MAIN EVENTS 2005

January Following the agreement signed with the National Authority for Customs, BCR launches the *electronic settlement of custom duties* for its corporate customers with import - export activities.

February Our customers are offered 4 new products: the *multi-product loan facility*, *the financing line for investment projects of the local public administration authorities* and *the loan for financial investments* for corporates and *ESPRO* for retail customers. True to the best governance practices, BCR launches the ***comunic@bcr*** newsletter, thus taking steps to build a transparent, well-balanced relationship with its employees.

March Corporate and retail customers are offered one new product each: the *medium term deposit for corporate customers* and the *Comod BCR savings account in foreign currency*, respectively. BCR raises a *USD 400 million syndicated loan* from the international market, with no guarantees. The loan represents the largest foreign financing ever obtained by a Romanian company. The Bank also implements a *capital allocation system by business lines*.

April BCR presents the first *quarterly consolidated financial statements* in accordance with the International Financial Reporting Standards for the quarter ended 31 March. BCR receives the *Award for more than one million money transfers performed in a one-year period*. Once again BCR proves to be the genuine pioneer of the Romanian banking system, enabling its customers to *use smart cards at its POS and ATM network*.

May BCR provides the *online cards' issuance*, aiming to meet customer requirements in respect of obtaining a card in the shortest period, in a comfortable and modern manner, by accessing BCR's website and choosing the Cards Online application. BCR involves in helping the Romanian citizens in need, by donating more than RON 700,000 to the families severely inflicted by the floods that damaged four counties in the Western parts of the country.

June The Bank launches the *multi-currency facility* for corporate customers and Maxicont BCR for retail customers. BCR raises *USD 75 million* from the international capital market, through a *multi-currency syndicated loan* granted for a three-year period. The facility will be reimbursed in five equal instalments, starting 12 months after the agreement is signed. BCR receives the "*Award for the most competitive internet-banking service in 2004*" for its IT solution, e-BCR, from the "e-Finance" magazine.

MAIN EVENTS 2005

July BCR launches the *credit line for exchange rate forwards* for its corporate customers. Again BCR effectively supports the Romanian citizens affected by the second wave of floods in the Eastern parts of the country, giving more than RON 370,000 in food products.

August BCR launches the *BCR-Altex co-branded credit card*, a modern instrument, which blends in an extraordinary manner the advantages of the consumer loan with those of the classic credit card, matching perfectly the customers' demands, just as the whole range of products offered by BCR.

September BCR is awarded "*Bank of the Year*" by the prestigious magazine The Banker, as a reflection of its success and extraordinary achievements. BCR Group intermediates *the issuance of serial municipal bonds* for Alba Iulia town - the largest bond-based loan - RON 24.5 million - with the longest maturity - 20 years - after the WWII. The bonds' face value is RON 100 and the interest rate is floating, with the possibility to be adjusted semi-annually. BCR becomes a *full member of Factors Chain International*.

October BCR's CEO, Dr. Nicolae Dănilă, opens the first corporate university in Romania - *BCR University*, created with the intention to transform individual training into organisational knowledge. BCR grants its annual awards "*Perseverance in Excellence*" to two important scientists, Academician Anghel Rugină and Professor Vitalie Belousov, in recognition of their important contribution to the global economy and science, respectively. BCR, together with other four Group members, set up BCR Asigurări de Viață SA, aiming to develop the modern "integrated financial solutions" concept by providing BCR corporate and retail customers with life insurance products. BCR launches *fixed interest bearing Eurobonds on the international market*, the initial amount announced by the Bank being EUR 300 million. The transaction closed at the aggregate amount of EUR 500 million, the largest bond issue ever performed by a Romanian private company. BCR opens the Dristor Agency, the *350th unit* of its network.

November BCR installs the *ATM number 1,000*.

December The Authority for the Recovery of State Assets (AVAS) announces the *new majority shareholder of BCR - ERSTE BANK AG*, who shall take over the Bank by purchasing 61.8825% of the shares, at a price of EUR 7.65 for a share, thus leading to a total price of the transaction of EUR 3,751,554,805. BCR opens *Romană Agency, the 370th unit of the BCR branch network*, in downtown Bucharest, implementing as a premiere for BCR, the modern concept of self-banking. The Bank also opens BCR Café as an extension of Romană Agency, especially conceived for offering customers an informal place for doing businesses over a cup of coffee, read the financial press, watch the Reuters news, indicators and TV news. BCR is awarded the *Romanian Quality Award "J.M. JURAN"* for extraordinary performances regarding managerial excellence. BCR Asset Management launches the *third open-ended Investment Fund, BCR Expert*, which will mainly invest in shares of companies listed on the Bucharest Stock Exchange. BCR launches TRABEX, a new money transfer service and the *co-branded credit card BCR - Depozitul de Calculatoare*, for its retail customers.

BCR Management

SUPERVISORY BOARD

(as of December 31, 2005)

Dr. Daniel Dăianu	Chairman
Dr. Thomas Krayenbuehl	Vice-Chairman
Oliver Greene	Member
Gheorghe Ionescu	Member
Jozsef Birtalan	Member
Mihai Fercală	Member
Drd. Teodor Mihăescu	Member

- On April 22, 2005, the General Shareholders' Meeting appointed Mr. Sebastian Vlădescu as Chairman of the Supervisory Board and Mr. Gheorghe Ionescu as member of the Supervisory Board, replacing Mr. Ionel Desmireanu.
- On September 23, 2005, the General Shareholders' Meeting appointed Mr. Daniel Dăianu as Chairman of the Supervisory Board, replacing Mr. Sebastian Vlădescu and also Mr. Mihai Fercală as member, replacing Mrs. Marioara Mema.

EXECUTIVE COMMITTEE

(as of December 31, 2005)

Dr. Nicolae Dănilă	Chief Executive Officer
Drd. Dănuț Bunea	Executive Vice President, CFO
Drd. Jean Andronie	Executive Vice President, Corporate Banking
Dr. Natalița Hurduc	Executive Vice President, Retail Banking
Petre Preda	Executive Vice President, COO
Dr. Ilie Mihai	Executive Vice President, Risk Management

EXTERNAL AUDITOR

KPMG

Message from the CEO

Dear shareholders, customers and employees, Ladies and gentlemen,

It is with great pleasure that I bring you the 2005 Consolidated Annual Report of Banca Comerciala Romana Group, which honours our achievements and proves once again that our commitment to deliver high performance translates into success for all our stakeholders.

In 2005, we embraced excellence, embodying it in our products and services, subtracting it from sound-established and straightforward goals and Strategy, combining it with the talent and skills of our strong team of professionals.

BCR Group continued to develop its businesses, products, services and branch network, achieving higher levels of profitability and, thus, delivering outstanding earnings growth for shareholders. Even in the current ever more challenging economic conditions, we positioned ourselves as the incontestable market leader and market-maker in terms of profit, assets and other important financial ratios. The net profit amounted to EUR 178 million, on an IFRS basis, (+10.5% as compared to year-end 2004), not only exceeding forecasts, but also accounting for 35% of the net profit of the entire Romanian banking system. Moreover, BCR Group constantly boosted its financial strength, based on improved efficiency, gaining a consistent increase in assets, up to approximately EUR 9 billion.

Gross loans increased in real terms by 37.2%, more than a twofold growth compared to the target, with retail loans to total loans reaching 37.9%, all combined with a prudent, but unrestricted lending behaviour and a healthier portfolio, backed by a diminished non-performing loan ratio.

Overall, 2005 was a year of utmost importance for BCR Group. A year of excellence in satisfying customer requirements, employing commitment to helping them achieve high performances, choosing clear priorities to *maximise structural economic advantage, promoting values and quality, creativity and transparency, respect for the individual and integrity.*

We substantially invested in innovation, aiming to reinforce the durable relationship with our customers and to accelerate growth, driven by the strong aspiration to position ourselves ahead of our competitors. We take pride in our merit to develop and implement high quality products and services, to build, nurture and expand "the power of team and partnership", to create robust success supported by industrious efforts and hard work, by commitment and market focus.

We continued to deliver profitable lending solutions and quality service to all our ***corporate customers****. We expressed our unceasing support, by actively taking part in creating prosperity and progress for the Romanian companies. While other banks think "competition", BCR thinks "partnership", evolving at the same time with its blue chips, large companies, SMEs or municipalities customers, not only by creating 9 new products or improving 12 existing ones for them, but also by gaining a clear, deep understanding of their needs. Furthermore, we created a fortunate convergence between organisational objectives and customer satisfaction, managing 81 structural programs, 11 foreign financing lines and 30 agreements for foreign financing.*

BCR Group took advantage of all the opportunities arisen in the market, employing well established strategies, creating and sustaining value, delivering outstanding customer service in a personal, friendly manner, a behaviour that our ***retail customers*** *recognised as "making a difference" in the Romanian banking system. In 2005, we launched 10 new retail products and services and improved on other 27. The assortment of means and channels, from the Customer Relationship Management programs to the Contact Center, e-banking and other various partnerships, associated with the second largest branch network in Romania (372 outlets as of year-end 2005) led to enhanced customer loyalty, brand awareness and substantial mutual growth.*

2005 was the year of maximising our continuous efforts in aligning to international standards in ***risk management*** *and in setting trends on the Romanian market. In this respect, by implementing the requirements of the Pillar one of the Basel II regulations and the capital allocation model by business lines, BCR not only* *designed its risk management activities to protect its long-term sustainability and strength, but also transformed itself into a role-model for all Romanian banks, thus proving once again its excellence.*

BCR Group massively invested in upgrading and expanding its facilities, continuing its most daring project aimed at creating an integrated, reliable, fast and secure IT platform for governing all banking operations and reporting activities, as a pre-requisite for delivering the highest standards of quality and trust to our customers. The investments in SIBCOR 2000 v2, amounting to EUR 15 million in 2005 alone, prove our commitment for building in-house one of the most sophisticated IT platforms in the business, emphasising our care for best attending our customers' needs.

2005 was also the year of revolutionary concepts in terms of human resources, knowledge management and employee motivation, first time adopted by a bank in Romania. BCR Group continued to strengthen its performance by motivating its best people and helping them develop skills for reinforcing the BCR brand and promoting our core values. Through the newly created BCR University, the first corporate university in Romania, we combined employees' professionalism, their commitment to customers and organisation with the Bank's support for them to learn and develop, chart their career and express their opinions, involving them even more in creating value for our shareholders and business success.

These achievements were internationally honoured by the fourth awarding of BCR as the "Bank of the Year" in Romania by the prestigious magazine The Banker. In December, BCR became the first Romanian bank to receive the "J. M. Juran" Quality Award, further to the successful implementation, through the Total Quality Management project, of sound business principles such as focusing on results, on customer satisfaction and leadership, by involving both employees and management, developing partnerships and behaving socially responsible, thus proving that the entire BCR community is directly and actively involved in achieving true excellence.

In conclusion, I would like to thank our shareholders for providing guidance and expecting results, to BCR's directors and managers for their insight and first-rate professionalism, to all our customers for their loyalty and trust.

I would also like to congratulate Erste Bank Group for their wise decision and to affirm my confidence that, once integrated in the Group, BCR will have a decisive contribution to the accelerated multiplication of value-added for the Romanian market and for shareholders.

My special thanks go to my colleagues, BCR's employees, for their commitment and constant efforts in making this organisation a success, conveying them my confidence that they are the foundation of our long-term business excellence.

Dr. Nicolae Dănilă
Chief Executive Officer

The Romanian Economy in 2005

Romania has seen a good economic growth, 4.1%, despite a difficult year. After a promising start in the first quarter (hinting at a 5.9% growth), the increase of GDP slowed down in the following period under the impact of unfavourable developments in agriculture and waning industrial output.

The disinflation trend continued at a lower pace than forecasted, hence the Central Bank maintained a prudential monetary policy in anticipation of possible inflation bursts. At the end of 2005, the year-on-year inflation was 8.6%, while the annual average inflation was 9%.

The deviation was generated by the broad adjustment of administered prices, the significant growth of the disposable income following the introduction of the flat taxation, the increase in the volatile prices of food products as an effect of the floods, as well as by the expansion of the non-governmental loan. Therefore, the core inflation, over which the monetary policy can exercise a more effective influence, placed on a descending pace that accelerated in the last period of the year.

The economic growth was chiefly determined by the increase of the gross value added in constructions (+9.9%) and services (+8.1%), with a contribution of 54.8% to the GDP formation.

In terms of utilisation, the main source for GDP formation remained the final consumption, which, however, slowed down at 8.5% (compared to 11.9% in the previous year). On the other hand, the gross fixed capital formation accelerated to 13%, while the investment rate increased to 26.2% as compared to 24.3% in 2004, after recording, in the first semester of 2005, the lowest level of the last 5 years, following the significant increase in consumption.

The industrial output showed an increase of only 2% in 2005 as against the previous year, while for the manufacturing industry the increase was 2.5%. The main factors that influenced the industrial output in 2005 were the reduced capacity of the domestic supply to meet the internal demand and the losses on external competitiveness. Moreover, their effect was amplified by the consequences of the floods on the manufacturers' supply and delivery activities. The most dynamic industries in 2005 were: means of road transport, wood processing, furniture, crude oil processing and coal.

Given the very modest increase in the industrial output, the improvements of the industrial productivity in 2005 almost exclusively arose from the measures aimed at reducing the number of employees.

The unemployment rate rose in December up to 5.9% given the restructuring process that continued in industry and the reduction in construction activities, developments that were partly offset by the labour absorption in the services sector. The unemployment reduction in 2004 was also the effect of the flat taxation rate being introduced which stimulated employment, resulting in a better degree of labour absorption.

The negative trade balance increased in 2005 by almost 49% (EUR -8,240 million), the current account deficit in GDP increasing at 8.7% at the end of the previous year. In 2005, the trade balance was EUR -7,806 million, higher than in 2004 (+46.6%), following the stronger increase of the goods and services imports (+17.2%) as compared to that of goods and services exports (+7.6%).

For the 2007-2009 period, a gradual decrease of the current account deficit in GDP is foreseen, up to 7.5% in 2009, given the reduction of gaps between exports and imports (both will increase at an annual pace of approximately 13%) in terms of growth rate. The recent evolutions show that the consumption leap in connection with the budgetary expenses that define a 1% budget deficit (initially 0.5%) following the budget's amendment could put additional pressures on the current account and on the foreign debt, implicitly.

The outstanding foreign direct investments increased to over EUR 20 billion (+34% compared to the previous year). The main investment areas in Romania in the last 5 years are: trade (76 projects), services (57 projects), telecommunications (50 projects), constructions and building materials (35 projects) and the machinery and mechanical equipment industry (35 projects) etc.

The high FDI in 2005 had a positive influence on financing the current account deficit as they covered 75% of it, thus stabilising the evolution of the external debt. The medium and long-term external debt increased by 33%, but maintained its weight in GDP at a good level of 31% compared to the previous year, having in view that an adequate level for Romania on medium term is maximum 35% of GDP.

The foreign exchange official reserves increased substantially in 2005 reaching EUR 16,795 million. This level, equivalent of 6.4 monthly imports, created the conditions for the Central Bank not to intervene on the foreign exchange market, beginning with October last year, maintaining the managed float regime of the domestic currency.

As of July 1st, Romania officially adopted the new currency - RON - the redenomination process marking the completion of one inflationary cycle. The main advantages of the RON introduction will materialise in the achievement of the domestic currency convertibility, as well as the optimisation of costs related to cash activity. The new monetary signs will be in use simultaneously with the existing ones, the latter being legal tender until the end of 2006.

In August 2005, the National Bank of Romania embarked on a new strategy regarding the monetary policy - direct inflation targeting. An essential role in the functioning of this regime was played by the anchoring of the inflation expectations to the inflation target announced by the Central Bank. The ***quarterly report on inflation*** prepared by NBR is a transparent communication tool that also includes the projection on the inflation rate evolution over an eight-quarter horizon, uncertainties and associated risks.

The monetary policy of the Central Bank consistently aimed at determining commercial banks to reduce interest margins for RON denominated transactions and therefore stimulate both lending and saving in domestic currency, concomitantly with the reduction of the foreign currency denominated loans. The policy mix adopted on this purpose did not have the expected effects, mainly because of the additional costs for banks (generated by the mandatory minimum reserve or by the additional provisioning requirement for the foreign currency denominated retail loans).

ANNUAL REPORT

2005

The Year of Excellence

From left to right: **Corneliu Cojocaru**, Executive Manager and Spokesman, Communication Division; **Dan Mogoş**, Executive Manager, Internal Control Division; **Cosmina Coman**, Executive Manager, Knowledge Management Unit; **Laurenţiu Treapăt**, Head of Unit, IBP Implementation Unit; **Mirela Dâmbean-Creţa**, General Secretary, Secretariat of Management Bodies; **Nicolae Dănilă**, Chief Executive Officer; **Aurora Stancu**, Quality Manager, Total Quality Management Unit; **Ionel Mihail Cetăţeanu**, Chief Economist; **Rodica Moldoveanu**, Executive Manager, Organisation and Project Management Division; **Bogdan Speteanu**, Executive Manager, Internal Audit Unit; **Gabriel Drilea**, Executive Manager, Human Resources Division

Corporate Governance

For BCR, embracing good corporate governance is an expression of its values; it involves more than character and requires a complete transformation of the way the Bank recognises its purpose and responsibilities.

BCR acknowledges corporate governance as a competitive advantage, which enables it to work in the most energetic and ethical manner, to produce and maximise value for all stakeholders, on a sustainable basis. Successful corporate governance implies a clear understanding of roles, initiative and commitment from the Bank's management and employees, it means experience, knowledge and fair judgement for appropriate goal setting, decision-making, it also indicates leadership, since it requires a mix of knowledge and skills for creating structures, supervising and counselling with the view to generate sustainable shareholder value.
The Bank guides its activities based on moral values and integrity, promoting a proactive attitude towards all that corporate governance encompasses: control, transparency and disclosure, certain policies and practices aimed at strengthening management and creation of value, all being essential factors for developing trustworthy relationships with all stakeholders.

BCR was the first Romanian bank that aligned to strong corporate governance practices, in early 2004, when significant strategic and organisational changes were initiated under the Institution Building Plan. At that time, the Bank adopted the two-tier management structure, with the Executive Committee and the Supervisory Board being in charge of BCR's operational management and, respectively, its supervision, administration and coordination. Therefore, in a context created by a constantly evolving marketplace, BCR focused on corporate objectives and increased performance, management, strategic planning, ensuring transparency, promoting ethical behaviour and the continuous improvement of governance best practices.

Expanding its efforts in this respect, in 2005, BCR acted in a way that provides confidence to public and the markets in general and, more specifically, to its shareholders, ensuring the appropriate levels of accountability, enhancing the control functions for monitoring purposes and the structures that support all these functions, while setting strategic objectives and guiding corporate values. Furthermore, since the Romanian Government initiated BCR's privatisation procedures in 2005, it became even more important for the Bank to have in place effective corporate governance structures.
In this respect, BCR fully complied with the best practices in the corporate governance area, creating and organising a process that protected the interests of all

stakeholders. Taking into consideration that the privatisation referred only to AVAS, EBRD and IFC shares, BCR ensured transparency and disclosure, at the same time with providing diligence and concern for the minority shareholders, acting also on their behalf.
Organising the Data Room process encompassed the conjugated efforts of both Bank's management and employees for making available accurate data regarding all its activities, permanently updating and supplementing the information, ensuring prompt answers to additional questions from the potential investors and at the same time guaranteeing the confidentiality of information on customers.

BCR operates processes and systems to ensure corporate fairness, transparency and responsibility, aiming to attain specific business objectives and increase performance, puts in place all structures and policies needed for corporate governance, helping the Bank to remain safe and healthy and to outperform its ratios.
The Bank also employs accurate mechanisms for effectively reporting to shareholders, envisaging that sound governance reinforces a culture of corporate integrity, contributing to the identification and pursuit of long-term strategic goals of growth and profit and, most importantly, ensuring the continuity of strong leadership.
BCR acknowledges its primary responsibility in respect of fostering and developing its business success, consistent with the fiduciary responsibility to shareholders and its obligations to comply with regulations.

In line with its corporate governance purposes, the Bank carefully analyses opportunities, key success factors necessary to maintain a competitive advantage, protecting and projecting its financial resources, thus ensuring flexibility and sufficient availability of the capital needed for achieving strategic objectives. Even more, by putting into place a combination of internal controls, business processes and systems that can also build business value, BCR promotes sustainable productivity and growth, transforming corporate governance into a priority.

Overall, in 2005, BCR enhanced all its corporate governance structures and comprehensively followed and reported on the development of its businesses, strategy, current events and transactions of importance.
The Bank's Supervisory Board, through its established committees, ensured that the 2005 objectives are achieved by team work, focusing on creating value and flexibility, thus consolidating BCR's position as leader of the Romanian banking system.
The *Compensation Committee*, composed of four members, assisted the Supervisory Board in fulfilling its tasks and responsibilities concerning the compensation, bonuses and various benefits granted to top managers,

as well as the global remuneration structure of the Bank. The Compensation Committee held 11 meetings in 2005, where it examined 26 proposals of which 11 were endorsed for the approval of the Supervisory Board, 6 were approved and 9 served for information purposes. Among other subjects, the Committee initiated an analysis regarding the compensation level of the Bank's Executive Committee and Supervisory Board. Working closely with an international human resources specialised consultant and in line with the best international practices, the Committee forwarded the results of its assessment to the Supervisory Board who, in turn, approved the new compensation principles of the Executive Committee's members, based on the accomplishment of BCR's strategic objectives and on the performance objectives set for each functional line. Furthermore, The General Shareholders' Meeting approved the new compensation policy for the Supervisory Board members, based on the corporate governance principles on the European market.

In respect of BCR's employees, the Compensation Committee also endorsed for the approval of the Supervisory Board several proposals regarding the salary system, the total salary fund and the allotment methodology for the supplementary salary fund, the increment of the salary in 2005 and the incorporation of the "years with the company" rate into the basic salary.

The Committee also took part in negotiations with the BCR's Independent Trade Union on amendments to the Collective Bargaining Agreement, including its extension, and analysed proposals for the profit sharing and bonuses granted with various occasions.

The ***Audit and Compliance Committee***, composed of four members, held 8 meetings in 2005, where it analysed among others, the 2004 Financial Statements and the Independent Auditors' Report, 13 internal audit reports regarding several divisions in the Head Office, Bucharest Regional Branch and subsidiaries of the Bank.

The Committee supervises the achievement of the Bank's policies and mechanisms, as well as the adequate character of the Bank's financial control systems. Actually, these responsibilities focus on the internal control activity, financial reporting, annual financial statements, internal and external audit, in accordance with the law and other regulations, at the same time complying with the Bank's deontological code and business ethics.

The members of the Committee examined and endorsed for the approval of the Supervisory Board the 2005/2006 Internal Audit Plan, the 2005/2006 Compliance Program on anti-money laundering and combating of the financing of terrorism. The Audit and Compliance Committee received information reports on risk management matters and future approaches in this respect and also kept a close relationship with the external auditor regarding the fiscal implications of reorganising the Bank's foreign subsidiaries and the presentation of IFRS Financial Statements for September 2005 also.

February BCR approves the Internal Audit Plan for 2005-2007 that includes the deadlines and frequency of internal audit commitments, thus setting the foundation for performing the internal control on three levels: daily monitoring at each entity's level, internal control, risk management and corporate governance and internal audit.
This plan is based on risk assessment methodology and refers to the internal control system and to all significant activities of the Bank that need to be audited in accordance with their associated risk, as follows: every year for high associated risk activities or new products/activities, every two years for moderate associated risk activities and every two/three years for low associated risk activities. For 2005, the plan also specifies the duration of audit missions, the number of teams and the period in which the internal audit will take place.
As the control and audit functions are completely separated, the Bank is interested in presenting an independent and balanced evaluation of its market position, while protecting its shareholders and assets.
Consequently, while the internal control provides trust in the financial information used for business purposes, the internal audit is a complex function supporting the Bank in achieving its financial targets, improving the efficiency of internal control, risk management and corporate governance processes, thus favouring the analysis, evaluation, reporting and the adoption of adequate improvement measures.

24 February True to the best governance practices, BCR launches the *comunic@bcr* newsletter, thus taking steps to build a transparent, well-balanced relationship with its employees. The newsletter comprises latest information regarding subjects of interest discussed by the boards of the Bank, regular updates on the projects of the Bank, information on the events where BCR is involved etc.
Comunic@bcr is transmitted online to the employees on a weekly basis, enhancing good corporate communication with respect to accurate key data, financial statements, ratings of the Bank, conferences, presentations and other events concerning day-to-day business. Moreover, BCR's employees become more aware about the Bank's strategic objectives, receive guidance, counselling and feedback, are sure that their contribution is recognised and adequately rewarded and benefit from effective internal communication systems encouraging the transfer of knowledge and information both vertically and horizontally.
Comunic@bcr is dedicated to understanding the needs of employees in terms of transparency and disclosure, BCR striving to break through the communication barrier, using simplified terms to describe details, present facts and disseminate key information.

28 February BCR makes available certain information to all its shareholders (including employees and pensioners), in addition to those provisioned by the Romanian law and the Charter of the Bank. The newly created Investors Relations Office has the task to provide all BCR shareholders with true and fair annual or quarterly accounting reports prepared in accordance with the applicable IFRS or RAS standards, annual environmental reports, to show targets, plans and progress. It is also responsible for providing to shareholders full information regarding relevant facts, in a timely and adequate manner.

March BCR begins a one-year cooperation with an IFC consultant on issues related to corporate governance and internal audit. The expert contributed to the strengthening of corporate governance and audit practices, envisaging the preparation for the full privatisation of BCR through the sale of the majority stake to a strategic investor. Through the experience of the IFC consultant, BCR enhanced its credibility, while improving its value and marketability.

22 April Mr. Horia Ion Neamțu's mandate as Chairman of the Supervisory Board expires and the General Shareholders' Meeting of BCR appoints Mr. Sebastian Vlădescu. As a consequence, Mr. Neamțu is revoked from the position of Chairman of the Audit and Compliance Committee and the Supervisory Board votes Mrs. Marioara Mema for this position.
The General Shareholders' Meeting also revokes Mr. Ionel Desmireanu and appoints Mr. Gheorghe Ionescu as member of the Supervisory Board.

26 May The Romanian Government amends the privatisation strategy for BCR, through its Decision no. 467 that modifies the Government's Decision no. 772/2003. The new strategy specifies that a stake of at least 50% plus one share in BCR will be sold to a strategic investor, a financial-banking institution with solid international reputation or to a group of strategic investors. The stake will be composed partially or totally by shares owned by the Romanian state plus, partially or totally, shares owned by EBRD and IFC.
The sale will be done by direct negotiation and the selection will be transparent, open and competitive, based on best international practices. The amendments to the privatisation strategy create the possibility to obtain increased income from the shares' sale and also allow the involvement of the capital market in putting together the public offer for the sale of any residual shares, if the case.
According to the Government's decision, the price for each share in the majority stake will be no less than the price for one share paid for the full or partial repurchase of EBRD and IFC shares.

16 June The Romanian Government publishes the formal Tender Announcement for the sale of a majority stake in BCR in the Romanian and international press. This is by far the most important privatisation project in

Romania, since BCR, as leader of the Romanian banking system, is an extraordinary prospect for the strategic investors interested in expanding their businesses in the South-Eastern Europe and gaining additional market shares, thus increasing the profits for their shareholders.

Furthermore, the privatisation of the largest state-owned Romanian bank represents a milestone for the transition towards a market economy in Romania, contributing to the integration of the domestic financial market into the wider European and international ones.

The share package is made up of AVAS's shares plus the 25% stake owned together by the European Bank for Reconstruction and Development and the International Finance Corporation. The strategic investor may choose to acquire either a 50% stake plus one share or a 61.8825% stake and is expected to be a reputable financial institution or a group comprising at least one financial institution, further supporting the development of the Bank. The winner of the Tender is to be elected following a negotiation process based on selection of offers.

7 July The Authority for the Recovery of State Assets (AVAS) receives 11 Letters of Intent from ten banks and one consortium, listed in the order of their submitting the letters as follows: Fortis, Millenium Banco Comercial Portugues, National Bank of Greece, Banca Intesa, Deutsche Bank AG, Erste Bank AG, Dexia, KBC, BNP Paribas, ABN AMRO, and Texas Pacific Group and Citigrup Venture Capital International. The number, quality and financial strength of the above mentioned institutions clearly show the importance of BCR's privatisation to the international banking world.

14 July AVAS announces the short list of investors entitled to bid for the acquisition of a strategic stake in BCR. Of the 11 potential investors who submitted Letters of Intent, all the 10 banks have been selected. Texas Pacific Group has been rejected, based on NBR's recommendation, due to the fact that, according to the law, an investment fund is not allowed to own more than a 10% stake in a bank.

In accordance with the Tender Announcement the selected bidders are asked to sign a confidentiality agreement in order to gain access to the Data Room and conduct their due diligence procedures. ABN AMRO decides not to purchase the Presentation File and gives up entering the due diligence.

25 July The nine remaining banks start their 8-weeks due diligence in the 4 Data Rooms which were put together by BCR. The process is organised in two shifts, from Monday to Saturday, from 8 a.m. to 11 p.m. The process enables all potential investors to have equal access to information concerning the Bank, from financial statements, the status of the loan portfolio, its employees, assets, its overall activity. There are weeks specifically organised to allow each investor to meet with the management of the Bank and make field visits, thus

being created all the conditions for a proper due diligence.

September BCR's Privatisation Commission decides to extend the investors' due diligence period and to postpone the closing date for the submission of the final binding offers for the takeover of the majority stake in BCR until October 17, 2005.
This decision is the direct consequence of the requests of the bidders who considered that the initial closing date (September 19) as too short for performing the due diligence, due to the dimension of the Bank's operations and to the tremendous amount of information obtained by consulting the documents provided in the Data Room.
As a result, the potential investors have now enough time to produce consistent offers, based on realistic business plans, which is beneficial for both BCR and the Romanian Government and, eventually, for all shareholders.

23 September The Ordinary General Shareholders' Meeting accepts Mr. Sebastian Vlădescu's resignation from the position of Chairman of the Supervisory Board following his designation as Minister of Finance, and appoints Mr. Daniel Dăianu as Chairman of the Supervisory Board.
At the same time the Ordinary General Shareholders' Meeting accepts Mrs. Marioara Mema's resignation from her position as member of the Supervisory Board and appoints instead Mr. Mihai Fercală, President of SIF Transilvania.

29 September The Romanian Government amends the BCR privatization strategy again.
The new strategy provides that the strategic investor may purchase either a majority stake of 61.8825% of the Bank's registered share capital, composed of the 36.8825% owned by the Romanian state and of the 25% previously purchased by EBRD and IFC, or 50% plus one share.
This amendment ensures the winning investor increased control over the Bank.

17 October BCR's Privatisation Commission announces that 7 of the 9 bidders submitted binding offers for the acquisition of a 61.8825% of the share capital of the Bank, listed as follows: Banca Intesa, National Bank of Greece, Banco Comercial Portugues, BNP Paribas, Deutsche Bank, Dexia and Erste Bank AG.
The number and quality of bidders, reputed financial institutions, reflect the high international interest for the most important Romanian privatisation, also emphasizing the efficiency and transparency in the organisation of the due diligence process. For three months, BCR has provided all the bidders with extensive access to information about the Bank, through the provision of four Data Rooms, direct access to management and branch visits.

21 October BCR's Privatisation Commission finalises the examination of documents submitted by the seven banks interested in acquiring the majority stake in BCR. After analyzing the technical offers, all bidders are declared qualified for the following stage.

26 October BCR's Privatisation Commission announces the name of the two bidders who scored highest and therefore, qualified for beginning negotiations, entering the final stage of the privatisation: ERSTE BANK and MILLENIUM - BANCO COMERCIAL PORTUGUES. The two banks enter the Data Room again for a final two-week period to benefit from information updated by the Bank until almost the eve of the final day.

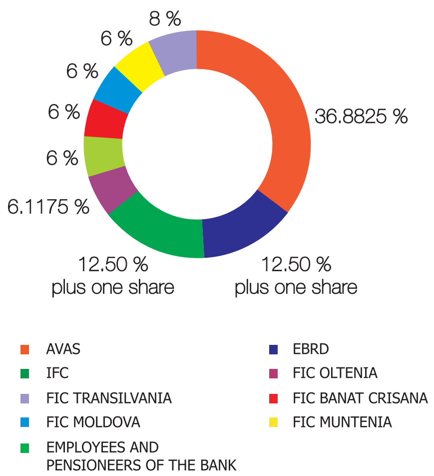
26 October BCR's Supervisory Board elects Mr. Daniel Dăianu as Chairman of the Audit and Compliance Committee.

30 November BCR's Supervisory Board elects Mr. Mihai Fercală as Chairman of the Audit and Compliance Committee, thus replacing Mr. Daniel Dăianu, who maintains his position as a member.

20 December The Authority for the Recovery of State Assets (AVAS) announces the new majority shareholder of BCR -- ERSTE BANK AG, who shall take over the Bank by purchasing 61.8825% of the shares, at a price of EUR 7.65 for a share, thus leading to a total price of the transaction of EUR 3,751,554,805. The decision was taken after opening the improved and final offers of the two selected bidders, Banco Comercial Portugues and Erste Bank. This represents an unprecedented transaction for Romania, which will consolidate the financial sector and will facilitate the EU integration process. The transaction is to be completed during 2006, following the fulfilment of a series of conditions precedent.

For BCR, the transaction is the achievement that crowns the efforts of its employees and management for organising and running the Data Rooms, fully observing the corporate governance principles and represents a conjugated work for the successful completion of the privatisation process.

SHAREHOLDERS' STRUCTURE AS OF 31.12.2005



Corporate Responsibility

Corporate Responsibility means to run our business in a way that enhances the positive contribution to society, whilst minimizing negative impacts on people and the environment. As a responsible organization, BCR treats its customers, business partners and competitors with respect and honesty, cares about the health, safety and the general well-being of its employees and motivates them by offering training and career development opportunities. Furthermore, the Bank acts as a good corporate citizen in the local community, at the same time being respectful of natural resources and the environment.

Identifying the needs of customers and providing personalised and integrated financial solutions, suitable for any project, BCR develops its businesses in a manner that complies and even exceeds the ethical, legal and commercial expectations of the society, corporate responsibility being the fundamental principle of each decision.

Our strong commitment to our customers and their businesses, by adding value to everything we do, is the key foundation of our financial activities. This strong commitment is backed by coherent and realistic goals and strategy, by a sound and ethical management of our business operations.

Consequently, for BCR, corporate responsibility means not only the best banking products and services for our customers or an honest behaviour in the marketplace, but also recruiting and keeping the finest employees, at the same time with building trusty relationships with our partners and protecting and enhancing our reputation.

BCR has a long-term commitment to support communities and customers, in every equitable way, through mutually profitable partnerships, being at the same time socially responsible and civic - driven. The Bank promotes business activities that bring simultaneous economic, social and environmental benefits, it also fosters sponsorships, promoting culture, education, health and sports, with higher standards of integrity, creating an environment where people thrive professionally and personally. Overall, BCR provides high and stable levels of growth for all the parties involved aiming to ensure a better quality of life for everyone, long-term business success and a good life for the wider society.

Small and medium enterprises play a critical role in providing jobs, enhancing the quality of human resources, nurturing a culture of entrepreneurship, fostering creativity and opening up new business opportunities.

BCR regards its small and medium sized partners as a strategic part of its lending portfolio, envisaging future market growth opportunities and vigorous competition. The Bank permanently employs tools, policies and procedures derived from the international best practices, aimed at improving SMEs' access to finance, since this sector is considered the key enabler of the economic growth, employment creation and social cohesion. As a responsible corporate citizen, BCR responds efficiently and effectively to the needs of its customers, breaking all barriers to business development, helping SMEs to improve their competitiveness and extend their business activity.

In line with these business principles, for the past 15 years, BCR has been managing 81 structural programs amounting to USD 4.1 billion, either government financed foreign loans or state guaranteed loans, non-reimbursable funds, budgetary funds or funds attracted as a principal.

As of 31 December 2005, the Bank's portfolio included 5 national programs amounting to USD 157.13 million:

- The Multi-Annual Program for supporting SMEs investments, initiated in 2003 - USD 2.79 million
- The Multi-Annual Program for supporting SMEs investments, initiated in 2004 - USD 1.18 million
- The MAPDR Program "The Fund for Agricultural Investments Lending" - USD 9.65 million
- The Program for loans granted from the budget of the Unemployment Insurance Fund according to Law no. 1/1991 - USD 31.37 million
- The Program for loans granted from the budget of the Unemployment Insurance Fund according to Law no. 76/2002 - USD 112.14 million

The Bank also manages foreign financing programs. BCR is highly concerned with making a difference for the communities in which it operates, acknowledging that social stability can be highly enhanced through the achievement of sustained economic growth. However, sustained economic growth can be achieved through a stable transparent macroeconomic climate and market for both the private sector and local municipalities.

BCR provides its customers with all the support, counselling and necessary funds to transform the opportunities created by the Romanian economy into higher growth and jobs creation. As a good, responsible corporate citizen, the Bank understands the importance of such actions, since an energetic SMEs sector will eventually become not only a source of employment, but also a key source of innovation, entrepreneurship and productivity growth. Moreover, the development of dynamic small and medium-sized enterprises also enhances within the Group the strong interest in social stability and a healthy market economy.

Bearing in mind all of the above, in 2005 BCR strengthened its efforts to provide technical assistance and finance, on appropriate terms and maturities, helped changing ideas into business plans and business plans into funding, simplified and harmonized its procedures for lending, increased its speed and effectiveness, thus contributing to building managerial and technical skills and facilitating access to funding, knowledge and information for the SMEs. Furthermore, through its financing programs and financing lines, in line with its strategic objectives and based on the partnership with renowned banks and financial institutions, BCR is also involved in creating jobs for the unemployed, thus expanding its activities as corporate citizen.

For example, within the Phare 2000 Economic and Social Cohesion - SMEs Credit Line, a partnership between the European Commission and the Romanian Government, the Bank identified 257 projects, of which 27 projects, amounting to EUR 3.9 million, in 2005 only. 850 jobs were created through this program.

"SMEs Financing Scheme - MARR Fund", an EUR 3.7 million revolving grant destined for investment projects in Gorj and Hunedoara counties, brought BCR 74 eligible projects and 846 jobs were created through this program.

The IFAD (International Fund for Agricultural Development) Program is a loan agreement initiated in 1999 for the rural development of the Apuseni Mountains. BCR, as depository of the special account and revolving credit manager under this Project - Component A - identified 159 eligible projects, amounting to USD 2.98 million. Since the beginning of the Program 1,162 jobs were created, of which 164 jobs in 2005 alone.

The ANOFM Program - attractive interest loans from the Unemployment Insurance Fund In 2005, BCR, winner of the tender organized by the National Agency for Employment (ANOFM), identified 196 projects amounting to RON 28.67 million, of which 152 were approved. Since it was launched, the program created 49,120 jobs of which 1,930 in 2005.

EBRD SME FINANCE FACILITY targets sectors such as industry, commerce, services, tourism and agriculture and within it, BCR identified and financed over 1,256 projects that led to the creation of 2,568 jobs.

BCR is committed to supporting environmentally sound businesses, not only to ensure and enhance its long-term profitability, but also to gain the means to develop the products and services people want, provide stable employment and create new jobs, as well as reward its shareholders.

The Bank always takes into consideration the possible contingent effects of its financing decisions resulting from environmental risks, by applying an environmental procedure sustaining the persons involved in managing the environment-related issues associated with the corporate lending.

The environmental procedure, applied since early 2004, continued in 2005 the responsible management of the Bank's exposure to associated environmental risks. Consequently, for each financing request from a corporate customer, the Bank thoroughly performs a due diligence based on environmental, health and social issues, investigating, evaluating and reporting such risks, followed by their control and monitoring.

By doing so, BCR avoids financing inappropriate transactions, understands the nature and implications of environmental risks and opportunities related to a transaction, sets an acceptable risk degree and monitors the loan throughout its life span. Furthermore, BCR identifies potential responsibilities related to environmental risks in the corporate lending activity, also evaluating the awareness level, the commitment and the resources of its customers in respect of the environment.

In 2005, the Bank also supported several transactions for financing environmental improvements, for roads rehabilitation, water recycling plants, slaughter houses modernisation, production of alternative fuel by burning textile, plastic and other nonferrous waste.

The Bank is permanently concerned with and opened to providing loans for energy plants improvement, environmental protection, for positive measures with increased social impact and last, but not least, for financing investments needed for acquiring the required EU standards.

Furthermore, as a responsible citizen, also from an environmental point of view, BCR initiated in 2005 an annual professional training program "The Environmental Risk Management", fully financed by the Bank and attended by 597 loan officers from all the branches all over the country. The program was monitored and assessed by EBRD and IFC and envisaged the systemic integration of environmental considerations into the Bank's activities, by preparing its employees for a responsible and informed decision-making process.

Moreover, BCR supports its employees in achieving increased performance, cooperation and team spirit, integrity, efficiency and awareness. The Bank is interested in how connected its employees are to their work and business objectives, encouraging staff development and succession planning, personal effort and professionalism, offering career opportunities to dynamic people, keen to work in an environment of intensified competition and high performances.

Corporate citizenship in BCR also takes the form of sponsorships, which are the expression of both brand awareness and brand attitude, highly emphasizing the overall corporate philanthropy of the Bank. Overall, corporate citizenship requires the Bank's commitment to minimise any possible negative consequences of its activities and decisions on stakeholders, including customers, communities, ecosystems, employees, shareholders and suppliers, maximise the benefits by contributing to societal and economic well-being, be accountable and responsive and institutionalise and integrate values into operations.

The Bank is committed to preserve and promote culture, sports, education and health, the overall social and cultural environment, by encouraging talented people, inventors, athletes, performers and others and by sustaining projects in such areas. In BCR, sponsorship exceeds the simple financial aid, aiming, through the Bank's involvement in different events and activities, to develop long-term relationships and to make a contribution so that the benefits are maximised for all stakeholders.

As an extraordinary achievement, the Bank donated over RON 1,070,000 to the Romanian citizens severely affected by the floods in the Western and Eastern parts of the country. BCR employees also contributed with RON 100,000 to the same purpose, proving once again that corporate responsibility is well respected and understood. This aid for those affected, combined with the personal commitment on the part of Bank's staff, brought a light of hope for the people, demonstrating one again that BCR is very much aware of the social dimension of its corporate responsibility.

Constantly evolving, the aggregate amount of BCR's sponsorships in 2005 amounted to RON 7.4 million (above EUR 2 million).

In 2005, BCR sponsored cultural events, continuing its tradition in this respect, assisting actions that acknowledge and value theatre, writing and art works, as well as dance and music festivals. The Bank was a key sponsor for the Awards Gala of the Romanian Press Club and of the Romanian Theatrical Association (UNITER), honouring a long-term partnership with these organisations. BCR also allotted funds for the International Theatre Festival in Sibiu, for the Romanian Writers' Union, the Romanian TV Professionals Association and the Romanian Chamber of Commerce and Industry. It also contributed with funds to outstanding cultural moments: the George Enescu and Haricleea Darclee music festivals, several of the most appreciated plays of the 2005 theatrical season. Furthermore, over 38 city halls and local city councils were granted considerable amounts for cultural events related to their regions: folkloric, wine, flower festivals, historical celebrations, certain exhibits and community days. In 2005, BCR sponsored the Romanian culture with about RON 1.7 million.

As one of the most generous Romanian sponsors, BCR takes pride in channelling its grants towards important issues of the society. In respect of health and humanitarian actions, the Bank is an active supporter of medical research, health care associations, hospitals and clinics. In fact, 26.5% of all 2005 BCR sponsorships, that is RON 1.9 million, is dedicated to this area. The grants envisage revolutionary achievements in microbiology, endowments or rehabilitation works for the "Marie Curie" Children Clinic Hospital, "Alexandru Trestioreanu" Oncology Institute or "Cantacuzino" Microbiological National Research Institute.

In 2005, more than RON 380,000 were used for sustaining the religious actions such as preserving national monasteries and churches, aiming to protect cultural traditions, revitalise customs, take part in the diffusion process of any manifestation, not only for bringing culture to people anywhere in the country, but also for exploring and developing new forms of expression. The Bank sponsored rehabilitation works for the Antim Monastery and Mount Athos Monastery, for the Sapanta Monastery and Cemetery, which, besides their important national value, are also recognized as UNESCO monuments. BCR also financed the set up of several social centers affiliated to religious locations.

In 2005, BCR placed even greater importance on education, especially in relation to younger generations, since this matter is a cornerstone for the future development of the Romanian society. The Bank not only allotted funds for labs and classrooms endowments, but also for recognition of the most outstanding students, for research projects, EU and NATO studies, national Olympics and contests, conferences. BCR is keen on encouraging those initiatives that provide students with clear direction on the path to their future and stimulate them to make informed decisions concerning their educational and career plans. In 2005, more than RON 592,000 were spent on education.

BCR continued to support sports at all levels, with funds exceeding RON 1.2 million, contributing both to amateur and professional competitions and tournaments. Bearing in mind the great importance sport plays in "moulding" characters, the Bank focused on inducing a spirit of fair play among young people, stimulating improved behaviour and confidence and providing support in the pursuit of sportive excellence and ideals, by sponsoring amateur and professional competitions for kids and juniors (under the age of 17). Celebrating achievements or helping local sport teams with uniforms and equipment, BCR remains a key "supporter". It is also aiding impaired persons in overcoming their problems and affirming themselves, by sponsoring, for example, the participation of the Deaf People National Association to the Handball Championship in Turkey. Other noticeable actions include: BCR Open Romania, the 10th Edition, where BCR was the "title sponsor".

January The Oracle Human Resources application is implemented in the Head Office, all county branches and training centers and becomes operational starting with January 1st.

February Oracle i-Learning is tested and implemented in the Head Office, as a platform providing an unitary management of the training activity, both in a web-based format and in a classic, residential one.

This new system gives all employees the possibility to improve their activity and knowledge by accessing the i-Learning site directly from their work place and enrolling to courses they might be interested in or need. The enrolment to such courses is either self enrolment, authorized (by the manager of the branch) or mandatory.

The i-Learning platform provides a complete management of employees training, by creating structured training solutions (training path) and consequently monitoring the employee performance, for better career guidance. Moreover, the platform allows a training curriculum to be managed at Head Office level, at the same time with creating a tests bank to obtain a feedback regarding the achievement of the training needs.

March For succession purposes, BCR approves the key positions and identifies those employees in the Head Office and branches of the Bank who demonstrate high growth potential. The general framework regarding the career plan in BCR is approved by the top management.

The Knowledge Management Unit takes over the training activity in BCR, aiming to coordinate all aspects relating to this subject. The action is based on the need to fill the gap in the knowledge and education system, in a very competitive environment.

Thus, knowledge management provides a viable, flexible alternative to the rigid learning experience (courses, handbooks) and supports individual learning.

The Bank launches an Intranet survey among its employees aiming to identify organisational culture elements that already exist in BCR or need to be developed and embraced in the future, with the view to create a friendlier workplace and strengthen interpersonal connections.

April BCR initiates a research among its employees with the view to assess the current situation of the Bank regarding learning, knowledge creating and spreading.

May BCR involves in helping the Romanian citizens in need, by donating more than RON 700,000 to the families severely inflicted by the floods that damaged four counties in the Western part of the country.

Within its program started in 2000, BCR selects and employs 28 graduates of Economic Sciences. The future employees are selected from graduates of financial, banking, cybernetic studies and will be tested for good knowledge of English and PC abilities. BCR is highly interested in employing and retaining young people, with learning abilities and responsible behaviour with the view to create a very strong, capable and motivated sales force, in a highly competitive banking environment.

June BCR launches an *Executive Training Program in Business Administration*, envisaging the strengthening of managerial capacities at middle management level, taking into consideration the changes in the economic environment where the Bank operates.

The program concentrates on BCR employees selected from the managers and potential managers of important branches of the Bank. It has an EMBA (Executive Master of Business Administration) structure and represents a cooperative work with the reputed HEC Montreal University.

The program contains 10 modules on 5 areas of major interest: Being a Manager and a Strategist, Customer Management, Managing People, Risk Management and Managing Performance.

July Again, BCR effectively supports the Romanian citizens affected by the second wave of floods in the Eastern part of the country, giving more than RON 370,000 in food products, demonstrating concern and compassion.

September The Bank is the "title sponsor" of "BCR Open Romania" tennis tournament, an ATP Tour event. This is the 10th edition organised in Romania and sponsored by the Bank, the public being able to watch, outside the competition, demonstrative matches involving well-known tennis legends. Furthermore, the tournament offers EUR 302,000 in prizes for the 23 players present in the main board.

October BCR's CEO, Dr. Nicolae Dănilă, opens the first corporate university in Romania, created with the intention to transform individual training into organisational knowledge. BCR University expresses the need to produce a creative environment in BCR, based on sharing available knowledge for the benefit of employees and partners.

Previously, in June 2005, aiming to enhance the awareness regarding this major event, BCR organized an internal campaign to promote and inform its employees about the BCR University project, which will be officially launched in October. The Bank posted an Intranet poll for its employees to answer, interviewed the managers of the local branches and distributed a presentation CD, containing a message from the Bank's CEO. An impressive number of employees answered the poll, emphasizing the importance of this project for their career and self improvement plans.

Furthermore, BCR also selected the first 30 employees who, starting with October, will take part in the Executive MBA Program, which will be developed within the newly-launched BCR University. This program aims at developing the managerial skills of the nominees, by training them for assuming higher responsibilities in the future.

The BCR University is meant to be a very powerful instrument in the hands of BCR managers to facilitate change and internal communication and to consolidate organisational culture, by aligning training activities with the strategic objectives of the Bank.

BCR University provides the employees with special conditions for training and self improvement, by integrating the training activity into the knowledge management and change management, closely related to career development. This new approach targets the continuous training of the employees, at the same time with aligning the learning process with the vision and strategy of the Bank, thus creating a positive impact on its activities and those of its clients, through high quality solutions.

BCR has always paid great attention to its human capital, the development of its human resources being an essential part of the Bank's strategy.

The University is meant to transform the individual training into organizational knowledge. At the same time, it represents an efficient way to facilitate change, cooperation and innovation. Furthermore, its mission is to consolidate the BCR Group as a knowledge-based performance organization, through the continuous training and improvement of the Bank's most important asset: its people. The use of the term "corporate university" emphasizes the willingness to promote the internal learning process by adopting a systematic approach.

The BCR University is open to all employees and partners, the latter being able to take part in special educational programs, envisaging a better understanding of each party and the customer - bank relationship.
The institution will undergo several development stages. The first stage will focus on training BCR employees and later it will target all BCR Group employees. In the second stage, BCR University will initiate training programs for BCR customers and partners.

BCR grants its annual awards "Perseverance in Excellence" to two important scientists, Academician Anghel Rugina and Professor Vitalie Belousov, in recognition of their important contribution to the global economy and science, respectively.

BCR strongly believes that values and excellence must be recognised, appreciated and encouraged, given the "power of example" they exude for the world. It is equally important for these values to be confirmed, to persevere in excellence, to self improve and, in the end, to give more to society.
BCR has been granting this award since 2001, aiming to emphasize the consistent performance, based on hard work of high quality and professionalism. So far, BCR is the only Romanian company and one of the few in the world granting such an award, thus demonstrating its organisational maturity and its role as community leader and responsible citizen.

BCR initiates the first community of practice, composed of retail counsellors working in Bucharest, who demonstrate the best sales abilities and remarkable communication skills. The intention of this community is to share and make accessible for all employees the valuable practical experiences in the retail sales area and to analyse particular cases in this respect. Furthermore, the community aims to increase among the participants the awareness of pertaining to the BCR Group. The Bank will use the results of these meetings to increase the intellectual force of the organisation and to harmonise the learning intentions with the real training needs.

November BCR initiates a project whose goal is to provide support and encourage employees to outperform, to strengthen their position on the organisational line, by donating time, enthusiasm, expertise and knowledge to their jobs. The project is entitled "Hard work pays off" and will take the form of internal contests among employees or teams of employees, the best of them being awarded substantial bonuses.

The eligible employees are retail counsellors, retails specialists and marketing officers. Furthermore, specialised sales teams can compete in three categories: corporate, retail and relationship management.

December BCR is awarded the Romanian Quality Award "J.M. JURAN" for extraordinary performances regarding managerial excellence, after obtaining 765 points out of 1,000 possible, based on the assessment of 9 criteria and 32 sub-criteria of the European Excellence Model developed by the European Foundation for Quality Management.

This is a remarkable result compared even to the most valuable achievements within similar European competitions. The long lasting excellence is based on continuous improvement, since the leadership position implies increased efforts to maintain, rather than to obtain. BCR also intends to apply for the European Quality Award by 2007, based on the implementation of solid business principles such as focusing on results, on customer satisfaction and leadership, by involving both employees and management, developing partnerships and behaving socially responsible. This means that the entire BCR community will be directly and actively involved in and committed to promoting the required actions for achieving true excellence.

Strategic Orientations

BCR's 2004-2007 Strategy sets out the most important objectives for the development during the period, aimed at best representing and protecting the interests of the Bank's shareholders, customers and employees, with strong emphasis on:

- Consolidating the leader position within the Romanian and CEE markets by developing businesses for each market segment the Group operates in and capitalising on the competitive advantages provided by the well-known brand name and the distribution of high quality, integrated financial services;
- Increasing shareholders' value by maintaining a high return on equity, based on productivity gains and a rigorous cost control, while increasing corporate and retail business portfolios and a more aggressively approach in investment banking, insurance and asset management activities;
- Increasing customer satisfaction in terms of financial solutions provided by the Bank through the development of its innovation abilities and flexibility as well as through an improved access to products and services as a result of promoting concepts such as branch proximity, multi-distribution and modern partnership, based on traditional relationships;
- Consolidating the capital based on key principles such as the intensive use and efficient allocation of the risk adjusted capital, so the Bank can develop in a sustainable and profitable manner;
- Improving the risk profile through an enhanced procedure framework for control processes and a pro-active management, while streamlining monitoring techniques and instruments, as well as through the alignment to Basel II requirements and the implementation of adequate policies for AML and KYC;
- Improving human resources management with the view to encourage work initiative, innovation, commitment and efficiency, so as to increase the contribution of employees to value added creation.

Starting from the general framework of the Strategy in terms of objectives and targets, Bank's management established the priorities for 2006 equally by both taking into consideration the recent developments and the prospects of the business environment.

The big challenge for the period ahead is to ensure a good balance between macroeconomic stability and the development of a competitive banking sector within the European Union market in terms of conduct and financial strength.

Certainly, the competition will sharpen among commercial banks based on maintaining a restrictive monetary policy and upward trends in the non-banking financial sector. Moreover, Erste Bank's presence in the market as a strategic investor in BCR, after the completion of the majority stake purchase transaction, is expected to have a strong impact on the system, particularly in reconfiguring commercial strategies.

BCR's development priorities for 2006 are supported by several important projects such as: corporate processes optimisation, IT platform modernisation, risk management alignment to European standards and development of multiple distribution channels. Thus, the Bank pursues the completion of back office centralisation, the development of the sales function within branches, as well as the implementation of an integrated, modern and flexible IT platform, the development of alternative distribution offers (Contact Center, self-service) and the adoption of European regulations in line with Basel II requirements at Group level.

The strategic orientations for 2006 mainly aim at:

- Increasing the market share in terms of retail and corporate loans and consolidating the position for customer deposits and investment funds;
- Growing on the assets' volume, with loans remaining the most important driver, while promoting an adequate financing policy to ensure stability of the resources from the domestic market;
- More efficiently use of intra-group synergies to increase income, particularly the commission income, and to secure a profit surplus on consolidated level, based on an improved management of risks and costs;
- Increasing the capital base from domestic sources, combined with a more efficient capital management and the optimisation of the property portfolio;
- Improving efficiency ratios and customer satisfaction related ratios;
- Consolidating the position of the financial subsidiaries on each of their specific markets.

The increase in Bank's activities will be supported by the allocation of more than EUR 50 million in investments with a view to the development of processes and operational infrastructure. The Bank intends to open 75 agencies in areas providing business opportunities and to significantly expand its ATM and POS network for card users.

The diversification of the product range and the adjustment to the specific requirements of different customers will continue to represent a key element of the market strategy. Launching new products and services and continuously improving their technical parameters are essential for retaining or attracting customers and increasing sales volumes.

Strategic Orientations

In corporate banking, BCR is interested in long-term financing for investment projects, in promoting non-credit products such as factoring and forfeiting, developing cash management services and trade finance. The efficient management of foreign funds is an area of constant interest for the Bank who, as market leader, is directly involved in consultancy activities and co-financing.

In retail banking, BCR focuses on increasing loan volumes granted to individuals and small private entrepreneurs, within an offer structure covering all financial solutions requirements for housing investments, productive or consumer needs. As regards retail services, for the next period, they are expected to continue to develop based on the cards activity's expansion.

The Bank sees the subsidiaries as playing an important role in terms of representing its interest on Romanian and international markets. Increasing integration degree and promoting joint projects of procedural standardisation as well as improving informational flows are keystone in taking advantage of all opportunities provided by the emerging markets. The main objective in this area consists in developing the business potential of these companies so as to provide good yields to shareholders and to reach market shares similar to the parent bank.

Overall 2006, BCR has set ambitious targets to increase assets up to approximately EUR 14 billion and the net consolidated profit by approximately 39%, aiming to achieve a ROE of at least 21% and a cost/income ratio below 53%.

ANNUAL REPORT

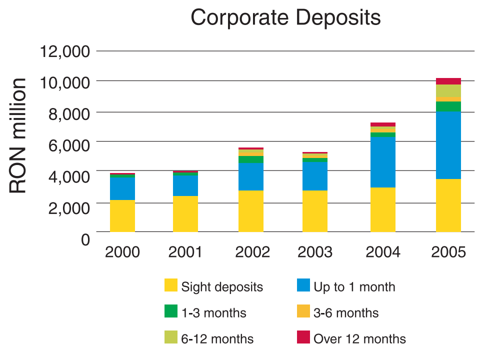
2005

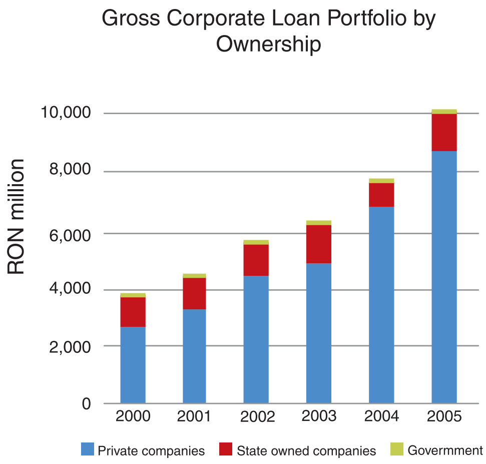
The Year of Excellence

From left to right: Aura Cristof Rusescu, Coordinator, Studies and Sectorial Analysis Unit; Mircea Purcărea, Executive Manager, Lending Division; Jean Andronie, Executive Vice President, Corporate Banking; Elena Dinu, Executive Manager, Documentary Business and Trade Finance Division; Cristian Șaitariu, Executive Manager, Business Development and Corporate Products Division; Constanța Cărăușu, Executive Manager, Environemental, Health and Safety Unit

Corporate Banking

IN 2005, the year of excellence in service quality, BCR continued a series of projects started previous year, all of them conceived to the core purpose of reinforcing the long-term partnership with its corporate customers, the traditional segment of the Bank.
The continuous concern for customer satisfaction and excellence in every action it takes have been the central elements of the strategy, allowing the Group to create customer value superior to the competition and manage a significant portfolio of 267,031 corporate customers.
The corporate loan increased by 34% compared with 2004, the engine of this growth being the loans to SMEs which advanced by 43%. The credit lines account for 40% of the overall corporate loans while the most dynamic were the investment loans, the expansion being of 49% in 2005.
Segmentation was essential, allowing the Bank to tailor its offering to perfectly match the various requirements of the corporate segment. BCR is proud to continue its strong relationship with its blue chips and large corporate customers, by making efforts to continuously adapt the Bank's products and services or to design new ones for matching their specific corporate requests. This strong relationship is also demonstrated by the numerous "blue chips" and large corporates in BCR's portfolio, a clear image of durable partnerships created in





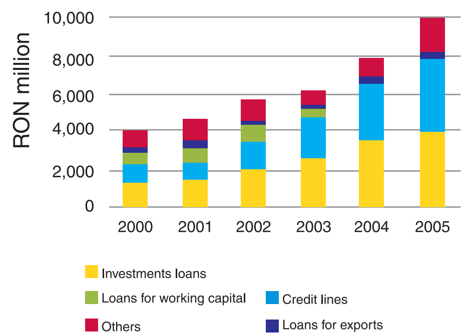
time, through trust and concern for customer satisfaction.

In the last years, and especially in 2005, BCR endeavoured to expand both in size and coverage its business with municipalities. As a consequence of the BCR's commitment to develop the most appropriate financing solutions for the local public authorities segment, one of great importance for the Bank, the market share on the municipal bonds' market exceeded 45%, the issues amounting to RON 17.7 million.

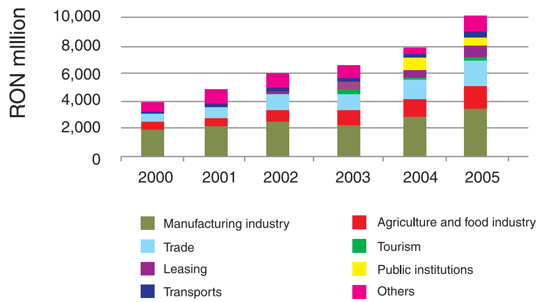
The most important project carried on in 2005 was the Corporate Optimisation Project, with significant consequences over the optimisation of the loan granting activity, of the corporate loans administration activity, and of the corporate transactions.

In the area of corporate loans approval, the Project aims to improve the corporate business line through strengthening the sales function following the defining and implementation of the "sales' responsibility" concept, developing an optimum branch model and an adequate customer segmentation. The project also targets the enhancement of the lending process resulting from the separation of front office and back office activities and functions and the speeding up of the lending process through the centralisation of

Gross Corporate Loan Portofolio by Loan Type



Gross Corporate Loan Portofolio by Main Sectors

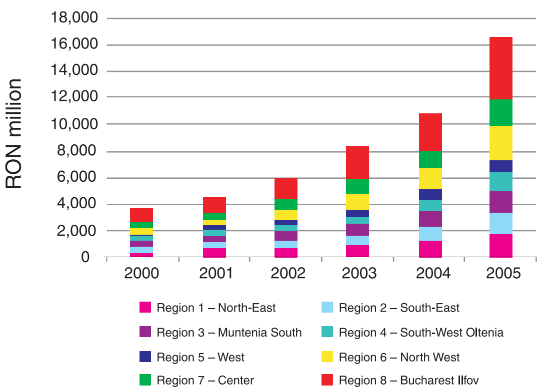


decision-making processes at the county branches and Head Office level. At the same time, the Bank implements along with the establishment of individual competences and the review of approval competences a new loan granting scheme within which loan applications go straight to the final decision maker. Consequently to the validation of new approval flows and signing of the contract with LOXON Solutions KFT, a new subproject for the implementation of the application (SIA) was established and a team has been assigned to provide LOXON Solutions KFT with the BCR's business requirements for the Loan Approval System (LAS) implementation.

Another major measure was the separation of the loan administration and granting processes. The result was a corporate loans administration process in three stages: *ordinary administration*, involving standard monitoring of the loans, *intensified administration* involving tighter and closer monitoring loan contracts, increased checking frequency and the insertion of the respective loans within a "technical watch-list" and *work-out administration* within which recapitalisation plans are established and then carefully monitored at the same time with intensively monitoring the lending contracts and the writing-offs.

The objectives of the Corporate Optimisation Project in the Transactions area are the reduction of the waiting time for customers, increase of customers' satisfaction, the identification of the improvement opportunities within processes and the boost of personnel's efficiency through the harmonisation of the existing capacities. For achieving these goals, BCR delimitates the front office and back office processes, integrates the responsibilities regarding the transactions in both RON and foreign currency at the customer administration level, simplifies the cash transactions process and the procedures for signing deposit contracts, and reviews the price

Gross Loan Portofolio by Romania's Development Regions



policies. On medium term the main objectives are to induce the customers to use the electronic channels, while on the long term the measures aim at the fully centralisation and automation of the processes for collections and electronic channels as well as the structural and organisational unification of corporate transactions at back office level. The implementation of the new corporate transactions concept is to be done simultaneously with the completion of SIBCOR v2.

Customer Relationship Management (CRM) was one of the most important projects conducted during the year. It was conceived especially to identify and meet customers' requirements and reinforce the long-term partnership with them. The CRM system is an instrument for the management of marketing and sales activity that arises from the customer-oriented approach of the Bank's management according to which CRM is more than just a simple software instrument but a solution that shapes business processes, providing the Bank with the instrument that enables the top management to monitor interactively these activities. The CRM objectives are to increase the speed of the business processes and their monitoring, to maintain the existent customers and strengthen their loyalty by enhancing the efficiency of the marketing activities and by reducing the processing time for any new application of the customers, and to provide the sales force with instruments that allow the monitoring of the activities aimed to attract new customers.

January Following the agreement signed with the National Authority for Customs BCR launches the electronic settlement of custom duties for its corporate customers with import - export activities. This new service allows electronic payment of custom duties, from the company's premises by using Multicash/ e-BCR or at the Bank's premises. The payment confirmation is automatically transmitted to the custom authority, the customer receiving custom clearance in the same day. For our customers, this new product brings important benefits such as time saving, convenience and lower costs, as the Bank charges a smaller monthly subscription fee for payments made through Multicash/ e-BCR.

February After being successfully tested for three months in 8 pilot branches the multi-product loan facility becomes operational in all the branches using an advanced IT platform. The product allows corporate customers to make multiple drawings and multiple reimbursements to refill the amount to the cap, within an established limit, by accessing a series of lending products such as credit lines, loans with specific destination, loans for account facilities (granted only in RON), overdrafts (granted only in RON), issuance of banking guarantee letters, counter guarantees, securing titles, opening of letters of credit from the approved loans. The cap is established on a cash flow basis. Our customers are very satisfied with this product, as they have now access to a variety of banking products within a single lending limit initially approved, cut expenses with the registration of guarantees for the facilities and, most importantly, they find with BCR the funding solution that best matches their needs at any moment in time.

BCR launches the loan for financial investments. The product is especially designed for companies purchasing securities in auxiliary to their core activities, and the Bank lends up to 75% of the total share price (for listed stocks) or 50% (for unlisted shares). Customers benefit from advantageous costs, free advice for preparing the documentation while the reimbursement schedule is drafted depending on the customers' cash flow.

In its continuous strive for excellence in customer satisfaction, BCR launches the financing line for investment projects of the local public administration authorities, an innovative product especially designed for satisfying the significant financing requirements of this customer segment. The product is conceived for financing revenue-generating projects which determine economies of scale or bring social benefits and improvement of life quality. The revolving period is agreed with the borrower, depending on the completion schedule of the projects accepted for financing. Within this period the borrower is allowed to make multiple drawings and reimbursements, and the amounts returned can be used for financing other distinct projects. A major benefit is that for the financing lines for investment projects of the local public administration authorities the Bank will not compute and charge the non-utilisation commission. During 2005, the financing line for investment projects became so popular, that by 31 December, 77% of the outstanding loans for the local public authorities are represented by the financing line for investments.

March The Medgidia bond issuing conducted through BCR Securities as intermediary and Banca Comerciala Romana as selling Group was fully subscribed in the first day of the public offering. With a 4-years maturity and a variable interest rate, payable quarterly, with 2 percentage points higher than the average of the 3-months inter banks interests (BUBID and BUBOR), the bonds could be traded at the Bucharest Stock Exchange. The funds raised through this bond issuing are aimed at refurbishing education institutions in the city.

In its permanent concern to identify the customers' requirements and meet them promptly in an innovative manner, BCR launches a new investment product, the **medium term deposit for corporate customers**, designed to provide an attractive alternative for obtaining higher yields. The targeted segment is represented by non-banking customers such as assurance - reassurance companies, brokerage, asset management companies and companies providing financial intermediation services, which as a consequence of their activity have significant amounts of money to be placed on medium and long term. The period is of minimum 3 years and the interest is very attractive.

Within the Corporate Optimisation Project, BCR acquires from LOXON Solutions KFT the IT application required to support the new loan approving process. The "Loan Approval System" is to be implemented stand-alone first, and then interfaced with the BCR's core IT system - SIBCOR V2 - and with the other IT applications for the automated transfer of information.

May BCR introduces a new type of loan especially conceived to cover the shortage of liquidities necessary for the **payment of the obligations to the consolidated budget** (the state budget, the social insurance budget, special funds), including penalties for delay.

Always receptive at the customers' requirements, the Bank improves on an on going basis its offering in its attempt to achieve excellence in each action it undertakes. Therefore, the financing line for investment projects of the local public administration authorities is made more attractive by introducing the possibility to finance the projects of the subordinated regies autonomes as well.

June BCR adds a new improvement to the financing line for investment projects of the local public administration authorities by allowing the drawings for payment of additional costs or for financing projects different from those previously accepted for financing.

Considering the various demands of the corporate segment, the Bank launches the **multi-currency facility**, a credit line denominated in one currency (reference currency) from which drawings can be made in RON, USD, EUR, depending on the customers' financing needs at a certain time. The new product is innovative and flexible and therefore highly adaptive to the customers' requirements. Customers can opt between an automatic reimbursement at the end of each day from the liquidities in their current accounts or for regular reimbursement at previously established maturities. The facility has a 12-months maturity and is revolving.

July BCR launches the credit line for exchange rate forwards. The new product is a type of revolving credit, which is provided to customers for securing them against the currency risks when they carry out exchange rate forwards by allotting a certain amount from the credit line for the respective transaction. At the maturity of the forward operations, if a loss occurs which is not covered from the customer's liquidities, the Bank draws the necessary sum from the allotted amount for covering the difference. In the case the loss is less than the allotted amount the balance is used for refilling the credit line.

August The Bank improves the electronic settlement of custom duties by introducing new features in line with the new Payment Order for the State Treasury format.

September BCR becomes a full member of Factors Chain International. Factoring showed the same ascending pace as in the previous year, increasing by 51% compared to 2004, with receivables undertaken exceeding EUR 135 million. These developments provided leadership for BCR on the Romanian market for export operations carried out in a 2 factors system. Factoring in foreign currency was the main product required by Romanian companies, accounting for 63% of the total factoring volume and amounting to EUR equivalent 85 million. In 2005 factoring in foreign currency posted a 32% increase compared to 2004. The factoring operations in domestic currency reached almost EUR equivalent 50 million, representing a two-fold increase compared to 2004.

November BCR improves on the multi-product loan facility. Therefore, new lending products such as the loan for account facilities, the overdraft, loans on payment instruments which can be accessed within the multi-product facility have been introduced in order to meet to a higher extent its customers' various demands.
BCR introduces the service for the intermediation of money transfers for individuals, addressed to its corporate customers who intermediate international money transfers between individuals. The Bank provides the customers with its entire branch network along with the professionalism of the BCR's specialists who will process the forex remittances on the customer's behalf. Along with the advantages of the economies of scale, the customer will benefit of the BCR's strong reputation, a premise for the success of the business.

ANNUAL REPORT

2005

The Year of Excellence

From left to right: Daniel Pană, Executive Manager, Marketing Division; Octavian Costache, Executive Manager, Cards Division; Dorin Cojocaru, Executive Manager, Retail Loans and Sole Traders Division; Natalița Hurduc, Executive Vice President, Retail Banking; Ion Matei, Executive Manager, Business Development and Retail Products; Cătălin Moise, Executive Manager, Management of Alternative Channels Division; Maria Racoviță, Executive Manager, Network Administration Division

Retail Banking

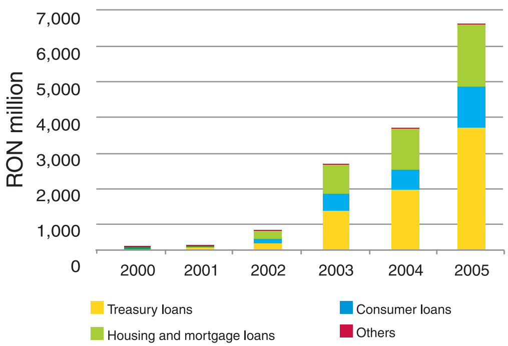
2005 represented a crucial year for BCR and, at the same time, a reward for the significant efforts made to reconfirm and strengthen its leadership. Retail banking represents an ever-changing, most competitive environment and therefore requires in-depth knowledge and experience for enlarging the offer for products and services, based on uniqueness. In 2005, the retail segment was again the most disputed segment on the Romanian banking market, continuing the numerous challenges it faced in the recent years that led to its extraordinary modernisation. Thus, for BCR, maintaining, managing and extending both existing and new customer relationships remained a high priority, for there are extraordinary opportunities to explore and fructify.

For the Bank, the focus switched from the exclusive concern for expanding its network to "winning" high value/ high potential customers and building a trust-based partnership, backed by the best offer on the Romanian market. Even more, in 2005, BCR provided its customers with value, great service, and convenience aiming to strengthen their loyalty and stimulate growth for the benefit of all involved.

In turn, most of the customers view retail banking products as commodities, making it even more purposeful for BCR to employ strategies, build partnerships, create and sustain value, targeting to transform itself into an organisation that provides distinctive customers experience.

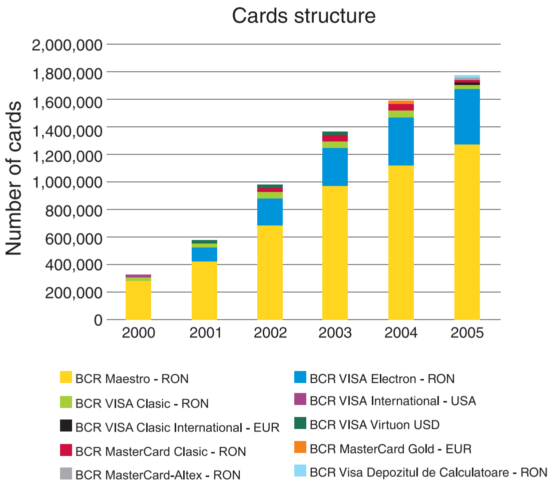
In 2005, BCR reconfirmed its innovative spirit by launching a series of new products and services and making significant improvements to the existing ones. In order to get closer to its retail customers, BCR further developed its branch network, reaching 372 outlets at the end of 2005. All the efforts made by the Bank towards customer satisfaction materialised in an impressive retail customer portfolio of 3,836,368. Along with extending the branch network that remained the main distribution channel, BCR successfully developed alternative

Retail Loans Portfolio



distribution channels, such as the Call Center, e-banking and other various alliances with some of its traditional partners. Furthermore, BCR finalised the implementation of the Retail Optimisation Project, achieving outstanding results in increasing customer satisfaction.

2005 was the year in which the Bank's actions have been characterised and dominated by excellence. BCR not just succeeded in meeting customers' requirements, it even exceeded them through an innovative and competitive offering, the Bank almost doubling the retail loans portfolio compared with 2004.



February Taking into account the success attained with the gold acquisition from private individuals and the increased demand for this service, BCR extends it to another branch, namely Sector 5 Branch. BCR is the only Romanian commercial bank offering this kind of service to individuals and companies, thus marking a premiere on the Romanian market after the Second World War and reconfirming its cutting-edge initiatives.

22 February BCR reconfirms its customer orientation and its commitment to customer satisfaction that has no boundaries by launching ESPRO, a money transfer service conceived in partnership with the Spanish bank "La Caixa". The service targets the Romanian citizens living and working in Spain who are transferring money to their families in Romania. The main advantages offered by ESPRO are the time saving, safety and confidentiality of the operations, reduced costs, lack of the application forms and the promptitude and quality of the services.

March BCR launches a new RON denominated loan for general purposes, Divers BCR, with no guarantees, the maximum amount that can be borrowed being of EUR equivalent 10,000, while the lending period is up to 10 years.

BCR launches Comod BCR savings account in foreign currency, both EUR and USD, with a maturity of up to 24 months and convenient interest and fees conditions. The novelty of this deposit consists in the relatively long maturity for such a product in Romania and in the fixed interest over the entire period, this feature being especially designed to offset the decreasing trend in interests on the Romanian market. Another important advantage of Comod BCR is that for maturities of 12, 18 or 24 months the Bank does not charge commission for withdrawing cash at maturity. The deposits can be used as collaterals for loans or credit cards.
BCR also improves the granting conditions for RON denominated Maxicredit BCR, a loan for general purposes secured with real guarantees, by increasing the maximum amount that can be borrowed to EUR 30,000 equivalent and extending the lending period to 20 years. The loan is addressed to individuals and freelancers, being one of the most attractive lending products on the market.

April BCR receives the Award for more than one million money transfers performed in a one-year period (February 2004 - January 2005) from its long-time partner, MoneyGram International, the global leader in international money transfers. BCR is the only Romanian and Central and Eastern European bank achieving this outstanding performance. During the period, BCR processed money transfers amounting to EUR 285 million.

11 April Once again BCR proves to be the genuine pioneer of the Romanian banking system, providing its customers with the latest developments in the cards area. For the first time in Romania, a bank enables the use of smart cards at its POS and ATM network. BCR successfully finalised the implementation of several new IT applications in the smart cards area, allowing the payment of goods and services at merchants and cash withdrawals from BCR ATMs. This is a domestic novelty, Romania connecting itself to the world tendencies and standards in the area, while BCR reinforces its market leadership. BCR is the first Romanian bank to carry on a transaction using smart cards from VISA. The transaction was completed by Catalin Crețu, Area manager for Romania and Bulgaria, VISA International CEMEA. A very important feature of this card is the possibility to perform off-line transactions. In the months to come BCR will gradually extend to all the merchants from its network, the possibility to accept such cards.

May In order to speed up the card issuance process and improve the use of alternative distribution channels, BCR launches the online cards' issuance.

This service attempts to meet customer requirements in respect of obtaining a card in the shortest period, in a comfortable and modern manner, by accessing BCR's website and choosing the Cards Online application. Now, by using this service, our customers can obtain three types of cards: RON denominated BCR Maestro, BCR Visa Clasic and BCR Visa Electron, respectively.

June BCR launches the most flexible saving product on the Romanian market, the savings account denominated in RON and foreign currency, Maxicont BCR, which allows deposits and withdrawals from the account, concomitantly with offering attractive interests, differentiated on value ranges. The savings account allows transfers in the current accounts of the titular, in the debit and/ or credit card accounts or for making term deposits. Subsequently, this product has been improved by offering the opportunity to feed the account with RON from debit card accounts or from outside.
BCR signs a protocol regarding the granting of mortgage loans for the employees of the Ministry of Defence. The project which is subject to this protocol is a lodging assembly located in the first district of the capital city, in Straulesti area, near Bucharest, consisting of 241 lodgings of which 14 are individual houses, 65 two-level houses and 162 flats. This project reconfirms the Bank's policy regarding the establishment of strategic partnerships with various companies and its focus on customers through the efforts made to find solutions that make true the dreams of each family. Under this protocol, the employees selected by the Ministry of Defence are financed by BCR through the most appropriate lending package and receive professional consultancy from the Bank's employees. The notoriety and confidence in Banca Comerciala Romana, the comprehensive product mix offered and the favourable granting conditions and costs for loans represent a significant competitive advantage which stayed at the basis of signing this protocol and selecting BCR as the financer of this important real estate project.

24 August BCR launches the BCR-Altex co-branded credit card. The product offers significant advantages such as a very generous credit limit in RON of up to EUR 5,000 equivalent and a pre-approval period for loan applications of maximum 2 hours and is the direct consequence of the two partners' permanent desire to innovate in the area of consumer loans on an ongoing basis. The credit card launched by BCR and Altex, the largest Romanian retailer in electronics and household appliances offering a diversified range of products at the lowest price and financing systems adapted to various customer categories, is a modern

instrument, which blends in an extraordinary manner the advantages of the consumer loan (availability, high credit limit, quick granting in the store) with those of the classic credit card (the most important being the revolving credit limit), matching perfectly the customers' demands, just as the whole range of products offered by BCR. The facilities offered to the BCR-Altex cardholder are multiple, among which it is worth mentioning the minimum amount that must be paid back, the practically unlimited period for which the credit limit is granted and the quite large amount that can be obtained by a person with an average income. Another major advantage of this card is the grace period for the interest payment of 50 days for the transactions with merchants. The BCR-Altex co-branded card can be used by the cardholder for purchasing various products from the Altex network, as well as for general purposes. The card can be used in Romania and abroad, the credit limit being granted for a 5 years period that is automatically extended if the contractual clauses are met. The success of this card exceeded all the expectations, the Bank issuing 30,500 cards by the end of the year.

BCR makes a series of improvements on several lending products by introducing more flexible conditions for consumer loans. Thus, for the car loan Motor (Extra/Super) BCR, the lending period is extended to 7 years. For the holiday loan Voiaj (Extra/Super), BCR introduces a grace period of 2 months to allow customers to pay back the loan and the interest after holiday, while in the case of the general purpose loan Maxicredit (Extra/Super) BCR the maximum lending limit is removed and is now calculated based on the reimbursement capacity of the customer. As for the bridge loans, they can now be granted in 2 ways: for financing the acquisition/ building of a new dwelling house over the period needed to sell the current one (maximum 12 months/ 24 months respectively) or for financing the advance of minimum 25% for a housing loan (25 years for loans denominated in RON or 20 years for those denominated in foreign currency) granted for purchasing a new dwelling house until the current one is sold. The lending period in the case of investment loans for sole traders is extended to 7 years.

September The Bank extends to 2 years the maturity for SUCCES BCR, one of the RON denominated term deposits, this new feature allowing customers to benefit from attractive interests despite the dropping trend of interests on the Romanian banking market.

October BCR opens the Dristor Agency, the 350th unit of its network. The Bank provides its customers with Romanian services at European standards.

BCR Dristor reconfirms the advantages offered by the unitary character of the BCR Group focused on satisfying customer requirements, attempting, in line with its business philosophy, to be the partner and the friend who knows, understands and sustains the plans for its customers' future. The new branch has a modern functional structure that reflects the new orientation of the Bank to successfully mix flexibility with banking prudence for the customers' benefit. Arisen from its desire to be closer to its customers for a better understanding of their needs and a quicker response, BCR will further extend its branch network, reaching 372 units until the end of 2005.

November BCR installs the ATM number 1,000. This large ATM network makes BCR cards even more attractive, taking into consideration that cards operations are represented in an overwhelming proportion by cash withdrawals from ATM. The number of BCR cardholders exceeds 1.8 million, the Bank being the undisputable leader with a 27% market share.

5 December BCR launches TRABEX, a new money transfer service as a result of the partnership with the Spanish bank Banco Popular Espanol. BCR reconfirms its commitment to its customers, its proactive attitude of not waiting for customers to come into the branches, but gaining their attention, even if it implies crossing borders for satisfying their requirements. The service targets the Romanian citizens working in Spain that intend to make EUR denominated money transfers for Romanian beneficiaries having current accounts opened with BCR or other Romanian banks and is especially conceived to provide a wider range of services to choose from to its customers. The maximum amount cannot exceed EUR 3,000.

7 December BCR launches BCR - Depozitul de Calculatoare co-branded credit card, offering the customers with low and average incomes the opportunity to purchase high quality IT equipments. The credit card has a very generous credit limit in RON of up to 16 times the net wage, but without exceeding EUR 5,000 equivalent, as well as a pre-approval period of maximum 2 hours and a maximum grace period of up to 50 days for the interest payment in the case of transactions completed at merchants.

21 December BCR opens Romana Agency, the 370th unit of the BCR branch network, a branch located in downtown Bucharest. Besides the classic banking transactions, the entrepreneurs and the individuals will receive consultancy and specialised services from BCR's subsidiaries, BCR Asigurări, BCR Leasing and BCR Securities. Simultaneously, at

BCR Romana, the modern concept of self-banking is implemented, as a premiere for BCR.

The Bank also opens BCR Café as an extension of Romana Agency, especially conceived for offering the customers an informal place for making businesses over a cup of coffee, read the financial press, watch the Reuters news, indicators and TV news. The new unit along with the café reconfirm BCR's concern to align with the most recent tendencies in retail banking. Romana Agency, along with BCR Café, bring their contribution to the reinforcement of BCR's leader position within the Romanian banking system and equally demonstrate the innovative spirit of the Bank and its continuous concern to diversify the range of products and services and its capacity to implement new approaches to customer relationships.

ANNUAL REPORT

2005

The Year of Excellence

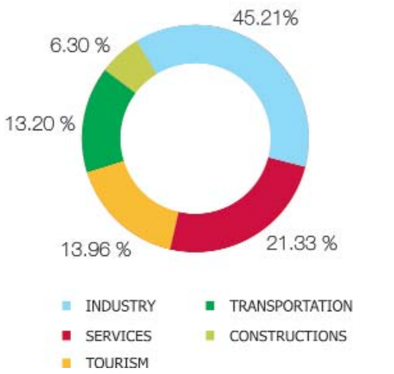
From left to right: Petru Popescu, Executive Manager, Treasury and Vaults Division; Cornelia Bușcă, Executive Manager, International Relationships and Foreign Financing Division; Dănuț Bunea, Executive Vice President, Chief Financial Officer; Eugen Cîrstea, Executive Manager, Treasury Division; Marius Dănilă, Executive Manager, Equity Investments and Group Management Division

Financial

The Financial functional line comprises four divisions of the Bank, each of them carrying a vital importance in respect of the current funding and group management activities, treasury operations, as well as vaults and cashiers.
The Financial functional line manages the securities portfolio of the Bank, on the local and international capital markets (stocks traded on Bucharest Stock Exchange, municipal bonds, corporate bonds, sovereign bonds and other various financial instruments traded on the international capital markets), monitors the market and improves the structure and risk/return profile of the portfolio. The Financial line establishes relationships with top investment banks in order to identify new business opportunities and obtain the latest information on developments in global financial markets and to understand their potential impacts on business activities in particular regions.
In addition, the Financial line is responsible for international funding through debt instruments issuance and syndicated loans, monitors the inflow/outflow generated by these bonds and syndicated loans. Furthermore the Financial line identifies the market opportunities to raise financing through various structured transactions (e.g. spot sale, forward purchase agreements).
On the asset side, it manages the syndicated loans granted by BCR to domestic and foreign customers and deals with all aspects that might appear during the lifetime of the loan (e.g. waivers and other requests from borrowers).
The Financial line also forms and enters into Consortiums with top investment banks to offer a wide range of investment banking and financial advisory services including mergers and acquisitions, privatisations and IPOs.
In addition to all these, the Financial line manages the vaults and cashiers operations, cash collections, ATMs and safety deposit boxes. It performs all activities and monitors all fees and commissions related to RON and foreign currency deposits, payments or settlements, providing the corresponding liquidities for the best functioning of Bank's activities.
Through its Financial line, BCR remains the most important partner of EBRD, IFC, European Union and other national and international financial institutions, being involved in 81 structural programs, among which rank PHARE, SAPARD, ANOFM or RICOP, all amounting to USD 4.1 billion. It also manages 11 foreign financing lines, of which 7 with no limited amount. During 2005, 30 agreements /bilateral facilities for foreign financing/ refinancing were signed, adding up to EUR 380 million.

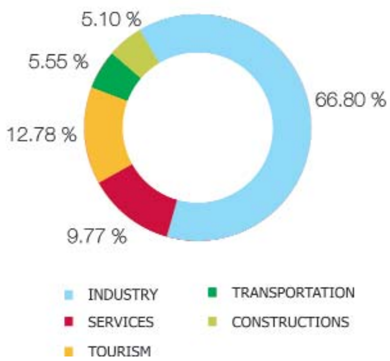
Through Phare 2000 Economic and Social Cohesion - SMEs Credit Line, a partnership between the European Commission and the Romanian Government, BCR was granted a revolving amount of USD 11.38 million for financing micro, small and medium-sized enterprises in 25 counties, grouped under 4 categories.
Within the program, 257 projects were identified amounting to EUR 35.6 million, of which 27 projects, amounting to 3.9 million, in 2005 only.

PHARE 2000 SOCIAL AND ECONOMIC COHESION - BREAKDOWN BY SECTORS



"SMEs Financing Scheme - MARR Fund" is an EUR 3.7 million revolving grant destined for investment projects in Gorj and Hunedoara counties, supporting the economic development and job creation in these areas.
Within the program 80 eligible projects were identified, amounting to EUR 11.59 million. In 2005, the Bank identified 7 projects amounting to EUR 736 thousand.

SMEs FINANCING SCHEME - MARR FUND BREAKDOWN BY SECTORS

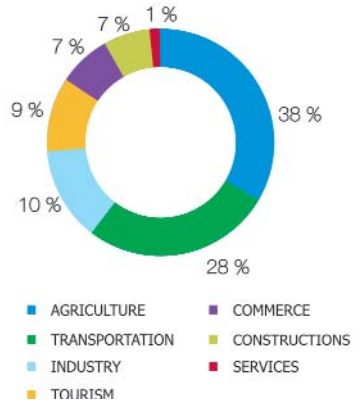


The IFAD (International Fund for Agricultural Development) Program is an USD 16.4 million loan agreement initiated in 1999 for the rural development of Apuseni Mountains. BCR participates, as depository of the special account and revolving credit manager under this Project - Component A, for the value of USD 15.47 million.

Within the program 1,140 eligible projects were identified, amounting to USD 15.68 million, of which 775 projects were approved, in total amount of USD 11.13 million.

In 2005, the Bank identified 159 eligible projects, amounting to USD 2.98 million.

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD) PROGRAM - BREAKDOWN BY SECTORS



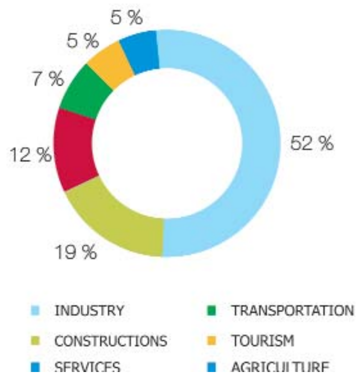
The ANOFM Program - attractive interest loans from the Unemployment Insurance Fund

In 2005, BCR won the tender organized by the National Agency for Employment (ANOFM), being authorized, for the fifth year in a row, to grant loans with an attractive interest from the Unemployment Insurance Fund for investment financing and working capital for industry, services, constructions, tourism, transports and agriculture, except for commerce.

In 2005, the Bank identified 196 projects amounting to RON 28.67 million, of which 152 projects amounting to RON 19.33 million were approved.

In the 2001 - 2005 period, BCR has identified 4,844 projects in total amount of RON 549.7 million (EUR 158.2 million equivalent), of which 3,806 projects were approved, amounting to RON 383.8 million (EUR 109.1 million equivalent).

The ANOFM Program – attractive interest loans from the Unemployment Insurance Fund - BREAKDOWN BY SECTORS



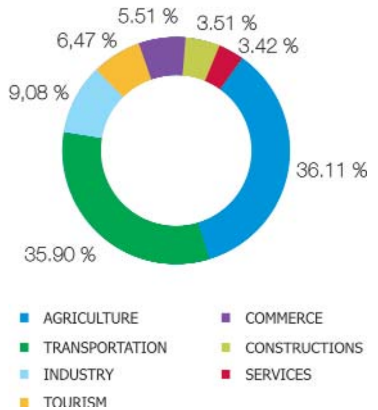
EBRD MORTGAGE LOANS

BCR and EBRD signed in November 2005 a second mortgage loan agreement amounting to EUR 50 million, to support the enhancement of long-term lending for buying, constructing, renovating, repairing and/or remortgaging houses, flats and the respective land. This project is additional to the first Mortgage Loan amounting to EUR 50 million, which has been implemented by BCR starting with January 2003. As of December 31, 2005, using the proceeds of EBRD loans, BCR has granted over 5,800 loans amounting over EUR 50.8 million.

EBRD SME FINANCE FACILITY

BCR signed two agreements with EBRD for financing SMEs investments and working capital in the total amount of EUR 40 million. The program targets sectors such as industry, commerce, services, tourism and agriculture and within it, BCR has identified and financed over 1,256 projects, granting EUR 62.03 million loans. During the program 2,568 jobs were created.

EBRD SME FINANCE FACILITY - BREAKDOWN BY SECTORS



EBRD SMM FINANCE FACILITY

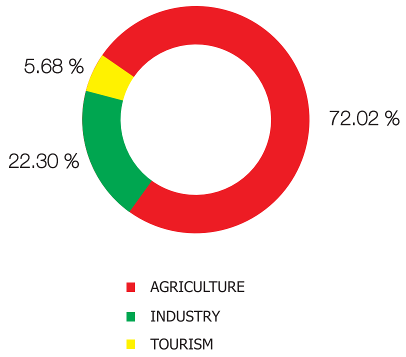
The EBRD SMM FINANCE FACILITY, amounting to EUR 20 million, is a program for medium and long-term financing of investment projects for small and medium municipalities, as well as for utilities companies owned or controlled by local authorities.

The program operates nationwide, involving both the Bank's local branches and its Head Office. After participating in tenders organised by local authorities, BCR was awarded 13 projects amounting to EUR 11.5 million. Since the projects are in different implementation stages, the funds will be used as the works are progressing. So far, EUR 3.75 million have been used for investments in water supply construction/extension/rehabilitation, sewage, gas, public lighting, road construction/rehabilitation, municipal building rehabilitation, house building.

As for the SAPARD Program (Support for Pre-Accession measures for Agriculture and Rural Development), of the financial non-refundable contribution of EUR 1,072 million allotted to Romania for the 2000 - 2006 period, BCR approved in 2005 91 investment loans for SMEs, amounting to EUR 33.67 million.

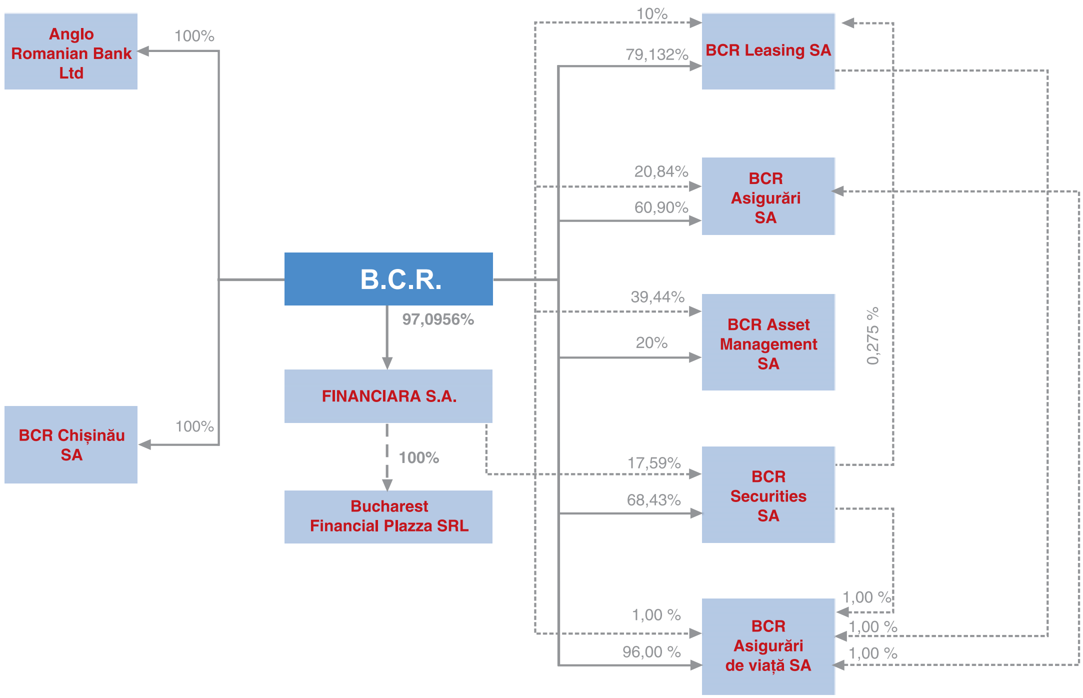
Furthermore, the Financial functional line manages the Bank's investments in subsidiaries and other participations, coordinating the intra-group relationships with the view to cooperate when common/joint projects or products are concerned, to develop and promote an integrated offer for the BCR Group and to extend the branch network of its subsidiaries, associated to the Bank's network structure.

SAPARD PROGRAM -
BREAKDOWN BY SECTORS



The functional line applies the Group strategy, aiming to fulfil the strategic objectives, as well as the corporate governance principles, ensuring the full transparency, availability and disclosure regarding the members of the Group.
Consequently, as of 31 December 2005, the Bank's portfolio comprised 19 direct investments in Romanian financial and non-financial companies, as well as 5 direct investments in companies incorporated abroad. Of these, 6 companies and two abroad-headquartered banks are categorised as "subsidiaries". Together with the 100% stake held by Financiara SA in Bucharest Financial Plazza, the BCR Group comprises 9 subsidiaries.

BCR Group structure as of December 31, 2005:



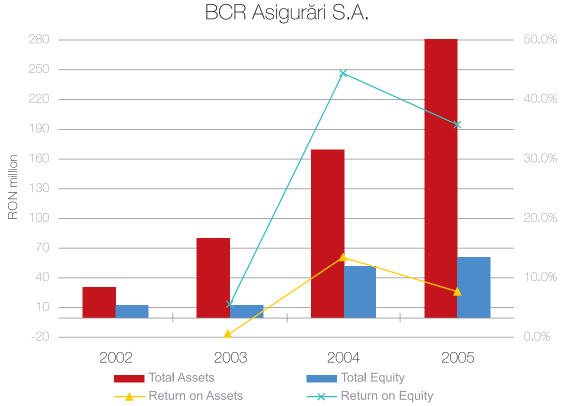
The subsidiaries had excellent results in 2005, expanding their business potential, growing their market shares, contributing to the consolidation of intra-Group strategies and of the consolidated profit.

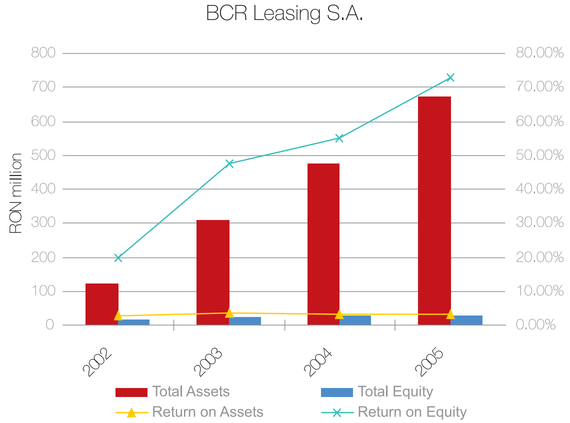
The insurance subsidiary, **BCR Asigurări**, showed a solid growth of its activities in 2005:

- A 104% increase in gross subscribed premiums as compared to 2004;
- Ranked 7th in the Top general insurers top and 5th in the top life insurers;
- Developed its branch network, exceeding 150 outlets;
- **BCR Asigurări** was awarded the "Most significant increase" by the insurance magazine PRIMM for the 2005 achievements, at the Insurance Market Awards Gala.

BCR Leasing, true to its goal of creating a convergence between the company's objectives and the needs of its customers, showed a solid growth of its activities in 2005:

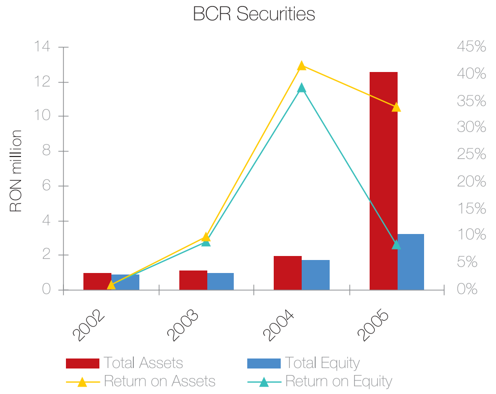
- An EUR 195 million value of financed goods in 2005 alone, corresponding to an EUR 234 million contracts value;
- An 80% increase in sales as compared to the previous year, leading to an 11% market share;
- The successful adoption of two new leasing categories: real estate leasing and software licence leasing;
- Quality certificates from The Romanian Society for Quality Insurance (SRAC) and the International Certification Network (IQ NET), BCR Leasing becoming the first Romanian leasing company to obtain both certifications.





In 2005, BCR Securities, working through its two profit-making centers (trading activity and analysis and development):

- Posted a historical maximum in respect of its operational activity;
- Accounted for a 242% increase in commissions from its trading activity;
- Intermediated 4 of the 6 municipal bond issuings, ranking 2nd on the specific market, with a 45.68% share.



In 2005, BCR Asset Management continued its strategy aimed to increase the offered yields and subsequently:

- Obtained a net profit five times higher as compared to 2004;
- Doubled the number of investors in its BCR Dinamic fund and marked a 3-times increase in the net asset value of the same investment fund;
- BCR Dinamic ranked first among the Undertakings for Collective Investment in Transferable Securities (UCITS) employing a similar portfolio structure (balanced funds), in terms of the yield and held a 12% market share in the UCITS market;
- BCR Clasic, another investment fund managed by the company, ranked 2nd among the UCITS employing a similar portfolio structure (fixed-income funds) and held a 6.5% market share in the UCITS market.

January The Treasury Products Sales Department is set by integrating the customer-desk section, with the view to increase financing resources and consolidate the partnership with BCR customers, in respect of the entire range of treasury products.

March BCR raises a USD 400 million syndicated loan from the international market, with no guarantees. The loan represents the largest foreign financing ever obtained by a Romanian company.
Furthermore, the LIBOR 3M + 0.725 pp interest represents the lowest cost ever charged to a Romanian company for a financing. Consequently, BCR's excellent performance strongly draws the national and international attention on the evolution of the Romanian market, setting new milestones for our country on the foreign capital markets.

The loan facility is granted for a five-year period, by a group of four renowned banks: Bank Austria Creditanstalt, Calyon, Citibank N. A. and WestLB AG, London Branch, with a four-year grace period and also with the possibility to make EUR withdrawals. The loan has been fully subscribed with contributions from a group of 16 financial institutions from Europe, USA and Asia.

The funds will be used for business development activities, such as medium and long-term loans for corporate customers, as well as for paying back the USD 200 million syndicated loan raised by BCR in March 2004; by this voluntary prepayment, the bank cost structure has significantly been improved.

BCR Securities, as intermediary and BCR, as sales group, launch the municipal bonds issuing for Medgidia town. The bonds have a four-year maturity and carry a floating, quarterly-payable interest, with the possibility to be traded on the Bucharest Stock Exchange.
The local authorities of Medgidia town will use the funds mainly for rehabilitating several educational facilities. Other projects include roads rehabilitation or construction, social homes, flats, as well as a cadastral program, including an auto park.

BCR Asset Management amends the investment policy of BCR Clasic open-ended Fund to include shares traded on the Bucharest Stock Exchange, up to 10% of the total asset. This measure aims at improving the fund's yield and raising the attractiveness of the fund units.

Moody's Investors Service upgrades the rating for BCR as follows:
- L/T foreign currency bank deposits rating: Ba2 (upgrade from B1)
- S/T foreign currency deposits rating: Not Prime

- Bank financial strength rating: D-

April BCR Leasing opens three new branches in Baia Mare, Arad and Ploiesti, thus reaching the largest branch network among Romanian leasing companies. Through its actions, BCR Leasing chooses as core of its strategy the continuous focus on customer needs, by providing not only competitive and advantageous services and professional expertise, but also care and respect for the time investment the customers make to benefit from these services. Furthermore, as part of the strongest Romanian financial group, BCR Leasing is capable of unfolding a coherent development program, endeavouring flexibility and convenience in the structure of transactions.

BCR puts into operation a new cash management system in respect of ATM cash administration. As a consequence, the system generates better results, leading to a 30% drop in the cash immobilised in these machines. Furthermore, the system provides daily information for each ATM in the network including the amounts necessary for the proper operation of the respective machine for the next two days.

The General Shareholders' Meeting of BCR Leasing approves the share capital increase, by incorporating a part of the 2004 net profit, through share dividend distribution, thus increasing the share's nominal value from RON 100 to RON 150.

May BCR Asigurări launches a new, complex house insurance product, covering all the risks referring to the house, goods and third party liability of the insured and his/her family members.
Specifically, the program offers free additional protection for covering necessary renting expenses when a building turns inoperable or when it gets flooded by fault of the insured. It also covers the expenses for damage prevention, mitigation or expertise. Optionally, it offers the possibility to include in the insurance the members of the insured's family living at the same address.

June BCR mandates Mizuho Corporate Bank Ltd. to lead, as "First Mandated Arranger", a multi-currency syndicated loan granted for a three-year period, amounting to USD 75 million. The facility will be reimbursed in five equal instalments, starting 12 months after the agreement is signed.

BCR Asigurări innovates again! For each TPL insurance purchased, the customer is extended a coverage for accident and house insurance, BCR Asigurări thus becoming the first Romanian insurance company to provide such a package.
BCR Asigurări reaches 140 outlets by opening 3

new agencies in Curtea de Argeș, Hațeg and Moinești.
The specialised report LEASEUROPE confirms the strong market position of BCR Leasing after analysing the data provided by 189 companies from 27 countries. Nominated in the "subsidiaries" category, BCR Leasing ranks 47th on the European market and 1st on the Romanian market, with a 12% share, in terms of contracts' value. The same source ranks BCR Leasing as the 2nd Romanian leasing company in terms of goods financed.

BCR Asigurări continues its excellent evolution in terms of gross subscribed premiums, recording a value of ROL 1,413.7 billion in premiums, equivalent to the year-end 2004 and 2.5 times higher as compared to H1 2004. The company proves that the stake in achieving performance is developing a strong, widespread network, well equipped both technically and in terms of human resources.

The Bank implements common treasury policies and principles for all entities comprised in the BCR Group, with the view to provide better collaboration in the area of resources for financing.

1 July BCR successfully implements the domestic currency denomination process at the level of all Group entities. In order to avoid any risks that might have been associated to the process, the Bank took all necessary precautions for preventing any failures. BCR made sure that all ATMs and AEMs have the required amounts of cash and that the IT systems and applications are updated and ready to perform operations in the new currency. Furthermore, all the customers, institutions, corresponding banks were informed about the denomination process. All divisions of the Bank and its domestic subsidiaries reported excellent results in implementing the denomination.

Capital Intelligence upgrades the rating for BCR as follows:

- L/T foreign currency rating: BB+ (upgrade from BB-)
- S/T foreign currency rating: B
- Domestic strength: BBB- (upgrade from BB+)
- Support: 2

August Within the complex program designed by the Bank to access international capital markets, aiming to increase resources and significantly decrease financing costs, BCR raised the unsecured multi-currency syndicated loan arranged by Mizuho Corporate Bank, three times oversubscribed to USD 221 million. The loan has a 3-year maturity and BCR was able to get the lowest cost compared to any financing granted to a Romanian company: a 0.70% margin above the reference interest rate for EUR, USD or YEN. The cost is based solely on the Bank's solvability and reputation on the international markets.

September BCR Group (BCR Securities as intermediary and BCR as sales group) launches the first issuance of serial municipal bonds for Alba Iulia town, for the first time in Romania. It is the largest bond-based loan - RON 24.5 million - with the longest maturity - 20 years - after the WWII. The bonds' face value is RON 100 and the interest rate is floating, with the possibility to be adjusted semi-annually.

The Alba Iulia municipality will use the funds to finance a number of 13 investment projects, such as rehabilitation of education institutions, houses and streets.

BCR Securities signs the intermediation agreement regarding the primary public offer of ProCredit Bank corporate bonds.

Fitch Ratings maintains the ratings granted to BCR at the same level, as follows:

- L/T foreign currency rating: BB+
- S/T foreign currency rating: B
- Individual rating: C/D
- Support rating: 3

The rating report states that BCR is by far the dominant bank in Romania and accounts for around a quarter of all assets in the banking system. Furthermore, the Bank has shown sustained profitability over recent years, at the same time with improving its internal procedures and risk management systems.

October BCR, together with other four Group members, set up BCR Asigurări de Viață SA, aiming to develop the modern "integrated financial solutions" concept by providing BCR corporate and retail customers with life insurance products.
The new company has a share capital of approximately EUR 4.1 million and benefits from all the financial strength, integrity and professionalism of BCR Group, thus being able to provide the most valuable bancassurance products and services at the most competitive prices.
The company is committed to support its customers in protecting their families, their business interests and lifestyles, by supplying trustworthy products, combined with a well defined marketing strategy and a competitive group of professionals.

November BCR launches fixed interest bearing Eurobonds on the international market, the initial amount announced by the Bank being EUR 300 million. The transaction closed at the aggregate

amount of EUR 500 million, the largest bond issue ever performed by a Romanian private company.
Investors from over 16 countries showed a great interest resulting in a book order value exceeding EUR 750 million, the issuance thus being heavily oversubscribed.
BCR's "senior notes" bonds have a three-year maturity, a re-offered yield of 4% p.a. and an annual coupon rate of 3.75%. The issuance price is 99.306% of the par value.
The Bank aimed to achieve a high qualitative level on the international market in terms of low costs and opportunities for investors, which represents a cornerstone for future issuances of Romanian companies or even of the Romanian government.
At the issuance date, the rating granted to BCR by rating agencies is BB- (Standard & Poor's) and BB+ (Fitch), with a "positive" outlook, consequently increasing the trust of BCR investors, while providing new favourable circumstances for entering international capital markets.

BCR receives from EBRD a long-term loan, amounting to EUR 50 million, for promoting the Romanian mortgage financing system. The loan is granted for a 12-year period, with an interest of EURIBOR 6M plus a margin reflecting the outstanding growth of the Bank and the excellent reputation in the business world. This is the second loan granted to BCR by EBRD for mortgage financing, an area where the collaboration between the two institutions is essential.

December BCR and International Finance Corporation (IFC) sign a Loan Agreement, amounting to EUR 75 million, to assist funding for SMEs and retail customers. By signing this agreement, BCR takes another step in developing its partnership with the SMEs and the population, key segments for the Bank. The loan will also contribute to the improvement of BCR's balance structure, by extending the maturity of drawn foreign currency resources, thus decreasing the maturity gaps between the foreign currency assets and liabilities.

The loan is granted on a seven-year period, with a two-year grace period, with an interest of EURIBOR 6M plus a margin in accordance with the current interest charged to BCR when borrowing from the international markets, which clearly reflects the positive evolution of the Bank during the last period.

The funds granted by BCR to Romanian companies will contribute to the enhancement of environmental conditions, the efficiency and quality of their business, envisaging the EU accession soon to be completed. Furthermore, closing this agreement reflects BCR's technical and professional ability as main financer of the economy, currently managing 46 structural, national and regional programs, amounting to EUR 2 billion.

BCR Asset Management launches the third open-ended Investment Fund, BCR Expert. The fund will mainly invest in shares of companies listed on the Bucharest Stock Exchange, but also in financial instruments carrying fixed or floating interest, such as treasury certificates, corporate or municipal bonds, deposits or deposit certificates, which will provide a good return for the money invested in such a fund.

The investment policy of BCR Expert will target portfolio diversification with a view to mitigate risks and maintain a proper liquidity level. The fund's investments in securities will play an important role and will aim towards issuers that have growth and market potential, as well as a strong dividends policy. Stock exchange specialists appreciate that, in 2006, the newly created open-ended investment fund will attract around 1,500 investors.

Standard & Poor's upgrades the rating for BCR as follows:

- L/T counterparty credit rating: BBB- (upgrade from BB-)
- L/T foreign currency rating: BBB-

ANNUAL REPORT 2005

The Year of Excellence

From left to right: **Nicolae Voicu**, Executive Manager, Evaluation Division; **Gheorghe Vlădoi**, Executive Manager, Economic Divison; **Radu Varduca**, Executive Manager, IT Division; **Minodora Dumitrache**, Executive Manager, Accounting Division; **Petre Preda**, Executive Vice President, Chief Operations Officer; **Mariean Bușcă**, General Executive Manager, General Back Office Division; **Bogdan Dumitriu**, Executive Manager, Protection and Security Unit

BCR acknowledged the need for a very competitive IT platform in order to enhance its ability to respond faster and better than its competitors to the customers' requirements. Therefore, the Bank continued the actions of developing and implementing SIBCOR v2, the name given to the BCR's initiative to develop a modern, centralised banking IT platform, which secures an integrated, automated, rapid and effective management of the information within the Bank, all these leading to an effective and efficient decision-making process with positive consequences on customers. Furthermore, a series of projects have been implemented to ensure the required performances in the communications area, both radio-frequency communications network and terrestrial communications network, essential for providing the infrastructure required to process the Bank's activity at high standards.

Important work has been done towards the denomination of the national currency, all the IT systems being practically revised and updated in order to be compliant with this requirement.

The range of services for e-banking (MultiCash) users has been enlarged by including the new "deposits" and "foreign exchange" facilities. The number of performed operations clearly proves that the Bank provided its customers with new services capable to increase their satisfaction.

According to the Bank's strategy to externalise the services in order to enhance the focus on its core activity and increase the customer satisfaction, there have been signed contracts for the cleaning and maintenance of the buildings comprising the BCR network in 3 counties (Alba, Cluj, Sălaj), following that in 2006 the approach to be extended to the other counties.

In 2005 BCR allocated a EUR 30 million budget for information technology, a sign of the significant importance given to this vital area of the Bank's activity.

February The documentation for designing the modules dedicated to the treasury and cashiery, MoneyGram operations, foreign financing lines, is finalised. The Oracle team presents the second version of the kernel prototype, comprising a reduced functionalities' implementation such as orders' processing, transactions' processing, approval, interest computation, balance and accounts. Consequently, servers' configuration for subunits is finalised, their installation being in progress.

March The implementation of the radio-frequency communications programme is completed in all the Bank's branches while for the terrestrial communications upgrading project it was finalised for 220 branches along with achieving the 1000 Mbps connection with the Back-up Center.

April BCR set in 2004 the reporting bases for drafting quarterly consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS). The first quarter of 2005 represented the first period for which quarterly consolidated financial statements are prepared. A series of measures preceded this action, with the purpose to ensure the full success. These measures included: forming a team of professionals with experience in IFRS reporting, the knowledge of the particularities that characterise subsidiaries' activity and the way they are reflected in the books, and selecting an IT application for accounting consolidation, namely the consolidation module of the Oracle GL application.
The development of the conceptual frame for the business model is finalised, highlighting the correlations between the strategic goals and the opportunities offered by the implementation of S2K v2. The detailed business model offers a series of opportunities to the Bank, such as operational standardisation, centralisation of the back office and organisation on a hub or spoke structure. Furthermore, the Bank finalises the configuration of servers for subunits and starts their installation.

June BCR receives the "Award for the most for competitive internet-banking service in 2004" for its IT solution, e-BCR. The award is granted on national premiere by the "e-Finance" magazine, specialised in IT technologies, business and finance, within the conference on "The convergence of IT and financial-banking markets 2005". This award reconfirms the Bank's ability to provide Romanian services of European quality capable to satisfy even the most sophisticated requirements of its customers, the most important gain being the durable partnership with them, based on trust and mutual advantage. The heavy investments made in the IT infrastructure materialised in IT services embodying the most comprehensive range of operations that can be carried out and offering the most advanced security degree, advantageous costs. All these features made e-BCR the outright winner when it comes to customer satisfaction, BCR leading with market shares of 58% for e-BCR and 48% for MultiCash BCR.
Within the Integrated Communications Network the connections' upgrade is finalised for all the branches and BCR commences the second stage of the programme for the implementation of the radio communications.

August The second stage of the programme for the implementation of the radio communication is finalised along with the project for upgrading the performances of the terrestrial communication network started in 2004, aiming to achieve superior parameters, which will generate improved performances for all IT applications that use the communication network.

September The update of the internal regulations of the Bank regarding settlements, lending, treasury, equity investments, risks, cards is completed within the terms established in the Operational Implementation Plan.

The activities for the standardisation of SIBCOR v2 such as the standardisation of accounting operations according to the new accounts, the standardisation of the product types from the Bank's portfolio, and testing on the development environment of these standardisations are completed.

October The pilot phase begins on 1st of October at Serban Voda branch, the objectives being to test the data conversion applications with real data and the procedures that govern the process, to test the entire production infrastructure in real conditions, to introduce real operations and to process the data resulted simultaneously with the existent application (SIBCOR 99) and to compare the data obtained using the two systems, perform the day closing operations with real data and check the balances within the two systems, to implement the temporary interfaces and reports and to test them with real data, and to shift to production on SIBCOR v2 concomitantly with decommissioning of the current application.

By the end of 2005 the SIBCOR v2 system was rolled out to 57 branches.

ANNUAL REPORT

2005

The Year of Excellence

De la stânga la dreapta: Doru-Bebe Bulată, Executive Manager, Compliance Unit; Simona Vâlceanu, Executive Manager, Legal Divison; Ilie Mihai, Executive Vice President, Risk Management; Arion Negrilă, Executive Manager, Risk Management Division; Luminița Gheorghiu, Executive Manager, Methodology Division; Corneliu Gorcea, Executive Manager, Credit Policies, Portfolio Monitoring and Recovery Division

Risk Management

BCR has an integrated, Group-wide approach for identifying, understanding, measuring and managing its business risks, including credit and market risks, liquidity, interest rate, currency, operational and financial risks.
BCR's risk policy is aimed at systematically and continuously increasing corporate value and achieving the strategic targets within a value-oriented management. Furthermore, the preservation of its name and reputation, together with its brand, represent key priorities for BCR, bearing in mind that the conduct toward shareholders, customers and society must be marked by fairness and a sense of responsibility.
BCR understands that managing such a large and volatile business also means taking care of all its stakeholders, reason for which it establishes a corporate risk management framework, based on strong corporate governance principles, addressing risk issues in a timely and appropriate manner.

In 2005, BCR enhanced its risk management activities and framework, by specifying authorities, reporting requirements and procedures for analysing risk management issues. The Bank also regularly monitored its risks through analyses, reports and relevant risk modelling.
BCR has refined and expanded its risk management techniques to incorporate leading-edge methodologies and to have a better view in respect of the entire risk perspective.

The Bank's risk management activities are designed to protect its long-term sustainability and strength, which in turn, help secure the interests of its many stakeholders. Risk management is an integral part of all decisions and business processes in the BCR Group. The management structure, the planning system and the detailed reporting and information systems, in particular, form the basis for the organizational integration of risk management into business processes.
As a financial services provider, the Bank is exposed to a wide variety of risks in the course of its activities. Consequently, BCR operates an effective system for identifying, communicating and dealing with risks at an early stage, with the goal to identify the potential risks associated with banking activities as early as possible, evaluate them according to set criteria, assess the possible quantitative and qualitative consequences of their occurrence, and take suitable measures to mitigate them. The various processes and instruments used depending on the respective risk profile are constantly being improved, supplemented and optimized in line with statutory requirements.

BCR has developed sophisticated systems and comprehensive policies and procedures to ensure that the risk is properly identified, quantified and managed. The intense focus on risk management stems from a number of considerations, since the quality of the Bank's risk management systems is a crucial aspect in the market's assessment of its performance and value.

BCR is fully aware that relatively small changes in financial performance can have a significant impact on the bottom-line profitability, consequently paying great attention to risk management by establishing a sound risk awareness culture, endowed with the necessary systems and technologies to support an integrated risk framework. The Bank also focuses on organising efforts to provide the data for complex risk decision-making, while allocating capital and motivating behaviour, since risk management is the responsibility of every employee.

BCR has a broad geographic reach, operating in many areas, offering a wide range of complex products and services. The Bank has moved away from the traditional banking strategy of holding assets and adopted strategies that emphasize redistribution of assets and active management of risks. These risk-management techniques continue to improve and adapt to the ever-changing financial environment.

With the implementation of Basel II scheduled for 2007, a top priority for the banking industry is the integration and enhancement of systems to meet regulatory requirements. But, for BCR, the focus on strengthening risk management stretches beyond Basel II.

Anticipating NBR's strategy to implement the agreement in 2007, BCR intends to strengthen its efforts and align to Basel II regulations by 2006, intending to gradually apply advanced methods for credit risk - Internal Rating Based (IRB).

Moreover, in 2005, BCR managed its compliance function in line with the provisions and conditions of the specific legislation, integrating its efforts for ensuring the proper risk management, for protecting the interests of shareholders, customers, business partners and employees, respectively.

The AML/CFT/KYC activity is an issue of major significance for BCR, which is actively involved in managing efficiently and effectively the compliance risk pursuant to the Bank's Compliance Policy and Program. This fact is confirmed by the legal Romanian institutions which consider BCR as the touchstone of excellence for the domestic banking industry in respect of AML.

At the end of 2004, BCR elaborated the Compliance Program for 2005 stating that the responsibilities related to the compliance function should be approached within a clear and judicious framework specifying the activities to be performed for a

determined period of time. The Program covers the implementation and review of the policy and specific procedures, the development of the compliance function, in accordance with Basel II principles, while testing the staff training.
Complying with the laws, rules and standards applicable to the banking industry is an essential and effective mean to promote BCR's values of moral integrity and honesty.

January BCR sets the credit risk exposure limits for credit institutions. Such limits are calculated based on analysing financial and non-financial aspects related to credit institutions. The new scoring system uses a granular classification system which is also a predictive rating model and a tool for assessing credit risk for an accurate decision-making process.
BCR uses quantitative, qualitative and country risk variables, calculating a final score (final risk grade) for each financial entity.
The Bank grants different risk weighted values to these variables, classifying the credit institutions into 7 categories, from A (lowest risk) to G (highest risk) and subsequently sets the maximum risk exposure limit for each institution.
BCR benefited from consultancy on risk management and capital allocation issues from an EBRD representative. The expert provided BCR with specific advice on risk management, especially credit and interest rate risk, assessed BCR's achievements against best international practices and identified gaps and deficiencies, if any, in the risk management policies and processes.

February In relation to compliance practices, the Bank analyses the possibilities provided by the IT systems, the upgrade, development or purchase of certain applications to allow the aggregated approach and monitoring on consolidated basis of the accounts and transactions performed by customers, in accordance with the Romanian and international regulations on AML/KFT/KYC.

For the accurate assessment of the market risk exposure, the Bank implements the Value at Risk (VaR) model. The VaR for main portfolios of BCR are calculated based on three methods (historical simulation, Delta Normal and Monte Carlo simulation) and compared accordingly.
BCR adopts the internal control policy for supervision on consolidated basis at BCR Group level.
Based on the national regulations, the Bank will calculate prudential ratios at consolidated level for the BCR Group entities comprised in the consolidation perimeter. These ratios will be used for analyses regarding the level of risk exposure at BCR Group level, for monitoring risk exposure limits and also for reporting purposes.

March BCR implements a capital allocation system by business lines, resulting in the analysis of the Bank's efficiency based on the exposure to specific risks (credit, market and operational risks). After an appropriate record is certified, the Bank will be able to set a development strategy for its portfolio, only for those business lines providing an efficiency above a BCR set threshold.

Through the capital allocation system, BCR takes major steps in implementing the Basel II Agreement, by using the methods set by this agreement: Value at Risk for the market risk and the standardised method for the operational risk. For credit risk, the Bank uses the Basel I approach.

The capital allocation system analyses the efficiency against risk exposures for 5 business lines and 18 business units. It also calculates the risk adjusted performance taking into consideration an important indicator, RAROC (Risk Adjusted Return on Capital), and its two approaches: standard and capital cost adjusted (also known as "economic added value").

BCR signs the Addendum to the Joining Agreement to the Romanian Credit Bureau, thus entering its second development stage, where all members of the Bureau send/receive positive information regarding the retail customers. Furthermore, the Bureau's activity is extended to include non-banking institutions (such as financial, insurance, leasing, as well as services providers) also providing diversified information.

All members of the Bureau will use an international standardised reporting template, which starting with January 2005, is the mandatory form for the credit bureaus with international activity, thus allowing access to complete date for each debtors.

30 June Starting with this date, BCR calculates biannually, for all the entities in the BCR Group comprised in the prudential consolidation perimeter, the following prudential ratios:

- the capital adequacy ratios
- the large exposures towards the main customers/ sole debtors,
- exposures to the related parties,
- exposures to the Group's personnel,
- the non-arm's length transaction,
- the equity.

October NBR initiates a project aimed at determining the quantitative impact that Basel II will have on the required capital level of credit institutions. Within this project, BCR, considered the most advanced bank in applying the Basel II Approach, presents the steps taken in implementing the Basel requirements. BCR's efforts to implement a capital allocation system by business lines (including the most advanced methods - Value at Risk for market risk and standardised method for operational risk) are highly appreciated by the National Bank. Moreover, the Bank is involved in three groups working on the standardised approach, internal rating systems approach and market risk, thus continuing its efforts to adjust internal risk management techniques and methods, with the view to gradually move towards the most advanced techniques of this international standard. BCR also endeavours to identify the necessary ratios for the further implementation of the IRB method for credit risk and to create a database for operational risk events for the gradual implementation of the most advanced method in this respect (AMA).

BCR approves the creation of the "operational risk and compliance officer" position in every county branch, ensuring the management of operational risk and compliance function with respect to AML, KYC and CFT. As part of the operational risk, the compliance risk is carefully identified, assessed, monitored and reported, in line with Basel II requirements, BCR promoting a risk culture that generates awareness in relation to such matters.

November BCR adopts a risk profile in accordance with the adequate policies for managing significant risks, correlated with the general strategies, the Bank's equity and its experience in managing risks. Defining the risk profile of the Bank is in line with the requirements of the Basel II Agreement, due to the fact that the internal methods, ratios and approaches developed for quantifying risk exposures must be associated with the BCR's risk profile.
BCR makes sure that its methods and techniques for managing risks are adequate, in terms of risk profile and business plan. Following the analysis performed regarding the subject, BCR's risk profile was estimated as "prudent" for both the Bank and each risk category.

For **credit risk**, BCR's profile is considered as "prudent" due to the high quality of its loan portfolio, 90% of its loans being classified as "standard" or "watch". Furthermore, the portfolio is diversified, covered with collaterals and has a solvency ratio exceeding by minimum 12% the level required by NBR.
The **market risk** profile is also considered as "prudent" due to the low foreign exchange risk. Repricing GAP simulations for the main currencies indicate an interest risk below the market's average and the total Value at Risk value for the positions in the trading book is relatively low as compared to the Bank's equity.
The **operational risk** profile was evaluated based on the standardised method of the Basel II Agreement and, given the reduced level of operational losses and the high margins on the Romanian market, is also considered "prudent".
The **liquidity risk** and **country risk** are considered "prudent" due to BCR's ability of earning liquidities from treasury operations and to the classification in the A class of more than 83% of the Bank's exposures.

Banca Comerciala Romana S.A.

Financial Statements
The Group and the Bank
31 December 2005

Prepared in accordance with
International Financial Reporting Standards

Contents

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).

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

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.

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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%

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General information

2. Capital adequacy (continued)

Group

In RON thousand	IFRS Balance sheet (Reported amounts) 31 December 2005	IFRS Balance sheet (Reported amounts) 31 December 2004	IFRS Balance sheet (Risk weighted amounts) 31 December 2005	IFRS Balance sheet (Risk weighted amounts) 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 31 December 2005	Capital 31 December 2004	BIS % 31 December 2005	BIS % 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%

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Independent Auditors' Report
(free translation[1])

The Shareholders'
Banca Comercială Română S.A.

1 We have audited the accompanying unconsolidated balance sheet of Banca Comercială Română S.A. (the "Parent Bank") as of 31 December 2005 and the related unconsolidated statements of income, changes in equity and cash flows for the year then ended. We have also audited the accompanying consolidated balance sheet of Banca Comercială Română S.A. and its subsidiaries (the "Group") as of 31 December 2005 and the related consolidated statements of income, changes in equity and cash flows for the year then ended. These financial statements which have been presented together to report the financial position, results of operations, and changes in cash flows for both the Parent Bank and the consolidated Group are the responsibility of the Parent Bank's management. Our responsibility is to express an opinion on the unconsolidated financial statements of the Parent Bank and the consolidated financial statements of the Group based on our audits.

2 This report is made solely to the Bank's shareholders, as a body. Our audit work has been undertaken so that we might state to the Bank's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

3 We conducted our audits in accordance with the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

4 The financial statements of a consolidated company, which statements reflect total assets constituting RON 70,789 thousand, total net profit constituting RON 1,868 thousand and total interest and commission income constituting RON 5,775 thousand as of and for the year ended 31 December 2005, were audited by other auditors whose report has been furnished to us. Our audit

[1]TRANSLATOR'S EXPLANATORY NOTE: The above translation of the financial statements is provided as a free translation from Romanian which is the official and binding version

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report, insofar as it relates to the amounts included for this consolidated company, is based solely on the furnished report of the other auditors. The report of the other auditors was qualified for non-compliance by the consolidated company with the requirements of IAS 39 "Financial Instruments: Recognition and Measurement" with regards to measurement of loans to customers at amortised cost and the determination of impairment losses on loans and advances to customers. The above-mentioned auditors have not provided sufficient confirmation on their independence of the company they have audited.

5 As presented in Note 2a to the financial statements, the Parent Bank and the Group did not apply the requirements of IAS 18 "Revenue" and IAS 39 "Financial Instruments: Recognition and Measurement" to amortise the upfront loan origination commissions and related transactions costs based on the effective yield of the loans. The calculation of loans' amortised cost is performed using the linear method.

The Parent Bank

6 In our opinion, based on our audits and the audit of other auditors, except for the effects of not recording the adjustments, if any, as described in paragraph 5, the accompanying unconsolidated financial statements of Banca Comercială Română S.A. present fairly, in all material respects, the financial position of the Parent Bank as of 31 December 2005, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

The Group

7 In our opinion, based on our audits and the audit of other auditors, except for the effects of not recording the adjustments, if any, as described in paragraphs 4 and 5, the accompanying consolidated financial statements of Banca Comercială Română Group present fairly, in all material respects, the financial position of the Group as of 31 December 2005, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

8 Without further qualifying our opinions, we draw attention to the following:

- As presented in Notes 2l and 18 to the financial statements, the Parent Bank and the Group have estimated the impairment loss provision for loans and advances to customers at RON 553,500 thousand and RON 576,653 thousand, respectively, as at 31 December 2005 based on the internal methodology developed and applied as at 31 December 2005. We have reviewed the procedures used by management in arriving at its estimate of the impairment loss provision for loans and advances to customers and have inspected the underlying documentation; in the circumstances, we believe the procedures are reasonable and the documentation appropriate. However, because of the inherent limitations mentioned in Note 2l related to the historical experience in obtaining cash flow information and in methodologies applied, that estimate may differ significantly from the value that would have been obtained had information regarding original effective interest rate been available and had the Parent Bank and the Group obtained sufficient historical experience on obtaining reliable information on the timing and amounts of the expected future cash flows.

- As presented in Note 5 to the financial statements, the Parent Bank and the Group are in the process of amending the existing applications and adjusting existing internal financial reporting to support reporting of all relevant segment information within its business segments.

- As presented in Note 34 to the financial statements, the Parent Bank and the Group are currently in the process of amending the reporting applications to enable the estimation of fair value of loans and advances to customers, deposits from banks and customers and loans from banks and other financial institutions, whose fair value may be significantly different from their carrying value.

Refer to the original signed
Romanian version

KPMG Audit SRL
Bucharest, Romania
18 April 2006

Income statement

Bank and Consolidated
for the year ended 31 December 2005

In RON thousand	Note	Group		Bank	
		2005	2004 *	2005	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

The accompanying notes from pages 91 to 170 form an integral part of these financial statements

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

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	Mr. Petre Preda
Executive President	Executive Vice President

The accompanying notes from pages 91 to 170 form an integral part of these financial statements

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

Statement of changes in equity

Bank and Consolidated
for the year ended 31 December 2005

Group

In RON thousand	Share capital	Attributable to equity holders of the Bank: Other reserves	Retained earnings	Minority interest	Total
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

The accompanying notes from pages 91 to 170 form an integral part of these financial statements

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

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

The accompanying notes from pages 91 to 170 form an integral part of these financial statements

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Cash flows statement

Bank and Consolidated

for the year ended 31 December 2005

In RON thousand	Note	Group		Bank	
		2005	2004 *	2005	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 91 to 170 form an integral part of these financial statements.

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

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

The accompanying notes from pages 91 to 170 form an integral part of these financial statements.
TRANSLATOR'S EXPLANATORY NOTE: The above translation of the financial statements is provided as a free translation from Romanian which is the official and binding version

Notes to the financial statements
Bank and Consolidated

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.

Notes to the financial statements

Bank and Consolidated

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.

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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.

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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

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

Notes to the financial statements

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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

Notes to the financial statements

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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
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

	Group		Bank	
RON thousand	2005	2004	2005	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

	Group		Bank	
RON thousand	2005	2004	2005	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

	Group		Bank	
RON thousand	31 December 2005	31 December 2004	31 December 2005	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

	Group		Bank	
RON thousand	31 December 2005	31 December 2004	31 December 2005	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

	Group		Bank	
RON thousand	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 Chișinău	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	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	31 December 2004	Effective holding % 31 December 2005	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

Notes to the financial statements

Bank and Consolidated

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

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

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	4,327,224
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:

RON thousand	Group 31 December 2005	Group 31 December 2004	Bank 31 December 2005	Bank 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

	Group 2005	Group 2004	Bank 2005	Bank 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

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

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

36. Maturity analysis (*continued*)

The assets and liabilities of the Bank 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	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 Min.	RON Range Max.	USD Range Min.	USD Range Max.	EUR Range Min.	EUR Range 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 Min.	RON Range Max.	USD Range Min.	USD Range Max.	EUR Range Min.	EUR Range 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 Min.	RON Range Max.	USD Range Min.	USD Range Max.	EUR Range Min.	EUR Range 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 Min.	RON Range Max.	USD Range Min.	USD Range Max.	EUR Range Min.	EUR Range 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.