



**Policy of  
Banca Transilvania  
concerning forecasts**

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The policy for economic forecasts is the formal framework (principles, stages and measures) developed and used by Banca Transilvania for projecting the company's economic and financial ratios on short and medium term.

This policy is in line with international standards and its aim is to achieve at least two objectives of the bank: to maximize its net financial result and to communicate the short and medium term prospects for business development to investors.

## **O V E R V I E W**

Forecasts are based on updated information and as many as possible details, both in macro and micro-economic terms (segments, products, currencies). This information is incorporated into models for projecting and budgeting, thus resulting a basic scenario for the company's short and medium term evolution. In addition to that, such models include all news about any intentions to amend the legislative and regulatory framework for the banking sector, both from national and European perspective (New European Economic Governance). Depending on the evolution of risks for the future dynamic of economic variables included in the modelling, deviations from the scenario in projecting results may occur.

# Objectives and applicability

Banca Transilvania implements a policy of continuous improvement - based on the principle of prioritizing of the allocation of resources in order to fulfil its strategic objectives.

The institution carries out a medium-term business plan (normally 3 years), which includes the income and expenditure as well as the investment plan for each year in the forecast horizon.

The preparation of the annual budget of revenues and expenditures is based on estimates of macro-sectoral variables and at the company's level the most recent available, broken down by month, for the end of the current year and for the year to come. For the second and the third year they must annual and as realistic as possible.

In preparing the budget consideration is given to data in the process of internal capital adequacy (according to internal rules) in order to plan and to maintain internal capital sources necessary to capital adequacy to the bank's risk profile.

It also aims to provide, during the financial year, a forecast of the annual financial results of the bank. Any deviations from the approved budget are summarized in an analysis that contains estimates of revenues, and expenses (operational and financial) and investments in order to determine the level of reaching the budgetary targets.



# Components of the budgeting process

## Component specific to BT

Bank prepares a forecast of the profit and loss account (income and expenditure) and an investment plan once a year as part of the annual budget and quarterly forecasts or whenever deemed necessary.

The process is organized by the Budget and Planning Department coordinated by the Deputy CEO for Finance, who sets deadlines, priorities, financial impact, the necessary resources and funding, incorporating data from departments and units -branches agencies (cost centres). All forecasts will be subject to the objectives and strategy set by the Board.

## Key components of the Annual Budget and budgeting process:

- Review of assumptions used in the budgeting process, using top-down approaches from the HO to branches and bottom-up from agencies to branches;
- Preparing an annual business plan considering key performance indicators (KPI) set by the Board in the multiannual budget, for example ratios calculated on the basis of own funds: solvency; leverage; currency position;





- Detailed plans such as: income plan on business lines at the bank's and branch's level, plan of operational expenses (OPEX) on cost centres, staff expenses plan, plan to promote and to develop product groups, if appropriate;
- capital expenditure plan - CAPEX (investment plan in tangible and intangible assets for the current year) in broad lines: IT software and hardware, investments in retail and cards, branches and buildings, security systems.
- Drawing up a plan of liquidity and financial investments;
- Drawing up the main budget statements: operational performance indicators, balance sheet, income statement and investment plan;

- Continuous monitoring (monthly) of the budget and the investment plan;
- Review and update of the budget and forecasts whenever deemed necessary.

The main assumptions used in estimating the revenue are identified on business lines, starting from internal and external drivers of influence and their impact on volumes raised / invested and generated revenues. The update method is most often used in budgeting revenues , the last year values being adjusted in accordance with the new assumptions and events that could materially affect revenues, with a high degree of certainty.



The budgeting method "from scratch" is used when groups of new products are introduced, if necessary.

The expenses are budgeted based on identified needs for the current year, adjusted to assumptions for the main cost centres and taking into account the principal amounts identified for future projects

The expenses with provisions are based on the results from simulations for credit risk under a macro-economic scenario according to the internal rules.

The investment plan describes capital expenditure with IT and operational departments, such as significant value equipment, software licenses and investments in other entities or companies in the group BT or new entities. The investment plan is presented as part of the annual budget.

Some of the components of the budget process described above are made public, as noted in the next paragraph and are anticipative statements under this policy. This information is made available without discrimination to all shareholders of the bank.



# Disclosure of forecast statements

The Revenues and Expenditure Budget and the Investment Plan are published every year as part of the documentation submitted for approval to the general meeting of shareholders. Thus, these documents will be available on the website of BT in the section dedicated to Shareholders /GSM. (Details [here](#)).

In addition, the Bank may make anticipative statements during the events dedicated to investors and analysts (or teleconference meetings) organized on a quarterly basis as well as comments complementary to periodic reports.

In monitoring of the budget implementation, BT prepares updated versions of the budget (forecasts for the rest of the year), including key performance indicators and financial results recorded at the beginning of the financial year. These forecasts are not made public and are prepared exclusively for the internal use of the bank management. Initial working assumptions are reviewed and if changes are found to have a significant impact on projected results, new assumptions will be made public in its reports.





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