

Ladies and Gentlemen,

On behalf of the Management Board of Bank Ochrony Środowiska, which I have the privilege to lead, I am pleased to present you with the annual report summarizing the results of the BOŚ Group for the year 2022.

In 2022, the banking sector and the Polish economy faced challenges due to the impact of Russia's invasion of Ukraine. This geopolitical event resulted in a decline in business and consumer confidence, leading to inflationary pressures. To address this, the Monetary Policy Council implemented a series of interest rate hikes, raising the NBP reference rate by 5.00 percentage points to 6.75 percent in the first three quarters of the year. As a result, economic activity in Poland contracted, leading to a decrease in lending, especially in the mortgage segment.

In 2022, the banking sector faced regulatory changes aimed at improving borrower protection, including the implementation of loan holidays and additional contributions to the Borrower Support Fund. These changes resulted in costs for the banking sector, including the BOŚ Group. Furthermore, the BOŚ Group's financial performance in 2022 was significantly affected by legal risks associated with foreign currency mortgages, particularly those related to CHF housing loans. The costs related to legal risks increased to PLN 144.3 million in 2022 compared with PLN 20.8 million in 2021. This increase can be attributed to a rise in court cases related to CHF mortgages and changes in accounting principles regarding the presentation of legal risk provisions. As of the end of 2022, the BOŚ Group had a provision of PLN 514.7 million for CHF mortgage-related risks, while the nominal value of residential CHF loans amounted to PLN 773.4 million.

An integral part of managing the legal risks associated with CHF loans is the implementation of the settlement programme by the Bank since January 2022. This programme follows the guidelines proposed by the Chairman of the Financial Supervision Commission. As of the end of 2022, the Bank received 798 settlement requests, which covered loans with a total outstanding balance of PLN 81 million. Out of these requests, the Bank successfully reached settlements with 327 borrowers.

Despite the adverse economic conditions caused by the war in Ukraine and the regulatory changes, the BOŚ Group achieved remarkable financial results in 2022, with a record net profit of PLN 128.2 million. This represents a significant increase compared to the previous year's net profit of PLN 47.5 million. The strong profitability improvement has had a positive impact on key financial indicators outlined in the 2021-2023 development strategy, demonstrating the effectiveness of the implemented measures. The return on equity (ROE) of the BOŚ Group increased to 6.7% in 2022, up from 2.5% in 2021, and the cost/income (C/I) ratio significantly improved to 52.9% in 2022, compared with 64.9% in the previous year.

One of the BOŚ Group's strategic objectives is to increase the share of green loans in the total loan volume to 50%. In 2022, green loans amounted to PLN 1.62 billion, slightly lower than the previous year's figure of PLN 1.67 billion. The decline in the green mortgage segment was mainly due to reduced demand and clients' lower creditworthiness affected by high interest rates. However, the growth in sales of green loans to institutional customers helped partially offset this decline. As of the end of 2022, green loans accounted for 40.8% of the Bank's total loan portfolio, compared to 37.1% at the end of 2021.

For us, it is a reason for satisfaction to consistently follow the path towards the goal of sustainable profitability by systematically improving the financial performance of the BOŚ Group, but also to recognise the efforts and activities of the Bank to be responsible in business and to support sustainable development.

In December 2022, the rating agency Morningstar Sustainalytics updated the ESG rating for BOŚ, assigning an ESG Risk score of 14.2, meaning that the Bank's ESG risk was considered low. The result places BOŚ among the top 9% of the best-rated banks globally (out of more than 1,000 financial institutions surveyed) and at the same time among the top 8% of the more than 15,500 total companies worldwide surveyed by Morningstar Sustainalytics. We are particularly pleased with the high score in the ESG Risk Management category, which shows that as a banking institution we have received confirmation of our high competence in effectively managing the key risk areas of BOŚ's business as a "green bank".

Summing up 2022, I would also like to mention the dynamically developing cooperation with our majority shareholder, the National Environmental Protection and Water Management Fund, particularly within the framework of the flagship programme "My Electric", which aims to support the purchase of zero-emission vehicles. BOŚ remains the only bank-operator of the leasing path of this programme and, as of the end of 2022, had already cooperated with 24 leasing companies.

Originally, PLN 20 million was available to BOŚ under the leasing path of the 'My Electric' programme. In March 2022, the Board of the National Environmental Protection and Water Management Fund decided to increase this pool by PLN 80 million. Then, at the end of July last year, it was boosted by an additional PLN 100 million. In turn, thanks to the Fund's latest decision, in January 2023, the total value of funds earmarked for subsidies was increased to PLN 250 million. From the launch of the programme in December 2021 until December 31st 2022, the Bank received more than 5.7 thousand applications for an amount of over PLN 183 million. During this period, 3.4 thousand subsidy agreements were signed for a total amount of more than PLN 111 million.

I would like to thank all our Clients for the trust they place in the Bank through the use of its range of products and services, as well as the Employees of the BOŚ Group for their daily commitment and contribution to the implementation of our mission, which is to support Clients in their green transformation by offering unique products, advisory services, committed experts and a variety of financial instruments. Heartfelt thanks also go to our Shareholders and Partners for their cooperation and joint efforts for the development of the Bank.

Yours faithfully,

Dr Emil Ślęzak, Professor at the Warsaw School of Economics,
Vice President of the Management Board of Bank Ochrony Środowiska, in charge of the Management Board