Banca Comerciala Romana S.A.

Financial Statements
The Group and the Bank

31 December 2005

Prepared in accordance with
International Financial Reporting Standards

Contents

Banca Comerciala Romana S.A.

General information

1. Nature of operations

Banca Comerciala Romana Group (the “Group”) comprises the parent bank, Banca Comerciala Romana S.A. and its subsidiaries: Anglo-Romanian Bank Limited (United Kingdom), Banca Comerciala Romana Sucursala Chisinau (Republic of Moldova), BCR Asigurari SA (Romania), BCR Asigurari de Viata SA (Romania), BCR Leasing SA (Romania), BCR Securities SA (Romania), Financiara SA (Romania), Bucharest Financial Plazza SRL (Romania) and BCR Asset Management SA (Romania).

Banca Comerciala Romana SA (the “Bank”) was established in Romania in 1990 and is licensed by the National Bank of Romania to conduct banking activities.

The Group provides day-to-day banking services and other financial services to governmental institutions, corporate and individual clients operating in Romania and abroad. These services include: accounts opening, domestic and international payments, foreign exchange transactions, working capital finance, medium and long term facilities, retail loans, finance micro and small enterprises, bank guarantees, letter of credits and also leasing, insurance, brokerage, financial consultancy services and asset management.

The Group and the Bank operate through the Head Office located in Bucharest and through its network of 381 branches (31 December 2004: 323) and 372 branches (31 December 2004: 315) respectively, located in Romania and abroad.

The current registered office of the Bank is located at:

5, Elisabeta Boulevard
Bucharest, Sector 3
Romania.

2. Capital adequacy

The Bank calculates capital adequacy based upon the regulations issued by the National Bank of Romania (“NBR”). These ratios measure capital adequacy by comparing the Bank’s eligible capital with its balance sheet assets and off-balance-sheet commitments at weighted amount to reflect their relative risk. The regulations require that capital adequacy ratios be calculated on financial information prepared in accordance with Romanian Accounting Regulations (“RAR”). To be in compliance with the NBR regulations applicable as at 31 December 2005, a credit institution must have a capital adequacy ratio of at least 12%. As of 31 December 2005, the capital adequacy ratio based upon the NBR’s regulations was 14.99% (31 December 2004: 18.89%).

In addition to the above ratios the Bank and the Group also monitor the adequacy of its capital using ratios established by the Bank for International Settlements (“BIS”) in July 1988, based upon its financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

General information

2. Capital adequacy (continued)

Based upon financial information prepared in accordance with IFRS the Tier 1 and the Tier 1 plus Tier 2 capital adequacy ratios at 31 December 2005 were:

- 15.36% and 16.61%, respectively (31 December 2004: 20.30% and 21.55%, respectively) for the Bank.

- 16.69% and 17.94%, respectively (31 December 2004: 21.92% and 23.17%, respectively) for the Group.

Under BIS guidelines assets are weighted according to broad categories of notional credit risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50%, 100%) are applied; for example cash and money market instruments have a zero risk weighting which means that no capital is required to support the holding of these assets. Premises and equipment carries a 100% risk weighting, meaning that it must be supported by capital equal to 8% of the carrying amount. Other asset categories have intermediate weightings.

Off-balance-sheet credit related commitments and forwards and options based derivative instruments are taken into account by applying different categories of credit conversion factors, designed to convert these items into balance sheet equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for balance sheet assets.

Tier 1 capital consists of shareholders' equity less reserve for banking risks. Tier 2 capital includes the Bank and the Group's eligible long-term debt, general credit risk reserves up to 1.25% of the risk-weighted assets and revaluation reserves.

Banca Comerciala Romana S.A.

General information

2. Capital adequacy (continued)

Bank

In RON thousand	**IFRS Balance sheet (Reported amounts)**		**IFRS Balance sheet (Risk weighted amounts)**	
	31 December 2005	**31 December 2004**	**31 December 2005**	**31 December 2004**
Balance sheet assets (net of provisions)				
Cash and cash equivalents	766,631	412,359	10,045	6,971
Due from National Bank of Romania	7,632,782	7,059,188	119	42
Placements with banks	2,141,901	721,121	428,380	144,224
Financial assets at fair value through profit and loss	775,220	3,399,637	155,367	129,296
Loans and advances to banks	29,845	30,520	-	-
Loans and advances to customers	15,536,054	10,288,778	13,984,910	9,266,550
Investment securities, held to maturity	50,341	112,054	-	-
Investments securities, available for sale	3,669,804	-	-	-
Equity investments	411,753	398,738	158,583	128,138
Deferred tax asset	6,393	-	-	-
Property and equipment	1,623,953	1,599,569	1,623,953	1,599,569
Intangible assets	177,213	160,618	177,213	160,618
Other assets	57,841	57,000	57,601	56,878
Off balance sheet commitments and contingencies	6,892,857	4,978,422	4,046,623	3,096,868
Total risk weighted assets			**20,642,794**	**14,589,154**

In RON thousand	**Capital**		**BIS %**	
	31 December 2005	**31 December 2004**	**31 December 2005**	**31 December 2004**
BIS Capital ratios				
Tier 1 capital	3,170,348	2,961,666	15.36%	20.30%
Tier 1 + Tier 2 capital	3,428,383	3,144,030	16.61%	21.55%

Banca Comerciala Romana S.A.

General information

2. Capital adequacy (continued)

Group

In RON thousand	IFRS Balance sheet (Reported amounts)		IFRS Balance sheet (Risk weighted amounts)	
	31 December 2005	31 December 2004	31 December 2005	31 December 2004
Balance sheet assets (net of provisions)				
Cash and cash equivalents	790,934	429,376	14,188	9,854
Due from central banks	7,730,927	7,148,201	119	42
Placements with banks	2,112,902	822,259	422,580	164,452
Financial assets at fair value through profit or loss	786,556	3,831,134	166,704	380,225
Loans and advances to banks	337,251	84,912	-	-
Loans and advances to customers	16,329,962	10,760,280	14,778,817	9,738,052
Investment securities	3,894,343	-	141,103	-
Equity investments	53,223	64,408	42,435	29,436
Deferred tax assets	13,528	-	-	-
Property and equipment	1,822,762	1,777,804	1,822,762	1,777,804
Intangible assets	180,425	161,146	180,425	161,146
Other assets	163,559	123,767	155,057	123,646
Off balance sheet commitments and contingencies	7,055,226	5,235,976	4,208,992	3,354,422
Total risk weighted assets			**21,933,182**	**15,739,079**

In RON thousand	Capital		BIS %	
	31 December 2005	31 December 2004	31 December 2005	31 December 2004
BIS Capital ratios				
Tier 1 capital	3,661,000	3,450,206	16.69%	21.92%
Tier 1 + Tier 2 capital	3,935,163	3,946,945	17.94%	23.17%

TRANSLATOR'S EXPLANATORY NOTE: The above translation of the general information is provided as a free translation from Romanian which is the official and binding version

Banca Comerciala Romana S.A.

Income statement

Bank and Consolidated

for the year ended 31 December 2005

In RON thousand	Note	Group 2005	Group 2004 *	Bank 2005	Bank 2004 *
Interest and similar income		2,513,157	2,568,210	2,335,372	2,431,034
Interest expense and similar charges		(1,131,300)	(1,120,543)	(1,115,739)	(1,108,200)
Net interest income	6	**1,381,857**	**1,447,667**	**1,219,633**	**1,322,834**
Fee and commission income		682,934	659,149	647,455	618,465
Fee and commission expense		(55,978)	(56,647)	(55,112)	(52,260)
Net fee and commission income	7	**626,956**	**602,502**	**592,343**	**566,205**
Dividend income		3,584	3,480	24,810	12,763
Net trading income	8	222,467	151,810	210,883	145,989
Net gain on non-trading financial instruments		4,400	(3,935)	5,201	164
Other operating income	9	158,156	74,049	86,114	44,312
Operating expenses	10	(1,498,801)	(1,234,991)	(1,295,908)	(1,104,953)
Net charge of provision for impairment losses	11	(134,336)	(205,086)	(130,288)	(206,408)
Profit before tax		**764,283**	**835,496**	**712,788**	**780,906**
Income tax expense	12	(108,553)	(199,923)	(106,538)	(176,369)
Profit for the year		**655,730**	**635,573**	**606,250**	**604,537**
Attributable to:					
Equity holders of the Bank		648,558	626,922	-	-
Minority interest		7,172	8,651	-	-
Net profit for the year		**655,730**	**635,573**	**606,250**	**604,537**

* Restated, refer to Note 2

The financial statements were approved by the Executive Committee on 18 April 2006 and were signed on its behalf by:

Refer to the original signed Romanian version

Dr. Nicolae Danila
Executive President

Mr. Petre Preda
Executive Vice President

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Banca Comerciala Romana S.A.

Balance sheet
Bank and Consolidated
at 31 December 2005

In RON thousand	Note	Group 31 December 2005	Group 31 December 2004 *	Bank 31 December 2005	Bank 31 December 2004 *
Assets					
Cash and cash equivalents	13	790,934	429,376	766,631	412,359
Due from central banks	14	7,730,927	7,148,201	7,632,782	7,059,188
Placements with banks	15	2,112,902	822,259	2,141,901	721,121
Financial assets at fair value through profit or loss	16	786,556	3,831,134	775,220	3,399,637
Loans and advances to banks	17	337,251	84,912	29,845	30,520
Loans and advances to customers	18	16,329,962	10,760,280	15,536,054	10,288,778
Investment securities, held to maturity		-	-	50,341	112,054
Financial assets, available for sale					
- Investment securities	19	3,894,343	-	3,669,804	-
- Equity investments	20	53,223	64,408	411,753	398,738
Property and equipment	21	1,822,762	1,777,804	1,623,953	1,599,569
Intangible assets	22	180,425	161,146	177,213	160,618
Deferred tax assets	29	13,528	-	6,393	-
Other assets	23	163,559	123,767	57,841	57,000
Total assets		**34,216,372**	**25,203,287**	**32,879,731**	**24,239,582**
Liabilities					
Deposits from banks	24	922,905	893,213	387,675	510,051
Deposits from customers	25	22,087,477	17,764,058	21,969,730	17,597,088
Loans from banks and other financial institutions	26	4,898,571	2,423,782	4,675,202	2,375,161
Other liabilities evidenced by paper	27	1,804,567	1,406	1,824,530	-
Other liabilities and provisions	28	492,092	385,955	259,316	263,082
Deferred tax liabilities	29	2,759	18,419	-	15,962
Total liabilities		**30,208,371**	**21,486,833**	**29,116,453**	**20,761,344**
Share capital	30	2,119,693	2,119,693	2,119,693	2,119,693
Other reserves	31	956,015	888,626	879,403	778,601
Retained earnings		905,995	692,314	764,182	579,944
Total equity attributable to the Bank's equity holders		**3,981,703**	**3,700,633**	**3,763,278**	**3,478,238**
Minority interest		26,298	15,821	-	-
Total equity		**4,008,001**	**3,716,454**	**3,763,278**	**3,478,238**
Total liabilities and equity		**34,216,372**	**25,203,287**	**32,879,731**	**24,239,582**

* Restated, refer to Note 2

The financial statements were approved by the Executive Committee on 18 April 2006 and were signed on its behalf by:

Refer to the original signed Romanian version

Dr. Nicolae Danila
Executive President

Mr. Petre Preda
Executive Vice President

The accompanying notes from pages 7 to 86 form an integral part of these financial statements

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Banca Comerciala Romana S.A.

Statement of changes in equity
Bank and Consolidated
for the year ended 31 December 2005

Group

In RON thousand	Share capital	Other reserves	Retained earnings	Minority interest	Total
	Attributable to equity holders of the Bank				
Balance at 31 December 2003, as previously stated	2,119,693	693,259	489,126	79,074	**3,381,152**
Correction of error	-	53,203	(63,076)	-	**(9,873)**
Net effect of changes in accounting policies (refer to Note 2)	-	98,913	(137,377)	-	**(38,464)**
Balance at 31 December 2003, restated	**2,119,693**	**845,375**	**288,673**	**79,074**	**3,332,815**
Net profit for the year, restated	-	-	626,922	8,651	**635,573**
Translation reserve	-	1,276	(3,063)	-	**(1,787)**
Distribution to reserves	-	39,660	(39,660)	-	-
Acquisition of remaining minority interests	-	-	-	(70,664)	**(70,664)**
Dividends declared	-	-	(166,935)	(1,240)	**(168,175)**
Balance at 31 December 2004	**2,119,693**	**886,311**	**705,937**	**15,821**	**3,727,762**
Effect of change in accounting policy on office and other equipment and intangible assets (refer to Notes 2o and 2p)	-	-	(24,257)	-	(24,257)
Fair value change in available-for-sale financial assets, net of tax	-	2,315	-	-	2,315
Effect of changes in provision for impairment losses on loans adjusted to retained earnings	-	-	12,668	-	12,668
Deferred tax effect of changes in provision for impairment losses on loans	-	-	(2,034)	-	(2,034)
Balance at 31 December 2004, restated	**2,119,693**	**888,626**	**692,314**	**15,821**	**3,716,454**
Net profit for the year	-	-	648,558	7,172	655,730
Fair value change in available-for-sale financial assets, net of tax	-	2,702	-	-	2,702
Translation reserve	-	(19,763)	(12,865)	11,314	(21,314)
Distribution to reserves	-	94,463	(94,463)	-	-
Change in revaluation reserves	-	(10,013)	-	-	(10,013)
Dividends declared	-	-	(327,549)	(8,009)	(335,558)
Balance at 31 December 2005	**2,119,693**	**956,015**	**905,995**	**26,298**	**4,008,001**

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Banca Comerciala Romana S.A.

Statement of changes in equity

Bank and Consolidated

for the year ended 31 December 2005

Bank

In RON thousand	**Share capital**	**Other reserves**	**Retained earnings**	**Total**
Balance at 31 December 2003, as previously stated	**2,119,693**	**693,259**	**489,125**	**3,302,077**
Changes in accounting policy related to investments in subsidiaries (refer to Note 2d)	-	32,823	(270,007)	**(237,184)**
Balance at 31 December 2003, restated	**2,119,693**	**726,082**	**219,118**	**3,064,893**
Net profit for the year, restated	-	-	604,537	**604,537**
Distribution to reserves	-	52,519	(52,519)	-
Dividends declared	-	-	(166,935)	**(166,935)**
Balance at 31 December 2004	**2,119,693**	**778,601**	**604,201**	**3,502,495**
Effect of change in accounting policy on office and other equipment and intangible assets (refer to Notes 2o and 2p)	-	-	(24,257)	**(24,257)**
Balance at 31 December 2004, restated	**2,119,693**	**778,601**	**579,944**	**3,478,238**
Net profit for the year	-	-	606,250	**606,250**
Fair value change in available-for-sale financial assets, net of tax	-	6,339	-	**6,339**
Distribution to reserves	-	94,463	(94,463)	-
Dividends declared	-	-	(327,549)	**(327,549)**
Balance at 31 December 2005	**2,119,693**	**879,403**	**764,182**	**3,763,278**

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Banca Comerciala Romana S.A.

Cash flows statement
Bank and Consolidated
for the year ended 31 December 2005

In RON thousand	Note	Group 2005	Group 2004 *	Bank 2005	Bank 2004 *
Operating activities					
Net profit before taxation		764,283	835,496	712,788	780,906
Adjustments for non-cash items:					
Depreciation and amortization	10	140,079	102,943	126,771	90,751
Net loss/(gain) on disposal of property and equipment		382	(505)	382	(743)
Loss on disposal of equity securities		-	9,291	-	-
Impairment losses and write-off of assets		280,770	323,875	274,680	324,024
Provision for litigations		1,166	7,465	1,167	7,428
Accruals for employees profit sharing	10	74,293	67,581	71,987	65,590
Change in fair value of financial instruments at fair value through profit and loss		18,884	(51,360)	11,344	(43,857)
Income from negative goodwill		-	-	-	(24,989)
Effect of foreign exchange on property and equipment and deferred tax		(21,313)	3,706	-	-
Other adjustments for non-cash items		(25,138)	1,025	(7,652)	22,095
Dividend income		(3,583)	(3,480)	(24,811)	(12,763)
Operating profit before changes in operating assets and liabilities		**1,229,823**	**1,296,037**	**1,166,656**	**1,208,442**
(Increase)/decrease in amounts due from central banks		79,673	(36,850)	11,857	21,008
(Increase)/decrease in placements and loans to banks		(306,096)	(107,203)	14,838	70,451
(Increase) in loans and advances to customers		(5,850,509)	(2,731,653)	(5,521,956)	(2,730,564)
(Increase)/decrease in financial assets at fair value through profit or loss		1,826,138	(438,395)	1,424,185	-
(Increase)/decrease in other assets		(39,791)	(473)	(840)	19,169
Increase/(decrease) of deposits from banks		29,692	402,379	(122,376)	379,277
Increase in deposits from customers		4,323,419	3,467,644	4,372,642	3,643,200
Increase/(decrease) in other liabilities		56,549	113,626	(65,631)	53,760
Cash generated from operations		**1,348,898**	**1,965,112**	**1,279,375**	**2,664,743**
Income tax paid		(152,158)	(223,952)	(128,819)	(211,233)
Cash flows generated from operating activities		**1,196,740**	**1,741,160**	**1,150,556**	**2,453,510**
Investing activities					
Net (acquisition)/ proceeds from sale of equity investments		11,504	(64,933)	(23,417)	(93,766)
Acquisition of property and equipment and intangible assets		(215,880)	(176,387)	(139,950)	(85,385)
Proceeds from sale of property and equipment		930	3,818	930	3,818
Net acquisition of investment debt securities		(727,143)	-	(499,319)	(513,823)
Dividends received		3,265	3,094	17,490	12,377
Cash flows used in investing activities		**(927,324)**	**(234,408)**	**(644,266)**	**(676,779)**

The accompanying notes from pages 7 to 86 form an integral part of these financial statements

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Banca Comerciala Romana S.A.

Cash flows statement *(continued)*
Bank and Consolidated
for the year ended 31 December 2005

In RON thousand	Note	Group 2005	Group 2004 *	Bank 2005	Bank 2004 *
Financing activities					
Payment of finance lease liabilities		-	-	(29,017)	(25,467)
Net proceeds from loans from banks and financial institutions		2,482,821	1,392,244	2,308,071	1,411,449
Proceeds from bonds issued		1,809,636	1,406	1,831,004	-
Dividends paid		(327,549)	(166,935)	(327,549)	(166,935)
Dividends paid to minority interest		(8,009)	(3,402)	-	-
Cash flows generated from financing activities		**3,956,899**	**1,223,313**	**3,782,509**	**1,219,047**
Net increase in cash and cash equivalents		**4,226,315**	**2,730,066**	**4,288,799**	**2,995,778**
Cash and cash equivalents at beginning of the year		9,518,056	6,787,990	9,310,128	6,314,350
Cash and cash equivalents at end of year		**13,744,371**	**9,518,056**	**13,598,927**	**9,310,128**

* Refer to Note 2

Cash flows from operating activities include:

In RON thousand	Group 2005	Group 2004	Bank 2005	Bank 2004
Interest received	2,577,657	2,534,773	2,427,671	2,404,078
Interest paid	1,124,486	1,105,575	1,068,438	1,092,218

Analysis of cash and cash equivalents in the cash flow statement

In RON thousand	Group 31 December 2005	Group 31 December 2004	Bank 31 December 2005	Bank 31 December 2004
Cash and current accounts with banks	790,934	429,375	766,631	412,358
Current accounts and deposits with central banks	7,728,085	7,065,686	7,629,982	7,044,533
Placements with banks, less than 3 months	2,058,152	821,323	2,092,953	658,010
Debt securities less than 3 months at fair value through profit and loss	-	1,201,672	-	1,195,227
Available-for-sale securities	3,167,200	-	3,109,361	-
Cash and cash equivalents in the cash flows statement	**13,744,371**	**9,518,056**	**13,598,927**	**9,310,128**

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1. Introduction

Banca Comerciala Romana S.A. (the "Bank") is a bank domiciled in Romania. The consolidated financial statements of the Bank for the year ended 31 December 2005 comprise the Bank and its subsidiaries (together referred to as the "Group").

A summary of the subsidiaries consolidated in the financial statements of the Group is presented in Note 20.

These financial statements comprise both the consolidated financial statements of the Group (as presented in the columns "Group") and the separate financial statements of the Bank (as presented in the columns "Bank") for the year ended 31 December 2005.

2. Significant accounting policies

The significant accounting policies of the Group and of the Bank are defined hereinafter as the significant accounting policies of the Group, unless otherwise stated.

a) Statement of compliance

The financial statements of the Group and of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB"). The calculation of financial instruments' amortised cost is performed using the linear method as presented in Note 2m, which represents management's best estimate for the value of the corresponding amortisation. In estimating impairment losses for loans and receivables the Bank has applied the internal methodology described in Note 2l to assess impairment for loans and advances to customers.

b) Basis of preparation

These financial statements are prepared and presented in Romanian Lei ("RON"), rounded to the nearest thousand, which is the functional and presentation currency.

The financial statements of the Group are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held at fair value through profit and loss and available-for-sale instruments, except those for which a reliable measure of fair value is not available.

Other financial assets and liabilities and non-financial assets and liabilities are stated at amortized cost, revalued amount or historical cost. Non-current assets held for sale are stated at the lower of carrying amount and fair value less cost to sell.

2. Significant accounting policies *(continued)*

b) Basis of preparation *(continued)*

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 4.

These financial statements have been prepared on the basis of IFRS in issue that are effective for the Group's IFRS annual reporting date, 31 December 2005. The accounting policies adopted and applied by the Group are consistent with those described in the financial statements prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2004 except for the changes arising from the application of the new and revised IFRS as presented hereinafter.

In respect of comparative information, certain items from the financial statements as at 31 December 2004 have been reclassified to conform to current presentation.

Differences between IFRS and statutory accounts

The form of presentation of the financial statements reflects the reporting format applicable under IAS 30 ("Disclosures in the Financial Statements of Banks and Similar Financial Institutions").

The accounts of the Bank are maintained in RON in accordance with Romanian accounting law and National Bank of Romania banking regulations. Foreign incorporated subsidiaries maintain their accounting records in accordance with the applicable banking laws in their respective countries of incorporation. Romanian incorporated subsidiaries maintain their accounting records in accordance with Romanian accounting law. All these accounts of the Bank and subsidiaries are defined hereafter as the statutory accounts.

These accounts have been restated to reflect the differences between the statutory accounts and IFRS. Accordingly, such adjustments have been made to the statutory accounts as have been considered necessary to bring the financial statements into line, in all material respects, with IFRS.

2. Significant accounting policies *(continued)*

b) Basis of preparation *(continued)*

Differences between IFRS and statutory accounts (continued)

The major changes from the statutory financial statements prepared under domestic law are:

- grouping of numerous detailed items into broader captions;
- restatement adjustments required in accordance with IAS 29 ("Financial Reporting in Hyperinflationary Economies") related to the Romanian economy being hyperinflationary until 31 December 2003 (refer to Note 2f);
- fair value and impairment adjustments on financial instruments required in accordance with IAS 39 ("Financial Instruments – Recognition and Measurement");
- adjustments to the income statement to account for certain revenues and expenses on an accruals basis;
- the necessary IFRS disclosure requirements.

c) Standards, interpretations and amendments to published International Financial Reporting Standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Bank's accounting periods beginning on or after 1 January 2006 or later periods but which the Bank has not early adopted. Management considered the following new standards, amendments and interpretations to existing standards:

- Amendment to IAS 19 ("Employee Benefits – Actuarial gains and Losses, Group Plans and Disclosures") effective from 1 January 2006. The amendment includes an option for actuarial gains and losses to be recognised in full as they arise, outside of the income statement in a statement of recognised income and expense. The Group does not have any employee benefit plans that will be affected by the amendment.

- Amendment to IAS 39 ("Financial Instruments: Recognition and Measurement – The Fair Value Option") effective from 1 January 2006. The amendment restricts the designation of financial instruments "at fair value through profit or loss". The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss.

2. Significant accounting policies *(continued)*

c) Standards, interpretations and amendments to published International Financial Reporting Standards that are not yet effective *(continued)*

- Amendment to IAS 39 ("Financial Instruments: Recognition and Measurement") and IFRS 4 ("Insurance Contracts – Financial Guarantee Contracts") effective from 1 January 2006. The amendment requires guarantees that are not insurance contracts to be measured at fair value upon initial recognition. The Group has not issued any guarantees that will be affected by the amendment.

- IFRS 7 ("Financial Instruments: Disclosures") effective from 1 January 2007. This standard will require increased disclosures in respect of the Group's financial instruments. It supersedes IAS 30 ("Disclosures in the Financial Statements of Banks and Similar Financial Institutions") and is applicable to all entities that prepare financial statements in accordance with IFRS. The Group considers that the significant additional disclosures required will relate to its financial risk management objectives, policies and processes. The impact of the changes brought by IFRS 7 has not been and cannot be estimated at this time.

- Amendment to IAS 1 ("Presentation of Financial Statements – Capital Disclosures") effective from 1 January 2007. As a complementary amendment arising from IFRS 7 (see above), the Standard will require increased disclosure in respect to the Group's capital. This amendment will require significantly more disclosures regarding the capital structure of the Bank and Group. The impact of the changes brought by the amendment to IAS 1 has not been and cannot be estimated at this time.

- Amendment to IAS 21 ("The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation") effective from 1 January 2006. The amendment clarifies in which circumstances a loan may form part of a reporting entity's net investment in a foreign operation, and the currency in which such an item may be denominated. The Group currently has no items comprising net investments in foreign operations that will be affected by the amendment. The impact of the changes brought by the amendment to IAS 21 has not been and cannot be estimated at this time.

- IFRS 6 ("Exploration for and Evaluation of Mineral Resources") effective from 1 January 2006. The Standard includes a requirement to distinguish between tangible and intangible assets that are used in the exploration for and evaluation of mineral resources, and specifies the level at which impairment testing should be carried out. The Group does not have any operations that would be affected by the new Standard.

- Amendment to IFRS 1 ("First-time Adoption of International Financial Reporting Standards") and IFRS 6 ("Exploration for and Evaluation of Mineral Resources") effective from 1 January 2006. The amendment clarifies that a first-time adopter of IFRS for a period beginning before 1 January 2006 that applies IFRS 6 voluntarily need not apply the disclosure, recognition and measurement requirements of IFRS 6 to the comparative information included in its first IFRS financial statements. Alternatively, IFRS 6 may be applied in the comparative period. These amendments are not relevant to the Group's operations as the Group is not a first-time adopter of IFRS and does not have any operations that would be affected by the amendment.

2. Significant accounting policies *(continued)*

c) Standards, interpretations and amendments to published International Financial Reporting Standards that are not yet effective *(continued)*

- IFRIC 4 ("Determining whether an Arrangement contains a Lease") effective from 1 January 2006. The Interpretation requires certain arrangements to be accounted for as a lease even if they are not in the legal form of a lease. The Group has not yet completed its analysis of the impact of the new Interpretation.

- IFRIC 5 ("Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds") effective from 1 January 2006. The Interpretation deals with funds created for the purpose of settling decommissioning and similar expenses. IFRIC 5 is not relevant to the Group's operations.

- IFRIC 6 ("Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment") effective from 1 December 2005. The Interpretation deals with obligations arising from the European Union Directive regulating the collection, treatment, recovery and environmentally sound disposal of waste equipment. IFRIC 6 is not relevant to the Group's operations.

- IFRIC 7 "(Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies") effective from 1 March 2006. The Interpretation contains guidance on how an entity would restate its financial statements pursuant to IAS 29 in the first year it identifies the existence of hyperinflation in the economy of its functional currency. IFRIC 7 is not relevant to the Group's operations.

- IFRIC 8 ("Scope of IFRS 2") effective from 1 May 2006. The Interpretation clarifies that the accounting standard IFRS 2 ("Share-based Payments") applies to arrangements where an entity makes share-based payments for apparently nil or inadequate consideration. IFRIC 8 is not relevant to the Group's operations.

d) Basis of consolidation

i) Subsidiaries

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

2. Significant accounting policies *(continued)*

d) Basis of consolidation *(continued)*

The adoption of the revised IAS 27 (“Consolidated and separate financial statements”) (revised 2004) has resulted in the Bank changing its method of accounting for the investments in the consolidated subsidiaries that are not classified as available for sale in the separate financial statements of the Bank from the equity method to restated cost. This change was applied retrospectively in the financial statements and included in the determination of the opening balances of each component of equity affected for the earliest period presented (refer to Statement of changes in equity). All the other comparative amounts disclosed in the income statement and in the balance sheet for each prior period presented were adjusted as if the restated cost had always been applied when accounting for the investments in the consolidated subsidiaries.

In determining the restated cost as the basis of accounting in its separate financial statements, the Bank has restated the investments in the consolidated subsidiaries using a general price index from the date of acquisition until 31 December 2003, when Romania ceased to be a hyperinflationary economy.

ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group’s share of the total recognized gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group’s share of losses exceeds its interest in an associate, the Group’s carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Investments in which the Bank holds between 20% and 50% of the voting power but over whose financial and operating policies the Bank does not have significant influence are classified as available-for-sale financial instruments.

iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, have been eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group’s interest in the enterprise. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2. Significant accounting policies *(continued)*

e) Foreign currency transactions

i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in RON, which is the Bank's functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investments hedges. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as financial instruments classified as available-for-sale financial assets, are included in the fair value reserve in equity.

iii) Foreign operations

The results and financial position of the foreign operations, i.e. all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities, both monetary and non-monetary, of the foreign operations have been translated at the closing rate;
- income and expense items of the foreign operations have been translated at the average exchange rate of the period, as an estimate for the exchange rates from the dates of the transactions; and
- all resulting exchange differences have been classified as equity until the disposal of the investment.

The exchange rates of major foreign currencies were:

Currency	**31 December 2005**	**31 December 2004**	**% Increase/(decrease)**
Euro (EUR)	1: RON 3.6771	1: RON 3.9663	(7.3%)
US Dollar (USD)	1: RON 3.1078	1: RON 2.9067	6.9%

2. Significant accounting policies *(continued)*

f) Accounting for the effect of hyperinflation

According to IAS 29 and IAS 21, the financial statements of an enterprise whose functional currency is the currency of a hyperinflationary economy should be stated in terms of measuring unit current at the balance sheet date i.e. non monetary items are restated using a general price index from the date of acquisition or contribution.

IAS 29 suggests that economies should be regarded as hyperinflationary if, among other factors, the cumulative inflation rate over a period of three years exceeds 100%.

The continuously decreasing inflation rates and other factors related to the characteristics of the economic environment in Romania indicate that the economy whose functional currency was adopted by the Group ceased to be hyperinflationary, effective for financial periods starting at 1 January 2004. Therefore, the provisions of IAS 29 have no longer been adopted in preparing these financial statements

Accordingly, the amounts expressed in measuring unit current at 31 December 2003 are treated as the basis for the carrying amounts in these consolidated financial statements and do not represent appraised value, replacement cost, or any other measure of the current value of assets or the prices at which transactions would take place currently.

g) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value. After their initial recognition, derivatives are subsequently measured at their fair values without any deduction for transactions costs to be incurred on sale or disposal.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

Certain derivative embedded in other financial instruments shall be separated from the host contract and accounted for as a derivative if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract and the host contract is not carried at fair value through profit or loss. Embedded derivatives are measured at fair value with changes recognised through the profit and loss account.

2. Significant accounting policies *(continued)*

h) Financial assets and financial liabilities

i) Classification

The Group classifies its financial instruments in the following categories:

Financial assets or financial liabilities at fair value through profit or loss. This category has two sub-categories: financial assets or financial liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial instrument is classified in this category if acquired principally for the purpose of short term profit-taking or if so designated by management. These include investment securities and derivative contracts that are not used in hedging relationships. All trading derivatives in a net receivable position (positive fair value) are reported as trading assets, and those in a net payable position (negative fair value, i.e. in a loss position) are reported as trading liabilities.

In accordance with the revised IAS 39 "Financial Instruments: Recognition and Measurement" (revised 2004), the Group has designated all its investment debt securities, previously recognised as available-for-sale at 31 December 2004, as financial assets at fair value through profit and loss, except for those securities designated as held to maturity in the separate financial statements of the Bank, which were reclassified as available-for-sale in the consolidated financial statements of the Group. This change was applied retrospectively in the consolidated financial statements of the Group and all the comparative amounts disclosed in the income statement and in the balance sheet for each prior period presented were restated using the new designation.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell immediately or in the near term, those that the Group, upon initial recognition, designates as at fair value through profit and loss, those that the Group, upon initial recognition, designates as available for sale or those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. Loans and receivables comprise loans and advances to banks and customers.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. These include certain investment securities. Were the Group to sell other than an insignificant amount of held-to-maturity assets during the current financial year or during the two preceding financial years, the entire category would be tainted and reclassified as available for sale.

Available-for-sale financial assets are those financial assets that are designated as available for sale or are not classified as loans and advances, held-to-maturity investments or financial assets at fair value through profit or loss. Investment securities acquired during the year ended 31 December 2005 were classified as available-for-sale financial assets.

2. Significant accounting policies *(continued)*

h) Financial assets and financial liabilities *(continued)*

ii) Recognition

Regular way purchases and sales of financial assets at fair value through profit or loss and available for sale instruments are recognised on the date on which the Group commits to purchase or sell the asset. Loans and receivables are recognised when cash is advanced to the borrowers or services are delivered to customers. Held-to-maturity investments are recognised on the date they are transferred to the Group.

iii) Measurement

Financial assets and financial liabilities are initially recognised at fair value plus, in case of financial assets and financial liabilities not carried at fair value through profit or loss, directly attributable transaction costs.

Subsequent to initial recognition all financial assets, including derivatives, are measured at fair value, without any deduction for transaction costs it may incur on sale or other disposal, except for the following financial assets:

- loans and receivables, which are measured at amortized cost using the linear method. The linear amortisation method used to determine the amortised cost represents the management's best estimate for the value of the corresponding amortisation.

- held-to-maturity investments, which are measured at amortized cost using the effective interest method.

- equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which shall be measured at cost.

Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives, are measured at fair value.

iv) Fair value measurement principles

The fair value of financial assets quoted on active markets is based on their current bid prices. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date. Where a fair value cannot be reliably estimated, unquoted equity instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

2. Significant accounting policies *(continued)*

h) Financial assets and financial liabilities *(continued)*

v) Gains and losses on subsequent measurement

Gains and losses arising from changes in the fair value of the ‘financial assets or financial liabilities at fair value through profit or loss’ category that is not part of a hedging relationship are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity’s right to receive payment is established.

vi) Specific instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand and nostro accounts with banks.

For the purposes of the statement of cash flows, cash and cash equivalents comprise: cash balances on hand, cash deposited with central banks, nostro accounts with banks, placements with central banks and with other banks and treasury bills issued by the Government of Romania and certificates of deposits issued by central banks with less than 90 days original maturity.

Due from central banks

Cash and balances with central banks comprise cash balances and placements with central banks.

Investment securities

Debt securities, such as bonds issued by the Government of Romania that the Group has the intent and ability to hold to maturity are classified as held-to-maturity assets. Consequently, held-to-maturity debt securities are stated at their amortised cost.

Other debt securities such as treasury bills issued by the Government of Romania, certificates of deposits issued by central banks and bonds issued by public and private sector issuers are classified as either financial assets at fair value through profit and loss or available-for-sale assets. Foreign debt securities that are classified as either financial assets at fair value through profit and loss or available-for-sale are carried at fair value, determined based on their bid market prices.

Debt securities issued by the Government of Romania on the domestic market do not have an active market to support the assessment of their fair value. Consequently, the fair value of these securities was estimated using discounted cash flow techniques applying the prevailing reference rate commonly used by market participants in Romania.

2. Significant accounting policies *(continued)*

h) Financial assets and financial liabilities *(continued)*

Other equity investments are classified as available-for-sale assets and are carried at the fair value. Where no reliable estimate of fair value is available, equity investments are stated at restated cost less impairment.

Loans and advances to banks and customers

Loans and advances to banks and customers are classified as loans and receivables. Loans and receivables are stated in the balance sheet at their amortised cost using linear method (refer to accounting policy 2m) less provision for impairment losses to reflect the estimated recoverable amount (refer to accounting policy 2l).

Finance lease receivables

Leases where the Group transfers substantially all the risks and rewards incident to ownership of an asset to the lessee, are classified as finance leases. A receivable at an amount equal to the present value of the lease payments, including any residual value, is recognized.

The difference between the gross financial lease receivable and the present value of the receivable is recorded as unearned finance income and recognized over the term of the lease using the effective interest rate method. Finance lease receivables are included in loans and advances to customers.

Prior to the adoption of the revised IAS 17 (revised 2004), the Group recognized leases at the inception date, which was the earlier of the date of the lease agreement or of the commitment by the parties to the principal provisions of the lease. The revised IAS 17 distinguishes between the inception of the lease, when leases are classified, and the commencement of the lease term, when recognition takes place. The change in the accounting policy has been applied retrospectively.

Under the revised accounting policy the Group did not recognize as at 31 December 2005 under finance lease receivables the value of the contracts signed with clients for which the assets were not delivered from the lease suppliers. This adjustment has been applied retrospectively to decrease the carrying value of finance lease receivables and an equivalent adjustment to the carrying amount of other liabilities. The adjustment had no impact on the Group's income statement for the year ended 31 December 2005.

i) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

2. Significant accounting policies *(continued)*

j) Repurchase transactions

Debt securities such as treasury bills issued by the Government of Romania, which are sold under repurchase arrangements are not derecognized in the balance sheet and are measured in accordance with the accounting policy for financial assets at fair value through profit and loss and available-for-sale financial assets. The proceeds from the sale of the debt securities under repurchase arrangements are reported as deposits from either banks or customers.

Investments purchased under agreements to resell substantially identical investments at a certain date in the future at a fixed price ("reverse repurchase agreements") are not recognized. The amounts paid are recognised in loans to either banks or to customers. The difference between the sale and repurchase considerations is treated as interest and accrued over the period of the transaction. Based on management's assessment, this method of accrual generates a financial effect that is not significantly different from that provided by the application of the effective interest method.

k) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle them on a net basis, or realize the asset and settle the liability simultaneously.

l) Impairment and uncollectibility

Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. It may not be possible to identify a single, discrete event that caused the impairment. Rather the combined effect of several events may have caused the impairment. Losses expected as a result of future events, no matter how likely, are not recognised.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan, receivable or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the variable interest rate at current rate. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

2. Significant accounting policies *(continued)*

l) Impairment and uncollectibility *(continued)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease is related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed either directly or by adjusting an allowance account. The amount of the reversal is recognized in profit or loss.

Loans and advances to customers

The Bank, based on its internal impairment assessment methodology, has included observable data on the following loss events that comes to its attention as objective evidence that loans to customers or groups of loans to customers are impaired:

(a) significant financial difficulty of the borrower determined in accordance with the Bank's internal rating system;

(b) a breach of contract, such as a default or delinquency in interest or principal payments of the borrowers (individually and in the same group of borrowers);

(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider such as the rescheduling of the interest or principal payments;

(d) is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) observable data indicating that there are economic or social conditions that can influence adversely the industry in which the borrower operates and that affect these borrowers.

The Bank first assesses whether objective evidence of impairment exists as described above, individually for loans to customers that are individually significant, and individually or collectively for loans that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the loans to customers in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans to customers that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. The calculation of the present value of the estimated future cash flows of a collateralized loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, loans to customers are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms (for example, on the basis of the Bank's credit risk evaluation that considers industry for corporate customers and geographical location, past-due status and other relevant factors for retail customers).

2. Significant accounting policies *(continued)*

l) Impairment and uncollectibility *(continued)*

Loans and advances to customers (continued)

Management considers that these characteristics chosen are the best estimate of similar credit risk characteristics relevant to the estimation of future cash flows for groups of such loans by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of loans to customers that are collectively evaluated for impairment are estimated on the basis of historical loss experience for loans with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

In the prior years, the Bank did not assess the expected future cash flows discounted at the original effective interest rate for the significant individually loans and for groups of loans as the current economic and reporting environment in which the borrowers operate made it impracticable for the Bank to obtain reliable information about the expected future cash flows related to the loans. Consequently, the Bank followed the methodology recommended by the World Bank, which required impairment for loans to be assessed on the basis of debt service history, borrowers' financial performance and the prudent valuation of collateral as the best practical estimate of provisions for impairment of loans. The Bank has developed a new methodology for assessing impairment on the loans and advances to customers and applied it as at 31 December 2005. The practical use of the methodology was limited by the lack of information regarding the original effective interest rate and about the timing and amounts of the expected future cash flows from the borrowers. In applying this new methodology, the Bank had considered for the loans that are individually significant and for the non-individually significant loans with impairment indicators only the net cash flows that may result from obtaining and selling the collateral. The effect of the application of this new impairment methodology was not determined retrospectively as it was impracticable to do so.

The Bank reviews on a regular basis the methodology and assumptions used for estimating future cash flows in order to reduce any differences between loss estimates and actual loss experience (for example, the historical loss experience used as basis for the collective assessment of impairment of loans may be adjusted to reflect such differences between loss estimates and actual loss experience).

Because of the inherent limitations mentioned above, that estimate may differ from the value that would have been obtained had information regarding original effective interest rate been available and had the Bank obtained sufficient historical experience on obtaining reliable information on the timing and amounts of the expected future cash flows. Based on the current methodology, the likely effect of the variation by +/- 10 percent of the net present value of estimated future cash flows for both individual and collective loan impairment assessment is presented in Note 4.

2. Significant accounting policies *(continued)*

l) Impairment and uncollectibility *(continued)*

Available for sale financial assets

For financial assets classified as available-for-sale, when a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity shall be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from equity and recognised in profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Assets other than financial assets

The carrying amount of the Group's assets, other than deferred tax assets (see accounting policy 2v), is reviewed at each balance sheet date to determine whether there is any objective indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement.

The Group reviews the carrying amount of land and buildings at each balance sheet date. For the items of land and buildings where there is any objective evidence of impairment, the Bank considered the greater of the net selling price and value in use as the recoverable amount of such land and buildings.

An impairment loss in respect of goodwill shall not be reversed in a subsequent period. In respect of assets other than goodwill, impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2. Significant accounting policies *(continued)*

m) Interest income and expenses

Interest income and expenses for financial instruments is recognised in the income statement at amortised cost using the linear method for loans to customers and using the effective interest rate method for the other financial instruments.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

The linear method is a method of calculating the amortised cost of loans to customers whereby up-front fees received between parties to the contract that should be integral part of the effective interest rate, are amortised linearly and recognized as interest income over the relevant period. The linear amortisation method used to determine the amortised cost for loans to customers represents the management's best estimate for the value of the corresponding amortisation.

The Group is currently in the process of amending the existing applications that will enable it to comply with the relevant and material requirements to calculate the amortised cost for loans to customers using the effective interest method in 2006.

n) Fee and commission income and expense

Fee and commission directly attributable to the financial asset or liability origination (both income and expense) is recognised in the income statement as an adjustment to the effective interest rate calculation, other than those fees and commissions generated from the origination of the loans and advances to customers, which are deferred and recognized as interest income over the life of the loan using the linear amortization method.

Other fee and commission income arising on the financial services provided by the Group including cash management services, brokerage services, investment advice, financial planning, investment banking services, project and structured finance transactions, asset management services, is recognized in the income statement on the accrual basis i.e. when the corresponding service is provided.

2. Significant accounting policies *(continued)*

o) Property and equipment

Items of property and equipment are stated at their restated cost or revalued amount less accumulated depreciation value and impairment losses (refer to accounting policy 2l). Capital expenditure on property and equipment in the course of construction is capitalised and depreciated once the assets enter into use.

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

The Group recognises in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation is provided on a straight-line basis over the estimated useful lives of items of property and equipment, and major components that are accounted for separately. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	30 – 50 years (mainly 50 years)
Office equipment	3 – 10 years
Other equipment	3 – 15 years

During 2005 the Bank revised the determination of depreciation for office and other equipment for which the Bank's previous accounting policy was to provide depreciation not on an individual basis but for all categories of office and other equipment alltogether. Consequently, the net book value of office and other equipment was adjusted to reflect the revised gross book value and related depreciation for each item of office and other equipment at 31 December 2004. The effect of this change in accounting policy was applied retrospectively in the financial statements and included in the determination of the opening balances of each component of equity as of 1 January 2005 (refer to Statement of changes in equity). Comparative income statement information on depreciation for office and other equipment has not been restated, as it was impracticable to do so.

p) Intangible assets

i) Goodwill and negative goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less impairment losses (refer accounting policy 2l).

2. Significant accounting policies *(continued)*

p) Intangible assets *(continued)*

Negative goodwill is recognised immediately in the income statement, after reassessment of the identification and measurement of the identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the acquisition.

ii) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization and impairment losses. Other intangible assets comprise software and licenses. Costs associated with developing or maintaining software programs are recognised as an expense when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives of capitalised software and licenses are between 3 and 5 years.

During 2005 the Bank revised the determination of amortisation for intangible assets for which the Bank's previous accounting policy was to provide amortisation not on an individual basis but for the entire category of intangible assets. Consequently, the net book value of intangible assets was adjusted to reflect the revised gross book value and related amortisation for each item of intangible assets at 31 December 2004. The effect of this change in accounting policy was applied retrospectively in the financial statements and included in the determination of the opening balances of each component of equity as of 1 January 2005 (refer to Statement of changes in equity). Comparative income statement information on amortisation for intangible assets has not been restated, as it was impracticable to do so.

q) Other items

Borrowings and other liabilities evidenced by paper

Borrowings such as loans from banks and other financial institutions and other liabilities evidenced by paper such as bonds issued are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs occurred. Borrowings and other liabilities evidenced by paper are subsequently stated at amortised cost using the effective interest rate method.

Liabilities

Liabilities, other than financial liabilities held for trading, are stated at cost.

2. Significant accounting policies *(continued)*

r) Employee benefits

Short term service benefits

Short-term employee benefits include wages, salaries, bonuses and social security contributions. Short-term employee benefits are recognised as expense when services are rendered. The Bank includes in short-term benefits the accruals for the employees' current year profit sharing payable within twelve months after the end of the year.

Defined contribution plans

The Bank and the subsidiaries in Romania, in the normal course of business makes payments to the Romanian State funds on behalf of its Romanian employees for pension, health care and unemployment benefit. All employees of the Bank and the subsidiaries in Romania are members and are also legally obliged to make defined contributions (included in the social security contributions) to the Romanian State pension plan (a State defined contribution plan). All relevant contributions to the Romanian State pension plan are recognised as an expense in the income statement as incurred. The Bank and the subsidiaries in Romania do not have any further obligations.

The Bank and the subsidiaries in Romania do not operate any independent pension scheme and, consequently, have no obligation in respect of pensions. The Bank and the subsidiaries in Romania do not operate any other post retirement benefit plan. The Bank and the subsidiaries in Romania have no obligation to provide further services to current or former employees.

Certain foreign incorporated subsidiaries operate defined benefits plans for the non-Romanian employees. The defined benefit liabilities have been calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The calculation is performed by a qualified actuary using the projected unit credit method. The defined benefit obligation has been recognized in the consolidated financial statements of the Group.

Long-term service benefits

The Bank's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. On the basis of the Bank's Collective Labour Agreement, the Bank has a contractual obligation to pay to retiring employees a benefit calculated taking into account the salary at the date of retirement and the number of years served by the individual. The Collective Labour Agreement is concluded for a period of 1 year. Subsequent to the privatisation of the Bank (refer to Note 38), the new shareholders of the Bank agreed to comply with the terms of the current Collective Labour Agreement in place at 31 December 2005 concluded for the period of 1 year. In addition, during March 2006, the Bank's Supervisory Board decided to extend the current Collective Labour Agreement for a period of only 6 months. Therefore, the Bank did not record or disclose the long-term employee liability related to the retirement benefits but for the employees that are expected to retire within the remaining validity of the Collective Labour Agreement.

2. Significant accounting policies *(continued)*

s) Share capital

Dividends

Dividends on issued shares are recognized as a liability in the period in which they are declared.

t) Dividend income

Dividend income is recognized in the income statement on the date that the dividend is declared. Income from equity investments and other non-fixed income investments is recognised as dividend income when it accrues.

u) Provisions

Provisions are recognized in the balance sheet when the Group has a present legal or constructive obligation to transfer economic benefits as a result of past events and a reliable estimate of the amount of the obligation can be made.

v) Income tax

Income tax for the period comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of prior periods.

Deferred tax is provided for using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided for is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

The tax rate used to calculate the deferred tax position for the Bank and its Romanian subsidiaries at 31 December 2005 is 16% (31 December 2004: 16%). For the year ended 31 December 2005 the current profit tax rate was 16% (31 December 2004: 25%).

2. Significant accounting policies *(continued)*

w) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Risk management policies

The main financial and operational risks associated with the Group's activities arise as a result of the Group's operations in the local and foreign financial sectors. The most important types of financial risk to which the Group is exposed are credit risk, liquidity risk and market risk. Market risk includes currency risk and interest rate risk.

a) Derivative financial instruments

The Group enters into certain types of derivative financial instruments for risk management purposes. This note describes the derivatives used by the Group.

Derivative financial instruments used by the Group include foreign exchange swaps and foreign exchange forwards contracts. The Group does not use hedge accounting for its foreign exchange swaps and foreign exchange forwards contracts.

Swaps are agreements between the Group and other parties to exchange future cash flows based upon agreed notional amounts.

Foreign exchange forward contracts are commitments to either purchase or sell a designated currency at a specified future date for a specified price and may be settled in cash or another financial asset. Forward contracts result in credit exposure to the counterparty and in exposure to market risk based on changes in market prices relative to contracted amounts.

At 31 December 2005 the Group had a number of foreign currency forward agreements outstanding used to balance the Bank's foreign currency position. The fair value of these derivative instruments is based on pricing models with inputs from the market related measures at the balance sheet date. The net impact of the fair value of these derivative instruments on the Group's income statement is not material.

b) Credit risk

The Group is exposed to credit risk through its trading, lending and investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties or it issues guarantees.

3. Risk management policies *(continued)*

b) Credit risk *(continued)*

Credit risk associated with trading and investing activities is managed through the risk management procedures. The risk is mitigated through selecting counterparties of good credit standings and monitoring their activities and ratings and through the use of exposure limits and when appropriate, obtaining collateral.

The Group's primary exposure to credit risk arises through its lending activity. The amount of credit risk exposure in this regard is represented by the carrying amounts of the Group's loans and advances on the balance sheet. The Group is exposed to credit risk on various other financial assets, including derivative instruments and debt investments, the current credit exposure in respect of these instruments is equal to the carrying amount of these assets in the balance sheet. In addition, the Group is exposed to off balance sheet credit risk through commitments to extend credit and guarantees issued (see note 32).

In order to minimise this risk, procedures are in place to screen the customers before granting the loans and to monitor their ability to repay the principal and interest during the duration of the loans and establishment of exposure limits by borrowers, groups of borrowers and to industry segments.

Concentrations of credit risk that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The major concentrations of credit risk arise by individual counterparty and by type of customer in relation to the Group's loans and advances to customers (see note 18).

Maximum credit risk exposure that would be recognised at the balance sheet date if counterparties failed to perform as contracted and without considering any collateral or security, is estimated to be RON 16,329,962 thousand (Bank: RON 15,536,054 thousand). Therefore the maximum credit risk exposure significantly exceeds the provisions for impairment losses.

c) Interest rate risk

The Group incurs interest rate risk principally in the form of exposure to adverse changes in the market interest rates to the extent that interest-earning assets and interest-earning liabilities mature or reprice at different times or in differing amounts.

Asset-liability risk management activities are conducted in the context of the Group's sensitivity to interest rate changes. In general, the Group is slightly liability sensitive because its interest-earning assets have a longer duration and reprice less frequently than interest-bearing liabilities. This means that in declining interest rate environments, margins earned will change as liabilities reprice. However the actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within repricing periods and among currencies.

3. Risk management policies *(continued)*

c) Interest rate risk (continued)

The Group attempts to maintain a net positive position for interest-bearing financial instruments. To achieve this, the Group uses a mix of fixed and floating rate interest instruments on which it attempts to control the mismatching of the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature.

The interest rates related to the local currency and the major foreign currencies as at 31 December 2005 and 31 December 2004 were as follows:

Currencies	**Interest rate**	**31 December 2005**	**31 December 2004**
Leu (RON)	BUBOR 3 months	7.6%	17.6%
Euro (EUR)	Euribor 3 months	2.5%	2.2%
Euro (EUR)	Euribor 6 months	2.6%	2.2%
Euro (EUR)	Libor 6 months	2.6%	2.2%
US Dollar (USD)	Libor 6 months	4.7%	2.8%

The interest rates obtained or offered by the Group for its interest-bearing assets and liabilities are presented in note 37.

d) Currency risk

The Group is exposed to currency risk through transactions in foreign currencies against RON and through its investment in foreign operations. There is also a balance sheet risk that the monetary liabilities in foreign currencies will take a higher value or the net monetary assets in foreign currencies will take a lower value when translated into RON as a result of currency movements.

The principal foreign currencies held by the Group are EUR and USD. The Group manages its exposure to movements in exchanges rates by modifying its assets and liabilities mix.

Open foreign exchange positions represent a source of foreign exchange risk. In order to avoid losses arising from adverse movements in exchange rates, the Group is currently pursuing the policy of maintaining an overall long foreign exchange position. In order to minimise the currency risk the Group introduced 'stop loss' limits for trading activities.

The assets and liabilities held in RON and in foreign currencies at the balance sheet date are presented in note 35.

3. Risk management policies *(continued)*

e) Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of the asset positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a price close to its fair value and in an appropriate time frame.

The Group has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, borrowings, bonds issued and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Group strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Group continually assesses liquidity risk by identifying and monitoring changes in funding, and diversifying the funding base.

The maturity analysis of the assets and liabilities of the Group is presented in note 36.

f) Taxation risk

The Romanian Government has a number of agencies that are authorised to conduct audits (controls) of Romanian companies as well as of foreign companies doing business in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. In addition, the agencies conducting these controls appear to be subject to significantly less safeguard than is customary in many countries. It is likely that the the Bank and Romanian incorporated subsidiaries will continue to be subject to controls from time to time as new laws and regulations are issued.

g) Operating environment

The economy of Romania continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country, a low level of liquidity in the public and private debt and fluctuations in the foreign currency exchange rates.

In accordance with the Law no. 348/2004 adopted by the Parliament of Romania in July 2004, from 1 July 2005 the Romanian currency was re-denominated at a conversion rate of 10,000 old Romanian Leu (ROL) to 1 new Romanian Leu (RON).

4. Critical accounting estimates and judgments

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on loans and advances to customers

In accordance with the internal impairment assessment methodology (refer to Note 2l), the Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is objective evidence of impairment that has an impact on the estimated future cash flows from an individual loan or from portfolio of loans. Management uses estimates based on historical loss experience for loans with similar credit risk characteristics; in the same time the calculation of the present value of future cash flows requires judgement by the management. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. To the extent that the net present value of estimated cash flows for both individual and collective assessment differs by +/-10 percent, the provision for impairment losses on loans would be estimated RON 43,334 thousand higher or RON 51,728 thousand lower.

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market (for example, unlisted treasury securities, bonds and certificates of deposit) is determined by using valuation techniques. The management uses its judgement to select the valuation method and make assumptions that are mainly based on market conditions existing at each balance sheet date. The Bank has used discounted cash flow analysis for the financial assets at fair value through profit and loss and for available-for-sale financial instruments that were not traded in active markets.

The carrying amount of financial assets at fair value through profit and loss and available-for-sale investment securities would be an estimated RON 12,191 thousand lower or RON 12,675 thousand higher were the discount rate used in the discounted cash flow analysis to differ by +/- 10% from management's estimate.

4. Critical accounting estimates and judgments *(continued)*

Held-to-maturity investments

The Group has not classified any investments as held-to-maturity assets as one of the Bank's subsidiaries has, during the precedent financial year, sold more than an insignificant amount of its held-to-maturity securities before maturity. Accordingly, all the investment securities that were held-to-maturity were reclassified as financial assets available for sale in the consolidated financial statements of the Group.

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity.

If the Bank fails to keep these investments to maturity other than for the specific circumstances mentioned in IAS 39, it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost. However, as the investments held-to-maturity by the Bank cannot be traded on any market, the management of the Bank has considered the best estimation of the fair value to be their amortized cost.

5. Segment reporting

The business segment reporting format is the Group’s primary basis of segment reporting. Transactions between business segments are conducted at arm’s length.

The Group is currently in the process of amending the existing applications and adjusting existing internal financial reporting to support identification of the lower level reportable business segments and related segment information within its business segments. The implementation of such internal applications during 2006 will enable the reporting of segment revenues and results. Therefore, as at 31 December 2005, in respect of segment revenues and results, the Group had only available segment information related to interest income and commission income and had presented other elements of income and expenses as unallocated items.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise property and equipment, intangible assets, other assets and other liabilities and taxation.

The Group’s segment reporting as at 31 December 2005 comprises the following main business segments:

- Corporate banking. Within corporate banking the Group provides corporations (including small-medium enterprises and public institutions) with a range of financial products and services, including lending and deposit taking, providing cash management, foreign commercial business, leasing, investment advices, financial planning, securities business, project and structured finance transactions, syndicated loans and asset backed transactions.

- Retail banking. The Group provides individuals with a range of financial products and services, including lending (consumer loans, vehicles purchase, personal needs, and mortgages), savings and deposit taking business, payment services and securities business.

- Other. Within other the Group incorporates financial products and services provided to or by financial institutions including money market and treasury operations, syndicated loans and structured financing transactions, foreign currency and derivative transactions, financial instruments trading and investment, issuance of bonds. Within other the Group also incorporates financial products and services provided by the leasing, insurance, brokerage, asset management, real estate services and financial consultancy services operations of the Group.

Notes to the financial statements
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5. Segment reporting *(continued)*

Group - Business segments
As at 31 December 2005

In RON thousand	**Corporate banking**		**Retail banking**		**Other**		**Eliminations**		**Group**	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Interest income	1,155,207	1,678,070	752,904	805,688	628,108	84,452	(23,062)	(5,727)	2,513,157	2,568,210
Commission income	378,446	398,495	311,020	194,022	4,296	66,631	(10,828)	(2,235)	682,934	659,149
Other income	-	-	-	-	541,610	225,404	(153,023)	(104,124)	388,587	225,404
Total income	**1,533,653**	**2,076,565**	**1,063,924**	**999,710**	**1,174,014**	**376,487**	**(186,913)**	**(112,086)**	**3,584,678**	**3,452,763**
Unallocated revenues									20	-
Unallocated costs									(2,820,415)	(2,617,267)
Profit before tax									**764,283**	**835,496**
Income tax expense									(108,553)	(199,923)
Profit for the year									**655,730**	**635,573**

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Notes to the financial statements
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5. Segment reporting *(continued)*

Group - Business segments
As at 31 December 2005

In RON thousand	**Corporate banking**		**Retail banking**		**Other**		**Eliminations**		**Group**	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Segment assets	10,622,413	7,510,055	6,191,156	3,274,271	15,706,137	12,380,290	(483,608)	(24,046)	32,036,098	23,140,570
Unallocated assets									2,180,274	2,062,717
Total assets	**10,622,413**	**7,510,055**	**6,191,156**	**3,274,271**	**15,706,137**	**12,380,290**	**(483,608)**	**(24,046)**	**34,216,372**	**25,203,287**
Segment liabilities	11,902,250	8,375,294	10,342,909	9,641,130	7,738,734	4,184,832	(270,373)	(1,118,797)	29,713,520	21,082,459
Unallocated liabilities									494,851	404,374
Total liabilities	**11,902,250**	**8,375,294**	**10,342,909**	**9,641,130**	**7,738,734**	**4,184,832**	**(270,373)**	(1,118,797)	**30,208,371**	**21,486,833**

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5. Segment reporting *(continued)*

Bank - Business segments
As at 31 December 2005

In RON thousand	**Corporate banking**		**Retail banking**		**Other**		**Bank**	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Interest income	1,063,725	1,588,439	693,281	762,654	578,366	79,941	2,335,372	2,431,034
Commission income	353,198	404,105	290,270	194,022	3,988	61,022	647,455	618,465
Other income	-	-	-	-	327,008	203,227	327,008	203,228
Total income	**1,416,923**	**1,992,544**	**983,551**	**956,676**	**909,362**	**344,190**	**3,309,835**	**3,252,727**
Unallocated costs							(2,597,047)	(2,471,821)
Profit before tax							**712,788**	**780,906**
Income tax expense							(106,538)	(176,369)
Profit for the year							**606,250**	**604,537**

5. Segment reporting *(continued)*

Bank - Business segments
As at 31 December 2005

In RON thousand	**Corporate banking**		**Retail banking**		**Other**		**Bank**	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Segment assets	9,439,620	7,061,025	6,096,434	3,227,753	15,478,277	12,133,618	31,014,331	22,422,396
Unallocated assets							1,865,400	1,817,186
Total assets	**9,439,620**	**7,061,025**	**6,096,434**	**3,227,753**	**15,478,277**	**12,133,618**	**32,879,731**	**24,239,582**
Segment liabilities	11,751,269	8,030,202	10,218,461	9,566,886	6,887,407	2,901,174	28,857,137	20,498,262
Unallocated liabilities							259,316	263,082
Total liabilities	**11,751,269**	**8,030,202**	**10,218,461**	**9,566,886**	**6,887,407**	**2,901,174**	**29,116,453**	**20,761,344**

6. Net interest income

RON thousand	Group 2005	Group 2004	Bank 2005	Bank 2004
Interest and similar income				
Current accounts, deposits and loans to banks	434,179	745,529	412,800	727,366
Loans and advances to customers	1,874,288	1,637,376	1,727,264	1,538,423
Treasury bills and other debt securities	204,687	185,178	195,308	165,200
Other interest income	3	127	-	45
Total interest and similar income	***2,513,157***	***2,568,210***	***2,335,372***	***2,431,034***
Interest expense and similar charges				
Deposits from banks	33,712	20,633	19,245	17,028
Deposits from customers	924,523	1,026,998	931,862	1,029,620
Loans from banks	163,508	63,464	155,098	58,672
Other interest expense	9,557	9,448	9,534	2,880
Total interest expense and similar charges	***1,131,300***	***1,120,543***	***1,115,739***	***1,108,200***
Net interest income	**1,381,857**	**1,447,667**	**1,219,633**	**1,322,834**

7. Net fee and commission income

RON thousand	Group 2005	Group 2004	Bank 2005	Bank 2004
Fee and commission income				
Payments transactions	375,708	368,689	369,565	363,523
Loan administration and guarantee issuance	231,408	211,682	225,280	210,764
Other	75,818	78,778	52,610	44,178
Total fee and commission income	***682,934***	***659,149***	***647,455***	***618,465***
Fee and commission expense				
Payments transactions	55,627	23,848	54,469	23,478
Other	351	32,799	643	28,782
Total fee and commission expense	***55,978***	***56,647***	***55,112***	***52,260***
Net fee and commission income	**626,956**	**602,502**	**592,343**	**566,205**

8. Net trading income

RON thousand	Group 2005	Group 2004	Bank 2005	Bank 2004
Net realized foreign exchange gains from foreign exchange transactions *(i)*	238,968	132,724	212,324	126,902
Net effect of translation of foreign currency denominated assets and liabilities *(ii)*	(321)	(8,186)	7,199	(8,185)
Net gains / (losses) from financial instruments at fair value through profit and loss *(iii)*	(16,180)	27,272	(8,640)	27,272
Total	**222,467**	**151,810**	**210,883**	**145,989**

(i) Net realized foreign exchange gains from foreign exchange transactions includes gains and losses from spot and forward contracts, money market instruments and currency swaps;

(ii) Net effect of translation of foreign currency denominated assets and liabilities includes translated foreign currency assets and liabilities;

(iii) Net gains from financial instruments at fair value through profit and loss include the net result of the valuations of financial instruments classified as financial instruments at fair value through profit and loss account.

9. Other operating income

RON thousand	Group 2005	Group 2004	Bank 2005	Bank 2004
Rent income	1,063	8,382	2,071	2,019
Income from non-banking services	8,421	16,727	8,421	12,742
Insurance premium income, net of reinsurance	86,560	24,232	-	-
Other income	50,635	24,708	64,145	29,551
Income from release of other provisions	11,477	-	11,477	-
Total	**158,156**	**74,049**	**86,114**	**44,312**

Income from non-banking services is mainly related to the services of cash transportation and collection and insurance brokerage fees. For the Bank, other income includes RON 50,361 thousand representing claims received from insurance companies.

10. Operating expenses

RON thousand	Group 2005	Group 2004	Bank 2005	Bank 2004
Salaries and other personnel costs	811,848	686,502	722,760	620,691
Accruals for employees profit sharing	74,293	67,581	71,987	65,590
Rent expenses	34,816	27,799	27,172	23,271
Depreciation and amortization	140,079	102,943	126,771	90,751
Administrative expenses	221,021	201,156	211,555	181,671
Other taxes and duties	104,447	80,434	91,126	73,715
Provision for litigations	1,167	7,465	1,167	7,428
Claims paid, net of reinsurance	37,044	24,074	-	-
Other operating costs	74,086	37,037	43,370	41,836
Total	**1,498,801**	**1,234,991**	**1,295,908**	**1,104,953**

The number of employees of the Bank at 31 December 2005 was 11,845 employees (31 December 2004: 12,282 employees). The number of the employees of the Group at 31 December 2005 was 13,486 employees (31 December 2004: 13,573 employees).

11. Net charge of provisions for impairment losses

RON thousand	Group 2005	Group 2004	Bank 2005	Bank 2004
Net charge/(release) of provision for impairment losses on loans and advances to customers	(1,843)	130,082	11,374	131,760
Net (release) of provision for impairment losses on placements and loans to banks	(58)	(634)	-	-
Net charge / (release) of provisions for impairment losses on other assets	(9)	8,282	-	(31)
Net (release) of provision for impairment losses on investments	(773)	(8,303)	(212)	(21)
Loans written-off	282,671	193,429	263,306	192,316
Recoveries from loans previously written-off	(145,652)	(117,770)	(144,180)	(117,616)
Net charge of provisions for impairment losses	**134,336**	**205,086**	**130,288**	**206,408**

12. Income tax expense

RON thousand	Group 2005	Group 2004	Bank 2005	Bank 2004
Current income tax	137,753	238,543	128,893	209,275
Deferred tax (income)	(23,832)	(38,620)	(18,474)	(32,906)
Deferred tax effect of changes in accounting policies (refer to Note 2)	(5,368)	-	(3,881)	-
Income tax expense	**108,553**	**199,923**	**106,538**	**176,369**

Reconciliation of profit before tax to income tax expense in the income statement

RON thousand	Group 2005	Group 2004	Bank 2005	Bank 2004
Profit before tax	**764,283**	**835,496**	**712,788**	**780,906**
Taxation at statutory rate of the Bank	**122,285**	**208,874**	**114,046**	**195,227**
Non-deductible expenses	15,909	29,343	14,760	15,867
Non-taxable revenues	(20,026)	(21,012)	(18,966)	(19,617)
Effect of utilisation of carried forward tax losses	(2,780)	(412)	-	-
Tax effect of other non-temporary differences	15,368	5,751	15,114	-
Reversal of temporary differences	(22,203)	(22,621)	(18,416)	(15,108)
Income tax expense	**108,553**	**199,923**	**106,538**	**176,369**
Effective tax rate	**14.20%**	**23.90%**	**14.95%**	**22.60%**

13. Cash and cash equivalents

RON thousand	Group 31 December 2005	Group 31 December 2004	Bank 31 December 2005	Bank 31 December 2004
Cash on hand	719,946	380,106	716,356	377,506
Current accounts held with other banks	70,988	49,270	50,275	34,853
Total	**790,934**	**429,376**	**766,631**	**412,359**

Current accounts held with other banks are at immediate disposal of the Group and unencumbered.

14. Due from central banks

RON thousand	Group 31 December 2005	Group 31 December 2004	Bank 31 December 2005	Bank 31 December 2004
Current account				
In RON	2,606,049	1,732,236	2,590,403	1,730,668
In other currencies	3,745,529	2,166,658	3,676,144	2,153,864
Term deposits	1,376,507	3,249,265	1,366,116	3,174,614
Restricted amounts	2,842	42	119	42
Total	**7,730,927**	**7,148,201**	**7,632,782**	**7,059,188**

The current accounts held by the Bank with the National Bank of Romania are for compliance with the minimum reserve requirements. These funds are not available for the Bank's daily business. At 31 December 2005 the mandatory minimum reserve was set at 16% for RON and 30% for USD and EUR denominated funds attracted (31 December 2004: 18% for RON and 30% for USD and EUR denominated funds attracted with residual maturity of less than 2 years).

Restricted amounts include blocked amounts as a result of Justice Court decisions in relation to various litigations in which the Bank is involved in the course of its normal business.

Restricted amounts for the Group include an amount of RON 2,723 thousand held by subsidiary Banca Comerciala Romana Sucursala Chisinau with central banks.

15. Placements with banks

RON thousand	Group 31 December 2005	Group 31 December 2004	Bank 31 December 2005	Bank 31 December 2004
Sight deposits	332,316	285,169	521,803	306,371
Term deposits	1,772,362	536,679	1,618,499	387,836
Collateral deposits and restricted amounts	8,224	411	1,599	26,914
Total	**2,112,902**	**822,259**	**2,141,901**	**721,121**

16. Financial assets at fair value through profit and loss

RON thousand	Group 31 December 2005	Group 31 December 2004	Bank 31 December 2005	Bank 31 December 2004
Debt securities at fair value through profit and loss (designated on initial recognition)				
Listed *(i)*	535,694	963,387	536,986	667,660
Unlisted *(ii)*	196,472	2,851,129	188,448	2,717,525
Total	***732,166***	***3,814,516***	***725,434***	***3,385,185***
Equity securities at fair value through profit and loss (designated on initial recognition)				
Listed equity securities	41,853	5,276	37,249	4,215
Unlisted equity securities	12,832	11,342	12,832	10,237
Total	***54,685***	***16,618***	***50,081***	***14,452***
Derivative financial liability held-for-trading	(295)	-	(295)	-
Total	**786,556**	**3,831,134**	**775,220**	**3,399,637**

(i) Listed debt securities at fair value through profit and loss of the Bank and of the Group include Eurobonds issued by Romanian Government and listed corporate and municipality bonds.

(ii) Unlisted debt securities at fair value through profit and loss of the Bank and the Group include treasury bills denominated in RON and in USD issued by Romanian Government.

16. Financial assets at fair value through profit and loss (continued)

As at 31 December 2004 treasury bills held by the Bank and by the Group amounting to RON 97,625 thousand were pledged as security in order to comply with central banks' prudential regulations for settlement of inter-banking operations, for the settlement of transactions at Bucharest Stock Exchange and for card transactions at two major international cards operators (VISA and MasterCard). Listed corporate bonds held by the Group amounting to EUR 27,312,100 (equivalent of RON 108,328 thousand) as at 31 December 2004 were pledged to Deutsche Bundesbank as security for Eurosystems credit operations.

17. Loans and advances to banks

Bank

Loans and advances to banks as at 31 December 2005 include two subordinated loans granted to a subsidiary of the Bank, Anglo-Romanian Bank Ltd. ("ARB") in amount of EUR 5,112,919 equivalent of RON 18,801 thousand with an interest rate of 2.83% p.a. (31 December 2004: EUR 5,112,919 equivalent of RON 20,279 thousand with an interest rate of 2.54% p.a.) and USD 3,470,240 equivalent of RON 10,785 thousand with an interest rate of 4.27% p.a. (31 December 2004: USD 3,470,240 equivalent of RON 10,087 thousand with an interest rate of 2.34% p.a.).

Group

Loans and advances to banks as at 31 December 2005 include loans granted by ARB denominated in USD, equivalent of EUR 82,682,610, i.e. RON 304,032 thousand, with interest rates between 6.00% and 9.00% p.a. and maturities between 14 January 2006 and 18 July 2008 and loans of EUR 8,112,983, equivalent of RON 29,832 thousand, with interest rates between 3.97% and 5.56% p.a. and maturities between 24 January 2006 and 05 July 2006 and loans granted by BCR Chisinau, in amount of USD 500,000, equivalent of MDL 6,416,000, i.e. RON 1,554 thousand with 6% p.a. interest rate and EUR 400,000 equivalent of MDL 6,078,000, i.e. RON 1,471 thousand with 6% p.a. interest rate and maturities between 04 January 2006 and 01 February 2006, respectively.

Loans and advances to banks as at 31 December 2004 include loans granted by ARB denominated in USD, equivalent of EUR 3,504,360, i.e. RON 13,899 thousand, with interest rates between 6.09% and 6.48% p.a. and maturities between 31 January 2005 and 6 October 2005 and loans of EUR 1,443,627, equivalent of RON 5,726 thousand, with interest rates between 3.44% and 3.78% p.a. and maturities between 29 July 2005 and 28 June 2007 and loans granted by BCR Chisinau, in amount of USD 2,900,000, equivalent of MDL 36,146,979, i.e. RON 8,455 thousand with interest rates between 5.50% and 7.50% p.a. and MLD 11,000,000, equivalent of RON 2,573 million, with interest rates between 12.70% and 13% p.a.

18. Loans and advances to customers

The Group's commercial lending is concentrated mainly on companies and individuals domiciled in Romania. Economic sector risk concentrations within the customer's loan portfolio as at 31 December 2005 and 31 December 2004, was as follows:

a) Analysis by sector

RON thousand	Group		Bank	
	31 December 2005	**31 December 2004**	**31 December 2005**	**31 December 2004**
Individuals	6,408,831	3,445,616	6,313,631	3,398,119
Trade	2,014,457	1,609,062	1,710,375	1,262,198
Agriculture and food industry	1,546,928	1,151,151	1,432,760	1,076,765
Leasing	719,346	213,249	1,032,102	518,156
Wood industry	226,434	452,862	194,730	423,108
Metallurgy	380,165	352,158	301,045	352,074
Textile and leather	393,456	375,413	359,976	351,810
Chemical and petrochemical	625,101	431,789	542,862	425,677
Power generating	188,359	304,265	165,778	254,133
Tourism	190,677	122,553	180,015	120,545
Manufacturing metallic products	413,399	318,349	405,551	316,424
Transport vehicles manufacturing	484,733	455,637	478,314	455,270
Mining	31,191	25,551	22,556	25,425
Construction materials	533,351	282,986	479,530	273,496
Transport	464,566	238,083	410,444	218,351
Machinery and mechanical equipment	256,170	144,792	236,678	142,682
Public institutions	1,170,460	763,413	1,170,441	763,165
Other	858,991	656,228	652,766	454,438
Total loans and advances to customers before provisions	**16,906,615**	**11,343,157**	**16,089,554**	**10,831,836**
Provision for impairment losses on loans	**(576,653)**	**(582,877)**	**(553,500)**	**(543,058)**
Net loans and advances to customers	**16,329,962**	**10,760,280**	**15,536,054**	**10,288,778**

As at 31 December 2005, 12% (31 December 2004: 8%) of the Group's portfolio of corporate loans was concentrated towards local state-owned corporate customers or state entities (e.g. National Highways and Roads Company, Electrica, Distrigaz, SNP Petrom, Termoelectrica).

As at 31 December 2004 the Group included in loans and advances to customers an amount of RON 2,980 thousand representing the outstanding balance receivable under reverse repurchase agreements concluded by the subsidiary Banca Comerciala Romana Sucursala Chisinau with its customers (31 December 2005: nil).

18. Loans and advances to customers *(continued)*

b) Provision for impairment losses on loans

RON thousand	Group	Bank
Provision as at 1 January 2005	**595,545**	**543,058**
Effect of change in provision - restatement of opening balances of retained earnings	(12,668)	-
Exchange differences	(4,381)	(932)
Net charge/(release) for the year	(1,843)	11,374
Provision as at 31 December 2005	**576,653**	**553,500**

c) Finance lease receivables

The Group acts as a lessor under finance leases through the subsidiary BCR Leasing SA, mainly on motor vehicles and equipment. The leases are mainly denominated in EUR and typically run for a period of between one to four years, with transfer of ownership of the leased asset at the end of the lease term. Interest is charged over the period of the lease based on fixed interest rates. The receivables are secured by the underlying assets and by other collateral. Loans and advances to customers include the following finance lease receivables:

RON thousand	31 December 2005	31 December 2004
Gross investment in finance leases	667,172	401,534
Unearned finance income	(88,599)	(51,057)
Net investment in finance leases	**578,573**	**350,477**
Net investment in finance leases, with remaining maturities		
Less than one year	241,808	151,197
Between one and five years	336,765	199,280
Net investment in finance leases	**578,573**	**350,477**

The loans granted to the subsidiary BCR Leasing SA are secured by the assignment of receivables of all present and future rights in respect of receivables under leasing contracts concluded for assets financed from these loans.

19. Investment securities, available-for-sale

	Group		Bank	
RON thousand	31 December 2005	31 December 2004	31 December 2005	31 December 2004
Debt securities – available-for-sale				
Listed *(i)*	96,545	-	-	-
Unlisted *(ii)*	3,797,798	-	3,669,804	-
Total	**3,894,343**	**-**	**3,669,804**	**-**

(i) Listed debt securities available-for-sale of the Group includes listed corporate Eurobonds denominated in foreign currency.

(ii) Unlisted debt securities available-for-sale of the Bank includes treasury bills denominated in RON and certificates of deposit issued by National Bank of Romania.

Unlisted debt securities available-for-sale of the Group include treasury bills denominated in RON and foreign currencies, bonds denominated in foreign currencies issued by governments other than Romanian, certificates of deposit issued by National Bank of Romania and unlisted corporate and municipality bonds.

As at 31 December 2005 treasury bills held by the Bank and by the Group amounting to RON 45,015 thousand are pledged as security in order to comply with central banks' prudential regulations for settlement of inter-banking operations, for the settlement of transactions at Bucharest Stock Exchange and for card transactions at two major international cards operators (VISA and MasterCard). Listed corporate bonds held by the Group amounting to EUR 32,183,577 equivalent of RON 118,342 thousand are pledged to Deutsche Bundesbank as security for Eurosystems credit operations.

20. Equity investments

RON thousand	Group 31 December 2005	Group 31 December 2004	Bank 31 December 2005	Bank 31 December 2004
Investments in subsidiaries *(i)*	-	-	373,429	349,229
Other equity investments carried at cost *(ii)*	80,708	93,091	38,441	49,838
Less provision for impairment of other equity investments	(27,485)	(28,683)	(117)	(329)
Total other equity investments	**53,223**	**64,408**	**411,753**	**398,738**

(i) The Bank had the following subsidiaries consolidated in the financial statements of the Group as at 31 December 2005 and 31 December 2004:

Company's Name	**Country of incorporation**	**Nature of the business**	**Shareholding 31 December 2005**	**Shareholding 31 December 2004**
Anglo-Romanian Bank Ltd*	United Kingdom	Banking	100.00%	100.00%
BCR Chişinău	Moldova	Banking	100.00%	100.00%
Financiara SA*	Romania	Financial services	97.10%	97.10%
BCR Securities SA	Romania	Brokerage	85.51%	85.51%
BCR Leasing SA	Romania	Leasing	89.08%	89.03%
BCR Asigurari SA	Romania	Insurance	81.14%	81.13%
BCR Asigurari de Viata SA	Romania	Life insurance	68.07%	-
BCR Asset Management SA	Romania	Asset Management	58.29%	58.29%
Bucharest Financial Plazza SRL	Romania	Real Estate	97.10%	97.10%

* acquired following the merger with Bancorex in 1999

The subsidiary BCR Asigurari de Viata SA was incorporated during 2005.

20. Equity investments *(continued)*

The investment in subsidiaries can be further analysed as follows:

RON thousand	Bank 31 December 2005	Bank 31 December 2004
At the beginning of the year, as previously stated	349,229	469,397
Changes in accounting policy related to investments in subsidiaries (refer to Note 2d)	-	(189,594)
At the beginning of the year, as restated	349,229	279,803
Additions	24,200	69,426
At the end of the year	**373,429**	**349,229**

(ii) The Group held the following other equity investments available-for-sale as at 31 December 2005 and 31 December 2004:

	Nature of business	Carrying amount *In RON thousand* 31 December 2005	Carrying amount *In RON thousand* 31 December 2004	Effective holding % 31 December 2005	Effective holding % 31 December 2004
Banca Italo-Romena, Milano	Banking	10,788	10,788	7.69%	7.69%
MISR Romanian Bank, Cairo	Banking	-	24,185	-	19.00%
ASIBAN SA	Insurance	18,005	5,820	25.00%	20.00%
Fondul de Garantare a Creditului Rural	Guarantee fund	2,833	1,721	26.32%	26.32%
Omniasig SA	Insurance	14,737	14,737	19.04%	19.04%
WTCB-CCIB SRL	Hotels	27,069	27,069	7.68%	7.68%
Other equity investments		7,276	8,771		
		80,708	**93,091**		
Less provision for impairment of other equity investments		(27,485)	(28,683)		
Total		**53,223**	**64,408**		

20. Equity investments *(continued)*

During the year 2005 the Group sold its 19 percent investment in MISR Romania Bank SAE, an Egyptian bank with branches in Romania in 2005. The disposal in this investment resulted in a loss to the Group of RON 6,145 thousand, which was recognized in net loss on non-trading financial instruments. The loss mentioned above was computed as a difference between inflated cost up to 31 December 2003 and its historic cost and it did not generate a cash outflow for the Group.

Other equity investments are unlisted securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Such unquoted equity instruments are measured at cost and periodically tested for impairment.

Provision for impairment losses on other equity investments

RON thousand	Group	Bank
Provision as at 1 January 2005	**28,683**	**329**
Net release for the year	(773)	(212)
Exchange differences	(425)	-
Provision as at 31 December 2005	**27,485**	**117**

21. Property and equipment

Group

RON thousand	Land and buildings	Office equipment	Other fixed assets	Total
Cost or revalued amount				
At 1 January 2004	1,508,521	288,910	270,713	**2,068,144**
Additions	28,258	31,316	64,563	**124,137**
Transfers	45	16,229	(16,274)	**-**
Disposals	(2,687)	(7,041)	(12,527)	**(22,255)**
Effects of movements in foreign exchange	(1,124)	(1,740)	(828)	**(3,692)**
At 31 December 2004, as previously stated	1,533,013	327,674	305,647	**2,166,334**
Change in accounting policy (refer to Note 2o)	-	(171,703)	248,738	**77,035**
At 31 December 2004, restated	1,533,013	155,971	554,385	**2,243,369**
At 1 January 2005	1,533,013	155,971	554,385	**2,243,369**
Additions	68,656	15,985	164,404	**249,045**
Transfers to intangible assets	-	(12,337)	-	**(12,337)**
Disposals	(825)	(6,516)	(89,357)	**(96,698)**
Effects of movements in foreign exchange	(1,229)	(1,910)	(263)	**(3,402)**
At 31 December 2005	1,599,615	151,193	629,169	**2,379,977**

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21. Property and equipment *(continued)*

Group

RON thousand	Land and buildings	Office equipment	Other fixed assets	Total
Accumulated depreciation and impairment losses				
At 1 January 2004	601	112,023	90,956	**203,580**
Depreciation charge for the year	41,615	27,034	24,985	**93,634**
Impairment charge for the year	7,395	-	-	**7,395**
Disposals	(101)	(6,795)	(4,353)	**(11,249)**
Effects of movements in foreign exchange	(48)	(654)	(40)	**(742)**
At 31 December 2004, as previously stated	49,462	131,608	111,548	**292,618**
Change in accounting policy (refer to Note 2o)	-	(34,951)	207,898	**172,947**
At 31 December 2004, restated	49,462	96,657	319,446	**465,565**
At 1 January 2005	49,462	96,657	319,446	**465,565**
Depreciation charge for the year	42,407	12,747	57,751	**112,905**
Impairment (decrease of the revaluation reserve)	10,013	-	-	**10,013**
Disposals	(56)	(6,326)	(14,222)	**(20,604)**
Transfers	-	(9,182)	-	**(9,182)**
Effects of movements in foreign exchange	(44)	(1,408)	(32)	**(1,484)**
At 31 December 2005	101,782	92,488	362,943	**557,213**
Net book value				
At 1 January 2004	**1,507,920**	**176,887**	**179,757**	**1,864,564**
At 31 December 2004, as previously stated	**1,483,551**	**196,066**	**194,099**	**1,873,716**
At 1 January 2005	**1,483,551**	**59,314**	**234,939**	**1,777,804**
At 31 December 2005	**1,497,833**	**58,705**	**266,224**	**1,822,762**

21. Property and equipment *(continued)*

Bank

RON thousand	Land and buildings	Office equipment	Other fixed assets	Total
Cost or revalued amount				
At 1 January 2004	1,332,230	263,591	253,947	**1,849,768**
Additions	27,843	27,397	60,573	**115,813**
Transfers	45	16,229	(16,274)	-
Disposals	(2,687)	(6,573)	(12,422)	**(21,682)**
At 31 December 2004, as previously stated	1,357,431	300,644	285,824	**1,943,899**
Change in accounting policy (refer to Note 2o)	-	(183,692)	260,713	**77,021**
At 31 December 2004, restated	1,357,431	116,952	546,537	**2,020,920**
At 1 January 2005	1,357,431	116,952	546,537	**2,020,920**
Additions	28,477	13,502	158,953	**200,932**
Disposals	(825)	(1,210)	(88,109)	**(90,144)**
At 31 December 2005	**1,385,083**	**129,244**	**617,381**	**2,131,708**

21. Property and equipment *(continued)*

Bank

	Land and buildings	Office equipment	Other fixed assets	Total
Accumulated depreciation and impairment losses RON thousand				
At 1 January 2004	-	92,257	85,307	**177,564**
Depreciation charge for the year	34,547	24,872	22,353	**81,772**
Disposals	(101)	(6,516)	(4,298)	**(10,915)**
At 31 December 2004, as previously stated	34,446	110,613	103,362	**248,421**
Change in accounting policy (refer to Note 2o)	-	(40,583)	213,513	**172,930**
At 31 December 2004, restated	34,446	70,030	316,875	**421,351**
At 1 January 2005	34,446	70,030	316,875	**421,351**
Depreciation charge for the year	36,024	9,353	56,085	**101,462**
Disposals	(56)	(1,023)	(13,979)	**(15,058)**
At 31 December 2005	70,414	78,360	358,981	**507,755**
Net book value				
At 1 January 2004	**1,332,230**	**171,334**	**168,640**	**1,672,204**
At 31 December 2004, as previously stated	**1,322,985**	**190,031**	**182,463**	**1,695,479**
At 1 January 2005	**1,332,985**	**46,922**	**229,662**	**1,599,569**
At 31 December 2005	**1,314,669**	**50,884**	**258,400**	**1,623,953**

The Group has included in other fixed assets motor vehicles, furniture, other sundry equipment and fixed assets under construction.

The Bank leases a number of IT equipment and motor vehicles under finance lease agreements. At the end of each of the leases the Bank has the option to purchase the equipment at a beneficial price. At 31 December 2005 the net carrying amount of leased fixed assets was RON 64,668 thousand (31 December 2004: RON 82,431 thousand). The leased equipment secures lease obligations (refer to note 28).

The carrying amount of property and equipment held for disposal by the Group at 31 December 2005 is of RON 1,230 thousand (31 December 2004: RON 946 thousand).

22. Intangible assets

RON thousand	**Group**	**Bank**
Cost		
At 1 January 2004	104,355	103,402
Additions	27,244	26,931
Disposals	(21)	(21)
Transfers	-	-
Effects of movements in foreign exchange	(9)	-
At 31 December 2004, as previously stated	131,569	130,312
Change in accounting policy (refer to Note 2p)	87,482	87,353
At 31 December 2004, restated	219,051	217,665
At 1 January 2005, restated	219,051	217,665
Additions	60,882	59,252
Transfers from property and equipment	12,337	-
Disposals	(22,418)	(19,808)
Effects of movements in foreign exchange	65	-
At 31 December 2005	269,917	257,109

22. Intangible assets *(continued)*

RON thousand	Group	Bank
Accumulated amortisation and impairment losses		
At 1 January 2004	32,797	32,387
Amortisation charge for the year	9,309	8,979
Disposals	(24)	(19)
Effects of movements in foreign exchange	(2)	-
At 31 December 2004, as previously stated	42,080	41,347
Change in accounting policy (refer to Note 2p)	15,825	15,700
As at 31 December 2004, restated	57,905	57,047
At 1 January 2005	57,905	57,047
Amortisation charge for the year	27,174	25,309
Disposals	(4,996)	(2,460)
Transfers	9,182	-
Effects of movements in foreign exchange	227	-
At 31 December 2005	89,492	79,896
Net book value		
At 1 January 2004	**71,558**	**71,015**
At 31 December 2004, as previously stated	**89,489**	**88,965**
At 1 January 2005	**161,146**	**160,618**
At 31 December 2005	**180,425**	**177,213**

23. Other assets

RON thousand	Group 31 December 2005	Group 31 December 2004	Bank 31 December 2005	Bank 31 December 2004
Amounts in transit	11,458	20,250	11,458	20,250
Sundry debtors	92,393	63,650	44,073	29,675
Inventories	15,107	13,309	14,833	13,305
Prepayments	10,813	8,005	6,071	6,451
Re-insurer share of technical insurance provisions	21,112	13,421	-	-
Other assets	40,029	23,749	6,869	4,212
Total other assets, gross	**190,912**	**142,384**	**83,304**	**73,893**
Less provision for impairment of sundry debtors	(27,353)	(18,617)	(25,463)	(16,893)
Total other assets, net	**163,559**	**123,767**	**57,841**	**57,000**

The Group has included in provision for impairment of sundry debtors an amount of RON 18,018 thousand (31 December 2004: RON 16,893 thousand) representing a receivable taken over as a result of the merger with the former Bancorex (refer to Note 32) related to the printing of an album.

24. Deposits from banks

RON thousand	Group 31 December 2005	Group 31 December 2004	Bank 31 December 2005	Bank 31 December 2004
Repayable on demand	216,790	73,011	189,288	63,615
Term deposits	523,667	407,213	15,938	33,446
Repurchase agreements	182,448	412,989	182,449	412,990
Total	**922,905**	**893,213**	**387,675**	**510,051**

25. Deposits from customers

RON thousand	Group 31 December 2005	Group 31 December 2004	Bank 31 December 2005	Bank 31 December 2004
Repayable on demand				
Retail customers	1,711,887	1,259,659	1,699,353	1,250,781
Corporate customers	3,488,828	2,965,220	3,374,868	2,882,809
Term deposits				
Retail customers	8,070,297	6,905,036	7,958,383	6,876,792
Corporate customers	6,348,422	4,156,573	6,330,329	4,072,886
Certificates of deposits				
Retail customers	2,093,533	1,439,313	2,093,533	1,439,313
Corporate customers	262,792	216,220	401,184	216,220
Repurchase agreements	111,718	822,037	112,080	858,287
Total	**22,087,477**	**17,764,058**	**21,969,730**	**17,597,088**

26. Loans from banks and other financial institutions

RON thousand	Group 31 December 2005	Group 31 December 2004	Bank 31 December 2005	Bank 31 December 2004
Loans from banks and other financial institutions	4,878,946	2,402,470	4,655,577	2,353,849
Other funds from international financial institutions	19,625	21,312	19,625	21,312
Total	**4,898,571**	**2,423,782**	**4,675,202**	**2,375,161**

For the Bank loans from banks and other financial institutions include the amount of RON 4,605,404 thousand (31 December 2004: RON 2,338,012 thousand) representing outstanding loans principal and the amount of RON 50,173 thousand (31 December 2004: RON 15,837 thousand) representing outstanding accrued interest payable on these loans.

For the Group loans from banks and other financial institutions include also RON 220,375 thousand representing outstanding loans principal and RON 2,994 thousand outstanding accrued interest payable on these borrowings taken by the Bank's consolidated subsidiaries.

26. Loans from banks and other financial institutions *(continued)*

The outstanding loans principal arising from the main financing agreements obtained by the Bank is presented below:

	Currency nominal amount	31 December 2005 *RON thousand*	31 December 2004 *RON thousand*
Depfa Investment Bank Ltd., Nicosia *(vi)*	EUR 150,000,000	546,751	594,945
Syndicated loan *(i), (vi)*	USD 400,000,000	1,235,931	-
Syndicated loan *(ii), (vi)*	EUR 181,147,541	661,269	-
Syndicated loan *(i), (vi)*	USD 200,000,000	-	581,340
International Finance Corporation, USA *(iii), (vi)*	EUR 128,548,661	469,840	218,003
European Bank for Reconstruction and Development for mortgage loans *(iv), (vi)*	EUR 600,000 USD 50,255,132	158,389	163,262
European Bank for Reconstruction and Development - SME *(v), (vi)*	EUR 16,888,889	62,102	102,242
Commerzbank International S.A. Luxembourg *(vi)*	USD 40,000,000	123,716	116,268
Wachovia Bank N.A., USA *(vi)*	USD 25,000,000	77,592	-
Standard Chartered Bank, London *(vi)*	EUR 20,000,000	73,395	-
BAWAG P.S.K., Vienna *(vi)*	EUR 20,000,000	73,206	-
American Express Bank GmbH Frankfurt *(vi)*	USD 20,000,000	62,156	-
Standard Bank Plc, London *(vi)*	USD 20,000,000	62,156	-
Other loans *(vi)*		1,049,074	577,789
Total		**4,655,577**	**2,353,849**

i) 1st Syndicated loan

The first syndicated loan was concluded in the first half of 2005 by the Bank with a syndicate of 16 banks and the mandated lead arrangers were Bank Austria Creditanstalt AG, Calyon, Citibank N.A. and WestLB, London Branch and it was partially used to prepay the USD 200,000,000 syndicated loan raised by the Bank during 2004 from a syndicate of 19 banks (the mandated lead arrangers were Bank Austria Creditanstalt AG, Citibank N.A, Erste Bank Der oesterreichischen Sparkassen AG and Raiffeisen Zentralbank Oesterreich AG Austria).

ii) 2nd Syndicated loan

The second syndicated loan was concluded in the second half of 2005 by the Bank with a syndicate of 15 banks and the mandated lead arranger was Mizuho Corporate Bank London. The total amount of this syndicated loan is USD 221,000,000 and it was drawn entirely in EUR.

iii) International Finance Corporation ("IFC")

The Bank has concluded two financing agreements with IFC.

26. Loans from banks and other financial institutions *(continued)*

iii) International Finance Corporation ("IFC") (continued)

The first agreement is dated 17 December 2002, its purpose being to improve the structure of Bank's balance sheet by reducing maturity mismatches between foreign currency assets and foreign currency liabilities, and to expand Bank's activities with private sector firms and individuals. Committed amount represents USD 75,000,000 and has been fully drawn by the Bank. The reimbursements are due in biannual installments starting with 15 June 2005 and ending on 15 December 2009. Interest payment is biannual at a variable interest rate of LIBOR 6 months plus a revised margin. Based on the amendment dated December 2005, the outstanding loan payable of USD 67,500,000 was converted into a EUR facility, the loan balance being EUR 53,548,661 at 31 December 2005. This revised facility is payable in semi-annual equal instalments starting with 15 December 2005 and ending on 15 December 2012 with interest payments also biannual at a variable interest rate of EURIBOR 6 months plus a revised margin.

The second agreement is dated 5 December 2005, its purpose being to provide the Bank with long-term funds to expand its lending to small and medium enterprises and to strengthen its retail lending. Committed amount represents EUR 75,000,000 has been fully drawn by the Bank. The reimbursements are due in biannual installments starting with 15 June 2008 and ending on 15 December 2012. Interest payment is biannual at a variable interest rate of EURIBOR 6 months plus a revised margin.

iv) European Bank for Reconstruction and Development ("EBRD") for mortgage loans

The Bank has concluded 2 finance agreements with EBRD for mortgage loans.

The first agreement is dated 14 January 2003, its purpose being to grant mortgages for real estate (houses, flats, and the respective land), as the case may be and the like used or to be used by individual sub-borrowers for personal use in Romania or legal entity sub-borrowers for constructing or buying houses, flats or the like in Romania for their employees.

Committed amount represents EUR 50,000,000 and drawn-downs can be either in EUR or USD. As at 31 December 2005 the Bank has fully drawn the agreement amount, the loan balance being of USD 50,255,132 (31 December 2004: USD 56,167,500). The first two loan instalment repayments were made in disbursement currency on 17 May and 17 November 2005. At 25 November 2005 was signed an amendment to this agreement which among other provisions stipulates that the new repayment period will start on 17 May 2008 in 21 biannual equal installments on 17 May and 17 November. Interest is payable semi-annually at a variable interest rate of LIBOR 6 months plus a revised margin.

The second agreement is dated 25 November 2005, its purpose being to grant also mortgages for sub-borrowers. Committed amount represents EUR 50,000,000 and drawn-downs can be either in EUR or USD. As at 31 December 2005 the Bank has drawn EUR 600,000 of the agreement amount.

26. Loans from banks and other financial institutions *(continued)*

The loan re-payment is made in disbursement currency starting with 17 May 2006 in 21 biannual equal installments on 17 May and 17 November. Interest payment is also biannual at a variable interest rate of EURIBOR or LIBOR 6 months on the related period plus a margin.

v) European Bank for Reconstruction and Development - Small and Medium Enterprises (SME)

There are two agreements dated 22 January 2001 and 9 December 2002 representing a SME Finance Facility to promote lending to SME in the accession countries to European Union. In each agreement the committed amount is EUR 20,000,000. As at 31 December 2005 the outstanding loan principal is EUR 3,555,556 and EUR 13,333,333 for the first and for the second agreement, respectively (31 December 2004: EUR 8,000,000 and EUR 17,777,778, respectively).

The loan re-payment is made in equal biannual instalments on 10 May and 10 November. Interest payment is also made in equal biannual installments.

vi) Interest rates

Loans from banks and other financial institutions outstanding at 31 December 2005 bear interest rates between 2.9% - 8.2% p.a. (31 December 2004: 2.35% - 6.5% p.a.)

The final maturities of loans from banks and other financial institutions other than the facilities received from EBRD and IFC vary between April 2006 and October 2022.

In accordance with the provisions of the loan agreements concluded with the banks and other financial institutions representing approximately 86.3% of the outstanding loans principal as at 31 December 2005, if the Bank fails to perform any of its obligations under these agreements or any other agreements between the Bank and the other banks and financial institutions and such failure continues for a certain period after the other banks and financial institutions notify the Bank of that failure, these banks and other financial institutions may, by notice to the Bank, require the Bank to repay the loans immediately.

No assets of the Bank have been pledged as collateral for the above loans.

The additional loans taken by the Bank’s consolidated subsidiaries from banks and other financial institutions that are outstanding at 31 December 2005 bear interest rates linked to EURIBOR plus margins varying between 1.875% and 4%. The loans taken by the subsidiary BCR Leasing SA are collateralized by the subsidiary’s net lease receivable (refer to note 18).

27. Other liabilities evidenced by paper

As of December 2005 the Bank issued corporate bonds with a face amount of EUR 500 million (equivalent of RON 1,838,550). The maturity of these bonds is 3 years and the coupon rate is 3.75% p.a. and is paid annually. The yield of these bonds at the issuance was 4% corresponding to an issuance price of 99.306% of the nominal value. The bonds are listed on the London Stock Exchange since December 2005 (symbol BORFX 97).

These bonds constitute direct, general, un-conditional, unsecured and un-subordinated obligations of the Bank. The payment obligations of the Bank under the bonds will, at all times, rank at least pari passu with all the other present and future unsecured and un-subordinated debts of the Bank save for such obligations that may have a superior rank by mandatory provisions of applicable law.

In April 2004 BCR Leasing S.A. issued corporate bonds in nominal value of ROL 75,000 million (i.e. RON 7.5 million, equivalent of EUR 1,834,144). The interest rate is 6% p.a. and is paid semi-annually. The bonds were issued in ROL but are repayable in the RON equivalent of the EUR amount of the principal from the moment of the closing of subscription by The National Securities Commission (“NSC”). The final maturity is 16th of March 2007. The issue was intermediated by BCR Securities S.A. BCR Asigurari S.A insures the financial risk related to the repayment of the interest and principal. The bonds are publicly listed on the Bucharest Stock Exchange since July 2004 (symbol BCL 07).

28. Other liabilities and provisions

	Group		Bank	
RON thousand	**31 December 2005**	**31 December 2004**	**31 December 2005**	**31 December 2004**
Finance lease payable *(i)*	-	-	32,409	32,315
Accrual for employees’ profit sharing	74,453	67,581	71,987	65,590
Amounts in transit	25,467	25,210	25,349	25,003
Provision for letters of guarantee	-	11,345	-	11,345
Provision for litigation	1,391	7,825	1,167	7,428
Profit tax due	6,044	20,449	3,224	2,851
Other taxes payable	18,922	23,788	14,799	20,313
Technical insurance provisions	186,253	89,341	-	-
Other liabilities	179,562	140,416	110,381	98,237
Total	**492,092**	**385,955**	**259,316**	**263,082**

28. Other liabilities and provisions *(continued)*

(i) Finance lease liabilities are analysed as follows:

RON thousand	Group 31 December 2005	Group 31 December 2004	Bank 31 December 2005	Bank 31 December 2004
Up to 1 year	-	-	27,078	24,782
Between 1 year and 5 years	-	-	5,331	7,533
Total	**-**	**-**	**32,409**	**32,315**

29. Deferred tax

RON thousand	Group 31 December 2005	Group 31 December 2004	Bank 31 December 2005	Bank 31 December 2004
Deferred tax liabilities				
- restatements of property and equipment and investments	(54,135)	(54,194)	(52,463)	(53,940)
- amortised cost of issued bonds	(4,898)	-	(3,029)	-
- other temporary differences	(25,746)	(173,087)	(12,705)	(13,748)
	(84,779)	**(227,281)**	**(68,197)**	**(67,688)**
Deferred tax assets				
- impairment for loan losses	60,954	49,671	52,250	45,237
- other temporary differences	34,594	159,191	22,340	6,489
	95,548	**208,862**	**74,590**	**51,726**
Deferred tax assets	**13,528**	**-**	**6,393**	**-**
Deferred tax liabilities	**(2,759)**	**(18,419)**	**-**	**(15,962)**

30. Share capital

The statutory share capital of the Bank as at 31 December 2005 is represented by 792,468,750 ordinary shares of RON 1 each (31 December 2004: 792,468,750 shares of RON 1 each). The shareholders of the Bank are as follows:

	31 December 2005		**31 December 2004**	
	No of shares	**%**	**No of shares**	**%**
Autoritatea pentru Valorificarea Activelor Statului ("AVAS")	292,282,131	36.8825%	292,282,131	36.88%
IFC	99,058,595	12.50% + 1 share	99,058,595	12.50%
EBRD	99,058,595	12.50% + 1 share	99,058,595	12.50%
SIF Oltenia	48,479,429	6.1175%	48,479,429	6.12%
SIF Banat Crisana	47,548,125	6.00%	47,548,125	6.00%
SIF Moldova	47,548,125	6.00%	47,548,125	6.00%
SIF Transilvania	47,548,125	6.00%	47,548,125	6.00%
SIF Muntenia	47,548,125	6.00%	47,548,125	6.00%
Individuals - employees	63,397,500	8.00%	63,397,500	8.00%
Total	**792,468,750**	**100.00%**	**792,468,750**	**100.00%**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the general shareholders' meetings of the Bank.

The reconciliation of the statutory share capital of the Bank to the share capital in the balance sheet is presented below:

RON thousand	**31 December 2005**	**31 December 2004**
Share capital as per Romanian statutory accounts	792,469	792,469
IAS 29 hyperinflation adjustment recorded in prior years (i.e. until 31 December 2003)	1,327,224	1,327,224
Share capital in the balance sheet	**2,119,693**	**2,119,693**

31. Other reserves

RON thousand	Group 31 December 2005	Group 31 December 2004	Bank 31 December 2005	Bank 31 December 2004
Statutory legal reserves	563,397	563,397	563,148	563,148
Reserves for general banking risks	309,916	215,453	309,916	215,453
Translation reserve	47,588	67,351	-	-
Fair value reserve - available-for-sale investments	5,017	2,315	6,339	-
Revaluation reserves	30,097	40,110	-	-
Total	**956,015**	**888,626**	**879,403**	**778,601**

Statutory legal reserves

Statutory reserves represent accumulated transfers from retained earnings in accordance with relevant local regulations. These reserves are not distributable.

Local legislation requires 5% of the Bank's net statutory profit to be transferred to a non-distributable statutory reserve until such time this reserve represents 20% of the Bank's statutory share capital.

Reserves for general banking risks

RON thousand	Group	Bank
At 1 January 2005	215,453	215,453
Appropriations from profit	94,463	94,463
At 31 December 2005	**309,916**	**309,916**

Reserves for general banking risks include amounts set aside in accordance with the banking legislation and are separately disclosed as appropriations of statutory profit. These reserves are not distributable.

31. Other reserves *(continued)*

Fair value reserve

RON thousand	**Group**	**Bank**
At 1 January 2005	2,315	-
Gains from changes in fair value of available-for-sale instruments	2,702	6,339
At 31 December 2005	**5,017**	**6,339**

32. Commitments and contingencies

Litigations related to the merger with the former Bancorex

In 1999 as a result of the distressed financial situation of one of the Romanian banks having the State as majority shareholder, Banca Romana de Comert Exterior - "Bancorex", the Government of Romania launched a series of measures designated to limit the effect of Bancorex's insolvency on the economy of Romania.

These measures included placing Bancorex under special administration for a limited period, transferring certain non-performing loans of Bancorex to an Asset Recovery Agency (AVAB) and transferring all other activities to the Bank. The Bank received Romanian government securities having similar maturity as the deposits and other creditor's accounts transferred from Bancorex.

On 6 July 2000 the Romanian Government issued the Emergency Ordinance No. 131/2000 and subsequent Decision 909/2000 stating that the Government will issue unconditional letters of guarantee in favor of the Bank against litigations up to an amount of ROL 38 billion (i.e. RON 3.8 million) and USD 116 million against litigations for which the Bank is the defendant, arising from activities of the former Bancorex, before it was removed from the Register of Trade.

Based on the Emergency Ordinance No. 18/2004, all off-balance sheet, other commitments and all the risks to the Bank arising from litigations related to former Bancorex are guaranteed, remain and will be guaranteed by the State. According to the Emergency Ordinance No. 18/2004 and Government Ordinance No. 832/2004, the Ministry of Public Finance issued Letters of Guarantee for 56 litigations in which the Bank is involved following the merger with Bancorex.

As at 31 December 2005, the Bank was the defendant in 47 cases from this category for which AVAS subrogation has not yet been operated base on Emergency Ordinance no. 85/2004, the total value of probable claims were RON 26,985,297 thousand, USD 37,339,774.24, EUR 2,078,663.8, Greek Drahmas (GRD) 10 billion, 65,914.33 Russian Rubles (RUR) and 2,000 Deutsche Marks (DEM).

32. Commitments and contingencies *(continued)*

The Bank continues to be subject to a number of litigations resulting from the activity of former Bancorex, which, according to Emergency Government Ordinance 85/2004, are to be transferred to AVAS at the first hearing in court established in each case. The management of the Bank believes that such actions will not significantly impact the economic results and financial position of the Bank. Out of the total USD amount of 37,339,774.24 the amount of USD 18,442,740 represents Romanoexport debts for which AVAS was subrogated in accordance with Emergency Ordinance 85/2004.

Other litigations

As at 31 December 2005 the Bank was involved in the normal course of its business in a number of 712 other litigations as defendant out of which for 150 litigations the claims were quantifiable. Based on the internal procedure of the Bank's legal department to assess the litigations in accordance with IAS 37 "Provisions, contingent liabilities and contingent assets", the Bank recorded provisions for litigations in amount of RON 1,167 thousand (31 December 2004: RON 7,428 thousand) (see note 28). In the opinion of management, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amount provided at 31 December 2005.

With the exception of the litigations presented above, as at 31 December 2005 the Group is not involved in any other significant litigations.

Credit related commitments

At any time the Group has outstanding commitments to extend credit. These commitments take the form of approved loans and overdraft facilities. Outstanding loan commitments have a commitment period that does not extend beyond the normal underwriting and settlement period of one month to one year. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to one year. Expirations are not concentrated in any period.

The contractual amounts of commitments and contingent liabilities are set out in the following table by category. The amounts reflected in the table as commitments assume that amounts are fully advanced. The amounts reflected in the table as guarantees and letters of credit represent the maximum accounting loss that would be recognized at the balance sheet date if counterparties failed completely to perform as contracted.

Commitments to extend credit represent unused portions of authorisations to extend credit for loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

32. Commitments and contingencies *(continued)*

RON thousand	Group 31 December 2005	Group 31 December 2004	Bank 31 December 2005	Bank 31 December 2004
Letters of guarantee	3,499,549	3,321,437	3,436,584	3,169,258
Letters of credit	184,261	333,040	158,363	328,800
Undrawn commitments	3,371,416	1,581,499	3,297,910	1,480,364
Total	**7,055,226**	**5,235,976**	**6,892,857**	**4,978,422**

As at 31 December 2005 the Bank has recorded no provision for letter of guarantee (31 December 2004: RON 11,345 thousand).

33. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2005 are detailed below. Transactions were entered into with related parties during the course of business at market rates.

Transactions with shareholders

The Romanian State, through AVAS as the Bank's shareholder, has a significant influence over the Bank's operating and financial policies. The Bank entered into a number of banking transactions with organizations and companies controlled by the Romanian State in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rates.

The Group entered into a number of banking transactions with the other shareholders in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rates.

33. Related party transactions *(continued)*

The following transactions were carried out with its shareholders AVAS, SIF Banat-Crisana SA, SIF Moldova SA, SIF Muntenia SA, SIF Oltenia SA, SIF Transilvania SA, EBRD and IFC:

	Group		Bank	
RON thousand	**31 December 2005**	**31 December 2004**	**31 December 2005**	**31 December 2004**
Assets				
Investment securities available-for-sale	19,217	2,372	19,217	2,372
Total	**19,217**	**2,372**	**19,217**	**2,372**
Liabilities				
Deposits from customers	104,461	8,518	104,461	8,518
Loans from banks and other financial institutions	746,335	488,767	704,760	483,507
Other liabilities	-	534	-	534
Total	**850,796**	**497,819**	**809,221**	**492,559**
	2005	**2004**	**2005**	**2004**
Income *				
Interest and dividend income	155	117	155	117
Commission income	1,298	2,630	1,298	2,630
Total	**1,453**	**2,747**	**1,453**	**2,747**
Expenses *				
Interest expense	31,175	2,522	30,938	2,498
Commission expense	4,589	179	4,589	174
Total	**35,764**	**2,701**	**35,527**	**2,672**

* information available for 10 months of 2004

33. Related party transactions *(continued)*

Transactions with management of the Bank

The Group entered into a number of banking transactions with the management of the Bank in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rates. The following transactions were carried out with the management:

	Group		Bank	
RON thousand	**31 December 2005**	**31 December 2004**	**31 December 2005**	**31 December 2004**
Assets				
Loans and advances to customers	2,720	1,327	2,720	1,055
Other assets	-	20	-	20
Total	**2,720**	**1,347**	**2,720**	**1,075**
Liabilities				
Deposits from customers	16,807	6,486	16,807	6,486
Other liabilities	-	2	-	-
Total	**16,807**	**6,488**	**16,807**	**6,486**

	2005	**2004**	**2005**	**2004**
Interest and commission income *	194	122	194	93
Interest and other expenses *	1,032	557	1,032	355

* information available for 10 months of 2004

Expenses with salaries of key management of the Bank during 2005 were RON 32,551 thousand (2004: RON 27,334 thousand).

33. Related party transactions (continued)

Transactions with subsidiaries

The Bank holds investments in subsidiaries (refer to Note 20) with whom it entered into a number of banking transactions in the normal course of business. These transactions were carried out on commercial terms and conditions and at market rates. The following transactions were carried out with subsidiaries:

RON thousand	**31 December 2005**	**31 December 2004**
Assets		
Cash and cash equivalents	2,517	1,571
Placements with banks	189,614	188,482
Loans and advances to banks	29,845	30,520
Loans and advances to customers	442,719	366,872
Investment securities, available for sale	1,292	1,294
Other assets	5	-
Total	**665,992**	**588,739**
Liabilities		
Deposits from banks	58,052	1,475
Deposits from customers	139,223	83,146
Loans from banks and other financial institutions	2,721	5,184
Other liabilities evidenced by paper	22,120	-
Other liabilities and provisions	32,409	32,315
Total	**254,525**	**122,120**

33. Related party transactions (continued)

Transactions with subsidiaries *(continued)*

RON thousand	2005	2004
Interest income	38,096	26,230
Commission income	3,774	2,154
Other income	52,750	19,699
Total	**94,620**	**48,083**
Interest expense	13,739	9,869
Commission expense	6,977	352
Insurance expense	-	21,514
Other expenses	27,651	47,926
Total	**48,367**	**79,661**

34. Fair value of financial instruments

Fair value is the amount for which an instrument could be exchanged between knowledgeable and willing parties in an arms length transaction. It represents a general approximation of possible value and may never be effectively realized.

The Group is currently in the process of designing a plan for implementation of the IFRS requirements to assess the fair value of each class of financial instruments that are not presented on the Group's balance sheet at their fair value. The implementation of these requirements will enable the determination of fair value estimate based on discounted cash flows using market interest rates for financial instruments with similar risk characteristics and remaining maturities at reporting date.

Placements with banks: The Group's short-term placements with banks include current accounts and deposits with banks. The fair value of floating rate placements and overnight deposits is their carrying amount. Fixed interest bearing deposits mature in less than three months and it is assumed that their fair values are not significantly different from its carrying value and are convertible into cash or are settled without significant transaction costs.

Loans and advances to customers and banks: These are net of provisions for impairment losses. For loans that have floating rate interest cash flows or maturing within one year it is assumed that their fair value is not significantly different from carrying value. The estimated fair value of loans and advances with fixed rate interest cash flows and with changes in credit status since inception are estimated based on discounted cash flows at current market rates. The Group has not estimated the fair value of loans and advances to customers and banks at 31 December 2005 as it was impracticable to do so for the very large number of individual loans using the decentralised reporting system currently used by the Bank.

34. Fair value of financial instruments (continued)

The Bank is currently in the process of implementing a centralised reporting system where it will consider estimating the fair value of loans and advances whose fair value may be significantly different from their carrying value.

Investment securities: These include only debt securities held to maturity and available-for-sale equity investments are measured at cost. Fair value of the Bank's debt instruments held-to-maturity has been estimated based on discounted cash flow techniques at the balance sheet date without any deduction for transaction costs. Fair value of the held-to-maturity debt securities amounted to RON 50,341 thousand at 31 December 2005 (31 December 2004: RON 114,369 thousand). Where discounted cash flow techniques are used for debt securities, future cash flows are based on the contractual repayment schedule and the discount rate is the average yield obtained from the inter-banking market at the balance sheet date. Assets available-for-sale comprises a number of unlisted equity instruments without quoted prices and it was impossible to reliably estimate a fair value with alternative methods.

Deposits from banks and customers: For demand deposits and deposits with no defined maturities, fair value is taken to be the amount payable on demand at the balance sheet date. For deposits maturing within one-year, it is assumed that their fair value is not significantly different from carrying value. The estimated fair value of fixed-maturity deposits, including certificates of deposit, is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. The Group has not estimated the fair value of deposits from banks and customers at 31 December 2005 as it was impracticable to do so for the very large number of deposits from banks and customers using the decentralised reporting system currently used by the Group. The Bank is currently in the process of implementing a centralised reporting system where it will consider estimating the fair value of deposits from banks and customers whose fair value may be significantly different from their carrying value.

Loans from banks and other financial institutions: The fair value of loans from banks and other financial institutions is based on the present value of future cash flows, discounted at interest rates available at the balance sheet date to the Group for new debt with similar remaining maturity as no quoted market price is available. The Group has not estimated the fair value of loans from banks and financial institutions at 31 December 2005 as it was impracticable to do so. The Bank is currently in the process of implementing a reporting system where it will consider estimating the fair value of loans from banks and other financial institutions whose fair value may be significantly different from their carrying value.

Liabilities evidenced by paper: The fair value of the bonds issued is calculated based on quoted ask market prices at balance sheet date. Fair value of the bonds issued by the Group amounted to RON 1,852,658 thousand at 31 December 2005 (31 December 2004: RON 1,406 thousand).

35. Foreign currency positions

The amounts of assets and liabilities held by the Group in RON and in foreign currencies as at 31 December 2005, can be analysed as follows:

In RON thousand	RON	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	583,775	49,983	141,340	15,836	**790,934**
Due from the central banks	3,981,650	1,214,344	2,529,166	5,767	**7,730,927**
Placements with banks	148,133	1,621,036	199,940	143,793	**2,112,902**
Financial assets at fair value through profit and loss	152,943	145,892	487,721	-	**786,556**
Loans and advances to banks	-	305,587	31,664		**337,251**
Loans and advances to customers	5,236,274	1,243,638	5,110,266	4,739,784	**16,329,962**
Investment securities, available-for-sale	3,707,387	60,395	123,923	2,638	**3,894,343**
Equity investments	41,605	287	11,331	-	**53,223**
Deferred tax asset	3,714	-	9,814	-	**13,528**
Property and equipment	1,820,346	-	2,008	408	**1,822,762**
Intangible assets	179,767	-	629	29	**180,425**
Other assets	92,288	10,913	55,131	5,227	**163,559**
Total assets	**15,947,882**	**4,652,075**	**8,702,933**	**4,913,482**	**34,216,372**
Liabilities					
Deposits from banks	149,898	318,951	443,769	10,287	**922,905**
Deposits from customers	11,707,345	1,774,796	3,684,598	4,920,738	**22,087,477**
Loans from banks and other financial institutions	2,780	2,264,436	2,630,909	446	**4,898,571**
Other liabilities evidenced by paper	2,157	-	1,802,410	-	**1,804,567**
Other liabilities and provisions	446,498	23,781	19,528	2,285	**492,092**
Deferred tax liabilities	-	-	2,744	15	**2,759**
Total liabilities	**12,308,678**	**4,381,964**	**8,583,958**	**4,933,771**	**30,208,371**
Net assets/(liabilities)	**3,639,204**	**270,111**	**118,975**	**(20,289)**	**4,008,001**

35. Foreign currency position *(continued)*

The amounts of assets and liabilities held by the Bank in RON and in foreign currencies as at 31 December 2005, can be analysed as follows:

In RON thousand	RON	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	573,125	47,680	130,837	14,989	**766,631**
Due from the central banks	3,955,976	1,212,785	2,464,021	-	**7,632,782**
Placements with banks	124,717	1,682,508	197,653	137,023	**2,141,901**
Financial assets at fair value through profit and loss	141,606	145,892	487,722	-	**775,220**
Loans and advances to banks	-	11,007	18,838	-	**29,845**
Loans and advances to customers	5,551,724	997,582	4,265,119	4,721,629	**15,536,054**
Investment securities, available-for-sale	3,669,804	-	-	-	**3,669,804**
Investment securities, held-to-maturity	-	50,341	-	-	**50,341**
Equity investments	171,767	37,924	202,062	-	**411,753**
Deferred tax asset	6,393	-	-	-	**6,393**
Property and equipment	1,623,953	-	-	-	**1,623,953**
Intangible assets	177,213	-	-	-	**177,213**
Other assets	34,309	5,679	13,327	4,526	**57,841**
Total assets	**16,030,587**	**4,191,398**	**7,779,579**	**4,878,167**	**32,879,731**
Liabilities					
Deposits from banks	126,964	194,160	61,556	4,995	**387,675**
Deposits from customers	11,758,403	1,726,666	3,573,213	4,911,448	**21,969,730**
Loans from banks and other financial institutions	2,781	2,264,430	2,407,545	446	**4,675,202**
Other liabilities evidenced by paper	-	-	1,824,530	-	**1,824,530**
Other liabilities and provisions	205,359	22,109	31,848	-	**259,316**
Total liabilities	**12,093,507**	**4,207,365**	**7,898,692**	**4,916,889**	**29,116,453**
Net assets/(liabilities)	**3,937,080**	**(15,967)**	**(119,113)**	**(38,722)**	**3,763,278**

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Bank and Consolidated

35. Foreign currency position *(continued)*

The amounts of assets and liabilities held by the Group in RON and in foreign currencies as at 31 December 2004, can be analysed as follows:

In RON thousand	RON	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	250,207	40,445	121,795	16,929	**429,376**
Due from the central banks	4,927,680	2,155,186	56,993	8,342	**7,148,201**
Placements with banks	54,518	92,257	518,985	156,499	**822,259**
Financial assets at fair value through profit and loss	2,380,157	653,119	790,746	7,112	**3,831,134**
Loans and advances to banks	-	80,182	2,154	2,576	**84,912**
Loans and advances to customers	5,405,549	1,593,317	3,746,914	14,500	**10,760,280**
Equity investments	29,121	24,185	11,102	-	**64,408**
Deferred tax asset	-	-	-	-	**-**
Property and equipment	1,774,364	-	3,126	314	**1,777,804**
Intangible assets	161,121	-	-	25	**161,146**
Other assets	73,958	23,739	24,975	1,095	**123,767**
Total assets	**15,056,675**	**4,662,430**	**5,276,790**	**207,392**	**25,203,287**
Liabilities					
Deposits from banks	44,977	479,996	358,717	9,523	**893,213**
Deposits from customers	11,108,415	2,426,288	4,047,870	181,485	**17,764,058**
Loans from banks and other financial institutions	1,029	1,396,068	1,024,997	1,688	**2,423,782**
Other liabilities evidenced by paper	-	-	1,406	-	**1,406**
Other liabilities and provisions	307,946	23,079	49,715	5,215	**385,955**
Deferred tax liability	18,419	-	-	-	**18,419**
Total liabilities	**11,480,786**	**4,325,431**	**5,482,705**	**197,911**	**21,486,833**
Net assets/(liabilities)	**3,575,889**	**336,999**	**(205,915)**	**9,481**	**3,716,454**

35. Foreign currency position *(continued)*

The amounts of assets and liabilities held by the Bank in RON and in foreign currencies as at 31 December 2004, can be analysed as follows:

In RON thousand	RON	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	243,208	36,566	117,326	15,259	**412,359**
Due from the central banks	4,904,972	2,154,216	-	-	**7,059,188**
Placements with banks	32,983	77,585	457,976	152,577	**721,121**
Financial assets at fair value through profit or loss	2,348,685	515,150	535,802	-	**3,399,637**
Loans and advances to banks	-	10,203	20,317	-	**30,520**
Loans and advances to customers	5,401,787	1,472,633	3,408,070	6,288	**10,288,778**
Investment securities, held-to-maturity	-	71,110	40,944	-	**112,054**
Equity investments	242,827	41,378	114,533	-	**398,738**
Property and equipment	1,599,569	-	-	-	**1,599,569**
Intangible assets	160,618	-	-	-	**160,618**
Other assets	26,503	22,440	7,934	123	**57,000**
Total assets	**14,961,152**	**4,401,281**	**4,702,902**	**174,247**	**24,239,582**
Liabilities					
Deposits from banks	43,945	298,168	163,194	4,744	**510,051**
Deposits from customers	11,112,264	2,373,115	3,936,878	174,831	**17,597,088**
Loans from banks and other financial institutions	793	1,408,921	963,995	1,452	**2,375,161**
Other liabilities and provisions	205,485	24,038	31,543	2,016	**263,082**
Deferred tax liability	15,962	-	-	-	**15,962**
Total liabilities	**11,378,449**	**4,104,242**	**5,095,610**	**183,043**	**20,761,344**
Net assets/(liabilities)	**3,582,703**	**297,039**	**(392,708)**	**(8,796)**	**3,478,238**

36. Maturity analysis

The assets and liabilities of the Group analyzed over the remaining period from 31 December 2005 to contractual maturity are as follows:

In RON thousand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total
Assets						
Cash and cash equivalents	790,934	-	-	-	-	**790,934**
Due from the central banks	7,728,085	-	-	-	2,842	**7,730,927**
Placements with banks	2,058,152	54,750	-	-	-	**2,112,902**
Financial assets at fair value through profit and loss	22,706	178,253	310,599	212,675	62,323	**786,556**
Loans and advances to banks	33,328	254,932	48,991	-	-	**337,251**
Loans and advances to customers	2,171,972	5,057,673	5,125,748	3,974,569	-	**16,329,962**
Investment securities, available-for-sale	3,167,199	56,003	602,611	62,930	5,600	**3,894,343**
Equity investments	-	-	-	-	53,223	**53,223**
Deferred tax asset	-	-	9,814	-	3,714	**13,528**
Property and equipment	1,230	-	-	-	1,821,532	**1,822,762**
Intangible assets	-	-	-	-	180,425	**180,425**
Other assets	133,958	27,499	1,663	-	439	**163,559**
Total assets	**16,107,564**	**5,629,110**	**6,099,426**	**4,250,174**	**2,130,098**	**34,216,372**
Liabilities						
Deposits from banks	325,729	119,035	478,141	-	-	**922,905**
Deposits from customers	18,367,591	3,141,834	559,900	18,152	-	**22,087,477**
Loans from banks and other financial institutions	669,807	952,983	2,937,321	338,460	-	**4,898,571**
Deferred tax liabilities	-	-	-	-	2,759	**2,759**
Other liabilities evidenced by paper	-	-	1,804,567	-	-	**1,804,567**
Other liabilities and provisions	472,679	10,326	1,682	6,634	771	**492,092**
Total liabilities	**19,835,806**	**4,224,178**	**5,781,611**	**363,246**	**3,530**	**30,208,371**
Maturity surplus/ (shortfall)	**(3,728,242)**	**1,404,932**	**317,815**	**3,886,928**	**2,126,568**	**4,008,001**

36. Maturity analysis *(continued)*

The assets and liabilities of the Bank analysed over the remaining period from the 31 December 2005 to contractual maturity are as follows:

In RON thousand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total
Assets						
Cash and cash equivalents	766,631	-	-	-	-	**766,631**
Due from the central banks	7,632,663	-	-	-	119	**7,632,782**
Placements with Banks	2,099,616	42,285	-	-	-	**2,141,901**
Financial assets at fair value through profit and loss	22,616	178,253	311,891	212,675	49,785	**775,220**
Loans and advances to banks	-	-	-	29,845	-	**29,845**
Loans and advances to customers	2,053,419	4,712,072	4,802,712	3,967,851	-	**15,536,054**
Investment securities, available-for-sale	3,134,586	-	494,411	40,807	-	**3,669,804**
Investment securities, held-to-maturity	11,481	24,252	14,609	-	-	**50,341**
Equity investments	-	-	-	-	411,753	**411,753**
Deferred tax asset	-	-	-	-	6,393	**6,393**
Property and equipment	693	-	-	-	1,623,260	**1,623,953**
Intangible assets	-	-	-	-	177,213	**177,213**
Other assets	57,841	-	-	-	-	**57,841**
Total assets	**15,779,546**	**4,956,861**	**5,623,623**	**4,251,178**	**2,268,523**	**32,879,731**
Liabilities						
Deposits from banks	206,228	-	181,447	-	-	**387,675**
Deposits from customers	18,232,682	3,177,663	542,361	17,024	-	**21,969,730**
Loans from banks and other financial institutions	45,660	1,130,641	3,190,291	308,610	-	**4,675,202**
Other liabilities evidenced by paper	-	-	1,824,530	-	-	**1,824,530**
Other liabilities and provisions	235,341	19,459	4,516	-	-	**259,316**
Total liabilities	**18,719,911**	**4,327,763**	**5,743,145**	**325,634**	**-**	**29,116,453**
Maturity surplus/ (shortfall)	**(2,940,365)**	**629,098**	**(119,522)**	**3,925,544**	**2,268,523**	**3,763,278**

36. Maturity analysis *(continued)*

The assets and liabilities of the Group analysed over the remaining period from 31 December 2004 to contractual maturity are as follows:

In RON thousand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total
Assets						
Cash and cash equivalents	429,376	-	-	-	-	**429,376**
Due from the central banks	7,148,201	-	-	-	-	**7,148,201**
Placements with banks	810,278	11,981	-	-	-	**822,259**
Financial assets at fair value through profit or loss	2,288,271	312,878	808,490	389,141	32,354	**3,831,134**
Loans and advances to banks	74,358	7,759	2,795	-	-	**84,912**
Loans and advances to customers	2,320,402	3,787,026	3,547,640	1,105,212	-	**10,760,280**
Equity investments	-	-	-	-	64,408	**64,408**
Property and equipment	-	-	-	-	1,777,804	**1,777,804**
Intangible assets	-	-	-	-	161,146	**161,146**
Other assets	79,745	12,108	286	-	31,628	**123,767**
Total assets	**13,150,631**	**4,131,752**	**4,359,211**	**1,494,353**	**2,067,340**	**25,203,287**
Liabilities						
Deposits from banks	411,395	298,856	177,037	5,925	-	**893,213**
Deposits from customers	15,489,287	1,951,465	315,682	2,809	4,815	**17,764,058**
Loans from banks and other financial institutions	161,407	249,964	1,921,973	90,438	-	**2,423,782**
Other liabilities evidenced by paper	145	-	1,261	-	-	**1,406**
Other liabilities and provisions	344,347	8,468	322	6,600	26,218	**385,955**
Deferred tax liability	-	-	-	-	18,419	**18,419**
Total liabilities	**16,406,581**	**2,508,753**	**2,416,275**	**105,772**	**49,452**	**21,486,833**
Maturity surplus/ (shortfall)	**(3,255,950)**	**1,622,999**	**1,942,936**	**1,388,581**	**2,017,888**	**3,716,454**

36. Maturity analysis *(continued)*

The assets and liabilities of the Bank analysed over the remaining period from the 31 December 2004 to contractual maturity are as follows:

In RON thousand	Up to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total
Assets						
Cash and cash equivalents	412,359	-	-	-	-	**412,359**
Due from the central banks	7,059,188	-	-	-	-	**7,059,188**
Placements with Banks	712,904	8,217	-	-	-	**721,121**
Financial assets at fair value through profit or loss	2,208,714	156,300	648,311	371,860	14,452	**3,399,637**
Loans and advances to banks	154	-	-	30,366	-	**30,520**
Loans and advances to customers	2,184,880	3,551,231	3,441,732	1,110,935	-	**10,288,778**
Investment securities, held-to-maturity	14,553	64,690	32,811	-	-	**112,054**
Equity investments	-	-	-	-	398,738	**398,738**
Property and equipment	-	-	-	-	1,599,569	**1,599,569**
Intangible assets	-	-	-	-	160,618	**160,618**
Other assets	36,093	-	-	-	20,907	**57,000**
Total assets	**12,628,845**	**3,780,438**	**4,122,854**	**1,513,161**	**2,194,284**	**24,239,582**
Liabilities						
Deposits from banks	185,204	154,217	170,630	-	-	**510,051**
Deposits from customers	15,316,427	1,967,409	310,634	2,618	-	**17,597,088**
Loans from banks and other financial institutions	166,735	233,509	1,884,479	90,438	-	**2,375,161**
Other liabilities and provisions	212,034	16,926	8,277	-	25,845	**263,082**
Deferred tax liability	-	-	-	-	15,962	**15,962**
Total liabilities	**15,880,400**	**2,372,061**	**2,374,020**	**93,056**	**41,807**	**20,761,344**
Maturity surplus/ (shortfall)	**(3,251,555)**	**1,408,377**	**1,748,834**	**1,420,105**	**2,152,477**	**3,478,238**

37. Interest rate risk

The following table shows the interest rates obtained or offered by the Group as at 31 December 2005 for its interest-bearing assets and liabilities:

	RON Range		USD Range		EUR Range	
%	Min.	Max.	Min.	Max.	Min.	Max.
Assets						
Current accounts with central banks	1.50	6	0.48	0.75	0.48	0.70
Placements and loans and advances to banks	5	25	0.10	4.55	1.30	4.06
Investment securities, available-for-sale	6.75	18.75	3.92	6.75	2.74	4.48
Loans and advances to customers	8.90	36	6	14	3	15
Liabilities						
Deposits from banks	3.00	23.40	0.5	5.95	0.5	3.91
Deposits from customers	0.10	18	0.50	3.75	0.50	4
Loans from banks and other financial institutions	-	-	2.40	6.5	2.71	6.50

The following table shows the interest rates obtained or offered by the Bank during 2005 for its interest-bearing assets and liabilities:

	RON Range		USD Range		EUR Range	
%	Min.	Max.	Min.	Max.	Min.	Max.
Assets						
Current accounts with central bank	6	6	0.75	0.75	-	-
Placements and loans and advances to banks	5.00	25.00	0.10	4.28	1.30	4.06
Investment securities, available-for-sale	17.24	18.75	4.98	5	-	-
Investment securities, held-to-maturity	11.50	21.00	6.22	6.51	5.75	11.5
Loans and advances to customers	17	36	6	14	6	14
Liabilities						
Deposits from banks	3.00	23.40	0.5	2.30	0.5	2.35
Deposits from customers	14	18	2	3.75	2.75	4
Loans from banks and other financial institutions	-	-	2.40	5.23	2.71	6.50

37. Interest rate risk *(continued)*

The following table shows the interest rates obtained or offered by the Group as at 31 December 2004 for its interest-bearing assets and liabilities:

	RON Range		**USD Range**		**EUR Range**	
%	Min.	Max.	Min.	Max.	Min.	Max.
Assets						
Current accounts with central banks	6	6	0.75	0.75	-	-
Placements and loans and advances to banks	3	22	0.10	7.50	1	4
Investment securities, available-for-sale	11.50	21.00	1.98	6.75	2.74	11.63
Loans and advances to customers	17	36	2.69	14	1.60	17
Liabilities						
Deposits from banks	12	21.50	0.5	2.70	0.5	3.93
Deposits from customers	14	38	1.25	3.75	1.25	4
Loans from banks and other financial institutions	-	-	2.35	5.23	2.25	6.50

The following table shows the interest rates obtained or offered by the Bank as at 31 December 2004 for its interest-bearing assets and liabilities:

	RON Range		**USD Range**		**EUR Range**	
%	Min.	Max.	Min.	Max.	Min.	Max.
Assets						
Current accounts with central bank	6	6	0.75	0.75	-	-
Placements and loans and advances to banks	16.75	17.75	0.10	4.28	1.98	2.92
Investment securities, available-for-sale	17.24	18.75	4.98	5	-	-
Investment securities, held-to-maturity	11.50	21.00	6.22	6.51	5.75	11.5
Loans and advances to customers	17	36	6	14	6	14
Liabilities						
Deposits from banks	16	17.25	0.5	2.30	0.5	2.28
Deposits from customers	14	18	2	3.75	2.75	4
Loans from banks and other financial institutions	-	-	2.40	5.23	2.71	6.50

38. Privatisation of the Bank

At 21 December 2005, AVAS, IFC and EBRD, as the shareholders of the Bank, and Erste Bank der Oesterreichischen Sparkassen AG (hereinafter referred to as “Erste Bank”), as buyer, signed the sale-purchase contracts for a stakeholding of 61.8825% in the Bank’s shares at 7.65 Euro per share. The total purchase price agreed with Erste Bank for the 490,399,321 shares sold by AVAS, IFC and EBRD amounted to Euro 3,751,554,805.

In accordance with these sale-purchase contracts, Erste Bank, as the new major shareholder of the Bank, will take over the stakeholding of 36.8825% minus 2 shares held by AVAS and the stakeholding of 25% plus 2 shares held by IFC and EBRD.

In accordance with the shares sale-purchase agreement concluded between AVAS and Erste Bank, the new shareholder of the Bank will pay for the stakeholding of 292,282,131 shares held by AVAS the price of Euro 2,235,958,302.

39. Reconciliation of profit under IFRS and Romanian Accounting Standards

In RON thousand	**2005 Bank**
Net profit under Romanian Accounting Standards	742,345
Additional depreciation charge and loss on disposals of fixed assets	(3,255)
Net charge on provisions	(43,620)
Adjustments related to equity investments	(17,934)
Fair value and foreign exchange adjustments related to debt securities	(22,960)
Adjustments related to linear amortised cost of loans and advances to customers	(84,423)
Adjustments related to amortised cost of loans from banks and other financial institutions	14,505
Deferred tax income	22,355
Other items	(763)
Net profit for the year under IFRS	**606,250**

40. Subsequent events

Change in minimum reserve requirements

Starting with February 2006, in accordance with the new regulations issued by the National Bank of Romania, the minimum reserve held by the Bank with the National Bank of Romania is 40% for USD and EUR denominated funds attracted.

Distribution of dividends

In March 2006, the Bank's Supervisory Board proposed to the General shareholders' meeting of the Bank the statutory distribution of dividends for the year ended 31 December 2005 in the amount of RON 359,935 thousand.