

BANCA COMERCIALĂ ROMÂNĂ

Annual Report 2006

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Message from the CEO



Dear shareholders and customers,

It is with great pleasure that I present you the 2006 Annual Report of Banca Comerciala Romana Group, which proves the persistence of our efforts and marks the completion of another remarkable period in our activities.

I am delighted that for the seventh year in a row I have the opportunity to announce you that we accomplished our business targets, reaching again record results and financial ratios. We marked a 16.4% increase in our net profits and reached a ROE of 18.8%. We raised our net interest income by 20% and experienced a 22.2% growth in our operating results. While increasing our assets with an amazing 38.6%, we decreased our cost/income ratio by nearly 2 percentage points, based on a thorough control of our operating expenses.

Besides results that cemented our leading position in the Romanian banking system, we continued our network expansion efforts, opening no less than 101 outlets, thus getting closer to BCR Group customers and anticipating their needs through innovation and

expertise. We launched 15 retail products and services and improved another 22, while addressing our corporate partners with 9 new products shaped to support their business development.

In 2006 BCR was again nominated as the best banking brand in Romania, a customer recognition that honours our financial stability, trustworthiness and social involvement. It also ascertains our capacity to permanently reshape and renew our activities, while respecting our ties with the communities and our duty as main supporter of the Romanian companies. Envisaging the EU accession, we launched the EU office BCR concept in October, welcoming our business partners to join us in a partnership for successful European projects, where our abilities and expertise are dedicated to their sustainable progress.

With a permanent focus on our customers' needs, we continued our efforts to improve our internal activities, by making sound steps towards the enforcement of Basel II provisions. In May 2006, aiming to

enhance the Bank's response to business requirements, we successfully completed the implementation of SIBCOR V2. This platform stands as the only in-house IT system ever implemented in a Romanian bank and embodies diligent labour and high amounts of know-how.

All in all, 2006 proved to be an extraordinary year. Ending our first major initiative, the Institution Building Plan, that remarkably developed our businesses, we entered the major league of banking institutions by embarking on a new program. Teaming up with our majority stakeholder, the Erste Bank Group, we started the Integration and Development Program, a 2-year enterprise aimed to construct the new BCR Group. This new initiative will support BCR turn from the strongest bank into the best bank in Romania. I am convinced that we shall become the main, out-

standing contributor to Erste Bank Group's results, as we have always delivered what we promised.

In the end, I would like to thank our customers, for having joined us in sustainable partnerships, our shareholders, for recognising our value, our talented and loyal colleagues who are our constant, most appreciated source of innovation.

Thank you all for your involvement in the success of BCR Group!

Nicolae Dănilă
CEO

BCR Management

THE SUPERVISORY BOARD

From January 2006 to October 12th 2006

Mr. Daniel Dăianu	Chairman
Mr. Thomas E. Krayenbuehl	Vice Chairman
Mr. Jozsef Birtalan	Member
Mr. Oliver R. Greene	Member
Mr. Gheorghe Ionescu	Member
Mr. Teodor Mihăescu	Member
Mr. Mihai Fercală	Member

From October 13th 2006 to December 31th 2006

Mr. Andreas Treichl	Chairman
Mr. Manfred Wimmer	Vice Chairman
Mr. Herbert Juranek	Member
Mr. Christian Coreth	Member
Mr. Teodor Mihăescu	Member
Mr. Mihai Fercală	Member
Mr. Daniel Dăianu	Member

- Mr. Christian Coreth resigned from his position as member of the Supervisory Board on January 17th 2007
- Mr. Teodor Mihăescu, Mr. Mihai Fercală and Mr. Manfred Wimmer ended their mandates in the Supervisory Board starting with April 23rd 2007
- Mr. Peter Kisbenedek was appointed as Vice Chairman of the Supervisory Board on April 23rd 2007

THE EXECUTIVE COMMITTEE

From January 2006 to November 29th 2006

Dr. Nicolae Dănilă	CEO
Mr. Jean Andronie	Executive Vice President, Corporate Banking
Mr. Dănuț Bunea	Executive Vice President, Financial
Mrs. Natalița Hurduc	Executive Vice President, Retail Banking
Mr. Ilie Mihai	Executive Vice President, Risk
Mr. Petre Preda	Executive Vice President, Operations

From November 29th 2006 to December 31th 2006

Dr. Nicolae Dănilă	CEO
Mr. Jean Andronie	Executive Vice President, Corporate Banking
Mr. Dănuț Bunea	Executive Vice President, Financial
Mr. Martin Škopek	Executive Vice President, Retail Banking
Mrs. Oana Petrescu	Executive Vice President, Operations

- Mr. Helmuth Hintringer was appointed Executive Vice President of the Executive Committee in charge of Finance and Risk on February 19th 2007
- Mr. Dănuț Bunea resigned from his position as Executive Vice President starting with August 1st 2007
- Mr. Manfred Wimmer was appointed Executive Vice President on October 4th 2007
- Mr. Nicolae Dănilă resigned from his position of CEO of Banca Comerciala Romana starting with December 1st 2007 and was replaced by Mr. Manfred Wimmer as interim CEO.

The Romanian macroeconomic environment in 2006

The economy has grown rapidly

2006 was a very good year for Romania in terms of both the recorded economic growth and acceleration of the disinflation process. Given the efforts made to avoid economy overheating as a consequence of economic and monetary policy measures, but also as a result of certain favourable exogenous evolutions, Romania made significant progress in the year of its pre-accession to the European Union.

The increase in the domestic demand, mainly sustained by the final population consumption, but also by investments' expansion, determined the central bank to act firmly through a very restrictive monetary policy. Its main objectives concerned the achievement of the inflation target, concomitantly with tempering the rapid growth of the non-governmental loan (especially on its foreign currency component) considered as responsible for feeding the unsustainable consumption growth generating external unbalances.

The fiscal policy remained prudent, supporting the disinflation process, even if the budgetary deficit for the whole year represented 1.6% of GDP. The previous year Romania adopted a new Fiscal Code whose main objectives were the generalization of the 16% flat taxation rate, the extension of the taxation base, as well as the take over of the European directives concerning legislation.

In September, the European Commission approved January 1st 2007 as the date for Romania's accession to the EU, while the country's Monitoring Report mentioned our progress in terms of economy, justice and public administration reform.

The disinflation process accelerated significantly

Consumer price index significantly slowed down its increase in 2006, the annual inflation rate falling to 4.87% (year/year).

The significant decrease of inflation, which accentuated in the third quarter, was determined by the

slackening of the basic inflation as well as by the tightening of monetary and fiscal policies.

The deflation recorded for the volatile prices, the delay of the administered prices' liberalisation, the decrease of the international oil price in the second half of the year and the appreciation of the domestic currency determined by the significant speculative capital inflows also represented factors that positively influenced the disinflation process in 2006.

The external unbalance deepened

As of December 31st 2006, the current account deficit reached EUR 9,973 million (10.3% of GDP). A positive factor was represented by the service sector which changed its tendency compared to the previous years, moving to net export (EUR +6 million compared to EUR -349 million in 2005). The current transfers mostly represented by cash remittances from the Romanians abroad increased by 17.4%, December representing a record (EUR 1.3 billion).

The factor with the greatest influence on the expansion of the current account deficit was the trade deficit (FOB-FOB) which increased by 50.6% in 2006 as a result of an advance in imports (25.1% year/year), while the exports increased by 16.2% only compared to the previous year. The need for investments in the Romanian economy to cover the gaps was and still is high, leading to an important rise of technology imports in 2006 (+34.5%) with a direct influence on the increase of work productivity and export potential, concomitantly with improvement of the Romanian industry's capacity to accommodate the changes in the domestic and foreign demand.

The self-financing of the current account deficit through foreign direct investments (FDI), which reached a record level of EUR 9.1 billion (EUR 5.2 billion in 2005) in the previous year, that is a coverage of 91%, had a positive effect on the mitigation of external unbalance's implications. Approximately EUR 6 billion represented equity investments and

reinvested profit, while the rest represented intra-group loans.

The RON continued its appreciation

The RON remained on an appreciation trend in 2006 as well, the last quarter marking even an acceleration of the domestic currency's appreciation against the EUR, of 8.0% in nominal terms and 12.3% in real terms for the whole year. Compared with the USD, the RON appreciated even more (17.4% in nominal terms and 21.2% in real terms), in this case taking also into consideration the effect of the indirect quotation through EUR.

The accentuated pace of the domestic currency's appreciation in the last quarter of 2006 was generated by the capital inflows in the form of financial loans (especially in the banking sector) and portfolio investments which soared due to the enhanced attractiveness of the domestic financial market (high interests), but also by the upcoming EU accession of Romania and by the improvement of the country rating granted by financial assessment agencies (investment rating). Moreover, in December, the cash remittances from the Romanians working abroad accounted for EUR 1.2 billion. The increase of the trade deficit in the last two months tempered the RON's appreciation pace.

A restrictive monetary policy

The restrictiveness of the monetary policy increased considerably in 2006, the central bank fully using two of its specific instruments, the minimum reserve requirements and the leading interest respectively.

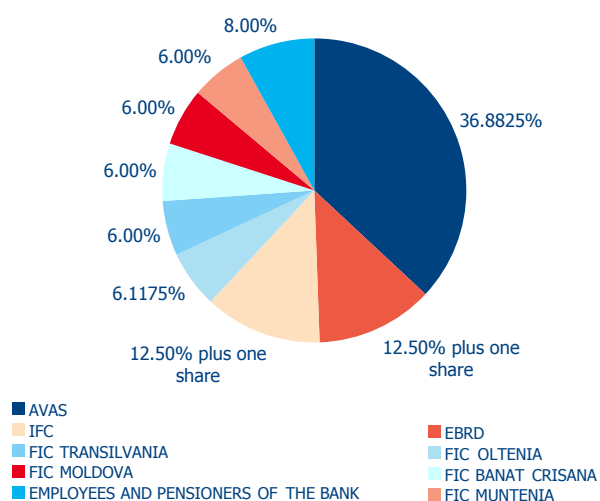
In its attempt to fulfil its objectives concerning medium term inflation, but also to mitigate the current account deficit expansion by tempering the domestic consumption fueled by the strong increase of the non-governmental loan, the central bank increased three times the mandatory minimum reserves both for RON and foreign currency (January, March and July). Furthermore, NBR increased the leading interest from 7.5% in December 2005 to 8.5% in February and 8.75% in June, keeping it unchanged until the end of 2006. The restrictive character of the monetary policy accentuated in the last quarter when the real leading interest increased due to NBR's maintaining the 8.75% level, despite the improvement of short term inflation and the significant appreciation of the domestic currency.

At the same time, the restrictive character of the monetary policy was augmented by certain administrative measures aiming to soften the increase of the non-governmental loan (limiting the foreign currency denominated loans to 300% of the equity funds, limiting the retail segment credit risk). Furthermore, the increase of the leading interest's real margin and the faster appreciation of the RON following the dynamic capital inflows based on the improvement of investors' perception tightened the monetary policy even more.

Corporate governance

BCR continued in 2006 its efforts aimed at strengthening corporate governance and integrating its principles to the fullest into each business area. The two - level management structure established in 2004 remains the backbone of all BCR activities, providing support, guidance, proper steering and quick decision making in such a way as to continuously create added value for shareholders, customers and employees.

SHAREHOLDERS' STRUCTURE AS OF 01.01.2006



Compliant with the corporate governance principles, **the General Shareholders' Meeting** is the management body of BCR, representing all shareholders of the bank. GSM delegates the supervision, management and steering of the bank to the **Supervisory Board**. Composed of 7 members (administrators) who are appointed for a three-year period with the possibility to be re-elected, the Supervisory Board establishes and maintains two committees – Audit and Compliance and, respectively, Compensation – together with which it insures the proper steering. The operational management and the current decision-making process is shifted to the Executive Committee composed of 6 members, all BCR employees.

2006 was a very important year for BCR, marking the completion of a remarkable initiative, the Institution Building Plan (IBP). The main achievement of this

2-year program was the transformation of BCR into the first Romanian bank to implement corporate governance principles. The IBP also resulted into a new Strategy and Business Plan efficiently quantifying the financial targets and putting high emphasis on sales, all combined with the creation of a sales culture within the branches and the incorporation of the network among the responsibilities of Head Office divisions. The improvements continued with a greater role for risk management, a consolidated IFRS reporting system, an integrated core-banking IT system to allow online operations, as well as with higher importance granted to employee development and training.

4 August – BCR's Extraordinary General Shareholders' Meeting approves the amendment of the BCR Charter with the view of completing the sale of the 61.8825% stake to Erste Bank der oesterreichischen Sparkassen AG.

The decision of the shareholders changes the necessary quorum for the Ordinary General Shareholders' Meeting from 2/3 of the votes of the attending or represented shareholders to the absolute majority. Furthermore, the approval of possible mergers with any other company, divisions, closing downs or dissolutions of the Bank, changes of the registered Head Office and share capital increases is conditioned by the pro votes of 75% of the shareholders with voting rights. Capital increases enforced by legislation or NBR regulations as well as those needed for primary public offerings are not subject to this provision. The 75% majority aimed to protect the Bank's minority shareholders, which is in line with the international best practices, will be required for approval of acts concerning the reorganisation, consolidation or disposal of fixed assets exceeding 25% of the own funds of the Bank, as well as for the amendment of certain articles of the BCR Charter.

The Extraordinary General Shareholders' Meeting also approved that at least 40% of the net profit computed in compliance with IFRS to be distributed in the form of dividends. Furthermore, shareholders decided that

the interdiction regarding the sale of the shares held by BCR employees ceases starting with the completion date of the property right transfer for the BCR shares from AVAS, IFC and EBRD to Erste Bank der oesterreichischen Sparkassen AG. In addition, the Ordinary General Shareholders' Meeting elected the new members of the Supervisory Board that will take office upon the completion of the privatisation process.

12 October – Erste Bank der oesterreichischen Sparkassen AG completes the acquisition of a 61.8825% stake in Banca Comerciala Romana SA following the payment of EUR 3.75 billion, thus marking the closing of the privatisation process.

Andreas Treichl, CEO of Erste Bank Group and the new Chairman of the BCR Supervisory Board, stated the intention to immediately implement an ambitious business plan focusing on such improvements, so that in less than one year the customers would feel that BCR is part of the Erste Bank Group due to the European quality embodied in the Bank's products and services. By acquiring BCR, Erste Bank Group adds to its network the market with the most significant growth in the region, managing now a 15.6 million customer portfolio, reinforcing its position as one of the leading finan-

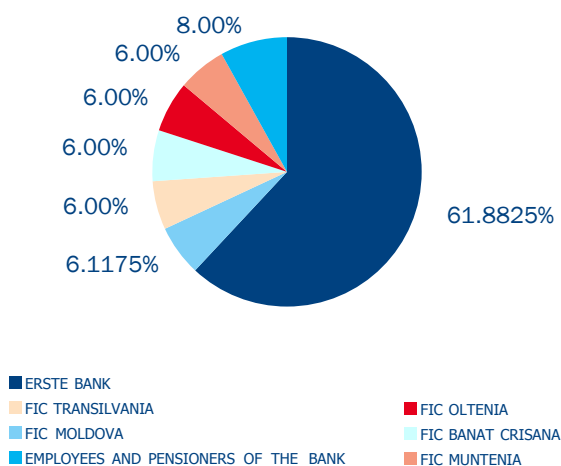
cial institutions in the Central and Eastern Europe.

At its turn, BCR makes another step towards even greater achievements, aiming to incorporate the new group synergies for the benefit of its shareholders, customers and employees, into new state-of-the-art products and services, operations and processes.

13 October - Following the completion of the privatisation process, the new membership of the Supervisory Board approved in the August General Shareholders' Meeting comes into force.

19 October – The new Supervisory Board of BCR appoints two new members in the Executive Committee, while reconfirming Dr. Nicolae Dănilă, CEO of BCR, Mr. Dan Bunea, Executive Vice President responsible for Treasury and Capital Markets, and Mr. Jean Andronie, Executive Vice President, Corporate Banking. The newly appointed members – Ms. Oana Petrescu and Mr. Martin Škopek – will bring into the Bank their remarkable expertise in consultancy, risk, financial services and respectively, retail banking, thus contributing to its further development. For the fifth Executive Vice President position responsible for Risk Management, the Supervisory Board will soon take a decision.

SHAREHOLDERS' STRUCTURE AS OF OCTOBER 12th, 2006



BCR's Supervisory Board as of October 13th, 2006:

- Andreas Treichl – Chairman of the Supervisory Board
- Manfred Wimmer – Vice Chairman of the Supervisory Board
- Daniel Dăianu – Member of the Supervisory Board
- Herbert Juranek – Member of the Supervisory Board
- Cristian Coreth – Member of the Supervisory Board
- Teodor Mihăescu – Member of the Supervisory Board
- Mihai Fercală – Member of the Supervisory Board

On the same occasion, the membership for the two committees of the Supervisory Board, Audit and Compliance and, respectively, Compensation is established. Mr. Andreas Treichl is appointed Chairman, while Mr. Manfred Wimmer, Mr. Teodor Mihăescu and Mr. Daniel Dăianu become members, replacing the representatives of the former shareholders AVAS, IFC and EBRD.

BCR launches the Integration and Development Program (IDP), whose philosophy is to expand the development efforts undertaken by BCR in the previous years, as well as to fully take advantage of the synergies generated by the entrance within Erste Bank Group. The new program is conceived to support BCR's alignment to Erste Bank Group standards and best international practices and its transformation into a bank able to outperform the competition and completely satisfy its stakeholders. The key objectives of the program, covering all business areas, are to further strengthen BCR's position on the Romanian market in terms of businesses and customers satisfaction, while increasing its profitability and streamlining its processes.

19 December – The Supervisory Board completed the membership of the Executive Committee by appointing as Executive Vice President in charge of Risk Management Mr. Helmuth Hintringer, who will effectively take over his responsibilities after obtaining NBR's approval.

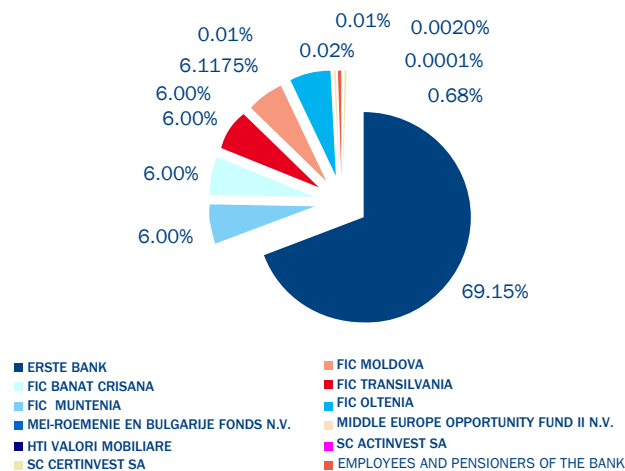
22 December – On November 1st, Erste Bank der oesterreichischen Sparkassen AG, the new majority shareholder of BCR, launched its offer dedicated to BCR employees, according to which they can either sell their shares in the bank or swap them into Erste Bank shares.

By the time the offer expired, almost 12,200 out of 13,000 individual shareholders had accepted Erste Bank's offer. Consequently, of the 8% of BCR's share capital owned by BCR employees, 7.2% was traded

with Erste Bank, increasing CEE employee participation in Erste Bank Group to 1.3%.

As a result of the share purchase offer made to BCR employees, Erste Bank's holding in BCR increases to 69.15%. Subsequently, the shareholders' structure as of December 31st changes as to illustrate this increase.

SHAREHOLDERS' STRUCTURE AS OF 31.12.2006



Social responsibility

Since its establishment, BCR has built its strategy around several major goals: to obtain the best balance between corporate social responsibility, environmental responsibilities, customer preferences and financial pressures, to find the right path for consolidating the profitability while protecting the interests of its stakeholders, to transform corporate social responsibility in one of the main sources of competitive advantage by making a clear, public commitment in this respect.

At its core, BCR's philosophy is simply about having a set of values and behaviours that underpin its day-to-day activities, its transparency, its desire for fair dealings, its treatment of its people, its attitudes towards customers and its links to community. One of BCR Group's tenets is that corporate social responsibility fully supports its members in their aim of acting as a whole trusted by the entire society.

In a healthy market economy where competition is the main driver of business development, small and medium enterprises play a major role in encouraging creativity, in fostering progress and job creation, in increasing the living standard of society as a whole. SMEs will always represent a strategic segment for BCR and the Bank is constantly committed to find the best financing solutions for such companies as to contribute, in a significant manner, to their evolution and competitiveness on the domestic and international market. Aiming to achieve its goal to remain the main supporter of Romanian companies, BCR manages for the benefit of its clients 88 structural programs amounting to USD 5.4 billion, from multiple financing sources such as foreign governmental loans, state guaranteed loans, grants, budgetary funds or loans attracted as principal.

As of 31 December 2006, the Bank's portfolio comprised **5 national products** in total amount of USD 170.93 million:

- The Multi-Annual Program for supporting SMEs investments, initiated in 2004 – USD 1.42 million;

- The MAPDR Program “ The Fund for Agricultural Investments Lending” – USD 138.26 million;
- The Program for loans granted from the Unemployment Insurance Budget according to Law no. 76/2002 – the budgetary resource for 2004, within which 335 loans in total amount of RON 40.83 million have been approved;
- The Program for loans granted from the Unemployment Insurance Budget according to Law no. 76/2002 – the budgetary resource for 2005, within which 52 loans in total amount of RON 19.34 million have been approved;
- The Program for loans granted from the Unemployment Insurance Budget according to Law no. 76/2002 – the budgetary resource for 2006, within which 98 loans in total amount of RON 19.50 million have been approved;

BCR also manages **foreign financing programs** conceived to support the development of Romanian communities and companies not only by ensuring the necessary funds and specialised counselling, but also by enhancing the bank-customer partnership with the goal to mutually reach sustainable economic growth, capable to secure social stability and, most importantly, lead to job creation.

In this respect, 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, amounting to EUR 3.9 million, in 2006 only. 893 jobs were created through this program.

SMEs Financing Scheme – MARR Fund, an EUR 3.7 million revolving grant for investment projects in Gorj and Hunedoara counties, gave BCR the chance to identify 89 eligible projects. More importantly, 940 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 - identified 58 eligible projects in 2006, in total amount of USD 2.3 million. Since the beginning of the Program 1,186 jobs were created, of which 24 jobs in 2006 alone.

As for the **ANOFM Program – attractive interest loans from the Unemployment Insurance Fund** – in 2006, for the sixth year in a row, BCR won the National Agency for Employment (ANOFM) tender, later identifying 128 projects amounting to RON 26 million, of which 98, amounting to RON 19.50 million, were approved. Since its launch, the program created 50,095 jobs of which 975 in 2006.

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.

EBRD SMM FINANCE FACILITY amounting to EUR 20 million is a program for the medium and long term financing of investment projects belonging to SMMs and their subsidiaries, as well as to utility companies owned and controlled by local authorities. From the beginning of this program, EUR 7.25 million have been used for constructing/extending/rehabilitating the water supply, sewerage, gas, public lighting networks, road construction/rehabilitation, municipal building rehabilitation, dwelling construction.

In 2006 BCR further expanded its social involvement, anticipating the tremendous benefits brought to communities and companies by the expected integration of Romania into the European Union on January 1st, 2007. In order to ensure and provide its customers with comprehensive and full information regarding the implications of the accession, BCR created the BCR EU Offices in 8 development regions of the country. This revolutionary concept comes to support the Bank's customers in their quest for the most suitable

financing, by providing increased accessibility to available European funds through a wide range of financing/co-financing products backed by proficient consultancy services.

BCR EU Office stands as a most competent source of information for SMEs and local public authorities interested in accessing structured funds and as a catalyst meant to bring out business opportunities from the challenges generated by the EU integration, reconfirming BCR's status as strategic partner of its customers, strongly involved in their development.

In addition to its contribution to business development, BCR is constantly committed to manage its impact on the environment and to support initiatives with high environmental benefit. Ever since the establishment of a specialised structure embodying EBRD and IFC's policies and procedures in 2004, the Bank pays even greater attention to corporate lending related environmental aspects, channelling its funding towards environment friendly businesses and determining corporate customers to comply with the environmental, health and work safety regulations.

As part of its mission to be a responsible corporate citizen, BCR understands the importance of giving back to Romanian communities, making a personal commitment from supporting through extensive sponsorship actions the culture, health, environment and other areas. The 2006 aggregate amount of BCR's sponsorships reached RON 7.31 million (EUR 2.1 million).

Being conscious of how important **culture and art** are for the identity of a nation, BCR continues to be involved and support the major events in this area, taking pride in being considered not only a main contributor, but a true "patron-of-the-arts", dedicated to creating cultural testimonials and moulding the behaviour of future generations.

Consequently, in 2006 BCR sponsored the Romanian Theatrical Union (UNITER) Awards Gala, thus continu-

ing a partnership that grew into a tradition. On that occasion, it was a great honour for the Bank to award the prestigious actor Ion Caramitru a prize for his entire activity.

The Bank also sponsored The Romanian Writers Union Awards Gala, The TV Professionals Association Awards Gala, The International Theatre Festival – Sibiu, The Shakespeare Festival – Craiova, The Medieval Festival – Sighisoara, The International Jazz Festival – Sibiu and musicologist Viorel Cosma's laborious research work - The Romanian Music Encyclopaedia. To these events and to many important others, BCR allocated approximately RON 2.33 million in sponsorships.

The second important area is represented by **health and humanitarian actions** where BCR granted a total of RON 1.18 million in sponsorships. Almost half of this amount was used for helping people with severe medical problems, necessitating expensive medical treatments or major surgeries. Other important amounts took the form of financial support provided to hospitals and non-governmental organisations for medical and technical equipment, improvement of hospitalisation conditions and medication for patients. Important projects have been developed with The S Trauma Foundation, The "Marie Curie" Children Clinic Hospital, The "Cantacuzino" Microbiological National Research Institute (vaccines), The University Hospital Bucharest or other county hospitals all over Romania.

In the **religion** area, BCR financially sustained actions such as building, rehabilitation and refurbishment of churches and monasteries, many of them standing as famous art and historical monuments with considerable weight for the preservation and perpetuation of the most sacred national spiritual values. The aggregate amount allocated to religion amounted to RON 0.53 million. Important projects in which BCR played an important role in 2006 were the Tiganesti Monastery, the 15th century North-Eastern jewel Putna Monastery, the Sfantul Nicolae Church-Craiova, as well as the Unitarian parish in Miercurea Ciuc and the Greek Catholic parish in Toplita.

Another representative area for BCR's involvement, the **education**, accounted in 2006 for 7.5% of the sponsoring budget, this meaning RON 0.58 million allocated to sustain 105 projects. The financial support was channelled towards Romanian education institutions at all levels (from kindergartens to universities), non-governmental organisations, central and local administrations for improving the education process. Important projects were developed with The Polytechnic University Bucharest, The Institute for Financial Banking Studies, 1st District City Hall, Radu Greceanu High School in Slatina, The Media and Communications Centre, Friends of Danube Delta Foundation, The Romanian Foundation for Democracy or Invest Romania Foundation (for the South Eastern Europe Financial Forum).

BCR pays a special attention to **sports** due to their significant contribution in creating a healthier nation where people place high value on fair play and open competition in every aspect of their life.

In 2006 the Bank was again title sponsor of the most important sport event hosted in Romania, the BCR OPEN International Tennis Tournament, an important competition granting prizes up to EUR 400,000. BCR also developed a partnership with the Romanian Handball Federation for the 2006-2008 period. The 2006 sponsorships reached RON 0.347 million.

Other sports projects fostered by BCR amounted to RON 0.44 million, the Bank teaming up with the UCM Resita Sport Club (handball), the Minaur Baia Mare Handball Club (one of the most renowned clubs in the field) and Champions' Home Foundation.

Small amounts of the sponsorship budget have been allocated to other areas such as human rights, science and research, as well as football.

In a highly competitive employment market, people want to work for a company that values their commitment and supports professional development, creativ-

ity, equal chances, as well as a fair and competitive working environment. BCR embodies corporate social responsibility in all its plans, strategies and activities concerning people, beginning with a clear and transparent communication of all important aspects and continuing with the extensive care granted to the enhancement of employee skills and competences. Through incessant improvement of the financial and moral motivation, each person is encouraged to take action, to become actively involved and create added value, shortly, to perform at a higher level.

BCR perceives its people as an unequalled competitive advantage able to support the achievement of its business objectives and, consequently, it focuses on providing suitable training programs and coaching to encourage the personal development of each employee. As for the identification of new leaders and the creation of a learning culture, in 2006 BCR continued its partnership with the renowned business school HEC Montreal for the BCR Executive Development Program, taking more steps towards even greater performance.

February – Through BCR University, BCR launches on premiere the Student BCR practice program which allows students to work within the bank and observe the applicability of many theories they learn during university. Each stage offers 21 places for practice within BCR branches, available only to students with outstanding results.

May – BCR grants credit facilities to the people in need affected by the springtime floods occurring in the Danube neighbouring counties. The Bank offers the possibility to postpone the interest payment for all credit types, without charging any additional interest, for a period of up to 6 months in the case of corporate customers and up to 12 months in the case of retail customers. In several severe cases, BCR also approves the rescheduling of instalments without charging any other interest above the regular one. Facilities are available to resident customers in Calarasi, Dolj, Olt, Teleorman and Tulcea counties.

BCR's goal to develop a fully operational Integrated Management System continues with the significant efforts for implementing a Health and Labour Safety System within the Bank. According to this approach, health and labour safety regulations will be included in the management processes of the Bank and a specific organisational approach will be promoted with the view to raise employee awareness. In this respect, in BCR's Bucharest Regional Branch, Sector 1 branch and Cluj Regional Branch a pilot for the health and labour safety system is initiated.

June – Within the 2006 Fermierul Program available as of June 15th, the Bank fully allocates the first RON 315 million tranche for co-financing eligible SAPARD projects. Following the tender organised by the Ministry of Agriculture, Forests and Rural Development (MAFRD), BCR obtained RON 325 million, the remaining RON 10 million being used for direct investments that are not eligible within SAPARD. BCR was able to identify and analyse in only 6 days a significant number of viable economic projects, 485 of them being financed from this first tranche.

September - In line with its policy to support Romanian young talents, BCR grants a EUR 50,000 sponsorship to Robert Muresan, the first Romanian pilot to compete within MotoGP world championship after obtaining outstanding results at the very early age of 17.

Corporate banking

January – In order to better meet the continuously evolving needs of its corporate customers, the Bank improves on the Investment Loan as to allow refunding of fully or partially completed investment projects. The improved product also covers the commissions for anticipated reimbursement, upon the customer's request.

February – BCR amends the Loan for financial investments as to allow corporate customers to refinance the acquisition of shares purchased from their own funds or from other sources. Furthermore, the Bank increases the maximum amount which is to be granted through such a loan: from 75% to 85% in case of listed shares and from 50% to 75% in case of unlisted shares. The Bank also refinances up to 100% of the outstanding loans in case of share purchases made from attracted sources.

March – BCR launches the EUR-and-USD-denominated term deposit, a new saving product for companies. The deposit is offered for 1 or 9 months and is especially customised to fit the needs of Romanian companies interested to place funds for such periods.

July – In order to increase lending towards micro/SME customers and respond in a more effective manner to their financing requirements, BCR approves the general lending and approval conditions for loans with an amount limit. The maximum amount that can be borrowed is EUR 50,000 or equivalent, respectively EUR 20,000 or equivalent for start-ups, while the total exposure of the debtor cannot exceed this amount. Based on these conditions, new products are available starting August 1st to micro/SME customers: the micro-loan for current activity financing, the micro-loan for expenses and temporary inventories financing and the micro-loan for investments.

August – The Corporate Optimisation Project launched in 2005 reaches the pilot phase. During 2006, in preparation for its introduction, a series of measures and actions have been taken, such as the unification of Customer Administrator responsibilities regarding

RON and currency denominated transactions and the streamlining of the cash transactions process, as well as signing procedures for current account and deposit contracts. Pricing policies (electronic channels, collections, current account) were also revised, the collections and e-banking processes were completely centralised and automated, while the corporate and retail back office for operations area were structurally and functionally unified. Implemented in Cluj Regional Branch and its subunits and Unirea and Doamnei branches, the pilot phase starts on August 21st and is carried out until October 1st.

September – BCR launches Contul Ideal, conceived especially as a short term investment product. The account can be denominated in both RON and foreign currency (EUR and USD) and is aimed to help the SME customers obtain a superior return for their money, by advantageously blending the benefits of a higher interest rate with the flexibility of multiple feedings and withdrawals associated to the current account.

The Bank improves on the Mortgage loan for companies by increasing the maximum amount which can be lent from EUR equivalent 20,000,000 to EUR equivalent 50,000,000.

October – Envisaging the outstanding expansion of the real estate area, BCR improves on the real estate loan, a dedicated product for real estate project developers. Therefore, newly established companies or companies established no more than one year ago, which cannot present regular financial statements due to objective reasons, are now able to obtain financing based on the feasibility study, while their contribution is the market value from the valuation report.

November – BCR launches BCR VISA Business Electron, a debit card especially designed for the SME segment. Compared to other similar cards, the new card has multiple advantages: no minimum amount required for opening the card account, free issuing and no charges for maintenance and issuing in the first year. Furthermore, the card holder is not required

to keep a minimum account balance and is allowed to withdraw daily maximum RON 5,000, unlike other business cards.

BCR acquires a special module for the Direct Debit product, which allows customers to initiate these orders electronically.

December - Within the “Piata Financiara” Awards Gala, BCR is awarded “Bank of the year in corporate” as a recognition of its coverage, flexibility, diversity and perseverance in financing the Romanian economy.

BCR launches the VAT loan facility, a revolving lending type for real estate projects which allows multiple drawings and withdrawals. The loan is designed to support those companies interested in financing also the VAT related to the real estate projects financed by BCR, according to the estimates.

Retail banking

January – BCR launches the **BCR - Ultra PRO Computers** co-branded credit card, offering its customers a generous EUR 5,000 credit limit and a very short, 3-hour pre-approval period. Issued under the VISA logo, the card can be used both in Romania and abroad and it can be taken only from Ultra Pro Computers outlets.

February – BCR introduces a new real estate loan, denominated in foreign currency, with a fixed interest for the first one or two years, upon the beneficiary's option.

In response to customers' demands, BCR extends the maximum tenor for housing and mortgage loans from 20 to 25 years, at the same time decreasing the interest charged on these types of products.

Always ready to provide its customers with the best products to best satisfy their needs, BCR offers a new foreign currency (EUR and USD) denominated consumer loan, with a EUR 10,000 cap and a maximum reimbursement period of 10 years.

In line with its strategy to encourage and expand its alternative distribution channels, BCR extends the online application service for cards' issuance to BCR Visa Clasic International cards (EUR and USD denominated).

March – In partnership with EURO<26 Romania, BCR launches **BCR-EURO<26**, the first co-branded debit card, issued under VISA and EYCA (European Youth Card Association) logos. Dedicated to students under the age of 30, the card can be used both in Romania and abroad and is exclusively distributed through the EURO<26 Romania Association. This first co-branded debit card is, as all the other BCR products, flexible, easy to obtain and adapted to the needs of our young customers. Cash withdrawals within BCR ATMs network are free of charge, as are the renewal, ulterior issuance and the account balance interrogation. The card offers important discounts at more than 1,000 Romanian merchants, in museums,

cinemas, tourism agencies, clothing outlets, bookshops etc., as well as in approximately 300,000 locations throughout Europe. Additionally, the card also comes with a medical insurance for travelling abroad, issued by BCR Asigurări de Viață based on the banking card during the card's validity period.

April – Always channelling its efforts towards developing new, innovative products for its customers, BCR launches **MaxiPlus BCR**, a unique lending solution that completely revolutionizes the Romanian banking market. MaxiPlus BCR is a very flexible product which combines the advantages of a credit line with those of the general purpose loan secured with real guarantees: a permanent access to money, for a longer period, and a higher credit limit. MaxiPlus is granted for a period of up to 20 years.

BCR introduces **BCR VISA Electron JUNIOR**, its first card exclusively dedicated to teenagers. The new product is a RON denominated debit card, issued under the VISA logo, and can be used both in Romania and abroad, being designed for the youngest BCR customers, between 14 and 18 years of age.

May – Taking further steps towards optimising its distribution channels and enhancing the sustainable partnership with its customers, together with Praktiker, BCR launches the co-branded credit card **BCR MasterCard Praktiker** with a maximum EUR 5,000 credit limit. The card can be obtained only from the Praktiker network and can be used both in Romania and abroad.

June – The increased focus on customer satisfaction and the significant growth of retail business are two main reasons for which BCR is always envisaging the expansion of its network. This month, BCR opens its 70th unit in Bucharest, Piata Iancului agency, thus reaching its 419th outlet throughout the country.

BCR is the first Romanian bank to cross the 2,000,000 active cards threshold, after being also

the first Romanian bank to issue cards under VISA and MasterCard logos in June 1996. After 10 years of innovation, improvements and sustainable growth, the bank can now provide its customers with 18 types of debit and credit cards, denominated in RON and foreign currency.

August – BCR launches **Divers Plus BCR** package which incorporates 3 compulsory components:

- a general purpose loan (Divers Extra or Divers Super BCR) of minimum RON 3,000 (EUR/USD equivalent);
- a life insurance certificate, issued free of charge by BCR Asigurari de Viata, with an additional insurance for instalments in case of unemployment (premiums being paid by the customer);
- a BCR Maestro/BCR Visa Clasic/BCR Visa Electron/ BCR Visa Electron Euro<26 debit card.

Furthermore, the financial package comes with 2 optional components: an overdraft of up to 6 net wages granted through the BCR Maestro/BCR Visa Clasic/BCR Visa Electron debit cards and the Mobile Banking services.

BCR makes a new step towards stimulating savings, by offering individuals the opportunity to save on short term in advantageous conditions, through 2 new saving products put at their disposal. The first is a RON denominated term deposit with fixed interest and maturities of 1 and 3 months. The 7.5% interest rate is the highest on the market for deposits with maturities of up to 3 months. The second product is a RON and foreign currency denominated term deposit, with a 36-month maturity, the interest being paid semi-annually. This is the longest maturity on the Romanian market.

September – BCR launches the **Mediplus BCR** package, especially conceived for free professionals in the medical sector. The package comprises four compulsory components: an investment loan, a

working capital loan, an insurance for Malpraxis and a debit card. Furthermore, the customer can benefit from three optional components, namely an insurance for buildings, an insurance for machineries, equipments and fixtures, both provided by BCR Asigurări and the opportunity to install Points-of-sales within their medical practice areas.

BCR introduces the **Succes Asigurat BCR** package. The package includes three compulsory components, namely a 12-month term deposit denominated in RON (**Succes BCR**) or in foreign currency (**Comod BCR**), a life insurance and a debit card. In addition, the package has two optional components: bill payment via ATM and standing order.

BCR offers the gold acquisition service in two new locations: Pitești and Oradea. Thus, the number of locations where this service is provided to customers reaches eight, BCR being the sole Romanian bank to acquire gold.

BCR launches the financial-banking package **Turist BCR** which comprises: the Voiaj Extra BCR (RON) or Voiaj Super BCR (EUR/USD) loans, a free of charge life insurance issued by BCR Asigurari de Viata, a medical insurance for travel abroad (if necessary) and a free-of-charge debit card. The customer can also choose two optional components: either traveler's cheques or a facultative motor-hull (CASCO) insurance and/or Green Card issued by BCR Asigurari.

October – At the beginning of the university year, BCR opens its first campus branch, Politehnica agency, pushing the number of units to 450. The new unit meets the expectations of both students and professors for a bank within their reach, providing them with a wide range of quality products and services, at European standards, but at very advantageous costs.

November – BCR acquires from Omikrom company a special module for the Direct Debit product,

which allows customers to initiate such orders electronically.

December – BCR launches a campaign entitled “Financial strength BCR-BCR Asset Management” in cooperation with its subsidiary, BCR Asset Management. The campaign consists of a financial package that includes a 3-month RON denominated

deposit, as well as BCR Clasic, BCR Dinamic and BCR Expert fund units. The higher interest rate paid in comparison to a standard deposit makes this package extremely advantageous to customers.

Financial

The Financial functional line is responsible for best managing the Bank's securities portfolio on both the domestic and international markets.

The line constantly monitors the financial environment and makes the right decisions regarding portfolio structure as to optimise its profitability, establishes and maintains correspondent relations with prestigious international banks. These actions are done in order to insure top quality services for customers carrying out cross-border transactions, as well as to identify the latest tendencies in banking, assess their impact and adopt the most appropriate actions to reinforce the Bank's leadership on the Romanian market and also its international reputation.

Furthermore, through the Financial line, BCR forms and enters into consortiums with top investment banks, aiming to offer its customers a wider range of investment banking and consultancy services. The Financial line manages syndicated loans and structured financing together with all the related aspects and acts as the Bank's interface in relation with EBRD, IFC, European Union and other national and international financial institutions for running structural programs, among which, just to name the most important of them, are PHARE, SAPARD, ANOFM or RICOP.

In 2006, BCR continued its policy to develop correspondent relations with foreign banks in compliance with KYC, AML and CFT procedures, backed by its expertise, technical capabilities, territorial representation and financial results which recommend it as the main partner of both international banks and their customers in Romania.

The activity concerning banking correspondents followed the well established coordinates of the collaboration with traditional partners: mutually advantageous, sustainable partnerships and an open attitude towards cooperating with financial institutions on new markets. BCR's internal policy, the favourable evolution of the macroeconomic environment and the Romanian financial market had a significant impact

on extending the correspondent relations, increasing the interest of investors, among which specialised banks.

As of December 31st, BCR had SWIFT keys exchanged with 1,630 banks worldwide and correspondent relations with approximately 800 banks. At the same date BCR had 37 NOSTRO accounts and 53 LORO accounts open. The wide range of products and services and the business conditions provided determined financial institutions and banks from Germany, Austria, Great Britain, Spain, Ireland and Hungary choose BCR for developing new business relations.

On the same positive coordinates there are the partnerships signed with correspondent banks in order to provide Romanian citizens working abroad with specific products and services, BCR intensifying its efforts in this area.

Taking advantage of its solid reputation on both domestic and international financial markets, BCR enters into consortiums with top banks as to offer major Romanian companies comprehensive financing instruments like syndicated loans and structured funds, thus having a significant contribution to the economic growth.

BCR manages a portfolio of three syndicated loans, of which two denominated in RON and one denominated in foreign currency. The first two syndicated loans are totalling RON 270 million, BCR's contribution, as co-financing bank and mandated arranger respectively, being RON 70 million. The foreign currency denominated loan amounts to USD 110 million, BCR's participation as arranger accounting for USD 40 million.

During the first semester, through its specialised division, the Bank concluded a new spot sale and forward purchase agreement with Romanian sovereign bonds, the total value of the financing raised amounting to EUR 44.65 million, for a 1-year period.

BCR's securities portfolio is structured on domestic and international markets. The domestic capital market portfolio comprises shares issued by the five financial investment companies listed on Bucharest Stock Exchange, shares listed at Tier I and Tier II on Bucharest Stock Exchange, structured on BET index, CNE Transelectrica shares listed on Tier I at Bucharest Stock Exchange, bonds issued by Alba-Iulia, Bacau, Deva, Herculane, Timisoara and Hunedoara municipalities, corporate bonds issued by BCR Leasing, Raiffeisen Bank, Finansbank, Pro-Credit Bank and International Leasing, fund units of the BCR Classic and BCR Dinamic open funds. The international capital market portfolio comprises Romanian sovereign bonds and bonds issued by CFR Marfa (without a sovereign guarantee) both listed on the Luxembourg Stock Exchange.

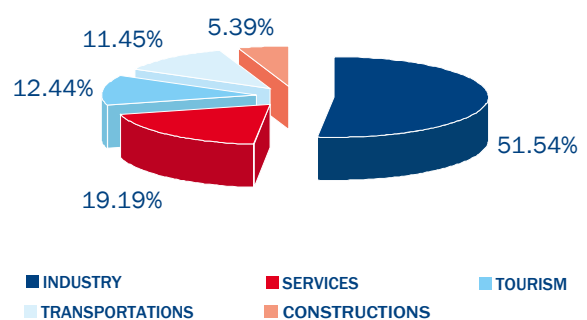
Moreover, 2006 represents an important step towards the reinforcement of BCR's relations with both the parent bank, ERSTE Bank Vienna, and the subsidiaries of ERSTE Bank Group.

Through the Financial business line BCR remains the most important partner of EBRD, IFC, European Union and of other domestic and international institutions, being involved in **88 structural financing projects** such as PHARE, SAPARD, ANOFM and RICOP, amounting to USD 5.4 billion.

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 four categories.

Within the program, 279 projects were identified amounting to EUR 39.4 million, of which 22 projects, amounting to EUR 3.8 million, in 2006 only.

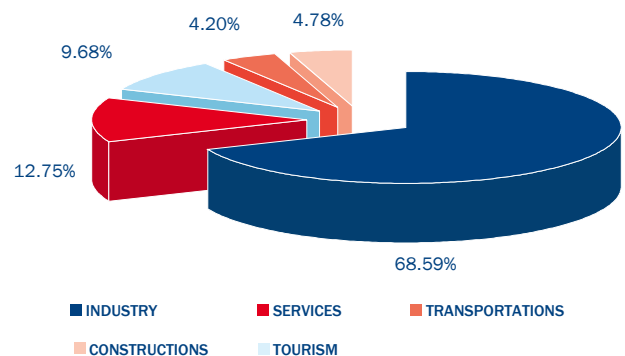
PHARE 2000
ECONOMIC AND SOCIAL COHESION
BREAKDOWN BY SECTORS



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 89 eligible projects were identified, amounting to EUR 12.24 million. In 2006, the Bank identified 9 projects amounting to EUR 0.65 million.

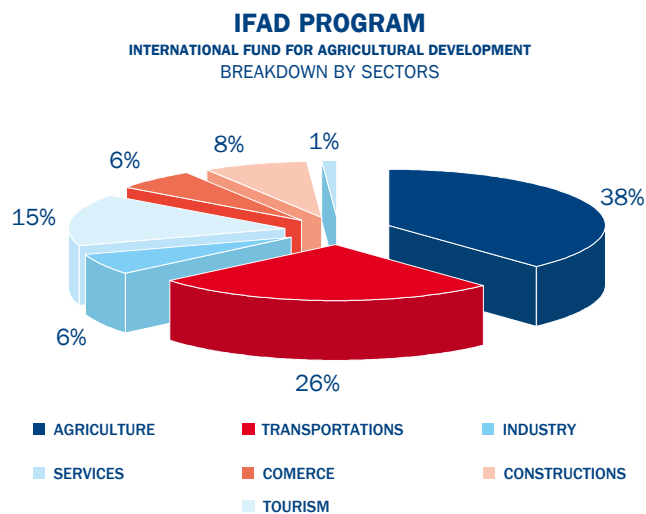
MARR FUND
SMEs FINANCING SCHEME
BREAKDOWN BY SECTORS



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 1,198 eligible projects were identified, amounting to USD 17.98 million, of which 822 projects were approved, in total amount of USD 13.36 million.

In 2006, the Bank identified 58 eligible projects, amounting to USD 2.3 million.

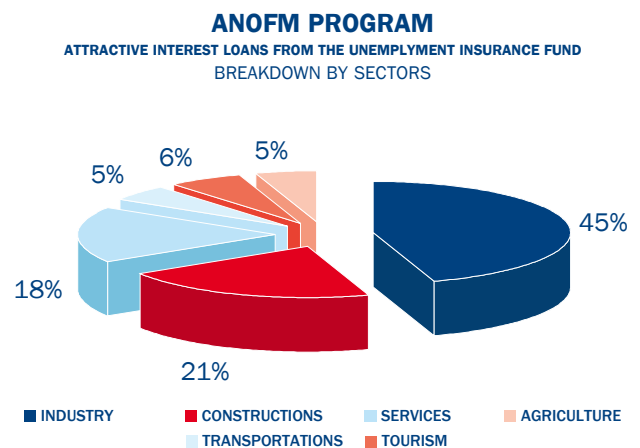


The ANOFM Program – attractive interest loans from the Unemployment Insurance Fund.

In 2005, BCR won the tender organised by the National Agency for Employment (ANOFM), being authorized, for the sixth 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 2006, the Bank identified 128 projects amounting to RON 26 million, of which 98 projects amounting to RON 19.50 million were approved.

In the 2001 – 2006 period, BCR has identified 4,972 projects in total amount of RON 575.7 million (EUR 170.2 million equivalent), of which 3,904 were approved, amounting to RON 403.3 million (EUR 119.2 million equivalent).



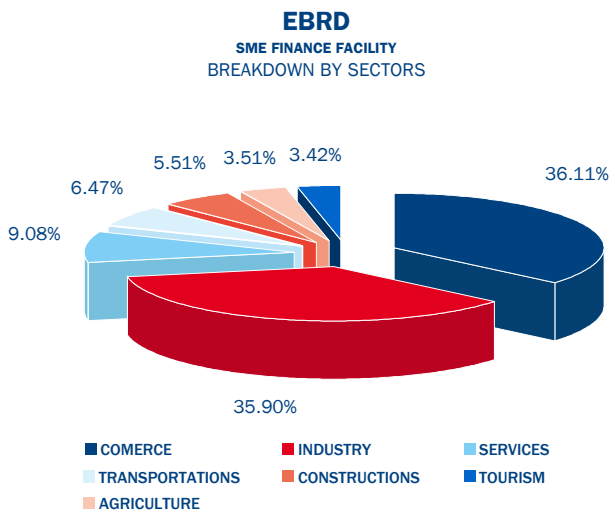
EBRD MORTGAGE LOANS

BCR and EBRD signed in November 2005 the second mortgage loan agreement in total amount of EUR 50 million, to support the enhancement of long-term lending for buying, constructing, renovating, repairing and/or re-mortgaging 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. In 2006, the A tranche of the EBRD loan, amounting to EUR 8 million, has been drawn and used integrally for granting mortgage loans. At December 31st, using the funds from EBRD loans, more than 6,100 mortgage loans have been granted by BCR in total amount of EUR 57.97 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.



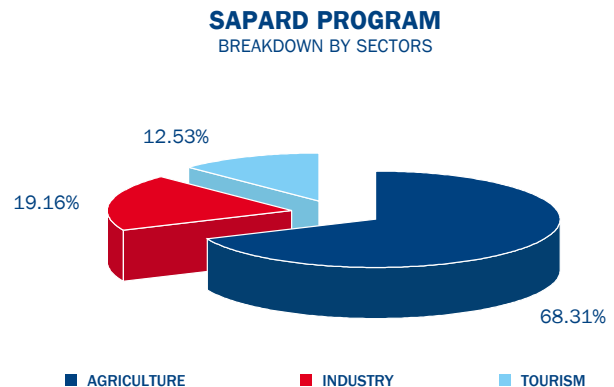
EBRD Small and Medium-sized Municipalities (SMM) Finance Facility

EBRD SMM Finance Facility, amounting to EUR 20 million, is a program for the medium and long term financing of the investment projects of the SMMs, their associations as well as of the companies providing facilities, which are owned and controlled by the local authorities.

The program is functional throughout the country, involving both the territorial units and Bank's Head Office. BCR attended tenders organised by the local authorities, winning financing for 14 projects amounting to EUR 11.35 million. Considering that the projects are in various implementation stages, the funds will be used as they are progressing.

EUR 7.25 million have been used by now for constructing/ extending/ rehabilitating the water supply, sewerage, gas, public lighting networks, roads' construction/ rehabilitation, municipal buildings' rehabilitation, dwellings' construction.

Regarding **SAPARD Program** (Support for pre-accession measures regarding the agricultural and rural development), BCR approved in 2006 a number of 630 SMEs investment projects amounting to EUR 283.08 million out of the EUR 1,072 million non-reimbursable funds received by Romania during the 2000-2006 period.



October – Fitch Ratings improves BCR's long term issuer default rating to A- from the BBB- rating granted in September 2006. Previously the rating was BB+. All the other ratings granted by Fitch remain the same.

Moody's Investors Service upgrades BCR's L/T foreign currency bank deposits rating to Baa3 from Ba2.

November – BCR launches a RON denominated bonds issuing of 2,000,000 bonds with the possibility to increase the volume up to 5,750,000. The bonds have a 3-year maturity, a fixed interest of 7.25% per year payable on a half annual basis and a face value of RON 100. BCR is authorised to list and deal the bonds on the Bucharest Stock Exchange and will use the funds raised for financing the current activity of the Bank. By November 22nd, the bond issuing is oversubscribed to 121.4%, the final amount raised reaching RON 242.82 million.

BCR signs the contract for an EUR 50 million long term loan granted by the European Investment Bank (EIB). BCR will use the loan for financing small and medium investment projects in areas such as energy, environment protection, infrastructure (including health, education, social dwellings), development of the economy based on knowledge, industry, services and tourism. Beneficiaries of the funds are

SMEs and municipalities meeting the eligibility criteria of EIB.

December - Capital Intelligence upgrades BCR's L/T foreign currency rating to BB+ (upgrade from BB-), the other ratings remaining unchanged.

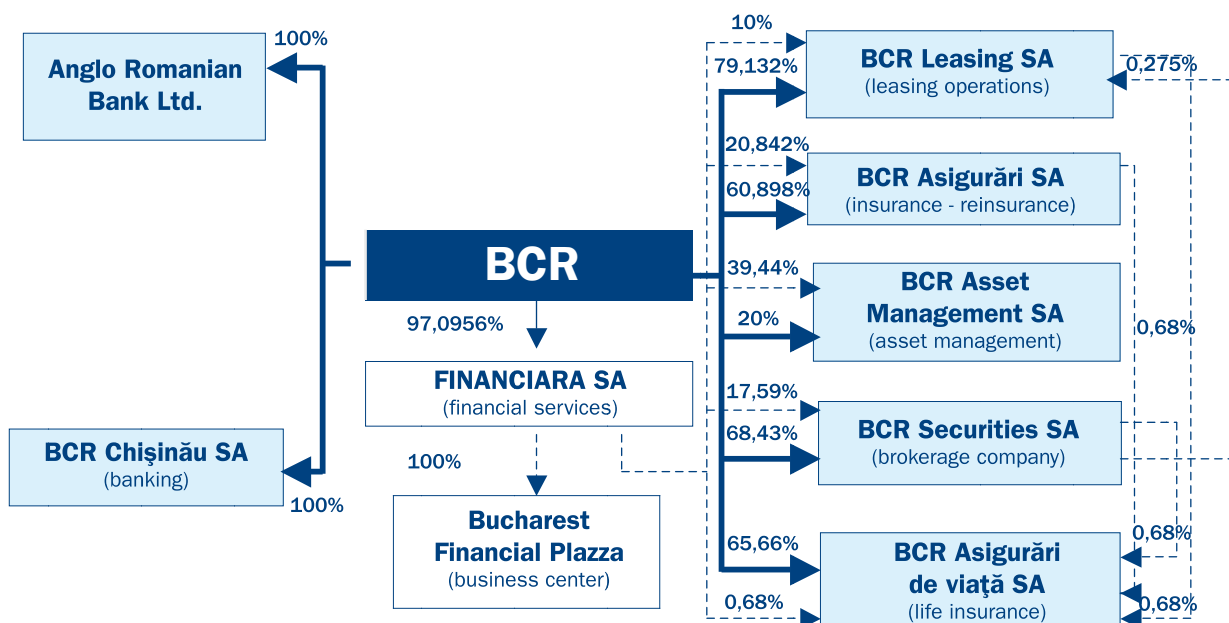
Subsidiaries

As a group, BCR continuously developed in time, truthful to its philosophy of being a financial “supermarket” that provides its customers with the whole range of financial products and services, so designed as to meet the most diversified requirements. The main purpose that drove BCR Group towards this goal was that a financial supermarket offers its customers convenience and efficiency, since their money is not being continually shifted from one institution to another.

For the institution as well, an all-encompassing relationship with the customers is more profitable than just handling one aspect of their financial needs. Furthermore, BCR Group constantly optimises its offer as to integrate the changes of the financial environment and to find the perfect match for customer requirements, according to its fundamental tenet of satisfying their

needs much better than any other competitor by taking advantage of its pioneering spirit and leadership position within the Romanian banking system.

The intra-group relationships are coordinated by the Financial functional line which manages the Bank’s investments in subsidiaries and other participations. The line ensures an effective cooperation within common projects, as well as the development of an integrated offer doubled by the extension of subsidiaries’ network, closely associated to the Bank’s network structure. As of December 31st 2006, the BCR Group had direct investments in a series of companies considered as subsidiaries, of which 6 are domestic companies and two are abroad-headquartered banks. Considering the 100% stake held by Financiară SA in Bucharest Financial Plaza, the Group comprises 9 subsidiaries:



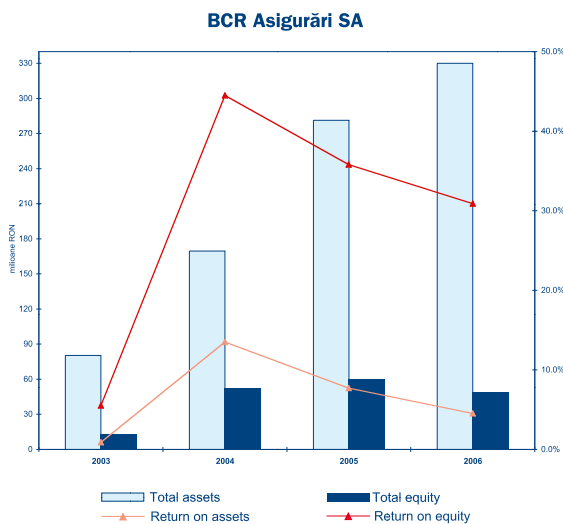
BCR Group structure as of December 31, 2006

The activity of the Financial functional line materialised in the outstanding achievements of BCR's subsidiaries, which increased their market shares and brought a significant contribution to the fulfilment of Group strategy and consolidated financial results.

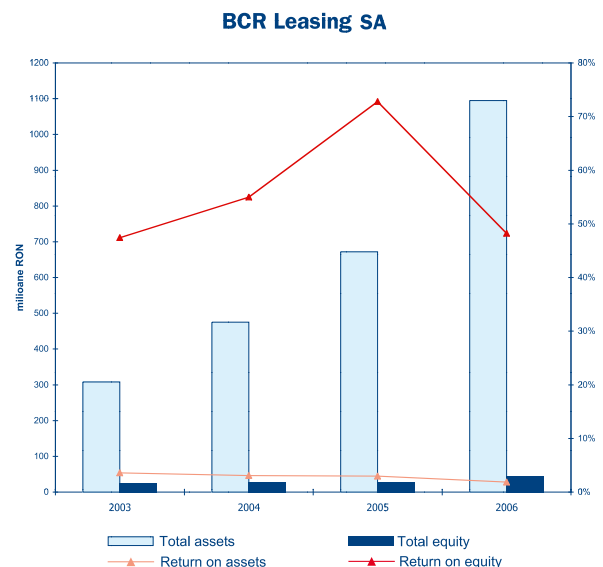
In 2006, the profitable activity of **BCR Asigurări** and its proactive approach towards optimisation of the subscribing activity and identification of complete solutions for meeting customers' requirements confirms the company's slogan: "Close to you". The insurance subsidiary, BCR Asigurări, transferred its life insurance portfolio to the newly established BCR Asigurări de Viață SA, focusing exclusively on general insurance sector. Despite this and the negative impact generated by the increase in the claims related to motor third party liability insurance and default risk, the company had an extraordinary development in 2006:

- While at the beginning the company's portfolio comprised 27 products for 12 general insurance categories, at present BCR Asigurari provides its customers with 83 products.
- The company further extended its branch network, reaching 168 operational units.
- BCR Asigurari was awarded the "Special Prize for the most significant growth – general insurance" by the Xprimm at the Insurance Market Awards Gala.

BCR Leasing, leader of the domestic leasing market celebrates 5 years of success, the ascending development trend being sustained by the dynamic sales' structuring, diversification of the financing offer, optimisation of the internal structure and the network enlargement. The core element of its strategy is customer focus combined with the concern for providing modern financing instruments, which are accessible for all Romanian consumers. The company successfully adapted to the new National Bank of Romania regulations, by conceiving new strategies, policies and norms, especially in the risk management and internal audit areas, the focus being on meeting customers' needs to a higher extent. The 2006 results are even more impressive consider-



- An increase of 93.4% of gross subscribed premiums, while the general insurance sector increased just by 29%.
- Ranked 4th in the general insurers top (after ranking 7th in the previous year) with a market share of 9.24% compared to 6.49% in 2005, reconfirming the constant ascending trend of the company and the professionalism and commitment of its specialists.



ing the accentuated dynamic of the legislation and the significant reconfiguration of the market players:

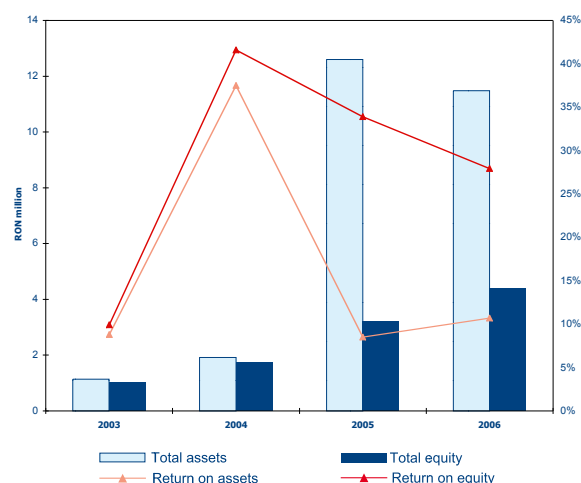
- In 2006, the company succeeded to increase its sales by 50% compared to the previous year.
- Reinforced its leadership position with a market share of 9.13% on the financial leasing market.
- BCR Leasing was awarded “The most admired leasing company” within 2006 Excellence in Leasing Awards Gala organised by Bucharest Business Week in cooperation with the Association of Leasing Companies from Romania and the Banking Leasing Association. This award confirms the outstanding results of the company in the first four months of the year.
- BCR Leasing is nominated among the best specialised companies in Europe, ranking 62nd out of 272 companies from 25 countries according to the LEASEUROPE Report 2005 prepared by the European Federation of Leasing Companies Associations. On products categories, BCR Leasing ranks on an excellent 31st position within car leasing market and on 39th within general vehicles leasing category in terms of the value of the signed contracts.

BCR Securities generated its income mainly through trading and analysis-development activities. The most significant aspects of the 2006 activity were:

- As of year-end 2006, the company ranked 9th in the top of financial investment companies, according to the Bucharest Stock Exchange trading volume, with a 3.25% market share.
- The company is the undisputable leader on IPOs market for municipal bond, with an outstanding market share of 94.46%. Between 2001 and 2006, BCR Securities ranked 1st with respect to the intermediated municipal bond issuing, with an outstanding market share of 70.54%.

- In June, BCR signs a new premiere on the Romanian capital market with the Timișoara bonds, the largest bond-secured loan of a local administration amounting to RON 150 million. BCR and BCR Securities won the tender for the intermediation and distribution of the municipal bonds issuing made by the Timișoara City Hall. Besides being the largest, this is the most comprehensive financing raised by a municipality on the Romanian market, making BCR Group the undisputable leader of the Romanian municipal bonds market, with a volume of intermediated issuing amounting to RON 85 million, that is a market share of about 70%.
- Development of the sales force and upgrade of the technical endowment.
- The establishment of a network of delegated agents in Cluj, Vâlcea, Constanța, Prahova, Dolj and Bihor counties.

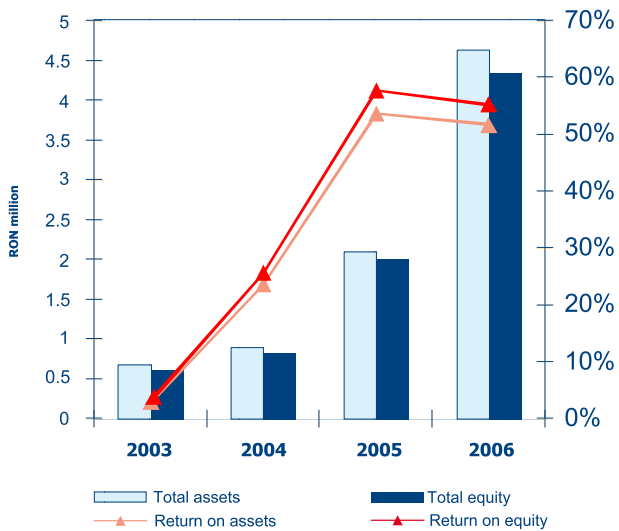
BCR Securities SA



BCR Asset Management pursued its strategy of maximising the yields of the three managed open investment funds (BCR Dinamic, BCR Clasic and BCR Expert), recording impressive results:

- The managed assets increased by 56% compared to 2005, reaching RON 106.168 million.
- The company ranked 1st on the open investment funds market in terms of managed assets, with a market share of 16.77%.
- BCR Asset Management was awarded the Best Investment Administration Company by the Piata Financiara magazine.

BCR Asset Management SA



BCR Asigurări de Viață started its operational activity in January 2006. At the end of August the company took over the life insurance portfolio from BCR Asigurări. The company reported profit which is an impressive result for a life insurance company in its first year of activity.

BCR Asigurări de Viață developed rapidly its activities by launching life insurance products, increased its sales force and extended its branch network which reached 33 units at year-end. It also ranked 8th on the life insurance market with a 4.4% market share. The company extended its core activity and submitted to the Supervisory Commission of Private Pensions System the documentation required for obtaining the endorsement to manage private pensions funds.

Furthermore, BCR Asigurări de Viață was awarded the “Special Prize for the most significant growth – life insurance” by Xprimm, at the Insurance Market Awards Gala.

Operations

January – BCR implements the new SIBCOR 2000 V2 IT platform in 171 units that were previously using the SIBCOR 99 platform. At the implementation date the roll-out, documentation, user training and data conversion stages are in progress and the functional testing sub-stage is completed.

BCR provides therefore its customers with electronic banking services such as Multicash and e-BCR based on an Omikron Company solution. Besides standard operations incorporated within Omikron modules, such as current account statements, RON/FX denominated payment orders sent to the bank, RON/FX transfers, Treasury Division financial-banking news, the bank extended its applications so as to provide customers with open term deposits, allow them to carry out FX operations or purchase/redeem discounted certificates of deposit.

BCR acquires a module of Multicash system, named Smartoffice, an upgrade of the current e-BCR, thus providing its customers with the most modern and comprehensive product of this kind on the Romanian market. This very accessible product offers an easy interactive interface with the bank for carrying out various remote operations, meeting at the same time all customer requirements for security, selection of the access/signing manner for the performed operations, setting the user rights regarding the accounts, account statements, modules, amount limits etc.

The Supervisory Board of BCR approves the intended measures for the achievement of the established plans regarding the property portfolio optimisation, namely the sale or rental of certain buildings owned by the bank. The main objective of these actions is to reduce the weight of buildings and land in equity.

March – BCR improves on the procedure regarding offer selection by introducing specific notions and criteria to insure the purchase of competitive services in terms of price and quality in such areas as the security of the bank's precincts, materials and inventories and outlets design.

May – BCR completes the implementation of SIBCOR 2000 V2 IT platform in the entire branch network. The new IT platform is especially designed to enhance the bank's ability to respond better and much faster to customers' requirements. It is 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 adequate and efficient decision-making process with positive consequences for customers. SIBCOR 2000 V2 is the most significant in house system ever conceived in Romania and an outstanding success for BCR.

August - After completing the implementation of the SIBCOR 2000 V2 IT platform in the entire branch network at the end of May, the bank successfully completes the system's implementation in the Head Office. This represents an important stage aimed to ensure a homogenous activity. Starting with this point, the old IT application is fully replaced and all activities are carried out in the same manner at both Head Office and branch network level.

In order to improve the management of the IT activity in the entire bank and to optimise the operational activities in branches, the IT processes are centralised at regional level. The regions are the 40 counties of Romania, the six districts of Bucharest and one additional region headed by the largest branch of Bucharest, namely Unirea branch. The centralisation consists in removing the IT positions from branches, revising the tasks associated to the IT system and IT department, modifying accordingly the organisational chart for branches and agencies, including the System Administrator job within the Operating System and Network Administrator category, reducing the number of the IT jobs in branches and re-allocating them in the retail and business area and subordinating the personnel from the newly established department to the area managers from the IT Division.

November – In order to align to the Erste Bank Group standards regarding the budgeting process, improvement of the support for management and

business lines, BCR introduces the financial controlling for projects and initiatives. For accomplishing this goal the Controlling Division is established, its main responsibilities being organisation, steering and management of the budgeting, forecasting, drafting business plan processes, computing, analysing and reporting the profitability by business lines, branches, products, customer segments, customers and comparing it with their budget and forecasts, controlling for projects and initiatives. The newly established

division comprises Controlling of Costs and Projects, Planning and Controlling Business Lines and Management Information System & Systems Departments.

December – At the request of the National Bank of Romania, BCR introduces the new chart of accounts, the process being carried out rapidly and without any adverse implications on the continuity and efficiency of the bank's activity.

Risk management

March – Compliance with the international laws, regulations and standards applicable to the banking industry is an essential and efficient mean of continuing to nurture integrity and honesty as core values of BCR. With this purpose, BCR enforces a new procedure for Anti-money Laundering (AML) and Combating Financing of Terrorism (CFT). The procedure is a complement to the AML law and also introduces a series of measures aimed to combat financing of terrorism. As a consequence:

- the management of data and information about customers regarding AML and CFT is ensured in confidentiality conditions;
- the express provision of banks' responsibility to proceed to customer's identification not only at the initiation of business or when there is information about the intention to launder money or finance terrorism, but also when there is a suspicion in this way; and
- the provision of banks' duty to gather information for establishing the real identity of the person on behalf of or on whose interest the representatives are acting.

A new position, **operational risk and compliance analyst**, is set-up in BCR, replacing the current positions of operational risk analyst and compliance officer and taking over their tasks. The decision is in accordance with the Basel II Agreement which establishes the framework for managing operational risk along with a series of requirements for its identification, assessment, monitoring and notification. Thus, by joining the two positions, the management of the operational risk is ensured in a unitary, more efficient way.

July – Within the permanent efforts for dealing with banking supervision related issues and for improving the healthy practices of the organisations acting in the banking sector, the Basel Committee issued the standard regarding the compliance risk and the compliance function, "Compliance and Compliance function in banks – 2005". Considering the 5th Principle of the document, according to which the independence

of the compliance function involves drafting a formal charter within the Bank, the Compliance Unit in cooperation with other divisions of the Bank drafted the Charter of the Compliance Function. The charter deals with the following aspects:

- role and responsibilities of the compliance function;
- measures for ensuring the independence of the compliance function;
- relation with other risk management functions and internal audit function;
- allocation of the compliance function's responsibilities;
- the right to get access to the necessary information for carrying out the activity;
- the right to conduct investigations regarding possible infringements of the compliance policy and to nominate outside experts for solving such situations;
- the right to freely express and to report to the top management of the Bank.

The enforcement of the charter of the Compliance Function enables the enlargement of its responsibility through the administration of new areas such as the professional conduct, the conflict of interests, corporate social responsibilities, at the same time taking over some compliance related activities administered by other functional entities from the Head Office: code of conduct management, internal and external fraud, solving petitions and complaints.

BCR modifies the procedure regarding the administration of corporate loans which is to be applied by the units where the Corporate Optimisation Project is implemented. Therefore, the level from which the corporate loans are subject to the administration process changes. In order to comply with the definition given by the provisions of Basel II for bad loans, the debt service period from which a loan is categorised as bad loan modifies from 60 to 90 days.

September – BCR introduces new criteria for including the balance sheet loans in the administration stage. Accordingly, any loan qualifying for any of the following conditions will enter the administration process:

- loans with one or more instalments or the related interests overdue in excess of 90 days;
- loans in the balance sheet, but whose owners also have off balance sheet debts;
- rescheduled and reactivated loans;
- loans granted to customers who enter legal restructuring;
- bad loans identified subsequent to the application of criteria catalogue.

In order to improve the sole debtors' monitoring process, BCR made a series of upgrades to its Sibcor ap-

plication as to include an online process for computing each sole debtor's exposure. The credit monitoring application will also be updated with new business requirements and will include information related to the exposure towards a customer/sole debtor who benefits solely of guarantee agreements, to retail customers and exposures recorded at Head Office level (shares, bonds, cards etc.).

October – In order to improve the efficiency of its activity, BCR transfers the custody activity regarding securities traded on the domestic capital market and open investment funds' participation titles owned by the Bank from the Capital Markets and Group Management Division to the General Back Office Division.
