

## Budget of Raiffeisen Bank S.A. for 2022

### I. Macro Outlook supporting the budget

**Economy:** We expect the economy to continue on an upward trend in 2022, the economic advance being sustained by the declining in intensity of the pandemic, by substantial inflows of funds from the European Union, and by the easing of bottlenecks in global supply and distribution chains. The decrease in the intensity of pandemic expected to materialize in 2022 should have a positive impact primarily on the activity of sectors that provide services characterized by intensive social contact (hospitality, tourism, recreational and cultural services). The easing of bottlenecks in global supply and distribution chains should lead to improved activity in the exporting industries, with the automotive industry (car manufacturing and manufacturing of parts and accessories for transport means) having the largest recovery room. In 2022, there should be a large increase in investments financed from funds received from the European Union (as a result of increasing absorption of funds allocated in the multiannual budget of the European Union for period 2014-2020 and of starting the implementation of the National Recovery and Resilience Plan - NRRP).

We expect the fiscal consolidation process to continue in 2022, with the public budget deficit being reduced in line with the target agreed with the European Union. However, the risks for a fiscal slippage remain. Achieving the public deficit target of 5.8% of GDP requires the government to maintain a very strict control over public spending, which could be difficult to achieve in the context of an elevated inflation rate. The progress of the fiscal consolidation process and the successful implementation of the NRRP are important objectives, their fulfilment being necessary in order to ensure an adequate coverage of the high external financing needs of the economy as a whole and of the public sector in particular.

There is a very high degree of uncertainty about the level of inflation that will be recorded in 2022, given that it will depend very much on the decisions of the government/parliament on the evolution of electricity and natural gas prices. However, inflationary pressures would remain elevated in 2022, with the inflation rate expected to far exceed the NBR's inflation target. Therefore, the central bank is expected to continue to raise the monetary policy interest rate during 2022, and the interest rates on banking loans and deposits should increase.

Among the risks that could result in an economic performance below expectations in 2022 there are: an unfavourable trajectory of the pandemic, a failure to implement the NRRP, a high level of inflation rate that would negatively affect the purchasing power of the population, a major fiscal slippage, the materialization of some geopolitical conflicts at global or regional level.

**Banking:** We expect the stock of loans granted by banks to the private sector (population and companies) to continue on an upward trend in 2022, and gains to be recorded on all lending segments (loans for consumer and other purposes, housing loans and loans granted to companies). The advance would be supported by the increasing trend in economic activity with a favourable impact on the financial situation of companies and the population and on their demand for loans. Increase in outstanding loans of companies will continue to be supported by governmental guarantees programs in place for this segment of customers. The implementation of the National Recovery and Resilience Plan should also generate an additional demand for loans at the level of the companies that would take part in the realization of the investments included in this plan. Although interest rates would increase in 2022, their level is not expected to become prohibitive for new lending. Also, the banking system is very well capitalized and has sufficient resources to support lending.

**Our positioning:** The Bank's prospects regarding the business activity and the financial performance are largely reflected in the budget for 2022, given the macro and geopolitical context valid at the beginning of the year. Meanwhile, the events with potential material impact such as the ongoing armed conflict close to Romanian borders, determine us to constantly reassess the business and financial estimates. The main areas of change against budget assumptions are related to the pace of economic growth, probably lower due to the ongoing conflict and its effects on the markets, which in turn may also impede the intensity of lending business throughout the banking sector. Higher inflation and market rates may lead to higher operational expenses, as well as higher interest revenues and higher cost of funds for the bank, while at the same time affecting the consumer sentiment. We will continue to closely monitor the quality of the loan portfolio in the coming period and we are confident that our prudent risk approach and the already proven disciplined repayment behaviour of our clients will be important factors for keeping the risk profile at sound levels. We expect that in the next period we will maintain our growth trend on all lending segments. However, there is still the risk of an inhibitive behaviour of customers regarding the contracting of new loans due to the change in consumption behaviours after the pandemic period and the increase in interest rates.

We aim to surpass the market in terms of attracting funds especially in the legal entities segment and to maintain a balanced growth for our loan portfolio a little more focused on individuals' loans. Rising interest rates will counteract in terms of revenues the pressure of slower credit growth that we expected.

Overall, although the general trends mentioned below still apply, the latest projections indicate, both at the level of the banking system and for Raiffeisen, a more temperate pace for our 2022 evolution compared to the initial assumptions used during the budgetary period and which are indicated below.

## II. Our priorities for 2022

### Sustainable growth

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- The budget for 2022 was built on premises for economic growth with the aim of generating in a durable way value for all customers, employees, shareholders and the economy. We expect that all the main business lines (individuals, SMEs, companies) will grow in a sustainable manner.

### Customer experience with the Bank

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- We place the clients at the core of our every activity and we focus on developing long-term relationships with them, offering them consultancy tailored to their needs as well as a multitude of distribution channels. We pursue the permanent improvement of the services offered to our clients and we consider this aspect an important criterion of differentiation among other banks.

### Simplification

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- Digital transformation, optimization of operational processes, as well as the reorganization of the way of working remain in the list of our priorities. Previous years have proven that we are ready to adapt quickly to a volatile environment in all major areas. Main areas of interest for the future are digital customer experience, new technologies and tools to support digital readiness, implementation of Agile methodology, investments in data-intensive usage and artificial intelligence.
- The efforts made in redefining the customer experience with the bank are visible in exceeding the level of 1 million digital customers<sup>1</sup>, up by almost 30% vs. 2020.

### People and culture

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- We recognize the essential importance of good collaboration between all departments of the bank in achieving our strategic objectives. In this regard, we have in 2021 and will the future maintain a coherent and integrated approach in building the strategy of each area of the bank, in order to ensure the alignment with the common objectives of the bank.

<sup>1</sup> Individual customers with at least one registration in the last month through any online/mobile digital channel

### III. Relevant Financials (RON millions)

<b>Balance-sheet</b>	2020	2021	yoy %	<u>2022 budget objectives</u>
Total assets	52,283	59,157	15%	
Loans and advances to customers, net	28,433	32,365	14%	growth, outpace the market
Private Individuals	15,277	17,057	12%	
Legal entities	13,156	15,308	16%	
Deposits from customers	43,420	49,540	14%	moderate growth
Private Individuals	26,370	29,772	13%	
Legal entities	17,050	19,768	16%	
Deposits from banks	747	791	6%	
Subordinated loans	803	896	12%	maintain solid capitalization
Debt instruments issued*	0	1,639		new MREL issuance in 2022
<b>Profit and loss</b>	<b>2020</b>	<b>2021</b>	<b>yoy %</b>	<u><b>2022 budget objectives</b></u>
Gross income	2,593	2,672	3%	moderate growth
Operating expenses	-1,360	-1,300	-4%	investment in HR and IT
Pre-provisioning result	1,233	1,373	11%	
Impairment losses on loans	-303	-113	-63%	prudent approach
<b>Net profit after tax</b>	<b>644</b>	<b>788</b>	<b>22%</b>	increase
<b>Metrics</b>	<b>2020</b>	<b>2021</b>	<b>yoy</b>	<u><b>2022 budget objectives</b></u>
RoE	13.9%	14.9%	0.9 pp	slightly increase
CIR**	53.7%	48.8%	-4.8 pp	maintaining the same level
L/D, net	0.65	0.65	-0.2%	mild decrease
CAR***	23.1%	21.3%	-1.8 pp	solid capital position

\* Out of which RON 480 million are subordinated loans issued in the form of long-term debt securities

\*\* CIR is calculated according to reporting standards to Group RBI as Total Operating expenditure excluding SRF and deposit insurance, divided by sum of Total Gross income and Other operating result

\*\*\* The indicator for 2021 does not account for the GSM decision on profit distribution for Q4 2021

Note: all figures are in accordance with IFRS and Group RBI reporting standards

We submit for the approval of the budgeted Income Statement and Statement of financial position for the 12-months period ending on 31 December 2022, as presented above.

This Report was analyzed and approved by the Management Board of Raiffeisen Bank S.A in its meeting of March 15th, 2022.

**Mihail-Catalin Ion**

**Vice-president of the Management Board of Raiffeisen Bank S.A.**