

BRD GROUP

Budget 2024

General Shareholders Assembly

CONSOLIDATED DATA, ACCORDING TO IFRS

APRIL 2024



Budget based on assumptions prepared in September 2023

MACROECONOMIC ENVIRONMENT

Note: All macroeconomic assumptions for 2024 were prepared in September 2023

- ❑ Although decelerating in 2023, Romania's economy has proven resilient to shocks so far, being an outperformer in the region, supported mainly by household consumption and gross fixed capital formation. Net exports, by contrast, were negative, reflecting weak external demand and still supply chain disruptions.
- ❑ On annual basis, real GDP grew by 2.1% in 2023, while the budgetary assumption for 2024 was set at 2.8%
- ❑ Inflation eased, ending 2023 at 6.6% (from 16.4% in December 2022). After picking up at the onset of 2024, mostly triggered by new/increased indirect taxes and charges, inflation is estimated to resume its decline, heading for low single digit next years. Nevertheless, recovery in demand and low unemployment rate, are set to maintain some inflationary pressure. Inflation is forecasted to reach in average 5.0% in 2024.
- ❑ Market rates are expected to follow the downward trend in the coming years, with ROBOR 3M average towards 5% level in 2026.
- ❑ Market growth of loans and deposits was single digit in 2023, a slight increase is expected for 2024.
- ❑ Last assumption, decided in Q4 2023, relates to application of new 2% tax on bank turnover.

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**
- 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

2023 ACHIEVEMENTS

- Private individuals personalized customer approach through extended Next Best Offer and new churn model
- Constant reshape of products and pricing logic for loans and deposits
- Prescored loan campaigns on Small Business
- Launched a new onboarding flow in branches through OmniChannel Portal, leveraging customer experience from online onboarding flow
- Further optimized Retail network
- Expanded cash automation approach with 24/7 areas
- Over 1.4 million users of YOU mobile app
- New digital functionalities: online credit cards, You instant payments, Revamp onboarding in branch



- **Customer satisfaction leader**

TRANSFORMING OUR BUSINESS MODEL | CORPORATE

STRATEGIC GOALS

Bank As A Partner

AMBITIONS 2025

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

2023 ACHIEVEMENTS

- Outstanding results in terms of customer satisfaction: NPS corporates score, 72 (+7 pts vs 2022), 1st place
- Deployment of CRM* tool and progressive enabling of capabilities, for a more targeted commercial approach on 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

- "Best Trade Services Provider" award received from Global Finance
- Enhanced digital journey by electronic signature for clients (Namirial partnership)
- Complete reshape of KYC processes

Credit: Simple, Quick & Online

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

- Corporate loan portfolio increased to 15.9 bn RON while maintaining the solidity of the portfolio
- Substantial simplification of credit granting & monitoring processes and launch of Optimus tool (a minimum set of functionalities)
- New sustainable finance transactions to corporate customers above budget expectations

Ensure Sustainable Growth

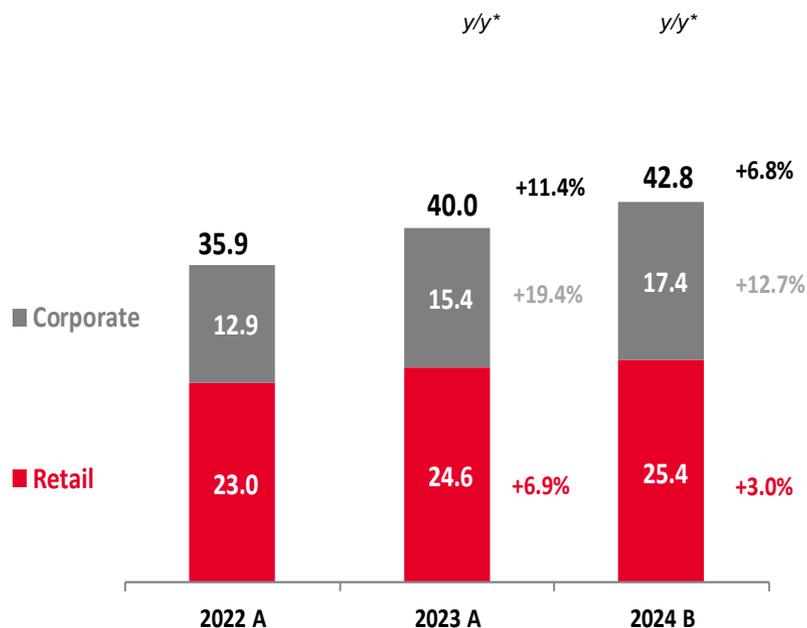
- Diversify & secure revenues
- Leverage on added-value products & capabilities (structured finance & corporate finance)
- Increase synergies & cross-sell

- Increased ROE in line with budgeted figures
- Increased results from Financial Markets activities
- Successful synergies with ALD and Leasing production for SME

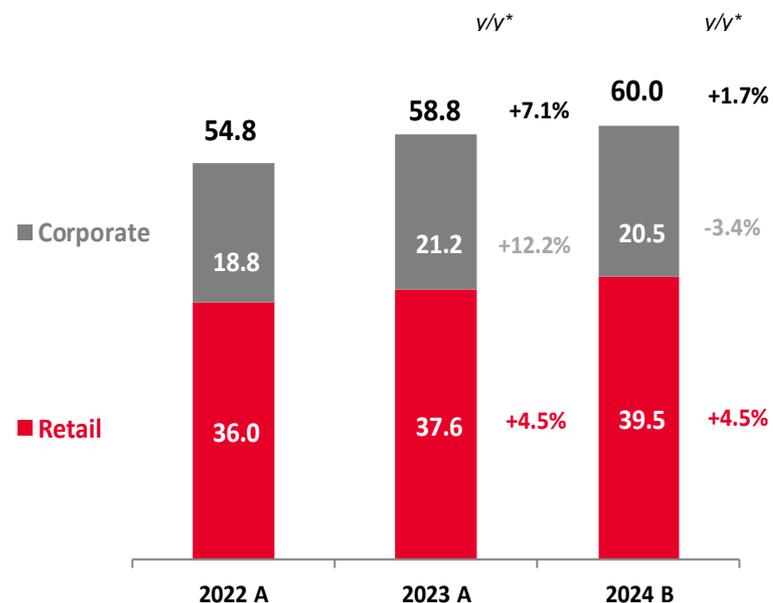
2024 BUDGET - KEY INDICATORS

based on assumptions prepared in September 2023

Average net loans | RON bn



Average deposits | RON bn



* Variation at constant exchange rate

PROFITABILITY EVOLUTION

based on assumptions prepared in September 2023

Net banking income

Anticipated increase of Net Interest Income

- positive volume effect, driven by both average loans and average deposits growth
- negative interest rate effect, with decreasing interest rates in H2 and continuously high competitive pressure on margins

Increase of Fee and commission income:

- higher volumes of transactions
- growing number of clients

Operating expenses

Cost to be influenced by:

- **New tax of 2% on turnover**
- inflationary pressures on many lines
- necessity to pursue significant investments in IT in order to expand bank's transformation
- further structural optimizations (automation, continuation of network resizing) to deliver efficiency gains

Cost of Risk

- 2023 Net Cost of Risk was positively influenced by several components
- There is no reason to consider 2024 different from a standard year
- ≈ 20 bps Net Cost of Risk impact is standard assumption

2024 BUDGET - PROFITABILITY

based on assumptions prepared in September 2023

	A 2022	A 2023	Evolution 23/22	Perspectives for 2024
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FINANCIAL RESULTS				
NET BANKING INCOME	3,459	3,834	+10.8%	Moderate NBI increase driven by Net interest Income growth
OPERATING EXPENSES	(1,745)	(1,895)	+8.6%	OPEX to be influenced by new tax , still inflationary pressures, IT investments, and mitigated by efficiency gains
GROSS OPERATING INCOME	1,715	1,939	13.1%	
NET COST OF RISK	(95)	57	na	Normalized assumption: Net cost of risk ≈ 20 bps
NET RESULT	1,337	1,656	+23.8%	
RATIOS				
COST/INCOME RATIO	50.4%	49.4%	-1.0 pts	ROE impacted by new tax and normalized cost of risk
ROE	15.6%	20.9%	+5.3 pts	