

## Budget of Raiffeisen Bank Romania for 2024

### I. Macro Outlook supporting the budget

**Economy:** We expect economic growth to accelerate in 2024 when we see possible a real GDP growth of 2.8% compared to 2023. We expect the growth of household consumption to improve in 2024, given that we expect an increase in purchasing power amid continued growth in disposable income (increase in wages in the private and public sectors, increase in pensions) and reduced inflationary pressures. At the same time, it is possible that the performance of investments in the economy would remain good in 2024, given the prospects for improving economic activity, but also the fact that public investments are planned to record ample growth this year as well. Also, external demand should gradually improve during 2024, supporting export growth.

We expect the disinflationary process to continue in 2024, but at a slower pace than in 2023. Thus, we see a possible reduction of the annual inflation rate to 5.3% at the end of 2024. The central bank (NBR) should behave cautiously in initiating the monetary policy interest rate cutting cycle as inflationary pressures would remain high and uncertainty about the future path of inflation is also high. Thus, we expect the NBR to reduce the monetary policy interest rate to 6% at the end of 2024 and we assume that the first key rate cut would take place in July.

Among the risks whose materialization could determine an economic performance below expectations in 2024 there are: the escalation of global geopolitical conflicts, the materialization of new inflationary shocks or a much slower disinflationary process than expected, the emergence of a major fiscal slippage or the failure to implement the NRRP, the increase of foreign investors' aversion to Romania amid ample macroeconomic imbalances (public budget deficit and current account deficit), political instability, increase in taxes.

**Developments in the banking industry:** We expect the acceleration of economic growth and the decrease of interest rates to favor an improvement in lending activity in 2024 across all segments (consumer and other purpose loans, housing loans, and loans granted to non-financial companies). We see possible that the segment of loans to non-financial companies would continue to perform better than other lending segments in the course of 2024. In our view, the improvement in the origination of loans to non-financial companies should be fuelled in 2024 by investment activity, which is expected to remain strong. At the same time, we see possible an improvement in lending to households in 2024 amid an increase in real disposable income and in propensity to consume. In our view, the anticipated decrease in

interest rates should also generate some improvement in loan demand from companies and households, including in the mortgage segment.

We believe that risks whose materialization could limit credit growth in 2024 include the emergence of new inflationary shocks that could cause the central bank to postpone interest rate cuts, as well as a weak performance of the economy. Maintaining interest rates at high levels, or even increasing them, could materialize if investors become more averse to lei-denominated assets due to significant macroeconomic imbalances.

**Our positioning:** The Bank's outlook for business activity and financial performance largely reflects the Bank's budget for 2024. In the upcoming period we expect that the macroeconomic context will support the increase of the financial intermediation in Romania and it will facilitate the growth of the real economy through sustainable lending of the private sector. We aim to maintain the market share in terms of lending, with an organic and balanced growth by product and customer segment. The strategic objectives are oriented towards investments and business initiatives that ensure the growth of lending activity, the increase in the number of digital clients, excellence in financial counseling of clients regarding personal objectives related to financial planning. However, we believe that uncertainty will persist in the short to medium term, given that the period we have gone through has changed individual behavior to some extent, accelerated an already existing trend of digital adoption and influenced customer preferences in an environment affected by the challenges posed by the inflationary environment and the military conflict between Russia and Ukraine.

We are focusing on three major factors that underpin long-term financial strength and resilience: the experience of our clients in relation to the Bank, our people and the path to a digital environment through the implementation and the transition to innovative solutions. We continue to focus on these fronts and thus strengthen our market positioning. Our medium to long-term strategy is aligned with the allocation of investment in the three crucial success factors for the future of the Bank.

## II. Our priorities for 2024

### **Sustainable growth in lending**

The budget for 2023 was built on the premise of economic growth with the aim of generating sustainable value for customers, employees, shareholders and to support the transition to a green economy as a whole. We are working on developing the lending infrastructure as well as improving the customer enrollment flow, always with a focus on increasing the quality of the customer experience with the bank. We continue to support the financing of investments made by non-financial companies also by using the new guarantee schemes (in partnership with the European Investment Fund). We aim to maintain the market share related to loans for personal needs and to increase the one related to mortgage lending for individuals.

### **Excellence in personal financial planning**

Our focus on continuous improvement of services and products and our focus on understanding our clients' needs have led us to direct efforts towards the goal of excellence in financial advice to clients. We continue the BANKING 1:1 activity started in 2023, which involves a personal and interactive way of building a financial plan, together with the clients, through the innovation of Raiffeisen Bank: Smart Finance, the experts of the Bank experts being assisted for this purpose by mobile electronic tablets. Clients are guided through 1:1 discussions in creating a personalized financial plan, according to their needs and income, with practical, useful and easy-to-understand financial information. In 2024 we are focusing on developing our infrastructure and reshaping the universe of investment and savings products.

### **Digital customer experience**

Our customers' digital experience remains one of our priorities also in 2024. We aim to maintain last year's growth trend based on the three important pillars of the digital experience: active digital customers, 100% digital loan access and self-service while focusing on actions that ensure improved application and system stability.

The strategy of the Bank aims at a solid growth of the activity and profitability of the business model, a superior customer experience based on data excellence and on a deep understanding of customer needs, as well as high adaptability to rapidly changing market developments and harnessing the power of new technologies, with the objective to reach the position of reputational leader in the Romanian financial banking system.

### III. Relevant Financials (RON millions)

<b>Balance-sheet</b>	<u>2022</u>	<u>2023</u>	yoy %	<u>2024 budget objectives</u>
Total assets	62,013	70,158	13%	organic and balanced growth across products
Loans and advances to customers, net	39,482	40,743	3%	
Private Individuals	18,293	17,948	-2%	
Legal entities	21,189	22,795	8%	
Deposits from customers	49,214	54,144	10%	solid growth
Private Individuals	30,408	33,556	10%	
Legal entities	18,806	20,588	9%	
Deposits from banks	651	844	30%	
Subordinated loans	803	806	0%	solid capitalization
Debt instruments issued	3,406	5,073	49%	solid capitalization
<b>Profit and loss</b>	<u>2022</u>	<u>2023</u>	yoy %	<u>2024 budget objectives</u>
Gross income	3,249	3,773	16%	moderate growth additional investment especially in HR and IT
Operating expenses	-1,480	-1,635	10%	
Pre-provisioning result	1,769	2,138	21%	prudent approach on provisioning
Impairment losses on loans	-148	30	-120%	
<b>Net profit after tax</b>	<b>1,235</b>	<b>1,719</b>	<b>39%</b>	solid profitability
<b>Metrics</b>	<u>2022</u>	<u>2023</u>	yoy %	<u>2024 budget objectives</u>
RoE	23.7%	27.2%	3.5 pp	above market average
CIR*	46.6%	43.7%	-2.9 pp	operational efficiency
L/D, net	0.80	0.75	-6%	slightly increase level
CAR**	20.7%	21.4%	0.6 pp	solid capital position

\* 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 2023 does not account for the GSM decision on profit distribution for the 4th quarter of 2023

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

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We submit for the approval of the budgeted Income Statement and Statement of financial position for the 12-months period ending on 31 December 2024, as presented above.

This Report was analyzed and approved by the Management Board of Raiffeisen Bank S.A. in its meeting of March 19<sup>th</sup>, 2024.

**Zdenek Romanek**

**President of the Management Board of Raiffeisen Bank S.A.**