

# BRD GROUP

## REVISED 2022 PERSPECTIVES

General Shareholders Assembly

CONSOLIDATED DATA, ACCORDING TO IFRS

APRIL 2022

## INTRODUCTION

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- ❑ **The budget validated by BRD Board of Directors on March 14th was built in September 2021 (based on a macroeconomic scenario prepared in August 2021)**
- ❑ **The assumptions of this budget are obviously largely outdated**
- ❑ **Taking into account the new macroeconomic and geopolitical context, revised projections were prepared in March 2022**
- ❑ **At this stage, the indirect economic consequences induced by the conflict between Russia and Ukraine remain highly uncertain**
- ❑ **Nonetheless they accentuate pre-existing trends on inflation and interest rates**
- ❑ **The following projections aim at giving a first, high level estimate of the impact of the current crisis on BRD activity, based on certain assumptions**

## NEW MACROECONOMIC CONTEXT

### Macro Scenario

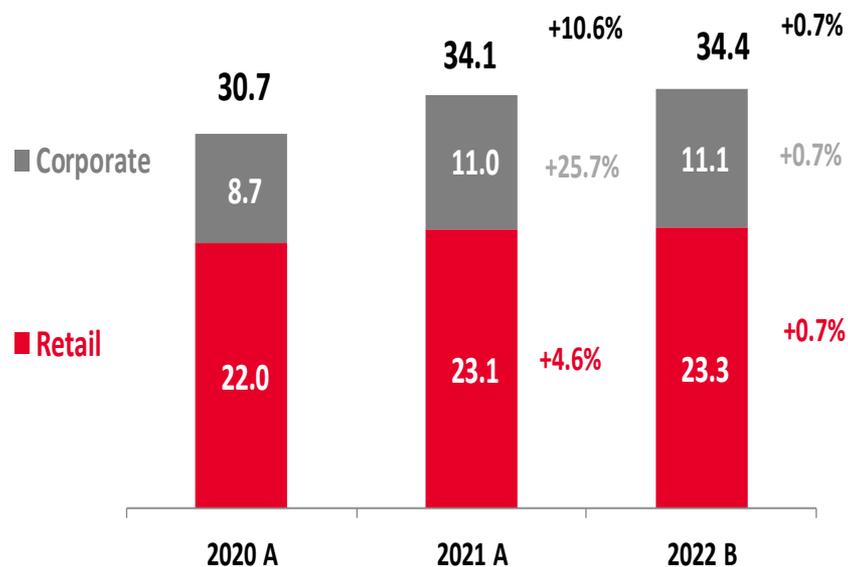
- ❑ **Conflict between Russia and Ukraine affecting the global economy through three main channels: financial sanctions, commodities prices and supply-chain disruptions**
- ❑ **Commodities prices should remain elevated for a prolonged period**
- ❑ **Global inflation will materially increase**
- ❑ **Double digit inflation expected in Romania in 2022**
- ❑ **Deteriorated confidence weighing on both investment and consumer demand**
- ❑ **2022 Romanian GDP growth assumption revised downwards from 3.5% (September 2021 forecast) to 2.7%**
- ❑ **Interest rate assumptions revised significantly upwards :**
  - **Average Robor 3m : 4% in 2022 (vs 1.8% in 2021)**
  - **Average 10y government bond yield : 6% in 2022 (vs 3.7% in 2021)**
- ❑ **Anticipation of relatively stable RON/EUR exchange rate (NBR ready to react to prevent excessive fluctuations)**
- ❑ **Lower credit demand**

### Key assumptions

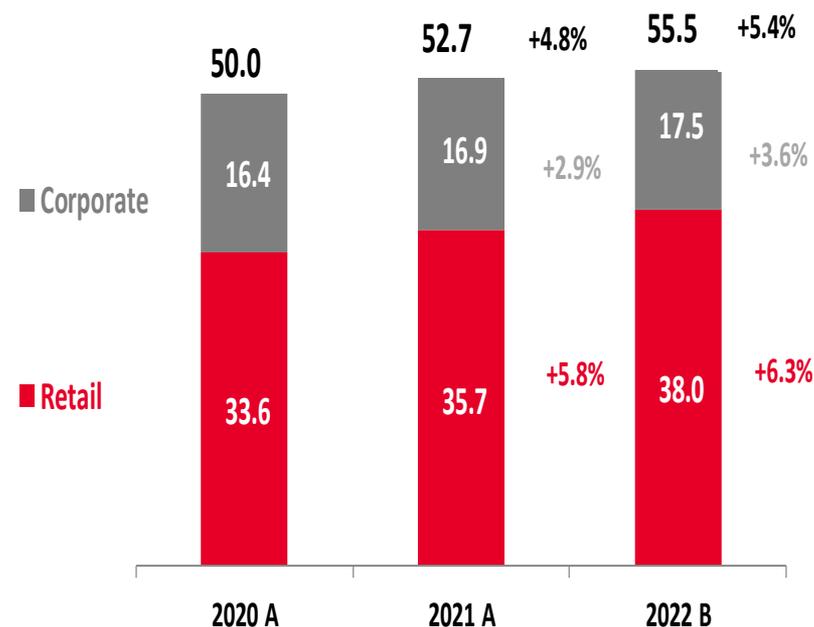
- ❑ **Deteriorated investment climate, high inflation and interest rates, lower purchasing power affecting loan demand on both retail and corporate segments**
- ❑ **Expected drop of production for both consumer loans (-10%) and housing loans (-3%) compared to 2021**
- ❑ **Flattish corporate loan volume compared to 2021 end**
- ❑ **Growing preference of private individuals for foreign currency savings**

# REVISED 2022 KEY INDICATORS, CONSIDERING NEW MACROECONOMIC CONTEXT

## Net loans outstanding EOP | RON bn



## Deposits outstanding EOP | RON bn



# REVISED 2022 FINANCIAL PROJECTIONS, CONSIDERING NEW MACROECONOMIC CONTEXT

|                   | A 2020                 | A 2021  | Evolution<br>21/20 | Revised perspectives for 2022 |   |
|-------------------|------------------------|---------|--------------------|-------------------------------|---|
| RON m             |                        |         |                    |                               |   |
| FINANCIAL RESULTS | NET BANKING INCOME     | 3,068   | 3,097              | +0.9%                         | <b>NBI increase &gt;+5% vs 2021</b> , sustained by a solid Net Interest Income growth <ul style="list-style-type: none"> <li>▪ positive interest rate effect (significant increase of RON interest rates )</li> <li>▪ relatively stable volumes anticipated on both retail and corporate loans</li> <li>▪ fee income under structural price pressure</li> </ul> |
|                   | OPERATING EXPENSES     | (1,568) | (1,597)            | +1.8%                         | <b>Operating expenses</b> <ul style="list-style-type: none"> <li>▪ impact of accelerating inflation mostly on salary mass, energy, external services</li> <li>▪ increase of contributions to deposit guarantee and resolution funds</li> </ul>  |
|                   | GROSS OPERATING INCOME | 1,500   | 1,500              | 0.0%                          |   |
|                   | NET COST OF RISK       | (353)   | 146                | na                            | <b>Cost of risk</b> <ul style="list-style-type: none"> <li>▪ no direct exposure on Russia and Ukraine</li> <li>▪ but cost of risk to be impacted by the indirect economic consequences of the crisis</li> </ul>   |
|                   | 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                      | <b>Low double digit ROE</b>   |