

BRD GROUP

Budget 2023

General Shareholders Assembly

CONSOLIDATED DATA, ACCORDING TO IFRS

APRIL 2023



Budget based on assumptions prepared in September 2022

MACROECONOMIC ENVIRONMENT

Note: All macroeconomic assumptions for 2023 were prepared in September 2022

- ❑ Romania's economy performed strongly in 2022, supported mainly by private consumption and investment. Net exports, by contrast, were negative, reflecting weak external demand and still supply chain disruptions.
- ❑ On annual basis, real GDP grew by 4.8% in 2022, while the budgetary assumption for 2023 was set at 2.2%
- ❑ Stable energy prices (combined effect of the ceiling of the domestic retail electricity market and the stability of the international oil and gas prices), recovery in demand and low unemployment rate, are set to lead to still inflationary pressures. High pressure on salaries is expected.
- ❑ Annual inflation increased from 8.2% in December 2021 to 16.4% in December 2022, and was forecasted to average 12.4% in 2023.
- ❑ Assumption of a slightly higher ROBOR 3M (7.3%) compared to mid year 2022 level.
- ❑ Slowdown is expected for 2023 on the loan market.

TRANSFORMING OUR BUSINESS MODEL | RETAIL

STRATEGIC GOALS

Personalized Value Proposition based on behavioral segmentation and advanced analytics using internal and third party data and products

Truly Omnichannel Journeys across all bank channels (branch, mobile, Call Center) and external ecosystems

Human And Digital Experience Model using branches mainly for value added services

Extensive Digital Platform providing a complete range of functionalities and sales capabilities



AMBITIONS 2025

- **Expand customer base & increase share of focus segments**

- Omnichannel journeys at least for onboarding, all lending products, elements of cross-selling
- Personalized access banking services

- Accelerate **digital activation** of the customer base

- Fully renew mobile and web applications, and continuously expand functionalities
- Expand use of end to end digital flows

- **Customer satisfaction leader**
- **+3 ppt market share in loan production**

2022 ACHIEVEMENTS

- Personalized customer offer through implementation of Next Best Offer model in branch
- Constant reshape of the products and pricing logic for mortgage loans
- Launched Green Espresso and Habitat

- Launched a new onboarding flow in branches through OmniChannel Portal, leveraging customer experience from online onboarding flow

- Further optimized Retail network
- Expanded cashless approach with 24/7 areas (1/3rd of network as of 2022 end)

- Over 1 million users of YOU mobile app
- New digital functionalities: online credit cards, You instant payments, Revamp onboarding in branch

- +4 pts MS new housing loans

TRANSFORMING OUR BUSINESS MODEL | CORPORATE

STRATEGIC GOALS

Bank As A Partner

- **Bring value to clients** (intensify customer focus, building on our historical strength, client relationship)
- **Further professionalize sales management** process for SMEs

2022 ACHIEVEMENTS

- Implemented a more personalized customer approach.
- Multiple commercial campaigns for SMEs targeting prospects or commercial activation of existing clients

Flawless In Client Services

- Target execution excellence by increasing digital capabilities, while keeping the lead in existing strengths
- **Extend clients' digital reach** to most operations with a single access portal

- Enhanced cash management capabilities – awarded “Best Bank for Cash Management” by Global Finance
- E-signature for clients was launched, marking an important step forward for process digitalization

Credit: Simple, Quick & Online

- **Loan portfolio increase > GDP growth**
- Continued focus on **green financing**

- Corporate loan portfolio increased to 13.5 bn RON (+25% vs 2021), while maintaining the solidity of the portfolio
- **New sustainable finance transactions** to corporate customers reached **over 550 MRON**

Improve Efficiency And Ensure Sustainable Growth

- **More processes automated**
- Leverage on added-value products & capabilities (structured finance & corporate finance)

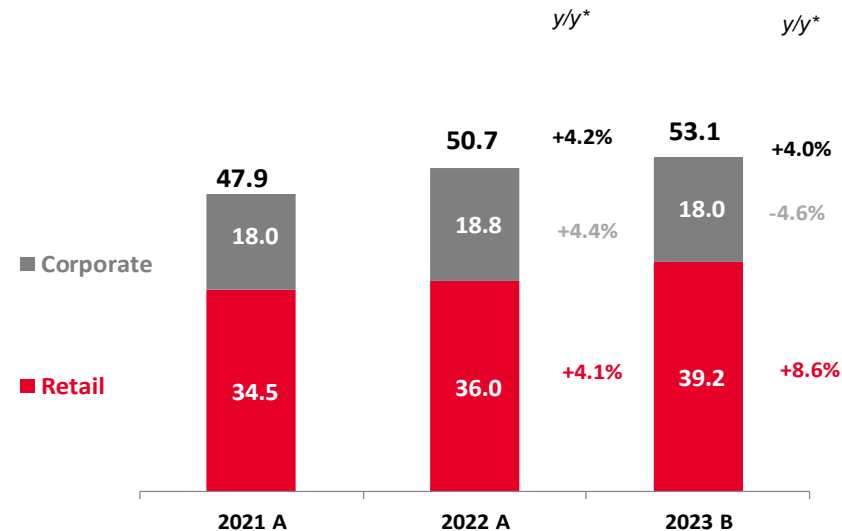
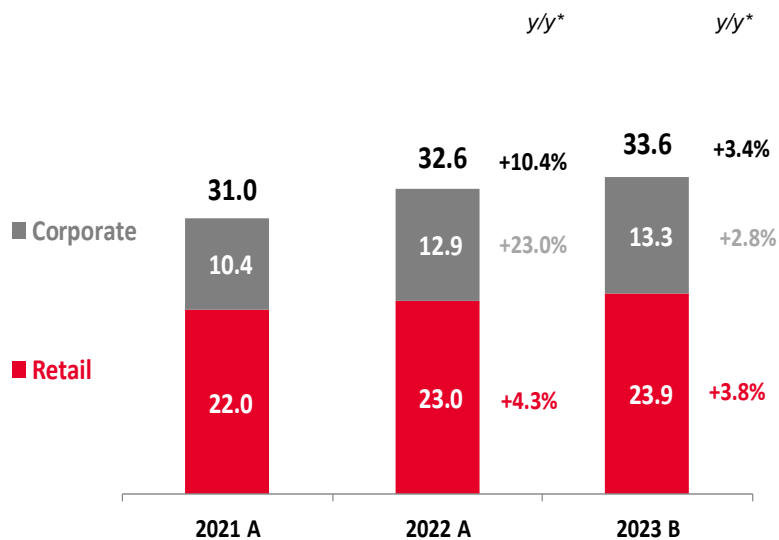
- Successful cross-sell campaigns with subsidiaries (ALD, Sogelease)

2023 BUDGET - KEY INDICATORS

based on assumptions prepared in September 2022

Average net loans | RON bn

Average deposits | RON bn



* Variation at constant exchange rate

Net banking income

Anticipated increase of Net Interest Income

- positive volume effect, driven by both average loans (+3.4%) and average deposits growth (+4.0%)
- positive interest rate effect, with improving margin on deposits in a context of increasing RON yield curve, in spite of structure shifts from current account to term deposits, but lower margin on credits, mostly due to declining spreads

Flattish fee and commission income:

- continuing the deployment of new **Customer Value Proposition** on Private Individuals segment but in a very competitive context putting huge pressure on daily banking prices
- volume increase on cards activity
- insurance and investment products growing penetration

Operating expenses

Cost to be influenced by:

- inflationary pressures on all lines
- necessity to pursue significant investments in IT in order to accelerate bank's transformation
- further structural optimizations (automation, continuation of network resizing) to deliver productivity gains

Cost of Risk

- 2022 Net Cost of Risk positively influenced by improvement of economic perspectives
- ≈ 50 bps Net Cost of Risk expected in 2023 (rather conservative assumptions)

2023 BUDGET - PROFITABILITY

based on assumptions prepared in September 2022

	A 2021	A 2022	Evolution 22/21	Perspectives for 2023	
RON m					
FINANCIAL RESULTS	NET BANKING INCOME	3,097	3,459	+11.7%	Moderate NBI increase driven by Net interest Income growth
	OPERATING EXPENSES	(1,597)	(1,745)	+9.3%	OPEX to be influenced by inflation and continuing IT investments, mitigated by efficient cost discipline
	GROSS OPERATING INCOME	1,500	1,715	14.3%	
	NET COST OF RISK	146	(95)	na	Conservative assumption: Net cost of risk ≈ 50 bps
	NET RESULT	1,319	1,337	+1.4%	
RATIOS	COST/INCOME RATIO	51.6%	50.4%	-1.1 pts	
	ROE	13.4%	15.9%	+2.5 pts	ROE consistent with previous years