-conscious clients (focused mainly around green finance)
- Service provision concentrated within the vendor and **online** channels, **with a reduction of the retail network**
- Retail **deposits taken through** digital channels remain one of the Bank's financing sources



Both segments of the Bank with a sustainably viable business model



Product range | BOŚ to focus on the provision of finance for pro-environmental systems/housing and on deposit taking



Funding green projects

What products?

Green loans for purchase and installation of pro-environmental technologies (unsecured)

What channels?

Sold mainly through partners - installers of green solutions (solar PV systems, heat pumps) and x-selling

Business rationale

- Rapidly growing market
- Expertise and competence of BOŚ Bank
- Availability of partners, reducing online sales
- Potential for lending process automation = lower costs
- Implementation of NFOŚiGW programmes



Green mortgage loans

Mortgage loans with additional environmental conditions attached, e.g. with respect to materials, energy consumption

Sold through all channels, including online and partners - environmentally-minded homebuilders

- Rapidly growing market
- Assets relatively easy to liquidate
- Specialised form of product already offered by BOŚ
- Experience, both in mortgage lending and environmental protection



Term deposits

Term deposits offered on competitive terms, taken through digital channels

Continuation of the BOŚ existing offering, with a focus on digital sales

- Relatively cheap source of financing
- Would ensure financial stability for BOŚ Bank throughout the transformation process



Business model focused on delivering attractive green financial products through carefully selected, efficient channels



Maintaining the deposit base - client retention based on an attractive term deposit product offered through the digital channel

Acquisition of new clients - clients acquired mainly through the partner channel , comprising installers and homebuilders

Unique product offering - focus on financing the purchase and installation of pro-environmental solutions through the partner channel

Income on the acquisition product - interest (+ fees) on green loans as the main source of BOŚ's income

X-sell / Up-sell - income growth through cross-selling/up-selling more green finance products

Fees & commissions - non-interest income mainly from insurance products



Branch network - optimised network of

Partners:

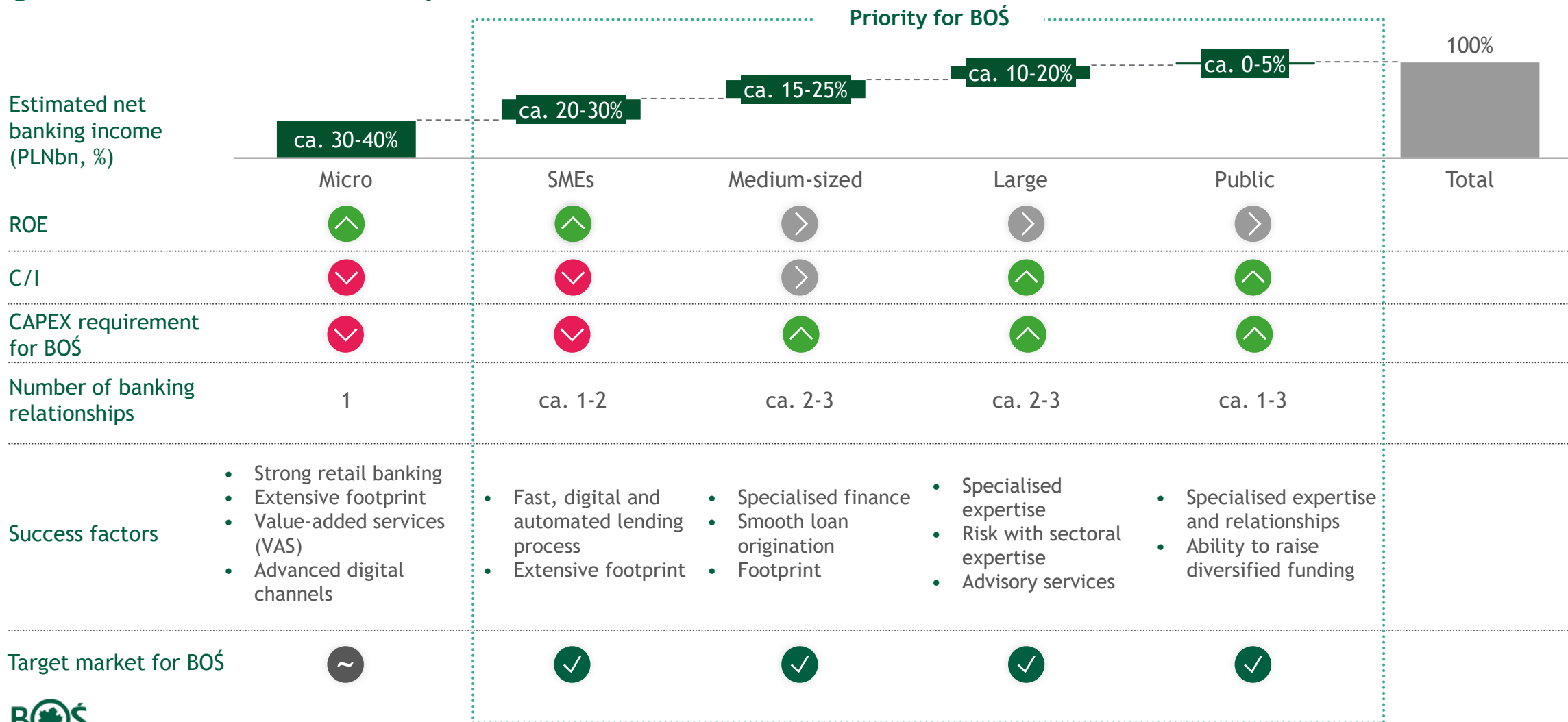
- main sales channel for loans advanced to finance green technologies
- green mortgage loans sold partly through environmentally-minded homebuilders
- need for an automated lending process and integration with partner platforms

Digital and remote:

- main sales channel for term deposits and ancillary channel for green loans
- development of new daily banking functionalities discontinued unless required by law
- access to brokerage accounts with BOSSA and deposits via an application

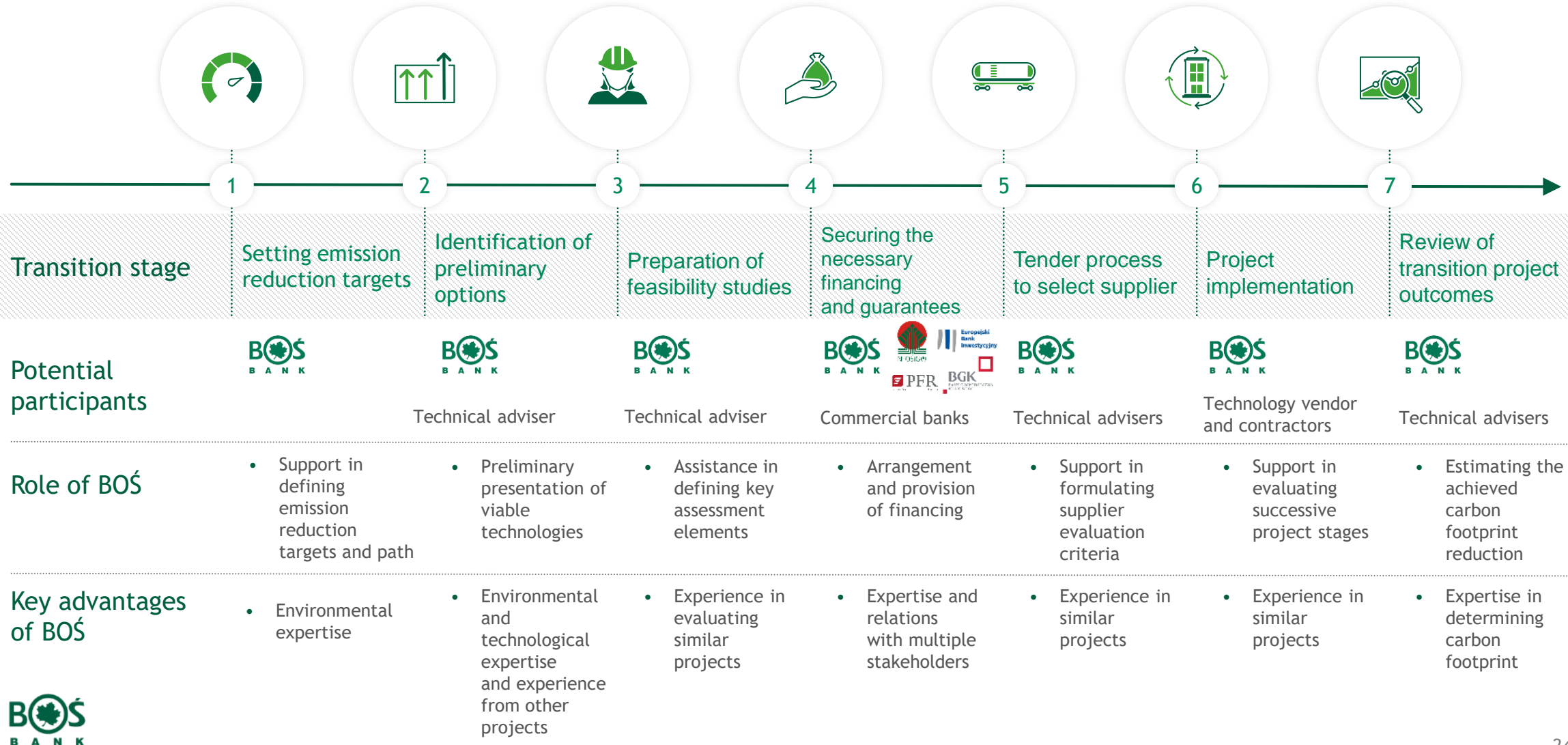


SMEs and local government units account for ca. 40% of net banking income generated on the corporate market





BOŚ Bank's distinctive advantage derived from its ability to support clients at every stage of green transition projects





BOŚ to focus on the segment of SMEs and local government units through wider involvement in transactions and profitable product mix

Ultimately, acquisition and positioning in two roles

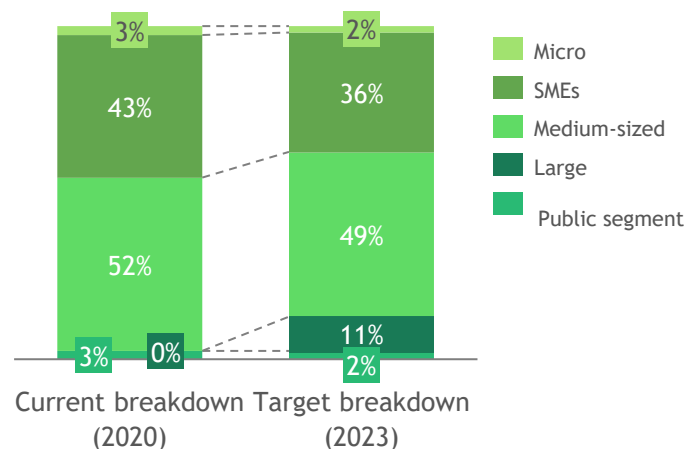
1 Bilateral financing
- external financing of investment projects up to ca. PLN 75-100m

2 Syndicated financing

...focusing mainly on SMEs and local government units...

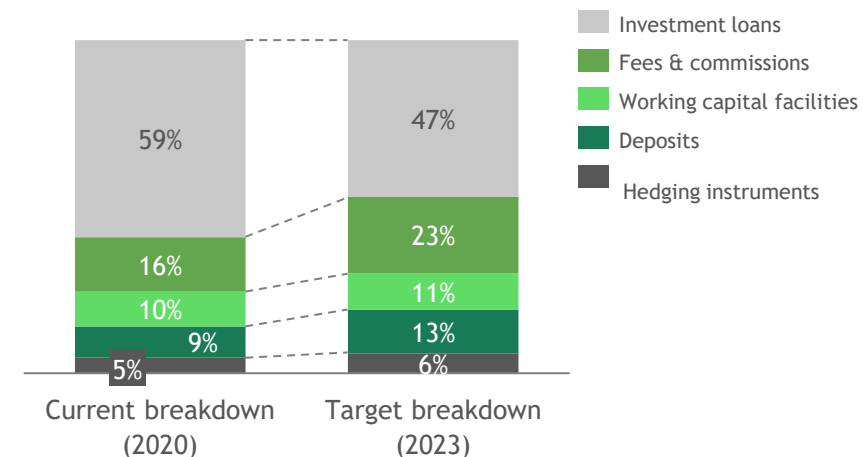
...supported by a product range comprised largely of investment loans and advisory services

BOŚ's net banking income by corporate client segment (%)



- Continued focus on **medium-sized**
- Launching activities in the segment of **large enterprises**
- As part of services for **LGUs**

BOŚ's net banking income by product (%)



- Significant increase in net fee & commission income (driven by




BOŚ Bank plays an important role in transmitting public funds to beneficiaries within the retail and institutional segments

BOŚ has experience in distributing NFOŚiGW programmes and in cooperation with its provincial branches (WFOŚiGWs)...



Retail segment

- Loan for purchase and installation of solar collectors with a subsidy from NFOŚiGW
- Mortgage loan with a subsidy from NFOŚiGW (energy-efficient house)
- Prosumer I and II loans
- Clean Air loan for purposes consistent with the NFOŚiGW agenda



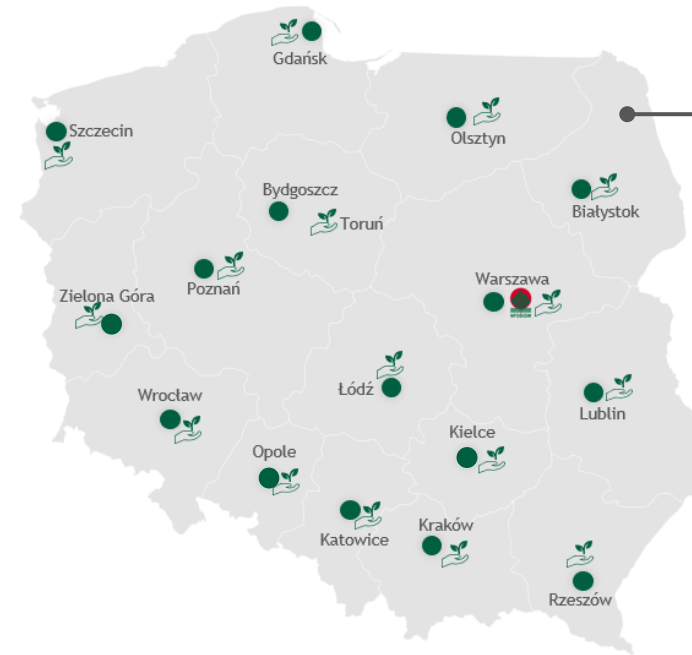
Corporate segment

- ‘My EV’ programme supporting purchase and lease of zero-carbon vehicles (NFOŚiGW programme)
- Loan with a subsidy from NFOŚiGW
- Investment loan for energy efficiency improvement or thermal upgrade projects

...and intends to harmoniously expand its cooperation with NFOŚiGW and WFOŚiGWs under future programmes





Enhanced cooperation through a chain of well located and trained Business Centres...



Ultimately, environmental specialist at each Business Centre

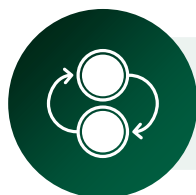
Locations:

-  Business Centres
-  NFOŚiGW (National Fund for Environmental Protection and Water Management)
-  WFOŚiGWs (Provincial Funds for Environmental Protection and Water Management)

...supported by a network of retail branches located close to WFOŚiGWs



Organisational excellence as a basis for building an efficient organisation well placed to capture growth and reduce operating expenses



Changing the current situation...



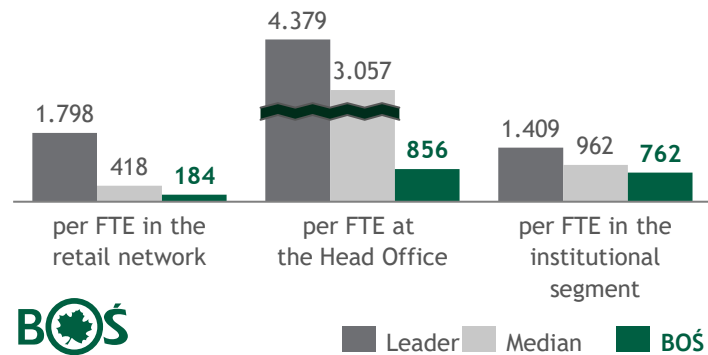
...will require a number of improvements

High C/I

60%

Insufficient efficiency of functions

Segment's net banking income in H1 2020 per FTE



Aligning the organisation and the number of FTEs within each function with the new Strategy



Enhancing key client processes (mainly loan origination, but also onboarding)



Process automation - IT application development (e.g. to support loan origination) and process robotisation



Expected improvement of C/I and process efficiency

Aspirational C/I target

54%

Measuring and improving the efficiency of key processes

~20-50%¹

1. Depending on the starting and target automation levels, Source: BOŚ in-house analysis

Our goal is to transform the organisational culture and working model...

Building competence

- Developing leadership to support the new Strategy
- Attracting, developing and retaining specialised expert teams

Agility and cooperation

- Giving priority to team work and collaboration between units
- Promoting flexibility and process iteration, and removing red tape

Promoting values

- Building value-based attitudes
- Building the image of BOŚ as a green brand



Increasing commitment

- Improving employee motivation and commitment
- Engaging work environment



Key elements of the organisational culture supporting the green transition

...while adhering to our core values

Commitment



Proactivity in the execution of tasks and approach to challenges with openness and creativity

Cooperation



Working together in teams to achieve the Bank's common goals

Professionalism



Enhancing competence, listening to partners and clients with a view to delivering optimum solutions

Respect for others and the environment



Taking proper care of oneself and those around us, including the environment

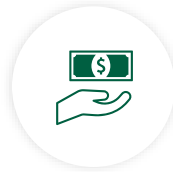
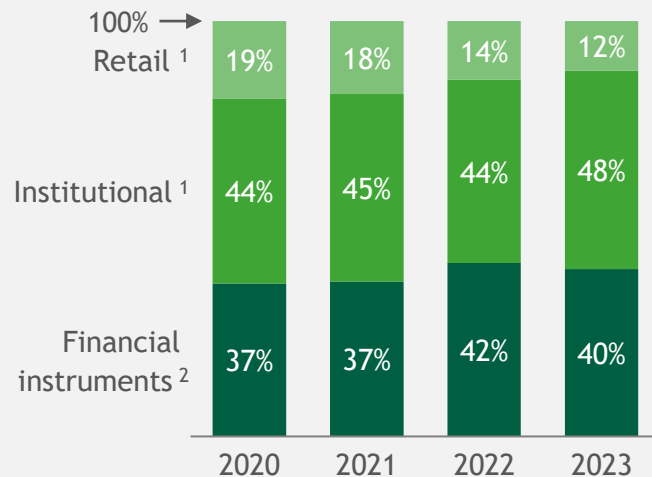


The Bank's new Strategy envisages major changes in the structure of its assets and financing sources



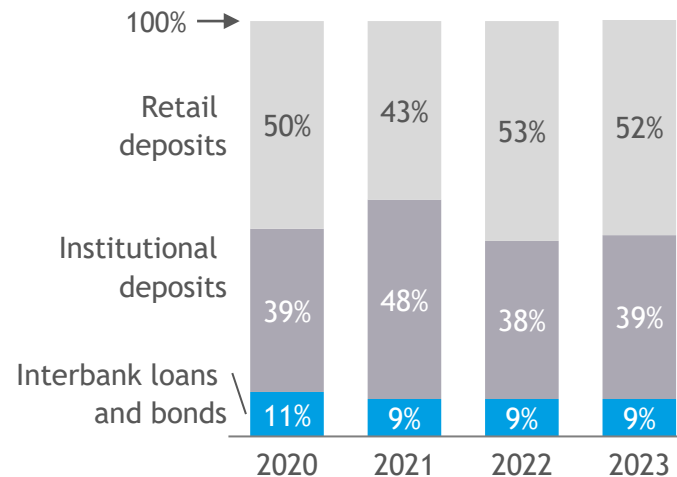
Assets: gradual increase in the share of loans to institutional clients

Share of segments in assets at end of period



External sources of funding: reducing the share of deposits taken through the retail network in favour of remote channels

Share of segments in external sources of funding at end of period³

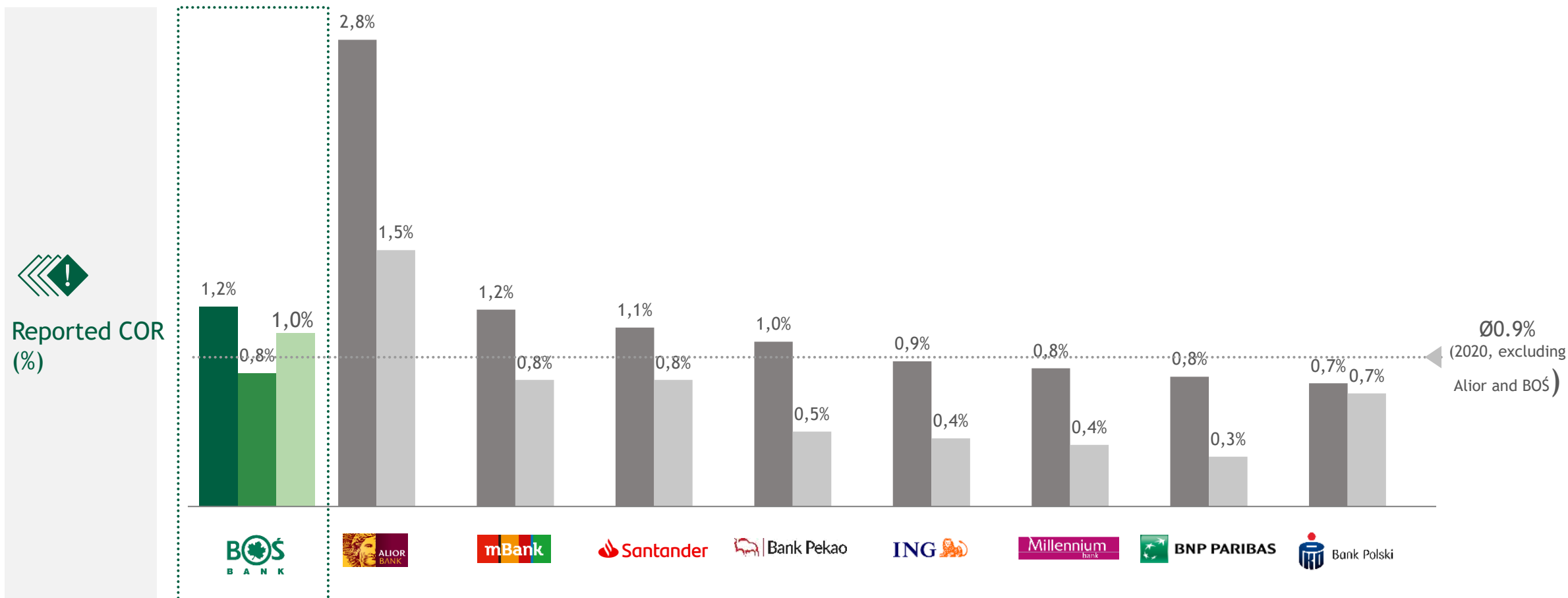


Key lines of action: digital vehicle for deposit taking and cooperation with EIB

- Active retention of existing retail deposits
- Creating an attractive digital vehicle for retail deposit taking
- Raising finance from the European Investment Bank (EIB) and possibly from other financial institutions at the end of the Strategy timescale



We expect to maintain the current risk appetite and stabilise the cost of risk close to the market average



2020 2021 2023

Source: Investor presentations, long-term earnings consensus, BOŚ in-house analysis



Sustainable organisation

BOŚ does business responsibly



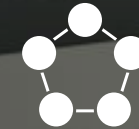
Environment

- For more than 30 years now, we have been involved in the provision of green project finance
- We monitor the green impact of projects we have financed
- We play an active part in the green transition of Poland's economy, with due regard to its energy security
- We support the achievement of environmental objectives set out in national strategic documents
- We seek to minimise the carbon footprint of our own operations



Society

- We implement pro-environmental and pro-social programmes
- We finance environmental initiatives
- We broaden the environmental knowledge of our clients and employees
- We raise financial and environmental awareness
- We promote pro-environmental behaviour among employees
- We increase employee commitment, creating a friendly work environment, in line with our values and principles



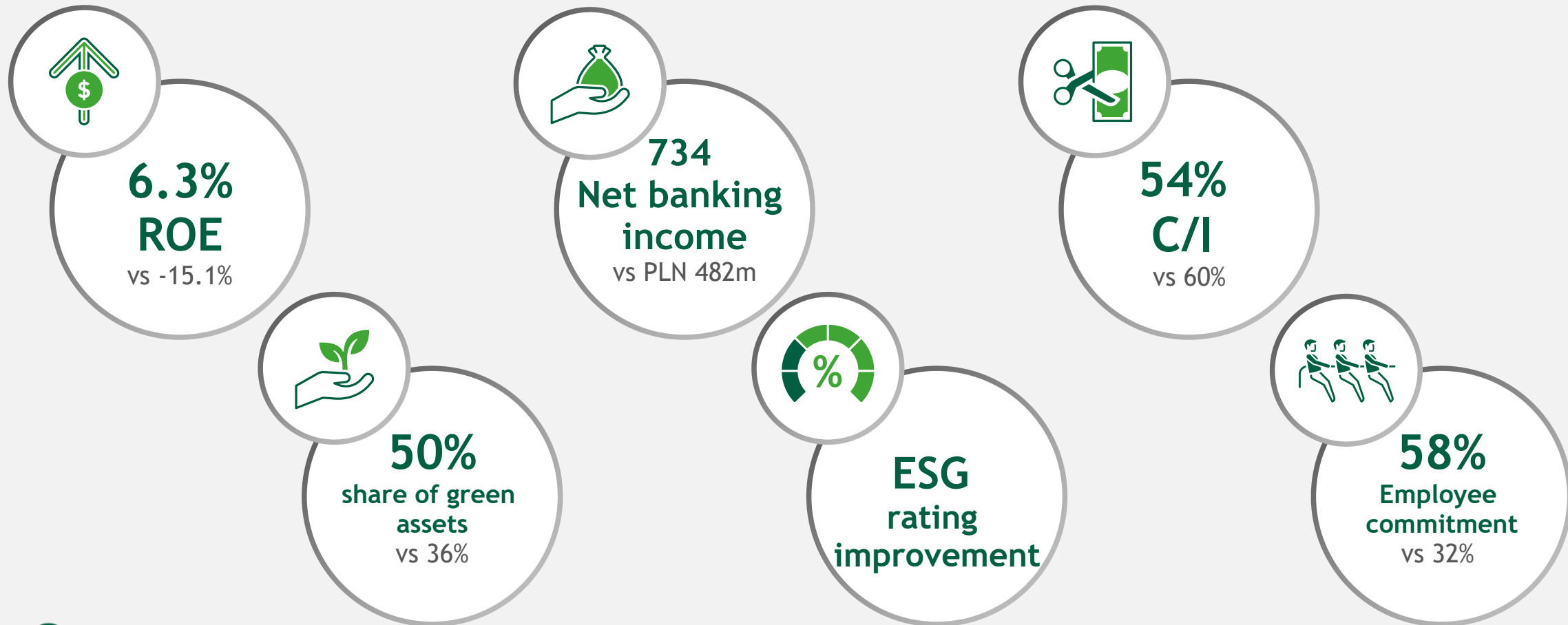
Corporate governance

- We apply the Best Practice for WSE Listed Companies and Corporate Governance Rules
- We manage business ethics risks
- We have an extensive internal governance framework, comprising in particular the Bank's management system, the Bank's organisation, rules of operation, powers, responsibilities, and mutual relations between the Supervisory Board, the Management Board and key function holders



Our goals and ambitions

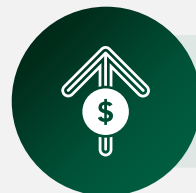
The purpose of our Strategy is to improve all key indicators by 2023



Financial plan: improvement across all key metrics and indicators



Items of the statement of financial position



Items of the statement of profit or loss



Key indicators

PLNbn	2020	2021	2023
Assets	20	20	24
Loans	13	13	15

PLNm	2020	2021	2023
Net banking income	482	492	734

%	2020	2021	2023
ROE	-15.1	2.6	6.3
C/I	60	64	54

We have the key prerequisites for successful delivery of our Strategy...



Stabilisation and overcoming of major past challenges



Priority-based approach driving the organisation and its growth



Development of relevant competence at the Bank



Favourable external environment

...and an experienced management team at the BOŚ Group



Wojciech Hann

President of the Management Board

Member of the BGK Management Board in 2016-2019
Long-standing experience in investment banking and consulting



Arkadiusz Garbarczyk

Vice President of the Management Board

More than 20 years of experience in the corporate and cooperative banking sectors and at BGK



Robert Kasprzak

Vice President of the Management Board

Extensive experience in commercial financial services (banking, investment funds) and at BGK



Jerzy Zań

Vice President of the Management Board

Over 20 years of experience in the banking sector, gained at largest banks on the Polish market



Marzena Koczut

President of the BOŚ Leasing EKO Profit Management Board

Long-standing experience in the financial and non-financial sectors (including at the National Fund for Environmental Protection and the Ministry of Climate) in Poland and Canada



Radosław Olszewski

President of the DM BOŚ Management Board

With the capital market since its inception, President of the DM BOŚ Management Board since 1996.

BOŠ
B A N K