



Banca Commerciale Romana S.A.

Interim Financial Statements

The Bank and the Group

30 June 2005

**Prepared in accordance with
International Financial Reporting
Standards**



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Independent Report on Review of Interim Financial Information (free translation¹)

The Shareholders'
Banca Comercială Română S.A.

- 1 We have reviewed the accompanying unconsolidated balance sheet of Banca Comercială Română S.A (the "Parent bank") as of 30 June 2005 and the related unconsolidated statements of income, cash flows and changes in equity for the six months period then ended. We have also reviewed the accompanying consolidated balance sheet of Banca Comercială Română S.A. and its subsidiaries (the "Group") as of 30 June 2005 and the related consolidated statements of income, cash flows and changes in equity for the six months period then ended. These interim financial information, 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 issue a report on the unconsolidated interim financial information of the Parent Bank and the consolidated interim financial information of the Group based on our reviews.
- 2 The financial statements of a consolidated company, which statements reflect total assets constituting ROL 463,043 million, total net profit constituting ROL 7,224 million and total interest and commission income constituting ROL 22,346 million as of and for the six months ended 30 June 2005, were reviewed by other auditors whose report has been furnished to us. Our review report, insofar as it relates to the amounts included for this consolidated company, is based solely on the furnished report of the other auditors.
- 3 We conducted our reviews in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion. This report is made solely to the Bank.

¹ TRANSLATOR'S EXPLANATORY NOTE: The above translation of the independent report on review of interim financial information is provided as a free translation from Romanian, which is the official and binding version.



Our reviews have been undertaken so that we might state to the Bank those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

- 4 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 and to determine the impairment losses on loans to customers based on the expected future cash flows discounted at the original effective interest rate of the loans.
- 5 The Parent Bank and the Group did not apply the requirements of IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" to depreciate office and other equipment and intangible assets for each individual item.

The Parent Bank

- 6 Based on our review and the review of other auditors, except for the effects of not recording the adjustments, if any, as described in paragraphs 4 and 5, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial information of the Parent Bank is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

The Group

- 7 Based on our review and the review of other auditors, except for the effects of not recording the adjustments, if any, as described in paragraphs 4 and 5, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information of the Group is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

**Refer to the original
signed Romanian version**

KPMG Audit SRL
Bucharest, Romania
6 September 2005



Banca Comerciala Romana S.A.

General information

1. Nature of operations

Banca Comerciala Romana Group (the “Group”) comprises the parent bank, Banca Comerciala Romana S.A. and its subsidiaries: Anglo-Romanian Bank Limited (United Kingdom), Banca Comerciala Romana Sucursala Chisinau (Republic of Moldova), BCR Asigurari SA (Romania), BCR Leasing SA (Romania), BCR Securities SA (Romania), Financiara SA (Romania), Bucharest Financial Plaza 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 wholesale and retail banking services and other financial services to governmental institutions, corporate and individuals 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 330 branches (31 December 2004: 323) and 319 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 30 June 2005, a credit institution must have a capital adequacy ratio of at least 12%. As of 30 June 2005, the capital adequacy ratio based upon the NBR’s regulations was 16.63% (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).



Banca Comerciala Romana S.A.

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 30 June 2005 were:

- 17.75% and 19.00%, respectively (31 December 2004: 19.07% and 20.32%, respectively) for the Bank.
- 19.49% and 21.30%, respectively (31 December 2004: 22.04% and 23.29%, respectively) for the Group.

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

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

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



Banca Comerciala Romana S.A.

General information

2. Capital adequacy (continued)

Bank

In ROL million

	IFRS Balance sheet (Reported amounts)		IFRS Balance sheet (Risk weighted amounts)	
	30 June 2005 Unaudited	31 December 2004	30 June 2005 Unaudited	31 December 2004
Balance sheet assets (net of provisions)				
Cash and cash equivalents	4,184,309	4,123,586	41,490	69,706
Due from National Bank of Romania	84,841,119	70,591,884	1,187	423
Placements with banks	4,306,654	7,211,205	861,331	1,442,241
Financial assets at fair value through profit and loss	27,907,516	33,996,368	-	-
Loans and advances to banks	294,818	305,196	-	-
Loans and advances to customers	121,012,361	102,887,780	110,915,200	92,665,497
Investment securities, held to maturity	1,027,737	1,120,560	1,370,471	1,292,960
Investments securities, available for sale	428,270	-	-	-
Equity investments	3,314,056	3,291,467	602,120	585,469
Deferred tax asset	86,900	-	-	-
Property and equipment	16,976,109	16,954,793	16,976,111	16,954,793
Intangible assets	961,157	889,641	961,157	889,641
Other assets	1,043,011	570,001	1,040,758	568,783
Off balance sheet commitments and contingencies	52,932,528	49,784,225	33,341,426	30,968,683
Total risk weighted assets			166,111,251	145,438,196

In ROL million

	Capital		BIS %	
	30 June 2005 Unaudited	31 December 2004	30 June 2005 Unaudited	31 December 2004
BIS Capital ratios				
Tier 1 capital	29,479,993	27,730,428	17.75%	19.07%
Tier 1 + Tier 2 capital	31,556,384	29,548,405	19.00%	20.32%

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Banca Comercială Română S.A.

General information

2. Capital adequacy (continued)

Group

In ROL million

	IFRS Balance sheet (Reported amounts)		IFRS Balance sheet (Risk weighted amounts)	
	30 June 2005 Unaudited	31 December 2004	30 June 2005 Unaudited	31 December 2004
Balance sheet assets (net of provisions)				
Cash and cash equivalents	4,414,696	4,276,319	41,490	95,065
Due from central banks	85,652,413	71,482,010	1,187	423
Placements with banks	4,866,804	8,240,031	973,361	1,648,006
Financial assets at fair value through profit and loss	31,781,288	39,007,810	3,778,163	4,328,437
Loans and advances to banks	1,210,082	306,529	-	-
Loans and advances to customers	126,840,003	107,600,031	116,734,843	97,377,749
Investment securities	428,270	-	-	-
Equity investments	511,741	495,090	162,012	145,362
Deferred tax assets	55,056	-	-	-
Property and equipment	19,103,449	18,737,180	19,103,449	18,737,180
Intangible assets	988,580	894,884	988,580	894,884
Other assets	1,906,269	1,215,826	1,904,017	1,214,609
Off balance sheet commitments and contingencies	54,847,247	52,359,765	35,256,148	33,544,222
Total risk weighted assets			178,943,250	157,985,937

In ROL million

	Capital		BIS %	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
BIS Capital ratios				
Tier 1 capital	34,871,411	34,819,888	19.49%	22.04%
Tier 1 + Tier 2 capital	38,112,672	36,794,712	21.30%	23.29%

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Banca Comerciala Romana S.A.

Interim income statement

Bank and Consolidated

for the six months ended 30 June 2005

<i>In ROL million</i>	Note	Group		Bank	
		Six months ended 30 June 2005 Unaudited	Six months ended 30 June 2004 * Unaudited	Six months ended 30 June 2005 Unaudited	Six months ended 30 June 2004 * Unaudited
Interest and similar income		12,669,025	12,119,308	11,943,136	11,725,497
Interest expense and similar charges		(5,976,360)	(5,253,545)	(5,915,427)	(5,165,439)
Net interest income	4	6,692,665	6,865,763	6,027,709	6,560,058
Fee and commission income		3,379,298	3,101,052	3,188,492	2,928,584
Fee and commission expense		(304,564)	(271,159)	(242,950)	(259,034)
Net fee and commission income		3,074,734	2,829,893	2,945,542	2,669,550
Dividend income		34,495	30,518	176,750	123,530
Net trading income		1,337,549	472,714	1,297,797	431,566
Net gain/(loss) on investment securities		74,580	(233,466)	100,039	(263,386)
Other operating income	5	824,880	274,003	297,986	220,941
Operating expenses	6	(6,406,521)	(5,274,661)	(5,535,671)	(4,940,432)
Net charge of provision for impairment losses		(1,231,864)	(798,159)	(1,219,896)	(899,216)
Profit before tax		4,400,518	4,166,605	4,090,256	3,902,611
Income tax expense		(607,673)	(983,207)	(573,398)	(899,161)
Profit for the period		3,792,845	3,183,398	3,516,858	3,003,450
Attributable to:					
Equity holders of the Bank		3,739,490	3,125,049	-	-
Minority interest		53,355	58,349	-	-
		3,792,845	3,183,398	3,516,858	3,003,450

* See Note 2b

The interim financial statements set out in the pages 1 to 30 were approved by the Executive Committee on 6 September 2005 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 8 to 30 form an integral part of these interim financial statements

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



Banca Comerciala Romana S.A.

Interim balance sheet

Bank and Consolidated

at 30 June 2005

In ROL million	Note	Group		Bank	
		30 June 2005 Unaudited	31 December 2004 *	30 June 2005 Unaudited	31 December 2004 *
ASSETS					
Cash and cash equivalents		4,414,696	4,276,319	4,184,309	4,123,586
Due from central banks		85,652,413	71,482,010	84,841,119	70,591,884
Placements with banks		4,866,804	8,240,031	4,306,654	7,211,205
Financial assets at fair value through profit and loss		31,781,288	39,007,810	27,907,516	33,996,368
Loans and advances to banks		1,210,082	306,529	294,818	305,196
Loans and advances to customers	7	126,840,003	107,600,031	121,012,361	102,887,780
Investment securities, held to maturity		-	-	1,027,737	1,120,560
Financial assets, available for sale					
- Investment securities		428,270	-	428,270	-
- Equity investments	8	511,741	495,090	3,314,056	3,291,467
Property and equipment		19,103,449	18,737,180	16,976,109	16,954,793
Intangible assets		988,580	894,884	961,157	889,641
Deferred tax asset		55,054	-	86,900	-
Other assets	9	1,906,269	1,215,826	1,043,011	570,001
Total assets		277,758,649	252,255,710	266,384,017	241,942,481
LIABILITIES					
Deposits from banks		9,180,718	8,627,044	5,096,521	5,100,508
Deposits from customers		191,876,738	177,640,542	190,448,720	175,970,877
Loans from banks and other financial institutions		35,706,782	24,542,905	34,649,755	23,751,612
Other liabilities evidenced by paper		16,227	14,058	-	-
Other liabilities and provisions	10	3,418,532	3,854,958	1,547,737	2,630,819
Deferred tax liability		-	86,987	-	87,084
Total liabilities		240,198,997	214,766,494	231,742,733	207,540,900
EQUITY					
Capital and reserves attributable to the Bank's equity holders					
Share capital		21,196,925	21,196,925	21,196,925	21,196,925
Retained earnings		9,150,538	8,715,463	5,660,012	5,418,640
Other reserves		7,028,209	7,411,765	7,784,347	7,786,016
		37,375,672	37,324,153	34,641,284	34,401,581
Minority interest		183,980	165,063	-	-
Total equity		37,559,652	37,489,216	34,641,284	34,401,581
Total equity and liabilities		277,758,649	252,255,710	266,384,017	241,942,481

* See Note 2b

The interim financial statements set out in pages 1 to 30 were approved by the Executive Committee on 6 September 2005 and were signed on its behalf by:

Dr. Nicolae Danila
Executive President

Mr. Petre Preda
Executive Vice President

The accompanying notes from pages 8 to 30 form an integral part of these interim financial statements

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Banca Comerciala Romana S.A.

Interim statement of changes in equity

Bank and Consolidated

for the six months ended 30 June 2005

Group

In ROL million

	Attributable to equity holders of the Bank			Minority Interest	Total
	Share capital	Other reserves	Retained earnings		
Balance at 31 December 2003, as previously stated	21,196,925	6,932,592	4,891,255	790,739	33,811,511
Correction of error	-	59,647	(170,769)	-	(111,122)
Deferred tax effect of changes in accounting policy (referred to note 2b)	-	-	(301,924)	-	(301,924)
Balance at 31 December 2003, restated	21,196,925	6,992,239	4,418,562	790,739	33,398,465
Net profit for the period (unaudited)	-	-	3,125,049	58,349	3,183,398
Translation reserve (unaudited)	-	8,839	-	(35,315)	(26,476)
Dividends declared	-	-	(1,669,351)	(12,396)	(1,681,747)
Balance at 30 June 2004 (unaudited)	21,196,925	7,001,078	5,874,260	801,377	34,873,640
Balance at 31 December 2004	21,196,925	7,411,765	8,907,916	165,063	37,681,669
Deferred tax effect of changes in accounting policy (referred to note 2b)	-	-	(192,453)	-	(192,453)
Balance as at 31 December 2004, restated	21,196,925	7,411,765	8,715,463	165,063	37,489,216
Net profit for the period (unaudited)	-	-	3,739,490	53,355	3,792,845
Fair value loss on available-for-sale instruments	-	(1,669)	-	-	(1,669)
Translation reserve (unaudited)	-	(381,887)	-	-	(381,887)
Dividends declared (unaudited)	-	-	(3,304,415)	(34,438)	(3,338,853)
Balance at 30 June 2005 (unaudited)	21,196,925	7,028,209	9,150,538	183,980	37,559,652

The accompanying notes from pages 8 to 30 form an integral part of these interim financial statements

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Banca Comerciala Romana S.A.

Interim statement of changes in equity (continued)

Bank and Consolidated

for the six months ended 30 June 2005

Bank

<i>In ROL million</i>	Share capital	Other Reserves	Retained earnings	Total
Balance at 31 December 2003 as previously stated	21,196,925	6,932,592	4,891,255	33,020,772
Changes in accounting policy related to investments in subsidiaries (referred to note 2b)	-	328,239	(3,221,740)	(2,893,501)
Balance at 31 December 2003, restated	21,196,925	7,260,831	1,669,515	30,127,271
Net profit for the period (unaudited)	-	-	3,003,450	3,003,450
Dividends declared (unaudited)	-	-	(1,669,351)	(1,669,351)
Balance at 30 June 2004 – (unaudited)	21,196,925	7,260,831	3,003,614	31,461,370
Balance as at 31 December 2004, as previously stated	21,196,925	7,352,118	8,890,064	37,439,107
Changes in accounting policy related to investments in subsidiaries (referred to note 2b)	-	433,898	(3,471,424)	(3,037,526)
Balance as at 31 December 2004, restated	21,196,925	7,786,016	5,418,640	34,401,581
Net profit for the period (unaudited)	-	-	3,516,858	3,516,858
Fair value loss on available-for-sale instruments	-	(1,669)	-	(1,669)
Dividends declared (unaudited)	-	-	(3,275,486)	(3,275,486)
Balance at 30 June 2005 (unaudited)	21,196,925	7,784,347	5,660,012	34,641,284

The accompanying notes from pages 8 to 30 form an integral part of these interim financial statements

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Banca Comerciala Romana S.A.

Interim cash flows statement

Bank and Consolidated

for the six months ended 30 June 2005

<i>In ROL million</i>	Note	Group		Bank	
		Six months ended 30 June 2005 Unaudited	Six months ended 30 June 2004* Unaudited	Six months ended 30 June 2005 Unaudited	Six months ended 30 June 2004* Unaudited
Operating activities					
Net profit before taxation		4,400,518	4,166,605	4,090,259	3,902,612
Adjustments for non-cash items:					
Depreciation and amortization	6	641,481	452,362	547,803	395,471
Loss/(gain) on disposal of property and equipment		3,111	(3,883)	4,532	(3,883)
Impairment loss and write-off of assets		1,814,949	1,175,721	1,788,881	337,136
Provision for litigations		-	74,200	-	74,200
Change in fair value of financial assets at fair value through profit and loss		(27,299)	222,688	(27,336)	208,590
Other non-monetary adjustments		(557,320)	-	954	-
Dividend income		34,495	(30,518)	(176,750)	(123,530)
		6,309,935	6,057,175	6,228,343	4,790,596
(Increase)/decrease in amounts due from central banks		825,159	190,954	3,134	145,972
(Increase)/decrease in placements and loans to banks		(1,541,537)	(1,958,500)	554,290	181,622
(Increase)/decrease in loans and advances to customers		(21,054,924)	(10,853,571)	(19,913,462)	(8,980,697)
(Increase)/decrease in other assets		(690,443)	(474,030)	(473,010)	(572,601)
Increase/(decrease) of deposits from banks		553,674	1,483,709	(3,987)	2,085,297
Increase/(decrease) in deposits from customers		14,236,096	13,798,170	14,477,842	14,552,478
Increase/(decrease) in other liabilities		(155,189)	2,418,234	(1,059,480)	1,805,840
Cash generated from operations		(1,517,231)	10,662,141	(186,330)	14,008,507
Income tax paid		(886,735)	(1,047,266)	(779,644)	(975,581)
Cash flows generated from operating activities		(2,403,966)	9,614,875	(965,974)	13,032,926
Investing activities					
Net acquisition of equity investments		(14,178)	(39,174)	(20,117)	(160,299)
Acquisition of property and equipment and intangibles		(1,110,194)	(361,187)	(445,967)	(342,872)

The accompanying notes from pages 8 to 30 form an integral part of these interim financial statements

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Banca Comerciala Romana S.A.

Interim cash flows statement (continued)

Bank and Consolidated

for the six months ended 30 June 2005

<i>In ROL million</i>	Note	Group		Bank	
		Six months ended 30 June 2005 Unaudited	Six months ended 30 June 2004* Unaudited	Six months ended 30 June 2005 Unaudited	Six months ended 30 June 2004* Unaudited
Proceeds from sale of property and equipment		5,637	12,218	5,637	12,217
Net acquisition of investment debt securities		10,458,738	(4,888,836)	9,478,372	(4,851,222)
Dividends received		(34,495)	52,879	176,750	46,308
Cash flows used in investing activities		9,305,508	(5,224,100)	9,194,675	(5,295,868)
Financing activities					
Payment of finance lease liabilities		-	-	(196,176)	(68,467)
Net proceeds from loans from banks and financial institutions		11,163,877	7,017,787	10,898,143	6,765,399
Proceeds from bonds issued		-	17,314	-	-
Dividends paid		(3,304,415)	(1,768,775)	(3,275,486)	(1,669,347)
Cash flows generated from financing activities		7,859,462	5,266,326	7,426,481	5,027,585
Net increase in cash and cash equivalents		14,761,004	9,657,101	15,655,182	12,764,643
Cash and cash equivalents at beginning of the period		95,180,563	68,245,269	93,101,280	63,143,499
Cash and cash equivalents at end of the period		109,941,567	77,902,370	108,756,462	75,908,142

* See Note 2b

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Banca Comerciala Romana S.A.

Interim cash flows statement (continued)

Bank and Consolidated

for the six months ended 30 June 2005

Cash flows generated from operating activities include:

<i>In ROL million</i>	Group		Bank	
	30 June 2005 Unaudited	30 June 2004* Unaudited	30 June 2005 Unaudited	30 June 2004* Unaudited
Interest received	13,254,124		12,459,454	
Interest paid	5,797,170		5,734,434	

* Comparative information was not available

Analysis of cash and cash equivalents in the interim cash flow statement:

<i>In ROL million</i>	Group		Bank	
	30 June 2005 Unaudited	31 December 2004	30 June 2005 Unaudited	31 December 2004
Cash and current accounts with banks	4,414,696	4,276,319	4,184,309	4,123,586
Current accounts and deposits with Central Banks	85,652,413	70,656,857	84,697,694	70,445,325
Placements with banks, less than 3 months	4,219,461	8,230,672	4,219,461	6,580,100
Treasury bills less than 3 months	15,654,997	12,016,715	15,654,998	11,952,269
Cash and cash equivalents in the cash flows statement	109,941,567	95,180,563	108,756,462	93,101,280

The accompanying notes from pages 8 to 30 form an integral part of these interim financial statements

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



Banca Comerciala Romana S.A.

Notes to the interim financial statements

Bank and Consolidated

1. Introduction

Banca Comerciala Romana S.A. (the “Bank”) is a bank domiciled in Romania. The consolidated interim financial statements of the Bank for the six months ended 30 June 2005 comprise the Bank and its subsidiaries (together referred to as the “Group”).

A summary of the subsidiaries consolidated in the interim financial statements of the Group is presented in Note 8.

These interim financial statements comprise both the consolidated interim financial statements of the Group (as presented in the columns “Group”) and the separate interim financial statements of the Bank (as presented in the columns “Bank”) for the six months ended 30 June 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 interim financial statements of the Group and of the Bank have been prepared in accordance with International Financial Reporting Standards (“IFRS”) for interim financial statements except for the calculation of financial instruments’ amortised cost and the estimation of impairment losses for loans to customers originated by the Group and Bank that were measured as presented hereinafter. Financial instruments’ amortised cost is calculated using the linear method which represents management’s best estimate for the value of the corresponding amortisation. In estimating impairment losses for loans to customers the Group has not assessed 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 makes it impracticable for the Group to obtain reliable information about the timing and the amounts of the expected future cash flows related to the loans. The consolidated interim financial statements do not include all of the information required for full annual financial statements.

b) Basis of preparation

These interim financial statements are prepared and presented in Romanian Lei (“ROL”), rounded to the nearest million. The interim financial statements of the Group are prepared on a fair value basis for derivative financial instruments, financial assets and liabilities held-for-trading and available-for-sale instruments, except those for which a reliable measure of fair value is not available which are presented at cost.



Banca Comerciala Romana S.A.

Notes to the interim financial statements

Bank and Consolidated

2. Significant accounting policies (*continued*)

b) Basis of preparation (*continued*)

The preparation of interim 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. Actual results may differ from these estimates.

These consolidated interim financial statements have been prepared on the basis of IFRSs in issue that are effective for the the Group's IFRS annual reporting date, 31 December 2005.

The accounting policies have been applied consistently throughout the Group for purposes of these consolidated interim financial statements.

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 IFRSs as presented hereinafter.

These interim financial statements should be read in conjunction with the audited financial statements prepared in accordance with IFRS for the year ended 31 December 2004.

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

Accounting for investments in subsidiaries

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 held for sale in the separate interim financial statements from the equity method to restated cost. This change was applied retrospectively in the interim financial statements and included in the determination of the opening balances of each component of equity affected for the earliest period presented (refer to Interim 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 interim 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.



Banca Comerciala Romana S.A.

Notes to the interim financial statements

Bank and Consolidated

2. Significant accounting policies (*continued*)

b) Basis of preparation (*continued*)

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 interim financial statements are presented in ROL, 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.

ii) 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:

Currencies	30 June 2005	31 December 2004	Variation
Euro (EUR)	1: ROL 36,050	1: ROL 39,663	(9%)
US Dollar (USD)	1: ROL 29,891	1: ROL 29,067	3%



Banca Comerciala Romana S.A.

Notes to the interim financial statements

Bank and Consolidated

2. Significant accounting policies (continued)

b) Basis of preparation (continued)

Financial assets

i) Classification

The Group classifies its financial assets in the following categories:

Financial assets at fair value through profit or loss. This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset 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 securities, previously recognised as available-for-sale at 31 December 2004, as financial assets at fair value through profit and loss. This change was applied retrospectively in the interim financial statements of the Bank 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 six months ended 30 June 2005 were classified as available-for-sale financial assets.



Banca Comerciala Romana S.A.

Notes to the interim financial statements

Bank and Consolidated

2. Significant accounting policies (continued)

b) Basis of preparation (continued)

Financial instruments (continued)

ii) Recognition

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 are initially recognised at fair value plus, in case of financial assets 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 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 and the impact of the application of the effective interest rate method would not be material.
- investments in 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.

iv) Gains and losses on subsequent measurement

Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category 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.



Banca Comerciala Romana S.A.

Notes to the interim financial statements

Bank and Consolidated

2. Significant accounting policies (*continued*)

b) Basis of preparation (*continued*)

Financial instruments (*continued*)

v) 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.

3. 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.

The business segment reporting format is the Group's primary basis of segment reporting. 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 banking operations (i.e. corporate and retail).

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business segments

The Group's segment reporting as at 30 June 2005 comprises the following main business segments:

- **Banking.** Within banking the Group provides corporations and individuals with a range of financial products and services, including lending, savings and deposit taking business, payment services, credit and debit cards, providing cash management, foreign commercial business, investment advices, financial planning, securities lending, project and structured finance transactions, syndicated loans and asset backed transactions. The banking business segment includes also financial products and services provided to financial institutions including money market and treasury operations, syndicated loans, foreign currency and derivative transactions, securities investment.



Banca Comerciala Romana S.A.

Notes to the interim financial statements Bank and Consolidated

3. Segment reporting (*continued*)

- *Other.* Within other the Group incorporated financial products and services provided by the leasing, insurance, brokerage, asset management, real estate services and financial consultancy services operations of the Group.



Banca Comerciala Romana S.A.

Notes to the interim financial statements

3. Segment reporting (*continued*)

Bank and Consolidated

Business segments

For the six months ended 30 June 2005

<i>In ROL million</i>	Banking		Other		Eliminations		Group	
	Six months ended 2005	Six months ended 2004	Six months ended 2005	Six months ended 2004	Six months ended 2005	Six months ended 2004	Six months ended 2005	Six months ended 2004
Interest and commission income	15,537,517	15,116,981	499,470	275,133	11,337	(171,755)	16,048,324	15,220,360
Other income	1,887,893	711,576	1,185,571	522,539	(801,960)	(456,880)	2,271,504	777,234
Total income	17,425,410	15,828,557	1,685,041	797,672	(790,623)	(628,635)	18,319,827	15,997,594
Segment result	4,113,752	3,938,197	477,935	267,349	(191,169)	(38,941)	4,400,518	4,166,605
Profit before tax							4,400,518	4,166,605
Income tax expense							(607,673)	(983,207)
Profit for the period							3,792,845	3,183,398



Banca Comerciala Romana S.A.

Notes to the interim financial statements Bank and Consolidated

4. Net interest income

<i>ROL million</i>	Group		Bank	
	Six months ended 30 June 2005 Unaudited	Six months ended 30 June 2004 Unaudited	Six months ended 30 June 2005 Unaudited	Six months ended 30 June 2004 Unaudited
Interest and similar income				
Current accounts, deposits and loans to banks	3,060,084	3,540,851	2,742,275	3,464,849
Loans and advances to customers	8,565,635	7,988,446	8,205,688	7,721,226
Treasury bills and other debt securities	1,042,573	588,269	995,173	539,422
Other interest income	733	1,742	-	-
Total interest and similar income	12,669,025	12,119,308	11,943,136	11,725,497
Interest expense and similar charges				
Deposits from banks	(168,224)	(110,946)	(110,904)	(87,461)
Deposits from customers	(5,100,261)	(4,892,408)	(5,133,995)	(4,850,767)
Loans from banks	(681,545)	(241,931)	(647,949)	(211,187)
Other interest expense	(26,330)	(8,260)	(22,579)	(16,024)
Total interest expense and similar charges	(5,976,360)	(5,253,545)	(5,915,427)	(5,165,439)
Net interest income	6,692,665	6,865,763	6,027,709	6,560,058



Banca Comerciala Romana S.A.

Notes to the interim financial statements

Bank and Consolidated

5. Other operating income

<i>ROL million</i>	Group		Bank	
	Six months ended 30 June 2005 Unaudited	Six months ended 30 June 2004 Unaudited	Six months ended 30 June 2005 Unaudited	Six months ended 30 June 2004 Unaudited
Rent income	43,537	12,293	9,616	10,068
Income from non-banking services	72,231	53,266	48,998	53,266
Other income	709,112	208,444	239,372	157,607
Total	824,880	274,003	297,986	220,941

Income from non-banking services is mainly related to the services of cash transportation and collection and insurance brokerage fees.

6. Operating expenses

<i>ROL million</i>	Group		Bank	
	Six months ended 30 June 2005 Unaudited	Six months ended 30 June 2004 Unaudited	Six months ended 30 June 2005 Unaudited	Six months ended 30 June 2004 Unaudited
Salaries and other personnel costs	3,663,329	3,143,748	3,282,050	2,837,081
Rent expenses	132,150	49,632	192,293	106,220
Depreciation and amortisation	641,481	452,362	547,803	395,471
Administrative expenses	971,487	1,062,882	906,138	1,002,806
Other taxes and duties	486,904	463,472	438,378	375,009
Provision for litigation	-	74,200	-	74,200
Other operating costs	511,170	28,365	169,009	149,645
Total	6,406,521	5,274,661	5,535,671	4,940,432

The number of employees of the Bank at 30 June 2005 was 12,069 employees (31 December 2004: 12,282 employees). The number of the employees of the Group at 30 June 2005 is 13,359 employees (31 December 2004: 13,573 employees).



Banca Comerciala Romana S.A.

Notes to the interim financial statements

Bank and Consolidated

7. 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 30 June 2005 and 31 December 2004, was as follows:

Analysis by sector

<i>ROL million</i>	Group		Bank	
	30 June 2005 Unaudited	31 December 2004	30 June 2005 Unaudited	31 December 2004
Individuals	46,526,533	34,456,155	45,977,467	33,981,192
Trade	17,496,018	16,618,832	13,402,836	12,621,983
Agriculture and food industry	12,441,923	11,511,514	11,845,595	10,767,646
Leasing	6,370,424	2,132,493	9,445,755	5,181,562
Wood industry	4,378,937	4,528,619	4,144,143	4,231,075
Metallurgy	4,091,917	3,521,584	3,768,404	3,520,736
Textile and leather	3,789,041	3,754,131	3,606,988	3,518,096
Chemical and petrochemical	4,946,508	4,317,890	4,653,674	4,256,774
Power generating	2,473,421	3,042,646	2,286,116	2,541,332
Tourism	1,453,982	1,225,526	1,400,963	1,205,452
Manufacturing metallic products	4,426,327	3,183,494	3,811,674	3,164,240
Transport vehicles manufacturing	3,982,833	4,556,367	3,982,833	4,552,696
Mining	201,036	255,510	198,035	254,249
Construction materials	4,569,894	2,829,856	4,124,379	2,734,957
Transport	3,442,464	2,380,833	3,015,808	2,183,506
Machinery and mechanical equipment	2,098,564	1,447,917	1,613,673	1,426,824
Public institutions	4,515,857	7,634,129	4,502,033	7,631,647
Electric engineering and electronics	527,668	495,607	527,668	492,079
Latex and plastic materials	763,016	496,507	763,016	490,428
Other	4,287,578	5,165,875	3,705,023	3,561,884
Total loans and advances to customers before provisions	132,783,941	113,555,485	126,776,083	108,318,358
Provision for impairment losses on loans	(5,943,938)	(5,955,454)	(5,763,722)	(5,430,578)
Net loans and advances to customers	126,840,003	107,600,031	121,012,361	102,887,780



Banca Comerciala Romana S.A.

Notes to the interim financial statements Bank and Consolidated

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

Provision for impairment losses on loans

<i>ROL million</i>	Group	Bank
Provision as at 1 January 2005	5,955,454	5,430,578
Exchange differences (unaudited)	(122,785)	(45,195)
Net charge for the period (unaudited)	111,269	378,339
Provision as at 30 June 2005 (unaudited)	5,943,938	5,763,722

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:

<i>ROL million</i>	30 June 2005 Unaudited	31 December 2004
Gross investment in finance leases	5,143,220	4,630,545
Unearned finance income	(790,162)	(588,796)
Net investment in finance leases	4,353,058	4,041,749
<i>Net investment in finance leases, with remaining maturities</i>		
Less than one year	1,902,693	1,743,631
Between one and five years	2,450,365	2,298,118
Net investment in finance leases	4,353,058	4,041,749

The assignment of receivables of all present and future rights in respect of receivables under leasing contracts concluded for assets financed from these loans are securing a loan received by the subsidiary BCR Leasing SA from a financial institution.



Banca Comerciala Romana S.A.

Notes to the interim financial statements

Bank and Consolidated

8. Equity investments

<i>ROL million</i>	Group		Bank	
	30 June 2005 Unaudited	31 December 2004	30 June 2005 Unaudited	31 December 2004
Investments in subsidiaries	-	-	2,802,315	2,796,377
Other equity investments	512,915	498,381	512,915	498,381
Less provision for impairment of other equity investments	(1,174)	(3,291)	(1,174)	(3,291)
Total equity investments	511,741	495,090	3,314,056	3,291,467

The Bank had the following subsidiaries consolidated in the condensed interim financial statements of the Group as at 30 June 2005 and 31 December 2004:

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

* acquired following the merger with Bancorex in 1999

The investment in subsidiaries can be further analysed as follows:

<i>ROL million</i>	Bank	
	30 June 2005 Unaudited	31 December 2004
At the beginning of the period, as previously stated	5,690,082	4,693,972
Change in accounting policy related to the investments in subsidiaries (referred to note 2b)	(2,893,704)	(2,591,848)
At the beginning of the year, as restated	2,796,378	2,102,124
Additions	5,937	694,254
At the end of the period	2,802,315	2,796,378



Banca Comerciala Romana S.A.

Notes to the interim financial statements

Bank and Consolidated

8. Equity investments (continued)

The Bank and the Group held the following other equity investments available-for-sale as at 30 June 2005 and 31 December 2004:

	Nature of business	Carrying amount <i>In ROL million</i>		Effective holding %	
		30 June 2005 Unaudited	31 December 2004	30 June 2005 Unaudited	31 December 2004
Banca Italo-Romena, Milano	Banking	107,880	107,880	7.69%	7.69%
MISR Romanian Bank, Cairo	Banking	241,848	241,848	19.00%	19.00%
ASIBAN SA	Insurance	70,198	58,198	20.00%	20.00%
Fondul de Garantare a Creditului Rural	Guarantee fund	20,395	17,205	26.32%	26.32%
Other equity investments		72,594	73,250		
Total		512,915	498,381		
Less provision for impairment of other equity investments		(1,174)	(3,291)		
Total		511,741	495,090		

Provision for impairment losses on other equity investments

<i>ROL million</i>	Group	Bank
Provision as at 1 January 2005	3,291	3,291
Net release for the period (unaudited)	(2,117)	(2,117)
Provision as at 30 June 2005	1,174	1,174



Banca Comerciala Romana S.A.

Notes to the interim financial statements Bank and Consolidated

9. Other assets

<i>ROL million</i>	Group		Bank	
	30 June 2005 Unaudited	31 December 2004	30 June 2005 Unaudited	31 December 2004
Amounts in transit	228,724	202,497	228,724	202,497
Sundry debtors	953,396	646,697	403,825	296,751
Inventories	133,716	133,094	129,075	133,054
Prepayments	441,126	80,122	398,297	64,509
Re-insurer share of technical insurance provisions	174,182	134,206	-	-
Profit tax	4,899		1,221	
Other assets	145,170	215,573	55,389	42,122
Total other assets, gross	2,081,213	1,412,189	1,216,531	738,933
Less provision for impairment of sundry debtors	(174,944)	(196,363)	(173,520)	(168,932)
Total other assets, net	1,906,269	1,215,826	1,043,011	570,001

Provision for impairment of sundry debtors includes an amount of ROL 173,520 million (31 December 2004: ROL 168,932 million) representing a receivable (related to the printing of an album) taken over as a result of the merger with the former Bancorex (referred to note 11).



Banca Comerciala Romana S.A.

Notes to the interim financial statements

Bank and Consolidated

10. Other liabilities and provisions

<i>ROL million</i>	Group		Bank	
	30 June 2005 Unaudited	31 December 2004	30 June 2005 Unaudited	31 December 2004
Finance lease payable	-	-	331,809	323,149
Accrual for employees' profit sharing	1,116	675,811	1,116	655,898
Amounts in transit	230,021	252,098	228,695	250,027
Provision for letters of guarantee	113,449	113,449	113,449	113,449
Provision for litigation	77,526	78,247	74,281	74,281
Profit tax due	57,199	204,452	-	28,510
Other taxes payable	96,548	237,883	42,600	203,133
Technical insurance provisions	1,396,978	893,411	-	-
Other liabilities	1,445,695	1,399,607	755,785	982,372
Total	3,418,532	3,854,958	1,547,737	2,630,819

11. 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 in which the state owned majority of shares, Banca Romana de Comert Exterior - "Bancorex", the Government of Romania launched a series of measures designed to limit the effect of Bancorex's insolvency on the economy of Romania. These measures included placing Bancorex in special administration for a limited period, transferring certain non-performing loans of Bancorex to an Asset Recovery Agency (AVAS) and transferring deposits and other creditor's accounts with individuals (together with Romanian government securities having similar maturity) to the Bank.

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 to the Bank against litigations up to an amount of ROL 38 billion and USD 116 million against individual litigations for which the Bank is the defendant, arising in connection with the merger of the former Bancorex with the Bank, before it was removed from the Register of Trade.

According to Government Ordinance no.832/2004, approved during 2004, the limit for unconditional letters of guarantee was increased up to ROL 290,221 million, EUR 6,088,493, USD 41,609,788 and RUR 65,914.

Based on the regulation in force, the Ministry of Public Finance issued ninety-two Letters of Guarantee for litigations in which the Bank is involved following the merger with Bancorex.



Banca Comerciala Romana S.A.

Notes to the interim financial statements

Bank and Consolidated

11. 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 Government Emergency 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 impact the economic results and financial position of the Bank.

As at 30 June 2005, the Bank was the defendant in 98 cases from this category (given to AVAS). For 13 cases, with a total value of probable claims of ROL 20.9 billion, Drahtmas (GRD) 10 billion, USD 6,847,492, EUR 906 and DEM 2,000, there were issued no letters of guarantee due to the fact that these litigations have been opened after the enforcement of Government Emergency Ordinance 85/2004.

In accordance with this Government Emergency Ordinance, all claims arising from the Bancorex activity will stand exclusively against AVAS, and all the court decision will be pronounced only against AVAS. Therefore, the Bank together with the Ministry of Public Finance will analyse the possibility of increasing the guarantee limit with the claims of the 13 lawsuits in which no letters of guarantee were issued, if the case may be.

Government Emergency Ordinance 18/2004 confirms the fact that all the off balance sheet commitments, other commitments as well as all the risks arising from the Bancorex related litigations are, will remain and will be guaranteed by the State. Also, according to the stipulations of article no. 15 of Emergency Government Ordinance 18/2004, in all the lawsuits related to the Bancorex' activity, in which the Bank is the defendant, the Courts of Law are obligated to issue decisions only against AVAS.

Other litigations

As at 30 June 2005 the Bank was involved in a number of other litigations as defendant for which the probable claims were estimated at ROL 5,195,160 million (including all other denominated claims translated at the official exchange rate as at 29 June 2005). In these lawsuits the Bank is defended by its internal lawyers, except in a number of 4 cases in which external lawyers have been employed.

Based on legal advice and management's best estimate, the Bank recorded a provision of ROL 74,281 million regarding the claim made by the General Directorate of Public Finance, Valcea. For the other litigations, the management estimated that no potential losses will occur, and consequently no provision for potential losses has been recorded.

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.



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11. Commitments and contingencies (continued)

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 recognised 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.

<i>ROL million</i>	Group		Bank	
	30 June 2005 Unaudited	31 December 2004	30 June 2005 Unaudited	31 December 2004
Letters of guarantee	34,725,291	33,214,372	33,664,993	31,692,584
Letters of credit	2,002,223	3,330,401	1,904,095	3,288,001
Undrawn commitments	18,119,733	15,814,992	17,363,440	14,803,640
Total	54,847,247	52,359,765	52,932,528	49,784,225

As at 30 June 2005 the Bank recorded a provision for letter of guarantee in amount of ROL 113,449 million (31 December 2004: 113,449 million).



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12. 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 30 June 2005 and 31 December 2004 are detailed below.

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.

The Group entered into a number of banking transactions with the other shareholders in the normal course of business.

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:

<i>ROL million</i>	Group		Bank	
	30 June 2005 Unaudited	31 December 2004	30 June 2005 Unaudited	31 December 2004
Assets				
Investment securities available-for-sale	34,793	23,720	34,793	23,720
Total	34,793	23,720	34,793	23,720
Liabilities				
Deposits and current accounts from customers	1,498,966	85,180	1,498,966	85,180
Loans from banks and other financial institutions	4,541,960	4,887,665	4,377,249	4,835,070
Other liabilities	-	5,343	-	5,343
Total	6,040,926	4,978,188	5,876,215	4,925,593



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12. Related party transactions (continued)

Transactions with shareholders (continued)

<i>ROL million</i>	Group		Bank	
	Six months ended 30 June 2005	12 months ended 31 December 2004	Six months ended 30 June 2005	12 months ended 31 December 2004
	Unaudited		Unaudited	
Income				
Interest and dividend income	-	1,173	-	1,173
Commission income	898	26,298	898	26,298
Other income	7,166	-	7,166	-
Total	8,064	27,471	8,064	27,471
Expenses				
Interest expense	138,633	25,220	136,903	24,974
Commission expense	74	1,791	74	1,741
Total	138,707	27,011	136,977	26,715

Transactions with management

The Group entered into a number of banking transactions with the management in the normal course of business. The following transactions were carried out with the management:

<i>ROL million</i>	Group		Bank	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
	Unaudited		Unaudited	
Assets				
Loans and advances to customers	21,775	13,270	19,703	10,547
Other assets	49	200	49	200
Total	21,824	13,470	19,752	10,747
Liabilities				
Deposits from customers	159,324	64,857	115,494	64,857
Other liabilities	-	23	-	-
Total	159,324	64,880	115,494	64,857



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12. Related party transactions (continued)

Transactions with management (continued)

<i>ROL million</i>	Group		Bank	
	Six months ended	12 months ended	Six months ended	12 months ended
	30 June 2005	31 December 2004 *	30 June 2005	31 December 2004 *
	Unaudited		Unaudited	
Interest and commission income	981	1,221	890	932
Interest and other expenses	6,370	5,566	4,114	3,554

Transactions with subsidiaries

The Bank holds investments in subsidiaries (referred to Note 8) with whom it entered into a number of banking transactions in the normal course of business. The following transactions were carried out with subsidiaries:

<i>ROL million</i>	30 June 2005 Unaudited	31 December 2004
Assets		
Cash and cash equivalents	5,445	15,707
Placements with banks	1,391,202	1,884,819
Loans and advances to banks	290,012	305,196
Loans and advances to customers	4,223,495	3,668,720
Investment securities, available for sale	12,912	12,944
Other assets	41	-
Total	5,923,107	5,887,386
Liabilities		
Deposits and current accounts from banks	5,713	14,754
Deposits and current accounts from customers	1,090,650	831,463
Loans from banks and other financial institutions	37,631	51,840
Other liabilities and provisions	331,809	323,148
Total	1,465,803	1,221,205



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12. Related party transactions (continued)

Transactions with subsidiaries (continued)

<i>ROL million</i>	Six months ended 30 June 2005 Unaudited	12 months ended 31 December 2004
Interest income	139,940	262,300
Commission income	18,425	21,543
Other income	197,840	196,991
Total	356,205	480,834
Interest expense	69,595	98,687
Commission expense	31,022	3,516
Insurance expense	20,213	215,137
Other expenses	104,317	479,263
Foreign exchange loss	5,991	-
Total	231,138	796,603

13. Subsequent events

Syndicated loan

In August 2005, the Bank concluded a syndicated borrowing agreement with a consortium formed of 15 banks having Mizuho Corporate Bank, Ltd. as the Initial Mandated Lead Arranger for an amount of USD 221,000,000 over 3 years maturity.

Eurobonds issue

In order to achieve a better matching of assets with liabilities, both in terms of maturities and currencies, the Bank intends to issue minimum EUR 300,000,000 and maximum bonds in the second half of 2005. The maturity considered is between 3 to 5 years and the fix coupon is to be annual.

Denomination

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 ROL to 1 new Romanian Leu.



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12. Subsequent events (continued)

Privatization process

In accordance with the Government's ordinance no. 467/26 May 2005, that regulates the selling of a majority package of the shares of BCR to a strategic investor, at 25 July 2005 the Bank started the due diligence process of the nine potential buyers selected by AVIS on the short list. After finalizing the due diligence activity, follows the final stage of the transactions were the potential buyers will have to make their offers regarding the purchasing of the shares.