



# Development Strategy for Bank Ochrony Środowiska S.A. for the years 2021-2023

We are full of green energy

15 June 2021





Executive summary

Market environment

Situation of BOŚ

2021-23 strategy

Sustainable organisation

Our goals and aspirations





# Executive summary

# Executive summary | Sustained profitability through greater specialisation in green transformation and improved organisational effectiveness (1/2)

2023

## Profitability

- Sustainably profitable business and operational model - positive RoE in each of the three years of the strategy
- Planned RoE in 2023 at a level similar to the current average for commercial banks in Poland - 3.5-5%
- Events recognised in the income statement in recent years - CHF, large NPLs - should no longer influence the Bank's results, starting from 2021

Return on capital:  
**3.5-5%<sup>1</sup>**

## Business model

- Increased focus on supporting customers in green transformation, taking advantage of the surrounding environment as a big opportunity for the Bank's development
- Gradual increase in the share of loans for the institutional banking segment
- In institutional banking, focus on serving the segment of medium-sized and large companies as well as local government units
- Specialisation and selective approach to supporting sectors and technologies, assessing the income potential, the impact on emission reduction and the possibility of using the supply of public funds (national and EU)
- In retail banking, the Bank plans on focusing primarily on two products: (1) eco-credits and (2) term deposits in a digital form. Moreover, the Bank takes an opportunistic approach to mortgage lending, engaging only in sustainable housing projects
- The bank's main acquisition channels in retail banking will be the partnership channel (loans) and digital channel (deposits), supported by an optimised chain of branches

Share of green assets:  
**50%**

Increase in loan balance:  
**53%**

Share of corporate assets:  
**60%**

Growth of IBO (income on banking operations):  
**26%**

# Executive summary | Sustained profitability through greater specialisation in green transformation and improved organisational effectiveness (2/2)

		2023
Organisation and expenses	<ul style="list-style-type: none"><li>Adaptation of individual functions' organisation to the new business model and optimisation of key customer processes (e.g. credit process, onboarding)</li><li>Increased organisational efficiency - handling a significantly larger scale of business with no increase in employment and reduction of C/I to ~54%</li><li>Change of the organisational culture - introduction of agile techniques and increase of employees' involvement</li></ul>	C/I: 54% <sup>1</sup>  Employee involvement: 58%
Capital Group companies	<ul style="list-style-type: none"><li>Development of BOSSA by expanding the offer for advanced retail customers and developing digital channels. Achieving synergies with the Bank, mainly within DCM for institutional customers</li><li>BOŚ Leasing complementing the Bank's offer in the area of investment financing in case of simple and marketable assets</li><li>The Bank does not rule out strengthening its activity in the asset management area, through organic or non-organic activities on its own or within the capital group</li></ul>	Leading entity in the ind. customer segment.  Leader on the futures contract market on the WSE Leading position on the green bond market among investment companies
Capitals and financing the Bank's operations	<ul style="list-style-type: none"><li>Continuation of financing from the current sources (retail and corporate deposits) and gradual diversification with financing from financial institutions</li><li>Maintaining a stable level of capitals - Tier 1 within the range of 12.5-15%</li><li>Optimising the consumption of new asset capitals through the use of national programmes (e.g. BGK). If the scenario of a quick growth in profitable assets materialises and the need for recapitalisation of the Bank arises, the Management Board, in close consultation with the shareholders, will take appropriate steps to address the above need</li></ul>	Tier 1: 12.5-15%

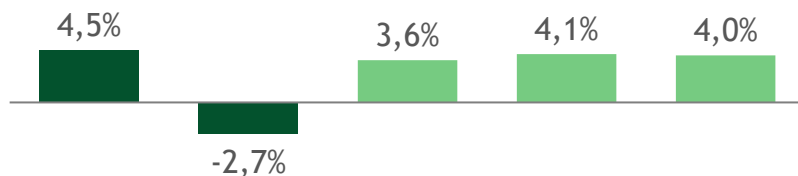


# Market environment

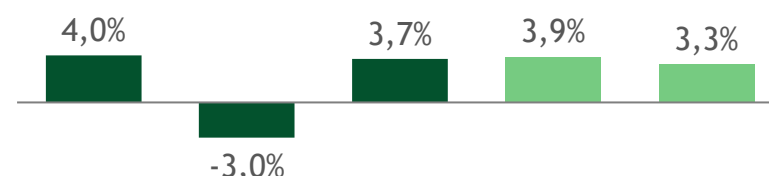
# Macroeconomic environment | Conservative macroeconomic assumptions - consistent with the Group Recovery Plan - the basis for financial projections in the Strategy



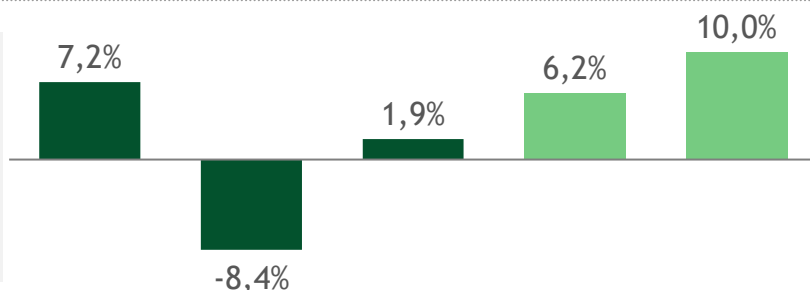
GDP  
y/y growth rate



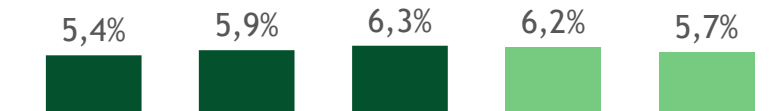
Consumption<sup>3</sup>  
y/y growth rate



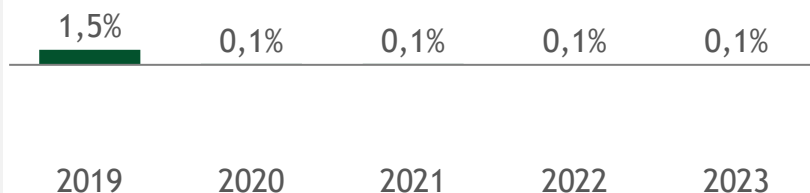
Investments<sup>1</sup>  
y/y growth rate



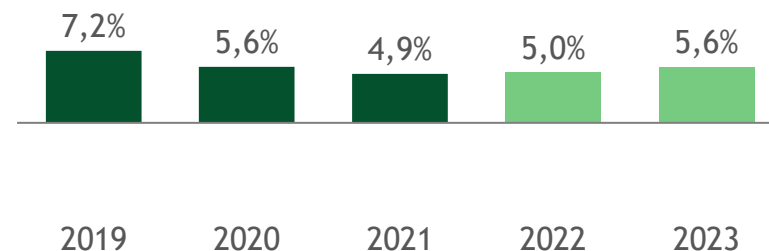
Unemployment  
(%)



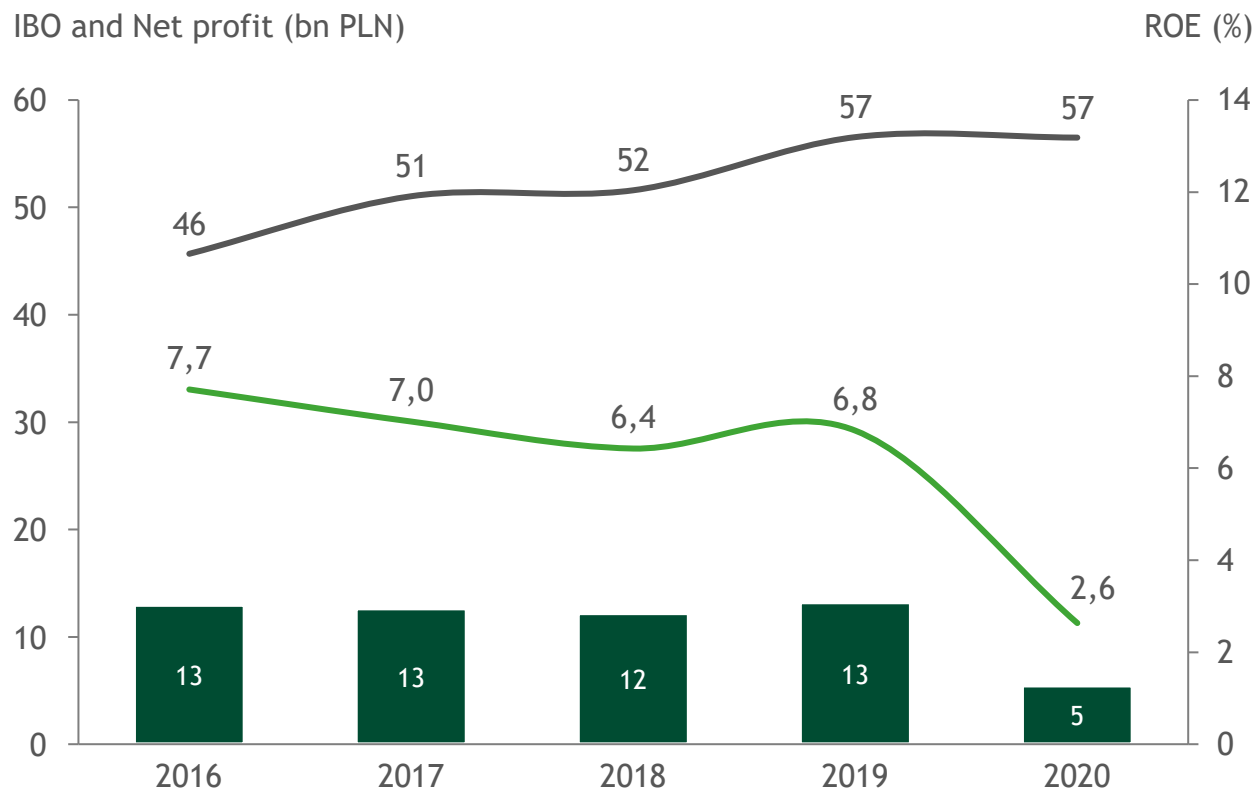
Interest rates<sup>2</sup>  
(%)



Remunerations<sup>4</sup>  
y/y growth rate



**Macroeconomic environment** | The recent years have been challenging for the banking sector, especially the year 2020...



... mainly due to the crisis caused by the COVID-19 pandemic



Increased write-downs on loan provisions in relation to the pandemic



Additional write-downs for legal risks arising from CHF loans



Decrease in interest income due to the lowering of interest rates by NBP



The need to seek commission income through changes in the fee schedule and presenting the beyond banking offer



# Green transformation will affect all segments...


## Institutional


  
Power industry


  
Transport & logistics

  
Industry


## Public


  
Transport network


  
Infrastructure

  
Cities

## Retail

  
Thermal efficiency improvement

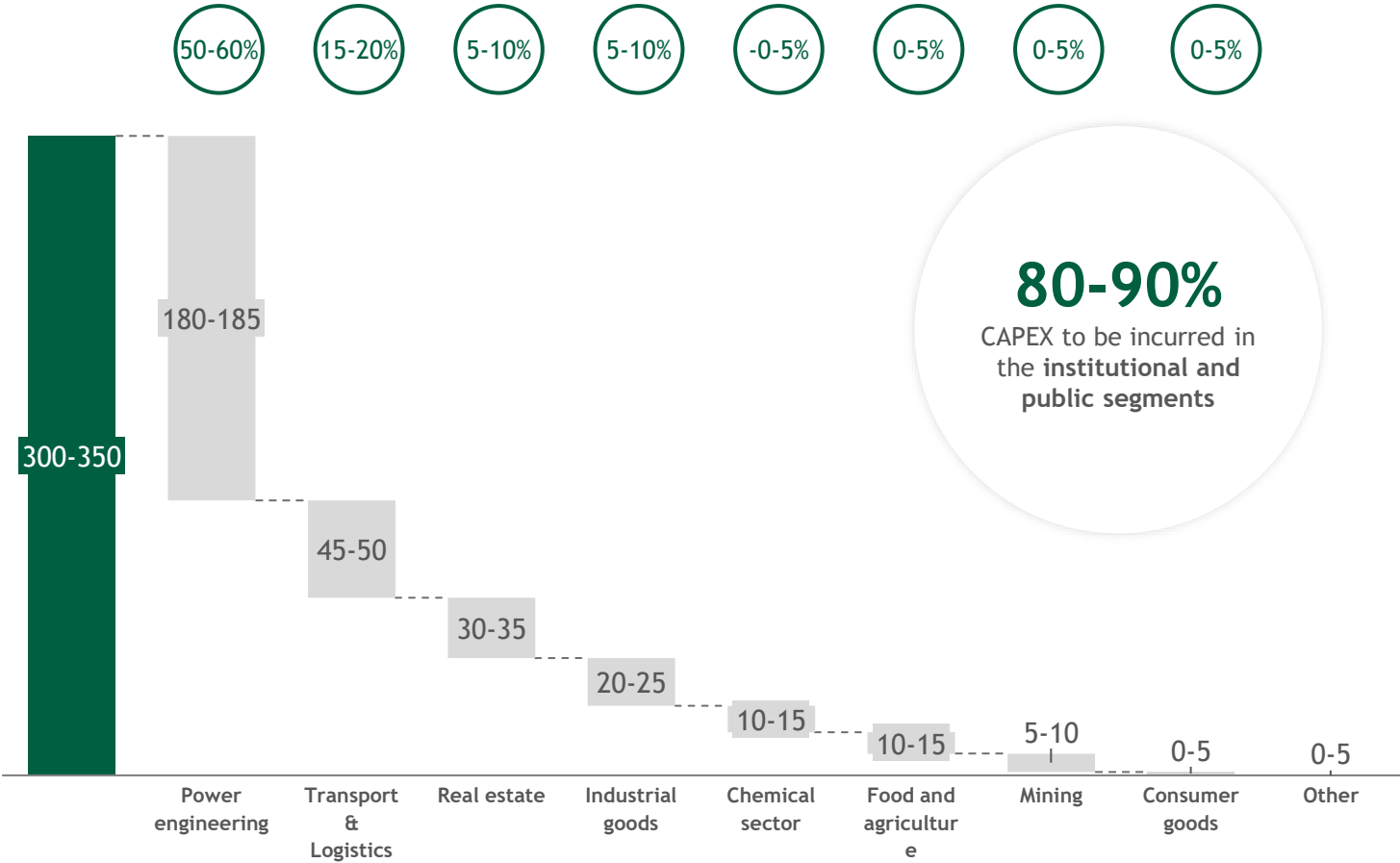
  
Heat pumps

  
Photovoltaics



... building demand for investments, primarily in the energy sector, transport and industry

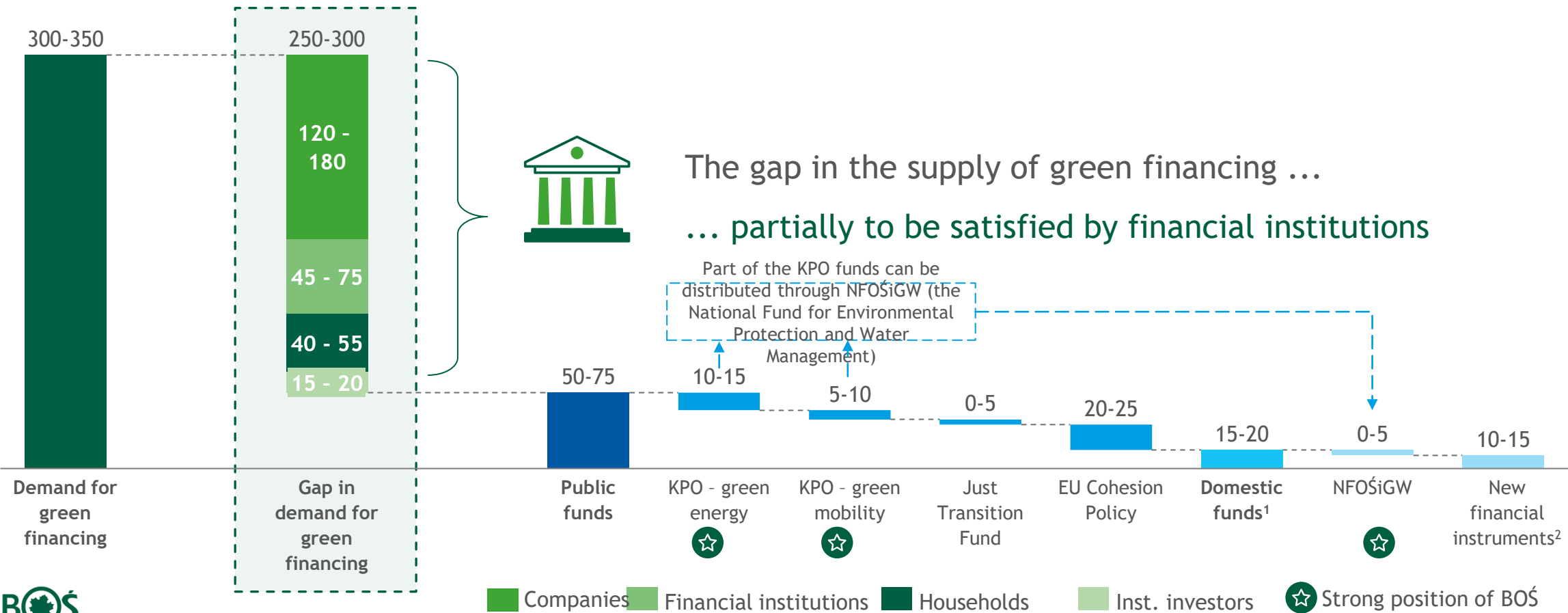
CAPEX for green transformation required in Poland by 2030, bn EUR



Source: UNFCCC data on greenhouse gas (GHG) emissions 2018; BCG analysis

# Despite the planned significant supply of public funds, an essential capital gap to be filled in by the financial sector

Sources of financing for green transformation in Poland by 2030, bn EUR



# The crucial role of banks in animating the green transformation, reaching significantly far beyond the role of only financing institutions

**LEADER**



Banks as **leaders** of green transformation, setting the direction by determining the tone and character of investment projects

**CONSULTANT**



Banks as **experts** combining financial expertise with sector and environmental knowledge, to select projects with the greatest impact

**INTERMEDIARY**



Banks as **promoters**, being a transmission network for domestic and foreign funds

**SOURCE  
OF FINANCING**



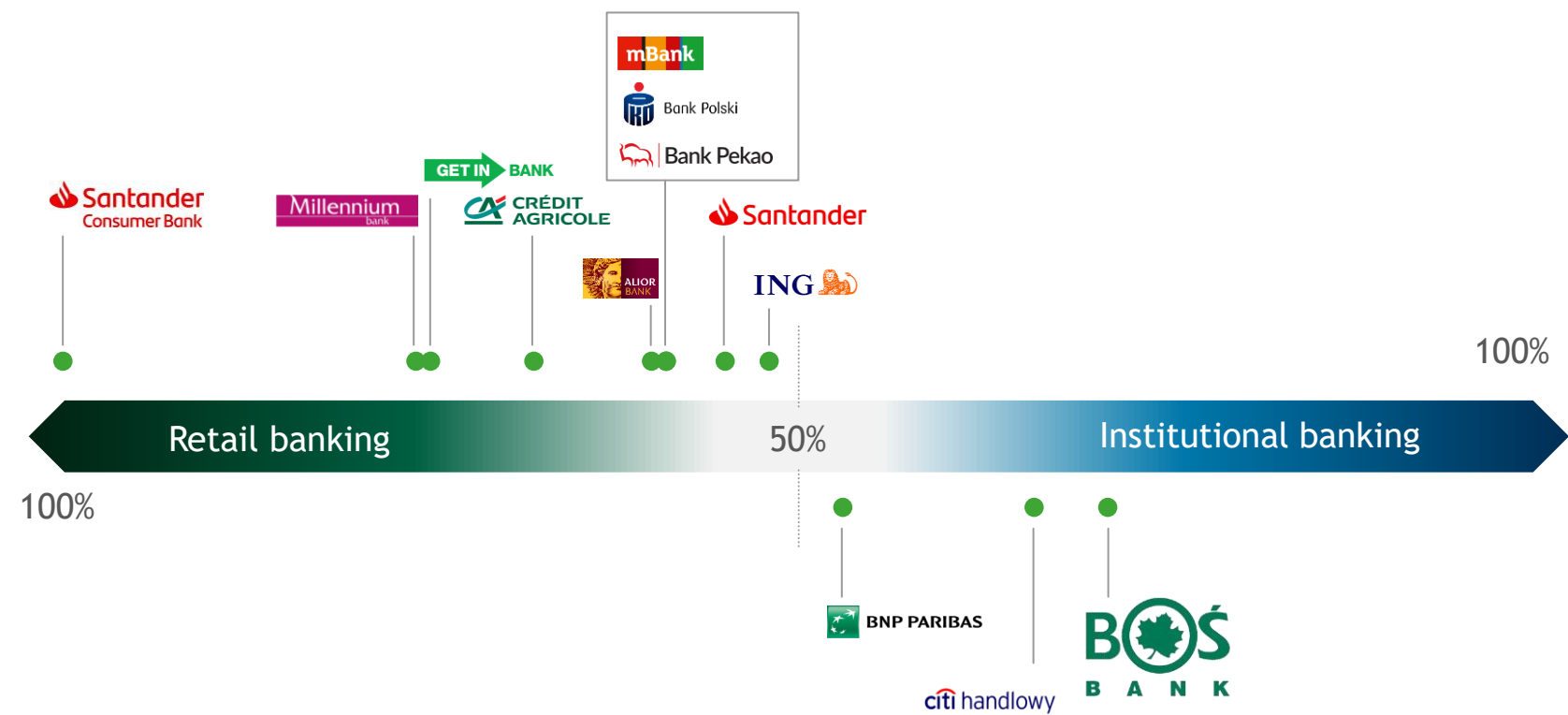
Banks as **sources of financing** for green transformation, especially local one and driven by smaller entities



# Situation of BOŠ

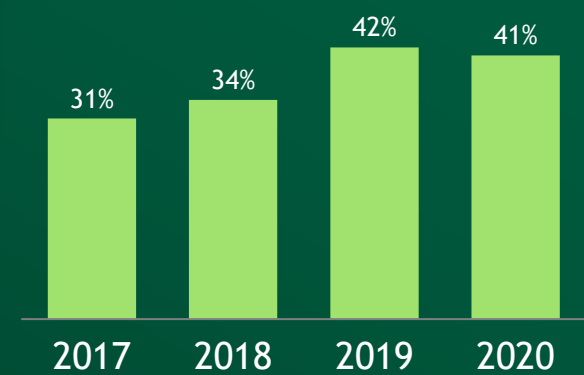
# BOŚ Bank focused on institutional banking...


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



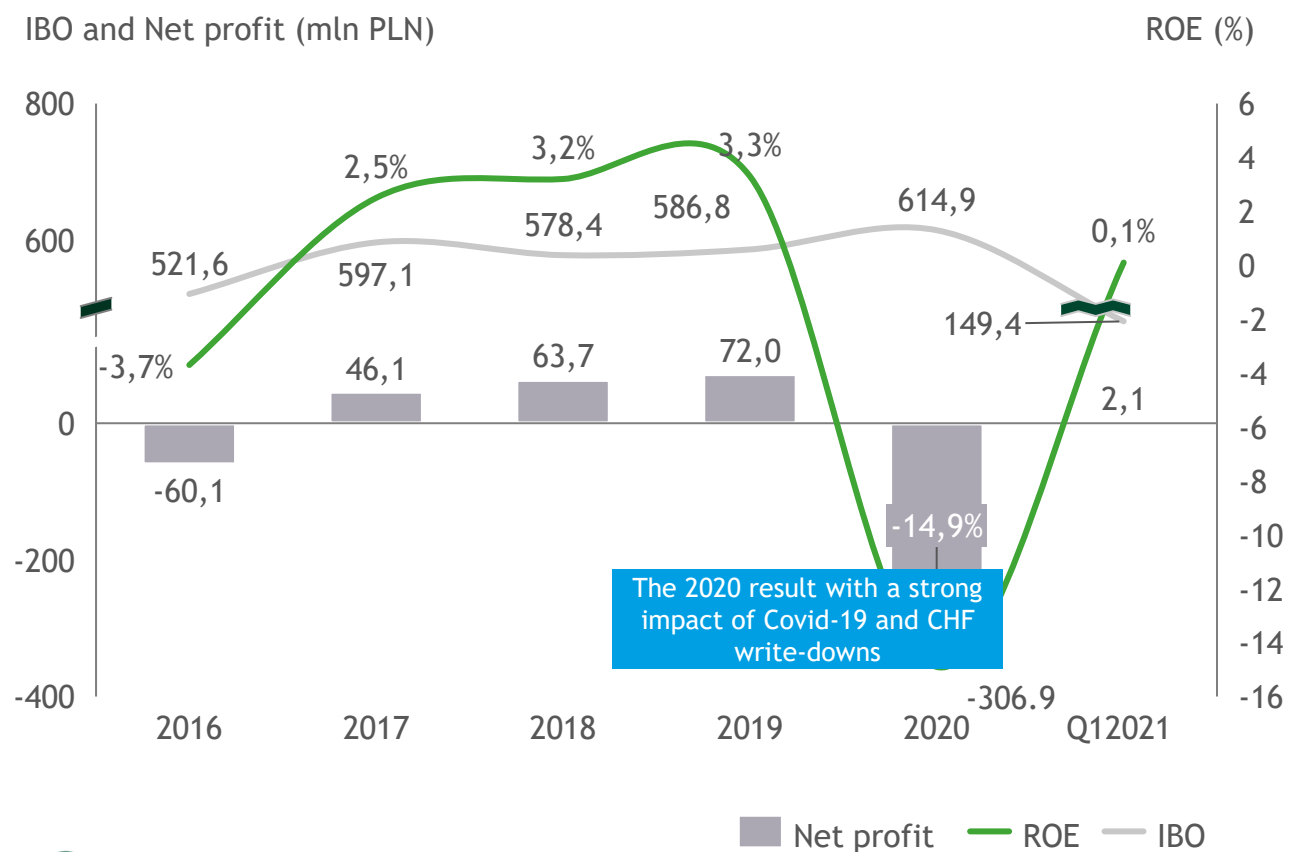
# ... and financing pro-environmental solutions

Share of pro-environmental loans in the sales (%)



 Competitors with a share of green credit of <5%

## BOŚ Bank conducts the restructuring process



So far (2016-2020) there has been a significant improvement in the cost discipline



reduction of employment by over  $\frac{1}{4}$



reduction of the number of outlets by almost half

Further actions are planned



entering the next stage of business development - implementation of the new business model



continuation of cost optimisation



progressive digitisation

# BOŚ Bank with strong foundations for the coming years



Green assets

~ 1/3 of pro-environmental loans in the portfolio, compared to <5% among competition



Environmental expertise

9 ecologists and >20 experts experienced in advising on transformation projects



Ecosystem

Relations with key institutions involved in environmental transformation (e.g. NFOŚiGW, PFR, BGK)



Organic brand

Name of the bank unequivocally associated with **ecology**, reinforced by actions such as measuring the carbon footprint



Strong Brokerage

5th place among brokerage houses in terms of the number of brokerage accounts, **1st place in non-stock instruments trading**, and the **highest-ranked brokerage house** among individual investors (SII)



# Further strengthening of environmental competence, new partnerships and active participation in creating the environmental protection area - as the foundations for implementing the new business model

BOŚ Bank already has strong foundations ...



## Experience in green transactions

- Dedicated pro-environmental products, including e.g. taking up the first issue of Green Bonds in 2020, worth 75 million PLN, in cooperation with DM BOSSA
- 36% share of pro-environmental loans in the portfolio



## Teams of experts in ecology, financing and commercialisation of projects

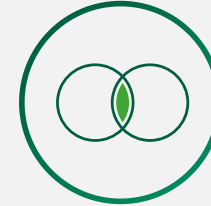
- Teams for taxonomy, financing and commercialisation of eco-friendly projects
- 9 ecologists, 20+ experts



## Fixed position in the ecological ecosystem

- Cooperation (e.g. with NFOŚiGW) when distributing public funds for pro-environmental purposes
- Initiating discussions on environmental transformation and shaping regulations
- Publishing the Environmental Report regularly

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



## Strengthening of sectoral and technological expertise in the field of ecology and climate

- Strengthening of the environmental and technological competence, as well as the skills of commercialization of transformation projects (recruitment of new experts)
- Development of experts' competences through participation in trainings and seminars



## Expanding the ecosystem of partners

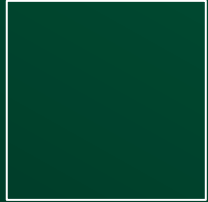
- Building lasting relations with private (e.g. Columbus, Nordex) and public partners (e.g. BGK, NFOŚiGW, EIB)
- Cooperation with the leading scientific centres in Poland



## Active participation in creating the area of environment and climate protection in Poland

- Participation in working groups of public institutions (e.g. Ministry of Climate and Environment)
- Experts' participation in debates and conferences related to ecology and climate
- Partner in trade fairs (e.g. WodKan)





# 2021-23 strategy

# The New Strategy has 5 pillars of the Bank's development in the years 2021-2023

## 2021-2023 BOŚ strategy

**Mission:** Innovative and effective support for green transformation

**Vision:** Comprehensive financing of green transformation by offering unique products, dedicated experts and a variety of financial instruments



### Ecology and Climate

- Continued development of competences in ecology and emission reduction technologies, sector expertise and green financing
- Offering valuable consulting services on green transformation, taxonomy, adequate technologies and available public resources



### Business model

- Strong development of the partnership channel based on digital channels - the most convenient channel for the customer, which is also cost-effective for the Bank
- Financing of green transformation for corporate and LGU clients
- Development of comprehensive consultancy services and providing support to corporate customers during the full cycle of investment



### Operational efficiency

- Aligning the operating model with the Bank's new business strategy
- Optimisation of key processes for customers (e.g. credit process) and internal processes



### Organisational culture

- Cultural change within the organisation - increasing employee involvement and competence development
- Introduction of a new working model - agile and hybrid



### Finance

- Introduction of a sustainably profitable business model and improvement of the Bank's rating
- Abandoning the Recovery Proceedings Programme
- Diversification of the sources of financing and gradual reduction of financing from retail customers
- Active inclusion of financing from external sources

A sustainably profitable business and operating model that guarantees completion of the Group Recovery Plan and achievement of the investment rating



# BOŚ Bank continues to build its unique environmental expertise by developing competencies in the priority sectors and technologies

<p>Strategic principles</p>	  	<p><b>Priority sectors as an indicator for the direction of competence development, not a cut-off point</b></p> <ul style="list-style-type: none"> <li>The priorities include the development of competencies, relations, risk and financing expertise and environmental consultancy services. We do not exclude the financing of other sectors</li> </ul> <p><b>The priorities identified are long-term in nature; the current portfolio structure is already delivering on the main objectives</b></p> <ul style="list-style-type: none"> <li>In selecting sectors and technologies, the Bank goes beyond the strategy horizon with a long-term approach consistent with the key green transformation stakeholders. During the selection process, the current experience of BOŚ is taken into account</li> </ul>
<p>Priority sectors and technologies</p>	  	<p><b>Four sectors with a clearly greater emission reduction and financial potential for the Bank</b></p> <ul style="list-style-type: none"> <li>Energy and Transport &amp; Logistics are of strategic importance in terms of the reduction potential and the necessary capital expenditures. Construction and Industry with the largest potential of IBO<sup>1</sup></li> </ul> <p><b>The technological specialisation enables achieving competitive advantage</b></p> <ul style="list-style-type: none"> <li>A selective approach to technology that builds competitive advantages through tailor-made products and the support ecosystem</li> <li>Monitoring of sub-segments and technologies and selecting especially those offering a chance for development taking into account the public (financial and regulatory) support schedules</li> <li>Focusing on mature technologies and supporting innovative, bankable solutions</li> </ul>
<p>Unique services</p>		<p><b>The Bank is distinguished by its unique competences offered to customers in a form of consultancy services</b></p> <ul style="list-style-type: none"> <li>In addition to dedicated financial consultancy (<i>debt advisory</i>, including acquisition e.g. of public funds), support for institutional customers in the field of ECM</li> <li>Competitive advantage in the provision of environmental and technological consultancy services</li> </ul>

Exploiting sectoral and technological specialisation

4 priority sectors and 13 subsectors

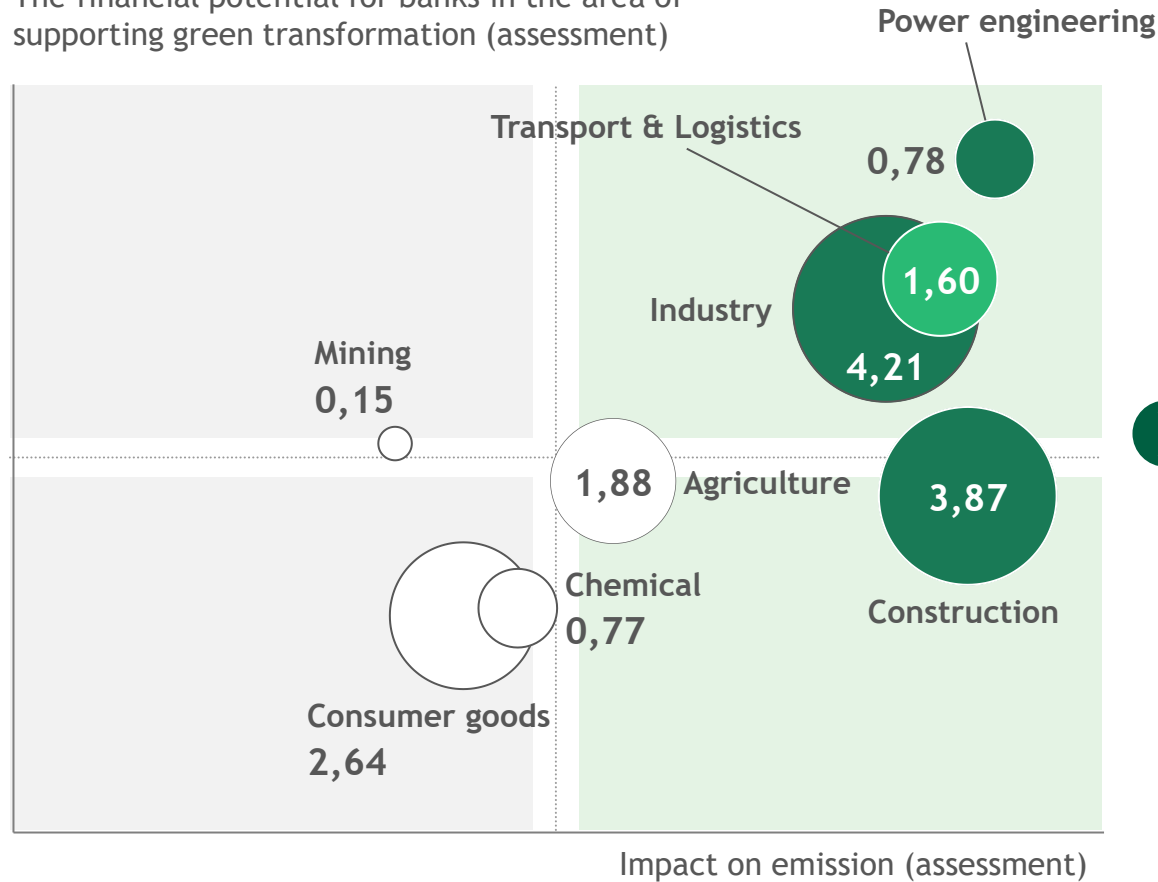
Competitive advantage through the unique consulting offer



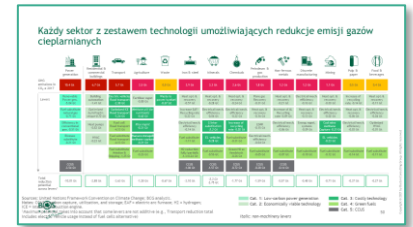


# BOŚ will focus on specific technologies selected within the 4 priority sector ecosystems

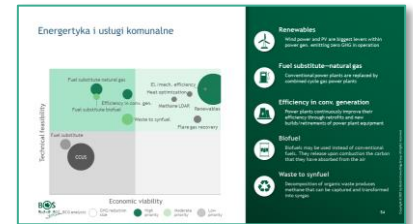
The financial potential for banks in the area of supporting green transformation (assessment)



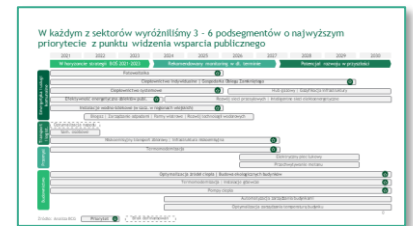
- Within the sectors, a review of the technologies with **the greatest potential for reducing** greenhouse gas emissions



- Assessment of technology in terms of **technological readiness and economic viability**



- Overview of **public programmes** supporting emission reductions in terms of **supply of public funds and regulations**





# The new business model of BOŚ will be based on fuller support for pro-environmental solutions in Retail and animation of green transformation among medium-sized and large companies and local government units



## Retail banking

- Retail banking offer addressed to environmentally-conscious customers (focused mainly on green financing)
- Segment service concentrated in the vendor and online channel, while limiting the retail chain
- Retail deposits acquired through digital channels remain one of the Bank's sources of financing



## Corporate banking




- Corporate banking focused on serving medium-sized and large enterprises and LGUs
- Product offer focused on products supporting green transformation (pro-environmental loans, eco-consulting)
- Services provided in a chain of 13-16 business centres located in the voivodeship cities



Both business segments of the Bank with a sustainably profitable business model



## Product offer| BOŚ will focus on financing pro-environmental installations and housing, and on deposits

	What products?	What channels?	Why is it worthwhile?
 Financing eco-friendly installations	<b>Eco-loan</b> for the purchase and installation of environmentally-friendly technologies (unsecured)	Sold mainly through partners - companies installing eco-solutions (PV, heat pumps) and through x-sell	<ul style="list-style-type: none"><li>• Rapid market growth</li><li>• Expertise and competence of BOŚ Bank</li><li>• Availability of partners, which will reduce online sales</li><li>• Potential for credit process automation = lower costs</li><li>• Implementation of NFOŚiGW programmes</li></ul>
 Green mortgage loans	<b>Mortgage loan</b> burdened with additional pro-environmental conditions relating, among others, to materials, energy consumption	Sold through all channels, including online and through partners - eco-friendly developers	<ul style="list-style-type: none"><li>• Rapidly growing market</li><li>• Assets relatively easy to liquidate</li><li>• Specialised form of the product already offered by BOŚ</li><li>• Experience, both in mortgages and ecology</li></ul>
 Fixed-term deposits	<b>Fixed-term deposit</b> with competitive terms, sourced through digital channels	Continuation of the current BOŚ offer, with emphasis on sales in the digital channel	<ul style="list-style-type: none"><li>• Relatively cheap source of financing</li><li>• This will ensure the financial stability of BOŚ Bank for the time of transformation</li></ul>





# Business model focused on delivering attractive, eco-friendly financial products in carefully selected and efficient channels



**Maintaining the deposit base** - retention offer based on attractive term deposit in the digital channel

**Acquisition of new customers** - customers acquired mainly through the partnership channel, in cooperation with installation companies and developers

**A distinctive product offer** - focus on financing the purchase and installation of pro-environmental solutions in the partnership channel

**Income on acquisition product** - interest (+ fees) on loans for pro-environmental solutions as the main source of BOŚ's income

**X-sell / Up-sell** - increase in profitability through selling the financing of additional devices / green solutions

**Fees and commissions** - non-interest income mainly from insurance products



**Branch chain** - an optimised chain of branches selected on the basis of efficiency and location

## Partnership:

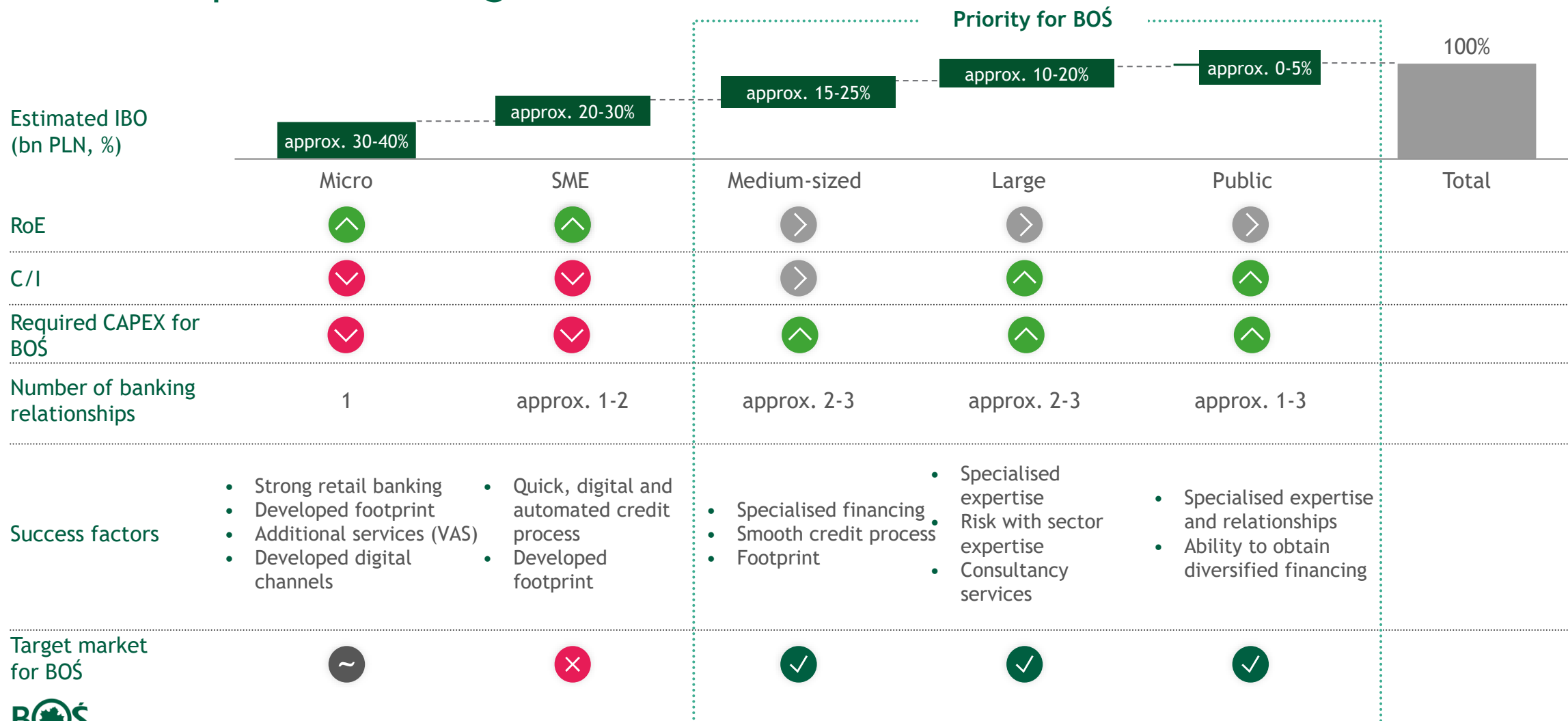
- the main sales channel for green technology loans
- partial sales of eco-mortgages through environmentally-conscious developers
- need of an automated credit process and integration with the partners' platforms

## Digital and remote:

- the main sales channel for fixed-term deposits and an ancillary channel for eco-loans
- withheld development of new daily banking functionalities in addition to those required by law
- access to brokerage accounts in BOSSA and deposits through the application



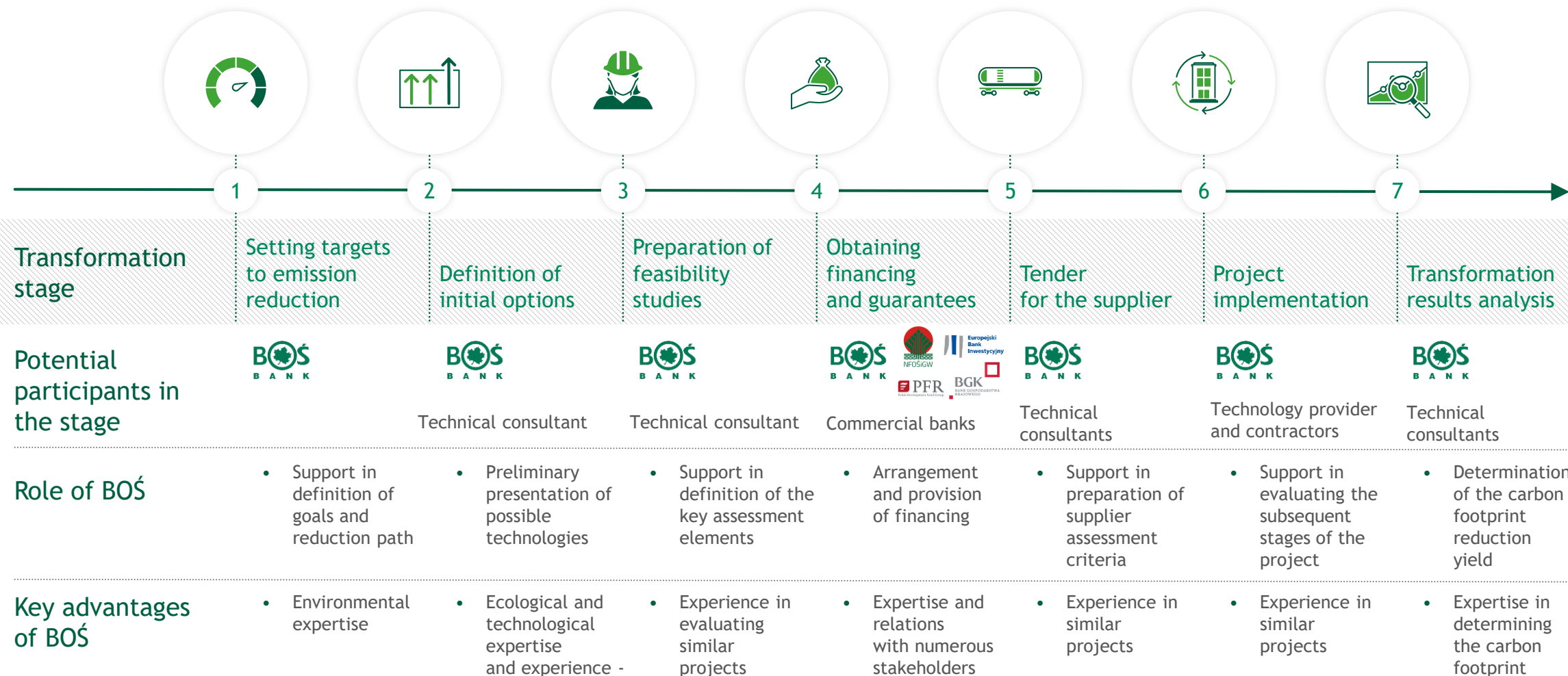
# Medium-sized and large enterprises and LGUs account for approx. 40% of IBO on the corporate banking market







BOŚ Bank's advantage and distinguishing mark on the market will be the possibility of supporting customers in green transformation within the full investment cycle





# BOŚ plans on focusing on the segment of medium-sized and large companies and LGUs through broader participation in transactions and profitable product mix

Target on acquisition and positioning in two roles

1

## Bilateral financing

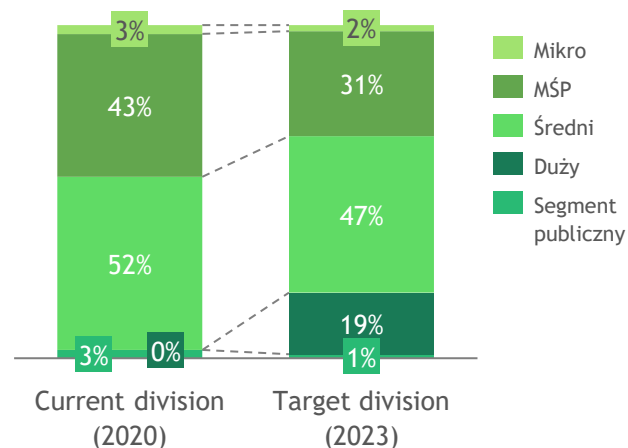
- up to ~75-100 mln PLN of external financing of investments

2

Consortium financing with involvement in one project of up to 100-150 mln PLN

...focusing mainly on medium-sized and large companies and LGUs...

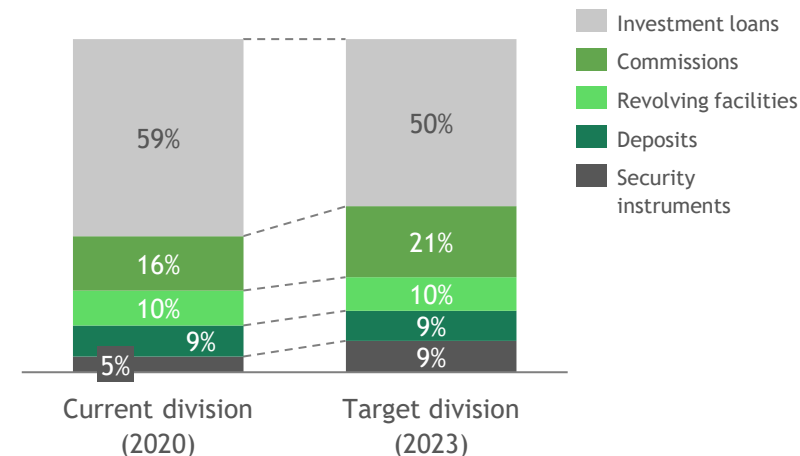
BOŚ IBO divided by segments of corporate customers (%)



- Maintenance **medium-sized companies** as a key segment
- Launching activities in the segment of **large companies** - eventually approx. 20% of IBO
- Among **LGUs** - financing mainly the chain of companies implementing investments

...supported by a product offer focused on investment lending and consultancy

Share of individual products in BOŚ Bank's IBO (%)



- Substantial **growth of IBO in commissions** (stimulated by the development of consultancy and arranging financing) and non-capital-engaging products



# BOŚ Bank plays an important role of an entity transmitting public funds to their beneficiaries in the retail and institutional segments

BOŚ has experience in distributing NFOŚiGW programmes and in cooperation with WFOŚiGW (the Voivodeship Fund for Environmental Protection and Water Management)...



## Retail segment

- Loan for the purchase and installation of solar collectors with NFOŚiGW subsidy
- Mortgage loan with NFOŚiGW subsidy (energy-efficient house)
- Loan from the Prosumment line (Prosumment I and II)
- "Clean Air" loan earmarked for purposes consistent with the NFOŚiGW programme

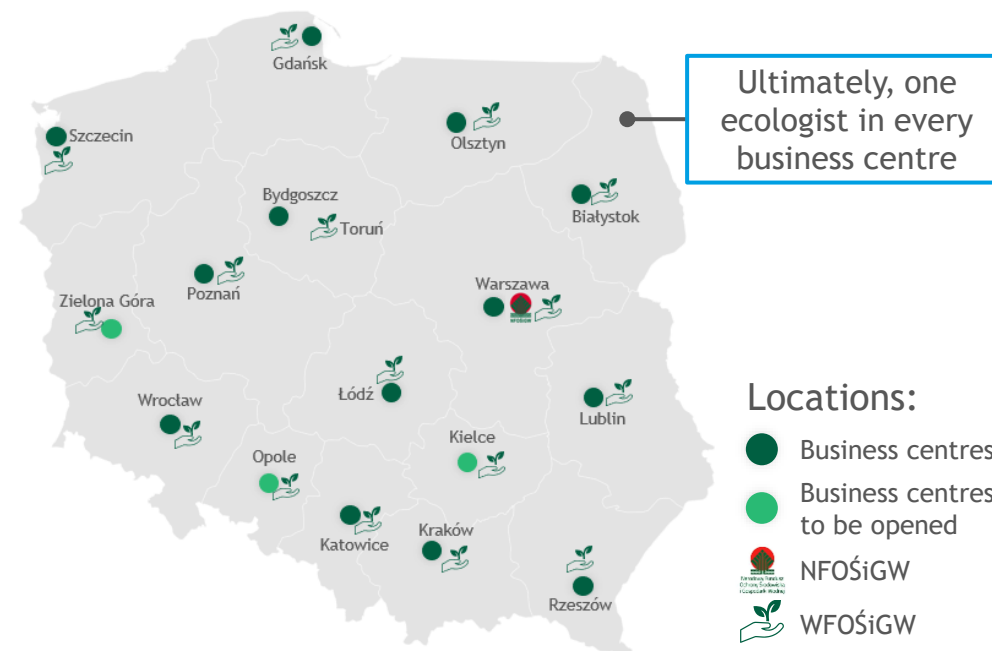


## Corporate segment

- Loan with NFOŚiGW subsidy
- Loan for investment actions aimed at improvement of energy or thermal efficiency

...and plans on harmonious development of cooperation with NFOŚiGW and WFOŚiGW within the subsequent programmes

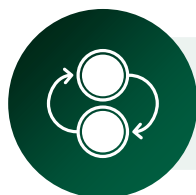
Collaboration development made possible thanks to a well-located and trained chain of business centres...



...supported by a chain of retail branches located near WFOŚiGW



# Organisational excellence as a basis for creating an efficient organisation prepared for growth and reduction of business costs



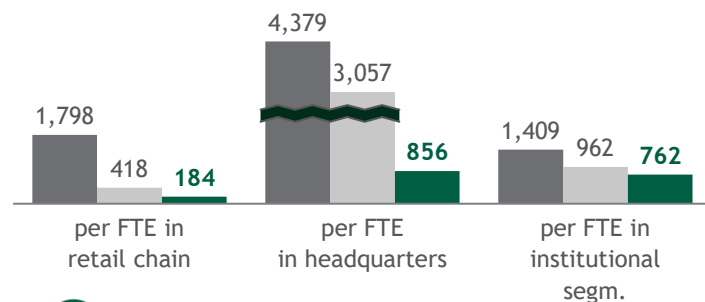
Changing the current situation...

High C/I ratio

60%

## Insufficient efficiency of functions

Segment IBO H1 2020 per FTE



...will require a number of improvements



Adaptation of the organization and allocation of particular functions for the new strategy



Streamlining key customer processes (primarily credit process, but also onboarding, among others)



Process automation - development of IT applications (e.g. for the credit process) and robotisation of processes



Expected improvement in C/I and process efficiency

Aspirational C/I ratio

54%<sup>2</sup>

Measuring key processes and improvement of their efficiency

~20-50%<sup>1</sup>

# Our goal is to change the organisational culture and work model..

## Competence building

- Leadership development to support the new strategy
- Acquisition, development and maintenance of specialised expert teams

## Agility and cooperation

- Prioritisation of teamwork and collaboration among units
- Promoting flexibility and iterative processes, and eliminating unnecessary bureaucracy

## Promoting values

- Building value-based attitudes
- Building the green BOŚ brand



## Increase of involvement

- Increase of employee motivation and involvement
- Engaging work environment



Key elements of the organisational culture that support transformation

...holding on to the values that are most important to us



## Involvement

Proactive task execution and approaching challenges with openness and creativity



## Cooperation

Collaboration in teams to achieve the common goals of the bank



## Professionalism

Improvement of competence, listening to partners and customers to deliver optimal solutions



## Respect for others and for the environment

Taking care of yourself, other people and of the environment

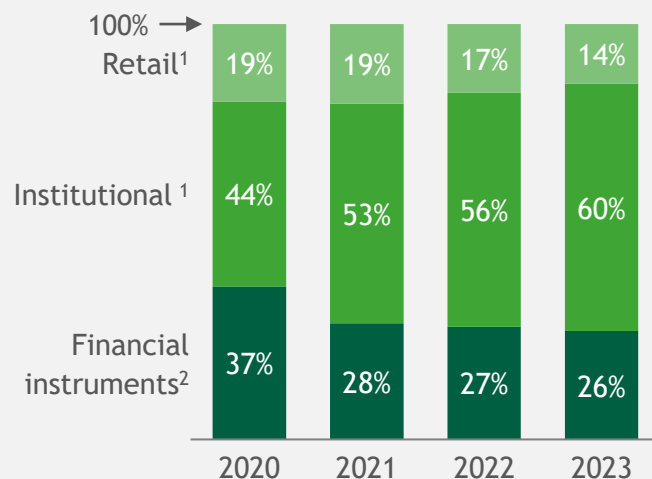


# As part of the new strategy, the Bank plans on introducing essential changes in the structure of assets and sources of financing



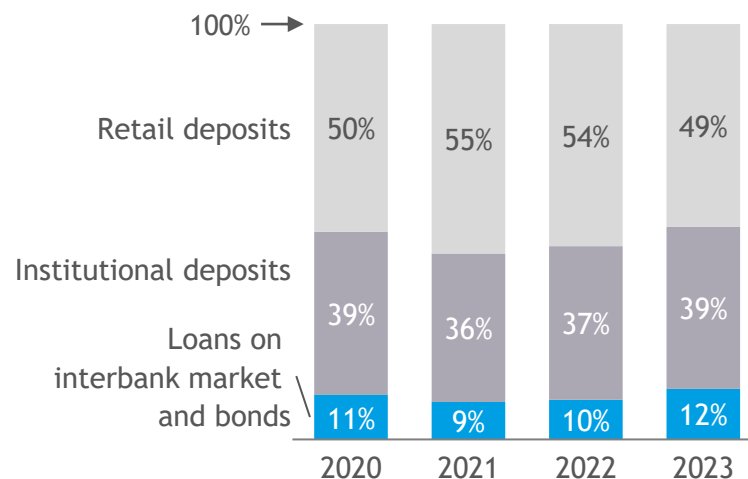
**Assets:** gradual increase in the share of loans to institutional customers

Share of segments in Assets, end of the period



**External sources of financing:** reducing the share of deposits acquired through the retail chain in favour of remote channels

Share of segments in external sources of financing, end of the period<sup>3</sup>

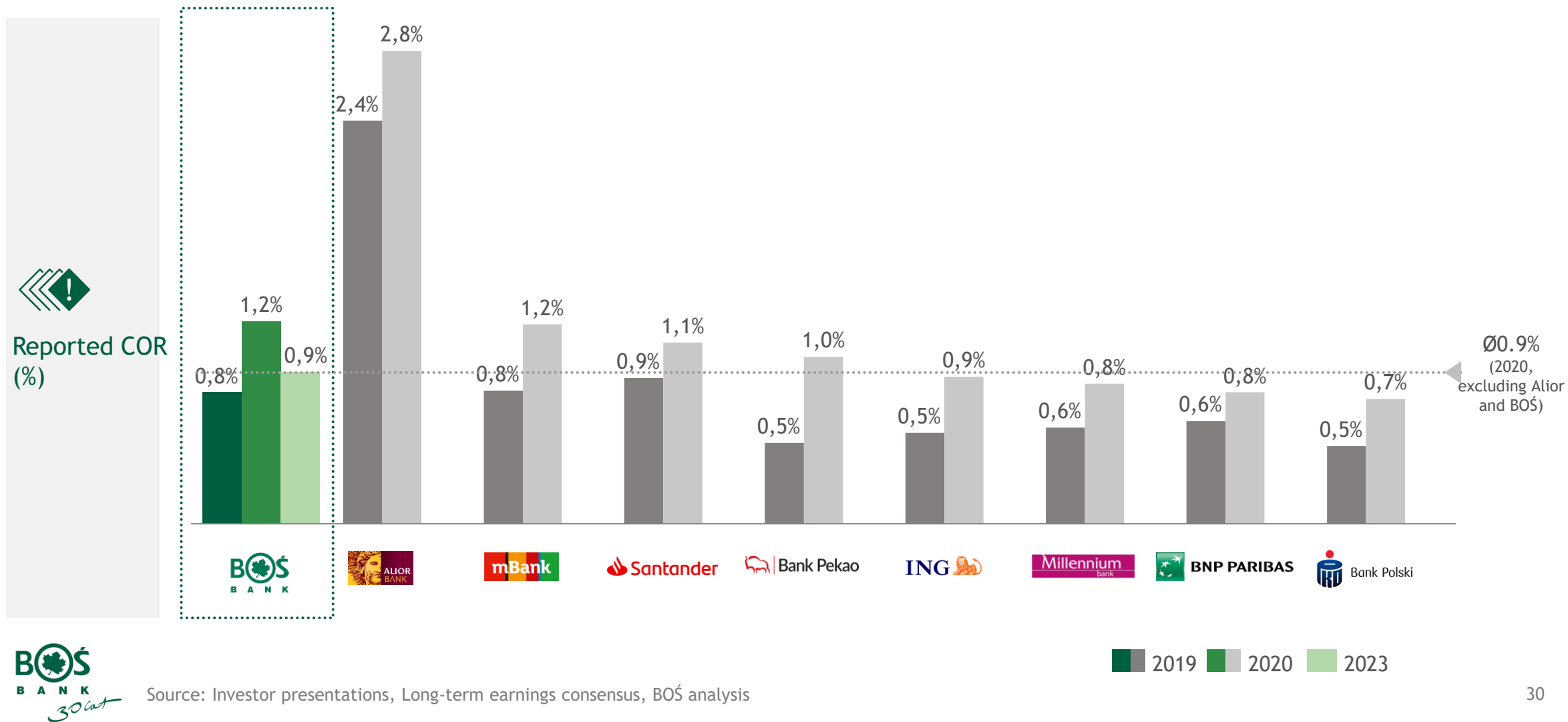


**Main directions of action:** digital depository vehicle and cooperation with the EIB

- Active retention of existing retail deposits
- Creating an attractive digital "vehicle" for acquiring deposits from retail customers
- Obtaining funding from the European Investment Bank (EIB) and, towards the end of the strategy horizon, possibly also from other financial institutions



We assume maintenance of the current risk appetite and stabilisation of the risk cost at a level consistent with the market average







# Sustainable organisation



# BOŚ operates responsibly



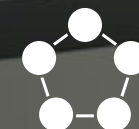
## Environment

- We have been involved in the financing of environmental projects for 30 years
- We monitor the environmental effects of the financed projects
- We actively participate in the green transformation of the Polish economy
- We support the implementation of environmental objectives set out in national strategic documents
- We strive to minimise the carbon footprint of our own operations



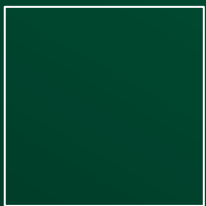
## Society

- We implement pro-environmental and pro-social programmes
- We finance eco-friendly initiatives
- We raise the environmental knowledge of our customers and employees
- We increase financial and environmental awareness
- We support pro-environmental attitudes of our employees
- We increase involvement of employees by creating a friendly work environment, consistent with our values and principles



## Corporate governance

- We apply the Best Practices for WSE Listed Companies and the Corporate Governance Principles
- We manage risks associated with the business ethics areas
- We have an extensive internal governance structure covering, in particular, the bank's management system, organisation, rules of operation, powers, duties and responsibilities, and mutual relations of the supervisory board, management board and key functions



# Our goals and aspirations

# Our strategy aims to improve all key indicators by 2023

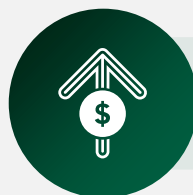


# Financial plan: improvement in all key measures and indicators



## Balance sheet items

bn PLN	2020	2,023
Assets	20	27
Loan balance	13	20



## Profit and loss account items

mln PLN	2020	2,023
IBO	482	606



## Main indicators

%	2020	2,023
ROE	-15	3.5-5 <sup>1</sup>
C/I	60	54 <sup>2</sup>



# We have the key elements for the successful implementation of the strategy...



Stabilisation and resolution of major challenges from the past



Focusing the organization and its development on the priorities



Development of relevant competences in the Bank



Favourable external environment

# ...and an experienced team of managers comprising the Management Board



**Wojciech Hann**  
President of the Management Board

In the years 2016-19 Member of the Management Board of BGK  
Many years of experience in investment banking and consulting



**Arkadiusz Garbarczyk**  
Vice-President of the Management Board

Over 20 years of experience in the banking sector in the corporate and cooperative banking, and in BGK



**Robert Kasprzak**  
Vice-President of the Management Board

Broad experience in the commercial financial services sector (banking, investment funds) and in BGK



**Marzena Koczut**  
Vice-President of the Management Board

Many years of experience in the financial and non-financial sectors (e.g. NFOŚiGW, Ministry of Climate) in Poland and in Canada



**Jerzy Zań**  
Vice-President of the Management Board

Over 20 years of experience in the banking sector, in the largest Polish banks

*...supported by experts with many years of experience in the industry*

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