

BRD GROUP

Budget 2022

General Shareholders Assembly

CONSOLIDATED DATA, ACCORDING TO IFRS

APRIL 2022



Budget based on assumptions prepared in August/September 2021

MACROECONOMIC ENVIRONMENT

Note: All macroeconomic assumptions for 2022 were prepared in August 2021

- ❑ Romania's economy performed strongly in 2021, supported mainly by private consumption and investment. Net exports, by contrast, were significantly negative, reflecting weak external demand and supply chain disruptions.
- ❑ On annual basis, real GDP grew by 5.6% in 2021, while the budgetary assumption for 2022 was set at 3.5% (assumption prepared in August 2021).
- ❑ Sharp increase in energy prices (combined effect of the liberalization of the domestic retail electricity market and the increase in international oil and gas prices), recovery in demand and very low unemployment rate, are set to lead to elevated inflationary pressures. High pressure on salaries is expected.
- ❑ Annual inflation increased from 2.1% in December 2020 to 8.2% in December 2021, and was forecasted to average 2.6% in 2022 (assumption prepared in August 2021).
- ❑ Assumption of a slightly higher ROBOR 3M (1.7%) compared to mid year 2021 level (assumption prepared in August 2021).
- ❑ Anticipation of solid loan market growth in a relatively supportive environment (assumption prepared in August 2021).

TRANSFORMING OUR BUSINESS MODEL | RETAIL

STRATEGIC GOALS

Private individuals

Customer first, omnichannel bank providing personalized engagement

- Personalized value proposition, based on behavioral segmentation and use of data analytics
- Truly omnichannel journeys across all channels (branch, mobile, Call Center)
- Model combining human and digital experience, using branches mainly for value added services
- Digital platform providing a complete range of sales capabilities

Small Business

Reshape & boost with improved value proposition and lending intensification

- Personalized offer on specific sub segments for daily banking, lending offer
- Increase sales force efficiency and productivity by increasing commercial time through IT developments and task reallocation to back offices
- Focus on digitalization in order to increase process efficiency and facilitate clients' remote access
- More targeted communication to clients.

FOCUS ON 2022

Client Value Proposition

- Expand and automate client journeys
- Introduce Next Best Offer, using Omnichannel platform for operationalization
- Introduce green lending products
- Reshape Small Business daily banking offer

Accelerate digitalization

- Digitalize interactions in branches through Omnichannel platform stream
- Expand use of end to end digital flows: monetize launched ones (onboarding, consumer lending) and add new flows (credit cards, refinancing, client data update)
- Continue developments in YOU mobile app: add new functionalities and include digital sales

Network optimization

- Continue to adjust the network size and organization
- Expand cashless approach: increase number of self-service branches and 24/7 areas

TRANSFORMING OUR BUSINESS MODEL | CORPORATE

STRATEGIC GOALS

Bank as a partner

Flawless in client services

Growth of loan origination volumes

Improve efficiency and ensure sustainable growth

Further leverage on synergies

AMBITIONS

Intensify customer focus, building on our historical strength, **client relationship**

Target execution excellence, by raising payments and digital capabilities, while keeping the lead in existing forces

- trade Finance and factoring back-end connection
- Business Cards and e-commerce improvements
- E-banking and payment functionality upgrades

Simple, quick & online: further improve and digitalize lending processes
Continued focus on **green financing**

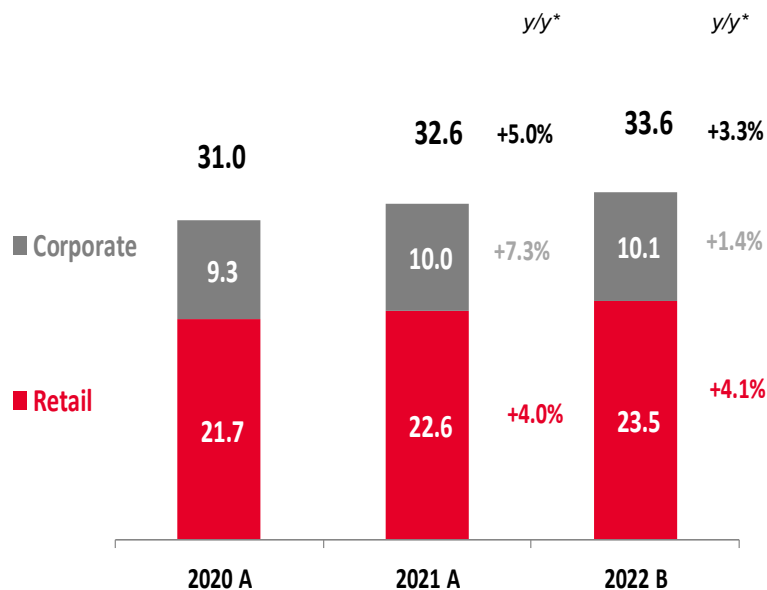
Focus on execution and process automation
Diversify and secure revenues

Especially synergies with:

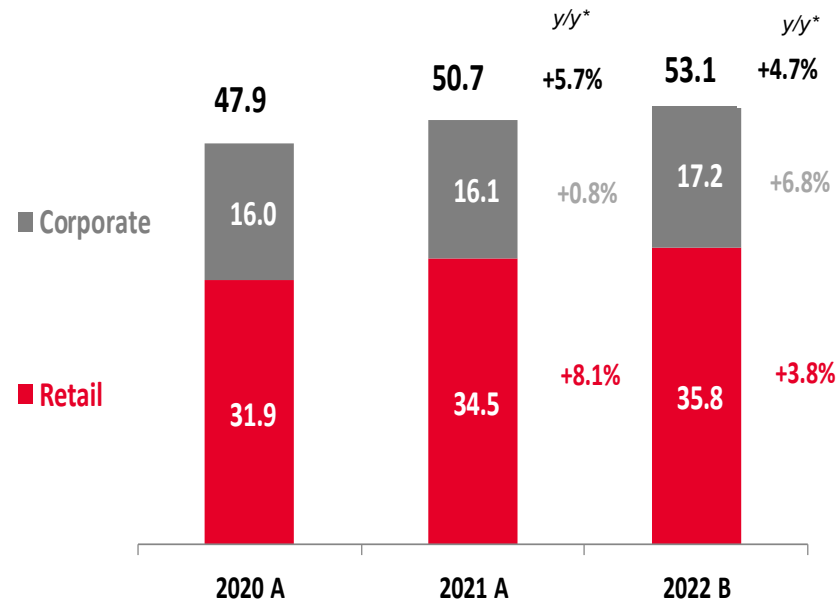
- Retail, subsidiaries, SG Group business lines
- Capital market capabilities
- GTB activities

2022 BUDGET - KEY INDICATORS *based on assumptions prepared in September 2021*

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 (+3.3%) and average deposits growth (+4.7%)
- positive structure shifts (increasing weight of customer loans in total assets)
- neutral interest rate effect, under an assumption (prepared in August 2021) of stable interest rate

Flattish fee and commission income:

- price pressure, with competitive constraints negatively impacting daily and transactional banking revenues
- growing volume of transactions
- development of new growth drivers (insurance, asset management)

Operating expenses

Cost to be influenced by:

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

Cost of Risk

- 2021 Net Cost of Risk positively influenced by improvement of economic perspectives
- ≈ 40-50 bps Net Cost of Risk expected in 2022 (assumptions prepared in August/September 2021)

2022 BUDGET - PROFITABILITY *based on assumptions prepared in September 2021*

	A 2020	A 2021	Evolution 21/20	Perspectives for 2022	
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FINANCIAL RESULTS	NET BANKING INCOME	3,068	3,097	+0.9%	Moderate NBI increase <i>driven by Net interest Income growth, while Net fee and commission income should remain flattish</i>
	OPERATING EXPENSES	(1,568)	(1,597)	+1.8%	OPEX to be influenced by accelerating inflation
	GROSS OPERATING INCOME	1,500	1,500	0.0%	
	NET COST OF RISK	(353)	146	na	Net cost of risk ≈ 40-50 bps
	NET RESULT	963	1,319	+37%	
RATIOS	COST/INCOME RATIO	51.1%	51.6%	+0.5 pts	
	ROE	10.5%	13.3%	+2.8 pts	Low double digit ROE